Kvika banki hf.

Management Presentation

24 May 2022

Overview of Kvika

Kvika banki hf. is the parent company of Kvika Group, defined by the Icelandic FSA as a financial conglomerate due to the significance of the Group's insurance operations. The Kvika Group has five operating segments which provide diverse financial services, as with the recently announced acquisition of Ortus Secured Finance, Kvika's UK operations became the fifth operating segment of the Group (previously reported under Investment Banking).

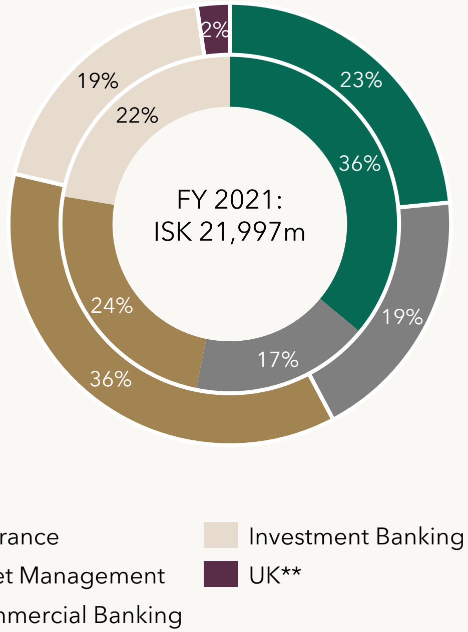
Three of Kvika's five operating segments are operated within Kvika banki hf., while subsidiaries TM Insurance, Kvika Asset Management and Kvika UK are operated in separate subsidiaries fully owned by the parent company.

Kvika

	Insurance	Asset Management	Commercial Banking	Investment Banking	UK
Key Offerings	• Insurance • Investments	• Private Banking • Fund Management • Private Equity • Institutional Investors	• Corporate lending • Specialised lending • Consumer lending • Payment solutions • Deposits	• Capital Markets • Corporate Finance	• Corporate Finance • Investment management • Secured lending
Through Key Brands	• TM Insurance	• Kvika Asset Management	• Kvika Bank • Lykill • Netgíró • Aur • Framtíðin • Auður	• Kvika Bank	• Kvika Securities Ltd. • Ortus Secured Finance

Diversified income across segments

Net operating income by segment / Q1 2022 and FY2021*



16.1%
RoTE Q1 2022

353
Employees

*TM Insurance and Lykill are not included in Q1 2021
**UK operations only include revenues from Ortus for March 2022

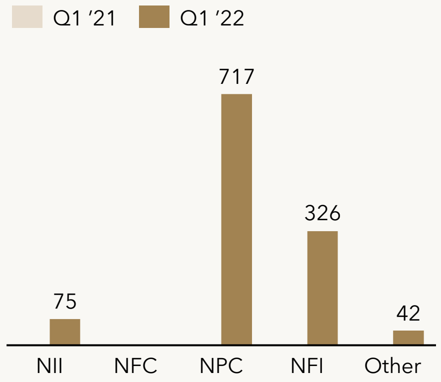
Diverse revenue streams underpin solid foundations

While Kvika's five operating segments provide a diverse source of income for the Group, each segment's revenues additionally consist of different types of income such as net interest income (NII), net fee and commissions (NFC), net financial income (NFI) and net premiums and claims (NPC). M&A activity in recent years has been characterized by increased diversification of revenues, creating a strong and valuable foundation for the Group's operations and future growth.

TM Insurance

- TM's key revenue streams are NPC and NFI. NFI is derived from TM's investment arm due to profit from investments.
- NPC is derived from sales of insurance premiums to corporate and retail customers
- Revenues for TM Insurance in Q1 2021 are not included due to the merger taking place on 31.3.2021

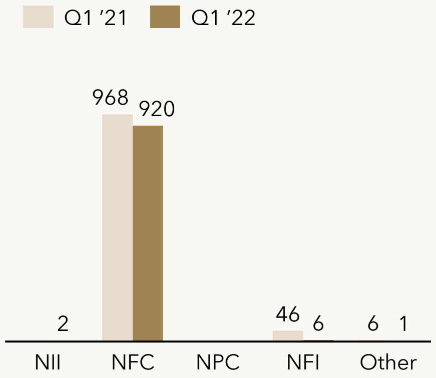
TM Insurance
ISK millions



Kvika Asset Management

- KAM's key revenue stream is fees and commissions derived from the management of investment for its customers
- KAM's NFC are mainly fixed fees collected through the management of long-term and/or closed-end funds as well as some variable fees collected through private banking and traditional asset management

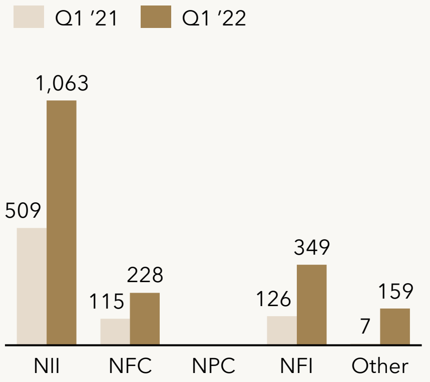
Kvika Asset Management
ISK millions



Commercial Banking

- Commercial Banking's key revenue stream is interest income derived from its lending activities
- The segment also has significant revenues from fees and commissions derived from lending activities and banking services
- The financial income results from both fixed- and variable income securities held by CB

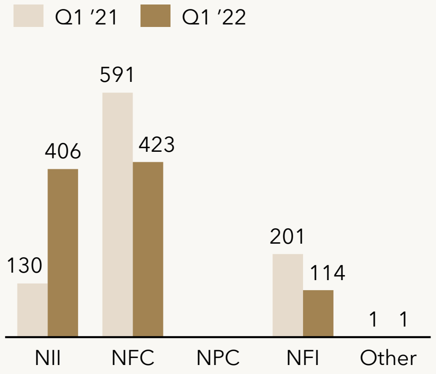
Commercial Banking
ISK millions



Investment Banking

- Investment Banking's key revenue streams are fees and commissions from its capital markets and corporate finance operations, further, capital markets derive interest income from offering total return swaps for various securities
- The segment also derives financial- and fee income from its Market Making operations and NII from Treasury operations*

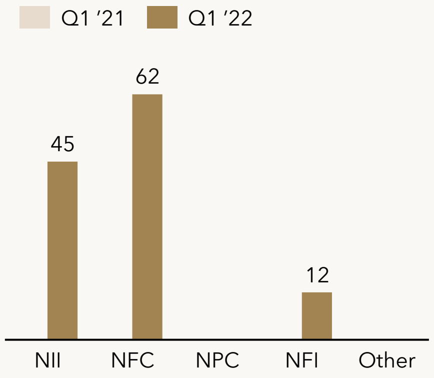
Investment Banking
ISK millions



UK

- UK's key revenue streams are fee and commission income from its corporate finance operations and net interest income from its financing operations through subsidiary Ortus Secured Finance
- The segment also derives fee and commission income from its investment management activities as well as financial income

UK
ISK millions



*In the Group's financial reporting, Treasury and Market Making are included in Investment Banking's segment reporting, however, the units are a part of Kvika's finance department and report to Kvika's CFO

Peers to Kvika in each segment and differentiating factors

Insurance

- TM is one of four established insurance providers in Iceland, thereof two are somewhat larger in terms of premiums and one is smaller and also a bank subsidiary. Additionally, a few foreign insurance providers offer limited services in Iceland, mainly in life- and health
- TM has been a digital pioneer on the Icelandic insurance market, offering fully digital/online purchase of insurance, in-app claim-to-payment in 60 seconds and various other digital initiatives that competitors have not met as aggressively
- TM is the only segment of the Kvika Group which currently operates branches, 9 in total across Iceland, however, TM's digital strategy continues to increase customer usage of digital solutions

Asset Management

- KAM is one of four key asset management players in Iceland, all subsidiaries of the other banks, in addition to several smaller specialized operations
- KAM has historically had a more professional client focus while other large asset managers have a more substantial presence in retail operations, e.g., investment funds for retail customers and offering customer service through associated bank branches
- KAM has a high portion of AuM in closed funds, especially credit funds and private equity funds

Commercial and Investment Banking

- Kvika's main peers in commercial- and investment banking are Iceland's three incumbent banks each with an asset management subsidiary as well as offering comprehensive investment banking activities
- The three incumbent banks all operate a branch network and have significant emphasis on commercial banking, in addition to corporate services, offering a full range of products for retail customers
- Kvika's retail offering through fintech such as deposit platform Auður have been able to offer prices that the older banks can not match due to legacy costs and reliance on NII, however, Kvika does not yet offer a wide range of products nor personal customer service

	TM / Kvika	SJÓVÁ / VÍS
Employees	331	188 - 189
AuM	528bn	Not applicable
Deposits	79bn	Not applicable
Lending	72bn	Not applicable
Insurance premiums	16.6bn	23.0bn – 24.0bn

All numbers as of 31.12.21

	TM / Kvika	Vörður	Íslandsbanki	
Employees	331	751	735	816
AuM	528bn	1.352bn	564 bn	656bn
Deposits	79bn	655bn	744bn	900bn
Lending	72bn	936bn	1,086bn	1,387bn
Insurance premiums	16.6bn	14.0bn	Not applicable	Not applicable

All numbers as of 31.12.21

History and milestones

Kvika traces its roots back to 1999 when MP Verðbréf hf. was established. MP Verðbréf hf. was granted an investment banking license in Iceland in 2003, following which the name was changed to MP Fjárfestingarbanki hf. and the bank was in 2008 granted a commercial banking license in Iceland. In 2015 the bank merged with Straumur fjárfestingabanki hf. and was renamed Kvika banki hf.

Recent milestones:

2018: Listing on Nasdaq First North Iceland

2019: Listing on Nasdaq Iceland Main Market

2019: Auður deposit platform launched

2019: Kvika's various (and acquired) fund- and asset management operations are merged and Kvika Asset Management, an independent subsidiary, is created

2020: Kvika moves its headquarters to Katrínartún, a larger space that can accommodate further growth

2021: Green Financing Framework published, and first green bond issued

2021: Inaugural EMTN programme and first foreign issuance of notes

2022: Baa2/P-2 first ever bank deposit and issuer rating by Moody's

History of Successful Buy and Build Strategy

Kvika began 'Phase I' of its Buy and Build strategy in 2015, a consolidation of asset management operations with a goal of gaining operational synergies from economies of scale. The phase concluded in 2020 with the consolidation of several asset management operations into one company, Kvika Asset Management. In 2019 Kvika began another phase of its strategy, seeking to acquire lending platforms with a goal of obtaining financial synergies through refinancing, utilising Kvika's strong funding base. The Group's M&A activity has been characterized by cost synergies and an overarching goal of Kvika's strategy has been to increase the Group's diversification of income. The strategy has been funded mainly through Kvika's strong capital position and is expected to continue as opportunities arise.

Buy and build strategy

Phase I

2015-2020: Asset Management consolidation

Key goals: operational synergies from economies of scale

Phase II

2019- : Building up lending platforms

Key goals: financial synergies from strong funding base

2015 – MP Banki and Straumur merge under the name Kvika

2017 – Kvika acquires Virðing and ALDA Asset Management

2018 – Kvika acquires 15% share in Ortus Secured Finance

2019 – Kvika acquires GAMMA Capital Management

2019 – Consolidation of Kvika's Asset Management operations

2020 – The Boards of Directors of Kvika, TM and Lykill approved the merger of the three companies

2021 – Acquisition of fintech platforms Aur and Netgíró

2022 – Acquisition of majority share of Ortus Secured Finance

2022 – Acquisition of merchant agreements from Valitor/Rapyd

Rationale: Asset management operations have natural economies of scale where increases in AuM and revenues incur minimal additional costs

Rationale: banks are naturally more efficient owners of loan portfolios than smaller lenders.

Development of revenue streams

The Group has four key revenue streams, each attributable to one or more of the Group's operating segments. The revenue streams differ somewhat in nature and counteract and/or support each other, e.g. net financial income may be low in periods of difficult markets and high in other periods, while NPC and NFC from asset management activities remain stable while having less potential for short term growth.

Net interest income (NII)

Net Interest Income almost doubled between Q1 and Q2 in 2021 due to merger with Lykill (loan book more than doubled). Some one-offs were in Q4 2021 due to PPA related to merger with Lykill and TM. The group's CPI balance is strong and should help in times of inflation along with increased NIM.

Net interest income is generally a stable source of income and fluctuates mainly with size of loan book and Central bank decisions.

Net premiums and claims (NPC)

NPC growth has mainly been driven by stronger pricing and lower claims activities. Favorable conditions due to Covid-19 are reflected in lower claims frequency especially on Motor insurance. TM has a long-term target of 95% Combined ratio, but it was 88.7% in 2021.

Net premiums and claims are generally a stable source of income and fluctuate mainly with standard variables in the economy and weather conditions.

Net financial income (NFI)

Net Financial Income was unusually strong in 2021 mainly due to favorable market conditions and high returns from equity investments by TM Insurance, as TM accounts for the biggest part of NFI.

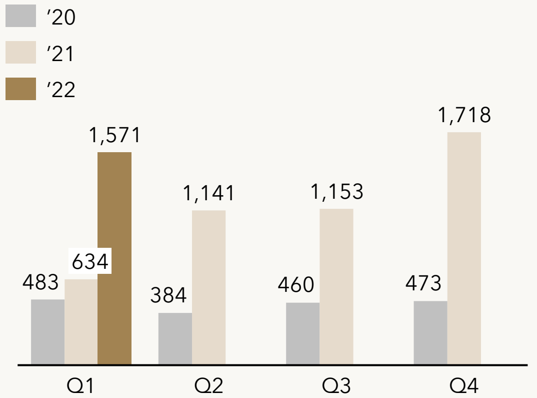
Net financial income is generally a fluctuating source of income, reliant on market conditions and standard variables in the economy.

Net fee and commission income (NFC)

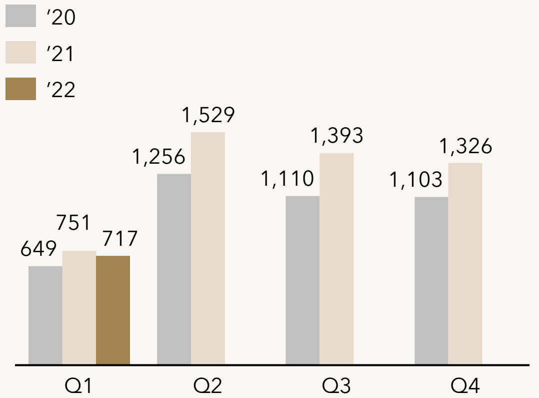
Fees from asset management activities, which are generally rather stable, account for the largest share of NFC which has remained strong especially after the acquisition of Gamma in 2019. Stable NFC Income has increased substantially in recent years, and the weight of performance fees has become less significant.

