Condensed Interim Consolidated Financial Statements

30 September 2024

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Kvika banki hf. • Katrínartún 2 • 105 Reykjavík • Iceland • Reg. no. 540502-2930

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Kvika highlights

30.09.2024

Kvika

Kvika is a specialized financial institution strategically positioned to increase competition and transform financial services in Iceland. Kvika provides businesses, investors, and individuals with investment banking, asset management, payment, and banking services. The Bank is listed on Nasdaq Iceland.

Kvika operates in four business segments, Commercial banking and Investment Banking as well as Asset Management and UK operations through subsidiaries Kvika Asset Management and Kvika Securities Ltd. Kvika's insurance segment, operated through the subsidiary TM tryggingar hf., is currently in a divestment process.

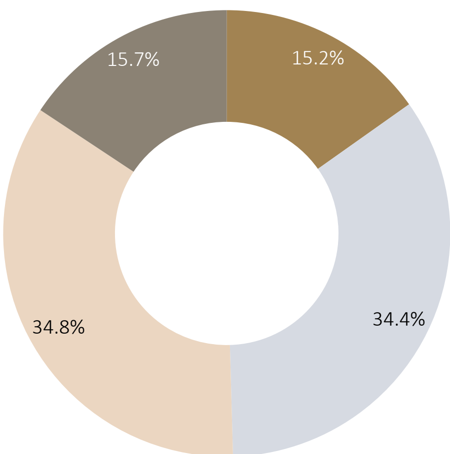
Kvika operates several brands that are highly focused and excel in their field. The main brands are Kvika, Kvika Asset Management, Auður, Aur, Lykill, Netgíró, and Straumur, as well as Ortus Secured Finance in the UK.

Key figures

ISK m.	9M 2024	9M 2023
Net operating income	12,519	10,850
Profit before taxes,continuing operations	4,217	2,646
RoTE, continuing operations	18.1%	11.0%
	30.09.2024	**31.12.2023**
Total Assets	363,818	335,397
Loans to customers	146,047	136,323
Deposits	148,666	133,773
LCR	780%	247%
NSFR	148%	141%
Group Solvency	1.24	1.25

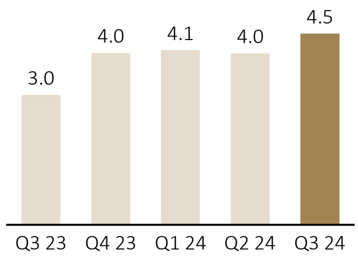
Diversified operations

Revenues by segment / 9M 2024



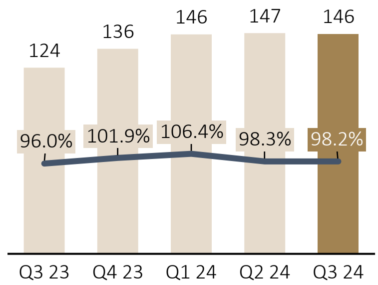
Net operating income

ISK bn.



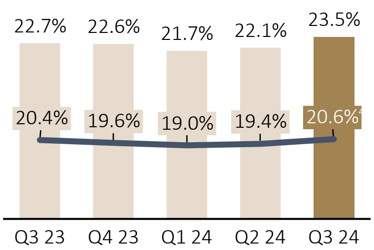
Loans to customers

ISK bn.



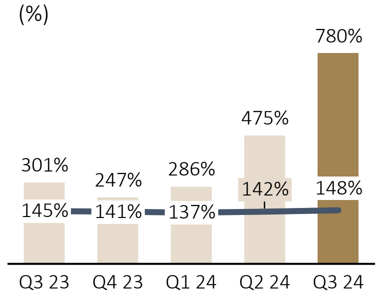
Total capital ratio

(%)



LCR ratio

(%)



Exemplary

Corporate Governance

87/100

Reitun ESG score

Baa2/Prime-2

Stable

Following the classification of TM as a disposal group held for sale, the Group reports income from its insurance operations in a single line in the consolidated income statement as profit after tax from discontinued operations. The comparative figures from 2023 have been restated

Endorsement and Statement
by the Board of Directors and the CEO

These are the Condensed Interim Consolidated Financial Statements of Kvika banki hf. ("Kvika" or the "Bank") and its subsidiaries (together the "Group") for the period 1 January to 30 September 2024. The Condensed Interim Consolidated Financial Statements have not been audited or reviewed by the Bank's independent auditors.

About the Bank

Kvika is a specialized financial institution strategically positioned to increase competition and transform financial services in Iceland. Operating without a branch network, Kvika provides businesses, investors, and individuals with investment banking, insurance, asset management, payment, and banking services. The Bank is listed on the main list of Nasdaq OMX Iceland.

Kvika operates in four business segments, two which are operated under the Kvika Bank brand, Commercial Banking and Investment Banking, and two in own-brand subsidiaries, Kvika Asset Management and Kvika Securities Ltd., the Group's operations in the UK. The insurance segment, operated through the subsidiary TM tryggingar hf. ("TM") has been sold to Landsbankinn hf. This transaction is currently pending approval from the Icelandic Competition Authority.

Kvika operates as well as a house of brands that are highly focused and excel in their field. The main brands are Kvika, Kvika Asset Management, Auður, Aur, Lykill, Netgíró, and Straumur, as well as Ortus Secured Finance in the UK.

Operations during the period in 2024

Profit before taxes from continuing operations for the third quarter amounted to ISK 1,813 million (Q3 2023: ISK 234 million) and for the first nine months of the year it amounted to ISK 4,217 million (9m 2023: ISK 2,646 million). Pre-tax annualised return on weighted tangible equity (RoTE) from continuing operations was 22.4% for the quarter and 18.1% for the first nine months, based on the tangible equity position of Kvika, net of TM, at the beginning of the year adjusted for changes in share capital and transactions with treasury shares during the period. Profit after taxes, including discontinued operations, for the third quarter amounted to ISK 2,363 million (Q3 2023: ISK 544 million) and for the first nine months of the year it amounted to ISK 4,703 million (9m 2023: ISK 2,456 million).

The Group's net operating income during the first nine months was ISK 12,519 million (9m 2023: ISK 10,849 million). Net interest income amounted to ISK 7,183 million (9m 2023: ISK 5,690 million). Net fee income amounted to ISK 4,536 million (9m 2023: ISK 4,339 million). Other operating income amounted to ISK 800 million (9m 2023: ISK 821 million). Administrative expenses during the period amounted to ISK 7,744 million (9m 2023: ISK 8,006 million). During the period, the Group had a net impairment charge of ISK 514 million (9m 2023: ISK 201 million).

Financial position

According to the Consolidated Statement of Financial Position, equity at the end of the period amounted to ISK 85,866 million (31.12.2023: ISK 81,958 million), and total assets amounted to ISK 363,818 million (31.12.2023: ISK 335,397 million).

The Group's statement of financial position grew by ISK 28 billion or 8.5% during the period in 2024. Loans to customers grew by ISK 9.7 billion or 7.1% during the period. Liquid assets amounted to ISK 122.4 billion at end of September 2024, or 33.7% of total assets.

In May 2024, Kvika completed a SEK 500 million tap of floating rate bonds initially issued in May 2023. With the previous SEK 275 million issuance, the total outstanding amount for the series now stands at SEK 775 million. The bonds, maturing in May 2026, were priced at a 240bps spread over the 3-month STIBOR, reflecting a significant improvement in pricing compared to the initial issuance at 410bps over the 3-month STIBOR.

Additionally, in July 2024, Kvika issued ISK 500 million in Tier-2 subordinated bonds to further strengthen the Bank’s capital base. This issuance was a tap on subordinated bonds originally issued in December 2023.

Purchase agreement for the sale of TM tryggingar hf. signed

On 30 May 2024 the Bank announced that it had signed a purchase agreement with Landsbankinn hf., in which Landsbankinn hf. purchased 100% of the share capital in TM. On 17 March 2024 the Bank announced that it had received binding offers for the purchase of the share capital of TM. Due diligence review has been completed and the purchase agreement is signed with standard conditions of approval from The Financial Supervisory Authority of the Central Bank of Iceland and the Icelandic Competition Authority ("ICA"). On 26 September 2024 The Financial Supervisory Authority of the Central Bank of Iceland has published the results of its assessment, finding that Landsbankinn is eligible to control a qualifying holding in TM. The ICA has yet to conclude its review of the transaction. The purchase price according to the purchase agreement is ISK 28.6 billion and Landsbankinn hf. will pay for the share capital in cash. The purchase price is based on TM's balance sheet at the end of 2023. The final purchase price will be adjusted for changes in TM's tangible equity from the beginning of the year 2024 to the completion date, and the amount of the change will be added to or subtracted from the price according to the purchase agreement.

Endorsement and Statement
by the Board of Directors and the CEO

Capital adequacy and dividends

The Financial Supervisory Authority of the Central Bank published the results of the Supervisory Review and Evaluation Process ("SREP") for Kvika based on financial information at year-end 2023 on 10 July 2024. The capital requirement under Pillar II changed to 3.6% of total risk-weighted exposures, a decrease of 0.4pp from the year before. Concurrently, the systemic risk buffer increased 0.2pp due to changes in composition of risk weighted exposure between Iceland and UK. Hence Kvika's total capital requirement at 30.09.2024, taking into account all capital buffers, amounted to 18.9%. Kvika's capital adequacy ratio was 22.5% at the end of September 2024 (31.12.2023: 22.6%). Kvika's CET1 requirement was 13.8% compared to a CET1 ratio of 19.6% at the end of September 2024.

The Group's solvency ratio at 30.09.2024 was 1.24 (31.12.2023: 1.25) with a regulatory minimum requirement of 1.0.

The Bank's 2024 Annual General Meeting ("AGM") approved a motion from the Board of Directors ("BOD") permitting the Bank to purchase up to 10% of own shares subject to regulatory approvals. This authorisation applies until the next annual general meeting in 2025. In July, the BOD decided to exercise a part of that authorisation and established a buy-back programme to carry out the purchase of shares for a total consideration amount of ISK 1 billion but for no higher nominal amount than 100,000,000 shares. The buy-back programme was completed in September 2024 when the Bank had purchased shares for ISK 1 billion.

The 2024 AGM also approved a motion from the BOD to, subject to approval from the Financial Supervisory Authority of the Central Bank of Iceland, decrease the share capital of the Bank by 58,952,375 shares by cancelling treasury shares held by the Bank. In March 2024, the share capital reduction was carried out.

Furthermore, the 2024 AGM approved a motion from the BOD that no dividend will be paid in the year 2024 on 2023 operations. The BOD intends, through the purchase of own shares, to meet the Bank's dividend policy, which states that the aim is for shareholders to be returned an annual dividend of at least 25% of last year's profit after taxes, whether in the form of dividends or through the purchase of own shares. The BOD has not ruled out that it might call to a meeting of shareholders later in the year 2024 to discuss potential dividend payments if the conditions arise, e.g. following the sale of TM.

Risk management

The objective of risk management is to promote a good and efficient culture of risk awareness within the Group and to increase the understanding of employees and management on the Group's risk taking, in addition to an assessment process related to risk and capital position. An emphasis is placed on being up to speed on the latest developments and adoption of rules related to risk management, such as regarding capital- and liquidity management. The Group faces various risks associated with its operations as a financial conglomerate that arise from its day-to-day operations. Active risk management entails analysing risk, measuring it and taking actions to limit it, as well as monitoring risk factors across the Group. The Group's risk management and main operations are described in the notes accompanying the Condensed Interim Consolidated Financial Statements. Refer to notes 39-54 on the analysis of exposure to various types of risk.

Statement by the Board of Directors and the CEO

The Condensed Interim Consolidated Financial Statements of Kvika banki hf. for the period 1 January to 30 September 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and additional requirements, as applicable, in the Act on Annual Accounts no. 3/2006, the Act on Financial Undertakings no. 161/2002 and rules on accounting for credit institutions no. 834/2003.

To the best of our knowledge these Condensed Interim Consolidated Financial Statements give a true and fair view of the Group's assets, liabilities and financial position as at 30 September 2024 and the financial performance of the Group and changes of cash flows for the period 1 January to 30 September 2024. Furthermore, in our opinion the Condensed Interim Consolidated Financial Statements and the Endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describe the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO of the Bank have today discussed the Condensed Interim Consolidated Financial Statements for the period 1 January to 30 September 2024 and confirmed them by the means of their signatures.

Reykjavík, 6 November 2024.

Board of Directors

Sigurður Hannesson, Chairman

Helga Kristín Auðunsdóttir, Deputy Chairman

Ingunn Svala Leifsdóttir

Guðjón Reynisson

Sigurgeir Guðlaugsson

Chief Executive Officer

Ármann Þorvaldsson

The Condensed Interim Consolidated Financial Statements of Kvika banki hf. for the period ended 30 September 2024 are electronically certificated by the Board of Directors and the CEO.

Kvika banki hf. Amounts are in ISK thousands

Condensed Interim Consolidated Income Statement

For the period 1 January 2024 to 30 September 2024

	Notes	Q3 2024	Q3 2023	9m 2024	9m 2023 *
Interest income		7,291,612	5,763,064	22,059,893	16,338,635
Interest expense		(4,862,772)	(3,914,068)	(14,876,848)	(10,649,002)
Net interest income	5	2,428,840	1,848,996	7,183,045	5,689,633
Fee and commission income		1,729,507	1,482,225	5,022,362	4,763,467
Fee and commission expense		(177,794)	(158,000)	(486,784)	(424,616)
Net fee and commission income	6	1,551,713	1,324,225	4,535,578	4,338,851
Net financial income (expense)	7	403,287	(261,615)	546,959	453,003
Share in profit of associates, net of income tax	23	0	199	25,580	17,522
Other operating income		70,426	112,943	227,486	350,473
Other net operating income (expense)		473,712	(148,473)	800,025	820,997
Net operating income		4,454,265	3,024,748	12,518,648	10,849,481
Administrative expenses	9	(2,344,414)	(2,632,636)	(7,743,708)	(8,005,900)
Net impairment	11	(260,960)	(160,941)	(513,888)	(200,671)
Revaluation of contingent consideration		(36,078)	2,665	(44,321)	2,665
Profit before taxes from continuing operations		1,812,814	233,836	4,216,732	2,645,574
Income tax	12	(287,589)	(216,142)	(721,469)	(653,998)
Special tax on financial activity	13	(54,156)	(59,646)	(127,938)	(114,944)
Special tax on financial institutions	14	(72,688)	(45,374)	(205,240)	(161,426)
Profit (loss) for the period		1,398,381	(87,326)	3,162,085	1,715,206
Discontinued operations					
Profit after tax for the period from discontinued operations	3	964,973	631,348	1,541,105	740,572
Profit for the period		2,363,354	544,022	4,703,190	2,455,778

	Notes	Q3 2024	Q3 2023	9m 2024	9m 2023
Attributable to the shareholders of Kvika banki hf.		2,360,866	544,022	4,696,660	2,436,828
Attributable to non-controlling interest	22	2,488	0	6,531	18,950
Profit for the period		2,363,354	544,022	4,703,190	2,455,778
Earnings per share	15				
Basic earnings per share (ISK per share)		0.50	0.11	1.00	0.51
Diluted earnings per share (ISK per share)		0.50	0.11	1.00	0.51

Quarterly information is unreviewed.

** Comparative information has been restated, reference is made to note 3 for further information.*

The notes on pages 11 to 47 are an integral part of these Condensed Interim Consolidated Financial Statements.

Kvika banki hf. Amounts are in ISK thousands

Condensed Interim Consolidated Statement of Comprehensive Income

For the period 1 January 2024 to 30 September 2024

	Notes	Q3 2024	Q3 2023	9m 2024	9m 2023
Profit for the period		2,363,354	544,022	4,703,190	2,455,778
Changes in fair value of financial assets through OCI, net of tax		34,060	(553,268)	105,223	(936,665)
Realized net loss transferred to the Income Statement, net of tax		(206)	24,114	14,843	48,468
Changes to reserve for financial assets at fair value through OCI		33,855	(529,154)	120,066	(888,197)
Exchange difference on translation of foreign operations		35,775	(30,961)	52,326	(19,551)
Other comprehensive income that is or may be reclassified subsequently to profit and		69,629	(560,114)	172,392	(907,749)
Total comprehensive income for the period		2,432,983	(16,092)	4,875,583	1,548,029

	Notes	Q3 2024	Q3 2023	9m 2024	9m 2023
Attributable to the shareholders of Kvika banki hf.		2,430,495	(16,092)	4,869,052	1,529,079
Attributable to non-controlling interest		2,488	0	6,531	18,950
Total comprehensive income for the period		2,432,983	(16,092)	4,875,583	1,548,029

Quarterly information is unreviewed.

The notes on pages 11 to 47 are an integral part of these Condensed Interim Consolidated Financial Statements.

