

**MINUTES OF THE ANNUAL GENERAL MEETING OF
ARION BANK HF.**

The annual general meeting of Arion Bank was held at the Bank's headquarters at Borgartún 19, 105 Reykjavík on 20 March 2019 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. She 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 Guðfinna Helgadóttir, specialist in the CEO's Office, 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 88 shareholders or their representatives were in attendance at the meeting representing 1,166,511,083 of shares with voting rights or 67,6 % of share capital in Arion Bank hf. That includes votes cast by shareholders electronically.

The chair discussed the summons to the meeting. He stated that the summons to the meeting had been given with sufficient notice pursuant to Article 88a of the Public Limited Companies Act and the provisions of the Bank's Articles of Association. The summons to the meeting had been published in an announcement in the Nasdaq system stock exchange and on the Bank's website on 26 February 2019. The summons to the meeting had also been published in a daily newspaper on 27 February 2019. The proposals to be discussed on the meeting had been published on the Bank's website and in an announcement in the Nasdaq system e and had also been made available to shareholders at the Bank's headquarters.

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 2018.

The following agenda and proposals were presented to the meeting:

- 1. The report of the Board of Directors on the Bank's operations, activities and financial situation during the last financial year**
- 2. Approval of the Bank's annual financial statements**
- 3. A decision on payment of a dividend**
- 4. Election of the Bank's Board of Directors**
- 5. Election of an auditing firm**
- 6. A decision on remuneration to the Board of Directors and compensation to members of the Board's sub-committees**
- 7. A proposal from the Board of Directors concerning the Bank's Remuneration Policy**

- 8. Appointment of two members of the Bank's Nomination Committee**
- 9. A decision on remuneration to the members of the Nomination Committee**
- 10. Proposal to reduce share capital by cancelling the Bank's own shares and a corresponding amendment to the Articles of Association**
- 11. Authorization to purchase own shares and a corresponding amendment to the Articles of Association**
- 12. Authorization of issuance of Additional Tier 1 notes and a corresponding amendment to the Articles of Association**
- 13. Amendment to the Bank's Articles of Association**
- 14. Other business**

The chair proposed that the items "The report of the Board of Directors, and the approval of the annual accounts 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 Bank's operations, activities and financial situation during the last financial year

Eva Cederbalk, Chairman of the Board of Directors of Arion Bank, presented the report of the Board of Directors on the operations, activities and financial situation of the Bank in the past operating year. She gave her presentation in English.

2. Approval of the Bank'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 the opportunity to comment on the Bank's annual financial statements and the report of the board of directors.

No one wished to discuss the matter any further and the annual financial statements were unanimously approved.

3. A decision on payment of a dividend

The chair introduced the Board's proposal that a dividend of ISK 10,000,000,000 be paid to shareholders. The chair noted that according to the explanatory note to the proposal, the Bank's capital ratio would be 22.0% after the dividend payment of ISK 10,000,000,000, well above the Bank's capital requirement.

The chair then submitted the following proposal for approval:

The Board of Directors proposes that a dividend of ISK 10,000,000,000.00 will be paid to the Bank's shareholders. The dividend will be the equivalent of ISK 5.00 a share.

If approved by shareholders, the Bank's shares traded on and after 21 March 2019 (ex-date) will be ex-dividended.

The right to a dividend will be paid to shareholders registered in the Bank's shareholders registry at the end of 22 March 2019 (record date).

The payment date of the dividend will be 29 March 2019.

The chair gave the shareholders the opportunity to discuss this proposal. No one wished to discuss the matter any further. The proposal was then voted on. The chair informed the meeting that one shareholder holding 8,160,377 shares in the Bank, or 0,70% of share capital, had voted against the proposal.

The proposal was approved with a majority of votes.

4. Election of the Bank's Board of Directors

The chair informed 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 the information on candidates which must be provided in accordance with Article 63a 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, had been published on the Bank's website and the information had been made available to shareholders at the Bank's headquarters.

