



Securities Note

January 2020

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Notice to investors

This Securities Note dated 20 January 2020 (hereafter also referred to as the “Securities Note”) has been scrutinised and approved by the Financial Supervisory Authority. This Securities Note is a part of the Issuers' Prospectus dated 20 January 2020 (hereafter referred to as the “Prospectus”), which concerns, and is published in relation to the Issuer's application to have its bonds in the new series KVB 19 01 (hereafter also referred to as the “Bonds” and the “Series of Bonds”) admitted to trading on the Regulated Market of Nasdaq Iceland hf. (hereafter referred to as the “Regulated Market of Nasdaq Iceland”). The Prospectus has been prepared in accordance with Icelandic laws and regulations in effect on the date of the Securities Note, including Act no. 108/2007, on Securities Transactions (hereafter referred to as the “Act on Securities Transactions”) and directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (hereafter referred to as the “Prospectus Directive”), which has been implemented into Icelandic law.

The Prospectus is in accordance with the provisions of Annex XI and Annex XIII of supplement I to regulation no. 243/2006. The Securities Note is in accordance with provisions of Annex XIII. The Prospectus is further prepared with regard to the Rules for issuers of financial instruments, issued by Nasdaq Iceland hf., effective as of 1 July 2018 (hereafter referred to as the “Nasdaq Iceland Rules”).

The Prospectus is published in English and consists of two documents, this Securities Note dated 20 January 2020 2019,a Registration Document scrutinised and approved by the Financial Supervisory Authority on 10 May 2019 and updates to the Registration Document as described in chapter 7 of the Securities Note. The Prospectus is available for viewing at the Company's registered office at Katrínartún 2, 105 Reykjavík, Iceland. The Prospectus will also be available on the Company's website: <http://www.kvika.is/bonds>.

The information appearing in this Prospectus should not be construed as an offer, a recommendation or solicitation to buy, hold or sell shares in the Company or to take any other investment decisions.

The Prospectus contains information for investors to evaluate the Company's assets and liabilities, financial situation, performance and outlook. Investors are encouraged to familiarize themselves with all information contained in the Prospectus, especially the chapter named 1 Risk Factors, both in the Registration Document and in this Securities Note.

Following the publication of the Prospectus, investors are advised to acquaint themselves with all public information issued by Kvika or concerning Kvika and/or bills, bonds or shares issued by Kvika.

Only the Company is entitled to procure information about conditions described in this Securities Note. Information procured by any other person is of no relevance in relation to this Securities Note and cannot be relied on.

This Securities Note, as well as other documents which are a part of the Prospectus, may not be sent or otherwise distributed, whether electronically or by other means, to countries in which distribution would require additional registration measures or other measures to be taken other than as applicable under Icelandic laws and regulations, or would be in conflict with laws and

regulations in the relevant country. In some jurisdictions laws and regulations may restrict distribution of the Prospectus. Therefore, the Company requests that all recipients of the Prospectus familiarize themselves with and act in accordance to such laws and regulations or other restrictions. Kvíka assumes no liability for distribution of the Prospectus by any third parties in any jurisdiction. This Securities Note, as well as any other documents in the Prospectus, should not be distributed or sent to the USA, Australia, Canada or Japan.

This Securities Note, or other documents which are a part of the Prospectus, should by no means be viewed or construed as a promise by the Company of future success in operations or as a return on investments. Investors must, first and foremost, trust their own judgment when it comes to investing in the Bonds issued by the Company, and are advised to seek advice from external experts before making investment decisions. Investors are furthermore advised to consider their legal status, including taxation issues that may concern the purchase or sale of the Company's Bonds, and seek external and independent advice in that respect.

Information in this Prospectus is based on circumstances and facts on the date on which the Prospectus is signed. If significant new information, material mistakes or inaccuracies relating to information in the Prospectus, which could affect the assessment of the Company's Bonds, are discovered between the time the Prospectus is approved, cf. article 52 of the Act on Securities Transactions, and the time when the Company's Bonds are admitted to trading, a supplement to the Prospectus shall be prepared describing the details in question in accordance with Article 46 of the Act on Securities Transactions. The supplement shall be approved within seven working days and published in the same manner as the original Prospectus.