Kvika banki hf. Amounts are in ISK thousands

Condensed Interim Consolidated Statement of Financial Position

As at 30 September 2024

Assets	Notes	30.9.2024	31.12.2023
Cash and balances with Central Bank	16	38,899,203	23,681,453
Fixed income securities	17	68,583,037	64,977,406
Shares and other variable income securities	18	4,267,895	3,857,480
Securities used for hedging	19	10,689,552	16,852,313
Loans to customers	20	146,047,077	136,323,481
Derivatives	21	2,138,453	2,497,877
Investment in associates	23	122,413	96,194
Intangible assets	24	21,856,184	21,906,363
Operating lease assets	25	278,103	530,144
Property and equipment		541,007	618,361
Deferred tax assets	12	2,364,779	2,902,580
Other assets	26	13,481,990	10,401,128
Assets classified as held for sale	3	54,548,370	50,752,652
Total assets		363,818,063	335,397,432

Liabilities	Notes	30.9.2024	31.12.2023
Deposits	27	148,665,792	133,772,941
Borrowings	28	30,240,549	23,817,062
Issued bonds	29	45,411,812	45,715,427
Subordinated liabilities	30	5,782,902	5,993,084
Short positions held for trading	31	255,971	131,745
Short positions used for hedging	32	20,697	4,230
Derivatives	21	2,144,346	2,196,904
Deferred tax liabilities		199,722	272,615
Other liabilities	33	17,916,105	16,594,010
Liabilities associated with assets classified as held for sale	3	27,313,906	24,941,611
Total liabilities		277,951,803	253,439,628

Equity	Notes	30.9.2024	31.12.2023
Share capital	34	4,658,450	4,722,073
Share premium		46,725,401	47,661,777
Other reserves		7,232,432	4,330,081
Retained earnings		27,171,329	25,171,754
Total equity attributable to the shareholders of Kvika banki hf.		85,787,611	81,885,685
Non-controlling interest	22	78,649	72,119
Total equity		85,866,261	81,957,804
Total liabilities and equity		363,818,063	335,397,432

The notes on pages 11 to 47 are an integral part of these Condensed Interim Consolidated Financial Statements.

Kvika banki hf. Amounts are in ISK thousands

Condensed Interim Consolidated Statement of Changes in Equity

For the period 1 January 2024 to 30 September 2024

1 January 2024 to 30 September 2024	**Notes**	**Share capital**	**Share premium**	**Other reserves** **Option reserve**	**Deficit reduction reserve**	**Fair value reserve**	**Trans-lation reserve**	**Restricted retained earnings**	**Retained earnings**	**Total share-holders' equity**	**Non-controlling interest**	**Total equity**
Equity as at 1 January 2024		4,722,073	47,661,777	173,605	1,203,697	(930,231)	86,145	3,796,865	25,171,754	81,885,685	72,119	81,957,804
Profit for the period									4,696,660	4,696,660	6,531	4,703,190
Changes in fair value of financial assets through OCI						105,223				105,223		105,223
Realized net loss transferred to the Income Statement						14,843				14,843		14,843
Translation of foreign operations												
Exchange difference on translation of foreign operations							52,326			52,326	0	52,326
Total comprehensive income for the period		0	0	0	0	120,066	52,326	0	4,696,660	4,869,052	6,531	4,875,583
Restricted due to subsidiaries and associates								2,690,337	(2,690,337)	0		0
Restricted due to development costs								6,748	(6,748)	0		0
Transactions with owners of the Bank												
Treasury shares acquired as part of a buy-back programme		(63,624)	(936,376)							(1,000,000)		(1,000,000)
Stock options				32,874						32,874		32,874
Equity as at 30 September 2024		4,658,450	46,725,401	206,479	1,203,697	(810,164)	138,471	6,493,950	27,171,329	85,787,611	78,649	85,866,261

The notes on pages 11 to 47 are an integral part of these Condensed Interim Consolidated Financial Statements.

Kvika banki hf. Amounts are in ISK thousands

Condensed Interim Consolidated Statement of Changes in Equity

For the period 1 January 2023 to 30 September 2023

1 January 2023 to 30 September 2023	Notes	Share capital	Share premium	Other reserves: Option reserve	Other reserves: Deficit reduction reserve	Other reserves: Fair value reserve	Other reserves: Translation reserve	Other reserves: Restricted retained earnings	Retained earnings	Total share-holders' equity	Non-controlling interest	Total equity
Equity as at 1 January 2023		4,781,026	48,602,825	155,951	1,203,697	(574,319)	57,338	2,225,492	24,559,886	81,011,895	77,285	81,089,180
Profit for the period									2,436,828	2,436,828	18,950	2,455,778
Changes in fair value of financial assets through OCI						(936,665)				(936,665)		(936,665)
Realized net loss transferred to the Income Statement						48,468				48,468		48,468
Translation of foreign operations												
Exchange difference on translation of foreign operations							(19,551)			(19,551)	0	(19,551)
Total comprehensive income for the period		0	0	0	0	(888,197)	(19,551)	0	2,436,828	1,529,079	18,950	1,548,029
Restricted due to subsidiaries and associates								105,646	(105,646)	0		0
Restricted due to development costs								126,885	(126,885)	0		0
Transactions with owners of the Bank												
Treasury shares acquired as part of a buy-back programme		(58,952)	(941,048)							(1,000,000)		(1,000,000)
Dividend paid to shareholders									(1,912,410)	(1,912,410)		(1,912,410)
Stock options				57,725						57,725		57,725
Equity as at 30 September 2023		4,722,073	47,661,777	213,676	1,203,697	(1,462,516)	37,786	2,458,022	24,851,773	79,686,289	96,235	79,782,523

The notes on pages 11 to 47 are an integral part of these Condensed Interim Consolidated Financial Statements.

Kvika banki hf. Amounts are in ISK thousands

Condensed Interim Consolidated Statement of Cash Flows

For the period 1 January 2024 to 30 September 2024

Cash flows from operating activities	Notes	9m 2024	9m 2023
Profit for the period		4,703,190	2,455,778
Adjustments for:			
Indexation and exchange rate difference		40,720	393,088
Share in profit of associates, net of income tax		(25,580)	(17,522)
Depreciation and amortisation		818,492	1,231,251
Net interest income		(7,183,045)	(6,468,611)
Net impairment		513,888	192,670
Income tax		1,054,647	1,286,371
Adjustment relating to assets held for sale		(1,423,423)	0
Other adjustments		32,874	57,725
		(1,468,237)	(869,250)
Changes in:			
Fixed income securities		(3,339,874)	(10,942,549)
Shares and other variable income securities		(437,283)	39,519
Securities used for hedging		6,162,761	3,809,875
Loans to customers		(7,689,392)	(15,640,377)
Derivatives - assets		359,423	1,126,340
Operating lease assets		178,573	132,824
Other assets		(3,164,270)	(7,192,594)
Deposits		13,125,741	15,230,428
Insurance contract liabilities		0	2,214,173
Short positions		140,693	(1,884,789)
Derivatives - liabilities		181,395	(19,370)
Other liabilities		1,478,879	12,530,245
		6,996,647	(596,275)
Interest received		20,774,515	16,222,131
Interest paid		(13,164,268)	(8,902,988)
Income tax paid		(485,141)	(284,653)
Net cash from operating activities		12,653,515	5,568,965
Cash flows from investing activities			
Acquisition of intangible assets	24	(347,944)	(1,294,849)
Net acquisition of property and equipment		(36,110)	(272,605)
Dividend from associates		0	13,701
Net cash to investing activities		(384,054)	(1,553,753)
Cash flows from financing activities			
Borrowings		(1,810,869)	(11,538,605)
Issued bonds		6,527,500	10,821,525
Subordinated loans		(300,000)	0
Acquired own shares		(1,000,000)	(1,000,000)
Dividend paid to shareholders		0	(1,912,410)
Repayment of lease liabilities		(291,626)	(395,283)
Net cash from (to) financing activities		3,125,005	(4,024,773)
Net change in cash and balances with Central Bank		15,394,466	(9,561)
Cash and balances with Central Bank at the beginning of the year		23,681,453	36,670,586
Effects of exchange rate fluctuations on cash and balances with Central Bank		(176,716)	205,580
Cash and balances with Central Bank at the end of the period	16	38,899,203	36,866,605

The notes on pages 11 to 47 are an integral part of these Condensed Interim Consolidated Financial Statements.

Notes to the Condensed Interim Consolidated Financial Statements

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General information

1. Reporting entity

Kvika banki hf. ("Kvika" or the "Bank") is a limited liability company incorporated and domiciled in Iceland, with its registered office at Katrínartún 2, Reykjavík. The Bank operates as a bank based on Act No. 161/2002, on Financial Undertakings, and is supervised by the Financial Supervisory Authority of the Central Bank ("FME"). The Group, comprised of Kvika and its subsidiaries, has been designated by the FME as a financial conglomerate as defined in Article no. 3 of Act no. 61/2017 on Additional Supervision of Financial Conglomerates.

The Condensed Interim Consolidated Financial Statements for the period ended 30 September 2024 comprise Kvika banki hf. and its subsidiaries (together referred to as the Group). The subsidiary TM tryggingar hf. has been classified as a disposal group held for sale, insurance operations are therefore a discontinued operation and are no longer reported as an operating segment. The Group operates four business segments, Asset Management, Commercial Banking, Investment Banking and UK operations. Operating without a branch network, Kvika provides businesses, investors, and individuals with investment banking, insurance, asset management, payment, and banking services.

The Condensed Interim Consolidated Financial Statements were approved and authorised for issue by the Board of Directors and the CEO on 6 November 2024.

2. Basis of preparation

a. Statement of compliance

The Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting, as adopted by the European Union and additional requirements, as applicable, in the Act on Annual Accounts no. 3/2006, the Act on Financial Undertakings no. 161/2002 and rules on accounting for credit institutions no. 834/2003.

Due to the reclassification of the subsidiary TM tryggingar hf. as disposal group held for sale, in accordance with IFRS 5, comparative figures in the Income Statement have been restated, reference is made to note 3.

b. Basis of measurement

The Condensed Interim Consolidated Financial Statements have been prepared using the historical cost basis except for the following:

- fixed income securities are measured at fair value;
- shares and other variable income securities are measured at fair value;
- securities used for hedging are measured at fair value;
- certain loans to customers which are measured at fair value;
- derivatives are measured at fair value;
- investment properties are measured at fair value;
- shared based payment is accounted for in accordance with IFRS 2;
- contingent consideration is measured at fair value; and
- short positions are measured at fair value.

c. Functional and presentation currency

The Condensed Interim Consolidated Financial Statements are prepared in Icelandic krona (ISK), which is the Group's functional currency. All financial information has been rounded to the nearest thousand, unless otherwise stated.

The Group's assets and liabilities which are denominated in other currency than ISK are translated to ISK using the exchange rate as at the end of day 30 September 2024.

d. Going concern

The Bank's management has assessed the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue its operations.

e. Estimates and judgements

The preparation of interim financial statements in accordance with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are based on historical results and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period and future periods if the revision affects both current and future periods.

Information about areas of estimation uncertainty and critical judgements made by management in applying accounting policies that can have a significant effect on the amounts recognised in the Condensed Interim Consolidated Financial Statements, is provided in the Consolidated Financial Statements as at and for the year ended 31 December 2023.

f. Relevance and importance of notes to the reader

In order to enhance the informational value of the Condensed Interim Consolidated Financial Statements, the notes are evaluated based on relevance and importance for the reader. This can result in information, that has been evaluated as neither important nor relevant for the reader, not being presented in the notes.

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

3. Discontinued operations

At year-end 2023, TM was classified as a disposal group held for sale and as a discontinued operation. TM is measured at the lower of carrying amount upon the date of reclassification and fair value less costs to sell.

Restated Consolidated Income Statement for 9m 2023:

	Published accounts	Operation of TM tryggingar	9m 2023
Net interest income	6,468,611	(778,978)	5,689,633
Net fee and commission income	4,422,802	(83,951)	4,338,851
Insurance revenue	14,505,033	(14,505,033)	0
Incurred claims and net expense from reinsurance contract held	(10,831,511)	10,831,511	0
Net financial income	169,616	283,386	453,003
Share in profit of associates, net of income tax	17,522	0	17,522
Other operating income	490,347	(139,874)	350,473
Administrative expenses	(11,310,265)	3,304,365	(8,005,900)
Net impairment	(192,670)	(8,001)	(200,671)
Revaluation of contingent consideration	2,665	0	2,665
Income tax and other taxes	(1,286,371)	356,003	(930,368)
Discontinued operations	0	740,572	740,572
Profit for the period	2,455,778	0	2,455,778

The results of the discontinued operations for the period are presented below:

	9m 2024	9m 2023
Net interest income	565,732	778,978
Net fee and commission income	1,010	83,951
Insurance revenue	15,725,491	14,505,033
Incurred claims and net expense from reinsurance contract held	(12,129,543)	(10,831,511)
Net financial income	929,356	(283,386)
Other operating income	80,018	139,874
Administrative expenses	(3,452,434)	(3,416,392)
Net impairment	6,629	8,001
Income tax	(225,272)	(333,597)
	1,500,988	650,951
Administrative expenses, stranded costs	50,146	112,027
Income tax	(10,029)	(22,405)
Profit for the period from discontinued operations	1,541,105	740,572

The major classes of assets and liabilities of the discontinued operations are as follows:

Assets	30.9.2024	31.12.2023
Cash and balances with Central Bank	869,162	995,561
Fixed income securities	22,545,655	19,824,505
Shares and other variable income securities	15,605,555	14,543,128
Investment properties	1,240,135	1,240,135
Intangible assets	12,415,519	12,615,362
Other assets	1,872,343	1,533,960
Assets classified as held for sale	54,548,370	50,752,652
Liabilities		
Insurance contract liabilities	25,452,236	23,267,425
Deferred tax liabilities	654,201	629,063
Other liabilities	1,207,469	1,045,123
Liabilities associated with assets classified as held for sale	27,313,906	24,941,611
Eliminations with the Group	1,115,525	1,018,962
Net assets directly associated with disposal group	28,349,989	26,830,002

Kvika banki hf.	Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

Segment information

4. Business segments

Segment reporting is based on the same principles and structure as internal reporting to the CEO and the Board of Directors. Segment performance is evaluated on profit before tax and excludes income from discontinued operations.

Reportable segments

As disclosed in the Group's Consolidated Financial Statements for 2023, the subsidiary TM tryggingar hf. has been classified as a disposal group held for sale. Insurance operation are therefore a discontinued operations and are no longer reported as an operating segment. During the period in 2024, the Group defined four reportable operating segments; Asset Management, Commercial Banking, Investment Banking, previously called Corporate Banking and Capital Markets, and UK operations. The figures for the period in 2024 reflect the operating segment structure that was in place during that period, taking into account the discontinuation of the insurance operations, and comparison amounts for the previous period have been restated accordingly.

- Asset Management
  Products and services offered include asset management involving both domestic and foreign assets, private banking and private pension plans. The management of a broad range of mutual funds, investment funds and institutional investor funds is included in this segment through the operations of Kvika eignastýring hf.
- Commercial Banking
  Commercial Banking offers various forms of banking services and related advisory services. Included in this operating segment is Lykill, the leasing operations of the Group, and the Group's fintech operations, such as Auður, Netgíró and Aur, as well as the payment facilitation operations of Straumur greiðslumiðlun hf.
- Investment Banking
  Investment Banking provide a range of professional services in the fields of specialised financing, securities and foreign exchange transactions and corporate finance services. The functions of Market Making and Treasury are also included in the segment although they are a part of Kvika's Finance division.
- UK operations
  The UK operations consist of asset management and corporate finance services through Kvika Securities Ltd. and specialised lending services through Ortus Secured Finance Ltd.
  UK operations is the only geographic area outside of Iceland and for the period in 2024 it accounts for 15.7% (9m 2023: 7.4%) of net operating income.

Supporting units consist of the functions carried out by the Bank's support divisions, such as Risk Management, Finance, IT and Operations, etc. The information presented relating to the supporting units does not represent an operating segment.