Net fee and commission income is generally a stable source of income and fluctuates mainly with performance related fees through Asset Management.

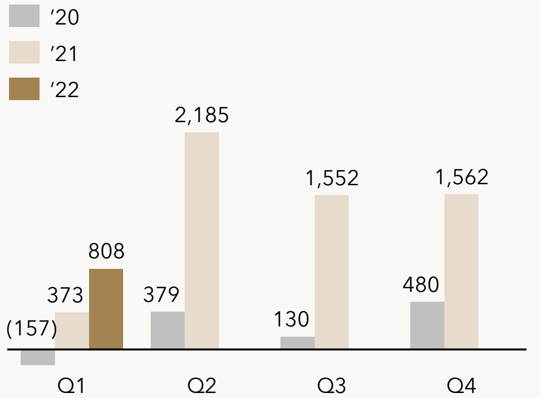
Net interest income (NII)
ISK million



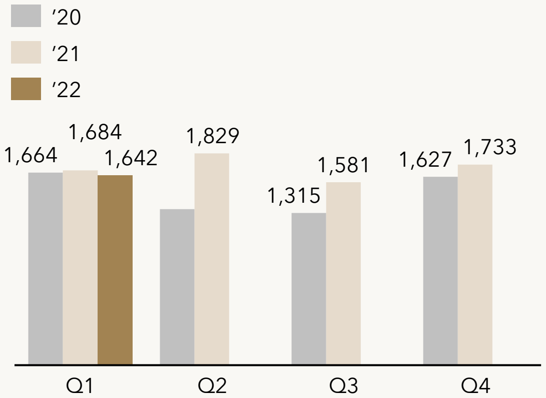
Net premiums and claims (NPC)
ISK million



Net financial income (NFI)
ISK million



Net fees and commissions (NFC)
ISK million



*Note that due to merger occurring on 31 March 2021, TM Insurance and Lykill are not included in the Group's Q1

3-year goals

At Kvika's Capital Markets Day in November 2021 Kvika published seven measurable goals that the Group aims to achieve within the next three years. The goals outline key business focus areas and ambitions that the Group plans to pursue in the coming years.

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

The achievement of one goal supports the achievement of another, as growing fintech operations might support climate projects, increased profitability in insurance and lower funding costs will support goals towards RoTE etc., in line with Kvika's ambitions of always working as one team and achieving our goals together.

Kvika's strategy

Kvika is a specialized financial institution strategically positioned to increase competition and transform financial services in Iceland. Kvika is the only domestic bank without a branch network, legacy costs and structures, enabling the Group to focus on seizing opportunities and investing in transforming financial services in Iceland through opportunities that the Group is uniquely position to take advantage of to benefit both the Group and its customers.

Purpose

Increase competition and simplify customers' finances

Utilize 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 can not take advantage of

Strategic guides

We are the customer

We put ourselves in the customers' shoes and think from a customer perspective (customer obsession)

We rethink things

Business models, technological solutions, product offering, ESG, processes, organization, infrastructure utilization (disruption)

We choose projects

Where we can achieve the most benefits for customers and ourselves

(focus)

We work as one team

Flat organizational structure, short channels of communication, clear responsibilities and de-centralized decision making

We are a responsible community participant

We think long-term and promote a sustainable society

Values

Long term thinking | Simplicity | Bravery

Significant steps already taken to reach 3-year goals

In November 2021 2022 Kvika introduced the Group's 3-year goals to investors. Since their introduction, multiple steps have been and continue to be taken towards reaching the goals. An example of initiatives that have already been undertaken include:

20% return on tangible equity

- Outlook for 2022 updated at end of Q1 '22 to 19.1 - 21.0% RoTE

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

- 88.7% combined ratio in 2021 and 101.0% in Q1 2022
- Various initiatives in 2021 and continuing development in cross sales going forward
- Child-insurance offered in relation to green future-savings accounts for children in 2021, further fintech initiatives pending

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

- Acquisition of Ortus Secured Finance completed in March
- Strong UK corporate finance pipeline in 2022

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

- Green framework established and first green bond issued in 2021
- Climate fund initiative started in 2021
- Kvika is finalizing a thorough sustainability strategy work where emphasis has been on implementing ESG into the DNA of the Group´s operations

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

- Multiple fintech initiatives launched in 2021
- Considerable investment in product- and business development in 2021
- Acquisition of merchant agreements from Valitor/Rapyd
- Significant investment will continue in 2022

Grow Asset Management operations faster than the domestic market

- Significant organic growth in 2021
- Further product development will introduce new products in 2022

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

- First green bond issued in 2021, terms comparable to other domestic banks
- 10-year bond issued in January 2022, longest corporate issued senior unsecured bond in over a decade
- EMTN Programme and inaugural foreign issuance in January 2022
- Baa2/P-2 bank deposit and issuer rating by Moody's, comparable to other banks' rating

The Rating Process

Kvika initiated the rating process in early 2022 following the publication of the Group's first EMTN Programme and inaugural foreign debt issuance.

The ratings are meant to further support and build relationships with non-domestic investors as Kvika moves forward on its track to diversify its funding.

"The ratings reflect Kvika's robust capitalisation coupled with strong profitability and liquidity, reflective of the group's diversified revenue stream and the increasing importance of non-capital intensive banking operations as well as the profit contribution from its insurance operations via TM tryggingar hf." 1)

"Kvika's profitability benefits from a diversified revenue stream, in the form of net interest income, insurance premiums, financial income and asset management fees." 1)

3 Year Goal

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

First time deposit and Issuer Rating

Moody's has assigned a first-time investment grade Baa2 long-term and P-2 short-term foreign and local currency bank deposit and issuer ratings to Kvika banki hf. The ratings carry a stable outlook and are comparable to other domestic banks.

The results of Moody's analysis are in line with Kvika's expectations and confirms Kvika's experience in the domestic market, where the Group has recently issued bonds at comparable rates to Iceland's other banks and supports the Group's three-year goal of funding costs being comparable to Iceland's other banks.

Kvika's long-term rating of Baa2 is 3 notches below the Government of Iceland, whose last opinion from Moody's was published on 20 August 2021. Large step towards Kvika's three-year goal of funding costs being comparable to those of Iceland's' other banks.

Comparison to Icelandic Government

Moody's	Kvika	Govmt. of Iceland
Short-term funding	P-2	N/A
Long-term funding	Baa2	A2
Baseline Credit Assessment	Ba1	N/A
Outlook	Stable	Stable
Last opinion	11 May 2022	20 August 2021

Credit rating scales 2)

Moody's	S&P and Fitch	Meaning
Long term ratings		
Aaa	AAA	Highest rating, minimum risk
Aa (1-3)	AA (+ through -)	High rating, low risk
A (1-3)	A (+ through -)	Above average rating, relatively low risk
Baa (1-3)	BBB (+ through -)	Average rating, acceptable tisk
Short term ratings		
P-1	A-1 / F1	Highest rating, minimum risk
P-2	A-2 / F2	High rating, low risk
P-3	A-3 / F3	Above average rating, good solvency

Investment Grade

1) *Moody's Investor Service, Rating Action: Moody's assigns first time long-term issuer and deposit ratings of Baa2 to Kvika Banki hf.; outlook stable, dated 11 May 2022*
2) *https://www.sedlabanki.is/um-sedlabankann/lanamal-rikisins/lanshaefi-rikissjods/*

Strategy across segments

Kvika is ambitiously developing its technical platforms and growing its infrastructure to prepare for future expansion and opportunities. This benefits the Group as a whole as innovation in one segment and growing technical abilities and infrastructure also create opportunities for other businesses, such as Asset Management's recent introduction of online-only investment funds for retail customers. Emphasis will continue to be placed on strengthening core pillars to enable the Group to seize opportunities as they arise and as before activities that tie up minimal equity are prioritised, generally involving less risk and increased return on equity.

TM

Insurance

- Maintain and grow position in corporate and retail insurance
- Continued focus on digitalization and digital solutions to increase profitability
- Retail bundling and white labeling post-merger
- Cross-selling of insurance through the Group's fintech products
- Increase in market share in life- and health insurance

Core objective: Increase market share and be Iceland's most profitable insurance company

Asset Management

- Introduction of 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 KAM's customers through UK operations
- Continuous product development
- Various opportunities in relation to responsible investments / ESG

Core objective: Grow operations faster than the domestic asset management market

Commercial Banking

- Maintain strong position in profitable specialized corporate lending
- Growth of loan book through fintech and cross selling. Financial strength allows the bank to compete for larger loans and/or participate in syndicates
- Increase market share and offerings to retail customers through digital solutions
- Cross-selling of other segments' offerings through fintech solutions

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

Investment Banking

- Maintain strong position in capital markets, corporate finance and market making
- Grow and develop Keldan FX, an innovative FX platform developed in cooperation with Kvika
- Capital markets and/or FX services for retail customers through fintech solutions

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

Kvika UK

- Continued M&A and investment services in the UK
- Growth and development of Ortus Secured Finance operations and loan book

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

Key growth opportunities:

Fintech
Through Commercial Banking and other segments

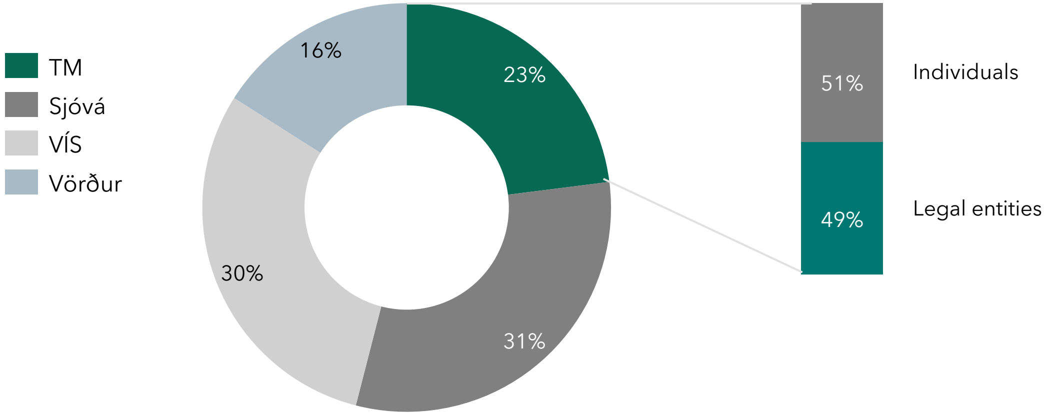
UK Operations
Through refinancing and growth of Ortus loan book

Loan book growth
Domestic loan book growth

Insurance: Pioneer in digital offering

- Insurance services have proven to have a resilient business model due to their naturally counter cyclical operations, as investment income is generally countercyclical to claims activity
- TM has for long had an outstanding digital strategy and is the only Icelandic insurer to offer all private lines online with full automation as well as a fully-automized in-app claims process where customers can report claims and receive compensation in as little as 60 seconds using self-service, resulting in over half of claims being filed outside of business hours
- TM recently pioneered the offering of Cyber-Security Insurance in the Icelandic market
- Long track record of delivering consistently good returns from investment activities, 11.4% on average over last eleven years, as well as delivering strong operational results with a combined ratio of 88.7% YE2021
- TM has 23% market share in the Icelandic non-life insurance market, based on gross written premium. Historically, TM has been a strong player in the corporate insurance but has been increasing its presence in private lines e.g. through fintech/insurtech and smart solution

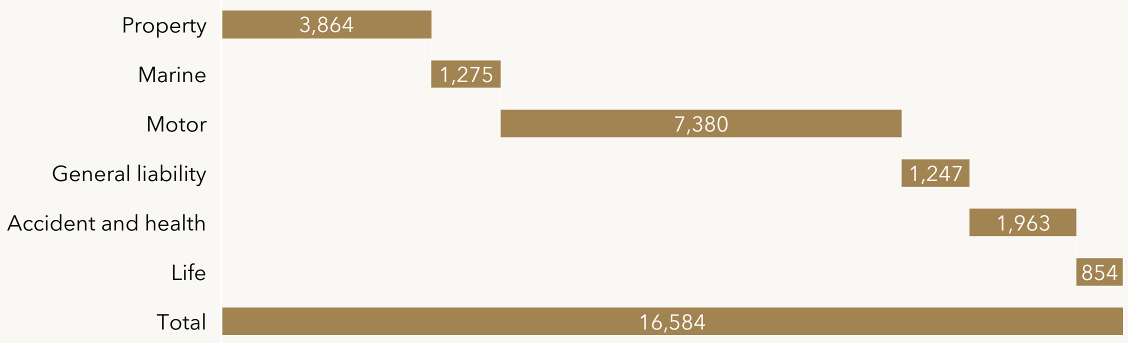
Market share
(%) / 12M 2021



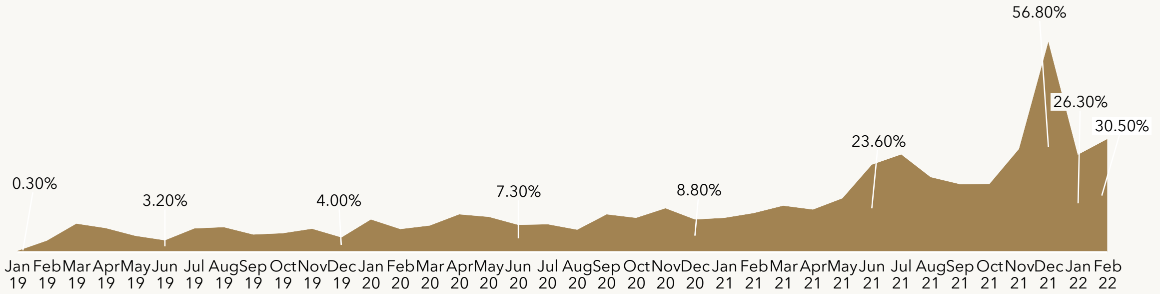
3 Year Goal

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

Premiums by business lines
ISK million / 12M 2021



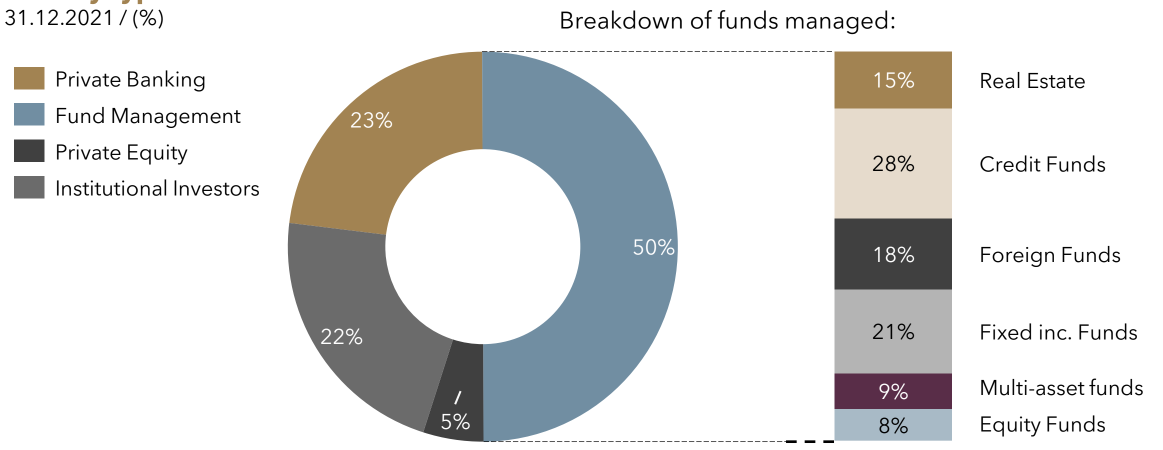
% of new sales via online platform
ISK million



