



ANNUAL GENERAL MEETING 2022





Welcome



**Practice question:
“Does everyone have
their coffee yet“**



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 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



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 for the
preceding year of
operation**



A powerful year behind

Íslandsbanki listed on the Nasdaq Iceland stock exchange



+15.000 shareholders



Largest IPO in Icelandic history

Strong year for all business units



12.3% ROE



16% increase in total operating income



46.2% C/I ratio

Strong together¹



Job satisfaction 4.24

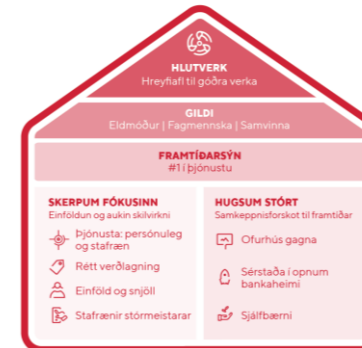


Teamwork 4.67



Leadership index 4.54

A force for good



1. On a scale of 1-5 where 5 is highest



ROE above 10% as financial targets are revised

Strong performance calls for revised targets

Targets	Revised	Previous	4Q21	2021
Return on equity¹	>10%	8-10% by 2023 >10% long-term	14.2% ✓	12.3% ✓
Cost-to-income ratio²	<45%	<45% by 2023	45.3% ✓	46.2% ✓
CET1 capital ratio³	~16.5%	>16% Total capital ratio: 18.3-19.8%	21.3% ✓	21.3% ✓
Dividend-payout-ratio	unchanged	~50%		50% ✓

1. ROE excluding one-off cost is 12.9% for 2021, one-off cost for 2021 is ISB 663m. 2. Calculated as (Administrative expenses + Contribution to the Depositors' and Investors' Guarantee Fund – One-off items) / (Total operating income – One-off items). 3. Long term CET1 capital target is subject to regulatory requirements and includes a management buffer of 50-200bp.



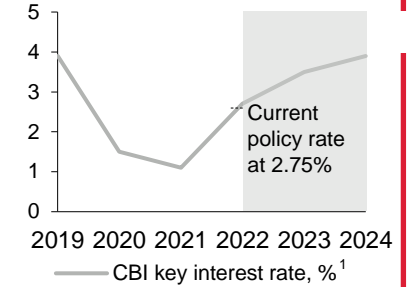
Highly attractive capital return and growth opportunity

A solid strategy built on strong foundations



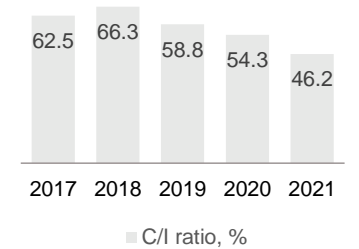
Growth

- Loans to customers and revenues, in general, **to grow** in line with **nominal GDP** growth through the business cycle



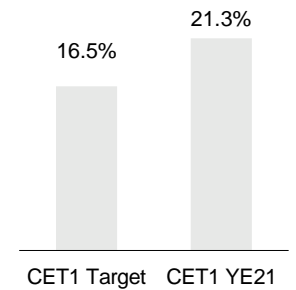

ROE

- **Target of >10%** supported by growth, cost control and capital optimisation
- **Cost to remain broadly flat** from 2021 to 2023




Financial strength

- **ISK 11.9bn in ordinary dividend** to be proposed to AGM, in line with dividend policy
- **ISK 40bn in excess capital**, post ordinary dividend
- **ISK 15bn buyback of own shares** in the coming months



1. Shaded area: Forecast, ISB research



INCOME STATEMENT





Income statement

Consolidated

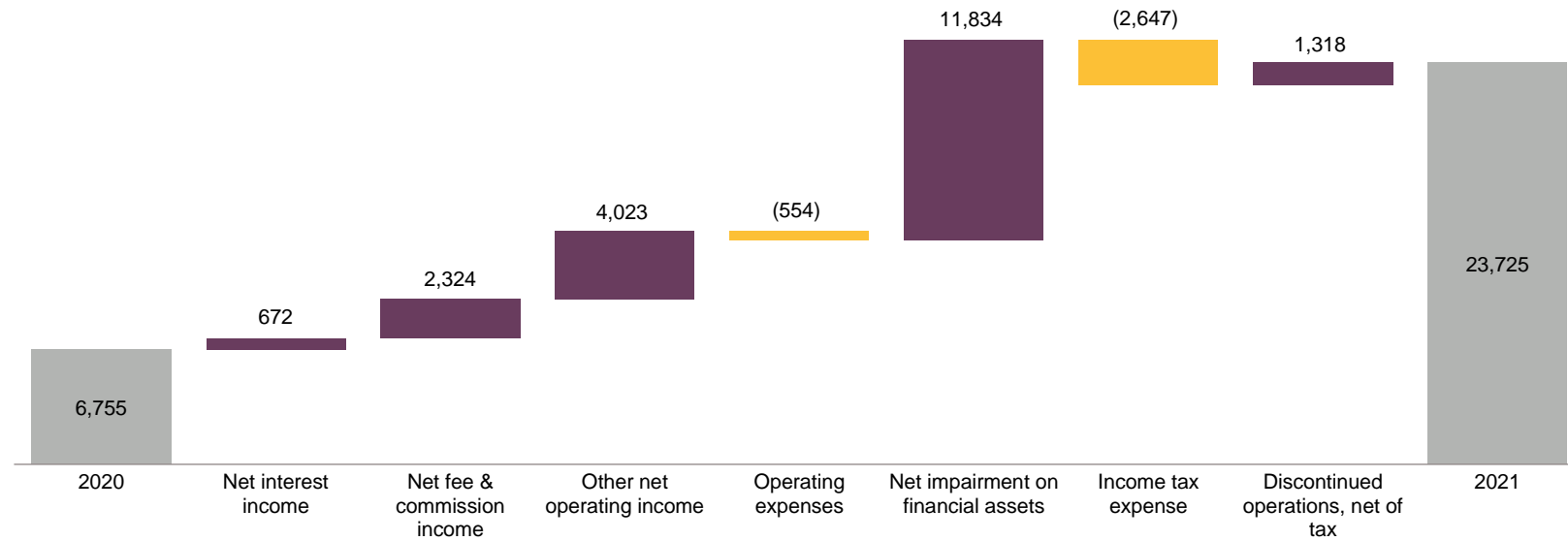
Income statement, ISKm	2021	2020	Δ
Net interest income	34,043	33,371	672
Net fee and commission income	12,849	10,525	2,324
Net financial income (expense)	2,499	(1,391)	3,890
Net foreign exchange gain	479	451	28
Other operating income	302	197	105
Total operating income	50,172	43,153	7,019
Salaries and related expenses	(13,397)	(12,917)	(480)
Other operating expenses	(9,799)	(9,829)	30
Administrative expenses	(23,196)	(22,746)	(450)
Contribution to the Depositor's and Investors' Guarantee Fund	(688)	(679)	(9)
Bank tax	(1,683)	(1,588)	(95)
Total operating expenses	(25,567)	(25,013)	(554)
Profit before net impairment on financial assets	24,605	18,140	6,465
Net impairment on financial assets	3,018	(8,816)	11,834
Profit before tax	27,623	9,324	18,299
Income tax expense	(5,119)	(2,472)	(2,647)
Profit for the period from continuing operations	22,504	6,852	15,652
Discontinued operations held for sale, net of income tax	1,221	(97)	1,318
Profit for the period	23,725	6,755	16,970



