Kvika banki hf.

Q1 2025 Financial Results

7 May 2025

Q1 2025

- Strategic developments in the first quarter resulted in the recognition of sizable non-recurring items
  Sale of TM to Landsbanki finalised and acquisition of 100% of Ortus Secured Finance concluded
- Profit before tax, normalized for non-recurring items, ISK 1,590 million compared to ISK 1,215 million in Q1 2024
  Income statement profit before tax of ISK 701 million heavily impacted by non-recurring items in the quarter
- Net interest income ISK 2,917 million compared to ISK 2,326 million in Q1 2024
  Increasing by ISK 590 million from previous year or 25.4%
- Net fee and commission income ISK 1,520 million compared to ISK 1,633 million in Q1 2024
  Decreasing by ISK 113 million from previous year or 6.9%, substantial corporate finance fees in relation to sale of TM deducted from results
- Administrative expenses ISK 3,091 million compared to ISK 2,666 million in Q1 2024, ISK 2,864 million adjusted for non-recurring expenses
  Increasing by ISK 424 million from previous year or 15.9%

Profit before tax, normalised	ISK 1, 590 m.
Profit before tax, income statement	ISK 701 m.
Profit after tax including TM proceeds	ISK 2,086 m.
Pre-tax RoTE, normalised	17.7% (7.8% income statement)
CAR	23.9%

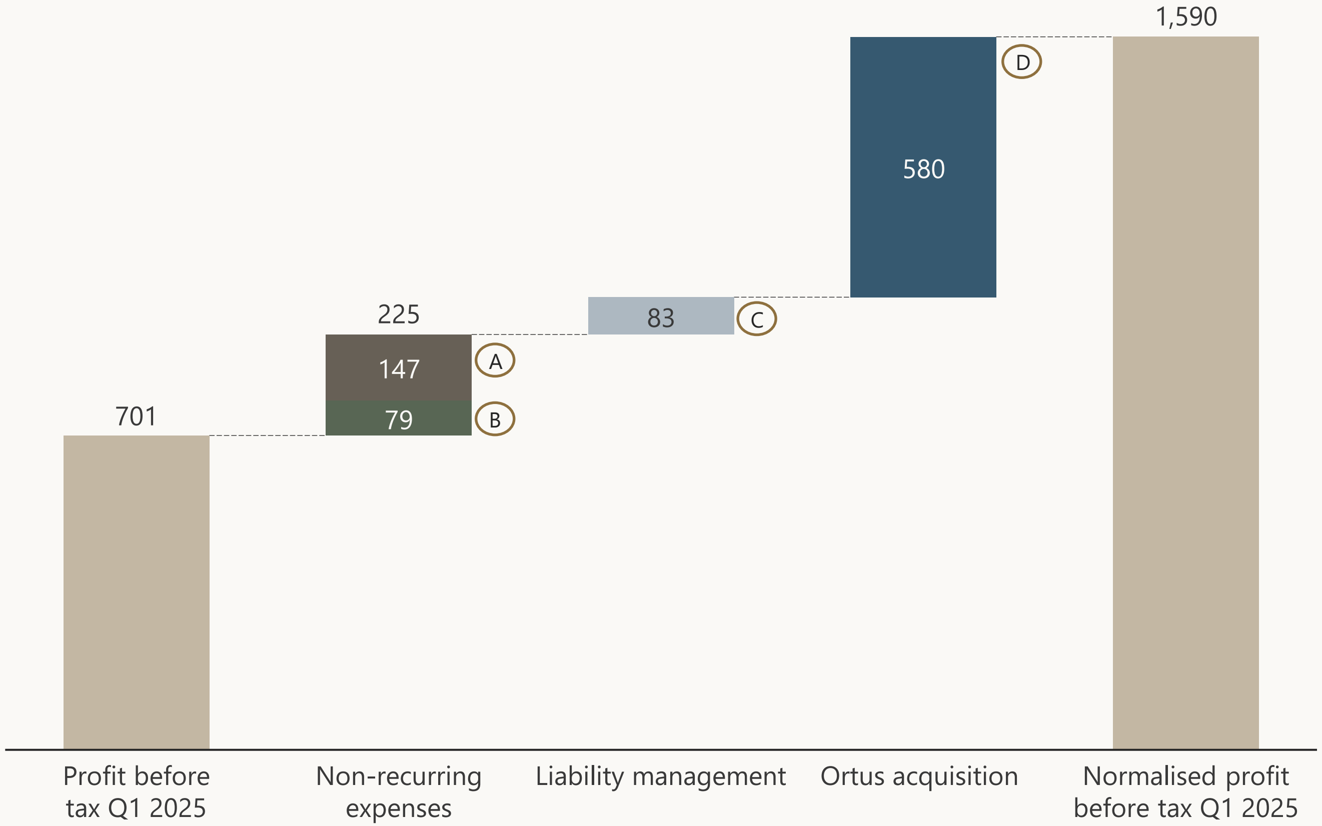
Non-recurring items in Q1 mainly due to strategic developments

Kvika's Q1 results were influenced by several non-recurring items, reflecting various readjustments following the completion of the TM divestment and finalisation of the acquisition of Ortus Secured Finance (Ortus)

These non-recurring items appear in various parts of the income statement. While most non-recurring expenses and revaluations are reflected above Kvika's key metric of 'profit before tax', various non-recurring items linked to the sale of TM are reported as profit after tax from discontinued operations

Adjusting for non-recurring items to reflect the underlying performance, normalized profit before tax from Kvika's continuing operations in Q1 amounted to ISK 1,590 million

Adjustments to reflect underlying performance in Q1 2025
ISK bn.



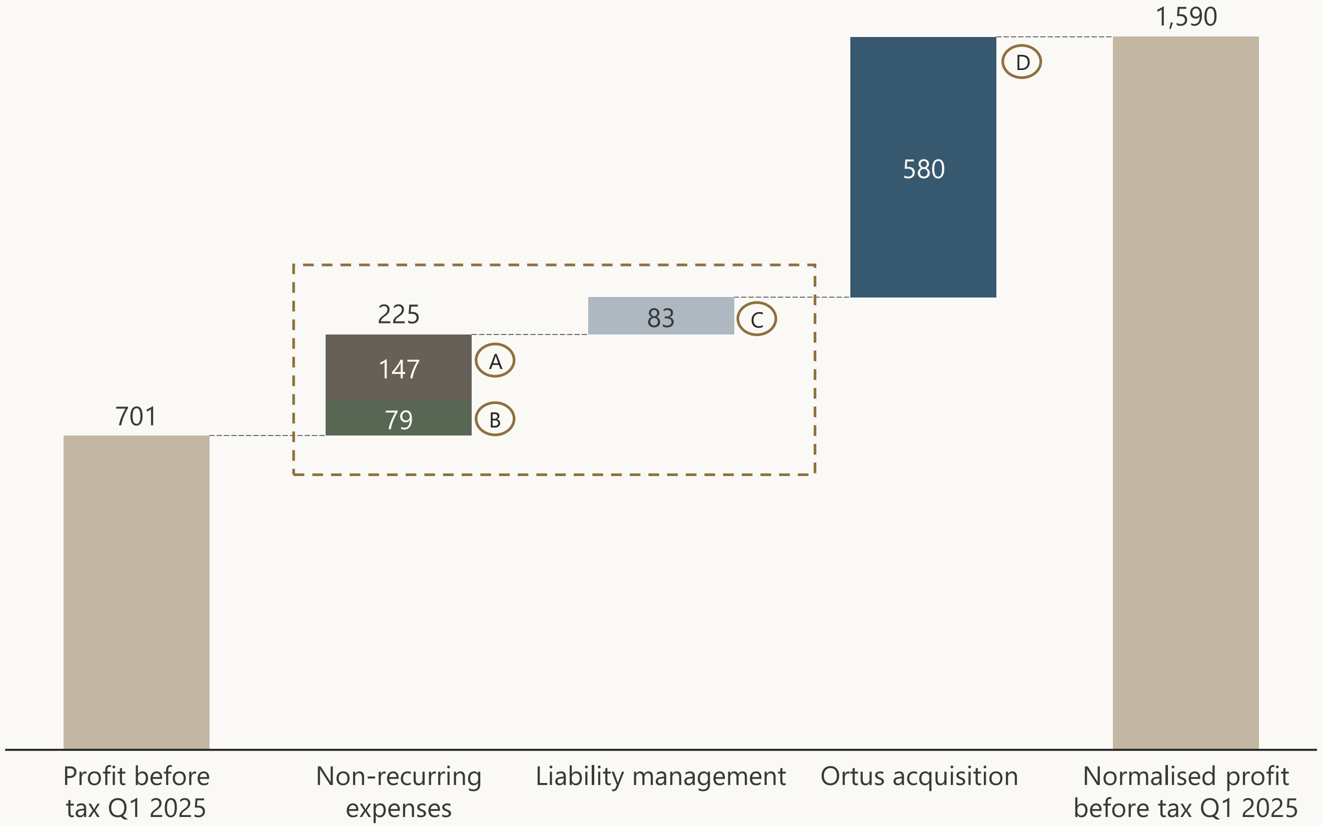
Non-recurring expenses will reduce costs going forward

Various non-recurring expenses are recorded in Q1, linked to the divestment of TM insurance and consequent readjustment of the business

A. **TM divestment related impact**: Expedited depreciation of assets, housing cost and other items, recorded as an administrative expense
B. **Balance sheet adjustment:** balance sheet adjustment to reflect the write-off of intangible assets, recorded as an administrative expense
C. **Liability management**: partial debt buyback in January in order to reduce funding costs going forward, recorded as a financial expense

Non-recurring expenses will support a reduced cost base going forward as TM no longer contributes to shared costs base and the bank realigns its operations post-divestment

Adjustments to reflect underlying performance in Q1 2025
ISK bn.



