

Kvika Capital Markets Day

26. November 2021



TM







Strategy, Opportunities and the Future of Kvika

Marinó Örn Tryggvason

CEO

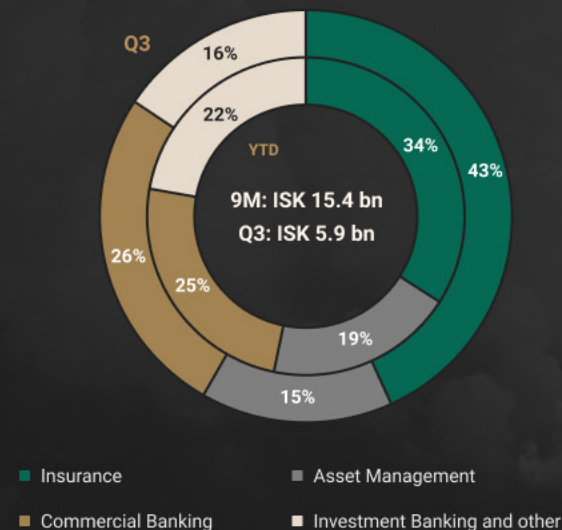
An Overview of Kvika

Diversified financial services

	Kvika			
	 Insurance	 Asset Management	 Commercial Banking	 Investment Banking
Key Offerings	<ul style="list-style-type: none"> • Insurance • Investments 	<ul style="list-style-type: none"> • Private banking • Fund management • Private equity • Institutional Investors 	<ul style="list-style-type: none"> • Asset financing • Consumer lending • Specialised lending • Property lending 	<ul style="list-style-type: none"> • Capital markets • Corporate finance • Kvika securities Ltd. • Proprietary trading and Treasury
Key Brands	<ul style="list-style-type: none"> • TM tryggingar hf. (TM Insurance) 	<ul style="list-style-type: none"> • Kvika eignastýring hf. (Kvika Asset Management) 	<ul style="list-style-type: none"> • Kvika bank • Lykill • Netgíró • Aur • Auður 	<ul style="list-style-type: none"> • Kvika bank

Diversified income across segments

Net operating income by segment / Q3 and YTD 2021



36.4%
RoTE at 2021 9M

340
Employees



Kvika banki hf. is the parent company of Kvika Group, a financial conglomerate with four main operating segments

History of Successful Buy and Build Strategy

Significant value creation from successful execution of a clear strategy

Buy and Build Strategy

The Beginning

1956-2015: Kvika and TM are created

1956



TM founded

2015



MP banki and Straumur merge under the name Kvika

Phase I

2015-2020: Asset management consolidation

2017



Kvika acquires Virðing and ALDA Asset Management

2018



Kvika acquires 15% share in Ortus Secured Finance

2019

GAMMA

Kvika acquires GAMMA Capital Management

2019



Consolidation of Kvika's asset management operations



TM acquires Lykill

Phase II

2019-2021: Refinancing of loan portfolios

2020



The Boards of Directors of Kvika, TM and Lykill approved the merger of the three companies

2021



Increased focus on fintech platform



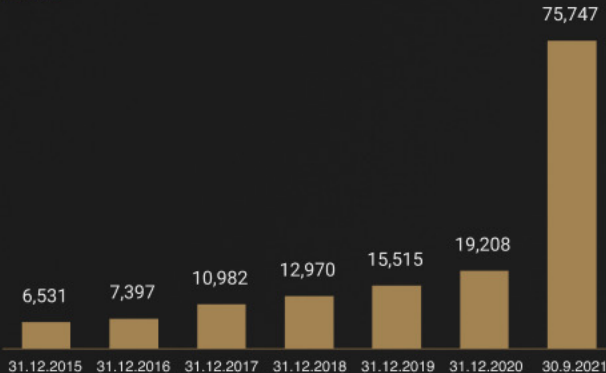
Heads of terms to acquire majority share of Ortus Secured Finance

Buy and Build Strategy Funded through Profitable Operations

Profitable operations create further opportunities for growth

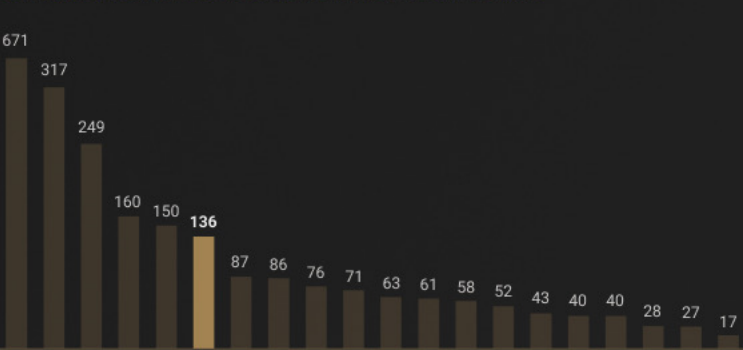
Book value of equity

ISK m.



Nasdaq Iceland main market

6th largest market cap as of 15 November 2021 / ISK bn.



Three key methods to deploy excess capital

- Internal growth
- External growth
- Dividends / Buyback

Market cap development / ISK bn.

TM dividends 2013-2020: ISK 12.5 bn.

Kvika dividends 2018-2020: ISK 0.44 bn.



Unique Market Position

Kvika can differentiate through selective product and service offering



- Three large commercial banks
- General retail and corporate services
- Branch network
- Emphasis on commercial banking
- Comprehensive investment banking activities

Employees

741 – 844

AuM

377 bn. – 1,230 bn.

Deposits

604 bn. – 842 bn.

Lending

844 bn. – 1,328 bn.

Insurance premiums

0 – 11 bn.



- Strong player in its areas of operation
- Insurance
- Asset Management
- Commercial Banking
- Investment Banking
- Growth opportunities

Employees

340

AuM

512 bn.

Deposits

68 bn.

Lending

69.5 bn.

Insurance premiums

12.5 bn.



- Established insurance providers in Iceland
- Insurance operations
- Investment activities

Employees

187-197

AuM

Not applicable

Deposits

Not applicable

Lending

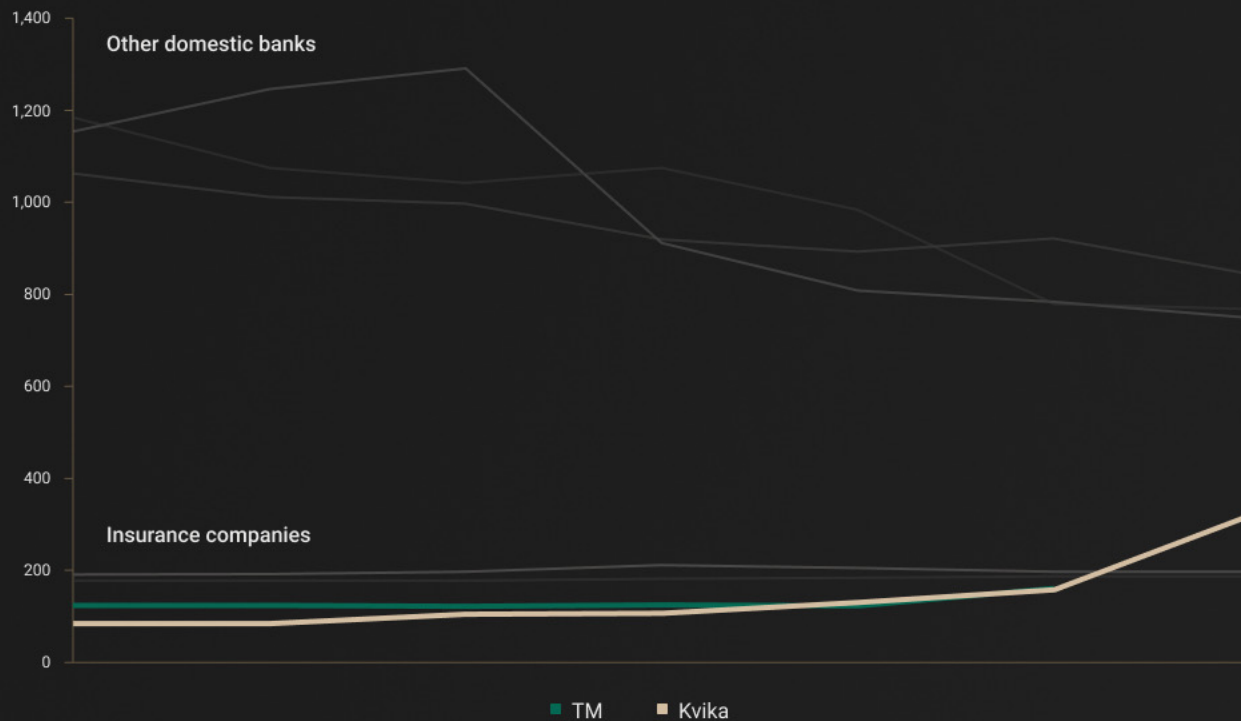
Not applicable

Insurance premiums

16.9 bn. – 17.1 bn.

Ongoing Growth Phase

As demonstrated by employee growth



Kvika has been steadily increasing the number of employees

Opportunities and Strategy

Core strategic focus on long-term profitability



Insurance

Maintain and strengthen TM Insurance's historically strong position while pursuing opportunities such as retail bundling and white labeling post-merger



Asset Management

Maintain and strengthen position, opportunities in a fast-growing local market as well as through post-merger opportunities



Commercial Banking

Kvika is a challenger bank with low retail market share and a strong position in specialised lending. Significant opportunities for retail growth by strengthening offering through fintech



Investment Banking

Maintain and strengthen Kvika's historically robust position in capital markets



Kvika Securities Ltd.



Strategy

Guide to profitable growth

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

Goals

Measurable and in line with purpose and vision

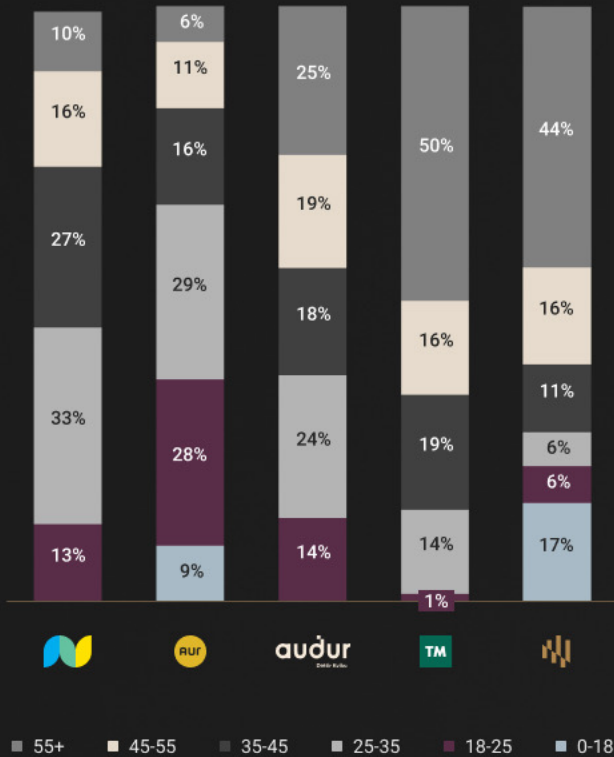
Seven measurable goals
for the next 3 years

1. Fintech

Goal 1 of 7

**Increase the number of customers of
fintech solutions that use three services
or more by 50,000**

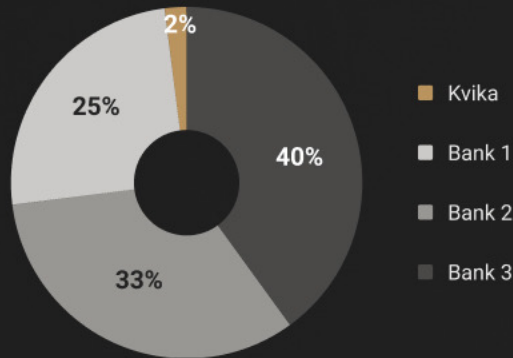
1. Fintech



Value in reaching fintech platforms' Netgíró and Aur's 100,000+ customer base through multiple service offerings

Kvika had a 2% market share in banking at 6M 2021, as measured by total financial system lending, an opportunity to expand service offering through fintech services

Auður: a textbook example of Kvika's strategy of transforming financial services and increasing competition



Goal 1 of 7

Increase the number of customers of fintech solutions that use three services or more by 50,000

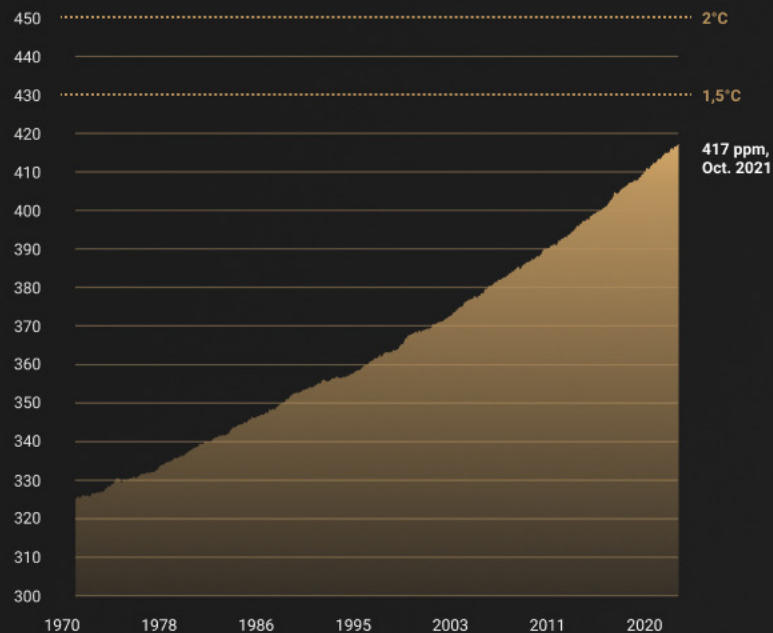
2. A Responsible Participant in the Community

Goal 2 of 7

Having a real and measurable effect on
Iceland's carbon footprint and on
climate issues in general

2. A Responsible Participant in the Community

Atmosphere CO2 (parts per million)



The most important task of our time is to stop global warming.

Either the private sector finds opportunities in the transition to a carbon neutral society or the government applies incentives, taxes and sanctions

Kvika is dedicated to seizing this opportunity to build knowledge and create value by engaging partners and working together to finance projects that will have a real impact

Goal 2 of 7

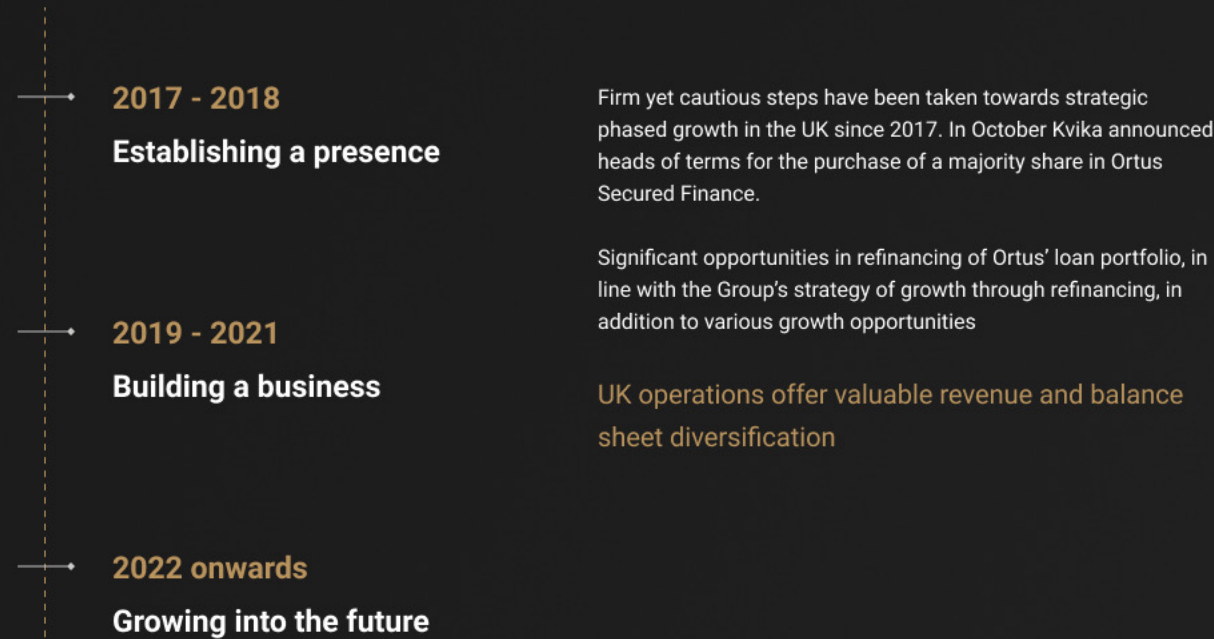
Having a real and measurable effect on Iceland's carbon footprint and on climate issues in general

3. Kvika Securities Ltd.

Goal 3 of 7

UK operations will account for at least
20% of the Group's profit

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Goal 3 of 7

UK operations will account for at least 20% of the Group's profit

4. Asset Management

Goal 4 of 7

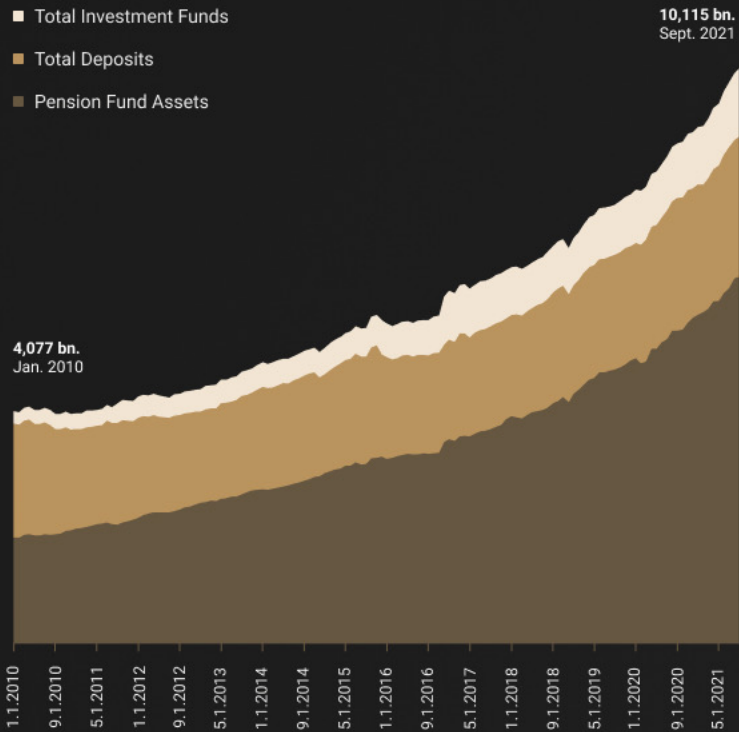
Grow asset management operations
faster than the domestic market

4. Asset Management

Fast growing market

ISK bn.

- Total Investment Funds
- Total Deposits
- Pension Fund Assets

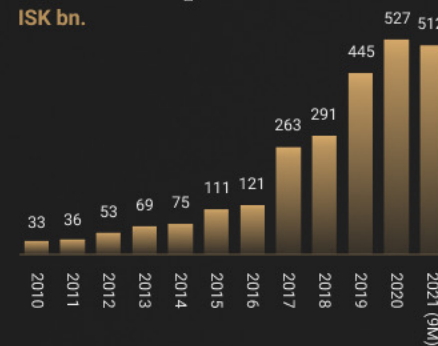


Kvika's Asset Management operations grew rapidly in the period 2015-2020 as the Group executed its strategy of consolidating the domestic asset management market to create an asset management powerhouse that could take advantage of synergies and economies of scale, as increase in AuM generally carries marginal fixed costs.

