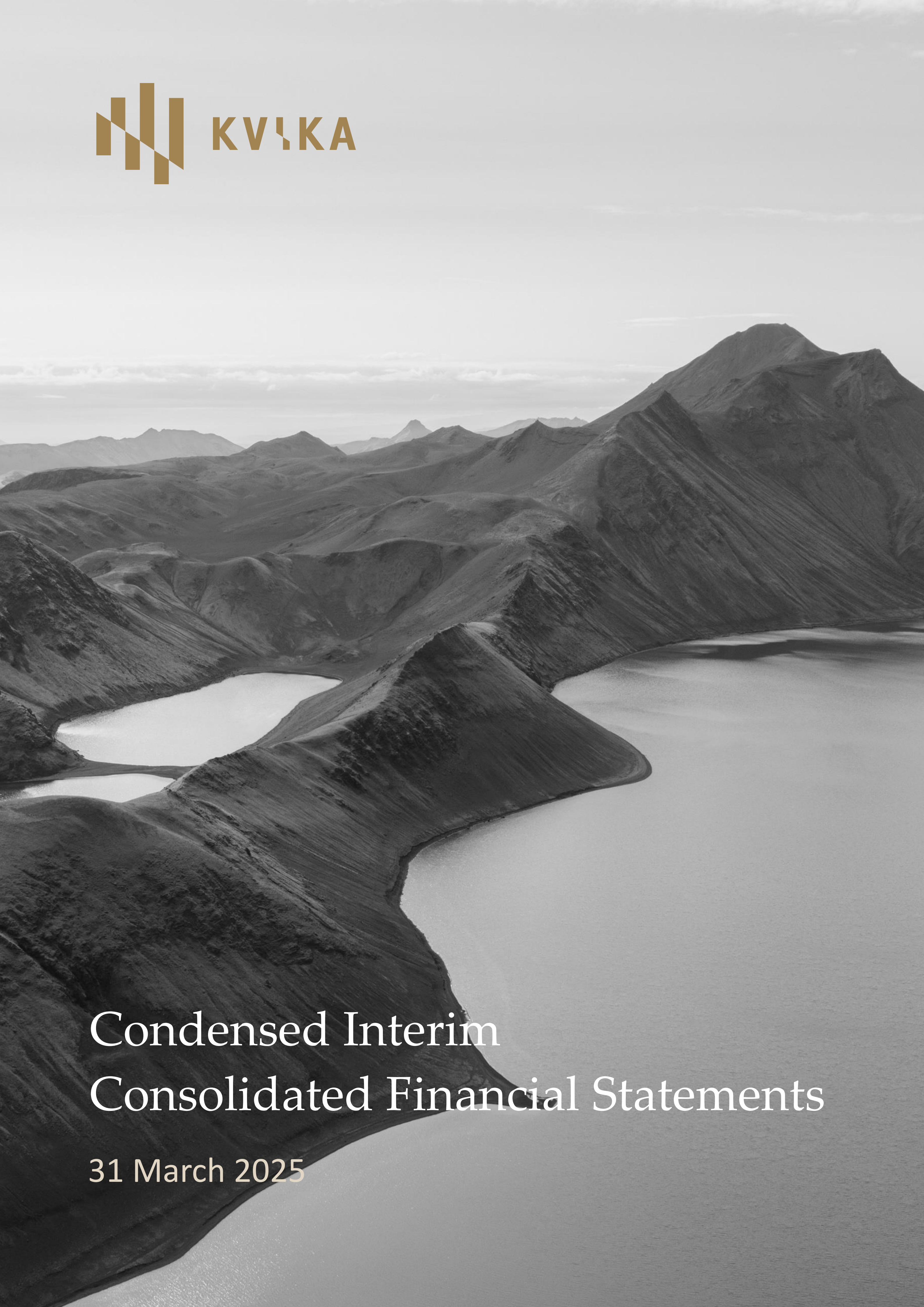

Condensed Interim Consolidated Financial Statements

31 March 2025

Condensed Interim
Consolidated Financial Statements
31 March 2025

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

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Highlights

31.03.2025

Kvika in brief

Kvika is a challenger bank listed on the Nasdaq Iceland, offering a broad range of solutions for individuals, businesses, and investors.

Kvika operates in four business segments: Commercial banking, Investment Banking, Asset Management and UK operations, the latter through subsidiaries Kvika Asset Management and Kvika Limited.

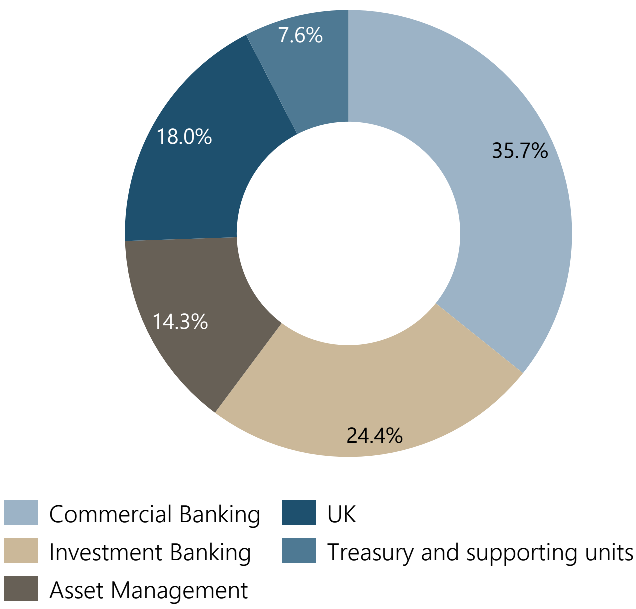
Kvika's operations are underpinned by a distinctive brand strategy. Retail financial services are delivered through specialized consumer brands such as Auður, Aur, Netgíró, and Lykill, each focused on a specific customer nee, while corporate and institutional services are provided under the Kvika and Kvika Asset Management brands

Key figures

ISK m.	3M 2025	3M 2024
Net operating income	4,449	4,069
Profit before tax, continuing operations	701	1,215
RoTE, continuing operations	7.8%	15.5%
	31.03.2025	**31.12.2024**
Total Assets	342,816	354,594
Loans to customers	160,583	150,203
Deposits	168,021	163,377
LCR	279%	360%
NSFR	159%	144%

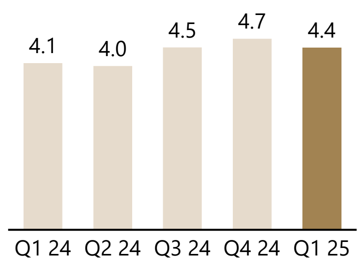
Diversified operations

Revenues by segment / Q1 2025



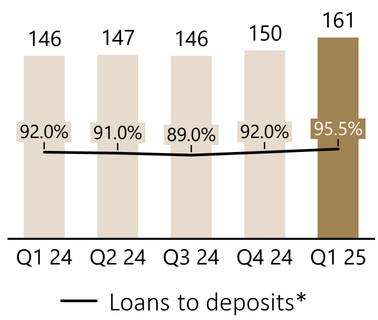
Net operating income

ISK bn.



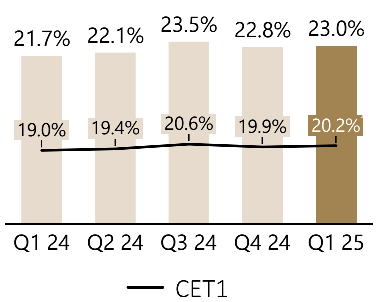
Loans to customers

ISK bn.



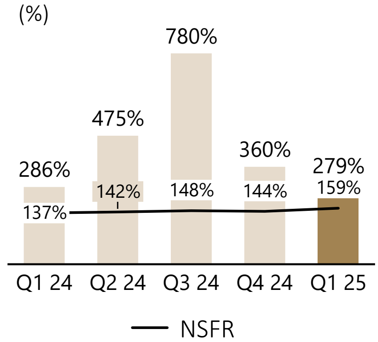
Total capital ratio

(%)



LCR ratio

(%)



Baa2/Prime-2

Stable

Moody's

87/100

Reitun ESG score

Reitun

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

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 31 March 2025. 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, 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 Limited, the Group's operations in the UK.

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 2025

Profit before taxes from continuing operations for the first quarter amounted to ISK 701 million (3m 2024: ISK 1,215 million). Pre-tax annualised return on weighted tangible equity (RoTE) from continuing operations was 7.8% for the quarter compared to 15.5% during the period in 2024, 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 year. Profit after taxes, including discontinued operations, for the first quarter amounted to ISK 2,086 million (3m 2024: ISK 1,083 million).

The Group's net operating income during the period was ISK 4,449 million (3m 2024: ISK 4,069 million). Net interest income amounted to ISK 2,917 million (3m 2024: ISK 2,326 million). Net fee income amounted to ISK 1,520 million (3m 2024: ISK 1,633 million). Other net operating income amounted to ISK 12 million (3m 2024: ISK 110 million). Administrative expenses during the period amounted to ISK 3,090 million (3m 2024: ISK 2,666 million). During the period, the Group had a net impairment charge of ISK 65 million (3m 2024: ISK 188 million).

In March 2025, Kvika completed the acquisition of the remaining management shares in Ortus Secured Finance ltd. ("OSF"). The transaction supports refinancing and streamlining of Kvika's UK operations. An expense of ISK 580 million was recognized in the income statement, reflecting the revaluation of the contingent consideration for the remaining purchase price of OSF.

Financial position

According to the Consolidated Statement of Financial Position, equity at the end of the period amounted to ISK 67,599 million (31.12.2024: ISK 89,517 million), and total assets amounted to ISK 342,816 million (31.12.2024: ISK 354,594 million).

The Group's statement of financial position grew by ISK 11.8 billion or 3.3% during the period in 2025. Loans to customers grew by ISK 10.4 billion or 6.9% during the period. Liquid assets amounted to ISK 130 billion at end of March 2025, which is equal to 37.9% of total assets and 81% of loans to customers.

In mid-January 2025, Kvika completed the sale of 3.25-year floating-rate bonds totalling SEK 600 million and NOK 400 million. These bonds were priced at a spread of 200 basis points over 3-month STIBOR (for the SEK tranche) and 3-month NIBOR (for the NOK tranche). With over 20 investors participating, it marked Kvika's largest international bond issuance to date.

TM sale finalised

On 28 February 2025 Kvika and Landsbankinn hf. ("Landsbankinn") finalised the sale of 100% of TM tryggingar hf. ("TM") share capital to Landsbankinn. The handover of the insurance company took place simultaneously, with Landsbankinn paying Kvika the agreed purchase price upon completion. As previously communicated by Kvika on 30 May 2024, the final purchase price has been adjusted based on changes in TM's tangible equity from the beginning of 2024 until the closing date, 28 February 2025. The initially agreed purchase price was ISK 28.6 billion, but the adjusted purchase price amounts to approximately ISK 32.3 billion, reflecting the 2024 purchase price adjustment. According to a preliminary adjustment for the period from 31 December 2024 to 28 February 2025, the final purchase price is expected to be ISK 32.2 billion.

Following the completion of the sale of TM in February 2025, the Group is no longer designated by the Financial Supervisory Authority of the Central Bank of Iceland as a financial conglomerate as defined in Article no. 3 of Act no. 61/2017 on Additional Supervision of Financial Conglomerates.

Capital adequacy and dividends

Kvika's continues to maintain a strong capital position, significantly above regulatory requirements. At the end of March 2025, the Group's capital adequacy ratio was 23.0% and CET1 ratio was 20.2%, excluding unaudited interim earnings for the first quarter of 2025. This compares to regulatory requirements of 18.0% and 12.9%, including capital buffers.

The Central Bank's Resolution Authority presented the Group with their first minimum requirement for own funds and eligible liabilities (MREL) in January 2025. The MREL requirements, including the combined buffer requirement, are 28.4% of RWEA and 6.0% of total exposure measure ("TEM"). At the end of March 2025 these ratios were 46.3% and 31.1% respectively.

The Bank's 2025 Annual General Meeting ("AGM") approved a motion from the Board of Directors ("BOD") to renew the BOD's authorisation from the Bank's 2024 AGM to purchase up to 10% of own shares subject to regulatory approvals. This authorisation applies until the next AGM in 2026. In February 2025, based on authorisation from the AGM and approval from the Financial Supervisory Authority of the Central Bank of Iceland, the BOD decided to establish a buy-back programme to carry out the purchase of shares for a total consideration amount of ISK 5 billion but for no higher nominal amount than 400,000,000 shares.

