



Kvika banki hf.

Q3 2025 Financial Results

6 November 2025



Q3 2025

- Profit before tax ISK 1,969 million compared to ISK 1,813 million in Q3 2024

Increasing by ISK 156 million from previous year or 8.6%

- Net interest income ISK 2,953 million compared to ISK 2,429 million in Q3 2024

Increasing by ISK 524 million from previous year or 21.6%

- Net fee and commission income ISK 1,571 million compared to ISK 1,552 million in Q3 2024

Increasing by ISK 19 million from previous year or 1.2%

- Administrative expenses ISK 2,740 million compared to ISK 2,344 million in Q3 2024

Increasing by ISK 396 million from previous year or 16.9%

- Merger discussions with Arion banki hf. continue

Pre discussions with ICA in progress alongside mutual due diligence, milestones anticipated before end of year

Profit before tax	ISK 1,969 m.
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Profit after tax	ISK 1,472 m.
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Pre-tax RoTE	17.8%
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CAR	23.0%
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Commercial Banking

Segment highlights

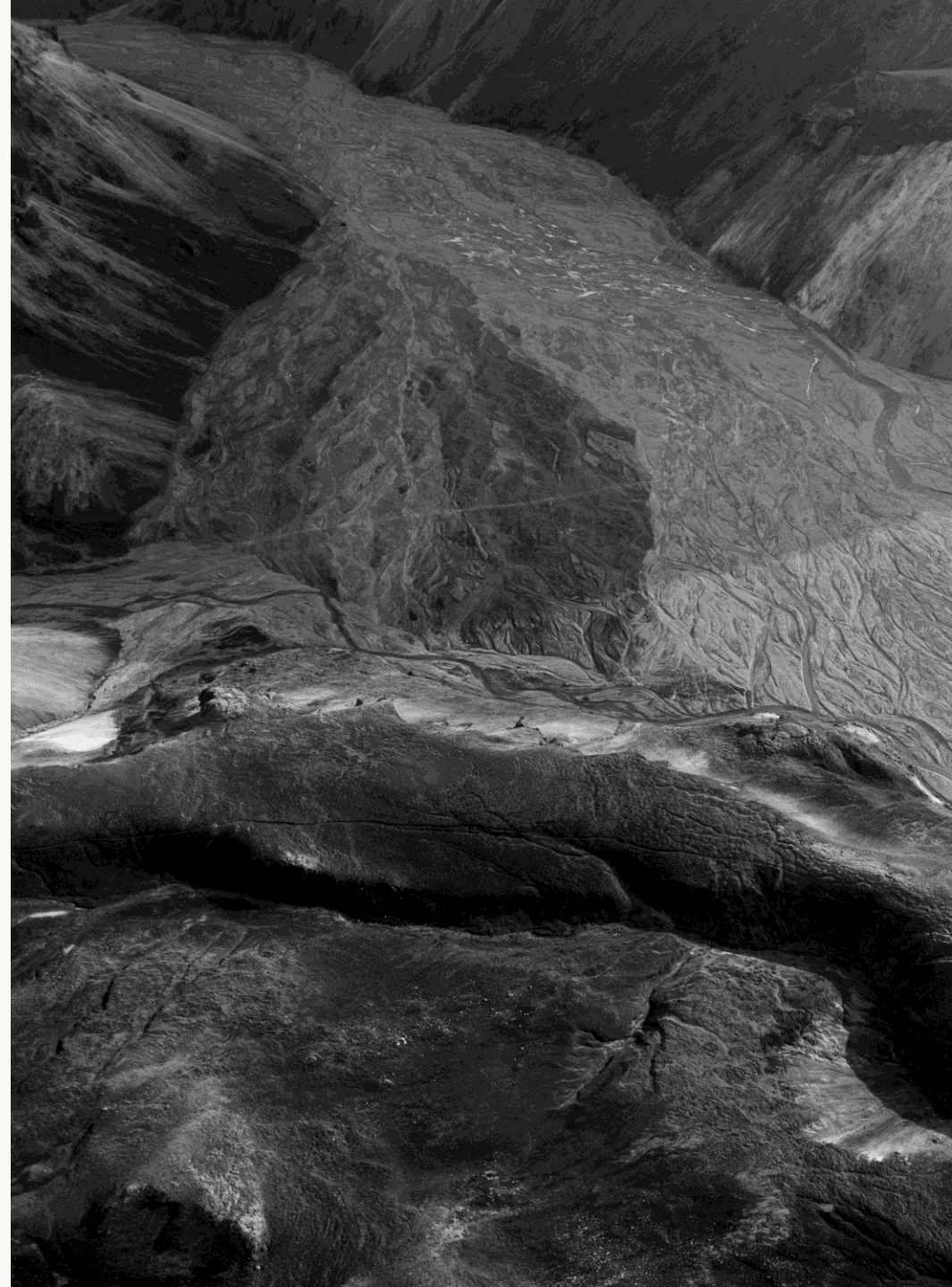
Auður heima success driving continued NII growth

- Strong performance from Auður heima: The Auður heima mortgage portfolio reached over ISK 19 billion by the end of Q3. Together with growing deposits, this has supported a 6.6% year-on-year increase in Net Interest Income (NII) for the Commercial Bank
- Broad-based balance sheet growth: After a temporary contraction in Q2 related to the ISK 90 billion Íslandsbanki retail offering, deposits returned to a growth trajectory in Q3. Lending growth was seen across all parts of the portfolio, with the loan book excluding Auður heima up 3.8% year-on-year, reflecting steady momentum across the portfolio and brands
- Netgíró updated its customer app ahead of the key holiday shopping season, focusing on performance and usability improvements
- Straumur migration on track: Straumur is nearing completion of merchant migration from Rapyd to Adyen, with the remaining transfers to be finalized in Q4



Solid quarterly performance with continued improvement in Corporate Finance

- Market activity in the securities and FX markets declined slightly during Q3, falling below the year-to-date average. The króna remained relatively stable against major currencies, ending the quarter near its strongest levels against the euro since September 2022. The bond market exhibited moderate improvement, with nominal yields declining by 20–30 basis points. Toward the end of September, the airline Play entered receivership, adding further pressure on the Central Bank to reconsider its monetary policy stance
- Lending activity remained robust in Q3, resulting in a net increase of 7% for the period. Looking ahead to Q4, there are emerging signs of a potential slowdown in overall economic activity
- Corporate Finance achieved a strong performance in Q3, successfully closing several projects that had been in progress



Asset Management

Segment highlights

Assets under management continue to grow in Q3 but outlook uncertain

- Equity markets initially experienced volatility during the third quarter, influenced by uncertainty surrounding U.S. trade policy. However, sentiment improved as the quarter progressed, contributing to a recovery in global equity indices
- Assets under management amounted to ISK 459 billion at end of September 2025, increasing by ISK 6 billion from the end of the second quarter, mainly driven by market appreciation
- Strong equity market performance earlier in the year, alongside some progress towards lower interest rates, but growing concerns towards asset markets going into the final quarter



UK

Segment highlights

Record quarter with increased activity across UK operations

- Q3 delivered another period of strong performance across both lending and Private Equity, with total profits from the UK segment of ISK 563 million, the highest quarterly profits ever
- Net Interest Margin remains healthy, supported by disciplined portfolio management, stable pricing, and a balanced funding mix
- The loan book was stable in the quarter, but due to record levels of origination and a growing pipeline substantial loan growth is expected in Q4
- Harpa has signed a second transaction with closing expected in Q4 2025 or Q1 2026





Financials





Income Statement

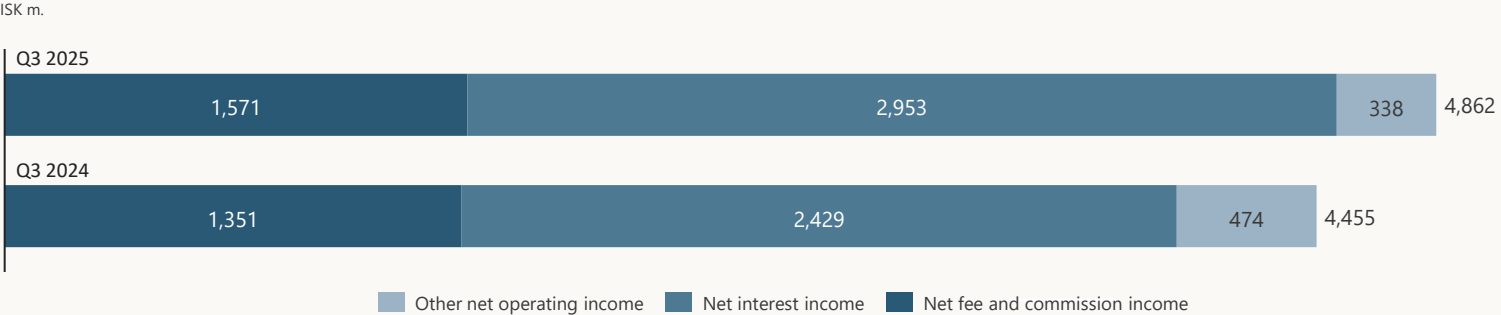
Q3 2025

Income Statement

ISK m.

