Kvika banki hf.

12M 2022 Financial Results

15 February 2023

12M 2022
Highlights

- Profit before tax (PBT) for 12M 2022 ISK 5,621 million with RoTE 13.1% driven by strong core income
  Profit after tax for 12M 2022 ISK 4,913 million, RoTE 11.4%
- Q4 PBT of ISK 1,613 million and RoTE of 15.3%
  PBT affected by irregular and one-off costs amounting to ISK 394 million
- Strong financial position with consolidated solvency of 1.36 and LCR of 320%
  Well above regulatory requirements, NSFR of 140% at year end
- Total deposit growth of 43% in 2022, strong organic and external loan book growth
  Healthy loan book growth of 3.5% in Q4, deposit growth of 4.4%
- TM combined ratio of 95.3% in 2022, in line with long-term target of 95%
  Combined ratio of 93.6% in Q4, Premiums increase by 5% YoY
- Assets under management at ISK 462 billion at the end of 2022
  Increased market share in retail investment funds in 2022
- Dividend payment of ISK 0.4 per share, ISK 1.912 million total
  Strong post-dividend capital position with a CAR of 23.5%, 5.6ppt excess of regulatory requirements
- PBT outlook of ISK 9,406 million for 2023, 21.6% RoTE
  Continued profitability from diversified sources of income

Sustainability Highlights in 2022

Having a real and measurable effect

2022 key developments

- New Sustainability Policy adopted for the group following thorough strategy work and materiality mapping. The Sustainability Policy adopts 6 of the 17 UNSDGs
- Efforts underway to gain a better overview of risks related to climate change as Kvika intends to adopt a new ESG risk policy early 2023
- Kvika became a member of PCAF and finalized calculating financed emissions from investments and loans (as of end of 2021). Goals set to contribute to a reduction in carbon emissions
- Work underway to implement the EU Taxonomy and SFDR regulations, which take effect in June 2023 in Iceland

Digital solutions and sustainability

- Digital solutions are at the core of Kvika's business strategy and are intertwined with Kvika's sustainability journey as digital solutions and automation make for simpler, more efficient and environmentally friendly processes, services and products
- Kvika's emphasis on enabling technology whenever possible is evidenced e.g. by Kvika's digital offering *Auður*, the first online-only deposits accounts which have revolutionized deposits rates in Iceland

Updated ESG score

Reitun

2022	**86/100**
2021	83/100
2020	78/100

Domestic average: 72/100

Sustainability Report 2022

- As a part of the group's non-financial disclosure, Kvika will publish a sustainability report for the year 2022. The report follows Nasdaq's ESG Reporting Guide 2.0 and, to a limited extent, the GRI Standards. Deloitte will provide a limited assurance on ESG disclosure
- Kvika´s second Allocation and Impact Report according to Kvika´s Green Financing Framework will again be a part of the Sustainability Report
- The report can be found on Kvika's website

Kvika's Vision is to Transform Financial Services in Iceland

Guided by mutual benefits

Purpose	Increase competition and simplify the customers' finances Utilise infrastructure, financial strength and relatively small market share in many areas				
Vision	Transform financial services in Iceland guided by mutual benefits Focusing on opportunities others cannot take advantage of				
Strategic guides	**Rethinking things** Business models, technological solutions, product offering, ESG, processes, organisation, infrastructure utilisation, disruption	**Be the customer** We put ourselves in the customers' shoes and think from a customer perspective, customer obsession	**Choosing projects** Where we can achieve the most benefits for customers and ourselves, focus	**A responsible community participant** Long-term thinking and promotion of a sustainable society	**Work as one team** Flat organisational structure, short channels of communication, clear responsibilities and de-centralised decision making
Values	Long-term thinking	Simplicity	Bravery		

Buy and Build – Supporting Kvika's Strategy

Accumulating valuable building blocks

Buy and build strategy

Phase I

2015-2020: Asset Management consolidation

Phase II

2019-2022: Building up lending platforms

Phase III

2023-: Creation of a more competitive financial institution

2015	2017	2018	2019	2019	2020	2021	2022	2022	2023
MP Banki and Straumur merge under the name Kvika	Kvika acquires Virðing and ALDA Asset Management	Kvika acquires 15% share in Ortus Secured Finance	Kvika acquires GAMMA Capital Management	Consolidation of Kvika's Asset Management operations	The Boards of Directors of Kvika, TM and Lykill approve a merger	Acquisition of fintech platforms Aur and Netgíró	Acquisition of majority share of Ortus Secured Finance	Acquisition of merchant agreements from Valitor/Rapyd	Merger negotiations agreed with Íslandsbanki

Creating a Fintech Platform with Unique Opportunities

Enabling Kvika's vision

Kvika has assembled a core of financial brands and capabilities into a **fintech platform**…

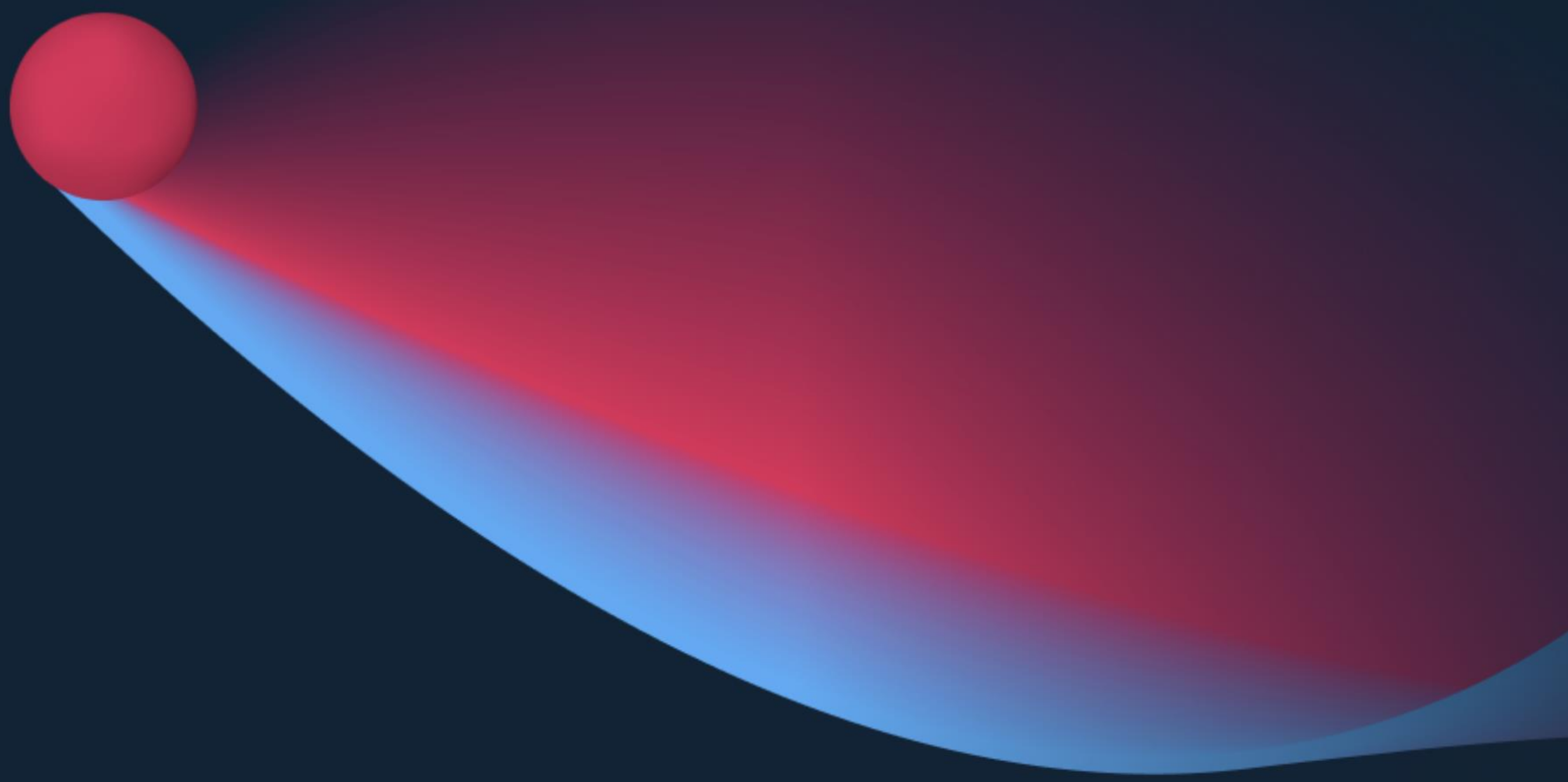
KVIKA
Fintech platform

AUR
auður
Dóttir Kviku
straumur
TM
Skilum
netgíró
Lykill

…to enable the realization of our vision for the **future of finance**

- Long-term customer journeys
- Ecosystems and white-labeling
- Personalization of products and services

Skilum



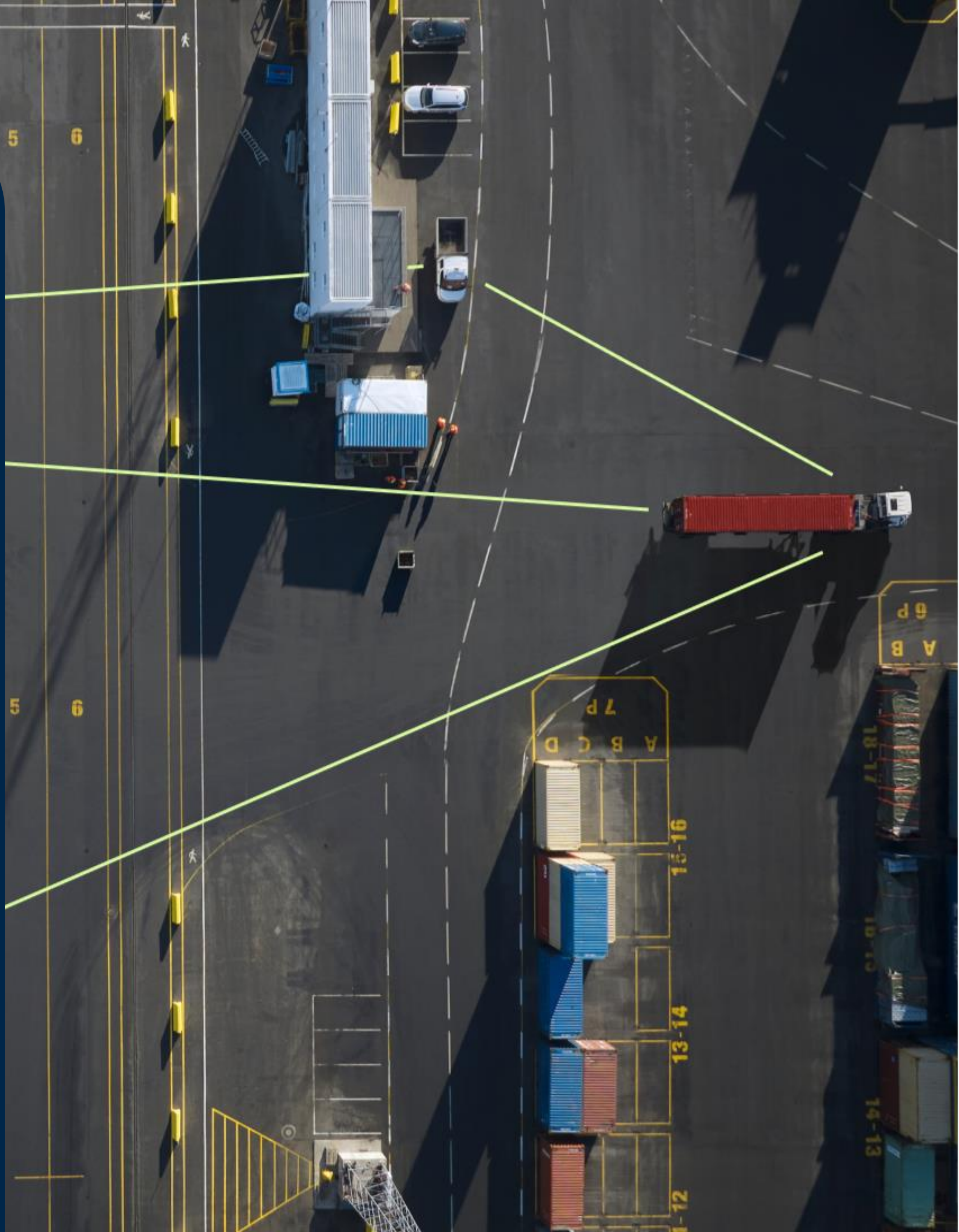
- In 2022 Kvika launched a dedicated debt collection company, Skilum
- Skilum is built on technology developed by Netgíró over the past decade, an example of opportunities arising from the group’s building blocks and infrastructure
- Skilum will simplify debt collection across all companies in the Kvika group as well as offering its services to other companies
- Around a million claims are created by Kvika and subsidiaries per year, seeding Skilum with a critical mass of business

www.skilum.is

Það er gott að vera í skilum... við Skilum.

straumur

- In 2022 Kvika bought a merchant portfolio from Valitor that encompasses about 25% of the Icelandic acquiring market
- Straumur greiðslumiðlun hf. was founded as a new subsidiary of Kvika bank to take over and service the merchant portfolio
- Straumur's vision is to be a leading fintech company in payments, offering excellent service to the Icelandic market
- Development of Straumur's IT systems and software is on schedule and expected to be completed soon
- In the upcoming months, the merchants in the portfolio will be transferred to Straumur



Active Aur users

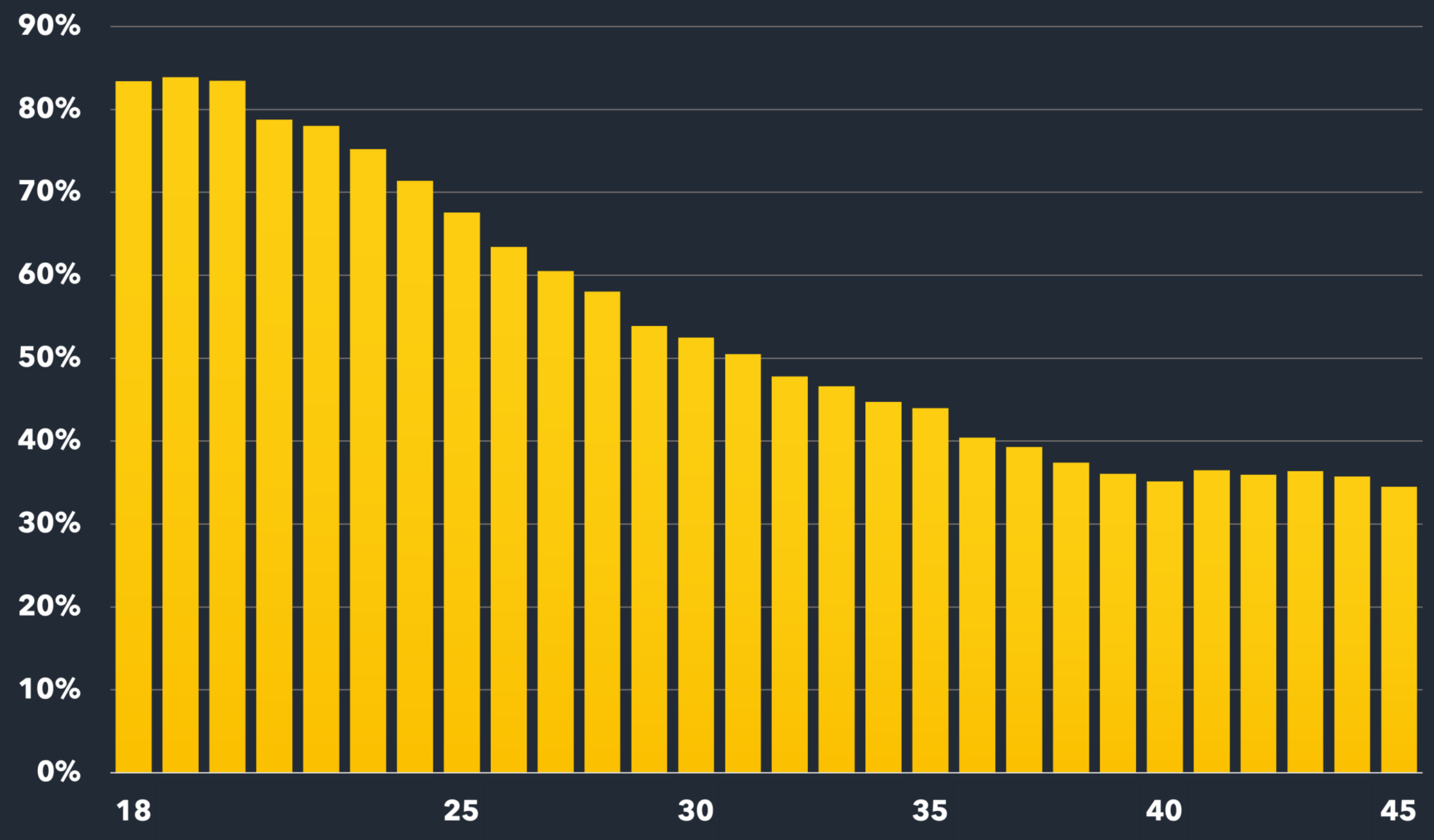
over 90 days

2 out of 3

18–35 yrs. are active

Share of population by age

active Aur users



Active Aur users as share of population with permanent residence in Iceland.

New Revenue Streams from Aur Fintech

Following a self-funded year of **innovation and development, AUR**, our largest fintech platform, plans to launch its first phase of **New Service Plans** this April - presenting its **116.000 users** with a fresh approach to retail banking.

