Kvika banki hf.

6M 2023 Financial Results

17 August 2023

2,684	12.4%	27%	97.5%
PBT 6M	RoTE 6M	NII growth YoY	Combined ratio

6M 2023

Profit before tax of ISK 2,684 million for 6m 2023 increasing 24% YoY

Net interest income increases 27% YoY due to higher lending volumes and rates. Modest adverse NII impact in Q2 due to strong liquidity position affected by a rapid rise in interest rates during the period

Substantial growth in net insurance service income as insurance premium grow by 10.1% in 6M 2023 as claims grow by 4.4%. Combined ratio of 97.5% in 1H compared to 99.9% in 1H22

Net fee and commission income stable YoY, net financial income positive by ISK 436 million, continues to be impacted by volatile financial markets

New and updated Aur mobile platform launched in late July and Straumur onboarding of merchants is going to plan

On July 27th the new Aur went live, increasing emphasis on retail banking

World's first hybrid debit/credit card and a current account

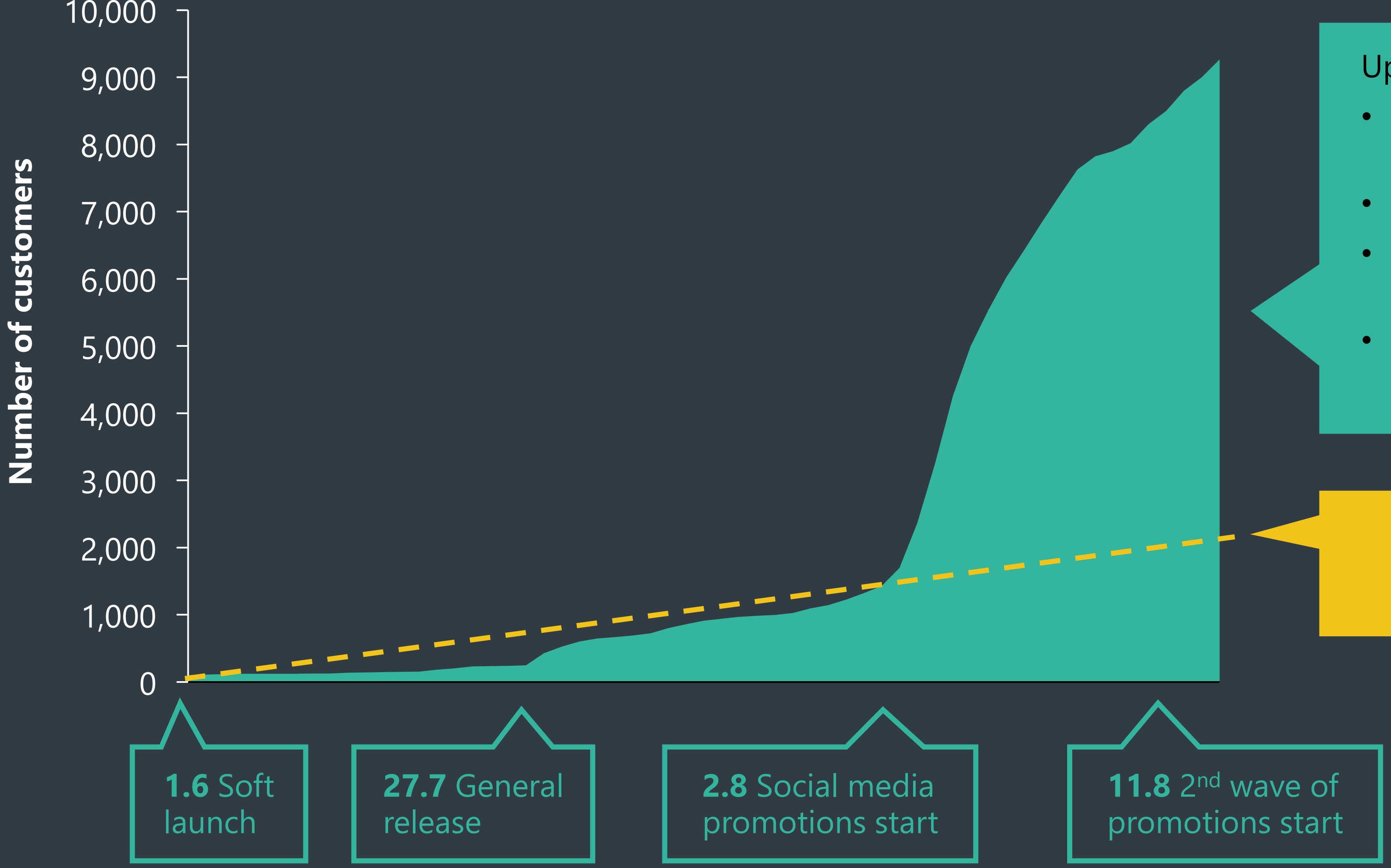
Cashback rewards and merchant network

Shared expenses and balances with friends and family

...and all the other popular Aur payments features

- With over **90% market penetration**, Aur is the market leading payments app in Iceland
- New features transform Aur into a **comprehensive financial services app** geared towards the younger demographic (yet suitable for **everyone**)
- Uptake of the new Aur features and services has been **fast** – see next slide

In the first 20 days since release over 9,000 Aur users have chosen to upgrade their subscription



Upgraded subscribers get

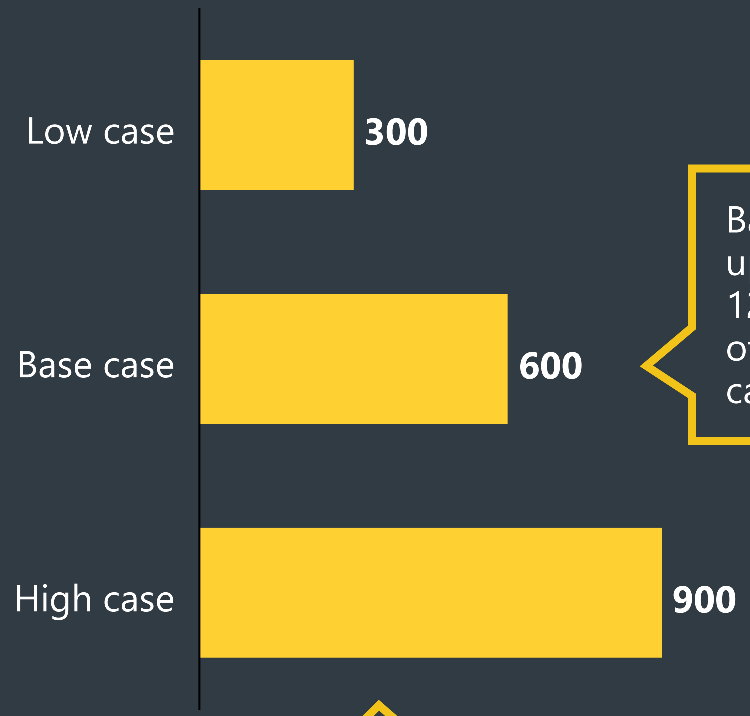
- a **Visa card** (hybrid debit/credit card for Aur Plús),
- a **current account**
- the ability to create **cost-split groups** (Klíkan)
- **Insurance** (Aur Plús)

Pre-launch target was **1,500 subscriptions** after 20 days

We are optimistic about Aur's profit growth…

Increase in yearly run-rate profit

30.6.24 expected, ISK million



Base case assumes 25,000 upgraded subscribers after 12 months and an average of 300.000 ISK monthly card turnover

Revenues mostly comprised of card fees and point-of-sale loans

…but Aur plays a larger role within Kvika's overall strategy

Aur serves a **young demographic** who are at the start of their financial journey

Key to realizing the long-term value of the Aur customer base is **growing with our customers**

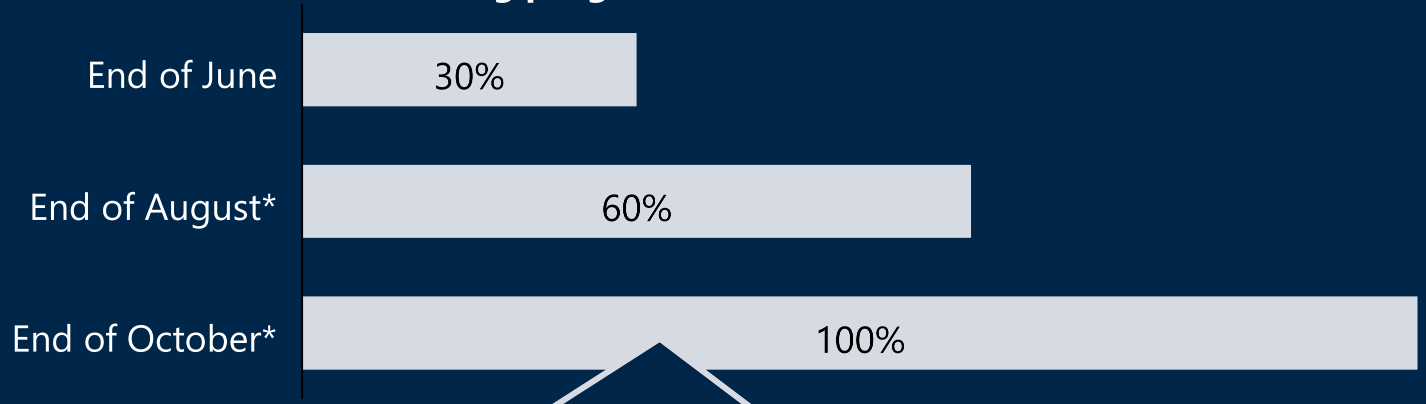
This means mapping **customer journeys** and **personalizing products and services** to fit individual needs. We will achieve this through several means:

- Expanding the product range of Aur, especially through white labelling agreements with group brands
- Cross-selling through group brands integrated into the Aur app
- Cross-selling through partnerships in the Aur Klink marketplace
- Up-selling from bundled products

Onboarding of Straumur merchants is going to plan

As part of the merger of Valitor and Rapyd, Kvika purchased 25% (275 billion ISK yearly turnover) of the Icelandic payments market and is in the process of onboarding the merchants into our systems

Onboarding progress



Run-rate annual PBT after onboarding is expected to be ISK 300-400m and healthy organic growth is expected. Overheads are minimal due to economies of scale and technology sharing within the Kvika group

* *Expected*

Financials

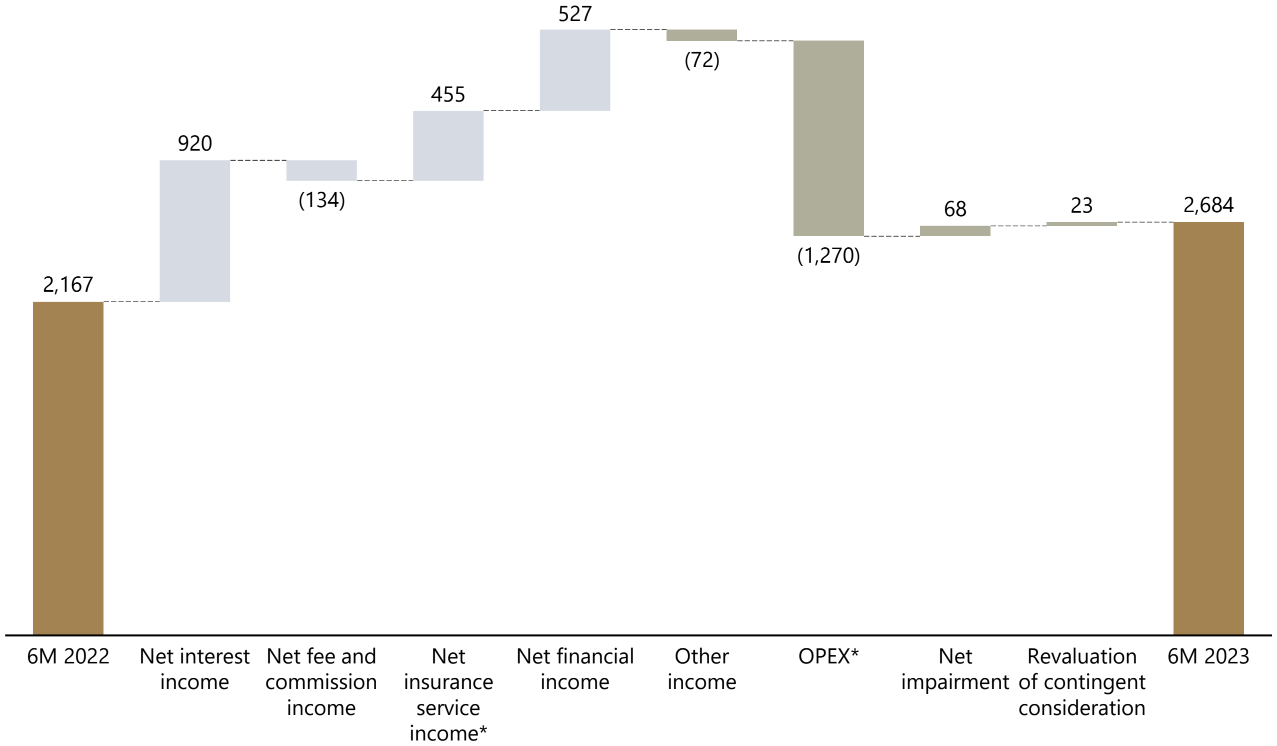
6M 2023

Income Statement

6M 2023

Pre-tax profit (loss) bridge

6M 2022 to 6M 2023 / ISK m.