	Q3 2025	Q3 2024	Diff.	Q2 2025	Diff.
Net interest income	2,953	2,429	524	2,962	(9)
Net fees and commissions	1,571	1,552	19	1,935	(364)
Other net operating income	338	474	(136)	231	107
Net operating income	4,862	4,455	407	5,128	(266)
Administrative expenses	(2,740)	(2,344)	(396)	(2,981)	241
Net impairment	(153)	(261)	109	(122)	(31)
Revaluation	0	(36)	36	0	0
Pre-tax profit	1,969	1,813	156	2,025	(56)
Income tax	(351)	(288)	124	(424)	73
Special bank taxes	(145)	(127)	(42)	(162)	16
After-tax profit	1,472	1,398	74	1,439	33
Profit after tax from discontinued operations	0	965	-965	0	0
Profit for the period	1,472	2,363	-891	1,439	33

Revenue Composition



- Solid quarterly performance driven by strong net interest income, with pre-tax profit from continuing operations increasing by 8.6% YoY
- Net interest income grew 21.6% YoY, supported by loan book growth and a stable funding cost
- Net fee and commission income amounted to ISK 1,571 million, broadly in line with the same period last year, following elevated investment-banking activity in Q2
- Net operating ISK 4,862 million up 9.1% YoY
- Administrative expenses ISK 2,740 million up 16.9% YoY. Increase YoY partly due to discontinuation of services provided to TM insurance that were offset against costs in Q3 2024



Income Statement

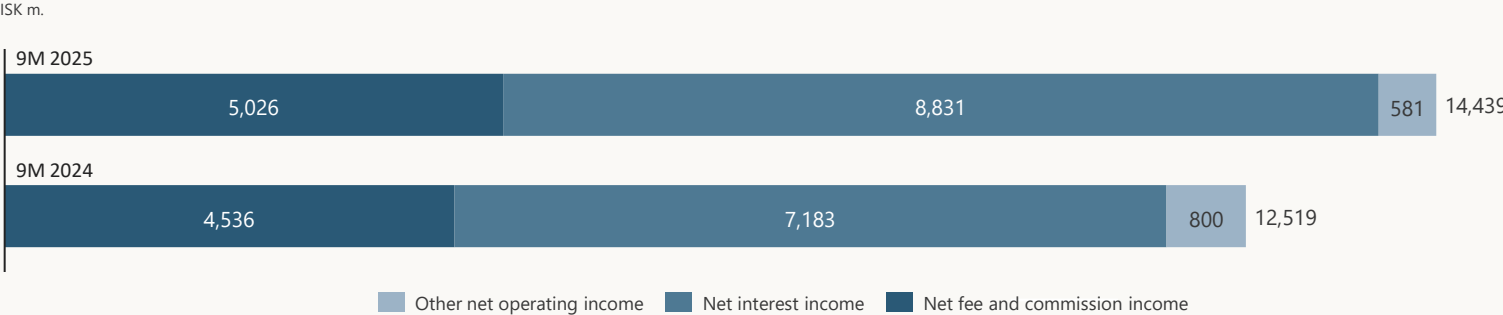
9M 2025

Income Statement

ISK m.

	9M 2025	9M 2024	Diff.
Net interest income	8.831	7.183	1.649
Net fees and commissions	5.026	4.536	490
Other net operating income	581	800	(219)
Net operating income	14.439	12.519	1.920
Administrative expenses	(8.811)	(7.744)	(1.067)
Net impairment	(340)	(514)	174
Revaluation	(593)	(44)	(549)
Pre-tax profit	4.695	4.217	478
Income tax	(1,213)	(721)	(492)
Special bank taxes	(385)	(333)	(52)
After-tax profit	3.097	3.162	(66)
Profit after tax from discontinued operations	1.901	1.541	360
Profit for the period	4.998	4.704	294

Revenue Composition



- Net interest income increased by 23.0% year-on-year to ISK 8.8 billion, supported by continued loan book growth
- Net fee and commission income rose 10.8% YoY, reflecting solid Investment Banking performance and stable Asset Management flows
- Other net operating income amounted to ISK 581 million
- Net operating income grew 15.3% YoY to ISK 14.4 billion
- Administrative expenses rose by 13.8% YoY to ISK 8.8 billion. The increase was partly driven by one-off costs incurred earlier in the year and the discontinuation of services to TM, which had previously been offset against expenses
- Pre tax profit is up 1,366 million YoY or 32% when accounting for one off charges in Q1 2025 due to the TM divestment and the purchase of the remaining share of Ortus Secured Finance

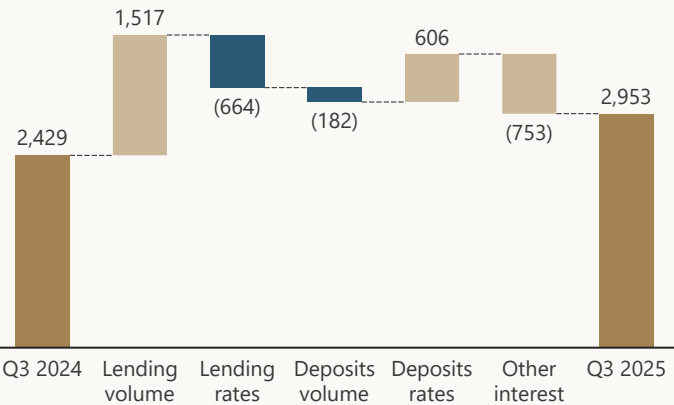


Net Interest Income

Sustained momentum in retail lending and strong margin resilience

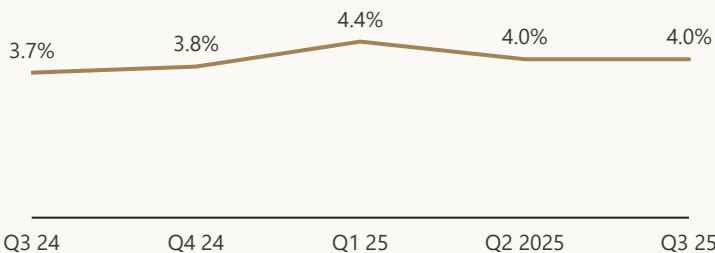
Net interest income

Q3 2024 to Q3 2025 / ISK m.



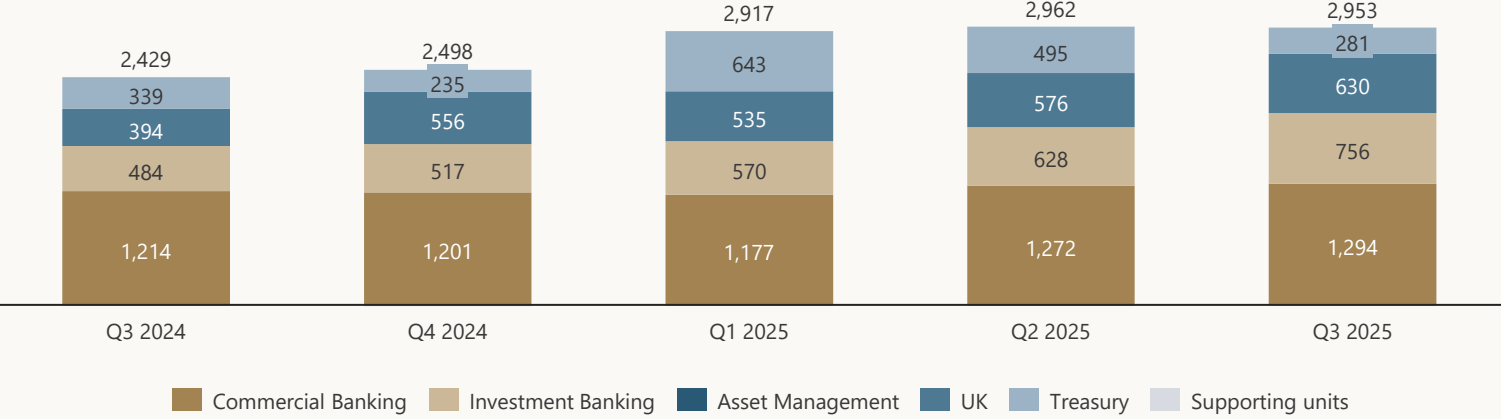
Net interest margin development

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



Net interest income development (NII)

ISK m.



