

Rules of Procedure of the Board of Directors of Valitor Holding hf. and Valitor hf.¹

SECTION I GENERAL

1. Purpose

- 1.1 These Rules of Procedure stipulate the role of the Board of Directors (the Board) of Valitor Holding hf. and Valitor hf. (Valitor or the company), the eligibility of Directors and the set-up of board meetings.
- 1.2 The rules of procedure are established pursuant to Article 70(5) of the Public Limited Companies Act no. 2/1995, Article 54(4) of the Financial Undertakings Act no. 161/2002, the FME Guidelines No. 1/2010 and relevant EBA Guidelines, particularly on Internal Governance 2017/11. The rules are also established with reference to the settlement between Valitor and the Icelandic Competition Authority dated 15 December 2014 (the settlement). The conditions in section 2.5.1 of the settlement are thus fulfilled.

2. General eligibility of Directors

- 2.1 Directors must, without exception, meet the eligibility requirements set out in Article 52 and 52a of the Financial Undertakings Act as well as rules established by the FME.
- 2.2 Directors shall be financially independent and possess sufficient knowledge and experience to be able to perform their duties appropriately, including knowledge of the activities of Valitor and its main risk exposures.

3. Independence of Directors

- 3.1 The majority of the Board must be independent of Valitor and its day-to-day management. At least two Directors shall also be independent of Valitor's significant shareholders. A significant shareholder is anyone who controls at least 10% of the total share capital or voting rights in Valitor, acting on their own or in concert with connected parties.
- 3.2 Directors, both principal and alternate, shall provide the following information to the Board to facilitate the evaluation of their independence:
1. Name, date of birth and address,
 2. Education, chief occupation and professional experience,
 3. Date of first election to the Board of Directors
 4. When the relevant person was first elected on the board of directors of Valitor.
 5. Other executive positions, including membership of the board of directors of other companies,
 6. Direct and indirect holding of shares in Valitor,
 7. Any other links, if any, to Valitor as described in the Guidelines on Corporate Governance with respect to the evaluation of independence.
- 3.3 Directors must notify the Board of any changes to their circumstances which may influence whether they are considered independent.

¹ Rules also apply to competence qualifications for the CEO, pursuant to FSA Guidelines no. 150/2017 on the assessment of qualifications of CEO and directors of financial undertakings.

4. Related Parties

4.1 Directors shall inform the board of parties related to them. The CEO shall annually submit information to the board about credit to related parties. Related parties refer to those who are connected to the company in a manner that could raise questions about conflict of interest in relation to the company's credit to them. When evaluating whether a party is a related party, the emphasis shall be on whether the relevant party is able to use his/her position in any manner in excess of other customers of the company, among other things, with respect to terms, renegotiations and position. Related parties are parties deemed connected under enacted laws on auditing and financial statements, including the following:

- a) Principal and alternate directors, executive management, and key employees;
- b) Owners of qualified holdings in Valitor
- c) Close relatives and others closely linked to the parties in items a) and b) above.
- d) Other parties which could potentially be considered direct and related stakeholders due to the activities and operations of Valitor.

Close links are present under item c) above, when individuals and/or companies are linked via (i) participation in the form of direct ownership or control of a minimum of 20% of company shares, initial capital or votes; (ii) control; or (iii) their permanent connections to the same third party due to control connections.

4.2 Credit refers to loans and guarantees to related parties, as well as other commitments of related parties towards Valitor. This refers not only to granted credit during the period but also to the handling of commitments that have already been established, for example, because of default, changes of terms and guarantees, debt changes etc. The definitions of related parties and credit shall be interpreted in accordance with applicable laws and rules, including Rules on Credit of Financial Undertakings to Related Parties No. 247/2017.

5. New Directors

5.1 Following the election of a new Director at a shareholders' meeting the Chairman of the Board (Chairman), as appropriate, the secretary to the board, must ensure that new Director is given appropriate training, information and guidance on the working procedures of the board and of the company's affairs, for example, its strategy platform, goals and operations.

5.2 The Appendix to these Rules of Procedure contains more details about what is entailed following election of a new Director.

SECTION II

DIVISION OF DUTIES AND PROCEDURES AT MEETINGS

6. Election of Directors and division of duties within the Board

6.1 The board is elected for a term of one year at the annual general meeting (AGM), in accordance with Valitor's Articles of Association.

6.2 At the first regular board meeting after the AGM, or the shareholders' meeting at which new board has been elected, the Board shall divide its duties as necessary, such as elect Chairman and Vice Chairman of the board, in accordance with Valitor's Articles of Association. At the same board meeting, it shall be decided if shareholders have not decided otherwise the appointment of Alternates. The chairman shall be a non-executive director. The outgoing chairman of the Board chairs the meeting or the person who has been a member of the Board longest, in the instance of the outgoing chairman no longer holding a seat on the board. If all Directors are new the oldest Director chairs the meeting.

- 6.3 A simple majority of votes determines the outcome of the election in positions within the board. If more than one member receives an equal number of votes the matter shall be resolved by the throwing of dice. The directors decide which alternate member shall take his/her seat in the instance of absence. If an alternate member, who has been appointed by a principal member, is unable to attend the other alternate shall not be called to the meeting unless the principal member especially requests it.

