



Overview of Costs & Charges when investing in securities



Better overview of costs and charges when investing in securities at Arion Bank

Overview of estimated costs & charges before investing

When investing in securities, it is important to know the costs and charges related to the transactions and the effect on returns.

The Markets in Financial Instruments Directive (known as MiFID II) introduced new obligations on investment firms to provide their clients or potential clients with adequate information on all costs and related charges.

This document contains information on aggregated *estimated* costs and charges when trading shares and bonds. The costs are based on examples of trades with fixed terms on e.g. ongoing costs, holding period and amounts invested.

These examples do not represent an exhaustive list of possible trades.

The effect of costs on returns

Costs have a negative effect on returns. The investment must generate a higher return than the cost to realize a positive return. The cost is typically higher at the beginning and end of the investment as a result of entry and exit costs, but is lower in the intervening period.

For the sake of simplicity no return is assumed during the holding period in the following examples.

Actual costs may differ

The costs in the following examples are based on the list of fees and charges. Please bear in mind that the costs are estimated and the costs incurred by the client may differ, due to e.g. discounts, different holding period or the amount invested.

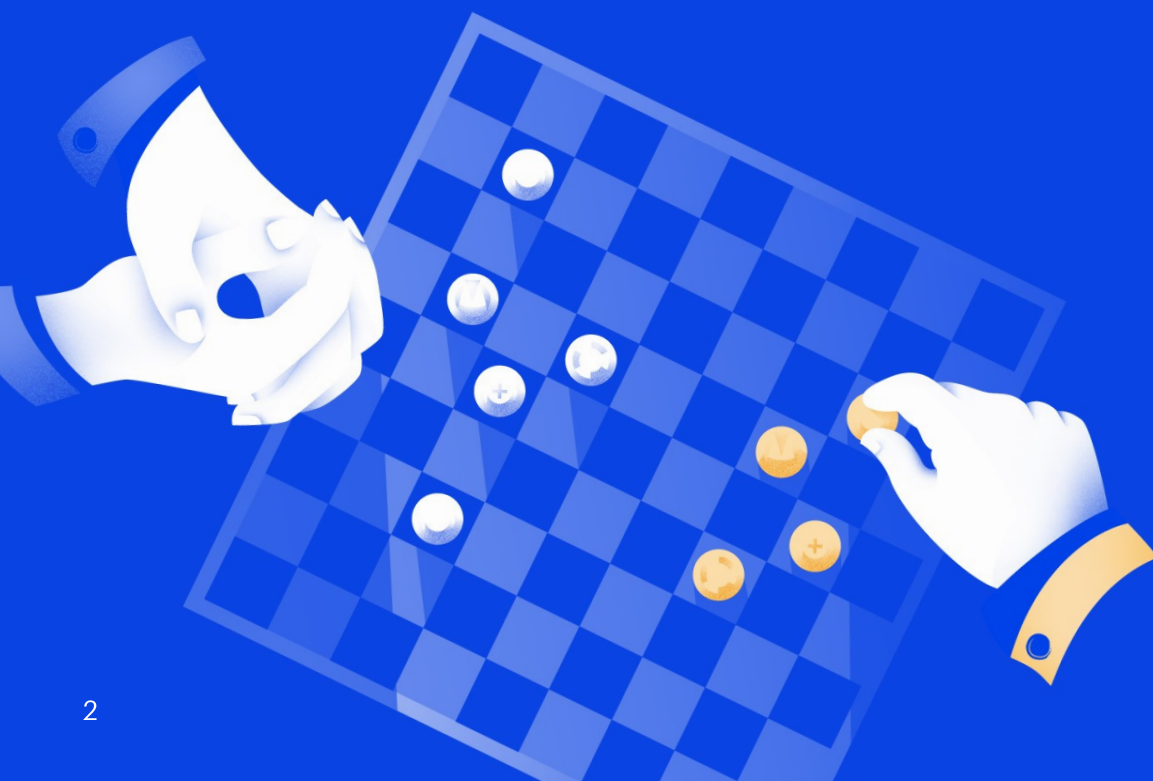
Once a year clients receive a detailed overview of the costs and charges paid during the year.

To get an overview of cost items please refer to the Fees and Charges for Investment Services available online at arionbanki.is/english/about-us/more/rates/.

The client should not interpret the information given in the examples as advice to buy, sell or otherwise dispose of financial instruments or as a forecast of future returns.

The information on estimated costs and related charges does not take into account costs which may arise from general risks when investing in financial instruments. Investors are encouraged to read the overview of the main characteristics of financial instruments and risk factors at arionbanki.is/investorprotection.

