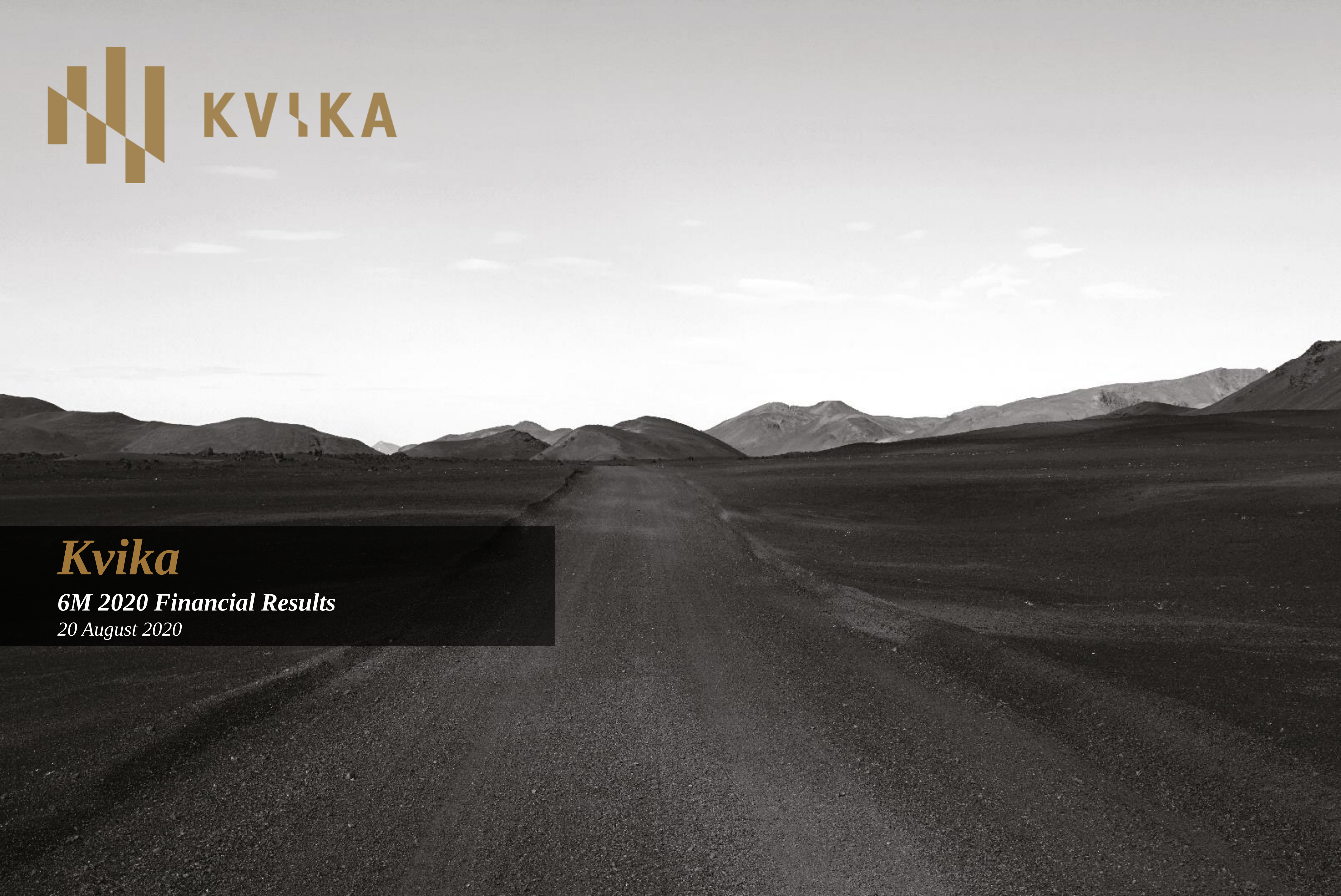

Kvika

6M 2020 Financial Results

20 August 2020

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Highlights 6M 2020

Profit of ISK 924 million (pre-tax ISK 1,016 million) for 6M 2020 with return on equity of 11.8%
Above budget for the period and solid second quarter with return on equity of 15.1%

Strong financial position with CAD ratio of 26.2% (26.7% excl. expected dividends)
Regulatory requirement at end of the period was 20.6%

Liquidity coverage ratio (LCR) 221%
Significantly higher than both regulatory requirement and long term target

COVID-19 impact
Gross direct financial impact estimated at negative ISK 500 million, excluding significant opportunity cost of defensive measures in operating costs, revenue and balance sheet composition

Assets under management at ISK 514 billion
AuM increases by ISK 88 billion from year-end 2019, mainly driven by UK operations

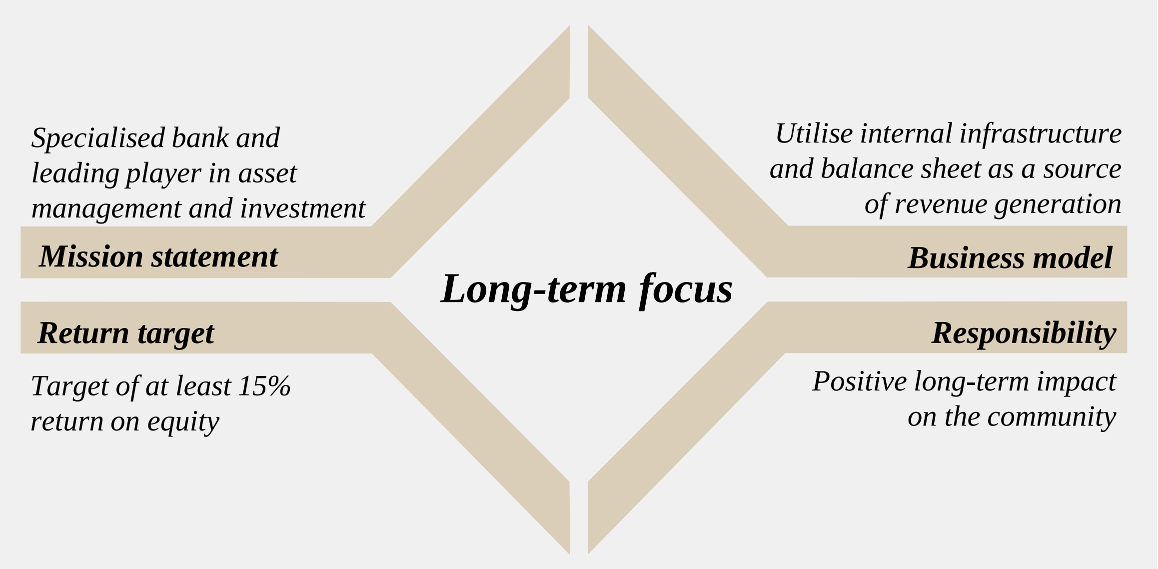
Successful divestment of Korta
Acquired by UK based Rapyd

