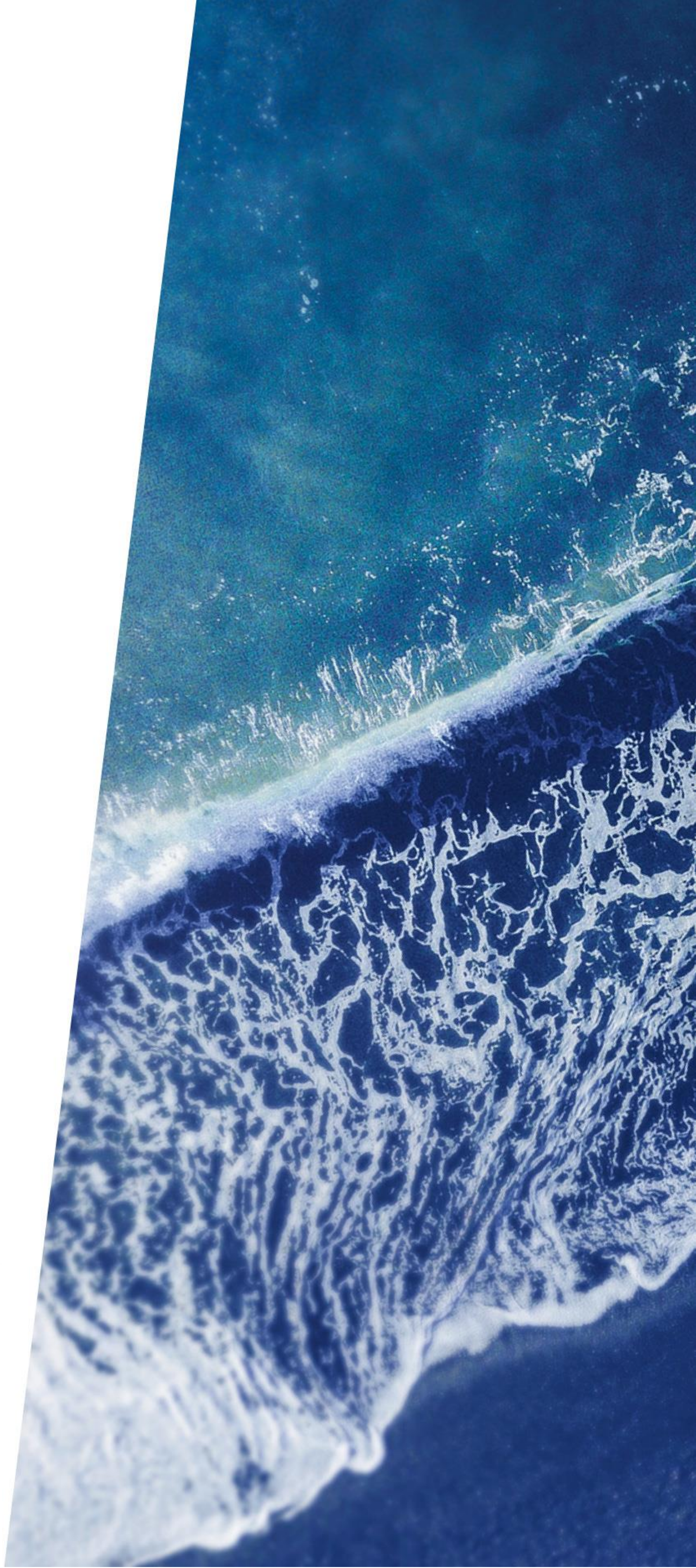
Arion Bank

AT1 roadshow

14-18 February 2020

Table of contents

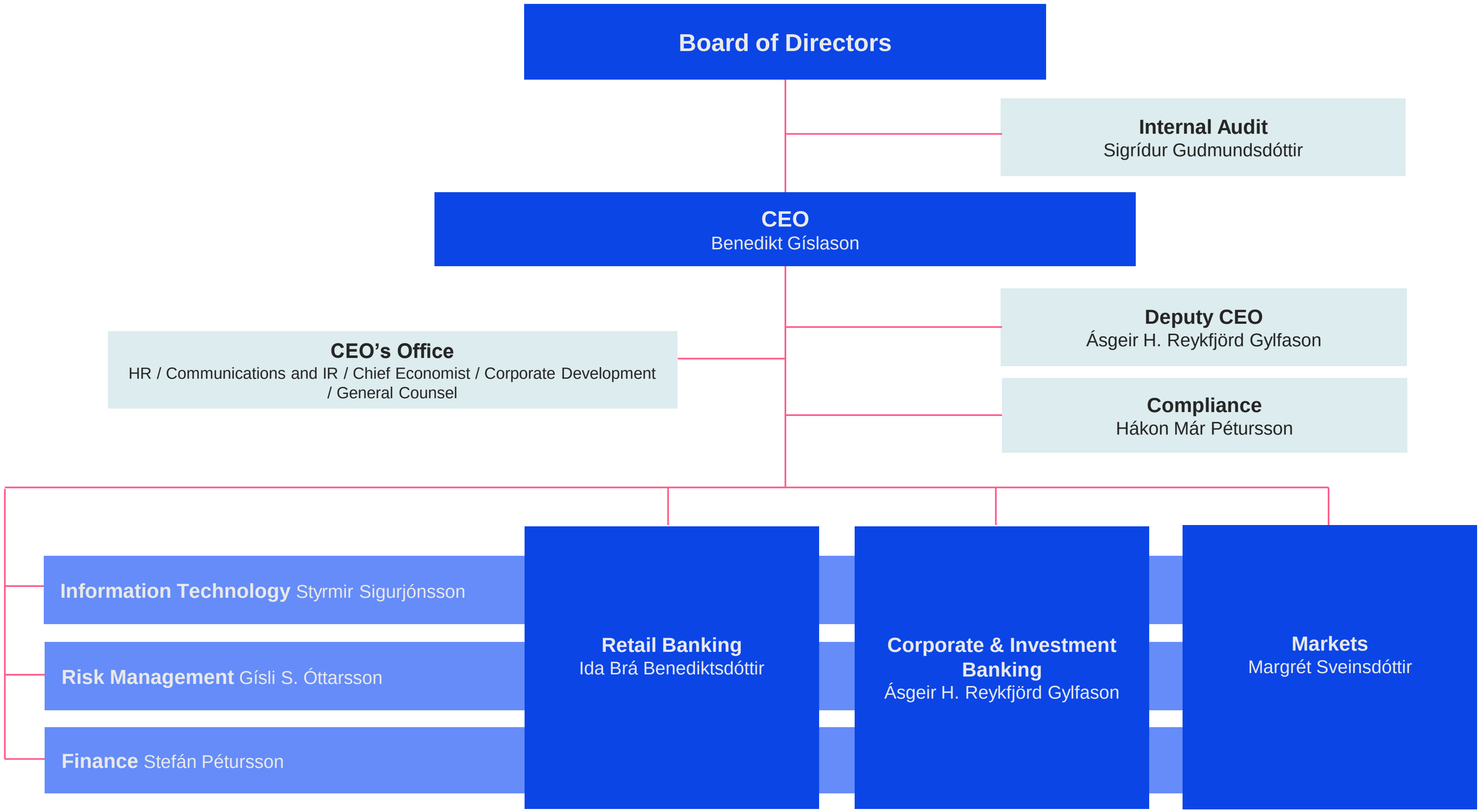


Highlights of the year 2019

- Arion Bank is on a new trajectory after having undergone significant management and organizational changes and improvement measures in Q3
- Earnings from continuing operations are ISK 14 billion and improve significantly. ROE from continuing operations improves YoY from 4.3% to 7.2%
- Negative developments in businesses held for sale, reduce net earnings to ISK 1 billion but are not reflective of future performance
- The balance sheet was decreased in a tactical manner
- Return on assets under management was very good and the Bank has retained its number one position in equities trading for the 4th year in a row
- The Bank has substantial surplus capital which allows it to pay a dividend of ISK 10.0 billion. This corresponds to a dividend yield of 6.4% on market cap year end
- The Bank adopted a new environmental strategy and will put increased emphasis on such matters both in operations and lending

New organizational structure

Introduced in Q3 2019



Arion Bank Group

Diversified business model and strong market position

Retail Banking

- Digital leader in the retail market
- Large private provider of residential mortgages in Iceland
- ~ 29% market share[1]
- Wide range of financial services for individuals and SMEs[2]

CIB

- Corporate banking and strategic advisory
- Use of own capital and increased capital market intermediation
- Managed c. 2/3 of all IPOs in Iceland since 2011

Markets

- Largest asset manager in the Icelandic market
- A leading capital markets house
- Largest custody service provider in Iceland

STEFNIR

Arion Bank's subsidiary **Stefnir** is a leading fund management company in Iceland

ROE for 2019: 38.6%

Insurance

- The Bank's subsidiary Vördur is the largest life insurance and the 4th largest universal insurance company in Iceland
- Has been a growing contributor to Arion Bank's operating income mix in the last three years
- ROE for 2019: 24.9%

vörður

Business profile:

	Retail Banking	CIB	Markets
Client lending	ISK 470 billion	ISK 303 billion	-
RWA allocation	ISK 266 billion	ISK 324 billion	ISK 14.4 billion
Assets under Management	-	-	ISK 1,013 billion

VALITOR

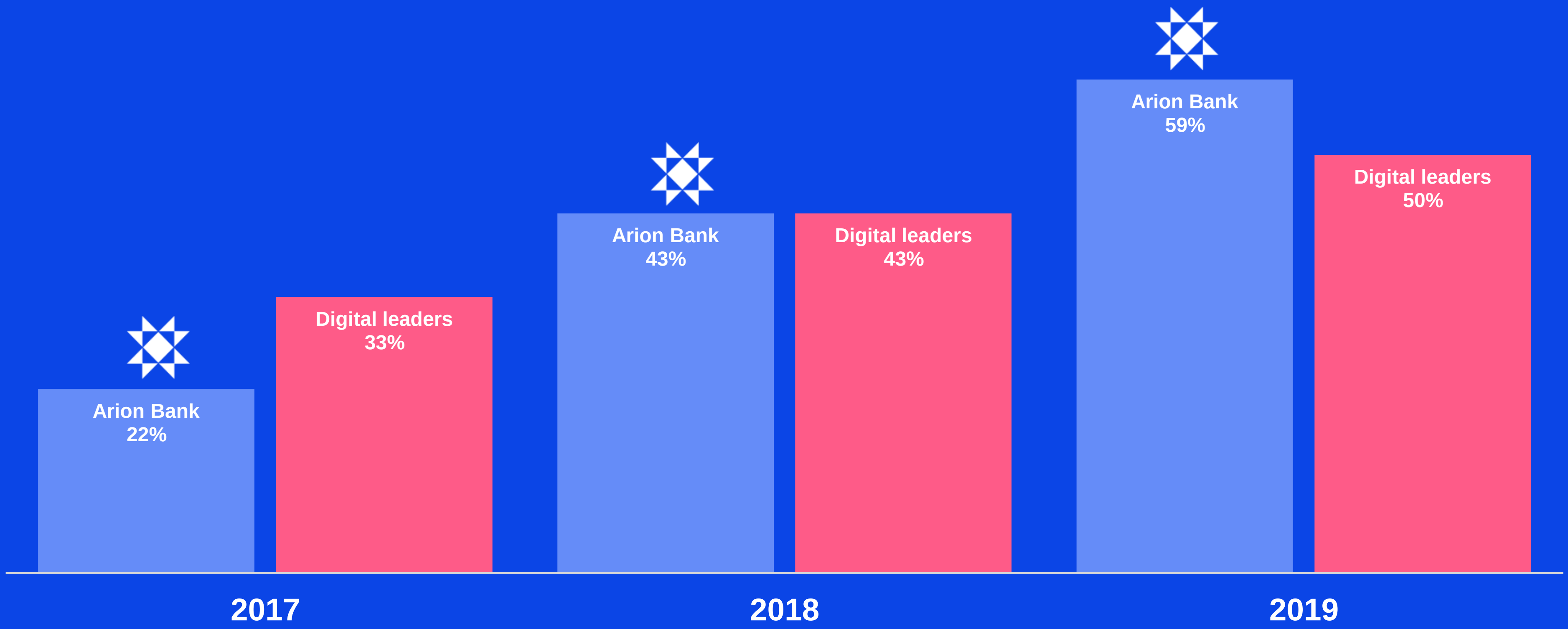
- Largest card payments company in Iceland based on operating revenues[3]
- **Valitor is currently in a sales process** and defined as held for sale in the accounts

1. Capacent. Based on monthly customer survey (individuals), year end 2019. Q: What is your main retail bank?
2. 31.12.2019 including subsidiary Stefnir
3. Based on 2018 annual accounts (Valitor, Borgun and Kortaþjónustustan)

The subsidiaries (Vördur, Stefnir and Valitor) are independent entities regulated by the FME. Arion Bank exercises ownership through strategy and board memberships.

World leader in digital sales

Digital sales as % of total sales - Arion Bank compared to international digital leaders



Finalta reports 2017, 2018 and 2019

Building long-term shareholder value

Customer focus with efficient use of capital

Reduce cost of capital

- Share buy-back program
- Group capital and funding optimization
- Reduce operating leverage
- Reduce earnings volatility through long term client relationships and disciplined capital allocation
  - Increased co-investment strategy through syndication and intermediation
- Transparency around business plan and asset quality

Increase cash flows

- Enhance product / client ownership and responsibility and improve cost transparency
- Cutting costs / improve margins
- Cut assets / products that have ongoing and foreseeable sub-par returns
- Disciplined capital allocation towards higher ROE / growth products & clients
- Leveraging partnerships for infrastructure costs

Enhance equity story

- Strengthen and build on existing competitive advantages
- Reinforce long-term client relationships through best-in class products and services
- Digital solutions at the core of all activities
- Leveraging partnerships in Fintech
- Increase capital turnover
- Building a winning team
- Sustainable long-term values

Arion Bank is committed to its medium-term targets

New revenue target introduced and loan growth target amended

Return on Equity

Exceed **10%**

Revenues / RWA's

Exceed **6.5%**

Cost to Income Ratio

Reduce to **circa 50%**

Loan growth

The loan book will grow in line with economic growth. However, the corporate loan book will continue to decrease at the current rate over the next few quarters as non-core portfolio is reduced

CET1 Ratio (Subject to regulatory requirements)

Reduce to **circa 17%**

Dividend Policy / Share buy-back

Pay-out ratio of approximately 50% of net earnings attributable to shareholders through either dividends or buy-back of the Bank's shares or a combination of both. Additional distributions will be considered when Arion Bank's capital levels are above the minimum requirements set by the regulators in addition to the Bank's management buffer

The road to sustainable +10% ROE [1]

Release of CET1 plays a fundamental role

Reported 0.6% ROE 2019

Underlying ~5.5% ROE

- Discontinued operation excluded and impairments normalized to 30 bps of loans to customers [2]

- **Exit from non-core assets, primarily on the corporate side, that are not yielding acceptable returns**

- **Capital release to the 17% CET1 target [3]**
  - Surplus capital
  - Issuance of Tier 2 and AT1
  - Share buy-back and dividend payments

- **Increased revenues from RWAs**
  - New target of 6.5% for the Bank, an increase from 5-6% in recent years
  - Result of more capital velocity, higher margins and fee generation

- **Cost to income to reach target of < 50%**
  - Structural changes to support more efficient operation and continued focus on digitalization, both in front line and support functions
  - Decrease in number of FTE's in Q3 2019 the first step on the road

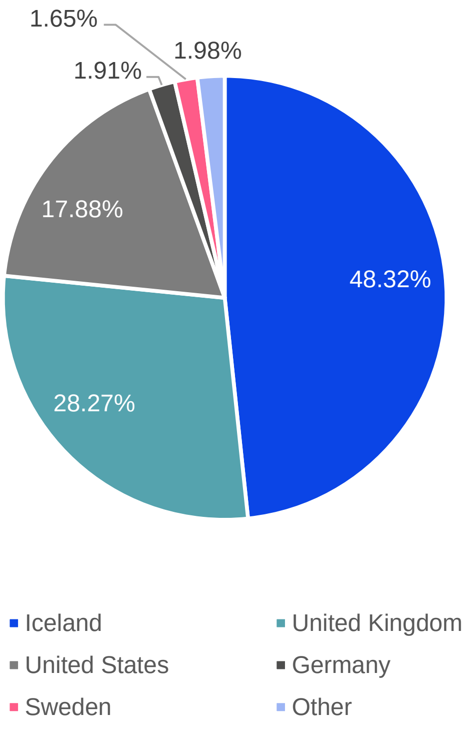
>10.0% ROE

1. Bars in chart are illustrative and not to scale
2. 30 bps. impairments on loan book are based on average cost of risk from Risk models
3. Subject to regulatory approval, market conditions and other factors

A well diversified ownership

More than 6,500 shareholders

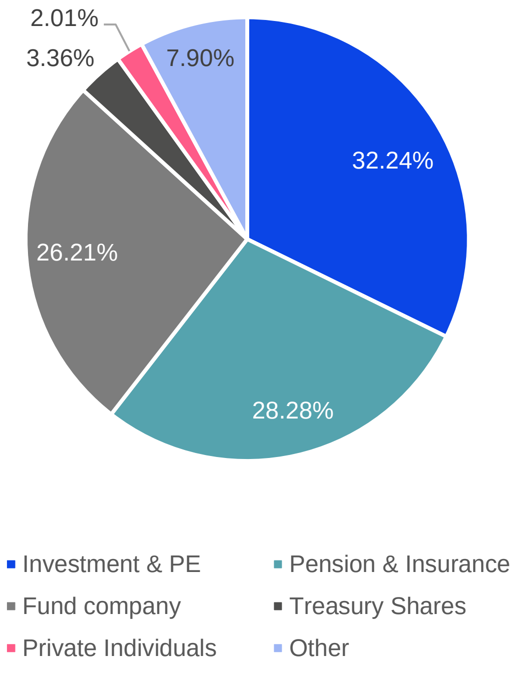
Ownership distribution by country



Top 10 largest shareholders

Taconic Capital Advisors UK LLP	23.5%
Sculptor Capital Management	9.5%
Gildi Pension Fund	8.8%
Stoðir Hf.	5.0%
Lansdowne Partners	4.2%
Live Pension Fund	3.9%
Goldman Sachs International	3.7%
Arion Banki Hf.	3.6%
LSR Pension Fund	3.5%
Eaton Vance	3.2%

Ownership distribution by type



Sources: Nasdaq CSD, Euroclear and Morningstar (12 February 2020)

