KVIKA

Kvika banki hf.

Q1 2026 Financial Results

12 May 2026

Q1 2026

- Profit before tax ISK 1,809 million compared to ISK 701 million in Q1 2025
  Increasing by ISK 1,108 million from previous year, which was affected by non-recurring items, or 158%
- Net interest income ISK 3,266 million compared to ISK 2,917 million in Q1 2025
  Increasing by ISK 349 million from previous year or 12%
- Net fee and commission income ISK 1,486 million compared to ISK 1,520 million in Q1 2025
  Decreasing by ISK 34 million from previous year or 2.3%
- Administrative expenses ISK 3,014 million compared to ISK 3,090 million in Q1 2025
  Decreasing by ISK 76 million from previous year or 2.5%
- Merger discussions with Arion banki hf. discontinued
  Pre discussions with the Icelandic Competition Authorities concluded in April
- Special dividend payment proposed, ISK 10.2 bn.
  ISK 2.35 per share pending approval by shareholder meeting on 4 June 2026

Key results	Medium term target		Q1 2026
Return on tangible equity pre-tax	20%	-	15.7%
Capital Adequacy Ratio (CAR) above regulatory capital requirements	200-400 bps management buffer	√	880 bps.
Dividends	25%	√	25% of net profit deducted from CET1, additional special dividend expected

Commercial Banking

Segment highlights

Solid first quarter in lending across all loan categories

- Robust lending growth in Commercial Banking despite higher rates than expected, with total lending increasing by just over ISK 4bn in Q1, mainly driven by Auður Heima residential mortgages.
- Auður Heima mortgage lending increased by just over ISK 3bn, broadly in line with expectations.
- Lykill loan book development in line with budget, growing by just under 2% quarter-on-quarter.
- Consumer lending continued to perform in line with expectations.

Investment Banking

Segment highlights

Strong lending performance despite rising rates and challenging economic environment

- The loan book grew by 4.7% in the first quarter, with strong fee income generation. This reflects solid performance in a challenging economic environment.
- Interest rates were raised and inflation remained persistent in Q1. The quarter in both equity and fixed income markets was weak. Turnover in the equity market decreased by 41%, while it increased by 8% in the fixed income market. The Icelandic króna continued to strengthen in Q1. Activity in the foreign exchange market was somewhat lower than in the same period in 2025.
- Good quarter for Corporate Finance. Kvika acted as the exclusive financial advisor to Evolv in the sale to Advania Group as well as being an advisor to Sýn in the sale of its web and radio media business to Síminn. Both transactions are expected to complete when customary closing conditions have been fulfilled later this year.

Asset Management

Segment highlights

Preparation underway for launch of new funds

- Preparations for the launch of a new credit fund (ACF VI slhf.) and a new private equity fund were initiated during the quarter.
- Kvika Framtak ehf. formally commenced operations during the quarter and is responsible for servicing the operations of private equity funds under the management of Kvika Asset Management.
- Geopolitical tensions involving Iran, persistent inflationary pressures, and interest rate hikes led to declines in equity markets, adversely affecting Kvika Asset Managements's operations.
- Assets under management decreased from 468.7 billion to 450.4 during Q1 2026. The main contributing factors were asset outflows resulting from a pension fund transitioning asset management in-house, as well as adverse movements in equity markets.

UK

Segment highlights

A strong start to 2026 amid a challenging market backdrop

- Q1 delivered a very solid performance for the UK business, with sustained high activity levels across both lending and private equity, reflecting continued momentum in origination and execution
- Lending momentum remained strong, with a robust pipeline carried into the year and successfully converted, resulting in a record level of new lending in Q1 and continued growth in the loan book
- Harpa continued to scale well, completing two transactions in Q1 with a further deal signed in early Q2, bringing total private equity investments to five since launch and demonstrating strong deployment and deal flow

Financials

Income Statement

Q1 2026

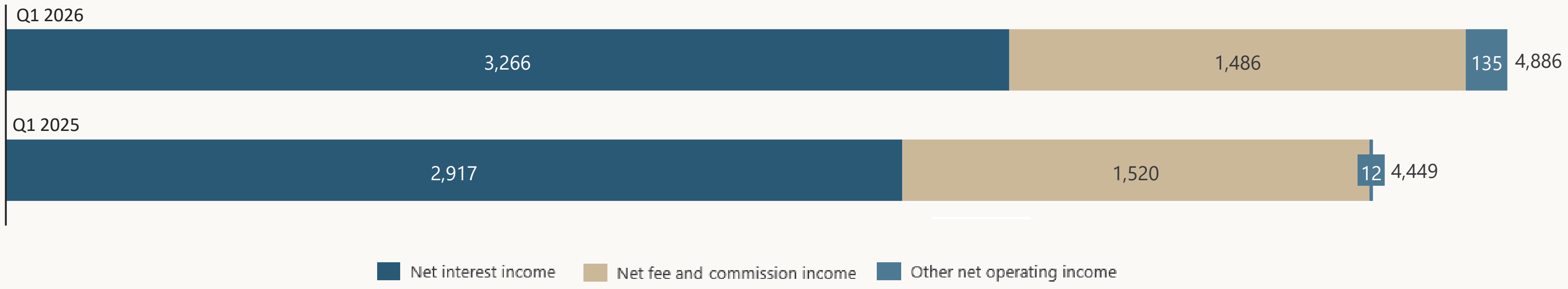
Income Statement

ISK m.

	Q1 2026	Q1 2025	Diff.	Q4 2025	Diff.
Net interest income	3,266	2,917	349	3,065	201
Net fees and commissions	1,486	1,520	(34)	1,265	220
Other net operating income	135	12	123	642	(507)
Net operating income	***4,886***	***4,449***	*437*	***4,972***	*-85*
Administrative expenses	(3,014)	(3,090)	76	(3,263)	249
Net impairment	(94)	(65)	(29)	(175)	81
Revaluation of contingent consideration	-	(593)	593	(12)	42
Revaluation of investment properties	30	-	(30)		
Pre-tax profit	***1,809***	***701***	*1,108*	***1,522***	*286*
Income tax	(348)	(438)	(90)	(209)	(139)
Special bank taxes	(87)	(77)	10	(47)	(40)
After-tax profit	***1,374***	***186***	*1,188*	***1,266***	*108*
Profit after tax from discontinued operations	0	1,901	(1,901)	0	0
Profit for the period	***1,374***	***2,086***	*(712)*	***1,266***	*108*

Revenue Composition

ISK m.



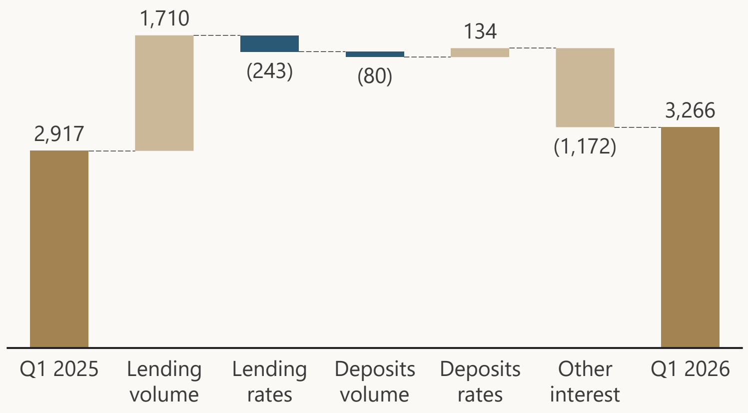
- Strong Q1 performance with solid net interest income growth and disciplined cost management, resulting in pre-tax profit from continuing operations increasing by 158% YoY and 18.8% from Q4 2025
- Net interest income increased by 12% YoY, driven by loan book growth and a solid net interest margin
- Net fee and commission income decreased by 2.2% YoY, reflecting continued market effects
- Other net operating income increases by ISK 123 million YoY
- Net operating income amounted to ISK 4,886 million, increasing 9.8% YoY
- Administrative expenses amounted to ISK 3,014 million, a 2.5% decrease YoY, reflecting a normalized cost base in the absence of one-off expenses recorded in Q4 2025

Net Interest Income

Continued lending momentum and favorable funding base result in strong NIM

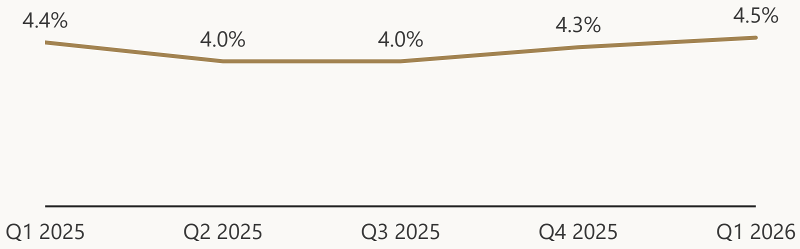
Net interest income

Q1 2025 to Q1 2026 / ISK m.



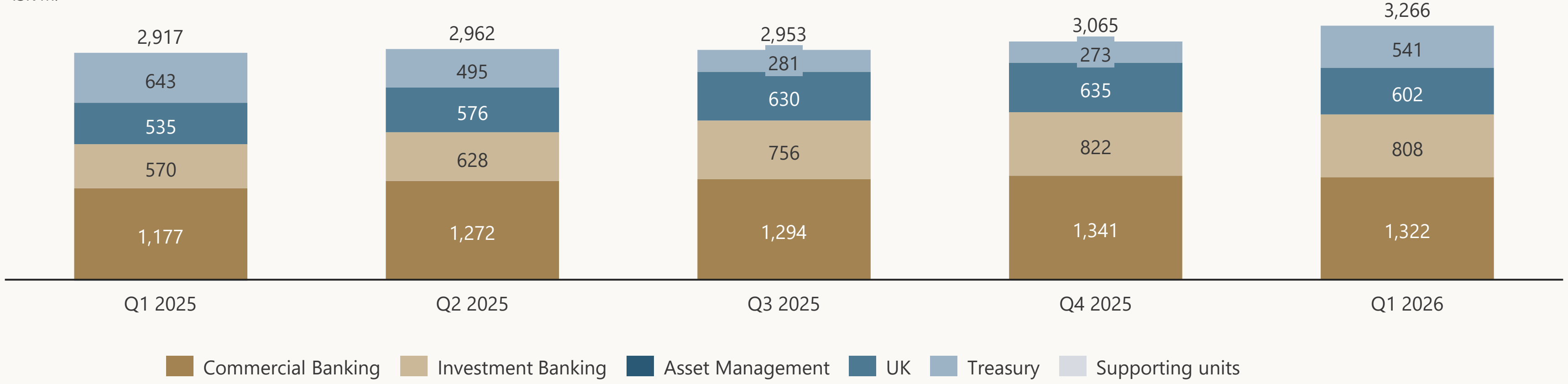
Net interest margin development

(%) / net interest income divided by total average interest-bearing assets



Net interest income development (NII)

ISK m.



