Kvika banki hf.

9M 2023 Financial Results

2 November 2023

3,742 PBT 9M	11.5% RoTE 9M	12% NII growth YoY	94.0% Combined ratio

9M 2023

Profit before tax of ISK 3,742 million for 9m 2023 decreasing 7% YoY

Financial results, excluding net financial income, in line with the outlook published in August 2023 alongside H1 2023 results

Net financial income only positive by ISK 170 million, continues to be impacted by volatile financial markets

Net fee and commission income down 9% YoY as markets affect fee generation in Asset Management and Corporate Banking & Capital Markets

Net interest income increases 12% YoY due to higher lending volumes and rates.

Strong combined ratio of 94.0% in 9M 2023 compared to 95.8% in 9M 2022

Cost saving initiatives amount to ISK 900 million on an annual basis

Listing and sales process of insurance subsidiary TM to begin mid-November

Commercial Banking

Segment highlights

Straumur has completed onboarding of nearly all merchants, now fully operational and profitable

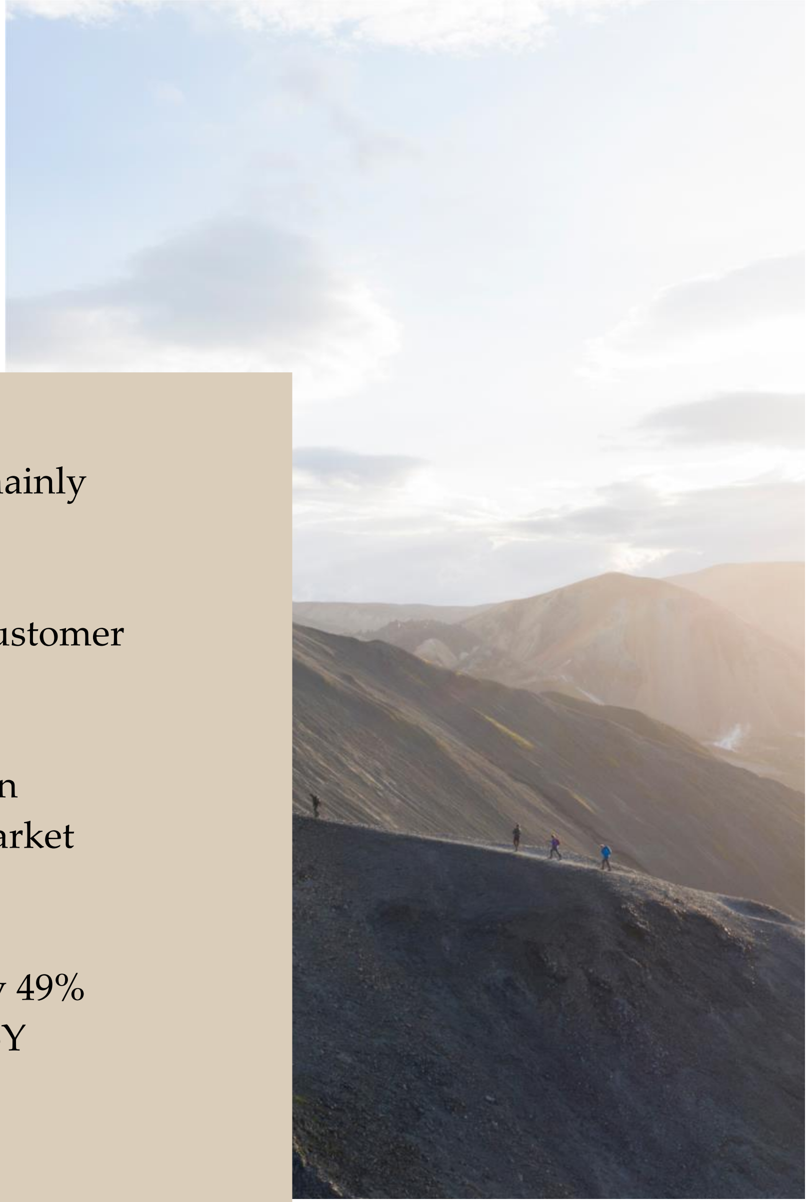
- Healthy loan book growth of over 11% YTD, driven by strong performance by Lykill car and vehicle lending
- Continued success of Auður with close to 7% growth in Q3, 42% growth YTD – number of accounts over 50,000
- Netgíró celebrated its 10-year anniversary with a strong performance in the quarter
- Over 18,000 new cards issued by Aur since launch
- Continued effort to promote the banking capabilities of Aur and improving the customer offering

Corporate Banking & Capital Markets

Segment highlights

Capital markets gain market share, but turnover continues to be significantly affected by volatile volatile markets

- Healthy lending growth of over 30% YoY, mainly driven by property backed loans
- FX sales up by 22% YoY due to a growing customer base
- YTD largest market share in bond trading on Nasdaq OMX Iceland with 22% and 16% market share in equity trading
- Trading volume in the bond market is up by 49% while the equity volume is down by 29% YoY

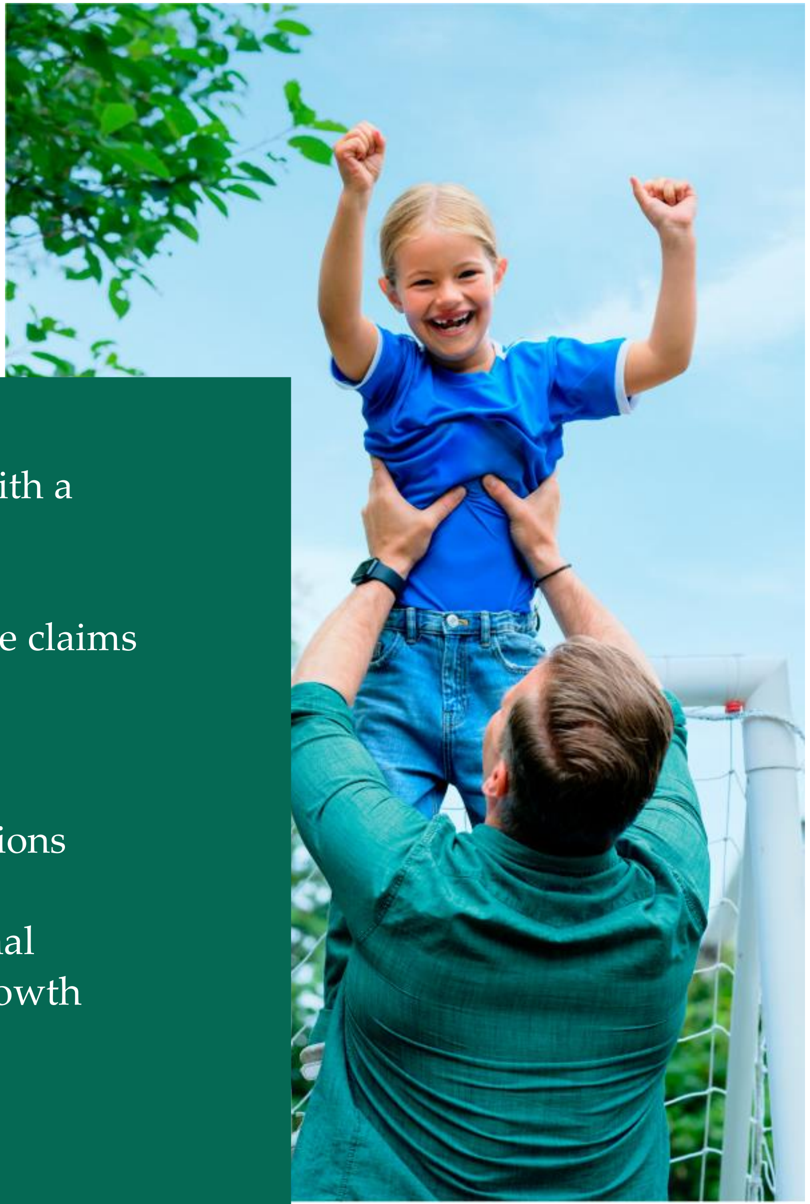


Insurance

Segment highlights

Strong insurance result in Q3 with a combined ratio of 87.5% and continued revenue growth

- Excellent insurance service results in Q3 with a combined ratio of 87.5%
- Insurance revenues grow by 13% YoY while claims only grow by 10%
- Net financial income substantially below expectations due to difficult market conditions
- Revised strategy resulting in organizational changes, rationalization and enhanced growth plans



Asset Management

Segment highlights

Management fees remain stable, but performance fees are affected by challenging market conditions, strong pipeline in Q4

- Market share in retail investment funds remains constant in 2023 despite new participants entering the market
- Positive net inflow throughout the year into institutional investment portfolios
- Launch of two new investment funds expected in the fourth quarter of 2023

UK

Segment highlights

Gradual improvement in performance with healthy loan book growth and improved net interest margin

- Positive developments across loan book with consistent loan book growth and strong origination volumes
- Continued increase in net interest margin, which reached 3.1% in Q3
- Portfolio conservatively positioned with low LTV of 55% and high granularity
- Jon Salisbury takes over as CEO of Ortus Secured Finance as Richard Beenstock has taken on new role within asset management operations

UK Developments

Trending to recovery after a difficult period

Performance below expectations since early 2022

- Margin squeeze due to fixed interest loan portfolio
- Kvika's cost of funding higher than expected
- Higher integration cost
- Growth in corporate finance and asset management activity less than expected

Positive trend in recent quarters

- Net interest margin improvement as the loan book is converted from 0% to over 75% floating rate loans
- UK policy rates near peak levels
- Increased loan book size
- Improved funding costs for Icelandic banks
  - Recent issuances at around 300 bp spreads over interbank rates

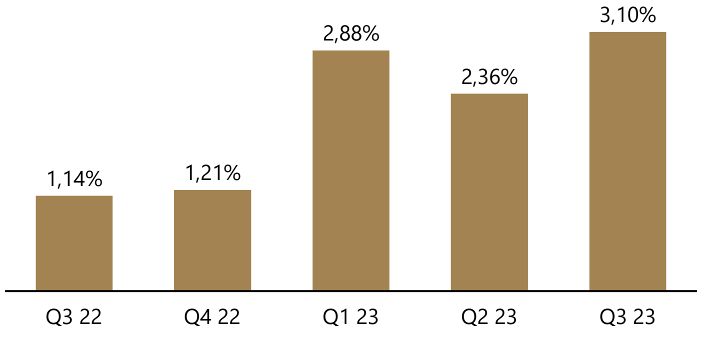
Returns still below target levels despite increasing contribution to the group

The path to increased returns

- NIM improvement expected to continue
- Exploring improved funding costs
  - Capitalising on stronger funding markets
  - Opportunities in cheaper direct lending
  - Swapping ISK funding
- Reduced capital usage - off balance sheet funding
- Increased focus on asset management with new resources introduced to build private equity operations

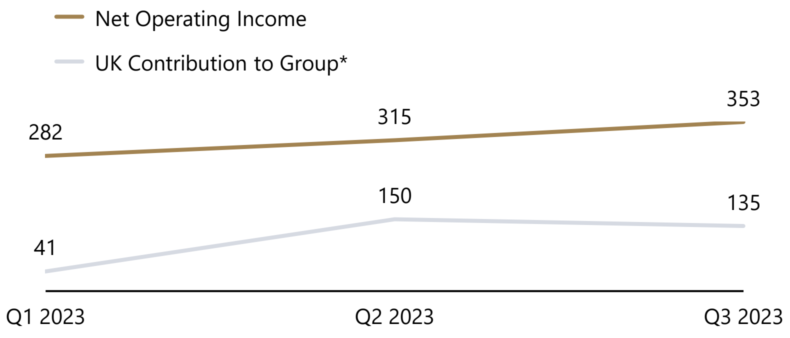
Ortus Loan Book Net Interest Margin

%



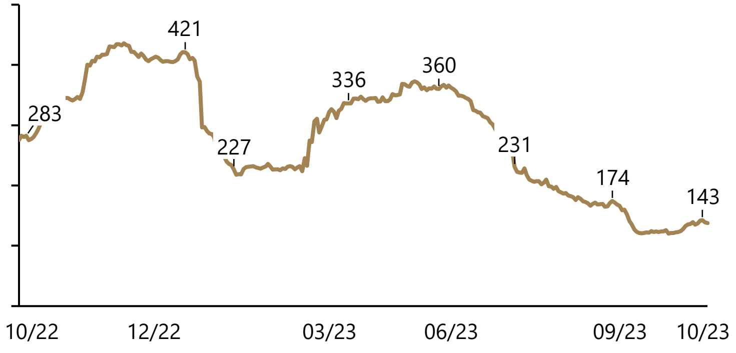
Development of UK Contribution to Group

ISK million / GBP converted at GBP/ISK 171.1



Icelandic Banks' Average EUR Funding Spreads

Bps over interbank rates



*Contribution does not include depreciation and group interest and cost allocations

Financials

9M 2023

Income Statement

9M 2023

Income Statement

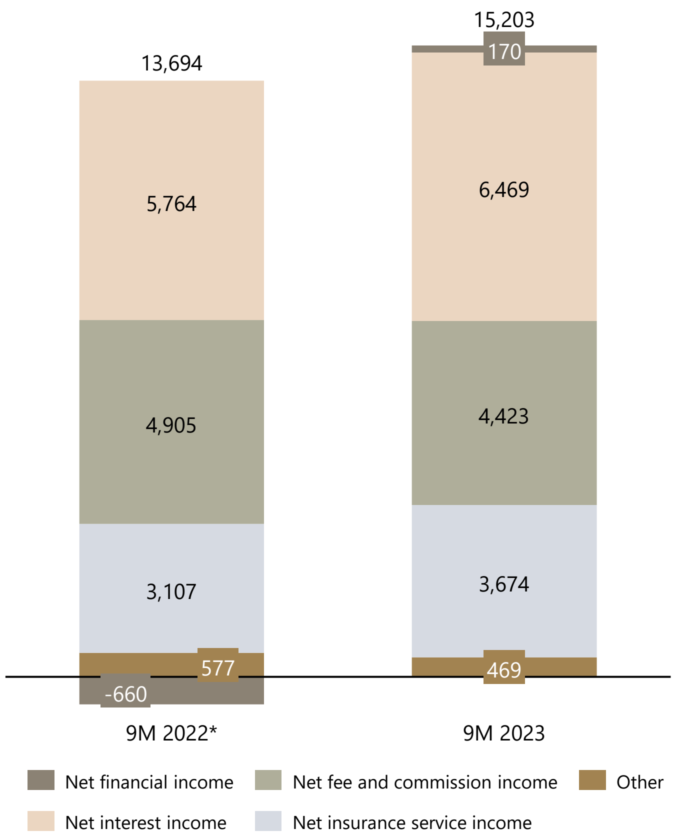
ISK m.

