

Vátryggingafélag Íslands hf. Financial Results

Q1 2024 – Strong Revenue Growth

30 May 2024



Key Operational Highlights



External growth in asset management with **acquisition** of Íslensk verðbréf

Group AuM 220 bn post transaction

Group delivers **pre-tax profit** of 202m and **after-tax profit** 136m

Core Revenue
7,415m
+15% YoY¹

Financial Services
performing across all divisions with **pre-tax profit** of 90m



Net financial services revenue of 626m delivering a 123% growth YoY

Insurance revenue
growth 9.9%
Life insurance revenue
growth 16.3%

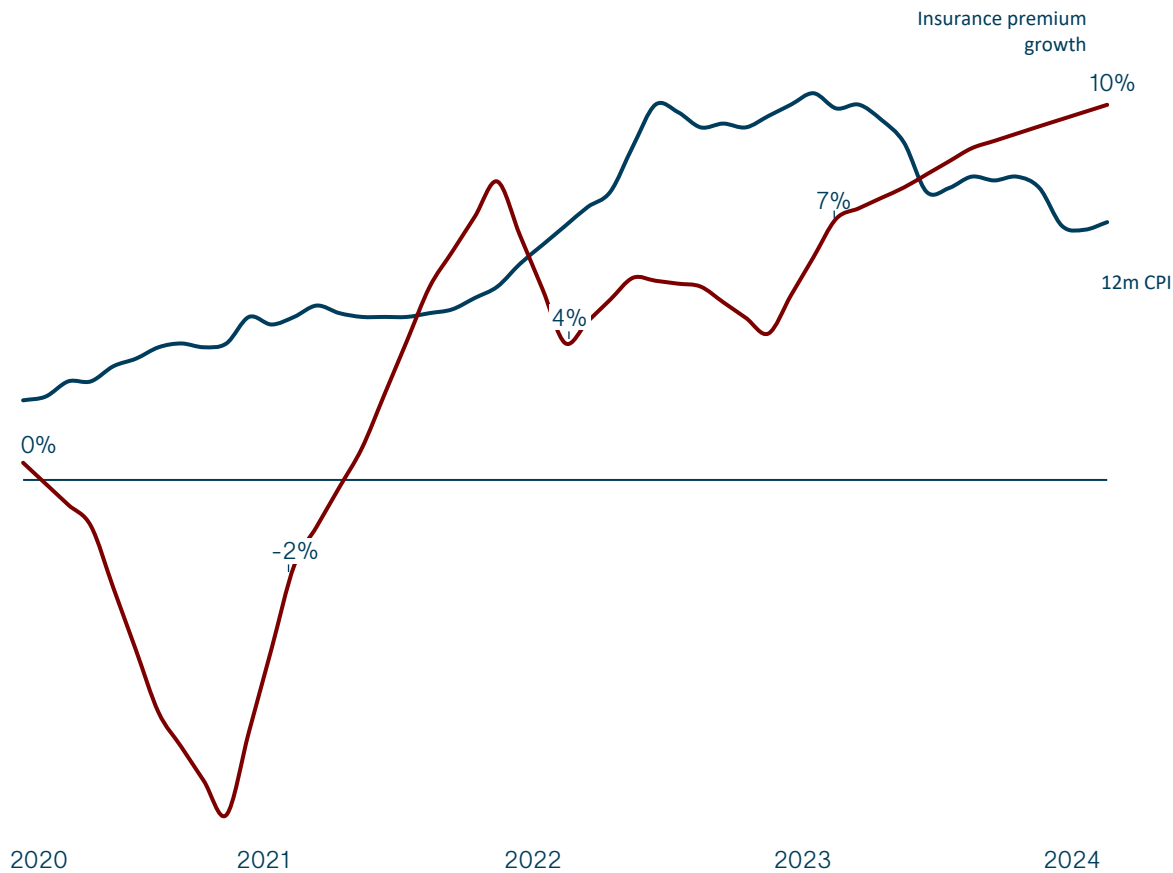
Return on **Insurance Investments**
2.2%

Cost measures implemented in all **operating entities**
Insurance cost ratio
improving

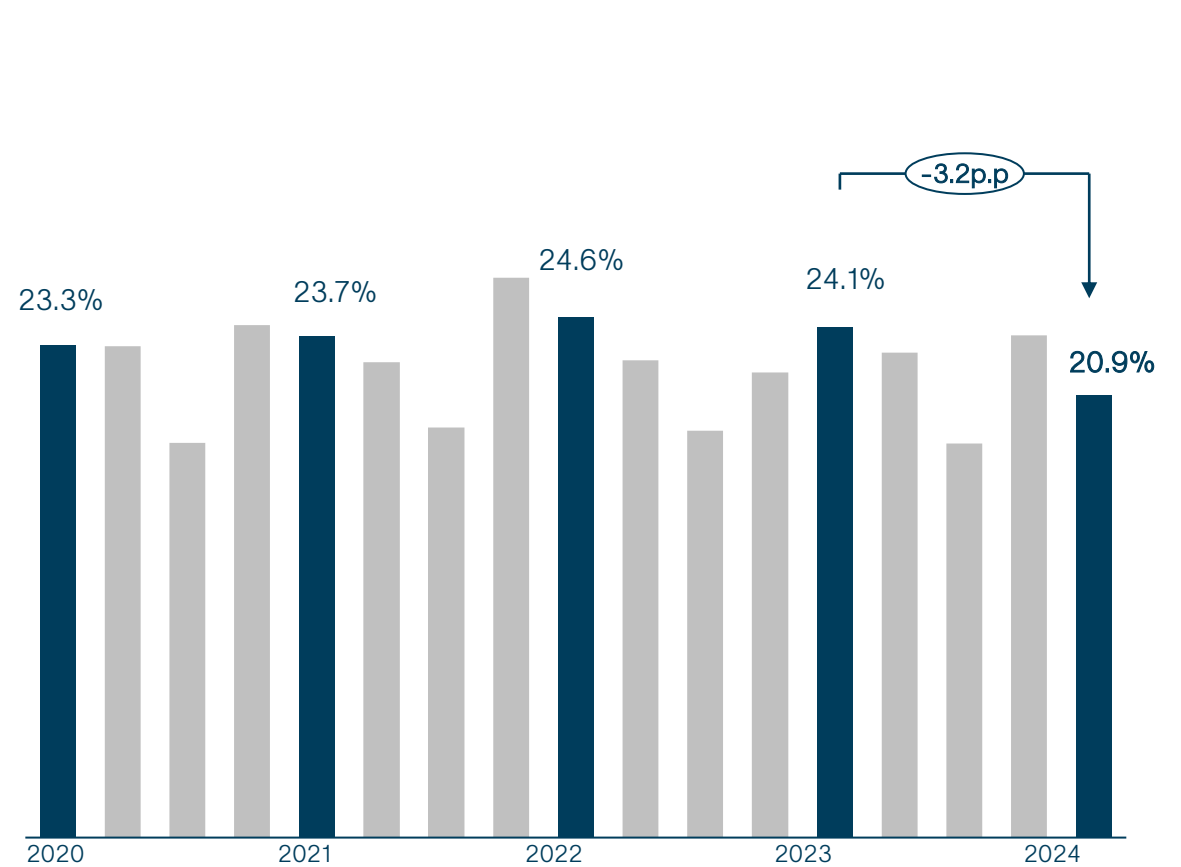
Strong growth continues and cost ratio improving



Insurance premium growth, YoY



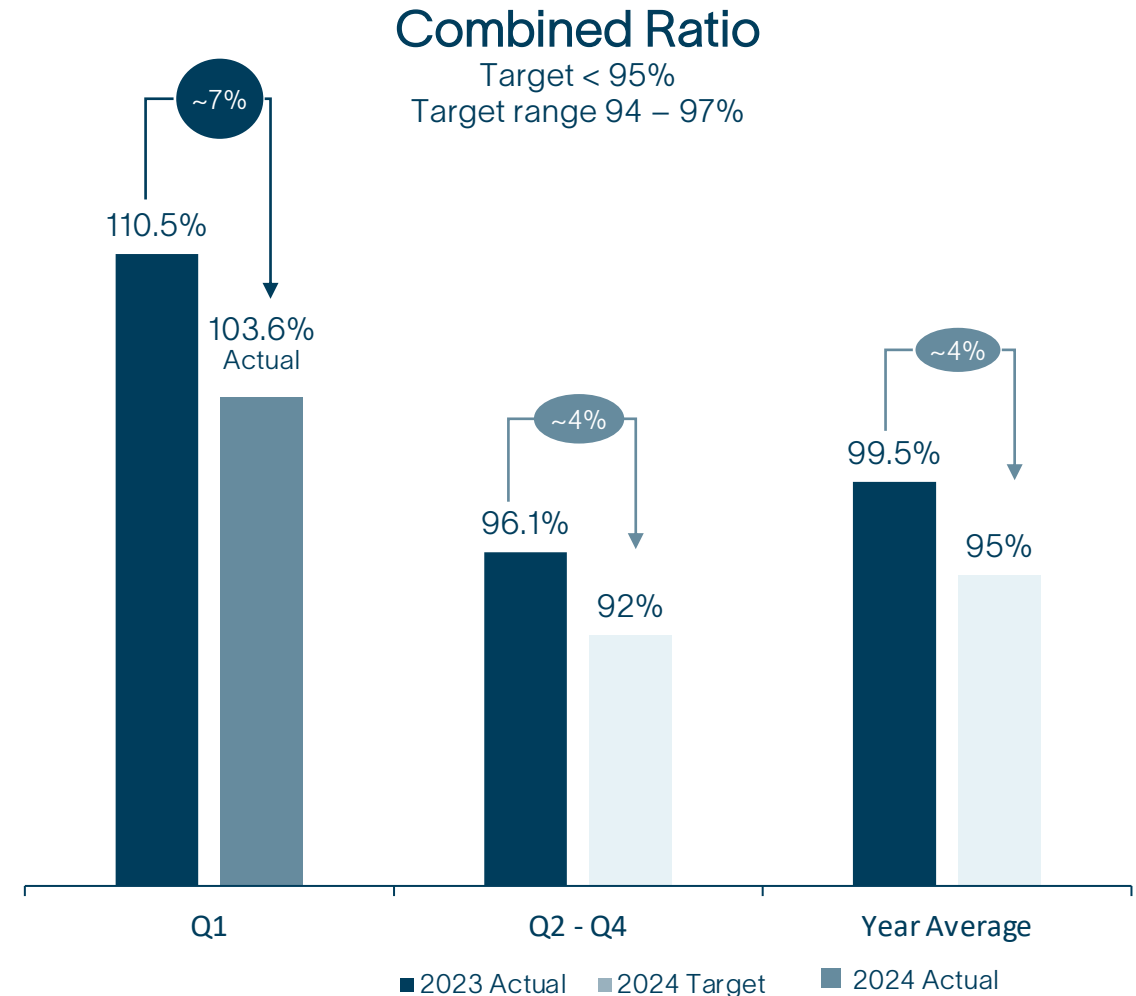
Insurance cost ratio per quarter, Q1 highlighted



