

Proposals to the Annual General Meeting 2024

21 March 2024



Íslandsbanki's Annual General Meeting will be held on Thursday 21 March 2024 at 16:00 local time, in the Ballroom at the Reykjavik Edition hotel, Austurbakki 2, 101 Reykjavík. Electronic participation will be available. Voting at the meeting will be conducted entirely electronically. The meeting will be conducted in Icelandic, but translation services into English will be available. On the day of the announcement of the Annual General Meeting there are 2.000.000.000 outstanding shares in the Bank. As of 23 February 2023, the Bank holds 30,014,331 own shares.

Agenda:

1. The report of the Board of Directors on the Bank's operations and activities for the preceding year of operation
2. Approval of the Bank's annual financial statements and consolidated financial statements for the preceding year of operation
3. Decision on payment of a dividend
4. Election of the Bank's Board of Directors, alternate directors, and the Chairman of the Board
5. Election of an auditor
6. Decision on the remuneration to the Board of Directors and remuneration to the members of the Board's sub-committees
7. Board proposal to amend the Bank's Remuneration Policy
8. Board proposal to amend the Bank's Nomination Committees' Rules of Procedure
9. Board proposals to amend the Bank's Articles of Association
10. Board proposal on the authorisation to purchase own shares and a corresponding amendment to the Bank's Articles of Association
11. Decision on remuneration to the members of the Bank's Nomination Committee
12. Election of two members and one alternate member of the Bank's Nomination Committee
13. Election of an external committee member in the Bank's Audit Committee
14. Other matters.

Proposals of the Board of Directors:

On Item 2 – Approval of the Bank's annual financial statements and consolidated financial statements for the preceding year of operation

The Board of Directors proposes the approval of the Bank's Annual Financial Statements and consolidated financial statement for the year 2023.

On Item 3 – Decision on payment of a dividend

The Board of Directors proposes that a dividend of ISK 12,3 billion will be paid to shareholders for the 2023 financial year. The Bank's dividend pay-out is approximately 50% of after-tax profits of the year 2023, and in line with the Bank's long-term dividend pay-out ratio target of approximately 50%. The Board of Directors may convene a special shareholder meeting later in the year where a proposal regarding payment of a dividend of profit for previous fiscal years could be suggested.

If the proposal is approved by the shareholders, the Bank's shares traded on and after 22 March 2024 (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 25 March 2024 (Record date). The payment date of the dividend will be 2 April 2024.

On Item 4 – Election of the Bank's Board of Directors, alternate directors, and the Chairman of the Board

In accordance with the Bank's Articles of Association the Bank's Board of Directors shall be elected at an Annual General Meeting of the Bank for a term of one year.

The Bank's Nomination Committee invited those interested to submit their candidacies to the Board of Directors of Íslandsbanki to the Nomination Committee. Deadline for declaring candidacy to the Nomination Committee expired at 16:00 (GMT) on 24 January 2024. The proposals have been announced on Nasdaq Iceland and are available on the [Bank's website](#) and at the Bank's headquarters.

Please note that activities by the Nomination Committee, and the deadline for submitting candidacies to the Committee, does not limit a candidate's right to declare candidacy to the Board of Directors up to the general deadline for declaring candidacy. The general deadline for declaring candidacy to the Board of Directors expires five (5) days before the Annual General Meeting, or at 16:00 (GMT) on 16 March 2024. Candidates are requested to fill out the requisite documentation, which is available [here](#) on the Bank's website.

In accordance with the Bank's Articles of Association election of the Board of Directors shall be made by cumulative voting between individuals, cf. item c of Article 63(6) of the Act no. 2/1995, on Public Limited Companies.

On item 5 – Election of an auditor

It is proposed that the AGM of the Bank elects KPMG ehf. as the Bank's auditing firm.

After a tender, KPMG ehf. was chosen.

On item 6 – Decision on the remuneration to the Board of Directors and remuneration to the members of the Board's sub-committees

It is proposed that the AGM of the Bank resolves to pay remuneration to members of the Board of Directors for their services on the Board of Directors in the amount of ISK 521,000 per month and to the Chairman of the Board ISK 909,000 per month, and to the Vice-Chairman of the Board ISK 645,000 per month. In addition to that each Board member shall be paid remuneration in the amount of ISK 258,000 per month for services on sub-committees of the Board. In addition to this, the chairmen of sub-committees shall be paid ISK 58,000 per month. Remuneration to each alternate member of the Board shall be ISK 516,000 per annum, in addition to ISK 258,000 for each meeting they attend and meetings with the Financial Supervisory Authority on the Fit and Proper Assessment of Managing Directors and Directors of Financial Undertakings. Remuneration to the chairman of the Bank's Audit Committee shall be ISK 380,000 per month.

