Kvika banki hf.

3M 2023 Financial Results

11 May 2023

3M 2023
Highlights

- Profit before tax (PBT) for 3M 2023 ISK 1,412 million with RoTE 13.1% driven by strong core income
  Profit after tax for 3M 2023 ISK 1,167 million
- Strong financial position with consolidated solvency of 1.34 and LCR of 327%
  Well above regulatory requirements, NSFR of 144% at 31.3.2023
- Total deposit growth of 6% in Q1, loan book growth of 2.5%
  Modest balance sheet growth during turbulent markets
- Strong quarter in Insurance, combined ratio of 99.7% in Q1
  Insurance revenues increase by 9% YoY
- Assets under management at ISK 466 billion at 31.3.2023
  Assets under management grew by ISK 5 billion since year end 2022
- Release of new products and services through Aur and Straumur in progress
  Straumur processed first payments in May; Aur awaiting go live approval from Apple Pay
- Merger discussions with Íslandsbanki are proceeding and on track
  Financial advisors to submit analysis in Q2, followed by decisions on next steps
- PBT outlook of ISK 9,365 million for next 12 months, 21.9% RoTE
  Continued profitability from diversified sources of income

Segment Adjustment to Support Sharper Focus

Corporate lending moved from Commercial Banking at 1 January 2023

- On 1 January 2023 corporate lending activities were reallocated from the Commercial Banking segment to the Investment Banking segment, consequently, re-named Corporate Banking & Capital Markets.

  The changes are made to support a sharper focus in both segments, enabling Commercial Banking to provide full focus on retail services through digital initiatives while Corporate Banking & Capital Markets provide a diverse service offering to professional clients.

- Sigurður Viðarsson, previously CEO of TM Insurance, appointed deputy CEO
- Eiríkur Magnús Jensson appointed CFO
- Birkir Jóhannsson appointed CEO of TM Insurance

Kvika

Commercial Banking	Corporate Banking & Capital Markets	Insurance	Asset Management	UK
› Specialized digital banking solutions › Consumer lending › Payment solutions	› Corporate lending › Specialized lending › Capital Markets › Corporate Finance	› Retail and corporate insurance › White label insurance solutions	› Private Banking › Fund Management › Private Equity › Institutional Investors	› Corporate finance › Investment management › Secured lending
› Kvika banki › Lykill › Netgíró › Aur › Auður › Straumur	› Kvika banki	› TM Insurance	› Kvika Asset Management	› Kvika Securities Ltd. › Ortus Secured Finance

Kvika's Strategy is to Transform Financial Services in Iceland

Kvika continues to grow its operations as guided by its values and strategy

Core beliefs

- **Long-term customer journeys**
- **Flexible brands and ecosystems**
- **Personalized products and services**

Purpose

Increase competition and simplify customers' finances

Utilize infrastructure, financial strength and relatively small market share in many areas

Vision

Transformed financial services in Iceland guided by mutual benefits

Focusing on opportunities others can not take advantage of

Guiding principles

- **Be the customer**
- **Rethink things**
- **Choose projects selectively**
- **Be a responsible community participant**
- **Work as one team**

Values

- **Long-term thinking**
- **Simplicity**
- **Bravery**

A Multi-Brand Strategy Supports Our Vision of Transformation

Brand strategy completed in 2022

Parent company

TM

Back office & support

Corporate Finance & Capital Markets

Commercial Banking

KVIKA Eignastýring

KVIKA Securities

ORTUS SECURED FINANCE

netgíró

straumur

Skilum

auður Dóttir Kviku

Lykill

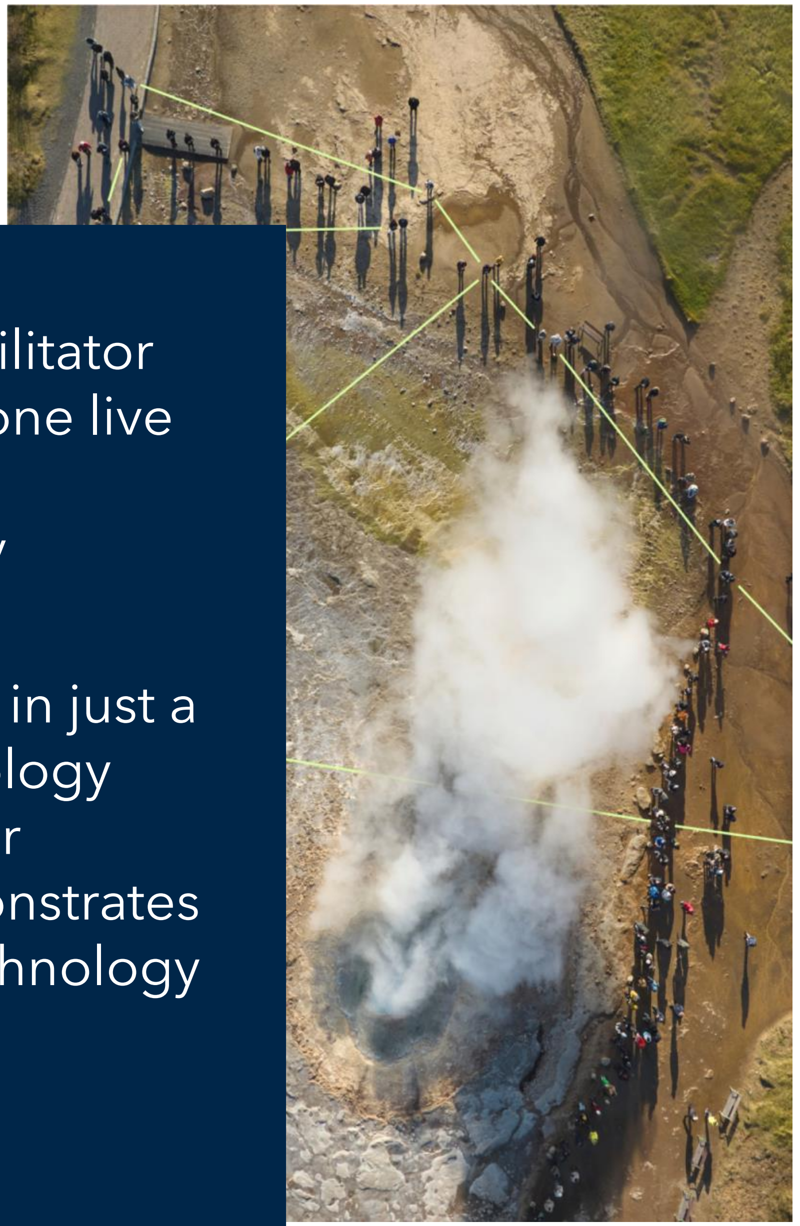
AUR

Kvika is an **umbrella** and **multi-brand house** for brands that are heroes in what they do and disrupt on all fronts

Kvika's Fintech Journey Continues

Two key products in launch phase

straumur



Kvika's new payment facilitator fintech, Straumur, has gone live and processed it's first transactions in early May

Developed from scratch in just a few months, with technology shared from Kvika's other fintechs, Straumur demonstrates the power of Kvika's technology platform

AUR

Launch of new Aur awaiting go live approval from Apple Pay

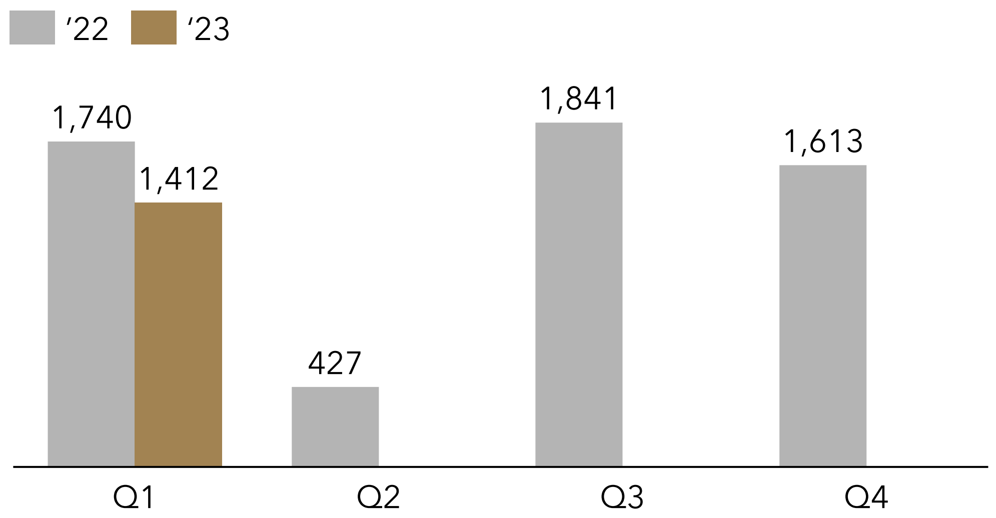
New banking, insurance and social finance features have been rigorously tested and are ready for prime time

Total Profit Before Tax in Q1 ISK 1,412m

Stable and diversified income

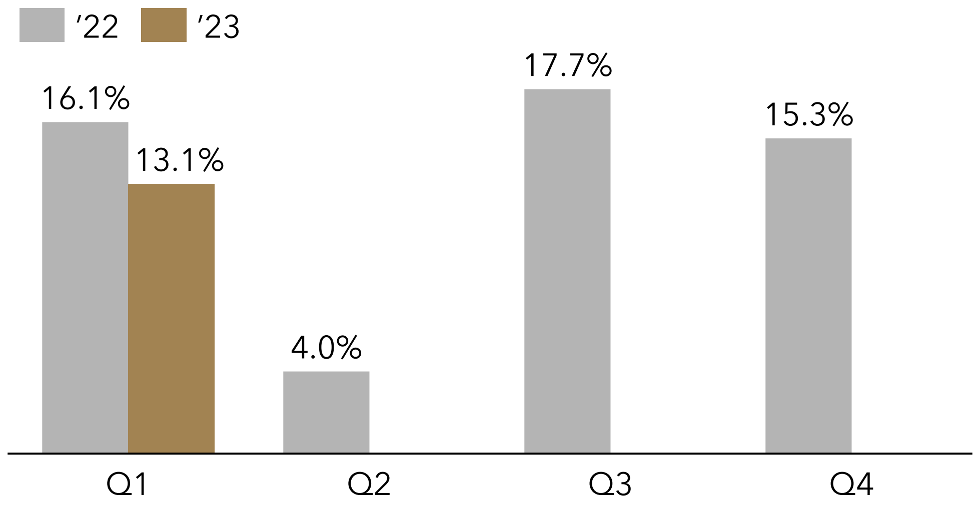
Profit before tax (PBT)

PBT development / ISK m.



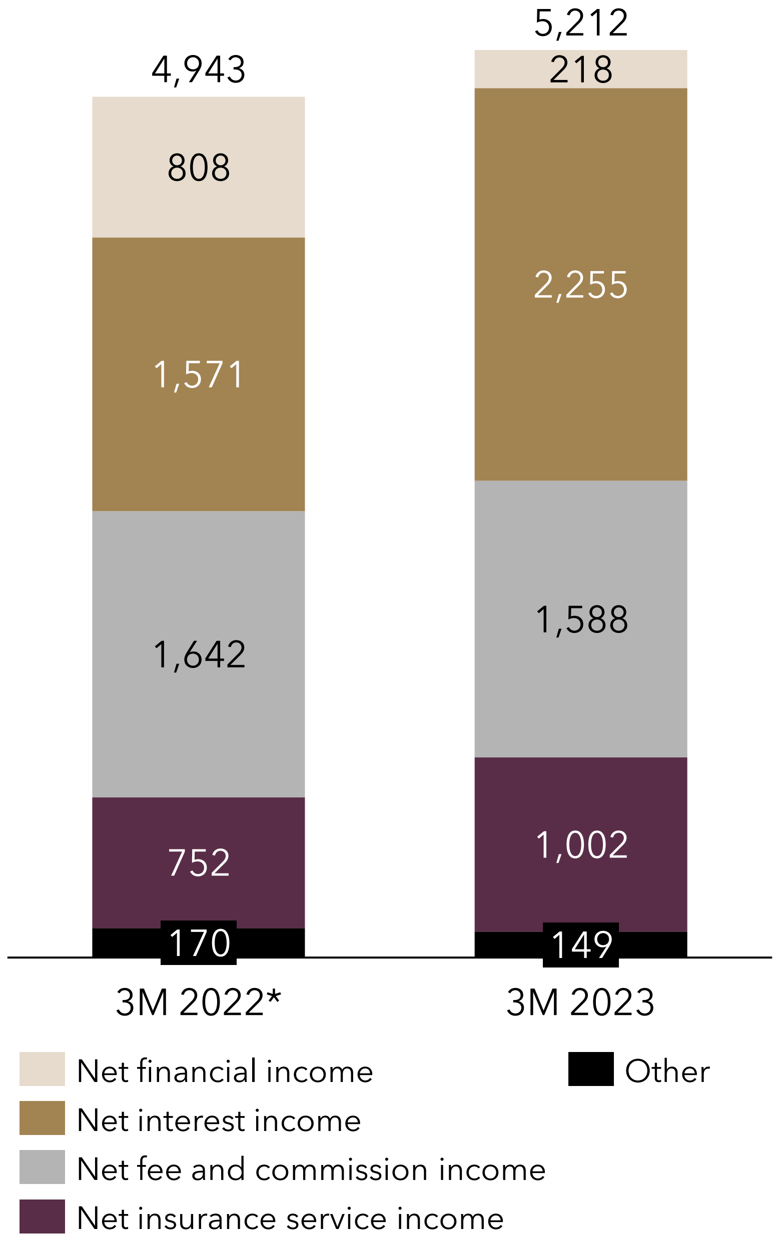
Return on tangible equity (RoTE)

(%)



Diversified income across categories

Net operating income by type / ISK m.



