

**SHARE OPTION PLAN
OF ARION BANK HF.**

The board of directors of Arion Bank hf., ID-No. 581008-0150, Borgartún 19, Reykjavík, hereby makes the following employee share option plan relating to shares in the Bank.

Introduction

At the annual general meeting of Arion Bank on 17 March 2020, the board of directors was authorized to approve a share option plan based on Article 10 of the Income Tax Act No. 90/2003, and the Bank was authorized to enter into share option agreements with the company's employees on the purchase of shares in the Bank for up to ISK 600,000 at market value per annum every year for the next five years.

Article 1 Objective

The objective of this share option plan is to align the interests of employees with the long-term interests of the Bank.

By means of agreements made on the basis of the share option plan, employees of the Bank have the opportunity to buy shares in the Bank at a pre-determined price every year for the next five years.

Article 2 Option holders

Options to buy shares in Arion Bank hf. pursuant to this plan apply to all permanent employees of the Bank.

Permanent employees of Arion Bank are those employees who have been employed on a permanent basis, particularly those who do not have a predetermined end date to employment, and have undertaken to work for the Bank in return for a salary from the Bank.

This plan does not apply to contractors who work for the Bank and employees who are temporarily hired on a short-term basis. The plan also does not apply to those employees of the Bank who, on account of other rules, may not own shares in the Bank or trade with them. The plan does not apply to employees of the Bank's subsidiaries.

Employees hired by the Bank on a permanent basis after the creation of this plan shall acquire share options. This entitlement to a share option comes into effect from the next redemption date after the permanent employment agreement commences, and lasts until this plan expires or until the employee leaves the Bank's employment, when Article 4 of this plan becomes applicable.

This share option plan will be presented to prospective option holders at a special meeting or via video meeting. The general presentation will be followed up with an e-mail to each employee containing detailed information and an invitation to enter into a share option agreement.

A share option agreement will be made with each option holder in two identical copies and each party to the agreement retains one copy. Agreements may be signed electronically.

Article 3
Rights and obligations

Shares purchased on the basis of this plan have all the same rights as other shares in the Bank.

Share option agreements made on the basis of this plan will stipulate that at least 12 months must pass from the entering into the share option agreement until the option is exercised for the first time.

Share option agreements made on the basis of this plan will stipulate that the option holder is committed to owning the acquired shares for at least two years in order to be able use the tax concessions provided for by this plan, cf. Article 10 of the Income Tax Act No. 90/2003.

Share option agreements made on the basis of this plan will stipulate that the share option is not transferrable. Pledging the share option is also not permitted.

Article 4
Acquisition of share options

Each option holder's option to buy shares is acquired in five stages over a period of five years on the basis of this plan.

- On 28 February 2022 the employee has acquired the right to buy shares for up to a maximum of ISK 600,000 and a minimum of ISK 10,000.
- On 28 February 2023 the employee has acquired the right to buy shares for up to a maximum of ISK 600,000 and a minimum of ISK 10,000.
- On 28 February 2024 the employee has acquired the right to buy shares for up to a maximum of ISK 600,000 and a minimum of ISK 10,000.
- On 28 February 2025 the employee has acquired the right to buy shares for up to a maximum of ISK 600,000 and a minimum of ISK 10,000.
- On 28 February 2026 the employee has acquired the right to buy shares for up to a maximum of ISK 600,000 and a minimum of ISK 10,000.

The acquisition of options is dependent on the option holder working for the Bank. If the option holder leaves the employment of the Bank, their option is cancelled. If the option holder retires, dies or becomes unable to work due to ill health, the option holder shall retain the proportionate acquired option and they or their estate shall state during the notification period pursuant to Article 7 whether they intend to exercise the option.

On the basis of this share option plan each employee can purchase shares for a maximum of ISK 600,000 a year, at the defined exercise price, cf. Article 10 (7) of the Income Tax Act No. 90/2003. This means that an employee may not accumulate or defer the exercising of acquired options; instead options which have not been exercised are cancelled.

Article 5
Exercise price

The exercise price in any share option agreements made on the basis of this plan shall at all times be in accordance with Article 10 (4), cf. Article 9, of Act No. 90/2003.

Shares in the Bank are listed for trading on the stock market. The exercise price pursuant to this share option plan shall be the weighted average price in trades with shares in the Bank 10 whole business days prior to the date of agreement.

If the employee exercises their share option, the share capital shall be paid for in cash.

Article 6
Confirmation by the Directorate of Inland Revenue

This share option plan will be submitted to the Directorate of Inland Revenue for confirmation, cf. provisions of Article 10 (1.8) of the Income Tax Act No. 90/2003 before it is implemented and it is dependent on receiving such confirmation.

Article 7
Redemption and delivery of shares

Option holders shall notify their intention to exercise the option every year within ten (10) days of the publication of the Bank's annual financial results for the relevant year from 2022 onwards. Following such notification the board shall deliver the share capital either by issuing new share capital or delivering own shares in return for the payment of the redemption price.

To meet its obligations under agreements made on the basis of this plan, the company will issue new share capital or deliver its own share capital.

Article 8
Authorization to cancel the share option plan

If there is good reason to do so, the board of the directors shall be authorized to cancel this plan in its entirety and this then applies to all rights and obligations deriving from it. The board's authorization shall become applicable in the following circumstances:

- a) In the event of a merger with a company outside the group.
- b) In the event a significant part of the group is sold.
- c) In the event of financial restructuring, the revoking of an operating licence, the appointment of an interim board of directors or the winding up of the Bank.
- d) In other circumstances if there is good reason to do so.

Article 9
Proviso on authorization of shareholders to issue new shares

This plan and share option agreements and the Bank's obligations towards option holders shall always be conditional on the Bank's being able to deliver share capital to fulfil agreements, either by issuing new shares or delivering own shares.

Article 10
Approval of the plan

KPMG Law ehf. has been instructed to submit the plan to the Directorate of Inland Revenue for approval pursuant to Article 10 (1.8) of the Income Tax Act No. 90/2003.

Reykjavik, 1 December 2020

On behalf of the board of directors
Benedikt Gíslason, CEO