- Net interest income increased by 21.6% from Q3 2024 to ISK 2,953 million in Q3 2025
- NII growth was partly driven by strong loan book expansion through mortgage lending under the Auður heima retail brand, coupled with reduced funding costs
- Net interest margin held firm at 4.0%, underscoring Kvika's resilient funding mix and focus on profitable balance-sheet growth despite a competitive market environment

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

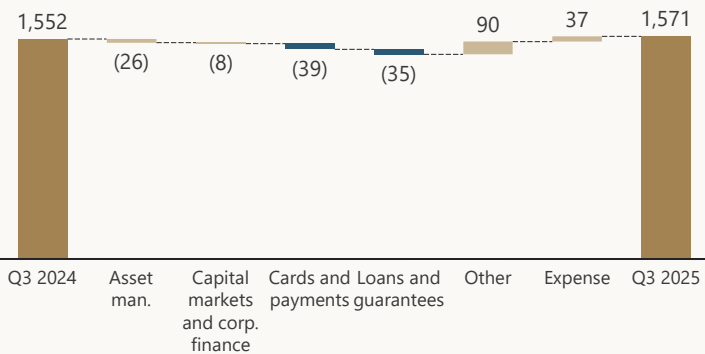


Net Fee and Commission Income

Fee income broadly in line with year-to-date trend

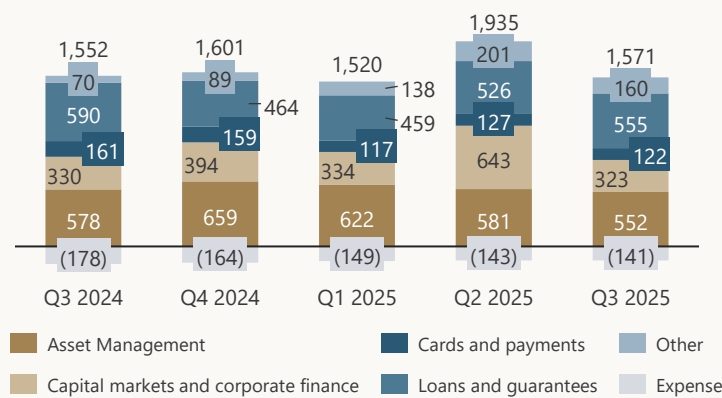
Net fee and commission income

Q3 2024 to Q3 2025 / ISK m.



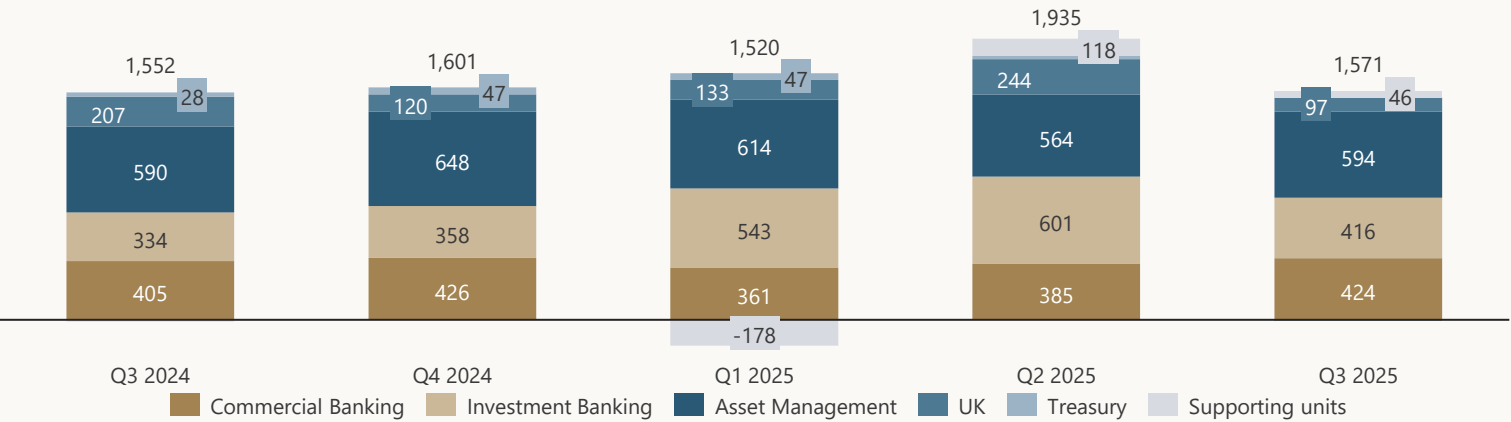
Net fee and commission income

ISK m.



Net fee and commission income development

ISK m.



- Net fee and commission income totalled ISK 1,571 million in Q3 2025, remaining broadly consistent with the same period last year and recent quarters.
- The strong performance in Q2 2025 was primarily driven by elevated Investment Banking activity, following the state's divestment of its stake in Íslandsbanki

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

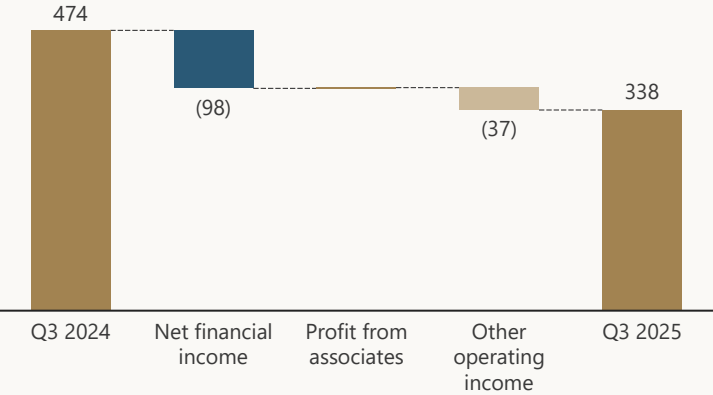


Other Net Operating Income

Stable contribution, primarily from net financial income

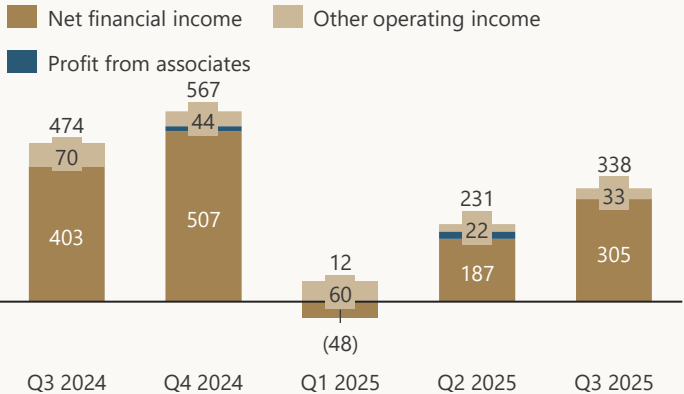
Other net operating income

Q3 2024 to Q3 2025 / ISK m.



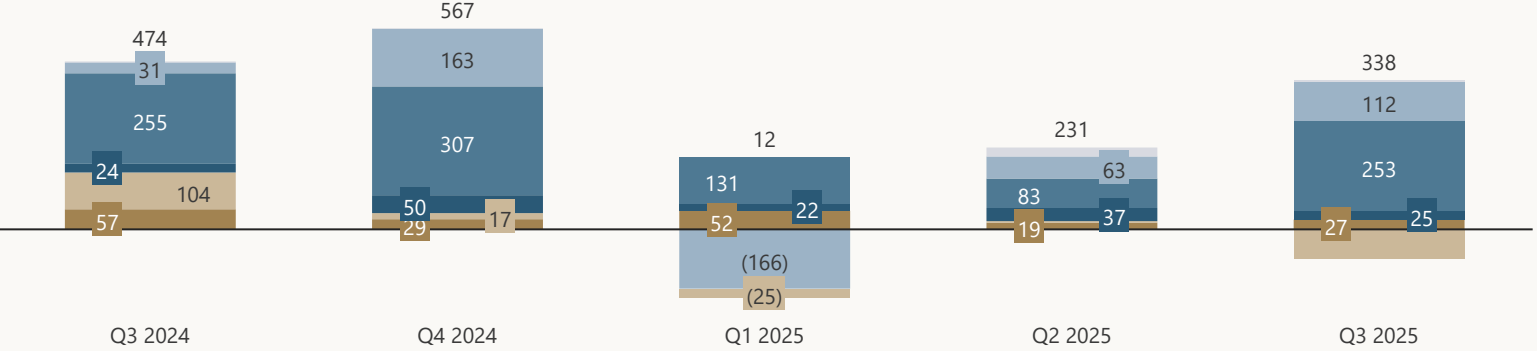
Other net operating income

Composition / ISK m.



Other net operating income development

ISK m.



