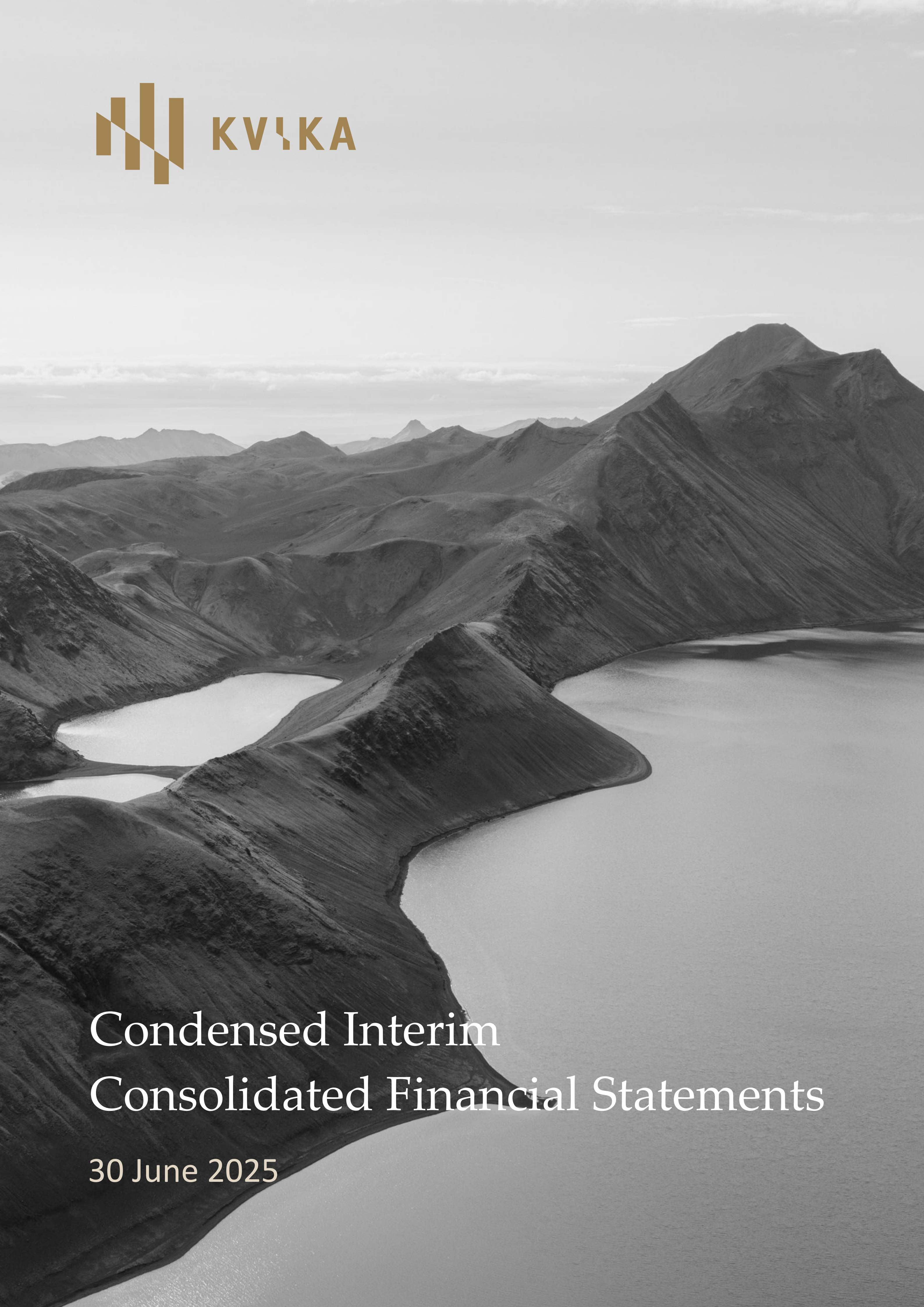


KVIKA

Condensed Interim Consolidated Financial Statements

30 June 2025

KVIKA

Condensed Interim
Consolidated Financial Statements
30 June 2025

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

Table of Contents

Highlights

30.06.2025

Kvika in brief

Kvika is a financial services company working to make banking more competitive and accessible in Iceland. Instead of operating traditional branches, Kvika delivers its services online, offering a wide range of solutions in investment banking, asset management, payments, and banking for individuals, businesses, and investors. Kvika's shares are publicly traded on the Nasdaq Iceland.

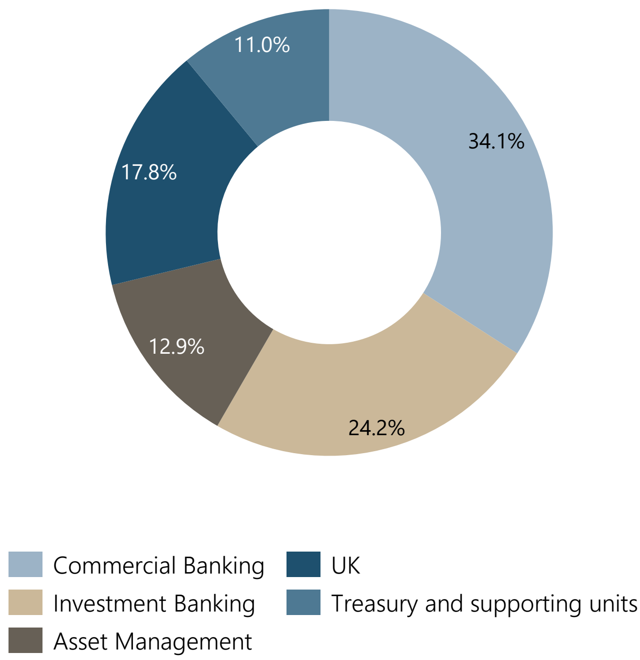
Kvika operates in four business segments: Commercial Banking, Investment Banking, Asset Management and UK operations, the latter through subsidiaries Kvika Asset Management and Kvika Limited.

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 need, while corporate and institutional services are provided under the Kvika and Kvika Asset Management brands.

Diversified operations

Revenues by segment

6M 2025

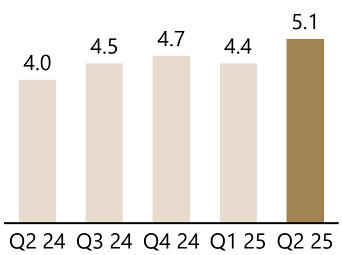


Key figures

ISK m.	6M 2025	6M 2024
Net operating income	9,577	8,064
Profit before tax, continuing operations	2,726	2,404
RoTE, continuing operations	13.3%	14.8%
	30.06.2025	**31.12.2024**
Total assets	361,212	354,594
Loans to customers	172,101	150,203
Deposits	180,248	163,378
LCR	910%	360%
NSFR	160%	144%

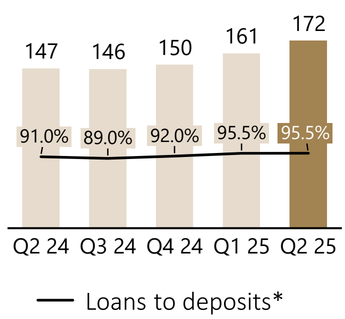
Net operating income

ISK bn.



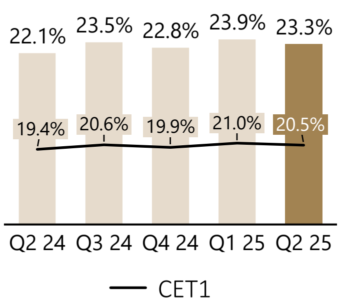
Loans to customers

ISK bn.



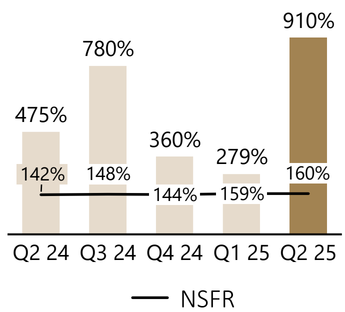
Total capital ratio

(%)



LCR ratio

(%)



*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 30 June 2025.

About the Bank

Kvika is a financial services company working to make banking more competitive and accessible in Iceland. Instead of operating traditional branches, Kvika delivers its services online, offering a wide range of solutions in investment banking, asset management, payments, and banking for individuals, businesses, and investors. Kvika's shares are publicly traded on the Nasdaq Iceland.

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 need, while corporate and institutional services are provided under the Kvika and Kvika Asset Management brands.

Operations during the period in 2025

Profit before taxes from continuing operations for the second quarter amounted to ISK 2,025 million (Q2 2024: ISK 1,189 million) and for the first six months of the year it amounted to ISK 2,726 million (6m 2024: ISK 2,404 million). Pre-tax annualised return on average tangible equity (RoTE) from continuing operations was 18.5% for the quarter (Q2 2024: 14.6%) and 13.3% for the first six months of the year (6m 2024: 15.4%) based on the average tangible equity position of Kvika net of TM in the period. Tangible equity is the equity of shareholders of Kvika net of deferred tax assets and intangible assets. Profit after taxes, including discontinued operations, for the second quarter amounted to ISK 1,439 million (Q2 2024: ISK 1,256 million) and for the first six months of the year it amounted to ISK 3,525 million (6m 2024: ISK 2,340 million).

The Group's net operating income during the first six months was ISK 9,577 million (6m 2024: ISK 8,064 million). Net interest income amounted to ISK 5,879 million (6m 2024: ISK 4,754 million). Net fee income amounted to ISK 3,455 million (6m 2024: ISK 2,984 million). Other net operating income amounted to ISK 243 million (6m 2024: ISK 326 million). Administrative expenses during the period amounted to ISK 6,071 million (6m 2024: ISK 5,399 million). During the period, the Group had a net impairment charge of ISK 188 million (6m 2024: ISK 253 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 66,090 million (31.12.2024: ISK 89,517 million), and total assets amounted to ISK 361,212 million (31.12.2024: ISK 354,594 million).

The Group's statement of financial position grew by ISK 6.6 billion or 1.9% during the first six months of 2025. Loans to customers grew by ISK 21.9 billion or 14.6% during the period. Liquid assets amounted to ISK 114 billion at end of June 2025, which is equal to 31.5% of total assets and 66.1% of loans to customers.

Kvika banki has achieved several significant funding milestones in 2025, led by the successful issuance of its inaugural euro-denominated bond on 23 May—a €200 million 4-year Senior Preferred note. This marked the Bank's entry into the European bond market and a key step in diversifying its funding base. The transaction followed a multi-day investor process, gathering over €350 million in orders and pricing at MS+250bps (~100bps over Icelandic peers), with strong demand from the UK (79%), Europe (10%), the Middle East (8%), and others. Earlier in the year, in January, Kvika completed a dual-currency Nordic bond issuance, raising SEK 600 million and NOK 400 million in 3.25-year floating rate notes priced at 200bps over STIBOR and NIBOR. In June, Kvika also strengthened its presence in the domestic market with the launch of the KVIKA 28 0703 series, accepting ISK 5 billion in bids at a 1.14% spread over 3-month REIBOR, with the offering more than twice oversubscribed.

Merger discussions with Arion banki hf.