Asset Management: foundation built for growth

- The Group has put significant focus on building a profitable asset management operation by a combination of internal and external growth, making KAM strategically placed to compete successfully by taking advantage of significant economies of scale
- KAM's focus has been on providing their specialized customer base, mainly high-net worth individuals/families and institutional investors, with a wide range of financial services domestically as well as in foreign markets
- In late 2021 KAM began offering general retail investment in several open-ended investment funds through a new online platform. This is KAMS's first and only retail service and is in line with the Group's strategy of increasing retail market share using digital solutions
    - Only offered for traditional equity, fixed income and mixed funds
- Historically, KAM and its predecessors have been strong managers of long-term and closed-end funds such as private equity-, real estate development and credit funds which create a solid long-term fee and commission revenue base
- KAM had an AuM of ISK 528 billion at year end 2021, however, divestment of closed-end funds of ISK 86 billion in the period offset an ISK 87 billion organic growth, resulting in a net standstill in AuM

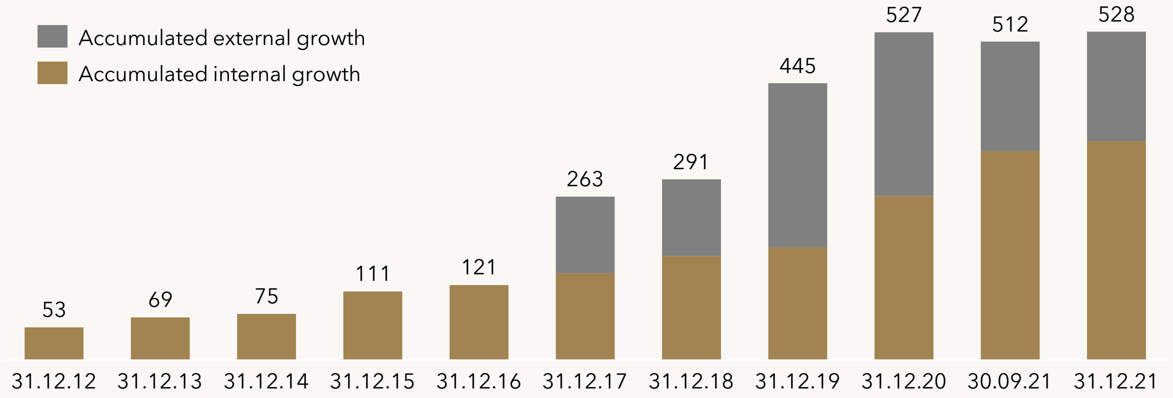
AuM by type
31.12.2021 / (%)



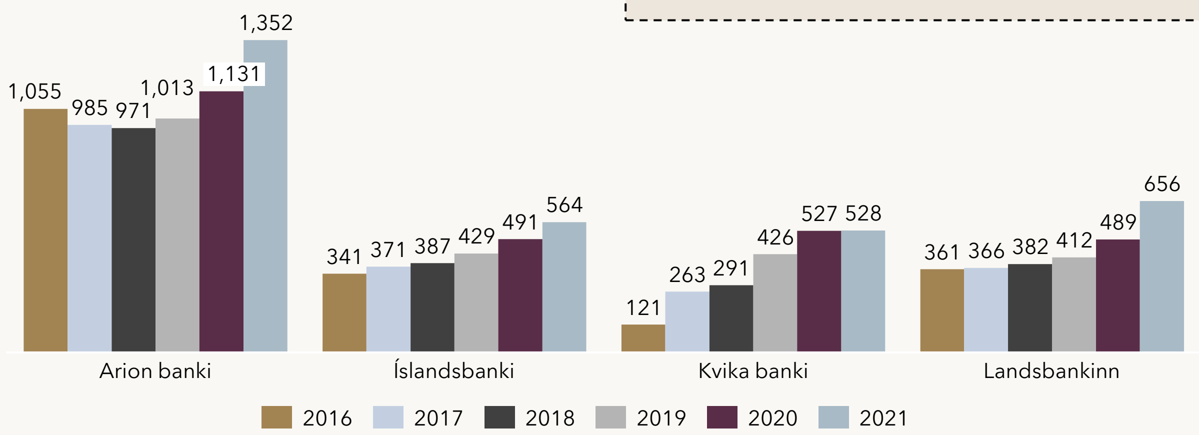
3 Year Goal

Grow Asset Management operations faster than the domestic market

Assets under management (AuM)
31.12.12 – 31.12.21 / ISK billion



AuM of domestic banks
End of year / ISK billion

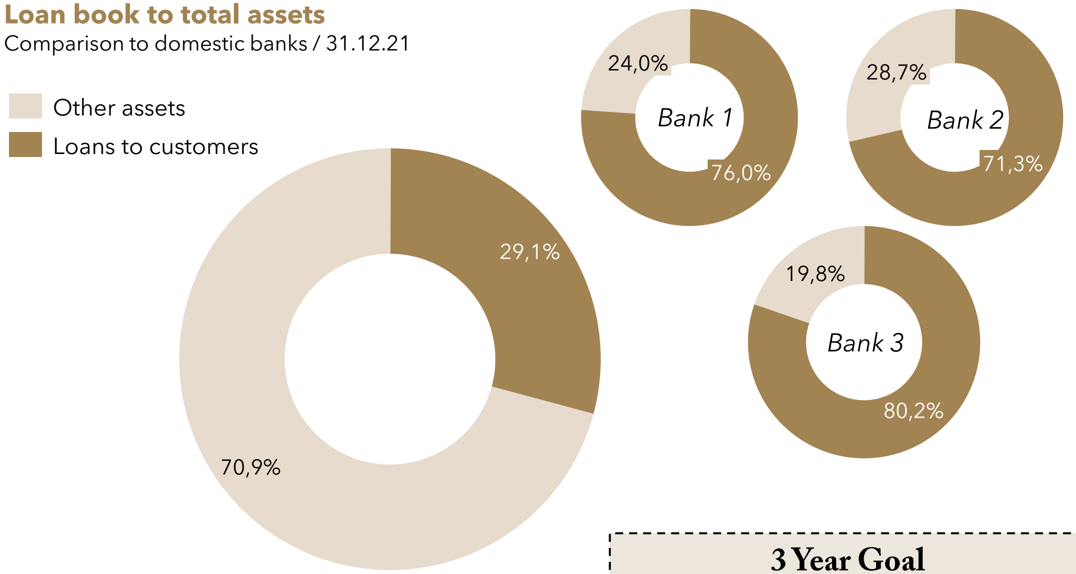


Commercial Banking: relationship banking and fintech

- Kvika's Commercial Banking segment focuses on solving specific needs for core customer groups, emphasizing on digital solutions for retail customers. Kvika does not offer regular mortgages, branch service nor various other traditional retail banking products
- Since Kvika's predecessor MP Banki closed all branches in 2013, Kvika has solely been a specialized Investment Bank offering niche corporate lending and tailored financing to professional clients. Kvika continues to offer corporate lending under the Kvika brand and has a well secured and diversified loan book
  - The addition of Lykill has even further diversified the loan book and added retail focus
- In 2019 a strategic decision was made to leverage Kvika's infrastructure and utilize fintech to offer retail financial services. Kvika successfully launched Auður, the only dedicated online savings platform in Iceland, and in 2021 acquired platforms Netgíró and Aur, creating a solid base for further growth
- Kvika's loan book is a significantly smaller part of the Group's total assets compared to the other domestic banks, explained by the Group's diverse business activities

Loan book to total assets

Comparison to domestic banks / 31.12.21



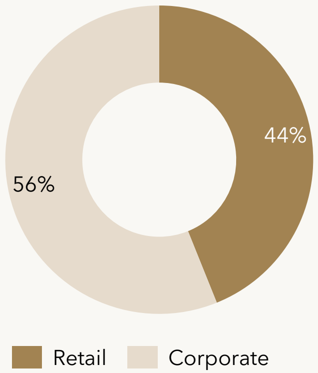
3 Year Goal

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

Specialised services offered to core customer groups through specific brands

Online only

KVIKA	Lykill fjármögnun	auður Dóttir Kviku	Framtíðin	netgíró	AUR
Corporate lending	Vehicle and equipment financing	Retail savings platform	Additional/bridge mortgages	"Buy now pay later"	Mobile payments
Corporate and professional customers	Corporate, professional and retail customers	Retail customers only	Retail customers only	Retail customers only	Retail customers only



Investment Banking: solid revenue streams

An update and simplification of the Group's organizational chart included the consolidation of Capital Markets, Corporate Finance and Market Making and Treasury* into one reported entity, Investment Banking. Each segment will continue to be operated separately, in accordance with legal requirements. IB is at the core of Kvika's operations and is a large part of the bank's original operations. However, as Kvika's buy and build strategy has created additional strong revenue foundations, less focus had been on growth in traditional Investment Banking. The segment has therefore become a smaller part of Kvika's growing total revenues whilst its units continue to have a strong presence in their markets and solid fee generation, as evidenced by strong organic revenue growth and profitable operations.

3 Year Goal

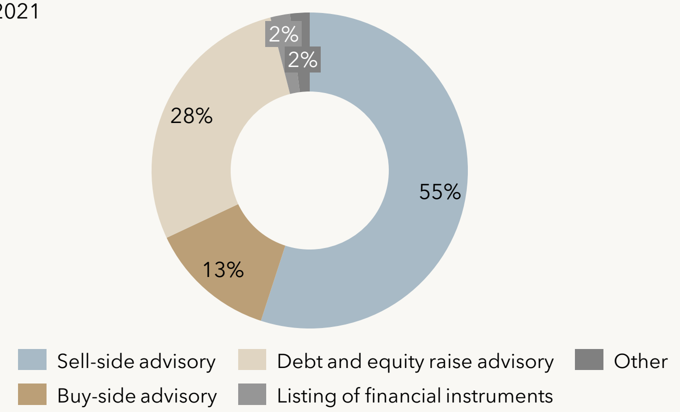
Continued profitable operations

Corporate Finance

- Kvika offers traditional corporate finance services such as acquisitions, divestments and mergers, listing and de-listing of securities, valuations and transaction structure, debt and capital raises etc.
- Equity and fixed income advisory, issuance of new securities and various IPO services together with Capital Markets
- Corporate Finance is selective in its project selection and emphasis is placed on mid-sized projects that generate a stable revenue base and have a high likelihood of completion in addition to larger projects with significant success fees

Projects by type

2021

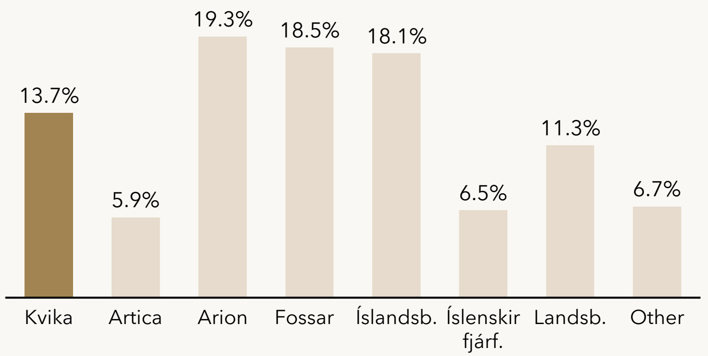


Capital Markets

- Kvika's Capital Markets offer traditional capital markets services such as equity and fixed income trading in all products, securities, ETFs, swaps, options and other derivatives as well as foreign exchange trading through online FX brokerage platform
- An important part of Investment Banking's service offering is securities financing, offered to customers through total-return swap agreements originated in Capital Markets and fully hedged by the bank
- Swap agreements are prime examples of how Investment Banking can generate revenues by utilizing the bank's balance sheet while tying up minimal capital
- Kvika's Capital Markets mainly services professional clients

Market share Nasdaq Iceland*

FY 2021

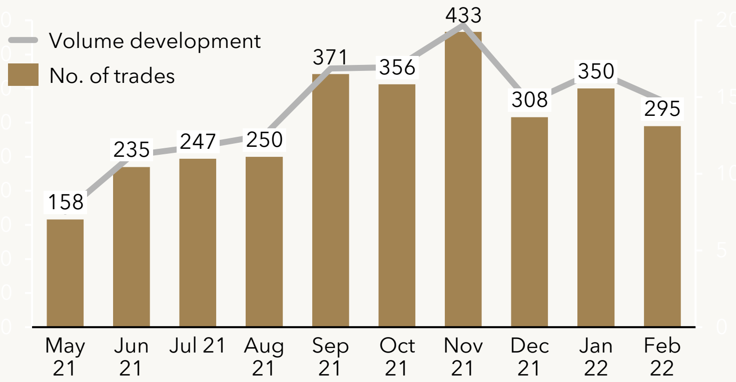


FX: innovation in settled markets

- In line with the strategy of re-thinking how things are done and transforming financial services, Kvika has teamed up with local financial platform developer Keldan to develop a foreign exchange market where buyers and sellers place bid and ask offers to be automatched, similar to traditional equity platforms
- Traditionally, the three larger banks in Iceland have acted as market makers by the CBI but general access to the market remains open to other parties
- Kvika's foreign exchange services for its customers are provided by Capital Markets' FX desk by the means of voice brokerage and digitally via Keldan FX platform

Keldan FX

2021



In the Group's financial reporting, Treasury and Market Making are included in Investment Banking's segment reporting, however, the units are a part of Kvika's finance department and report to Kvika's CFO.

