Kvika banki hf.

Q2 2024 Financial Results

14 August 2024

ISK 1,189 m.

Profit before tax, continuing operations

ISK 1,256 m.

Profit after tax including TM

14.6%

Pre-tax RoTE, continuing operations

22.1%

CAR

Q2 2024

Profit after tax, including TM insurance, increases by 69% year-on-year

ISK 1,256 million in Q2 2024, compared to ISK 745 million in Q2 2023

Profit before tax from continuing operations decreases by 22% year-on-year

Profit before tax from continuing operations amounts to ISK 1,189 million, compared to ISK 1,517 million in Q2 2023, affected by significant financial income in Q2 2023

Net interest income increases 31% year on year

Driven by 24% year on year growth in loans to customers and net interest margin improvement from 3.4% to 3.8%

Net fee and commission income decreases by 11% year on year

Challenging capital markets negatively impact fee income in Asset Management and Corporate Banking & Capital Markets

Operating expenses nearly unchanged year on year

Result of efficient cost management initiatives

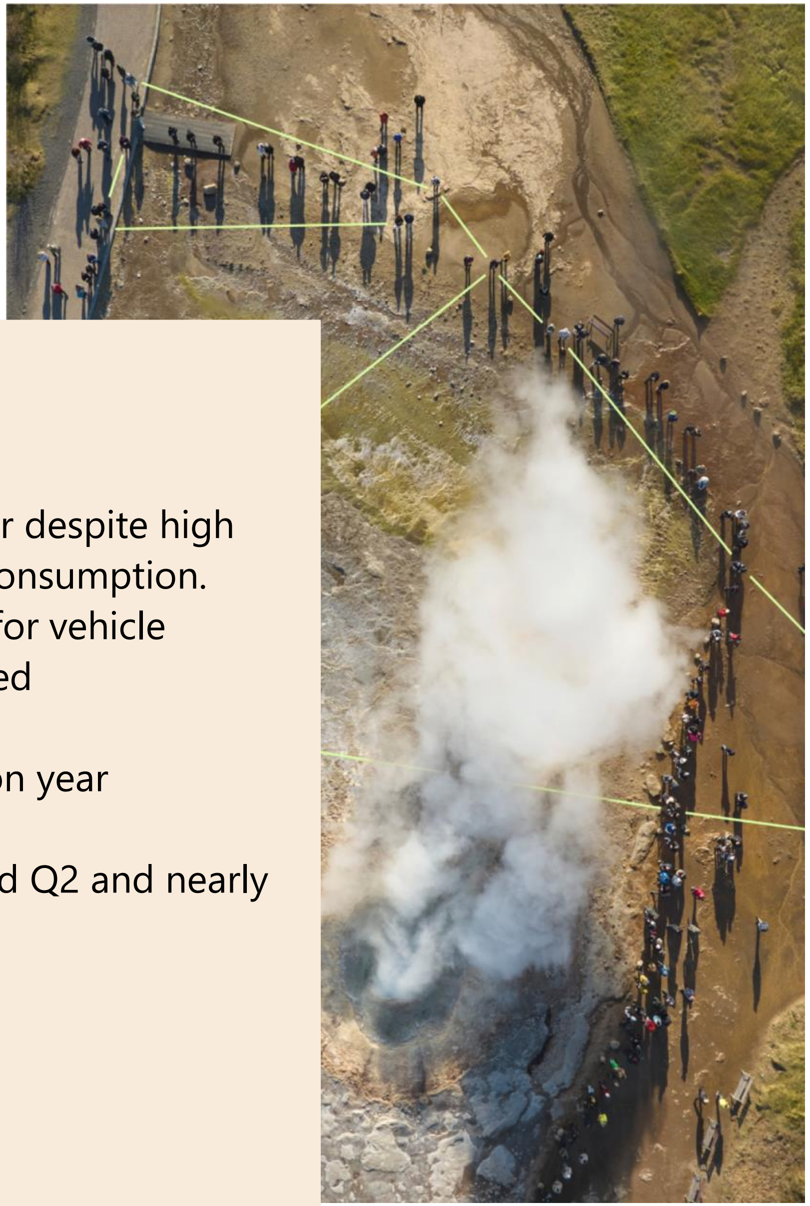
TM's operating results rebound significantly from Q2 2023

Completion of TM divestment pending regulatory approval

Commercial Banking

Segment highlights

Continued robust loan book growth despite a slowdown in private consumption



- Loans to customers increase 9% year on year despite high interest rates and a deceleration in private consumption. Loan growth mainly due to strong demand for vehicle lending while consumer lending is unchanged

- Net interest income increases by 10% year on year

- Customer deposits grew 9% between Q1 and Q2 and nearly 15% YoY

Corporate Banking & Capital Markets

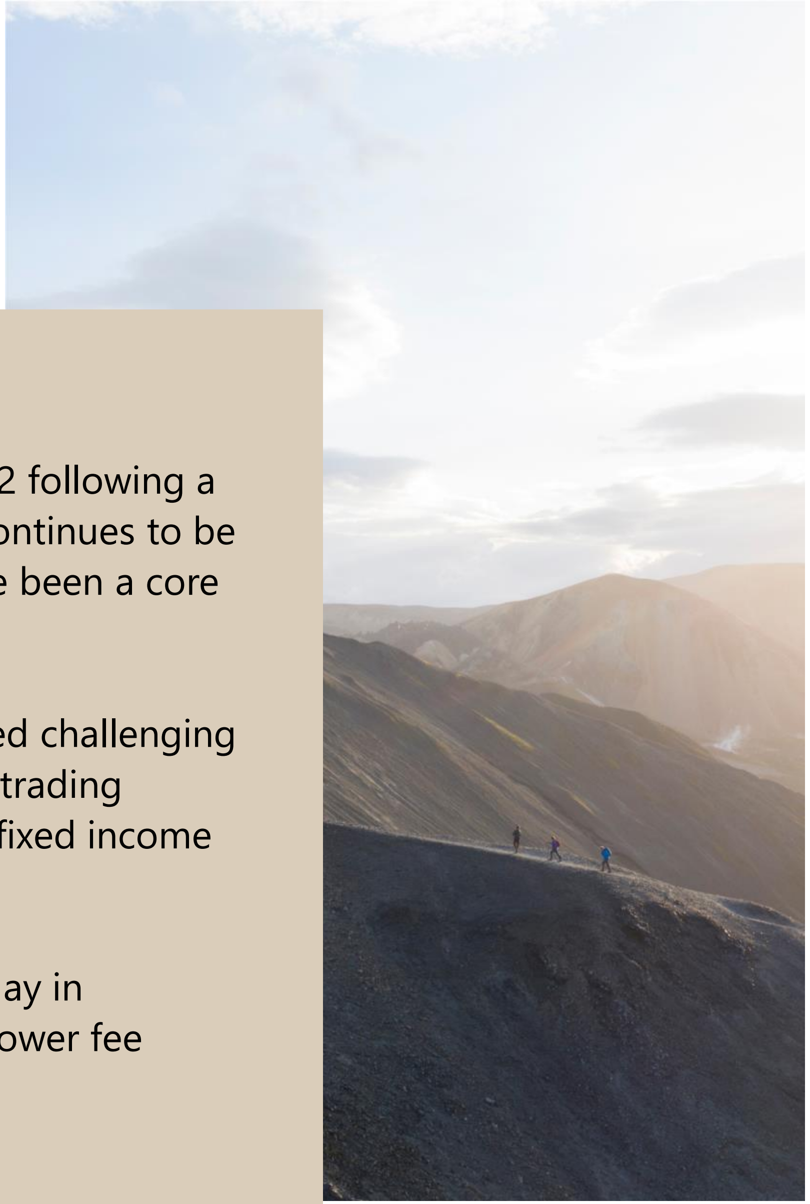
Segment highlights

Disappointing market conditions continue to affect fee income while loan book remains strong

- Moderate growth in corporate lending in Q2 following a period of strong growth in 2023. Lending continues to be driven by property backed loans which have been a core focus in past quarters

- The environment in capital markets remained challenging in Q2 with poor market conditions and low trading volume. Kvika had a 17.6% market share in fixed income and 12.6% market share in equity trading

- Subdued Corporate Finance activity and delay in completion of various projects resulting in lower fee income than anticipated



Asset Management

Segment highlights

Growth in assets under management as markets remain challenging

- Assets under management amounted to ISK 479.6 billion at end of June 2024, an increase of ISK 5.1 billion during Q2 and a total increase of ISK 9.7 billion during the first half of the year

