



Íslandsbanki's Corporate Governance Statement 2021

Unaudited

The regulatory framework for corporate governance practices within Íslandsbanki consists of the law applicable to entities subject to the supervision of the Financial Supervisory Authority of the Central Bank (CB) as well as other applicable law and regulations, including those imposed by the CB and Nasdaq Iceland, available at their respective websites, www.cb.is and www.nasdaqomxnordic.com. The applicable law includes, inter alia, the Act on Financial Undertakings no. 161/2002, the Act on Recovery and Resolution of Credit Institutions and Investment Firms no. 70/2020, the Act on Markets for Financial Instruments no. 115/2021, the Act on Payment Services no. 120/2011, the Act on Measures against Money Laundering and the Financing of Terrorist Activities no. 140/2018, the Act on Mortgage Credit to Consumers no. 118/2016, the Act on Consumer Credit no. 33/2013, the Act on Competition no. 44/2005 and the Act on Public Limited Companies no. 2/1995, which along with the Íslandsbanki's Articles of Association lay the foundation for the Bank's existence and activities. The relevant law is available on the Icelandic legislature's website, www.althingi.is.

The Board of Directors of Íslandsbanki is committed to excellence in corporate governance complying with the applicable regulatory standards and best international practices in the field of corporate governance.

The Bank's compliance with Corporate

Governance Guidelines issued by the Iceland Chamber of Commerce, Nasdaq Iceland and SA-Business Iceland (hereinafter the Guidelines) is reviewed annually. The Board of Directors follows the Guidelines in accordance with paragraph 7 of article 54 of the Act on Financial Undertakings no. 161/2002. The Guidelines are available on www.corporategovernance.is.

In the year 2021, 35% of the Bank's shares were admitted to trading on the Nasdaq Main Market in Iceland. The Bank also regularly issues bonds on the regulated securities market in both Iceland and Ireland. The Bank is therefore subject to the disclosure obligation of issuers pursuant to the Act on the Disclosure and Information requirements of Issuers of Securities and Notifications on Major Holdings no. 20/2021 and the rules of the relevant stock exchange.

The Icelandic State Financial Investments (ISFI), on behalf of the Icelandic Government, is the largest shareholder of the Bank and holds 65% of the Bank's shares, in accordance with the Act on Icelandic State Financial Investments no. 88/2009 and the Icelandic State Ownership Policy for financial undertakings. The Icelandic State's objective as owner is that its management of the Bank's assets and operations promote confidence in, and credibility of, the financial market, to promote competition in the financial market, and maximise long-term value for the Icelandic state Treasury, considering risk.

Main aspects of Risk Management and Internal Control

Internal Control

The risk management and internal control framework of the Bank is based on the three-lines-of-defense model, as referred to in the European Banking Authority's Guidelines on Internal Governance and aims for informed decision-making and strong risk awareness throughout the Bank. The framework is intended to ensure efficient operations, adequate control of risks, prudent conduct of business, reliability of financial and non-financial information reported internally and externally, and compliance with the applicable laws, regulations, supervisory requirements and the Bank's internal rules.

The first line of defense consists of the Bank's business and support units; the second line of defense is comprised of the Bank's internal control units, Risk Management and Compliance; and the third line of defense is Group Internal Audit which keeps the Board informed of the quality of corporate governance, risk management and internal controls, including by performing independent and objective audits.

Risk Management

The Board of Directors approves the risk policy, risk appetite statement and procedure for risk management and ensures that internal procedures for risk management are revised at least annually.

The All Risk Committee, a Senior Management Committee, is comprised of the CEO, all the managing directors of the Bank and other members of management appointed by the CEO. The committee takes major decisions on implementation of the Bank's risk management and internal audit frameworks and conducts oversight to ensure that the Bank's risk profile is within the limits defined in the Board's risk appetite statement. The All Risk Committee issues guidelines for risk assessment and individual risk thresholds or limits.

Further information on the Bank's risk management structure and internal control can be found in the Bank's unaudited Pillar 3 Report which is available on the Bank's website.