7. Board meetings and calls to meetings

- 7.1 The chairman, or the CEO on his/her behalf, ensures that the Board meetings are called with six days in advance. Meetings shall be held as often as necessary, although there shall be a minimum of ten meetings a year. In the absence of the chairman and the vice-chairman the most senior director chairs the meeting.
- 7.2 The CEO attends board meetings and has the freedom of speech and proposal. The CEO and the board secretary prepare the meetings in collaboration with the chairman. The Directors shall then notify whether they are conflicted Directors in respect of any item on the agenda. The agenda, together with the documents of the meeting, shall be in the hands of the directors five days prior to the meeting and shall be dispatched electronically. The documents of the meetings may only be examined in electronic format. Items on the agenda, which conflicted Directors may not take part in discussing, shall be deleted in the calls to the meetings to them, on grounds of confidentiality. Documents regarding such items on the agenda may not be shown to conflicted directors.
- 7.3 Where matters cannot await disposition, calling a board meeting on shorter notice is permissible. If a Director or the CEO requests that a meeting be held, this shall be done as quickly as possible. The chairman of the board, in collaboration with the board secretary, shall seek to the extent possible to arrange the agenda in such a manner that items on the agenda, in which the conflicted board members cannot participate, are settled at the end or the beginning of the meeting.

8. Lawfulness of resolutions

- 8.1 The CEO prepares the meetings of the board in collaboration with the chairman of the board and they shall generally be held at the company's headquarters. Meetings may be held using online-conference equipment, in which instance the general provisions on such meetings prevail. The chairman of the board or the CEO, however, may demand such meetings being held in conventional format.
- 8.2 The Board is competent to make decisions when the majority of Directors attends the meeting. Directors shall announce their non-attendance as soon as possible. Alternates shall be invited to meetings if less than three Directors are able to attend. Director may request that an alternate represents him at a meeting although three Directors are able to attend the meeting. An important decision, may, however, not be made unless all Directors are in a position to address the matter.
- 8.3 The majority of votes decide issues at board meetings, but when votes are even, the chairman's vote is the determining vote. In absence of the chairman, the vote of the Vice chairman is decisive.
- 8.4 Matters shall generally not be brought up for decision at board meetings unless the Directors have received material on the issue or sufficient information on it before the meeting and have had time to study its contents. Matters for discussion shall generally be submitted to the Board in writing.

8.5 The board is permitted to make decisions between meetings with assistance of electronic media, if the matter cannot wait to be dealt with by a conventional manner at a board meeting. Dealing with matters in this way shall be limited as much as possible. Decisions made as outlined above shall be submitted at the next board meeting for introduction and confirmation.

9. Meeting attendance by others than Directors

9.1 The CEO shall leave the meeting if his/her personal matters are up for discussion or if he is incompetent addressing the relevant issue at hand in accordance with the rules that prevail about directors' special competence. The board determines whether and when other employees of Valitor attend board meetings.

9.2 The CEO is authorised to have an expert of the company attend if a special matter is up for introduction. The chairman may decide to invite external parties to attend a board meeting to introduce certain matters regarding the company's operations.

10. Minutes

10.1 The board appoints a secretary to the board who shall write the minutes of the board meetings. Any person who holds the right to attend board meetings has the right to have his/her observations and special opinions entered in the minutes in respect of case procedure and settlement of individual matters.

10.2 The following information shall be stated in the minutes as a minimum:

- name Valitor;
- place of meeting;
- date of meeting;
- beginning and closing times of the meeting;
- the number of the board meeting;
- names of the chairman of the meeting and the secretary;
- names of attending directors and absentees;
- names and titles of external parties joining the meeting, when they entered and left the meeting;
- the data as presented at the meeting, which data is submitted or shown, which directors attended the meeting, shall be entered first in the minutes;
- summary and conclusions of the items on the agenda, i.e. accepted decisions, postponements or rejections, inquiries or who is requested to follow up a relevant decision as appropriate, together with information about follow-up of the decisions entered at the board's previous meetings, as appropriate, and the page numbers in total in the minutes.

A special entry shall be made in the minutes if a director has left the meeting on grounds of incompetence to address a certain matter and if he/she has not received data or information about such a matter, cf. the rules that apply about special competence (Article 10). Answers to the inquiries of directors on individual business or customers, cf. Article 12, shall be entered in the minutes.

10.3 Minutes shall be sent to the Directors and the CEO as soon as possible. The minutes shall be submitted for approval at the beginning of the next meeting and shall be signed by attendees of the meeting in question.

If a board meeting has discussed matters which directors are not authorised to participate in, cf. Article 11.2, an appendix to the minutes shall be prepared regarding such matters. The appendix shall only be signed by those who are authorised to participate in the discussions. Conflicted directors do not have access to the appendix.

The minutes shall in general be dispatched to the principal directors, as well as to the alternates, however, cf. paragraph 2, who attended the meeting. If a director raises an observation that leads to changes of the draft minutes this shall be clarified to the board prior to signing. The rule shall be that the minutes of the second last meeting are finalised and signed at the beginning of the following meeting.