Remuneration to members of the Board of Directors for work in sub-committees considers the number of committees on which the Board members serve. Remuneration is however not paid for serving on more than two committees.



Explanatory notes:

The proposal entails an approximately 3.25% increase in the remuneration to the Board of Directors and remuneration to the members of the Board's sub-committees from what was approved at the Bank's Annual General Meeting in 2023. A proposal is made to change the remuneration of alternate members of the Board so that they are paid ISK 516,000 in the beginning of the year and ISK 258,000 for each meeting they attend. It is proposed that the amount of remuneration paid to an external member of the Audit Committee be higher than the remuneration paid to a member of the committee who is also a member of the Board. This is due to the fact that a certain level of synergy can be expected where a member of the Audit Committee is also a member of the Board and therefore the workload of an external member of the Audit Committee will generally be greater.

On item 7 – Board proposal to amend the Bank's Remuneration Policy

It is proposed that the Bank's Remuneration Policy is approved with the following amendments:

- a) Article 2 of the Bank's Remuneration Policy, which refers to the State's Ownership Policy for holdings in Financial Undertakings, will be deleted as well as the reference to the policy in Article 7. It is not considered appropriate to refer to the ownership policy of one shareholder over others in the Remuneration Policy. The Board of Directors considers it important to ensure that shareholders are equal in this respect, as it is increasingly common for institutional investors to establish and publish their ownership policy or shareholder policy.
- b) References to the Remuneration Committee in the current Remuneration Policy will be changed so that it subsequently refers to the Bank's Corporate Governance and Human Resource Committee, which carries out the tasks assigned to the Remuneration Committee according to Article 3 of the current Remuneration Policy and Article 57. (e) of the Act on Financial Undertakings No. 161/2002.

The proposed Remuneration Policy can be found in Annex I to these Proposals.

On item 8 – Board proposal to amend the Bank's Nomination Committees' Rules of Procedure

It is proposed that the Bank's Nomination Committees' Rules of Procedure (here in after "the Rules") are approved with the changes proposed below. The explanatory note for the proposal can be found in the explanatory note for the Board proposal regarding amendments to the Articles of Association in item 9 on the same topic.

Article 1 of the rules will subsequently read as follows:

- 1 Role and Objective
 - 1.1 The role of the Nomination Committee (the "Committee") is to nominate candidates to serve at the Board of Directors (the "Board") of Íslandsbanki hf. (the "Bank"). The Committee operates on the basis of Article 4.4 of the Bank's Articles of Association and Article 53 of the Act on Financial Undertakings No. 161/2002.
 - 1.2 The Committee's objective is:
 - to create a venue to provide information on candidates to the Board;
 - to assess the eligibility of individual candidates to fulfil their roles;



- to ensure that the group nominated to serve on the Board has sufficient breadth as regards knowledge, experience and background based on the policies, needs and operations of the Bank; and
- to carry out other tasks provided in Article 53 of the Act on Financial Undertakings No. 161/2002 and ensure that nominations for election to the Board of Directors are in accordance with the provisions of the applicable law and the Bank's Articles of Association.

Article 2 of the rules will subsequently read as follows:

2 Committee Composition and Election

- 2.1 The provisions of the Bank's Articles of Association and the Article 53 of the Act on Financial Undertakings No. 161/2002 apply to the election and composition of the Nomination Committee.
- 2.2 The Bank's Board of Directors is tasked with finalising an agreement with the Nomination Committee and providing it with facilities to carry out its work. The Nomination Committee's Report shall detail the cost of its work.