Letter of intent to acquire Netgíró
Fintech focused lending company

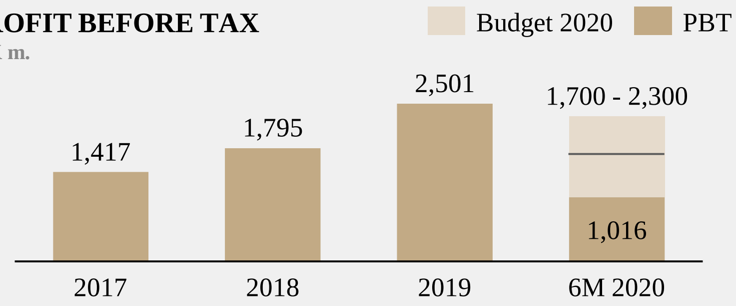
Revised pre-tax earnings forecast of ISK 1,700 - 2,300 million for 2020 remains intact
Estimated return on equity of 11% - 15%

Diversified business model

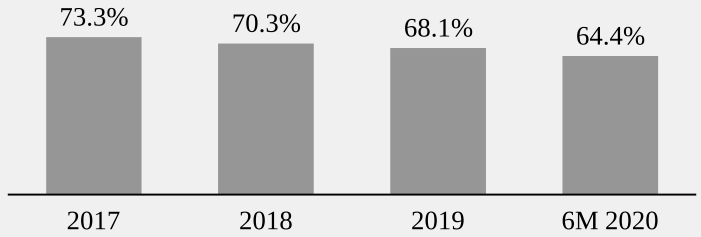
Transparent strategy



PROFIT BEFORE TAX
ISK m.

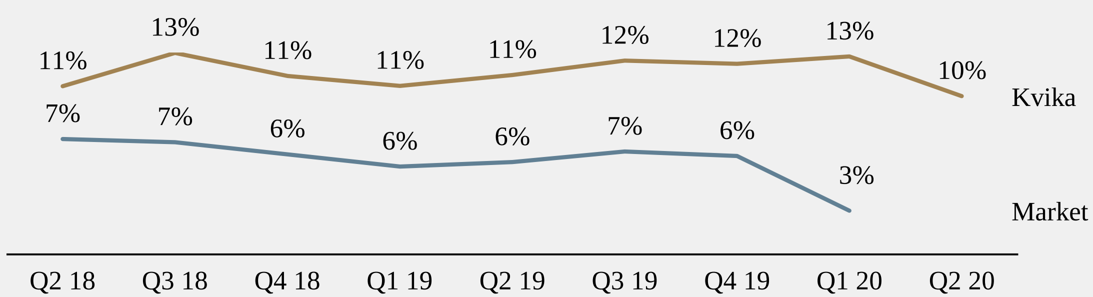


COST-INCOME RATIO
(%)

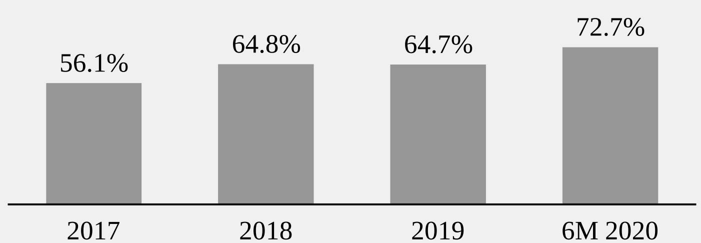


PBT TTM / MARKET CAPITALISATION

Market are companies listed on Nasdaq Iceland main market. PBT TTM / market cap is calculated for each company on Nasdaq Iceland and then weighted by the market cap of each individual company to display the Market



NET FEE AND COMMISSION INC. % OF OPERATING INC.
(%)

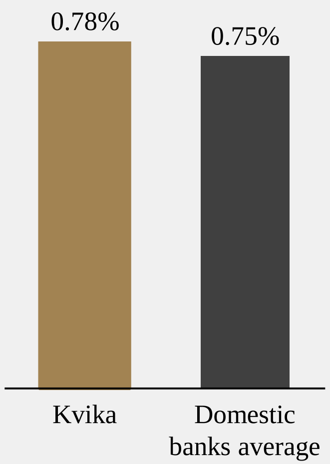


PBT TTM = Profit before tax, trailing twelve months

Strategic focus

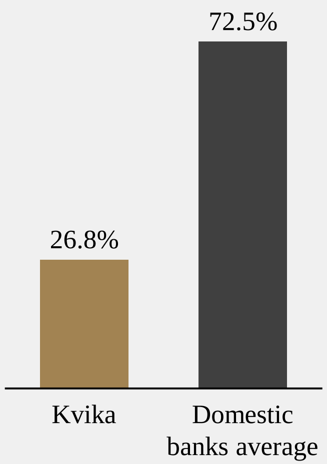
Diversified income across segments basis of a profitable period

NET IMPAIRMENT / LOAN BOOK
6M 2020



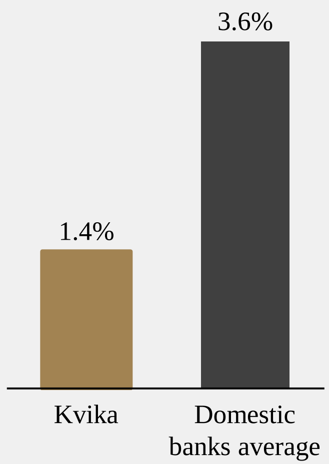
Net impairments in line with other domestic banks

LOAN BOOK / TOTAL ASSETS
6M 2020



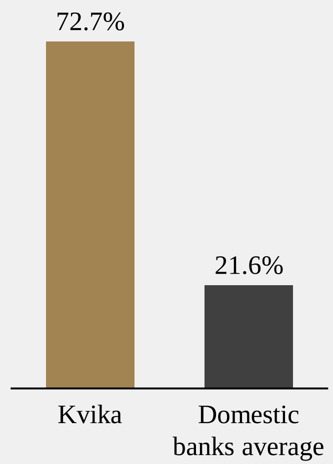
Loan book is relatively small in proportion to total assets

NET IMPAIRMENT / TOTAL EQUITY
6M 2020



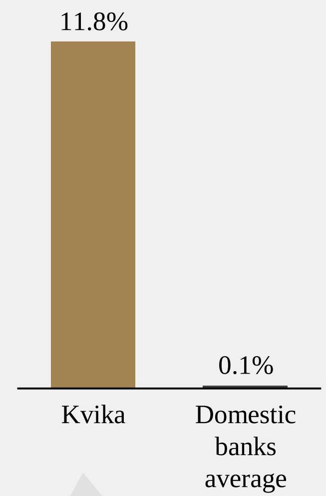
Net impairments relatively small due to size of loan book and solid capital structure