*Nasdaq OMX ICE equities and bonds

Foundations laid for future growth

Capital Controls liberalised

2017-2018

Phase I: Establishing a presence

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

Acquisition of GAMMA UK operations

2019-2021

Phase II: Building a foundation

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

Kvika merger with TM

2022-

Phase III: Growing into the future

- Acquisition of majority share in Ortus Secured Finance

3 Year Goal

UK operations account for at least 20% of Group profit

UK: fifth operating segment

Kvika's UK operations consist of Kvika's UK subsidiary KSL, which was launched in 2017 and is authorized by the UK FCA to provide investment management and corporate finance services, and KSL's newly acquired Ortus Secured Finance. KSL's three core competencies are Corporate Finance, Asset/Investment Management and Secured Lending through subsidiary Ortus Secured Finance, the acquisition of which was completed in March 2022.

Asset management

4

Investment vehicles under management

- Care home sector
- Real estate
- Alternative credit

Corporate finance

ISK 20 billion

Value transacted

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

Proprietary investments

ISK 1.3 billion

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

Ortus Secured Finance at a glance:

London, Glasgow and Belfast
Office locations

ISK +85 bn
Lent out since founding

16.5 months
Average loan term at drawdown

50%
Historical average LTV of book

22
Members of staff across lending, sales, credit and finance

ISK 19 bn
Total loan book, including asset management mandates

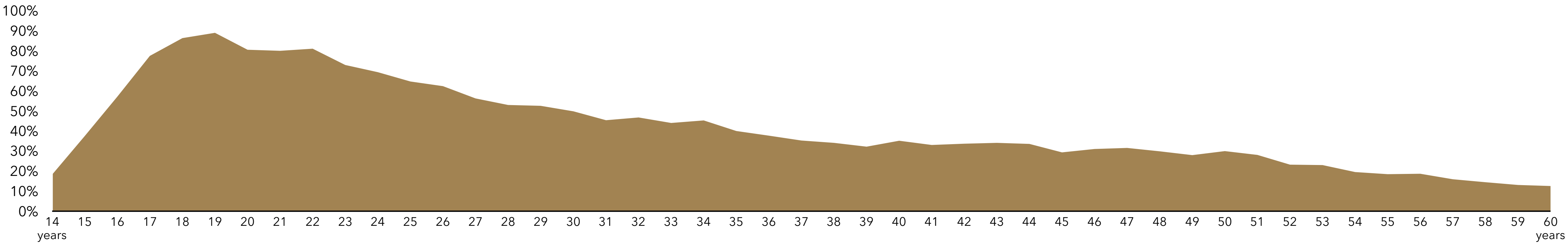
ISK 0.0
Capital losses to date

100%
Share of book secured against property

Fintech market potential

Kvika hopes to spin-off new products and make the most if its combination of extensive banking infrastructure and wide user base of various platforms

AUR market share by age



3 Year Goal

Increase the number of customers of fintech solutions, that use three services or more by 50.000

Customer's product overlap
30.11.21 - 28.2.22

	Netgiro Cash Loan	Netgiro POS Loan	Lykill Loan	Audur deposit	Aur Loan	Aur P2P+POS	TM prop.	TM pers.
Netgiro Cash Loan	7,307	6,094	1,352	180	3,565	2,160	774	420
Netgiro POS Loan	6,094	20,031	2,872	705	4,748	6,276	2,292	1,372
Lykill Loan	1,352	2,872	14,178	459	1,414	2,629	2,568	1,165
Audur deposit	180	705	459	11,563	234	3,805	1,790	774
Aur Loan	3,565	4,748	1,414	234	8,240	4,060	742	375
Aur P2P+POS	2,160	6,276	2,629	3,805	4,060	64,452	3,961	2,377
TM property ins.	774	2,292	2,568	1,790	742	3,961	46,644	9,498
TM personal ins.	420	1,372	1,165	774	375	2,377	9,498	15,488

Customer's product overlap
30.11.21 - 28.2.22

# of products	# of customers	cumulative
8	1	1
7	16	17
6	103	120
5	590	710
4	2,511	3,221
3	7,002	10,223
2	24,780	35,003
1	103,606	138,609

Having a real and measurable impact

Policies, goals and targets	Kvika is in the process of a thorough sustainability strategy work based on the Group´s new overall strategy, which entails embedding sustainability into the bank´s DNA, reviewing sustainability policies and adopting appropriate quantifiable goals. Such goals may include relevant UN Development Goals that align with the group´s strategy and operations. The work will continue in 2022 along with integration of Kvika´s sustainability goals through action plans
Sustainability disclosure	Kvika has published its first Sustainability Report for 2021. The report follows Nasdaq´s ESG guidelines and considers certain GRI indicators. Part of the Sustainability Report is Allocation and Impact Report under the Green Financing Framework. In 2023 Kvika aims to prepare a Sustainability Report in accordance with The GRI Core Standard. Deloitte has provided a limited assurance on Kvika's Sustainability Report and on Kvika´s allocation report. Kvika also reports yearly to the UN PRI as of 2020 on progress in responsible investing
Risk, infrastructure, commitments and legislations	Further integration of ESG into risk management processes, such as considering the TCFD recommendations when identifying and sharing sustainability risks and opportunities. Kvika will strengthen sustainability infrastructure and governance, supporting adherence towards commitments such as the UN PRI as well as compliance with legislations that will come into force in Iceland in 2023 (Taxonomy and SFDR)
Innovation, products, services and opportunities	Exploring new business opportunities, innovate in the field and support sustainable innovation by other means. Kvika strives to have a real and measurable positive impact on the environment and communities through its product and service offering and with effective collaborations such as the Q4 2021 signing of a declaration of intent between Kvika, Kvika Asset Management (KAM) and Klappir Green Solutions to prepare a feasibility study on establishing a Climate Fund with the aim of accelerating the transition to a carbon neutral society by selling verified carbon units
Carbon footprint and ESG ratings	Follow up on monitoring carbon emissions in scope 3 (Kvika already monitors scope 1 and 2). That includes the carbon footprint of the Group´s investment and loan portfolio (using PCAF) and of suppliers. Work on ways to further reduce the environmental impact of Kvika´s operations, as well as to continue to offset carbon emissions. Continue ESG rating process of Kvika's and Kvika Asset Management's investment and loan portfolios as well as increasing ESG engagement and communication with clients
Education sustainability	Kvika focus in 2022 will be on educating management and employees in sustainability as well as engaging with other stakeholders on the issue. Kvika uses internal digital platforms, in addition to lectures in person, such as an education software called Eloomi as well as Workplace and its external webpage to deliver education on sustainability

Sustainability embedded in governance structure

Sustainability is embedded in the Group´s governance structure and throughout business operations. In April 2021 Kvika expanded the Sustainability Team by establishing a new position of a Sustainability Manager and formalizing a CSR & Sustainability Committee that operates across Kvika´s units and subsidiaries with a coordinated approach to sustainability. The composition of the committee is across Kvika´s business segments and subsidiaries and the CEO is amongst committee members

Sustainability embedded in vision and goals

An updated business strategy and 3-year goals were recently published following detailed strategy work carried out by management in collaboration with key stakeholders such as employees. Sustainability is one of the cornerstones of the Group's strategy and goals as well as being one of the Group's strategic guides in all decision making.

3 Year Goal

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

Kvika's Sustainability Journey

Reflecting the Group's core values of long-term thinking, courage and simplicity

2008

Kvika Asset Management launched its first of four private equity funds. The funds are **active investors** that encourage portfolio companies to show CSR, adopt good corporate governance and consider environmental issues in their day-to-day operations

2009

FrumkvodlaAudur grant fund established. The Fund encourages young women to entrepreneurial activities and actions

2017

Kvika is a **founding member** of **IcelandSIF**, which contributes to increasing investor´s knowledge of sustainable investments

Kvika became a member of **Festa – Center for Sustainability**, an organisation that encourages co-operation and actions in CSR

2018

Kvika´s **Incentive Fund** founded, whose role is to encourage and support young people to vocational and teacher education

2019

Kvika established a **policy on Corporate Social Responsibility**

Subsidiary TM Insurance becomes a strategic partner to nonprofit organization **the Arctic Circle**

Kvika becomes a sponsor of **Grænvangur**

2020

Kvika published its first **annual ESG report**, for 2019, based on Nasdaq´s ESG reporting guide

Kvika started working with **Kolvidur – The Icelandic Carbon Fund** to bind part of its GHG emission through forestry

Kvika obtained an **equal pay certification** from Iceland´s Ministry of Welfare

Kvika underwent an **ESG Risk Assessment** conducted by Reitun – Iceland for the first time

Kvika published a **Code of Conduct for Suppliers**

Kvika became a signatory member of the **UN PRI**

2020

Kvika implemented a digital solution to monitor, measure and publish its **CO2 footprint**

Kvika signed **a Joint Declaration of Intent – Investment for a Sustainable Recovery**, along with the Icelandic Government and parties controlling close to 80% of assets in the Icelandic financial market

Kvika established policies on **responsible lending and investment**, and on **responsible product and service offering**

Kvika established a **Committee on Sustainability** to oversee and be responsible for enforcing the Bank´s CRS policy, and the position of a **Director of Sustainability**

2021

Kvika implemented **Environmental Impact Reporting** into its Annual ESG Reporting

Kvika started working with the **Icelandic Wetland Fund** to bind part of its GHG emission through reclamation of wetlands

Kvika published its first **Green Financing Framework**, with a second party opinion from Sustainalytics

'Future savings' **green deposit accounts** for children launched under Kvika's Green Financing Framework

Kvika completed its **first green bond offering** under the Green Financing Framework

Kvika completed Iceland's **first electronic registrar registration** (Icelandic: þinglýsing) of a car loan, signaling Kvika's dedication to new and sustainable digital operating practices

2022

Kvika published its **first sustainability report** for 2021. The report follows ESG indicators according to the Nasdaq´s ESG guidelines and considers certain GRI indicators as well

Kvika published its **first allocation and impact report** under the green financing framework as part of its sustainability report

Kvika is finalizing thorough **sustainability strategy** work based on the Group´s overall strategy, including targets set by operating segments to implement ESG into processes, product and service development

KAM is in the work of finishing **ESG rating the majority of its investment portfolio**

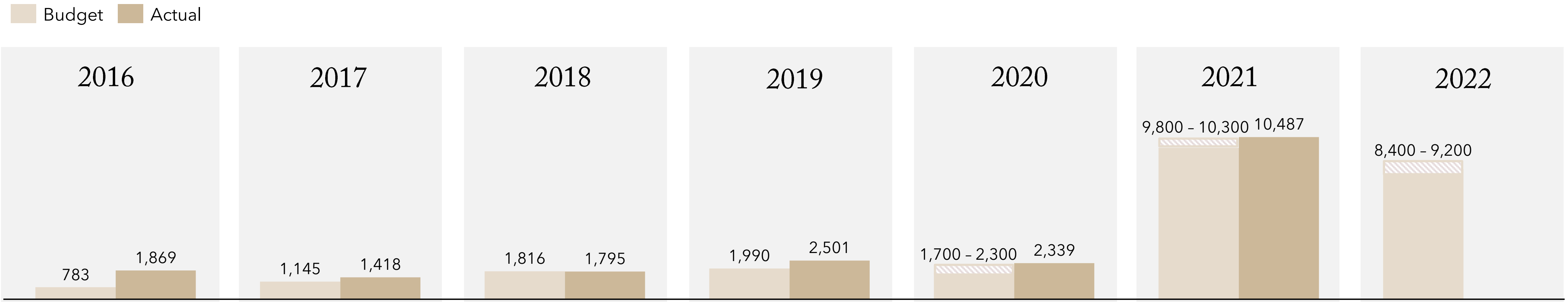
Kvika started working on calculating **emission from its loan and investment portfolio** according to PCAF

Reitun ESG score: 83/100

Domestic average: (67/100)

Budget to Actual

Conservative budgeting historically. Major change in 2022 implementing Beyond Budgeting.



2016

- High financial income boosted profit before tax

2017

- Increase in net interest income, due to changed composition of loan portfolio
- Expensed one-off related items in relation to acquisition of Virðing and Alda

2018

- Decrease in financial income and income from associates
- Increase in net fee and commission income, mainly due to Virðing and Alda
- Ongoing positive development in net interest income

2019

- Growth in net fee and commission income, mainly due to GAMMA acquisition, performance related fees and increased turnover
- One-off related items in relation to GAMMA acquisition

2020

- Updated 2020B amounted to ISK 1,700 – 2,300 million, from previous estimation of ISK 2,300 – 2,700 million
- Precautionary measures reflected in updated budget due to Covid-19 impact

2021

- Initial 2021 budgets for Kvika and TM amounted to ISK 2,600 – 3,000 million and ISK 3,590 million
- Budget updated 3 times reflecting positive synergies and good market performance

