



*Translation from Icelandic*

## **Minutes of the AGM of Arion Bank hf.**

The annual general meeting of Arion Bank was held at the Bank's headquarters at Borgartún 19, 105 Reykjavík on Tuesday 17 March 2020 at 4:00 p.m.

### **1. Opening the meeting**

Brynjólfur Bjarnason, Chairman of the Board of Directors of Arion Bank, began the meeting by welcoming those present and calling the meeting to order. The chairman then proposed that Guðbjörg Hjartardóttir, attorney, be elected as chair of the meeting and this was approved. Guðbjörg then took over the duties of chairing the meeting.

The chair proposed that Snorri Sigurðsson, lawyer in the Legal department of Arion Bank, 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 54 shareholders or their representatives were in attendance at the meeting, in total representing shares with voting rights or 68.84 % of share capital in Arion Bank hf. The chair specified that the estimate of attendance included those shareholders who had cast votes electronically but were not physically at the meeting and those who had announced that they would attend the meeting by digital channels.

The chair went over the summons to the meeting. She stated that the summons to the meeting had been given with sufficient notice pursuant to Article 88 a. 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 stock exchange system and on the Bank's website on 25 February 2020. The summons to the meeting had also been published in a daily newspaper on 26 February 2020. The proposals to be discussed the meeting, and the notes to the proposals, had been published on the Bank's website and in an announcement in the Nasdaq system, 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 2019.

The chair briefly discussed the voting system in use at the meeting, which was electronic and mostly via the electronic voting system LUMI AGM, although shareholders also had the option of using an older system, Computershare. It was also noted that shareholders had the option of participating in the meeting via digital channels and that this option had been made easier given the circumstances. The chair said that according to the information she had on the system, it met the requirements of the Public Limited Companies Act on electronic voting at shareholders' meeting, particularly Articles 80 a, provided that the system guaranteed the rights of shareholders to attend a shareholders' meeting, speak at the meeting and cast votes, and the equipment enables the company to confirm which shareholders attend the meeting and what their voting rights are, and the system also keeps a record of the result of voting.

The following agenda and proposals were presented to the meeting:

- 1. The report of the Board of Directors on the company's activities for the past year**
- 2. Approval of the Bank's annual financial statements for the past operating year**
- 3. A decision on payment of a dividend**



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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 decision on remuneration to the members of the Nomination Committee**
9. **A proposal to authorize the Board of Directors to implement a share option plan**
10. **A proposal from the Board of Directors concerning the Bank's Remuneration Policy**
12. **A proposal from the Board of Directors concerning the rules of procedure for the Nomination Committee**
13. **Appointment of two members of the Bank's Nomination Committee**
14. **Proposal to reduce share capital by cancelling the Bank's own shares and a corresponding amendment to the Articles of Association**
15. **Proposal to renew the authorization to purchase own shares and a corresponding amendment to the Articles of Association**
16. **Authorization to issue warrants and a corresponding amendment to the Articles of Association**
18. **Amendment to the Bank's Articles of Association**
19. **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. The chair also announced that the Bank's annual and sustainability 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 financial year**

Brynjólfur Bjarnason, 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 financial year.

#### **2. Approval of the Bank's annual financial statements for the past operating year**

Benedikt Gíslason, 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 further.

The following proposal had been presented to the meeting:

*The Board of Directors of Arion Bank proposes that the Bank's annual financial statement for 2019 be adopted.*

The proposal was put to the vote and approved unanimously.

#### **3. A decision on payment of a dividend**

The chair introduced the Board's proposal that a dividend of ISK 9,977,000,000 be paid to shareholders.



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The Board's proposal was further discussed:

*The Board of Directors proposes that a dividend of ISK 9,977,000,000.00 will be paid to the Bank's shareholders. The dividend will be the equivalent of ISK 5.50 a share.*

*If approved by shareholders, the Bank's shares traded on and after 18 March 2020 (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 19 March 2020 (record date).*

*The payment date of the dividend will be 25 March 2020.*

The chair announced that shareholders controlling a total of 38.02% of share capital in the company had requested in writing that the payment of dividends be deferred, cf. provisions of Article 84 (3) of the Public Limited Companies Act. It was requested that the decision be deferred for two months, which is the maximum provided for by the aforementioned article. The chair also announced that the request made by the aforementioned shareholders made reference to the current economic uncertainty due to Covid-19 and its possible impact in Iceland, and the recent request by the Central Bank of Iceland the retail banks reconsider their plans concerning dividends to shareholders.

The chair gave the shareholders the opportunity to discuss this request. No one wished to comment.