	9M 2023	9M 2022	Diff.
Net interest income	6,469	5,764	704
Net fees and commissions	4,423	4,905	(482)
Net insurance service income*	3,674	3,107	566
Net financial income	170	(660)	829
Other income	469	577	(108)
Net operating income*	**15,203**	**13,694**	***1,510***
Operating expenses*	(11,271)	(9,492)	(1,779)
Net impairment	(193)	(171)	(21)
Revaluation of cont. consideration	3	(23)	(20)
Pre-tax profit	**3,742**	**4,007**	***(265)***
Income tax	(1,010)	(467)	(543)
Special bank taxes	(276)	(338)	(61)
After-tax profit	**2,456**	**3,202**	***(746)***

*Change in presentation of insurance income due to implementation of IFRS17 at 1.1.2023. Slide shows Net insurance service income (NIS) which excludes administrative expenses related to insurance service from the insurance service results, and therefore also the net operating income, shown in the consolidated income statement. Administrative expenses related to insurance are instead included in operating expenses, in line with previous presentation. Comparative information has been restated.

Diversified income across categories

Net operating income by type / ISK m.



Income Statement

Q3 2023

Income Statement

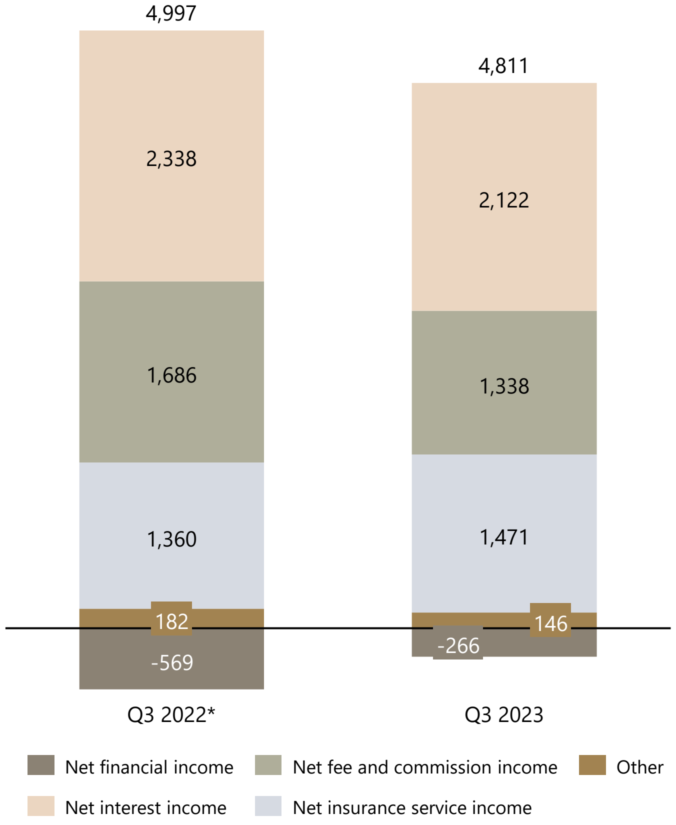
ISK m.

	Q3 2023	Q3 2022	Diff.
Net interest income	2,122	2,338	(216)
Net fees and commissions	1,338	1,686	(348)
Net insurance service income*	1,471	1,360	111
Net financial income	(266)	(569)	303
Other income	146	182	(36)
Net operating income*	**4,811**	**4,998**	**(187)**
Operating expenses*	(3,592)	(3,082)	(510)
Net impairment	(164)	(75)	(89)
Revaluation of cont. consideration	3	-	3
Pre-tax profit	**1,058**	**1,841**	**(783)**
Income tax	(409)	(190)	(219)
Special bank taxes	(105)	(181)	76
After-tax profit	**544**	**1,470**	**(926)**

*Change in presentation of insurance income due to implementation of IFRS17 at 1.1.2023. Slide shows Net insurance service income (NIS) which excludes administrative expenses related to insurance service from the insurance service results, and therefore also the net operating income, shown in the consolidated income statement. Administrative expenses related to insurance are instead included in operating expenses, in line with previous presentation. Comparative information has been restated.

Diversified income across categories

Net operating income by type / ISK m.

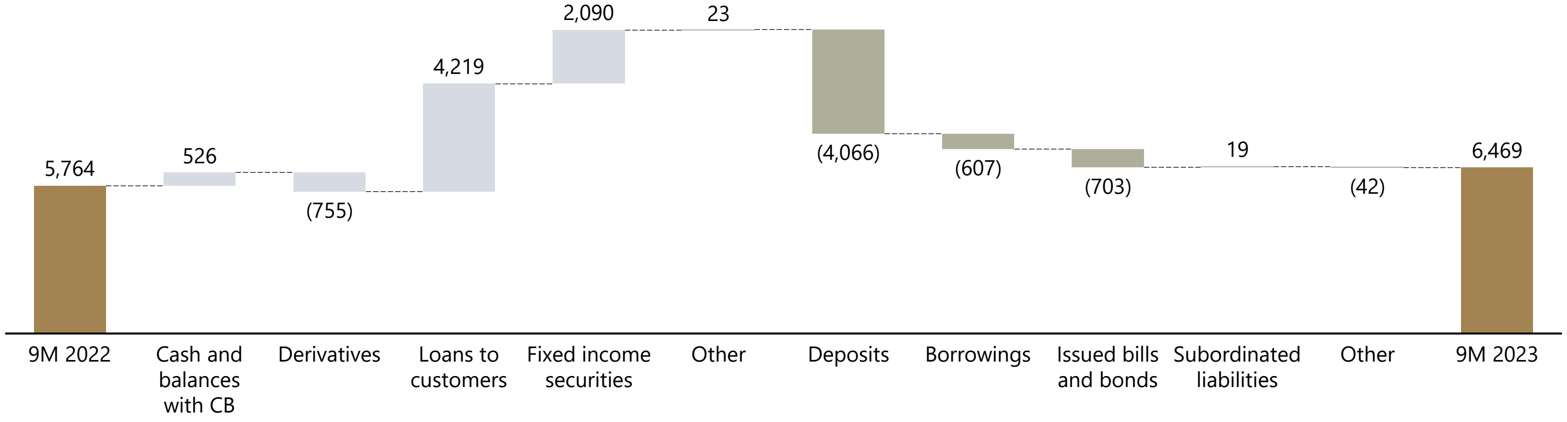


Net Interest Income

12% growth YoY

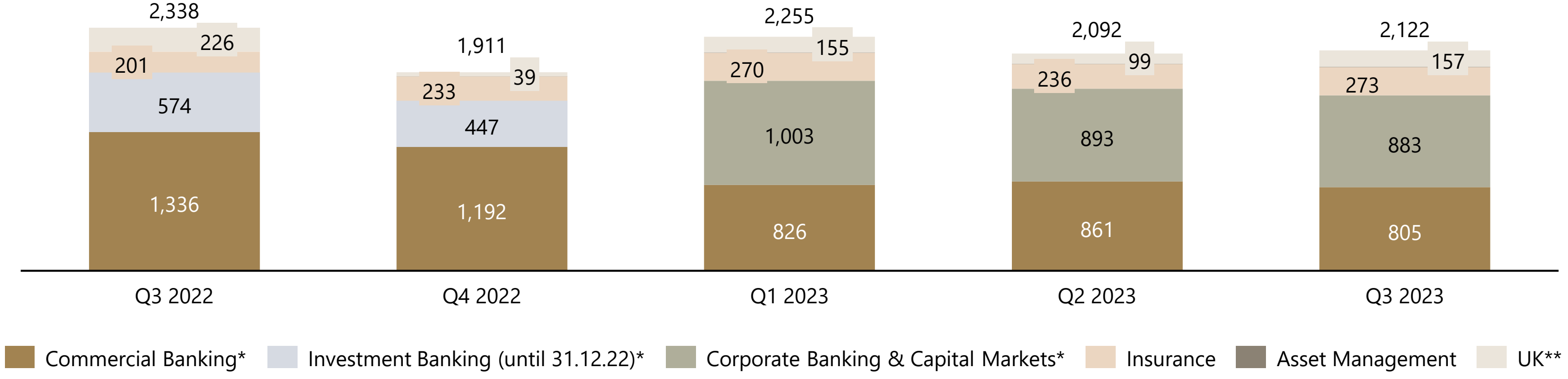
Net interest income 9M comparison

9M 2022 to 9M 2023 / ISK m.



Net interest income development (NII)

ISK m.



- Net interest income grows by 12% from 9M 2022 mainly due to increased lending activities and higher interest rates
- Fixed income securities in liquidity portfolio deliver subdued interest income as they have not enjoyed higher income due to rising rates. The average maturity of those securities is approx. 1.0 yr
- Interest expense increase from 9M 2022 mainly due to higher deposits balance and rising rates.
- Lower interest expense due to derivatives attributable to lower capital markets activities. Less volumes in forward contracts for equities and bonds
- Net interest margin of 3.6% p.a. in 9M 2023
  - Calculated as net interest income to total interest-bearing assets

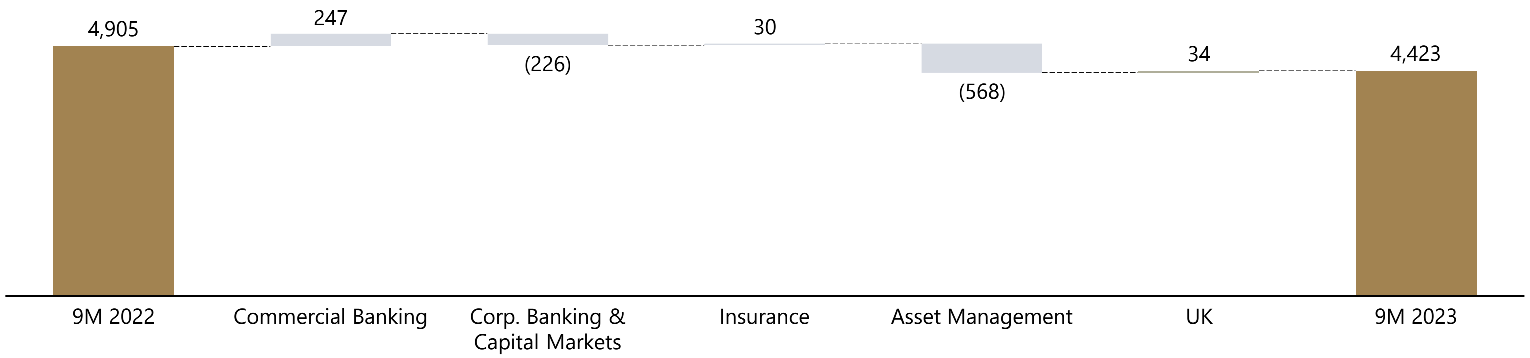
*The Group changed the structure of its internal reporting and reportable segments, taking effect on 1 January 2023. The figures for the period in 2023 reflect this structure, comparison amounts have not been restated
**UK operations only include Ortus Secured Finance from 1 March 2022.

Net Fee and Commission Income

Payments a new source of fee income and fee growth in retail banking

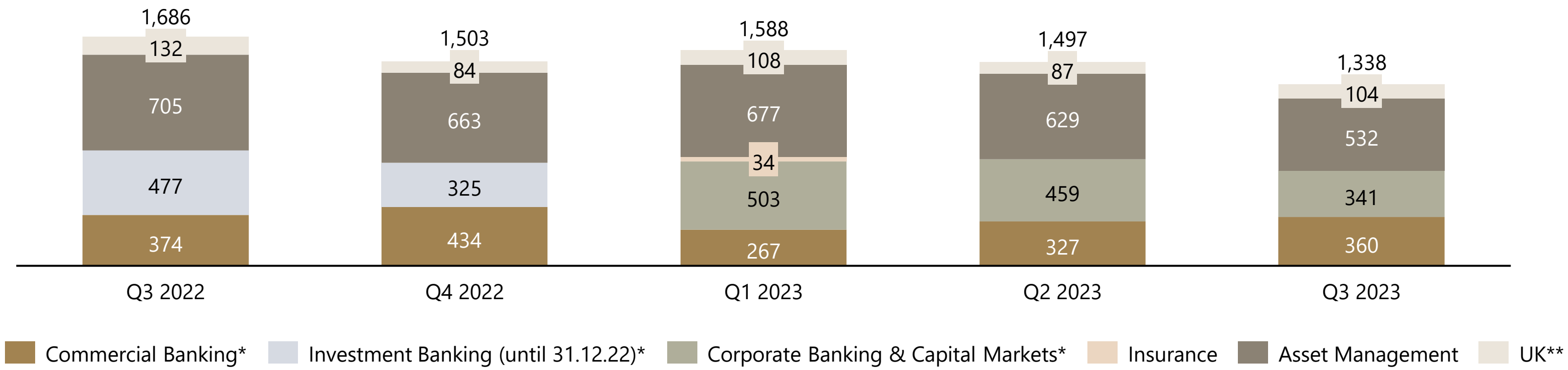
NFC YoY comparison

9M 2022 to 9M 2023 / ISK m.



Net fee and commission development (NFC)

ISK m.