The chair noted that according to Article 14.4 of the Bank's Articles of Association, prospective candidates to the Board of Directors should announce their candidacies to the Board no later than five days before the annual general meeting. Six individuals put themselves forward as candidates to the Board of Directors and according to Article 14.1 of the Bank's Articles of Association the Board of Directors shall be comprised of 5-8 members.

The following individuals announced their wish to stand for election to the Board of Directors:

- Benedikt Gíslason
- Brynjólfur Bjarnason
- Herdís Dröfn Fjeldsted
- Liv Fiksdahl
- Renier Lemmens
- Steinunn Kristín Þórðardóttir

The chair informed that the Nomination Committee had examined the nominations and, in accordance with the committee's rules, had assessed the independence of the candidates. The

Nomination Committee proposes in its report, which had been published in an announcement in the Nasdaq system and on the Bank's website, that all the above candidates be elected on to the Board of Directors of Arion Bank. The Nomination Committee also proposes that Brynjólfur Bjarnason be elected Chairman and Herdís Dröfn Fjeldsted be elected Vice Chairman.

The chair announced that since no other candidacies had been announced, the individuals above were duly elected to the Board of Directors. Brynjólfur Bjarnason as Chairman and Herdís Dröfn Fjeldsted as Vice Chairman.

The chair said that according to Article 14.4 of the Bank'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 individuals put themselves forward as candidates to the Alternate Board of Directors and according to Article 14.1 of the Bank's Articles of Association the Board shall be comprised of up to three Alternates.

The following individuals announced their wish to stand for election as Alternates to the Board of Directors:

- Ólafur Örn Svansson
- Sigurbjörg Ásta Jónsdóttir
- Þröstur Ríkharðsson

The chair informed that the Nomination Committee had examined the nominations and, in accordance with the committee's rules, had assessed the independence of the candidates. The Nomination Committee proposes in its report, which had been published in an announcement in the Nasdaq system and on the Bank's website, that all the above candidates be elected on to the Alternate Board of Directors of Arion Bank.

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

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

- Brynjólfur Bjarnason (Chairman)
- Herdís Dröfn Fjeldsted (Vice-Chairman)
- Benedikt Gíslason
- Liv Fiksdahl
- Renier Lemmens
- Steinunn Kristín Þórðardóttir

and the Alternate Directors are:

- Ólafur Örn Svansson
- Sigurbjörg Ásta Jónsdóttir
- Þröstur Ríkharðsson

5. Election of an auditing firm

The chair introduced the Board's proposal that Deloitte hf. continues 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 Act on Financial Undertakings No. 161/2002.

No shareholders wished to discuss this proposal any further. The proposal was therefore put to the vote by the chair and was unanimously approved.

6. A decision on remuneration to the Board of Directors and compensation to members of the Board's sub-committees

The chair presented the following proposal of the Nomination Committee on remuneration to Board members and Alternate Board members, which represents an approximate 5% increase from the previous year:

"It is proposed that the monthly salary of Board members be ISK 476,600, the monthly salary of the Vice Chairman be ISK 714,800 and the monthly salary of the Chairman be ISK 952,800. The salary of Alternate members will be ISK 241,400 for each meeting attended, up to maximum of ISK 476,600 in the case of more than one meeting a month. In the case of foreign Board members, the aforementioned figures shall be doubled. 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 190,600 a month for serving on each committee, and the chairmen of Board committees ISK 247,600 a month."

The chair informed that a request had been received from the Gildi pension fund. The request was in English, but was read in an Icelandic translation:

"With respect to the Board of Directors remuneration it is proposed that non-Icelandic board members receive double remuneration. Would it be possible to provide the rationale for this proposed difference? Has it been reviewed whether such difference, proposed solely on the basis of nationality, is in accordance with applicable law?"