Audit and accounting

The CEO ensures that Directors of the Board are provided with accurate information on the Bank's finances, development and operations on a regular basis and the Board Audit Committee assists the Board in fulfilling its oversight responsibilities concerning the financial reporting process and the system of internal control.

The Bank's Finance division is responsible for the preparation of the Group's consolidated financial statements in line with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional requirements in the Act on Annual Accounts no. 3/2006, the Act on Financial Undertakings no. 161/2002 and rules on accounting for credit institutions. The Board's Audit Committee reviews annual and interim consolidated financial statements before their submission for Board approval and endorsement. The Board's Audit Committee regularly discusses the Group's financial statements and evaluates its internal control processes. Management reporting is generally presented to the Board 10 times a year. The external auditors review the half year consolidated financial statements and audit the consolidated financial statements.

The consolidated financial statements are published on an annual and quarterly basis.

The Annual General Meeting (AGM) elects an external audit firm in accordance with the Bank's Articles of Association. The Board's proposal to the AGM is based on the Audit Committee's recommendation on the selection of an audit firm. While the Icelandic State holds at least half of the Bank's shares, the audit of the annual accounts is within the remit of the Auditor General, who may, in consultation with the Audit Committee, appoint an audit firm to carry out these tasks. Ernst & Young

ehf. has carried out the external audit of the Bank in recent years.

Group Internal Audit

The Chief Audit Executive is appointed by the Board, reports directly to the Board and directs Group Internal Audit with a mandate from the Board. Group Internal Audit operates independently from other departments in accordance with article 16 of the Act on Financial Undertakings no. 161/2002. The department provides the Board with independent and objective assurance over the effectiveness of risk management, control and governance processes. The responsibilities and authorisations of the Chief Audit Executive and Group Internal Audit are further outlined in the Group Internal Audit Charter.

Compliance

The Bank's Compliance Officer is hired by the CEO, subject to Board confirmation. The Compliance Officer operates under the terms of a mandate letter approved by the Board. The Compliance Officer maintains an independent position within the Bank's organisation and is responsible for monitoring and assessing regularly whether the Bank's operations, regarding securities transactions, are in compliance with applicable law. Furthermore, the Compliance Officer is responsible for assessing and monitoring the Bank's compliance with Act on Measures against Money Laundering and Terrorist Financing no. 140/2018 and the Bank's responsible officer under the US Foreign Account Tax Compliance Act (FATCA) and the OECD Common Reporting Standard (CRS).

Íslandsbanki Values, Sustainability and Code of Conduct

The Bank's purpose is moving Iceland forward by empowering its customers to succeed. Íslandsbanki's values are the pillars of the Bank's corporate culture, shaping the conduct and attitudes of its employees. The values of Íslandsbanki are passion, professionalism, and collaboration.

The Board approves a Code of Conduct for the Bank's employees. The aim of the code is to promote good operational practices. The document is available on the Bank's website.

The Bank has in place a Sustainability Policy which is focused on making its operations exemplary in the Icelandic business environment based on established international ESG criteria. The Bank aspires to be a leader in sustainable development and to move Iceland forward by empowering its customers to succeed.

The Bank has decided to focus particularly on four of the UN Sustainable Development Goals in its course of business: quality education; gender equality; industry, innovation and infrastructure; and climate action. Annually the Bank publishes an Annual and Sustainability Report in accordance with the Nasdaq ESG guidelines, the applicable Global Reporting Initiative (GRI) metrics, the UN Global Compact, and the SDGs. For the last years Íslandsbanki has been a signatory to the UN Global Compact on social responsibility.

Board of Directors

The Board of Directors comprises seven non-executive directors, and two alternate members, elected at each AGM for a term of one year. The Chairman of the Board is elected by the shareholders' meeting. There are no limitations on duration of Board membership.

The Board undertakes the Bank's affairs in between shareholders' meetings unless otherwise provided by law or the Bank's Articles of Association. The Board is responsible for setting the Bank's general strategy and instructs the CEO on its further implementation and execution. The Board has a supervisory role in that it oversees that the Bank's organisation and activities are at all times in accordance with the relevant law, regulations and good business practices. The CEO and Chief Audit Executive are hired by the Board.

