

CREDIT OPINION

30 April 2026

Update

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RATINGS

Arion banki 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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Arion banki hf.

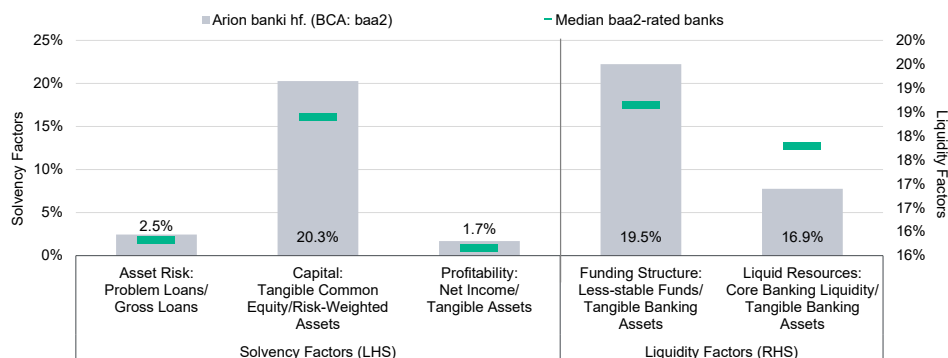
Update following rating affirmation

Summary

[Arion banki hf.](#)'s (Arion) A2 long-term deposit rating and A3 senior unsecured debt rating reflect the bank's standalone creditworthiness, are underpinned by a baa2 Baseline Credit Assessment (BCA), and extremely low and very low loss-given-failure respectively, which results in a three-notch uplift for the long-term deposit rating and a two-notch uplift for the senior unsecured debt rating. Low probability of support from the [Government of Iceland](#) (A1, outlook stable) does not result in any further uplift.

Arion's BCA of baa2 reflects its strong capitalisation and profitability, domestic retail deposit funding profile, minimal short-term wholesale funding reliance, as well as moderate liquidity levels. This is balanced against high geographic concentration of revenue and customer base in Iceland, moderately high asset risk constrained by sector concentrations and a moderate exposure to confidence sensitive international funding.

Exhibit 1
Rating Scorecard - Key Financial Ratios



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 level of problem loans
- » Strong capitalisation
- » Good profitability

Credit challenges

- » High geographical and sector concentration
- » High reliance on foreign wholesale funding

Outlook

The outlook on Arion's long-term deposit, issuer and senior unsecured debt ratings is stable, reflecting our expectation that the bank's profitability will continue to benefit from its 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

Arion's ratings could be upgraded following a strengthening in the macroeconomic conditions in Iceland, a further improvement in the bank's risk profile, for example following a reduction in single name and sector concentrations, 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 following a larger cushion of loss absorbing obligations protecting creditors in case of failure.

Factors that could lead to a downgrade

Arion's ratings could be downgraded following a weakening in the macroeconomic conditions in Iceland, if Arion's asset quality and risk profile was to deteriorate; higher non-credit related risks such as market risk and FX risk and/or increasing consumer price index (CPI) imbalance; a weakening of the bank's recurring profitability.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Arion banki hf. (Consolidated Financials) [1]

	12-25 ²	12-24 ²	12-23 ²	12-22 ²	12-21 ²	CAGR/Avg. ³
Total Assets (ISK Billion)	1,755.8	1,618.3	1,525.7	1,465.6	1,313.9	7.5 ⁴
Total Assets (USD Million)	14,008.6	11,645.6	11,228.9	10,324.5	10,085.3	8.6 ⁴
Tangible Common Equity (ISK Billion)	208.6	198.3	189.6	177.6	175.9	4.4 ⁴
Tangible Common Equity (USD Million)	1,664.0	1,427.0	1,395.3	1,251.3	1,350.1	5.4 ⁴
Problem Loans / Gross Loans (%)	2.5	2.3	1.7	1.2	1.9	1.9 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	20.3	20.1	20.2	19.6	21.0	20.2 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	15.0	13.9	10.1	7.1	9.8	11.2 ⁵
Net Interest Margin (%)	3.2	3.0	3.0	3.0	2.7	3.0 ⁵
PPI / Average RWA (%)	4.7	3.7	3.8	3.3	3.9	3.9 ⁶
Net Income / Tangible Assets (%)	1.9	1.6	1.6	1.4	2.2	1.7 ⁵
Cost / Income Ratio (%)	38.7	45.7	43.9	47.4	47.1	44.6 ⁵
Gross Loans / Due to Customers (%)	145.4	144.3	146.5	144.5	144.0	145.0 ⁵
Core Banking Liquidity (HQLA) / Tangible Banking Assets (%)	16.9	15.3	15.5	--	--	--
Less-stable Funds (LCR) / Tangible Banking Assets (%)	19.5	17.1	17.4	--	--	--

