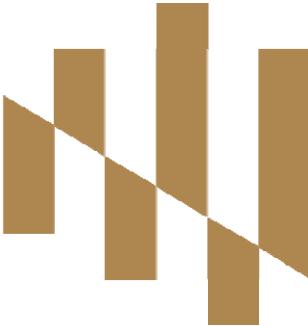




Consolidated Financial Statements

31 December 2025



KVÍKA

Consolidated Financial Statements

31 December 2025

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Highlights

31.12.2025

Kvika in brief

Kvika is a financial services company with operations in Iceland and the United Kingdom. Kvika does not operate traditional branches but delivers its services primarily online, offering a wide range of solutions in asset management, payments, and banking for individuals, businesses and investors. Kvika's shares are publicly traded on the Nasdaq Iceland.

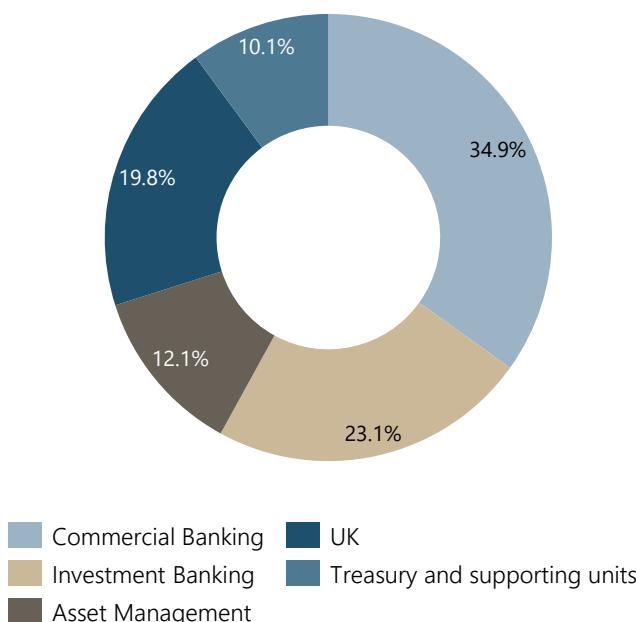
Kvika operates in four business segments: Commercial Banking, Investment Banking, Asset Management and UK operations, the latter through subsidiaries Kvika Asset Management and Kvika Limited.

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. In the UK, the bank operates under the Kvika and Ortus Secured Finance brands.

Diversified operations

Revenues by segment

12M 2025

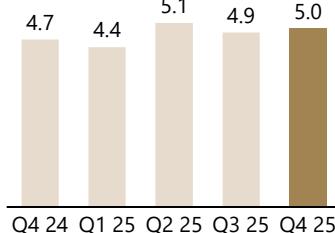


Key figures

ISK m.	12M 2025	12M 2024
Net operating income	19,411	17,184
Profit before tax, continuing operations	6,217	5,817
RoTE, continuing operations	14.5%	18.8%
	31.12.2025	31.12.2024
Total assets	343,112	354,594
Loans to customers	207,560	150,203
Deposits	172,787	163,378
LCR	404%	360%
NSFR	137%	144%

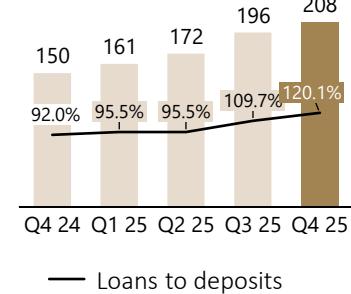
Net operating income

ISK bn.



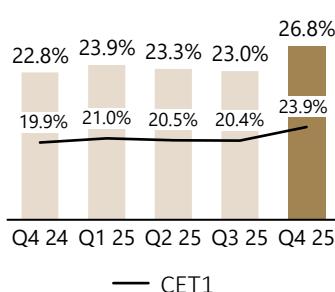
Loans to customers

ISK bn.



