



Kvika Banki hf.
Katrínartún 2
105 Reykjavík

c/o
Sigurður Hannesson, Chairman of the Board
Ármann Þorvaldsson, CEO

Reykjavík, 28 May 2025

Subject: Proposal for merger discussion

By this letter, the Board of Íslandsbanki hf. ("Íslandsbanki") proposes to the board of Kvika Banki hf. ("Kvika"), to enter into discussions with the aim to merge the operations of the two banks.

Íslandsbanki believes that the merged operations would realise many opportunities for the combined company, its shareholders as well as for customers and the financial sector as a whole. This value can be realised through increased economics of scale, diversification of operations for both companies, reduced funding costs through international capital markets as well as through considerable revenue synergies. Further, Íslandsbanki assumes that the combined market capitalization of the merged entity would attract a wider shareholder base, domestically and internationally, benefiting both current shareholders and the wider financial markets.

Íslandsbanki believes that merger discussions should take place on the basis of market value of both companies. Further, Íslandsbanki is willing offer a 10% premium on top of the market capitalisation of Kvika for the calculation of exchange ratios. Further yet, Íslandsbanki is willing to discuss a transaction structure where shareholders of Kvika can choose to receive a consideration in a mixture of shares and cash.

Should Kvika accept Íslandsbanki's proposal, it is anticipated that the companies meet to discuss the next steps which would be subject to the necessary regulatory approvals. As both companies are regulated entities and subject to disclosure requirements as listed companies, Íslandsbanki assumes that limited due diligence is required. In addition, Íslandsbanki refers to its recent equity prospectus, compiled following a due diligence process.

As has been publicly stated, Íslandsbanki believes that further consolidation would be beneficial for the financial sector in Iceland. Further, Íslandsbanki has clearly stated its ambitions for future growth and to be an active participant in the development in the financial industry in Iceland. With that in mind, Íslandsbanki is of the opinion that the proposed merger can create considerable value for both companies as well as for customers and other stakeholders. Íslandsbanki requests response within two weeks but is willing to extend that deadline should Kvika need further time to evaluate the proposal.

In line with disclosure requirements, Íslandsbanki will publish this letter via a stock exchange release.



Sincerely,
Íslandsbanki hf.

Linda Jónsdóttir
Chairman of the Board

Jón Guðni Ómarsson
CEO