[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. Further to the publication of our revised methodology in November 2025, only ratios from annual 2024 onwards included in this report apply reported risk weights for all exposures, discontinuing our previously applied standard adjustment for certain government securities.

Sources: Moody's Ratings and company filings

Profile

Arion is a full-service commercial bank in Iceland that provides retail, corporate, investment and private banking services, asset management services through its Stefmir subsidiary, as well as insurance offerings through its Vördur subsidiary. It operates through a network of 12 branches in Iceland.

Arion is the largest bank in Iceland with total assets of around ISK1,756 billion as of year-end 2025 and a market share of around 28% of assets in the Icelandic banking system.

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 Bank and in 2018 the government sold its final stake prior to a double-listing of the bank on Nasdaq Iceland and Nasdaq Stockholm.

Recent developments

Merger with Kvika: On 15 April 2026, Arion announced that its previously planned merger with [Kvika Banki hf.](#) (Kvika, Baa1/Baa2 stable, ba1¹) will not take place.

Consumer Association's class-action lawsuit against Icelandic banks: On 10 December 2025, the Supreme Court of Iceland ruled in favor of Arion Bank regarding variable indexed mortgage terms, confirming the legality of the contractual interest-rate adjustment clauses. As a result, legal uncertainty related to indexed loans has diminished materially relative to earlier assumptions. Accordingly, the previously disclosed worst-case impact of up to ISK 4.5bn pre-tax—conditional on an unfavorable ruling—has become significantly less likely.²

Detailed credit considerations

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

We assign a Macro Profile of Strong- to Arion, which is in line with Iceland's [Strong-](#) Macro Profile, reflecting the bank's large presence in its home country. Arion has only small international exposures, all in areas with Strong+ Macro Profiles.

Low level of problem loans but high sector concentration

We assign a baa2 Asset Risk score to Arion, two notches below the initial score to reflect the high share of corporate and CPI-linked lending, which is partially mitigated by a track record of prudent underwriting.

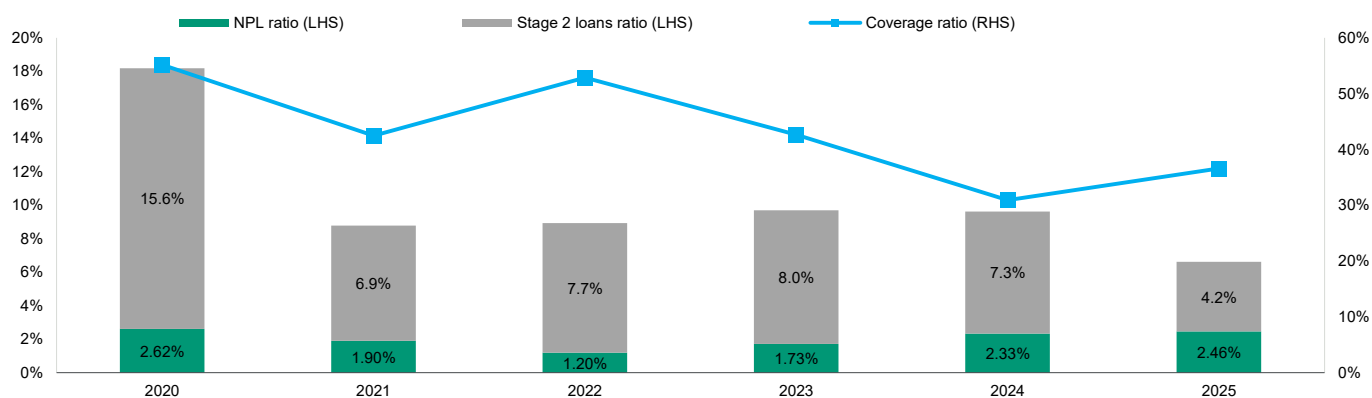
Bank's lending book exhibits sector concentrations, in line with the rest of the market, with contagion risks between various sectors given the small size of the economy. The bank is actively trying to increase its presence in the Arctic region (including the Faeroe Islands and Greenland) as a facilitator 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.