The Board of Kvika approved on 6 July 2025 a request from the Board of Arion banki hf. ("Arion") to initiate formal merger discussions between Kvika and Arion. Kvika's shareholders will receive new shares reflecting 26% ownership in the combined entity. The aim of the merger is to combine the companies' strengths and to create a robust financial institution which offers comprehensive services for its customers. The parties aim to request preliminary discussions with the Icelandic Competition Authority where the aims of the merger and benefits resulting from it, both for customers and the Icelandic financial market, will be presented. The parties hope that the preliminary discussions, the finalization of contracts and the due diligence review will be completed in the next few months. Assuming that the preliminary discussions with the Icelandic Competition Authority are successful, the merger will be formally announced to the regulators and will be submitted for approval at shareholders' meetings of both companies. If the merger between Kvika and Arion goes ahead it will strengthen and enhance the banking services provided to the customers of the merged company – retail, corporate and investors. The merger will generate opportunities for risk distribution and more diverse revenue streams, while also creating a more effective business and bringing greater efficiency to the Icelandic financial market.

Kvika's foray into the mortgage market

At the end of May 2025, Kvika's well-known savings brand Auður entered the mortgage market with a new housing loan offering. The loans are non-indexed with a variable interest rates which are among the lowest compared to similar products. Auður emphasizes transparency, flexible terms, and helping homeowners build equity. Known for offering market-leading savings rates to over 50,000 customers, Auður now aims to increase competition in housing finance, continuing its track record of delivering better terms for consumers.

Endorsement and Statement
by the Board of Directors and the CEO

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 final purchase price amounted to ISK 32.2 billion, reflecting the purchase price adjustment for 2024 and for the period 1 January to 28 February 2025.

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 continues to maintain a strong capital position, significantly above regulatory requirements. At the end of June 2025, the Group’s capital adequacy ratio was 23.3% and CET1 ratio was 20.5%. This compares to regulatory requirements of 17.9% and 12.9%, including capital buffers. Kvika has prepared for the upcoming implementation of Regulation (EU) No. 2024/1623 of the European Parliament and of the Council (CRR III). Based on the assumptions currently available, Kvika estimates that the implementation will lead to around 14% reduction in the Bank’s risk-weighted exposure amount, based on data as of 30 June 2025.

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 June 2025 these ratios were 53.3% and 32.8% 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. Following the announcement of merger discussions with Arion banki hf., the BOD has decided that no further share buybacks will be carried out under the current buyback programme while merger discussions between Kvika and Arion banki hf. are ongoing.

The 2025 AGM also 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 Condensed Interim Consolidated Financial Statements. Refer to notes 39-54 on the analysis of exposure to various types of risk.

Endorsement and Statement
by the Board of Directors and the CEO

Statement by the Board of Directors and the CEO

The Condensed Interim Consolidated Financial Statements of Kvika banki hf. for the period 1 January to 30 June 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 30 June 2025 and the financial performance of the Group and changes of cash flows for the period 1 January to 30 June 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 30 June 2025 and confirmed them by the means of their signatures.

Reykjavík, 13 August 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 30 June 2025 are electronically certificated by the Board of Directors and the CEO.

Review Report on the Condensed Interim Consolidated Financial Statements

To the Board of Directors and Shareholders of Kvika banki hf.

We have reviewed the accompanying Condensed Interim Consolidated Statement of Financial Position of Kvika banki hf. and its subsidiaries (the "Group") as of 30 June 2025 and the related Condensed Interim Consolidated Income Statement, Condensed Interim Consolidated Statement of Comprehensive Income, Condensed Interim Consolidated Statement of changes in equity and Condensed Interim Consolidated Statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's and the Board of directors Responsibility for the Condensed Interim Consolidated Financial Statements

The board of directors and management is responsible for the preparation and fair presentation of this Condensed Interim Consolidated Financial Statements in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the European Union and additional requirements in the Icelandic Financial Statement Act., Act on financial undertakings and icelandic accounting regulation for financial institution.

Auditor's Responsibility

Our responsibility is to express a conclusion on this Condensed Interim Consolidated Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements, ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of Condensed Consolidated Interim Financial Statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Interim Consolidated Financial Statements does not give a true and fair view of the financial position of the Group as at 30 June 2025, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the European Union and additional requirements in the Icelandic Financial Statement Act., Act on financial undertakings and icelandic accounting regulation for financial institution.

Our opinion in this report on the Condensed Interim Consolidated Financial Statements is consistent with the content of the additional report that has been submitted to the company´s audit committee in accordance with the EU Audit Regulation 537/2014 Article 11.

Confirmation of Endorsement and Statement by the Board of Directors and the CEO

Pursuant to the requirements of Paragraph 2 Article 104 of the Icelandic Act on Financial Statements No. 3/2006, we confirm to the best of our knowledge that the accompanying Endorsement and Statement by the Board of Directors and the CEO includes all information required by the Icelandic Act on Financial Statements that is not disclosed elsewhere in the Condensed Interim Consolidated Financial Statements.

Kópavogur, 13 August 2025.

Deloitte ehf.

Guðmundur Ingólfsson
State Authorized Public Accountant

The Condensed Interim Consolidated Financial Statements of Kvika banki hf. for the period ended 30 June 2025 are electronically certificated by the auditors.

Kvika banki hf. Amounts are in ISK millions

Condensed Interim Consolidated Income Statement

For the period 1 January 2025 to 30 June 2025

	Notes	Q2 2025	Q2 2024	6m 2025	6m 2024
Interest income		7,699	7,662	15,000	14,768
Interest expense		(4,737)	(5,234)	(9,121)	(10,014)
Net interest income	5	2,962	2,428	5,879	4,754
Fee and commission income		2,079	1,497	3,748	3,293
Fee and commission expense		(143)	(146)	(293)	(309)
Net fee and commission income	6	1,935	1,351	3,455	2,984
Net financial income	7	187	120	140	144
Share in profit of associates, net of income tax	25	22	26	22	26
Other operating income		22	71	82	157
Other net operating income		231	217	243	326
Net operating income		5,128	3,996	9,577	8,064
Administrative expenses	9	(2,981)	(2,733)	(6,071)	(5,399)
Net impairment	11	(122)	(65)	(188)	(253)
Revaluation of contingent consideration	12	-	(8)	(593)	(8)
Profit before taxes from continuing operations		2,025	1,189	2,726	2,404
Income tax	13	(424)	(282)	(862)	(434)
Special tax on financial activity	14	(70)	(61)	(70)	(74)
Special tax on financial institutions	15	(92)	(70)	(169)	(133)
Profit for the period from continuing operations		1,439	777	1,625	1,764
Discontinued operations					
Profit after tax from discontinued operations	3	-	480	1,901	576
Profit for the period		1,439	1,256	3,525	2,340

	Notes	Q2 2025	Q2 2024	6m 2025	6m 2024
Attributable to the shareholders of Kvika banki hf.		1,439	1,256	3,525	2,336
Attributable to non-controlling interest	24	-	-	-	4
Profit for the period		1,439	1,256	3,525	2,340
Earnings per share	16				
Basic earnings per share (ISK per share)		0.31	0.27	0.77	0.49
Diluted earnings per share (ISK per share)		0.31	0.27	0.77	0.49

Quarterly information is unreviewed.

The notes on pages 13 to 49 are an integral part of these Condensed Interim Consolidated Financial Statements.

Kvika banki hf. Amounts are in ISK millions

Condensed Interim Consolidated Statement of Comprehensive Income

For the period 1 January 2025 to 30 June 2025

	Notes	Q2 2025	Q2 2024	6m 2025	6m 2024
Profit for the period		1,439	1,256	3,525	2,340
Changes in fair value of financial assets through OCI, net of tax		(30)	(119)	16	71
Realized net loss transferred to the Income Statement, net of tax		(13)	5	12	15
Changes to reserve for financial assets at fair value through OCI		(43)	(114)	28	86
Exchange difference on translation of foreign operations		(49)	7	(79)	17
Other comprehensive income that is or may be reclassified subsequently to profit and loss		(92)	(107)	(51)	103
Total comprehensive income for the period		1,347	1,149	3,474	2,443

	Notes	Q2 2025	Q2 2024	6m 2025	6m 2024
Attributable to the shareholders of Kvika banki hf.		1,347	1,149	3,474	2,439
Attributable to non-controlling interest		-	-	-	4
Total comprehensive income for the period		1,347	1,149	3,474	2,443

Quarterly information is unreviewed.

The notes on pages 13 to 49 are an integral part of these Condensed Interim Consolidated Financial Statements.

Kvika banki hf. Amounts are in ISK millions

Condensed Interim Consolidated Statement of Financial Position
As at 30 June 2025

Assets	Notes	30.6.2025	31.12.2024*
Cash and balances with Central Bank	17	30,919	18,593
Loans to credit institutions	18	27,729	11,530
Loans to customers	19	172,101	150,203
Fixed income securities	20	56,238	64,795
Shares and other variable income securities	21	28,296	5,432
Securities used for hedging	22	7,227	12,601
Derivatives	23	2,318	1,197
Investment in associates	25	133	113
Investment properties		180	-
Intangible assets	26	21,306	21,693
Operating lease assets	27	202	215
Property and equipment		423	543
Deferred tax assets	13	1,469	2,273
Other assets	28	12,671	7,704
Assets classified as held for sale	3	-	57,702
Total assets		361,212	354,594

Liabilities			
Deposits	46	180,249	163,378
Borrowings	29	13,514	14,390
Issued bonds	30	80,225	37,123
Subordinated liabilities	31	5,861	5,629
Short positions held for trading	32	-	153
Short positions used for hedging	33	104	42
Derivatives	23	1,124	2,932
Deferred tax liabilities		439	466
Other liabilities	34	13,607	13,635
Liabilities associated with assets classified as held for sale	3	-	27,329
Total liabilities		295,123	265,077

Equity			
Share capital	35	4,423	4,660
Share premium		43,221	46,750
Other reserves		3,246	9,357
Retained earnings		15,121	28,672
Total equity attributable to the shareholders of Kvika banki hf.		66,011	89,439
Non-controlling interest	24	79	79
Total equity		66,090	89,517
Total liabilities and equity		361,212	354,594

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

The notes on pages 13 to 49 are an integral part of these Condensed Interim Consolidated Financial Statements.

Amounts are in ISK millions

Condensed Interim Consolidated Statement of Changes in Equity

For the period 1 January 2025 to 30 June 2025

				Other reserves								
1 January 2025 to 30 June 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	46,750	109	1,204	(583)	79	8,547	28,672	89,439	79	89,517
Profit for the period									3,525	3,525	-	3,525
Changes in fair value of financial assets through OCI						16				16		16
Realized net loss transferred to the Income Statement						12				12		12
Translation of foreign operations												
Exchange difference on translation of foreign operations							(79)			(79)	-	(79)
Total comprehensive income for the period		-	-	-	-	28	(79)	-	3,525	3,474	-	3,474
Restricted due to subsidiaries and associates						220		(6,224)	6,004	-		-
Restricted due to development costs								47	(47)	-		-
Transactions with owners of the Bank												
Treasury shares acquired as part of a buy-back programme		(237)	(3,529)							(3,767)		(3,767)
Dividend paid to shareholders									(23,135)	(23,135)		(23,135)
Share options			-	(102)					102	-		-
Equity as at 30 June 2025		4,423	43,221	7	1,204	(335)	0	2,370	15,121	66,011	79	66,090

The notes on pages 13 to 49 are an integral part of these Condensed Interim Consolidated Financial Statements.

