



Annual General Meeting of Arion Bank hf. 16 March 2021

Supporting document with proposal no. 15

It will be proposed at the Annual General Meeting of Arion Bank hf. on 16 March 2021 that restated Articles of Association be approved. The restated Articles of Association will be simpler than the existing articles, some sections will be rearranged and made more consistent internally. Provisions of the existing Articles of Association which are directly contained in the law will be removed, primarily in order to limit the risk of discrepancies between the Articles of Association and the law, and to avoid the necessity of having to amend the Articles of Association due to minor changes in the law.

The proposed changes only contain minor material changes to the provisions of the existing Articles of Association. Below is a summary of the provisions of the restated Articles of Association and the changes proposed in the Board of Director's proposal:

Section I – Name, head office and purpose

Art. 1 Name of company, head office and purpose

The provisions contained in Articles 1, 2 and 3 of the existing Articles of Association.

No material changes are proposed. Information on the company's head office will be removed since this is not required by law, cf. Article 9 (2) of the Public Limited Companies Act No. 2/1995.

Section II – Share capital of the company

This section contains provisions on the company's share capital and the legal position of shareholders. There will be a change to the arrangement of the existing provisions and some minor material changes.

Art. 2 Share capital of the company

These provisions appear in Articles 4.1 and 4.2 of the existing Articles of Association.

There are no material changes. The provision stating that each ISK 1 nominal value of share capital entitles the owner to one vote, currently in Article 4.2 of the existing Articles of Association, will be moved and become Article 14.1 (Proportion of votes and voting).

Art. 3 Increasing and reducing share capital

These provisions appear in Articles 4.3, 4.4, 4.5, 4.7 and 4.8 of the existing Articles of Association.

It is proposed that the provisions of Article 4.6 of the existing Articles of Association concerning default remedies for the payment of share subscriptions be removed. This is an unusual provision in a company's Articles of Association, and it is a matter which should instead be determined by the terms of a share capital increase in accordance with the decision made by a shareholders' meeting at any given time.

In other respects, no material changes are proposed to the above provisions of the existing Articles of Association. Article 4.8 of the existing Articles of Association (to become Article 3.3) will be amended to accord with the fact that the bonds in question have already been issued. This proposal is discussed in item 14.

In other respects, there are no material changes but a few changes to the wording of some provisions are made.

Art. 4 Shares and register of shares

This replaces Article 5 of the existing Articles of Association, which is amended slightly to reflect the typical provisions of the Articles of Association of companies which have issued



shares electronically and implemented such provisions.

Art. 5 *Rights and obligations of shareholders*

This addresses the issues currently contained in Article 8 of the existing Articles of Association.

It is proposed that the provisions contained in Article 8.2, 8.3 and 8.4 of the existing Articles of Association remain unchanged.

However, it is proposed that the provisions of Article 8.1 of the existing Articles of Association concerning the obligation of the shareholders to comply with the Articles of Association be removed since the legal implications of the articles is considered to be clear.

Art. 6 *Change in ownership of shares, pledging etc.*

This addresses the issues currently contained in Article 6 of the existing Articles of Association.

It is proposed that the provisions contained in Article 6.1 and 6.4 of the existing Articles of Association remain unchanged.

However, it is proposed that the provisions of Article 6.2 of the existing Articles of Association on the obligation to announce a change in ownership be removed since the change in ownership of shares in the company and their registrations is governed by Act No. 7/2020 and therefore such announcement has no material significance.

It is also proposed that the provisions of Article 6.3 of the existing Articles of Association which state that a party may not exercise its rights as a shareholder unless its name has been entered in the company's register of shares be removed as this is clear from the provisions of Article 31 of the Public Limited Companies Act.

Art. 7 *Own shares*

Provisions contained in Article 9 of the existing Articles of Association.

There are no material changes, but some changes to the wording are proposed. In other respects, the provisions of Section VIII of the Public Limited Companies Act on a company's authorization to acquire and own its own shares are applicable.

Art. 8 *Electronic communications between the Company and shareholders*

Will contains a provision identical to the one contained in Article 7 of the existing Articles of Association.