Arion has a relatively good loan book performance where the asset quality deteriorated only to a moderate level in the past 24 months, despite significant increases in interest rates from the central bank in prior periods. Non-performing loans (NPL) ratio (stage 3 loans to gross loans) was 2.5% as of year-end 2025 versus 2.3% as of year-end 2024. (2023: 1.7%). The increasing trend reflects the persistently high interest rate environment. As of March 2026, the key policy rate stands at 7.5%, following a 25 basis point increase on 18 March 2026, which partially reverses the declining trend from its peak of 9.25% in September 2024, after a sharp tightening cycle that raised the policy rate from 0.75% in May 2021. Looking ahead, 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.

On a positive note, Stage 2 loans have improved significantly. As of December 2025, Stage 2 loans account for a moderate 4.2% (2024: 7.3%) of gross loans relating mostly to exposures in corporate sector, namely services, construction and real estate sectors, down from 16.7% at its peak during Q2 2020. Arion had a higher level of Stage 2 loans entering the pandemic, compared to its other two domestic peers, owing to its exposures to the travel industry and the turbulence in the travel sector during 2018/2019. The improvement in the ratio in 2025 was due to a decrease in the numerator following stage 2 loan amortisation and write-offs.

Exhibit 3

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



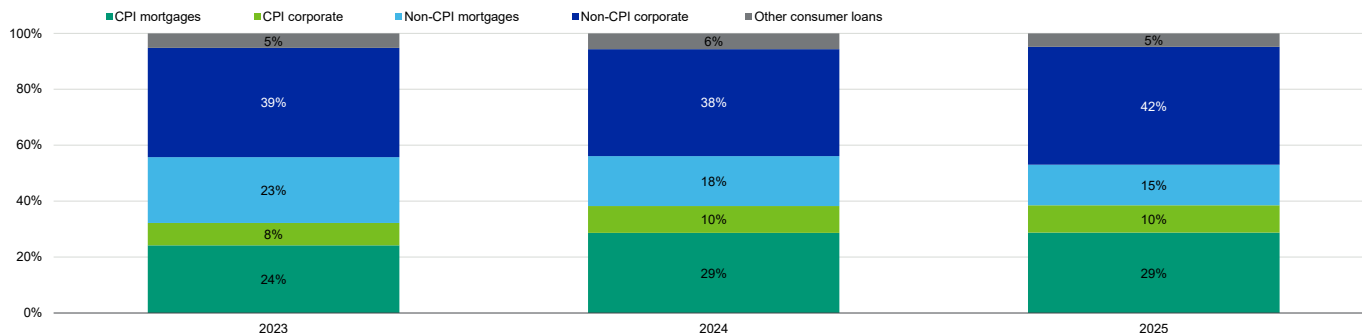
Source: Company reports, Moody's Ratings

The bank's loan portfolio consist of 48% retail and 52% corporate as of year-end 2025. The retail portfolio consists mostly of retail mortgages, of which 66% were in the form of CPI-linked products at end December 2025 compared to 36% at end 2021, as interest rate rises increased the appetite for inflation-linked products. The corporate loans in FX comprise 38% of all corporate loans and were granted largely to clients with FX revenues. Retail loan book has no FX exposure.