Expedited Ortus acquisition pushes forward revaluation

D. **Expedited Ortus acquisition:** In March 2025, Kvika completed the expedited acquisition of the remaining 19.7% management share in Ortus, originally scheduled for gradual acquisition through 2028 with a valuation tied to Ortus's annual performance

- Retention mechanism in place with key management, including an earn-out, escrow, and clawback arrangement until 2028

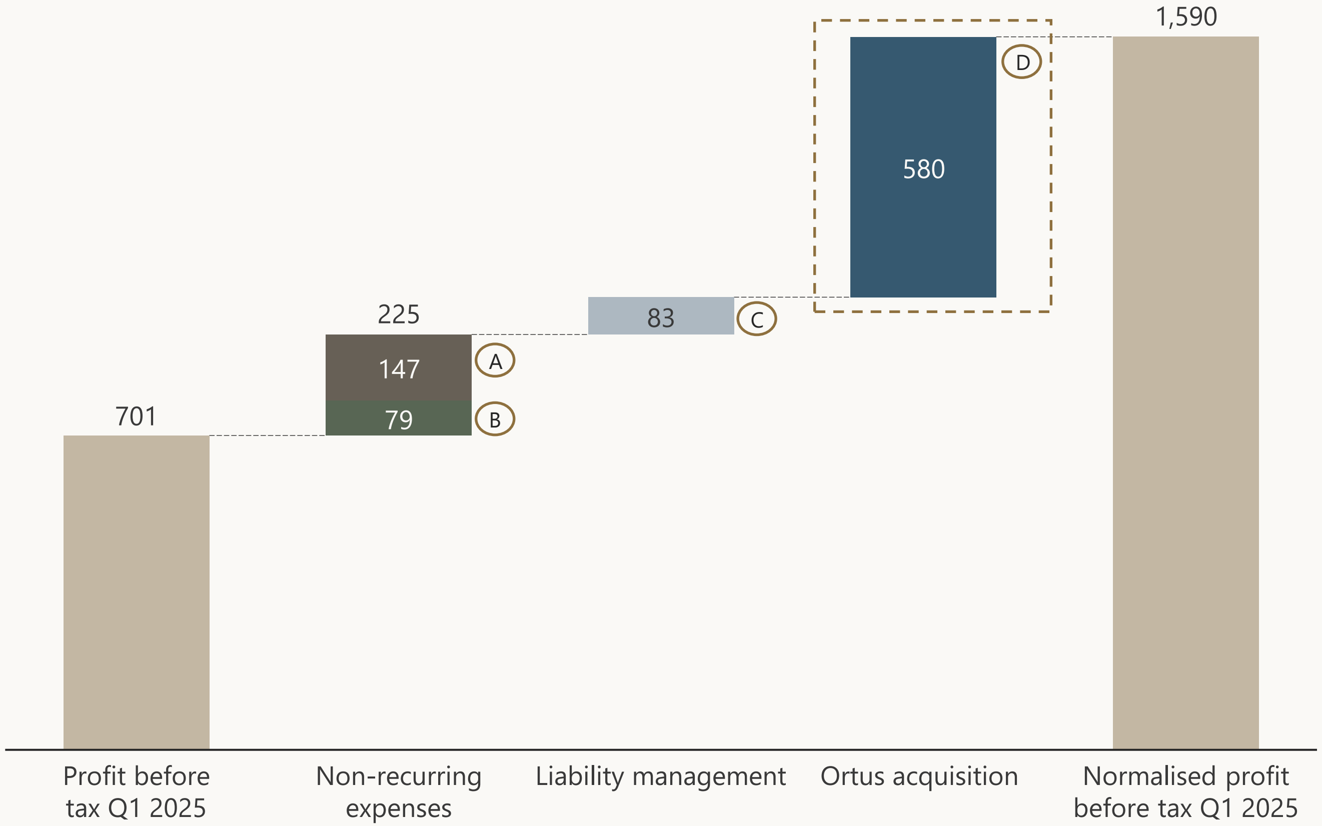
Although management has held a minority stake, Kvika has historically recognized 100% of Ortus' profits due to its obligation to acquire the remaining shares over time while the increased value of management's stake was reflected in a revaluation of contingent consideration

- Revaluation related to Ortus was ISK 149 million in 2024

The accelerated acquisition has brought forward the revaluation which is fully expensed at ISK 580 million in Q1, assuming maximum earn-out and escrow payments

- Estimated revaluation in 2025-2028, based on budget, was considerably higher

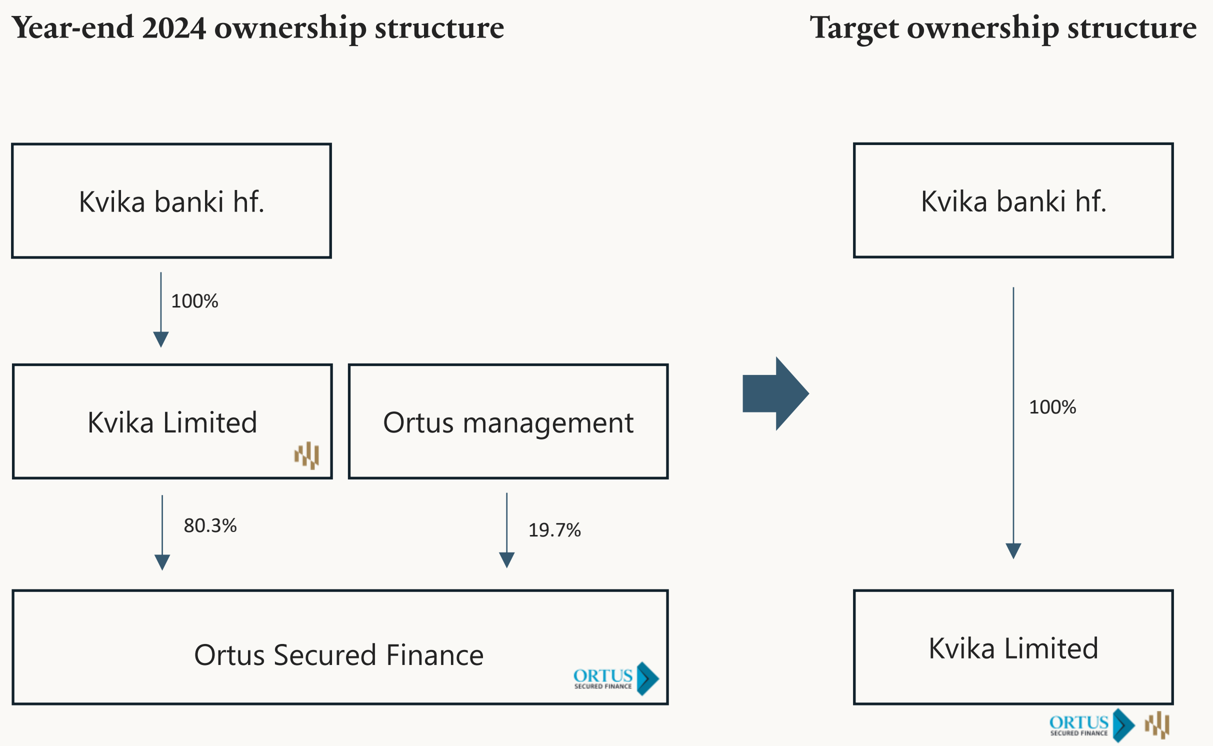
Adjustments to reflect underlying performance in Q1 2025
ISK bn.



Expedited Ortus acquisition is a key step in UK consolidation

Consolidation Plan

1. **Remainder of shares in Ortus acquired, enabling Kvika's 100% ownership**
   - ➢ No further revaluation of contingent liabilities
2. **Consolidation of Kvika Limited and Ortus in preparation, with the aim of fully integrating UK operations this year**
   - ➢ Reduced operating costs
3. **Bulk of UK loan book moved to Kvika in Iceland and new loans made from Iceland under the Ortus brand**
   - ➢ Enables further growth and refinancing of loan book
   - ➢ Allows for flexibility in capital allocation and internal pricing within the group
   - ➢ Part of loan book funded in UK to stay on Ortus balance sheet
4. **Refinancing of UK loan book via European bond offering**
   - ➢ Lowering of funding costs
   - ➢ Diversification of funding base



Ortus acquisition has been successful for Kvika

Management shares in Ortus are acquired at GBP 7.2 million, equivalent to 8.0x 2024 adjusted profit after tax, with a GBP 1.55 million maximum earn-out linked to 2025 results

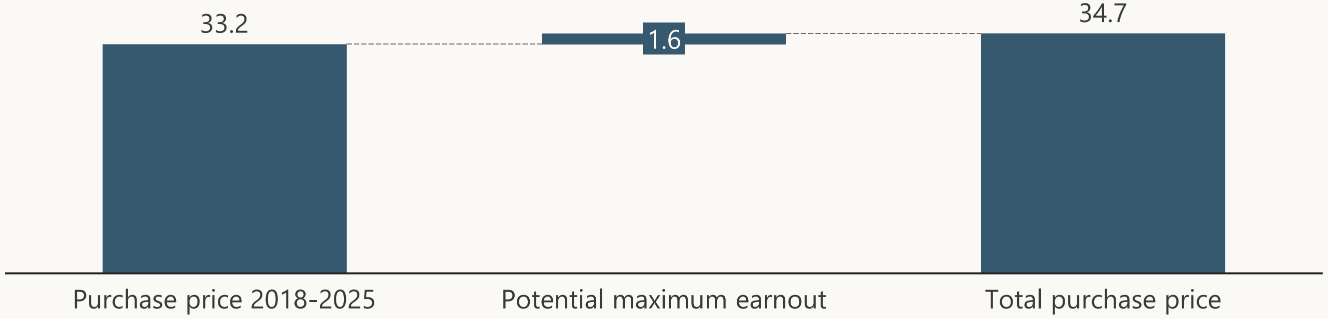
Following the purchase of management's shares in Ortus and assuming a full earn-out payment, Kvika has acquired all preferred and ordinary capital in Ortus for GBP 34.7 million

Ortus reported a profit after tax of GBP 6.4 million in 2024, and the profitability of the UK lending business is expected to grow substantially in the coming years. In addition, a planned refinancing is anticipated to further enhance profitability

Management has been further integrated in the bank with Richard Beenstock managing Kvika Limited, strengthening asset management and corporate finance while Jon Salisbury heads up UK lending operations

Purchase price summary

GBP m.