Profitability increased greatly between years

Stronger economic recovery and resilient borrowers drive performance

Net profit – 2020 vs 2021
ISKm

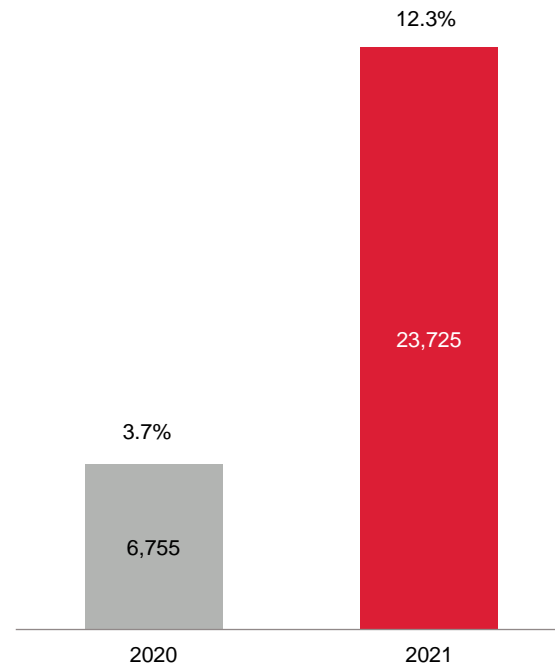




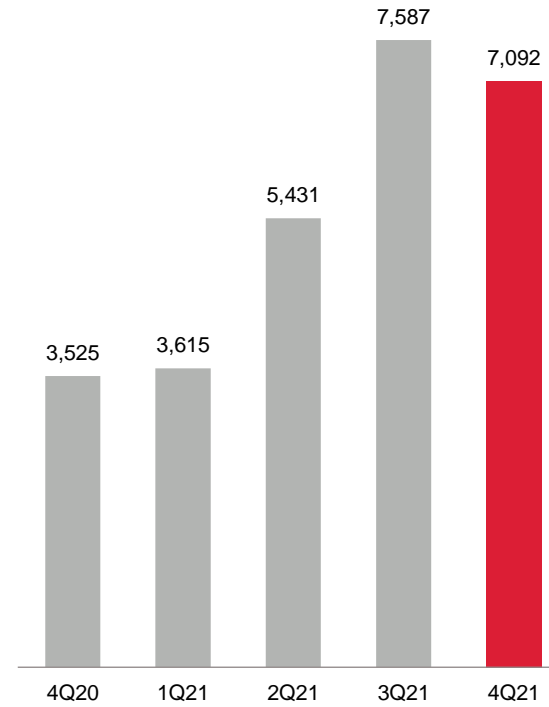
Profitability exceeded financial targets

Great performance in all business units

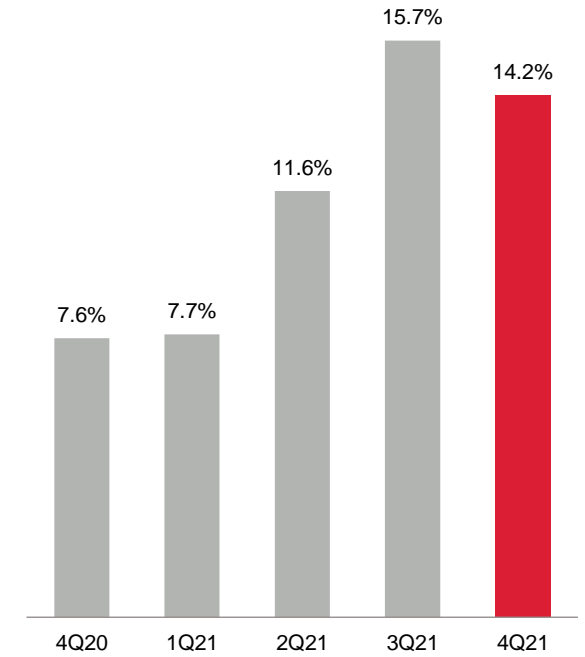
Net profit and ROE
ISKm



Profit for the period
ISKm



Return on Equity
%

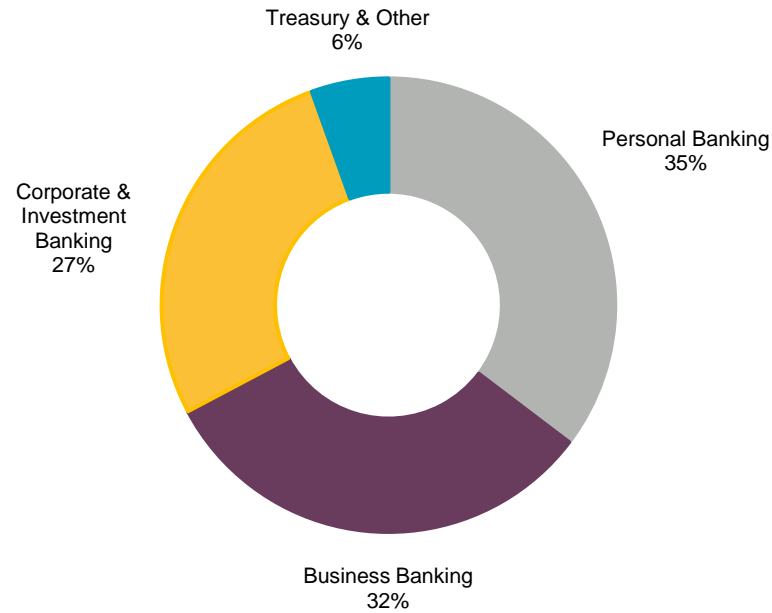




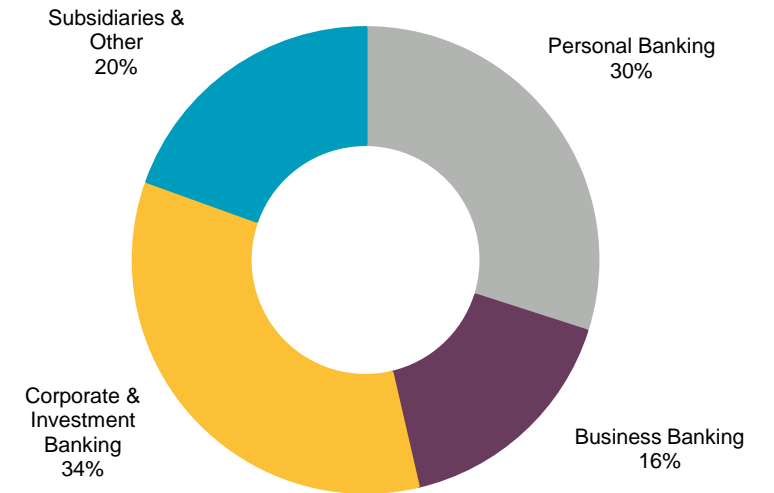
Well diversified between business units and type of income