- » **Consumer Price Index (CPI) linked loans** are home and corporate loans where the outstanding principal is adjusted monthly based on the Consumer Price Index (CPI), effectively tying the debt to inflation. While these loans typically offer lower initial interest rates and monthly payments compared to non-indexed loans, the principal increases over time if inflation rises, potentially leading to higher long-term costs. This structure allows borrowers to access larger loans initially, but the increasing interest payments slow down equity accumulation and can even result in negative amortization during periods of high inflation. The risk is mitigated by the borrowers' ability to switch between CPI linked and non-CPI linked loans at the time of refinancing.

The bank has taken actions to limit the growth in CPI linked products, through dynamic pricing and the shortening of the tenor of the loan, particularly for CPI linked floating rate mortgage loans, which were 100% of total common equity tier 1 capital as of year-end 2025. Average annual Inflation was a moderate 4.3% at year-end 2025, down from a high of 10.2% as of February 2023.

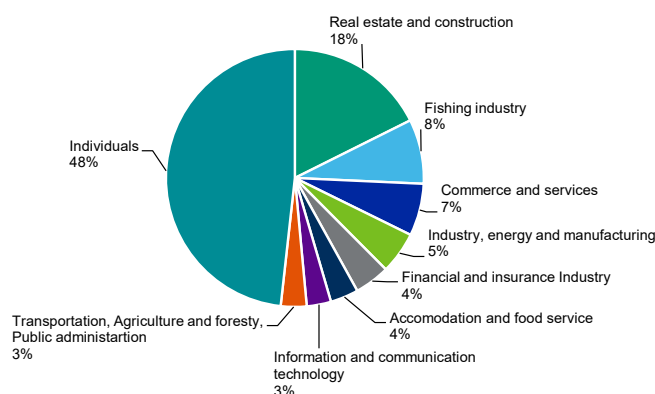
Exhibit 4
CPI loans have been on the rise and now equates approx. third of gross loans
 Loan book composition



Source: Company reports, Moody's Ratings

The mortgage book, where 54% carry floating interest rates, has had a relatively strong performance in the past two years, with problem loans representing 1.6% of the mortgage portfolio, despite the 6.75% cumulative increase in the Central bank's key rate since May 2021. 39% of the bank's mortgage portfolio have a loan to value (LTV) below 50%. We expect the performance of the retail book to remain strong supported by Iceland's strong employment and real wage growth.

Exhibit 5
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. The historically volatile real estate and construction sectors accounted for 18% of gross loans as of December 2025, with fishing industry adding additional 8% (See Exhibit 5). We view corporate book concentrated with a high degree of interconnectedness due to the small size of the economy. This was evidenced during the Covid-19 pandemic when severe impacts in the tourism sector resulted in issues in the broader economy.

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.

Strong capitalisation

We view Arion's capitalization as strong reflected by an assigned score of a2, one notch below the initial score, reflecting strong risk-adjusted capital levels and very strong leverage ratio. The score also reflects our expectation that the bank will maintain ample buffers