If any questions arise, please contact us by phone on 444 7000, e-mail at arionbanki@arionbanki.is or via webchat at arionbanki.is/english.



Shares

Listed domestic shares - trading via Online Banking or Arion App

Terms

The following example provides information on aggregated costs and charges, expressed both as a cash amount and as a percentage, when investing in listed domestic shares via Online Banking or Arion App. Additionally, the cumulative effect of the costs on the return are provided.

The holding period is assumed to be 5 years and the shares are sold at the end of that time. The company pays out dividends annually. For the sake of simplicity, the growth rate is set at 0% during the holding period. The investor is assumed to be a person, i.e. not a legal entity, and this particular financial instrument the only holding in the respective custody account.

| | | | |
|------------------------------|----------------------------|------------------|-----------------------|
| Financial instrument: | Listed domestic shares | Growth: | 0.00% |
| Trading venue: | Online Banking / Arion App | Market: | Iceland |
| Holding period: | 5 years | Currency: | Icelandic króna (ISK) |

Aggregated Costs & Charges over holding period

| Amount invested: | ISK 500,000 | | ISK 1,000,000 | | ISK 5,000,000 | |
|-----------------------------------|-------------------|--------------------------|-------------------|--------------------------|-------------------|--------------------------|
| | Amount | Percentage of investment | Amount | Percentage of investment | Amount | Percentage of investment |
| Product costs | ISK 0 | 0.00% | ISK 0 | 0.00% | ISK 0 | 0.00% |
| Service costs ¹ | ISK 31,100 | 6.22% | ISK 38,100 | 3.81% | ISK 98,100 | 1.96% |
| Third party product payments | ISK 0 | 0.00% | ISK 0 | 0.00% | ISK 0 | 0.00% |
| Total costs & charges: | ISK 31,100 | 6.22% | ISK 38,100 | 3.81% | ISK 98,100 | 1.96% |

Cumulative Effect of Costs on Return

| | | | |
|---|-------------|---------------|---------------|
| Value of investment if no charges at all | ISK 500,000 | ISK 1,000,000 | ISK 5,000,000 |
| Value of investment if all costs and charges are included | ISK 468,900 | ISK 961,900 | ISK 4,901,900 |
| Anticipated spikes or fluctuations in costs and charges (as a result of entry and exit costs) | ISK 8,600 | ISK 15,600 | ISK 75,600 |
| Investment growth, including costs, assuming 0% return | -6.22% | -3.81% | -1.96% |
| Equal to decrease in return of | ISK 31,100 | ISK 38,100 | ISK 98,100 |

¹This refers to entry and exit costs, transaction fees, charges relating to corporate actions (dividends) and custody fees. A minimum custody fee is payable on all portfolios, regardless of portfolio value and product. Please refer to the Fees and Charges for Investment Services at arionbanki.is/english/about-us/more/rates/

Listed domestic shares - trading via brokerage

Terms

The following example provides information on aggregated costs and charges, expressed both as a cash amount and as a percentage, when investing in listed international shares through a securities brokerage. Additionally, the cumulative effect of the costs on the return are provided. The example is split into three according to the amount invested.

The holding period is assumed to be five years and the shares are sold at the end of that time. The company pays out dividends annually. For the sake of simplicity, the growth rate is set at 0% during the holding period. The investor is assumed to be a person, i.e. not a legal entity, and this particular financial instrument the only holding in the respective custody account.

| | | | |
|------------------------------|------------------------|------------------|-----------------------|
| Financial instrument: | Listed domestic shares | Growth: | 0.00% |
| Trading venue: | Brokerage | Market: | Iceland |
| Holding period: | 5 years | Currency: | Icelandic króna (ISK) |

Aggregated Costs & Charges over holding period

| Amount invested: | ISK 500,000 | | ISK 1,000,000 | | ISK 5,000,000 | |
|---------------------------------|-------------------|--------------------------|-------------------|--------------------------|--------------------|--------------------------|
| | Amount | Percentage of investment | Amount | Percentage of investment | Amount | Percentage of investment |
| Product costs | ISK 0 | 0.00% | ISK 0 | 0.00% | ISK 0 | 0.00% |
| Service costs ¹ | ISK 33,900 | 6.78% | ISK 43,900 | 4.39% | ISK 123,900 | 2.48% |
| Third party product payments | ISK 0 | 0.00% | ISK 0 | 0.00% | ISK 0 | 0.00% |
| Total costs and charges: | ISK 33,900 | 6.78% | ISK 43,900 | 4.39% | ISK 123,900 | 2.48% |