- Net operating income amounted to ISK 5,212 million in Q1, a 5.4% increase from Q1 2022 despite net financial income not fully rebounding, reflecting the strength of core operations
  - Change in presentation of insurance income in the consolidated financial statements due to implementation of IFRS17. Net insurance service income (NIS) excludes adm. expenses related to insurance service from the insurance service result. Similarly, net operating income excludes administrative expenses related to insurance service.
- Kvika's profit before tax in Q1 2023 is ISK 1,412 million, in line with Kvika's outlook for the quarter
- PBT continues to be affected by investment in new operations, incurring increased costs without corresponding revenue generation
- Despite significant investments, operations provide a strong RoTE of 13.1% in Q1

*UK operations only include Ortus Secured Finance from 1 March 2022

** Comparative information has been restated due to implementation of IFRS17, see note 3 in the Condensed Interim Consolidated Financial Statements 31 March 2023*

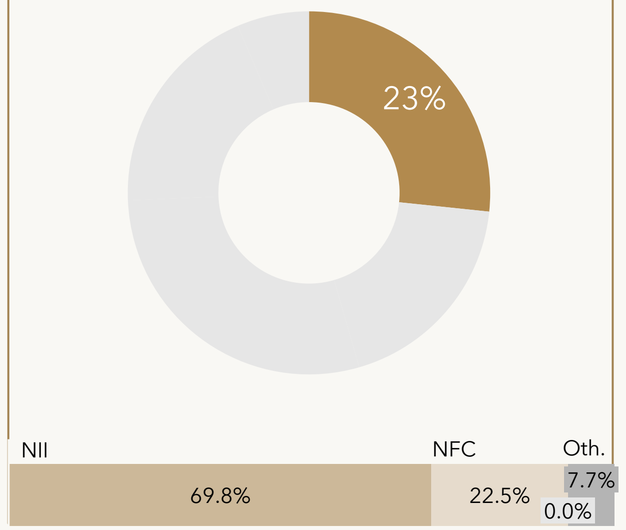
Segment Highlights in 3M 2023

Five operating segments with diversified sources of income

Commercial Banking

- Healthy loan book growth in Q1, especially strong growth in Lykill vehicle financing
- Continued success of Auður, annualized growth of over 60% in Q1
- Newly established Straumur Payment Facilitator granted operating license in Q1, first payments already facilitated
- Strong pipeline of new retail products, development on track, new revenue streams expected in 1H

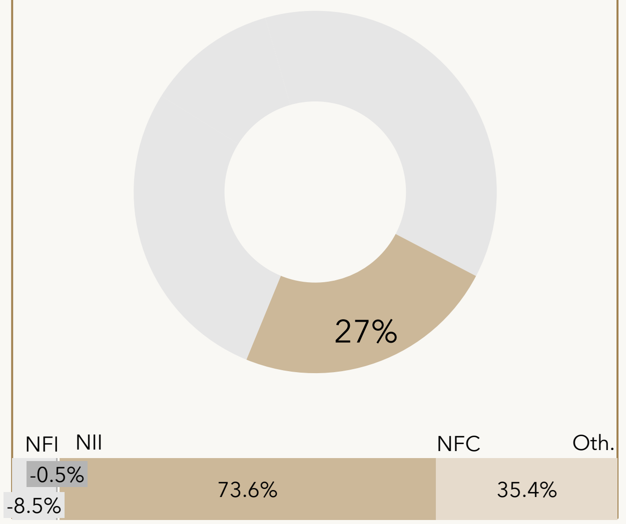
Revenues 3M 2023
(%)



Corporate Banking & Capital Markets

- Loan book growth of 15% in Q1, proportion of property backed loans increases, Corp. Finance delivers good results in Q1, pipeline remains strong
- FX volume grows by 20% YOY, environment remains challenging with higher volatility and lack of liquidity
- Bond volume increases 40% YoY while equity volume decreases, as markets are affected by higher interest rates and persistent inflation. Market share gained in Q1, 21,3% in bonds, 16,4% in equities

Revenues 3M 2023
(%)

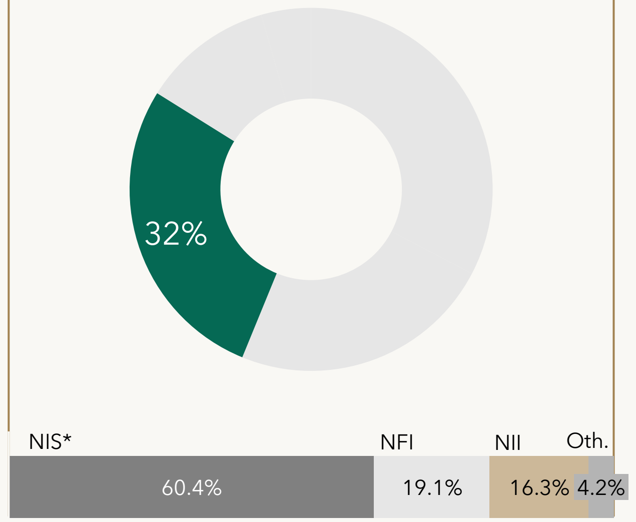


Treasury and Market Making are included in CBCM's segment reporting

Insurance

- Combined ratio of 99.7%, a decrease from 101% in 3M 2022
- Premiums increased 9% YoY and claims by 4%
- Investment income improved YoY and was ISK 608m
- New IFRS 17 standard on insurance contracts was implemented, affecting the presentation of financial statements, but with limited effect on equity position

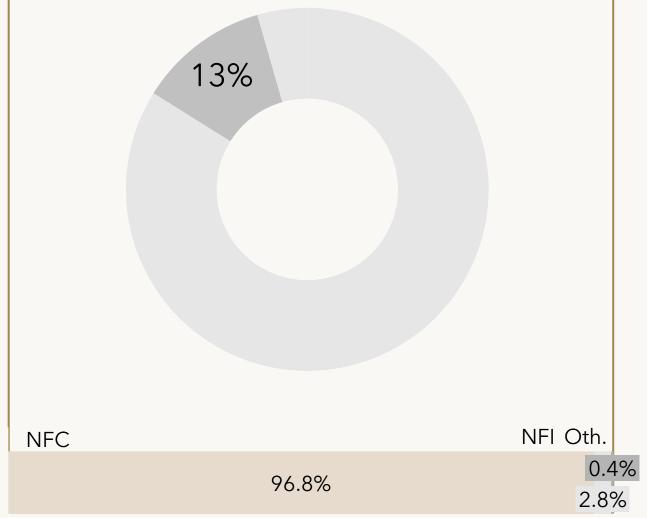
Revenues 3M 2023
(%)



Asset Management

- Assets under management grew by ISK 5 billion since year end 2022
- Positive net inflows in various investment funds
- Stable income in Q1 demonstrates the company's strong core operations despite declining market developments

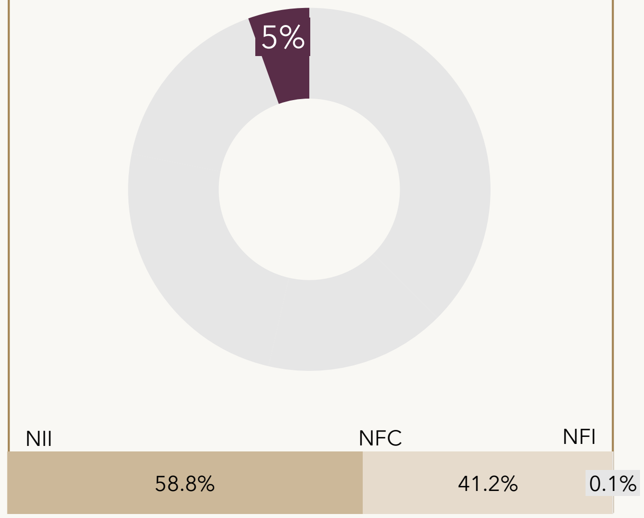
Revenues 3M 2023
(%)



UK

- Loan book contracted slightly as volume of loan repayments outpaced new lending volumes
- Granularity and diversification of loan book remains strong and net interest margin continues to strengthen
- Successful resolution of large Stage 3 loan and proportion of Stage 3 loans now at lowest level since acquisition in February 2022.

Revenues 3M 2023
(%)



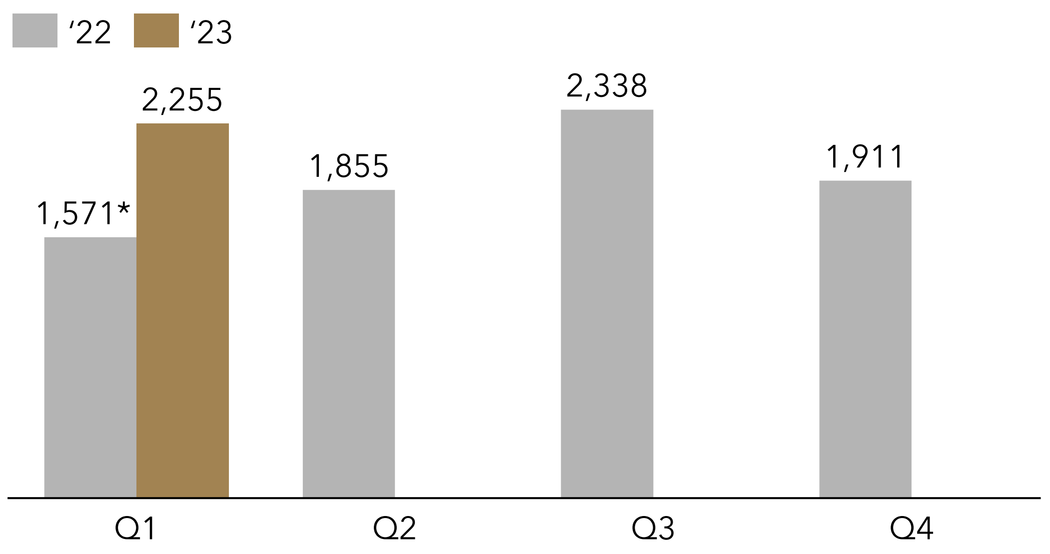
*Net insurance service income (NIS) excludes administrative expenses related to insurance service from the insurance service result

Net Interest Income

A growing part of the group's revenues

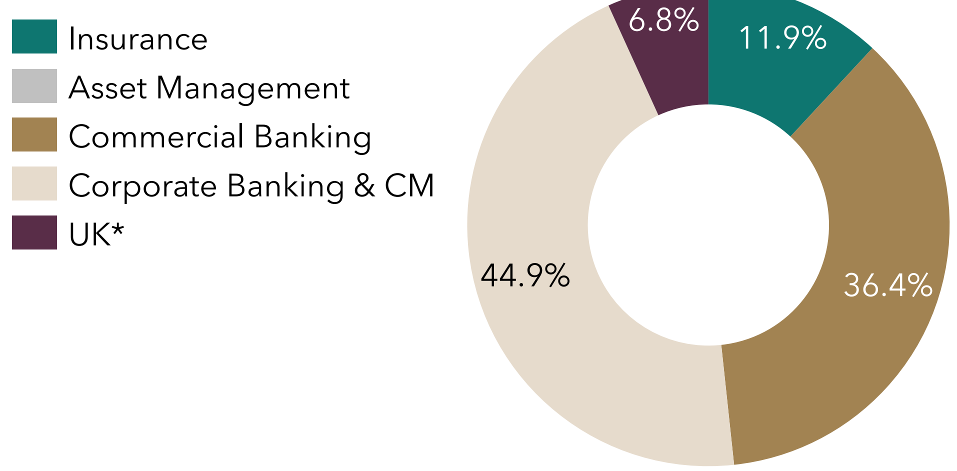
Net interest income (NII)

ISK m.



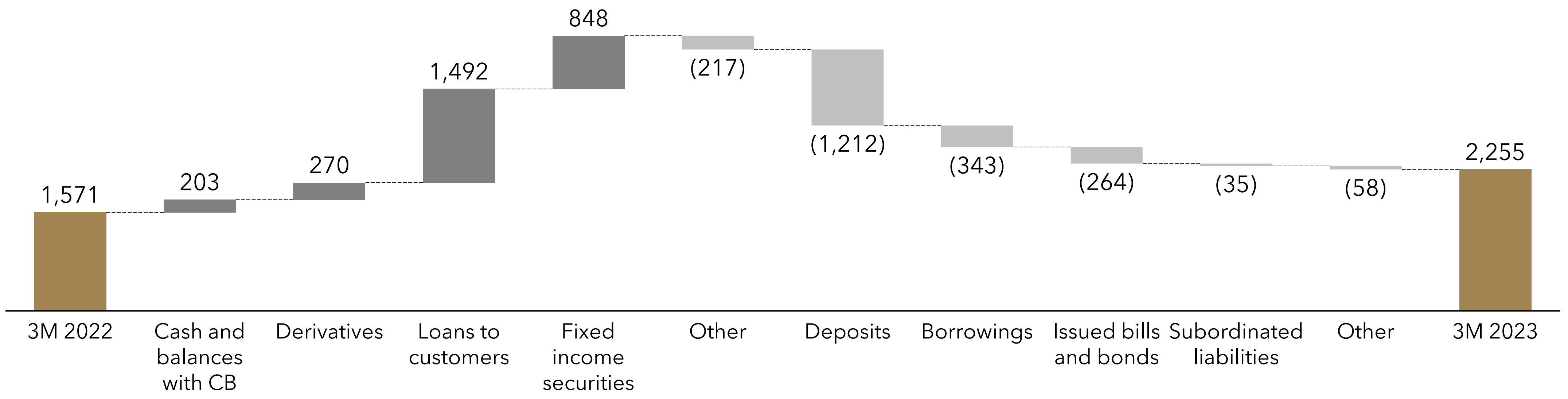
Segment split

3M 2023 / (%)



Net interest income 3M comparison

3M 2022 to 3M 2023 / ISK m.



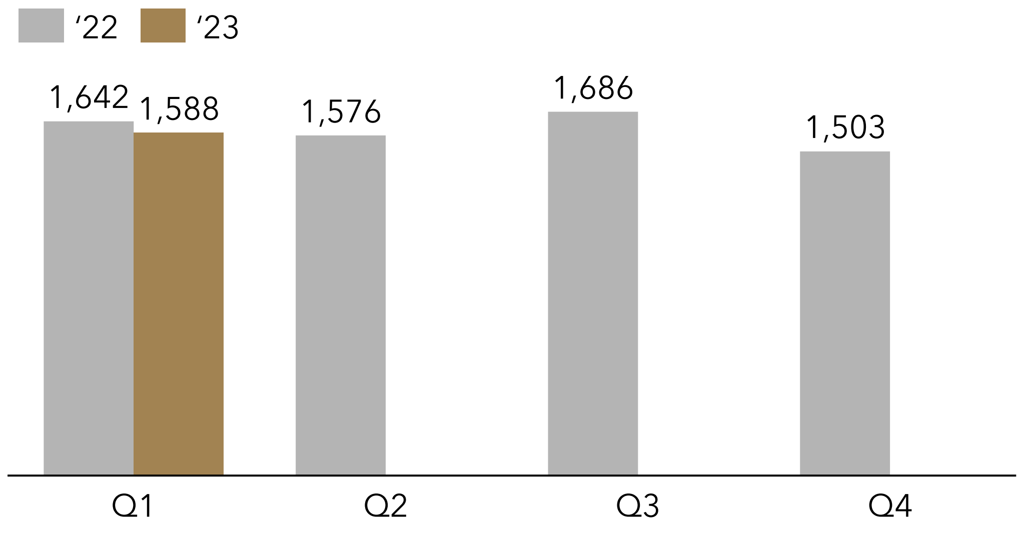
- Net interest income grows significantly year-on-year mainly due to loan book growth and rising interest rates which increase the group's interest income from fixed income securities
  - Interest income from UK operations are only included for March 2022
- Increased interest expense is largely attributable to deposits which grow significantly YoY while consequently increasing in cost due to the rising interest environment and increased price competition in deposits
- Net interest margin of 4.0% p.a. in Q1 2023
  - Calculated as net interest income to total interest-bearing assets

*UK operations only include Ortus Secured Finance from 1 March 2022

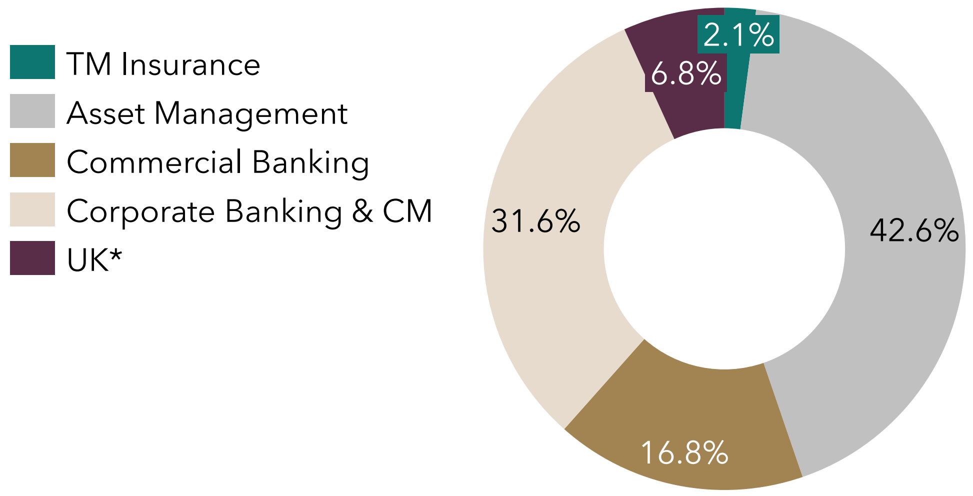
Net Fee and Commission Income

Strong recurring fee base

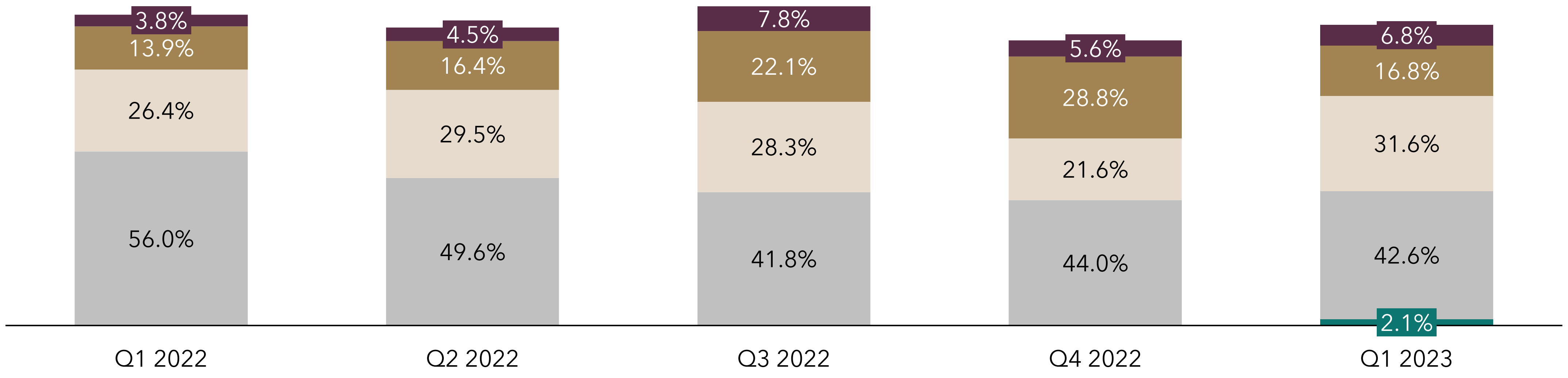
Net fee and commission income (NFC)
ISK m.



