



Securities Note

July 2019

CONTENTS

Notice to investors.....	4
1. Risk factors	6
1.1. General Risk of Bills	6
1.2. Risk relating to the Bills	6
1.2.1. Market Risk	6
1.2.2. Liquidity Risk.....	6
1.2.3. Issuer's Liquidity Risk	6
1.2.4. Changes in Legislation	6
2. Definitions	7
3. Legal Environment.....	9
4. Information on the Bills and admittance to trading.....	10
4.1. Issuer	10
4.2. Information on the Bills.....	10
4.3. Authorisation to issue the Bills.....	13
4.4. Laws governing the issuance of the Bills	13
4.5. Admission to Trading on the Regulated Market of Nasdaq Iceland.....	13
5. Persons responsible	14
5.1. Company's Statement	14
6. Potential Conflicts of Interests	15
7. Issue description	15
8. Update of registration document.....	15
8.1. Update of table of contents.....	16
8.2. Update of Notice to Investors.....	18
8.3. Update of chapter 1.2.4 Legal Risk	18
8.4. Update of chapter 1.3.1 Credit Risk	19
8.5. Update of chapter 1.3.2 Liquidity Risk	22
8.6. Update of chapter 1.3.3 Market Risk.....	23
8.7. Update of chapter 1.3.4 Interest Rate Risk	23
8.8. Update of chapter 1.3.5 Currency Risk	24
8.9. Update of chapter 1.3.6 CPI/Inflation Risk	24
8.10. Update of chapter 1.3.9 Risk relating to impairment of Goodwill	25
8.11. Update of chapter 3 Persons Responsible.....	26

8.12.	Update of chapter 5.3 Legal Environment.....	28
8.13.	Update of chapter 5.4 History and Development	28
8.14.	Update of chapter 6.2 General Overview	28
8.15.	Update of chapter 6.3 Business Structure.....	28
8.16.	Update of chapter 6.3.1 Asset Management.....	30
8.17.	Update of chapter 7.1 Financial Position at year-end 2018.....	30
8.18.	Update of chapter 7.2.2 GAMMA Capital Management	30
8.19.	Addition of chapter 7.8 Financial Statements for the period 1 January to 31 March 2019	31
8.20.	Update of chapter 8.5 Board of Directors.....	32
8.21.	Update of chapter 8.8.1 Asset and Liability Committee (ALCO).....	33
8.22.	Update of chapter 8.8.2 Credit Committee	33
8.23.	Update of chapter 8.9 Executive Management.....	33
8.24.	Update of chapter 9.1 Share Capital	36
8.25.	Update of chapter 9.3 Shareholders.....	36
8.26.	Update of chapter 10 Documents on Display	37
8.27.	Update of chapter 10.1 Information incorporated by reference.....	37

Notice to investors

This Securities Note dated 4 July 2019 (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 4 July 2019 (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 19 1219 (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 4 July 2019 and a Registration Document scrutinised and approved by the Financial Supervisory Authority on 10 May 2019. The Prospectus is available for viewing at the Company's registered office at Borgartún 25, 105 Reykjavík, Iceland. The Prospectus will also be available on the Company's website: <http://www.kvika.is/vixlar>.

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, Borgartúni 25, 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 19 1019, 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 4 July 2019, which concerns and is published in relation to Kvika's application to have its bills in the new series KVB 19 1219 admitted to trading on the Regulated Market of Nasdaq Iceland, consisting of this securities note dated 4 July 2019 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 10 May 2019, which concerns and is published in relation to Kvika's application to have its bills in the new series KVB 19 1219 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:	Borgartún 25, 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 June 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 4.84%. The sale value of the issuance is ISK 1,952,231,000 and the net sale value after costs is estimated at ISK 1,951,383,500. 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 738,500 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 19 1219.
ISIN number	IS0000031276.
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 20191219
Electronically registered	The Bills are issued electronically in 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 value units	20,000,000.
Total limit	2,000,000,000.
Previously issued	0.
Already issued	2,000,000,000.
Date of issue	19.06.2019.
Total number of due dates of the principal as a whole	1.
Maturity date of principal	19.12.2019.
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 Kvíka 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 24 May 2019.

4.4. Laws governing the issuance of the Bills

The Bills are issued in accordance with the Act on Bills and 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.