Endorsement and Statement
by the Board of Directors and the CEO

The 2025 AGM approved a motion from the BOD that a dividend of ISK 5 per share be paid in the year 2025 on 2024 operations and following the receipt of the purchase price for TM. Furthermore, the 2025 AGM also approved a motion from the BOD, based on an approval from the Financial Supervisory Authority of the Central Bank of Iceland, to decrease the share capital of the Bank by 91,073,340 shares by cancelling treasury shares held by the Bank. In April 2025, both the dividend payment and the share capital reduction were carried out.

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 institution 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 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 31 March 2025 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 31 March 2025 and the financial performance of the Group and changes of cash flows for the period 1 January to 31 March 2025. 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 31 March 2025 and confirmed them by the means of their signatures.

Reykjavík, 7 May 2025.

Board of Directors

Sigurður Hannesson, Chairman

Helga Kristín Auðunsdóttir, Deputy Chairman

Ingunn Svala Leifsdóttir

Guðjón Reynisson

Páll Harðarson

Chief Executive Officer

Ármann Þorvaldsson

The Condensed Interim Consolidated Financial Statements of Kvika banki hf. for the period ended 31 March 2025 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 2025 to 31 March 2025

	Notes	3m 2025	3m 2024
Interest income		7,300,364	7,105,791
Interest expense		(4,383,859)	(4,779,672)
Net interest income	5	2,916,505	2,326,118
Fee and commission income		1,669,424	1,795,429
Fee and commission expense		(149,261)	(162,530)
Net fee and commission income	6	1,520,163	1,632,900
Net financial (expense) income	7	(47,751)	23,822
Other operating income		59,705	85,711
Other net operating income		11,953	109,532
Net operating income		4,448,622	4,068,550
Administrative expenses	9	(3,089,740)	(2,665,797)
Net impairment	11	(65,461)	(187,950)
Revaluation of contingent consideration	12	(592,673)	0
Profit before taxes from continuing operations		700,748	1,214,804
Income tax	13	(437,836)	(151,869)
Special tax on financial activity	14	0	(13,138)
Special tax on financial institutions	15	(77,180)	(62,600)
Profit for the period from continuing operations		185,732	987,197
Discontinued operations			
Profit after tax from discontinued operations	3	1,900,729	96,183
Profit for the period		2,086,461	1,083,379

	Notes	3m 2025	3m 2024
Attributable to the shareholders of Kvika banki hf.		2,086,461	1,079,337
Attributable to non-controlling interest	24	0	4,042
Profit for the period		2,086,461	1,083,379
Earnings per share	16		
Basic earnings per share (ISK per share)		0.45	0.23
Diluted earnings per share (ISK per share)		0.45	0.23

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 2025 to 31 March 2025

	Notes	3m 2025	3m 2024
Profit for the period		2,086,461	1,083,379
Changes in fair value of financial assets through OCI, net of tax		45,872	190,233
Realized net loss transferred to the Income Statement, net of tax		24,929	10,079
Changes to reserve for financial assets at fair value through OCI		70,801	200,312
Exchange difference on translation of foreign operations		(29,895)	9,465
Other comprehensive income that is or may be reclassified subsequently to profit and loss		40,906	209,777
Total comprehensive income for the period		2,127,368	1,293,156

	Notes	3m 2025	3m 2024
Attributable to the shareholders of Kvika banki hf.		2,127,368	1,289,114
Attributable to non-controlling interest		0	4,042
Total comprehensive income for the period		2,127,368	1,293,156

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 31 March 2025

Assets	Notes	31.3.2025	31.12.2024*
Cash and balances with Central Bank	17	43,909,157	18,593,420
Loans to credit institutions	18	24,081,301	11,529,571
Loans to customers	19	160,582,831	150,202,696
Fixed income securities	20	62,165,150	64,794,561
Shares and other variable income securities	21	5,602,795	5,432,254
Securities used for hedging	22	8,835,823	12,601,026
Derivatives	23	2,572,600	1,196,744
Investment in associates	25	111,914	112,855
Investment properties		340,421	0
Intangible assets	26	21,440,029	21,693,399
Operating lease assets	27	222,008	215,168
Property and equipment		428,528	543,413
Deferred tax assets	13	1,819,615	2,273,265
Other assets	28	10,703,784	7,703,693
Assets classified as held for sale	3	0	57,702,377
Total assets		342,815,958	354,594,442

Liabilities			
Deposits	46	168,020,757	163,377,879
Borrowings	29	13,915,528	14,389,515
Issued bonds	30	47,767,413	37,123,285
Subordinated liabilities	31	5,766,866	5,628,982
Short positions held for trading	32	521,286	153,001
Short positions used for hedging	33	4,789	42,035
Derivatives	23	646,696	2,932,429
Deferred tax liabilities		354,631	466,096
Other liabilities	34	38,219,103	13,634,905
Liabilities associated with assets classified as held for sale	3	0	27,329,028
Total liabilities		275,217,069	265,077,155

Equity			
Share capital	35	4,611,532	4,660,180
Share premium		45,888,135	46,750,093
Other reserves		3,230,715	9,356,543
Retained earnings		13,789,861	28,671,825
Total equity attributable to the shareholders of Kvika banki hf.		67,520,242	89,438,641
Non-controlling interest	24	78,646	78,646
Total equity		67,598,888	89,517,287
Total liabilities and equity		342,815,958	354,594,442

** Comparative information has been restated, reference is made to note 2 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 Changes in Equity

For the period 1 January 2025 to 31 March 2025

				Other reserves								
1 January 2025 to 31 March 2025	**Notes**	**Share capital**	**Share premium**	**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 2025		4,660,180	46,750,093	109,131	1,203,697	(582,818)	79,090	8,547,443	28,671,825	89,438,641	78,646	89,517,287
Profit for the period									2,086,461	2,086,461	0	2,086,461
Changes in fair value of financial assets through OCI						45,872				45,872		45,872
Realized net loss transferred to the Income Statement						24,929				24,929		24,929
Translation of foreign operations												
Exchange difference on translation of foreign operations							(29,895)			(29,895)	0	(29,895)
Total comprehensive income for the period		0	0	0	0	70,801	(29,895)	0	2,086,461	2,127,368	0	2,127,368
Restricted due to subsidiaries and associates								(6,165,779)	6,165,779	0		0
Restricted due to development costs								21,215	(21,215)	0		0
Transactions with owners of the Bank												
Treasury shares acquired as part of a buy-back programme		(48,648)	(861,958)							(910,606)		(910,606)
Dividend paid to shareholders									(23,135,160)	(23,135,160)		(23,135,160)
Share options				(22,170)					22,170	0		0
Equity as at 31 March 2025		4,611,532	45,888,135	86,961	1,203,697	(512,017)	49,195	2,402,878	13,789,861	67,520,242	78,646	67,598,888

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

Amounts are in ISK thousands

Condensed Interim Consolidated Statement of Changes in Equity

For the period 1 January 2024 to 31 March 2024

				Other reserves								
1 January 2024 to 31 March 2024	**Notes**	**Share capital**	**Share premium**	**Option reserve**	**Deficit reduction reserve**	**Fair value reserve**	**Translation reserve**	**Restricted retained earnings**	**Retained earnings**	**Total shareholders' 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									1,079,337	1,079,337	4,042	1,083,379
Changes in fair value of financial assets through OCI						190,233				190,233		190,233
Realized net loss transferred to the Income Statement						10,079				10,079		10,079
Translation of foreign operations												
Exchange difference on translation of foreign operations							9,465			9,465	0	9,465
Total comprehensive income for the period		0	0	0	0	200,312	9,465	0	1,079,337	1,289,114	4,042	1,293,156
Restricted due to subsidiaries and associates								534,880	(534,880)	0		0
Restricted due to development costs								5,563	(5,563)	0		0
Transactions with owners of the Bank												
Share options				9,740						9,740		9,740
Equity as at 31 March 2024		4,722,073	47,661,777	183,344	1,203,697	(729,919)	95,610	4,337,308	25,710,648	83,184,538	76,161	83,260,699

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 2025 to 31 March 2025

Cash flows from operating activities	**Notes**	**3m 2025**	**3m 2024***
Profit for the period		2,086,461	1,083,379
Adjustments for:			
Indexation and exchange rate difference		55,660	(116,490)
Depreciation and amortisation		480,013	269,978
Net interest income		(2,916,505)	(2,326,118)
Net impairment		65,461	187,950
Income tax and special tax on financial activity and institutions		515,016	227,607
Adjustment relating to assets held for sale		(1,900,729)	(69,833)
Other adjustments		0	9,740
		(1,614,624)	(733,788)
Changes in:			
Loans to credit institutions		(7,557,338)	0
Fixed income securities		(10,478,467)	8,271,541
Shares and other variable income securities		2,543,076	(456,603)
Securities used for hedging		(170,541)	4,145,807
Loans to customers		2,489,407	(8,162,422)
Derivatives - assets		(1,375,856)	(567,357)
Operating lease assets		(20,987)	46,017
Other assets		(3,200,092)	(4,996,583)
Deposits		4,239,967	2,717,880
Short positions		331,039	631,386
Derivatives - liabilities		(2,425,250)	134,775
Other liabilities		1,330,003	1,449,778
		(14,295,040)	3,214,219
Interest received		6,990,904	6,675,176
Interest paid		(3,704,009)	(4,025,428)
Income tax paid		(73,534)	(181,928)
Net cash (to) from operating activities		(12,696,302)	4,948,251
Cash flows from investing activities			
Additions of intangible assets	26	(69,878)	(144,800)
Net acquisition of property and equipment		(38,885)	5,924
Disposal of subsidiary and associates, net of cash		32,284,578	0
Net cash from (to) investing activities		32,175,815	(138,876)
Cash flows from financing activities			
Borrowings		931,958	5,769,735
Issued bonds		10,644,128	0
Acquired own shares		(910,606)	0
Repayment of lease liabilities		(100,415)	(91,888)
Net cash from financing activities		10,565,064	5,677,847
Net change in cash and cash equivalents		30,044,577	10,487,222
Cash and cash equivalents at the beginning of the year		22,500,191	19,856,184
Effects of exchange rate fluctuations on cash and cash equivalents		339,328	33,557
Cash and cash equivalents at the end of the period	17	52,884,096	30,376,963

Cash and cash equivalents			
Cash and balances with Central Bank	17	43,909,157	25,770,001
Restricted balances with Central Bank - fixed reserve requirement	17	(5,745,226)	(3,879,292)
Loans to credit institutions - Bank accounts	18	14,720,164	8,486,254
Cash and cash equivalents at the end of the period		52,884,096	30,376,963

** Comparative information has been restated, reference is made to note 2 for further information.*
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

Notes to the Condensed Interim Consolidated Financial Statements

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 of Iceland ("FME"). Following the completion of the sale of TM in February 2025, the Group is no longer 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 31 March 2025 comprise Kvika banki hf. and its subsidiaries (together referred to as the Group). 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, 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 7 May 2025.

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.

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 31 March 2025.

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 2024.

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

g. Change in presentation

As at 31 March 2025 the Group has changed the way it presents cash and balances with central bank. The Group now presents loans to credit institutions as a separate line item in the statement of financial position. That line item includes balances with other credit institutions, which were previously included as part of cash and balances with central bank and other assets. The comparative figures for 31 December 2024 in the statement of financial position, 3m 2024 in the Consolidated Statement of Cash Flows and in the notes have been restated.

The table below shows the effect of the reclassification on the Consolidated Statement of Financial Position at 31 December 2024:

			Restated
	31.12.2024	Reclassified	31.12.2024
Assets:			
Cash and balance with Central bank	28,319,192	(9,725,772)	18,593,420
Loans to credit institutions	0	11,529,571	11,529,571
Other assets	9,507,492	(1,803,799)	7,703,693
All other assets	316,767,759		316,767,759
Total assets	354,594,442	0	354,594,442
Liabilities and Equity:			
Liabilities	265,077,155		265,077,155
Equity	89,517,287		89,517,287
Total liabilities and equity	354,594,442	0	354,594,442

			Restated
Lines in the Consolidated Statement of Cash Flows	3m 2024	Restated	3m 2024
Other assets	(4,942,559)	(54,023)	(4,996,583)
Cash and balances with Central Bank at the beginning of the year	23,681,453	(3,825,269)	19,856,184
Cash and cash equivalents at the end of the period	34,256,255	(3,879,293)	30,376,963

3. Discontinued operations

On 28 February 2025 Kvika and Landsbankinn hf. finalised the sale of 100% of TM tryggingar hf. share capital to Landsbankinn hf. as specified in note 59.