As the Company's shares were admitted to trading on the Regulated Market of Nasdaq Iceland in March 2019, the Company is already under disclosure obligation on the market pursuant to applicable laws and regulations, cf. the Act on Securities Transactions, publicly issues announcements, and is governed by the Nasdaq Iceland Rules. Additionally, the Bank has issued bonds that are currently admitted to trading on the Regulated Market of Nasdaq Iceland hf. and is therefore further already governed by the Nasdaq Iceland Rules' provisions regarding bills and bonds.

1. Risk factors

The risk factors described in this chapter *1 Risk Factors* are those which the Issuer is aware of and which, in its opinion, are specifically applicable to the Bonds. These risk factors are subject to uncertainty and therefore the Issuer is not able to predict the likelihood of them occurring. It is possible that the Issuer may not be able to meet the obligations of the Bonds due to other factors that are not considered risk factors based on the information currently available and of which the Issuer is aware.

1.1. General Risk of Bonds

Investment in bonds involves risk. The value of the Bonds may decrease as well as increase. Investors can lose the value of all or part of their investment in the Bonds. Various issues can cause changes in the value of bonds, e.g. general economic conditions, interest rate decisions by the Central Bank, changes in legislation and regulations and other events.

1.2. Risk relating to the Bonds

1.2.1. Market Risk

The value of bonds may change due to market conditions. Thus, the value of the Bonds may decrease if the general market yield rises and the value may rise if the yield decreases.

1.2.2. Liquidity Risk

The Bonds have not previously been admitted to trading on a regulated market. Although the Bonds will be admitted to trading on the Regulated Market of Nasdaq Iceland, the Issuer cannot guarantee that the Bonds will be actively traded. No obligation rests on the Issuer to maintain an active market with the Bonds and no market making contracts have been negotiated. Therefore, liquidity risk may arise, i.e. the risk of not being able to sell the Bonds at will. The risk is expressed in such a way that the market cannot accept the quantity that is to be sold or the price formation is such that there is a significant difference between the buying and selling price of the Bonds.

1.2.3. Issuer's Liquidity Risk

The Issuer may be in a position of not having sufficient liquidity to meet its obligations when they fall due. The Issuer manages its liquidity risk to ensure that, among other things, it always has sufficient liquidity to meet its obligations.

1.2.4. Changes in Legislation

The admission to trading of the Issuer's Bonds on the Regulated Market of Nasdaq Iceland is subject to Icelandic laws in force on the date of the Prospectus. No assurance can be given as to the impacts of any amendments to Icelandic law, court decisions, and/or administrative practice after the date of the Prospectus.

Additionally, it should be borne in mind that changes to EU legislation in this area may affect the Issuer and the Bonds due to Iceland's membership of the EEA agreement.

2. Definitions

“Kvika”, the “Issuer”, the “Company” and the “Bank”	Kvika banki hf., reg. no. 540502-2930, Katrínartúni 2, 105 Reykjavík, Iceland
“Act on Electronic Registration of Rights of Title to Securities”	Act no. 131/1997 on Electronic Registration of Rights of Title to Securities
“Act on Financial Undertakings”	Act no. 161/2002 on Financial Undertakings
“Act on Securities Transactions”	Act no. 108/2007, on Securities Transactions
The “Bonds” and the “Series of Bonds”	The new series of Kvika's bonds KVB 19 01 , which is the series that the Issuer has requested to be admitted to trading on the Regulated Market of Nasdaq Iceland.
“Bond holders”	Owners of Bonds in the series KVB 19 01
“Board of Directors”	The board of directors of Kvika
“Executive Management” or “Management Team”	Kvika's CEO, Deputy CEO and managing directors
“Financial Supervisory Authority” or “FME”	The Financial Supervisory Authority, Iceland
“ISK”	Icelandic Króna
“Nasdaq CSD Iceland”	Nasdaq CSD Iceland hf., reg. no. 500797-3209, Laugavegi 182, 105 Reykjavík
“Nasdaq Iceland Rules”	The rules for issuers of financial instruments, issued by Nasdaq Iceland hf., effective as of 1 July 2018
“Nasdaq Iceland” or the “Exchange”	NASDAQ Iceland hf., Laugavegi 182, 105, Iceland
“Prospectus”	The prospectus dated 20 January 2020, which concerns and is published in relation to Kvika's application to have its bonds in the new series KVB 19 01 admitted to trading on the Regulated Market of Nasdaq Iceland, consisting of this securities note dated 20 January 2020 and a registration document, dated 10 May 2019
“Prospectus Directive”	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading
“Registration Document”	The registration document dated 10 May 2019
“Regulated Market of Nasdaq Iceland”	The regulated market of Nasdaq Iceland

