

## TERMS AND CONDITIONS FOR WARRANTS

[SERIES NUMBER]

ISSUED BY

ARION BANKI HF.

### 1 DEFINITIONS

In these terms and conditions, the following terms shall have the meaning given below.

Business Day	a day which is not a Saturday, Sunday or other public holiday in Iceland;
Bank	a bank or an account operator which the Company at each time has appointed to handle the administration of the Warrants in accordance with these terms and conditions;
Company	Arion banki hf., reg. no. 581008-0150;
Companies Act	act no. 2/1995 on Public Limited Companies;
Share Capital Changes	changes to, or events relating to, the issued share capital of the Company, including but not limited to, share capital increase (including issue of new shares and bonus shares), share capital decrease (including redemption of shares, meeting of loss, payment to shareholders, depreciation of a payment obligation and transfer into special funds), division, merger and the issuance of convertible bonds or warrants;
Electronic Registration Act	act no. 7/2020 on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments;
Exercise Notice	as defined in section 4;
Exercise Period	as defined in section 4;
Financial Undertakings Act	act no. 161/2002 on Financial Undertakings;
Nasdaq CSD Iceland	the central securities depository and clearing systems of Nasdaq CSD SE in Iceland, currently operating as a branch with reg. no. 510119-0370;
Shares	ordinary shares in the Company;
Subscription	subscription of Shares on exercise of Warrants in accordance with these terms and conditions;
Subscription Price	means Market Price*(1+8,0/100) <sup>!</sup> ,

*Market Price* meaning the average of the Shares' end of day market price on Nasdaq Iceland on 25 and 26 February 2021,

*t* meaning time from the date of issuing of a Warrant and until exercise of a Warrant (calculated by dividing number of days, assuming 30 days months, with 360 days per year);

Securities Account	a securities account in which the respective Warrant Holder's holdings of Warrants or holdings of Shares acquired pursuant to Warrants are registered;
Securities Transaction Act	act no. 108/2007 on Securities Transactions;
Trading Venue	as defined in Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments;
Warrant	the right to subscribe for one (1) new Share in exchange for payment in accordance with these terms and conditions;
Warrant Holder	a person registered in a Securities Account as the holder of a Warrant.

## **2 WARRANTS AND REGISTRATION**

The total number of Warrants amounts to not more than 54,000,000.

The Warrants are issued by the Company's board of directors in accordance with Art. 46 of the Companies Act.

The Warrants shall be electronically registered in accordance with the Electronic Registration Act.

The Warrants do not entitle the holders thereof the right to dividends or to other allocations of funds made by the Company, nor the right to attend or vote at shareholders' meetings in the Company.

## **3 RIGHT TO SUBSCRIBE FOR NEW SHARES**

Each Warrant entitles the holder thereof to Subscribe for one Share at the Subscription Price.

The Subscription Price and/or the number of Shares for which each Warrant entitles the holder to Subscribe may be recalculated in the circumstances set out in section 8 below.

Subscription may only take place in respect of the entire number of Shares for which the total number of Warrants entitles the Warrant Holder to Subscribe and which a single Warrant Holder wishes to exercise. On such Subscription, any excess fraction of Warrants which cannot be exercised shall lapse.

#### **4 SUBSCRIPTION**

Subscription may take place in any of the following four (4) exercise periods (the “Exercise Periods” and each an “Exercise Period”): thirty (30) days immediately following the day of publication of the Company’s interim financial statements for the third quarter of 2023; thirty (30) days immediately following the day of publication of the annual financial statements for 2023; and thirty (30) days immediately following the day of publication of each of the Company’s interim financial statement for the first and second quarter of 2024, each time subject to few day extensions at the discretion of the Company.

In case of the Company’s merger, division or liquidation pursuant to Article 101 of the Financial Undertakings Act, the Warrant Holder shall be given a reasonable opportunity to exercise the Warrants before such changes or events are implemented, subject to such events occurring before the end of the fourth Exercise Period. The Company may decide that the same applies in case of other Share Capital Changes provided that, in the opinion of the Company acting in good faith, the recalculation in section 8 is not sufficient to safeguard Warrant Holder interest as provided for in these terms and conditions.

In order to Subscribe, a completed exercise notice in the form provided in Schedule 1 to these terms and conditions (“Exercise Notice”) shall be delivered to the Company. A Subscription pursuant to an Exercise Notice is binding and irrevocable.

If an Exercise Notice is not submitted during any of the Exercise Periods, the Warrant shall lapse.

#### **5 PAYMENT FOR NEW SHARES**

Upon delivery of an Exercise Notice, the Company will deliver payment instructions to the Warrant Holder. Payment shall be made for the total number of Shares for the Subscription in question, at the Subscription Price, and in accordance with the payment instructions. Payment for Shares shall be made in cash to the bank account designated by the Company.

#### **6 DELIVERY**

Following Subscription and payment pursuant to sections 4 and 5, the new Shares shall be delivered to the respective Warrant Holder’s Securities Account and registered in the Company’s share register.

#### **7 DIVIDENDS ON NEW SHARES**

Shares issued following Subscription shall entitle the holders thereof to participate in the distribution of dividends for the first time on the dividend record date that occurs immediately following the delivery of Shares pursuant to section 6.

#### **8 RECALCULATION**

In the event of Share Capital Changes, the Company shall, as applicable, adjust the Subscription Price and/or the number of Shares for which each Warrant entitles the holder to Subscribe for. Adjustments shall be based on the principle that the value of Warrants (not exercised or lapsed) shall, to the extent that it is reasonably achievable, be unaffected by the Share Capital Change.