Kvika banki hf. Amounts are in ISK millions

Condensed Interim Consolidated Statement of Changes in Equity
For the period 1 January 2024 to 30 June 2024

				Other reserves								
1 January 2024 to 30 June 2024	**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 2024		4,722	47,662	174	1,204	(930)	86	3,797	25,172	81,886	72	81,958
Profit for the period									2,336	2,336	4	2,340
Changes in fair value of financial assets through OCI						71				71		71
Realized net loss transferred to the Income Statement						15				15		15
Translation of foreign operations												
Exchange difference on translation of foreign operations							17			17	-	17
Total comprehensive income for the period		-	-	-	-	86	17	-	2,336	2,439	4	2,443
Restricted due to subsidiaries and associates								1,125	(1,125)	-		-
Restricted due to development costs								2	(2)	-		-
Transactions with owners of the Bank												
Share options			-	21	-	-	-	-	-	21		21
Equity as at 30 June 2024		4,722	47,662	195	1,204	(844)	103	4,924	26,381	84,346	76	84,422

The notes on pages 13 to 49 are an integral part of these Condensed Interim Consolidated Financial Statements.

Kvika banki hf. Amounts are in ISK millions

Condensed Interim Consolidated Statement of Cash Flows

For the period 1 January 2025 to 30 June 2025

Cash flows from operating activities	**Notes**	**6m 2025**	**6m 2024***
Profit for the period		3,525	2,340
Adjustments for:			
Indexation and exchange rate difference		154	(435)
Share in profit of associates, net of income tax		(22)	(26)
Depreciation and amortisation		788	549
Net interest income		(5,879)	(4,754)
Net impairment		188	253
Income tax and special tax on financial activity and institutions		1,101	640
Adjustment relating to assets held for sale		(1,901)	(514)
Other adjustments		-	21
		(2,046)	(1,925)
Changes in:			
Loans to credit institutions		(7,154)	-
Fixed income securities		8,258	13,964
Shares and other variable income securities		(5,581)	(138)
Securities used for hedging		5,374	7,413
Loans to customers		(21,811)	(8,714)
Derivatives - assets		(1,121)	140
Operating lease assets		(14)	112
Other assets		(5,713)	(5,543)
Deposits		16,153	14,201
Short positions		(91)	(89)
Derivatives - liabilities		(2,201)	(347)
Other liabilities		(55)	2,272
		(13,955)	23,269
Interest received		14,310	13,737
Interest paid		(7,845)	(8,963)
Income tax paid		(147)	(364)
Net cash (to) from operating activities		(9,683)	25,755
Cash flows from investing activities			
Additions of intangible assets	26	(166)	(240)
Net acquisition of property and equipment		138	(22)
Disposal of subsidiary and associates, net of cash		32,217	-
Net cash from (to) investing activities		32,188	(262)
Cash flows from financing activities			
Borrowings		5,330	(3,833)
Issued bonds		43,102	6,528
Acquired own shares		(3,767)	(800)
Dividend paid to shareholders		(23,135)	-
Repayment of lease liabilities		(190)	(183)
Net cash from financing activities		21,340	1,711
Net change in cash and cash equivalents		43,846	27,204
Cash and cash equivalents at the beginning of the year		22,500	19,856
Effects of exchange rate fluctuations on cash and cash equivalents		(3)	204
Cash and cash equivalents at the end of the period	17	66,343	47,264

Cash and cash equivalents			
Cash and balances with Central Bank	17	30,919	40,607
Restricted balances with Central Bank - fixed reserve requirement	17	(6,118)	(6,345)
Loans to credit institutions - Bank accounts	18	18,771	13,002
Shares and other variable income securities - Unit shares in cash equivalent liquidity funds	21	22,770	-
Cash and cash equivalents at the end of the period		66,343	47,264

** Comparative information has been restated, reference is made to note 2 for further information.*
The notes on pages 13 to 49 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 30 June 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. Kvika is a financial services company working to make banking more competitive and accessible in Iceland. Instead of operating traditional branches, Kvika delivers its services online, offering a wide range of solutions in investment banking, asset management, payments, and banking for individuals, businesses, and investors.

The Condensed Interim Consolidated Financial Statements were approved and authorised for issue by the Board of Directors and the CEO on 13 August 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 million, unless otherwise stated.

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

Notes to the Condensed Interim Consolidated Financial Statements

g. Change in presentation

In 2025 the Group 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, 6m 2024 in the Consolidated Statement of Cash Flows and in the notes have been restated, as applicable.

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

	31.12.2024	Reclassified	Restated 31.12.2024
Assets:			
Cash and balance with Central bank	28,319	(9,726)	18,593
Loans to credit institutions	-	11,530	11,530
Other assets	9,507	(1,804)	7,704
All other assets	316,768	-	316,768
Total assets	354,594	-	354,594
Liabilities and Equity:			
Liabilities	265,077	-	265,077
Equity	89,517	-	89,517
Total liabilities and equity	354,594	-	354,594

	6m 2024	Reclassified	Restated 6m 2024
Lines in the Consolidated Statement of Cash Flows			
Other assets	(3,023)	(2,520)	(5,543)
Cash and balances with Central Bank at the beginning of the year	23,681	(3,825)	19,856
Cash and cash equivalents at the end of the period	53,609	(6,345)	47,264

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:

	30.6.2025	31.12.2024
Assets classified as held for sale	-	57,702
Liabilities associated with assets classified as held for sale	-	(27,329)
Eliminations with the Group	-	(55)
Net assets directly associated with disposal group	-	30,318

	30.6.2025	31.12.2024
Balance at the beginning of the year	30,318	26,830
Profit after tax from discontinued operations	1,901	3,460
Purchase price	(32,217)	-
Other adjustments	(2)	28
Net assets directly associated with disposal group	-	30,318

Kvika banki hf. Amounts are in ISK millions

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 Limited 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 17.8% (6m 2024: 14.1%) 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.

6m 2025	Asset Management	Commercial Banking	Investment Banking	UK operations	Treasury	Supporting units	Total
Net interest income	(3)	2,449	1,198	1,111	1,138	(15)	5,879
Net fee and commission income	1,178	746	1,144	377	71	(60)	3,455
Net financial income	41	0	(21)	223	(103)	(0)	140
Share in profit of associates	-	-	-	-	-	22	22
Other operating income	17	71	-	(9)	-	3	82
Net operating income	1,233	3,266	2,321	1,702	1,105	(51)	9,577
Salaries and related expenses	(566)	(484)	(415)	(404)	(124)	(1,459)	(3,453)
Other operating expenses	(71)	(1,001)	(100)	(206)	(47)	(1,192)	(2,618)
Administrative expenses	(637)	(1,485)	(516)	(610)	(171)	(2,652)	(6,071)
Net impairment	0	(103)	(58)	(26)	(0)	-	(188)
Revaluation of contingent consideration	(12)	-	-	(580)	-	-	(593)
Cost allocation	(342)	(727)	(432)	(100)	(169)	1,770	-
Profit (loss) before tax from continuing operations	242	951	1,315	386	765	(932)	2,726
Net segment revenue from external customers	1,248	156	4,162	2,406	1,412	194	9,577
Net segment revenue from other segments	(15)	3,110	(1,841)	(704)	(306)	(244)	-

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

4. Business segments (cont.)

6m 2024	Asset Management	Commercial Banking	Investment Banking	UK operations	Treasury	Supporting units	Total
Net interest income	(14)	2,429	953	833	572	(20)	4,754
Net fee and commission income	1,219	705	708	297	45	11	2,984
Net financial income	46	4	171	(1)	(73)	(4)	144
Share in profit of associates	-	26	-	-	-	-	26
Other operating income	8	140	-	7	-	3	157
Net operating income	1,259	3,303	1,832	1,136	544	(10)	8,064
Salaries and related expenses	(508)	(481)	(395)	(327)	(114)	(1,542)	(3,367)
Other operating expenses	(58)	(803)	(86)	(196)	(47)	(842)	(2,032)
Administrative expenses	(566)	(1,285)	(481)	(523)	(161)	(2,384)	(5,399)
Net impairment	(3)	(188)	(70)	9	(1)	-	(253)
Revaluation of contingent consideration	(8)	-	-	(0)	-	-	(8)
Cost allocation	(393)	(816)	(442)	(84)	(163)	1,899	-
Profit (loss) before tax from continuing operations	289	1,014	839	538	219	(495)	2,404
Net segment revenue from external customers	1,284	188	3,883	1,917	801	(10)	8,064
Net segment revenue from other segments	(25)	3,115	(2,051)	(781)	(257)	-	-

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

Income statement

5. Net interest income

Interest income is specified as follows:

	Q2 2025	Q2 2024	6m 2025	6m 2024
Cash and balances with Central Bank	502	775	1,093	978
Loans to credit institutions	221	38	331	74
Loans to customers	5,243	5,115	10,237	10,025
Derivatives	648	859	1,211	1,865
Fixed income securities (FVOCI)	1,059	875	2,101	1,826
Other interest income	26	0	27	1
Total	7,699	7,662	15,000	14,768

Interest expense is specified as follows:

	Q2 2025	Q2 2024	6m 2025	6m 2024
Deposits	2,591	2,837	5,242	5,472
Borrowings	598	812	1,206	1,352
Issued bonds	939	895	1,622	1,761
Subordinated liabilities	174	189	312	372
Derivatives	423	488	714	1,027
Other interest expense*	12	13	25	31
Total	4,737	5,234	9,121	10,014
Net interest income	2,962	2,428	5,879	4,754

* Thereof are lease liabilities' interest expense amounting to ISK 20 million (6m 2024: ISK 31 million).

Total interest income recognised in respect of financial assets not carried at fair value through profit or loss amounts to ISK 11,615 million (6m 2024: ISK 11,001 million). Total interest expense recognised in respect of financial liabilities not carried at fair value through profit or loss amounts to ISK 8,407 million (6m 2024: ISK 8,987 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.