- Net interest income increased by 12% from Q1 2025 to Q1 2026, driven both by a 4.5% increase in loans to customers as well as continuing improvements in funding costs
- The net interest margin, measured as a share of average total assets, amounted to 4.5% in the quarter, up from 4.3% in Q4 2025, driven by the continued deployment of liquidity from lower-yielding instruments into higher-return customer lending despite a competitive market environment.
- Despite high inflation in the period, the bank's inflation imbalance of 1.1% resulted in only a negligible benefit to earnings

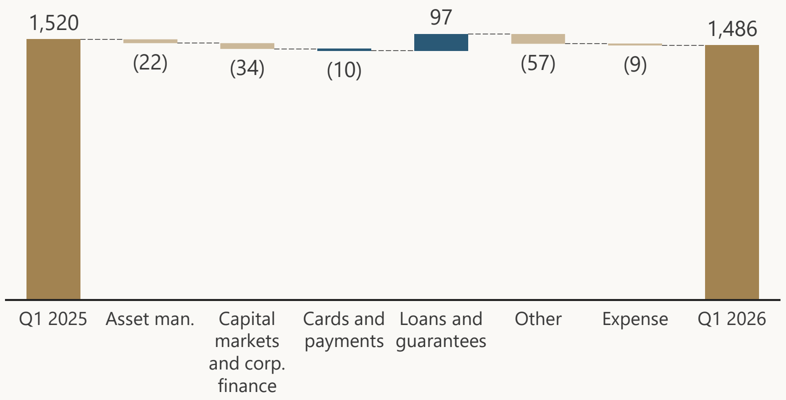
Note that single-digit figures may be omitted from certain graphs to improve readability.

Net Fee and Commission Income

Fee income remains subdued alongside muted domestic market activity

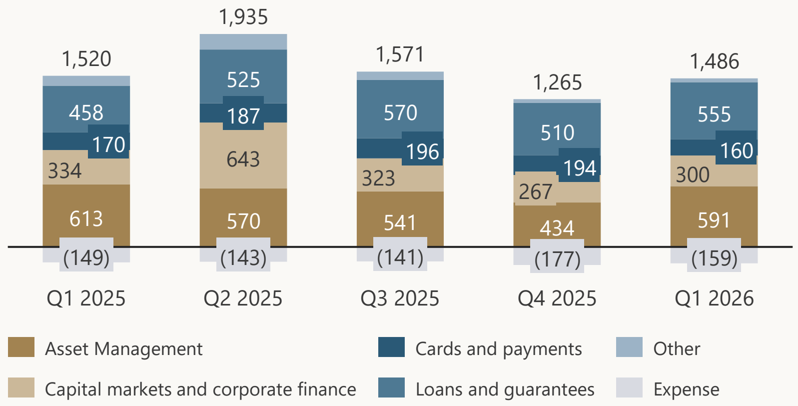
Net fee and commission income

Q1 2025 to Q1 2026 / ISK m.



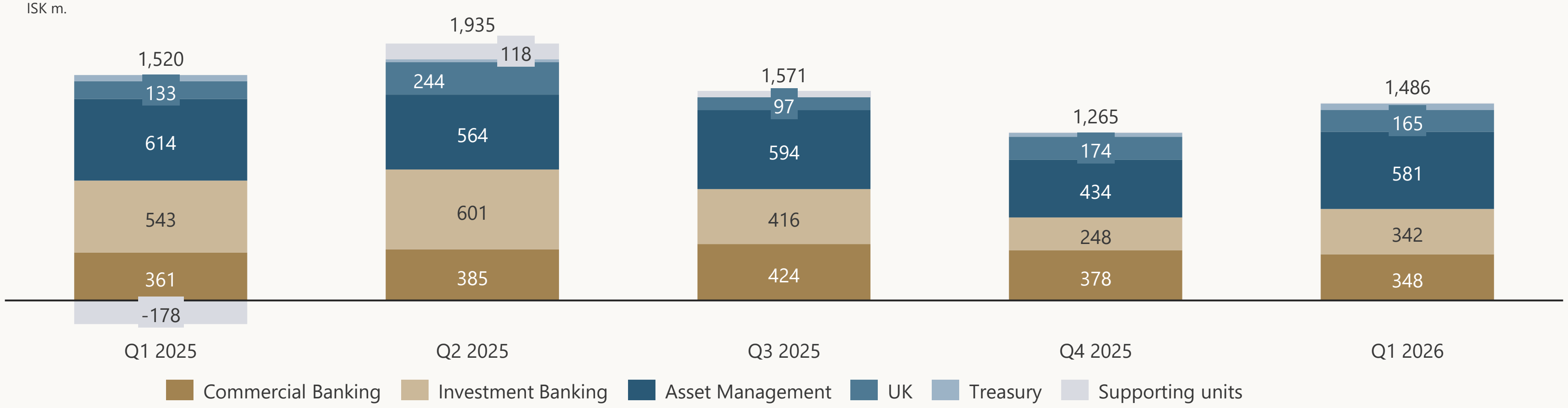
Net fee and commission income

ISK m.



Net fee and commission income development

ISK m.

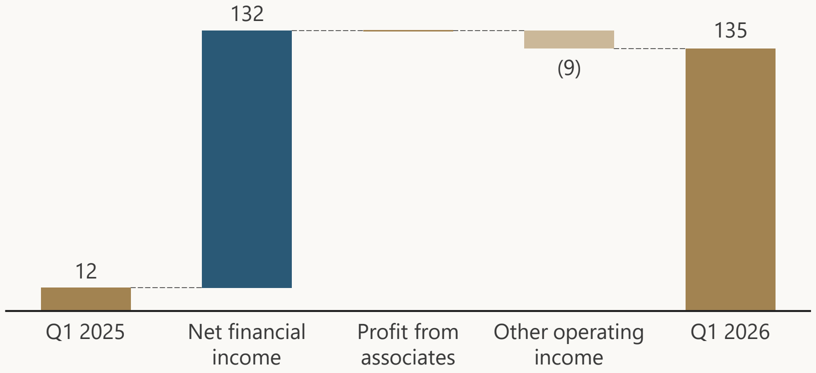


- Net fee and commission income remains relatively subdued and amounted to ISK 1,485 million in Q1 2026, decreasing by 2.3% YoY
- Muted activity in equity markets and lower FX turnover weighed on fee generation, while higher rates and persistent inflation continued to shape client behaviour
- Underlying fee income is nevertheless expected to remain broadly stable around the ISK 1.5bn level going forward
- Investment Banking activity picked up in the quarter after a softer Q4 as other fee-generating units remained broadly in line with recent quarters, maintaining a stable run-rate

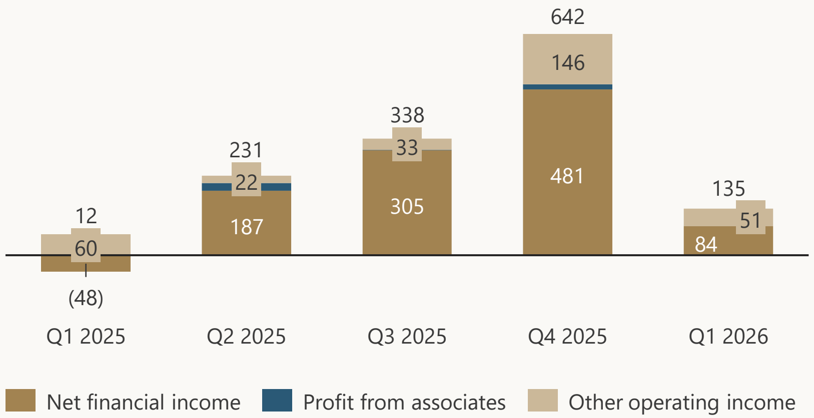
Other Net Operating Income

Quarter characterized by weak domestic markets

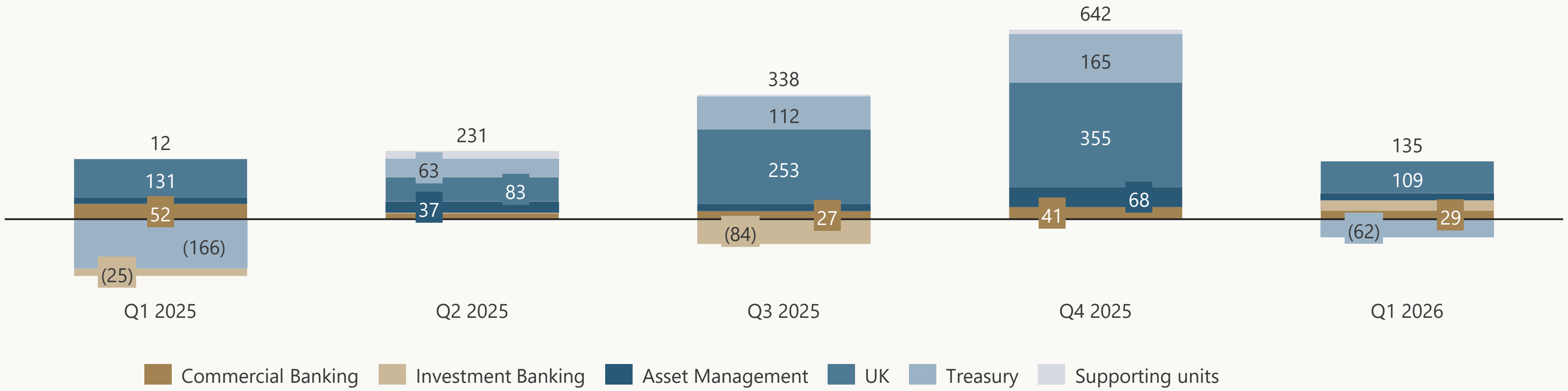
Other net operating income
Q1 2025 to Q1 2026 / ISK m.



Other net operating income
Composition / ISK m.



Other net operating income development
ISK m.