9m 2024	Asset Management	Commercial Banking	Investment Banking	UK operations	Supporting units	Total
Net interest income	9,954	2,970,154	3,035,190	1,196,433	(28,686)	7,183,045
Net fee and commission income	1,809,186	1,110,106	1,114,843	503,196	(1,753)	4,535,578
Net financial income (expense)	67,180	631	233,417	249,291	(3,560)	546,959
Share in profit of associates	-	25,579	-	-	-	25,579
Other operating income	10,626	199,382	-	12,085	5,394	227,487
Net operating income	1,896,946	4,305,851	4,383,451	1,961,005	(28,604)	12,518,648
Salaries and related expenses	(726,777)	(674,520)	(723,012)	(499,035)	(2,117,062)	(4,740,405)
Other operating expenses	(66,191)	(1,205,015)	(200,768)	(301,944)	(1,229,385)	(3,003,303)
Administrative expenses	(792,968)	(1,879,534)	(923,779)	(800,979)	(3,346,447)	(7,743,708)
Net impairment	(2,556)	(280,916)	(114,038)	(116,377)	-	(513,888)
Revaluation of contingent consideration	(8,243)	-	-	(36,078)	-	(44,321)
Cost allocation	(546,934)	(1,141,193)	(840,611)	(115,530)	2,644,268	-
Profit (loss) before tax from continuing operations	546,245	1,004,208	2,505,022	892,041	(730,783)	4,216,732
Net segment revenue from external customers	1,903,883	114,499	7,308,360	3,203,511	(11,604)	12,518,648
Net segment revenue from other segments	(6,937)	4,191,352	(2,924,909)	(1,242,506)	(17,000)	-

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

4. Business segments (cont.)

9m 2023 *	Asset Management	Commercial Banking	Investment Banking	UK operations	Supporting units	Total
Net interest income	7,554	2,492,244	2,822,182	409,785	(42,131)	5,689,633
Net fee and commission income	1,838,131	953,291	1,288,188	299,636	(40,396)	4,338,851
Net financial income	44,014	684	317,452	90,851	0	453,003
Share in profit of associates	-	17,522	-	-	-	17,522
Other operating income	35,294	237,617	(6,252)	(0)	83,814	350,473
Net operating income	1,924,993	3,701,359	4,421,570	800,272	1,287	10,849,481
Salaries and related expenses	(790,894)	(610,030)	(774,610)	(401,662)	(2,240,870)	(4,818,067)
Other operating expenses	(73,541)	(1,143,647)	(243,147)	(411,482)	(1,316,016)	(3,187,833)
Administrative expenses	(864,435)	(1,753,677)	(1,017,757)	(813,144)	(3,556,887)	(8,005,900)
Net impairment	-	(147,639)	(12,272)	(40,760)	-	(200,671)
Revaluation of contingent consideration	2,665	-	-	-	-	2,665
Cost allocation	(725,093)	(1,204,615)	(1,061,310)	(258,625)	3,249,643	-
Profit (loss) before tax from continuing operations	338,130	595,428	2,330,231	(312,257)	(305,957)	2,645,574
Net segment revenue from external customers	1,932,279	1,153,670	5,854,056	1,898,184	11,291	10,849,481
Net segment revenue from other segments	(7,286)	2,547,688	(1,432,486)	(1,097,913)	(10,004)	-

The figures for the period in 2023 have been restated to reflect and the discontinuation of insurance operations.

** Comparative information has been restated, reference is made to note 3 for further information.*

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

Income statement

5. Net interest income

Interest income is specified as follows:

	Q3 2024	Q3 2023	9m 2024	9m 2023 *
Cash and balances with Central Bank	875,100	357,922	1,927,255	1,188,826
Derivatives	522,725	297,488	2,387,697	1,173,126
Loans to customers	4,821,384	4,049,657	14,845,992	11,065,725
Fixed income securities (FVOCI)	1,072,190	1,057,007	2,898,110	2,909,145
Other interest income	213	990	838	1,813
Total	7,291,612	5,763,064	22,059,893	16,338,635

Interest expense is specified as follows:

	Q3 2024	Q3 2023	9m 2024	9m 2023 *
Deposits	2,897,302	2,281,377	8,369,121	5,868,008
Borrowings	713,319	487,821	2,065,524	1,534,818
Issued bonds	875,103	912,725	2,635,794	2,540,764
Subordinated liabilities	137,461	103,523	509,163	408,600
Derivatives	227,125	18,508	1,253,714	130,880
Other interest expense**	12,461	110,114	43,532	165,931
Total	4,862,772	3,914,068	14,876,848	10,649,002
Net interest income	2,428,840	1,848,996	7,183,045	5,689,633

** Thereof are lease liabilities' interest expense amounting to ISK 43 million (9m 2023: ISK 51 million).

Total interest income recognised in respect of financial assets not carried at fair value through profit or loss amounts to ISK 16,671 million (9m 2023: ISK 12,356 million). Total interest expense recognised in respect of financial liabilities not carried at fair value through profit or loss amounts to ISK 13,623 million (9m 2023: ISK 10,419 million).

6. Net fee and commission income

Fee income is disclosed based on the nature and type of fee income generated across business segments. Information on net fee and commission income by segment is disclosed in note 4.

	Q3 2024	Q3 2023	9m 2024	9m 2023 *
Asset Management	577,795	548,905	1,741,586	1,803,777
Capital markets and corporate finance	330,189	338,361	1,025,418	1,261,994
Cards and payment solutions	161,007	90,603	443,408	132,423
Loans and guarantees	590,033	442,504	1,620,375	1,323,832
Other fee and commission income	70,483	61,851	191,576	241,442
Total fee income	1,729,507	1,482,225	5,022,362	4,763,467
Fee and commission expense	(177,794)	(158,000)	(486,784)	(424,616)
Net fee and commission income	1,551,713	1,324,225	4,535,578	4,338,851

Asset management fees are earned by the Group for trust and fiduciary activities where the Group holds or invests assets on behalf of the customers.

Fee and commission income from capital markets and corporate finance include fees and commissions generated by miscellaneous corporate finance service, securities, derivatives and FX brokerage as well as market making.

Fee and commission income from cards and payment solutions relate to the Group's payment facilitations services as well as the issuance of debit and credit cards.

Fee and commission income from loans and guarantees include the Group's lending operations, notification and collection fees, as well as fees from issuing guarantees.

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

7. Net financial income (expense)

Net financial income (expense) is specified as follows:

	Q3 2024	Q3 2023	9m 2024	9m 2023 *
Net gain (loss) on financial assets and financial liabilities mandatorily measured at fair value through profit or loss				
Fixed income securities	85,062	(109,842)	222,744	(130,044)
Financial assets at fair value through OCI	(18,595)	(30,299)	(18,554)	(60,744)
Shares and other variable income securities	159,022	(175,227)	(2,216)	423,499
Derivatives	264,666	57,648	452,771	425,661
Loans to customers	(57,889)	(15,121)	(67,066)	(158,880)
Foreign currency exchange difference	(28,979)	11,226	(40,720)	(46,491)
Total	403,287	(261,615)	546,959	453,003

8. Foreign currency exchange difference

Foreign currency exchange difference is specified as follows:

	9m 2024	9m 2023 *
Loss on financial instruments at fair value through profit and loss	(1,312,619)	(562,999)
Gain on other financial instruments	1,271,899	516,508
Total	(40,720)	(46,491)

9. Administrative expenses

Administrative expenses are specified as follows:

	Q3 2024	Q3 2023	9m 2024	9m 2023 *
Salaries and related expenses	1,373,209	1,633,471	4,740,405	4,818,067
Other operating expenses	702,114	822,390	2,184,811	2,396,016
Depreciation and amortisation	211,689	187,618	641,334	638,590
Depreciation of right of use asset	57,401	(10,843)	177,158	153,227
Total	2,344,414	2,632,636	7,743,708	8,005,900

10. Salaries and related expenses

Salaries and related expenses are specified as follows:

	Q3 2024	Q3 2023	9m 2024	9m 2023 *
Salaries	945,416	1,176,651	3,403,356	3,594,891
Performance based payments excluding share-based payments	107,302	56,410	307,022	142,966
Share-based payment expenses	8,188	12,920	25,495	43,972
Pension fund contributions	141,000	179,373	456,430	483,616
Tax on financial activity	60,015	76,722	193,626	206,487
Other salary related expenses	111,288	131,395	354,477	346,135
Total	1,373,209	1,633,471	4,740,405	4,818,067
Average number of full time employees during the period	246	283	246	284
- Thereof full time equivalents outsourced to discontinued operations during the period	8	15	9	17
Total number of full time employees at the end of the period	249	276	249	276

The figures for number of employees exclude employees of TM as a result of the reclassification of TM as a discontinued operation and an asset held for sale.

According to Act No. 165/2011, passed in 2011, banks and other financial institutions providing VAT exempt services, must pay a tax based on salary payments, called tax on financial activity. The current tax rate is 5.50% (2023: 5.50%).

The amount of performance based payments that has been expensed is based on the results for the period in 2024 and the guidelines on performance based payments set forth in the Group's remuneration policy. The performance based payments have not been allocated to any employees or business segments and are subject to approval by the Board of Directors.

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

11. Net impairment

	Q3 2024	Q3 2023	9m 2024	9m 2023 *
Net change in impairment of loans	(261,110)	(172,881)	(507,878)	(206,580)
Net change in impairment of other assets	(5)	8,001	(3,165)	8,067
Net change in impairment of loan commitments, guarantees and unused credit facilities	155	3,939	(2,845)	(2,158)
Total	(260,960)	(160,941)	(513,888)	(200,671)

12. Income tax

The Bank and some of its subsidiaries will not pay income tax on its profit for 2024 due to the fact that Group has a tax loss carry forward that offsets the calculated income tax. At year-end 2023, the tax loss carry forward of the Group amounted to ISK 13.0 billion. A substantial part of the tax loss carry forward is utilisable until end of year 2028. Management is of the opinion that the Group's operations in the years to come will result in taxable results which will be offset with the tax loss carry forward. The Group has therefore recognised the tax loss carry forward as a deferred tax asset in the consolidated statement of financial position.

Income tax is recognised based on the tax rates and tax laws enacted during the current year, according to which the domestic corporate income tax rate was 21.0% (2023: 20.0%). Companies within the Group, which operate outside of Iceland, recognise income tax in accordance with the applicable tax laws in the country where they are resident.

13. Special tax on financial activity

The special tax on financial activity is an additional income tax which becomes effective when the income tax base exceeds ISK 1,000 million. It is levied on the same entities as the tax on financial activity according to Act No. 90/2003. The tax rate is set at 6.0% (2023: 6.0%) and the tax is not a deductible expense for income tax purposes. The tax is presented separately in the consolidated income statement.

14. Special tax on financial institutions

According to Act No. 155/2010 on Special Tax on Financial Institutions, certain types of financial institutions, including banks, must pay annually a tax based on the carrying amount of their liabilities as determined for tax purposes in excess of ISK 50 billion at year-end. The tax rate is set at 0.145% (2023: 0.145%) and the tax is not a deductible expense for income tax purposes. The tax is presented separately in the consolidated income statement.

15. Earnings per share

The calculation of basic earnings per share is based on earnings attributable to shareholders and a weighted average number of shares outstanding during the period. The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Bank has issued stock options that have a dilutive effect.

	Continuing operations		Discontinued operations		Continuing and discontinued operations	
	9m 2024	**9m 2023 ***	**9m 2024**	**9m 2023 ***	**9m 2024**	**9m 2023 ***
Net earnings attributable to equity holders of the Bank	3,155,554	1,696,256	1,541,105	740,572	4,696,660	2,436,828
Weighted average number of outstanding shares	4,711,576	4,769,762	4,711,576	4,769,762	4,711,576	4,769,762
Adjustments for stock options	88	0	88	0	88	0
Total	4,711,663	4,769,762	4,711,663	4,769,762	4,711,663	4,769,762
Basic earnings per share (ISK)	0.67	0.36	0.33	0.16	1.00	0.51
Diluted earnings per share (ISK)	0.67	0.36	0.33	0.16	1.00	0.51
	Q3 2024	**Q3 2023**	**Q3 2024**	**Q3 2023**	**Q3 2024**	**Q3 2023**
Net earnings attributable to equity holders of the Bank	1,395,893	(87,326)	964,973	631,348	2,360,866	544,022
Weighted average number of outstanding shares	4,690,808	4,747,710	4,690,808	4,747,710	4,690,808	4,747,710
Adjustments for stock options	129	0	129	0	129	0
Total	4,690,937	4,747,710	4,690,937	4,747,710	4,690,937	4,747,710
Basic earnings per share (ISK)	0.30	-0.02	0.21	0.13	0.50	0.11
Diluted earnings per share (ISK)	0.30	-0.02	0.21	0.13	0.50	0.11

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

Statement of Financial Position

16. Cash and balances with Central Bank

Cash and balances with Central Bank are specified as follows:

	30.9.2024	31.12.2023
Deposits with Central Bank	19,864,484	13,479,131
Cash on hand	14,128	20,055
Balances with banks	13,062,135	6,356,998
Included in cash and cash equivalents	32,940,747	19,856,184
Restricted balances with Central Bank - fixed reserve requirement	5,958,457	3,825,269
Total	38,899,203	23,681,453

The Bank holds mandatory reserve deposit accounts with the Central Bank of Iceland in compliance with the Central Bank's Rules on Minimum Reserve Requirements No. 585/2018. Under these rules the reserve requirement is divided into two parts: a fixed reserve requirement bearing no interest and an average maintenance level requirement bearing the same interest as that on deposit-taking institutions' current accounts with the Central Bank. The mandatory reserve deposit with the Central Bank and the receivables from the Central Bank are not available for the Group to use in its daily operations.

17. Fixed income securities

Fixed income securities are specified as follows:

Mandatorily measured at fair value through profit or loss	30.9.2024	31.12.2023
Listed government bonds and bonds with government guarantees	1,648,026	2,515,820
Listed bonds	2,670,674	1,053,955
Unlisted bonds	595,417	114,075
Measured at fair value through other comprehensive income		
Listed government bonds and bonds with government guarantees	60,185,694	45,067,483
Listed treasury bills	1,993,616	14,675,118
Listed bonds	1,489,610	1,550,955
Total	68,583,037	64,977,406

18. Shares and other variable income securities

Shares and other variable income securities are specified as follows:

Mandatorily measured at fair value through profit or loss	30.9.2024	31.12.2023
Listed shares	674,773	512,703
Unlisted shares	2,343,222	2,027,673
Unlisted unit shares in other funds	1,249,900	1,317,103
Total	4,267,895	3,857,480

19. Securities used for hedging

Securities used for hedging are specified as follows:

	30.9.2024	31.12.2023
Listed government bonds and bonds with government guarantees	3,162,354	1,201,377
Listed bonds	299,826	955,948
Listed shares	6,873,745	14,258,492
Listed unit shares	0	7,501
Unlisted unit shares	353,626	428,995
Total	10,689,552	16,852,313

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

20. Loans to customers

The breakdown of the loan portfolio by individuals and corporates is specified as follows:

	Individuals		Corporates		Total	
30.9.2024	Gross carrying amount	Book value	Gross carrying amount	Book value	Gross carrying amount	Book value
Loans to customers at amortised cost	38,348,168	37,466,216	109,866,181	108,355,328	148,214,348	145,821,544
Loans to customers at FV through profit or loss ..	61,713	61,713	163,820	163,820	225,533	225,533
Total	38,409,881	37,527,929	110,030,000	108,519,147	148,439,881	146,047,077

	Individuals		Corporates		Total	
31.12.2023	Gross carrying amount	Book value	Gross carrying amount	Book value	Gross carrying amount	Book value
Loans to customers at amortised cost	39,375,650	38,386,498	98,484,058	97,254,551	137,859,708	135,641,049
Loans to customers at FV through profit or loss ..	58,634	58,634	623,799	623,799	682,433	682,433
Total	39,434,283	38,445,131	99,107,858	97,878,350	138,542,141	136,323,481

The Group presents finance lease receivables as part of loans to customers at amortised cost. As at 30 September 2024, the book value of finance lease receivables amounted to ISK 23,359 million (31.12.2023: ISK 21,504 million).

21. Derivatives

Derivatives are specified as follows:

	Notional		Carrying amount	
30.9.2024	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate derivatives	184,903	125,000	56,180	0
Cross - currency interest rate swaps	36,311,111	29,994,456	190,996	849,453
Currency forwards	6,209,177	6,191,742	38,540	21,105
Currency forwards used for hedge accounting	0	7,199,230	0	144,740
Bond and equity total return swaps	14,125,591	14,119,205	1,137,738	1,129,049
Equity options	649	0	715,000	0
Total	56,831,432	57,629,633	2,138,453	2,144,346

	Notional		Carrying amount	
31.12.2023	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate derivatives	22,573,886	21,401,149	940,860	0
Currency forwards	38,881,527	34,034,527	461,388	121,213
Currency forwards used for hedge accounting	0	4,855,756	0	152,182
Bond and equity total return swaps	17,837,698	18,895,783	880,434	1,923,509
Equity options	0	0	215,196	0
Total	79,293,112	79,187,216	2,497,877	2,196,904

The hedging gain recognised in OCI before tax is equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognised in profit or loss.

Set out below is the reconciliation of foreign currency translation reserve component of equity due to hedge accounting and the analysis of other comprehensive income:

	30.9.2024	**31.12.2023**
Balance at the beginning of the year	(52,556)	0
Foreign currency revaluation of the net foreign operations	(263,134)	(65,695)
Tax effect	52,627	13,139
Total	(263,063)	(52,556)

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

22. Group entities

The main subsidiaries held directly or indirectly by the Group are listed in the table below.

Entity	Nature of operations	Domicile	Share 30.9.2024	Share 31.12.2023
FÍ Fasteignafélag GP ehf.	Real estate fund management	Iceland	100%	100%
GAMMA Capital Management hf.	Fund management	Iceland	100%	100%
Kvika eignastýring hf.	Asset management	Iceland	100%	100%
* Rafklettur ehf.	Holding company	Iceland	100%	100%
Skilum ehf.	Debt Collection	Iceland	100%	100%
Straumur greiðslumiðlun hf.	Payment facilitator	Iceland	100%	100%
* TM líftryggingar hf.	Insurance company	Iceland	100%	100%
* TM tryggingar hf.	Insurance company	Iceland	100%	100%
AC GP 3 ehf.	Fund management	Iceland	85%	85%
Kvika Securities ltd.	Business consultancy services	UK	100%	100%
Ortus Secured Finance ltd.	Lending operations	UK	80%	78%

* At 31 December 2023 TM tryggingar hf., Rafklettur ehf. and TM líftryggingar were classified as a disposal group held for sale in accordance with IFRS 5.