11. Special competence

- 11.1 Directors and the CEO are incompetent to participate in the disposition of matters regarding the company's business with themselves, undertakings in which they hold active shares, hold seats on their boards of directors or represent, or have significant interests. The same applies to them participating in matters relating to parties who are connected to them in a different manner. Reference is here made to both personal and financial connections. The same applies to participation in the disposition of matters pertaining to directors' competition parties or connected parties. Directors shall inform the board about parties who are connected to them through related interest. If a director has acted as a consultant regarding a certain matter, he shall inform the board thereof and, in all discussions, inform the board objectively.
- 11.2 Valitor's directors shall be independent from Arion Bank, however, Arion Bank is authorised to appoint two conflicted directors based on the number of Valitor's directors being five. Conflicted directors, cf. the settlement, shall only be authorised to participate in discussions on Valitor's general financial issues, the company's strategic formulation, and in matters regarding its foreign activities and their structuring, and in the statutory tasks of the board that do not especially pertain to publication and acquiring in Iceland. Appendix II contains the further specifications of what is considered as general financial issues and statutory tasks.
- 11.3 The directors and the CEO are obligated to inform the board of any potential conflict of interest or any doubt about their competence. The same applies if participation in the disposition of a matter regards a director's competition party or a party related to him/her. The board itself determines the competence of individual directors or the CEO in specific matters. When the board enters a decision on the competence of individual directors the relevant directors does not participate in such a decision. The directors and the CEO may request a director to leave the meeting prior to the introduction of the contents of a matter or documents being submitted if they deem the director as being incompetent to address the matter at hand. In such an instance the board shall determine the competence of the relevant director in conformity with the provisions of the Public Limited Companies Act and shall enter the decision in the minutes. If a director does not participate in addressing a matter on grounds of related interests, he/she shall leave the meeting. In such instances the director shall not have access to documentation that relate to the treatment of the matter in question. An entry shall be made in the minutes that the director has stepped out and did not get access to the documentation for confirmation purposes.

12. Commercial dealings by directors and related parties

- 12.1 Commercial dealings by directors, the CEO and undertakings they represent, or where in other respects they have significant vested interests or companies operated under their umbrella, including all related parties, key employees or a party who owns a qualifying holding in Valitor, shall be submitted to the board for consent or rejection.
- 12.2 However, commercial dealings of directors and of the CEO without special authorisation by the board or the chairman of the board, provided such business meets the following conditions:
1. That this pertains to dealings where the relevant party has undergone special general terms regarding the said type of business.
 2. That the terms of dealings are based on those generally prevailing in the relevant field of business and that this does not entail any special discounts or special terms.

3. That the dealings are conducted in the same way as other comparable business between unrelated parties.
 4. That the dealings comply with the rules of the Financial Supervisory Authority of Iceland No. 247/2017 on credit from financial institutions to directors, the CEO, key employees or those holding an active share in the company or other related parties.
- 12.3 Trading on their own behalf by directors and shall furthermore, as appropriate, fulfil the conditions prescribed in the company's rules covering own trading by members of staff.
- 12.4 The CEO shall inform the board at least quarterly about all settled requests for business and terms from directors and the CEO, from parties in close connection with them, as well as from undertakings they represent. In the same manner, the CEO shall inform the board about all settled requests for business and terms from key employees.
- 12.5 The external auditor shall go through the credit service to related parties and compare them with comparable business of other customers, and shall submit grounded opinions with respect to the terms, renegotiations, and the status of the relevant parties (arms-length views). The auditor's report shall state, among other things, the identity of the comparison party. The report by the external auditor shall be sent biannually to the Financial Supervisory Authority upon the end of audit and not later than by 1 April.
- 12.6 The company is unauthorised to grant members of the board, the CEO or parties related to them, a loan or other facility except against secure collateral. The provision of such credit and the assessment of adequate collateral shall be in accordance with Article 29 (2) (a) of Act no. 161/2002 on Financial Undertakings and Rules on Credit from Financial Undertakings to Related Parties No. 247/2017, specifically chapter II on credit amounts and security of collateral types.
- 12.7 An agreement between the company and the CEO on a loan and/or guarantees is subject to endorsement by the board. A decision on such a facility shall be recorded in the minutes and notified to the Financial Supervisory Authority.

13. Signatures on behalf of the company

- 13.1 Signing on behalf of the company, Valitor, shall be as stipulated in the signature rules set by the board.

SECTION III

DIVISION OF DUTIES, AREAS OF RESPONSIBILITY AND TASKS OF THE DIRECTORS AND CEO

14. Special submission of information

- 14.1 The following information on finances, structuring and operation of Valitor shall be submitted to the board:
1. A report on the operation of Valitor shall be submitted and introduced monthly.
 2. The inspected six-month accounts shall be submitted to the board, not later than 2 months from the closing of said accounting period.
 3. The audited accounts of Valitor shall be completed before the middle of March every year. Representatives of Valitor accounting company shall be present during the introduction of the audited and inspected accounts.
 4. The year's ICAAP report, together with the calculations and report on the liquid assets' management. Also, conclusions from stress testing that has been carried out.

5. Information shall be submitted on the operation of Valitor's individual divisions, as specified at any time in the company's Organisation Chart, to ensure that the activities of each division are inspected at least annually.
6. Annual overview of the risk management.
7. The internal auditor shall report to the board on his/her activities once per year.
8. The director of security shall inform the board on the conclusions of his examination pursuant to Article 3.1 in the settlement.
9. The operating plans for the coming year of operation shall be submitted to the board in the last quarter of every year.
10. Study and analysis of the bonus system shall be examined annually provided such a system exists.
11. Information which the board has requested at any given time.

Appendix II contains further definitions of what is contained in the monthly report, cf. Item 1 above, as well as further clarifications of Items 5-7.