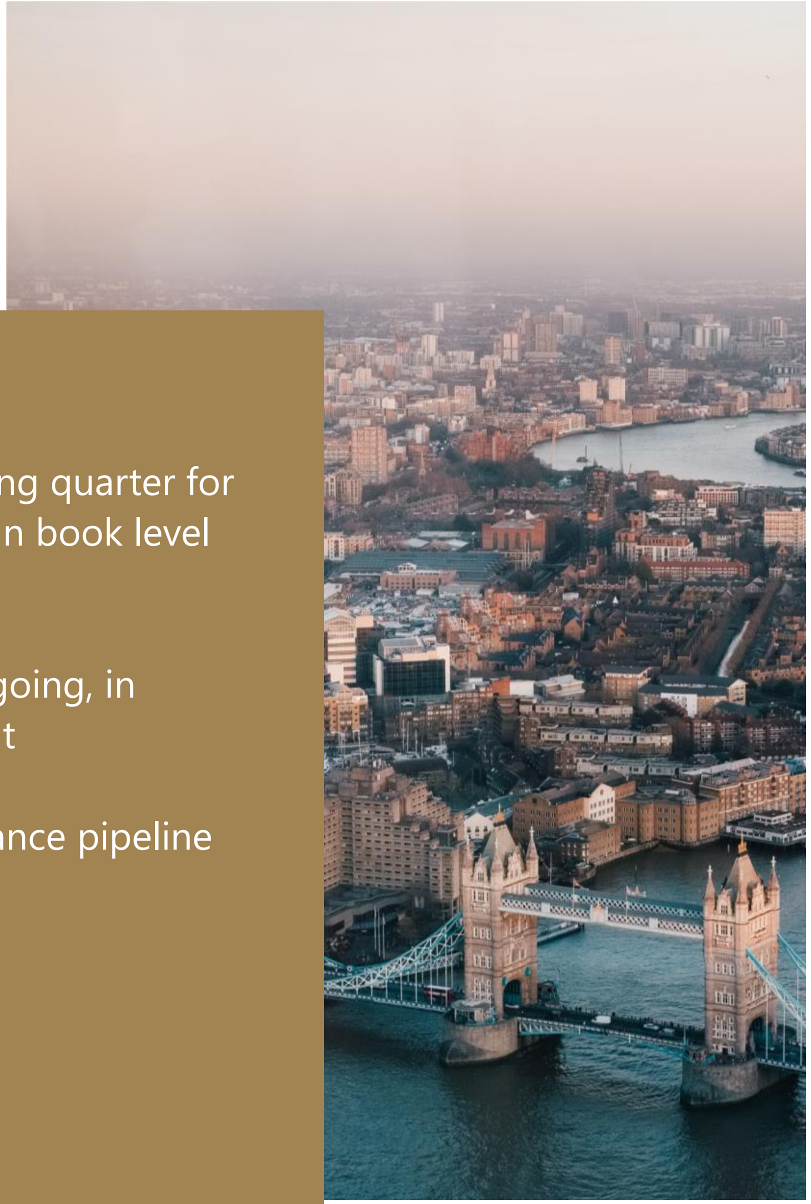
- Net positive inflow into actively managed retail funds during the quarter despite challenging market conditions

- Credit funds near fully invested with the aim of raising a new credit fund before end of year

- Market continues to affect performance related fees in the short term

UK

Segment highlights



Strong half-year with resilient interest margin and growing loan book

- Robust performance in Q2 driven by a strong quarter for Ortus Secured Finance due to a healthy loan book level and a sustained improvement in NIM
- Preparation for launch of UK PE fund is ongoing, in collaboration with Kvika Asset Management
- Continuing improvements in corporate finance pipeline

TM Insurance

Asset held for sale

Agreement signed, completion pending regulatory approval

- Solid results from TM insurance operations which rebound significantly YoY as investment returns counter negative impacts of major claims in the period
- An agreement for Landsbankinn's purchase of TM was signed on 30 May 2024. The purchase price is ISK 28.6 billion with the final consideration for the company subject to a closing adjustment
- The transaction is contingent on approval by the Icelandic Competition Authority and the Financial Supervisory Authority of the Central Bank of Iceland. Landsbankinn will assume operation of TM once such approval is obtained

Financials

Income Statement

Q2 2024

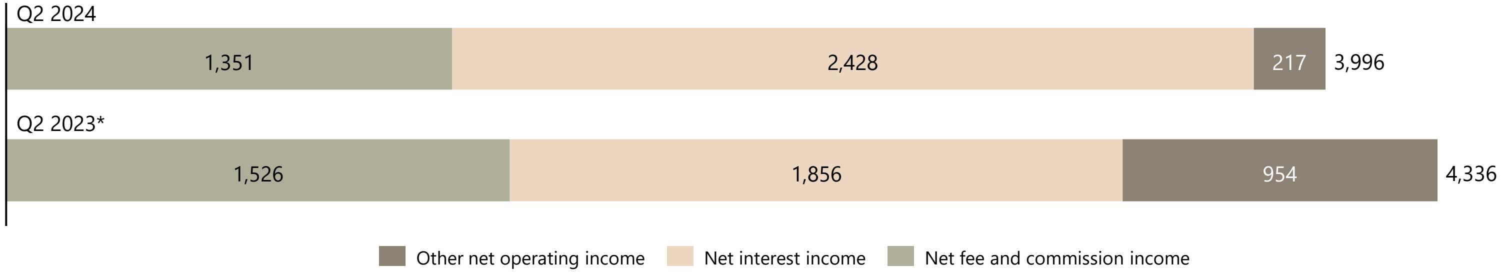
Income Statement

ISK m.

	Q2 2024	Q2 2023*	Diff.	Q1 2024	Diff.
Net interest income	2,428	1,856	*572*	2,326	*102*
Net fees and commissions	1,351	1,526	*(175)*	1,633	*(282)*
Other net operating income	217	954	*(737)*	110	*107*
Net operating income	**3,996**	**4,336**	*(340)*	**4,069**	*(73)*
Administrative expenses	(2,734)	(2,739)	*5*	(2,666)	*68*
Net impairment	(65)	(81)	*16*	(188)	*(123)*
Revaluation	(8)	-	*(8)*	-	*(8)*
Pre-tax profit	**1,189**	**1,517**	*(328)*	**1,215**	*(26)*
Income tax	(282)	(334)	*52*	(152)	*(130)*
Special bank taxes	(131)	(119)	*(11)*	(76)	*(55)*
After-tax profit	**777**	**1,064**	*(287)*	**987**	*(210)*
Profit after tax from discontinued operations	480	(319)	*799*	96	*384*
Profit for the period	**1,256**	**745**	*511*	**1,083**	*173*

Revenue Composition

ISK m.



- Profit before tax from continuing operations: ISK 1,189 m.
- Profit after tax: ISK 1,256 m., including TM Insurance, classified as discontinued operations
- Net interest income: Robust 31% YoY growth driven by a larger balance sheet and improved net interest margin
- Net fee and commission income: Down 11% compared to Q2 2023, primarily due to reduced income from Asset management and Capital markets
- Other net operating income: ISK 217 m., representing a 77% decrease from Q2 2023. The previous year's figure was positively impacted by one-off financial income from the sale of shares in Kerecis
- Administrative expenses: Remained nearly unchanged YoY, despite a 6% inflation rate during the same period
- The number of employees was reduced by 10% compared to Q2 2023, reflecting efficient cost management.

*Comparative information has been restated. Reference is made to note 3 in Kvika's Condensed Interim Consolidated Financial Statements dated 30.06.2024 for further information.

Income Statement

6M 2024

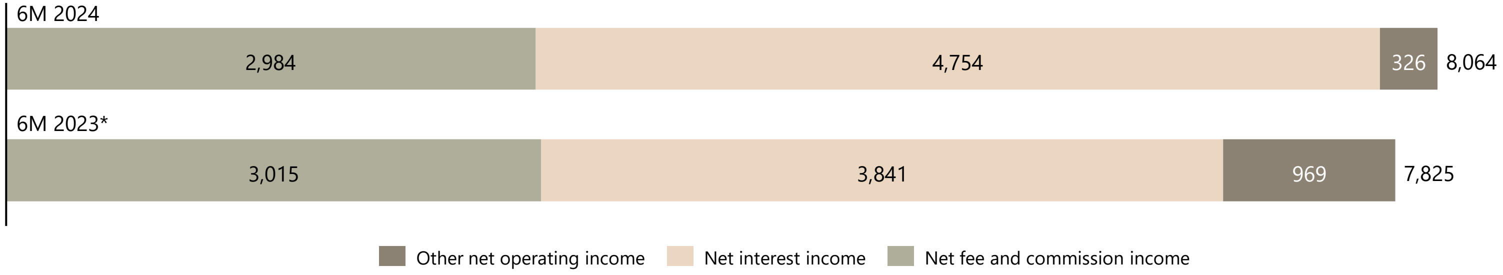
Income Statement

ISK m.

	6M 2024	6M 2023	Diff.
Net interest income	4,754	3,841	*914*
Net fees and commissions	2,984	3,015	*(31)*
Other net operating income	326	969	*(643)*
Net operating income	**8,064**	**7,825**	*239*
Administrative expenses	(5,399)	(5,373)	*(26)*
Net impairment	(253)	(40)	*(213)*
Revaluation	(8)	-	*(8)*
Pre-tax profit	**2,404**	**2,412**	*(8)*
Income tax	(434)	(438)	*4*
Special bank taxes	(206)	(171)	*(34)*
After-tax profit	**1,764**	**1,803**	*(39)*
Profit after tax from discontinued operations	576	109	*467*
Profit for the period	**2,340**	**1,912**	*428*

Revenue Composition

ISK m.



