



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 bills in the new series KVB 20 0625 (hereafter also referred to as the “Bills” and the “Series of Bills”) 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, 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/bills>.

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 bills 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 bills, 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 bills, 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 bills 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 Bills. 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 Bills 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 Bills

Investment in bills involves risk. The value of the Bills may decrease as well as increase. Investors can lose the value of all or part of their investment in the Bills. Various issues can cause changes in the value of bills, 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 Bills

1.2.1. Market Risk

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

1.2.2. Liquidity Risk

The Bills have not previously been admitted to trading on a regulated market. Although the Bills will be admitted to trading on the Regulated Market of Nasdaq Iceland, the Issuer cannot guarantee that the Bills will be actively traded. No obligation rests on the Issuer to maintain an active market with the Bills and no market making with them has been envisaged. Therefore, liquidity risk may arise, i.e. the risk of not being able to sell the Bills 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 Bills.

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 Bills 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 Bills 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 Bills”	Act no. 93/1993 on Bills
“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 “Bills” and the “Series of Bills”	The new series of Kvika's bills KVB 20 0625, which is the series that the Issuer has requested to be admitted to trading on the Regulated Market of Nasdaq Iceland.
“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 bills in the new series KVB 20 0625 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

“Securities Note”

This securities note dated 20 January 2020, which concerns and is published in relation to Kvika's application to have its bills in the new series KVB 20 0625 admitted to trading on the Regulated Market of Nasdaq Iceland

3. Legal Environment

The Bills are issued in accordance with Act no. 93/1993 on Bills (hereafter referred to as the “Act on Bills”) and 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”). Act no. 108/2007 on Securities Transactions apply to transactions with the Bills. The Bills 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 Bills and the Issuer from the time when the Issuer has applied for admission of the Bills to trading on the Regulated Market of Nasdaq Iceland. Changes to the legislation related to the issuance may affect the value of the Bills.

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

4. Information on the Bills 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 Bills

The Bills were issued on 19 December 2019 when kr. 2,000,000,000, or 100 nominal units, were issued. The total issuance limit in the series is ISK 2,000,000,000, or 100 nominal units.

The reason for issuing the Bills is to fund the Bank’s ongoing regular operations. The Bills were sold at a simple rate of 3.85%. The sale value of the issuance is ISK 1,941,852,400 and the net sale value after costs is estimated at ISK 1,941,700,525. The Bank bears all costs associated with the admittance of the Bills 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 Bills 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 20 0625.
ISIN number	IS0000031698
Type of bill	Bills, offered and sold at a discount to their nominal amount and not bearing interest.
CFI number	DYZUXR
FISN number	KVIKA BANKI HF/ZERO CPN 20200625
Electronically registered	The Bills 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	One payment of principal on maturity date.
Country of issuing	Iceland.
Currency	ISK – Icelandic króna.
Nominal units	20,000,000.
Total limit	2,000,000,000.
Previously issued	0.
Already issued	2,000,000,000.
Date of issue	19.12.2019
Total number of due dates of the principal as a whole	1.
Maturity date of principal	25.06.2020
Payment of interests and interest rate	The Bills are sold at a discount to their nominal amount and do not bear interest.
Calculation rule for interest	Simple.
Day-count convention	ACT/360.
Indexed	No.
Callable	No.

Redeemable	No.
Limitation Periods	The limitation period for claims pursuant to the Bills 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.
Place of payment	The Issuer shall, through the intermediation of Nasdaq CSD Iceland, pay the nominal value of the Bills on the due date to the account operator where the registered owners of the Bills 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.
Transfer	In the event of a change of ownership, the Bills will only be transferred to named parties in accordance with the provisions of Act no. 131/1997 on Electronic Registration of Rights of Title to Securities. Otherwise there are no restrictions on the transfer of the Bills.
Default	Defaults shall be subject to Act no. 93/1933 on Bills. If there is a default on the payment of the Bills on their maturity date and they are not paid within three days, the holder shall be authorised to declare the debt due in a written notification to the Issuer. When the Issuer has received the notice of acceleration, the Bills shall be considered to be due and payable and the Issuer obliged to pay up in accordance with their terms.
Amendments of terms	The Issuer must notify Nasdaq CSD Iceland of any changes that may be made to the terms of the Series of Bills.
Benefits	No benefits are attached to the Bills.

Tax	The issuance is electronically registered with Nasdaq CSD Iceland. The custodian of the relevant Bills 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 Bills 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 Bills is a general claim and does not enjoy priority over other claims against Kvika at any given time.

4.3. Authorisation to issue the Bills

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

4.4. Laws governing the issuance of the Bills

The Bills are issued in accordance with the Act on Bills, the Act on Electronic Registration of Rights of Title to Securities and the Act on Securities Transaction.

4.5. 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 Bills to trading on its regulated market. If the Bills are admitted to trading, the first day of trading in the Bills 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 Bills, 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 Bills.

The Series of Bills 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 Bills, 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.

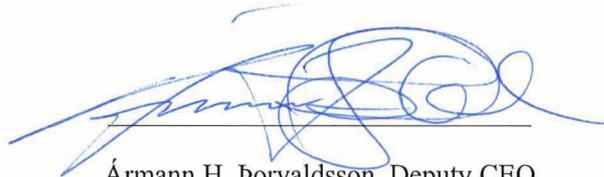
Reykjavík, 20 January 2020

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 Bills 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 Bills 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. Issue description

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

7. Update of registration document

A Registration document dated 10 May 2019 which was published and approved by the Financial Supervisory Authority forms a part of this prospectus dated 20 January 2020 and is updated with respect to this Securities Note as follows

7.1. General update to the Registration Document as a whole

The Registration Document, dated 10 May 2019, was composed in relation to Kvika's regular listing of its bills on the Regulated Market of Nasdaq Iceland. Due to the Bank's current issuance of bonds in addition to bills, all references in the Registration Document to Bills, the Bills or the series of Bills should now be read as Securities, the Securities or the series of Securities and be taken to mean either one or both of the two instruments. Exempt from the previous statement is any mention of bills in tables, for example in in chapters 1. *Risk Factors* and 7. *Operating and Financial Review*, and Financial Statements incorporated by reference.

7.2. Update of table of contents

The table of contents of the Registration Document is now as follows:

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7.3. Update of Notice to Investors

The first and second paragraphs of the Notice to Investors of the Registration document is now as follows:

This Registration Document dated 10 May 2019 (hereafter also referred to as the “Registration Document”), has been scrutinised and approved by the Financial Supervisory Authority, Iceland. The Registration Document 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 newly issued Securities (hereafter also referred to as the “Securities” and the “Series of Securities”) 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 Prospectus, 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. In that respect, reference is made to regulation no. 837/2013 regarding public offering of securities equivalent to EUR 5 million or more in Icelandic króna and admission to trading on a regulated market. Moreover, reference is made to 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. The Prospectus is in accordance with provisions of Annex XI and Annex XIII of supplement I to regulation No. 243/2006. The Registration Document is in accordance with provisions of Annex XI, setting out minimum disclosure requirements for registration document for banks. 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, a Securities Note dated 20 January 2020, this Registration Document dated 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: <https://www.kvika.is/en/investor-relations/prospectuses/>.

7.4. Update of chapter 1.2.4 Legal Risk

Chapter 1.2.4 *Legal Risk* is now as follows:

In assessing legal risk, the Issuer takes into consideration risk due to disputes of contracts that the Issuer is party to, risk due to ongoing and potential court disputes as well as risk due to administrative and/or private claims. Furthermore, the Issuer continuously assesses the risk of possible fines or other punitive decisions by regulatory bodies. The Issuer also monitors compliance with applicable laws and regulations, as well as monitoring court rulings that may have a precedent for the Issuer's activities as well as legislative changes.

7.5. Update of chapter 1.3.1 Credit Risk

Chapter 1.3.1 *Credit Risk* is now as follows:

One of the Issuer's primary sources of risk is counterparty credit risk which can significantly affect the financial stability of the Bank. Credit risk is defined as the risk that the Issuer will incur losses due to a counterparty defaulting on debt, or debt equivalent instruments, issued to the Bank. Credit risk includes loans to customers, guarantees, loan commitments and derivative transactions. Additional assets such as deposits in bank accounts and accounts receivable qualify, among others, as credit risk. However, the largest part of the Bank's credit risk involves lending to individuals and legal entities.

The Issuer maintains a loan portfolio with emphasis on the general quality of lending rather than quantity. Emphasis is placed on a robust and efficient lending process that contributes to the quality of the loan portfolio regarding customer risk categorisation and pledged collateral quality classification. Emphasis is placed on providing first-class specialised banking services utilising a flexible infrastructure.

The maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments subject to the impairment requirements of IFRS 9, before taking into account any collateral held or other credit enhancements, is specified as follows:

30.9.2019	Public entities	Financial institutions	Corporate customers	Individuals	30.9.2019
On-balance sheet exposure					
Cash and balances with Central Bank...	23,658,728	4,673,898			28,332,626
Fixed income securities	1,970,690	2,579,109	879,165		5,428,964
Loans to customers		10,436,389	15,883,571	4,334,178	30,654,137
Derivatives		890,366	953,150	52,512	1,896,029
Other assets	106,991	262,592	8,888,327		9,257,910
	25,736,410	18,842,354	26,604,213	4,386,690	75,569,667
Off-balance sheet exposure					
Loan commitments		2,080,815	1,526,894	1,678,219	5,285,928
Financial guarantee contracts		163,182	704,679		867,861
Maximum exposure to credit risk	25,736,410	21,086,352	28,835,786	6,064,909	81,723,457

Table 1: Credit Risk

All amounts in ISK '000

The breakdown of the loan portfolio to customers by industries can be seen in the following table:

30.9.2019	Claim value	Expected credit loss	Carrying amount	%
Financial institutions	119	(1)	118	0.0%
Corporate				
Services	10,871,095	(96,806)	10,774,289	35.1%
Holding companies	6,685,701	(16,961)	6,668,740	21.8%
Real estate, construction and industry	5,552,316	(41,574)	5,510,742	18.0%
Retail	1,145,031	(16,414)	1,128,617	3.7%
Other	2,291,441	(53,987)	2,237,454	7.3%
Individual	4,355,613	(21,436)	4,334,178	14.1%
Total	30,901,316	(247,178)	30,654,137	100.0%

Table 2: Credit risk

All amounts in ISK '000

Credit quality of financial assets broken down by credit quality bands, where band I denotes the lowest and IV the highest credit risk, and IFRS 9 stages is specified as follows:

30.9.2019

<i>Loans to customers:</i>	Stage 1	Stage 2	Stage 3	FVTPL	Total
Credit quality band I	16,903,689	226,344	18,902	729,062	17,877,998
Credit quality band II.....	4,167,810	21,096		735,856	4,924,762
Credit quality band III.....	729,236	1,549,235		703,221	2,981,692
Credit quality band IV.....	545,835	480,784			1,026,619
In default		55,607	105,806		161,413
Non-rated	3,926,068	2,763			3,928,832
Gross carrying amount	26,272,638	2,335,830	124,708	2,168,139	30,901,316
Expected credit loss	(172,363)	(41,754)	(33,061)		(247,178)
Book value	26,100,275	2,294,076	91,647	2,168,139	30,654,137

Table 3: Credit Risk

All amounts in ISK '000

The extent of past due loans is as follows:

30.9.2019	Claim value	Expected credit loss	Carrying amount
Not past due	30,163,479	(239,513)	29,923,966
Past due 1-30 days	654,727	(5,767)	648,960
Past due 31-60 days	48,589	(54)	48,535
Past due 61-90 days	23,598	(824)	22,775
Past due 91-180 days	10,922	(1,021)	9,901
Past due 181-360 days			0
Past due more than 360 days			0
Total	30,901,316	(247,178)	30,654,137

Table 4: Credit Risk

All amounts in ISK '000

The loan portfolio is unique with respect to composition and duration. As at 30 September 2019, the weighted average duration of the loan portfolio was relatively short or approximately one year. Further analysis of the cash flow of loans is shown below in table 8: *Liquidity Risk* in this document.

The Group applies the same valuation methods to collateral held as other comparable assets held by the Group. For other types of assets, the Group uses third party valuation where possible. Haircuts are applied to account for liquidity and other factors which may affect the collateral value of the asset or other credit enhancement.

A breakdown of adjusted collateral held by the Bank at 30.9.2019 can be seen in table 5 below. Amounts have been adjusted to exclude collateral in excess of claim value, i.e. over collateralisation. Other collateral includes financial claims, inventories, receivables and letters of credit and guarantees.

Loans to customers	Deposits	Fixed income securities	Variable income securities	Real estate	Other fixed assets	Other	30.9.2019
Financial institutions	41,107	83,289		649,949			774,345
Corporate customers	649,463	839,631	8,205,443	10,887,369	125,362	112,634	20,819,901
Individuals.....	5,596	3,924	538,717	735,659			1,283,896
Total	696,167	926,844	8,744,160	12,272,977	125,362	112,634	22,878,142

Table 5: Credit Risk

All amounts in ISK '000

The loan-to-value ratio (hereafter referred to as "LTV") is the ratio of the gross amount of the loan to the value of the collateral, if any. The general creditworthiness of a customer is viewed as the most reliable indicator of the credit quality of a loan. Valuation of collateral held against

loans is updated as deemed necessary based on price volatility and liquidity. The breakdown of loans to customers by LTV is specified as follows:

30.9.2019	Amount	%
Less than 50%.....	13,590,933	44.3%
51-70%.....	4,019,184	13.1%
71-90%	2,687,247	8.8%
91-100%	510,883	1.7%
More than 100%	4,836,259	15.8%
<i>No collateral</i>		
Purchased short-term retail claims.....	2,817,079	9.2%
Other loans with no collateral	2,192,553	7.2%
Total	30,654,137	100.0%

Table 6: Credit Risk

All amounts in ISK '000

In accordance with the Financial Supervisory Authority's regulation no. 233/2017 on prudential requirements for financial undertakings, total exposure towards a customer can be classified as a large exposure if it exceeds 10% of the Bank's capital base. According to the regulation a single exposure, net of risk adjusted mitigation, cannot exceed 25% of the capital base. Single large exposures net of risk adjusted mitigation take into account the effects of collateral held by the Bank, and other credit enhancements, in accordance with the Financial Supervisory Authority's regulation, no. 625/2013.

The extent of large exposures of the Issuer at 30.9.2019 are as follows:

Large exposures before risk adjusted mitigation	Number	Amount
10-20% of capital base	6	9,089,519
20-25% of capital base	0	0
Exceeding 25% of capital base	1	3,449,493
Total	7	12,539,012
Thereof nostro accounts with foreign banks with S&P rating of A- or higher....	1	1,599,327
Thereof foreign governments and central banks exposures.....	1	3,449,493
Large exposures net of risk adjusted mitigation.....	2	3,374,288

Table 7: Credit Risk

Amounts in ISK '000

The extent of single large exposures net of risk adjusted mitigation is in accordance with the Financial Supervisory Authority's regulation no. 625/2013.

The Issuer's lending rules as defined by the Bank's Board of Directors and the related lending policy is intended to organise and ensure an overview of the lending operations of the Bank. The policy is a guideline for the Credit Committee, and the committee may deviate from the provisions of the policy as deemed appropriate. Any deviations from the lending policy shall be approved by the Credit Committee, and the reasons for the deviation shall be recorded in the relevant meeting minutes of the Credit Committee. Employees with lending authorisation are authorised to approve lending within their respective authorisation and within the limits of the lending policy. If a loan request falls outside of the lending policy, the loan request must be submitted to the Credit Committee regardless of the loan amount. The vast majority of loan requests are subject to Credit Committee approval. The lending policy does set certain criteria with respect to the purpose, loan to value ratios and quality of the collateral, form of contracts, maturity and payment schedules for different loan types.

7.6. Update of chapter 1.3.2 Liquidity Risk

Paragraphs 1 through 5 and table 8 in chapter 1.3.2 *Liquidity Risk* are now as follows:

Liquidity risk is the risk that the Issuer will encounter difficulty in meeting contractual payment obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. This risk mainly arises from mismatches in the timing of maturing cash flows from assets and liabilities.