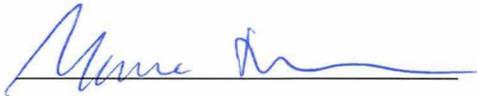
5. Persons responsible

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, 4 July 2019

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, are incorporated in the Prospectus by reference and may be accessed on the Issuer's website, under the following link:

<https://www.kvika.is/asset/2558/reglur-um-radstafanir-gegn-hagsmunaarekstrum.pdf>

7. Issue description

In appendix I below is an issue description of the Bills, dated 13 June 2019.

8. 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 4 July 2019 and is updated with respect to this securities note as follows

8.1. Update of table of contents

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

Contents	
Contents	2
Notice to investors	5
1 Risk Factors	6
1.1 General	6
1.2 Issuer's Operational Risk	7
1.2.1 <i>Operational Risk</i>	7
1.2.2 <i>Information Technology Risk</i>	8
1.2.3 <i>Risk relating to unauthorised disclosure of Information and Data</i>	9
1.2.4 <i>Legal Risk</i>	10
1.2.5 <i>Contract Risk</i>	10
1.2.6 <i>Compliance Risk</i>	11
1.2.7 <i>Risk relating to Essential Employees</i>	11
1.2.8 <i>Risk relating to Accounting Principles</i>	12
1.2.9 <i>Risk relating to Tax Legislation</i>	12
1.2.10 <i>Risk relating to VAT</i>	12
1.2.11 <i>Business and Strategy Risk</i>	13
1.2.12 <i>Political and Regulatory Risk</i>	13
1.2.13 <i>Reputational Risk</i>	13
1.2.14 <i>Insurance Risk</i>	14
1.3 Issuer's Financial Risks	14
1.3.1 <i>Credit Risk</i>	14
1.3.2 <i>Liquidity Risk</i>	19
1.3.3 <i>Market Risk</i>	21
1.3.4 <i>Interest Rate Risk</i>	22
1.3.5 <i>Currency Risk</i>	23
1.3.6 <i>CPI/Inflation Risk</i>	24
1.3.7 <i>Equity Risk</i>	25
1.3.8 <i>Prepayment Risk</i>	25
1.3.9 <i>Risk relating to impairment of Goodwill</i>	25
1.4 Capital Management Risk	26
2 Definitions	27
3 Persons Responsible	31
3.1 Company Statement	31
3.2 Statutory Auditors Statement	32
3.3 Potential Conflicts of Interest	33
4 Third Party Information	33
5 Information about the Company	34
5.1 The Issuer	34
5.2 The Issuer's Purpose	34
5.3 Legal Environment	34
5.4 History and Development	37
6 Business Overview	39
6.1 Competitive Environment	39
6.2 General Overview	39
6.3 Business Structure	40
6.3.1 <i>Asset Management</i>	41

6.3.2	<i>Capital Markets</i>	43
6.3.3	<i>Corporate Banking</i>	44
6.3.4	<i>Corporate Finance</i>	48
6.3.5	<i>Finance and Operations</i>	48
6.3.6	<i>Risk Management</i>	49
6.3.7	<i>Legal</i>	49
6.3.8	<i>Compliance</i>	50
6.3.9	<i>Internal Audit</i>	50
7	Operating and Financial Review	50
7.1	Financial position at year-end 2018	51
7.2	Major developments during, and after, the Period	52
7.2.1	<i>Virðing and Alda</i>	52
7.2.2	<i>GAMMA Capital Management</i>	53
7.3	Consolidated Income Statement	53
7.4	Consolidated Statement of Comprehensive Income	54
7.5	Consolidated Statement of Financial Position	54
7.6	Consolidated Statement of Cash Flows	55
7.7	Reconciliation of Consolidated Statement of Financial Position	56
7.8	Financial Statements for the period 1 January to 31 March 2019	57
8	Corporate Governance and related information	58
8.1	Kvika's Business Strategy	58
8.2	Compliance with Corporate Governance	59
8.3	Applicable laws and provisions	59
8.4	Internal control, risk management and accounting	60
8.5	The Board of Directors	60
8.5.1	<i>Declarations by the members of the Board of Directors</i>	69
8.6	Communications between the shareholders and the Board	69
8.7	Sub-Committees of the Board of Directors	69
8.7.1	<i>Risk Committee</i>	69
8.7.2	<i>Audit Committee</i>	70
8.7.3	<i>Remuneration Committee</i>	70
8.8	Committees established by the CEO	70
8.8.1	<i>Asset and Liability Committee (ALCO)</i>	70
8.8.2	<i>Credit Committee</i>	71
8.8.3	<i>Operations Committee</i>	71
8.9	Executive Management	72
8.9.1	<i>Declarations by the members of the Executive Management</i>	77
8.10	Auditors	78
9	Shareholders and Share Capital	78
9.1	Share Capital	78
9.2	Warrants	78
9.3	Shareholders	80
10	Documents on Display	81
10.1	Information incorporated by reference	81

