



KVIKA

Kvika

3M 2021 Financial Results

27 May 2021

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Highlights 3M 2021



Merger with TM and Lykill successfully concluded at end of March 2021

TM and Lykill are part of the financial statements as of 31 March (TM and Lykill are included in Kvika's balance sheet, not income statement)
Currently above track in achieving anticipated cost synergies



Combined profit before tax (PBT) of ISK 2,520 million

Kvika's PBT amounted to ISK 1,002 million (return on weighted tangible equity 26.7%) and TM PBT 1,518 million



Excellent overall quarter for Kvika and TM

Good results in net financial income and low net impairments for both entities
Positive development in TM's combined ratio year-on-year (3M 2021: 102.5% / 3M 2020: 103.9%) but major incidents affect results



Assets under management at ISK 546 billion

AuM increases by ISK 19 billion from year-end 2020



Strong financial position with consolidated solvency of 1.33 and LCR of 208%

Capital adequacy is calculated on a consolidated level as the solvency ratio of the consolidated financial conglomerate
High capital adequacy calls for investments in growth and/or shareholder payout



Kvika finalised the acquisitions of Netgíró and Aur

These acquisitions expand the customer base and strengthen the Fintech platform, creating further opportunities in the retail market



Earnings forecast expected to be published alongside 6M 2021 results

Fine tuning of strategy post merger is the foundation for the updated forecast

New structure post merger

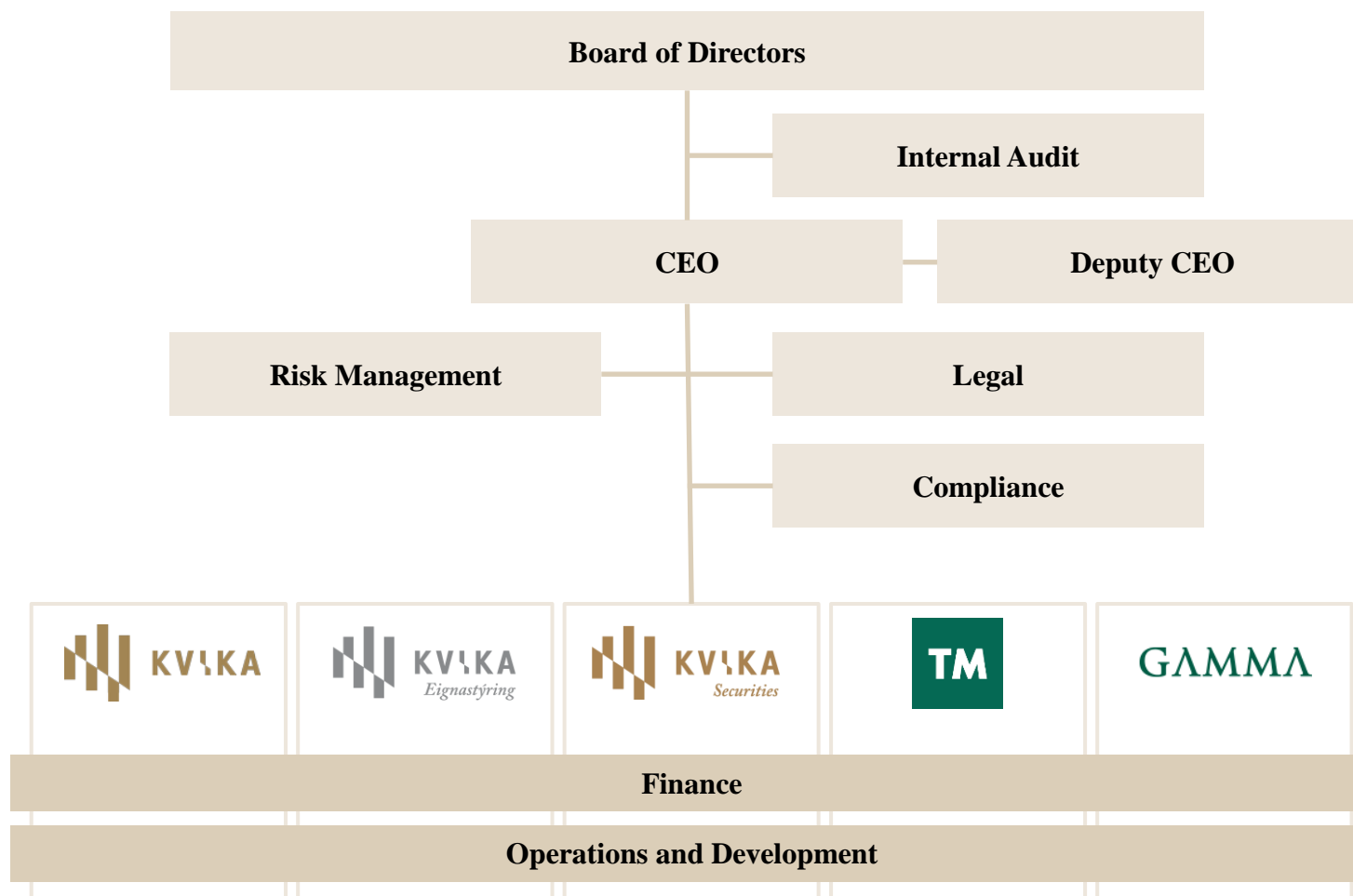
Ongoing focus on core operations



Profitable entities that will continue to focus on their core operations while taking advantage of new growth opportunities