Ortus key figures

GBP m.

8.0	6.4	27.8
Profit before tax 2024	Profit after tax 2024	Book value of equity 31.12.2024

Commercial Banking

Segment highlights

Solid loan book position and a strong deposit base

- Continued momentum in the preparation of a new mortgage offering, scheduled to launch in the coming weeks
- Total deposits increased by over 2% in Q1 2025, despite a declining interest rate environment. Growth was supported by continued momentum in Auður online deposits, driven by individual clients and new corporate customers
- Vehicle lending grew by 17% year-on-year in Q1 supported by an increase in new vehicle registrations

Investment Banking

Segment highlights

Good quarterly performance amid market volatility

- Q1 marked by extraordinary market conditions, where the Icelandic stock market experienced a significant downturn, reflecting global market volatility. The CB's monetary policy will continue to play pivotal role in shaping the market trajectory in the coming quarters
- Lending growth remained very strong in Q1. Looking ahead to Q2, a robust pipeline underpins expectations for continued growth in corporate lending
- Solid performance by Corporate Finance highlighted by the successful completion of the sale of TM

Geopolitical tensions and market volatility impacts operations

- Asset management was materially impacted by the heightened volatility in global equity market in the quarter, which dampened the expected boost in the Icelandic equity market despite lower interest rate expectations
- Assets under management amounted to ISK 441 billion at end of March 2025, a decrease of ISK 15 billion from the end of December 2024. Thereof, ISK 4.5 billion is attributable to scheduled liquidation of funds and bond repayments in credit funds
- Despite reduction in AuM, multiple asset classes, such as private banking portfolios, recorded net positive inflows during the quarter, reflecting strong client trust and loyalty despite a challenging market backdrop

Positive Q1 performance from UK operations with increased activity level since launch of Harpa

- Strong performance in Q1 driven by continued positive results at Ortus Secured Finance maintaining NIM in line with prior quarters and further improvements in credit quality
- Financial income in Q1 mainly attributable to the continuing excellent performance of a UK principal investment
- A high level of activity and pipeline in the UK across both lending and investments despite the challenging macro-economic turbulence
- Harpa completed its first private equity transaction in the health sector

Financials

Income Statement

Q1 2025

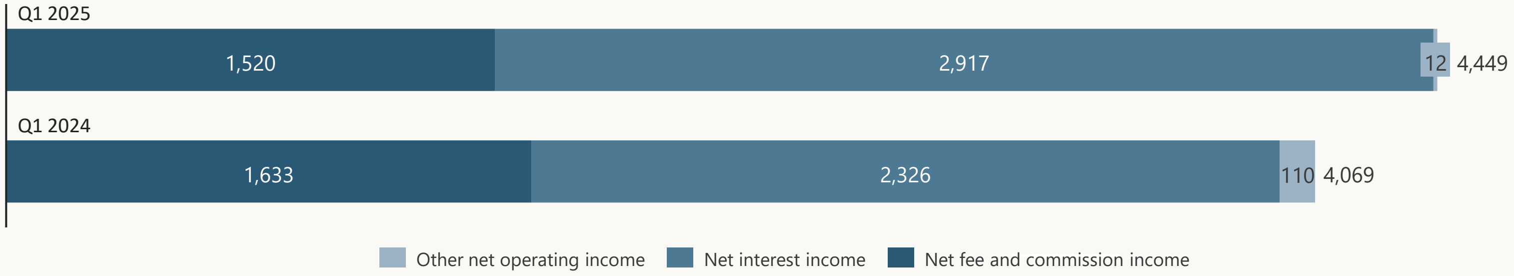
Income Statement

ISK m.

	Q1 2025	Q1 2024	Diff.	Q4 2024	Diff.
Net interest income	2,917	2,326	590	2,498	419
Net fees and commissions	1,520	1,633	(113)	1,601	(81)
Other net operating income	12	110	(98)	567	(555)
Net operating income	***4,449***	***4,069***		***4,666***	
Administrative expenses	(3,090)	(2,666)	424	(2,864)	(226)
Net impairment	(65)	(188)	(122)	(91)	26
Revaluation	(593)	0	593	(110)	(483)
Pre-tax profit	***701***	***1,215***		***1,601***	
Income tax	(438)	(152)	286	(45)	(412)
Special bank taxes	(77)	(76)	1	(19)	(30)
After-tax profit	***186***	***987***		***1,528***	
Profit after tax from discontinued operations	1,901	96	1,805	1,919	(18)
Profit for the period	***2,086***	***1,083***		***3,447***	

Revenue Composition

ISK m.



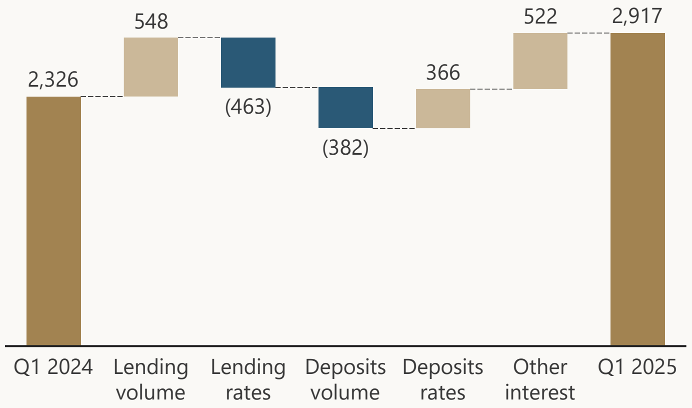
- Net Interest Income: Grows 25.4% YoY, driven by a larger balance sheet and high cash position
- Net fee and commission income: decrease of 7% compared to Q1 2024
- Other net operating income: ISK 98 m. decrease YoY
- Net Operating Income: Increased by over 9% year-over-year (YoY), driven by significant growth in net interest income
- Administrative expenses: increased by 15.9% YoY according to the income statement. Adjusting for non-recurring expenses of ISK 225 million during the period, the normalized increase is 7.5%

Net Interest Income

Strong net interest margin

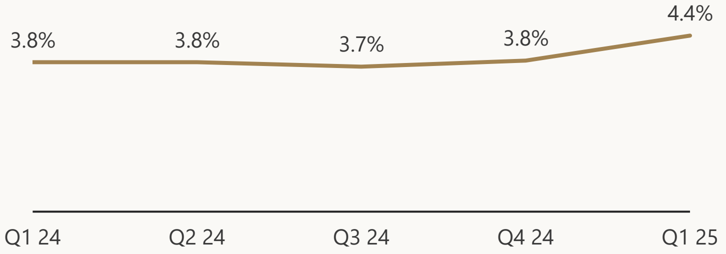
Net interest income

Q1 2024 to Q1 2025 / ISK m.



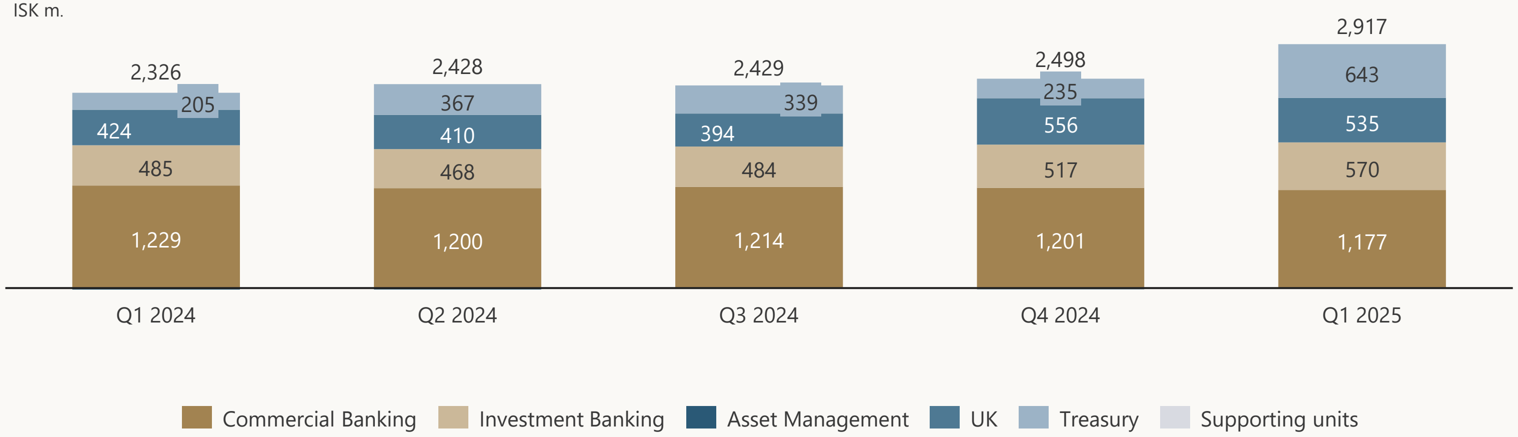
Net interest margin development

(%)



Net interest income development (NII)

ISK m.