8.2. 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 4 July 2019 (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 19 1219 (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 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 4 July 2019, this Registration Document dated 10 May 2019 and updates to the Registration Document as described in chapter 8 of the Securities Note. The Prospectus is available for viewing at the Company's registered office at Borgartún 25, 105 Reykjavík, Iceland. The Prospectus will also be available on the Company's website: <http://www.kvika.is/bills>.

8.3. 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.

The Bank was recently a party to one legal proceeding, where there was a substantial financial risk in place. The Bank assumed Virðing's involvement as a party to the legal proceeding and any liabilities that might arise because of them when the two companies merged. Virðing (now

the Bank) was sued for damages with a subpoena which was brought to the courts on 1 November 2016. The Supreme Court acquitted the Bank of the plaintiff's claims on 31 May 2019.

8.4. 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:

31.3.2019	Public entities	Financial institutions	Corporate customers	Individuals	31.3.2019
Cash and balances with Central Bank...	22,180,675	10,036,844			32,217,519
Fixed income securities	808,511	2,632,911	593,751		4,035,173
Securities used for hedging	9,767,836	7,821,792	764,784		18,354,412
Loans to customers	73,172	9,448,469	14,483,579	4,629,334	28,634,554
Derivatives	745,459	554,917	37,699		1,338,076
Other assets	12,434	59,038	10,883,722		10,955,193
Total	33,588,088	30,553,970	26,763,534	4,629,334	95,534,926
Loan commitments		814,982	2,208,515	707,941	3,731,437
Financial guarantee contracts		1,677,500	606,862		2,284,362
Total	33,588,088	33,046,452	29,578,911	5,337,275	101,550,726

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:

31.3.2019	Claim value	Expected credit loss	Carrying amount	%
Public entities.....	73,172	0	73,172	0.3%
Financial institutions	171	(1)	171	0.0%
Corporate				
Services	11,212,602	(81,451)	11,131,151	38.8%
Holding companies	6,479,745	(18,262)	6,461,483	22.5%
Real estate, construction and industry	2,970,986	(47,638)	2,923,348	10.2%
Retail	1,269,097	(9,465)	1,259,632	4.4%
Other	2,300,982	(20,577)	2,280,405	7.9%
Individual	4,617,574	(36,936)	4,580,637	16.0%
Total	28,924,329	(214,330)	28,709,999	100.0%

Table 2: Credit risk

All amounts in ISK '000

Credit quality of financial assets by credit score and IFRS 9 stages is specified as follows:

31.3.2019

<i>Loans to customers:</i>	Stage 1	Stage 2	Stage 3	FVTPL	Total
Credit score 1-4	17,507,988	310,441		710,378	18,528,807
Credit score 5-6.....	3,356,588	0		740,368	4,086,956
Credit score 7-8	1,001,255	641,336		466,418	2,109,010
Credit score 9-10	164,945	74,331			239,276
In default		0	367,481		367,481
Non-rated	3,366,817	2,904		213,079	3,582,799
Gross carrying amount	25,397,593	1,029,012	367,481	2,130,243	28,924,329
Expected credit loss	(135,846)	(20,681)	(57,803)		(214,330)
Book value	25,261,747	1,008,331	309,678	2,130,243	28,709,999

Table 3: Credit Risk

All amounts in ISK '000

The extent of past due loans is as follows:

31.3.2019	Claim value	Expected credit loss	Carrying amount
Not past due	27,637,681	(201,334)	27,436,347
Past due 1-30 days	1,163,613	(7,628)	1,155,985
Past due 31-60 days	65,193	(158)	65,035
Past due 61-90 days	12,116		12,116
Past due 91-180 days	23,904		23,904
Past due 181-360 days			0
Past due more than 360 days	21,821	(5,210)	16,611
Total	29,664,550	(214,330)	28,709,999

Table 4: Credit Risk

All amounts in ISK '000

The loan portfolio is unique with respect to composition and duration. As at 31 March 2019, the 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 31.3.2019 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	31.3.2019
Financial institutions	2,282	18,537	53,673	419,907			494,399
Corporate customers	1,110,308	92,516	8,111,960	9,790,647	117,394	682,297	19,905,123
Individuals.....	13,006	18,902	487,696	411,156			930,760
Other.....							0
Total	1,125,596	129,955	8,653,329	10,621,710	117,394	682,297	21,330,282

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:

31.3.2019	Amount	%
Less than 50%.....	12,165,144	42.4%
51-70%.....	3,385,594	11.8%
71-90%	3,008,664	10.5%
91-100%	448,469	1.6%
More than 100%	4,572,195	15.9%
<i>No collateral</i>		
Purchased short-term retail claims.....	3,464,207	12.1%
Other loans with no collateral	1,665,727	5.8%
Total	28,709,999	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 31.3.2019 are as follows:

Large exposures before risk adjusted mitigation	Number	Amount
10-20% of capital base	7	8,828,799
20-25% of capital base	1	2,382,911
Exceeding 25% of capital base	2	6,567,533
Total	10	17,779,243
Thereof nostro accounts with foreign banks with S&P rating of A- or higher....	2	5,272,593
Large exposures net of risk adjusted mitigation.....	1	4,983,678

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.

8.5. Update of chapter 1.3.2 Liquidity Risk

Paragraphs 4 and table 8 in chapter 1.3.2 *Liquidity Risk* are now as follows:

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 March 2019 the LCR was 175% and at year end 2018 it was 277%.

31.3.2019							
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	29,766,119	2,451,400				32,217,519	32,217,519
Fixed income securities	3,892,395	54,595	88,183			4,035,173	4,035,173
Shares and other variable income securities	1,491,704	2	2,978,941			4,470,646	4,470,646
Securities used for hedging	27,326,993					27,326,993	27,326,993
Loans to customers	2,472,060	5,434,058	13,381,035	7,990,093	487,921	29,765,167	28,709,999
Other assets	8,395,445	692,100	528,141	1,339,507		10,955,193	10,955,193
	73,344,717	8,632,154	16,976,300	9,329,600	487,921	108,770,692	107,715,524
<i>Derivative assets</i>							
Inflow	6,049,416	271,888	28,552	195,641		6,545,497	
Outflow	(5,090,002)	(234,496)	(1,278)	(5,980)		(5,331,756)	
	959,414	37,393	27,274	189,661	0	1,213,741	1,338,076
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	(40,103,795)	(12,968,207)	(1,420,983)	(2,054,249)	(211,761)	(56,758,995)	56,751,979
Borrowings	(7,674,075)	(7,694,763)	(5,335,123)	(263,004)		(20,966,965)	20,950,697
Issued bills		(1,840,000)	(2,000,000)			(3,840,000)	3,772,801
Issued bonds		(21,366)	(1,055,763)	(2,564,873)		(3,642,002)	3,058,649
Subordinated liabilities			(59,612)	(364,714)	(2,459,294)	(2,883,621)	1,987,848
Short positions held for trading	(364,887)					(364,887)	364,887
Other liabilities	(9,229,815)	(1,038,886)	(631,158)	(2,068,245)		(12,968,105)	12,968,105
	(57,372,572)	(23,563,223)	(10,502,639)	(7,315,087)	(2,671,055)	(101,424,575)	99,854,966
<i>Derivative liabilities</i>							
Inflow	23,631,281	567,988				24,199,269	
Outflow	(29,942,910)	(576,571)				(25,519,480)	
	(1,311,628)	(8,583)				(1,320,211)	1,445,216
Unrecognised financial items							
<i>Loan commitments</i>							
Inflow	438,382	782,904	2,074,972	605,947		3,902,205	
Outflow	(3,731,437)					(3,731,437)	
<i>Financial guarantee contracts</i>							
Inflow	354,543	102,288	1,578,246	215,446	33,840	2,284,362	
Outflow	(2,284,362)					(2,284,362)	
	(5,222,874)	885,191	3,653,218	821,393	33,840	170,768	
Summary							
Non-derivative assets	73,344,717	8,632,154	16,976,300	9,329,600	487,921	108,770,692	
Derivative assets	959,414	37,393	27,274	189,661		1,213,471	
Non-derivative liabilities	(57,372,572)	(23,563,223)	(10,502,639)	(7,315,087)	(2,671,055)	(101,424,575)	
Derivative liabilities	(1,311,628)	(8,583)				(1,320,211)	
Net assets (liabilities) excl. unrecognised items.....	15,619,931	(14,902,258)	6,500,934	2,204,174	(2,183,133)	7,239,647	
Net unrecognised items.....	(5,222,874)	885,191	3,653,218	821,393	33,840	170,768	
Net assets (liabilities).....	10,397,057	(14,017,067)	10,154,152	3,025,567	(2,149,293)	7,410,415	