- Profit before tax from continuing operations: ISK 2,404 m., nearly unchanged YoY
- Profit after tax: ISK 2,340 m., including TM Insurance, classified as discontinued operations, significant improvement YoY in TM's operations
- Net interest income: Robust 24% YoY growth driven by a larger balance sheet and improved net interest margin
- Net fee and commission income: Nearly unchanged YoY
- Other net operating income: ISK 326 m., representing a 66% decrease from H1 2023. The previous year's figure was positively impacted by one-off financial income from the sale of shares in Kerecis
- Administrative expenses: Remained nearly unchanged YoY, despite over 6% inflation rate during the same period

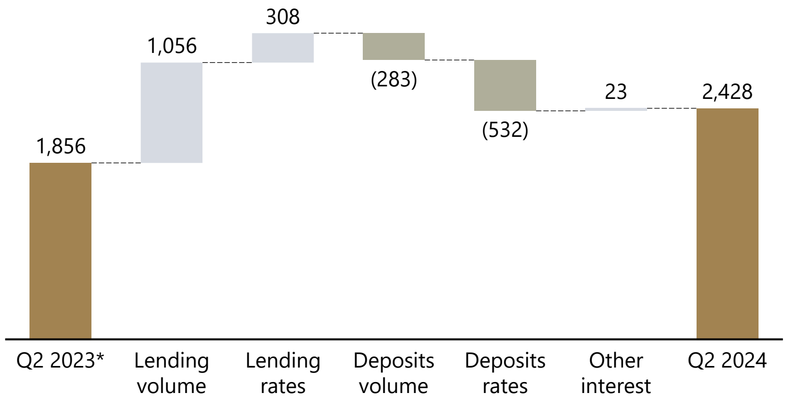
*Comparative information has been restated. Reference is made to note 3 in Kvika's Condensed Interim Consolidated Financial Statements dated 30.06.2024 for further information.

Net Interest Income

Robust 31% growth year on year

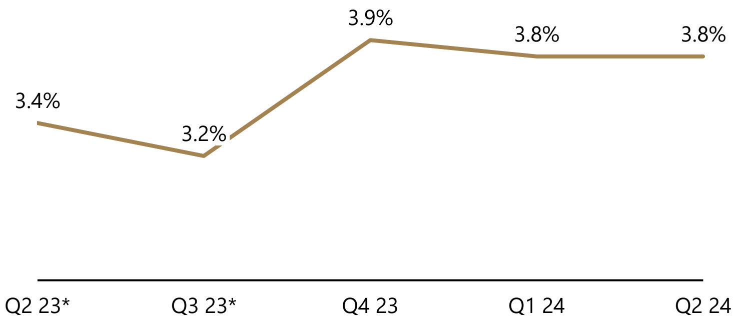
Net interest income 12M comparison

Q2 2023* to Q2 2024 / ISK m.



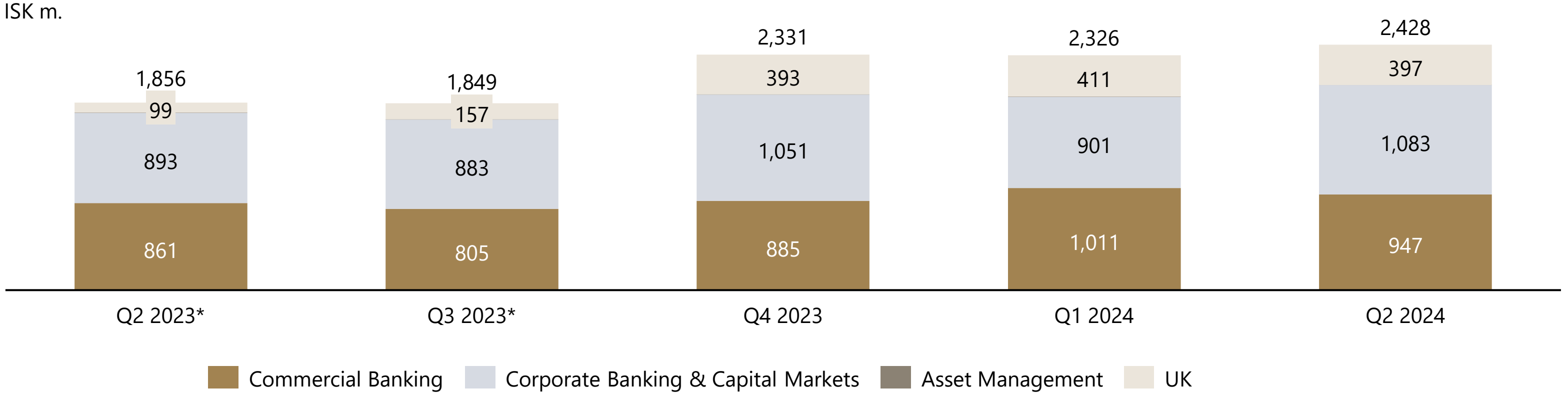
Net interest margin development

ISK m.



Net interest income development (NII)

ISK m.



- Net interest income up 31% from Q2 2023 and 4.4% from Q1 2024
- Net interest margin of 3.8% p.a. in Q2 2024, a 40 bps improvement from Q2 2023, mainly due to stabilisation of Central bank rates. Net interest income is calculated as net interest income to total average interest-bearing assets
- The UK segment has shown a very strong turnaround compared to the previous year. The segment was adversely affected during 2022-2023 by rapid central bank rate hikes, which have now stabilized.
- Interest income due to lending grows by ISK 1,365 m. from Q2 2023, attributable to higher rates as well as lending growth
- Interest expense due to deposits grows by ISK 815 m. from Q2 2023, mainly due to increased cost of deposits caused by rising interest rates as well as increased volume
- Other interest income consist mainly of treasury assets and activities where returns on liquid assets in the period are offset by a negative impact from the interest-free reserve requirements increase by the Central Bank in Q2 2024 from 2% to 3%

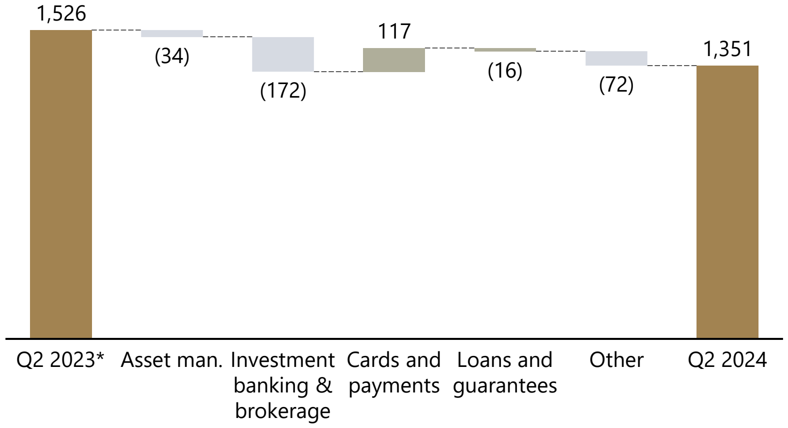
*Comparative information has been restated. Reference is made to note 3 in Kvika's Condensed Interim Consolidated Financial Statements dated 30.06.2024 for further information.

Net Fee and Commission Income

Market conditions negatively impact fee income in Asset management and Corporate Banking & Capital Markets

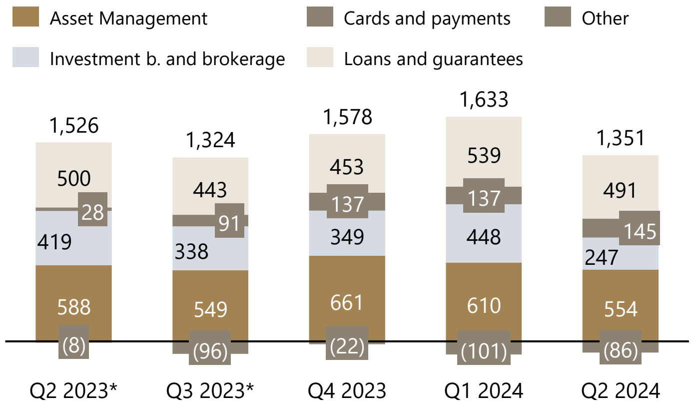
Net fee and commission income

Q2 2023* to Q2 2024 / SK m.



