

Minutes of the Annual General Meeting of Arion Bank hf. 2018

The annual general meeting of Arion Bank hf. for 2017 was held at the Bank's headquarters at Borgartún 19, 105 Reykjavík on 15 March 2018 at 4:00 p.m.

1. Opening the meeting

Eva Cederbalk, Chairman of the Board of Directors of Arion Bank, began the meeting by welcoming those present and calling the meeting to order. She said that the meeting would be held in Icelandic, with the exception of her address which would be in English. The chairman then proposed that Ólafur Haraldsson be elected as chair of the meeting and this was approved. Ólafur then took over the duties of chairing the meeting.

The chair proposed that Sædís Íva Elíasdóttir, regional and branch manager, be elected as secretary to the meeting and this was approved. The secretary took over the duties of recording the minutes.

The chair announced that representatives of 16 of 29 shareholders were attendance at the meeting, representing 99.4 % of share capital in Arion Bank hf.

The chair went over the summons to the meeting. He stated that the meeting had been summoned with sufficient notice in accordance with Article 88 of the Public Limited Companies Act and the temporary provisions of the company's Articles of Association, and the meeting was summoned by an e-mail sent to the representatives of the shareholders on 1 March 2018. Furthermore, the proposals of the Board were sent to shareholders and made available at the office of the company one week before the Annual General Meeting. No objections were raised and the chair declared the meeting to be properly constituted.

The chair stated that the meeting was the annual general meeting for 2017.

The following agenda was presented, which is in accordance with Article 13.2 of the company's Articles of Association:

- 1. The report of the Board of Directors on the company's activities for the past year**
- 2. Approval of the company's annual financial statements**
- 3. A decision on a payment of dividends**
- 4. Election of the Board of Directors**
- 5. Election of an auditing firm**



6. **A decision on remuneration to the Board of Directors in the coming operating year**
7. **Decision concerning the company's remuneration policy**
8. **Authorization of issuance of additional tier 1 notes**
9. **Proposal for changes of the articles of association**
10. **Other business**

The chair proposed that the items the report of the Board of Directors and the approval of the annual financial statements for the past operating year, i.e. items 1 and 2, be discussed together after the presentation of the annual financial statements. No objections were raised and the proposal was accepted. The chair also announced that the Bank's annual report and Pillar 3 Risk Disclosures were available in digital format on the Bank's website.

1. The report of the Board of Directors on the company's activities for the past year

Eva Cederbalk, Chairman of the Board of Directors of Arion Bank, presented the report of the Board of Directors on the activities of the Bank in the past operating year. Her presentation was in English.

2. Approval of the company's annual financial statements

Höskuldur H. Ólafsson, CEO of Arion Bank hf., presented the Bank's annual financial statements which were made available at the meeting.

At the end of the CEO's speech the chair gave the shareholders' representatives the opportunity to discuss the Bank's annual financial statements and the report of the board of directors.

No one took to the floor and the annual financial statements were unanimously approved.

3. A decision on a payment of dividends

The chair put forward the following proposal on the disposal of earnings:

"The Board of Directors proposes that net earnings be added to equity and that no dividend be paid in 2018 for the fiscal year 2017, for now.

The Board of Directors has the authority to propose that the Bank pay dividends or other disbursement of equity and may convene a special shareholders' meeting at later stage before the next annual general meeting to propose a payment.

It should be noted that the Board of Directors has thoroughly examined the feasibility of dividend in kind, i.e. of share capital in Valitor Holding. The Board is of the opinion that this does require further evaluation."

The chair gave the shareholders' representatives the opportunity to discuss this proposal. No one took to the floor.

The proposal was then put to the vote. The proposal was approved unanimously.



4. Election of the Board of Directors

The chair said that by law and according to the Bank's Articles of Association, a board of directors must be elected at an annual general meeting.