Income Statement

ISK m.

	6M 2023	6M 2022	Diff.
Net interest income	4,347	3,426	920
Net fees and commissions	3,085	3,219	(134)
Net insurance service income*	2,202	1,747	455
Net financial income	436	(91)	527
Other income	323	395	(72)
Net operating income*	***10,393***	***8,696***	***1,697***
Operating expenses*	(7,680)	(6,410)	(1,270)
Net impairment	(29)	(96)	68
Revaluation of cont. consideration	0	(23)	23
Pre-tax profit	***2,684***	***2,167***	***518***
Income tax	(601)	(278)	(323)
Special bank taxes	(171)	(157)	(15)
After-tax profit	***1,912***	***1,732***	***179***

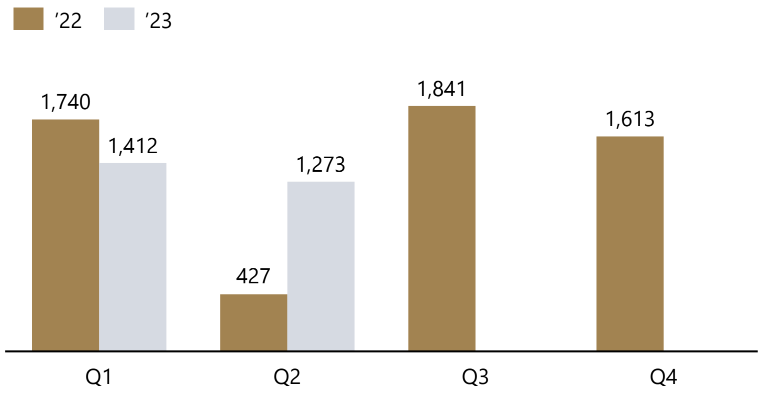
*Change in presentation of insurance income due to implementation of IFRS17 at 1.1.2023. Slide shows Net insurance service income (NIS) which excludes administrative expenses related to insurance service from the insurance service results, and therefore also the net operating income, shown in the consolidated income statement. Administrative expenses related to insurance are instead included in operating expenses, in line with previous presentation. Comparative information has been restated.

Total Profit Before Tax in Q2 ISK 1,273m

Stable and diversified income

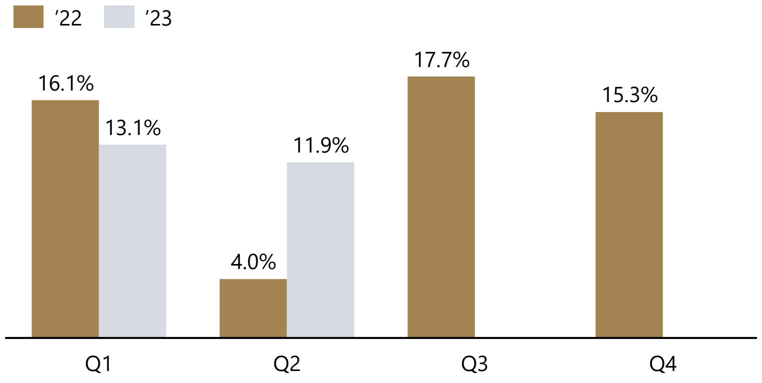
Profit before tax (PBT)

PBT development / ISK m.



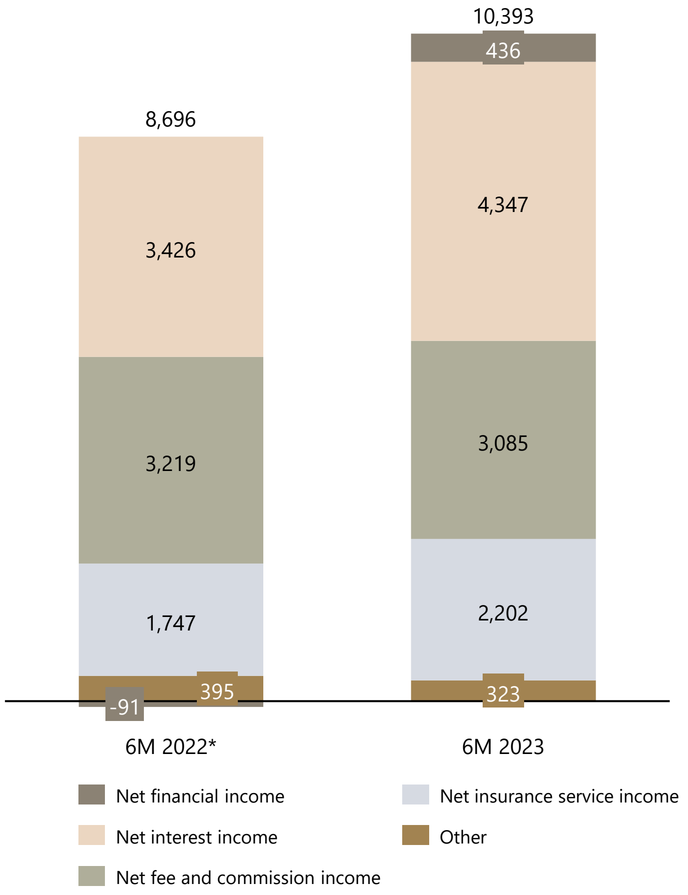
Return on tangible equity (RoTE)

(%)



Diversified income across categories

Net operating income by type / ISK m.



- Kvika's profit before tax in Q2 2023 is ISK 1,273 million, a significant increase from Q2 2022 which was severely impacted by NFI losses. Pre-tax RoTE of 11.9% in Q2
- Net operating income amounted to ISK 10,393 million in the first six months of 2023, a 20% increase from 6M 2022, evidence of the strength of core operations as financial income continues to be impacted by market volatility
- Operations in 6M 2023 result in a pre-tax RoTE of 12.4%
- Continued increase in net interest income following rising interest rate environment and loan book growth while net financial income (NFI) in the period is impacted by one-off revaluation of unlisted securities (mainly Kerecis hf.) , resulting in a positive NFI of ISK 436 million
- Note a change in presentation of insurance income in the consolidated financial statements due to implementation of IFRS17. Slide shows net insurance service income (NIS) which excludes administrative expenses related to insurance service from the insurance service result. Similarly, net operating income excludes administrative expenses related to insurance service.

*UK operations only include Ortus Secured Finance from 1 March 2022.

Segment Highlights in 6M 2023

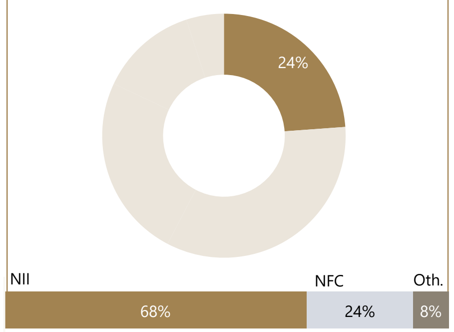
Five operating segments with diversified sources of income

Commercial Banking

- Healthy loan book growth, June an all-time best month on record in terms of new loans originated by Lykill
- Continued success of Auður, LTM growth over 120%
- Straumur successfully onboarded close to 30% of acquired portfolio turnover
- AUR launched an update featuring new payment cards, debit or hybrid debit/credit, along with other payment features unprecedented in the Icelandic market – issued cards currently over 9 thousand three weeks after launch

Revenues 6M 2023

(%)

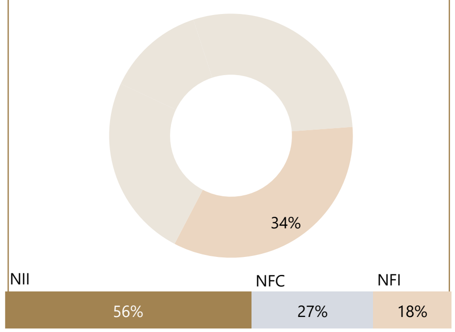


Corporate Banking & Capital Markets

- Loan book growth of 34% in H1, driven by property backed loans
- FX volume grows by 26% YOY, expansion in customer base
- Capital Markets had a strong market share in 6M: 23.12% in bonds and 16.23% in equities
- Market volatility continues as bond volumes have increased 50% YoY while equity volume has decreased by 28%

Revenues 6M 2023

(%)

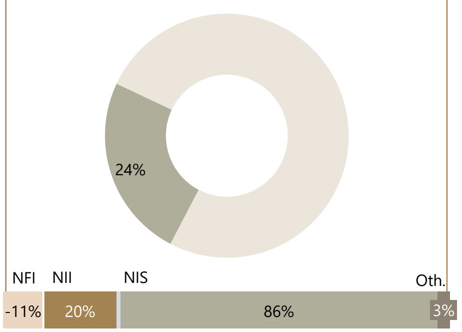


Insurance

- Strong performance for insurance operations with a combined ratio of 94.9% in Q2 and substantial premium growth of 11.3% in Q2
- 6M combined ratio of 97.5%
- Investments significantly affected by market conditions in the period
- Change in presentation of insurance income due to implementation of IFRS17 on 1 January 2023, comparative information has been restated

Revenues 6M 2023

(%)

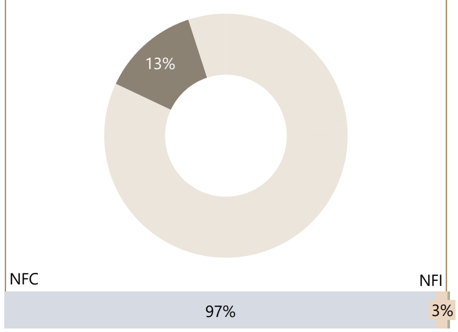


Asset Management

- Market share in retail investment funds grew by 5% in 6M 2023, following a significant growth in market share in 2022
- Positive net inflow in retail investment funds
- Stable income in 6M 2023 demonstrates the company's strong core operations in a challenging market conditions

Revenues 6M 2023

(%)

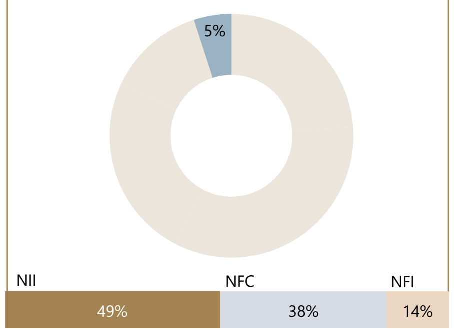


UK

- Modest loan book growth during the quarter. The operation has a strong lending pipeline but completions have been adversely impacted by challenging market conditions.
- The quality and granularity of the loan book remains strong and net interest margin continues on a positive trend, notwithstanding the continued base interest rate increases implemented by the Bank of England

Revenues 6M 2023

(%)

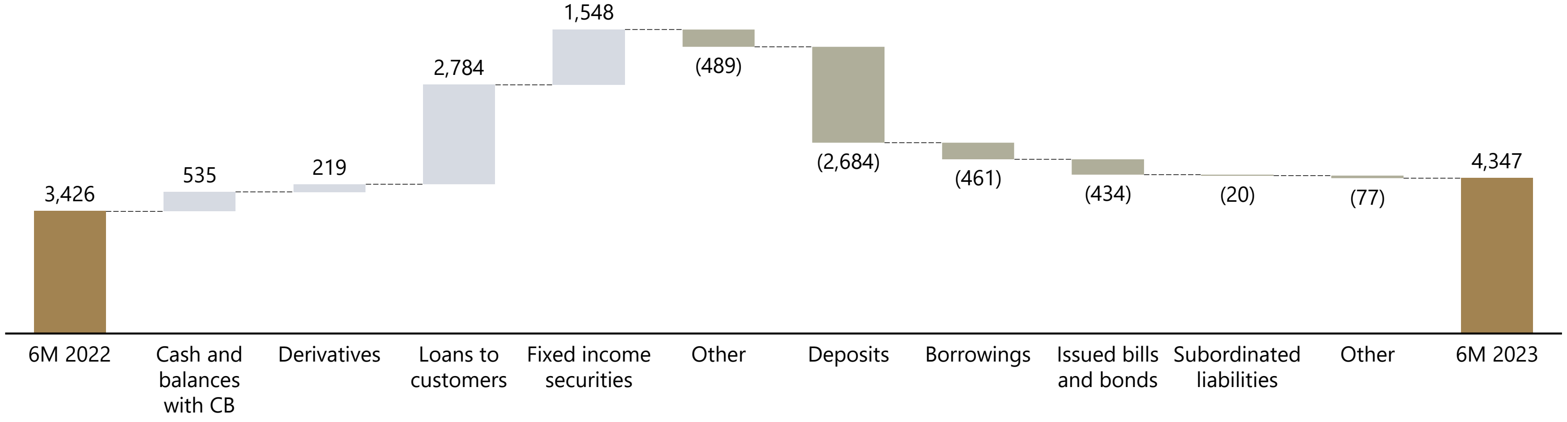


Net Interest Income

A growing part of the group's revenues

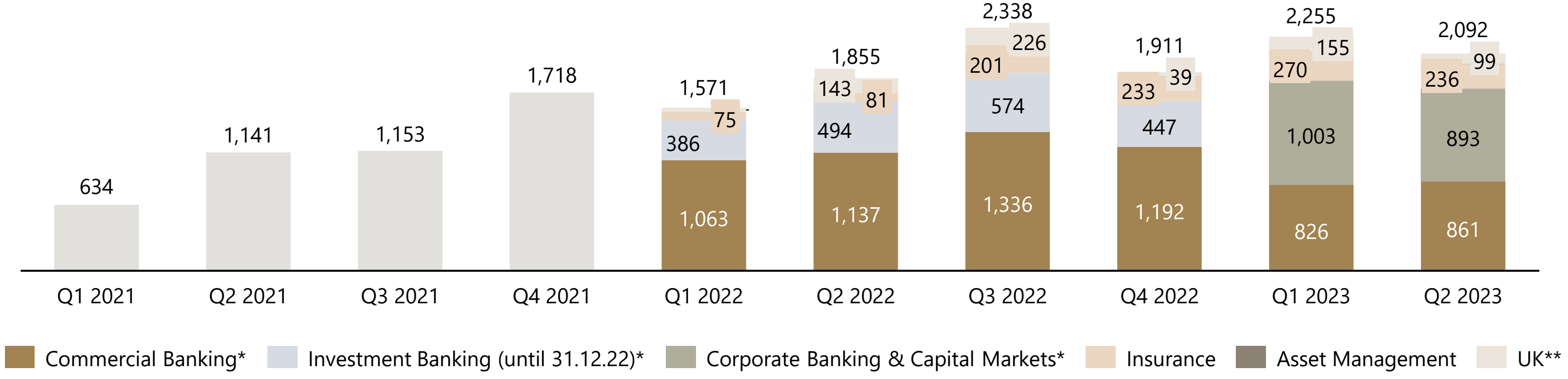
Net interest income 6M comparison

6M 2022 to 6M 2023 / ISK m.