Commercial Banking Investment Banking Asset Management UK Treasury Supporting units

- Other net operating income totaled ISK 338 million in Q3 2025, broadly in line with the same period last year and up from Q2
- Strong net financial income, mainly attributable to strong performance in the UK and Treasury

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

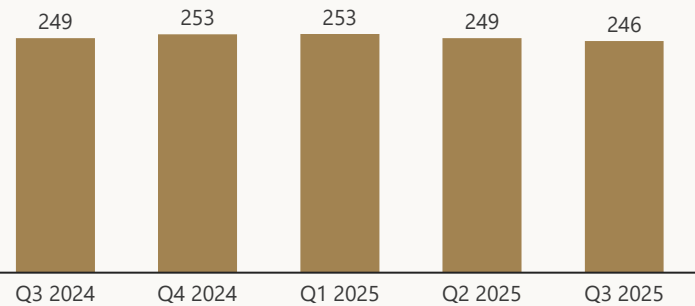


Operating Expenses

Cost efficiency maintained with disciplined expense control

Employee development

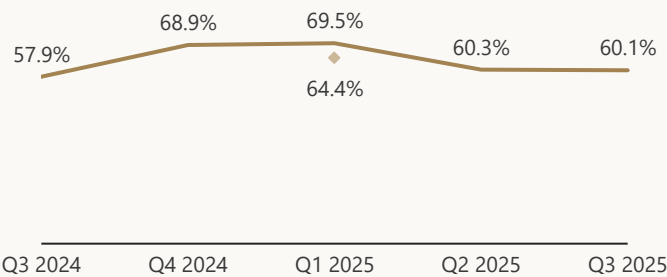
Full time employees at the end of each period



Cost to core income

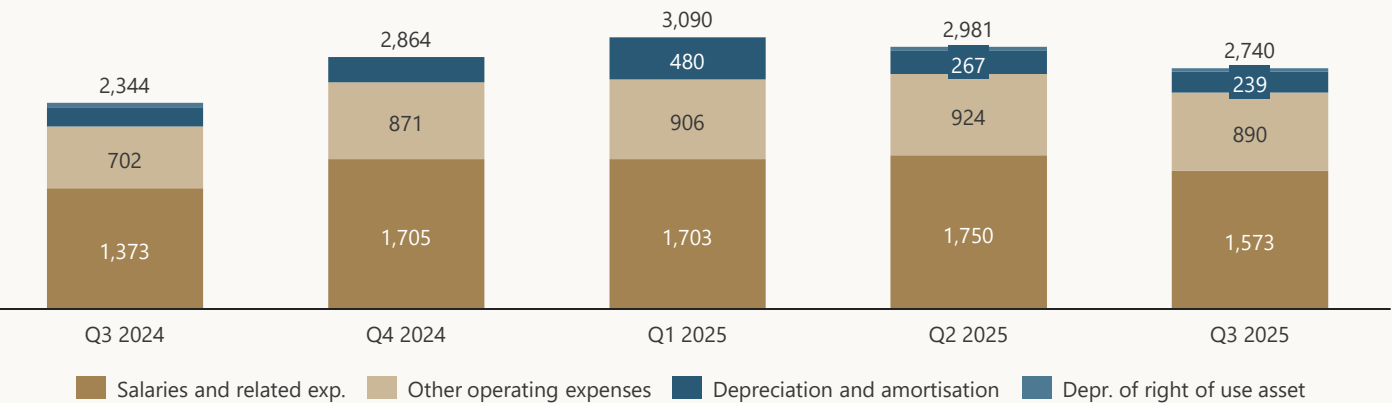
(%)

Cost to core income Excl.one-off costs



Administrative expenses

ISK m.



- Operating expenses amounted to ISK 2,740 million in Q3 2025 up 16.9% YoY. The increase was partly driven by the discontinuation of services to TM, which had previously been offset against expenses
- Cost-to-core income held steady at 60.1%, highlighting stable and improving operating leverage
- Headcount declined modestly quarter-on-quarter
- Management remains focused on cost discipline and operational efficiency

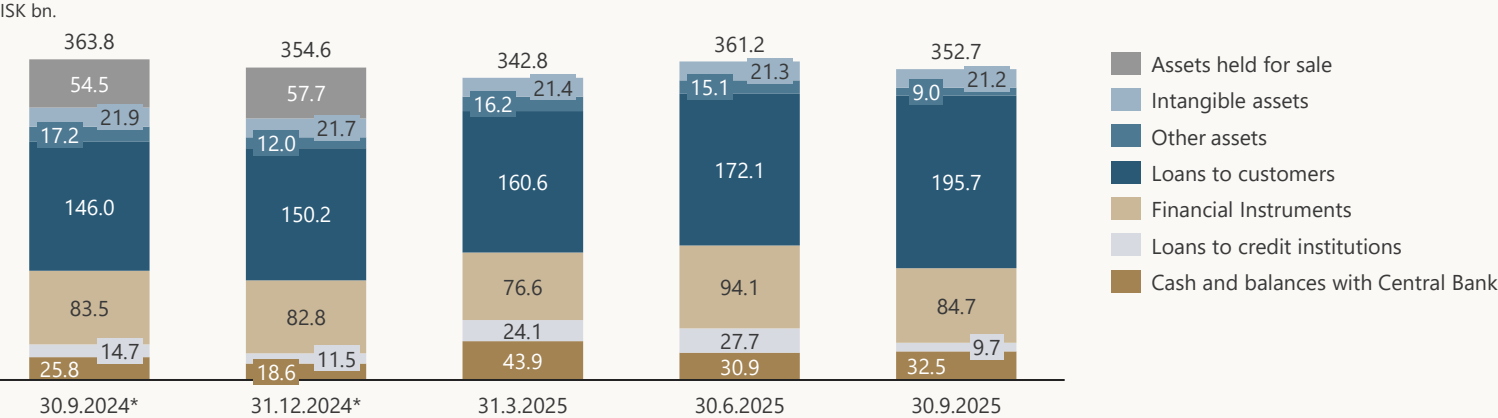
Core income is defined as net operating income excluding net financial income



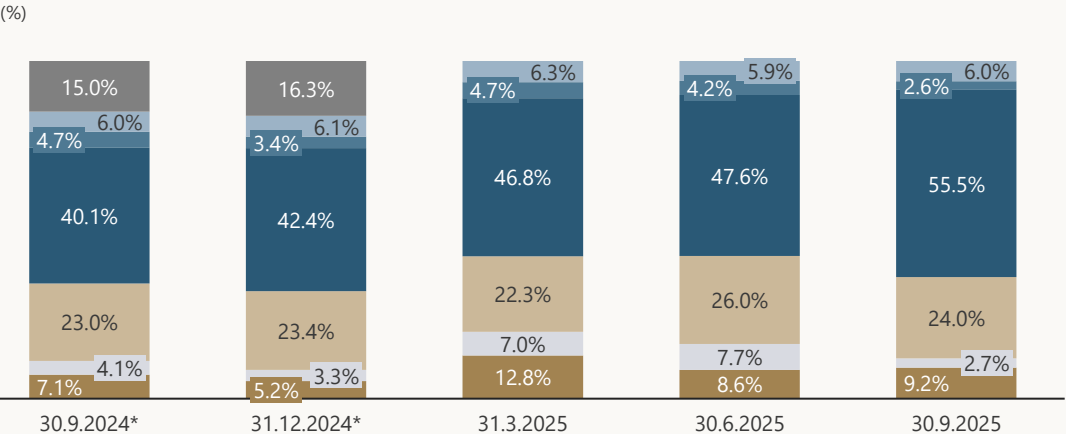
Balance Sheet: Assets

Strong liquidity position and continued loan book growth

Assets



Assets



- The bank’s balance sheet is now broadly back to its pre-divestment size, driven by organic growth in lending and a solid funding base
- Total assets amounted to ISK 352.7 billion at the end of Q3 2025, a slight decrease from Q2, mainly reflecting reduced balances in financial instruments after the temporary cash surplus from the May EUR issuance was deployed
- Loans to customers increased to ISK 195.7 billion, largely contributable to the Auður mortgage offering
- The bank holds a positive CPI balance of ISK 6.4 billion, of which ISK 2.2 billion is held in securities for market making

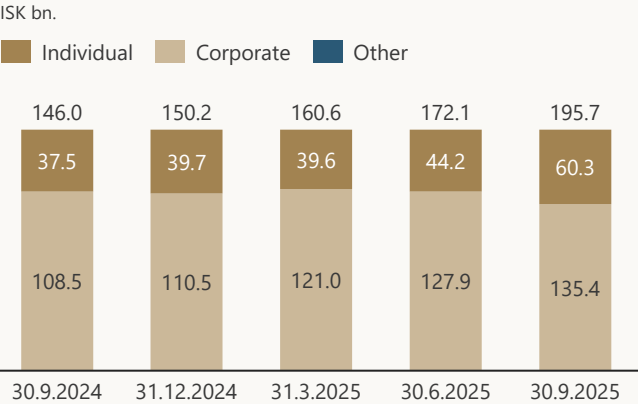
*The Group has changed the way it presents cash and balances with central bank, comparative figures for 31 December 2024 have been restated. For more information see note 2 in Kvika’s Condensed Interim Consolidated Financial Statements dated 31.3.2025



