



Proposals to the Annual General Meeting of Arion Bank hf. to be held 12 March 2025

The Annual General Meeting of Arion Bank hf. ("Arion Bank" or the "Bank") will be held at the Bank's head office at Borgartún 19, 105 Reykjavík, at 16:00 Icelandic time on 12 March 2025. Shareholders will also have the option of attending by electronic means. On the day of the announcement of the Annual General Meeting there are 1,395,435,532 outstanding shares in the Bank with voting rights.

Agenda:

- 1. 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 and consolidated accounts for the last financial year**
- 3. Decision on payment of a dividend**
- 4. Election of the Bank's Board of Directors, Chairman of the Board and Vice-Chairman**
- 5. Election of an auditing firm**
- 6. Decision on remuneration to the Board of Directors and compensation to members of the Board's sub-committees**
- 7. Decision on remuneration to members of the Bank's Nomination Committee**
- 8. Election of two members of the Bank's Nomination Committee**
- 9. Election of one member of the Bank's Audit Committee**
- 10. Proposal to authorise the Board of Directors to implement a share option plan**
- 11. Proposal to amend the Bank's Remuneration Policy**
- 12. Proposal to reduce share capital by cancelling the Bank's own shares and a corresponding amendment to the Articles of Association**
- 13. Authorisation of issuance of Additional Tier 1 notes and a corresponding amendment to the Articles of Association**
- 14. Proposal to renew the Bank's authorisation to purchase own shares and a corresponding amendment to the Articles of Association**
- 15. Proposals to amend the Bank's Articles of Association**
- 16. Proposal to amend the Rules of Procedure for the Bank's Nomination Committee**
- 17. Other business**

Proposals of the Board of Directors:

- 1. Item no. 2 - Approval of the Bank's annual financial statements and consolidated accounts for the last financial year**

The Board of Directors proposes that the Annual Financial Statements and consolidated accounts for the year 2024 will be approved.

Benedikt Gíslason, Chief Executive Officer, will present the Annual Financial Statements, as approved by the Board of Directors at its meeting on 12 February 2025.

- 2. Item no. 3 - Decision on payment of a dividend**

The Board of Directors proposes that a dividend of ISK 11.5 per share will be paid to the Bank's shareholders, equal to approximately ISK 16 billion, taking into account own shares held by the Bank.



If approved by the shareholders, the Bank's shares traded on and after 13 March 2025 (Ex-date) will be ex-dividend.

The right to a dividend will be paid to shareholders registered in the Bank's shareholders registry at the end of 14 March 2025 (Record date).

The payment date of the dividend will be 20 March 2025.

Explanatory note:

The Board of Directors proposes that the Bank pay dividends of ISK 16 billion, net of own shares. This dividend calculates as ISK 11.5 per share.

3. Item no. 5 - Election of an auditing firm

The Board of Directors proposes that Deloitte ehf. will be elected to continue to act as the Bank's external auditors until the next AGM. This proposal is based on an agreement between Arion Bank and Deloitte from December 2024 and Article 90 of the Act on Financial Undertakings, No. 161/2002.

4. Item no. 6 - Decision on remuneration to the Board of Directors and compensation to members of the Board's sub-committees

The Board of Directors proposes the following remuneration for the Board of Directors, members of Board sub-committees and alternate Directors:

The monthly salary of Board members be ISK 600,000, the monthly salary of the Vice-Chairman be ISK 900,000 and the monthly salary of the Chairman be ISK 1,200,000. Board members residing outside of Iceland will receive a further ISK 387,500 for each Board meeting they attend in person.

In addition, it will be permitted to pay those Board members who serve on the Board's sub-committees a maximum of ISK 250,000 a month for each committee and the chairmen of Board sub-committees ISK 375,000 a month.

Alternate Directors shall receive a payment of ISK 600,000 per year. In addition, alternate Directors shall be paid ISK 300,000 for each meeting attended but cannot exceed ISK 600,000 per month.

For Board members residing outside of Iceland, these figures shall be paid in the equivalent amount in their respective currency, fixed at the average three-year official exchange rate prior to the date of the 2025 AGM.

Explanatory note:

Further information is to be found in the Nomination Committee's report, which is expected to be made available on 21 February 2025 on the Bank's website, www.arionbanki.is/gm.

5. Item no. 7 - Decision on remuneration to members of the Bank's Nomination Committee

The Board of Directors proposes that remuneration to members of the Bank's Nomination Committee shall be a fixed hourly rate of ISK 29,250.

