



TM

Kvika banki hf.

Hluthafafundur

30. mars 2021



Rafræn kosning



Leiðbeiningar

Atkvæðagreiðsla á fundinum fer alfarið fram í gegnum Lumi AGM.

Allir hluthafar eru hvattir til að hlaða niður snjallforriti Lumi AGM í eigin snjalltæki, en jafnframt geta þeir greitt atkvæði í gegnum vefslóð Lumi AGM.

- Vefslóð Lumi AGM - <https://web.lumiagm.com>
- App / Snjallforrit - Hlaða niður snjallforritinu „**Lumi AGM**“ í eigin snjalltæki í gegnum „**App Store**“ eða „**Play Store**“.

Hluthafi skráir inn auðkenni fundarins (Enter Meeting ID: **170-976-984**).

Hluthafi skráir sig svo inn með notendanafni (**Username**) og lykilorði (**Password**) sem hluthafi fékk afhent, annaðhvort í tölvupósti eða á blaði á fundarstað.

Muna að slökka á hljóðinu á útsendingunni á sjálfum fundinum.

Þegar kjósa á um dagskrárlið þá birtist hann á skjánum. Einnig er hægt að kjósa strax í upphafi fundar með því að opna flipann með súluritunum:

Þegar valmöguleiki hefur verið valinn er hann auðkenndur. Ef hluthafi vill skipta um skoðun er hægt að velja annan valmöguleika meðan kosning er opin. 
Til að hætta við, getur hluthafi valið „**Cancel**“.

Dagskrá

1. Tillaga um samruna Kviku banka hf., TM hf. og Lykils fjármögnunar hf.
2. Tillaga um breytingar á samþykktum félagsins vegna samrunans
3. Önnur mál



