MOTIONS OF THE BOARD OF DIRECTORS OF KVIKA BANKI HF. TO THE ANNUAL GENERAL MEETING ON 31 MARCH 2022

Meeting agenda

1) Report from the Board of Directors on the Company's activities during the past operating year.
2) The Company's annual financial statements for 2021 and a decision on the treatment of the Company's profit during the financial year.
3) Motion authorising the Company to purchase own shares.
4) Motion for a reduction in share capital by cancelling own shares and a corresponding amendment to the Articles of Association of the Company.
5) Motion on the Company's Remuneration Policy.
6) Motion to amend the Articles of Association of the Company.
7) The Board's proposal for a disposition from the Company's special reserve fund.
8) Election of the Company's directors and alternates.
9) Election of the Company's auditors.
10) Decision on remuneration to directors and members of the Board's subcommittees.
11) Other business.

A. The Company's annual financial statements for 2021 and a decision on the treatment of the Company's profit during the financial year (Agenda item 2)

The Board of Directors moves that the financial statements for 2021 be approved as presented. The Board of Directors moves that no dividends be paid to shareholders in 2022 and that the profit for the year 2021 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 the Company's dividend policy, its objective is to pay 25% of annual after-tax profit as a dividend to shareholders. However, in implementing this dividend policy equal consideration shall be given to traditional dividend payments, on the one hand, and repurchase of the Company's own shares through a buy-back programme, on the other. The implementation of the policy shall also take into account the equity position and assessment of the opportunities offered by reinvesting profits in the Company's operations and growth.

In the year 2021, the Company's merger with TM hf. and Lykill fjármögnun hf. was finalised. In addition, at the beginning of 2021, the Company purchased all shares in Netgíró hf., together with the acquisition of all shares in Aur app ehf. in March 2021. The Company also announced in February 2022 that its acquisition of Ortus Secured Finance Limited had been completed. In these circumstances, the Board considered it desirable to propose that no dividends be paid in 2022.

In addition to the above, the Company concluded implementation of a share buy-back programme in October 2021. In connection with the repurchase of own shares based on the above-mentioned buy-back programme, announced on 16 July 2021, the intention is to reduce the Company's share capital by an amount corresponding to that purchased on the basis of the buy-back programme, as described in detail under Agenda item 4.

The Company's equity position is very strong. The group capital adequacy ratio (CAR), excluding TM, was 33.8% at year-end and the regulatory minimum is currently 20.6%. Equity needs 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 anticipates a continuing 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, under the third item on the Agenda of this meeting, the Board of Directors moves that authorisation be granted to repurchase own shares. If the situation in 2022 offers scope for a reduction in equity, the Company's Board of Directors may decide to exercise such authorisation to repurchase own shares.

B. Motion authorising the Company to purchase own shares (Agenda item 3)

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 31 March 2022, 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 exercised for the purpose of: i) establishing a formal buy-back programme and/or ii) expanding or reinforcing 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 Supervisory Authority of the Central Bank of Iceland, in accordance with subparagraph a of the third paragraph 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 in 2023."*

Explanatory Notes: The Board of Directors requests a one-year authorisation to purchase own shares; such an authorisation was also approved at the last Annual General Meeting. The authorisation granted at the last Annual General Meeting was equivalent to 5% of the Company's share capital. The 2021 authorisation to purchase own shares was used for the purchase of 117,256,300 shares, corresponding to 2.41% of the Company's share capital. The authorisation now requested is equivalent to 10% of the Company's share capital and the maximum allowed by law, with the intention of maximising the Company's flexibility.

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 company 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 Supervisory Authority of the Central Bank of Iceland has given its approval before share buy-backs are undertaken, as provided for in the Act on Financial Undertakings, No. 161/2002. The implementation of the buy-back programme must comply with Chapter VIII of the Act on Public Limited Companies, No. 2/1995; the Act on Measures against Market Fraud, No. 60/2021; and Chapter II of the Annex to Regulation No. 630/2005, on Inside Information and Market Manipulation, as subsequently amended. In addition, the buy-back programme must be implemented as provided for in the Regulation of the European Parliament and of the Council no. 596/2014, on market abuse, as well as the Commission Delegated Regulation (EU) 2016/1052 on regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures, which supplements that Regulation. When deciding on and implementing a buy-back programme, the above-mentioned provisions will be complied with as currently applicable, and the implementation of such a programme shall ensure transparency in such transactions with own shares.

C. Motion for a reduction in share capital by cancelling own shares and a corresponding amendment to the Articles of Association (Agenda item 4)

The Board of Directors presents the following motion on reduction of share capital:

> *"The Annual General Meeting of Kvika banki hf., held on 31 March 2022, agrees to reduce the Company's share capital by ISK 117,256,300 nominal value, or the equivalent of 117,256,300 shares, from ISK 4,934,561,607 to ISK 4,817,305,307 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, and authorisation granted by the Financial Supervisory Authority of the Central Bank of Iceland, the above-mentioned provision in the Articles of Association will be as follows:

> *"The total share capital of the Company is ISK 4,817,305,307. There are no restrictions on shareholders' rights to dispose of their shares in the Company."*

Explanatory Notes: The bank currently owns 117,256,300 own shares purchased under a formal buy-back programme in 2021. The approval of the Financial Supervisory Authority of the Central Bank of Iceland will be sought for the reduction of share capital by cancelling 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 4,934,561,607 to ISK 4,817,305,307 nominal value.