6. Item no. 9 - Election of one member of the Bank's Audit Committee

The Board of Directors proposes that Heimir Þorsteinsson, ID. no. 200670-3889, be re-elected as an external member of the Bank's Audit Committee.

Explanatory note:

According to Act No. 3/2006 on Annual Accounts, external members of a company's audit committee must be appointed by the annual general meeting. Given that the Board of Directors has decided that one member of its Audit Committee shall be a non-director, the Board proposes that this member be appointed by the Annual General Meeting.

7. Item no. 10 – Proposal to authorise the Board of Directors to implement a share option plan



The Board of Directors of Arion Bank proposes that the AGM authorises the Board of Directors to implement a share option plan in accordance with Article 10 of the Income Tax Act No. 90/2003, authorising the Bank to enter into share option agreements with the Bank's and its subsidiaries' employees on the purchase of shares in the Bank for an amount of up to ISK 1,500,000 market value purchase price per year for five years.

Explanatory note:

In accordance with the Bank's AGM approval in 2020 a five-year share option scheme pursuant to Article 10 of the Icelandic Income Tax Act has been in place which has been successful. As this current scheme is set to expire in 2026, it is proposed that the Board be authorised to implement a new five-year share option plan when current share option scheme expires.

The objective is to enact a share option plan to align employees' interests with the Bank's long-term objectives. Permanent employees will have the option of an agreement on acquiring shares in the Bank.

It is envisaged that the share option of each option holder will be vested in five steps during a five years' period from the conclusion of a share option agreement. All permanent employees will be able to purchase shares for up to ISK 1,500,000 per annum, based on the agreed option price, as per Article 10 of the Income Tax Act.

The parameters of the plan will be aligned with the requirements of Article 10 of the Income Tax Act. The Bank will seek confirmation from Iceland's Revenue and Customs that the plan fulfils the requirements of the Article. Employees who hold the shares for a minimum of two years after exercising the call option pay capital gains tax, rather than income tax, on any sales profits from the shares. If, however, the shares are sold within this two years' period, any capital gains remain subject to income tax.

The estimated total expense resulting from the share option plan based on Black-Scholes model calculations is ISK 925 million over the period of five years, or ISK 185 million on average per year.

8. Item no. 11 – Proposal to amend the Bank's Remuneration Policy

The Board of Directors proposes that the Remuneration Policy be amended. Firstly, it is proposed to add a detailed reference to laws and regulations on which the Remuneration Policy is founded. Secondly, it is proposed that the Remuneration Policy be amended to allow for fixed annual supplemental payments for employees in internal control functions. It is proposed that the supplemental payments shall not exceed 10% of the employees annual salary and be formalised through an addendum to employment contracts valid for a specified period. Thirdly, amendments to chapter VIII regarding the remuneration policy's consistency with integration of sustainability risks are proposed to include information on the metric of the Bank's bonus system, which pertains to a third-party rating service's assessment of sustainability risk, as well as simplifying the section.

The Bank's Remuneration Policy, reflecting the proposed amendments, is attached hereto as Appendix 1 and is also set out on the Bank's website, www.arionbanki.is/gm.

Explanatory note:

The proposed amendment on fixed annual supplement payments for employees in internal control functions is intended to address the competitiveness of internal control function roles. Contrary to the EU/EEA legal framework, Iceland prohibits performance-based remuneration for these employees, limiting their compensation options compared to other roles. The proposed supplemental payments are designed to comply fully with applicable laws and regulations by qualifying as fixed remuneration. Specifically, they qualify as fixed remuneration by meeting key criteria such as being predetermined, non-discretionary, independent of risk-taking, and unalterable during the contractual period. The payments shall be modest and not exceed 10% of the employee's annual salary. The Bank has consulted with the Financial Supervisory Authority (FSA) which reviewed the proposal and agreed that it is in alignment with the legal definition of fixed remuneration.



The proposed amendments are otherwise intended for clarity purposes.

On the Bank's website, www.arionbanki.is/gm, is a document that tracks the intended changes to the Bank's Remuneration Policy accompanied with a reasoned explanatory note for each amendment.

