Proposals to the Shareholders Meeting

30 June 2025

Íslandsbanki's Shareholders' Meeting will be held on Monday 30 June 2025 at 16:00 local time, at the Bank's headquarters at Hagasmári 3, 201 Kópavogur. Electronic participation will be available. Voting at the meeting will be conducted entirely electronically. The meeting will be conducted in Icelandic, but translation services into English will be available. On the day of the announcement of the Shareholders' Meeting there are 1,880,470,770 outstanding shares in the Bank.

Agenda:

1. Proposal to amend the Bank's Remuneration Policy
2. Other matters

Proposals of the Board of Directors:

On Item 1 – Proposal to amend the Bank's Remuneration Policy and explanatory notes

It is proposed that two authorizing provisions be added to the Bank's Remuneration Policy in Article 7, which the Board of Directors may apply at its discretion. Firstly, the Board would be authorized to establish a special incentive scheme for employees, and secondly, the Board would be authorized to adopt a stock option plan based on Article 10 of Act No. 90/2003 on Income Tax.

The objective of these authorizing provisions is to provide the Board with flexibility to reward employees for performance and to align the long-term interests of employees and the Bank.

In addition, it is proposed to amend Article 8 of the Remuneration Policy to align with the aforementioned changes to Article 7 of the Remuneration Policy regarding the integration of sustainability-related risks.

Finally, changes to the wording and organization of the text are proposed in several other places in the Remuneration Policy.

The proposal for the updated Remuneration Policy of the Bank in its entirety can be found at the end of this document in Annex I.

Incentive Scheme

The objective of the Bank's incentive scheme is to align the long-term interests of employees and shareholders while ensuring that the scheme does not encourage excessive risk-taking. In the Board's view, a well-structured incentive scheme is a key component in fostering a high-performance culture within the Bank. The scheme is also intended to ease pressure on fixed salary increases and to provide the Bank with greater cost flexibility in relation to performance.

The metric that determines eligibility for incentive payments is a minimum post-tax return on equity (ROE) in accordance with the Bank's publicly declared financial targets, taking into account the cost of the incentive scheme. At the beginning of each year, the Board shall define a minimum ROE threshold as a condition for incentive payments. This threshold shall not be lower than the Bank's long-term ROE target, currently 10%, taking into account the cost of the scheme. The threshold shall be publicly disclosed and aligned with the Bank's annual ROE guidance.

At all times, and following the opinion of the Corporate Governance and Human Resources Committee, the Board shall define in advance how returns exceeding the ROE threshold are to be distributed between shareholders and employees, in a transparent manner that aligns the long-term interests of the Bank, its shareholders, and its employees. No incentive payments shall be made unless the ROE threshold is met.

If the target is not reached or other conditions are not fulfilled, no incentive payments shall be made. Incentive payments may only be awarded based on pre-defined performance metrics that reflect good governance and sound operations, such as capital adequacy, liquidity ratio, safety indicators, financial health, cost efficiency, customer satisfaction, completion of mandatory training, compliance with laws and regulations, employee performance, and so forth. Metrics may vary by division, role, responsibility, and level of risk authorization.

It is also proposed that the Bank be permitted to revoke accrued incentive payments if the underlying conditions for awarding them change, such as in cases of later-discovered misconduct.

The incentive scheme must comply with the laws and regulations applicable to such schemes in financial undertakings, including Articles 57a and 57b of Act No. 161/2002 on Financial Undertakings, Article 79a of Act No. 2/1995 on Public Limited Companies, and the EBA Guidelines on sound remuneration policies in financial institutions. Thus, the total awarded incentive may never exceed 25% of an employee's annual salary. Furthermore, at least 40% of the determined incentive shall be deferred for a minimum of four years—and five years in the case of the CEO and employees who report directly to the CEO. Deferral is not required if the total incentive is 10% or less of the employee's annual salary without the incentive.

The scheme is intended to cover all permanent employees of the Bank, except for those who are prohibited from receiving incentives, i.e. employees in internal audit, risk management, and compliance. This approach aligns with the Bank's culture and promotes cross-functional cooperation.

It is proposed that a defined group of employees—up to 15% of staff—who can have the most impact on operations and revenue, may be eligible for incentive payments of up to 25% of annual salary, payable in part in shares of the Bank. In addition to the above-mentioned deferral periods of four or five years (as applicable), any such shares or share-linked instruments shall not be delivered until at least three years after the entitlement has been earned. Likewise, stock options may not be exercised until the end of a three-year waiting period. Other employees may be eligible for incentives of up to 10% of annual salary, payable annually in cash.

Incentive payments may be made in the form of cash, shares, share-linked instruments, other financial instruments, or a combination of the above, as permitted by applicable laws and regulations at any given time.

The rules of the incentive scheme, as structured from time to time, shall be made available on the Bank's website.