Article 3 of the rules will subsequently read as follows:

3 Responsibilities

- 3.1 The Committee shall put forth a proposal for candidates to serve at the Board of Directors at the Bank's Annual General Meeting, or other shareholders' meetings where Board election is on the agenda, with as much notice as possible but no later than 5 days before the nomination deadline expires.
- 3.2 The Nomination Committee inter alia takes into account the nominations of shareholders, provided that the relevant shareholder has notified the Nomination Committee of his nominations with reasonable notice, which is no later than 30 business days prior to an annual general meeting and 20 business day prior to an extraordinary shareholder meeting, unless a meeting has been called within a shorter period.
- 3.3 The Committee shall request proposals from shareholders for candidates to serve on the Bank's Board of Directors via a notice to the stock exchange. The notice shall include clear instructions on how shareholders may submit their proposals and how individuals may submit their candidacy, including the relevant deadline for submissions. These instructions are also to be published on the Bank's website.
- 3.4 The Committee shall then propose to the shareholders, the candidates to serve on the Board of Directors and publish its proposal along with other declarations of candidacy alongside the convocation to the shareholders meeting. The proposal shall also contain which candidate shall serve as the Chairman. The Committee's proposal of candidates shall be sent to all shareholders or made publicly available.
- 3.5 Proposals of the Committee shall include reasoning for the suitability of each candidate with reference to these rules, the Bank's Articles of Association and other applicable rules and guidelines on the qualifications of Board members in financial undertakings.



- 3.6 In execution of its duties, the Committee shall take into consideration the interests of all shareholders of the Bank.
- 3.7 The Committee shall aim to ensure that the proposed candidates collectively possess sufficient knowledge, skill, diversity and experience necessary for the operations of the Bank as a financial undertaking. The Committee shall i.a. perform the following tasks when preparing proposals for Board candidacy:
 - a) Assess candidates, based on their qualifications, skills, experience, and knowledge considering the applicable rules on the qualifications of Board members in financial undertakings.
 - b) Evaluate the independence of potential Board members, in accordance with the Guidelines on Corporate Governance published by the Iceland Chamber of Commerce, Business Iceland and Nasdaq Iceland.
 - c) Define capabilities for board seats and assess the time commitment expected in the operations of the Board.
 - d) Seek a diverse composition of the Bank's Board of Directors and to comply with the Bank's Articles of Association, including provisions on gender equality.
 - e) Seek to avert situations where one individual or a small group of individuals become dominant in the decision making of the Board on the expense of the Bank as a whole.
 - f) Prepare and submit to the relevant shareholders meeting, the results of the suitability assessment and a formal proposal on the election of members to the Board of Directors, including a proposal for Chairman.
- 3.8 The Committee shall, at least annually, assess the structure, size, composition and performance of the Board of Directors and the CEO, i.a. based on the Board's self-assessment and interviews with individual board members and the CEO, and make recommendations for improvements to the Board as applicable. Furthermore, the Committee shall assess the knowledge, skills, and experience of individual members of the Board of Directors, the Board collectively and the CEO, and report to the Board accordingly and make recommendations for improvements to the Board as applicable.
- 3.9 In performing its duties, the Committee may gather relevant information from the current Board and the Board's sub-committees. The Committee shall be independent in its work and shall have access to funds, external consultants, and other resources it may need in the performance of its duties.
- 3.10 The Committee shall assess the Bank's policy on the suitability of the management body and managers which directly answer the CEO and make recommendations for improvements to the Board as applicable.



Article 4 of the rules will subsequently read as follows:

4 Meetings

- 4.1 At its first meeting, the Committee shall appoint its Chairman and Secretary.
- 4.2 The Chairman shall ensure that a record of minutes is kept, and those minutes shall only be accessible to Committee members, unless the Committee decides otherwise.
- 4.3 A minimum of two Committee meetings shall be held each year, but otherwise as often as deemed necessary.
- 4.4 The Chairman shall convene meetings with sufficient notice. An alternate member must be called in whenever a committee member cannot attend a meeting, or participate in the handling of individual cases, due to absence, ineligibility or at his own request. The Committee constitutes a quorum when the majority of Committee members attend the meeting. The majority of votes decide issues at Committee meetings, but when votes are even, the Chairman's vote decides the issue. Important decisions may however not be taken unless all members of the Committee have had the chance to discuss the matter.



