



Proposals of the Nomination Committee in Accordance with item 4 of the Agenda for the Annual General Meeting 2021

On 19 February 2021 the Annual General Meeting for Arion Bank (the “Bank”) was formally called. The meeting will be held by electronic means on 16 March 2021 at 16:00.

Below is the report of the Nomination Committee (the “Committee”) and the proposals of the Committee in accordance with item 4 of the Agenda for the Annual General Meeting 2021 (the “AGM”).

1. Role of Nomination Committee

Rules of Procedure for the Committee were approved by a shareholders’ meeting on 25 May 2018. The principal role of the Committee is to ensure that Board members of the Bank have wide and versatile qualifications and experience in order to promote good corporate governance within the Bank. The Committee has an advisory role regarding the election of Board members by putting forth a proposal, at each Annual General Meeting and extraordinary shareholders meeting where Board election is on the agenda, of candidates to serve on the Board of Directors and make a proposal on their remuneration. Based on shareholders’ proposals and submissions of candidacy, the Committee shall propose to the shareholders candidates to serve on the Board of Directors and publish its proposal along with other declarations of candidacy. In its proposal for candidates, the Committee shall propose which candidate shall serve as the Chairman and the Vice Chairman of the Board of Directors of the Bank. The Committee shall also propose to the Annual General Meeting the remuneration payable to the members of the Board of Directors. Further information regarding the Committee’s role may be found in its Rules of Procedure, accessible on the Bank’s webpage. This year, the Committee has proposed certain changes to the Rules of Procedure, which will, if approved at the AGM, include changes to the composition of the Committee, cf. section 9 of this report.

2. Composition of Nomination Committee

The Committee consists of three members. In accordance with the current Rules of Procedure for the Committee, two Committee members, Júlíus Þorfinnsson and Sam Taylor, were appointed by shareholders’ meetings on 20 March 2019 and 9 August 2019. The third member is Sigurbjörg Ásta Jónsdóttir, who is nominated by the Board of Directors. Mr. Taylor was elected Chair of the Committee.

3. Work of the Nomination Committee

The Committee held five meetings in January-March 2021 to discuss the nomination process and the remuneration of the Board. The Committee also reviewed the Rules of Procedure for the Nomination Committee and proposed a number of changes, which were announced on 19 February 2021. The proposed changes to the Rules of Procedure are described in detail in section 9 below.

The Committee published an advertisement via a Nasdaq press release calling for Board candidacies and corresponded with shareholders holding in excess of 1% in the Bank, both via emails, calls and meetings, and also



held interviews with the existing Board members. As part of its work the Committee has examined a board performance review and competencies assessment prepared for the Board. The Committee further requested and reviewed information regarding the salaries cost relating to the Board, the subcommittees of the Board, number of meetings and overall costs related thereto.

As a result of its deliberations, the Committee recommends that the number of Board members will be reduced from seven to five. The Committee furthermore proposes changes to the salary structure of the Board, resulting in cost reduction of approx. 27%, compared to 2020. The reasoning and background for these proposals are described in detail in section 8 below.

The aim of the Committee is to procure that the proposed candidates collectively possess sufficient knowledge, skill, diversity and experience necessary for the operations of the Bank as a financial undertaking, taking interests of all shareholders of the Bank into consideration. As part of that the Committee has assessed candidates based on their qualifications, experience and knowledge, considering statutory qualifications under applicable rules on the qualifications of Board members in financial undertakings, as well as on the basis of the Icelandic Corporate Governance Guidelines, published by the Icelandic Chamber of Commerce, NASDAQ OMX Iceland hf. and the Confederation of Icelandic Employers, 5th edition May 2015 (the “Guidelines”). Further, the Committee has ensured that the composition of the Board of Directors complies with the Bank’s Articles of Association (the “Articles”), including provisions on gender equality within the Board of Directors.

In addition to reviewing a formal assessment of the Board’s collective suitability, the Committee has interviewed each Board member individually and reached out to larger shareholders of the Bank. Following its deliberations, the Committee is satisfied that the Board, despite the proposed decrease in number of Board members as proposed by the Committee, will form a strong and professional unit, with the appropriate balance between domestic and international Board members. The Committee is of the view that the five members who are proposed to form the Board of Directors comprise the necessary qualifications and skills required for the Bank.

