English translation

MERGER

KVIKA BANKI HF.

(the acquiring company)

AND

TM HF.

AND

LYKILL FJÁRMÖGNUN HF.

(the acquired companies)

BASED ON THE SETTLEMENT DATE 1 JANUARY 2021

BBA // FJELDCO

CONTENTS

MERGER SCHEDULE

with reference to Art. 120 of Act No. 2/1995, on Public Limited Companies

The Boards of Directors of Kvika banki hf., TM hf. and Lykill fjármögnun hf. (collectively referred to as "**the Companies**") have this day drawn up the following Schedule for the merger of the Companies.

Acquiring company:	Kvika banki hf., Reg. No. 540502-2930, Katrínartún 2, 105 Reykjavík ("**Kvika**");
Companies acquired:	TM hf., Reg. No. 660269-2079, Síðumúli 24, 108 Reykjavík ("**TM**"); and Lykill fjármögnun hf., Reg. No. 621101-2420, Síðumúli 24, 108 Reykjavík ("**Lykill**").

Art. 1

The Companies' Boards of Directors agree to merge the Companies under Kvika's name and register number, with the result that TM and Lykill will be wound up without settlement of debts and those Companies will be completely merged with Kvika (merger by acquisition), cf. Art. 119 of Act No. 2/1995, on Public Limited Companies, ("**the Companies Act**").

The merger shall be with effect from 1 January 2021, which shall be the first day of operation of the merged company.

It is assumed that Kvika's Articles of Association will continue to apply, with the exception of those changes in share capital set out in this Merger Schedule, as well as other changes that may be necessary in connection with the merger.

Art. 2

The address of the merged company shall be Katrínartún 2, 105 Reykjavík.

Art. 3

Upon the merger, TM's shareholders will only receive shares in Kvika in exchange for their shares in TM. For shareholdings in TM with a nominal value of ISK 771,892,669, TM's shareholders will receive shares in Kvika of ISK 2,509,934,076 nominal value. Payment will be made by issuing new share capital.

Prior to the merger, TM and TM tryggingar hf., a subsidiary of TM, are the owners of all shares in Lykill and Lykill's shares will therefore become invalid upon the merger without special consideration, cf. Art. 129 of the Act on Public Limited Companies.

Art. 4

Shares in Kvika provided to TM's shareholders upon the merger shall all convey the same rights as other shares in Kvika from the date of delivery, including rights to dividends.

The Companies' Boards of Directors shall propose to their annual general meetings in 2021 that no dividends be paid for the 2020 operating year.

Art. 5

The rights and obligations of TM and Lykill shall be deemed to have expired as of 1 January 2021, from which time Kvika shall take over all the rights and obligations of TM and Lykill.

Art. 6

Neither shareholders, management, creditors, assessors nor any other parties shall enjoy special rights or privileges above those of others upon this merger, cf.

Art. 7

Shares in Kvika of a nominal value of ISK 2,509,934,076 shall be delivered to TM's shareholders once the conditions set out in the first paragraph of Art. 127 of the Companies Act are fulfilled and the shares have been registered electronically in a securities depository.

Art. 8

The Companies' merger is conditional on the approval of the Financial Supervisory Authority of the Central Bank of Iceland, cf. provisions of Art. 106 of the Act on Financial Undertakings, No. 161/2002, and Art. 58 of Act No. 100/2016, on Insurance Activities, and of the Competition Authority, as provided for in Chapter V of the Competition Act, No. 44/2005. The Boards of the Companies shall jointly obtain the approval of these parties with the assistance of external consultants.

The final decision on the merger will be made at shareholders' meetings of Kvika, TM and Lykill, cf. Art. 124 of the Companies Act.

Art. 9

In confirmation of this Merger Schedule, the Boards of Directors of the Companies endorse it by means of electronic signatures. The Companies' Boards shall jointly see to its implementation with the help of their external consultants.

Reykjavík, 23 February 2021.

The Board of Directors of Kvika banki hf. hereby endorses this Merger Schedule by means of electronic signatures. An electronic signature is equivalent to a written signature pursuant to the Act on Electronic Identification and Trust Services for Electronic Commerce, No. 55/2019.

Signature:______________________
Name: Sigurður Hannesson
Position: Chairman of the Board

Signature: ______________________
Name: Inga Björg Hjaltadóttir
Position: Director

Signature:______________________
Name: Guðmundur Örn Þórðarson
Position: Deputy Chairman of the Board

Signature: ______________________
Name: Guðjón Karl Reynisson
Position: Director

Signature: _____________________
Name: Hrönn Sveinsdóttir
Position: Director

Reykjavík, 23 February 2021

In confirmation of this Merger Schedule, the Board of Directors of TM endorses it by means of electronic signatures. An electronic signature is equivalent to a written signature pursuant to the Act on Electronic Identification and Trust Services for Electronic Commerce, No. 55/2019.