Macroeconomic environment

Iceland is focused on sustainability
- Committed to being carbon neutral by 2040

- Iceland ranks at the forefront when it comes to share of renewables in energy consumption, mostly through hydro and geothermal energy
- The second largest export industry in Iceland is fisheries. Most of the fisheries have MSC certification which supports eco-friendly fishing, stock strength and responsible and sustainable fisheries management
- The Icelandic population has grown by 9.5% in the last five years which equals an annual growth rate of 1.8%.
- Iceland is committed to being carbon neutral by 2040 according to government announcement

Gender equality world rank 2019	1
Global peace index rank 2018	1
Democracy index world rank 2018	2
Life expectancy world rank 2020	10

1946
Member of United Nations

1948
OECD founding member

1949
NATO founding member

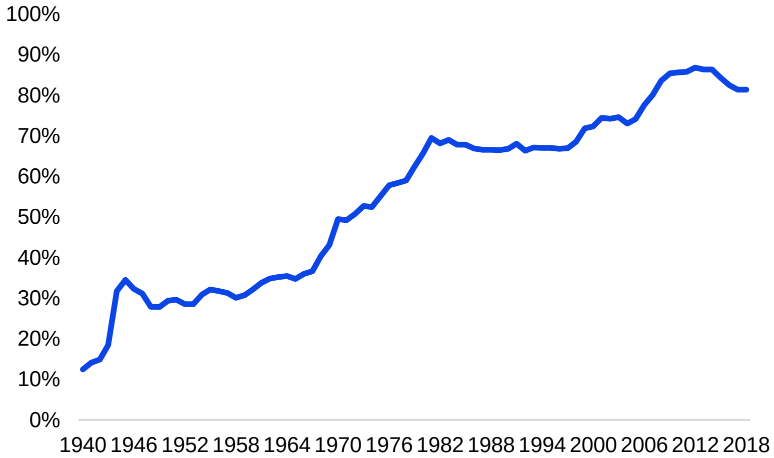
1994
Access to European Economic Area (EEA)

2015
Iceland becomes a signatory to the Paris Agreement

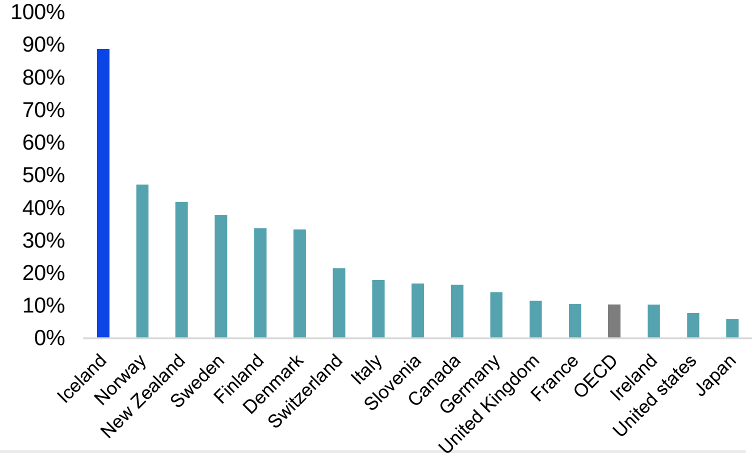
2018
Iceland prioritizes 65 UN sustainable development goals

2018
Government climate action plan launched for 2018-2030

Iceland: Share of Renewables in Primary Energy Use 1940-2018



Contribution of renewables to energy supply in selected OECD countries 2018



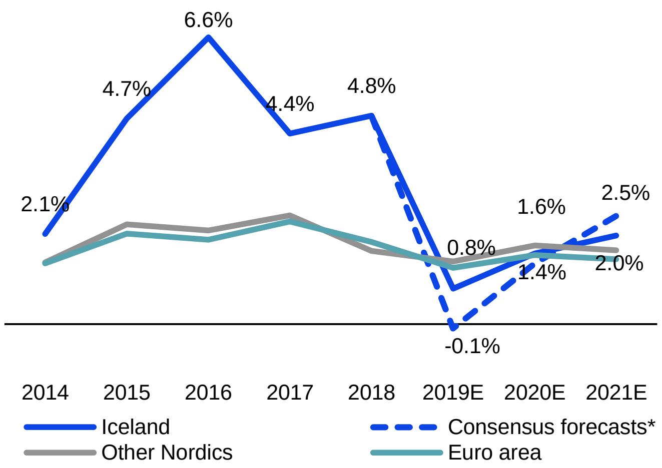
Source: Statistics Iceland, United Nations, IMF, The World Factbook, The World Economic Forum, The Institute of Economics and Peace
1 Based on real GDP national currency. Ireland 2015 GDP growth is in excess of 26% when including overseas companies in value of corporate sector.
2. Isavia 3. Defined as export if the industry is a source of foreign currency income

Soft landing, slow takeoff

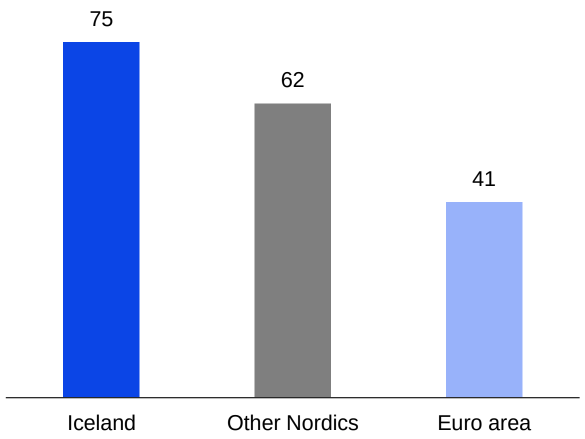
GDP growth measured 0.2% in the first nine months of 2019, indicating milder slowdown than expected

- Despite falling exports the contribution of foreign trade to GDP growth is positive due to an even larger drop in imports. This development has played a key role in sustaining GDP growth
- Even though most expect a softer landing than before, the outlook for 2020 has deteriorated due to slower growth in the country's main export sectors. However, GDP per capita will remain high
- The economy is well equipped to handle a slow down, with the monetary policy having already lowered interest rates by 150 bps.
- The proposed fiscal easing sides with the monetary policy, further softening the blow to the economy
- Consumption, both private and public, is expected to drive GDP growth in 2020

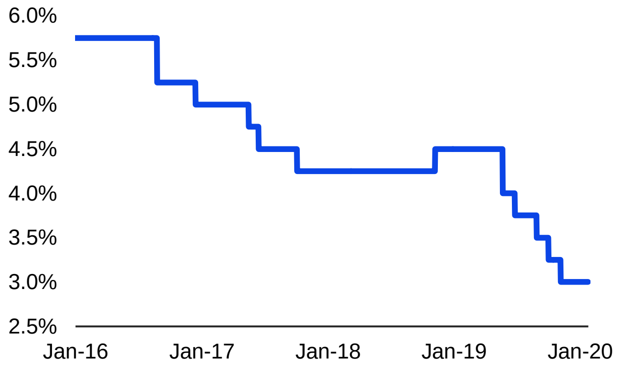
GDP growth



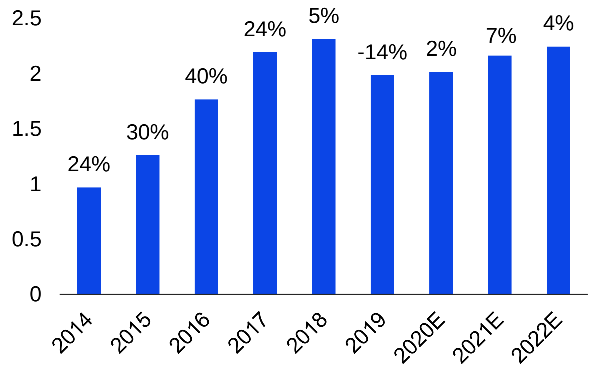
GDP per capita in 2018 (USD thousands)



Key interest rate – seven-day term deposit rate



Tourist arrivals via KEF airport (millions and YoY growth)



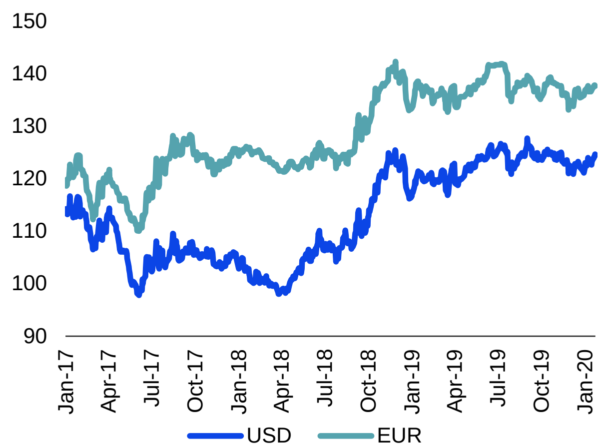
Sources: Icelandic Tourist Board, CBI, Statistics Iceland, Arion Research, IMF. * Domestic analysts

Unemployment expected to peak in 2020

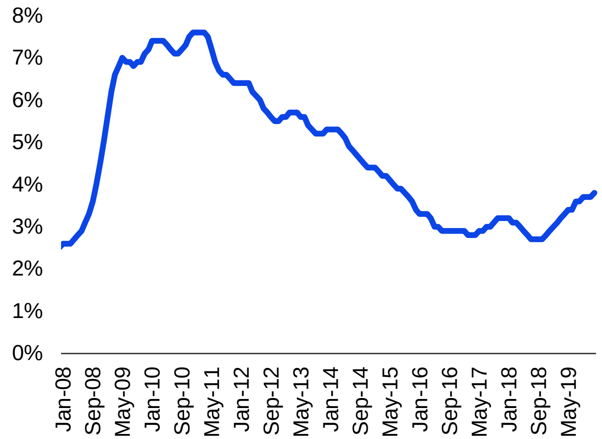
Economic adjustment through the labor market, not the price level

- Much larger drop in imports than anticipated and slower outflow into foreign assets supported the ISK in Q4, contributing to the modest appreciation.
- In former economic cycles the ISK has worked like a reset button for the economy, depreciating sharply when the export sectors have struggled causing inflation to spike.
- This time, however, inflation has remained low and is expected to stay below the CBI's inflation target in the coming months, largely due to the stable ISK.
- Collective wage agreements in April coincided with a softer economic outlook and reduced uncertainty in the economy.
- Reduced uncertainty is reflected in the payment card turnover, which has been showing positive signs in recent months.
- Although unemployment has continued to increase the climb hasn't been as steep as many feared. Unemployment is expected to peak in 2020.

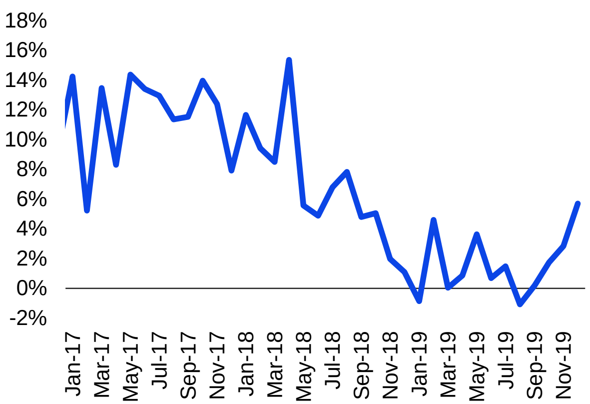
The ISK against major trade currencies



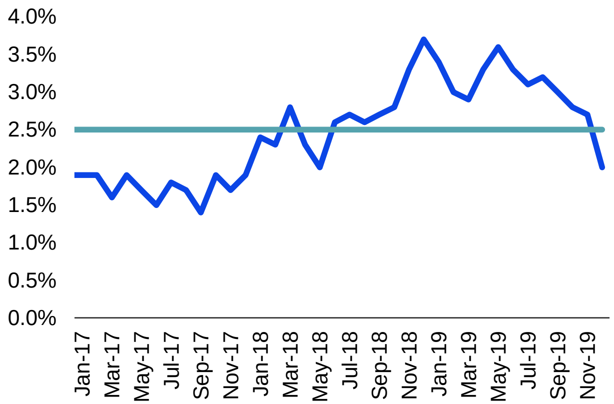
Unemployment– seasonally adjusted trend



Total payment card turnover



Inflation and inflation target



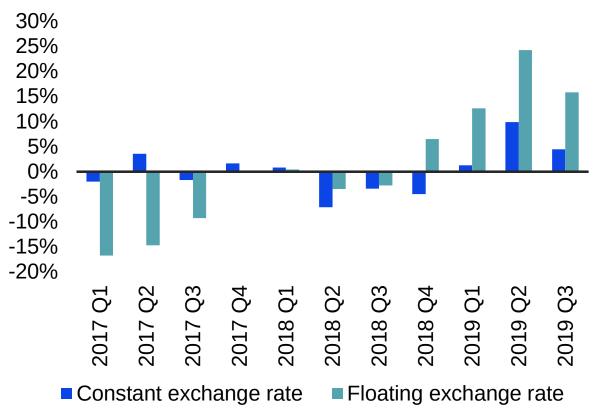
Sources: CBI, Statistics Iceland, Arion Research

Strong foundations

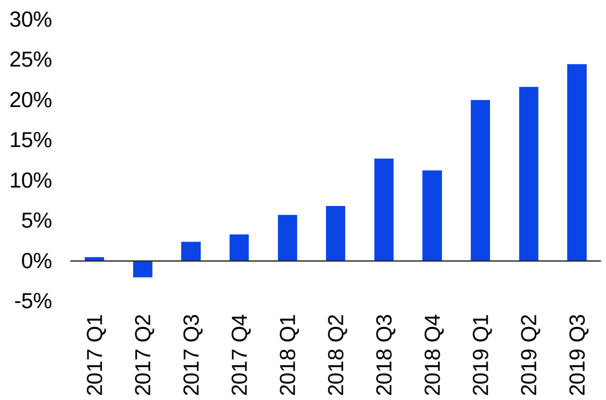
The export sectors, especially tourism, have proved to be resilient in the face of adversity

- Since WOW air's bankruptcy, spending per tourist has increased significantly, both in ISK and FX.
- A plausible explanation for this development is that each tourist is staying for longer, on average, than before.
- The drop in total overnight stays is mainly due to unlisted accommodation while hotels have mostly held their ground.
- The recent tourism figures are extremely positive for Icelandic tourism and the economy as a whole.
- The economy is well equipped to handle a short recession, with a positive net external position and historically low debt levels, both in the private and public sector.
- Recent economic development, coupled with monetary easing, has contributed to long-term ISK yields coming down and the Icelandic housing market holding its ground.

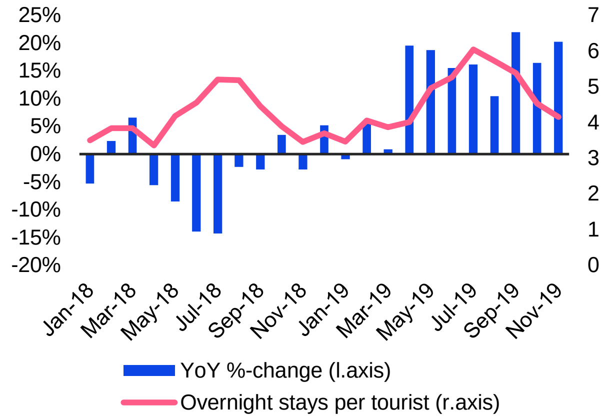
Consumption per tourist - YoY %-change



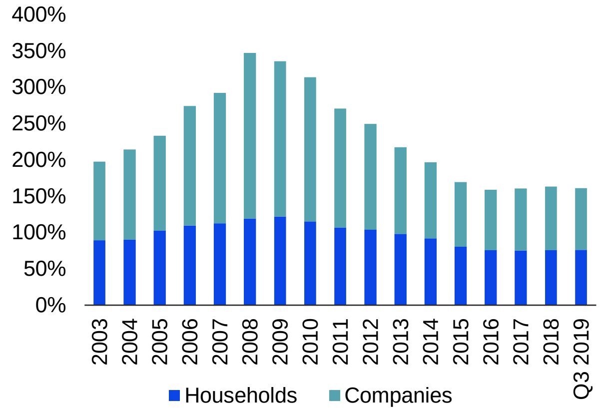
Net international investment position - % of GDP



Total overnight stays per tourist



Household and non-financial corporate debt - % of GDP



Sources: CBI, Centre for Retail Studies, Statistics Iceland, Arion Research

Arion Bank focuses on sustainable and responsible banking

International and domestic commitments

- A founding signatory of the **UN PRB** and will strategically align its business with the **Sustainable Development Goals** and the **Paris Agreement** on Climate Change
- UN Principles for Responsible Investment, **UN PRI**
- UN **Global Compact**
- Festa and City of Reykjavík's **Declaration on Climate Change**

Arion Bank's Environment and Climate Policy

- Set in December 2019
- Contribute to Iceland's efforts to meet its **international agreements**
- Focus on financing projects on **sustainable development and green infrastructure**
- We will **evaluate our loan portfolio** according to green criteria, set ambitious targets and adopt a policy on loans to individual sectors **and evaluate our suppliers**

Gender Equality

- First bank in Iceland to gain the **equal pay symbol** from the Ministry of Welfare
- **UN Women and UN Global Compact** Women's Empowerment Principles
- **Albright:** In **25th place** out of 333 listed companies in Sweden which are setting a good example in terms of **gender diversity in management teams and at board level**

Corporate Governance

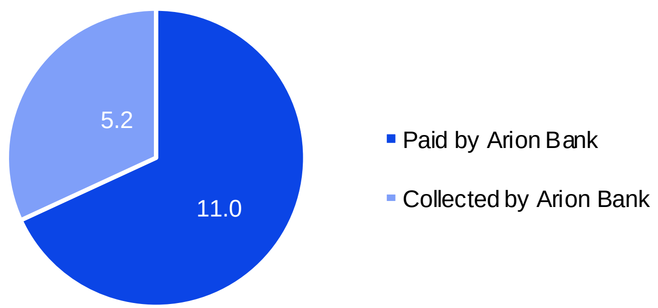
- Center for Corporate Governance's recognition of **Excellence in corporate governance**
- Since 2015 Arion Bank has been recognized as a company which has achieved excellence in corporate governance following a formal assessment based on **guidelines on corporate governance issued by the Icelandic Chamber of Commerce**

