CREDIT OPINION

9 July 2024

Update

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RATINGS

Arion Bank hf.

Domicile	Iceland
Long Term CRR	A2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A3
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	A2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CLIENT SERVICES

Arion Bank hf.

Arion Bank hf.: Update to credit analysis following rating action

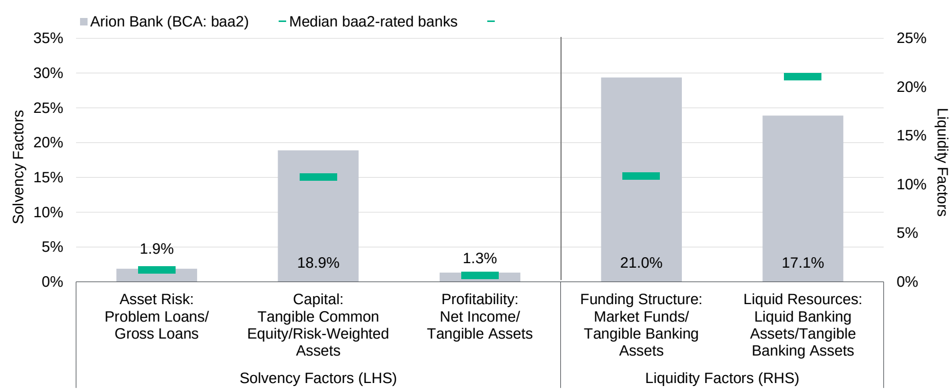
Summary

Arion Bank's (Arion) foreign and local currency banks deposit ratings of A2/Prime-1 and issuer ratings of A3 are driven by the bank's baa2 baseline credit assessment (BCA); and three notches and two notches of rating uplift, respectively, under our forward-looking Advanced Loss Given Failure (LGF) analysis, which takes into account the risks faced by the bank's different liabilities should Arion enter into resolution.

Arion's BCA of baa2 reflects its robust capitalisation coupled with satisfactory core profitability, good asset quality and adequate liquidity balanced against high geographical concentration and reliance on market funding.

Exhibit 1

Rating Scorecard - Key Financial Ratios as of end-March 2024



These represent our Banks methodology scorecard ratios, whereby asset risk and profitability reflect the weaker of either the three year average and the latest annual figure. Capital ratio is the latest reported figure. Funding structure and liquid resource ratios reflect the latest fiscal year-end figures.
Source: Moody's Ratings

Credit strengths

» Low levels of non-performing loans which have remained resilient in recent years and compare favorably to global peers

» Strong capitalisation supported high capital requirements and robust profitability

» Diversified revenue stream compared to domestic peers and focus on capital velocity

» Adequate liquidity buffers

Credit challenges

» Geographical concentrations result in increased tail risks in the loan book

» Non-credit related risks driven by market making operations and equity holdings, albeit decreasing in recent years

» Reliance on market funding, with an increasing amount of FX-debt, exposes the bank to changes in investor sentiment

Outlook

The outlook on Arion's long-term deposit and issuer ratings is stable, reflecting Moody's expectation that the bank's profitability will continue to benefit from the bank's diversification in a wide range of activities, supporting its capital generation capacity in the next 12-18 months.

Factors that could lead to an upgrade

Upward pressure could develop if Arion improves further its risk profile by reducing single name and sector concentrations in combination with a reduction in the use of market funds while maintaining strong capitalisation and strong earnings' generation capacity across the credit cycle.

For the issuer ratings, upward rating pressure could also develop because of a larger cushion of loss absorbing obligations protecting creditors in case of failure.

Factors that could lead to a downgrade

Downward pressure could emerge if Arion's (1) asset quality and risk profile was to deteriorate, for example as a result of increased exposures to more volatile sectors and/or increased single name concentrations; (2) risk profile increases driven by non-credit related risks such as market risk and fx risk and/or increasing CPI imbalance (3) the bank's recurring profitability weakens significantly limiting the bank's internal capital generation (4) financing conditions were to become more difficult or (4) the macroeconomic environment deteriorates significantly leading to a lower Macro Profile.