23. Investment in associates

a. Investment in associates is accounted for using the equity method and is specified as follows:

Entity	Nature of operations	Domicile	Share 30.9.2024	Share 31.12.2023
Gláma fjárfestingar slhf.	Holding company	Iceland	24%	24%
Moberg d. o. o.	Digital solutions provider	Croatia	40%	40%

The Group does not consider its associates material, neither individually nor as a group.

b. Changes in investments in associates are specified as follows:

	30.9.2024	31.12.2023
Balance at the beginning of the year	96,194	88,988
Dividend received	0	(27,493)
Share in profit of associates, net of income tax	25,580	35,756
Exchange rate difference	640	(1,057)
Total	122,413	96,194

24. Intangible assets

Intangible assets are specified as follows:

30.9.2024	Goodwill	Customer relationships	Brands	Software and other	Total
Balance as at 1 January 2024	17,782,646	1,731,918	264,327	2,127,472	21,906,363
Additions during the period	0	0	0	347,944	347,944
Amortisation	0	(128,208)	(34,344)	(339,934)	(502,486)
Currency adjustments	75,450	27,396	1,477	40	104,363
Balance as at 30 September 2024	17,858,096	1,631,106	231,459	2,135,523	21,856,184
Gross carrying amount	17,858,096	2,123,210	370,572	3,965,907	24,317,786
Accumulated amortisation and impairment losses	0	(492,104)	(139,113)	(1,830,385)	(2,461,602)
Balance as at 30 September 2024	17,858,096	1,631,106	231,459	2,135,523	21,856,184

31.12.2023	Goodwill	Customer relationships	Brands	Software and other	Total
Balance as at 1 January 2023	26,041,926	2,838,993	2,276,484	2,922,498	34,079,900
Additions during the period	0	315,558	0	1,224,158	1,539,716
Discontinued	0	0	0	(20,338)	(20,338)
Amortisation	0	(262,726)	(152,986)	(700,617)	(853,603)
Reclassified as assets held for sale	(8,300,327)	(1,160,429)	(1,859,875)	(1,294,732)	(12,615,363)
Currency adjustments	41,046	509	705	(3,484)	38,776
Balance as at 31 December 2023	17,782,646	1,731,905	264,327	2,127,485	21,906,363
Gross carrying amount	17,782,646	2,095,815	369,096	3,617,923	23,865,479
Accumulated amortisation and impairment losses	0	(363,896)	(104,769)	(1,490,451)	(1,959,116)
Balance as at 31 December 2023	17,782,646	1,731,918	264,327	2,127,472	21,906,363

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

25. Operating lease assets

Operating lease assets are specified as follows:

	30.9.2024	31.12.2023
Balance as at 1 January	530,144	884,222
Additions	31,333	63,792
Disposals	(209,906)	(257,979)
Depreciation	(73,469)	(159,891)
Total	278,103	530,144
Gross carrying amount	547,257	1,116,581
Accumulated depreciation	(269,154)	(586,437)
Total	278,103	530,144

26. Other assets

Other assets are specified as follows:

	30.9.2024	31.12.2023
Unsettled transactions	7,197,552	2,262,226
Accounts receivable	4,757,378	6,342,227
Right of use asset and lease receivables	1,105,259	1,320,983
Sundry assets	421,801	475,693
Total	13,481,990	10,401,128

Right of use asset and lease receivables are specified as follows:

	30.9.2024	31.12.2023
Right of use asset and lease receivables as at 1 January	1,320,983	1,576,582
Indexation	39,163	77,713
Currency adjustments	9,355	2,655
Depreciation and lease receivable instalment	(264,241)	(335,967)
Total	1,105,259	1,320,983

Right of use asset and lease receivables mostly consist of real estates for the Group's own use. The Group has entered into sublease contracts for parts of the real estates which it does not use for its operations.

27. Deposits

Deposits are specified as follows:

	30.9.2024	31.12.2023
Demand deposits	122,919,526	113,625,055
Time deposits	25,746,267	20,147,887
Total	148,665,792	133,772,941

28. Borrowings

Borrowings are specified as follows:

	30.9.2024	31.12.2023
Money market deposits	15,325,891	8,792,963
Secured borrowings	14,261,375	13,691,834
Other borrowings	653,283	1,332,264
Total	30,240,549	23,817,062

Money market deposits typically have a principal of ISK 5-500 million and maturity between 1 day and 6 months and pay fixed interest rates. Secured borrowings are in GBP and are to be paid at maturity. The borrowings mature in 2028.

The Group has not had any defaults of principal, interest or other breaches with respect to its debt issued and other borrowed funds.

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

29. Issued bonds

Issued bonds are specified as follows:

Currency, nominal value	First issued	Maturity	Maturity type	Terms of interest	30.9.2024	31.12.2023
Unsecured bonds:						
EMTN 24 0131, SEK 500 million	2022	2024	At maturity	Floating, 3 month STIBOR + 2.80%	0	4,610,572
EMTN 24 0204, EUR 8.5 million	2022	2024	At maturity	Floating, 3 month EURIBOR + 2.80%	0	1,292,489
KVIKA 24 1119, GBP 11.4 million	2021	2024	At maturity	Floating, 3 month ICE term SONIA+1.90%	2,072,537	1,990,376
KVIKA 24 1216 GB, ISK 4,500 million .	2021	2024	At maturity	Floating, 3 month REIBOR + 0.90%	4,518,166	4,517,330
KVB 19 01, ISK 5,000 million	2019	2024	Amortizing	Floating, 1 month REIBOR + 1.50%	250,837	1,003,675
KVIKA 25 1201 GB ISK 1,660 million ..	2022	2025	At maturity	Floating, 3 month REIBOR + 1.25%	1,674,542	1,675,442
EMTN 26 0511, SEK 775 million *	2023	2026	At maturity	Floating, 3 month STIBOR + 4.10%	10,442,384	3,770,724
EMTN 26 0511, NOK 800 million	2023	2026	At maturity	Floating, 3 month NIBOR + 4.10%	10,371,027	10,837,164
EMTN 26 1123 GB, SEK 500 m.	2023	2026	At maturity	Floating, 3 month STIBOR + 4.0%	6,720,120	6,839,052
KVB 21 02, ISK 5,400 million	2021	2027	At maturity	CPI-indexed, fixed 1.0%	6,887,877	6,599,359
KVIKA 32 0112, ISK 2,000 million	2022	2032	At maturity	CPI-indexed, fixed 1.40%	2,474,321	2,373,037
Asset backed bonds:						
Lykill 24 06, ISK 1,570 million	2020	2024	Amortizing	Fixed, 2.80%	0	206,206
Total					45,411,812	45,715,427

* Bond issued in two tranches, first tranche SEK 225 million was issued in May 2023 at a spread of STIBOR + 410 bps, the second tranche amounting to SEK 500 million was issued in May 2024 at a price corresponding to a spread of STIBOR + 240 bps.

30. Subordinated liabilities

a. Subordinated liabilities:

Currency, nominal value	First issued	Maturity	Maturity type	Terms of interest	30.9.2024	31.12.2023
KVB 18 02, ISK 800 million	2018	2028	At maturity	CPI-Indexed, fixed 7.50%	0	1,123,778
KVIKA 34 1211 T2i, ISK 2,500 m.	2023	2034	At maturity	CPI-Indexed, fixed 6.25%	2,753,664	2,011,434
TM 15 1, ISK 2,000 million	2015	2045	At maturity	CPI-Indexed, fixed 5.25%	3,029,238	2,857,872
Total					5,782,902	5,993,084

At the interest payment date in May 2025 for TM 15 01, the annual interest rate increases from 5.25% p.a. to 6.25% p.a. At the interest payment date in May 2025 for TM 15 01, the Group has the right to repay the subordinated bond and on any subsequent interest payment dates until maturity.
At the interest payment date in the year 2029 for KVIKA 34 1211 T2i, the Group has the right to repay the subordinated bond and on any subsequent interest payment dates until maturity.

Subordinated liabilities are financial liabilities in the form of subordinated capital which, in case of the Group's voluntary or compulsory winding-up, will not be repaid until after the claims of ordinary creditors have been met. In the calculation of the capital ratio, they are included within Tier 2 and are a part of the equity base. The amount eligible for Tier 2 capital treatment is amortised on a straight-line basis over the final 5 years to maturity or up to 20% a year. The Group may only retire subordinated liabilities with the permission of the FME.

b. Subordinated liabilities are specified as follows:

	30.9.2024	31.12.2023
Balance at the beginning of the year	5,993,084	3,686,451
Redemption of KVB 18 02	(800,000)	0
Additions	500,000	2,000,000
Paid interest	(112,500)	(164,833)
Paid interests due to indexation	(345,623)	(58,171)
Accrued interests and indexation	547,941	529,637
Total	5,782,902	5,993,084

31. Short positions held for trading

Short positions held for trading are specified as follows:

	30.9.2024	31.12.2023
Listed government bonds and bonds with government guarantees	0	60,081
Listed bonds	255,971	71,664
Total	255,971	131,745

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

32. Short positions used for hedging

Short positions used for hedging are specified as follows:

	30.9.2024	31.12.2023
Listed government bonds and bonds with government guarantees	0	4,230
Listed bonds	20,697	0
Total	20,697	4,230

33. Other liabilities

Other liabilities are specified as follows:

	30.9.2024	31.12.2023
Accounts payable and accrued expenses	6,962,024	9,326,840
Unsettled transactions	6,619,607	2,396,243
Lease liability	1,242,429	1,510,333
Salaries and salary related expenses	1,095,361	1,136,312
Withholding taxes	941,587	1,130,048
Special taxes on financial institutions and financial activities	152,082	304,045
Contingent consideration	337,046	404,762
Expected credit loss allowance for loan commitments, guarantees and unused credit facilities	18,400	15,673
Other liabilities	547,568	369,753
Total	17,916,105	16,594,010

Lease liability is specified as follows:

	30.9.2024	31.12.2023
Lease liability as at 1 January	1,510,333	1,827,582
Currency adjustments	(15,427)	4,639
Instalment	(291,626)	(424,085)
Indexation	39,149	102,198
Total	1,242,429	1,510,333

34. Share capital

a. Share capital

The nominal value of shares issued by the Bank is ISK 1 per share. All currently issued shares are fully paid. The holders of shares are entitled to receive dividends as approved by the general meeting and are entitled to one vote per nominal value of ISK 1 at shareholders' meetings. Reference is made to the Bank's Articles of Association for more information about the share capital.

	30.9.2024	31.12.2023
Share capital according to the Bank's Articles of Association	4,722,073	4,781,026
Nominal amount of treasury shares	63,624	58,952
Authorised but not issued shares	310,000	310,000

b. Changes made to the nominal amount of share capital

During the period in 2024 the Bank's share capital was decreased by ISK 59 million in nominal value following a resolution by the AGM to cancel treasury shares. Furthermore, during the period, the Bank acquired treasury shares amounting to ISK 64 million in nominal value as a result of a share buy-back plan.

c. Share capital increase authorisations

According to the Bank's Articles of Association dated 21 March 2024, the Board of Directors is authorised to increase the share capital as follows:

Temporary provision I to the Articles of Association authorises the Board of Directors to issue options or warrants for up to ISK 240 million in nominal value. To serve such instruments the Board of Directors is authorised to either increase the share capital accordingly or purchase own shares, as permitted by law. This authorisation is valid until 31 March 2027.

Temporary provision II to the Articles of Association authorises the Board of Directors to increase the share capital of the Bank in stages by up to ISK 70 million in nominal value, for the purposes of fulfilling stock option agreements in accordance with the Bank's stock option plan which has been approved by Iceland Revenue and Customs as provided for in Art. 10 of the Income Tax Act, No. 90/2003. This authorisation is valid until 31 December 2024.

A copy of the Bank's Articles of Association, including the temporary provisions, is available on the Bank's website, www.kvika.is, reference is made to them for more information.

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

35. Solvency of a financial conglomerate

The FME has designated the Group as a financial conglomerate as defined in Article no. 3 of Act no. 61/2017 on Additional Supervision of Financial Conglomerates. As a result of this designation, the Group's capital adequacy is calculated as the solvency ratio of a financial conglomerate. The Group furthermore calculates the consolidated capital adequacy ratio for entities not belonging to the insurance sector by excluding the insurance activities from calculation of risk weighted exposures and capital base. The Group similarly calculates the solvency ratio of entities solely belonging to the insurance sector. In 2023, the Group introduced a change in treatment of deductions from capital base due to significant holdings in financial institutions and deferred tax assets. The calculations now take into account article 48 of the Capital Requirements Regulation no. 575/2013 of the EU.

Solvency measures the Group's ability to take on setbacks, thus indicating its financial strength. The available capital and capital requirements of the Group is calculated as a financial conglomerate according to Articles 16, 17 and 18 of Act on Additional Supervision of Financial Conglomerates No. 61/2017. The Group's solvency ratio is 1.24, with a regulatory minimum requirement of 1.0.

Solvency ratio of the Group as a financial conglomerate is specified as follows:

	30.9.2024	31.12.2023
Available capital		
Own Funds eligible for non insurance activities	40,632,393	39,117,918
Own Funds eligible for insurance activities	16,553,683	14,754,678
Deduction from own funds not eligible	(4,306,126)	(3,687,860)
Total	52,879,951	50,184,737
Solvency requirement for insurance activities		
Solvency Capital Requirements (SCR)	10,625,365	9,622,063
Own funds requirement for non insurance activities		
Statutory minimum capital requirement (Pillar I)	14,470,688	13,826,577
Additional capital requirements (Pillar II)	6,511,810	6,913,288
Minimum capital requirement for non insurance activities	20,982,498	20,739,865
Additional capital protection buffers	13,204,503	11,579,758
Adjustments to capital requirements in conglomerate	(2,034,644)	(1,724,074)
Total	32,152,356	30,595,549
Solvency	52,879,951	50,184,737
Solvency requirement (SCR)	10,625,365	9,622,063
Own funds requirement for non insurance activities	32,152,356	30,595,549
Minimum solvency of financial conglomerate	42,777,722	40,217,612
Solvency ratio	1.24	1.25

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

36. Capital adequacy ratio (CAR)

The capital adequacy ratio of the Group, excluding entities which belong to the insurance sector, calculated in accordance with Article 84 of Act No. 161/2002 on Financial Undertakings, was 22.5%. The minimum requirement from the FME is 11.6%. The ratio is calculated as follows:

Own funds eligible for non insurance activities	**30.9.2024**	**31.12.2023**
Total equity	85,866,261	81,957,804
Unaudited retained (positive) earnings from current period	(2,396,944)	0
Other unaudited (positive) changes to total equity in current period	(83,505)	0
Expected dividends and buy-back according to dividend policy	(583,948)	(1,004,626)
Capital eligible as CET1 Capital	82,801,864	80,953,178
Goodwill and intangibles	(28,990,527)	(29,040,706)
Shares in other financial institutions	(17,280,259)	(16,420,475)
Deferred tax asset	(1,144,309)	(1,559,045)
Common equity Tier 1 capital (CET 1)	35,386,769	33,932,952
Tier 2 capital	5,593,031	5,915,278
Deductions from Tier 2 capital	(347,407)	(730,312)
Total own funds	40,632,393	39,117,918
Risk weighted exposures		
Credit risk	149,993,054	142,648,209
Market risk	5,261,116	3,082,235
Operational risk	25,629,431	27,101,765
Total risk weighted exposures	180,883,601	172,832,209
Capital ratios		
Capital adequacy ratio (CAR)	22.5%	22.6%
CET1 ratio	19.6%	19.6%
Total own funds including unaudited (positive) retained earnings and expected dividends	42,513,606	
Capital adequacy ratio, adjusted	23.5%	
CET1 ratio, adjusted	20.6%	
Minimum Capital adequacy ratio requirement	11.6%	12.0%
Minimum Capital adequacy ratio requirement including supervisory buffers	18.9%	18.7%
Minimum CET 1 ratio requirement including supervisory buffers	13.8%	13.5%

The Icelandic Financial Supervisory Authority (FME) supervises the Bank on a consolidated basis and, as such, receives information on the capital adequacy of, and sets capital requirements for, the Bank as a whole. The Bank's regulatory capital calculations for credit risk and market risk are based on the standardised approach and the capital calculations for operational risk are based on the basic indicator approach.

Minimum capital requirement is based on the Bank's Internal Capital Adequacy Assessment Process (ICAAP) and is reviewed by the FME through the Supervisory Review and Evaluation Process (SREP). The Bank's minimum regulatory capital requirement, based on SREP from 2024 is 11.6%. The minimum regulatory capital requirement including the additional capital buffers is 18.9% as at 30 September 2024.

TM tryggingar hf. has been classified as a disposal group held for sale and as a discontinued operation. This does not affect the Group‘s capital adequacy calculation. Nonetheless, assuming a cash sale of the subsidiary, the Bank’s capital would increase. To what extent the capital adequacy ratio would increase depends on the final sale price as well as other factors, such as a potential special dividend payment or share buy-back following the sale.

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

37. Solvency of insurance activities

The Group calculates solvency capital and capital requirements for entities which belong to the insurance sector. The available capital and required capital is calculated in accordance with Articles 88 and 96 of the Act on Insurance Activity No. 100/2016. This brings the solvency ratio for entities which belong to the insurance sector to 1.56. Solvency capital requirements according to law is the minimum insurance companies have to meet.