Kvika's strategy going forward is to maintain and grow its operations in a fast-growing market.

AuM development

ISK bn.



Goal 4 of 7

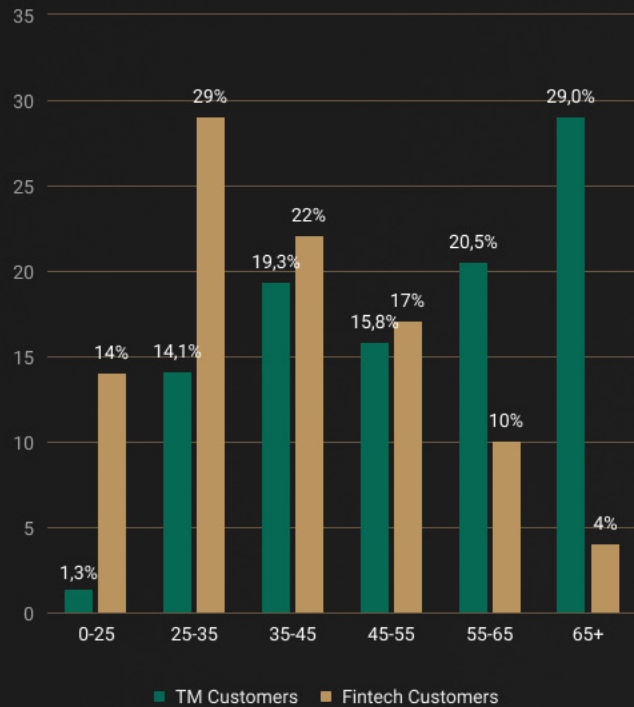
Grow asset management operations faster than the domestic market

5. Insurance

Goal 5 of 7

Be Iceland's most profitable insurance company and increase market share

5. Insurance



TM's combined ratio, a measure of the profitability of insurance operations, has been steadily improving YoY and is the lowest among its peers.

TM Insurance has been a digital pioneer in the Icelandic insurance market, taking advantage of automation opportunities such as a fully automated claims process, revolutionizing the customer experience with a 60 second process from the moment a customer starts the claim process until the claim has been processed and money has been transferred to their account.

Significant opportunities in reaching new customer base through continued efforts in fintech and digital services.

Goal 5 of 7

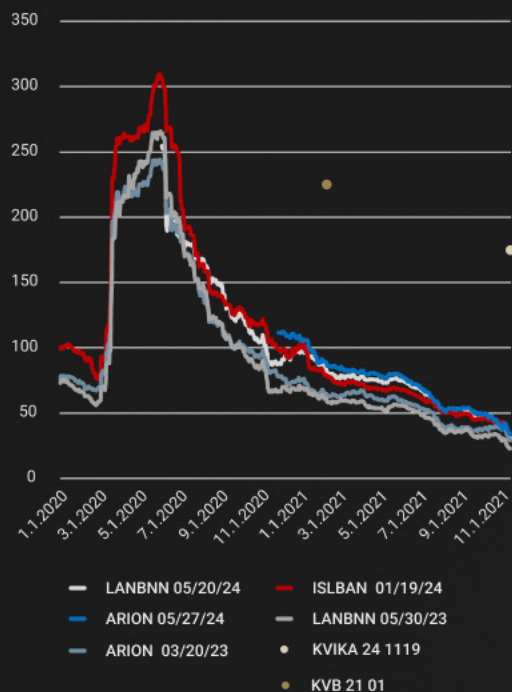
Be Iceland's most profitable insurance company and increase market share

6. Funding

Goal 6 of 7

Funding costs will be comparable to
those of Iceland's other banks

6. Funding



Kvika's key sources of funding are deposits, money market instruments and bonds.

A strong revenue base with diversified income streams through operations that tie up minimal equity will further strengthen Kvika's position as a borrower, resulting in more favorable terms.

The structure of conducting activities through valuable subsidiaries further strengthen the Group in a stress event

Goal 6 of 7

Funding costs will be comparable to those of Iceland's other banks

7. Return on Equity

Goal 7 of 7

20% Return on tangible equity

Three Year Goals

7 measurable goals

- ⊙ Increase the number of customers of fintech solutions that use three services or more, by 50.000
- ⊙ Having a real and measurable effect on Iceland's carbon footprint and on climate issues in general
- ⊙ UK operations will account for at least 20% of the Group's profit
- ⊙ Grow Asset Management operations faster than the domestic market
- ⊙ Be Iceland's most profitable insurance company and increase market share
- ⊙ Funding costs will be comparable to those of Iceland's other banks
- ⊙ 20% RoTE



Grasping the Finsurtech Opportunity

Sigurður Viðarsson

Insurance

TM Insurance

High returns on a solid foundation

- TM is one of the largest insurance companies in Iceland with 24% market share
- Return on equity has been high over a long period of time
- The insurance businessmodel has demonstrated its resilience as investment income is generally countercyclical to claims activity
- The digital strategy of TM has been a success. TM is the only Icelandic insurer to offer all private lines online with full automation
- Substantial finsuretech opportunities within the group in cooperation with Aur, Netgíró and Auður



Key Figures for 2021

9 Months

Profit after tax*

ISK 4,700m

2020: ISK 1,135m

Return on equity (annualized)

34%

2020: 23.4%

Employees

102

Technical results

ISK 1,430m

2020: ISK 935m

Combined ratio

89.1%

2020: 93.8%

Customers

51.000

Return on Investment

ISK 4,033m

2020: ISK 1.772m

Return on investments

13.4%

2020: 7.3%

Solvency capital

ISK 14,953m

2020: ISK 20,710m

Solvency ratio

1.54x

2020: 1.52x

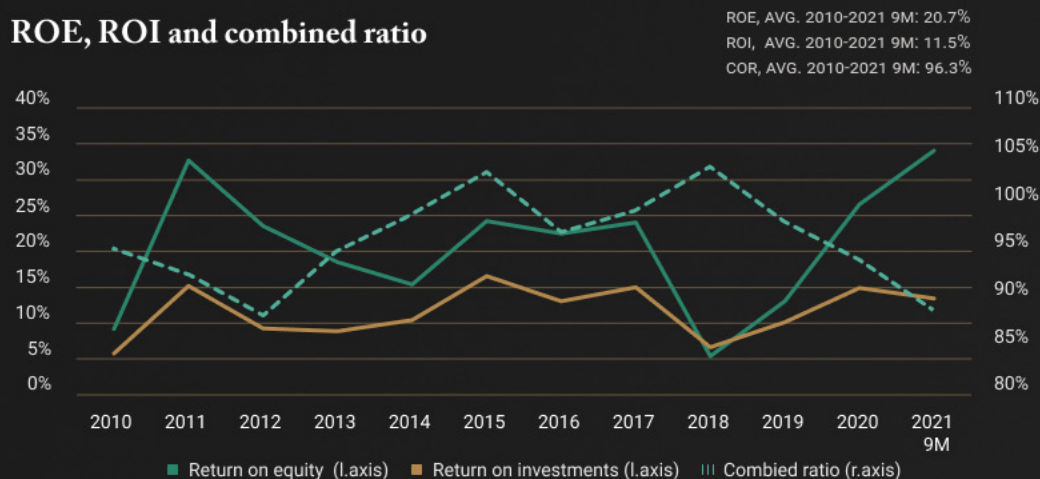
*Comparison is without the effects of Lykill financing acquisition

TM Insurance

Significant player in the Icelandic insurance market

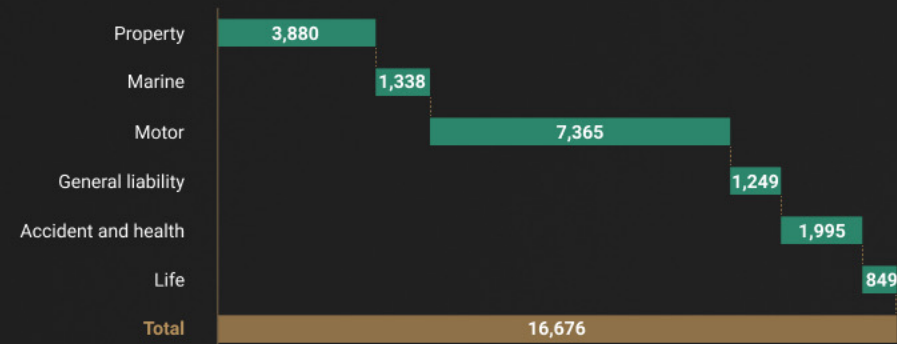
- TM has 24% overall market share in the Icelandic insurance market
- Motor (44%) and Property (23%) largest business lines
- Investment portfolio of ISK 34.3 bn at 9M 2021
- Long track record of delivering consistently good return from investment activities, 11.5% on average over last twelve years
- Resilient business model as insurance operation is counter cyclical
- ROE of 20.7% on average over last twelve years

ROE, ROI and combined ratio



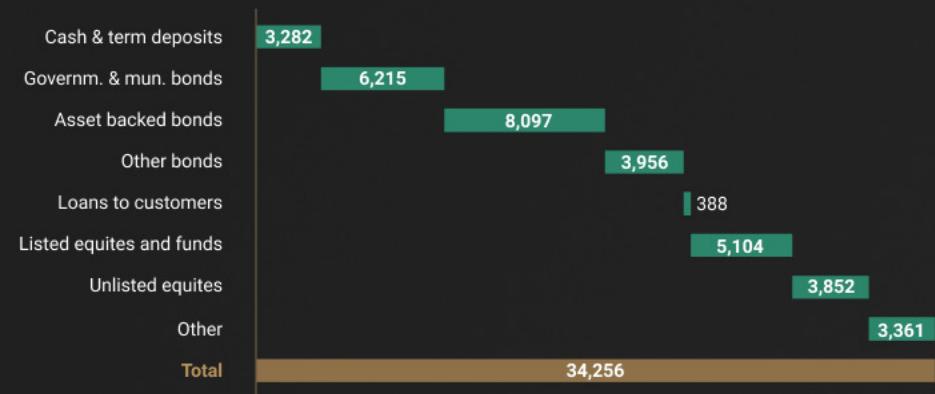
Premium by business lines

ISK millions / 2021 forecast



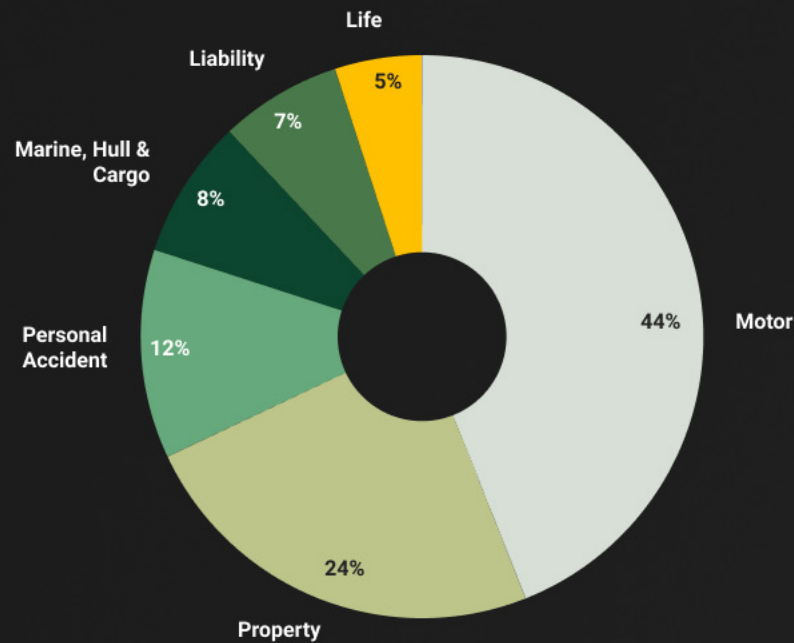
Investment portfolio

ISK millions / 30.9.2021



Motor Insurance Accounts for 44% of Premium Income

Split of premium 2021 9M



Key figures 2020	Premium (ISKm)	Market share
Motor	7,419	20%
Property	3,863	25%
Personal Accident	1,994	27%
Marine, Hull & Cargo	1,224	46%
Liability	1,219	29%
Life	771	12%
Total	16,489	24%

Virtual Sales Rep for Online Insurance Sales

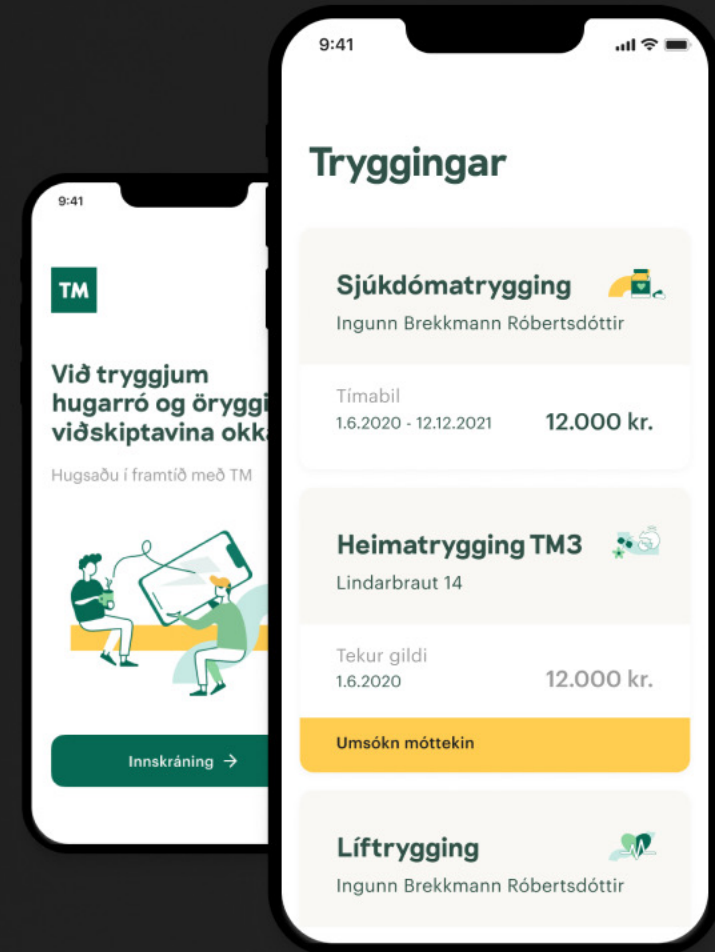
Automated and uncomplicated

- Customers can choose which policies they want with the help of a virtual sales representative
- The process is completely automated as the backend works entirely automatically without human interaction
- Omni-channel design from beginning to end with web-based solution but also works great on phones



The TM App

- Overview of all of your insurance policies and what is insured and what is not
- Buy hull policies for cars, bikes, etc.
- Users can use the app to send pictures of cars for risk assessment
- Status of life & health underwriting process
- Users can report claims and get compensation paid immediately



Done Deal in 60 Seconds

Revolutionising the customer experience

- With the TM app you can file a claim for the most common household items and get reimbursed instantly
- Self-service with complete automation and artificial intelligence for analyzing legitimacy of receipts using Amazon web services
- Customer experience has now been elevated and the time and money TM has to spend on processing claims are considerably lower

The logo consists of the letters 'TM' in a bold, white, sans-serif font, centered on a solid teal rectangular background.

TM

The Results of Our Digital Solutions

Positive impact on TM's core business

52%

Of household claims are now filed through the app

49%

Of claims in the app are filed outside TM's business hours

24%

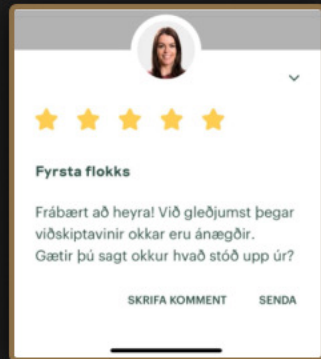
Of all insurance sales are online sales

43%

Of all online sales are processed outside TM's business hours

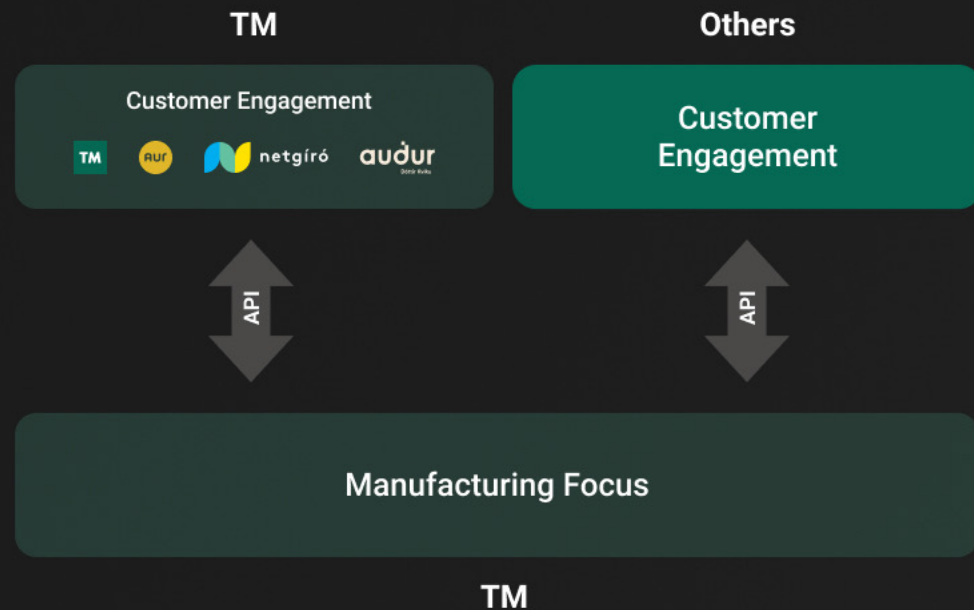
4.6

Star rating out of 5 for both solutions



Business Relations Strategy

Combined strategy of internal and external business relationships



- In most cases, TM owns the customer relationship.
- In some cases, white-labeling is used with selected partners.
 - A good example of this is a partnership with Toyota Insurance Management.
- Focus on developing standard web services API that enable us to move fast when working with new partners.
- Various possibilities are being explored with Kvika bank.

The Results of Our Digital Solutions

Positive impact on TM's core business

P2P Payments



100,000 active users

Very easy to make bank transfers and split bills

Large and active customer group. Life&health insurance for selected groups. Home and travel insurance

BNPL



21,000 active users

Offers a simple solution to split payments on products purchased

Profitable loans with good risk diversification. Offer insurance with BNPL loans for common household items, e.g., washing machine, mobile phones etc.