“REIBOR”

The Reykjavik Interbank Offered Rate

“Securities Note”

This securities note dated 20 January 2020, which concerns and is published in relation to Kvika's application to have its bonds in the new series KVB 19 01 admitted to trading on the Regulated Market of Nasdaq Iceland

3. Legal Environment

The Bonds are issued in accordance with Act no. 108/2007 on Securities Transactions. Additionally, act no. 131/1997 on Electronic Registration of Rights of Title to Securities (hereafter referred to as the “Act on Electronic Registration of Rights of Title to Securities”) and act no.38/2001 on interest and price indexation may apply to the Bonds. Further, act no.150/2007 on the limitation periods for claims may be applicable on a case by case basis. - The Bonds are otherwise subject to Icelandic laws.

Regulation no. 837/2013 regarding the public offering of securities equivalent to EUR 5 million or more in Icelandic króna and admission to trading on a regulated market, regulation no. 243/2006 on the entry into force of the Commission Regulation no. 809/2004 on the implementation of the Prospectus Directive, concerning information in prospectuses, their presentation, information incorporated by reference, publication of prospectuses as well as distributions of advertisements, all as amended, apply to the issuance.

In addition, rules no. 1050/2012 of the Financial Supervisory Authority, on the Treatment of Insider Information and Insider Transactions, as well as regulation no. 630/2005 on Insider Information and Market Abuse, regulation no. 707/2008 on the provision of information and notification requirements in accordance with Act no. 108/2007 on Securities Transactions and the Nasdaq Iceland Rules, apply to the Bonds and the Issuer from the time when the Issuer has applied for admission of the Bonds to trading on the Regulated Market of Nasdaq Iceland. Changes to the legislation related to the issuance may affect the value of the Bonds.

The Issuer must comply with the abovementioned laws and regulations, which, among other things, include disclosure requirements.

4. Information on the Bonds and admittance to trading

4.1. Issuer

Kvika is a financial undertaking in accordance with Act no. 161/2002 on Financial Undertakings (hereafter referred to as the “Act on Financial Undertakings”), as amended, and is supervised by the Financial Supervisory Authority of Iceland. Kvika holds a licence to operate as a commercial bank. The issuer operates in accordance with Act no. 2/1995 on Public Limited Companies and Act no. 161/2002 on Financial Undertakings.

Legal name:	Kvika banki hf.
Commercial name:	Kvika
Legal form:	A public limited company established under Act no. 2/1995 on Public Limited Companies
Registration number:	540502-2930
Address:	Katrínartún 2, 105 Reykjavík
Date of incorporation:	07.05.2002
LEI:	254900WR3I1Z9NPC7D84
Website:	www.kvika.is
Phone number:	+ 354 540 3200
Ticker symbol with Nasdaq Iceland:	KVB

4.2. Information on the Bonds

The Bonds were issued on 19 December 2019 when kr. 1,520,000,000, or 76 nominal units, were issued. The total issuance limit in the series is ISK 5,000,000,000, or 250 nominal units.

The reason for issuing the Bonds is to fund the Bank's ongoing regular operations. The Bonds were sold at a floating interest rate of 1.50% over the one month Reykjavik Interbank Offered Rate (hereafter „REIBOR“) base rate. REIBOR is the formal interbank market rate for short term loans at Icelandic commercial and savings banks. The sale value of the issuance is ISK 1,520,000,000 and the net sale value after costs is estimated at ISK 1,519,848,125. The Bank bears all costs associated with the admittance of the Bonds to trading. The total cost borne by the Bank is estimated to be ISK 151,875 and consists of costs associated with the preparation, scrutiny and approval of the Prospectus, the Nasdaq Iceland listing fees and costs for auditors, along with other costs directly associated with the admittance to trading.

