

The Remuneration Policy of Arion Bank hf.

I. Objective

The main objective with regard to employee remuneration is that Arion Bank offers competitive salaries so that the Bank is able to attract and retain outstanding employees. The Bank's objective is also to ensure that jobs at the Bank are sought after by qualified people. When devising a remuneration policy it must be ensured that the policy does not encourage excessive risk taking but rather supports the Bank's long-term goals and its healthy operation. The policy is an integral part of the Bank's strategy to protect the long-term interests of the Bank's owners, its employees, customers and other stakeholders in an organised and transparent manner.

In accordance with Article 79a of Act no. 2/1995 on Public Limited Companies and rules on good corporate governance, the Board of Directors of Arion Bank approves the Bank's remuneration policy with respect to salaries and other payments to the Board Directors, Chief Executive Officer, Managing Directors, Compliance Officer and Internal Auditor.

II. Board Remuneration Committee

The Board Remuneration Committee is one of the sub-committees of the Board of Directors of Arion Bank. Its role is to advise the Board on remuneration to the CEO, Managing Directors, Compliance Officer and Internal Auditor, and on the Bank's bonus scheme and other work-related payments. The Chief Executive Officer proposes a salary framework for Managing Directors, the Compliance Officer and Internal Auditor in consultation with the Board Remuneration Committee. The Board Remuneration Committee also makes other proposals which it considers necessary or appropriate. The Committee shall report on its activities to the Board at regular intervals.

III. Remuneration to Board Directors

Board Directors shall receive a fixed monthly payment as determined at the annual general meeting, cf. Article 79 of Act no. 2/1995 on Public Limited Companies.

IV. Remuneration to the Chief Executive Officer, Managing Directors and the Compliance Officer

Remuneration to the Chief Executive Officer shall be specified in a written employment agreement, stating fixed salary, pension rights, holiday pay and other work-related payments, period of notice and severance payments. Generally speaking, only the terms of an employment agreement are valid with respect to pension payments or severance payments. In exceptional circumstances it is authorised to enter into a severance agreement with the Chief Executive Officer in accordance with the provisions of the Financial Undertakings Act.

The salaries of Managing Directors and the Compliance Officer are decided by the Chief Executive Officer in consultation with the Head of Human Resources and shall take into account the size of the relevant division and level of responsibility. The remuneration of Managing Directors shall be specified in a written employment agreement. Generally speaking, only the terms of an employment agreement are valid with respect to pension payments or severance payments. In exceptional circumstances it is authorised to enter into a severance agreement with Managing Directors in accordance with the provisions of the Financial Undertakings Act.

V. Bonus schemes

It is permitted to pay employees and managers bonuses on the basis of a special bonus scheme which the Board of Directors shall approve following consultation with the Board Remuneration Committee and Board Risk Committee. A bonus refers to remuneration to employees of the Bank which is generally defined with respect to performance and does not form part of an employee's fixed remuneration, since the final amount or proportion is not precisely determined in advance. The Bank is permitted, but not obliged, to pay a bonus. A bonus scheme shall comply with the provisions of the law and rules on such schemes. The total bonus granted to an employee may not, on an annual basis, exceed 25% of the employee's annual salary excluding the bonus.

VI. Reviewing and disclosing information on the policy

The remuneration policy shall be reviewed annually and submitted to the annual general meeting for approval or rejection. The Board of Directors shall discuss the remuneration to Board Directors, the Chief Executive Officer and Managing Directors at annual general meetings as stated in Article 79a of the Public Limited Companies Act, in accordance with Act on Financial Undertakings. The remuneration policy may be reviewed more often, for example on account of changes in legislation, and any such amendments must be submitted to a shareholders' meeting.