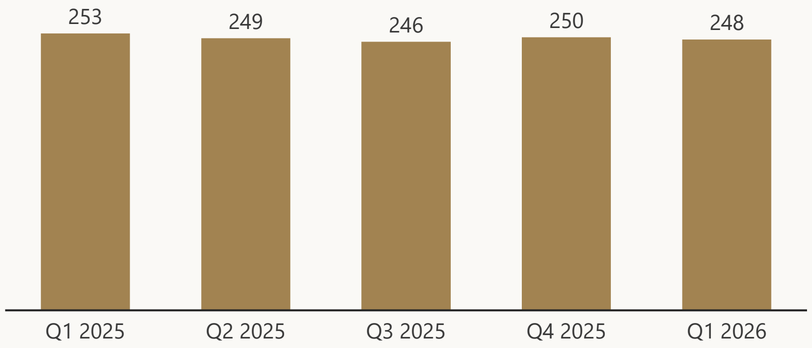
- Other net operating income amounted to ISK 135 million in Q1 2026, a significant drop from an elevated level in Q4 2025 which saw material one-off gains related to a partial exit of an unlisted equity investment in the UK
- As other net operating income is closely linked to net financial income it is naturally subject to quarter-to-quarter variability. Due to weak financial markets in Iceland, the quarter was considerably under budget

Operating Expenses

Cost base reaching normalization after one-off items in Q4 2025

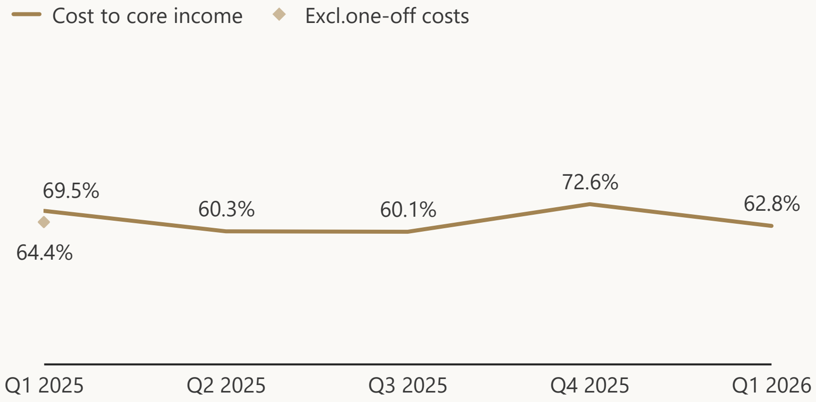
Employee development

Full time employees at the end of each period



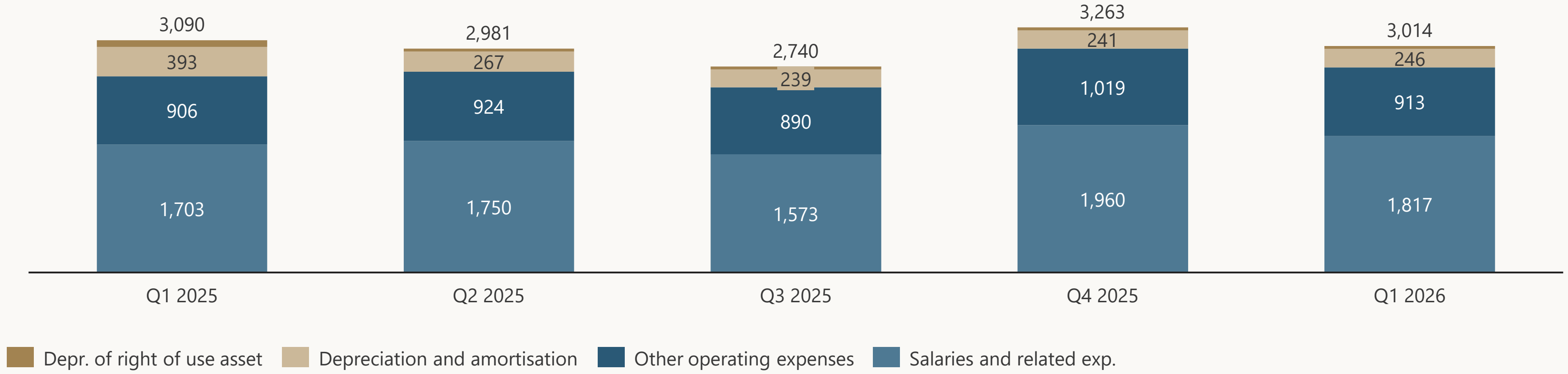
Cost to core income

(%)



Administrative expenses

ISK m.

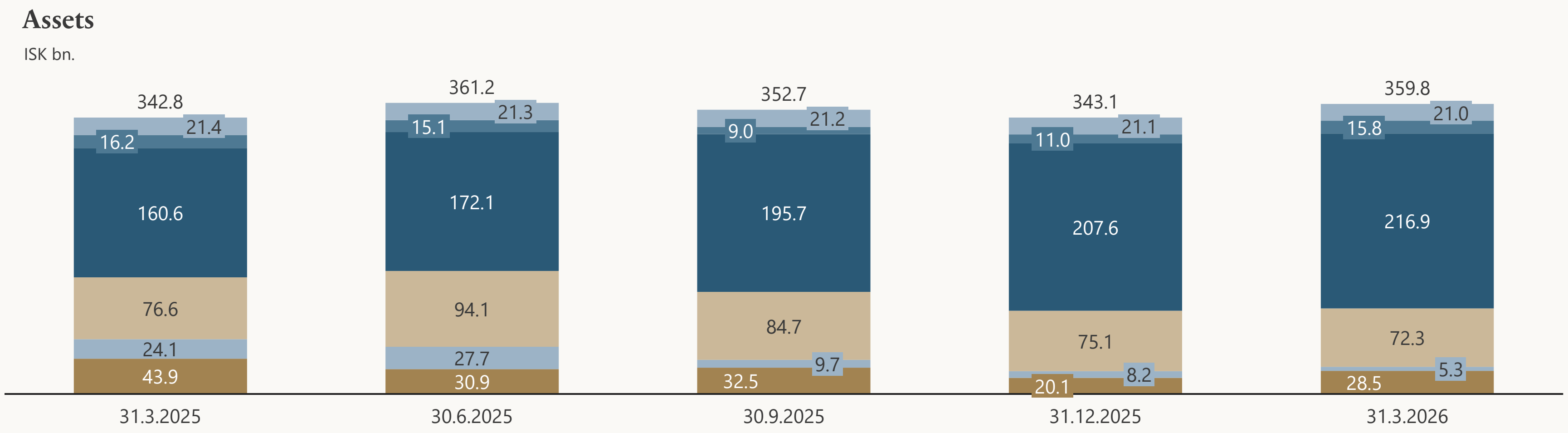


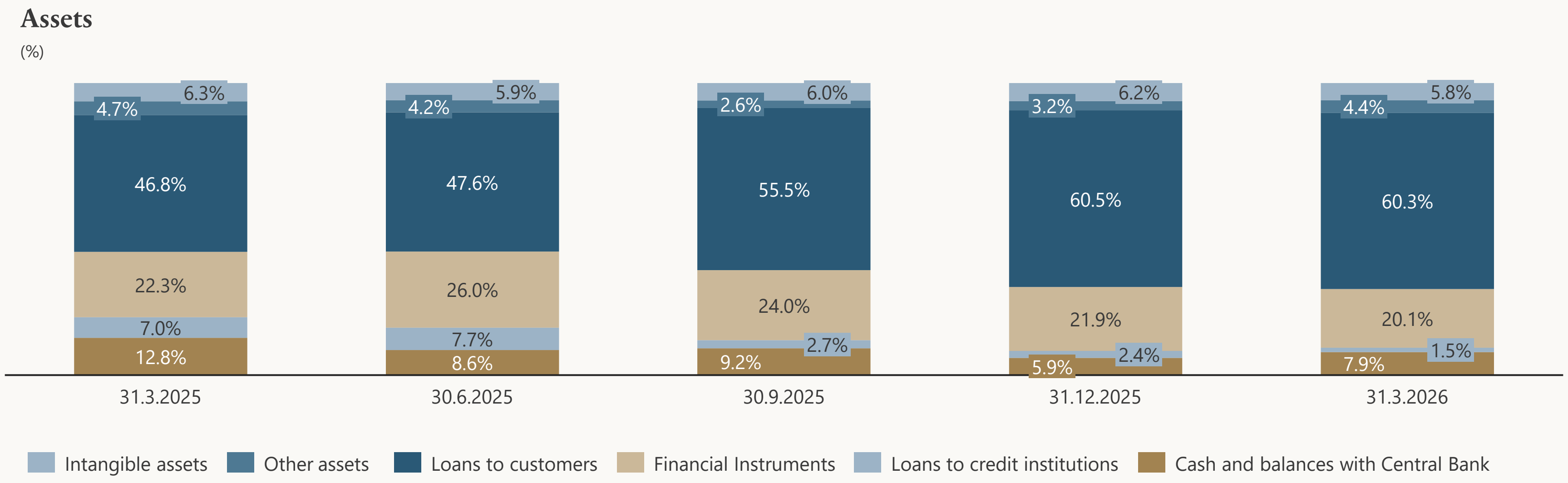
- Operating expenses amounted to ISK 3,014 million in Q1 2026, a decrease of up 2.5% YoY and 7.6% from Q4 2025, reflecting a normalisation following one-off costs in Q4 2025
- Underlying cost base continues to reflect inflationary pressures, particularly in wages, while remaining broadly stable operationally
- Employee count remained largely unchanged, supporting stable cost development and operational capacity despite material loan book growth in the period
- Management remains focused on cost discipline and operational efficiency

Core income is defined as net operating income excluding net financial income

Balance Sheet: Assets

Decrease in liquid assets as loan book grows



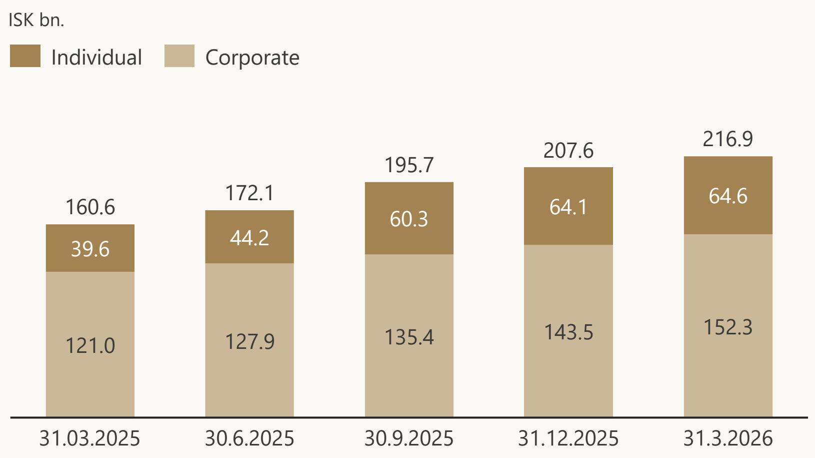


- Total assets amounted to ISK 359.8bn at the end of Q1 2026, increasing by 4.9% YoY
- Loan book growth (+4.5% YoY) remains broad-based across lending classes
- Balance sheet mix continues to shift towards higher-yielding customer lending, funded by reduced liquidity
- Liquidity position remains strong despite ongoing deployment into the loan book
- The bank maintains a modest positive CPI imbalance (ISK 4.1bn), partly related to market-making activities

