



# Íslandsbanki hf. Annual General Meeting

21 March 2019

Íslandsbanki hf. held its Annual General Meeting at Íslandsbanki headquarters in Norðurturn, Hagasmári 3, Kópavogur on Wednesday 21 March 2019 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 2018
3. Approval of the Bank's accounts for 2018
4. Resolution on the Bank's dividends and the disposal of the profit in 2018
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. Proposal to amend the Articles of Association
10. Other business

## 1. Meeting called to order

Íslandsbanki Chairman of the Board Fridrik Sophusson called the meeting to order and welcomed guests to the Bank's 2019 Annual General Meeting.

### **a) Election of meeting chairman**

Chairman of the Board Fridrik Sophusson proposed that Rut Gunnarsdóttir, a lawyer at Íslandsbanki, 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 Dagmar Clausen Thórdardóttir, a lawyer at Íslandsbanki, be elected meeting secretary. No other proposals were made, and Dagmar 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 2018**

Chairman of the Board Fridrik Sophusson reviewed the Bank's activities in 2018 and the proposals set forth for decision of the meeting. Lastly, Friðrik wanted, on behalf of the Board, to give thanks Helga Valfells, a departing member of the Board, for good cooperation and wished her well in all her endeavours. Moreover, he thanked all parties in cooperation with the Bank over the past year. On behalf of the Board he thanked the Bank's staff and Birna Einarsdóttir, CEO, in particular, for great cooperation.

## **3. Approval of the Bank's annual accounts for 2018**

A video illustrating highlights in the Bank's activities in 2018 was shown at the meeting. Thereafter, CEO Birna Einarsdóttir reviewed the Bank's annual accounts and spoke briefly about the Bank's strategy and key projects in the year 2019. Birna informed that the Bank's strategy was currently being reviewed and a revised strategy would be introduced at the Bank's strategy meeting with its staff 30 March. Birna paid special thanks to the Board of Directors and staff for their cooperation 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 2018. The proposal was approved by shareholder vote.

## **4. Resolution on Bank's dividends and the disposal of profit in 2018**

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 5,3 billion will be paid in dividends to shareholders for the 2018 financial year. The Bank's dividend payout equals 50% of after-tax profits for the 2018 financial year. The payout in accordance 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 Fridrik Sophusson 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:

- Fridrik Sophusson, Chairman
- Anna Thórdardóttir
- Audur Finnbogadóttir
- Árni Stefánsson
- Hallgrímur Snorrason
- Heidrún Jónsdóttir
- Tómas Már Sigurðsson

The following are the legitimately elected alternates:

- Herdís Gunnarsdóttir
- Pálmi Kristinsson

## **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:

“At the AGM of the Bank in 2015 Ernst & Young was elected the auditing firm of the Bank for the next five years. 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 remuneration to members of the Board of Directors for their services on the Board of Directors in the amount of ISK 420,000 per month and to the Chairman of the Board ISK 735,000 per month, and to the Vice-Chairman of the Board ISK 525,000 per month. In addition to that each Board member shall be paid remuneration in the amount of ISK 210,000 per



month for services on sub-committees. In addition to this the chairmen of sub-committees shall be paid ISK 30,000 per month.

Alternate members of the Board of Directors shall be paid remuneration in the amount of ISK 210,000 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 420,000 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 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. 21 March 2019

### **“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 are to foster trust in the Bank's management and operations, with the Bank being a leader in the field of good corporate governance and social responsibility, 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 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, July 2017, 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 an 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. Remuneration 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 remuneration amount, consideration shall be had for the hours spent on the job, the responsibilities borne by the Directors and the Bank's performance. The remuneration committee shall present the Board of Directors with a substantiated proposal for remuneration 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 remuneration 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. 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 7. 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 remuneration, 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.

While the Bank's shares in Borgun hf. in a sales process a change of its compensation policy is not demanded in spite of a limited provision for the payment of a salary incentive being provided therein.

#### **Article 8. 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 9. 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 remuneration 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. The Board of Directors proposal to amend the Articles of Association**

The meeting chairman introduced the proposal to amend the Articles of Association. It is proposed that Article 8 of the Bank's Articles of Association will be as follows:

"Shareholders' meetings shall be called via a general announcement with at the earliest four weeks in advance of a meeting and, at least a week before a meeting, and two weeks before a General Meeting.



Members of the Board of Directors, the Executive Director and the Bank's Auditor shall always be invited to shareholders' meetings as well as representatives of the media to the Bank's Annual General Meetings."

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

## **10. Other business**

The chairman of the meeting opened the floor for discussion.

Chairman of the Board Fridrik Sophusson addressed the meeting. He thanked those present, on behalf of the members of the Board and alternates, for the re-election and said he was looking forward to further collaboration with the shareholder, fellow members of the Board and the Executive Committee. He then went on to welcome Tómas Már Sigurðsson joining the Board and stated that he was certain that the good cooperation of the Board and staff will make the bank even greater.

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 16:00.

### **Meeting Chairman**

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Rut Gunnarsdóttir

### **Meeting secretary**

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Dagmar Clausen Thórdardóttir

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.