



Remuneration Policy

| 1930 March~~June 2026~~5

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 to ensure that employment with the Bank is an attractive option for qualified individuals~~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, Compliance Officer, and the internal auditor, as well as on the structure of the Bank’s incentive schemes, stock-option plan 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 ~~and designed to attract and retain qualified employees 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, customers, 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.

Concurrently with the publication of the annual financial statements, the Board of Directors shall publish guidance for the current financial year regarding return on equity, together with medium-term financial targets. The Board shall ensure that no incentive payments are made unless return on equity falls within the range upon which accrual is based, and that accrual occurs proportionately in line with performance within that range. minimum benchmarks for return on equity have been met, and li incentive pays 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. In cases where an incentive is paid in the form of shares in the Bank, the price shall not be set lower than the weighted average price of the Bank's shares in transactions over the ten full trading days preceding the payment.

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 as well as at AGMs in a report on the implementation of the Remuneration Policy at AGMs, as further provided for in Article 79a of Act No. 2/1995 on Public Limited Companies, cf. Act No. 161/2002 on Financial Undertakings.

~~The report shall detail the main aspects of the Translation from Icelandic 29 June 2025 incentive scheme, including paid and accrued incentive pay, along with information on the bank's total commitments and payments due to incentive pay, and explain the implementation of the previously approved remuneration policy. The board shall publish the report no later than two weeks before the annual general meeting, present its content at the meeting, and submit it to the shareholders for confirmation.~~ Additionally, the annual financial statements shall disclose the total remuneration of key employees in accordance with accounting rules.

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 Shareholders Meeting of Íslandsbanki hf. on ~~1930 March~~ June 2026.