

## **REPORT OF THE BOARD OF DIRECTORS OF KVÍKA BANKI HF. TO SHAREHOLDERS**

**On the board's performance evaluation and self-assessment**

*Submitted to the Company's Annual General Meeting, 26 March 2020*

### **The Board's Performance Evaluation and Self-assessment of Board Composition**

A special self-assessment of the composition of the Board of Directors (carried out in accordance with the guidelines of the European Banking Authority (EBA)) and the traditional Board of Directors' performance evaluation were last performed in January 2020 with the assistance of an advisor.

The guidelines of EBA/ESMA on the assessment of the suitability of members of the management body of financial undertakings stipulate that a Board of Directors shall assess on a regular basis whether it possesses sufficient knowledge, skills and experience to fulfil its obligations and to understand the activities pursued by the bank, including key risk factors. In an annex to the guidelines is a template for the assessment of the collective suitability of the Board and the assessment of the Board of Directors is conducted on the basis thereof. Directors assessed the knowledge and experience of individual directors, on the one hand, and of the Board of Directors as a whole, considering, among other things, knowledge of the activities and organization of banks, key risk factors, governance, compliance, policy making and decision-making. The composition, strengths and weaknesses of the Board were also assessed.

In its performance evaluation, the Board evaluated its work in 2019, together with that, for instance, of the CEO, Chairman of the Board and the Board's subcommittees. Furthermore, an advisor interviewed directors and the executives who work most with the Board.

The results of the Board's performance evaluation and self-assessment of the Board's composition indicate that Board members have diverse backgrounds and extensive experience and knowledge.<sup>1</sup> Relations among directors and with management are positive and the parties work well together. Discussions at Board meetings are productive, directors are well prepared for meetings, ask useful questions and provide a fresh perspective on matters.

Four out of five members of the Board of Directors are standing for re-election. Should those four Board members be re-elected it is considered, based on the results of the self-assessment of the Board's composition, necessary to obtain a director who has considerable experience in the activities and risk management of financial undertakings.

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<sup>1</sup> Further information on directors is available in the Statement on Corporate Governance.