



Kvika Banki hf.  
Sigurður Hannesson, Chairman of the Board  
Ármann Þorvaldsson, CEO  
Katrínartún 2  
105 Reykjavík

Reykjavik, 27 May 2025

The Board of Arion Bank hf. hereby proposes to the Board of Kvika Banki hf. that formal discussions be initiated regarding the merger of the two companies.

The Board of Arion Bank believes a combined entity would stand stronger than the two companies operating independently. This perspective is based on the following anticipated advantages:

- Enhanced operational cost efficiency
- Reduced cost of funding
- Broader risk diversification
- Increased revenue opportunities

Should this proposal be accepted, the Board of Arion Bank recommends that the exchange ratio be determined based on the market value of the companies over a mutually agreed reference period, as appropriate.

The Board of Arion Bank believes that a merger would bring considerable value to shareholders and increase efficiency in the Icelandic financial market, benefitting clients of both companies.

Should the Board of Kvika Banki be willing to enter into negotiations, the Board of Arion Bank proposes that representatives from both parties, together with their advisors, convene as soon as possible to establish a framework for discussions, key workstreams, and a preliminary schedule. In this context it is noted that, with the shares of both companies being publicly traded, it is anticipated that due diligence on available information will be limited in scope and duration.

Finally, in accordance with applicable financial regulations, Arion Bank will publish this letter together with a corresponding announcement via the Nasdaq newswire.

Sincerely,

Paul Horner  
Chairman of the Board of Arion Bank hf.

Benedikt Gíslason  
CEO of Arion Bank hf.