Set out below is the reconciliation of Net assets directly associated with disposal group:

	31.3.2025	31.12.2024
Assets classified as held for sale	0	57,702,377
Liabilities associated with assets classified as held for sale	0	(27,329,028)
Eliminations with the Group	0	(55,207)
Net assets directly associated with disposal group	0	30,318,143

	31.3.2025	31.12.2024
Balance at the beginning of the year	30,318,143	26,830,002
Profit after tax from discontinued operations	1,900,729	3,460,071
Payment	(32,284,578)	0
Adjustment to the estimated final purchase price	67,920	0
Other adjustments	(2,214)	28,070
Net assets directly associated with disposal group	0	30,318,143

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
During the period in 2025, the Group defined the following reportable operating segments; Asset Management, Commercial Banking, Investment Banking, UK operations and Treasury. Treasury, which was previously reported as part of Investment Banking, is now presented separately. Operating segments pay and receive interest to and from Treasury on an arm's length basis to reflect the allocation of capital and funding cost. During the period in 2025, the Group implemented the change that operating segments would receive interest from Treasury to reflect the allocation of capital. Comparative figures have been restated, as applicable.

- 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.
- 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 where the Group operates and for the period in 2025 it accounted for 18.0% (Q1 2024: 15.3%) of net operating income.
- Treasury
  Treasury is responsible for the Bank's funding, liquidity and asset-and-liability management. Treasury oversees the internal fund's transfer pricing and manages the relationship with investors, credit rating agencies and financial institutions. Market making activities in domestic securities sit within Treasury.

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.

3m 2025	Asset Management	Commercial Banking	Investment Banking	UK operations	Treasury	Supporting units	Total
Net interest income	(419)	1,176,890	570,032	534,753	642,972	(7,723)	2,916,505
Net fee and commission income	613,870	360,855	542,850	133,231	47,399	(178,041)	1,520,163
Net financial (expense) income	18,942	749	(25,253)	123,821	(166,010)	-	(47,751)
Other operating income	2,562	51,476	-	7,055	-	(1,388)	59,705
Net operating income	634,955	1,589,969	1,087,629	798,860	524,362	(187,153)	4,448,622
Salaries and related expenses	(276,954)	(240,902)	(217,314)	(196,486)	(64,137)	(707,702)	(1,703,496)
Other operating expenses	(32,313)	(525,046)	(54,541)	(103,745)	(19,128)	(651,472)	(1,386,244)
Administrative expenses	(309,267)	(765,948)	(271,855)	(300,231)	(83,265)	(1,359,174)	(3,089,740)
Net impairment	-	(42,401)	(12,873)	(10,173)	(14)	-	(65,461)
Revaluation of contingent consideration	(12,334)	-	-	(580,339)	-	-	(592,673)
Cost allocation	(172,015)	(370,104)	(220,244)	(51,540)	(87,782)	901,684	-
Profit (loss) before tax from continuing operations	141,340	411,516	582,657	(143,423)	353,300	(644,643)	700,748
Net segment revenue from external customers	641,232	38,162	1,873,058	1,163,214	675,809	57,147	4,448,622
Net segment revenue from other segments	(6,276)	1,551,808	(785,430)	(364,354)	(151,448)	(244,300)	-

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

4. Business segments (cont.)

3m 2024	Asset Management	Commercial Banking	Investment Banking	UK operations	Treasury	Supporting units	Total
Net interest income	(6,523)	1,228,754	484,949	423,911	205,126	(10,100)	2,326,118
Net fee and commission income	633,387	344,797	438,725	196,981	13,905	5,105	1,632,900
Net financial income	27,615	2,352	(11,325)	(1,179)	6,359	-	23,822
Other operating income	(285)	80,596	-	3,760	-	1,640	85,711
Net operating income	654,577	1,656,308	912,347	623,474	225,391	(3,547)	4,068,550
Salaries and related expenses	(247,327)	(224,260)	(188,277)	(173,340)	(60,497)	(730,480)	(1,624,180)
Other operating expenses	(37,021)	(400,791)	(45,817)	(102,666)	(27,299)	(428,023)	(1,041,616)
Administrative expenses	(284,348)	(625,051)	(234,093)	(276,006)	(87,796)	(1,158,503)	(2,665,797)
Net impairment	-	(80,245)	(69,053)	(37,920)	(731)	-	(187,950)
Revaluation of contingent consideration	-	-	-	-	-	-	-
Cost allocation	(210,615)	(441,481)	(242,794)	(52,089)	(99,786)	1,046,765	-
Profit (loss) before tax from continuing operations	159,614	509,531	366,406	257,459	37,079	(115,285)	1,214,804
Net segment revenue from external customers	666,653	165,965	1,989,071	1,011,049	239,359	(3,547)	4,068,550
Net segment revenue from other segments	(12,076)	1,490,343	(1,076,725)	(387,575)	(13,967)	-	-

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:

	3m 2025	3m 2024
Cash and balances with Central Bank	591,003	203,642
Loans to credit institutions	110,524	35,669
Loans to customers	4,993,796	4,909,331
Derivatives	563,135	1,005,486
Fixed income securities (FVOCI)	1,041,724	951,333
Other interest income	182	330
Total	7,300,364	7,105,791

Interest expense is specified as follows:

	3m 2025	3m 2024
Deposits	2,651,080	2,634,755
Borrowings	607,430	539,834
Issued bonds	683,748	865,307
Subordinated liabilities	137,884	183,137
Derivatives	291,097	538,165
Other interest expense*	12,621	18,474
Total	4,383,859	4,779,672
Net interest income	2,916,505	2,326,118

* Thereof are lease liabilities' interest expense amounting to ISK 10 million (3m 2024: ISK 13 million).

Total interest income recognised in respect of financial assets not carried at fair value through profit or loss amounts to ISK 5,655 million (3m 2024: ISK 5,106 million). Total interest expense recognised in respect of financial liabilities not carried at fair value through profit or loss amounts to ISK 4,093 million (3m 2024: ISK 4,242 million).

6. Net fee and commission income

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

	3m 2025	3m 2024
Asset Management	621,785	609,600
Capital markets and corporate finance	333,912	448,207
Cards and payment solutions	116,704	137,061
Loans and guarantees	459,331	539,453
Other fee and commission income	137,693	61,109
Total fee and commission income	1,669,424	1,795,429
Fee and commission expense	(149,261)	(162,530)
Net fee and commission income	1,520,163	1,632,900

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 (expense) income

Net financial (expense) income is specified as follows:

	3m 2025	3m 2024
Net (loss) gain on financial assets and financial liabilities mandatorily measured at fair value through profit or loss		
Fixed income securities	80,913	84,126
Financial assets at fair value through OCI	(31,162)	(61)
Shares and other variable income securities	67,936	(74,989)
Derivatives	(4,921)	(22,728)
Loans to customers	(21,435)	21,407
Loss on prepayments of borrowings	(83,423)	0
Foreign currency exchange difference	(55,660)	16,066
Total	(47,751)	23,822

8. Foreign currency exchange difference

Foreign currency exchange difference is specified as follows:

	3m 2025	3m 2024
Gain (loss) on financial instruments at fair value through profit and loss	1,117,769	(664,278)
(Loss) gain on other financial instruments	(1,173,428)	680,344
Total	(55,660)	16,066

9. Administrative expenses

Administrative expenses are specified as follows:

	3m 2025	3m 2024
Salaries and related expenses	1,703,496	1,624,180
Other operating expenses	906,231	771,638
Depreciation and amortisation	392,899	216,153
Depreciation of right of use asset	87,114	53,826
Total	3,089,740	2,665,797

During the period in 2025, ISK 225 million in irregular and one-off costs were incurred by the Group, among other due to the finalisation of the sale of TM. The espenses are included in all the line items in the table above except salaries and related expenses.

10. Salaries and related expenses

Salaries and related expenses are specified as follows:

	3m 2025	3m 2024
Salaries	1,230,238	1,200,913
Performance based payments excluding share-based payments	125,057	84,041
Share-based payment expenses	0	7,103
Pension fund contributions	161,615	149,437
Tax on financial activity	65,105	63,781
Other salary related expenses	121,481	118,905
Total	1,703,496	1,624,180
Average number of full time employees during the period	252	249
Total number of full time employees at the end of the period	253	249

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% (2024: 5,50%).

11. Net impairment

	3m 2025	3m 2024
Net change in impairment of loans	(69,658)	(186,448)
Net change in impairment of other assets	(3)	0
Net change in impairment of loan commitments, guarantees and unused credit facilities	4,200	(1,502)
Total	(65,461)	(187,950)

12. Revaluation of contingent consideration

In March 2025, the Group completed the expedited acquisition of the remaining management shares in Ortus Secured Finance ltd. (OSF), originally scheduled to be acquired over a five-year period (2024–2028) with pricing linked to OSF's annual performance. An expense of ISK 580 million was incurred during the period in 2025 related to the expedited acquisition of the OSF shares.

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

13. Income tax

The Bank and some of its subsidiaries will not pay income tax on its profit for 2025 due to the fact that Group has a tax loss carry forward that offsets the calculated income tax. At year-end 2024, the tax loss carry forward of the Group amounted to ISK 9.7 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 20.0% (2024: 21.0%). Companies within the Group, which operate outside of Iceland, recognise income tax in accordance with the applicable tax laws in the country they reside.

14. 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% (2024: 6,0%) and the tax is not a deductible expense for income tax purposes. The tax is presented separately in the consolidated income statement.

15. 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% (2024: 0,145%) and the tax is not a deductible expense for income tax purposes. The tax is presented separately in the consolidated income statement.

16. 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	
	3m 2025	**3m 2024**	**3m 2025**	**3m 2024**	**3m 2025**	**3m 2024**
Net earnings attributable to equity holders of the Bank	185,732	983,154	1,900,729	96,183	2,086,461	1,079,337
Weighted average number of outstanding shares	4,650,998	4,722,073	4,650,998	4,722,073	4,650,998	4,722,073
Adjustments for stock options	0	279	0	279	0	279
Total	4,650,998	4,722,353	4,650,998	4,722,353	4,650,998	4,722,353
Basic earnings per share (ISK)	0.04	0.21	0.41	0.02	0.45	0.23
Diluted earnings per share (ISK)	0.04	0.21	0.41	0.02	0.45	0.23

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

Statement of Financial Position

17. Cash and balances with Central Bank

Cash and balances with Central Bank are specified as follows:

	31.3.2025	31.12.2024
Deposits with Central Bank	38,144,567	12,758,682
Cash on hand	19,365	15,737
Included in cash and cash equivalents	38,163,932	12,774,419
Restricted balances with Central Bank - fixed reserve requirement	5,745,226	5,819,001
Total	43,909,157	18,593,420

18. Loans to credit institutions

Loans to credit institutions are specified as follows:

	31.3.2025	31.12.2024
Bank accounts	14,720,164	9,725,772
Money market loans	8,052,844	0
Other loans	1,308,293	1,803,799
Total	24,081,301	11,529,571

19. Loans to customers

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

	Individuals		Corporates		Total	
31.3.2025	Gross carrying amount	Book value	Gross carrying amount	Book value	Gross carrying amount	Book value
Loans to customers at amortised cost	40,451,707	39,580,912	121,516,685	120,120,359	161,968,392	159,701,271
Loans to customers at FV through profit or loss	0	0	881,561	881,561	881,561	881,561
Total	40,451,707	39,580,912	122,398,245	121,001,919	162,849,952	160,582,831

	Individuals		Corporates		Total	
31.12.2024	Gross carrying amount	Book value	Gross carrying amount	Book value	Gross carrying amount	Book value
Loans to customers at amortised cost	40,608,567	39,736,334	111,047,378	109,592,569	151,655,945	149,328,903
Loans to customers at FV through profit or loss	0	0	873,794	873,794	873,794	873,794
Total	40,608,567	39,736,334	111,921,172	110,466,363	152,529,739	150,202,696

The Group presents finance lease receivables as part of loans to customers at amortised cost. As at 31 March 2025, the book value of finance lease receivables amounted to ISK 22,891 million (31.12.2024: ISK 22,866 million).