	30.9.2024	31.12.2023
Own funds eligible for insurance activities solvency		
Equity eligible for insurance activities	21,331,782	19,811,796
Goodwill and intangibles	(5,329,958)	(5,527,999)
Difference between net technical provision in the financial statements and solvency rules	551,860	470,881
Total	16,553,683	14,754,678
Solvency requirement		
Life insurance risk	420,666	536,675
Health insurance risk	1,762,556	1,656,139
Non-life insurance risk	6,468,130	6,108,228
Market risk	6,600,253	5,770,238
Counterparty default risk	1,011,068	1,169,357
Multifaceted effects	(4,878,157)	(4,695,651)
Base Solvency Capital Requirements (Basic SCR)	11,384,517	10,544,986
Operational risk	965,495	754,058
Adjustment for the loss-absorbing capacity of deferred taxes	(1,724,646)	(1,676,980)
Solvency Capital Requirements (SCR)	10,625,365	9,622,063
Solvency	16,553,683	13,326,994
Solvency requirement (SCR)	10,625,365	9,209,719
Solvency ratio after dividend	1.56	1.53
Eligible items to meet the minimum capital	16,553,683	14,754,678
Minimum required capital (MRC)	4,963,115	4,520,510
Minimum required capital ratio after dividend	3.34	3.26

At 31 December 2023, the insurance operation was classified as a disposal group held for sale and as a discontinued operation.

38. Leverage ratio

The leverage ratio is calculated on the basis of the Group's consolidated numbers as per regulation no. 575/2013 of the EU, which excludes the Group's insurance subsidiary. According to Act no. 161/2002 on Financial Undertakings the minimum leverage ratio requirement is 3%.

	30.9.2024	31.12.2023
On-balance sheet exposures	264,719,379	243,721,442
Derivative exposures*	4,641,279	1,187,911
Off - balance sheet exposures	172,692	210,534
Total exposure	269,533,350	245,119,887
Tier 1 capital	35,386,769	33,932,952
Leverage Ratio	13.1%	13.8%

*The Group has revised the methodology it uses to calculate derivative exposures to better align with regulation no. 575/2013. The figure for 31.12.2023 has not been restated. The impact of the revised methodology on the leverage ratio for 31.12.23 is immaterial.

Notes to the Condensed Interim Consolidated Financial Statements

Risk management

39. Hedging

Securities held as a hedge against derivatives positions of customers make up a part of the Group's portfolio of assets. The Group hedges currency exposure between the Group's asset portfolio and its liabilities to the extent possible as part of managing its balance and keeping it within approved limits. The Group applies hedge accounting according to IAS 39 against translation of foreign operations. Currency swap agreements are used as a hedge instrument against translation difference arising from foreign operations.

40. Credit risk - overview

a. Definition
One of the Group's primary sources of risk is counterparty credit risk. Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

b. Management
The risk management unit is responsible for managing and reporting on credit risk. The Group uses a variety of tools and processes to manage credit risk, including collaterals, hedges and loan portfolio management.

c. Credit approval process
The originating department prepares a proposal for each larger loan or credit line which is presented to the credit committee for approval. The proposal consists of a basic description of the client, the purpose of the loan, a simple credit assessment and arguments for or against granting the loan. The committee decides whether there is need for further credit assessment and on what terms the loan may be granted. For smaller loans the originating department obtains a general credit approval from the credit committee with respect to the process, terms, credit limits and total amount of the specific lending type.

A more thorough credit assessment may be conducted if considered appropriate and can include an assessment of a borrower's fundamental credit strength as well as the value of any collateral. To assess the borrower's capacity to meet his or her obligations the committee can request stress test analysis of the borrower's cash flow or call for third party assessments.

d. Collateral
Securing loans with collateral is a traditional method to reduce credit risk. The Group uses different methods to reduce credit risk by obtaining collateral from customers where appropriate. Such collateral gives the Group right to the collateralised assets for current and future obligations incurred by the customer.

The Group places emphasis on pricing loans according to the value and quality of pledged collateral. The Group applies appropriate haircuts on all collateral in order to ensure proper risk mitigation. For all collateral in listed securities, the Group maintains the right to liquidate collateral in case its market value falls below a predefined limit.

To a very large extent the Group's loan portfolio consists of senior loans, most of which are highly collateralised.

e. Credit rating, control and provisioning
The risk management unit is responsible for credit rating and reviewing the loan portfolio.
The Group monitors the value of collateral by listed securities on a real time basis and takes prompt action when necessary.

f. Loan portfolio management
To ensure an effective diversification of the loan portfolio the board has set a limit framework defining maximum exposure as a ratio of the Group’s equity and/or the total size of the loan portfolio. These limits include limitation on joint exposure to associated clients, exposure to individual and associated industries, single regions and countries etc. It is the responsibility of risk management to monitor that these limits are not being violated and to report discrepancies to the credit committee.

g. Impairment
Provisioning for loan impairments is estimated on the basis of expected loss models assessing the portfolio as a whole as well as individual lending. Risk management suggest a level of provisioning for the portfolio, based on the expected loss assessment. Risk management reassess impairments in the event of collateral decay, delayed payments, indication of increased risk, or other early warning signs. Provisions require approval from the credit committee. Refer to note 84 in the 2023 Consolidated Financial Statements for more information on the Group's impairment policy.

h. Derivatives
The Group offers derivative contracts in the form of swap contracts on highly liquid securities or currencies. On the day when the contract is entered into, the Group purchases the underlying asset and hedges its exposure to price changes. Collateral is in the form of cash or listed, highly liquid securities. The risk management sets rules about the level of collateralisation and monitors the compliance to these rules. Contracts are closed if required levels of collateralisation are not met.

i. Securities used for hedging
The Group hedges itself for market risk of derivative contracts by purchasing the underlying securities at the commencement of the contract. Since the contracts require delivery of the underlying securities to the customer on the settlement day, the credit risk towards the issuer is immaterial.

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

41. Maximum exposure to credit risk

The maximum exposure to credit risk for on-balance sheet and off-balance sheet items, before taking into account any collateral held or other credit enhancements, is specified as follows:

30.9.2024 **On-balance sheet exposure**	**Public entities**	**Financial institutions**	**Corporate customers**	**Individuals**	**30.9.2024**
Cash and balances with Central Bank	25,837,069	13,062,135			38,899,203
Fixed income securities	66,097,238	2,380,641	105,158		68,583,037
Loans to customers	7,998	687	108,510,462	37,527,929	146,047,077
Derivatives		1,146,796	927,314	64,343	2,138,453
Other assets	3,101	981,548	11,364,931	27,152	12,376,731
	91,945,406	17,571,808	120,907,864	37,619,424	268,044,501
Off-balance sheet exposure					
Loan commitments		3,311	5,370,329	851,136	6,224,776
Financial guarantee contracts			172,914		172,914
Maximum exposure to credit risk	91,945,406	17,575,118	126,451,108	38,470,560	274,442,192

31.12.2023 **On-balance sheet exposure**	**Public entities**	**Financial institutions**	**Corporate customers**	**Individuals**	**31.12.2023**
Cash and balances with Central Bank	17,324,455	6,356,998			23,681,453
Fixed income securities	63,928,567	944,255	104,584		64,977,406
Loans to customers	11,127		97,867,223	38,445,131	136,323,481
Derivatives		1,981,114	466,082	50,680	2,497,877
Other assets	394,137	1,184,368	5,179,519	2,322,122	9,080,146
	81,658,286	10,466,735	103,617,408	40,817,934	236,560,362
Off-balance sheet exposure					
Loan commitments			4,175,306	1,029,698	5,205,004
Financial guarantee contracts			211,940		211,940
Maximum exposure to credit risk	81,658,286	10,466,735	108,004,653	41,847,632	241,977,306

42. Credit quality of financial assets

The book value of financial assets which fall under the impairment requirements of IFRS 9 are presented net of expected credit losses ("ECL") in the statement of financial position. The ECL are recalculated for each asset on at least a quarterly basis. The assessment of ECL is based upon calculations being derived from models on PD, LGD and EAD. Furthermore, the assessment is based upon management's assumptions regarding the development of macroeconomic factors over the coming twelve months. The assumptions for macroeconomic development are decided for three scenarios: a base case, an upside scenario and a downside scenario, including a probability weight for each scenario. The assumptions are used for calculations of the probability weighted ECLs. The amount of ECL to be recognized is dependent on the Group's definition of significant increase in credit risk, which controls the impairment stage each asset is allocated to. The factors that are used to measure significant increase in credit risk include comparison of changes in PD values, annualized lifetime PD values, days past due and watch list.

The following table shows the first 12 month macro economic values for the variables used in the expected credit loss model. The Group utilises an economic forecast which is aligned with requirements for the calculation of expected credit loss. Following the Group's acquisition of Ortus Secured Finance ltd., the Group owns loan portfolios in two geographical segments, i.e. Iceland and the United Kingdom ("UK"). In general, the Group utilises the same ECL methodology for the portfolios in both segments, although in the UK it is to a larger extent based on an individual assessment by credit specialists. Reference is made to note 84 in the 2023 Consolidated Financial Statements for further information about the Group‘s impairment methodology.

		Scenarios	
Model parameters 30.09.2024	**Base**	**Upside**	**Downside**
Unemployment rate	4.5%	3.8%	4.9%
Inflation CPI index	5.9%	5.6%	6.5%
Assigned weight	50.0%	15.0%	35.0%

		Scenarios	
Model parameters 31.12.2023	**Base**	**Upside**	**Downside**
Unemployment rate	4.8%	4.4%	5.0%
Inflation CPI index	5.7%	6.0%	6.7%
Assigned weight	60.0%	10.0%	30.0%

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

42. Credit quality of financial assets (cont.)

a. Breakdown of loans to customers by industry and information on collateral and other credit enhancements

The Group applies the same valuation methods to collateral held as other comparable assets held by the Group. For other types of assets the Group uses third party valuation where possible.

					Allocated collateral										
30.9.2024	**Claim value**	**Impairment due to expected credit loss**	**Carrying amount**	**%**	**Total collateral**	**Deposits**	**Listed securities and liquid funds**	**Unlisted securities and other funds**	**Residential real estate**	**Commercial real estate**	**Automobiles**	**Industrial equipment**	**Guarantees**	**Other**	**Unsecured claim value**
Public entities	8,011	(13)	7,998	0.0%	10,708	0	0	0	0	0	10,399	0	0	310	852
Financial institutions	689	(2)	687	0.0%	0	0	0	0	0	0	0	0	0	0	687
Corporate															
Real estate activities	42,641,882	(344,425)	42,297,457	29.0%	76,577,455	42,286	55,450	26,400	39,639,213	35,580,650	832,437	188,747	0	212,273	1,459,021
Construction	17,401,324	(89,848)	17,311,476	11.9%	38,099,453	296	0	0	17,604,378	10,401,018	4,972,190	4,410,620	0	710,951	157,944
Service Activities	16,541,939	(167,879)	16,374,060	11.2%	30,703,479	15,212	154,375	1,917,186	454,918	2,188,523	20,230,310	3,925,301	0	1,817,653	574,769
Accommodat. and Food Service Activit.	10,565,559	(51,965)	10,513,594	7.2%	20,140,274	79,700	0	0	1,402,858	18,068,758	525,118	21,222	0	42,619	41,425
Activities of Holding Companies	6,546,296	(767,208)	5,779,088	4.0%	17,710,187	1,470	237,195	7,787,120	4,119,118	4,214,223	200,228	188,921	831,114	130,799	1,019,716
Wholesale and Retail Trade	4,777,606	(52,558)	4,725,048	3.2%	7,608,842	23,368	77	0	131,050	1,320,734	3,654,022	1,751,213	100,000	628,379	382,456
Other	11,546,694	(36,955)	11,509,739	7.9%	35,510,004	266,327	7,021,103	184,804	3,652,296	16,181,435	2,196,084	2,322,144	768,343	2,917,469	247,013
Individual	38,409,881	(881,952)	37,527,929	25.7%	54,432,163	19,100	673,382	612,582	8,560,382	2,169,241	40,090,242	930,672	0	1,376,564	7,861,574
Total	148,439,881	(2,392,805)	146,047,077	100.0%	280,792,568	447,758	8,141,582	10,528,092	75,564,213	90,124,579	72,711,030	13,738,840	1,699,457	7,837,016	11,745,458

					Allocated collateral										
31.12.2023	**Claim value**	**Impairment due to expected credit loss**	**Carrying amount**	**%**	**Total collateral**	**Deposits**	**Listed securities and liquid funds**	**Unlisted securities and other funds**	**Residential real estate**	**Commercial real estate**	**Automobiles**	**Industrial equipment**	**Guarantees**	**Other**	**Unsecured claim value**
Public entities	11,188	(61)	11,127	0.0%	11,553	0	0	0	0	0	11,226	0	0	327	2,917
Financial institutions	0	0	0	0.0%	0	0	0	0	0	0	0	0	0	0	0
Corporate															
Real estate activities	31,508,020	(234,278)	31,273,742	22.9%	59,514,931	25,414	0	54,180	28,804,369	29,574,694	797,093	205,458	0	53,722	457,258
Construction	20,585,501	(82,066)	20,503,434	15.0%	45,467,134	158,988	0	0	17,773,191	18,323,454	4,611,641	3,990,110	0	609,751	243,654
Service Activities	14,131,242	(148,035)	13,983,207	10.3%	25,910,745	45,492	79,577	2,228,442	270,692	1,306,517	16,455,917	2,742,679	0	2,781,430	380,611
Activities of Holding Companies	7,975,924	(576,301)	7,399,624	5.4%	23,080,630	48,409	347,097	10,610,025	7,001,067	3,572,982	219,871	200,625	805,971	274,582	123,335
Wholesale and Retail Trade	7,974,891	(55,417)	7,919,474	5.8%	12,230,309	23,658	312,321	0	4,660,937	1,330,258	3,447,895	1,502,756	100,000	852,484	53,298
Accommodat. and Food Service Activit.	6,180,590	(11,206)	6,169,384	4.5%	12,829,867	73,657	0	0	2,887,040	9,307,016	504,811	0	0	57,343	24,105
Other	10,740,500	(122,143)	10,618,358	7.8%	23,724,577	267,508	6,391,784	939,372	4,084,596	4,721,067	2,312,012	3,488,403	693,755	826,082	524,143
Individual	39,434,283	(989,152)	38,445,131	28.2%	55,469,271	13,328	1,023,000	601,250	9,311,354	2,961,368	39,589,466	1,760,237	0	209,268	8,918,673
Total	138,542,141	(2,218,660)	136,323,481	100.0%	258,239,017	656,453	8,153,779	14,433,268	74,793,246	71,097,357	67,949,932	13,890,267	1,599,726	5,664,989	10,727,994

Collateral value is shown as the market- or accounting value of collateral allocated to exposures. Other collateral includes financial claims, inventories and receivables.

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

42. Credit quality of financial assets (cont.)

b. Credit quality of financial assets by credit quality band

The following tables show financial assets subject to the impairment requirements of IFRS 9 broken down by credit quality bands where band i denotes the lowest and band iv the highest credit risk. Assets measured at fair value through profit or loss are not subject to the stage classification requirements of IFRS 9 but are nevertheless included in the tables in order to give a more complete picture of the credit quality of loans to customers and reconcile the tables to the carrying amount on the balance sheet. The Bank has primarily used adjusted external credit ratings to assess the default probability of its customers and some larger borrowers are furthermore individually assessed by credit specialists. In year-end 2023 the Bank implemented it's own credit rating models for part of the loan portfolio and the Bank has intention to maintain this development in 2024.