Net interest income development (NII)

ISK m.



- NII is generated by multiple segments within the group through traditional lending activities, as well as through treasury activity (accounted for within Corporate Banking & Capital Markets) and securities held at FVOCI
- Net interest income grows by 27% from 6M 2022 due to loan book growth and rising interest rates which increase the group's interest income from fixed income securities
  - Interest expense increase from 6M 2022, mainly attributable to deposits which continue to organically grow while simultaneously increasing in cost due to the current interest environment and price competition in deposits
- Decrease in net interest income and net interest margin between quarters, despite interest income from lending increasing by ISK 423 million in Q2
  - A strong liquidity position and a significant rise in interest rates during the period had a temporary negative effect on the net interest margin in the second quarter, mainly attributable to treasury operations accounted for withing Corporate Banking & Capital Markets
- Net interest margin of 3.7% p.a. in 6M 2023
  - Calculated as net interest income to total interest-bearing assets
  - Temporary compression due to rapid rate hikes and strong liquidity position, net interest margin [% p.a.] from loans to customers remains stable from Q1

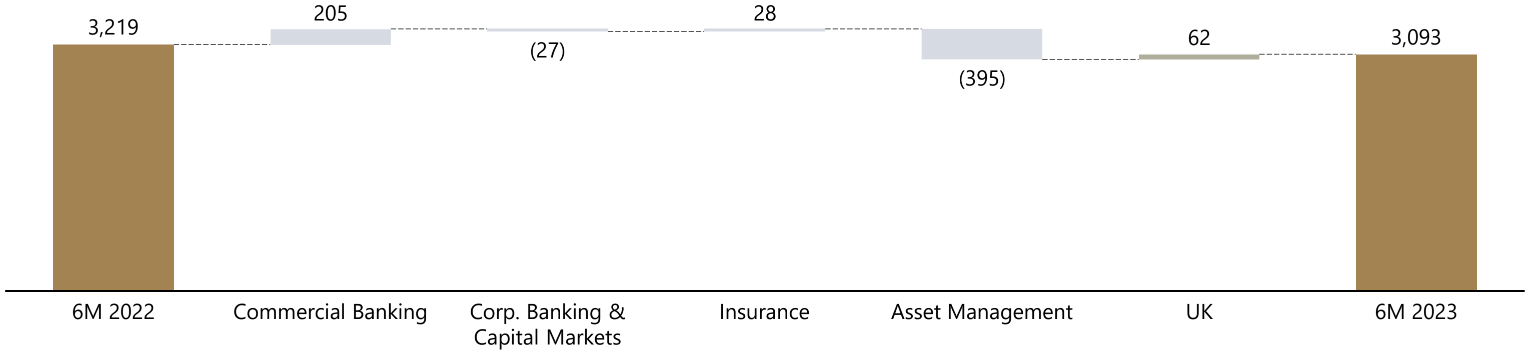
*The Group changed the structure of its internal reporting and reportable segments, taking effect on 1 January 2023. The figures for the period in 2023 reflect this structure, comparison amounts have not been restated
**UK operations only include Ortus Secured Finance from 1 March 2022.

Net Fee and Commission Income

Strong recurring fee base

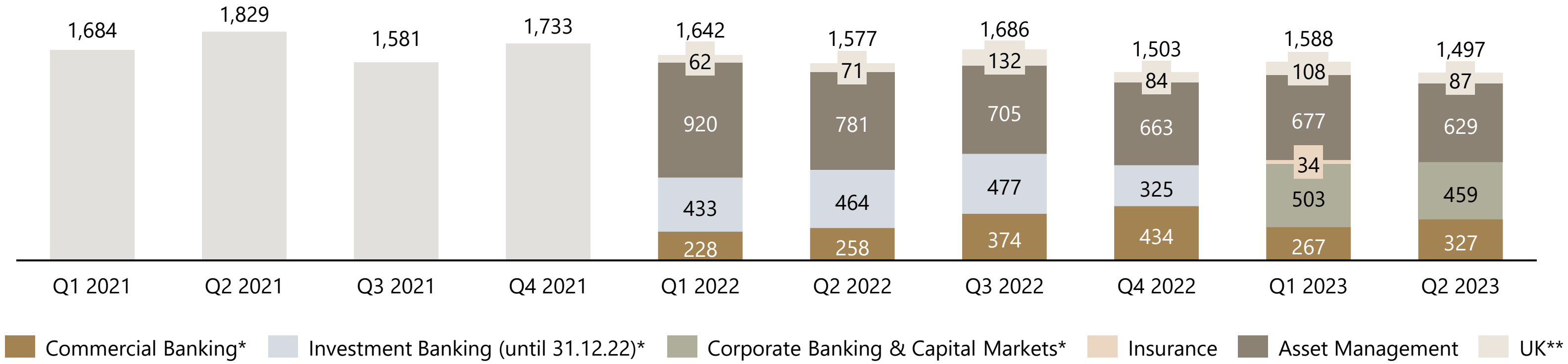
NFC YoY comparison

6M 2022 to 6M 2023 / ISK m.



Net fee and commission development (NFC)

ISK m.



- Net fee and commission income continues to provide a stable revenue stream with a solid recurring fee base
- NFC decreases YoY due to lower performance-based fees in asset management during challenging market circumstances, countered by an increase in Commercial Banking attributable to loan book growth and launch of payment facilitator Straumur
- Q2 was a solid quarter in all segments with total fees of ISK 1,685 million, a slight increase from Q2 2022
- Asset management remains a key contributor to NFC and provides the strongest recurring fee base while Corporate Banking and Capital Markets have become the second largest contributor as corporate lending was merged with investment banking, both of which produce considerable fee and commission income
- Commercial Banking's NFC contribution decreases due to the transfer of corporate lending, expected to increase as Straumur and Aur become fully operational, generating card and payment fees

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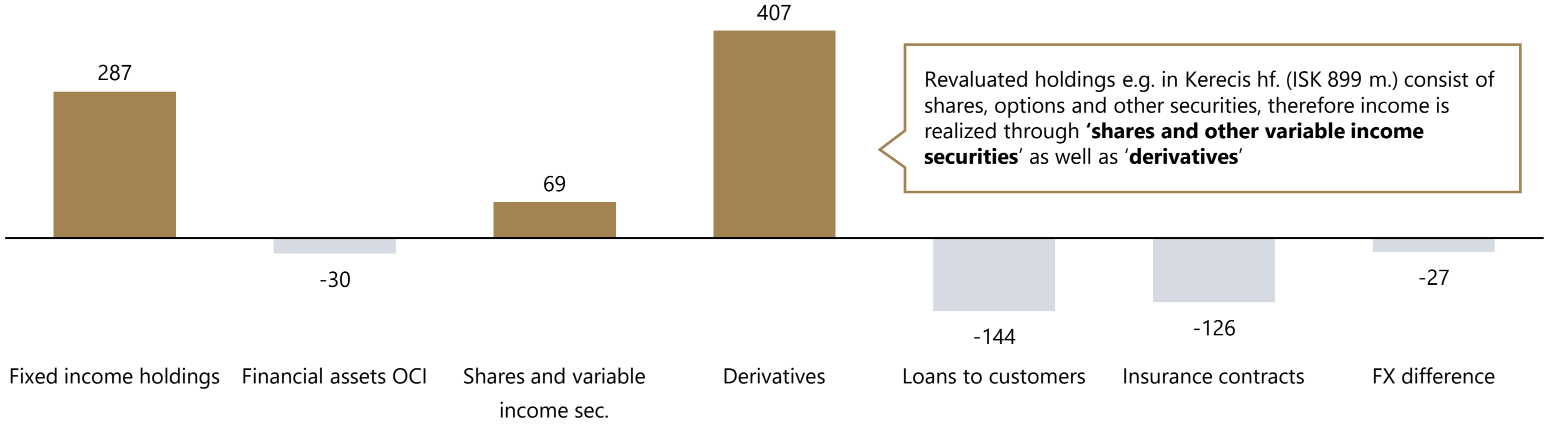
Net Financial Income

Volatile market conditions continue

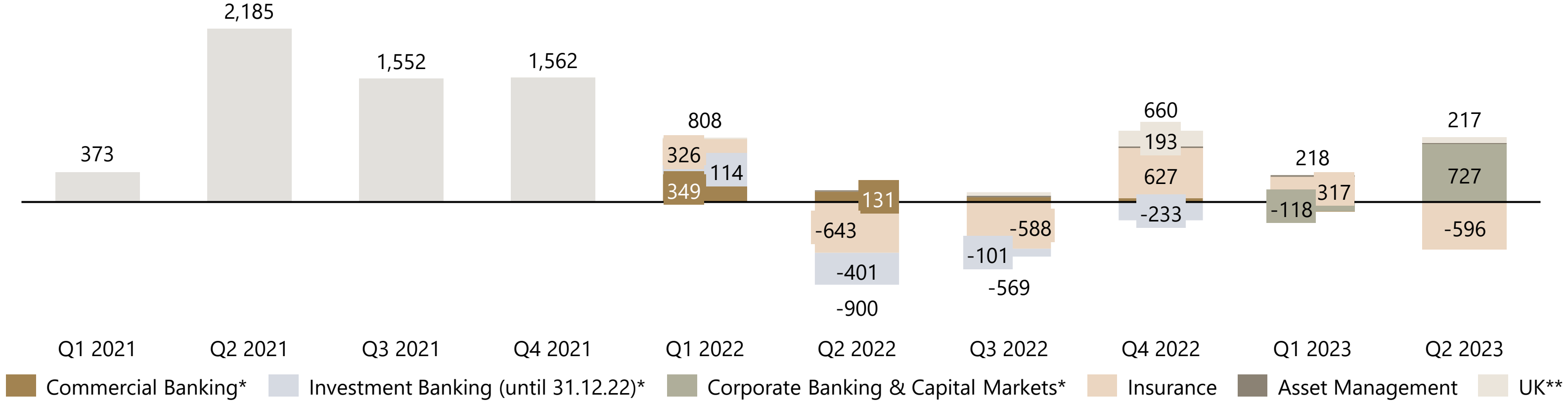
Net financial income (expense) composition

6M 2023/ISK m.



Net financial income development (NFI)

ISK m.