NET FEE AND COMM. / OPERATING INCOME
6M 2020



Business model focuses on net fee and commission income

RETURN ON EQUITY
6M 2020



Kvika's strategy is reflected in its profitability

Source: 6M 2020 Financial statements. Note: calculations on presented items may vary between companies. Kvika's net impairments include changes in loans to customers as measured at fair value through profit or loss in net financial income
Domestic banks consist of Arion, Landsbankinn and Íslandsbanki

Transfer of asset management operations

Strategic focus on asset management

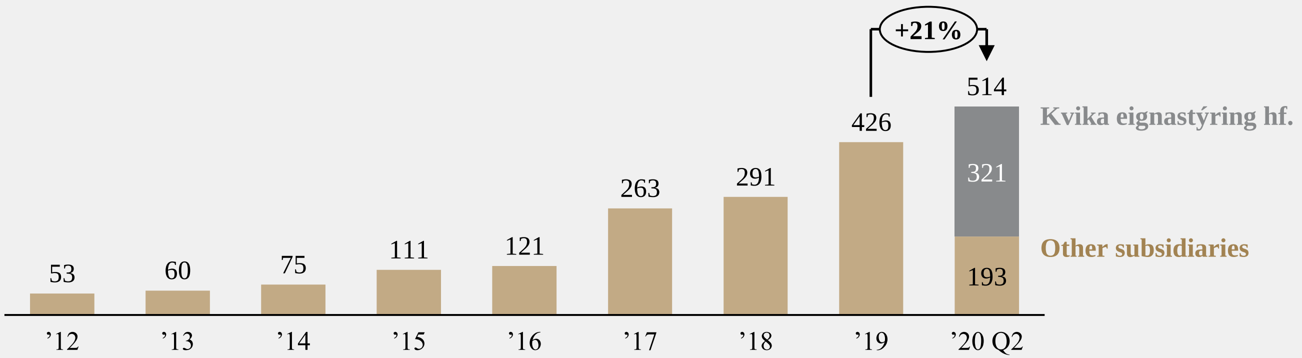
- Assets under management have grown substantially in recent years, most recently through internal growth and UK operations
  - With the addition of the secured credit fund raised in July assets under management will increase by ISK 19.5 billion (resulting in total AuM of ISK 534 billion)
- Transfer of asset management division of the bank to Júpíter (fund management company owned by Kvika) in final stages
  - Júpíter will be branded Kvika eignastýring (Kvika Asset Management)
- Primary objectives in transferring asset management operations:
  - Strategic focus
  - Increased transparency
  - Increased service and product offering to customers
  - Rationalisation and increased efficiency in operations

Kvika eignastýring hf., subsidiary of Kvika banki hf.

KVIKA *Asset Management*

Fund management	Private banking
Institutional investors	Private equity

ASSETS UNDER MANAGEMENT
ISK billion



Internal growth every year since 2012, accounting for 33% of AuM increase over the displayed period

Kvika eignastýring hf. will hold approximately ISK 321 billion of assets under management (as at 30.06.2020)

UK operations

Newly formed subsidiary of KSL increases AuM by £394 million / ca. ISK 67 billion

UK HIGHLIGHTS

- Focus on corporate advisory and fund and asset management with 22 employees in total
- Existing projects have remained on track
  - Care home portfolios have displayed remarkable financial resilience throughout the crisis, performing significantly ahead of projections
- Total assets under management at mid-year 2020 £453 million (ca. ISK 77 billion)

ESTABLISHMENT OF KKV

- KKV Investment Management Ltd, a fund management subsidiary of Kvika Securities Ltd. (KSL), was in June appointed the investment manager of two British secured loan funds following a competitive manager selection process
  - Short-term focus is on restructuring and maximizing the value of the fund's non-performing assets, which have been the cause of write-downs of NAV and sizable discount in market price in recent months
- Over 75% of the total UK staff are KKV employees
- The two funds form a platform from which to expand Kvika's asset management operations in the UK and Europe, focusing on the rapidly growing sector of alternative credit and private lending

UK OPERATIONS AT A GLANCE

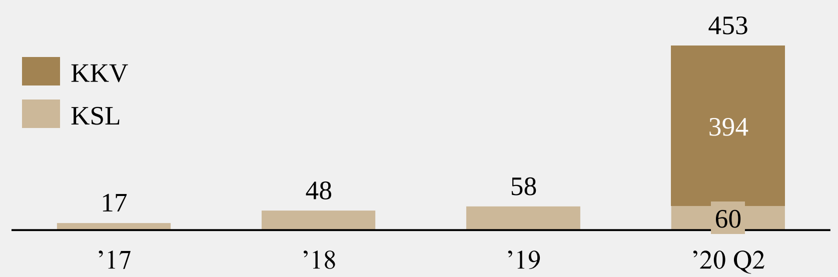
Strong growth in recurring revenues — £453m AuM

Platform to grow UK asset management — 6 Funds and investment projects managed

Experienced team with extensive sales network — 22 Employees

DEVELOPMENT OF UK ASSETS UNDER MANAGEMENT

GBP million



Financials

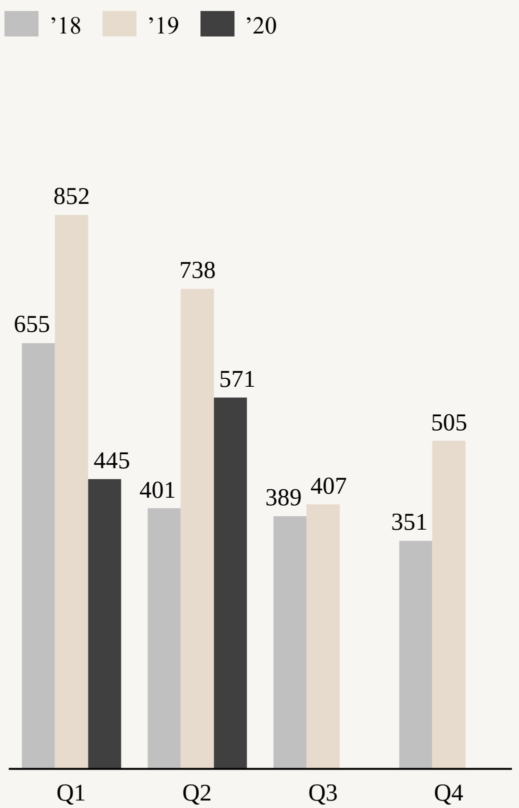
Solid performance in adverse market conditions

Income statement / Q2

Return on equity 15.1% during the quarter

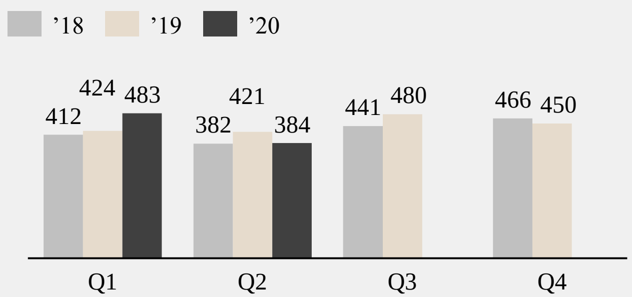
PRE-TAX PROFIT
ISK m.