9. Item no. 12 - Proposal to reduce share capital by cancelling the Bank's own shares and a corresponding amendment to the Articles of Association

The Board of Directors proposes the following to the Annual General Meeting:

"The Annual General Meeting of Arion Bank hf., held on 12 March 2025, resolves to reduce the Bank's share capital by ISK 93,423,078 nominal value, from ISK 1,513,423,078 to ISK 1,420,000,000 nominal value, by cancelling 93,423,078 own shares. 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 proposal entails a change to Article 2.1 of the Bank's Articles of Association, which will read as follows:

"The Company's share capital is ISK 1,420,000,000.00 – one billion four hundred and twenty million Icelandic kronur."

Explanatory note:

It is proposed to cancel 93,423,078 shares held by the Bank for the benefit of shareholders. If this proposal is accepted, the share capital of the Bank will be reduced from ISK 1,513,423,078 to ISK 1,420,000,000 nominal value. The Financial Supervisory Authority of the Central Bank of Iceland has already approved the reduction in accordance with Act No. 161/2002, on Financial Undertakings and Regulation (EU) on Prudential Requirements for Credit Institutions and Investment Firms, No. 575/2013 (CRR).

10. Item no. 13 - Authorisation of issuance of Additional Tier 1 notes and a corresponding amendment to the Articles of Association

The Board of Directors proposes that the Annual General Meeting approves following amendment to the Articles of Association to renew the authorisation to issue convertible notes that meet the additional tier 1 requirements until year 2030.

Articles 3.3 and 3.4 will, if approved, read as follows:

"With reference to a Shareholders Resolution dated 16 March 2021 (the "2021 Shareholders Resolution"), on 24 September 2024, convertible notes (the "Notes") that meet the additional tier 1 requirements according to Article 51 and 52 of Regulation (EU) on Prudential Requirements for Credit Institutions and Investment Firms, No. 575/2013 (CRR), in the total initial amount of USD 125,000,000 were issued and listed on the Luxembourg Stock Exchange. The Notes are perpetual, subordinated convertible notes and are issued under the EUR 3,000,000,000 EMTN Programme of the Company. The Board of Directors is authorised to issue new shares in the Company in order to fulfil the Company's obligations under the Notes. The amount of the Notes and conditions for conversion is set so that the total number of shares which may be issued upon conversion of the Notes (the "Conversion Shares"), by virtue of this authorisation, may not exceed 172,176,309 shares. The maximum number of Conversion Shares which may be issued upon conversion of the Notes may be increased pursuant to the terms and conditions of the Notes, including 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 Notes, share split, mergers, acquisitions, dividend distributions or similar corporate events (including the Company's dissolution by way of merger or division). The Notes are convertible into Conversion Shares in accordance with the terms and conditions of the Notes if a Capital Adequacy Event (as defined in the terms and conditions of the Notes) occurs at any time while they are outstanding. The Conversion Shares shall upon conversion be deemed as fully paid and have the same rights and obligations as other shares in the Company in accordance with these Articles of Association. With reference



to the 2021 Shareholders Resolution, the shareholders of the Company have waived any preferential rights with respect to subscription of the Conversion Shares.

By a shareholders resolution of the Annual General meeting of the Company on 12 March 2025, the Board of Directors is authorised, for the period until the annual general meeting in 2030, 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 (the “New Notes”) that meet Additional Tier 1 requirements according to Article 51 and 52 of Regulation (EU) on Prudential Requirements for Credit Institutions and Investment Firms, No. 575/2013 (CRR). The New Notes shall be perpetual (without a maturity date), subordinated and convertible into shares in the Company. Final loan amounts and conditions for conversion shall be set so that the total number of shares which may be issued upon conversion of the New Notes (the “New Conversion Shares”), by virtue of this authorisation, may not exceed 600,000,000 shares. The maximum number of New Conversion Shares which may be issued upon conversion may however be increased pursuant to the terms and conditions of the New Notes e.g. 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 New Notes, share split, mergers, acquisitions, cash or non-cash dividend or similar corporate events (including the Company’s dissolution by way of merger or division). The New Notes shall be convertible into Conversion Shares in accordance with the terms and conditions of the New Notes. The New Notes will not be convertible at the option of the holders. The New Conversion Shares shall upon conversion be deemed as fully paid and have the same rights and obligations as other shares in the Company in accordance with these Articles of Association. By the shareholders resolution, the shareholders of the Company waive any preferential rights with respect to subscription of the New Conversion Shares. The Board of Directors shall resolve on all other terms and conditions for issuance according to this authorisation.”