On item 9 – Board proposals to amend the Bank's Articles of Association

It is proposed that Article 4.4 of the Bank's Articles of Association is as follows:

4.4 Félagið skal hafa starfandi tilnefningarnefnd sem hefur það hlutverk að tilnefna frambjóðendur til stjórnar í félaginu á aðalfundi, eða eftir atvikum á hluthafafundi þar sem stjórnarkjör er á dagskrá. Nefndarmenn tilnefningarnefndar skulu vera þrír (3), auk tveggja varamanna. Tveir nefndarmanna tilnefningarnefndar ásamt einum varamanni skulu kjörnir af aðalfundi, eða öðrum hluthafafundi þar sem kjör nefndarmanna tilnefningarnefndar er á dagskrá, til eins árs í senn. Reglur samþykktar um stjórnarkjör skulu gilda um kosningu nefndarmanna í tilnefningarnefnd á hluthafafundi. Þriðji nefndarmaður tilnefningarnefndar og varamaður hans skulu vera stjórnarmenn í félaginu og eru þeir skipaðir af stjórn til eins árs í senn. Skipan nefndarinnar og störf hennar skulu vera í samræmi við 53. gr. laga 161/2002 um fjármálafyrirtæki. Stjórn skal stuðla að framboði nægilega margra hæfra frambjóðenda til setu í tilnefningarnefnd. Þeir sem hyggjast gefa kost á sér til setu í tilnefningarnefnd, skulu tilkynna um framboð sitt til stjórnar með sama fyrirvara og gildir um framboð til setu í stjórn. Upplýsingar um skipun nefndarmanna skal birt á vefsíðu félagsins. Starfsreglur tilnefningarnefndar skulu samþykktar á hluthafafundi.

The Company shall operate a Nomination Committee whose role is to nominate individuals to the Company's Board of Directors at the Company's Annual General Meeting, or as the case may be at a shareholders' meeting where an election to the Board is on the agenda. The Nomination Committee shall consist of three (3) members and two (2) alternate members. Two of the members of the Nomination Committee and their alternate member shall be elected at the Company's Annual General Meeting, or at a shareholders' meeting, for one year at a time. The election of members of the Nomination Committee at a shareholders meeting shall be governed by the Articles of Association's rules on the election of members of the Board of Directors. The third member of the Nomination Committee and his alternate shall be members of the Board of Directors and are appointed by the Board of Directors, for one year at a time. The composition of the Nomination Committee and its role shall be in accordance with Article 53 of the Act on Financial Undertakings No. 161/2002. Those who intend to stand for election to the Nomination Committee shall notify the Board of Directors of their candidacy within the same notice as applies for declaring candidacy to the Board of Directors. Information on the appointment of the Nomination Committee shall be made available on the Company's website. The rules of procedure of the Nomination Committee shall be approved at a shareholders' meeting.

Explanatory note on changes to the Bank's Nomination Committees' Rules of Procedure and the Articles of Association regarding the same topic in items 8 and 9:

The purpose of the proposed changes is threefold:

Firstly, a provision in the Act on Financial Undertakings No. 161/2002 (Art. 53) has now entered into force which obligates financial undertakings to operate a nomination committee, defines in which manner the committee should be appointed and its responsibilities. The provisions of the Nomination Committees' Rules of Procedure and the Articles of Association are adapted to the laws and ensure that there is no discrepancy between the responsibilities provided in the relevant law and the internal rules of the bank.



Secondly, suggestions from shareholders, on that it is natural that the shareholders' meeting elect the Nomination Committee rather than for the Board to appoint the committee, have been taken into account. It is right to mention the obligatory provisions in Article 53 in the Act on Financial Undertakings which provides the obligation of the Nomination Committee to assess the progress of the Board, the knowledge and skills of Board members etc. Article 53 states that shareholders' meeting either elects Nomination Committee members or decides how the committee should be composed. It is also stated that every third member of the committee shall be a member of the Board of Directors. The current arrangement for the Board of Directors to appoint the Nomination Committee is not in conflict with the provisions of the law but is less compatible with the idea that the Nomination Committee works on behalf of the shareholders and has an ongoing duty to evaluate the work of the Board. A current survey of investors attitude indicates that the overwhelming majority of them believe that it is more appropriate for shareholders to vote for members of the Nomination Committee rather than the Board appointing them.

Thirdly, the problems that may arise if a member of the Nomination Committee cannot participate in its work due to absence, ineligibility or other reasons have been managed. It is therefore proposed that the Nomination Committee have alternate members, and that the conditions under which they are to be called are provided.