Reporting and rating

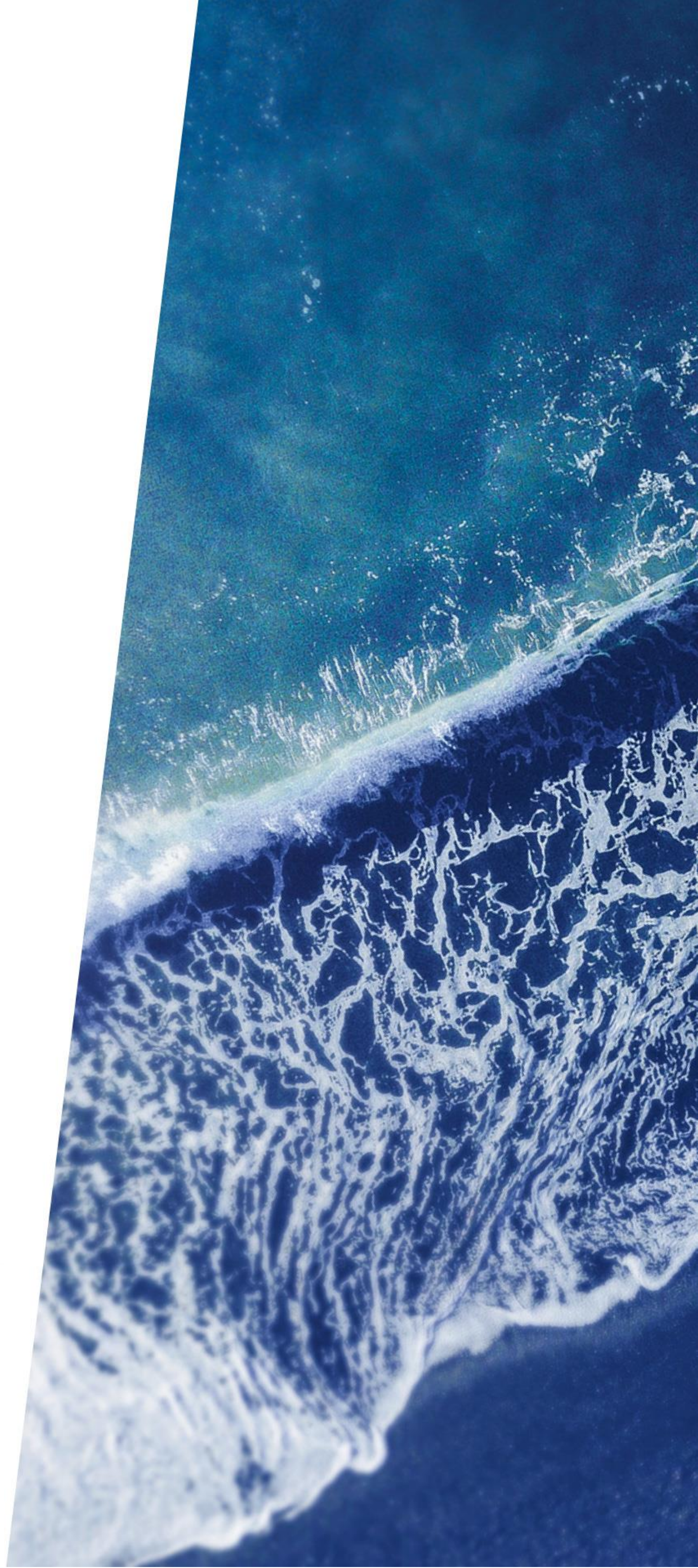
- Global Reporting Initiative standard, **GRI Core**
- **ESG reporting guide** for the Nasdaq Nordic and Baltic exchanges
- UN Global Compact **progress report**
- UN **sustainable development goals**
- Sustainalytics **ESG rating**

Tax footprint 2019 (ISK bn)

Arion Bank's (parent company) total tax contribution in 2019 amounted to ISK 16.2 billion which equals around 2% of the government's total income in 2018



Financials



Highlights of the fourth quarter 2019

Arion Bank's revised strategy and organizational changes are already showing results as earnings from continuing operations continue to improve, yielding 10.8% ROE in Q4

- NIM improves to 3%
- OPEX trends lower on the back of actions in Q3
- Revenues/RWA's at 6.4% in Q4

Robust balance sheet management lowers RWA's, funding costs and bank levy

- Sale of a ISK 48 billion mortgage portfolio to the Housing Financing Fund completed and the corresponding prepayment of legacy covered bond series
- Buy-back of outstanding senior bonds maturing in 2020
- Share buy-back initiated in October

Developments in discontinued operations of ISK 8 billion results in negative net earnings of ISK 2.8 billion and negative ROE of 5.8% in Q4

Considerable restructuring at Valitor at year end with the aim of generating a positive EBITDA. Sale process of the company continues

Income statement 2019

The positive effect of the Bank's revised strategy in Q3 is not fully reflected in the full year numbers

- Strong growth in net interest income despite lower inflation mostly due to higher (average) interest bearing assets (1.8%) during most of 2019
- Other revenue items relatively strong and operating income increases by 4% from last year
- Operating expenses are under control as increase in salaries and related expenses is primarily due to redundancies in Q3
- The impairment line is volatile YoY. Impairments are modest in 2019 as the release of discount relating to a sale of a mortgage portfolio in Q4 partially offsets the loss from the bankruptcy of WOW air in Q1 and TravelCo in Q2. Impairments in 2018 were high, mainly due to bankruptcy of Primera Air in Q3 2018
- Effective tax rate is 21% compared with 31% in 2018, due to more favorable revenue distribution
- Net effects of discontinued operations are unusually extensive, mainly due to valuation changes at Stakksberg and operation and changes at Valitor. The effect of these on the Bank's capital position is minimal

	2019	**2018**	**Diff**	**Diff%**
Net interest income	30,317	29,319	998	3%
Net commission income	9,950	10,349	(399)	(4%)
Net insurance income	2,886	2,590	296	11%
Net financial income	3,212	2,302	910	40%
Share of profit of associates	756	27	729	-
Other operating income	877	1,584	(707)	(45%)
Operating income	**47,998**	**46,171**	**1,827**	**4%**
Salaries and related expenses	(14,641)	(14,278)	(363)	3%
Other operating expenses	(12,222)	(12,000)	(222)	2%
Operating expenses	**(26,863)**	**(26,278)**	**(585)**	**2%**
Bank levy	(2,984)	(3,386)	402	(12%)
Net impairment	(382)	(3,525)	3,143	-
Net earnings before income tax	**17,769**	**12,982**	**4,787**	**37%**
Income tax expense	(3,714)	(4,046)	332	(8%)
Net earnings from continuing operations	**14,055**	**8,936**	**5,119**	**57%**
Discontinued operations, net of tax	(12,955)	(1,159)	(11,796)	-
Net earnings	**1,100**	**7,777**	**(6,677)**	**(86%)**

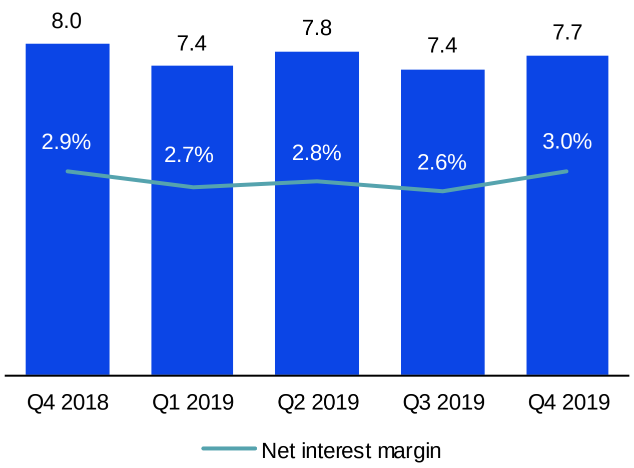
All amounts in ISK million

Net interest income

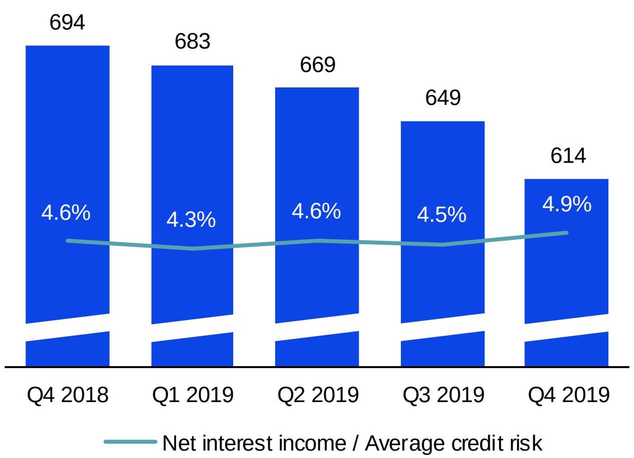
Revised strategy reflected in positive development in NIM as well as ratio of net interest income to credit risk

- Net interest margin increses to 3% in Q4 in line with revised strategy of increased focus on returns rather than loan growth. Strong performance in light of:
  - Historically low policy rate
  - Lower inflation during the quarter (2.3% vs 4.2% in Q4 2018)
  - Issuance of Tier 2 subordinated bonds in 2019
- Reduction of wholesale funding in ISK and FX have positive effect on NIM as well as increased proportion of ISK in liquidity buffer
- Net interest income decreases 3% from Q4 2018 mainly due to 8% decrease in interest bearing assets
- Favorable development in Net interest income to average credit risk following increased focus on capital management and return on loan book
- Lower interest income from loans to customers and lower effect from inflation on Net interest income is largely offset by lower funding cost in deposits and borrowings
  - Prepayment of expensive funding and strong liquidity management supports NIM

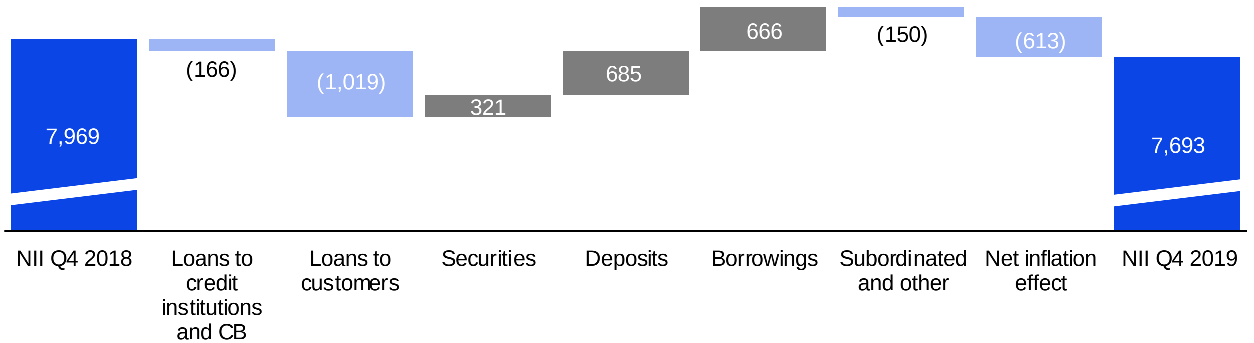
Net interest income



Credit risk



Net interest income Q4 2018 vs Q4 2019 (ISK million)

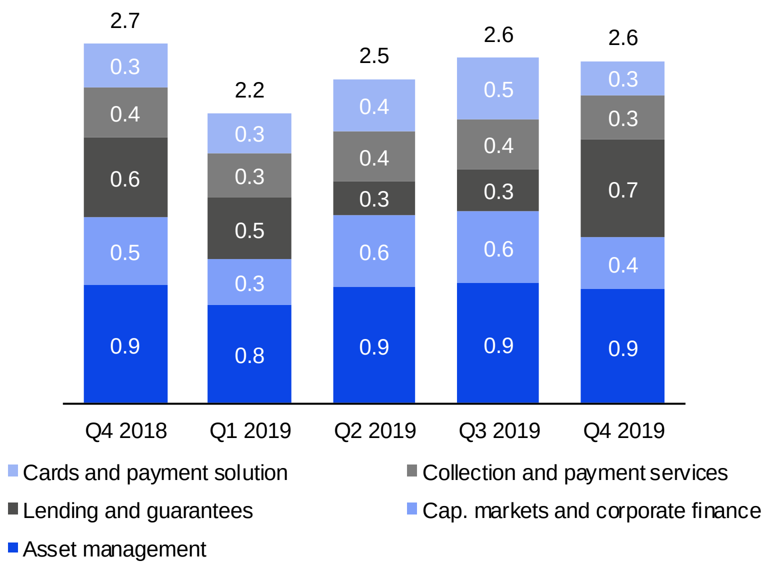


All amounts in ISK billion

Net fee and commission and net insurance income

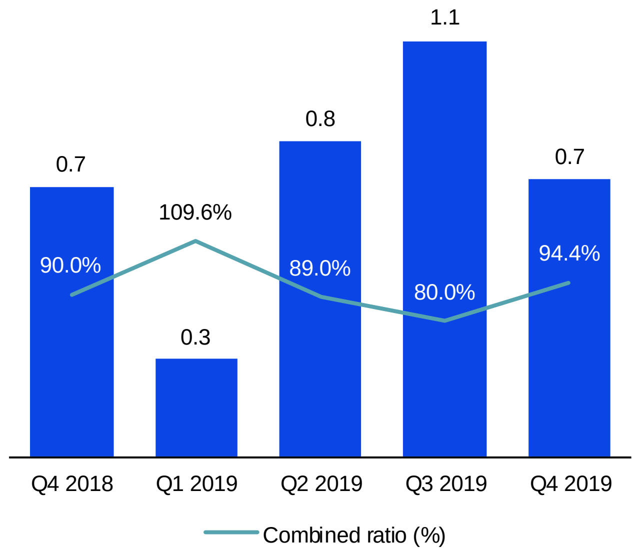
Stable net commission income with scope for improvement - net insurance income continues to trend positively

Net fee and commission income



- Income from lending and guarantees increase from prior quarters, partly due to prepayment of loans and as capital velocity increases
- Income from asset management is very stable. Assets under management were ISK 1,013 billion at 30 September, an increase of 4.4% between years
- Revised strategy should support base for increased fee and commission income

Net insurance income



- Decrease from Q3 mainly due to seasonality in non-life insurance. 2.7% increase in NII from Q4 2018
  - Earned premiums increased by 8% in Q4 YoY
- Volatility in non-life, often affected by weather conditions over the winter
- Strong Combined ratio is competitive in the domestic market

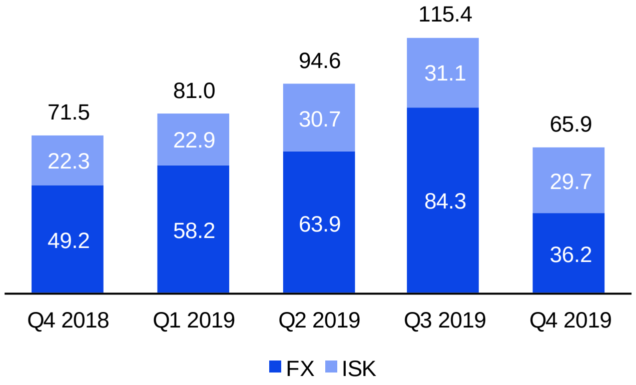
All amounts in ISK million

Net financial income

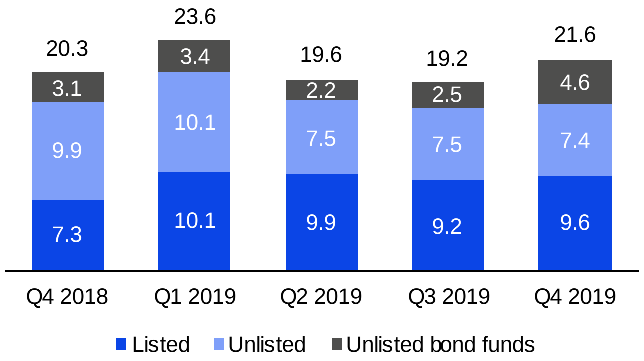
Decrease in bond holdings as the Bank is managing liquidity and tax at year end

- Net financial income in Q4 was positively affected by:
  - Equity holdings measured at fair value as markets were favorable during the quarter
  - Realized gain on FX bond holdings sold in connection with prepayment of borrowings
- It was negatively affected by:
  - Premium on prepayments of borrowings
  - Net loss of fair value hedge of interest swap
- Bond holdings are mainly used for liquidity management
  - Decrease significantly due to prepayments of borrowings, both in ISK (CB 2) and FX (EMTN issued bond due in Q2 2020)
- Equity holdings are mainly strategic positions
- Total portfolio of Vördur is ISK 18.1 billion; ISK 11.4 billion of bonds and ISK 6.7 billion in equity instruments

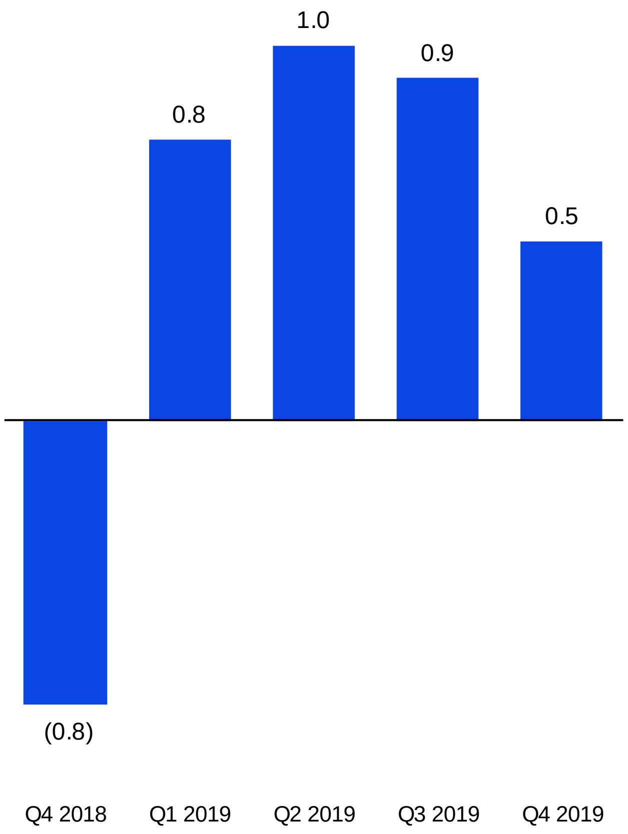
Bond holdings



Equity holdings



Net financial income



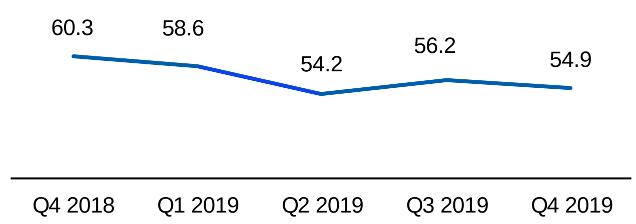
All amounts in ISK billion

Total operating expenses

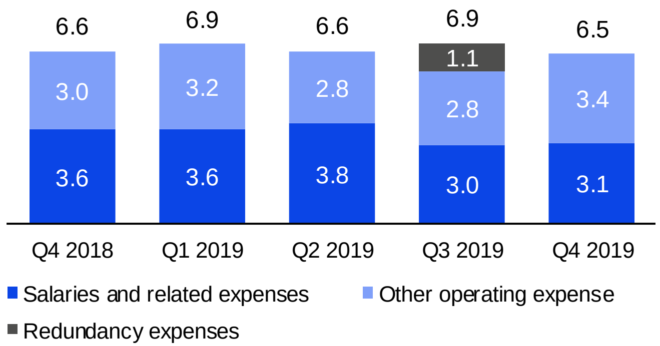
Cost-to-income is trending towards target