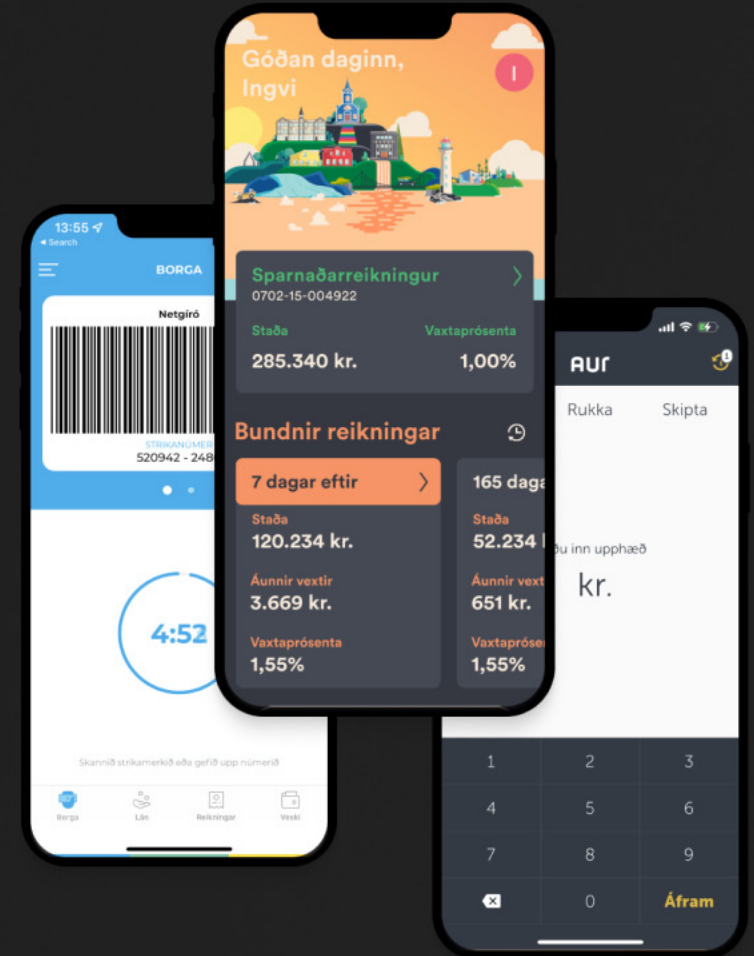
Savings & Asset Management



13,000 active users

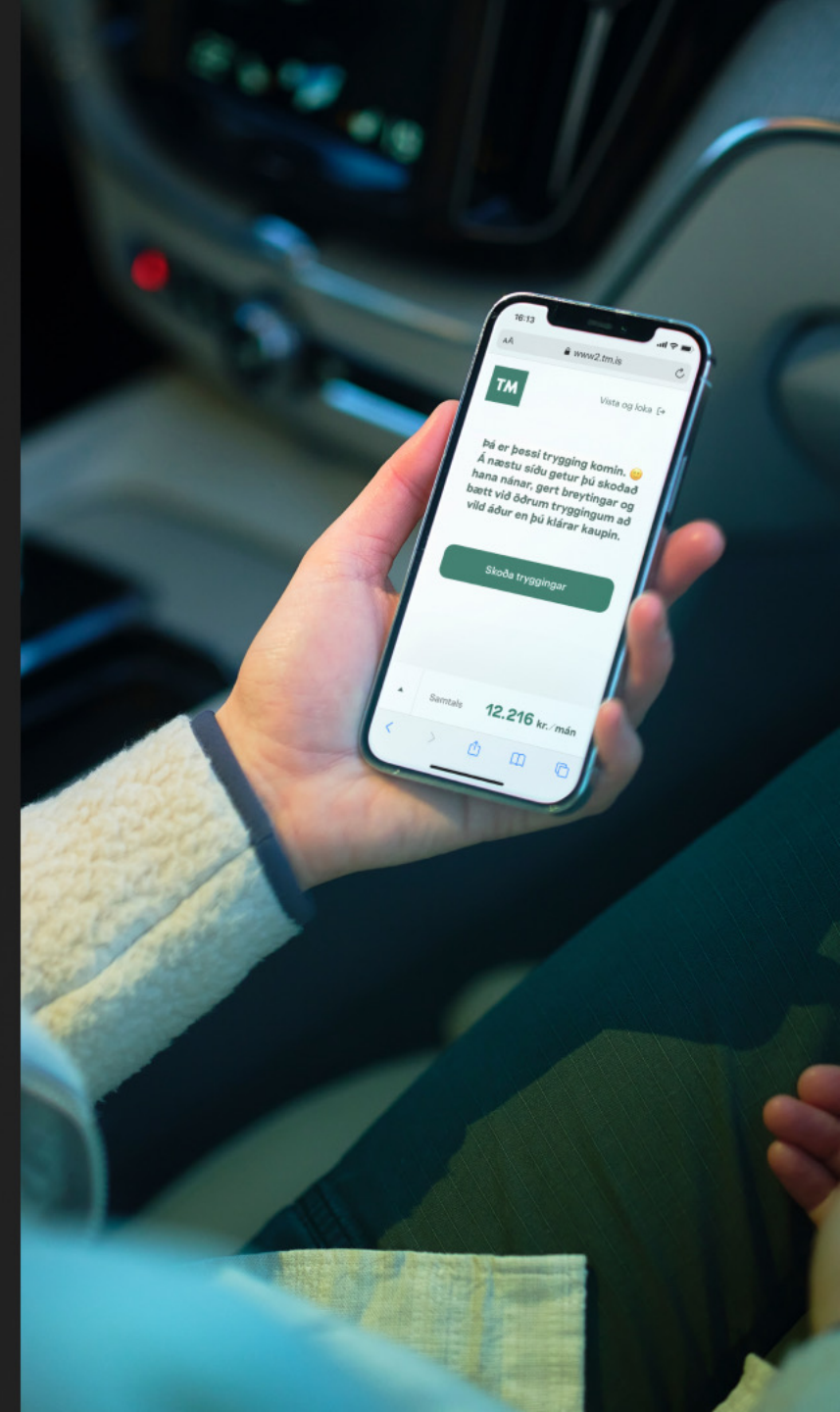
Offers attractive interest rates for smaller amounts. Online deposits only

We are working on combining 'future savings' accounts for children with child insurance. Pension savings products are being developed



Key Takeaways

- ↑ Solid track record over a long period of time
- 📱 State of the art digital solutions
- ⚡ Big Finsure opportunities within the group
- 🎯 Aim to deliver best in class RoE while focusing on healthy growth





Adventurous Growth on a Strong Foundation

Hannes Frímann Hrólfsón
Anna Rut Ágústsdóttir

Asset Management

Key Figures

Solid foundation

AuM

ISK 512 bn.

Number of funds

69

Growth in AuM from 2015

361%

Credit funds

ISK 94 bn.

PB AuM increase

38%

New funds

3

Front office employees

36

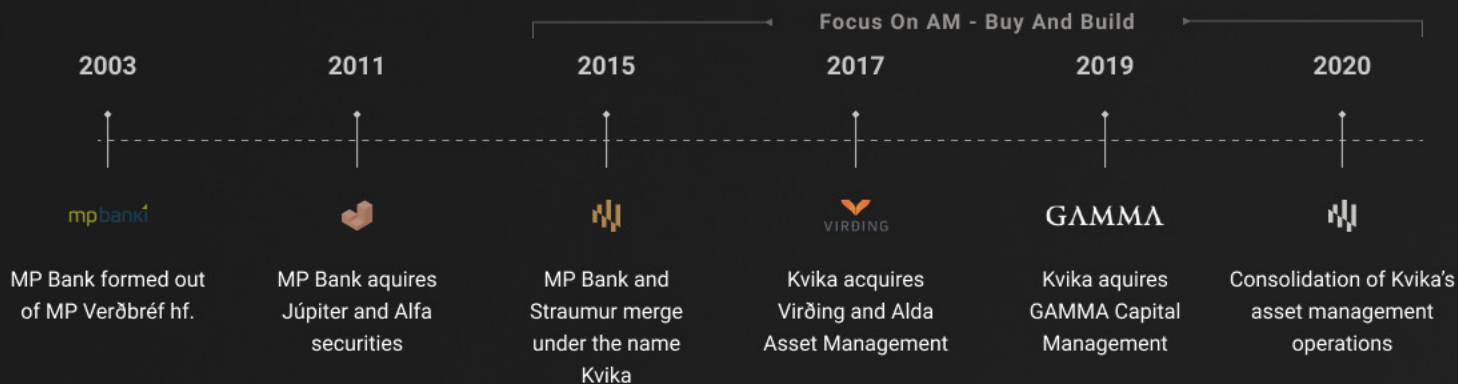
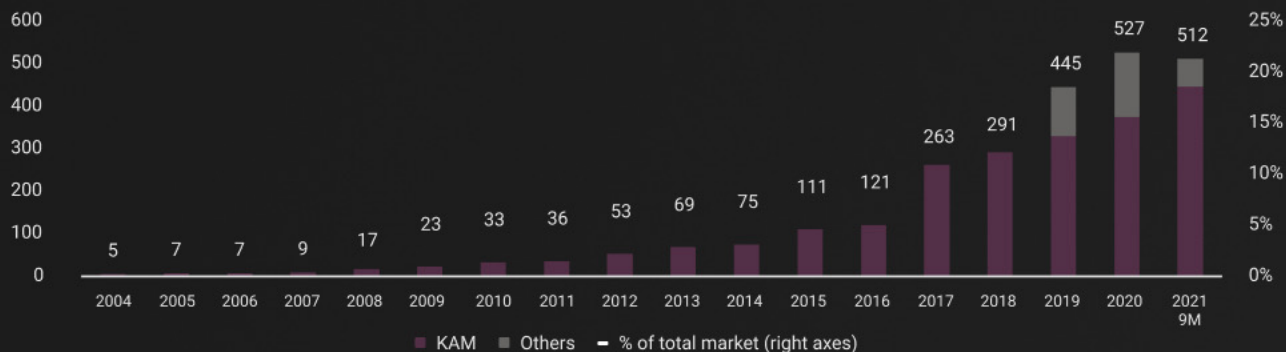
Net fee and commission income

ISK 3.8 bn.

Asset Under Management

Steady growth in AuM – CAGR of 30% since 2015

Assets under management in ISK bn.



- Strategic decision to strengthen Asset Management in 2015, buy and build strategy

- Mergers of various companies in Iceland and UK
- AuM has increased from ISK 111 bn. in 2015 to ISK 512 bn. at the end of September 2021

Rapid growth in AuM of KAM

- Assets under management of KAM increased by ISK 85 bn. in the first 9 months of 2021.
- GAMMA and KKV* wind down affects Group net AuM in 2021, GAMMA returned ISK 60 bn. to stakeholders in the first nine months of 2021 and KKV will be fully wound down by end of 2021

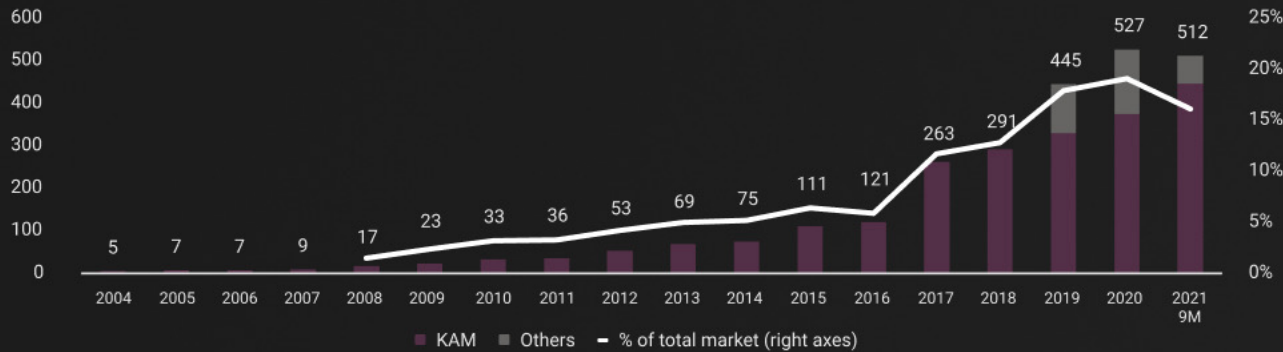
3 year goal

Growing Asset Management operations faster than the domestic market

Asset Under Management

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Assets under management in ISK bn.



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3 year goal

Growing Asset Management operations faster than the domestic market

Business Units

KAM, KSL and GAMMA

Kvika Asset Management

Other Units

Funds

Broad range of funds; equity, bonds, mixed, credit, real estate. Both for retail and professional investors

45 funds

AuM ISK 175 bn.

11 employees

Private Equity

One of the most experienced managers of PE funds in Iceland having launched the first in 2008

4 PE funds

AuM ISK 18 bn.

5 employees

Institutional Investors

Comprehensive asset management/portfolio management services for institutional investors

AuM ISK 136 bn.

Asset manager for PB

4 employees

8 foreign partners

Private Banking

Comprehensive financial and wealth management services to individuals and medium-sized companies

AuM ISK 116 bn.

7 employees

KSL

Differentiated alternative investment offering with sector agnostic focus on private equity and credit in the UK SME market

6 investment vehicles

AuM ISK 35 bn. (including KKV)

6 employees

GAMMA

Real estate funds. In wind down.

14 funds

AuM ISK 31 bn.

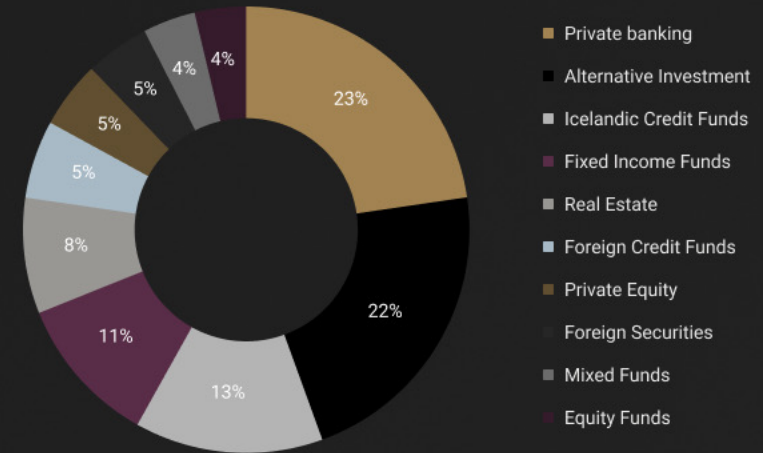
3 employees

Business Model

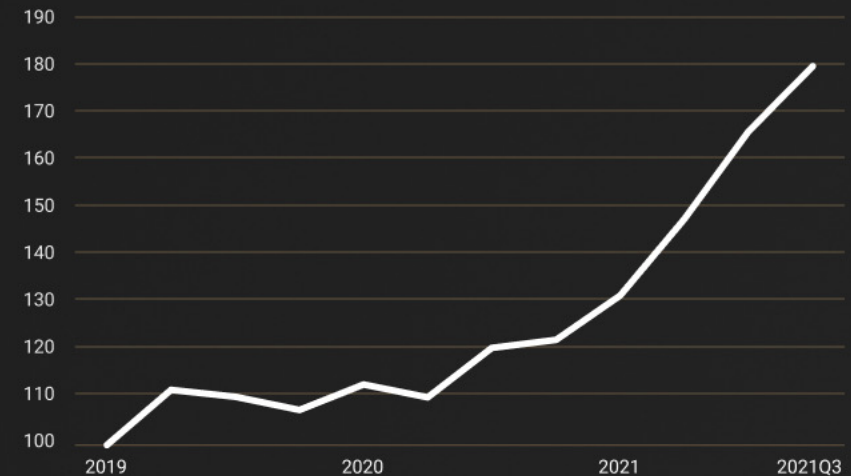
Diversified foundation with proven track record

- **Low customer consolidation**
- **Good diversification in asset classes**
 - Highest market share in alternative investment funds in Iceland, 27%*
 - High proportion of AuM in closed funds with duration up to 30 years
- **Private banking**
 - 38% increase in PB this year (with 65% due to net inflow)
 - 80% growth in PB since 2019
- **Icelandic credit funds**
 - 16 funds with duration up to 30 years
- **Fixed Income funds**
 - 10 funds with different emphasis and risk profiles

Breakdown of Kvika's AuM by asset class



PB growth index (2019:100)



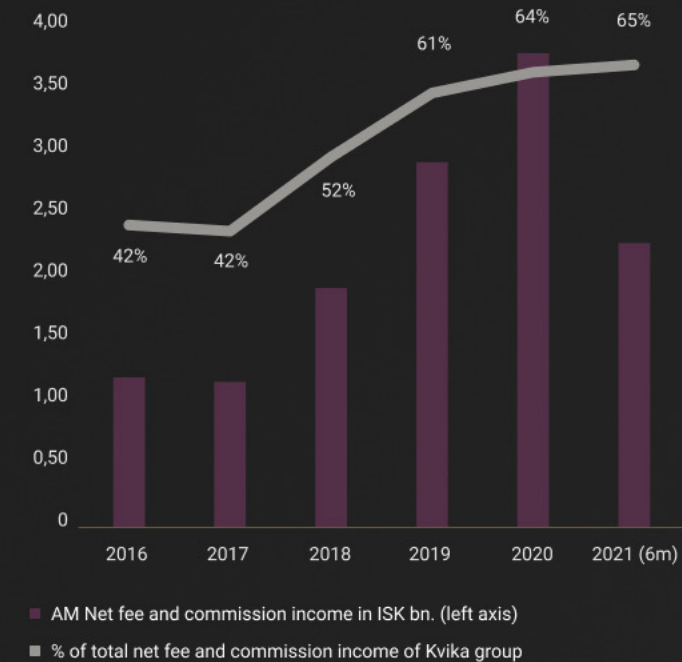
*Source: Central Bank of Iceland (31.12.2020)

Financials

Steady growth

- Net fee and commission income from asset management has increased significantly in last few years, both in ISK and as a % of total fee and commission income of Kvikas group
 - 65% of Kvikas total fee and commission income in 1H 2021
- Steady and recurring revenues: fixed, performance based and trade related fees
- Critical mass achieved resulting in economy of scale and synergies
- Low capital requirements enhancing further growth
- Growth and economies of scale also benefits customers
 - Comprehensive internal analysis
 - Variety of investment opportunities and products

Net fee and commission income of Kvikas AM



Opportunities

Retail, cross-border sales, ESG

- Being part of a growing diversified financial services Group opens up new business opportunities for KAM
 - Introduce the funds to retail customers by applying fintech solutions at group level
 - Cross selling products throughout the group; synergies for TM and KAM
 - Increased investment opportunities abroad for our customers where the group is expanding its business in UK
- A responsible participant in the community
 - New sustainable fund fulfilling Article 9 under SFDR
 - ESG rating on our current funds and portfolios to enhance our service to our future and current customers
 - Declaration of intent has been signed between KAM, Kvika and Klappir Green Solutions to prepare a feasibility study on establishing a *Sustainable forestry investment fund* with the aim to accelerate the transition to a carbon neutral society by selling verified carbon units domestically

- 🎯 Increase the number of customers of fintech solutions that use three services or more, by 50.000
- 🎯 Having a real and measurable effect on Iceland's carbon footprint and on climate issues in general
- 🎯 Grow Asset Management operations faster than the domestic market



Key Takeaways

- ↑ **Continued growth in on-going asset management business with opportunities in retail with fintech solutions**
- 🍷 **Good diversification of AuM and high proportion in closed funds**
- ▮ **Economy of scale and low capital requirements**



Strategic Growth through Digital Services and New Brands

Magnús Ingi Einarsson

Commercial Banking

Key Figures for 2021

9M Highlights

Operations

Customers

+ 43,000

3,800 Corporates

+39,000 Individuals

Employees

42



Brands

6

auður

Framtíðin

KVÍKA

netgíró

Lykill

AUR

Balance Sheet

Loan book

ISK 69.5 bn.

~ 30,000 borrowers

Deposits

ISK 68 bn.

+ 30,000 accounts held
by 18,000 customers

Revenues 9M 2021

Revenues

ISK 3,778 million

Net fees and commissions**

ISK ~ 631
million

Net interest income

ISK ~ 2,170
million

Net financial income*

ISK ~ 607
million

Other income

ISK ~ 369
million

*Incl. revenue share

**Net fee and commission income for Lykill falls under net interest income

Recent Developments Reflect Strategic Direction

Increase deposits, diversification of loan book and fintech focus

2009 MP Banki

- MP Verðbréf receives a commercial banking licence
- Offers comprehensive commercial banking services

mpbanki

Recent Developments Reflect Strategic Direction

Increase deposits, diversification of loan book and fintech focus

2009 MP Banki

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mp banki

2015 MP Banki and Straumur

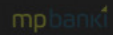
- Rethinking of Commercial banking operations
- Aim to reduce unprofitable customers
- Deposits at 31.12.2015 ~ ISK 30 bn.
- Loans to customers ~ ISK 22 bn.