More specifically, the changes are as follows:

Article 4.4 in the Articles of Association:

It is necessary to amend the article to provide that hereafter two members of the Nomination Committee, and one alternate are elected by a shareholders' meeting. In addition, it is emphasized that the aforementioned Article 53 of the Act on Financial Undertakings No. 161/2002 applies to the appointment of the Nomination Committee and its duties. Lastly, it is provided that those who intend to stand for election for the Nomination Committee must announce their candidacy shall notify the Board of Directors of their candidacy within the same notice as applies for declaring candidacy to the Board of Directors. Of course, this does not exclude the possibility that shareholders have to vote between candidates, and therefore it is natural that shareholders can familiarise themselves with the candidates before the meeting.

The Nomination Committee's Rules of Procedure:

Amendments to Article 1 relate to aligning the article with the relevant law. Likewise, in Article 2, the description of the composition and election of the committee is simplified, as these matters are now more specifically provided in the relevant law and the Bank's Articles of Association. In Article 3 it is proposed that the Nomination Committee submits its proposals for candidates to the Board with as much notice as possible before the shareholders' meeting and a deadline is set that should give the shareholders more discretion and opportunity to put forward other candidates on an equal basis, if they so choose. In Article 3.2 a change is made to the effect that the nomination committee takes shareholder nominations into account, provided that the relevant shareholder has notified the nomination committee of their nominations with reasonable notice.

In Article 4 it is provided under which circumstances alternate members should be called in as it is important that the Nomination Committee is complete when dealing with all cases.



On item 10 – Board proposal on the authorisation to purchase own shares and a corresponding amendment to the Bank's Articles of Association

The Board of Directors proposes that the following proposal on the authorisation to purchase the Bank's shares is approved. It is further proposed that should the proposal be approved, the authorisation will be recorded in an Annex to the Articles of Association of the Bank, in accordance with article 2.6 of the Bank's Articles of Association.

The proposal reads as follows:

„Aðalfundur Íslandsbanka hf. haldinn 21. mars 2024 samþykkir að veita stjórn bankans heimild, á grundvelli 55. gr. laga um hlutafélög nr. 2/1995, til að kaupa fyrir hönd bankans allt að 10% af hlutafé hans. Heimild þessi skal nýtt í þeim tilgangi að setja upp formlega endurkaupaáætlun eða til að gera hluthöfum almennt tilboð um kaup bankans á eigin bréfum, t.d. með útboðsfyrirkomulagi, enda sé jafnræðis hluthafa er gætt við boð um þátttöku í slíkum viðskiptum. Framkvæmd endurkaupa á grundvelli heimildar þessarar er háð því skilyrði að fyrirfram samþykki Fjármálaeftirlits Seðlabanka Íslands, samkvæmt samkvæmt 77. gr. reglugerðar ESB nr. 575/2013 um varfærniskröfur að því er varðar lánastofnanir og verðbréfafyrirtæki (CRR), hafi verið veitt.

Heimild þessi gildir í 18 mánuði frá aðalfundardegi árið 2024.

The Annual General Meeting of Íslandsbanki hf. held on 21 March 2024 authorises 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 of the Bank. The authorisation 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 where equal treatment of shareholders is ensured. The repurchase of shares under this authorisation is conditional upon the prior approval of the Financial Supervisory Authority of the Central Bank of Iceland in accordance with Article 77 of Regulation (EU) on Prudential Requirements for Credit Institutions and Investment Firms, No. 575/2013 (CRR).

This authorisation shall remain in effect for 18 months after the Bank's Annual General Meeting in 2024. "

Explanatory note:

The proposal entails that the Board of Directors is authorised to approve a formal share repurchase program or to offer shareholders generally to sell their shares to the Bank, e.g. through auction where equal treatment of shareholders is ensured. Similar arguments are generally considered to apply to the repurchase of a Bank's own shares as to annual dividend payments, on the basis of the Bank's operating results. The aim of the proposal is to outline the Bank's shareholder return in a transparent manner alongside the Bank's dividend policy. Moreover, the objective of the authorisation is to optimise the Bank's capital structure. This authorisation to repurchase the Bank's own shares will be carried out in accordance with the applicable laws and regulations. Repurchase of the Bank's shares is however subject to the prior approval of the Financial Supervisory Authority in accordance Art. 77 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

It is proposed that the authorisation is temporary and will be in effect for 18 months from the Bank's Annual General Meeting.



On item 11 – Decision on remuneration to the members of the Nomination Committee

It is proposed that the AGM of the Bank resolves to pay remuneration to members of the Nomination Committee in the amount of ISK 190,000 per member for each meeting they attend, although a maximum of ISK 1,520,000 for the preparation of each board election.