Working towards target with improved Cost Ratio



- Following implementation of cost measures, at end of last year, Insurance service results improve 400m YoY
- Combined ratio is down 7% from last year and thereof the **cost ratio improves ~3% YoY**
- **Cost ratio improvement is instrumental in achieving our targets for a turnaround in the Insurance operations**
- Continued cost ratio improvement throughout the year is expected to produce a reduced combined ratio in line with target
- We are on the **right path** towards our target of Combined Ratio <95% in 2024



1. Target Combined Ratio of 95% in FY2024 is based on 76% Claims and net reinsurance ratio and 19% Cost ratio.

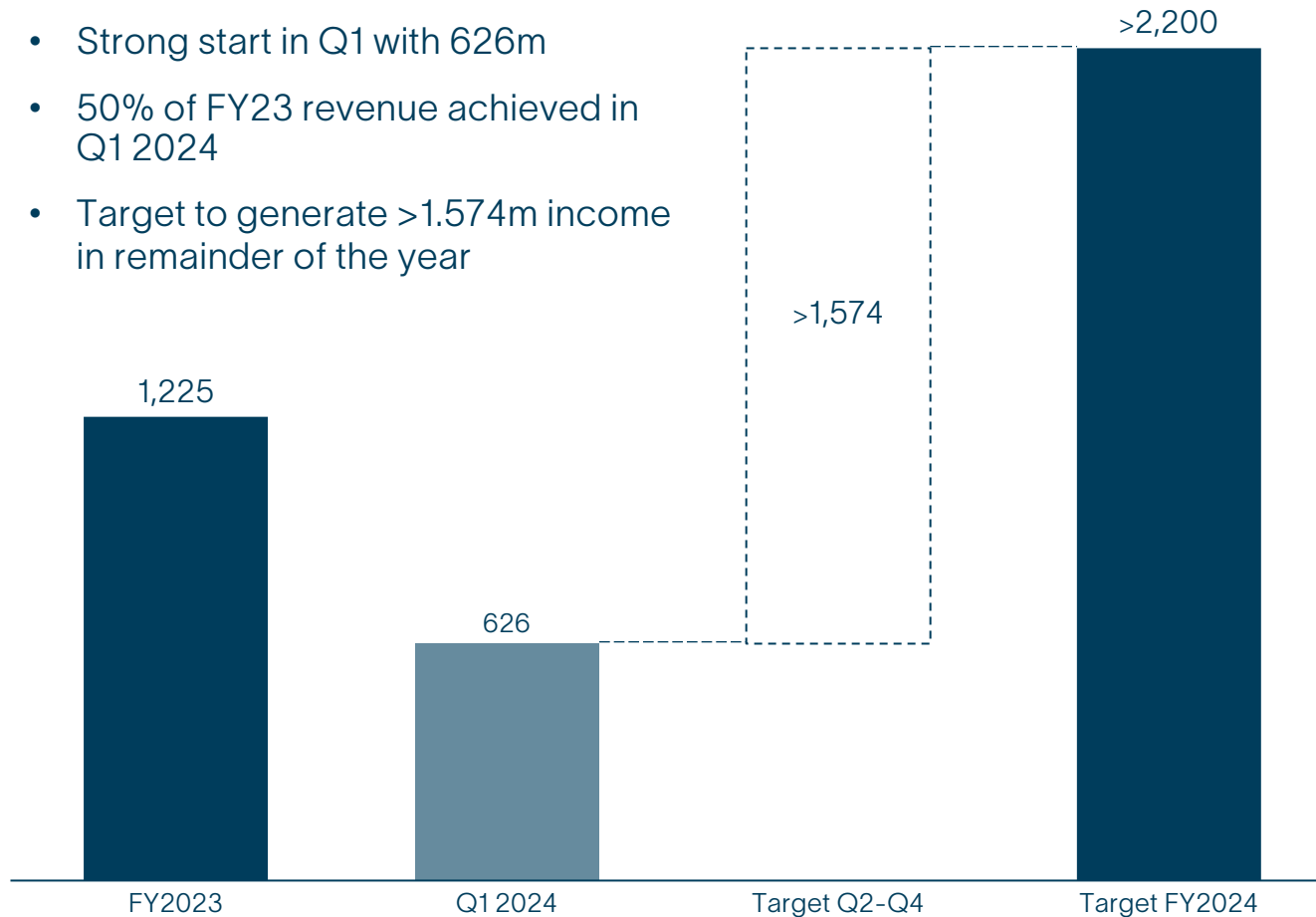
Financial services performing



Strong start of the year with diversified income across the financial services platform

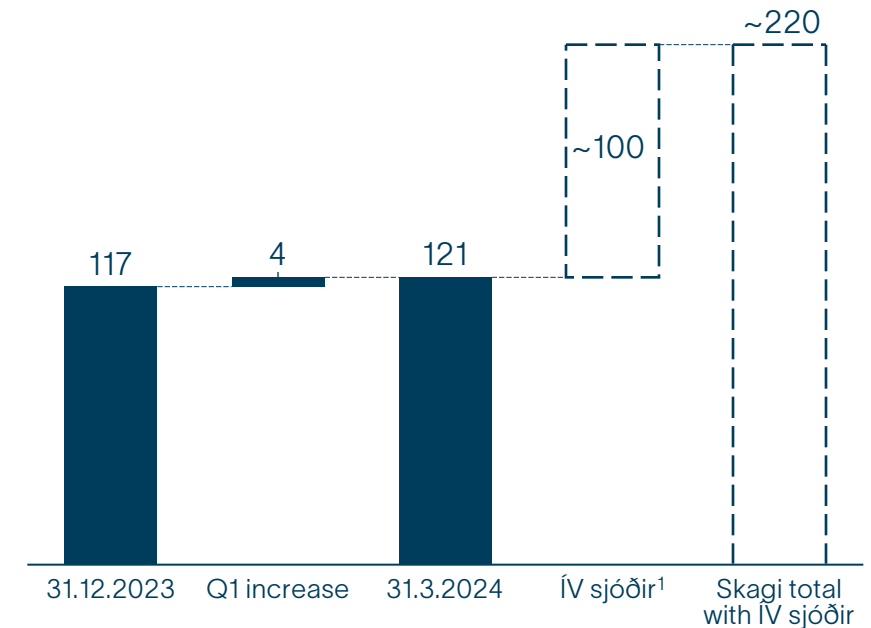
Net financial services income, in ISKm

- Strong start in Q1 with 626m
- 50% of FY23 revenue achieved in Q1 2024
- Target to generate >1.574m income in remainder of the year



Assets under Management (AuM), in ISKbn

- AuM continues to grow, both organically as well as external growth with the acquisition of Íslensk verðbréf
- Following the acquisition of ÍV, Skagi will announce updated target for AuM



1. ÍV Sjóðir AuM estimated 98 billion at end of March 2024

Medium Term Financial Targets



Targets and Guidance Range for each Business Unit in FY2024

Insurance

<95%

Combined Ratio

Range: 94–97%¹

Financial Services

>2.2bn

Financial Services Income

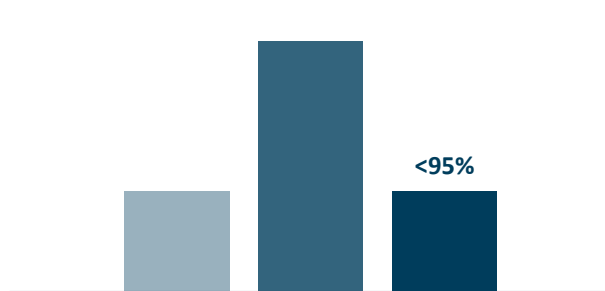
Range: 1.9–2.6bn²

Investments

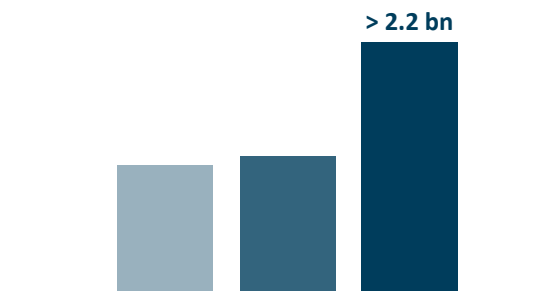
11%

Investment Return

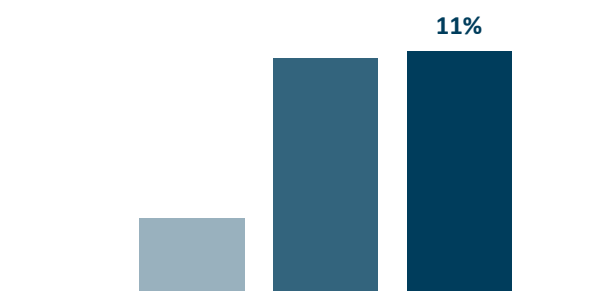
Based on market assumptions³



Combined ratio



Financial Services income



Investment income

● 2022 ● 2023 ● Medium Term Target 2024

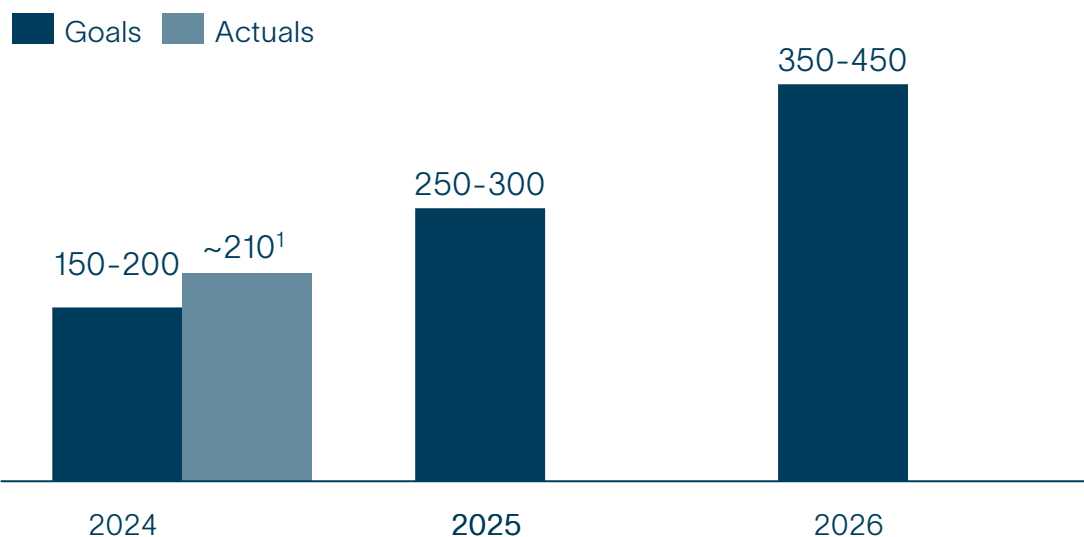
1. Target Combined ratio for VÍS insurance business <95%. 2. Target Financial Services Income >2.2bn includes all income of Fossar and SIV, including net interest, fee, financial income and other income. Outlook to be updated if performance is expected to be outside of target range for Insurance and Financial Services business units. 3. Investment return target is based on market conditions and assumptions in January 2024 and asset allocation policy for this year (35% Equity & 65% Bonds). Investments include solely the investments and income derived from VÍS Insurance investment portfolio. No update will be provided on outlook guidance for expected return on Investments. The company publishes extensive information with breakdown on Insurance Investments portfolio and material changes in each quarter.