Signature: ______________________
Name: Örvar Kærnested
Position: Chairman of the Board

Signature: ______________________
Name: Helga Kristín Auðunsdóttir
Position: Director

Signature: ______________________
Name: Kristín Friðgeirsdóttir
Position: Deputy Chairman of the Board

Signature: ______________________
Name: Einar Örn Ólafsson
Position: Director

Signature: ______________________
Name: Andri Þór Guðmundsson
Position: Director

Reykjavík, 23 February 2021

In confirmation of this Merger Schedule, the Board of Directors of Lykill fjármögnun hf. endorses it by means of electronic signatures. An electronic signature is equivalent to a written signature pursuant to the Act on Electronic Identification and Trust Services for Electronic Commerce, No. 55/2019.

Signature: ______________________
Name: Sigurður Viðarsson
Position: Chairman of the Board

Signature: ______________________
Name: Andri Þór Guðmundsson
Position: Director

Signature: ______________________
Name: Örvar Kærnested
Position: Director

Signature: ______________________
Name: Helga Kristín Auðunsdóttir
Position: Director

Signature: ______________________
Name: Kristín Friðgeirsdóttir
Position: Deputy Chairman of the Board

Signature: ______________________
Name: Einar Örn Ólafsson
Position: Director

STATEMENT OF THE BOARD OF DIRECTORS OF KVIKA BANKI HF.

with reference to the first paragraph of Art. 121 of Act No. 2/1995, on Public Limited Companies

The joint Merger Schedule of the Boards of Directors of Kvika banki hf., Reg. No. 540502-2930 (“**Kvika**”), TM hf., Reg. No. 660269-2079 (“**TM**”), and Lykill fjármögnun hf., Reg. No. 621101-2420 ("**Lykill**"), is now available for their merger based on Chapter XIV of the Companies Act, No. 2/1995. The merger of the Companies is with effect from 1 January 2021, with Kvika as the acquiring company. The purpose of the merger is to strengthen the Companies in the Icelandic financial market while at the same time increasing the profitability of the merging parties' operations.

On 28 September 2020, the Chairman of the Board and CEO of Kvika sent a letter to the Board of TM requesting its view on initiating formal merger negotiations, based on further specified premises, which included, among other things, that Kvika would be the acquiring company and that TM’s shareholders would receive 2,509,934,076 shares in Kvika, equivalent to 55% of the share capital of the merged company as of that date. The Boards of the Companies decided to commence formal negotiations on a merger of the Companies, based on the premises set out, but aimed at a trilateral merger, i.e. that it would involve the merging of Kvika, TM and Lykill, and not merely Kvika and TM, as originally intended.

The Companies’ Boards of Directors signed a merger agreement on 25 November 2020 after having assessed the advantages and disadvantages of merging the Companies' operations. The merger agreement provides for the signing of a Merger Schedule and other merger documentation once the merging Companies' annual accounts are available. The signing of the Merger Schedule, however, was subject to the provisos that TM had transferred its insurance operations to its subsidiary TM tryggingar hf. and that the approval of regulators, i.e. the Financial Supervisory Authority of the Central Bank of Iceland and the Competition Authority, had either been obtained or not refused. On closer examination, it was considered more appropriate to base the transfer of the insurance portfolio and the settlement date of the merger on 1 January 2021 rather than 31 December 2020, and the merger agreement was amended to this end on 18 December 2020.

The proposed merger was notified to the Financial Supervisory Authority of the Central Bank of Iceland and the Competition Authority in December 2020 and the approval of both parties is awaited, including authorisation from the Financial Supervisory Authority to Kvika to exercise a qualifying holding in TM tryggingar hf., TM líftryggingar hf. and Íslensk endurtrygging hf. As of the signing of the Merger Schedule and this Statement, nothing has occurred which would give cause to expect that the regulators’ consent will not be forthcoming. The Financial Supervisory Authority granted permission for the transfer of TM's insurance portfolio to TM tryggingar hf. on 9 December 2020 and the transfer was made on 1 January 2021. All the conditions are therefore in place for signing the Merger Schedule and other merger documentation. The transactions described in the Merger Schedule are essentially identical to those stipulated in the merger agreement of 25 November 2020, as amended on 18 December the same year.

Prior to the signing of the merger agreement, mutual inspections of the merging parties' activities and main risk factors were carried out; these inspections were repeated prior to the signing of the Merger Schedule. In addition, the opinion of external experts on certain financial, tax and legal issues open to question was obtained. The principal conclusions of the opinion of Ernst&Young ehf. on the financial premises of the merger are as follows:

- It is Ernst&Young's opinion that it can be expected that the holding of Kvika's shareholders will be more valuable in the merged company of Kvika and TM compared to the current value of their holding in Kvika.

- It is Ernst&Young's opinion that the merger will not reduce the possibilities of Kvika's creditors to obtain fulfilment of their claims.

The Companies' Boards consider it realistic to expect that this merger could achieve cost synergies of ISK 1,200-1,500 million annually, excluding transaction and one-off costs. The assessment of cost synergies has been based on the Companies' forecasts for 2021. The greatest share of the cost synergies is expected to result from more advantageous financing. The largest portion of the anticipated synergies is expected to be achieved in 2022. The estimated cost synergies on a yearly basis are as follows:

- In 2021, the effect of synergies will be ISK 500-600 million, while one-off costs will be ISK 250-300 million.
- In 2022, the effect of synergies will be ISK 1,000-1,100 million and one-off costs ISK 50-100 million.
- After the year 2022, the annual effect of synergies will be ISK 1,200-1,500 million and one-off costs insignificant.

