

## **GENERAL MEETING OF SHAREHOLDERS OF VÁTRYGGINGAFÉLAG ÍSLANDS HF.**

**Wednesday, 27 June 2018 at 16:00 at the Company's headquarters, Ármúli 3**

### **Agenda of the meeting:**

1. Proposal for a policy on the company's financial structure.
2. Proposed reduction of share capital with payment to shareholders of ISK 1,800,000,000 with the transfer of shares in Kvika banki hf.
3. Other matters legally raised.

### **The Board of Directors' proposal for a policy on the Company's financial structure:**

"The general shareholders' meeting of VÍS, held on June 27, 2018, approves the Company's capital structure strategy, resulting in the company's equity ratio to be 25-28% in three to five years, and meanwhile reducing the Company's market risk. The Board of Directors shall aim for the presumption that the Company's capital reduction at any given time will ensure the Company's future sustainability and i.a. it is considered that: (a) the Company's combined ratio for the last 12 months is less than 99%; (b) the solvency ratio of the Company remains within the identified risk appetite of the Board, currently ranging from 1.35 - 1.70, (c) liquidity remains strong and (d) market risk is reduced.

### **Board of Directors' statement:**

The proposal's background is that on May 9th the Board of Directors agreed to aim for changes in the Company's financial structure, in line with what is known for insurance companies in the other Nordic countries. The Company's decision was announced to the Exchange, stating that if the Company's strategy goes as anticipated, the Company's equity ratio will be in the range of 25 to 28% in three to five years and simultaneously the Company's market risk will be reduced. Furthermore, it was stated in the announcement that an analysis of the Board of Directors and management on Nordic insurance companies had revealed a significant difference between the financial structure of Icelandic insurance companies and their Nordic counterparts, and that the latter generally accounted for lower risk in operations and portfolios. Their equity was lower and solvency ratio higher. The announcement also stated that the Board of Directors emphasized that the grounds for capital reduction at any given time would have to ensure the Company's future sustainability and include the following factors:

- The Company's combined ratio over the past 12 months will be below 99%.
- The Company's solvency ratio remains within the defined risk appetite of the Board, currently ranging from 1.35 to 1.70.
- The Company's liquidity position remains strong.
- Market risk will be reduced.

In addition to the above, the announcement stated that the Board of Directors intended to convene a general shareholders' meeting before the end of the second quarter of 2018, which has now been done.

It is still the belief of the Board and management of the Company that these changes in the financial structure will create insurance policy holders as well as shareholders, a safer and more traditional insurance company with less risk in its portfolio. VÍS aims to distinguish itself from other Icelandic insurance companies as a more low risk investment option.

The Board of Directors considers it important to submit the above proposal for a general shareholders' meeting as part of the Company's advancement, which was marked by the said decision of the Board on the 9th of May.

**The Board's proposal for a reduction in share capital reads as follows:**

"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. "

**Statement by the Board:**

The Board of VÍS proposes to the general meeting that the Company's share capital be reduced by ISK 250,000,000 by nominal value, or 250,000,000 shares, and that ISK 1,800,000,000 will be paid to shareholders through the delivery of shares in Kvika banki hf. The amount that exceeds the nominal value reduction, or ISK 1,550,000,000 will be deducted from the Company's available equity capital. If the proposal is approved, the nominal value of the Company's share capital decreases from ISK 2,202,642,307 to ISK 1,952,642,307, which accordingly leads to an amended Article 3 of the Company's Instruments of Incorporation.

The proposal is part of the policy on the Company's financial structure in accordance to the Board's proposal and is covered in the first item of the meeting's agenda, referring to the Board's statement regarding the said proposal.