Synergies already being captured

Cost synergies

- Cost synergies already started to come into fruition, as the cost impact of actions already implemented has reached 210m on annual basis
- Main synergies have been found in reduced cost of housing and IT, consolidation of fund management between SIV and Glymur as well as more favourable financing costs for Fossar

Cost synergy goals set out in the merger of VÍS & Fossar



Revenue synergies

- Efforts to capture revenue synergies are in full motion
- About 60m in Q1 is captured in annual revenue impact, mainly from Fossar customers onboarding with VÍS insurance as well as other cooperation between the companies on revenue generation, while cross-sales from VÍS to Fossar are expected to start delivering results in the second half of the year

Main sources of synergies set out in the merger of VÍS & Fossar

✓ Synergy already partly or fully realized

Integration of IT infrastructure from VÍS to Fossar ✓

A broad-scale service offering for clients ✓

Stronger balance sheet increasing investment opportunity ✓

External growth with Íslensk verðbréf hf.



About Íslensk verðbréf (ÍV) and the transaction

ÍV is a leading asset management company, based in the North of Iceland

SPA signed to acquire ÍV and its subsidiary for a cash consideration of about 1.6bn ISK

The acquisition will add over 4,000 customers and 100bn in AuM and the Skagi's group will have approx. 220 bn in AuM, post-closing

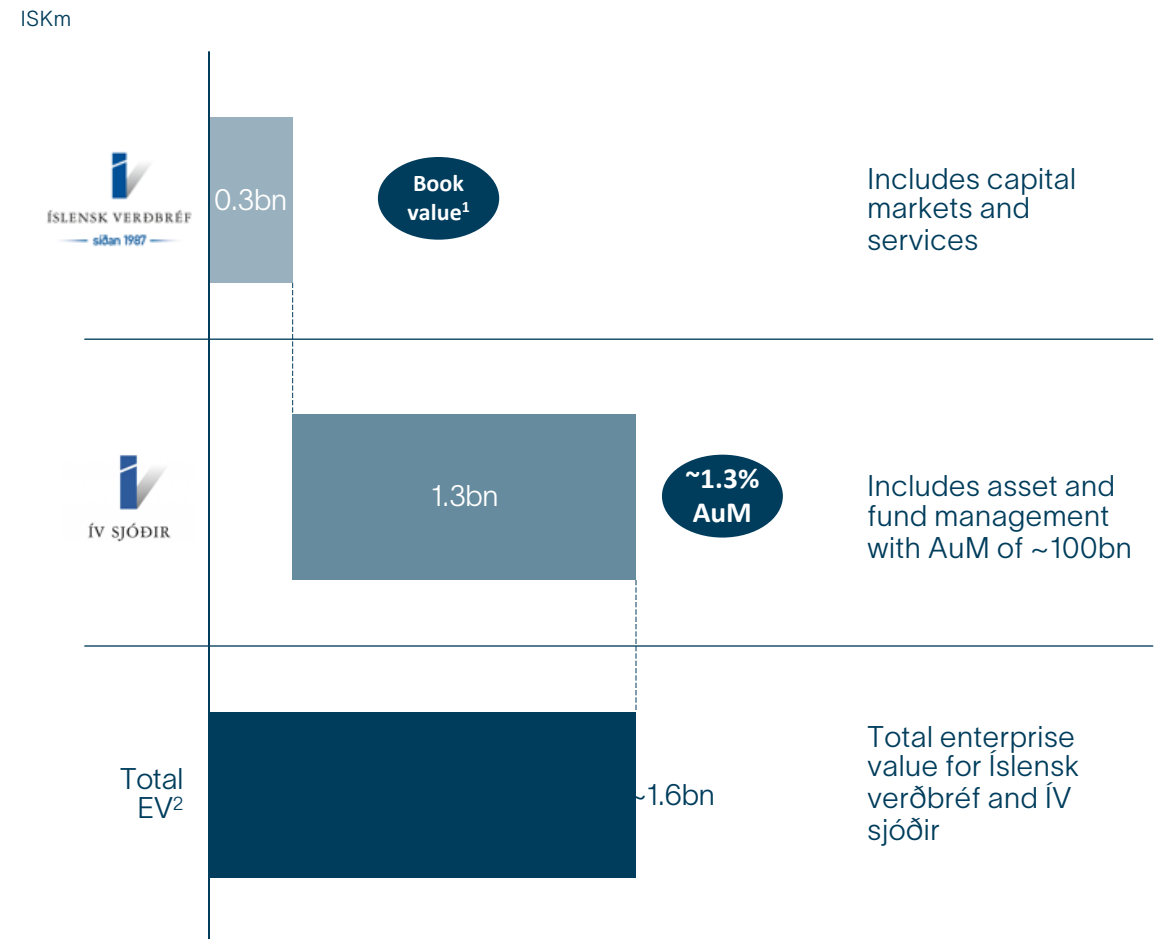
Excluded in the transaction are Íslensk verðbréf's corporate finance operations and other alternative investments

Substantial synergy opportunities in integrating ÍV and the operation of ÍV funds within Skagi's group

Synergies to include integration of IT infrastructure as well as revenue synergies with the ÍV service offering complementing Skagi's group offering very well, with limited cross-over

The agreement is subject to approval of Competition and Financial Supervisory authorities

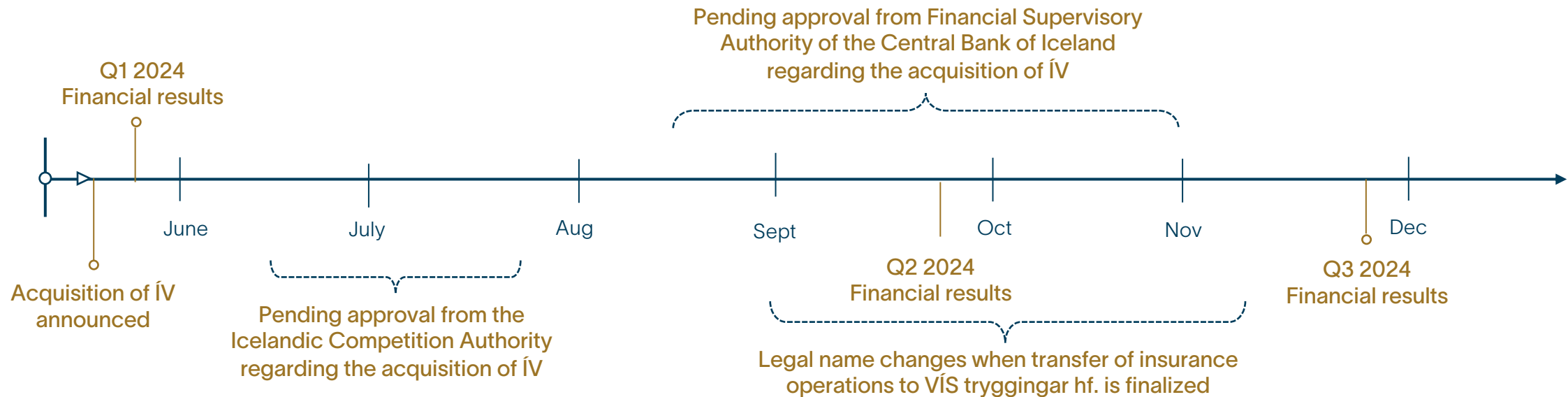
Illustrative transaction breakdown¹



1. This illustrative transaction breakdown is an example reflected on book value of equity for ÍV (which excludes goodwill and equity of ÍV Sjóðir hf.) and remaining value from ÍV Sjóðir at year end 2023. ÍV Sjóðir hf. book value of equity was about 150 million at end of 2023. 2. Based on expected EV of 100%

A year of actions

- The group now operates under a **new brand identity: Skagi**
- For technical reasons, the company registration will remain unchanged until the insurance operations have been fully **transferred to a subsidiary**
- The transfer of the group's insurance operations to our subsidiary, VÍS tryggingar hf., is expected to be **finalized around the end of September**
- **The acquisition of ÍV is expected to be finalized in the autumn**







Group Financials

- Key Financial Results
 - Income Statement
 - Balance Sheet
-



Key Financial Results in Q1 2024



	Core Revenue 7,415m	 15% YoY PF	Group PBT 202m	 -5% YoY	Group Profit 136m	 -41% YoY
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Insurance

Growth continues and cost ratio improves


- Insurance revenues grow 9.9% in 2024, of which 16.3% in life insurance
- Combined ratio of 103.6% (FY 2023: 110.5%)
- Cost ratio improves at 20.9% (FY 2023: 24.1%)
- Cost measures and increased emphasis on sales provides path towards target combined ratio <95%



Investments

Good financial income but higher interest rates bite

- Good return of 2.2% from Investment assets
- Investment income of 946 million
- Higher interest rates bite with increased finance expenses on insurance liability
- Good relative return on all asset classes
- Investment portfolio stands at 45.7 bn at quarter end



Financial Services

Strong performance across Financial services platform

- All divisions across the platform within Financial services generate a strong performance in the quarter
- Net financial services income grow 123% YoY pro forma
- AuM at 121bn at the end of the quarter²
- Operating profit before tax 90m in Financial services
- SIV now has 10 funds with AuM of 26bn thereof about 80% of which are from external clients

-258m operating loss before tax¹

103.6% Combined ratio

9.9% YoY revenue growth

517m operating profit before tax¹

946 million investment income

2.2% return

90m operating profit before tax¹

121 AuM

626 million revenue

Income Statement Q1 2024

Strong growth in revenue from insurance and financial services



Group Core Revenue 7.4 bn and Profit after tax 136m

Insurance

- Insurance revenue was 6,789m (9.9% YoY)
- Net insurance service income 1,179m (40% YoY)
- Combined ratio 103.6% and 243m loss on insurance contracts (407 million improvement from YoY)

Financial Services

- Net financial service income 599m from Fossar and SIV, but 626m excluding intra group adjustments

Investments

- Investment income was good with 946m, representing a 2.2% return in the quarter
- Net investment income 566m, after finance expenses of insurance liability and subordinated bond