	Q2 2025	Q2 2024	6m 2025	6m 2024
Asset Management	581	554	1,203	1,164
Capital markets and corporate finance	643	247	977	695
Cards and payment solutions	127	145	244	282
Loans and guarantees	526	491	986	1,030
Other fee and commission income	201	60	339	121
Total fee and commission income	2,079	1,497	3,748	3,293
Fee and commission expense	(143)	(146)	(293)	(309)
Net fee and commission income	1,935	1,351	3,455	2,984

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 millions

Notes to the Condensed Interim Consolidated Financial Statements

7. Net financial income

Net financial income is specified as follows:

	Q2 2025	Q2 2024	6m 2025	6m 2024
Net (loss) gain on financial assets and financial liabilities mandatorily measured at fair value through profit or loss				
Fixed income securities	86	54	167	138
Financial assets at fair value through OCI	17	0	(14)	0
Shares and other variable income securities	207	(86)	275	(161)
Derivatives	1	211	(4)	188
Loans to customers	(25)	(31)	(47)	(9)
Loss on prepayments of borrowings	-	-	(83)	-
Foreign currency exchange difference	(98)	(28)	(154)	(12)
Total	187	120	140	144

8. Foreign currency exchange difference

Foreign currency exchange difference is specified as follows:

	Q2 2025	Q2 2024	6m 2025	6m 2024
Gain (loss) on financial instruments at fair value through profit and loss	(777)	92	341	(572)
(Loss) gain on other financial instruments	679	(120)	(495)	560
Total	(98)	(28)	(154)	(12)

9. Administrative expenses

Administrative expenses are specified as follows:

	Q2 2025	Q2 2024	6m 2025	6m 2024
Salaries and related expenses	1,750	1,743	3,453	3,367
Other operating expenses	924	711	1,830	1,483
Depreciation and amortisation	267	213	660	430
Depreciation of right of use asset	41	66	128	120
Total	2,981	2,733	6,071	5,399

During the first quarter of 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 expenses 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:

	Q2 2025	Q2 2024	6m 2025	6m 2024
Salaries	1,249	1,257	2,479	2,458
Performance based payments excluding share-based payments	144	116	269	200
Share-based payment expenses	-	10	-	17
Pension fund contributions	165	166	326	315
Tax on financial activity	69	70	134	134
Other salary related expenses	124	124	245	243
Total	1,750	1,743	3,453	3,367
Average number of full time employees during the period	251	244	251	246
Total number of full time employees at the end of the period	249	244	249	244

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%).

The amount of performance based payments that has been expensed is based on the results for the period in 2025 and the guidelines on performance based payments set forth in the Group's remuneration policy. The performance based payments have not been allocated to any employees or business segments and are subject to approval by the Board of Directors.

11. Net impairment

	Q2 2025	Q2 2024	6m 2025	6m 2024
Net change in impairment of loans	(115)	(60)	(185)	(247)
Net change in impairment of other assets	(7)	(3)	(7)	(3)
Net change in impairment of loan commitments, guarantees and unused credit facilities	(0)	(1)	4	(3)
Total	(122)	(65)	(188)	(253)

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

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 in the first quarter of 2025 related to the expedited acquisition of the OSF shares.

The contingent consideration related to the acquisition of Gamma Capital Management ehf. was revalued during the period in 2025. The revaluation led to an expense of ISK 12 million.

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 Condensed Interim 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 Condensed Interim 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 Condensed Interim 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	
	6m 2025	**6m 2024**	**6m 2025**	**6m 2024**	**6m 2025**	**6m 2024**
Net earnings attributable to equity holders of the Bank	1,625	1,760	1,901	576	3,525	2,336
Weighted average number of outstanding shares	4,576	4,722	4,576	4,722	4,576	4,722
Adjustments for stock options	1	0	1	0	1	0
Total	4,577	4,722	4,577	4,722	4,577	4,722
Basic earnings per share (ISK)	0.36	0.37	0.42	0.12	0.77	0.49
Diluted earnings per share (ISK)	0.35	0.37	0.42	0.12	0.77	0.49

	Q2 2025	**Q2 2024**	**Q2 2025**	**Q2 2024**	**Q2 2025**	**Q2 2024**
Net earnings attributable to equity holders of the Bank	1,439	777	-	480	1,439	1,256
Weighted average number of outstanding shares	4,652	4,722	4,652	4,722	4,652	4,722
Adjustments for stock options	0	0	0	0	0	0
Total	4,652	4,722	4,652	4,722	4,652	4,722
Basic earnings per share (ISK)	0.31	0.16	0.00	0.10	0.3093	0.27
Diluted earnings per share (ISK)	0.31	0.16	0.00	0.10	0.3093	0.27

Kvika banki hf. Amounts are in ISK millions

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:

	30.6.2025	31.12.2024
Deposits with Central Bank	24,791	12,759
Cash on hand	10	16
Included in cash and cash equivalents	24,801	12,774
Restricted balances with Central Bank - fixed reserve requirement	6,118	5,819
Total	30,919	18,593

18. Loans to credit institutions

Loans to credit institutions are specified as follows:

	30.6.2025	31.12.2024
Bank accounts	18,771	9,726
Money market loans	8,050	-
Other loans	908	1,804
Total	27,729	11,530

19. Loans to customers

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

	Individuals		**Corporates**		**Total**	
30.6.2025	Gross carrying amount	Book value	Gross carrying amount	Book value	Gross carrying amount	Book value
Loans to customers at amortised cost	45,027	44,194	126,752	125,402	171,779	169,595
Loans to customers at FV through profit or loss	-	-	2,506	2,506	2,506	2,506
Total	45,027	44,194	129,258	127,907	174,285	172,101

	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	40,609	39,736	111,047	109,593	151,656	149,329
Loans to customers at FV through profit or loss	-	-	874	874	874	874
Total	40,609	39,736	111,921	110,466	152,530	150,203

The Group presents finance lease receivables as part of loans to customers at amortised cost. As at 30 June 2025, the book value of finance lease receivables amounted to ISK 23,483 million (31.12.2024: ISK 22,866 million).

20. Fixed income securities

Fixed income securities are specified as follows:

	30.6.2025	31.12.2024
Mandatorily measured at fair value through profit or loss		
Listed government bonds and bonds with government guarantees	2,157	2,714
Listed bonds	2,711	2,189
Unlisted bonds	583	722
Measured at fair value through other comprehensive income		
Listed government bonds and bonds with government guarantees	49,371	54,256
Listed treasury bills	0	3,453
Listed bonds	1,416	1,459
Total	56,238	64,795

Kvika banki hf. Amounts are in ISK millions

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	30.6.2025	31.12.2024
Listed shares	1,297	1,101
Unlisted shares	2,928	3,069
Unit shares in cash equivalent liquidity funds	22,770	-
Unlisted unit shares	1,300	1,262
Total	28,296	5,432

22. Securities used for hedging

Securities used for hedging are specified as follows:

	30.6.2025	31.12.2024
Listed government bonds and bonds with government guarantees	1,551	1,905
Listed bonds	255	584
Listed shares	5,338	9,669
Listed unit shares	1	-
Unlisted unit shares	82	442
Total	7,227	12,601

23. Derivatives

Derivatives are specified as follows:

	Notional		Carrying amount	
30.6.2025	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate derivatives	28,648	28,608	39	-
Cross - currency interest rate swaps	43,140	34,679	256	298
Currency forwards	23,415	23,478	581	644
Currency forwards used for hedge accounting	-	8,359	302	-
Bond and equity total return swaps	8,641	7,685	1,139	183
Total	103,844	102,809	2,318	1,124

	Notional		Carrying amount	
31.12.2024	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate derivatives	159	107	56	-
Cross - currency interest rate swaps	34,755	35,672	455	1,321
Currency forwards	13,022	13,000	40	18
Currency forwards used for hedge accounting	-	7,386	-	283
Bond and equity total return swaps	13,586	14,534	645	1,310
Total	61,522	70,699	1,197	2,932

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

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

	30.6.2025	31.12.2024
Balance at the beginning of the year	(21)	(53)
Foreign currency revaluation of the net foreign operations	329	39
Tax effect	(66)	(8)
Total	242	(21)

Kvika banki hf. Amounts are in ISK millions

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 30.6.2025	Share 31.12.2024
GAMMA Capital Management ehf.	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 30.6.2025	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:

	30.6.2025	31.12.2024
Balance at the beginning of the year	113	96
Dividend received	-	(20)
Share in profit of associates, net of income tax	22	41
Exchange rate difference	(1)	(5)
Total	133	113

26. Intangible assets

Intangible assets are specified as follows:

30.6.2025	Goodwill	Customer relationships	Brands	Software and other	Total
Balance as at 1 January 2025	17,784	1,567	219	2,123	21,693
Additions during the year	-	-	-	166	166
Amortisation	-	(89)	(23)	(344)	(455)
Currency adjustments	(74)	(24)	(0)	-	(98)
Balance as at 30 June 2025	17,710	1,454	196	1,946	21,306
Gross carrying amount	17,710	2,074	369	4,146	24,299
Accumulated amortisation and impairment losses	-	(620)	(173)	(2,201)	(2,993)
Balance as at 30 June 2025	17,710	1,454	196	1,946	21,306

31.12.2024	Goodwill	Customer relationships	Brands	Software and other	Total
Balance as at 1 January 2024	17,783	1,732	264	2,127	21,906
Additions during the year	-	-	-	476	476
Discontinued	-	-	-	(4)	(4)
Amortisation	-	(167)	(46)	(476)	(689)
Currency adjustments	1	2	0	0	4
Balance as at 31 December 2024	17,784	1,567	219	2,123	21,693
Gross carrying amount	17,784	2,098	370	4,022	24,273
Accumulated amortisation and impairment losses	0	(531)	(151)	(1,898)	(2,580)
Balance as at 31 December 2024	17,784	1,567	219	2,123	21,693

Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

27. Operating lease assets

Operating lease assets are specified as follows:

	30.6.2025	31.12.2024
Balance as at 1 January	215	530
Additions	62	36
Disposals	(48)	(261)
Depreciation	(27)	(90)
Total	202	215
Gross carrying amount	354	465
Accumulated depreciation	(152)	(250)
Total	202	215

28. Other assets

Other assets are specified as follows:

	30.6.2025	31.12.2024
Accounts receivable	2,944	3,207
Unsettled transactions	8,328	2,861
Right of use asset and lease receivables	643	1,024
Sundry assets	756	612
Total	12,671	7,704

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

	30.6.2025	31.12.2024
Right of use asset and lease receivables as at 1 January	1,024	1,321
Additions during the period	-	13
Termination of lease agreements	-	(15)
Indexation	5	56
Currency adjustments	(5)	1
Impairment	(201)	-
Depreciation and lease receivable instalment	(181)	(352)
Total	643	1,024

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:

	30.6.2025	31.12.2024
Secured borrowings	13,240	13,809
Other borrowings	274	580
Total	13,514	14,390

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 millions

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	30.6.2025	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	1,674
EMTN 26 0511, SEK 566 million *	2023	2026	At maturity	Floating, 3 month STIBOR + 4.10%	7,283	9,832
EMTN 26 0511, NOK 750 million *	2023	2026	At maturity	Floating, 3 month NIBOR + 4.10%	9,119	9,891
EMTN 26 1123 GB, SEK 500 m.	2023	2026	At maturity	Floating, 3 month STIBOR + 4.0%	6,421	6,325
KVB 21 02, ISK 5,400 million	2021	2027	At maturity	CPI-indexed, fixed 1.0%	7,057	6,915
EMTN 28 0421, NOK 400 million	2025	2028	At maturity	Floating, 3 month NIBOR + 2.0%	4,867	-
EMTN 28 0421, SEK 600 million	2025	2028	At maturity	Floating, 3 month STIBOR + 2.0%	7,717	-
KVIKA 28 0703, ISK 5,000 m.	2025	2028	At maturity	Floating, 3 month REIBOR + 1.14%	5,000	-
EMTN 29 0602, EUR 200 m.	2025	2029	At maturity	Fixed 4.50%	28,538	-
KVIKA 32 0112, ISK 2,000 million	2022	2032	At maturity	CPI-indexed, fixed 1.40%	2,550	2,486
Total					80,225	37,123

* 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	30.6.2025	31.12.2024
KVIKA 34 1211 T2i, ISK 2,500 m.	2023	2034	At maturity	CPI-Indexed, fixed 6.25%	2,786	2,634
TM 15 1, ISK 2,000 million	2015	2045	At maturity	CPI-Indexed, fixed 6.25%	3,075	2,994
Total					5,861	5,629

At the interest payment date in May 2025 for TM 15 01, the annual interest rate increased from 5.25% p.a. to 6.25% p.a. At the interest payment date in May 2025 for TM 15 01, the Group had the right to repay the subordinated bond and on any subsequent interest payment dates until maturity.