Furthermore, a reduction in the rating uplift as a result of our LGF analysis triggered by structural funding changes to the bank's balance sheet could lead to downward rating pressure.

Key indicators

Exhibit 2

Arion Bank hf. (Consolidated Financials) [1]

	03-24[2]	12-23[2]	12-22[2]	12-21[2]	12-20[2]	CAGR/Avg.[3]
Total Assets (ISK Billion)	1,544.4	1,525.7	1,465.6	1,313.9	1,172.7	8.8[4]
Total Assets (USD Million)	11,097.4	11,228.9	10,324.5	10,085.3	9,192.3	6.0[4]
Tangible Common Equity (ISK Billion)	181.7	189.6	177.6	175.9	180.0	0.3[4]
Tangible Common Equity (USD Million)	1,305.8	1,395.3	1,251.3	1,350.1	1,411.0	(2.4)[4]
Problem Loans / Gross Loans (%)	1.9	1.7	1.2	1.9	2.6	1.9[5]
Tangible Common Equity / Risk Weighted Assets (%)	18.9	20.2	19.6	21.0	23.3	20.6[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	11.8	10.1	7.1	9.8	11.4	10.0[5]
Net Interest Margin (%)	3.0	3.0	3.0	2.7	2.8	2.9[5]
PPI / Average RWA (%)	3.4	3.8	3.3	3.9	3.4	3.5[6]
Net Income / Tangible Assets (%)	1.3	1.6	1.4	2.2	1.1	1.5[5]
Cost / Income Ratio (%)	46.5	43.9	47.4	47.1	50.7	47.1[5]
Market Funds / Tangible Banking Assets (%)	21.1	21.0	21.9	21.6	21.1	21.4[5]
Liquid Banking Assets / Tangible Banking Assets (%)	16.0	17.1	19.0	18.0	18.9	17.8[5]
Gross Loans / Due to Customers (%)	148.1	146.5	144.5	144.0	146.9	146.0[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Ratings and company filings

Profile

Arion bank was founded following the default of its predecessor Kaupthing, which had roots tracing back to 1930. Following the collapse of Kaupthing in 2009, a new, state-owned entity named New Kaupthing was established and assumed control of the bank's domestic assets and liabilities. The entity later changed its name to Arion Banki and in 2018 the government sold its final stake prior to a double-listing of the bank on Nasdaq Iceland and Nasdaq Stockholm.

Arion is a full-service commercial bank in Iceland that provides retail, corporate, investment and private banking services, asset management services through its Stefnir subsidiary, as well as insurance offerings through its Vördur subsidiary. It operates through a network of 13 branches in Iceland.

Arion is the third largest bank in Iceland with total assets of around ISK1,544 billion as of end-March 2024 and had market shares of around 28% for assets in the Icelandic banking system. The bank is listed on Nasdaq Iceland and is privately owned.

Recent developments

On 28 June 2024, Arion's Pillar II capital requirement was revised downwards by the Financial Supervisory Authority of the Central Bank of Iceland following the Supervisory Review and Evaluation Process (SREP). The review concluded that Arion should, from 30 June 2024, be required to hold additional regulatory capital that amounts to 1.8% of Risk Exposure Amount (REA), which is a decrease of 0.3 percentage points from the previous review. Arion's total capital requirement, taking into account all capital buffers. is therefore 19.5%.

Detailed credit considerations

Arion's operations are supported by its "Strong-" weighted macro profile

Arion operates mostly in Iceland, with a small international exposure in Denmark, Canada and Eurozone region amounting to 12% of the group's assets. This is reflected in Arion's assigned Weighted Macro Profile of 'Strong – '. Iceland's 'Strong –' Macro Profile balances the country's small size and associated history of economic boom and bust episodes with relatively high wealth levels, competitiveness and favorable demographics. Iceland further benefits from high institutional and government strength, combined with a low susceptibility to political event risk.

Iceland's growth is volatile, reflecting the economy's limited diversification and relative openness, which increases its vulnerability to sector-specific and external shocks. The economy has weathered the twin shocks of the pandemic and the war in Ukraine, helped by a strong policy response and Iceland's energy independence. Diversification efforts are showing the first signs of success in some sectors, which should strengthen the economy's resilience to shocks.