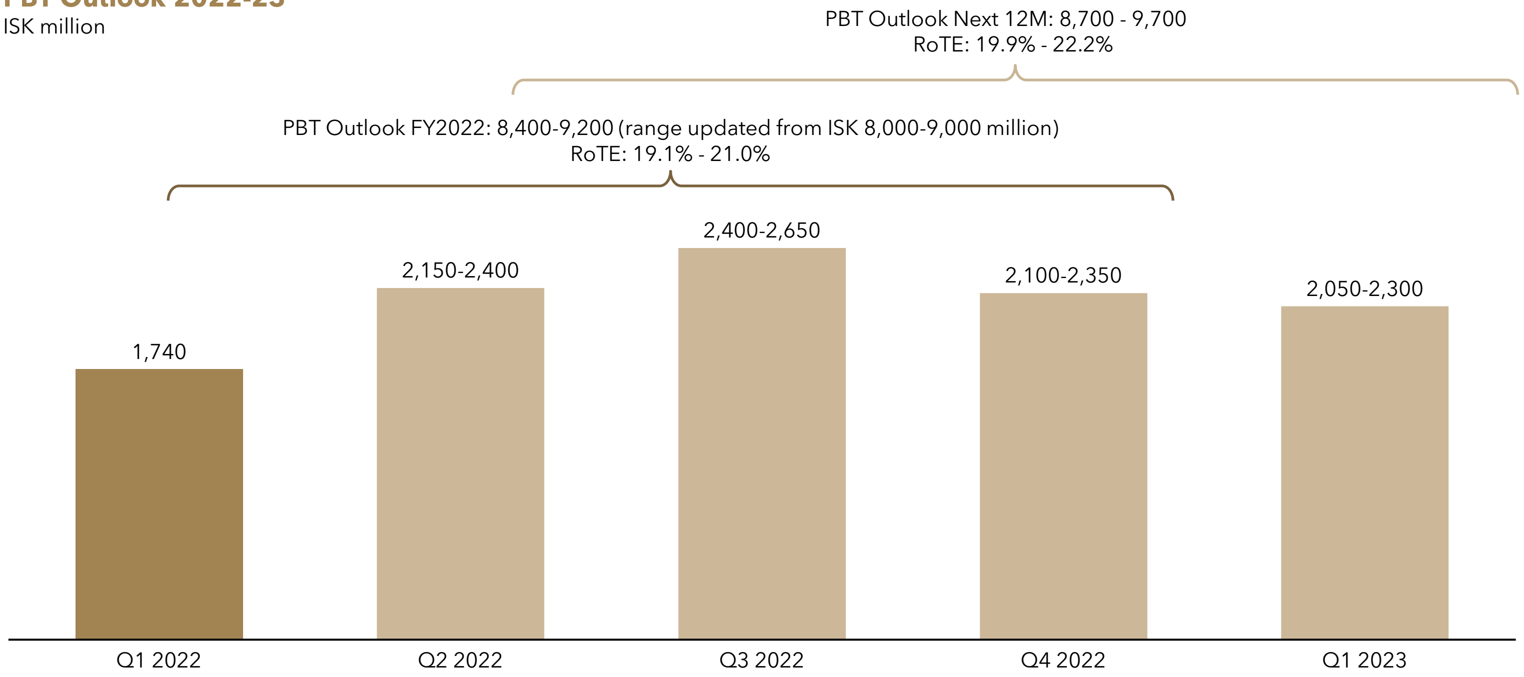
2022

- Budget includes ISK 376 million in amortization of intangible assets due to PPA
- Net loan impairments increase ISK 828 million YoY
- Insurance ROI 6.4% compared to 17.7% in 2021

Published outlook for 2022

At the end of each quarter the Group revises key assumptions for the next four quarters and updates previously reported outlook as required as well as publishing an outlook for an additional quarter. Before Beyond Budgeting, the Group only updated forecasts if expected results deviated more than 5% from guided forecasted number. After the implementation, updated guidance will be published to the market after each quarter results guiding the next four quarters.

PBT Outlook 2022-23
ISK million



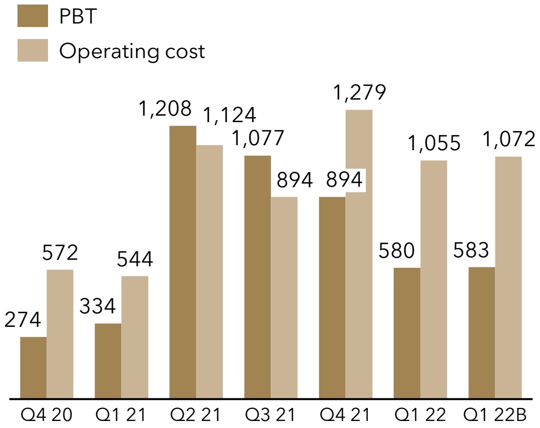
- It is expected that the Group's strong and stable profitability will continue in 2022, though noting that market conditions in 2021 were unusually favourable
- Key assumptions underlying the Group's next 12 months' outlook include:
  - *TM: 6.8% return on investment and Combined ratio of 95.2%*
  - *Loan book size ISK 110-120 bn. at the end of the period*
  - *Expected inflation next 12 months: 7%*

- PBT Outlook for the next four quarters, Q2 2022-Q1 2023 in the range of ISK 8,700-9,700 million
- PBT Outlook for FY2022 range updated to ISK 8,400-9,200 million, from ISK 8,000-9,000 million
- Q1 PBT realized at ISK 1,740 million, in line with Outlook of ISK 1,749 million
- Key assumptions underlying the Group's outlook for 2022 include:
  - TM: 6.4% return on investment, compared to 17.7% in 2021
  - TM: Combined ratio of 95.0%, compared to 88.7% in 2021, updated from previous estimate of 92.8%
  - Considerable costs due to product- and business development, not expected to result in revenues in 2022, affect PBT short term

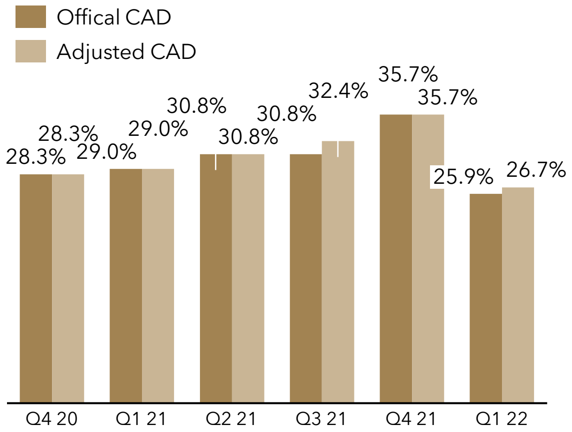
KPIs

The following KPIs are reviewed by Kvika's board of directors every month.

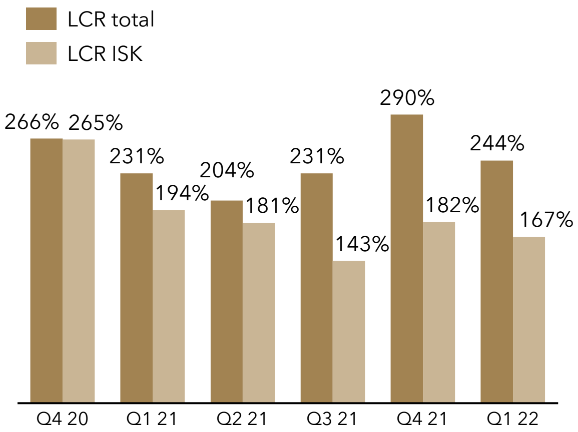
Avg. monthly cost and PBT
ISK million



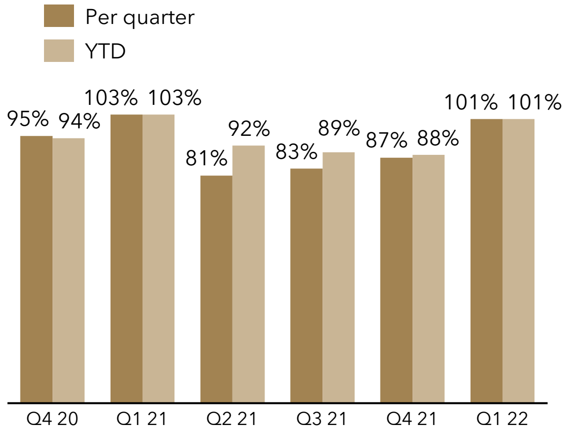
Capital adequacy ratio



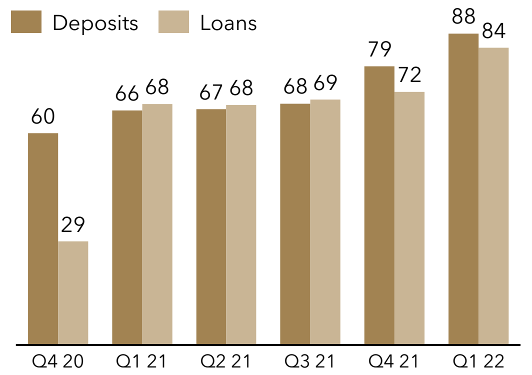
Liquidity coverage ratio



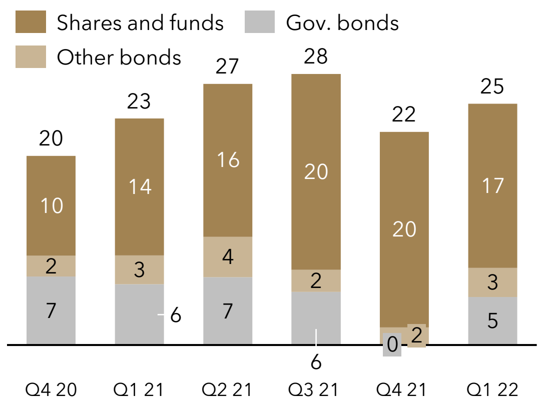
Combined ratio



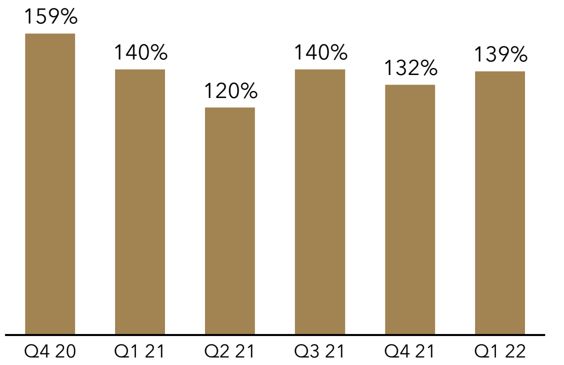
Deposits / Loans
ISK billion



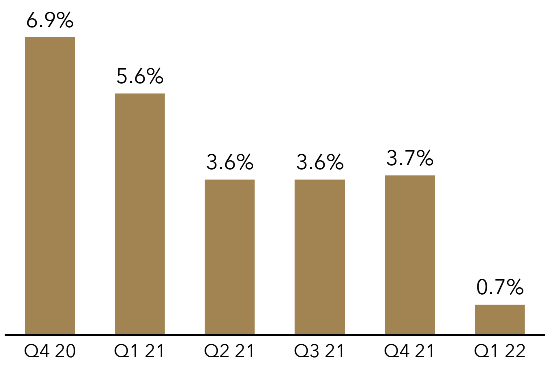
Hedge portfolio
ISK billion



Net stable funding ratio



ROI of TM investments



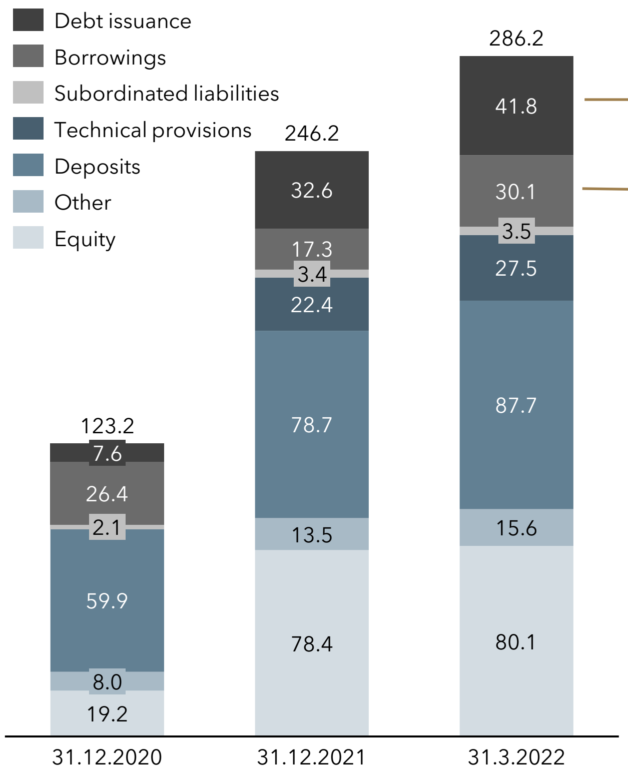
Funding & Liquidity

Funding structure and strategy

The backbone of Kvika's funding is the retail deposit base, complemented with medium term money market wholesale deposits and longer-term bond issuance. Growth in deposits has been fuelled by the Auður brand, where larger competitors have been unable to match the offering. Kvika is an active issuer of debt instruments domestically and expects to make 4-6 domestic issue offerings in 2022. The acquisition of Ortus in 2022 will increase the funding need of issued debt of around ISK 20 billion and Kvika expects to offer 1-3 issues under the newly established EMTN programme to among others, finance the acquisition.

Liabilities and equity

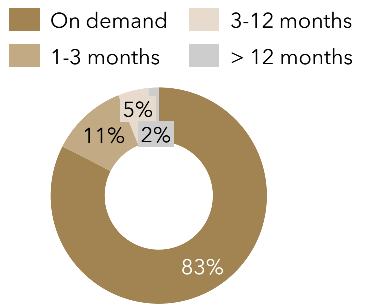
31.3.2022 / ISK billion



Issued bills	0.0
Issued senior uns. bonds	34.3
Issued asset backed bonds	7.5
Total debt issuance	**41.8**
Ortus facilities	11.7
Money market deposits	18.4
Total borrowings	**30.1**

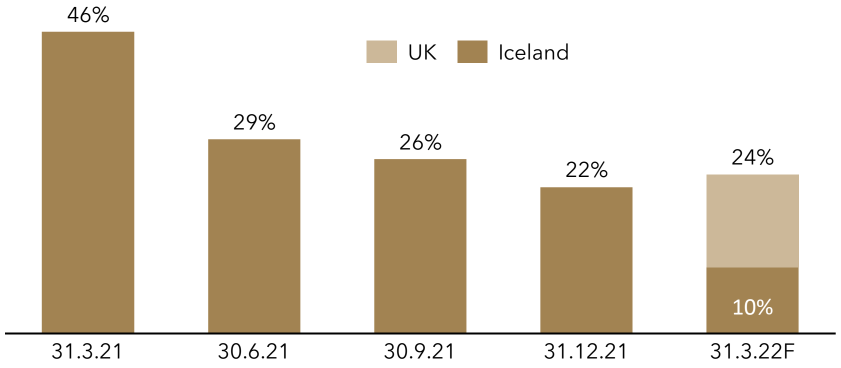
Maturity of deposits

31.03.2022



Pledged loans

31.3.2022 / % of total loans



- The Asset and Liability Committee (ALCO) is responsible for the oversight of the funding need and allocation of available funds to individual business units.
- Treasury is responsible for daily funding operations, and making recommendations to ALCO on which instruments to issue in order to fulfill the funding needs
- The profile of issues closely corresponds to the profile of the loan book. Treasury uses interest rate swaps and other derivatives, where necessary, to offset imbalances and to reduce risk.
- The merger with Lykill and TM in Q1 2021 altered the funding structure of the Bank, where the Bank took on over ISK 30 billion of issued debt, mostly asset backed
- Kvika pre-paid in 2021 over ISK 10 billion of expensive indexed asset backed debt and expects to prepay further ISK 4 billion of indexed asset backed debt in 2022
- Newly acquired loans of Ortus Finance are pledged, however Kvika intends to refinance and remove the pledges in similar manner

Refinancing of loan portfolios

A key part of Kvika's Buy and Build strategy has been the synergies achieved by refinancing loan portfolios at more favourable terms.

