

Vátryggingafélag Íslands hf. Financial results

Q3 2024

November 27th 2024



STYÐJUM EINSTÖK BÖRN!

Í ár mun afrakstur Takk dags Fossa renna til Einstakra barna, stuðningsfélags barna og ungmenna með sjaldgæfa sjúkdóma eða heilkenni.

Hægt er að leggja málefninu lið með því að leggja inn á söfnunarreikning:

Bankareikningur:

526-26-660914

Kennitala:

660907-0250



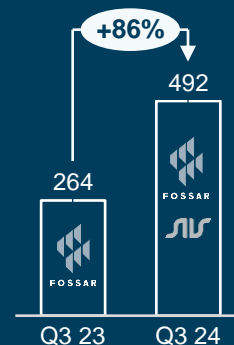
Key highlights Q3 2024

Continued growth in insurance operations

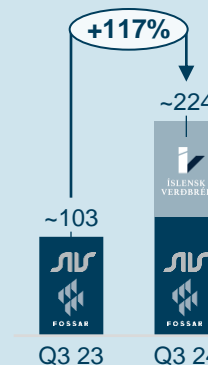
- 9.8% YoY insurance revenue growth
- 590m profit from insurance operations
- Combined ratio improves to 92.3% (94.7% Q3 23)



86% pro-forma growth in financial services



Group AuM is now 224bn, of which ~100 comes from Íslensk Verðbréf



Efforts implemented to improve efficiency across the group going forward

~300m¹
Cost savings measures executed in Q4

Formal closing of Íslensk verðbréf acquisition and refreshed visual identity



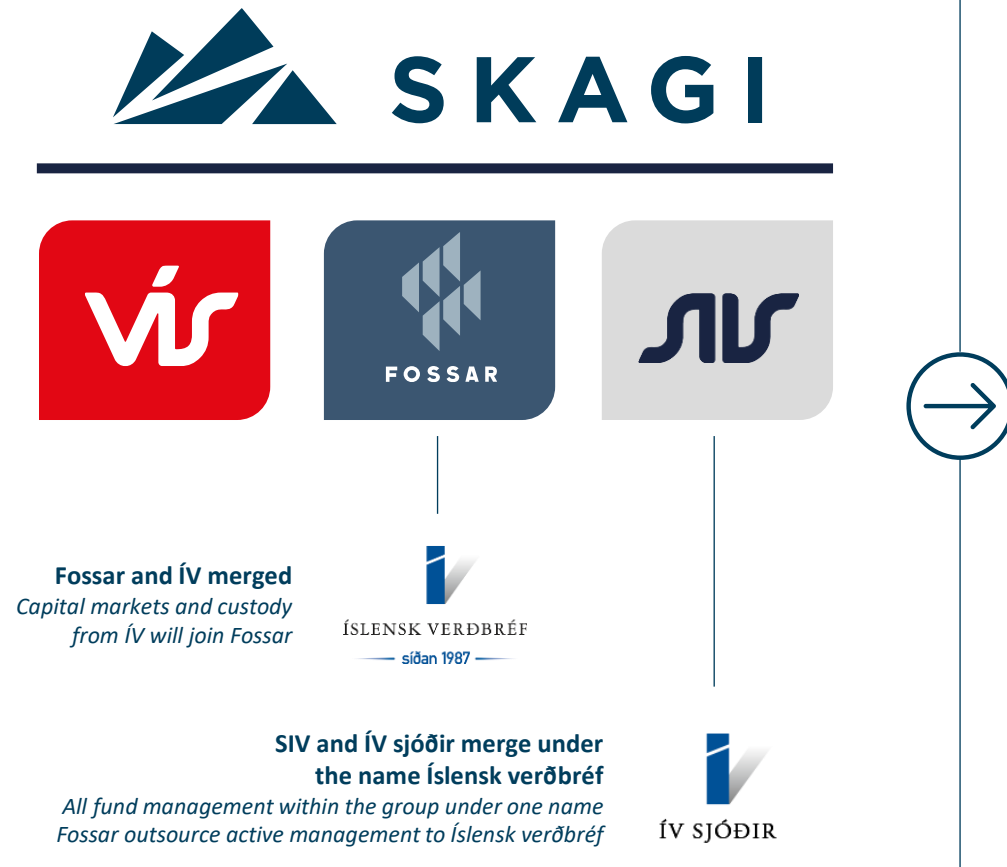
Skagi will change investor communication moving forward, with more focus on H1 and FY results and a summarized report on Q1 and Q3

Íslensk verðbréf and ÍV sjóðir merged into Skagi



Skagi group structure before ÍV acquisition¹

New Skagi group structure



¹ Structure reflects how group operates in practice, rather than the legal structure. Vátryggingafélag Íslands is currently the parent company, while we expect to be able to complete the transfer of VÍS insurance to a subsidiary early in 2025

SIV and ÍV Sjóðir merger provides a broad range of product offering



SIV and ÍV sjóðir merger



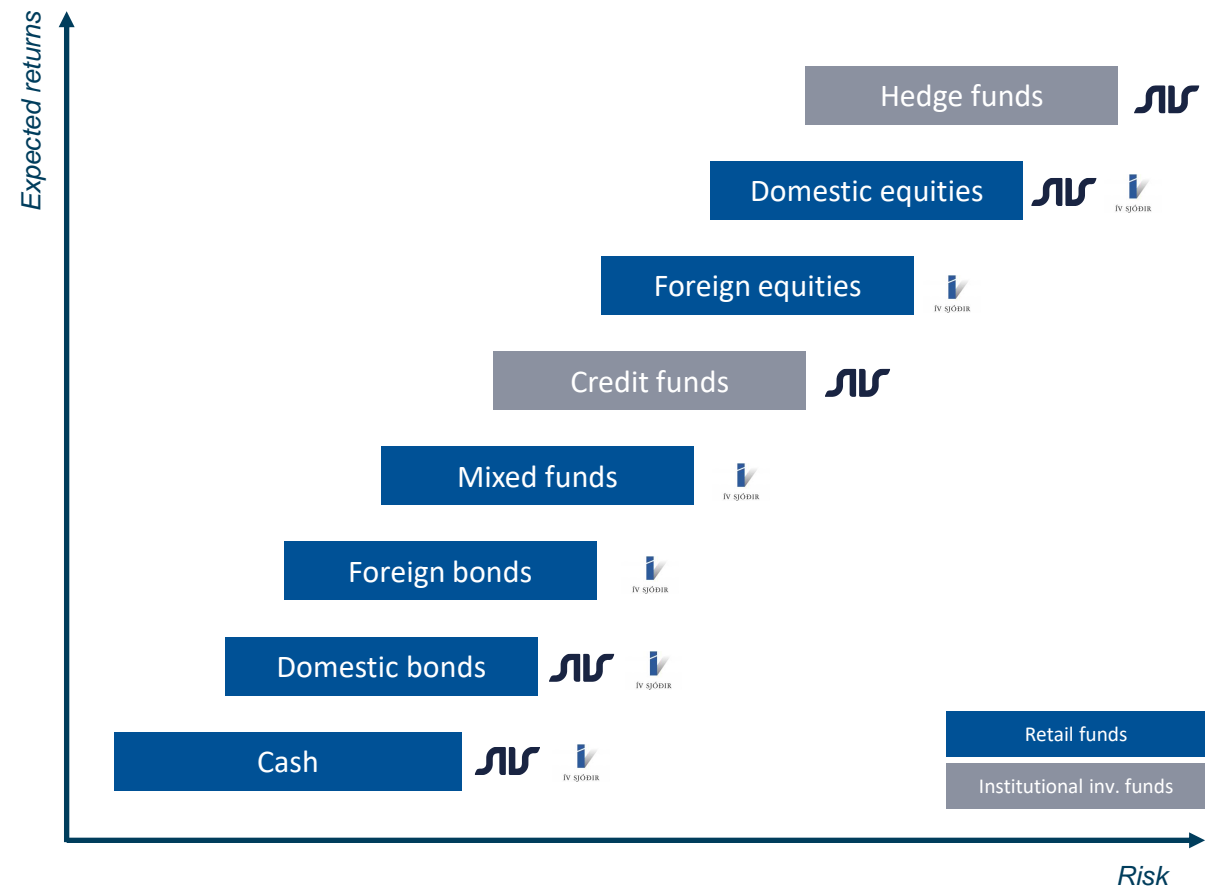
The combined entity, with a legacy dating back to 1987, will manage over **200 billion ISK in assets under management (AUM)** and operate with a team of 14 employees