We expect real GDP growth to slow down but remain robust in 2024 at 2%, supported by increasing consumption and foreign trade as inflation decelerates. Recently negotiated long-term private market wage agreements will result in further slowdowns in inflation, while monetary easing anticipated in the second half of the year will act to reinvigorate the labour market.

The main risks to the banking sector stem from the country's small size and limited economic diversification, which could create a risk of contagion in the event of sector specific shocks. Icelandic banks also make extensive use of market funding.

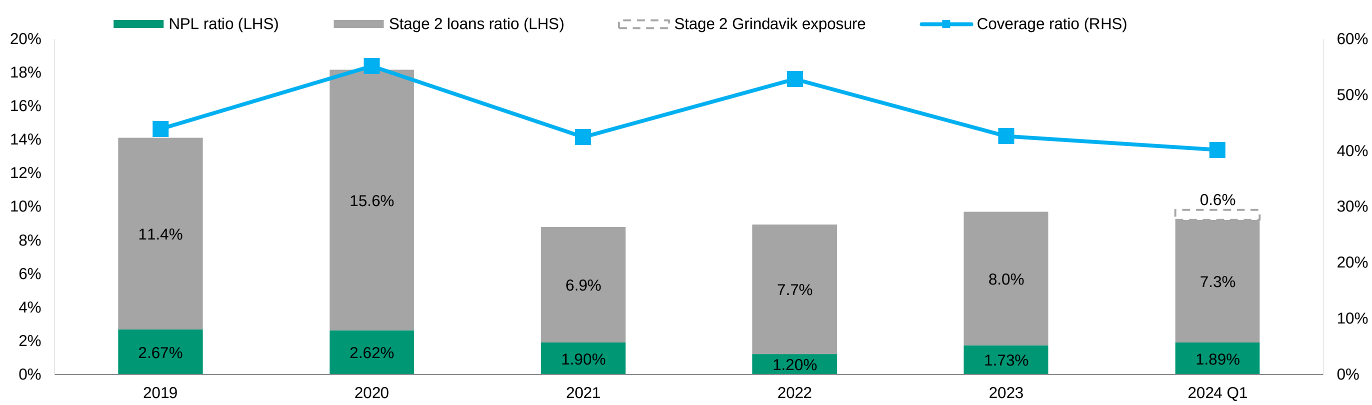
Asset quality has been stable but geographical concentration risk weigh on the bank's risk profile

Arion benefits from good asset quality which has been improving over the years and has remained broadly stable in the past 24 months, despite significant increases in interest rates from the central bank. Non-performing loans (NPL) ratio (stage 3 loans to gross loans) was 1.9% at end-March 2024, down from its peak of 2.7% in 2019 and increased by 16bps from end 2023, reflective of the high interest rates environment, as he key policy rate reached 9.25% in September 2023 from 0.75% in May 2021.

Stage 2 loans have also improved significantly since their peak. Arion bank had a higher level of Stage 2 loans entering the pandemic, compared to its other two domestic peers, owning to its exposures to the travel industry and the turbulence in the travel sector during 2018/2019. As of Q1 2024, Stage 2 loans account for 7.9% of gross loans relating mostly to exposures corporate sector, namely services, construction and real estate sectors, down from 16.7% at its peak during Q2 2020. However, excluding exposures related to the Grindavik volcanic eruption, Stage 2 loans would account for 7.3% of gross loans. We expect the bank's asset quality metrics to deteriorate only marginally from current levels, as more small and medium enterprises (SMEs) experience payment difficulties at current levels of interest rates in combination with lower economic activity.