- Number of FTE's reduced by 13.5% at the parent company from Q4 2018, mostly due to organizational changes at the end of Q3 with cost savings materializing in Q4
- Salaries and related expenses reduced by 14% from Q4 2018 while number of FTE's reduced by 11%. General wage inflation was 4.9% in the same period
  - Salaries and related expenses were affected by capitalized salaries which amounted to ISK 142 million in Q4 (nil in Q4 2018) relating to investment in the Sopra core system
- Other operating expenses increase year on year, due to IT and depreciation. Other items such as housing and office costs decrease

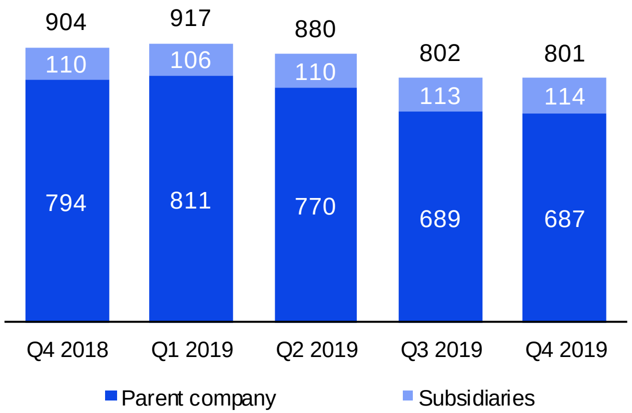
Cost-to-income ratio (%)



Total operating expenses



Number of employees



All amounts in ISK billion

Balance sheet - Assets

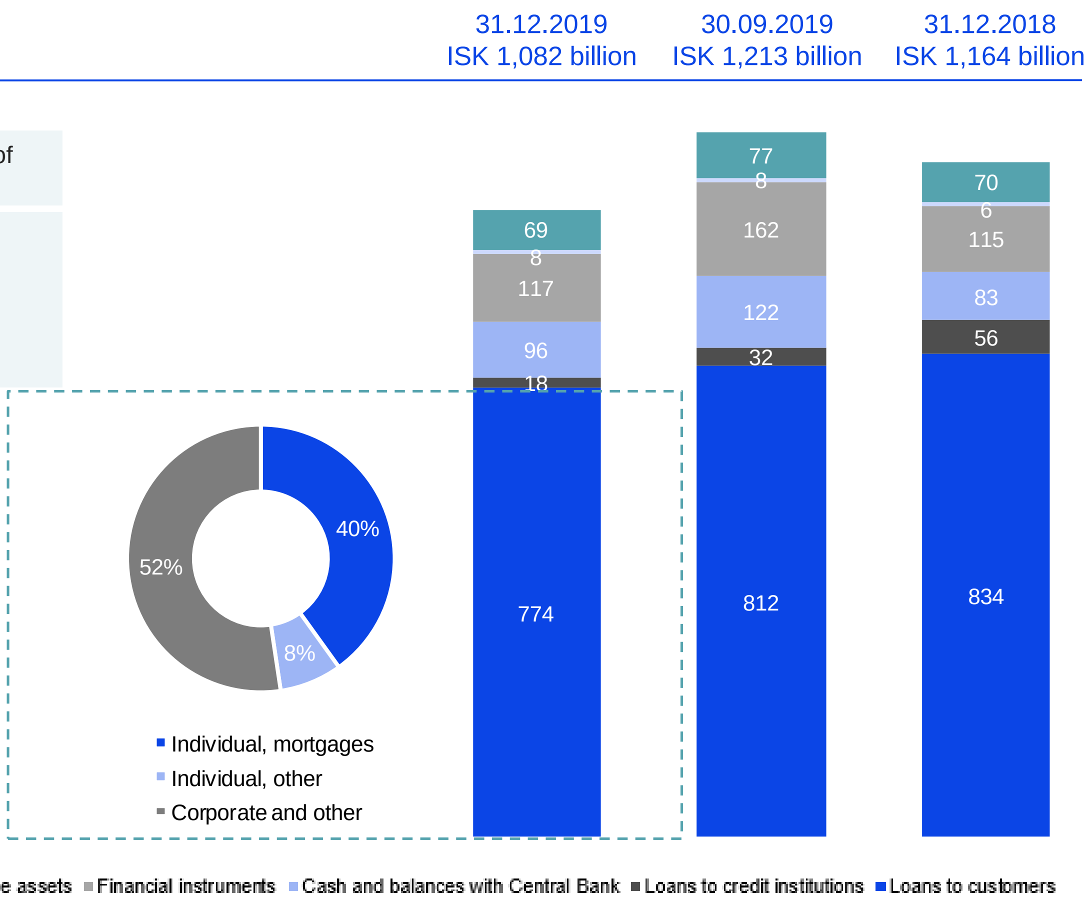
Balance sheet brought down in line with strategy as both loans and liquidity decrease

- The Balance sheet decreases by 10.8% from 30.09.2019
- Loans to customers decrease by 4.7% from 30.09.2019 and 7.2% from year-end 2018 in line with strategy of focus on returns over loan growth
  - ISK 48 billion mortgage portfolio sold during the quarter
- Decrease in financial instruments due to sale of bonds with proceeds used to prepay wholesale funding
- Very strong liquidity position despite dividend payment during Q1 2019, share buyback during Q4 and large prepayments of borrowings
  - Total LCR ratio is 188% and ISK LCR ratio is 158%
- The Bank is very well positioned to meet the funding requirements of its customers in both ISK and FX

Other and intangibles: 7.1% of total assets

ISK 231 billion, of which **ISK 163 billion liquidity reserve** (33% of customer deposits)

Loans to customers
71.5% of total assets



[1]Other includes investment property, investment in associates, tax assets, assets and disposal groups held for sale and other assets

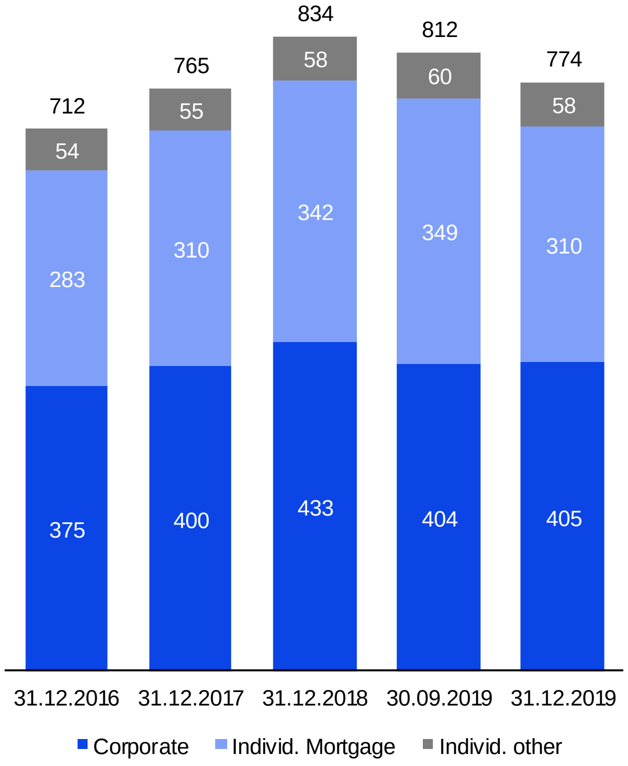
All amounts in ISK billion

Loans to customers

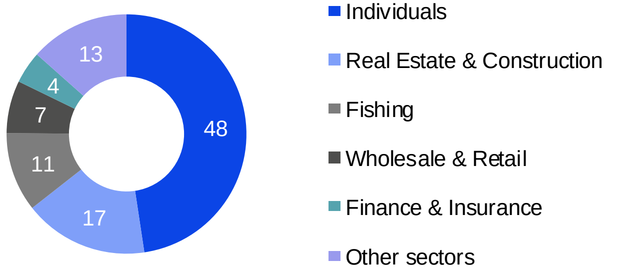
Focus on profitability results in the loan book trending lower thus releasing RWA's

- Loans to customers reduce by 7.2% during 2019
- The loan book continues to be well balanced between individuals and corporates
- Loans to individuals reduced 8.0% during the year due to sale of ISK 48 billion mortgage portfolio
  - Loans to individuals increase slightly from YE 2018 taking into account sale of mortgage portfolio
- The corporate loan book reduction has released approx. ISK 45 billion of RWA's since YE 2018
  - Loans to corporates decrease by 6.5% from YE 2018 but stable from 30.09.2019
  - Good diversification between sectors in the corporate loan book
- Demand for new lending affected by temporary economic slowdown
  - Reflected in loan commitments, 32% decrease from YE 2018
- 87% Of the loan book was classified as stage 1 at YE 2019 compared with 92% at YE 2018
- The loan book is collateralized 89.8%, compared with 90.6%, at YE 2018

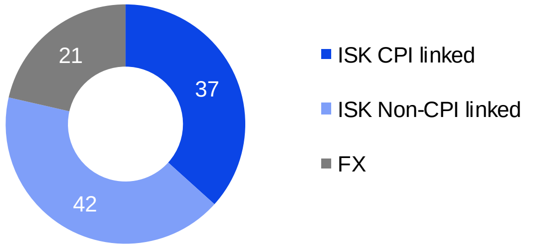
Loans to customers



Loans to customers by sector (%)



Loans to customers by currency (%)



All amounts in ISK billion

Balance sheet – Liabilities and equity

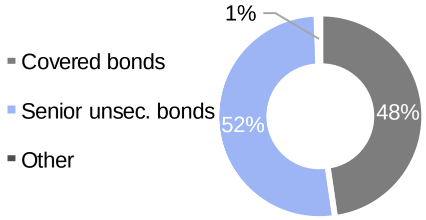
Deposits are increasing in the funding mix

- Strong equity position and a very high leverage ratio despite capital release
  - Dividend payments of ISK 9.1 billion in Q1 2019
  - Share-buy back up to ISK 8.0 billion from 31 October
  - Proposed dividend payment of ISK 15.4 billion in March 2020, ISK 8.5 per share
- The Bank is a frequent issuer of covered bonds in the domestic market and a regular issuer of senior unsecured in the international market
  - Bank levy is calculated on year end position of liabilities and the Bank strategically seeks to limit large MM deposits at year end
- Deposits increased by 5.8% from YE 2018 but decrease 3.0% during the fourth quarter – continued focus on deposits going forward
- The Bank has issued a number of Tier 2 subordinated bonds in line with its capital strategy
- The funding mix is well balanced between deposits, covered bonds and senior unsecured bonds

31.12.2019	30.09.2019	31.12.2018
ISK 1,082 billion	ISK 1,213 billion	ISK 1,164 billion

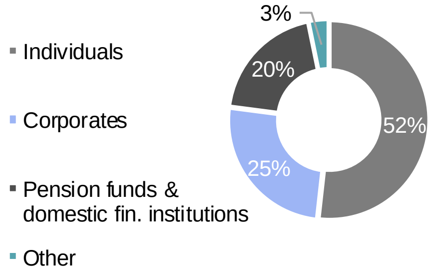
Equity
CET1 ratio 20.4%
Leverage ratio 13.7%

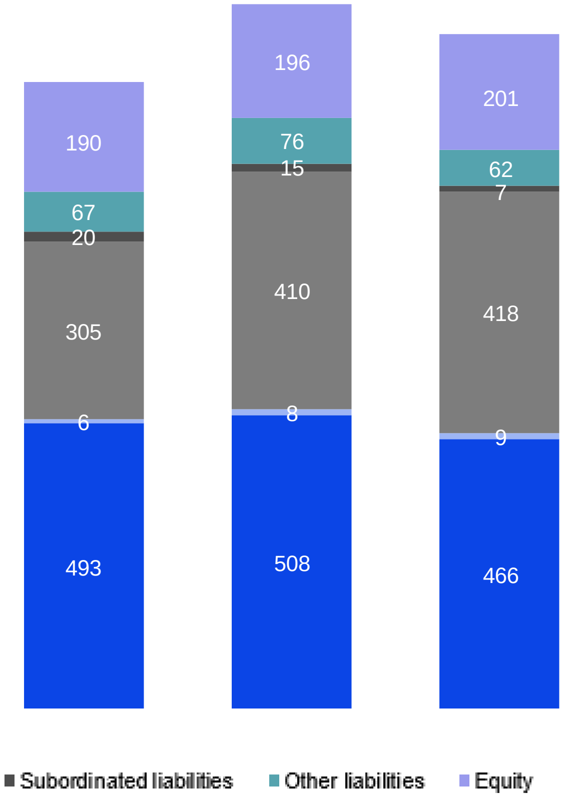
Borrowings (in ISK)
ISK 147 billion
EUR 117 billion
Other currencies 41 billion



Deposits
On demand 71%
Up to 3M 16%
More than 3M 13%

8.3% increase from YE 2018





[1] Other includes Financial liabilities at fair value, tax liabilities, Liabilities associated with disposal groups held for sale and Other liabilities

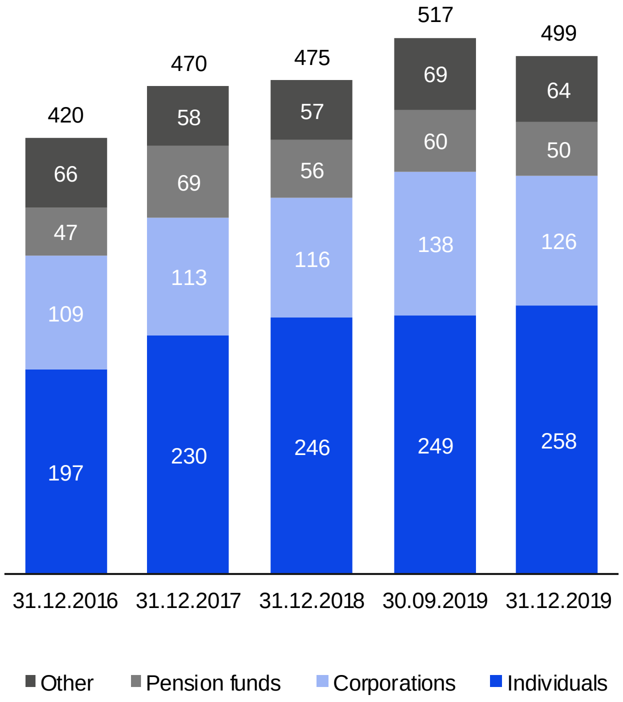
All amounts in ISK billion

Deposits

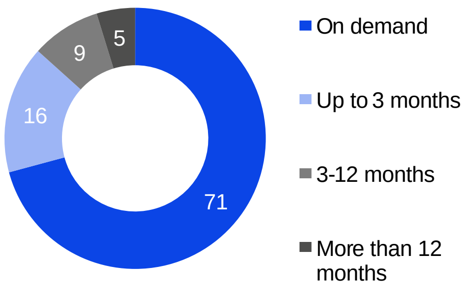
Continued focus on deposits both from individuals and corporates

- Deposits represent 46% of the Bank's funding
- Deposits from individuals have grown significantly over the last few years
  - 4.8% growth from YE 2018
- Special emphasis on corporate deposits
  - 8.6% growth from YE 2018
- FX deposits increased significantly in the first 9M 2019 but decreased back to YE2018 level in Q4
  - The Bank was able to reprice large FX deposits during Q4
- The Bank will continue focusing on deposits from individuals and corporates as they provide long term stable funding

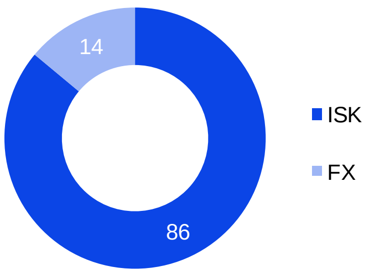
Deposits and due to credit institutions and Central Bank



Maturity of deposits (%)



Deposits by currency (%)



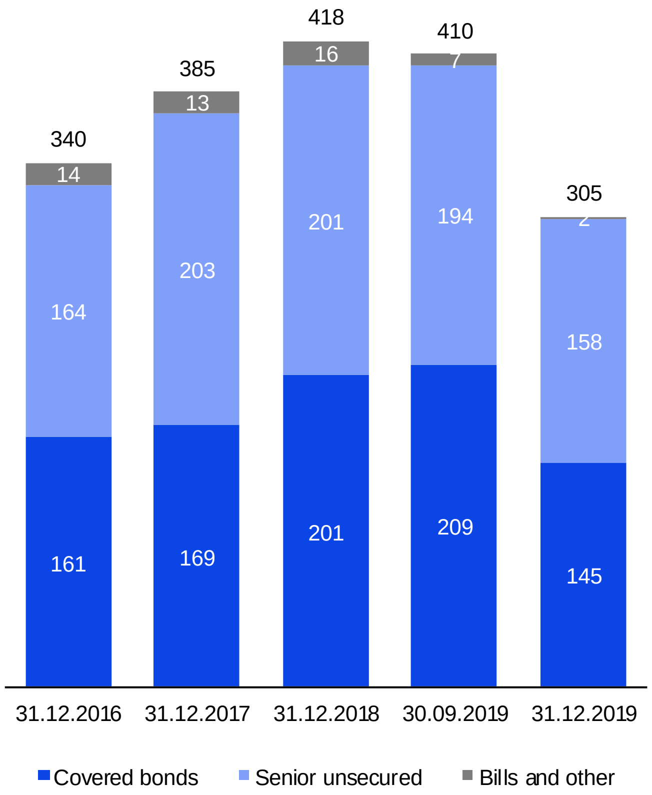
All amounts in ISK billion

Borrowings

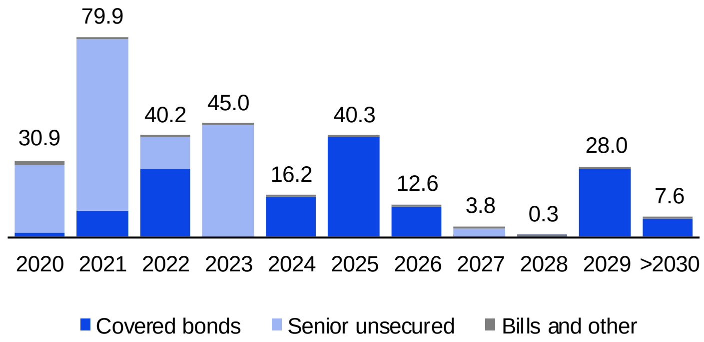
Reduced wholesale activity in line with changed focus on the asset side