With a notification published on 3 February 2021, the Nomination Committee invited those interested to submit their candidacies to the Committee. The deadline for declaring candidacy to the Nomination Committee expired on 26 February 2021. Five of the current Board members submitted notices of their candidacy for re-election and two as Alternates. The Committee received one additional candidacy, cf. section 10 of this report.

Following the expiry of the deadline to submit candidacies, the Nomination Committee has now concluded its review. Having carefully considered the work of the current Board in the past year, listened to the views of larger shareholders of the Bank, reviewed the board performance and competencies assessment for the Board, and in light of the criteria described above, the Committee has come to a conclusion on who to propose as Board members.

4. Candidacies to serve on the Board of Directors

Based on the board evaluation, meetings and other information, as described in section 3 above, the Committee has discussed the composition of the Board of the Bank and the competence that should be represented on the Board. The Committee proposes that the below individuals are re-appointed as Board members:

Name:	Brynjólfur Bjarnason
Date of birth:	18 July 1946
Education:	University of Minnesota - MBA (1973)



University of Iceland – Cand. Oecon in Business (1971)

Principal employment: None

Other responsible positions, including board membership:

Board member of the Reykjavik City Theatre Playwright Fund (Leikritunarsjóður Leikfélags Reykjavíkur.) (2009-),
Ferguson ehf., (2015-),
ÍSAL hf. (2016-),
Marinvest ehf. (2015-)

Information on work carried out for Arion bank hf. (other than Board work): None

Experience:

Genís ehf. (2009-2019)
The Enterprise Investment Fund (FSÍ) – Managing Director (2012-2014)
Skipti – CEO (2007-2010)
Icelandic Telecom (Síminn) – Chairman (2008-2010)
Farice – Board member (2002-2008)
Icelandic Telecom (Síminn) – CEO (2002-2007)
Bakkavör Group – Board member (1995-2005)
Almenni pension fund – Board member (2003-2005)
SA Confederation of Icelandic Enterprise – Board member (1999-2003 and 2004-2009)
Grandi – CEO (1984-2002)
Icelandic – Board member (1984-2002)
Islandsbanki – Board member (1990-1993) (Chairman 1990-1991)
Icelandic Chamber of Commerce – Board member (1980-1984)

First appointment to the Board of Arion Bank: 20 November 2014

Shares in Arion Bank hf., whether direct ownership or through associated parties: None

Interest links to the Arion Bank's main clients and competitors and large shareholders in Arion Bank:

The candidate has noted that he is familiar with many potentially influential people in other financial institutions, but only based on acquaintances.

Evaluation of independence or non-independence: It is the conclusion of the Nomination Committee that, according to the Guidelines, Brynjólfur is independent of the Company, its managers and significant shareholders.

Reasons for proposal of candidate: The Nomination Committee is of the view that Brynjólfur possesses the relevant background and experience for a Board member of the Bank. Brynjólfur enjoys good relations with the management and other directors. Brynjólfur has extensive experience across the Icelandic business community and retains the trust of the relevant surveillance authorities.

Name: Gunnar Sturluson

Date of birth: 17 July 1967

Education: University of Iceland – Cand. Jur (1992)
University of Amsterdam – LLM (1995)

Principal employment: Partner, Logos legal services slf.

Other responsible positions, including board membership:

Board member of the Nordic Arbitration Centre of the Icelandic Chamber of Commerce
President of FEIF, the International Federation of Icelandic Horse Associations (2014-)
Founder and owner of Hrísdalshestar sf. horse breeding farm (2003-)



Chairman of the Board of Directors of the Icelandic Dance Company, appointed by the Minister of Education

Experience: Partner Logos Legal Services (2000-), managing partner (2001-2013)
Board member of Gamma hf. (2017-2019)
Chairman of RUV – The Icelandic National Broadcasting Service (2016-2017)
Elected by Parliament as a member for the Parliamentary Elections Committee (2013-2017)
Counsel office (1992-1999)
Lecturer at the Law Faculty of the University of Iceland (1995-2007)

First appointment to the Board of Arion Bank: 9 August 2019

Information on work carried out for Arion bank hf. (other than Board work): None

Shares in Arion Bank hf., whether direct ownership or through associated parties: None

Interest links to Arion Bank's main clients and competitors and large shareholders in Arion Bank: None

Evaluation of independence or non-independence: It is the conclusion of the Nomination Committee that, according to the Guidelines, Gunnar is independent of the Company, its managers and significant shareholders.