Segment split
3M 2023 / (%)



Segment split per quarter
(%)



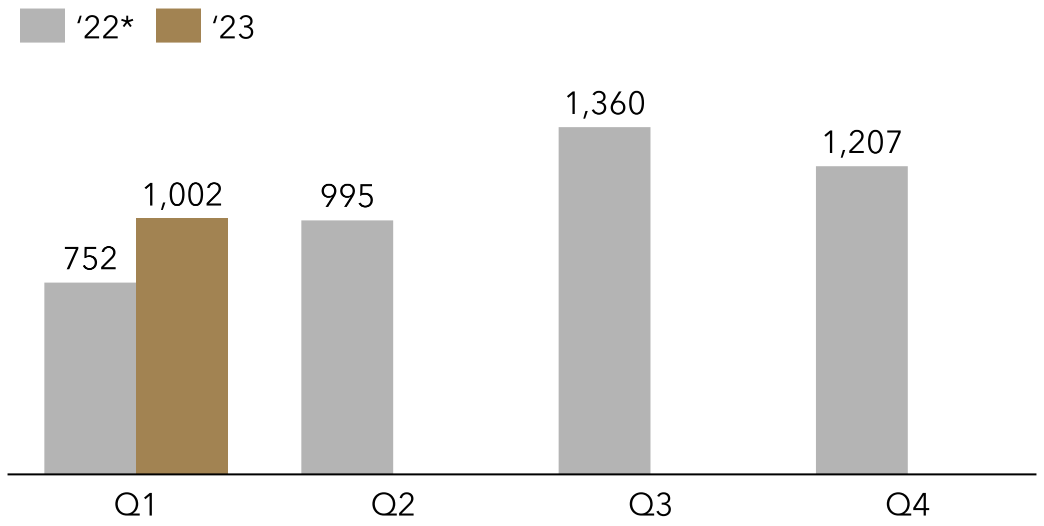
- Net fee and commission income continues to provide a stable revenue stream with its strong recurring fee base
- NFC lower YoY mainly due to lower performance-based fees in Asset Management partially offset by higher fees in Commercial Banking
- Asset management continues to be a key contributor to NFC and provides the strongest recurring fee base
- Corporate Banking and Capital Markets becomes the second largest contributor as corporate lending is merged with investment banking, both of which produce considerable fee and commission income
- Commercial Banking's NFC contribution decreases due to the transfer of corporate lending while still maintaining a solid share of group NFC

*UK operations only include Ortus Secured Finance from 1 March 2022

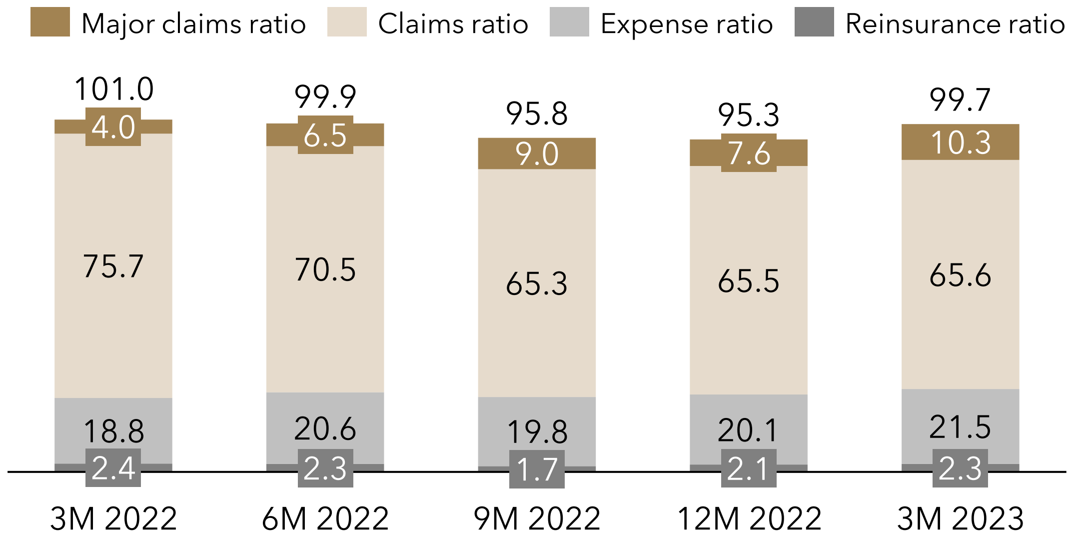
Net Insurance Service Income

New presentation due to adoption of IFRS 17

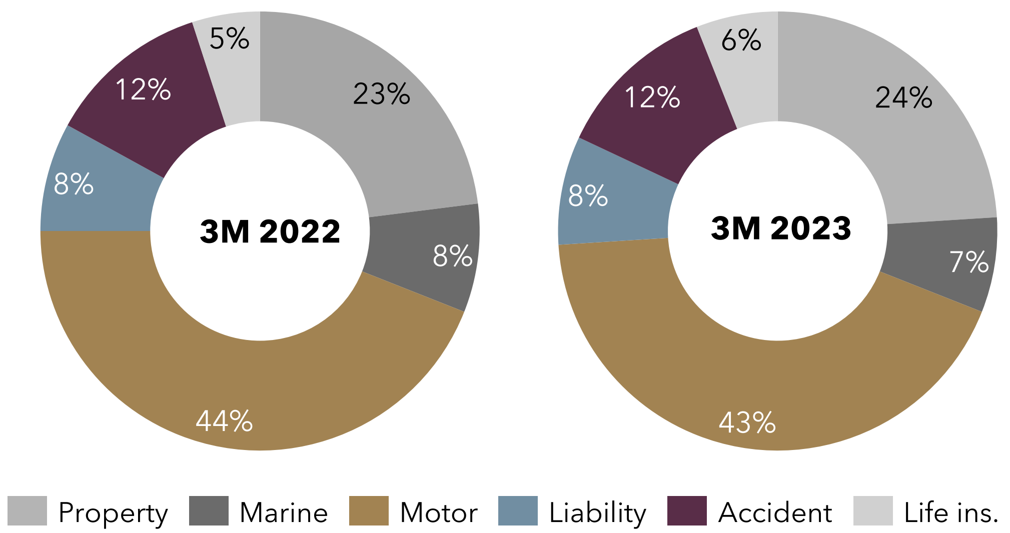
Net insurance service income (NIS)
ISK m.



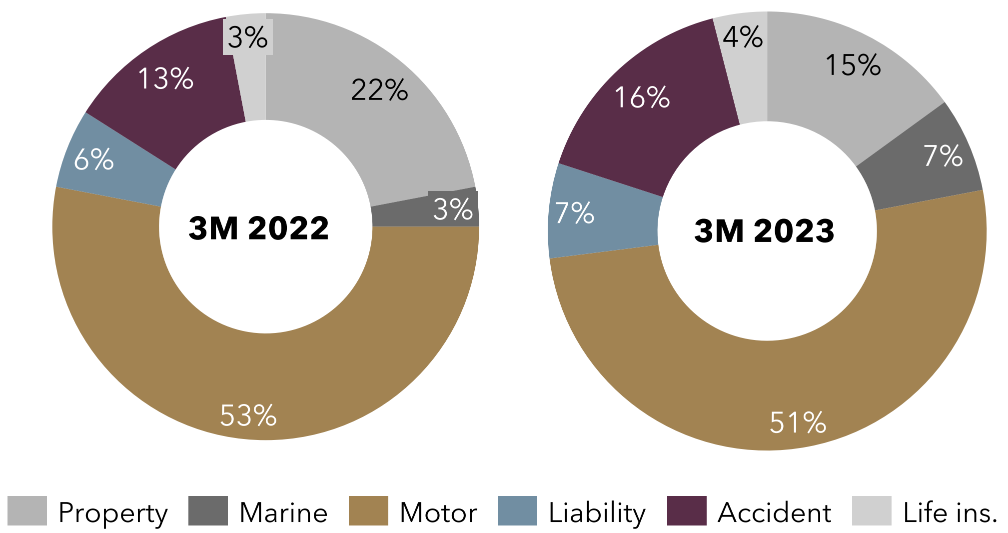
Combined ratio
(%)



Premiums composition
(%)



Claims composition
(%)



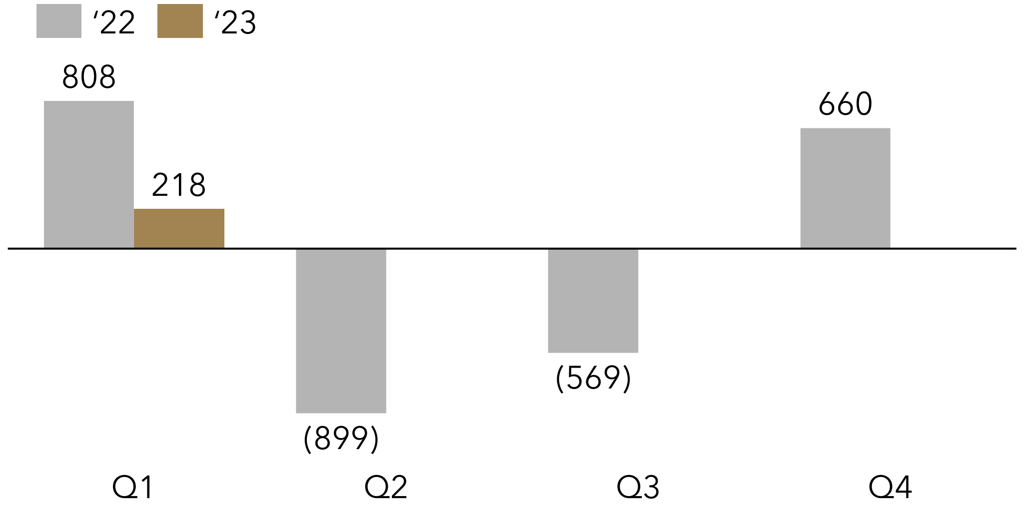
- Continued strong performance of insurance operations with a combined ratio of 99.7% for Q1
- Claims and reinsurance ratios stable between quarters while major claims account for 10.3% in Q1
- Composition of revenues and claims continues to be relatively stable
- Change in presentation of insurance results due to adoption of IFRS 17. Net insurance service income excludes administrative expenses related to insurance service from the insurance service result presented in the consolidated financial statement

** Comparative information has been restated due to implementation of IFRS17, see note 3 in the Condensed Interim Consolidated Financial Statements 31 March 2023*

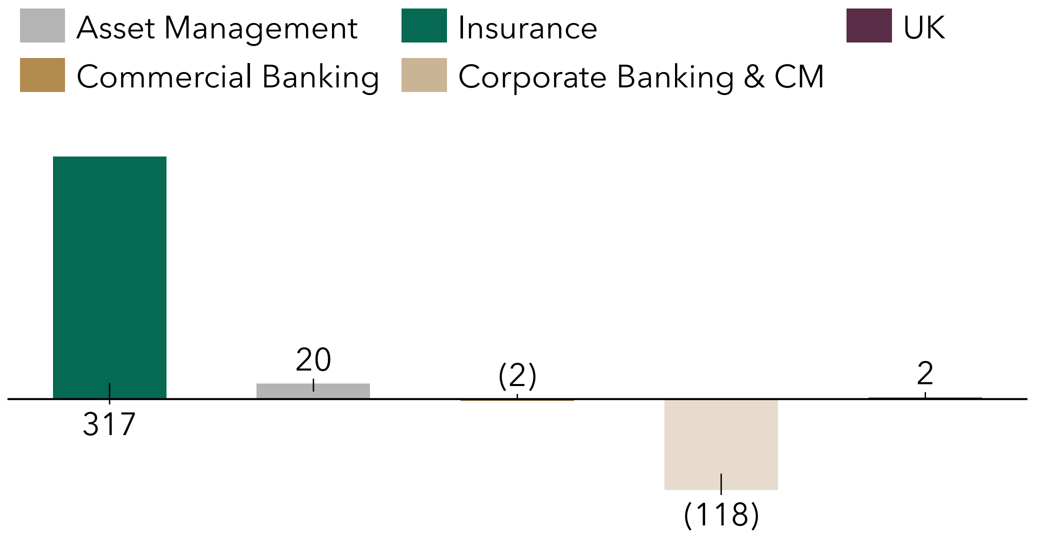
Net Financial Income

Rebound following challenging market circumstances

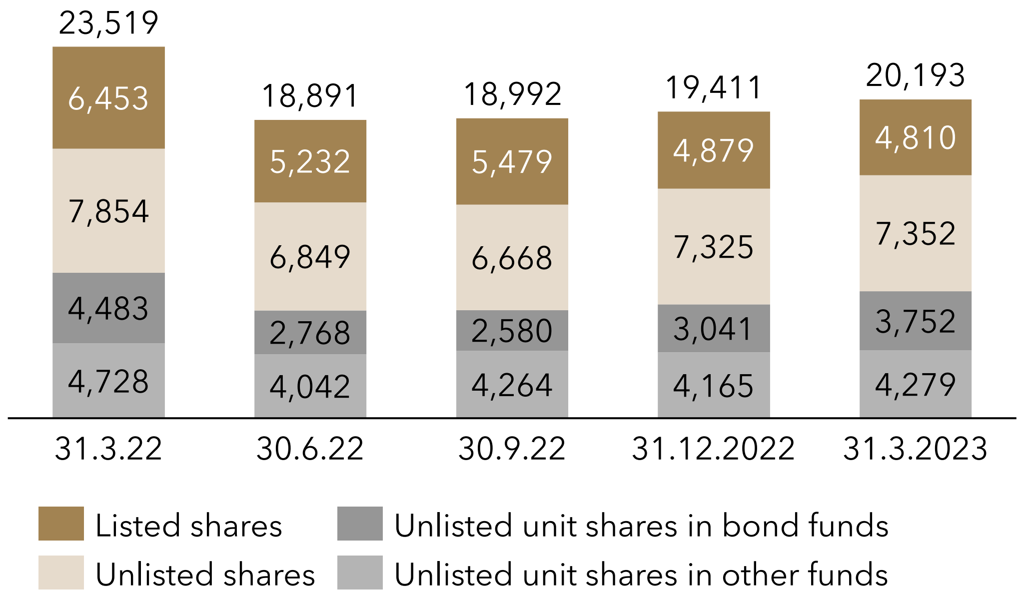
Net financial income (NFI)
ISK m.