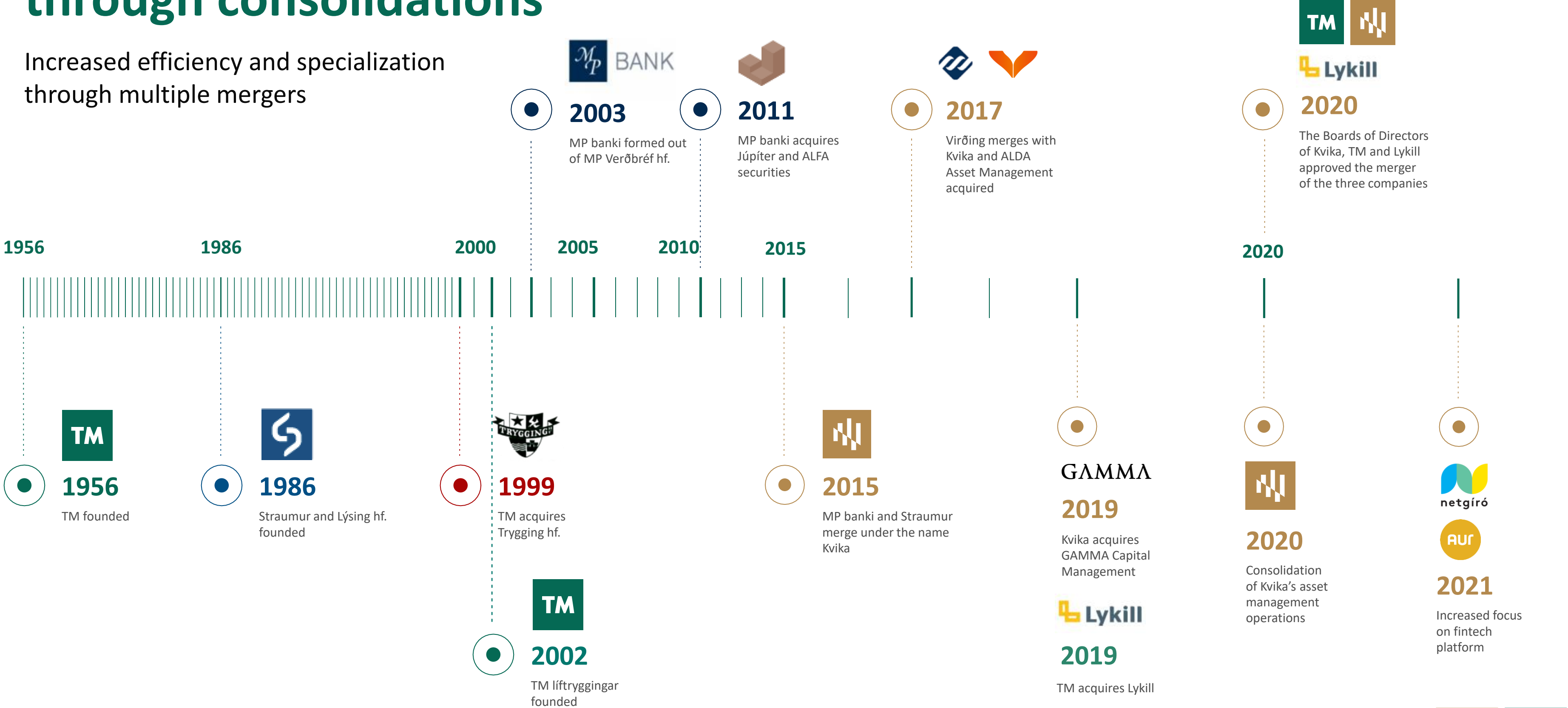
Samruni Kviku, TM og Lykils

Marinó Örn Tryggvason, forstjóri



Solid foundation through consolidations

Increased efficiency and specialization through multiple mergers

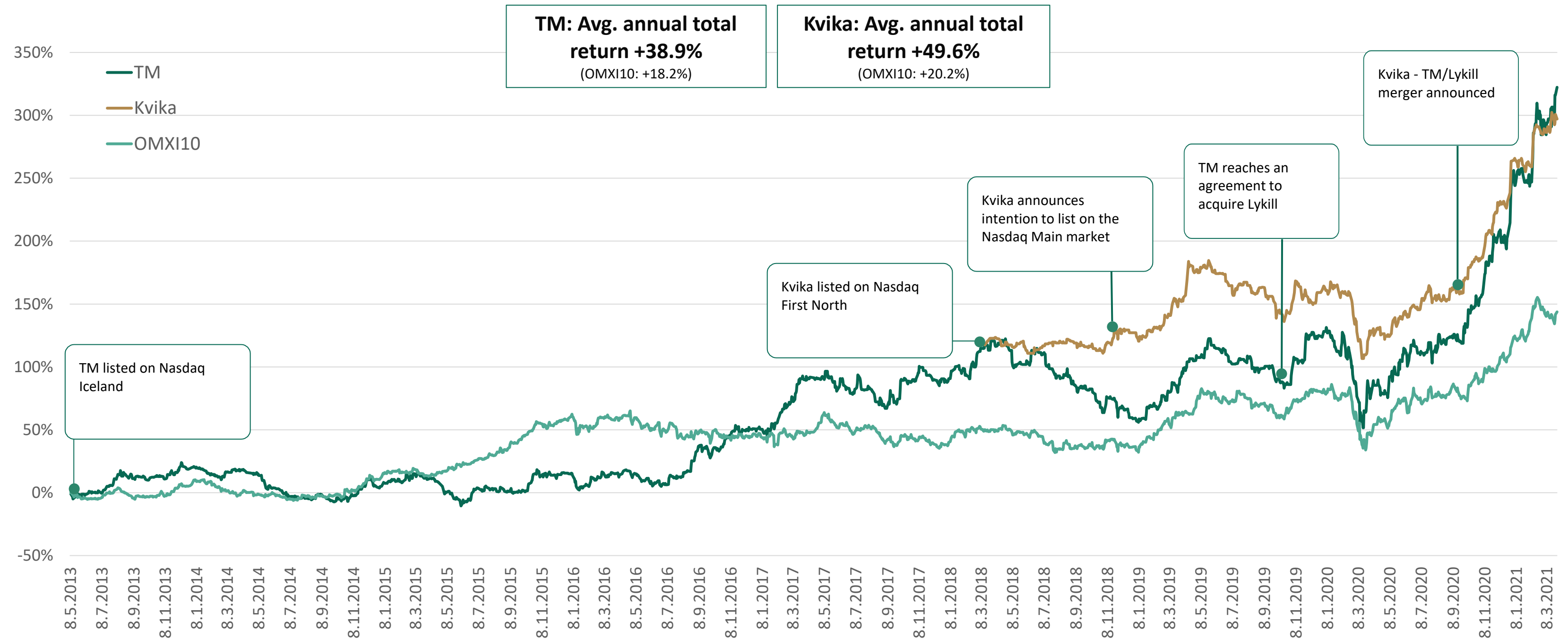


Strong results reflected in share price

Merger of two listed entities

Share price development

Total Return¹⁾ (%) / 2013-2021



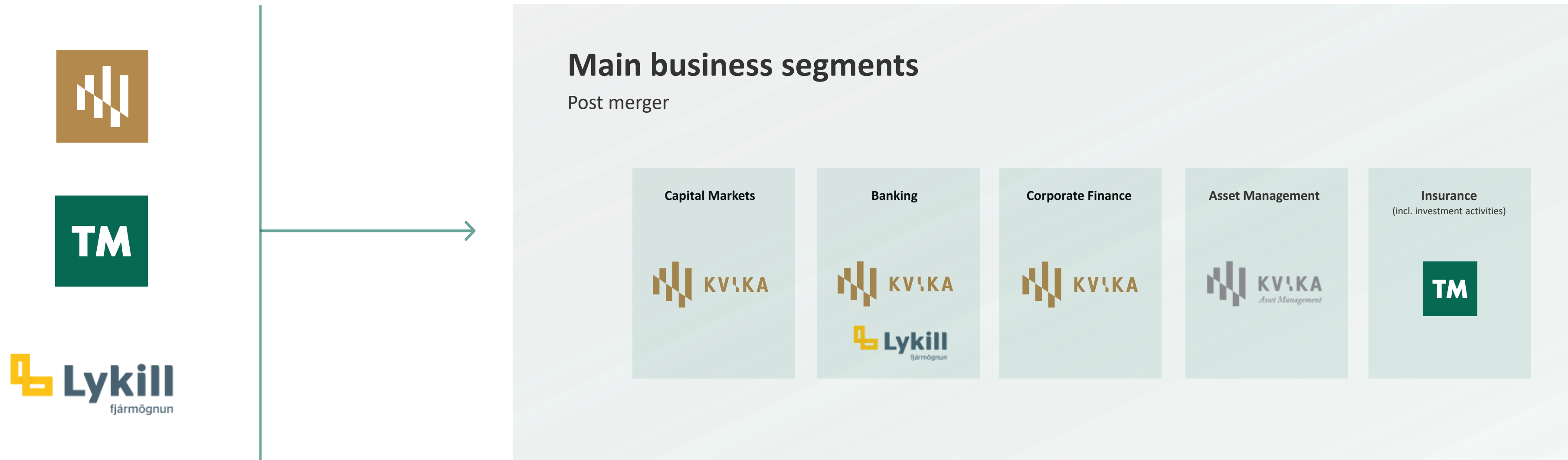
Source: Bloomberg, Nasdaq Iceland

1) Total returns include the reinvestment of dividends. Kvika's shares indexed to TM's share price from listing on Nasdaq First North (March 2018)



New structure post merger


Ongoing focus on core operation



Profitable entities that will continue to focus on its core operation while taking advantage of new growth opportunities

Unique market position

Kvika can differentiate through selective product and service offering



- Three large commercial banks
- General retail and corporate services
- Branch network
- Emphasis on commercial banking
- Comprehensive investment banking activities

Employees	776 – 878
AuM	ISK ~450 – 1,131 bn.
Deposits	ISK 568 – 793 bn.
Lending	ISK 823 – 1,273 bn.
Insurance Premiums	ISK 0 – 12.3 bn.



- Strong player in its areas of operation
 - Insurance
 - Asset Management
 - Corporate Finance
 - Banking
 - Capital Markets
- Growth opportunities

Employees	301
AuM	ISK 527 bn.
Deposits	ISK 60 bn.
Lending	ISK 68 bn.
Insurance Premiums	ISK 16.5 bn.



- Established insurance providers in Iceland
- Insurance operations
- Investment activities







Employees	187 - 197
AuM	ISK 0 bn.
Deposits	ISK 0 bn.
Lending	ISK 0 bn.
Insurance Premiums	ISK 20.8 – 22.5 bn.

Source: Statistical information on competitors on a consolidated basis, based on 2020 financial statements. Where statistical information on competitors is not available, figures reflect independent estimates based on the latest data and are therefore not precise. Kvika and TM figures are based on 2020 annual statements.



The Icelandic banking and insurance market landscape

By operating license

	Banks				Insurance companies	
						
Retail bank / branch network	✓	✓	✓			
Banking	✓	✓	✓	✓		
Asset Management & funds	✓	✓	✓	✓		
Capital Markets	✓	✓	✓	✓		
Corporate Finance	✓	✓	✓	✓		
Market Making	✓	✓	✓	✓		
Foreign Operation				✓		
Non-life insurance			✓	✓	✓	✓
Life insurance			✓	✓	✓	✓
Insurance investment activities			✓	✓	✓	✓
Assets under Management (ISK bn.)	~ 450	489	1.131	527		
Deposits (ISK bn.)	680	793	568	60		
Loans (ISK bn.)	1.007	1.273	823	68		
Total Equity (ISK bn.)	258	186	198	42	17	21
Non-Life Insurance Premiums (ISK bn.)			10.2	15.7	21	18.6
Life Insurance Premiums (ISK bn.)			2.0	0.8	1.5	2.2

Source: Statistical information on competitors on a consolidated basis, based on 2020 financial statements. Where statistical information on competitors is not available, figures reflect independent estimates based on the latest data and are therefore not precise. Kvika and TM figures are based on 2020 annual statements. As Íslandsbanki does not publish their AuM, numbers are based on Kvika's estimates. Íslandsbanki does release AuM figures for subsidiary Íslandssjóðir (2020: ISK 349 bn.)