Eva Cederbalk, Chairman of the Board of Directors, responded to the request. In her response she stated that it is the Nomination Committee's role to submit a proposal to the Annual General Meeting on remuneration to the members of the Board of Directors. The proposal was based on the wording of previous decisions of shareholders' meetings of the Bank on the same subject matter, which has not been considered to be in breach of legal provisions. She also pointed out that the shareholders of the Bank had considered it important that the Board of Directors of the Bank be comprised of both Icelandic and international individuals with diverse knowledge and experience. Board remuneration in Iceland and abroad has been quite different. Foreign individuals had not been prepared to take seat on the Board of the Bank given the remuneration that in general had been paid in the Icelandic market.

The chair gave the shareholders the opportunity to comment on this proposal. No one wished to discuss the matter any further.

The proposal was then put to the vote. The chair informed the meeting that all shareholders that had voted outside the meeting had approved the proposal.

The proposal was approved by all votes cast. Gildi pension fund abstained.

7. A proposal from the Board of Directors concerning the Bank's Remuneration Policy

The chair introduced the Board's proposal that chapter V of the Bank's Remuneration Policy be amended to reflect the fact the Bank has in place a bonus scheme. Under the proposal the chapter will state that the Bank is permitted to pay its employees and managers a bonus on the basis of a special bonus scheme which the Board approves in consultation with the Board Remuneration Committee and the Board Risk Committee. Furthermore, the bonus scheme must comply with the relevant provisions of law and regulations, including provisions on the maximum amount of bonuses. Otherwise it is proposed that the Remuneration Policy be approved unchanged from last year.

The chair asked whether the shareholders wished the Remuneration Policy to be read out in full. No one wished this to be done. The shareholders were then given the opportunity to comment on the proposal.

The chair informed that a request had been received from the Gildi pension fund. The information request was received in English, but was read in an Icelandic translation:

„According to Arion's remuneration policy the company intends to provide competitive pay to its employees to retain qualified individuals. How is that implemented in practice and what are the relevant benchmarks or comparable companies used to evaluate the appropriate level of management remuneration, in particular the CEO remuneration?“

Eva Cederbalk, Chairman of the Board of Directors responded. In her response it was stated that it is The Bank's policy to pay its employees competitive salaries. That the Bank had initially been granted an equal pay certification in 2015, and in 2018 was authorized to use the Ministry of Welfare's equal pay symbol. The equal pay certification establishes a management system which ensures that decisions on salaries are made on the basis of objective criteria and not according to an employee's gender. In the Chairman's response it was further stated that, when reviewing salaries of key management, consideration was given to the salaries of the management of the largest companies in Iceland. Education, knowledge, responsibility etc. were taken into account. In the case of the CEO's remuneration, the Board of Directors has in recent years regularly obtained advice from external advisors. A comparison has also been made with the salaries of the top management of companies listed on regulated stock exchange.

No one wished to discuss the proposal any further and the chair submitted it for approval. The proposal was then put to the vote. Twelve shareholders voted against the proposal representing 121,037,445 of shares or 10,38% of share capital represented at the meeting.

The proposal was approved with a majority of votes.

8. Appointment of two members of the Bank's Nomination Committee

The chair informed the shareholders that under item 8 on the agenda, two members of the Bank's Nomination Committee were due to be elected. The chair explained that according to the Bank's Articles of Association and the rules of the Nomination Committee, the Bank's shareholders should

be given the opportunity to elect two of the three members of the Nomination Committee. The third committee member shall be the Chairman of the Board of Directors or another Board member appointed by the Board of Directors.

The chair announced the names of the following candidates:

- Christopher Felix Johannes Guth
- Sam Taylor

The chair informed that information on the candidates, 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 Bank, had been published on the Bank's website and the information had been made available to shareholders at the Bank's headquarters. The Board had also assessed the independence of the candidates and the result of the assessment had been published on the Bank's website.

- The chair announced that since no other nominations had been received, the above were duly elected to the Nomination Committee.

Christopher Felix Johannes Guth and Sam Taylor were therefore duly elected as members of the Nomination Committee.

9. A decision on remuneration to the members of the Nomination Committee

The chair announced that a proposal had been made on remuneration to the members of the Nomination Committee. According to this proposal remuneration to the members of the members of the Nomination Committee would remain unchanged from what was decided at a shareholders' meeting on 5 September 2018.