Since Lykill became part of the Group, there has been focus on refinancing Lykill's debt at more favourable terms. In 2021 Kvika pre-paid over ISK 10 billion of expensive inflation indexed asset backed debt and expects to prepay further ISK 4 billion in 2022.

The recent acquisition of Ortus Secured Finance opens opportunities to refinance considerable part of their debt at more favourable terms. Ortus's loan facilities have term until August 2024 but if right opportunities arise some of their debt might be refinanced earlier.

Expected issuance need 2022 - 2024

ISK million

Year	Currency	Amount	Thereof issued YTD**
2022	ISK	10,000	2,000
2022	FX	20,000	8,062
2023	ISK	13,000	-
2023	FX	20,000	-
2024	ISK	8,000	-
2024	FX	20,000	-

Funding need is based on refinancing on maturing debt 2022-2024, refinancing of Ortus and expected balance sheet growth

**Converted using exchange rate at the time of issue

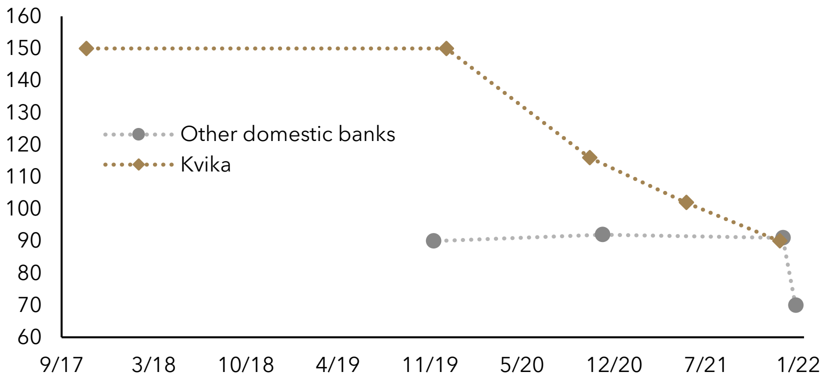
Funding cost and plan

Kvika expects to base its funding on 3 to 5 year senior unsecured bonds while remaining opportunistic and open to market and investor preference. The bank has not and does not plan to issue asset backed or covered bonds and will continue to pay down asset backed bonds previously issued by Lykill, in order to reduce pledged assets. Kvika does not expect to issue senior non-preferred instruments in the next two years, however, as MREL requirements have not been published the Group has not formed a firm opinion. The Group is considering issuing subordinated debt through subsidiary TM Insurance in 2022.

One of Kvika's seven measurable goals for the next 3 years, published at the Capital Markets Day in November last year, is for funding cost to be comparable to those of Iceland's other banks. Kvika has come a long way in the domestic market and the funding cost is now getting very close to the other Icelandic banks. Internationally however, Kvika has some way to go with the inaugural issue priced at 280 bps above mid swaps compared to a recent range of 65-95 bps for other domestic banks.

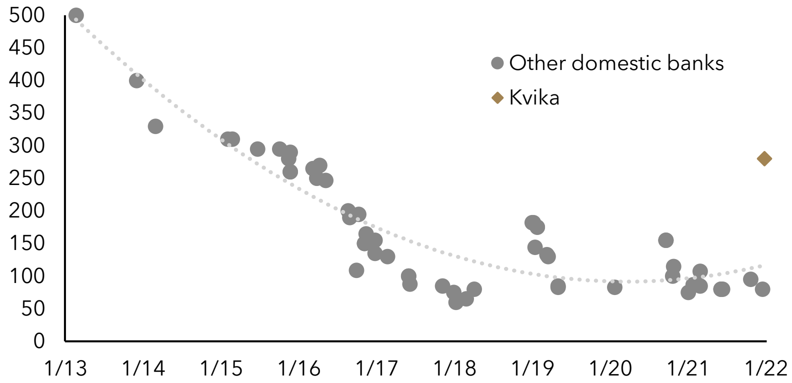
New issue funding cost in domestic market

Spread* / bps



New issue funding cost in international markets

Spread* / bps



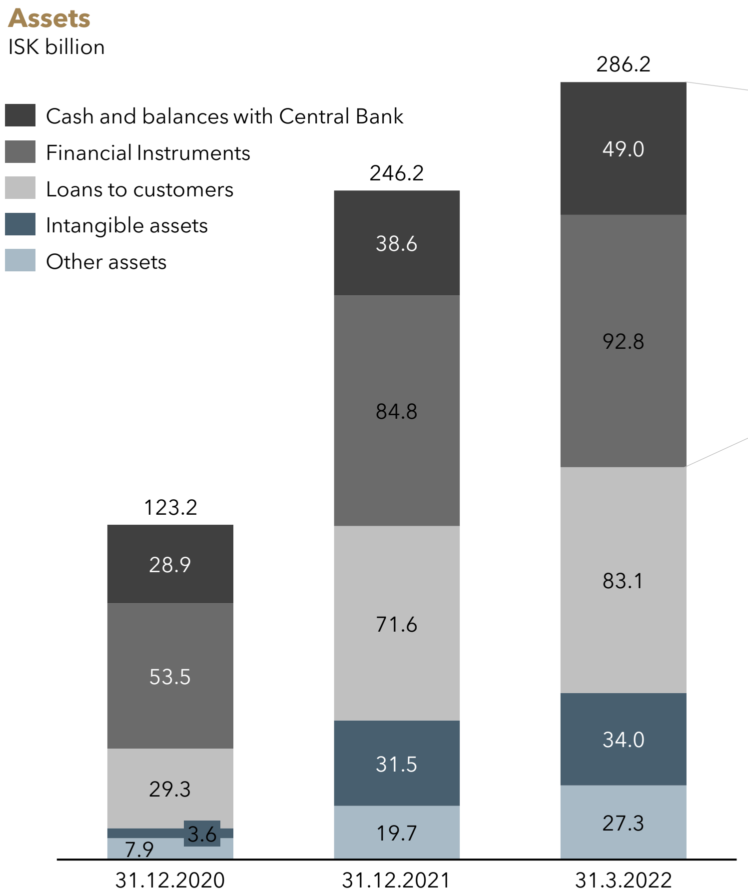
*Spread on floating rate bonds is calculated as discount margin
Spread on fixed rate bonds in ISK is calculated as spread to government bonds
Spread on fixed rate bonds in FX is calculated as spread to mid-swap rates

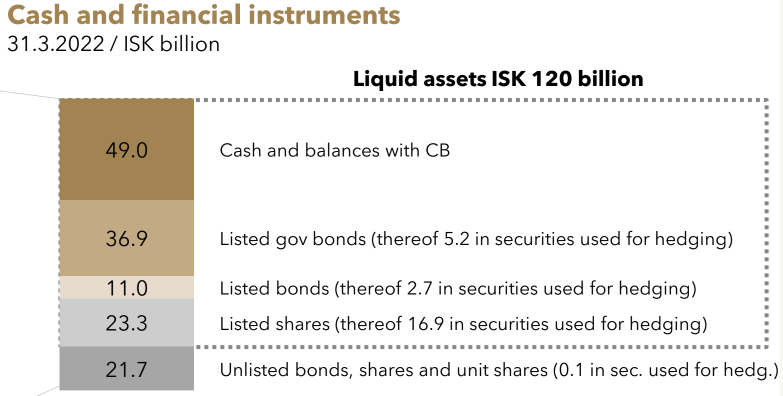
3 Year Goal

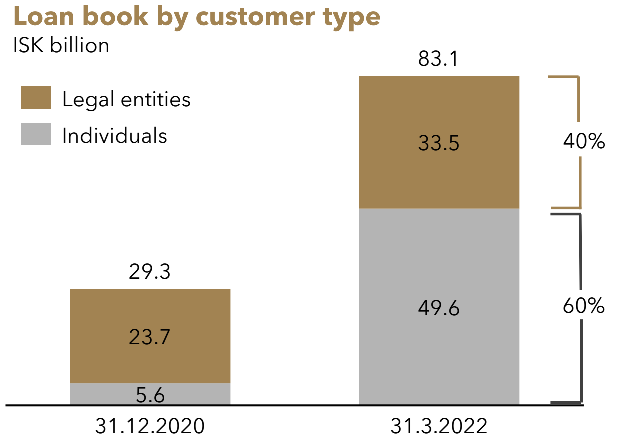
Funding cost will be comparable to those of Iceland's other banks

Balance sheet split - Assets

Kvika's total consolidated assets at 31.3.2022 amounted to ISK 286.2 billion. Thereof, liquid assets amounted to ISK 120 billion, 42% of total assets and 144% of loans from customers. ISK 40.0 billion increase in assets since year-end 2021 driven by increased cash position and loan book growth, attributable to acquisition of a majority share in Ortus Secured Finance, which is a part of the Group and its consolidated financial statements since 1 March 2022.







- ISK 40.0 billion increase in assets since year-end 2021 driven by increased cash position and loan book growth, as well as an ISK 7.6 billion increase in other assets attributable e.g. to unsettled transactions and increased receivables
  - Loan book growth is attributable to acquisition of Ortus Secured Finance, which is a part of the Group and its consolidated financial statements since 1 March 2022
  - Increase in cash and balances partly due to growth in deposits and bond issuance in Q1
- ISK 14.8 billion positive CPI imbalance at 31.3.2022 and expected to increase

CAR and solvency

Due to Kvika's classification as a financial conglomerate, the Group is required to calculate capital adequacy on a consolidated level in the form of a Solvency ratio. Kvika therefore calculates:

(1) A consolidated capital adequacy ratio (CAR) for entities not belonging to the insurance sector by excluding insurance activities from the calculation of risk weighted assets and capital base

(2) A solvency ratio for its insurance operations

(3) A group solvency ratio, comprised of (1) CAR for the Group excluding insurance and (2) insurance solvency

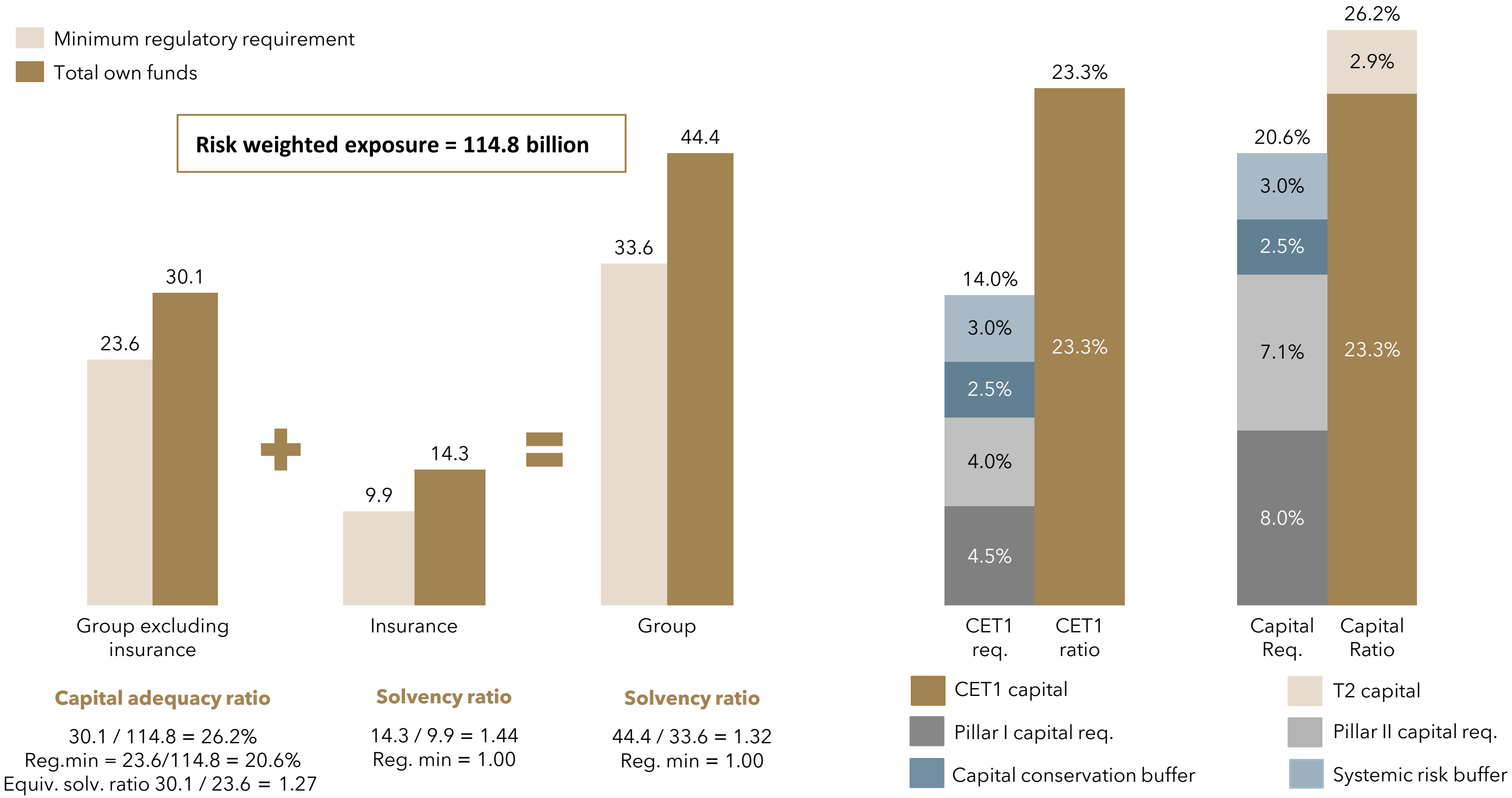
*Numbers do not include unaudited profit from Q1 2022

Capital position

Kvika has a strong capital base and has held significant capital in excess of regulatory requirements in the past few years. This financial strength has been important in supporting the banks' growth, enabling valuable acquisitions and other growth opportunities through the deployment of capital. Kvika's capital position is derived from the Group's profitable operations. At 31.3.2022 Kvika had excess capital of ISK 10.8 billion on consolidated solvency basis for the Group and ISK 6.4 billion on CAR basis excluding insurance activities. Including unaudited Q1 profit, without dividend/buyback, CAR increases to 27.5% and Group solvency to 1.37

CAR and Solvency*

31.3.2022 / ISK billion



Capital adequacy ratio

30.1 / 114.8 = 26.2%
Reg.min = 23.6/114.8 = 20.6%
Equiv. solv. ratio 30.1 / 23.6 = 1.27

Solvency ratio

14.3 / 9.9 = 1.44
Reg. min = 1.00

Solvency ratio

44.4 / 33.6 = 1.32
Reg. min = 1.00

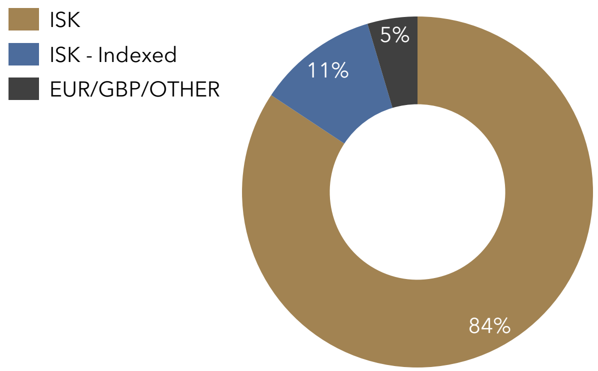
Credit Risk

Lending overview

Kvika's loan book changed drastically in 2021, nearly doubling as the Lykill portfolio was merged with Kvika's, simultaneously increasing retail exposure. Retail exposure was further enhanced with the acquisition of Aur and Netgíró. Kvika's lending activity is therefore a combination of corporate and specialized retail lending (mainly vehicles through brand Lykill).