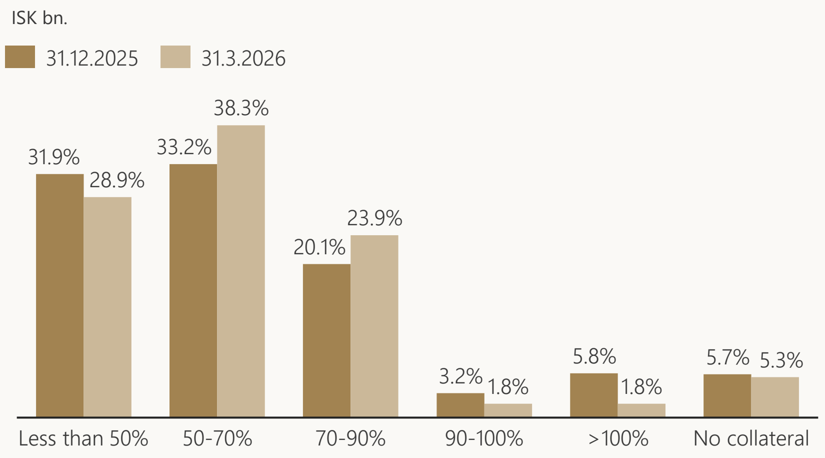
Loans to Customers

Loan book continues to grow in line with business plan

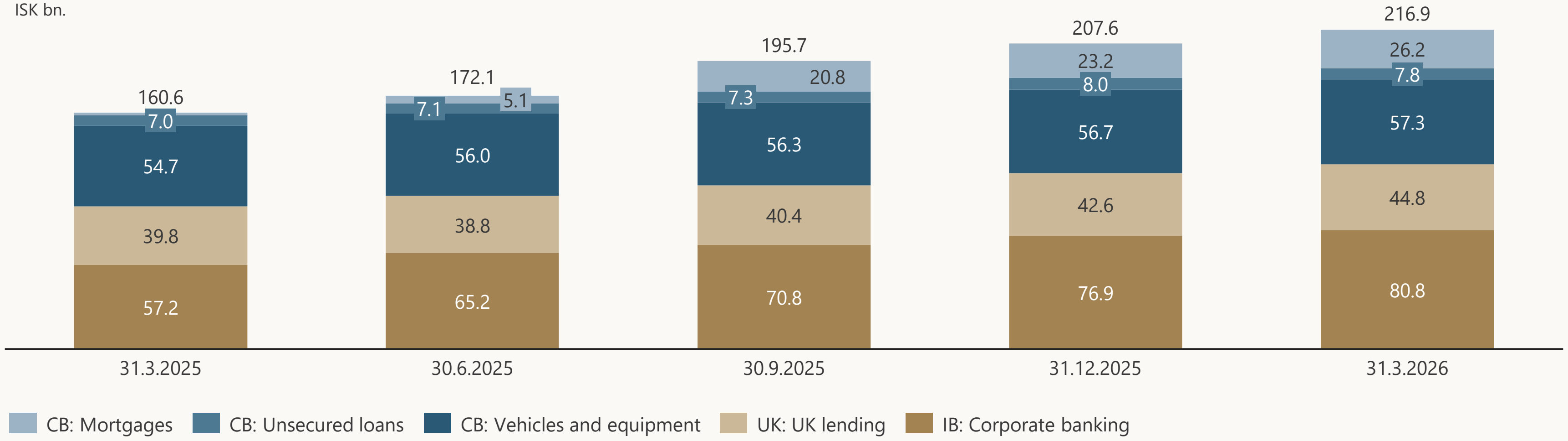
Loans to customers



Loan to value distribution



Loans to customers by type



- Loans to customers increased by ISK 9.4bn in Q1 2026 (+4.5% vs year-end 2025), reflecting continued growth in line with the business plan
- Growth was driven by residential mortgages and real estate-backed lending, both domestically and in the UK
- LTV profile remains strong, with the majority of loans below 70%, supporting a solid risk profile
- Loans secured by real estate in Iceland account for 28% of the total loan book, with just under 40% relating to development or recently developed assets; despite a prolonged high interest rate and inflationary environment, no material credit deterioration has been observed and collateralisation remains strong
- The total value of exposures including loans and commitments secured by residential real estate that are either under development or recently completed amounts to ISK 17.2 billion, representing 7.8% of loans to customers. The average loan-to-value ratio for these exposures is 69%, calculated using the expected sale price or construction value of the properties. Out of the ISK 17.2 billion, ISK 0.5 bn is classified as stage 3

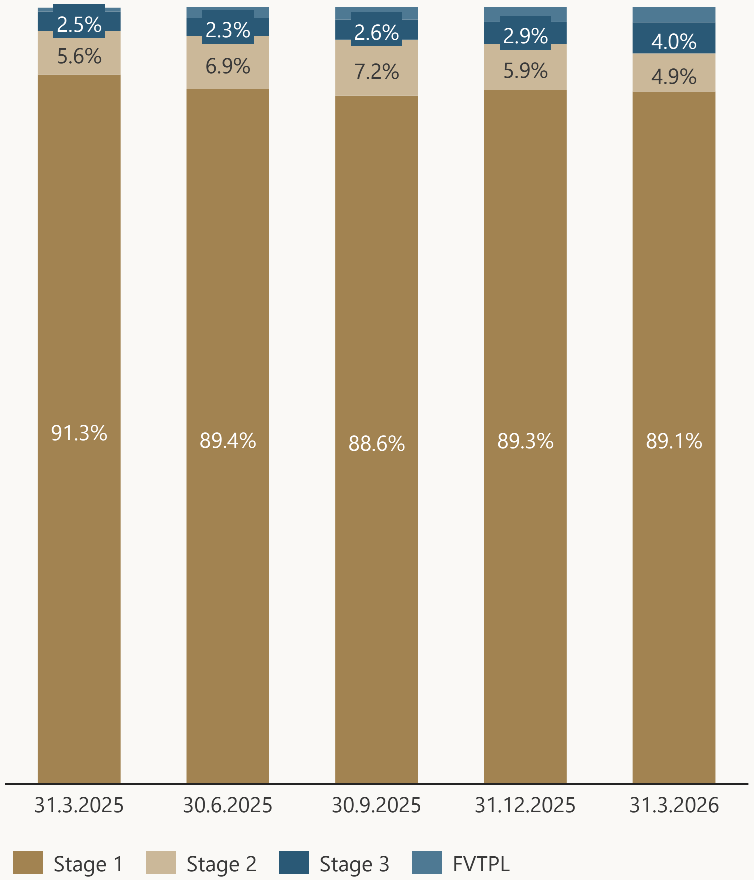
CB: Commercial Banking segment, IB: Investment Banking segment, UK: UK segment

Credit Quality

Underlying credit quality remains strong

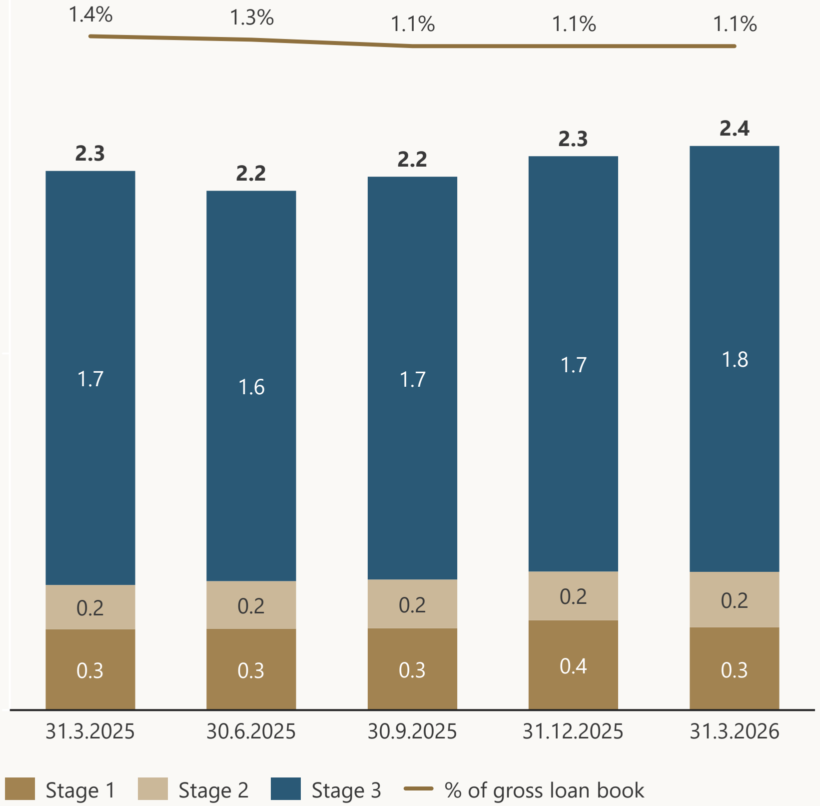
Loans to customers risk stage allocation

Net loan book / (%)



Impairment loss allowance

ISK bn.



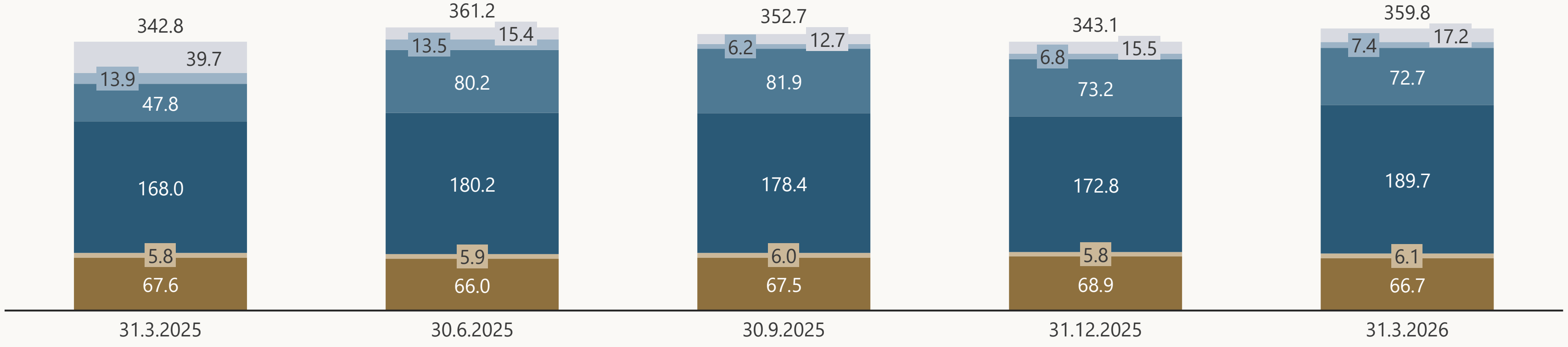
- Credit quality remains solid, with a temporary increase in Stage 3 driven by a single UK exposure
- The exposure is well collateralised and no material impairments have been recognised
- Overall impairment levels remain low and stable at 1.1% of the gross loan book
- No signs of broader credit deterioration are observed, despite a higher interest rate and inflationary environment
- Stage 3 loans remain well-collateralised, with an average loan-to-value of 53.6%, supporting the overall low credit risk profile