Íslensk verðbréf will be run by a team of experienced professionals from both SIV and ÍV sjóðir, that boasts an impressive investment track record. Arnór Gunnarsson will be Managing Director of Íslensk verðbréf

Where there is overlap in funds operated, such as for domestic bonds and equities, funds will be consolidated to ensure greater economies of scale in investments

With its increased scale, the combined entity is well-positioned to capitalize on opportunities across both retail and institutional markets

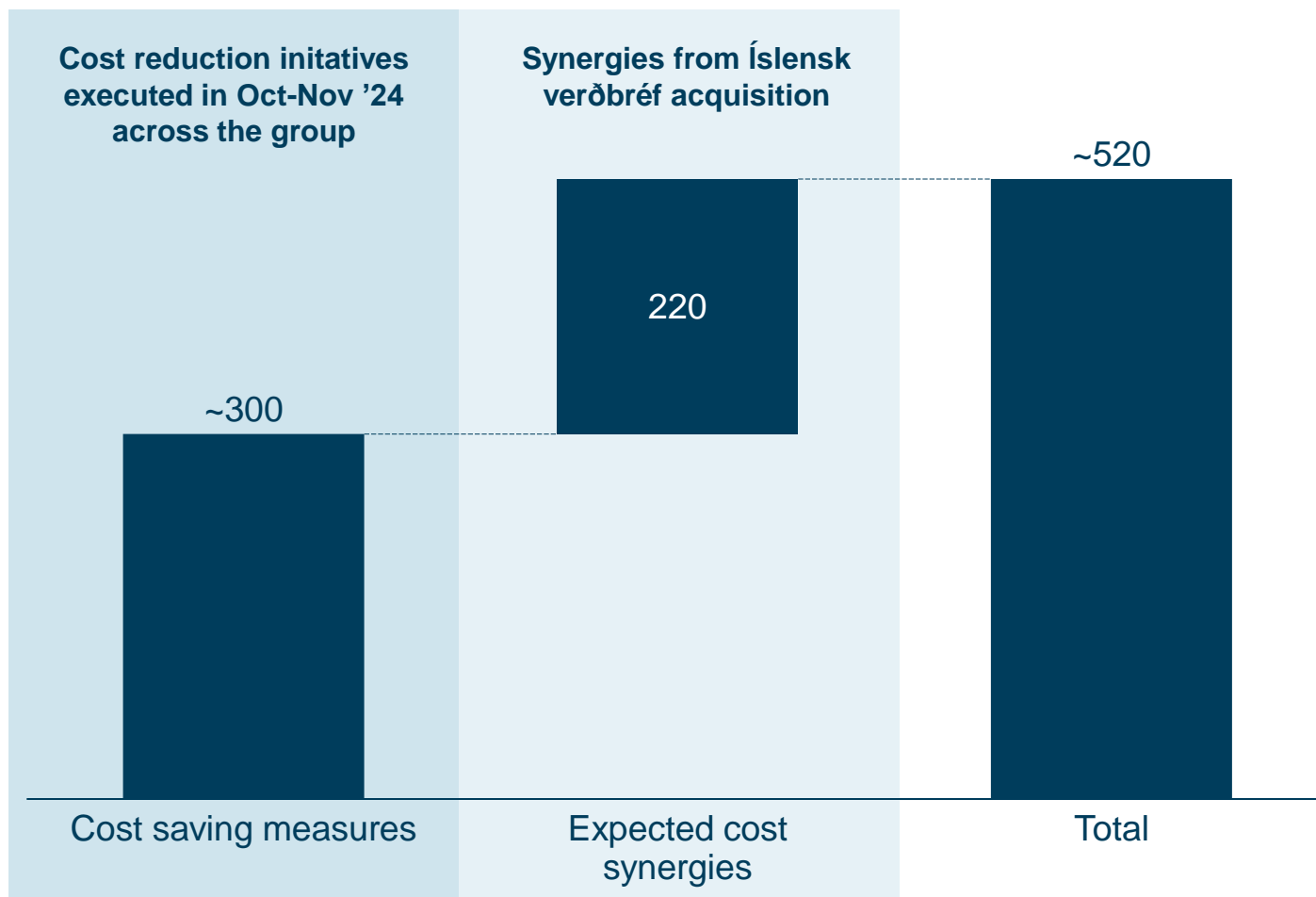
Current fund offering overlap



Ongoing efforts to realize synergies and improve efficiency across the group



Expected impact of efficiency measures¹, Annualized ISKm



Cost savings implemented across insurance, financial services and shared services.

Efforts implemented reduce FTE's across the Group by 15 on annual basis.

Increases operational efficiency and provides a better platform towards reaching financial targets





Further opportunities ahead in streamlining shared services across the Group

¹ Figures reflect impact on annual basis once fully realized


Skagi financial targets



Guidance range and targets for 2024 and 2025

|  SKAGI | 2024 | 2025 |
|--|---------------------------------|---------------------------------|
|  Combined ratio Range: 94 - 97% | <95% 94 - 97% | <94% 93 - 96% |
|  Financial services revenue Range: 1.9 - 2.6bn | >2.2bn 1.9 - 2.6bn | >3.1bn 2.9 - 3.5bn |
|  Investment return | 11% | 10% |

Long-term targets put forward in relation to VÍS/Fossar merger¹

|  SKAGI | 2026 |
|---|--------------|
| Profit per share | 2.50 |
| AuM | 250bn |
| Core revenue | 36bn |
| Financial services revenue | 4bn |

1. Target Combined ratio for VÍS insurance business. Guidance range 94-97% in 2024 and 93-96% in 2025.
 2. Target Financial Services Income includes all income of Financial services. Guidance range 1.9-2.6bn in 2024 and 2.9-3.5bn in 2025. Target RoTE from Financial services is >20%.
 3.. Investment return target is based on market conditions and assumptions in November 2024 and asset allocation policy for 2025 (35% Equity & 65% Bonds). Investments include solely the investments and income derived from VÍS Insurance investment portfolio.

Outlook to be updated if performance is expected to be outside of target range on Combined Ratio in Insurance or on revenue in Financial Services.
 No update is given on Investment return of Investments nor on RoTE in Financial services.