Reasons for proposal of candidate: The Nomination Committee is of the view that Gunnar possesses the relevant background and experience for a Board member of the Bank. Gunnar's legal background and experience is an important component for the Board.

Name: **Liv Fiksdahl**

Date of birth: 7 January 1965

Education: INSEAD - International Directors Programme (2019)
Massachusetts Institute of Technology - Advanced Management Program for Executives in Management, Innovation and Technology (2018)
Stanford University - Programs in Big Data-Strategic Decisions and Analysis, The Innovative Technology Leader and Design Thinking (2018)
BI Norwegian Business School - English for Management (1996)
Trondheim Business School - Finance and Management (1986)

Principal employment: Capgemini Norge AS - Vice President Financial Services, Associated

Other responsible positions, including board membership:

Scandinavian Airlines Systems, SAS – Board Member (2018-)

Posten Norge AS – Board Member (2018-)

Intrum AB - Board Member (2019-)

Experience: Nille AS – Board Member (2018-2019)

BankAxept – Board Member (2017-2018)

DNB - Group EVP, CIO/COO, IT & Operations (2013-2018)

Doorstep - Non-Executive Director (2013-2015)

Sparebankforeningen - Deputy Chair of the Board (2009-2016)

Finans Norge - Chair of the Board, Banking and Payment (2007-2012)

DNB - Group EVP, COO, Operations (2007-2012)

Sparebankforeningen - Deputy Board Member (2007-2009)

DnB NOR - EVP, Divisional Director, Bank Productions, Corporate Customers (2006-2007)

DnB NOR - VP, Customer Support, Corporate Customers (2003-2006)



DnB/Gjens.NOR - Program Manager, Merger DNB/Gjensidige NOR Corporate Customers (2003)

Gjensidige NOR - VP, Head of staff, Corporate Customers (2001-2002)

Gjensidige NOR - VP, Senior Account Manager, Large Corporate Customers (1999-2000)

Trondheim Kommune Bystyret - Representative (1995-1999)

Gjensidige NOR/Handelsbanken/Fokus Bank - Senior Account Manager positions, corporate customers (1986-1998)

First appointment to the Board of Arion Bank: 20 March 2019

Information on work carried out for Arion bank hf. (other than Board work): None

Shares in Arion Bank hf., whether direct ownership or through associated parties: None

Interest links to Arion Bank's main clients and competitors and large shareholders in Arion Bank: None

Evaluation of independence or non-independence: It is the conclusion of the Nomination Committee that, according to the Guidelines, Liv is independent of the Company, its managers and significant shareholders.

Reasons for proposal of candidate: The Nomination Committee is of the view that Liv possesses the relevant background and experience for a Board member of the Bank. Liv has background from both IT and Operations and longstanding experience in leading Nordic bank. Furthermore, Liv has a strong track record of operational efficiency, initiatives and systems improvements.

Name: Paul Richard Horner

Date of birth: 5 August 1962

Education: University of Oxford - M.A. Honours in Music (1983)
UK Chartered Institute of Bankers - Associate
RBS Global Banking & Markets - Advanced Credit Training Programme

Principal employment: The Royal Bank of Scotland Group plc (2003-)
Ulster Bank Ireland DAC - Director of Risk (2018-)

Other responsible positions, including board membership: Coutts International - Non-Executive Director

Experience: The Royal Bank of Scotland Group plc (2003-2017)

- Coutts International - Chief Executive (2016-2017)
- Coutts International - Managing Director and Chief Risk Officer (2012-2016)
- RBS Non-Core Division - (2009-2012) Head of Risk, International Businesses, RBS Non-Core Division
- ABN Amago, Europe & Middle East, Commercial & Consumer (Amsterdam) - (2008-2009) Chief Risk Officer (2008-2009)
- RBS European Consumer Finance (Dusseldorf) - Chief Risk Officer (2007-2008)
- RBS Group Risk Management - Senior Manager (2003-2007)