Exhibit 3

Arion's NPL ratio has remained relatively stable in recent years along with stage 2 loans

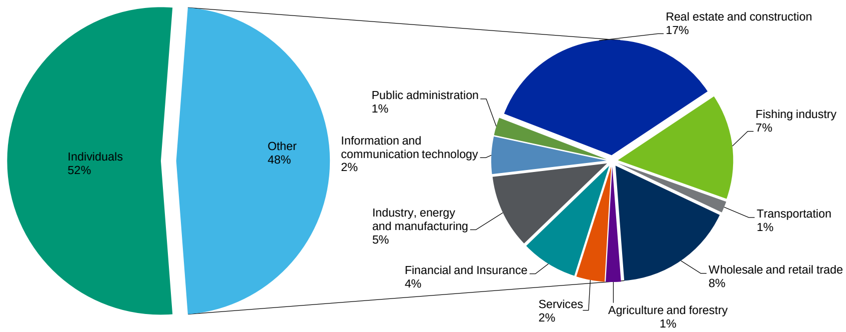


Source: Company reports, Moody's Ratings

The bank's loan portfolio is slightly skewed towards retail lending, currently accounting for around 52% of the loan book as of end-March 2024. The retail portfolio consists mostly of retail mortgages, of which 53% where in the form of CPI-linked products at end March 2024 compared to 36% at end 2021, as rate increases increased the appetite for inflation linked products. Although this is a trend evident in the whole loan book, non-CPI linked loans still represent the majority of the loans at 65% at end March 2024 (80% in 2022). The bank has taken actions to limit the growth in CPI-linked products, through dynamic pricing and shortening of the tenor of the loan, particularly for CPI-linked floating rate loans, as it actively managing its CPI imbalance, currently at 53% of total capital.

The mortgage book has had a strong performance in the past two years, despite the 8.25% cumulative increase in the Central bank's key rate since May 2021. This is mostly explained by the limited share of non-CPI floating rate mortgages, which represent only 24% of total mortgages at end March 2024 as well as the low loan to value of (LTV), with more than 88% of the bank's mortgage portfolio having an LTV below 55% (using a loan-splitting approach). We expect the performance of the retail book to remain strong supported by Iceland's strong employment and real wage growth coupled as well as the household's ability to refinance their non-CPI linked mortgages to CPI linked products where monthly payments are significantly lower.

Exhibit 4
Arion has a diverse asset mix, with a large share of corporate loans



Source: Company reports, Moody's Ratings

Arion's corporate book is focused on real estate and construction, fishing and the wholesale and retail trade sector. In the past Arion's book exhibited large client concentrations which led to higher loan losses than peers and foreclosures of businesses. However, in the past years the bank has revised its risk framework limiting large exposures and sector concentrations, and current levels compare favorably to peers. In addition, a new KYC health risk appetite and statement metric was introduced and made part of the variable renumeration system which had a very positive impact. The bank still has some equity exposures which are used for hedging forward contracts, however, equity risk in the banking book has decreased markedly in recent years and we expect it to reduce further.

Nevertheless, the lending book exhibits geographical and sector concentrations, in line with the rest of the market, with contagion risks between various sectors given the small size of the economy. The bank is actively trying to increase its presence in the Arctic region as a facilitator to local companies operating in sectors that the bank has long standing expertise, rather than focusing on lending activities in the region. However, these operations remain small as a share of the whole portfolio.

Our assigned score takes into consideration the bank's improved underwriting policies, lower level of client concentrations and clear growth strategy, which are balanced against its geographical and sector concentrations as well as some non-credit related risks.

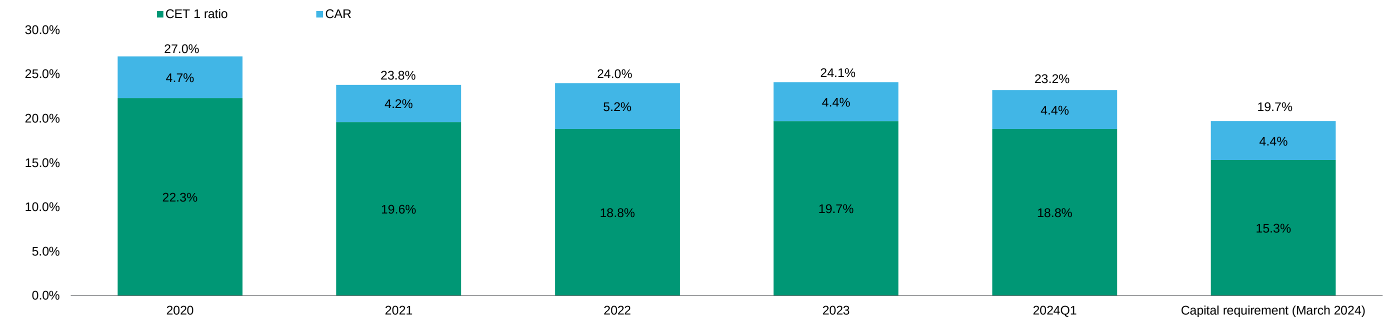
Capitalisation is expected to remain strong