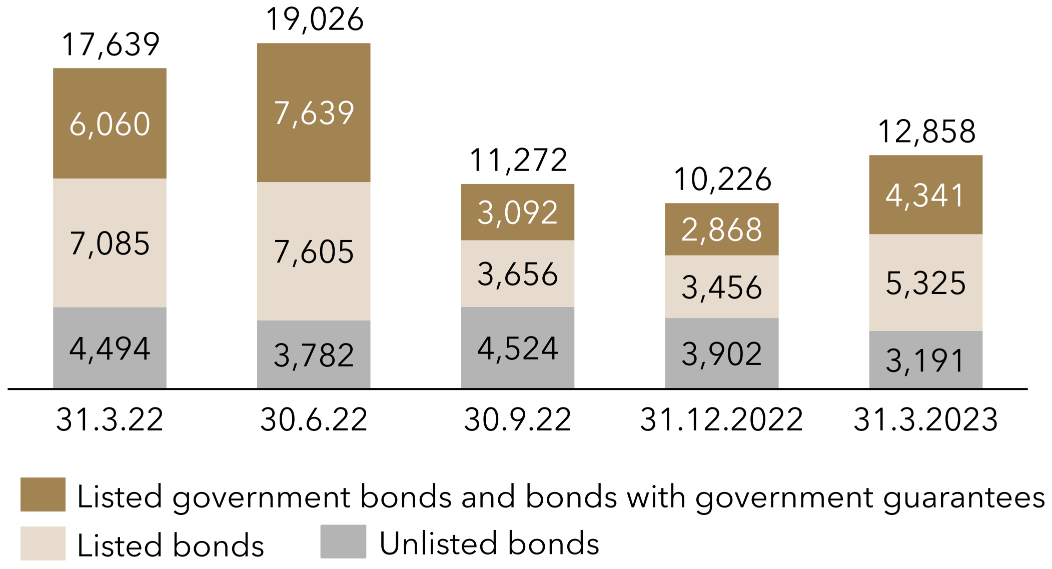
Segment split
3M 2023 / ISK m.



Shares and other variable income securities
ISK m.



Bonds and debt instruments (FVPL)
ISK m.

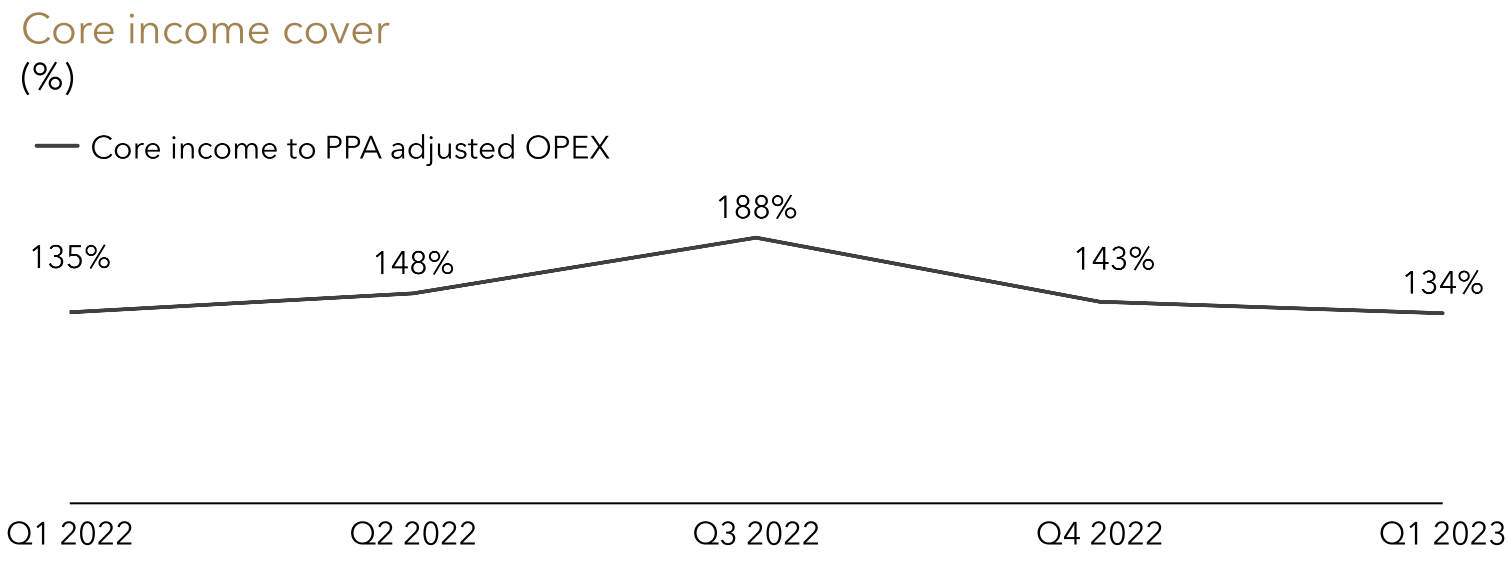


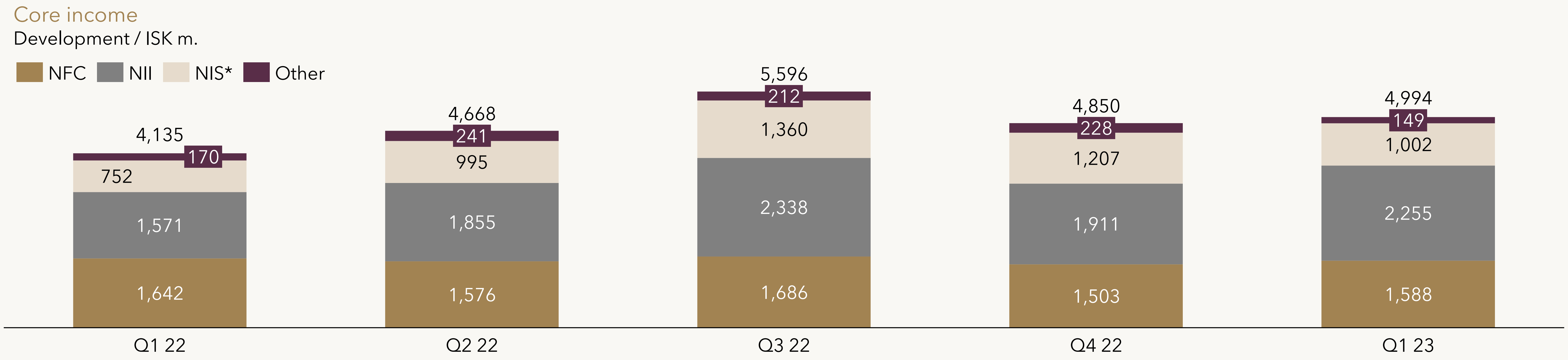
- Financial income continues to rebound despite continued challenges in the economy
- TM's investment operations return ISK 317 million in financial income while Corporate Banking & Capital Markets return a negative NFI mainly due to fixed income instruments held by market making and treasury
- YoY reduction in fixed income securities valued through profit and loss, due to reclassification of a part of TM's fixed income instruments which are now measured at fair value through other comprehensive income, in line with Kvika's other instruments meant to be held to maturity
- Markets have been volatile for market making operations and with inflation and rates higher of expectations have resulted in negative income on fixed-income securities for trading

Core Income Remains Stable

Net operating income excluding financial income

- Core income is defined as net operating income excluding net financial income, which is the revenue stream most affected by external market circumstances
  - → Kvika receives NFI as a result of its banking and insurance operations, both of which require the group to hold considerable investment assets
- While the group's NFI has seen significant volatility in the past quarters, core income has been stable
  - → Seasonality in core income due to insurance operations as claim volume is especially high in Q1





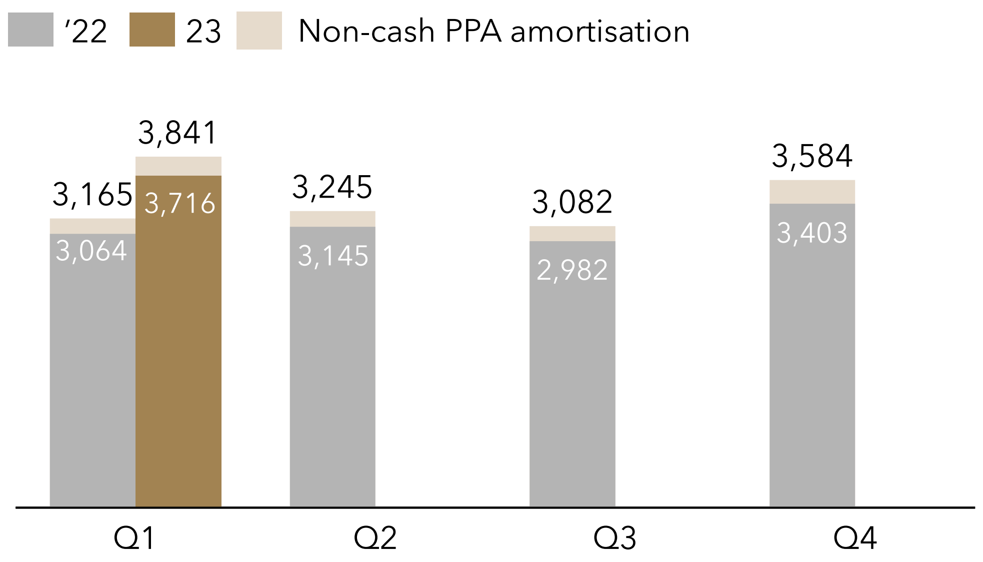
** Net insurance service income (NIS) excludes administrative expenses related to insurance service from the insurance service result. Comparative information has been restated, see note 3 in the Condensed Interim Consolidated Financial Statements*

Operating Expenses

Infrastructure expansion to support growth plans

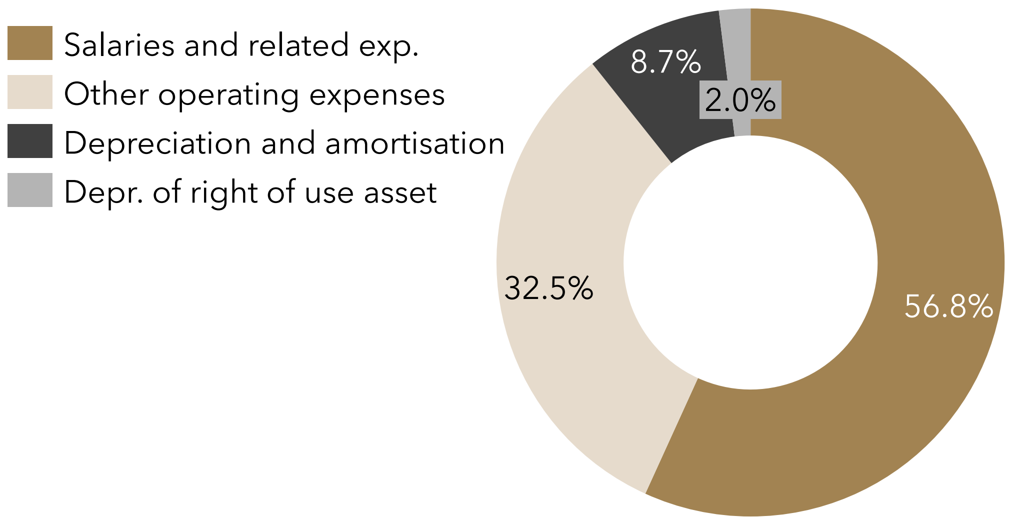
Total consolidated operating expenses

ISK m.



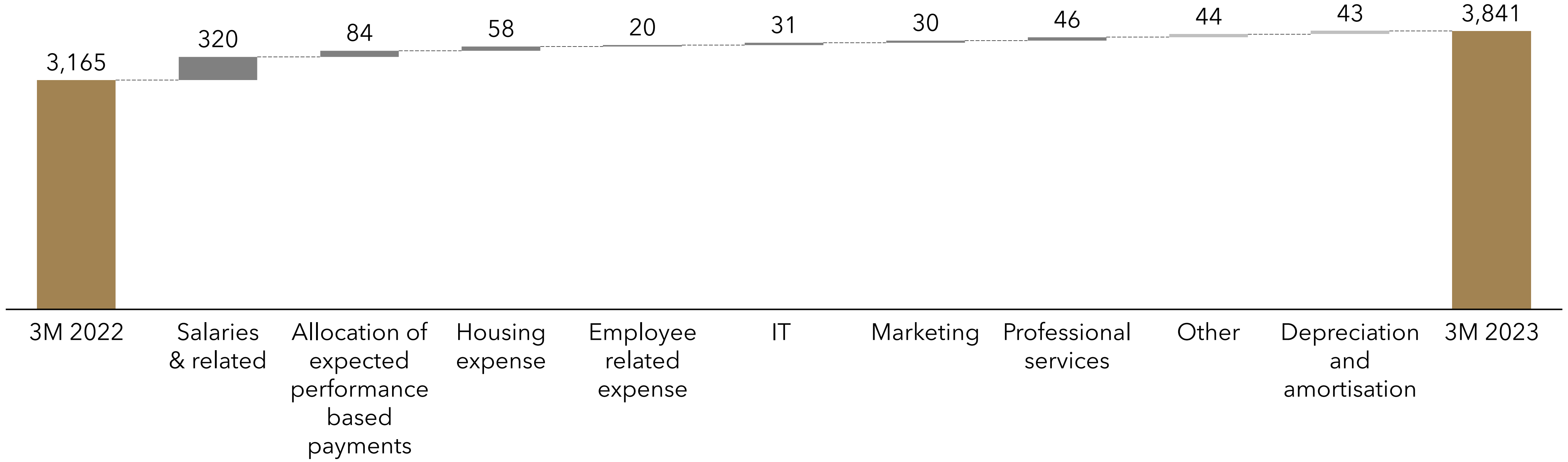
Operating expenses

3M 2023 / (%)



Operating expense bridge

ISK m.