- Net interest income up 25.4% from Q1 2024 driven by a growing loan book and a high cash position
- Cash position increased significantly in February as the purchase price for TM was received and held until a dividend was paid to shareholders in April
- Net interest margin, calculated as net interest income divided by total average interest-bearing assets, was 4.4% in Q1 2025
- NIM is significantly higher than in previous quarters, partly due to increased interest-bearing assets from the TM sale proceeds. Adjusting for the TM sale, the underlying interest margin is estimated at 4.1% for the quarter
- Updated income split now presents Treasury and Market Making separately from Investment Banking and adjust for internal interest rate changes in the period

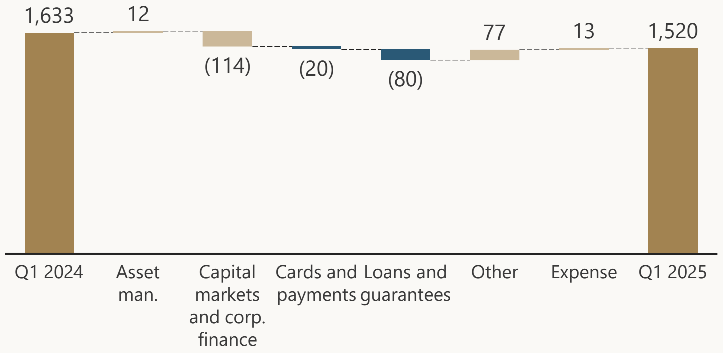
Note that single-digit figures may be omitted from certain graphs to improve readability.

Net Fee and Commission Income

Stable income stream

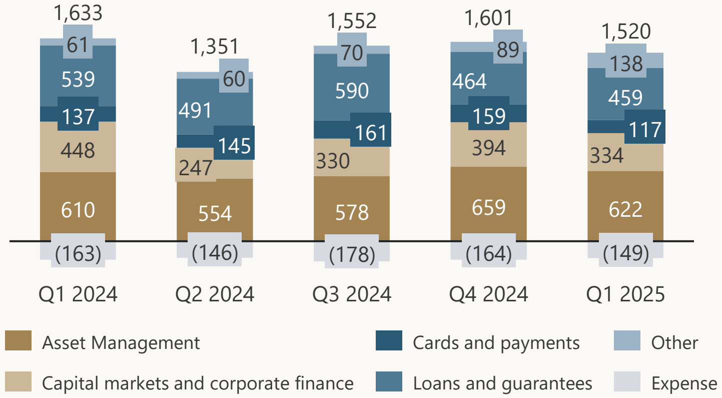
Net fee and commission income

Q1 2024 to Q1 2025 / ISK m.



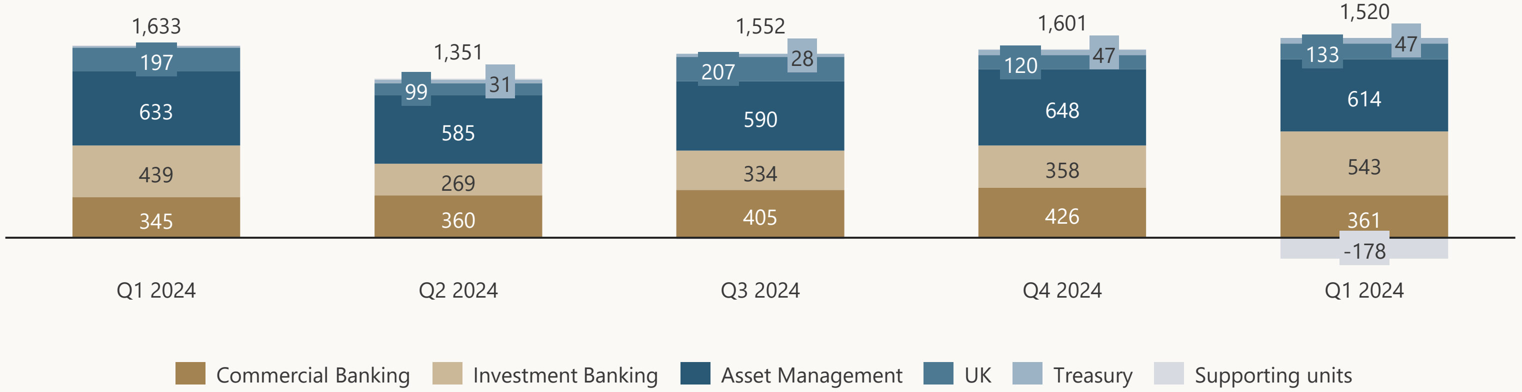
Net fee and commission income

ISK m.



Net fee and commission income development

ISK m.



- Net fee and commission income decreases by 113 million from Q1 2024 but remains relatively in-line with 2024 performance
- Solid performance by Investment Banking in a challenging quarter for fee generating entities as heightened market volatility, driven by economic developments, negatively impacted investor sentiment
- Strong fee income in Investment Banking due to internal Corporate Advisory fees from the sale of TM
- Updated income split now presents Treasury and Market Making separately from Investment Banking

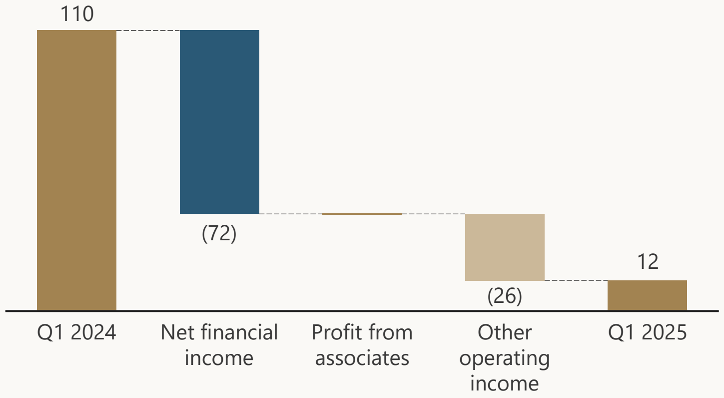
Note that single-digit figures may be omitted from certain graphs to improve readability.

Other Net Operating Income

Trading losses in a turbulent quarter

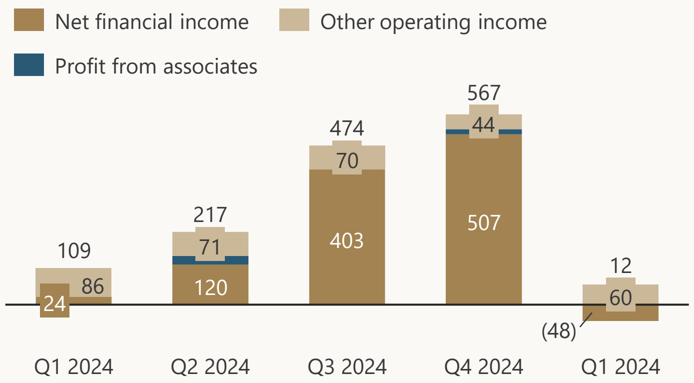
Other net operating income

Q1 2024 to Q1 2025 / ISK m.



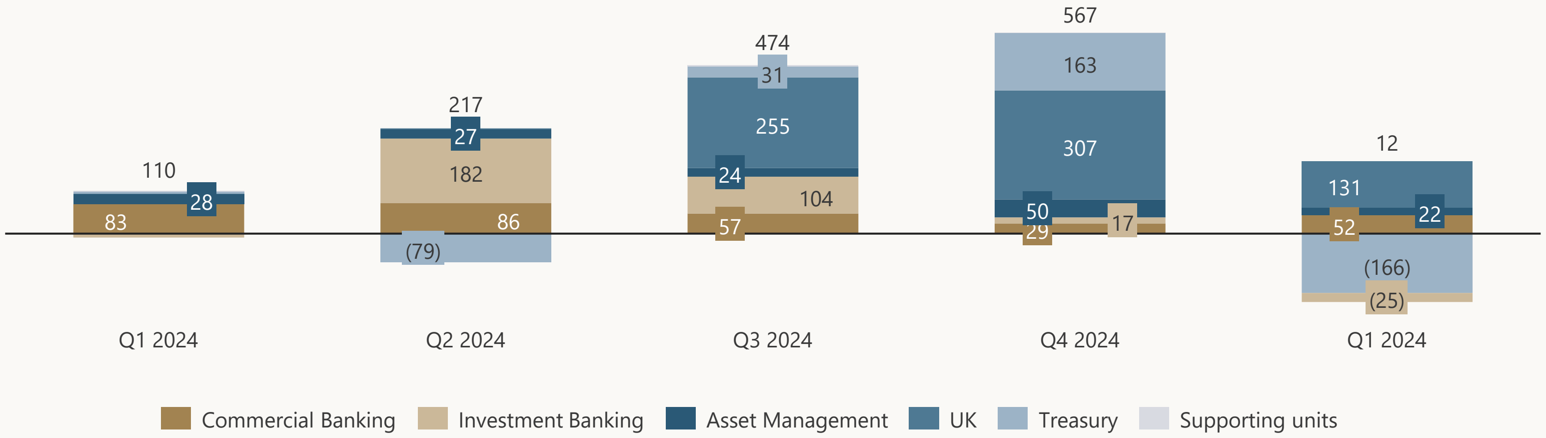
Other net operating income

Composition / ISK m.



Other net operating income development

ISK m.



- Net financial income decreases despite UK and Commercial Banking benefitting from a value increase of unlisted equity holdings
- Financial expenses include a partial debt buyback in January in order to reduce funding costs going forward as well as portfolio losses in market making and foreign exchange difference

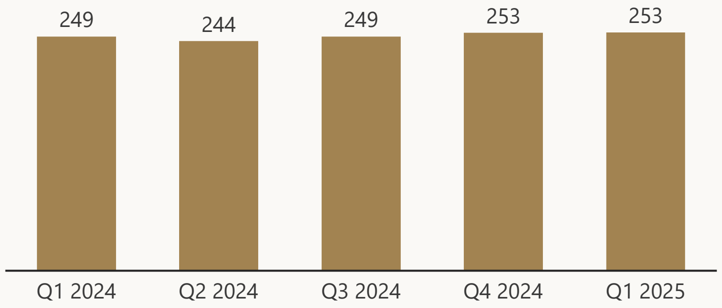
Note that single-digit figures may be omitted from certain graphs to improve readability.