Other opportunities for synergies are expected; however, they will require further analysis following the merger. The Companies' Boards also consider it realistic to expect the merger to enable the Companies to boost their income.

The conclusions of the above analyses have confirmed the views of the management and the Board of Kvika that the merger of the Companies is a positive step for the Companies. The merged company will have a solid equity position and increased strength to provide services to Icelandic business and industry. The synergies resulting from the merger will mean that the Companies will possess the knowledge, market power, employees, work facilities and technical equipment to promote growth and handle increased business in an efficient and profitable manner.

Upon the merger, TM's shareholders will only receive shares in Kvika in exchange for their shares in TM. For shareholdings with a nominal value of ISK 771,892,669, TM's shareholders will receive shares in Kvika of ISK 2,509,934,076 nominal value. Payment will be made by issuing new share capital. The basis for the above consideration to TM's shareholders and the division of share capital between Kvika's current shareholders and TM's shareholders is the market value of the Companies' shares at close of trading on 28 September 2020, taking into account an agreed premium on the market value of Kvika's shares and existing contractual obligations that could lead to an increase in Kvika's share capital after 28 September 2020. Nothing has come to light in the mutual inspections and opinions of external experts that should lead to changes in those premises.

Prior to the merger TM is, directly and indirectly, the owner of all shares in Lykill. A subsidiary of the acquired company is therefore being merged with the parent company and as a result the share capital of the subsidiary will be cancelled upon the merger. The value of TM's holding in Lykill is reflected in the consideration that TM's shareholders will receive in the merged company and accordingly there will be no special consideration for the holding in Lykill.

A joint balance sheet has been prepared showing the book value of all the Companies’ assets and liabilities as of 1 January 2021, in addition to which changes in the balance sheet resulting from the merger are shown.

In light of the above, the Company's Board is of the opinion that there are no obstacles to the merger and that the consolidated finances of Kvika, TM and Lykill will not diminish the possibilities of the

Company's creditors for fulfilment of their claims upon the merger.

Guðmundur Þórðarson informed other directors that a party financially connected to him owned 6.16% of Kvika's share capital, and that he therefore had a financial interest in the decision, but considered that such interests did not prevent their participation in the handling of the matter, as those interests were no different from the interests of other shareholders in the company. Other directors disclosed their ownership of minor holdings in Kvika (<0.5%), which they did not regard as precluding their participation in handling the matter for the same reason. For further information on the holdings of directors, reference is made to the Statement on Governance, which is published on the Bank's website.

This decision was unanimously approved by the Board of Directors.

Reykjavík, 23 February 2021

The Board of Directors of Kvika banki hf. hereby endorses this Statement by means of electronic signatures. An electronic signature is equivalent to a written signature pursuant to the Act on Electronic Identification and Trust Services for Electronic Commerce, No. 55/2019.

Signature:______________________
Name: Sigurður Hannesson
Position: Chairman of the Board

Signature: ______________________
Name: Inga Björg Hjaltadóttir
Position: Director

Signature:______________________
Name: Guðmundur Örn Þórðarson
Position: Deputy Chairman of the Board

Signature: ______________________
Name: Guðjón Karl Reynisson
Position: Director

Signature:______________________
Name: Hrönn Sveinsdóttir
Position: Director

STATEMENT OF THE BOARD OF DIRECTORS OF TM HF.

with reference to the first paragraph of Art. 121 of Act No. 2/1995, on Public Limited Companies

The joint Merger Schedule of the Boards of Directors of Kvika banki hf., Reg. No. 540502-2930 (“**Kvika**”), TM hf., Reg. No. 6602692079 (“**TM**”), and Lykill fjármögnun hf., Reg. No. 621101-2420 ("**Lykill**"), is now available for their merger based on Chapter XIV of the Companies Act, No. 2/1995. The merger of the Companies is with effect from 1 January 2021, with Kvika as the acquiring company. The purpose of the merger is to strengthen the Companies in the Icelandic financial market while at the same time increasing the profitability of the merging parties' operations.

TM and Kvika have for some time considered the possibility of merging the Companies and informal talks had taken place in that direction. TM had, among other things, sent Kvika a communication discussing the possible basis for formal talks; however, this had not led to any results.

On 28 September 2020, the Board of TM received a letter from Kvika, requesting its position on initiating formal merger negotiations, based on specific premises, including that Kvika would be the acquiring company and that TM’s shareholders would receive shares equivalent to 55% of the share capital of the merged company as of that date. The Board of Directors of TM assessed this offer and, although TM's relative market value on that day was slightly higher than 55%, the Board of Directors considered it to be in the interest of TM's shareholders to commence negotiations on this basis, taking into consideration previous negotiations, the Companies’ results, other publicly available information, the development of the Companies' share prices in recent quarters and the future outlook for their performance and operations.