Balance Sheet: Liabilities

Stable funding base with balanced mix of deposits and market funding

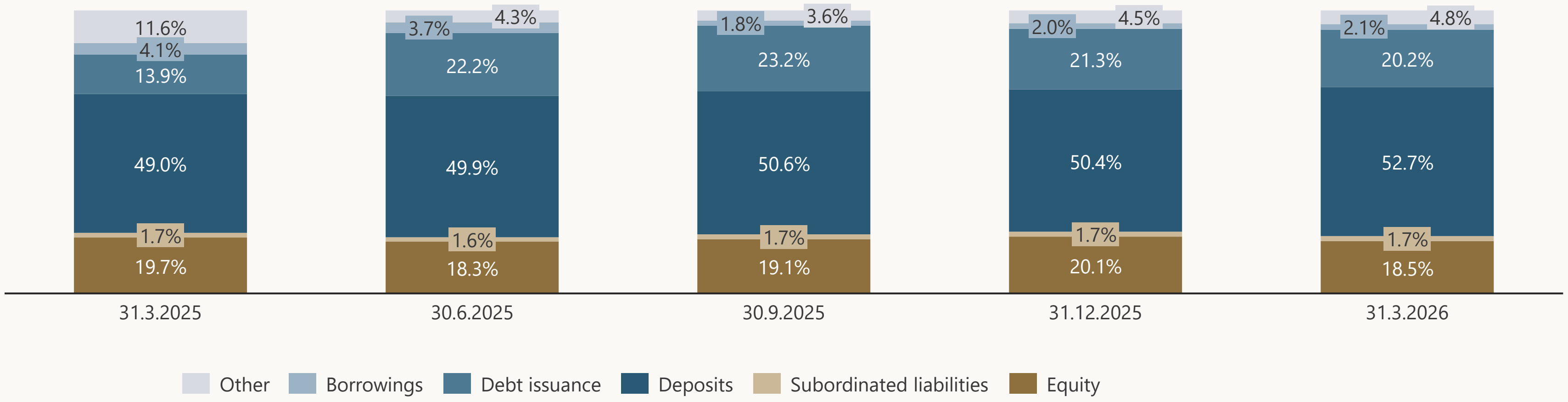
Liabilities and equity

ISK bn.



Liabilities and equity

ISK bn.



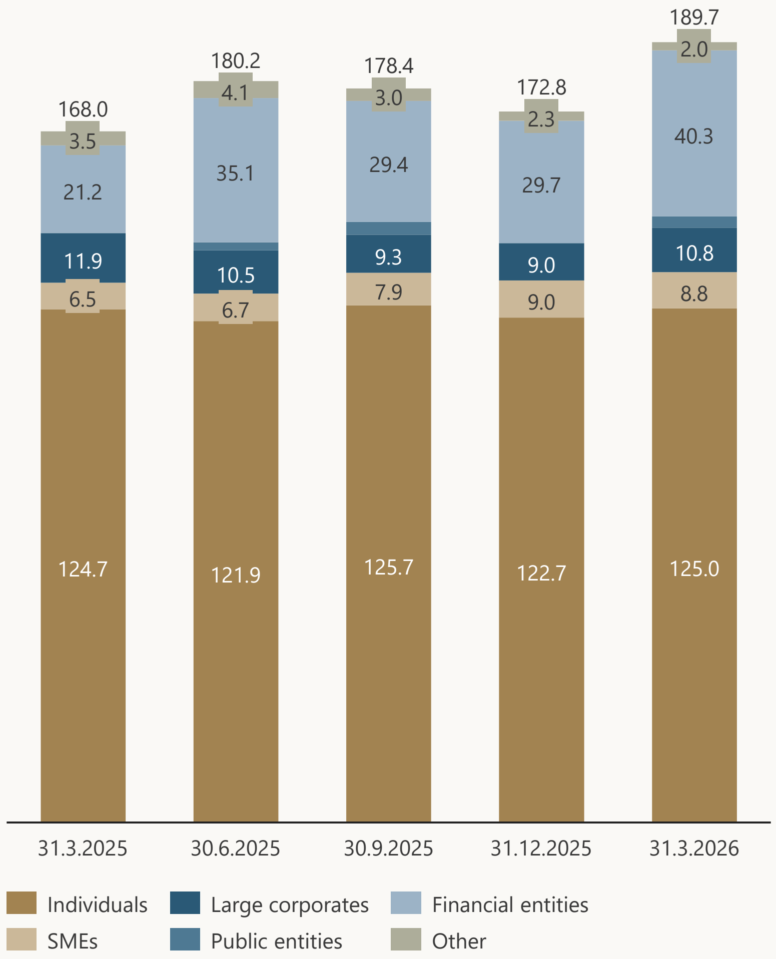
- Total liabilities amounted to ISK 359.8 billion at the end of Q1 2026, increasing by 4.9% YoY
- Debt issuance remained stable in the quarter following maturity repayment activity in late 2025
- Deposits increase by 12.9% YoY and 9.8% from year-end 2025
- The bank continues to maintain a strong and diversified funding profile

Deposits

Retail deposits remain a stable core funding base

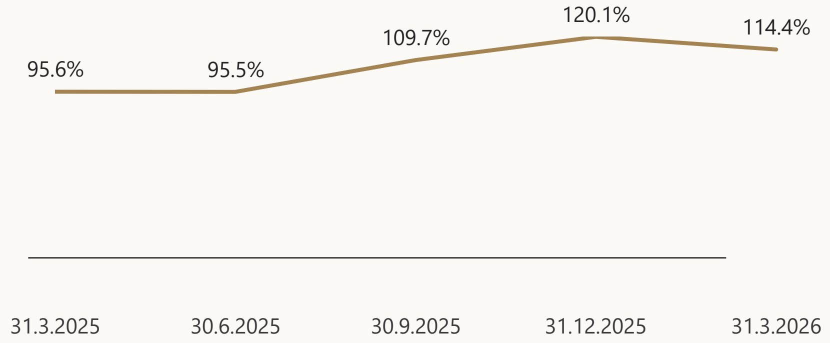
Deposits by type

ISK bn.



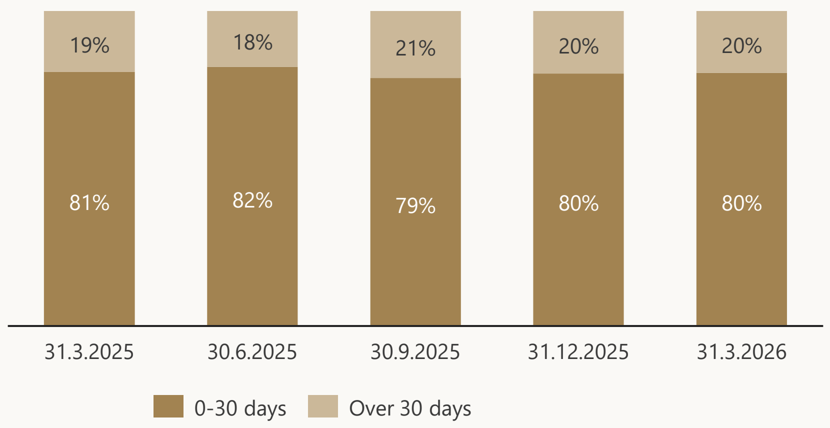
Loans to deposits

(%)



Maturity of deposits

30.06.2025 / ISK bn.



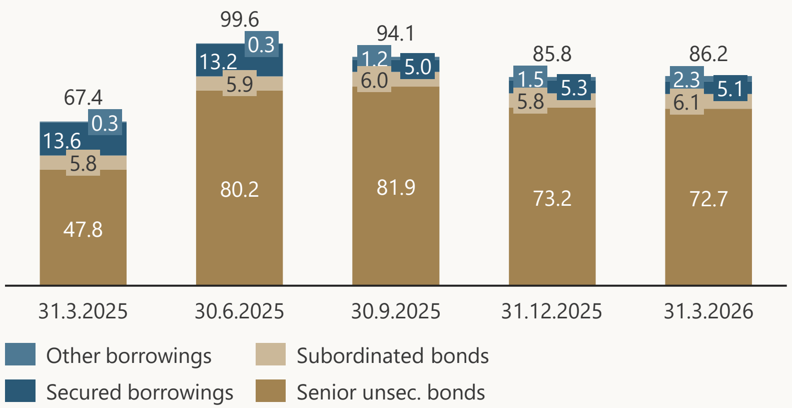
- Total deposits amount to ISK 189.7 billion at the end of Q1 2026, a 9.8% growth from year-end 2025
- Deposit growth driven primarily by financial entities, while retail grow modestly
- Loan-to-deposit ratio decreased to 114%, reflecting strong deposit inflows relative to loan growth
- Deposit maturity profile remained consistent, with around 80% of deposits on demand

Debt Issuance

Steady funding profile supported by international market access

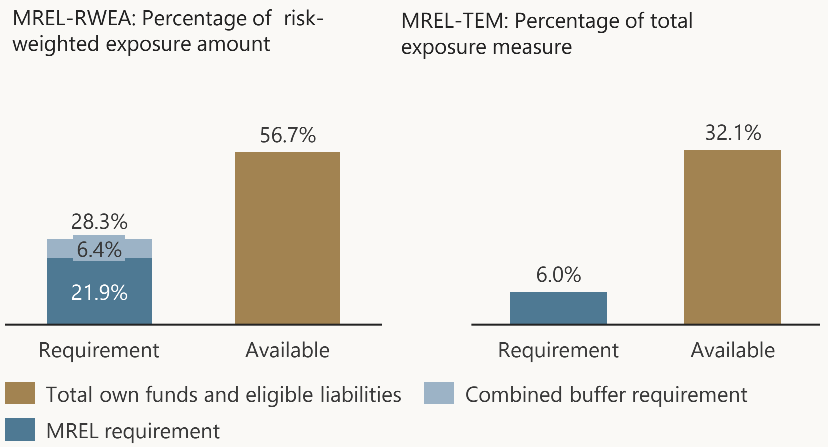
Development of market funding

ISK bn.



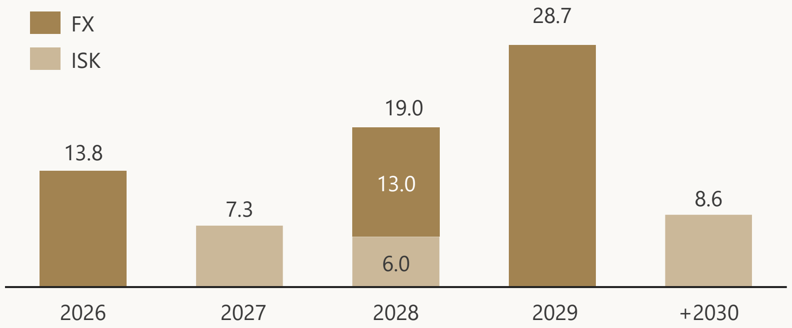
MREL requirements

31.03.2025



Maturity of issuance

31.03.2026 / ISK bn.