Net Operating Income

- Net operating income 2,365 (30% YoY)

Expenses

- Operating expenses 2,017m (51% YoY) with Fossar and SIV added to the group the main factor
- Depreciations lower following software assets write off
- One-off expenses 38m

Results

- Pre-tax profit of 202m and Profit after tax of 136m
- High effective tax rate due to forward contracts

Income statement, ISKm	Q1 2024	Q1 2023	Δ	Δ%
Net insurance service income	1,179	841	338	40%
Net financial service income	599	0	599	n/a
Net investment income	566	962	-396	-41%
Other income	22	23	-1	-6%
Net Operating Income	2,365	1,826	539	30%
Operating expenses	-2,017	-1,335	-682	51%
Depreciations, amortizations and net impairment	-108	-149	41	-28%
One-off expenses	-38	-130	92	n/a
Profit before taxes	202	212	-10	-5%
Income tax	-67	17	-84	484%
Profit	136	229	-94	-41%
Group KPIs				
Core Revenue ⁶	7,415	6,458	957	14.8%
ROE - annualised	2,6%	5,5%		
Profit per share	0.07	0.13		-43.1%
Adjusted Profit - for one off expenses	174	359		
Adjusted ROE - annualised	3,3%	8,6%		
Business Unit KPIs				
Insurance revenue	6,789	6,177	611	9.9%
Combined ratio	103.6%	110.5%		
Insurance contract result	-243	-649	407	62.6%
Net financial services income (excl. intra group adj.)	626	0	626	n/a
Investment income	946	1,156	-210	-18.2%
Investment income return %	2.2%	2.7%		

1. Net Insurance Service Income is premium insurance revenue less costs related to claims and reinsurance and differs from implementation of IFRS17 – reference is made to annual account for Income statement in accordance with IFRS accounting standards. 2. Net financial service income includes all revenues of Fossar and SIV, including but not limited to net interest, fee and financial income. 4. Investment income is gross income from VIS investment portfolio. 5. Operating expenses includes all operating expenses of VIS, SIV and Fossar, also insurance and investment related operating expenses. 6. Core Revenue includes premium revenue of Insurance and net financial income. Core Revenue for 2023 is on Pro Forma basis with Fossar.

Balance Sheet

Strong and robust balance sheet



- Strong and robust balance sheet of VÍS Insurance now consolidated with Fossar Investment Bank
- Total assets of the Group are 71bn (+39% YoY)
- Insurance investment assets stand at 44.1 bn (45.7bn including cash related to investments)
- Insurance liability 27.9bn
- Balance sheet of Fossar consists of liquid assets mainly of government bonds and listed assets
- Fossar loans to customers consist in part of financing with security in liquid listed assets
- Fossar funding source is mostly in form of money market deposits and bills
- Fossar has issued its first bond prospectus and aims on diversifying its funding sources with longer term bonds
- Goodwill and intangible assets are mainly related to Fossar and Lífís
- Equity of the group stands at 20.8bn and reduced due to buyback during the period

Balance sheet, ISKm	31.3.2024	31.12.2023	Δ%	31.3.2023	Δ%
Assets					
Cash	2,389	2,271	5%	1,299	84%
Insurance investments assets	44,148	42,759	3%	43,098	2%
Fixed income securities	6,817	4,562	49%	0	
Shares and other variable income securities	305	337	-10%	0	
Securities used for hedging	3,962	4,521	-12%	0	
Loans to customers	2,280	1,673	36%	0	
Goodwill and intangible assets	4,141	4,259	-3%	1,383	199%
Other assets	6,899	5,086	36%	5,336	29%
Total Assets	70,940	65,468	8%	51,116	39%
Liabilities and Equity					
Insurance liabilities	27,934	26,162	7%	26,934	4%
Money market deposits	7,904	6,227	27%	0	
Bills	1,851	2,285	-19%	0	
Other liabilities	8,839	6,031	47%	4,548	94%
Subordinated liabilities	3,598	3,590	0%	3,371	7%
Total Liabilities	50,126	44,296	13%	34,853	44%
Equity	20,814	21,172	-2%	16,262	28%
Total Liabilities and Equity	70,940	65,468	8%	51,116	39%

Business Unit Financials

- Insurance
 - Financial Services
 - Investments
-



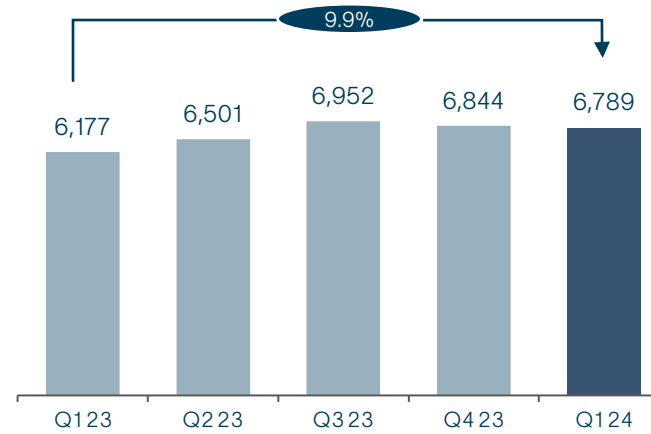
Insurance



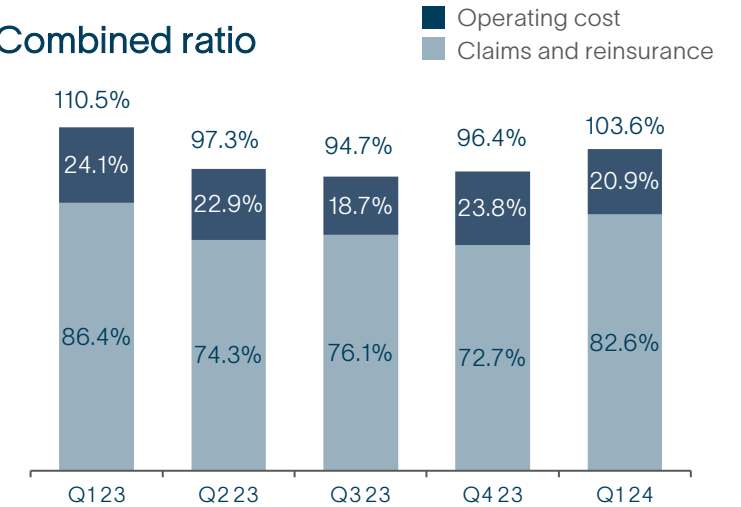
Growth continues and cost ratio improves

- Positive momentum in insurance revenue; both in individuals and corporates
- 9.9% insurance revenue growth in Q1
- Strong 16.3% growth in life and health insurance with increased emphasis on growth in this product range
- A new service office is set to open in Reykjanes, marking our commitment to providing excellent service across Iceland
- Claims ratio improves YoY but Q1 is seasonally weaker than remainder of the year – motor insurance claims continue to be above target
- Cost measures implemented and higher premium base start reducing the Cost ratio which came in at 20.9% compared with 24.1% in Q1 2024
- Combined ratio at 103.6% is in accordance with expectations for this quarter which is seasonally weaker
- Continue to work towards the target combined ratio of below 95% for FY 2024

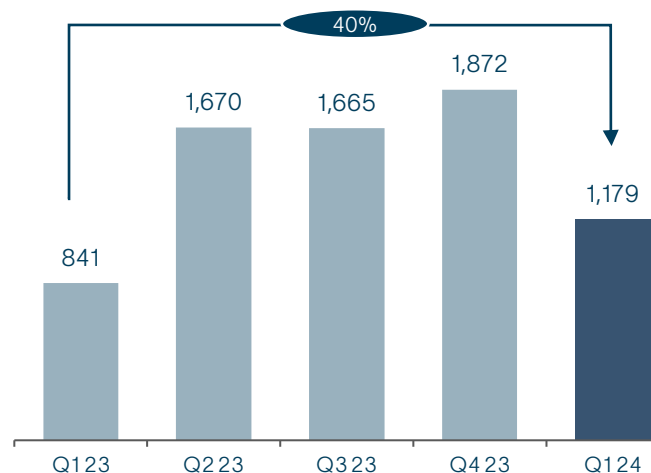
Insurance revenue



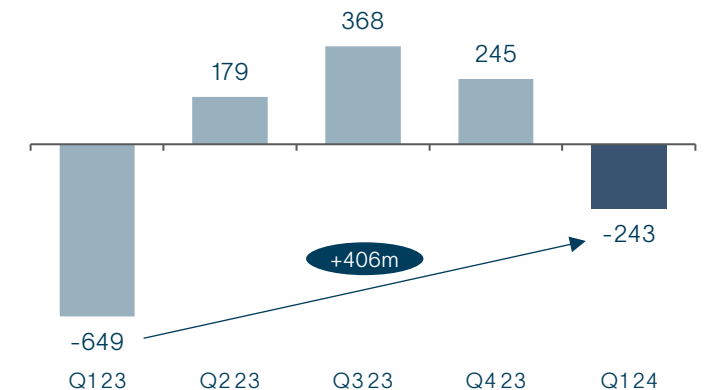
Combined ratio



Net insurance service income



Insurance contract results



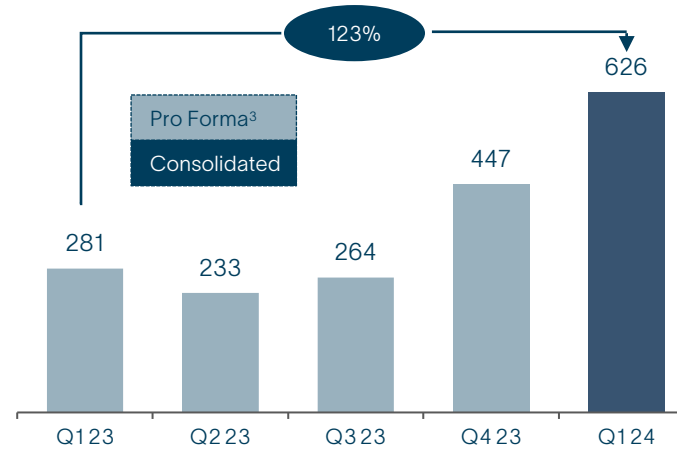
All amounts are in ISKm unless stated otherwise