NIM remained stable and AuM increased by 20%

Net interest income
%



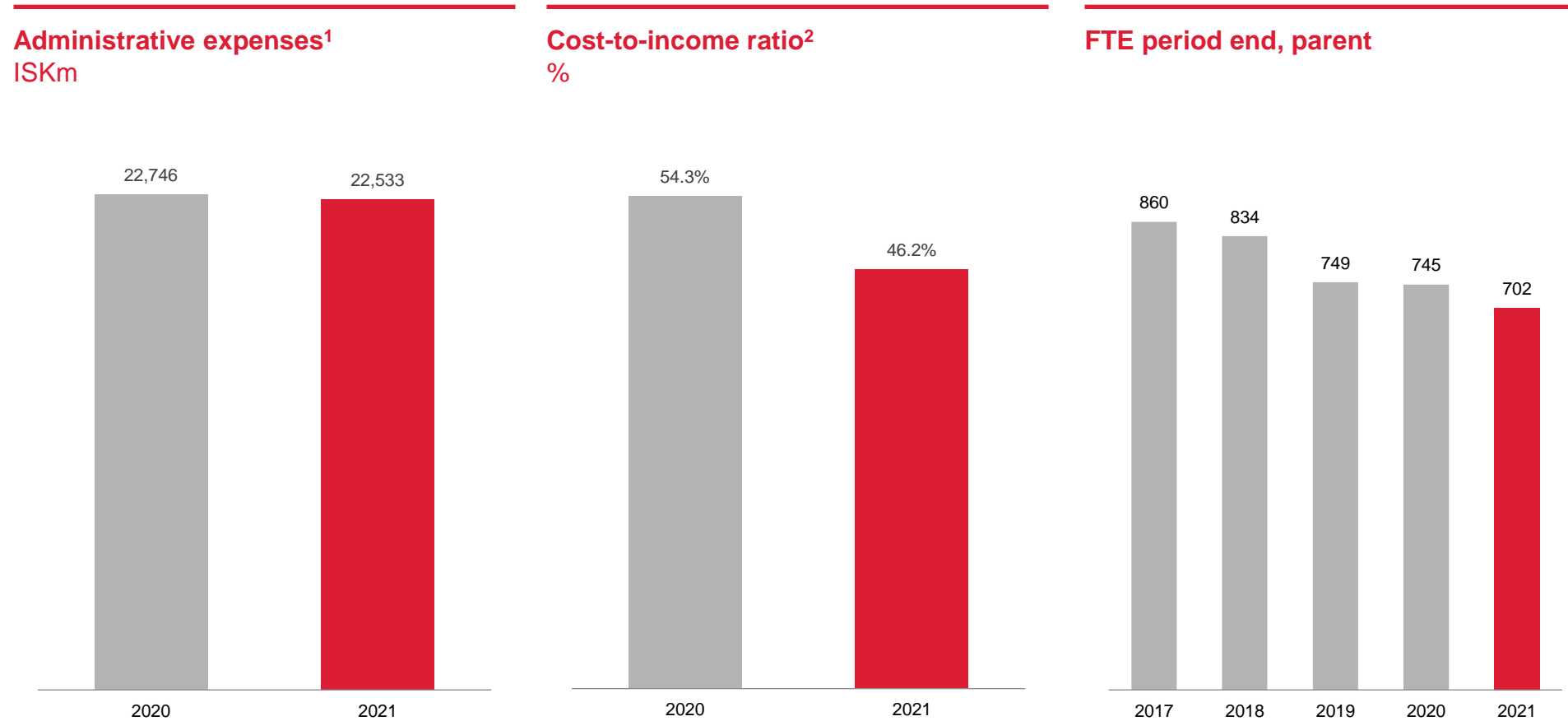
Net fee and commission income
%





Cost-to-income ratio close to the Bank's target

Real cost reduction of 2.2% in 2021



1. Excluding one-off cost related to the Bank's IPO of ISK 663m 2. Calculated as (Administrative expenses + Contribution to the Depositor's and Investors' Guarantee Fund – one off items) / Total operating income – one-off items).

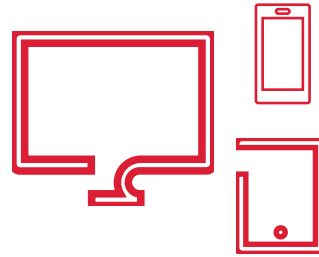


Customer touchpoints in 2021

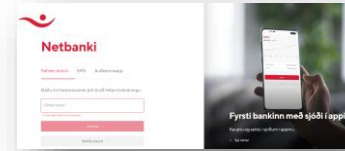
Digital touchpoints reached new heights in 2021



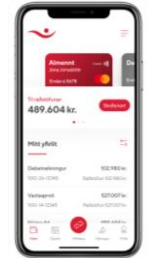
1,100,000 offers activated in customer loyalty system, Fríða