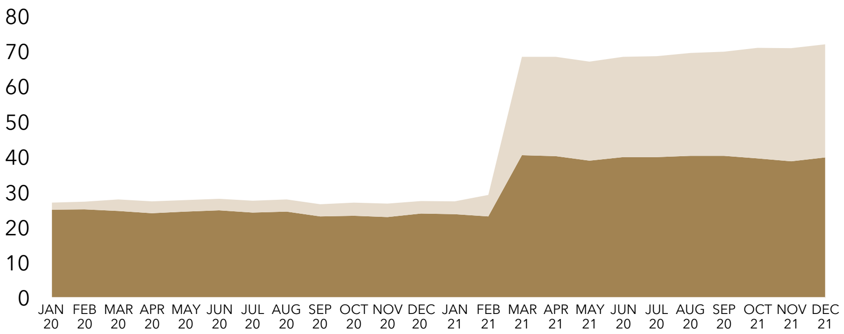
Indexed vs non indexed loans

31.12.2021



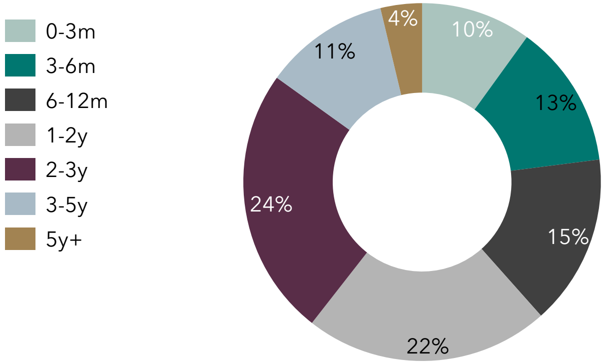
Development of the loan book balance

31.1.2020 – 31.12.2021 end of month / ISK billion



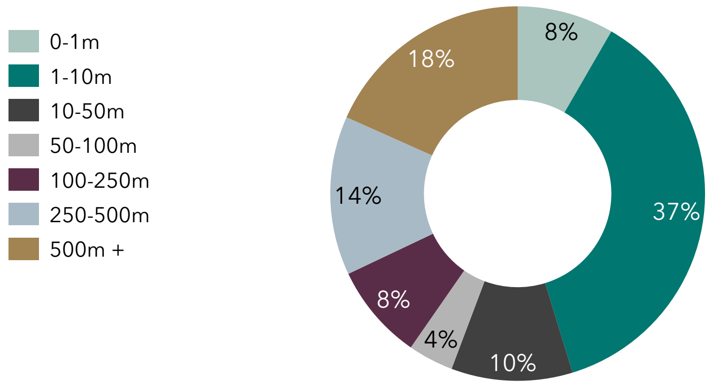
Maturity buckets

31.12.2021 / ISK million



Loan size buckets

31.12.2021 / ISK million



- 95% of the loan book is ISK denominated, of which 11% is CPI indexed and the remaining 84% are non indexed
- The CPI indexed loans are generally collateralized with real estate and have a minimum term of 5 years
- The non indexed loans in most instances have a floating rate of interest with a REIBOR base rate
- The FX denominated loans are predominantly either EUR or GBP denominated
- The development of the loan book over the last few years is particularly impacted by the acquisition of Lykill which more than doubled the size of the loan book
- Further, the portion of loans to individuals increased from around 20% to 40% following the acquisition
- The bank has focused on short/medium-term loans to maximize the generation of fee and commission income from lending activities
- Consequently, 38% of the loan book as of 31.12.2021 is due in 1 year or less and only 15% of the loan book is due in more than 5 years
- A larger loan book and access to stable funding at favorable rates will create opportunities to increase the portion of long-term loans in the loan book
- The granularity of the loan book has increased significantly as the loan book has grown over the past couple of years
- 55% of the loan book by volume corresponds to borrowers that owe the bank ISK 50 million or less

Loans to customers: diversified loan book

In corporate lending, Kvika has placed its focus on strong collateral rather than the cashflow of the borrower. This approach has proven to be successful in economic downturns such as the one caused by the Covid-19 pandemic in early 2020. As a result of that, the most suitable categorization of Kvika's loan book is by collateral type rather than borrower industry. The diversification of the loan book by collateral category has increased significantly due to the acquired portfolios of Lykill, Netgíró, AUR and Ortus Secured Finance.

Ortus real restate

- Mostly to legal entities backed by residential and commercial real estate
- Historical average LTV of around 50%

Core customers: professional clients

Real estate development

- Construction level from land to fully equipped property
- Loans are usually drawn in accordance with the construction progress. Effective monitoring is essential to protect the bank's interest and ensure that collateral values are realistic

Core customers: professional clients

Real estate

- Mostly to legal entities backed by residential and commercial real estate
- The category includes approximately ISK 2.2 billion of 2nd lien residential real estate loans to individuals granted through Framtíðin lending platform

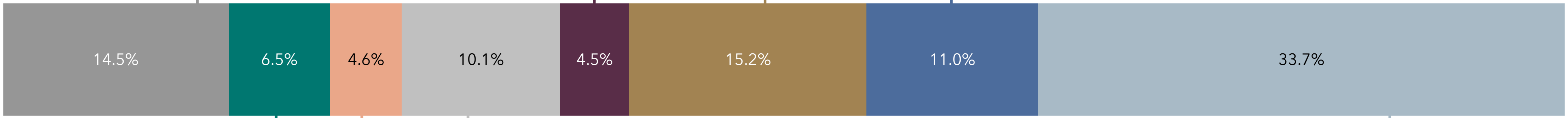
Core customers: professional clients and retail

Commercial vehicles and equipment

- Collateralized by commercial vehicles or various kind of equipment
- LTV depends on the liquidity of collateral
- Borrowers generally businesses with a good track record

Core customers: professional clients

31.3.2022



Unsecured loans

- BNPL and cash loans to individuals via fully automated loan process
- Proprietary algorithm-based credit system
- Maximum APR regulated
- Low defaults, lent to A, B and C class borrowers*

Core customers: retail clients

Securities

- Loans against listed securities
- Normally LTV of less than 50% once granted as higher LTV's result in excessive capital requirements
- Margin call covenants should the value of the underlying collateral decrease

Core customers: professional clients

Investment and operational loans

- Loans against unlisted securities or cash flows
- Generally, carry the highest interest rates and tie up the most equity
- Loans collateralized with unlisted equity have LTV of less than 30% once granted as higher LTV's result in excessive capital requirements

Core customers: professional clients

Vehicles

- Car dealers are the primary source of loan applications
- Advanced IT setup facilitates semi-automated and responsive loan process
- New and used vehicles
- Average loan is just under ISK 2 million

Core customers: retail clients

*Credit Score classification by Creditinfo Iceland, which rates individuals from A1 through E3

Loan book breakdown

Loan classification	Book Value (Billion ISK)	Collateral Market Value (Billion ISK)	LTV	Count of Borrowers	Count of Loans	Average loan (Million ISK)	Impairment (Billion ISK)	NPL
Commercial Vehicles	9.1	17.5	52.0%	597	2,934	3.1	0.4	6.7%
Investments and Operations	8.4	34.5	24.4%	96	99	84.9	0.1	0.4%
Vehicles	28.0	43.2	64.9%	12,845	14,234	2.0	0.2	0.7%
Real Estate	24.3	65.2	37.2%	589	637	38.1	0.4	8.7%
Real Estate Development	3.7	6.5	56.9%	16	42	88.4	0.0	7.2%
Securities	3.8	11.7	32.5%	21	23	165.6	0.0	0.0%
Unsecured Loans	5.4	-	-	20,049	82,671	0.1	0.4	1.9%
TOTAL	**82.7**	**178.7**	**46.3%**	**30,990**	**100,640**	**0.8**	**1.6**	**4.0%**

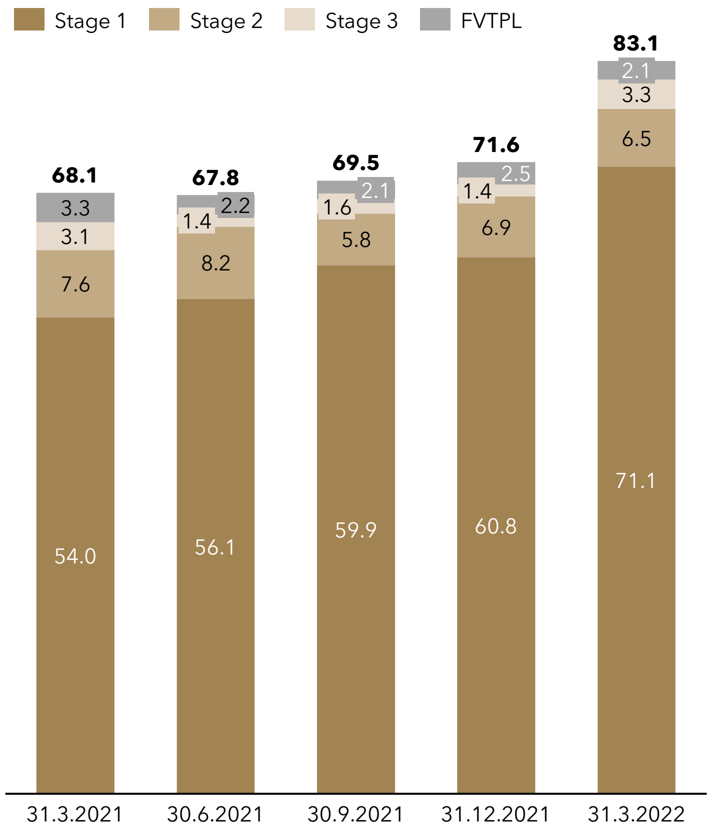
- Majority of **Vehicles** category are loans to individuals. The portfolio is well diversified with a reasonable LTV of 52% which takes into account annual depreciation of collateral
- **Unsecured loans** amount to ISK 5.4 billion. Netgíró and AUR have spent significant efforts on developing credit scoring models that have enhanced the performance of the portfolio
- The **Securities** category is low-risk by all measures, reflected by minimal impairments. The collateral is mostly securities listed on the Nasdaq Iceland Main Market and the average LTV is 32.5%
- **Real estate development** loans have been performing well and the portfolio looks healthy. Substantial repayments were received in Q1 2022 reducing the book value to ISK 3.7 billion
- **Investment and operations** loans are in most instances secured with unlisted securities of various nature. The pricing of such loans is heavily dependent on the quality of the collateral which can be everything from a venture to an established business with stable cash flow or indirect real estate exposure
- **Real estate** loans are 25% to individuals and 75% to corporates. Around 1/3 of the corporate book is secured with residential real estate. The remainder is a diversified mix of hotels, health services, industrial real estate and other
- **Commercial Vehicles** is a well diversified portfolio collateralized with various vehicles and industrial equipment. The majority of the 0.4 billion impairments is attributable to car rentals which were adversely impacted by Covid-19. Apart from that the portfolio is healthy with a conservative LTV of 52% and overall, financially sound borrowers

Loan portfolio quality

Change in credit quality mostly due to merger with Lykill and acquisition of majority share in Ortus Secured Finance, causing significant loan book growth. Stage 3 loans are somewhat overstated at 31.3.2022 as one Ortus exposure has been categorized at 31.3.2022 as stage 3 due to technical reasons, however, Kvika has indemnity from Ortus' sellers against credit losses of the exposure.