Financial Services

Strong performance across the Financial services platform

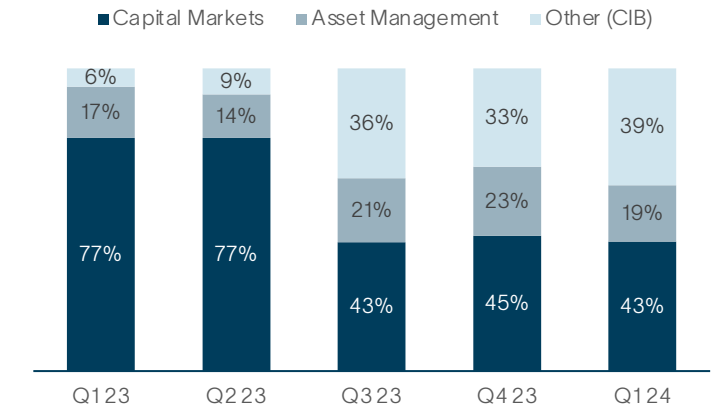
- Financial services generated a strong performance in the quarter with net income of 626m in Q1 (123% YoY pro forma)
- AuM of 121bn¹ at end of the quarter and Asset Management generating about 19% of total Financial services income
- Acquisition of Íslensk verðbréf will provide external AuM growth and further scale to the platform – with synergy opportunities
- SIV now has 10 funds with 26 bn AuM, thereof about 80% of which are from external clients
- Fossar Corporate Finance closed two equity raise transactions, i.e., 7.7bn for Amaroq and 4.5bn for Play
- Fossar Debt Finance and Market Making generating increased fee and net interest income, thus enhancing diversification of income
- Financial Services result pre-tax 90m in Q1²

Net financial services income



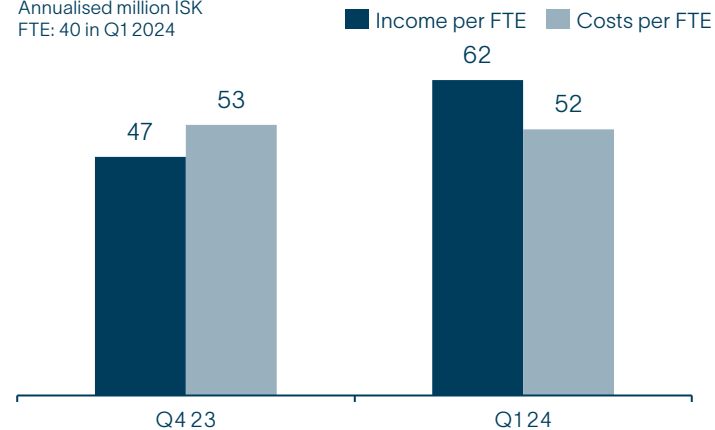
Composition of financial services income

Pro Forma excluding financial income

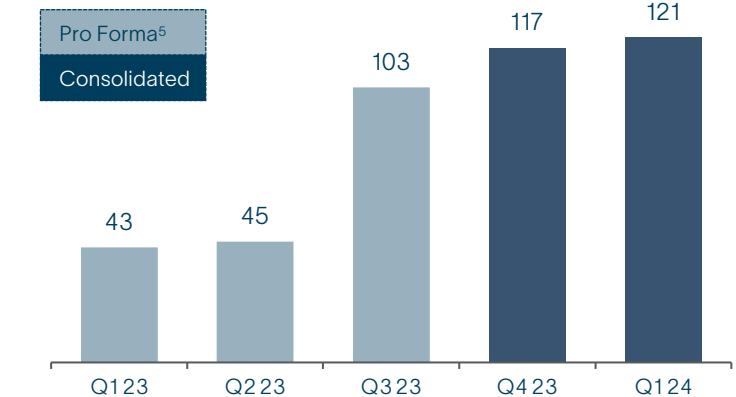


Financial Services: Income and costs per FTE

Annualised million ISK
FTE: 40 in Q1 2024



Assets under management¹, billions ISK



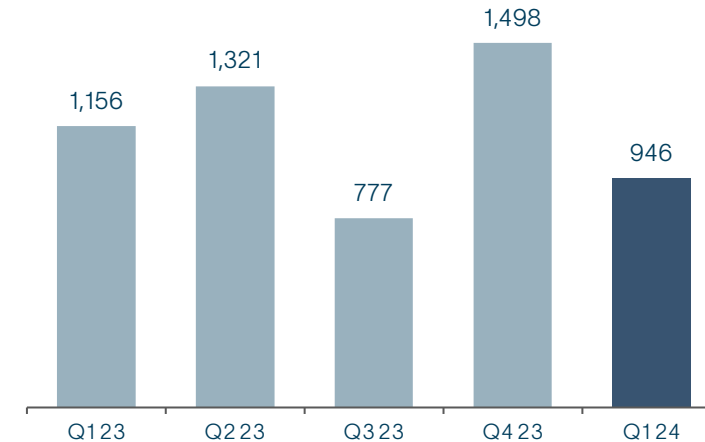
Investments



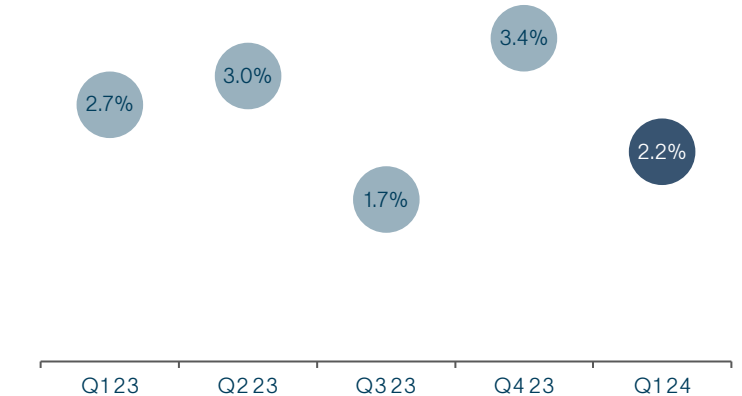
Strong return in challenging market

- Return on investments 2.2% and investment income of 946m in Q1, compared to 1.4% return on benchmark
- Positive return from all asset classes
- Solid total and relative return from bonds and cash contributing a total of 724m in Q1
- Other bonds with highest contribution in the quarter of 426m. or 3.0%
- Return from listed equity in Q1 was 65m or 0.7% compared to 1.0% drawdown in equity index
- Value of Alvotech convertible bond was lowered by 91m at quarter end to reflect lower share price of the company
- Unlisted equity contributed 117m in Q1 or 1.8% despite 126m reduction in value of Coripharma in line with price in new share offering from the company

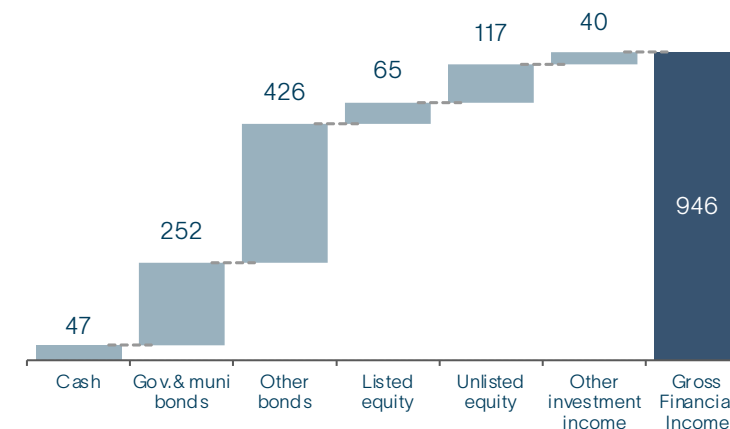
Investment income



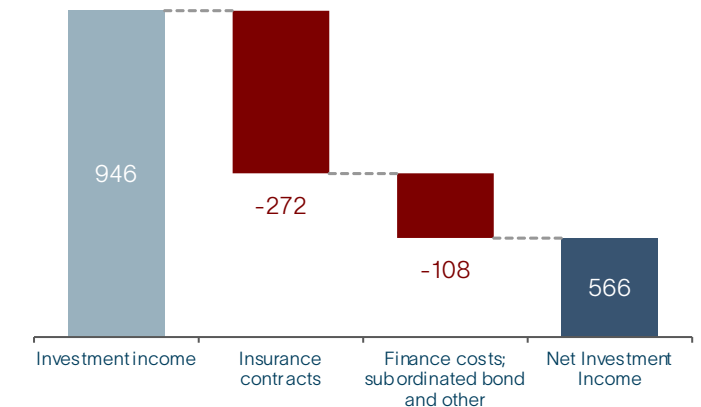
Return on investment assets



Investment income from assets in 2023



Net investment income breakdown



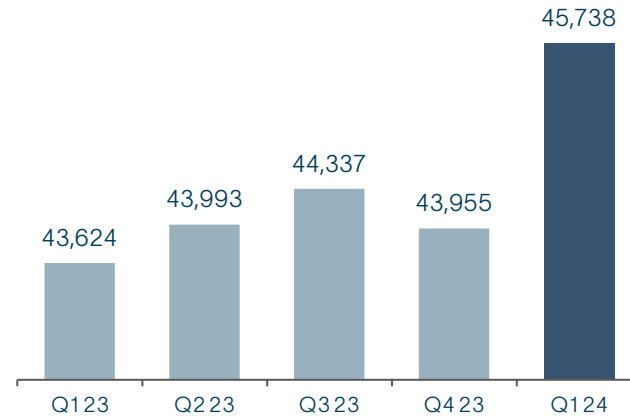
Investment Portfolio



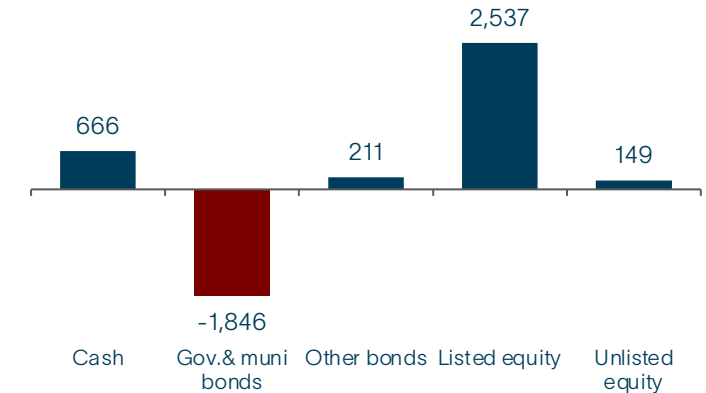
Investment Portfolio shifted towards listed equity

- Investment asset portfolio¹ stands at 45.7bn at end of year, consisting of financial assets of VÍS insurance
- Composition of portfolio is 64% bonds and 36% equity, thereof 15% in unlisted equity
- Allocation shift into listed equity, mainly foreign equities, from government and municipal bonds
- Duration unchanged at about 2.5 in Q1
- CPI-linked bonds correspond to 42% at end of year compared 39% at end of Q4
- About 24% of bond portfolio is on floating rates
- Foreign bonds are comprised of foreign credit funds and bonds issued by financial institutions
- Currency hedges are in place against the foreign bond exposure