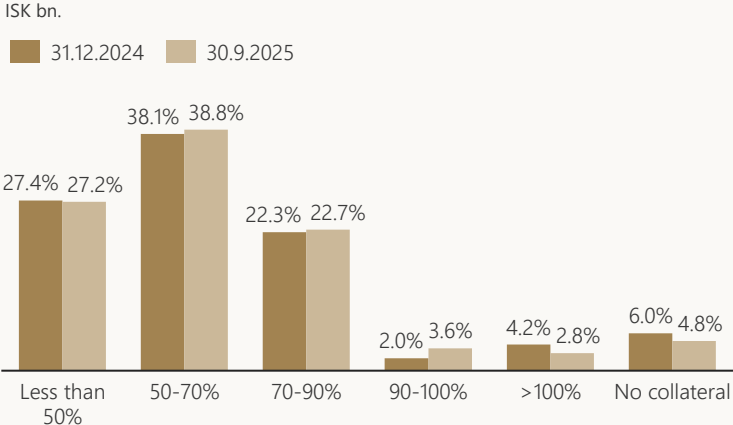
Loans to Customers

Mortgage growth drives expansion of the loan book

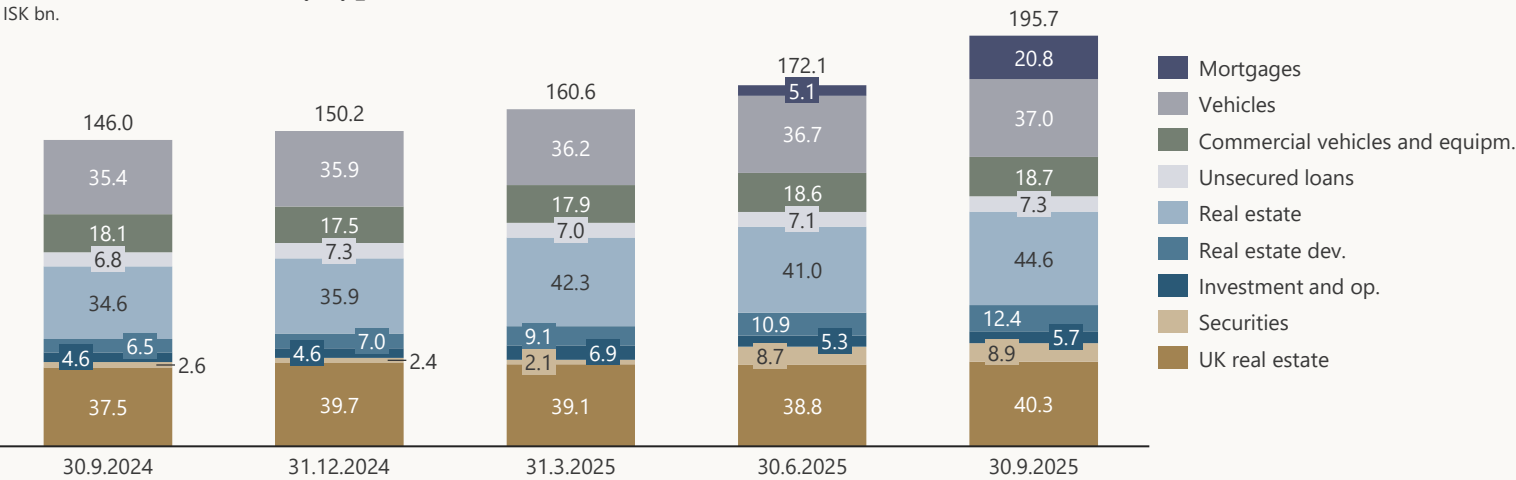
Loans to customers



Loan to value distribution



Loans to customers by type



- Loans to customers increased to ISK 195.7 billion in Q3 2025, up 14% since year-end, driven primarily by robust growth of Auður Heima mortgages
 - Total amount of mortgages ISK 20.8 billion at end of Q3 includes ISK 1.8 billion legacy mortgages
- Real estate backed lending domestically and in the UK increases modestly, while other lending remained broadly unchanged
- LTV profile remains stable, with the majority of loans below 70% LTV

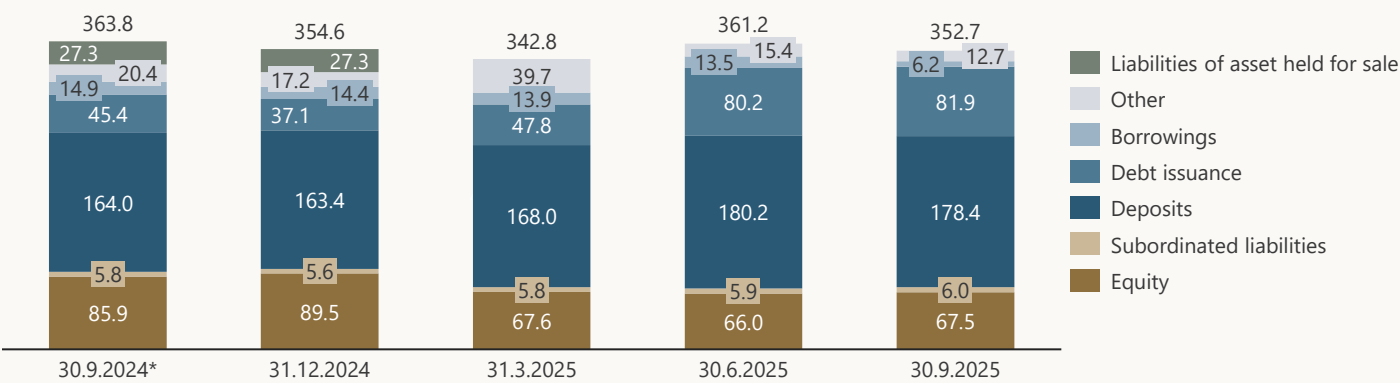


Balance Sheet: Liabilities

Stable funding base with balanced mix of deposits and market funding

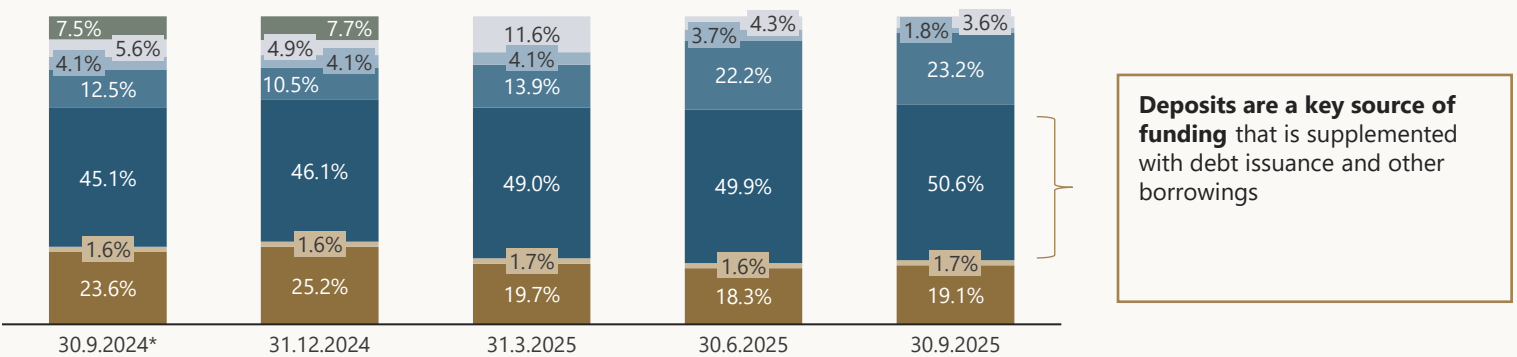
Liabilities and equity

ISK bn.



Liabilities and equity

ISK bn.