Formal negotiations began and were conducted on the basis that the consideration for shares in TM would be to have TM’s shareholders receive shares in Kvika ISK of 2,509,934,076 nominal value. It was soon decided that the merger would be trilateral, i.e. that it would involve the merging of Kvika, TM and Lykill, and not merely Kvika and TM, as originally intended. From that point onward, Lykill's Board took part in the mutual inspections and other aspects of preparations for the merger.

The Companies’ Boards examined the advantages and disadvantages of merging the Companies' operations. In view of the fact that shares of Kvika and TM are listed on a regulated securities market, no thorough due diligence was conducted on all of the Companies’ operations with reference to the parties' ongoing disclosure obligation. Notwithstanding the above, a certain information process was followed, with mutual examinations mainly based on so-called disclosure documents providing information of relevance for the decision on a merger, in addition to which data regarding certain issues was provided in a data room. In connection with the mutual examinations, considerable work was done within the Companies and, in addition, the opinion of external experts was obtained on certain tax and legal issues.

Following the public announcement of the Companies' merger negotiations, their market value has followed a very similar development. This development reinforces the Board's assessment, as the development of the Companies' market value indicates that, in the market's assessment, the consideration and the expected synergies of the merger have been appropriately assessed.

The conclusion of these efforts was that the Boards of all the Companies agreed that the merger would be beneficial to the Companies and their shareholders. In 2020, TM had already begun the process of transferring its insurance operations to a subsidiary, but as this process had not been completed, legal technicalities prevented a formal Merger Schedule from being signed. Instead, the Companies' Boards of Directors signed a merger agreement on 25 November 2020, which was subsequently amended on 18 December 2020, where it was decided to merge the Companies after the end of the year and date the merger as of 1 January 2020. The transactions described in the Merger Schedule that has now been signed are essentially identical to those decided on 25 November 2020 and 18 December of the same year.

The proposed merger was notified to the Financial Supervisory Authority of the Central Bank of Iceland and the Competition Authority in December 2020 and the approval of both parties is awaited, including authorisation from the Financial Supervisory Authority to Kvika to exercise a qualifying holding in TM tryggingar hf., TM líftryggingar hf. and Íslensk endurtrygging hf. As of the signing of this Statement, nothing has occurred which would give cause to expect that the regulators' consent will not be forthcoming. The Financial Supervisory Authority granted permission for the transfer of TM's insurance portfolio to TM tryggingar hf. on 9 December 2020 and the transfer was made on 1 January 2021. All the conditions are therefore in place for signing the Merger Schedule and other merger documentation. The transactions described in the Merger Schedule are essentially identical to those agreed on 25 November 2020.

Upon the merger, TM's shareholders will only receive shares in Kvika in exchange for their shares in TM. For shareholdings with a nominal value of ISK 771,892,669, TM's shareholders will receive shares in Kvika of ISK 2,509,934,076 nominal value. Payment will be made by issuing new share capital. Share capital in Lykill, which is wholly owned by TM (99.96%) and TM tryggingar hf. (0.04%), shall be cancelled upon the merger.

The Board of Directors carried out the assessment of the consideration recounted above and assessed the consideration to be appropriate. The Board has also obtained the opinion of KPMG, which states that in their opinion the consideration is appropriately determined, is fair based on the available data, and is substantively justified. In addition, mutual examinations have not revealed any reason to change that assessment. There were no particular problems with the decision on consideration to TM's shareholders for their shares.

The Board of Directors of TM has examined in particular the financial premises for the merger and its opinion, which is supported by the opinion obtained from KPMG, is that the synergies resulting from the merger are likely to augment the performance of the merged Companies. The conclusion of the assessment was that the merger is likely to increase value for TM's shareholders, who are shareholders in Lykill's parent company, and, having regard for the above-mentioned KPMG assessment, it is also the Board's opinion that the merger will not prejudice creditors' possibilities of enforcing claims they hold on the Companies. An auditor's report has also been prepared for the proposed merger, cf. Art. 122 of Act No. 2/1995, the final draft of which is part of the merger documents available to the Board in its decision.

The above examinations confirm the Board's view that the merger of the Companies would be favourable to the Companies and their shareholders. The merged company will stand on a solid foundation and be able to provide its customers with a wide range of products. The Board of Directors believes that the merger will have a positive financial impact on the Companies and their shareholders. The merger will also strengthen the Companies' infrastructure in terms of human resources, expertise, experience, etc.

A joint balance sheet has been prepared showing the book value of all the Companies' assets and liabilities as of 1 January 2021, in addition to which changes in the balance sheet resulting from the merger are shown.

In light of the above, the Company's Board is of the opinion that there are no obstacles to the merger and that the consolidated finances of Kvika, TM and Lykill upon the merger will not diminish the possibilities of the Company's creditors for fulfilment of their claims on the Company.

Einar Örn Ólafsson and Örvar Kærnested informed other directors that, as they were shareholders in Stoðir hf. which was TM's largest shareholder, they had financial interests in the decision but felt that such interests did not prevent their participation in handling the matter, as those interests were no different from the interests of other shareholders in the company. Örvar Kærnested also announced that he was a shareholder in the UK company Ortus, in which Kvika also had a holding. Other directors confirmed that neither they nor parties financially connected to them had significant interests at stake in this decision and the proposed merger.

