

# **Board of Directors' Report to Shareholders of Íslandsbanki hf.**

## **on the Implementation of the Remuneration Policy**

*Presented at the Annual General Meeting on 19 March 2026*

Íslandsbanki's Remuneration Policy is presented annually at the Bank's Annual General Meeting for approval. The Bank's Remuneration Policy was most recently approved at a shareholders' meeting on 30 June 2025. The objective of the Remuneration Policy is to make employment at the Bank an attractive option for qualified staff and thereby ensure the Bank's competitiveness, continued development, and satisfactory profitability. The Bank emphasizes that the remuneration of executives and other employees is competitive.

The Remuneration Policy is intended to support the Bank's long-term sustainable operations and to align with, and contribute to, sound and effective risk management, ensuring that risk-taking does not exceed the Bank's risk appetite. The policy is also intended to be consistent with the Bank's strategy and plans, objectives, values, and long-term interests, and to avoid creating circumstances that could give rise to conflicts of interest.

### **Equal pay**

Íslandsbanki places emphasis on equal pay, transparency, and responsible remuneration. The Bank's Equal Pay Policy states that employees shall receive equal pay and enjoy the same terms and conditions for the same or work of equal value, regardless of gender or other personal characteristics. Equal pay means that pay is determined in the same manner for all employees, without any discrimination.

To implement the policy, Íslandsbanki complies with the Equal Pay Standard (ÍST 85:2012) and has held accredited equal pay certification since 2018. In the pay analysis conducted during the most recent audit in 2025, the adjusted gender pay gap was measured at 0.1%.

### **Pay development**

According to salary surveys by Intellecta and PwC, the Bank generally pays competitive salaries. The average pay increase at the Bank was 5.5% in 2025, of which 3.5% was in accordance with a collective agreement. During the same period, the wage index rose by 7%. Total payroll expenditure amounted to ISK 16.7 billion, of which ISK 804 million related to expected staff departures in 2026. The average number of employees was 796, in 755 full-time equivalent positions, and full-time equivalents at year-end were 725.

## **Stock options and short-term incentive scheme**

Amendments to the Remuneration Policy were proposed at the Bank's shareholders' meeting on 30 June 2025. The principal changes to the policy consisted of, on the one hand, authorizing the Board to establish a dedicated short-term incentive scheme for employees and, on the other hand, authorizing the Board to introduce a stock option plan under Article 10 of Act No. 90/2003 on Income Tax.

The Board approved a stock option plan for all permanently employed staff of the Bank on 30 June 2025, effective from 2026 to 2030. The purpose is to align the interests of employees and shareholders and to give employees the opportunity to benefit if the Bank performs well. The plan enables employees to purchase shares in the Bank for up to ISK 1.5 million per year at a pre-defined rate, with the first opportunity to exercise the options arising in August 2026. A total of 741 employees has signed a share option agreement. The plan is based on Article 10 of Act No. 90/2003 on Income Tax and covers all permanently employed staff of the Bank.

The Bank's short-term incentive scheme has been approved by the Board and was implemented in the first quarter of 2026. The objective of the incentive scheme is to align the long-term interests of employees and shareholders, while ensuring that excessive risk-taking is not incentivized. In the Board's view, a well-designed incentive scheme is an important element in fostering a performance culture at the Bank. The incentive scheme is also intended to reduce pressure on increases in fixed salaries, thereby enhancing flexibility in the Bank's operating costs in relation to its performance. Further details of the short-term incentive scheme can be found in the Bank's Remuneration Policy and its rules on the incentive scheme.

## **Remuneration of the Board, CEO and executive management**

When determining the remuneration of senior management, reference is made to a peer group consisting of companies in the financial market on the one hand, and the largest companies listed on the Nasdaq Iceland stock exchange on the other. This approach reflects Íslandsbanki's position as one of the largest companies in the country in terms of operations, balance sheet, and number of employees. The objective of the Remuneration Policy is therefore to offer terms that enable the Bank to attract and retain qualified executives. This benchmarking exercise is carried out annually.

Information on the remuneration and benefits of Board members, the CEO, executive management, and other key employees for the years 2025 and 2024 can be found in Note 12 of the Bank's submitted annual accounts.

The Remuneration Policy does not permit the conclusion of severance agreements with the CEO and executives of the Bank that entail severance payments beyond the provisions of employment contracts, collective agreements, and statutory obligations. The contractual notice period for the CEO and executives shall not exceed six to twelve months. It is also prohibited to enter into severance agreements with Board members.