1. Targets were defined in 2023 and have not been reevaluated. The Group will define new long term targets ahead of FY2025 results





Group financials

- Key financial results
 - Income statement
 - Balance sheet
-



Key financial results in Q3 2024



| | | | | | | |
|---|-------------------------------|--|--------------------------|--|-----------------------------|--|
|  | Core revenue 8,126m |  13% YoY PF | Group PBT 441m |  -38% YoY | Group profit 428m |  -29% YoY |
|---|-------------------------------|--|--------------------------|--|-----------------------------|--|




Insurance Operational changes showing results

- Insurance revenues grow 9.8% YoY in Q3, of which 14.2% in life and health insurances
- Combined ratio of 92.3% (Q3 2023: 94.7%) and is 95.2% in 9M 2023
- Cost ratio improves at 16.3% (Q3 2023: 18.7%)
- Cost measures and increased emphasis on sales provides path towards target combined ratio <95%



Investments Defensive return in challenging markets

- Return of 1.6% from investment assets (Q3 2023: 1.7%)
- 9m return on investments is 4.6% (9m 2023: 7.4%)
- Investment income of 713 million (Q3 2023: 777)
- Share price drop of Controlant negatively affects returns by 0.9% in the quarter
- Investment portfolio stands at 45.4bn at quarter end



Financial services Continued growth and broader revenue drivers

- Continued diversification of financial services income
- Net financial services income grow 86% YoY pro forma
- AuM at 123bn at the end of the quarter²
- Operating loss before tax 31m in financial services
- SIV now has 10 funds with AuM of 29,5bn thereof about 80% of which are from external clients

590m insurance service result
92.3% Combined ratio
9.8% YoY revenue growth

40m operating profit before tax¹
713 million investment income
1.6% return

31m operating loss before tax¹
123 AuM
492 million net financial income

Income statement Q3 2024

Strong growth in revenue from insurance and financial services



Group core revenue 8.1bn and profit after tax 428m

Insurance

- Insurance revenue was 7,634m (+9.8% YoY)
- Net insurance service income 1,833 (+10% YoY)
- Combined ratio 92.3% and 590m profit on insurance contracts (222 million improvement YoY)

Financial services

- Net financial service income 454m from Fossar and SIV

Investments

- Investment income was 713m, representing a 1.6% return in the quarter
- Net investment income 104m, after finance expenses of insurance liability and subordinated bond

Net operating income

- Net operating income 2,401 (+11% YoY)

Expenses

- Operating expenses 1,796m (+40% YoY) with Fossar and SIV added to the group the main factor

Results

- Pre-tax profit of 441m and profit after tax of 428m

| Income statement, ISKm | Q3 2024 | Q3 2023 | Δ | Δ% |
|--|--------------|--------------|-------------|-------------|
| Net insurance service income | 1,833 | 1,665 | 168 | 10% |
| Net financial service income | 454 | 9 | 445 | n/a |
| Net investment income | 104 | 456 | -352 | -77% |
| Other income | 10 | 36 | -26 | -73% |
| Net Operating Income | 2,401 | 2,166 | 235 | 11% |
| Operating expenses | -1,796 | -1,282 | -514 | 40% |
| Depreciations, amortizations and net impairment | -137 | -152 | 15 | -10% |
| One-off expenses | -28 | -20 | -8 | 38% |
| Profit before taxes | 441 | 712 | -271 | -38% |
| Income tax | -13 | -105 | 92 | 88% |
| Profit | 428 | 607 | -179 | -29% |
| Group KPIs | | | | |
| Core Revenue ⁶ | 8,126 | 7,216 | 910 | 12.6% |
| ROE - annualised | 8.5% | 14.6% | | -6.1p.p |
| Profit per share | 0.23 | 0.35 | -0.12 | -34.3% |
| Business Unit KPIs | | | | |
| Insurance revenue | 7,634 | 6,952 | 682 | 9.8% |
| Combined ratio | 92.3% | 94.7% | | -2.4p.p |
| Insurance contract result | 590 | 368 | 222 | 60.3% |
| Net financial services income (excl. intra group adj.) | 492 | 47 | 445 | 946.8% |
| Investment income | 713 | 777 | -64 | -8% |
| Investment income return % | 1.6% | 1.7% | | -0.1p.p |

Income statement 9M 2024

Strong growth in revenue from insurance and financial services



Group core revenue 23.1bn and profit after tax 700m

Insurance

- Insurance revenue was 21,636m (+10.2% YoY)
- Net insurance service income 5,127m (+23% YoY)
- Combined ratio 95.2% and 1,043m profit on insurance contracts (1,145m improvement YoY)

Financial services

- Net financial service income 1,340m from Fossar and SIV

Investments

- Investment income was 2,011m, representing a 4.6% return in the period
- Net investment income 766m, after finance expenses of insurance liability and subordinated bond

Net operating income

- Net operating income 7,295 (+13% YoY)

Expenses

- Operating expenses 5,853m (+44% YoY) with Fossar and SIV added to the group the main factor

Results

- Pre-tax profit of 929m and profit after tax of 700m

| Income statement, ISKm | 9M 2024 | 9M 2023 | Δ | Δ% |
|---|--------------|--------------|-------------|-------------|
| Net insurance service income | 5,127 | 4,177 | 950 | 23% |
| Net financial service income | 1,340 | 9 | 1,331 | n/a |
| Net investment income | 766 | 2,205 | -1,439 | -65% |
| Other income | 62 | 78 | -16 | -21% |
| Net Operating Income | 7,295 | 6,469 | 826 | 13% |
| Operating expenses | -5,853 | -4,096 | -1,777 | 44% |
| Depreciations, amortizations and net impairment | -415 | -454 | 40 | -9% |
| One-off expenses | -99 | -191 | 93 | -48% |
| Profit before taxes | 929 | 1,748 | -819 | -47% |
| Income tax | -229 | -68 | -161 | -237% |
| Profit | 700 | 1,680 | -980 | -58% |

| Group KPIs | 9M 2024 | 9M 2023 | Δ | Δ% |
|---------------------------|---------|---------|-------|---------|
| Core Revenue ⁶ | 23,087 | 20,409 | 2,678 | 13.1% |
| ROE - annualised | 3.9% | 13.1% | | -8.1p.p |
| Profit per share | 0.37 | 0.98 | | -62.2% |

| Business Unit KPIs | 9M 2024 | 9M 2023 | Δ | Δ% |
|--|---------|---------|--------|---------|
| Insurance revenue | 21,636 | 19,630 | 2,006 | 10.2% |
| Combined ratio | 95.2% | 100.5% | | 5.3p.p |
| Insurance contract result | 1,042 | -102 | 1,145 | n/a |
| Net financial services income (excl. intra group adj.) | 1,340 | 47 | 1,293 | n/a |
| Investment income | 2,011 | 3,254 | -1,243 | -38% |
| Investment income return % | 4.6% | 7.6% | | -2.7p.p |

Balance sheet

Strong and robust balance sheet



- Strong and robust balance sheet of VÍS Insurance, Fossar Investment Bank and Skagi
- Total assets of the Group are 72.8bn (+41% YoY)
- Insurance investment assets stand at 45.1bn (+4% YoY)
- Insurance liability 28.4bn (+7% YoY)
- 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 Lífis
- Equity of the group stands at 20bn

| Balance sheet, ISKm | 30.9.2024 | 31.12.2023 | Δ% | 30.09.2023 | Δ% |
|---|---------------|---------------|------------|---------------|------------|
| Assets | | | | | |
| Cash | 1,836 | 2,271 | -19% | 2,182 | -16% |
| Insurance investments assets | 45,051 | 42,759 | 5% | 43,376 | 4% |
| Fixed income securities | 5,574 | 4,562 | 22% | 0 | |
| Shares and other variable income securities | 403 | 337 | 20% | 0 | |
| Securities used for hedging | 5,631 | 4,521 | 25% | 0 | |
| Loans to customers | 4,407 | 1,673 | 163% | 0 | |
| Goodwill and intangible assets | 4,087 | 4,259 | -4% | 1,865 | 119% |
| Other assets | 5,845 | 5,086 | 15% | 4,239 | 38% |
| Total Assets | 72,835 | 65,468 | 11% | 51,662 | 41% |
| Liabilities and Equity | | | | | |
| Insurance liabilities | 28,441 | 26,162 | 9% | 26,565 | 7% |
| Money market deposits | 9,274 | 6,227 | 49% | 0 | |
| Bills | 3,564 | 2,285 | 56% | 0 | |
| Other liabilities | 7,448 | 6,031 | 23% | 3,887 | 92% |
| Subordinated liabilities | 3,706 | 3,590 | 3% | 3,491 | 6% |
| Total Liabilities | 52,432 | 44,296 | 18% | 33,944 | 54% |
| Equity | 20,403 | 21,172 | -4% | 17,719 | 15% |
| Total Liabilities and Equity | 72,835 | 65,468 | 11% | 51,662 | 41% |