- 14.2 In the event of interaction between the directors and/or directors and Valitor's executive management outside of board meetings, such interaction shall be stated at the beginning of the next meeting of the board if such interaction pertained to the interests of the company. This does not apply to conventional communications between the chairman of the board and the CEO when preparing board meetings.
- 14.3 Considering that the customers have a legally protected right of confidentiality about their business information, the directors are only given information about them in exceptional instances. Directors are only authorised to receive information about customers through the board. Directors are not authorised to obtain information about customers directly from the company's personnel.
- 14.4 At the beginning of each term of the board the operation and activities of Valitor shall be especially introduced to new directors and the alternates, as well as their duties and responsibilities. The board shall furthermore approve the company's risk policy, risk appetite and the role of risk management in the operation of Valitor, which shall be revised annually.

15. Duties of directors

- 15.1 The board maintains general control of the company's activities being in conformity with law and resolutions, including controlling the accounting and disposition of the company's finances. The board of directors is responsible for implementing an active system of internal control. The directors should understand their role and in whose interest work is carried out, and should know the laws and regulations that apply to the company's operation and activities. The directors must possess understanding of the company's objectives and projects, and how they should conduct their efforts to promote the realisation of the objectives. Directors should furthermore promote good working spirit.
- 15.2 Directors shall enter into independent decisions in every matter. Directors shall not especially protect the interests of those who supported them when running for board directorship.
- 15.3 Directors are bound by confidentiality about the company's affairs, the interests of its customers and other matters which they learn about in their work as directors and should be secret according to law, the nature of matters or the board's decision. Directors have the duty to securely safeguard any data they may have in their possession from the company. The directors should especially emphasise not disclosing any information about individual customers of the company. If anyone is in breach of this duty of confidentiality a shareholders meeting shall be advised as to whether the same individual should remain as a director.

- 15.4 Directors shall constructively challenge and critically review propositions, explanations and information received when exercising judgment and taking decisions.

16. Role of the chairman of the board

- 16.1 The chairman of the board is responsible for the board carrying out its duties in an efficient and orderly manner, as well as holding a guiding role.

The main tasks of the chairman of the board are as follows:

- calls board meetings with the board secretary;
- prepare the agenda of board meetings in collaboration with the CEO and the board secretary and shall ensure that strategic issues are discussed with priority;
- chair board meetings and seeing to sufficient time being allowed for discussions and decisions, particularly regarding major and complex issues;
- promote active participation by all directors in discussions and decisions;
- responsible for interaction by the board with the company's shareholders and keeping the board informed of shareholders' views. Issues which are intended to be specially presented to the shareholders shall first be discussed by the Board. The chairman shall ensure that the board is informed of all communications with shareholders;
- spokesman of the board towards the news media, the shareholders, and other interest parties, and
- seeing to new directors receiving necessary information and guidance in the company's work procedures and affairs, including its strategy, risk criteria and operations;
- initiate preparation and implementation of the board's Rules of Procedure, as well as good management practices;
- see to the board's Rules of Procedure being regularly reviewed;
- ensure that decisions are taken on a sound and well-informed basis and that the board receives documents and information in a timely manner before the meeting;
- ensure that the board regularly receives detailed and clear information and data about the company;
- ensure that the board is informed of all communications with the CEO outside board meetings, as considered necessary. The board shall be informed in writing if considered necessary by the chairman.
- ensure that the board annually assesses its work and that of its sub-committees;
- encourage good corporate governance and compliance with laws, regulations, guidelines and other concerning Valitor and the board;
- monitor the progress of the board's decisions within the company and confirming their adoption towards the board of directors;

17. Tasks of the board

- 17.1 The board is responsible for the activities, strategic planning and risk policy of Valitor. Moreover, the Board shall engage in regular discussions on the way it discharges its duties and where its main areas of focus should be.
- 17.2 The directors shall not participate in decisions on individual business of the company unless its extent is significant in view of its size.
- 17.3 The board shall see to it that the following always exists in the activities of the company:
1. Rules of procedure as these.
 2. Strategy and a clear future vision of the company.

3. Rules of conduct and other rules which the company's board is obligated to have implemented, cf. the current laws and regulations, for example, the Act on Financial Undertakings.
 4. Rules of procedure of the Audit Committee.
- 17.4 Annual decisions to be entered by the board are as follows:
1. Review of the rules of procedure for the board.
 2. Annual plan of operations regarding revenues and expenses, and an investment plan before 31 January every year.
 3. Proposal on financial provision to the Valitor community fund
 4. Proposal on remuneration for the Audit Committee.
- 17.5 Decisions which the board must enter according to law are as follows:
1. Acceptance of the annual accounts, the consolidated accounts and the six-month accounts of the company, as appropriate. If the chairman or a director deems that the annual accounts should be accepted, or he/she has objections, this should be stated together with his/her signature.
 2. Proposal on the disposition of the profit or loss from the company's operation.
 3. Proposal on the auditors.
 4. Proposal on employment-terms policy.
 5. Notify FME immediately of any issues which are of crucial importance for continued operation of Valitor.
- 17.6 The board shall monitor and assess the effectiveness of the company's internal management and governance framework in a regular manner, no less than annually. In the assessment, emphasis shall be placed on changes of any kind to internal and external factors that influence the company.
- 17.7 The board shall approve and review annually the outsourcing policy of the company. The outsourcing policy and its provisions shall be in accordance with FSA Guidelines on Outsourcing by Supervised Entities No. 6/2014.
- 17.8 The company, in cooperation with the CEO, shall nominate members of the board to take seats on the boards of subsidiaries and affiliate companies. Director shall not take seats on the boards of subsidiaries and affiliate companies, except in exceptional circumstances. If a member of the board takes a seat on the board of such a company, there shall be discussion on how this affects his supervisory role and about the necessity of his taking a seat on the board. The CEO is authorised to sit on the boards of Valitor sister companies. The CEO or is furthermore authorised to sit on the boards of Valitor subsidiary companies and of Valitor Holding hf., subsidiaries and of companies in which Valitor has holdings. A company which is a subsidiary of a subsidiary is also considered to be a subsidiary of the parent company.
- 17.9 It is a task of the board to investigate annually, whether damage and liability insurance is in force, and whether there is reason to take new insurance.
- 17.10 The board shall ensure that the company comply with its settlement with the Competition Authority from 15 December 2014, see the Authority's Decision number 8/2015.