Rating

Rating

	Bank deposit rating	Issuer rating
Long term	Baa1	Baa2
Short term	P-2	P-2
Outlook	Stable	Stable
Last update	27 April 2026	27 April 2026

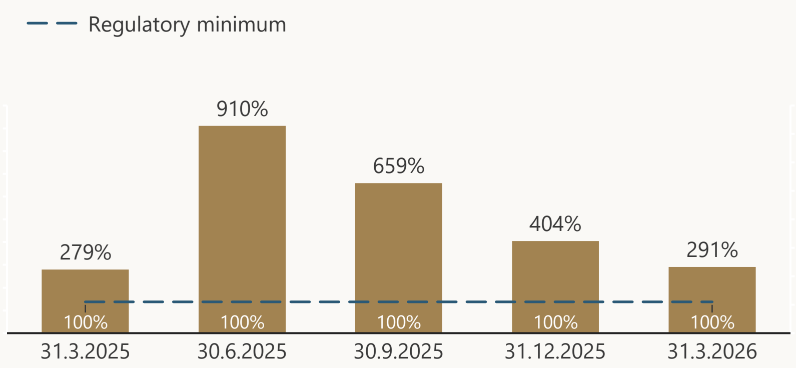
- Market funding remains stable following repayments in Q4 2025
- Kvika issued its inaugural AT1 bonds in April 2026, a key component of the bank's capital optimisation, as presented alongside the Bank's year-end results published in February
- Kvika holds a long-term issuer rating of Baa2 with a stable outlook, confirmed on 27 April 2026
- MREL requirements remain comfortably met, with buffers well above both risk-weighted and total exposure measures
- Kvika maintains strong access to international funding markets, supporting a stable and diversified funding profile

Liquidity and Funding Ratios

Strong liquidity position returning to normal levels

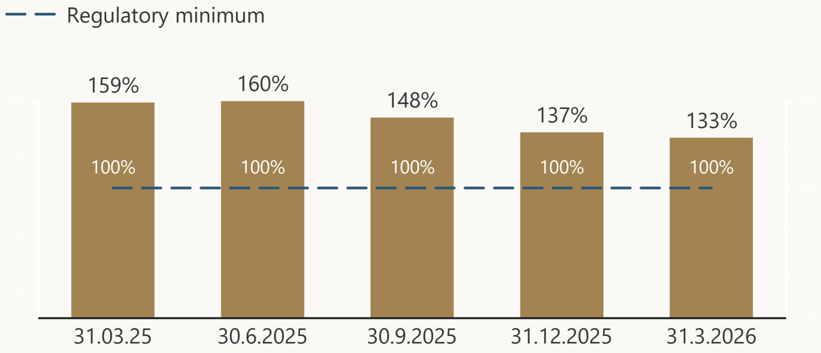
Total liquidity coverage ratio (LCR)

31.03.2026 / (%)



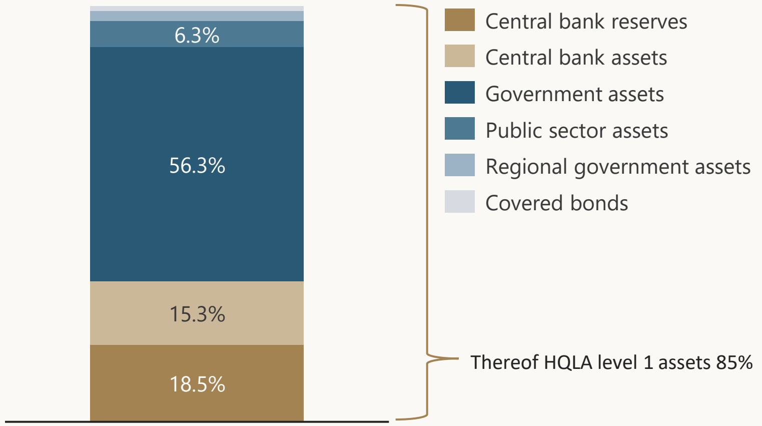
Net stable funding ratio (NSFR)

31.03.2026 / (%)



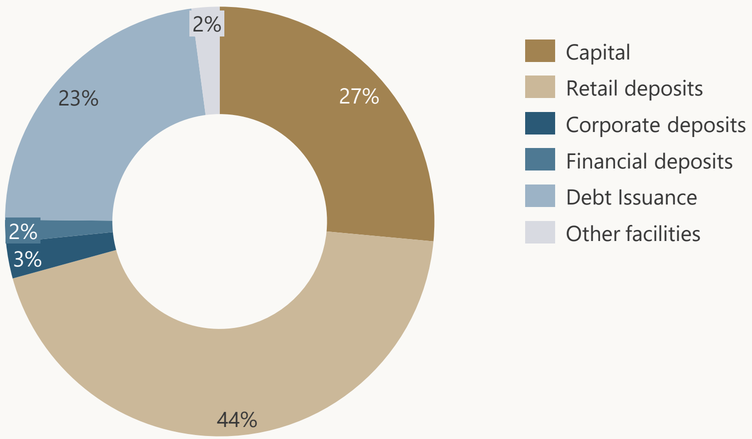
High quality liquid assets (HQLA)

31.03.2026 / (%)



Available stable funding

31.03.2026 / (%)



- The liquidity coverage ratio (LCR) is strong at 291%, well above the 100% regulatory requirement
- Net stable funding ratio (NSFR) is strong at 133%, well above the 100% regulatory requirement
- High-quality liquid assets (HQLA) totalled ISK 69.5 billion, with 85% classified as Level 1 assets
- Kvika maintains a conservative liquidity profile, with funding primarily sourced from retail deposits and long-term debt issuance, supporting balance sheet resilience

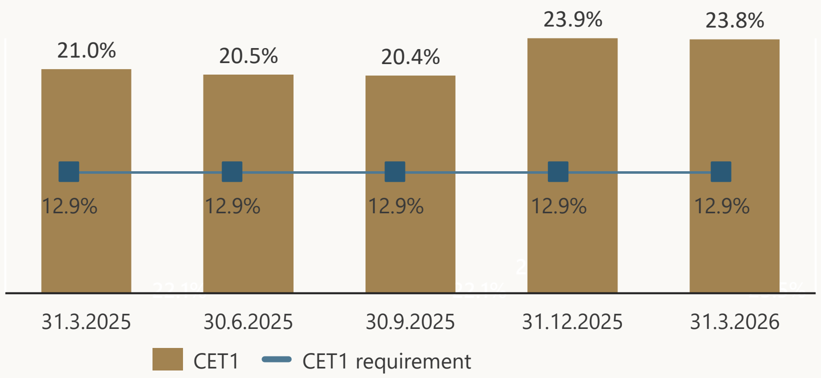
L1: Level 1 assets , L2: Level 2 assets

Capital Position

Strong capital position well above regulatory requirements

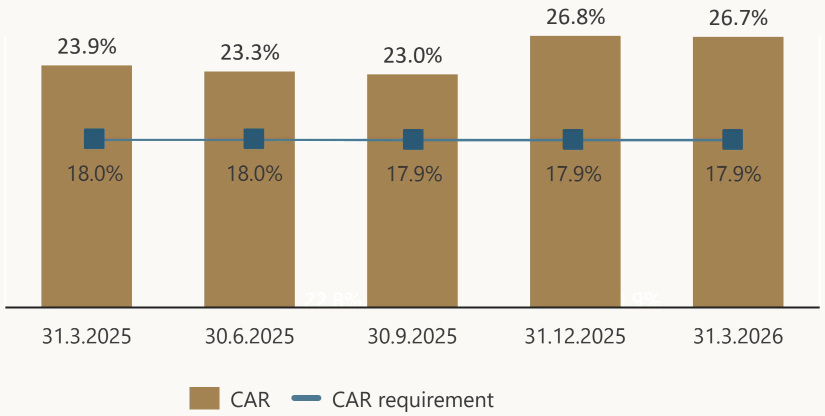
CET1

(%)



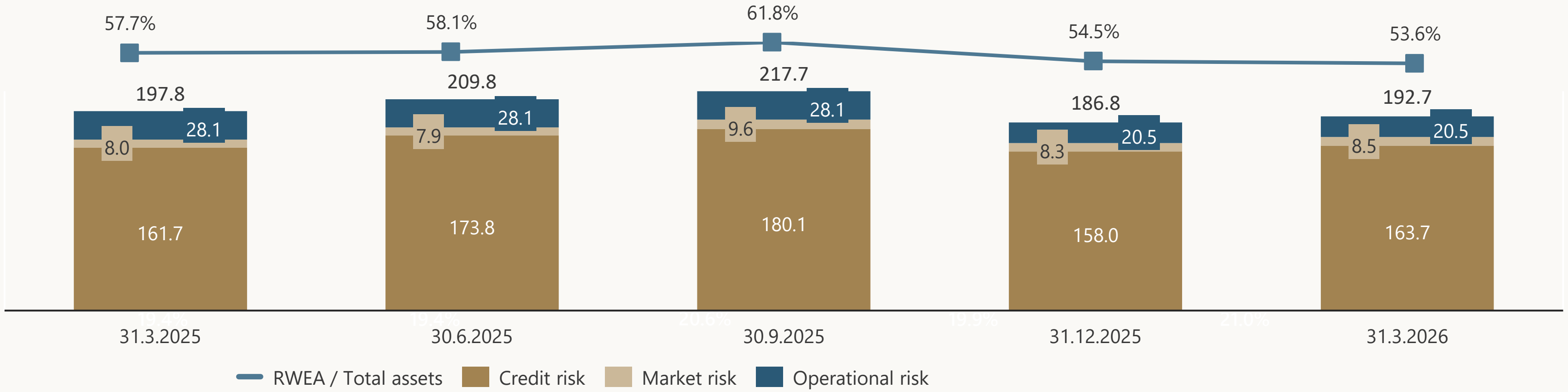
CAR

(%)



Risk-weighted exposure amount (RWEA)

ISK bn.



- CAR of 26.7% at 31.3.2026, including unaudited earnings, well above Kvika's management target
- The bank continues to target a management buffer of 2% to 4% over current and anticipated CAR requirements
- Following the recent AT1 subordinated debt issuance of approximately ISK 4bn and the planned extraordinary dividend payment of ISK 10bn in June, the CET1 ratio would be 18.5% and the CAR ratio 23.5%, assuming all other factors remain unchanged.