It was recorded in the minutes that a decision on the payment of a dividend would be deferred to an extended AGM in accordance with the provisions of Article 84 (3) of the Public Limited Companies Act.

#### **4. Election of the Bank's 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, which must be provided in accordance with Article 63 a of the Public Limited Companies Act, i.e. name, 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. 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**
- **Herdís Dröfn Fjeldsted**
- **Gunnar Sturluson**
- **Liv Fiksdahl**
- **Paul Richard Horner**



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- **Renier Lemmens**
- **Steinunn Kristín Þórðardóttir**

The chair said 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 proposed in its report, which has been published in a press release to Nasdaq 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 proposed that Brynjólfur Bjarnason be re-elected Chairman and Herdís Dröfn Fjeldsted be re-elected Vice Chairman.

The chair announced that since no other candidacies had been announced, the above people were duly elected to the Board of Directors. Brynjólfur Bjarnason was elected 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 people 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 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**
- **Sigurbjörg Ásta Jónsdóttir**
- **Þröstur Ríkharðsson**

The chair said 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 proposed in its report, which has been published in a press release to Nasdaq 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 above people were duly elected to the Board of Directors.

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

- **Brynjólfur Bjarnason (Chairman)**
- **Herdís Dröfn Fjeldsted (Vice Chairman)**
- **Gunnar Sturluson**
- **Liv Fiksdahl**
- **Paul Richard Horner**
- **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 presented the following proposal of the Board:



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*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 August 2019 and Article 90 of Act No. 161/2002 on Financial Undertakings.*

No shareholders wished to comment on this proposal. The proposal was therefore put to the vote by the chair and it 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 members, which represents an approximate 3% increase from the previous year:

*It is proposed that the monthly salary of directors be ISK 490,900, the monthly salary of the Vice Chairman be ISK 736,200 and the monthly salary of the Chairman be ISK 981,400. The salary of Alternate members will be ISK 248,600 for each meeting attended, up to a maximum of ISK 490,900 a month in the case of more than one meeting a month. In the case of foreign Board members, the aforementioned figures shall be doubled. Board members residing in Iceland shall enjoy private pension rights (Ice. séreignarsparnaður) in accordance with the Confederation of Icelandic Bank and Finance Employees labour agreement. In addition, it will be permitted to pay those board members who serve on board committees of the company a maximum of ISK 196,300 a month for serving on each committee and chairmen of board committees ISK 255,000 a month.*

The chair gave the shareholders the opportunity to comment on this proposal. No one wished to comment.

The proposal was then put to the vote. The proposal was passed with a majority of votes.

#### **7. 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. Under the proposal remuneration to members of the Nomination Committee would increase approximately 3% from the previous year.

The chair then submitted the following proposal for voting:

*It is proposed that members of the Nomination Committee, including the chairman of the Committee, will receive ISK 154,500 for each Committee meeting attended, up to a maximum of ISK 154,500 per month in case of more than one meeting a month and a maximum of ISK 927,000 per calendar year.*

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

No one wished to comment. The proposal was then put to the vote. The proposal was approved almost unanimously.

#### **8. A proposal to authorize the Board of Directors to implement a share option plan**

The chair presented the following proposal:

*The Board of Directors of Arion Bank proposes that the AGM authorize the Board of Directors to implement a share option plan for the Bank's employees on the purchase of shares in the Bank, limited to*



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*ISK 600,000 market value purchase price per annum every year for the next five years. The option plan will be enacted on the basis of the provisions of Article 10 of the Income Tax Act No. 90/2003.*

The chair mentioned that according to the explanatory note on the proposal the objective of the proposed share option plan is to align employees' interests with the Bank's long-term interests. It is envisaged that permanent employees of the Bank be given the option of buying shares in the Bank for an amount of up to ISK 600,000 a year, cf. provisions of Article 10 of the Income Tax Act.

No one wished to comment.

The proposal was then put to the vote and approved.

### **9. A proposal from the Board of Directors concerning the Bank's Remuneration Policy**

The chair introduced the Board's proposal on the Bank's Remuneration Policy.

