

## **Information about the terms of share options according to the Bonus scheme for the year 2024 and main criteria in their pricing.**

In accordance with amended remuneration policy of Arion Bank, which was approved at the Bank's AGM on March 15, 2023, the Bank's board approved certain changes to the Bank's Bonus scheme in November 2023, effective for the year 2024.

The main change is that certain employees, who previously were only entitled to receive shares in the Bank, can now, in addition to a payment of up to 5% of their annual salary, choose whether to receive the remainder of the variable remuneration in the form of shares in the Bank or share options, up to the equivalent of 20% of their annual salary.

Upon the payment of the bonus in March 2025 for the year 2024, some of the Bank's employees, in accordance with the above, could choose between three options for the payout of the remaining bonus, which may amount to up to 20% of their annual salary: i) shares in the Bank, ii) share options for shares in the Bank, or iii) a mix of both.

### **The main terms of the share option agreements are as follows:**

Share options according to ii) apply to 80% of the approved bonus. The first exercise period of the share option agreement, during which it is allowed to exercise half of the share options, is after three years, while the second exercise period for the remaining half of the options is after four years (five years for the CEO and employees reporting directly to the CEO).

Share options according to iii) only apply to the deferred portion of the bonus or 40% of the approved bonus. The exercise period for the share option is after four years (five years for the CEO and employees reporting directly to the CEO).

The exercise period is 20 working days following the publication of the annual financial statement.

If a share option, or part of a share option, is not exercised during the relevant exercise period, it will expire.

The base price in the share option agreements is 175.5 per share, which is the share price of the Bank on the day the annual financial statement for 2024 was endorsed. This price is subject to 5.5% annual interest over the vesting period and will be adjusted for any dividends declared during the vesting period.

Share options are generally cancelled if the employment relationship is terminated.

In certain circumstances, the company has the right to claw back share options in full or in part according to the company's rules on variable remuneration.

## Main criteria for pricing share options

Share option value according to ii)				
ISK		3 year	4 year	Weighted value
Number of shares		0.5	0.5	1
Share price from the date of issue		175.5	175.5	175.5
Volatility		21.3%	21.4%	21.4%
Risk-free interest rate		7.37%	7.10%	7.24%
Dividend payout ratio		0.0%	0.0%	0.0%
Option strike price based on 5,5% growth rate		206.1	217.4	211.7
Duration		3.0	4.0	3.5
D1		0.357	0.385	0.371
D2		-0.015	-0.046	-0.030
Share option value		<b>29.3</b>	<b>33.7</b>	<b>31.5</b>

Share option value according to ii) – CEO and employees reporting directly to the CEO				
ISK		3 year	5 year	Weighted value
Number of shares		0.5	0.5	1
Share price from the date of issue		175.5	175.5	175.5
Volatility		21.3%	24.2%	22.8%
Risk-free interest rate		7.37%	6.90%	7.13%
Dividend payout ratio		0.0%	0.0%	0.0%
Option strike price based on 5,5% growth rate		206.1	229.4	217.7
Duration		3.0	5.0	4
D1		0.357	0.419	0.388
D2		-0.015	-0.125	-0.070
Share option value		<b>29.3</b>	<b>41.2</b>	<b>35.2</b>

Share option value according to iii)		
ISK	4 year	5 year
Number of shares	1.0	1.0
Share price from the date of issue	175.5	175.5
Volatility	21.4%	24.2%
Risk-free interest rate	7.10%	6.90%
Dividend payout ratio	0.0%	0.0%
Option strike price based on 5,5% growth rate	217.4	229.4
Duration	4.0	5.0
D1	0.385	0.419
D2	-0.046	-0.125
Share option value	<b>33.7</b>	<b>41.2</b>