Arion enjoys a strong capital position as well as a very strong leverage ratio, reflective of the use of the standardised method for the calculation of capital requirements. The bank's reported common equity Tier 1 (CET1) ratio was 18.8% as of end-March 2024, compared to a capital requirement of 15.3%. The bank further had a total capital adequacy ratio (CAR) of 23.2% in end-March 2024 (24.1% in end-2023) compared to a minimum requirement of 19.7%.

The CET1 requirement has increased to 15.3% in March 2024, driven by an increase in the countercyclical buffer to 2.5% from 2% previously, while the bank's Pillar 2 (P2R) requirement was 2.1%. However, as of June 2024 the bank's P2R requirement was reduced to 1.8% leading to a CET1 requirement of 15.1% from June 2024.

Exhibit 5

Arion's capital buffer is on a declining trend but remains substantial



Source: Company reports, Moody's Ratings

The strong capitalization is further supported by a strong leverage ratio of 12.0% as of end-March 2024, which is significantly above the European average leverage ratio of 5.8%. The bank is targeting a management buffer between 150-250ps above its regulatory minimum of 15.3% in the medium term leading to a CET1 ratio of 16.8%-17.8%.

Arion bank also benefits from access to equity capital markets on the Nasdaq Iceland stock exchange and a stable shareholder base consisting to a large degree of Icelandic pension funds with a long-term and stable investing horizon.

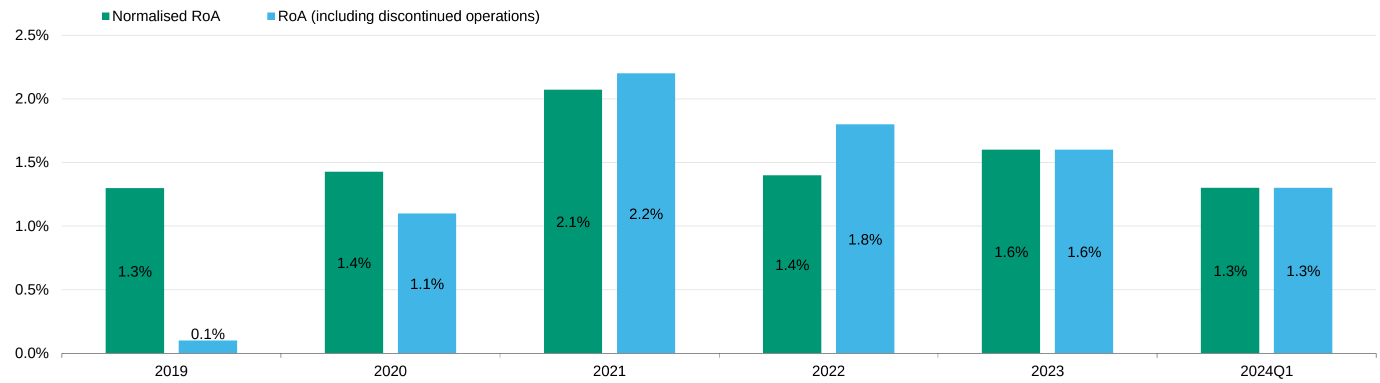
Our assigned capital score reflects Arion's strong capital metrics, strong leverage ratio and its access to equity capital markets combined with a stable ownership structure. The assigned score also reflects our expectation, that Arion will maintain sufficient buffers above its regulatory requirements as it optimises its capital structure in the next 12-18 months.