Barclays PLC (1988-2003)

- Credit Risk Director, Specialist Larger Business(2002-2003)
- Area Director, Medium Business (1999-2002)
- Head of Corporate Credit, Group Risk Management (1996-1999)
- Head of Supplier Management, Group Operations Centres (1996)
- Relationship Director, Larger Business, Central London (1993-1996)



- Corporate Manager, London (1992-1993)
- Assistant Manager, Central Advances Department (1991-1992)
- Barclays Management Development Programme (1988-1992)

First appointment to the Board of Arion Bank: 9 August 2019

Information on work carried out for Arion bank hf. (other than Board work): None

Shares in Arion Bank hf., whether direct ownership or through associated parties: None

Interest links to Arion Bank's main clients and competitors and large shareholders in Arion Bank:
None

Evaluation of independence or non-independence: It is the conclusion of the Nomination Committee that, according to the Guidelines, Paul is independent of the Company, its managers and significant shareholders.

Reasons for proposal of candidate: The Nomination Committee is of the view that Paul possesses the relevant background and experience for a Board member of the Bank. Paul is a seasoned banking professional with extensive experience of Risk and General Management in Retail, Commercial and Private Banking, gained across various international markets at both management and board level.

Name: Steinunn Kristín Þórðardóttir

Data of birth: 9 April 1972

Education: Styrelederskolen, intensive course on board work, governance and regulation, Oslo (2019)
IESE Business School, Exec Program in Digital Mindset, New York (2017)
Thunderbird, Arizona – MIM: Mast of International Management with concentration of Finance (1999)
University of South Carolina, CCC – Bachelor of Arts degree in International Business and Politics (1995)
Commercial College of Iceland (1992)

Principal employment:None

Other responsible positions, including board membership: Deputy Chairman at Norwegian-Icelandic Chamber of Commerce and Board Member of Cloud Insurance, Acton Capital AS and Akton AS. Member of the Nomination Committee of Síminn.

Experience: Beringer Finance, Reykjavík, Iceland and Oslo, Norway - Interim CEO in Iceland and Global Head of Food and Seafood (2016-2017)
Beringer Finance, Norway - Partner and CEO Norway (2015-2016)
Akton AS establishment – Founder and MD (2010-2015)
Akton AS establishment - Independent consulting projects and preparation (2009-2010)
Islandsbanki, UK – MD and Head of UK (2005-2008)
Islandsbanki, Iceland - Executive Director, International Corporate Credit (2003-2005)
Islandsbanki, Iceland - Manager (2001-2003)
Enron Corporation, Houston, USA (1999-2001)

First appointment to the Board of Arion Bank: 30 November 2017

Information on work carried out for Arion bank hf. (other than Board work): None

Shares in Arion Bank hf., whether direct ownership or through associated parties: None

Interest links to Arion Bank's main clients and competitors and large shareholders in Arion Bank:
The candidate has noted that she is acquainted with many people within financial institutions in Iceland. Furthermore, she reports that her brother is a part owner and CEO of Fossar Markets, an independent securities firm.



Evaluation of independence or non-independence: It is the conclusion of the Nomination Committee that, according to the Guidelines, Steinunn is independent of the Company, its managers and significant shareholders.

Reasons for proposal of candidate: The Nomination Committee is of the view that Steinunn possesses the relevant background and experience for a Board member of the Bank. Steinunn has extensive experience in the financial markets and is well respected within the Icelandic business community.

Reasons for the proposal of each candidate with references and explanations for his/her qualification are summarised above. The Committee has after careful deliberation concluded that the candidates proposed above individually and collectively possess sufficient knowledge, skill, diversity and experience necessary for the operations of the Bank as a financial undertaking. The Committee is of the view that the Board is well suited to fulfil its roles in the best interest of the Bank and its shareholders.

An evaluation of the independence of the proposed Board Members has been performed, showing that the group both fulfils legal requirements in respect of gender ratio as well as the requirements made in the Guidelines.