Visits to the ISB website 10,700,000



Logins to Online bank 8,900,000



Logins to app 26,500,000



Calls to advisory centre 265,000



Visits to branches 236,000



Online chat and chatbot Fróði 80,454



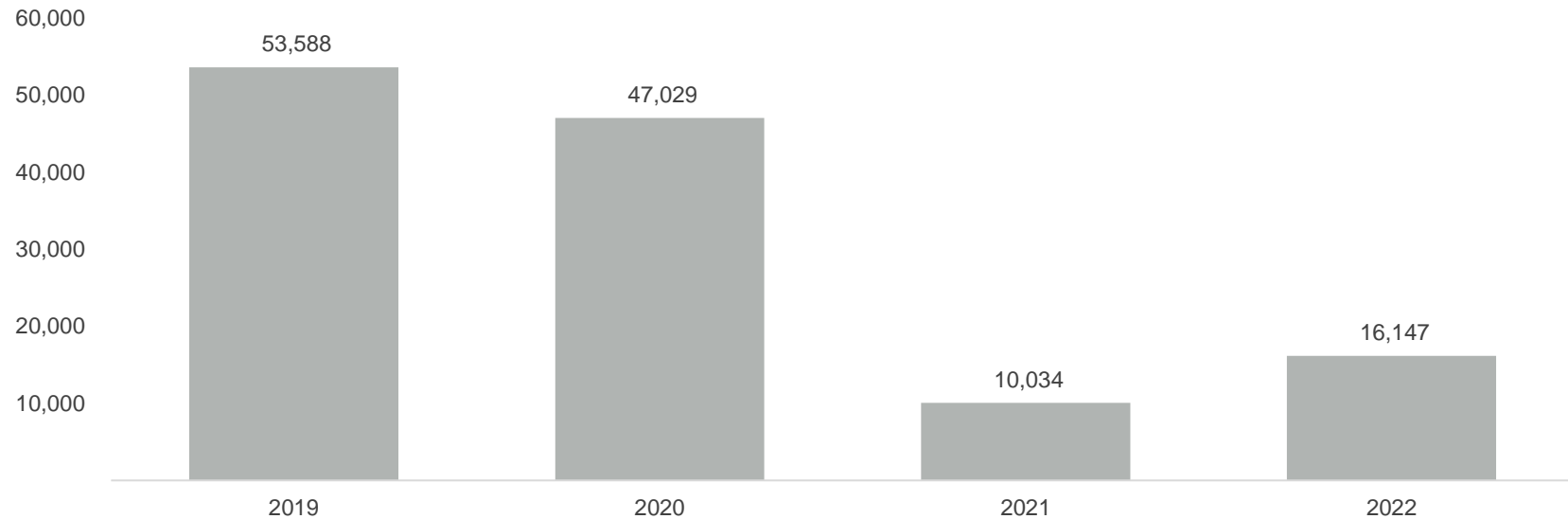
Active customers +170,000



70% decrease in visits to branches from 2019

Customers choose digital solutions to conduct their daily banking activities

Branch visits in January for each year respectively¹



1. In 2021, branches were temporarily closed due to COVID-19



BALANCE SHEET





Balance sheet – assets

Consolidated

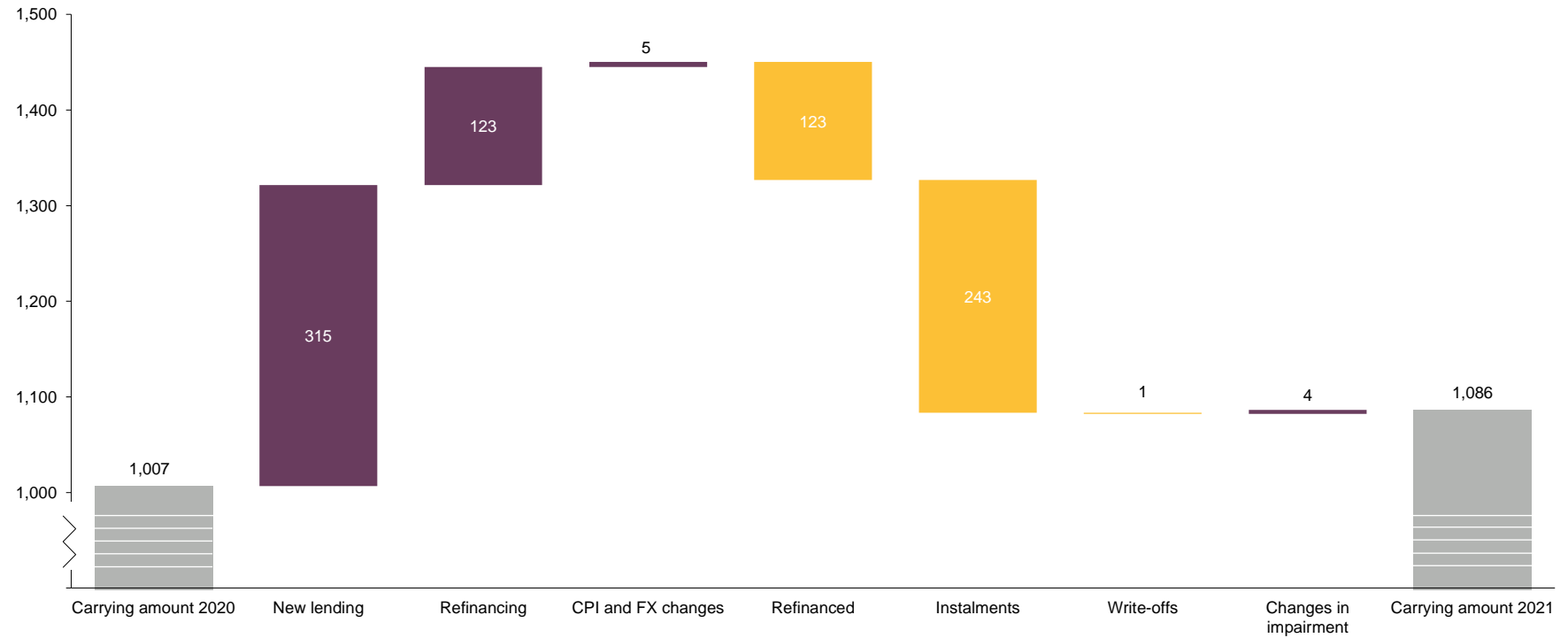
Assets, ISKm	31.12.21	31.12.20	Δ
Cash and balances with Central Bank	113,667	78,948	34,719
Loans to credit institutions	43,988	89,920	(45,932)
Bonds and debt instruments	132,289	128,216	4,073
Derivatives	2,445	6,647	(4,202)
Loans to customers	1,086,327	1,006,717	79,610
Shares and equity instruments	31,677	14,851	16,826
Investment in associates	939	775	164
Property and equipment	7,010	7,341	(331)
Intangible assets	3,351	3,478	(127)
Other assets	5,784	4,125	1,659
Non-current assets and disposal groups held for sale	1,344	3,173	(1,829)
Total Assets	1,428,821	1,344,191	84,630



Loans to customers grew by 8% in the year

New lending was ISK 315bn in the year 2021 compared to ISK 309bn in the year 2020

The main sources of changes in the net carrying amount of loans to customers
Net carrying amount, ISK bn

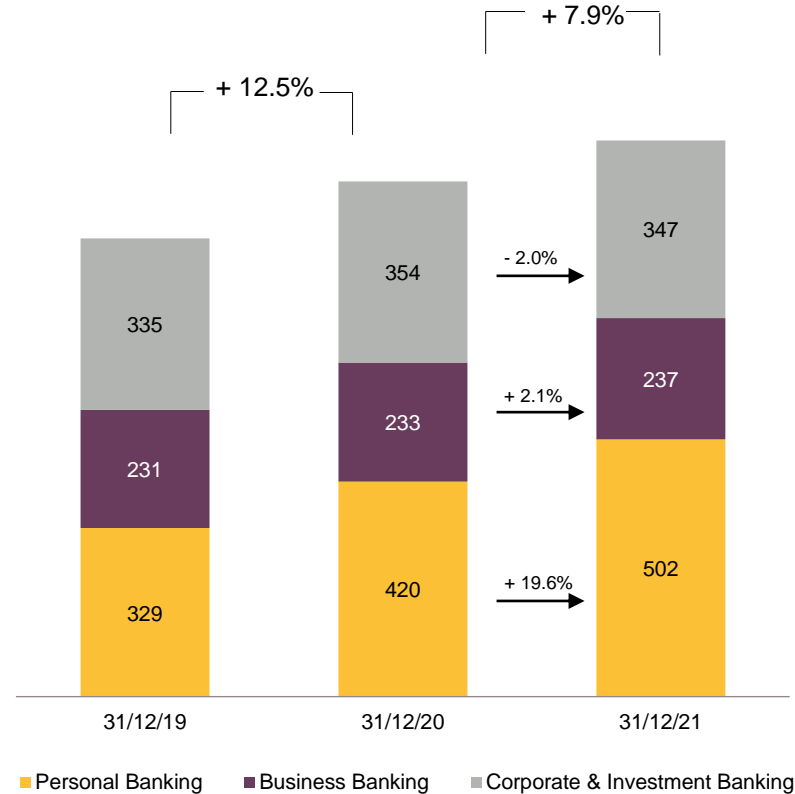




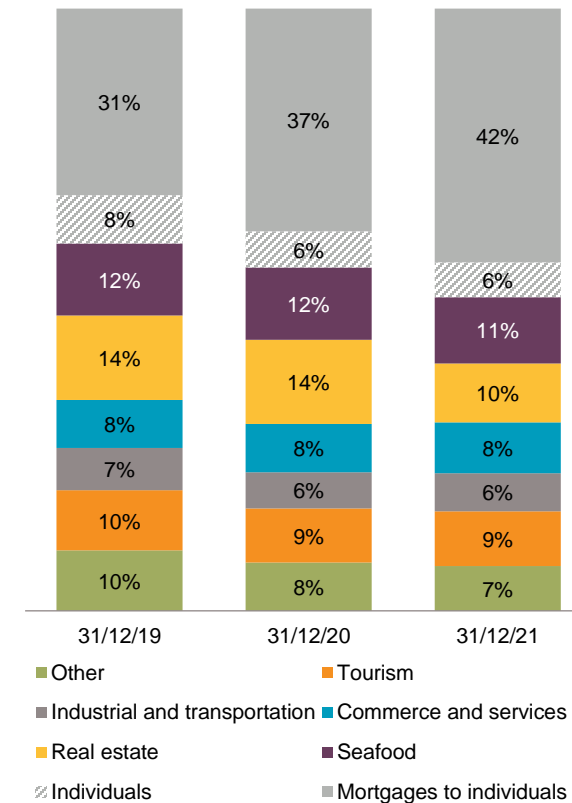
Well diversified and well distributed loan portfolio