The chair said that information on candidates specified in Article 63 a of the Public Limited Companies Act, i.e. name, ID-No, address, information on main occupation, other board engagements, education, experience and information on common interests with the main clients and competitors of the company have been sent to shareholders and published on the Bank's website. The candidacies have been examined by the Board of Directors, which assessed the independence of the candidates as stipulated in the Board's rules of procedure and this assessment had been presented to the shareholders. The chair submitted a proposal on the election of a Board of Directors and Alternate Board of Directors of Arion Bank hf.

The chair said that according to Article 14.4 of the company's Articles of Association, prospective candidates to the Board of Directors should announce their candidacies no later than five days before the annual general meeting. Seven people put themselves forward as candidates to the Board of Directors and according to Article 14.1 of the company's Articles of Association the Board of Directors shall have 5-8 members.

The following people announced they wished to stand for election to the Board of Directors:

- Brynjólfur Bjarnason, ID-No. 180746-3909
- Eva Cederbalk, ID-No. 310752-3049
- Herdís Dröfn Fjeldsted, ID-No. 210971-4329
- Jakob Már Ásmundsson, ID-No. 200275-3499
- John Philip Madden, ID-No. 271173-4079
- Måns Höglund, ID-No. 240551-2259
- Steinunn Kristín Þórðardóttir, ID-No. 090472-4379

The chair gave the shareholders' representatives the opportunity to discuss this proposal. No shareholders' representatives took to the floor.

The chair announced that since no other candidacies had been announced, the above were duly elected to the Board of Directors.

The chair said that according to Article 14.4 of the company's Articles of Association, prospective candidates to the Alternate Board of Directors should announce their candidacies no later than five days before the annual general meeting. Three people put themselves forward as candidates to the Alternate Board of Directors and according to Article 14.1 of the company's Articles of Association the Alternate Board of Directors shall have up to three members.

The following people announced they wished to stand for election to the Alternate Board of Directors:

- Ólafur Örn Svansson, ID-No. 300572-6189
- Sigurbjörg Ásta Jónsdóttir, kt. 070470-5279
- Þórarinn Þorgeirsson, ID-No. 110174-3309



The chair gave the shareholders' representatives the opportunity to discuss this proposal. No shareholders' representatives took to the floor.

The chair announced that since no other candidacies had been announced, the above were duly elected to the Alternate Board of Directors.

The following people now serve on the Board of Directors of Arion Bank:

- Brynjólfur Bjarnason, ID-No. 180746-3909
- Eva Cederbalk, ID-No. 310752-3049
- Herdís Dröfn Fjeldsted, ID-No. 210971-4329
- Jakob Már Ásmundsson, ID-No. 200275-3499
- John Philip Madden, ID-No. 271173-4079
- Måns Höglund, ID-No. 240551-2259
- Steinunn Kristín Þórðardóttir, ID-No. 090472-4379

and the Alternate Directors are

- Ólafur Örn Svansson, ID-No. 300572-6189
- Sigurbjörg Ásta Jónsdóttir, kt. 070470-5279
- Þórarinn Þorgeirsson, ID-No. 110174-3309

5. Election of an auditing firm

The chair read out the proposal of the Board of Directors that Deloitte hf. continue as the Bank's external auditor in accordance with the decision of the annual general meeting of 19 March 2015, cf. Article 90 of the Financial Undertakings Act No. 161/2002.

No representative of the shareholders wished to discuss this proposal. The proposal was therefore put up for a vote by the chairman of the meeting and was unanimously approved.

6. A decision on remuneration to the Board of Directors in the coming operating year

The chair presented the following proposal on remuneration to board directors and alternates, which represents an increase from the previous year in accordance with the salary index (6.8%), i.e.:

"It is proposed that the monthly salary of board members be ISK 453,900, the monthly salary of the vice-chairman be ISK 680,793 and the monthly salary of the chairman be ISK 907,423. The salary of alternate members will be ISK 229,912 for each meeting attended, up to maximum of ISK 453,900 in the case of more than one meeting a month. In the case of foreign board members, the aforementioned figures shall be doubled. In addition, it will be permitted to pay those board members who serve on board committees of the company a maximum of ISK 181,560 a month for serving on each committee, and the chairmen of board committees ISK 235,777 a month."