Section III – Shareholders' meetings

This section contains provisions on holding shareholders' meetings in the company. It is considerably shorter and simpler than the existing Articles of Association, and certain provisions have been rearranged to make them clearer and more accessible. It is also proposed that certain provisions of the existing Articles of Association containing instructions which appear in the law be removed.

Art. 9 *Right to attend a meeting*

Applies to the provisions contained in Articles 10.2, 10.16 and 10.17 of the existing Articles of Association and they remain unchanged. However, it is proposed that the authorization for employees to attend a shareholders' meeting, cf. Article 10.17 of the existing Articles of Association, be removed.

It is also proposed that the provisions of Article 10.1 of the existing Articles of Association, which state that the final authority in company matters resides with duly constituted shareholders' meetings be removed since this is already clear from the Article 80 (1) of the Public Limited Companies Act.

It is also proposed that all the company's board directors and members of board sub-committees be entitled to attend shareholders' meetings, cf. item 1.2 of the Guidelines on



Corporate Governance, 6th edition, issued by the Icelandic Chamber of Commerce, the Confederation of Icelandic Employers and Nasdaq Iceland which comes into effect on 1 July 2021. The same applies to members of the nomination committee and candidates for the Board of Directors if election to the Board of Directors is on the agenda of the shareholders' meeting.

Art. 10 *Convening shareholders' meeting*

Applies to the provisions contained in Articles 10.3, 10.6, 10.7, 10.10 and 10.12 of the existing Articles of Association and they remain unchanged.

It is proposed that the provisions of 10.8 and 10.9 of the existing Articles of Association, which state which points should be contained in the meeting announcement and what material should be available before a meeting, be removed. The Board of Directors is of the opinion that these points should be governed by the provisions of the law. The Public Limited Companies Act contains detailed instructions on what should be contained in the meeting announcement for a shareholders' meeting and what material should be made available before a meeting, as applicable at any given time, cf. Article 88 c and 88 d of the Public Limited Companies Act.

Art. 11 *Legitimacy of a meeting*

Identical provision to Article 10.5 of the existing Articles of Association.

Art. 12 *Place of meeting and chairing of meeting*

Applies to the provisions appearing in Articles 10.4 and 11 of the existing Articles of Association.

The provisions of Article 10.4 of the existing Articles of Association concerning the place of meeting remain unchanged.

The provisions of Article 11 of the existing Articles of Association changed slightly to bring them in line with standard practice. In other respects, the provisions of Article 90 of the Public Limited Companies Act apply to the chairing of shareholders' meetings.

It is proposed that the provisions of Article 11.6 of the existing Articles of Association concerning the compilation of a list of shareholders and proxies attending the meeting be removed as this obligation is addressed in Article 90 (4) of the Public Limited Companies Act.

Art. 13 *Electronic shareholders' meetings*

The provisions appearing in Articles 10.13 and 10.14 of the existing Articles of Association remain unchanged.

It is proposed that the provisions of Article 10.15 of the existing Articles of Association, which address voting at electronic shareholders' meetings, be removed. The provisions of Article 80 of the Public Limited Companies Act contain more detailed provisions on electronic shareholders' meetings, including electronic voting.

Art. 14 *Proportion of votes and voting*

These provisions appear in Articles 11.7 and 11.9 of the existing Articles of Association. It is also stated that one vote is attached to each nominal ISK 1 of share capital, cf. Article 4.2 of the existing Articles of Association.

The provisions of Article 11.7 of the existing Articles of Association remain unchanged.

It is proposed that the provisions of Article 11.9 (to become Article 14.3) concerning the minutes of shareholders' meetings be amended slightly, so that it be stipulated that the minutes be read aloud at the end of the meeting only if so requested by the shareholders. This change would accord with current practice.