Lending in Personal Banking increased by 20%, mainly driven by mortgages

Loans to customers
By business division, ISKbn



Loans to customers
By sector

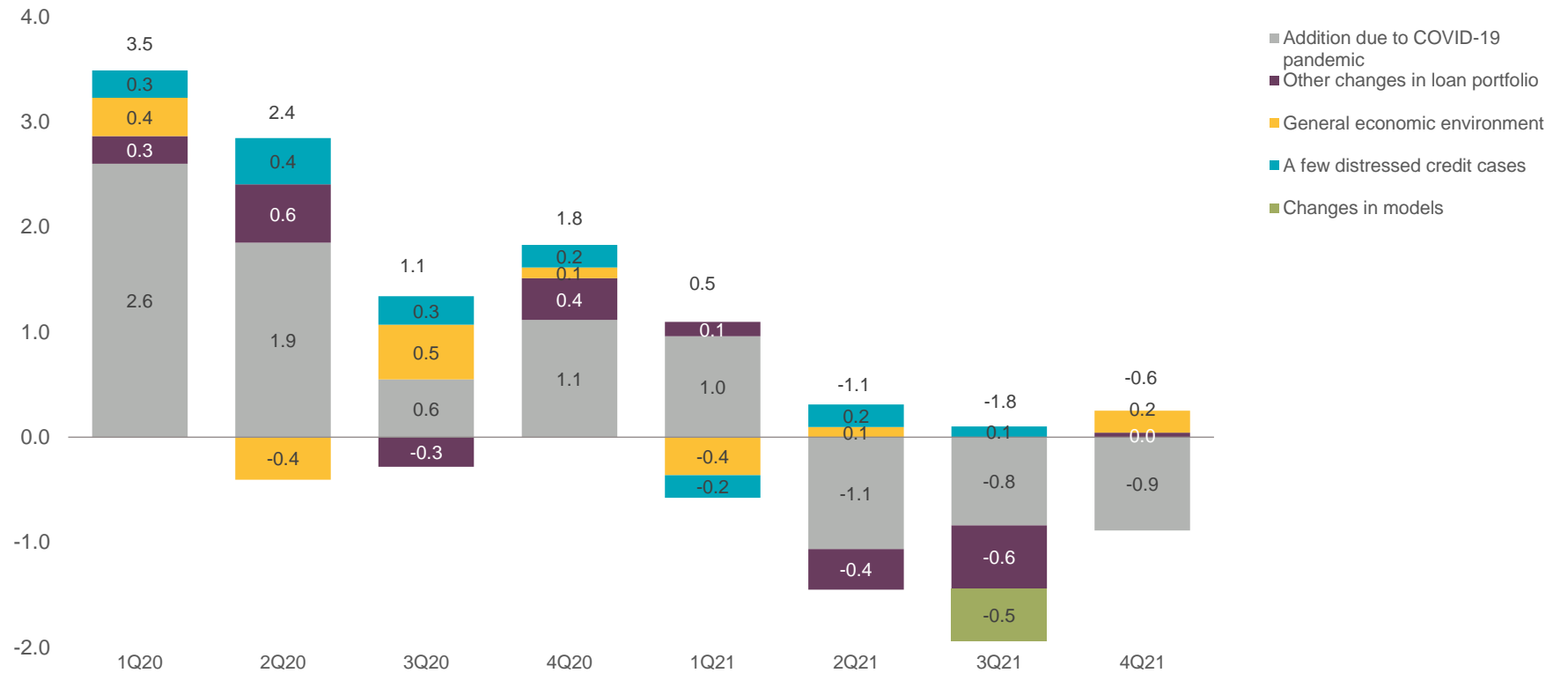




Positive net impairment in 2021 as the economy recovers

Tourism sector in better shape than feared

Net impairment on financial assets
ISKbn





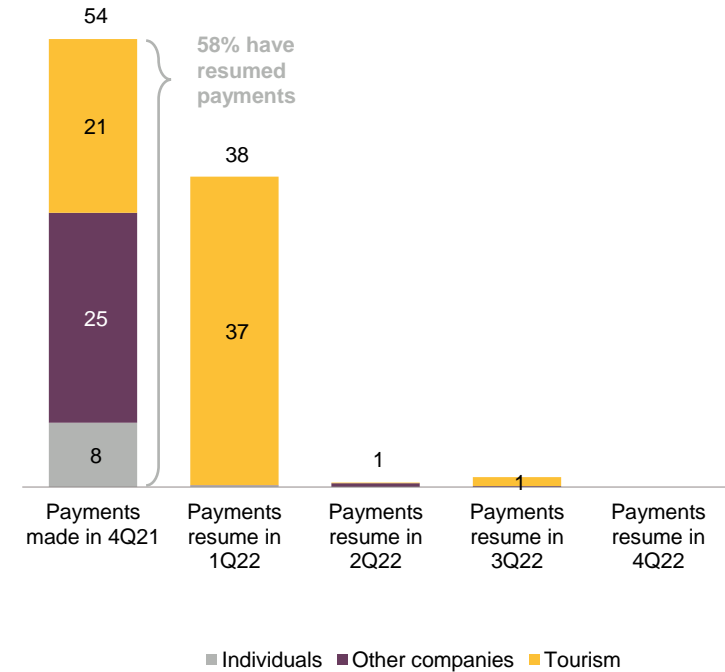
COVID-19 impact on forbearance loans gradually receding