Operating Expenses

Significant non-recurring items in the period

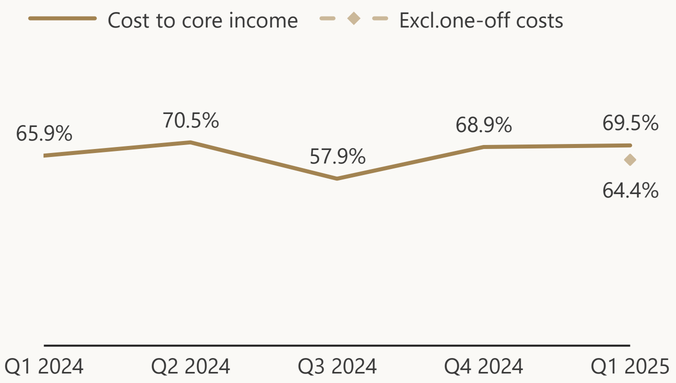
Employee development

Full time employees at the end of each period



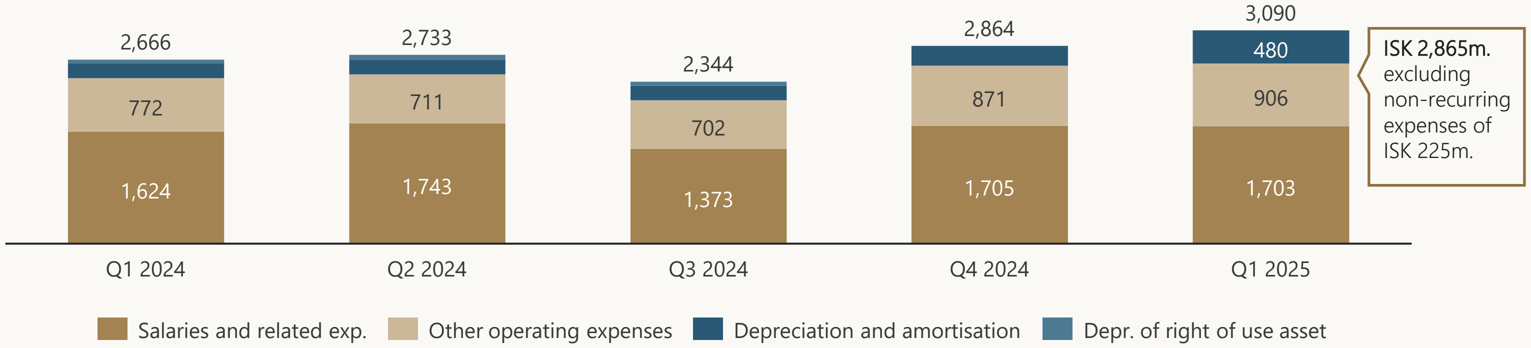
Cost to core income

(%)



Administrative expenses

ISK m.



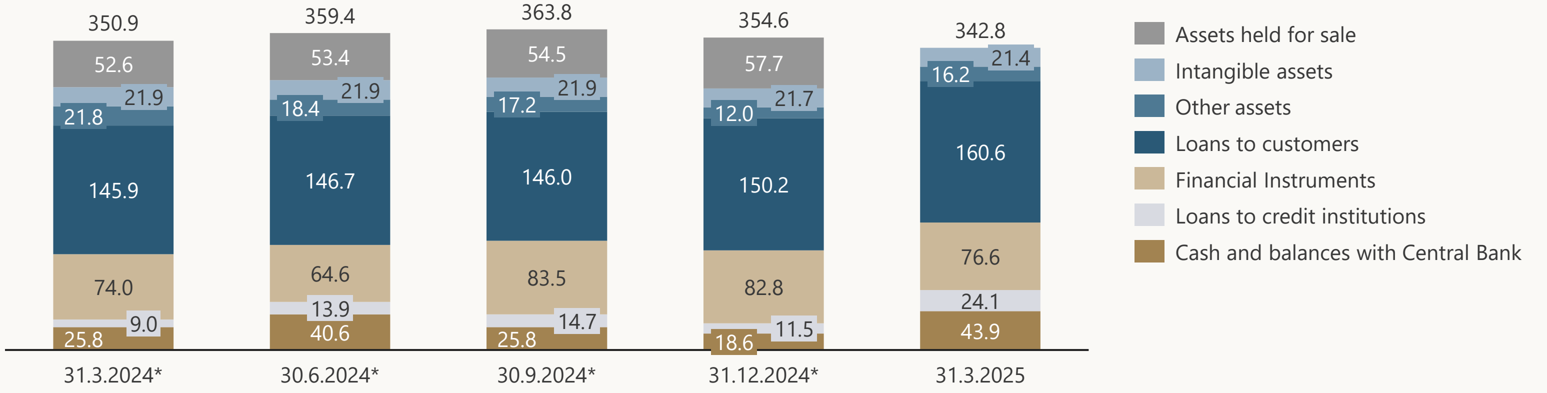
- Administrative expenses are materially affected by non-recurring items in Q1, resulting from the divestment of TM insurance and related cost base adjustments
- Adjusting for non-recurring items of ISK 225 million, administrative expenses increase by 7.5% from Q1 2024 and remain relatively in line with cost in past quarters
- Number of employees remains stable from Q4 2024, marginally increasing from Q1 2024
- Management remains committed to continued focus on cost management and efficient growth

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

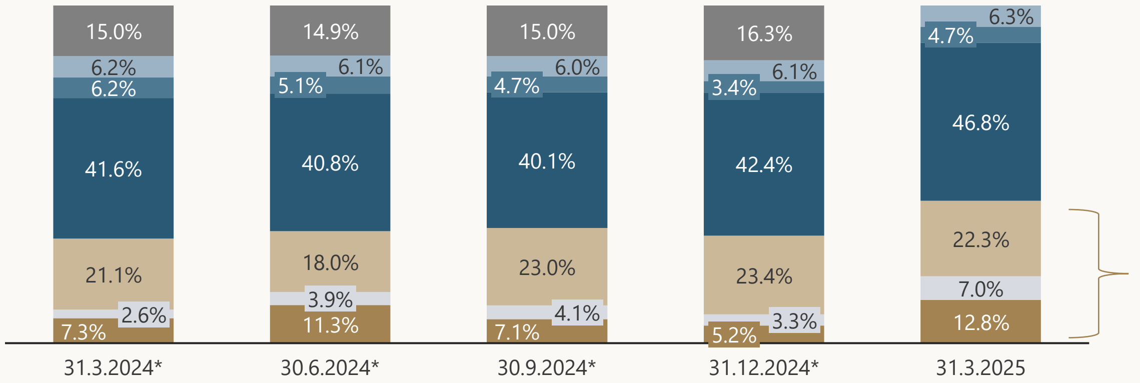
Balance Sheet: Assets

Unusually high cash position due to TM divestment

Assets
ISK bn.



Assets
ISK bn.



Liquid assets, consisting of cash and financial instruments, **amount to ISK 130 bn., 37.9% of total assets and 81% of loans to customers**

- Material change due to TM divestment, with 'assets held for sale' of ISK 57.7 billion at year-end 2024 removed from the balance sheet
- Concurrently, liquid assets increase significantly as proceeds were received, while the dividend remained unpaid as of the financial statement date
- The balance sheet declined slightly between quarters, mainly due to the TM divestment; however, loans to customers rose by ISK 10.4 billion since year-end 2024.
- 38% of assets consist of cash and financial instruments, reflecting an extraordinarily strong cash position post-divestment and pre-dividend
- ISK 11.2 bn. positive CPI balance at 31.3.2025 of which ISK 1.4 bn. are securities for market making

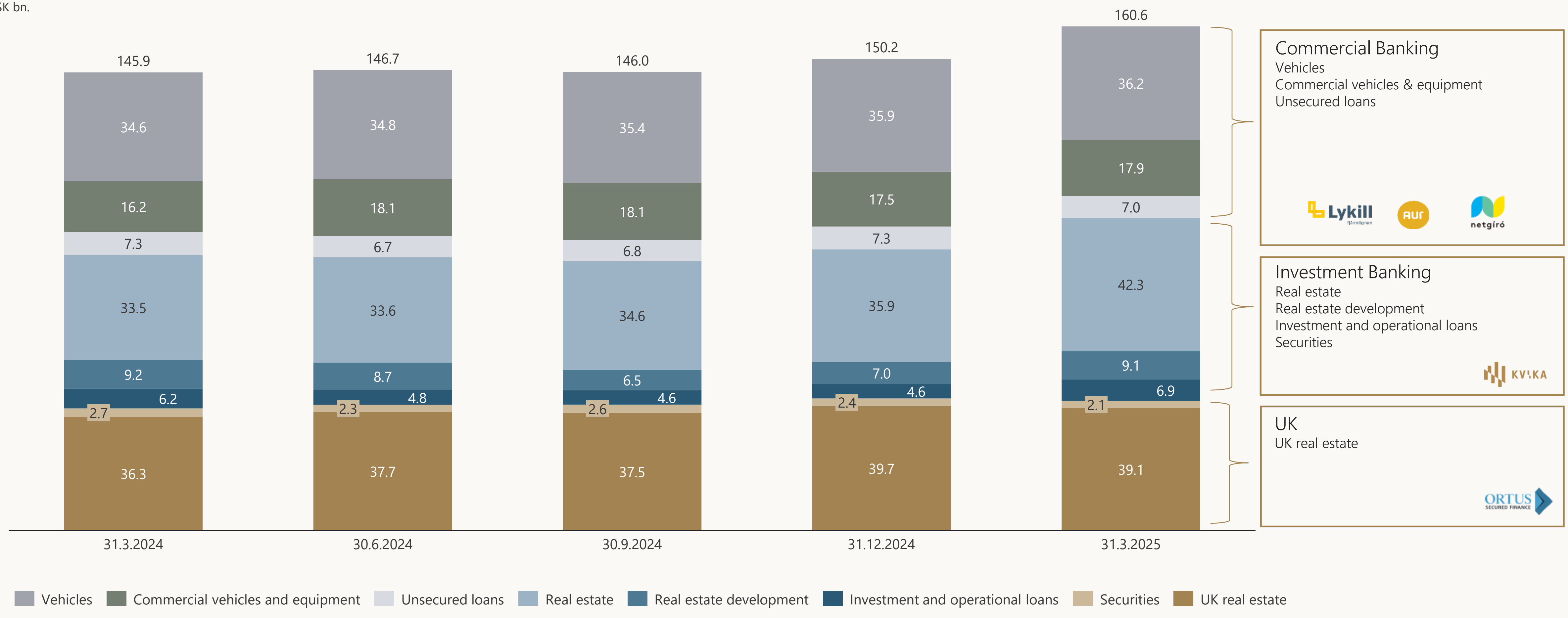
*The Group has changed the way it presents cash and balances with central bank, comparative figures for 31 December 2024 have been restated. For more information see note 2 in Kvika's Condensed Interim Consolidated Financial Statements dated 31.3.2025

Loans to Customers

Significant growth in Q1

Loan book development

ISK bn.