Liquidity management is carried out by Treasury and monitored by Risk Management. The liquidity position is reported to the Asset and Liability Committee.

The Issuer continuously maintains liquidity and funding ratios in accordance with the Central Bank of Iceland's rules of credit institutions' liquidity ratios no. 266/2017. The rules include requirements for the coverage ratio between cash flows of assets and liabilities (hereafter referred to as "LCR") as well as the required stable funding in foreign currencies (hereafter referred to as "NSFR").

The minimum 30-day LCR regulatory requirement is 100%. The minimum regulatory requirement for foreign currencies NSFR is 100%. The Group was in compliance with internal and external liquidity requirements throughout the years 2019 and 2018. At end of September 2019 the LCR was 260% and at year end 2018 it was 277%.

Maturity analysis of financial assets and financial liabilities is based on contractual cash flows or, in the case of held for trading securities, expected cash flows. If an amount receivable or payable is not fixed, e.g. for inflation indexed assets and liabilities, the maturity analysis uses estimates based on current conditions.

30.9.2019

Financial assets by type	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Gross inflow/ (outflow)	Carrying amount
<i>Non-derivative assets</i>							
Cash and balances with Central Bank	26,063,849	2,226,420				28,290,269	28,332,626
Fixed income securities	5,246,155	93,154	89,655			5,428,964	5,428,964
Shares and other variable income securities	1,547,183		2,032,079			3,579,262	3,579,262
Securities used for hedging	27,117,592					27,117,592	27,117,592
Loans to customers	4,984,506	4,353,513	13,695,856	7,905,232	412,595	31,351,702	30,654,137
Other assets	6,252,225	464,789	577,829	1,963,066		9,257,910	9,257,910
	71,211,511	7,137,876	16,395,419	9,868,299	412,595	105,025,699	104,370,492
<i>Derivative assets</i>							
Inflow	14,595,806	192,299	170,952	29,746		14,988,803	
Outflow	(13,096,124)	(180,804)	(2,929)	(1,295)		(13,281,152)	
	1,499,682	11,496	168,022	28,451	0	1,707,651	1,896,029
Financial liabilities by type							
	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Gross inflow/ (outflow)	Carrying amount
<i>Non-derivative liabilities</i>							
Deposits from customers	(44,718,501)	(9,977,842)	(1,937,993)	(2,095,114)	(167,772)	(58,897,222)	58,632,152
Borrowings	(3,775,474)	(7,038,881)	(9,406,597)	(261,378)		(20,482,329)	20,252,603
Issued bills		(2,000,000)	(2,000,000)			(4,000,000)	3,939,850
Issued bonds		(16,356)	(633,278)	(2,501,577)		(3,151,211)	2,733,510
Subordinated liabilities			(122,818)	(368,409)	(2,362,810)	(2,854,036)	1,957,455
Short positions held for trading	(934,325)					(934,325)	934,325
Short positions used for hedging	(119,312)					(119,312)	119,312
Other liabilities	(5,192,724)	(912,207)	(852,917)	(643,705)		(7,601,552)	7,601,552
	(54,740,335)	(19,945,285)	(14,953,603)	(5,870,181)	(2,530,581)	(98,039,986)	96,170,759

<i>Derivative liabilities</i>							
Inflow	16,084,069	442,625				16,526,694	
Outflow	(17,027,972)	(456,920)				(17,484,892)	
	(943,903)	(14,295)	0	0	0	(958,198)	1,125,911
Unrecognised financial items							
<i>Loan commitments</i>							
Inflow	1,428,856	495,487	2,615,886	864,206		5,404,435	
Outflow	(5,285,928)					(5,285,928)	
<i>Financial guarantee contracts</i>							
Inflow	96,957	18,165	295,700	423,200	33,840	867,861	
Outflow	(867,861)					(867,861)	
	(4,627,976)	513,652	2,911,586	1,287,405	33,840	118,507	
Summary							
Non-derivative assets	71,211,511	7,137,876	16,395,419	9,868,299	412,595	105,025,699	
Derivative assets	1,499,682	11,496	168,022	28,451		1,707,651	
Non-derivative liabilities	(54,740,335)	(19,945,285)	(14,953,603)	(5,870,181)	(2,530,581)	(98,039,986)	
Derivative liabilities	(943,903)	(14,295)				(958,198)	
Net assets (liabilities) excl. unrecognised items.....							
Net unrecognised items.....	17,026,955	(12,810,209)	1,609,838	4,026,568	(2,117,986)	7,735,166	
Net assets (liabilities).....	(4,627,976)	513,652	2,911,586	1,287,405	33,840	118,507	

Table 8: Liquidity Risk

All amounts in ISK '000

7.7. Update of chapter 1.3.3 Market Risk

Tables 9 and 10 in chapter 1.3.3 *Market Risk* are now as follows:

Fixed income securities

Mandatorily measured at fair value through profit or loss	30.9.2019
Listed government bonds and bonds with government guarantees.....	1,380,887
Listed bonds	3,549,180
Unlisted bonds.....	498,897
Total	5,428,964

Table 9: Market Risk

All amounts in ISK '000

Shares and other variable income securities

Mandatorily measured at fair value through profit or loss	30.9.2019
Listed shares	993,212
Unlisted shares	1,935,040
Unlisted unit shares	651,010
Total	3,579,262

Table 10: Market Risk

All amounts in ISK '000

7.8. Update of chapter 1.3.4 Interest Rate Risk

Tables 11 through 14 in chapter 1.3.4 *Interest Rate Risk* are now as follows:

30.9.2019	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	30.9.2019
Fixed income securities.....			660,098	1,702,944	3,065,923	5,428,964
Short positions - fixed income securities.....		(81,561)		(368,303)	(484,461)	(934,325)
Net imbalance	0	(81,561)	660,098	1,334,641	2,581,462	4,494,639

Table 11: Interest Rate Risk

All amounts in ISK '000

30.9.2019	Shift in basis points	Downward	Upward
Indexed	50	111,073	(111,073)
Non-indexed	100	85,867	(85,867)
Total		196,940	(196,940)

Table 12: Interest Rate Risk

All amounts in ISK '000

Financial assets 30.9.2019	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with Central Bank	24,883,134	3,449,493				28,332,626
Loans to customers.....	25,615,785	845,205	3,096,693	726,918	369,537	30,654,137
Financial assets excluding derivatives	50,498,919	4,294,697	3,096,693	726,918	369,537	58,986,764
Effect of derivatives.....	30,360,619	229,624	2,500,000	600,000		33,690,243
Total	80,859,538	4,524,321	5,596,693	1,326,918	369,537	92,677,007
Financial liabilities	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Deposits from customers	58,632,152					58,632,152
Borrowings	3,772,672	6,958,931	9,271,000	250,000		20,252,603
Issued bills		1,979,300	1,960,550			3,939,850
Issued bonds	305,094		549,040	1,879,376		2,733,510
Subordinated liabilities					1,957,455	1,957,455
Financial liabilities excluding derivatives	62,709,918	8,938,231	11,780,590	2,129,376	1,957,455	87,515,570
Effect of derivatives	502,770	2,601,454				3,104,224
Total	63,212,688	11,539,685	11,780,590	2,129,376	1,957,455	90,619,794
Total interest repricing gap	17,646,850	(7,015,364)	(6,183,897)	(802,458)	(1,587,918)	2,057,213

Table 13: Interest Rate Risk

All amounts in ISK '000

Currency - 30.9.2019	Shift in basis points	Downward	Upward
ISK, indexed	50	21,890	(21,070)
ISK, non-indexed	100	(50,409)	47,431
Other currencies.....	20	(1,360)	290
Total		(29,878)	26,651

Table 14: Interest Rate Risk

All amounts in ISK '000

7.9. Update of chapter 1.3.5 Currency Risk

Paragraph 4 and tables 15 and 16 in chapter 1.3.5 *Currency Risk* are now as follows:

The Issuer's total open currency position at 30 September 2019 is as follows:

Net currency position	EUR	USD	GBP	CAD	Other currencies	Total
Financial assets.....	7,308,554	5,595,490	2,643,707	348,947	655,616	16,552,314
Financial liabilities.....	(6,336,174)	(5,486,424)	(2,401,547)	(324,627)	(664,937)	(15,213,709)
Financial guarantee contracts.....	6,483					6,483
Total	978,863	109,065	242,161	24,320	(9,321)	1,345,088

Table 15: Currency Risk

All amounts in ISK '000

Assets and liabilities denominated in foreign currencies	30.9.2019	
	-10%	+10%
EUR	97,886	(97,886)
USD	10,907	(10,907)
GBP	24,216	(24,216)
CAD	2,432	(2,432)
NOK	(784)	784
Other currencies	(148)	148
Total	134,509	(134,509)

Table 16: Currency Risk

All amounts in ISK '000

7.10. Update of chapter 1.3.6 CPI/Inflation Risk

Paragraph 3 and tables 17 and 18 in chapter 1.36 *CPI/Inflation Risk* are now as follows:

The Bank's net balance of CPI linked assets and liabilities at 30.9.2019 was as follows:

30.9.2019	Amount
Assets	9,759,136
Liabilities.....	(8,048,209)
Total	1,710,927

Table 17: CPI/Inflation Risk

All amounts in ISK '000

30.9.2019	Change in amount	
	-1%	1%
Government bonds	(5,071)	5,071
Other fixed income securities	(24,053)	24,053
Loans to customers	(37,467)	37,467
Derivatives	(31,000)	31,000
Short positions	9,885	(9,885)
Deposits	52,597	(52,597)
Subordinated debt	18,000	(18,000)
Total	(17,109)	17,109

Table 18: CPI/Inflation Risk

All amounts in ISK '000

7.11. Update of chapter 1.3.9 Risk relating to impairment of Goodwill

Chapter 1.3.9 Risk relating to impairment of Goodwill is now as follows:

In 2017 the Bank acquired Virðing hf. (hereafter referred to as “Virðing”) and ALDA Asset Management hf. (hereafter referred to as “Alda”) which resulted in recognition of goodwill amounting to ISK 2,245 million. Assets with indefinite useful life, such as goodwill, are not amortised but are subject to annual impairment testing. Goodwill is allocated to cash generating units (hereafter referred to “CGUs”) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combinations in which the goodwill arose. The goodwill was allocated to the Asset Management business segment as the acquisitions in 2017 were made to strengthen those operations of the Group. Additional goodwill was recognised due to the acquisition of GAMMA Capital Management, which became a part of the Group in March 2019, when goodwill amounting to ISK 699 million was recognised.

A goodwill impairment test is performed annually and as needed at each reporting date if the Issuer believes that there is any indication that impairment is necessary. A goodwill impairment test was not performed at the end of September 2019. Consequently, the book value of goodwill at 30.9.2019 remains intact at ISK 2,944 million.

Impairment losses are recognised in profit or loss and an impairment loss in respect of goodwill is not reversed. Therefore, the risk relating to goodwill is that the Bank will realise impairment losses due to goodwill, affecting the financial results of the Bank.

7.12. Update of chapter 2 Definitions

The definitions of “Bills and/or Series of Bills”, “Articles of Association”, “Prospectus” and “Registration Document” in *chapter 2. Definitions* are now as follows:

The “Bills” and the “Series of Bills” The new series of Kvika's bills KVB 20 0625, which is the series that the Issuer has requested to be admitted to trading on the Regulated Market of Nasdaq Iceland.

Is now replaced by:

The “Securities” and the “Series of Securities” The new series of Kvika's bills or bonds, as specified in the Securities Note dated 20 January 2020, which is the series that the Issuer has requested to be admitted to trading on the Regulated Market of Nasdaq Iceland.

“Articles of Association” The current Articles of Association of Kvika, dated 18 December 2019

“Prospectus” The prospectus dated 20 January 2020, consisting of a securities note, dated 20 January 2020 and this Registration Document, dated 10 May 2019

“Registration Document” This registration document dated 10 May 2019

7.13. Update of chapter 3 Persons Responsible

Statements in chapters 3.1 Company Statement and 3.2 Statutory Auditors Statement have been updated and are now as follows:

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 Registration Document is, in accordance with the facts and contains no omission likely to affect its import.

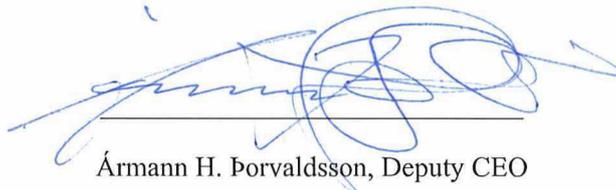
Reykjavík, 20 January 2020

For and on behalf of Kvika



Marinó Örn Tryggvason, CEO of Kvika

For and on behalf of Kvika



Ármann H. Þorvaldsson, Deputy CEO

Deloitte ehf., registration number 521098-2449, Smáratorgi 3, 201 Kópavogi, Iceland, has audited the consolidated financial statements of Kvika for the years ended 31 December 2018, 2017 and 2016 and reviewed the consolidated financial statement of Kvika for the period ended 30 June 2019.

Deloitte ehf. hereby confirms that the consolidated financial statements of Kvika for the years ended 31 December 2018, 2017 and 2016 give a true and fair view of the financial position of Kvika and of its financial performance and its cash flows for the periods then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and additional requirements in the Act on Annual Accounts.

Deloitte ehf also confirms that nothing has come to our attention that causes us to believe that the interim consolidated financial information does not give a true and fair view of the financial position of the bank as at 30 June 2019, and its financial performance and its cash flows for the six-months period then ended in accordance with International Financial Reporting IAS 34, as adopted by the European Union, and additional requirements in the Act on Annual Accounts

Deloitte ehf. confirms that the information reproduced in this Prospectus from the abovementioned consolidated financial statements for Kvika is consistent with their respective originals.

Reykjavík, 20 January 2020

On behalf of Deloitte ehf.



Pálína Árnadóttir

State Authorised Public Accountant and member of
the Institute of State Authorised Public Accountants in Iceland

On behalf of Deloitte ehf.



Guðmundur Ingólfsson

State Authorised Public Accountant and member of
the Institute of State Authorised Public Accountants in Iceland

7.14. Update of chapter 3.3 Potential Conflicts of Interest

Paragraphs 4 chapter 3.3 *Potential Conflicts of Interest* is now as follows:

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 below. Paragraph 5 is removed.

7.15. Update of chapter 5.2 The Issuer's Purpose

Chapter 5.2 *The Issuer's Purpose* is now as follows:

According to Article 1.4. of the current Articles of Association of Kvika, dated 18 December 2019 (hereafter referred to as the “Articles of Association”), the purpose of the Company is to provide financial services. The Company is authorised to engage in those operations which financial undertakings are permitted to carry out in accordance with the law and the Company's operating license as well as normal operations in relation thereto. The Company is authorised to achieve its objectives through establishment and operation of subsidiaries as well as other participation and ownership of companies, compatible to its operations.

7.16. Update of chapter 5.3 Legal Environment

Paragraph 2 in chapter 5.3 *Legal Environment* is now as follows:

The Bank's subsidiaries, as at 30.9.2019, Júpiter and GAMMA Capital Management hf. (hereafter referred to as “GAMMA”), are licensed under the Act on Financial Undertakings and Act, no. 128/2011 on Undertakings for Collective Investment in Transferable Securities (hereafter referred to as “UCITS”), Investment Funds and Professional Investment Funds (hereafter referred to as the “Act on UCITS, Investment Funds and Professional Investment Funds”) to operate as UCITS management companies.

7.17. Update of chapter 5.4 History and Development

Paragraph 4 in chapter 5.4 *History and Development* is now as follows:

In October 2017, Kvika acquired all shares in Alda, a fund management company with ISK 44 billion of assets under management. At the end of May 2018, Alda and Júpiter merged under the name and registration number of the latter. In March 2019 the Group acquired all shares in GAMMA, a fund management company with ISK 135 billion of assets under management at year-end 2018. GAMMA is held as a subsidiary.