Explanatory note:

The proposal is to renew the authorisation granted by the shareholders’ meeting to the Bank’s Board of Directors at the 2021 AGM to issue convertible notes that meet Additional Tier 1 requirements according to article 51 and 52 of Regulation (EU) on Prudential Requirements for Credit Institutions and Investment Firms, No. 575/2013. Current authorisation is valid until the Bank’s AGM in 2025, and convertible notes that meet Additional Tier 1 requirements were issued on 24 September 2024 based on that authorisation. It is proposed that the new authorisation of the Board of Directors be valid until the Bank’s Annual General Meeting in 2030.

11. Item no. 14 - Proposal to renew the Bank’s authorisation to purchase own shares and a corresponding amendment to the Articles of Association

The Board of Directors proposes that the authorisation to purchase the Bank’s shares be approved. It is further proposed that should the proposal be approved, the authorisation will be recorded in Annex no. 1 to the Articles of Association of the Bank, replacing the current Annex no. 1, and thus be an integral part of the Articles of Association in accordance with Article 7.1 of the Articles of Association. The proposal reads as follows:

“The Annual General Meeting of Arion Bank hf. held on 12 March 2025 authorises the Board of Directors, based on Article 55 of the Company Act, No. 2/1995, to acquire on behalf of the Company own shares, causing the Company and its subsidiaries to hold up to 10% of issued share capital in the Company. The authorisation shall be used to set up a formal share repurchase program or for the purpose of offering shareholders generally to sell their shares to the Company, e.g. through auction, provided equal treatment of shareholders is ensured should such offer be made. Shares acquired by the Company hereunder may *inter alia* be used for the purpose of meeting the Company’s obligations under share option agreements with its employees, and for payment of variable remuneration as per the Company’s Remuneration Policy and variable remuneration framework. The repurchase of shares under this authorisation is conditional upon the prior approval of the Financial Supervisory Authority in



accordance with Article 77 of Regulation (EU) on Prudential Requirements for Credit Institutions and Investment Firms, No. 575/2013 (CRR).

This authorisation shall remain in effect until the Company's Annual General Meeting in 2026 or 12 September 2026, whichever occurs first. Older authorisations to purchase own shares are cancelled with the approval of this authorisation. Such cancellation shall, however, not affect any repurchase transactions initiated and published prior to that date."

Explanatory note:

The Board of Directors proposes that the current authorisation of the Board of Directors to purchase the Bank's shares is renewed, allowing the Company to hold up to 10% of own shares. In general, similar arguments apply to the repurchase of a Bank's own shares as to annual dividend payments, on the basis of the Bank's operating results. The proposal aims at outlining the Bank's shareholder return in a transparent manner and concurrently with the Bank's dividend policy.

The proposed authorisation to repurchase the Bank's own shares will be carried out in accordance with applicable laws and regulations and the prior approval of the Central Bank's Financial Supervisory Authority shall be obtained in accordance with applicable laws and regulations.

Furthermore, in line with paragraph 2 (c) of Article 5 of Regulation (EU) No. 596/2014 on Market Abuse (Market Abuse Regulation) the Annex reflects that shares acquired by the Bank on the basis of this authorisation may, inter alia, be used for the purpose of meeting the Bank's obligations under share option agreements and payment of variable remuneration in accordance with the Bank's Remuneration Policy and variable remuneration framework, as per item no. 11.

12. Item no. 15 – Proposals to amend the Bank's Articles of Association

The Board of Directors of Arion Bank proposes that the Annual General Meeting of Arion Bank approves the following amendments to the Bank's Articles of Association:

- (a) That Article 17.3 be amended to read as follows:

"Those individuals who intend to stand for election as directors must give notice of their candidacy in writing to the Board of Directors no later than fourteen (14) days prior to the commencement of the shareholders' meeting at which the election is to take place. In their notification candidates must provide details on their name, Id. No., address, principal employment, other directorships held, education, experience and holding in the Company. Disclosure shall also be made of interest connections with the Company's principal customers and competitors, as well as with shareholders holding more than 10% in the Company. Same applies to those individuals who intend to stand for election for the Company's Nomination Committee."

- (b) That Article 3.3 be removed.

- (c) That Article 3.5 and Annex II be removed.