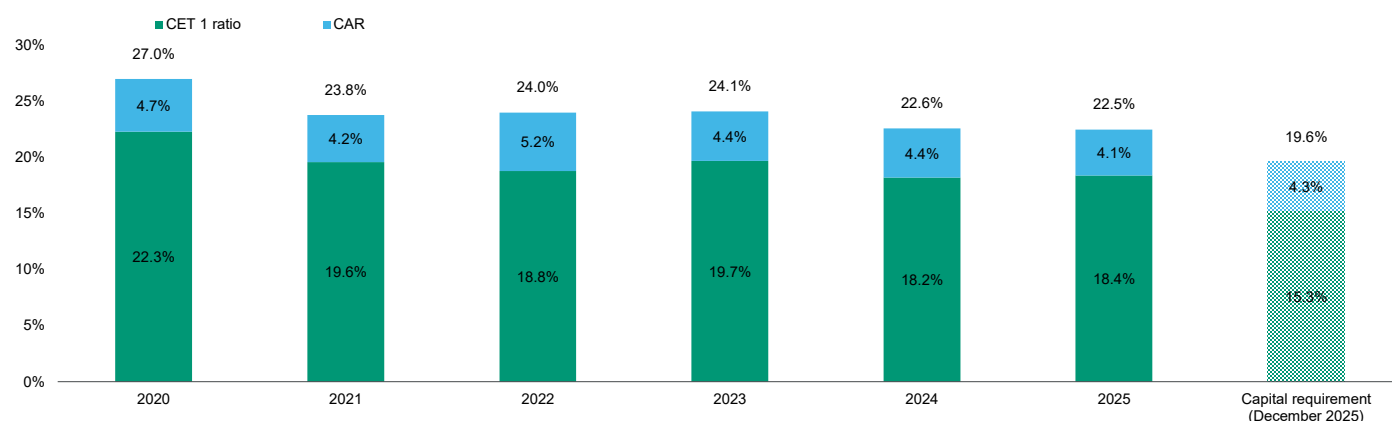
above its regulatory requirements in the next 12-18 months. We however expect it to continue to optimise its capital structure and converge closer to its internal target buffers.

Arion's capital ratio improvement in late 2025 was driven by the implementation of CRR3 in Iceland, which reduced RWAs by around ISK 55bn, partly offset by loan growth of roughly ISK 27bn. As a result, the CET1 ratio marginally improved from around 18.0% in Q3 2025 to 18.4% at year-end, widening the buffer to approximately 308 bps above regulatory requirements. While strong retained earnings supported capital structurally, management notes that part of the CRR3 benefit is transitional and therefore does not view the current ratio as a long-term target level.

The bank uses the standardised method for calculation of capital requirements and as of year-end 2025 the (Moody's Adjusted) Bank's Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in) was 20.3%, versus 20.1% as of year-end 2024. The Moody's adjusted leverage ratio was Tangible Common Equity / Total Assets was a solid 11.9% (2024: 12.3%). The bank has 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.

Exhibit 6

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



Source: Company reports, Moody's Ratings

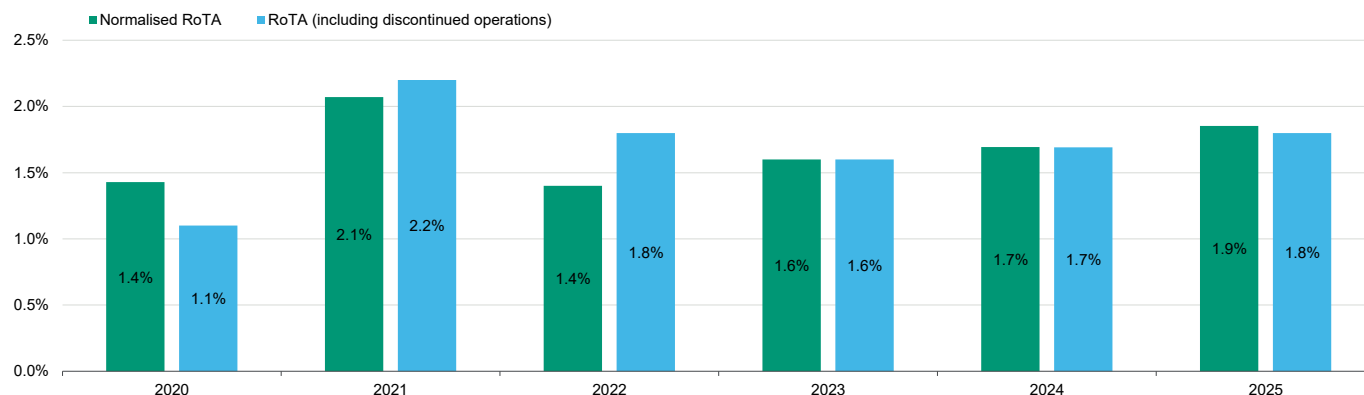
Good profitability

We view Arion's profitability as good, as indicated by our assigned score of baa1. The assigned score is one notch below our initial score to reflect 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, but will be offset by higher cost of risk.

