

**Statement of the Board of Directors due to a reduction in share capital in accordance to para. 3 Art. 53 no. in the Act on limited liability companies no. 2/1995**

The Board of Directors of Vátryggingafélags Íslands hf., ID no. 690689-2009, Ármúli 3, 108 Reykjavík („VÍS“) makes the following proposal to the Company's General shareholders' meeting, held Wednesday, 27 June, 2018.

*"The General shareholders' meeting of VÍS, held on June 27th, 2018, agrees that the Company's share capital will be reduced on the basis of para. 2 Art. 51 Act no. 2/1995 on limited liability companies, with payment to shareholders in the amount of ISK 1,800,000,000, and the reduction will be paid through the delivery of shares in Kvika banki hf. The number of shares in Kvika banki hf. which will be delivered to shareholders on the due date, shall be based on the average share price in Kvika banki hf. for the last five business days prior to the date of payment of the share capital reduction. The proposal is approved subject to (1) the approval of the Icelandic Financial Supervisory Authority, in accordance to the requirements of the EU Regulation no. 2015/35, in accordance to Art. 51, regulation no. 585/2017, (2) the Companies Register at the Directorate of Internal Revenue grants the Company an exemption from the duty to issue a call to creditors, in accordance to para. 2 Art. 53 Act no. 2/1995, on public limited companies and (3) that other obligatory criteria are met.*

*The reduction will be of nominal value ISK 250,000,000 or 250,000,000 shares in VÍS. Reduction amount that exceeds nominal value, or ISK 1,550,000,000 will be deducted from the Company's available equity.*

*Provided that the conditions of the share capital reduction are met, payment to shareholders shall be made as soon as possible, but no earlier than seven business days after the conditions have been met. The Company shall then send a notification to the Exchange with information on details of the implementation of the reduction, including on payment date. Payment to shareholders shall be based on the Company's share register at the end of the trading day five business days before the payment date.*

*The payment of the share capital reduction is subject to that the number of shares in Kvika banki hf. required for the reduction of the share capital, does not to exceed 300,000,000 shares, but if the condition is not fulfilled, the reduction in share capital shall be cancelled. "*

The Board of Directors of VÍS hereby declares that the Company's debts with creditors are not a barrier for the above-mentioned reduction in share capital from ISK 2,202,642,307 to ISK 1,952,642,307 at nominal value, and that a higher amount of the Company's assets is to be paid than the sum of the reduction amount, or equivalent of ISK 1.800.000.000.

Reykjavík, 6 June, 2018

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Helga Hlín Hákonardóttir, Chairman of the Board

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Gestur Breiðfjörð Gestsson

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Jón Sigurðsson

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Svanhildur Nanna Vígfúsdóttir

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Valdimar Svavarsson

The undersigned auditor of VÍS hereby confirms that nothing has been found indicating otherwise than the above statement of the company is correct.

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Certified Accountant at PricewaterhouseCoopers ehf.