

Proposals to the Annual General Meeting 2022

17 March 2022

Íslandsbanki's Annual General Meeting will be held on Thursday 17 March 2022 at 16:00 local time, at Gullteigur conference room, Grand Hotel Reykjavík, Sigtúni 28, 105 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 with voting rights.

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 compensation to the members of the Board's sub-committees;
7. Board proposal for the Bank's Remuneration Policy;
8. Board proposal for the Bank's Nomination Committees' Rules of Procedure;
9. Board proposal on the authorisation to purchase own shares and a corresponding amendment to the Bank's Articles of Association;
10. Other matters.

Proposals of the Board of Directors:

Item no. 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 2021.

Item no. 3 – Decision on payment of a dividend

The Board of Directors proposes that ISK 11,9 billion will be paid in dividends to shareholders for the 2021 financial year. The Bank's dividend payout is approximately 50% of after-tax profits, and in line with the Bank's long-term dividend payout 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 dividends 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 18 March 2022 (Exdate) 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 21 March 2022 (Record date). The payment date of the dividend will be 28 March 2022.

Item no. 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 has invited those interested to submit their candidacies to the Board of Directors of Íslandsbanki to the Committee. Deadline for declaring candidacy to the Nomination Committee expired at 16:00 (GMT) on 21 February. The Committee will publish its proposal on 3 March 2022.

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 12 March 2022. Candidates are requested to fill out the requisite documentation, which is available [here](#).

The Nomination Committee will propose to the shareholders the candidates to serve on the Board of Directors based on shareholders' proposals and submission of candidacy and publish its proposal along with other declarations of candidacy on the Bank's website no later than two days before the Annual General Meeting. They will be made available at the Bank's headquarters at the same time.

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 Ernst & Young as the Bank's auditing firm.

On item 6 - Decision on the remuneration to the Board of Directors and compensation 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 473,000 per month and to the Chairman of the Board ISK 824,000 per month, and to the Vice-Chairman of the Board ISK 588,000 per month. In addition to that each Board member shall be paid compensation in the amount of ISK 236,000 per month for services on sub-committees of the board. In addition to this the chairmen of sub-committees shall be paid ISK 53,000 per month.

Alternate members of the Board of Directors shall be paid remuneration in the amount of ISK 236,000 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 but never higher than the monthly remuneration to members of the Board. Remuneration to each alternate member of the Board shall be at least ISK 472,000 per annum.

Explanatory notes:

The proposal entails approximately 5% increase in the remuneration to the Board of Directors and compensation to the members of the Board's sub-committees from what was approved at the Bank's Annual General Meeting in 2021.

On item 7 - Board proposal for the Bank's Remuneration Policy

It is proposed that the Bank's Remuneration Policy is approved unchanged. The Bank's Remuneration Policy can be found in Annex I to these Proposals and [here](#) on the Bank's website.

On item 8 - Board proposal for the Bank's Nomination Committees' Rules of Procedure

It is proposed that the Bank's Nomination Committees' Rules of Procedure is approved unchanged. The Bank's Nomination Committee's Rules of Procedure are available in Annex II to these Proposals and [here](#) on the Bank's website.

On item 9 - 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:

"The Annual General Meeting of Íslandsbanki hf. held on 17 March 2022 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 or by other means the Board of Directors deems favourable for the Bank and its shareholders. 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 paragraph 3 (a) of Article 84 of the Act on Financial Undertakings no 161/2002.

This authorisation shall remain in effect until the Bank's Annual General Meeting in 2023 or 15 September 2023, whichever occurs first."

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. 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. The Bank's management has recently voiced its intent to acquire own shares for approximately 15 billion ISK, the equivalent of 6% of outstanding shares. This is well within the 10% limits now proposed to the Annual General Meeting. This authorisation to repurchase the Bank's own shares will be carried out in accordance with applicable laws and regulations. Repurchase of the Bank's shares may however not take place unless the Financial Supervisory Authority has given its prior approval in accordance with the Act on Financial Undertakings no 161/2002.

It is proposed that the authorisation will expire at the Bank's next Annual General Meeting or at the latest on 15 September 2023.

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 and not encourage unreasonable risk-taking. 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, responsibility and performance 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. State's Ownership Policy for Financial Undertakings

The State's Ownership Policy for Financial Undertakings, February 2020, provides for the setting of a remuneration policy which is competitive, proportionate and not leading.