The estimated annual cost of the incentive scheme will depend on performance and may amount to up to 10% of the Bank's total salary expenses.

Stock Option Plan

The purpose of authorizing the Board to adopt a stock option plan based on Article 10 of Act No. 90/2003 on Income Tax is to align the long-term interests of the company and its employees and to allow employees to benefit if the Bank performs well. As stated in the Remuneration Policy, the stock option plan must meet all the requirements of Article 10 of Act No. 90/2003 and is subject to the approval of the Directorate of Internal Revenue.

The key terms of the stock option plan that the Board is authorized to implement are as follows:

- Plan duration of up to five years
- Applies to all permanent employees
- Options granted under the plan shall not vest until at least twelve months after the signing of the option agreement
- Stock options are non-transferable
- The purchase price of shares shall not be lower than the weighted average price of the Bank's shares over the ten full trading days prior to the agreement date
- Option holders must retain shares for two years following the exercise of the options
- Accumulation or deferral of option exercise is not permitted; unexercised options lapse
- Employees may not purchase shares under the plan for more than ISK 1,500,000 per year at purchase price

The stock option plan will be introduced to employees separately.

Based on Black-Scholes calculations, the estimated annual cost of the stock option plan is between 0.1% and 2.5% of the Bank's total salary expenses, with the majority of the cost incurred in the early phase of the plan's lifecycle.

The purpose of the incentive scheme and the stock option plan is to promote sustainable and stable long-term operations. Once fully implemented, it is estimated that employee shareholding through these schemes may amount to up to 2% of the Bank's total share capital.

Integration of Sustainability-Related Risk

In accordance with the requirements of Article 5 of Regulation (EU) 2019/2088 of the European Parliament and of the Council—transposed into Icelandic law through Act No. 25/2023 on Sustainability-Related Disclosures in the Financial Services Sector and the Taxonomy for Sustainable Investments—it is proposed that a new chapter be added to the remuneration policy explaining how the policy aligns with the integration of sustainability-related risks into the Bank's operations. The chapter outlines how the Remuneration Policy provides guidance and discipline to staff in integrating sustainability risks into investment decision-making and investment

Annex I
Remuneration Policy of Íslandsbanki hf.
Article 1 – Objective

Íslandsbanki (the Bank) emphasizes recruiting and retaining outstanding employees. The aim of this remuneration policy is to make employment with the bank an attractive option for qualified personnel, thereby ensuring the bank's competitiveness, development, and satisfactory profitability. The bank emphasizes that the remuneration of executives and other staff shall be competitive but moderate and not market leading. In determining remuneration, primary consideration shall be given to relevant work experience, responsibilities as per job description, 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 appropriate standards, values, and business ethics for banks.

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

Article 2 – Corporate Governance and Human Resources Committee

The bank's Corporate Governance and Human Resources Committee shall be composed to provide professional and independent assessment of the remuneration policy and its implementation. 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 fixed monthly remuneration in accordance with a resolution of the AGM each year, as provided in Article 79 of Act No. 2/1995 on Public Limited Companies. When determining the amount, consideration shall be given to the time spent on board duties, the responsibilities involved, and the bank's performance. The Corporate Governance and Human Resources Committee shall propose a reasoned recommendation to the board regarding board remuneration for the upcoming term. The board shall decide on the proposal and submit the final proposal to the AGM. The bank shall also cover travel expenses for board members residing outside the capital area. Severance agreements may not be concluded with board members.

Article 4 – Remuneration of the CEO and Executives

Remuneration for the CEO and executives of the bank shall be competitive and designed to attract and retain qualified executives. However, remuneration shall remain moderate and not market-leading.

No agreements shall be made with the CEO or executives that provide for severance payments beyond what is stipulated in employment contracts, collective agreements, or legal obligations. The notice period shall not exceed six to twelve months, taking into account the nature of responsibilities and duties.

Article 5 - Indemnity of the Board of Directors, CEO and Directors

The bank shall ensure that directors, the CEO, and executives—both current and former—are covered by liability insurance for their service to the bank. The bank shall indemnify them against claims arising from their official duties to the extent such claims do not result from intentional or grossly negligent conduct.

Article 6 – Remuneration Policies of Subsidiaries etc.

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

The CEO must submit proposed remuneration policies of subsidiaries and proposed board remuneration 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 and staff in risk management, internal audit, or compliance functions shall not receive incentive pay. The scheme shall apply to all other permanent staff.

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

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 – Disclosure

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 policy shall be published on the bank's website.

Article 10 – Adoption and Review of the Policy

The remuneration policy shall be presented to AGMs for approval, rejection, or amendment.

The board shall monitor the policy's implementation and may review it more frequently than annually. Any changes to the policy must be submitted to a shareholders' meeting for approval. The policy is binding only to the extent stipulated by law. The board shall document any deviations from the policy in board minutes, supported by clear justifications, and report such deviations at the next AGM.

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