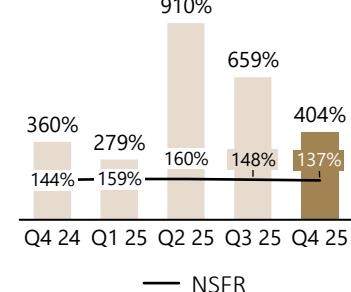
Total capital ratio

(%)



LCR ratio

(%)



Endorsement and Statement by the Board of Directors and the CEO

These are the Consolidated Financial Statements of Kvika banki hf. ("Kvika" or the "Bank") and its subsidiaries (together the "Group") for the year 2025.

About the Bank

Kvika is a financial services company with operations in Iceland and the United Kingdom. Kvika does not operate traditional branches but delivers its services primarily online, offering a wide range of solutions in 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 in Iceland are provided under the Kvika and Kvika Asset Management brands. In the UK, the Group operates under the Kvika and Ortus Secured Finance brands.

Operations during the year 2025

Profit before taxes from continuing operations for the fourth quarter amounted to ISK 1,522 million (Q4 2024: ISK 1,601 million) and for the year it amounted to ISK 6,217 million (2024: ISK 5,817 million). Pre-tax annualised return on average tangible equity (RoTE) from continuing operations was 13.2% for the quarter (Q4 2024: 18.5%) and 14.5% for the year (2024: 18.8%) based on the average tangible equity position of Kvika net of TM during the year. 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 fourth quarter amounted to ISK 1,266 million (Q4 2024: ISK 3,447 million) and for the year it amounted to ISK 6,264 million (2024: ISK 8,150 million).

The Group's net operating income during the year was ISK 19,411 million (2024: ISK 17,184 million). Net interest income amounted to ISK 11,896 million (2024: ISK 9,681 million). Net fee income amounted to ISK 6,291 million (2024: ISK 6,137 million). Other net operating income amounted to ISK 1,223 million (2024: ISK 1,367 million). Administrative expenses during the year amounted to ISK 12,074 million (2024: ISK 10,608 million). During the year, the Group had a net impairment charge of ISK 515 million (2024: ISK 605 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 year end 2025 amounted to ISK 68,935 million (31.12.2024: ISK 89,517 million), and total assets amounted to ISK 343,112 million (31.12.2024: ISK 354,594 million).

The Group's statement of financial position decreased by ISK 11.5 billion or 3.2% during the year 2025, the reduction was mainly due to the sale of TM Tryggingar hf. in Q1 2025. Loans to customers grew by ISK 57.4 billion or 38.2% during the year.

Kvika banki has achieved several significant funding milestones in 2025. In May the Bank successfully issued its inaugural euro-denominated bond with a €200 million 4-year Senior Preferred note issuance. 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 a spread of 250bps over interbank rates, with strong demand from the UK, Continental Europe, the Middle East and others. Earlier in the year, in January, Kvika completed a dual-currency Nordic bond issuance for NOK/SEK 1,000 million priced at 200bps over STIBOR and NIBOR. In June, Kvika also strengthened its presence in the domestic market with an ISK 5 billion bond issuance priced at a 1.14% spread over 3-month REIBOR.

Merger discussions with Arion banki hf.

On 6 July 2025, the Board of Directors of Kvika approved a request from the Board of Arion banki hf. ("Arion") to initiate formal merger discussions between the two banks. Under the proposed terms, Kvika's shareholders would receive new shares in Arion representing approximately 26% ownership in the combined entity. The objective of the proposed merger is to combine the strengths of both institutions to form a robust financial entity offering comprehensive services to customers. The parties have initiated preliminary discussions with the Icelandic Competition Authority, where the aims and anticipated benefits of the merger for customers and the Icelandic financial market will be presented. The parties anticipate that the preliminary discussions, finalization of contracts, and due diligence reviews will be completed in the coming months. Subject to a positive outcome of these discussions, the merger will be formally announced to regulators and submitted for approval at the shareholders' meetings of both companies.