- Fee growth in Commercial Banking driven by the launch of Straumur (payments), Aur (retail banking) and vehicle financing
- Continued challenging conditions in financial markets primary driver for lower performance fees in asset management and lower business volumes in capital markets

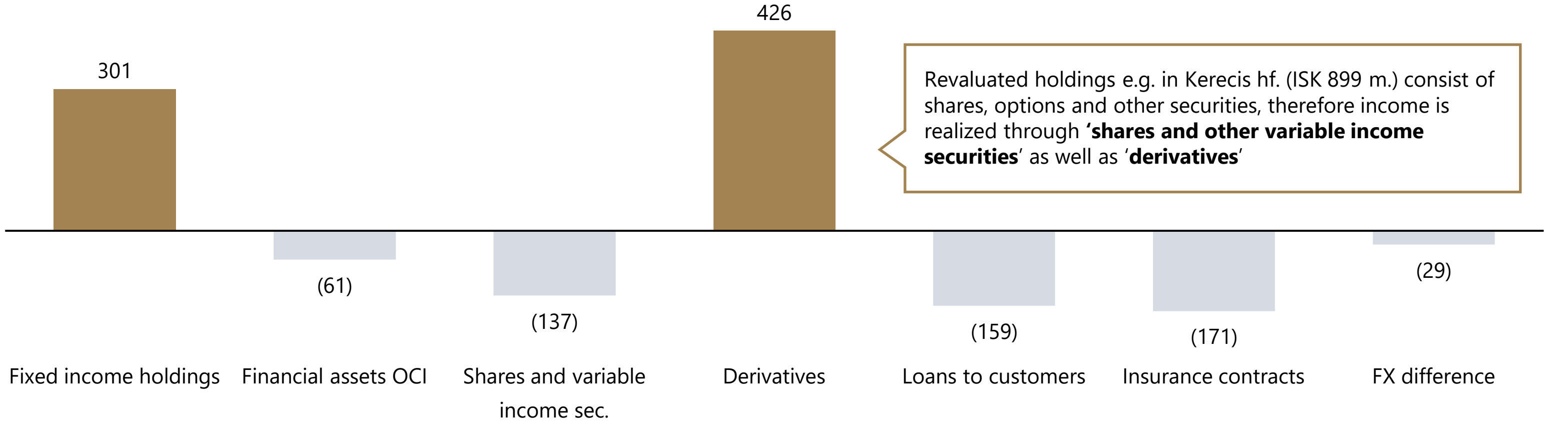
*The Group changed the structure of its internal reporting and reportable segments, taking effect on 1 January 2023. The figures for the period in 2023 reflect this structure, comparison amounts have not been restated
**UK operations only include Ortus Secured Finance from 1 March 2022.

Net Financial Income

Subdued Net Financial Income due to challenging capital markets

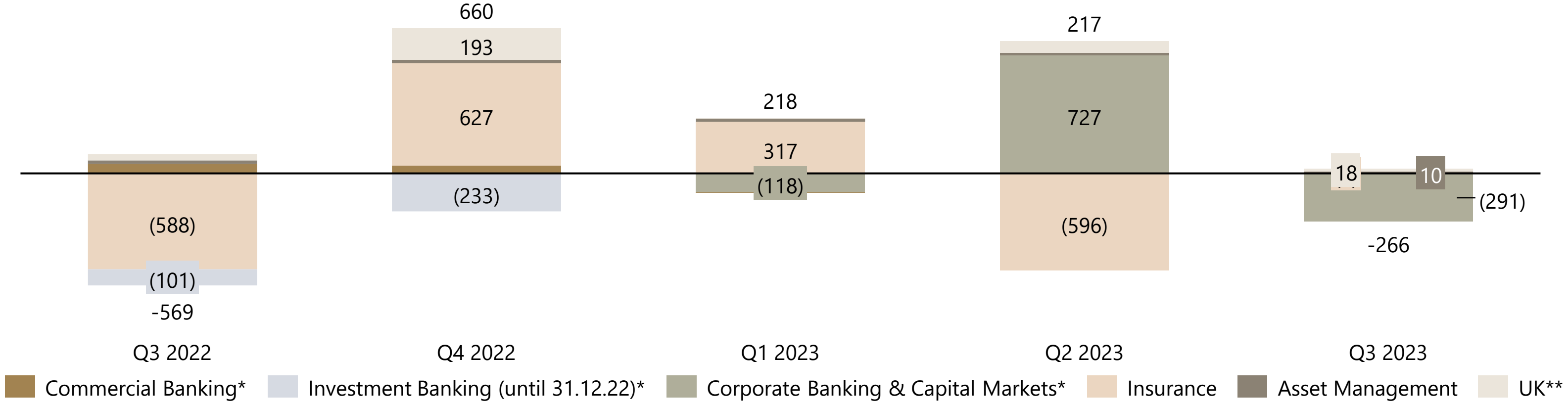
Net financial income (expense) composition

9M 2023 / ISK m.



Net financial income development (NFI)

ISK m.



- Volatility in financial markets continues to impact net financial income as Icelandic government bond yields rise by ~100 basis points and the OMX10 fell by 4% in Q3
- Despite challenging markets, net financial income is positive by ISK 170 million in 9M 2023, up from a loss of 660 million in 9M 2022
- Loss of ISK 266 million in Q3, most evident in Corporate Banking & Capital Markets due to revaluation of variable income securities and negative returns from securities held by market making

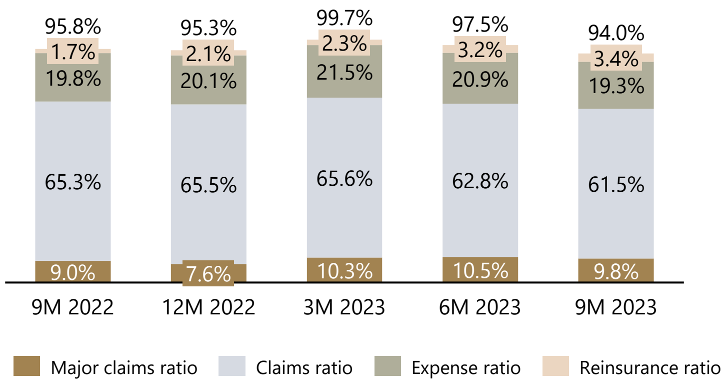
*The Group changed the structure of its internal reporting and reportable segments, taking effect on 1 January 2023. The figures for the period in 2023 reflect this structure, comparison amounts have not been restated
**UK operations only include Ortus Secured Finance from 1 March 2022.

Net Insurance Service Income

Strong performance in insurance operations

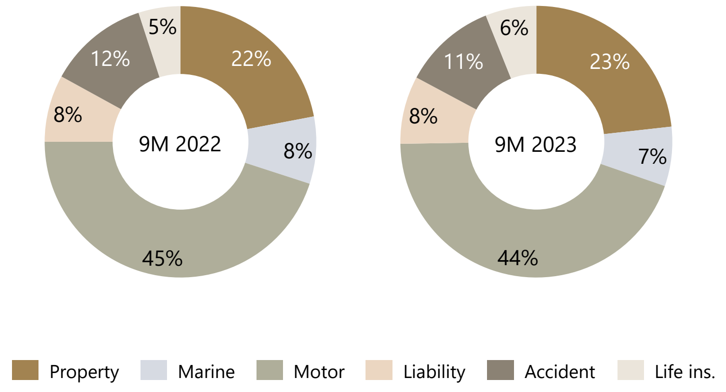
Combined ratio

(%)



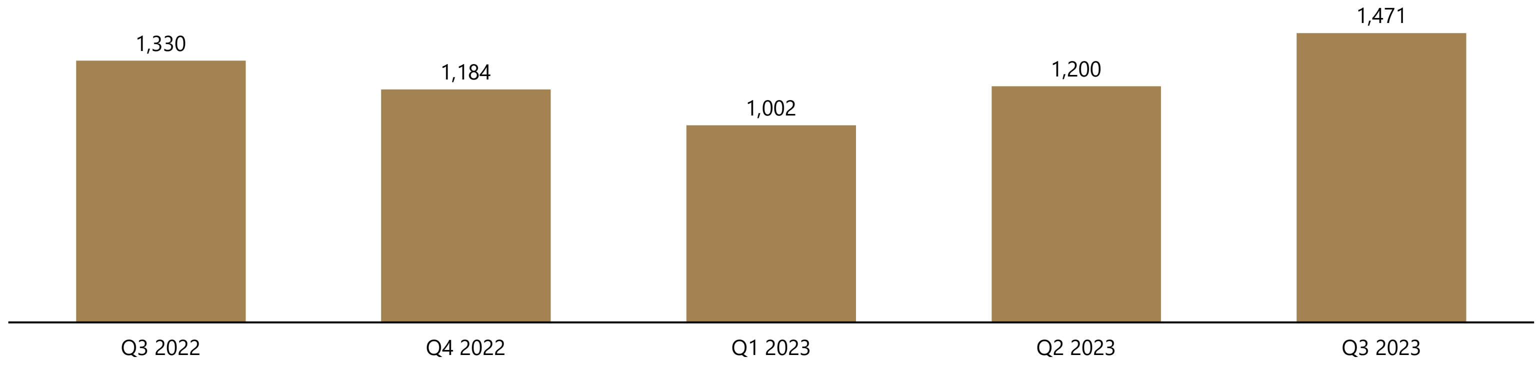
Premiums composition

(%)



Net insurance service income development* (NIS)

ISK m.



*Change in presentation of insurance results due to adoption of IFRS 17. Net insurance service income (NIS) excludes administrative expenses related to insurance service from the insurance service result presented in the consolidated financial statement, comparable to previous presentation of net premiums and claims (NPC). The figures for the period in 2023 reflect this structure, comparison amounts have not been restated

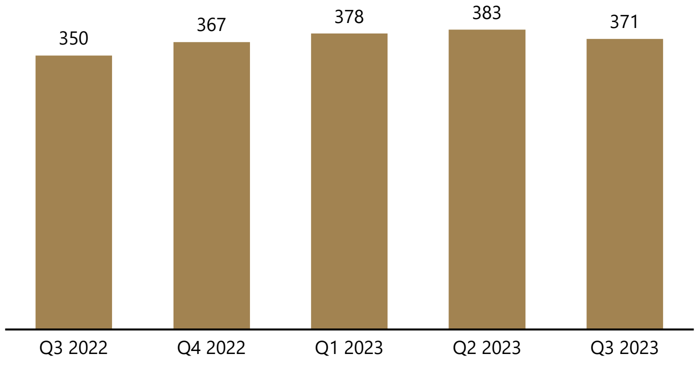
- Continued strong performance of insurance operations with a combined ratio of 87.5% in Q3 and significant premium growth of 12.9% in YoY while claims only grow by 10.2%
- Combined ratio decreases YoY, 94.0% for 9M 2023 compared to 95.8% in 9M 2022, primarily driven by a lower claims ratio which decreases YoY while other ratios remain relatively stable
- Category composition of revenues and claims continues to be similar as previous periods
- Change in presentation of insurance income in the consolidated financial statements due to implementation of IFRS17. Slide shows net insurance service income (NIS) which excludes administrative expenses related to insurance service from the insurance service result, comparable with the previous presentation of net premiums and claims
  - Figures for 2023 reflect this structure, comparison amounts have not been restated

Operating Expenses

Normalised operating expenses drop markedly in Q3

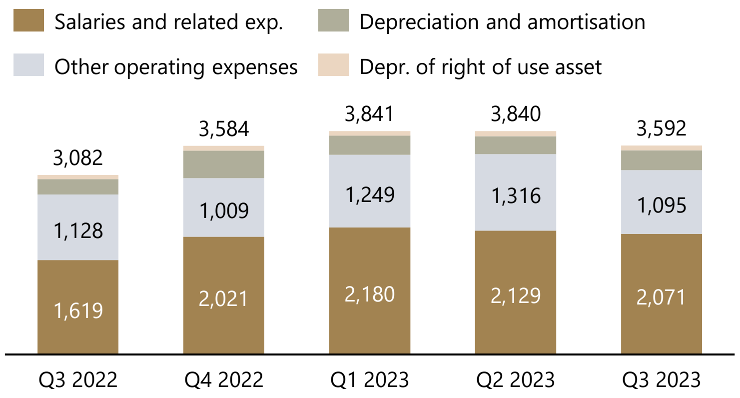
Employee development

Full time employees at the end of each period



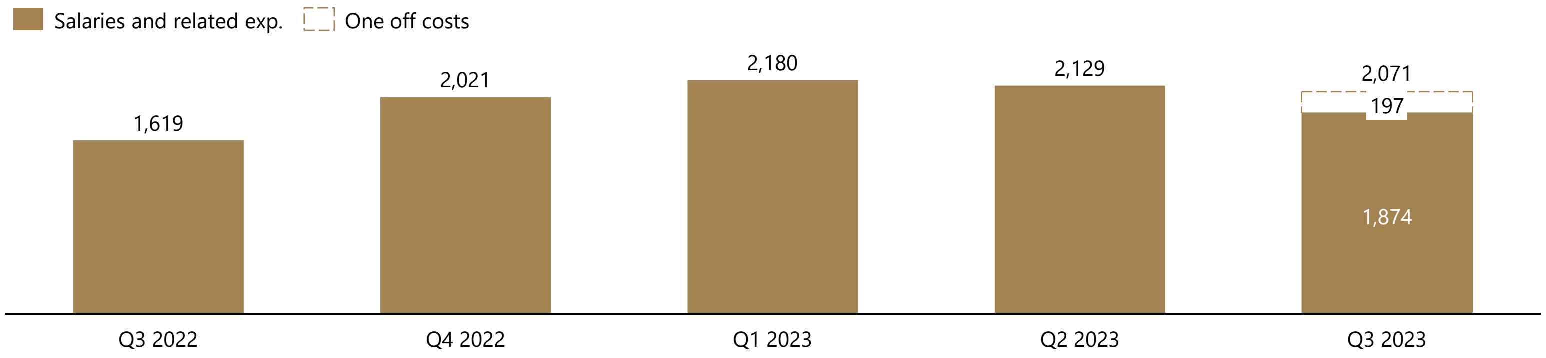
Operating expenses

ISK m.



Salaries and related expenses

ISK m.