The objective of having the Bonds admitted to trading on the Regulated Market of Nasdaq Iceland hf. is to promote their increased liquidity and marketability, in addition to ensuring that the procedures and disclosure of the Issuer comply with the rules which apply to the issuers of financial instruments on the Regulated Market of Nasdaq.

Identifier	KVB 19 01.
ISIN number	IS0000031706
Type of bond	Floating rate 5 year bonds payable monthly
CFI number	DBVUFR
FISN number	KVÍKA BANKI HF/VAR BD B 20241219
Electronically registered	The Bonds are issued electronically in a central securities depository, Nasdaq CSD Iceland hf., reg. no. 500797-3209, Laugavegi 182, 105 Reykjavík (hereafter referred to as “Nasdaq CSD Iceland”) which operates pursuant to Act no. 131/1997 on the Electronic Registration of Rights of Title to Securities. The registration of electronic security certificates at Nasdaq CSD Iceland grants their owners legal authority to the rights for which they are registered.
Type of instalments	Equal instalments
Country of issuing	Iceland.
Currency	ISK – Icelandic króna.
Nominal units	20,000,000.
Total limit	5,000,000,000.
Previously issued	0.
Already issued	1,520,000,000.
Date of issue	19.12.2019.
First principal due date	19.01.2020.
Total number of due dates of the principal as a whole	60.
Number of principal due dates per year	12.
Maturity date of principal	19.12.2024.
Payment of interests and interest rate	Interest is payable on the 19 th of each month, from and including 19 January 2020 until and including the maturity date of principal 19 December 2024. The first day of interest accrual is 19 December 2019 which is payable on 19 January 2020.

The Bonds have a floating interest rate of 1 month REIBOR (i.e. interest rates in Icelandic krónur on the interbank market as published by the Central Bank of Iceland between 11:15 am and 11:30 am local time each day in Reykjavik) plus a 1.5% margin. The 1M REIBOR base rate shall be determined at the beginning of each interest period as the offered rate two Business days before the beginning of each interest period.

Floating interest rate base

REIBOR 1M.

In the event that the REIBOR base rate were discontinued or otherwise unavailable at the determination date (two business days before the beginning of each interest period), the base rate will be determined for the relevant interest period by:

- i) the rate which the Central Bank of Iceland determines is a successor to or replacement of the REIBOR base rate
- ii) In the absence of the Central Bank of Iceland's determination of a successor to or replacement of the REIBOR base rate, a rate an independent adviser determines will become the successor or replacement to the REIBOR base rate. Independent adviser shall, in this case, mean an independent financial institution of international repute or other independent financial advisers experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense.

Any amendments to the terms of the Bonds must be approved by 75% of Bond Holders per chapter 4.2.1 Further terms of the Bonds III) in this Securities Note.

Margin over base rate	1.5%
Calculation rule for interest	Simple.
Day-count convention	ACT/360.
First day of interest accrual	19.12.2019.
First interest due date	19.01.2020.

Number of interest due dates per year	12.
Total number of interest due dates	60 .
Indexed	No.
Callable	No.
Redeemable	No.
Limitation Periods	The limitation period for claims pursuant to the Bonds is ten years from the due date, in accordance with Paragraph 1, Article 5 of Act no. 150/2007 on the limitation periods for claims. The limitation period for claims of interests and price level adjustments is four years from the due date in accordance with Article 3 of the same act.
Convertible	No.
Calculation Agent	The Issuer, Kvika banki hf.
Place of payment	The Issuer shall, through the intermediation of Nasdaq CSD Iceland, pay the nominal value of the Bonds on the due date to the account operator where the registered owners of the Bonds have an electronic securities account (an electronic securities account is understood as an account in the sense of Act no. 131/1997 on the electronic registration of securities).
If a payment becomes due on a weekend/holiday, should interest be added for the number of days the payment is delayed by?	No.
Market making	No.
Benefits	No benefits are attached to the Bonds.
Tax	The issuance is electronically registered with Nasdaq CSD Iceland. The custodian of the relevant Bonds must calculate and withhold withholding tax on capital gains.
Expenses	The issuer pays all costs relating to the issuance, including fees to Nasdaq Iceland hf.