20. Fixed income securities

Fixed income securities are specified as follows:

	31.3.2025	31.12.2024
Mandatorily measured at fair value through profit or loss		
Listed government bonds and bonds with government guarantees	1,085,653	2,713,853
Listed bonds	2,343,177	2,189,075
Unlisted bonds	824,248	722,405
Measured at fair value through other comprehensive income		
Listed government bonds and bonds with government guarantees	52,372,355	54,256,365
Listed treasury bills	4,059,755	3,453,441
Listed bonds	1,479,961	1,459,422
Total	62,165,150	64,794,561

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

21. 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	31.3.2025	31.12.2024
Listed shares	1,285,145	1,100,609
Unlisted shares	2,704,521	3,069,376
Unlisted unit shares	1,613,129	1,262,269
Total	5,602,795	5,432,254

22. Securities used for hedging

Securities used for hedging are specified as follows:

	31.3.2025	31.12.2024
Listed government bonds and bonds with government guarantees	2,193,777	1,904,937
Listed bonds	377,797	584,432
Listed shares	6,135,116	9,669,279
Listed unit shares	13,259	0
Unlisted unit shares	115,875	442,377
Total	8,835,823	12,601,026

23. Derivatives

Derivatives are specified as follows:

	Notional		Carrying amount	
31.3.2025	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate derivatives	135,225	89,630	44,213	0
Cross - currency interest rate swaps	31,139,911	23,398,318	443,671	110,000
Currency forwards	29,310,333	28,998,759	617,538	306,022
Currency forwards used for hedge accounting	0	7,405,760	80,880	0
Bond and equity total return swaps	12,804,615	11,648,418	1,386,298	230,674
Total	73,390,083	71,540,885	2,572,600	646,696

	Notional		Carrying amount	
31.12.2024	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate derivatives	159,361	107,143	55,954	0
Cross - currency interest rate swaps	34,754,643	35,671,836	455,496	1,321,348
Currency forwards	13,022,277	13,000,436	40,291	18,480
Currency forwards used for hedge accounting	0	7,386,404	0	282,967
Bond and equity total return swaps	13,586,028	14,533,627	645,003	1,309,635
Total	61,522,310	70,699,445	1,196,744	2,932,429

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:

	31.3.2025	31.12.2024
Balance at the beginning of the year	(21,310)	(52,556)
Foreign currency revaluation of the net foreign operations	107,518	39,057
Tax effect	(21,504)	(7,811)
Total	64,704	(21,310)

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

24. Group entities

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

Entity	Nature of operations	Domicile	Share 31.3.2025	Share 31.12.2024
GAMMA Capital Management hf.	Holding company	Iceland	100%	100%
Kvika eignastýring hf.	Asset management	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%
TM tryggingar hf.	Insurance company	Iceland	-	100%
AC GP 3 ehf.	Fund management	Iceland	85%	85%
Kvika Limited	Business consultancy services	UK	100%	100%
Ortus Secured Finance ltd.	Lending operations	UK	100%	80%

The sale of TM tryggingar hf. and TM líftryggingar hf. was concluded during the first quarter of 2025. Furthermore, during the same period the Group acquired the remaining shares in Ortus Secured Finance ltd. Additionally, during the same period, one of the Group's subsidiary was renamed from Kvika Securities ltd., to Kvika Limited.

25. 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 31.3.2025	Share 31.12.2024
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:

	31.3.2025	31.12.2024
Balance at the beginning of the year	112,855	96,194
Dividend received	0	(19,806)
Share in profit of associates, net of income tax	0	41,350
Exchange rate difference	(941)	(4,884)
Total	111,914	112,855

26. Intangible assets

Intangible assets are specified as follows:

31.3.2025	Goodwill	Customer relationships	Brands	Software and other	Total
Balance as at 1 January 2025	17,783,902	1,567,131	218,952	2,123,415	21,693,400
Additions during the year	0	0	0	69,878	69,878
Amortisation	0	(51,286)	(11,384)	(226,003)	(288,673)
Currency adjustments	(25,953)	(8,412)	(210)	0	(34,575)
Balance as at 31 March 2025	17,757,949	1,507,434	207,358	1,967,289	21,440,029
Gross carrying amount	17,757,949	2,089,232	369,316	4,043,969	24,260,465
Accumulated amortisation and impairment losses	0	(581,798)	(161,958)	(2,076,680)	(2,820,435)
Balance as at 31 March 2025	17,757,949	1,507,434	207,358	1,967,289	21,440,029

31.12.2024	Goodwill	Customer relationships	Brands	Software and other	Total
Balance as at 1 January 2024	17,782,646	1,731,905	264,327	2,127,485	21,906,363
Additions during the year	0	0	0	476,137	476,137
Discontinued	0	0	0	(3,973)	(3,973)
Amortisation	0	(166,603)	(45,805)	(476,254)	(688,662)
Currency adjustments	1,256	1,829	430	19	3,534
Balance as at 31 December 2024	17,783,902	1,567,131	218,952	2,123,415	21,693,400
Gross carrying amount	17,783,902	2,097,644	369,526	4,021,898	24,272,969
Accumulated amortisation and impairment losses	0	(530,512)	(150,573)	(1,898,484)	(2,579,569)
Balance as at 31 December 2024	17,783,902	1,567,131	218,952	2,123,415	21,693,400

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

27. Operating lease assets

Operating lease assets are specified as follows:

	31.3.2025	31.12.2024
Balance as at 1 January	215,168	530,144
Additions	57,682	35,693
Disposals	(36,695)	(260,928)
Depreciation	(14,147)	(89,741)
Total	222,008	215,168
Gross carrying amount	378,281	465,429
Accumulated depreciation	(156,273)	(250,261)
Total	222,008	215,168

28. Other assets

Other assets are specified as follows:

	31.3.2025	31.12.2024
Accounts receivable	2,608,343	3,206,699
Unsettled transactions	6,646,413	2,860,925
Right of use asset and lease receivables	735,626	1,023,804
Sundry assets	713,401	612,265
Total	10,703,784	7,703,693

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

	31.3.2025	31.12.2024
Right of use asset and lease receivables as at 1 January	1,023,804	1,320,983
Additions during the period	0	13,249
Termination of lease agreements	0	(14,968)
Indexation	4,893	56,010
Currency adjustments	(1,146)	755
Impairment	(200,688)	0
Depreciation and lease receivable instalment	(91,237)	(352,225)
Total	735,626	1,023,804

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. The lease receivables are immaterial at period end. Lease liability is specified in note 34.

29. Borrowings

Borrowings are specified as follows:

	31.3.2025	31.12.2024
Secured borrowings	13,604,494	13,809,473
Other borrowings	311,034	580,042
Total	13,915,528	14,389,515

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

30. Issued bonds

Issued bonds are specified as follows:

Currency, nominal value	First issued	Maturity	Maturity type	Terms of interest	31.3.2025	31.12.2024
Unsecured bonds:						
KVIKA 25 1201 GB ISK 1,660 million .	2022	2025	At maturity	Floating, 3 month REIBOR + 1.25%	1,672,987	1,673,799
EMTN 26 0511, SEK 566 million *	2023	2026	At maturity	Floating, 3 month STIBOR + 4.10%	7,508,522	9,832,220
EMTN 26 0511, NOK 750 million * ...	2023	2026	At maturity	Floating, 3 month NIBOR + 4.10%	9,485,151	9,890,897
EMTN 26 1123 GB, SEK 500 m.	2023	2026	At maturity	Floating, 3 month STIBOR + 4.0%	6,616,807	6,325,047
KVB 21 02, ISK 5,400 million	2021	2027	At maturity	CPI-indexed, fixed 1.0%	7,002,219	6,914,842
EMTN 28 0421, NOK 400 million	2025	2028	At maturity	Floating, 3 month NIBOR + 0.2%	5,047,403	0
EMTN 28 0421, SEK 600 million	2025	2028	At maturity	Floating, 3 month STIBOR + 0.2%	7,931,400	0
KVIKA 32 0112, ISK 2,000 million	2022	2032	At maturity	CPI-indexed, fixed 1.40%	2,502,924	2,486,481
Total					47,767,413	37,123,285

* Bond issued in two tranches, first tranche SEK 275 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. In January 2025, concurrent with an offering of new bonds in SEK/NOK, Kvika offered to buy back bonds issued by the bank in SEK with a maturity date 11 May 2026 and in NOK with a maturity date of 11 May 2026. The bank received valid tenders of SEK 209 million and NOK 50 million which were all accepted.

31. Subordinated liabilities

a. Subordinated liabilities:

Currency, nominal value	First issued	Maturity	Maturity type	Terms of interest	31.3.2025	31.12.2024
KVIKA 34 1211 T2i, ISK 2,500 m.	2023	2034	At maturity	CPI-Indexed, fixed 6.25%	2,702,609	2,634,489
TM 15 1, ISK 2,000 million	2015	2045	At maturity	CPI-Indexed, fixed 5.25%	3,064,256	2,994,493
Total					5,766,866	5,628,982

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
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:

	31.3.2025	31.12.2024
Balance at the beginning of the year	5,628,982	5,993,084
Redemption of KVB 18 02	0	(800,000)
Additions	0	500,000
Paid interest	0	(112,500)
Paid interests due to indexation	0	(345,623)
Accrued interests and indexation	137,884	394,021
Total	5,766,866	5,628,982

32. Short positions held for trading

Short positions held for trading are specified as follows:

	31.3.2025	31.12.2024
Listed government bonds and bonds with government guarantees	415,354	127,976
Listed bonds	105,932	25,025
Total	521,286	153,001

33. Short positions used for hedging

Short positions used for hedging are specified as follows:

	31.3.2025	31.12.2024
Listed government bonds and bonds with government guarantees	4,789	0
Listed bonds	0	42,035
Total	4,789	42,035

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

34. Other liabilities

Other liabilities are specified as follows:

	31.3.2025	31.12.2024
Unpaid dividend	23,135,160	0
Accounts payable and accrued expenses	5,385,186	7,531,359
Unsettled transactions	4,969,648	1,565,311
Salaries and salary related expenses	1,166,584	1,259,035
Lease liability	1,060,703	1,158,332
Withholding taxes	1,169,826	1,110,946
Special taxes on financial institutions and financial activities	380,399	376,753
Contingent consideration	667,859	319,660
Expected credit loss allowance for loan commitments, guarantees and unused credit facilities	13,481	17,681
Other liabilities	270,255	295,828
Total	38,219,103	13,634,905

Lease liability is specified as follows:

	31.3.2025	31.12.2024
Lease liability as at 1 January	1,158,332	1,510,333
Additions during the period	0	13,249
Termination of lease agreements	0	(14,629)
Currency adjustments	(2,107)	1,861
Instalment	(100,415)	(408,492)
Indexation	4,893	56,010
Total	1,060,703	1,158,332

The lease liability mostly consists of real estate for the Group's own use. The end date of the lease agreement of the Group's head office is in November 2031 but with an exit clause in September 2027. The lease is linked to the Icelandic consumer price index. Right of use asset and lease receivables are specified in note 28.

35. 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.

	31.3.2025	31.12.2024
Share capital according to the Bank's Articles of Association	4,722,073	4,722,073
Nominal amount of treasury shares	110,541	61,893
Authorised but not issued shares	240,000	310,000

b. Changes made to the nominal amount of share capital

During the period in 2025, the Bank acquired treasury shares amounting to ISK 49 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 26 March 2025, cf. temporary provision I, the Board of Directors is authorised 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.

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

36. Capital adequacy ratio (CAR)

The capital adequacy ratio of the Group is calculated in accordance with capital requirements regulation no. 575/2013 as implemented through the Act on Financial Undertakings No. 161/2002. 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.

Own funds	**31.3.2025**	**31.12.2024**
Total equity	67,598,888	89,517,287
Unaudited retained (positive) earnings from current period	(2,086,461)	0
Other unaudited (positive) changes to total equity in current period	(70,801)	0
Proposed dividends and buybacks	(4,089,394)	(2,050,479)
Goodwill and intangibles	(21,440,029)	(28,827,742)
Shares in other financial institutions *	(266,994)	(23,499,576)
Deferred tax asset *	(1,819,615)	(2,273,265)
Amounts below the threshold for deduction *	2,086,609	5,800,889
Common equity Tier 1 capital (CET 1)	39,912,203	38,667,113
Tier 2 capital	5,659,216	5,600,973
Total own funds	45,571,418	44,268,087
Risk-weighted exposure amount (RWEA)		
Credit risk	161,693,061	158,177,636
Market risk	8,035,663	7,586,080
Operational risk	28,080,116	28,080,116
Total risk-weighted exposure amount	197,808,840	193,843,832
Capital ratios		
CET1 ratio	20.2%	19.9%
T1 ratio	20.2%	19.9%
Capital adequacy ratio (CAR)	23.0%	22.8%
Total own funds including unaudited (positive) retained earnings and expected dividends	47,207,066	
CET1 ratio including unaudited (positive) retained earnings and expected dividends	21.0%	
T1 ratio including unaudited (positive) retained earnings and expected dividends	21.0%	
Capital adequacy ratio (CAR) including unaudited (positive) retained earnings and expected dividends	23.9%	
Capital buffer requirement, % of RWEA		
System risk buffer (SRB)	1.5%	1.5%
Countercyclical capital buffer (CCyB)	2.4%	2.4%
Capital conservation buffer (CCB)	2.5%	2.5%
Combined buffer requirement	6.4%	6.4%

Capital requirement, % of RWEA			**31.3.2025**
	CET1	**Tier 1**	**Total**
Pillar I capital requirement	4.5%	6.0%	8.0%
Pillar II-R capital requirement	2.0%	2.7%	3.6%
Minimum requirement under Pilar I and Pillar II-R	6.5%	8.7%	11.6%
Combined buffer requirement	6.4%	6.4%	6.4%
Total capital reqiurement	12.9%	15.1%	18.0%

The Group has updated its disclosure of the capital adequacy ratio and the key components in order to provide more information. As a part of this some comparative figures for 31 December 2024 have been restated, although the total figure for common equity Tier 1 capital (CET 1) remains the same. Those line items are marked with an asterisk (*).

