
Kvika banki AGM 2023

CEO Marinó Örn Tryggvason

Presentation

30 March 2023





Our core beliefs for the future of financial services



Customer journeys

We create focused, interconnected solutions that **meet the long term needs** of our customers



Ecosystems and flexible branding

Our products are designed to be brand-independent (white-labeled) so that our customers can **access them according to their preferences**, including through our partners.



Personalised products and services

We adapt our products and services to the specific needs of every customer, with the goal of **optimising their financial future**

Kvika's strategic journey rests on those three pillars



Kvika's Vision is to Transform Financial Services in Iceland

Guided by mutual benefits





Buy and Build – Supporting Kvika’s Strategy

Accumulating valuable building blocks

Buy and build strategy

Phase I

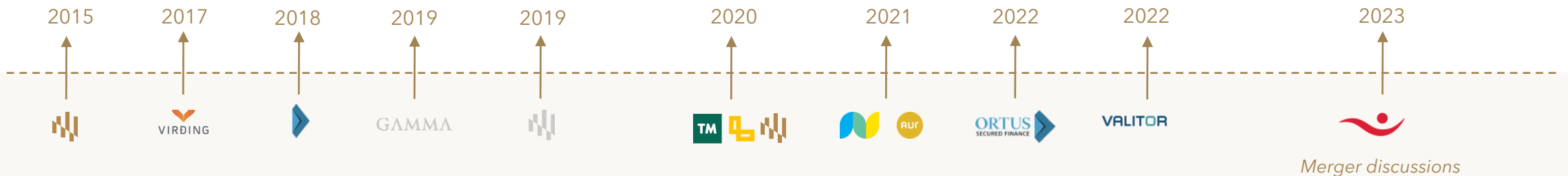
2015-2020: Asset Management consolidation