Solid quarter despite COVID-19 impact



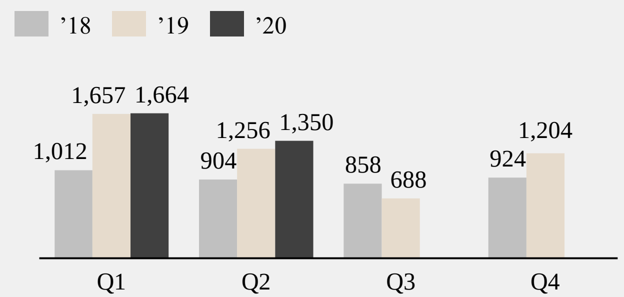
NET INTEREST INCOME (NII)
ISK m.

NII affected short-term by policy rate cuts, offset by NFI



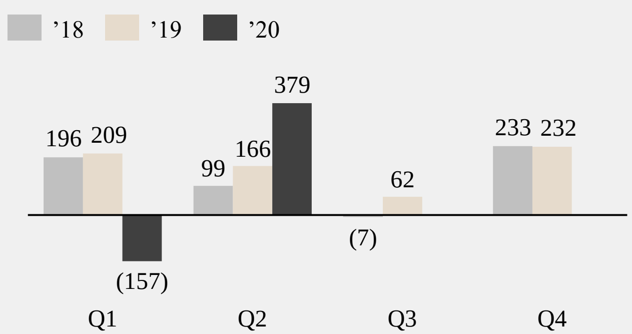
NET FEE AND COMMISSION INCOME (NFC)
ISK m.

Recurring NFC provide stability



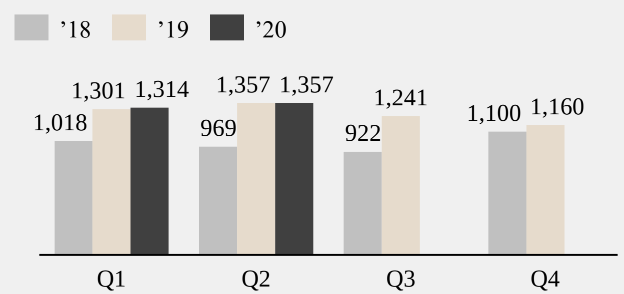
NET FINANCIAL INCOME (NFI)
ISK m.

Positive impact on NFI due to treasury holdings for hedging against policy rate cuts



OPERATING EXPENSES (OPEX)
ISK m.

OPEX in line with expectations



Income statement / 6M 2020

Return on equity 11.8% during the period

- Profit for the period amounted to ISK 924 million, net financial income increased profit while net impairment negatively impacted results
- Corresponding to an annualised 11.8% return on equity
- Net interest income increased 2.6% year-on-year despite temporary negative effects of cuts in policy rate
- Net fee and commission income ISK 3,014 million, an increase of 3.5% year-on-year
- Operating expenses ISK 2,671 million and increased 0.5% year-on-year in line with expectations
- Net impairments ISK 209 million largely related to COVID-19 impact
- Net financial income ISK 222 million

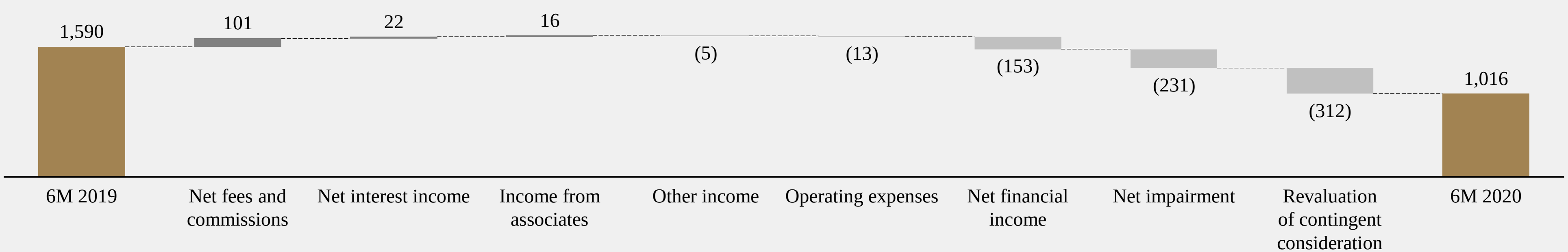
INCOME STATEMENT

ISK m.

	6M 2020	*6M 2019*
Net interest income	868	846
Net fee and commission income	3,014	2,912
Net financial income	222	374
Income from associates	(11)	(27)
Other income	55	60
Net operating income	***4,147***	***4,165***
Operating expenses	(2,671)	(2,658)
Net impairment	(209)	22
Revaluation of contingent consideration	(252)	60
Pre-tax profit	***1,016***	***1,590***
Taxes		
Income tax	(37)	(52)
Special tax on financial activity and institutions [1)]	(55)	(83)
After-tax profit	***924***	***1,455***
Earnings per share (EPS)	***0.47***	***0.79***
Diluted EPS	***0.44***	***0.68***

PRE-TAX PROFIT BRIDGE

FROM 6M 2019 to 6M 2020 ISK m.

