

1. PURPOSE AND SCOPE

When transmitting and executing trading orders in financial instruments, Arion Bank seeks to take all reasonable steps to obtain the best possible result for the client.

To this end the Bank has adopted the following best execution policy in accordance with the Markets in Financial Instruments Act No. 115/2021 and Regulation (EU) 2017/565.

The execution of client orders as defined in this policy is when a client has instructed the Bank to act in their interests and:

1. The Bank executes client orders with respect to transactions in financial instruments.
2. The Bank transmits client orders with respect to transactions in financial instruments to be executed by a third party.
3. The Bank is responsible for asset management on behalf of the client.

This policy applies to clients which the Bank has classified as retail clients or professional clients. The policy does not apply to eligible counterparties but the Bank will act fairly and professionally with respect to eligible counterparties. The rules do not apply when the Bank acts as a counterparty for its own account or where there is no fiduciary duty.

2. EXECUTING ORDERS

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

When executing client orders the Bank will take measures designed to ensure the fair and prompt execution of their orders relative to other clients or the Bank's business interests.

Arion Bank reserves the right to refuse to execute client orders, for example if the Bank believes that the transaction is not suited to the client in question, if orders are incomplete or if there is any suspicion of market abuse. Arion Bank does not need to provide a reason for its decision.

TRACEABILITY OF CLIENT ORDERS

All client orders shall be provided by verifiable means and stored for at least five years. If orders are given verbally and they are not recorded, the orders must be documented, including any stipulations made by the client. The client must confirm the documented orders by verifiable means before the orders are executed.

SEQUENCE OF ORDERS

Orders are recorded promptly and accurately and directed into the appropriate channels.

Orders which are otherwise comparable are processed sequentially, unless the nature of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise.

LIMIT ORDERS

Limit orders, which are not executed as soon as received owing to market conditions, are transmitted to an execution venue as soon as possible, unless the client requests otherwise.

AGGREGATION OF ORDERS

It is permitted to aggregate orders of multiple clients, for example trading orders for the Bank's own account, if the following conditions are met:

- it is unlikely that the aggregated orders and trades will work to the overall disadvantage of any clients having their trading orders aggregated,
- any customer involved has been informed that the aggregation may be to their disadvantage in respect of certain orders,
- allocation is decided in advance in accordance with a clear set of processes.

The client shall have priority over the Bank's trades for its own account when allocating aggregated orders. The Bank will therefore not be allocated trades, if the aggregated orders have only been executed in part, unless it is possible to demonstrate that the Bank's share of the trades has had a positive impact on other clients.

SETTLEMENT

The Bank shall take all normal measures to ensure that the financial instruments or financial assets of the client which are received upon settlement following the execution of orders, are delivered without delay and properly into the account of the client in question.

3. BEST EXECUTION OF ORDERS

When executing trading orders in financial instruments the Bank takes all measures to ensure the best possible results for the client with respect to price, cost, speed, likelihood of execution, settlement, size, characteristics and any other relevant factors. In the case of a retail client, the total payment, i.e. the price of the financial instrument and the cost of the trade/execution (including fees), is generally the most important factor when assessing best execution. The Bank will let other factors have priority over direct price and cost but only to the extent that these factors contribute to the best possible result in terms of the total return to the retail client.

Arion Bank evaluates the relative importance of the above factors based on the following criteria:

- characteristic of the client, including whether the client is classed as a retail client or professional client,
- characteristics of the client's orders,
- characteristics of the financial instruments in the orders,
- characteristics of the execution venues to which the orders can be directed.

The above assessment is used to determine where and how the orders shall be executed in order to consistently obtain the best possible result.

When a client gives instructions on a particular execution, or specific factors of the execution, such instructions should prevail over the Bank's assessment in respect of the factors to which the client's instructions apply. When Arion Bank executes a trade in accordance with the client's instructions, the Bank is considered to have provided the client with best execution with respect to the factors to which the client's instructions apply. It is not permitted to encourage the client to provide instructions to execute a trade in any other way than what the Bank believes would ensure the best possible result for the client.

When executing a client's orders outside a trading venue the Bank shall check the fairness of the price proposed to the client, by gathering market data used to estimate the price of such product and, where possible, by comparing with similar or comparable products.

4. CHOICE OF MARKETS TO EXECUTE ORDERS

The Bank participates in securities markets in Iceland, i.e. Nasdaq OMX Iceland and First North. The Bank can also execute client orders in listed financial instruments outside trading venues, including against Arion Bank's own account, provided that the client has agreed to this (in general or in respect of specific trades) and it is thought it will lead to the best possible result.

If one or more execution venue (including systematic internalizers) are in competition over receiving offers for listed financial instruments, the Bank shall assess and compare the performance of these venues in order to decide whether to ask to participate in a particular execution venue, or whether to cease participation in other markets.