*The Board of Directors proposes that the Remuneration Policy be amended. In 2019 a new role, Deputy Chief Executive Officer, was established in the Bank. As that role is not included in the Remuneration Policy it is suggested that the role be added to the Remuneration Policy where appropriate. Furthermore it is proposed to replace the word "discuss" in the 2nd sentence of the last chapter with the word "present" to better reflect the wording of Art. 79. a. of Act No. 2/1995, respecting Public Limited Companies. Finally it is proposed that a new chapter on a share option plan will be added to the Remuneration Policy. The share option plan will be based on the provisions of Article 10 of the Income Tax Act No. 90/2003 and will authorize the Board of Directors to conclude share option agreements with the Bank's employees. Otherwise it is proposed that the Remuneration Policy be approved unchanged from last year. The Bank's Remuneration Policy, subject to approval, can be found in Appendix 1.*

The chair pointed out that a draft of the updated Remuneration Policy was in the meeting documents. The shareholders were then given the opportunity to comment on the proposal.

No comments were forthcoming and the chair submitted it for approval. The proposal was then put to the vote. The proposal was accepted.

### **10. A proposal from the Board of Directors concerning the rules of procedure for the Nomination Committee**

The chair introduced the Board's proposal concerning the rules of procedure for the Nomination Committee:

*The Board of Directors proposes amending the rules of procedure for the Nomination Committee. The proposed amendments are mainly based on ESMA and EBA's joint guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2017/12). The amendments are proposed with the objective to better align the rules of procedure with the guidelines. Furthermore, amendments are proposed concerning how the Committee publishes information and the insertion of a reference to data protection obligations. Finally, it is suggested that the Nomination Committee's duty to inform elected Board members of their responsibilities when serving on the Board of Directors be removed. The Rules of Procedure for the Nomination Committee, subject to approval, can be found in Appendix 2.*



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The chair pointed out that a draft of the updated Rules of Procedure for the Nomination Committee was in the meeting documents. The shareholders were then given the opportunity to comment on the proposal.

No comments were forthcoming and the chair submitted it for approval. The proposal was then put to the vote. The proposal was approved almost unanimously.

#### **11. Appointment of two members of the Bank's Nomination Committee**

The chair told shareholders that under item 11 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.

The chair announced the names of the following candidates:

- Júlíus Þorfinnsson
- Sam Taylor

The chair said that information on the candidates had been published on the Bank's website and this information had also been made available to shareholders at the Bank's headquarters.

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

Júlíus Þorfinnsson and Sam Taylor were therefore duly elected as members of the Nomination Committee.

#### **12. 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 Board's proposal is as follows:

*The Annual General Meeting of Arion Bank hf., held on 17 March 2020, resolves to cancel 84,000,000 shares amounting to ISK 84,000,000 of the Bank's share capital, reducing total share capital from ISK 1,814,000,000 to ISK 1,730,000,000 nominal value. The reduction will be executed by cancelling the Bank's own shares amounting to the aforementioned amount provided that all applicable legal conditions are met.*

The chair announced that the proposal entails 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 1,730,000,000 – one billion seven hundred and thirty million Icelandic krónur."*

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

No one wished to comment. The proposal was then put to the vote. The proposal was approved unanimously.



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### **13. Proposal to renew the authorization to purchase own shares and a corresponding amendment to the Articles of Association**

The chair announced that a proposal had been made to renew the Board's authorization to purchase own shares and 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 according to the explanatory note 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 dividends. The chair announced that the proposal involved an amendment to the Bank's Articles of Association, and this authorization was to be added as an annex to them.

The chair presented the following proposal of the Board:

*The Board of Directors of Arion Bank proposes that the following proposal on purchasing own shares be approved. It is further proposed that should the proposal be approved, the authorization will be recorded in an Annex to the Articles of Association of the Bank, replacing the current Annex, and thus be an integral part of the Articles of Association in accordance with Article 9.3 of the Articles of Association: "The Annual General Meeting of Arion Bank hf. held on 17 March 2020 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 to set up a 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. This authorization shall remain in effect until the Bank's Annual General Meeting in 2021 or 15 September 2021, whichever occurs first. Older authorizations to purchase own shares are cancelled with the approval of this authorization."*

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

No one wished to comment. The proposal was then put to the vote. The proposal was approved unanimously.

### **14. Authorization to issue warrants and a corresponding amendment to the Articles of Association**

The chair introduced the proposal that the Board be authorized to issue warrants to 54,000,000 shares in the Bank, cf. Article 46 of the Public Limited Companies Act. The explanatory note to the proposal states that it was expected that the warrants will be offered by way of a private placement and that the purpose of the issue was, inter alia, to support active price formation with the company's shares in Nasdaq Iceland and provide employees and other investors with the option of long-term financing to purchase shares in the company with a predictable level of risk.