The chair then introduced the following proposal:

"It is proposed that members of the Nomination Committee, including the chairman of the Committee, will receive ISK 150,000 for each Committee meeting attended, up to maximum of ISK 150,000 per month in case of more than one meeting a month and maximum of ISK 900,000 per calendar year."

The chair gave the shareholders the opportunity to discuss this proposal.

No one wished to discuss the matter any further. The proposal was then put to the vote. The proposal was approved with all votes cast.

10. Proposal to reduce share capital by cancelling the Bank's own shares and a corresponding amendment to the Articles of Association

The chair announced that a proposal had been made to reduce share capital by cancelling the Bank's own shares. The Bank's own shares amounts to 186,160,995. Given that there are no plans to dispose of the Bank's own shares, it was proposed that share capital be reduced for the benefit of

shareholders. The chair announced that if the proposal were to be approved, the Bank's share capital would be reduced from ISK 2,000,000,000 to ISK 1,814,000,000 at nominal value.

The chair then presented the following proposal:

"The Annual General Meeting of Arion bank hf., held on 20 March 2019, resolves to cancel 186,000,000 shares amounting to ISK 186,000,000 of the Bank's share capital, from ISK 2,000,000,000 to ISK 1,814,000,000 nominal value. The reduction will be executed by cancelling the Bank's own shares amounting to the above mentioned amount provided that all applicable legal conditions are met."

The chair announced that the proposal entailed a change to Article 4.1 of the Bank's Articles of Association, meaning that if approved, the article would read as follows:

"The Company's share capital is ISK 1,814,000,000 – one billion eight hundred fourteen million Icelandic kronur."

The chair gave the shareholders the opportunity to discuss this proposal.

No one wished to discuss the matter any further. The proposal was then put to the vote. The chair informed that all votes cast outside the shareholders' meeting had been voted for the proposal. No one abstained.

The proposal was approved with all votes cast.

11. Authorization to purchase own shares and a corresponding amendment to the Articles of Association

The chair announced that a proposal had been made to authorize the purchase of own shares and to make a corresponding amendment to the Articles of Association. According to this proposal the Board of Directors would be authorized to repurchase shares to set up a formal share repurchase program or for the purpose of making shareholders a general offer to sell their shares to the Bank, e.g. by auction. The aim of this proposal is to present in a transparent way how the Bank is authorized to dispose of financial assets to shareholders, alongside the Bank's policy on the payment of dividend. The chair announced that the proposal entailed an amendment to the Bank's Articles of Association, and this authorization was to be added as an annex to them.

The chair then presented the following proposal:

"The Annual General Meeting of Arion Bank hf. held on 20 March 2019 authorizes the Board of Directors, based on Article 55 of the Company Act No. 2/1995 to acquire on behalf of the Bank up to 10% of issued share capital in the Bank. The authorization shall be used for setting up formal share repurchase program or for the purpose of offering shareholders generally to sell their shares to the Bank, e.g. through auction, provided equal treatment of shareholders is ensured should such offer be made. The repurchase of shares under this authorization is

conditional upon the prior approval of the Financial Supervisory Authority in accordance with paragraph 3 (a) of Article 84 of the Act on Financial Undertakings no 161/2002.

In order to obtain the purpose with implementing a formal share repurchase program the Board is authorized to repurchase shares in the Bank up to the authorized ratio of issued share capital, which is 10%. The highest permitted price for each share shall be the latest independent trade or the highest independent bid, whichever is higher. The Bank's transactions with its own shares under a repurchase program shall be published in accordance with laws and regulations.

This authorization shall remain in effect until the Bank's Annual General Meeting in 2020 or 15 September 2020, whichever occurs first. Older authorizations to purchase own shares are cancelled by accepting this authorization."

The chair gave the shareholders the opportunity to discuss this proposal.

No one wished to discuss the matter any further. The proposal was then put to the vote. The chair informed that all votes cast outside the shareholders' meeting had been voted for the proposal. No one abstained.