Paragraph 5, “On 19 November 2018..” is removed

7.18. Update of chapter 6.2 General Overview

The first bullet point in paragraph 2 in chapter 6.2 *General Overview* is now as follows:

- Banking finances enterprises and the investments of the Bank's customers. Banking also makes use of the Bank's expertise and network to broker loans to other institutional investors.

Paragraph 3 in chapter 6.2 *General Overview* is now as follows:

The Bank employs a tight-knit team of experts who achieve success on the basis of their diverse educational backgrounds, in-depth knowledge, extensive experience, and dedication to meeting customers' needs. Kvika's CEO is Marinó Örn Tryggvason and the chairman of the Board is Kristín Pétursdóttir.

7.19. Update of chapter 6.3 Business Structure

Chapter 6.3 *Business Structure* is now as follows:

The Issuer's organisational chart can be seen below in Figure 1. The Group defines five reportable segments, based on the same principles and structure as internal reporting to the Executive Management and the Board of Directors. On 30.9.2019, the Group employed 122 full-time employees.

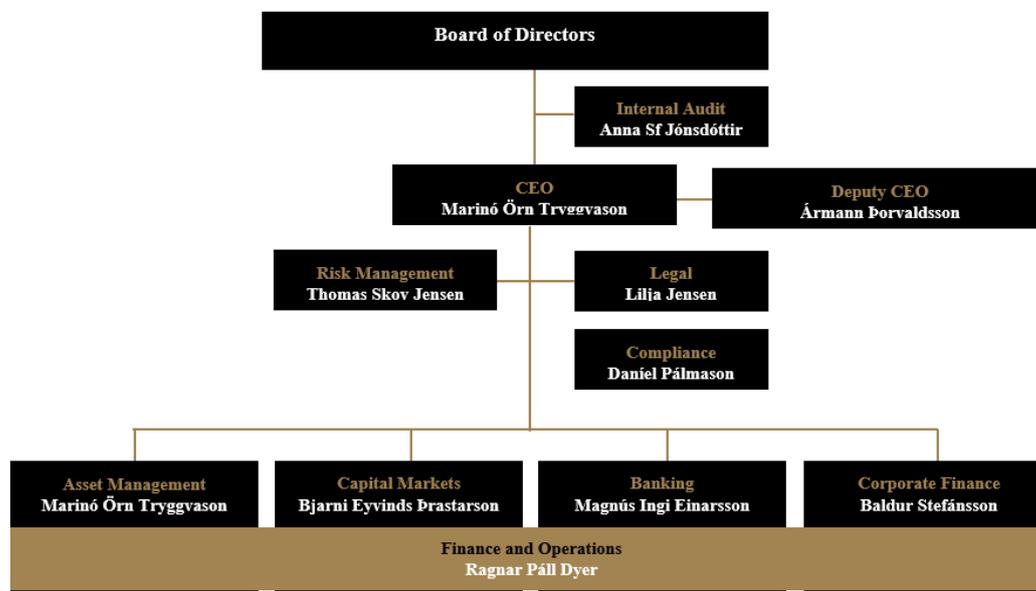


Figure 1: The Group's organisational chart

On 2 September 2019 the Bank announced a decision to merge all asset and fund management activities of the Group. Fund management subsidiary GAMMA Capital Management hf. will merge with Júpíter Capital Management hf. in addition to which all the asset and fund management activities within Kvika will be transferred over to the merged company. The merged company will comprise 45 employees and total assets under management will amount to ISK 440 billion. These changes are subject to the approval of the relevant supervisory authorities.

Hannes Frímánn Hrólfsson, who has been the managing director of Kvika's asset management division, will become the managing director of the merged company and immediately step in as the managing director of Júpíter. He has stepped down from his role as managing director of asset management and Marinó Örn Tryggvason has stepped in as an interim managing director until the completion of the merger.

The main subsidiaries held directly or indirectly by the Group are listed in the table below

Entity	Nature of operations	Domicile	Share 30.9.2019
FÍ Fasteignafélag GP ehf.	Real estate fund management	Iceland	100%
GAMMA Capital Management hf.	Fund management	Iceland	100%
Júpíter rekstrarfélag hf.	Fund management	Iceland	100%
M-Investments ehf.	Holding company	Iceland	100%
Netgíró reikningar ehf.	Holding company	Iceland	100%
Netgíró lán ehf.	Holding company	Iceland	100%
Netgíró lán II ehf.	Holding company	Iceland	100%
Rafklettur ehf.	Holding company	Iceland	100%
AC GP 3 ehf.	Fund management	Iceland	80%
Kvika Securities Ltd.	Business consultancy services	UK	100%

Table 19: Main Group Subsidiaries

Júpíter is a UCITS management company, licensed under the Act on Financial Undertakings and the Act on UCITS, Investment Funds and Professional Investment Funds. On 31 May 2018, the Financial Supervisory Authority approved the merger of Júpíter and Alda. The merger took effect as of the end of day on 31 May 2018 and the company has operated under the name and registration number of Júpíter since that time. GAMMA similarly is a UCITS management company, licensed under the Act on UCITS Investment Funds and Professional Investment Funds and the Act on Financial Undertakings.

Kvika Securities Ltd. is a UK subsidiary, which the Bank acquired through the acquisition of Virðing in 2017. Kvika Securities is regulated in the United Kingdom by the Financial Conduct Authority and is authorised to manage alternative investment funds and provide corporate finance services.

Júpíter operates funds with a main emphasis on listed securities as well as unlisted debt instruments while GAMMA operates funds that are mainly focused on real estate and alternative investments. At 30.9.2019 Júpíter operated 33 funds and GAMMA 41 funds.

7.20. Update of chapter 6.3.1 Asset Management

Paragraph 2 of chapter 6.3.1 *Asset Management* is now as follows:

The division services its customers in both domestic and foreign securities markets and operates both alternative investments and private equity funds. Asset Management can be divided into three main areas of operations:

- i) Private Banking
- ii) Asset management for Institutional Investors
- iii) Private Equity

Paragraph 5 of chapter 6.3.1 *Asset Management*, Alternative Investments, has been removed

Paragraph 8 of chapter 6.3.1 *Asset Management*, FTE's, has been removed

7.21. Update of chapter 6.3.3 Corporate Banking

As announced on 8 July 2019, the name of the Corporate Banking division has been changed to Banking division. All mention of Corporate Banking in the chapter is therefore replaced with Banking.

7.22. Update of chapter 7.1 Financial Position at year-end 2018

The last paragraph of Chapter 7.1 Financial Position at year-end 2018 is now as follows:

On 18 December 2018, the Bank published an announcement, which includes information on the Bank's operating budget for the year 2019 and the proposed listing of the Bank on the Regulated Market of Nasdaq Iceland. The announcement may be accessed on the website www.oam.is, under the following link: https://csf.omxgroup.com/cns-web/oam/viewOamDisclosure.action;jsessionId=YZkuHTGyuSTyr1PALsAZ8KSg23tCDMrC5u_VCk-N.csf.1003?disclosureId=367084.

On 27 May 2019 the Bank published an announcement raising its earnings forecast for the year 2019. The announcement may be accessed under the following link: <http://globenewswire.com/news-release/2019/05/27/1850379/0/en/Kvika-banki-hf-Earnings-release-for-Q1-2019.html>

Further, on 30 October 2019 the Bank published an announcement changing its earnings forecast for the year 2019. The announcement may be accessed under the following link: <http://www.globenewswire.com/news-release/2019/10/30/1938215/0/en/Kvika-banki-hf-Updated-earnings-estimate-for-the-year.html>

None of the announcements form a part of this Registration Document.

7.23. Update of chapter 7.2.2 GAMMA Capital Management

Chapter 7.2.2 GAMMA Capital Management is now as follows:

On 19 November 2018, the Bank and the shareholders of GAMMA signed a sales and purchase agreement regarding the Bank's acquisition of all the share capital in GAMMA. The transaction was subject to approval from regulatory authorities and approval from Kvika's shareholders. In early March 2019 the final conditions were fulfilled and is GAMMA and its subsidiaries a part of the Group and the Consolidated Financial Statements from 1 March 2019. For further details on the acquisition of GAMMA, see note 5 in the Condensed Interim Consolidated Financial Statements of the Group for the period 1 January to 30 September 2019 which has been incorporated in the Prospectus by reference and may be accessed on the Exchange's website, under the following link:

<https://ml-eu.globenewswire.com/Resource/Download/9311be48-4f2a-4a09-9b17-4519817beb49>

As the acquisition took place in March, the operating figures for the period are mostly composed of figures related to the Group before the acquisition of GAMMA. If the acquisition had occurred on 1 January 2019, it is estimated that the consolidated revenue would have been ISK 5,708 million and the consolidated profit for the year would have been ISK 1,828 million.

7.24. Addition of chapter 7.8 Financial Statements for the period 1 January to 30 September 2019

The Condensed Interim Consolidated Financial Statements of the Group for the period 1 January to 30 September 2019 have been prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting as adopted by the European Union, and additional requirements in the Icelandic Financial Statement Act. The Condensed Interim Consolidated Financial Statements comprise Kvika and its subsidiaries (together the "Group"). The Condensed Interim Consolidated Financial Statements have not been audited or reviewed by the Bank's independent auditors. The Condensed Interim Consolidated Financial Statement for the period ended 30 September 2019 has been incorporated in the Prospectus by reference and may be accessed on the Exchange's website under the following link:

<https://ml-eu.globenewswire.com/Resource/Download/9311be48-4f2a-4a09-9b17-4519817beb49>

The accounting policies applied in the Condensed Interim Consolidated Financial Statements are consistent with those applied in the Consolidated Financial Statements as at and for the year ended 31 December 2018, except for IFRS 16 Leases, which became effective on 1 January 2019.

In November 2018 Kvika acquired all issued shares of GAMMA Capital Management hf. ("GAMMA"), a licenced fund management company focusing on asset- and fund management with ISK 135 billion of assets under management and 22 employees. The completion of the acquisition was subject to approval from competition authorities which granted their approval 6 March 2019. Consequently the acquisition was finalised and the operations of GAMMA are included in the Group's Financial Statements from 1 March 2019. At the end of September 2019 Kvika had ISK 417 billion of assets under management, compared to ISK 291 billion at year end 2018.

According to the Condensed Interim Consolidated Statement of Financial Position, equity at the end of the period amounted to ISK 14,849 million (31.12.2018: ISK 12,970 million) and total assets amounted to ISK 112,550 million (31.12.2018: ISK 88,274 million).

The Group's net operating income during the period was ISK 5,615 million (1-3Q 2018: ISK 4,311 million). Net interest income amounted to ISK 1,326 million (1-3Q 2018: ISK 1,234 million). Net fee income amounted to ISK 3,600 million (1-3Q 2018: ISK 2,774 million). Other operating income amounted to ISK 689 million (1-3Q 2018: ISK 303 million). Administrative expenses during the first half amounted to ISK 3,899 million (1-3Q 2018: ISK 2,909 million).

Profit for the period amounted to ISK 1,913 million (1-3Q 2018: ISK 1,403 million), corresponding to an annualised 20.3% return on equity based on the equity position at the beginning of the year adjusted for changes in share capital and transactions with treasury shares during the period.

The Group's total capital ratio at 30.09.2019 is 22.9% (31.12.2018: 25.1%). The Bank's minimum regulatory capital requirement based on Financial Supervisory Authority's Supervisory Review and Evaluation Process (SREP) is 14.5%. The minimum regulatory capital requirement including the additional capital buffer is 20.75% as at 30 September 2019.

The Bank maintains a strong liquidity position. The Bank's assets are liquid and its access to funding is good, reflected in ample liquidity position. At the end of September 2019 the Group's 30 day liquidity coverage ratio (LCR) was 260%, well above the minimum level of 100%.

7.25. Update of chapter 8.2 Compliance with Corporate Governance

Paragraphs 2 and 3 of chapter 8.2 Compliance with Corporate Governance are now as follows:

In 2018 the Bank completed a corporate governance assessment process resulting in an award from the Centre for Corporate Governance in Iceland for exemplary corporate governance in 2018-2019. The award is valid for three years as long as there are no material changes in ownership or the Board of Directors of the Bank. The Board of Directors intends to have such an assessment carried out on a regular basis and maintain the aforementioned award.

A statement on the corporate governance practices of Kvika was reviewed and agreed upon by the Board of Directors on 28 February 2019. The statement can be found in Appendix II below.

7.26. Update of chapter 8.7 Sub-Committees of the Board of Directors

Chapter 8.7 Sub-Committees of the Board of Directors is now as follows:

According to the Issuer's Articles of Association, dated 18 December 2019, 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 Board shall appoint at least three individuals for membership of each committee, thereof at least two Board members. It is not permitted to appoint employees of the Company to any committee. Members shall have the necessary experience and knowledge for each committee's tasks according to applicable laws and rules. All sub-committees have incorporated procedural rules that shall be confirmed by the Board.

7.27. Update of chapter 8.5 Board of Directors

The subchapters Deputy Chairman of the Board, Board member Hrönn Sveinsdóttir and Alternate Board member Kristín Guðmundsdóttir of chapter 8.5 *Board of Directors* are now as follows:

Deputy Chairman of the Board

Name:	Guðmundur Þórðarson
Date of birth:	10.03.1972
Business address:	Carrer dels Cavallers 41, 08034 Barcelona, Spain
First elected:	March 2017
Experience:	Guðmundur Þórðarson was elected to the Board in March 2017. He graduated from the University of Iceland with a business degree, cand. oecon., in 1997. Guðmundur has

focused on managing his own investments since 2007, having previously worked in the financial sector from 1997. From 1997 to 2000 he worked in Asset Management at Landsbréf hf. From 2000 to 2003 he worked in Corporate Finance at Íslandsbanki hf. From 2003 to 2007 he worked as Managing Director of Corporate Finance at Straumur fjárfestingarbanki hf. Guðmundur sits on the boards of Hedda eignarhaldsfélag ehf., Bergstaðastræti 27 ehf., K2B fjárfestingar ehf. and BBL II ehf. Guðmundur owns no shares in Kvika but his wife owns a 100% share in K2B fjárfestingar ehf. which owns 133,500,000 shares in the Bank. Furthermore, his wife serves as board member of Vátryggingafélag Íslands hf. which owns a 4.71% stake in the Bank. Guðmundur owned and served on the boards of two companies which became insolvent during the last five years. The companies in question are AB 190 ehf. and Skel Investments ehf. AB 190 ehf. is the parent company of Skel Investments ehf., AB 190 ehf. has been declared bankrupt, but Skel Investments ehf. is still in bankruptcy proceedings. Information on this matter was provided to the FME following Guðmundur's appointment to the Issuer's Board of Directors, along with other relevant information. The FME considered him qualified to sit on the board of directors of the Issuer. Guðmundur is a person of interest¹³ in connection with a police investigation, initiated at the beginning of June 2018, due to the sale of Skeljungur hf. in 2013.

Board membership, etc.	Guðmundur is currently on the board of directors of Kvika, Hedda eignarhaldsfélag ehf. (Chairman of the Board), BBL II ehf. (Chairman of the Board), Bergstaðastræti 27 ehf. and an alternate board member of K2B fjárfestingar ehf.
Past Board memberships, etc.	Aside from the abovementioned, Guðmundur has, during the past five years, sat on the board of directors of AB 190 ehf., Skel Investments ehf., PG Holding ehf., BG Partners Invest ehf., Igló ehf. and Vátryggingarfélag Íslands hf.

Board member

Name: Hrönn Sveinsdóttir

¹³ Icelandic: hefur stöðu sakbornings.