- Total liabilities amounted to ISK 285.3 billion at the end of Q3 2025, broadly unchanged from Q2
- Debt issuance remained stable, following Kvika’s inaugural EUR 200 million bond issue in May, which continues to strengthen the funding mix
- Borrowings decreased during the quarter, reflecting the partial repayment of legacy UK debt
- Deposits declined modestly in Q3, after strong growth earlier in the year, in line with normal seasonal movements

*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



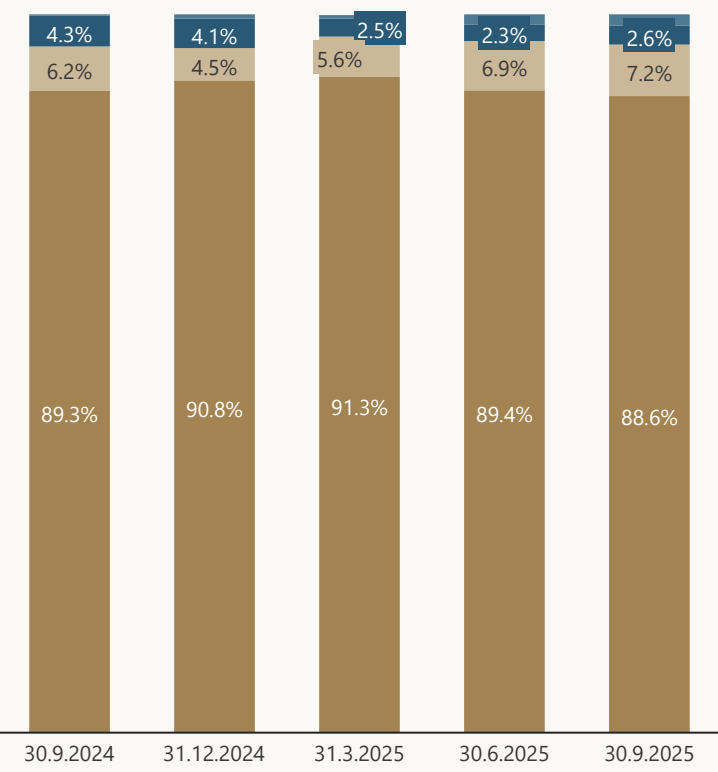
Credit Quality

Stable credit quality and low impairment levels

Loans to customers risk stage allocation

Net loan book / (%)

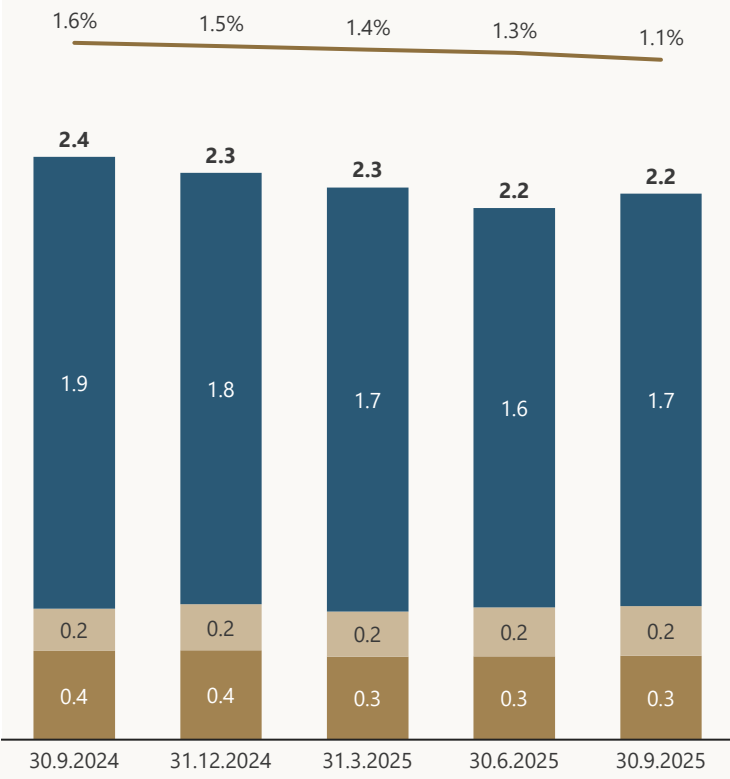
Stage 1 Stage 3
Stage 2 FVTPL



Impairment loss allowance

ISK bn.

Stage 1 Stage 3
Stage 2 % of gross loan book



- Loan book quality remained stable in Q3, with a modest increase in Stage 3 loans to 2.6% of the net loan book, following the resolution of several exposures earlier in the year
- Impairment allowance stood at ISK 2.2 billion, unchanged from Q2, and equal to 1.1% of the gross loan book
- Stage 3 loans remain well-collateralised, with an average loan-to-value of 68%, supporting the overall low credit risk profile

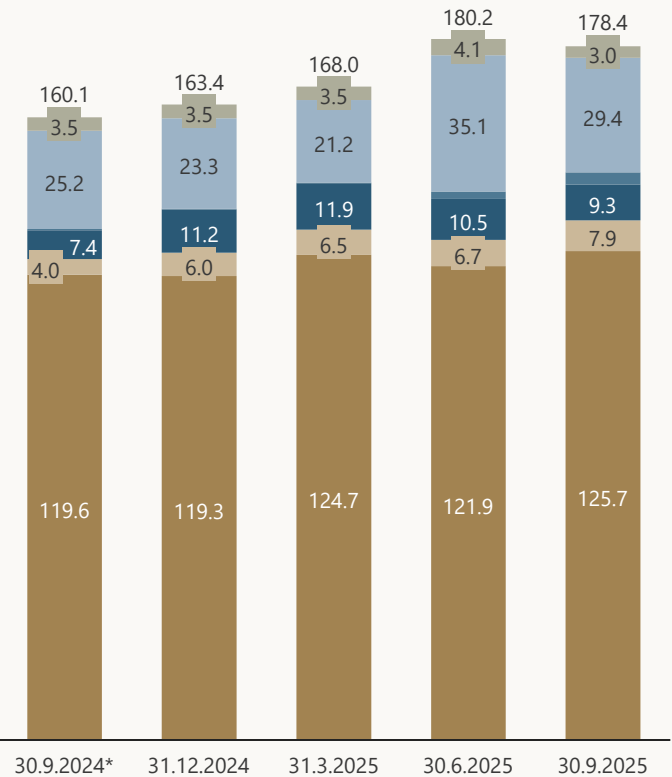


Deposits

Retail deposits remain a stable core funding base

Deposits by type

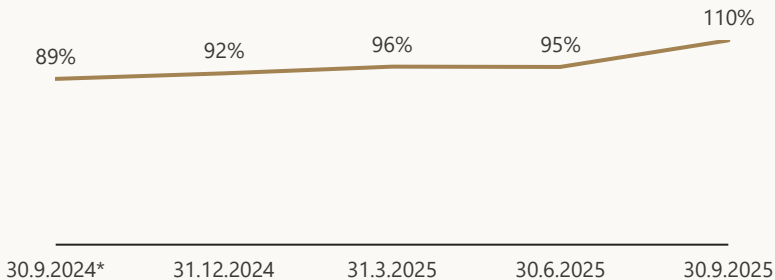
ISK bn.



Individuals Large corporates Financial entities
SMEs Public entities Other

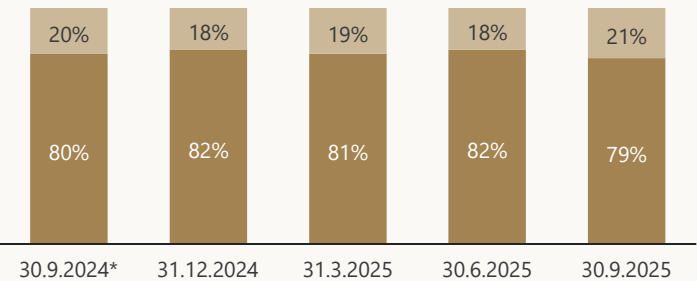
Loans to deposits

(%)



Maturity of deposits

30.06.2025 / ISK bn.



0-30 days
Over 30 days

- Total deposits amount to ISK 178.4 billion at the end of Q3 2025, slightly lower than in Q2 as balances from financial entities declined from unusually high levels in the previous quarter
- Retail deposits continue to grow, reflecting the strength of the Auður deposit franchise
- Loans to deposits ratio increases to 110% as loan book growth outpaces deposits
- Deposit maturity profile remained consistent, with around 80% of deposits on demand

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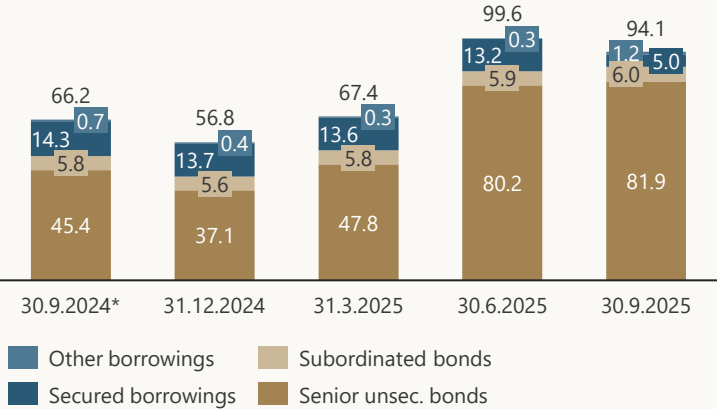


Debt Issuance

Steady funding profile supported by international market access

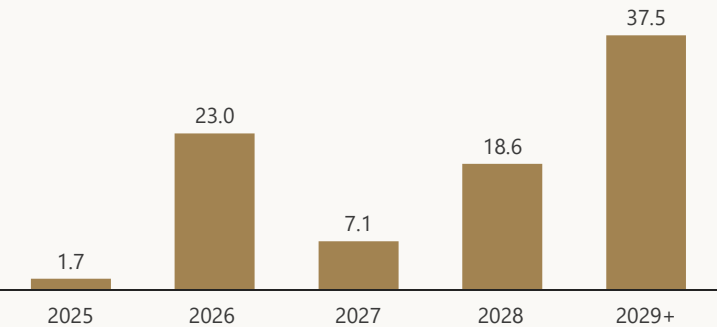
Development of market funding

ISK bn.