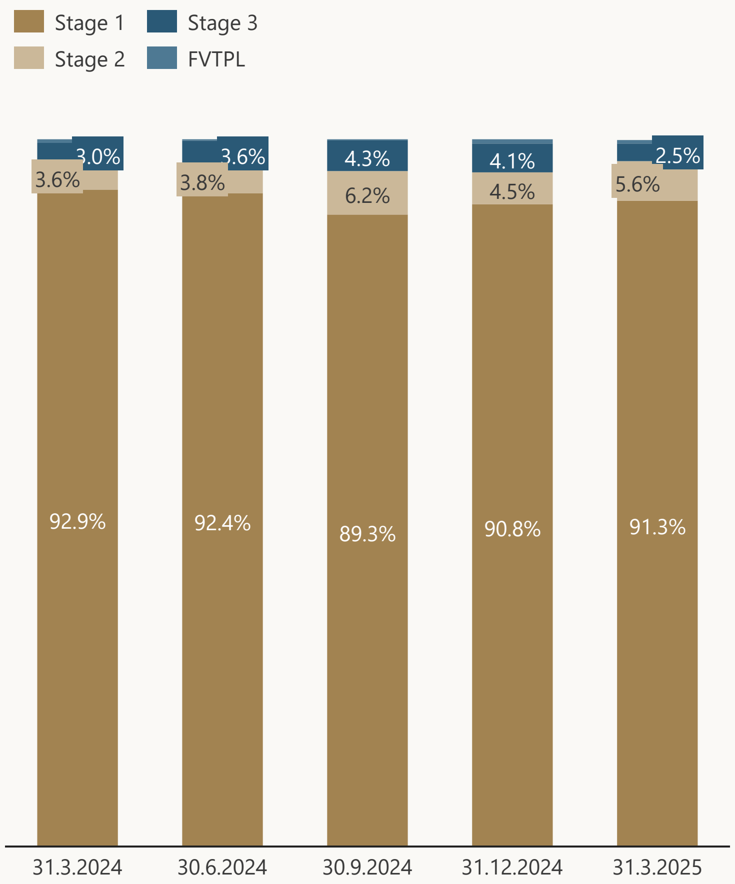


Credit Quality

Improvement in stage 3 loan ratio

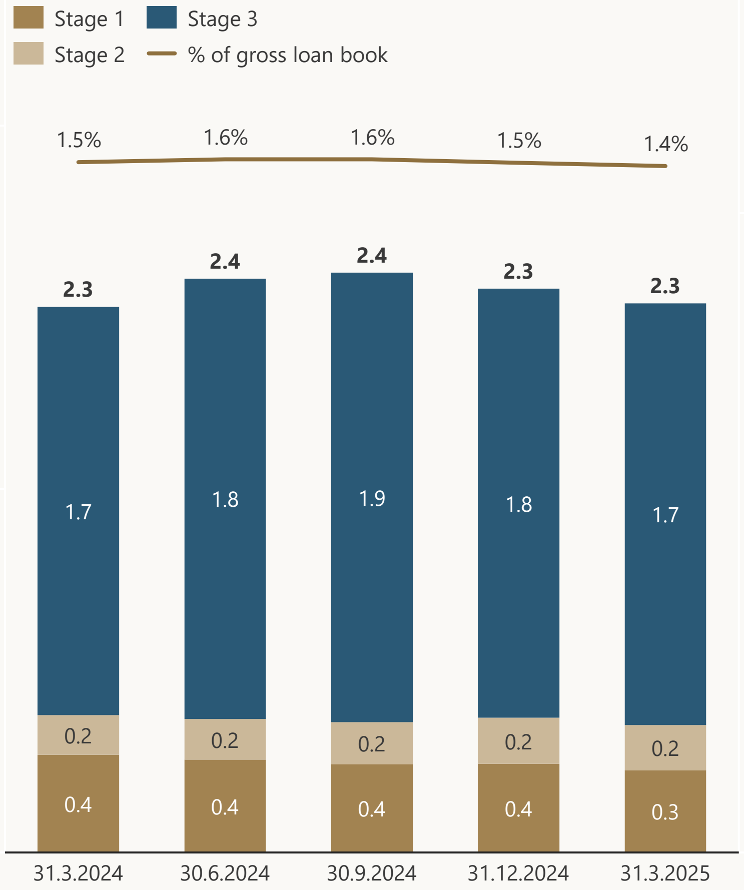
Loans to customers risk stage allocation

Net loan book / (%)



Impairment loss allowance

ISK bn.



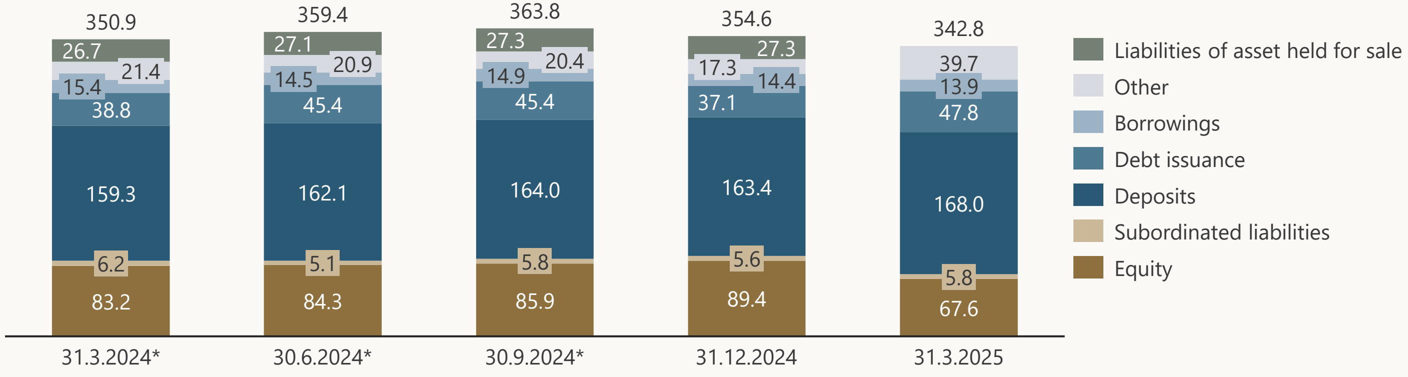
- Loan book quality continues to be stable and improves between quarters
- Stage 3 loans decrease from 4.1% to 2.5%, on a net loan book basis, between quarters as stage 3 exposures are resolved
- Robust average LTV of stage 3 loans of 69.8%

Balance Sheet: Liabilities

Significant growth in retail deposits

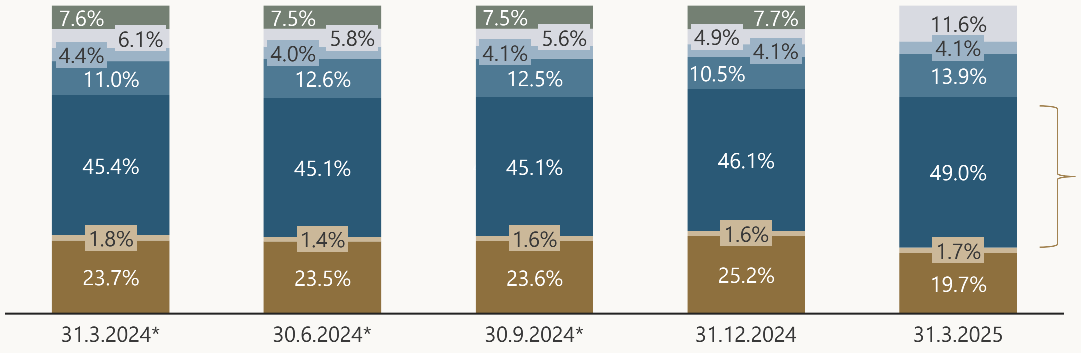
Liabilities and equity

ISK bn.



Liabilities and equity

ISK bn.