Business unit financials

- Insurance
 - Financial services
 - Investments
-



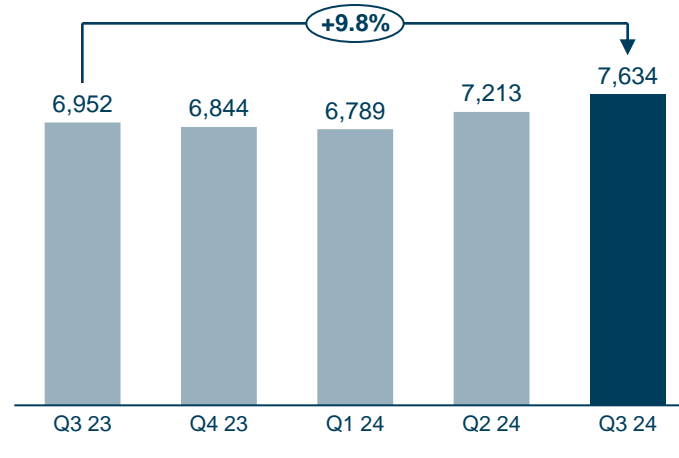
Insurance



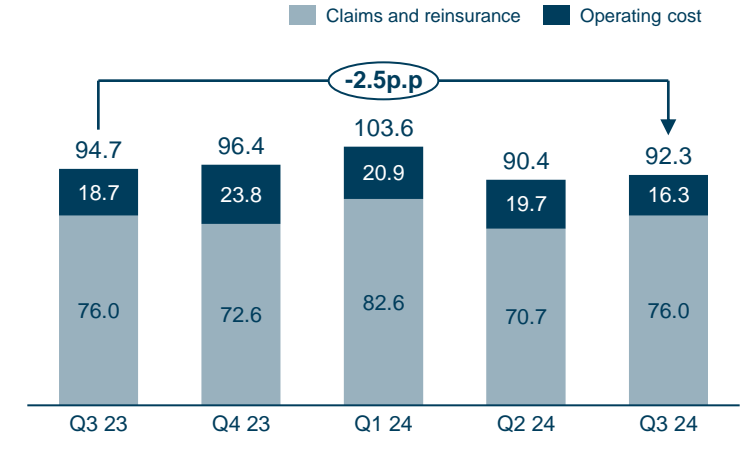
Operational changes showing results

- Continued positive momentum in insurance revenue
- 9.8% insurance revenue growth in Q3 and 10.2% in first 9 months 2024
- Strong 14.2% growth in life and health insurance with increased emphasis on growth in this product range
- Combined ratio for is 92.3% in Q3 and 95.2% in 9M, in line with management expectations, supporting the guidance range
- Cost measures implemented and higher premium base starting to reduce the cost ratio which came in at 16,3% compared with 18.7% in Q3 2023
- 222m improvement in insurance contract results YoY in Q3, and 1,141m improvement in 9M 2024

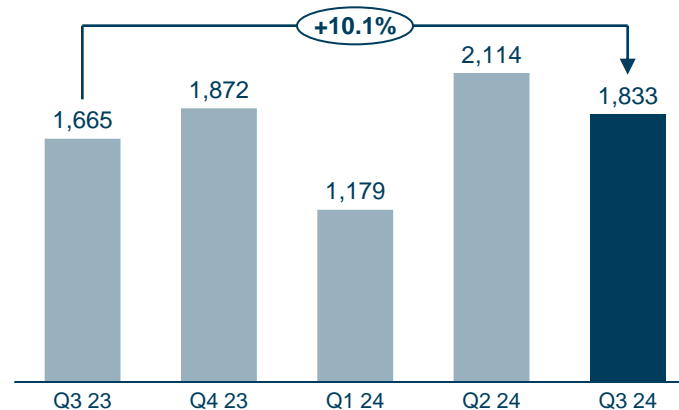
Insurance revenue



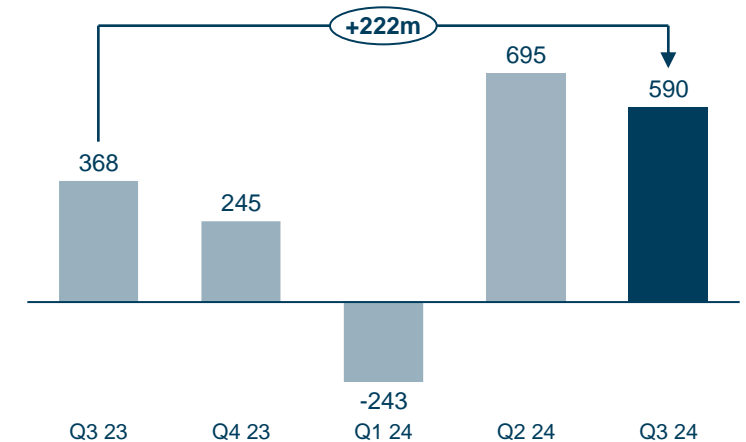
Combined ratio %



Net insurance service income



Insurance contract results



Financial services

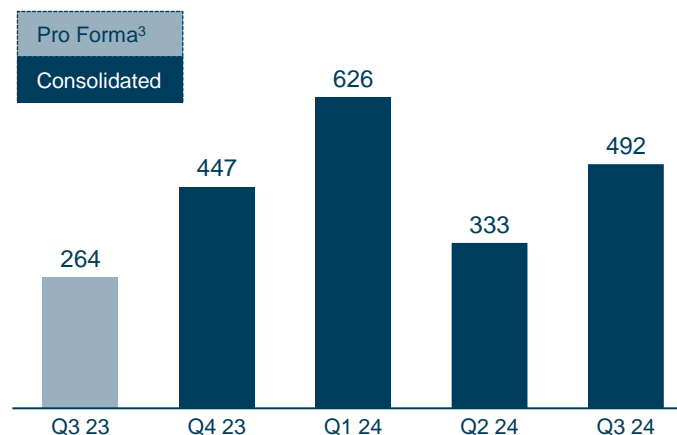


Continued growth and broader revenue drivers

- Financial services generated strong revenue growth in Q3 with net income of 492m (+86% YoY pro forma), despite challenging market conditions
- AuM of 123bn¹ at end of the quarter and asset Management generating about 33% of total financial services income in the quarter
- Acquisition of Íslensk verðbréf will provide external AuM and revenue growth and further scale to the platform – with synergy opportunities
- SIV has 10 funds with 28.2 bn AuM, of which around 75% are from external clients
- Financial services within Skagi continue to diversify its income pillars, with 61% of income coming from non-capital markets related activities in 9M 2024, compared to 34% in 2023
- Financial services result pre-tax loss of -31m² in Q3 and -150m in 9M 2024. After tax profit of 76m in Q3, due to positive tax effects of forward contracts in the quarter - and after tax loss of 61m in 9M .