30.9.2024

Loans to customers:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	83,071,298	2,435,663			85,506,961
Credit quality band II	39,517,377	3,155,447		24,834	42,697,659
Credit quality band III	6,342,672	2,508,262			8,850,934
Credit quality band IV	1,054,531	931,928			1,986,458
In default	104,617	167,896	8,176,791	200,699	8,650,004
Non-rated	747,866	0			747,866
Gross carrying amount	130,838,361	9,199,196	8,176,791	225,533	148,439,881
Expected credit loss	(364,591)	(172,720)	(1,855,493)		(2,392,805)
Book value	130,473,770	9,026,476	6,321,298	225,533	146,047,077

Loan commitments, guarantees and unused credit facilities:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	5,280,018	618			5,280,635
Credit quality band II	581,609	191		13,807	595,607
Credit quality band III	476,157	4,113			480,270
Credit quality band IV	4,587	1,536			6,123
In default	117	5	34,934		35,056
Non-rated					0
Total off-balance sheet amount	6,342,487	6,463	34,934	13,807	6,397,690
Expected credit loss	(8,237)	(397)	(7,399)		(16,032)
Net off-balance sheet amount	6,334,250	6,066	27,535	13,807	6,381,658

31.12.2023

Loans to customers:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	84,252,096	744,843		427,849	85,424,788
Credit quality band II	33,627,994	2,687,909		39,319	36,355,221
Credit quality band III	6,503,029	1,977,002			8,480,030
Credit quality band IV	769,496	485,101			1,254,597
In default	70,248	118,140	5,999,315	215,265	6,402,968
Non-rated	624,537	0			624,537
Gross carrying amount	125,847,398	6,012,995	5,999,315	682,433	138,542,141
Expected credit loss	(367,895)	(127,520)	(1,723,244)		(2,218,660)
Book value	125,479,503	5,885,474	4,276,072	682,433	136,323,481

Loan commitments, guarantees and unused credit facilities:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	3,773,821	0			3,773,821
Credit quality band II	920,679				920,679
Credit quality band III	586,052	41,972			628,024
Credit quality band IV	3,407	1,594			5,002
In default	351	1	87,855		88,207
Non-rated	0				0
Total off-balance sheet amount	5,284,311	43,567	87,855	0	5,415,733
Expected credit loss	(13,897)	(538)	(1,253)		(15,688)
Net off-balance sheet amount	5,270,413	43,029	86,602	0	5,400,044

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

42. Credit quality of financial assets (cont.)

c. Breakdown of loans to customers into not past due and past due

30.9.2024	**Claim value**	**Expected credit loss**	**Carrying amount**
Not past due	129,738,132	(581,067)	129,157,065
Past due 1-30 days	8,514,105	(885,420)	7,628,686
Past due 31-60 days	3,753,904	(56,629)	3,697,276
Past due 61-90 days	1,581,436	(22,295)	1,559,140
Past due 91-180 days	2,628,151	(174,424)	2,453,727
Past due 181-360 days	1,014,999	(282,871)	732,128
Past due more than 360 days	1,209,154	(390,099)	819,055
Total	148,439,881	(2,392,805)	146,047,077

31.12.2023	**Claim value**	**Expected credit loss**	**Carrying amount**
Not past due	127,943,377	(571,621)	127,371,756
Past due 1-30 days	2,443,573	(50,506)	2,393,067
Past due 31-60 days	1,933,845	(195,102)	1,738,744
Past due 61-90 days	1,757,416	(74,920)	1,682,496
Past due 91-180 days	1,494,409	(601,446)	892,963
Past due 181-360 days	1,912,571	(197,428)	1,715,143
Past due more than 360 days	1,056,951	(527,638)	529,313
Total	138,542,141	(2,218,660)	136,323,481

d. Allowance for expected credit loss on loans to customers and loan commitments, guarantees and unused credit facilities

The following tables show changes in the expected credit loss allowance of loans to customers and for loan commitments, guarantees and unused credit facilities during the period.

30.9.2024

Expected credit loss allowance total

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Transfers of financial assets:				
Balance as at 1 January 2024	381,793	128,058	1,724,497	2,234,348
Transfer to Stage 1 - (Initial recognition)	89,266	(18,795)	(70,471)	0
Transfer to Stage 2 - (significantly increased credit risk)	(18,348)	36,243	(17,895)	0
Transfer to Stage 3 - (credit impaired)	(27,401)	(33,421)	60,822	0
Net remeasurement of loss allowance	(152,325)	29,822	728,006	605,504
New financial assets, originated or purchased	224,725	78,119	286,264	589,108
Derecognitions and maturities	(124,835)	(46,684)	(506,703)	(678,221)
Write-offs	(47)	(226)	(341,628)	(341,901)
Balance as at 30 September 2024	372,828	173,117	1,862,892	2,408,837

Expected credit loss allowance for loans to customers

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Transfers of financial assets:				
Balance as at 1 January 2024	367,895	127,520	1,723,244	2,218,660
Transfer to Stage 1 - (Initial recognition)	89,266	(18,795)	(70,471)	0
Transfer to Stage 2 - (significantly increased credit risk)	(18,295)	36,190	(17,895)	0
Transfer to Stage 3 - (credit impaired)	(27,156)	(33,377)	60,533	0
Net remeasurement of loss allowance	(152,156)	29,861	724,537	602,242
New financial assets, originated or purchased	223,645	78,102	283,608	585,356
Derecognitions and maturities	(118,562)	(46,555)	(506,435)	(671,552)
Write-offs	(47)	(226)	(341,628)	(341,901)
Balance as at 30 September 2024	364,591	172,720	1,855,493	2,392,805

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

42. Credit quality of financial assets (cont.)

Expected credit loss allowance for loan commitments, guarantees and unused credit facilities

	Stage 1	Stage 2	Stage 3	Total
Transfers of financial assets:				
Balance as at 1 January 2024	13,897	538	1,253	15,688
Transfer to Stage 1 - (Initial recognition)				0
Transfer to Stage 2 - (significantly increased credit risk)	(53)	53		0
Transfer to Stage 3 - (credit impaired)	(245)	(44)	289	0
Net remeasurement of loss allowance	(169)	(39)	3,469	3,261
New financial assets, originated or purchased	1,080	17	2,655	3,752
Derecognitions and maturities	(6,273)	(129)	(268)	(6,669)
Balance as at 30 September 2024	8,237	397	7,399	16,032

31.12.2023

Expected credit loss allowance total

	Stage 1	Stage 2	Stage 3	Total
Transfers of financial assets:				
Balance as at 1 January 2023	269,605	256,810	2,139,852	2,666,267
Transfer to Stage 1 - (Initial recognition)	67,581	(51,505)	(16,076)	0
Transfer to Stage 2 - (significantly increased credit risk)	(10,766)	17,183	(6,416)	0
Transfer to Stage 3 - (credit impaired)	(32,752)	(70,485)	103,237	0
Net remeasurement of loss allowance	(93,507)	3,002	840,190	749,685
New financial assets, originated or purchased	284,314	84,645	655,505	1,024,464
Derecognitions and maturities	(102,625)	(111,119)	(881,568)	(1,095,312)
Write-offs	(57)	(471)	(1,110,229)	(1,110,757)
Balance as at 31 December 2023	381,793	128,058	1,724,497	2,234,348

Expected credit loss allowance for loans to customers

	Stage 1	Stage 2	Stage 3	Total
Transfers of financial assets:				
Balance as at 1 January 2023	258,197	255,541	2,139,595	2,653,333
Transfer to Stage 1 - (Initial recognition)	67,521	(51,445)	(16,076)	0
Transfer to Stage 2 - (significantly increased credit risk)	(10,685)	17,102	(6,416)	0
Transfer to Stage 3 - (credit impaired)	(32,750)	(69,985)	102,736	0
Net remeasurement of loss allowance	(91,795)	2,716	840,191	751,112
New financial assets, originated or purchased	278,426	84,474	654,771	1,017,672
Derecognitions and maturities	(100,961)	(110,411)	(881,328)	(1,092,700)
Write-offs	(57)	(471)	(1,110,229)	(1,110,757)
Balance as at 31 December 2023	367,895	127,520	1,723,244	2,218,660

Expected credit loss allowance for loan commitments, guarantees and unused credit facilities

	Stage 1	Stage 2	Stage 3	Total
Transfers of financial assets:				
Balance as at 1 January 2023	11,408	1,269	258	12,935
Transfer to Stage 1 - (Initial recognition)	61	(61)		0
Transfer to Stage 2 - (significantly increased credit risk)	(81)	81		0
Transfer to Stage 3 - (credit impaired)	(2)	(500)	502	0
Net remeasurement of loss allowance	(1,712)	286	(1)	(1,427)
New financial assets, originated or purchased	5,888	171	734	6,792
Derecognitions and maturities	(1,664)	(708)	(239)	(2,611)
Balance as at 31 December 2023	13,897	538	1,253	15,688

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

43. Loan-to-value

a. General

The loan-to-value ratio (LTV) is the ratio of the gross amount of the loan to the value of the collateral, if any. The general creditworthiness of a customer is viewed as the most reliable indicator of credit quality of a loan. Besides collateral included in the LTV ratios the Group uses other risk mitigation measures, such as guarantees, negative pledge, cross-collateral and collateralization of non-quantifiable assets.

b. Breakdown

The breakdown of loans to customers by LTV is specified as follows:

	30.9.2024	%	31.12.2023	%
Less than 50%	42,665,643	29.2%	40,343,153	29.6%
51-70%	52,401,238	35.9%	43,106,020	31.6%
71-90%	33,884,016	23.2%	37,703,829	27.7%
91-100%	2,763,233	1.9%	2,996,007	2.2%
100-125%	2,246,627	1.5%	2,390,159	1.8%
125-200%	1,914,518	1.3%	726,535	0.5%
Greater than 200%	913,280	0.6%	493,460	0.4%
No or negligible collateral:				
Other loans with no collateral	9,258,522	6.3%	8,564,319	6.3%
Total	146,047,077	100.0%	136,323,481	100.0%

44. Collateral against exposures to derivatives

The Group applies the same valuation methods to collateral held as other comparable assets held by the Group. Haircuts are applied to account for liquidity and other factors which may affect the collateral value of the asset.

	Deposits	Fixed income securities	Variable income securities	Real estate	Other fixed assets	Other	30.9.2024
Financial institutions	1,030,379	123,335	92,800				1,246,514
Corporate customers	842,413	76,266	1,777,171				2,695,849
Individuals	77,365	4,839	112,123				194,327
Total	1,950,157	204,440	1,982,094	0	0	0	4,136,690

	Deposits	Fixed income securities	Variable income securities	Real estate	Other fixed assets	Other	31.12.2023
Financial institutions	1,077,011	137,593	710,208				1,924,812
Corporate customers	789,728	70,988	1,812,452				2,673,168
Individuals	66,501		43,028				109,529
Total	1,933,241	208,581	2,565,687	0	0	0	4,707,509

Amounts have been adjusted to exclude collateral in excess of claim value, i.e. overcollateralisation.

45. Large exposures

In accordance with regulation no. 575/2013 of the European Union on prudential requirements for credit institutions, which was incorporated into Icelandic law with Act No. 38/2022, total exposure towards a customer is classified as a large exposure if it exceeds 10% of the financial institution's Tier 1 capital (see note 36).

According to the regulation a single exposure, net of risk adjusted mitigation, cannot exceed 25% of the eligible Tier 1 capital. Based on Icelandic rules no. 789/2022 on the Application of Optional Provisions and Authorisations Pursuant to the Act on Financial Undertakings, the value of exposures towards financial institutions shall not exceed 25% of the eligible Tier 1 capital or 10 bn. ISK, whichever is higher. Single large exposures net of risk adjusted mitigation take into account the effects of collateral and other credit enhancements held by the financial institution, and other credit enhancements, in accordance with regulation no. 575/2013.

		30.9.2024		31.12.2023
Large exposures before risk adjusted mitigation	Number	Amount	Number	Amount
10-20% of capital base	3	14,469,707	3	12,343,465
20-25% of capital base	0	0	0	0
Exceeding 25% of capital base	0	0	0	0
Total	3	14,469,707	3	12,343,465
Thereof nostro accounts with other banks which are part of the Group's liquidity management	1	5,607,326	0	0
Large exposures net of risk adjusted mitigation	1	5,607,326	1	4,002,353

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

46. Liquidity risk

a. Definition

Liquidity risk is the risk that the Group will encounter difficulty in meeting contractual payment obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. This risk mainly arises from mismatches in the timing of cash flows. The Group has internal rules that require certain matching of the maturities of assets and liabilities. Furthermore, to ensure the ability to meet liquidity needs, the Group maintains a stock of highly liquid unencumbered assets, e.g. cash, treasury bills and treasury bonds.

b. Management

Liquidity is managed by treasury and monitored by risk management. Liquidity position is reported to the ALCO committee. The Central Bank of Iceland sets minimum requirements for the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). The minimum 30 day LCR regulatory requirement is 100% for LCR total, 50% minimum requirement for LCR in ISK and 80% minimum requirement for LCR in EUR. The minimum requirement for LCR EUR only applies when the Group‘s commitments in EUR represent 10% or more of the Group´s total commitments. The minimum regulatory requirement for NSFR total is 100%.

	ISK		Foreign currency		Total	
30.9.2024	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**
Liquid assets level 1	86,501,818	86,501,818	2,000,519	2,000,519	88,502,337	88,502,337
Liquid assets level 2	533,278	453,286			533,278	453,286
Total liquid assets	87,035,096	86,955,104	2,000,519	2,000,519	89,035,615	88,955,623
Deposits*	119,139,172	21,062,965	5,726,320	2,848,105	124,865,492	23,911,070
Other borrowings	85,617	85,617	32,680	32,680	118,298	118,298
Other outflows	11,920,069	7,355,524	1,755,994	274,577	13,676,063	7,630,100
Total outflows (0-30 days)	131,144,858	28,504,106	7,514,994	3,155,362	138,659,852	31,659,468
Short-term deposits with other banks	838,624	838,624	13,119,937	13,119,937	13,958,561	13,958,561
Other inflows	14,703,096	5,565,968	1,271,322	736,297	15,974,419	6,302,265
Restrictions on inflows				(11,489,713)		
Total inflows (0-30 days)	15,541,721	6,404,592	14,391,260	2,366,521	29,932,980	20,260,827
Liquidity coverage ratio		393%		254%		780%

	ISK		Foreign currency		Total	
31.12.2023	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**
Liquid assets level 1	61,248,977	61,248,977	14,679,969	14,679,969	75,928,946	75,928,946
Liquid assets level 2	353,146	300,174			353,146	300,174
Total liquid assets	61,602,122	61,549,150	14,679,969	14,679,969	76,282,091	76,229,119
Deposits*	111,263,406	27,328,035	6,915,793	3,406,552	118,179,199	30,734,587
Other borrowings	109,333	109,333	1,109	1,109	110,442	110,442
Other outflows	14,896,187	11,083,491	8,222,931	887,195	23,119,118	11,970,686
Total outflows (0-30 days)	126,268,925	38,520,859	15,139,834	4,294,857	141,408,759	42,815,715
Short-term deposits with other banks	196,556	196,556	6,312,949	6,312,949	6,509,505	6,509,505
Other inflows	13,029,061	4,955,339	818,468	473,124	13,847,529	5,428,462
Restrictions on inflows				(3,564,930)		
Total inflows (0-30 days)	13,225,617	5,151,895	7,131,417	3,221,142	20,357,034	11,937,968
Liquidity coverage ratio		184%		1367%		247%

* Deposits include Money market deposits which are classified as Borrowings in the Consolidated Statement of Financial Position.

	30.9.2024	**31.12.2023**
NSFR total	148%	141%

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

46. Liquidity risk (cont.)

c. Maturity analysis of financial assets and financial liabilities

30.9.2024 **Financial assets by type**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Gross inflow/ (outflow)**	**Carrying amount**
Non-derivative assets							
Cash and balances with Central Bank	38,917,189					38,917,189	38,899,203
Fixed income securities	10,285,069		37,646,013	16,614,605	4,037,350	68,583,037	68,583,037
Shares and other variable income securities	1,244,195		3,023,699			4,267,895	4,267,895
Securities used for hedging	10,689,552					10,689,552	10,689,552
Loans to customers	15,457,772	11,362,849	49,571,084	92,101,514	5,422,649	173,915,868	146,047,077
Other assets	8,685,687	2,099,902	1,568,246	22,897		12,376,731	13,481,990
	85,279,466	13,462,751	91,809,042	108,739,015	9,459,998	308,750,272	281,968,754
Derivative assets							
Inflow	9,285,906	1,948,304	4,690,036	3,040,398	1,058,932	20,023,576	
Outflow	(8,154,161)	(1,165,137)	(4,592,648)	(2,904,310)	(997,037)	(17,813,294)	
	1,131,745	783,167	97,388	136,088	61,894	2,210,282	2,138,453

Financial liabilities by type	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Gross inflow/ (outflow)**	**Carrying amount**
Non-derivative liabilities							
Deposits	(125,994,590)	(9,932,544)	(8,606,421)	(4,573,881)	(514,847)	(149,622,283)	148,665,792
Borrowings	(6,507,447)	(5,221,774)	(6,376,373)	(18,448,288)	(209,252)	(36,763,134)	30,240,549
Issued bonds	(104,993)	(942,021)	(8,822,250)	(38,490,156)	(2,544,164)	(50,903,583)	45,411,812
Subordinated liabilities			(284,135)	(1,254,153)	(8,735,578)	(10,273,865)	5,782,902
Short positions held for trading	(255,971)					(255,971)	255,971
Short positions used for hedging	(20,697)					(20,697)	20,697
Other liabilities	(7,484,807)	(8,617,972)	(1,312,161)	(538,352)		(17,953,292)	17,916,105
	(140,368,506)	(24,714,311)	(25,401,340)	(63,304,829)	(12,003,840)	(265,792,825)	248,293,829
Derivative liabilities							
Inflow	5,523,208	1,022,759	4,415,769	23,778,357		34,740,093	
Outflow	(5,810,626)	(1,038,045)	(4,561,643)	(25,451,874)		(36,862,188)	
	(287,418)	(15,286)	(145,874)	(1,673,516)	0	(2,122,095)	2,144,346
Unrecognised financial items							
Loan commitments							
Inflow	197,269	139,638	1,505,863	5,257,738		7,100,507	
Outflow	(6,224,776)					(6,224,776)	
Financial guarantee contracts							
Inflow		75,350	43,520	46,976	7,068	172,914	
Outflow	(172,914)					(172,914)	
	(6,200,421)	214,988	1,549,383	5,304,714	7,068	875,731	
Summary							
Non-derivative assets	85,279,466	13,462,751	91,809,042	108,739,015	9,459,998	308,750,272	
Derivative assets	1,131,745	783,167	97,388	136,088	61,894	2,210,282	
Non-derivative liabilities	(140,368,506)	(24,714,311)	(25,401,340)	(63,304,829)	(12,003,840)	(265,792,825)	
Derivative liabilities	(287,418)	(15,286)	(145,874)	(1,673,516)		(2,122,095)	
Net assets (liabilities) excluding unrecognised items	(54,244,713)	(10,483,679)	66,359,216	43,896,758	(2,481,947)	43,045,634	
Net unrecognised items	(6,200,421)	214,988	1,549,383	5,304,714	7,068	875,731	
Net assets (liabilities)	(60,445,134)	(10,268,692)	67,908,598	49,201,471	(2,474,879)	43,921,365	

