

Translation from Icelandic

Íslandsbanki hf. Board of Directors
att'n: Hallgrímur Snorrason, Chairman
Hagasmári 3, 201 Kópavogur

Reykjavík, 7 March 2022

Re: Proposed amendment and position in connection with the Annual General Meeting, 17 March 2022

With reference to the advertisement announcing the Annual General Meeting of Íslandsbanki hf., Gildi Pension Fund requests that the following position be made known concerning Item 8 on the agenda, and that the following proposed amendment concerning Item 9 on the agenda be considered at the Annual General Meeting:

Item 8: Nomination Committee protocols

Gildi Pension Fund abstains from voting on the Bank's Nomination Committee protocols. It is requested that the meeting chairman make this position known and have it entered in the minutes. In the Fund's opinion, it is timely and appropriate that the arrangements for the Nomination Committee be reviewed; i.e., that Committee members be elected directly at the Annual General Meeting.

The involvement of Icelandic State Financial Investments (ISFI) in the Committee's activities is noteworthy, and it appears that the Nomination Committee's work is largely limited to proposing Board members other than those nominated by ISFI. Even though the Icelandic Government is the Bank's largest shareholder, this arrangement is unusual and merits review, in the Fund's opinion.

Item 9: Proposal concerning authorisation to purchase own shares and corresponding amendment to the Articles of Association

It is proposed 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."

Comments on the proposed amendment:

The existing proposal from the Board assumes that the Board will in effect be granted an open authorisation to repurchase the Bank's shares if such transactions are deemed by the Board to be favourable for the Bank and its shareholders.

The proposed amendment assumes that this authorisation will be deleted from the existing proposal, so that the authorisation will apply solely to the establishment of a formal share repurchase program, or to a general repurchase offer made to shareholders on a non-discriminatory basis; e.g., via auction.

Share repurchase is an element in disposition of the Company's funds to its shareholders, and they are a means of delivering value to shareholders, directly or indirectly. It is therefore appropriate that such disposition be carried out in a manner ensuring that the invitation to participate in the transactions concerned does not discriminate among shareholders.

For this reason, no comment is made about the Company's being authorised to hold a share repurchase auction, provided that shareholders receive equal treatment as regards the invitation to participate in the transactions, as is further assumed in the Board's proposal. On the other hand, it is not considered appropriate that the Company be potentially authorised to make a repurchase offer to individual shareholders (such as the Icelandic Government) or shareholder groups without other shareholders' having the opportunity to participate. The proposed amendment includes a minor change in the location of the text "e.g., via auction" so as to emphasise that non-discrimination shall be observed in all cases, irrespective of what method is used.

If the Company has funds for disposition to shareholders, it is appropriate that they be delivered to shareholders in a general manner. This could be done, for instance, with dividend payments, with a general share repurchase program featuring a predetermined and preannounced repurchase method and amount, or with a general offer to shareholders. Making offers to a single shareholder or a limited group of shareholders without simultaneously giving other shareholders the opportunity to participate is undesirable, in the Fund's opinion. Depending on the circumstances in any given case, it is possible that shareholders would not be interested in indirectly increasing their investment in the Company and would be interested in selling shares on the same terms.

In the Fund's opinion, it is necessary that the Board's authorisations for share repurchase be explicit and clearly demarcated as regards scale, purpose, and pricing. Gildi Pension Fund therefore presents this proposal so as to clarify and limit the Board's authorisation for share repurchase.

Reykjavík, 7 March 2022

Gildi Pension Fund