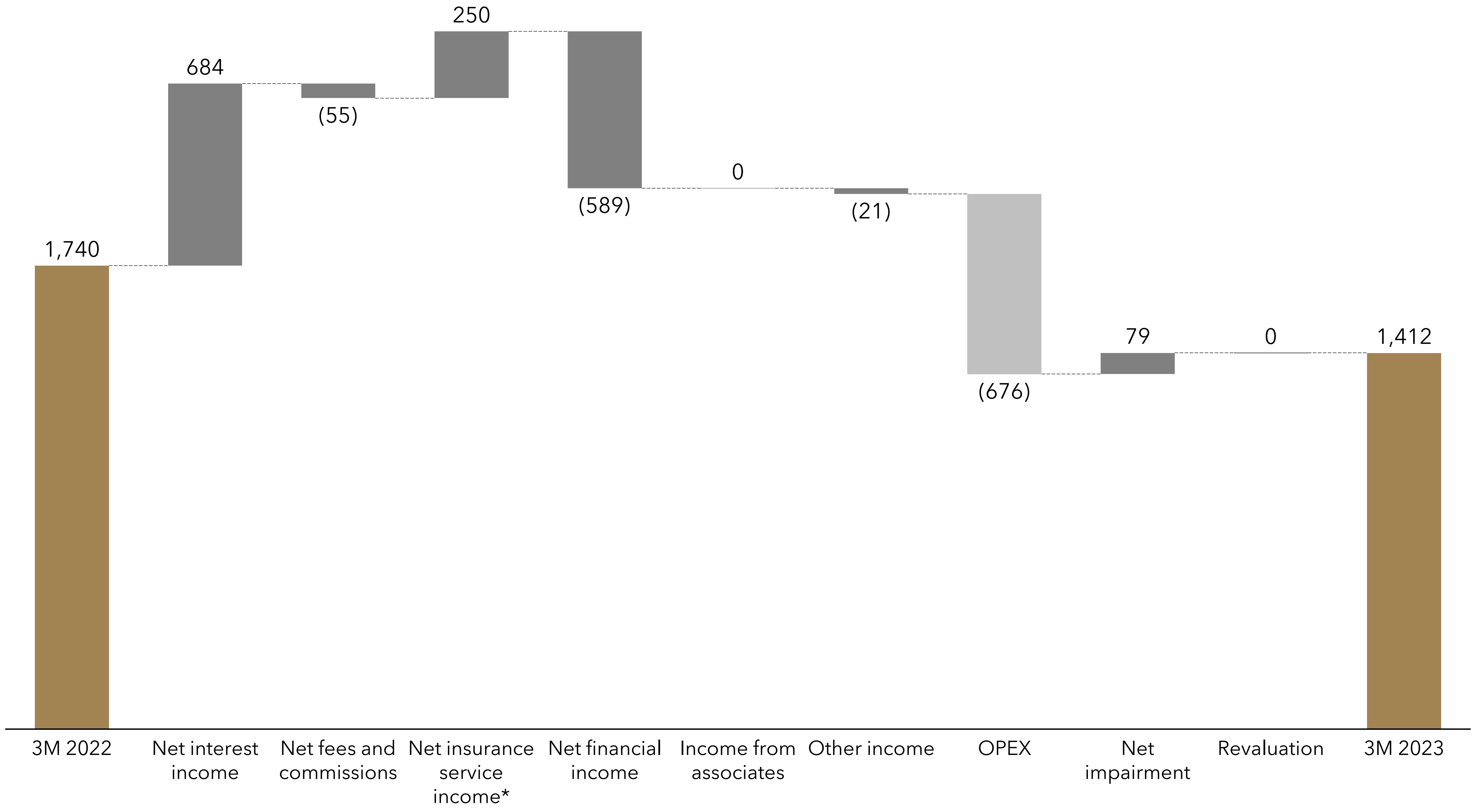


- Operating expenses increase YoY mainly due to increased salary expenses, attributable to collective bargaining and retroactive wage increases, allocation of expected performance-based payments (previously expensed in full in Q4) and the increase in full-time employees at the company, which has invested in the development infrastructure to support the company's growth
  - → Salaries increased by an average of 6.6% between periods, in line with general collective bargaining increases, and full-time employees increased by 11.6%
  - → One-off costs of ISK 60 million in Q1 due to merger advisory
- Amortisation of intangible assets has become a significant operating expense for the group due to M&A related amortisation of purchase price allocations ("PPA"), a non-cash item affecting PnL
  - → Depreciation and amortisation a total of 8.7% of OPEX in Q1, thereof ISK 125 million of PPA expensed
- Change in presentation of administrative expenses due to IFRS 17 implementation
  - → Administrative expenses attributable to insurance services included in insurance service results. Slide is based on total consolidated operating expenses

Operations 3M 2023

Solid core income

Pre-tax profit (loss) bridge
3M 2022 to 3M 2023 / ISK m.



Income statement
ISK m.

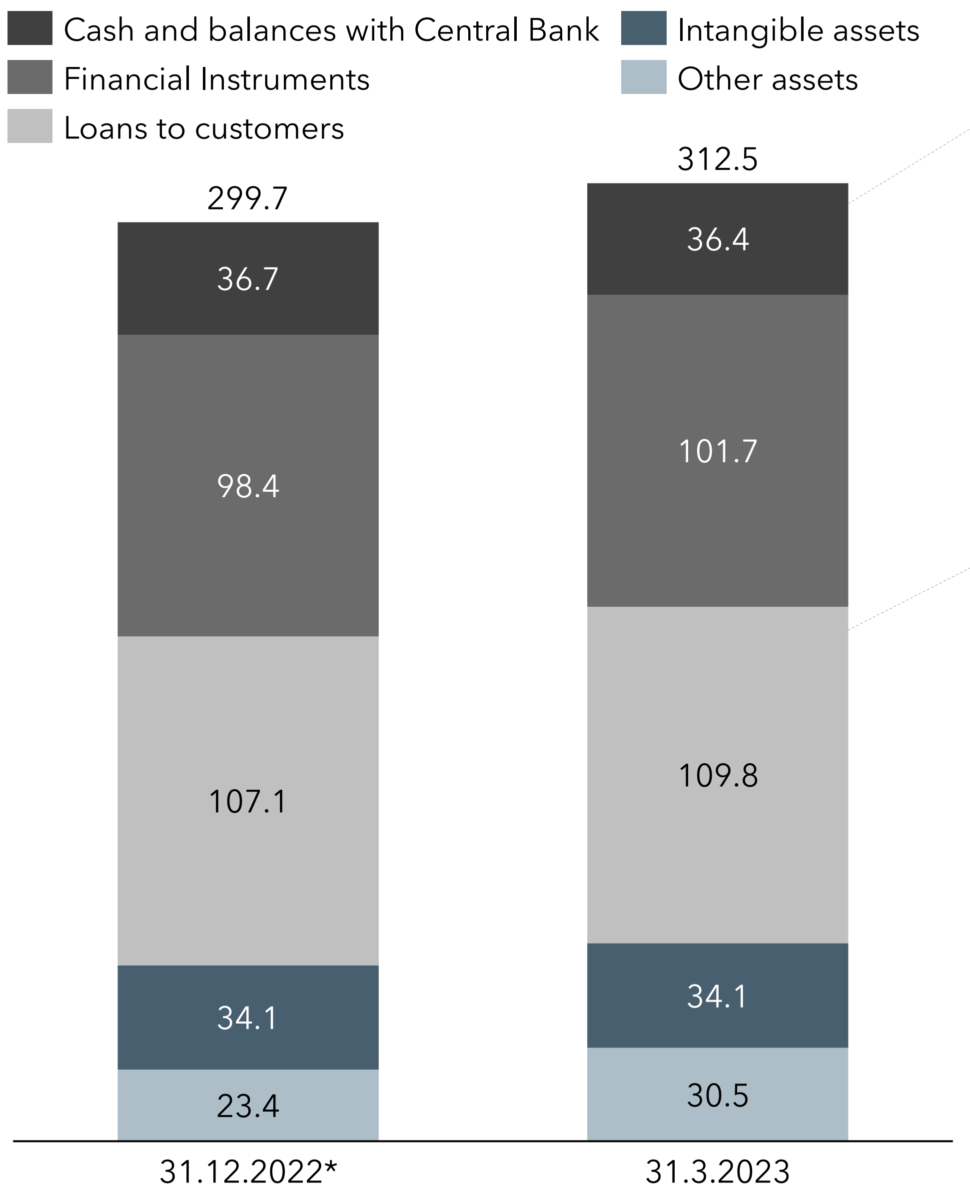
	3M 2023	3M 2022*
Net interest income	2,255	1,571
Net fees and commissions	1,588	1,642
Net insurance service income*	1,002	752
Net financial income	218	808
Income from associates	-	-
Other income	149	170
Net operating income	***5,212***	***4.943***
Operating expenses	(3,841)	(3,165)
Net impairment	41	(-38)
Revaluation		
Pre-tax profit	***1,412***	***1,740***
Income tax	(193)	(189)
Special bank taxes	(52)	(42)
After-tax profit	***1,167***	***1,510***
Earnings per share (EPS)	***0.24***	***0.31***
Diluted EPS	***0.24***	***0.30***

*Change in presentation of insurance income in the consolidated financial statements due to implementation of IFRS17. Net insurance service income (NIS) excludes adm. expenses related to insurance service from the insurance service result. Similarly, net operating income excludes administrative expenses related to insurance service. Comparative information has been restated.

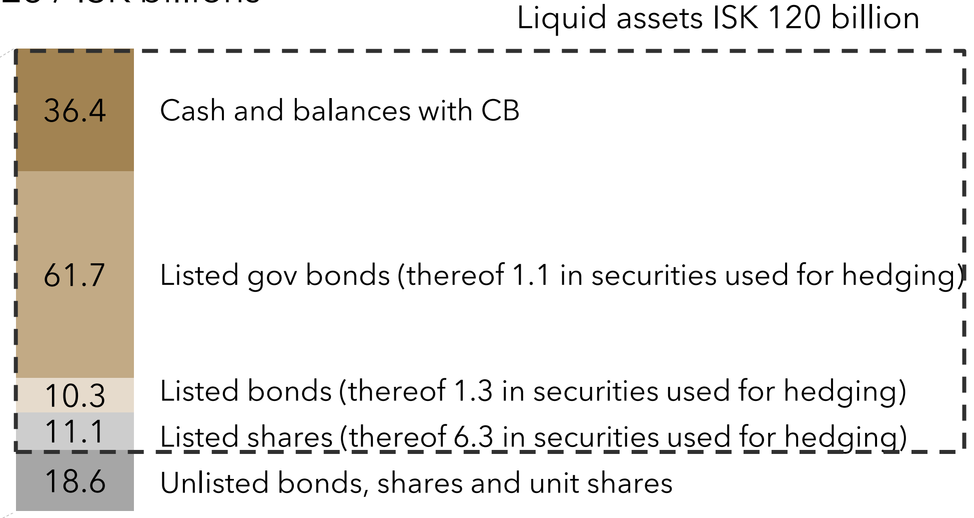
Balance Sheet: Assets

Over a third of the balance sheet consists of liquid assets

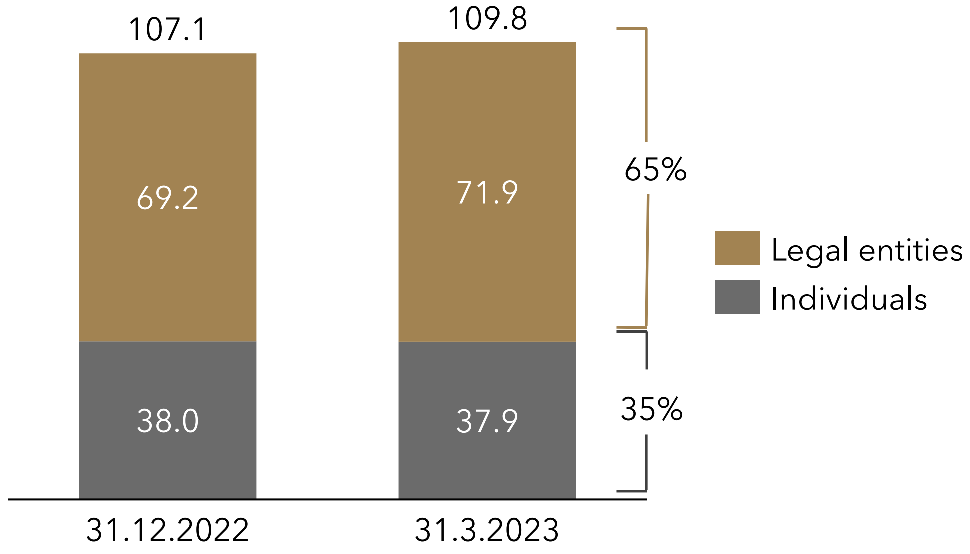
Assets
31.3.23 / ISK billions



Cash and financial instruments
31.3.23 / ISK billions



Loan book by customer type
ISK billions



- Modest ISK 12.8 billion increase in assets since year-end 2022
- Loan book increases by ISK 2.7 billion since year-end 2022
  - → Weighted average duration of the domestic loan book was 1.7 years at 31.3.2023
- Liquid assets amount to ISK 120 billion, 38% of total assets and 109% of loans to customers
- ISK 12.9 billion positive CPI balance at 31.3.2023

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Loans to Customers

Diversified loan book and increased granularity

Vehicles — Lykill fjármögnun

- Car dealers are the primary source of loan applications
- Advanced IT setup facilitates semi-automated and responsive loan process
- New and used vehicles
- Average loan is just under ISK 2 million

Core customers: retail clients

Commercial vehicles and equipment — Lykill fjármögnun

- Collateralized by commercial vehicles or various kind of equipment
- LTV depends on the liquidity of collateral
- Borrowers generally businesses with a good track record

Core customers: professional clients

Real estate — KVIKA

- Mostly to legal entities backed by residential and commercial real estate
- The category includes approximately ISK 2.2 billion of 2nd lien residential real estate loans to individuals granted through Framtíðin lending platform

Core customers: professional clients and retail

Real estate development — KVIKA

- Construction level from land to fully equipped property
- Loans are usually drawn in accordance with the construction progress. Effective monitoring is essential to protect the bank's interest and ensure that collateral values are realistic

Core customers: professional clients

31.03.2023 / ISK billions

Investment and operational loans — KVIKA

- Loans against unlisted securities or cash flows
- Generally, carry the highest interest rates and tie up the most equity
- Loans collateralized with unlisted equity have LTV of less than 30% once granted as higher LTV's result in excessive capital requirements

Core customers: professional clients

Securities — KVIKA

- Loans against listed securities
- Normally LTV of less than 50% once granted as higher LTV's result in excessive capital requirements
- Margin call covenants should the value of the underlying collateral decrease

Core customers: professional clients

Unsecured loans — netgíró, AUR

- Consumer and cash loans to individuals via fully automated loan process
- Proprietary algorithm-based credit system
- Maximum APR regulated
- Low defaults, lent to A, B and C class borrowers*

Core customers: retail clients

Ortus real restate — ORTUS SECURED FINANCE

- Mostly to legal entities backed by residential and commercial real estate
- Historical average LTV of around 50%

