2.3. Rules of Procedure for the Board of Directors

SECTION I
General

1. Purpose

These rules of procedure stipulate the role of the Board of Directors (the Board) of Arion Bank, the eligibility of Directors and the set-up of board meetings.

The rules of procedure are established with reference to Article 54 of the Financial Undertakings Act No. 161/2002, Article 70 of the Public Limited Companies Act No. 2/1995, and are based on the EBA Guidelines on Internal Governance (EBA/GL/2021/05) and the FME Guidelines No. 1/2010.

2. Organization of the Board of Directors

The Board is elected for a term of one year at the annual general meeting (AGM), in accordance with the Bank's Articles of Association.

3. General eligibility of Directors

The Board has approved a Suitability Policy, based on the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body (EBA/GL/2017/12), which set out the principles, criteria and fundamental aspects of both the organisation and the procedures for assessing the suitability of the members of the Bank's Board of Directors and of the Bank's CEO.

Board member shall not take on duties in Boards or management teams of other companies if this affects their ability to perform their duties for the Bank in an adequate manner.

In their capacity for the Bank, Directors shall conduct themselves and act in manner consistent with the Bank's good reputation and refrain from any conduct which might discredit it. The Bank's workplace sexual harassment and bullying policies shall, on mutatis mutandis basis, also apply to Directors. Directors shall be duly informed of the content of, and amendments made to, such policies.

4. Confidentiality

Directors are bound by an obligation of confidentiality concerning any information of which they may become aware in the course of their duties concerning business or private concerns of the Bank's customers, cf. Article 58 of the Financial Undertakings Act, unless obliged by law to provide information. Directors are further bound by an obligation of confidentiality concerning all information concerning the affairs of the Bank, the circumstances of the employees and other information of which they may become aware of in the course of their duties as Directors and shall be kept confidential, unless obligated by law or the Articles of Association to provide the information. The obligation of confidentiality remains even after directorship ceases.

Directors, including Alternates shall sign a special confidentiality agreement before taking up their duties on the Board, and confirm that they have familiarized themselves with these rules and the Directors' Handbook.

5. Independence of Directors

The majority of the Board must be independent of the Bank and its day-to-day management. At least two Directors shall also be independent of the Bank's significant shareholders. A significant shareholder is anyone who controls at least 10% of the total share capital or voting rights in the Bank, acting on their own or in concert with connected parties.

The Board itself evaluates whether a current Director is independent of the Bank, or significant shareholders, at any given time and makes the results of such evaluation available in the Bank's corporate governance statement and on the Bank's website. In the case of election of new Directors to serve on the Board it is the Nomination Committee that shall assess the independence of candidates and the Committee shall make its findings available to shareholders on the Bank´s website.

6. New Directors

Following the election of a new Director at a shareholders' meeting the Chairman must ensure that the new Director is given appropriate induction and training, information and a presentation on the working practices of the Board, the affairs of the Bank and the main factors deemed necessary with respect to the operations, organization and risk management of the Bank. The CEO shall arrange such meetings with the appropriate Managing Directors and with the participation of other Directors if applicable. Such meetings shall take place not more than a month after the election of the Director in question.

SECTION II

Division of duties, areas of responsibility, and performance assessment

7. The division of duties within the Board

The Chairman and the Vice Chairman of the Board are elected in a shareholders´ meeting. At the first regular board meeting after the AGM, or the shareholders' meeting at which a new Board has been elected, the Board shall divide its duties as necessary, in accordance with the Bank's Articles of Association. At the same board meeting it shall be decided, if the shareholders have not decided otherwise, how Alternates shall be called to serve on the Board. Alternates shall be informed of this decision.

8. Areas of responsibility

The Board of Directors is the supreme authority in the affairs of the Bank between shareholders' meetings. The Board is responsible for the Bank's affairs and for ensuring that its organization is at all times in correct and good order. The Board shall therefore have a good overview and supervise the Bank's activities. Furthermore, the Board monitors whether the Bank´s subsidiaries comply with applicable rules and guidelines on corporate governance. The Board shall make decisions on all unusual or major arrangements which fall outside the daily operations but it can also authorize the CEO to make such decisions.