18. Role of the CEO

- 18.1 The company's board of directors recruits a CEO for the company and terminates his/her employment and the recruitment and dismissal of the CEO shall be recorded in the board minutes. The board prepares the CEO job description. A written employment agreement shall be entered stating, among other things, the CEO's salary and other terms of employment. The board may request the chairman to handle the negotiations with the CEO on his/her salary and

the other terms of employment. The agreement, however, shall always be brought to the board for consent.

18.2 The CEO is responsible for the daily management of the company under the mandate by the board of directors and shall see to the operation being in conformity with the board's strategy and decisions. The CEO is responsible for the activities of Valitor being in accordance with law and good operating practices and is not bound by the decisions of the board if they are not in accordance with this. The CEO shall always carry out his/her duties with integrity and the interests of Valitor in mind. The CEO shall submit information about himself/herself for the shareholders being informed about the main factors pertaining to the CEO. The following information about the CEO shall be contained in Valitor's Statement on Management Procedure:

- Age, education, principal jobs and CV.
- Date of employment.
- Other executive positions, including board directorship in other companies.
- Holdings of shares in the company, directly or through related parties.
- Stock option agreement with the company.
- Interest connection with principal customers and competitors of the company, as well as major shareholders in the company.
- Other connections to the company, if applicable, as addressed in Article 3 of these Rules of Procedure.

The CEO shall ensure that the directors regularly receive detailed information about the finances; structure and operation of Valitor in order to enable them carry out their duties. Such information must be in the format and of the quality as determined by the board. The information shall furthermore be available when needed and should be as updated and detailed as possible.

The board in cooperation with the CEO shall decide more detailed division of tasks within the number.

18.3 Daily operations of the company in the understanding of the provisions of 17.2 are not deemed to include measures considered unusual or major. The CEO may only take such measures on grounds of a special authorisation by the board, unless awaiting the board's decision is not possible without considerable damage in respect of the company's activities. In such instances, the CEO shall give the Board prior notification concerning the decision by e-mail or in writing in an expeditious manner and include reasons for the decision unless this is in no way practicable. The CEO shall also, if possible, consult with the Chairman before deciding. A decision by the CEO shall be presented at the next board meeting and recorded in the minutes.

18.4 The CEO has the authority to accept a Delayed Delivery Exposure and Settlement Risk to a customer up to USD 3.5m. Above the limit shall be approved by the Board.

18.5 The CEO shall see to a draft being prepared of the company's annual accounts and its annual report. The auditor enters his/her observations, if any, in an audit report which shall be submitted to the board together with the aforementioned draft. The auditor shall especially state whether they propose that the board of directors should sign the annual accounts without observations.

19. Other tasks of the board and CEO

19.1 Directors shall spend adequate time in conducting their work for the company. Members of the board may neither have seats on the board of another party subject to regulation or which is closely related to him and nor may he be an employee of another party, subject to regulation or of a party closely related to him as is further prescribed in Article 52 (a) of Act number 161/2002 on Financial Undertakings.

19.2 The Chairman of the board is not authorised to take on tasks for the company other than those which are deemed to be a normal part of his work as chairman of the board, except for occasional tasks that the board has requested he complete on the board's behalf.

19.3 The CEO is not authorised to take a seat on the board of a commercial company and to take part in commercial operations except where the company board has provided such authorisation. A holding in the company is considered to be participation in commercial operations except in the instance of an insignificant holding which does not provide direct influence on management of the company. In the making of the board's decision there shall be discussion on the impact on the company of such membership of a board and/or participation in commercial operations, whether this is compatible with the work of the CEO and whether it could adversely affect his commitment and contribution of work. If the taking of a seat on a board or participation in commercial operations constitutes a potential conflict of interests or if it is likely to damage the company's reputation, then it shall not be authorised.

SECTION IV

PERFORMANCE EVALUATION

20. Performance evaluation

- 20.1 The board shall annually review and evaluate its work, practices and procedures, the company's activities, as well as the work of the CEO, the performance of sub-committees, the chairman of the board and other daily managers, and also the performance by the secretary to the board and whether there exists a reason to appoint sub-committees of the board.
- 20.2 The board shall review and evaluate the development of the company and its operations annually, and whether progress and development is in accordance with the goals set by the board of directors. Additionally, the board of directors shall assess the effectiveness of its internal management and governance framework, cf. Article 17.6.
- 20.3 The board's performance evaluation shall include the board assessing the strengths and weaknesses of its activities. The evaluation shall be in line with Guidance on Corporate Governance at any given and shall include an examination of whether the board has operated in accordance with its Rules of Procedure and how the board or specific sub-committees generally operate time.
- 20.4 The CEO and the managers of individual divisions shall generally not attend meetings of the board while it evaluates their performance.