Cumulative Effect of Costs on Return

| | ISK 500,000 | ISK 1,000,000 | ISK 5,000,000 |
|---|-------------|---------------|---------------|
| Value of investment if no charges at all | ISK 500,000 | ISK 1,000,000 | ISK 5,000,000 |
| Value of investment if all costs and charges are included | ISK 466,100 | ISK 956,100 | ISK 4,876,100 |
| Anticipated spikes or fluctuations in costs and charges (as a result of entry and exit costs) | ISK 11,400 | ISK 21,400 | ISK 101,400 |
| Investment growth, including costs, assuming 0% return | -6.78% | -4.39% | -2.48% |
| Equal to decrease in return of | ISK 33,900 | ISK 43,900 | ISK 123,900 |

¹ This refers to entry and exit costs, transaction fees, charges relating to corporate actions (dividends) and custody fees. A minimum custody fee is payable on all portfolios, regardless of portfolio value and product. Please refer to the Fees and Charges for Investment Services at arionbanki.is/english/about-us/more/rates/

Listed international shares - trading via brokerage

Terms

The following example provides information on aggregated costs and charges, expressed both as a cash amount and as a percentage, when investing in listed international shares through a securities brokerage. Additionally, the cumulative effect of the costs on the return are provided. The example is split into three according to the amount invested.

The holding period is assumed to be five years and the shares are sold at the end of that time. The company pays out dividends annually. For the sake of simplicity, the growth rate is set at 0% during the holding period. The investor is assumed to be a person, i.e. not a legal entity, and this particular financial instrument the only holding in the respective custody account.

| | | | |
|------------------------------|---------------|------------------|-----------------|
| Financial instrument: | Listed shares | Growth: | 0.00% |
| Trading venue: | Brokerage | Market: | USA |
| Holding period: | 5 years | Currency: | US Dollar (USD) |

Aggregated Costs & Charges over holding period

| Amount invested: | ISK 500,000 | | ISK 1,000,000 | | ISK 5,000,000 | |
|-----------------------------------|-------------------|--------------------------|-------------------|--------------------------|--------------------|--------------------------|
| | Amount | Percentage of investment | Amount | Percentage of investment | Amount | Percentage of investment |
| Product costs | ISK 0 | 0.00% | ISK 0 | 0.00% | ISK 0 | 0.00% |
| Service costs ¹ | ISK 79,399 | 15.88% | ISK 79,399 | 7.94% | ISK 159,399 | 3.19% |
| Third party product payments | ISK 0 | 0.00% | ISK 0 | 0.00% | ISK 0 | 0.00% |
| Total costs & charges: | ISK 79,399 | 15.88% | ISK 79,399 | 7.94% | ISK 159,399 | 3.19% |

Cumulative Effect of Costs on Return

| | ISK 500,000 | ISK 1,000,000 | ISK 5,000,000 |
|---|-------------|---------------|---------------|
| Value of investment if no charges at all | ISK 500,000 | ISK 1,000,000 | ISK 5,000,000 |
| Value of investment if all costs and charges are included | ISK 420,601 | ISK 920,601 | ISK 4,840,601 |
| Anticipated spikes or fluctuations in costs and charges (as a result of entry and exit costs) | ISK 23,582 | ISK 23,582 | ISK 103,582 |
| Investment growth, including costs, assuming 0% return | -15.88% | -7.94% | -3.19% |
| Equal to decrease in return of | ISK 79,399 | ISK 79,399 | ISK 159,399 |

¹ This refers to entry and exit costs, transaction fees and custody fees. Based on official exchange rate of USD to ISK on 31 March 2022, ISK 127.9. A minimum custody fee is payable on all portfolios, regardless of portfolio value and product. Please refer to the Fees and Charges for Investment Services at arionbanki.is/english/about-us/more/rates/

Bonds

Listed treasury bills - trading via brokerage

Terms

The following example provides information on aggregated costs and charges, expressed both as a cash amount and as a percentage, when investing in listed treasury bills, with a duration of less than one year, through a securities brokerage. Additionally, the cumulative effect of the costs on the return are provided. The example is split into three according to the amount invested.