The Board is responsible for the activities, strategic planning and risk policy[1] of the Bank, as well as for ensuring that there is an active internal monitoring system in place which is in compliance with the Financial Undertakings Act and any rules established on the basis of it. The Board is responsible for ensuring that there is adequate supervision of accounting and that the handling of the Bank´s financial assets is in compliance with the relevant laws and rules.

The Board shall know and understand the legal, organisational and operational structure of the Group and ensure that the interconnections between different entities within the Group do not pose challenges for the effective management and oversight of the risks of the group. When setting up structures, the Board shall understand them, their purpose and the particular risks associated with them and ensure that Compliance and Risk are appropriately involved.

The Board shall engage in regular discussions on the manner in which it discharges its duties and where its main areas of focus should be.

The Board grants the powers of attorney and represents the Bank with the authority to sign on behalf of the Bank. The Board can, however, authorize the CEO or others to sign on the Bank's behalf.

A. The **main tasks** of the Board are to:

1. Appoint a CEO and determine his salary and other remuneration. The Board shall provide effective assessment, criticism and supervision of the CEO´s decisions. The Board shall

[1] In this text, the concept "risk policy" is treated as being synonymous with the concept "risk strategy" which is introduced in the CRD IV, as incorporated into the Financial Undertakings Act.

also ensure through effective supervision that the CEO complies with those acts and rules which apply to his/her work.

2. Appoint a Chief Internal Auditor, who reports directly to the Board, and determine his duties, salary, and other remuneration. The Board shall establish a charter for the Chief Internal Auditor.
3. Confirm the appointment of a Compliance Officer, who reports directly to the CEO, and the appointment of a deputy, and issue a charter for compliance.
4. Confirm the appointment of a Chief Risk Officer, who reports directly to the CEO, and the appointment of a deputy, if applicable and approve a charter for risk management.
5. Confirm the dismissal or removal of the Chief Risk Officer.
6. Confirm the Bank's and the Group´s organizational chart.
7. Assess the Bank's capital and liquidity requirement with respect to risk.
8. Devote sufficient time to consideration of risk issues and ensure that adequate resources and time are allocated to effective risk management and risk assessment to enable sufficient overview within the Bank of its main risk exposures.
9. Ensure appropriate level of supervision of valuation of assets, the use of internal models and the use of external credit ratings.
10. Establish policies on internal affairs at the Bank.
11. Approve the Bank's signature rules as proposed by the CEO.
12. Regularly monitor legal proceedings concerning important interests of the Bank.
13. Establish criteria on who are to be considered Person discharging managerial responsibilities (PDMR).
14. Notify the FME immediately of any issues which are of crucial importance for the continued operation of the Bank.
15. Monitor and ensure to the best of its ability that announcements and information that the Bank is obliged to release according to Act on Financial Undertakings are correct.
16. Ensure that corporate governance and infrastructure support the effective and prudent management of the Bank, separation of different business units and the prevention of conflicts of interest. To that end, Directors should familiarise themselves with EBA Guidelines on Internal Governance.
17. Investment matters.

B. The following matters shall inter alia be addressed at **regular** Board meetings:

1. Approval of the agenda.
2. Review and approval of last meeting(s) minutes.
3. CEO´s report, including reporting from the regular course of business, decisions taken by the CEO, current market issues.
4. Financial reporting on the Bank´s business. The reporting should be accompanied by an analysis of the business during the reporting period and material conditions, such as significant changes in income and costs, significant organizational changes or material disputes.
5. Sub-committees´ reports.
6. Review of Risk reports.
7. Other matters that should be referred to the Board in accordance to law and regulations or decisions by the Board.
8. Evaluate if information provided in the meeting or a decision of the Board may constitute inside information.