- Volatility in financial markets continues to impact all NFI generating segments, particularly Insurance, which hold the majority of securities in the group
- Net financial income is negative through all segments in Q2 apart from Corporate Banking & Capital Markets where a revaluation of variable income securities offsets negative returns due to securities held by market making and treasury
  - Market making holds minimal securities, loss of ISK 141 million in 6M 2023
- Revaluated holdings e.g. in Kerecis hf. (ISK 899 m.) consist of shares, options and other securities, therefore income is realized through 'shares and other variable income securities' as well as 'derivatives'
- Negative NFI due to revaluation of FVPL loans to customers (loans that include a derivative of some kind) and adjustment of insurance contract liabilities
- Consolidated holdings of debt and equity securities remains at similar levels as in previous periods

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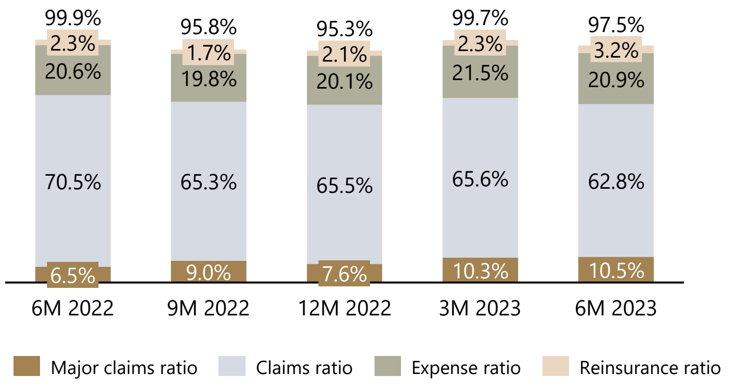
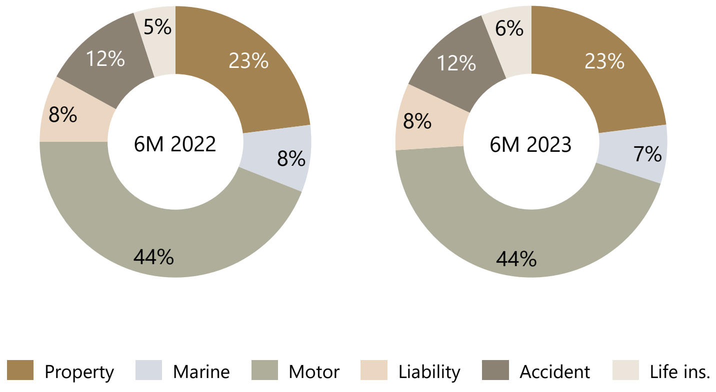
Net Insurance Service Income

New presentation due to adoption of IFRS 17

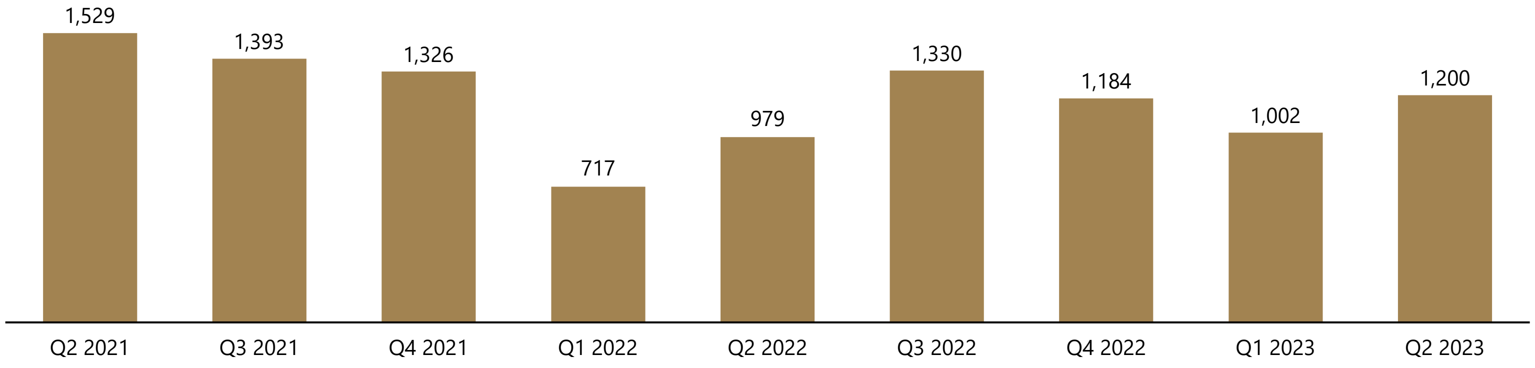
Combined ratio
(%)



Premiums composition
(%)



Net insurance service income development* (NIS)
ISK m.



*Change in presentation of insurance results due to adoption of IFRS 17. Net insurance service income (NIS) excludes administrative expenses related to insurance service from the insurance service result presented in the consolidated financial statement, comparable to previous presentation of net premiums and claims (NPC). The figures for the period in 2023 reflect this structure, comparison amounts have not been restated

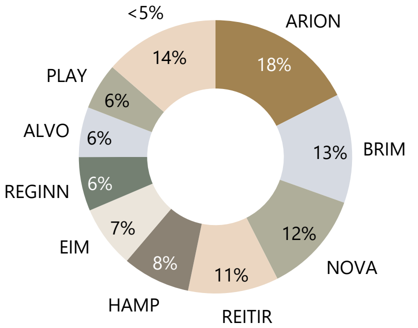
- Change in presentation of insurance income in the consolidated financial statements due to implementation of IFRS17. Slide shows net insurance service income (NIS) which excludes administrative expenses related to insurance service from the insurance service result, comparable with the previous presentation of net premiums and claims
  - Figures for 2023 reflect this structure, comparison amounts have not been restated
- Continued strong performance of insurance operations with a combined ratio of 97.4% for 6M 2023 compared to 99.9% in 6M 2022
  - Combined ratio of 94.9% in Q2
- Claims ratio decreases YoY while other ratios remain relatively stable
- Significant premium growth of 10.1% in 6M 2023 while claims only grow by 4.4%
- Category composition of revenues and claims continues to be stable

Financial Instruments: Variable Income

Continued market volatility affects the group's equity holdings

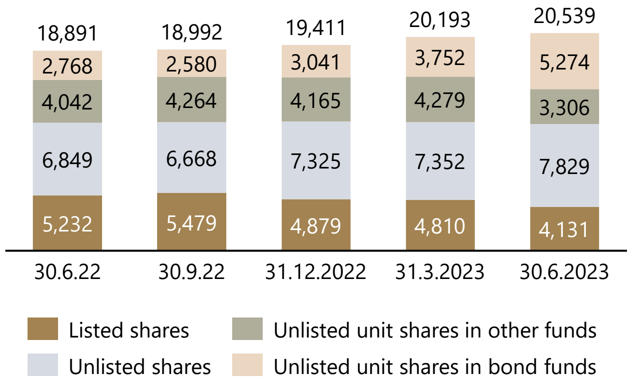
Listed shares

30.6.2023 / %



Variable income securities

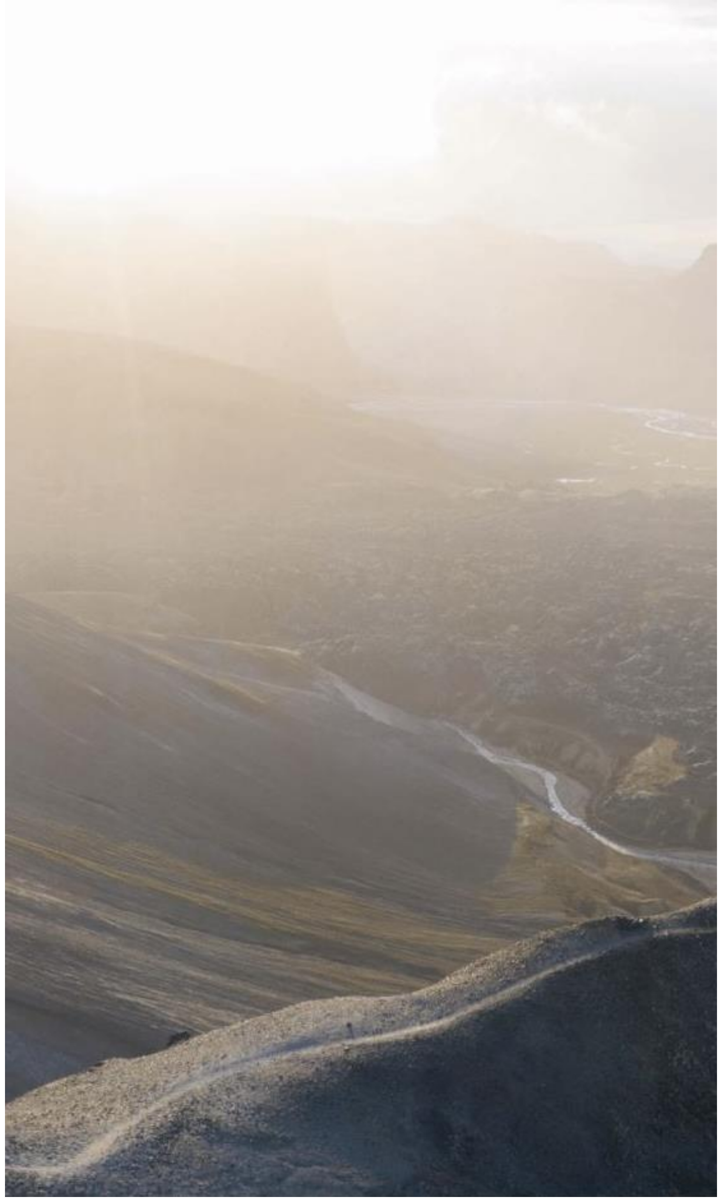
30.6.2023 / ISK million



Listed and unlisted shares, ten largest exposures

30.6.2023 / ISK m.

	Book value 30.06.2023	Book value 31.12.2022
Eskja Through EE ehf.	1,598	1,566
Kerecis*	1,876	977
Cornerstone Healthcare Group Through CHC Acquisition	941	813
Arion bank*	805	837
Eyrir Invest	576	806
Brim	534	442
Nova	499	241
Reitir	443	679
Freyja Framtakssjóður (PE fund)	427	408
Icelandic Provisions	351	364
Total	4.579	5.569



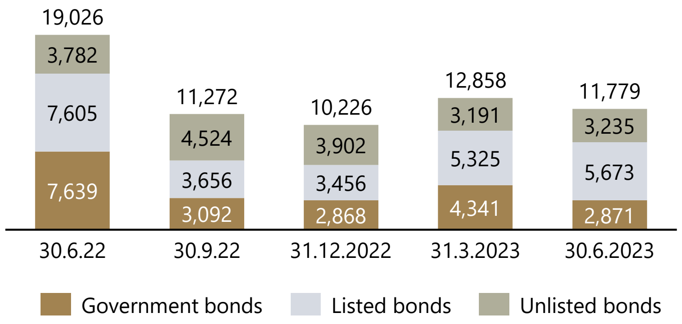
*Total exposure, all equity instruments included

Financial Instruments: Fixed Income

Majority of fixed income instruments held through OCI

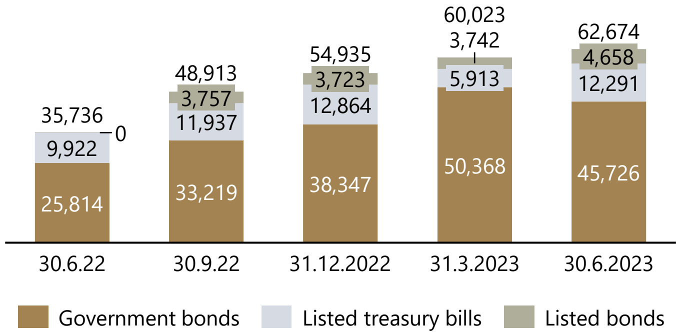
Fixed income securities FVPL

30.6.2023 / ISK million



Fixed income securities OCI

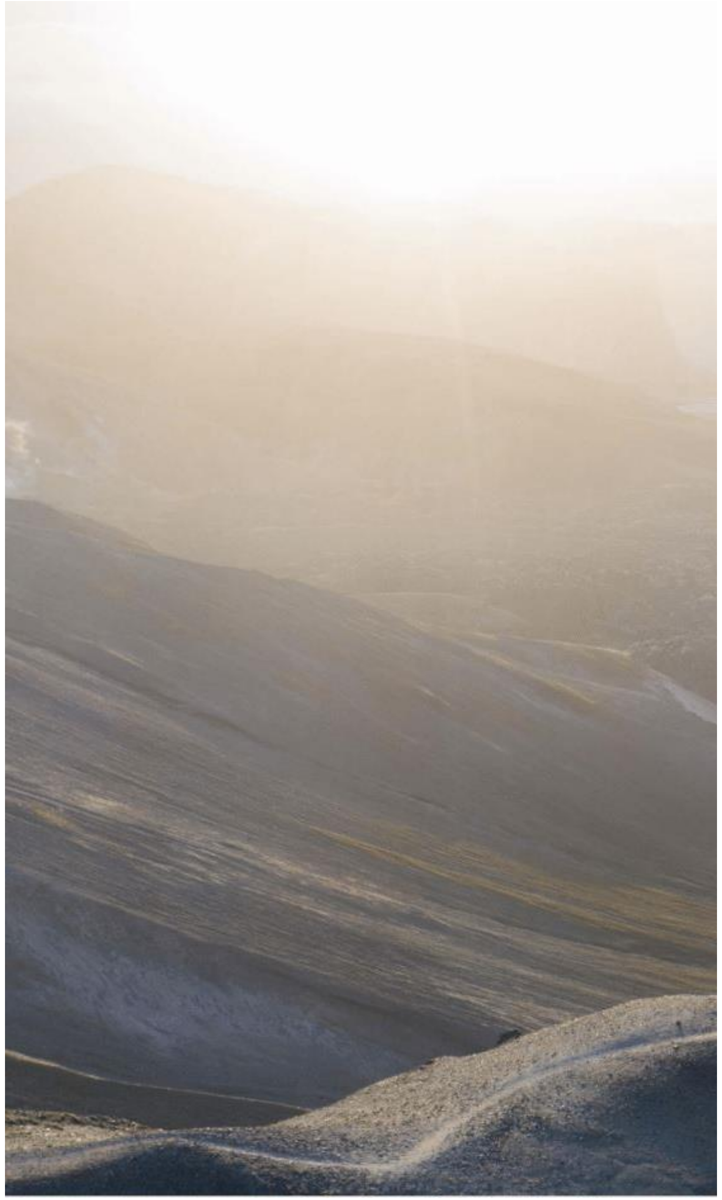
30.6.2023 / ISK million



Fixed income securities, ten largest exposures

30.6.2023 / ISK m.