5. Proposed candidates to serve on the Board of Directors as Alternate Directors

Name: Sigurbjörg Ásta Jónsdóttir

Date of birth: 7 April 1970

Education: University of Iceland – Cand.Jur. (1996)
Cambridge University, England – Masters of Law degree (1997)

Principal employment: Risk ehf.

Other responsible positions, including board membership: None

Experience: Policy Officer – NATO (1999-2018)
Legal Officer - Ministry of Interior (2014-2015)

First appointment to the Board of Arion Bank: 20 March 2014, as an Alternate

Information on work carried out for Arion bank hf. (other than Board work): None

Shares in Arion Bank hf., whether direct ownership or through associated parties: None

Interest links to Arion Bank's main clients and competitors and large shareholders in Arion Bank:
None

Evaluation of independence or non-independence: It is the conclusion of the Nomination Committee that, according to the Guidelines, Sigurbjörg is independent of the Company, its managers and significant shareholders.

Reasons for proposal of candidate: The Nomination Committee is of the view that Sigurbjörg possesses the relevant background and experience for an Alternate Board member of the Bank. As a lawyer, Sigurbjörg has relevant background as a board director.

Name: Þróstur Ríkharðsson

Date of birth: 12 January 1978

Education: University of Iceland – Cand.Jur. (2003)

Principal employment: Head of legal of Kaupthing ehf.

Other responsible positions, including board membership:

Seabreeze Holding ehf. - Non-Executive Director (2017-)

Experience: Kaupþing ehf. (2009-)



Avant hf. - Head of legal division (2007-2009)
AM Kredit ehf. - Head of legal collection (2005-2007)
AM Praxis law firm - Associate (2003-2005)

First appointment to the Board of Arion Bank: 20 March 2019, as an Alternate

Information on work carried out for Arion bank hf. (other than Board work): None

Shares in Arion Bank hf. whether direct ownership or through associated parties: 13.000

Interest links to Arion Bank's main clients and competitors and large shareholders in Arion Bank:

Þröstur is an employee of Kaupthing ehf., which is 48% owned by Taconic Capital, which holds in excess of 10% in the Bank.

Evaluation of independence or non-independence: It is the conclusion of the Nomination Committee that according to the Guidelines that Þröstur is independent of the Company, its managers and significant shareholders.

Reasons for proposal of candidate: The Nomination Committee is of the view that Þröstur possesses the relevant background and experience for an Alternate Board member of the Bank. As a lawyer, Þröstur has relevant background as a board director.

6. Proposal on Chairman of the Board of Directors

Name: Brynjólfur Bjarnason

Brynjólfur, the current Chairman, who has been a Board member since 2014 and chairman since 2019, is an independent director. The Committee is of the view that Brynjólfur, who is the senior member of the Board and well-presented and connected in the Icelandic business community, is ideally suited for the role of the Chairman.

7. Proposal on Vice-Chairman of the Board of Directors

Name: Paul Horner

Paul has been a Board member since 2019 as an independent director. Paul has extensive banking background and brings international experience in risk to the Board. The Committee is of the view that the qualifications of Paul described above make him ideally suited for the role of Vice-Chairman.

8. Formal proposal on remuneration and other fees payable to the members of the Board of Directors

The Committee notes the publication of the Remuneration Proposal by Arion on 2 March 2021, which it had proposed prior to its publication.

As stated in its report for the AGM 2020, the Committee discussed last year a review of the salary structure although this was not concluded. This year, the Committee has extensively considered the salary structure and size of the Board.

The current remuneration of Board members, as approved at the Arion AGM in March 2020, is as follows:

- Monthly base salary of Board members residing in Iceland: ISK 490,900



- Monthly base salary of Board members residing outside of Iceland: ISK 981,800
- Board members residing in Iceland are entitled to extra private pension rights
- Monthly salary of the Chairman: ISK 981,400 (2x base salaries).
- Monthly salary of the Vice-Chairman: ISK 736,200 (1.5x base salaries).
- Monthly salary for serving on board committees: ISK 196,300
- Monthly salary for serving as Chairman of board committees: ISK 255,000
- The salary of alternate members for each meeting; ISK 248,600 (up to a maximum of ISK 490,900 in the case of more than one meeting a month).