C. In addition to the matters addressed at regular Board meetings, the following matters shall be addressed at **quarterly** Board meetings:

1. Review of operating performance.
2. Evaluation of financial forecasts, budget and investments.
3. Internal control unit's regular reports, including Compliance and Internal Audit quarterly reports.
4. Approval of interim report and assessment of matters pertaining to market and finance.

5. Review notifications of commercial dealings of Directors and close family members or parties closely linked to those parties and if applicable approve or refuse such dealings.

D. In addition to the matters addressed at regular Board meetings, the following matters shall be addressed at **semi-annual** Board meetings:

1. Approval/review of the Bank's risk appetite on the basis of a recommendation from the Board Risk Committee, the CEO and the CRO.
2. Review the audit report from the external auditor.
3. Approval of the semi-annual report of the Bank and the Group.

E. In addition to the matters addressed at regular Board meetings, the following matters shall be addressed **annually** at Board meetings:

1. Review of the rules of procedure for the Board.
2. Appointment of members of the Board committees and confirmation of procedural rules for the committees.
3. Approval of meeting dates and work schedule until the next Annual General Meeting.
4. Discussion with the Chief Internal Auditor, the external auditor of the Group, the Chief Risk Officer and the Compliance officer without the presence of the CEO or other member of the executive management in order to review the status of internal control and risk management.
5. Approve the Bank's risk management practices and ensure that internal risk management procedures are reviewed.
6. Approve an incentive scheme based on a proposal from the Board Remuneration Committee and the Board Risk Committee, if applicable.
7. Arrange, with the CEO, the preparation of an annual financial statement and the consolidated financial statement of the Bank in accordance with the Annual Accounts Act.
8. Sign the annual financial statement and the consolidated financial statement with the CEO.
9. Review and approve the corporate governance statement.
10. Review and approve the Board's Declaration and Risk Statement in Pillar 3 Risk Disclosures.
11. Propose a dividends policy at the Bank's AGM, and submit a proposal on the payment of dividends at the AGM, if applicable.
12. Submit a proposal at the AGM on the election of an external auditor based on a proposal from the Bank Audit Committee, if applicable.
13. Approve and review the business plan, targets and budget.
14. Review and approval of key policies.
15. Assessment of the Board´s work, practices and procedures, the Bank's activities and the work of the Board committees, the CEO, the Chief Internal Auditor and other employees, as applicable.
16. Define and asses the most important risk factors facing the Bank through the ICAAP/ILAAP process.
17. Approve the Bank´s ICAAP/ILAAP report.
18. Review and approve the Bank´s Recovery Plan.
19. Review and approve the Bank's Business Continuity Framework
20. Approve/review the Bank's risk policies on the basis of a recommendation from the Board Risk Committee, the CEO and the CRO.
21. Approve a list of related parties.
22. Review a report from the Chief Internal Auditor on credit granted to the CEO, Managing Directors, the Internal Auditor, and the Compliance Officer, as well as a list of granted loans and collateral to individual employees, where the total amount of the loan or collateral or default exceeds certain amount.
23. Approve in connection with the Internal Control over Financial Reporting (ICFR):
    a. The risk matrix on financial reporting (based on a risk assessment).
    b. The ICFR control catalog.

c. The Financial Handbook.
d. The yearly plan of testing for ICFR from the Operational Risk.
e. The quarterly reporting from the Operational Risk on the ICFR.

Other than specified in these rules of procedure the responsibility, power and duties of the Board of Directors are governed by law, regulations and rules and Guidelines issued by the FME and the Bank's Articles of Association.

9. Role of the Chairman of the Board

The Chairman of the Board is responsible for the Board fulfilling its role in an effective and organized manner. The Chairman also sets out a work schedule in which the Board's tasks are prioritized, and also performs a guiding and leadership role.

The Chairman is the spokesperson on ownership issues but can delegate that role to the CEO. The Chairman also represents the Board towards the CEO and the Chief Internal Auditor.