Deposits are a key source of funding that is supplemented with debt issuance and other borrowings

- Liabilities decrease somewhat since year-end 2024 as the balance sheet shifts due to TM divestment
- Liabilities related to the insurance entity, TM tryggingar hf., amounting to ISK 27.3 bn. at year-end 2024, categorized as liabilities associated with assets classified as held for sale, are removed from the balance sheet, similarly, equity decreases by ISK 21.8 billion
- Funding profile continues to evolve as debt issuance grows due to SEK/NOK issuance in January and deposits remain a key source of funding with ISK 4.6 bn growth from year-end 2024
- Other liabilities increase and equity decreases materially as ISK 23 billion was reclassified from equity to a dividend payable liability, reflecting the shareholder-approved dividend that had not yet been paid at the balance sheet date

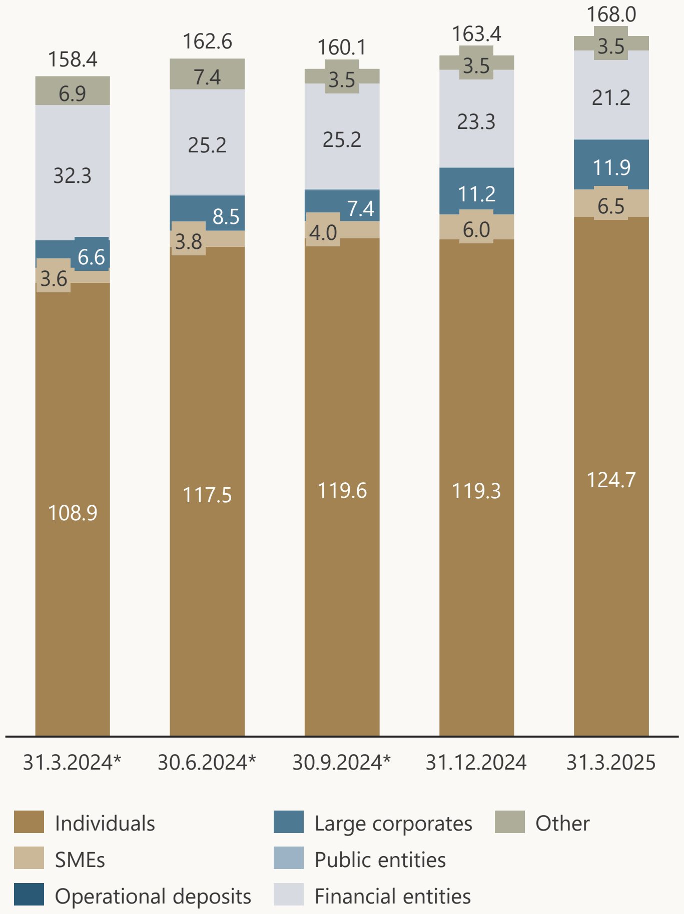
*Money market deposits were previously presented as part of borrowings but are now presented as part of deposits. Comparative figures have been restated. Reference is made to note 2 in Kvika's Consolidated Financial Statements dated 31.12.2024 for further information

Deposits

Retail deposits remain a key funding base

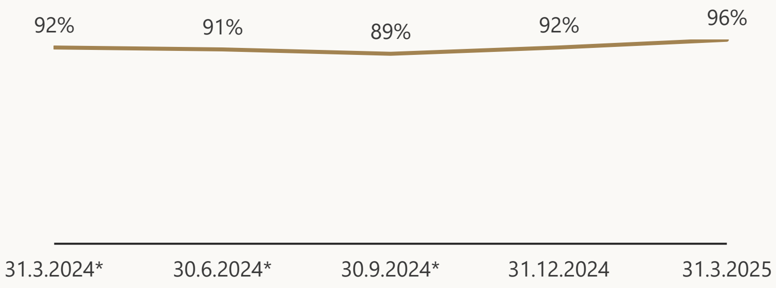
Deposits by type

ISK bn.



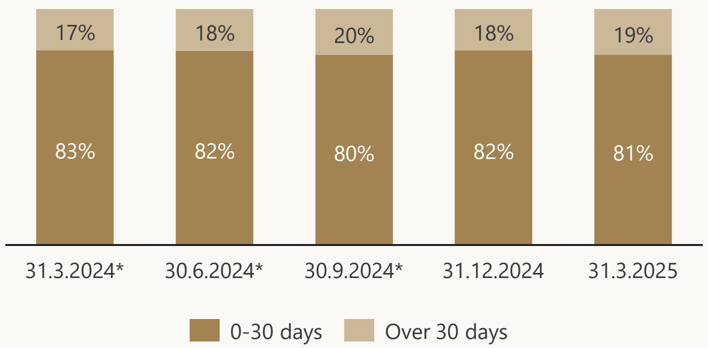
Loans to deposits

(%)



Maturity of deposits

31.03.2025 / ISK bn.



- Deposits grow by 6% YoY, largely attributable to retail deposits through the Auður brand
- Non-retail deposits grow somewhat, mainly due to a new corporate offering by Auður, launched in September 2024
- Deposit maturity decreases marginally from year-end 2024, though over 80% of deposits remain on-demand

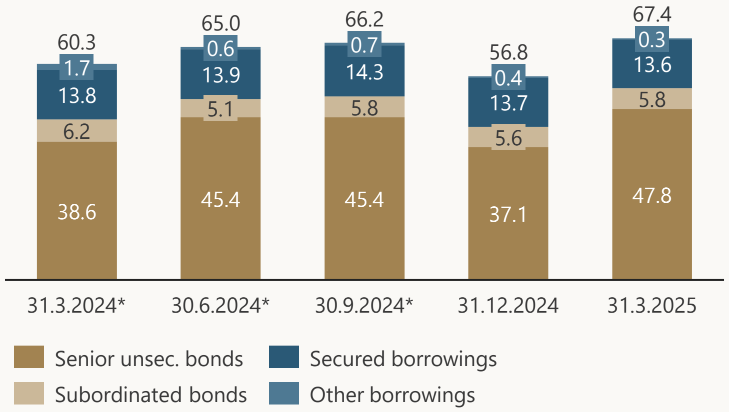
*Money market deposits were previously presented as part of borrowings but are now presented as part of deposits. Comparative figures have been restated. Reference is made to note 2 in Kvika's Consolidated Financial Statements dated 31.12.2024 for further information

Debt Issuance

Significant steps taken towards improved rates

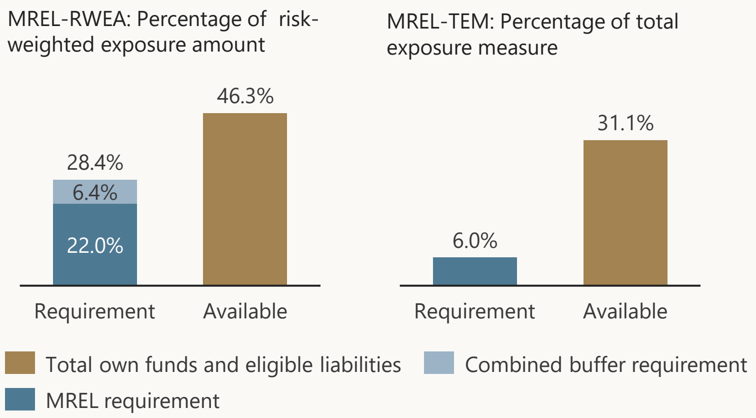
Development of market funding

ISK bn.



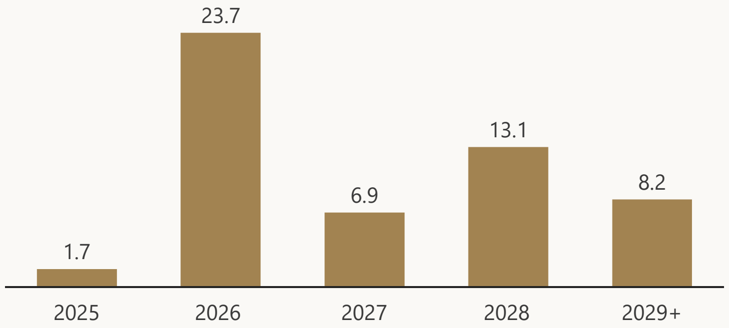
MREL requirements

31.3.2025



Maturity of issuance

31.3.2025 / ISK bn.



Rating

Rating

	Bank deposit rating	Issuer rating
Long term	Baa1	Baa2
Short term	P-2	P-2
Outlook	Stable	Stable
Last update	4 July 2024	4 July 2024

- Kvika is an active issuer of bonds in the public bond markets in Iceland, Norway and Sweden from its EMTN programme and maintains a credit rating from Moody's Investors Service
- Latest issuance was in January 2025 where Kvika issued bonds amounting to SEK 600 million and NOK 400 million at STIBOR/NIBOR + 200bps., a meaningful reduction from previous issuance
- MREL requirements remain well within regulatory requirements through a combination of own funds and eligible liabilities
- Kvika holds a long-term issuer rating of Baa2 and is committed to maintaining a solid investment grade credit rating

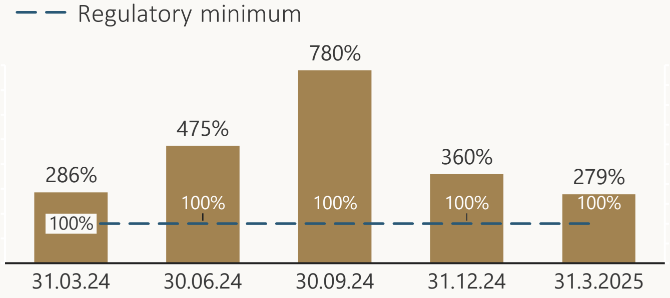
*Money market deposits were previously presented as part of borrowings but are now presented as part of deposits. Comparative figures have been restated. Reference is made to note 2 in Kvika's Consolidated Financial Statements dated 31.12.2024 for further information

Liquidity and Funding Ratios

Continued strong liquidity position

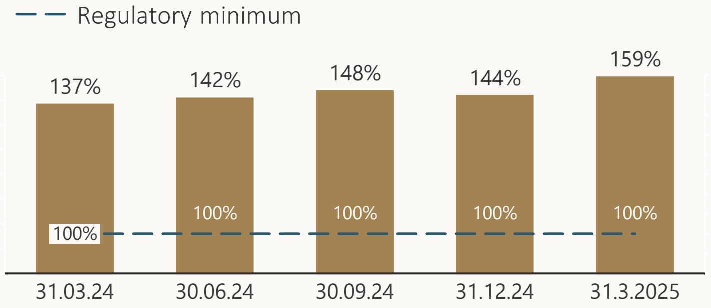
Total liquidity coverage ratio (LCR)