At the interest payment date in the year 2029 for KVIKA 34 1211 T2i, the Group has the right to repay the subordinated bond and on any subsequent interest payment dates until maturity.

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

b. Subordinated liabilities are specified as follows:

	30.6.2025	31.12.2024
Balance at the beginning of the year	5,629	5,993
Redemption of KVB 18 02	-	(800)
Additions	-	500
Paid interest	(53)	(113)
Paid interests due to indexation	(27)	(346)
Accrued interests and indexation	312	394
Total	5,861	5,629

32. Short positions held for trading

Short positions held for trading are specified as follows:

	30.6.2025	31.12.2024
Listed government bonds and bonds with government guarantees	0	128
Listed bonds	-	25
Total	0	153

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

33. Short positions used for hedging

Short positions used for hedging are specified as follows:

	30.6.2025	31.12.2024
Listed government bonds and bonds with government guarantees	104	-
Listed bonds	-	42
Total	104	42

34. Other liabilities

Other liabilities are specified as follows:

	30.6.2025	31.12.2024
Accounts payable and accrued expenses	5,826	7,531
Unsettled transactions	2,831	1,565
Salaries and salary related expenses	1,418	1,259
Lease liability	966	1,158
Withholding taxes	1,136	1,111
Special taxes on financial institutions and financial activities	469	377
Contingent consideration	654	320
Expected credit loss allowance for loan commitments, guarantees and unused credit facilities	14	18
Other liabilities	294	296
Total	13,607	13,635

Lease liability is specified as follows:

	30.6.2025	31.12.2024
Lease liability as at 1 January	1,158	1,510
Additions during the period	-	13
Termination of lease agreements	-	(15)
Currency adjustments	(8)	2
Instalment	(190)	(408)
Indexation	5	56
Total	966	1,158

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.

	30.6.2025	31.12.2024
Share capital according to the Bank's Articles of Association	4,631	4,722
Nominal amount of treasury shares	208	62
Authorised but not issued shares	240	310

b. Changes made to the nominal amount of share capital

During the period in 2025 the Bank's share capital was decreased by ISK 91 million in nominal value following a resolution by the AGM to cancel treasury shares. Furthermore, during the period, the Bank acquired treasury shares amounting to ISK 237 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.

Amounts are in ISK millions

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	**30.6.2025**	**31.12.2024**
Total equity	66,090	89,517
Proposed dividends and buybacks	(2,115)	(2,050)
Goodwill and intangibles	(20,942)	(28,828)
Shares in other financial institutions *	(267)	(23,500)
Deferred tax asset *	(1,469)	(2,273)
Amounts below the threshold for deduction *	1,736	5,801
Common equity Tier 1 capital (CET 1)	43,033	38,667
Tier 2 capital	5,745	5,601
Total own funds	48,778	44,268
Risk-weighted exposure amount (RWEA)		
Credit risk	173,807	158,178
Market risk	7,889	7,586
Operational risk	28,080	28,080
Total risk-weighted exposure amount	209,776	193,844
Capital ratios		
CET1 ratio	20.5%	19.9%
T1 ratio	20.5%	19.9%
Capital adequacy ratio (CAR)	23.3%	22.8%
Capital buffer requirement, % of RWEA		
Systemic risk buffer (SRB)	1.6%	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			**30.6.2025**
	CET1	**Tier 1**	**Total**
Pillar I capital requirement	4.5%	6.0%	8.0%
Pillar II-R capital requirement	2.0%	2.6%	3.5%
Minimum requirement under Pillar I and Pillar II-R	6.5%	8.6%	11.5%
Combined buffer requirement	6.4%	6.4%	6.4%
Total capital reqiurement	12.9%	15.0%	17.9%

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 millions

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. According to Act no. 161/2002 on Financial Undertakings the minimum leverage ratio requirement is 3%.

	30.6.2025	31.12.2024
On-balance sheet exposures	336,719	253,117
Derivative exposures	3,357	2,533
Off - balance sheet exposures	562	800
Total exposure measure	340,639	256,450
Tier 1 capital	43,033	38,667
Leverage ratio	12.6%	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	30.6.2025	31.12.2024
Common equity Tier 1 capital (CET 1)	43,033	38,667
Tier 2 capital	5,745	5,601
Eligible liabilities	63,038	35,449
Total own funds and eligible liabilities	111,816	79,718
MREL-RWEA and CBR		
Risk-weighted exposure amount (RWEA)	209,776	193,844
Own funds and eligible liabilities as % of RWEA	53.3%	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	340,639	256,450
Own funds and eligible liabilities as % of TEM	32.8%	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 derivative 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 82 in the 2024 Consolidated Financial Statements for more information on the Group's impairment policy.

h. Derivatives
The Group offers derivative contracts in the form of swap contracts on highly liquid securities or currencies. On the day when the contract is entered into, the Group purchases the underlying asset and hedges its exposure to price changes. Collateral is 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 millions

Notes to the Condensed Interim Consolidated Financial Statements

41. Maximum exposure to credit risk

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

30.6.2025 On-balance sheet exposure	Public entities	Financial institutions	Corporate customers	Individuals	30.6.2025
Cash and balances with Central Bank	30,919	-	-	-	30,919
Loans to credit institutions	-	27,729	-	-	27,729
Loans to customers	6	0	127,901	44,194	172,101
Fixed income securities	53,842	2,143	254	-	56,238
Derivatives	-	1,884	327	107	2,318
Other assets	1	650	11,332	45	12,029
	84,768	32,406	139,815	44,345	301,335
Off-balance sheet exposure					
Loan commitments	11	5	4,344	848	5,209
Financial guarantee contracts	-	-	508	57	565
Maximum exposure to credit risk	84,779	32,411	144,667	45,251	307,108

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	-	-	-	18,593
Loans to credit institutions	-	11,530	-	-	11,530
Loans to customers	7	2	110,458	39,736	150,203
Fixed income securities	62,660	1,889	245	-	64,795
Derivatives	-	1,001	144	52	1,197
Other assets	1	1,115	5,423	142	6,680
	81,261	15,536	116,270	39,930	252,997
Off-balance sheet exposure					
Loan commitments	7	2	5,038	1,013	6,060
Financial guarantee contracts	-	-	801	-	801
Maximum exposure to credit risk	81,268	15,538	122,109	40,943	259,858

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. 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		30.6.2025			31.12.2024	
Scenarios	**Base case**	**Upside**	**Downside**	**Base case**	**Upside**	**Downside**
Unemployment rate	4.6%	3.7%	5.5%	4.2%	3.7%	4.9%
Inflation CPI index	3.9%	3.4%	5.8%	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		30.6.2025				31.12.2024		
Scenarios	**Base case**	**Upside**	**Downside**	**Severe**	**Base case**	**Upside**	**Downside**	**Severe**
Unemployment rate	4.8%	4.5%	5.9%	7.5%	4.1%	3.9%	5.8%	7.5%
Inflation CPI index	3.3%	3.2%	3.5%	8.9%	5.0%	4.7%	8.3%	16.4%
Assigned weight	50.0%	15.0%	25.0%	10.0%	50.0%	20.0%	25.0%	5.0%

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

42. Credit quality of financial assets (cont.)

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

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

					Allocated collateral										
30.6.2025	**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	(0)	6	0.0%	9	-	-	-	-	-	9	-	-	-	0
Financial institutions	0	(0)	0	0.0%	-	-	-	-	-	-	-	-	-	-	0
Corporate															
Real estate activities	46,533	(241)	46,292	26.9%	87,121	62	251	279	35,568	49,452	984	223	100	202	1,947
Construction	20,996	(98)	20,898	12.1%	37,646	4	-	-	16,764	9,651	5,857	4,781	0	589	1,578
Service Activities	17,256	(154)	17,103	9.9%	32,313	26	104	1,579	1,753	4,304	19,202	3,623	57	1,666	475
Activities of Holding Companies	11,924	(555)	11,369	6.6%	27,137	20	86	8,503	8,818	6,901	1,519	175	685	429	955
Accommodat. and Food Service Activit.	11,797	(60)	11,737	6.8%	21,665	81	-	-	1,413	19,578	526	32	0	35	641
Act. of Hold. Comp. - Securities Financing ..	6,930	(147)	6,783	3.9%	14,203	575	13,156	472	-	-	-	-	0	-	256
Other	13,815	(96)	13,719	8.0%	26,077	578	2,312	-	3,008	7,173	5,264	4,192	115	3,435	408
Individuals	45,027	(834)	44,194	25.7%	70,643	22	770	649	22,354	2,713	41,595	1,130	-	1,410	8,049
Total	174,285	(2,184)	172,101	100.0%	316,815	1,366	16,680	11,483	89,679	99,772	74,956	14,156	956	7,766	14,309

					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	7	(0)	7	0.0%	10	-	-	-	-	-	10	-	-	0	0
Financial institutions	2	(0)	2	0.0%	-	-	-	-	-	-	-	-	-	-	2
Corporate															
Real estate activities	45,564	(339)	45,225	30.1%	84,189	31	50	31	41,523	41,134	974	240	0	206	491
Construction	16,412	(92)	16,320	10.9%	32,487	0	0	-	12,426	9,668	5,260	4,426	0	707	256
Service Activities	16,068	(162)	15,906	10.6%	29,302	26	122	577	1,020	2,523	19,253	3,815	0	1,966	317
Accommodat. and Food Service Activit.	11,492	(86)	11,406	7.6%	22,151	105	-	-	1,367	20,069	528	47	-	36	8
Activities of Holding Companies	7,143	(654)	6,489	4.3%	20,066	13	201	9,762	4,864	3,344	217	183	1,468	15	1,434
Wholesale and Retail Trade	4,930	(56)	4,875	3.2%	7,474	24	-	-	247	913	3,601	1,952	100	636	384
Other	10,303	(66)	10,237	6.8%	29,559	342	7,208	163	3,390	11,277	2,176	2,190	22	2,791	415
Individuals	40,609	(872)	39,736	26.5%	57,599	33	793	655	11,886	1,815	40,060	1,032	-	1,325	8,312
Total	152,530	(2,327)	150,203	100.0%	282,838	575	8,374	11,187	76,723	90,743	72,080	13,884	1,589	7,683	11,619

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 millions

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.