The holding period is assumed to be six months and the bills are paid at the end of that time. Treasury bills bear no interest and are paid at nominal value on the due date. The investor is assumed to be a person, i.e. not a legal entity, and this particular financial instrument the only holding in the respective custody account.

| | | | |
|------------------------------|-----------------------|------------------|-----------------------|
| Financial instrument: | Listed treasury bills | Growth: | 0.00% |
| Trading venue: | Brokerage | Market: | Iceland |
| Holding period: | 6 months | Currency: | Icelandic króna (ISK) |

Aggregated Costs & Charges over holding period

| Amount invested: | ISK 500,000 | | ISK 1,000,000 | | ISK 5,000,000 | |
|---------------------------------|------------------|--------------------------|----------------------|--------------------------|-------------------|--------------------------|
| | Amount | Percentage of investment | Amount | Percentage of investment | Amount | Percentage of investment |
| Product costs | ISK 0 | 0.00% | ISK 0 | 0.00% | ISK 0 | 0.00% |
| Service costs ¹ | ISK 9,400 | 1.88% | ISK 9,400 | 0.94% | ISK 17,900 | 0.36% |
| Third party product payments | ISK 0 | 0.00% | ISK 0 | 0.00% | ISK 0 | 0.00% |
| Total costs and charges: | ISK 9,400 | 1.88% | ISK 9,400 kr. | 0.94% | ISK 17,900 | 0.36% |

Cumulative Effect of Costs on Return

| | ISK 500,000 | ISK 1,000,000 | ISK 5,000,000 |
|---|-------------|---------------|---------------|
| Value of investment if no charges at all | ISK 500,000 | ISK 1,000,000 | ISK 5,000,000 |
| Value of investment if all costs and charges are included | ISK 490,600 | ISK 990,600 | ISK 4,982,100 |
| Anticipated spikes or fluctuations in costs and charges (as a result of entry and exit costs) | ISK 5,400 | ISK 5,400 | ISK 13,900 |
| Investment growth, including costs, assuming 0% return | -1.88% | -0.94% | -0.36% |
| Equal to decrease in return of | ISK 9,400 | ISK 9,400 | ISK 17,900 |

¹ This refers to entry costs, transaction fees and custody fees. A minimum custody fee is payable on all portfolios, regardless of portfolio value and product. Please refer to the Fees and Charges for Investment Services at arionbanki.is/english/about-us/more/rates/

Listed treasury bonds - trading via brokerage

Terms

The following example provides information on estimated costs and charges, expressed both as a cash amount and as a percentage, when investing in listed treasury bonds, with a duration of more than one year, through a securities brokerage. Additionally, the cumulative effect of the costs on the return are provided. The example is split into three according to the amount invested.

The holding period is assumed to be three years and the bonds are sold at the end of that time. The bonds in this example bear interest and interest is paid once a year. For the sake of simplicity, the growth rate is set at 0% during the holding period. The investor is assumed to be a person, i.e. not a legal entity, and this particular financial instrument the only holding in the respective custody account.

| | | | |
|------------------------------|-------------------------|------------------|-----------------------|
| Financial instrument: | Listed government bonds | Growth: | 0,00% |
| Trading venue: | Brokerage | Market: | Iceland |
| Holding period: | 3 years | Currency: | Icelandic króna (ISK) |

Aggregated Costs & Charges over holding period

| Amount invested: | ISK 500,000 | | ISK 1,000,000 | | ISK 5,000,000 | |
|---------------------------------|-------------------|--------------------------|-------------------|--------------------------|-------------------|--------------------------|
| | Amount | Percentage of investment | Amount | Percentage of investment | Amount | Percentage of investment |
| Product costs | ISK 0 | 0.00% | ISK 0 | 0.00% | ISK 0 | 0,00% |
| Service costs ¹ | ISK 23,500 | 4.70% | ISK 25,500 | 2.55% | ISK 65,500 | 1.31% |
| Third party product payments | ISK 0 | 0.00% | ISK 0 | 0.00% | ISK 0 | 0.00% |
| Total costs and charges: | ISK 23,500 | 4.70% | ISK 25,500 | 2.55% | ISK 65,500 | 1.31% |

Cumulative Effect of Costs on Return

| | ISK 500,000 | ISK 1,000,000 | ISK 5,000,000 |
|---|-------------|---------------|---------------|
| Value of investment if no charges at all | ISK 500,000 | ISK 1,000,000 | ISK 5,000,000 |
| Value of investment if all costs and charges are included | ISK 476,500 | ISK 974,500 | ISK 4,934,500 |
| Anticipated spikes or fluctuations in costs and charges (as a result of entry and exit costs) | ISK 9,400 | ISK 11,400 | ISK 51,400 |
| Investment growth, including costs, assuming 0% return | -4.70% | -2.55% | -1.31% |
| Equal to decrease in return of | ISK 23,500 | ISK 25,500 | ISK 65,500 |