The chair gave the shareholders' representatives the opportunity to discuss this proposal. No one wished to comment.

The proposal was then put to the vote. The proposal was approved unanimously.



7. Decision concerning the company's remuneration policy

The chair introduced the Board's proposal that the Bank's remuneration policy remain unchanged from the previous year.

The chair asked whether the shareholders' representatives wished the remuneration policy to be read out in full. No one wished this to be done. The shareholders' representatives were then given the opportunity to discuss the proposal.

No one wished to discuss it further and the chair submitted it for approval. The proposal was then put to the vote. The proposal was approved unanimously.

8. Authorization of issuance of additional tier 1 notes

The chair introduced the Board's proposal to grant the Board the temporary authorization to decide on the issue of additional tier 1 notes, as agreed in a resolution at a Board meeting on 14 February 2018. Such notes will mandatorily convert into shares under certain conditions (loss-absorbing capital instruments). Accordingly it is proposed that the following new provision be added to section 4 of the Articles of Association.

"By a shareholders resolution the Board of Directors is authorised, for the period until the annual general meeting in 2019, on one or several occasions, with deviation from any shareholders preferential rights, to issue convertible notes that meet Additional Tier 1 requirements according to article 84 b of the Act on Financial Undertakings, no. 161/2002. Loan amounts and conditions for conversion shall be set so that the total number of shares which may be issued upon conversion of Additional Tier 1 Notes, by virtue of this authorization, may not exceed 400,000,000 shares or 20% of outstanding shares at the time of issue of Additional Tier 1 Notes (or the corresponding number due to any bonus issue, share issue, conversion of convertibles, share split or reversed share split or similar corporate events). Additional Tier 1 Notes shall mandatorily convert into shares under the conditions stated in the terms and conditions of the Additional Tier 1 Notes but not be convertible at the option of the holders. The Board of Directors resolves on all other terms and conditions for issuance according to this authorization."

The chair announced that if the proposal were approved, it would mean that shareholders would waive their priority rights under Article 34 of the Public Limited Companies Act No. 2/1995.

No one wished to discuss it further and the chair submitted it for approval. The proposal was then put to the vote. The proposal was approved unanimously.

9. Proposal for changes of the articles of association

The chair introduced the proposed change to Arion Bank's Articles of Association, which concern extending the temporary provisions of the Articles of Association. No other changes are proposed. The Board's proposal is as follows:

"Temporary provision:

Articles 10.6-10.9 (both articles included), as well as Article 18.3 shall not enter into force until 1 July 2018.



During the aforesaid the following rule shall instead apply regarding the summons of shareholders' meetings:

A shareholders' meetings shall be summoned by a public notice or by electronic means sent to each shareholder with at least one week's notice, but with at least two weeks' notice before the Company's annual general meeting. The time limit may be shortened to one week with the written prior approval of shareholders holding at least 90% of the company's share capital.

This provision is temporary and shall automatically become null and void on the aforesaid date. The Board of Directors shall thereafter ratify and deliver a new copy of these articles of association without this provision to the companies' registrar."

The chair gave the shareholders' representatives the opportunity to discuss this proposal. No one wished to comment.

The proposal was then put to the vote. The proposal was approved unanimously.

10. Other business

The chair asked whether the Board of Directors or the shareholders' representatives wished to raise any further items of business.

No other items of business were raised.

Finally, the approval of the meeting was sought for the secretary and chair of the meeting to complete the minutes, and it was agreed that the minutes would not be read aloud at the end of the meeting in accordance with Article 90 (5) of the Public Limited Companies Act No. 2/1995, but by the meeting secretary instead for those who wished.

No further business was discussed and the meeting was brought to a close by the chair at 5:00 p.m.

Sædís Íva Elíasdóttir,
Secretary

Ólafur Haraldsson
Chair