



# Remuneration Policy

~~31 March~~30 June 2025

### Article 1: Objectives – Objective

Íslandsbanki (the Bank) ~~emphasises hiring~~ emphasizes recruiting and employing exceptional/retaining outstanding employees. The ~~objective aim of the~~ this remuneration policy is to make ~~Íslandsbanki a desirable workplace~~ employment with the bank an attractive option for qualified ~~employees to ensure personnel,~~ thereby ensuring the Bank's/bank's competitiveness, ~~continued~~ satisfactory profitability.

~~Moreover, the objectives of the Remuneration 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.~~

The ~~Remuneration Policy shall support sound operations in the long term, conform and contribute to a reliable and efficient risk management, not encourage risk-taking beyond the Bank's risk appetite and include measures for the prevention of conflicts of interest. It is the Bank's goal~~ bank emphasizes that the ~~terms of employment remuneration of executives and other employees are staff shall be competitive yet proportionate without being but moderate and not market leading in the market.~~ In determining ~~the terms of employment, remuneration, primary consideration shall be given to relevant jobwork experience and,~~ responsibilities according to as per job description ~~shall be taken into account as well as equal rights perspectives, and adherence to recognized principles of gender equality.~~

This policy is intended to promote sound long-term operations, be consistent with and support effective risk management so that risk-taking does not exceed the bank's risk appetite, align with the bank's strategies, plans, goals, values, and long-term interests, and prevent the risk of conflicts of interest.

The policy also aims to ensure trust in the governance and operations of the bank, that the bank takes a leading role in corporate governance and sustainability, that its interests are safeguarded in all respects—including reputation and credibility—and that it operates in accordance with the provisions of article 79(a) appropriate standards, values, and business ethics for banks.

In accordance with Article 79a of Act No. 2/1995, on Public Limited Liability Companies, the bank's remuneration policy shall be submitted to the Annual General Meeting ~~(AGM)~~ for approval.

### Article 2: – Corporate Governance and Human ResourceResources Committee

The ~~bank's~~ Corporate Governance and Human ResourceResources Committee shall be ~~constituted in such a way as to enable it to exercise competent~~ composed to provide professional and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital and liquidity. It shall be comprised of three Directors of the Board and chaired by one of them.

~~The Corporate Governance and Human Resource Committee is responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of the Bank and which are to be taken by the management body. When preparing such decisions, the Corporate Governance and~~

~~Human Resource Committee shall take into account the long-term interests of shareholders, investors and other stakeholders in the Bank and the public interest. The role of the Committee shall be to guide the Board of Directors and CEO in deciding on the terms of employment of senior management and overseeing the remuneration of senior officers in the risk management and compliance functions of the Bank.~~

~~The Corporate Governance and Human Resource Committee submits a yearly report in connection with the Annual General Meeting of the Bank and in the Directors' Report in the Bank's Financial Statements, on the assessment of the remuneration policy and its implementation of and compliance with the Bank's remuneration policy. 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. The committee shall consist of at least three board members, one of whom shall act as chair.~~

~~The committee is responsible for preparing decisions on remuneration, including those affecting risk and the bank's risk management, and those decisions taken by the board or CEO, in line with the objectives of this policy. Its role is to advise the board and CEO on the remuneration of the CEO, managing directors, control functions, and the internal auditor, as well as on the structure of the bank's incentive schemes and other work-related compensation.~~

~~The committee shall submit an annual report to the board on the implementation and compliance with the remuneration policy and its total cost, in connection with the AGM and to be published with the board's annual report. The committee shall also monitor trends in salaries, staff numbers, and wage expenditure. The board shall adopt rules of procedure for the committee, specifying its role, and publish them on the bank's website.~~