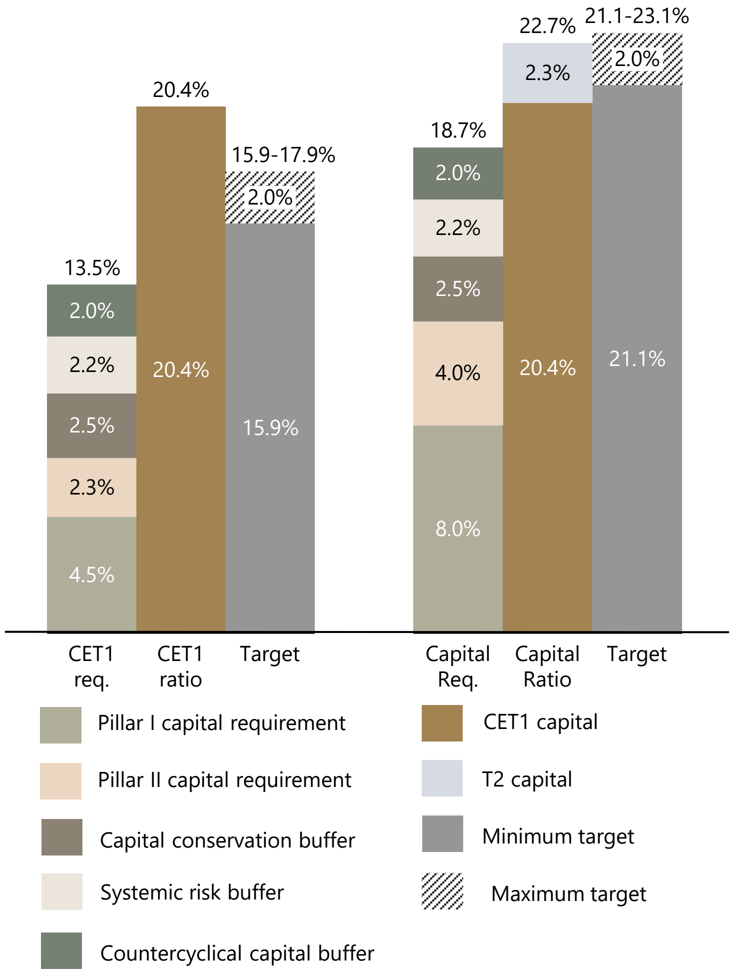
- Operating expenses have started to decrease following a period of high costs due to investment in growth
  - Operating expenses decrease by ISK 255 million
- Additionally, one-off salary and related expenses of ISK 197 million are expensed in Q3 due to restructuring changes
- PPA amortization of ISK 375 million in 9M, a non-cash operating expense resulting in lower PBT and reduction in intangible assets
- 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

Capital Position

Strong capital position well above regulatory requirements

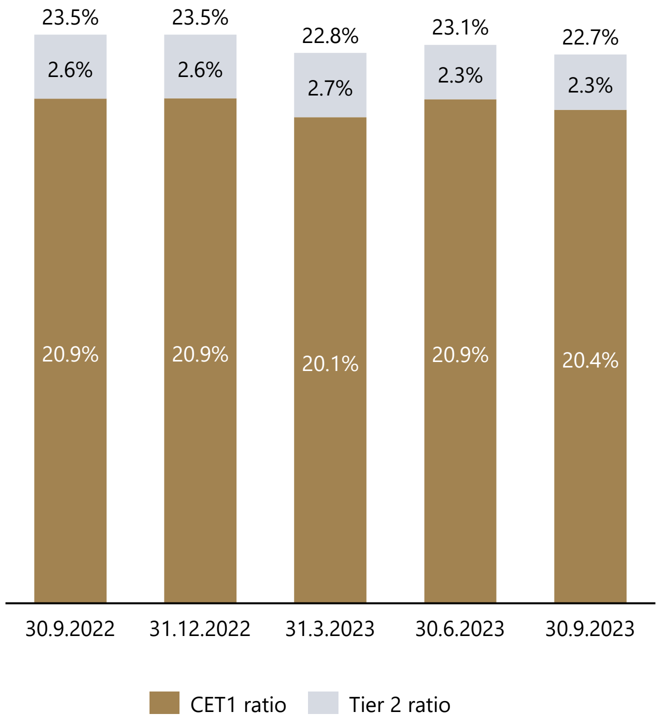
Capital position and requirements

30.9.2023/ (%)



Capital ratio

30.9.2023 / (%)



- CAR of 22.7% at the end of September 2023, within management target
  - CAR of 23.1% including unaudited retained earnings for Q3 2023
  - Kvika aims to maintain a management buffer of 2% to 4% over current and anticipated CAR requirements
- The countercyclical capital buffer 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
- On a financial conglomerate basis, Kvika has a group solvency of 1.24 at the end of September 2023
  - Insurance operations solvency of 1.5 at 30 September 2023
  - Solvency of 1.26 including unaudited retained earnings for Q3 2023
- Excess capital of ISK 9.1 billion on consolidated solvency basis for the group and ISK 6.4 billion on CAR basis excluding insurance activities

Liquidity and Funding Ratios

Continued strong liquidity position

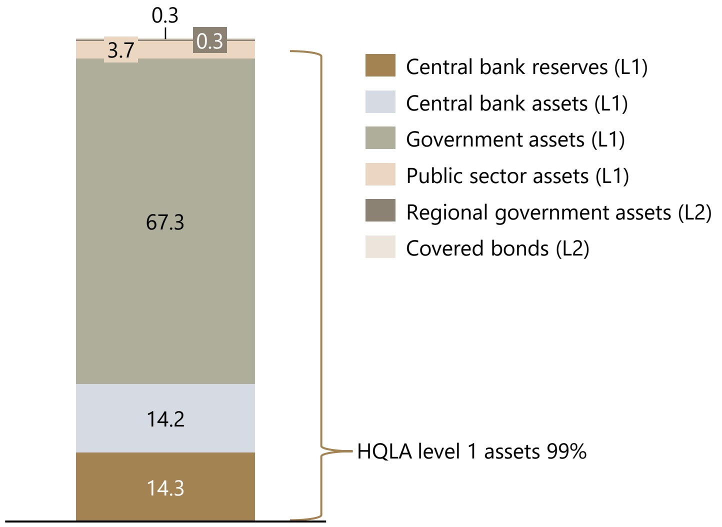
Liquidity coverage ratio (LCR)
30.9.2023 / ISK billions

High quality liquid assets	77.3
Net outflow	25.7
Liquidity coverage ratio	**301%**
Minimum regulatory requirement	100%

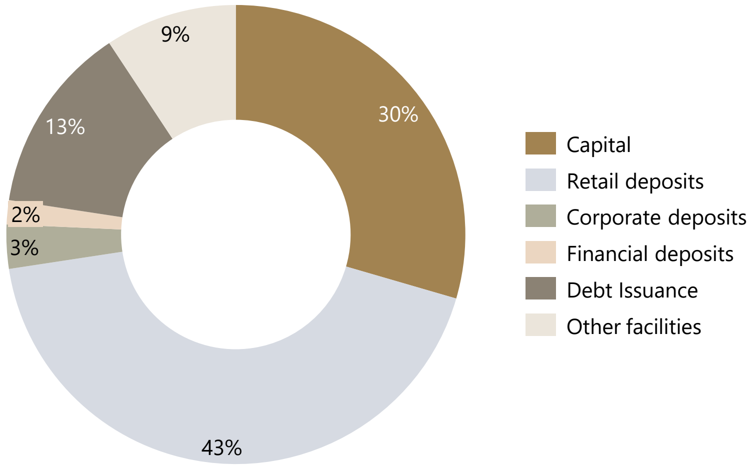
Net stable funding ratio (NSFR)
30.9.2023 / ISK billions

Available stable funding	218.8
Required stable funding	150.9
Net stable funding ratio	**145%**
Minimum regulatory requirement	100%

High quality liquid assets (HQLA)*
30.9.23 / (%)



Available stable funding
30.9.23 / (%)



- HQLA assets ISK 77 billion excluding mandatory reserves and collateral to the Central Bank
- Liquidity coverage ratio is strong at 301%, where the regulatory minimum is 100%
- Net stable funding ratio is strong at 145%, 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

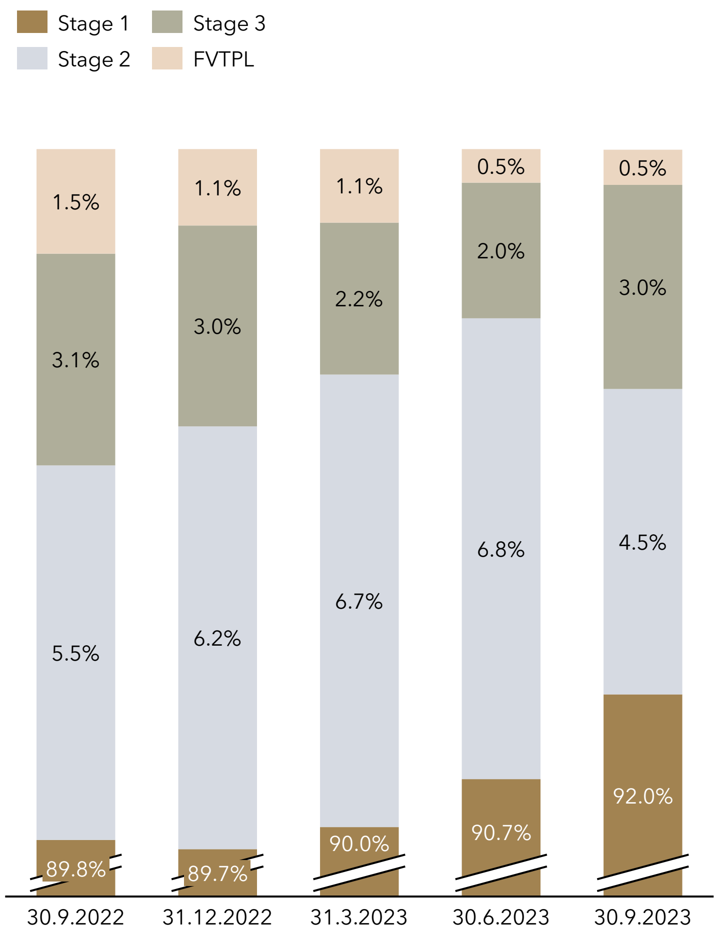
*L1: Level 1 assets , L2: Level 2 assets

Credit Quality

High quality loan book

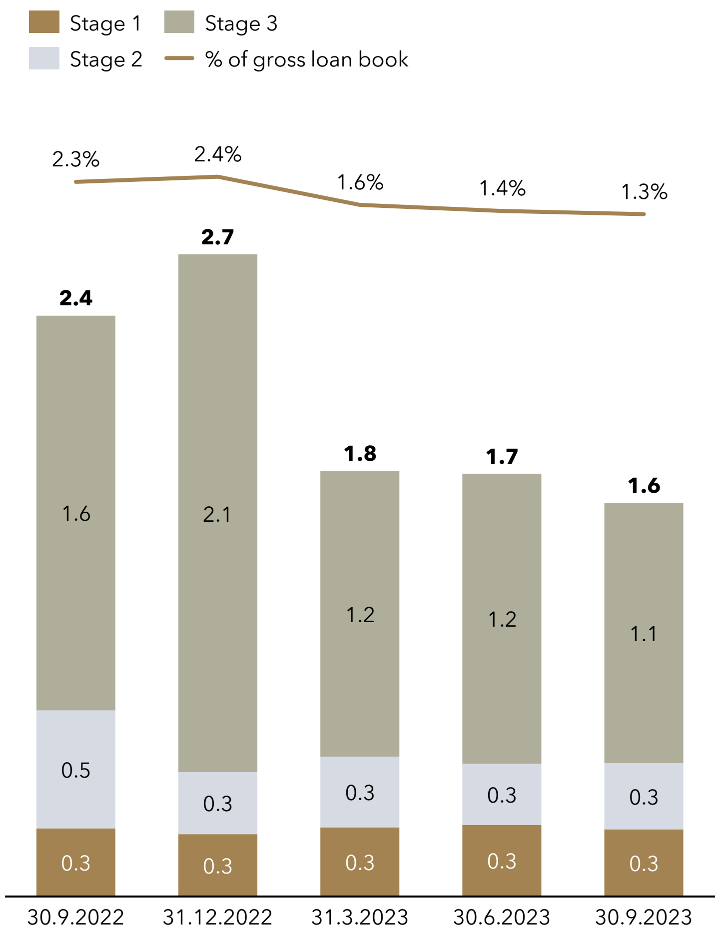
Loans to customers risk stage allocation

Net loan book / (%)