The Chairman is also, inter alia, responsible for:

1. Calling board meetings.
2. Preparing the agenda for board meetings in collaboration with the CEO and ensuring there is a balance on the agenda between regulatory duties and strategic issues and that sufficient time is allocated to discuss important or complex issues.
3. Ensuring that the Board receives precise and clear information and material to enable it to carry out its duties.
4. Chairing board meetings and ensuring that sufficient time is allocated for discussion and decision-making.
5. Enabling the participation of Directors in discussions and decision-making at board meetings.
6. Encouraging open discussions within the Board and also between the Board and the management at board meetings. Further to ensure that dissenting views can be expressed and discussed within the decision-making process.
7. Monitoring the progress of decisions made by the Board within the Bank and confirming to the Board that they have been implemented, as applicable.
8. Encouraging good corporate governance and compliance with laws, regulations, guidelines and other concerning the Bank and the Board.
9. Encouraging the development of Directors with the goal of maintaining the expertise and qualifications of the Board.
10. Encouraging a good working relationship between the Board and the CEO and other management at the Bank.
11. Ensuring that the Board is informed of all communications with the CEO outside board meetings, as considered necessary. The Board shall be informed in writing if considered necessary by the Chairman.
12. Encouraging good relations between the Board and the Bank's shareholders. Issues which are intended to be specially presented to the shareholders shall first be discussed by the Board. The Chairman shall ensure that the Board is informed of all communications with shareholders.
13. Ensuring that the Board committees work effectively.
14. Ensuring that Alternates are provided with information on the operations and activities of the Bank at least quarterly.

The Chairman of the Board must not assume any other work for the Bank other than those considered a natural part of the duties as Chairman, with the exception of specific projects that the Board has entrusted upon him/her to perform.

10. Role of the CEO

The CEO is in charge of the day-to-day operations of the Bank and represents the Bank in all matters concerning normal operations. The CEO must in this respect comply with the relevant legislation, the Bank's Articles of Association and the policies and instructions laid down by the Board. The CEO is responsible for the implementation of the Bank´s policies.

The CEO can make decisions on unusual or major arrangements in accordance with specific authorization from the Board when it is impossible to await the decision of the Board without considerable inconvenience or risk to for the Bank's operations. In such instances the CEO shall consult the Chairman of the Board if at all possible and the Board shall subsequently be notified of the measure without a delay. The measure shall be documented in the minutes of the next Board meeting.

The CEO is also responsible for:

1. Granting the Board and auditors all necessary information on the operations of the Company which they may request and are entitled to receive by law, and ensuring that the Board is regularly provided with accurate information to perform its duties, in particular regarding the Bank's finances, operations, and development. When necessary between Board meetings, the CEO shall report directly to the chairman of the Board;
2. Ensuring that the Bank's accounts are prepared in accordance with law and standard practice;
3. Ensuring that the Bank's assets are handled in a secure manner;
4. Hiring employees;
5. Laying down the Bank's management structure which is confirmed by the Board. The management structure shall ensure clear lines of responsibility and accountability throughout the Bank and complement an effective system of internal control. Key management decisions should be made with the involvement of more than one member of the management.
6. The Bank´s communication is in conformity with the Bank´s Communication Policy, and Insider Policy.

The CEO may establish special management committees to make or advise on key management decisions or to improve the operations of the Bank. The Board shall be informed of any decisions to establish or abolish special management committees. The CEO shall approve specific rules of procedure for each special management committee, which set out the main tasks of the committee, how members are appointed, the committee's reporting obligations, and the committee's specific working procedures. The CEO shall inform the Board as appropriate and necessary of the work and the effectiveness of the management committees.

The CEO may not sit on the board of directors of a commercial undertaking or participate in other business operations in other respects, including participation through ownership which confers direct influence on the management of the undertaking. However, the CEO is permitted to sit on the board of directors or otherwise participate in the management of subsidiaries of the Bank. The Board may grant an exemption from this prohibition if it considers the participation compatible with the interests of the Bank and if it is not likely to cause conflicts of interest.