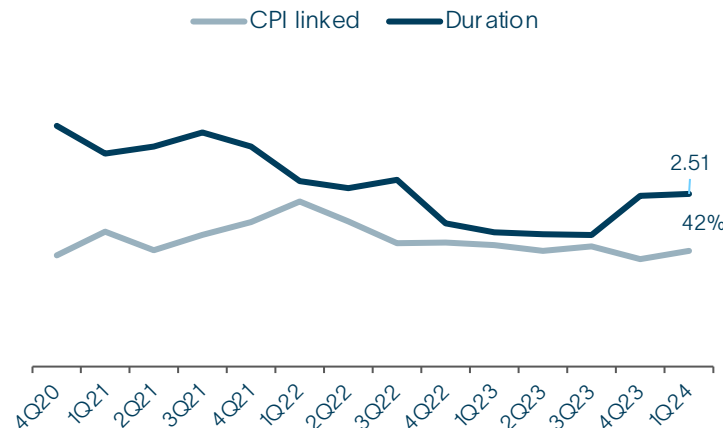
Investment assets¹, ISK billions



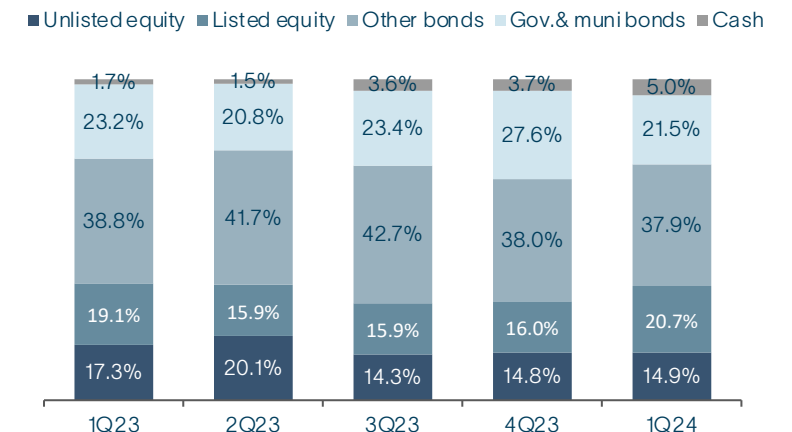
Asset allocation shift in Q124



Bonds - duration and CPI-linked ratio



Asset allocation



All amounts are in ISKm unless stated otherwise

1. Insurance Investment assets of VÍS and Lifis

Operating Costs and Solvency

- Operating Costs
 - Solvency and Bank Capitalisation
-

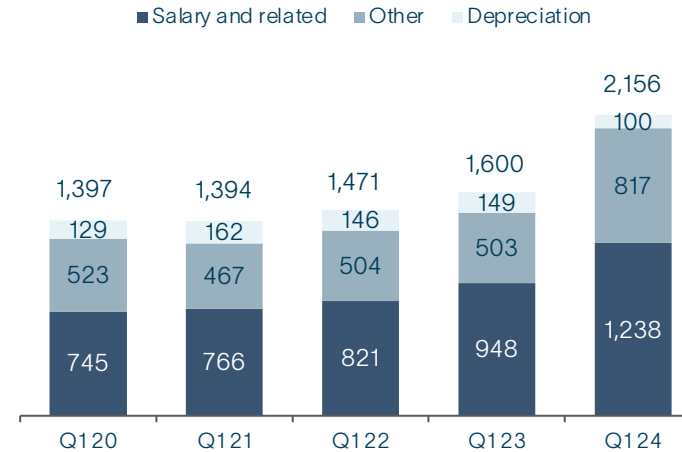


Operating Costs

Streamlining of operating costs continue in line with plans

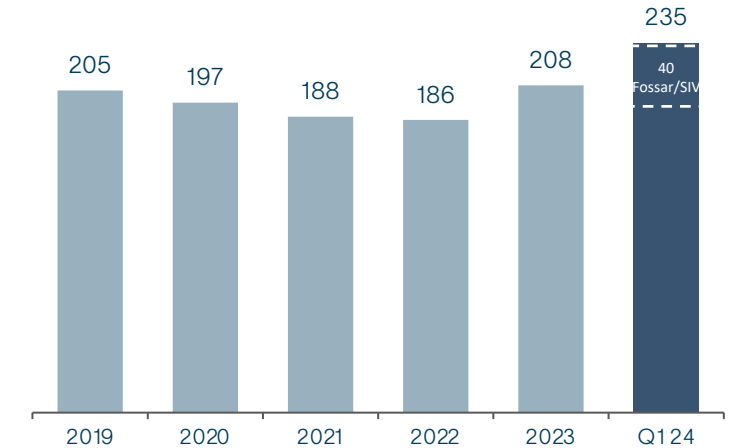
- Operating costs increase YoY mainly due to inclusion of Financial services (Fossar & SIV)
- Streamlining of operating costs continues with high focus on cost measures in insurance business
- Synergies between insurance and financial services operations are being extracted in across housing, IT, finance and legal
- Average employees over the period in Q1 increase up to 235 with Fossar inclusion
- Insurance base costs increase 5% YoY
- Depreciations decrease from 149m in Q123 to 100m in Q124 following full write-off of intangible software assets in Q4 last year

Operating costs



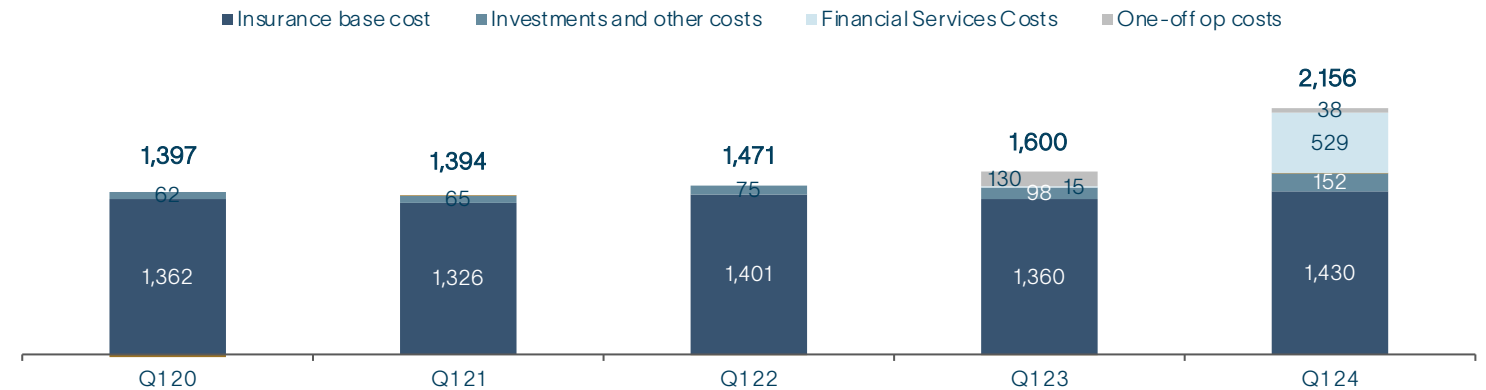
Employees (FTEs)

Average over period



Breakdown of operating costs

Business units



Solvency Ratio and Investment Bank Capital



Group is well capitalised for further growth

Solvency Position

- Solvency ratio is 1.48 at end of Q1
- Adjusted for dividend payment in April the solvency ratio is 1.42
- Own funds are within target policy level
- Buy-back and seasonal fluctuation along with increased equity risk reduces solvency ratio between quarters
- Solvency ratio has increased again in Q2

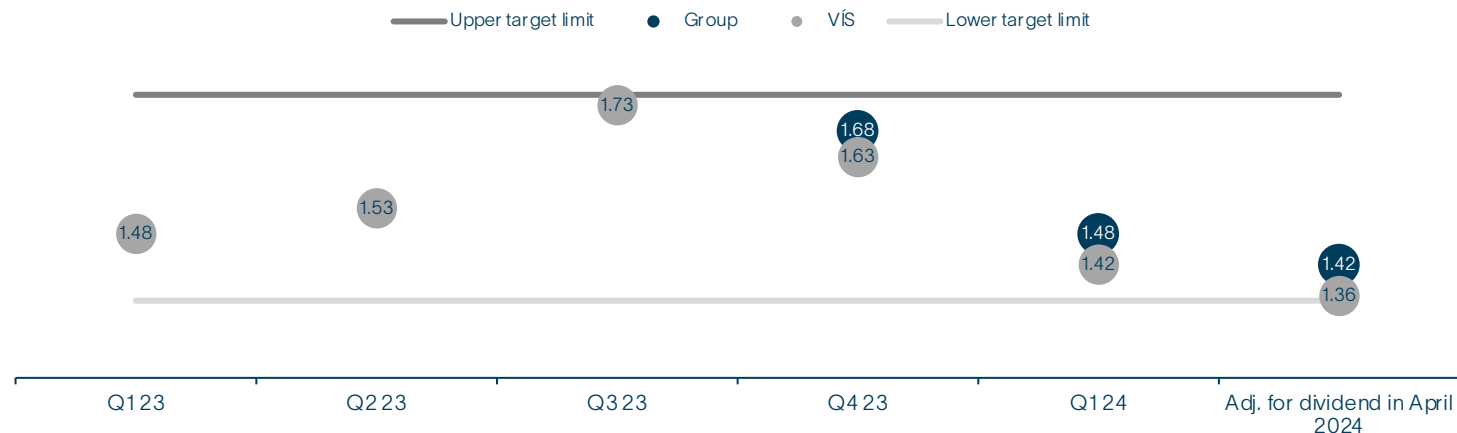
Fossar Capital Position

- Fossar Capital ratio of 29%
- Fossar capital position is 1bn above minimum target
- Fossar to go through SREP in late 2024. Expected Pillar II requirements to be well within current capital ratio

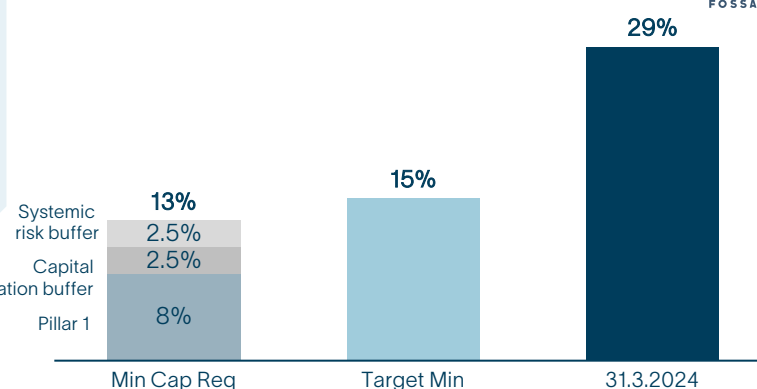
Capital Allocation

- Opportunities in optimising capital allocation within the Group and support internal and external growth