In cases where it is possible to execute certain orders in one or more execution venues, the Bank, when choosing a venue, directs the orders to the execution venue which consistently produces the best result for the client with respect to the criteria given in Article 3. The Bank might also check whether it would produce a better result for the client to transmit the orders to a third party for execution, i.e. if a third party participates in an execution venue which the Bank does not participate in.

The table below shows the execution venues which the Bank primarily relies on when taking all reasonable steps to obtain on a consistent basis the best possible result for the execution of client orders in listed financial instruments.

| Financial Instruments | Execution venues | Type |
|--|---------------------|-------------------------------|
| Shares | Nasdaq OMX Iceland | Regulated securities market |
| | First North Iceland | Multilateral trading facility |
| Bond market and money market instruments | Nasdaq OMX Iceland | Regulated securities market |

By definition there is no formal execution venue for unlisted financial instruments and therefore trading with such instruments always takes place off market.

6. DISCLOSURE OF INFORMATION

Clients should, at reasonable notice, be provided with the relevant information on these rules on the Bank's website once the relevant conditions have been met and their consent has been obtained before orders are executed. This information should include at least:

- a summary of the relative importance of the factors mentioned in Article 3 or the method used by the Bank to determine the relative importance of these factors,
- a list of the execution venues which the Bank particularly relies on to get the best execution of client trading orders,
- a clear and prominent warning that any kind of special instructions from a client may prevent the Bank from being able to follow the processes needed to get the best possible result when executing these orders with respect to the factors to which the special instructions apply.

Clients must be informed of significant material changes made to this policy in terms of the execution of orders, with respect to previously given information. Such changes must be communicated on the Bank's website and also be sent in a durable medium to clients who have not specially agreed to information being provided on the website.

The client is always entitled to request information on the status of orders. The client shall, promptly and in a durable medium, be provided with important information concerning the execution of orders. If there is any difficulty in executing the orders of a retail client, the client must be notified immediately.

Arion Bank must demonstrate that the orders have been executed in accordance with these rules, if so required. When assessing whether the Bank has met its obligations with regard to best execution, the circumstances at the time the orders were given and the characteristics of the financial instruments are taken into consideration. The quality of execution is not evaluated on the basis of single trades but instead from an overall assessment of the execution of comparable trades over a longer time period. In other words, the Bank guarantees that the processes for executing orders consistently lead to the best possible result.

Arion Bank shall publish on its website, for each category of financial instrument, an overview of the five main execution venues in terms of the volume of trades over the past year and information on the quality of execution. The overview shall be updated annually.

Upon receiving a legitimate request from the client, an investment firm must provide its clients or potential clients with information on those parties to whom orders are sent or submitted for execution.

Retail clients shall be sent a receipt in confirmation of the execution of orders as soon as possible and no later than the first trading day after execution or after confirmation from a third party has been received, unless the client receives such confirmation from another party. In the case of fund subscriptions, there is no requirement to send a receipt for every transaction if the client is sent a statement at least every six months.

The client shall be sent a statement at least once a year showing their balance in the securities portfolio plus a transaction statement for the period.

7. SUPERVISION

The Markets division shall conduct regular internal supervision and monitor the effectiveness of the rules in practice in order to analyze defects and make improvements if required. Supervision encompasses three main tasks:

1. supervising that trades are executed in accordance with these rules,
2. supervising the quality of execution when orders are transmitted to a third party,
3. general supervision of whether it is possible to improve execution so that clients consistently get better results.

The Markets division shall conduct regular supervision of the effectiveness of this policy and the quality of execution when trading orders are transmitted to third parties. Any defects in this area shall be resolved if necessary.

Compliance shall perform regular supervision and monitor and regularly assess the suitability and effectiveness of these rules, request improvements as required and provide general advice and instruction on the duties of employees pursuant to these rules.

8. REVIEW, PUBLICATION AND ENTRY INTO FORCE

These rules should be reviewed at least annually and also if any significant changes occur which may affect the Bank's ability to obtain the best possible result on a consistent basis. When reviewing the policy, the Bank should examine which execution venues and third parties the Bank particularly uses to obtain the best possible result when transmitting and executing orders and whether it is possible to improve the Bank's processes in other respects, e.g. by altering the importance of criteria on best execution, in order to meet best execution requirements.

Significant change means an important event which could affect the criteria on best execution, e.g. cost, price, speed, likelihood of execution and settlement, size, characteristics and any other relevant factors.

The review of the rules shall particularly take into account the conclusions of regular monitoring. The performance and outcome of the review should be specially documented.

Clients should be informed of significant material changes made to these rules with respect to the execution of trading orders.