The CEO shall ensure that members of the executive management are qualified to discharge their duties, and fulfil at all times applicable conditions of eligibility with regards to reputation and financial status. Furthermore, the CEO shall be mindful of special eligibility of the executive managers with regards to conflicts of interest.

The CEO decides who can take a seat on the boards of subsidiaries and affiliated companies of the Bank and may, on behalf of the Bank, issue an indemnity statement, in line with normal market practice, in cases when employees of the Bank take a seat on the boards of subsidiaries and affiliated companies, in line with the CEO's decision thereto. The CEO submits annually to the Board a list of board directorships on behalf of the Bank.

The Board may authorize the CEO to appoint a Deputy CEO to assist or perform some of the CEO's functions. Before the appointment is submitted to the Board for approval, the CEO shall provide a description of the duties and role of the proposed Deputy, information on the person suggested for the position and any other information requested by the Board. Appointment of a Deputy CEO does not affect the responsibilities of the CEO.

11. Internal Controls and Risk Management

The Board is responsible for establishing an effective system of internal control and risk management. The system shall be formally documented and its functionality be verified regularly.

The Bank's internal control units are Internal Audit, Compliance and Risk Management. It must be ensured that the internal control units have sufficient independence to carry out their duties diligently. The Board shall also ensure the necessary cooperation between the internal control units and the Bank's external auditor, as applicable.

The Board underlines the importance of all employees at the Bank working in accordance with internal rules and endeavouring to respond promptly to comments made by the internal control units. The Bank shall furthermore take appropriate measures in respect of any employees who wilfully or through gross negligence commit serious or repeated violations of the Bank's internal rules or who are found guilty of professional misconduct.

12. Performance Assessment

The Board shall annually assess its work, practices and procedures, the Bank's activities and the work of the Board committees, as well as the work of the CEO, the Chief Internal Auditor and other employees, as applicable. No later than two months after the AGM it shall be decided how that performance assessments shall be carried out, including whether an outside party shall be brought in to carry out the assessments.

The Board shall constantly evaluate the performance of the Bank. To this end the Directors should meet the executive management on a regular basis.

13. Queries from Directors

Queries from Directors should always be raised at board meetings and directed to the CEO or others, depending on their nature. Queries from Directors between meetings shall be sent in writing to the CEO or the Chief Internal Auditor and a copy sent to the Chairman. The CEO or the Chief Internal Auditor shall submit the answer to the query to the whole Board within the time frame specified. The same applies to queries regarding the activities of Board committees.

Between board meetings, Directors are not permitted to request information or direct queries to other employees of the Bank without the prior consent of the CEO.

14. Handling of information on individual customers

Discussions and queries about individual transactions and the affairs of individual customers and the disclosure of information on individual customers to Directors shall only take place at board or board committee meetings. Answers shall be presented to all Directors and recorded in the minutes.

If employees receive any such requests they should notify the CEO. The CEO must inform the Bank's employees of this rule as part of their work duties.

15. Queries from employees

Employees of the Bank are permitted to direct queries directly to the Board or to draw the Board's attention to issues concerning the Bank's activities. Employees should send queries to the CEO who will raise them at the next board meeting. If an employee believes that there may be a conflict of interest, the employee may send the query to the Chairman or a Director, who will raise the matter at the next board meeting. If an employee wishes to raise a topic with the Board anonymously, the employee can direct it to the Chief Internal Auditor who will forward it to the Board.

The CEO and individual Directors are obliged to raise all issues specified in this article with the Board, provided that it can be assumed that the employee wishes the issue to be submitted to the Board or the issue is of such a nature that it should be submitted to the Board.

SECTION III
Organization of board meetings

16. Calling board meetings and agendas of board meetings

The Chairman ensures that board meetings are called with sufficient notice. Meetings shall be held as often as considered necessary, although there shall be a minimum of ten meetings a year. If a Director or the CEO requests that a meeting be held, this shall be done as quickly as possible.

Board meetings must be convened with at least 72 hours notice unless all directors agree on shorter notice.