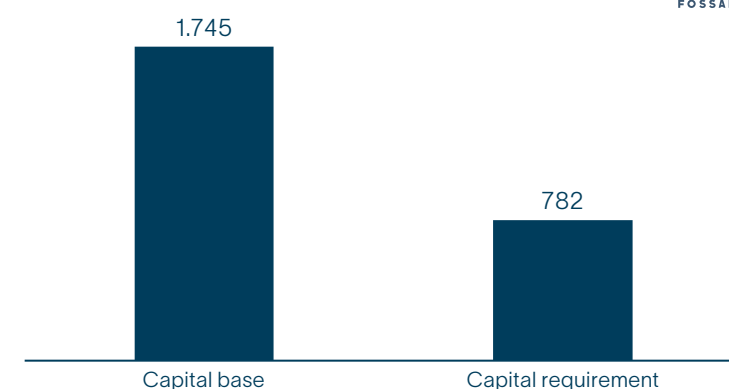
Solvency ratio



Fossar – Capital ratio



Fossar - Capital and requirement





On track towards reaching our targets for 2024

- Insurance: On the right path towards our target of Combined Ratio <95%
- Financial Services: **Strong performance across Financial services platform**
- Investments: Solid performance in a challenging environment

Emphasis on building **diversified income streams** and enhance **long term shareholder value**

Focus on improving insurance operations and capitalize on **opportunities** in financial services

Continue to work towards reaching **financial targets** for 2024 for Insurance and Financial Services

First step towards **external growth opportunities already taken with acquisition of Íslensk verðbréf**

Appendix:

Further information

Outlook: Medium-term Targets for Business Units in 2024

Providing shareholders a better view on medium-term targets each fiscal year

Medium-term Targets for Business Units in 2024

Insurance




- Target: Combined ratio to be below 95%
- Guidance range: 94 – 97%

Financial Services

- Target: Net financial services income¹ to be above ISK 2.200 m or +80% YoY Pro Forma
- Guidance range: ISK 1.900 – 2.600m
- Net financial services income includes all net income of Fossar and SIV, including financial income

Investments³

- Expected: Investments return 11%
- Target portfolio: 35% Equity / 65% Bonds
- Based on market assumptions in Jan 2024
- Expected return is based on Investments Portfolio of VÍS insurance

Business Units	Key Metric	Medium-term Target FY 2024	Guidance Range
Insurance	 Combined ratio	< 95%	94 – 97% ²
Financial Services	 Net Financial services income ¹	ISK > 2.200 million	ISK 1.900–2.600 million ²
Investments ³	 Investment return	11% exp. return ³	No update on guidance ³

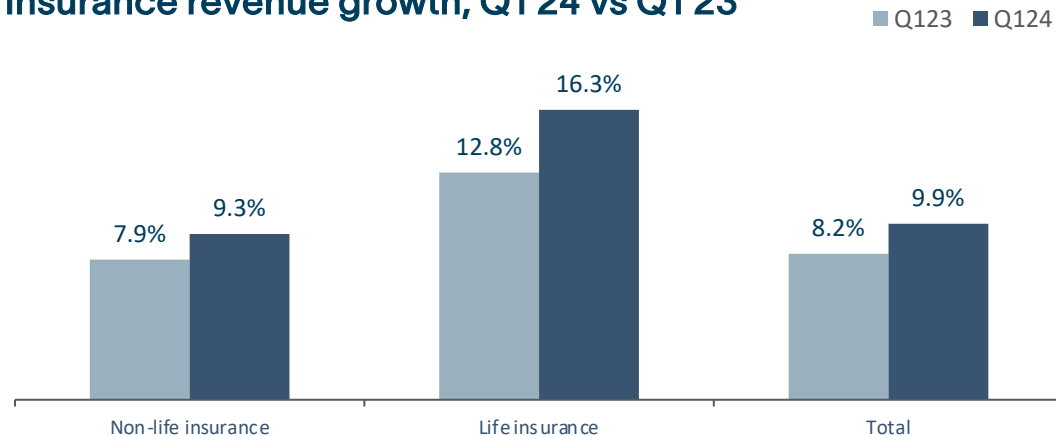
1. Net Financial Services Income includes all revenue of Fossar and SIV, including but not limited to net interest, fee and financial income and other income. 2. Outlook to be updated if performance is expected to be outside of target range for Insurance and Financial Services business units. 3. Investments include solely the investments and income derived from VÍS Insurance business unit investment portfolio. Expected return target is based on market conditions and assumptions in January 2024 and asset allocation policy for the year. Expected return is on Investment Portfolio of VÍS insurance. No update will be provided on outlook guidance for expected return on Investments. The company publishes extensive information with breakdown on Investments portfolio and material changes in each quarter. Size of the Investment portfolio of VÍS insurance can fluctuate based on several factors, including but not limited to changes in value, market prices, dividend, buyback allocation of capital within the group etc.

VÍS Insurance – Additional Information



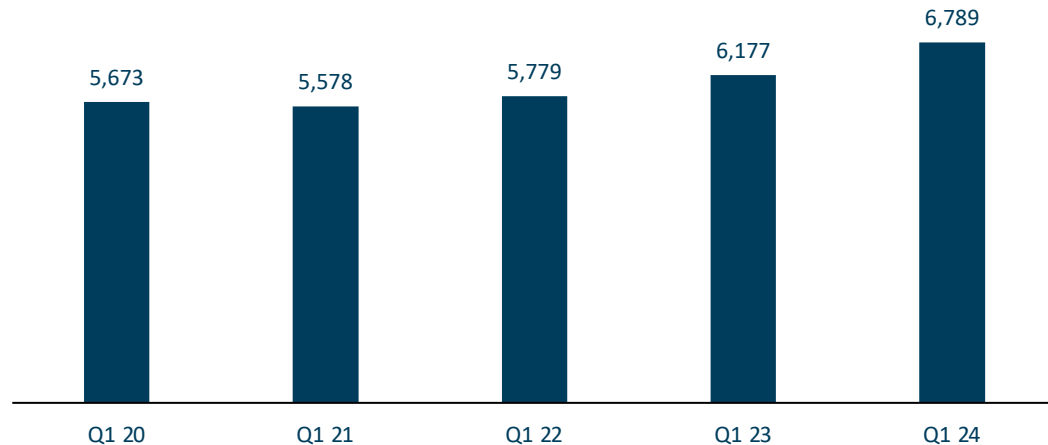
Revenue and claims breakdown

Insurance revenue growth, Q1 24 vs Q1 23



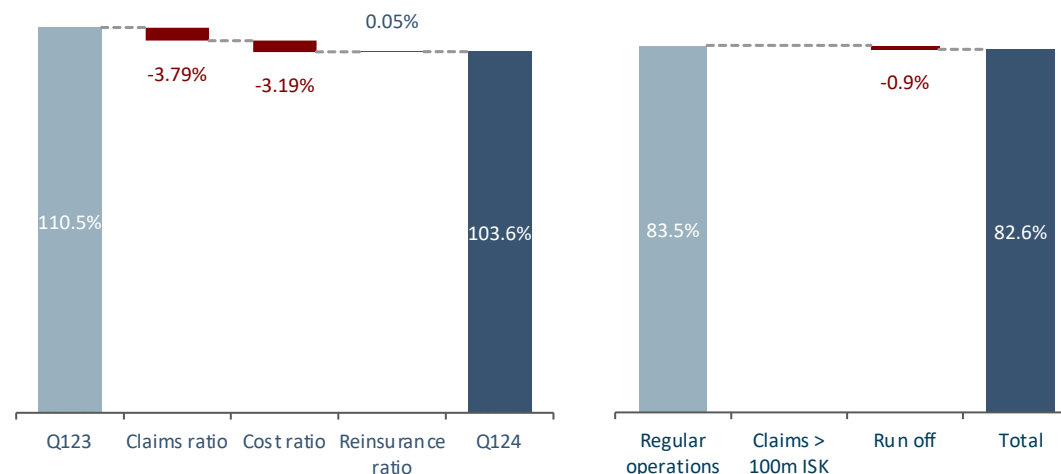
- Revenue growth stands around 10%, with a record-breaking second consecutive quarter for life and health insurance sales, showing over 16% growth.
- The claims ratio has improved year over year about 3.8%. Q1 typically experiences higher claims ratio in motor insurance, which is improving YoY but remains above our targets.
- Improvement in cost ratio in line with targets, going from 24.1% to 20.9%.
- A new service office is set to open in Reykjanes, marking our commitment to providing excellent service countrywide.