30.6.2025

Loans to customers:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	107,073	5,624	-	2,393	115,090
Credit quality band II	34,695	779	-	-	35,474
Credit quality band III	11,546	4,095	-	-	15,641
Credit quality band IV	339	512	-	-	852
In default	1	4	5,670	113	5,787
Non-rated	362	1,078	1	-	1,441
Gross carrying amount	154,016	12,092	5,671	2,506	174,285
Expected credit loss	(342)	(201)	(1,640)	-	(2,184)
Book value	153,674	11,891	4,031	2,506	172,101

Loan commitments, guarantees and unused credit facilities:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	3,221	37	-	646	3,904
Credit quality band II	494	0	-	-	494
Credit quality band III	719	630	-	-	1,349
Credit quality band IV	1	1	-	-	2
In default	0	-	24	-	24
Non-rated	-	-	-	-	-
Total off-balance sheet amount	4,435	669	24	646	5,773
Expected credit loss	(10)	(0)	(3)	-	(14)
Net off-balance sheet amount	4,424	668	22	646	5,760

31.12.2024

Loans to customers:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	89,427	1,266	-	17	90,710
Credit quality band II	40,153	3,159	-	-	43,313
Credit quality band III	6,609	2,004	-	-	8,613
Credit quality band IV	227	381	-	-	608
In default	1	-	7,940	114	8,055
Non-rated	287	203	-	743	1,232
Gross carrying amount	136,704	7,012	7,940	874	152,530
Expected credit loss	(367)	(189)	(1,771)	-	(2,327)
Book value	136,337	6,823	6,169	874	150,203

Loan commitments, guarantees and unused credit facilities:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	4,675	3	-	-	4,678
Credit quality band II	1,568	0	-	-	1,568
Credit quality band III	563	6	-	-	569
Credit quality band IV	2	1	-	-	2
In default	-	-	34	10	44
Non-rated	-	0	-	-	0
Total off-balance sheet amount	6,808	10	34	10	6,861
Expected credit loss	(11)	(0)	(7)	-	(18)
Net off-balance sheet amount	6,797	9	27	10	6,843

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

42. Credit quality of financial assets (cont.)

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

30.6.2025	**Claim value**	**Expected credit loss**	**Carrying amount**
Not past due	158,031	(585)	157,446
Past due 1-30 days	9,162	(65)	9,097
Past due 31-60 days	2,295	(49)	2,246
Past due 61-90 days	541	(34)	507
Past due 91-180 days	1,211	(108)	1,103
Past due 181-360 days	1,911	(879)	1,032
Past due more than 360 days	1,134	(464)	670
Total	174,285	(2,184)	172,101

31.12.2024	**Claim value**	**Expected credit loss**	**Carrying amount**
Not past due	137,349	(625)	136,724
Past due 1-30 days	7,724	(104)	7,619
Past due 31-60 days	2,321	(73)	2,249
Past due 61-90 days	698	(16)	682
Past due 91-180 days	2,180	(820)	1,359
Past due 181-360 days	809	(248)	561
Past due more than 360 days	1,448	(441)	1,008
Total	152,530	(2,327)	150,203

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.

30.6.2025
Expected credit loss allowance total

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Transfers of financial assets:				
Balance as at 1 January 2025	377	189	1,778	2,345
Transfer to Stage 1 - (Initial recognition)	99	(46)	(53)	-
Transfer to Stage 2 - (significantly increased credit risk)	(25)	42	(17)	-
Transfer to Stage 3 - (credit impaired)	(11)	(27)	38	-
Net remeasurement of loss allowance	(136)	38	132	34
New financial assets, originated or purchased	175	56	47	278
Derecognitions and maturities	(128)	(50)	(208)	(386)
Write-offs	(0)	(0)	(74)	(74)
Balance as at 30 June 2025	352	202	1,643	2,198

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	367	189	1,771	2,327
Transfer to Stage 1 - (Initial recognition)	94	(46)	(48)	-
Transfer to Stage 2 - (significantly increased credit risk)	(25)	42	(17)	-
Transfer to Stage 3 - (credit impaired)	(11)	(27)	37	-
Net remeasurement of loss allowance	(129)	38	131	40
New financial assets, originated or purchased	172	55	47	275
Derecognitions and maturities	(126)	(50)	(208)	(384)
Write-offs	(0)	(0)	(74)	(74)
Balance as at 30 June 2025	342	201	1,640	2,184

Kvika banki hf. Amounts are in ISK millions

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	11	0	7	18
Transfer to Stage 1 - (Initial recognition)	5	(0)	(5)	-
Transfer to Stage 2 - (significantly increased credit risk)	(0)	0	(0)	-
Transfer to Stage 3 - (credit impaired)	(0)	(0)	0	-
Net remeasurement of loss allowance	(6)	(0)	1	(6)
New financial assets, originated or purchased	3	0	-	3
Derecognitions and maturities	(2)	(0)	(0)	(2)
Balance as at 30 June 2025	10	0	3	14

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	382	128	1,724	2,234
Transfer to Stage 1 - (Initial recognition)	104	(22)	(82)	-
Transfer to Stage 2 - (significantly increased credit risk)	(17)	30	(13)	-
Transfer to Stage 3 - (credit impaired)	(32)	(35)	68	-
Net remeasurement of loss allowance	(175)	16	845	686
New financial assets, originated or purchased	271	120	224	615
Derecognitions and maturities	(155)	(47)	(581)	(783)
Write-offs	(0)	(1)	(406)	(407)
Balance as at 31 December 2024	377	189	1,778	2,345

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	368	128	1,723	2,219
Transfer to Stage 1 - (Initial recognition)	103	(21)	(82)	-
Transfer to Stage 2 - (significantly increased credit risk)	(17)	30	(13)	-
Transfer to Stage 3 - (credit impaired)	(32)	(35)	68	-
Net remeasurement of loss allowance	(174)	16	843	685
New financial assets, originated or purchased	268	120	219	608
Derecognitions and maturities	(149)	(47)	(581)	(778)
Write-offs	(0)	(1)	(406)	(407)
Balance as at 31 December 2024	367	189	1,771	2,327

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	14	1	1	16
Transfer to Stage 1 - (Initial recognition)	1	(0)	(0)	-
Transfer to Stage 2 - (significantly increased credit risk)	(0)	0	(0)	-
Transfer to Stage 3 - (credit impaired)	(0)	(0)	0	-
Net remeasurement of loss allowance	(1)	(0)	1	0
New financial assets, originated or purchased	3	0	4	7
Derecognitions and maturities	(6)	(0)	(0)	(6)
Balance as at 31 December 2024	11	0	7	18

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

43. Loan-to-value

a. General

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

b. Breakdown

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

	30.6.2025	%	31.12.2024	%
Less than 50%	48,323	28.1%	41,225	27.4%
50-70%	60,391	35.1%	57,209	38.1%
70-90%	31,779	18.5%	33,497	22.3%
90-100%	7,860	4.6%	2,958	2.0%
100-125%	5,667	3.3%	3,461	2.3%
125-200%	2,507	1.5%	1,505	1.0%
Greater than 200%	2,106	1.2%	1,378	0.9%
No or negligible collateral:				
Other loans with no collateral	13,468	7.8%	8,968	6.0%
Total	172,101	100.0%	150,203	100.0%

44. Collateral against exposures to derivatives

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

	Deposits	Fixed income securities	Variable income securities	Real estate	Other fixed assets	Other	30.6.2025
Financial institutions	148	118	74	-	-	-	341
Corporate customers	920	112	1,310	-	-	-	2,343
Individuals	99	8	91	-	-	-	198
Total	1,168	238	1,475	-	-	-	2,881

	Deposits	Fixed income securities	Variable income securities	Real estate	Other fixed assets	Other	31.12.2024
Financial institutions	548	114	161	-	-	-	824
Corporate customers	709	28	1,401	-	-	-	2,138
Individuals	62	16	80	-	-	-	158
Total	1,319	158	1,643	-	-	-	3,120

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

45. Large exposures

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

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

		30.6.2025		31.12.2024
Large exposures before risk adjusted mitigation	**Number**	**Amount**	**Number**	**Amount**
10-20% of capital base	3	14,776	2	11,133
20-25% of capital base	2	16,769	0	-
Exceeding 25% of capital base	0	-	0	-
Total	5	31,545	2	11,133
Thereof loans to credit institutions which are part of Kvika's liquidity management	3	13,661	1	6,522
Large exposures net of risk adjusted mitigation	4	26,494	1	6,702

Kvika banki hf. Amounts are in ISK millions

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		EUR*		Total all currencies	
30.6.2025	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**
Liquid assets level 1	79,568	79,568	12,450	11,828	92,021	91,399
Liquid assets level 2A	544	462	3,369	2,695	3,913	3,157
Liquid assets level 2B	-	-	5,150	2,318	5,150	2,318
Total high quality assets	80,112	80,030	20,969	16,840	101,085	96,874
Deposits	137,552	33,644	3,370	1,221	143,694	36,308
Other borrowings	18	18	122	122	179	179
Other outflows	10,024	5,738	342	21	12,868	6,111
Total outflows (0-30 days)	147,594	39,399	3,834	1,364	156,741	42,598
Short-term deposits with other banks	348	348	1,789	1,789	19,114	19,114
Other inflows	26,393	10,429	1,810	1,809	31,973	14,407
Restrictions on inflows	-	-	-	(2,574)	-	(1,573)
Total inflows (0-30 days)	26,741	10,777	3,599	1,023	51,087	31,948
Liquidity coverage ratio		280%		4938%		910%

*Requirement first applies from June 2025

	ISK		EUR*		Total all currencies	
31.12.2024	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**
Liquid assets level 1	68,950	68,950	-	-	72,409	72,409
Liquid assets level 2A	823	700	-	-	823	700
Liquid assets level 2B	-	-	-	-	-	-
Total high quality assets	69,773	69,650	-	-	73,232	73,109
Deposits	122,660	23,181	-	-	131,228	27,435
Other borrowings	17	17	-	-	17	17
Other outflows	13,201	8,730	-	-	15,672	9,141
Total outflows (0-30 days)	135,878	31,928	-	-	146,918	36,594
Short-term deposits with other banks	692	692	-	-	10,559	10,559
Other inflows	16,441	4,838	-	-	17,763	5,718
Restrictions on inflows	-	-	-	-	-	-
Total inflows (0-30 days)	17,133	5,530	-	-	28,321	16,276
Liquidity coverage ratio		264%		0%		360%

	30.6.2025	**31.12.2024**
NSFR total	160%	144%

Kvika banki hf. Amounts are in ISK millions

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.