A competitive remuneration policy in this sense shall mean that the Bank should be able to attract and retain qualified employees and that the Bank can be competitive in employees, in spite of salaries paid by the Bank being below the highest salaries paid in the society.

In stating that salaries shall not be leading regard shall be had to the remuneration trend in a wide sense and the impact on the remuneration trend in general. Companies paying salaries considered among the highest in the labour market, but not the highest, should be considered leading.

Salaries being proportionate means that decisions on salary are taken with due care and not contribute an large or increased difference in salaries. Due regard shall also be had to salaries paid by companies in majority state ownership for comparable work. A large increase in salaries over a short period of time shall be avoided. It is preferable that salaries are increased on a regular basis in accordance with general trends. Salaries and other benefits in kind shall be made as simple and transparent as possible.

Article 3. Remuneration Committee

The remuneration committee of the Bank shall be comprised of three Directors of the Board. The role of the remuneration committee shall be to guide the Board of Directors and CEO in

deciding on the terms of employment of senior management. The committee shall ensure that the terms of employment of the Bank's executives are within the framework provided by the remuneration policy and report on its implementation yearly in connection with the Bank's AGM and in the Board of Directors' annual financial statements. 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 4. 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 Remuneration 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 5. 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, cf. Article 2 of this Remuneration Policy.

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 contractual period of notice shall not be longer than six to twelve months, considering tasks and responsibilities borne.

Article 6. 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 7. Remuneration policies of subsidiaries etc.

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

Moreover, the Board of Directors shall promote the guidelines provided in the State's Ownership Policy for Financial Undertakings, cf. Article 2 of this Remuneration Policy, being clearly reflected therein.

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 8. 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 9. 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 10. 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.

For approval at the Annual General Meeting of Íslandsbanki hf. 17 March 2022.

Annex II

RULES OF PROCEDURE FOR THE NOMINATION COMMITTEE OF ÍSLANDBANKI

1. ROLE AND OBJECTIVE

- 1.1. The role of the Nomination Committee (the “**Committee**”) is to propose 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.
- 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 of experience as regards knowledge, experience and background based on the policies, needs and operations of the Bank; and
 - to ensure nominated group is sufficiently diverse.

2. COMMITTEE COMPOSITION

- 2.1. The members of the Nomination Committee shall be three and they shall be elected for one year at a time by the Board of Directors.
- 2.2. Managers or employees of the Bank shall not serve as members of the Committee.
- 2.3. The Chairman of the Board shall always be one of three members of the Committee but shall not chair the committee. The other two Committee members shall be independent of the Bank and its day-to-day management. One of those Committee members shall further be independent of the of the Bank’s shareholders who own a qualifying holding, or any such group of shareholders acting in concert and owning a combined qualifying holding. The same criteria shall apply to the assessment of independence of Committee members as applies to the assessment of the independence of Board members.
- 2.4. The appointment of Committee members shall be based on their relevant knowledge and experience as well as taking gender equality into account. Having regard to the proposal of the Board Corporate Governance and Human Resource Committee, the Bank’s Board shall decide on the remuneration of the Committee members.

3. RESPONSIBILITIES

- 3.1. The Committee has an advisory role with regards to the election to the Bank’s Board.
- 3.2. The Committee shall put forth a proposal at the Bank’s annual general meeting, or other extraordinary shareholders meetings where Board election is on the agenda, containing candidates to serve on the Board of Directors.
- 3.3. The Icelandic State Financial Investments shall nominate members for election to the Board in proportion to its shareholdings in the Bank at the time of election. The Icelandic State Financial Investments will identify that number of board candidates to the Committee 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.
- 3.4. Subsequently, the Committee shall, as soon as possible, 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.

- 3.5. The Committee shall then propose to the shareholders, the candidates to serve on Board and publish its proposal along with other declarations of candidacy at least 10 business days prior to the relevant shareholder 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.
- 3.6. Proposals of the Committee shall include reasons for the proposal of each candidate with references and explanations for the qualifications, 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.
- 3.7. In execution of its duties, the Committee shall take into consideration the interests of all shareholders of the Bank.
- 3.8. 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 Icelandic Guidelines on Corporate Governance published by the Iceland Chamber of Commerce, Business Iceland and Nasdaq Iceland.
 - c) 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) 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.
- 3.9. In execution of 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 may engage with external consultants for the execution of its tasks which shall be independent of the Bank, its management and the Bank's Board of Directors.

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. The Committee is competent to make decision 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.

For approval at the Bank's Annual General Meeting on 17 March 2022.