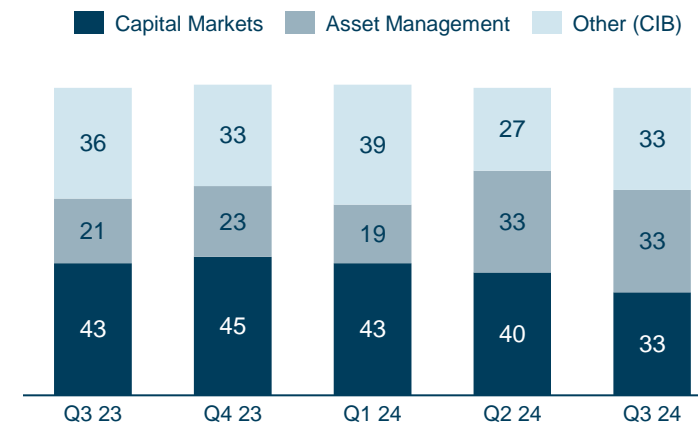
Net financial services income

Excluding intra-group adj,



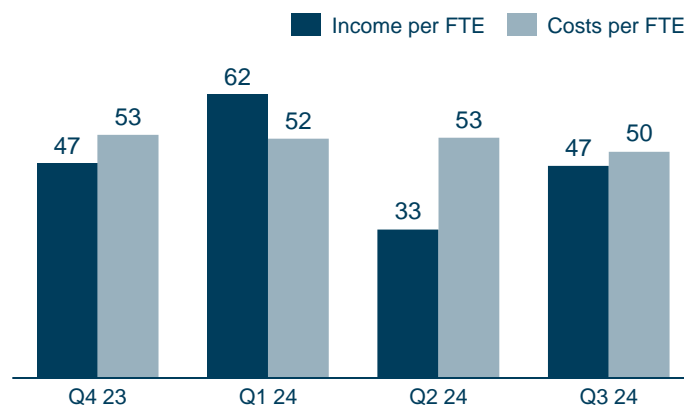
Composition of financial services income, %

Pro Forma excluding financial income

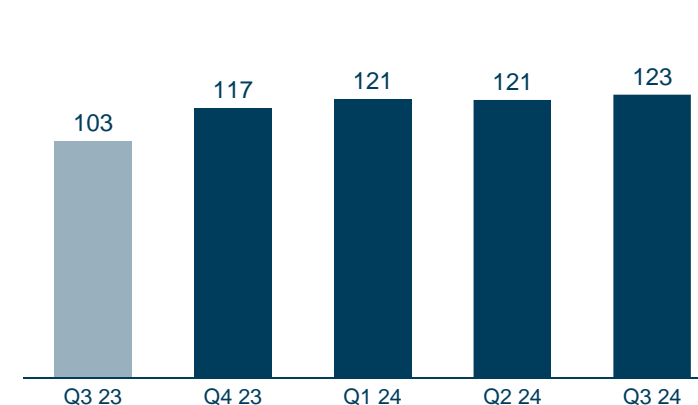


Income and costs per FTE

ISKm annualized, only including financial services



Assets under management¹, billions ISK



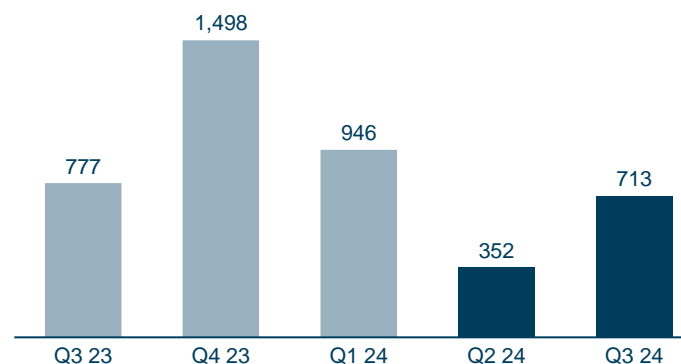
Investments



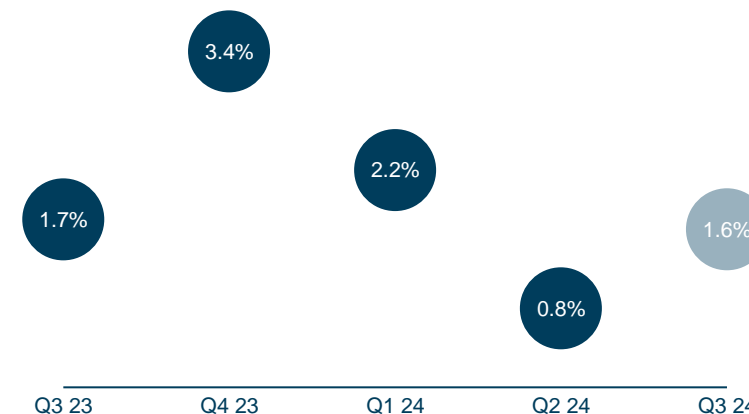
Defensive return in challenging markets

- Return on investments 1.6% in Q3 (4.6% in 9m) and investment income of 713m in Q3, 2.011m in 9m
- Positive return from all asset classes except unlisted equities
- Solid total and relative return from bonds and cash contributing a total of 664m in Q3
- Other bonds with highest contribution in the quarter of 326m
- Listed equity contributed 293m after difficult H1 2024
- Loss from unlisted equity in Q3 was -297m
- Value of Controlant was lowered by 417m or -63% at quarter end, reflecting a share price of 30 (80 share price in Q2)