This decision was unanimously approved by the Board of Directors.

Reykjavík, 23 February 2021

In confirmation of this Statement, the Board of Directors of TM endorses it by means of electronic signatures. An electronic signature is equivalent to a written signature pursuant to the Act on Electronic Identification and Trust Services for Electronic Commerce, No. 55/2019.

Signature: ______________________
Name: Örvar Kærnested
Position: Chairman of the Board

Signature: ______________________
Name: Helga Kristín Auðunsdóttir
Position: Director

Signature: ______________________
Name: Kristín Friðgeirsdóttir
Position: Deputy Chairman of the Board

Signature: ______________________
Name: Einar Örn Ólafsson
Position: Director

Signature: ______________________
Name: Andri Þór Guðmundsson
Position: Director

STATEMENT OF THE BOARD OF DIRECTORS OF LYKILL FJÁRMÖGNUN HF.

with reference to the first paragraph of Art. 121 of Act No. 2/1995, on Public Limited Companies

The joint Merger Schedule of the Boards of Directors of Kvika banki hf., Reg. No. 540502-2930 (“**Kvika**”), TM hf., Reg. No. 660269-2079 (“**TM**”), and Lykill fjármögnun hf., Reg. No. 621101-2420 ("**Lykill**"), is now available for their merger based on Chapter XIV of the Companies Act, No. 2/1995. The merger of the Companies is with effect from 1 January 2021, with Kvika as the acquiring company.

TM and Kvika have for some time considered the possibility of merging the Companies and informal talks had taken place in that direction. TM had, among other things, sent Kvika a communication discussing the possible basis for formal talks; however, this had not led to any results.

On 28 September 2020, the Board of TM received a letter from Kvika, requesting its position on initiating formal merger negotiations, based on specific premises, including that Kvika would be the acquiring company and that TM’s shareholders would receive shares equivalent to 55% of the share capital of the merged company as of that date. The Board of Directors of TM assessed this offer and, although TM's relative market value on that day was slightly higher than 55%, the Board of Directors considered it to be in the interest of TM's shareholders to commence negotiations on this basis, taking into consideration previous negotiations, the Companies’ results, other publicly available information, the development of the Companies' share prices in recent quarters and the future outlook for their performance and operations.

Formal negotiations began and were conducted on the basis that the consideration for shares in TM would be to have TM’s shareholders receive shares in Kvika of ISK 2,509,934,076 nominal value. It was soon decided that the merger would be trilateral, i.e. that it would involve the merging of Kvika, TM and Lykill, and not merely Kvika and TM, as originally intended. From that point onward, Lykill's Board took part in the mutual inspections and other aspects of preparations for the merger.

The Companies’ Boards examined the advantages and disadvantages of merging the Companies' operations. In view of the fact that shares of Kvika and TM are listed on a regulated securities market, no thorough due diligence was conducted on all of the companies’ operations with reference to the parties' ongoing disclosure obligation. Notwithstanding the above, a certain information process was followed, with mutual examinations mainly based on so-called disclosure documents providing information of relevance for the decision on a merger, in addition to which data regarding certain issues was provided in a data room. In connection with mutual examinations, considerable work was done within the companies and, in addition, the opinion of external experts was obtained on certain tax and legal issues.

Following the public announcement of the Companies' merger negotiations, their market value has followed a very similar development. This development reinforces the Board's assessment, as the development of the Companies' market value indicates that, in the market's assessment, the consideration and the expected synergies of the merger have been appropriately assessed.

The conclusion of these efforts was that the Boards of all the Companies agreed that the merger would be beneficial to the Companies and their shareholders. In 2020, TM had already begun the process of transferring its insurance operations to a subsidiary, but as this process had not been completed, legal technicalities prevented a formal Merger Schedule from being signed. Instead, the Companies' Boards of Directors signed a merger agreement on 25 November 2020, which was subsequently amended on 18 December 2020, where it was decided to merge the Companies after the end of the year and date the merger as of 1 January 2020. The transactions described in the Merger Schedule that has now been signed are essentially identical to those decided on 25 November 2020.

The proposed merger was notified to the Financial Supervisory Authority of the Central Bank of Iceland and the Competition Authority in December 2020 and the approval of both parties is awaited, including authorisation from the Financial Supervisory Authority to Kvika to exercise a qualifying holding in TM tryggingar hf., TM líftryggingar hf. and Íslensk endurtrygging hf. As of the signing of this Statement, nothing has occurred which would give cause to expect that the regulators' consent will not be forthcoming. The Financial Supervisory Authority granted permission for the transfer of TM's insurance portfolio to TM tryggingar hf. on 9 December 2020 and the transfer was made on 1 January 2021. All the conditions are therefore in place for signing the Merger Schedule and other merger documentation. The transactions described in the Merger Schedule are essentially identical to those agreed on 25 November 2020.

Upon the merger, TM's shareholders will only receive shares in Kvika in exchange for their shares in TM. For shareholdings with a nominal value of ISK 771,892,669, TM's shareholders will receive shares in Kvika of ISK 2,509,934,076 nominal value. Payment will be made by issuing new share capital. Share capital in Lykill, which is wholly owned by TM (99.96%) and TM tryggingar hf. (0.04%), shall be cancelled upon the merger.