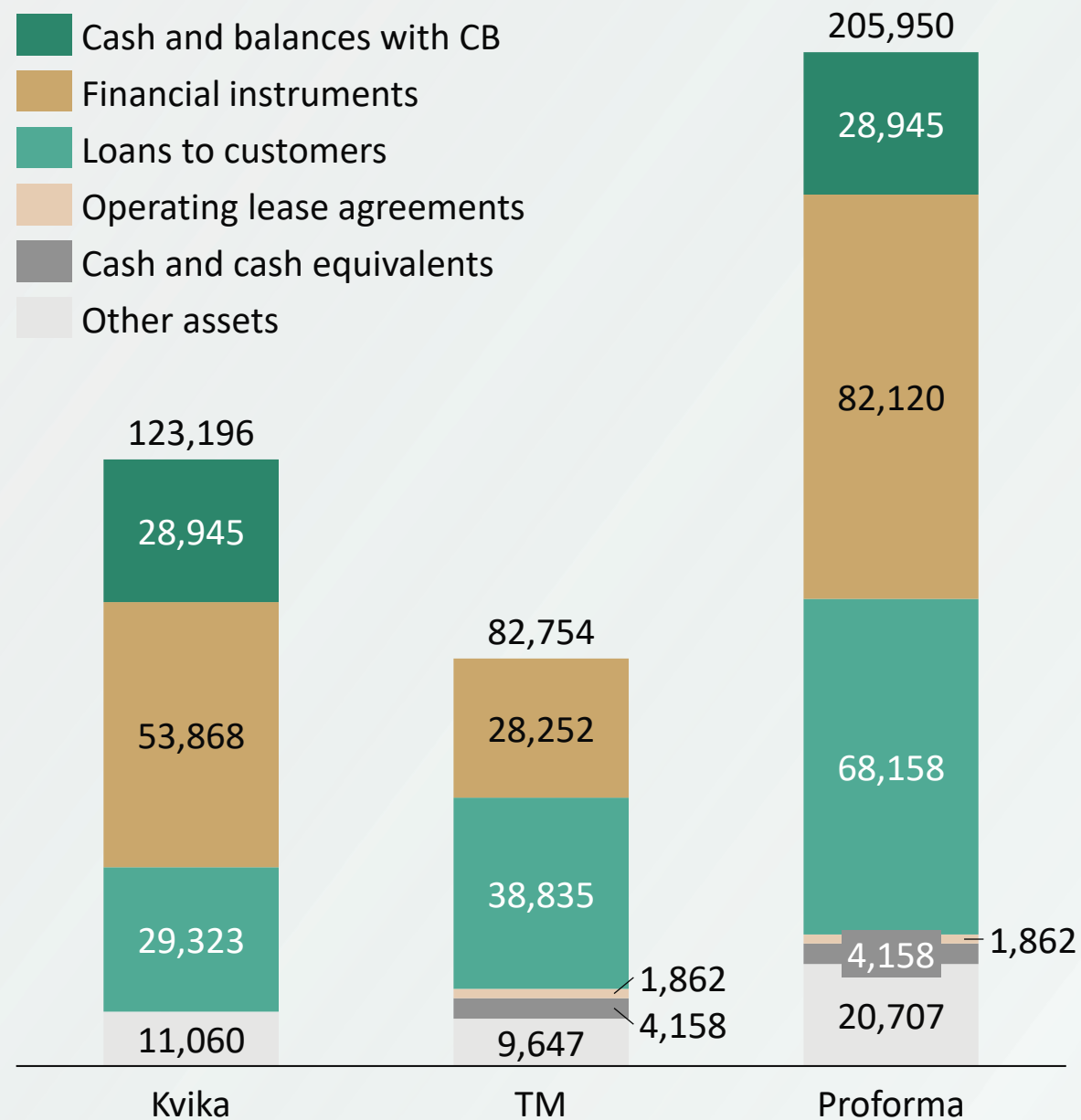


Increased financial strength post merger

Combined balance sheet

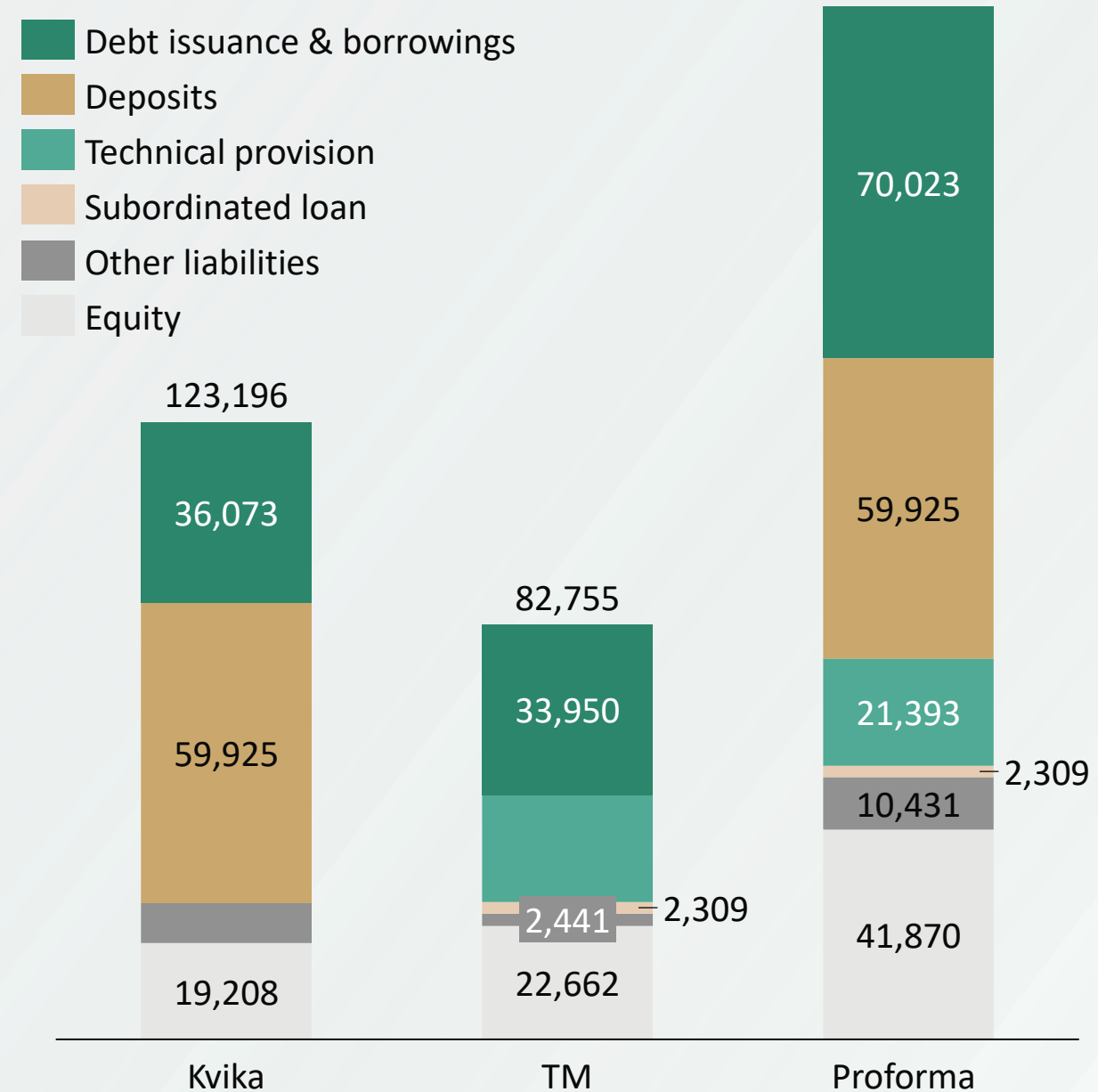
Total assets

KVIKA/TM Proforma 31.12.2020, ISK bn.

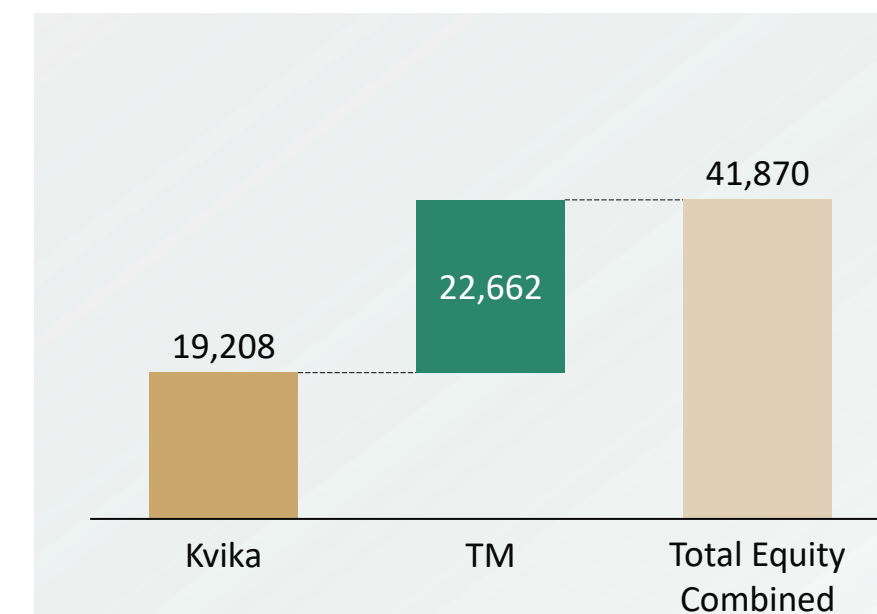


Equity & liabilities

KVIKA/TM Proforma 31.12.2020, ISK bn.



- Total assets over ISK 200 bn. following the merger
- Kvika's loan book more than doubles in size to roughly ISK 68 bn.
- Total equity also more than doubles to ISK 41.9 bn. post merger¹⁾
- The increased financial strength of the combined entity is expected to tap into a broader range of investment opportunities across all segments and lead to a more favourable financing



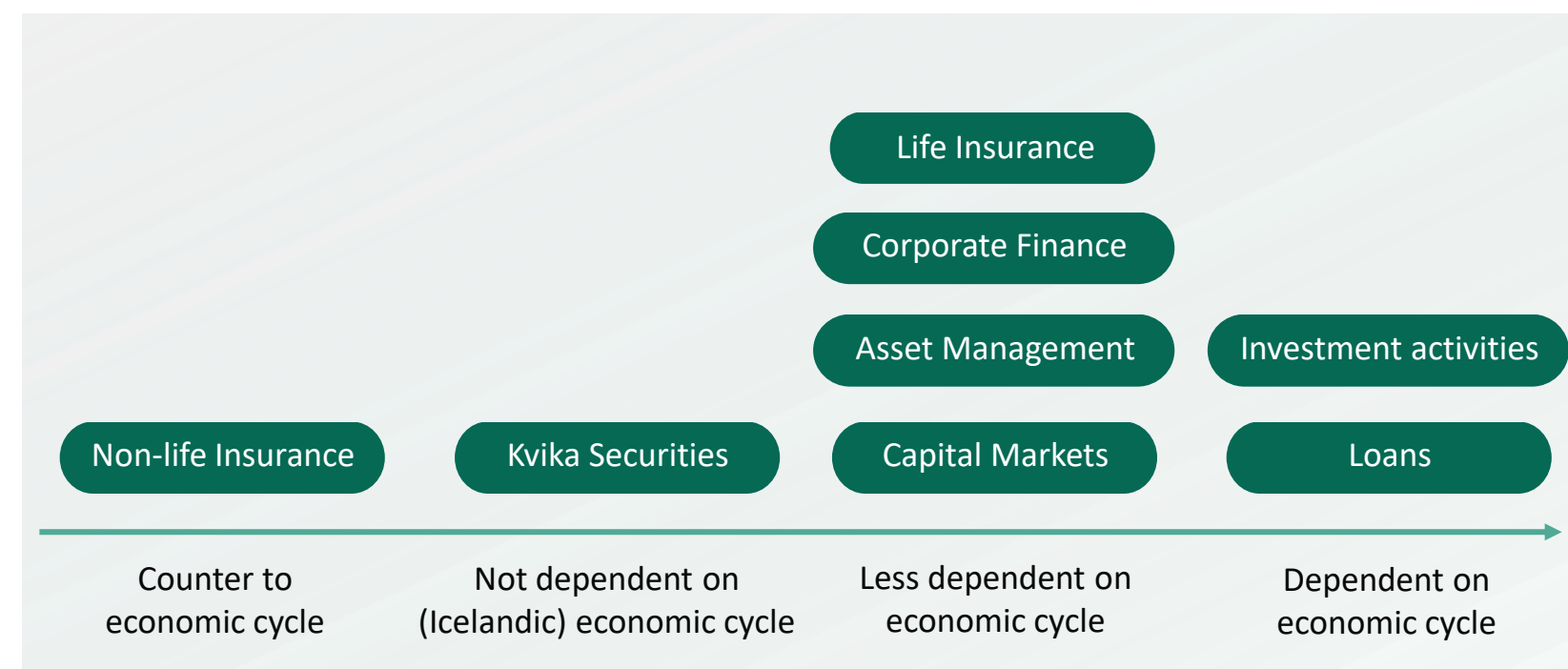
Source: Proforma balance sheet based on 2020 Financial Statements for the separate entities.