New organisational structure

Introduced post merger









Unique market position

Kvika can differentiate through selective product and service offering



Banks

Insurance companies

	 Íslandsbanki	 Landsbanki	 Arion banki	 TM	 VÍS	 SJÓVÁ
Retail bank / branch network	✓	✓	✓			
Banking	✓	✓	✓	✓		
Asset Management & funds	✓	✓	✓	✓		
Capital Markets	✓	✓	✓	✓		
Corporate Finance	✓	✓	✓	✓		
Market Making	✓	✓	✓	✓		
Foreign Operation				✓		
Non-life insurance			✓	✓	✓	✓
Life insurance			✓	✓	✓	✓
Insurance investment activities			✓	✓	✓	✓
Assets under Management	~ 450	489	1,131	527		
Deposits	680	793	568	60		
Loans	1,007	1,273	823	68		
Total Equity	258	186	198	42	17	21
Non-Life Insurance Premiums			10.2	15.7	21	18.6
Life Insurance Premiums			2.0	0.8	1.5	2.2

Statistical information on competitors on a consolidated basis, based on 2020 financial statements. Where statistical information on competitors is not available, figures reflect independent estimates based on the latest data and are therefore not precise. Kvika and TM figures are based on 2020 annual statements. As Íslandsbanki does not publish their AuM, numbers are based on Kvika's estimates. Íslandsbanki does release AuM figures for subsidiary Íslandssjóðir (2020: ISK 349 bn.)

Expected synergy of ISK 2,700 – 3,000 million

History of delivering value-creation through successful consolidations



Expected cost synergies

- The companies' Boards expect that the merger with TM could achieve cost synergies of ISK 1,200-1,500 million annually, excluding transaction and one-off costs
- The assessment is based on the companies' forecasts for 2021, the largest part will result from reduced funding costs

Expected revenue synergies

- It is estimated that in three years, the merged company will have achieved revenue synergies in the amount of ISK 1,500 million annually
- Revenue synergies come from the results of operations that would probably not have been achieved without the merger

Status of cost synergies

- Currently above track in achieving anticipated cost synergies
- Achieved annual cost synergies in 3M 2021 amounted to approximately ISK 270 million
- One off related costs to the merger amounted to approximately ISK 140 million

Status of revenue synergies

- Advancement of revenue synergies through development of Fintech based platform expanding retail service offering
- Other opportunities are being prioritised
- Positive developments in optimisation of capital structure

ANNUAL COST SYNERGY AFFECT

Breakdown of anticipated cost synergies by year



Leveraging and utilising internal infrastructure

Utilising technological solutions to modernise financial services

Leveraging on existing and new customer base

Increased financial strength opens new opportunities

Opportunity to compete without cannibalisation of current revenue streams

Combined profit of ISK 2,520 million

Considerable growth in PBT year-on-year for Kvika and TM

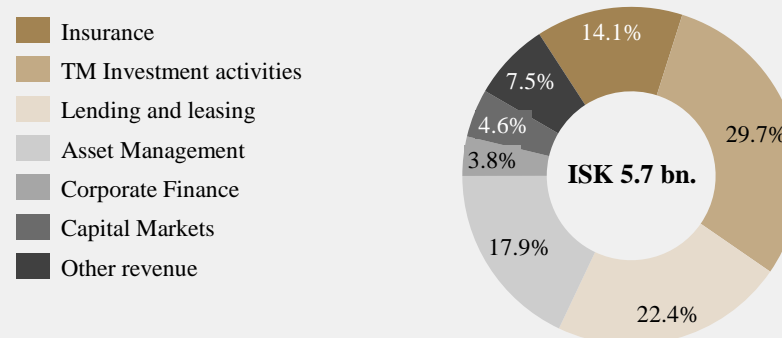


	3M 21	3M 20	3M 21	3M 20
Net interest income	634	483	355	356
Net fees and commission income	1,684	1,664		
Net financial income	373	(157)	1,663	11
Premiums earned, net of reinsurance			3,813	3,909
Leasing income			193	208
Other income	11	40	25	25
Operating income	2,702	2,031	6,049	4,510
Operating expenses	(1,677)	(1,314)	(1,310)	(1,396)
Net impairment	(11)	(155)	1	(770)
Revaluation of contingent consideration	(13)	(116)		
Claims incurred, net of reinsurance			(3,075)	(3,260)
Unwinding, interest and fx changes of techn. reserves			(2)	(450)
Interest expenses			(58)	(45)
Depreciation of lease assets			(87)	(102)
Profit before tax (PBT)	1,002	445	1,518	(1,514)
Combined ratio (%)			102.5	103.9

TM hf. merged with Kvika banki hf. as of 31 March 2021. Therefore, TM is not included in Kvika's income statement – but is a part of its balance sheet (statement of financial position). Figures for the two companies might not be comparable as different accounting policies might apply, which will be standardised across the Group in Q2

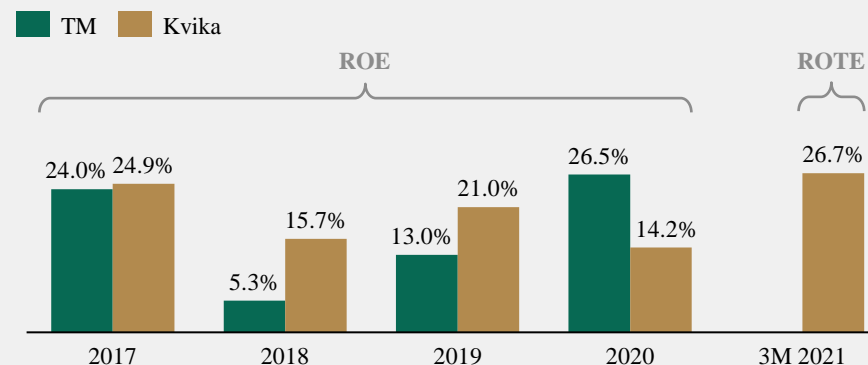
DIVERSIFIED INCOME ACROSS SEGMENTS

Net revenue breakdown by segment 3M 2021



RETURN ON EQUITY / RETURN ON TANGIBLE EQUITY

(%)