The proposal was approved with all votes cast.

12. Authorization of issuance of Additional Tier 1 notes and a corresponding amendment to the Articles of Association

The chair introduced the Board's proposal that the Board be authorized, in the period up until the 2020 annual general meeting, to decide on the issuance of Additional Tier 1 notes. Such notes would mandatorily convert into shares under specific circumstances. The chair said that the proposal would result in the following provision replacing Article 4.8 of the Articles of Association:

The chair then presented the following proposal:

"By a shareholders resolution of the Annual General meeting of Arion Bank the Board of Directors is authorized, for the period until the annual general meeting in 2020, on one or several occasions, with deviation from any shareholders preferential rights, to issue convertible notes for the maximum amount of ISK 20,000,000,000 or equivalent amount in other currencies that meet Additional Tier 1 requirements according to Article 84 b of the Act on Financial Undertakings, No. 161/2002. Final 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 600,000,000 shares at the time of issue of Additional Tier 1 notes. The maximum number of shares which may be issued upon conversion may be increased pursuant to the terms and conditions of the Additional Tier 1 notes in the event of any discounted share issue, bonus issue, discounted rights issue, any other issue of securities to shareholders as a class or issue of other convertible securities, conversion of convertibles other than the Additional Tier 1 notes, share split, mergers, acquisitions, cash or non-cash dividend 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 requested that it would be inserted into the minutes that if the proposal would be approved, it would entail a waiver of shareholders' preferential rights.

The chair gave the shareholders the opportunity to discuss this proposal.

The chair informed that the following request had been received from Gildi pension fund. The request was received in English, but was read in an Icelandic translation:

„The Board of Directors propose a change to the Articles of Association permitting the issuance of up to 600,000,000 shares (33% of issued share capital) in relation to the issuance of up to ISK 20,000,000,000 in Tier 1 convertible securities. Would it be possible to receive the indicative terms of such securities and information on how the right or obligation to convert to shares would work in practice?“

The CEO of the Bank, Höskuldur H. Ólafsson responded. In the CEO's response it was stated that from the very first meetings with investors, the Bank had presented its intention to optimize its capital base with the aim of improving return on equity. Accordingly, the Bank had intended to issue Tier 2 instruments and Additional Tier 1 instruments. The CEO stated in few words the legal requirements of the issuance of such instruments. The CEO further stated that the instruments documentation was not fully finalized but that preparations are underway in co-operation with the Financial Supervisory Authority.

No one wished to discuss the matter any further. The proposal was then put to the vote. Eight shareholders voted against the proposal representing 79,298,127 of share or around 6,8% of share capital represented at the meeting. No one abstained.

The proposal was approved with the required majority of votes.

13. Amendment to the Bank's Articles of Association

The chair announced that a proposal had been made to amend the Bank's Articles of Association. It was proposed that an amendment be made to item vi) of Article 13.2 of the Bank's Articles of Association, so that the reference to the "coming operating year" will be removed. The chair said that if the proposal was approved item vi) of Article 13.2 of the Bank's Articles of Association would read as follows:

vi) a decision on remuneration to the Board of Directors and compensation to members of the Board's sub-committees.

The chair gave the shareholders the opportunity to discuss this proposal.

No one wished to discuss the matter any further. The proposal was then put to the vote. The chair informed that all shareholders that voted outside of the shareholders' meeting had voted for the proposal.

The proposal was approved with all votes cast.

14. Other business

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

Brynjólfur Bjarnason, the newly elected Chairman of the Board of Directors, requested to address the meeting. Brynjólfur thanked the shareholders for the confidence they had shown to the newly elected members of the Board. Brynjólfur then thanked the Board Members leaving the Board, for their work on behalf of the Bank.

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 out aloud at the end of the meeting in accordance with Article 90 (5) of the Public Limited Companies Act No. 2/1995, but instead by the meeting secretary for those who wished.

No further business was discussed and the meeting was adjourned by the chair at 17:33.

Guðfinna Helgadóttir

Secretary

Ólafur Haraldsson

Chair