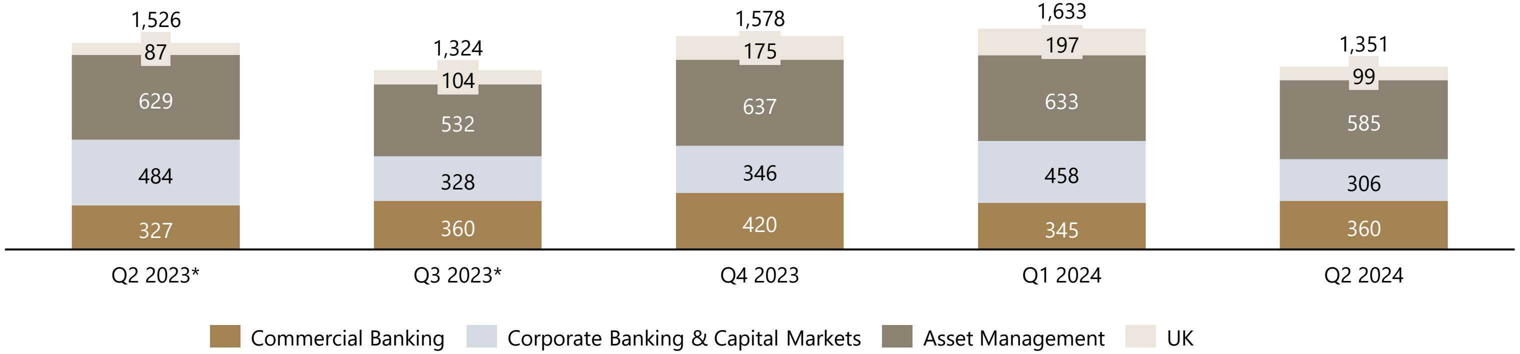
Net fee and commission income

ISK m.



Net fee and commission income development

ISK m.



- Fees in Asset Management and Corporate Banking & Capital markets decrease YoY due to challenging conditions in the domestic capital markets
- Cards and payments now a recurring fee base through the operations of Straumur and increased retail banking offerings
- UK fee and commission income returning to run rate following two strong quarters of lending fees

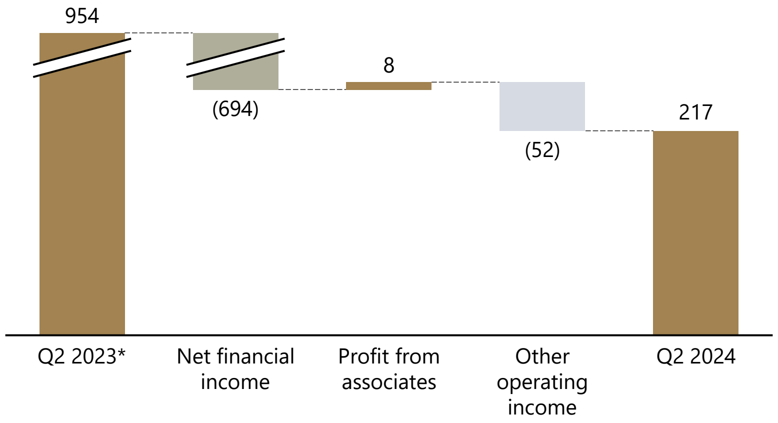
*Comparative information has been restated. Reference is made to note 3 in Kvika's Condensed Interim Consolidated Financial Statements dated 30.06.2024 for further information.

Other Net Operating Income

Limited net financial income

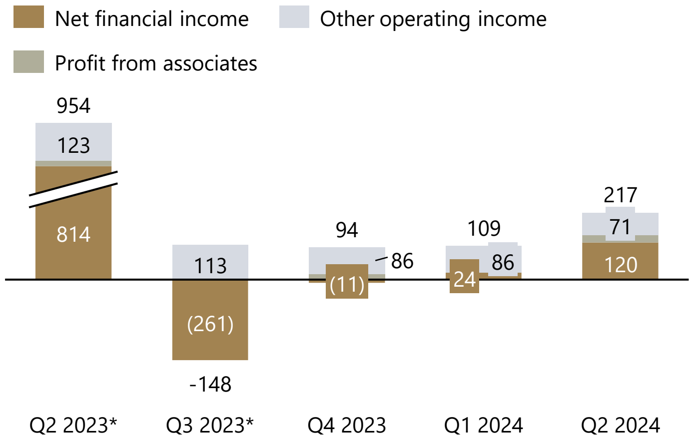
Other net operating income

Q2 2023* to Q2 2024 / ISK m.



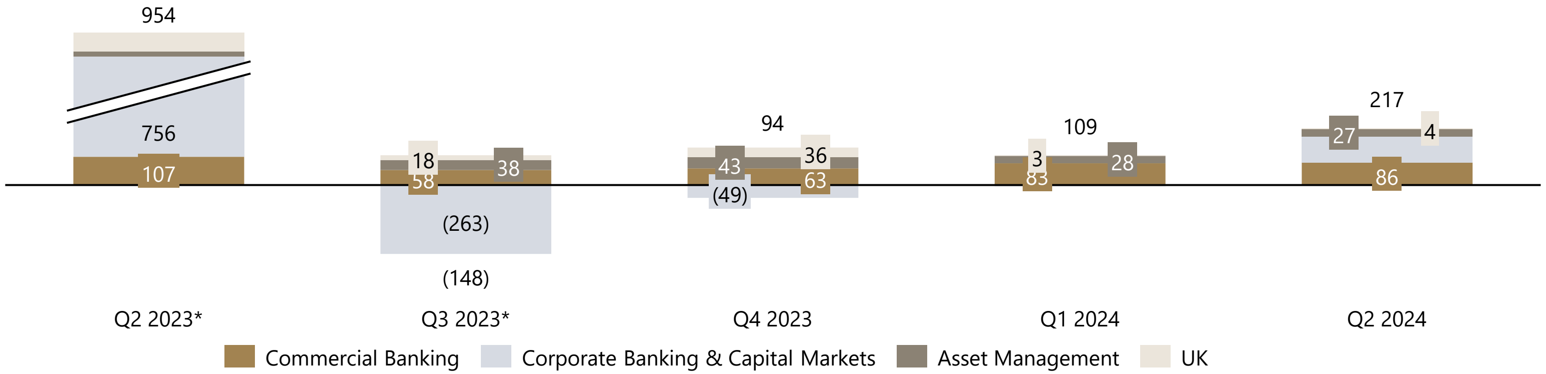
Other net operating income

Composition / ISK m.



Other net operating income

ISK m.



- Net financial income decreases by ISK 694 from Q2 2023, mainly attributable to one-time realization of gains from Kerecis shareholdings in Q2 2023
- Generally, other net operating income remains a non-core revenue stream following the classification of TM's assets and operations as held for sale, resulting in net financial income impacting the consolidated revenue statement considerably less
  - Other net operating income consists of net financial income, Kvika's share in the profit or loss of associates and other operating income

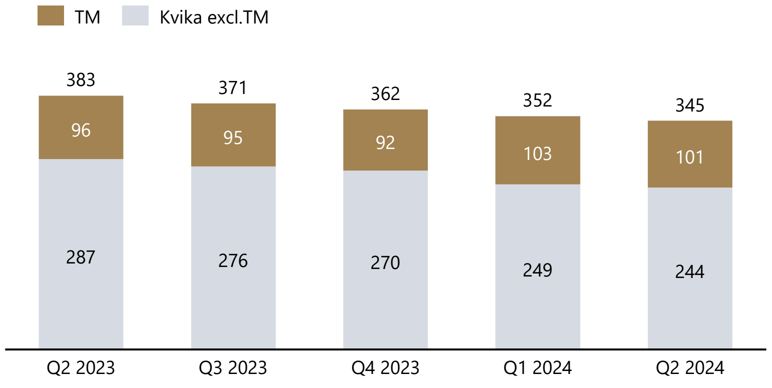
*Comparative information has been restated. Reference is made to note 3 in Kvika's Condensed Interim Consolidated Financial Statements dated 30.06.2024 for further information.