Bank operations 3M 2021

Return on weighted tangible equity of 26.7% during the quarter

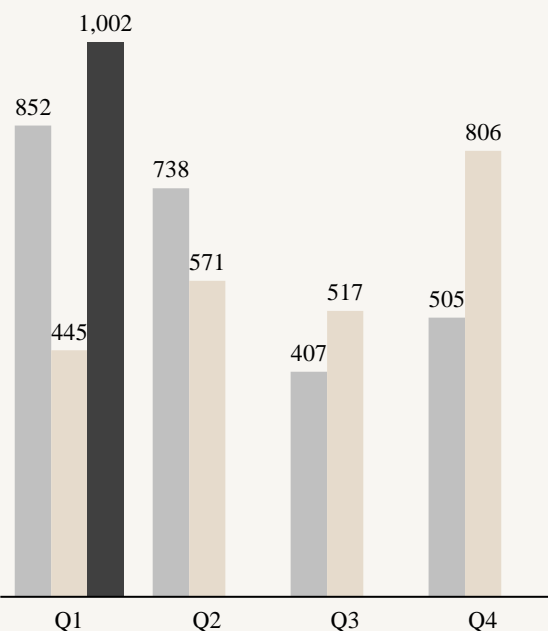


PRE-TAX PROFIT

ISK m.

Positive trend across all business segments

'19 '20 '21

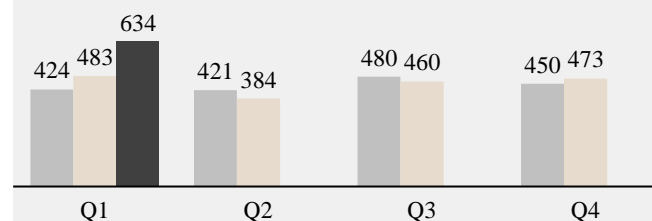


NET INTEREST INCOME (NII)

ISK m.

Significant impact of loan book composition, indexation and favorable track in funding

'19 '20 '21

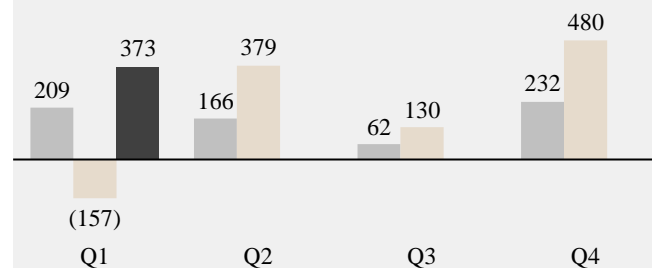


NET FINANCIAL INCOME (NFI)

ISK m.

Good market performance reflected in net financial income

'19 '20 '21

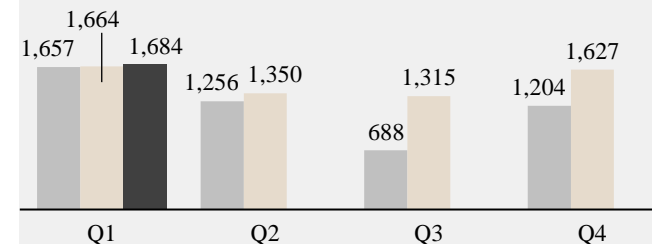


NET FEE AND COMMISSION INCOME (NFC)

ISK m.

Diversified business model and fee generation produces stability in NFC

'19 '20 '21

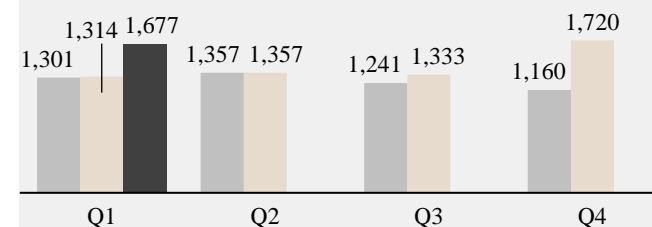


OPERATING EXPENSES (OPEX)

ISK m.

OPEX in line with expectations, lower than last quarter despite M&A related costs

'19 '20 '21



Bank operations 3M 2021

Return on weighted tangible equity of 26.7% during the quarter



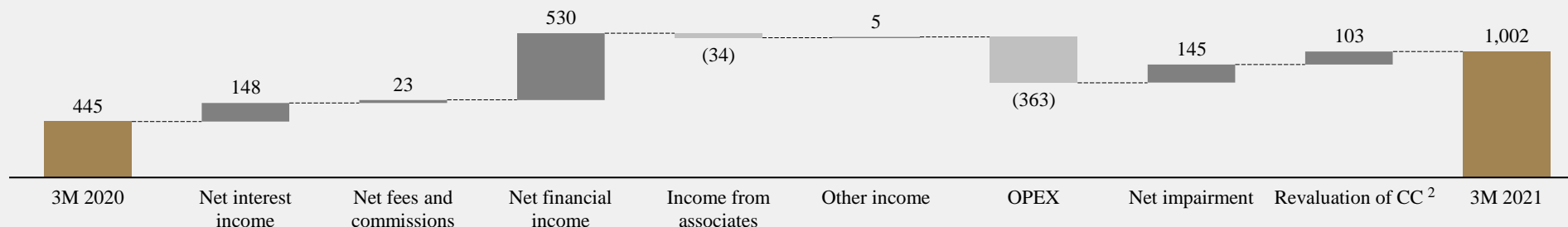
- Profit for the period amounted to ISK 869 million, driven by increase in net interest income and net financial income
- Corresponding to 26.7% return on weighted tangible equity
- Net interest income increased 31.3% year-on-year
- Stability in net fee and commission income of ISK 1,687 million, an increase of 1.2% year-on-year
- Operating expenses ISK 1,677 million in line with expectations
- Net impairments ISK 11 million
- Net financial income ISK 373 million

INCOME STATEMENT

ISK m.	3M 2021	3M 2020
Net interest income	634	483
Net fees and commissions	1,684	1,664
Net financial income	373	(157)
Income from associates	(28)	7
Other income	39	34
Net operating income	2,702	2,031
Operating expenses	(1,677)	(1,314)
Net impairment	(11)	(155)
Revaluation of contingent consideration	(13)	(116)
Profit before tax	1,002	445
Taxes		
Income tax	(96)	(69)
Special bank taxes ¹	(36)	(40)
Profit after tax	869	336
Earnings per share (EPS)	0.40	0.17
Diluted EPS	0.37	0.16

PROFIT (LOSS) BEFORE TAX BRIDGE

FROM 3M 2020 to 3M 2021 ISK m.