Kvika's foray into the mortgage market

At the end of May 2025, Kvika entered the mortgage market with a new housing loan offering through its Auður Heima brand. Auður emphasizes transparency, flexible terms, and helping homeowners build equity. The mortgage offering was well received and Kvika managed to grow its mortgage portfolio to ISK 23 billion at the end of the year.

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 32.3 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.

Endorsement and Statement

by the Board of Directors and the CEO

Operational outlook

The operational outlook for Kvika in 2026 remains positive, underpinned by diversified revenue streams across our core markets in Iceland and the United Kingdom. Our primary objective is to build upon the momentum of the previous year. We have systematically strengthened our revenue generation through targeted expansion into new markets and the broadening of our revenue base - most notably through our new residential mortgage offering under the Auður Heima brand and continued expansion of property backed lending in Iceland and the UK market. Overall, the Group's objectives regarding loan book expansion have been realised. Net interest margin has improved due to favourable interest rate environment and improved funding costs. Furthermore, fee and commission income grew modestly between years mainly due to increased fee and commission income from Investment banking. Additionally Kvika has successfully leveraged its increasing economies of scale to contain cost growth.

Kvika's financial position remains strong, with robust liquidity and capital buffers well above regulatory minimums. The divestment of our insurance arm, TM, in February further fortified our balance sheet, supporting credit growth across the Group's divisions and leading to more efficient utilisation of internal infrastructure. Changes to capital position due to the implementation of CRR3 regulation resulted in a decrease of risk weighted assets by 17% which lead to corresponding strengthening of Kvika's capital ratios, and as a result the CAR ratio stood at 26.8% at year end 2025 compared to 22.8% at the end of 2024.

Domestic economic activity has been subdued - a trend likely to persist through 2026 in the wake of export shocks experienced in late 2025. However, the testing economic backdrop is balanced by the expectation that inflation will subside as the year progresses, paving the way for further interest rate reductions. Given our formidable capital position and modest market share, Kvika is well positioned to gain ground in the credit market, even as the external environment remains mixed.

The outlook for asset markets is encouraging. We are already seeing an upturn in the equity markets, with Icelandic share prices rallying since the end of 2025. Continued recovery should support increased trading volumes and brokerage commissions as well as rebounding performance-related fees in asset management in the coming year.

Finally, receding inflation and a cooling labour market are expected to alleviate wage and cost pressures. This provides the necessary headroom to maintain a lean cost base even as we continue to scale our balance sheet and strengthen our operations.

Economic outlook

The Icelandic economy has faced significant headwinds over the past two years, with negligible GDP growth recorded since autumn 2023. This is largely attributable to persistent challenges in the export sector.

Despite these pressures, the economy has demonstrated remarkable resilience. Private consumption and capital formation have seen strong growth, NPL ratios remain near historical lows, and the króna has held steady. This resilience is thanks to concerted efforts to reduce internal and external imbalances over the last decade. Aggressive deleveraging following the Global Financial Crisis has equipped households and businesses with healthy balance sheets, characterised by high accumulated savings and low leverage. Additionally, the external position of the economy remains benign, both in terms of the balance of payments and net international investment position.

While there has been some apprehension regarding "stagflation" - with inflation hovering above the Central Bank's 4% threshold during a period of low growth - we expect this to be transitory. In effect, we expect the economic slowdown to act as a self-correcting mechanism, leading inflationary pressures to unwind in the coming months.

The Central Bank of Iceland has already lowered rates by 200 basis points since autumn 2024. Continued disinflation and a widening output gap should provide scope for further policy easing this year. A downward-sloping yield curve indicates that markets anticipate continued normalisation of the policy stance, with rates becoming less restrictive in the coming quarters. Lower interest rates will, ceteris paribus, support the Bank's operational outlook across both lending and investment services.