The Board of Directors carried out the assessment of the consideration recounted above and assessed the consideration to be appropriate. The Board has also obtained the opinion of KPMG, which states that in their opinion the consideration is appropriately determined, is fair based on the available data and is substantively justified. In addition, mutual examinations have not revealed any reason to change that assessment. However, since the company is wholly owned by TM (99.96%) and TM tryggingar hf. (0.04%), the merger involves the merger of a subsidiary with the parent company, so there will be no special consideration for the merger. There were no particular problems with the decision on consideration to Lykill's shareholders for their shares.

Lykill's Board of Directors has examined in particular the financial premises for the merger and its opinion, which is supported by the opinion obtained from KPMG, is that the synergies resulting from the merger are likely to augment the performance of the merged Companies. The conclusion of the assessment was that the merger is likely to increase value for TM's shareholders, who are shareholders in Lykill's parent company, and, having regard for the above-mentioned KPMG assessment, it is also the Board's opinion that the merger will not prejudice creditors' possibilities of enforcing claims they hold on the Companies.

An auditor's report has also been prepared for the proposed merger, cf. Art. 122 of Act No. 2/1995, which is part of the merger documents available to the Board in its decision.

The above examinations confirm the Board's view that the merger of the Companies would be favourable to the Companies and their shareholders. The merged company will stand on a solid foundation and be able to provide its customers with a wide range of products. The Board of Directors believes that the merger will have a positive financial impact on the Companies and their shareholders. The merger will also strengthen the Companies' infrastructure in terms of human resources, expertise, experience, etc.

A joint balance sheet has been prepared showing the book value of all the Companies' assets and liabilities as of 1 January 2021, in addition to which changes in the balance sheet resulting from the merger are shown.

In light of the above, the Company's Board is of the opinion that there are no obstacles to the merger and that the consolidated finances of Kvika, TM and Lykill upon the merger will not diminish the possibilities of the Company's creditors for fulfilment of their claims on the Company.

Einar Örn Ólafsson and Örvar Kærnested informed other directors that, as they were shareholders in Stoðir hf. which was TM's largest shareholder, they have financial interests at stake in the decision but felt that such interests did not prevent their participation in the handling of the matter, as those interests were no different from the interests of other shareholders in the company. Örvar Kærnested also announced that he was a shareholder in the UK company Ortus, in which Kvika also had a holding. Other directors confirmed that neither they nor parties financially connected to them had significant interests at stake in this decision and the proposed merger.

This decision was unanimously approved by the Board of Directors.

Reykjavík, 23 February 2021

In confirmation of this Statement, the Board of Directors of Lykill fjármögnun hf. endorses it by means of electronic signatures. An electronic signature is equivalent to a written signature pursuant to the Act on Electronic Identification and Trust Services for Electronic Commerce, No. 55/2019.

Signature: ______________________ Name: Sigurður Viðarsson Position: Chairman of the Board	Signature: _____________________ Name: Andri Þór Guðmundsson Position: Director
Signature: ______________________ Name: Örvar Kærnested Position: Director	Signature: _____________________ Name: Helga Kristín Auðunsdóttir Position: Director
Signature: ______________________ Name: Kristín Friðgeirsdóttir Position: Deputy Chairman of the Board	Signature: _____________________ Name: Einar Örn Ólafsson Position: Director

Ernst & Young ehf.
Borgartún 30
105 Reykjavík
Iceland
Tel. +354 595 2500
Fax: +354 595 2501
www.ey.is

REPORT OF ERNST&YOUNG EHF.

with reference to Art. 122 of Act No. 2/1995, on Public Limited Companies

This report has been prepared at the request of the Board of Directors of Kvika banki hf., Reg. No. 540502-2930 ("**Kvika**"), in connection with plans to merge Kvika, TM hf., Reg. No. 660269-2079 ("**TM**"), and Lykill fjármögnun hf., Reg. No. 621101-2420 ("**Lykill**"), on the basis of Art. 122 of Act No. 2/1995, on Public Limited Companies, ("**the Companies Act**").

The undersigned has examined the existing Merger Schedule, signed by the merging parties' Boards of Directors on 23 February 2021. With regard thereto, the following is noted:

Upon the merger, TM's shareholders will only receive shares in Kvika in exchange for their shares in TM. For shareholdings with a nominal value of ISK 771,892,669, TM's shareholders will receive shares in Kvika of ISK 2,509,934,076 nominal value. Payment will be made by issuing new share capital.

The consideration was determined based on the market value of shares in the Companies at close of trading on 28 September 2020, taking into account an agreed premium on the market value of Kvika's shares and existing contractual obligations that could lead to an increase in Kvika's share capital after 28 September 2020. It is our opinion that the consideration is properly determined and fair, based on the available information, and that it is substantively justified.