1) Special tax on financial activity and special tax on financial institutions

2) Revaluation of contingent consideration

TM operations 3M 2021

Considerable increase in profit



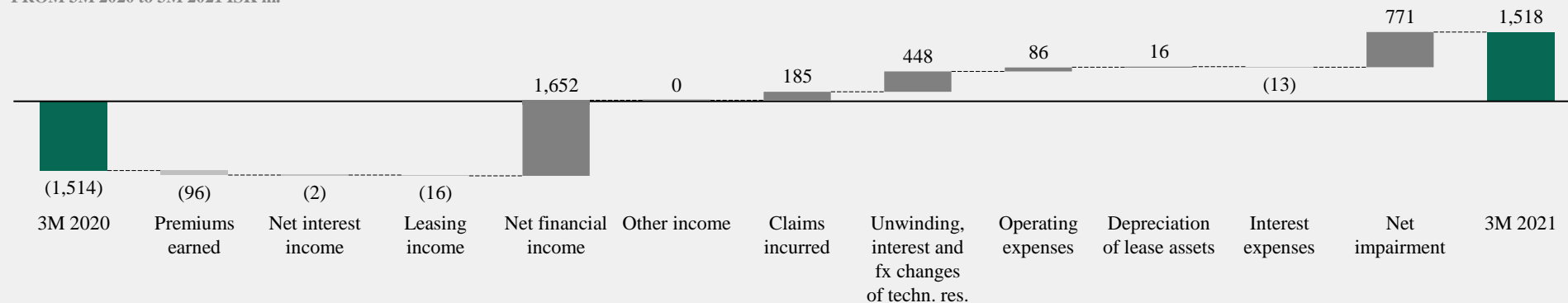
- Profit before tax ISK 1,518 million for the period compared to loss of ISK 1,514 million for 3M 2020
- Premiums earned, net of reinsurance contract by 2.5%, explained by changes in motor insurance
- Major claims increased considerably year-on-year but reinsurance participation and lower claims in general result in claims incurred, net of reinsurance, decreasing by 5.7%
- Combined ratio of 102.5%, compared to 103.9% for 3M 2020
- Net financial income amounts to ISK 1,663 million. Investment portfolio delivering 5.6% return, equities accounting for approximately 80% of the income
- Operating expenses decrease by 6% year-on-year, considerable one-off related costs due to changes at Lykill
- Net impairment of financial assets was insignificant in 3M 2021 compared to 3M 2020 where COVID-19 impact resulted in a revaluation of Lykils loan portfolio

INCOME STATEMENT

ISK m.	3M 2021	3M 2020
Premiums earned, net of reinsurance	3,813	3,909
Net interest income	355	356
Leasing income	193	208
Net financial income	1,663	11
Other income	25	25
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Claims incurred, net of reinsurance	(3,075)	(3,260)
Unwinding, interest and fx changes of techn. res.	(2)	(450)
Operating expenses	(1,310)	(1,396)
Depreciation of lease assets	(87)	(102)
Interest expenses	(58)	(45)
Net impairment	1	(770)
Total expenses	(4,531)	(6,024)
Profit (loss) before tax	1,518	(1,514)

PROFIT (LOSS) BEFORE TAX BRIDGE

FROM 3M 2020 to 3M 2021 ISK m.