Maturity of issuance

30.9.2025 / ISK bn.

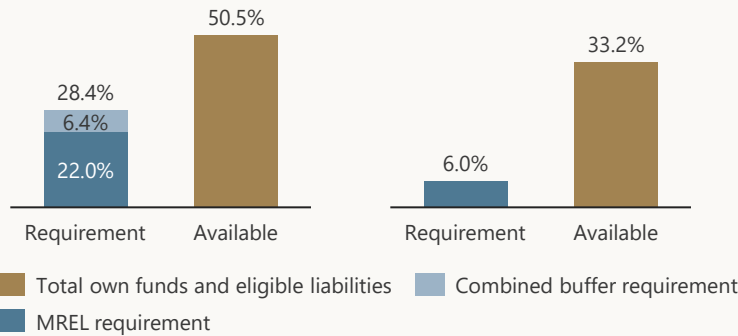


MREL requirements

30.09.2025

MREL-RWEA: Percentage of risk-weighted exposure amount

MREL-TEM: Percentage of total exposure measure



Rating

Rating

	Bank deposit rating	Issuer rating
Long term	Baa1	Baa2
Short term	P-2	P-2
Outlook	On review for upgrade	On review for upgrade
Last update	24 September 2025	24 September 2025

- Market funding is largely unchanged from Q2 with the main change being the partial repayment of secured borrowings in the UK
- Kvika tendered SEK/NOK notes with a maturity in May 2026 earlier in October, accepting offers for a total of SEK 339 million and NOK 417 million, not reflected in the maturity profile shown in the slide, decreasing the 2026 maturity profile by nearly ISK 10 billion
- Kvika holds a long-term issuer rating of Baa2, currently under review for upgrade by Moody's (as of July 2025), following merger proposals from Arion Banki hf. and Íslandsbanki hf. and consequently, the ongoing merger discussions with Arion. The review reflects the potential for long-term credit profile enhancement through consolidation
- MREL requirements remain comfortably met, with buffers well above both risk-weighted and total exposure measures through a combination of own funds and eligible liabilities

*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



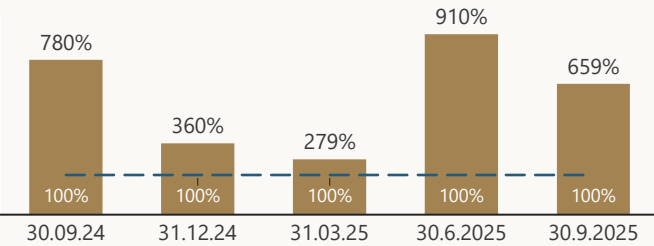
Liquidity and Funding Ratios

Continued strong liquidity position

Total liquidity coverage ratio (LCR)

30.9.2025 / (%)

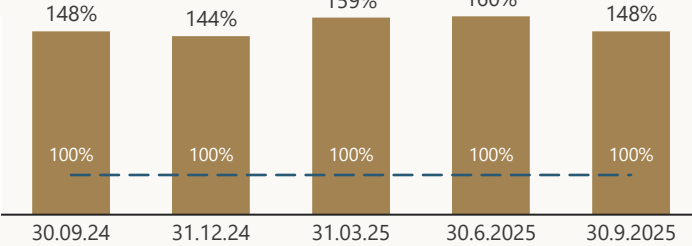
— Regulatory minimum



Net stable funding ratio (NSFR)

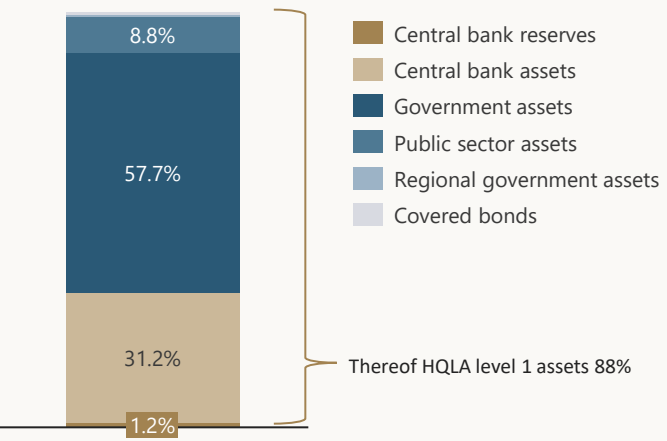
30.9.2025 / (%)

— Regulatory minimum



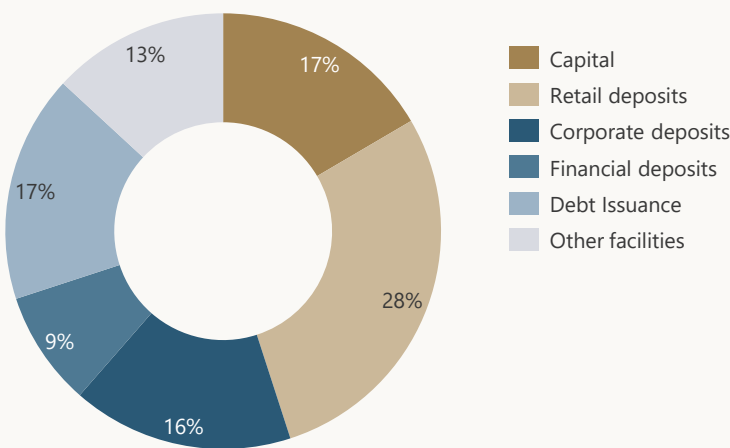
High quality liquid assets (HQLA)

30.09.2025 / (%)



Available stable funding

30.09.2025 / (%)



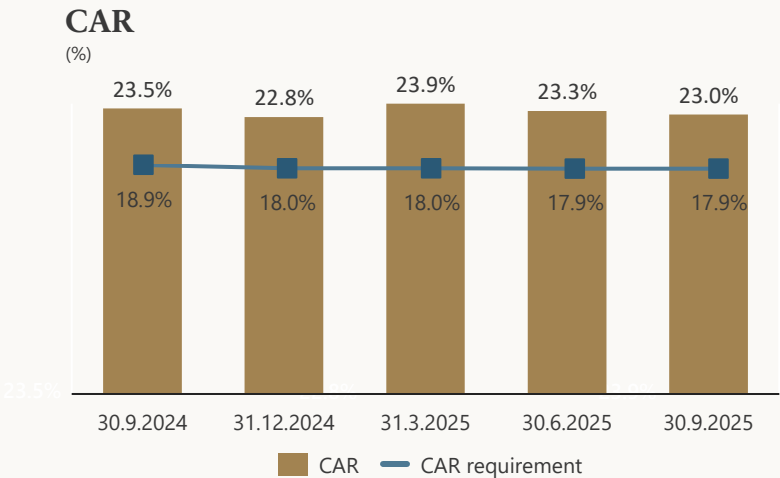
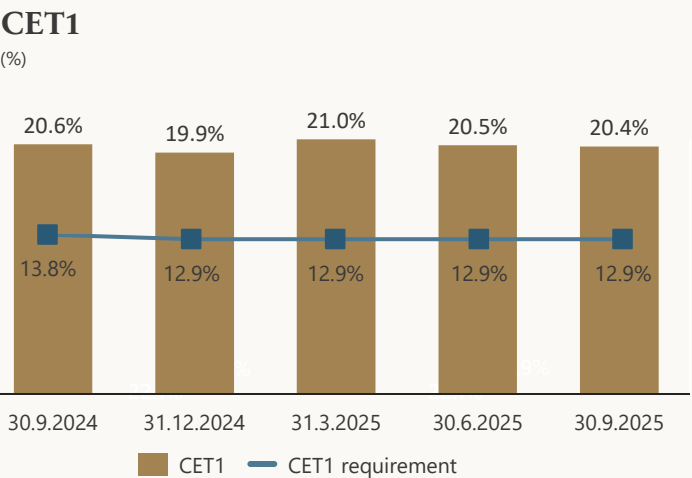
- The liquidity coverage ratio (LCR) is strong at 659%, well above the 100% regulatory requirement
- Net stable funding ratio (NSFR) is strong at 148%, well above the 100% regulatory requirement
- High-quality liquid assets (HQLA) totaled ISK 84.6 billion, with 88% classified as Level 1 assets
- Kvika 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