Date of birth:	23.03.1967
Business address:	Hrauntunga 20, 200 Kópavogur, Iceland
First elected:	March 2017
Experience:	Hrönn Sveinsdóttir was elected to the Board in March 2017. She graduated from the University of Iceland with a business degree, cand. oecon in accounting and finance in 1992. Hrönn is currently self-employed. Hrönn worked for Sýn hf. 2005-2019 as Chief financial and operating officer. Before joining Sýn hf., Hrönn worked for Toyota Iceland (P. Samúelsson hf.) from 1992, starting as Head of Finance and Accounting before taking on the role of Chief financial and operating officer in 1999. Hrönn has served on the boards of various firms such as Almenni lífeyrissjóðurinn, Húsasmiðjan hf., Farice ehf. and P/F Kall in the Faroe Islands and P. Samúelsson hf. Hrönn owns an insignificant number of shares in Kvika and is an independent Board member in accordance with the Guidelines on Corporate Governance, 5th edition, published in May 2015 by the Iceland Chamber of Commerce, Nasdaq Iceland and SA Confederation of Icelandic Enterprise.
Board memberships, etc.:	Hrönn is currently on the board of directors of Kvika.
Past Board memberships, etc.:	Aside from the abovementioned, Hrönn has, during the past five years, sat on the board of directors of Almenni lífeyrissjóðurinn.

Alternate member

<i>Name:</i>	Kristín Guðmundsdóttir
Date of birth:	27.08.1953
Business address:	Unnargrund 31, 210 Garðabæ
First elected:	December 2015
Experience:	Kristín Guðmundsdóttir was elected to the Board in December 2017. She graduated with a business degree, cand. oecon., from the University of Iceland. Kristín is managing director of KG slf. Kristín was the CEO of Skipti hf. in 2011 and before that, from 2003 to 2010, she was the Chief Financial Officer of Síminn hf. and Skipti hf. and the Chief Financial Officer of Grandi hf. from 1994 to 2002. Kristín also worked as a Director

at Íslandsbanki and Iðnaðarbanki Íslands for a number of years. She has served on the board of Festi hf. (N1 hf.) from 2011, Farice ehf. from 2013, Golf Union of Iceland from 2013 and RVK Studios ehf. from 2015. Kristín has been a member of the Investment Council at Eyrir sproti slhf. from 2014. Kristín served on the Board of Kvika hf. from 2015 – 2016 and was an alternate board member from 2016 to 2017. Kristín sat on the Board of Straumur fjárfestingabanki from 2013 to 2015 and served as Vice Chairman from 2013 to 2014. She was Chairman of the board of Sparisjóður Vestmannaeyja from 2011 to 2013 and served on the board of Míla ehf. from 2007 to 2011 and served as Chairman of the board in 2011. Kristin served on the board of Síminn hf. from 2007 to 2011. Furthermore, Kristín has previously served on the boards of Skjá miðlar ehf., Fasteignafélagið Jörfi ehf., the Reykjavik Maritime Museum, Farsímagreiðslur ehf., Straumur hf., the Iceland Chamber of Commerce, Nasdaq verðbréfamíðstöð hf. and Lífeyrissjóður verkstjóra. A company owned by Kristín, KG slf., holds an insignificant number of shares in Kvika. Kristín is an independent Board member in accordance with the Guidelines on Corporate Governance, 5th edition, published in May 2015 by the Iceland Chamber of Commerce, Nasdaq Iceland and SA Confederation of Icelandic Enterprise.

Board memberships, etc.: Kristín is currently on the board of directors of Festi hf., Farice ehf, RVK studios ehf., Golf Union of Iceland (GSÍ), Investment Council at Eyrir sproti slhf., Minningarsjóður Örvars Arnarsonar, KG slf. (also a chief executive officer), 1Xeignir slf. and Eyrir Ventures ehf. Further, Kristín is an alternate board member of Kvika.

Past board memberships, etc.: Aside from the abovementioned, Kristín has, during the past five years, sat on the board of directors of Straumur Investment bank hf. and been an alternate board member of Kvika banki hf. and on the senior management of SagaMedica ehf.

7.28. Update of chapter 8.8.1 Asset and Liability Committee (ALCO)

Chapter 8.8.1 *Asset and Liability Committee (ALCO)* is now as follows:

ALCO supervises the management of the Bank's balance sheet, assets and liabilities, and strives to achieve the goals of profitability. This involves determining the most efficient division between returns and risk and allocating funds to the Bank's business units. The committee sets measurable profitability goals and strives to achieve them. The committee is composed of the CEO, the Director of Finance and Operations, the Head of Treasury and the Head of Risk

Management. The deputy Head of Treasury attends committee meetings as an impartial observer and does not participate in the decision-making on individual decisions. However, the deputy Head of Treasury has the right to speak at committee meetings and has right to put forward motions.

7.29. Update of chapter 8.8.2 Credit Committee

Chapter 8.8.2 *Credit Committee* is now as follows:

The Credit Committee addresses matters regarding the Bank's loan activities and is responsible for and makes decisions on the investments and sale of unlisted securities, and as regards other divisions than Treasury and Proprietary Trading, the investment and sale of unit share certificates in funds for collective investment. The committee is responsible for the approval of larger loans and is the primary forum for the discussion of the Bank's credit rules, including credit limits for relevant divisions of the Bank. The committee is composed of the CEO, the Managing Director of Corporate Banking, Managing Director of Finance and Operations and the General Counsel. The Head of Risk Management attends committee meetings as an impartial person and does not participate in decision-making on individual lending or investments. The Head of Risk Management is authorised to speak at meetings and has a power to veto.

7.30. Update of chapter 8.9 Executive Management

Chapter 8.9 *Executive Management* is now as follows. *Subchapter 8.9.1 Declarations by members of the Executive Management* remains unchanged.

CEO

Name:	Marinó Örn Tryggvason
Date of birth:	25.05.1978
Business address:	Katrínartúni 2, 105 Reykjavík, Iceland
Experience:	Marinó Örn Tryggvason joined Kvika as Deputy CEO in August 2017 and became CEO on May 27 2019. Prior to joining Kvika, Marinó worked at Kaupthing Banki from 2002 to 2008. At Kaupthing Marino was Head of Institutional Asset Management from 2007. From 2008 to 2017 Marino worked at Arion banki hf. Marinó served as Deputy Managing Director of Asset Management at Arion banki hf. from 2014 until 2017 and as Head of Asset Management of Institutional Asset Management from 2008 until 2017. Marinó sat on the Board of Vörður Tryggingar from 2016 to 2017. Marinó holds a B.Sc. business degree from the University of Iceland and is a certified securities broker. Marinó does not own shares in Kvika

Board memberships, etc.: Marinó is currently a board member of the Icelandic Financial Services Association (SFF)

Past board memberships, etc.: Aside from the abovementioned, Marinó has, during the past five years, sat on the board of Vörður Tryggingar hf. and Jarðvarmi slhf.

Deputy CEO

Name: Ármann Þorvaldsson

Date of birth: 15.12.1968

Business address: Katrínartúni 2, 105 Reykjavík, Iceland

Experience: Ármann Þorvaldsson joined Kvika as CEO in June 2017 and became Deputy CEO on 27 May 2019. He has worked in the financial markets for over twenty years. From 1997 until 2005, he was Head of Corporate Finance at Kaupthing and, from 2005 to 2008, he was CEO of Kaupthing Singer & Friedlander in London. He then went on to work at Ortus Secured Finance in London until 2015 when he joined Virding. He was the head of Virding's Corporate Finance division before joining Kvika. Ármann has an MBA degree from Boston University and a BA degree in history from the University of Iceland. Ármann owned a private limited company, named Ármann Þorvaldsson ehf., that was declared bankrupt in February 2011. The company held shares in Kaupþing banki hf. The liquidation of the company was concluded in December 2018. Ármann owns 2,082,158 shares in Kvika through BMA ehf.

Board memberships, etc.: Ármann is currently a board member of Kvika Securities Limited, BBL III ehf., the Iceland Chamber of Commerce and an alternate board member and Managing Director of BMA ehf.

Past Board memberships, etc.: Aside from the abovementioned, Ármann has, during the past five years, sat on the board of directors of Ortus Secured Finance Limited (also a Managing Director), OSF (Lux) I S.a.r.l., Marininvest ehf., BF útgáfa ehf., Jöká ehf., Reykjavík IO ehf., BBL VIII ehf., BK eignir ehf., Risk ehf., the Icelandic Financial Services Association (SFF), and has been an alternate board member of Leto ehf. and Tryggingamiðstöðin hf.

Managing Director of Finance and Operations

Name:	Ragnar Páll Dyer
Date of birth:	30.03.1977
Business address:	Katrínartúni 2, 105 Reykjavík, Iceland
Experience:	Ragnar Páll Dyer joined the Kvika Group in 2010 and was appointed Managing Director of Jupiter Capital Management in 2013. He was then appointed Managing Director of Finance and Operations at Kvika in 2019. Mr. Dyer started his career in the financial sector in 2007. Before he joined Kvika he served as a fund manager and a partner of Teton Investments and at Straumur Investment bank as a broker and specialist in interest rates and derivatives. Mr. Dyer has completed the Stanford Executive Program from Stanford University, holds a B.Sc. degree in Engineering Management from the University of Reykjavík and is a licensed securities broker. Ragnar owns 28,372 shares in the Bank through H33 Invest ehf.
Board memberships, etc.:	Ragnar is currently on the board of directors of Veðskuld slhf. and H33 Invest ehf.
Past Board memberships, etc.:	Not applicable.

General Counsel

Name:	Lilja Jensen
Date of birth:	17.09.1982
Business address:	Katrínartúni 2, 105 Reykjavík, Iceland
Experience:	Lilja Jensen has worked for Kvika and its predecessor since 2012 and as General Counsel since 2015. Prior to that, Lilja worked for LOGOS legal services, intermittently from 2008 to 2012 along with law studies and following graduation. Prior to legal work, Lilja worked as a nurse at the National University Hospital of Iceland and Eir nursing home. Lilja holds a BSc degree in nursing from the University of Iceland, BA and ML degree in law from Reykjavik University and is licensed to plead cases before the district courts of Iceland. Lilja does not own shares in Kvika.

Board memberships, etc.: Lilja is currently a board member of Edda slhf. and an alternate board member of Men ehf. and Kortafjónustan hf. Additionally, Lilja sits on the board of directors of a few of the Issuer's subsidiaries.

Past Board memberships, etc.: Aside from the abovementioned, Lilja has, during the past five years, sat on the board of directors of several of the Issuer's subsidiaries.

Managing Director of Capital Markets

Name: Bjarni Eyvinds Þrastarson

Date of birth: 02.09.1979

Business address: Katrínartúni 2, 105 Reykjavík, Iceland

Experience: Bjarni Eyvinds joined Kvika (formerly MP banki) in July 2009, after serving as Senior Vice President of Equity sales in Straumur Investment Bank from 2007 to 2009. Prior to joining Kvika, he worked for Reykjavik Savings Bank, MP banki, Islandsbanki, and Straumur Investment Bank. He graduated from the George Washington University with a BBA degree in 2002 and is a certified securities broker. Bjarni owns 9,978,678 shares in the Bank through Þvottavík ehf.

Board memberships, etc.: Bjarni is currently the chairman of the board of Þvottavík ehf. (also a director) and Ukulele ehf.

Past board memberships, etc.: Not Applicable.

Managing Director of Banking

Name: Magnús Ingi Einarsson

Date of birth: 14.12.1981

Business address: Katrínartúni 2, 105 Reykjavík, Iceland

Experience: Magnús Ingi Einarsson has over thirteen years' experience in the financial markets. He joined Risk Management at Kvika (then Straumur-Burdaras) in July 2006 and headed the Bank's credit risk division from 2009. He was Head of Risk Management and later Head of Treasury at Straumur Investment Bank from the bank's establishment until the end of 2014. He has served as Managing Director of Finance and

Operations from 2014-2019. In 2019 he was appointed the Managing Director of Corporate Banking. He holds a B.Sc. degree in Mechanical Engineering from the University of Iceland and an M.Sc. degree in Mechanical Engineering from Virginia Tech. Magnús Ingi owns 10,166,096 shares in the Bank through Hokies ehf.

Board membership etc.: Magnús is currently on the board of directors of Kortþjónustan hf. and Hokies ehf.

Past Board memberships, etc.: Aside from the abovementioned, Magnús has, during the past five years, sat on the board of Íslensk Verðbréf hf. and Current holding ehf.

Managing Director of Corporate Finance

Name: Baldur Stefánsson

Date of birth: 02.04.1971

Business address: Katrínartúni 2, 105 Reykjavík, Iceland

Experience: Baldur Stefánsson joined Kvika in September 2017. He has over 20 years of experience in private equity and investment banking both in Iceland and internationally. Baldur joined Kvika through the acquisition of the Scandinavian investment bank Beringer Finance's Icelandic operations where Baldur was the Managing Director. Before joining Beringer Finance, Baldur was cofounder and Managing Partner at the financial service firm Arctica Finance for eight years and, prior to that, Senior Director at Landsbanki's International Investment Banking arm for five years. Baldur has led many complex cross-border and local Corporate Finance equity- and debt capital markets transactions in various sectors. Baldur studied economics and political science at the University of Iceland between 1992 and 1994 and graduated with an MBA degree from IESE in Barcelona in 2004. Baldur owns 2,082,157 shares in Kvika.

Board membership etc.: Baldur is currently a board director of Knattspyrnudeild KR, K.R.- sport hf. and Trilemma ehf.

Past Board memberships, etc.: Aside from the abovementioned, Baldur has, during the past five years, sat on the board of directors of Sumardalur ehf. (also a managing director) and Leikhúsið Skámáni and been a

managing director of Beringer Finance ehf., and a partner of Artica Finance hf.

Interim Managing Director of Asset Management

Name:	Marinó Örn Tryggvason
Date of birth:	25.05.1978
Business address:	Katrínartúni 2, 105 Reykjavík, Iceland
Experience:	Marinó Örn Tryggvason joined Kvika as Deputy CEO in August 2017 and became CEO on May 27 2019. Prior to joining Kvika, Marinó worked at Kaupthing Banki from 2002 to 2008. At Kaupthing Marino was Head of Institutional Asset Management from 2007. From 2008 to 2017 Marino worked at Arion banki hf. Marinó served as Deputy Managing Director of Asset Management at Arion banki hf. from 2014 until 2017 and as Head of Asset Management of Institutional Asset Management from 2008 until 2017. Marinó sat on the Board of Vörður Tryggingar from 2016 to 2017. Marinó holds a B.Sc. business degree from the University of Iceland and is a certified securities broker. Marinó does not own shares in Kvika
Board memberships, etc.:	Marinó is currently a board member of the Icelandic Financial Services Association (SFF)
Past board memberships, etc.:	Aside from the abovementioned, Marinó has, during the past five years, sat on the board of Vörður Tryggingar hf. and Jarðvarmi slhf.

7.31. Update of chapter 9.1 Share Capital

Chapter 9.1 *Share Capital* is now as follows:

The Bank's issued share capital amounted to ISK 1,995,365,766 at 20 January 2020 and held treasury shares with a nominal value of ISK 50,000,000.

The nominal value of shares issued by the Bank is ISK 1 per share or a multiple thereof. All currently issued shares have a nominal value of ISK 1 per share and are fully paid. The holders of shares are entitled to receive dividends as approved by the annual general meeting and are entitled to one vote per nominal value of ISK 1 at shareholders' meetings.

7.32. Update of chapter 9.2 Warrants

Chapter 9.2 *Warrants* are now as follows:

The Bank has issued warrants for shares in the total nominal amount of ISK 675,500,000 of which ISK 583,616,683 is currently outstanding. The number of owners of these warrants is 116 as of the date of the Prospectus and they purchased the warrants for a total consideration of ISK 234,157,500. The purchase price of the warrants was determined using market standard methodology and a valuation from an independent appraiser as applicable. Should the owners of the warrants exercise their warrants, the Bank is obliged to issue new shares and sell to the warrant owners at a predefined price, usually referred to as strike price. If all outstanding warrants would be exercised, the Bank's share capital would increase to 2,578,982,449, and the newly issued shares would represent 22.6% of the Bank's total issued capital, post dilution. The maximum nominal amount of warrants issued to a single counterparty is ISK 22,000,000 which reflects 0.9% of total issued capital, post full dilution.