Phase II

2019-2022: Building up lending platforms

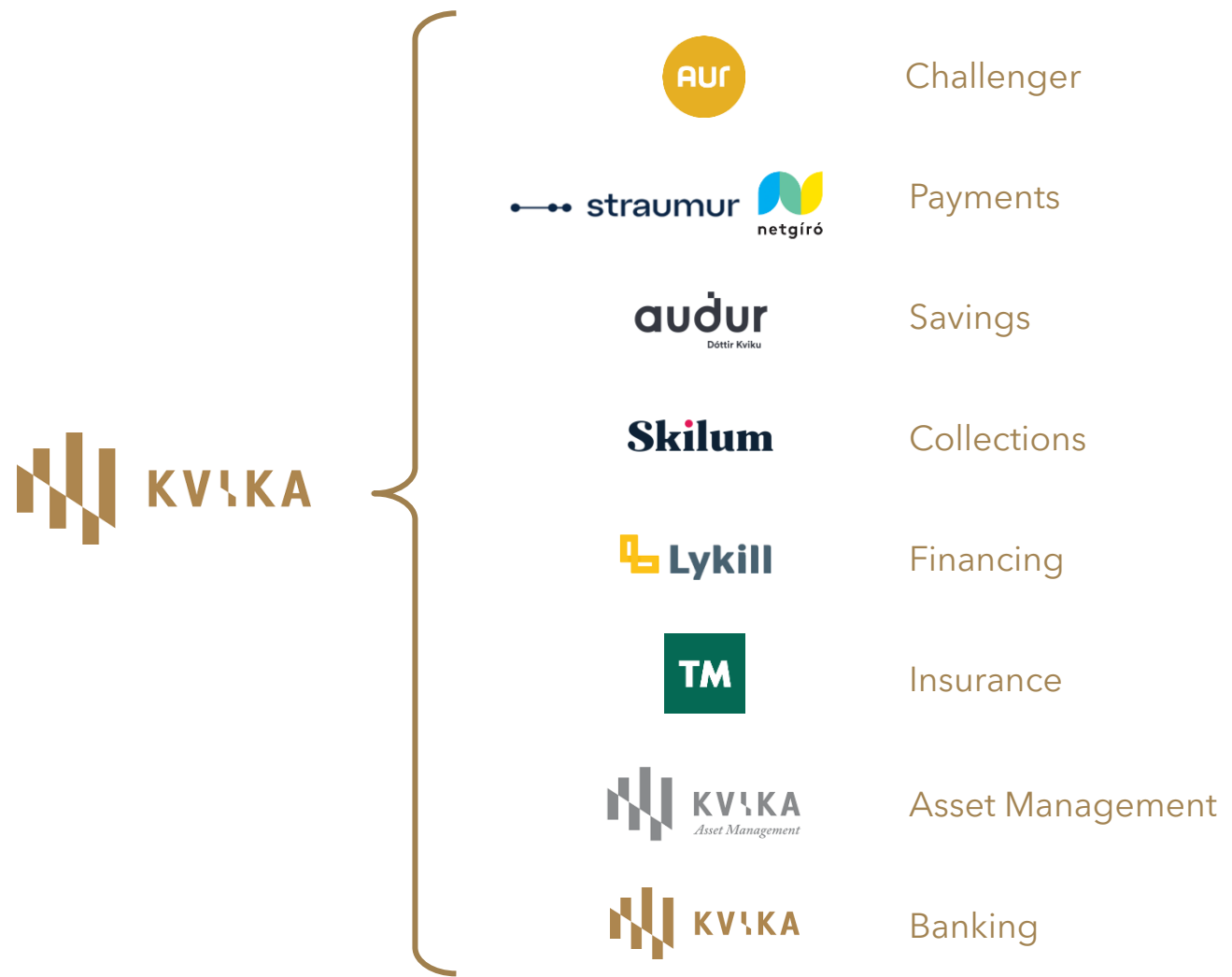
Phase III

2023-: Financial institution of the future





Kvika is a multi-brand house where every brand has a clear purpose





Towards increased sustainability

Having a real and measurable effect

> 2022 key developments

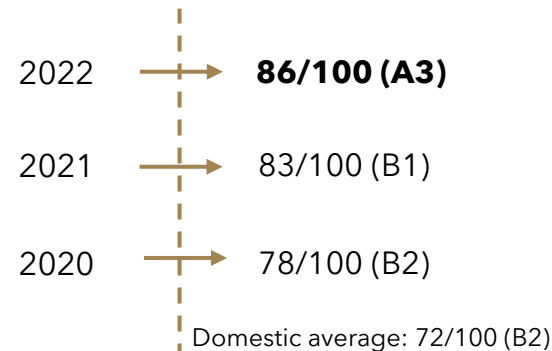
- › New Sustainability Policy
- › Adoption of 6 of the 17 UNSDGs
- › Education on sustainability to employees increased
- › Kvika became a member of PCAF and calculated financed emissions from investments and loans (as of end of 2021) Efforts to reduce carbon emissions.
- › Work underway to implement EU regulations related to sustainability.



> Solutions that support sustainability

- › Digital transformation and sustainability are at the core of Kvika’s strategy
- › Digital solutions and automation make for simpler, more efficient and environmentally friendly financial services. They also have positive social effects, including promoting increased competition
- › Increases in financing of eco-friendly vehicles at Lykill, which is part of Kvika’s Green Financing Framework
- › Issues of green bonds and green deposit accounts (Auður’s Future Accounts)

> Updated ESG score



> Sustainability Report 2022

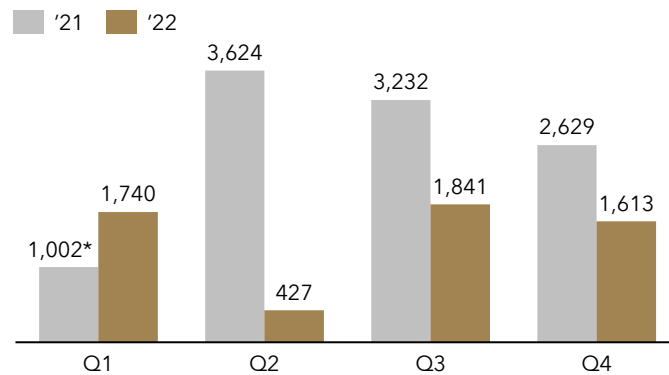
- › Kvika published it’s sustainability report for the second time in 2022
- › Deloitte gave Kvika a limited assurance audit on sustainability information
- › The report is accessible on Kvika’s homepage (in Icelandic): [Sjálfbærnisýrsla 2022](#)



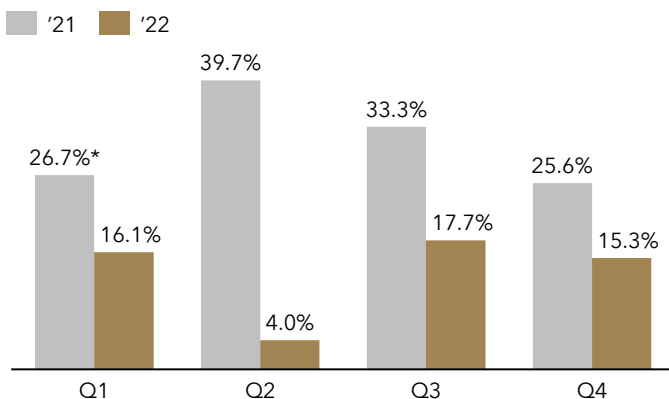
Total Profit Before Tax in 2022 ISK 5,621m

