

MOTIONS OF THE BOARD OF DIRECTORS OF KVÍKA BANKI HF.

to the Shareholders' Meeting of 30 March 2021

1. MOTION FOR THE MERGER OF KVÍKA, TM AND LYKILL

The following motion of the Board of Directors on the merger of Kvika banki hf., TM hf. and Lykill fjármögnun hf. is presented to the Meeting for approval:

“A Shareholders' Meeting of Kvika banki hf., held on 30 March 2021, approves the merger of Kvika banki hf., TM hf. and Lykill fjármögnun hf. as provided for in the merger schedule presented, which was approved and signed by the Boards of all the companies on 23 February 2021. The approval of the Meeting is conditional upon the approval of the merger by the Financial Supervisory Authority, cf. Art. 106 of Act No. 161/2002, on Financial Undertakings.”

Report of the Board of Directors

On 28 September 2020, formal merger negotiations commenced between Kvika banki hf. and TM hf. based on an understanding which provided for Kvika banki hf. to be the acquiring company and for TM's shareholders to receive 2,509,934,076 shares in Kvika banki hf., equivalent to 55% of the share capital of the merged company as of that date. This consideration was based on 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 banki hf.'s shares and existing contractual obligations that could lead to an increase in Kvika banki hf.'s share capital after 28 September 2020. The intention was to merge Lykill fjármögnun hf. with these companies at a later stage but, upon closer examination, it was decided to undertake a trilateral merger of the three companies.

Mutual inspections were carried out of the companies' operations and main risk factors, and the opinions of external experts obtained on certain financial, tax and legal issues. The mutual inspections and opinions of external experts revealed nothing that should lead to changes in those premises. 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 conclusions of the above inspections and analyses have confirmed the views of the management and the Board of Kvika banki hf. that the merger of the companies is a positive step for the companies.

On 25 November 2020, the companies' Boards signed a merger agreement in which they agreed that a merger schedule and other merger documents would be signed once the transfer of the insurance portfolio of TM hf. to TM tryggingar hf. had been carried out and the companies' annual financial statements for the 2020 operating year were available. The transfer of the insurance portfolio was approved by the Financial Supervisory Authority of the Central Bank of Iceland and an augmented operating license was issued to TM tryggingar hf. on 9 December 2020; the transfer was carried out on 1 January 2021.

A merger schedule was signed by the companies' Boards of Directors on 23 February 2021. That same day, statements by the companies' Boards of Directors,

statements from expert assessors and the companies' merger balance sheet were signed. According to the merger schedule, the companies will be merged with effect from 1 January 2021 and shareholders of TM hf. will receive 2,509,934,076 newly issued shares in Kvika banki hf. as consideration for their shares in TM hf. The newly issued shares convey the same rights as other shares in Kvika banki hf. from their delivery date.

The proposed merger was notified to the Financial Supervisory Authority of the Central Bank of Iceland and the Competition Authority in December 2020. The approval of the Competition Authority was granted in its decision of 26 February 2021. That same day, the Financial Supervisory Authority provided authorisation to Kvika banki hf. to exercise a qualifying holding in TM tryggingar hf., TM líftryggingar hf. and Íslensk endurtrygging hf. The Financial Supervisory Authority's approval for the merger is awaited but is expected prior to the shareholders' meeting, subject to the merger process being completed in accordance with provisions of the Act on Public Limited Companies.

2. MOTION TO AMEND THE COMPANY'S ARTICLES OF ASSOCIATION DUE TO THE MERGER

The Board moves that the following amendments to the company's Articles of Association in connection with the merger be approved:

"A shareholders' meeting of Kvika banki hf., held on 30 March 2021, approves the Board of Directors' motions for amendments to the company's Articles of Association in connection with the Company's merger with TM hf. and Lykill fjármögnun hf. The motion includes that the meeting agree to increase the company's share capital by ISK 2,509,934,076, from ISK 2,186,717,495 to ISK 4,696,651,571, the increase to be delivered to the current shareholders of TM hf. in exchange for their holdings in TM hf. and Lykill fjármögnun hf."

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

"The total share capital of the Company is ISK 4,696,651,571. There are no restrictions on shareholders' rights to dispose of their shares in the Company."

Report of the Board of Directors

TM's shareholders will only receive shares in Kvika banki hf. in exchange for their shares in TM. For shareholdings with a nominal value of ISK 771,892,669, the shareholders of TM hf. will receive shares in Kvika banki hf. of ISK 2,509,934,076 nominal value. Payment will be made by issuing new share capital. The above consideration was based on 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 banki hf.'s shares and existing contractual obligations that could lead to an increase in Kvika banki hf.'s share capital after 28 September 2020. An expert assessor from Ernst&Young engaged by Kvika banki hf. has confirmed that a merger, based on the premises set out in the merger schedule and supported by the grounds set out in the Statements of the Companies' Boards of Directors, is



entirely appropriate and complies with provisions of the Act on Public Limited Companies.

Board of Directors of Kvika banki hf.