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

37. 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%.

	31.3.2025	31.12.2024
On-balance sheet exposures	290,627,473	253,116,968
Derivative exposures	3,811,336	2,533,012
Off - balance sheet exposures	527,294	800,313
Total exposure measure	294,966,103	256,450,293
Tier 1 capital	39,912,203	38,667,113
Leverage ratio	13.5%	15.1%

38. Minimum requirements for own funds and eligible liabilities (MREL)

The Central Bank of Iceland's Resolution Authority presented the Group their first minimum requirement for own funds and eligible liabilities (MREL) in January 2025. According to Act No. 70/2020 on Resolution of Credit Institutions and Investment Firms, the Bank shall at all times meet the MREL funds as a percentage to the Group's total risk-weighted exposure amount (MREL-RWEA). The MREL-RWEA requirement must be met parallel to the combined buffer requirement (CBR). The Group must also meet a requirement of MREL funds as a percentage of the Group's total exposure measure (MREL-TEM). The decision of the Resolution Authority entails that the Bank must at all times maintain a minimum of 22% of MREL-RWEA and 6% of MREL-TEM.

Own funds and eligible liabilities	31.3.2025	31.12.2024
Common equity Tier 1 capital (CET 1)	39,912,203	38,667,113
Tier 2 capital	5,659,216	5,600,973
Eligible liabilities	46,094,426	35,449,487
Total own funds and eligible liabilities	91,665,845	79,717,574
MREL-RWEA and CBR		
Risk-weighted exposure amount (RWEA)	197,808,840	193,843,833
Own funds and eligible liabilities as % of RWEA	46.3%	41.1%
Minimum requirements for own funds (MREL)*	22.0%	22.0%
Combined buffer requirement (CBR)	6.4%	6.4%
MREL-RWEA requirement including CBR*	28.4%	28.4%
MREL-TEM		
Total exposure measure	294,966,103	256,450,293
Own funds and eligible liabilities as % of TEM	31.1%	31.1%
MREL-TEM requirement*	6.0%	6.0%

*Requirements were first set in January 2025

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 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 monitors credit risk and is responsible for developing methodologies to systematically identify, assess, monitor, and manage it. 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 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 ensures that loans have a credit rating and is responsible for 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 unit suggest a level of provisioning for the portfolio, based on the expected loss assessment. Risk management unit 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 11 in the 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 primarily in the form of cash or listed, highly liquid securities. The risk management unit and ALCO set rules about the level of collateralisation and the risk management unit 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:

31.3.2025 On-balance sheet exposure	Public entities	Financial institutions	Corporate customers	Individuals	31.3.2025
Cash and balances with Central Bank	43,909,157				43,909,157
Loans to credit institutions		24,081,301			24,081,301
Loans to customers	6,015	554	120,995,351	39,580,912	160,582,831
Fixed income securities	58,447,008	2,031,837	1,686,304		62,165,150
Derivatives		2,138,607	327,174	106,820	2,572,600
Other assets	788	689,243	9,849,745	164,007	10,703,784
	102,362,968	28,941,543	132,858,574	39,851,739	304,014,824
Off-balance sheet exposure					
Loan commitments	7,183	5,328	6,719,760	827,010	7,559,281
Financial guarantee contracts			529,662		529,662
Maximum exposure to credit risk	102,370,151	28,946,871	140,107,996	40,678,748	312,103,767

31.12.2024 On-balance sheet exposure	Public entities	Financial institutions	Corporate customers	Individuals	31.12.2024
Cash and balances with Central Bank	18,593,420				18,593,420
Loans to credit institutions		11,529,571			11,529,571
Loans to customers	6,972	1,665	110,457,726	39,736,334	150,202,696
Fixed income securities	62,660,260	1,888,815	245,486		64,794,561
Derivatives		1,000,775	144,011	51,958	1,196,744
Other assets	549	1,114,688	5,423,117	141,535	6,679,889
	81,261,202	15,535,514	116,270,340	39,929,827	252,996,882
Off-balance sheet exposure					
Loan commitments	7,000	2,331	5,037,623	1,013,114	6,060,067
Financial guarantee contracts			801,065		801,065
Maximum exposure to credit risk	81,268,202	15,537,845	122,109,027	40,942,941	259,858,014

42. Credit quality of financial assets

The book value of financial assets which fall under the impairment requirements of IFRS 9 are presented as 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 on calculations from PD, LGD and EAD models. 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, a downside scenario and for the UK portfolio there is a fourth scenario, severe downturn. Each scenario includes a probability weight, and the ECL is derived as a weighted average. 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 Group utilises an economic forecast which is aligned with requirements for the calculation of expected credit loss. 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 and a separate macroeconomic forecast is used to reflect the UK economy. The following tables shows the first 12 month macro economic values for the variables used in the expected credit loss model. For the UK portfolio 24 month values are used. Reference is made to note 82 in the 2024 Consolidated Financial Statements for further information about the Group's impairment methodology.

Model parameters for Icelandic portfolio	31.3.2025			31.12.2024		
Scenarios	**Base case**	**Upside**	**Downside**	**Base case**	**Upside**	**Downside**
Unemployment rate	4.2%	3.7%	4.9%	4.2%	3.7%	4.9%
Inflation CPI index	3.7%	3.4%	5.5%	3.7%	3.4%	5.5%
Assigned weight	50.0%	15.0%	35.0%	50.0%	15.0%	35.0%

Model parameters for UK portfolio	31.3.2025				31.12.2024			
Scenarios	**Base case**	**Upside**	**Downside**	**Severe**	**Base case**	**Upside**	**Downside**	**Severe**
Unemployment rate (2 years)	4.1%	3.9%	5.8%	7.5%	4.1%	3.9%	5.8%	7.5%
Inflation CPI index (2 years)	5.0%	4.7%	8.3%	16.4%	5.0%	4.7%	8.3%	16.4%
Assigned weight	50.0%	20.0%	25.0%	5.0%	50.0%	20.0%	25.0%	5.0%

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										
31.3.2025	**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	6,022	(7)	6,015	0.0%	9,596	0	0	0	0	0	9,596	0	0	0	9
Financial institutions	555	(1)	554	0.0%	0	0	0	0	0	0	0	0	0	0	554
Corporate															
Real estate activities	49,170,162	(326,466)	48,843,697	30.4%	87,481,925	59,375	80,353	42,945	41,146,037	44,678,910	955,321	209,975	100,000	209,010	618,834
Construction	18,001,872	(105,051)	17,896,822	11.1%	34,376,995	4,334	0	0	14,765,806	9,344,147	5,280,525	4,383,702	0	598,481	351,847
Service Activities	16,601,713	(144,187)	16,457,526	10.2%	29,557,028	20,855	82,123	569,280	1,711,995	3,932,906	18,305,021	3,481,295	55,000	1,398,553	385,139
Activities of Holding Companies	12,859,939	(674,808)	12,185,132	7.6%	31,459,319	5,561	35,116	14,394,241	6,164,914	7,301,060	1,496,909	177,470	1,455,340	428,708	3,169,657
Accommodat. and Food Service Activit.	10,737,686	(62,498)	10,675,188	6.6%	19,892,407	52,295	0	0	1,497,803	17,722,370	540,626	44,461	0	34,853	660,548
Wholesale and Retail Trade	4,471,674	(42,412)	4,429,263	2.8%	8,129,269	24,075	0	1,610,000	246,700	287,589	3,425,104	1,903,163	100,000	532,638	392,827
Other	10,548,620	(40,897)	10,507,724	6.5%	23,831,556	527,167	4,631,150	343,076	3,206,307	7,861,385	2,221,514	2,082,072	21,500	2,937,386	441,015
Individual	40,451,707	(870,796)	39,580,912	24.6%	56,968,806	36,288	623,191	635,266	11,185,429	1,829,013	40,370,551	977,683	0	1,311,386	8,132,234
Total	162,849,952	(2,267,121)	160,582,831	100.0%	291,706,900	729,949	5,451,933	17,594,808	79,924,989	92,957,379	72,605,166	13,259,822	1,731,840	7,451,014	14,152,665

					Allocated collateral										
31.12.2024	**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	6,982	(10)	6,972	0.0%	10,303	0	0	0	0	0	9,994	0	0	308	201
Financial institutions	1,669	(4)	1,665	0.0%	0	0	0	0	0	0	0	0	0	0	1,665
Corporate															
Real estate activities	45,564,368	(339,001)	45,225,367	30.1%	84,189,303	31,404	49,689	30,889	41,523,277	41,133,852	973,934	239,779	0	206,478	490,706
Construction	16,412,343	(92,416)	16,319,928	10.9%	32,487,287	387	36	0	12,425,532	9,668,472	5,260,413	4,425,735	0	706,712	255,535
Service Activities	16,067,877	(162,054)	15,905,824	10.6%	29,301,983	25,792	122,473	577,035	1,020,336	2,522,528	19,253,086	3,815,059	0	1,965,674	317,031
Accommodat. and Food Service Activit.	11,491,746	(85,812)	11,405,934	7.6%	22,151,366	104,664	0	0	1,367,345	20,068,668	528,029	46,852	0	35,810	8,285
Activities of Holding Companies	7,142,676	(653,572)	6,489,105	4.3%	20,066,039	13,417	201,232	9,761,948	4,863,693	3,343,574	216,524	183,137	1,467,788	14,726	1,434,099
Wholesale and Retail Trade	4,930,289	(55,744)	4,874,545	3.2%	7,473,811	24,075	0	0	246,700	913,378	3,601,133	1,952,169	100,000	636,356	383,870
Other	10,303,221	(66,197)	10,237,024	6.8%	29,558,579	342,028	7,208,007	162,634	3,389,662	11,277,426	2,176,217	2,189,640	21,500	2,791,466	415,340
Individual	40,608,567	(872,233)	39,736,334	26.5%	57,599,454	32,933	793,062	654,647	11,886,283	1,815,160	40,060,219	1,031,750	0	1,325,401	8,312,050
Total	152,529,739	(2,327,042)	150,202,696	100.0%	282,838,124	574,701	8,374,499	11,187,152	76,722,826	90,743,056	72,079,550	13,884,121	1,589,288	7,682,932	11,618,783

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 credit risk 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 calibrated external credit ratings to assess the default probability of its customers. Some of the larger borrowers are furthermore individually assessed by credit specialists. The Bank has implemented internal credit rating models for part of the loan portfolio and intends to continue this development in 2025.

