

**MOTIONS OF THE BOARD OF DIRECTORS OF KVÍKA BANKI HF.  
TO THE ANNUAL GENERAL MEETING ON 26 MARCH 2020**

**1) The Company's annual financial statements for 2019 and a decision on the treatment of the Company's profit on the financial year (Agenda Item 2)**

The Board of Directors moves that the financial statements for 2019 be approved as presented. The Board proposes that no dividend will be paid to shareholders in 2020 and that the profit for the year 2019 be added to the Company's equity.

*Explanatory Notes:* Reference is made to the annual financial statements concerning the disposition of profit and other changes to the equity account.

According to last year's dividend policy, the Company's aim was to pay 25% of annual after-tax profit as a dividend to shareholders, taking into account, however, its equity position and an assessment of the opportunities available through reinvesting profit in the Company's operations and growth. The Company's updated dividend policy, as presented at this meeting, further stipulates that implementation of the dividend policy shall consider equally traditional dividend payments, on the one hand, and repurchase of the Company's own shares through a buy-back programme, on the other. In 2019, the Company purchased own shares under a buy-back programme for ISK 520 million, which corresponds to 20% of after-tax profit for the year. The year also saw the acquisition of GAMMA Capital Management hf. without any increase in share capital by the Company.

The Company's equity position is very strong. Its capital ratio is 24.1% on a consolidated basis at the beginning of the year, and regulators' requirements for minimum capital ratio are also high. While the capital ratio exceeds such requirements, it is necessary for equity to exceed the regulatory minimum, both for security reasons and to provide the scope to seize opportunities considered profitable. Historically, the Company's return on equity has been high and its performance forecast continues to anticipate a high return on equity. A strong equity position is a prerequisite for financing the Company's balance sheet with a view to growth potential and favourable funding terms.

In the light of this, the Company's Board of Directors moves that no dividend be paid for the 2019 operating year. The Board of Directors moves, under the fourth Agenda item of this meeting, that authorisation be granted to purchase own shares. If the situation in 2020 offers scope for a reduction in equity, the Board of Directors may decide to exercise such authorisation to repurchase own shares.

**2) Motion on the Company's Remuneration Policy (Agenda item 3)**

The Company's Board of Directors moves that the Remuneration Policy presented be adopted.

*Explanatory Notes:* The objective of the Board of Directors of Kvika banki hf. with this Remuneration Policy which is presented to the Annual General Meeting is to set out a policy for remuneration which enables the Company to attract top-grade employees and thereby ensure its competitiveness, while having regard for the applicable laws and rules.

This Remuneration Policy is not greatly altered from that of last year. Changes in substance concern mainly the bonus scheme that is part of the Remuneration Policy. A reduction is proposed in the maximum amount of bonus payments from ISK 75 million to ISK 50 million, in addition to which it is proposed that the Board's additional authorisation for bonuses be based on the Company's ROE instead of its operating budget, as ROE is a more appropriate benchmark, in the Board's estimation. In other respects, the structure and substance of the Remuneration Policy is essentially unchanged from the previous year, and reference is made to the report of the Board on the implementation of the Remuneration Policy in this context.

### 3) Motion authorising the Company to purchase own shares (Agenda item 4)

The Company's Board of Directors makes the following motion for approval by the Company's Annual General Meeting:

*“The Annual General Meeting of Kvika banki hf., held on 26 March 2020, agrees to authorise the Board of Directors, on the basis of Art. 55 of the Act on Public Limited Companies, No. 2/1995, to purchase on behalf of the Company up to 10% of its share capital. This authorisation shall be utilised for the purpose of: i) establishing a formal buy-back programme; ii) making a general offer to shareholders for the Company to purchase own shares, for example, through an auction arrangement, provided that shareholders are given equal opportunity to participate in such transactions; and/or iii) to expand or reinforce marketmaking in the Company's shares, so that the Company may own, provided other statutory requirements are satisfied, up to 10% of the Company's share capital. The implementation of a buy-back programme on the basis of this authorisation is subject to the prior approval of the Financial Supervision Division of the Central Bank of Iceland, in accordance with subparagraph a of Paragraph 3 of Art. 84 of the Act on Financial Undertakings, No. 161/2002, having been granted. This authorisation shall be valid until the Company's Annual General Meeting of 2021. The price paid for purchased shares shall not exceed the last selling price in independent trading or the highest available independent bid on NASDAQ Iceland, whichever is higher. Such purchases are, however, authorised if concluded by a marketmaker, as referred to in Art. 116 of the Act on Securities Transactions, or on the basis of Point 1 of the third paragraph of Art. 115 and the second paragraph of Art. 119 of the Act on Securities Transactions and Regulations adopted with reference to Articles 118 and 131 of the same Act.”*