Operating Expenses

Efficient cost management

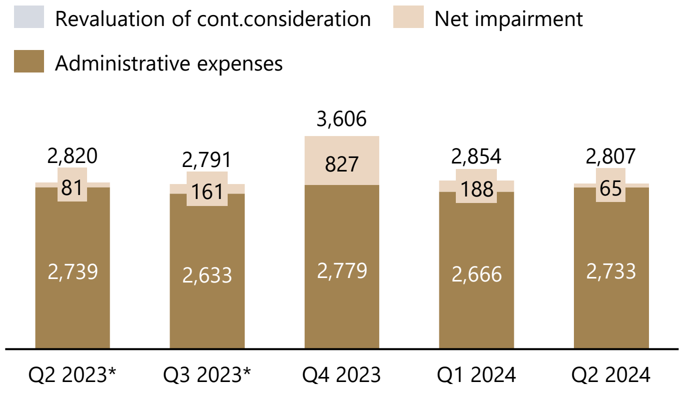
Employee development

Full time employees at the end of each period



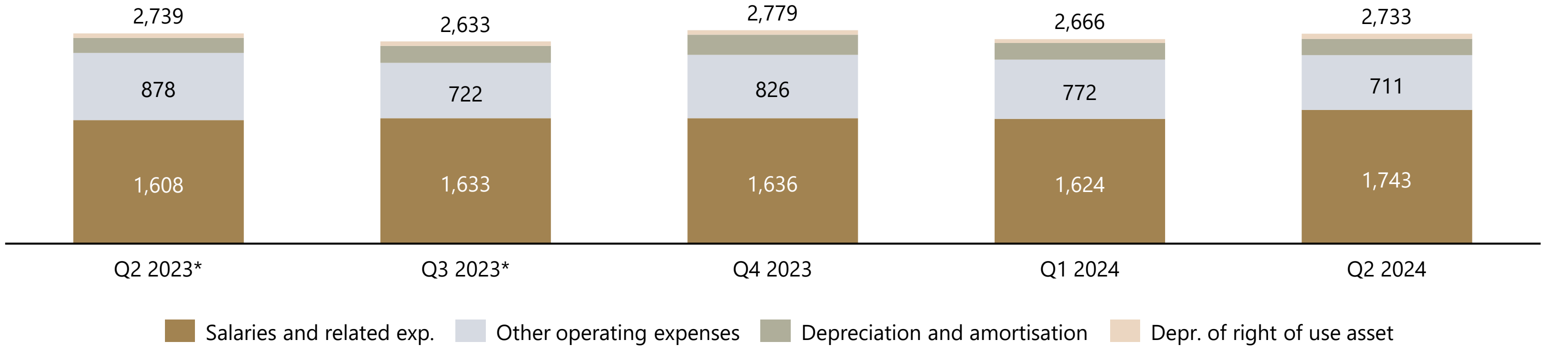
Operating expenses

ISK m. / restated comparative information



Administrative expenses

ISK m. / restated comparative information



- Operating expenses decrease by 0.5% from Q2 2023 while inflation amounted to 6% in the period
- Number of employees reduced by 10% compared to Q2 2023
- Continued focus on efficient cost management

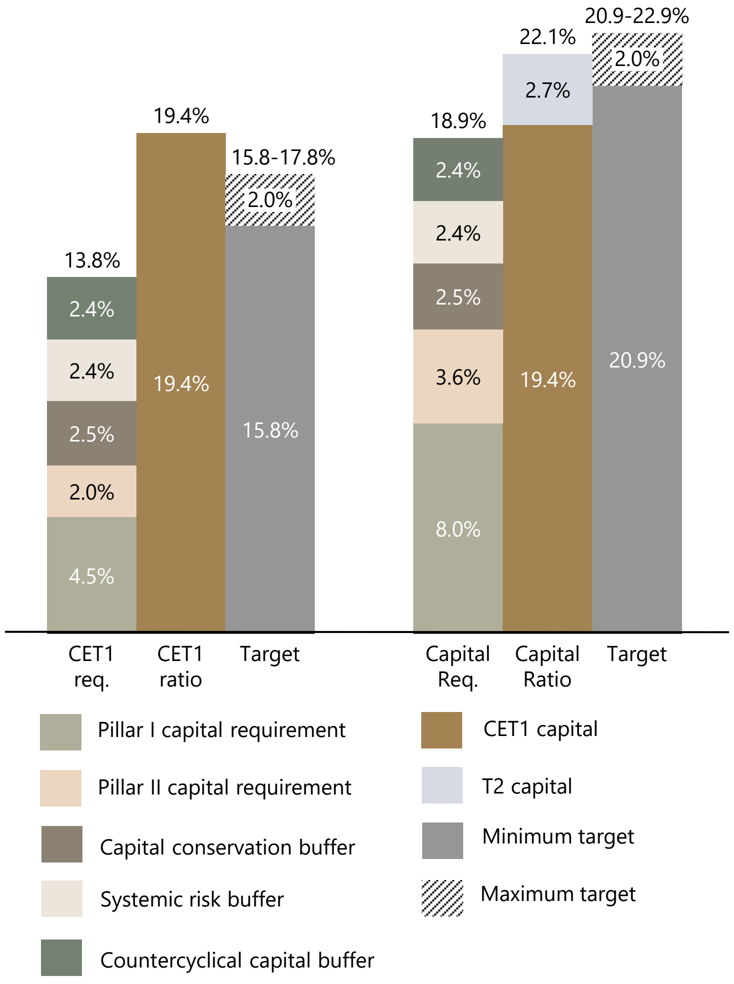
*Comparative information has been restated. Reference is made to note 3 in Kvika's Condensed Interim Consolidated Financial Statements dated 30.06.2024 for further information.

Capital Position

Strong capital position well above regulatory requirements

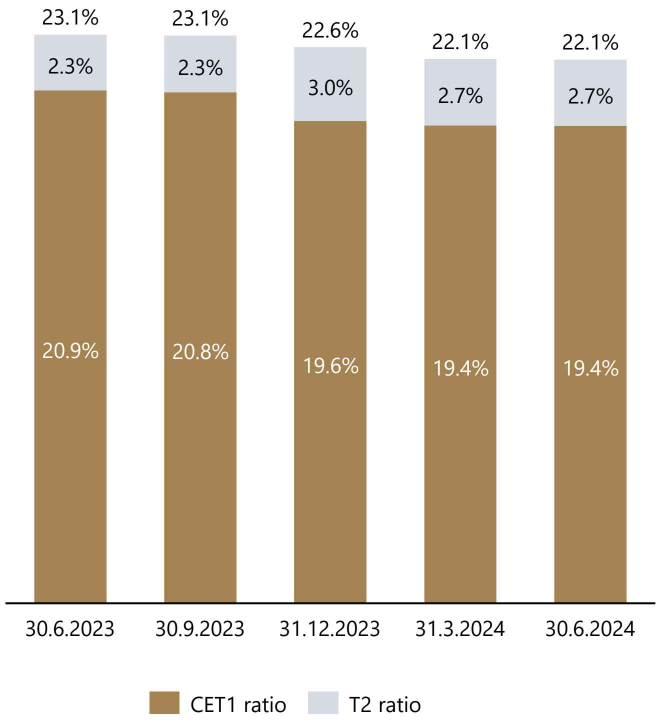
Capital position and requirements

30.06.2024/ (%)



Capital ratio

30.06.2024 / (%)



- CAR of 22.1% at the end of June 2024, within management target
  - Kvika aims to maintain a management buffer of 2% to 4% over current and anticipated CAR requirements
- As of 30th of June the Pillar II requirement is 3.6%, down from 4.0%, as a result of the SREP process of the Financial Supervisory Authority of the Central Bank
- Effective from the 30th of June, the systemic risk buffer increased 0.2% for Kvika due to changes in composition of risk weighted exposure between Iceland (3% SyRB) and UK (0%* SyRB)
- On a financial conglomerate basis, Kvika has a group solvency of 1.20 at the end of June 2024
  - Insurance operations solvency of 1.49 at 30 June 2024
- Capital, exceeds regulatory requirements by ISK 8.8 bn. on consolidated solvency basis for the group and ISK 5.9 bn. on CAR basis excluding insurance activities

*For institutions with RWA less than GBP 175 billion

Liquidity and Funding Ratios

Continued strong liquidity position

Liquidity coverage ratio (LCR)

30.06.2024 / ISK bn.

High quality liquid assets	86.5
Net outflow	18.2
Liquidity coverage ratio	**475%**
Minimum regulatory requirement	100%

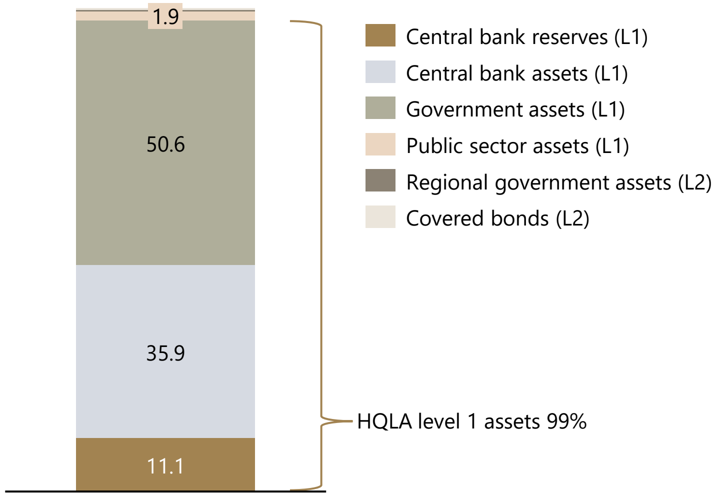
Net stable funding ratio (NSFR)

30.06.2024 / ISK bn.