In its review this year, the Committee sourced a number of memoranda and reports, including an overview of all costs relating to the Board during the last few years; an overview of remuneration paid to the Board of Directors in comparable listed companies domestically and abroad, as well as peer banks in Iceland; a board performance review in regard to workload required and the adequate size of the board; and a comprehensive summary of activities within board committees. Further, the Committee also discussed the board salary structure with a number of shareholders.

The Committee has noted the following:

- Total number of Board meetings and Board Committee meetings were 50 in 2020 (12 Board meetings, and 38 Committee meetings).
- On average, board members estimate they spend approx. 35-45 hours a month, preparing for and attending to board meetings and board committee meetings.
- Total costs relating to the Board of Directors in 2020 amounted to ISK 178 million, thereof total salaries and related salary expenses amounted to ISK 150 million in 2020.
- The above salary structure has remained unchanged for a number of years, typically increasing every year in line with salary indexes.
- In comparison, Arion bank has, in line with focus on cuttings costs, decreased its total salaries cost by 15.8% since 2018, and number of employees (FTE's) has decreased by 21.3% since 2018.
- The overall cost relating to Arion's Board of Directors, as well as some parts of the salary structure, such as the double salaries to Board members residing outside of Iceland and the monthly payments for board committees (vs. payments per meeting), have been subject to criticism from some shareholders.

After a careful review, and in light of the above, the Committee proposes a number of changes to the remuneration of the Board, which will reduce the overall total board salaries cost by approx. 27%, compared to 2020:

- The Nomination Committee proposes to reduce the number of Board Directors, to 5 members (from 7 previously), as the Committee finds that a 5 member Board is the sufficient and adequate size of the Board, as supported by the board performance review in regard to workload required as well as deliberations with Board members.
- Abandon the double pay for Board members residing outside Iceland - all board Directors to be paid the same base salaries (after adjusting for foreign exchange fluctuations as explained further below).
- The Committee proposes that the base monthly salary will be ISK 600,000. This would represent a decrease of 39% of base salaries of board members residing outside of Iceland, and an increase of 22% of base salaries of Board members residing in Iceland, thus adjusting the compensation to the work load required.
- Board members residing outside of Iceland to receive an extra payment (travel allowance) of ISK 300,000 for each Board meeting they attend in person, to compensate for the time spent traveling to and from meetings.
- Chairman to be paid double base salaries (as before), ISK 1,200,000.
- Vice-Chairman to be paid 50% extra (as before); ISK 900,000.



- Salaries of board committees to be based on number of meetings, which varies greatly between committees, as does the workload associated with each board committee.
- The Committee proposes that ISK 200,000 will be paid for each committee meeting (and a maximum of ISK 400,000 per month) and ISK 300,000 to the Chairman of each committee for each meeting (and maximum of ISK 600,000 per month).
- Number of alternate directors to be reduced from 3 to 2 (of both genders).
- Alternate directors to be paid ISK 300,000 per annum, and ISK 600,000 for each board meeting attended (and maximum of 600,000 a month in case there are more meetings).
- Whilst the Committee proposes to abandon the double pay for Board members residing outside of Iceland the Committee recognises the need to attract international talent to the Board and increase the likelihood to retain the services of international Board members. Accordingly, the Committee proposes that the remuneration of Board members residing outside of Iceland shall be paid in the equivalent amount in their respective currency, fixed at the average three-year official exchange rate prior to the date of the AGM to adjust for and protect their remuneration against adverse impact of volatility of the ISK.

The Committee estimates that the reduced number of board directors, and the updated board salary structure, will result in total board salaries (incl. salary related expenses) cost of approx. ISK 110 million on a normal yearly basis, which is cost reduction of approx. 27%, compared to 2020.

According to the Board's Rules of Procedure, the Board is permitted to establish committees to discuss particular areas of the Bank's operations. The Committee recommends the Board to evaluate whether certain tasks and topics should be dealt with at the board level or at board committee meetings, and consider if number of committees could be reduced, the number of committee meetings could be reduced, or if the number of Board members in each committee could be reduced.