Recent Developments Reflect Strategic Direction

Increase deposits, diversification of loan book and fintech focus

2009 MP Banki

- MP Verðbréf receives a commercial banking licence
- Offers comprehensive commercial banking services



Diversification of loan book/fintech

2017 Kvika -Netgíró

- Kvika funds Netgíró's loanbook
- Kvika's first steps towards fintech
- 20% share at year end 2018



2015 MP Banki and Straumur

- Rethinking of Commercial banking operations
- Aim to reduce unprofitable customers
- Deposits at 31.12.2015 ~ ISK 30 bn.
- Loans to customers ~ ISK 22 bn.

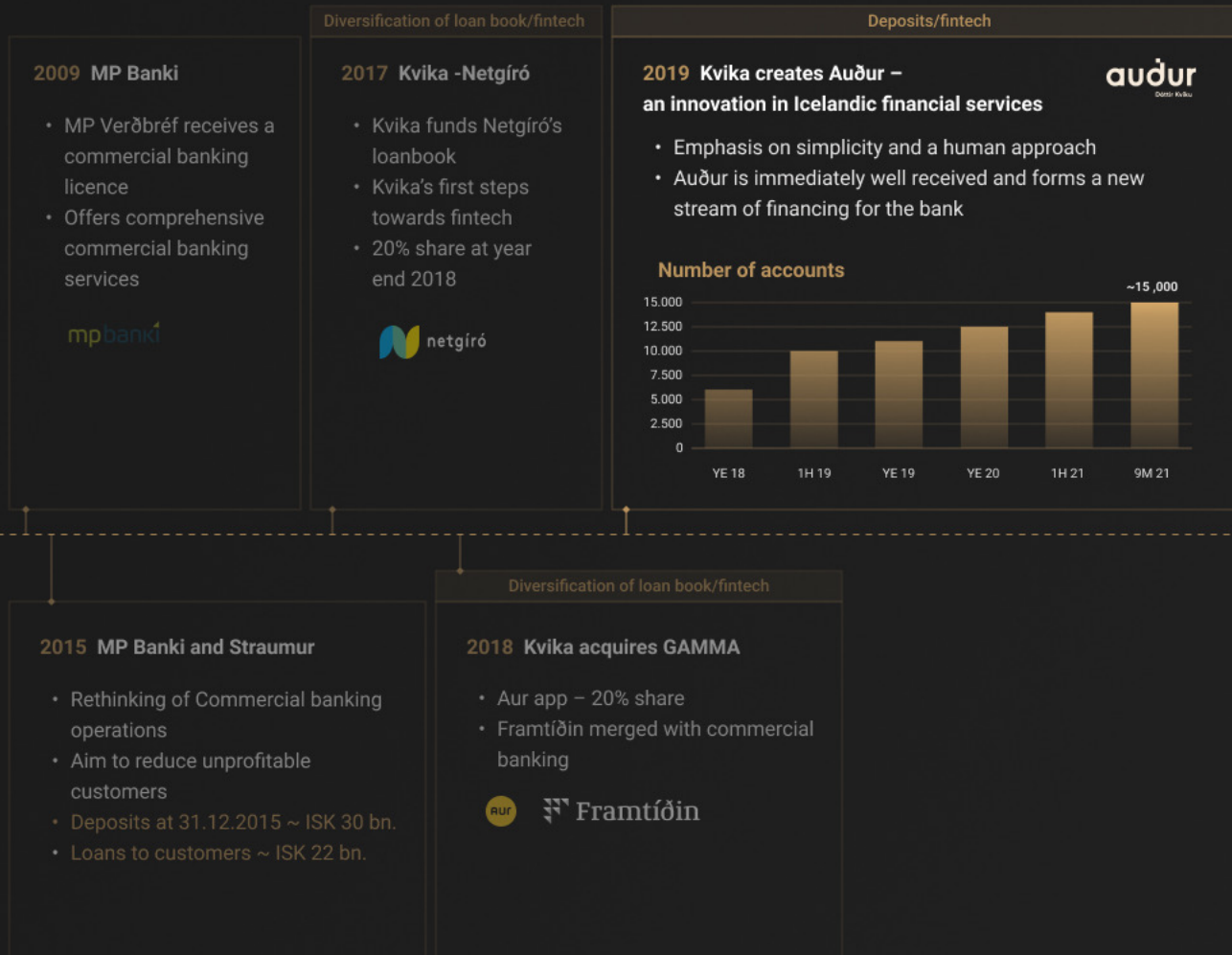
Recent Developments Reflect Strategic Direction

Increase deposits, diversification of loan book and fintech focus



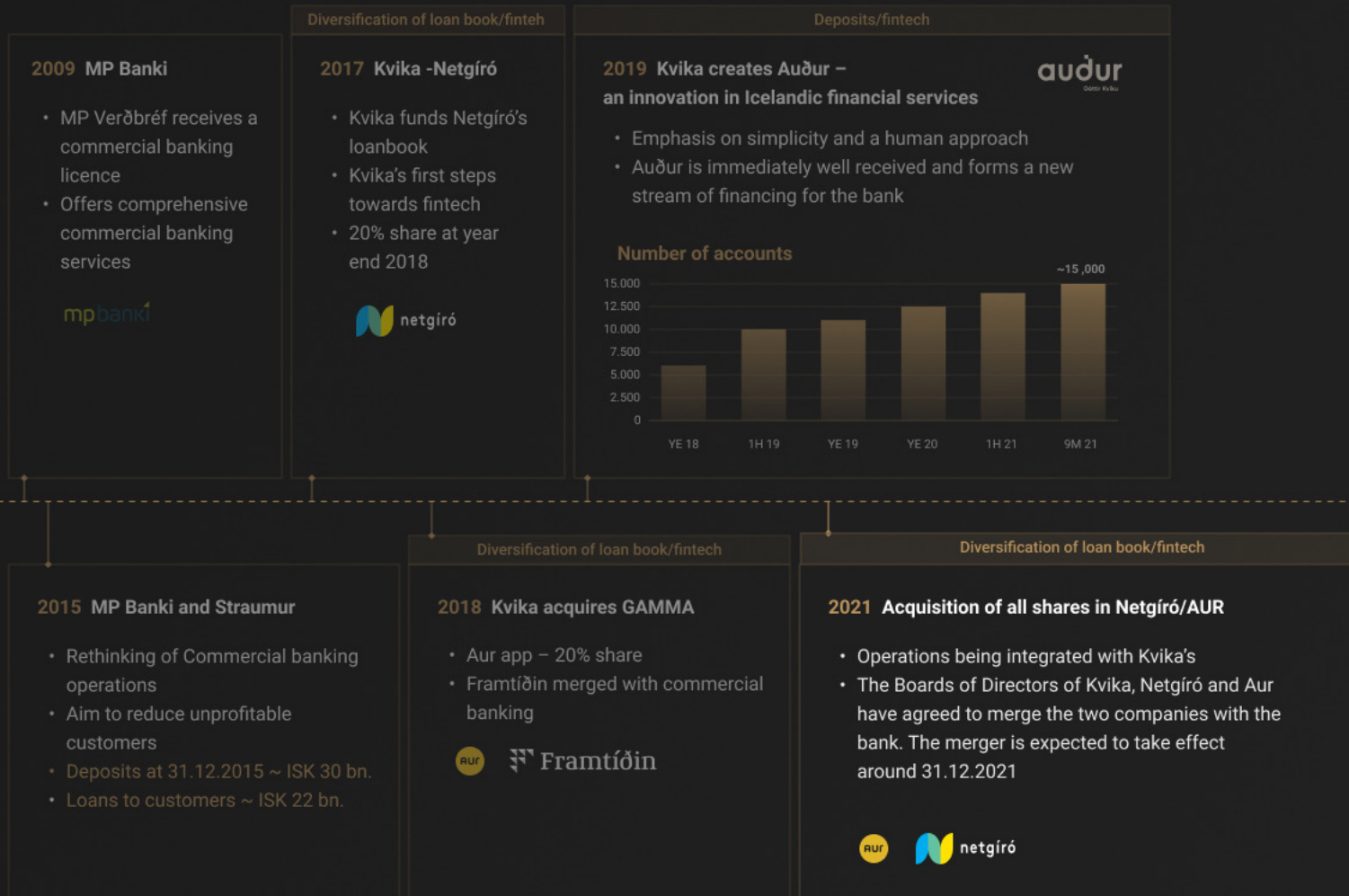
Recent Developments Reflect Strategic Direction

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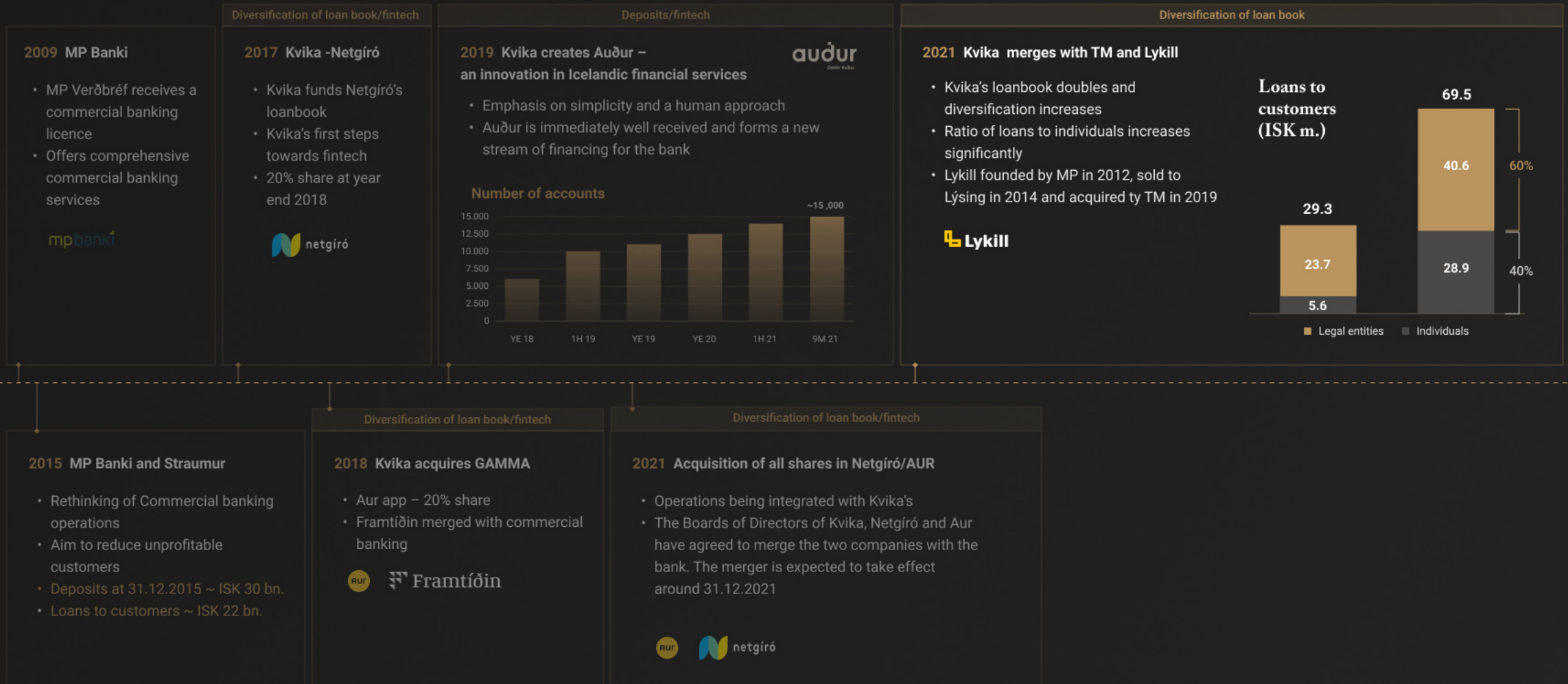
Recent Developments Reflect Strategic Direction

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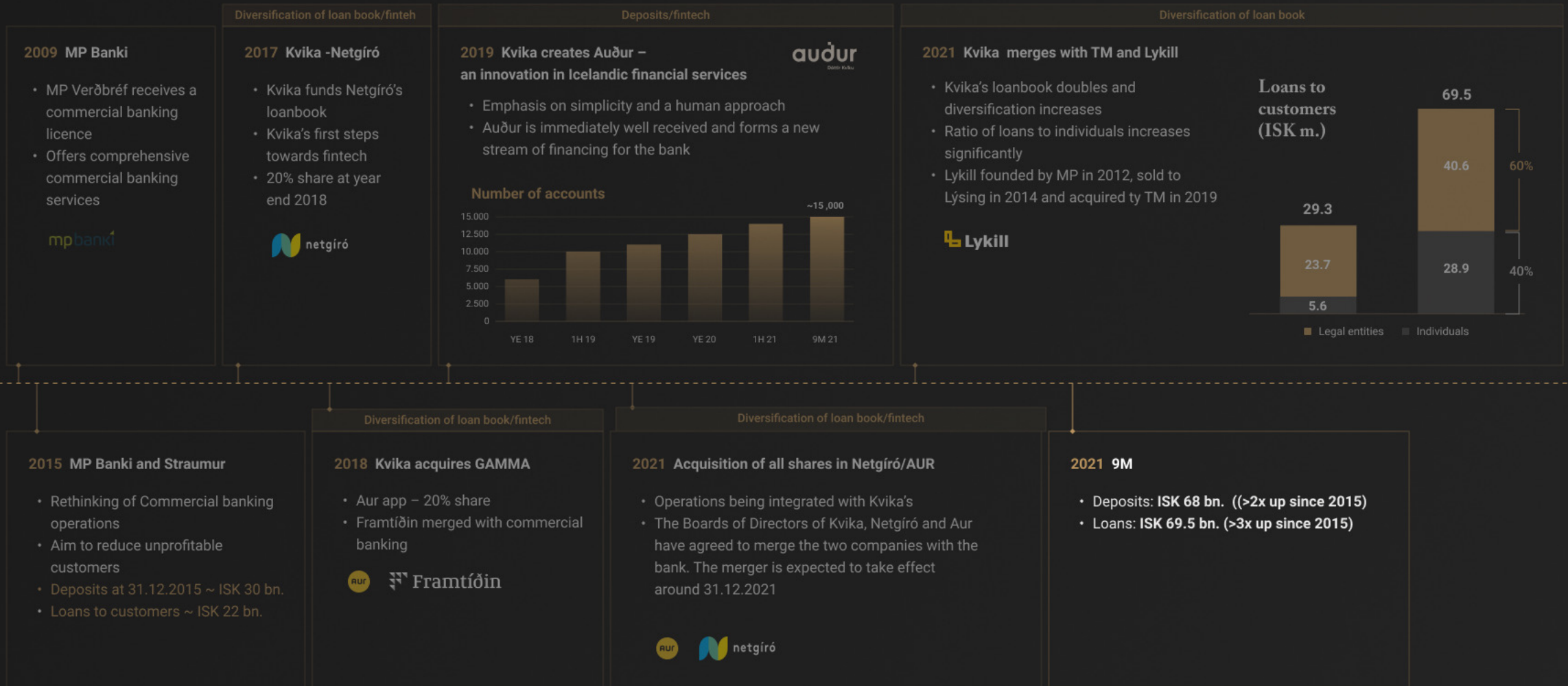
Recent Developments Reflect Strategic Direction

Increase deposits, diversification of loan book and fintech focus



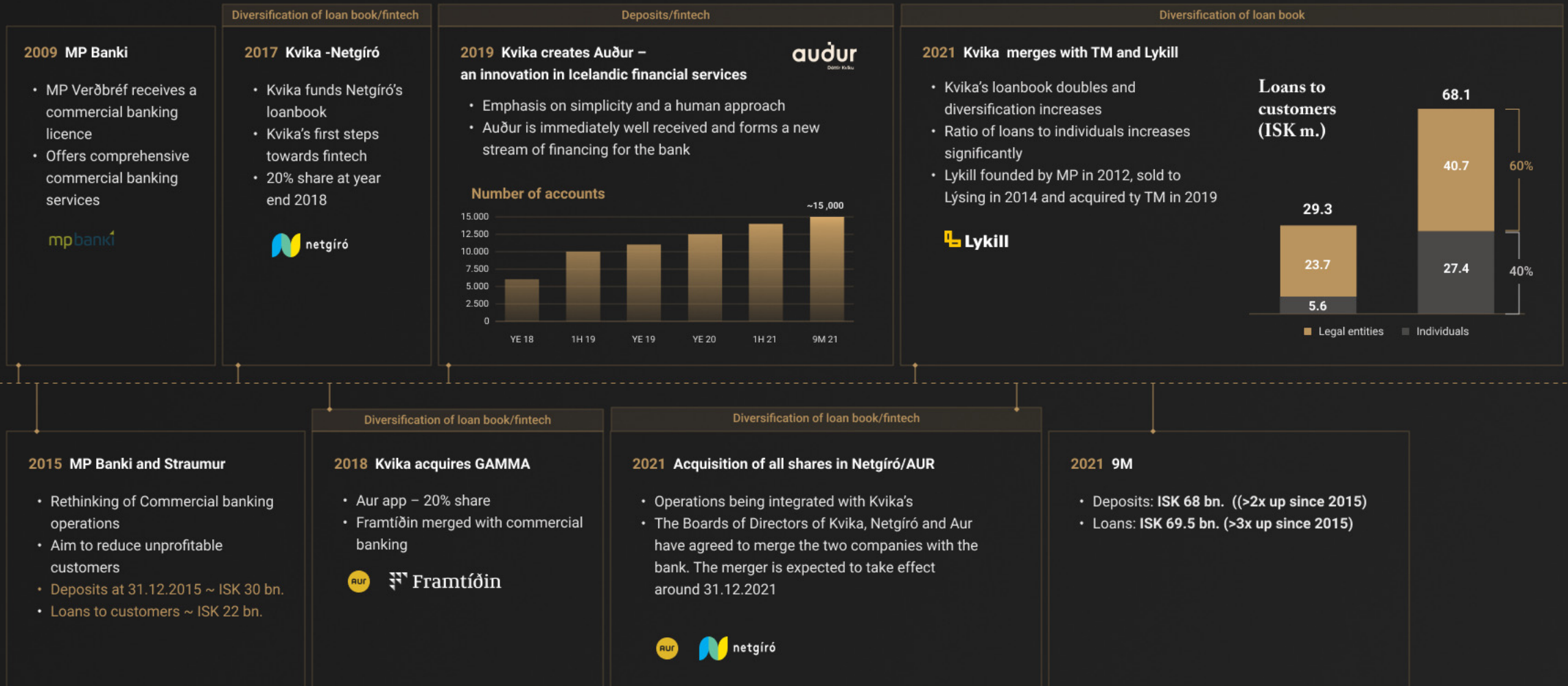
Recent Developments Reflect Strategic Direction

Increase deposits, diversification of loan book and fintech focus



Recent Developments Reflect Strategic Direction

Increase deposits, diversification of loan book and fintech focus



Commercial Banking Today

Well known brands and multiple opportunities for growth

Loan book ISK 69.5 billion

Deposits ISK 68 billion



Kvika – Corporate lending

- Tailor made financing solutions , often linked to transactions or projects



Netgíró and Aur

- Convenient solution to transfer funds and receive payment
- Commercial loans and direct loans
- Payment system is non-card reliant
- Over 110,000 users, high participation among younger people



Lykill and Framtíðin

- Vehicle and equipment financing
- Bridge- and additional lending to individuals for the purchase of real estate.
- Competitive terms and responsive service



Kvika Banking

- Banking services for institutional investors, high net-worth individuals and companies
- Emphasis on good and flexible service
- Average deposit is ISK 4 million
- FX deposits of ISK 9 bn.