Stable and diversified income

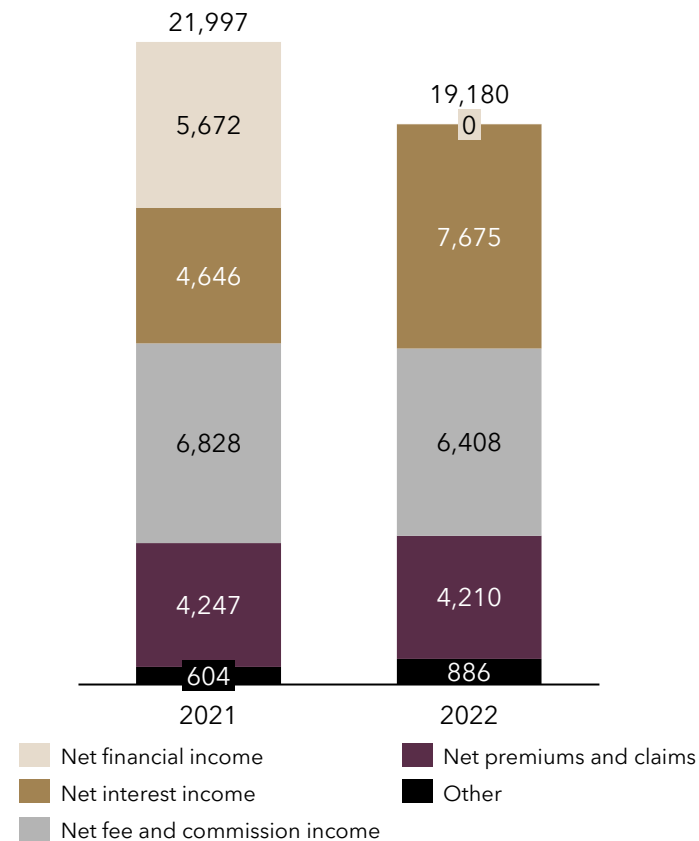
Profit before tax (PBT)
PBT development / ISK m.



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



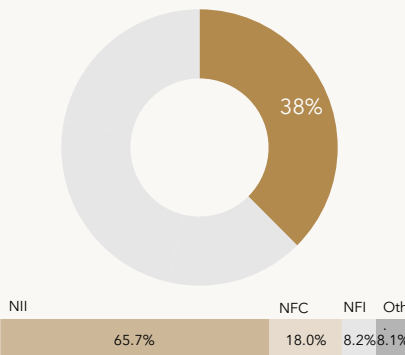
Segment Highlights in 12M 2022

Five operating segments with diversified sources of income

Commercial Banking

- › Healthy loan book growth within all brands
- › Substantial investments in new retail products, development on track and new revenue streams expected in 1H 2023

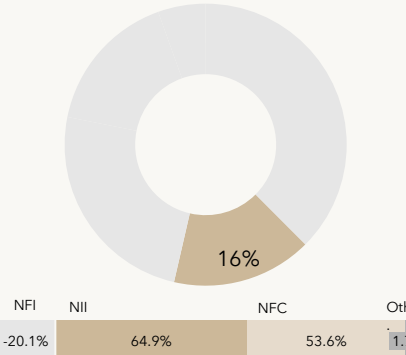
Revenues 12M 2022 (%)



Investment Banking

- › Strong pipeline in corporate finance for upcoming quarters

Revenues 12M 2022 (%)

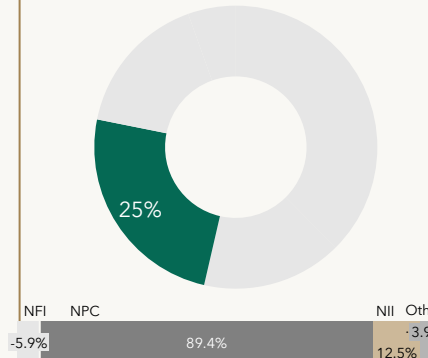


Treasury and Market Making are included in Investment Banking's segment reporting

Insurance

- › Combined ratio of 95.3% for 2022, premiums increased YoY while investment income was marked by unfavorable market conditions