Arion's core profitability has been improving in recent years, driven by the successful transition towards the bancassurance model and the disposal of discontinued operations that have been impacting net profits. The bank has a Moody's adjusted return on assets (ROA) of 1.9% at end-December 2025, compared to 1.7% in 2024. The strong increase in profitability during 2025 was primarily driven by a significant rise in core income, particularly from net commission income and net interest income, which grew by 11.6% and 13.5% respectively year-on-year.

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 digitalisation to enable cross-selling and cost efficiencies. Arion also benefits from good cost control with a cost-to-income ratio of 36.0% in YE 2025, compared to 42.6% in YE 2024, reflective of a cost-conscious strategy in terms of digitalisation and branch management. The improvement was driven by the strong performance of the insurance business, an increase in the fair value of investment properties (Arnarland), as well as the cost savings from muted operational expense growth.

Exhibit 7

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 67% of Arion's income at year-end 2025, and grew by 13.5% YoY supported by good credit growth and elevated rates. Net interest margin (NIM) stood at 3.2%, above 3.1% from year-end 2024 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. However, the higher share of CPI-linked loans will increase volatility on net interest income.

The level of net fee and commission income (NFCI) was good during 2025, and primarily driven by lending and guarantees as the bank builds on its strategy of capital deployment mainly focused on sale and syndication of corporate loans and income from its asset management business. In 2025, NFCI increased by 11.6% year-on-year due to increased activity in asset management, capital markets, and lending-related services.

Vördur's operations as a general insurance company offer both life and non-life products. Net insurance income had a negative contribution during 2025 which was expected due to the cyclical nature of claims. Insurance revenue grew 5.6% year-on-year, supported by cross selling opportunities within Arion's CIB division. In 2025 the combined ratio was 89.8% compared to 88.9% in 2024.

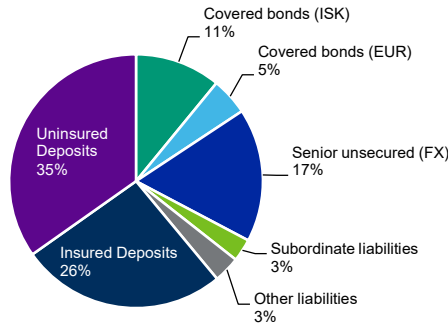
Good funding profile with a granular deposit base and longer-dated wholesale funding

Our assigned baa1 funding score, one notch below the initial score, reflects the bank's solid funding profile, supported by a granular and stable deposit base and longer-dated wholesale instruments. However, a portion of the bank's market funding comes outside of the domestic market, which is more confidence-sensitive.

We view Arion's funding as well-diversified with deposits comprising approximately 60% of non-equity funding in 2025 where 43% are covered by the deposit guarantee scheme. We view the deposit base to be stable due to the closed nature of the Icelandic banking sector with no international banks offering banking services. The bank's funding mix additionally benefits from senior unsecured and covered bonds, as well as a mix between FX and domestic issuances (see Exhibit below).

Exhibit 8

Arion's funding mix contains a diverse range of exposures



Source: Company reports, Moody's Ratings

Even though senior debt (which is mainly in foreign currency), provides access to a wider investor base, it also exposes the bank to changes in investor sentiment in times of market stress. The domestic debt markets has been growing; if the trend continues, a higher share of domestic investors will, with time, reduce this risk. Furthermore, the bank also has a Covered Bond program, which we view as a more stable source of funding, and is primarily issued in local currency. In 2022 and 2023 the bank also expanded its international market issuances, diversifying its investor base, but also modestly increasing its FX risk due to the absence of international counterparties to provide currency swaps for these issuances. The net FX position is closely monitored and managed to zero through FX assets held in the liquidity portfolio, and FX senior debt issuances broadly match FX lending needs of corporates with FX revenues.