Good profitability supported by higher rates, diversified earnings and focus on risk adjusted returns

Arion's core profitability is robust and has been improving in recent years, driven by the successful transition towards the bankassurance model and the disposal of discontinued operations that have been impacting net profits. The bank reported return on tangible assets (RoTA) of 1.6% at end-December 2023 from 1.4% in 2022, while RoTA in the first quarter of 2024 was 1.3%. The small decline in 2024 was mainly due to the economic slowdown and the closure of the bank's branch on the airport that subdued fee income, as well as a very high effective tax rate stemming from losses on equity holdings held against forward contracts. Nevertheless, insurance revenue and income from asset management have partially offset these negative effects in the quarter.

Arion's earnings benefit from a diverse revenue stream in the form of, net interest income from both retail and corporates, investment banking operations, asset management fees, and insurance and financial income through its Vördur subsidiary. The bank has actively diversified revenue stream recently through pursuing a bancassurance model with increased focus on the Vördur product offering, as well as increased digitalization to enable cross-selling and cost efficiencies. Arion bank also benefits from good cost control with a cost-to-income of 46.5% in the first quarter of 2024, compared to 47.2% in 2023 Q1, reflective of a cost-conscious strategy in terms of digitalization and branch management.

Exhibit 6
Arion's profitability has been normalising following strong performance in recent years



Note: The normalised RoA excludes one-off costs and revenue arising from discontinued operations
Source: Company reports, Moody's Ratings

Net interest income accounted for 78% of Arion's income at end-March 2024, and grew by 2.3% YoY supported by good credit growth and higher rates, as the central bank increased the policy rate by 4.5% since June 2022. Net interest margin (NIM) stood at 3.1%, unchanged from year-end 2023 supported by good deposit margins. We expect the net interest margin to remain broadly stable as the repricing of loans will be offset by increasing funding costs and lower credit growth.

Net fee and commission income (NFCI) constituted 23% of Arion's earnings base during the first three months of 2024 and is primarily driven by lending and guarantees as the bank builds on its strategy of capital velocity mainly focused on sale and syndication of corporate loans and income from its asset management business. In Q1 2024, NFCI decreased by -24.3% year-on-year due to the restructuring of operations, such as the closure of the bank's airport branch and the reclassification of card insurance fees. Although normalization was expected compared to a very strong performance in 2023, an uplift in deal related market activities in the second half of the year will serve to offset the decreasing trend.

Vördur's operations as a general insurance company offer both life and non-life products. Net insurance income had a negative contribution in the first quarter of 2024 which was expected due to the cyclical nature of claims, however losses on insurance service results were 71% lower compared to the same quarter the previous year. Insurance revenue grew 13.5% year-on-year, supported by cross selling opportunities within Arion's CIB division. In the first quarter of 2024 the combined ratio was 103.9% compared to 115.4% in Q1 2023.

Our assigned score incorporates our expectation that the bank's core profitability will remain strong supported by the repricing of the bank's fixed rate mortgages in the next 12 months, only partially offset by higher of cost of risk. However, the higher share of CPI-linked loans will increase volatility on net interest income.

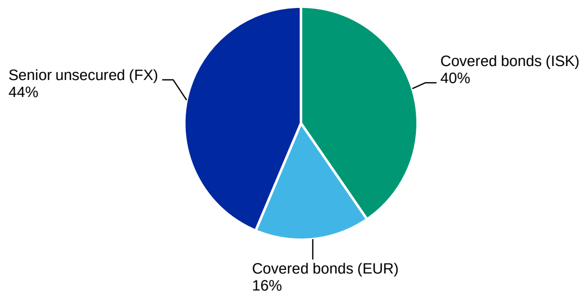
Reliance on market funding balanced against adequate liquidity

Arion's liability structure consisted of approximately 59% deposits in Q1 2024, in line with the ratio recorded in 2023 and 2022, following a year-on-year growth in deposits of 3.5%. Despite only 42% of total deposits being covered by the deposit guarantee scheme, we consider Arion's deposit base stable due to the closed nature of the Icelandic banking sector with no international banks offering banking services in ISK.