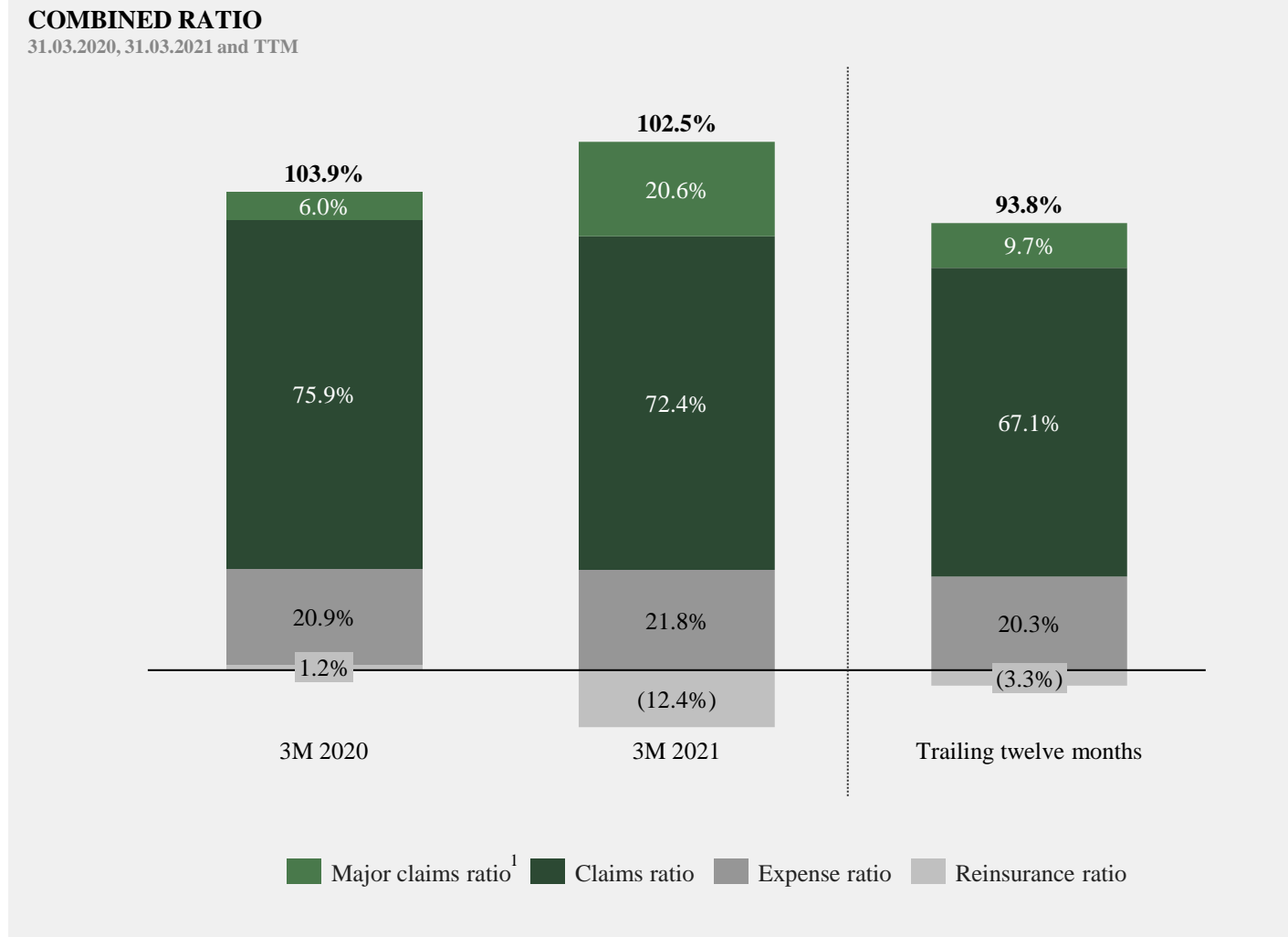


TM operations 3M 2021

Combined ratio impacted by major incident claims



- Claims ratio decreases year-on-year but combined ratio is impacted by major incident claims (claims over ISK 50 million)
- Reinsurers' share positive due to the effect of major incident claims
- Expense ratio increases slightly year-on-year



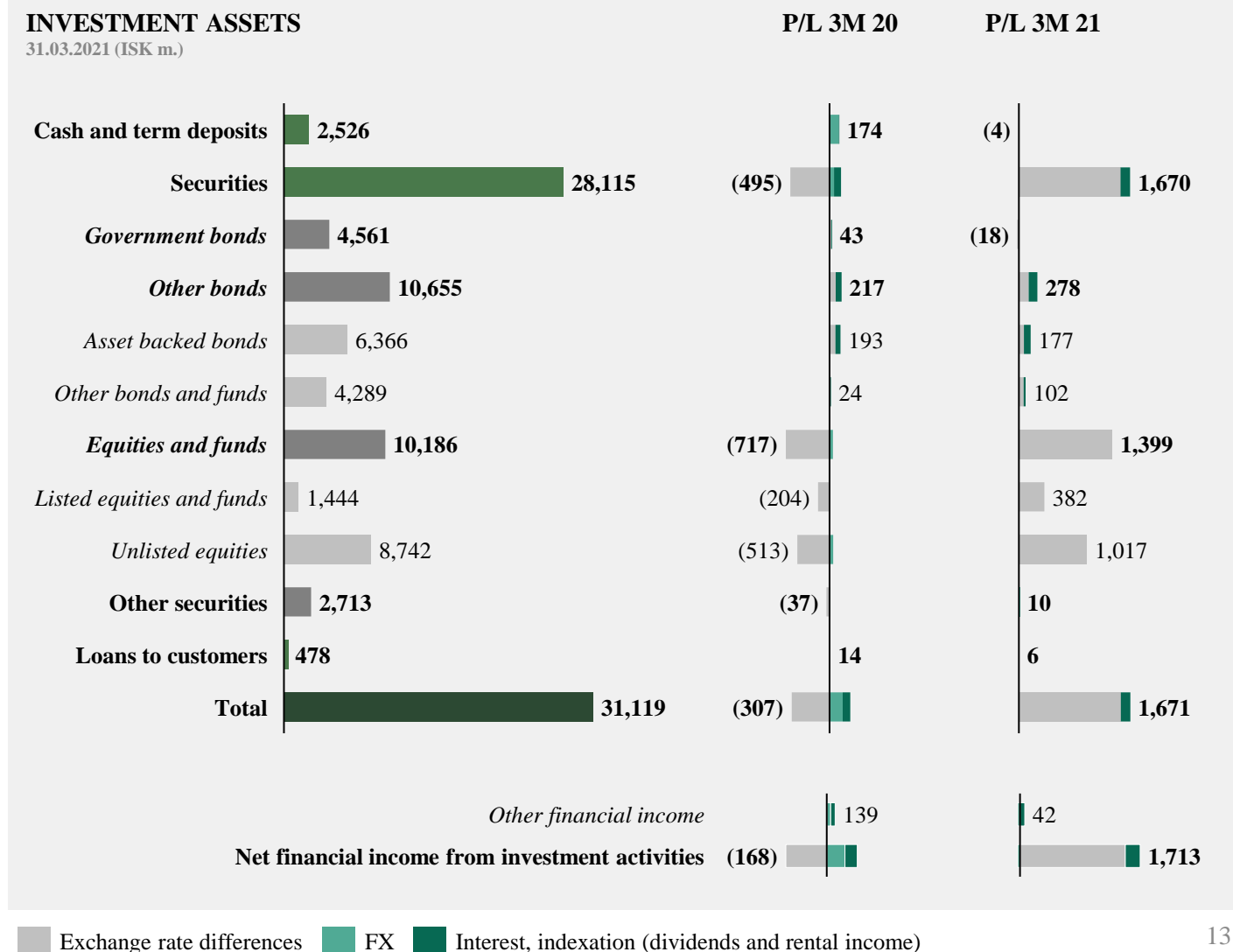
1) Major claims are claims over ISK 50 million