SECTION V

BOARD COMMITTEES

21. Board Audit and Risk Committee (BARC)

- 21.1 The Board may establish committees to discuss areas of the company's operations. The committees are to support development, implementation and monitoring of important Board duties requiring special skills or knowledge. The committees do not, however, operate as substitutes for the Board or diminish the Board's responsibility concerning those matters that they deal with.
- 21.2 BARC shall operate under the auspices of the board of directors, consisting of three to five individuals who shall be appointed by the board. Committee members shall generally be directors. However, the board is permitted to appoint committee members who are not directors. The majority of the committee members shall be independent from Valitor. The board shall elect the chairman of the BARC.

- 21.3 The main role of the BARC is, *inter alia*, to assist and guarantee the quality of the financial statement and other financial information from Valitor and the independence of its auditors, cf. legal obligation under Act No. 17/2006, an Annual Accounts. As well as to evaluate Valitor's risk policy and risk appetite as required under Act no. 161/2002, on Financial undertakings. The committee should also know risk assessments and methods to manage risk employed by Valitor.
- 21.4 The organisation, role and duties of the committees are in other respects governed by laws, regulations and the guidelines on corporate governance.

22. Establishment of other board committees

- 22.1 The board of directors is authorised to establish board committees to address other factors in the operation of Valitor than addressed by the Board and Audit Committee. The board elects the members of the board committees and appoints their chairmen. When establishing a board committee, pursuant to this Article, the board shall prepare a special letter of appointment for the relevant board committee, defining the role and objectives of the committee, as well as the rules that apply to its efforts in other respects. The role of the chairman of a board committee of the board of directors is to see to it that the relevant committee carries out its duties in an efficient and orderly manner.

SECTION VI VARIOUS MATTERS

23. Auditors

- 23.1 The elected auditor and/or the internal auditor shall maintain a special Audit Record in which they record their audit activities and other matters of significance, cf. Item 9 of FSA Guidelines on the Activities of the Audit Divisions of Financial Undertakings no. 3/2008. They shall especially focus on whether the annual accounts and the accompanying documents are in conformity with law and good accounting practices and shall state whether this is the case. The Audit Record shall always be available at the company's headquarters. The auditor and/or the internal auditor are obligated to attend board meetings when the annual account is on the agenda of the meeting. They shall state their opinion of the annual accounts and the accompanying documents. The chairman of the board may call the auditor and/or the internal auditor to a board meeting.

24. Emergency meetings

- 24.1 If the company's equity capital goes below a statutory minimum, cf. Act no. 161/2002 on Financial Undertakings, the board of directors shall call a shareholders meeting at which it will report on the company's financial situation. Emergency meeting shall be held as soon as possible after such a situation of the company materialises. The meeting decides what measures should be taken.

25. Interaction with the authorities

- 25.1 The board of directors shall see to it that the Register of Enterprises and other authorities receive information as provided for by law and regulations.

26. Interaction by the board and the CEO with the news media

- 26.1 The board of directors shall state the PR role of the board and the CEO in Valitor's strategy on the supervision of public relations.

27. Amending and safeguarding the Rules of Procedure

- 27.1 Those holding seats on the board of directors upon the setting of these Rules of Procedure shall sign their original. If the board accepts amendments to the Rules of Procedure the directors shall sign an original version of the rules as amended. New directors shall be informed of the Rules

of Procedure and shall sign the original version in confirmation thereof. The original of these Rules of Procedure shall always be kept with the minutes of the board of directors.

- 27.2 Only the board of directors of Valitor may amend these Rules of Procedure. The consent of a simple majority of the board is required to amend the Rules of Procedure. The Rules of Procedure shall be reviewed not less than annually.
- 27.3 The Rules of Procedure are subject to the consent of the Financial Supervisory Authority of Iceland. If the Financial Supervisory Authority submits observations about them the board of directors shall address the matter. If amendments are made to these Rules of Procedure the new rules shall be sent to the Financial Supervisory Authority for confirmation.

28. Entry into force

- 28.1 These rules enter into force immediately after the Board of Directors' approval.
- 28.2 These Rules of Procedure were accepted at a meeting of the board of directors of Valitor Holding hf. and Valitor hf., held 19 of June 2019. Prior Rules of Procedure were from 28th of September 2017.

Windsor UK, 19 of June 2019

Board of Directors of Valitor hf.

Appendix I - Guidance and education for new directors

New members of the board of directors need to receive necessary information and guidance about the work processes of the board of directors and the affairs of Valitor, including the company's strategy, objectives and operations. New directors shall receive the following information about Valitor:

- Activities of valid tour
- Items on service
- Strategy formulation and business plan
- Risk management and views about risk
- Activities of subcommittees
- Valitor's Articles of Association
- Rules of Procedure of the board of directors
- Work schedule of the board of directors
- Rules of Valitor
- Minutes of the board of directors' meetings in the previous year
- Financial information
- Organisation chart
- Overview of current laws and regulations regarding the operations of Valitor
- Latest annual accounts and interim accounts

A director, who is conflicted, pursuant to Article 11.2 of these rules, may not under an introduction of the company's operations receive information about the domestic card issuance activities, on the one hand, and special domestic acquiring on the other hand, except if the information concerns general financial matters, see discussion below.