Despite the transient challenges noted above, Iceland's long-term economic outlook compares favourably among advanced economies. As Iceland weathers temporary export-driven headwinds, we expect continued resilience of households and businesses, progress on disinflation, and further

Capital adequacy and dividends

Kvika continues to maintain a strong capital position, significantly above regulatory requirements. At the end of December 2025, the Group's capital adequacy ratio was 26.8% and CET1 ratio was 23.9%. This compares to regulatory requirements of 17.9% and 12.9%, including capital buffers. In December, Iceland completed the implementation of Regulation (EU) No. 2024/1623 of the European Parliament and of the Council (CRR III). As of December 31 2025, CRR III has resulted in an approximate 17% decrease in the Bank's risk-weighted exposure amount.

At the end of December 2025, the MREL requirements, including the combined buffer requirement, are set at 28.3% of RWEA and 6.0% of the total exposure measure ("TEM"). The Group comfortably exceeded both at the end of Q4 with ratios of 58.5% and 34.1% respectively.

The BOD proposes that a dividend of 0.36 ISK per share for a total amount of ISK 1,566 million, taking into account treasury shares held by the Group, will be paid in the year 2026 on 2025 operations. The dividend payment amounts to 25% of Profit after tax for the year, which is in line with the Bank's dividend policy. Additionally, the BOD will consider distributing an extraordinary dividend or additional share buybacks later in the year or at the AGM. These further distributions will be considered provided that certain conditions are satisfied, including maintaining the Capital Adequacy Ratio (CAR) within the Bank's target range of 2–4% above regulatory requirements for the foreseeable future. In April 2025 the Bank paid a dividend amounting to ISK 23.1 billion, equivalent to ISK 5 per share.

Endorsement and Statement

by the Board of Directors and the CEO

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. in July 2025, the BOD suspended further share buybacks, until announcing in December 2025 that the Bank intended to complete share buybacks under the existing authorisation in the amount of ISK 1,125,207,500, as well as requesting an additional authorisation from the Financial Supervisory Authority of the Central Bank of Iceland for further buybacks in the amount of up to ISK 631,548,500. The buyback programme was formally resumed in January 2026.

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. The share capital reduction was carried out in April 2025.

Share capital and shareholders

The Bank's issued share capital amounted to ISK 4,631 million as at 31 December 2025 (31.12.2024: ISK 4,722 million). At the end of the year the Bank held ISK 214 million treasury shares (31.12.2024: ISK 62 million). The shares were acquired through a share buy-back programme. The net change in the Bank's issued share capital amounted to a reduction in nominal value of ISK 243 million during the year (ISK 59 million reduction during the year 2024).

The Bank had 2,776 shareholders at year-end 2025 (2024: 2,741), none of which held more than 10% of shares in the Bank (2024: 0). The ten largest shareholders are as follows:

Shareholder	31.12.2025	31.12.2024
Lifeyrissjóður verzlunarmanna	9.14%	9.17%
Lifeyrissjóður starfsmanna ríkisins A-deild	8.04%	7.93%
Gildi - lifeyrissjóður	7.86%	5.64%
Birta lifeyrissjóður	7.24%	5.58%
Stoðir hf.	5.07%	7.09%
Stapi lifeyrissjóður	2.96%	2.55%
Lífsverk lifeyrissjóður	2.76%	2.59%
Almenni lifeyrissjóðurinn	2.37%	2.33%
Frjálsi lifeyrissjóðurinn	2.66%	2.32%
Lifeyrissjóður starfsmanna ríkisins B-deild	1.49%	1.71%
	49.59%	46.92%

Further information about the shareholders of the Bank is provided in note 67.

Risk management

The objective of risk management is to promote a good and efficient culture of risk awareness within the Group and to increase the understanding of employees and management on the Group's risk taking, in addition to an assessment process related to risk and capital position. An emphasis is placed on being up to speed on the latest developments and adoption of rules related to risk management, such as regarding capital- and liquidity management. The Group faces various risks associated with its operations as a financial institution that arise from its day-to-day operations. Active risk management entails analysing risk, measuring it and taking actions to limit it, as well as monitoring risk factors across the Group. The Group's risk management and main operations are described in the notes accompanying the Consolidated Financial Statements. Refer to notes 42-58 on the analysis of exposure to various types of risk.