- **Visa Debit & Credit Card** with a twist
- **Current Account** for salaries and deposits
- **Shared Finances** for groups and individuals
- **Instant Reward** cash back and exclusive offers
- **Buy Now / Pay Later** made even simpler
- **Alternative Insurance** with flexible options

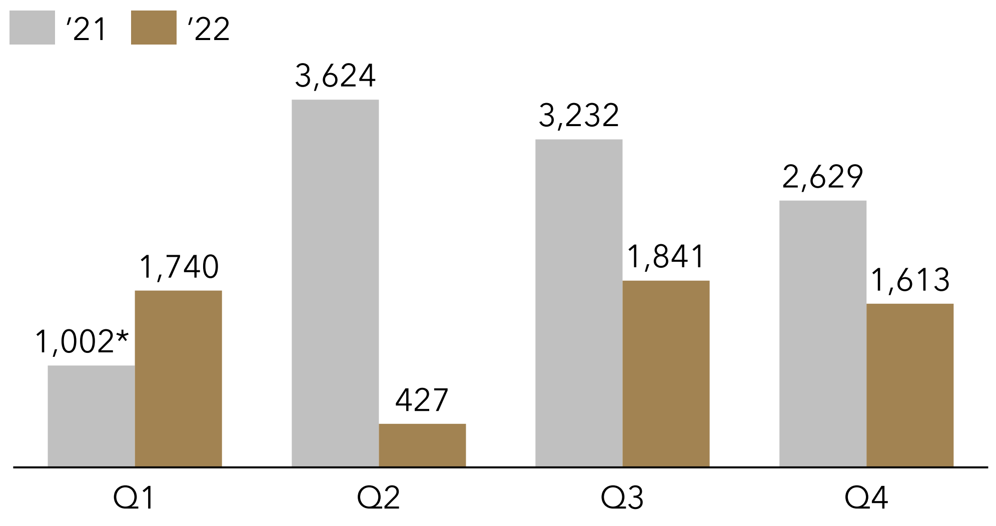
Preregistration starts on **March 1**

Financials

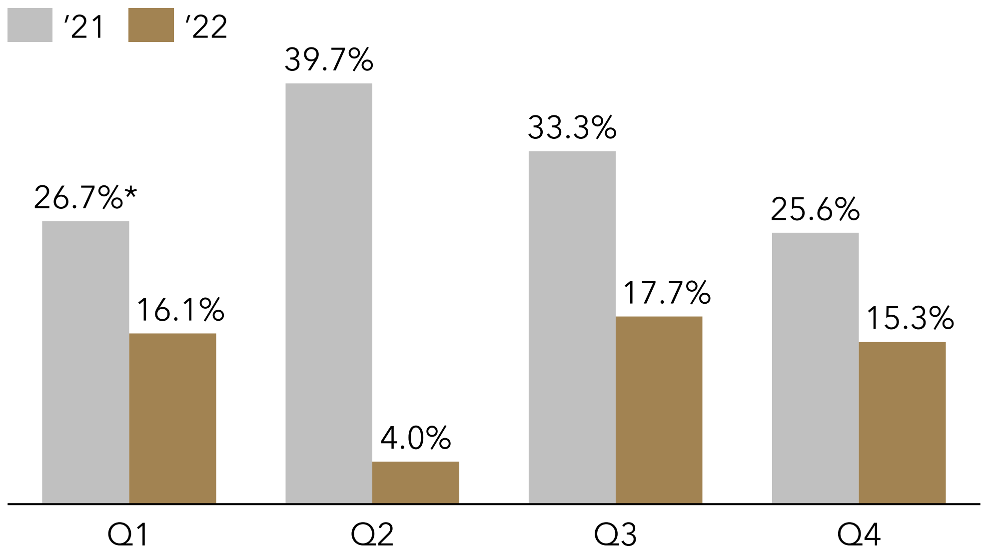
Total Profit Before Tax in 2022 ISK 5,621m

Stable and diversified income

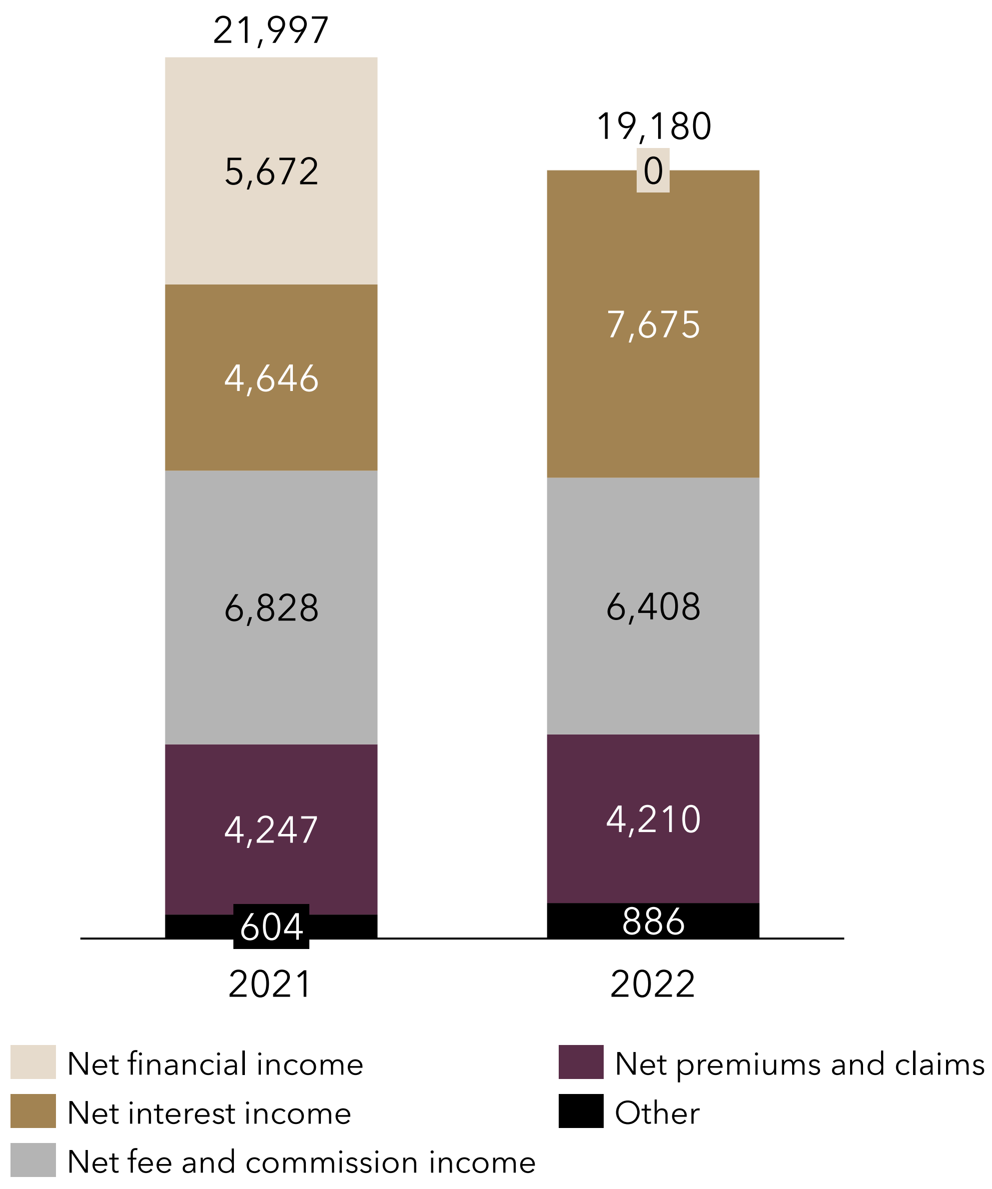
Profit before tax (PBT)
PBT development / ISK m.



Return on tangible equity (RoTE)
(%)



Diversified income across categories
Net operating income by type / ISK m.



- Kvika's profit before tax in 2022 is ISK 5,621 million with a RoTE of 13.1%
- Net operating income amounted to ISK 19,180 million in 2022, a 13% decrease from 2021, reflecting the strength of core operations despite low financial income
- The group's focus on diversification of revenue streams continues to prove its value, where the temporary loss of one income stream, in this case net financial income, is countered by three other strong revenue streams
- PBT in Q4 amounted to ISK 1,613 million with a return on tangible equity of 15.3%
  - → PBT in the quarter is affected by irregular salary related expenses due to changes in senior management and bonuses, amounting to ISK 314 million, which were expensed during the period
  - → Negative exchange difference due to GBP assets of ISK 280 million, which is offset through other comprehensive income therefore not affecting capital position
  - → Non-cash amortisation of purchase price allocation due to Ortus, ISK 80 million, expensed in whole in Q4

*2021 only includes TM and Lykill from 1 April 2021 due to merger on 31 March
UK operations only include Ortus Secured Finance from 1 March 2022

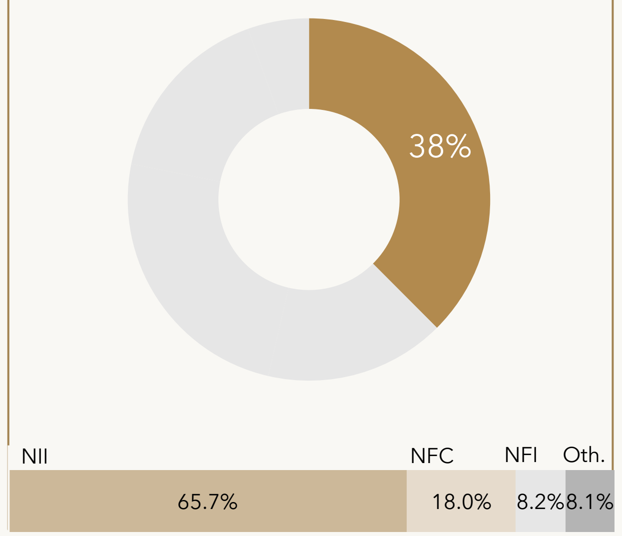
Segment Highlights in 12M 2022

Five operating segments with diversified sources of income

Commercial Banking

- Netgíró and Aur integrated with the commercial bank at end of Q1 2022
- Healthy loan book growth within all brands (Kvika, Lykill, Netgíró , Aur)
- Continued success of Auður, with over 3x deposit growth in 2022
- Solid returns on financial assets despite challenging environment
- Substantial investments in new retail products, development on track and new revenue streams expected in 1H 2023

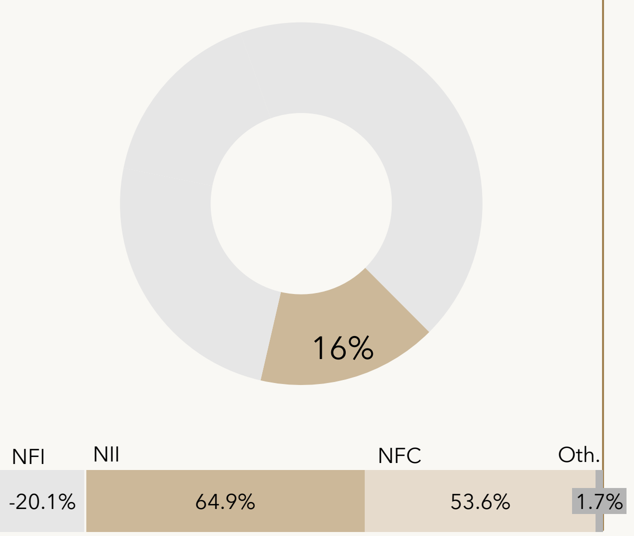
Revenues 12M 2022
(%)



Investment Banking

- Continued increase in volume in FX, both in currency forward contracts and turnover in Keldan FX, despite challenging market environment due to the depreciation of ISK in
- Increased interest from local investors in foreign markets though uncertainty, rising inflation and interest rates have had some negative effects on turnover in Capital Markets
- Strong pipeline in corporate finance for upcoming quarters

Revenues 12M 2022
(%)

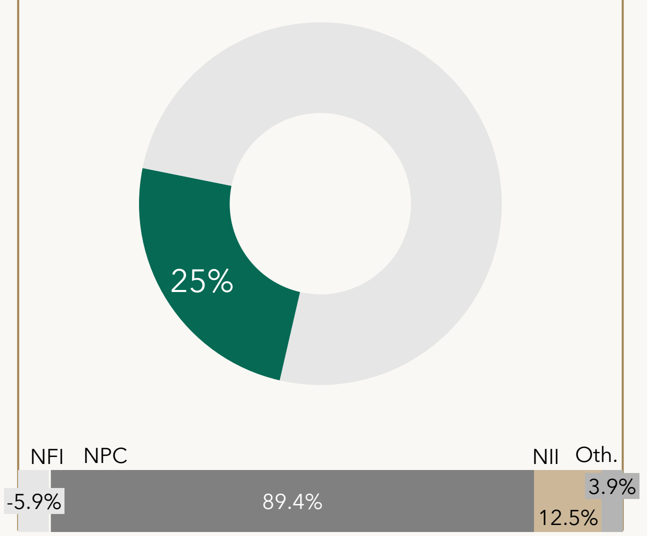


Treasury and Market Making are included in Investment Banking's segment reporting

Insurance

- Combined ratio of 95.3% for 2022, in line with the long-term target of 95%. All business lines under 100% apart from Motor with a 107% combined ratio. Premiums increased 5% YoY
- Investment income was marked by unfavorable market conditions and ended in ISK 426m profit
- Digital sales and services are increasing with continuous additions of new channels, including a chatbot that now handles a substantial share of customers' requests

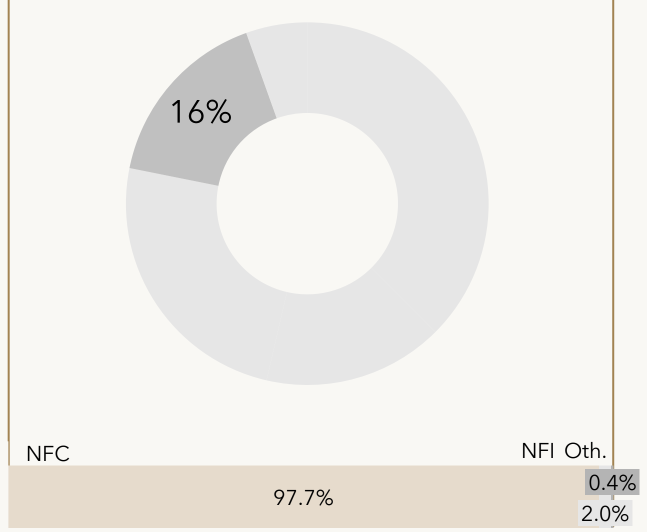
Revenues 12M 2022
(%)



Asset Management

- Market share in retail investment funds grew by 23% in 2022, as measured by AuM
- Positive net inflow in all revenue streams in 2022, including retail investment funds, despite declining market developments
- Launch of new app where customers can monitor the development of their portfolios in a simple and easy to use mobile app

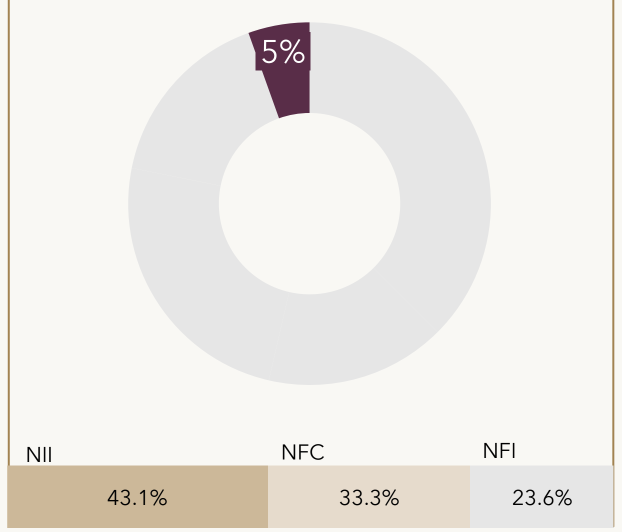
Revenues 12M 2022
(%)



UK

- Quality and granularity of loan book strong with majority of loan book secured by residential property assets at conservative LTVs
- External environment continues to be challenging and rising interest rates have negatively affected net interest margin. Good progress made in converting loans to floating rate basis and re-pricing the loan book to reflect external conditions.
- Several advisory projects completed in Q4

Revenues 12M 2022
(%)



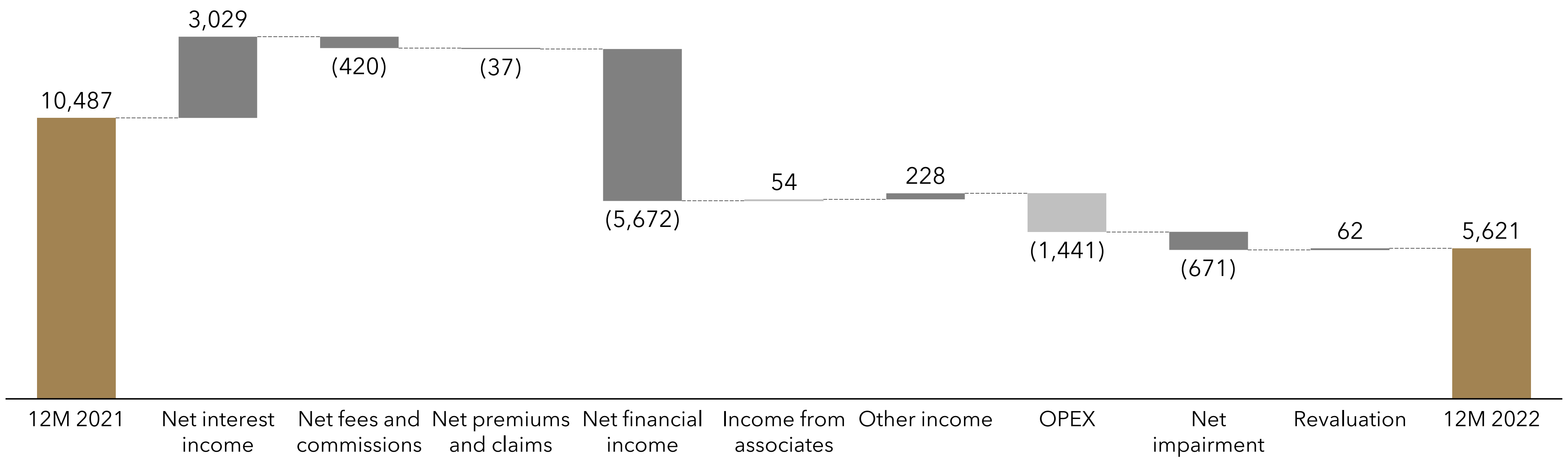
Revenues only include operations of Ortus Secured Finance from March 2022

Operations 12M 2022

Solid core income

- Net operating income for the period amounted to ISK 19,180 million, driven by continued growth in lending activities
- Stable performance in all segments making up for a loss of net financial income in the period, a decrease of ISK 5,672 million year on year mainly attributable to difficult market circumstances
- Net interest income grows significantly year-on-year mainly due to loan book growth, attributable to the acquisition of Ortus in the UK as well as healthy organic growth domestically
- Net fee and commission income and net premiums and claims remain stable year on year
- Change in OPEX mainly due to new operations in the period

Pre-tax profit (loss) bridge
12M 2021 to 12M 2022 / ISK m.