1) Total equity expected to be higher post merger due to transaction share premium.

Business model based on diversified income across segments

Strong core operation with substantial synergy potential

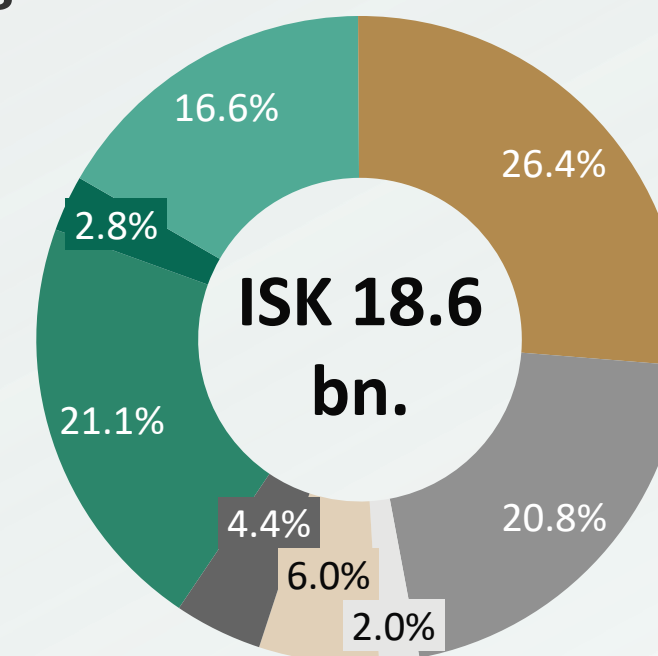
Diversified business model



Diversified income across segments

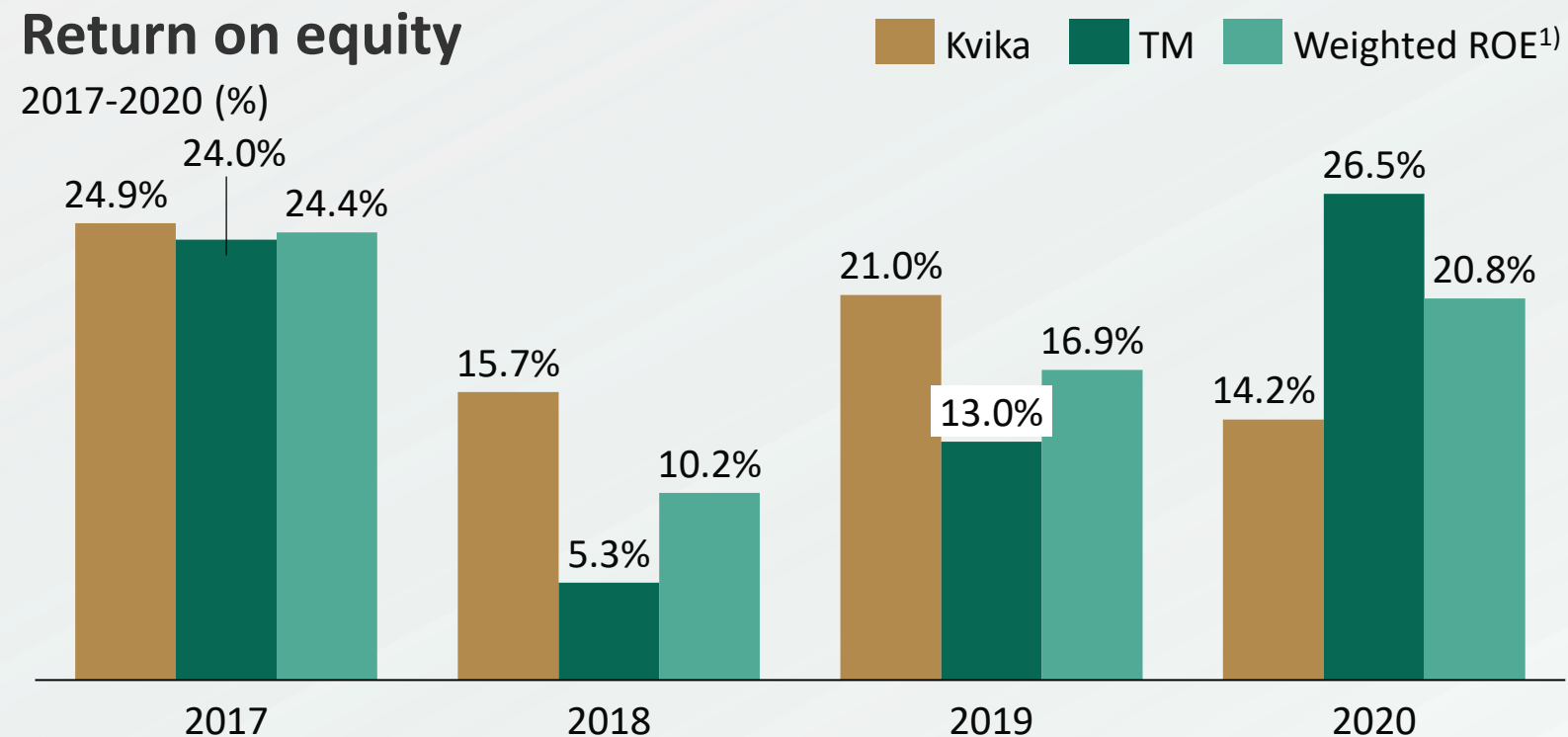
Net revenue breakdown by segment 2020

- Non-life insurance
- Life insurance
- TM Investment activities
- Lending
- Asset Management
- Corporate Finance
- Capital Markets
- Other revenue