Majority of moratoria borrowers have resumed payments

Performing loans with forbearance
Gross carrying amount, ISKbn



Indication on when payments resume after moratorium
Gross carrying amount, ISKbn





Balance sheet – Liabilities and equity

Consolidated

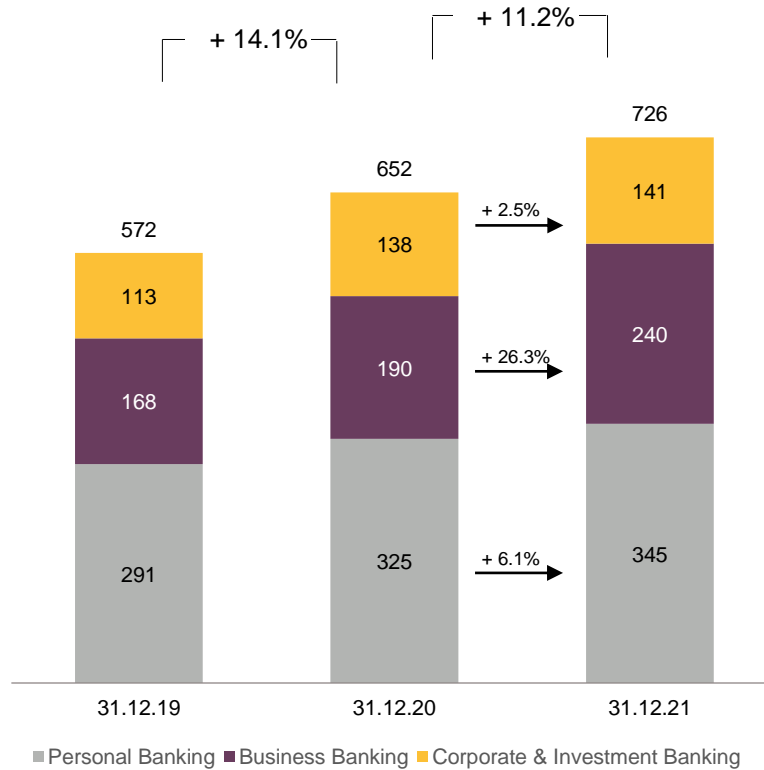
Liabilities & Equity, ISKm	31.12.21	31.12.20	Δ
Deposits from Central Bank and credit institutions	13,384	39,758	(26,374)
Deposits from customers	744,036	679,455	64,581
Derivative instruments and short positions	9,467	6,936	2,531
Debt issued and other borrowed funds	402,226	387,274	14,952
Subordinated loans	35,762	27,194	8,568
Tax liabilities	6,432	5,450	982
Other liabilities	12,848	11,893	955
Non-current liabilities and disposal groups held for sale	956	27	929
Total Liabilities	1,225,111	1,157,987	67,124
Total Equity	203,710	186,204	17,506
Total Liabilities and Equity	1,428,821	1,344,191	84,630



Deposits from customers increased by 10% in 2021

Diversified funding where deposits remain the largest source of funding

Deposits from customers ISKbn



Funding



146%
Customer loans to customer deposits ratio



ISK 39bn
Issue of covered bond in 2021



ISK 4bn
Sustainable funding



EUR 300m
Sustainable funding



BBB/A-2
Rating with stable outlook

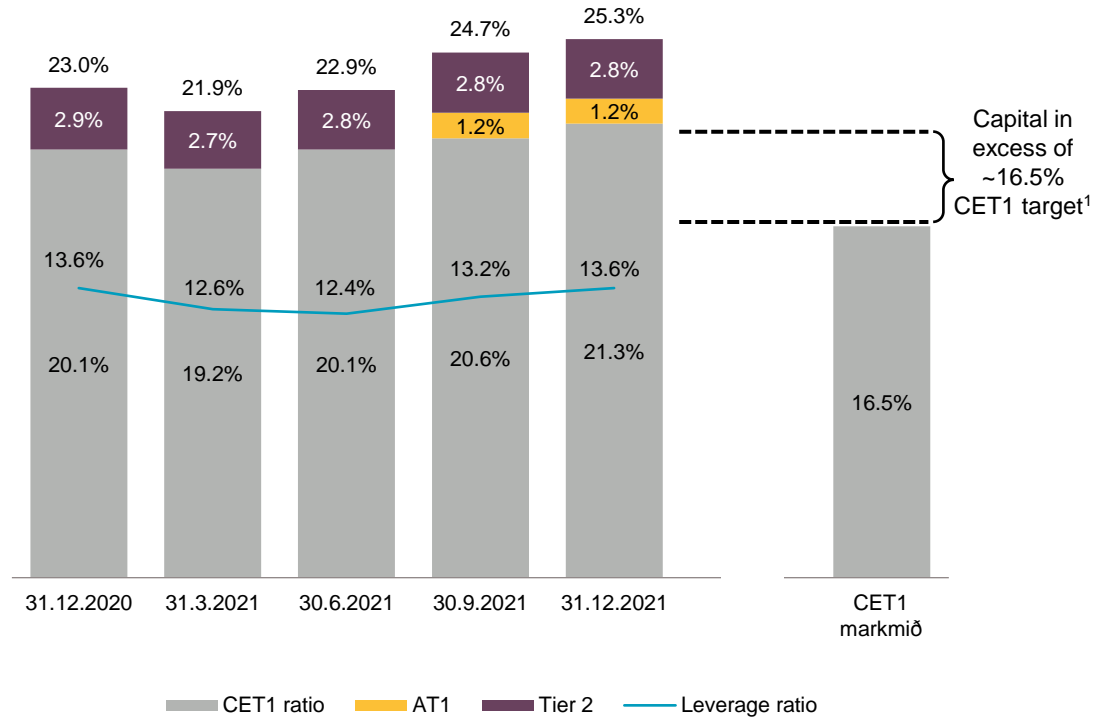


Strong capital position and dividend capacity

Opportunity to optimise capital composition and continue consistent delivery of ordinary dividend

Capital ratios and leverage ratio

% of REA (% of total exposure for leverage ratio)



1. Excess CET1 capital is based on CET1 ratios at YE 2021, where ordinary dividend in line with the Bank's dividend policy has been excluded in the ratio