Table 8: Liquidity Risk

All amounts in ISK '000

8.6. 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	31.3.2019
Listed government bonds and bonds with government guarantees.....	436,274
Listed treasury bills	0
Listed bonds	3,597,415
Unlisted bonds.....	1,483
Total	4,035,173

Table 9: Market Risk

All amounts in ISK '000

Shares and other variable income securities	31.3.2019
Listed shares	1,212,793
Unlisted shares	1,745,857
Unlisted unit shares	1,511,995
Total	4,470,646

Table 10: Market Risk

All amounts in ISK '000

8.7. 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:

31.3.2019	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	31.3.2019
Fixed income securities.....	62,009	6,690	1,446,980	569,797	1,949,696	4,035,173
Short positions - fixed income securities.....				(329,420)	(35,466)	(364,887)
Net imbalance	62,009	6,690	1,446,980	240,377	1,914,230	3,670,286

Table 11: Interest Rate Risk

All amounts in ISK '000

31.3.2019	Shift in basis points	Downward	Upward
Indexed	50	70,430	(75,430)
Non-indexed	100	12,242	(12,242)
Total		87,672	(87,672)

Table 12: Interest Rate Risk

All amounts in ISK '000

Financial assets 31.3.2019	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with Central Bank.	28,557,520	3,660,000				32,217,519
Loans to customers.....	24,491,081	1,086,866	1,938,760	1,169,074	24,219	28,709,999
Financial assets excluding derivatives	53,048,601	4,746,866	1,938,760	1,169,074	24,219	60,927,518
Effect of derivatives.....	29,588,899	893,834	1,000,000	3,100,000		34,582,734
Total	82,637,500	5,640,700	2,938,760	4,269,074	24,219	95,510,252
Financial liabilities	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Deposits from customers	56,751,979					56,751,979
Borrowings	7,807,651	7,655,615	5,237,360	250,071		20,950,697
Issued bills		1,951,654	1,821,147			3,772,801
Issued bonds	253,262		929,523	1,875,864		3,058,649
Subordinated liabilities					1,987,848	1,987,848
Financial liabilities excluding derivatives	64,812,892	9,607,269	7,988,030	2,125,935	1,987,848	86,521,974
Effect of derivatives	4,603,016	4,089				4,607,104
Total	69,415,908	9,611,358	7,988,030	2,125,935	1,987,848	91,129,079
Total interest repricing gap	13,221,592	(3,970,658)	(5,094,270)	2,143,139	(1,963,629)	4,381,174

Table 13: Interest Rate Risk

All amounts in ISK '000

Currency - 31.3.2019	Shift in basis points	Downward	Upward
ISK, indexed	50	9,780	(9,595)
ISK, non-indexed	100	(33,610)	30,717
Other currencies.....	20	(2,109)	1,370
Total		(25,939)	22,492

Table 14: Interest Rate Risk

All amounts in ISK '000

8.8. 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 31 March 2019 is as follows:

Net currency position	EUR	USD	GBP	CAD	Other currencies	Total
Financial assets.....	5,447,589	8,838,723	1,879,243	106,370	1,048,064	17,319,989
Financial liabilities.....	(5,506,419)	(7,861,610)	(1,686,582)	(67,993)	(980,018)	(16,102,622)
Financial guarantee contracts.....	9,712					9,712
Total	(49,119)	977,113	192,661	38,377	68,046	1,227,079