17. Quorate meetings and the attendance of people other than Directors

The Board is competent to make decisions when the majority of Directors attends the meeting. Directors shall announce their non-attendance as soon as possible. Alternates shall be invited to meetings if a Director is unable to attend. An important decision may, however, not be made unless all the Directors are in a position to debate the matter, if possible.

The CEO prepares board meetings in consultation with the Chairman. It is possible to hold meetings with the assistance of teleconferencing equipment and general rules apply to such meetings.

The CEO attends board meetings and has the right to debate and submit proposals, unless the Board decides otherwise on particular instances. The attendance of the CEO at board meetings is subject to the same rules on the ineligibility of Directors. Discussions without the CEO or other employees present shall, however, take place at least once a year.

18. Meeting material

Material and proposals to be discussed at board meetings should be presented clearly and intelligibly. The Board shall receive the material a minimum of five days in advance if possible. The Board shall receive the meeting agenda prior to receiving the meeting material, if possible, for Directors to review and, if applicable, notify the Board of any potential conflicts of interest or any doubt over eligibility, as expressed in Art 23.

Directors are generally prohibited from having in their possession confidential material which is not protected by the Bank's systems. Directors are, however, permitted to be in possession of confidential material on paper after the material has been distributed to Directors before the meeting. This material should be handed over to the Bank for disposal as soon as the board meeting has been concluded.

Material which contains information on the business position of individual customers of the Bank should generally not be sent out of the Bank to Directors. However, it is permitted when considered necessary to facilitate a decision in individual cases.

19. Dealing with cases discussed by the Board

Directors shall engage in open and critical discussions, during which dissenting views are discussed in a constructive manner.

The majority of votes decide issues at board meetings, but when votes are even, the Chairman's vote decides the issue. In the absence of the Chairman, the vote of the Vice Chairman is decisive.

Cases shall generally not be brought up for a decision at board meetings unless Directors have received material on the issue or sufficient information on it before the meeting and have had time to read it. Cases up for discussion shall generally be submitted to the Board in writing.

The Board is permitted to make decisions between meetings with the assistance of electronic media, if the case cannot wait to be dealt with by a conventional manner at a board meeting. Dealing with cases in this way should be limited as much as possible. Decisions made as outlined above shall be recorded in the minutes of the next board meeting.

Directors are entitled to seek external advice, which shall be paid by the Bank, in order to ensure independent and informed decisions on the Bank's affairs.

20. Minutes

The Chairman shall ensure that a record of minutes are kept to record what occurs at board meetings and the Board's decisions. Anyone who attends board meetings is entitled to have their comments or dissenting opinions on the cases being discussed or dealt with entered in the record of minutes.

The minutes should contain the minimum information generally required in minutes. Answers to queries from Directors on individual transactions or customers shall be recorded in the minutes.

Draft minutes shall in general be sent to the Directors and CEO within a week of the board meeting or as soon as possible. The minutes shall then be submitted for approval at the beginning of the next meeting and shall be signed by all Board members who attended the meeting in question. The use of electronic signatures is permitted for meeting minutes and other Board documents, unless a physical signature is required.

The supporting material for each meeting shall be securely filed in the Bank´s systems or sent to the Bank's chief archivist for safekeeping.

SECTION IV
Board Committees

21. General

The Board is permitted to establish committees to discuss particular areas of the Bank's operations. The committees operate under the authority of the Board and the establishment of such committees does not reduce the responsibility of the Board or relieve it of any liability. The conclusions of the committees, shall only serve as guidance for the Board, which shall not be bound by them in deciding on individual issues unless otherwise provided for by law.

No later than one month after the AGM the Board elects committee members for a term of one year or until the next AGM, and appoints chairmen for the committees. The Board ensures that committees are not composed of the same group of members that form another committee of the Board. The chairmen and the committee members shall be rotated occasionally taking into account the specific experience, knowledge and skills that are required for the committees. Committee members shall generally be Directors and chairmen shall always be Directors.. However, the Board is permitted to appoint committee members who are not Directors. The CEO attends meetings of committees and has the right to debate and submit proposals, unless the committee decides otherwise on particular instances. The same rules on eligibility, independence and potential conflicts of interest apply to committee members as to Directors. The provisions of Art. 9, on the role of the Chairman of the Board and Section III on the organization of board meetings also apply to meetings of board committees as applicable. Board committees should establish their rules of procedure which should be confirmed by the Board.