Corporate governance

Kvika is obliged to observe recognised corporate governance guidelines, pursuant to Par. 7 of Article 54 of Act No. 161/2002, on Financial Undertakings. The Bank complies with chapter VII of Act No. 161/2002 and with the Guidelines on Corporate Governance issued jointly in February 2021 by the Chamber of Commerce, Confederation of Icelandic Enterprise (SA) and Nasdaq Iceland. Kvika has three times been recognised as a company which has achieved excellence in corporate governance following a formal assessment based on the Icelandic Guidelines on Corporate Governance issued by the Icelandic Chamber of Commerce, Confederation of Icelandic Enterprise (SA) and Nasdaq Iceland, first in 2018, in 2021 and in 2024. The recognition applies for three years at a time unless there have been significant changes to the BOD or the ownership of the Bank. The BOD intends to have such an assessment carried out on a regular basis and maintain the aforementioned recognition. Additionally, Kvika complies with Guidelines of the European Banking Authority (EBA) on Internal Governance (EBA/GL/2021/05).

In accordance with the Bank's articles of association, five members and two alternate members are elected to the BOD each year at the annual general meeting. The eligibility of members of the BOD is subject to statutory law. It is the Bank's policy concerning election of the BOD that the BOD collectively has sufficient knowledge, competency and experience to understand the Bank's operations, including the main risk factors. The ratio of each gender of members of the BOD and alternate members shall be at least 40%. The election of BOD members and their eligibility is furthermore governed by the provisions of the Act on Public Limited Liability Companies No. 2/1995 and the Act on Financial Undertakings No. 161/2002. The Bank has a Nomination Committee which acts in compliance with the Bank's articles of association and the Procedural Rules of the Nomination Committee as approved by a shareholders' meeting.

The Bank's articles of association may be amended at lawfully convened shareholders' meetings, provided that the notice of the meeting specifies that proposals for such amendments are scheduled and outlines the main substance of the amendments. An amendment takes effect only if approved by at least 2/3 of the votes cast and by shareholders controlling at least 2/3 of the shares represented at the meeting. However, the provisions of the articles of association regarding the voting rights of shareholders and equality among them cannot be amended except with the consent of all the shareholders who are subject to the curtailment of rights, cf. paragraph 3 of Article 94 of the Act on Public Limited Liability Companies No. 2/1995.

Endorsement and Statement

by the Board of Directors and the CEO

The Board determines compensation for the CEO. The BOD emphasises good corporate governance and adherence to accepted guidelines on corporate governance. The Board has laid down comprehensive rules in which the authority of the Board is defined and its scope of work in conjunction with the CEO. They address e.g. the competence of Board members to participate in individual decisions, confidentiality and information disclosure between the CEO and the Board. All Board members are independent of the Bank and its major shareholders, and no executive directors are on the Board. The Bank aims to promote gender equality, and two out of five board members are women.

The BOD has delegated certain tasks to three separate subcommittees, the Risk Committee, Audit Committee and Remuneration Committee. The appointment of committee members shall always comply with currently applicable law. It is not permitted to appoint employees of the Bank to any subcommittee. Members shall have the necessary experience and knowledge for each committee's tasks according to applicable laws and rules. Each committee has incorporated procedural rules which have been confirmed by the BOD.

The BOD is responsible for the Group's risk management framework. It approves the Kvika Banki Group risk policy, which provides an efficient and transparent framework for managing risk and risk appetite in relation to identified risk factors.

The CEO reports to the Board and verifies the effectiveness of internal controls and risk management in the Consolidated Financial Statements. Internal controls and risk management applied in the preparation of the Consolidated Financial Statements are organised with a view to preventing any significant deficiencies in the accounting process. Kvika's BOD and control units regularly verify the effectiveness of internal controls and risk management.