Explanatory Notes: The Board of Directors requests a similar authorisation for the purchase of own shares as was granted for one year at the last Annual General Meeting. In 2019, the Board established a formal buy-back programme in compliance with the Act on Securities Transactions, which resulted in the Company purchasing own shares for ISK 520 million. The arrangement has proven very successful and the Board is proposing that the above-mentioned authorisation be renewed for one year. The Board may also utilise this authorisation to make a general offer to shareholders for the Company to purchase own shares, e.g. through an auction arrangement, provided that shareholders are given equal opportunity to participate in such transactions, or in order to expand or reinforce marketmaking in the Company's shares, in accordance with applicable laws and rules.

Generally speaking, similar considerations apply to share buy-backs as to a decision on dividends, taking into account the Company's performance. The objective of the proposal is to set out in a transparent manner how the Bank is authorised to distribute funds to shareholders, having regard, among other things, for the Bank's dividend policy. This authorisation to repurchase own shares must comply with the currently applicable requirements of laws and regulations on buy-backs. It must also be ensured that the Financial Supervision Division of the Central Bank of Iceland has given its approval in advance before a buy-back programme is launched, as provided for in the Act on Financial Undertakings, No. 161/2002. A formal buy-back programme is subject to provisions of the Act on Securities Transactions, No. 108/2007, and rules adopted on its basis. When deciding on and implementing a buy-back programme, these provisions will be complied with as currently applicable, and the implementation of such a programme shall ensure transparency in such transactions with own shares.

The motion also proposes to authorise the Bank to make a general offer to shareholders to repurchase own shares, for example by means of an auction arrangement. Should the Board decide to utilise such authorisation, this shall be done in compliance with provisions of currently applicable legislation and only to the extent that a formal buy-back programme has not been seen

to achieve the Bank's objectives, for instance, on distributing value to shareholders in accordance with its dividend policy. It is proposed that the repurchase authorisation be for a specific period and be reviewed at the Bank's next Annual General Meeting. The final amount of repurchases will be determined by the Board of Directors' assessment of the Company's most efficient capital structure at any given time.

**4) Motion for a reduction in share capital by cancelling own shares and a corresponding change to the Articles of Association (Agenda item 5)**

The Board of Directors proposes the following reduction of share capital:

*“The Annual General Meeting of Kvika banki hf., on 26 March 2020, agrees to reduce the Company's share capital by ISK 50 million nominal value, or the equivalent of 50 million shares, from ISK 2,014,759,097 to ISK 1,964,759,097 nominal value. The reduction will be carried out by cancelling own shares held by the Bank in the above-mentioned amount, provided legislative requirements are satisfied.”*

The motion involves an amendment to Art. 2.1 of the Company's Articles of Association so that, if approved, the above-mentioned provision in the Articles of Association will be as follows:

*“The total share capital of the Company is ISK 1,964,759,097. There are no restrictions on shareholders' rights to dispose of their shares in the Company.”*

Explanatory Notes: The Bank currently owns 50,000,000 own shares, purchased under a formal buy-back programme in 2019. It is moved that the Bank's share capital be reduced by that amount for the benefit of shareholders. The Financial Supervision Division of the Central Bank of Iceland has already granted its approval for a reduction of share capital against own shares as provided for in the Act on Financial Undertakings, No. 161/2002. If the motion is adopted, the Bank's share capital will decrease from ISK 2,014,759,097 to ISK 1,964,759,097 nominal value.

**5) Motion by the Board of Directors to amend the Company's Articles of Association (Agenda item 6)**

In addition to the amendment to the Company's Articles of Association involved in the motion in Agenda item 5, a motion is made to amend the Company's Articles of Association in the following manner.

**a. Address**

It is moved that the reference to the Company's previous address at Borgartún 25 in Reykjavík be deleted and instead that Art. 1.3 should read as follows:

*“The Company's domicile shall be in Reykjavík.”*

Explanatory Notes: According to the Act on Public Limited Companies, No. 2/1995, the address of a Company need no longer be specified in its Articles of Association. However, the Act does stipulate that the approval of a shareholders' meeting is required for a change in the Company's domicile between municipalities. It is therefore moved that only the municipality where the Company is domiciled be specified in its Articles of Association.