- Continued emphasis on reduction of funding cost both through prepayments, buy-backs or other activities
- Reduced borrowings driven by prepayments and buy backs
  - ISK 60 billion of ISK Legacy covered bond issuance in 2019
  - Tender of €300 million of bonds maturing in June 2020. The Bank received offers of €258 million and all offers were accepted
- The Bank intends to issue EUR 300-500 million internationally through its EMTN program subject to funding needs and market conditions. The Bank will also issue smaller issues in other currencies
- Solid BBB+ credit rating from S&P but outlook changed mid 2019 from stable to negative for major Icelandic banks
- Arion Bank aims to issue approximately ISK 15-20 billion of covered bonds in 2020
- Legislative bill introducing **MREL** was presented to Icelandic Parliament in November 2019 - currently undergoing parliamentary procedure
- Arion will be subject to MREL requirements in the future

Borrowings by type



Maturities of borrowings (%)

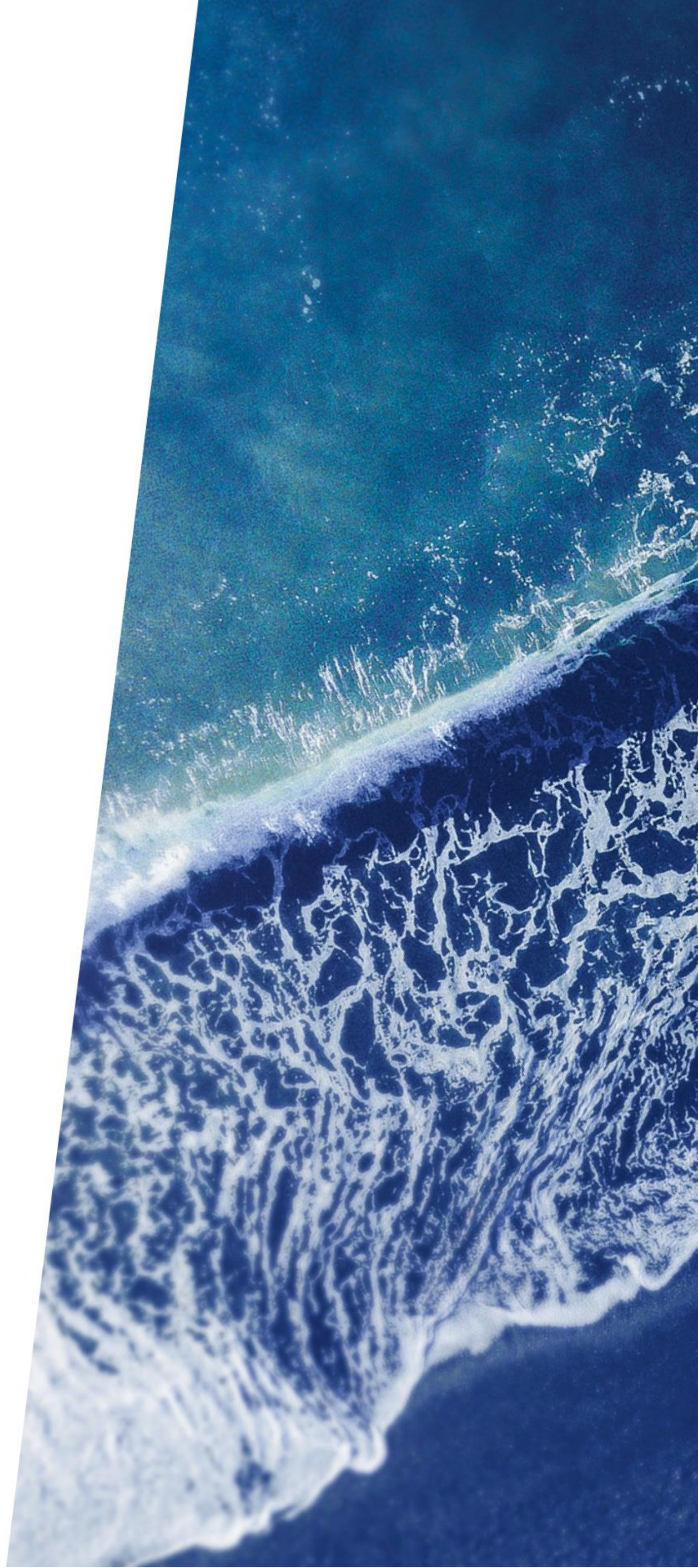


Ratings - S&P (July 2019)

Senior unsecured	BBB+	A
Short term debt	A-2	A-1
Outlook	Negative	Stable

All amounts in ISK billion

Capital Position

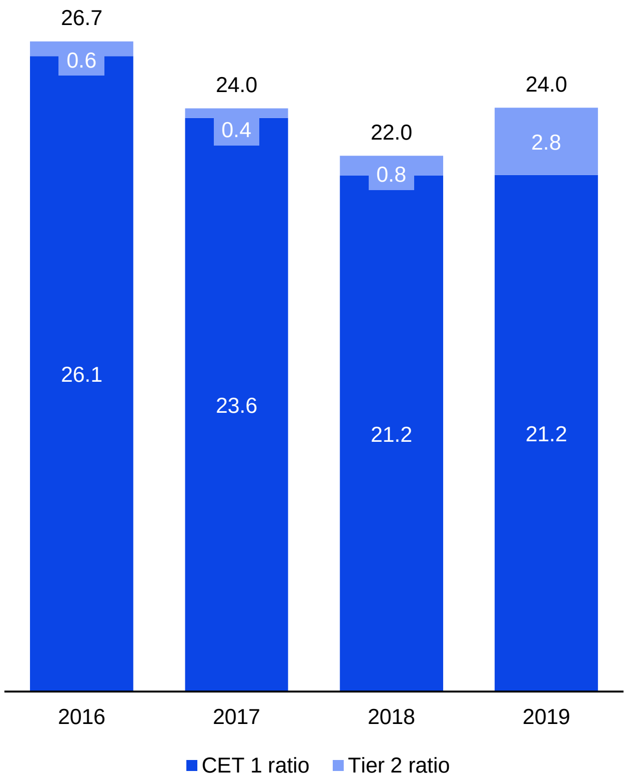


Own funds

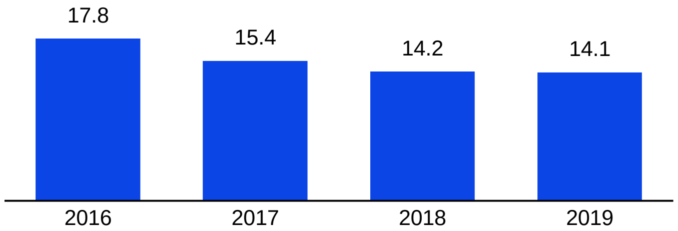
Capital ratio remains very strong despite dividends, buy-back of own shares and impairment of held for sale assets

- Solid level of capital due to strong profit generation over recent years
  - Capital adequacy ratio increased by 200 bps from YE 2018
  - Arion has issued a total of ISK 20 bn of Tier 2 and fully utilize the Tier 2 layer
- Arion is considering the issuance of Additional Tier 1 (AT1) notes to further optimize its capital structure
- The Bank aims to lower risk weighted assets in the short term, mainly due to continued reduction of the corporate loan book
- Icelandic banks apply the standardized approach to RWAs
- The RWA density (measured as RWAs over total assets) remains very high when compared to banks across Europe
- Leverage ratio remains very strong in all respects

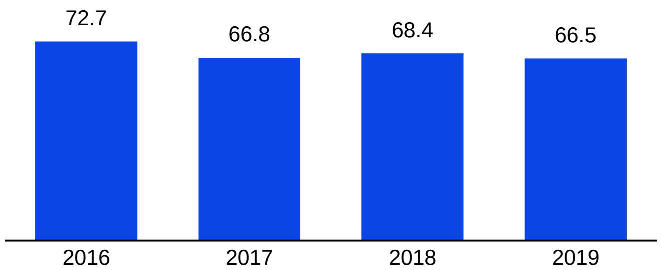
Capital ratio (%)



Leverage ratio (%)



Risk weighted assets / Total assets (%)



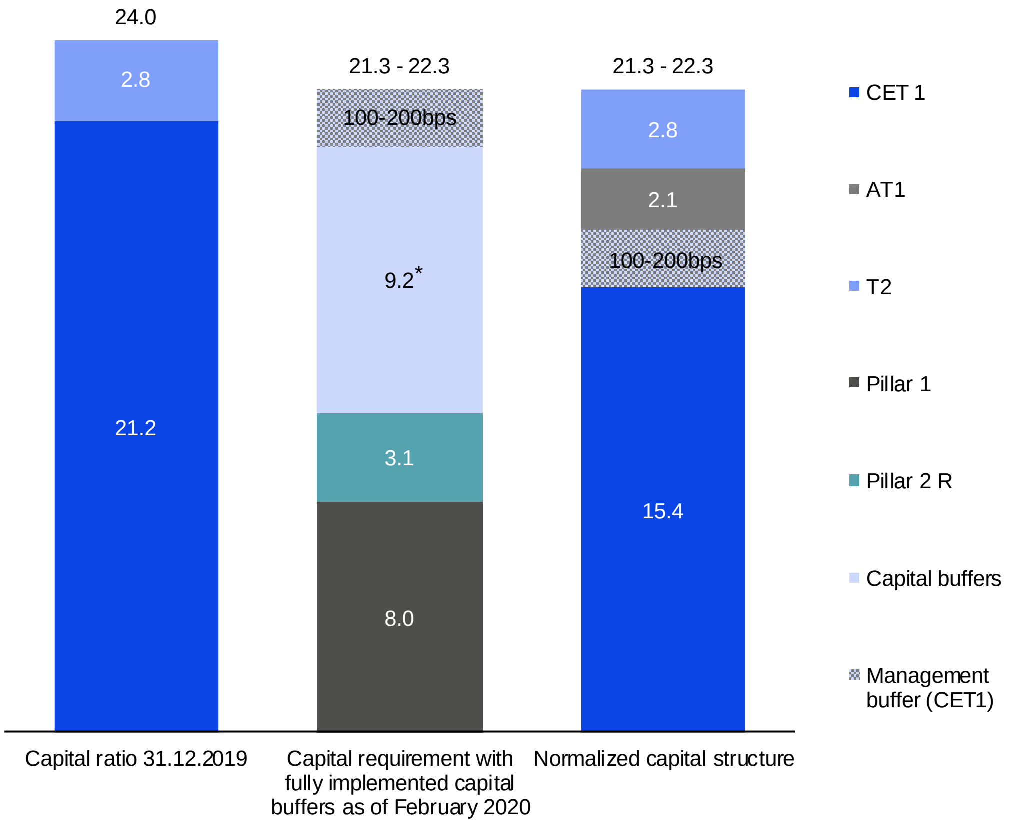
All amounts in ISK billion

Capital adequacy

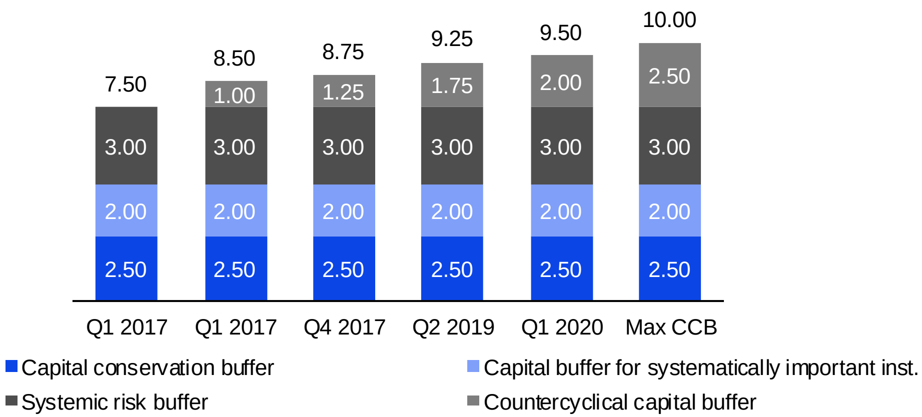
The Bank's management buffer now communicated as a range from 100 to 200bps

- The Bank's total capital adequacy ratio was 24.0% as at 31 December 2019 foreseeable equity reduction of ISK 14.2 bn. is accounted for in the ratio
- The net increase in the capital ratio in the third quarter is nevertheless positive by 0.8%, primarily due to a reduction of risk-weighted assets (RWA) and new issuance of Tier 2 subordinated bonds
- The countercyclical capital buffer in Iceland increased by 0.5% in May 2019 and a further increase of 0.25% came into effect on 1 February 2020
- Based on the fully implemented capital buffers as at February 2020, the Group's total regulatory capital requirement is 20.3% of RWA
- Taking into account the Bank's internal management buffer of 1-2%, the Bank's total capital target range is 21.3-22.3% (CET1 16.4-17.4%)

Own funds and capital requirements (%)



Development of capital buffers for systemically important banks in Iceland (%)

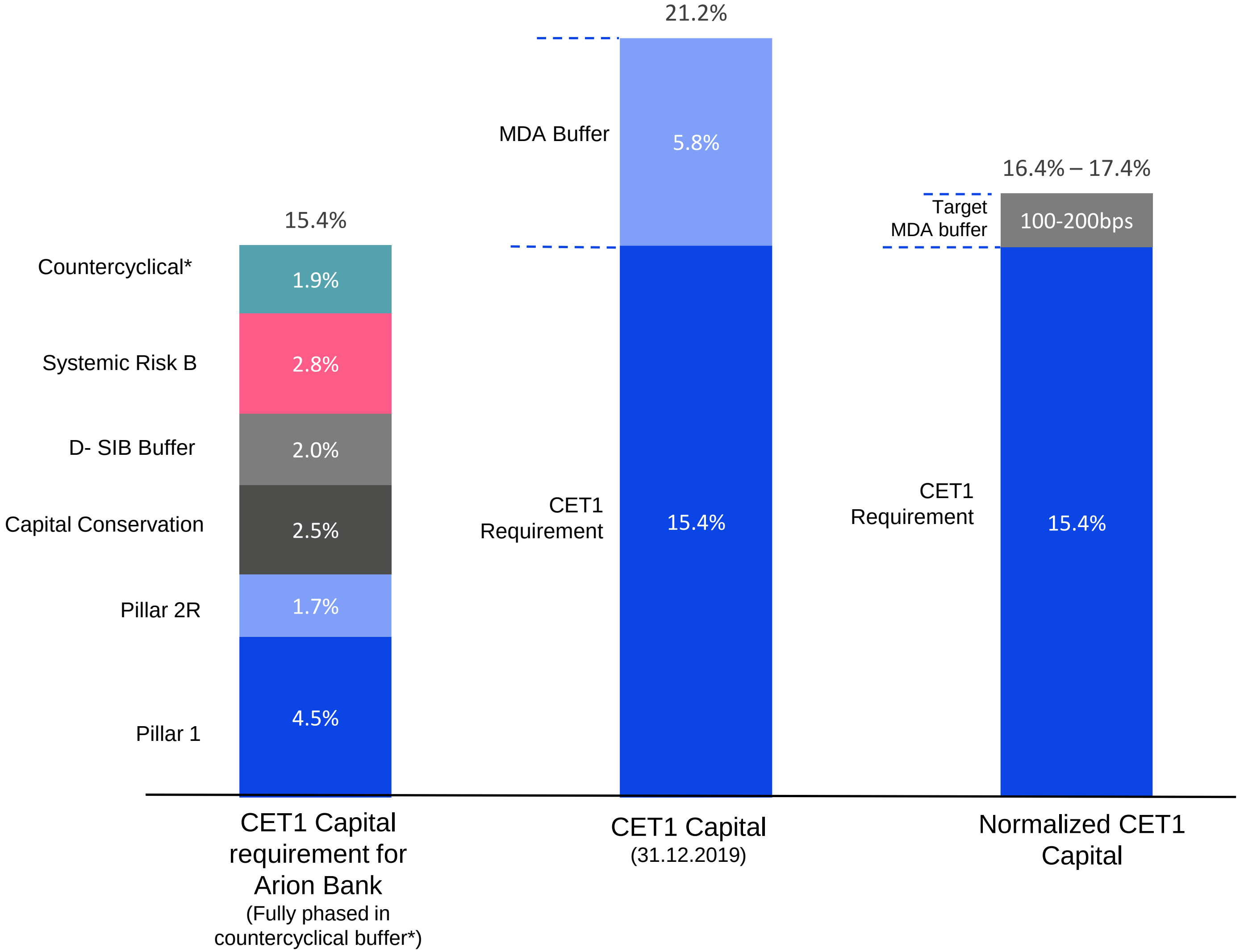


* Calculated Combined Buffer Requirement for Arion Bank is 9.2% (not 9.5% as on the graph to the left).
Countercyclical capital buffer is determined by calculating the weighted average of the corresponding buffer levels of each country for credit risk against counterparties residing in those countries.
Systemic risk buffer only applies to domestic exposures and is calculated using the same weighting method.