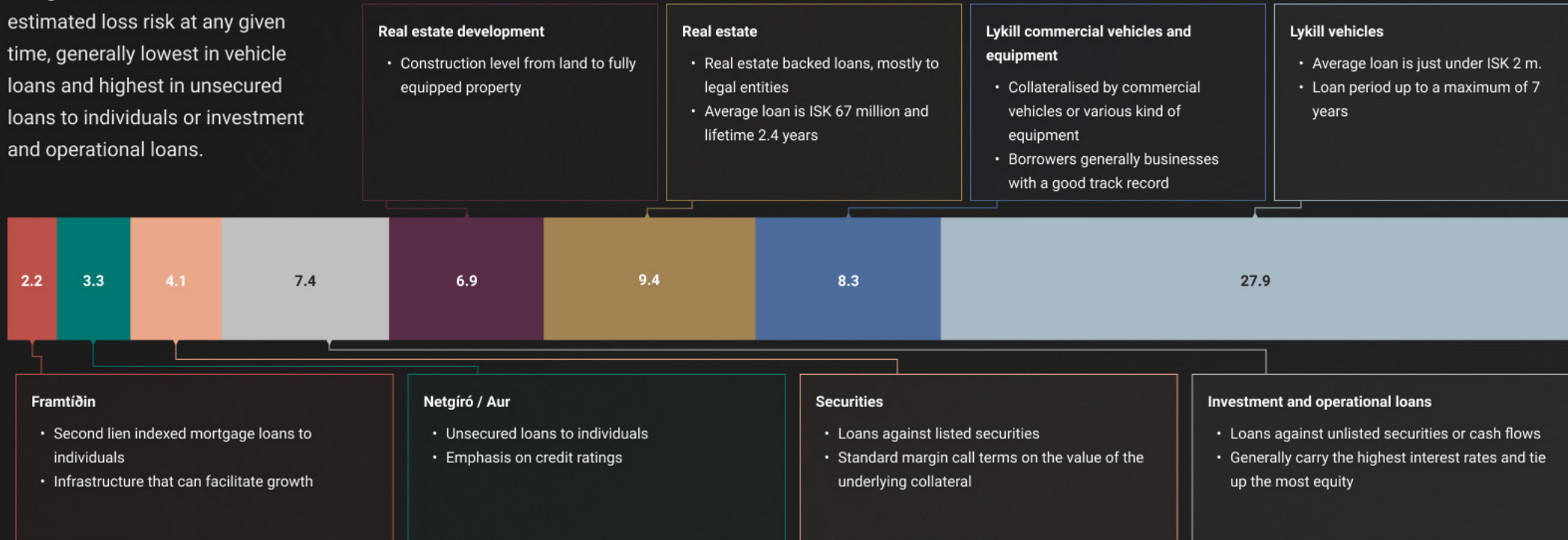
Auður

- Attractive interest rates on lower amounts
- Average balance of about ISK 1.5 million
- Over 13 thousand self-service customers online

Loans to Customers















Risk diversification has increased significantly with acquired portfolios

Interest rates vary between loan categories and reflect the estimated loss risk at any given time, generally lowest in vehicle loans and highest in unsecured loans to individuals or investment and operational loans.



Future Opportunities

Digital services and brands are key drivers for growth

	Example	
Faster lending service through digitalisation	<ul style="list-style-type: none"> Lykill completed the first electronic register registration (is:þinglýsing) in Iceland in October 2021 Advanced credit scoring system in Netgíró 	 
Growth through strong brands	<ul style="list-style-type: none"> Over 110.000 individuals are customers of AUR/Netgíró Netgíró and AUR's merger with Kvika simplifies matters 	 
Better terms with self service simplicity	<ul style="list-style-type: none"> Auður managed to offer significantly higher rates than competitors Focus on simplicity and standard product offering in retail banking 	
Utilise existing relationships to service customers across segments	<ul style="list-style-type: none"> Many of Iceland's largest companies and investors are customers of the group Opportunities to expand existing relationships to other areas of operations 	  
Loan brokerage to credit funds and other investors	<ul style="list-style-type: none"> Large loan books in the groups, both off and on balance sheet Creates fee and commission income without tying up equity 	 
Continue to diversify and grow loan book	<ul style="list-style-type: none"> Excess capital in the group creates opportunities for further growth Potential acquisition of Ortus Secured Finance's will further increase diversification 	   



Key Takeaways

- ① Strategic developments in recent years have resulted in deposits increasing by more than 2x and loans more than 3x from 2015
- 📊 Increased diversification of loan portfolio and profitable commercial banking activities
- 🌐 Significant opportunities in the bank's brands and digital services. The goal is to simplify finances and increase competition



Innovation in Established Markets

Bjarni Eyvinds Þrastarson

Investment Banking

Investment Banking

Combination of five successful business units

Corporate Finance

- Current number of active projects: 30
- Number of paying customers LTM: 25

Capital Markets

- Member of Nasdaq OMX Iceland, Nasdaq OMX CHP and Nasdaq OMX STO
- Number of open SWAPS: 492
- Cumulative volume in Keldan FX: > ISK 65 bn

Proprietary Trading and Treasury

- Outstanding securities: ISK 30 bn
- Number of outstanding instruments

Kvika Securities Ltd.

- Previously reported under 'support functions and eliminations' in Kvika's segment reporting, as a part of CEO's office

Going forward, Capital Markets, Corporate Finance, Proprietary Trading, Treasury and Kvika Securities Ltd. will be reported together as Investment Banking in Kvika's financial statements

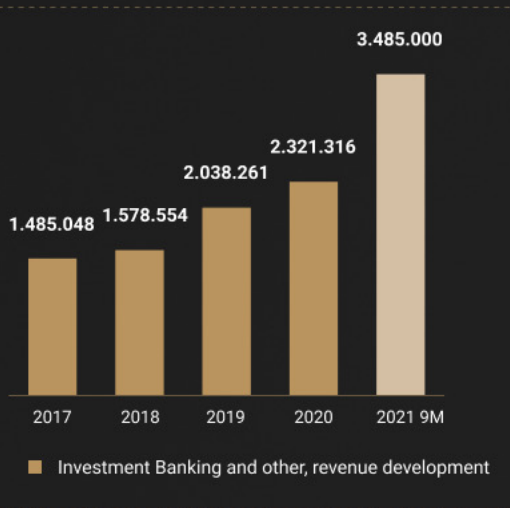
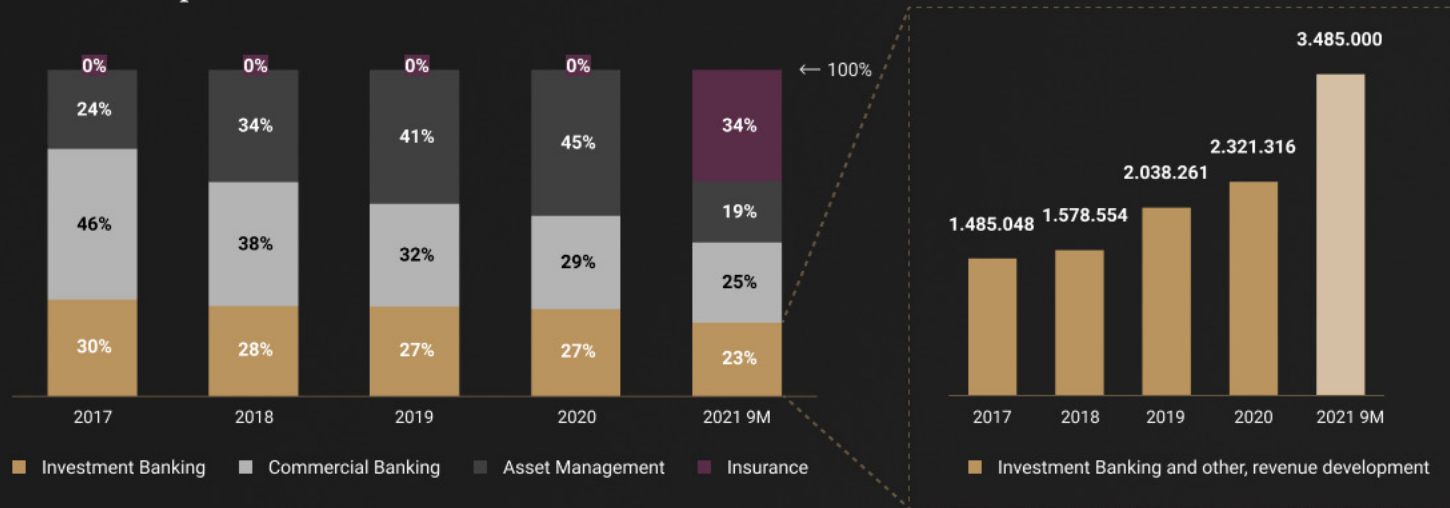
The combination reflects Kvika's strategic focus and creates a fourth foundation to Kvika's operations

As Kvika Securities Ltd. grows, its revenues will be reported separately from Investment Banking

Solid Organic Growth

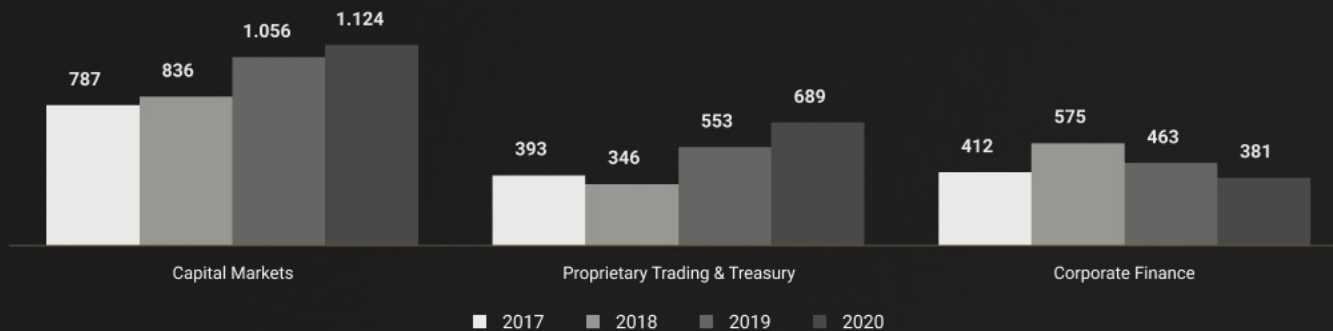
Within a rapidly growing Kvika

Revenue split 2017 - 9M 2021



Kvika's buy and build strategy and its two phases of growth through asset management consolidation and refinancing of loan portfolios has created strong revenue foundations, whilst placing less focus on growth in traditional investment banking.

Investment Banking has therefore become a smaller part of Kvika's total revenues whilst its units continue to have a strong presence in key markets and solid fee generation, as evidenced by their strong organic revenue growth and profitable operations.



Investment Banking Units

Shared focus on revenue generation that ties up minimal capital

Proprietary Trading

Strategic focus

- Maintain its positions as one of the largest market makers and a primary dealer for stocks and bonds on Nasdaq Iceland
- Taking proprietary positions in listed securities, profiting both from short-term price movements as well as long-term positioning in liquid assets, under a predefined risk policy

Treasury

Strategic focus

- Forward looking asset and liability management to optimize the balance sheet while maintaining internal and external key risk metrics
- Internal allocation of funds and capital and transfer pricing with emphasis on economic allocation to maximize Group profitability
- Management of Group risk in currency, inflation and interests rates with outright hedges or strategic positioning

Corporate Finance

Strategic focus

- Project origination and execution with other divisions, strategic project selection
- Emphasis on mid-sized projects that generate a stable revenue base with high likelihood of completion in addition to large projects which combine a fixed retainer with the potential to earn significant success fees

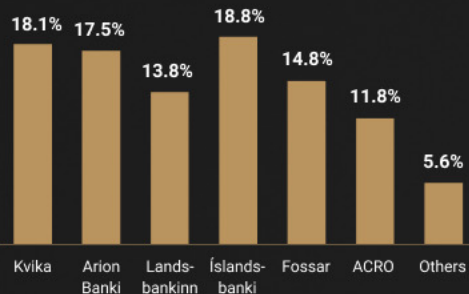
Capital Markets

Strategic focus

- Offering professional advice and personal service designed to meet the needs of both retail and institutional customers
- Deliver leading market insight and execution
- Continued revenue generation through securities financing

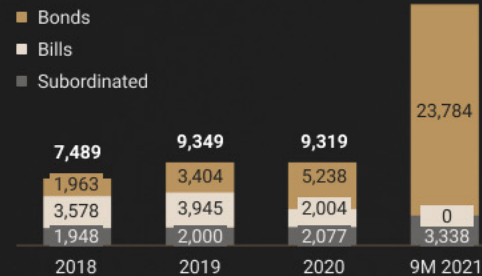
Nasdaq Iceland Marketshare

Total market share FY 2020



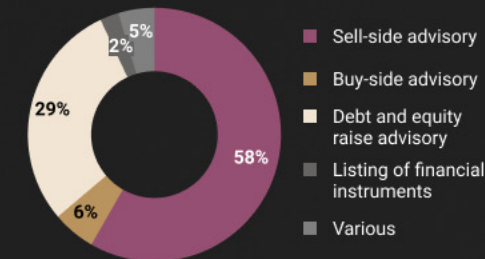
Listed securities issued by Kvika

ISK million



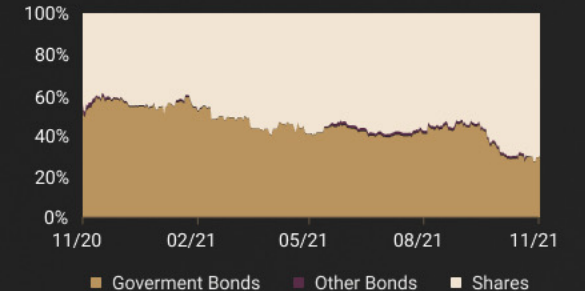
Projects by type

LTM split (%)



Securities Financing Development

Swap agreements, split between instruments



Revenue Generation Through Traditional Operations

Low capital requirement with a high return on equity

Securities financing

An important part of Investment Banking's service offering is securities financing, offered to customers through swap agreements originated in Capital Markets

Swap agreements are a prime example of how the Investment Banking unit generates revenues by utilizing the bank's balance sheet while tying up minimal capital

ISK 26 bn.

Gross size of swap agreements

492

Number of open swaps

85

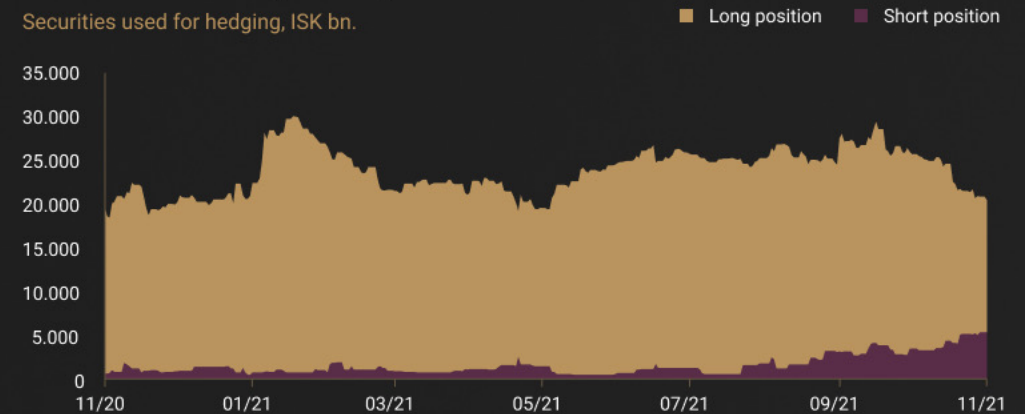
Number of active clients
with open swaps

41

Number of instruments in swaps

Securities financing development

Securities used for hedging, ISK bn.



Collateral coverage ratio

Collateral ratio development 2021



Innovation in Established Markets

Kvika FX

- ✓ Fixed fee 10 bps
- ✓ Visibility – Trade ticker
- ✓ Clients can be price makers
- ✓ Direct flow, client to client – Kvika is a counterparty
- ✓ More visibility – orders and trades
- ✓ More depth – lower cost

Market outside Kvika FX

- × No visibility in price or flow
- × Markets makers control the market
- × Market risk is costly for the system

Kvika's foreign exchange business is mainly conducted through Keldan FX, a foreign exchange market developed by Kvika and Keldan. Keldan FX is meant to change the traditional way currency is bought and sold, reflecting Kvika's vision of transforming financial services, increasing competition and simplifying customers' finances guided by mutual benefits

Historically, currency has been traded without clear visibility of orders and trades, leaving customers as price takers with limited knowledge and control

Opportunity for businesses and individuals to buy and sell currency with a clear sense of market prices and fees



Innovation in Established Markets

Clients place orders in the market

Order visibility to everyone

Trade ticker – All trades

Equivalent to bond and equity markets

- Bid or ask
- Volume
- Price
- Time limit
- Min. Quantity
- Hidden vs visible

Centralized orderbook – bid and ask

- Settlement through ISK and FX accounts
- Notification when trade is executed

Full transparency on volume

- All new trades are visible
- Price, volume and time
- Kvika FX can report all trades through system
- More transparency and fairness

Orderbook EUR/ISK

ISK	Mynt	Kaupandi	Kaup	Sala	Seljandi	Mynt	ISK
73.575.000,00	500.000,00	KVIKA	147,15	147,40	KVIKA	200.000,00	29.480.000,00
29.400.000,00	200.000,00	KVIKA	147,00	147,50	KVIKA	300.000,00	44.250.000,00
22.020.000,00	150.000,00	KVIKA	146,80	150,00	KVIKA	250.000,00	37.500.000,00

Orderbook USD/ISK

ISK	Mynt	Kaupandi	Kaup	Sala	Seljandi	Mynt	ISK
26.100.000,00	200.000,00	KVIKA	130,50	131,40	KVIKA	300.000,00	39.420.000,00
8.261.890,00	63.700,00	KVIKA	129,70	131,50	KVIKA	500.000,00	65.750.000,00

Trade history

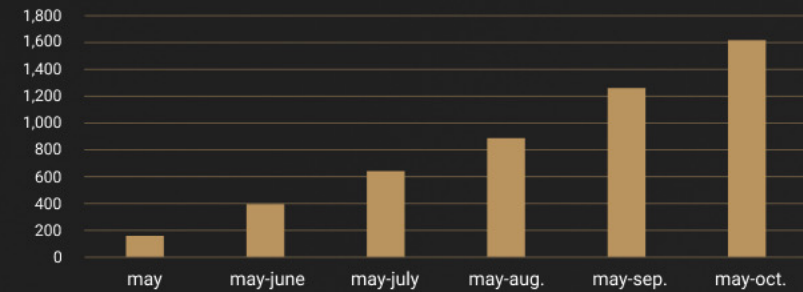
Auðkenni	Tími	Verð	Mynt	ISK	Kaupandi	Seljandi
EURISK	11:00:31	147,00	200.000	29.400.000,00	KVIKA	KVIKA
USDISK	10:45:31	131,45	222.000	29.181.900,00	KVIKA	KVIKA
SEKISK	09:39:42	14,42	561.238	8.091.929,48	KVIKA	KVIKA
EURISK	09:26:14	147,00	200.000	29.400.000,00	KVIKA	KVIKA
USDISK	08:57:59	130,70	1.500.000	196.050.000,00	KVIKA	KVIKA