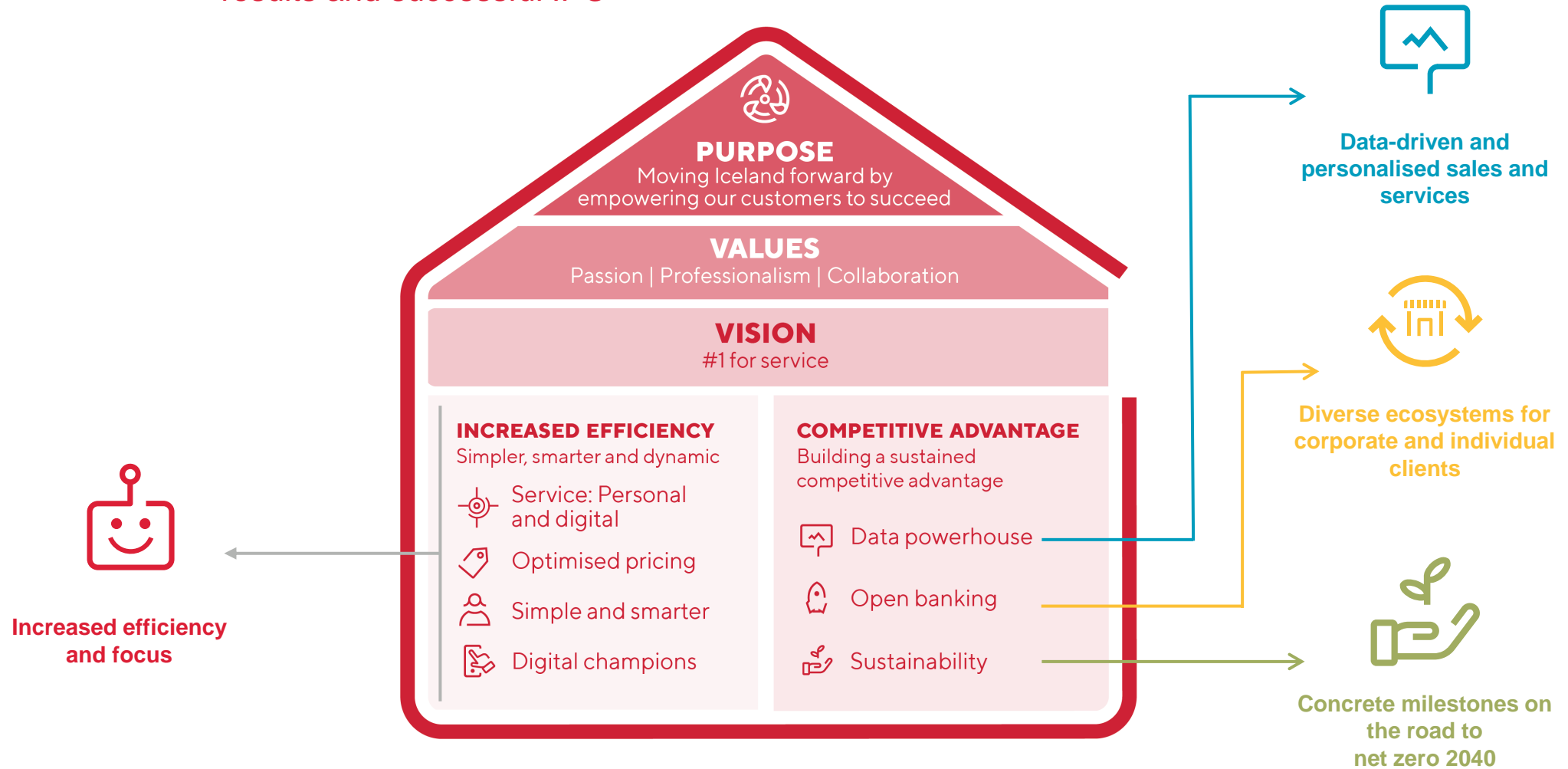
A FORCE FOR GOOD





Íslandsbanki's four strategic themes in 2022

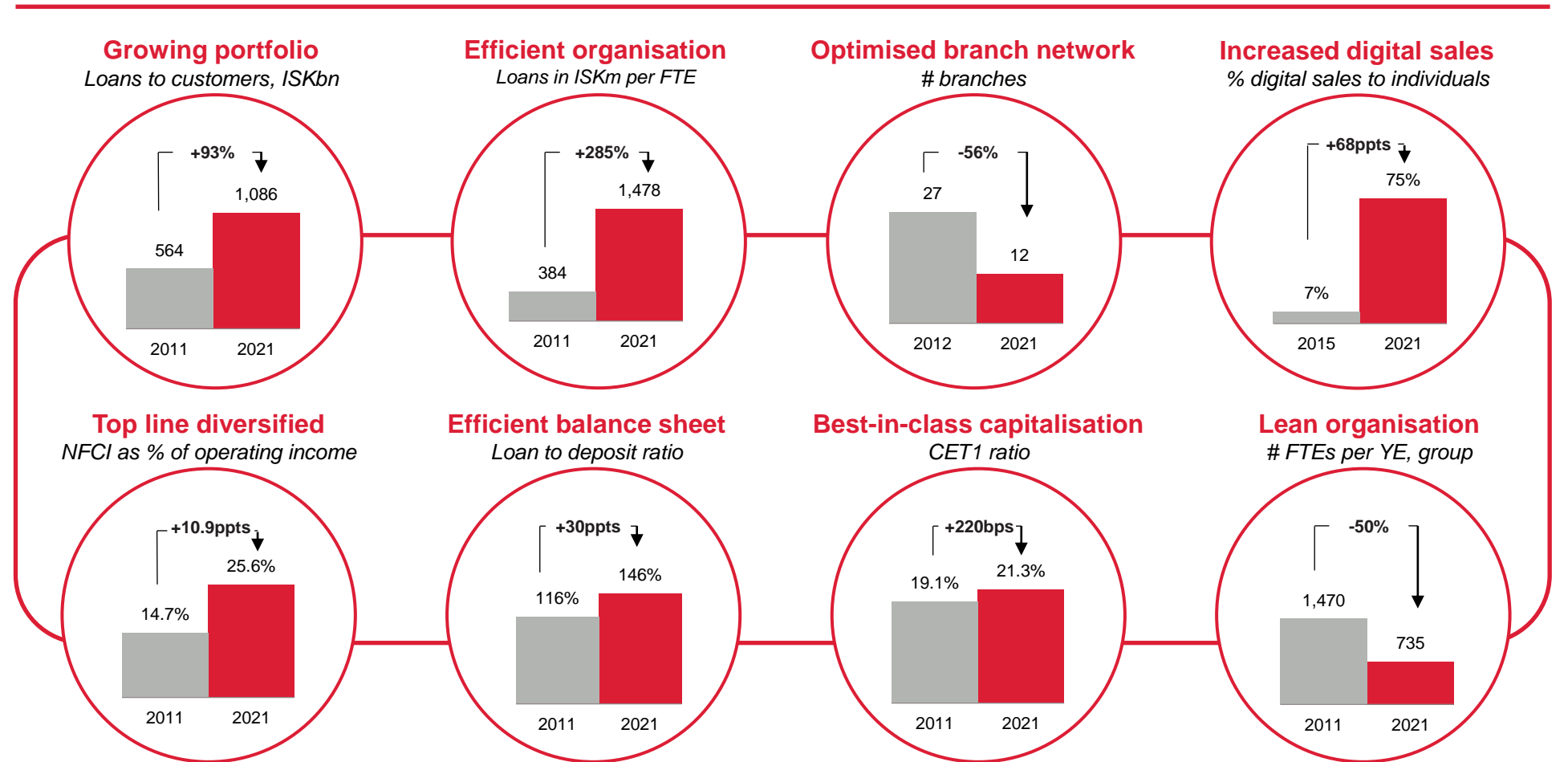
The strategy house has served the Bank well as is reflected in the latest results and successful IPO





Strong track record of disciplined strategy execution

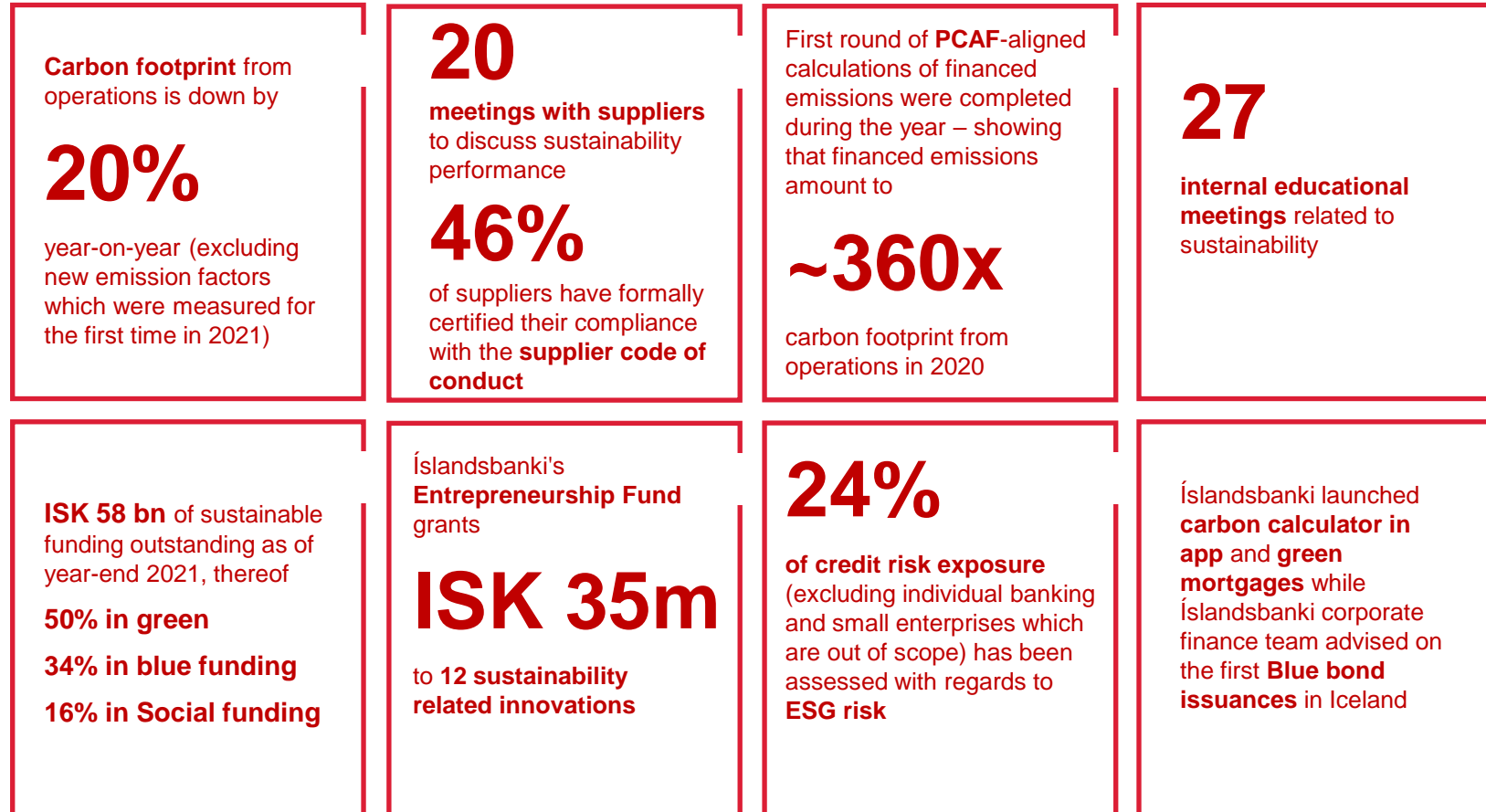
The journey for the 10 years has been transformational and there were positive developments across the line in 2021 as well