### **Article 3. – Remuneration of Board Members**

Board members shall receive ~~set fixed~~ monthly ~~payment~~ remuneration in accordance with ~~the decision a resolution~~ of the AGM ~~of the Bank each year~~, as provided ~~for~~ in Article 79 of Act No. ~~2/1995 on Public Limited Companies. 2/1995 on Public Limited Companies.~~ ~~In~~ When determining the remuneration amount, consideration shall be ~~had forgiven to~~ the ~~hour~~ time spent on ~~the job~~ board duties, the responsibilities ~~borne by the Directors involved~~, and the bank's performance. The Corporate Governance and Human Resource ~~Resources~~ Committee shall ~~present the Board of Directors with a substantiated~~ propose a reasoned recommendation to the board regarding board remuneration for the upcoming term. The board shall decide on the 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~~ and submit the final proposal on remuneration to the AGM. The bank ~~reimburses~~ shall also cover travel expenses for board members ~~of the Board of Directors domiciled~~ residing outside the capital region for travel expenses. The Bank may not conclude ~~area~~. Severance agreements ~~may not be concluded with board members of the Board of Directors.~~

### **Article 4. ~~Terms of employment –~~ Remuneration of the CEO and member senior management Executives**

~~The terms of employment of~~ Remuneration for the CEO and senior management ~~executives of the bank~~ shall be competitive ~~but proportionate and designed~~

to attract and retain qualified executives. However, remuneration shall remain moderate and not market-leading.

~~The Bank may not conclude~~No agreements ~~including shall be made with the CEO or executives that provide for~~ severance payments ~~with the CEO or senior management other than beyond~~ what is ~~provided~~stipulated in employment contracts, collective agreements, collective bargaining agreements and or legal obligations. ~~CEO and senior management contractual period of~~The notice period shall not ~~be longer than~~exceed six to twelve months, ~~considering tasks and taking into account the nature of responsibilities borne and duties.~~

#### **Article 5: – Indemnity of the Board of Directors, CEO and Directors**

The bank shall ~~at any given time ensure that a valid liability insurance is in effect for~~directors, the Board of Directors, CEO, and Directors, executives both current and former, ~~for~~are covered by liability insurance for their work on behalf of service to the bank. The bank shall ~~ensure that the aforementioned parties are indemnified by any claims made~~indemnify them against them or that may be made against them due to claims arising from their work for the Bank, insofar that the claim is not made due to criminal conduct ~~of the party deemed~~official duties to be the extent such claims do not result from intentional or ~~due to gross negligence~~grossly negligent conduct.

#### **Article 6: – Remuneration Policies of Subsidiaries etc.**

The board of Directors shall ~~promote~~shall ensure that remuneration policies of the bank's subsidiaries are competitive but ~~proportionate~~moderate and not market-leading remuneration policies of its subsidiaries.

The CEO ~~shall present a proposal for the~~must submit proposed remuneration policies of subsidiaries, ~~as well as on the~~and proposed board remuneration ~~of to the bank's board for approval.~~

### **Article 7 – Variable Remuneration: Incentive Schemes and Stock Options**

#### **7.1 Objective**

The aim of variable remuneration is to align the long-term interests of shareholders, employees, clients, and other stakeholders transparently and enable the bank to attract and retain qualified staff by rewarding sustainable and risk-adjusted performance beyond job descriptions, in accordance with Article 1 and applicable laws and regulations on variable remuneration in financial institutions.

#### **7.2 Incentive Scheme**

The board, following the opinion of the Corporate Governance and Human Resources Committee and the board's Risk Committee, may adopt an incentive scheme authorizing the bank to award incentive pay to staff, including the CEO and managing directors.

In this context, "incentive pay" refers to remuneration linked to specific performance criteria and not part of fixed compensation, where the final amount is not pre-determined.

Incentives shall only be granted based on predefined, measurable financial and non-financial performance indicators, such as capital ratios, liquidity ratios, safety metrics, financial health, cost efficiency, customer satisfaction, regulatory compliance, and employee performance.