31.3.2025

Loans to customers:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	99,470,393	2,093,869		17,616	101,581,879
Credit quality band II	40,247,447	3,696,799			43,944,246
Credit quality band III	6,098,616	2,689,377			8,787,993
Credit quality band IV	778,201	537,345			1,315,546
In default	7,013	623	5,771,054	114,000	5,892,689
Non-rated	397,906	178,460	1,289	749,945	1,327,600
Gross carrying amount	146,999,575	9,196,473	5,772,343	881,561	162,849,952
Expected credit loss	(340,111)	(185,835)	(1,741,175)		(2,267,121)
Book value	146,659,464	9,010,638	4,031,168	881,561	160,582,831

Loan commitments, guarantees and unused credit facilities:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	4,670,623	27,619			4,698,243
Credit quality band II	2,688,852	23			2,688,875
Credit quality band III	669,163	9,495			678,658
Credit quality band IV	953	458			1,411
In default	0		21,718		21,718
Non-rated	38				38
Total off-balance sheet amount	8,029,630	37,594	21,718	0	8,088,943
Expected credit loss	(11,058)	(336)	(1,773)		(13,166)
Net off-balance sheet amount	8,018,572	37,259	19,945	0	8,075,776

31.12.2024

Loans to customers:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	89,427,181	1,265,779		16,862	90,709,821
Credit quality band II	40,153,181	3,159,469			43,312,650
Credit quality band III	6,609,379	2,003,621			8,613,000
Credit quality band IV	226,827	380,710			607,537
In default	572	0	7,940,092	114,000	8,054,664
Non-rated	286,623	202,511		742,932	1,232,066
Gross carrying amount	136,703,762	7,012,091	7,940,092	873,794	152,529,739
Expected credit loss	(366,642)	(189,275)	(1,771,126)		(2,327,042)
Book value	136,337,121	6,822,816	6,168,967	873,794	150,202,696

Loan commitments, guarantees and unused credit facilities:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	4,675,341	2,690			4,678,031
Credit quality band II	1,567,638	464			1,568,102
Credit quality band III	562,954	5,839			568,793
Credit quality band IV	1,821	542			2,363
In default			33,741	10,048	43,790
Non-rated		53			53
Total off-balance sheet amount	6,807,754	9,589	33,741	10,048	6,861,132
Expected credit loss	(10,716)	(149)	(6,837)		(17,701)
Net off-balance sheet amount	6,797,038	9,440	26,905	10,048	6,843,431

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

31.3.2025	**Claim value**	**Expected credit loss**	**Carrying amount**
Not past due	149,591,763	(560,487)	149,031,276
Past due 1-30 days	6,889,940	(79,132)	6,810,808
Past due 31-60 days	2,105,854	(65,318)	2,040,536
Past due 61-90 days	678,687	(39,291)	639,396
Past due 91-180 days	533,054	(89,978)	443,076
Past due 181-360 days	1,703,299	(877,640)	825,659
Past due more than 360 days	1,347,355	(555,275)	792,080
Total	162,849,952	(2,267,121)	160,582,831

31.12.2024	**Claim value**	**Expected credit loss**	**Carrying amount**
Not past due	137,349,325	(624,970)	136,724,356
Past due 1-30 days	7,723,558	(104,273)	7,619,285
Past due 31-60 days	2,321,498	(72,912)	2,248,585
Past due 61-90 days	697,974	(16,044)	681,930
Past due 91-180 days	2,179,700	(820,218)	1,359,481
Past due 181-360 days	809,344	(248,026)	561,318
Past due more than 360 days	1,448,340	(440,599)	1,007,741
Total	152,529,739	(2,327,042)	150,202,696

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 year.

31.3.2025

Expected credit loss allowance total

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Transfers of financial assets:				
Balance as at 1 January 2025	377,357	189,424	1,777,962	2,344,743
Transfer to Stage 1 - (Initial recognition)	116,039	(69,813)	(46,226)	0
Transfer to Stage 2 - (significantly increased credit risk)	(23,191)	46,002	(22,811)	0
Transfer to Stage 3 - (credit impaired)	(6,007)	(24,881)	30,888	0
Net remeasurement of loss allowance	(133,940)	42,570	147,661	56,292
New financial assets, originated or purchased	106,542	30,016	11,868	148,425
Derecognitions and maturities	(85,631)	(27,139)	(97,206)	(209,976)
Write-offs		(8)	(59,189)	(59,197)
Balance as at 31 March 2025	351,169	186,171	1,742,948	2,280,288

Expected credit loss allowance for loans to customers

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Transfers of financial assets:				
Balance as at 1 January 2025	366,642	189,275	1,771,126	2,327,042
Transfer to Stage 1 - (Initial recognition)	110,735	(69,769)	(40,965)	0
Transfer to Stage 2 - (significantly increased credit risk)	(22,705)	44,870	(22,165)	0
Transfer to Stage 3 - (credit impaired)	(6,002)	(24,861)	30,863	0
Net remeasurement of loss allowance	(127,709)	43,421	146,868	62,581
New financial assets, originated or purchased	104,056	30,016	11,843	145,915
Derecognitions and maturities	(84,905)	(27,109)	(97,206)	(209,219)
Write-offs		(8)	(59,189)	(59,197)
Balance as at 31 March 2025	340,111	185,835	1,741,175	2,267,121

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 2025	10,716	149	6,837	17,701
Transfer to Stage 1 - (Initial recognition)	5,304	(44)	(5,260)	0
Transfer to Stage 2 - (significantly increased credit risk)	(486)	1,132	(647)	0
Transfer to Stage 3 - (credit impaired)	(5)	(21)	26	0
Net remeasurement of loss allowance	(6,231)	(851)	793	(6,289)
New financial assets, originated or purchased	2,486		25	2,511
Derecognitions and maturities	(726)	(30)		(757)
Balance as at 31 March 2025	11,058	336	1,773	13,166

31.12.2024

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)	103,709	(21,728)	(81,980)	0
Transfer to Stage 2 - (significantly increased credit risk)	(16,599)	30,091	(13,492)	0
Transfer to Stage 3 - (credit impaired)	(32,445)	(35,343)	67,787	0
Net remeasurement of loss allowance	(174,510)	15,696	844,723	685,909
New financial assets, originated or purchased	270,830	120,489	223,571	614,890
Derecognitions and maturities	(155,102)	(46,969)	(581,259)	(783,330)
Write-offs	(319)	(871)	(405,885)	(407,074)
Balance as at 31 December 2024	377,357	189,424	1,777,962	2,344,743

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)	103,031	(21,403)	(81,628)	0
Transfer to Stage 2 - (significantly increased credit risk)	(16,554)	30,023	(13,469)	0
Transfer to Stage 3 - (credit impaired)	(32,223)	(35,288)	67,512	0
Net remeasurement of loss allowance	(173,549)	15,760	843,243	685,453
New financial assets, originated or purchased	267,848	120,449	219,213	607,510
Derecognitions and maturities	(149,489)	(46,916)	(581,102)	(777,507)
Write-offs	(319)	(871)	(405,885)	(407,074)
Balance as at 31 December 2024	366,642	189,275	1,771,126	2,327,042

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)	677	(325)	(352)	0
Transfer to Stage 2 - (significantly increased credit risk)	(45)	68	(23)	0
Transfer to Stage 3 - (credit impaired)	(221)	(54)	276	0
Net remeasurement of loss allowance	(961)	(63)	1,480	456
New financial assets, originated or purchased	2,982	39	4,359	7,380
Derecognitions and maturities	(5,613)	(53)	(156)	(5,823)
Balance as at 31 December 2024	10,716	149	6,837	17,701

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:

	31.3.2025	%	31.12.2024	%
Less than 50%	41,302,685	25.7%	41,225,065	27.4%
50-70%	61,379,963	38.2%	57,209,422	38.1%
70-90%	34,883,268	21.7%	33,497,440	22.3%
90-100%	4,467,587	2.8%	2,958,378	2.0%
100-125%	4,091,309	2.5%	3,461,194	2.3%
125-200%	2,326,403	1.4%	1,505,210	1.0%
Greater than 200%	889,814	0.6%	1,378,437	0.9%
No or negligible collateral:				
Other loans with no collateral	11,241,803	7.0%	8,967,551	6.0%
Total	160,582,831	100.0%	150,202,696	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	31.3.2025
Financial institutions	130,349	173,719	473,911				777,979
Corporate customers	863,089	137,585	1,792,010				2,792,684
Individuals	125,471	8,185	112,152				245,808
Total	1,118,909	319,490	2,378,073	0	0	0	3,816,472

	Deposits	Fixed income securities	Variable income securities	Real estate	Other fixed assets	Other	31.12.2024
Financial institutions	548,356	113,888	161,262				823,506
Corporate customers	709,058	27,860	1,401,213				2,138,131
Individuals	61,660	16,377	80,400				158,436
Total	1,319,073	158,125	1,642,874	0	0	0	3,120,073

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.

		31.3.2025		31.12.2024
Large exposures before risk adjusted mitigation	**Number**	**Amount**	**Number**	**Amount**
10-20% of capital base	2	11,764,578	2	11,132,873
20-25% of capital base	1	8,773,551	0	0
Exceeding 25% of capital base	0	0	0	0
Total	3	20,538,129	2	11,132,873
Thereof loans to credit institutions which are part of Kvika's liquidity management	2	14,442,123	1	6,521,624
Large exposures net of risk adjusted mitigation	2	16,484,456	1	6,702,213

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	
31.3.2025	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**
Liquid assets level 1	87,544,549	87,544,549	4,066,957	4,066,957	91,611,506	91,611,506
Liquid assets level 2	671,354	570,650			671,354	570,650
Total liquid assets	88,215,903	88,115,200	4,066,957	4,066,957	92,282,859	92,182,156
Deposits	124,760,857	21,194,216	7,275,077	3,329,201	132,035,934	24,523,417
Other borrowings			114,633	114,633	114,633	114,633
Other outflows	32,969,161	28,242,174	2,246,023	287,907	35,215,184	28,530,081
Total outflows (0-30 days)	157,730,018	49,436,390	9,635,734	3,731,741	167,365,752	53,168,131
Short-term deposits with other banks	553,231	553,231	14,702,785	14,702,785	15,256,016	15,256,016
Other inflows	20,122,873	4,094,573	1,123,083	731,370	21,245,956	4,825,943
Restrictions on inflows				(12,635,349)		
Total inflows (0-30 days)	20,676,104	4,647,804	15,825,868	2,798,806	36,501,972	20,081,959
Liquidity coverage ratio		197%		436%		279%

	ISK		Foreign currency		Total	
31.12.2024	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**
Liquid assets level 1	68,949,963	68,949,963	3,458,943	3,458,943	72,408,906	72,408,906
Liquid assets level 2	823,384	699,877			823,384	699,877
Total liquid assets	69,773,348	69,649,840	3,458,943	3,458,943	73,232,290	73,108,783
Deposits	122,659,515	23,181,070	8,568,256	4,253,944	131,227,770	27,435,014
Other borrowings	17,389	17,389			17,389	17,389
Other outflows	13,201,433	8,729,875	2,471,047	411,573	15,672,480	9,141,447
Total outflows (0-30 days)	135,878,337	31,928,334	11,039,303	4,665,517	146,917,639	36,593,850
Short-term deposits with other banks	691,525	691,525	9,867,085	9,867,085	10,558,610	10,558,610
Other inflows	16,441,026	4,838,298	1,321,647	879,390	17,762,673	5,717,688
Restrictions on inflows				(7,247,337)		
Total inflows (0-30 days)	17,132,551	5,529,823	11,188,731	3,499,138	28,321,283	16,276,298
Liquidity coverage ratio		264%		297%		360%

	31.3.2025	**31.12.2024**
NSFR total	159%	144%

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

46. Liquidity risk (cont.)

c. LCR deposit categories

The Group's deposit base is divided into different categories depending on customer type according to the LCR methodology. Different run off rates are applied on each category representing their level of stickiness, which measures the stability of the deposit. Deposits with maturity over 30 days are defined as term deposits within the LCR calculations, other as demand deposits. Run off rates are applied on each category of demand deposits and the expected cash outflow over the next 30 days under stressed conditions calculated. The higher the run off rate, the more high quality liquid assets the Group must hold to ensure it can meet its obligations and maintain stability during a crisis.

The table below shows the Group's deposit base divided into different categories depending on customer type and run off rates according to the LCR methodology.

31.3.2025	Run off date	0-30 days	Over 30 days	Total
Individuals	5%-100%	106,998,878	17,731,416	124,730,294
Small and medium sized corporates	5%-100%	6,237,187	275,703	6,512,890
Large corporates	20%-40%	11,814,050	135,117	11,949,167
Public entities	40%	53,279	80,519	133,798
Financial entities	100%	6,932,540	14,305,523	21,238,063
Other *		3,385,441	71,104	3,456,545
Total		135,421,376	32,599,382	168,020,757

31.12.2024	Run off date	0-30 days	Over 30 days	Total
Individuals	5%-100%	103,372,251	15,898,871	119,271,122
Small and medium sized corporates	5%-100%	5,807,269	199,576	6,006,845
Large corporates	20%-40%	11,124,000	48,335	11,172,335
Public entities	40%	81,008	82,903	163,911
Financial entities	100%	10,843,243	12,439,204	23,282,447
Other *		3,440,134	41,085	3,481,219
Total		134,667,905	28,709,974	163,377,879

*Pledged deposits do not have any run off rate according to liquidity rules.