On item 12 – Election of the members and alternate members of the Bank's Nomination Committee

Should the AGM approve the proposal to amend the Articles of Association according to item 9, it is proposed that the AGM elects two committee members and one alternate member of the Nomination Committee.

The following candidates stand for election for the Nomination Committee as committee members:

Helga Valfells

Hilmar Garðar Hjaltason

The following candidate stand for election for the Nomination Committee as an alternate member:

Anna Rut Bráinsdóttir

Other candidates that intend to stand for election for the Nomination Committee must declare their candidacy no later than five days prior to the AGM. The announcements shall be sent to the email tilnefningarnefnd@islandsbanki.is before 16:00 (local time) on 16 March 2024.

Information on candidates for the Nomination Committee will be published on the [Bank's website](#) no later than two days prior to the AGM and will be available at the Bank's head quarters from that time.

On item 13 – Election of an external committee member in the Bank's Audit Committee

It is proposed that the AGM elects Páll Grétar Steingrímsson, chartered accountant, as an external member of the Bank's Audit Committee.

Explanatory note:

The proposal derives from recent amendments made to Act No. 3/2006 on Annual Accounts, requiring that any external members to a company's audit committee be appointed by the annual general meeting. Given that the Board of Directors has decided that one member of its Audit Committee shall be an external member i.e., not a member of the Board, the Board proposes that Páll Grétar Steingrímsson be elected. Páll Grétar is also nominated as an alternate member of the Board by the Bank's Nomination Committee.



Annex I

Remuneration Policy of Íslandsbanki hf.

Article 1. Objectives

Íslandsbanki (the Bank) emphasises hiring and employing exceptional employees. The objective of the Remuneration Policy is to make Íslandsbanki a desirable workplace for qualified employees to ensure the Bank's competitiveness, continued development and acceptable profitability.

Moreover, the objectives of the Remuneration Policy is to foster trust in the Bank's management and operations, with the Bank being a leader in the field of good corporate governance and sustainability, while respecting its interests, in particular, its reputation and integrity, and operating in accordance with the relevant guidelines, values and ethics relevant to a financial undertaking, in whole or in part, in public ownership.

The Remuneration Policy shall support sound operations in the long term, conform and contribute to a reliable and efficient risk management, not encourage risk-taking beyond the Bank's risk appetite and include measures for the prevention of conflicts of interest. It is the Bank's goal that the terms of employment of executives and other employees are competitive yet proportionate without being leading in the market. In determining the terms of employment, relevant job experience and responsibilities according to job description shall be taken into account as well as equal rights perspectives.

In accordance with the provisions of article 79(a) of Act. 2/1995, on Limited Liability Companies, the Bank's Remuneration Policy shall be submitted to the Annual General Meeting (AGM) for approval.

Article 2. Corporate Governance and Human Resource Committee

The Corporate Governance and Human Resource Committee shall be constituted in such a way as to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital and liquidity. It shall be comprised of three Directors of the Board and chaired by one of them.

The Corporate Governance and Human Resource Committee is responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of the Bank and which are to be taken by the management body. When preparing such decisions, the Corporate Governance and Human Resource Committee shall take into account the long-term interests of shareholders, investors and other stakeholders in the Bank and the public interest. The role of the Committee shall be to guide the Board of Directors and CEO in deciding on the terms of employment of senior management and overseeing the remuneration of senior officers in the risk management and compliance functions of the Bank.

The Corporate Governance and Human Resource Committee submits a yearly report in connection with the Annual General Meeting of the Bank and in the Directors' Report in the Bank's Financial Statements, on the implementation of and compliance with the Bank's remuneration policy. Moreover, the committee shall monitor the developments of collective bargaining agreements, trends in salary expenses and number of employees. The Board of



Directors shall approve rules of procedure for the Committee defining its role and responsibilities which shall be published on the Bank's website.

Article 3. Remuneration of Board members

Board members shall receive set monthly payment in accordance with the decision of the AGM of the Bank as provided for in Article 79 of Act No. 2/1995 on Public Limited Companies. In determining the remuneration amount, consideration shall be had for the hours spent on the job, the responsibilities borne by the Directors and the Bank's performance. The Corporate Governance and Human Resource Committee shall present the Board of Directors with a substantiated proposal for remuneration to members of the Board of Directors in the coming operating year. The Board of Directors deliberates on the Committee's proposal and submits a final proposal on remuneration to the AGM. The Bank reimburses members of the Board of Directors domiciled outside the capital region for travel expenses. The Bank may not conclude severance agreements with members of the Board of Directors.