Total incentive compensation may not exceed 25% of annual salary. Payments must be deferred in accordance with applicable laws. Under current law, at least 40% must be deferred for at least four years; for the CEO and executives reporting directly to the CEO, deferral must be five years. Deferral is not required if the incentive is 10% or less of annual salary.

Board members, for the approval of the Board of Directors, and staff in risk management, internal audit, or compliance functions shall not receive incentive pay. The scheme shall apply to all other permanent staff.

#### **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.

Incentives may be paid in cash, shares, share-linked instruments, other financial instruments, or a combination thereof, as permitted by law.

If the incentive exceeds 10% of the employee's annual salary, at least half must be paid in shares or equivalent instruments.

The bank may, under the scheme terms, cancel or reclaim incentive pay (in whole or part) if performance conditions change—e.g., in the case of deteriorating performance, misconduct, or violation of duties.

The incentive scheme shall be aligned with this policy and published on the bank's website.

### **7.3 Stock Option Plan**

The board, following the opinion of the Corporate Governance and Human Resources Committee and the board's Risk Committee, may adopt a stock option plan of up to five years under Article 10 of Act No. 90/2003 on Income Tax, covering all permanent staff.

The plan must comply with the requirements of Article 10 of the Income Tax Act, including that the maximum annual purchase price of shares shall not exceed ISK 1,500,000 per employee. Such shares shall carry the same rights as other shares in the bank.

A minimum of 12 months must pass from the date of option agreement to exercise. The purchase price shall not be lower than the weighted average market price of the shares in the 10 full trading days prior to the agreement date. Employees must retain the shares for at least two years post-exercise to benefit from the tax treatment under the plan.

The option agreement may not be transferable. The plan must be approved by the Directorate of Internal Revenue before implementation. The plan's terms shall be published on the bank's website.

#### **Article 8: – Integration of Sustainability –related Risk**

Pursuant to Article 5 of the European Parliament and Council Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, financial market participants and financial advisers must include information in their Remuneration Policies on how these policies are consistent with the integration of sustainability-related risks. The Bank's Directors and employees receive fixed monthly salaries that are not performance-based. In implementing the Bank's remuneration policy, emphasis shall be placed on good governance and sustainability in accordance with the policy's objectives, such as in decisions regarding the hiring of staff, evaluation of their performance, and decisions on salaries and salary changes.

The policy aims to ensure that remuneration does not encourage excessive risk-taking, including sustainability risks. Employees must comply with laws, regulations, and internal policies regarding sustainability, especially in investment decisions and advice.

Variable pay is only granted based on predefined financial and non-financial metrics. Performance evaluations are individualized, considering compliance with internal and external rules. Failure to comply may result in reduction, cancellation, or clawback of incentive pay.

The policy thus incentivizes compliance with applicable sustainability-related laws, guidelines, and internal standards.

#### **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.

The board shall disclose remuneration of directors, the CEO, and managing directors at AGMs in accordance with Article 79a of Act No. 2/1995 on Public Limited Companies and Act No. 161/2002 on Financial Undertakings.

This Remuneration policy shall be published on the Bank's bank's website.

#### **Article 10: Approval – Adoption and Review of the Remuneration Policy etc.**

The remuneration policy shall be presented to the Bank's AGM AGMs for approval, rejection, or amendment.

The Remuneration Policy may be reviewed. The board shall monitor the policy's implementation and may review it more frequently than annually and any amendments. Any

~~changes to the policy must be~~ submitted to a ~~shareholders'~~shareholders' meeting for approval. The ~~Remuneration Policy serves as a guideline for~~policy is binding only to the Bank and the Board of Directors, ~~extent stipulated by law.~~ The board of Directors shall ~~record~~document any deviations from the Remuneration policy in ~~board~~ minutes ~~along with the substantiated grounds for such deviation.~~ Deviations shall be presented to the Bank's, ~~supported by clear justifications, and report such deviations at the~~ next AGM.

Approved at the Annual General Meeting of Íslandsbanki hf. ~~31 March~~on 30 June 2025.