



Arion Bank

Task Force on Climate-related Financial Disclosures (TCFD)

As of 31 December 2021

In order to gain a better overview of the risk related to climate change the Bank has made use of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) whose role is to make proposals on and to increase transparency around the financial impact of climate change. TCFD has defined the industries which are likely to feel the greatest impact from climate change over the coming decades and the risk is divided into transitional risk and physical risk. An example of transitional risk is the transition to green energy in the fishing industry, and an example of a physical risk is more volatile weather conditions which could result in serious natural disasters. Climate change-related risks span many decades and are therefore dissimilar to many other risks in the Bank's loan portfolio.

The table below displays the Bank's loans to sectors which are defined as important for tackling climate change according to the recommendations of TCFD. Given Iceland's unique position with regard to its geographical location and sources of energy, the Bank has adapted the industry categories to the situation in Iceland and has made use of the National Inventory Report of the Environment Agency of Iceland which describes the total emissions of greenhouse gases in Iceland. The results of the TCFD analysis are used in the Bank's internal assessment of capital requirements for climate change.

Arion Bank will continue to implement TCFD in 2021.

TCFD material groups	TCFD sector	Both transition and physical risk	Mainly Transition risk	Mainly Physical risk
Financial Group	Asset owners and asset managers	0	5,092	0
Financial Group	Credit Institutions	0	39,327	0
Financial Group	Insurance Companies	0	21	0
Energy	Energy	0	0	0
Agriculture, Food and Forest products Group	Agriculture	2,513	0	0



TCFD material groups	TCFD sector	Both transition and physical risk	Mainly Transition risk	Mainly Physical risk
Agriculture, Food and Forest products Group	Beverages, Packed food and Meats	0	28,035	0
Agriculture, Food and Forest products Group	Fishing*	79,464	0	12,351
Agriculture, Food and Forest products Group	Forestry	546	0	0
Agriculture, Food and Forest products Group	Wholesale*	0	9,287	0
Transportation	Air transport	0	7,554	0
Transportation	Automobiles and components	0	5,707	0
Transportation	Shipping	0	4,652	0
Transportation	Trucks, buses and working machines	0	2,716	0
Materials and Buildings Group	Capital Goods	0	550	0
Materials and Buildings Group	Construction	0	47,812	0
Materials and Buildings Group	Construction materials (excl wood)	0	3,479	0
Materials and Buildings Group	Metals & Mining	0	1,301	0
Other Real Estates*	Hotels**	0	29,413	0
Other Real Estates*	Real Estate Companies***	0	0	7,897



TCFD material groups	TCFD sector	Both transition and physical risk	Mainly Transition risk	Mainly Physical risk
Other Real Estates*	Residential Real estate***	0	0	35,019
Other tourism*	Other tourism*	0	7,610	0
Total ISK m.		85,523	192,557	55,268

* Not part of original TCFD but added due to importance in Iceland

** Hotels added separately

*** 10% of exposure due to physical risk (e.g.; sea level rise, etc.)