	Book value 30.06.2023	Book value 31.12.2022
RIKB 24 0415	22,687	13,333
RIKB 26 1015	8,759	-
RIKV 23 0816	6,926	-
RIKB 25 0612	6,150	1,990
RIKS 26 0216	5,279	2,116
RIKV 23 1018	3,895	-
RIKS 33 0321	2,350	2,088
HFF150224	2,215	3,125
LSS150434	2,151	1,249
US treasury bill 08/08/23	1,708	-
Total	62,120	23,901

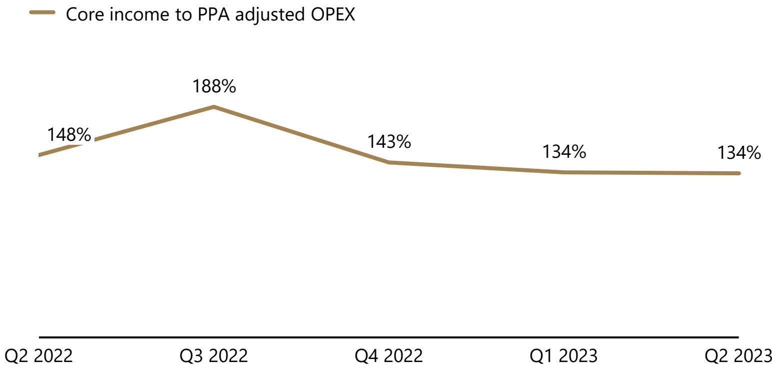


Operating Expenses

Infrastructure expansion to support growth plans

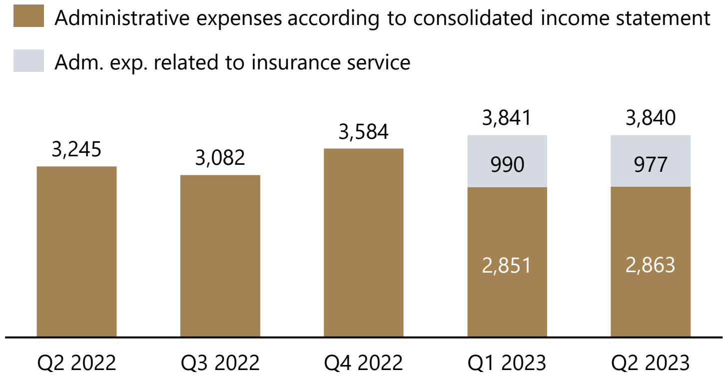
Core income cover

(%)



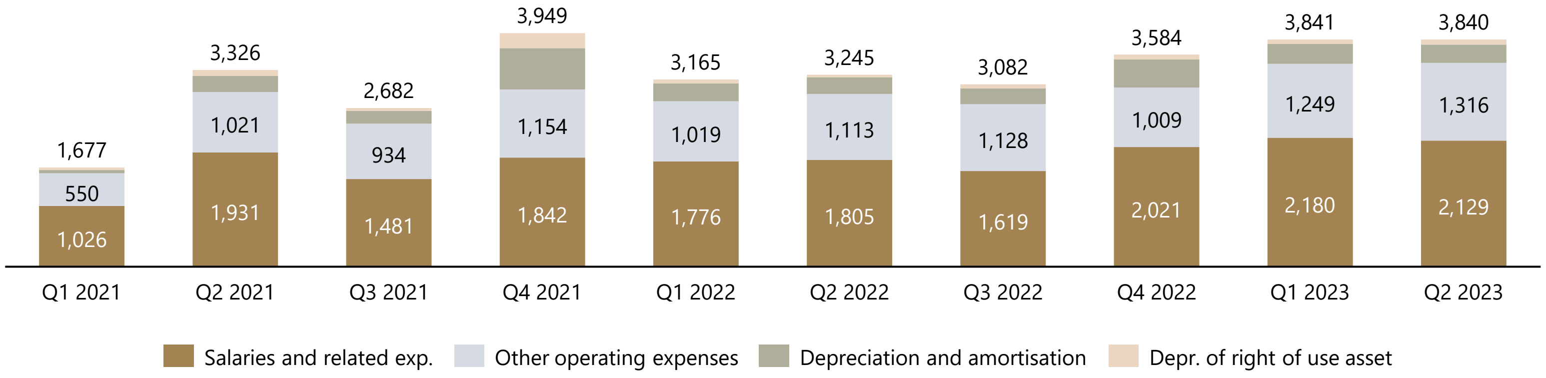
Operating expenses after IFRS 17

30.6.2023 / ISK m.



Total consolidated operating expenses

ISK m.



- Operating expenses increase YoY mainly due to new labor agreements and increased number of FTE's, as the group has invested in infrastructure to support growth
  - UK operations only include Ortus Secured Finance from 1 March 2022
- Core income, net operating income excluding net financial income, continues to cover operating expenses at similar rate as past periods
  - While the group's NFI has seen significant volatility in the past quarters, core income has been stable
- One-off expenses of ISK 60 million in 6M due to merger discussions with Íslandsbanki hf.
- PPA amortization of ISK 250 million in 6M, a non-cash operating expense resulting in lower PBT and reduction in intangible assets
- Change in presentation of administrative expenses due to IFRS 17 implementation
  - Administrative expenses attributable to insurance services included in insurance service results. Slide is based on total consolidated operating expenses

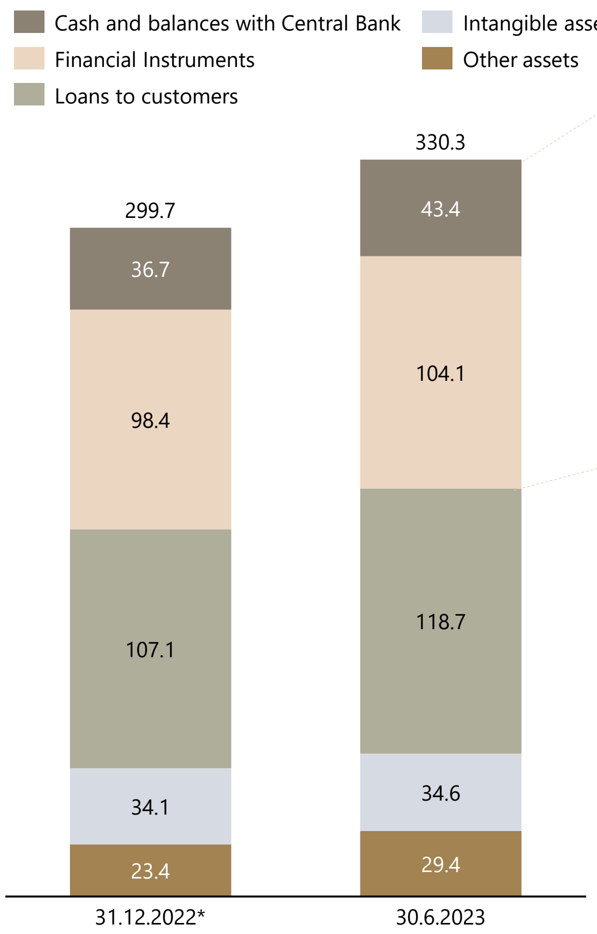
*UK operations only include Ortus Secured Finance from 1 March 2022

Balance Sheet: Assets

Over a third of the balance sheet consists of liquid assets

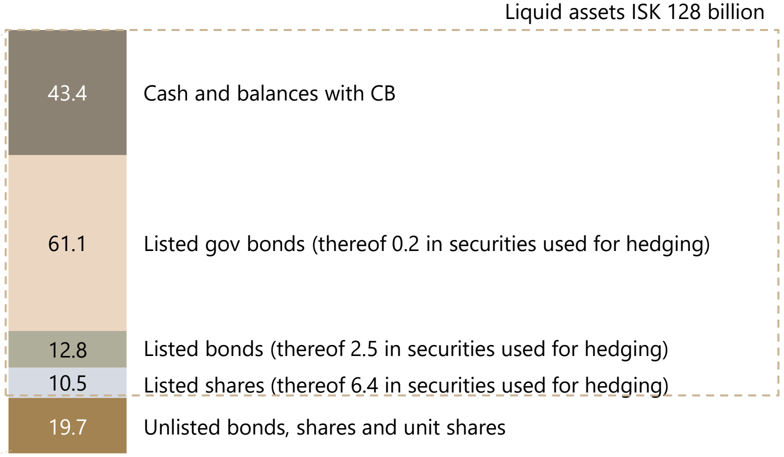
Assets

ISK billions



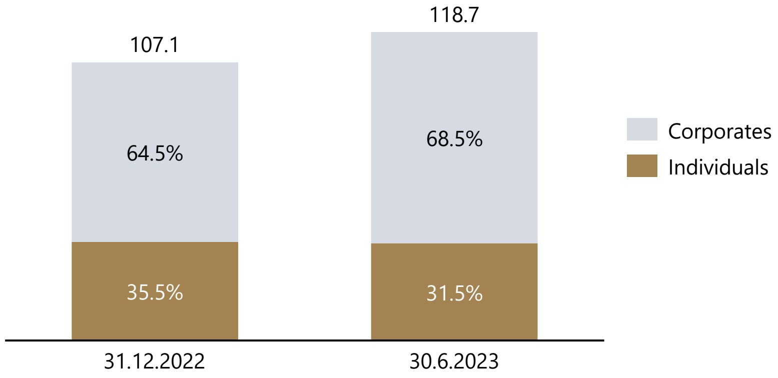
Cash and financial instruments

30.6.23 / ISK billions



Loan book by customer type

ISK billions



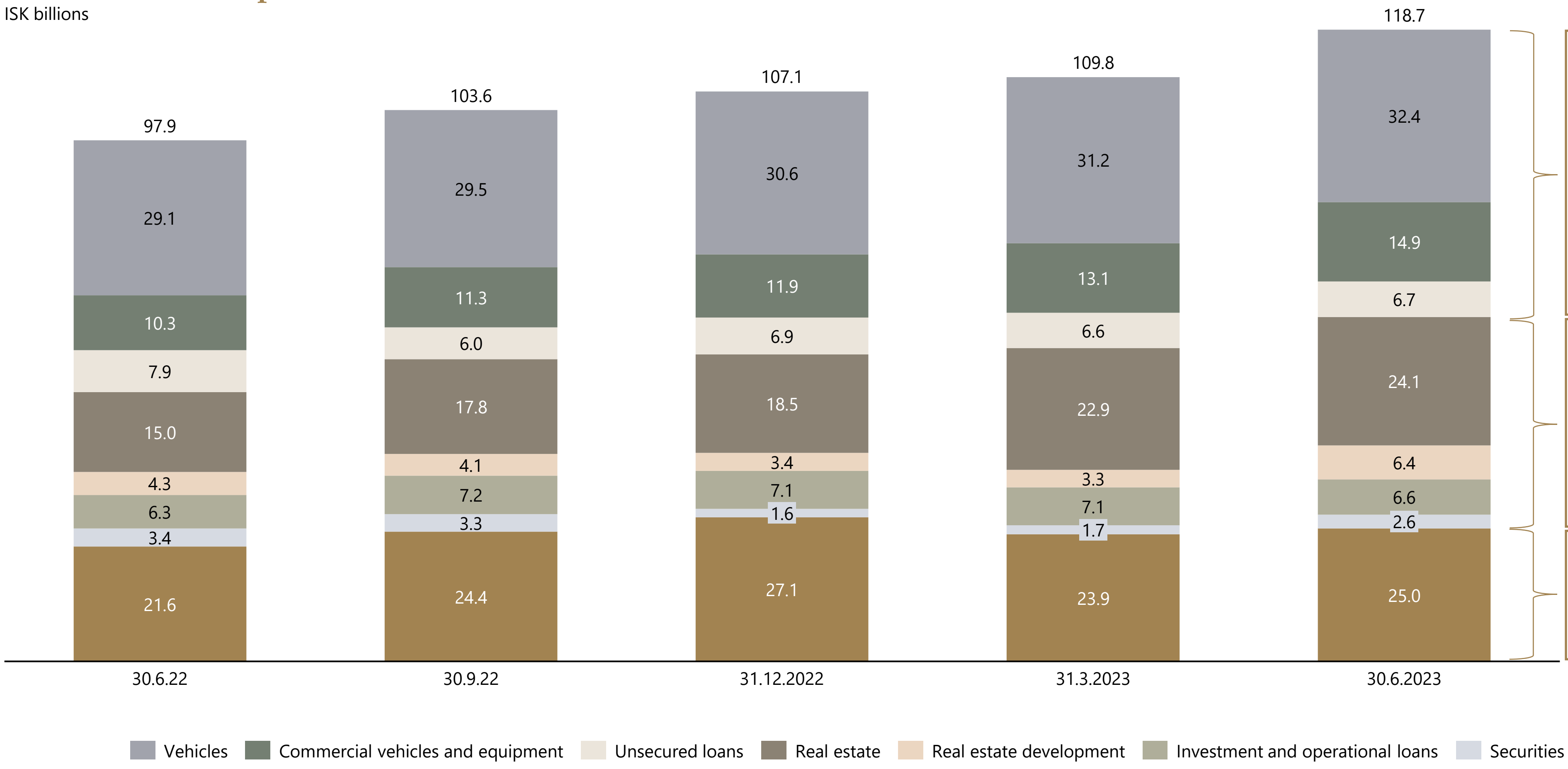
- An increase of ISK 30.6 billion in assets since year-end 2022
- Loan book increase of ISK11.6 billion since year-end 2022
  - Weighted average duration of the domestic loan book was 2.0 years at 30.6.2023
- Loan book growth in the period is mainly attributable to strong growth in domestic lending
- Increase in intangible assets partially due to acquisition of merchant contracts from Rapyd to be amortized
- Liquid assets amount to ISK 128 billion, 39% of total assets and 108% of loans to customers
- ISK 12.3 billion positive CPI balance at 30.6.2023