The chair then submitted the following proposal for voting:

*The Board of Directors proposes that a new Article 4.9 be adopted into the company's Articles of Association. The new Article will read as follows: The Board of Directors is authorized until the company's Annual General Meeting in 2022 to issue warrants for up to 54,000,000 new shares in the company. The Board of Directors is furthermore authorized for five years, until 17 March 2025, to increase the*



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*Company's share capital in relation to the exercise of the warrants. To whom the warrants are offered shall be at the discretion of the Board of Directors. Neither shareholders, nor others, shall enjoy priority rights to the warrants nor shares issued in relation to their exercise. The Board of Directors determines the final price of the warrants on the basis of a book-building process in a private placement and other terms and conditions of the warrants."*

The chair asked for it be recorded in the minutes that if the proposal was approved it would entail that shareholders would waive their priority rights to new shares in the company which may be issued on the basis of the warrants.

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

Two questions were received via the LUMI system.

The first question, from Vátryggingafélag Íslands hf., concerned whether the Bank planned to repeat a similar issue and if so, how big it would be.

The second question was from Íslandssjóðir and asked for further details on the proposal, what the purpose of the arrangement was and what groups of investors were the target of issuing such warrants.

Benedikt Gíslason, CEO, addressed the meeting and answered questions from shareholders. In response to the first question, Benedikt said that no decisions had been made on repeating the issue of warrants and that it was a one-off proposal and he reiterated that the proposal authorized the Board to issue warrants and sell them in a private placement. It was the decision of the Board when and whether the authorization would be exercised. As for the second question, Benedikt said that as the proposal stated the intention was active price formation with the company's shares and to provide employees and other investors with the option of buying warrants in a private placement with a predictable level of risk. The warrants would be paid for at market price. Finally, Benedikt reiterated that as it was a private placement, the number of retail investors would be limited to 150, but there could be a greater number of institutional investors.

The proposal was then put to the vote. The proposal was passed with a majority of votes.<sup>1</sup>

## **15. 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. The proposed change was that a shareholder's right to have a specific matter dealt with at a convened shareholders' meeting be limited to the Annual General Meeting and instead of all shareholders' meetings. The explanatory note makes reference to Article 86 (2) of the Public Limited Companies Act and Directive 2007/36/EC and specifies that the purpose of the amendment is to ensure that shareholders' meetings dealing with predetermined matters are allowed to be more concise and to the point without unjustly limiting a shareholder's right to have a specific matter dealt with.

The chair then presented the following proposal of the Board:

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<sup>1</sup> When the results of the voting were examined at the end of the meeting it emerged that not all votes had been counted in respect of certain items on the agenda. As a result of human error votes cast in a different system did not reach the main voting system. In the case of the proposal under item 14 (Authorization to issue warrants and corresponding amendment to the Articles of Association) this error meant that the incorrect result of voting on the proposal was published at the meeting. It was originally recorded in the minutes that the proposal had been rejected. In fact the proposal was approved with 80.8% of votes cast and the minutes were updated accordingly.



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*It is proposed that Article 10.10 of the Bank's Articles of Association be amended in such a way that a shareholder's right to have a specific matter dealt with at a convened shareholders' meeting, if it makes a written or electronic request, be limited to the Annual General Meeting. If the proposal is approved, Article 10.10 will read as follows: 10.10 Each shareholder is entitled to have a specific matter dealt with at a convened Annual General Meeting, if it makes a written or electronic request for such to the Board of Directors with sufficient notice to allow the matter to be placed on the agenda of the meeting, however, no later than 10 days prior to the meeting. The request must be accompanied by grounds for the same or a draft resolution for the Board of Directors. Information on such request must be published on the Company's website no later than three days prior to the meeting together with the proposal and, as the case may be, the revised meeting agenda.*

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

No one wished to comment. The proposal was then put to the vote. The proposal was passed with a majority of votes.

#### **16. Other business**

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

Brynjólfur Bjarnason, newly re-elected Chairman, asked to address the meeting. Brynjólfur thanked the shareholders for the confidence they had shown in the newly elected members of the Board.

Brynjólfur said that he was pleased that the meeting had gone ahead and thanked the chair, the technicians and employees who arranged the meeting that this was the case. Brynjólfur then mentioned the current times of uncertainty and said that he believed the response being taken in Iceland to the situation was positive. Finally Brynjólfur said that the management and employees of the Bank were highly capable and that he was certain that the Bank would come through this and that he was not pessimistic about the future.

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. 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 17:37. It was announced that an Extraordinary General Meeting would be called in accordance with the Public Limited Companies Act in order to decide on the Board's proposal to pay a dividend.

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Snorri Sigurðsson, lawyer  
Secretary

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Guðbjörg Helga Hjartardóttir, attorney  
Chair