Available stable funding	244.8
Required stable funding	172.5
Net stable funding ratio	**142%**
Minimum regulatory requirement	100%

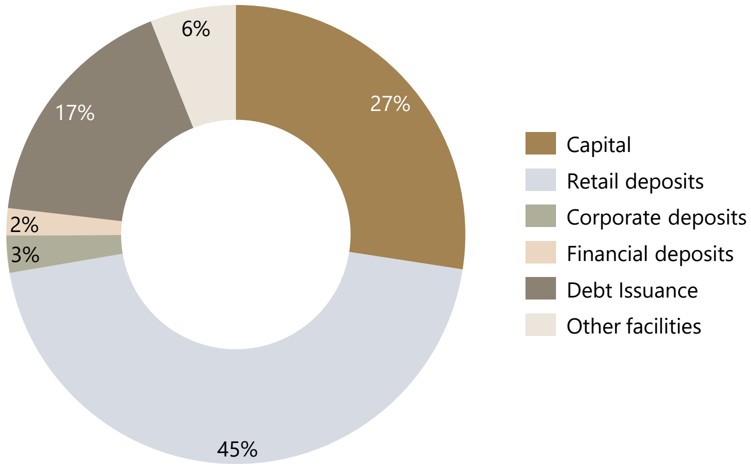
High quality liquid assets (HQLA)*

30.06.2024 / (%)



Available stable funding

30.06.2024 / (%)



- High Quality Liquid Assets (HQLA) ISK 86.5 bn. excluding mandatory reserves and collateral to the Central Bank
- Liquidity coverage ratio is strong at 475%, where the regulatory minimum is 100%, an unusually strong position partially resulting from inflows due to proceeds from a bond issuance towards the end of Q2 2024
- Net stable funding ratio is strong at 142%, 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

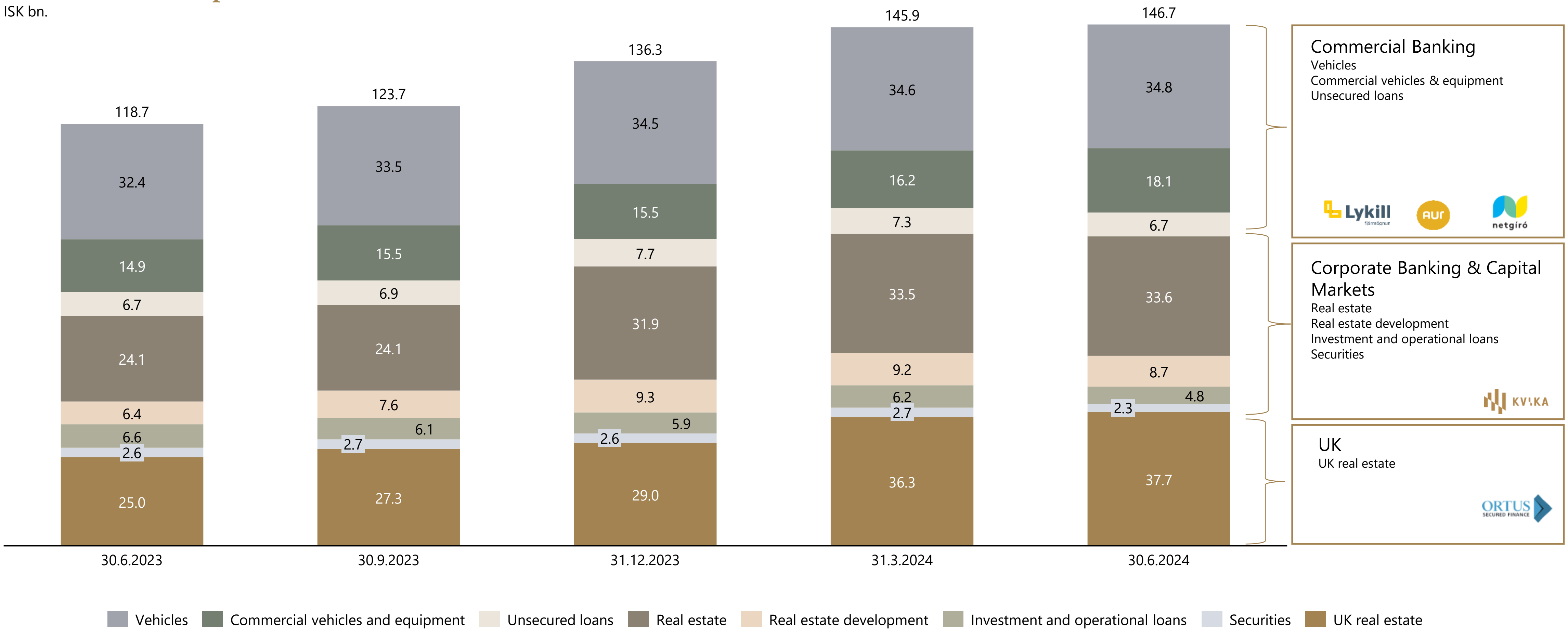
*L1: Level 1 assets , L2: Level 2 assets

Loans to customers

Moderate lending growth in Q2 2024

Loan book development

ISK bn.

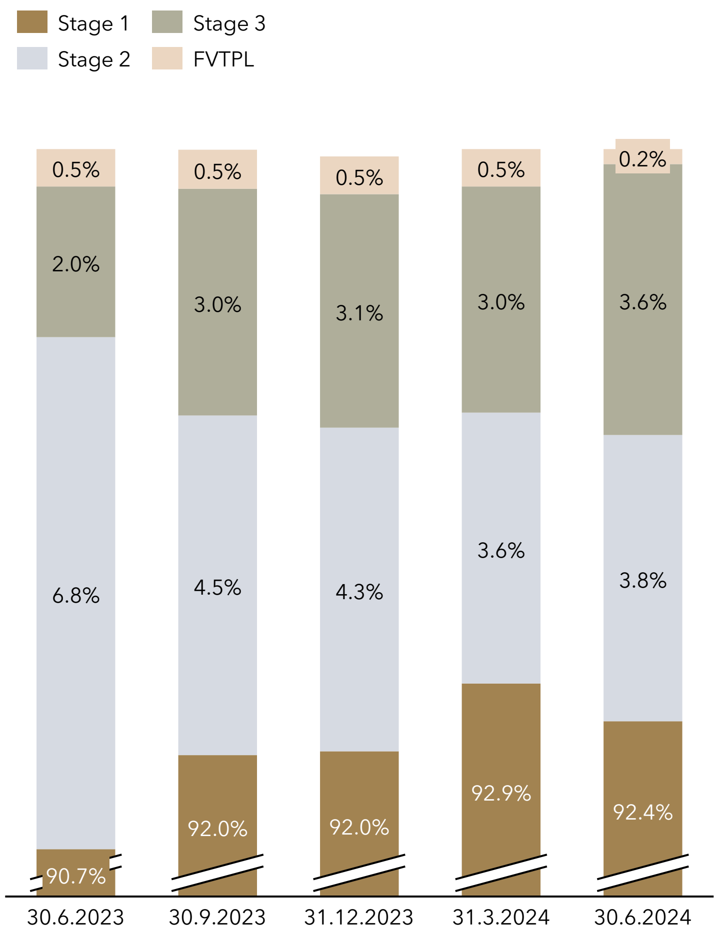


Credit Quality

Consistent loan book quality

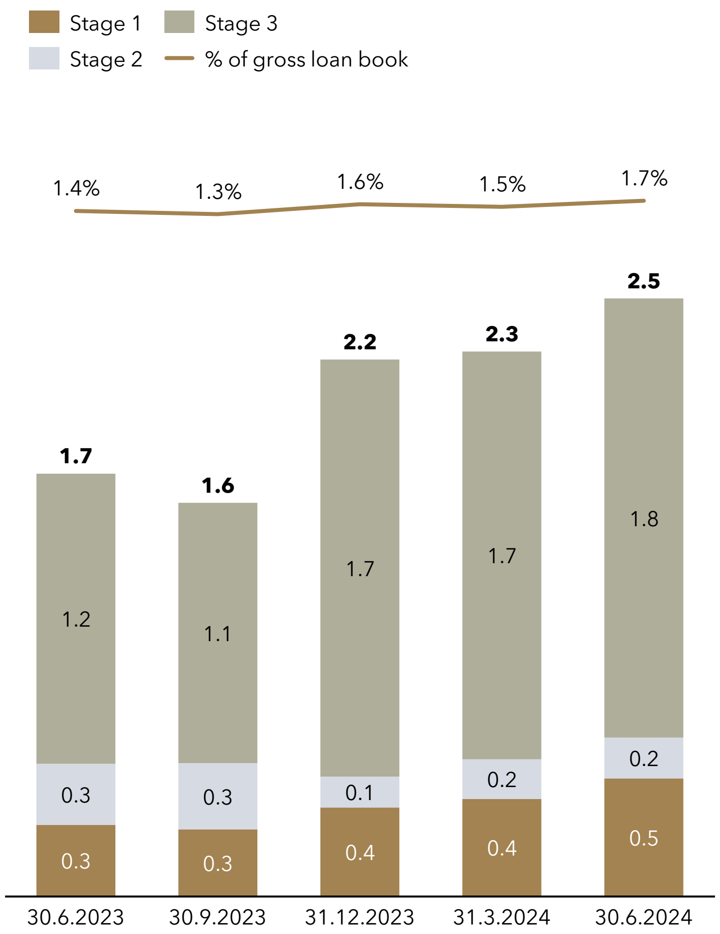
Loans to customers risk stage allocation