Comfortable buffer to MDA

High combined buffer requirement coupled with a strong MDA buffer

- Arion Bank's CET1 capital position is comfortably in excess of MDA requirements
- MDA buffer is 5.8% equivalent to ISK 41.7 bn.
- Arion's pillar 2R capital add-on, which is the result of the ICAAP/SREP, may comprise 56.25% CET1 capital, 18.75% AT1 capital and 25% Tier 2 capital
- CRD IV buffers have been implemented in Iceland
- It is management policy to voluntarily hold an additional management buffer of 1-2%

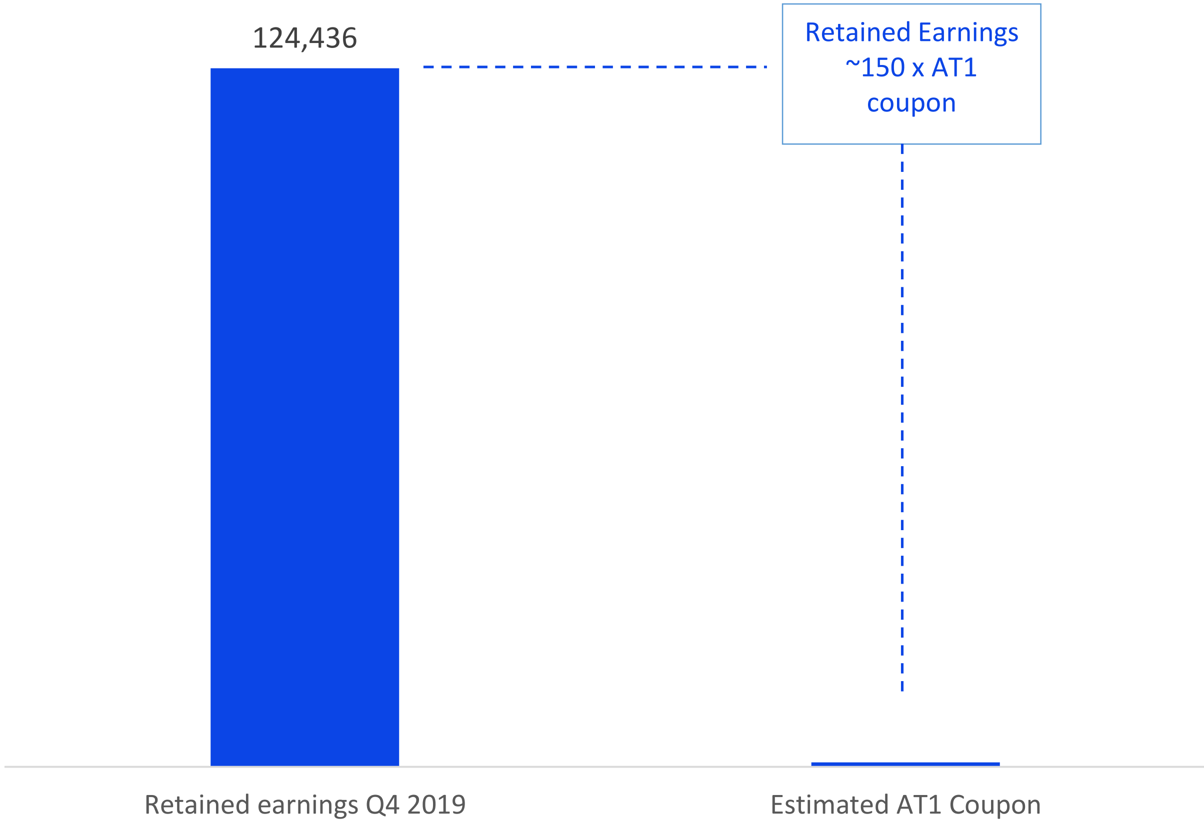


* Countercyclical buffer increased by 25bps in February 2020
Countercyclical capital buffer is determined by calculating the weighted average of the corresponding buffer levels of each country for credit risk against counterparties residing in those countries.
Systemic risk buffer only applies to domestic exposures and is calculated using the same weighting method.

Distribution capacity

Available Distributable Items (ADI) to cover discretionary distributions

- Arion Bank has a very comfortable ADI position, with an estimated circa 150x coverage ratio
- It is Arion Bank's current intention that, whenever exercising discretion to propose any distribution in respect of ordinary shares or AT1 instruments, it will respect the hierarchy of capital instruments and preserve the seniority of claims
- However the Bank's Board of Directors may depart from this policy at any time at its sole discretion
- Medium Term Target to maintain a pay-out ratio of circa 50% of net earnings attributable to shareholders

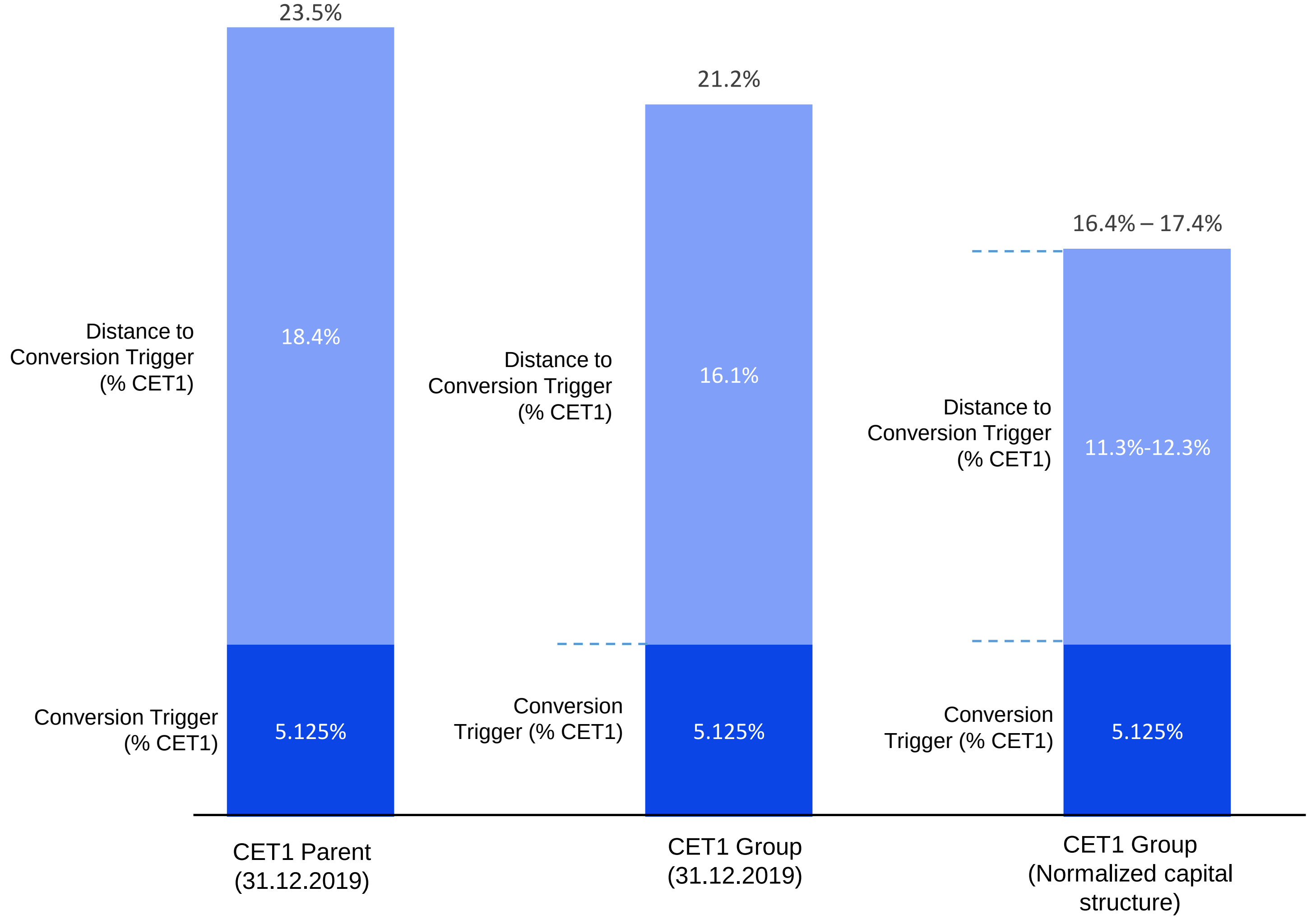


* Assuming all retained earnings per 31.12.2019 are distributable
** Illustrative annual coupon cost based on estimated new issue size and coupon

Significant distance to Conversion Trigger

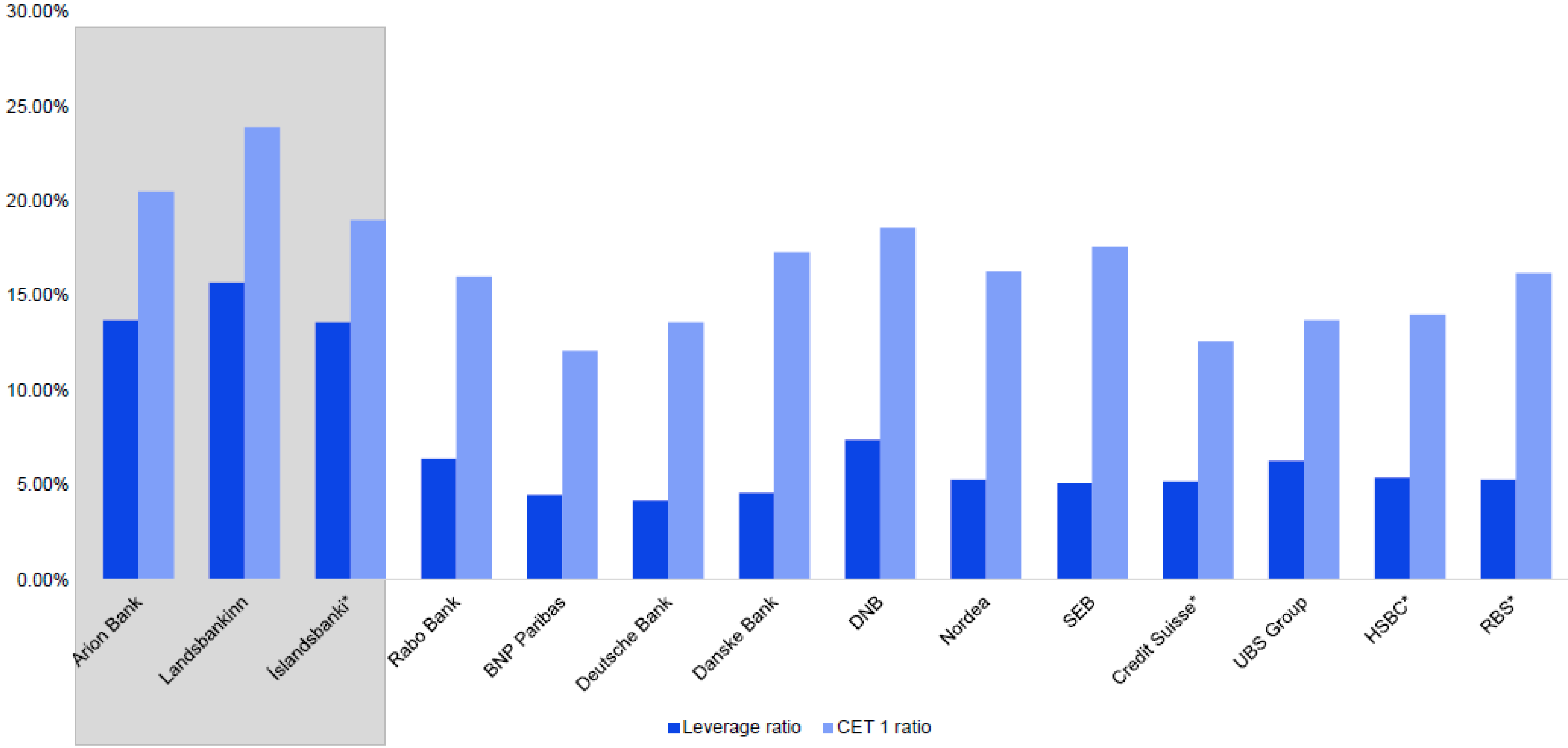
CET1 distance to conversion trigger 16.1% at group level

- Conversion Trigger is set at 5.125%
- Based on FY 2019 RWAs of ISK 719,755 bn and CET1 capital of ISK 152,691 bn, Arion Bank's CET1 capital position is comfortably in excess of the conversion trigger
- Distance to Conversion Trigger:
  - Group level 16.1% (ISK 115.8bn)
  - Parent level 18.4% (ISK 132.3bn)
- It is management policy to voluntarily hold an additional management buffer of 1-2%



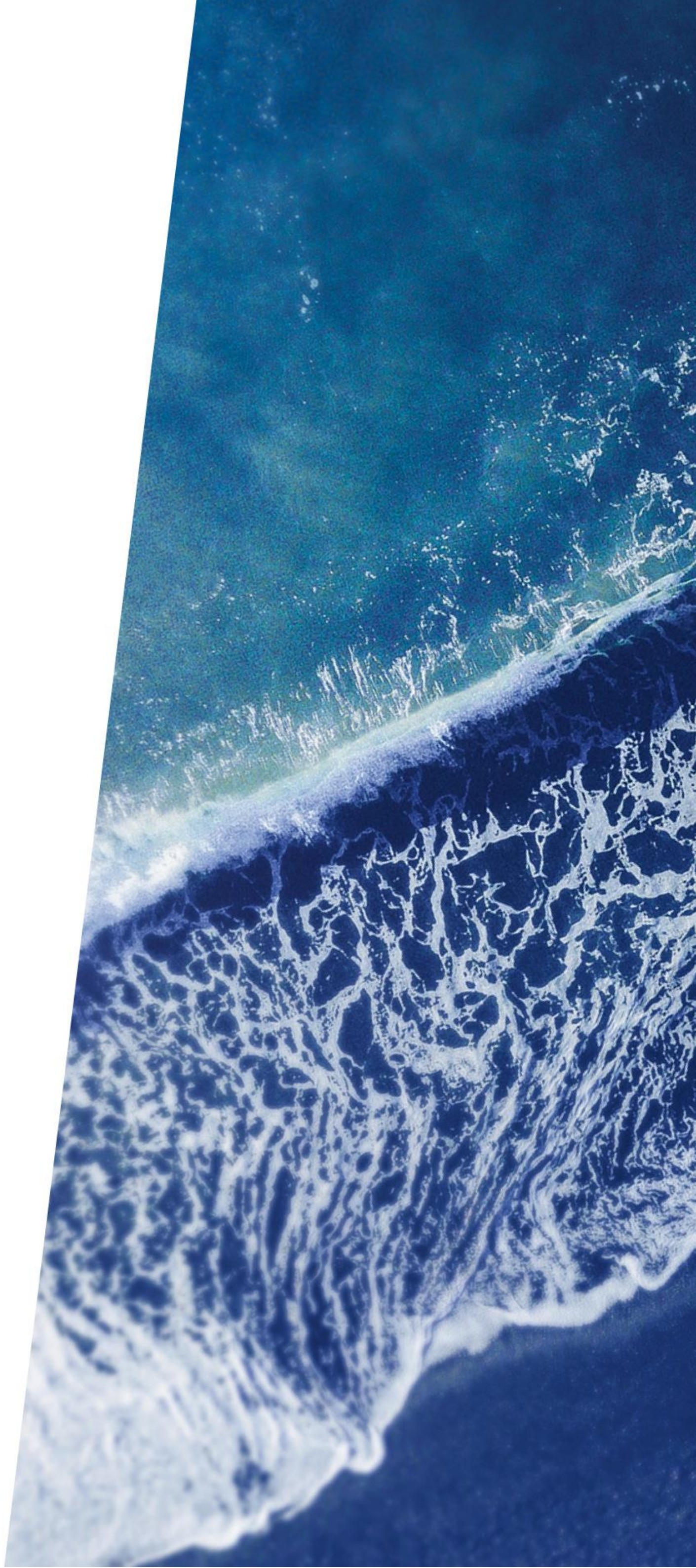
Capital requirements are high

Icelandic banks apply the standardized approach to RWAs and capital buffers are fully implemented since February 2020



*Q3 19 numbers
Source: Bloomberg and annual reports

Proposed AT1 transaction



Transaction highlights

Strong Capital Position	• Arion Bank has total capital and leverage ratios comfortably in excess of regulatory requirements with an internal management buffer of 1-2% over requirements • Solid level of capital due to strong profit generation over recent years • CET1 ratio of 21.2% and leverage ratio of 14.1% as at December 2019 • Arion benefits from a "Very strong" Capital and earnings assessment from S&P • Arion applies a standardized approach for risk weights with total RWAs of ISK 719.8bn, 66.5% of total assets, leading to an RWA density still very high when compared to banks across Europe • Further RWAs decrease as continued reduction of the corporate loan book is expected • AT1 coupons expected to represent only a negligible portion of discretionary distributions
Distance to Trigger and MDAs Robust	• Distance to CET1 conversion trigger of 16.1% at group level equivalent to ISK 115.8 bn. Distance to CET1 conversion trigger for Parent 18.4% equivalent of ISK132.3 bn. • Buffer to MDA (Group) of 5.8% (ISK 41.7 bn) based on the capital requirements as of December 2019
Issuance Rationale	• Optimisation of the capital structure and fulfilment of the AT1 1.5% Pillar 1 requirement as well as the 0.58% AT1 Pillar 2 requirement • Increase Arion Bank's financial and regulatory flexibility, accessing a new layer of instruments within Arion Bank's capital structure, further strengthening the leverage and capital position • Support of the Bank's rating (supports S&P Risk Adjusted Capital) • Further diversification of funding sources and investor base (opportunity to invest in first AT1 out of Iceland)

AT1 Summary Terms and Conditions

Issuer	Arion Bank hf. (the “Bank”)
Issue Rating	[BB] by S&P (expected)
Instrument	Fixed Rate Reset Perpetual Additional Tier 1 Convertible Notes (the “Notes”)
[Size] / Maturity	[U.S.$] [●] / Perpetual Non-Call [●] 2025
Status	The Notes constitute direct, unsecured and subordinated obligations of the Bank and rank pari passu without any preference among themselves, pari passu with any other Additional Tier 1 Instruments, in priority to all classes of share capital of the Bank and claims of any other subordinated creditors which rank junior to the Notes, and junior to the claims of Senior Creditors
Interest Rate	Fixed rate until the First Reset Date [●] [2025], thereafter reset every 5 years at the sum of the initial margin and the 5 Year US-treasuries, payable semi-annually in arrear
Discretionary Interest Cancellation	The Bank may elect to cancel any payment of interest in whole or in part at any time and for any reason. All cancelled interest payments are non-cumulative
Mandatory Interest Cancellation	The Bank shall not make an interest payment on the Notes if (i) the amount of Distributable Items is insufficient, or (ii) if and to the extent that such payment would cause a breach of any binding regulatory restriction (including in relation to any Maximum Distributable Amount restriction)
Optional Redemption	Subject to regulatory approval, the Bank may redeem the Notes at par (i) at any time during the 6 months ending on (and including) the First Reset Date or on any Interest Payment Date thereafter, or (ii) upon a Withholding Tax Event, Tax Deductibility Event or a Capital Disqualification Event
Substitution or Variation	Applicable upon a Withholding Tax Event, Tax Deductibility Event or a Capital Disqualification Event; subject to conditions including new terms not being materially less favourable to holders
Conversion Trigger Event	The Notes will be converted into Conversion Shares at the prevailing Conversion Price (i) if at any time the CET1 ratio of the Bank on a solo basis or of the Group on a consolidated basis is less than 5.125%, or (ii) upon the occurrence of a Non-Viability Event (“NVE”)
Conversion Price	The highest of (i) the Current Market Price of an Ordinary Share, translated into [U.S. dollars] at the Prevailing Exchange Rate, (ii) [U.S.$] [●], or (iii) the par value of an Ordinary Share. The Conversion Price is subject to adjustment following certain corporate actions or if a Qualifying Takeover Event occurs
Settlement Shares Offer	Upon conversion, the Issuer may elect, in its sole and absolute discretion, that a Settlement Shares Offer be made by the Settlement Shares Depository to all or some of the ordinary shareholders of the Issuer, at a cash price being not less than the Conversion Price during the Offer Settlement Period
Disapplication of the NVE clause	Automatic disapplication of the Non-Viability Event clause from the date on which an Applicable Statutory Loss Absorption Regime becomes effective in respect of the Notes *(please relevant page for further details)*
Governing Law	English law, except with respect to the status and subordination, which are governed by, and shall be construed in accordance with, the laws of Iceland
Listing	Luxembourg Stock Exchange, Euro MTF Market
Denomination	The Notes will be issued in denominations of [U.S.$] 200,000 and integral multiples of [U.S.$] 1,000