Disputes	Any dispute arising due to the Bonds may be brought before the District Court of Reykjavík, cf. the provisions of Chapter XVII of Act no. 91/1991 on Civil Procedure.
Prioritisation	A claim against the Issuer for repayment of the principal of the Bonds is a general claim and does not enjoy priority over other claims against Kvika at any given time.

4.2.1. Further terms of the Bonds

I) General provisions

Terms of the Bonds, as described in the Securities Note and the issue description of the Bonds dated 16 December 2019, are binding for the owners of the bonds (hereinafter referred to as “bond holders”) in each case, irrespective of whether their holdings stem from subscriptions when the bonds were initially sold or whether they are due to subsequent transfers, the satisfaction of claims or other transfers of ownership rights of the bonds

The claims of bond holders under the terms of this series of Bonds always rank equally (*pari passu*) and it is forbidden to make payments to bond holders on the basis of bonds in this series unless the same percentage is paid to all bond holders.

There are no restrictions on the transfer of these bonds. The bonds can only be transferred to named parties. The bonds are issued electronically in the Nasdaq CSD Iceland system, and only account operators, as they are defined in Act no. 131/1997 on the electronic registration of securities, are permitted to act as intermediaries in the transfer of their ownership. The registration of electronic security certificates in the Nasdaq CSD Iceland system grants their owners legal authority to the rights for which they are registered.

II) Events of default and call provisions

If the Issuer fails to make a payment on the maturity date, the bond holder is authorised to collect penalty interest, in accordance with the decision of the Central Bank of Iceland, cf. Par. 1. of Article 6 of Act no. 38/2001 on Interest and Price Indexation, on the sum called payable. If the maturity of the bonds does not occur on a banking day, i.e. a day on which banks are open in Iceland, and the issuer pays on the following banking day, no penalty interest shall be paid. If payment has not been made 14 days after the maturity date, each bond holder is authorised to unilaterally call the debt due on the due date.

If the debt is called due, it shall be permissible to resort to enforceable action against the issuer to satisfy the debt without a previous judgement or court settlement, cf. sub-paragraph 7 of paragraph 1 of Article 1 of Act no. 90/1989. In addition to applying to the principal amount of the debt, the enforceable action also applies to interest, penalty interest, mandatory default premium, all costs related to claims, legal fees and collection measures and statutory arrears, as well as the anticipated costs of further measures to satisfy the debt, cf. Article 1, paragraph 2 of Act no. 90/1989.

If the issuer ceases to be a financial undertaking, in accordance with Act no.161/2002 on financial undertaking, is wound up in accordance with Art.101 of the same Act, there is a levy of execution on the issuer, there is a justified request to initiate bankruptcy proceedings on the issuer's estate, the issuer seeks composition, the assets of the issuer are placed on a bankruptcy auction or frozen as part of the satisfaction of creditors' debts, each bond holder is authorised to unilaterally decide to call the bond without any special prior notice.

Special call provision conditions

If the issuer is found to have breached terms a), b), c), d) and/or e) here below, it has 14 days to make amends, but otherwise a meeting of creditors shall be convened to make a decision on whether the bond series shall be called.

