



Proposals to a Shareholders' meeting of Arion Bank hf. to be held 5 September 2018

A shareholders' meeting of Arion Bank hf. will be held at the Bank's headquarters at Borgartun 19, 105 Reykjavik, at 16:00 Icelandic time on 5 September 2018. At the day of the announcement of the shareholders' meeting there are 1.559.017.588 outstanding shares in the Bank with voting rights.

Agenda:

- 1. Proposal to pay dividend to the Bank's shareholders**
- 2. Changes to the Board of Directors**
Election of one new member of the Board of Directors to serve until the Bank's next annual general meeting
- 3. The election of two members to serve on the Nomination Committee**
- 4. Proposal on the remuneration to the members of the Nomination Committee**
- 5. Proposal to amend the Bank's Articles of Association**
- 6. Other business**

Proposals of the Board of Directors

1. Item no 1, proposal to pay dividend to the Bank's shareholders

The Board of Directors proposes that a dividend of 10,000,000,000.00 ISK will be paid to the Bank's shareholders. The dividend will be equal to 5 ISK per share.

If approved by shareholders, the Bank's shares traded on and after 6 September 2018 (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 7 September 2018 (Record date).

The payment date of the dividend will be 28 September 2018.

Explanatory note

At the Annual General Meeting of Arion Bank hf. 2018 the shareholders agreed that no dividend would be paid for the time being but noted that Arion Bank's Board of Directors had the authority to propose that the Bank pay dividend or other disbursement of equity at an extraordinary shareholders' meeting at a later stage, prior to the Annual Meeting of Arion Bank hf. 2019. Arion Bank's CET1 ratio was at 23.1%



on 30 June 2018. Dividend of ISK 10 bn. lowers the Arion Bank's CET1 ratio to 21.8%, which is well above capital requirements.

2. Item no 4, proposal on the remuneration to the members of the Nomination Committee

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 in case of more than one meeting a month and maximum of ISK 900.000 per calendar year.

Explanatory note

The Annual General Meeting shall decide the remuneration of the Nomination Committee according to the Committee's Rules of Procedure. As Nomination Committee had not been established at the time of the Annual General Meeting in March 2018 a decision on the remuneration was not taken.

3. Item no 5, proposals to amend the Bank's Articles of Association

Proposals:

- a. **It is proposed that the Temporary provision of the Bank's Articles of Association will be erased from the Articles of Association.**

Explanatory note

The Temporary provision contains exemptions from provisions of the Bank's Articles of Associations regarding the time-frame for summoning of shareholders' meetings. According to the provision it became null and void when the Bank's shares were admitted to trading on Nasdaq Iceland. It is therefore proposed that the Temporary provision will be erased from the Bank's Articles of Association.

- b. **It is proposed that Addendum no 1 to the Bank's Articles of Association will be erased from the Articles of Association.**

Explanatory note

The Addendum was added to the Bank's Articles of Association following a shareholders' meeting held on 12 February 2018 and contains authorization for the Bank to purchase a certain amount of its own shares. The authorization was exercised in February 2018.



Explanatory notes to agenda items No 2 and 3

Changes to the Board of Directors of Arion Bank - Election of one new Board Director

The Board of Directors of Arion Bank has decided that an election of one new member to the Board of Directors shall take place at the shareholders' meeting. The new member of the Board of Directors shall serve until the next annual general meeting and replace a member of the Board of Directors who resigned from his duty as a member of the Board of Directors before the end of his electoral period, cf. paragraph 2 of Article 64 of the Act No 2/1995 respecting Public Limited Companies. 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 shareholders' meeting, in accordance with the Bank's Articles of Association. Notifications must be sent to shareholders@arionbanki.is by 16:00 Icelandic time on 31 August 2018. Notifications from candidates will be published on the Bank's website www.arionbanki.is/gm no later than two days before the shareholders' meeting and will be made available at the Bank's headquarters from the same time.

The election of two members to serve on the Nomination Committee

In accordance with the Bank's Articles of Association and the Rules of Procedure for the Nomination Committee, the shareholders shall vote 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 shareholders' meeting. Notifications must be sent to shareholders@arionbanki.is by 16:00 Icelandic time on 31 August 2018. The applicable arrangement for 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 shareholders' meeting and will be made available at the Bank's headquarters from the same time.