

Board Proposal for amendments to proposed Remuneration Policy at the Bank's shareholders meeting 30 June 2025

Since the proposals for the shareholders' meeting were published on the Islandsbanki's website on 9 June 2025, several shareholders have submitted suggestions for amendments, which the Board considers beneficial and in the interest of the matter. The Board wants to accommodate the shareholders' suggestions and intends to propose the following amendments at the shareholders' meeting:

Proposal for amendment to Article 7.2 of the proposed Remuneration Policy at the shareholders meeting 30 June 2025.

7.2. Incentive Scheme

The board, following the opinion of the Corporate Governance and Human Resources Committee and the board's Risk Committee, may adopt an incentive scheme authorizing the bank to award incentive pay to staff, including the CEO and managing directors.

In this context, "incentive pay" refers to remuneration linked to specific performance criteria and not part of fixed compensation, where the final amount is not pre-determined.

The board shall ensure that no incentive payments are made unless minimum benchmarks for return on equity have been met, and ~~incentives~~ incentives shall only be granted based on predefined, measurable financial and non-financial performance indicators, such as capital ratios, liquidity ratios, safety metrics, financial health, cost efficiency, customer satisfaction, regulatory compliance, and employee performance.

Total incentive compensation may not exceed 25% of annual salary. Payments must be deferred in accordance with applicable laws. Under current law, at least 40% must be deferred for at least four years; for the CEO and executives reporting directly to the CEO, deferral must be five years. Deferral is not required if the incentive is 10% or less of annual salary.

Board members and staff in risk management, internal audit, or compliance functions shall not receive incentive pay. The scheme shall apply to all other permanent staff.

Incentives may be paid in cash, shares, share-linked instruments, other financial instruments, or a combination thereof, as permitted by law. In cases where an incentive is paid in the form of shares in the bank, the price shall not be set lower than the weighted average price of the bank's shares in transactions over the ten full trading days preceding the payment.

If the incentive exceeds 10% of the employee's annual salary, at least half must be paid in shares or equivalent instruments.

The bank may, under the scheme terms, cancel or reclaim incentive pay (in whole or part) if performance conditions change—e.g., in the case of deteriorating performance, misconduct, or violation of duties.

The incentive scheme shall be aligned with this policy and published on the bank's website.

Proposal for amendment to Article 9 of the proposed Remuneration Policy at the shareholders meeting 30 June 2025.

Article 9 - Disclosure

The board shall disclose remuneration of directors, the CEO, and managing directors at AGMs in a report on the implementation of the Remuneration Policy. The report shall detail the main aspects of the

incentive scheme, including paid and accrued incentive pay, along with information on the bank's total commitments and payments due to incentive pay, and explain the implementation of the previously approved remuneration policy. The board shall publish the report no later than two weeks before the annual general meeting, present its content at the meeting, and submit it to the shareholders for confirmation. Additionally, the annual financial statements shall disclose the total remuneration of key employees in accordance with accounting rules, accordance with Article 79a of Act No. 2/1995 on Public Limited Companies and Act No. 161/2002 on Financial Undertakings.

This policy shall be published on the bank's website.

Proposal to amend the explanatory notes of the proposed Remuneration Policy at the shareholders meeting 30 June 2025

It is proposed that the following sentence in the first sentence of the third paragraph of the explanatory notes with the Board's proposal for changes to the remuneration policy be deleted:

~~At all times, and following the opinion of the Corporate Governance and Human Resources Committee, the Board shall define in advance how returns exceeding the ROE threshold are to be distributed between shareholders and employees, in a transparent manner that aligns the long-term interests of the Bank, its shareholders, and its employees.~~