- a) **Notification of non-performance:** The issuer undertakes to immediately notify bond holders in writing if it becomes aware that any kind of breach, as defined under these terms, has occurred.
- b) **Ranking (pari passu):** The claims of bond holders under the terms of this series of bonds always rank equally (pari passu) and it is forbidden to make payments to bond holders on the basis of bonds in this series unless the same percentage is paid to all bond holders.
- c) **Collateral:** It is forbidden to grant other equally ranked bond holders special guarantees for their claims.
- d) **Calling of third parties:** An issuer's debt with third parties, amounting to more than 10% of the equity base according to the latest audit or examined results of the issuer, is called. However, this provision shall be regarded as having been breached, if there is a justified argument regarding the issuer's payment obligation and the issuer has presented a reasonable defence without undue delay.
- e) **Prohibition to alter the issuer's purpose:** The issuer is not permitted to change its purpose without the prior approval of 90% of the bond holders (of the amount not the principal) who attend a legally convened creditors meeting in accordance with the terms of this bond issue. If there is only one bond holder, it shall provide its written consent.

The following circumstances grant bond holders the right to unilaterally call a bond without special prior notice:

- f) **Levy of execution, bankruptcies etc.:** There is a levy of execution on the issuer, a bankruptcy auction is requested on its assets, the issuer seeks composition, the issuer submits a request to the District Court seeking a composition agreement with its creditors or there is an agreement to send the claim on the estate of the issuer into receivership. The assets of the issuer are placed on a bankruptcy auction or frozen as part of the satisfaction of creditors' debts. The Financial Supervisory Authority take action on the basis of Act no.161/2002 on Financial Undertakings, due to the financial position of the issuer. However, the foregoing does not apply if there is a justifiable objection from the issuer and a reasonable defence is upheld by legal means.
- g) **Decisions of the Financial Supervisory Authority:** The Financial Supervisory Authority can revoke the operating licence of an issuer, in accordance with Act no. 161/2002 on Financial Undertakings.

- h) **Delisting:** After being registered, the bonds shall be de-listed from the regulated securities market without convening a creditors meeting and the required approval of bond holders shall be obtained according to the terms of the bond series.
- i) **Amendments to laws and regulations:** If any amendments are made to laws and regulations after the issue of the bond series, which in some way restrict the rights of bond holders to enforce their default remedies and/or their rights to interest and/or principal.

The obligation under this article to convene a creditors meeting only applies if there are two or more bond holders. If there is only one bond holder, it is, in accordance with the nature of the case, authorised to unilaterally call the bond without convening a creditors meeting.

Approval of the call under special conditions: The acceleration clause of the bond series mentioned above under special conditions (Art. 3.4.) is contingent upon the condition that 50% of the bond holders (of the amount not the principal) approve this at a creditors meeting, which the issuer convenes on the basis of a request from individual bond holders. To avoid any doubt, creditors meetings do not need to be held when cases f), g), h) and i) apply. Under the circumstances that are defined there, each bond holder can unilaterally decide to call the sum payable without any special prior notice for its own part. To avoid any doubt, the acceleration clause due to the issuer's overdue payments according to this bond is also an independent authorisation, which each bond holder can avail of without having to involve a creditors meeting.

III) Amendments to these terms

All amendments to the terms of the Bonds require the approval of 75% of the bond holders (of the amount not the principal) who attend a legally convened creditors meeting in accordance with the terms of this bond issue. If there is only one bond holder, it shall provide its written consent. The issuer shall convene meetings and always convene them with a minimum notice of 7 days. A bond holders meeting shall be considered legitimate and competent if is convened in accordance with the above.

The issuer must notify Nasdaq CSD Iceland of any changes to the terms of the bonds.

IV) Creditors meetings

The LEX law firm, Borgartúni 26, 105 Reykjavík (hereinafter referred to as LEX) convenes meetings of all creditors, following a request from a bond holder(s) and shall always convene meetings with a minimum notice of 7 days. LEX sends out a notification to the issuer, who on the same day must pass it onto Nasdaq Iceland hf. to be posted on the stock exchange's newsfeed. While trading has not started on the bonds, this information shall be sent to bond holders though the intermediary of account operators.

The voting rights of bond holders are determined by the amounts of each bond holder as a percentage of the bond series. Calculations provided for in this Article shall be based on the position of claims on the day on which the meeting is convened. The issuer reserves itself the right to speak at these meetings. Calls to meetings, meeting documents and the results of meetings shall be posted on the Nasdaq Iceland hf. news network and LEX shall ensure the

issuer posts this information. If the acceleration clause is no longer in place on the day of the meeting, the issuer shall cancel the meeting.