Revenue from Insurance contracts in Q1 from 2020-2024



Breakdown of the Combined & Claims and reinsurance ratio

Q1 2024

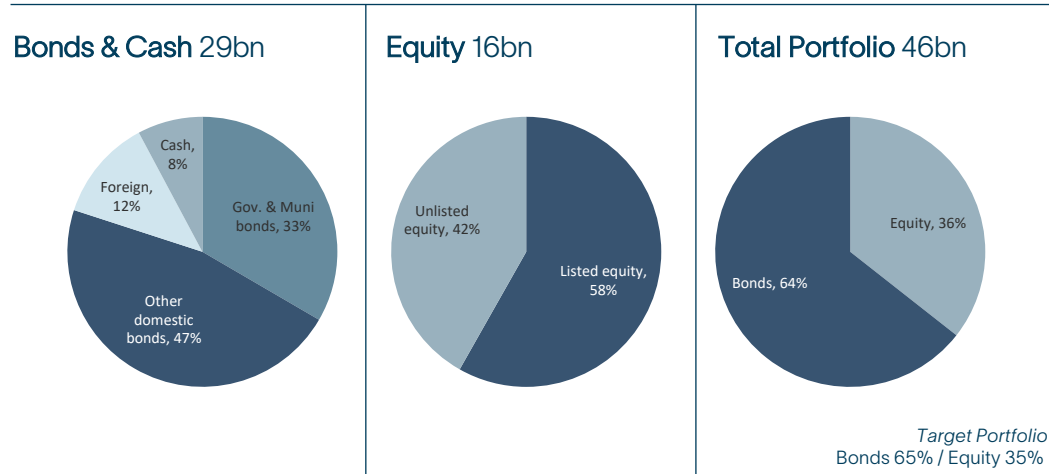


Investment Portfolio – Additional Information

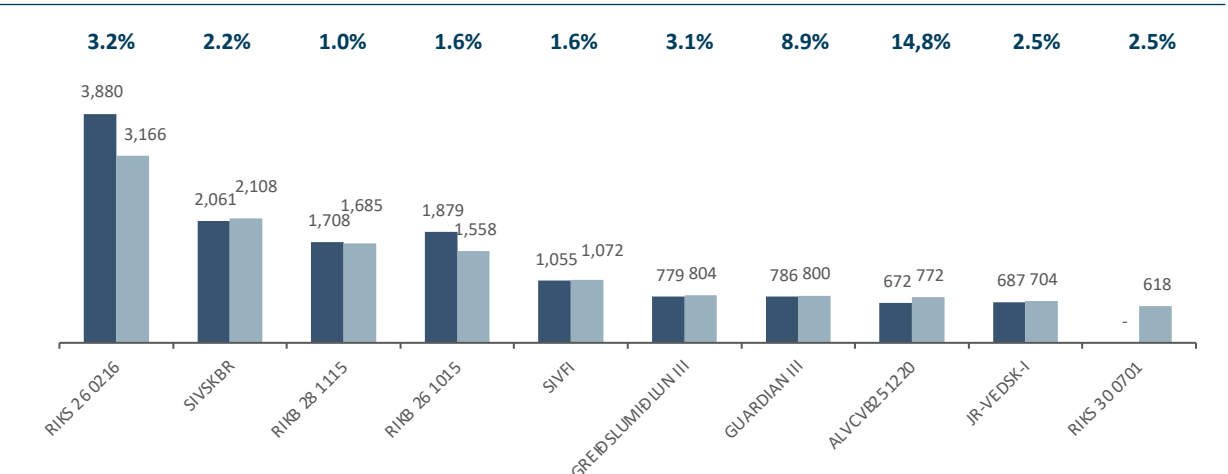


Breakdown of asset allocation and major positions in the portfolio

Allocation of Bonds and Equity



Bonds – 10 largest and return in quarter

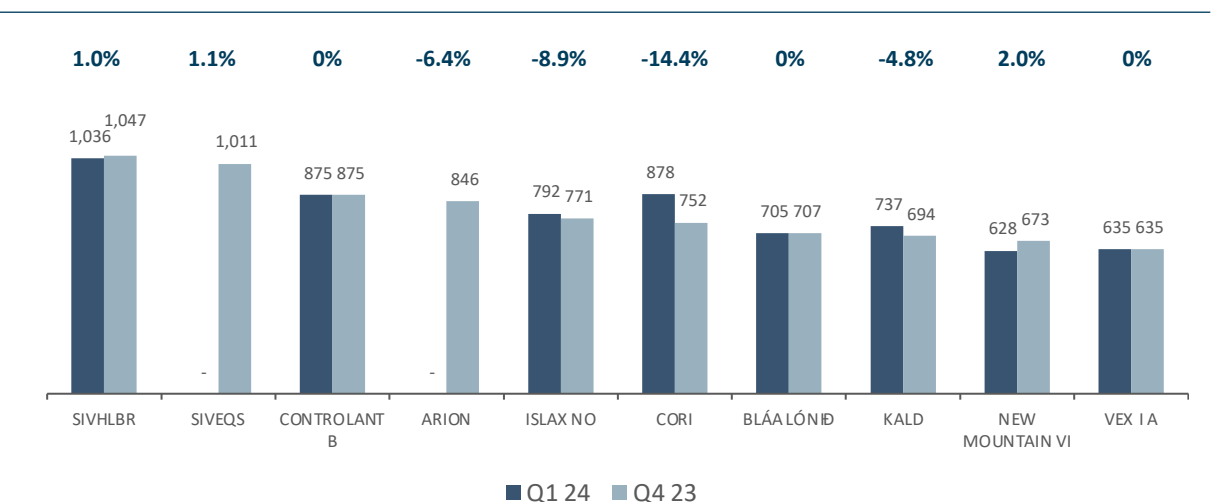


Unlisted assets – 5 largest

	Value 31.03.2024	Value 31.12.2023	Difference	Share price 31.03.2024
Controlant	875	875	0	105
CORIPHARMA	752	878	-126	13.7
BLUE LAGOON	707	707	0	80
annata Powering possibilities	525	522	+3	116*
NOX HEALTH	339	0	0	83,5**

* indirect via VPE AN (VEX) | **indirect via Nox Holding ehf.

Equity – 10 largest and return in quarter



Fossar Investment Bank – Balance Sheet

Strong balance sheet with majority of assets in listed assets

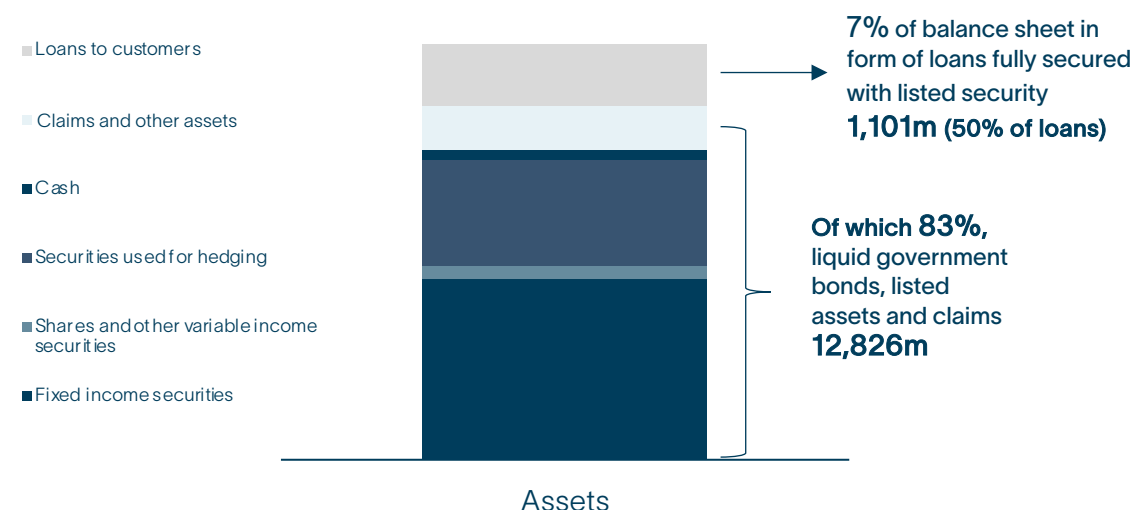


Balance sheet	31.3.2024	31.12.2023	Δ%
Assets			
Fixed income securities	6,711	4,459	51%
Shares and other variable income securities	475	337	41%
Securities used for hedging	3,962	4,521	-12%
Loans to customers	2,280	1,673	36%
Cash	356	112	218%
Claims and other assets	1,626	780	109%
Total assets	15,411	11,882	30%
Liabilities and Equity			
Borrowings	3,000	700	329%
Money market deposits	7,904	6,227	27%
Bills	1,851	2,285	-19%
Other liabilities	661	744	-11%
Total liabilities	13,416	9,956	35%
Total equity	1,996	1,926	4%
Total Liabilities and Equity	15,411	11,882	30%

LCR ratio and Net stable funding ratio

Liquidity coverage ratio (LCR)	31.3.2024
High quality liquid assets	4,125
Net outflow	966
Liquidity coverage ratio (LCR)	427%
<i>Minimum regulatory requirement</i>	100%
Net stable funding ratio (NSFR)	31.3.2024
Available stable funding	3,873
Required stable funding	2,793
Net stable funding ratio (NSFR)	139%
<i>Minimum regulatory requirement</i>	100%

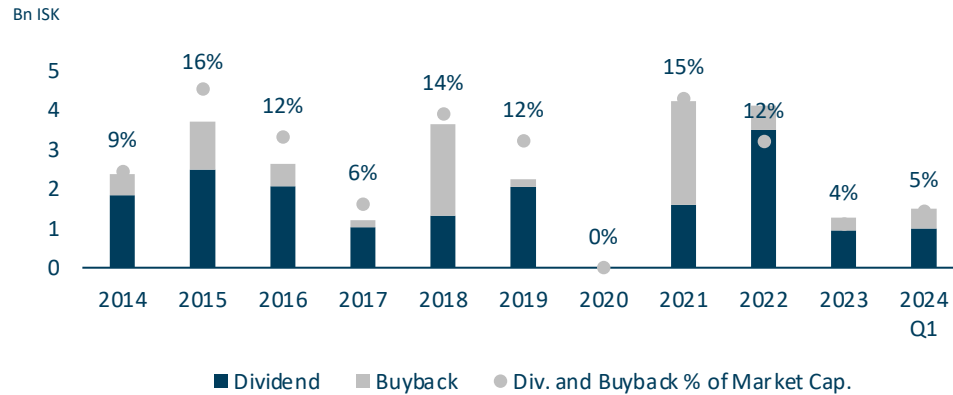
Fossar – Liquid assets and claims comprise 90% of balance sheet



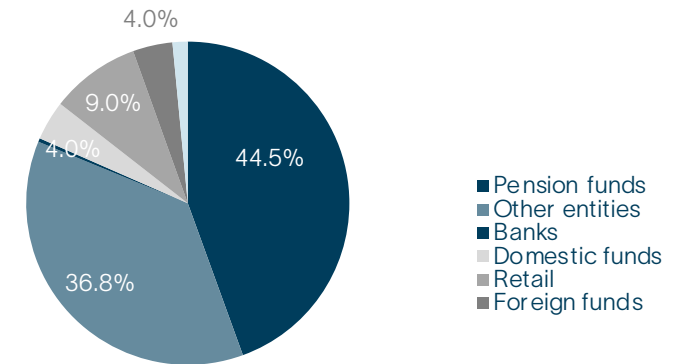
Shareholders



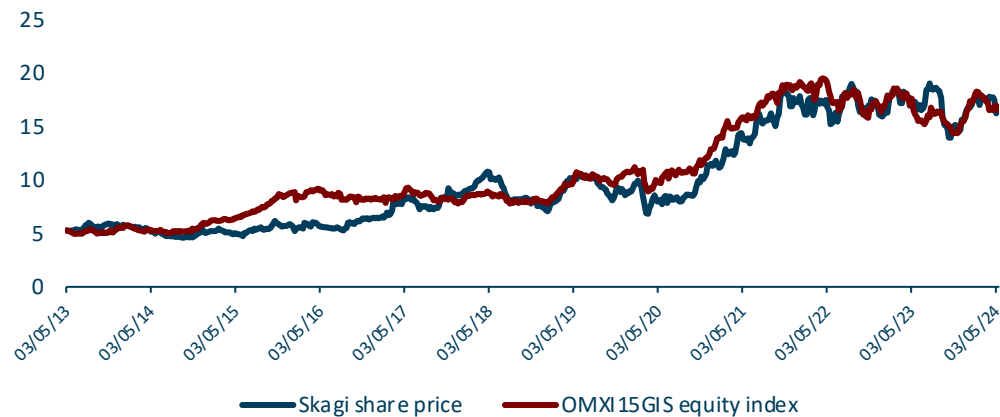
Payments to shareholders



Shareholders 24.05.2024



Share price



10 Largest shareholders 24.05.2024

Lífeyrissjóður starfsmanna ríkisins A-deild	8.5%
Sjávarsýn ehf.	8.4%
Skel fjárfestingafélag hf.	8.2%
Gildi lífeyrissjóður	8.2%
Frjálsi lífeyrissjóðurinn	8.0%
Lífeyrissjóður verzlunarmanna	6.0%
Klettur fjárfestingar ehf.	4.8%
Stapi lífeyrissjóður	4.2%
Birta lífeyrissjóður	3.2%
Arion banki hf.	3.2%

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