Table 15: Currency Risk

All amounts in ISK '000

Assets and liabilities denominated in foreign currencies	31.3.2019	
	-10%	+10%
EUR	(4,912)	4,912
USD	97,711	(97,711)
GBP	19,266	(19,266)
CAD	3,838	(3,838)
NOK	1,356	(1,356)
Other currencies	5,449	(5,449)
Total	122,708	(122,708)

Table 16: Currency Risk

All amounts in ISK '000

8.9. 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 31.3.2019 was as follows:

31.3.2019	Amount
Assets	10,484,982
Liabilities.....	(7,659,185)
Total	2,825,798

Table 17: CPI/Inflation Risk

All amounts in ISK '000

31.3.2019	Change in amount	
	-1%	1%
Government bonds	(7,062)	7,062
Other fixed income securities	(20,959)	20,959
Loans to customers	(40,829)	40,829
Derivatives	(36,000)	36,000
Short positions	8,596	(8,596)
Deposits	49,996	(49,996)

Subordinated debt	18,000	(18,000)
Total	(28,258)	28,258

Table 18: CPI/Inflation Risk

All amounts in ISK '000

8.10. 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 was performed at the end of March 2019. Its results showed that the recoverable value exceeds the carrying value of goodwill. In addition to the base case testing, additional scenarios were tested where some key inputs had been stressed. In all scenarios tested, the results show that there is sufficient headroom and that there are no triggers indicating that impairment is necessary. Consequently, the book value of goodwill at 31.3.2019 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.

8.11. 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, 4 July 2019

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. 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 for the respective years ended 31 December and of its financial performance and its cash flows for the years 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. confirms that the information reproduced in this Prospectus from the abovementioned consolidated financial statements for Kvika is consistent with their respective originals.

Reykjavík, 4 July 2019

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

8.12. 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 31.3.2019, Júpíter, Rekstrarfélag Virðingar 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.

8.13. 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 Júpíter 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, “In October 2017..” is removed

8.14. Update of chapter 6.2 General Overview

Paragraph 4 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.

8.15. 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 31.3.2019, the Group employed 133 full-time employees.

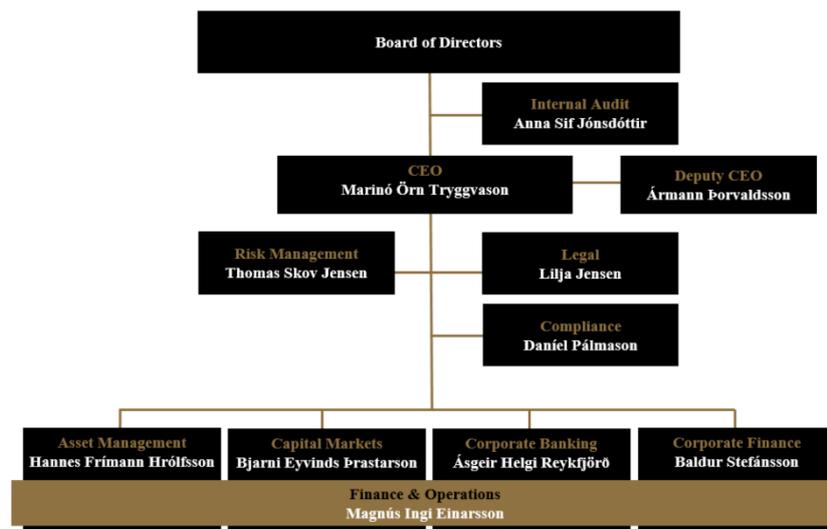


Figure 1: The Group's organisational chart

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

Entity	Nature of operations	Domicile	Share 31.3.2019
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%
Rekstrarfélag Virðingar hf.	Fund management	Iceland	100%
AC GP 3 ehf.	Fund management	Iceland	80%
Kvika Securities ltd.	Business consultancy services	UK	100%

Table 199: 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.