Net loan book / (%)



Impairment loss allowance

ISK billions



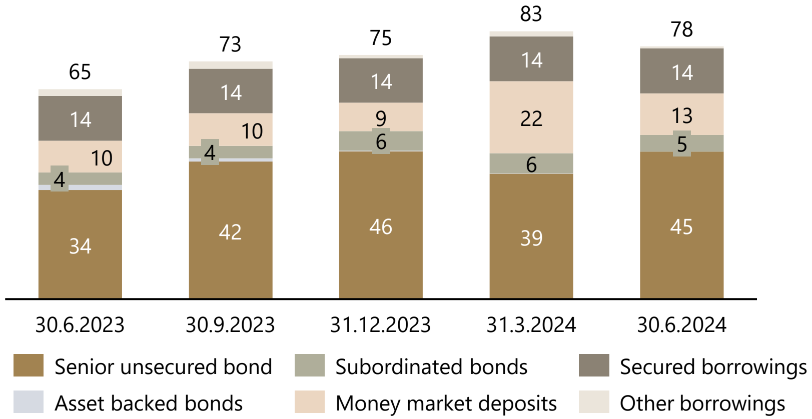
- Loan book quality remains stable with minimal changes in staging as risk indicators of credit quality remain at healthy levels
- Stage 3 loans as a percentage of the net loan book grow from 3% to 3.6%, partially due to a single exposure that has since been resolved
  - Average LTV of stage 3 loans continues to be strong at 62.6%
- Loans to customers are 1.7% provisioned at the end of Q2, a similar position as past quarters

Diversified Funding Program

Solid investment grade rating by Moody's

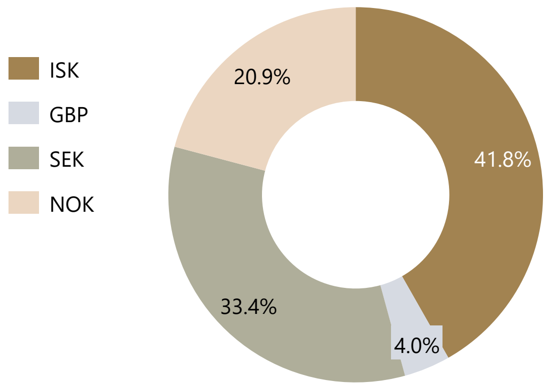
Development of market funding

30.6.2024 / ISK bn.



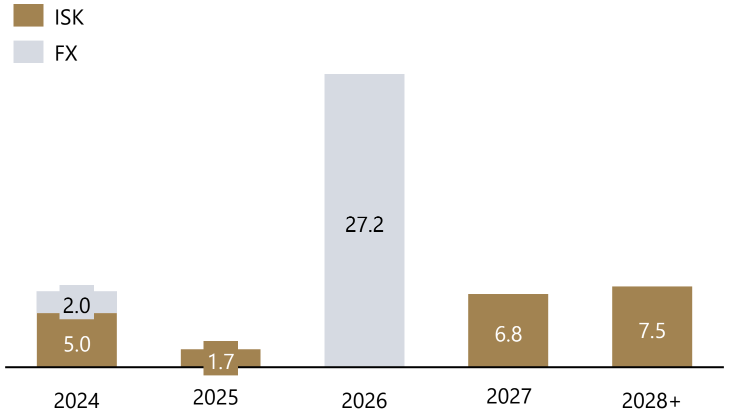
Issue currency

30.6.2024



Maturity of issuance

30.6.2024 / ISK bn.



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	4 July 2024	4 July 2024

- In May 2024 Kvika finalized a SEK 500 m. tap issue of previously issued SEK 225 m bonds maturing in May 2026. The bonds were priced at a spread of STIBOR + 240 bps which represents a significant pricing improvement from 2023 when SEK/NOK bonds were issued at a spread of 400-410 bps above interbank rates
- 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 45 bn. of senior bonds outstanding on 30 June 2024 whereof 42% is issued in ISK
- In July 2024 Moody's confirmed Kvika's ratings which includes a long-term issuer rating of Baa2
- In May 2024 Kvika repaid subordinated Tier 2 bonds in the amount of ISK 800 m.

Financial Targets

	Target	12M 2023	Q2 2024
Return on Tangible Equity Pre-Tax	>20%	12.1%	14.6%
Capital Adequacy Ratio (CAR) Buffer Over Requirement (basis points)	200-400 bps	390 bps	320 bps
Dividend Payout Ratio Dividends and Share Buybacks as % of Profit after Tax	25%	59%	N/A