Below is a summary of outstanding warrants issued by the Bank as at 20 January 2020:

Issue date	Nominal amount	Purchase price of warrants	Nominal amount outstanding	Annual increase of strike price	Strike price at expiry date	Exercise period
September 2017	201,333,333	60,601,333	109,450,017	7.5%	6.91	Sept. 2019 - Sept. 2020
September 2017	201,333,333	60,601,333	201,333,333	7.5%	7.98	Sept. 2020 - Sept. 2022
September 2017	201,333,333	60,601,333	201,333,333	7.5%	7.98	Sept. 2021 - Sept. 2022
December 2017	7,333,333	2,471,333	7,333,333	7.5%	7.83	Dec. 2019 - Dec. 2020
December 2017	7,333,333	2,471,333	7,333,333	7.5%	9.04	Dec. 2020 - Dec. 2022
December 2017	7,333,333	2,471,333	7,333,333	7.5%	9.04	Dec. 2021 - Dec. 2022
May 2018	1,166,667	505,167	1,166,667	7.5%	9.52	Dec. 2019 - Dec. 2020
May 2018	1,166,667	505,167	1,166,667	7.5%	11.01	Dec. 2020 - Dec. 2022
May 2018	1,166,667	505,167	1,166,667	7.5%	11.01	Dec. 2021 - Dec. 2022
April 2019	23,000,000	21,712,000	23,000,000	7.5%	15.36	Dec. 2020 - Dec. 2022
April 2019	23,000,000	21,712,000	23,000,000	7.5%	15.36	Dec. 2021 - Dec. 2022
	675,500,000	234,157,500	583,616,683			

Table 32: Summary of outstanding warrants issued by the Bank

Furthermore, below is a more detailed description of the warrants.

In 2017 and during 1H 2018 the Bank issued warrants for ISK 629,500,000 in nominal value. The warrants issued in 2017 are valid for five years from the date of issue and the warrants issued in 2018 are valid until 18 December 2022. The holders of the warrants issued in 2017

can exercise them as follows: (1) to a third (1/3) of the subscription shares in the period from when two years have elapsed from the issue of the warrants until three years have elapsed from the issue of the warrants, (2) to a third (1/3) of the subscription shares in the period from when three years have elapsed from the issue of the warrants until five years have elapsed from the issue of the warrants, and (3) to a third (1/3) of the subscription shares in the period from when four years have elapsed from the issue of the warrants until five years have elapsed from the issue of the warrants. The holders of the warrants issued in 2018 can exercise them as follows: (1) to a third (1/3) of the subscription shares in the period from 18 December 2019 until 18 December 2020, (2) to a third (1/3) of the subscription shares in the period from 18 December 2020 until 18 December 2022, and (3) to a third (1/3) of the subscription shares in the period from 18 December 2021 until 18 December 2022. The subscription rate for each new share on exercise of the warrants shall be 5.56 with a 7.5% annual increase for 604,000,000 in nominal value issued in September 2017, 6.30 with a 7.5% annual increase for 22,000,000 in nominal value issued in December 2017 and 7.90 with a 7.5% annual increase for 3,500,000 in nominal value issued in May 2018.

Based on the Board's decision, on 17 April 2019, warrants were issued and sold pursuant temporary provision II of the Articles of Association for ISK 46,000,000 nominal value, each krona thereof gives the right to subscribe for one new share in the Company. Each share has the nominal value of 1 ISK.

The warrants are valid until 18 December 2022. A warrant holder's right to exercise the warrants is effective as follows: (1) to a half (1/2) of the subscription shares in the period from 18 December 2020 until 18 December 2022 and (2) to a half (1/2) of the subscription shares in the period from 18 December 2021 until 18 December 2022. Either subscription period may, however, be extended if the existence of inside information on the final day of the relevant subscription period has prevented the warrant holder from exercising the warrant.

The warrants may be sold or pledged provided that the Company's Board of Directors is notified thereof in writing. The subscription rate for each new share on exercise of warrants shall be $11.78 \cdot (1 + 7.5/100)^t$, where t represents the time elapsed from the issue of the warrants (calculated by dividing the number of days assuming each month has 30 days with 360 days) The warrant holder shall pay the exercise price for the shares on the basis of the warrants in accordance with the decision of the Board of Directors to issue new share capital. Coverage on the warrants and their terms can also be found in the Bank's Articles of Association which are available for viewing at the registered office of the Company, and/or electronically on the Company's website, www.kvika.is.

7.33. Update of chapter 9.3 Shareholders

Chapter 9.3 *Shareholders* is now as follows:

The Bank had 826 shareholders at 16 January 2020, none of which held more than 10% of shares in the Bank. Pursuant to the Act on Financial Undertakings, the Bank is obliged to specify on its website the names and proportional holdings of all parties, and beneficial owners, owning more than 1% of share capital or guarantee capital in the Bank at any given time.

Shareholders who, as at 16 January 2020, own >1% of the Bank's shares can be seen in table 33: *Shareholders* below:

Shareholder	Registration number	Number of shares	%
Lífeyrissjóður verslunarmanna	4302694459	175,077,668	8.77%
K2B fjárfestingar ehf.	6812093360	133,500,000	6.69%
Arion banki hf.	5810080150	122,375,343	6.13%
Vátryggingafélag Íslands hf.	6906892009	94,000,000	4.71%
Íslandsbanki hf.	4910080160	83,826,767	4.20%
Landsbankinn hf.	4710080280	75,500,108	3.78%
Sindrandi ehf.	6610132220	61,757,816	3.10%
Lífsværk lífeyrissjóður	4302694299	57,458,617	2.88%
Almenni lífeyrissjóðurinn	4502902549	50,659,928	2.54%
Kvika banki hf.	5405022930	50,000,000	2.51%
Lífeyrissj. starfsm.rík. A-deild	5501973409	43,660,000	2.19%
Frjálsi lífeyrissjóðurinn	6009780129	40,252,359	2.02%
Eignarhaldsfélagið VGJ ehf.	4803022650	33,188,978	1.66%
Landsbréf - Úrvalsbréf	6708989549	31,196,000	1.56%
MK 4 ehf.	5902081400	31,000,433	1.55%
Titania ehf.	4404120680	29,792,951	1.49%
Birta lífeyrissjóður	4302690389	29,436,585	1.48%
A.C.S safnreikningur I	4111049150	28,550,107	1.43%
Míðeind ehf.	5912131480	25,040,000	1.25%
Fagfjárfestastjóðurinn TRF	6712129750	24,899,257	1.25%
Stekkur fjárfestingarfélag ehf	5406101340	20,628,875	1.03%
Júpíter – Innlend hlutabréf	5701129960	20,530,000	1.03%
Others <1%			36.74%

Table 33: Shareholders

To the extent known to the Issuer, Kvika is not directly or indirectly owned or controlled by parties other than listed shareholders.

7.34. Update of chapter 10 Documents on Display

Chapter 10 Documents on Display is now as follows:

For 12 months from the date of the publication of the Prospectus, the following documents are available for viewing at the registered office of the Company, and/or electronically on the Company's website, www.kvika.is:

- The Securities Note dated 20 January 2020 and the Registration Document dated 10 May 2019 with updates as described in the Securities Note
- The Company's Articles of Association
- The Company's Constitutional Documents
- The Company's Audited consolidated financial statements for the year-ended 31 December 2017
- The Company's Audited consolidated financial statements for the year-ended 31 December 2018
- The Company's Condensed Interim Consolidated Financial Statements for the period 1 January to 31 March 2019
- The Company's Condensed Interim Consolidated Financial Statements for the period 1 January to 30 June 2019
- The Company's Condensed Interim Consolidated Financial Statements for the period 1 January to 30 September 2019

7.35. Update of chapter 10.1 Information incorporated by reference

Chapter *10.1 Information incorporated by reference* is now as follows:

The 2017 CFS is incorporated in the Prospectus by reference and may be accessed on the Exchange's website, under the following link:

<https://newsclient.omxgroup.com/cds/DisclosureAttachmentServlet?showInline=true&messageAttachmentId=664212>

The 2018 CFS is incorporated in the Prospectus by reference and may be accessed on the Exchange's website, under the following link:

https://csf.omxgroup.com/cns-web/oam/viewAttachment.action;jsessionid=7JGu9nx63Sb2_jl-Rhhwz8JFmx-MBqYJu_ElWWkr.csf.1001?messageAttachmentId=249358

The Condensed Interim Consolidated Financial Statements for the period ending 30 September 2019 is incorporated in the Prospectus by reference and may be accessed on the Exchange's website under the following link:

<https://ml-eu.globenewswire.com/Resource/Download/9311be48-4f2a-4a09-9b17-4519817beb49>

7.36. Addition of chapter 11. Appendix I: The Bank's rules on measures against conflicts of interests

Reglur um ráðstafanir gegn hagsmunaárekstrum

Samþykktar í júlí 2018 / Áætluð endurskoðun í júlí 2019 / Ábyrgðaraðili: Regluvarsla

1 Tilgangur og gildissvið

- 1.1. Reglur þessar eru settar á grundvelli 3. mgr. 6. gr. og 8. gr. laga nr. 108/2007 um verðbréfavíðskipti, 19.-20. gr. reglugerðar nr. 995/2007 um fjárfestavernd og víðskiptahætti fjármálafyrirtækja og leiðbeinandi tilmæli Fjármálaeftirlitsins. Reglurnar teljast vera stefna Kvíku banka hf. (*hér eftir nefndur bankinn*) um ráðstafanir gegn hagsmunaárekstrum í skilningi 20. gr. reglugerðar nr. 995/2007 og 16. gr. leiðbeinandi tilmæla FME nr. 1/2016 um innri stjórnarhætti fjármálafyrirtækja.
- 1.2. Reglunum er ætlað að takmarka hagsmunaárekstra í rekstri bankans og fjalla um það hvernig hagsmunaárekstrar skulu meðhöndlaðir þegar þeir koma upp.
- 1.3. Markmið reglnanna er að auka trúverðugleika bankans og koma í veg fyrir að hagsmunaárekstrar skaði hagsmunum víðskiptamanna hans. Jafnframt er markmið reglnanna að koma í veg fyrir að hlutlægni þeirra sem eftir þeim starfa verði dregin í efa við meðferð og afgreiðslu einstakra mála.
- 1.4. Reglurnar gilda um alla starfsmenn bankans og dótturfélaga hans.
- 1.5. Reglurnar taka til núverandi víðskiptamanna bankans, aðila sem bankinn leitast eftir að koma á víðskiptasambandi við og fyrrverandi víðskiptamanna þar sem trúnaðarskyldur eða aðrar skyldur ríkja enn milli þeirra og bankans.

2 Skilgreiningar

- 2.1. Hagsmunaárekstur í skilningi reglnanna er þegar hagsmunir bankans annars vegar, þ.m.t. starfsmanna hans, einkaumboðsmanna eða aðila sem lúta yfirráðum hans, og víðskiptamanns hins vegar eða þegar hagsmunir tveggja víðskiptamanna bankans fara ekki saman. Hagsmunaárekstur skapast þegar bankinn veitir víðskiptamanni sínum fjárfestingarþjónustu sem getur haft í för með sér ávinning fyrir bankann eða aðra víðskiptamenn hans og leiðir til þess, eða getur leitt til þess, að veruleg hætta skapast á að hagsmunir eins eða fleiri víðskiptamanna skaðist.
- 2.2. Hagsmunaárekstrar geta helst komið upp á milli:
 - 2.2.1. Víðskiptamanna bankans innbyrðis.
 - 2.2.2. Bankans (og/eða tengdra félaga) og víðskiptamanns.
 - 2.2.3. Starfsfólks bankans og víðskiptamanns.
- 2.3. Verðbréfavíðskipti teljast vera hvers konar víðskipti sem falla undir orðskýringu 1. gr. laga nr. 108/2007 um verðbréfavíðskipti.

3 Greining hagsmunaárekstra innan bankans

- 3.1. Bankanum ber að greina hagsmunaárekstra sem upp geta komið á milli hans sjálfs, þ.m.t. starfsmanna hans, einkaumboðsmanna eða aðila sem lúta yfirráðum hans og víðskiptamanna. Auk þess ber bankanum að greina hagsmunaárekstra sem upp geta komið á milli víðskiptamanna hans innbyrðis.

- 3.2. Í viðauka I við reglur þessar hefur bankinn skilgreint aðstæður og atvik í starfsemi sinni sem geta valdið hagsmunaárekstrum. Viðaukinn skal uppfærður reglulega, auk þess sem aðferðir og ráðstafanir til takmörkunar á hagsmunaárekstrum skulu einnig endurskoðaðar reglulega. Regluvörður bankans skal halda skrá yfir þá hagsmunaárekstra sem upp koma.
 - 3.3. Þegar metið er hvort hætta sé á að hagsmunaárekstrar geti skapast við veitingu fjárfesta- og/eða viðbótarþjónustu, mun bankinn meta hvort hann, starfsmaður hans eða aðili sem er beint eða óbeint tengdur bankanum í gegnum yfirlit:
 - 3.3.1. sé líklegur til að njóta fjárhagslegs ágóða eða forðast fjárhagslegt tap á kostnað viðskiptamanns,
 - 3.3.2. hefur hagsmuna að gæta af niðurstöðu þeirrar þjónustu sem viðskiptamanni er veitt og þessir hagsmunir eru aðgreindir frá hagsmunum viðskiptamanns að því er varðar niðurstöðuna,
 - 3.3.3. hafi fjárhagslegan hvata eða annars konar hvata til þess að setja hagsmuni annars viðskiptamanns eða hóps viðskiptamanna frammar hagsmunum hlutaðeigandi viðskiptamanns,
 - 3.3.4. stundar sams konar rekstur og viðskiptamaður,
 - 3.3.5. þiggur eða mun þiggja umbun í tengslum við þjónustu sem veitt er viðskiptamanni í formi peninga, vara eða þjónustu, annarrar en venjubundinna umboðslauna eða þóknana fyrir þessa þjónustu.
 - 3.4. Bankinn mun sérstaklega gæta að mögulegum hagsmunaárekstrum í eftirfarandi starfsemi bankans:
 - 3.4.1. verðbréfamiðlun,
 - 3.4.2. eigin viðskiptum,
 - 3.4.3. eignastýringu og einkabankaþjónustu,
 - 3.4.4. fjárfestingarráðgjöf og
 - 3.4.5. fyrirtækjaráðgjöf, þar með talið sölu í verðbréfaútbóði, sölutryggingu og ráðgjöf í tengslum við samruna og yfirtökur félaga.
- 4. Aðferðir og ráðstafanir til að takmarka hagsmunaárekstra**
- 4.1. Bankinn skal meðal annars grípa til eftirfarandi aðferða og ráðstafana til að koma í veg fyrir hagsmunaárekstra:
 - 4.1.1. Takmarka skal eins og kostur er upplýsingastreymi á milli starfsmanna innan bankans sem stunda starfsemi sem hefur í för með sér hættu á hagsmunaárekstrum ef líkur eru á að upplýsingaskipti geti skaðað hagsmuni eins eða fleiri viðskiptamanna. Aðgreining starfssviða fer eftir reglum bankans um aðskilnað starfssviða.
 - 4.1.2. Viðskipti starfsmanna með fjármálagerninga fyrir eigin reikning eru háð fyrirfram samþykki regluvarðar skv. reglum bankans um eigin viðskipti starfsmanna.
 - 4.1.3. Ef starfsmaður hefur aðgang að upplýsingum um hagsmuni sem bankinn á að gæta í tengslum við fjármálagerning skal gera viðskiptamanni grein fyrir þeirri stöðu við ráðgjöf sem varðar fjármálagerninginn. Leitast skal við að upplýsa viðskiptavinum um hagsmunaárekstra sem koma upp eða er fyrirsjáanlegt að komi upp svo viðskiptavinurinn geti tekið upplýsta ákvörðun um áframhald viðskipta.