When addressing the activities of Valitor, its items and service, and the business plan according to what is previously stated above, the names of domestic customers, either in respect of the card issuing service or domestic acquiring, may not be disclosed to conflicted directors, cf. Article 11.2.

New directors may request meetings with the CEO, the chairman of the board of directors and may request answers to questions they may have in connection with their duties on Valitor's board of directors.

New directors may request assistance by the secretary to the board of directors regarding the Financial Supervisory Authority's competence evaluation of the managing directors and the directors of financial undertakings.

Appendix II – Special explanatory notes regarding Valitor’s settlement with the Competition Authority, 15 December 2014

The settlement between Valitor and the Competition Authority prescribes conditions regarding board directorship of personnel of the Valitor hf. parent company, Arion Banki. Clause 2.5.1 of the settlement, reads as follows:

“Members of Valitor’s board of directors shall be independent from Arion Bank; however, Arion Bank shall be authorised to appoint two conflicted directors based on the board of directors of Valitor consisting of five members. Conflicted directors shall only be authorised to participate in discussions on general financial matters of Valitor, the company’s strategy formulation and matters pertaining to its activities abroad and their structuring, and the statutory tasks of the board that do not especially regard card issuance and acquiring in Iceland. The board of directors shall set rules of procedure further stipulating the work of the board in this respect and ensuring that conflicted directors do not have access to data and material information which they are not authorised to participate in discussions on.”

Clause 2.5.1 of the settlement is addressed in Article 10.2 of these rules. For clarification purposes of the contents of this clause it is pointed out that general financial matters include, among other things, the annual financial account and annual financial statement, as well as monthly comparisons of the budget and real amounts for different types of comprehensive income figures including fees and commissions, and fees and commissions expenses, EBITDA and earnings and comprehensive income before tax/loss. See an example below for Valitor hf. – *Acquiring Iceland and Valitor hf. – Card Issuing Iceland*. * When general financial matters are discussed conflicted directors are not allowed to hear or discuss any particular customer either in domestic acquiring or domestic issuing. Conflicted directors are only allowed to hear and discuss the above-mentioned comprehensive figures. Furthermore, a comparison of the credit and debit card turnover, cf. information from the Central Bank of Iceland and monthly credit and debit card turnover from Valitor’s issuing services falls within general financial matters.

Statutory tasks by the board of directors, which do not particularly pertain to the card issuance and acquiring in Iceland, include for example projects regarding risk management cf. the company’s Risk Strategy as based on law, regulations, rules and guideline recommendations. All directors are bound by the rules on competence as stated in the board of directors’ Rules of Procedure and as subject to the supervision by the Financial Supervisory Authority.

The monthly report on Valitor’s operation, which shall be submitted to the board of directors cf. Article 13.1 (1), includes among other things a monthly comparison of the budget and real amounts. Furthermore, a comparison of the credit and debit-card turnover according to information by the Central Bank of Iceland and the debit card turnover of Valitor’s card issuing, split according to months. The actual cross border acquiring turnover compared with the budget, the profit and loss account and the balance sheet, and the breakdown of other operating costs for the whole months that have passed in the current calendar year, compared with the budget, the performance of the Global Partnership set forth in the profit and loss account compared with the budget and the monthly comparison of domestic acquiring, on the one hand, and for domestic card issuing and real amounts, on the other hand. Also, the overview from Valitor’s risk management systems and the risk management systems of the Card Schemes and key statistics (KPI) of every market.

With respect to Article 13.1 (5), it is emphasised that conflicted directors cf. Article 11.2 of the Rules of Procedure, may not receive information, however, about the operation of the Domestic

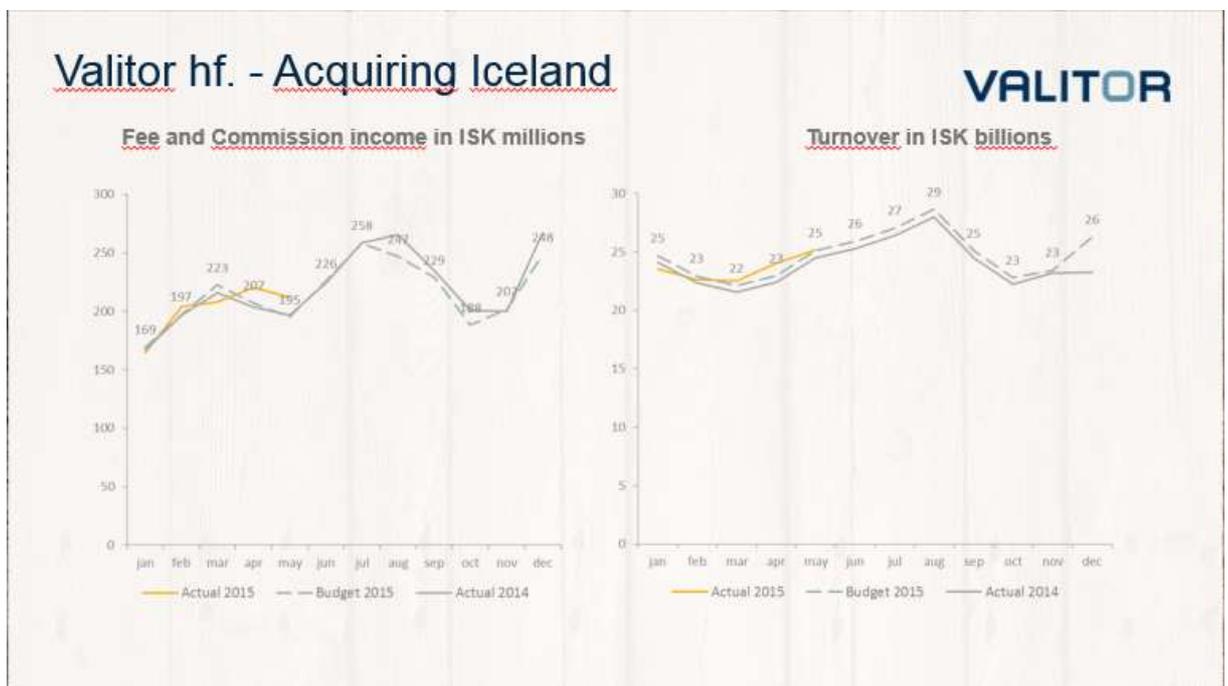
Issuing Division, on the one hand, and about the Domestic Acquiring division, on the other, except to the extent that general financial matters are concerned, cf. above. Instead a joint overview shall take place of the domestic operations.