TM operations 3M 2021

Return on investment 5.6%



- Outstanding return on investment assets in the quarter. Second best quarter since listing in 2013
- Good performance in equities and funds which delivered approximately 16% return and accounted for approximately 80% of net financial income for the quarter
- Equities and funds increase by ISK 1.6 billion from year-end 2020, mainly due to positive results. Asset backed bonds and other bonds decrease by ISK 1.2 billion

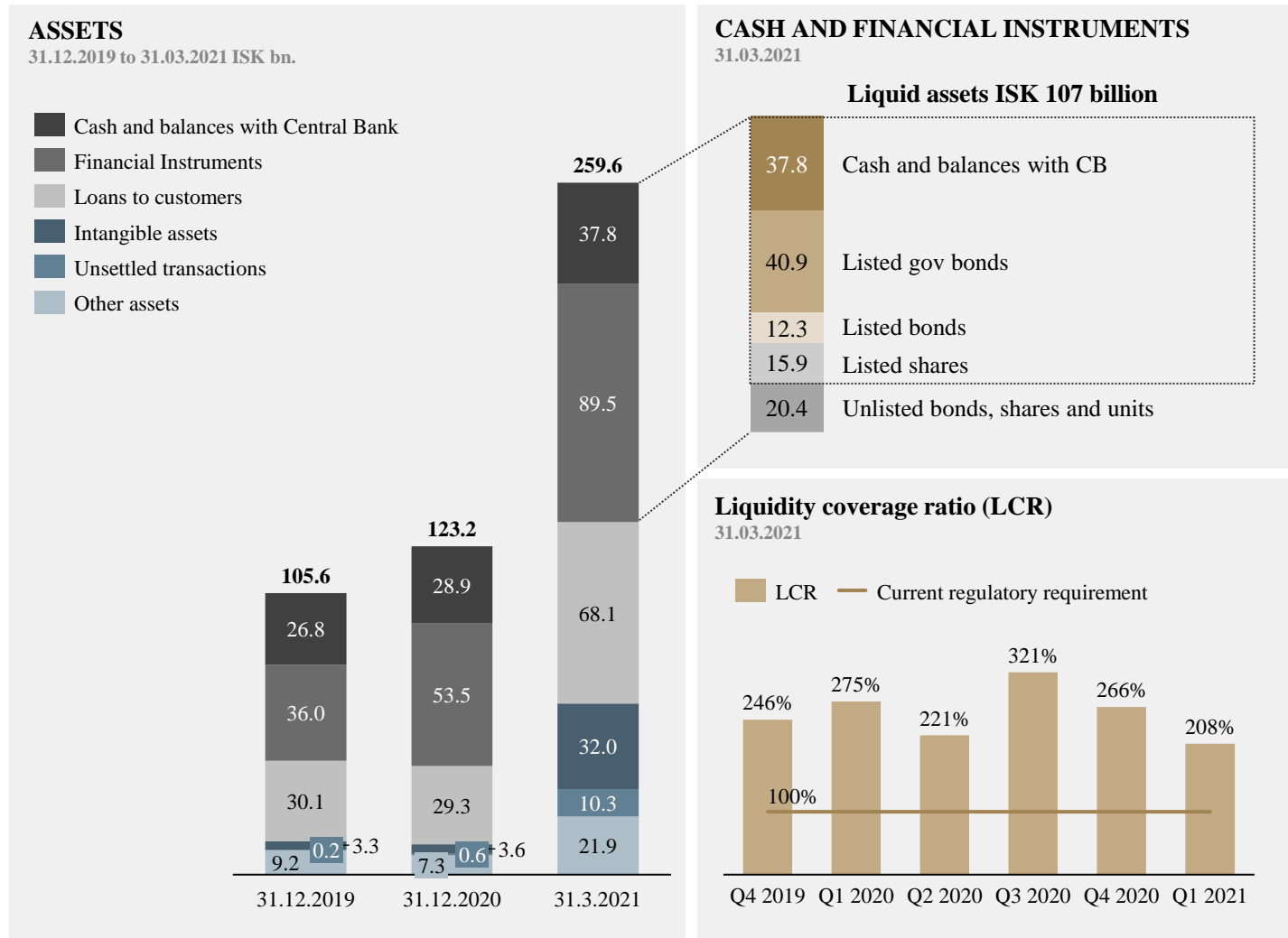


Assets

Considerable increase in assets post merger



- TM and Lykill and their subsidiaries are part of the Consolidated Financial Statements as of 31 March 2021
- Total assets double since year-end to ISK 259.6 billion
- Liquidity coverage ratio (total) remains strong post-merger
- Liquid assets amount to ISK 107 billion or 41% of total assets and 161% of deposits from customers
- Kvika's loan book increases by ISK 38.8 billion
- The purchase price allocation has not been concluded; the goodwill that has been recognised is preliminary and will be finalised in the course of the financial year 2021