Income statement
ISK m.

	12M 2022	12M 2021
Net interest income	7,675	4,646
Net fees and commissions	6,408	6,828
Net premiums and claims	4,210	4,247
Net financial income	0	5,672
Income from associates	27	(28)
Other income	860	631
Net operating income	***19,180***	***21,997***
Operating expenses	(13,076)	(11,635)
Net impairment	(532)	139
Revaluation	48	(14)
Pre-tax profit	***5,621***	***10,487***
Income tax	(212)	348
Special bank taxes*	(495)	(171)
After-tax profit	***4,913***	***10,663***
Earnings per share (EPS)	***1.02***	***2.62***
Diluted EPS	***1.02***	***2.56***

*Special tax on financial activity and special tax on financial institutions

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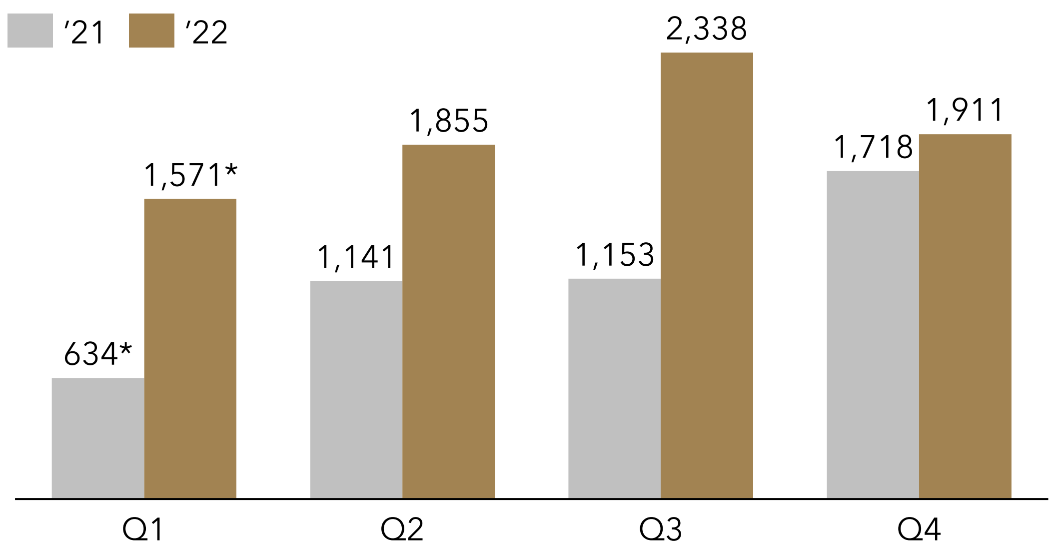
Net Interest Income

A growing part of the group's revenues

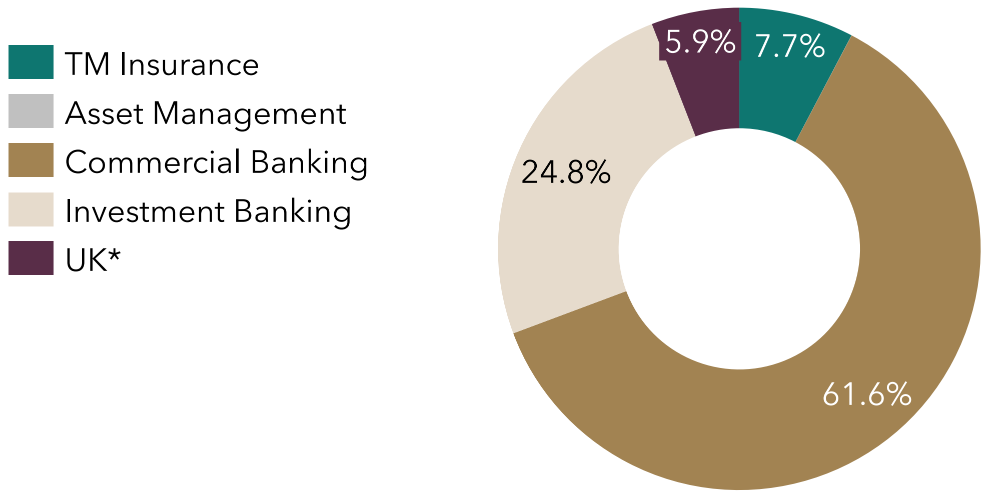
Net interest income (NII)

ISK m.



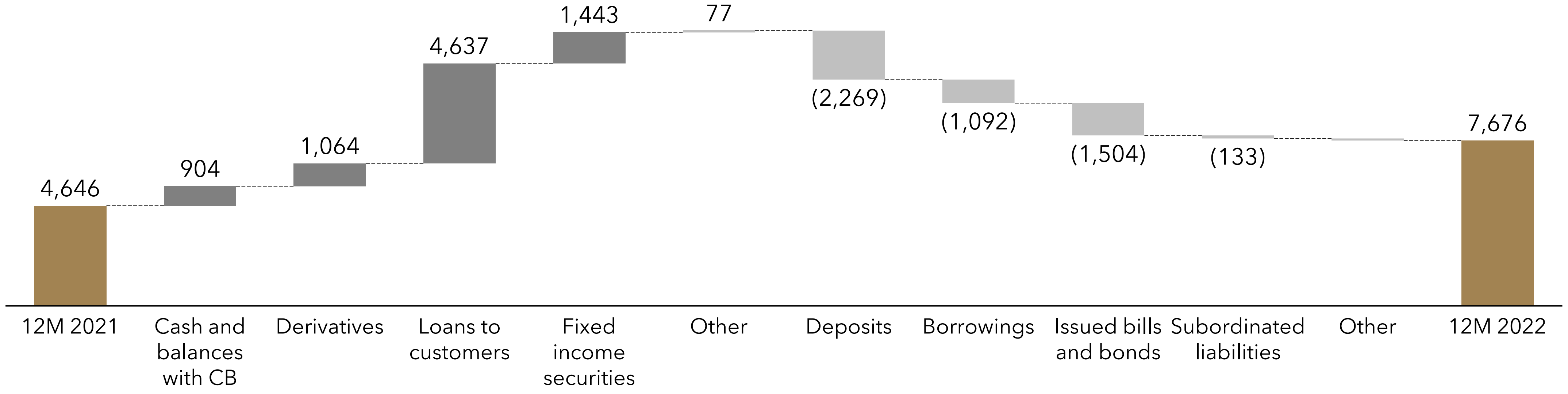
Segment split

12M 2022 / (%)



Net interest income 12M comparison

12M 2021 to 12M 2022 / ISK m.



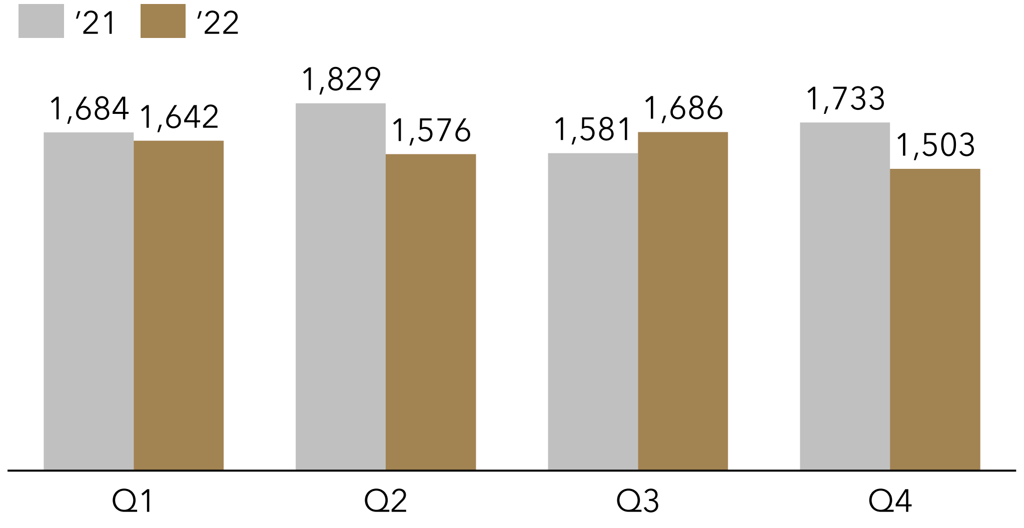
- Net interest margin of 2.6% p.a. in 2022
- Net interest income is a growing part of the group's total income,
- Loans to customers increase year on year, attributable to both Ortus acquisition and organic growth
- Increased interest expense largely attributable to increase in deposits and debt financing as well as a high liquidity position during the year

*2021 only includes TM and Lykill from 1 April 2021 due to merger on 31 March
UK operations only include Ortus Secured Finance from 1 March 2022

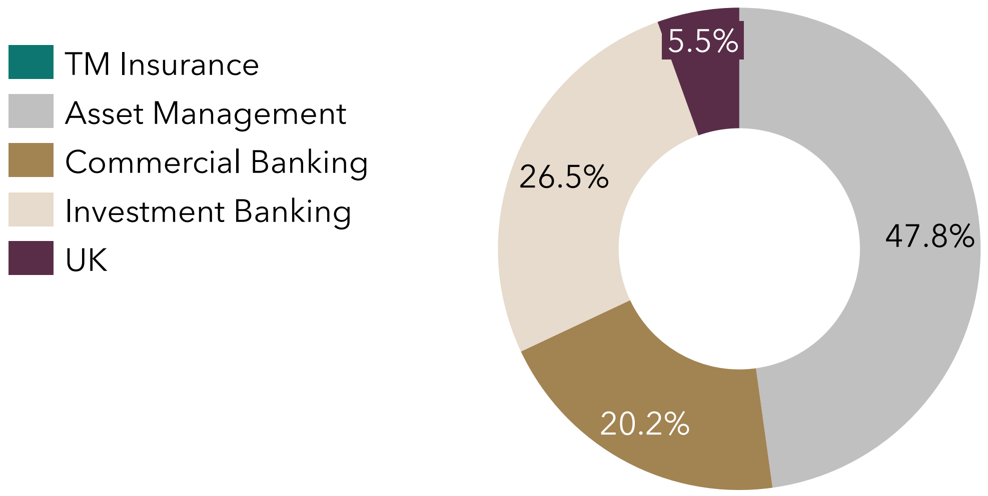
Net Fee and Commission Income

Strong recurring fee base

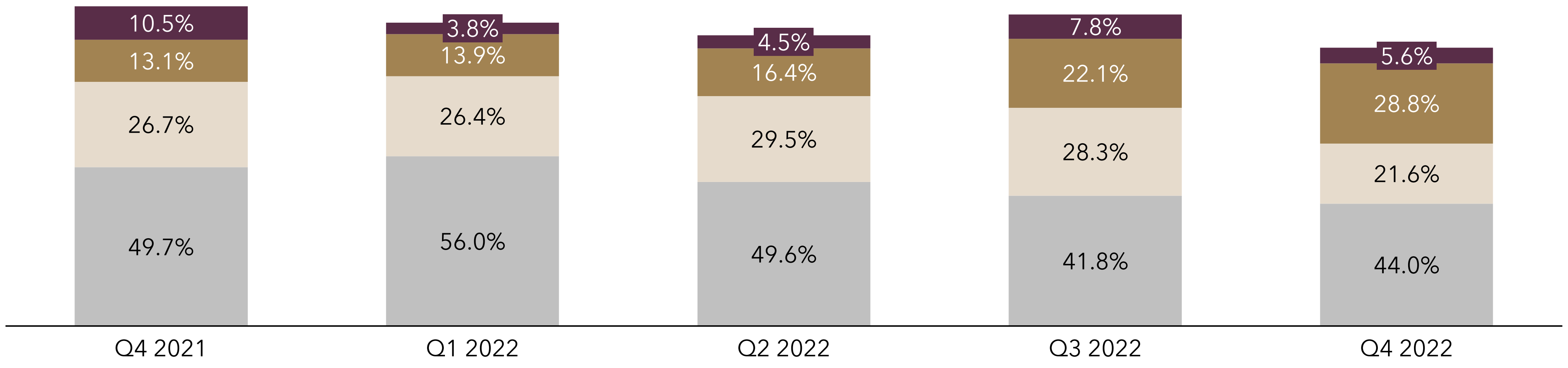
Net fee and commission income (NFC)
ISK m.



Segment split
12M 2022 / (%)



Segment split per quarter
(%)



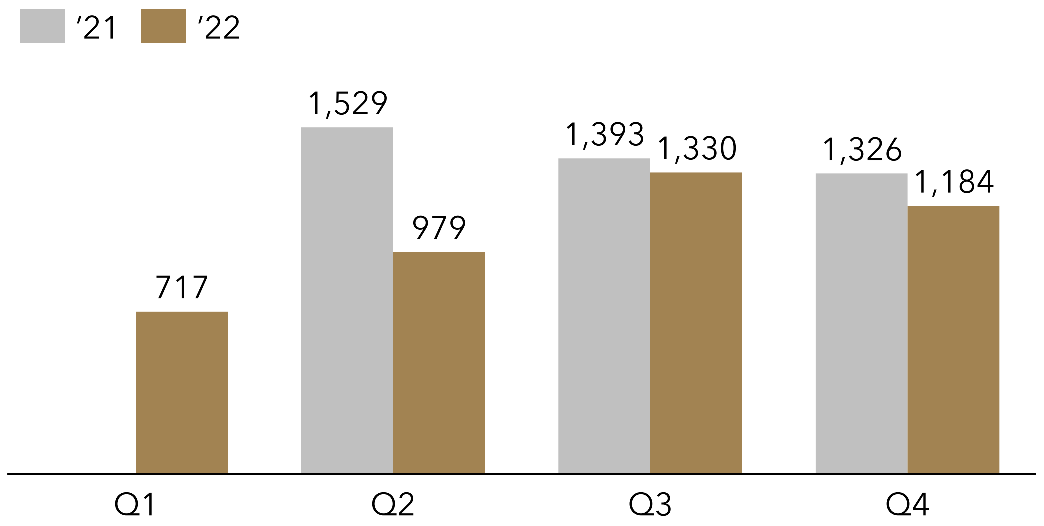
- Net fee and commission income continues to provide a stable revenue stream with its strong recurring fee base
- Asset management is a key contributor to NFC and continues to provide the strongest recurring fee base
- Commercial Banking's NFC contribution growing mainly attributable to loan book growth and turnover

*2021 only includes TM and Lykill from 1 April 2021 due to merger on 31 March
UK operations only include Ortus Secured Finance from 1 March 2022

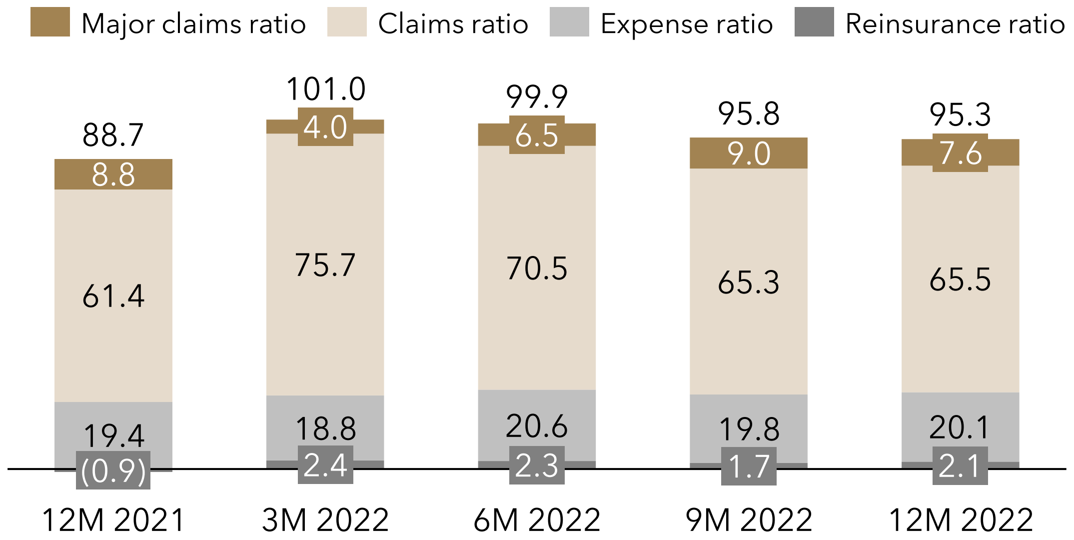
Net Premiums and Claims

Combined ratio of 93.6% in Q4 2022

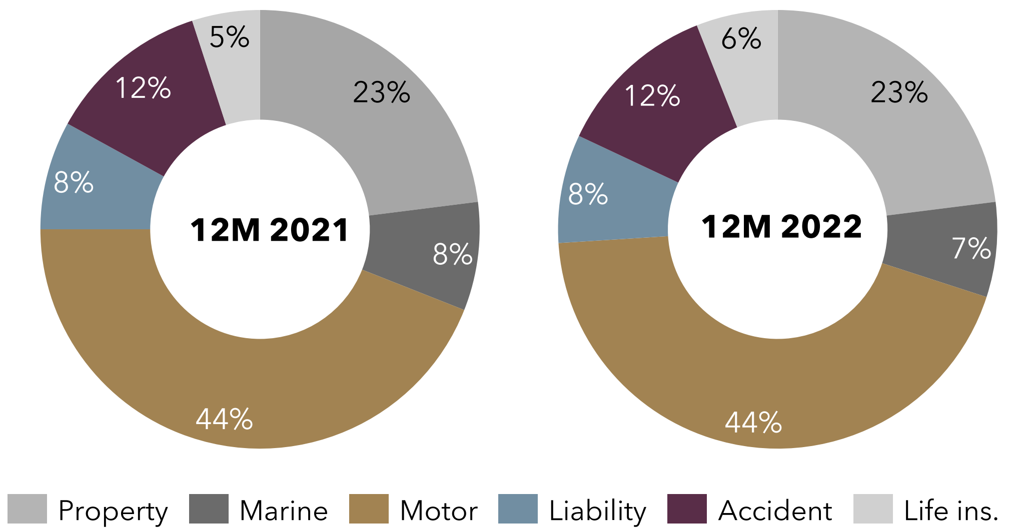
Net premiums and claims (NPC)
ISK m.