Kvika FX

Visibility and transparency

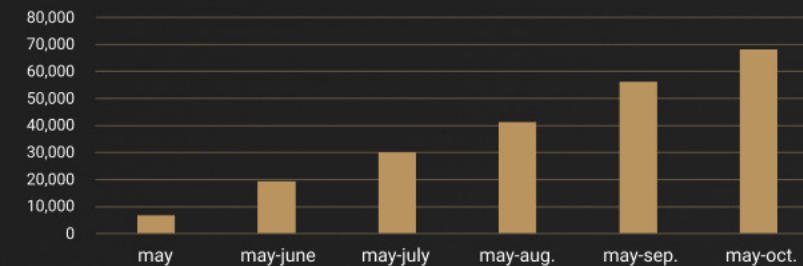
- We aim to increase the depth and visibility in the FX market
- Active participation from clients – direct bid and ask in the market
- Less difference between buying and selling orders
- Visibility on order books – both bid and ask
- Client orders
- All orders are visible in real time
- Information accessible to all through website
- Traditional settlement

Cumulative trades



Cumulative volume

ISK million





Key Takeaways

- 👥 Strong presence in key markets and solid fee generation
- 💰 Low capital requirement and high return on equity
- 🔧 Opportunities through fintech by further development of Keldan FX



Strong Foundations for Future Growth

Íris Arna Jóhannsdóttir
Gunnar Sigurðsson

Kvika Securities

A Brief History of KSL

The launch of KSL in 2017

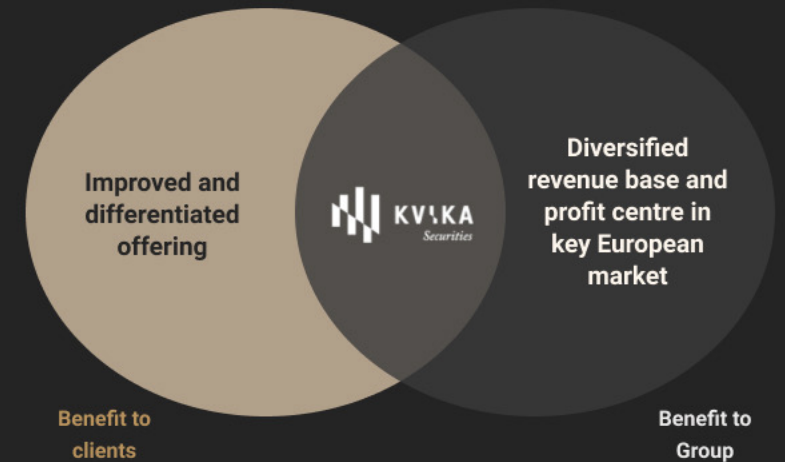
Capital Controls liberalised

2017 - 2018

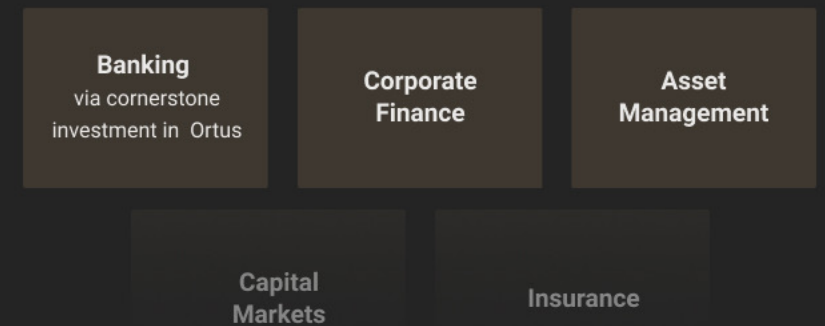
Phase I: Establishing a presence

- 1 Conservative strategy of phased growth and cost containment across three core competencies
- 2 Licenses and compliance infrastructure from day 1 to ensure scalability
- 3 Identification of partners and launch of first investment products
- 4 Strategic acquisition of 15% share in Ortus Secured Finance

Clearly articulated value proposition



Clearly defined mission



A Brief History of KSL

Foundations laid for growth phase

Capital Controls
liberalised

→ **2017 - 2018**

Phase I: Establishing a presence

Acquisition of
GAMMA UK
operations

→ **2019-2021**

Phase II: Building a foundation

- 1 Grow and strengthen team
- 2 Strengthen FCA license infrastructure
- 3 Completed and actively managing several investment projects

Office location

Mayfair,
London

Staff

6



Leverage Strengths to Take Advantage of Opportunity Set

Project selection determined by clearly articulated preferred positioning

Strengths

Highly experienced team with decades' track record transacting in UK market

18 years

Average investment team experience in international financial markets

- Very significant transaction experience
- Strong local relationships and network
- Experience across Commercial Banking, Investment Banking, Private Equity
- Access to Icelandic pool of capital
- Strong backing from parent bank

Opportunity set

Large and profitable opportunity set delineated by clearly articulated project criteria

Size

Target sizeable pool of opportunities less competed by large money lenders and investors

Small- to medium sized projects

Lifecycle

Focus on projects with potential to generate recurring advisory and/or management fees

Recurring revenues

Sector

Focus on established sectors and avoid early stage / venture projects

Resilient sectors / solid assets

Success Since Launch

Strong foundation been laid

Asset Management

4

Investment vehicles under management

- Care home sector
- Real estate
- Alternative credit

Corporate Finance

20 bn.

Value transacted

- Health tech
- E-commerce
- Fashion retail
- Care home sector
- Credit structures

Proprietary Investments

1.3 bn.

Investments held on KSL balance sheet

- Approach transactions with principal mindset
- Important part of proposition
- Enhances credibility of product offering
- Group and clients benefit together

Net Income

Consistently Profitable

Over last three years

Built daisy-chain of recurring revenue

 20m → 500m
Income 2017 2021B

 -30m → 100m
PBT 2017 2021B

A Brief History of KSL

Attractive opportunity for growth following TM merger

Capital Controls liberalised

2017 - 2018

Phase I: Establishing a presence

Acquisition of GAMMA UK operations

2019-2021

Phase II: Building a foundation

Kvika merger with TM

2022 -

Phase III: Growing into the future



3 Year Goal

UK operations account for at least 20% of Group profit



Merger with TM has unlocked significant opportunities for future growth in UK market

- 1 Increased financial strength through expanded balance sheet
- 2 Substantial reserve of excess regulatory capital
- 3 Potential to realise large funding synergies on acquisitions
- 4 Strategic decision to reach geographic diversification of balance sheet

HoT signed to acquire majority stake in alternative lender Ortus Secured Finance



Proven engine for loan generation



Access to large pool of borrowers



Significant opportunity for market share growth



Large potential for funding synergies

Ortus Secured Finance at a Glance

Secured lending in UK bridging market



Proven and reliable principal lender with a flexible offering of competitive funding solutions



Highly competent team with proven track record

Ortus was founded in 2013 to take advantage of large gaps left by traditional banks in the lending market following the global financial crisis.



Sizable player in a profitable market

£130m total loan book to almost 130 borrowers with focus on short terms loans/ bridge lending in the UK earning gross contractual yield of ~10%.



Highly conservative lending strategy

All lending secured against property - over ISK 85 bn. advanced to borrowers since founding, with zero losses on capital.



Well known to Kvika since 2018 investment

Kvika participated in 2018 capital increase to support development of balance sheet lending capabilities, acquiring 15% with a view to strengthen involvement over time.



London,
Glasgow and
Belfast

Office locations



19

Members of staff across lending, sales, credit and finance



23 bn.

Total Loan Book, including asset management mandates



16.5 months

Average loan term at drawdown



+85 bn.

Lent out since funding



0.0 kr.

Capital losses to date



50%

Historical average LTV of book



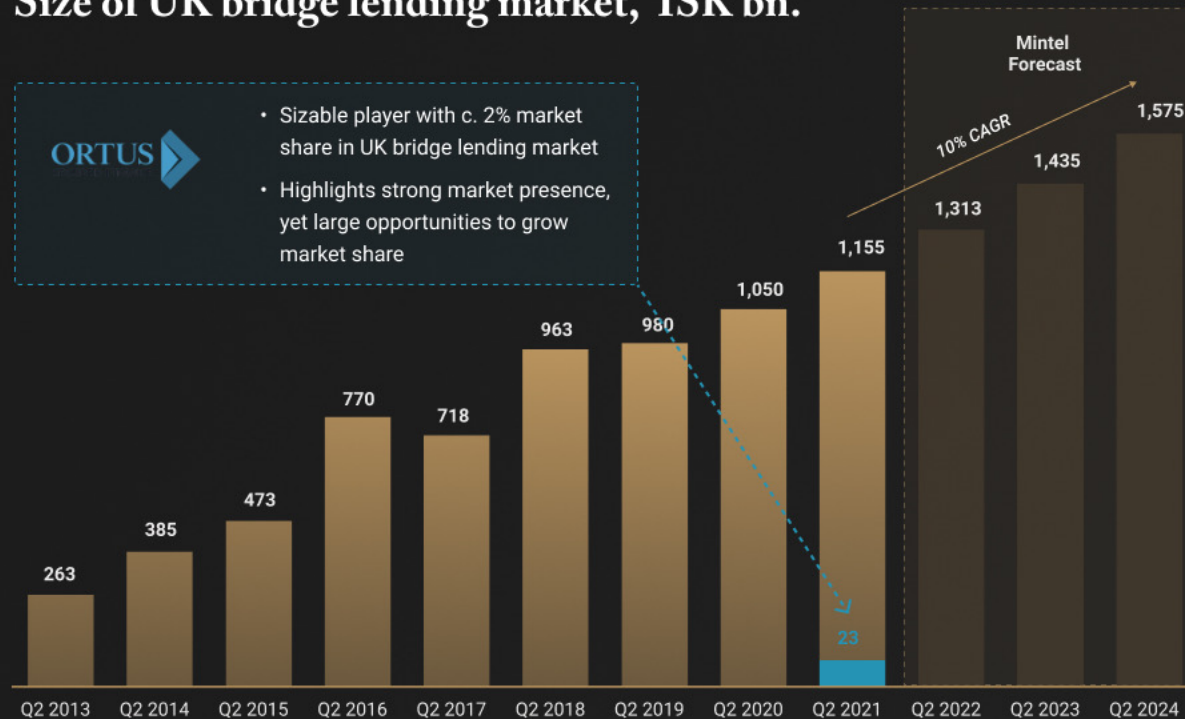
100%

Share of book secured against property

UK Bridge Lending

Fast growing niche of alternative credit forms strong foundation from which to grow

Size of UK bridge lending market, ISK bn.



Market Opportunity

Temporary financing solution that commands high APR

Gap left by traditional lenders

Highly fragmented

Growing exponentially

Large opportunities for market share grab

Keys to Success

Pieces in place for continued growth trajectory

Highly valuable infrastructure in place

Sourcing



Network and brand value built over almost a decade

Underwriting



Highly skilled credit team with decades' experience in market

Portfolio Management



Unique approach to safeguarding value and working with borrowers

Benefits of Kvik ownership

Funding



Ability to meaningfully lower funding cost via impact of Kvik ownership

The Ortus Origination Engine

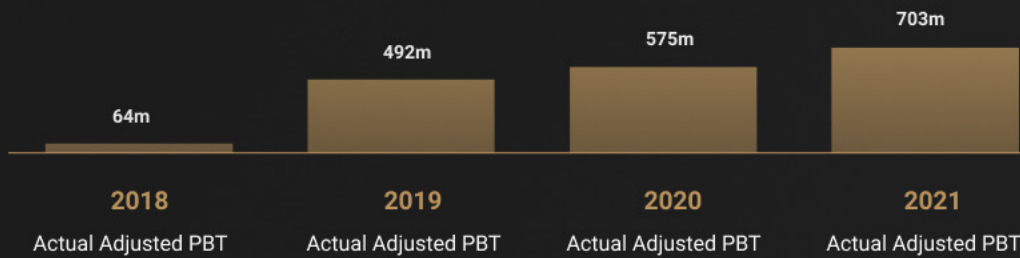
Combination of strong relationships and know-how generate significant value in highly intermediated bridge lending market

Kvik Group Financial Strength

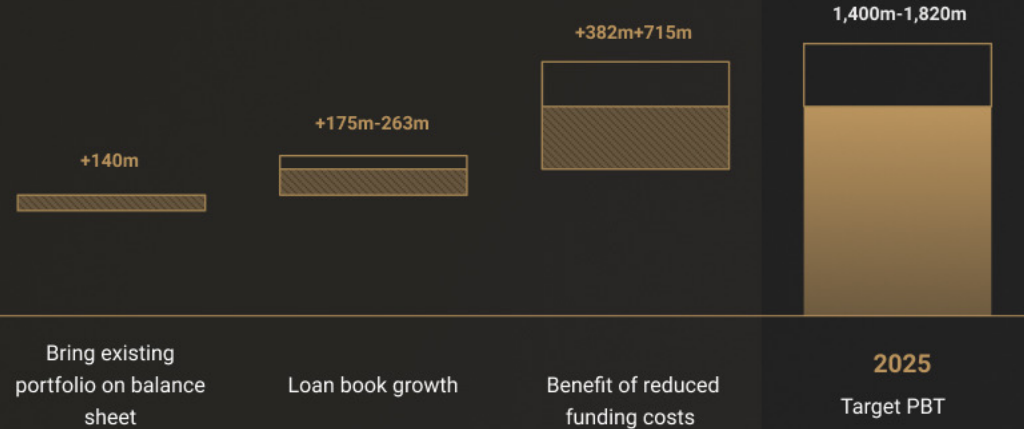
Large opportunities following merger with TM

Opportunity to Substantially Enhance Profitability

Continued increased balance sheet lending, cautious growth and improved terms of funding



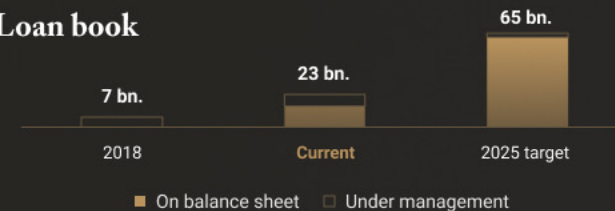
Opportunity to drive profitability with ownership¹



Transformational 2018-2019 as the business secured senior financing and expanded into balance sheet lending

Consistently profitable on existing loan portfolio

Loan book



Will contribute significantly to reaching at least 20% of Group profit within 3 years

Note: All amounts in ISK, converted at GBP/ISK = 175. 1 Illustrative impact of key initiatives on PBT, net of forecast changes in market rates and associated operating expenses.

Strategic Rationale for Transaction

Natural next step of 2018 acquisition of cornerstone stake

- 1 Efficient lending engine and highly competent management team well known to Kvika

Strong track record of high-quality origination

2013

First loan disbursed

+85 bn.

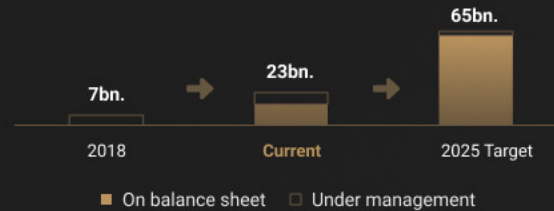
Amount lent since founding

0.0 kr

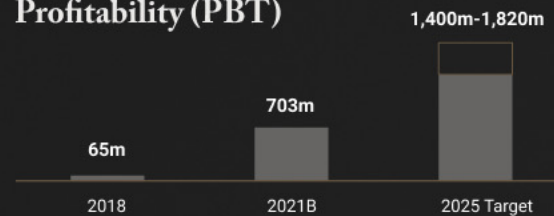
Capital losses to date

- 2 Large growth potential, adding significantly to Group earnings

Loan book



Profitability (PBT)



- 3 Clear potential to leverage Group's financial strength to lower cost of funding



Extension of previous acquisition strategy



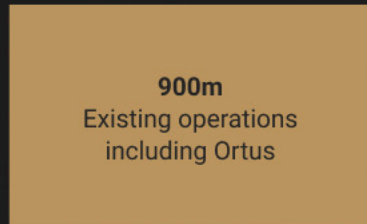
Proven ability to boost profitability

Clear Strategy to Reach 20% Profit

Combining profitable acquisition with organic growth

...set to grow to at least
20% over medium term

KSL would contribute
c.7-8% of 2021 guidance,
including Ortus...



2021
Pro forma adjusted run-rate PBT

Key Drivers

Growth of existing
operations and
expansion of project
pipeline

Ortus contribution with
growth and lower
funding costs

Potential other growth
projects

2024
Target contribution of UK to Group
PBT





Key Takeaways

- 👤 Experienced team and scalable infrastructure built since 2017 form strong and profitable foundation for growth
- ▶ Acquisition of Ortus Secured Finance is a logical next step on UK growth journey, benefitting from Kvika strong backing
- 🏠 Clearly articulated roadmap for UK operation to contribute at least 20% of Group profit



Enhanced Competition - Finance simplified

Árman Þorvaldsson
Ólöf Jónsdóttir

Fintech

Our Strategic Journey - Part One

2013: Traditional retail banking abandoned and branches closed

- ↑ High branch costs
- ↘ Expensive and staff intensive services produced minimal income
- ⌘ A difficult competitive landscape with three incumbent banks
 - No economies of scale
 - Significantly higher cost of funding
 - Mobility of banking customers almost non-existent




Result : Loss making operations turned profitable



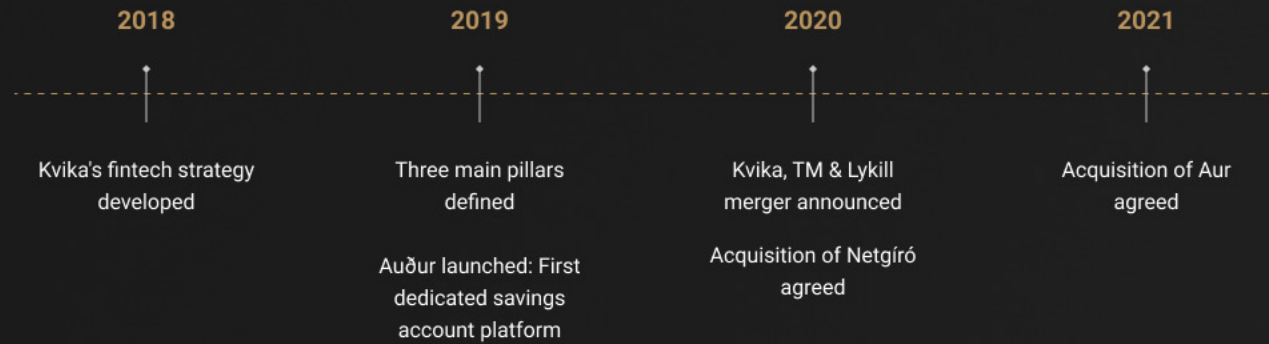


Our Strategic Journey - Part Two

Changes in technology and legal framework have dramatically changed Kvika's competitiveness in retail banking

-  Possible to fully service retail clients without branches and high staff costs
-  Access to retail deposits available without excess costs, creating an opportunity to lower Kvika's funding costs
-  Client's ability to move business between banks is consistently being made easier

Kvika's Fintech Milestones

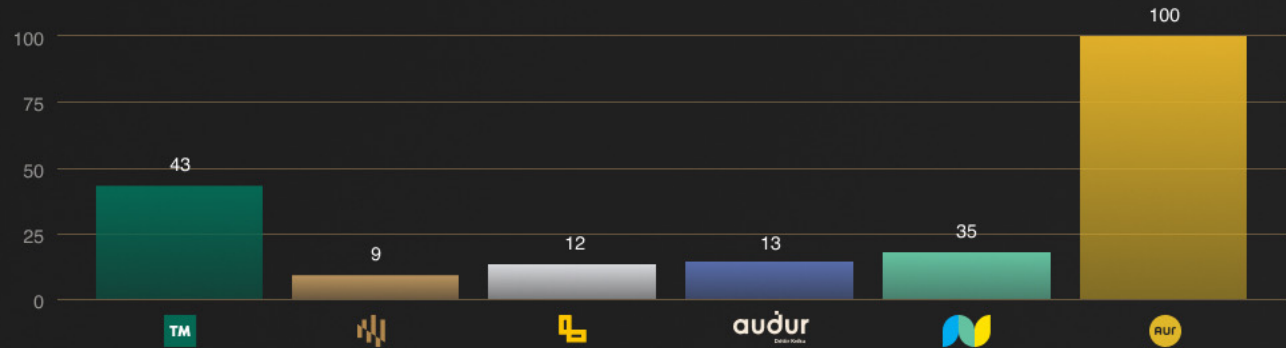




Kvika's retail services: A dramatic shift in funding, lending and number of clients

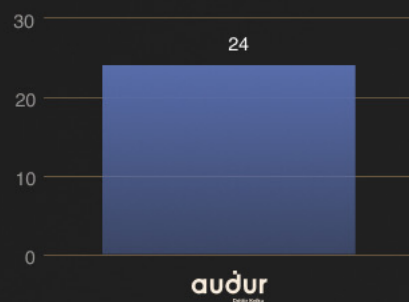
Customer Base - Individuals

As of November 2021 / Figures in '000



Deposits

ISK billions



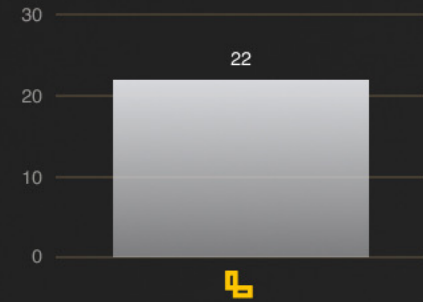
Consumer lending

ISK billions



Car loans

ISK billions



Netgíro & Aur

A highly profitable and fast growing part of banking

ISK 1 bn.