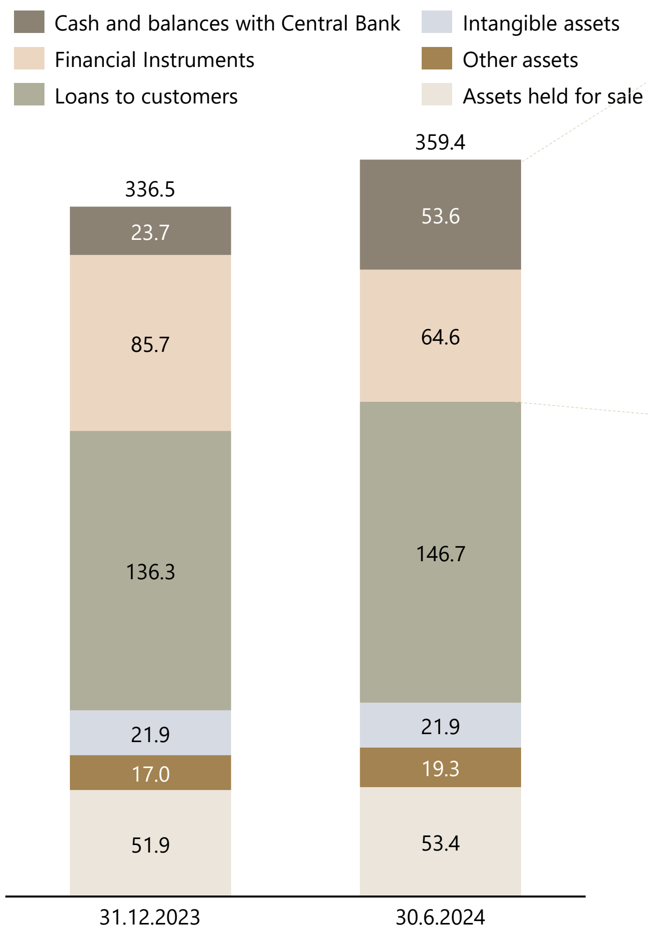
Appendix

Balance Sheet: Assets

Over 30% of the balance sheet consists of liquid assets

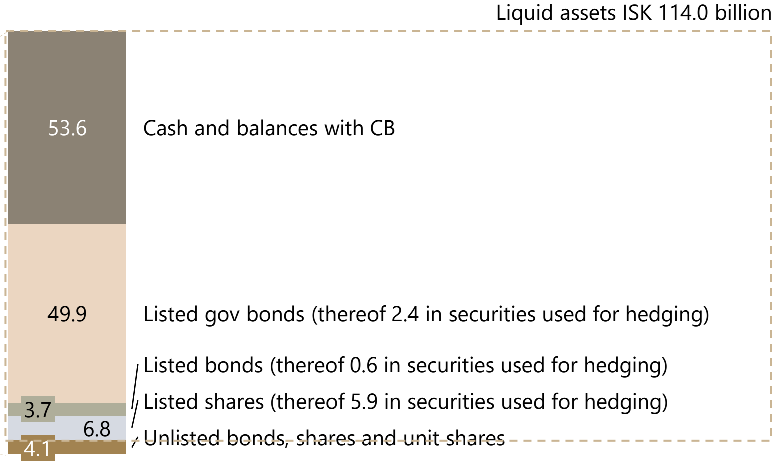
Assets

ISK billions



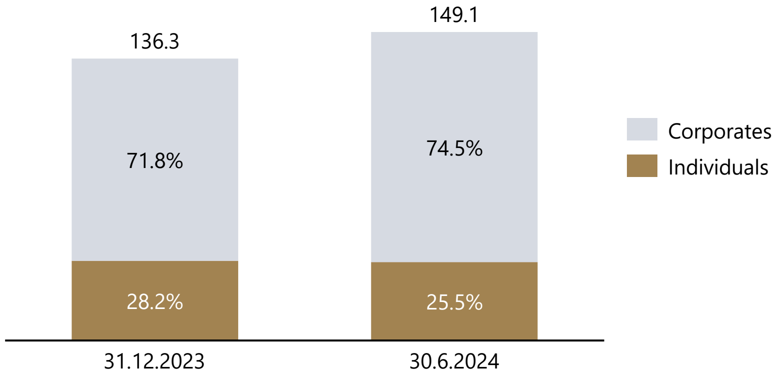
Cash and financial instruments

30.06.24 / ISK billions



Loan book by customer type

ISK billions



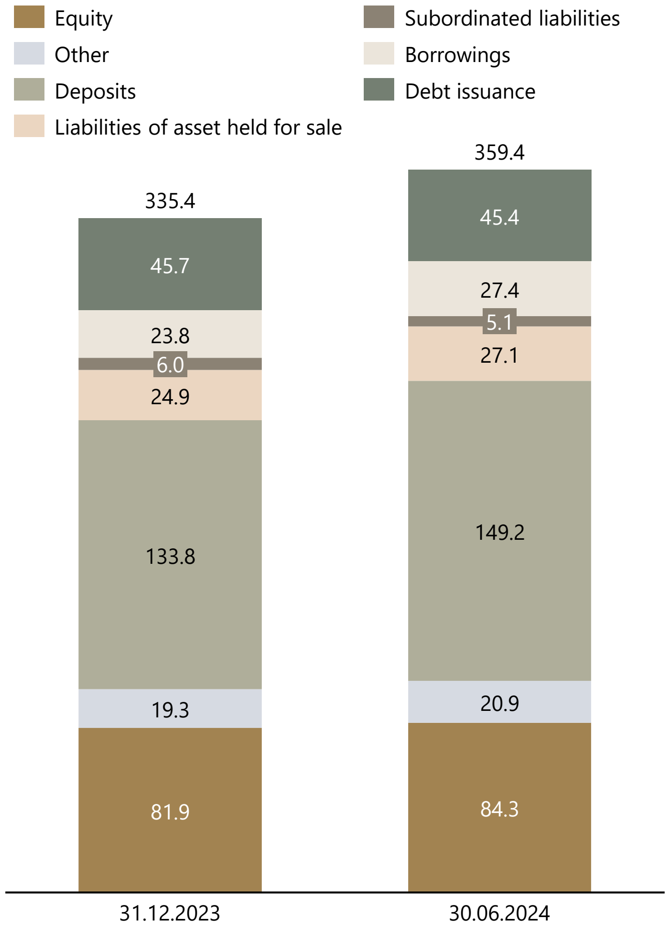
- An increase of ISK 24.0 bn. in assets since year-end 2023
- Loan book increase of ISK 10.4 bn. since year-end 2023
  - 23.6% from Q2 2023
- Loan book growth in the period is mainly attributable to the UK loan book which had been low during 2023
- Liquid assets amount to ISK 114.0 bn., 31.7% of total assets and 78% of loans to customers
  - Tap issuance of SEK 500 m. in late Q2 2024 increases liquidity from Q1
- ISK 11.5 bn. positive CPI balance at 30.06.2024

Balance Sheet: Liabilities

Significant growth in retail deposits

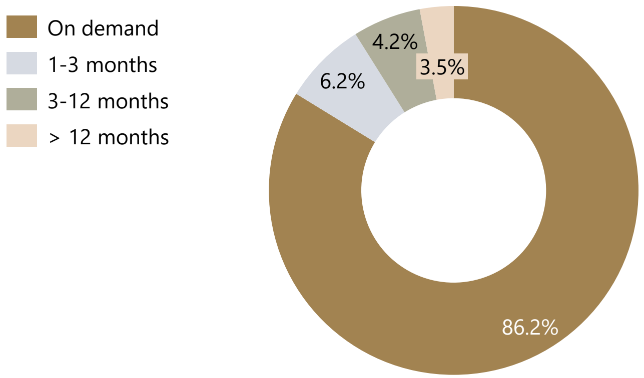
Liabilities and equity

ISK billions



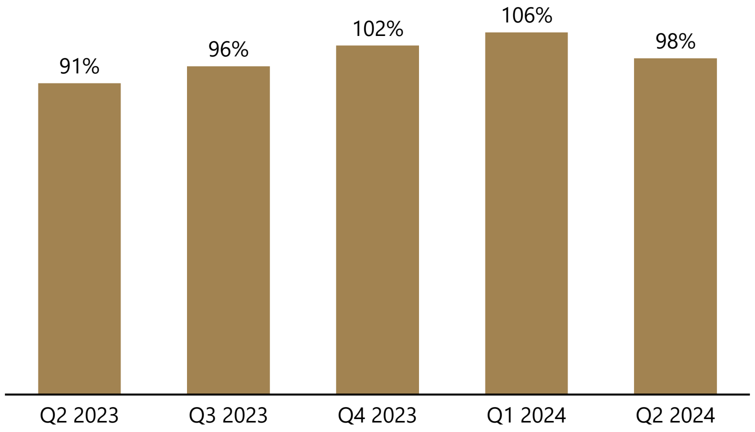
Maturity of deposits

30.06.24 / (%)



Loans to deposits

(%)



- Liabilities increase by ISK 24 bn. since year-end 2023, mainly driven by growth in deposits and borrowings
- Deposits increased by ISK 15.4 bn. in 6M 2024, driven by growth in retail deposits, thereof ISK 12.1 bn. is deposited in Q2
  - Deposits remain largely on-demand
- Liabilities related to the insurance entity, TM tryggingar hf., amounting to ISK 27.1 bn. are now categorized as liabilities associated with assets classified as held for sale

TM Insurance

Asset held for sale

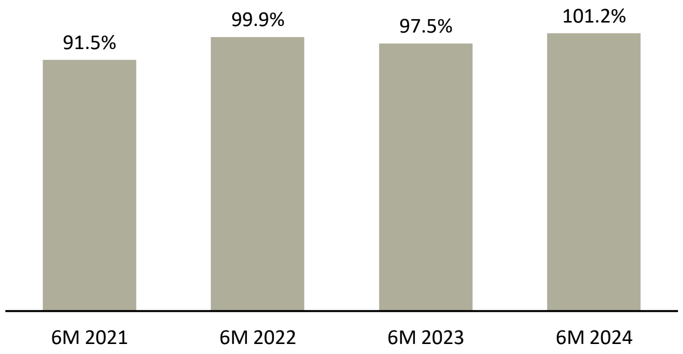
Income statement

ISK m.

	6M 2024	*6M 2023*
Net interest income	399	506
Net fee and commission income	(2)	70
Insurance revenue	10,268	8,872
Incurred claims and net expense from reinsurance contracts held	(8,385)	(6,670)
Net financial income	604	(279)
Other operating income	83	68
Administrative expenses related to insurance service	(2,365)	(2,357)
Net impairment	16	11
Administrative expenses, stranded cost	44	51
Income tax	(86)	(163)
Profit for the period	**576**	**109**
Claims ratio	*81.1%*	*73.3%*
Cost ratio	*19.5%*	*20.9%*
Reinsurance ratio	*0.5%*	*3.2%*
Combined ratio	***101.2%***	***97.5%***

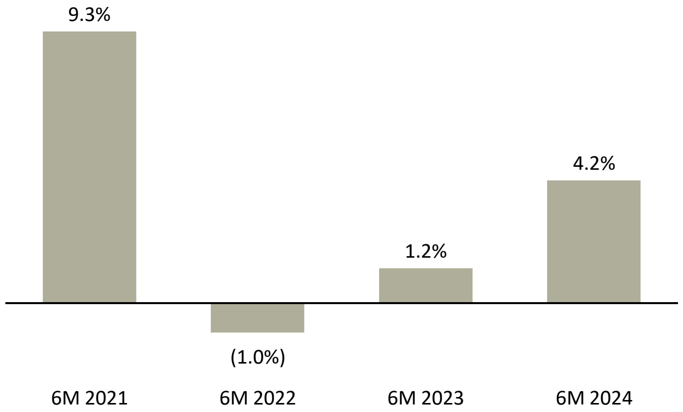
Combined ratio

(%)



Return on investment assets

(%)



- Solid results from TM's insurance operations which rebound significantly YoY,
- Insurance service results are negatively impacted by major claims in the period resulting in a combined ratio of 101.2%, however, TM's revised strategy and organizational changes continue to be successful as evidenced by a 1.4% cost ratio decrease
  - Combined ratio of 97.2% in the period excluding largest single claim
- Net financial income improves substantially YoY with an overall yield of 4.2% in the period

Disclaimer

This presentation and the information contained therein has been prepared by Kvika banki hf. on a best knowledge basis. Any statements or assumptions are set forth by Kvika alone and not by any third party. Forward looking statements may deviate from what is presented in this presentation, e.g. due to market conditions or other factors. Kvika does not guarantee the accuracy or completeness of the information set forth in this presentation, whether it comes from Kvika or a third party.

This presentation shall not in any way be viewed as a recommendation or solicitation to buy, hold or sell any security or to take any investment decision. The recipient is solely responsible for any investment decision taken based on the information in this presentation.

Kvika does not assume any liability whatsoever for any direct or consequential loss or damage arising from any use of this presentation or its contents. Kvika is not obliged to make amendments or changes to this publication or to submit further information, should errors be discovered or opinions or information change.