Impairment loss allowance

ISK billions



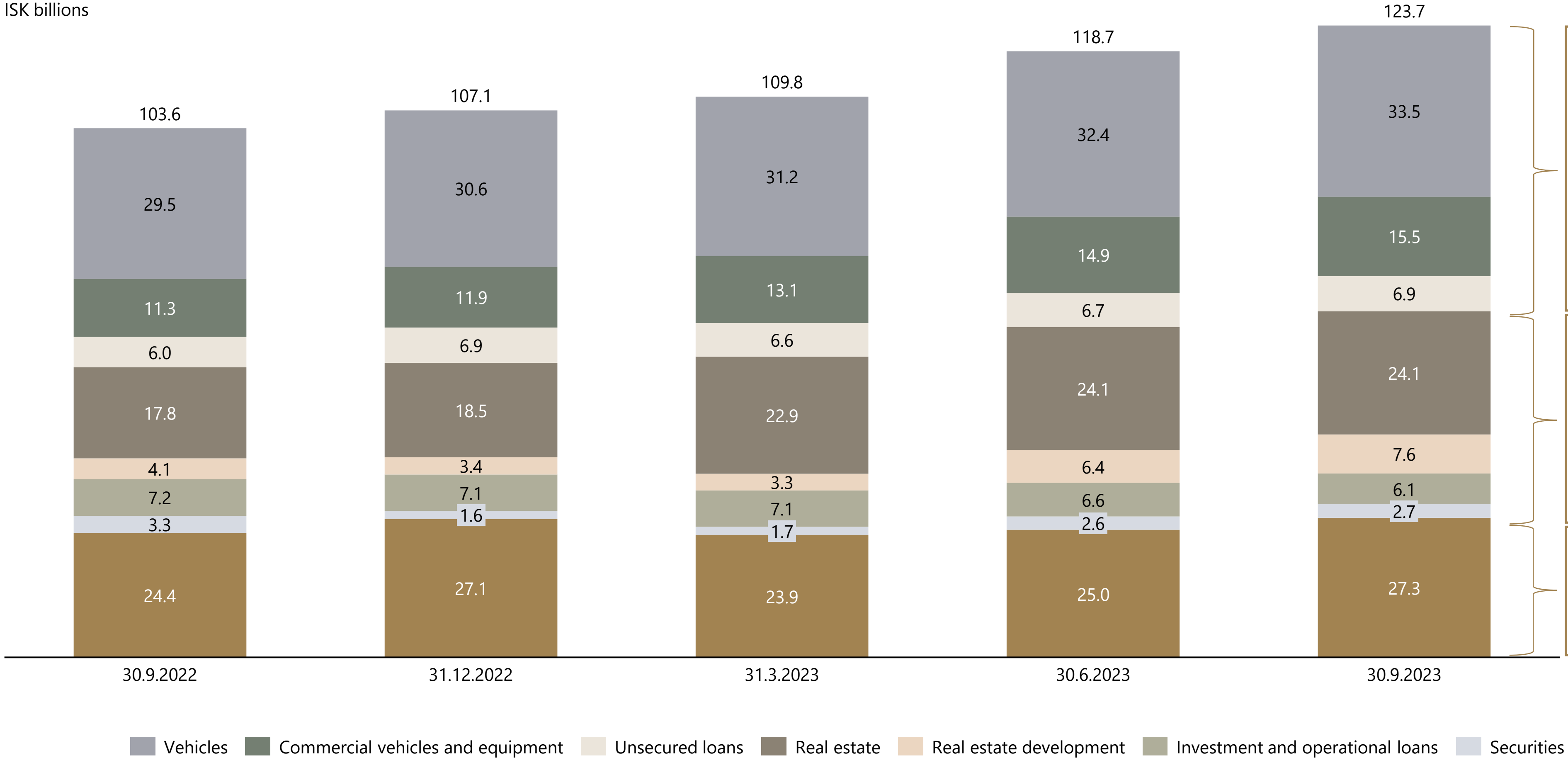
- Stage 3 loans increase between quarters, attributable to several exposures. Additional stage 3 loans are well collateralized with an average loan to value of collateral of 55%
  - Impairment loss allowance due to stage 3 loans stable between quarters
- Average LTV of stage 3 loans is 67% (exposures larger than ISK 10 million)
- Positive development with stage 1 loans that increase from 90.7% to 92.0% between Q2 and Q3

Loan Book Development

Diversified loan book, growth in major business lines

Loan book development

ISK billions



Commercial Banking
Vehicles
Commercial vehicles & equipment
Unsecured loans

Corporate Banking & Capital Markets
Real estate
Real estate development
Investment and operational loans
Securities

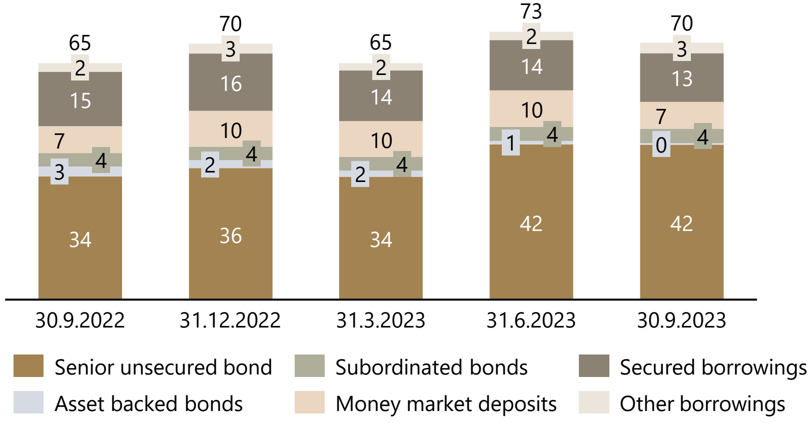
UK
UK real estate

Diversified Funding Programme

Solid investment grade rating by Moody's

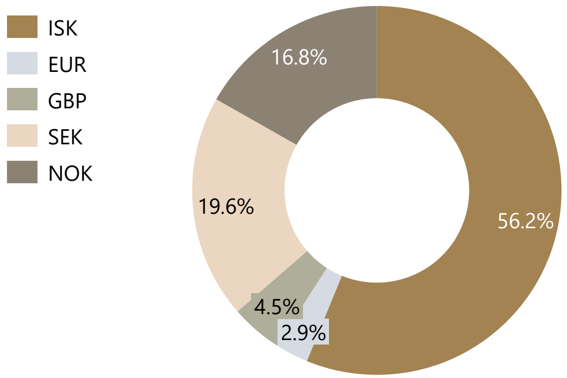
Development of market funding

ISK billions



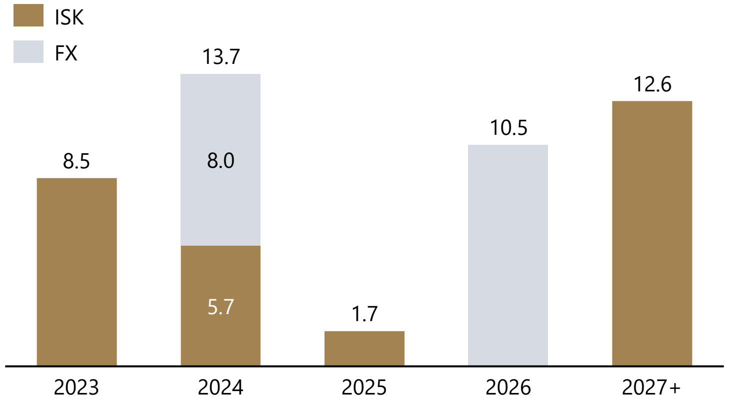
Issue currency

30.9.23



Maturity of issuance

30.9.23 / ISK billions

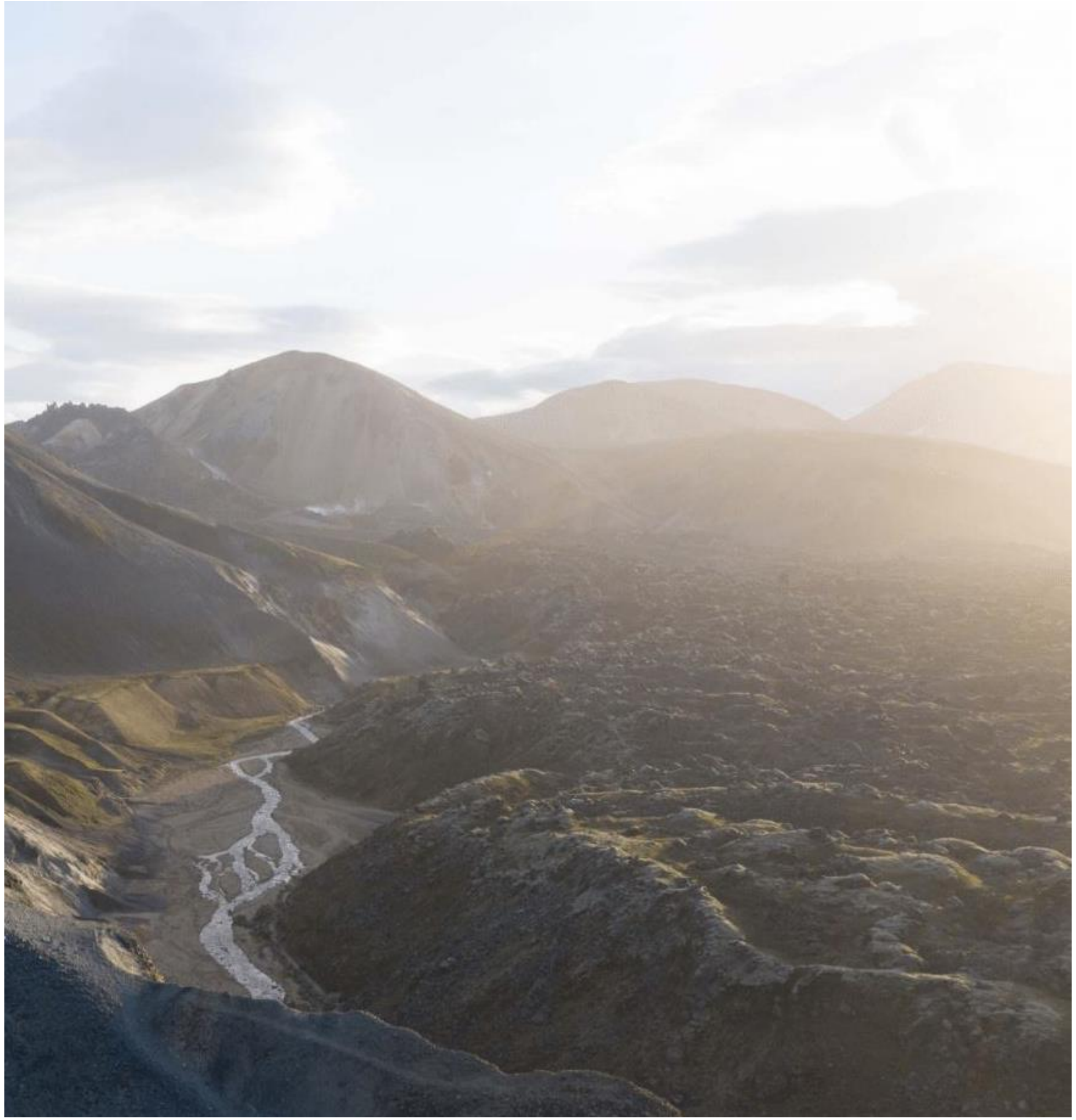


Rating

Moody's Investors Service

	Bank deposit rating	Issuer rating
Long term	Baa1	Baa2
Short term	P-2	P-2
Outlook	Stable	Stable
Last update	7 July 2023	7 July 2023

- 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 42 billion of senior bonds outstanding on 30 September 2023 with 56% issued in ISK
- Among the group's borrowings are secured borrowing facilities which are utilized by Ortus in the UK
- In July 2023 Moody's confirmed Kvika's ratings which includes a long-term issuer rating of Baa2



Outlook

The financial result excluding net financial income for Q3 2023 is in line with the outlook published in August 2023 upon publication of Kvika's H1 2023 financial results

The outlook has not been updated and remains unchanged, with profit before tax excluding net financial income expected to be **ISK 6.6 billion** for the 12 months period ending 30 June 2024

Kvika will publish financial targets in conjunction with the publication of Kvika's fourth quarter results in February 2024

At a Turning Point

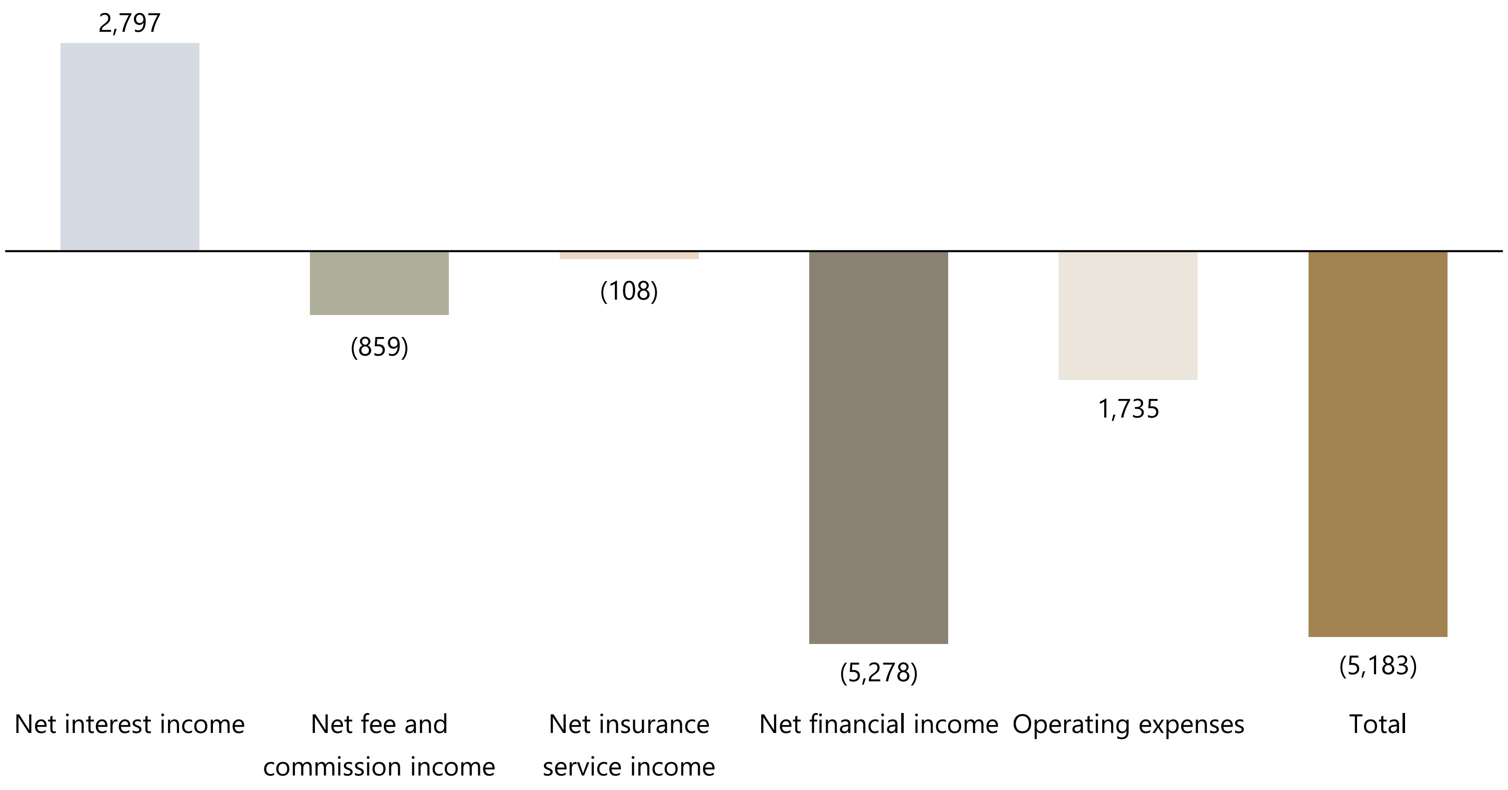
Strategic initiatives to enhance focus and improve profitability

Reversal of Fortune

Developments since 2021

Comparison of key figures - first 12 months post TM merger to last 12 months

Q2 21-Q1 22 total compared to Q4 22-Q3 23 total / ISK m.