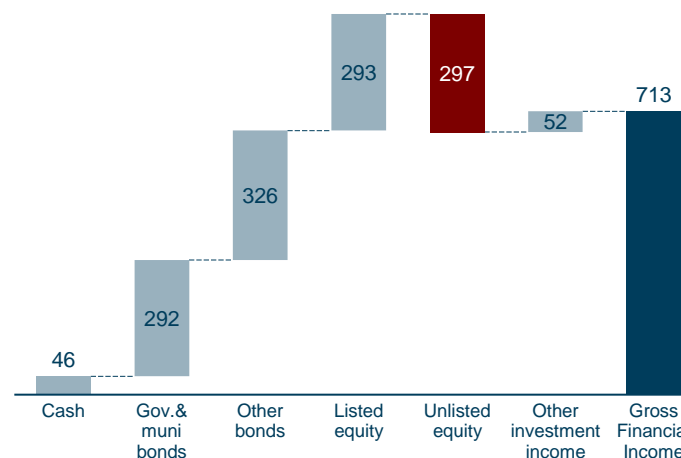
Investment income



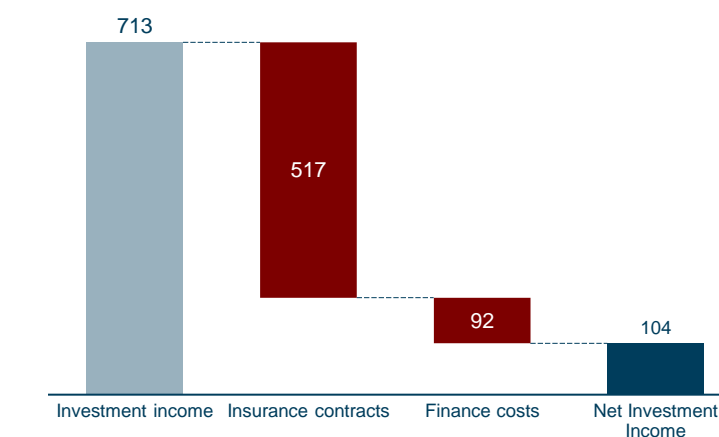
Return on investment assets



Investment income from assets in Q3 24



Net investment income breakdown in Q3 24



All amounts are in ISKm unless stated otherwise

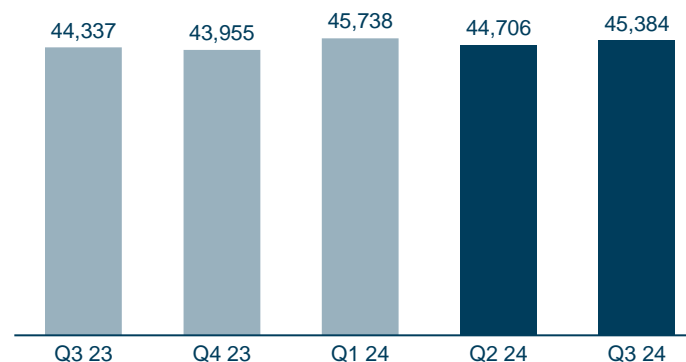
Investment portfolio



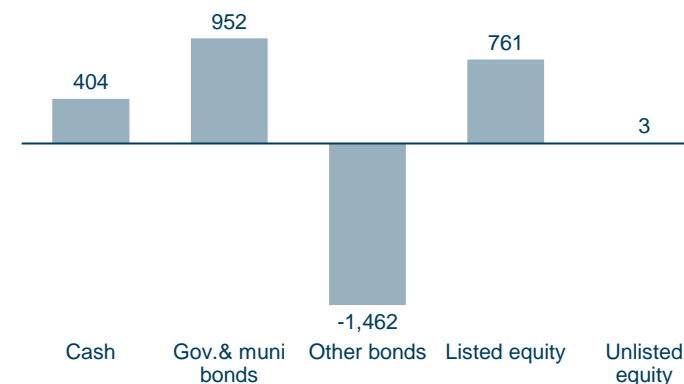
Investment portfolio shifted towards government bonds

- Investment asset portfolio¹ stands at 45.4bn at end of quarter, consisting of financial assets of VÍS insurance
- Composition of portfolio is 67% bonds and cash and 33% equity, thereof 19% in unlisted equity
- Allocation shift from other bonds into government bonds and listed equity
- Duration higher at about 3.0 in Q3 (2.8 in Q2)
- CPI-linked bonds correspond to 40% at end of quarter, similar to Q2
- Foreign bonds are comprised of foreign credit funds and bonds issued by financial institutions
- Currency hedges are in place against the foreign bond exposure

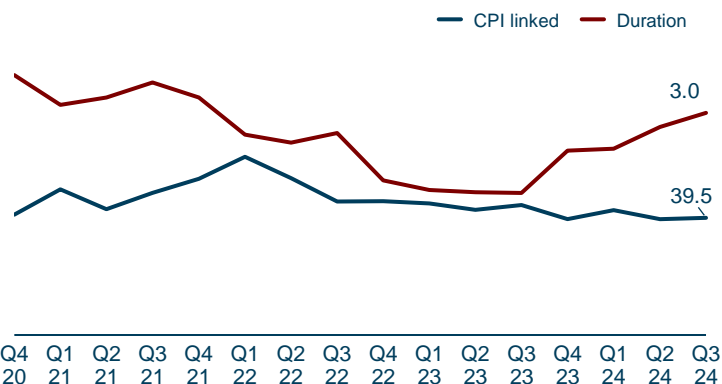
Investment assets¹, ISK billions



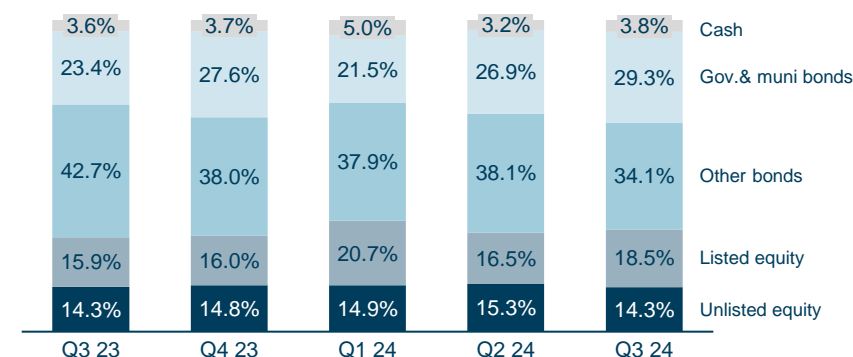
Asset allocation shift in Q3 24



Bonds - duration and CPI-linked ratio



Asset allocation





Group performance in line with targets

- **Insurance:** Growing faster than market and cost measures continue to emerge
- **Financial Services:** Continued growth, broader revenue drivers and more synergies ahead with ÍV
- **Investments:** Listed equities bounce back but revaluation of Controlant affects return

Positive momentum in insurance revenue

9.8% insurance revenue growth in Q3 and 10.2% in 9m 2024

Combined ratio **92.3%** in Q3 and **95.2%** in 9M 2024

Both supporting the guidance range

Financial services continue to **grow** within the Group – with a YoY income growth of **86%** on pro-forma basis

Acquisition of Íslensk verðbréf has been finalized and the company will join the Skagi group as of Q4

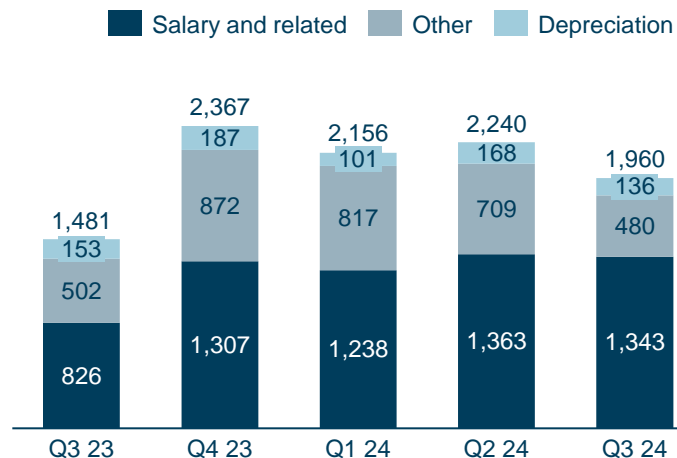
Appendix: Further information

Operating costs

Streamlining of operating costs continue in line with plans

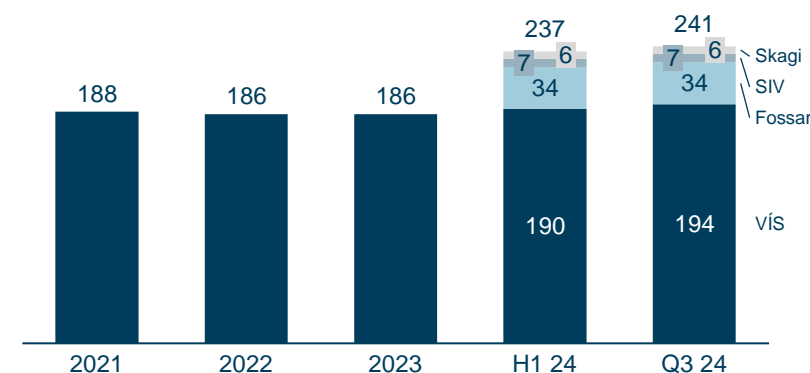
- Operating costs increase YoY mainly due to inclusion of Financial services (Fossar & SIV)
- Streamlining of operating costs continues with high focus on cost measures across the group
- Synergies between insurance and financial services operations are being extracted across housing, IT, finance and legal
- Average employees in Q3 increase up to 241 from 237 in Q2, but will decrease in coming quarters due to measures implemented in Q4 2024
- Insurance base costs decrease ~4% YoY in Q3 and 4.5% in 9M 2024 YoY