**b. AGM business**

The motion proposes to delete one agenda item from the list to be dealt with at the Annual General Meeting, according to the Company's Articles of Association, i.e. “A summary from the Board of Directors regarding ownership of shares and group connections”, and that the provisions of Art. 3.3 of the Articles of Association should read as follows:

*“The agenda of the Annual General Meeting shall include the following items of business:*

- 1) *the report from the Company's Board of Directors on activities during the past operating year;*
- 2) *the Company's annual financial statements for the past operating year shall be submitted for approval; in tandem with processing the annual financial statements, a decision shall be taken as to how any profit or loss by the Company during the financial year shall be dealt with;*
- 3) *election of the Company's directors and alternates;*
- 4) *the Company's remuneration policy;*
- 5) *determination of compensation to directors;*
- 6) *other business.*”

Explanatory Notes: According to the Act on Public Limited Companies, No. 2/1995, the Board shall prepare a brief summary to submit to the AGM on the holdings of individual shareholders and their voting rights, as well as on the changes to this that have occurred during the year. Similar information is to be available on the Company's group connections. This information is provided in the Report of the Board of Directors and notes to the Company's annual financial statements and therefore the Board of Directors considers it unnecessary that the said summary be included as an independent agenda item at the Annual General Meeting.

**c. Extension of the Board's authorisation to issue warrants**

It is moved that the unused authorisation of the Board to issue warrants in accordance with Temporary Provision II of the Company's Articles of Association, together with the corresponding authorisation to increase share capital, be extended by one year and that Temporary Provision II of the Articles of Association read as follows:

*“The Board of Directors of the Company is authorised, until the Company's Annual General Meeting in 2021, to issue warrants for 100,000,000 new shares in the Company. The Board of Directors is furthermore authorised for five years, until 26 March 2025, to increase the Company's share capital as necessary in connection with subscription for new shares on the basis of the warrants issued on the basis of the authorisation under Temporary Provision II. The Board of Directors shall decide who shall be entitled to subscribe for new shares but neither shareholders nor others shall enjoy pre-emptive rights. The Board of Directors shall determine the price and detailed terms of the warrants. Warrants issued under this authorisation shall be sold at fair value based on the valuation of an independent expert.”*

Explanatory Notes: At the last AGM, shareholders agreed to authorise the Board of Directors to issue warrants for up to 100,000,000 new shares. The authorisation was valid until the Company's Annual General Meeting in 2020. During the year, the Board utilised the authorisation in part and sold at fair value warrants for 46,000,000 new shares. The Board of Directors moves that the Annual General Meeting approve an extension for one year of the unused authorisation under Temporary Provision II for the issue of warrants to allow for 54,000,000 new shares and, at the same time, that the authorisation to increase share capital be extended in tandem with this.

**6) Motion on the election of the Company's auditors (Agenda item 8)**

It is moved that the AGM elect Deloitte ehf. as the Company's auditor for the 2020 financial year.

Explanatory Notes: The Board of Directors moves that the Company's current auditors be elected to continue their work. Deloitte ehf. has been the Company's auditing firm since the Company's Annual General Meeting in 2016.

**7) Decision on remuneration to directors and members of the subcommittees of the Board (Agenda item 9)**

It is moved that the remuneration to the Chairman of the Board for the Company's next operating year be ISK 900,000 per month and remuneration to other directors ISK 450,000 per month. It is also moved that the remuneration of alternate directors be ISK 225,000 for each Board meeting attended, but never higher than the remuneration to a director within a single month. Each alternate shall be paid a minimum of ISK 450,000 annually. Finally, it is moved that the chairmen of the subcommittees be paid ISK 210,000 per month and other committee members ISK 160,000 per month.

*Explanatory Notes:* The motion would increase remuneration to the Chairman of the Board by ISK 50,000 per month, remuneration to other directors by ISK 25,000 per month, remuneration to alternate directors by ISK 12,500 for each Board meeting attended and the minimum payment to alternate directors increase by ISK 25,000. It is also moved that remuneration to the members of the subcommittees of the Board increase by ISK 10,000 per month.

The Board of Directors proposes the above increase in remuneration in line with what has been done in recent years and in line with comparable companies.

Board of Directors of Kvika banki hf.