On 27 June 2019 Kvika signed a sales and purchase agreement for the sale of its shares in Rekstrarfélag Virðingar, a UCITS management company, licensed under the Act on Financial Undertakings and the Act on UCITS, Investment Funds and Professional Investment Funds. The transaction is subject to approval from regulatory authorities and at the date of this Prospectus has not been completed.

Júpíter, Rekstrarfélag Virðingar and GAMMA are currently in the process of transferring funds between entities and merging where applicable. Júpíter will operate 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. The fund transfers are being processed and once completed Kvika estimates that Júpíter will operate 34 funds and GAMMA 30 funds. 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.

8.16. 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 four 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

8.17. 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> Neither announcement forms a part of this Registration Document.

8.18. 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 31 March 2019.

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 2,394 million and the consolidated profit for the year would have been ISK 625 million.

8.19. Addition of chapter 7.8 Financial Statements for the period 1 January to 31 March 2019

The Condensed Interim Consolidated Financial Statements of the Group for the period 1 January to 31 March 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 Statements for the first quarter of 2019 has been incorporated in the Prospectus by reference and may be accessed on the Issuer's website under the following link:

<https://www.kvika.is/asset/2629/kvika-condensed-interim-consolidated-financial-statements-31.03.19.pdf>

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.

The Bank results in the first quarter of 2019 were strong as had been indicated by a positive profit announcement published 14 April. The main cause of the good results is that due to favourable market circumstances during the quarter, fee and commission income exceeded expectations. According to the Condensed Interim Consolidated Statement of Financial Position, equity at the end of the period amounted to ISK 13,220 million (31.12.2018: ISK 12,970 million) and total assets amounted to ISK 115,106 million (31.12.2018: ISK 88,274 million).

The Group's net operating income during the quarter was ISK 2,289 million (Q1 2018: ISK 1,643 million). Net interest income amounted to ISK 424 million (Q1 2018: ISK 412 million). Net fee income amounted to ISK 1,657 million (Q1 2018: ISK 1,012 million). Other operating income amounted to ISK 208 million (Q1 2018: ISK 219 million). Administrative expenses during the quarter amounted to ISK 1,301 million (Q1 2018: ISK 1,018 million). Profit for the period amounted to ISK 709 million (Q1 2018: ISK 644 million), corresponding to an annualised 22.4% 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 31.3.2019 is 22.5% (31.3.2018: 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 requirements imposed following the implementation of CRD IV is 20.25% as at 31 December 2018. 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 March 2019 the Group's 30 day liquidity coverage ratio (LCR) was 175%, well above the minimum level of 100%.

8.20. Update of chapter 8.5 Board of Directors

The subchapter Board member, Hrönn Sveinsdóttir of chapter 8.5 *Board of Directors* is now as follows:

Board member

Name:	Hrönn Sveinsdóttir
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 worked for Sýn hf. as CFO from 2005- 2019. 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.

8.21. 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.

8.22. 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.

8.23. Update of chapter 8.9 Executive Management

The subchapters CEO, Deputy CEO and Managing Director of Corporate Banking of chapter 8.9 *Executive Management* are now as follows:

CEO

Name:	Marinó Örn Tryggvason
Date of birth:	25.05.1978
Business address:	Borgartúni 25, 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.: Not applicable.

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: Borgartúni 25, 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 Virðing. He was the head of Virðing'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.

Board memberships, etc.: Ármann is currently a board member of Kvika Securities Limited, BBL III ehf., the Icelandic Financial Services Association (SFF), 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., Marinvest ehf., BF útgáfa ehf., Jöká ehf., Reykjavík IO ehf., BBL VIII ehf., BK eignir ehf., Risk ehf. and has been an alternate board member of Leto ehf. and Tryggingamiðstöðin hf.