Operating costs



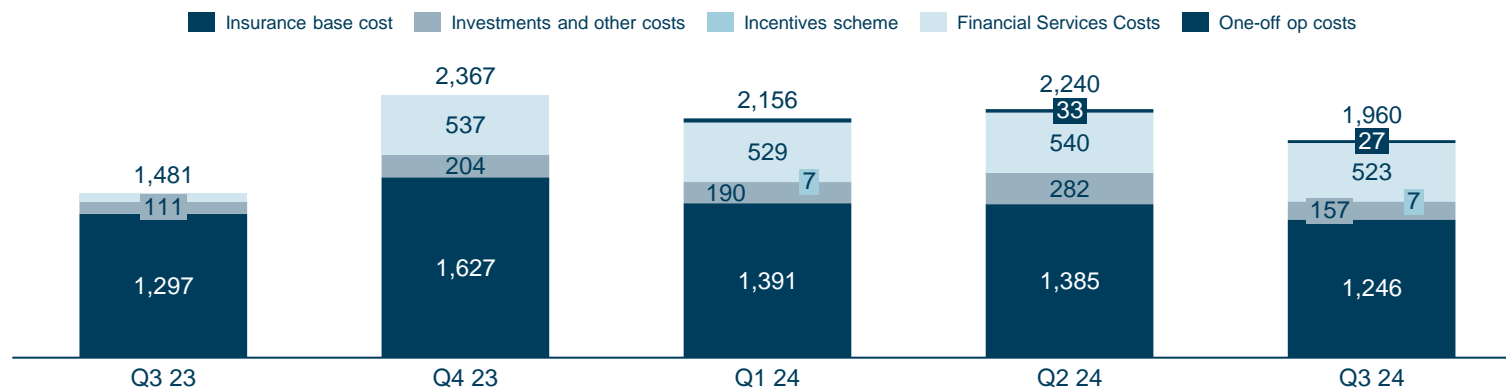
Employees (FTEs)

Average over period



Breakdown of operating costs

Business units



Solvency ratio and investment bank capital



Group is well capitalised for growth

Solvency position

- Both Group and VÍS solvency ratio is 1.48 at end of Q3
- Own funds are within target policy level

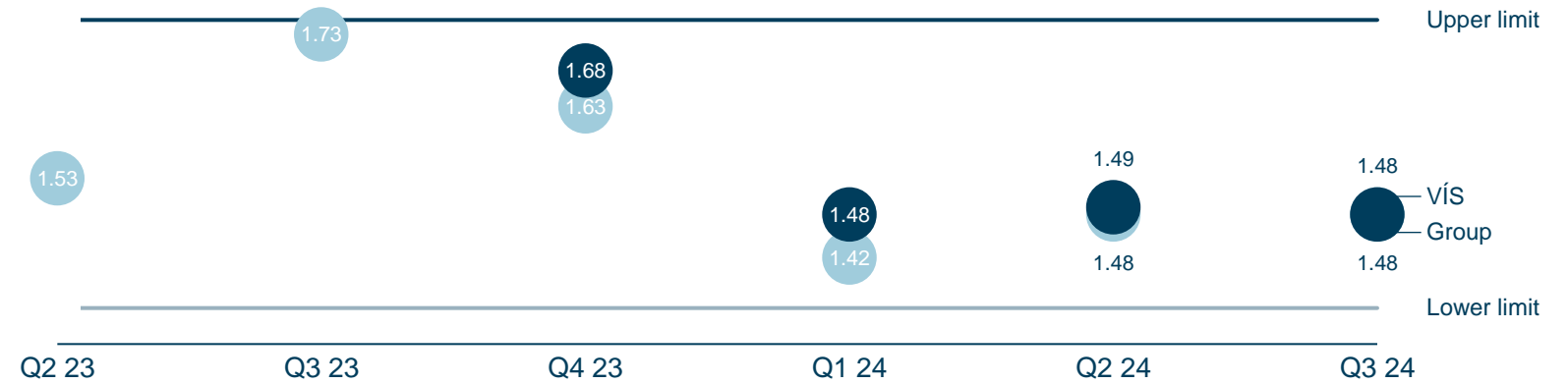
Fossar capital position

- Fossar capital ratio of 19%
- Fossar capital position is ~500bn above minimum target

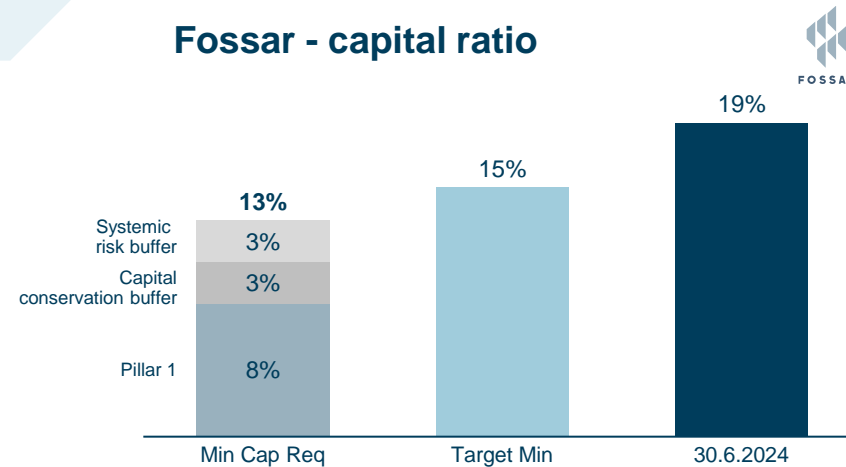
Capital allocation

- Further capital allocation optimization within the Group to support internal and external growth is underway