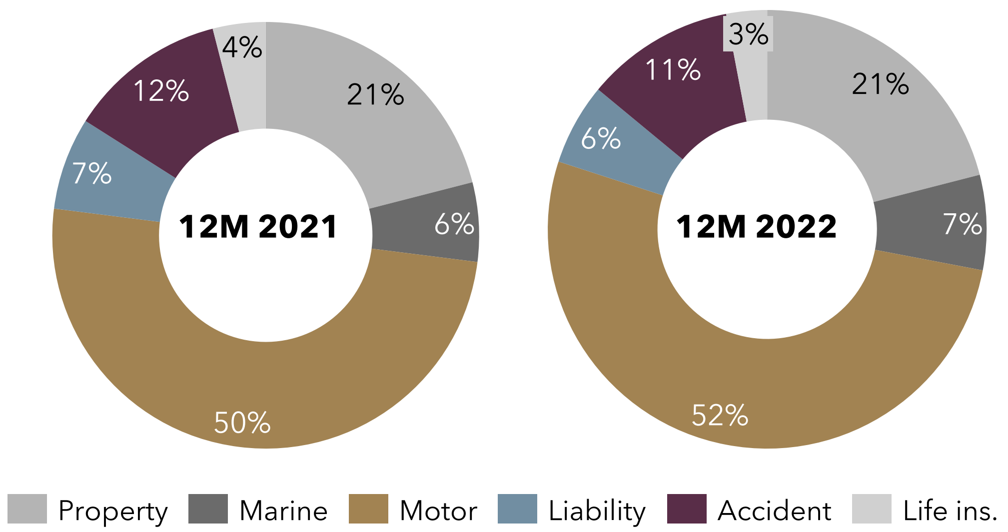
Combined ratio
(%)



Premiums composition
(%)



Claims composition
(%)

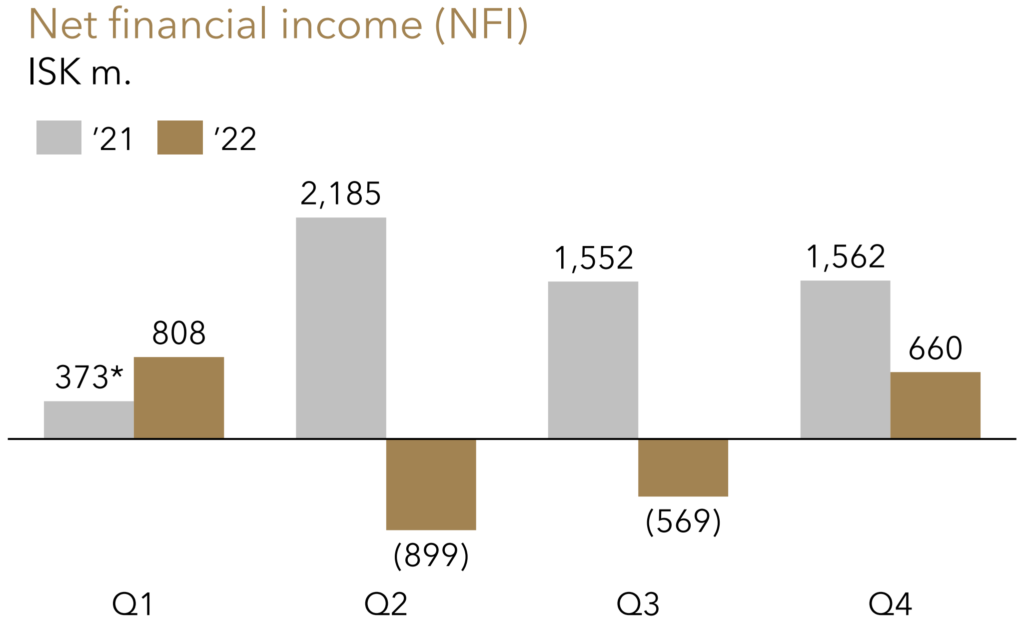


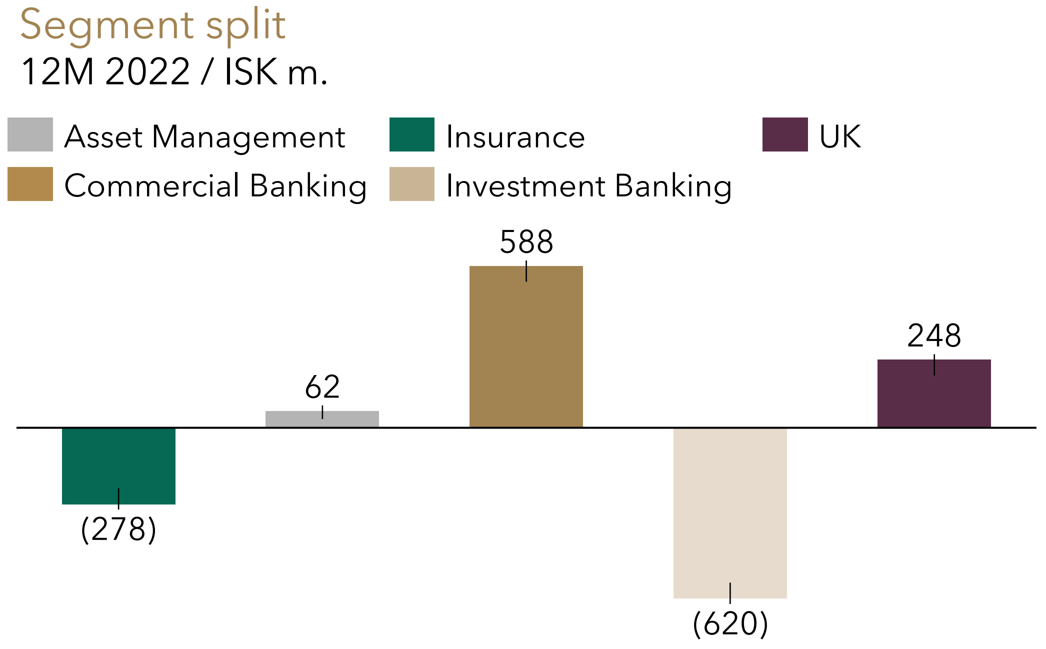
- Continued strong performance of insurance operations with a combined ratio of 93.6% for Q4 and 95.3% for 12M 2022
- Growth in all insurance categories
- Increased claims cost resulting in a similar NPC result YoY
- Claims ratio increases significantly from 12M 2021, accounting for the largest YoY change in the combined ratio
- Reinsurers' share positive by 2.1% in 12M
- Composition of premiums and claims continues to be relatively stable

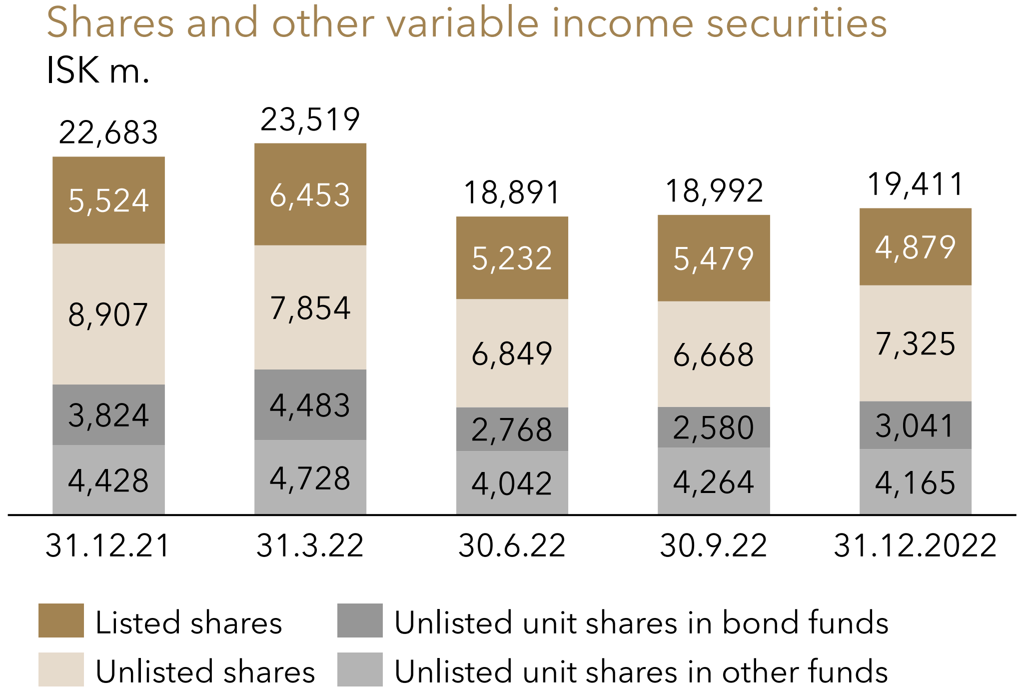
*2021 only includes TM and Lykill from 1 April 2021 due to merger on 31 March

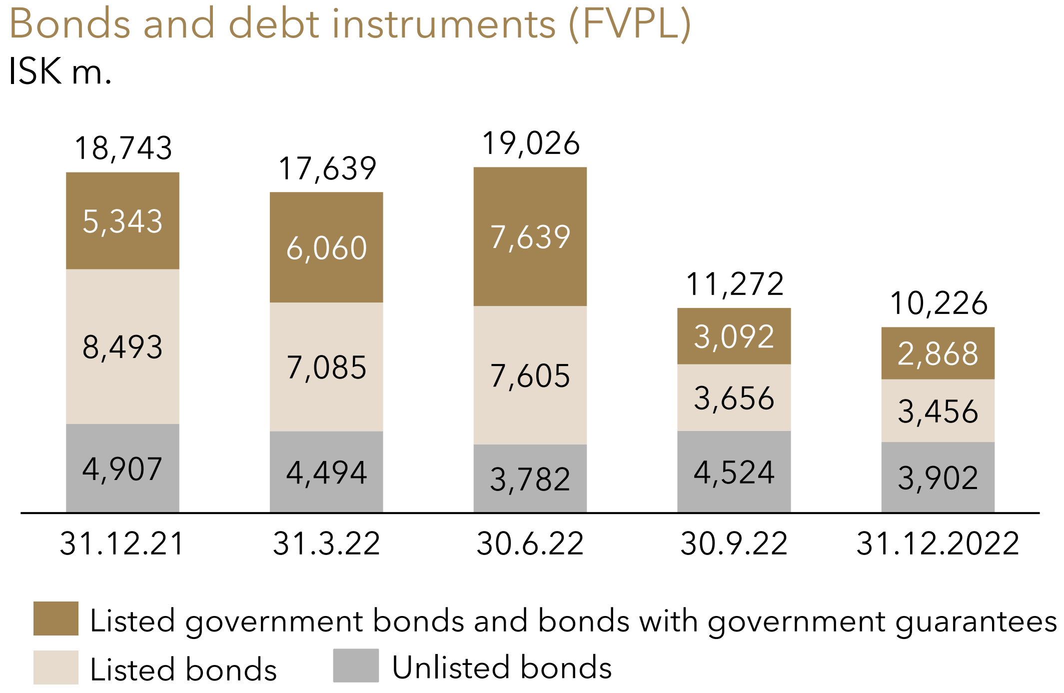
Net Financial Income

Rebound following challenging market circumstances









- Low total NFI in 2022 as positive income in Q1 and Q4 counter losses in Q2 and Q3
- Kvika receives financial income through various operating segments though TM Insurance's investment operations generally contribute the most significant part
  - → Negative performance in 2022 is mainly attributable to TM Insurance's investment activities and securities and derivatives held by Treasury and Market Making
  - → Positive NFI contribution through Commercial Banking, mainly due to revaluation of unlisted shares
- YoY reduction in fixed income securities valued through profit and loss, due to reclassification of a part of TM's fixed income instruments which are now measured at fair value through other comprehensive income, in line with Kvika's other instruments meant to be held to maturity

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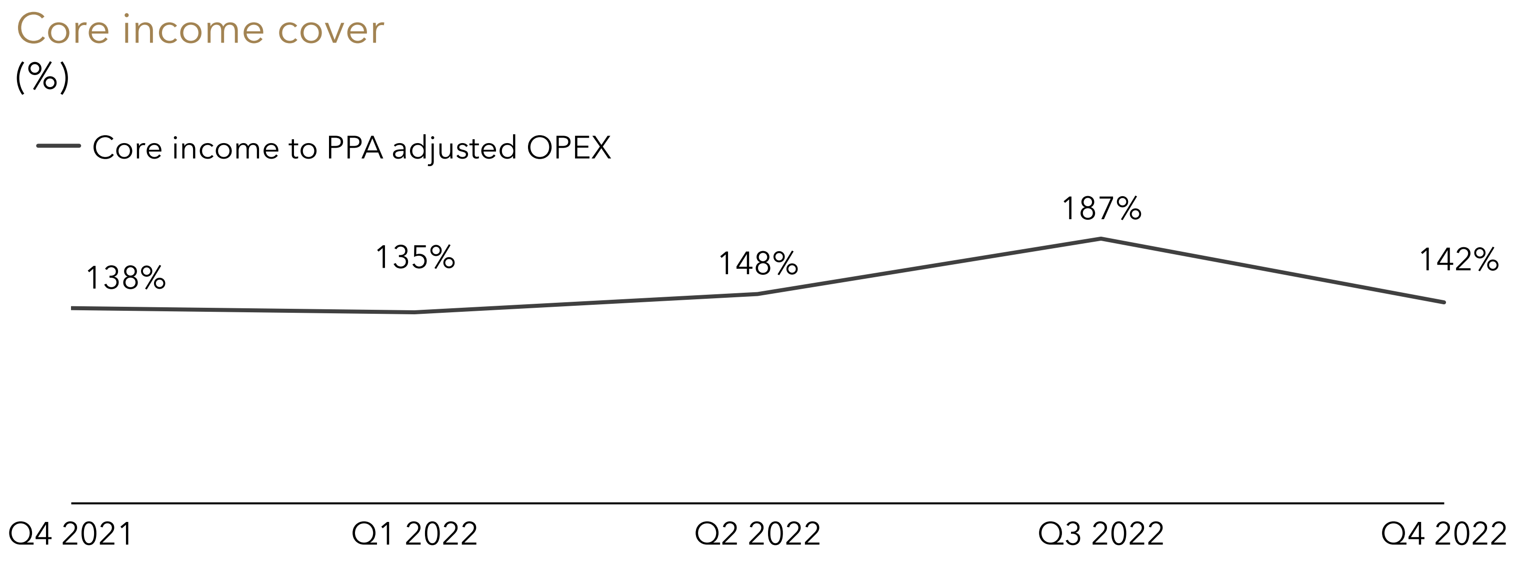
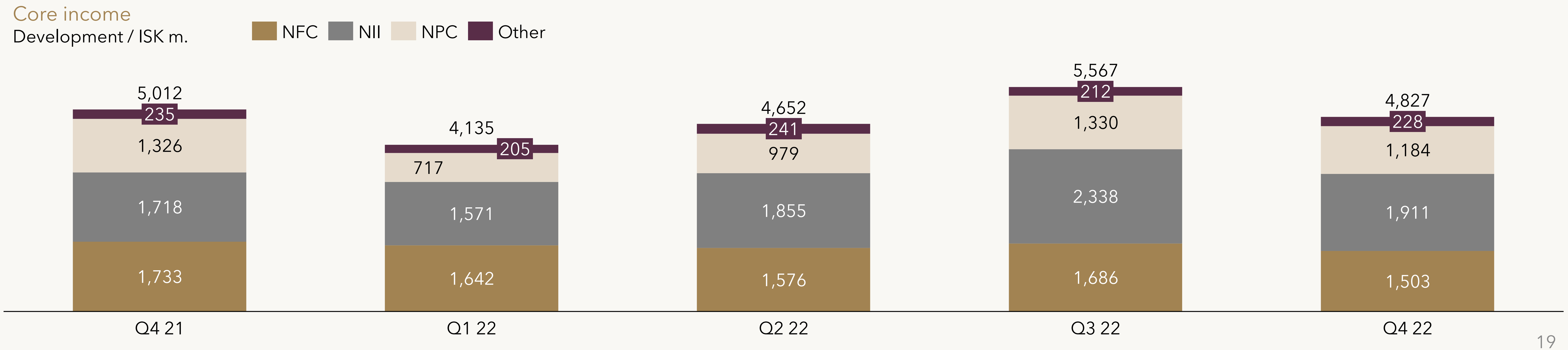
UK operations only include Ortus Secured Finance from 1 March 2022

