



# Íslandsbanki hf. Annual General Meeting

18 March 2021

Íslandsbanki hf. held its Annual General Meeting at Íslandsbanki headquarters in Norðurtúrn, Hagasmári 3, Kópavogur on Thursday 18 March 2021 at 15:00 hrs.

The agenda of the meeting was as follows:

1. Meeting called to order
2. Report from the Board of Directors on the Bank's operations in 2020
3. Approval of the Bank's accounts for 2020
4. Resolution on the Bank's dividends and the disposal of the profit in 2020
5. Election of the Board of Directors and alternates
6. Election of an audit firm
7. Decision on the remuneration of the Board of Directors for the coming electoral term
8. Proposal to approve the Bank's compensation policy
9. Other business

## 1. Meeting called to order

Íslandsbanki Chairman of the Board, Hallgrímur Snorrason, called the meeting to order and welcomed guests to the Bank's 2021 Annual General Meeting.

### a) Election of meeting chairman

Hallgrímur proposed that Rut Gunnarsdóttir, the Bank's Compliance Officer, be elected to chair the meeting. No other proposals were made, and Rut took the podium.

### b) Election of meeting secretary

Rut Gunnarsdóttir thanked the meeting for its confidence in her and proposed that Margrét Berg Sverrisdóttir, a lawyer at Íslandsbanki, be elected meeting secretary. No other proposals were made, and Margrét began her work.

### c) Validity of the meeting

The meeting chairman determined the validity of the meeting. The meeting was attended by company's shareholder. It was therefore, with the approval of shareholders, deemed qualified to take decisions on the business specified in the meeting agenda, irrespective of its calling.

The meeting chairman presented the Bank's *Annual Report* and *Pillar 3 Report* which are published in electronic form on the bank's website.



The meeting chairman proposed that discussions of the Board report and the audited annual accounts be merged into one agenda item. The proposal was approved.

## **2. Board report on the Bank's activities in 2020**

Chairman of the Board, Hallgrímur Snorrason, reviewed the Bank's activities in 2020 and the proposals set forth for decision of the meeting.

In his address, Hallgrímur said that 2020 had been a difficult year in many respects. It was the year when we grappled with the Covid19 pandemic and saw our country more or less shut down. Hallgrímur said that Íslandsbanki had placed strong emphasis on supporting households and businesses, in keeping with its role of being a force for good in the community. Some 1,500 households and 650 businesses are among the Bank's customers who benefited from temporary measures such as moratoria on payment and lengthening of loan maturities during the year. In view of the headwinds brought on by the pandemic, Hallgrímur said the Bank's operating performance must be considered successful and its earnings acceptable. Hallgrímur also discussed the variety of measures and the increased digital services the bank had taken to counteract the COVID-associated bans and that it is quite safe to say that the pandemic accelerated the ongoing shift towards digital banking services. Hallgrímur said that the implementation of the bank's sustainability policy had been at centre-stage in 2020, with Íslandsbanki being the first bank in Iceland to publish a sustainable financial framework, and the green bond issues launched afterwards were particularly successful. Hallgrímur also discussed the planned listing of the bank's shares. In recent weeks, the Board has worked closely with the Board and employees of Icelandic State Financial Investments as they prepare for the listing and sale of a portion of the State's holding in the Bank, which is set to conclude around mid-year.

In closing Hallgrímur thanked his colleagues on the Board for smooth and fruitful collaboration. Furthermore, he thanked the Board and staff of Icelandic State Financial Investments for their cooperation during the year. He also thanked the management and staff of Íslandsbanki for their contributions during the unusually challenging year that is now behind us. Their rapid, effective response bears witness to their diligence and dedication.

## **3. Approval of the Bank's annual accounts for 2020**

Birna Einarsdóttir, the CEO of Íslandsbanki reviewed the Bank's annual accounts and highlights of operations for 2020. Birna also said that 2020 was a memorable year in which customers faced major challenges. The Bank closed its branches temporarily due to the COVID-19 pandemic while focusing on servicing customers. Due to the COVID-19 pandemic, customers that experienced a temporary reduction in income were offered moratoria or other forbearances measures. Also, the Bank issued support loans with government guarantees during the period. Íslandsbanki's digital distribution channels grew markedly, and the Bank placed strong emphasis on providing personal service to those who could not use digital products. Birna also mentioned that a big part of the employees had to work from home and that since employees are used to the activity-based working environment the transition to working from home was successful. Sustainability plays a significant role in the Bank's strategy and Birna reviewed the Bank's sustainability progress during the year.



Lastly, Birna paid thanks to the Board of Directors for their cooperation, trust and important support during the past year.

The meeting chairman opened the floor for comments on the Board report and the audited annual accounts. No one wished to address the meeting.

The meeting chairman proposed that the Annual General Meeting confirm the Bank's annual accounts for 2020. The proposal was approved by shareholder vote.

#### **4. Resolution on Bank's dividends and the disposal of profit in 2020**

The meeting chairman presented the following proposal by the Board of Íslandsbanki hf. concerning disposal of profit and payment of dividends:

“It is proposed that ISK 3,4 billion will be paid in dividends to shareholders for the 2020 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 40-50%. The Board 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.”