With respect to Article 13.1 (6), it is emphasised that the annual overview by Risk Management may not contain the name of the customer, unless the conflicted directors, according to Article 10.2 have removed themselves from the meeting.

With respect to Article 13.1 (7), it is emphasised that conflicted directors, cf. Article 11.2 of the rules of Procedure, may neither hear overviews regarding the study on domestic card issuing activities nor domestic acquiring activities.

All directors may address anything regarding the company's foreign activities.

**An example below for Valitor hf. – Acquiring Iceland and Valitor hf. – Card Issuing Iceland*



Valitor hf. - Acquiring Iceland

	Mai			YTD		
	Actual	Budget	Variance	Actual	Budget	Variance
Fee and commission	182	166	17 10%	868	849	19 2%
Fee and comm. expense	142	132	10 7%	695	625	70 11%
Gross Margin	41	34	7 21%	172	224	(51) (23%)
Gross margin %	23%	20%		20%	26%	
Other revenue	30	29	0 2%	142	143	(1) (1%)
Salaries and salary related expenses	40	44	(4) (9%)	194	195	(1) (0%)
Other operating expenses	42	41	0 1%	220	218	2 1%
EBITDA	(11)	(22)	11	(100)	(46)	(54)
EBITDA margin %	-8%	-17%		-14%	-7%	
Depreciation	(11)	(11)	(0) 2%	(52)	(51)	(1) 2%
Operating profit (EBIT)	(22)	(33)	11	(152)	(97)	(55)
Net interest income (expense)	68	23	45 200%	243	109	134 123%
Net earnings and comprehensive income before tax	46	(10)	102	90	12	212

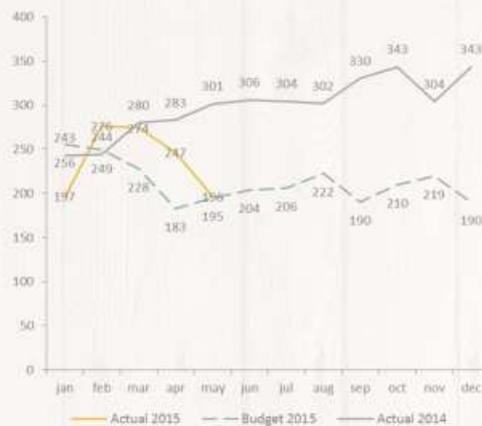
Higher Interchange fees because of daily settlements with some of the Icelandic banks.

Due to daily settlements more of the acquiring fees will now be generated from interest income. That will result in more interest expense for Issuing Iceland.

Amounts are in ISK millions

Valitor hf. - Card Issuing Iceland

Fee and Commission income in ISK millions



Turnover in ISK billions



Valitor hf. - Card Issuing Iceland

VALITOR

	Mai			YTD		
	Actual	Budget	Variance	Actual	Budget	Variance
Fee and com.m. income	190	193	(2) (1%)	1173	1100	73 7%
Fee and com.m. expense	48	37	11 28%	254	217	37 17%
Gross Margin	142	155	(13) (8%)	919	882	36 4%
<i>Gross margin %</i>	<i>75%</i>	<i>81%</i>		<i>78%</i>	<i>80%</i>	
Other revenue	5	2	3	17	11	7
Salaries and salary related expenses	67	71	(4) (6%)	315	320	(5) (2%)
Other operating expenses	43	38	5 14%	187	199	(12) (6%)
EBITDA	38	49	(11) (22%)	434	374	60 16%
<i>EBITDA margin %</i>	<i>20%</i>	<i>26%</i>		<i>37%</i>	<i>34%</i>	
Depreciation	(11)	(10)	(1) 8%	(53)	(48)	(5) 11%
Operating profit (EBIT)	27	38	(12) (30%)	381	326	55 17%
Net interest income (expense)	(23)	(4)	(20)	(109)	(83)	(26) 31%
Net earnings and comprehensive income before tax	4	35	(31) (90%)	272	243	29 12%

Lower commission income because of new issuing agreements with the banks. Due to increase in VISA fees, along with negative exchange rate development, the commission expense is above budget.

Interest expense above budget is due to daily settlements.

Amounts are in ISK millions