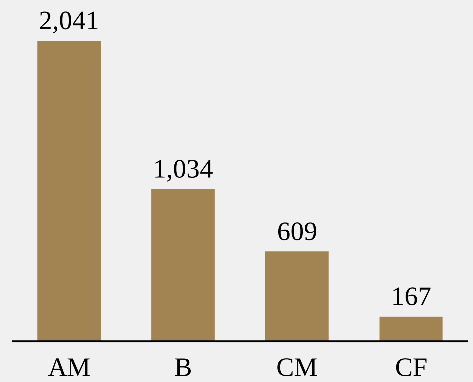


1) Special tax on financial activity ISK 25 million and special tax on financial institutions ISK 30 million for 6M 2020

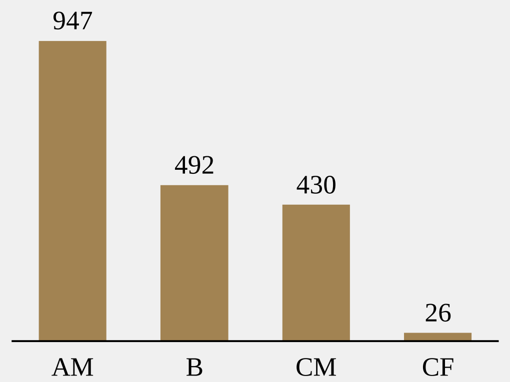
Strategic focus on fee and commission income

Continued increase in recurring income

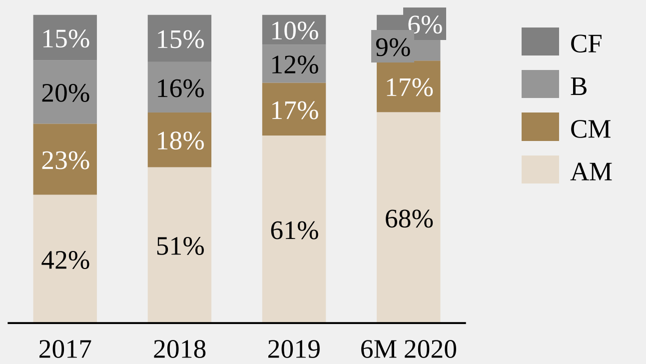
NET OPERATING INCOME
BY SEGMENT / 6M 2020 ISK m.



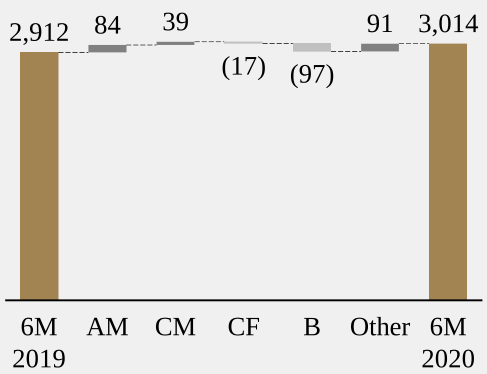
PROFIT OR LOSS BEFORE COST ALLOCATION
BY SEGMENT / 6M 2020 ISK m.



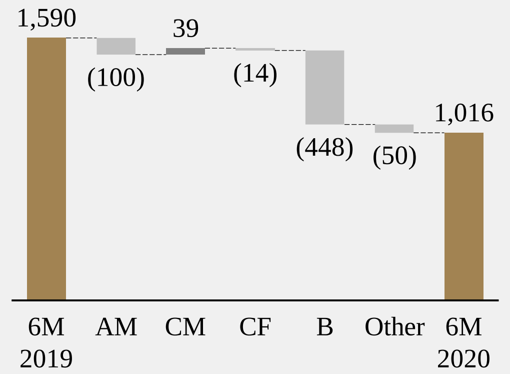
NET FEE AND COMMISSION INCOME SPLIT
FROM 2017 to 6M 2020 (%)



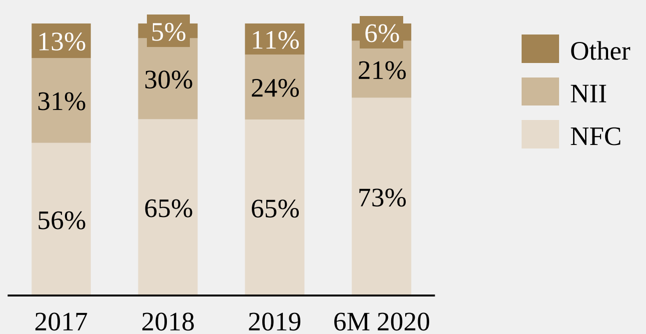
NET FEE AND COMMISSION INCOME
SEGMENT / FROM 6M 2019 to 6M 2020 ISK m.



PROFIT OR LOSS BEFORE COST ALLOCATION
SEGMENT / FROM 6M 2019 to 6M 2020 ISK m.



NET OPERATING INCOME SPLIT
FROM 2017 to 6M 2020 (%)



B = Banking
AM = Asset Management
CF = Corporate Finance
CM = Capital Markets

NII = Net interest income
NFC = Net fee and commission income

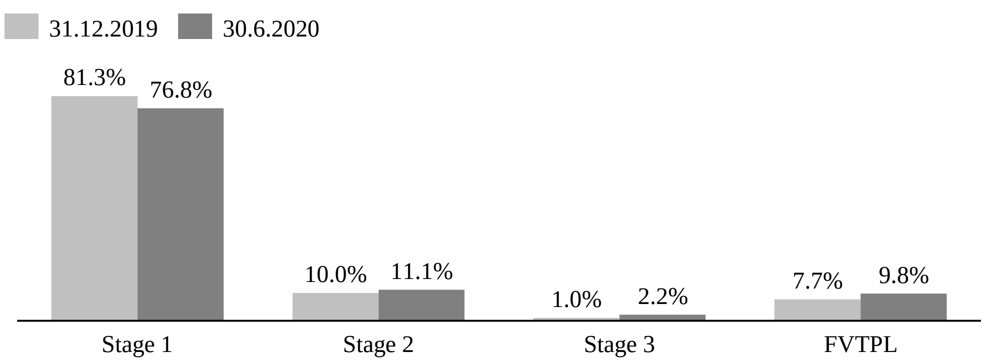
Assets

Significant increase in liquid assets

- In total, liquid assets amount to ISK 63.1 billion or 56% of total assets and 103% of all deposits from customers
  - Cash and balances with the Central Bank at ISK 26.9 billion
  - Other liquid assets include ISK 24.5 billion in government backed securities and ISK 11.7 billion of other listed securities
  - The bank has reclassified ISK 17.6 billion of government bonds at fair value through other comprehensive income in response to changed cash management environment
- Financial instruments ISK 41.1 billion of which ISK 11.2 billion are for hedging
- Loans to customers increased ISK 0.2 billion from year-end 2019
  - The weighted average duration of the loan book was 1.53 year at the end of the period