Article 4. Terms of employment of the CEO and member senior management

The terms of employment of the CEO and senior management shall be competitive but proportionate and not leading.

The Bank may not conclude agreements including severance payments with the CEO or senior management other than what is provided in employment agreements, collective bargaining agreements and legal obligations. CEO and senior management's contractual period of notice shall not be longer than six to twelve months, considering tasks and responsibilities borne.

Article 5. Indemnity of the Board of Directors, CEO and key function holders

The Bank shall at any given time ensure that a valid liability insurance is in effect for the Board of Directors, CEO and key function holders, both current and former, for their work on behalf of the Bank. The Bank shall ensure that the aforementioned parties are indemnified by any claims made against them or that may be made against them due to their work for the Bank, insofar that the claim is not made due to criminal conduct of the party deemed to be intentional or due to gross negligence.

Article 6. Remuneration policies of subsidiaries etc.

The Board of Directors shall promote competitive but proportionate and not leading remuneration policies of its subsidiaries.

The CEO shall present a proposal for the remuneration policies of subsidiaries, as well as on the remuneration of board members, for the approval of the Board of Directors.

Article 7. Varying terms

The Bank shall not conclude or authorise agreements on salary incentives, that is not authorise agreements on terms defined by performance and do not form part of fixed remuneration, where the final amount or size is not exactly known beforehand.

Any move by the Board of Directors to instigate such a system must first be approved by a shareholders' meeting.



Article 8. Information disclosure

The Bank shall report the terms of employment of members of the Board of Directors, CEO and each member of the executive board in its annual financial statements.

This Remuneration Policy shall be published on the Bank's website.

Article 9. Approval of the Remuneration Policy etc.

The Remuneration Policy shall be presented to the Bank's AGM for approval.

The Remuneration Policy may be reviewed more than annually and any amendments submitted to a shareholders' meeting for approval. The Remuneration Policy serves as a guideline for the Bank and the Board of Directors. The Board of Directors shall record any deviations from the Remuneration Policy in minutes along with the substantiated grounds for such deviation. Deviations shall be presented to the Bank's next AGM.



Annex II

Rules of procedure for the Nomination Committee of Íslandsbanki

1 Role and Objective

- 1.1 The role of the Nomination Committee (the “Committee”) is to nominate candidates to serve at the Board of Directors (the “Board”) of Íslandsbanki hf. (the “Bank”). The Committee operates on the basis of Article 4.4 of the Bank’s Articles of Association and Article 53 of the Act on Financial Undertakings No. 161/2002.
- 1.2 The Committee’s objective is:
- to create a venue to provide information on candidates to the Board;
 - to assess the eligibility of individual candidates to fulfil their roles;
 - to ensure that the group nominated to serve on the Board has sufficient breadth as regards knowledge, experience and background based on the policies, needs and operations of the Bank; and
 - to carry out other tasks provided in Article 53 of the Act on Financial Undertakings No. 161/2002 and ensure that nominations for election to the Board of Directors are in accordance with the provisions of the applicable law and the Bank’s Articles of Association.

2 Committee Composition and Election

- 2.1 The provisions of the Bank’s Articles of Association and the Article 53 of the Act on Financial Undertakings No. 161/2002 apply to the election and composition of the Nomination Committee.
- 2.2 The Bank’s Board of Directors is tasked with finalising an agreement with the Nomination Committee and providing it with facilities to carry out its work. The Nomination Committee’s Report shall detail the cost of its work.

3 Responsibilities

- 3.1 The Committee shall put forth a proposal for candidates to serve at the Board of Directors at the Bank’s Annual General Meeting, or other shareholders’ meetings where Board election is on the agenda, with as much notice as possible but no later than 5 days before the nomination deadline expires.
- 3.2 The Nomination Committee inter alia takes into account the nominations of shareholders, provided that the relevant shareholder has notified the Nomination Committee of his nominations with reasonable notice, which is no later than 30 business days prior to an annual general meeting and 20 business day prior to an extraordinary shareholder meeting, unless a meeting has been called within a shorter period.
- 3.3 The Committee shall request proposals from shareholders for candidates to serve on the Bank’s Board of Directors via a notice to the stock exchange. The notice shall include clear instructions on how shareholders may submit their proposals and how individuals



may submit their candidacy, including the relevant deadline for submissions. These instructions are also to be published on the Bank's website.