30.6.2025	Run off date	0-30 days	Over 30 days	Total
Individuals	5%-100%	106,432	15,422	121,854
Small and medium sized corporates	5%-100%	6,369	356	6,724
Large corporates	20%-40%	10,299	228	10,528
Public entities	40%	1,804	84	1,888
Financial entities	100%	18,790	16,321	35,111
Other *		4,037	107	4,144
Total		147,731	32,517	180,249

31.12.2024	Run off date	0-30 days	Over 30 days	Total
Individuals	5%-100%	103,372	15,899	119,271
Small and medium sized corporates	5%-100%	5,807	200	6,007
Large corporates	20%-40%	11,124	48	11,172
Public entities	40%	81	83	164
Financial entities	100%	10,843	12,439	23,282
Other *		3,440	41	3,481
Total		134,668	28,710	163,378

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

46. Liquidity risk (cont.)

d. Maturity analysis of financial assets and financial liabilities

30.6.2025 **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	30,933	-	-	-	-	30,933	30,919
Loans to credit institutions	18,771	8,167	279	629	-	27,846	27,729
Loans to customers	19,906	9,251	62,085	104,802	13,852	209,896	172,101
Fixed income securities	8,088	8,192	7,349	28,644	3,967	56,238	56,238
Shares and other variable income securities	24,949	-	3,347	-	-	28,296	28,296
Securities used for hedging	7,227	-	-	-	-	7,227	7,227
Other assets	9,657	700	1,455	217	-	12,029	12,029
	119,530	26,310	74,515	134,291	17,818	372,464	334,539
Derivative assets							
Inflow	7,859	10,422	1,973	20,345	1,078	41,677	
Outflow	(6,689)	(9,301)	(1,943)	(19,820)	(928)	(38,682)	
	1,169	1,120	30	525	150	2,995	2,318

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	(148,322)	(12,781)	(18,146)	(1,550)	(638)	(181,436)	180,249
Borrowings	-	(267)	(856)	(15,684)	-	(16,807)	13,514
Issued bonds	(179)	(459)	(21,445)	(65,760)	(2,605)	(90,447)	80,225
Subordinated liabilities	-	-	(359)	(1,436)	(9,447)	(11,242)	5,861
Short positions held for trading	-	-	-	-	-	-	-
Short positions used for hedging	(104)	-	-	-	-	(104)	104
Other liabilities	(2,544)	(7,549)	(1,336)	(2,229)	-	(13,658)	13,607
	(151,150)	(21,056)	(42,141)	(86,658)	(12,690)	(313,695)	293,560
Derivative liabilities							
Inflow	3,863	9,293	9,727	10,678	-	33,561	
Outflow	(4,056)	(10,487)	(10,139)	(10,680)	-	(35,362)	
	(193)	(1,194)	(412)	(2)	-	(1,801)	1,124
Unrecognised financial items							
Loan commitments							
Inflow	106	771	2,350	2,309	-	5,537	
Outflow	(5,209)	-	-	-	-	(5,209)	
Financial guarantee contracts							
Inflow	142	3	201	212	7	565	
Outflow	(565)	-	-	-	-	(565)	
	(5,526)	774	2,551	2,522	7	328	

Summary	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Gross inflow/ (outflow)**
Non-derivative assets	119,530	26,310	74,515	134,291	17,818	372,464
Derivative assets	1,169	1,120	30	525	150	2,995
Non-derivative liabilities	(151,150)	(21,056)	(42,141)	(86,658)	(12,690)	(313,695)
Derivative liabilities	(193)	(1,194)	(412)	(2)	-	(1,801)
Net assets (liabilities) excluding unrecognised items	(30,643)	5,181	31,992	48,155	5,279	59,963
Net unrecognised items	(5,526)	774	2,551	2,522	7	328
Net assets (liabilities)	(36,169)	5,955	34,543	50,677	5,286	60,291

Kvika banki hf. Amounts are in ISK millions

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	18,595	-	-	-	-	18,595	18,593
Loans to credit institutions	9,726	-	-	1,804	-	11,530	11,530
Loans to customers	10,753	13,421	52,863	98,218	4,718	179,974	150,203
Fixed income securities	17,597	10,341	7,442	25,482	3,932	64,795	64,795
Shares and other variable income securities	1,681	-	3,751	-	-	5,432	5,432
Securities used for hedging	12,601	-	-	-	-	12,601	12,601
Other assets	2,736	2,397	1,543	3	-	6,680	7,704
	73,689	26,160	65,600	125,507	8,650	299,606	270,857
Derivative assets							
Inflow	13,279	143	2,346	920	1,036	17,724	
Outflow	(12,289)	(98)	(2,329)	(796)	(940)	(16,453)	
	989	45	17	124	95	1,271	1,197

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)	(15,130)	(10,447)	(3,739)	(547)	(164,551)	163,378
Borrowings	(1)	(301)	(1,132)	(17,271)	-	(18,705)	14,390
Issued bonds	(17)	(535)	(3,319)	(34,010)	(2,557)	(40,439)	37,123
Subordinated liabilities	-	-	(336)	(1,399)	(9,304)	(11,039)	5,629
Short positions held for trading	(153)	-	-	-	-	(153)	153
Short positions used for hedging	(42)	-	-	-	-	(42)	42
Other liabilities	(1,418)	(9,219)	(1,122)	(1,927)	-	(13,686)	13,635
	(136,320)	(25,185)	(16,355)	(58,347)	(12,407)	(248,615)	234,350
Derivative liabilities							
Inflow	12,104	142	6,321	24,413	-	42,981	
Outflow	(12,968)	(145)	(6,240)	(26,506)	-	(45,858)	
	(864)	(2)	81	(2,092)	-	(2,877)	2,932
Unrecognised financial items by type							
Loan commitments							
Inflow	147	49	2,796	3,722	-	6,714	
Outflow	(6,060)	-	-	-	-	(6,060)	
Financial guarantee contracts							
Inflow	-	1	756	37	7	801	
Outflow	(801)	-	-	-	-	(801)	
	(6,714)	50	3,552	3,759	7	654	
Summary							
Non-derivative assets	73,689	26,160	65,600	125,507	8,650	299,606	
Derivative assets	989	45	17	124	95	1,271	
Non-derivative liabilities	(136,320)	(25,185)	(16,355)	(58,347)	(12,407)	(248,615)	
Derivative liabilities	(864)	(2)	81	(2,092)	-	(2,877)	
Net assets (liabilities) excluding unrecognised items	(62,506)	1,018	49,343	65,191	(3,662)	49,385	
Net unrecognised items	(6,714)	50	3,552	3,759	7	654	
Net assets (liabilities)	(69,220)	1,068	52,896	68,950	(3,655)	50,039	

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 millions

Notes to the Condensed Interim Consolidated Financial Statements

47. Market risk

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

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

48. Interest rate risk

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

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

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

49. Interest rate risk associated with trading portfolios

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

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	30.6.2025
Fixed income securities	10	48	409	2,464	1,501	4,433
Short positions - fixed income securities	-	-	-	-	-	-
Net imbalance	10	48	409	2,464	1,501	4,433

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	31.12.2024
Fixed income securities	22	54	548	3,181	1,538	5,343
Short positions - fixed income securities	(1)	(7)	(1)	(29)	(116)	(153)
Net imbalance	21	48	547	3,152	1,422	5,190

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	30.6.2025 Upward	Downward	31.12.2024 Upward
Indexed	50	60	(57)	53	(51)
Non-indexed	100	58	(54)	67	(64)
Total		117	(111)	120	(115)

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

50. Interest rate risk associated with non-trading portfolios

a. Breakdown

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

30.6.2025

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	30,919	-	-	-	-	30,919
Loans to credit institutions	27,729	-	-	-	-	27,729
Loans to customers	158,416	2,441	5,258	5,696	289	172,101
Fixed income securities	2,903	8,190	9,336	27,828	3,549	51,805
Financial assets excluding derivatives	219,968	10,631	14,594	33,524	3,838	282,555
Effect of derivatives	15,386	51,420	1,840	25,072	916	94,634
Total	235,355	62,051	16,434	58,596	4,754	377,189

Financial liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Deposits	148,282	13,065	17,303	1,346	252	180,249
Borrowings	13,514	-	-	-	-	13,514
Issued bonds	12,722	24,562	1,316	39,238	2,387	80,225
Subordinated liabilities	-	-	1,567	4,295	-	5,861
Other liabilities	-	-	81	161	-	241
Financial liabilities excluding derivatives	174,518	37,627	20,267	45,039	2,639	280,090
Effect of derivatives	14,039	68,476	3,570	-	-	86,084
Total	188,557	106,103	23,837	45,039	2,639	366,174
Total interest repricing gap	46,798	(44,051)	(7,403)	13,557	2,115	11,015

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	-	-	-	-	18,593
Loans to credit institutions	11,530	-	-	-	-	11,530
Loans to customers	136,380	3,761	3,955	5,748	358	150,203
Fixed income securities	11,158	10,434	9,184	25,308	3,368	59,451
Financial assets excluding derivatives	177,661	14,195	13,138	31,056	3,726	239,777
Effect of derivatives	23,021	23,306	8,408	928	890	56,553
Total	200,682	37,501	21,546	31,984	4,616	296,330

Financial liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Deposits	135,370	14,930	9,594	3,259	225	163,378
Borrowings	14,390	-	-	-	-	14,390
Issued bonds	17	28,435	84	6,501	2,085	37,123
Subordinated liabilities	-	-	2,963	2,666	-	5,629
Financial liabilities excluding derivatives	149,777	43,366	12,642	12,425	2,310	220,520
Effect of derivatives	20,828	17,231	10,151	-	-	48,210
Total	170,605	60,597	22,793	12,425	2,310	268,730
Total interest repricing gap	30,077	(23,096)	(1,246)	19,558	2,306	27,600

b. Sensitivity analysis

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

	Shift in		**30.6.2025**		**31.12.2024**
Currency	**basis points**	**Downward**	**Upward**	**Downward**	**Upward**
ISK, indexed	50	1	1	(25)	26
ISK, non-indexed	100	399	(390)	450	(439)
Other currencies	20	(34)	34	(4)	4
Total		366	(355)	422	(410)

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

51. Exposure towards changes in the CPI

a. Definition

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

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

b. Management

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

c. Balance of CPI linked assets and liabilities

	30.6.2025	31.12.2024
Assets	31,748	38,426
Liabilities	(24,390)	(23,653)
Total	7,359	14,773

d. Sensitivity to changes in CPI

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

	30.6.2025		31.12.2024	
	-1%	1%	-1%	1%
Government bonds	(27)	27	(55)	55
Other fixed income securities	(34)	34	(31)	31
Loans to customers	(236)	236	(278)	278
Derivatives	(21)	21	(21)	21
Deposits	89	(89)	86	(86)
Issued bonds	96	(96)	94	(94)
Subordinated liabilities	59	(59)	56	(56)
	(74)	74	(148)	148

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 assets and liabilities is denominated in foreign currencies.

b. Management

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

The Group is subject to limits set by the Central Bank of Iceland regarding the maximum open currency position. At 30 June 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 30.6.2025	Average 6m 2025	Closing 31.12.2024	Average 6m 2024
EUR/ISK	142.2	145.2	143.9	149.5
USD/ISK	121.3	133.1	138.2	138.2
GBP/ISK	166.2	172.3	173.3	174.9

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

52. Currency risk (cont.)

e. Breakdown of assets and liabilities denominated in foreign currencies

30.6.2025

Assets	EUR	USD	GBP	SEK	Other currencies	Total
Cash and balances with Central Bank	1	2	2	-	-	5
Loans to credit institutions	1,778	2,171	9,167	5,208	279	18,604
Loans to customers	4,777	-	34,794	-	16	39,587
Fixed income securities	-	147	-	-	-	147
Shares and other variable income securities	22,903	50	2,363	2	15	25,333
Securities used for hedging	8	954	1	998	57	2,018
Intangible assets			2,327			2,327
Other assets	1,061	1,062	632	-	65	2,820
Assets excluding derivatives	30,529	4,386	49,287	6,207	433	90,842
Derivatives	43,302	6,254	2,661	15,167	13,899	81,283
Total	73,831	10,640	51,948	21,374	14,332	172,125