In the event of a payment of dividend to shareholders of the Company the Subscription Price of the Warrants (not exercised or lapsed) shall be adjusted accordingly downwards. The adjusted Subscription Price shall reflect a hypothetical situation where a Warrant Holder had already exercised the Warrants and received dividend as a shareholder. Same as above, the applied principle is that the value of Warrants (not exercised or lapsed) shall, to the extent that it is reasonably achievable, be unaffected by the dividend payment. Following is an example which illustrates how this would be calculated<sup>1</sup>:

*Assuming a Market Price of 125 ISK.*

*In 0,5 years from Warrant issue date, the Subscription Price would be  $125 \cdot (1+8\%)^{0,5} = 129,90$ .*

*Assuming a dividend payment of 3 ISK/share at that day, the Subscription Price would be recalculated and decrease by 3, or  $129,9-3 = 126,90$ .*

*From that date the recalculated Subscription Price would continue to increase by 8% annually as applicable.*

Any decision of the Company to adjust the Subscription Price and/or the number of Shares for which each Warrant entitles the holder to Subscribe shall be made in good faith and guided by equal treatment of Warrant Holders and shareholders. Furthermore, the Company shall consult with an independent audit firm, before a decision is made.

If requested by a Warrant Holder, the Company shall deliver a written explanation of how such recalculation was done.

## **9 NOMINEES**

A financial undertaking may hold Warrants on behalf of Warrant Holders as nominee in accordance with Article 12 of the Securities Transaction Act.

## **10 NOTICES**

Notices and other communication in respect to these terms and conditions shall be provided in writing (by letter or e-mail) to each Warrant Holder and any other rights holders registered in the systems of Nasdaq CSD.

All notices and other communications in respect of these terms and conditions (including an Exercise Notice) to the Company shall be made in writing (by letter or e-mail) in English or Icelandic and shall be sent to the Company at the following address (or via e-mail):

Arion banki hf.

Address: Borgartún 19, 105 Reykjavík, Iceland

Attention: General Counsel

E-mail: [teymiyfirlogfraedings@arionbanki.is](mailto:teymiyfirlogfraedings@arionbanki.is)

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<sup>1</sup> Numbers and assumptions used in the example are fabricated and only displayed for explanatory purposes

## **11 RIGHT TO REPRESENT WARRANT HOLDERS**

The Company or, if applicable, the Bank shall be entitled to represent Warrant Holders in matters of a formal (administrative) nature concerning the Warrants without special authorisation or power of attorney from Warrant Holders.

## **12 AMENDMENTS TO TERMS AND CONDITIONS**

The Company shall be entitled to amend these terms and conditions to the extent required by legislation, decisions of courts or decisions of authorities or where otherwise, in the Company's opinion, such is necessary or expedient for practical reasons and provided that the rights of the Warrant Holders are in no way prejudiced.

## **13 LISTING**

The Company shall be entitled to have the Warrants admitted for trading on a Trading Venue without the approval of the Warrant Holders.

## **14 CONFIDENTIALITY**

The Company may not, without authorisation, disclose information regarding the Warrant Holders to any third party, unless required by law or the rules of a Trading Venue. The Company will have access to the systems of Nasdaq CSD which sets out the persons registered as holders of Warrants and of other rights related to the Warrants.

## **15 LIMITATION OF LIABILITY**

In respect of measures which it is incumbent on the Company or the Bank to take in accordance with these terms and conditions, neither the Company nor the Bank shall be liable for loss which arises as a consequence of Icelandic or foreign legislation, the actions of Icelandic or foreign governmental authorities, acts of war, strikes, blockades, boycotts, lockouts, epidemics, pandemics or other similar circumstances, regardless of whether the Company or the Bank are the subject to, or effected by, such measures.

## **16 APPLICABLE LAW AND JURISDICTION**

These terms and conditions and any legal matters and disputes related to them shall be governed by Icelandic law. Legal proceedings relating to these terms and conditions shall be subject to the exclusive jurisdiction of the courts in Iceland, with the Reykjavik District Court as a court in the first instance, or such other forum as is accepted in writing by the Company.

**SCHEDULE 1**  
**EXERCISE NOTICE**

Arion banki hf.  
Borgartún 19, 105 Reykjavík, Iceland  
Attention: General Counsel  
E-mail: teymiyfirlogfraedings@arionbanki.is

The undersigned Warrant Holder hereby exercises his right to Subscription pursuant to the Warrant, as further identified below.

**Name and id. no. of Warrant Holder:**<sup>2</sup> \_\_\_\_\_

**Warrant Issue Number:** \_\_\_\_\_

**Number of Warrants Exercised:** \_\_\_\_\_

**Securities Account of Warrant Holder:** \_\_\_\_\_

The undersigned hereby directs the Company to provide him with payment instructions via e-mail and, upon payment of the Subscription Price in accordance with such payment instructions, to procure the allotment of the Shares to the Securities Account of the Warrant Holder in accordance with the terms of the Warrant and to enter his name in the Company's share register.

Terms defined in the terms and conditions of the Warrant have the same meanings when used in this Exercise Notice.

**Signed by:**

Name and e-mail:

Signature:

**On behalf of (if applicable):**

Name:

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<sup>2</sup> Or nominee pursuant to Article 12 of the Securities Transaction Act behalf of Warrant Holder