Core customers: professional clients

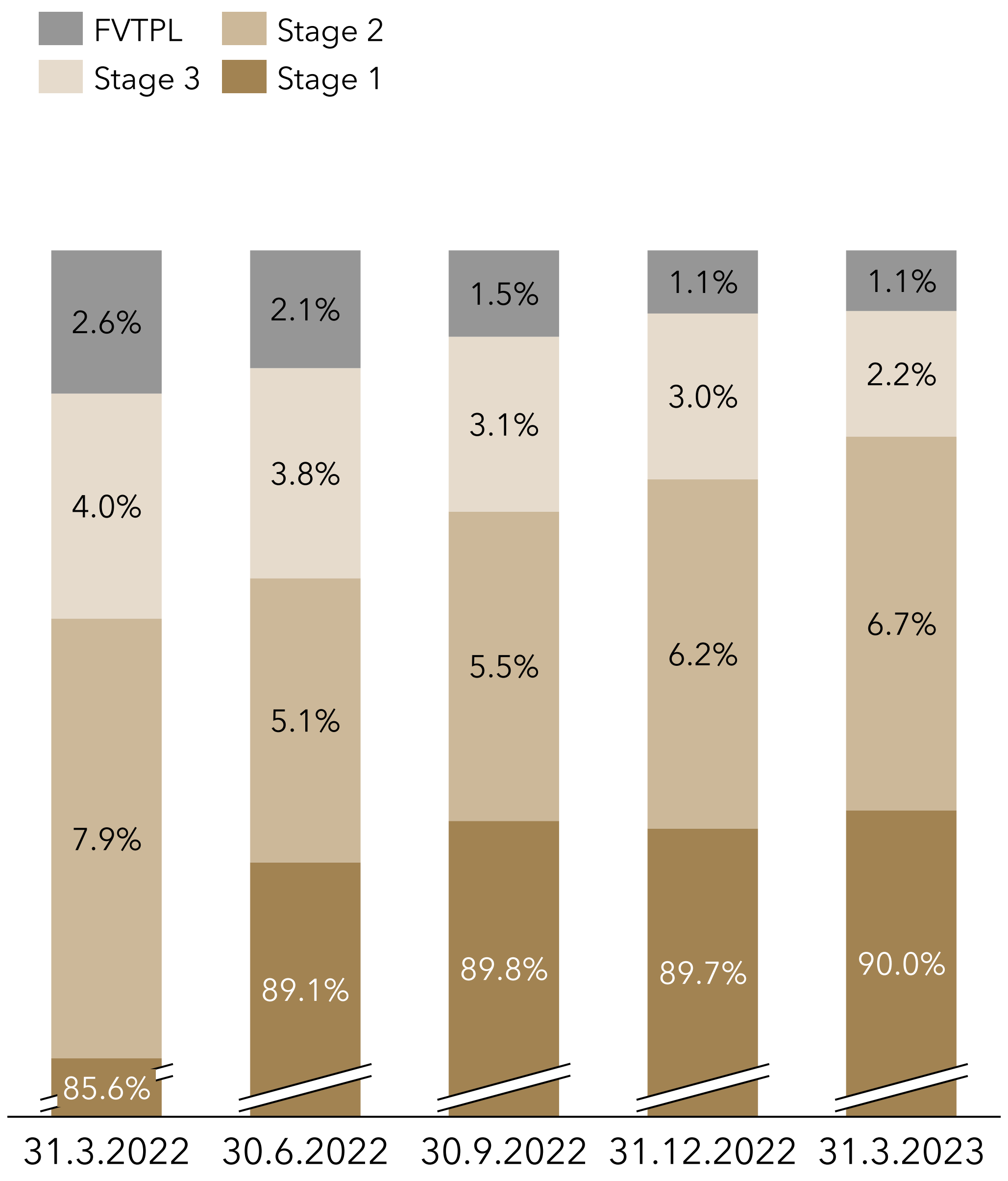
*Credit Score classification by Creditinfo Iceland, which rates individuals from A1 through E3

Credit Quality

Continuing decrease in stage 3 exposures

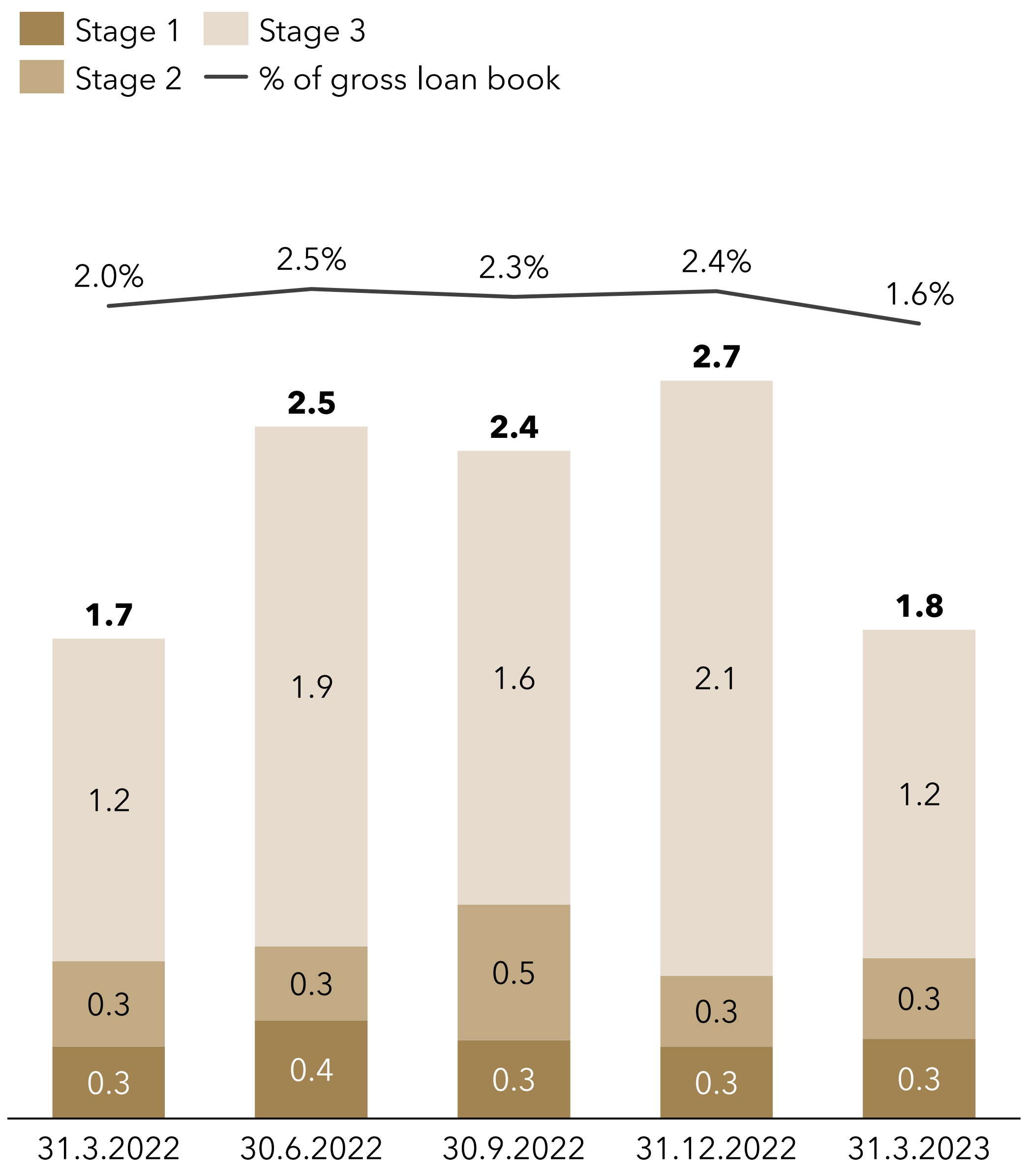
Loans to customers risk stage allocation

Net loan book / (%)



Impairment loss allowance

ISK billions



- Stage 3 loans continue to decrease between quarters, now 2.2% of the net loan book, down from 4.0% post Ortus acquisition at 31.3.2022
  - → Large stage 3 position in the UK repaid in Q1 2023
- Total impairment loss allowance of 1.8 billion or 1.6% of gross loan book at year end
  - → Stage 3 impairment loss allowance of 1.2 billion or 1.1% of gross loan book

Liquidity and Funding Ratios

Strong levels, well above regulatory requirements

Liquidity coverage ratio (LCR)

31.3.2023 / ISK billions

High quality liquid assets	76
Net outflow	23
Liquidity coverage ratio	**327%**
Minimum regulatory requirement	100%

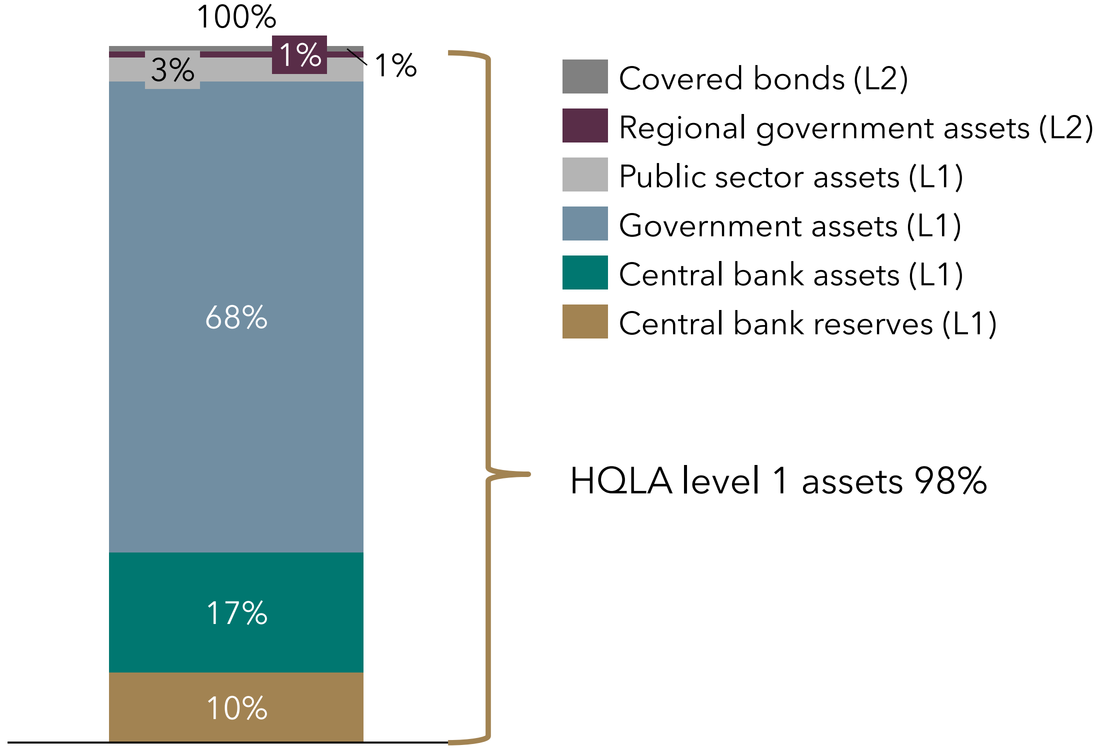
Net stable funding ratio (NSFR)

31.3.2023 / ISK billions

Available stable funding	205
Required stable funding	143
Net stable funding ratio	**144%**
Minimum regulatory requirement	100%

High quality liquid assets (HQLA)*

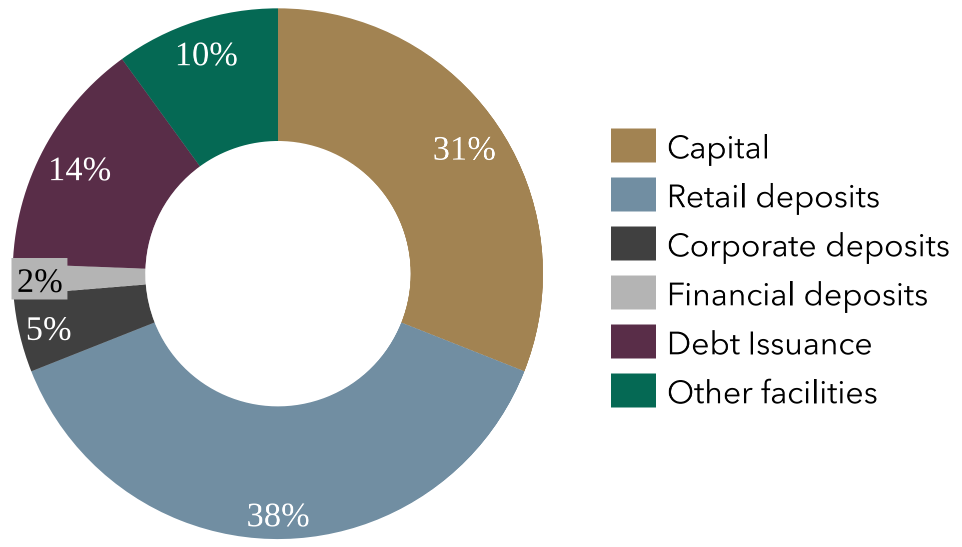
31.3.23 / (%)



*L1: Level 1 assets , L2: Level 2 assets

Available stable funding

31.3.23 / (%)

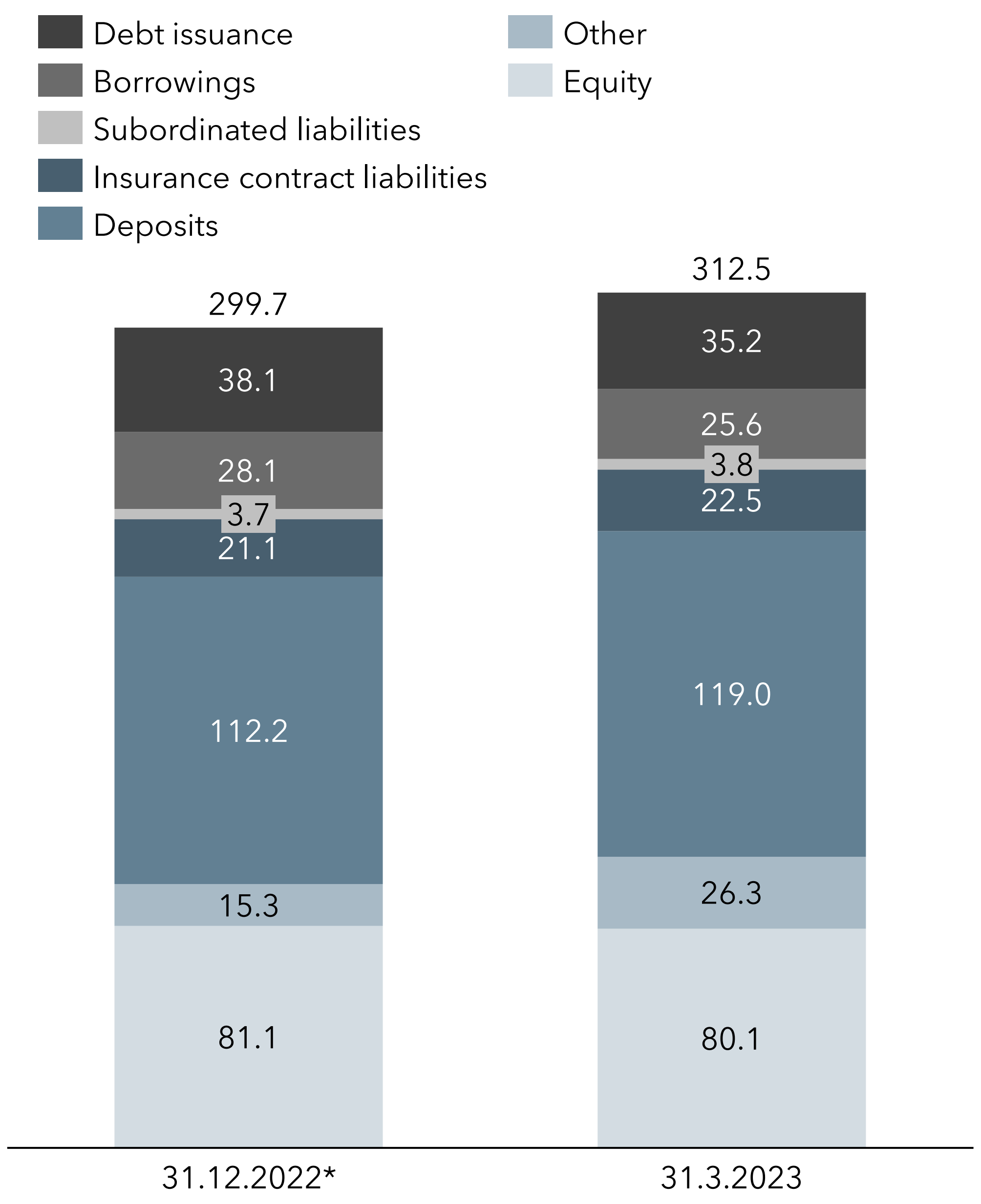


- HQLA assets ISK 76 billion excluding mandatory reserves and collateral to the Central Bank
- Liquidity coverage ratio is strong at 327%, where the regulatory minimum is 100%
- Net stable funding ratio is strong at 144%, where the regulatory minimum is 100%
- Asset and liability management is aimed at maintaining stable funding sources such as core retail deposits and long-term funding via debt issuance
- The group's capital and deposits are the largest funding sources