Following a proposal by the Board Remuneration Committee, the Board shall decide remuneration to committee members who are not Directors. The CEO shall ensure that the committees receive the relevant assistance from employees of the Bank.

The Board committees shall regularly inform the Board of their activities, which may be done verbally at board meetings. The Board shall have access to all of the Board committees' material.

The Board committees are as follows:

a) *Board Audit Committee (BAC)*

The Board Audit Committee must consist of at least three members, at least two of whom must be Board Directors. BAC members must be independent from the external auditors and the majority of BAC members must also be independent of the Bank. The Chairman of the Committee shall be independent of the Bank. Furthermore, one member, who is independent of the day-to-day management and the Bank, shall also be independent of significant shareholders. The CEO, Managing Directors or other employees of the Bank cannot be member of the committee. The BAC members should have the required competence necessary to be able to discharge their duties. At least one member must have sufficient expertise in the field of accounting or auditing.

The BAC´s main role is to contribute to the high-quality statutory auditing of the Bank and monitor the effectiveness of the Bank's internal quality control, risk management systems and internal audit function, with regard to the Bank's financial reporting.

b) *Board Risk Committee (BRIC)*

The Board Risk Committee must consist of at least three members; at least two of whom must be Board Directors. Majority of BRIC members shall be independent of the Bank. The chair shall be independent and should neither be the chair of the Board of Directors nor the chair of any other Board committee. The CEO, Managing Directors, or other employees of the Bank cannot be members of BRIC. BRIC members should have the qualifications and experience necessary to be able to discharge their duties including forming the Bank´s risk policy[2] and risk appetite.

The main role of the committee is to advise and support the Board of Directors regarding the monitoring of the Bank's overall actual and future risk appetite and strategy, taking into account all types of risks, to ensure that they are in line with the business strategy, objectives, corporate culture and values of the Bank and assist the Board of Directors in overseeing the implementation of the Bank's risk strategy and the corresponding limits set.

c) *Board Credit Committee (BCC)*

The Board Credit Committee must consist of at least three members.

The BCC operates under the authority of the Board, which has delegated to the Committee authority to approve certain material proposals regarding credit origination, debt cancellation, underwriting and investments. BCC decides the maximum limits to the CEO's framework for the granting of credit and debt cancellation, and the CEO's framework for investments and underwriting.

d) *Board Remuneration Committee (BRC)*

The Board Remuneration Committee must consist of at least three members, all of which shall be Board Directors. The Chairman and the majority of members must be independent of the Bank and the Bank's day-to-day management. The CEO, Managing Directors or other employees of the Bank cannot be members of BRC.

The main role of BRC is to annually prepare a remuneration policy for the Bank. Further to advise the Board on remuneration to the CEO, Managing Directors, the Compliance Officer and the Chief Internal Auditor, and on the Bank's incentive scheme and other work-related payments.

e) *Board Technology Committee (BTC)*

The Board Technology Committee consists of four Board members.

The BTC operates under the authority of the Board.

The purpose of the BTC is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to the role of technology in executing the business strategy of the Bank, including, but not limited to, major technology investments, technology strategy, technological operation efficiency and technology trends that may affect the Bank. The BTC shall furthermore have a surveillance role pertaining to the Bank´s compliance with rules and regulation applicable to Information Technology.

The organization, role and duties of the committees are in other respects governed by laws, regulations, and the guidelines on corporate governance.

SECTION V
Obligation to disclose information, special eligibility, commercial dealings of directors etc.

22. Obligation of Directors to disclose information

Directors shall inform the Board via the Finance department of related parties, as they are defined by the FME Rules No 247/2017. Directors shall notify the Finance department of any changes to the above.