The Risk Committee has an advisory and supervisory role for the Bank's BOD, among other things, in determining its risk policy and risk appetite. The Audit Committee is intended to play an advisory and supervisory role for the Bank's BOD by, among other things, ensuring the quality of financial statements and other financial information from the Bank and the independence of its auditors. The Audit Committee supervises accounting procedures and the effectiveness of internal controls as well as internal and external auditing. The Remuneration Committee has an advisory and monitoring role for the BOD in relation to remuneration in the Group and that they support its goals and interests.

The main aspects of internal and external control and the Bank's management in connection with the accounting process are described in detail in the Statement on the Corporate Governance of Kvika.

Further information about the Bank's corporate governance can be found in an appendix to these financial statements which contains a corporate governance statement. A copy of the statement is available on the Bank's website, www.kvika.is.

Sustainability and non-financial disclosure

Kvika conducted a double materiality assessment in the second half of 2024 in collaboration with a group of stakeholders to define Kvika's material sustainability factors. The results were used to develop a new sustainability strategy, which was approved by the Board of Directors in September 2025. Kvika's sustainability strategy is built around four focus areas: good corporate governance, employee wellbeing and success, responsible and trusted services, and sustainable finance and fintech. These focus areas are based on the Bank's material sustainability factors and sub-factors.

The sustainability strategy applies to the entire group based on Kvika's ownership policy for material subsidiaries. The Board of Directors of Kvika is responsible for the strategy, while the Sustainability Committee is responsible for its implementation. The CEO, who chairs the Sustainability Committee, is accountable for sustainability matters to the Board. Sustainability issues are regularly discussed by the Board, Executive Management, and relevant committees.

Kvika's Sustainability Committee is composed of the CEO of Kvika, few of the executive managers of the Bank and of Kvika Asset Management, and the Director of Sustainability. The Committee is responsible for the implementation and execution of the Sustainability Strategy, the Sustainability Risk Policy, as well as all aspects of the Group Risk Policy regarding sustainability risk.

The sustainability risk policy was revised during the year considering Kvika's material sustainability factors. Before, the Policy was limited to climate risks but now covers all material sustainability risks. The Board defines risk appetite for the sub-categories of sustainability risk, while relevant committees regularly review matters related to sustainability risk. Sustainability risk is also incorporated into the remuneration policy and the performance criteria of the employee bonus scheme.

In parallel with the refinement of Kvika's sustainability priorities the number of UN Sustainable Development Goals (SDGs) specifically targeted by Kvika was reduced from six to four, namely: Goal no. 5 on gender equality, Goal no. 9 on industry, innovation and infrastructure, Goal no. 13 on climate action, and Goal no. 17 on partnerships for the goals. Other sustainability objectives of Kvika are aligned with the focus areas of the sustainability strategy.

Total greenhouse gas emissions from Kvika's operations amounted to 333 tCO₂e in 2025 representing an 18% increase compared to previous year. Scope 1 emissions decreased by 48% while Scope 2 emissions increased by 17% and Scope 3 emissions by 32%. The emission increase can partly be attributed to more employee air travel and changes in the energy mix compared to the previous year as the environmental reporting now for the first time also includes the UK operations.

The total outstanding balance of green liabilities at year-end 2025 amounted to ISK 7,523 million, representing the total issuance of green bonds and deposits in Auður's green future accounts. Green liabilities have been allocated to projects related to the energy transition in transportation and environmentally friendly buildings. Kvika's green assets at year-end 2025 amounted to ISK 17,389 million. The Green Asset Ratio (GAR) in accordance with the EU Taxonomy Regulation is disclosed in an unaudited appendix to the annual financial statements.

Employee turnover among full-time employees of the Group was 7.4% in 2025. Women represent 38% of Kvika's workforce and 33% of the executive management. The gender pay gap at Kvika was 0.1% in favour of men, and 0.4% in favour of men at Kvika Asset Management.

Kvika operates a comprehensive and harmonised group-wide framework to prevent financial crime and ensure sound corporate governance. This framework comprises various policies, rules and procedures. In addition, regular anti-money laundering risk assessments are conducted, along with ongoing monitoring of suspicious activity, including the use of the artificial intelligence and analytics system Lucinity.