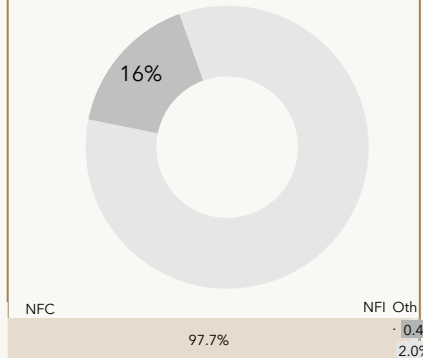
Revenues 12M 2022 (%)



Asset Management

- › Positive net inflow in all revenue streams in 2022
- › Market share in retail investment funds grew by 23% in 2022, as measured by AuM

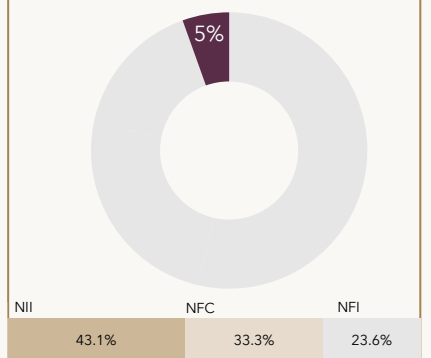
Revenues 12M 2022 (%)



UK

- › Quality and granularity of loan book strong with majority of loan book secured by residential property assets at conservative LTVs
- › Good progress in converting loans to floating rate basis and re-pricing the loan book to reflect external conditions.

Revenues 12M 2022 (%)



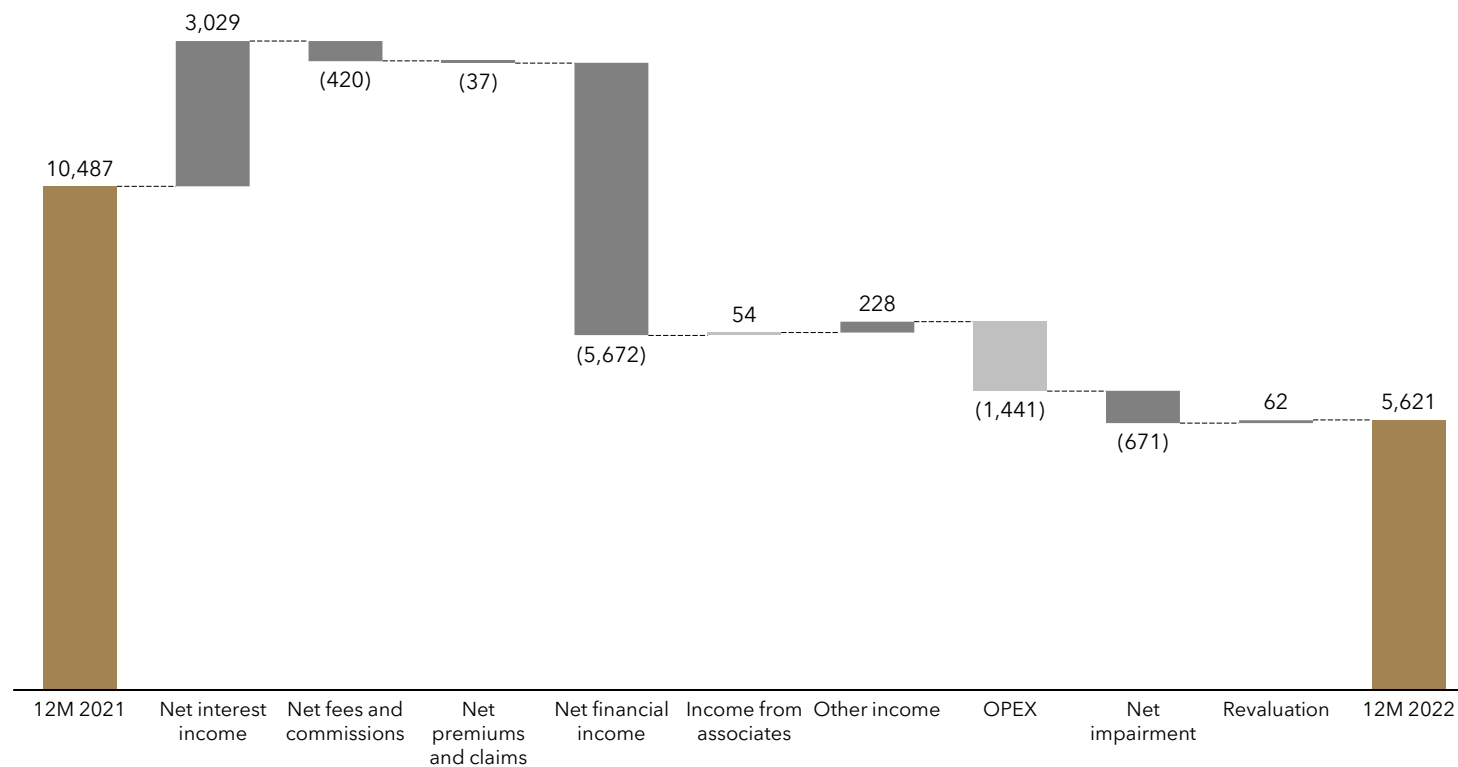
Revenues only include operations of Ortus Secured Finance from March 2022