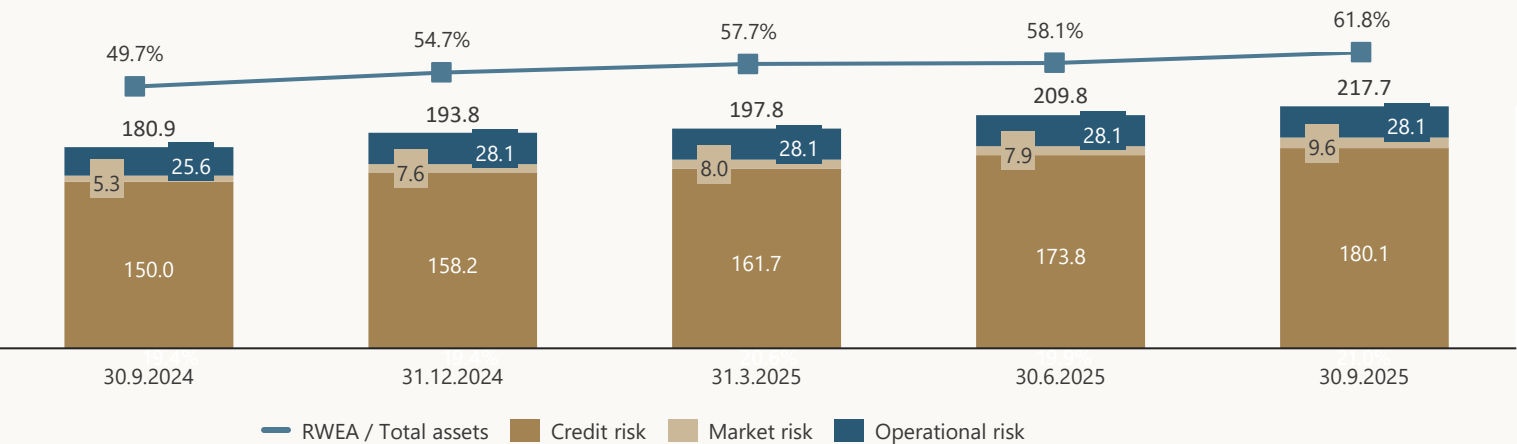


Capital Position

Strong capital position well above regulatory requirements



Risk-weighted exposure amount (RWEA)
ISK bn.



- CAR of 23.0% at the end of September, well above Kvika's management target as expected during the transitional period post-divestment
 - CAR of 22.5% excluding unaudited retained earnings for Q3 2025
 - The CAR includes an ISK 2.3 bn deduction from own funds, reflecting the remaining ISK 1.1 bn portion of the share buyback programme (currently on hold due to the planned merger with Arion), as well as deductions for regular dividends and buybacks in line with the bank's dividend and share buyback policy
- Capital, including unaudited retained earnings for Q3 2025, exceeds regulatory requirements by ISK 11.1 bn at the end of Q3
- The bank continues to target a management buffer of 2% to 4% over current and anticipated CAR requirements
- CRR III is expected to be implemented before year-end. Based on the currently available assumptions and September month-end data, the implementation is projected to reduce the bank's risk-weighted exposure amount by approximately 14%

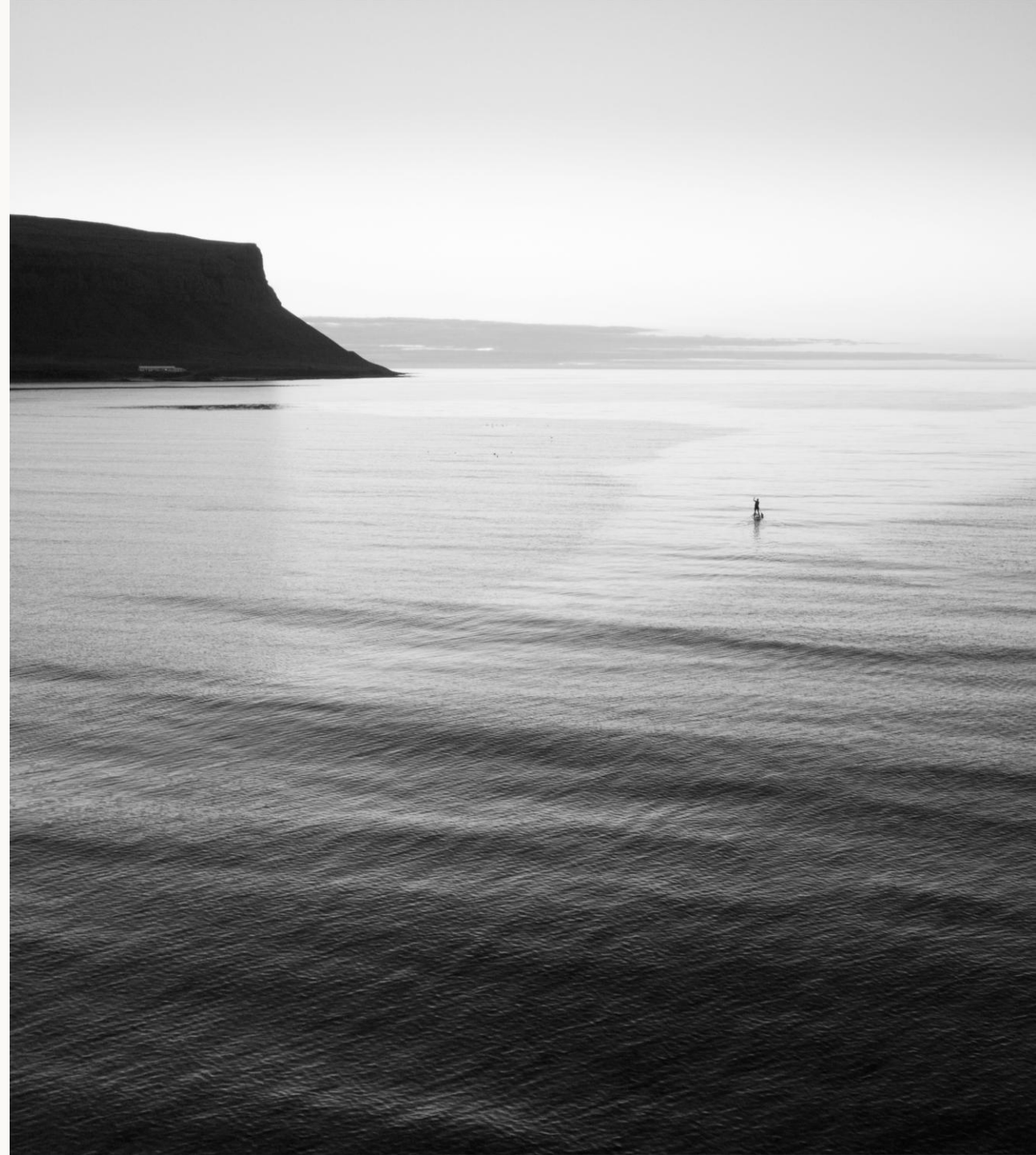


Financial Targets

	Target	12M 2024	Q3 2025
Return on Tangible Equity <small>Pre-tax</small>	>20%	17.4%	17.8%
Capital Adequacy Ratio (CAR) <small>Buffer Over Requirement (basis points)</small>	200-400 bps.	480 bps.	510 bps.
Dividend Payout Ratio <small>Dividends and Share Buybacks as % of Profit after Tax</small>	25%	25%	- <small>Special dividend and share buyback due to divestment of TM Insurance not included</small>



Looking ahead





In a Strong Position to Drive Business Plan

Kvika remains well-positioned to deliver on its strategic ambitions

The external environment remains mixed, with inflation and interest rates still elevated and the pace of disinflation uncertain.

The mortgage market is adjusting to new conditions following the Supreme Court ruling on variable-rate loans and domestic capital markets remain cautious amid subdued equity performance

Despite potential near-term challenges, the overall backdrop remains resilient and Kvika continues to be in a strong position

Kvika is in a favorable position

✓ Loan book growth on track

Driven by strong demand in Auður Heima mortgages and diversified lending across segments, Kvika is on track to reach ambitious year-end goals

✓ UK exposure adds diversification

UK operations representing about a quarter of total lending provide meaningful diversification from domestic market cycles

✓ NIM resilience

Net interest margin has remained stable at 4.0% despite changes in balance sheet composition and high liquidity position

✓ Strong funding position

Supported by diversified long term funding, a stable deposit base, and liquidity coverage ratio of around 659%

✓ Growing capital position

Combination of operating results and paused share buybacks, Kvika's capital position is exceptionally strong. CRR3 legislation will substantially strengthen capital ratios when implemented

✓ Cost control and scalability

Disciplined expense management combined with strong scalability of Kvika's infrastructure to support growth without significant cost increases



Merger Process Continues

Progress in line with original plans

Pre-notification discussions with the ICA have commenced, and mutual due diligence is nearing completion

Pre-discussions are not bound by a defined timeframe, though they are expected to take at least several weeks. The progress and outcome of this phase will shape the next steps in the merger process

Process expectations



Phase I

- Letter of intent signed
- Agreement on heads of terms including exchange ratios

Ongoing

Phase II

- Due diligence about to complete
- Pre-notification discussions with the ICA

Pending
Phase II

Phase III

- Merger notification sent to regulatory bodies

Pending
Phase III

Phase IV

- Shareholder meetings once conditions are fulfilled and merger has regulatory approval



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