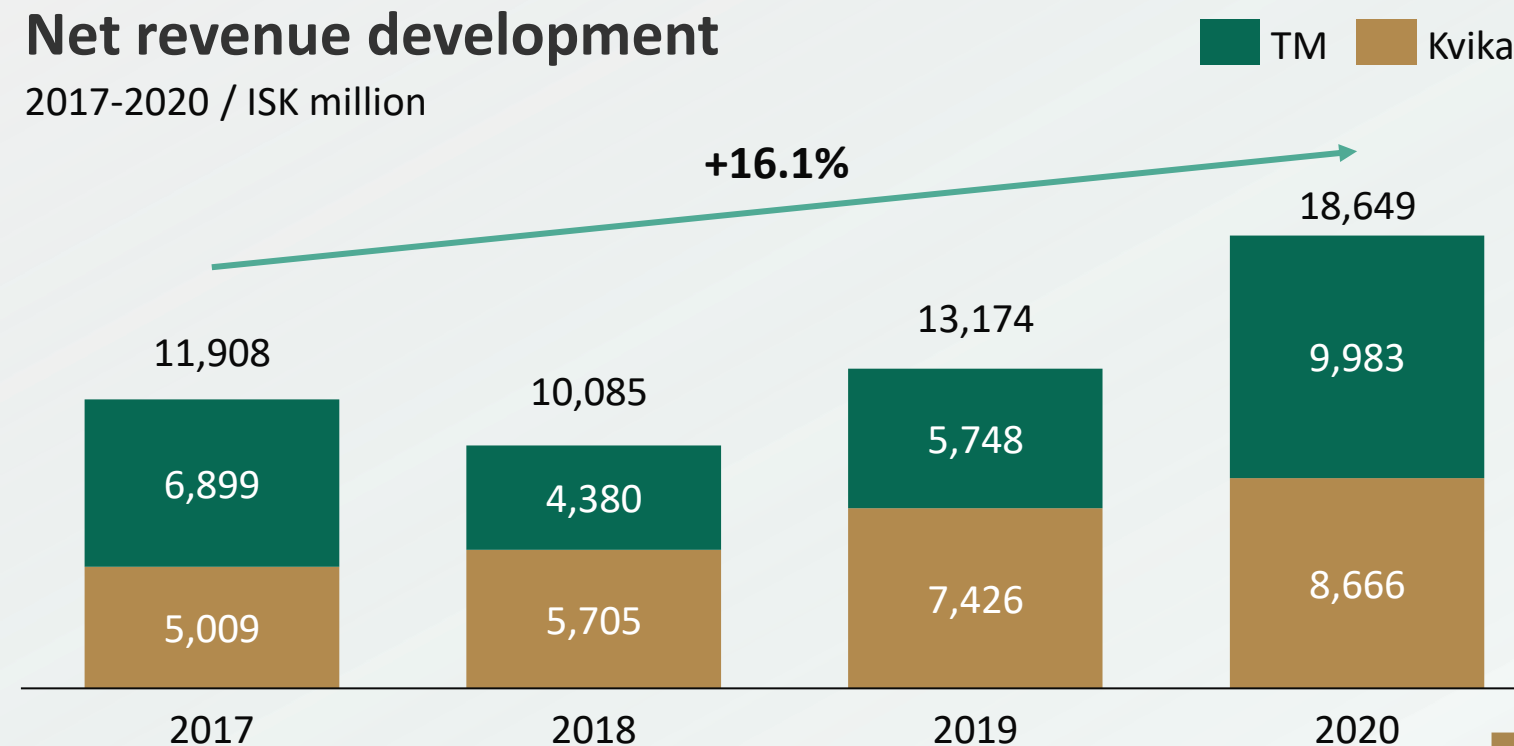
Return on equity

2017-2020 (%)



Net revenue development

2017-2020 / ISK million



Source: 2017-2020 Financial Statements

1) Weighted average based on average equity (beg./end of period) for the separate entities. Expected synergies not included.



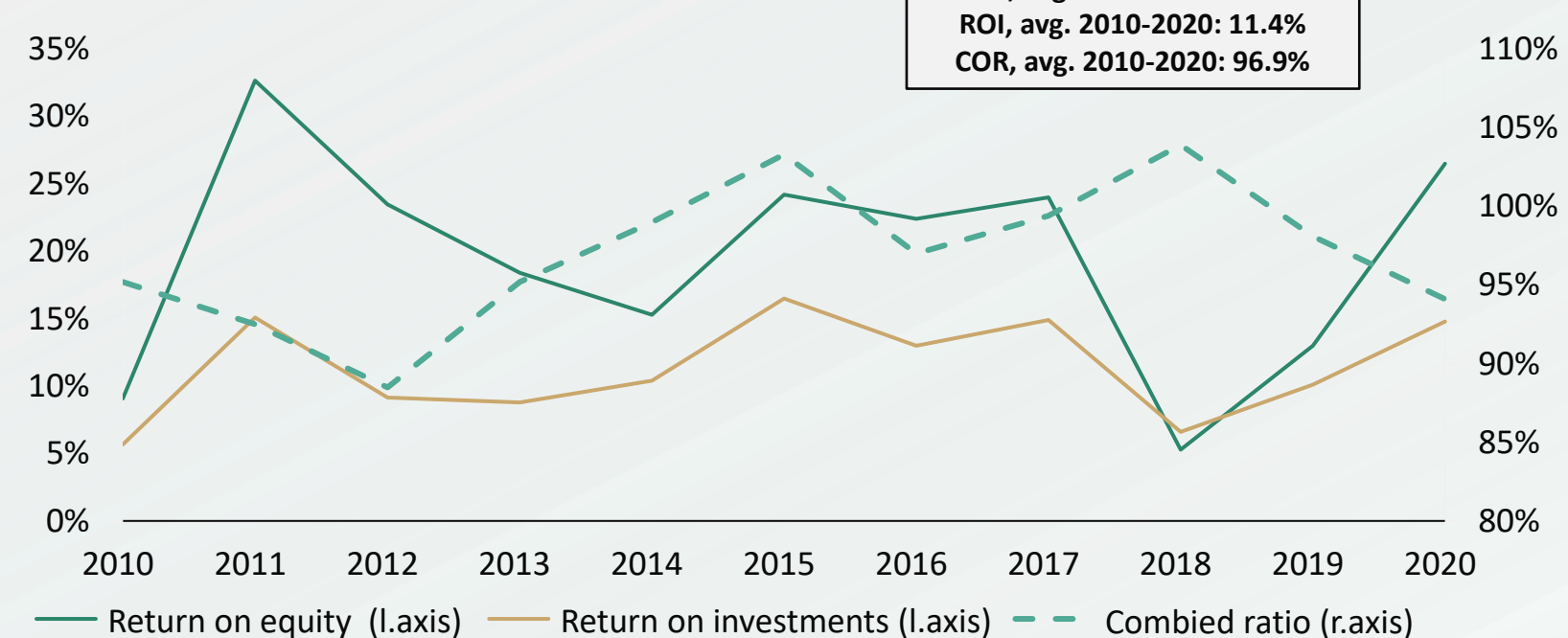
Insurance - TM

Significant player in the Icelandic insurance market

Resilient business model

- TM has 24% overall market share in the Icelandic insurance market
- Motor (45%) and Property (23%) largest business lines
- Investment portfolio of ISK 29.6 bn at YE20
- Long track record of delivering consistently good return from investment activities, 11.4% on average over last eleven years
- Resilient business model as insurance operation is counter cyclical
- ROE of 19.5% on average over last eleven years