Managing Director of Corporate Banking

Name:	Ásgeir Helgi Reyk fjörð Gylfason
Date of birth:	22.01.1982
Business address:	Borgartúni 25, 105 Reykjavík, Iceland
Experience:	Ásgeir H. Reyk fjörð joined Kvika (formerly MP banki) as General Counsel in October 2012. Since the merger of MP banki and Straumur, he has served as the Managing Director of Corporate Banking. In 2015, Ásgeir was appointed by the Minister of Finance and Economic Affairs to the Task Force on the Liberalization of Capital Controls. He previously worked as an attorney at LOGOS Legal Services in Reykjavík and London from 2009 to 2012 and for Straumur Investment Bank from 2004 to 2009. Ásgeir was on the faculty of the Reykjavík University School of Law from 2009 to 2017. Ásgeir has been a member of the Board of FÍ fasteignafélag slhf. since 2014. He holds a BA and ML degree in law from Reykjavík University and is an attorney. Ásgeir does not own shares in Kvika.
Board membership etc.:	Ásgeir currently sits on the board of directors of BBL VII ehf. and Reyk fjörð ehf. (also the managing director), EFAV ehf. (the Chairman), FÍ Fasteignafélag GP ehf., FÍ Fasteignafélag slhf., Gamli Byr, Gamli Byr eignarhaldsfélag ehf., and Horn Florida Limited (a subsidiary of Kvika which is in voluntary liquidation).

8.24. 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 1,844,996,308 as at 31.3.2019. At the end of March 2019 the Bank held treasury shares with a nominal value of ISK 0 (2018: ISK 10 million).

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.

8.25. Update of chapter 9.3 Shareholders

Chapter 9.3 *Shareholders* is now as follows:

The Bank had 796 shareholders at 3.07.2019, none of which held more than 10% of shares in the Bank (2018:0). 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 3 July 2019, 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	9.49%
K2B fjárfestingar ehf.	6812093360	142,089,450	7.70%
Arion banki hf.	5810080150	118,575,067	6.43%
Vátryggingafélag Íslands hf.	6906892009	101,000,000	5.47%
Landsbankinn hf.	4710080280	69,500,308	3.77%
Lífsværk lífeyrissjóður	4302694299	69,208,617	3.75%
Íslandsbanki hf.	4910080160	64,981,419	3.52%
Almenni lífeyrissjóðurinn	4502902549	50,659,928	2.75%
Landsbréf - Úrvalsbréf	6708989549	36,696,000	1.99%
Sindrandi ehf.	6610132220	35,757,816	1.94%
Eignarhaldsfélagið VGJ ehf.	4803022650	33,188,978	1.80%
Titania ehf.	4404120680	33,044,951	1.79%
Birta lífeyrissjóður	4302690389	32,186,585	1.74%
MK 4 ehf.	5902081400	31,000,433	1.68%
Frjálsi lífeyrissjóðurinn	6009780129	26,370,959	1.43%
Miðeind ehf.	5912131480	25,040,000	1.36%
Akta Stokkur	6403179810	24,066,375	1.30%
Lífeyrissj. starfsm.rík. A-deild	5501973409	22,940,000	1.24%
Stekkur fjárfestingarfélag ehf	5406101340	20,628,875	1.12%
Hofgarðar ehf.	4103042360	20,445,000	1.11%
Mízar ehf.	4104110670	20,000,000	1.08%
Festa - lífeyrissjóður	5711710239	19,600,500	1.06%
Others <1%			36.48%

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.

8.26. 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 4 July 2019 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
- Issue description of the bills in the series KVB 19 1219

8.27. Update of chapter 10.1 Information incorporated by reference

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

The Articles of Association are incorporated in the Prospectus by reference and may be accessed on the Company's website, under the following link:

<https://www.kvika.is/asset/2608/samthykkir-kviku-17.4.2019.pdf>

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

<https://www.kvika.is/asset/2436/kvika-consolidated-financial-statements-31.12.2017.pdf>

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

<https://www.kvika.is/asset/2556/kvika-consolidated-financial-statements-31.12.2018.pdf>

The Condensed Interim Consolidated Financial Statements for the first quarter of 2019 is incorporated in the Prospectus by reference and may be accessed on the Issuer's website under the following link:

<https://www.kvika.is/asset/2629/kvika-condensed-interim-consolidated-financial-statements-31.03.19.pdf>

The Bank's rules on measures against conflicts of interests are incorporated in the Prospectus by reference and may be accessed on the Issuer's website, under the following link:

<https://www.kvika.is/asset/2558/reglur-um-radstafanir-gegn-hagsmunaarekstrum.pdf>

A statement on the corporate governance practices of Kvika, dated 28 February 2019, has been incorporated into this Prospectus by reference and may be accessed under the following link:

https://www.kvika.is/asset/2564/2019-02-28_stjornarhattayfirlysing-kviku-2019.pdf