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

46. Liquidity risk (cont.)

31.12.2023 **Financial assets by type**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Gross inflow/ (outflow)**	**Carrying amount**
Non-derivative assets							
Cash and balances with Central Bank	23,681,967					23,681,967	23,681,453
Fixed income securities	20,151,355	1,974,339	21,340,000	18,908,801	2,602,910	64,977,406	64,977,406
Shares and other variable income securities	1,222,894	411,609	2,222,977			3,857,480	3,857,480
Securities used for hedging	16,852,313					16,852,313	16,852,313
Loans to customers	7,839,447	10,674,108	47,315,427	90,723,103	6,895,531	163,447,617	136,323,481
Other assets	3,794,043	4,265,609	820,319	200,175		9,080,146	10,401,128
	73,542,019	17,325,666	71,698,723	109,832,080	9,498,441	281,896,929	256,093,262
Derivative assets							
Inflow	8,779,563	12,775,096	6,974,032	58,519		28,587,210	
Outflow	(7,921,683)	(12,310,694)	(5,856,054)	(902)		(26,089,333)	
	857,879	464,402	1,117,978	57,617	0	2,497,877	2,497,877

Financial liabilities by type	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Gross inflow/ (outflow)**	**Carrying amount**
Non-derivative liabilities							
Deposits	(115,974,426)	(8,335,449)	(5,646,547)	(4,284,193)	(384,513)	(134,625,128)	133,772,941
Borrowings	(8,681,044)	(430,722)	(2,684,014)	(19,142,369)		(30,938,148)	23,817,062
Issued bonds	(109,333)	(6,881,308)	(9,407,820)	(32,874,868)	(2,457,149)	(51,730,478)	45,715,427
Subordinated liabilities			(354,804)	(2,465,385)	(8,399,596)	(11,219,785)	5,993,084
Short positions held for trading	(71,664)				(60,081)	(131,745)	131,745
Short positions used for hedging					(4,230)	(4,230)	4,230
Other liabilities	(3,308,385)	(11,197,785)	(1,652,495)	(492,619)		(16,651,283)	16,594,010
	(128,144,851)	(26,845,264)	(19,745,680)	(59,259,434)	(11,305,569)	(245,300,798)	226,028,498
Derivative liabilities							
Inflow	15,157,017	1,721,575	4,653,591			21,532,182	
Outflow	(16,222,964)	(1,759,667)	(4,886,823)	(859,631)		(23,729,086)	
	(1,065,948)	(38,092)	(233,233)	(859,631)	0	(2,196,904)	2,196,904
Unrecognised financial items by type							
Loan commitments							
Inflow	211,062	61,502	1,464,611	4,579,989	140,836	6,458,000	
Outflow	(5,205,004)					(5,205,004)	
Financial guarantee contracts							
Inflow			163,896	40,976	7,068	211,940	
Outflow	(211,940)					(211,940)	
	(5,205,882)	61,502	1,628,507	4,620,965	147,905	1,252,996	
Summary							
Non-derivative assets	73,542,019	17,325,666	71,698,723	109,832,080	9,498,441	281,896,929	
Derivative assets	857,879	464,402	1,117,978	57,617		2,497,877	
Non-derivative liabilities	(128,144,851)	(26,845,264)	(19,745,680)	(59,259,434)	(11,305,569)	(245,300,798)	
Derivative liabilities	(1,065,948)	(38,092)	(233,233)	(859,631)		(2,196,904)	
Net assets (liabilities) excluding unrecognised items	(54,810,901)	(9,093,288)	52,837,788	49,770,632	(1,807,128)	36,897,103	
Net unrecognised items	(5,205,882)	61,502	1,628,507	4,620,965	147,905	1,252,996	
Net assets (liabilities)	(60,016,783)	(9,031,786)	54,466,295	54,391,597	(1,659,223)	38,150,099	

Maturity analysis of financial assets and financial liabilities is based on contractual cash flows or, in the case of held for trading securities, expected cash flows. If an amount receivable or payable is not fixed, e.g. for inflation indexed assets and liabilities, the maturity analysis uses estimates based on current conditions.

Cash flows relating to unrecognised balance sheet items (unused loan commitments and financial guarantee contracts) are presented separately from financial assets and financial liabilities. Both contractual outflows and inflows are shown, to fully reflect the nature of these items.

It should be noted that the Group's expected cash flows sometimes vary considerably from the contractual cash flows, most significantly in that demand deposits from customers are expected to remain stable or increase in the long term. In this case the presentation used reflects the worst case scenario from the Group's perspective. Furthermore, the analysis does not consider any measures that could be taken to convert long-term assets to cash through sale.

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

47. Market risk

a. Definition

Market risk constitutes risk due to changes in the market prices of financial instruments and comprises interest rate risk, currency risk and other price risk. Notes 48-53 relate to market risk exposure.

b. Management

The Group has a strict policy on controlling market risk and to keep the exposure within set limits. The risk management unit monitors market risk limits on a daily basis and reports regularly to the ALCO committee and to the CEO.

48. Interest rate risk

a. Definition

The Group's exposure to interest rate risk is twofold. On the one hand, the Group has a proprietary portfolio of bonds, where market rates affect prices and any fluctuations are recognised in the income statement. On the other hand, the Group has mismatch in assets and liabilities with fixed interest terms. These include loans and swap contracts for securities on the asset side and borrowings and deposits on the liability side. This mismatch does not create an immediate effect on the income statement but nevertheless affects the Group's economic value.

Proprietary positions which are subject to interest rate risk fall under the scope of the Group's market risk management.

b. Management

The Group takes measures to minimise interest rate risk by matching the interest rate profile and duration of assets with the Group's liabilities as well as using derivative and non-derivative financial instruments to manage effectively the risk of an adverse impact on the Group's earnings.

49. Interest rate risk associated with trading portfolios

a. Breakdown

The breakdown of financial assets and liabilities in trading portfolios by the earlier of interest repricing time or maturity is specified as follows:

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	30.9.2024
Fixed income securities	39,595	56,089	819,258	2,197,584	1,219,479	4,332,004
Short positions - fixed income securities	(964)	(3,645)	(5,797)	(37,717)	(207,848)	(255,971)
Net imbalance	38,631	52,444	813,461	2,159,867	1,011,631	4,076,033

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	31.12.2023
Fixed income securities	14,750	36,695	280,459	3,063,674	1,033,718	4,429,295
Short positions - fixed income securities		(3,730)	(5,396)	(32,720)	(89,899)	(131,745)
Net imbalance	14,750	32,964	275,063	3,030,954	943,820	4,297,551

b. Sensitivity analysis

The Group performs monthly sensitivity analysis on financial assets and liabilities in trading portfolios that are subject to interest rate risk. The sensitivity analysis assumes a shift in the yield curves for all currencies. A parallel shift in yield curves would have the following impact on the Group's pre-tax profit and equity, assuming all other risk factors remain constant:

	Shift in		30.9.2024		31.12.2023
	basis points	Downward	Upward	Downward	Upward
Indexed	50	39,534	(37,541)	25,032	(24,632)
Non-indexed	100	69,476	(65,666)	41,408	(39,687)
Total		109,010	(103,207)	66,440	(64,319)

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

50. Interest rate risk associated with non-trading portfolios

a. Breakdown

The breakdown of financial assets and liabilities in non-trading portfolios by the earlier of interest repricing time or maturity is specified as follows:

30.9.2024

Financial assets	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Cash and balances with Central Bank	38,899,203					38,899,203
Fixed income securities	6,484,333	11,463,505	26,324,274	16,681,080	3,297,840	64,251,032
Loans to customers	133,739,494	2,473,648	4,317,457	5,165,322	351,155	146,047,077
Financial assets excluding derivatives	179,123,030	13,937,153	30,641,732	21,846,402	3,648,995	249,197,312
Effect of derivatives	18,757,065	32,250,336		956,021	868,479	52,831,902
Total	197,880,096	46,187,488	30,641,732	22,802,423	4,517,475	302,029,214

Financial liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Deposits	126,502,299	9,750,592	8,123,956	4,082,965	205,979	148,665,792
Borrowings	21,378,256	4,832,824	4,029,469			30,240,549
Issued bonds	253,239	35,795,245	102,671	6,952,323	2,308,334	45,411,812
Subordinated liabilities		239,422	3,025,865	557,915	1,959,700	5,782,902
Financial liabilities excluding derivatives	148,133,794	50,618,083	15,281,961	11,593,203	4,474,014	230,101,056
Effect of derivatives	18,102,234	26,944,234				45,046,468
Total	166,236,028	77,562,317	15,281,961	11,593,203	4,474,014	275,147,523
Total interest repricing gap	31,644,068	(31,374,829)	15,359,771	11,209,220	43,461	26,881,691

31.12.2023

Financial assets	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Cash and balances with Central Bank	23,681,453					23,681,453
Fixed income securities	13,234,607	2,813,780	22,531,739	18,795,625	3,172,359	60,548,110
Loans to customers	118,422,687	5,472,017	5,631,528	6,488,964	308,287	136,323,481
Financial assets excluding derivatives	155,338,747	8,285,797	28,163,267	25,284,589	3,480,645	220,553,045
Effect of derivatives	24,309,020	33,360,561	13,512,749	945,276	803,219	72,930,826
Total	179,647,767	41,646,358	41,676,016	26,229,865	4,283,865	293,483,870

Financial liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Deposits	116,363,448	8,209,284	5,187,702	3,827,784	184,724	133,772,941
Borrowings	24,813,614	82,084	43,157	3,108		24,941,963
Issued bonds	7,093,090	29,547,945	184,841	6,664,263	2,225,289	45,715,427
Subordinated liabilities			341,008	2,071,885	3,580,191	5,993,084
Financial liabilities excluding derivatives	148,270,151	37,839,312	5,756,708	12,567,040	5,990,203	210,423,415
Effect of derivatives	26,099,269	21,434,697	11,957,255			59,491,221
Total	174,369,421	59,274,009	17,713,963	12,567,040	5,990,203	269,914,636
Total interest repricing gap	5,278,346	(17,627,651)	23,962,053	13,662,825	(1,706,339)	23,569,235

b. Sensitivity analysis

The Group performs monthly sensitivity analysis on financial assets and liabilities in non-trading portfolios subject to interest rate risk. The sensitivity analysis assumes a shift in the yield curves for all currencies. A parallel shift in yield curves would have the following impact on the Group's pre-tax profit and equity, assuming all other risk factors remain constant:

	Shift in		**30.9.2024**		**31.12.2023**
Currency	**basis points**	**Downward**	**Upward**	**Downward**	**Upward**
ISK, indexed	50	(11,671)	13,104	(245,435)	228,724
ISK, non-indexed	100	367,538	(358,881)	396,558	(385,418)
Other currencies	20	(1,132)	1,139	1,223	(1,215)
Total		354,736	(344,637)	152,346	(157,909)

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

51. Exposure towards changes in the CPI

a. Definition

Exposure towards changes in CPI is the risk that fluctuations in the Icelandic Consumer Price Index (CPI) will affect the balance and cash flow of indexed financial instruments.

The Group is exposed to inflation indexation of assets and liabilities denominated in ISK. All indexed assets and liabilities are valued according to the CPI measure at any given time and changes in CPI are recognised in the income statement.

b. Management

The Group controls its indexation risk through derivatives contracts and sales and purchases of indexed bonds, mostly government bonds, and thus keeps its exposure to the CPI within the limits set by the ALCO committee.

c. Balance of CPI linked assets and liabilities

	30.9.2024	**31.12.2023**
Assets	36,288,104	34,860,451
Liabilities	(23,911,975)	(23,177,052)
Total	12,376,129	11,683,398

d. Sensitivity to changes in CPI

Given the net balance of CPI linked assets and liabilities, a 1% change in the CPI would, with other things constant, result in the following changes to the Group's pre-tax profit.

	30.9.2024		**31.12.2023**	
	-1%	1%	-1%	1%
Government bonds	(46,924)	46,924	(58,667)	58,667
Other fixed income securities	(30,647)	30,647	(21,561)	21,561
Loans to customers	(264,429)	264,429	(236,126)	236,126
Derivatives	(20,880)	20,880	(32,251)	32,251
Short positions	2,608	(2,608)	683	(683)
Deposits	85,060	(85,060)	81,464	(81,464)
Issued bonds	93,622	(93,622)	89,710	(89,710)
Subordinated liabilities	57,829	(57,829)	59,913	(59,913)
	(123,761)	123,761	(116,834)	116,834

The effect on equity would be the same.

52. Currency risk

a. Definition

Currency risk arises when financial instruments are not denominated in the functional currency of the respective Group entity and can affect both the Group's income statement and statement of financial position. A part of the Group's financial assets and liabilities is denominated in foreign currencies.

b. Management

Currency positions are monitored by risk management and reported to the ALCO committee. Any mismatch between assets and liabilities in each currency is monitored closely and managed within limits.

The Group is subject to limits set by the Central Bank of Iceland regarding the maximum open currency position. At 30 September 2024 and 31 December 2023 the Group's position in foreign currencies was within those limits.

c. Hedge accounting

The Group applies hedge accounting according to IAS 39 against translation of foreign operations. Currency swap agreements are used as a hedge instrument against translation difference arising from foreign operations.

d. Exchange rates

The following exchange rates have been used by the Group in the preparation of these financial statements:

	Closing 30.9.2024	**Average 9m 2024**	**Closing 31.12.2023**	**Average 9m 2023**
EUR/ISK	150.7	150.0	150.5	149.1
USD/ISK	134.6	138.0	136.2	137.6
GBP/ISK	180.4	176.3	173.2	171.1

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

52. Currency risk (cont.)

e. Breakdown of financial assets and financial liabilities denominated in foreign currencies

30.9.2024

Financial assets	**EUR**	**USD**	**GBP**	**NOK**	**Other currencies**	**Total**
Cash and balances with Central Bank	2,481,431	2,505,073	5,853,240	103,501	2,099,396	13,042,640
Fixed income securities	1,054,228	939,388				1,993,616
Shares and other variable income securities	135,764	100,796	1,992,959	10,626	38,695	2,278,840
Securities used for hedging	596,970	1,677,088	1,501	2,748	215	2,278,522
Loans to customers	3,100,379		36,274,678		23,024	39,398,081
Intangible assets			2,576,999			2,576,999
Other assets	1,161,276	1,442,983	611,381		113,953	3,329,593
Financial assets excluding derivatives	8,530,047	6,665,329	47,310,758	116,875	2,275,283	64,898,291
Derivatives	7,601,889	247,406	851,927	10,439,893	15,437,277	34,578,392
Total	16,131,936	6,912,735	48,162,685	10,556,767	17,712,560	99,476,683

Financial liabilities	**EUR**	**USD**	**GBP**	**NOK**	**Other currencies**	**Total**
Deposits	3,111,912	5,158,144	670,899	49,975	205,253	9,196,183
Borrowings	125,474	1,162,447	15,433,910			16,721,831
Issued bonds			2,072,537	10,371,027	17,162,504	29,606,069
Other liabilities	394,204	259,877	486,489	5,775	185,668	1,332,013
Financial liabilities excluding derivatives	3,631,590	6,580,467	18,663,837	10,426,777	17,553,425	56,856,096
Derivatives	12,284,417	103,800	28,856,732	61,124	39,832	41,345,905
Total	15,916,007	6,684,267	47,520,569	10,487,901	17,593,257	98,202,001

Net currency position	**EUR**	**USD**	**GBP**	**NOK**	**Other currencies**	**Total**
Financial assets	16,131,936	6,912,735	48,162,685	10,556,767	17,712,560	99,476,683
Financial liabilities	(15,916,007)	(6,684,267)	(47,520,569)	(10,487,901)	(17,593,257)	(98,202,001)
Financial guarantee contracts	75,350					75,350
Total	291,279	228,468	642,117	68,866	119,303	1,350,033

31.12.2023

Financial assets	**EUR**	**USD**	**GBP**	**SEK**	**Other currencies**	**Total**
Cash and balances with Central Bank	2,922,506	657,800	2,109,634	79,125	255,219	6,024,284
Fixed income securities	1,503,990	13,834,864				15,338,855
Shares and other variable income securities	88,400	242,497	1,539,466	12,880		1,883,243
Securities used for hedging	657,191	1,167,816	1,413	1,656,645	2,703	3,485,768
Loans to customers	2,280,065	478,715	28,876,368		47,414	31,682,562
Intangible assets			2,540,412			2,540,412
Other assets	849,032	1,236,043	718,974		163	2,804,212
Financial assets excluding derivatives	8,301,183	17,617,736	35,786,267	1,748,651	305,498	63,759,336
Derivatives	11,811,725	1,328,055	4,467,242	15,253,051	10,870,463	43,730,536
Total	20,112,909	18,945,791	40,253,509	17,001,701	11,175,962	107,489,872

Financial liabilities	**EUR**	**USD**	**GBP**	**SEK**	**Other currencies**	**Total**
Deposits	2,286,689	7,057,779	756,682	28,189	281,357	10,410,697
Borrowings	122,840	830,698	14,816,743			15,770,282
Issued bonds	1,292,489		1,990,376	15,220,348	10,837,164	29,340,377
Other liabilities	527,123	669,394	803,960	5	4,616	2,005,098
Financial liabilities excluding derivatives	4,229,142	8,557,872	18,367,762	15,248,542	11,123,136	57,526,454
Derivatives	15,861,328	10,352,601	22,199,121	1,692,775	105,127	50,210,951
Total	20,090,469	18,910,472	40,566,883	16,941,318	11,228,263	107,737,405

Net currency position	**EUR**	**USD**	**GBP**	**SEK**	**Other currencies**	**Total**
Financial assets	20,112,909	18,945,791	40,253,509	17,001,701	11,175,962	107,489,872
Financial liabilities	(20,090,469)	(18,910,472)	(40,566,883)	(16,941,318)	(11,228,263)	(107,737,405)
Financial guarantee contracts	75,250					75,250
Total	97,689	35,319	(313,374)	60,384	(52,302)	(172,283)

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

52. Currency risk (cont.)

f. Sensitivity to currency risk

Given the net currency position, a 10% change in the value of the ISK would, with other things constant, result in the following changes to the Group's Consolidated Income Statement or equity.