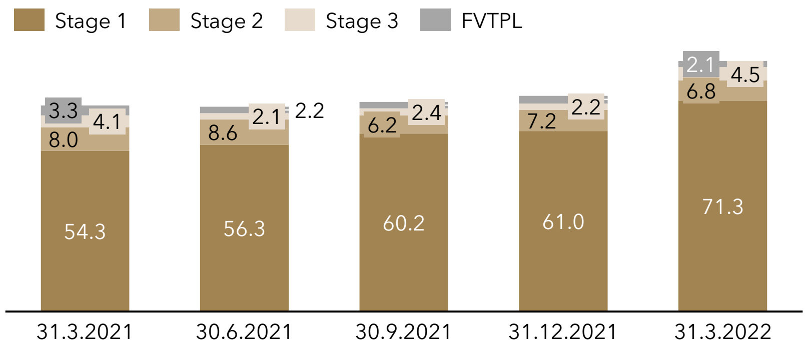
Net carrying amount

IFRS 9 risk stage allocation / ISK billion



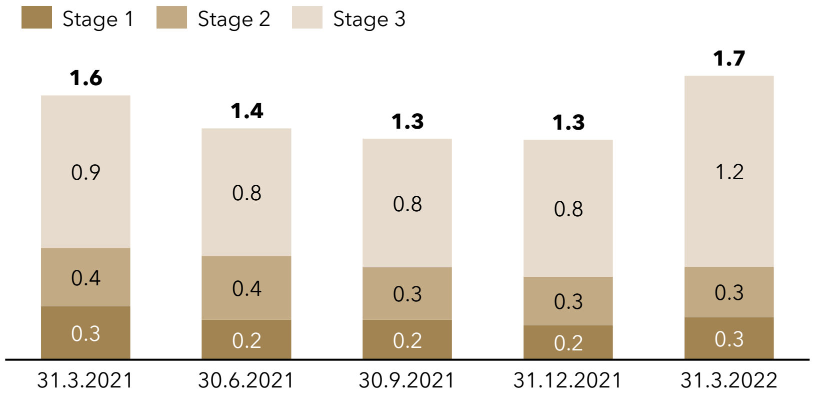
Gross carrying amount

IFRS 9 risk stage allocation / ISK billion



Impairment loss allowance

Expected credit loss / ISK billion



Loans to customers are classified according to Stage 1, Stage 2 og Stage 3:

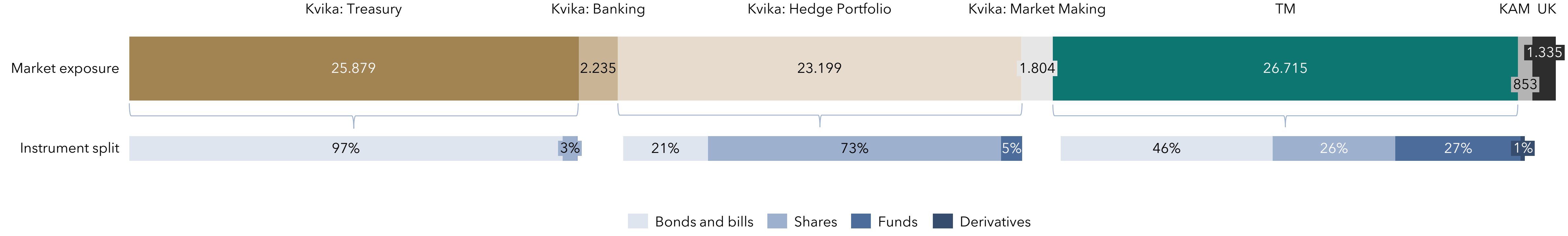
- Stage 1: Credit risk is acceptable, similar to what it was when the loan was granted, in accordance with risk policy and is within the framework set out in the credit policy. The loan would be granted today on comparable terms
- Stage 2: Credit risk has increased significantly, there is evidence of default and/or an early default. Loans with the same risk profile would not be granted on comparable terms or would be rejected with reference to credit policies and risk appetite
- Stage 3: Serious default or default, borrower is overdue or is insolvent. It is highly likely that a loan will not be fully recovered, a write-down of a loan. Loans with the same risk profile would not be purchased without a detailed valuation

Market risk exists across the Group

Kvika is exposed to uncertainty due to market risk factors, e.g. market value of securities, exchange rates, indexation and interest rates through all operating segments' daily operations. Risk arises both due to the activities of individual divisions and through joint risk, ie. risk for the Group as a whole. The bank's risk due to market value of securities rises primarily from Investment Banking's Market Making, as well as from securities held by Corporate Banking and Treasury. These portfolios are classified as either Market Making book or a banking book, in line with Basel's recommendations, while Treasury's liquidity management portfolio is held separately. Subsidiary TM Insurance further holds significant market value risk and Kvika's Hedge portfolio has significant financial instrument exposure which is fully hedged.

Exposure through several portfolios:

31.12.2021 / ISK million



Market exposure through several portfolios:

Kvika: Treasury

The Group's treasury department holds the largest bond position. The positions are considered a part of liquidity management and management of interest rate risk imbalance.

Kvika: Hedge Portfolio

Kvika's Hedge portfolio holds the largest equity position in the Group. Although the position is quite sizeable, it is fully hedged through the offering of forward contracts to the Groups clients.

Subsidiaries

As can be seen in the graph above, exposures to financial instruments that fluctuate due to market changing variables are high in subsidiaries. The largest market exposure comes from TM tryggingar and accounts for around 32.6% of the Group's total equity/market risk exposures at 31.12.2021.

Kvika: Banking Book

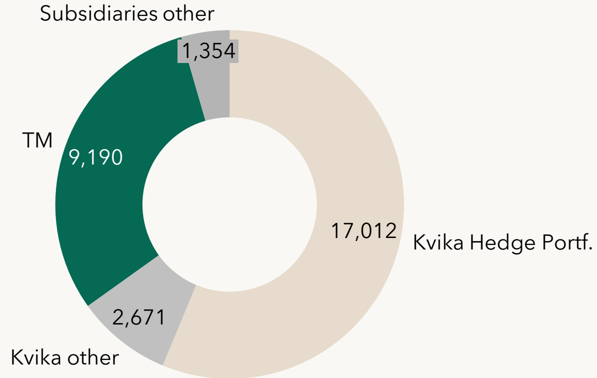
The banking book consists mainly of assets held by Commercial Banking which generally consist of unlisted bonds, equity and derivatives, acquired as part of traditional lending operations.

Kvika: Market Making book

Market making book assets are listed and their market value assessed daily. Market Making are a significant provider of market making services in Iceland for both debt and equity, investing in liquid and listed market instruments (limited by the Group's Risk policy).

Shares: exposure across portfolios

31.12.2021 / ISK million



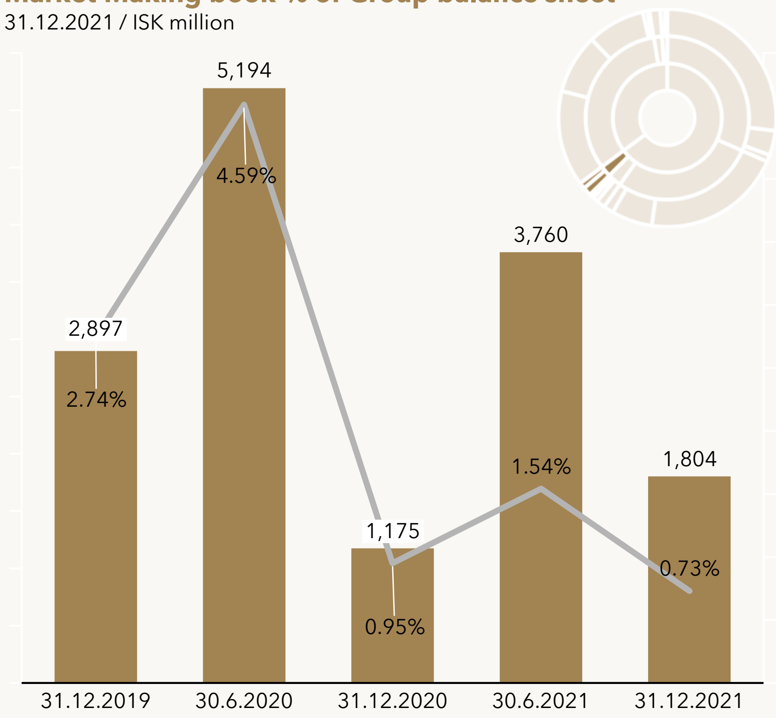
Market Making: book size

While not a large part of Kvika's total exposure to financial instruments, the Market Making book is the Bank's the most actively managed portfolio. The daily composition of the Market Making book throughout 2021 was mostly in bonds and average daily bond ratio was 85.35% and 14.65% for equity.

The Market Making book amounted to 0.73% of the Group's balance sheet at 31.12.2021

Market Making book % of Group balance sheet

31.12.2021 / ISK million

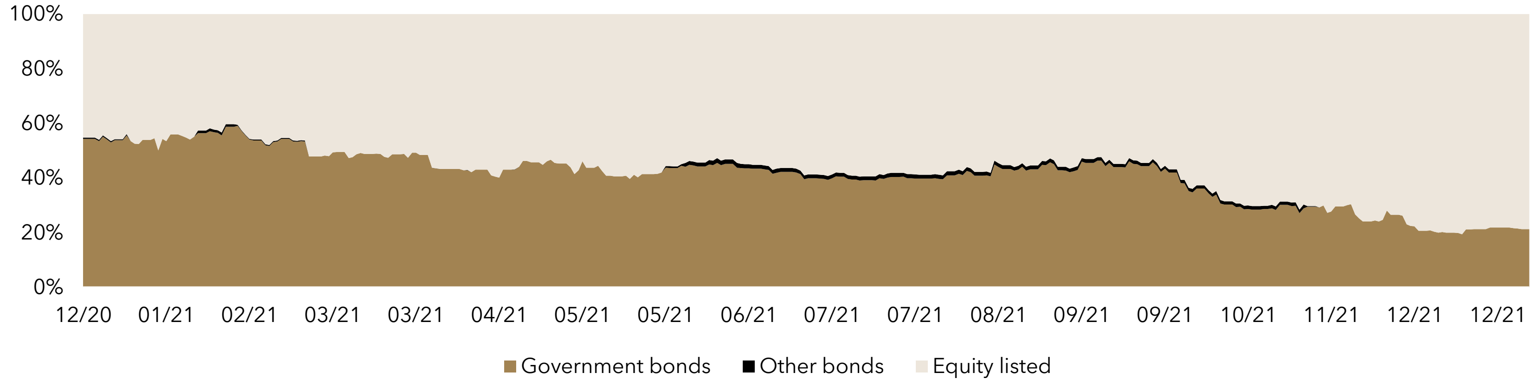


Market risk: the hedge portfolio

Kvika's Investment Banking segment offers clients total return swaps for listed fixed income and equity instruments, where the Group is the counterparty, which are fully hedged by Kvika through the hedge portfolio, which can fluctuate in size due to market sentiment. The portfolio's size at 31.12.2021 was ISK 23.2 billion, 9.4% of the Group balance sheet. The breakdown and development of portfolio size and instrument types can be seen below.

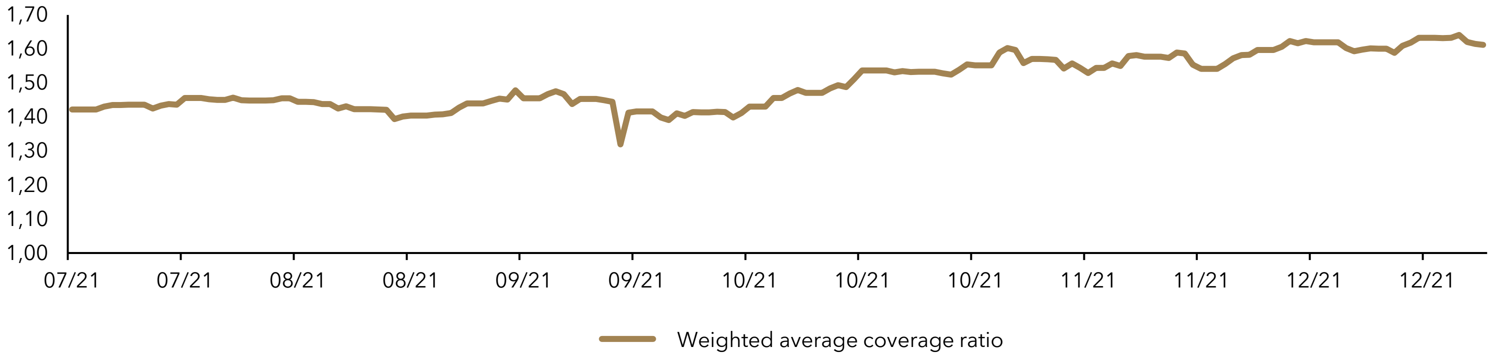
Total return swap portfolio composition

ISK million



Weighted average coverage ratio

(%)



Comparison to domestic banks

Kvika

	Insurance	Asset Management	Commercial Banking	Investment Banking	UK
Key Offerings	• Insurance • Investments	• Private Banking • Fund Management • Private Equity • Institutional Investors	• Corporate lending • Specialised lending • Consumer lending • Payment solutions • Deposits	• Capital Markets • Corporate Finance	• Corporate Finance • Investment management • Secured lending
Through Key Brands	• TM Insurance	• Kvika Asset Management	• Kvika Bank • Lykill • Netgíró • Aur • Framtíðin • Auður	• Kvika Bank	• Kvika Securities Ltd. • Ortus Secured Finance

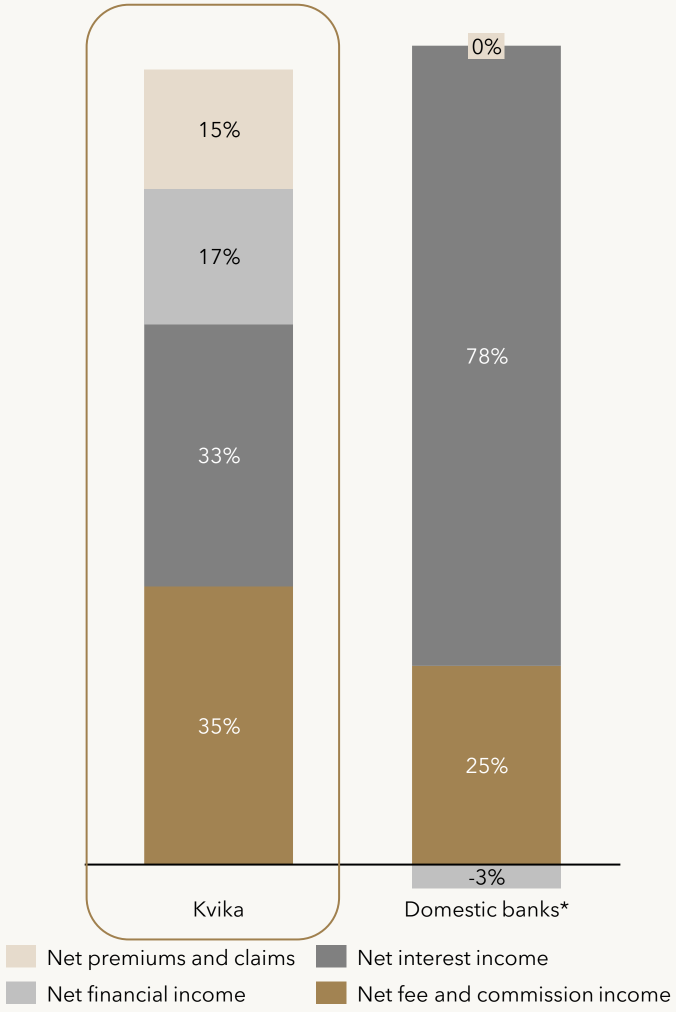
Key growth opportunities:

Fintech
Through Commercial Banking and other segments

UK Operations
Through refinancing and growth of Ortus loan book

Loan book growth
Domestic loan book growth

A more diversified income base than traditional banks



*Simple average of other domestic banks

Numbers as of 31.3.2022