The chairman of the meeting opened the floor for discussion. No one wished to address the meeting. The proposal was approved by shareholder vote.

#### **5. Election to the Board of Directors and alternates**

The meeting chairman introduced those nominated by the shareholder to serve as Board members and alternates. It was also proposed that Hallgrímur Snorrason be elected Chairman of the Board. No opposing nominations were made, and the following were therefore elected to the Board of Directors of Íslandsbanki by acclamation.

The following are the legitimately elected members of the Board:

- Hallgrímur Snorrason, Chairman
- Heiðrún Jónsdóttir
- Anna Þórðardóttir
- Árni Stefánsson
- Frosti Ólafsson
- Guðrún Þorgeirsdóttir
- Jökull H. Úlfsson

The following are the legitimately elected alternates:

- Herdís Gunnarsdóttir
- Óskar Jósefsson



## **6. Election of an audit firm**

The meeting chairman presented the following proposal by the Board of Directors of Íslandsbanki hf. concerning the election of an external auditing firm:

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

The chairman of the meeting opened the floor for discussion. No one wished to address the meeting. The proposal was approved by shareholder vote.

## **7. Decision on the remuneration of Board of Directors and alternates for the coming electoral term**

The meeting chairman presented the following proposal concerning remuneration to Board members and alternates for the upcoming term:

“It is proposed that the AGM of the Bank resolves to pay compensation to members of the Board of Directors for their services on the Board of Directors in the amount of ISK 450,000 per month and to the Chairman of the Board ISK 785,000 per month, and to the Vice-Chairman of the Board ISK 560,000 per month. In addition to that each Board member shall be paid compensation in the amount of ISK 225,000 per month for services on sub-committees of the Board. In addition to this the chairmen of sub-committees shall be paid ISK 50,000 per month.

Alternate members of the Board of Directors shall be paid compensation in the amount of ISK 225,000 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 compensation to members of the Board. Compensation to each alternate member of the Board shall be at least ISK 450,000 per annum.”

The chairman of the meeting opened the floor for discussion. No one wished to address the meeting. The proposal was approved by shareholder vote.

## **8. Proposal to approve the Bank’s compensation policy**

The meeting chairman introduced the proposal that the Annual General Meeting approve the the attached proposal of the Bank's Compensation Policy.

Proposal for Compensation Policy to the Annual General Meeting of Íslandsbanki hf. 18 March 2021

### **“ Article 1. Objectives**

Íslandsbanki (the Bank) emphasises hiring and employing exceptional employees. The objective of the Compensation 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 Compensation 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 Compensation 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 Compensation 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 compensation policy which is competitive, proportionate and not leading.

A competitive compensation 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 compensation trend in a wide sense and the impact on the compensation 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 a 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 compensation trends. Salaries and other benefits in kind shall be made as simple and transparent as possible.

## **Article 3. Compensation Committee**

The compensation committee of the Bank shall be comprised of three Directors of the Board. The role of the compensation 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 compensation 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. Compensation 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 compensation amount, consideration shall be had for the hours spent on the job, the responsibilities borne by the Directors and the Bank's performance. The compensation committee shall present the Board of Directors with a substantiated proposal for compensation 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 compensation 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 Compensation 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 employees**

The Bank shall at any given time ensure that a valid liability insurance is in effect for the Board of Directors, CEO and key employees, 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. Compensation policies of subsidiaries etc.**

The Board of Directors shall promote competitive but proportionate and not leading compensation 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 Compensation Policy, being clearly reflected therein.

The CEO shall present a proposal for the compensation policies of subsidiaries, as well as on the compensation 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 compensation, 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 Compensation Policy shall be published on the Bank's website.



### **Article 10. Approval of the Compensation Policy etc.**

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

The Compensation Policy may be reviewed more than once yearly and any amendments submitted to a shareholders' meeting for approval.

The Compensation Policy serves as a guideline for the Bank and the Board of Directors. The Board of Directors shall record any deviations from the Compensation Policy in minutes along with the substantiated grounds for such deviation. Deviations shall be presented to the Bank's next AGM."

The chairman of the meeting opened the floor for discussion. No one wished to address the meeting. The proposal was approved by shareholder vote.

### **9. Other business**

The chairman of the meeting opened the floor for discussion.

Chairman of the Board, Hallgrímur Snorrason, addressed the meeting. He thanked for his election and paid special thanks to the shareholder, the Board and the executive board in the coming year. He then thanked Herdís Gunnarsdóttir, who served temporarily as a member of the bank's Board, for a pleasant cooperation and welcomed Jökull H. Úlfsson to the Board.

The Annual General Meeting approved the meeting chairman's request to permit the meeting chairman and meeting secretary to prepare the Record of Minutes after the meeting, as the minutes will be sent to shareholders and published on the Bank's website.

There was no further discussion and the meeting was adjourned at 15:40.

#### **Meeting Chairman**

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Rut Gunnarsdóttir

#### **Meeting secretary**

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Margrét Berg Sverrisdóttir

This is an English translation. The original Icelandic text, as published on the Bank's website ([www.islandsbanki.is](http://www.islandsbanki.is)), is the authoritative text. Should there be discrepancy between this translation and the authoritative text, the latter prevails.