D. Motion on the Company's Remuneration Policy (Agenda item 5)

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

Explanatory Notes: It is proposed that any ambiguity be removed that bonuses may consist in part or in full of shares or share-linked instruments, such as warrants or options on shares in the Company. The authorisation will apply in the future and also to unpaid bonuses for the year 2021. The purpose is to combine the interests of the Company with those of the employees who receive such bonuses. This is in line with the Company's value of long-term thinking. The motion takes into account the current bill to amend the Act on Financial Undertakings, No. 161/2002, provisions of Art. 94 of Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("CRD IV") and the European Banking Authority (EBA) Guidelines on gender neutral and sound remuneration policies of 2 July 2021 (EBA/GL/2021/04). The value of a bonus consisting of shares or share-linked instruments shall be based on the market price, or the fair value of unlisted instruments, when the bonus is granted, regardless of the deferral period. In order to remove any doubt it shall be stated that other provisions of the Remuneration Policy, together with those restrictions provided for by laws and rules on the payment of bonuses to employees of financial undertakings, shall apply *mutatis mutandis* to bonuses consisting of shares or share-linked instruments. Thus, as before, pre-defined performance targets must be met, based on both financial and non-financial criteria, for the payment of bonuses in any form to be authorised. Sustainability has also been added as one of the goals of the Remuneration Policy. The motion also proposes to increase the total base amount that may be paid as bonuses from ISK 150 million to ISK 200 million, provided that performance targets are met, as the Company is expanding and the number of employees increasing. In addition, changes are proposed to the wording of the policy in order to clarify that the total amount of bonus payments for the year 2022 applies to the members of the Kvika group operating in Iceland. Finally, changes are proposed to the wording of Art. 7 of the Remuneration Policy regarding the general stock option plan, which was approved by the Annual General Meeting last year, explaining that this plan, which complies with Art. 10 of the Income Tax Act, No. 90/2003, is part of employees' fixed terms of employment and thus not part of the bonus

scheme discussed in Art. 6 of the policy. Other proposed changes are minor modifications to wording and changes to wording that accord with the above proposed changes.

E. Motion to amend the Company's Articles of Association (Agenda item 6)

(i) Motion authorising the Board of Directors to conclude agreements on stock options and/or warrants with employees in accordance with the Remuneration Policy and bonus scheme

The Board of Directors proposes that a new article, Temporary Provision III, be included in the Company's Articles of Association, which will read as follows:

> *"The Company's Board of Directors is authorised to conclude agreements on stock options and/or warrants for up to 240,000,000 shares in the Company for the payment of bonuses to employees in accordance with the Company's Remuneration Policy and bonus scheme. The Board of Directors will decide on the purchase price and/or subscription price of shares and further terms and conditions of the warrants. The Board may purchase own shares, within statutory limits, and/or increase the Company's share capital by issuing new shares to meet obligations pursuant to stock option agreements or warrant agreements. Shareholders do not have pre-emptive rights to subscribe for the new shares. This authorisation shall be valid for five years."*

Explanatory Notes: This motion is closely linked to the proposal to amend the Company's Remuneration Policy (Agenda item 5). It serves two purposes in particular: firstly, to reinforce the Board's authorisation in the Company's Articles of Association to conclude agreements with employees for stock options and/or warrants to pay bonuses as provided for in the Company's Remuneration Policy and bonus scheme. Secondly, and no less important, to set clear limits for this authorisation. It will enable stock options to be issued for the next three years for at least three years at a time, which is also equivalent to the current deferral period requirements which apply to bonuses of financial undertakings.

According to the Remuneration Policy, authorisations to issue stock options and/or warrants must fall within the limits of the Remuneration Policy and the law concerning the payment of bonuses. By making payment with stock options and/or warrants, authorisations under the Remuneration Policy to make payment with cash bonuses are restricted.

(ii) Sub-committees

The Board of Directors moves that Art. 4.11 be worded as follows:

> *"The Board shall appoint a Risk Committee, an Audit Committee and a Remuneration Committee for the Company no later than one month after the Company's annual general meeting. The appointment of committee members shall always comply with currently applicable law. Members shall have the necessary experience and knowledge for each committee's tasks according to applicable laws and rules. Each committee shall incorporate procedural rules that shall confirmed by the Board of Directors."*

Explanatory Notes: This motion is proposed to facilitate the Company's response to changes which may occur to laws, regulations or general guidelines concerning corporate governance. The Company's current Articles of Association stipulate that at least two board members shall sit on subcommittees of the Board. However, different rules apply to various subcommittees of the Board of Directors and their composition, which may change, and it is therefore proposed that the Board of Directors be given scope to appoint its subcommittees in accordance with currently applicable laws, rules and guidelines.