Prior to the merger TM is, directly and indirectly, the owner of all shares in Lykill. A subsidiary of the acquired company is therefore being merged with the parent company and as a result the share capital of the subsidiary will be cancelled upon the merger. The value of TM's holding in Lykill is reflected in the consideration that TM's shareholders will receive in the merged company and accordingly there will be no special consideration for the holding in Lykill. There is therefore no statement as to whether the consideration for the shares in Lykill is fair and substantively justified.

It is our opinion that a merger based on the premises set out in the Merger Schedule of the Companies' Boards of Directors, supported by the grounds set out in the Statements of the Companies' Boards of Directors, is entirely appropriate and complies with the provisions of the Act on Public Limited Companies.

A joint balance sheet has been prepared based on the Companies' audited balance sheets as of 31 December 2020, showing the changes resulting from the merger, and the opening balance sheet of the merged company as of 1 January 2021.

The undersigned hereby confirms, as provided for in the fifth paragraph of Art. 122 of the Companies Act, that the proposed merger of Kvika banki hf., TM hf. and Lykill fjármögnun hf. will not reduce the possibilities of Kvika's creditors to obtain fulfilment of their claims.

Reykjavík, 23 February 2021

In confirmation of this Report, a certified auditor of Ernst&Young ehf. endorses it by means of an electronic signature. An electronic signature is equivalent to a written signature pursuant to the Act on Electronic Identification and Trust Services for Electronic Commerce, No. 55/2019.

Signature: ______________________

Name: Jóhann Unnsteinsson

Position: Certified auditor at Ernst & Young ehf.

KPMG
KPMG ehf.
Borgartún 27,
105 Reykjavík
Tel. +354 545 6000
Fax: +354 545 6001
Website www.kpmg.is

To the Boards of Directors of Kvika banki hf., TM hf. and Lykill fjármögnun hf.

Acquiring company: Kvika banki hf.
Reg. No: 540502-2930
Katrínartún 2
Reykjavík

Companies acquired:

TM hf.
Reg. No: 660269-2079
Síðumúli 24
Reykjavík

Lykill fjármögnun hf.
Reg. No. 621101-2420
Síðumúli 24
Reykjavík

Reykjavík, 23/02/2021

Re: Report of KPMG ehf., with reference to Art. 122 of Act No. 2/1995, on Public Limited Companies

This report has been prepared at the request of the Boards of Directors of TM hf., Reg. No. 660269-2079, and Lykill fjármögnun hf., Reg. No. 621101-2420, in connection with plans to merge with Kvika banki hf., Reg. No. 540502-2930. The Report has been prepared with reference to Art. 122 of Act No. 2/1995, on Public Limited Companies, ("**the Companies Act**").

We have examined the Merger Schedule of the above Companies, dated 23 February 2021. According to the Merger Schedule and the Statements of the Boards of Directors, TM hf. and its subsidiary Lykill fjármögnun hf. are to be merged with Kvika banki hf. through a merger under company law based on, among other things, Chapter XIV of the Act on Public Limited Companies. In so doing, the acquired Companies are to be wound up without settlement of debts and will be completely merged with Kvika banki hf. with its acquisition of assets and liabilities. The proposed consideration to shareholders of the acquired Companies will only be in the form of the delivery of new share capital in the merged company.

According to the Merger Schedule, the merger will result in the shareholders of TM hf. relinquishing all active share capital in the company, which on the day of the merger amounts to ISK 771,892,669. Shareholders of TM are to receive as consideration shares of ISK 2,509,934,076 nominal value in the merged company. Shareholders of TM hf. will not receive a specific consideration for the share capital of the subsidiary Lykill fjármögnun hf., which will be cancelled upon the merger, as the value comprised by the holding of TM hf. in Lykill fjármögnun hf. is reflected in the consideration which shareholders of TM hf. will receive in the merged company.

The decision on consideration to shareholders of the acquired company TM hf. is to a large extent based on the Companies' market price at close of trading on 28 September 2020, when notice was given publicly of the discussions on a merger of the Companies. At close of trading on 28 September 2020, the market value of TM hf. was around ISK 26.785 billion and the value of Kvika banki hf. around ISK 21.666 billion. In addition to their market value, the Companies' Boards took into consideration the Companies' results, other publicly available information, the development of the Companies' share prices in recent quarters and the future outlook for their performance and operations.

In the opinion of KPMG, the method used to calculate the consideration is substantively justified. It is our opinion that the mutual compensation is appropriately determined and fair, based on the available information. It is also our opinion that the decision on consideration is substantively justified. In addition, it should be noted that the pricing of both Companies was not subject to particular difficulties. It is therefore our opinion that a merger based on the premises set out in the Merger Schedule of the Companies' Boards and the available Statements of their Boards of Directors complies in all aspects with the provisions of the Companies Act.

With reference to the fifth paragraph of Art. 122 of the Act on Public Limited Companies, it is also our assessment that the merger of the Companies will not prejudice creditors' possibilities of enforcing claims which they hold on the Companies. The assets of the merged company must be considered fully sufficient to cover its debts on the date of the merger.

Reykjavík, 23 February 2021

In confirmation of this Report, a certified auditor of KPMG ehf. endorses it by means of an electronic signature. An electronic signature is equivalent to a written signature pursuant to the Act on Electronic Identification and Trust Services for Electronic Commerce, No. 55/2019.