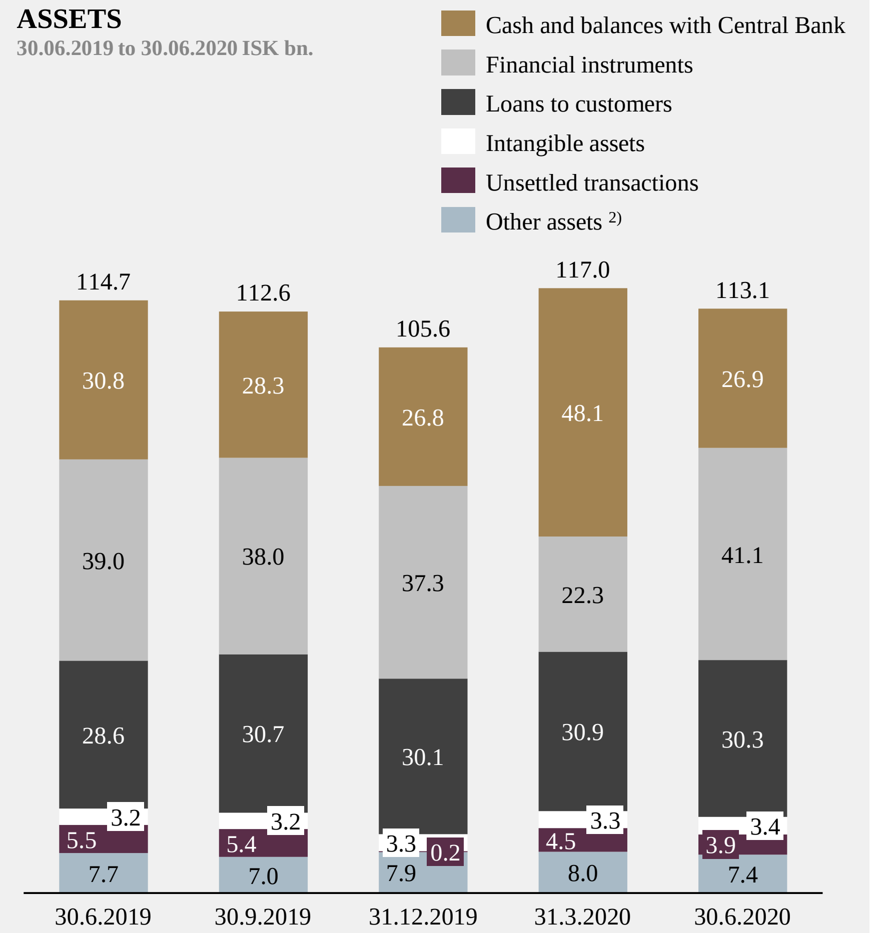
CREDIT QUALITY OF LOAN BOOK [1)]

31.12.2019 and 30.06.2020



ASSETS

30.06.2019 to 30.06.2020 ISK bn.



1) *Credit quality based on IFRS 9. Gross carrying amount by rating class / Total gross amount*

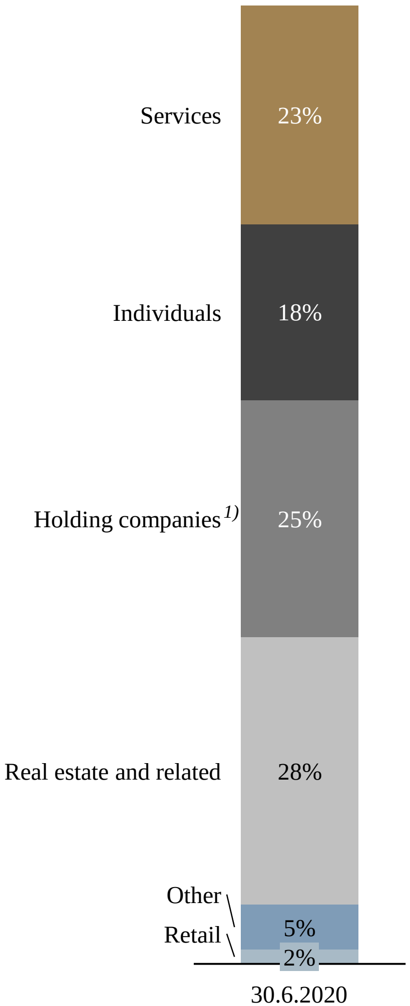
2) *Other assets include Investment properties, Investment in associates, Property and equipment, Deferred tax assets, Accounts receivable, Right of use assets, Sundry assets and Assets classified as held for sale*

Loan book composition

Diversified loan book

LOAN BOOK SPLIT

30.06.2020



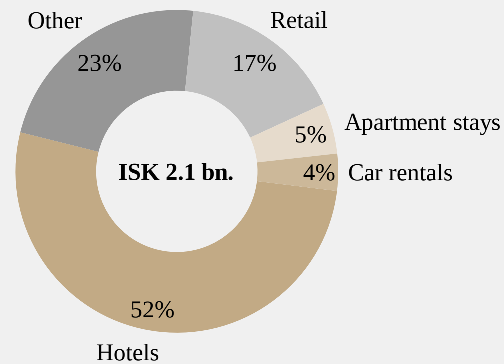
TOURISM (6.7% of loan book)

By selected industry classification

- Tourism accounts for 6.7% of loans to customers
- Majority of loans are under 60% LTV

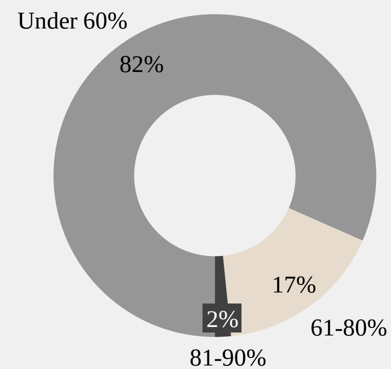
BREAKDOWN OF TOURISM

30.06.2020



LTV FOR TOURISM

30.06.2020



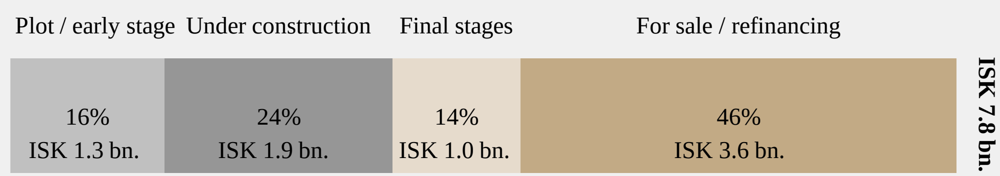
REAL ESTATE DEVELOPMENT (24% of loan book)

By selected industry classification

- Approximately 24% of loans to customers are in real estate development
- Majority are in Reykjavik and around 46% are for sale and/or refinanced

