



Information on the order execution policy

Introduction

When transmitting and executing client orders regarding financial instruments, Arion Bank hf. (the Bank) takes all reasonable steps to obtain the best possible result for the client.

For this purpose, the Bank has established an order execution policy in accordance with the Act on Securities Transactions and Regulation on Investor Protection and the Business Conduct of Financial Undertakings. The policy is an important part of the Bank's investor protection and protection of clients' interests. This document contains information on the highlights of the policy.

Scope

The Bank's order execution policy applies when:

1. The Bank executes client orders regarding financial instruments.
2. The Bank transmits client orders regarding financial instruments for execution by a third party.
3. Asset Management, when providing the service of portfolio management, places orders regarding financial instruments with a third party.

The policy only applies to orders made by clients who are categorized as retail clients or professional clients, although the Bank may also specifically agree to the application of the policy to orders made by eligible counterparties.

The policy does not apply to orders where the client may know beforehand that his counterparty is the Bank's own account and the Bank does not owe the client fiduciary duties in the relevant transaction.

Execution of orders

The General Terms of Business for Investment Services, as current at any given time, apply to all transactions with financial instruments, unless specifically agreed otherwise.

Orders can be given in writing, by telephone, fax, e-mail or other electronic means approved by the Bank. The orders must contain sufficient information, such as information about the client, the number of the custody account and precise information on the proposed transaction, such as the volume and purchase or sale price. The client is fully responsible for his orders.

When the Bank receives an order from a client, the Bank shall take appropriate measures to provide for fair and expeditious execution of the order. Orders are recorded promptly and accurately and allocated. Orders which are otherwise comparable are handled sequentially, unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise.

A client limit order, which is not executed as soon as received do to prevailing market conditions, is transmitted to a regulated market or multilateral trading facility (MTF) as soon as possible, unless the client expressly instructs otherwise.

The Bank may aggregate orders from several clients, including orders for the Bank's own account, provided that it is unlikely that this will prove detrimental to any client. Such transactions are allocated to the relevant clients in accordance with the Bank's policy.

The Bank does not execute orders regarding listed financial instruments outside a regulated market or an MTF unless the client has given consent thereto and that this is deemed to bring the best possible result for the client.

The client is entitled to information on the status of his orders. The client may also request that the Bank demonstrate that it has executed an order in accordance with the Bank's execution policy.



Best execution

When executing client orders the Bank takes all reasonable steps to obtain the best possible result for the client with respect to:

- Price
- Costs
- Speed
- Likelihood of execution and settlement
- Size
- Nature
- Any other consideration relevant

When assessing the relative importance of the above factors, the Bank takes into consideration the following:

- The characteristics of the client, including whether the client is categorised as a retail client or professional client
- The characteristics of the client order
- The characteristics of the financial instruments that are the subject of that order
- The characteristics of the execution venues to which that order can be directed, e.g. liquidity on the venue in question, ability to handle complex orders and whether or not the Bank has direct access to the venue

For retail clients, the most important factor when assessing best execution is the price of the financial instrument and costs relating to the execution. However, in some cases factors such as speed or the likelihood of the execution being completed may have added importance, e.g. if it involves transactions regarding financial instruments in which there is little liquidity or under special market conditions.

Price is generally the main factor in the case of professional clients, although often special consideration needs to be taken of the size and nature of the order or orders and other factors than those involving retail clients, e.g. the possibility of executing the order as whole.

When and how orders shall be executed, in order to consistently obtain the best possible result, is decided based on the above assessment.

If the client gives a specific instruction in relation to an order, or certain parts of an order, the Bank will follow these instructions as far as possible. Please be advised that any specific instruction from a client may hinder the Bank from taking measures which it has established in its policy in order to obtain the best possible result.

When client orders, and portfolio management orders from Asset Management, are transmitted to or placed with a third party for execution, measures are taken in order to ensure the best possible result for the client with respect to the factors mentioned above. The Bank satisfies its obligations to the extent that it follows specific instructions from its client when transmitting an order to or placing an order with another entity.

Selection of venues to execute orders or choice of third party

The Bank is a member of trading venues in Iceland, i.e. Nasdaq OMX Iceland and First North, but has no direct access to systematic internalizers or other execution venues. The Bank can execute client orders regarding listed financial instruments outside of a regulated market or MTF if the client has given a specific consent and it is considered to provide the best result for the client in question.

In cases where it is possible to execute an order on one or more venue, the Bank directs the order to the venue which on a consistent basis generates the best result for the client.



The table below shows the trading venues on which the Bank places significant reliance when taking reasonable steps to obtain on a consistent basis the best possible result for the execution of client orders for listed financial instruments.

Financial instruments	Trading Venue	Type
Equities	Nasdaq OMX Icelan	Regulated market
	First North Iceland	Multilateral trading facility
Bonds and money market instruments	Nasdaq OMX Iceland	Regulated market

There is, by definition, no formal market for unlisted financial instruments and therefore trading with such instruments always takes place outside of markets.

The Bank transmits client orders only to reliable parties which are obliged to execute orders in a similar manner to the Bank. Clients are entitled to information on third parties which the Bank uses when client orders are transmitted to others for execution, in respect of each class of financial instruments.

Monitoring, reviewing and reporting

The Bank monitors the effectiveness of the order execution policy in order to identify and, where appropriate, correct any deficiencies with the aim of ensuring the best possible result for clients.

The order execution policy is reviewed at least annually and whenever any significant changes occur which may affect the Bank's ability to obtain the best possible result on a consistent basis.

Clients are informed on the Bank's website <http://www.arionbanki.is> of material changes to the order execution policy whenever such changes concern the information provided here. Information on the order execution policy, as current at any given time, can be found under the section "About Us" under "Rules and Terms" on the Bank's website.