Loan Book Development

Diversified loan book and increased granularity

Loan book development

ISK billions



Commercial Banking
Vehicles
Commercial vehicles & equipment
Unsecured loans

Corporate Banking & Capital Markets
Real estate
Real estate development
Investment and operational loans
Securities

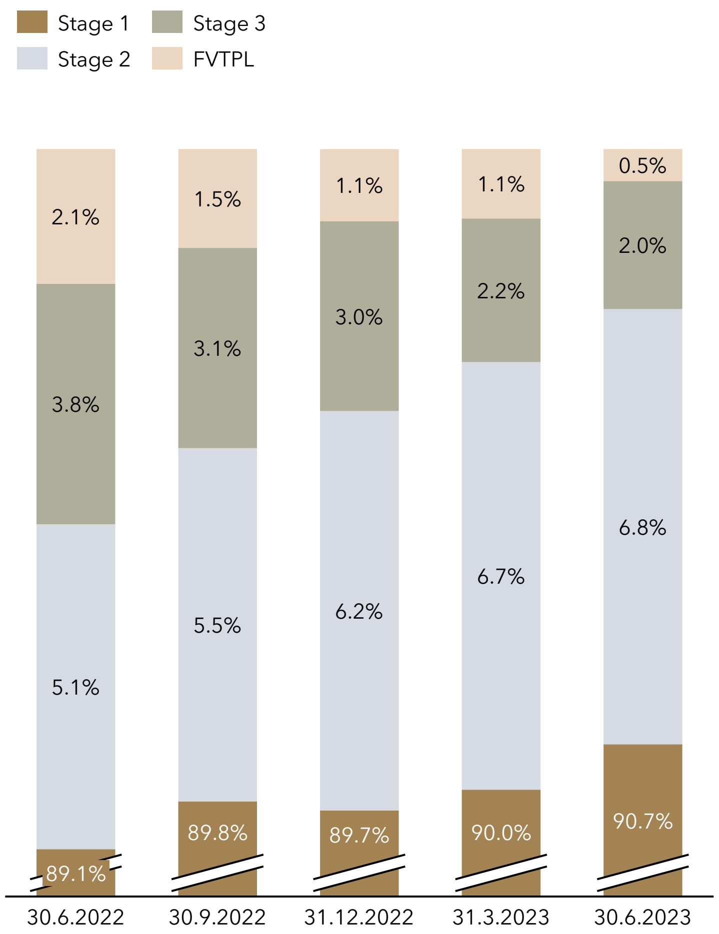
UK
UK real estate

Credit Quality

Continuing decrease in stage 3 exposures

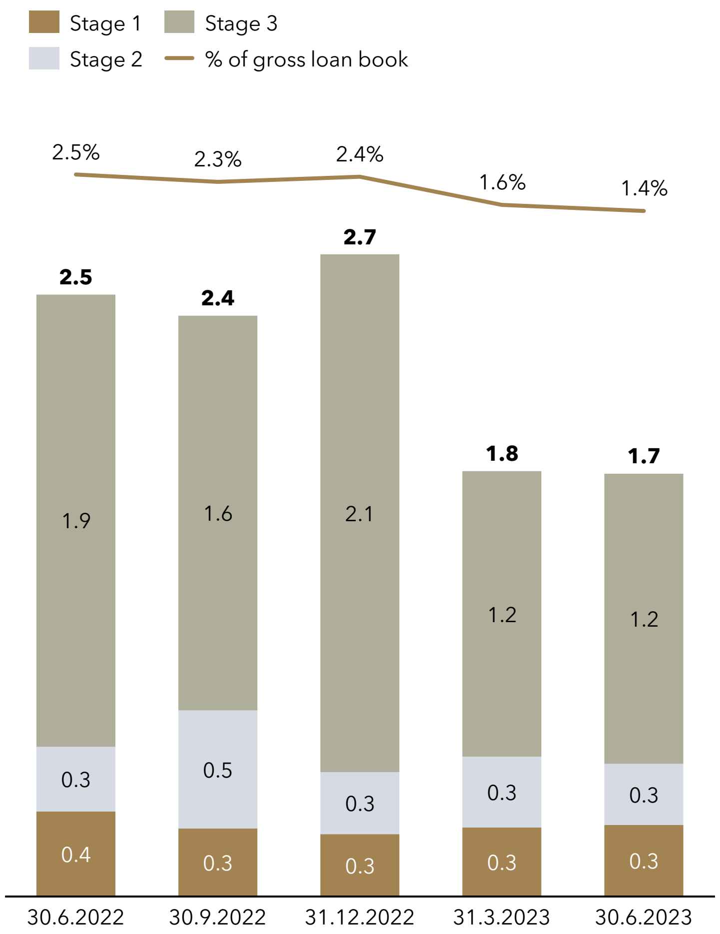
Loans to customers risk stage allocation

Net loan book / (%)



Impairment loss allowance

ISK billions



- Stage 3 loans continue to decrease between quarters, now 2.0% of the net loan book, down from 4.0% post Ortus acquisition at 31.3.2022
  - Large stage 3 position in the UK repaid in Q1 2023
- Total impairment loss allowance of ISK 1.7 billion or 1.4% of gross loan book at 30.6.2023
- Stage 3 impairment loss allowance of ISK 1.2 billion or 1.0% of gross loan book at 30.6.2023

Liquidity and Funding Ratios

Strong levels, well above regulatory requirements

Liquidity coverage ratio (LCR)

30.6.2023 / ISK billions

High quality liquid assets	76.2
Net outflow	19.5
Liquidity coverage ratio	**390%**
Minimum regulatory requirement	100%

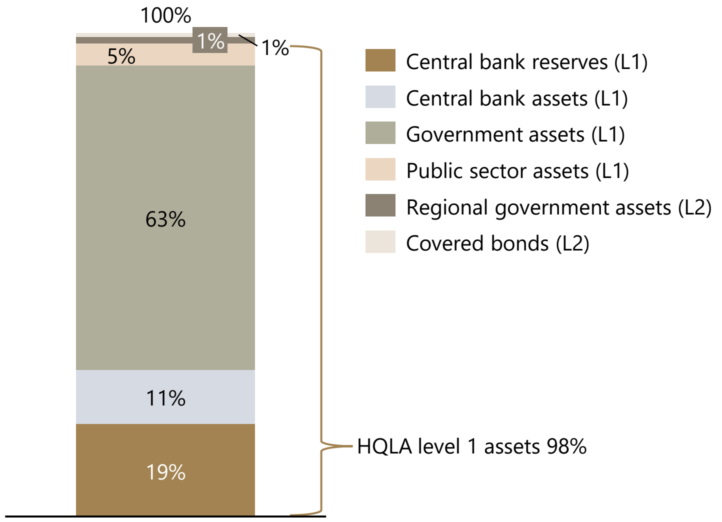
Net stable funding ratio (NSFR)

30.6.2023 / ISK billions

Available stable funding	220.5
Required stable funding	147.0
Net stable funding ratio	**150%**
Minimum regulatory requirement	100%

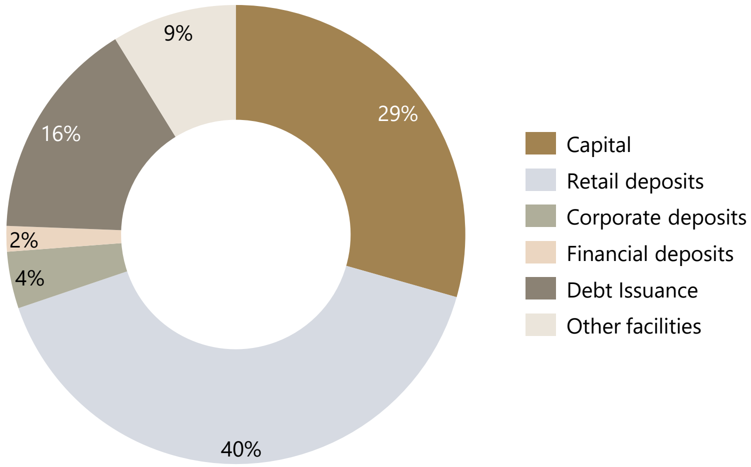
High quality liquid assets (HQLA)*

30.6.23 / (%)



Available stable funding

30.6.23 / (%)



- HQLA assets ISK 76 billion excluding mandatory reserves and collateral to the Central Bank
- Liquidity coverage ratio is strong at 390%, where the regulatory minimum is 100%
- Net stable funding ratio is strong at 150%, 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

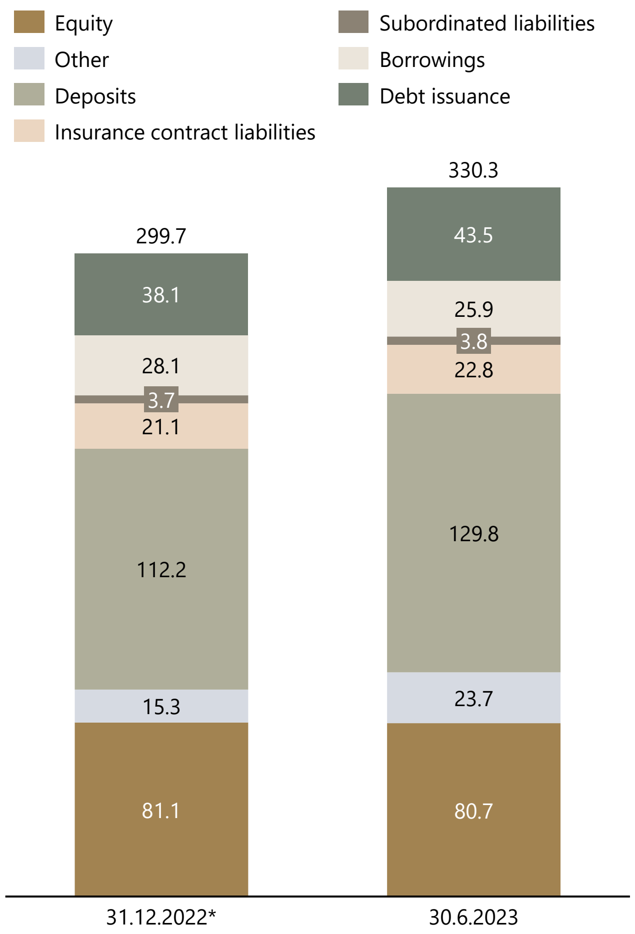
*L1: Level 1 assets , L2: Level 2 assets

Balance Sheet: Liabilities

Significant growth in retail deposits

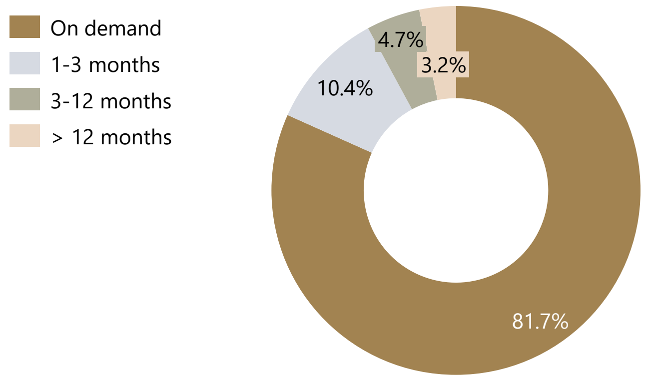
Liabilities and equity

ISK billions



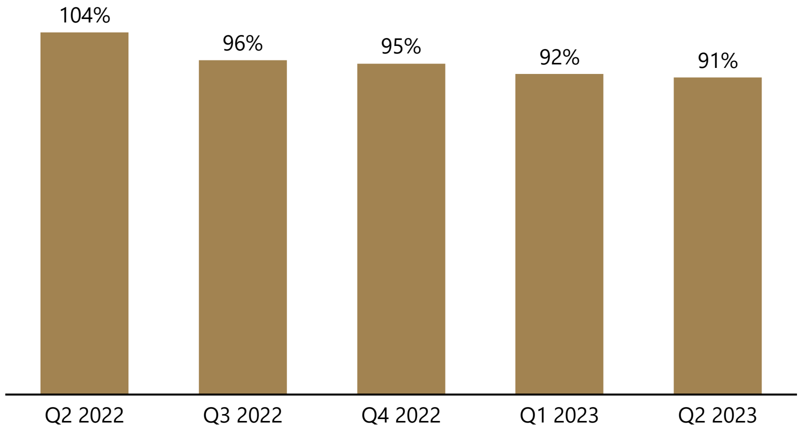
Maturity of deposits

30.06.23 / (%)