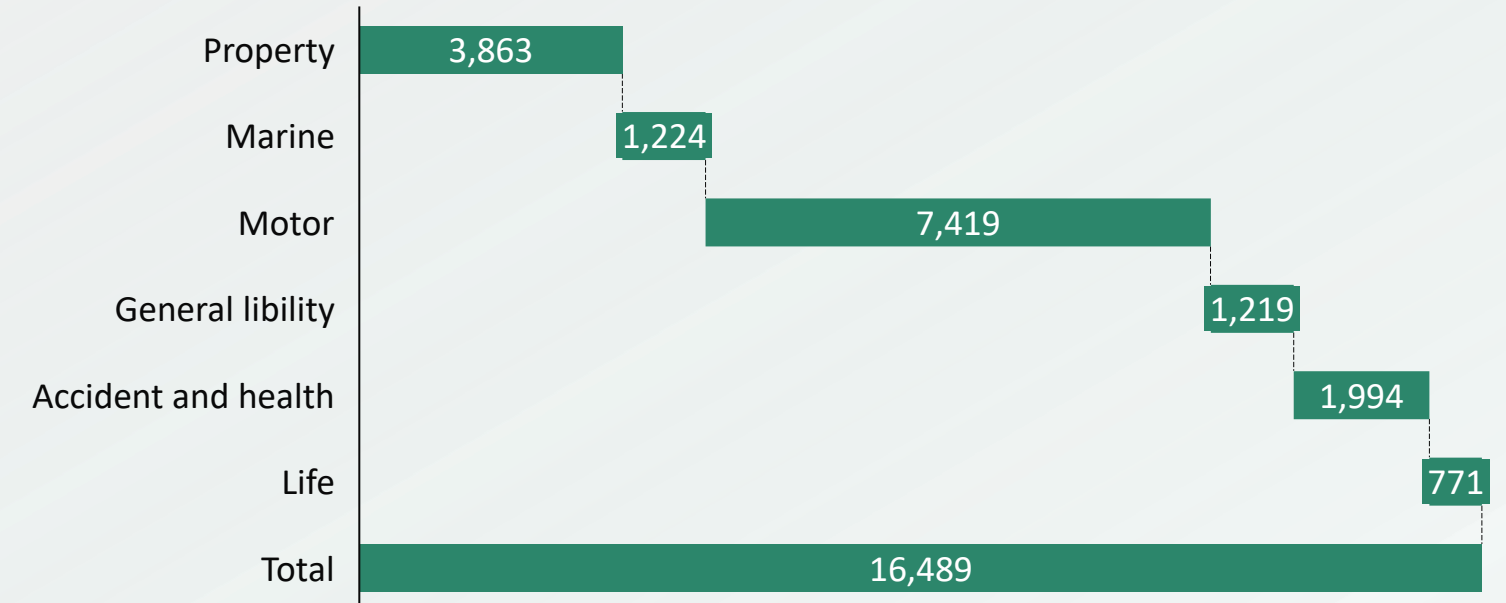
ROE, ROI and combined ratio



Source: 2020 Financial statements & management accounts

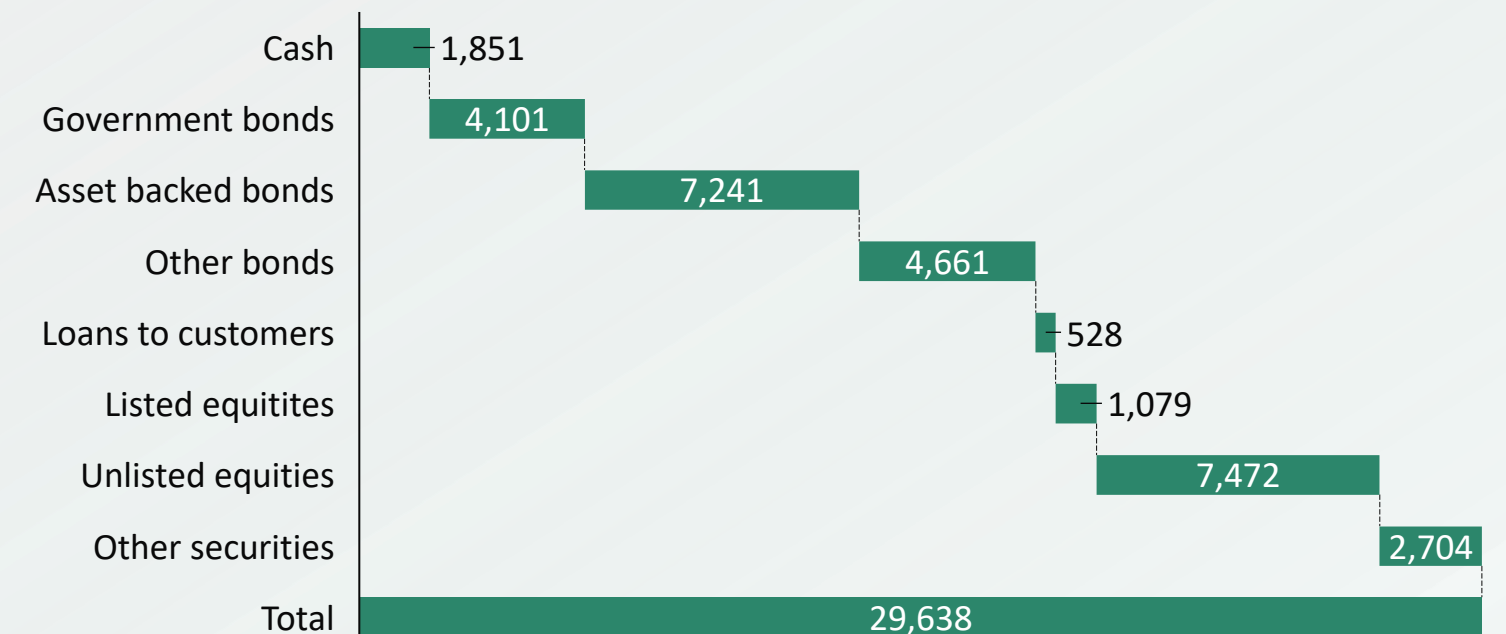
Premiums by business lines

ISK millions / 2020



Investment portfolio

ISK millions / 2020



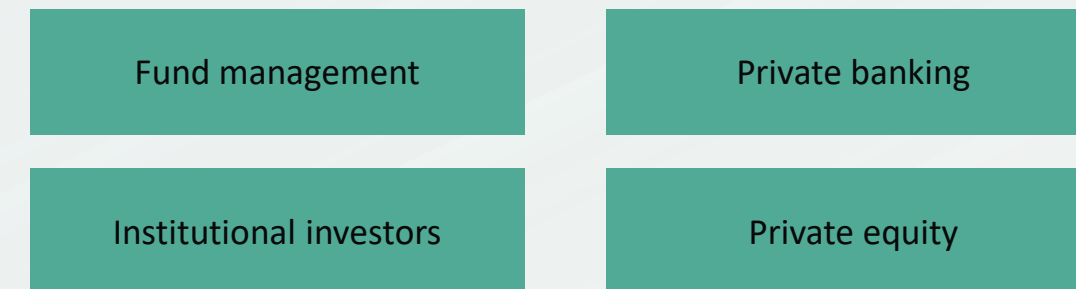
Asset Management – Kvika

Among the largest asset managers in Iceland

Strategic focus on asset management

- Focus on providing customers with a broad range of services for investment domestically as well as in foreign markets
- Strategic focus on building up a profitable asset management operation by a combination of internal and external growth
- Successful merger of Kvika’s asset management operations in a single company Kvika Asset Management hf.
- Strategically placed to compete successfully in a growing market

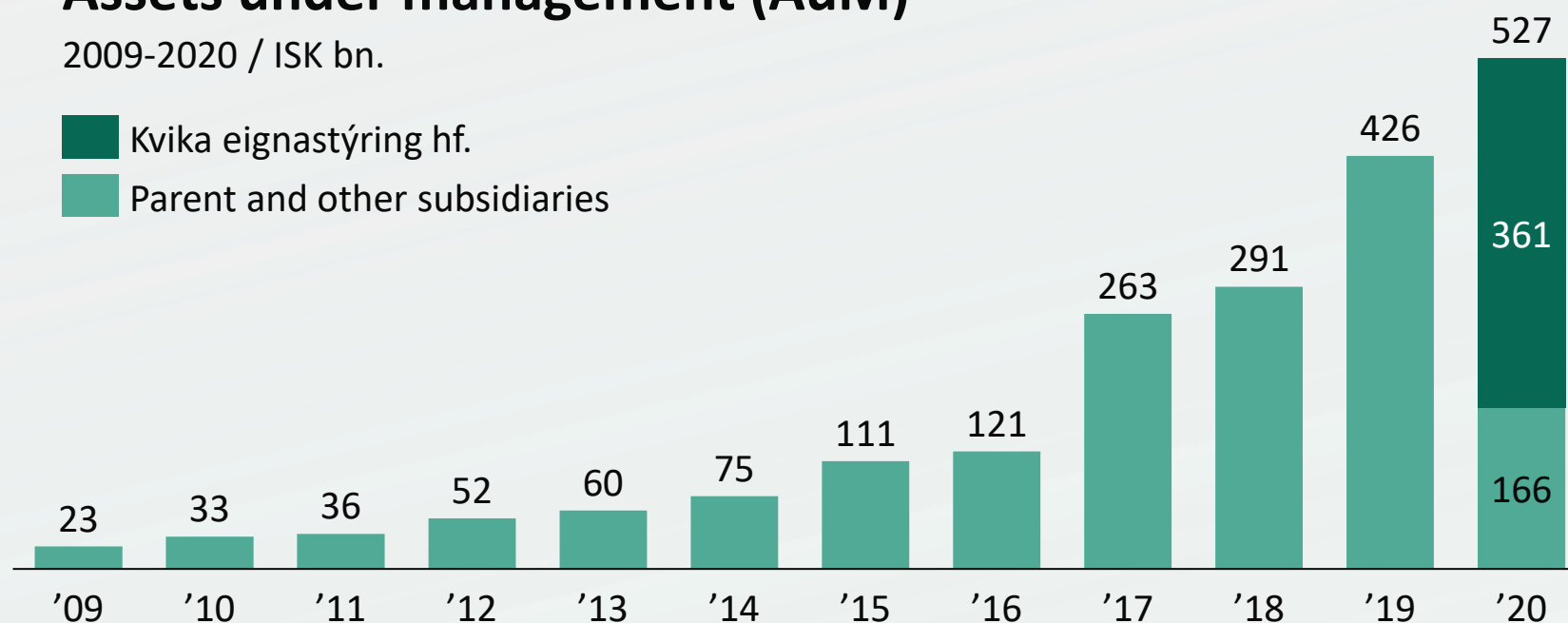
Kvika eignastýring | Subsidiary



Assets under management (AuM)

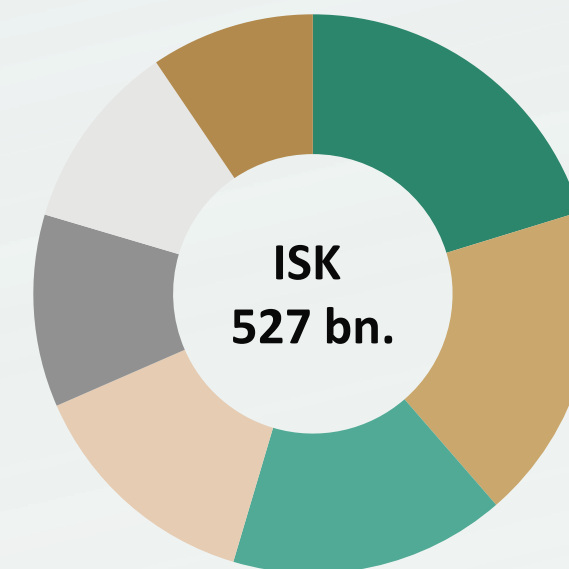
2009-2020 / ISK bn.