Arion benefits from sound liquidity, with core banking liquidity accounting for 16.9% of tangible banking assets in 2025. The bank further benefits from a very strong Basel III LCR ratio of 199% as of 2025, (181% in 2024 and 192% in 2023), well above the regulator's minimum requirements of a total LCR and LCR in FX of 100%, and a minimum for LCR ISK of 50%. The liquid pool of assets consists mostly of cash and deposits with the central bank and government bonds. Our baa3 assigned liquidity score is in line with the initial score and reflects our expectation that Arion's liquidity will remain at current levels going forward.

The business is concentrated in one small country

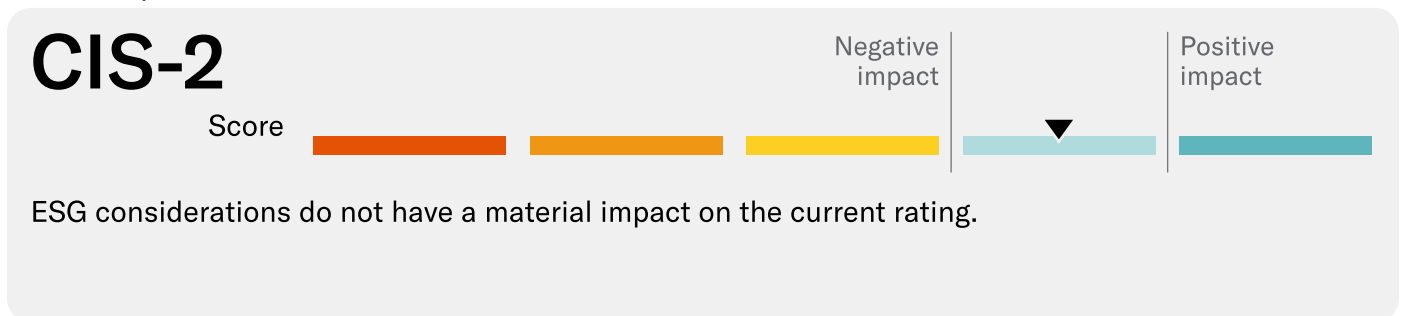
Arion's assigned BCA incorporates a one notch negative qualitative adjustment to reflect the high geographic concentration of revenue and risks to Iceland. We view the country as small size and with limited economic diversification, which could create a risk of contagion in the event of sector-specific shocks.

ESG considerations

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

Exhibit 9

ESG credit impact score

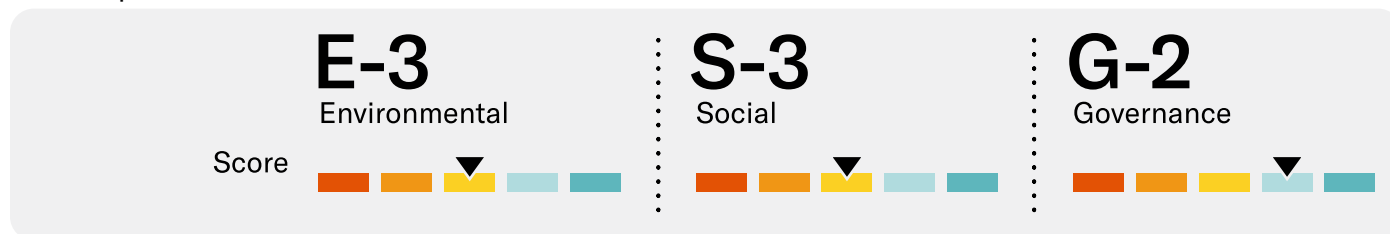


Source: Moody's Ratings

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

Exhibit 10

ESG issuer profile scores



Source: Moody's Ratings

Environmental

Arion 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 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 benefits from Iceland's more favourable demographic profile, relative to many other countries, which affords business opportunities for the bank.

Governance

Arion 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 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 (LGF) analysis

Arion operates in Iceland, which we consider an operational resolution regime. We thus apply our advanced Loss Given Failure (LGF) analysis, in which 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.