Core Income Remains Stable

Net operating income excluding financial income

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

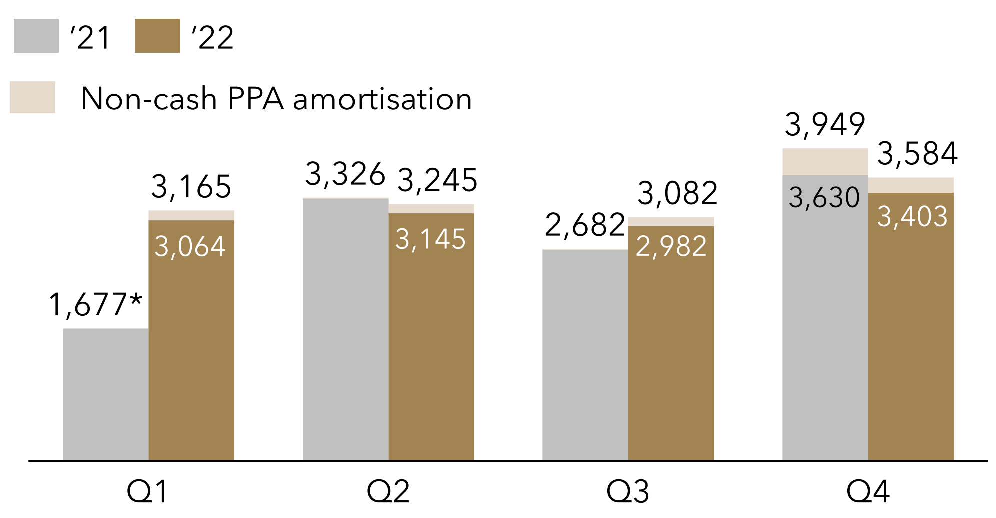




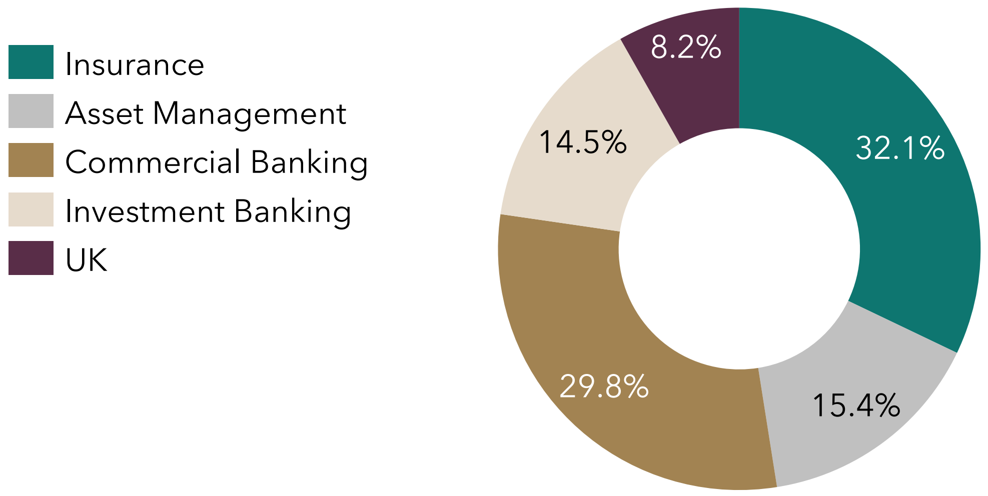
Operating Expenses

Remain stable despite growing operations

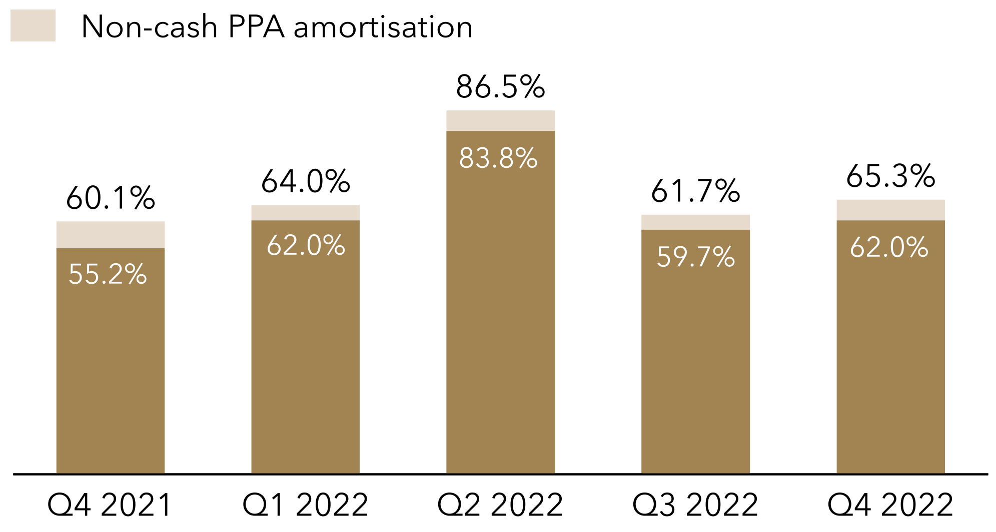
Operating expenses (OPEX)
ISK m.



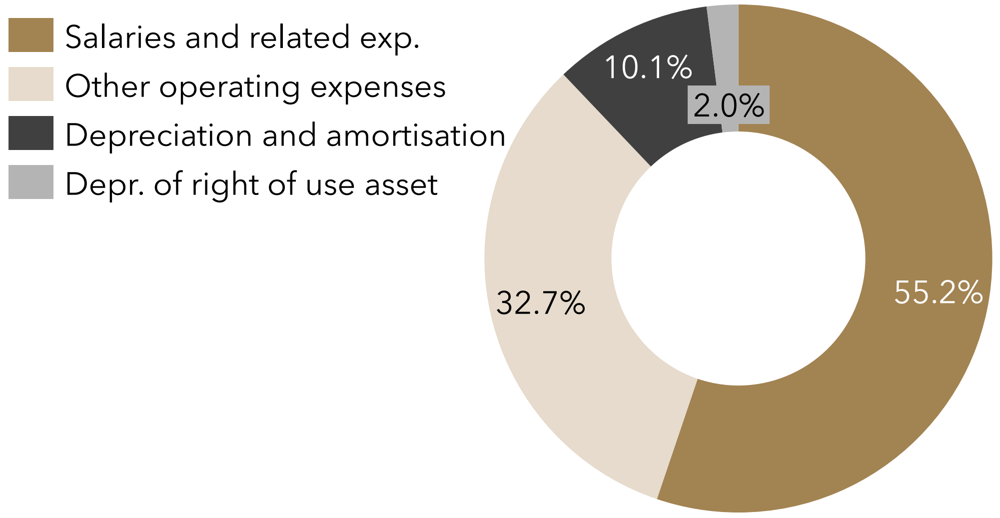
Segment split
12M 2022 / (%)



Cost to income
(%)



Operating expenses
12M 2022 / (%)



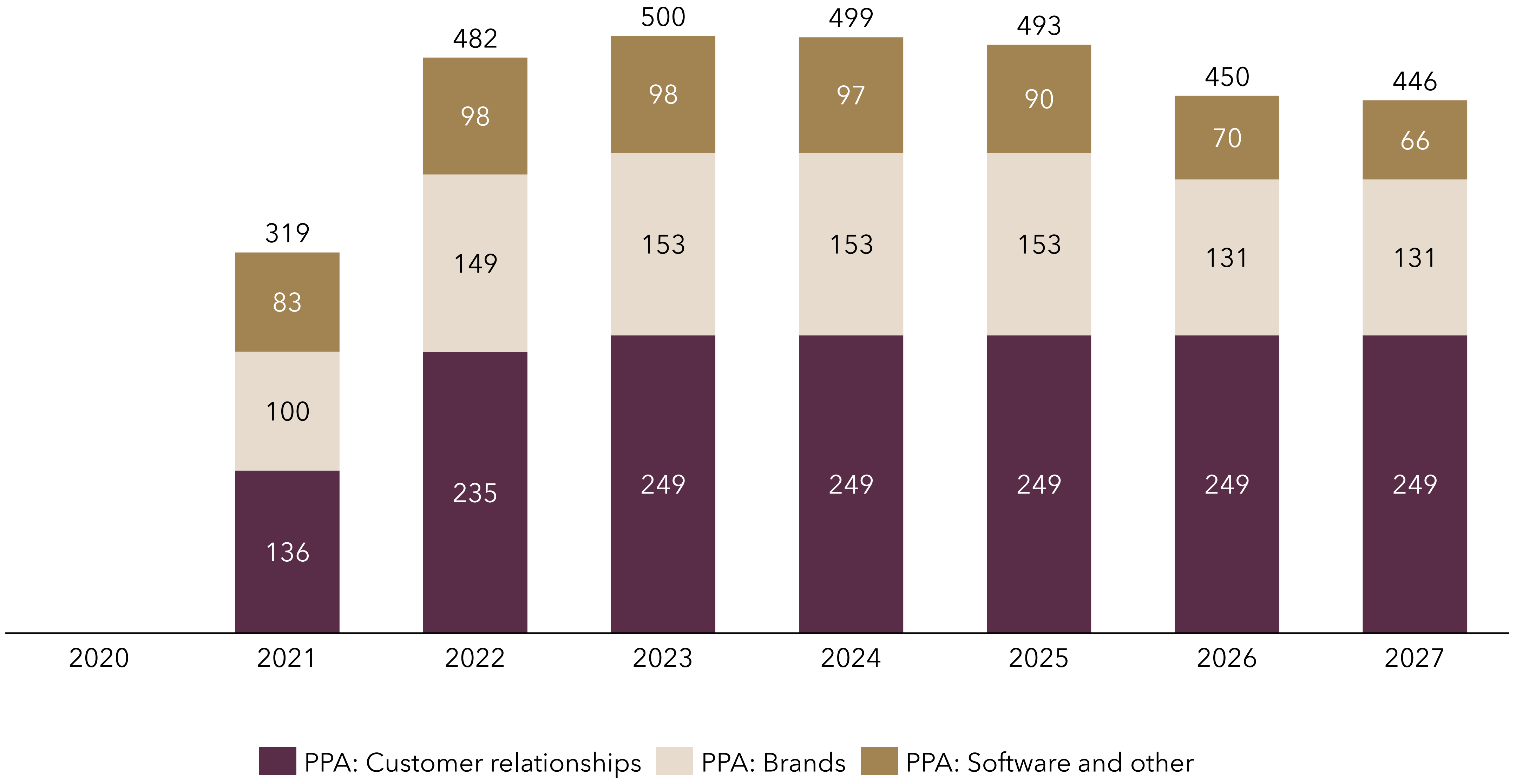
- Operating expenses remained stable during the year
  - → One-off costs in Q4 of ISK 314 million due to severance, hiring- and performance bonuses
- Salaries and related expenses continue to be a key operating expense within the group and amount to 55.2% of total OPEX in 2022
  - → Salaries and related expenses historically account for a majority of the group's OPEX as its investment banking and professional client services rely on specialist employees
- Amortisation of intangible assets has become a significant operating expense for the group due to M&A related amortisation of purchase price allocations ("PPA"), a non-cash item affecting PnL
  - → ISK 481 million of PPA expensed in 2022, depreciation and amortisation a total of 10.1% of OPEX in 2022
  - → Thereof initial amortization of Ortus PPA in Q4 2022 of ISK 79 million

*2021 only includes TM and Lykill from 1 April 2021 due to merger on 31 March
UK operations only include Ortus Secured Finance from 1 March 2022

Amortisation of Intangible Assets

Five year forecast

PPA amortization schedule
ISK m.



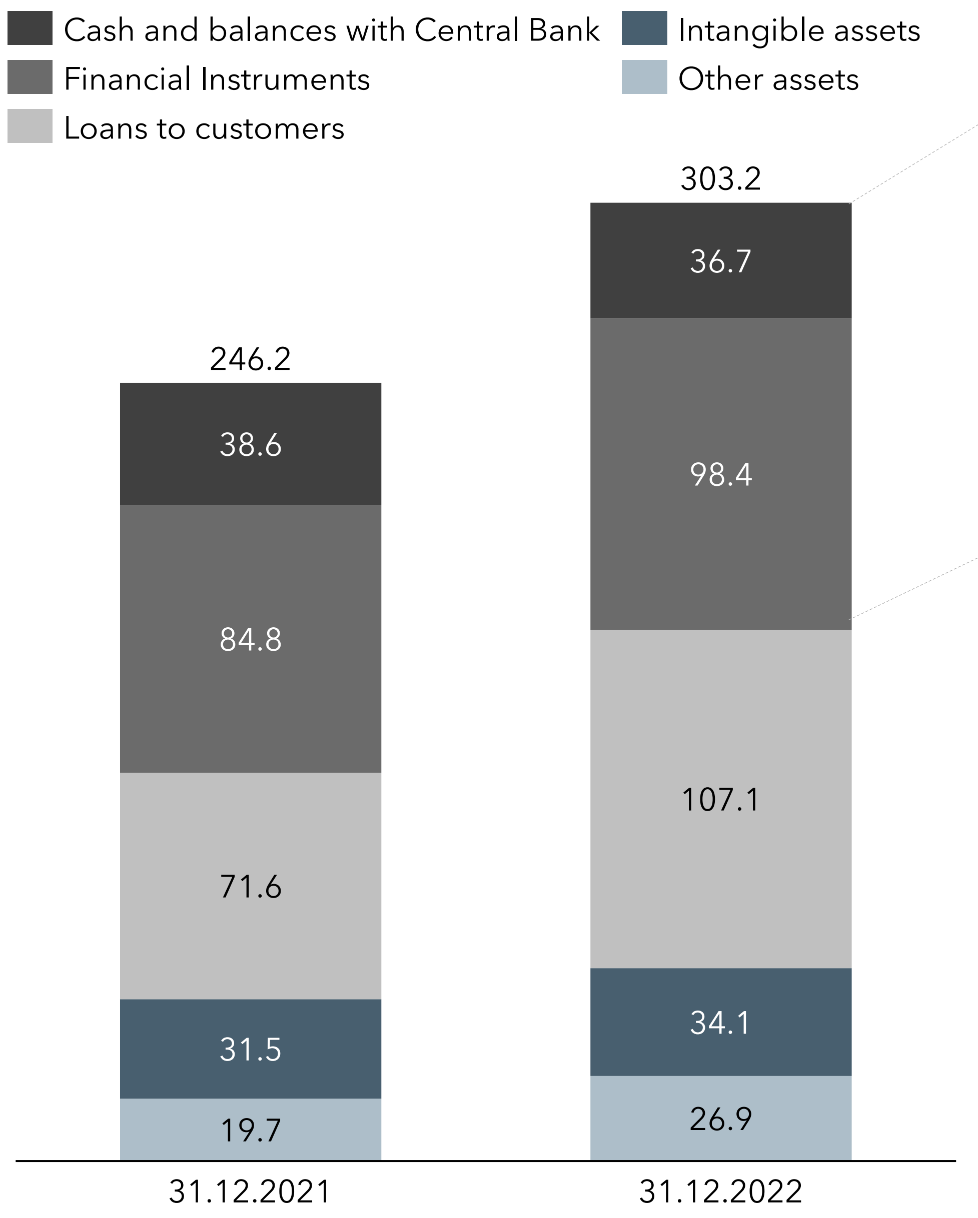
- As described in Kvika's 12M 2021 presentation, purchase price allocation ("PPA") in relation to Kvika's merger with TM and Lykill was completed in late 2021, resulting in the recognition of ISK 5.7 billion of intangible assets to be amortized throughout their estimated useful lifespan (range of 5-20 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
- 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 6.6 billion reduction in the group's intangible assets

Balance Sheet: Assets

Over a third of the balance sheet consists of liquid assets

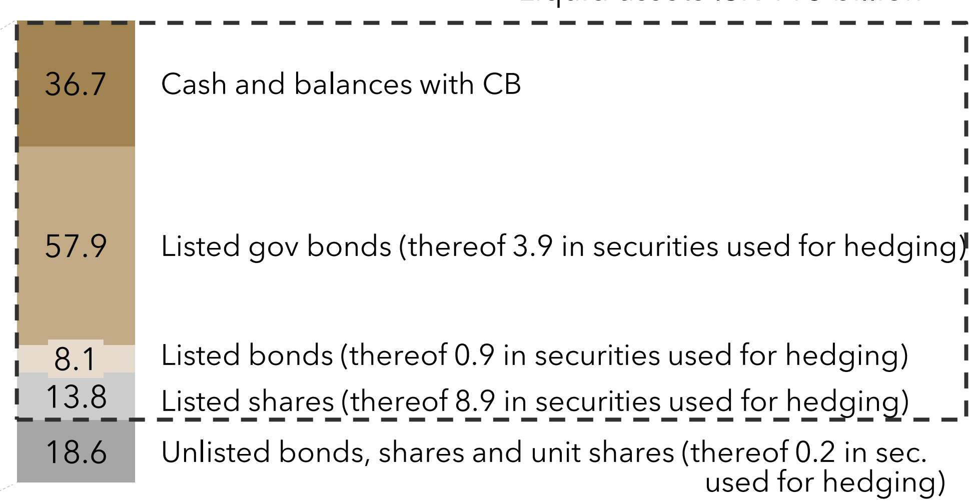
Assets

31.12.22 / ISK billions



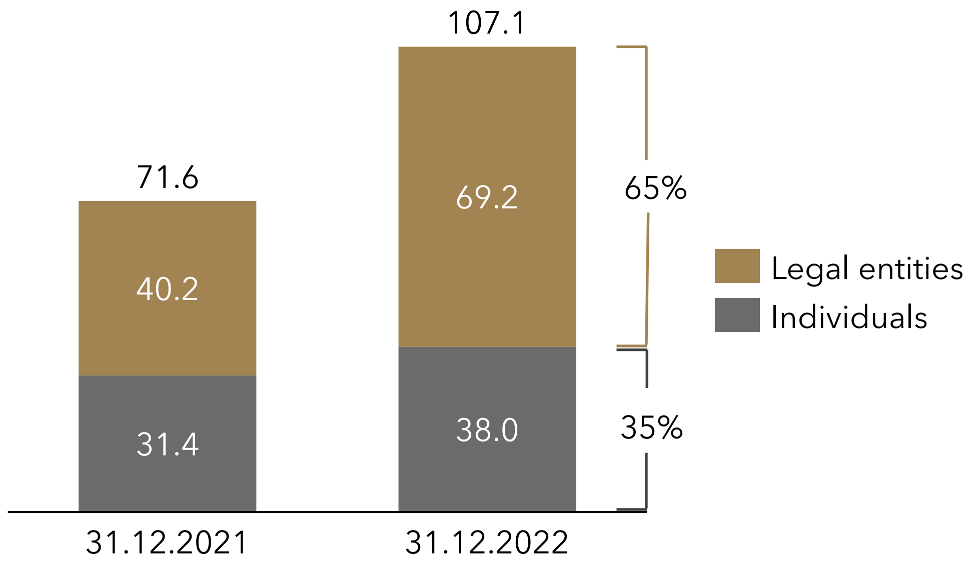
Cash and financial instruments

31.12.22 / ISK billions



Loan book by customer type

ISK billions



- ISK 57.2 billion increase in assets since year-end 2021 driven by loan book growth, as well as an ISK 13.6 billion increase in financial instruments mostly attributable to an increase in government bond holdings
- Loan book increases by ISK 35.6 billion since year-end 2021, mainly driven by acquisition of Ortus Secured Finance as well as organic growth
  - → Weighted average duration of the domestic loan book was 2.1 years at 31.12.2022
- Liquid assets amount to ISK 116 billion, 38% of total assets and 109% of loans to customers
- ISK 10.9 billion positive CPI balance at 31.12.2022