Operations 12M 2022

Solid core income

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

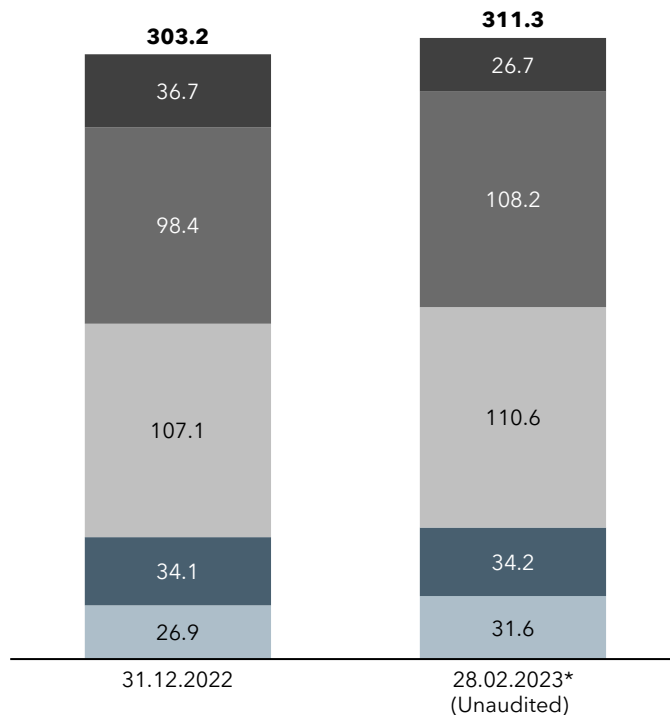
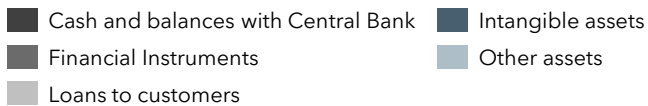


Liquidity and Funding

Strong levels, well above regulatory requirements

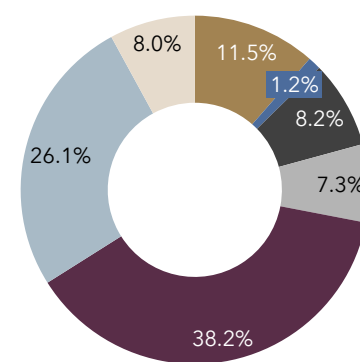
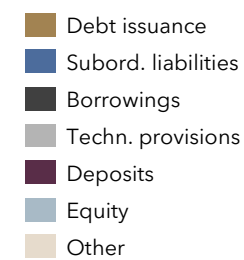
Assets

ISK billions



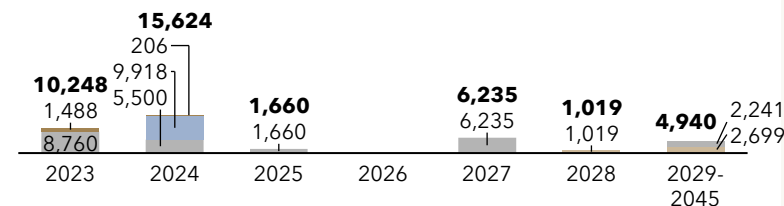
Funding sources

28.02.23 / % of total liabilities and equity



Maturity profile development

24.03.23 / ISK billion



- ISK 8.1 billion increase in assets since year-end 2022 mainly due to loan book growth and increase in other assets
- Liquid assets such as cash and financial instruments amount to ISK 117 billion on 28 February 2023
- Liquidity coverage ratio was unusually strong at year end 2022 (320%). Since then, LCR has continued to be unusually strong, measuring at 345% on end of February 2023 and continues to be at comparable levels
- Several funding sources in place, most important of which are deposits, equity and debt issuance
 - Ortus funding in the UK, included in borrowings, renegotiated and extended until 2027