The bank's funding mix is balanced between senior unsecured and covered bonds, as well as between FX and domestic issuances (see Exhibit below). Senior debt accounts for 44% of debt outstanding and is in its majority issued in foreign currency which provides access to a wider investor base. Although, high reliance on foreign investors exposes the bank to changes in investor sentiment in times of market stress, this is somewhat offset by improved market access, for senior debt issuances, in the domestic markets in the past 18 months.

Covered bonds account for around 56% of market funding, which we consider to be a more stable source of funding, and is primarily issued in local currency. During 2022 and 2023 the bank also started issuing in international markets, which although it provides diversification in its investor base it also increases somewhat the FX risk due to the absence of international counterparties to provide currency swaps for these issuances. FX debt issuances broadly match FX lending needs as well as the bank's FX assets held in the liquidity portfolio, and the net position is closely monitored and managed to zero.

Exhibit 7
Arion's funding mix contains a diverse range of currency exposures



Source: Company reports, Moody's Ratings

Our assigned market funding score reflects our view that Arion's use of market funds will remain broadly unchanged in the coming years. The score also incorporates our view that the bank's stable deposit base combined with the bank's refinancing strategy and good market access in the sizeable domestic market somewhat offsets risks related to changes in investor sentiments particularly in the international capital markets.

Arion benefits from adequate liquidity, with highly liquid assets accounting for 16.5% tangible banking assets in March 2024. The bank further benefits from a very strong Basel III LCR ratio of 144% as of Q1 2024, (192% in 2023 and 158% in 2022), well above the regulator's minimum requirements of a total LCR and LCR in FX of 100%, and for a minimum LCR ISK of 50%. The liquid pool of assets consists mostly of cash and deposits with the central bank and government bonds. Our assigned liquidity score reflects our expectation that Arion's liquidity will remain at current levels going forward.

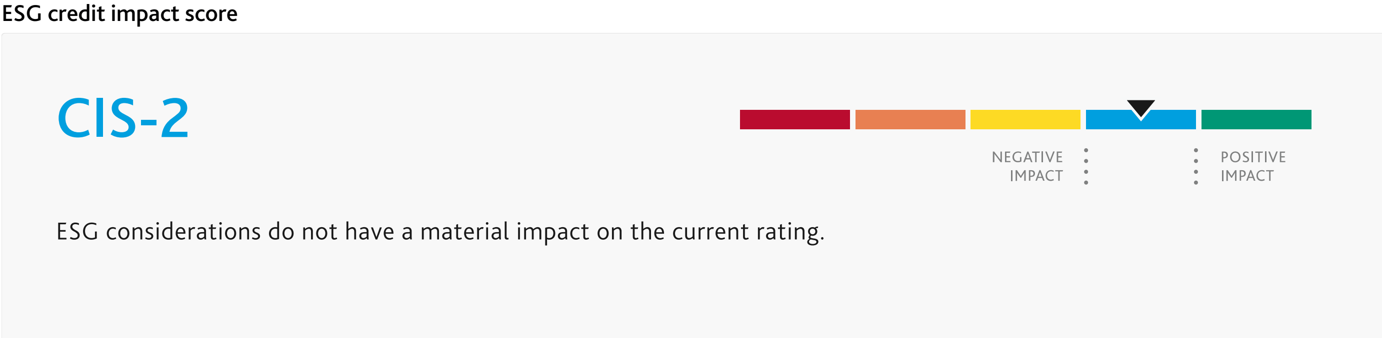
Source of facts and figures cited in this report

Unless noted otherwise, the bank specific figures originate from bank's reports and Moody's Banking Financial Metrics. All figures are based on our own chart of accounts and may be adjusted for analytical purposes. Please refer to the document Financial Statement Adjustments in the Analysis of Financial Institutions, published on 8 April 2024.

ESG considerations

Arion Bank hf.'s ESG credit impact score is CIS-2

Exhibit 8
ESG credit impact score



Source: Moody's Ratings

Arion Bank's **CIS-2** indicates that ESG consideration do not have a material impact on the current ratings.

Exhibit 9
ESG issuer profile scores

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-3	S-3	G-2

Source: Moody's Ratings

Environmental

Arion Bank faces moderate environmental risks primarily because of its portfolio exposure to carbon transition risk as a diversified bank. In line with its peers, the bank is exposed to mounting business risks and stakeholder pressure to meet broader carbon transition goals. Consequently, Arion is actively engaging in optimizing its loan portfolio longer-term toward less carbon intensive assets.