The changes mean that provisions of Articles 11.8 and 11.10 of the existing Articles of Association, which provide for voting by ballot and shareholders' access to the minutes of shareholders' meetings, be removed. With respect to voting by ballot, the Board of



Directors considers it more appropriate that this matter be governed by the provisions of the law, cf. Article 80 a. of the Public Limited Companies Act, particularly since the company's shareholders' meetings can be held electronically. The provisions of Article 11.10 are identical to Article 90 (6) of the Public Limited Companies Act and it is therefore unnecessary to have such provision in the company's Articles of Association.

It is also proposed that the provisions of Article 12 of the existing Articles of Association, which stipulate the approval of a qualified majority or all of the company's shareholders for certain decisions, be removed since the provisions of Article 94 of the Public Limited Companies Act are identical. There is no material change to proportion of votes.

Art. 15 Disclosure of information

Identical provision to Article 10.11 of the existing Articles of Association.

Art. 16 Annual General Meeting

This addresses the provisions currently contained in Article 13 of the existing Articles of Association.

It is proposed that Article 13.1 remain unchanged.

However, it is proposed that the provisions of Article 13.2 of the existing Articles of Association, which specifies the matters to be discussed at the annual general meeting, be amended slightly:

- sub-paragraph ii) only applies to the adoption of the company's annual financial statements and consolidated financial statements, cf. Article 84 (2a) of the Public Limited Companies Act.
- sub-paragraph iii) amended so that it applies to decisions on how to deal with the company's profit or loss in the past financial year, cf. Article 84 (2 b) of the Public Limited Companies Act, instead of decisions on the payment of a dividend as in the existing Articles of Association.
- sub-paragraph iv) amended so that it also refers to the election of a chairman and vice chairman of the Board of Directors, cf. Article 14.8 of the existing Articles of Association.
- It is proposed that sub-paragraphs ix and x be removed as they refer to proposals to amend the company's Articles of Association, if received, and proposals from shareholders which should be placed on the agenda. Such proposals, if made, will by definition be placed on the agenda of the meeting in accordance with the provisions of the law and the company's Articles of Association, but the Board of Directors sees no reason to stipulate that these matters be treated as required items on the agenda of an annual general meeting.

It is also proposed that the provisions of Article 13.4 of the existing Articles of Association be removed. They stipulate the obligation of the company's Board of Directors to submit to the AGM a brief summary of the holdings of individual shareholders and their voting rights and any changes which have taken place during the year. This obligation is stipulated in Article 84 (4) of the Public Limited Companies Act.

Section IV – Board of Directors

This section contains provisions on the structure, obligations and authority of the Board of Directors, rules of procedure at Board level, the appointment of the CEO and division of duties between the Board of Directors and the CEO.

No material changes to the provisions of the existing Articles of Association in this respect are proposed, but the Board of Director's proposal does constitute significant changes to individual provisions, mainly simplifying and shortening them, and it is proposed that the wording contained in governing laws be removed.

Art. 17 Structure of the Board of Directors and elections to the Board of Directors



This addresses the provisions contained in Article 14 of the existing Articles of Association.

It is proposed that the provisions of Article 14.1 of the existing Articles of Association be amended so that wording stating that election to the Board of Directors shall generally be by ballot if more persons are nominated than are to be elected shall be removed. The reason for this is that the wording is incompatible with the company's authorization to hold shareholders' meetings electronically.

It is also proposed that the provisions of Article 14.2 of the existing Articles of Association be removed, which state that the composition of the Board of Directors shall be such to ensure that directors individually and jointly have sufficient expertise, qualifications and experience to be able to understand the activities carried out by the company and the risk they involve. This obligation is already clear from the provisions of Article 52 (4) of the Financial Undertakings Act No. 161/2002.

It is also proposed that the provisions of Article 14.5 and 14.6 of the existing Articles of Association be removed. They concern how notifications from candidates to the Board of Directors should be handled but this matter is addressed in Article 63 a. (3 - 4) of the Public Limited Companies Act.

The provisions of Article 14 remain otherwise unchanged.

Art. 18 *Obligations and authority of the Board of Directors*

This addresses the provisions contained in Article 16 of the existing Articles of Association.