Liabilities	EUR	USD	GBP	SEK	Other currencies	Total
Deposits	4,304	2,178	550	22	181	7,236
Borrowings	-	-	13,130	-	-	13,130
Issued bonds	28,538	-	-	21,445	13,986	63,969
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	634	830	1,278	13	2	2,757
Liabilities excluding derivatives	33,477	3,009	14,958	21,480	14,169	87,092
Derivatives	40,398	7,395	36,582	23	73	84,472
Total	73,874	10,404	51,540	21,504	14,242	171,564

Net currency position	EUR	USD	GBP	SEK	Other currencies	Total
Total assets	73,831	10,640	51,948	21,374	14,332	172,125
Total liabilities	(73,874)	(10,404)	(51,540)	(21,504)	(14,242)	(171,564)
Financial guarantee contracts	284	-	-	-	57	341
Total	240	237	408	(129)	147	902

31.12.2024

Assets	EUR	USD	GBP	NOK	Other currencies	Total
Cash and balances with Central Bank	2	1	2	-	-	6
Loans to credit institutions	6,669	1,380	1,216	110	340	9,715
Loans to customers	4,058	-	37,222	-	20	41,300
Fixed income securities	-	3,593	-	-	-	3,593
Shares and other variable income securities	113	936	2,753	14	2	3,817
Securities used for hedging	36	2,187	2	3	79	2,306
Intangible assets	-	-	2,451	-	-	2,451
Other assets	713	1,602	589	-	-	2,903
Assets excluding derivatives	11,590	9,699	44,233	127	441	66,091
Derivatives	4,967	908	1,636	9,959	16,156	33,626
Total	16,558	10,607	45,869	10,086	16,597	99,717

Liabilities	EUR	USD	GBP	NOK	Other currencies	Total
Deposits	5,162	3,581	599	65	200	9,607
Borrowings	-	-	13,700	-	-	13,700
Issued bonds	-	-	-	9,891	16,157	26,048
Other liabilities	201	634	467	5	110	1,417
Liabilities excluding derivatives	5,363	4,215	14,766	9,960	16,467	50,772
Derivatives	10,333	6,485	30,322	58	17	47,215
Total	15,696	10,700	45,088	10,019	16,485	97,987

Net currency position	EUR	USD	GBP	NOK	Other currencies	Total
Total assets	16,558	10,607	45,869	10,086	16,597	99,717
Total liabilities	(15,696)	(10,700)	(45,088)	(10,019)	(16,485)	(97,987)
Financial guarantee contracts	704	-	-	-	-	704
Total	1,565	(92)	781	67	112	2,434

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

52. Currency risk (cont.)

f. Sensitivity to currency risk

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

		30.6.2025		31.12.2024
Assets and liabilities denominated in foreign currencies	**-10%**	**+10%**	**-10%**	**+10%**
EUR	24	(24)	156	(156)
USD	24	(24)	(9)	9
GBP	41	(41)	78	(78)
SEK	(13)	13	4	(4)
NOK	(4)	4	7	(7)
Other currencies	19	(19)	8	(8)
Total	90	(90)	243	(243)

53. Equity risk

a. Definition

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

b. Sensitivity analysis of equity risk

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

		30.6.2025		31.12.2024
	-10%	**+10%**	**-10%**	**+10%**
Listed shares	(130)	130	(110)	110
Unlisted shares	(293)	293	(307)	307
Unit shares in cash equivalent liquidity funds	(2,277)	2,277	-	-
Unlisted unit shares in funds	(130)	130	(126)	126
Total	(2,830)	2,830	(543)	543

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 millions

Notes to the Condensed Interim Consolidated Financial Statements

Financial assets and financial liabilities

55. Accounting classification of financial assets and financial liabilities

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

30.6.2025 **Financial assets**	**Amortised cost**	**Fair value through OCI**	**Manda-torily at fair value through P/L**	**Total carrying amount**
Cash and balances with Central Bank	30,919	-	-	30,919
Loans to credit institutions	27,729	-	-	27,729
Loans to customers	169,595	-	2,506	172,101
Fixed income securities	-	50,787	5,451	56,238
Shares and other variable income securities	-	-	28,296	28,296
Securities used for hedging	-	-	7,227	7,227
Derivatives	-	-	2,016	2,016
Derivatives used for hedge accounting	-	302	-	302
Other assets	12,029	-	-	12,029
Total	240,273	51,089	45,495	336,857

Financial liabilities	**Amortised cost**	**Fair value through OCI**	**Manda-torily at fair value through P/L**	**Total carrying amount**
Deposits	180,249	-	-	180,249
Borrowings	13,514	-	-	13,514
Issued bonds	80,225	-	-	80,225
Subordinated liabilities	5,861	-	-	5,861
Short positions held for trading	-	-	-	-
Short positions used for hedging	-	-	104	104
Derivatives	-	-	1,124	1,124
Other liabilities	12,953	-	654	13,607
Total	292,802	-	1,882	294,683

31.12.2024 **Financial assets**	**Amortised cost**	**Fair value through OCI**	**Manda-torily at fair value through P/L**	**Total carrying amount**
Cash and balances with Central Bank	18,593	-	-	18,593
Loans to credit institutions	11,530	-	-	11,530
Loans to customers	149,329	-	874	150,203
Fixed income securities	-	59,169	5,625	64,795
Shares and other variable income securities	-	-	5,432	5,432
Securities used for hedging	-	-	12,601	12,601
Derivatives	-	-	1,197	1,197
Other assets	7,704	-	-	7,704
Total	187,156	59,169	25,729	272,054

Financial liabilities	**Amortised cost**	**Fair value through OCI**	**Manda-torily at fair value through P/L**	**Total carrying amount**
Deposits	163,378	-	-	163,378
Borrowings	14,390	-	-	14,390
Issued bonds	37,123	-	-	37,123
Subordinated liabilities	5,629	-	-	5,629
Short positions held for trading	-	-	153	153
Short positions used for hedging	-	-	42	42
Derivatives	-	-	2,649	2,649
Derivatives used for hedge accounting	-	283	-	283
Other liabilities	13,315	-	320	13,635
Total	233,835	283	3,164	237,282

Kvika banki hf. Amounts are in ISK millions

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:

30.6.2025

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Mandatorily measured at fair value through profit and loss				
Fixed income securities	4,874	107	470	5,451
Shares and other variable income securities	24,838	4	3,454	28,296
Securities used for hedging	7,227	-	-	7,227
Loans to customers	-	-	2,506	2,506
Derivatives	-	2,016	-	2,016
Measured at fair value through other comprehensive income				
Fixed income securities	50,787	-	-	50,787
Derivatives used for hedge accounting	-	302	-	302
Total	87,726	2,429	6,429	96,585

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

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

30.6.2025 **Financial liabilities**	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Mandatorily measured at fair value through profit and loss				
Short positions held for trading	-	-	-	-
Short positions used for hedging	104	-	-	104
Derivatives	-	1,124	-	1,124
Other liabilities	-	-	654	654
Measured at fair value through other comprehensive income				
Derivatives used for hedge accounting	-	-	-	-
Total	104	1,124	654	1,882

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	4,908	106	611	5,625
Shares and other variable income securities	1,922	55	3,456	5,432
Securities used for hedging	12,601	-	-	12,601
Loans to customers	-	-	874	874
Derivatives	-	1,197	-	1,197
Measured at fair value through other comprehensive income				
Fixed income securities	59,169	-	-	59,169
Total	78,600	1,358	4,940	84,898

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	-	-	153
Short positions used for hedging	42	-	-	42
Derivatives	-	1,710	939	2,649
Other liabilities	-	-	320	320
Measured at fair value through other comprehensive income				
Derivatives used for hedge accounting	-	283	-	283
Total	195	1,993	1,259	3,447

e. Reconciliation of changes in Level 3 fair value measurements

30.6.2025	**Fixed income securities**	**Shares and other var. income securities**	**Loans to customers**	**Derivatives**	**Other liabilities**	**Total**
Balance as at 1 January 2025	611	3,456	874	(939)	(320)	3,682
Total gains and losses in profit or loss	(5)	123	12	17	1	148
Additions	417	495	-	(580)	-	331
Repayments	-	-	(756)	990	177	410
Disposals	-	(619)	-	-	-	(619)
Reclassification	(553)	-	2,376	513	(513)	1,823
Balance as at 30 June 2025	470	3,454	2,506	-	(654)	5,775

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	2,517	682	(860)	(405)	2,049
Total gains and losses in profit or loss	7	362	69	(168)	(5)	265
Additions	604	612	-	-	-	1,217
Repayments	-	-	(621)	89	90	(442)
Disposals	-	(36)	-	-	-	(36)
Reclassified as assets held for sale	(114)	-	743	-	-	629
Balance as at 31 December 2024	611	3,456	874	(939)	(320)	3,682

Kvika banki hf. Amounts are in ISK millions

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 30.6.2025
Unlisted bonds	Expected recovery	Value of assets	0-95%	470
Unlisted variable income securities	Market price	Recent trades	-	3,454
Loans to customers	Expert model	Value of assets and collateral	-	2,506
Total				6,429

Asset class	Method	Significant unobservable input	Range	Book value 31.12.2024
Unlisted bonds	Expected recovery	Value of assets	0-95%	611
Unlisted variable income securities	Market price	Recent trades	-	3,456
Loan to customers	Expert model	Value of assets and collateral	-	874
Total				4,940

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	47	(47)
Shares and other variable income securities	345	(345)
Loans to customers	251	(251)
Total	643	(643)

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

Other information

57. Pledged assets

30.6.2025	Settlement and committed facilities	Securities borrowing	Asset backed securities	Total
Loans to credit institutions	-	908	-	908
Loans to customers	19,813	-	-	19,813
Fixed income securities	13,993	91	-	14,084
Total	33,806	998	-	34,805

31.12.2024	Settlement and committed facilities	Securities borrowing	Asset backed securities	Total
Loans to credit institutions	-	1,774	-	1,774
Loans to customers	21,053	-	-	21,053
Fixed income securities	10,263	94	-	10,357
Other assets	-	30	-	30
Total	31,316	1,897	-	33,214

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 loans to credit institutions.

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

30.6.2025	Assets	Liabilities
Management	84	231
Associates	-	22
Total	84	253

31.12.2024	Assets	Liabilities
Management	2	124
Associates	-	41
Total	2	165

d. Transactions with related parties

6m 2025	Interest income	Interest expense	Other income	Other expense
Management	-	3	1	1
Associates	-	-	-	153
Total	-	3	1	154

6m 2024	Interest income	Interest expense	Other income	Other expense
Management	-	2	1	1
Associates	-	-	-	175
Total	-	2	1	176

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 final purchase price amounted to ISK 32.2 billion, reflecting the purchase price adjustment for 2024 and for the period 1 January to 28 February 2025.

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.