Loans to customers

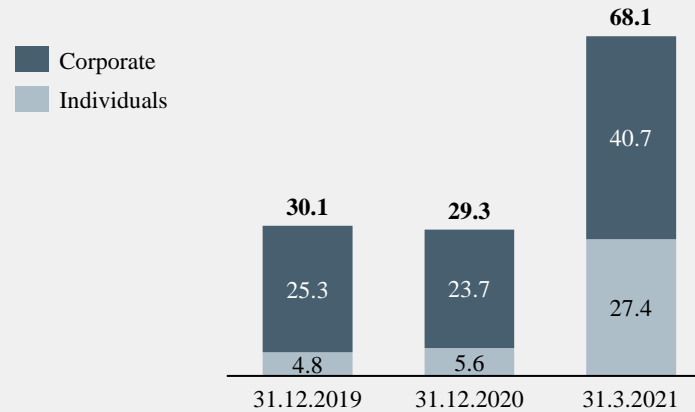
Increased diversification of loans to customers



- Loan book increases considerably following TM and Lykill merger
- Loans to individuals approximately fivefold from ISK 5.6 billion to ISK 27.4 billion
- Loans to corporates increase by 71.7% from ISK 23.7 billion to ISK 40.7 billion
- Weighted average duration of the loan book was 2.09 years at end of period
- Change in credit quality mostly due to merger with TM and Lykill

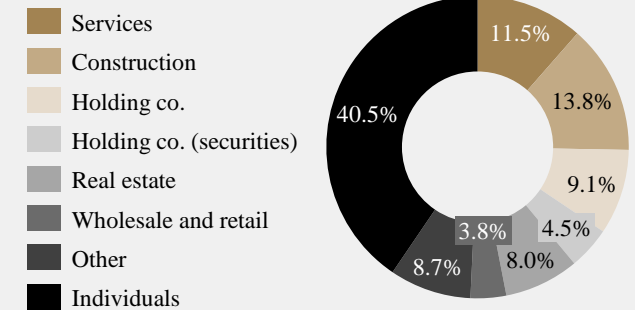
LOAN BOOK BY CUSTOMER TYPE

31.12.2019 to 31.03.2021 ISK bn.



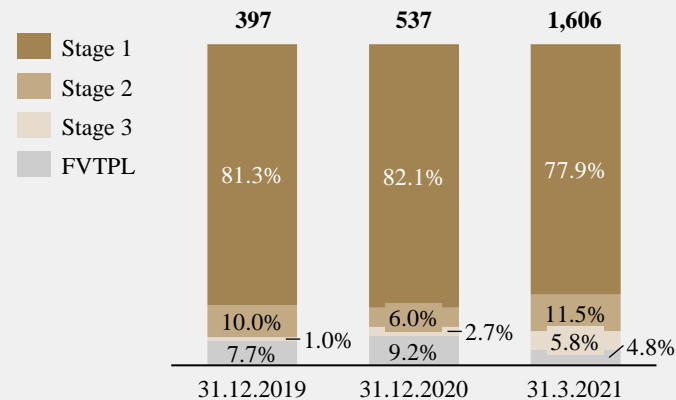
LOAN BOOK COMPOSITION

31.03.2021



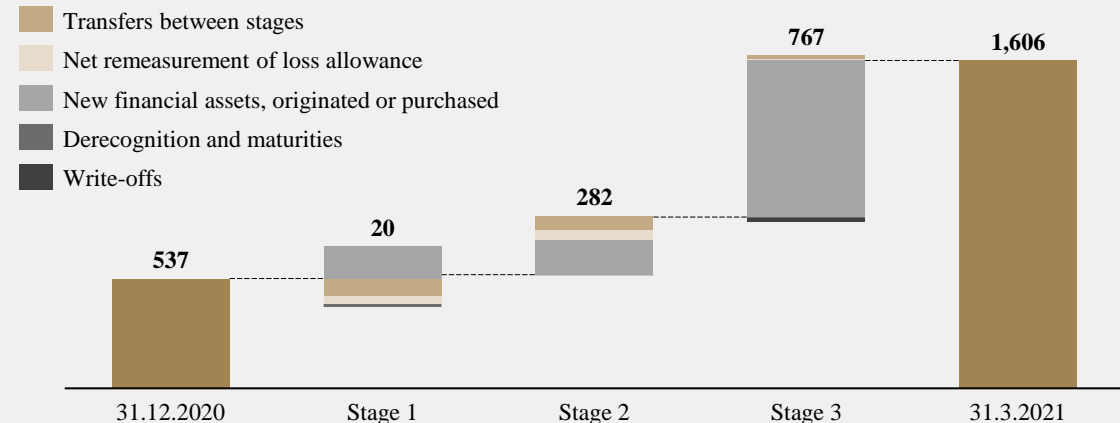
CREDIT QUALITY OF LOAN BOOK

TOTAL SUM REPRESENTS EXPECTED CREDIT LOSS IN ISK M
31.12.2019 to 31.03.2021



BRIDGE CREDIT QUALITY / EXPECTED CREDIT LOSS

31.12.2020 to 31.03.2021 in ISK m



Liabilities

Funding continues to be strong



- TM and Lykill and their subsidiaries are part of the consolidated financial statements as of 31 March 2021
- Total issued debt increases by ISK 28.7 billion
 - Includes ISK 30 billion of securities previously issued by Lykill
 - Kvika issued a 2-year GBP nominated bond
- Borrowings at ISK 30.2 billion include money market financing and secured credit facilities
- Technical provision of TM Tryggingar amounts to ISK 27.2 billion
- Total deposits increase by ISK 6.4 billion
 - Steady growth in deposit base of Auður accounts
- Maturity profile of issued debt closely reflects maturity profile of loan book
- Total equity increases by ISK 50.7 billion since year-end

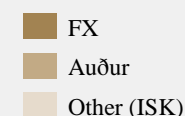
LIABILITIES AND EQUITY

31.12.2019 to 31.03.2021 ISK bn.