31.3.2025 / (%)



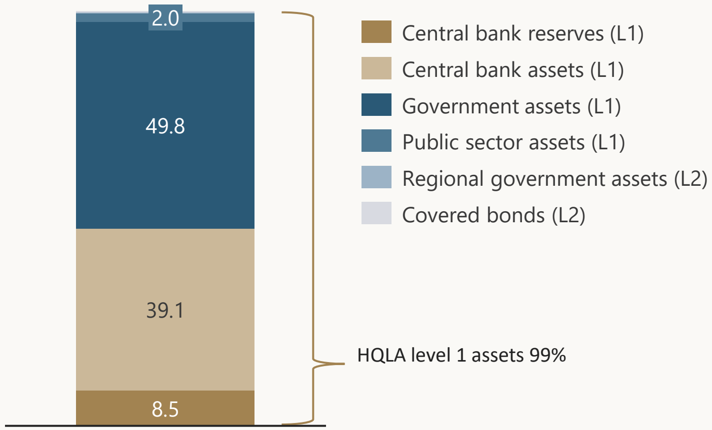
Net stable funding ratio (NSFR)

31.3.2025 / (%)



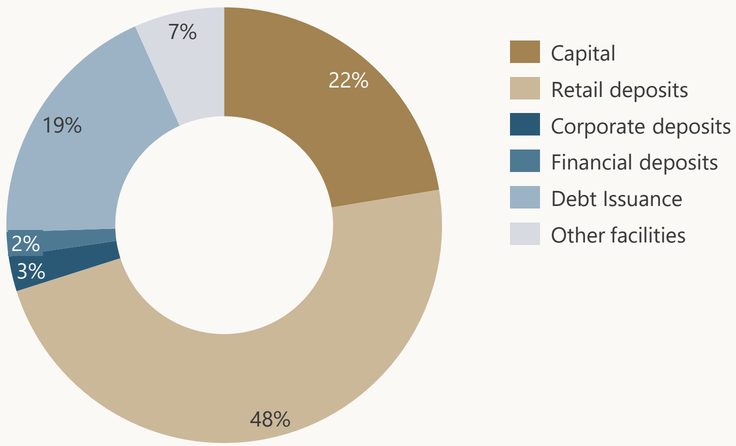
High quality liquid assets (HQLA)

31.3.2025 / (%)



Available stable funding

31.3.2025 / (%)



- High Quality Liquid Assets (HQLA) ISK 92.2 bn. excluding mandatory reserves and collateral to the Central Bank
- Liquidity coverage ratio is strong at 279%, where the regulatory minimum is 100%
- Net stable funding ratio is strong at 159%, where the regulatory minimum is 100%
- Asset and liability management is aimed at maintaining stable funding sources such as core retail deposits and long-term funding via debt issuance

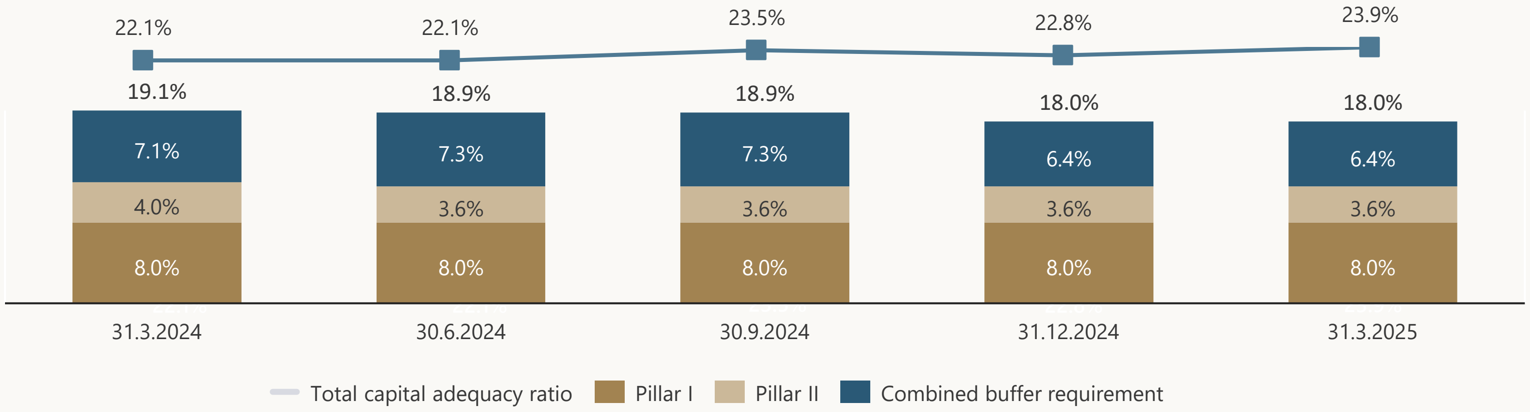
L1: Level 1 assets , L2: Level 2 assets

Capital Position

Strong capital position well above regulatory requirements

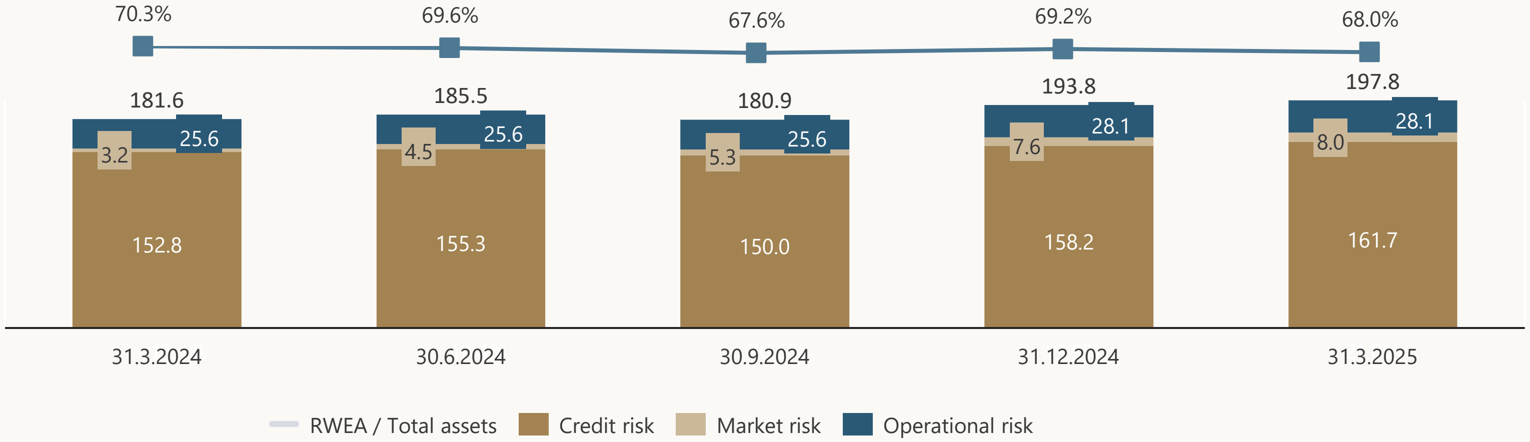
Regulatory total capital (CAR)

(%)



Risk-weighted exposure amount (RWEA)

ISK bn.



- CAR of 23.9% at the end of March, well above Kvika's management target as expected during the transitional period post-divestment
  - CAR of 23.0% excluding unaudited retained earnings for Q1 2025
  - CAR includes the full effect of the ISK 5 bn. share buyback authorization granted by the FSA, despite the board of directors only initiating a buyback of ISK 2.5 bn. at this time
- Capital, including unaudited retained earnings for Q1 2025, exceeds regulatory requirements by ISK 11.7 bn at the end of Q1
- Kvika's capital requirements are unchanged from year-end 2024 and the bank continues to target a management buffer of 2% to 4% over current and anticipated CAR requirements
- Following the completion of the sale of TM February 2025, the Group is no longer designated as a financial conglomerate and does therefore not report a group solvency ratio

Financial Targets

	Target	12M 2024	Q1 2025
Return on Tangible Equity Pre-tax	>20%	18.8%	17.7% Normalized for non-recurring items in the period, RoTE of 7.8% per income statement
Capital Adequacy Ratio (CAR) Buffer Over Requirement (basis points)	200-400 bps.	480 bps.	590 bps.
Dividend Payout Ratio Dividends and Share Buybacks as % of Profit after Tax	25%	25%	N/A Additional special dividend and share buyback due to divestment of TM Insurance

Kvika is in an enviable position as key strategic milestones are executed in Q1

- Capital base at an historic high, with exceptionally strong capital and liquidity ratios
- Increased focus and stability of earnings after departure from insurance
  - Step-up in net interest income level at the expense of more volatile insurance and financial income
- Full ownership and reorganization in the UK paves the way for improved profitability
  - Earlier buy-out at lower cost and removes future dilution of UK income from revaluation of contingent consideration
  - Consolidation of UK operations establishes the basis for loan book growth and cross-selling opportunities
- Scalable infrastructure with cost base re-adjusted to reflect TM´s departure from the group
  - Impact on central costs muted after rationalization and write-down of various items directly or indirectly related to TM
- Loan growth well prepared with focus on diversification and credit quality
  - Mortgage lending to be launched in Q2, seeing Kvika entering a new, high-quality asset class
  - Strong growth in corporate and property lending in Q1 with a continued robust pipeline
  - Continued growth in UK property lending with more opportunities being created with lower funding costs

Disclaimer

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