- Interest income grows in the period both due to the acquisition of Ortus as well as through organic growth. However, NII does not reach full potential as:
  - Interest income in the UK and consumer financing in Iceland negatively affected by the rapid rise in interest rates
  - Rising rate environment temporarily decreases interest margins on treasury assets
- Net fee and commission income decreases during turbulent markets as trading- and business volume decreases, and performance fees are lower
- Insurance revenues net of claims have remained strong, combined ratio at a good level and trends are positive
- Significant decrease in net financial income, attributable to difficult market circumstances felt in both insurance and banking activities
- Operating expenses increase by ISK 1.7 bn., mainly attributable to investment in growth and market wage increases

Actions Being Taken

Focus on increasing operational strength and efficiency

The external environment has had a significant impact on Kvika's operating results, however, several changes are being made to increase efficiency. Key efforts include:

General cost reduction

Annualised cost reduction of **ISK 900 million**

Thereof **over ISK 400 million** in salaries and salary related costs across the group

Improved decision making

Increased discipline at committee levels

More efficient staffing

Frequency of meetings reduced with more focused discussions

150 management hours saved per month

Capital deployment analysis

Analysis of the group's capital usage and optimization

Utilization of Kvika's strong liquidity position

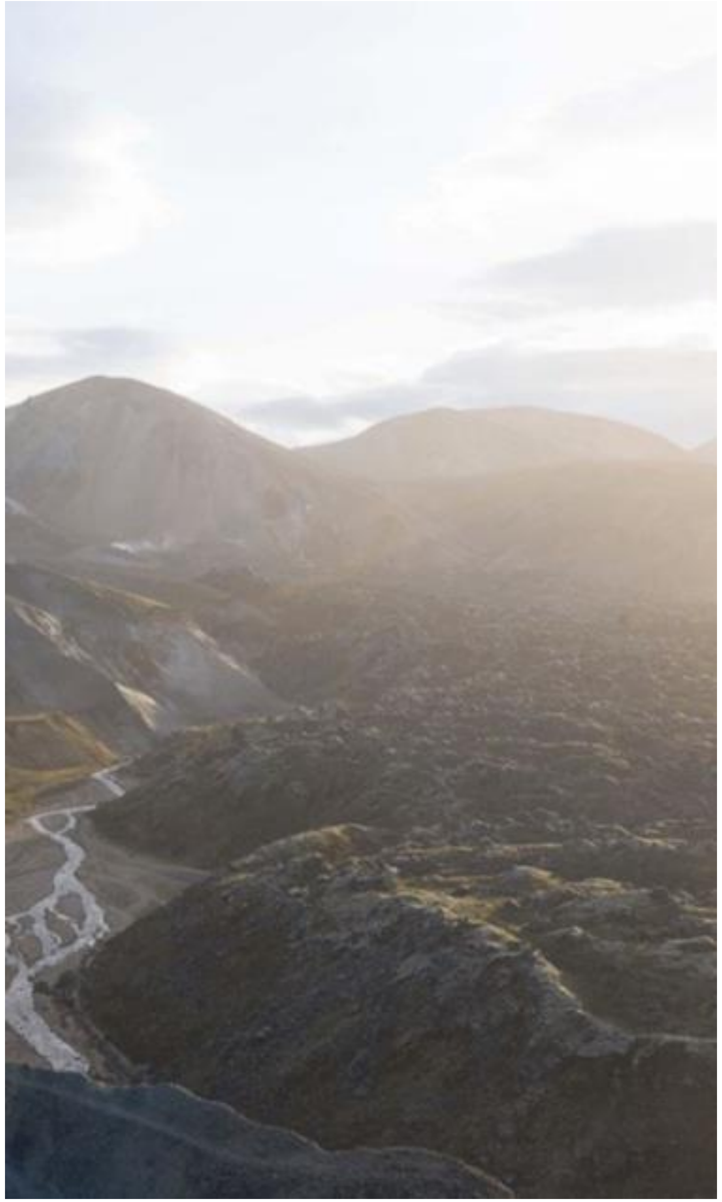
Strategic review

Review of Kvika's strategy at a management and board level

Strategic review by TM management

Evaluation of growth opportunities

Key question: should TM be divested?



Divestment of TM Insurance

Financial strength is maintained and further growth supported

Kvika will retain the Lykill lending operations, acquired as part of TM in 2021 and very successfully merged with the bank

Divestment brings significant simplification, operations streamlined with **banking-only focus**

Post-divestment Kvika expects to retain an amount equal to the tangible equity of TM, ISK 13-14 billion, maintaining the current capital strength of the group

Excess proceeds paid to shareholders via a special dividend or share buybacks

Increased banking capital combined with a strong liquidity and funding base utilized for **growth in core business segments at the bank´s target ROTE**

- *Entrance into the domestic mortgage market*
- *Increased lending to corporates*
- *Continued growth of Lykill*

Simplified Structure Post Divestment

Kvika's main operations will be focused on banking and asset management.

Kvika banki hf.

Commercial Banking	Corporate Banking & Capital Markets	Asset Management	UK
Specialized professional and retail services with a core focus on digital innovation and fintech Flagship retail offerings include digital savings platform Auður and banking app Aur Payment services through Straumur and Netgíró	Traditional as well as tailored investment banking services offered to professional clients Niche offering of specialized lending combined with capital markets and corporate finance services	Asset- and fund management services offered mainly to professional clients Strong position in specialized fund management such as credit and private equity funds Full service private banking *Kvika eignastýring hf.* *Regulated in Iceland*	Corporate finance and asset management, secured lending through subsidiary Ortus Increases access to diversified investment opportunities and supports relationships between Icelandic and UK investors *Kvika Securities Ltd.* *Regulated in the UK*

- **Larger and more efficient loan book strengthens stable interest income**
- **Fee generating units boosted by improved lending and investment capabilities**
- **More diversified and less risky loan book together with more stable income and greater profitability should result in improved creditworthiness**

Sales and Listing Process

Expected Timeline of Events

The divestment will be a dual process consisting of market listing preparation run concurrently with a formal sales process aimed at investors interested in acquiring TM either in full or in part

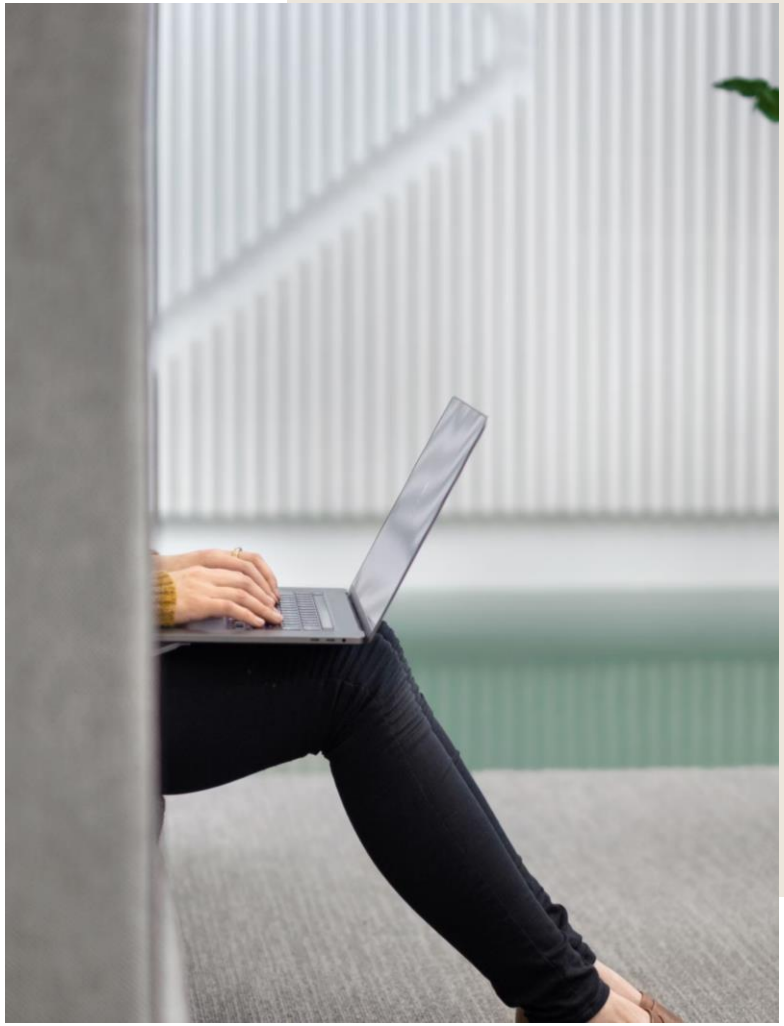
Kvika believes that either option will provide a valuable result for the bank and its shareholders

Kvika will manage the process in-house through its corporate finance division

BBA//Fjeldco have been retained as Kvika's legal advisor and the appointment of due diligence advisors are in final stages

Mid-November 2023
Process kick-off

Q2-Q3 2024
Divestment completed



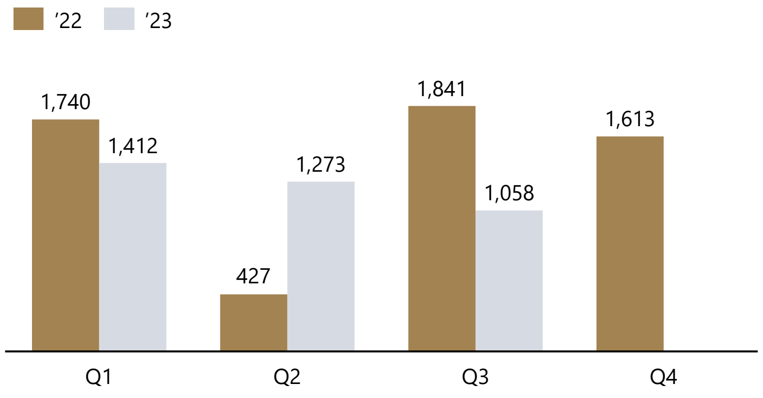
Financial Results in Detail

Total Profit Before Tax in Q3 ISK 1,058m

Stable and diversified income

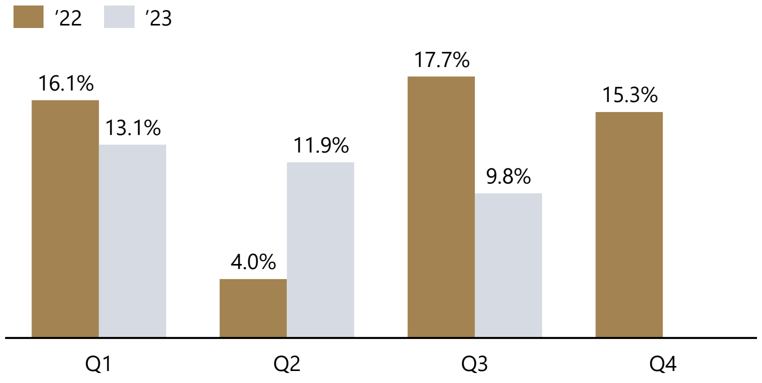
Profit before tax (PBT)

PBT development / ISK m.



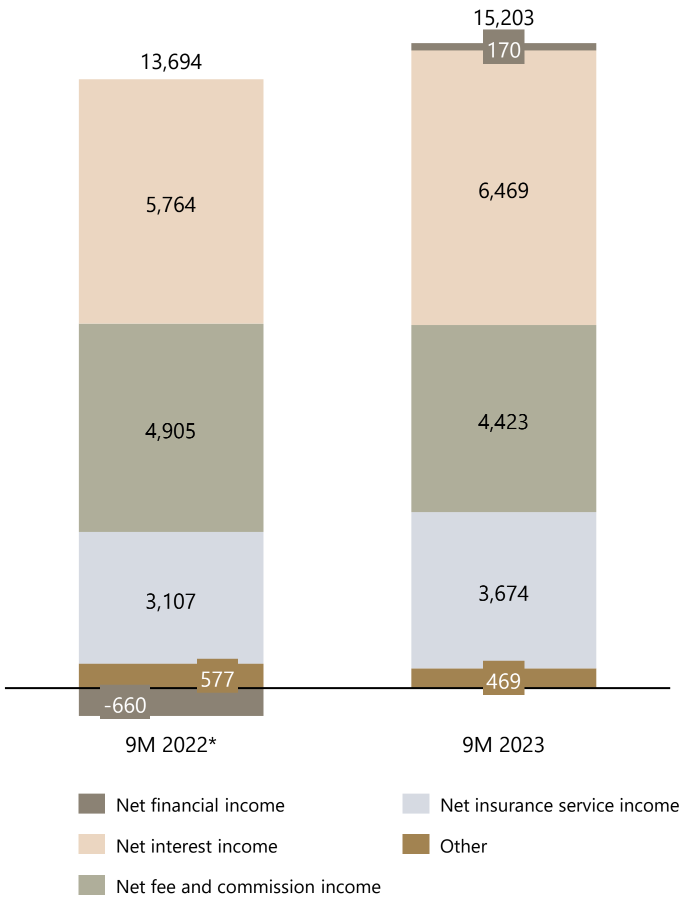
Return on tangible equity (RoTE)

(%)



Diversified income across categories

Net operating income by type / ISK m.