Explanatory note:

The amendment set out in item (a) would allow the Bank to publish information about the final candidates earlier, providing all shareholders with additional time to thoroughly review and assess them. Furthermore, the amendment derives from the underlying practice that holders of Swedish Depository Receipts (SDRs) planning to be represented by a proxy at any shareholders' meeting in the Bank need to submit their proxy no later than six days prior to the relevant meeting, such proxy to contain instructions on how their vote is to be cast, including in terms of board and Nomination Committee election, if relevant. Effectively, this means that these SDR holders now have to submit their proxy prior to all candidates having submitted their candidacy. The amendment also provides for a deadline for candidacy to the Nomination Committee to be incorporated into the Articles of Association, reflecting the deadline for Board



candidates. This addition is consistent with the longstanding practice that has equally governed the nomination process for both the Board and the Nomination Committee.

The amendment set out in item (b) derives from the fact that the issued convertible notes will be redeemed on 26 February 2025, causing the provision ceasing to be relevant.

The amendment set out in item (c) derives from the relevant warrant exercise period having expired, causing the provisions ceasing to be effective.

On the Bank's website, www.arionbanki.is/gm, is a document that provides an overview of the intended changes to the Bank's Articles of Association, as well as a clean version of the updated Articles of Association, reflecting the amendments proposed under items 12, 13 and 14.

13. Item no. 16 – Proposal to amend the Rules of Procedure for the Bank's Nomination Committee

The Board of Directors of Arion Bank proposes that the Annual General Meeting of Arion Bank approves the following amendments to the Rules of Procedure for the Bank's Nomination Committee:

(a) That at Article 3(3) be amended to read as follows:

„Based on shareholders' proposals and submissions of candidacy, the Committee shall propose to the shareholders candidates to serve on the Board of Directors and publish its proposal along with other declarations of candidacy at least 10 days prior to the Annual General Meeting or other shareholder meetings where Board election is on the agenda. In its proposal for candidates, the Committee shall propose which candidate shall serve as the Chairman and the Vice Chairman of the Board of Directors of the Bank. The Committee shall also propose to the Annual General Meeting the remuneration payable to the members of the Board of Directors. The Committee's proposal of candidates and remuneration shall be sent to all shareholders or made publicly available.“

Explanatory note:

The amendment aligns with the provisions discussed under agenda item no. 15 therefore reference is made to the corresponding explanatory note on that item.

Explanatory notes to agenda items no. 4 and 8:

Item no. 4 - Election of the Bank's Board of Directors, Chairman of the Board and Vice-Chairman

In accordance with the Bank's Articles of Association, the Bank's Board of Directors shall be elected at an Annual General Meeting of the Bank for a term of one year.

The Board of Directors has decided that the Board election will be executed so that the Board of Directors will be composed of five directors and two alternates, cf. Article 17.1 of the Bank's Articles of Association. The decision is based on a proposal from the Bank's Nomination Committee but the proposal can be subject to change when the final proposals will be published no later than two weeks before the Annual General Meeting. Further information is to be found in the Nomination Committee's report, which is expected to be made available on 21 February 2025 on the Bank's website.

Individuals who intend to stand for election as a member of the Board of Directors must give notice of their candidacy in writing to the Board of Directors no later than five days prior to the commencement of the Annual General Meeting, in accordance with the Bank's Articles of Association. Notifications must be sent to nominationcommittee@arionbanki.is by 16:00 (GMT) on 7 March 2025.

The Nomination Committee will propose to the shareholders the candidates to serve on the Board of Directors based on shareholders' proposals and submission of candidacy and expects to publish its proposal on 21 February 2025. Information regarding all candidates will be published on the Bank's website, www.arionbanki.is/gm, no later than two days before the Annual General Meeting. It will be made available at the Bank's headquarters at the same time.



Item no. 8 - Election of two members of the Bank's Nomination Committee

In accordance with the Bank's Articles of Association and the Rules of Procedure for the Nomination Committee, a shareholders' meeting shall vote for two of the three members of the Nomination Committee. The third member of the Nomination Committee shall be the Chairman of the Board of Directors or another member of the Board of Directors appointed by the Board.

The individuals who intend to stand for election as members of the Nomination Committee must give notice of their candidacy in writing no later than five days prior to the commencement of the Annual General Meeting. Notifications must be sent to shareholders@arionbanki.is by 16:00 (GMT) on 7 March 2025. The applicable arrangement for the voting of Board members in the Articles of Association shall apply to the voting of Committee Members. Notifications from candidates will be published on the Bank's website, www.arionbanki.is/gm, no later than two days before the Annual General Meeting and will be made available at the Bank's headquarters at the same time.