It is proposed that the provisions of Articles 16.1 and 16.2 (to become Articles 19.1 and 19.2) be shortened and the wording on certain additional obligations of the Board of Directors be removed. This does not represent a material change since the obligations in question are stipulated in Article 54 (1) of the Financial Undertakings Act and the Board of Directors is of the opinion that it's important to ensure consistency with the provisions of this Act in this respect.

It is also proposed that in Article 16.3 of the restated Articles of Association it be specifically stated that the signature of the majority of directors constitutes an obligation on the company's part. This is stated in Article 15.4 of the existing Articles of Association.

It is also proposed that the provisions of Article 16.4 of the existing Articles of Association (to become Article 18.4) be amended so that it continues to stipulate the company's obligation to adopt protocols in accordance with the law but it no longer specifies what the subject of such protocols shall be. By law the company, as a financial institution, is obliged to comply with recognized guidelines on corporate governance, and the Guidelines on Corporate Governance issued by the Icelandic Chamber of Commerce, the Confederation of Icelandic Employers and Nasdaq Iceland stipulate in detail the contents of such board protocols.

It is also proposed that the provisions of Article 16.6 of the existing Articles of Association, which state that the conclusions of sub-committees of the Board of Directors shall only serve as guidance unless otherwise provided for by law, be removed. There is no need to have such provision in the company's Articles of Association as this is clear from general rules, the law, guidelines on corporate governance and the guidelines of the Financial Supervisory Authority of the Central Bank of Iceland.

Art. 19 *Board meetings*

This addresses the provisions contained in Article 15 of the existing Articles of Association.

It is proposed that minor changes be made to the provision, but none will have an impact on the company's corporate governance or the Board of Director's rules of procedure. The changes are primarily designed to simplify the articles, given that more precise rules of board meetings, e.g. place of meeting, timeframe for calling a meeting etc. are contained in the Board of Director's rules of procedure. It is therefore proposed, for example, that Article 15.5 of the existing Articles of Association concerning the location of



board meetings, be removed.

Art. 20 *The Chief Executive Officer*

This addresses the provisions contained in Article 17 of the existing Articles of Association.

Minor changes are proposed, none of which will have an impact on internal controls of the company or the work or responsibility of the CEO. It is proposed that the provisions of Article 17.5 of the existing Articles of Association be removed. They currently state that the CEO engages in the hiring and dismissing of the company's employees and discusses their salaries. This provision is not consistent with actual practice even though the CEO remains responsible for the day-to-day operations of the company, including matters relating to employees.

It is also proposed that the provisions of Article 17.6 of the existing Articles of Association, which state that the CEO shall meet all the qualification requirements made by law, be removed as this is already clearly stated in the acts of law which apply to the company.

Section V – Accounts and auditing

This section addresses the company's accounting year and auditing. There are few material changes proposed, mainly to make the articles consistent with practice.

Art. 22 *Accounting*

Identical to the provisions contained in Article 19 of the existing Articles of Association.

Art. 23 *Auditing*

This addresses the provisions contained in Article 18 of the existing Articles of Association.

It is proposed that the provisions of Article 18.1 of the existing Articles of Association (to become Article 23.1) be amended so that the auditing company shall be elected at the AGM for a term of at least one year, instead of five. It is proposed that it be stated that the company's accounts be audited, not just examined.

It is also proposed that the provisions of Article 18.3 of the existing Articles of Association, which stipulate when the auditor's report shall be ready each year, be removed, as the Board of Directors believes that this should be clear from the Board of Director's instructions at any given time. By law the audited financial statements of the company shall be available for inspection by the shareholders no later than 21 days before an Annual General Meeting and this provides sufficient guidance in this respect.

Section V – Amendments to the Articles of Association, merger and division

No changes to the existing Articles of Association are proposed here.

Art. 24 *Amendments to the Articles of Association*

Identical to the provisions contained in Article 20 of the existing Articles of Association.

Art. 25 *Winding-up of the company. Merger. Division*

Identical to the provisions contained in Article 21 of the existing Articles of Association.

Section VI – Other provisions

No changes are proposed.

Art. 26 *Other provisions*

Identical to the provisions contained in Article 22 of the existing Articles of Association.