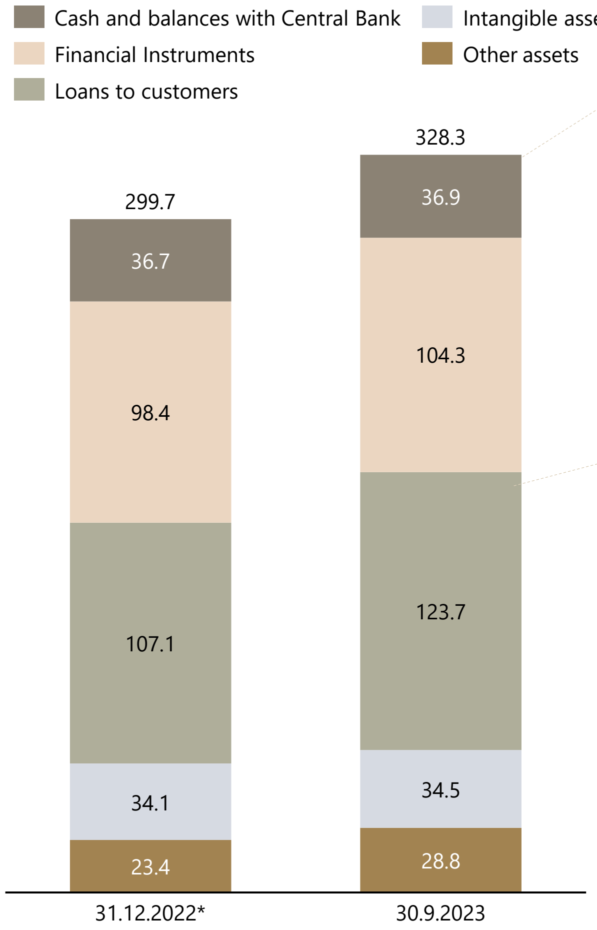
- Kvika's profit before tax in Q3 2023 is ISK 1,058 million, a decrease from Q2 2022
  - Pre-tax RoTE of 9.8% in Q3
- Net operating income amounted to ISK 15,203 million in the first nine months of 2023, an 11% increase from 9M 2022, driven by net interest income and insurance revenues
  - Operations in 9M 2023 result in a pre-tax RoTE of 11.5%
- The strength of core operations continues to be valuable as financial income remains impacted by market volatility
- Note a change in presentation of insurance income in the consolidated financial statements due to implementation of IFRS17. Slide shows net insurance service income (NIS) which excludes administrative 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 due to implementation of IFRS17, see notes in the Condensed Consolidated Financial Statements 30 September 2023

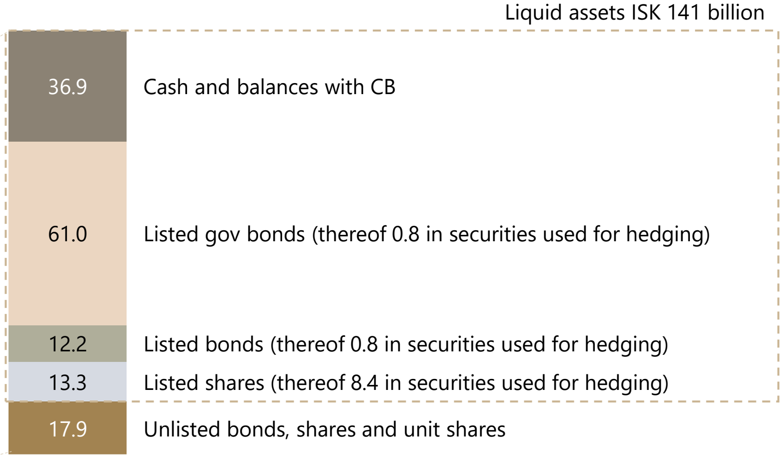
Balance Sheet: Assets

Over a third of the balance sheet consists of liquid assets

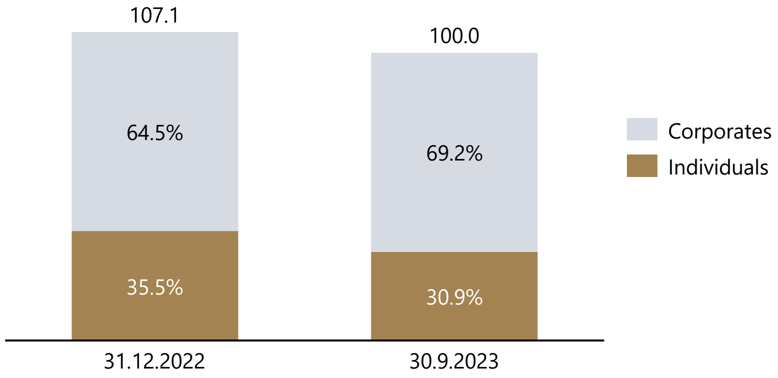
Assets
ISK billions



Cash and financial instruments
30.9.23 / ISK billions



Loan book by customer type
ISK billions



- An increase of ISK 28.6 billion in assets since year-end 2022
- Loan book increase of ISK 16.6 billion since year-end 2022
- Loan book growth in the period is mainly attributable to strong growth in domestic lending
- Liquid assets amount to ISK 141 billion, 43% of total assets and 114% of loans to customers
- ISK 10.2 billion positive CPI balance at 30.9.2023

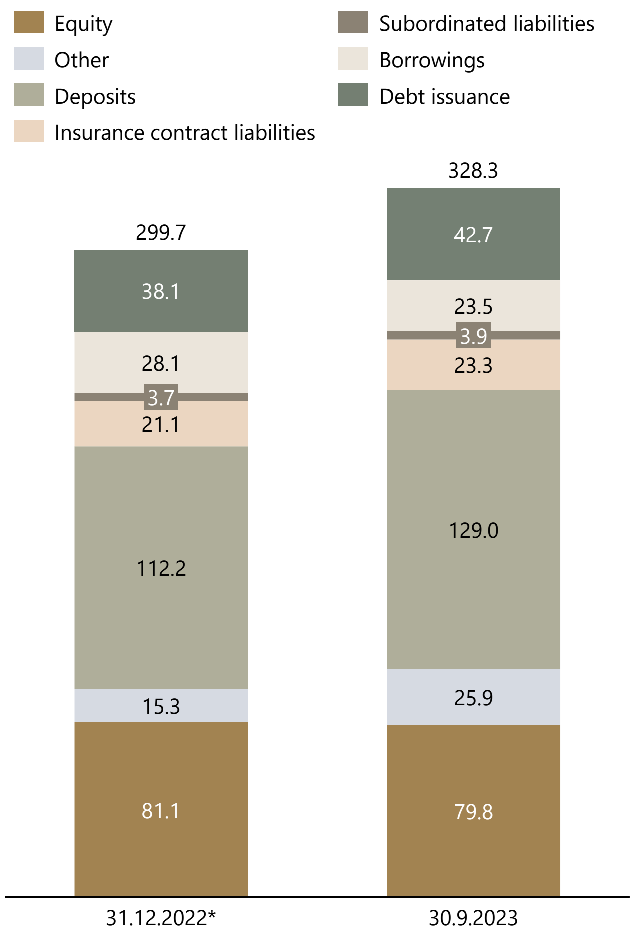
*Comparative information has been restated due to implementation of IFRS17, see notes in the Condensed Consolidated Financial Statements 30 September 2023

Balance Sheet: Liabilities

Significant growth in retail deposits

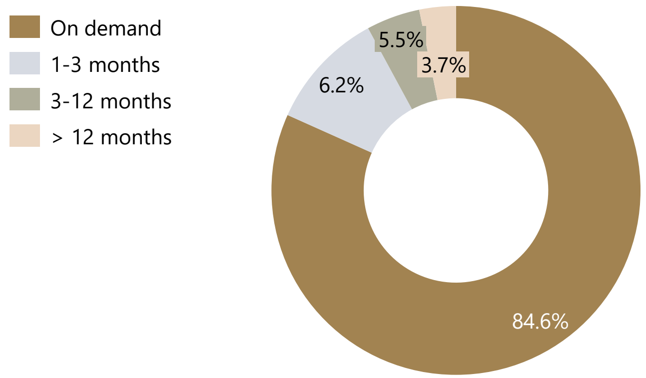
Liabilities and equity

ISK billions



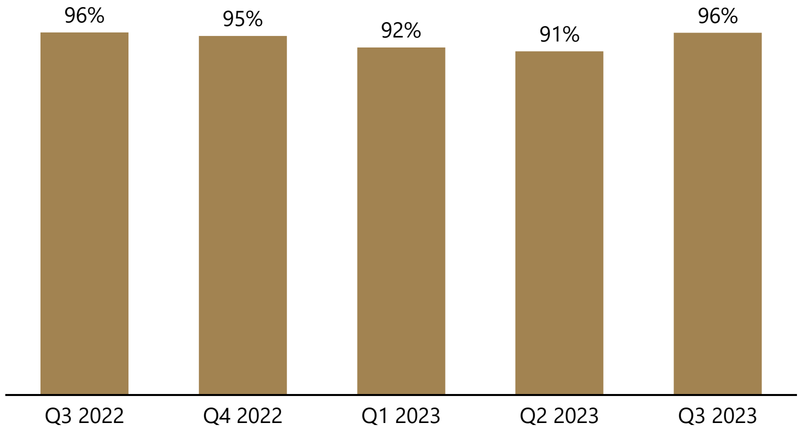
Maturity of deposits

30.09.23 / (%)



Loans to deposits

(%)



*Comparative information has been restated due to implementation of IFRS17, see notes in the Condensed Consolidated Financial Statements 30 September 2023

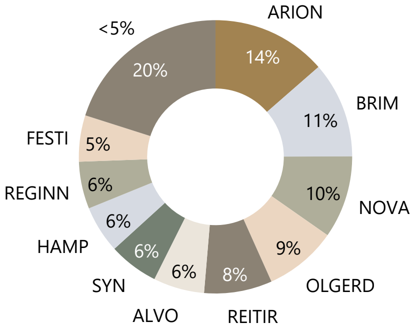
- Liabilities increase by ISK 28.6 billion since year-end 2022, driven by growth in deposits
  - Deposits increased by ISK 16.8 billion in 9M 2023 driven by growth in retail deposits
- Due to implementation of IFRS 17, liability item technical provision is now stated as 'Insurance contract liabilities'
  - 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.

Financial Instruments: Variable Income

Continued market volatility affects the group’s equity holdings

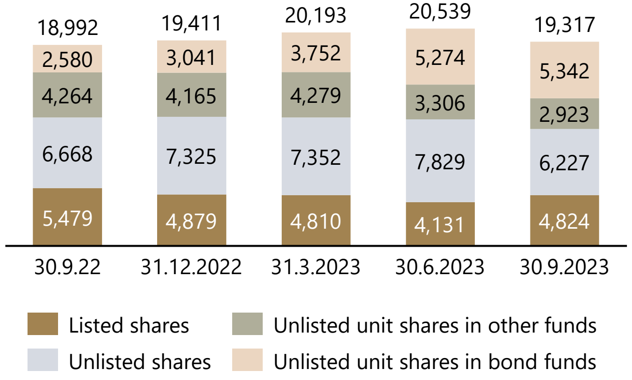
Listed shares

30.9.2023 / %



Variable income securities

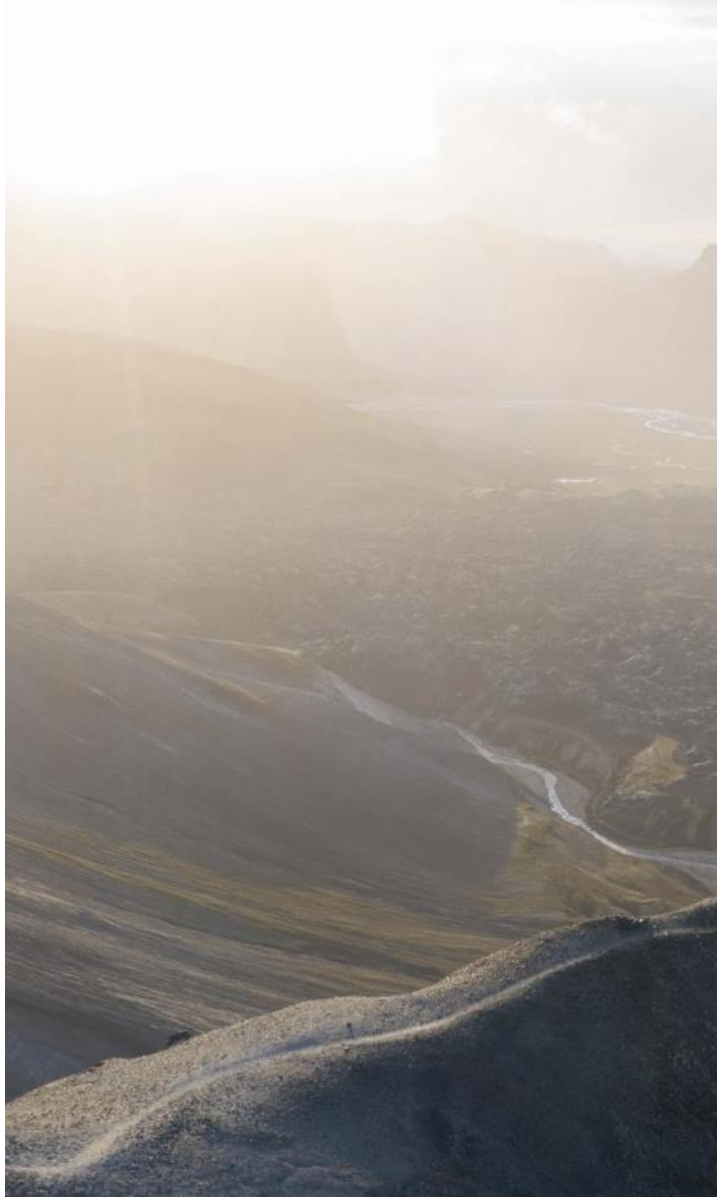
ISK million



Listed and unlisted shares, ten largest exposures

30.9.2023 / ISK m.