Lending volume per month

ISK 5 bn.

Size of loan book

ISK 1.6 bn.

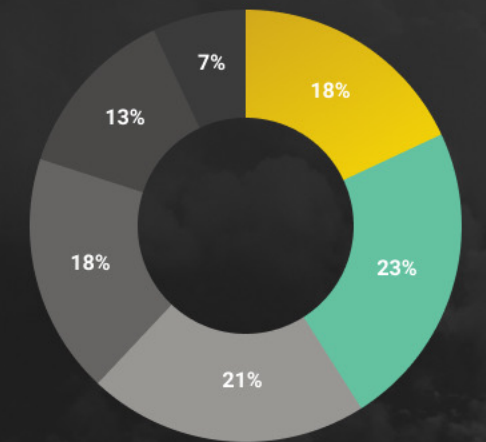
Run rate income

ISK 620 m.

Profitability - excluding IT write-offs

Lending growth highly profitable due
to economies of scale

BNPL Market Share



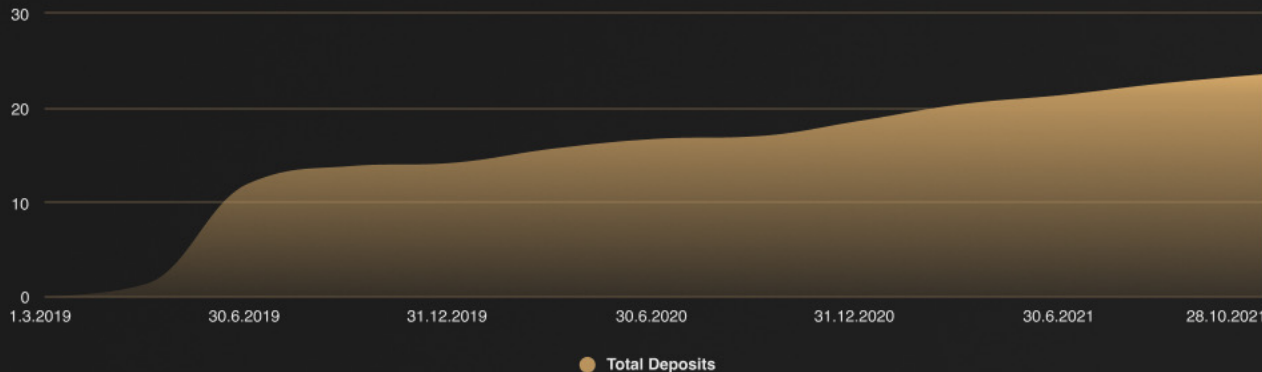
Auður - Savings Simplified

- 13,000 customers
- 24 bn. total in deposits
- 75/25 on demand/term deposits

31% Growth in customers LTM

32% Growth in deposits LTM

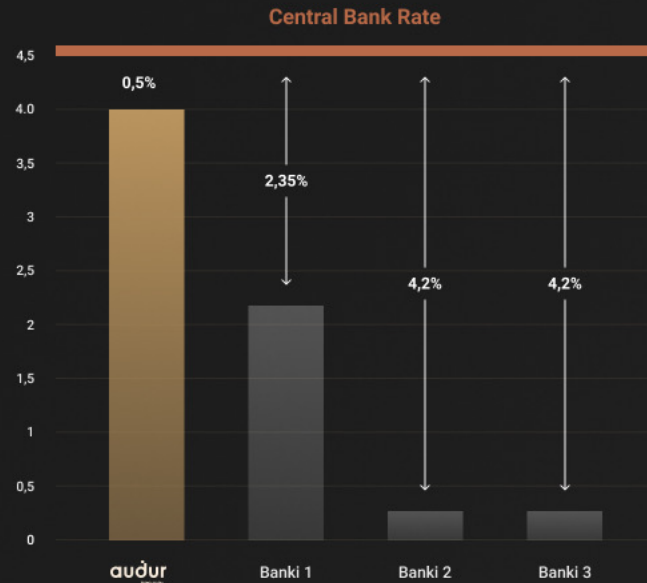
Deposit Growth



Auður's Competitive Impact

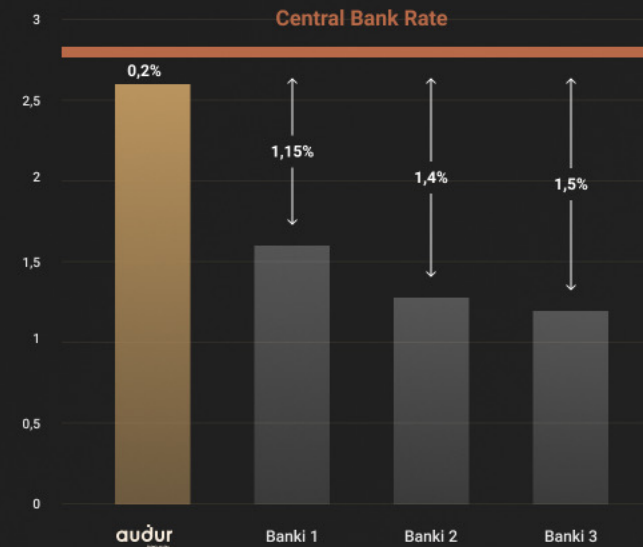
March 15th. 2019

On demand deposits - sub ISK 1 million



Year later

On demand deposits - sub ISK 1 million



The incumbent banks have significantly decreased the spread from the Central Bank rate on deposits

Aur - Bank Transfers Simplified

AUR

- Founded in 2015
- Offers P2P transfers & short term loans up to 1 million ISK for as long as 24 months
- Users can pay with Aur in over 350 businesses, focused on online shops and apps.
- Young people in Iceland organically use the term “Aura”





The Dominant App for P2P Payments

100.000

Total Customers

55%

Active last 30 days

97%

Active last 6 months

75%

Of 18-25 year olds are customers of Aur

2m

Transactions LTM

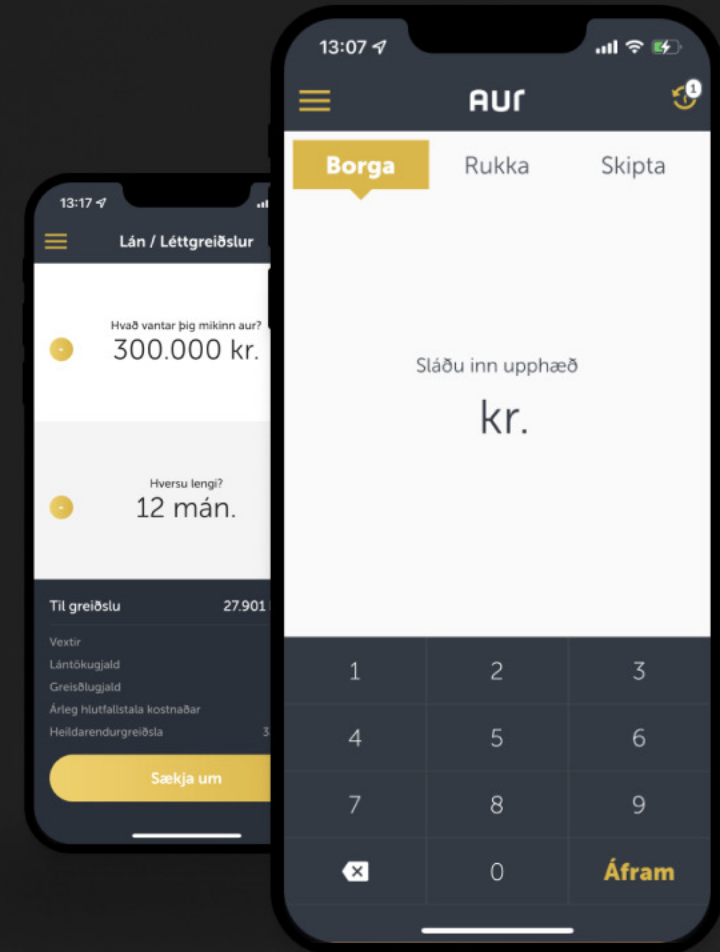
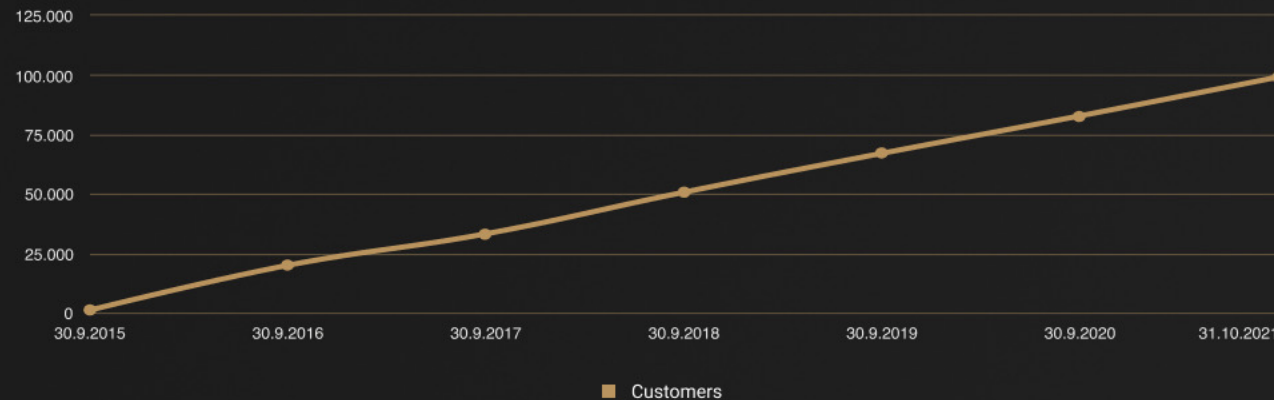
18%

Growth in customers LTM

37%

Growth in loan book LTM

Customer Growth



Netgíró - BNPL Simplified



- Founded in 2013
- Offer a payment solution, BNPL services and short term cash loans
- Delay payments for up to 14 days
- Split payment up to 24 months
- Get cash loans up to 24 months
- Credit limits ISK 150,000 - 1,000,000



The Leading App for BNPL

35,000

Active Customers

2,600

Points of sale

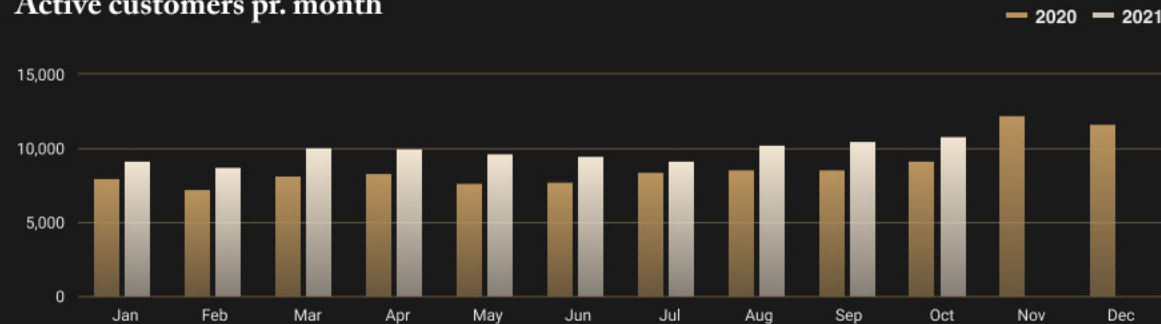
18%

Growth in active customers LTM

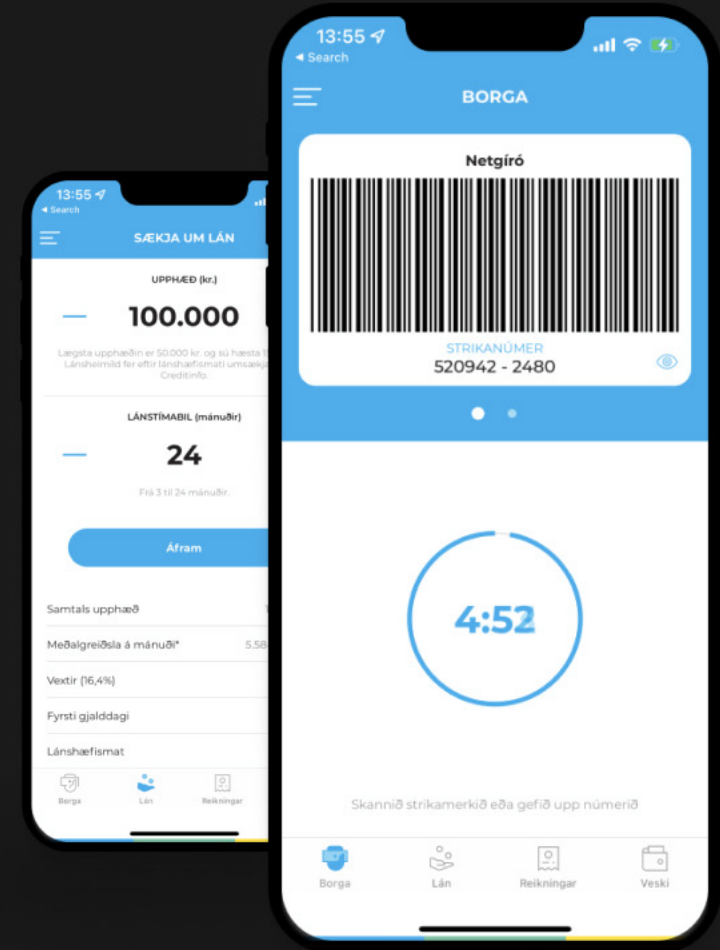
29%

Growth in loan book LTM

Active customers pr. month



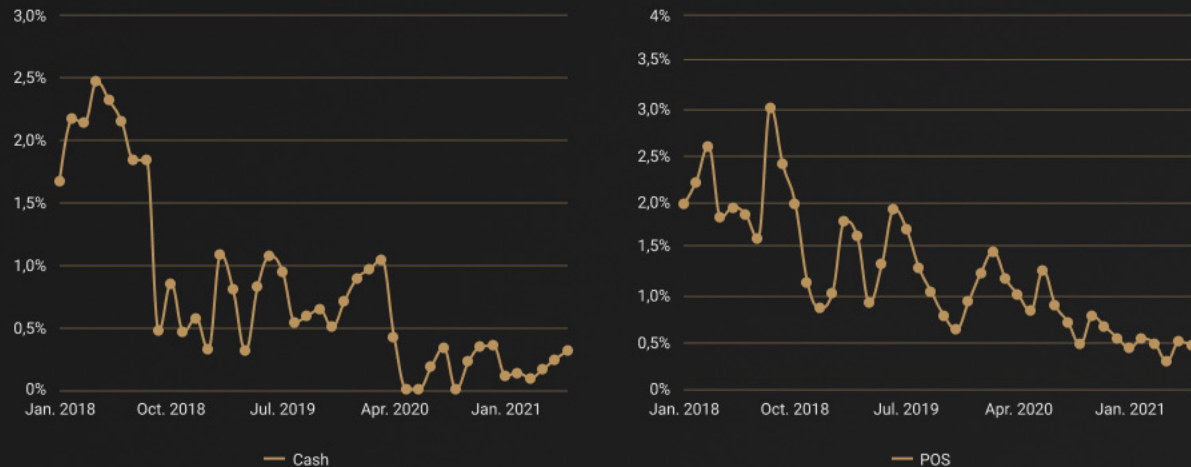
Netgíró has developed their own payment system that is independent of payments schemes like Visa and Mastercard



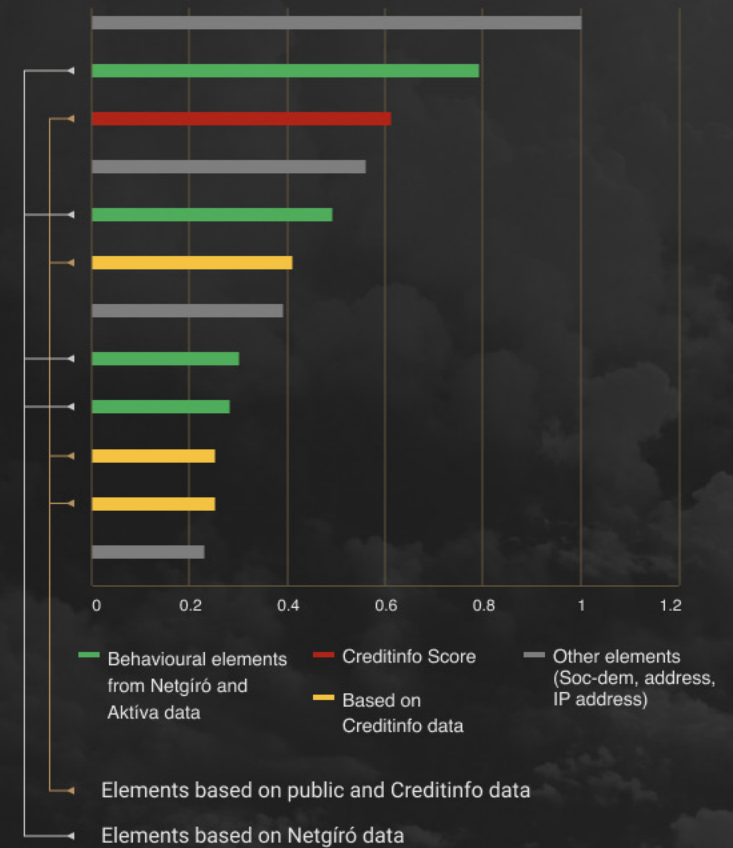
Low Default Rates - Enhanced Profitability

A major shift in loan quality following the development of algorithm based credit scoring system

Comparison off 90 days default based on Sale (issued loans) per month 2018-2021

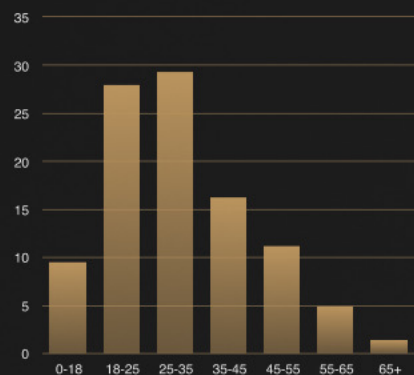


Credit Score Algorithm Elements



Strong Brands Each with their Own Differentiation

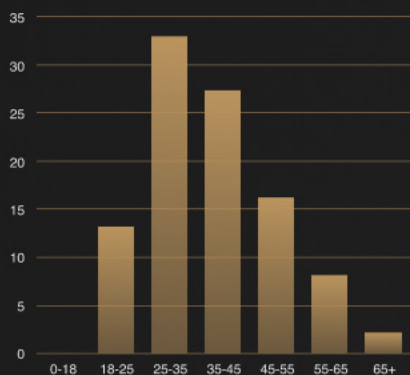
Age distribution



Aur

Bank transfers simplified

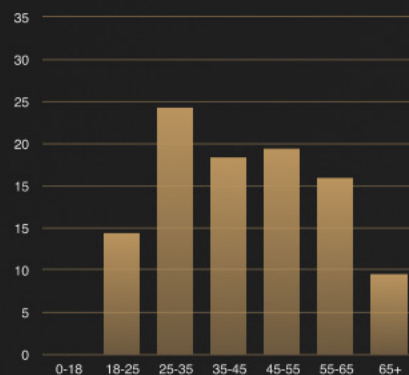
100,000 customers



netgíró

BNPL simplified

35,000 customers



auður

Savings simplified

13,000 customers

Brand recognition





Three Year Goal: Increase number of clients utilising **three or more of Kvika's products or services by 50,000**



The clients are already here!