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

46. Liquidity risk (cont.)

d. Maturity analysis of financial assets and financial liabilities

31.3.2025 **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	43,947,907					43,947,907	43,909,157
Loans to credit institutions	14,720,164	169,744	8,172,567	1,308,293		24,370,768	24,081,301
Loans to customers	13,968,354	16,855,884	50,723,160	102,910,228	5,091,600	189,549,227	160,582,831
Fixed income securities	18,481,027	627,547	8,481,734	30,995,460	3,579,382	62,165,150	62,165,150
Shares and other variable income securities	1,997,498		3,605,297			5,602,795	5,602,795
Securities used for hedging	8,835,823					8,835,823	8,835,823
Other assets	7,447,979	475,700	1,304,623	4,230		9,232,532	10,703,784
	109,398,753	18,128,876	72,287,380	135,218,211	8,670,982	343,704,202	315,880,842
Derivative assets							
Inflow	10,012,953	6,598,634	9,173,270	20,394,794	1,046,399	47,226,050	
Outflow	(8,763,503)	(5,986,091)	(8,639,982)	(19,773,211)	(940,621)	(44,103,408)	
	1,249,450	612,543	533,288	621,583	105,778	3,122,642	2,572,600

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	(135,395,695)	(12,861,226)	(18,966,883)	(1,545,974)	(581,088)	(169,350,866)	168,020,757
Borrowings		(278,638)	(1,096,976)	(16,508,771)	(71,287)	(17,955,672)	13,915,528
Issued bonds	(114,633)	(538,171)	(3,435,247)	(45,618,287)	(2,565,999)	(52,272,338)	47,767,413
Subordinated liabilities		(78,907)	(260,807)	(1,413,760)	(9,400,408)	(11,153,883)	5,766,866
Short positions held for trading	(521,286)					(521,286)	521,286
Short positions used for hedging	(4,789)					(4,789)	4,789
Other liabilities	(27,942,763)	(6,855,617)	(1,096,536)	(2,367,830)		(38,262,747)	38,219,103
	(163,979,166)	(20,612,560)	(24,856,449)	(67,454,623)	(12,618,782)	(289,521,581)	274,215,742
Derivative liabilities							
Inflow	5,157,974	168,890	8,586,120	10,117,494		24,030,478	
Outflow	(5,406,357)	(187,733)	(9,172,580)	(10,420,441)		(25,187,111)	
	(248,383)	(18,843)	(586,460)	(302,947)	0	(1,156,633)	646,696
Unrecognised financial items							
Loan commitments							
Inflow	90,082	399,838	5,133,203	2,670,243		8,293,366	
Outflow	(7,559,281)					(7,559,281)	
Financial guarantee contracts							
Inflow		254,589	75,350	192,654	7,068	529,662	
Outflow	(529,662)					(529,662)	
	(7,998,861)	654,428	5,208,553	2,862,898	7,068	734,086	
Summary							
Non-derivative assets	109,398,753	18,128,876	72,287,380	135,218,211	8,670,982	343,704,202	
Derivative assets	1,249,450	612,543	533,288	621,583	105,778	3,122,642	
Non-derivative liabilities	(163,979,166)	(20,612,560)	(24,856,449)	(67,454,623)	(12,618,782)	(289,521,581)	
Derivative liabilities	(248,383)	(18,843)	(586,460)	(302,947)		(1,156,633)	
Net assets (liabilities) excluding unrecognised items	(53,579,346)	(1,889,985)	47,377,759	68,082,224	(3,842,022)	56,148,630	
Net unrecognised items	(7,998,861)	654,428	5,208,553	2,862,898	7,068	734,086	
Net assets (liabilities)	(61,578,207)	(1,235,558)	52,586,312	70,945,122	(3,834,954)	56,882,715	

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

46. Liquidity risk (cont.)

31.12.2024 **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	18,594,600					18,594,600	18,593,420
Loans to credit institutions	9,725,772			1,803,799		11,529,571	11,529,571
Loans to customers	10,753,174	13,421,261	52,863,444	98,218,396	4,717,898	179,974,173	150,202,696
Fixed income securities	17,597,452	10,341,336	7,441,664	25,482,060	3,932,049	64,794,561	64,794,561
Shares and other variable income securities	1,680,808		3,751,446			5,432,254	5,432,254
Securities used for hedging	12,601,026					12,601,026	12,601,026
Other assets	2,736,416	2,397,217	1,543,015	3,241		6,679,889	7,703,693
	73,689,249	26,159,814	65,599,568	125,507,496	8,649,948	299,606,074	270,857,221
Derivative assets							
Inflow	13,278,709	143,152	2,346,210	919,853	1,035,591	17,723,515	
Outflow	(12,289,408)	(97,836)	(2,328,850)	(796,329)	(940,293)	(16,452,715)	
	989,301	45,317	17,360	123,524	95,298	1,270,801	1,196,744

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	(134,688,378)	(15,129,906)	(10,446,751)	(3,739,302)	(546,778)	(164,551,115)	163,377,879
Borrowings	(1,116)	(300,900)	(1,131,757)	(17,271,191)		(18,704,964)	14,389,515
Issued bonds	(17,389)	(535,356)	(3,318,805)	(34,010,395)	(2,556,883)	(40,438,829)	37,123,285
Subordinated liabilities			(336,219)	(1,399,210)	(9,303,663)	(11,039,092)	5,628,982
Short positions held for trading	(153,001)					(153,001)	153,001
Short positions used for hedging	(42,035)					(42,035)	42,035
Other liabilities	(1,418,300)	(9,218,530)	(1,121,501)	(1,927,215)		(13,685,545)	13,634,905
	(136,320,219)	(25,184,692)	(16,355,033)	(58,347,313)	(12,407,324)	(248,614,581)	234,349,602
Derivative liabilities							
Inflow	12,103,681	142,466	6,321,400	24,413,219		42,980,766	
Outflow	(12,967,739)	(144,687)	(6,240,000)	(26,505,659)		(45,858,085)	
	(864,059)	(2,221)	81,400	(2,092,440)	0	(2,877,319)	2,932,429
Unrecognised financial items by type							
Loan commitments							
Inflow	147,100	48,777	2,796,249	3,721,970		6,714,096	
Outflow	(6,060,067)					(6,060,067)	
Financial guarantee contracts							
Inflow		1,000	756,021	36,976	7,068	801,065	
Outflow	(801,065)					(801,065)	
	(6,714,033)	49,777	3,552,270	3,758,946	7,068	654,029	

Summary	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Gross inflow/ (outflow)
Non-derivative assets	73,689,249	26,159,814	65,599,568	125,507,496	8,649,948	299,606,074
Derivative assets	989,301	45,317	17,360	123,524	95,298	1,270,801
Non-derivative liabilities	(136,320,219)	(25,184,692)	(16,355,033)	(58,347,313)	(12,407,324)	(248,614,581)
Derivative liabilities	(864,059)	(2,221)	81,400	(2,092,440)		(2,877,319)
Net assets (liabilities) excluding unrecognised items	(62,505,729)	1,018,218	49,343,296	65,191,267	(3,662,078)	49,384,974
Net unrecognised items	(6,714,033)	49,777	3,552,270	3,758,946	7,068	654,029
Net assets (liabilities)	(69,219,761)	1,067,995	52,895,566	68,950,213	(3,655,010)	50,039,003

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	31.3.2025
Fixed income securities	93,209	16,847	413,603	1,758,782	859,643	3,142,084
Short positions - fixed income securities			(23,402)	(157,640)	(340,244)	(521,286)
Net imbalance	93,209	16,847	390,201	1,601,141	519,399	2,620,798

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	31.12.2024
Fixed income securities	21,513	54,416	548,207	3,180,837	1,538,440	5,343,413
Short positions - fixed income securities	(676)	(6,875)	(803)	(28,575)	(116,073)	(153,001)
Net imbalance	20,837	47,541	547,404	3,152,263	1,422,367	5,190,412

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 basis points	Downward	31.3.2025 Upward	Downward	31.12.2024 Upward
Indexed	50	27,373	(25,977)	53,265	(51,070)
Non-indexed	100	26,808	(25,405)	67,180	(64,264)
Total		54,181	(51,381)	120,445	(115,334)

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:

31.3.2025

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	43,909,157					43,909,157
Loans to credit institutions	24,081,301					24,081,301
Loans to customers	146,978,024	2,924,536	5,101,352	5,229,738	349,182	160,582,831
Fixed income securities	10,736,205	5,590,009	9,390,748	29,914,362	3,391,741	59,023,065
Financial assets excluding derivatives	225,704,688	8,514,545	14,492,100	35,144,101	3,740,922	287,596,355
Effect of derivatives	18,455,146	30,577,827	17,270,629	913,743	896,402	68,113,747
Total	244,159,834	39,092,372	31,762,729	36,057,843	4,637,324	355,710,102

Financial liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Deposits	136,155,121	13,749,847	16,584,518	1,294,656	236,616	168,020,757
Borrowings	13,915,528					13,915,528
Issued bonds	12,068,147	26,899,378	34,075	6,621,340	2,144,473	47,767,413
Subordinated liabilities		2,972,402	160,435	2,634,028		5,766,866
Financial liabilities excluding derivatives	162,138,795	43,621,627	16,779,028	10,550,024	2,381,090	235,470,564
Effect of derivatives	18,288,381	24,311,789	17,278,279			59,878,448
Total	180,427,176	67,933,416	34,057,306	10,550,024	2,381,090	295,349,012
Total interest repricing gap	63,732,658	(28,841,044)	(2,294,577)	25,507,819	2,256,234	60,361,090

31.12.2024

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	18,593,420					18,593,420
Loans to credit institutions	11,529,571					11,529,571
Loans to customers	136,380,297	3,761,468	3,954,878	5,748,139	357,915	150,202,696
Fixed income securities	11,157,729	10,433,596	9,183,578	25,307,850	3,368,394	59,451,148
Financial assets excluding derivatives	177,661,016	14,195,065	13,138,456	31,055,989	3,726,308	239,776,835
Effect of derivatives	23,021,460	23,306,321	8,407,845	927,578	889,917	56,553,122
Total	200,682,477	37,501,386	21,546,301	31,983,567	4,616,225	296,329,956

Financial liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Deposits	135,369,956	14,930,417	9,593,996	3,258,929	224,580	163,377,879
Borrowings	14,389,515					14,389,515
Issued bonds	17,361	28,435,412	84,486	6,500,774	2,085,253	37,123,285
Subordinated liabilities			2,963,334	2,665,648		5,628,982
Financial liabilities excluding derivatives	149,776,832	43,365,829	12,641,816	12,425,350	2,309,833	220,519,661
Effect of derivatives	20,828,415	17,231,242	10,150,728			48,210,385
Total	170,605,247	60,597,072	22,792,544	12,425,350	2,309,833	268,730,046
Total interest repricing gap	30,077,230	(23,095,685)	(1,246,243)	19,558,217	2,306,392	27,599,910

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		**31.3.2025**		**31.12.2024**
Currency	**basis points**	**Downward**	**Upward**	**Downward**	**Upward**
ISK, indexed	50	(63,721)	63,700	(24,819)	25,519
ISK, non-indexed	100	482,425	(470,213)	450,303	(438,734)
Other currencies	20	(4,958)	4,961	(3,692)	3,693
Total		413,746	(401,552)	421,792	(409,522)

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

	31.3.2025	**31.12.2024**
Assets	35,684,006	38,425,712
Liabilities	(24,484,624)	(23,652,914)
Total	11,199,381	14,772,798

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.

		31.3.2025		**31.12.2024**
	-1%	**1%**	**-1%**	**1%**
Government bonds	(24,867)	24,867	(55,330)	55,330
Other fixed income securities	(34,647)	34,647	(30,608)	30,608
Loans to customers	(276,894)	276,894	(277,692)	277,692
Derivatives	(20,431)	20,431	(20,627)	20,627
Short positions	4,656	(4,656)	206	(206)
Deposits	87,470	(87,470)	86,020	(86,020)
Issued bonds	95,051	(95,051)	94,013	(94,013)
Subordinated liabilities	57,669	(57,669)	56,290	(56,290)
	(111,994)	111,994	(147,728)	147,728

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 31 March 2025 and 31 December 2024 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 31.3.2025	**Average 3m 2025**	**Closing 31.12.2024**	**Average 3m 2024**
EUR/ISK	142.7	145.6	143.9	149.0
USD/ISK	132.0	138.5	138.2	137.3
GBP/ISK	170.8	174.3	173.3	174.1

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

31.3.2025

Financial assets	**EUR**	**USD**	**GBP**	**NOK**	**Other currencies**	**Total**
Cash and balances with Central Bank	3,336	2,205	1,660			7,202
Loans to credit institutions	4,264,699	2,488,068	4,421,329	284,150	3,201,819	14,660,064
Loans to customers	4,867,289		36,176,278		17,771	41,061,338
Fixed income securities	1,425,081	2,791,136				4,216,218
Shares and other variable income securities	160,253	69,533	2,396,572	10,371	1,624	2,638,352
Securities used for hedging	52,352	1,813,456	1,209	2,335	115,587	1,984,939
Intangible assets			2,391,388			2,391,388
Other assets	3,263,793	2,003,953	640,702	42,192	210,716	6,161,357
Financial assets excluding derivatives	14,036,804	9,168,350	46,029,137	339,049	3,547,517	73,120,857
Derivatives	2,854,441	6,637,405	1,026,601	14,452,429	18,943,252	43,914,128
Total	16,891,245	15,805,755	47,055,738	14,791,478	22,490,769	117,034,985