The Rules of Procedure of the Board are adopted in accordance with article 70 of the Act on Public

Limited Companies no. 2/1995 and article 54 of the Act on Financial Undertakings no. 161/2002. The Board's current Rules of Procedure are available on the Bank's website. According to its Rules of Procedure, at meetings of the Board the presence of at least five members of the Board is required to constitute a quorum. The Board met 20 times in 2021, each time constituting a quorum.

The Articles of Association of the Bank provide that the ratio of each gender on the Board of Directors shall not be lower than 40%, currently the Board is comprised of three women and four men. The Board has approved a policy on the suitability of the Board of Directors, the Executive Committee and key function holders. The policy states, among other things, that the composition of the Board shall at any time be diverse, with regard to educational and professional background, gender and age.

The Board subcommittees

The Board subcommittees are three in total and they operate under the terms of a mandate letter from the Board as well as the Rules of Procedure of the Board. The mandate letters of the Board subcommittees are available on the Bank's website. The Board appoints the members of the subcommittees as well as their Chairman. When appointing the subcommittees, the Board shall take into account the expertise, skills and experience needed of a member to be appointed to the relevant subcommittee. All of the subcommittees are constituted of members of the Board.

The Board Audit Committee, comprising three Board members, assists the Board in fulfilling its oversight responsibilities concerning the financial reporting process, the system of internal control, the audit process and the Bank's process for monitoring compliance with the relevant laws and regulations and its Code of Conduct. The committee met six times in 2021, each time constituting a quorum.

The Board Risk Management Committee, comprising three Board members, assists the Board in providing oversight of senior management activities in managing risk relevant to the Bank's operations. The committee's responsibilities include the parent company, its subsidiaries, and the whole Group. The committee met nine times in 2021, each time constituting a quorum.

The Board Corporate Governance and Human Resource Committee, comprising three Board members, assists the Board in overseeing the development and the regular assessment of the Bank's approach to corporate governance issues and Board effectiveness. Furthermore, the committee assists the Board in fulfilling its oversight responsibilities concerning the Bank's Compensation Policy, implementation of the Bank's Sustainability Policy and issues concerning human resources. The committee met seven times in 2021, each time constituting a quorum.

The structure and composition of Board subcommittees is illustrated below.

Members of the Board



Hallgrímur Snorrason, Chairman of the Board, (b. 1947) has been Chairman since March 2020 but first joined the Board in April 2016. He is an independent consultant in official statistics at international level. He was Director-General of Statistics

Iceland in 1985–2007 and Deputy Managing Director of the National Economic Institute of Iceland in 1980–1984. Hallgrímur has been a member of the board of several companies, including Útvegsbanki Íslands hf., Skýrr and Auður Capital. He has also chaired or served on a number of governmental committees, both domestically and in connection with Nordic cooperation, EFTA, EU and the OECD.

Hallgrímur holds a M.Sc. in Economics from the University

of Lund in Sweden and a B.Sc. in Economics from the University of Edinburgh, UK.

Hallgrímur holds no shares in Íslandsbanki and is considered independent of the Bank and major shareholders. No interest ties with main customers or competitors of the Bank.

Sub-Committees: Member of the Board Audit Committee.



Anna Þórðardóttir (b. 1960) joined the Board in April 2016. She has been a board member of a number of companies and organisations, including KPMG and the Institute of State Authorised Public Accountants in Iceland. She is currently a

member of the board of The Icelandic Center for Future Studies (Framtíðarsetur Íslands) and is chairman of the Board Audit Committee of Hagar. Anna was an employee of KPMG in 1988–2015, where she became partner in 1999. While at KPMG, she was responsible for the audit of the following companies: Reitir, Hagar, 365, Baugur Group, Vodafone, Landfestar, Landey, 10-11 and Félagsbústaðir.

Anna holds a cand. oecon. in Business Administration from

the University of Iceland and is a Chartered Accountant. She has also studied towards a cand. merc in Financial studies from Handelshøjskolen in Aarhus, Denmark.