- 4.1.4. Gæta þess að engar tengingar sé að finna milli þóknana starfsmanna bankans, sem annast fyrst og fremst eitt verksvið og þóknana starfsmanna á öðrum sviðum bankans ef til hagsmunaárekstra gæti komið á milli þessara verksviða.
 - 4.1.5. Koma í veg fyrir óeðlileg áhrif á þá þjónustu sem bankinn veitir með því að setja reglur um gjafir, þóknanir og hvatagreiðslur. Með þeim skal koma í veg fyrir að aðili hafi óviðeigandi áhrif á það hvernig starfsmaður bankans framkvæmir viðskipti með fjármálagerninga, eða takmarki getu hans til að hafa slík áhrif.
 - 4.1.6. Hafa til staðar innri reglur og verkferla er taka á þeim tilvikum þar sem starfsmenn taka samtímis, eða í beinu framhaldi, þátt í mismunandi verkefnum í því skyni að koma í veg fyrir hagsmunaárekstra.
 - 4.1.7. Aðrar ráðstafanir, sem nauðsynlegar kunna að vera, til að koma í veg fyrir að hagsmunaárekstrar skaði hagsmuni viðskiptamanna.
- 4.2. Forstöðumenn bankans skulu tryggja að starfsmenn á þeirra vegum þekki reglur bankans og skyldur sínar samkvæmt þeim.
 - 4.3. Ef starfsmaður er í vafa um efni eða aðstæður sem kveðið er á um í þessum reglum skal hann hafa samband við sinn yfirmann eða regluvörð til að fá skýringar og/eða leiðbeiningar.

5. Stjórnun og tilkynning um hagsmunaárekstra

- 5.1. Þeir sem reglurnar taka til skulu eftir fremsta megni greina og koma í veg fyrir að aðstæður skapist sem geta valdið hagsmunaárekstrum. Ef þær aðstæður skapast þar sem möguleiki er á hagsmunaárekstrum milli bankans og viðskiptamanns ber starfsmanni alltaf að láta hagsmuni viðskiptamanns ganga framur eigin hagsmunum. Starfsmenn skulu ávallt gæta þess að viðskiptamenn bankans njóti jafnræðis um upplýsingar, verð og önnur viðskiptakjör.
- 5.2. Ef bankinn eða starfsmaður hans telur líkur á hagsmunaárekstri eða telur hagsmunaárekstur hafa komið upp, sem kann að hafa neikvæð áhrif á hagsmuni viðskiptamanns, skal hann senda tölvupóst til regluvarðar á regluvordur@kvika.is, þar sem greint er frá hagsmunaárekstri eða mögulegum hagsmunaárekstri.
- 5.3. Regluvörður skal leggja mat á hvort um hagsmunaárekstur sé að ræða og vera til ráðgjafar um þær aðgerðir sem til skal grípa til að koma í veg fyrir að hagsmunir viðskiptamanna skerðist. Regluverði skal einnig heimilt, telji hann þörf á, að skjóta meðferð málsins til sérstakrar nefndar um aðgerðir gegn hagsmunaárekstrum. Í þeirri nefnd sitja, auk regluvarðar, forstjóri og einn lykilstarfsmaður í bankanum. Í fjarveru forstjóra og/eða regluvarðar skulu staðgenglar þeirra taka sæti í nefndinni.
- 5.4. Í þeim tilvikum þar sem aðferðir og ráðstafanir bankans geta ekki veitt fullnægjandi vissu fyrir því að hagsmunum viðskiptamanna sé nægjanlega gætt skal bankinn upplýsa viðkomandi viðskiptamenn um eðli og ástæður hagsmunaárekstranna, annað hvort skriflega eða í hljóðrituðu símtali, áður en til viðskipta er stofnað milli bankans og viðskiptamanns ef unnt er, að öðrum kosti áður en viðeigandi viðskipti eiga sér stað. Bankanum er óheimilt að eiga viðskipti við eða fyrir hönd viðskiptamanns þegar ekki er unnt að forðast hagsmunaárekstra eða stýra þeim með innri reglum bankans, nema viðskiptamaðurinn hafi verið upplýstur um mögulega hagsmunaárekstra og samþykkt að taka þátt í viðkomandi viðskiptum.

- 5.5. Þegar upp koma alvarlegir hagsmunaárekstrar sem bankanum er ekki heimilt að upplýsa einstaka viðskiptamenn um mun bankinn ekki veita þjónustu sem kemur til með að tengjast framangreindum árekstrum.
- 5.6. Bankinn skráir og geymir á tölvutæku formi upplýsingar um hagsmunaárekstra sem upp koma og kunna að hafa neikvæð áhrif á hagsmuni viðskiptamanns, hvort sem þeir eru tilkynntir til viðskiptamanns eða ekki. Til þess að geta fullnægt þeirri skyldu sinni mun bankinn skrá og geyma á tölvutæku formi upplýsingar um viðskiptamann, þjónustu sem óskað var eftir eða veitt var og viðbrögð bankans.
- 5.7. Í samræmi við 21. gr. reglugerðar nr. 995/2007 um fjárfestavernd og viðskiptahætti fjármálafyrirtækja mun bankinn halda skrá, sem er uppfærð reglulega, yfir þá starfsemi sem telst til verðbréfavíðskipta og stunduð er af fyrirtækinu eða fyrir hönd þess þar sem skapast hefur hagsmunaárekstur sem hefur í för með sér raunverulega hættu á að hagsmunir eins eða fleiri viðskiptamanna skaðist eða muni skaðast.

6. Eftirlit og endurskoðun

- 6.1. Regluvörður og innri endurskoðandi hafa eftirlit með því að reglum þessum sé framfylgt.
- 6.2. Regluvörður heldur skrá yfir þá starfsemi sem telst til verðbréfavíðskipta og stunduð er af bankanum, eða fyrir hönd bankans, þar sem skapast hefur hagsmunaárekstur sem hefur raunverulega áhættu á að hagsmunir eins eða fleiri viðskiptamanna skaðist eða muni skaðast.
- 6.3. Bankinn endurskoðar reglulega reglur þessar um ráðstafanir gegn hagsmunaárekstrum auk þess sem verklagsreglur og verkferlar eru reglulega endurskoðaðir m.t.t. reynslu af hagsmunaárekstrum, sbr. grein 3.2.

7. Breytingar

- 7.1. Breytingar á reglum þessum verða aðeins gerðar skriflega og taka gildi þegar stjórn bankans hefur samþykkt þær.
- 7.2. Breytingar á viðauka skulu gerðar skriflega og samþykktar af forstjóra.

8. Viðurlög

- 8.1. Brot gegn reglum þessum geta varðað refsingu eftir því sem er kveðið á um í ákvæðum laga nr. 108/2007 um verðbréfavíðskipti. Brot gegn reglunum geta varðað formlegri áminningu og eftir atvikum brottrekstri.
- 8.2. Starfsmönnum bankans ber skylda til að greina regluverði tafarlaust frá því ef þeir verða þess áskynja eða hafa grun um að reglurnar séu brotnar. Regluvörður skal halda skrá yfir meint brot. Sé um alvarleg og ítrekuð brot að ræða skal regluvörður tilkynna það forstjóra og/eða stjórn eftir atvikum og innri endurskoðanda.

9. Birting

9.1. Útdráttur úr reglum þessum skal vera aðgengilegur á vef bankans.

Samþykkt af stjórn Kviku banka hf., 2. júlí 2018



Kristín Pétursdóttir



Inga Björg Hjaltadóttir



Hrönn Sveinsdóttir



Guðmundur Þórðarson



Guðjón Reynisson

Viðauki I – Upptalning á mögulegum hagsmunaárekstrum

Mögulegir árekstrar milli bankans/starfsmanna bankans og viðskiptamanns:

- **Almenn dæmi um mögulega hagsmunárekstra:**
 - Bankinn, eða tengdir aðilar, hlýtur ávinning eða kemst hjá tapi á kostnað viðskiptamanns.
 - Bankinn, eða tengdir aðilar, geta haft aðra hagsmuni af útkomu verðbréfi viðskipta en viðskiptamaður.
 - Bankinn, eða tengdir aðilar, geta haft hagsmuni af því að hygla einum viðskiptamanni á kostnað annars.
 - Bankinn, eða tengdir aðilar, geta rekið sömu starfsemi og viðskiptamaður.
 - Bankinn, eða tengdir aðilar, geta fengið þóknun frá öðrum en viðskiptamanni í tengslum við þjónustu bankans.
- **Dæmi um mögulega hagsmunaárekstra í markaðsviðskiptum/fjárfestingarráðgjöf:**
 - Bankinn hefur vitneskju um möguleg framtíðarviðskipti viðskiptamanns með tiltekin verðbréf en tekur á sama tíma stöðu í viðkomandi verðbréfum.
 - Starfsmaður bankans á viðskipti með verðbréf sem ganga gegn hagsmunum viðskiptamanns sem gefið hefur í skyn áhuga á viðskiptum með viðkomandi verðbréf.
 - Bankinn er milligönguaðili í viðskiptum eða kemur á viðskiptum þegar bankinn veit að annar aðili er eigandi að virkum eignarhlut í bankanum eða bankinn veit að hann er innherji eða stjórnarmaður í hinu selda.
 - Ef bankinn er eigandi hins selda.
 - Ef bankinn hefur hagsmuna að gæta í hinu selda.
 - Viðskiptamaður er fjárhagslega tengdur bankanum – eigandi að virkum eignarhlut í bankanum, dótturfélag bankans.
- **Dæmi um mögulega hagsmunaárekstra á fyrirtækjasviði:**
 - Bankinn er fulltrúi viðskiptamanns A um fjármögnun vegna tiltekins verkefnis og á sama tíma er fyrirtækjaráðgjöf bankans ráðgjafi viðskiptamanns B um möguleg kaup á viðskiptamanni A.
 - Fyrirtækjaráðgjöf bankans er ráðgjafi viðskiptamanns A og í kjölfarið verður fyrirtækjaráðgjöfin ráðgjafi viðskiptamanns B um kaup á viðskiptamanni A.
 - Bankinn veitir viðskiptamanni þjónustu í tengslum við skuldabréfa- eða víxlaútgáfu og á sama tíma veitir hann öðrum viðskiptamönnum ráðgjöf um kaup og sölu slíkra skuldaskjala.
 - Bankinn leysir til sín tilteknar eignir viðskiptamanns á óeðlilegu verði vegna skulda viðskiptamanns við bankann.
 - Þegar eitt svið bankans nýtir þjónustu annars sviðs bankans í þágu viðskiptamanns og viðskiptamaður greiðir óeðlilega þóknun fyrir.
 - Hætta á mismunum viðskiptamanna vegna óeðlilegra gjafa eða umbunar frá viðskiptamönnum.
 - Fyrirtækjaráðgjöf vinnur fyrir viðskiptamann A og viðskiptamaður B sem er samkeppnisaðili A óskar eftir samstarfi við fyrirtækjaráðgjöf bankans.

Mögulegir árekstrar milli viðskiptamanna bankans innbyrðis:

- **Dæmi um mögulega árekstra milli viðskiptamanna:**
 - Fyrirtækjaráðgjöf bankans veitir tveimur viðskiptamönnum, sem eru í beinni samkeppni hver við annan, ráðgjöf um kaup á sama fyrirtæki.
 - Bankinn veitir viðskiptamanni greiningarráðgjöf varðandi félag eða samsteypu sem fyrirtækjaráðgjöf er á sama tíma að veita ráðgjöf.
 - Bankinn veitir tveimur viðskiptamönnum ráðgjöf og fjármögnunarþjónustu vegna kaupa á sömu afurð.

7.37. Addition of chapter 12. Appendix II: A statement on the corporate governance practices of Kvika, dated 28 February 2019

STJÓRNARHÁTTAYFIRLÝSING KVÍKU BANKA HF.

Viðskiptastefna Kvíku

Kvíka banki hf. (hér eftir „Kvíka“ eða „bankinn“) er sérhæfður banki sem er leiðandi í eignastýringu og fjárfestingabankastarfsemi.

Á haustmánuðum 2018 tóku allir starfsmenn Kvíku þátt í umfangsmikilli stefnumótun bankans, þar sem m.a. var ákveðið að gildi hans væri langtímahugsun. Það felur í sér að viðskiptastefna Kvíku miðar að því að byggja upp traust viðskiptasambönd og árangur til lengri tíma.

Bankinn stefnir að því að byggja upp og viðhalda öflugum innviðum sem hægt er að nýta til öflunar tekna. Ávöxtun eiginfjár ræðst af ákvörðunum sem teknar eru í samræmi við áhættuvilja sem endurspeglar arðsemismarkmið, en lögð er áhersla á að nýta eigið fé á sem skilvirkastan hátt með tilliti til áhættu. Ákvörðun um samsetningu efnahagsreiknings tekur mið af sem bestri nýtingu eiginfjár til tekjusköpunar en takmarkast af áhættuvilja og fjármögnun á hverjum tíma.

Lögð er áhersla á að starfsemi Kvíku sé arðsöm og markmið bankans er að arðsemi eiginfjár sé að minnsta kosti 15%.

Markmið Kvíku er að arðgreiðslur nemi að lágmarki 25% af hagnaði. Arðgreiðslur eru þó háðar mati á þeim tækifærum sem felast í endurfjárfestingu hagnaðar í rekstri og vexti bankans.

Stefna Kvíku er að hafa jákvæð langtímaáhrif á samfélagið með sérstaka áherslu á menntamál. Í þeim tilgangi hefur bankinn m.a. komið á fót hvatningarsjóðum fyrir iðnnema og kennara. Kvíka getur haft mikil áhrif á samfélagið, einkum þar sem hann starfar, og því er einnig lögð sérstök áhersla á að hafa jákvæð áhrif á uppbyggingu og virkni fjármálamarkaða.

Fylgni við leiðbeiningar um stjórnarhætti fyrirtækja

Kvíku ber að fylgja viðurkenndum leiðbeiningum um stjórnarhætti fyrirtækja samkvæmt 7. mgr. 54. gr. laga um fjármálafyrirtæki nr. 161/2002. Kvíka hagar stjórnarháttum sínum í öllum meginatriðum í samræmi við 5. útgáfu leiðbeininga um stjórnarhætti fyrirtækja sem gefnar voru út af Viðskiptaráði Íslands, Nasdaq OMX Iceland hf. og Samtökum atvinnulífsins í maí 2015. Leiðbeiningarnar eru aðgengilegar á vefsíðu Viðskiptaráðs Íslands www.vi.is. Frávik Kvíku frá leiðbeiningunum felst í því að Kvíka hefur ekki skipað tilnefningarnefnd eða ákveðið hvernig hún skuli skipuð. Stjórn Kvíku mun leggja það til á næsta aðalfundi að þeirri stjórn sem þar verður kjörin verði falið að fara yfir og meta kosti og galla þess að skipa bankanum tilnefningarnefnd.

Lög og reglur

Kvíka er fjármálafyrirtæki sem starfar meðal annars samkvæmt lögum nr. 161/2002 um fjármálafyrirtæki, lögum nr. 108/2007 um verðbréfavíðskipti, lögum um hlutafélög nr. 2/1995, samkeppnislögum nr. 44/2005 og lögum um ársreikninga nr. 3/2006. Kvíka hefur hlotið starfsleyfi frá FME, sem hefur eftirlit með starfsemi bankans. Um starfsemi Kvíku gilda þannig reglur og tilmæli FME og Seðlabankans og ýmis önnur lagaákvæði um fjármálamarkaði. Nánari upplýsingar um FME ásamt yfirliti yfir helstu lög og reglur sem um starfsemi bankans gilda á hverjum tíma má finna á heimasíðu FME www.fme.is.

Lýsing á helstu þáttum innra eftirlits, áhættustýringu og reikningsskilum Kvíku

Stjórn mótar áhættustefnu og áhættuvilja bankans og ber ábyrgð á því að fyrir hendi sé virkt kerfi innra eftirlits. Þá skilgreinir stjórn árlega þá áhættuþætti sem bankinn þarf að takast á við, þ.á m. eðli þeirra

og umfang ásamt því sem stjórn skilgreinir viðbrögð við þeirri áhættu sem um ræðir. Innleiðing og framkvæmd innra eftirlits er á ábyrgð stjórnenda bankans og eftirlitseininga, þ.e. áhættustýringar, regluvörslu og innri endurskoðunar. Stjórn ræður innri endurskoðanda, ritar undir erindisbréf hans og samþykkir árlega endurskoðunaráætlun. Forstjóri ræður regluvörð með samþykki stjórnar og ritar undir erindisbréf hans. Skýrslur og niðurstöður innri endurskoðanda og regluvarðar eru birtar stjórn milliliðalaust.