9. The Nomination Committee's Rules of Procedure

The Committee notes the proposal concerning the Rules of Procedure for the Nomination Committee on 19 February 2021, which it had prepared and proposed to the Board of Directors. Following its work prior to the AGM 2020, the Committee continued this year to review its Rules of Procedure.

The Committee decided to propose changes to the appointment process of Committee members, allowing more flexibility to be able to react to changes of shareholding and other unforeseen events. In essence this would mean a departure from the current set up where specific individuals are appointed at AGMs and instead the composition of the Committee is based on shareholding in advance of the AGMs. The proposals also include changes to the participation from the Board of the Company, which would no longer have a direct representative on the Committee but rather the right to appoint a professional member as well as taking on an administrative role. Other proposed changes include adding a general conflict of interest provision and simplifying the Rules of Procedures by using reference to relevant other rules.

The specific proposals are as follows:

1. Changes to the Committee's appointment process – The Bank currently elects to annually appoint two Committee members at the AGM for a term of one year. The third member of the Committee is either the Chairman of the Board of Directors or another Board Member appointed by the Board. There is, however, no procedure for replacing shareholder appointed members who, for example, may resign before the Committee's work is concluded. Furthermore, a one-year term lacks flexibility in response to changes in



shareholding. The amended Rules of Procedure provide that the Committee will be formed prior to AGMs, based on two appointments from shareholders, or group of shareholders, controlling the largest number of votes and who wish to appoint a representative. This is a method practiced by institutions such as Nordea, Handelsbanken, Swedbank and Skandinaviska Enskilda Banken. The term for these representatives would expire upon the constitution of a new Nomination Committee in lead-up to AGM's, while the amended Rules also specify how changes in shareholding may alter the Committee's composition, thus preserving representation of the largest shareholders should an EGM be called to elect members to the Board.

2. Secondly, the amended Rules of Procedure provide that Board members no longer participate as members of the Committee. Rather, the Board will appoint a third Committee member, in consultation with the representatives of the two largest shareholders, who shall possess the appropriate professional qualifications and experience of searching for and assessing Board candidates. This member shall be paid a consultancy fee, in line with market practice, which shall be approved by the two shareholder representatives. The two shareholder appointed members would not receive any remuneration for their work.
3. Thirdly, the amended Rules of Procedure proposes the addition of a conflict of interest provision.
4. Also, the amended Rules of Procedure provide, as recommended by the Board of Directors, which in line with regulatory requirements will approve a policy on the suitability assessment of Directors and the CEO, the Committee proposes that corresponding provisions in the Committee's Rules of Procedure be removed and replaced with a reference to said policy.

A copy of the Rules of Procedure with the proposed changes included is available on the Bank's website.

10. Additional candidacies

With a notification published on 3 February 2021, the Nomination Committee invited those interested to submit their candidacies to the Committee. The deadline for declaring candidacy to the Nomination Committee expired on 26 February 2021. Five of the current Board members submitted notices of their candidacy for re-election and two as Alternates. As described in section 4, The Nomination Committee proposes that all current Board members and Alternates, who submitted their candidacy, will be re-appointed as Board members and Alternates.

The Committee received one additional candidacy, from Már Mixa.

Name:	Már Wolfgang Mixa
Data of birth:	6 February 1965
Education:	PhD – Business Administration, Reykjavik University, 2016. MSc – Corporate Finance, University of Iceland, 2009. BSBA – Finance, University of Arizona, 1994. BA – Philosophy, University of Arizona, 1994. Certifications as a certified stock advisor both in the USA (1996) and in Iceland (2001).
Principal employment:	Assistant Professor at Reykjavik University School of Business
Other responsible positions, including board membership:	Board member of Simple Time ehf. and Simple Investments ehf.



Experience:

Atlantic Tank Storage (2009-)
Special Investigation Commission for savings banks (2013-2014)
Icebank (2007-2009)
Nordvest Securities (2007)
JPM Ventures (2005-2006)
VSP Securities (2004-2005)
SPH Securities (1998-2004)
Agricultural Bank of Iceland (1997-1998)
Morgan Stanley (1996)
Landsbanki Islands (1985-1992)