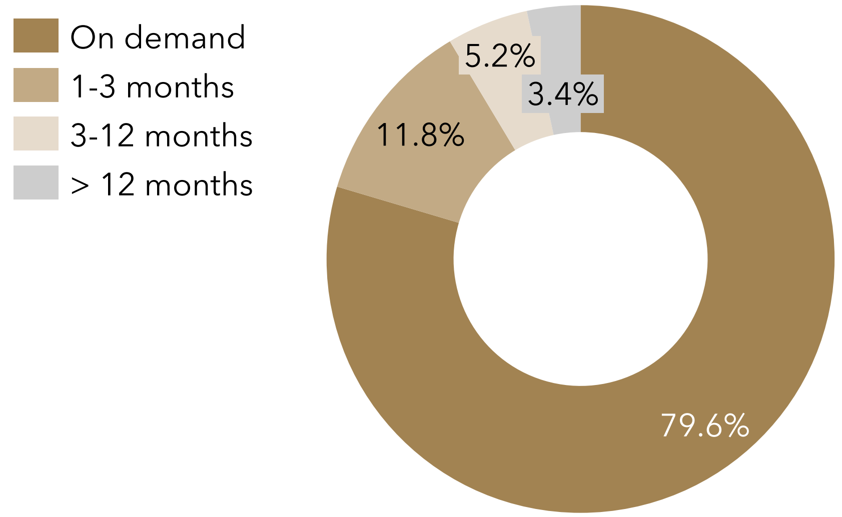
Balance Sheet: Liabilities

Significant growth in retail deposits

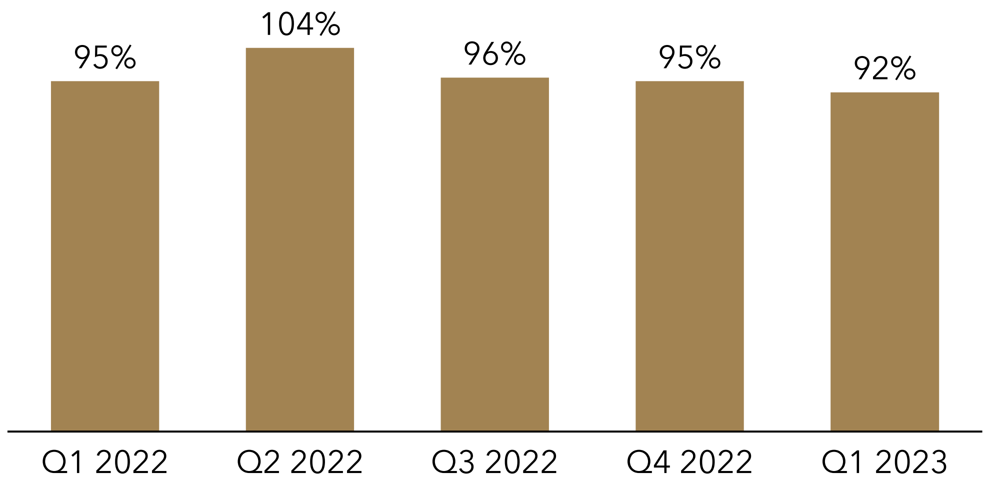
Liabilities and equity
ISK billions



Maturity of deposits
31.03.23 / (%)



Loans to deposits
(%)



- Liabilities increase by ISK 14 billion since year-end 2022, driven by unsettled transactions and growth in deposits
- Deposits increased by ISK 6.7 billion in Q1 2023 driven by growth in retail deposits
- Due to implementation of IFRS 17, liability item technical provision is now stated as 'Insurance contract liabilities'.
  - Main change due to adoption of IFRS 17 to the balance sheet is that the technical provision has been replaced by 'insurance contracts liabilities', a liability equal to premiums received less acquisition costs, i.e. liability for remaining coverage, as well as liability for incurred claims.

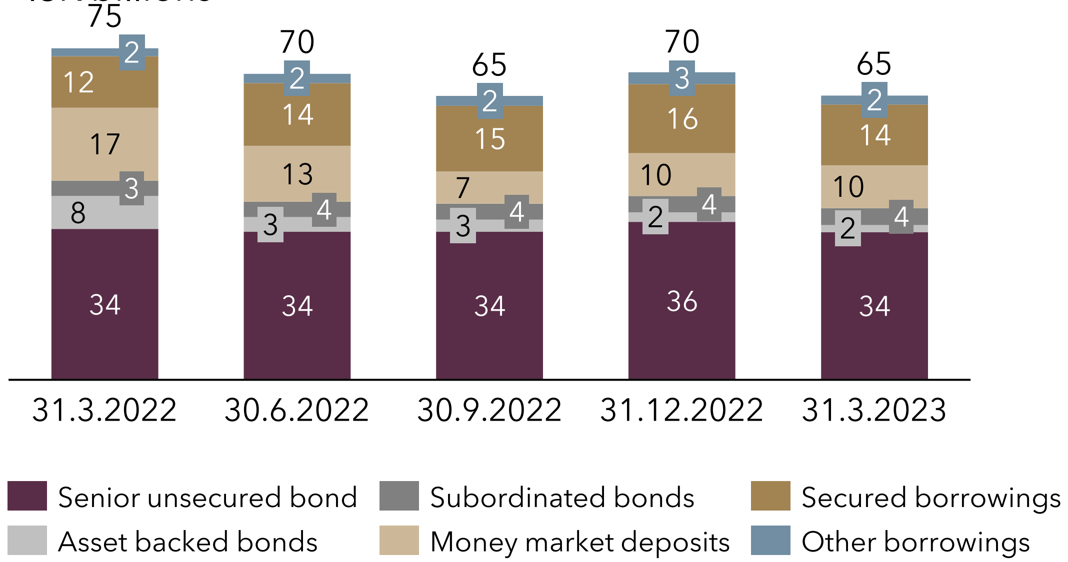
** Comparative information has been restated due to implementation of IFRS17, see note 3 in the Condensed Interim Consolidated Financial Statements 31 March 2023*

Diversified Funding Programme

Funding capabilities in domestic and international markets

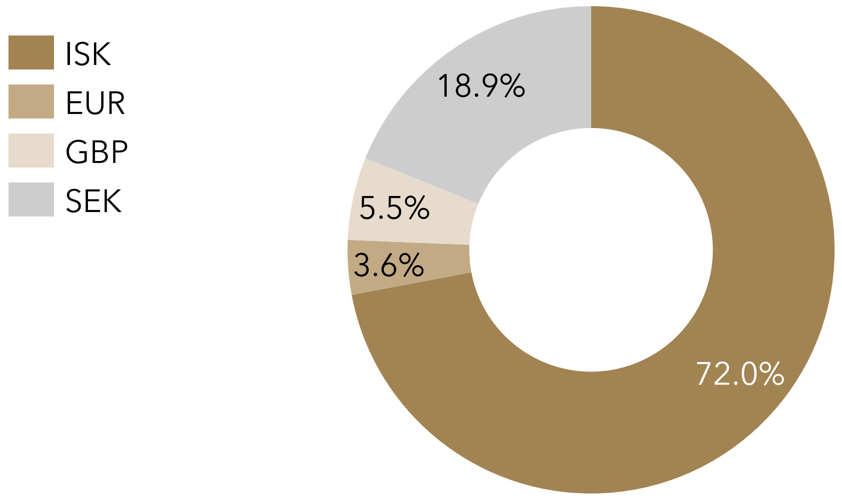
Development of market funding

ISK billions



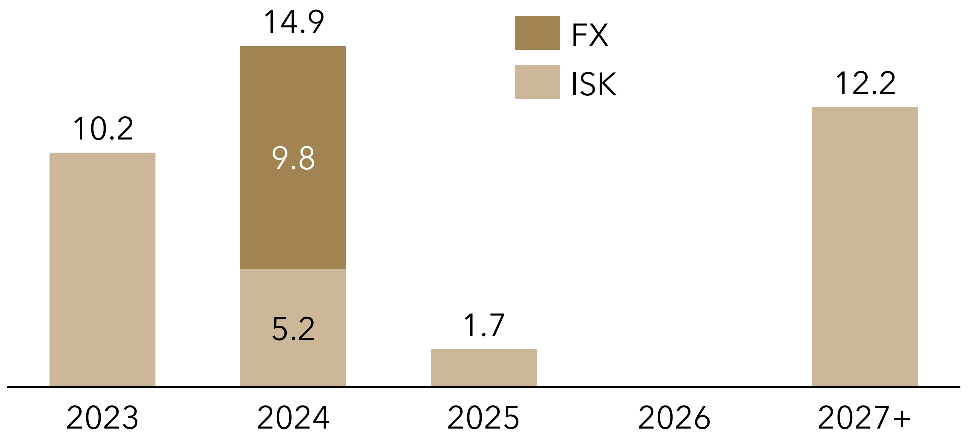
Issue currency

31.3.23 / ISK billions



Maturity of issuance

31.3.23 / ISK billions



Rating

Moody's Investors Service

	Bank deposit rating	**Issuer rating**
Long term	Baa1	Baa2
Short term	P-2	P-2
Outlook	Under review for upgrade	Under review for upgrade
Last	29 June 2022	19 May 2022

- Kvika has been an active issuer in Iceland since 2015 and in 2021 established an EMTN programme and obtained a credit rating from Moody's Investors Service
- ISK 35 billion of senior bonds outstanding at 31 March 2023 with 72% issued in ISK
- Among the group's borrowings are secured borrowing facilities which are utilized by Ortus in the UK
- In February 2023 Moody's placed Kvika's deposit and issuer ratings on review for upgrade pending merger discussions with Íslandsbanki hf.
- Early May 2023 Kvika issued 3y senior preferred bonds totaling SEK 275m and NOK 550m
  - Concurrently, Kvika bought back SEK 125m of bonds maturing 31 January 2024

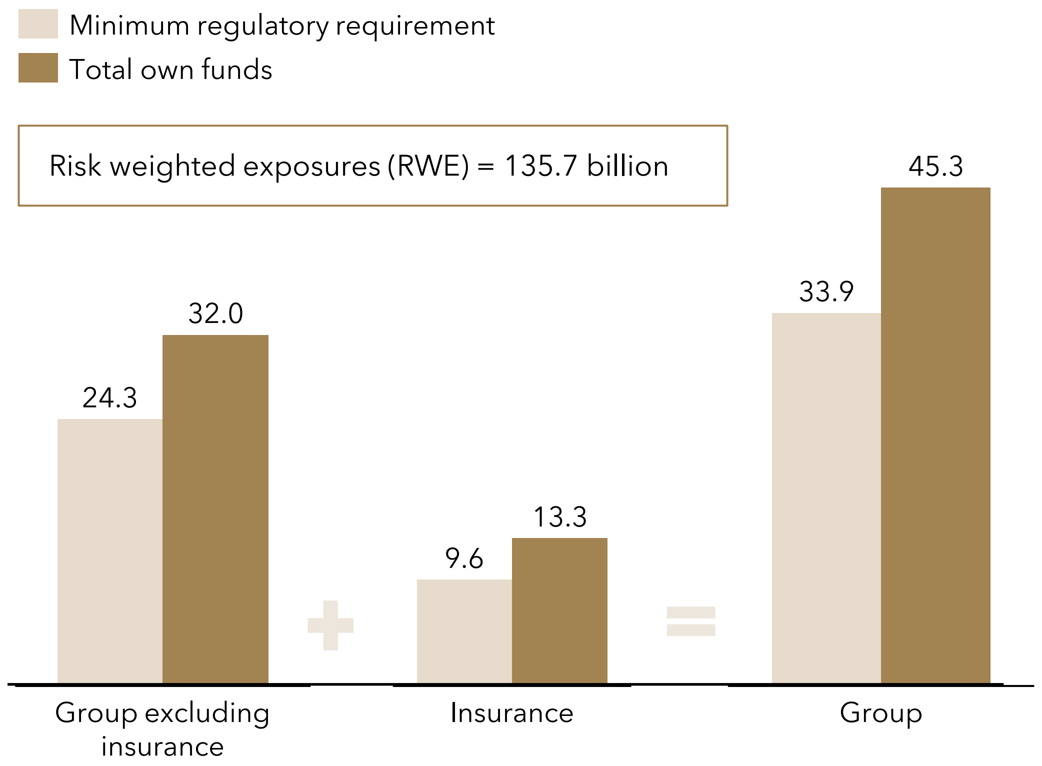
Solvency and Capital

Well above regulatory requirements

Capital adequacy is calculated on a consolidated level as the solvency ratio of the financial conglomerate while a consolidated capital adequacy ratio (CAR) is calculated for entities not belonging to the insurance sector (by excluding insurance activities from calculation of risk weighted exposures and capital base) and a solvency ratio calculated for insurance operations.

CAR and solvency

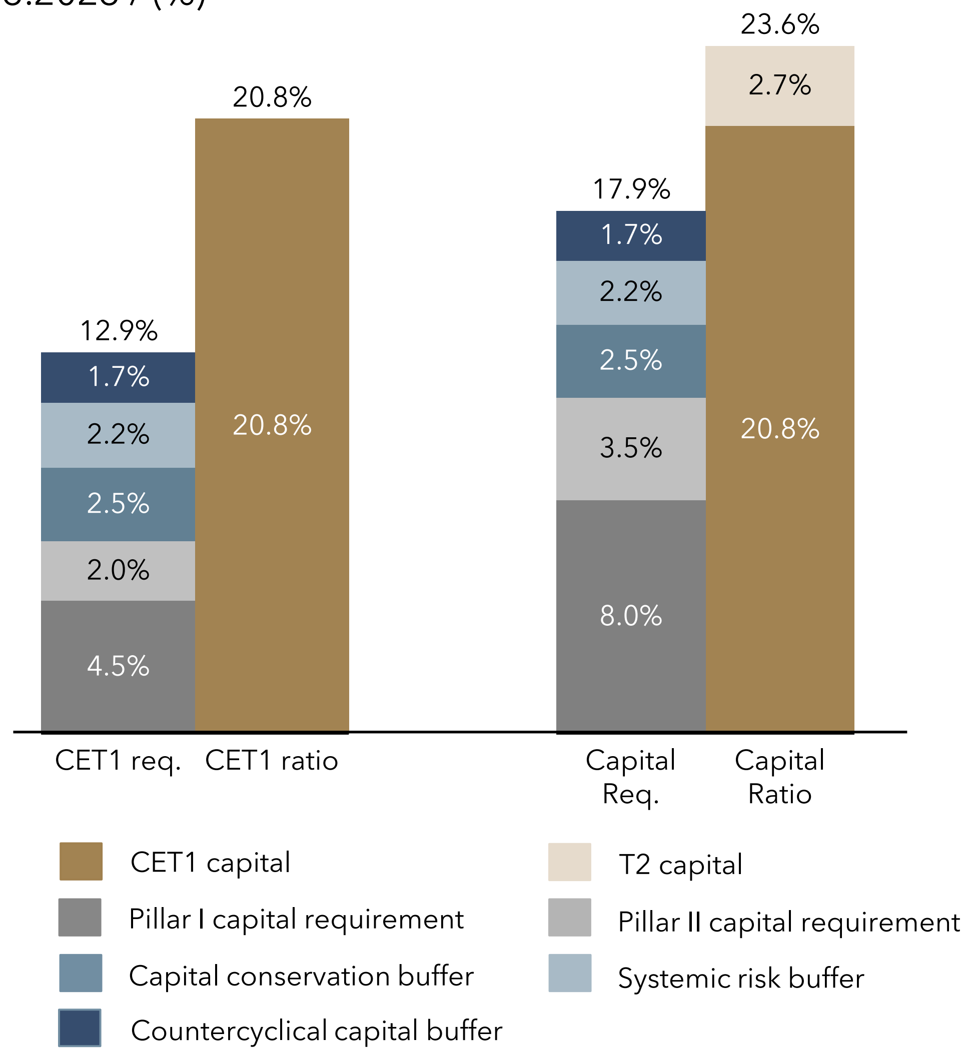
31.3.2023 / ISK bn.