Contacts at the LEX Law firm are Guðmundur Ingvi Sigurðsson, Attorney to the Supreme Court, gudmundur@lex.is and Stefán Orri Ólafsson, District Court Attorney, stefan@lex.is and the obligations of the LEX Law firm are in accordance with the provisions of the bond series.

V) *Delisting:*

The bond series shall be delisted after its maturity date, unless the Issuer announces otherwise.

VI) *Disputes*

Any legal proceedings arising from these bonds can be referred to the Reykjavík District Court pursuant to Chapter XVII of the Civil Procedure Act no. 91/1991.

4.3. Authorisation to issue the Bonds

The Bonds were issued in accordance with the authorisation of the Bank's Asset and Liability Committee on 6 December 2019.

4.4. Admission to Trading on the Regulated Market of Nasdaq Iceland

Following the Financial Supervisory Authority's scrutiny and approval of the Prospectus, Nasdaq Iceland will conduct a final review of the Bank's application and make its conclusions public in the European Economic Area.

It is expected, although no guarantee can be given to that effect, that Nasdaq Iceland will admit the Bank's Bonds to trading on its regulated market. If the Bonds are admitted to trading, the first day of trading in the Bonds will be announced by Nasdaq Iceland with a minimum of one business day's notice.

The Issuer is already under disclosure obligations on the market, pursuant to applicable laws and regulations, cf. the Act on Securities Transactions, publicly issues announcements, and is governed by the Nasdaq Iceland Rules. Current rules stipulate, among other things, that the Issuer of the Bonds, shall endeavour to publish, without delay, any previously unpublished information regarding decisions or incidents, which the Issuer knows or might know may have a significant impact on the price of the Bonds.

The Series of Bonds will be delisted after the due date, unless otherwise notified by the Issuer. The Issuer is required to notify Nasdaq CSD Iceland of non-payment of the Series of Bonds, and shall in such case send Nasdaq CSD Iceland notification thereof when payment has been made.


5. Persons responsible

5.1. Company's Statement

The CEO and Deputy CEO of Kvika hereby declare, on behalf of the Issuer, that, to the best of their knowledge, having taken all reasonable care to ensure that such is the case, that the information in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

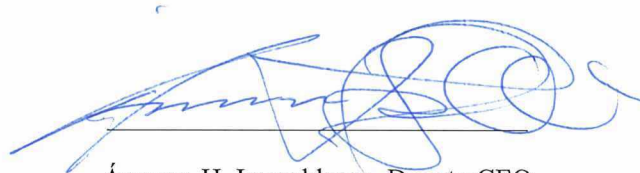
Reykjavík, 20 January 2020

For and on behalf of Kvika



Marinó Örn Tryggvason, CEO of Kvika

For and on behalf of Kvika



Ármann H. Þorvaldsson, Deputy CEO

6. Potential Conflicts of Interests

It should be noted that the Issuer itself will manage the admission of its Bonds to trading on the Regulated Market of Nasdaq Iceland and has prepared the Prospectus. It could be argued that conflicts of interest may arise in such situations, but, in accordance with the statements made by Kvika in chapter 5.1 *Company's Statement*, the information in this Prospectus is, to the best of Kvika and the Board of Directors' knowledge, factual and contains no omission likely to affect its import.

Additionally, several employees, members of the Issuer's Executive Management and members of the Board of Directors own shares in the Bank. Furthermore, most employees and members of the Executive Management own stock options and/or warrants issued by the Bank. The warrants are further described in chapter 9.2 *Warrants* in the Registration Document. A number of these individuals have contributed to the preparation of this Prospectus and the admission of Kvika's Bonds to trading.

The Board of Directors is not aware of any other potential conflicts of interest between the duties of the members of the Board of Directors or members of the Executive Management to the Bank and their private interests or other duties.

The Bank's rules on measures against conflicts of interests, which are considered to include the Banks' policy on conflicts of interests, can be found in appendix I to the Registration Document dated 10 May 2019 which forms a part of this Prospectus.

In appendix I below is an issue description of the Bonds, dated 16 December 2019.