	Book value 30.09.2023	Book value 31.12.2022
Eskja Through EE ehf.	1,569	1,566
Cornerstone Healthcare Group Through CHC Acquisition	928	813
Arion bank*	720	837
Brim	526	442
Eyrir Invest	465	806
Nova	452	241
Freyja Framtakssjóður (PE fund)	427	408
Olgerdin	397	170
Reitir	373	679
Icelandic Provisions	351	364
Total	6,208	6,326



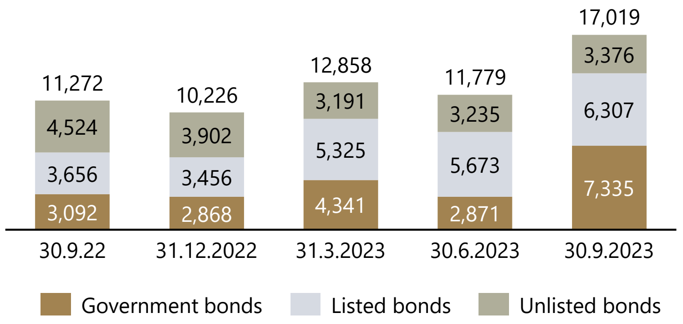
*Total exposure, all equity instruments included

Financial Instruments: Fixed Income

Majority of fixed income instruments held through OCI

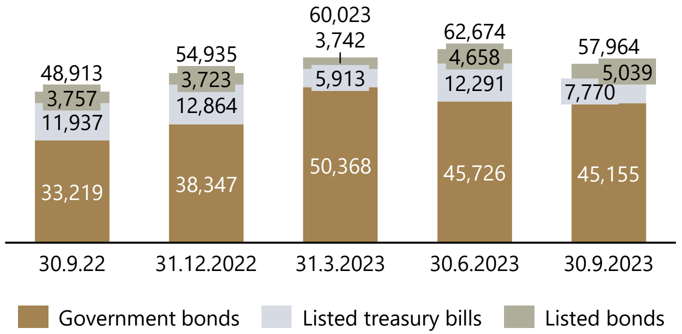
Fixed income securities FVPL

30.9.2023 / ISK million



Fixed income securities OCI

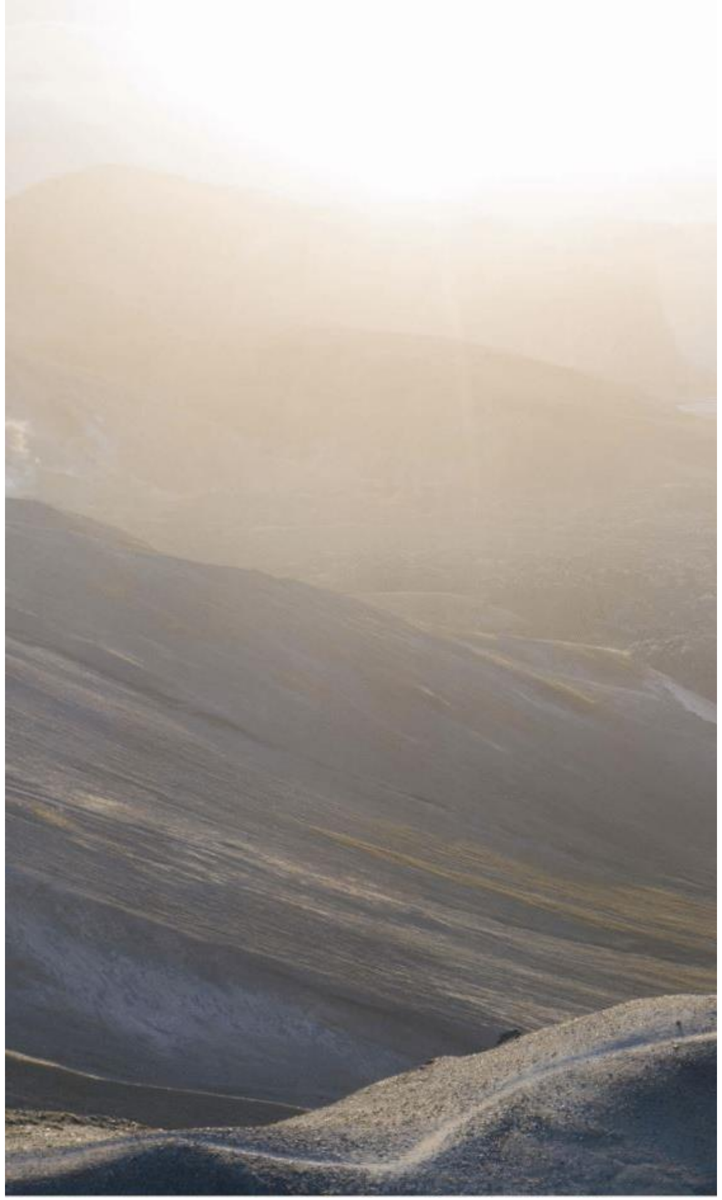
30.9.2023 / ISK million



Fixed income securities, ten largest exposures

30.9.2023 / ISK m.

	Book value 30.09.2023	Book value 31.12.2022
RIKB 24 0415	21,615	13,333
RIKB 26 1015	10,767	-
RIKB 25 0612	9,229	1,991
RIKV 23 1018	7,770	-
US treasury bill 12/10/23	3,007	-
RIKS 26 0216	2,507	2,115
RIKS 33 0321	2,106	2,088
LSS150434	1,890	1,251
US treasury bill 19/10/23	1,639	-
HFF150224	1,120	3,125
Total	61,650	23,903

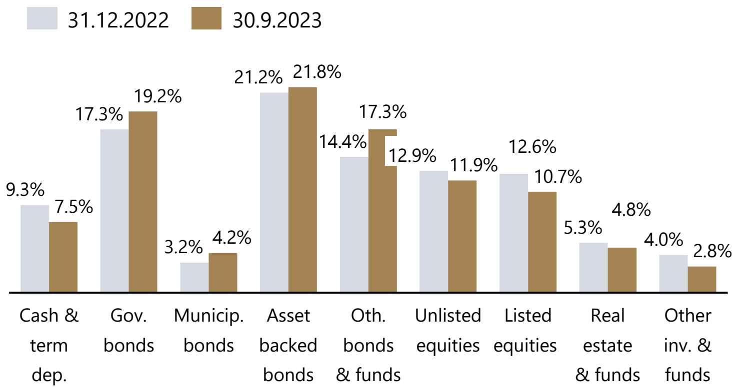


Financial Instruments: TM Insurance

Additional information

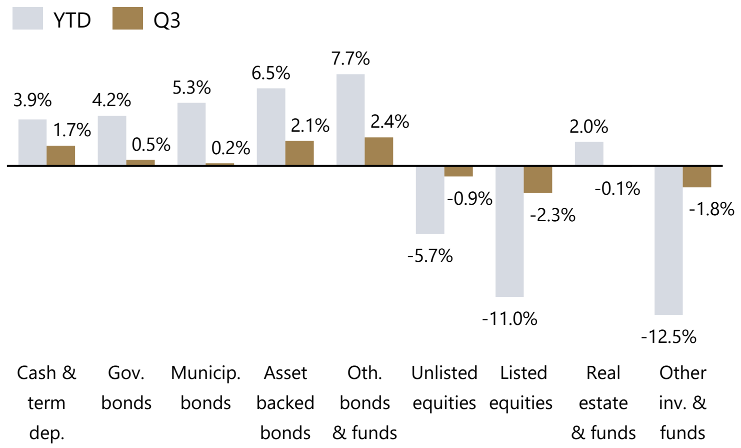
Investment asset composition

(%)



Investment asset returns

(%)



Largest exposures

30.9.2023 / ISK m.

	Book value 30.09.2023	Book value 31.12.2022
Fixed income		
RIKS 26	1,865	1,780
RIKB 25	1,280	1,177
RIKB 24	1,266	869
OSF V	1,090	1,110
LSS 150434	1,027	1,050
Variable income - listed		
Arion	629	683
Nova	396	241
Brim	367	317
Reitir	353	671
Ölgerðin	344	44
Variable income - unlisted		
Eskja (through EE ehf.)	1,569	1,634
Rafklettur (real estate)	1,195	1,165
Eyrir Invest	465	806
JR – TRF (equity fund)	505	593
Freyja framtakssjóður (PE fund)	427	408

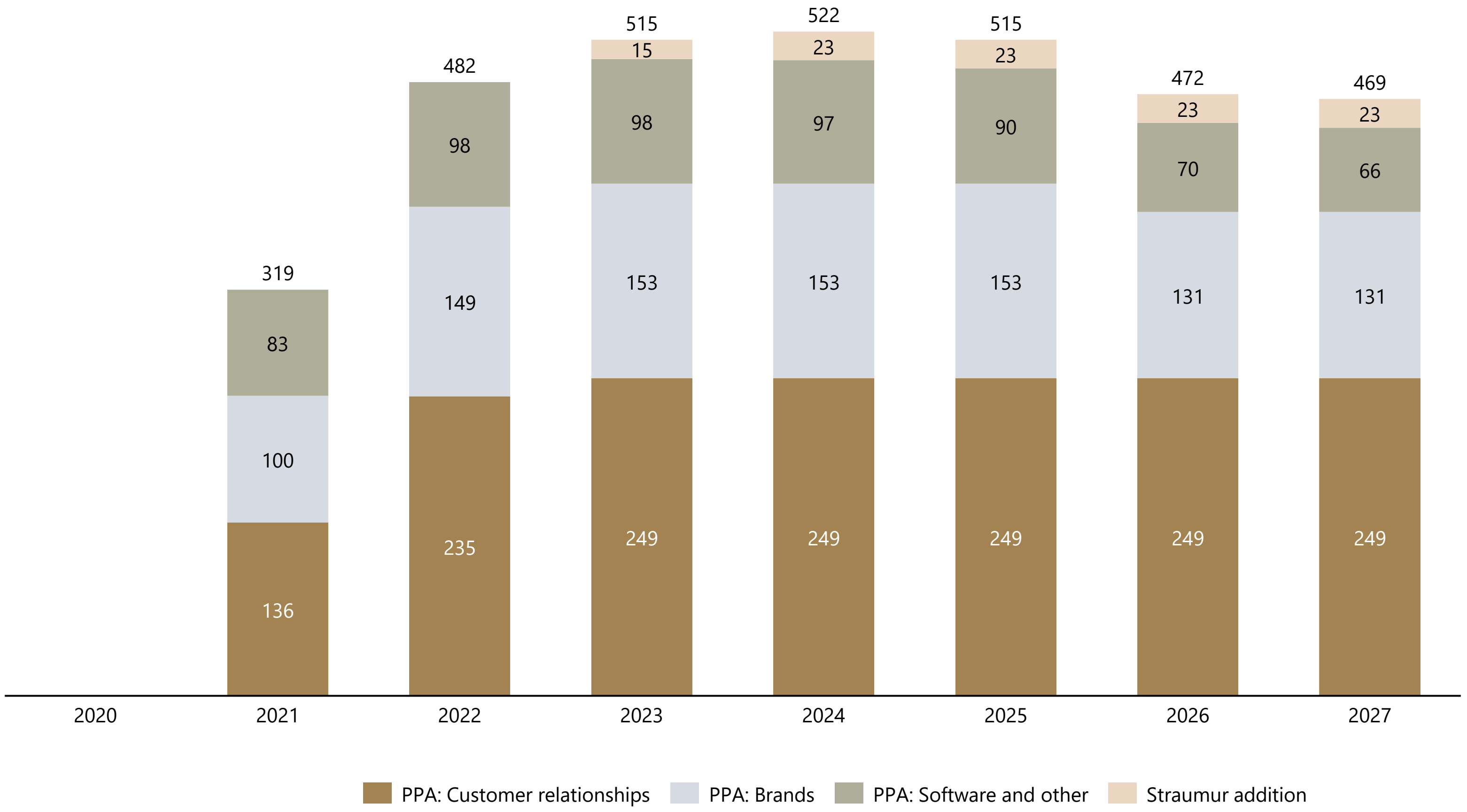
- Subsidiary and revenue segment TM Insurance holds a significant amount of the group's consolidated investment assets due to traditional insurance operations
- TM's investment portfolio yielded a positive return on investment of 0.9% in Q3 and 2.1% YTD
  - Return on investment includes net financial income as well as interest income from securities held through OCI
- Investment assets held in TM's portfolio amounted to ISK 36.1 billion at 30 September 2023, thereof 62.4% was held in fixed income instruments, 22.6% in equity and 15.0% in cash, funds and other investments
- Fixed income instruments are partially accounted for through FVPL (generating investment income/loss) and partially held to maturity though OCI (generating interest income)
- TM's fixed income portfolio duration is 2.5 years at 30 September 2023, compared to 2.9 years at 31.12.2022. At 30 September 2023 27% of the portfolio is indexed

Amortisation of PPA

Forecast and effects

PPA amortization schedule

ISK m.



- As previously described, purchase price allocation ("PPA") in relation to Kvika's merger with TM and Lykill was completed in late 2021, resulting in the recognition of ISK 5.7 billion of intangible assets to be amortized throughout their estimated useful lifespan (range of 5-20 years)
- Additional PPA to be amortised, in relation to Kvika's acquisition of a majority share in Ortus, recognized in 2022, a total of ISK 897 million and Straumur, recognized in 2023 a total of ISK 316 million
- PPA amortization will impact the group's consolidated income statement for the coming years, as shown, as the amortization is recognized through the group's PnL, resulting in lower PBT
- Annual PPA amortization is spread across quarters apart from an initial amortization of Ortus PPA in Q4 2022
- Once completed, amortisation of PPA should results in an ISK 6.9 billion reduction in the group's intangible assets

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