Respectfully yours,

KPMG ehf.

Sæmundur Valdimarsson, Partner

Deloitte

Deloitte ehf.
Smáratorg 3
201 Kópavogur
Iceland

Tel. +354 580 3000
Netfang: deloitte@deloitte.is
www.deloitte.is

MERGER BALANCE SHEET AND AUDITORS' ENDORSEMENT

Attached is the Merger Balance Sheet of Kvika banki hf., TM hf. and Lykill fjármögnun hf. as of 1 January 2021, in accordance with the Companies' Merger Schedule.

As the auditors of Kvika banki hf., we hereby confirm that the financial information on Kvika banki hf. presented in the Merger Balance Sheet accords with the company's audited annual financial statements of 31 December 2020.

Reykjavík, 23 February 2021

Signature: _____________________
Name: Pálína Árnadóttir
Position: Certified auditor at Deloitte

Signature: _____________________
Name: Guðmundur Ingólfsson
Position: Certified auditor at Deloitte

Merger Balance Sheet and Auditors' Endorsement

with reference to the second paragraph of Art. 122 of Act No. 2/1995, on Public Limited Companies

Attached is the Merger Balance Sheet of Kvika banki hf., Reg. No. 540502-2930, TM hf., Reg. No. 660269-2079 , and Lykill fjármögnun hf., Reg. No. 621101-2420, as of 1 January 2021, which was prepared at the request of the Companies' Boards of Directors in accordance with the existing Merger Schedule.

With reference to our report on pre-approved measures in connection with the Merger Balance Sheet of Kvika banki hf., TM hf. and Lykill fjármögnun hf., we confirm that the Merger Balance Sheet accords with the audited annual financial statements of TM hf. and Lykill fjármögnun hf. as of 31 December 2020, taking into account the transfer of the insurance portfolio of TM hf. to TM tryggingar hf. on 1 January 2021.

Reykjavík, 23 February 2021

Signature: ________________________

Name: Arna G. Tryggvadóttir

Position: Certified auditor at PwC ehf.

Signature: ________________________

Name: Bryndís Björk Guðjónsdóttir

Position: Certified auditor at PwC ehf.

Merger Balance Sheet 1 January 2021 - Kvika banki hf., TM hf. and Lykill fjármögnun hf.

Assets	**Kvika**	**TM hf.**	**Lykill**	**Kvika's acquisition of TM**	**Merger entries**	**Merged company**
Cash and balances with the Central Bank	28,815,701	100,000	2,304,800		(56,281)	31,164,220
Fixed-income securities	28,693,594	1,689,674	993,299		(587,362)	30,789,205
Equities and other variable-yield securities	2,697,798					2,697,798
Hedging securities	19,620,240					19,620,240
Loans to customers	31,213,436					31,213,436
Lease agreements and leveraged leasing			38,866,849			38,866,849
Operating lease assets			1,883,559			1,883,559
Derivatives	389,671		1,345,915		(33,284)	1,702,302
Holdings in subsidiaries and associates	6,973,415	27,995,006	1,228,488	27,191,061	(39,065,973)	24,321,997
Intangible assets	563,599					563,599
PPE	86,938	352,490	166,558			605,986
Income tax credit	835,816	0	1,088,721		(685,330)	1,239,206
Other assets	2,846,782	796,817	168,188		(32,719)	3,779,069
Total assets	122,736,989	30,933,986	48,046,377	27,191,061	(40,460,947)	188,447,466

Liabilities						
Customer deposits	.. 60,221,438				(56,281)	60,165,157
Borrowing	.. 26,414,166		34,537,277		(587,362)	60,364,082
Commercial paper	. 2,003,608					2,003,608
Bond issue	.. 5,568,085					5,568,085
Subordinated bonds	. 2,077,225	2,308,908				4,386,133
Short positions in securities	... 1,520,547					1,520,547
Short positions in hedging securities	.. 731,987					731,987
Derivatives	.. 1,750,346	33,283			(33,284)	1,750,345
Deferred income tax		685,330			(685,330)	0
Other liabilities	.. 3,268,122	715,405	1,629,979		(32,719)	5,580,788
Total liabilities	103,555,525	3,742,926	36,167,256	0	(1,394,975)	142,070,732

Equity						
Share capital	.. 2,141,002	771,893	230,901	2,509,934	(1,002,794)	4,650,937
Share premium account	... 4,290,521	3,288,266	8,731,797	24,681,126	(12,020,063)	28,971,647
Warrants reserve	... 149,462				0	149,462
Special reserve fund	... 3,103,697				0	3,103,697
Other reserves	... 81,813	192,973	57,725		(250,698)	81,813
Reserve equity	... 1,679,930	7,277,256	376,929		(7,654,185)	1,679,930
Retained earnings	.. 7,735,039	15,660,673	2,481,769		(18,138,233)	7,739,248
Total equity	19,181,465	27,191,061	11,879,121	27,191,061	(39,065,973)	46,376,734
Total liabilities and equity	122,736,989	30,933,986	48,046,377	27,191,061	(40,460,947)	188,447,466

Amounts are in ISK thousands