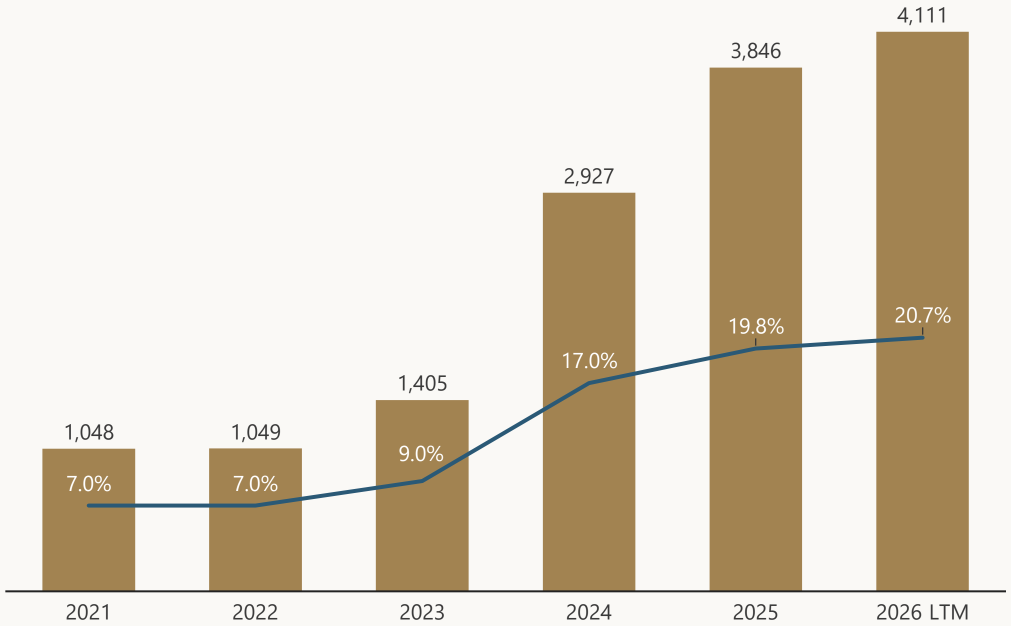
Kvika UK - Update

Strong UK Performance

UK operations have grown significantly and now represent a meaningful part of the Group, with 30 employees

UK net operating income, and % of group

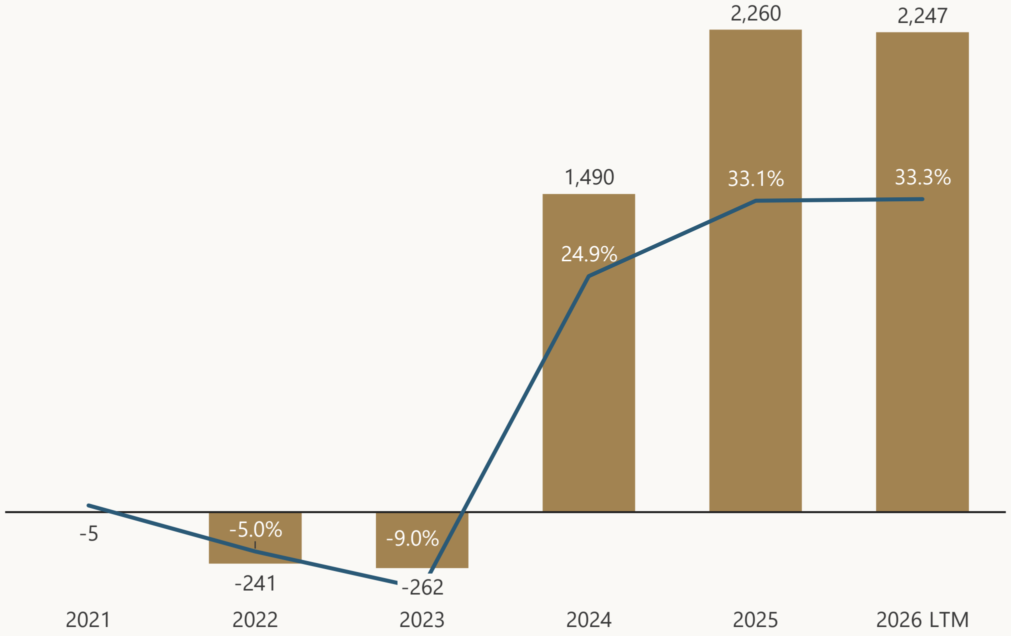
ISK m.



Net operating income continues to trend upwards and now represents approximately 20% of the group

UK adjusted profit before tax[1], and % of group

ISK m.



Larger loan book, higher net interest margins, increased UK-invested AuM, and cost-saving initiatives have all contributed to improved profitability

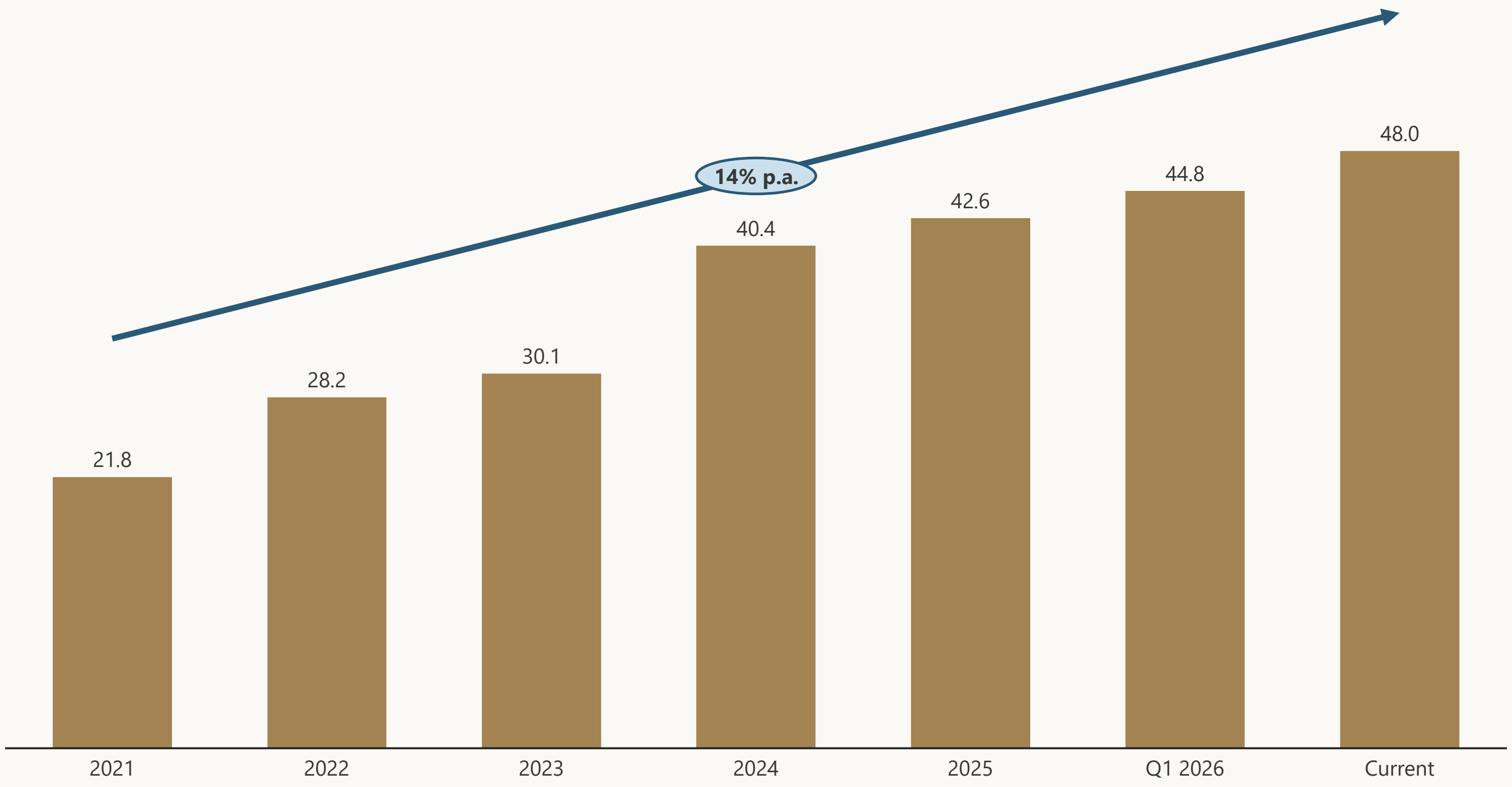
1. 2024 and 2025 adjusted for contingent consideration

UK Lending

The loan book has doubled since 2021

Loan book

ISK bn



- Strong demand has enabled the Ortus team to more than double the loan book since 2021, with continued solid growth across the portfolio.
- Ortus continues to see good market momentum, with a record level of new loans written in Q1 2026, in line with budget.
- Average loan sizes are somewhat increasing, reflecting enhanced capabilities to originate larger transactions.
- There is an increased focus on loan participations, supported by a recent senior hire with a strong profile and background in the UK lending market.
- This is helping to build our position as a syndication partner, providing access to high quality larger loans and institutional UK borrowers.

UK Private Equity

Total private equity investments managed by Kvika UK have grown to approximately ISK 18bn.

UK investments Q1 2024

Cornerstone Healthcare Group

Leading provider of complex care with a strong buy and build story

Year: 2018

Sector: Healthcare

Refined Brands.

Buy and build emphasis with collection of online ethical fashion brands

Year: 2021

Sector: E-commerce

Arcanologists

Alternative fashion retailer with significant growth potential

Year: 2023

Sector: E-commerce

c. ISK 7bn
Aggregate Position[1]

Three year target to achieve ISK 20bn

Current UK investments

ACORNS HEALTH CARE

Renowned provider of special needs care solutions

Year: 2025

Sector: Healthcare

best.energy

Provider of technology-enabled energy management solutions

Year: 2026

Sector: Energy Management

PayPlan®

Leading UK provider of free-to-consumer debt advice

Year: 2025

Sector: Consumer Debt Advisory

mi hub

Leading UK and US provider of uniforms and workwear solutions

Year: 2026 (signed subject to competition authority approval)

Sector: Managed Services Workwear

radiocoms

Leading independent systems integrator for complex, mission critical communications