¹This refers to entry and exit costs, transaction fees and custody fees. A minimum custody fee is payable on all portfolios, regardless of portfolio value and product. Please refer to the Fees and Charges for Investment Services at arionbanki.is/english/about-us/more/rates/

Listed international bonds - trading via brokerage

Terms

The following example provides information on estimated costs and charges, expressed both as a cash amount and as a percentage, when investing in listed international bonds, with a duration of more than one year, through a securities brokerage. Additionally, the cumulative effect of the costs on the return are provided. The example is split into three according to the amount invested.

The holding period is assumed to be three years and the bonds are sold at the end of that time. The bonds in this example are treasury bonds which bear interest and interest is paid twice a year. For the sake of simplicity, the growth rate is set at 0% during the holding period. The investor is assumed to be a person, i.e. not a legal entity, and this particular financial instrument the only holding in the respective custody account.

| | | | |
|------------------------------|----------------------------|------------------|-----------------|
| Financial instrument: | Listed international bonds | Growth: | 0.00% |
| Trading venue: | Brokerage | Market: | USA |
| Holding period: | 3 years | Currency: | US dollar (USD) |

Aggregated Costs & Charges over holding period

| Amount invested: | ISK 500,000 | | ISK 1,000,000 | | ISK 5,000,000 | |
|---------------------------------|-------------------|--------------------------|-------------------|--------------------------|-------------------|--------------------------|
| | Amount | Percentage of investment | Amount | Percentage of investment | Amount | Percentage of investment |
| Product costs | ISK 0 | 0.00% | ISK 0 | 0.00% | ISK 0 | 0.00% |
| Service costs ¹ | ISK 56,327 | 11.27% | ISK 56,327 | 5.63% | ISK 76,327 | 1.53% |
| Third party product payments | ISK 0 | 0.00% | ISK 0 | 0.00% | ISK 0 | 0.00% |
| Total costs and charges: | ISK 56,327 | 11.27% | ISK 56,327 | 5.63% | ISK 76,327 | 1.53% |

Cumulative Effect of Costs on Return

| | ISK 500,000 | ISK 1,000,000 | ISK 5,000,000 |
|---|-------------|---------------|---------------|
| Value of investment if no charges at all | ISK 500,000 | ISK 1,000,000 | ISK 5,000,000 |
| Value of investment if all costs and charges are included | ISK 443,673 | ISK 944,673 | ISK 4,923,673 |
| Anticipated spikes or fluctuations in costs and charges (as a result of entry and exit costs) | ISK 33,582 | ISK 33,582 | ISK 53,582 |
| Investment growth, including costs, assuming 0% return | -11.27% | -5.63% | -1.53% |
| Equal to decrease in return of | ISK 56,327 | ISK 56,327 | ISK 76,327 |

¹ This refers to entry and exit costs, transaction fees and custody fees. Based on official exchange rate of USD to ISK on 31 March 2022, ISK 127.9. A minimum custody fee is payable on all portfolios, regardless of portfolio value and product. Please refer to the Fees and Charges for Investment Services at arionbanki.is/english/about-us/more/rates/

Notes

Custody fees

Custody fees are paid for the custody of securities at Arion Bank and are calculated on the portfolio value every day. Custody fees are charged and debited on asset management portfolios at the end of each month and a minimum fee is factored into calculations. Custody fees on custody accounts are collected twice a year, on 1 April and 1 October.

A minimum charge is calculated on all active portfolios, and in addition a percentage of the total value of securities subject to charges in custody and asset management, which is in excess of the minimum fee, is calculated. Custody fees for bonds issued abroad are calculated on the nominal value.

No custody fees are payable on financial instruments issued by Arion Bank or Stefmir hf. funds although a minimum charge is payable on all portfolios regardless of portfolio value and product.

Brokerage fees

Brokerage fees are paid for the brokerage of securities, e.g. for buying and selling shares and bonds.

Transaction fees

Transaction fees are charged for transactions with financial instruments and for corporate actions such as dividends, mergers etc.

Capital gains tax

This is a tax rather than a cost levied on capital income, i.e. interest, dividends, capital gains and rental income. Capital gains tax on interest income and dividends is withheld at the source, while capital gains tax on shares and rental income is paid afterwards.

Parties responsible for custody, collecting payment or receiving deposits should withhold interest income in the amount equivalent to the applicable capital gains rate and pay it to the treasury.





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