Loans to Customers

Diversified loan book and increased granularity

Vehicles
Lykill fjármögnun

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

Core customers: retail clients

Commercial vehicles and equipment
Lykill fjármögnun

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

Core customers: professional clients

Real estate
KVIKA Framtíðin

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

Core customers: professional clients and retail

Real estate development
KVIKA

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

Core customers: professional clients

31.12.2022 / ISK billions

Total 107.1

Investment and operational loans
KVIKA

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

Core customers: professional clients

Securities
KVIKA

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

Core customers: professional clients

Unsecured loans
netgíró AUR

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

Core customers: retail clients

Ortus real restate
ORTUS SECURED FINANCE

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

Core customers: professional clients

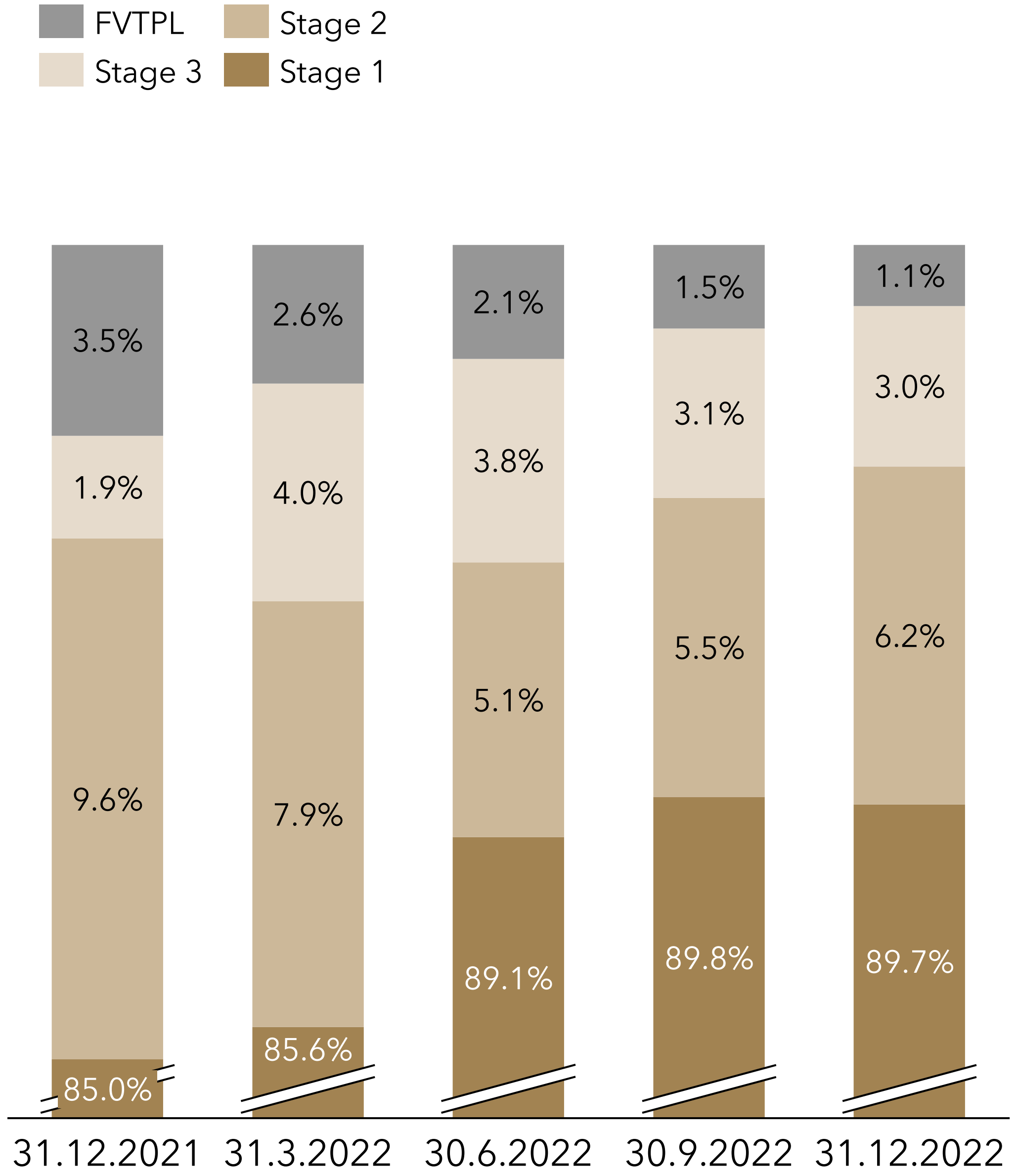
*Credit Score classification by Creditinfo Iceland, which rates individuals from A1 through E3

Credit Quality

Continuing decrease in stage 3 exposures

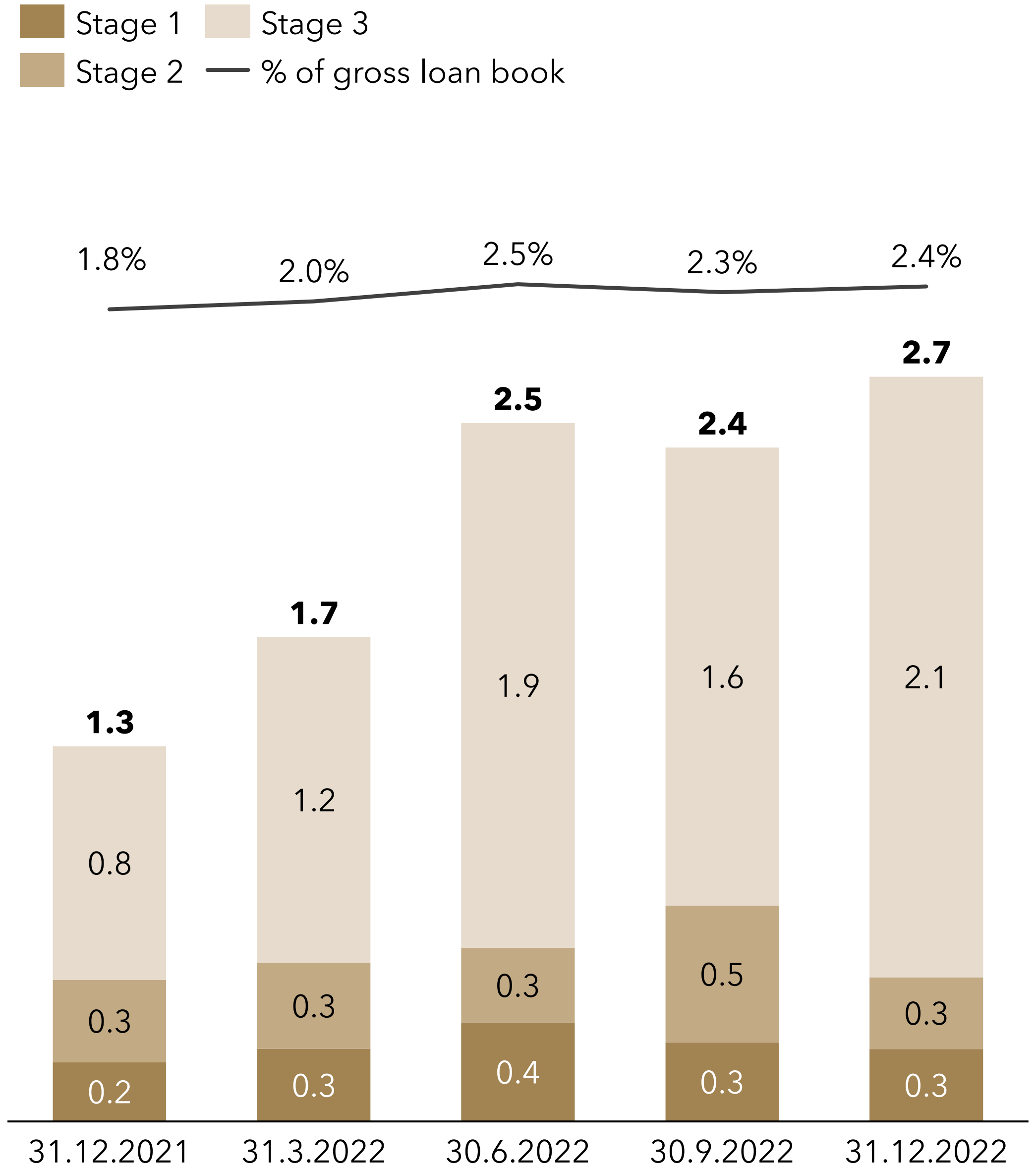
Loans to customers risk stage allocation

Net loan book / (%)



Impairment loss allowance

ISK billions



- Stage 3 loans continue to decrease between quarters, now 3.0% of the total loan book, down from 4.0% post Ortus acquisition at 31.3.2022
  - → Large stage 3 position in the UK repaid in Q3 2022
- Total impairment loss allowance of 2.7 billion or 2.4% of gross loan book at year end
  - → Stage 3 impairment loss allowance of 2.1 billion or 1.9% of gross loan book
- Temporary change in credit quality in Q1 2022 mainly due to acquisition of Ortus (new financial assets)
  - → Group integration and adjustments in lending rules resulting in quality of loan book steadily improving

Liquidity and Funding Ratios

Strong levels, well above regulatory requirements

Liquidity coverage ratio (LCR)

31.12.2022 / ISK billions

High quality liquid assets	79
Net outflow	25
Liquidity coverage ratio	**320%**
Minimum regulatory requirement	100%

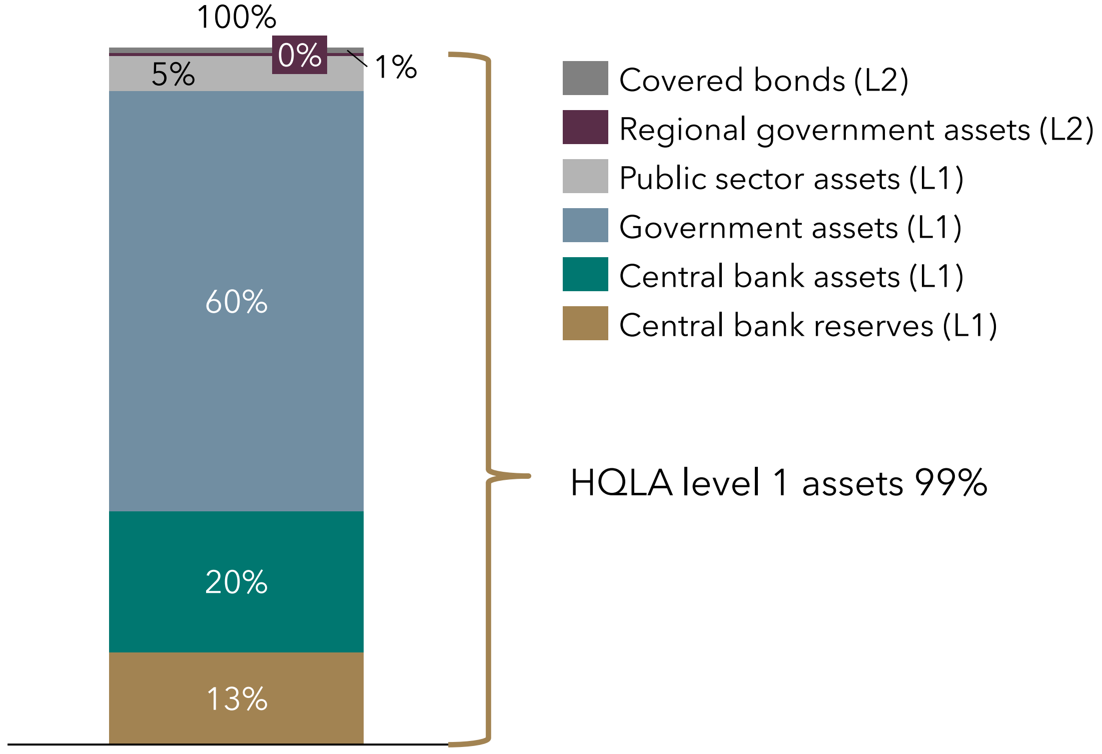
Net stable funding ratio (NSFR)

31.12.2022 / ISK billions

Available stable funding	200
Required stable funding	143
Net stable funding ratio	**140%**
Minimum regulatory requirement	100%

High quality liquid assets (HQLA)*

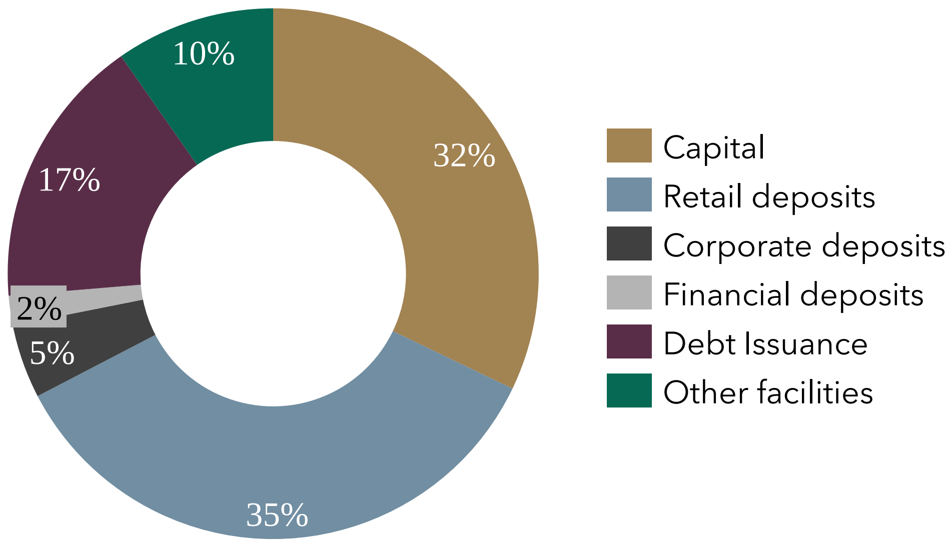
31.12.22 / (%)



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

Available stable funding

31.12.22 / (%)

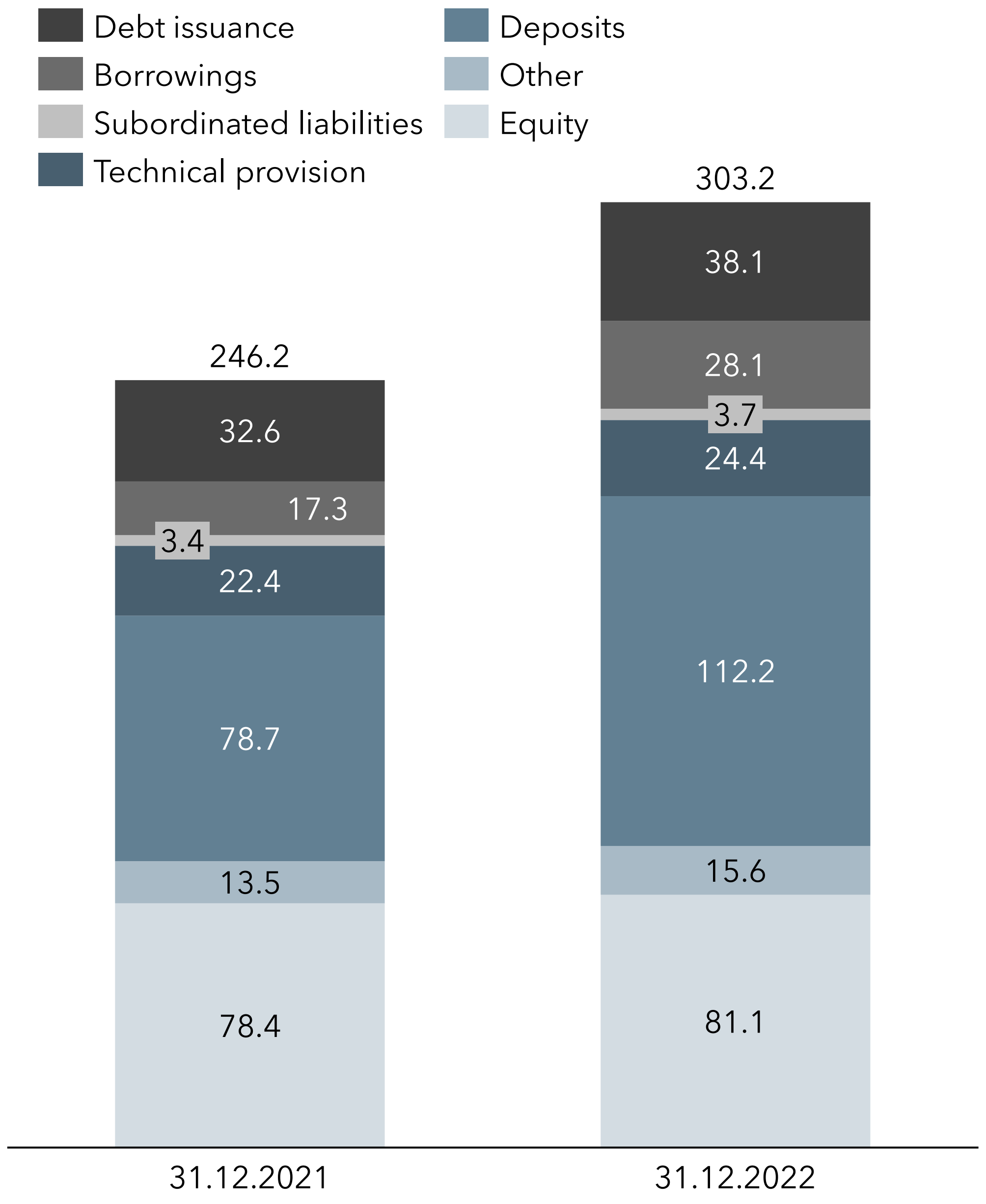


- HQLA assets ISK 79 billion excluding mandatory reserves and collateral to the Central Bank
- Liquidity coverage ratio is strong at 320%, where the regulatory minimum is 100%
- Net stable funding ratio is strong at 140%, where the regulatory minimum is 100%
- Asset and liability management is aimed at maintaining stable funding sources such as core retail deposits and long-term funding via debt issuance
- The group's capital and deposits are the largest funding sources