Year: 2026

Sector: Critical Communications

Cornerstone Healthcare Group / **Refined Brands.** / **Arcanologists**

Partial exit in 2025 delivering 10x to investors

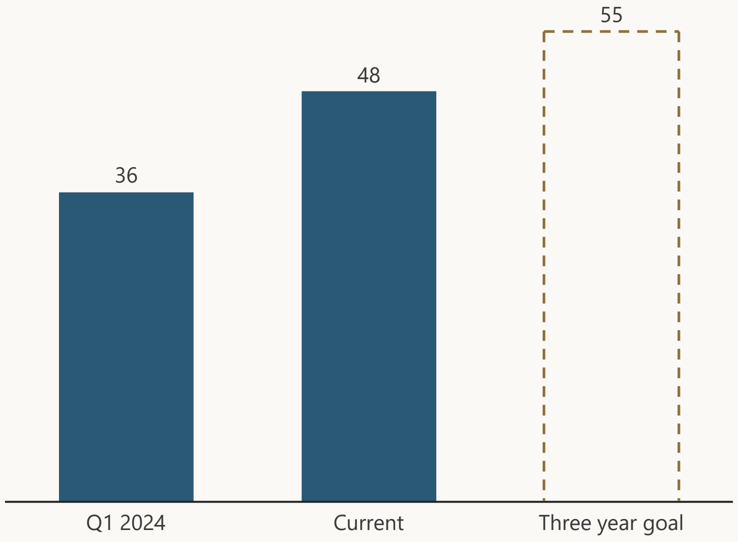
c. ISK 18bn
Aggregate Position

~88% towards target in just two years
Realisation of ISK 1.5bn in the period

1. Aggregate position comprises direct investments from Kvika and AuM invested in the UK

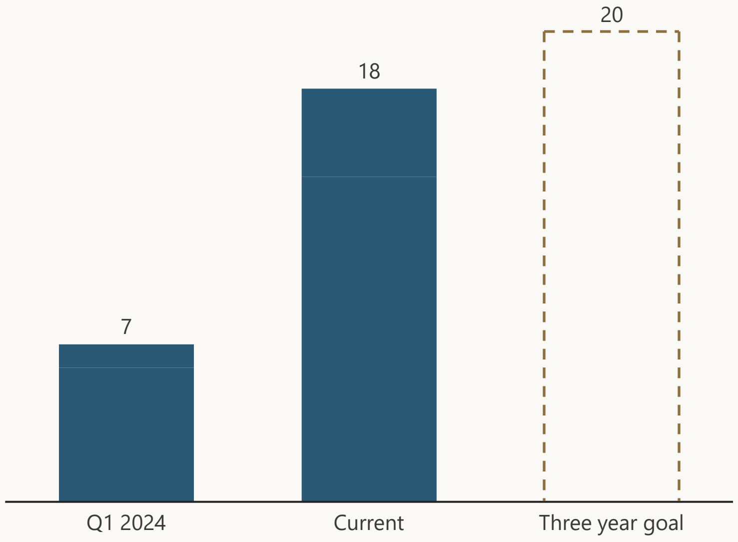
Ambitious Growth Plans Set in 2024 on Track

Loan book
ISK bn



✓ On track (87%)

Aggregate AuM/investment position
ISK bn



✓ On track (90%)

The three-year target set in Q1 2024 is close to being achieved. We remain focused on the following areas:

Lending
- Approximately 87% of the plan has been delivered. Ortus is moving into larger lending sizes, without sacrificing diversification, supported by the current product offering and providing significant scope for further growth
- Loan participation alongside long-standing UK partners has started strongly, delivering attractive yields and exposure to high-quality institutional UK borrowers.
- Significant growth potential remains across the existing product set and loan participation opportunities.

Private Equity
- Approximately 90% of the plan has been delivered.
- Harpa was successfully launched in 2025, and planning for the next fund is already underway.
- Growth continues to be driven by co-investments, expansion within existing investments, and strong lower mid-market opportunities alongside high-quality UK institutional partners.

Back to the Future

Merger discussions concluded following ICA feedback

Kvika was invited to engage in discussions with both Íslandsbanki and Arion banki regarding potential merger opportunities in 2025

At the time, the Bank was executing a strong standalone strategy. Following a structured process and strategic review of both proposals, Kvika's Board considered it appropriate to explore a merger with Arion in order to assess the potential for long-term value creation

Significant effort was devoted to the process, including extensive and constructive engagement with Arion and the Icelandic Competition Authority. However, based on the feedback from the Competition Authority, it was concluded that a merger would not be approved and discussions were discontinued

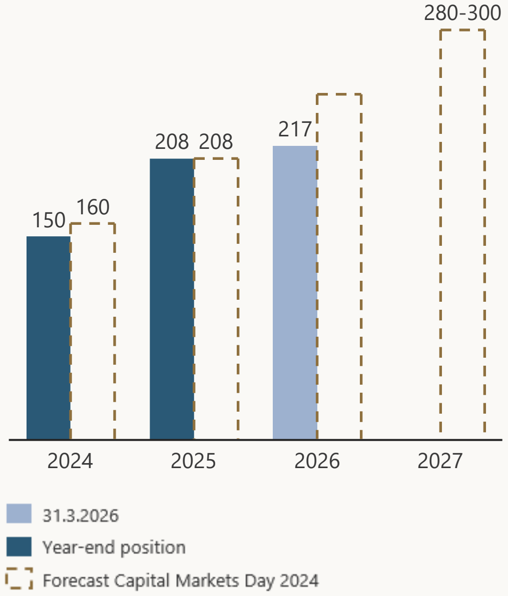
The outcome reinforces Kvika's role as an important competitive force in the Icelandic financial market and highlights that consolidation involving Iceland's largest banks is not feasible under the current regulatory framework.

Kvika is firmly committed and excited about its standalone strategy with primary focus now on disciplined growth, efficiency and creating more shareholder value

Growth Plans Presented in 2024 Remain On Track

Loan book forecast to grow to ISK 280-300 million in 2027

Loan book growth remains on target as announced in 2024



✓ On track

Mortgages introduced mid-year, target diversification on track

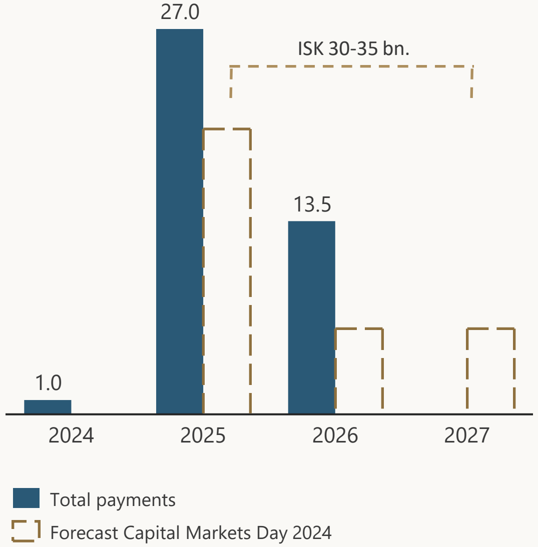
Target loan book diversification has been achieved

Loan Book Breakdown	3M 2026	2027 Target
Vehicle & equipment lending	26.4%	20-25%
Consumer lending	3.6%	3-5%
Mortgages	12.1%	10-15%
UK	20.6%	20-25%
Corporate lending	37.3%	30-40%
Loan Book Size	ISK 217 bn.	ISK ~ 300 bn.

✓ On track

Significant capital return to shareholders expected to continue

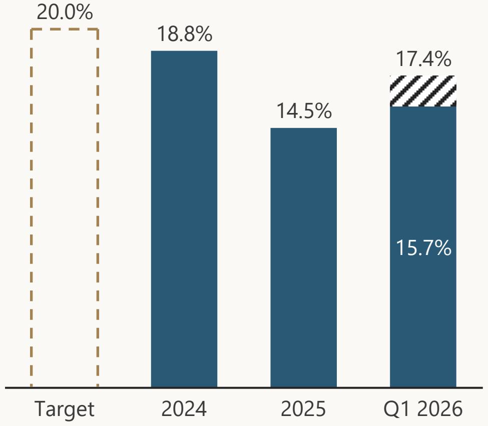
ISK 40.5 bn. scheduled to be returned to shareholders in 2025-2027



✓ On track

Capital optimization will drive pre-tax RoTE target

RoTE would have been 17.4% in Q1 adjusted for an ISK 10.2 bn. special dividend to optimize capital structure



✓ On track

Significant Capital Release – Efficient Capital Structure

Key lever to reach 20% RoTE target

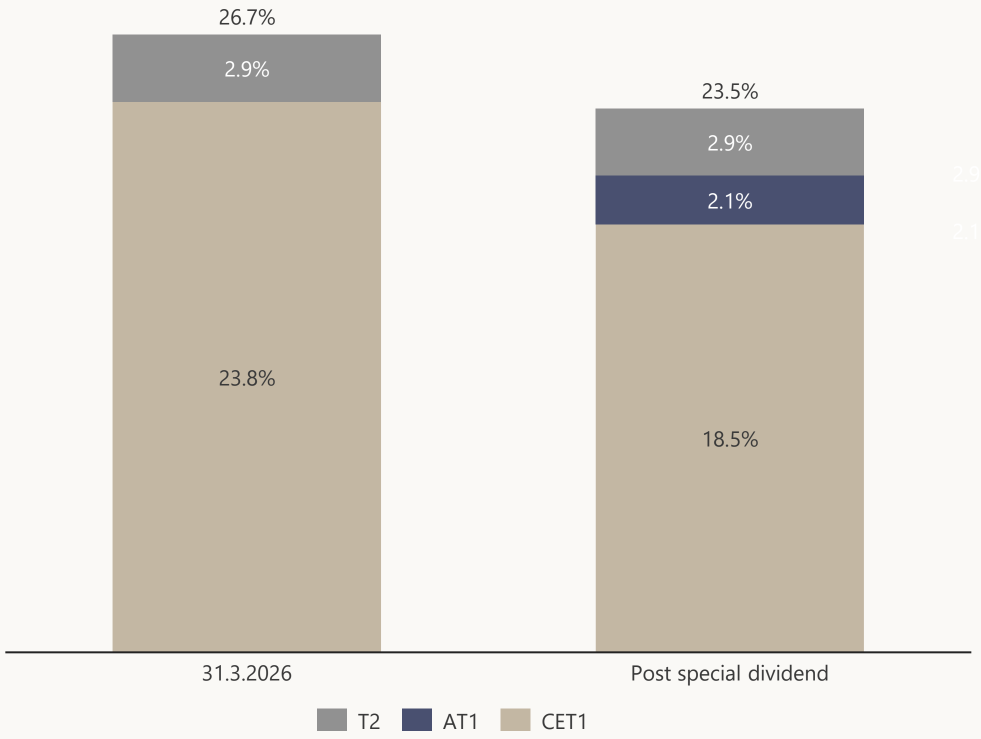
In February, Kvika highlighted significant capital release potential following strong earnings and the implementation of CRR III. In April, the bank took the first step towards capital optimisation with its inaugural AT1 issuance

Significant capital release is planned for 2026, including a special dividend of ISK 10.2 billion and potential share buybacks of up to ISK 4 billion

Share buybacks are expected to commence in Q3 and will be carried out in a phased manner over the course of the year. The size of the programme will be managed to preserve the Bank's current Baa2 credit rating from Moody's

Capital base post capital release

(%)



Estimated CAR development assuming no other changes in the period

Continued Strive for Shareholder Value

Strategic initiatives to follow capital efficiency measures

Continued loan book growth	Loan book growth is proceeding as planned, building a stable income base
Cost efficiencies	A strictly maintained cost base will support strong earnings as interest income grows
Improvement in funding costs	Funding costs will decrease as older FX funding is refinanced at current market pricing. Additional opportunities in issuance of covered bonds in ISK
Push for increase in fees and financial income	Income will be supported by new funds in Iceland and the UK as well as realisation of increased focus on carry and principal investments
Selective M&A to sharpen focus and/or strengthen core businesses	As opportunities arise

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