Key sustainability milestones

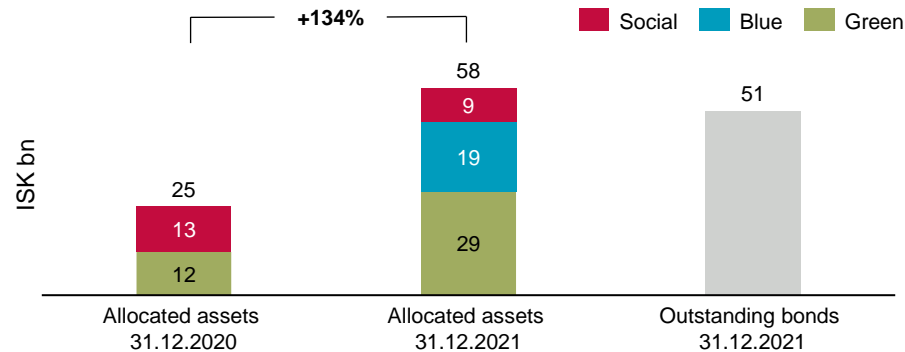
Íslandsbanki committed to achieve carbon neutrality by 2040 in 2021



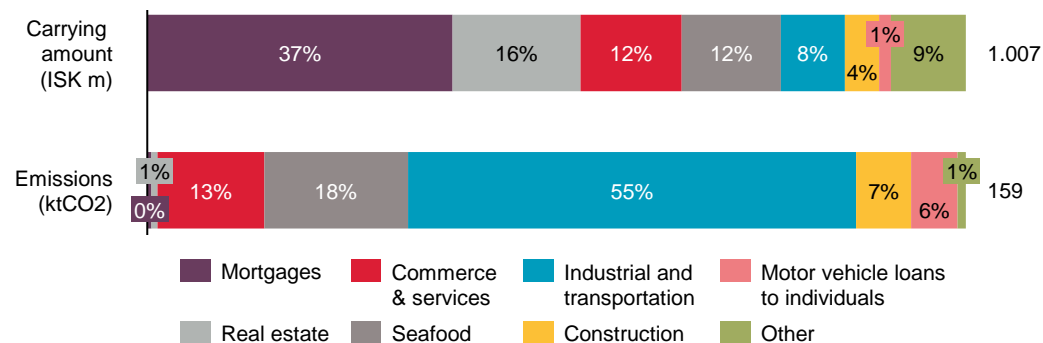
The sustainability journey and objectives ahead in 2022

Increasing sustainable lending and mapping out path to net-zero emissions in 2040 are the Bank's biggest sustainability priorities in 2022

Sustainable lending more than doubled and outpaced outstanding bonds by year-end



Industrial and transportation account for 55% of emissions from loan book in 2020, although only 8% of carrying amount



Sustainability goals for 2022 include

- Present **officially validated science-based targets** for short- and medium term financed emissions
- Increase sustainable lending by ISK 40bn
- >70% of credit exposure 'in scope' to be ESG risk rated by year-end
- Reduce operations-related carbon footprint by 40% from 2019-2022
- Further increase customer access to and awareness of **sustainable savings options**





Approval of the Bank's annual financial statements for the preceding year of operation

The Board of Directors proposes the approval of the Bank's Annual Financial Statements for the year 2021.



3

Decision on payment of a dividend





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.



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



Election of the Bank's Board of Directors, alternate directors and the Chairman of the Board

Finnur Árnason is up for election for the Chairman of the Board of Directors.

Moreover, the six candidates up for election for the Board of Directors are the following:

- Anna Þórðardóttir
- Ari Daníelsson
- Frosti Ólafsson
- Guðrún Þorgeirsdóttir
- Heiðrún Jónsdóttir
- Tanya Zharov

The two candidates up for election as alternate members of the Board of Directors are the following:

- Herdís Gunnarsdóttir
- Páll Grétar Steingrímsson

Because the Board is to be composed of seven members and two alternates, it is clear that the aforementioned parties are elected by acclamation as Board members.



5

Election of an auditor



Election of an auditor

It is proposed that the AGM of the Bank elects Ernst & Young as the Bank's auditing firm.



6

Decision on the remuneration to the Board of Directors and compensation to the members of the Board's sub-committees



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.



7

Board proposal for the Bank's Remuneration Policy



Board proposal for the Bank's Remuneration Policy

It is proposed that the Bank's Remuneration Policy is approved unchanged.



Proposal from Ese79 ehf.

The person holding the power of procuration for ESE79 ehf. has requested that the following proposal be presented at the AGM.

The shareholders' meeting agrees that no stock purchase plan will be introduced for shares in the Bank. The Bank will formulate a policy of compensating all of its employees on terms commensurate with the responsibilities and pressures accompanying their work, and stock purchase plans are not and will not be part of those terms of employment.

Comments on the proposal:

It will strengthen the Bank's position vis-à-vis the public and shareholders alike if the Bank sets clear boundaries between the interests of employees, shareholders, and customers from the outset. Over time, stock purchase plans have been shown to be a corrupt arrangement that leads to conflicts of interests, and the enormous profits that managers have been able to gain from them has been controversial. Adopting this proposal will achieve consensus and solidarity with the general public in Iceland, who are opposed to stock purchase plans.



8

Board proposal for the Bank's Nomination Committees' Rules of Procedure



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.



9

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



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."



Proposed amendment from Gildi Pension Fund

Gildi Pension Fund proposes that the following amendments be made (text featuring strikethrough to be deleted; underlined text to be added):

“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, e.g. through auction ~~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.”



10 Other matters