Social

Arion Bank faces moderate social risks mainly related to customer relations as well as to societal trends. The bank's developed policies and procedures mitigate conduct risk associated with the distribution of financial products such as regulatory and reputational risks, as well as exposure to litigation. Continued investments in technology and the bank's long track record of handling sensitive customer data, as well as appropriate culture and governance that ensure adherence to regulatory standards, help to manage high cyber and personal data risks. Arion Bank benefits from Iceland's more favourable demographic profile, relative to many other countries, which affords business opportunities for the bank.

Governance

Arion Bank faces low governance risks. The firm has improved its risk management framework and benefits from a relatively conservative financial policy as well as its balance sheet clean-up of legacy assets that have resulted in higher loan losses in the past. The bank has a sound organizational structure with a capable management team, and a competent and independent board of directors. Arion bank is fully listed, with no relevant ownership concentration.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Loss Given Failure

The European Union's BRRD has been transposed into Icelandic law, applicable from 1 September 2020, which confirmed our current assumptions regarding the LGF analysis. We assume a residual tangible common equity of 3% and post-failure losses of 8% of tangible banking assets, a 25% run-off in junior wholesale deposits, a 5% run-off in preferred deposits, in line with our standard assumptions.

The Icelandic legislation has established full depositor preference over senior unsecured creditors. Therefore, we assign a 100% probability to deposits being preferred to senior unsecured debt.

For Arion's short-term and long-term deposit ratings and issuer ratings we have considered the likely impact on loss given failure from the combination of their own volume and the amount of debt subordinated to them. This results:

» for the deposit ratings in a Preliminary Rating Assessment of A2/Prime-1, three notches above the BCA, reflecting an extremely low loss given failure.

» for the issuer ratings in a Preliminary Rating Assessment of A3, two notches above the BCA, reflecting a very low loss given failure.

Government support

Despite Arion's significant asset share of 27% and its systemically important status, we assume a low probability of government support for its deposit, CRA, and CRR ratings reflecting Iceland's implementation of the EU's Bank Recovery and Resolution Directive (BRRD) and the country's past track record on providing no support to the financial sector during the 2008 financial crisis.

About Moody's bank scorecard

Our Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our Scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The Scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 10
Rating Factors

Macro Factors		
Weighted Macro Profile	**Strong -**	**100%**

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	1.9%	a3	↔	ba1	Sector concentration	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	18.9%	aa3	↓	a1	Expected trend	
Profitability						
Net Income / Tangible Assets	1.3%	a3	↔	baa1	Expected trend	
Combined Solvency Score		a2		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	21.0%	baa3	↔	baa3	Expected trend	Market funding quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	17.1%	ba1	↔	ba1	Expected trend	
Combined Liquidity Score		baa3		baa3		
Financial Profile				baa2		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				A2		
BCA Scorecard-indicated Outcome - Range				baa1 - baa3		
Assigned BCA				baa2		
Affiliate Support notching				0		
Adjusted BCA				baa2		

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a2	0	A2	A2
Counterparty Risk Assessment	3	0	a2 (cr)	0	A2(cr)	
Deposits	3	0	a2	0	A2	A2
Senior unsecured bank debt	2	0	a3	0	(P)A3	A3
Junior senior unsecured bank debt	0	0	baa2	0	(P)Baa2	(P)Baa2
Dated subordinated bank debt	-1	0	baa3	0	(P)Baa3	(P)Baa3
Non-cumulative bank preference shares	-1	-2	ba2	0		Ba2 (hyb)

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 11

Category	Moody's Rating
ARION BANK HF.	
Outlook	Stable
Counterparty Risk Rating	A2/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A2(cr)/P-1(cr)
Issuer Rating	A3
Senior Unsecured	A3
Junior Senior Unsecured MTN	(P)Baa2
Subordinate MTN	(P)Baa3
Pref. Stock Non-cumulative	Ba2 (hyb)

Source: Moody's Ratings

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Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454