Innra eftirlit bankans byggir á áhættumati og eftirlitsaðgerðum sem draga eiga úr áhættuþáttum í rekstri bankans. Hluti af innra eftirliti er skjalað og formfast verklag sem starfsmenn bankans fylgja í sínum daglegu störfum og er yfirfarið af eftirlitseiningum.

Stjórn hefur sett reglur um áhættustýringu Kviku og áhættustefnu. Tilgangur áhættustefnunnar er að áhættustýring bankans sé markviss og skilvirk sem og að koma á gagnsæi að því er varðar áhættutökur bankans á öllum stjórnunarstigum, allt frá stjórn til rekstrareininga og einstaklinga sem taka beinan þátt í daglegum rekstri og ákvarðanatöku varðandi áhættu.

Fjármálasvið Kviku banka annast gerð ársreiknings sem gerður er samkvæmt alþjóðlegum reikningsstöðlum, IFRS. Ársreikningur er endurskoðaður af Deloitte, sem eru ytri endurskoðendur bankans.

Forstjóri bankans er ábyrgur gagnvart stjórn fyrir því að koma á virku innra eftirliti og áhættustýringu í tengslum við gerð ársreikningsins. Innra eftirlit og áhættustýring í tengslum við ársreikning eru skipulögð með það að markmiði að koma í veg fyrir verulega annmarka á reikningsskilunum.

Stjórn Kviku og eftirlitseingar bankans staðreyna reglulega virkni innra eftirlits og áhættustjórnunar.

Samsetning og starfsemi stjórnar og undirnefnda stjórnna

Í stjórn Kviku eiga sæti fimm stjórnarmenn og eru tveir varamenn í stjórn.

Stjórnarmenn Kviku banka eru með fjölbreyttan bakgrunn og búa yfir víðtækri reynslu og þekkingu. Samkvæmt jafnréttisstefnu bankans og lögum um hlutafélög skal tryggja að hlutfall hvors kyns í stjórn sé ekki lægra en 40% og er núverandi stjórn skipuð þremur konum og tveimur körlum. Aðalfundur kýs stjórn og varastjórn til eins árs í senn. Framkvæmdastjóri er ráðinn af stjórn, en hann ber starfsheitið forstjóri. Stjórnarfundir eru að jafnaði haldnir mánaðarlega. Á árinu 2018 voru haldnir 20 stjórnarfundir og var mæting stjórnarmanna á fundina almennt góð.

Stjórnin fer með æðsta vald í málefnum bankans milli hluthafafunda. Megin skyldustörf hennar felast í því að hafa eftirlit með öllum rekstri bankans og sjá um að skipulag og starfsemi hans sé jafnan í réttu og góðu horfi. Stjórn skal annast um að nægilegt eftirlit sé haft með bókhaldi og meðferð fjármuna bankans. Stjórn skal setja Kviku áætlanir í samræmi við tilgang bankans samkvæmt samþykktum og marka þá stefnu sem farin skal til að ná fram settum markmiðum. Stjórn ræður forstjóra, setur honum erindisbréf og hefur eftirlit með störfum hans. Þá kemur stjórn fram fyrir hönd bankans fyrir dómstólum og stjórnvöldum og ákveður hverjir hafi umboð til að skuldbinda bankann.

Undirnefndir stjórnar eru þrjár, endurskoðunarnefnd, áhættunefnd og starfskjaranefnd.

Í endurskoðunarnefnd sitja Kristín Guðmundsdóttir, sem er formaður, Hrönn Sveinsdóttir og Inga Björg Hjaltadóttir. Nefndinni er ætlað að sinna ráðgjafar- og eftirlitshlutverki fyrir stjórn bankans, m.a. við að tryggja gæði ársreikninga og annarra fjármálaupplýsinga bankans og óhæði endurskoðunar bankans. Nefndin hefur eftirlit með vinnuferli við gerð reikningsskila, virkni innra eftirlits auk innri og ytri endurskoðunar. Nefndin fundaði níu sinnum á síðastliðnu ári.

Í áhættunefnd sitja Kristín Guðmundsdóttir, sem er formaður, Guðmundur Þórðarson og Kristín Pétursdóttir. Nefndinni er ætlað að sinna ráðgjafar- og eftirlitshlutverki fyrir stjórn bankans, m.a. vegna mótunar áhættustefnu og áhættuvilja hans. Nefndin hefur eftirlit með fyrirkomulagi og virkni

áhættustýringar, stýringu útlánaáhhættu, markaðsáhhættu, greiðsluhæfisáhhættu, rekstraráhhættu, orðsporsáhhættu og annarri áhhættu eftir því sem tilefni er til. Nefndin fundaði átta sinnum á síðastliðnu ári.

Í starfskjaranefnd sitja Guðjón Reynisson, sem formaður, Inga Björg Hjaltadóttir og Kristín Pétursdóttir. Nefndinni er ætlað að sinna ráðgjafar- og eftirlitshlutverki fyrir stjórn bankans í tengslum við starfskjör hjá félaginu og að þau styðji við markmið og hagsmuni þess. Nefndin fundaði fjórum sinnum á síðastliðnu ári.

Allar undirnefndir stjórnar hafa sett sér starfsreglur þar sem nánar er kveðið á um framkvæmd starfa þeirra og eru þær staðfestar af stjórn bankans. Vegna eðlis nefndanna mega hvorki forstjóri né aðrir starfsmenn eiga þar sæti. Starfsreglur nefndanna eru aðgengilegar á vefsíðu Kviku www.kvika.is.

Í framkvæmdastjórn Kviku banka sitja, auk forstjóra, eftirfarandi starfsmenn: Marinó Örn Tryggvason, aðstoðarforstjóri, Magnús Ingi Einarsson, framkvæmdastjóri fjármála- og rekstrarsviðs, Ásgeir H. Reykþjörð, framkvæmdastjóri fyrirtækjasviðs, Bjarni Eyvinds, framkvæmdastjóri markaðsviðskipta, Hannes Frímann Hrólfsón, framkvæmdastjóri eignastýringar, Lilja Jensen, yfirlögfræðingur og Baldur Stefánsson, framkvæmdastjóri fyrirtækjaráðgjafar. Nánari upplýsingar um framkvæmdastjórnina eru aðgengilegar á vefsíðu Kviku www.kvika.is.

Forstjóri veitir nánari upplýsingar um starfsreglur og starfsemi stjórnar og undirnefnda.

Upplýsingar um stjórnarmenn

Kristín Pétursdóttir er stjórnarformaður Kviku. Hún var kjörin í stjórn bankans í mars 2018. Kristín er fædd árið 1965 og útskrifaðist með Cand Oecon gráður frá Háskóla Íslands 1991 og lauk MBA námi við Handelshöskolen i Bergen árið 1993. Kristín var annar stofnenda Auðar Capital og starfaði sem forstjóri þess fyrirtækis frá 2007 til 2013 og sem stjórnarformaður frá 2013-2017 (síðar Virðing hf.). Hún var forstjóri Mentor hf. 2015-2017, framkvæmdarstjóri fjárfestingar Kaupings Banka frá 1997-2005 og aðstoðarforstjóri Kaupthing Singer & Friedlander frá 2005-2007. Árin 1993-1997 starfaði Kristín hjá Statoil, Íslandsbanka og Skeljungu. Kristín hefur setið í stjórn Ölgerðarinnar, Tals, Yggdrasils, Kaupthing Singer & Friedlander, Viðskiptaráðs, Samtaka atvinnulífsins og Samtaka Fjármálafyrirtækja. Kristín situr í fjárfestingaráðum framstakssjóðanna Auðar I og Eddu sem eru í rekstri hjá Kviku. Kristín er hluthafi í Kviku í gegnum einkahlutafélag sitt, KP Capital ehf., sem á 0,43% í bankanum og ræður yfir 7.900.000 hlutum. Hún hefur ekki hagsmunatengsl við helstu viðskiptaaðila, samkeppnisaðila eða stóra hluthafa í skilningi leiðbeininga um stjórnarhætti fyrirtækja.

Guðmundur Þórðarson er varaformaður stjórnar. Hann var kjörinn í stjórn bankans í mars 2017. Guðmundur er fæddur árið 1972. Hann útskrifaðist með Cand. Oecon próf í viðskiptafræði frá Háskóla Íslands 1997. Einnig hefur hann lokið prófi í verðbréfamiðlun og eignastýringu í Bretlandi. Guðmundur starfar að aðalstarfi við eigin fjárfestingar. Frá árinu 1997 til 2000 starfaði Guðmundur við eignastýringu hjá Landsbréfum hf. Frá árinu 2000 til 2003 starfaði Guðmundur sem sérfræðingur hjá þróunarsviði og fyrirtækjaráðgjöf Íslandsbanka hf. Frá árinu 2003 til 2007 starfaði Guðmundur sem framkvæmdastjóri fyrirtækjasviðs hjá Straumi fjárfestingar banka hf. Guðmundur situr í stjórnnum Heddu eignarhaldsfélags ehf., Bergstaðastræti 27 ehf., K2B fjárfestingum ehf. og BBL II ehf.. Guðmundur á enga beina hlutafjáreign í Kviku banka hf. Þó á maki hans, Svanhildur Nanna Vigfúsdóttir, 100% hlut í félaginu K2B fjárfestingar ehf., en K2B fjárfestingar og dótturfélag þess Hedda eignarhaldsfélag eiga samtals 8,25% hlut í Kviku og ráða yfir 152.304.455 hlutum. Jafnframt er Svanhildur Nanna stjórnarmaður í Vátryggingafélagi Íslands hf. sem á 8,67% hluta í Kviku og ræður yfir 160.000.000 hlutum.

Inga Björg Hjaltadóttir, framkvæmdastjóri, ráðgjafi og meðeigandi hjá Attentus mannauður og ráðgjöf ehf. og lögmaður og meðeigandi hjá Lögfræðistofu Reykjavíkur, var kjörin í stjórn í apríl 2013. Inga Björg er fædd árið 1970. Hún útskrifaðist með Cand jur. gráðu frá Háskóla Íslands árið 1995 og hlaut héraðsdómslögmannsréttindi árið 2003. Hún er einn stofnenda og hefur starfað hjá Attentus mannauði og ráðgjöf frá árinu 2007, hefur starfað sem lögmaður hjá Lögfræðistofu Reykjavíkur frá 2016 og áður

hjá Acta lögmannsstofu 2006-2016, var lögmaður hjá DP lögmonnum á árunum 2003-2006 og gegndi stöðu deildarstjóra hjá Eimskipafélagi Íslands árin 1999-2003. Árin 1996-1999 var Inga Björg deildarlögfræðingur og síðar staðgengill starfsmannastjóra Reykjavíkurborgar. Hún hefur áður setið í stjórnum Límtrés Vírnets hf., E-Farice ehf. og Smellinns eignarhaldsfélags ehf. Þá situr Inga í endurskoðunarnefnd Reykjavíkurborgar, Orkuveitu Reykjavíkur, Strætó BS, Malbikunarstöðvarinnar Höfða, Faxaflóahafna, Sorpu, Félagsbústaða og Slökkviliðs höfuðborgarsvæðisins. Inga er einnig dómari í Félagsdómi og formaður kjaranefndar Reykjavíkurborgar. Inga á ekki hluti í bankanum og hefur ekki hagsmunatengsl við helstu viðskiptaaðila, samkeppnisaðila eða stóra hluthafa í skilningi leiðbeininga um stjórnarhætti fyrirtækja.

Hrönn Sveinsdóttir var kjörin í stjórn bankans í mars 2017. Hrönn er fædd árið 1967. Hún útskrifaðist með Cand. Oecon próf í viðskiptafræði af endurskoðunarsviði frá Háskóla Íslands árið 1992. Hrönn er starfandi framkvæmdastjóri Fjármála- og rekstrarsviðs hjá Sýn hf. Hrönn hóf störf hjá Sýn hf. árið 2005 sem framkvæmdastjóri fjármálasviðs. Áður hafði hún gegnt sama starfi hjá P. Samúelssyni þar sem hún var einnig starfsmannastjóri. Hrönn hefur áður gengt stjórnarstörfum hjá Almenna lífeyrissjóðnum, Húsasmiðjunni ehf., Farice, P/F Kall í Færeyjum, ISNIC, Mömmu ehf., Ódýra símafélaginu og P. Samúelssyni hf. Hrönn á enga hluti í Kviku. Hrönn á ekki hluti í bankanum og hefur ekki hagsmunatengsl við helstu viðskiptaaðila, samkeppnisaðila eða stóra hluthafa í skilningi leiðbeininga um stjórnarhætti fyrirtækja.

Guðjón Reynisson var kjörinn í stjórn bankans í mars 2018. Guðjón er fæddur árið 1963 og er í dag sjálfstætt starfandi fjárfestir og stjórnarmaður. Á árunum 2008-2017 starfaði hann sem forstjóri Hamleys of London. Á árunum 2003-2008 gegndi hann stöðu framkvæmdastjóra 10-11 verslananna. 1998-2003 var hann framkvæmdastjóri sölusviðs Tals. Guðjón hlaut MBA gráðu frá Háskóla Íslands 2002, lauk rekstrar- og viðskiptanámi frá Endurmenntunarstofnun Háskóla Íslands 1999 og útskrifaðist með Íþróttakennararéttindi á grunn- og framhaldsskólastigi frá Íþróttakennaraskóla Íslands 1986. Guðjón hefur setið í stjórn Festis hf. frá 2014 og Securitas hf. frá 2018. Hann á 0,56% í bankanum og ræður yfir 10.410.789 hlutum í gegnum einkahlutafélag sitt Hakk ehf., en hefur ekki hagsmunatengsl við helstu viðskiptavinum, samkeppnisaðila eða stóra hluthafa í skilningi leiðbeininga um stjórnarhætti fyrirtækja.

Það er mat stjórnar að Kristín, Guðjón, Inga og Hrönn séu óháðir stjórnarmenn í skilningi leiðbeininga um stjórnarhætti fyrirtækja.

Varamenn í stjórn Kviku eru Kristín Guðmundsdóttir og Pétur Guðmundarson. Að mati stjórnar eru báðir varamenn óháðir bankanum.

Helstu þættir í árangursmati stjórnar

Árangursmat stjórnar Kviku fer fram árlega. Mat er lagt á hvernig til tókst með verkefni og störf stjórnar á liðnu ári. Litið er til stefnumótunar, upplýsingagjafar og framtíðarsýnar, samsetningar og stærðar stjórnar, frammistöðu stjórnarmanna, starfa undirnefnda og frammistöðu forstjóra. Þá er þróun bankans yfirfarin og mat lagt á hvort hún sé í samræmi við markmið þess. Í kjölfar árlegs árangursmats skilgreinir stjórn verkefni á þeim sviðum sem úrbóta er þörf.

Upplýsingar um forstjóra Kviku og lýsing á helstu skyldum hans

Forstjóri Kviku frá 15. júní 2017 er Ármann Þorvaldsson. Ármann er fæddur árið 1968 og hefur starfað á fjármálamarkaði í rúm tuttugu ár. Á árunum 1997 til 2005 var hann framkvæmdastjóri fyrirtækjaráðgjafar Kaupþings og frá 2005 til 2008 framkvæmdastjóri Kaupþings Singer & Friedlander í Bretlandi. Síðar starfaði hann sem framkvæmdastjóri hjá fasteignalánafélaginu Ortus Secured Finance í London þar til hann gekk til liðs við Virðingu árið 2015. Hann starfaði hjá Virðingu þar til hann var ráðinn forstjóri Kviku, síðast sem framkvæmdastjóri fyrirtækjaráðgjafar. Ármann útskrifaðist með MBA gráðu frá Boston University árið 1994 og er með BA gráðu í sagnfræði frá Háskóla Íslands.