Loans to deposits

(%)



*Comparative information has been restated due to implementation of IFRS17, see note 3 in the Condensed Consolidated Financial Statements 30 June 2023

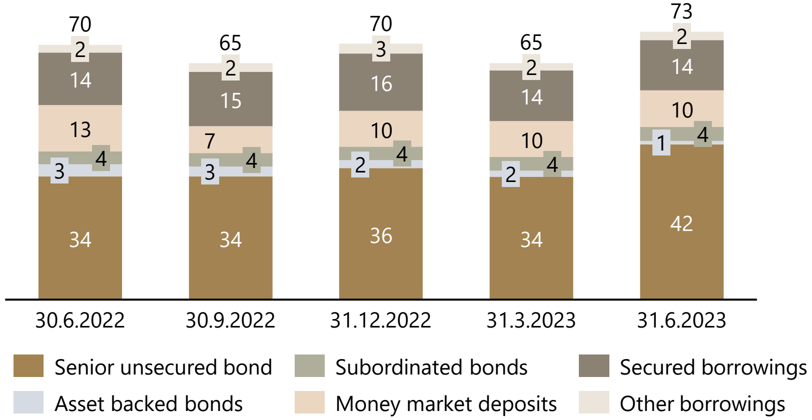
- Liabilities increase by ISK 31 billion since year-end 2022, driven by growth in deposits
  - Deposits increased by ISK 17.5 billion in H1 2023 driven by growth in retail deposits
- Due to implementation of IFRS 17, liability item technical provision is now stated as 'Insurance contract liabilities'
  - Main change due to adoption of IFRS 17 to the balance sheet is that the technical provision has been replaced by 'insurance contracts liabilities', a liability equal to premiums received less acquisition costs, i.e. liability for remaining coverage, as well as liability for incurred claims.

Diversified Funding Programme

Funding capabilities in domestic and international markets

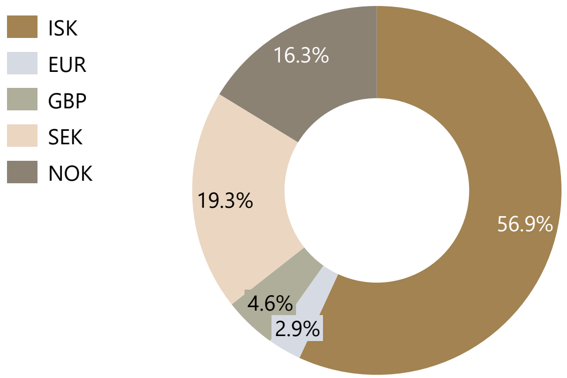
Development of market funding

ISK billions



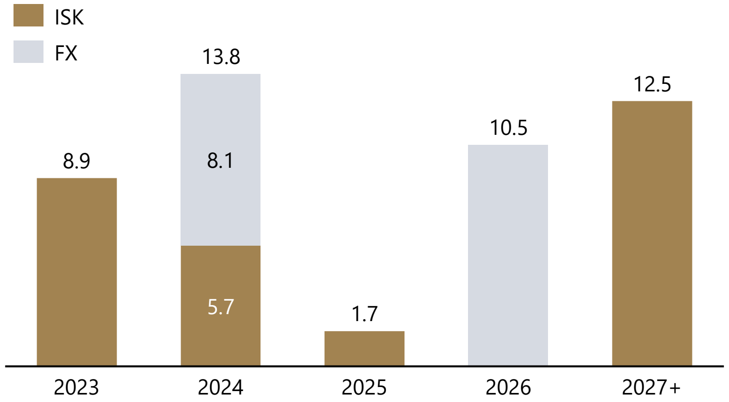
Issue currency

30.6.23 / ISK billions



Maturity of issuance

30.6.23 / ISK billions



Rating

Moody's Investors Service

	Bank deposit rating	**Issuer rating**
Long term	Baa1	Baa2
Short term	P-2	P-2
Outlook	Stable	Stable
Last	7 July 2023	7 July 2023

- 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 43 billion of senior bonds outstanding on 30 June 2023 with 57% issued in ISK
  - Early May 2023 Kvika issued 3y senior preferred bonds totaling SEK 275m and NOK 550m
  - Concurrently, Kvika bought back SEK 125m of bonds maturing 31 January 2024
- Among the group's borrowings are secured borrowing facilities which are utilized by Ortus in the UK
- In July 2023 Moody's confirmed Kvika's ratings which includes a long-term issuer rating of Baa2

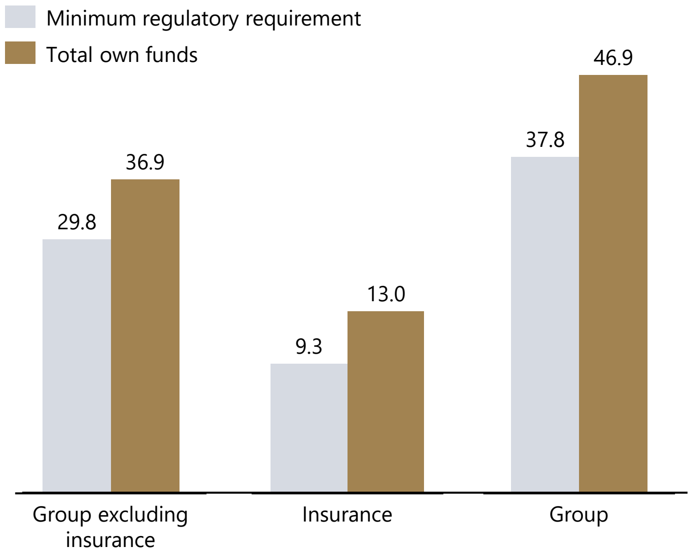
Solvency and Capital

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

30.6.2023 / ISK bn.

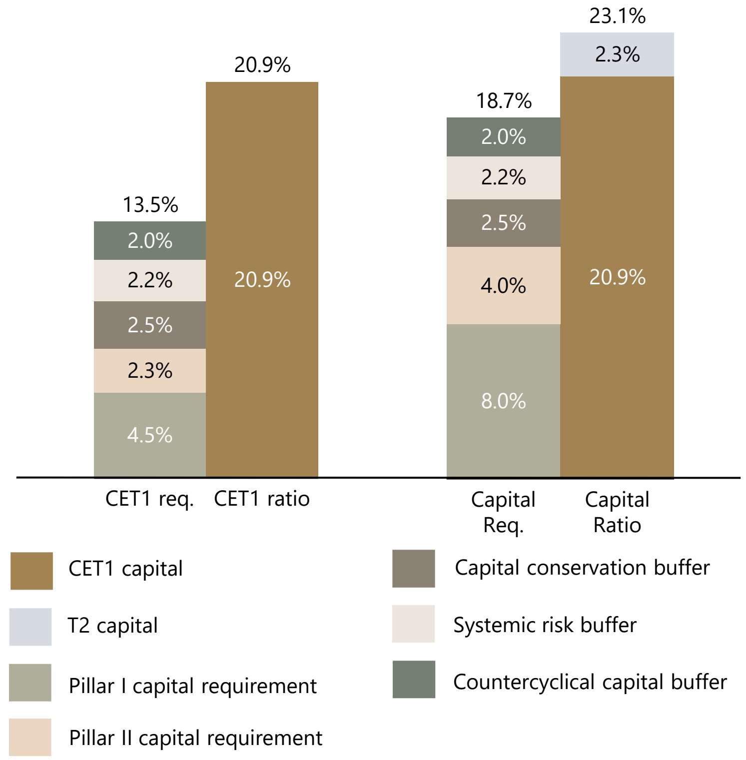


CAR	Solvency	Group Solvency
36.9 / 159.6= 23.1%	13.0 / 9.3 = 1.40	46.9 / 37.8 = 1.24
Regulatory minimum: 29.8 / 159.6 = 18.7%	*Reg. minimum: 1.00*	*Reg. minimum: 1.00*

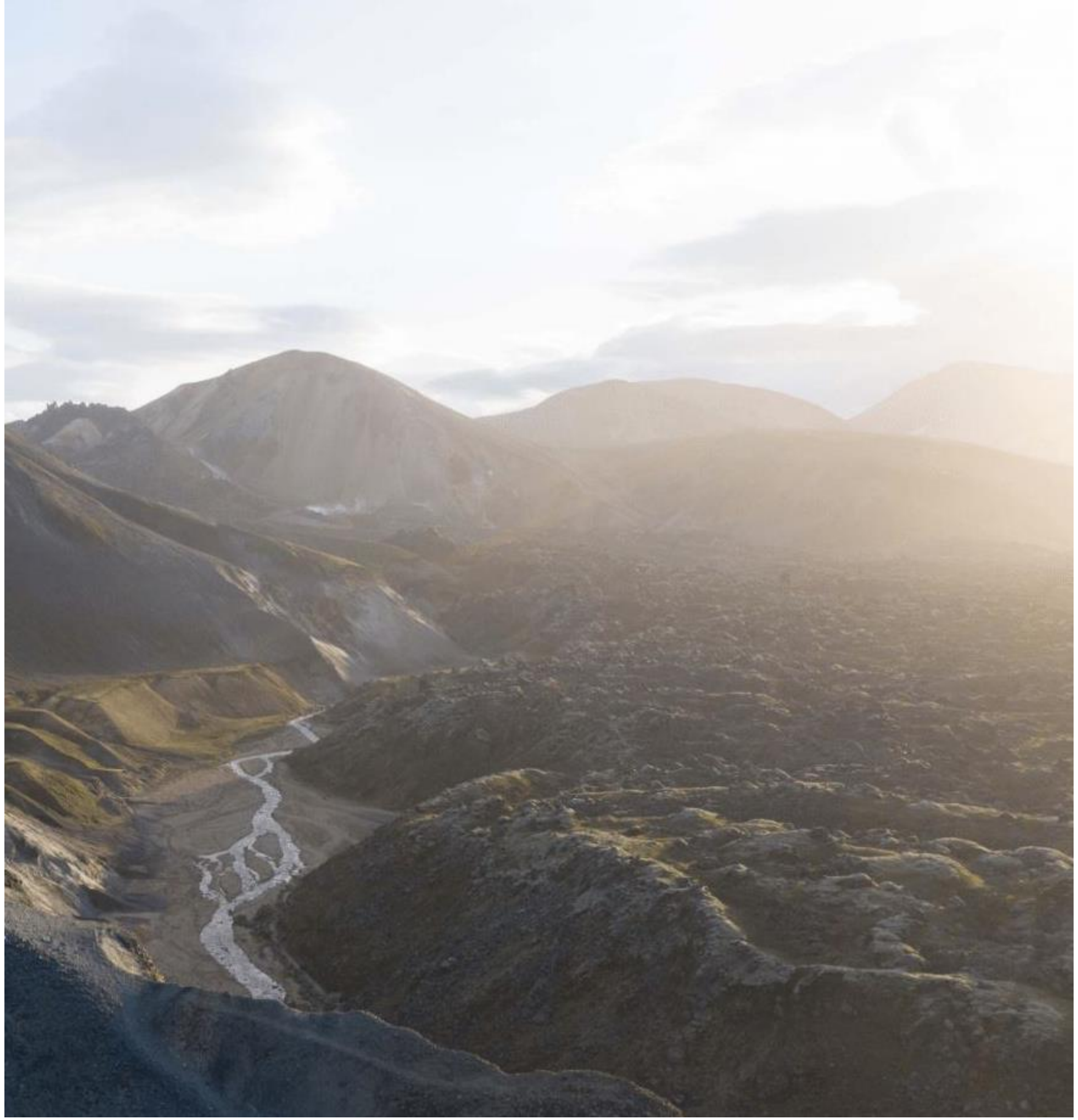
Risk weighted exposures (RWE) = 159.6 billion

Capital position and requirements

30.6.2023 / (%)



- Kvika has a group solvency of 1.24 and a CAR of 23.1% at the end of June 2023
- Excess capital of ISK 9.2 billion on consolidated solvency basis for the group and ISK 7.0 billion on CAR basis excluding insurance activities
- Countercyclical capital buffer (CCyB) in the United Kingdom recently increased to 2.0%, resulting in an increase in Kvika's geographically weighted CCyB from 1.7% to 2.0%
- The CCyB in Iceland will increase from 2.0% to 2.5% in March 2024 which is expected to have a weighted impact increase of ~0.4pp for Kvika
- Kvika aims to maintain a management buffer of 2% to 4% over current and anticipated CAR requirements



Outlook

Kvika's profit before tax excluding net financial income for the next 12 months is expected to be **ISK 6.6 billion.**

The outlook, which is based on core income, is about ISK 200 million higher than the outlook published with Kvika's Q1 2023 financial results, adjusted for expected net financial income. The last forecast, including net financial income, amounted to ISK 9,365 million.

Additionally, Kvika's results will be affected by the performance of its financial assets through **net financial income**. Further information on financial assets is included in this presentation.