BREAKDOWN OF REAL ESTATE DEVELOPMENT

30.06.2020



1) *Includes financing of listed securities*

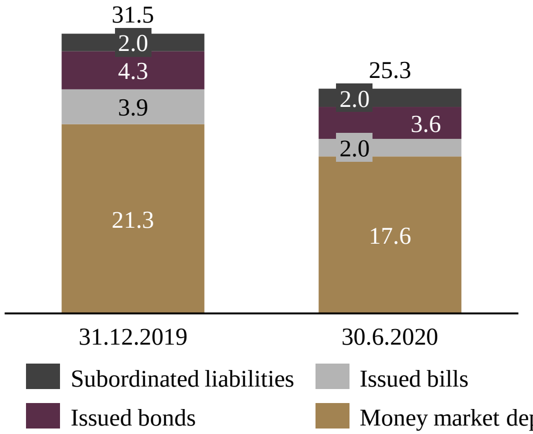
Tourism and real estate development related information are based on internal estimations and on total loan book (which includes loans within the group)

Liabilities

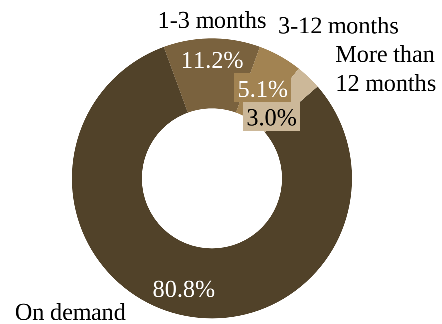
Funding continues to be strong

- Liquidity coverage ratio (LCR) 221% at end of the period
- Deposits to loans ratio remains high at 202%
- Deposits have increased by ISK 9.9 billion from year-end 2019
  - Increase mainly driven by retail deposits from individuals
- Outstanding issued debt securities amounted to ISK 7.6 billion
- Money market borrowings amounted to ISK 17.6 billion
- Six-month bill issued in June amounting to ISK 2 billion
- Five-year senior unsecured KVB 19 01 increased in July by nominal amount of ISK 2,120 million

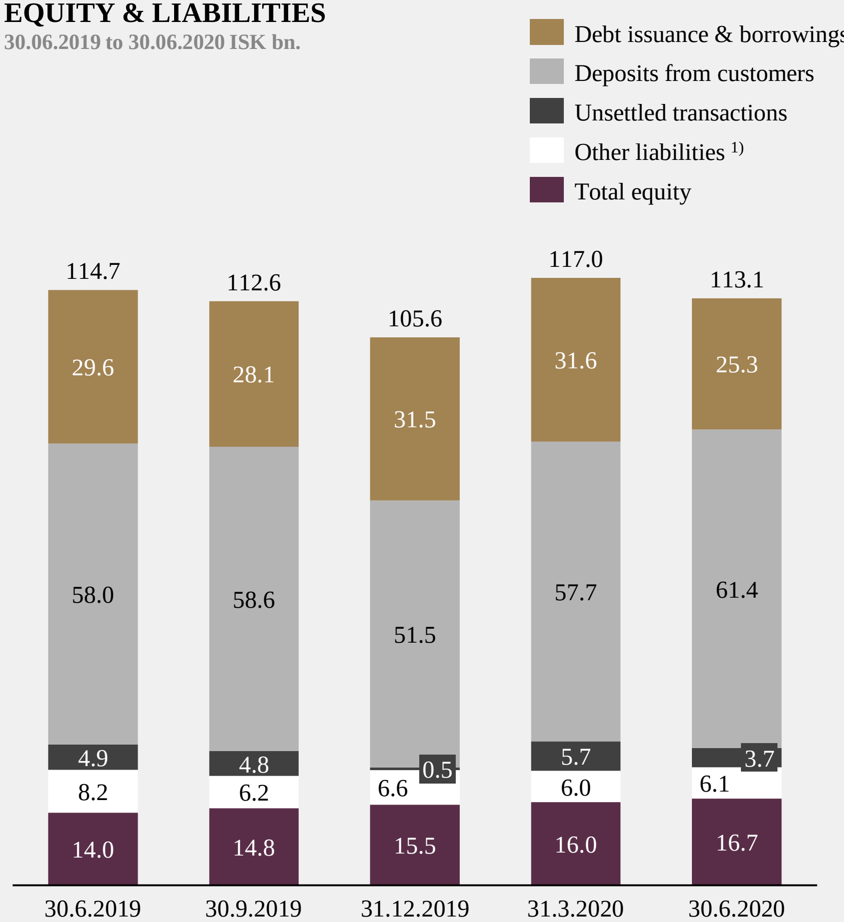
SECURITIES & BORROWINGS
31.12.2019 and 30.06.2020 ISK bn.



MATURITY OF DEPOSITS
30.06.2020



EQUITY & LIABILITIES
30.06.2019 to 30.06.2020 ISK bn.



1) *Other liabilities include Current tax liabilities, Deferred tax liabilities, Impairment on off balance sheet items, Expected credit loss allowance for loan commitments, guarantees and unused credit facilities, Account payable and accrued expenses, Taxes payable, Special taxes on financial institutions and financial activities, Withholding taxes, Salaries and salary related expenses, Lease liability, Contingent consideration and Other liabilities*