CAR	Solvency	Solvency
32.0 / 135.7= 23.6%	13.3 / 9.6 = 1.39	45.3 / 33.9 = 1.34
Regulatory minimum: 24.3 / 135.6 = 17.9%	*Reg. minimum: 1.00*	*Reg. minimum: 1.00*

Capital position and requirements

31.3.2023 / (%)



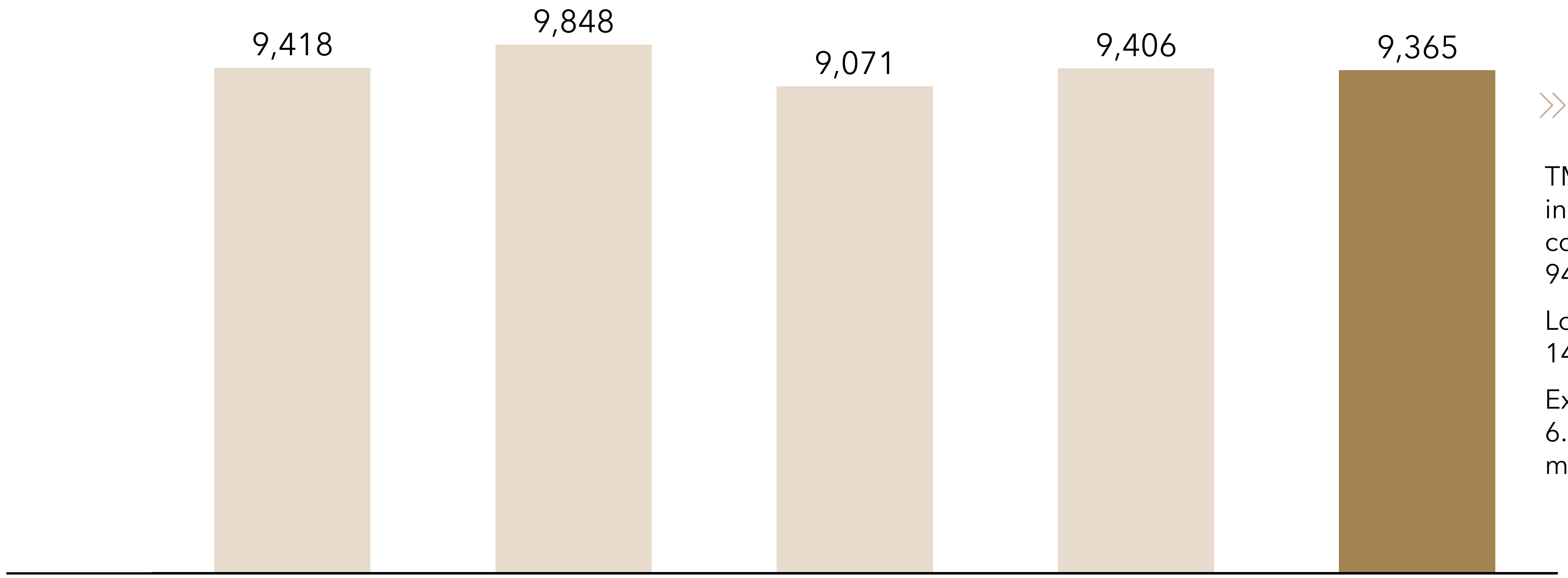
- Kvika has a group solvency of 1.34 and a CAR of 23.6% at the end of March 2023
- Significant amount of excess capital, ISK 11.4 billion on consolidated solvency basis for the group and ISK 7.7 billion on CAR basis excluding insurance activities
- Countercyclical capital buffer (CCyB) in the United Kingdom will increase to 2.0% in early July 2023, resulting in an increase in Kvika's geographically weighted CCyB from 1.7% to 2.0%
- The CCyB in Iceland will increase from 2.0% to 2.5% in March 2024 which is expected to have a weighted impact increase of ~0.4pp for Kvika

Outlook for the Next Four Quarters

New revenue streams expected in next four quarters

At the end of each quarter the group revises key assumptions for the next four quarters and updates previously reported outlook as required, maintaining a running four quarter guidance at each time.

PBT Outlook 2022-23
ISK million



Period forecast:	Q2 2022 – Q1 2023	Q3 2022 – Q2 2023	Q4 2022 – Q3 2023	Q1 2023 – Q4 2023	Q2 2023 – Q1 2024
Published on:	12 May 2022	18 August 2022	10 November 2022	15 February 2023	11 May 2023
RoTE	21.4%	23.4%	21.7%	21.6%	21.9%

» Key assumptions

TM: 8.7% return on investment and combined ratio of 94.5%

Loan book growth of 14% in the period

Expected inflation of 6.8% for the next 12 months

- PBT Outlook for the next four quarters, Q2 2023 – Q1 2024, updated to ISK 9,365 million from ISK 9,406 million for Q1 2023 – Q4 2023
  - → Each quarter's expected PBT varies from ISK 2.1-2.6 billion in the Q2 2023 – Q1 2024 guidance
  - → The outlook relies on the assumption of positive returns on financial assets, including fixed income and equity holdings valued at fair value through profit and loss. However, the current market conditions in Q2 2023 have been challenging, e.g. resulting in an 8% decline in the OMXI10 equity index as of the presentation date. As a result, barring any significant improvement in the market until the end of Q2 2023, PBT for Q2 is expected to fall below the ISK2.1-2.6bn range.
- Running four quarter PBT very similar from last outlook, a moderate increase in insurance income and invest banking income is offset by less net interest income due to loan growth revised lower

Key Takeaways

Diverse income streams form strong core operations

- Five operating segments continue to provide a highly diverse source of income for the group and core revenue remains strong
- Investment in infrastructure to support growth through both new and existing products and services
- Strong capital and financial position with significant liquidity and excess capital creates both stability and valuable infrastructure for growth
- Guidance of PBT ISK 9,365 million for next 12 months

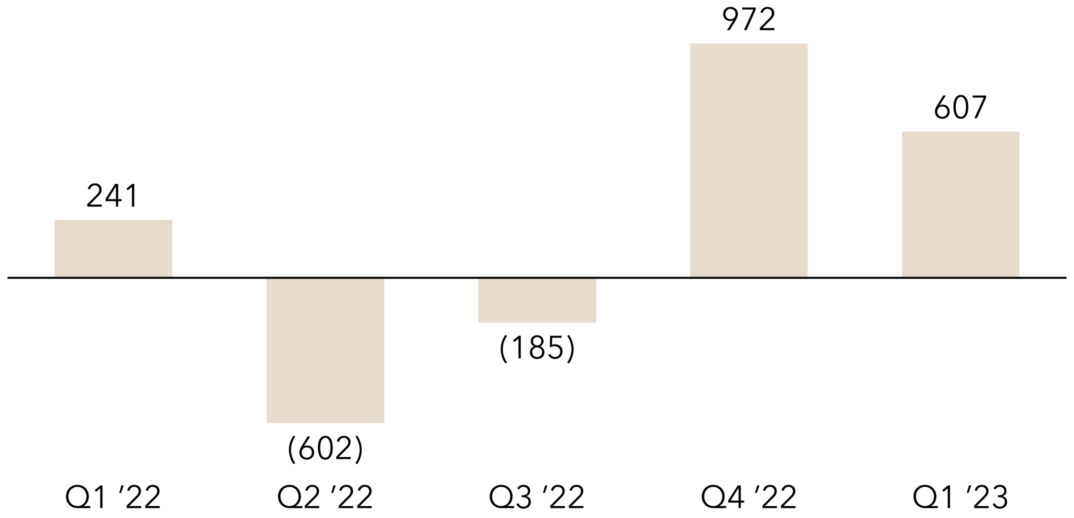
Appendix

Additional information

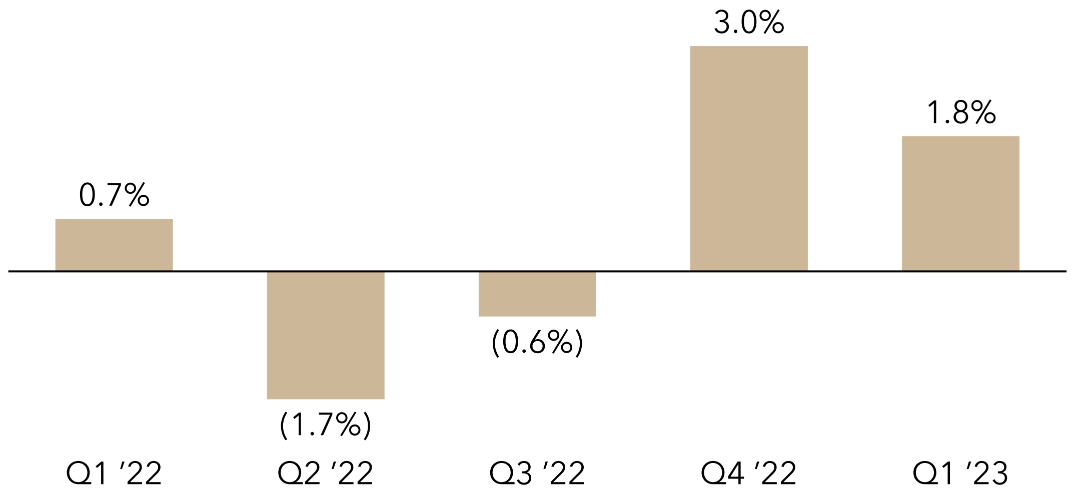
Insurance Investments

Return on investment of 1.8% in 3M 2023

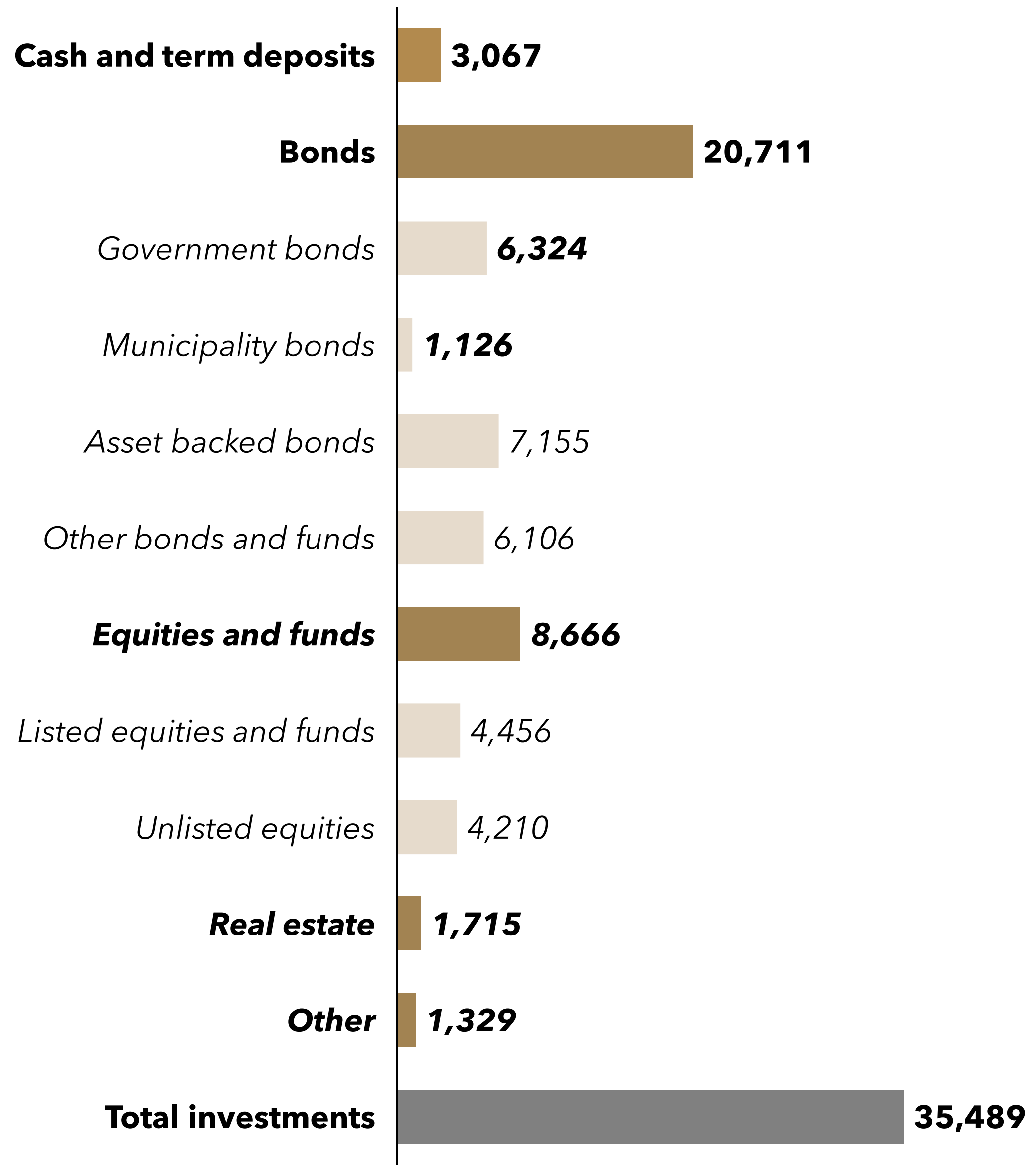
Investment asset income
ISK m.



Investment asset returns (ROI)
(%)



Insurance investment assets*
31.3.2023 / ISK m.



- Return on investment assets in Q1 2023 of 1.8% with positive returns in all asset classes apart from real estate
- Cash and liquidity funds amount to ISK 3.1 billion at the end of March 2023
- Insurance investments are presented as categorized by TM Insurance's management accounts and can not be directly reconciled with the consolidated financial statement of the group

**Liquidity funds are categorized as cash and term deposits compared to securities in financial statements*

Adoption of IFRS 17

Impact on consolidated financial statements

IFRS 17: Insurance Contracts came into effect on 1 January 2023, changing the financial reporting of insurance companies. For Kvika, this means that the Q1 2023 quarterly report is prepared in accordance with IFRS 17 and comparative figures are restated accordingly. The goal of IFRS 17 is to ensure consistent accounting for all insurance contracts, increase comparability between insurance companies and to drive more detailed disclosures. IFRS 17 will primarily mean a change in terminology and a few reclassifications of items in the financial statements

Impact on Consolidated Financial Statements

Income statement impact

The presentation is now based on separate section of insurance and investment results, more in line with the previous segment reporting of TM.

Balance sheet impact

The largest change to the Group's statement of financial position is that instead of premium provision there is now only liability from prepaid premiums. Accounts receivable is reduced by same amount.

Equity impact

Equity as of 1 January 2023 decreases by ISK 101.3 million due to risk adjustment, replacing previous risk margin.

Key new terminology

Insurance revenue

This is the new top line figure and is comparable to gross premium income but does not include bonus and premium rebates which are now part of Insurance expenses.

Incurred claims and net expense from reinsurance contract held

This line item covers claims, reinsurance premiums, recoveries from reinsurance contracts and contractual rebates from reinsurers.

Administrative expenses related to insurance service

All administrative expenses attributable to insurance services, previously included within administrative expenses of the group

Insurance service result

Equivalent to the technical result and is the sum of insurance revenue, incurred claims and net expense from reinsurance contract held and insurance service administrative expenses

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