- Kvika eignastýring hf.
- Parent and other subsidiaries



Breakdown of AuM by asset class

2020



- Real estate
- Institutional
- Private banking
- Credit funds
- Foreign funds
- Fixed income funds
- Other asset classes

Banking and Investment activities - Kvika

Focusing on profitability rather than size

Strategic focus

Banking

- Well secured and diversified loan book
- Niche lending and tailored financing
- Asset based financing with the addition of Lykill
- Leveraging infrastructure and utilising fintech
- Increasingly diversified deposit financing with Auður
- Focus on return on allocated capital
- Competing in service rather than pricing

Capital Markets

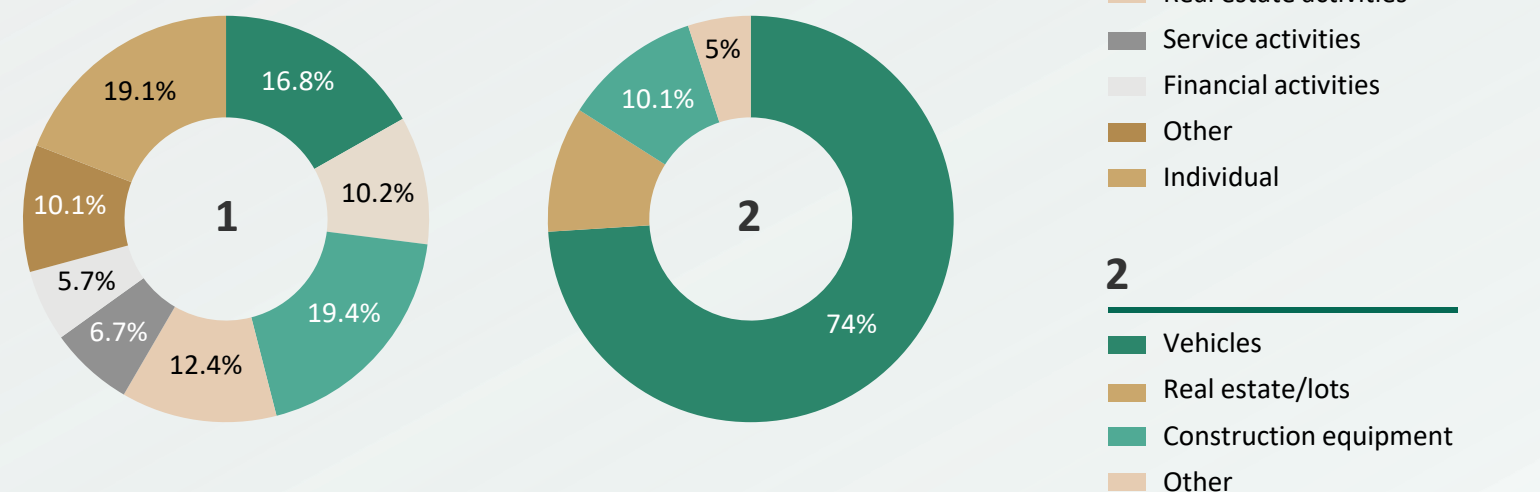
- Comprehensive services with focus on professional investors
- Efficient market pricing of risk through trading of equity and debt on listed markets
- Securities financing plays a considerable role in service offering
- Foreign exchange offering provides local knowledge that is key to client's success

Corporate Finance

- Leading investment banking advisory
- Opportunistic and value-adding investment banking services
- Project origination and execution with other divisions
- Emphasis on mid-sized projects that generate a stable revenue base with high likelihood of successful execution in addition to large projects with element of fixed fees that have significant upside potential