In the proposal, it is stated that ISK 1,800,000,000 will be paid to shareholders and the reduction amount will be paid in the form of shares in Kvika banki hf. Should the proposal be accepted, the final number of shares in Kvika banki hf. which will be delivered to shareholders, will depend on the bank's average share price during the last 5 business days before the date of payment of the capital reduction. As a reservation is made for the approval of the Financial Supervisory Authority and that

the Companies Register provides an exemption from the duty to issue a call to creditors, the proposal does not include a specific payment date, but it is evident in the proposal that payment should be made as soon as possible after conditions have been met. It is also stated in the proposal that, when the conditions have been met, the Exchange shall be notified and it is planned that the said announcement will include the date of payment, X-date and reference date, as well as an iteration of the date of the last trading day with the right to payment for the reduction of the share capital. Furthermore, it is stated in the proposal that 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 Board of Directors realizes that if the proposal is approved, individual small shareholders in the company will acquire very few shares in Kvika banki hf. With the aim of confronting this position, the Board has decided to offer each shareholder to purchase up to 2,000 shares of delivered shares in Kvika banki hf. at the prevailing market rate of the bank. Every shareholder that will acquire shares in Kvika banki hf. due to the reduction in share capital, can consult with the Company for two weeks from the date of payment of the reduction in share capital. Interested shareholders are advised to contact the Company by email at [fjarfestatengsl@vis.is](mailto:fjarfestatengsl@vis.is).

In the event that a shareholder is not interested in owning shares in Kvika banki hf. in addition to the above, VÍS will endeavor to assist VÍS shareholders in selling shares in Kvika banki hf. in which case shareholders are advised to contact the Company by email at [investatengsl@vis.is](mailto:investatengsl@vis.is).

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The Board will publish the final agenda Wednesday 6 June 2018.

Shareholders have the right to put forward an item to the agenda of a general shareholders' meeting and submit a resolution proposal if written or electronic claims have been made by no later than at 16:00, Monday 18 June 2018. Proposal can be sent before the meeting by email at [stjorn@vis.is](mailto:stjorn@vis.is). If a shareholder has requested a motion be discussed or submitted a resolution proposal during the period 6 June - 18 June 2018, the final agenda and proposals will be updated on the Company's website no later than three days before the general meeting. Shareholders can put forward questions to general meeting by email at [stjorn@vis.is](mailto:stjorn@vis.is) or at the shareholders' meeting itself.

Only in the case of a request from any of the shareholders, voting will be carried out by written ballots. It will not be possible to cast a vote by electronic means at the meeting. Shareholders may request ballot papers to be sent to them and a written request thereof shall have been received at the Company's headquarters at least five days before the announced shareholders' meeting. Alternatively, shareholders may claim their ballot papers at the Company's headquarters before the same time or cast a vote there.

Shareholders listed in the Company's share registry at the time of the a shareholders' meeting can exercise their rights at a shareholders' meeting. Shareholders can appoint a proxy to attend the meeting on his behalf. The proxy shall submit a written and dated Power of Attorney thereof. A Power of Attorney can never be valid for more than one year from its date.

Shareholders will be able to observe the meeting electronically, but in order to take advantage of that solution, shareholders must apply for access from the Company no later than at 12:00 on Wednesday, June 27, 2018 by sending an email to [fjarfestatengsl@vis.is](mailto:fjarfestatengsl@vis.is). Shareholders can choose between observing the meeting in Icelandic or with an English interpreter. It should be noted that such an electronic view is not equivalent to attendance at the meeting and does not entitle shareholders to participate in the meeting otherwise, including casting votes. Those shareholders who intend to exercise their voting rights at the meeting are therefore encouraged to attend the meeting or to

appoint a proxy to attend the meeting on his behalf. The general meeting is legal if it is legally called regardless of how many shareholders attend the meeting.

Documents will be submitted at the location of the general meeting and will be in Icelandic and English, but the meeting will be conducted in Icelandic.

Further information on shareholder rights and other matters concerning the general meeting, such as forms etc. will be available on the Company's website: [www.vis.is/fjarfestar](http://www.vis.is/fjarfestar), no later than 21 day before the general meeting.

Reykjavík, May 30, 2018.

The Board of Directors of Vátryggingafélag Íslands hf.