- 3.4 The Committee shall then propose to the shareholders, the candidates to serve on the Board of Directors and publish its proposal along with other declarations of candidacy alongside the convocation to the shareholders meeting. The proposal shall also contain which candidate shall serve as the Chairman. The Committee's proposal of candidates shall be sent to all shareholders or made publicly available.
- 3.5 Proposals of the Committee shall include reasoning for the suitability of each candidate with reference to these rules, the Bank's Articles of Association and other applicable rules and guidelines on the qualifications of Board members in financial undertakings.
- 3.6 In execution of its duties, the Committee shall take into consideration the interests of all shareholders of the Bank.
- 3.7 The Committee shall aim to ensure that the proposed candidates collectively possess sufficient knowledge, skill, diversity and experience necessary for the operations of the Bank as a financial undertaking. The Committee shall i.a. perform the following tasks when preparing proposals for Board candidacy:
- a) Assess candidates, based on their qualifications, skills, experience, and knowledge considering the applicable rules on the qualifications of Board members in financial undertakings.
 - b) Evaluate the independence of potential Board members, in accordance with the Guidelines on Corporate Governance published by the Iceland Chamber of Commerce, Business Iceland and Nasdaq Iceland.
 - c) Define capabilities for board seats and assess the time commitment expected in the operations of the Board.
 - d) Seek a diverse composition of the Bank's Board of Directors and to comply with the Bank's Articles of Association, including provisions on gender equality.
 - e) Seek to avert situations where one individual or a small group of individuals become dominant in the decision making of the Board on the expense of the Bank as a whole.
 - f) Prepare and submit to the relevant shareholders meeting, the results of the suitability assessment and a formal proposal on the election of members to the Board of Directors, including a proposal for Chairman.
- 3.8 The Committee shall, at least annually, assess the structure, size, composition and performance of the Board of Directors and the CEO, i.a. based on the Board's self-assessment and interviews with individual board members and the CEO, and make recommendations for improvements to the Board as applicable. Furthermore, the Committee shall assess the knowledge, skills and experience of individual members of the Board of Directors, the Board collectively and the CEO, and report to the Board accordingly and make recommendations for improvements to the Board as applicable.



- 3.9 In performing its duties, the Committee may gather relevant information from the current Board and the Board's sub-committees. The Committee shall be independent in its work and shall have access to funds, external consultants, and other resources it may need in the performance of its duties.
- 3.10 The Committee shall assess the Bank's policy on the suitability of the management body and managers which directly answer the CEO and make recommendations for improvements to the Board as applicable.

4 Meetings

- 4.1 At its first meeting, the Committee shall appoint its Chairman and Secretary.
- 4.2 The Chairman shall ensure that a record of minutes is kept, and those minutes shall only be accessible to Committee members, unless the Committee decides otherwise.
- 4.3 A minimum of two Committee meetings shall be held each year, but otherwise as often as deemed necessary.
- 4.4 The Chairman shall convene meetings with sufficient notice. An alternate member must be called in whenever a committee member cannot attend a meeting, or participate in the handling of individual cases, due to absence, ineligibility or at his own request. The Committee constitutes a quorum when the majority of Committee members attend the meeting. The majority of votes decide issues at Committee meetings, but when votes are even, the Chairman's vote decides the issue. Important decisions may however not be taken unless all members of the Committee have had the chance to discuss the matter.

5 Confidentiality

- 5.1 The Committee shall have access to relevant information and material which the Committee deems necessary in order to carry out its duties, subject to any limitations set out by law.
- 5.2 All information obtained or created by the Committee on the Bank, including information on its operations and activities, is confidential. The same applies to all other confidential information obtained, received or prepared by the Committee.
- 5.3 Any personal data shall be processed in accordance with the applicable law.
- 5.4 Professional secrecy and confidentiality survive the expiration of Committee membership.

6 Ratification and Publication

- 6.1 The Bank publish the names of the Committee members on its website no later than six months before the Bank's annual general meeting.
- 6.2 The Committee's proposals shall be published on the Bank's website.
- 6.3 These rules shall be published on the Bank's website.