Please refer to the transaction prospectus for the definitions of the capitalised terms

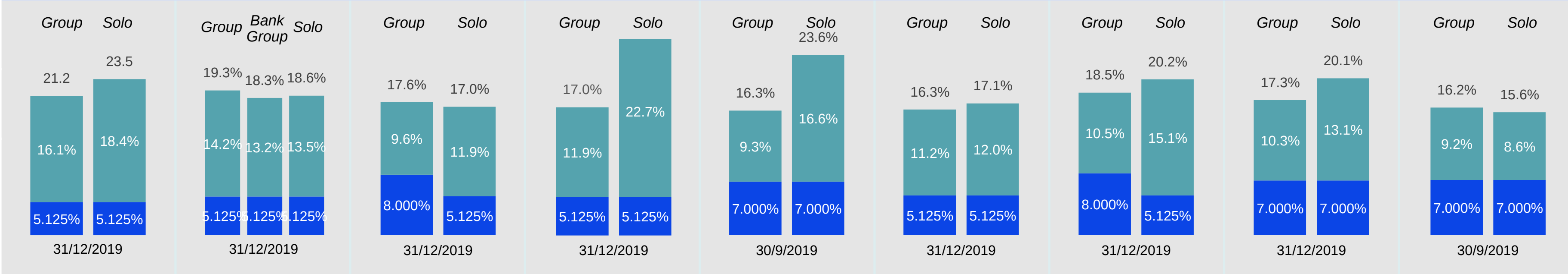
AT1 Structural Comparison

	Arion banki	DNB	SEB	Swedbank	Jyske Bank	Nordea	Svenska Handelsbanken	Danske Bank	Sydbank
Issuing Entity	Arion Bank hf	DNB Bank ASA	Skandinaviska Enskilda Banken AB	Swedbank AB	Jyske Bank A/S	Nordea Bank Oyj	Svenska Handelsbanken AB	Danske Bank A/S	Sydbank A/S
Issue Date	[●]	05 Nov 2019	29 Oct 2019	23 August 2019	29 Mar 2019	19 Mar 2019	14 Feb 2019	20 Jun 2018	23 May 2018
Amount / Coupon	[●]	USD850m/ 4.875%	USD 900m / 5.125%	USD 500m / 5.625%	SEK 1,000m / 3mStibor+500bp	USD 1,250m, 6.625%	USD 500m / 6.250%	USD 750m / 7.000%	EUR 100m / 5.250%
Maturity / First Call Date	Perpetual / [2025] (Perp-NC5)	Perpetual/2024 (Perp-NC5)	Perpetual / 2025 (Perp-NC6)	Perpetual / 2024 (Perp-NC5)	Perpetual / 2024 (Perp-NC5)	Perpetual / 2026 (Perp-NC7)	Perpetual / 2024 (Perp-NC5)	Perpetual / 2025 (Perp-NC7)	Perpetual / 2025 (Perp-NC7.25)
Subsequent Call Frequency	Every interest payment date (semi-annual)	Every interest payment date (annual)	At any time	Every reset date (5 years)	Every interest payment date (quarterly)	Every interest payment date (semi-annual)	Every reset date (5 years)	Every interest payment date (semi-annual)	Every interest payment date (semi-annual)
Coupon Structure	Discretionary Non-cumulative	Discretionary Non-cumulative	Discretionary Non-cumulative	Discretionary Non-cumulative	Discretionary Non-cumulative	Discretionary Non-cumulative	Discretionary Non-cumulative	Discretionary Non-cumulative	Discretionary Non-cumulative
Issue Ratings (M/S/F)(1)	- / [BB] / -	Baa3/BBB/-	Ba1 / - / BBB	Ba1 / BBB / BBB	- / BB+ / -	- / BBB / BBB	Baa3 / BBB / BBB+	- / BBB- / BB+	Ba1 / - / -
Trigger Level	5.125% (Group & Solo)	5.125% (Group, Bank Conso and Solo)	8.000% (Group) 5.125% (Solo)	8.000% (Group) 5.125% (Solo)	7.000% (Group & Solo)	5.125% (Group & Solo)	8.000% (Group) 5.125% (Solo)	7.000% (Group & Solo)	7.000% (Group & Solo)
Loss Absorption Mechanism	Conversion (Variable)	Principal Temporary Write-Down	Conversion (Variable)	Conversion (Variable)	Principal Temporary Write-Down	Conversion (Variable)	Conversion (Variable)	Conversion (Variable)	Principal Temporary Write-Down
Point of Non-Viability	Contractual (disapplied upon statutory regime)	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory	Statutory
Early Redemption Event	Tax, Regulatory	Tax, Regulatory	Tax, Regulatory	Tax, Regulatory	Tax, Regulatory	Tax, Regulatory	Tax, Regulatory	Tax, Regulatory	Tax, Regulatory
Governing Law	English	English	English	English	Danish	English	English	English	English
Listing	Luxembourg Euro MTF	Euronext Dublin	Euronext Dublin	Euronext Dublin	Euronext Dublin	Ireland GEM	Ireland GEM	Ireland GEM	London Stock Exchange

CET1 Ratio

Capital Buffer to Trigger

Trigger



12 February 2020

Source: AT1 transaction prospectus and latest available company filings as of February 10th, 2020. Note (1): issue ratings as of issuance

Additional Details on the Non-Viability Event Clause

Trigger Event and Loss Absorption Mechanics

Contractual clause required...	The Notes will, on the date specified by the FME[(1)], be converted into Conversion Shares at the then prevailing Conversion Price (subject to a floor) if any of the following occurs: a. The FME determines that the bank is or will be Non-Viable without conversion; b. The FME decides to inject capital into the Bank or provide any other equivalent extraordinary measure of financial support without which the Bank would become Non-Viable; or c. Any other event or circumstance specified in Applicable Banking Regulations that leads to a determination by the FME that the Bank is Non-Viable
... Leading to conversion upon non-viability…	Conversion of the Notes following a Non-Viability Event is provided for in the conditions of the Notes. While any shares issued to holders may also be subject to any future cancellation, transfer or dilution, there is no discretion for the FME to impose a write-down upfront until BRRD is implemented in Iceland
… Until a Statutory Regime becomes effective in Iceland	With effect on and from the date on which an Applicable Statutory Loss Absorption Regime becomes effective in respect of the Notes, the provisions of the contractual non-viability event clause will lapse and cease to have any effect

Statutory Legislation in Iceland

Full implementation of the BRRD (Including MREL) in Iceland is in progress	The first bill for the implementation of the BRRD in Iceland (relating to recovery planning, early intervention and intra-group financial support) was on 19 June 2018 enacted as Act No. 54/2018, amending the Financial Undertakings Act A second bill for the implementation of the BRRD (introducing MREL) was presented to the Icelandic Parliament in November 2019, proposing enactment of a separate legislation on the winding-up of credit institutions and investment firms. The second bill is currently undergoing parliamentary procedure

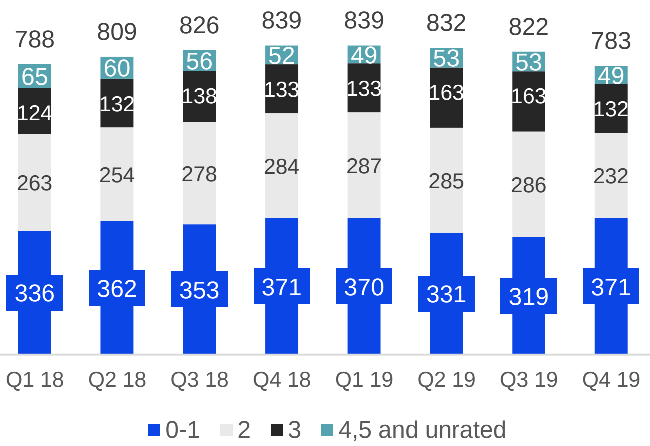
(1) Defined as the Financial Supervisory Authority of Iceland (Fjármálaeftirlitið) or such other or successor authority that is responsible for the determination of any Non-Viability Event in respect of the Bank and/or the Group or that otherwise has the power to implement loss absorption measures with respect to the Bank and/or the Group under any Applicable Statutory Loss Absorption Regime"

Appendix

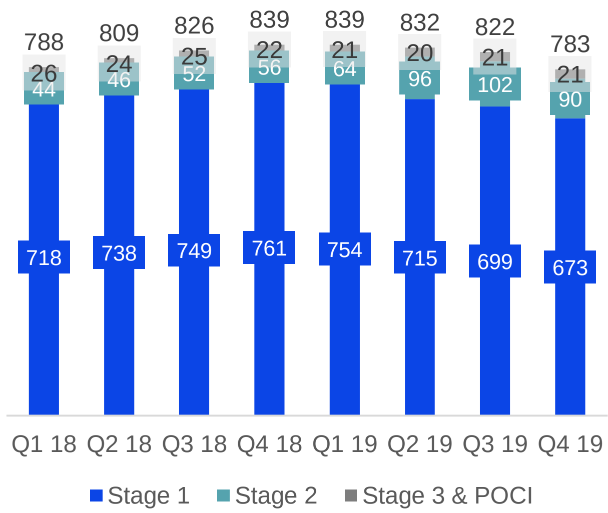
Asset Quality

- The Bank uses internal credit rating models and external credit ratings if available to monitor credit risk
- The following graph show the gross carrying amount of financial instruments subject to the impairment requirement of IFRS 9 broken down by rating scale an stage allocation. Risk class 5 is the highest risk
- The Impairment loss allowance shows current loss allowance broken down by stage.
- To calculate the net book value, subtract the impairment loss allowance from the gross carrying amount.
- Collateral held against loans stable at a healthy level

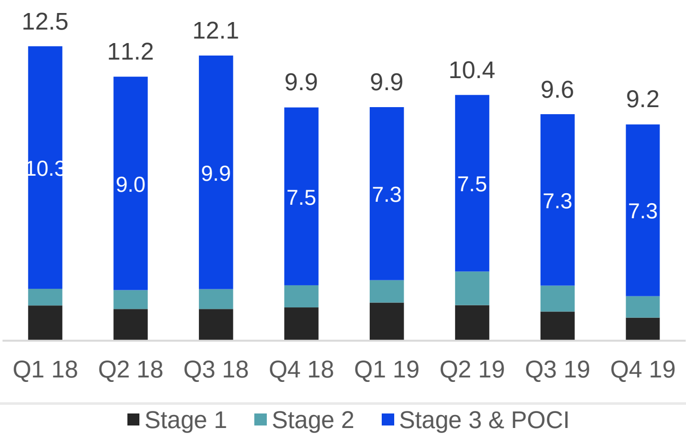
Loans to customers Risk Classification
Gross carrying amount



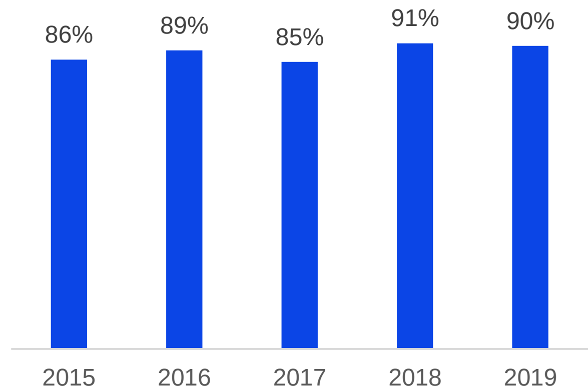
IFRS 9 stages – Loans to customers
Gross carrying amount



Impairment loss allowance



Collateral held against loans



All amounts in ISK billion
POCI : Purchased or originated credit impaired assets

Significant held for sale assets

Assets in an active sale process but with a highly negative impact on net earnings

Valitor Holding is an international payments platform, with operations primarily in Iceland, the UK and the Nordic countries, and comprizes both card acquiring services and card issuing services. Valitor became a subsidiary of Arion Bank in 2010 when the Bank had acquired 52.94% shareholding in Valitor and following further investments Arion Bank held 100% shareholding in Valitor in Q1 2015. Valitor was categorized as held for sale in Q4 2018. At the year-end 2019 **the net value of Valitor was ISK 6.5 billion**

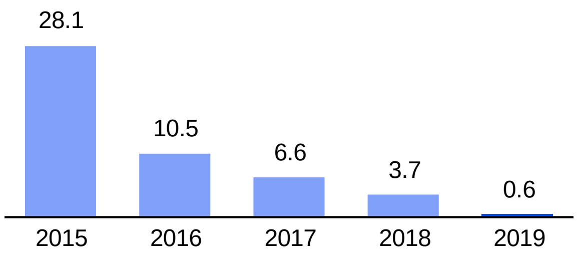
Stakksberg's operation comprises a silicon production plant which commenced operations in 2016. In 2017 Arion Bank acquired the company United Silicon as a result of a loan restructuring process. Following Stakksberg took over the operations of United Silicon. At the year-end 2019 **the net value of Stakksberg was ISK 2.8 billion (EUR 21.0 million)**

Going forward

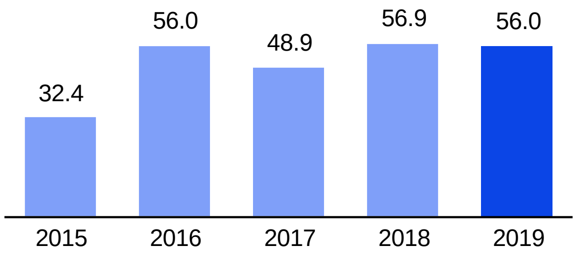
- Continued emphasis on measures to reach financial targets
- The macroeconomic developments are of concern both locally and globally
- Sales process of Valitor continues but is taking more time than originally anticipated
- The Bank aims to issue AT1 in Q1

Key financial indicators - annual

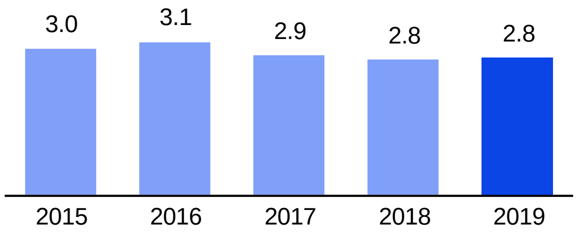
Return on equity (%)



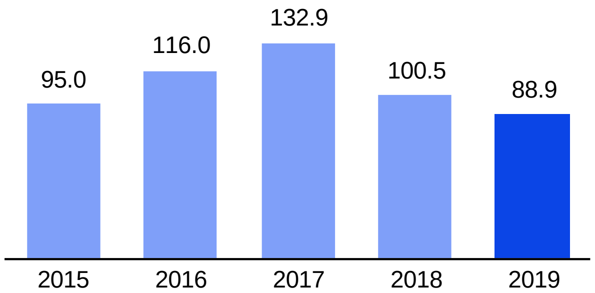
Cost-to-income ratio (%)



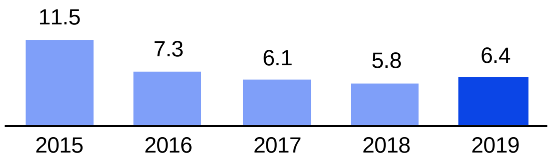
Net interest margin (%)



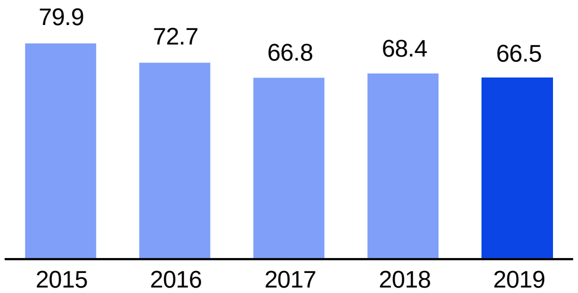
CPI imbalance (ISK billion)



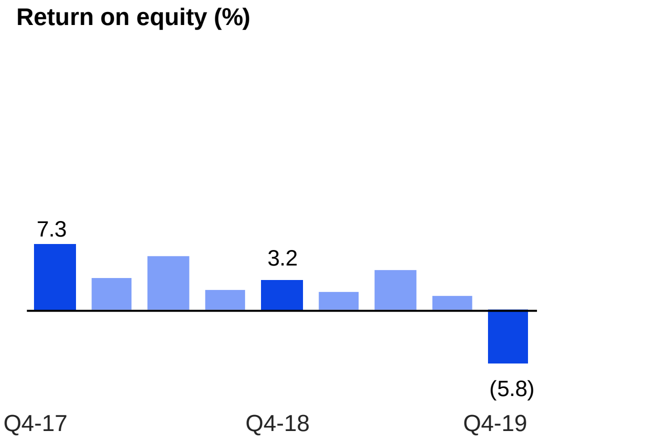
Operating income / RWA (%)

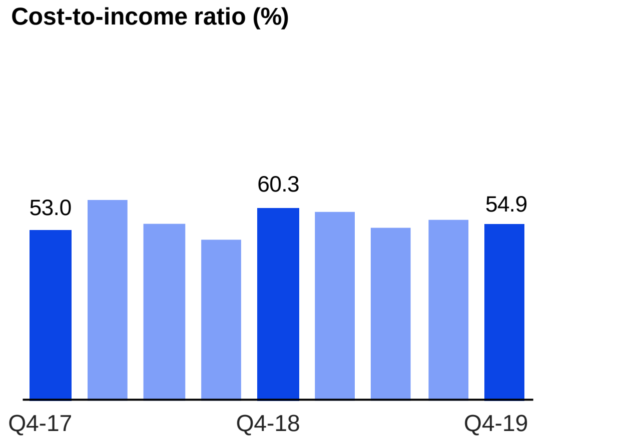


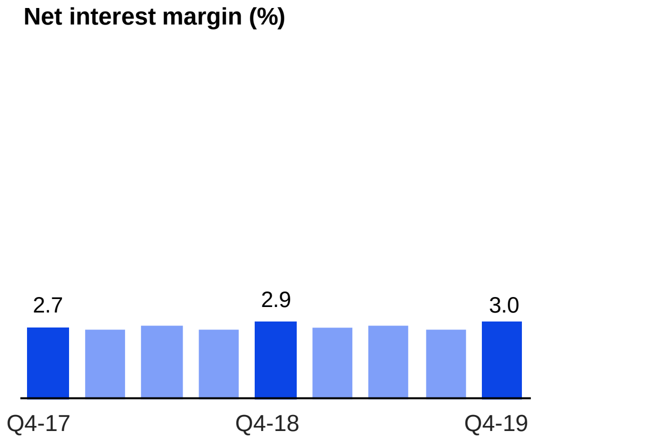
Risk weighted assets / Total assets (%)