Financial liabilities	**EUR**	**USD**	**GBP**	**NOK**	**Other currencies**	**Total**
Deposits	4,994,131	2,574,131	904,627	56,000	186,875	8,715,764
Borrowings			13,604,494			13,604,494
Issued bonds				14,532,554	22,056,729	36,589,282
Other liabilities	2,379,988	1,361,363	1,970,724		36,003	5,748,079
Financial liabilities excluding derivatives	7,374,119	3,935,495	16,479,845	14,588,553	22,279,607	64,657,620
Derivatives	8,184,642	11,541,885	30,275,509	33,657	46,170	50,081,863
Total	15,558,762	15,477,380	46,755,354	14,622,210	22,325,777	114,739,483

Net currency position	**EUR**	**USD**	**GBP**	**NOK**	**Other currencies**	**Total**
Financial assets	16,891,245	15,805,755	47,055,738	14,791,478	22,490,769	117,034,985
Financial liabilities	(15,558,762)	(15,477,380)	(46,755,354)	(14,622,210)	(22,325,777)	(114,739,483)
Financial guarantee contracts	286,420					286,420
Total	1,618,903	328,375	300,384	169,267	164,992	2,581,922

31.12.2024

Financial assets	**EUR**	**USD**	**GBP**	**NOK**	**Other currencies**	**Total**
Cash and balances with Central Bank	2,278	1,494	1,730			5,501
Loans to credit institutions	6,668,747	1,380,394	1,215,637	110,103	340,147	9,715,028
Loans to customers	4,057,957		37,222,091		19,852	41,299,900
Fixed income securities		3,592,590				3,592,590
Shares and other variable income securities	112,855	936,331	2,752,783	13,954	1,551	3,817,474
Securities used for hedging	35,917	2,186,597	1,553	2,994	79,410	2,306,470
Intangible assets			2,450,910			2,450,910
Other assets	712,599	1,601,697	588,647			2,902,943
Financial assets excluding derivatives	11,590,352	9,699,102	44,233,350	127,051	440,960	66,090,816
Derivatives	4,967,412	908,301	1,635,532	9,959,027	16,156,032	33,626,303
Total	16,557,764	10,607,403	45,868,882	10,086,079	16,596,992	99,717,119

Financial liabilities	**EUR**	**USD**	**GBP**	**NOK**	**Other currencies**	**Total**
Deposits	5,162,192	3,580,603	598,790	64,822	200,210	9,606,616
Borrowings			13,700,192			13,700,192
Issued bonds				9,890,897	16,157,267	26,048,164
Other liabilities	200,836	634,341	467,041	4,766	110,017	1,417,002
Financial liabilities excluding derivatives	5,363,028	4,214,944	14,766,024	9,960,485	16,467,493	50,771,974
Derivatives	10,333,424	6,484,604	30,321,700	58,302	17,032	47,215,062
Total	15,696,452	10,699,548	45,087,724	10,018,787	16,484,525	97,987,037

Net currency position	**EUR**	**USD**	**GBP**	**NOK**	**Other currencies**	**Total**
Financial assets	16,557,764	10,607,403	45,868,882	10,086,079	16,596,992	99,717,119
Financial liabilities	(15,696,452)	(10,699,548)	(45,087,724)	(10,018,787)	(16,484,525)	(97,987,037)
Financial guarantee contracts	703,501					703,501
Total	1,564,813	(92,145)	781,158	67,292	112,467	2,433,583

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.

	31.3.2025		31.12.2024	
Assets and liabilities denominated in foreign currencies	**-10%**	**+10%**	**-10%**	**+10%**
EUR	161,890	(161,890)	156,481	(156,481)
USD	32,838	(32,838)	(9,215)	9,215
GBP	30,038	(30,038)	78,116	(78,116)
NOK	16,927	(16,927)	6,729	(6,729)
Other currencies	16,499	(16,499)	11,247	(11,247)
Total	258,192	(258,192)	243,358	(243,358)

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.

	31.3.2025		31.12.2024	
	-10%	**+10%**	**-10%**	**+10%**
Listed shares	(128,515)	128,515	(110,061)	110,061
Unlisted shares	(270,452)	270,452	(306,938)	306,938
Unlisted unit shares in funds	(161,313)	161,313	(126,227)	126,227
Total	(560,279)	560,279	(543,225)	543,225

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:

31.3.2025 Financial assets	Amortised cost	Fair value through OCI	Mandatorily at fair value through P/L	Total carrying amount
Cash and balances with Central Bank	43,909,157			43,909,157
Loans to credit institutions	24,081,301			24,081,301
Fixed income securities		57,912,071	4,253,078	62,165,150
Shares and other variable income securities			5,602,795	5,602,795
Securities used for hedging			8,835,823	8,835,823
Loans to customers	159,701,271		881,561	160,582,831
Derivatives			2,491,720	2,491,720
Derivatives used for hedge accounting		80,880		80,880
Other assets	10,703,784			10,703,784
Total	238,395,513	57,992,952	22,064,977	318,453,442

Financial liabilities	Amortised cost	Fair value through OCI	Mandatorily at fair value through P/L	Total carrying amount
Deposits	168,020,757			168,020,757
Borrowings	13,915,528			13,915,528
Issued bonds	47,767,413			47,767,413
Subordinated liabilities	5,766,866			5,766,866
Short positions held for trading			521,286	521,286
Short positions used for hedging			4,789	4,789
Derivatives			646,696	646,696
Other liabilities	37,551,244		667,859	38,219,103
Total	273,021,808	0	1,840,630	274,862,438

31.12.2024 Financial assets	Amortised cost	Fair value through OCI	Mandatorily at fair value through P/L	Total carrying amount
Cash and balances with Central Bank	18,593,420			18,593,420
Loans to credit institutions	11,529,571			11,529,571
Fixed income securities		59,169,229	5,625,332	64,794,561
Shares and other variable income securities			5,432,254	5,432,254
Securities used for hedging			12,601,026	12,601,026
Loans to customers	149,328,903		873,794	150,202,696
Derivatives			1,196,744	1,196,744
Other assets	7,703,693			7,703,693
Total	187,155,586	59,169,229	25,729,150	272,053,965

Financial liabilities	Amortised cost	Fair value through OCI	Mandatorily at fair value through P/L	Total carrying amount
Deposits	163,377,879			163,377,879
Borrowings	14,389,515			14,389,515
Issued bonds	37,123,285			37,123,285
Subordinated liabilities	5,628,982			5,628,982
Short positions held for trading			153,001	153,001
Short positions used for hedging			42,035	42,035
Derivatives			2,649,463	2,649,463
Derivatives used for hedge accounting		282,967		282,967
Other liabilities	13,315,245		319,660	13,634,905
Total	233,834,906	282,967	3,164,159	237,282,032

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

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.

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:

31.3.2025

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Mandatorily measured at fair value through profit and loss				
Fixed income securities	3,436,904	104,760	711,414	4,253,078
Shares and other variable income securities	2,327,065	39,381	3,236,349	5,602,795
Securities used for hedging	8,835,823			8,835,823
Loans to customers			881,561	881,561
Derivatives		2,491,720		2,491,720
Measured at fair value through other comprehensive income				
Fixed income securities	57,912,071			57,912,071
Derivatives used for hedge accounting		80,880		80,880
Total	72,511,864	2,716,741	4,829,323	80,057,929

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.)

31.3.2025

Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Mandatorily measured at fair value through profit and loss				
Short positions held for trading	521,286			521,286
Short positions used for hedging	4,789			4,789
Derivatives		646,696		646,696
Other liabilities			667,859	667,859
Measured at fair value through other comprehensive income				
Derivatives used for hedge accounting				0
Total	526,075	646,696	667,859	1,840,630

31.12.2024

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Mandatorily measured at fair value through profit and loss				
Fixed income securities	4,907,870	106,337	611,126	5,625,332
Shares and other variable income securities	1,922,016	54,674	3,455,564	5,432,254
Securities used for hedging	12,601,026			12,601,026
Loans to customers			873,794	873,794
Derivatives		1,196,744		1,196,744
Measured at fair value through other comprehensive income				
Fixed income securities	59,169,229			59,169,229
Total	78,600,141	1,357,755	4,940,483	84,898,379

Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Mandatorily measured at fair value through profit and loss				
Short positions held for trading	153,001			153,001
Short positions used for hedging	42,035			42,035
Derivatives		1,710,389	939,074	2,649,463
Other liabilities			319,660	319,660
Measured at fair value through other comprehensive income				
Derivatives used for hedge accounting		282,967		282,967
Total	195,036	1,993,356	1,258,734	3,447,126

e. Reconciliation of changes in Level 3 fair value measurements

31.3.2025	**Fixed income securities**	**Shares and other var. income securities**	**Loans to customers**	**Derivatives**	**Other liabilities**	**Total**
Balance as at 1 January 2025	611,126	3,455,564	873,794	(939,074)	(319,660)	3,681,749
Total gains and losses in profit or loss	5,693	74,839	7,767	(563,540)	(12,334)	(487,574)
Additions	94,595	259,522				354,117
Repayments		0		989,678	177,071	1,166,749
Disposals		(553,576)				(553,576)
Reclassification				512,936	(512,936)	0
Balance as at 31 March 2025	711,414	3,236,349	881,561	0	(667,859)	4,161,464

31.12.2024	**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	6,829	362,034	69,096	(168,150)	(5,288)	264,521
Additions	604,297	612,349	0	0		1,216,646
Repayments	0		(620,667)	88,707	90,391	(441,569)
Disposals		(36,162)				(36,162)
Reclassified as assets held for sale	(114,075)	0	742,932			628,857
Balance as at 31 December 2024	611,126	3,455,564	873,794	(939,074)	(319,660)	3,681,749

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.)

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 31.3.2025
Unlisted bonds	Expected recovery	Value of assets	0-95%	711,414
Unlisted variable income securities	Market price	Recent trades	-	3,236,349
Loans to customers	Expert model	Value of assets and collateral	-	881,561
Total				4,829,323

Asset class	Method	Significant unobservable input	Range	Book value 31.12.2024
Unlisted bonds	Expected recovery	Value of assets	0-95%	611,126
Unlisted variable income securities	Market price	Recent trades	-	3,455,564
Loan to customers	Expert model	Value of assets and collateral	-	873,794
Total				4,940,483

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	71,141	(71,141)
Shares and other variable income securities	323,635	(323,635)
Loans to customers	88,156	(88,156)
Total	482,932	(482,932)

Kvika banki hf. Amounts are in ISK thousands

Notes to the Condensed Interim Consolidated Financial Statements

Other information

57. Pledged assets

31.3.2025	Settlement and committed facilities	Securities borrowing	Asset backed securities	Total
Loans to credit institutions	0	1,308,293	0	1,308,293
Loans to customers	17,955,086	0	0	17,955,086
Fixed income securities	13,741,021	176,636	0	13,917,657
Total	31,696,107	1,484,929	0	33,181,036

31.12.2024	Settlement and committed facilities	Securities borrowing	Asset backed securities	Total
Cash and balances with Central Bank	0	1,773,821	0	1,773,821
Loans to customers	21,053,056	0	0	21,053,056
Fixed income securities	10,263,379	93,500	0	10,356,879
Other assets	0	29,978	0	29,978
Total	31,316,435	1,897,299	0	33,213,734

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.

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 25, 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

31.3.2025	Assets	Liabilities
Management	2,756	157,106
Associates	0	31,283
Total	2,756	188,389

31.12.2024	Assets	Liabilities
Management	2,231	124,252
Associates	0	40,605
Total	2,231	164,857

d. Transactions with related parties

3m 2025	Interest income	Interest expense	Other income	Other expense
Management	0	1,296	550	200
Associates	0	0	0	76,284
Total	0	1,296	550	76,483

3m 2024	Interest income	Interest expense	Other income	Other expense
Management	0	939	8	534
Associates	0	0	0	100,054
Total	0	939	8	100,588

Notes to the Condensed Interim Consolidated Financial Statements

59. Other matters

Sale of TM finalised

On 28 February 2025 Kvika and Landsbankinn hf. ("Landsbankinn") finalised the sale of 100% of TM tryggingar hf. ("TM") share capital to Landsbankinn. The handover of the insurance company took place simultaneously, with Landsbankinn paying Kvika the agreed purchase price upon completion. As previously communicated by Kvika on 30 May 2024, the final purchase price has been adjusted based on changes in TM’s tangible equity from the beginning of 2024 until the closing date, 28 February 2025. The initially agreed purchase price was ISK 28.6 billion, but the adjusted purchase price amounts to approximately ISK 32.3 billion, reflecting the 2024 purchase price adjustment. According to a preliminary adjustment for the period from 31 December 2024 to 28 February 2025, the final purchase price is expected to be ISK 32.2 billion.

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.