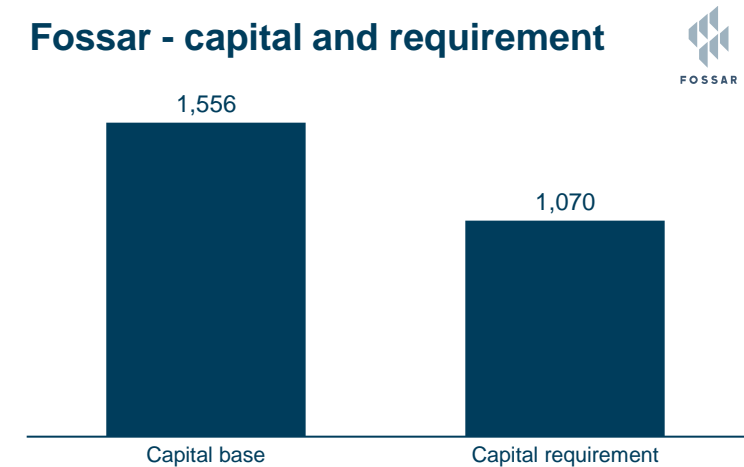
Solvency ratio



Fossar - capital ratio



Fossar - capital and requirement

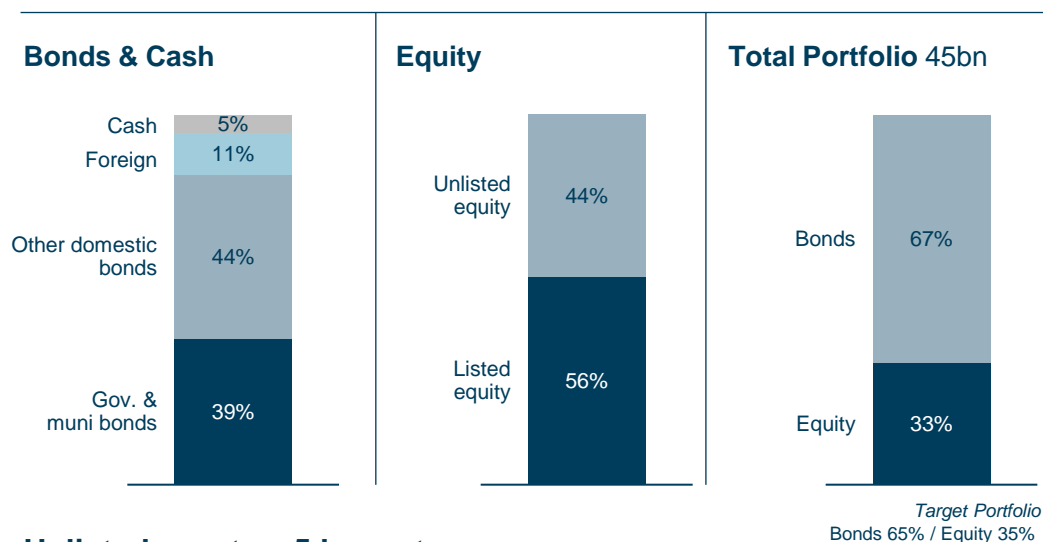


Investment portfolio – additional information

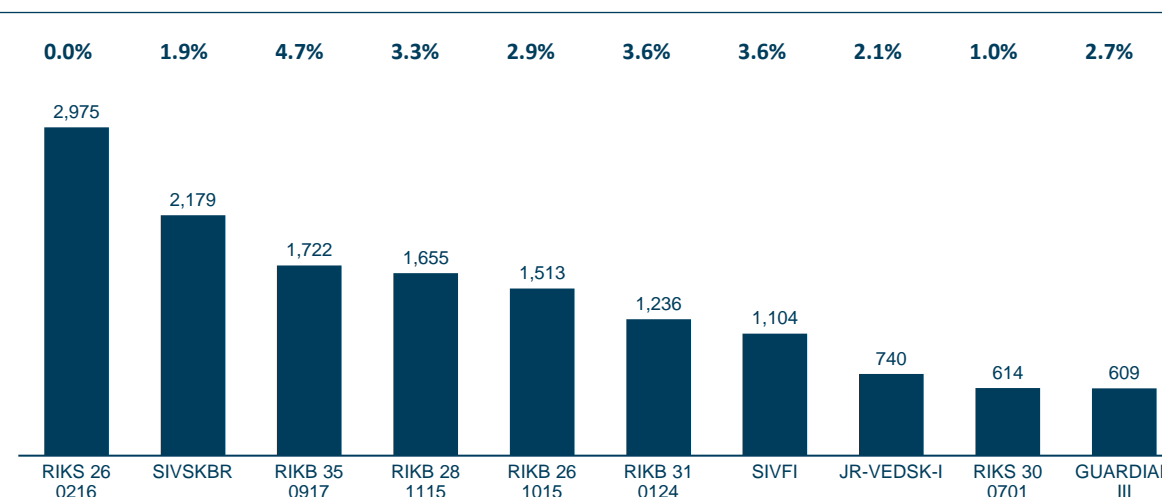


Breakdown of asset allocation and major positions in the portfolio

Allocation of bonds and equity



Bonds – 10 largest and return in quarter

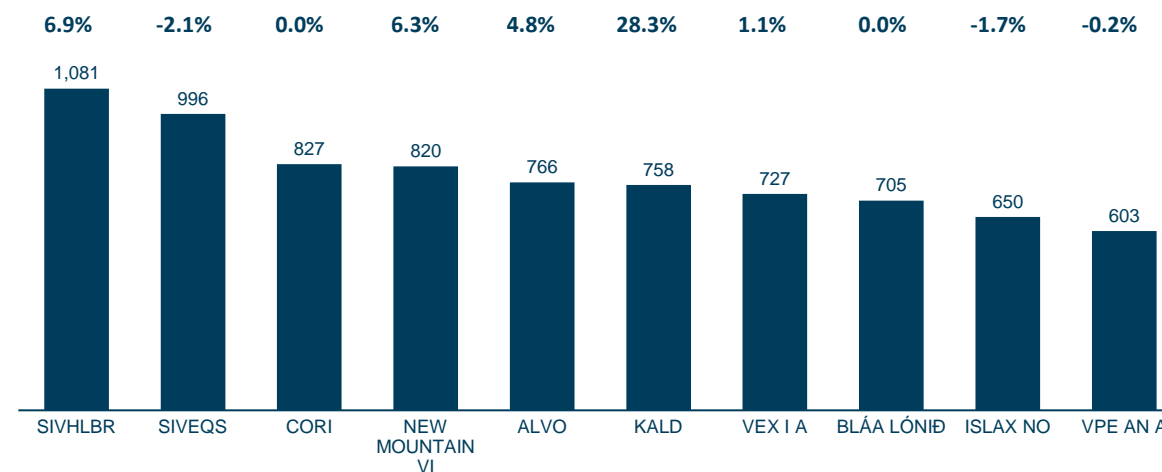


Unlisted assets – 5 largest

| | Value 30.09.2024 | Value 31.06.2024 | Difference | Share price 30.09.2024 |
|----------------------------------|------------------|------------------|------------|------------------------|
| CORIPHARMA | 827 | 827 | 0 | 13.7 |
| BLUE LAGOON | 705 | 705 | 0 | 80 |
| annata Powering possibilities | 604 | 604 | 0 | 133.1* |
| NOX HEALTH | 349 | 349 | 0 | 83.5** |
| Controlant | 250 | 667 | -417 | 30 |

* 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 | 30.9.2024 | 30.6.2024 | Δ% |
|---|---------------|---------------|------------|
| Assets | | | |
| Fixed income securities | 5,471 | 4,699 | 16% |
| Shares and other variable income securities | 403 | 617 | -35% |
| Securities used for hedging | 5,631 | 4,226 | 33% |
| Cash | 517 | 411 | 26% |
| Loans to customers | 4,407 | 3,908 | 13% |
| Claims and other assets | 1,670 | 986 | 69% |
| Total assets | 18,100 | 14,847 | 22% |
| Liabilities and Equity | | | |
| Borrowings | 1,399 | 1,298 | 8% |
| Money market deposits | 9,274 | 9,115 | 2% |
| Issued bonds and bills | 3,564 | 2,119 | 68% |
| Other liabilities | 2,004 | 531 | 278% |
| Total liabilities | 16,241 | 13,062 | 24% |
| Total equity | 1,859 | 1,785 | 4% |
| Total Liabilities and Equity | 18,100 | 14,847 | 22% |

LCR ratio and net stable funding ratio

| Liquidity coverage ratio (LCR) | 30.9.2024 | 30.6.2024 |
|--|-------------|-------------|
| High quality liquid assets | 3,958 | 3,559 |
| Net outflow | 1,311 | 794 |
| Liquidity coverage ratio (LCR) | 301% | 448% |
| <i>Minimum regulatory requirement</i> | 100% | 100% |
| Net stable funding ratio (NSFR) | 30.9.2024 | 30.6.2024 |
| Available stable funding | 4,432 | 4,255 |
| Required stable funding | 3,007 | 3,238 |
| Net stable funding ratio (NSFR) | 147% | 131% |
| <i>Minimum regulatory requirement</i> | 100% | 100% |

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