Our analysis also considers full depositor preference over senior unsecured creditors, in line with the Icelandic legislation. We classify 26% of deposits in Iceland as junior based on our liability waterfall.

Our LGF analysis indicates that Arion's deposits and senior unsecured debt are likely to face extremely low loss given failure because of the loss absorption provided by subordinated debt, and the volume of deposits and senior debt themselves. This results in a three-notch uplift for the long-term deposit and a two-notch uplift for the senior unsecured debt ratings from the bank's adjusted BCA.

Subordinated debt issued by Arion is likely to face high loss given failure, resulting in a rating one notch below with the adjusted BCA, reflecting the low volume of more junior debt and the residual equity that we expect in a resolution scenario. For non-cumulative bank preference shares (the Additional Tier 1 notes) we also include two additional negative notching to reflect the instruments' features, resulting in a rating that is three-notches below the bank's adjusted BCA.

Government support considerations

We assign a low probability of support coming from the Government of Iceland, which does not result in any uplift to the ratings. Our assumption reflects the lack of government 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 judgement. When read in conjunction with our research, a fulsome presentation of our judgement 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 11

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	2.5%	a3	↔	baa2	Sector concentration	Asset Composition
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	20.3%	a1	↓	a2	Expected trend	
Profitability						
Net Income / Tangible Assets	1.7%	a3	↓	baa1	Expected Trend	
Combined Solvency Score		a2		baa1		
Liquidity						
Funding Structure						
Less-stable Funds / Tangible Banking Assets	19.5%	a3	↔	baa1	Limited market access	
Liquid Resources						
Core Banking Liquidity / Tangible Banking Assets	16.9%	baa3	↔	baa3	Expected trend	
Combined Liquidity Score		baa1		baa2		
Financial Profile		a3		baa1		
Qualitative Adjustments				Adjustment		
Business and Geographic Diversification				-1		
Complexity and Opacity				0		
Strategy, Risk Appetite and Governance				0		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint				A1		
BCA Scorecard-indicated Outcome - Range				baa1 - baa3		
Assigned BCA				baa2		
Affiliate Support notching				0		
Adjusted BCA				baa2		
Balance Sheet		in-scope (ISK Million)	% in-scope	at-failure (ISK Million)	% at-failure	
Other liabilities		446,371	26.0%	540,332	31.5%	
Deposits		921,182	53.8%	827,221	48.3%	
Preferred deposits		681,675	39.8%	647,591	37.8%	
Junior deposits		239,507	14.0%	179,630	10.5%	
Senior unsecured bank debt		252,971	14.8%	252,971	14.8%	
Dated subordinated bank debt		25,935	1.5%	25,935	1.5%	
Preference shares (bank)		15,667	0.9%	15,667	0.9%	
Equity		51,406	3.0%	51,406	3.0%	
Total Tangible Banking Assets		1,713,532	100.0%	1,713,532	100.0%	

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	30.7%	30.7%	30.7%	30.7%	3	3	3	3	0	a2
Counterparty Risk Assessment	30.7%	30.7%	30.7%	30.7%	3	3	3	3	0	a2 (cr)
Deposits	30.7%	5.4%	30.7%	20.2%	2	3	3	3	0	a2
Senior unsecured bank debt	30.7%	5.4%	20.2%	5.4%	2	2	2	2	0	a3
Junior senior unsecured bank debt	5.4%	5.4%	5.4%	5.4%	0	0	0	0	0	baa2
Dated subordinated bank debt	5.4%	3.9%	5.4%	3.9%	-1	-1	-1	-1	0	baa3
Non-cumulative bank preference shares	3.9%	3.0%	3.9%	3.0%	-1	-1	-1	-1	-2	ba2

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 12

Category	Moody's Rating
ARION BANKI 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

Endnotes

- 1 The bank ratings indicated in this report are the long-term deposit and senior unsecured debt ratings, and the BCA.
- 2 Assumes the lowest interest rates presented by the Central Bank, and a four-year statute of limitations and exclude future earnings impact.

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