

Íslandsbanki hf. Annual General Meeting

23 March 2017

Íslandsbanki hf. held its Annual General Meeting in Nordurljós Conference Hall at Harpa in Reykjavík on Thursday 23 March 2017 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 operations in 2016
3. Approval of the Bank's accounts for 2016
4. Resolution on dividends and the disposal of the Bank's profit in 2016
5. Election to 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. Any 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 2017 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*, published in electronic form as it was in the previous year.

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 2016

Chairman of the Board Fridrik Sophusson reviewed the Bank's activities in 2016 and the proposals set forth for decision of the meeting.

3. Approval of the Bank's annual accounts for 2016

A video illustrating highlights in the Bank's activities in 2016 was shown at the meeting. Thereafter, CEO Birna Einarisdóttir reviewed the Bank's annual accounts and spoke briefly about the Bank's strategy and key projects in the year 2017. Then a video demonstrating the project based working environment in the new headquarters of the Bank was shown. 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 2016. The proposal was approved by shareholder vote.

4. Resolution on dividends and the disposal of the Bank's profit in 2016

The meeting chairman presented the following proposal by the Board of Íslandsbanki hf. concerning disposal of profit and payment of dividends:

"The Board of the Bank proposes that a dividend of ISK 10bn on 2016 profits be paid to shareholders. The dividend equals just under 50% of the profit for the year and is therefore in line with the Bank's long-term policy of paying dividends in the 40-50% range. The Board is authorised to call an extraordinary shareholders' meeting later in the year because of the possibility that a proposal for an extraordinary dividend on previous operational years could be presented."

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 shareholders 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
- Helga Valfells

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 Íslandsbanki hf. Board concerning the election of an external auditing firm:

“The Board of Directors proposes that Ernst & Young be re-elected as the Bank’s external 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:

“The Board of Directors proposes that the Íslandsbanki Annual General Meeting approve remuneration to Board members in the amount of ISK 400,000 per month, remuneration to the Chairman of the Board in the amount of ISK 700,000 per month, and remuneration to the Vice-Chairman in the amount of ISK 500,000. In addition, Board members shall be paid ISK 200,000 per month for participation in Board sub-committees, and sub-committee chairmen shall receive ISK 25,000 per month.

Remuneration to alternate Board members shall be ISK 200,000 for each Board meeting attended or each meeting with the Financial Supervisory Authority concerning eligibility, but shall never exceed the remuneration to a Board member in any given month. Remuneration to each alternate shall be a minimum of ISK 400,000 per year.”

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 Board's proposal that the Annual General Meeting approve the following employment terms policy:

“Article 1. Objectives.

The Íslandsbanki hf. employment terms policy is adopted in accordance with the provisions of Article 79(a) of the Act on Public Limited Companies, no. 2/1995. It is based on fundamental principles concerning sound corporate governance practices and is intended to support the Bank's efforts to provide outstanding service and lay the foundations for a strong return on equity, with the long-term interests of the company, its owners, and its customers and employees as a guiding principle.

In accordance with these objectives, the Bank's employment terms policy is based on the goal of offering employment terms that are competitive but not leading at any given time and are comparable to those in the Bank's operating environment, as measured with conventional metrics concerning activities, responsibility, and performance. Based on this, Íslandsbanki will be a desirable place of employment for outstanding employees.

The employment terms policy covers key points regarding the terms of employment and remuneration for Board members, the CEO, senior management, and other employees of the Bank.

Operating within the Bank is a Governance, Compensation, and Human Resources Committee comprising three members of the Board of Directors.

Article 2. Board members: terms of employment.

Board members shall be paid a fixed monthly fee in accordance with the decision of the Annual General Meeting each year, as is provided for in Article 79(a) of the Act on Public Limited Companies, no. 2/1995. Alternate Board members shall be paid a fee in accordance with the decision of the Annual General Meeting.

The Board shall present a proposal to the Annual General Meeting concerning remuneration for Board participation and work on Board sub-committees, as well as remuneration to alternate Board members, for the coming operational year. This proposal shall take into consideration the time that Board members dedicate to their work and the responsibility resting upon them.

The Bank shall also pay travel expenses and per diem allowances for Board members whose legal address is outside the greater Reykjavík area. Such payments shall be specified at the Annual General Meeting in connection with the determination of remuneration to Board members.

Payments by Íslandsbanki hf. of wages or salaries to Board members other than those specified in a decision by a shareholders' meeting are prohibited.

It is prohibited to conclude employment termination agreements with Board members.

Article 3. CEO: terms of employment.

The Board shall determine the CEO's terms of employment in his or her employment agreement. The fixed salary and other payments shall be competitive in the market in which the Bank operates and, among other things, shall take account of qualifications, responsibility, and scope of the position, but shall not be leading.

The employment agreement shall specify other terms of employment that are customary in similar positions. It shall contain stipulations on pension fund payments, vacation pay, benefits and perquisites, and termination period.

The CEO's terms of employment shall be reviewed annually. Such a review shall take account of performance, developments in employment terms in the market, and the Bank's earnings.

In preparing the employment agreement with the CEO, the general guideline shall be that, upon termination of employment, no payments will be remitted to the CEO in excess of those set forth in the agreement.

Article 4. Senior management: terms of employment.

The CEO shall hire managing directors and other employees answering directly to him or her. Their terms of employment shall be determined based on the considerations outlined in Articles 1 and 3.

The Board hires the Internal Auditor and determines his or her terms of employment based on the considerations outlined in Articles 1 and 3.

Article 5. Variable terms of employment.

The Board of Directors shall not conclude or authorise incentive-based payment agreements without the approval of the Bank's shareholders, and any such agreements shall be only on the terms approved by shareholders at a shareholders' meeting.

Article 6. Information disclosure.

The employment terms of the CEO, managing directors, and Board members are to be laid down at the Annual General Meeting. The total amount of wages paid during the year and the prior year shall be disclosed. Furthermore, the Board of Directors shall give a report at the Annual General Meeting on the success of the employment terms policy during the previous year.

The employment terms policy shall be published on the Bank's website.

Article 7. Other employees.

In determining terms of employment for other employees, the CEO and other managers within the Bank shall take into consideration the above-specified rules as applicable.

Article 8. Approval of employment terms policy, etc.

The Bank's employment terms policy shall be addressed at the Annual General Meeting, where it shall be presented for approval or rejection.

It is permissible to review the employment terms policy between Annual General Meetings, and any amendments to it shall be presented to a shareholders' meeting for approval.

The employment terms policy provides guidance for the Bank and its Board of Directors. If the Board deviates from the employment terms policy, it shall provide support for each instance in the Record of Minutes. The Board shall note any deviations and explain the reasons for them at the next Annual General Meeting."

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. 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 for his re-election and said he was looking forward to further collaboration with the shareholder, fellow members of the Board and the Executive Board.

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 other discussion, and the meeting was adjourned at 16:00.

Meeting Chairman

Meeting Secretary

Rut Gunnarsdóttir

Dagmar Clausen Thórdardóttir

This is an English translation. The original Icelandic text, as published on the Bank's website (www.islandsbanki.is), is the authoritative text. Should there be discrepancy between this translation and the authoritative text, the latter prevails.