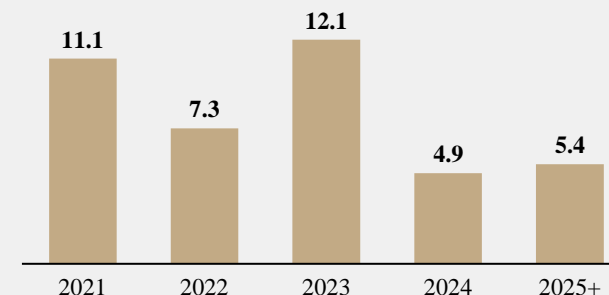
DEPOSITS BY TYPE

31.03.2021



MATURITY OF ISSUANCE

31.03.2021 ISK bn.

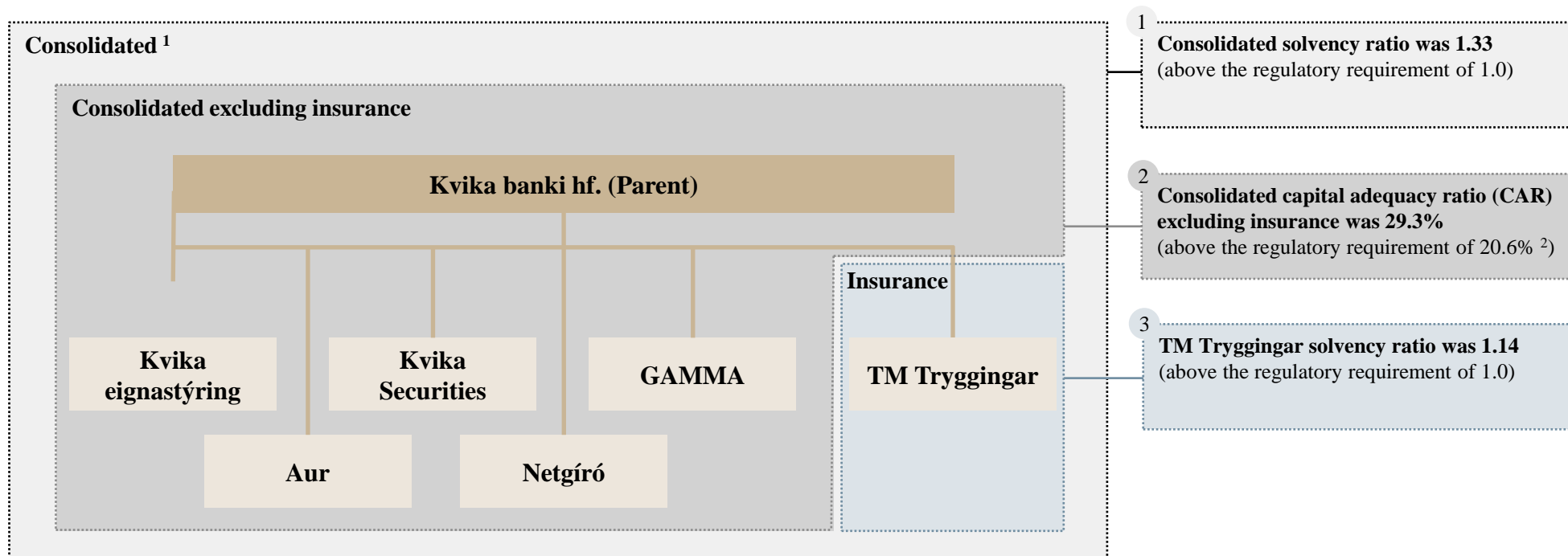


Capital adequacy

Well above regulatory requirements



- 1 Capital adequacy is calculated on a consolidated level as the solvency ratio of the financial conglomerate
- 2 The consolidated capital adequacy ratio (CAR) is calculated for entities not belonging to the insurance sector by excluding insurance activities from calculation of risk weighted assets and capital base
- 3 The solvency ratio of entities solely belonging to the insurance sector



1) The picture does not include all subsidiaries of Kvika banki hf. but reflects substantial operating subsidiaries. Kvika banki hf.'s operations include Lykill and TM Tryggingar operations include TM's investment operations.
Consolidated excluding insurance: excludes 3M 2021 profits
Insurance includes 3M 2021 profits

2) Including capital buffers

Uniquely positioned to capitalise on new opportunities

Capitalising on new growth opportunities to increase profits

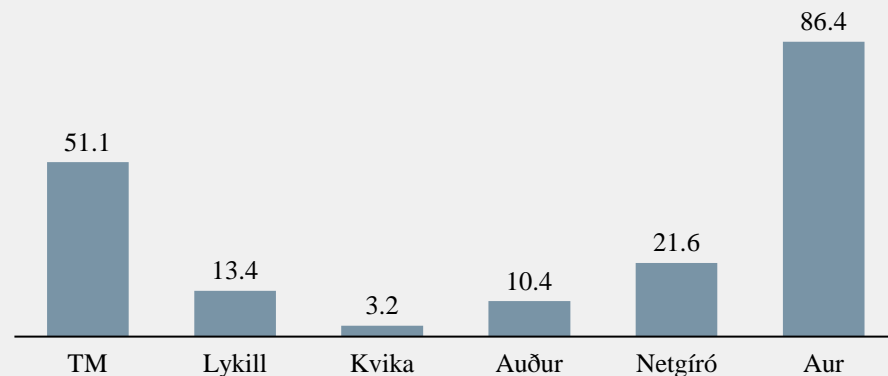


- Substantial net income and financial strength
- Low legacy costs
- Potential expansion unlikely to cannibalise revenue
- Potential expansion and increased market share leads to economies of scale
- Licenses and infrastructure of a retail bank and insurance company but without substantial branch overhead
- Challenger mindset with focus on fintech solutions

Prime opportunity to continue to develop a financial entity that is structured for the current economy, competing with incumbents with inherited business models

CUSTOMER BASE

As of 31.03.2021 / Number of active customers in '000



Kvika is capitalising on its user base and Fintech platform with new development which is expected to be announced in Q3 2021



auður
Dóttir Kviku