Anna holds no shares in Íslandsbanki and is considered independent of the Bank and major shareholders. No interest ties with main customers or competitors of the Bank.

Sub-Committees: Chairman of the Board Audit Committee.



Árni Stefánsson (b. 1966) joined the Board in April 2016. He has extensive management experience in power-intensive industry in Iceland and is

currently manager and member of the executive board at the Rio Tinto primary aluminium plant. Previously, he was a manager of the Century Aluminium plant Norðurál in Grundartangi; manager and on the executive board of Landsnet, the electric transmission grid company of Iceland; and manager at Landsvirkjun, the National Power Company of Iceland.

Árni holds an M.Sc. in Electrical Engineering.

Árni holds 0.00036% of the Bank's shares and is considered independent of the Bank and major shareholders. No interest ties with main customers or competitors of the Bank.

Sub-Committees: Chairman of the Board Risk Management Committee.



Frosti Ólafsson (b. 1982) joined the Board in March 2020. He is the CEO of Olíuverzlun Íslands hf. Before joining the Board, he operated i.a. as an independent consultant and is the former CEO of ORF Genetics, the former Managing Director of

Iceland Chamber of Commerce and worked as a strategic consultant for McKinsey & Company. In his past roles, he has supported leading domestic and international companies on a wide range of topics, including strategy, operations and governance. Frosti is currently a Board member at Controlant, Óson and entities owned by Olíuverzlun Íslands, i.e. Mjöll-Frigg and Garður.

Frosti holds an MBA from London Business School and a B.Sc. in

Economics from University of Iceland and Macquarie University in Sydney, Australia.

Frosti holds 0.00063% of the Bank's shares and is considered independent of the Bank and major shareholders. No interest ties with main customers or competitors of the Bank.

Sub-Committees: Member of the Board Corporate Governance and Human Resource Committee and the Board Audit Committee.



Guðrún Þorgeirsdóttir (b. 1979) joined the Board in March 2020. She is the Chief Business Development Officer of PayAnalytics. Previously, Guðrún was the Chief Financial Officer of Skeljungur. Guðrún has prior experience as a Chief Risk Officer

and as an investment manager. She is an experienced board member and has served on the board of directors of insurance companies, financial companies and retail and service companies, including VÍS, Lífís, Lyfja and Lýsing. Guðrún is an alternate member on the board of Pavonis ehf. and the CEO of Tharsis ehf.

Guðrún holds an MBA from HEC School of Management in France, has a B.Sc. in Industrial Engineering from the University of Iceland, and is a securities

broker licensed by the Icelandic Ministry of Finance and Economic Affairs.

Guðrún holds no shares in Íslandsbanki and is considered independent of the Bank and major shareholders. No interest ties with main customers or competitors of the Bank.

Sub-Committees: Member of the Board Corporate Governance and Human Resource Committee and the Board Risk Management Committee.



Heiðrún Jónsdóttir (b. 1969) joined the Board in April 2016 and has been the Vice-Chairman of the Board since March 2020. She is an attorney at law with Múli Legal Services and serves as a member of the board of Reginn, real estate company, Royal Arctic Line, Svarmi and Múli lögmannsstofa. Previously, she was Managing Director at Eimskipafélag Íslands, Lex

Legal Services, and Legal and Human Resources at KEA. She has been chairman of the board at Norðlenska, Íslensk Verðbréf and Gildi pension fund and has been a member of the board of Síminn, Icelandair Group, Olíuverzlun Íslands, the Icelandic Banks' Data Centre (RB), Ístak, the securities depository Arion Verðbréfavarsla, Pekking, and the Icelandic Pension Funds Association. Heiðrún served as a board member of the board of the Icelandic Bar Association in 2016-2019 and was the deputy chairman of the board in 2018-2019.

Heiðrún holds a cand. jur from

the University of Iceland and is a securities broker licensed by the Icelandic Ministry of Finance and Economic Affairs. She completed an Advanced Management Program (AMP) at IESE Business School in Barcelona, Spain.