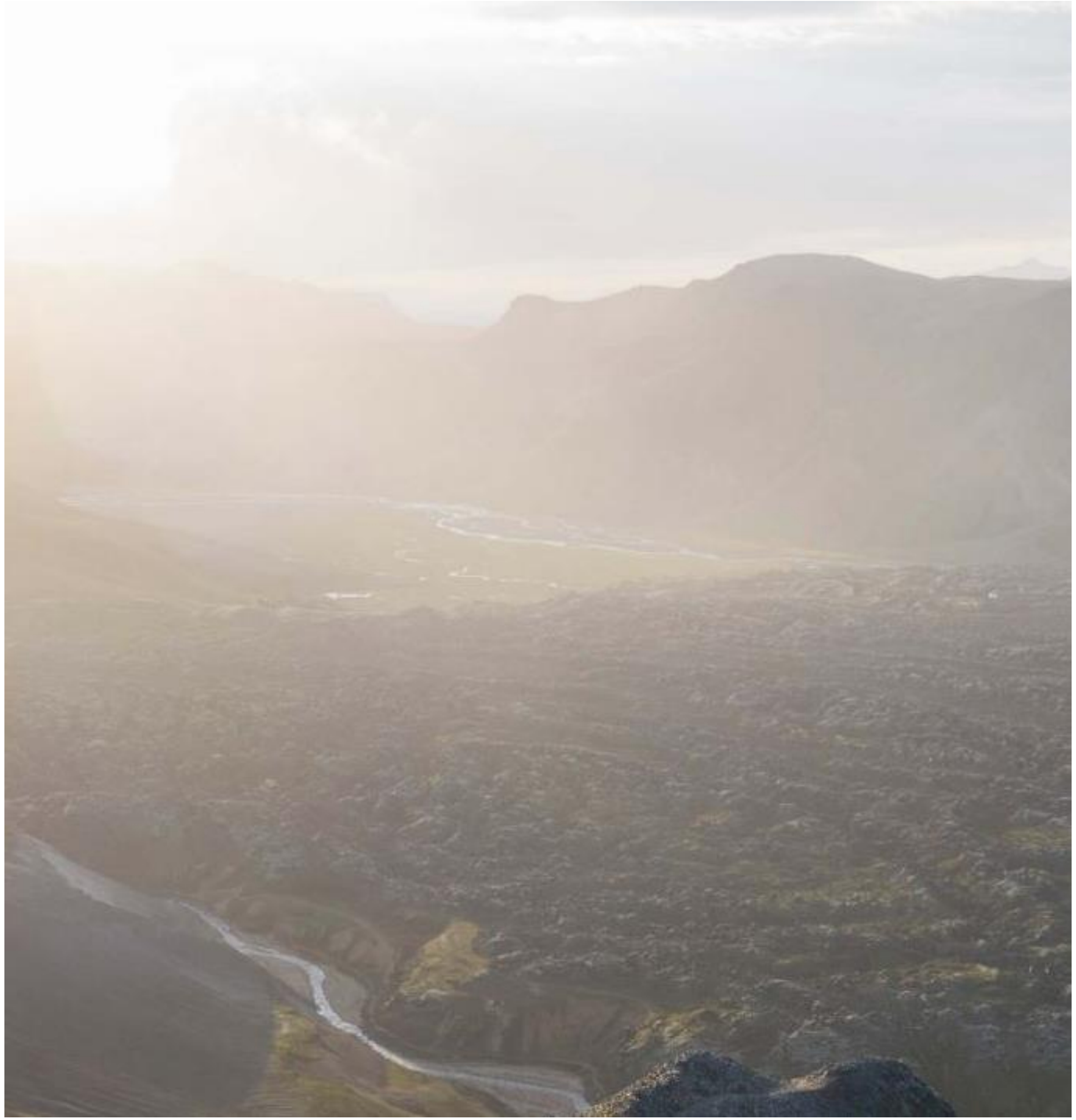
Key Takeaways

6M 2023

Diverse revenue business model continues to drive strong income despite volatility in financial markets. Solid performance by Corporate Banking & Capital Markets, Commercial Banking and Insurance (excluding investments) in the period

Asset Management and Insurance investments continue to be affected by market circumstances. Net interest income from UK loan book lower in Q2 as loan book decreased due to large repayments, however, strong pipeline already providing loan book rebound at end of Q2

Exciting times ahead in fintech journey with the launch of the new Aur app in late July and onboarding completion of all acquired customers in Straumur in early Q4. Revenues expected in 2H 2023, previously forecast to begin in H1 2023



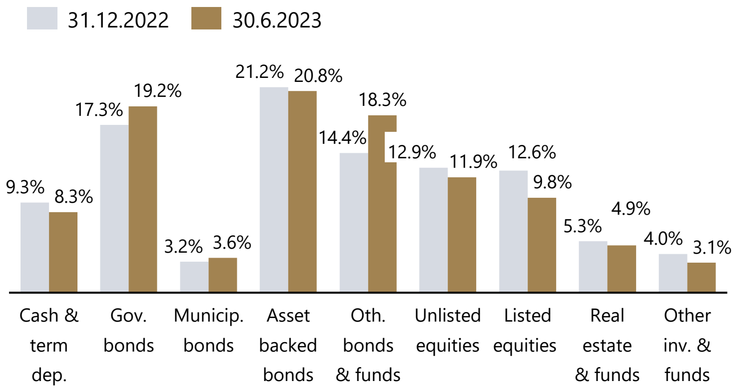
Additional Information

Financial Instruments: TM Insurance

Additional information

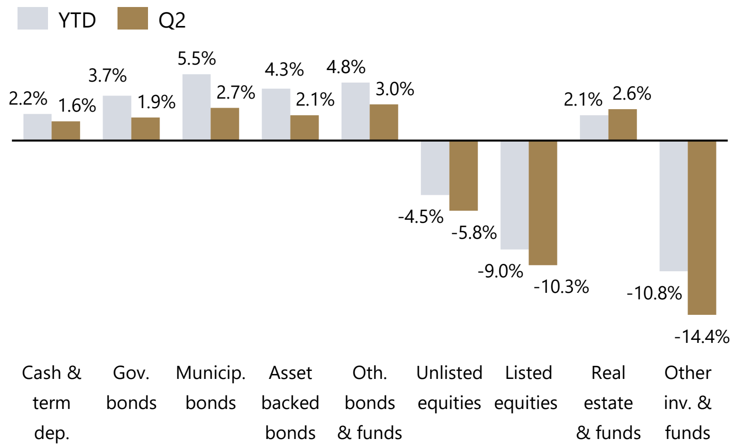
Investment asset composition

(%)



Investment asset returns

(%)



Largest exposures

30.6.2023 / ISK m.

	Book value 30.06.2023	Book value 31.12.2022
Fixed income		
RIKS 26	1,872	1,780
RIKB 24	1,242	869
RIKB 25	1,197	1,177
OSF V	1,126	1,110
LSS 150434	1,041	1,050
Variable income - listed		
Arion	725	683
Brim	444	317
Nova	425	241
Reitir	420	671
Eimskip	304	863
Variable income - unlisted		
Eskja (through EE ehf.)	1,598	1,634
Rafklettur (real estate)	1,195	1,165
Eyrir Invest	576	806
JR – TRF (equity fund)	527	593
Freyja framtakssjóður (PE fund)	428	408

- Subsidiary and revenue segment TM Insurance holds a significant amount of the group's consolidated investment assets due to traditional insurance operations
- TM's investment portfolio yielded a negative return on investment of -0.5% in Q2 and +1.2% YTD
  - Return on investment includes net financial income as well as interest income from securities held on OCI
- Investment assets held in TM's portfolio amounted to ISK 35.3 billion at 30 June 2023, thereof 61.9% was held in fixed income instruments, 21.7% in equity and 16.4% in cash, funds and other investments
- Fixed income instruments are partially accounted for through FVPL (generating investment income/loss) and partially held to maturity though OCI (generating interest income)
- TM's fixed income portfolio duration is 2.2 years at 30 June 2023, compared to 2.9 years at 31.12.2022. At 30 June 2023 29% of the portfolio is indexed

UK Loan Book

Developments in 2023

31.12.22	30.06.23
£158m ISK 27bn Size of portfolio	£145m ISK 25bn Size of portfolio
ISK 154m Average loan size	ISK 151m Average loan size
57% Residential property share of collateral mix	51% Residential property share of collateral mix
27% Top ten loan concentration	33% Top ten loan concentration
30% Share of floating rate loans	56% Share of floating rate loans
5.6% Share of Stage 3 loans	3.0% Share of Stage 3 loans
<55% Average LTV	<55% Average LTV

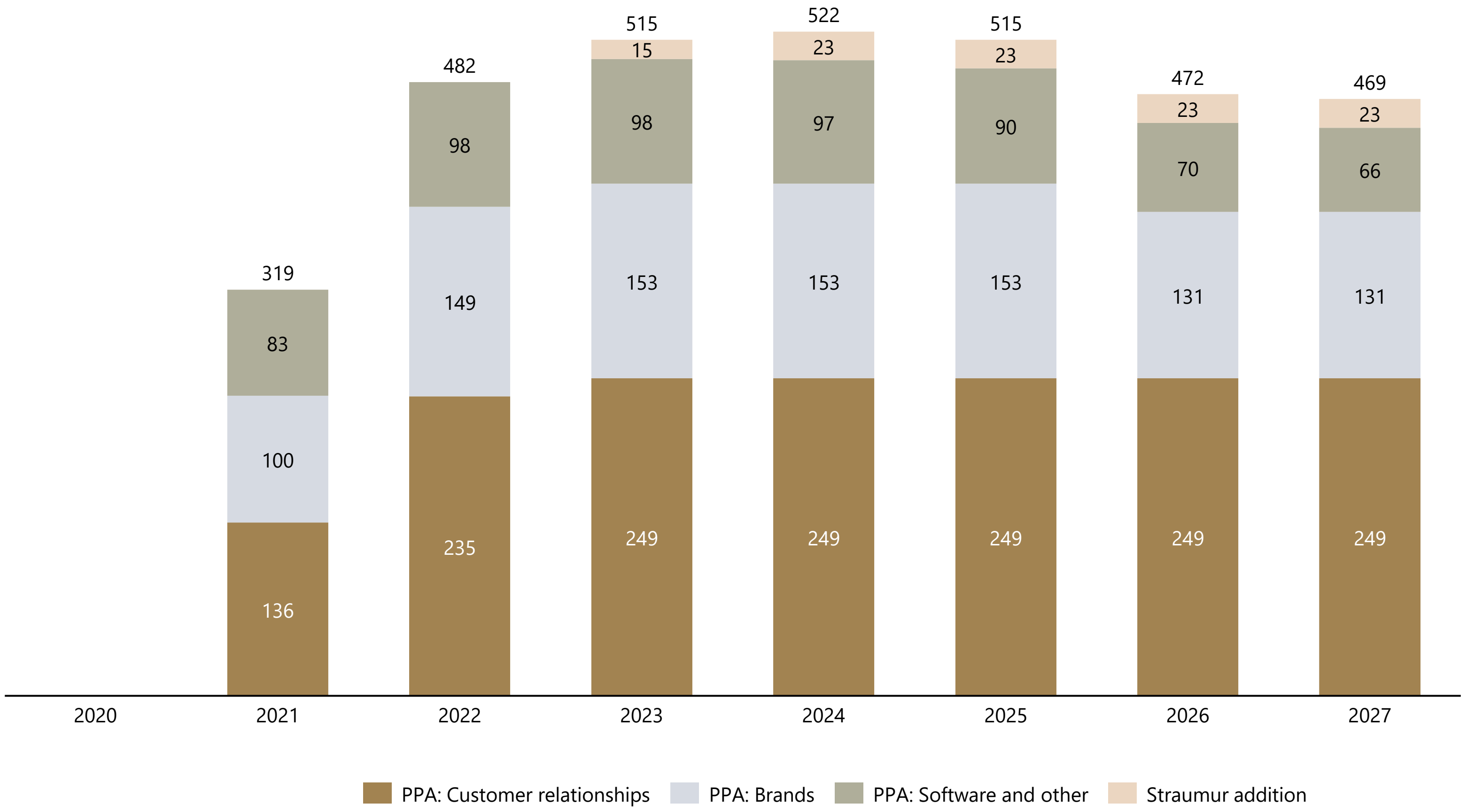
- The loan book size and overall profile has remained broadly stable in 2023
- Slight decrease in portfolio size in June relative to YE22 due to irregular redemption profile, although size has mostly recovered as of August
- Given challenging external environment in the UK during the first half of the year, the team has maintained conservative positioning with a focus on the overall quality of the loan book while addressing risks
  - Conservative LTVs and high degree of granularity have been maintained, while mix of loans backed by more liquid residential property has remained above historical average of <30%
  - Stage 3 exposures have decreased significantly thanks to successful resolution of a sizable problem exposure in Q1
  - In response to rising short-term rates in the UK, a concerted effort has been made to move the book to variable rate lending in order to reduce duration risk; the share of floating rate loans has almost doubled in H1

Amortisation of PPA

Forecast and effects

PPA amortization schedule

ISK m.



- As previously described, 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 and Straumur, recognized in 2023 a total of ISK 316 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 6.9 billion reduction in the group's intangible assets

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