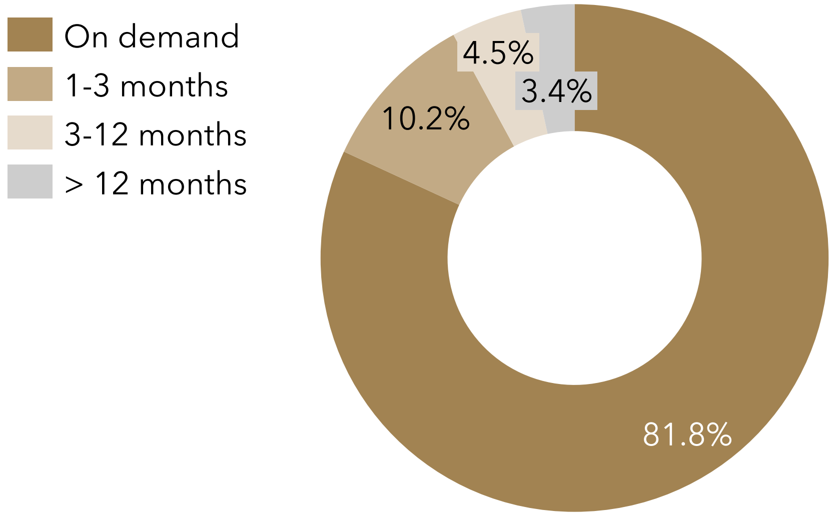
Balance Sheet: Liabilities

Significant growth in retail deposits

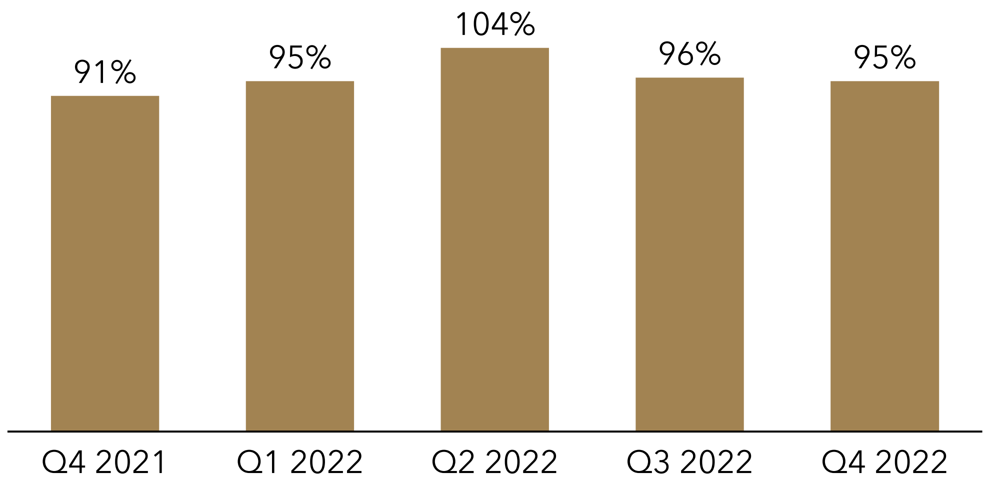
Liabilities and equity
ISK billions



Maturity of deposits
31.12.22 / (%)



Loans to deposits
(%)

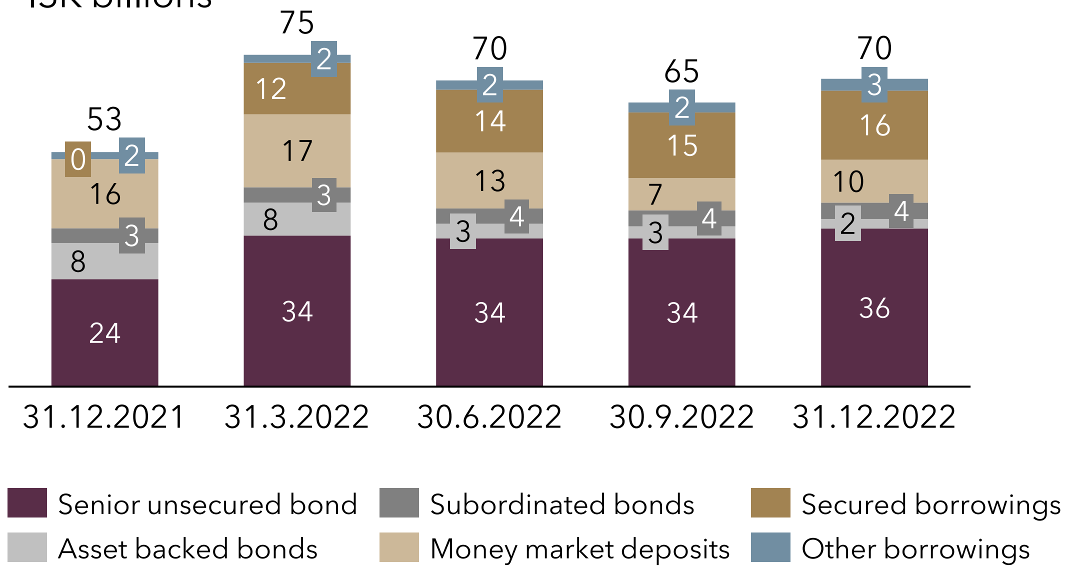


- Liabilities increase by ISK 57 billion since year-end 2021, driven by growth in deposits and increased borrowings
- Deposits increased by ISK 33.5 billion in 12M 2022
- Increased borrowings are mainly attributable to the acquisition of Ortus Secured Finance, which has secured borrowings from UK lenders
- Kvika issued ISK 11.7 billion equivalent of senior unsecured bonds in 2022, including its first euro medium-term note (EMTN) issue:
  - → ISK 2 billion bond with maturity of 10 years
  - → SEK 500 million bond with maturity of 2 years
  - → EUR 8.5 million bond with maturity of 2 years
  - → ISK 1.7 billion green bond with maturity of 3 years
- Technical provision of TM amounts to ISK 24.4 billion, increasing by ISK 1.9 billion mainly due to increase in claims provisions

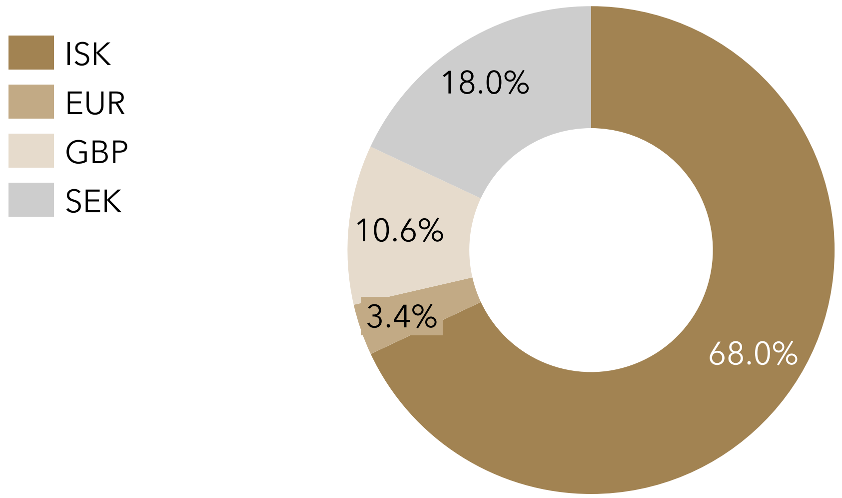
Diversified Funding Programme

Funding capabilities both domestically and abroad

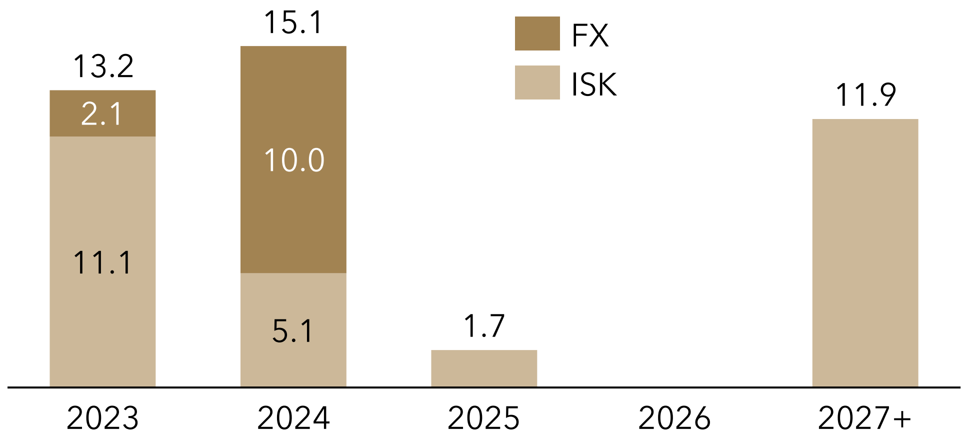
Development of market funding
ISK billions



Issue currency
31.12.22 / ISK billions



Maturity of issuance
31.12.22 / ISK billions



Rating
Moody's Investors Service

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

- Kvika has been an active issuer in Iceland since 2015 and in 2021 established an EMTN programme and obtained a credit rating from Moody's Investors Service
- Inaugural EMTN issue of 2y SEK 500 million issued in January 2022 paying 280bps above 3m STIBOR
  - → Notes under the programme can be issued in any currency agreed between the issuer and applicable dealers, e.g EUR, GBP, USD, SEK and NOK
- ISK 38 billion of senior bonds outstanding at 31 December 2022 with 68% issued in ISK
- Among Kvika's borrowings are secured borrowing facilities which are utilized by Ortus in the UK
- In February 2023 Moody's placed Kvika's deposit and issuer ratings on review for upgrade pending merger discussions with Íslandsbanki hf.

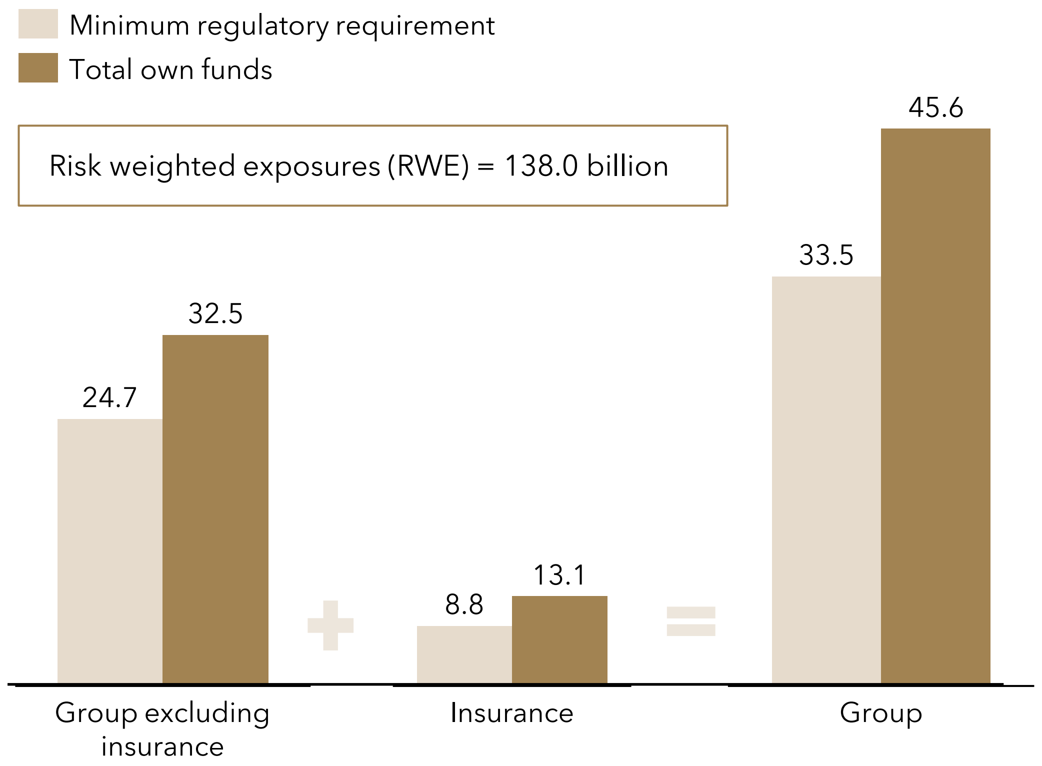
Solvency and Capital

Well above regulatory requirements

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

CAR and solvency

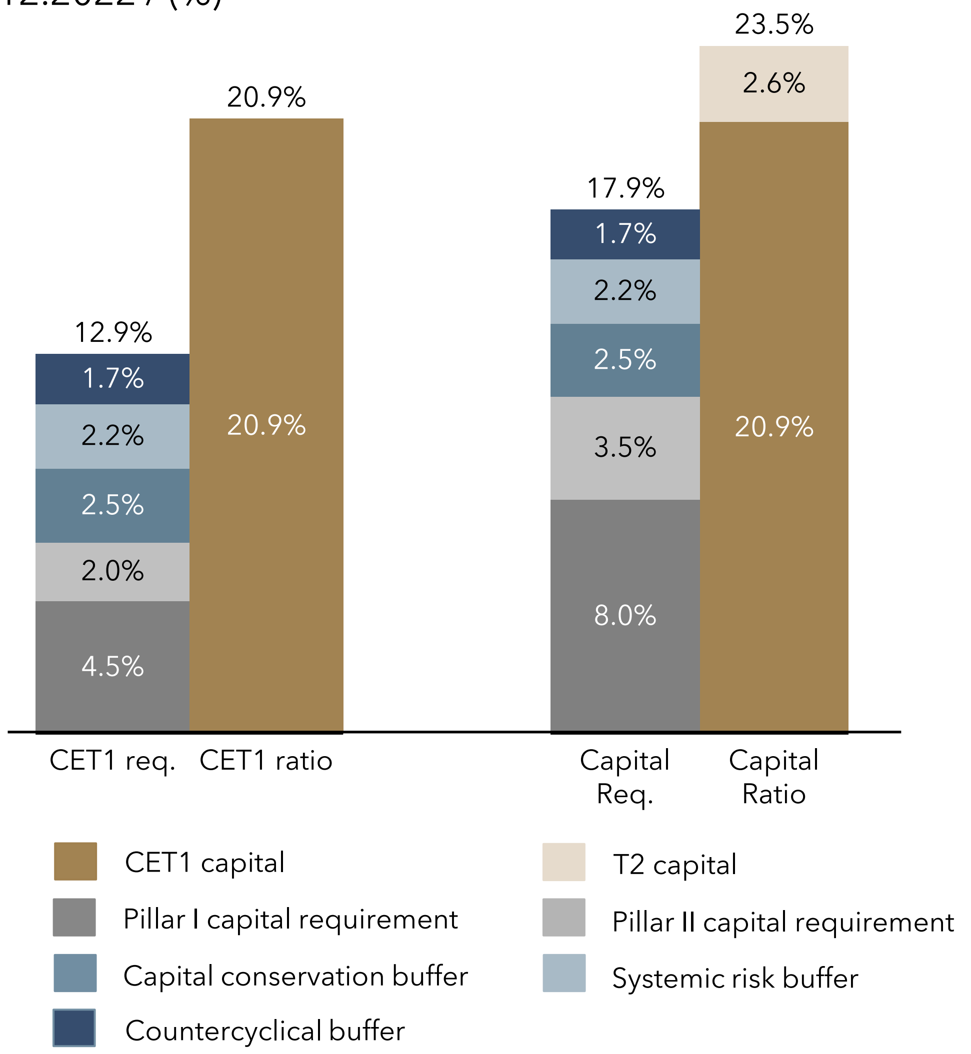
31.12.2022 / ISK bn.



CAR	Solvency	Solvency
32.5 / 138.0= 23.5%	13.1 / 8.8 = 1.49	45.6 / 33.5 = 1.36
Regulatory minimum: 24.7 / 138 = 17.9%	*Reg. minimum: 1.00*	*Reg. minimum: 1.00*

Capital position and requirements

31.12.2022 / (%)



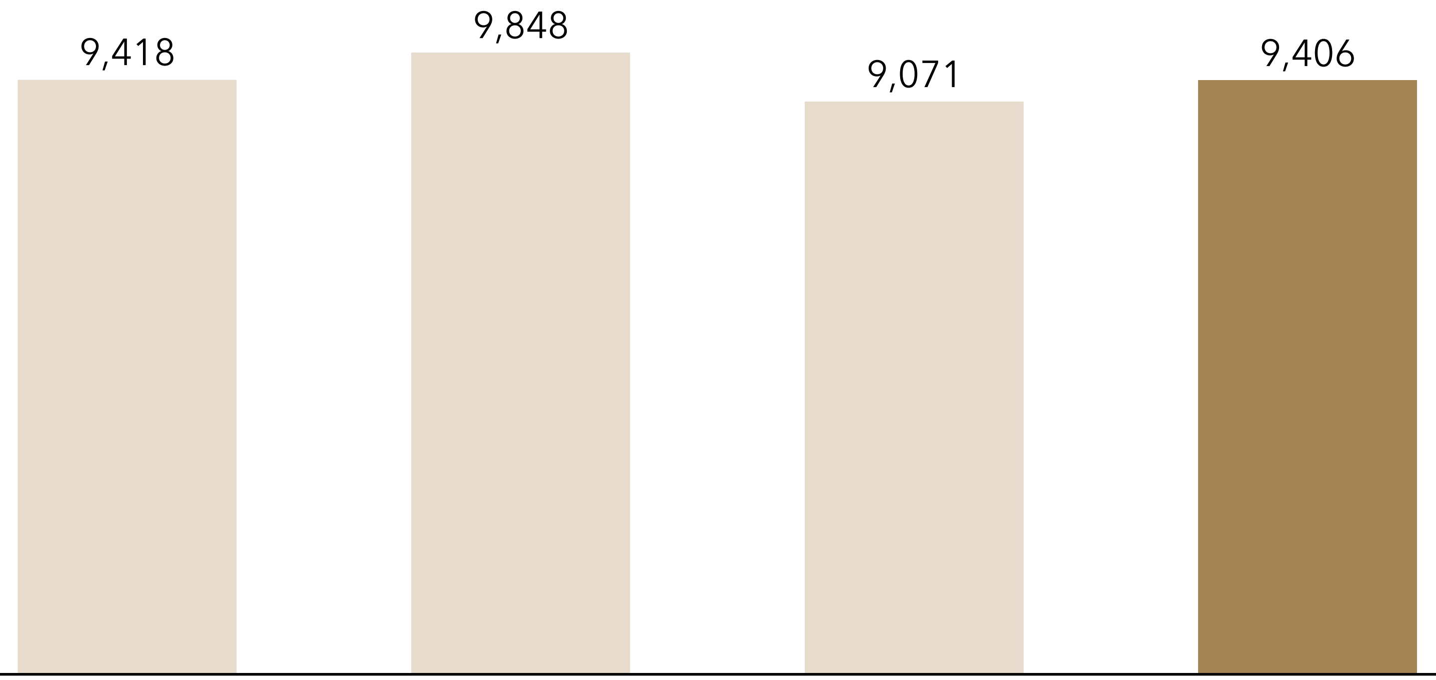
- Kvika has a group solvency of 1.36 and a CAR of 23.5% at the end of December 2022
- Capital requirement reduced considerably in Q4 2022 following SREP update, minimum regulatory capital requirement now 17.9%
  - → Countercyclical buffer increase of 0.2% in December 2022 as Bank of England increased its countercyclical buffer which Kvika partially implements
- Significant amount of excess capital, ISK 12.1 billion on consolidated solvency basis for the group and ISK 7.8 billion on CAR basis excluding insurance activities
- Proposed dividend payment of ISK 0.4 per share, ISK 1.912 billion, taking into account treasury shares held by the group
  - → Amounts to 40.1% of Kvika's profit after tax
  - → Pre-dividend CAR 24.9%, group solvency 1.42