Dramatically improved financial strength underpins growth plans



Solid banking infrastructure facilitates future growth



Funding Future Growth

Ragnar Páll Dyer
Elísabet G. Björnsdóttir

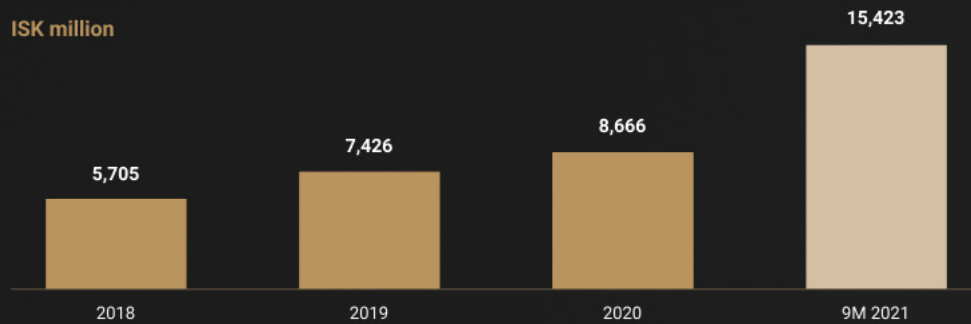
Finance

Kvika Today

Significant growth since main market listing in 2019

Revenues

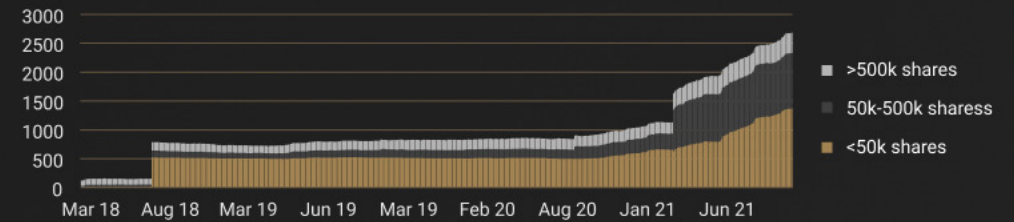
ISK million



Shareholders

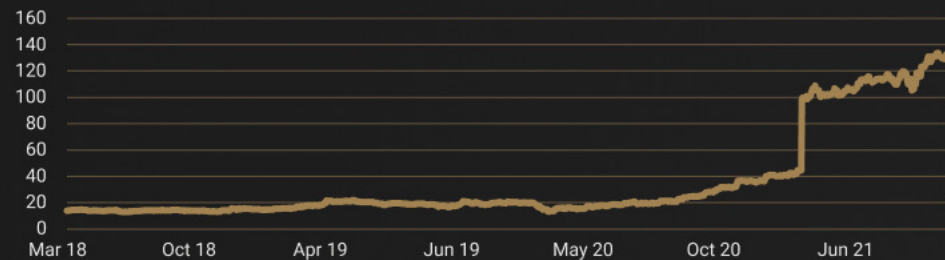
As of 15 November 2021

2,687
Shareholders



Market cap development

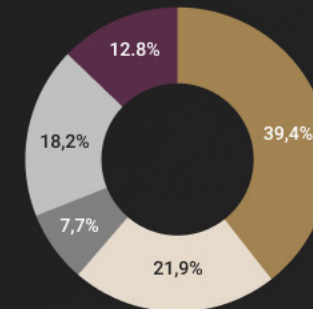
6th largest market cap as of 15 November 2021 (ISK million)



Shareholder split

As of 15 November 2021

- Pension funds
- Investment funds
- Banks and insurance companies
- Private holding companies
- Private individuals



History of Successful Buy and Build Strategy

Significant value creation from successful execution of a clear strategy

Buy and build strategy

Strategy I

2015-2020: Asset Management consolidation

Realised synergies: ISK 1,300-1,400 m.

2015



MP banki and Straumur merge under the name Kvika

2017



Kvika acquires Virðing and ALDA Asset Management

2019

GAMMA

Kvika acquires GAMMA Capital Management

2020



The Boards of Directors of Kvika, TM and Lykill approved the merger of the three companies

2021



Increased focus on fintech platform



Heads of terms to acquire majority share of Ortus Secured Finance



Future

Projects Supporting the Next Phase of Growth

Enhancing quality infrastructure – staying one step ahead

Accelerated publication of financial results

- The Group completes accounting and prepares financial statements for 187 legal entities
- Kvika's goal is to publish interim quarterly results within 4-6 weeks going forward

Coordination of Group planning and key indicators through FP&A*

- Once fully implemented, Beyond Budgeting methodology will give management a 4-5 quarter view into the future
- Key indicators and performance monitored along with forecasted values throughout the Group

Credit management for all Group entities operated in new unit

- Total number of issued invoices: 6-700,000 each year
- A new Credit Management Services company, established in Q1 2022, will take over Credit Management for all Group entities

*FP&A: Financial planning and analysis



How to Fund Future Growth?

At costs comparable to other banks in Iceland

1

Through domestic
and foreign debt
funding

2

Through increased
number of depositors
on fintech solutions

3

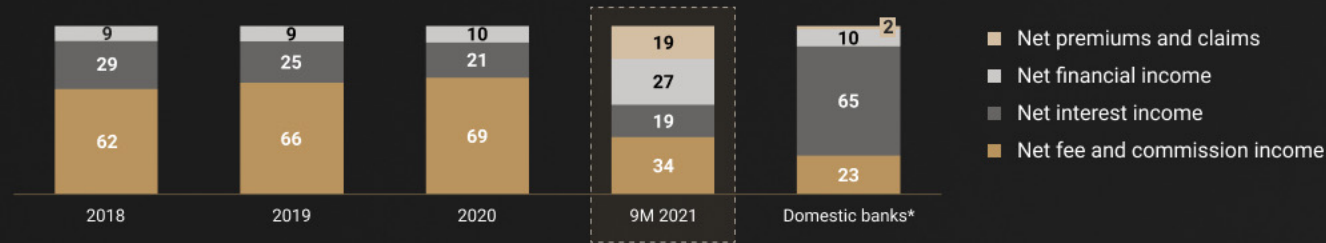
Through solid balance
sheet and continued
profitable operations

Kvika's ambition is to continue to grow and develop as a market participant and issuer of financial instruments, continuously working towards improved infrastructure and processes aimed at offering management and investors high quality and up-to-date information

Kvika as a Borrower

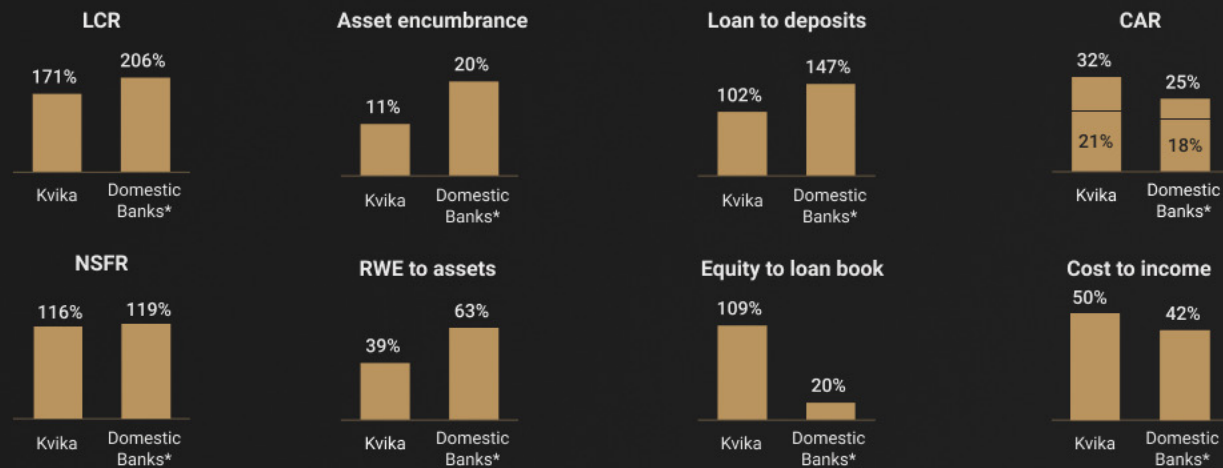
Diversified financial services built on strong foundations

Net operating income by segment (%)



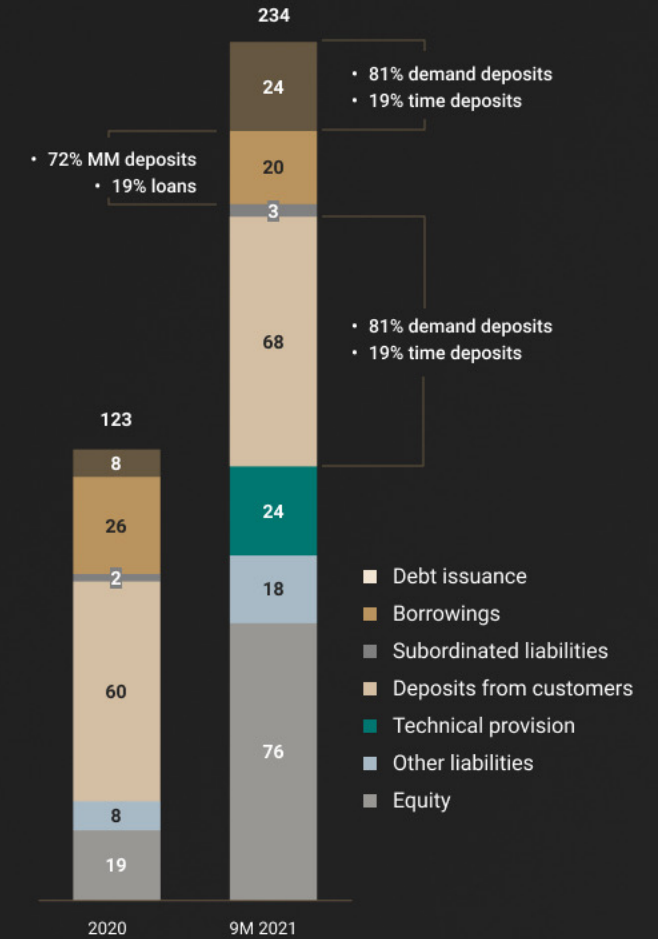
Strong financial metrics

As of 30 September 2021



Funding structure

ISK bn.

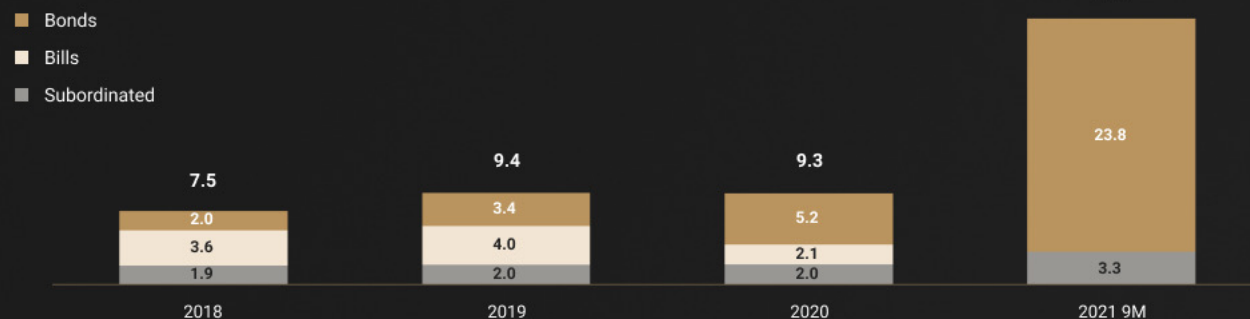


*Simple average of other domestic banks in Iceland

Domestic Debt Funding

Continued focus on domestic debt markets

Listed securities outstanding (ISK bn.)



Kvika has been an active issuer in domestic debt markets in Q4 and plans to complete the quarter with its first green bond issuance

Domestic issuances Q4 2021

KVB 21 02

Tap issuance

ISK 3.2 bn.

Closed auction
21 October 2021

KVIKA 24 1119

New issuance

GBP 11.4 m.

Private placement
19 November 2021

KVIKA 24 1216 GB

First green bond

ISK max 2 bn.

Closed auction
9 December 2021



Foreign Debt Funding

First EMTN programme

Kvika is in the process of launching its first EMTN programme, in preparation for entering European debt capital markets

As a relatively small issuer in a European perspective, the bank believes that a conservative strategy of phased growth, building relationships with funding partners and investors, will be a valuable first step into a market that will be important in funding Kvika's future growth

Kvika expects to launch the programme in late Q4 2021, with a potential first issuance in Q1 2022

Notes under the programme will be listed on Euronext Dublin

→ **Q4 2021**

EMTN preparation

→ **Dec 21'/Jan '22**

Launch of EMTN programme

→ **Q1 2022**

Potential first issuance under the programme

Funding Plan

Our view of 2022

Kvika expects to base its funding on 3-5 year senior unsecured bonds while remaining opportunistic and open to market and investor preference

Multiple growth opportunities identified which we will prioritize based on funding

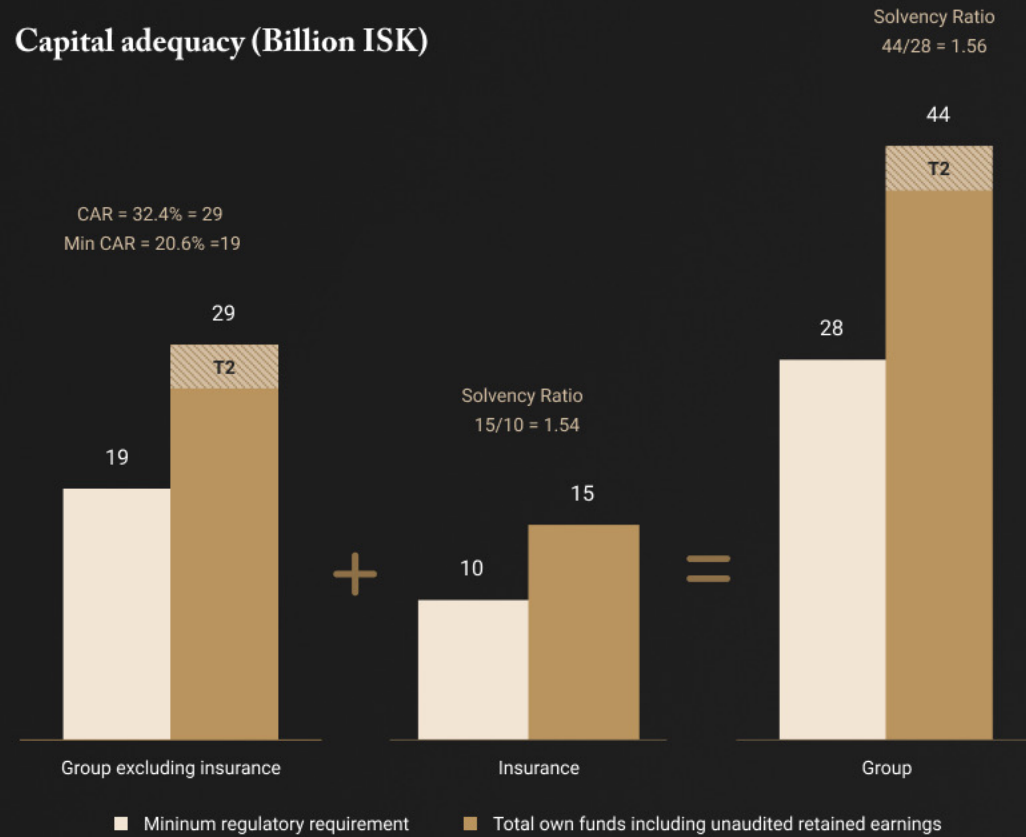
Domestic programme + **EMTN programme** \approx **ISK 30 bn.**
6-8 offerings 1-3 offerings



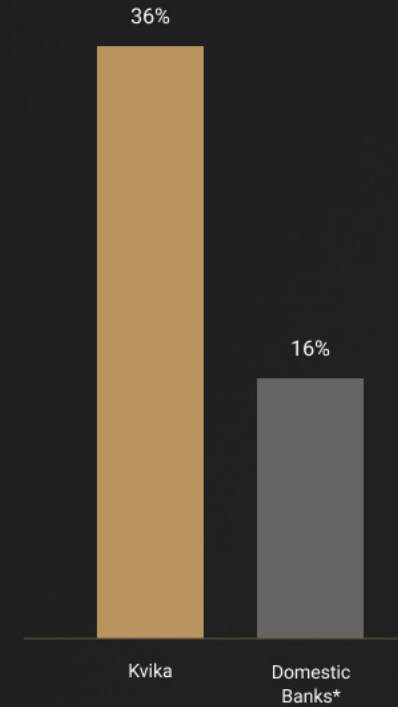
20% Return on tangible equity

What is the optimal capital structure?

Capital adequacy (Billion ISK)



Return on tangible equity before tax



*Simple average of other domestic banks in Iceland



Key Takeaways

- 🔗 Extremely powerful business with a strong capital and liquidity position
- 📈 Great opportunities ahead in synergies and revenue growth
- 💰 Various exciting opportunities to grow which we will prioritize based on funding

Seven Measurable Goals

For the next three years

- ⊙ Increase the number of customers of fintech solutions that use three services or more, by 50.000
- ⊙ Having a real and measurable effect on Iceland's carbon footprint and on climate issues in general
- ⊙ UK operations will account for at least 20% of the Group's profit
- ⊙ Grow Asset Management operations faster than the domestic market
- ⊙ Be Iceland's most profitable insurance company and increase market share
- ⊙ Funding costs will be comparable to those of Iceland's other banks
- ⊙ 20% RoTE