	30.9.2024		31.12.2023	
Assets and liabilities denominated in foreign currencies	**-10%**	**+10%**	**-10%**	**+10%**
EUR	29,128	(29,128)	9,769	(9,769)
USD	22,847	(22,847)	3,532	(3,532)
GBP	64,212	(64,212)	(31,337)	31,337
NOK	6,887	(6,887)	(2,537)	2,537
SEK	5,163	(5,163)	6,038	(6,038)
Other currencies	6,767	(6,767)	(2,693)	2,693
Total	135,003	(135,003)	(17,228)	17,228

53. Equity risk

a. Definition

Equity risk is the risk that the fair value of equites decreases as the result of changes in the value of shares and other variable income securities in the Group's portfolio.

b. Sensitivity analysis of equity risk

The analysis below calculates the effect of possible movements in equity prices that affect the Consolidated Financial Statements. A negative amount in the table reflects a potential net reduction in the Consolidated Income Statement or equity, while a positive amount reflects a potential net increase. Investments in associates are excluded.

	30.9.2024		31.12.2023	
	-10%	**+10%**	**-10%**	**+10%**
Listed shares	(67,477)	67,477	(51,270)	51,270
Unlisted shares	(234,322)	234,322	(202,767)	202,767
Unlisted unit shares in funds	(124,990)	124,990	(131,710)	131,710
Total	(426,789)	426,789	(385,748)	385,748

54. Operational risk

a. Definition

Operational risk is the risk of direct or indirect loss from inadequate or failed internal processes or systems, from human error or external events that affect the Group's reputation and operational earnings.

b. Management

The individual business units within the Group are primarily responsible for managing their respective operational risk. The risk management unit is furthermore responsible for identifying, monitoring and reporting the Group's operational risk. Operational risk can be reduced through staff training, process re-design and enhancement of the control environment. The risk management unit monitors operational risk by tracking loss events, quality deficiencies, potential risk indicators and other early-warning signals. The unit takes an active role in internal control and quality management.

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

Financial assets and financial liabilities

55. Accounting classification of financial assets and financial liabilities

The accounting classification of financial assets and financial liabilities is specified as follows:

30.9.2024 Financial assets	Amortised cost	Fair value through OCI	Manda-torily at fair value through P/L	Total carrying amount
Cash and balances with Central Bank	38,899,203			38,899,203
Fixed income securities		63,668,920	4,914,117	68,583,037
Shares and other variable income securities			4,267,895	4,267,895
Securities used for hedging			10,689,552	10,689,552
Loans to customers	145,821,513		225,564	146,047,077
Derivatives			2,138,453	2,138,453
Other assets	13,481,990			13,481,990
Total	198,202,707	63,668,920	22,235,581	284,107,207

Financial liabilities	Amortised cost	Fair value through OCI	Manda-torily at fair value through P/L	Total carrying amount
Deposits	148,665,792			148,665,792
Borrowings	30,240,549			30,240,549
Issued bonds	45,411,812			45,411,812
Subordinated liabilities	5,782,902			5,782,902
Short positions held for trading			255,971	255,971
Short positions used for hedging			20,697	20,697
Derivatives			1,999,606	1,999,606
Derivatives used for hedge accounting		144,740		144,740
Other liabilities	17,579,059		337,046	17,916,105
Total	247,680,114	144,740	2,613,321	250,438,175

31.12.2023 Financial assets	Amortised cost	Fair value through OCI	Manda-torily at fair value through P/L	Total carrying amount
Cash and balances with Central Bank	23,681,453			23,681,453
Fixed income securities		61,293,556	3,683,849	64,977,406
Shares and other variable income securities			3,857,480	3,857,480
Securities used for hedging			16,852,313	16,852,313
Loans to customers	135,641,049		682,433	136,323,481
Derivatives			2,497,877	2,497,877
Other assets	10,401,128			10,401,128
Total	169,723,630	61,293,556	27,573,952	258,591,138

Financial liabilities	Amortised cost	Fair value through OCI	Manda-torily at fair value through P/L	Total carrying amount
Deposits	133,772,941			133,772,941
Borrowings	23,817,062			23,817,062
Issued bonds	45,715,427			45,715,427
Subordinated liabilities	5,993,084			5,993,084
Short positions held for trading			131,745	131,745
Short positions used for hedging			4,230	4,230
Derivatives			2,044,723	2,044,723
Derivatives used for hedge accounting		152,182		152,182
Other liabilities	16,189,247		404,762	16,594,010
Total	225,487,761	152,182	2,585,460	228,225,403

Notes to the Condensed Interim Consolidated Financial Statements

56. Financial assets and financial liabilities measured at fair value

a. Fair value hierarchy

The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices. For other financial instruments the Group determines fair value using various valuation techniques. IFRS 13 specifies a fair value hierarchy based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources whereas unobservable inputs reflect the Group's market assumptions. These two types of inputs result in the following fair value hierarchy:

- Level 1
  Inputs are quoted market prices (unadjusted) in active markets for identical instruments.

- Level 2
  Inputs are not quoted market prices but are observable either directly, i.e. as prices, or indirectly, i.e. derived from prices. This category includes financial instruments valued using quoted prices in active markets for similar instruments, quoted prices for similar or identical instruments in markets that are considered less than active and other instruments which are valued using techniques which rely primarily on inputs that are directly or indirectly observable from market data.

- Level 3
  Inputs are not observable or unobservable inputs have a significant effect on the valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments are required to reflect the differences between the instruments.

b. Valuation process

The Bank's Credit committee is responsible for fair value measurements of financial assets and financial liabilities classified as level 2 or level 3 instruments. The valuation is carried out by personnel from respective departments under supervision from Risk. The valuations are revised at least quarterly, or when there are indications of significant changes in the underlying inputs.

c. Valuation techniques

The Group uses widely recognised valuation techniques, including net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and other valuation models.

Valuation techniques include recent arm's length transactions between knowledgeable, willing parties, if available, reference to the current fair value of other instruments that are substantially the same, the discounted cash flow analysis and option pricing models. Valuation techniques incorporate all factors that market participants would consider in setting a price and are consistent with accepted methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument, without modification or repackaging, or based on any available observable market data.

For more complex instruments, the Group uses proprietary models, which usually are developed from recognised valuation models. Some or all of the inputs into these models may not be market observable and are derived from market prices or rates or are estimated based on assumptions. When entering into a transaction, the financial instrument is recognised initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference, usually an increase in fair value, indicated by valuation techniques is recognised in income depending upon the individual facts and circumstances of each transaction and no later than when the market data becomes observable.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value in the statement of financial position.

Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

56. Financial assets and financial liabilities measured at fair value (cont.)

d. Fair value hierarchy classification

The fair value of financial assets and financial liabilities measured at fair value in the statement of financial position is classified into the fair value hierarchy as follows:

30.9.2024

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Mandatorily measured at fair value through profit and loss				
Fixed income securities	4,326,028	105,158	482,931	4,914,117
Shares and other variable income securities	1,478,132	47,483	2,742,280	4,267,895
Securities used for hedging	10,689,552			10,689,552
Loans to customers			225,564	225,564
Derivatives		2,138,453		2,138,453
Measured at fair value through other comprehensive income				
Fixed income securities	63,668,920			63,668,920
Total	80,162,632	2,291,094	3,450,775	85,904,501

Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Mandatorily measured at fair value through profit and loss				
Short positions held for trading	255,971			255,971
Short positions used for hedging	20,697			20,697
Derivatives		1,143,700	855,907	1,999,606
Other liabilities			337,046	337,046
Measured at fair value through other comprehensive income				
Derivatives used for hedge accounting		144,740		144,740
Total	276,668	1,288,439	1,192,953	2,758,060

31.12.2023

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Mandatorily measured at fair value through profit and loss				
Fixed income securities	3,465,191	104,584	114,075	3,683,849
Shares and other variable income securities	1,237,775	102,362	2,517,343	3,857,480
Securities used for hedging	16,852,313			16,852,313
Loans to customers			682,433	682,433
Derivatives		2,497,877		2,497,877
Measured at fair value through other comprehensive income				
Fixed income securities	61,293,556			61,293,556
Total	82,848,836	2,704,822	3,313,851	88,867,508

Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Mandatorily measured at fair value through profit and loss				
Short positions held for trading	131,745			131,745
Short positions used for hedging	4,230			4,230
Derivatives		1,185,091	859,631	2,044,723
Other liabilities			404,762	404,762
Measured at fair value through other comprehensive income				
Derivatives used for hedge accounting		152,182		152,182
Total	135,975	1,337,273	1,264,394	2,737,641

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

56. Financial assets and financial liabilities measured at fair value (cont.)

e. Reconciliation of changes in Level 3 fair value measurements

30.9.2024	Fixed income securities	Shares and other var. income securities	Loans to customers	Derivatives	Other liabilities	Total
Balance as at 1 January 2024	114,075	2,517,343	682,433	(859,631)	(404,762)	2,049,457
Total gains and losses in profit or loss	16,335	202,711	40,627	(84,983)	(8,243)	166,447
Additions	466,597	58,286				524,883
Repayments			(497,496)	88,707	75,959	(332,830)
Disposals		(36,060)				(36,060)
Reclassification	(114,075)					(114,075)
Balance as at 30 September 2024	482,931	2,742,280	225,564	(855,907)	(337,046)	2,257,822

31.12.2023	Fixed income securities	Shares and other var. income securities	Loans to customers	Derivatives	Other liabilities	Total
Balance as at 1 January 2023	615,304	7,437,283	1,210,390	(691,713)	(373,715)	8,197,550
Total gains and losses in profit or loss	130,943	987,969	10,173	(11,159)	(31,048)	1,086,879
Additions	380,542	1,085,457	40,000	(156,759)		1,349,240
Repayments	(162,024)		(578,130)			(740,155)
Disposals		(2,246,400)				(2,246,400)
Reclassified as assets held for sale	(850,690)	(4,746,966)				(5,597,656)
Balance as at 31 December 2023	114,075	2,517,343	682,433	(859,631)	(404,762)	2,049,457

f. Fair value measurements for Level 3 financial assets

Level 3 assets consist primarily of unlisted bonds, shares and share certificates and loans measured at fair value. Each asset is evaluated separately but assets within an asset group share a valuation method. The following valuation methods are in use:

Asset class	Method	Significant unobservable input	Range	Book value 30.9.2024
Unlisted bonds	Expected recovery	Value of assets	0-95%	482,931
Unlisted variable income securities	Market price	Recent trades	-	2,742,280
Loans to customers	Expert model	Value of assets and collateral	-	225,564
Total				3,450,775

Asset class	Method	Significant unobservable input	Range	Book value 31.12.2023
Unlisted bonds	Expected recovery	Value of assets	0-95%	114,075
Unlisted variable income securities	Market price	Recent trades	-	2,517,343
Loan to customers	Expert model	Value of assets and collateral	-	682,433
Total				3,313,851

Given the methods used, the possible range of the significant unobservable inputs is wide. When determining the values used the Group considers the financial strength of the entity in question, recent trades if any and multipliers for comparable instruments.

g. The effect of unobservable inputs in Level 3 fair value measurements

The Group believes its estimates represent appropriate approximations of fair value and that the use of different valuation methodologies and reasonable changes in assumptions or unobservable inputs would not significantly change the estimates.

A 10% change in the estimates would have the following effect on profit before taxes:

	+10%	-10%
Fixed income securities	48,293	(48,293)
Shares and other variable income securities	274,228	(274,228)
Loans to customers	22,556	(22,556)
Total	345,077	(345,077)

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

Other information

57. Pledged assets

30.9.2024	Settlement and committed facilities	Securities borrowing	Asset backed securities	Total
Cash and balances with Central Bank	0	1,619,446	0	1,619,446
Fixed income securities	6,229,717	47,251	0	6,276,967
Loans to customers	23,588,010	0	0	23,588,010
Other assets	0	60,188	0	60,188
Total	29,817,726	1,726,884	0	31,544,611

31.12.2023	Settlement and committed facilities	Securities borrowing	Asset backed securities	Total
Cash and balances with Central Bank	0	973,538	27,853	1,001,391
Fixed income securities	6,392,856	249,194	0	6,642,050
Loans to customers	21,340,531	0	1,118,990	22,459,521
Other assets	0	52,979	0	52,979
Total	27,733,387	1,275,711	1,146,843	30,155,941

The Group has pledged assets, in the ordinary course of banking business, to the Central Bank of Iceland to secure general settlement in the Icelandic clearing system. Cash pledged to secure the borrowing of securities from other counterparties than the Central Bank of Iceland is classified as other assets. Furthermore, the Group has pledged loans to customers as collateral against asset backed bonds that it has issued.

58. Related parties

a. Definition of related parties

The Group has a related party relationship with the board members of the Bank, the CEO of the Bank and key employees (together referred to as management), associates as disclosed in note 23, shareholders with significant influence over the Bank, close family members of individuals identified as related parties and entities under the control or joint control of related parties.

b. Arm's length

Transactions with related parties are carried out at arm's length and subject to an annual review by the Bank's internal auditor.

c. Balances with related parties

30.9.2024	Assets	Liabilities
Management	919	55,347
Associates	0	35,885
Total	919	91,232

31.12.2023	Assets	Liabilities
Management	5,861	77,974
Associates	0	28,639
Total	5,861	106,613

d. Transactions with related parties

9m 2024	Interest income	Interest expense	Other income	Other expense
Management	0	2,197	585	1,097
Associates	0	0	0	258,899
Total	0	2,197	585	259,996

9m 2023	Interest income	Interest expense	Other income	Other expense
Management	0	872	641	1,892
Associates	0	0	0	185,550
Total	0	872	641	187,443

Notes to the Condensed Interim Consolidated Financial Statements

59. Other matters

Purchase agreement for the sale of TM tryggingar hf. signed

On 30 May 2024 the Bank announced that it had signed a purchase agreement with Landsbankinn hf., in which Landsbankinn hf. purchased 100% of the share capital in TM. On 17 March 2024 the Bank announced that it had received binding offers for the purchase of the share capital of TM. Due diligence review has been completed and the purchase agreement is signed with standard conditions of approval from The Financial Supervisory Authority of the Central Bank of Iceland and the Icelandic Competition Authority ("ICA"). On 26 September 2024 The Financial Supervisory Authority of the Central Bank of Iceland has published the results of its assessment, finding that Landsbankinn is eligible to control a qualifying holding in TM. The ICA has yet to conclude its review of the transaction. The purchase price according to the purchase agreement is ISK 28.6 billion and Landsbankinn hf. will pay for the share capital in cash. The purchase price is based on TM's balance sheet at the end of 2023. The final purchase price will be adjusted for changes in TM's tangible equity from the beginning of the year 2024 to the completion date, and the amount of the change will be added to or subtracted from the price according to the purchase agreement.

Tax treatment of warrants sold by the Bank

The Bank is aware of that the Iceland revenue and customs ("Skatturinn") is currently reviewing the tax treatment of warrants that the Bank sold during the years 2017 to 2019. The Iceland revenue and customs is looking into whether the warrants should be taxed as perquisites instead of as a financial instruments. Should that be the case, then the Bank would be required to pay the respective social security tax and tax on financial activity. The Bank would however be able to deduct the amount of salary related expenses, as well as the amount of the perquisites, from its tax base for the respective years in question, and thereby increase its deferred tax losses.

As the Iceland revenue and customs has not yet concluded its review, the Bank has not charged any amount to its income statement nor made any changes to the tax returns for the respective years.

60. Events after the reporting date

There are no material events after the reporting date.