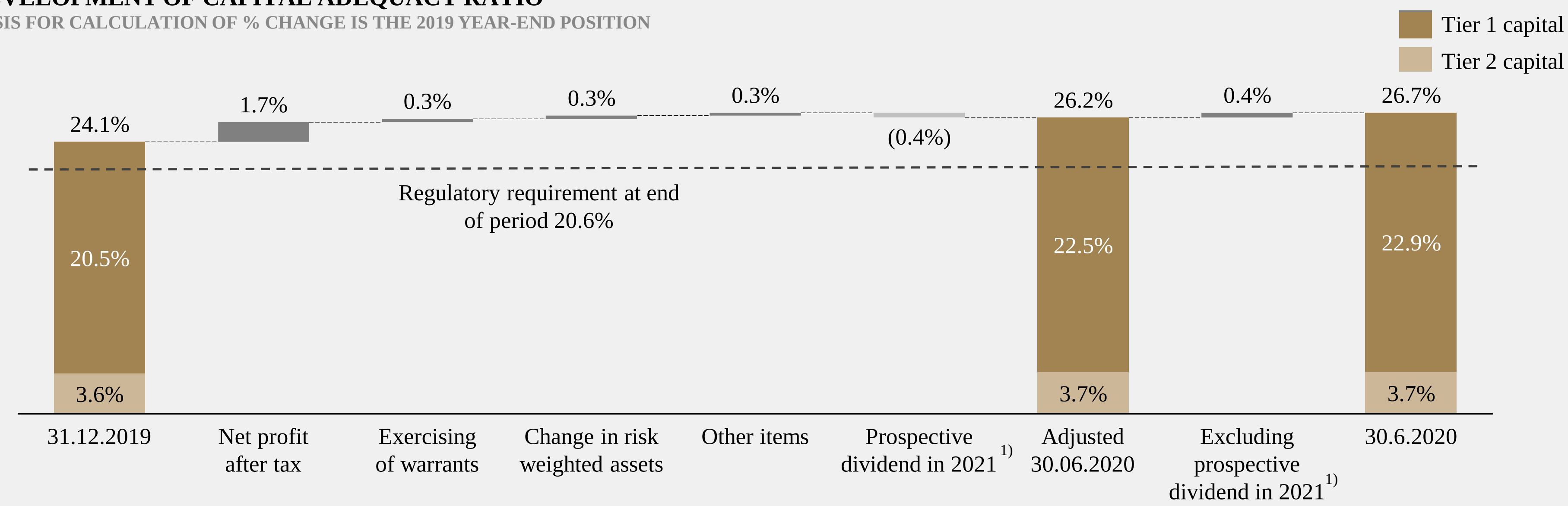
Solid capital position

Capital adequacy ratio exceeds required capital buffers

- Capital adequacy ratio 26.2% at end of Q2
  - Excluding prospective dividend in 2021 according to dividend policy the capital adequacy ratio is 26.7%
- Capital base amounted to ISK 14,060 million and book value of equity at ISK 16,668 million
- Increase in risk-weighted assets mainly attributable to loan portfolio
- Other balance sheet items relatively unchanged
- Minimum regulatory capital requirement is 20.6% as of 31 March 2020

DEVELOPMENT OF CAPITAL ADEQUACY RATIO

BASIS FOR CALCULATION OF % CHANGE IS THE 2019 YEAR-END POSITION



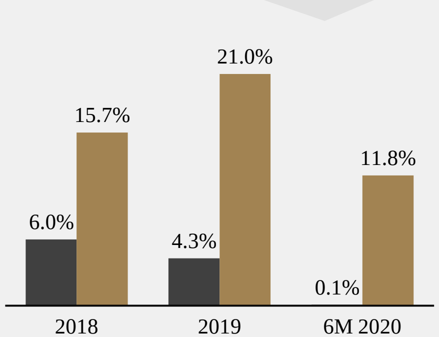
1) *Based on Kvika's dividend policy*

Comparison

Strategic focus reflected in key ratios

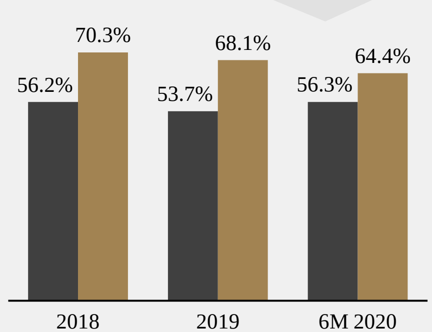
RETURN ON EQUITY

Successful implementation of strategy



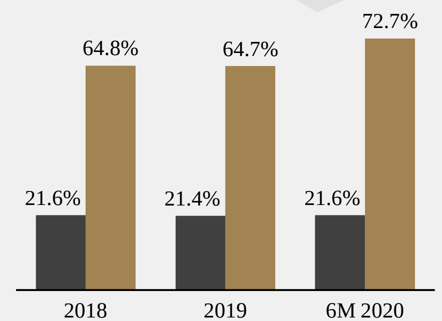
COST-INCOME RATIO

Expenses in line with budget



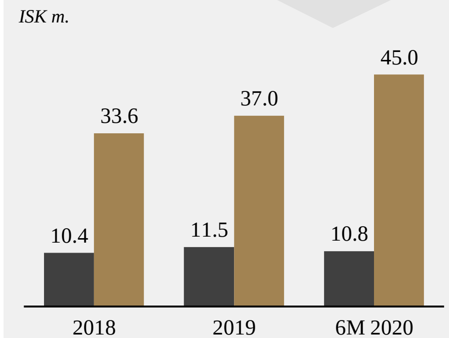
NET FEE & COM. INC. / OPERATING INC.

Continued focus on net fee and commission income



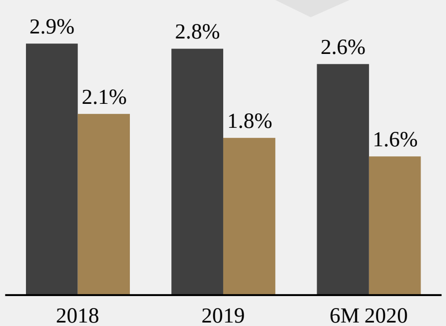
NET FEE & COMMISSION INCOME / FTE [1)]

Relatively more growth in net fee and commission income compared to FTE's



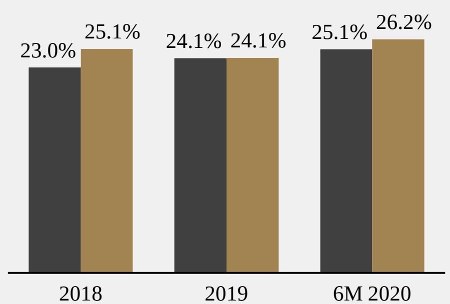
NET INTEREST MARGIN [2)]

High stock of liquid assets and proportionally small loan book results in lower NIM



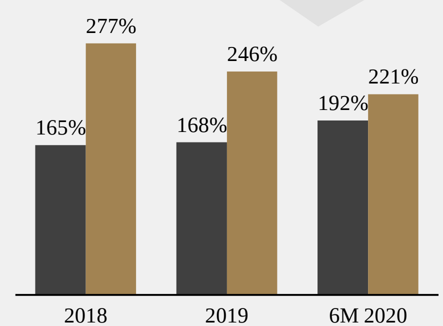
CAD RATIO

Above regulatory requirement



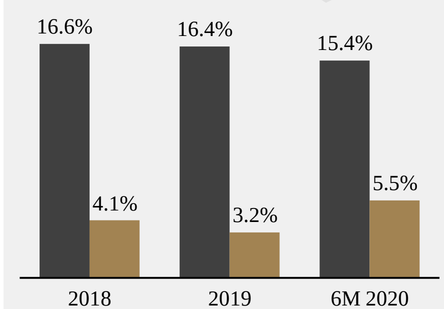
LIQUIDITY COVERAGE RATIO

Strong liquidity position



ASSET ENCUMBERANCE [3)]

No asset pledge for debt issuance



■ Domestic banks (simple average) ■ Kvika banki

1) *Net fee & commission income / Average FTE. Annualised for 6M 2020*
2) *On average carrying total book value of assets. Annualised for 6M 2020*
3) *Defined as encumbered (pledged) assets / total assets*

Domestic banks consist of Arion, Landsbankinn and Íslandsbanki