F. The Board's motion for a disposition from the Company's special reserve fund (Agenda item 7)

The Board of Directors requests approval for a transfer of ISK 1,900,000,000 from the Deficit reduction reserve fund to the Company's retained earnings.

Explanatory Notes: The Company's Deficit reduction reserve fund now amounts to ISK 3,103,697,000, while the company's total share capital at year-end 2021 amounted to ISK 4,790,139,000 nominal value. Under the third paragraph of Art. 100 of the Public Limited Companies Act, No. 2/1995, the amount of the reserve fund in excess of one-fourth of the share capital may be freely disposed of if the conditions of Art. 53 of the Act are observed. The Board's motion proposes that the amount exceeding one-fourth of the Company's share capital, i.e. ISK 1,900,000,000, be made available for free disposal as retained earnings.

G. Motion on the election of the Company's auditors (Agenda item 9)

It is moved that the AGM elect Deloitte ehf. as the Company's auditor for the 2022 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.

H. Decision on remuneration to directors and members of the subcommittees of the Board (Agenda item 10)

It is moved that the remuneration to a director for the Company's next operating year be ISK 485,000 per month ("the monthly remuneration") and the remuneration of the Chairman of the Board double the monthly remuneration. It is proposed that the Deputy Chairman of the Board receive, in addition to the monthly director's remuneration, an additional 40% of the monthly remuneration. It is moved that directors be paid 25% of the monthly remuneration for each Board meeting in excess of 15 meetings until the next Annual General Meeting of the Company.

It is also moved that the remuneration to alternate directors be half of the monthly remuneration for each Board meeting attended, but never higher than the monthly remuneration in a single month. Each alternate shall receive a minimum payment for the year equivalent to the monthly remuneration. Finally, it is moved that members of subcommittees receive 45% of the monthly remuneration per month and the committee chairmen receive an addition 10% of the monthly remuneration per month.

Explanatory Notes: The proposal takes into account the remuneration of directors of comparable companies, the scope of, responsibility involved in and nature of the work, in addition to the opportunity cost borne by directors in carrying out their duties to the Company, e.g. as described in Art. 52 of Act No. 161/2002, on Financial Undertakings. The group's Board of Directors is not only responsible for the parent company's operations but also for group operations, in accordance with EBA recommendations. Remuneration to directors must take this into account.

The proposal is more limited than the general wage trend
Since the remuneration to directors was last decided, prices have risen by 5.7% and the wage index has risen by 7.3%.

It is therefore clear that the increase in the motion is not even in line with average wage increases in the general labour market.

	Remuneration to Kvika's directors updated from 2021
based on price level developments	480,935
based on the wage index	488,215
Board proposal	485,000

The proposal is in line with developments in comparable companies
According to proposals to the companies' Annual General Meetings, remuneration to directors of Arion Bank, Landsbankinn and Íslandsbanki ranges from ISK 473,000 to 525,000 per month; the Chairman's remuneration is ISK 824,000 to 1,050,000 per month; the Deputy Chairman's remuneration is ISK 588,000 to 787,500 per month; remuneration of committee members in subcommittees ranges from ISK 210,000 to 236,000; and that of chairmen of the subcommittees from ISK 289,000 to 315,000. The board of directors in these companies consists of seven board members but there are five members in Kvika's board. The remuneration to Kvika's directors according to this proposal will therefore be in line with the remuneration of directors of comparable companies.

	Arion Bank	Landsbankinn	Íslandsbanki	Kvika
Chairman of the Board of Directors	1,050,000	824,000	824,000	970,000
Deputy Chairman of the Board	787,500	588,000	588,000	679,000
Other directors	525,000	473,000	473,000	485,000
Chairmen of subcommittees	315,000	289,000	289,000	266,750
Other committee members	210,000	236,000	236,000	218,250
Number of Board meetings in 2021	12	19	20	24
Number of Risk Committee meetings	8	11	9	11
Number of Audit Committee meetings	5	8	6	14
Number of Remuneration Committee meetings	4	6	7	6

Payments should take into account the scope of the tasks
Should the work prove to be very extensive in scope and the number of board meetings until the Company's next Annual General Meeting exceed 15, directors will be paid for this specifically. The fixed monthly remuneration thus reflects the responsibility that the work entails, taking into account the nature of the work and the opportunity costs borne by directors in order to carry out their duties. Should there be more board meetings, 25% of the monthly remuneration will be paid for each meeting, reflecting the time spent preparing for a meeting as well as the meeting time. This is in accordance with the Company's 2021 Annual General Meeting's decision.

Payments should take into account the responsibility involved and its nature
In making comparisons with remuneration in other traded companies, it should be borne in mind that greater demands are generally made of directors of financial undertakings and insurance companies than those in other sectors. As previously stated, Kvika's Board of Directors is responsible for the entire group as the parent company of a financial conglomerate. Detailed requirements are set by law concerning the eligibility of the bank's Board of Directors, and limits placed on their other work while they hold directorships. All of Kvika's directors have undergone and passed a thorough eligibility assessment by the Financial Supervisory Authority of the Central Bank of Iceland and are also subject to the above restrictions.

Board of Directors of Kvika banki hf.