Outlook for Next Four Quarters

Healthy growth and new revenue streams expected in 2023

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

PBT Outlook 2022-23
ISK million



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

Key assumptions

TM: 9.2% return on investment and combined ratio of 96.4%

Loan book growth of 24% in the period

Expected inflation of 6.6% for the next 12 months

- PBT Outlook for the next four quarters, Q1 2023 – Q4 2023, updated to ISK 9,406 million from ISK 9,071 million for Q4 2022 – Q3 2023
  - → Each quarter's expected PBT varies from ISK 1.4-2.9 billion in the Q1 2023 – Q4 2023 guidance
- Running four quarter PBT increases from last outlook
  - → Healthy loan book growth
  - → UK NIM improvements
  - → Increased fintech revenues expected in second half of 2023

Key Takeaways

Diverse income streams form strong core operations

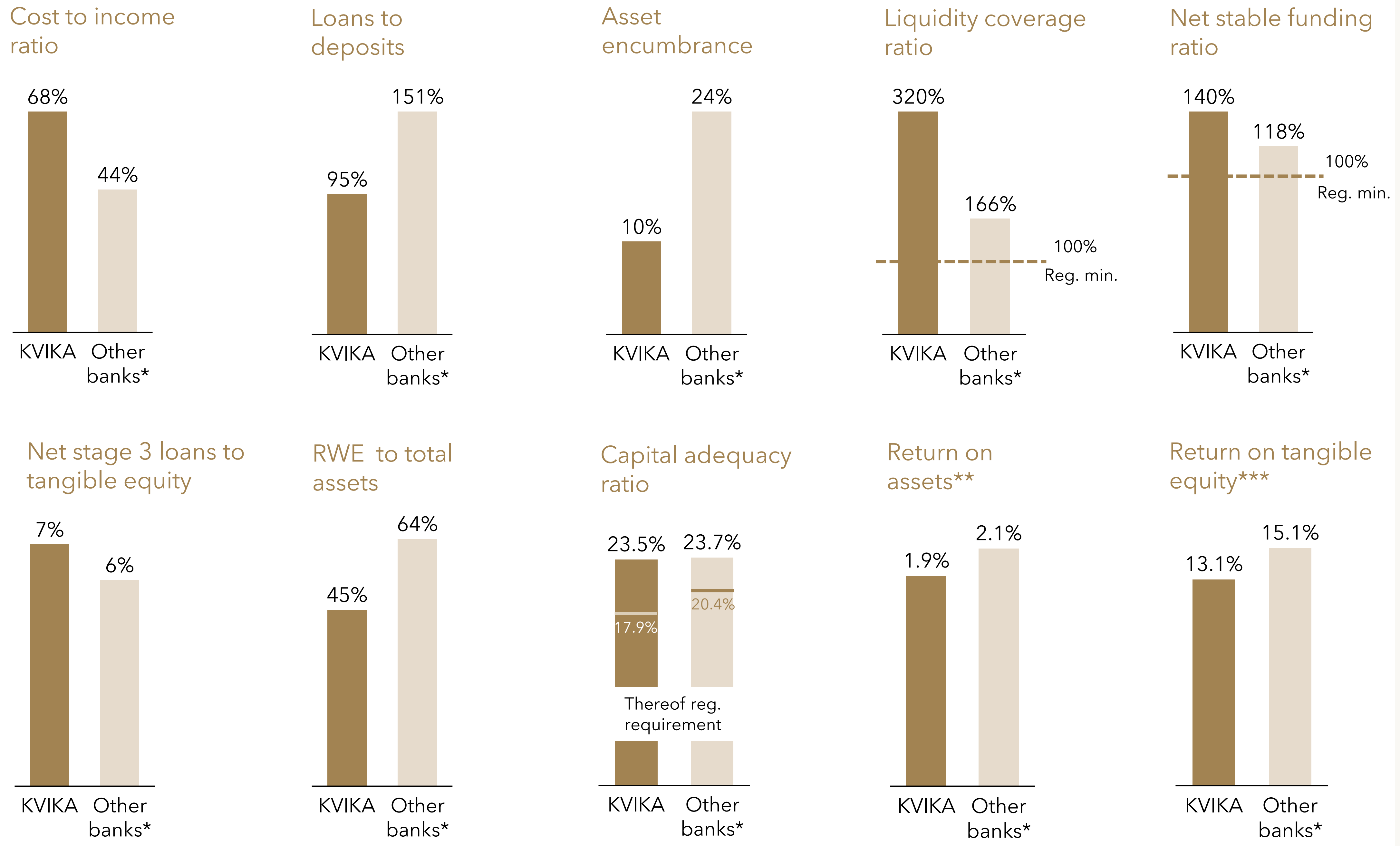
- Five operating segments continue to provide a highly diverse source of income for the group
- Strong capital position with a proposed dividend payment of ISK 0.4 per share announced
- Strong financial position with significant liquidity and excess capital creates both stability and valuable infrastructure for growth
- Core revenues remain strong, diversification of revenue streams proves its value as a temporary reduction in net financial income is countered by other stable revenue streams
- Guidance of PBT ISK 9,406 million for next 12 months

Appendix

Additional information

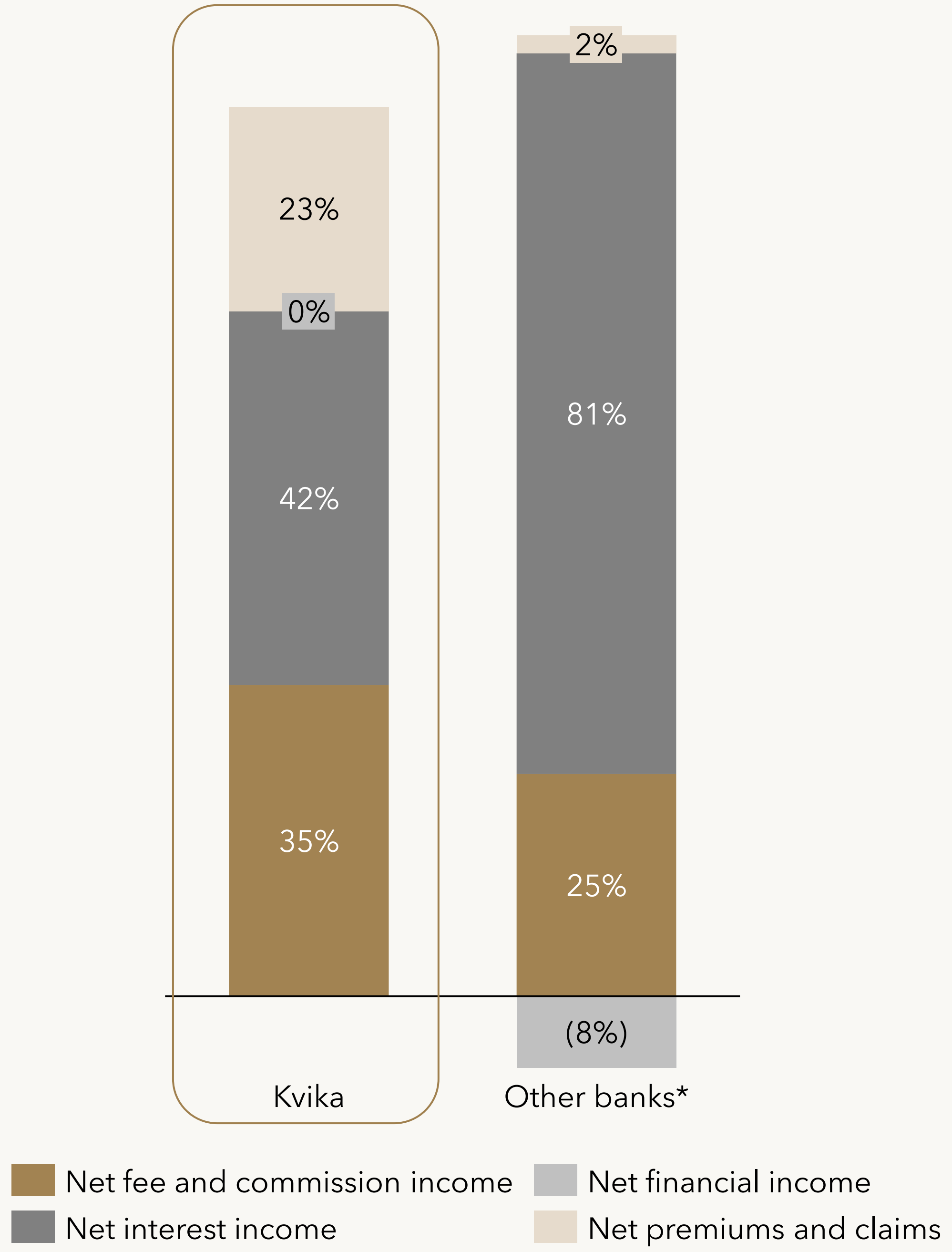
Kvika as a Borrower

Comparison to domestic peers for 12M 2022



Diversified income base compared to domestic peers

Net operating income / 31.12.22

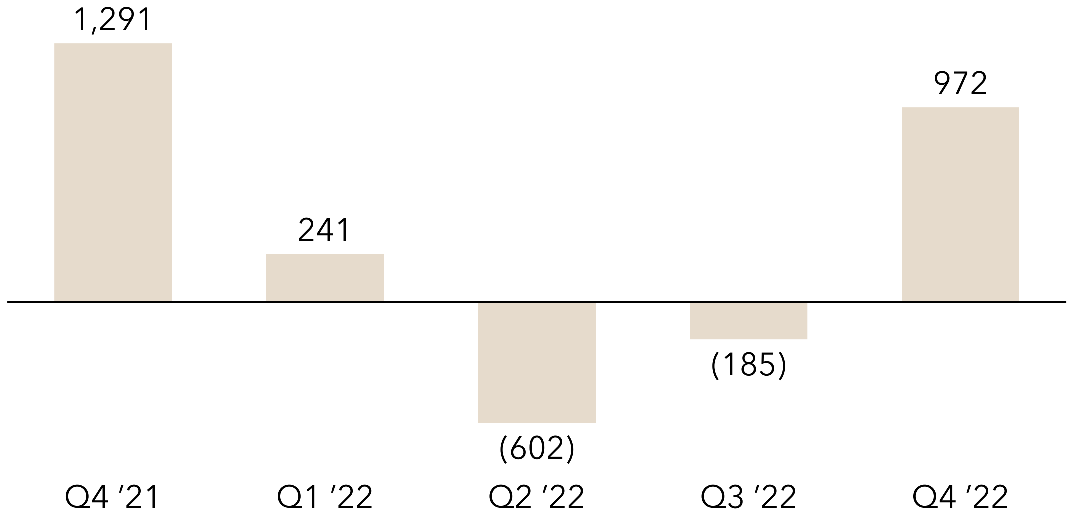


*Simple average of other domestic banks **Return before tax ***RoTE before tax, estimated for other banks

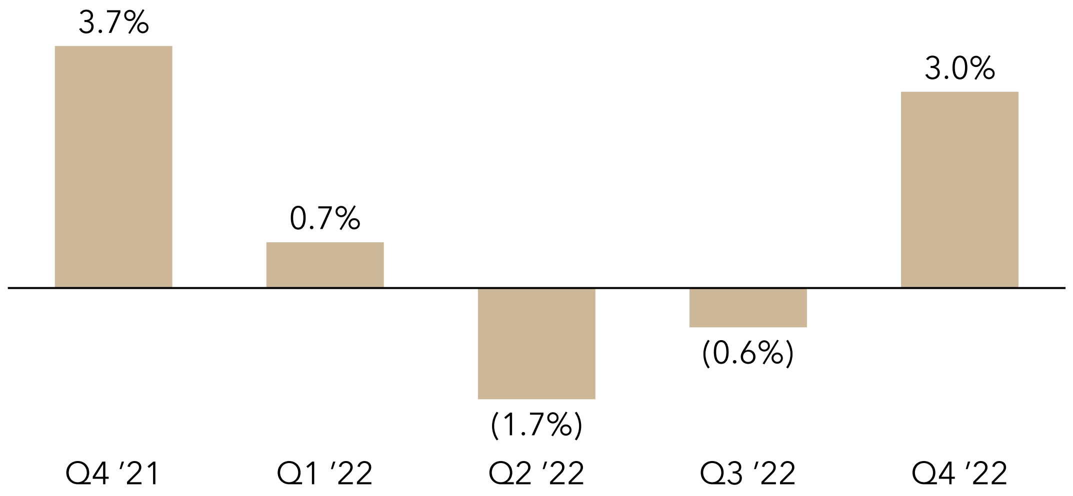
Insurance Investments

Return on investment of 1.2% in 12M 2022

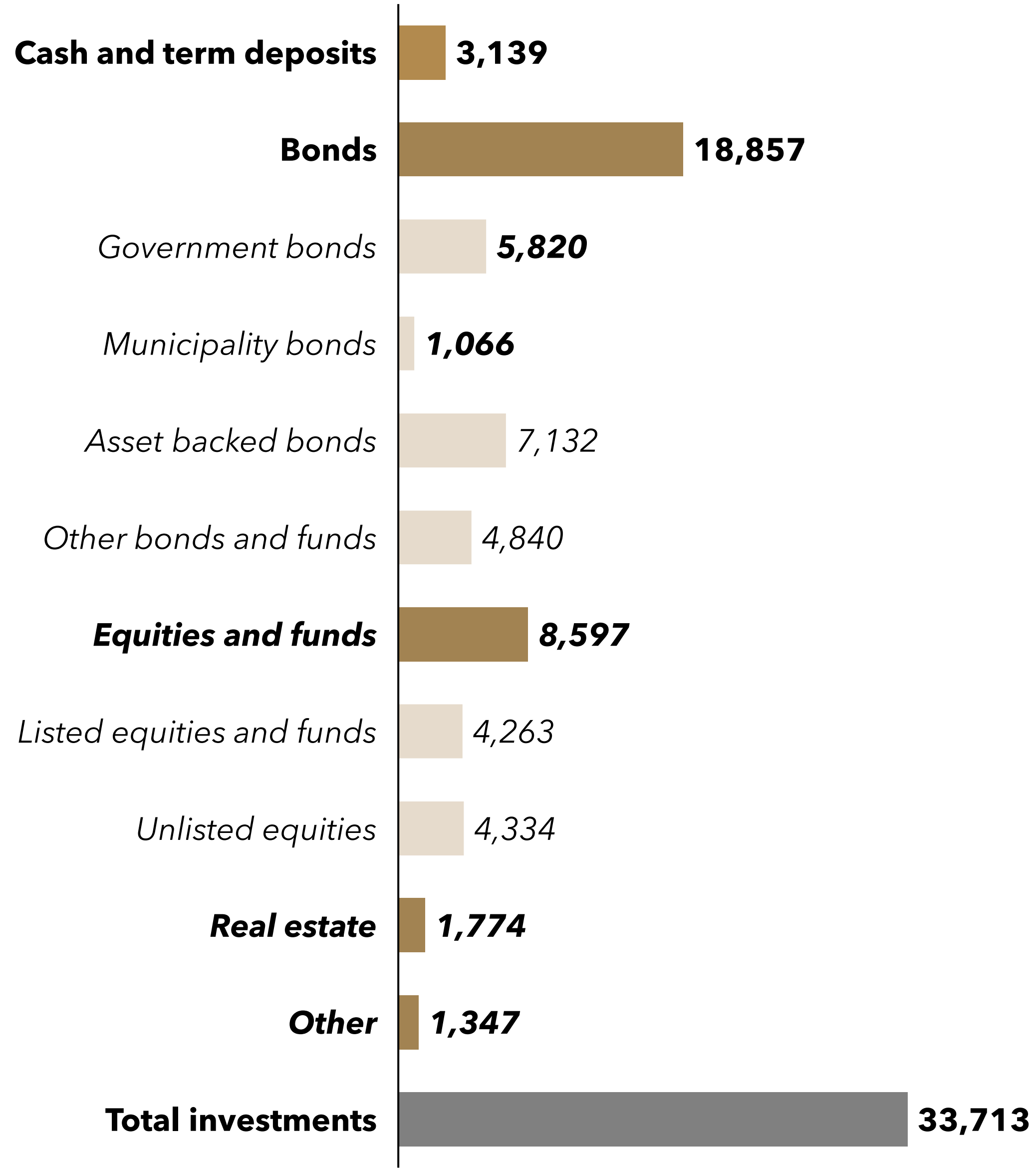
Investment asset income
ISK m.



Investment asset returns (ROI)
(%)



Insurance investment assets*
31.12.2022 / ISK m.



- Subdued return on investment assets in 2022 of 1.2% mainly due to difficult equity market circumstances
- Positive performance in bonds and real estate offset to a large extent by negative return on equities
  - Listed equity returns -11,3%
- Cash and liquidity funds amount to ISK 3.1 billion at the end of the year

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

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