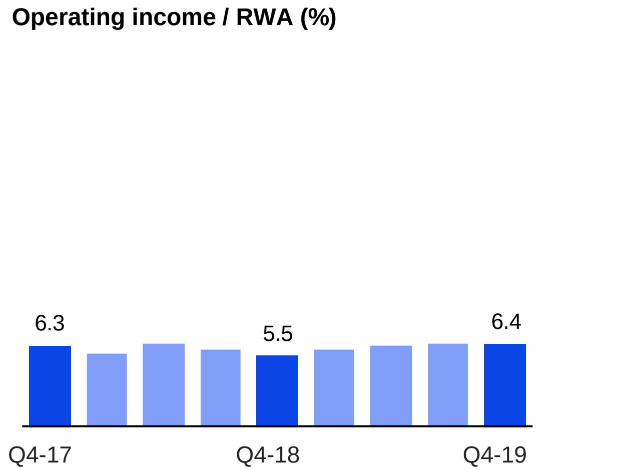


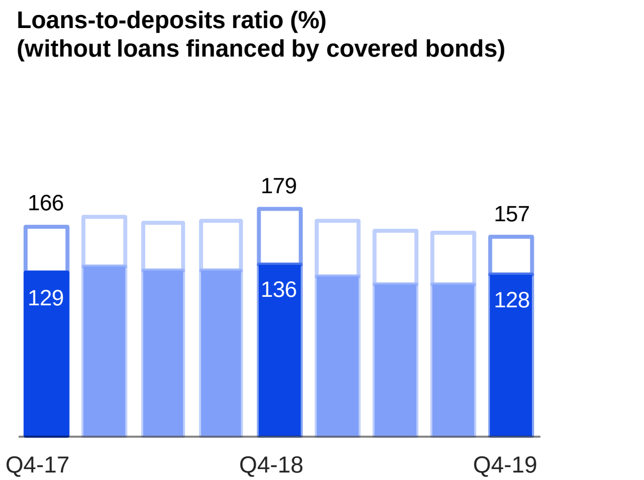
Key financial indicators - quarterly

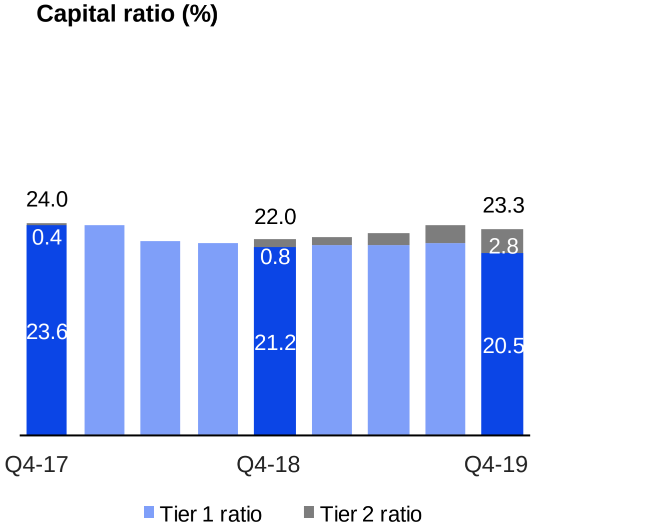




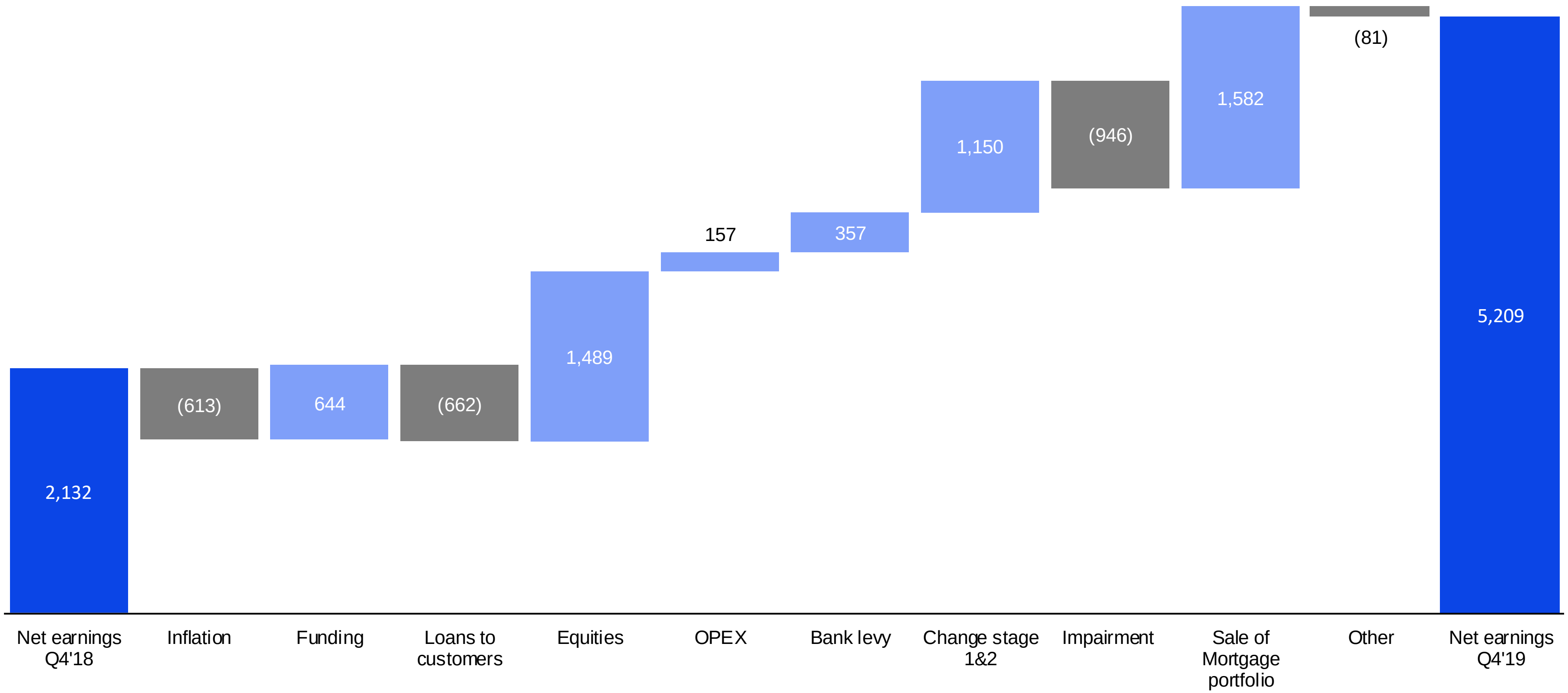








Net earnings from continuing operations Q4’18 vs. Q4’19



Income statement Q4 2019

Net earnings from continued operations improve markedly but discontinued operations have significant negative effect

- Net interest income decreases slightly as inflation is low and loan book is reduced in line with strategy
- Other revenue items holding up well and operating income 7% up from last year
- Operating expenses are 2% down from last year as the restructuring in Q3 is yielding results
- The Bank levy is unusually low in Q4 as the Bank was able to decrease the liability side of the Balance sheet before year end
- Positive net impairments are mostly due to the release of discount on mortgage portfolio which was sold during the quarter
- Negative effects from discontinued operations
  - Impairment on intangible assets at Valitor of ISK 4 billion in addition to operating loss and cost in the sale process of the company during 2019 of ISK 1.6 billion
  - Valuation change in assets at Stakksberg of ISK 2.4 billion, due to difficult market conditions with lower market price resulting in some plant closures internationally

	Q4 2019	Q4 2018	Diff%	Q3 2019	Diff%
Net interest income	7,693	7,969	(3%)	7,382	4%
Net commission income	2,615	2,746	(5%)	2,639	(1%)
Net insurance income	723	704	3%	1,087	(33%)
Net financial income	489	(774)	-	934	(48%)
Share of profit of associates	6	11	(45%)	30	-
Other operating income	200	294	(32%)	272	(26%)
Operating income	**11,726**	**10,950**	**7%**	**12,344**	**(5%)**
Salaries and related expenses	(3,076)	(3,584)	(14%)	(4,130)	(26%)
Other operating expenses	(3,367)	(3,015)	12%	(2,810)	20%
Operating expenses	**(6,443)**	**(6,599)**	**(2%)**	**(6,940)**	**(7%)**
Bank levy	(357)	(765)	(53%)	(809)	(56%)
Net impairment	1,203	(573)	-	484	149%
Net earnings before income tax	**6,129**	**3,013**	**103%**	**5,079**	**21%**
Income tax expense	(923)	(881)	5%	(1,278)	(28%)
Net earnings from continuing operations	**5,206**	**2,132**	**144%**	**3,801**	**37%**
Discontinued operations, net of tax	(7,981)	(516)	-	(3,040)	163%
Net earnings	**(2,775)**	**1,616**	**(272%)**	**761**	**(465%)**

All amounts in ISK million

Key figures

Operations	2019	2018	2017	2016	2015	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net interest income	30,328	29,319	28,920	29,900	26,992	7,704	7,382	7,808	7,434	7,969
Net commission income	9,955	10,349	10,211	13,978	14,485	2,620	2,639	2,478	2,218	2,746
Operating income	47,942	46,169	46,863	54,546	87,055	11,670	12,344	12,220	11,708	10,950
Operating expenses	26,863	26,278	22,893	30,540	28,247	6,443	6,940	6,618	6,862	6,599
Net earnings	7,255	7,776	14,421	21,738	49,677	3,380	761	2,096	1,018	1,616
Return on equity	3.7%	3.7%	6.6%	10.5%	28.1%	6.9%	1.6%	4.3%	2.1%	3.2%
Net interest margin	2.8%	2.8%	2.9%	3.1%	3.0%	3.0%	2.6%	2.8%	2.7%	2.9%
Return on assets	0.6%	0.7%	1.3%	2.1%	5.0%	1.2%	0.2%	0.7%	0.3%	0.5%
Cost-to-income ratio	56.0%	56.9%	48.9%	56.0%	32.4%	55.2%	56.2%	54.2%	58.6%	60.3%
Cost-to-total assets	2.3%	2.3%	2.1%	3.0%	2.9%	2.2%	2.3%	2.2%	2.3%	2.2%
Balance Sheet										
Total assets	1,088,765	1,164,326	1,147,754	1,036,024	1,011,043	1,088,765	1,213,155	1,233,419	1,222,695	1,164,326
Loans to customers	775,054	833,826	765,101	712,422	680,350	775,054	812,481	821,731	829,246	833,826
Mortgages	372,938	365,820	329,735	298,971	190,008	372,938	372,938	369,583	366,381	365,820
Share of stage 3 loans, gross	2.5%	2.6%	-	-	-	2.5%	2.5%	2.4%	2.5%	2.6%
Problem loans	-	-	1.0%	1.6%	2.5%	-	-	-	-	-
RWA/ Total assets	69.4%	68.4%	66.8%	72.7%	79.9%	69.4%	62.2%	63.1%	64.4%	68.4%
Tier 1 ratio	21.6%	21.2%	23.6%	26.1%	23.4%	21.6%	21.6%	21.4%	21.3%	21.2%
Leverage ratio	12.8%	14.2%	15.4%	0.0%	0.0%	12.8%	12.8%	13.3%	13.5%	14.2%
Liquidity coverage ratio	246.4%	164.4%	221.0%	171.3%	134.5%	246.4%	246.4%	198.0%	213.0%	164.4%
Loans to deposits ratio	157.2%	178.9%	165.5%	172.9%	145.0%	157.2%	159.9%	162.8%	169.1%	178.9%

All amounts in ISK million

Highlights of the year 2019

Arion Bank is on a new trajectory after having undergone significant management and organizational changes and improvement measures in Q3

Earnings from continuing operations are ISK 14 billion and improve significantly. ROE from continuing operations improves YoY from 4.3% to 7.2%

Negative developments in businesses held for sale, reduce net earnings to ISK 1 billion but are not reflective of future performance

The balance sheet was decreased in a tactical manner

Return on assets under management was very good and the Bank has retained its number one position in equities trading for the 4th year in a row

The Bank adopted a new environmental strategy and will put increased emphasis on such matters both in operations and lending

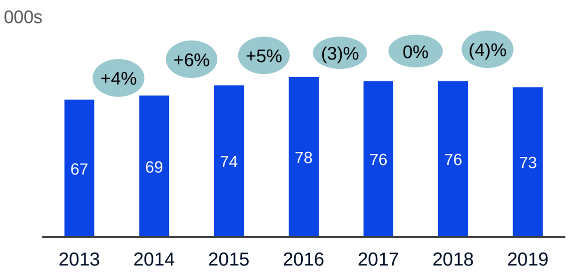
The Bank has substantial surplus capital which allows it to pay a dividend of ISK 15.4 billion. This corresponds to a dividend yield of 9.8% on equity at year end

Digital services are changing customer behavior

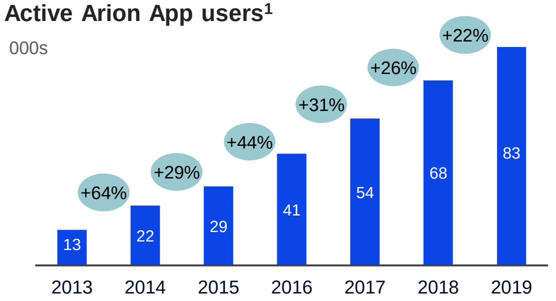
The Bank's digital journey has increased revenues and reduced costs

- The growth in active Arion Bank app users was 22% in 2019
- Visits to traditional branches continue to trend down - decreased by 46% since 2013
- New digital branches continue to drive increased customer usage with more visits than traditional branches
- Total branch space decreased by almost half since 2014
- Digital sales ratio 68% for core products
  - Credit cards, current accounts and savings accounts
- Overdraft applications now 84% digital
- Car loans 100% digitally processed at the car dealers
- Mortgage credit assessments more than 94% digitally processed through Arion Bank's website

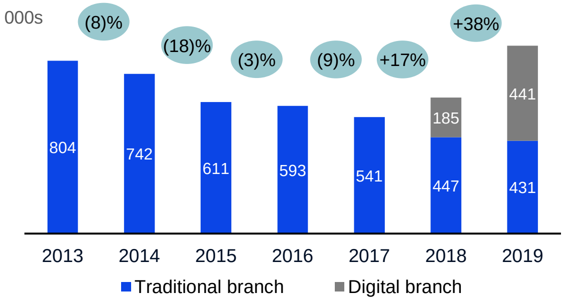
Active online bank users[1]



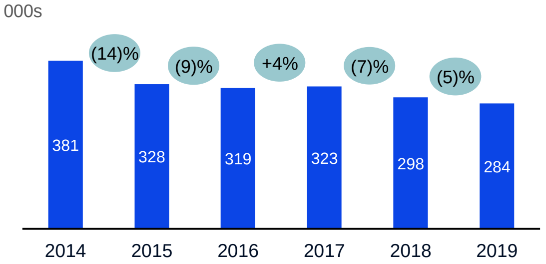
Active Arion App users[1]



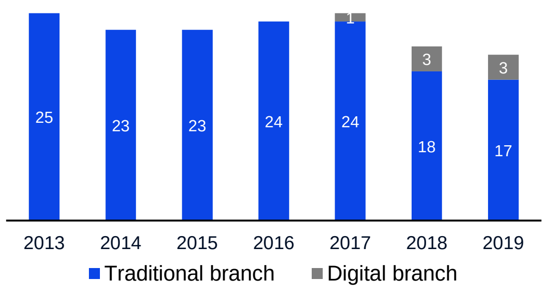
Number of visits to branches[2]



Number of calls to the call centre



Number of branches[2]



Source: Company information

1. 90 day active online users/individuals and 90 day active app users,
2. Data: Qmatic ticketing system for traditional branches and Mobotix camera counting system for digital branches. Two different methods.

Arion Bank focuses on sustainable and responsible banking

International and domestic commitments

- A founding signatory of the **UN PRB** and will strategically align its business with the **Sustainable Development Goals** and the **Paris Agreement** on Climate Change
- UN Principles for Responsible Investment, **UN PRI**
- UN **Global Compact**
- Festa and City of Reykjavík's **Declaration on Climate Change**

Arion Bank's Environment and Climate Policy

- Set in December 2019
- Contribute to Iceland's efforts to meet its **international agreements**
- Focus on financing projects on **sustainable development and green infrastructure**
- We will **evaluate our loan portfolio** according to green criteria, set ambitious targets and adopt a policy on loans to individual sectors **and evaluate our suppliers**

Gender Equality

- First bank in Iceland to gain the **equal pay symbol** from the Ministry of Welfare
- **UN Women and UN Global Compact** Women's Empowerment Principles
- **Albright:** In **25th place** out of 333 listed companies in Sweden which are setting a good example in terms of **gender diversity in management teams and at board level**

Corporate Governance

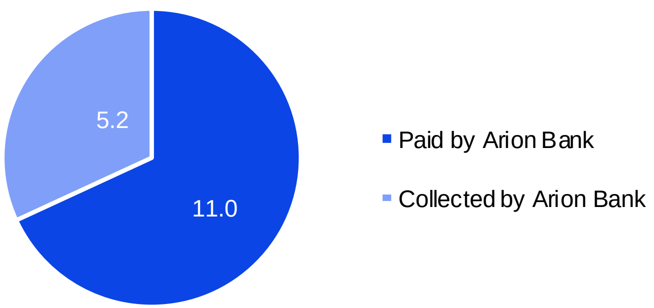
- Center for Corporate Governance's recognition of **Excellence in corporate governance**
- Since 2015 Arion Bank has been recognized as a company which has achieved excellence in corporate governance following a formal assessment based on **guidelines on corporate governance issued by the Icelandic Chamber of Commerce**

Reporting

- Global Reporting Initiative standard, **GRI Core**
- **ESG reporting guide** for the Nasdaq Nordic and Baltic exchanges
- UN Global Compact **progress report**
- Sustainalytics **ESG rating**
- UN **sustainable development goals**

Tax footprint 2019 (ISK bn)

Arion Bank's (parent company) total tax contribution in 2019 amounted to ISK 16.2 billion which equals around 2% of the government's total income in 2018



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