Heiðrún holds 0.00063% of the Bank's shares and is considered independent of the Bank and major shareholders. No interest ties with main customers or competitors of the Bank.

Sub-Committees: Chairman of the Board Corporate Governance and Human Resource Committee.



Jökull H. Úlfsson (b. 1963) joined the Board in March 2021. Jökull heads the Personnel Policy Department of the Icelandic Government. Jökull has worked in the financial market for the past 25 years where he has acquired comprehensive knowledge of

financial institutions' operations. Jökull has spent most of his career with Arion Bank hf. and its predecessors as a manager in asset management, business development, and human resources. He was a member of the board of directors of Stefnir from 2013-2019 and was Managing Director of Stefnir from 2019-2020. Jökull is a board member of Vitaskuld ehf.

Jökull holds a cand. oecon. in Business Administration from the University of Iceland and is securities broker licensed by the

Icelandic Ministry of Finance and Economic Affairs.

Jökull holds 0.00063% of the Bank's shares and is considered independent of the Bank. Jökull works for the Icelandic Government and is therefore considered dependent on the Bank's major shareholder. No interest ties with main customers or competitors of the Bank.

Sub-Committees: Member of the Board Risk Management Committee.

The alternate members of the Board are Herdís Gunnarsdóttir, since April 2016, and Óskar Jósefsson, since March 2020.

Structure and composition of Board subcommittees

	Board Audit Committee	Board Risk Management Committee	Board Corporate Governance and HR Committee
Anna Þórðardóttir			
Árni Stefánsson			
Frosti Ólafsson			
Guðrún Þorgeirsdóttir			
Hallgrímur Snorrason			
Heiðrún Jónsdóttir			
Jökull Úlfsson			

Chair Member

Íslandsbanki's Nomination Committee and the ISFI Selection Committee

In accordance with the Bank's Articles of Association the Bank operates a Nomination Committee whose role is to nominate individuals to the Bank's Board of Directors at the AGM, or as the case may be at a shareholders' meeting where Board elections are on the agenda. The members of the Nomination Committee shall be three, elected for one year at a time by the Board of Directors. The committee shall be independent in its work and the majority of the committee's members shall be independent of the Bank and its senior management.

The Nomination Committee consists of:

- Helga Valfells, Chairman
- Hallgrímur Snorrason, Chairman of the Board of Íslandsbanki
- Tómas Már Sigurðsson

ISFI operates a special three-member Selection Committee which, on behalf of the State, nominates candidates for the supervisory boards or boards of directors of banks or undertakings that are managed by ISFI. According to the Relationship Agreement between the Bank and the ISFI the Bank's Nomination Committee and the ISFI Selection Committee shall ensure that when

the Board of Directors is elected, the candidates for election to the Board of Directors meet the requirements on composition according to law, both as concerns breadth of experience as well as gender representation. The Rules of Procedure of the Bank's Nomination Committee are published on the Bank's website.

Board Performance and Suitability Assessment

At least once a year, as provided for in the Board's Rules of Procedure, the Board assesses its work, procedures and practices as well as each of its members. This performance assessment is intended to improve working methods and increase the efficiency of the Board. The assessment entails an evaluation of the strengths and weaknesses of the Board's work and practices. This is inter alia based on the necessary number of board directors, the board structure in relation to knowledge and experience, board procedure and practices. This assessment was last performed by the Board in December 2021.

Furthermore, the Board annually assesses the collective suitability of the Board and individual Board members in accordance with the Board's Rules of Procedure and the Bank's policy on the assessment of the suitability of the Board of Directors, the CEO and key function holders.



The Chief Executive Officer

The Chief Executive Officer (CEO) is responsible for the day-to-day operations of the Bank and that the Bank's business is, at all times, in accordance with the Bank's Articles of Association,

policies of the Board and the relevant law. The CEO engages the Bank's Compliance Officer and appoints members of the Executive Committee and other Senior Management Committees.