[2] In this text, the concept "risk policy" is treated as being synonymous with the concept „risk strategy" which is introduced in the CRD IV, as incorporated into the Financial Undertakings Act.

23. Special eligibility of Directors and conflicts of interest

Directors may not be involved in the handling of any issues concerning dealings with themselves, or undertakings in which they own a direct or indirect share, which they represent, where they are Directors, hold responsible positions or in other respects have substantial interests in other respects. The same applies to dealings with parties personally or financially connected to Directors. Directors shall not participate in deliberations on issues relating to the business of their competitors or related parties.

Rules applying to securities transactions by employees shall, on mutatis mutandis basis, also apply to Directors. Directors shall be duly informed of the content of, and amendments made to, such rules.

A Director should notify the Board before a board meeting of any potential conflict of interest or any doubt over eligibility and this should be recorded in the minutes. A Director or the CEO can insist that a Director should be deemed ineligible from participating in discussions on a matter and should not be provided with material concerning such matter. If a Director has received material before it transpires that he is ineligible to discuss a particular case, the Director shall return the material in question immediately and a special note of this shall be recorded in the minutes.

The Board shall decide whether a Director is ineligible. If a Director is ineligible, he/she shall not participate in the handling of the matter in any way and shall leave the meeting before the matter is discussed. This should be recorded in the minutes. Directors shall not have access to material concerning such cases and this shall also be recorded in the minutes.

Compliance shall be notified of any reported conflict and the Board's assessment thereof, which shall be documented in the Staff Conflicts Registry.

Before a decision is taken on Directors taking seats on the boards of directors of subsidiaries or companies affiliated to the Bank, it should be assessed what effect this could have on a Director's duties.

24. Decisions on individual transactions

Directors shall not involve themselves in decisions on individual transactions of the Bank, unless their scope is substantial in relation to the size of the Bank.

25. Commercial dealings with related parties

Granting of credit and other credit services towards Directors, CEO, key employees or a party who owns a qualifying holding in the Bank, or close family members or parties closely linked to those parties shall be governed by Article 29 A of the Act on Financial Undertakings and the FME Rules No 24//2017 on credit from financial institutions to related parties.

Commercial dealings of Directors and of companies in which they hold responsible positions, shall be submitted to the Board or the Chairman for approval or refusal. However, the commercial dealings which meet all the following conditions do not need to be discussed by the Board before they are dealt with:

1. Normal commercial dealings involving amounts of up to ISK 50 million, and which are governed by the Bank's general credit rules,
2. Where the terms in the commercial dealings are normal for that area of business and are not subject to a special discount or do not enjoy special terms,
3. Where the dealings are conducted in the same way as comparable dealings between unrelated parties, and
4. Where the commercial dealings are in compliance with Article 29a of the Act on Financial Undertakings, and the FME's Rules No. 247/2017 on credit from financial institutions to related parties.

An agreement concerning loans, guarantees, options or similar dealings with the CEO and close family members of the CEO shall be subject to the approval by the Board of Directors. Any decision on such shall be recorded in the minutes and notified to the FME.

26. Related Parties disclosures and supervision

The Finance Division reports quarterly to the Board of commercial dealings, loans and other credit granted to the Board and related parties. The External Auditor reports yearly to the Board on commercial dealings, loans and other credit to related parties and compares it to non-related parties. The Chief Internal Auditor reports yearly to the Board on the process regarding overall management of related parties, related parties transactions, loans and other credit granted to the Board and related parties.

The Chief Internal Auditor shall prepare a report regarding credit granted to the CEO, Managing Directors, the Internal Auditor and the Compliance Officer as well as a list of the status of granted loans and collateral to individual employees, where the total amount of loans and collateral exceeds ISK 100 million or a default by an employee exceeds ISK 2 million. The Chief Internal Auditor shall also prepare a list to the Chairman regarding credit granted to Directors, Alternate Directors and their close family members.

SECTION VI

Entry into force

27. Entry into force

These rules enter into force when approved by the Board.