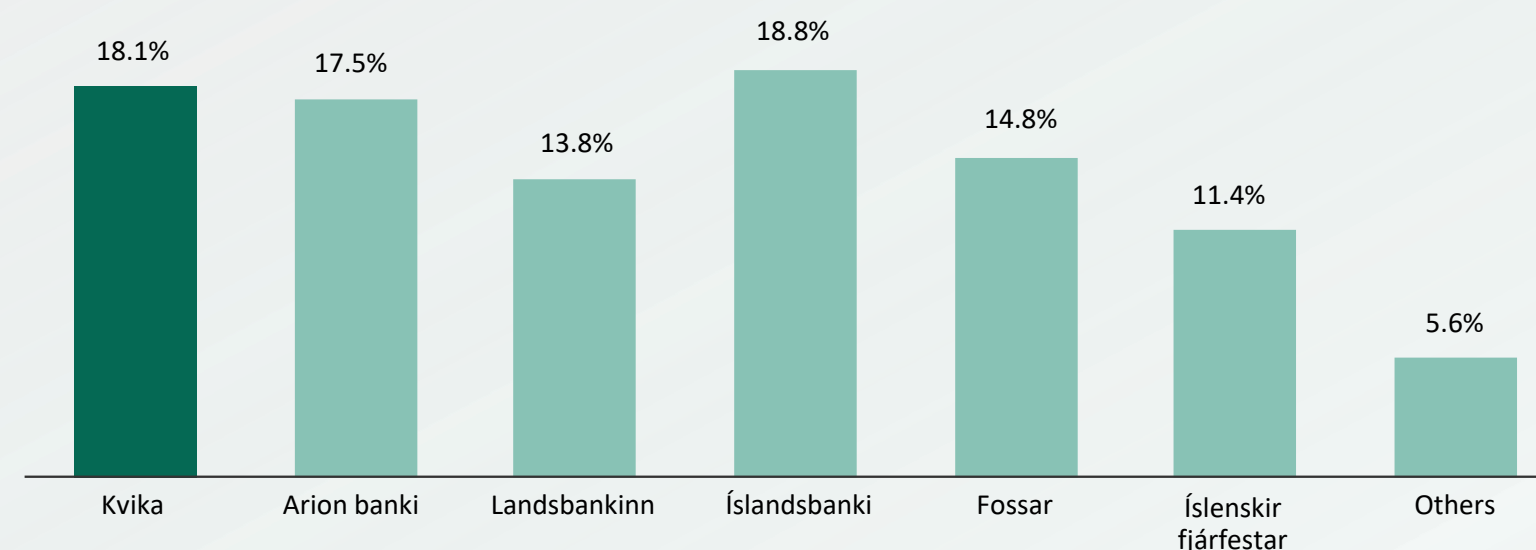
Loan book composition

Kvika & Lykill / as of 31.12.2020



Market share NASDAQ Iceland

Total market share 2020, fixed income and securities



Uniquely positioned to capitalize on new opportunities

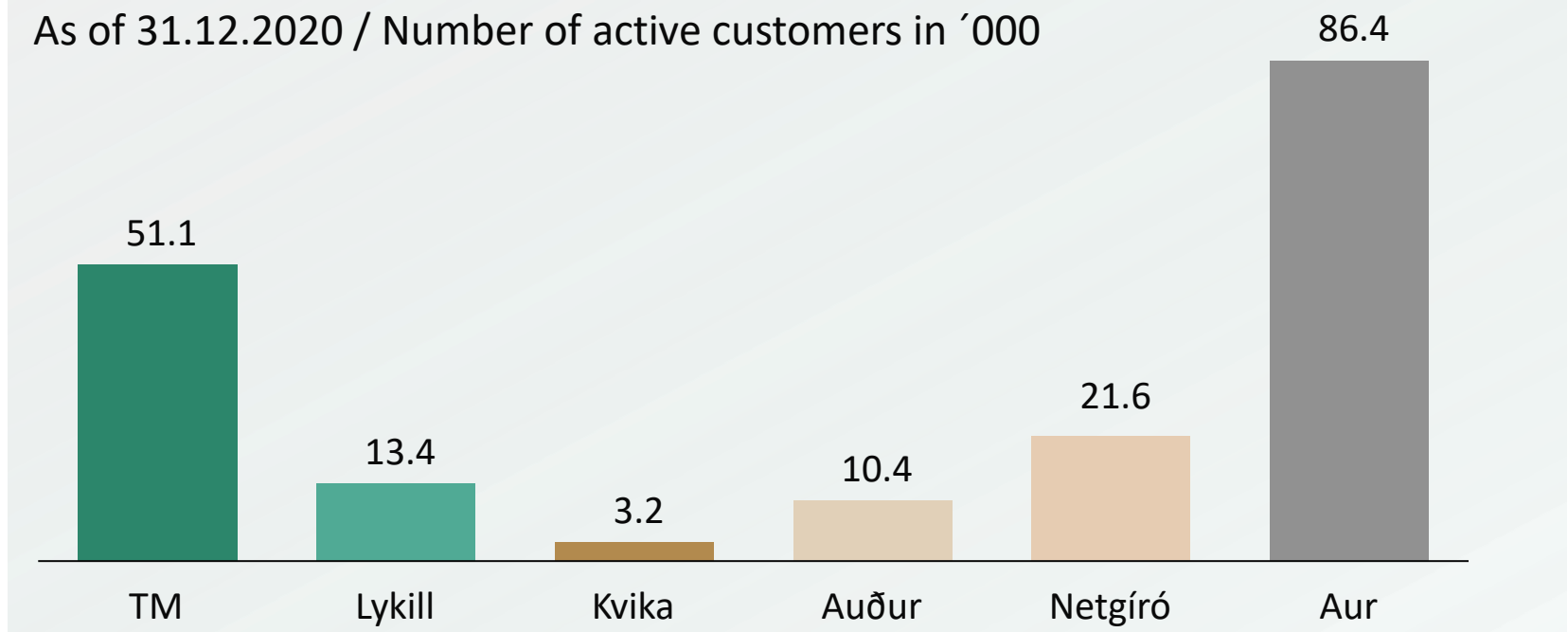
Opportunity to increased profits

Capitalizing on new growth opportunities

- Substantial net income and financial strength
- Low legacy costs
- Potential expansion unlikely to cannibalise revenue
- Potential expansion and increased market share leads to economies of scale
- Licenses and infrastructure of a retail bank and insurance company but without substantial branch overhead
- Challenger mindset with focus on fintech solutions

Customer base

As of 31.12.2020 / Number of active customers in '000



Prime opportunity to continue to develop a financial entity that is structured for the current economy, competing with incumbents with inherited business models

Expected synergy of ISK 2,700-3,000 million

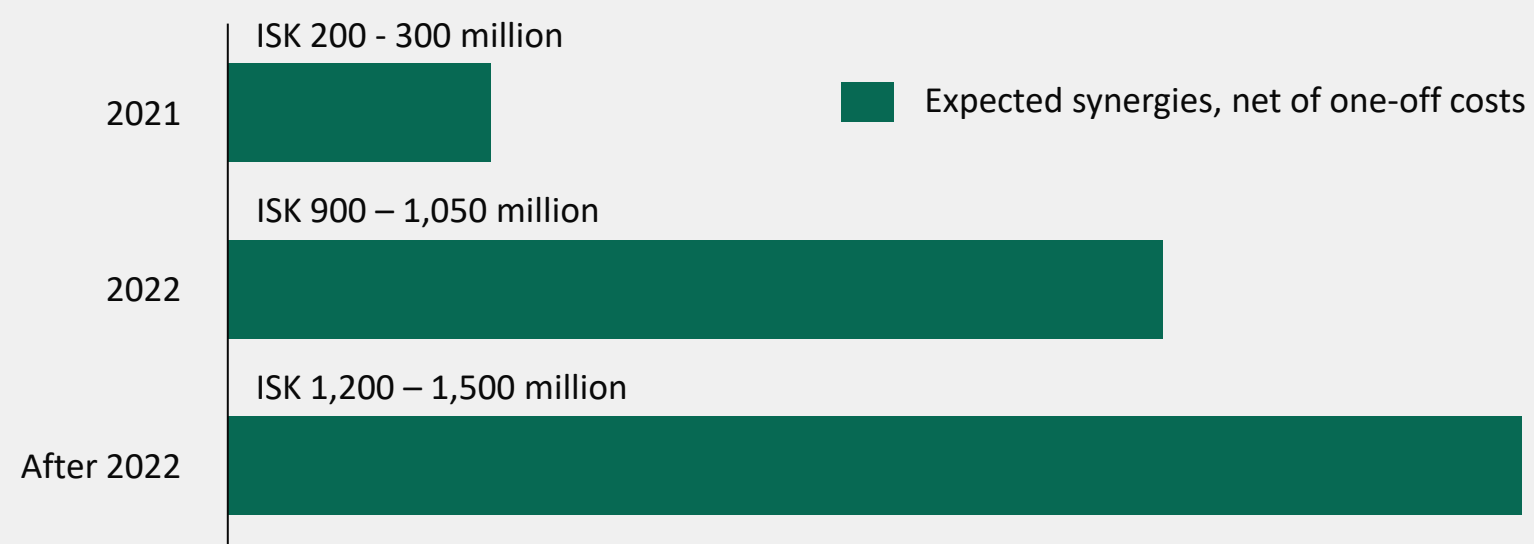
History of delivering value-creation through successful consolidations

Cost synergies

- The companies' Boards expect that the merger could achieve cost synergies of ISK 1,200-1,500 million annually, excluding transaction and one-off costs
- The assessment is based on the companies forecasts for 2021, the largest part will result from lower funding costs
- Majority of the projected synergies are expected to be reached by 2022
- Other opportunities for synergies are expected; however, they will require further analysis following the merger

Annual cost synergy affect

Breakdown of anticipated cost synergies by year



Revenue synergies

- It is estimated that in three years, the merged company will have achieved revenue synergies in the amount of ISK 1,500 million annually. Revenue synergies come from the results of operations that would probably not have been achieved without the merger.
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Leveraging and utilising internal infrastructure

Utilising technological solutions to modernize financial services

Leveraging on existing and new customer base

Increased financial strength opens new opportunities

Opportunity to compete without cannibalisation of current revenue streams

Kvika / TM

Growth opportunity built on a strong foundation

Profitable entities that will continue to focus on its core operation while taking advantage of new growth opportunities

The merger will further enable the entities to enhance profits by promoting increased competition

Greater financial strength expected to generate new sources of income and lower funding costs

Considerable cost and revenue synergy to be unleashed

Ongoing focus on profitability – not size



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Tillögur stjórnar



Dagskrárliður 1

Tillaga um samruna Kviku banka hf., TM hf. og Lykils fjármögnunar hf.

Tillaga stjórnar:

Lagt er til að svohljóðandi tillaga stjórnar um samruna Kviku banka hf., TM hf. og Lykils fjármögnunar hf. verði samþykkt:

„Hluthafafundur Kviku banka hf. haldinn 30. mars 2021 samþykkir samruna Kviku banka hf., TM hf. og Lykils fjármögnunar hf. í samræmi við framlagða samrunaáætlun sem samþykkt hefur verið og undirrituð af stjórnnum allra félaga þann 23. febrúar 2021. Samþykkt fundarins er með þeim fyrirvara að samþykki Fjármálaeftirlitsins, sbr. 106. gr. laga nr. 161/2002 um fjármálafyrirtæki, fáist fyrir samrunanum.“

Dagskrárliður 2

Tillaga um breytingar á samþykktum félagsins vegna samrunans

Tillaga stjórnar:

Lagðar eru til að eftirfarandi breytingar á samþykktum félagsins vegna samrunans verði samþykktar:

„Hluthafafundur Kviku banka hf. haldinn 30. mars 2021 samþykkir tillögur stjórnar um breytingar á samþykktum félagsins í tengslum við samruna félagsins við TM hf. og Lykil fjármögnun hf. Í tillögunni felst m.a. að fundurinn samþykkir að hækka hlutafé félagsins um kr. 2.509.934.076, úr kr. 2.186.717.495 í kr. 4.696.651.571, sem afhent verður núverandi hluthöfum TM hf. í skiptum fyrir eignarhluta þeirra í TM hf. og Lykli fjármögnun hf.“

Tillagan felur í sér breytingu á ákvæði gr. 2.1. samþykkt félagsins þannig að verði hún samþykkt verður framangreint ákvæði samþykktanna eftirleiðis svohljóðandi:

„Heildarhlutafé félagsins er kr. 4.696.651.571. Engar hömlur eru settar við ráðstöfun hluthafa á hlutabréfum í félaginu.“

Önnur mál