Birna Einarsdóttir (b.1961) is the CEO of Íslandsbanki. She holds an MBA from the University of Edinburgh, UK and a cand.oecon. in Business Administration from the University of Iceland. Birna first started working with Íslandsbanki's predecessors in 1987 and has been CEO since

15 October 2008. Previous to that she was a Senior Product Manager at the Royal Bank of Scotland and Marketing Manager for the Icelandic Broadcasting Company Stöð 2 (Channel 2) and Íslensk getspá.

The CEO owns 0.0022% of the Bank's shares and is considered independent of the Bank and major shareholders. No interest ties with main customers or competitors of the Bank. No call-option agreements exist between the CEO and the Bank.

The Executive Committee

The Executive Committee consists of seven people, including the CEO: Birna Einarsdóttir, CEO since October 2008, Jón Guðni Ómarsson, Chief Financial Officer since October 2011, Sigríður Hrefna Hrafnkelsdóttir, Managing Director of Personal Banking since May 2017, Riaan Dreyer, Director of Information Technology since September 2019, Guðmundur Kristinn Birgisson, Chief Risk Officer since October 2018, Una Steinsdóttir, Managing Director of Business Banking since May 2017, and Ásmundur Tryggvason Managing Director of Corporate & Investment Banking since January 2019.

Senior Management Committees

Senior Management Committees are advisory committees appointed by the CEO. Senior Management Committees are divided into Policy-Setting Committees, which implement Board policies, and Business Committees, which take a position on specific business matters. The committees are appointed by the CEO, who also

approves their letter of mandate.

The Executive Committee and the **All Risk Committee** are considered Policy-Setting Committees and they take major decisions on the implementation of the policies set by the Board. Committee members include all of the Bank's Managing Directors, as well as other members of senior management appointed by the CEO.

- **The Executive Committee**, oversees and coordinates key aspects of the Bank's activities and has decision-making authority in matters assigned to it by the CEO, in accordance with policies, goals, and risk appetite as defined by the Board.

- **The All Risk Committee** takes major decisions on implementation of the Bank's risk management and internal audit frameworks and conducts oversight to ensure that the Bank's risk profile is within the limits defined in the Board's risk appetite statement.

The Business Committees decide on individual business and operational matters in accordance

with the rules and procedures issued by the Board, the Executive Committee and the All Risk Committee. The Bank's Business Committees are:

- **The Senior Credit Committee** decides on proposals on lending and is the formal venue for discussion and review of individual loan proposals.
- **The Asset and Liability Committee** decides on proposals regarding market risk, liquidity risk, funding, capital, and internal and external pricing.
- **The Investment Committee** decides on proposals regarding the purchase, sale and valuation of equity stakes and other investments of the Bank.
- **The Operational and Security Committee** decides on proposals regarding new products and services, continuous operation and material changes in systems and procedures.
- **The Sustainability Committee** is a formal forum for reviewing and discussing issues related to sustainability risk, sustainable procurement, and business opportunities.

Arrangement of communications between shareholders and the Board

The Board communicates with shareholders in accordance with the relevant laws, the Bank's Articles of Association, and the Board's Rules of Procedure.

Shareholders' meetings, the supreme authority of the Bank, are the general forum for informing and communicating with shareholders. All information

that is defined as sensitive market information is disclosed to the market through the relevant regulated market's announcement system in accordance with the Bank's Disclosure and Communication Policy. The Bank also organises quarterly meetings for market participants where the CEO, CFO and representatives of investor relations present the Bank's interim financial statements.

The Bank's Disclosure Committee assesses the Bank's event-specific disclosure obligations and decides on disclosure in accordance with the Bank's Rules on insider trading and management transactions. The Disclosure Committee consists of the CFO, the General Counsel, Executive Director of Treasury, and the Compliance Officer (without a vote).

Information on infringements of laws and regulations that the appropriate supervisory or ruling body has determined

In the year 2021 no remarks were received from an appropriate supervisory or ruling body concerning violations of laws or regulations. Information on legal cases relating to Íslandsbanki can be found in the notes to the consolidated financial statements.

This Corporate Governance Statement was approved by Íslandsbanki's Board of Directors on 10 February 2022.