Forstjóri skal annast daglegan rekstur Kviku og skal í þeim efnum fara eftir þeirri stefnu og fyrirmælum sem stjórn bankans hefur gefið. Hinn daglegi rekstur tekur ekki til ráðstafana sem eru óvenjulegar eða mikilsháttar. Forstjóri skal sjá um að bókhald bankans sé fært í samræmi við lög og venjur og meðferð eigna bankans sé með tryggilegum hætti. Forstjóri ræður og segir upp starfsmönnum bankans. Honum er ennfremur skylt að hlíta öllum fyrirmælum stjórnar. Forstjóra ber að veita endurskoðendum bankans allar þær upplýsingar sem þeir kunna að óska eftir.

Upplýsingar um brot á lögum og reglum sem viðeigandi eftirlits- og eða úrskurðaraðili hefur ákvarðað

Kvika hefur ekki sætt afturköllun, ógildingu eða uppsögn skráningar, heimildar eða leyfis til þess að stunda tiltekin viðskipti, starfsemi eða starf.

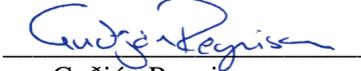
Fyrirkomulag samskipta hluthafa og stjórnar

Upplýsingagjöf til hluthafa fer fram á jafnræðisgrundvelli og takmarkast að jafnaði við hluthafafundi eða miðlun samræmdra skilaboða til allra hluthafa á sama tíma. Fréttir af starfsemi bankans eru birtar á heimasíðu hans auk þess sem fréttatilkynningar eru sendar út við markverða atburði í rekstri bankans. Á aðalfundi bankans er jafnframt haldin ýtarleg kynning á starfsemi bankans undanfarið ár auk þess sem upplýsingar um rekstur bankans eru birtar í ársreikningum lögum samkvæmt.

Stjórnarháttayfirlýsing þessi var yfirfarin og samþykkt á fundi stjórnar bankans þann 28. febrúar 2019.


Kristín Pétursdóttir


Guðmundur Þórðarson


Guðjón Reynisson


Inga Björg Hjaltadóttir


Hrönn Sveinsdóttir

STATEMENT ON THE CORPORATE GOVERNANCE OF KVIKA BANKI HF.

Kvika's business strategy

Kvika Bank hf. (hereinafter referred as “Kvika” or “the bank”) is a specialized bank focusing on asset management and investment banking.

In autumn 2018, all of the employees of Kvika participated in the extensive policy-making of the bank and decided, among other things, to uphold long-term thinking as the guiding principle of the bank. This entails Kvika's business strategy being geared towards developing solid business relationships and long-term results.

The bank strives to develop and maintain a powerful infrastructure that can be used to generate income. The return on equity is determined by the decisions that are made in accordance with the risk appetite, which reflects the profitability targets, since an emphasis is placed on utilising the equity as efficiently as possible with regard to risk. Decisions regarding the composition of the balance sheet take into account the best utilisation of equity to generate income, but are restricted by risk appetite and funding at any given time.

An emphasis is placed on Kvika's activities being profitable and the objective of the bank is to achieve a return on equity of at least 15%.

Kvika's objective is for dividend payments to amount to a minimum of 25% of profits. However, dividend payments are subject to assessments of the opportunities offered by reinvesting profits in the bank's operations and growth.

Kvika's policy is to have a positive long-term impact on the community, with a particular emphasis on education. For that reason, the bank has, among other things, set up two incentive funds for vocational training students and teachers. Kvika can have a great deal of influence on the community, particularly in the areas in which it operates, and a special emphasis is therefore also placed on having a positive impact on the development and functionality of the financial market.

Compliance with Corporate Governance Guidelines

Kvika banki hf. (hereinafter “Kvika” or the “bank”) is obliged to implement recognized guidelines on Corporate Governance under Article 54 of the Act on Financial Undertakings no. 161/2002. Kvika complies with the Guidelines on Corporate Governance, 5th edition, published in May 2015 by the Chamber of Commerce, Nasdaq OMX Iceland and the Confederation of Icelandic Employees (the „Guidelines”) in most respects. The Guidelines are available on the website of the Chamber of Commerce www.vi.is. Kvika has not appointed a nomination committee. This is the Bank's only deviation from the Guidelines. Kvika has not appointed a nomination committee. This is the Bank's only deviation from the Guidelines. At the next annual general meeting the Board of Directors will make a proposal to task the newly elected Board of Directors to assess the benefits and disadvantages of appointing a nomination committee.

Applicable laws and provisions

Kvika is a financial institution which operates in accordance with the Financial Undertakings Act No. 161/2002. Acts of law which also apply to the Bank's operations include e.g. the Securities Transactions Act No. 108/2007 and Public Limited Companies Act No. 2/1995. Kvika is licensed and regulated by the Financial Supervisory Authority (hereinafter “FME”). The regulatory framework for corporate governance practices within Kvika consists of the law applicable to entities subject to the supervision

of FME as well as other applicable law and regulations, including those imposed by FME or the Central Bank of Iceland. For more information on FME and summary of major laws and regulations governing the operations of the bank at any given time can be found on FME's website www.fme.is.

Internal control, risk management and accounting

Kvika's risk policy and risk appetite are regularly reviewed and approved by the Board. The Board is also responsible for ensuring that an active system of internal controls is in place. The Board defines the risk factors that the bank has to address, including their nature and extent. Furthermore, the Board also defines remedial actions to the risk in question. The implementation and execution of the internal controls rests with the bank's managing directors along with control units, i.e. Risk management, Compliance and Internal Auditor. The Board hires an internal auditor. The Board further agrees to an audit plan for each year. The CEO hires a compliance officer, with the approval of the Board. The reports and findings of the internal auditor and of the compliance officer are presented directly to the Board.

The bank's internal controls are built on risk assessment and control measures, which are intended to minimize the risk that exceeds the approved risk appetite of the bank. A part of internal controls entails formal working procedures, which the control units verify compliance to.

The Board has implemented a risk policy for the bank, for a focused and effective risk management and in order to enhance transparency in the bank's risk taking at management level, from the Board to the operational units and individuals that directly participate in the daily operations and decisions involving any risk taking.

The Bank's Finance and accounting division is responsible for preparing the Bank's annual account in accordance with the International Financial Reporting Standards (IFRS). The account is audited by the bank's external auditors, Deloitte.

The CEO reports directly to the Board when verifying the effectiveness of internal control and risk management regarding the annual account. Internal audit and risk management are meant to prevent any deficiencies in the accounting process.

The Board of Kvika regularly verifies the effectiveness of internal controls and risk management in the bank.

On the Board and its sub-committees

Each year, the Annual General Meeting of Kvika elects five board members and two alternate board members. In accordance with the Bank's Equality Policy, when electing the Board, care is taken to ensure at least 40% representation of each gender among board members and alternates. Currently the Board consists of three women and two men.

The Board has a diverse background and extensive skills, experience and expertise. The CEO is appointed by the Board. Board meetings are held on a monthly basis. In 2018 the Board held 20 meetings with good attendance from the board members.

The Board manages the bank between shareholder meetings in accordance with applicable laws, regulations and articles of association. The Board tends to those operations of the Bank which are not considered part of the daily business. Its main duties are to supervise the operations of the bank and ensure that they are at all times in good order. The Board shall also ensure that the bank's financial matters, including the financial reporting practices are diligently supervised. The Board shall make operational plans according to the bank's purpose as set out in the Articles of Association and form a policy to achieve set goals. The Board hires the CEO of the bank and supervises his work.

The Board has appointed three qualified individuals to each sub-committee of the Board.

Members of the Board Audit Committee are Kristín Guðmundsdóttir, as chairman, Hrönn Sveinsdóttir and Inga Björg Hjaltadóttir. Its main task is to try and guarantee the quality of the financial statement and other financial information from the bank and the independence of its auditors. The committee met nine times in 2018.

Members of the Board Risk Committee are Kristín Guðmundsdóttir, as chairman, Guðmundur Þórðarson and Kristín Pétursdóttir. The Committee's main role is to evaluate the Bank's risk policy and risk appetite and to have a thorough knowledge of the risk assessments and methods used to manage risk employed by the Bank and advise the Board on these issues. The committee met eight times in 2018.

Members of the Board Remuneration Committee are Guðjón Reynisson, as chairman, Inga Björg Hjaltadóttir and Kristín Pétursdóttir. The Committee's main task is to advise the Board on all remuneration issues of the bank. The committee met four times in 2018.

All sub-committees have incorporated procedural rules that are confirmed by the Board. Due to the nature of the Committee's work neither the CEO nor other employees are eligible for membership in the Committee. The procedural rules can be found on Kvika's website www.kvika.is.

The Bank's Executive Committee consists of seven people, including the CEO, Ármann Þorvaldsson; Marinó Örn Tryggvason, Deputy CEO, Magnús Ingi Einarsson, Managing Director of Finance and Operations, Bjarni Eyvinds, Managing Director of Capital Markets, Ásgeir H. Reyk fjörð Gylfason, Managing Director of Corporate Banking, Hannes Frímánn Hrólfsson, Managing Director of Asset Management, Lilja Jensen, General Counsel and Baldur Stefánsson, Managing Director of Corporate Finance.

The CEO provides further information on rules of procedure of the board and sub-committees.

Members of the Board

Kristín Pétursdóttir serves as Chairman of the Board. She was elected to the Board in March 2018. She was born in 1965 and graduated with a Cand. Oecon degree from the University of Iceland in 1991 and an MBA degree from Handelshöyskolen in Bergen in 1993. She was one of the founders of Auður Capital and was also the CEO from 2007 to 2013 and served as Chairman of the Board from 2013 to 2017 (Auður Capital and Virðing hf. merged in 2014). She was the CEO of Mentor hf. from 2015 to 2017, worked as Managing Director of Treasury in Kaupthing from 1997 to 2005 and Deputy CEO of Kaupthing Singer & Friedlander from 2005 to 2007. From 1993-1997 she worked for Statoil, Íslandsbanki and Skeljungur. She has previously been a Board member of Ölgerðin, Tal, Yggdrasill, Kaupthing Singer & Friedlander, Viðskiptaráð, Samtök atvinnulífsins and Samtök fjármálafyrirtækja. She is currently a member of the Investment Committee of Auður I and Edda, which are alternative investment funds managed by Kvika. Her company, KP Capital ehf., owns an insignificant amount of shares in Kvika. She is an independent Board member.

Guðmundur Þórðarson was elected to the Board in March 2017. He graduated from the University of Iceland with a business degree, cand. oecon., in 1997. Guðmundur has focused on managing his own investments since 2007, having previously worked in the financial sector from 1997. From 1997 to 2000 he worked in Asset Management at Landsbréf hf. From 2000 to 2003 he worked in Corporate Finance at Íslandsbanki hf. From 2003 to 2007 he worked as Managing Director of Corporate Finance at Straumur fjárfestingarbanki hf. Guðmundur also sits on the boards of Hedda eignarhaldsfélag ehf., Bergstaðastræti 27 ehf., K2B fjárfestingar ehf. and BBL II ehf. Guðmundur owns no shares in Kvika but his wife owns a 100% share in K2B fjárfestingar ehf. K2B fjárfestingar ehf. and its subsidiary, Hedda eignarhaldsfélag ehf. together own 8,25% of shares in the bank. Furthermore, his wife serves as the Chairman of the Board of Vátryggingafélag Íslands hf. which owns 8,67% of shares in the bank.

Inga Björg Hjaltadóttir was elected to the Board in April 2013. She graduated from the University of Iceland in 1995 with a law degree, and is licensed to plead cases before the District Courts of Iceland. Inga is one of the founders of Attentus Human Resources and has worked there since 2007, while also working as an attorney at Acta Law Firm between 2006 and 2016 and at Reykjavik Law Firm from 2016. From 2003 to 2006, she was an attorney at DP Lögmenn, and served as a Department Manager at Eimskipafélag Íslands hf. from 1999 to 2003. From 1996 to 1999 she was a lawyer and later Deputy Head of Human Resources for the City of Reykjavik. Inga has previously served on the boards of Límtré Vírnet hf., E-Farice ehf. and eignarhaldsfélagið Smellinn hf. She also serves as a judge on the Labour Court, appointed by the Minister of Finance, and heads the Remuneration Committee of the City of Reykjavík. Inga does not own shares in Kvika and is an independent Board member.

Hrönn Sveinsdóttir was elected to the Board in March 2017. She graduated from the University of Iceland with a business degree, cand. oecon., in 1992. Hrönn joined Vodafone Iceland (Fjarskipti hf.) in 2005 and serves as Managing Director of Finance and Operations. Before joining Vodafone, Hrönn worked for Toyota Iceland (P. Samúelsson 28 hf.) from 1992, starting as Head of Finance and Accounting before taking on the role of Managing Director of Finance and Human Resources in 1999. Hrönn has served on the boards of various firms such as Almenni lífeyrissjóðurinn, Húsasmiðjan hf., Farice ehf. and P/F Kall in the Faroe Islands. Hrönn does not own shares in Kvika and is an independent Board member.

Guðjón Reynisson was elected to the Board in March 2018. He was born in 1963 and works as an independent Investor and Board member. He was the CEO of Hamleys of London from 2008 to 2017. From 2003 to 2007 he was the Managing Director of the 10-11 stores in Iceland. From 1998 to 2003 he was the Managing Director of the Sales Division of Tal, an Icelandic phone company. He graduated with an MBA degree from the University of Iceland in 2002. He graduated with an Operations and Business degree from the Continuing Education Study of the University of Iceland in 1999 and also graduated with a degree as a licensed physical education teacher from the University of Iceland in 1986. He has been on the board of Festi hf. from 2014. He owns an insignificant amount of shares in Kvika. He is an independent Board member.

Alternate Board members are Kristín Guðmundsdóttir and Pétur Guðmundarson. Both are considered independent from Kvika.

Annual Performance Assessment

The board must annually evaluate its work and performance for the previous year. The focus of the assessment is on policy making, disclosure and future vision, the size and composition of the Board, performance of Board members, the work of sub-committees and performance of the CEO. The development of the bank and adherence to Board policies is reviewed and assessed. Following the annual performance assessment, the Board defines tasks in areas where improvement is called for.

Chief Executive Officer

Árman Þorvaldsson was appointed CEO of Kvika in June 2017. He was born in 1968 and has worked in the financial sector for over twenty years. From 1997 until 2005 he was Head of Corporate Finance at Kaupthing and from 2005 until 2008 he was CEO of Kaupthing Singer & Friedlander in London. Later he worked at Ortus Secured Finance in London until 2015 when he joined Virðing hf. He headed up Virðing's Corporate Finance division before joining Kvika. He has an MBA degree from Boston University and a BA degree in history from the University of Iceland.

The CEO is in charge of the daily operations of the bank and shall in this respect observe the policy and directions of the Board. Daily operations do not include measures which are unusual or extraordinary. The CEO shall provide the Board with reports on the bank's operations and financial position and all

important issues which may affect the bank's operations and finances. The CEO shall adhere to the instructions of the Board and provide the bank's external auditors with all requested information.

Information on violations of laws and regulations

Kvika has not been denied registration, authorization, membership or permission to conduct certain business, activity or operations. The Bank has not been subject to withdrawal, revocation or dismissal of registration, authorization, membership or permission. Information on legal cases relating to Arion Bank can be found in the notes to the annual financial statement.

Communications between the shareholders and the Board

Information is provided to shareholders on equality basis and is mainly limited to shareholders' meetings or delivery of uniform information to all shareholders simultaneously. News from the bank's operations are routinely published on the bank's website and press releases are sent out as necessary when newsworthy events take place. Inside information is published simultaneously to all market participants in accordance with Icelandic law through GlobeNewswire. A thorough presentation of the bank's operations takes place at the Annual General Meeting of the bank and information on all aspects of the bank operations are published in the bank annual accounts and financial statements.

This statement on the corporate governance practices of Kvika banki hf. was reviewed and agreed upon by the Board on 28 February 2019.