Endorsement and Statement

by the Board of Directors and the CEO

Kvika is publishing its sustainability report for the second time, with disclosure partly aligned to the European Sustainability Reporting Standards (ESRS) and the EU Corporate Sustainability Reporting Directive (CSRD). The objective is to establish a solid foundation and progress towards full compliance with ESRS and CSRD requirements.

Further information on the Bank's non-financial disclosures and sustainability matters can be found in Kvika's Sustainability Report for 2025, which is available on the Bank's website at www.kvika.is.

Deloitte provides limited assurance on selected data points in the Sustainability report and on the disclosures included in the impact and allocation report under Kvika's Green Financing Framework.

Statement by the Board of Directors and the CEO

The Consolidated Financial Statements of Kvika banki hf. for the year 2025 have been prepared in accordance with International Financial Reporting Standards 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 Consolidated Financial Statements give a true and fair view of the Group's assets, liabilities and financial position as at 31 December 2025 and the financial performance of the Group and changes of cash flows for the year 2025. Furthermore, in our opinion the 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.

In our opinion, the Consolidated Financial Statements of Kvika banki hf. for the year 2025 identified as "254900WR3I1Z9NPC7D84-2025-12-31-en.xbrl" are prepared in all material respects, in compliance with the European Single Electronic Format Regulation (ESEF).

The Board of Directors and the CEO of the Bank have today discussed the Consolidated Financial Statements for the year 2025 and confirmed them by the means of their signatures.

Reykjavík, 11 February 2026.

Board of Directors

Sigurður Hannesson, Chairman

Helga Kristín Auðunsdóttir, Deputy Chairman

Ingunn Svala Leifsdóttir

Guðjón Reynisson

Páll Harðarson

Chief Executive Officer

Ármann Þorvaldsson

The Consolidated Financial Statements of Kvika banki hf. for the year ended 31 December 2025 are electronically certificated by the Board of Directors and the CEO.

Independent Auditor's Report

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

Opinion

We have audited the Consolidated Financial Statements of Kvika banki hf. for the year ended December 31, 2025 which comprise, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of Kvika banki hf. as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements, as applicable, in the Act on Annual Accounts, the Act on Financial Undertakings and rules on accounting for credit institutions.

Our opinion in this report on the 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of Kvika banki hf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA.

Based on the best of our knowledge and belief, no prohibited services referred to in the EU Audit Regulation 537/2014 Article 5.1 has been provided.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in our audit
Impairment charges for loans Book value of loans to customers amounted to ISK 207,560 million at year end (2024: ISK 150,203 million) and the total expected credit loss for the group amounted to ISK 2,345 million (2024: ISK 2,345 million) against loans at amortized cost, unused credit facilities and guarantees at 31 December 2025. Measurement of loan impairment charges for loans and provisions for guarantees is deemed a key audit matter as the determination of assumptions for expected credit losses is highly subjective due to the level of judgement applied by Management. The most significant judgements are: <ul style="list-style-type: none">• Timely identification of exposures with significant increase in credit risk and credit impaired exposures.• Valuation of collateral and assumptions of future cash flows on manually assessed credit-impaired exposures.• Post-model adjustments for particular high-risk exposures, which are not appropriately captured in the expected credit loss model.• Assumptions used in the expected credit loss models to incorporate macroeconomic uncertainties. Management has provided further information about expected credit losses and provisions for guarantees in notes 21, 46 and 82 to the Consolidated Financial Statements.	Based on our risk assessment and industry knowledge, we have examined the impairment charges for loans and provisions for undrawn loan commitments and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter. During our audit we have evaluated whether the Groups expected credit loss models are compliant to IFRS 9. Our examination included the following elements: <ul style="list-style-type: none">• Testing of key controls over assumptions used in the expected credit loss models.• Obtaining and substantively testing the evidence behind valuation of collateral with particular focus on post-model adjustments applied to collateral value.• Substantively testing the PD models, related methodology and how they have been applied in the expected credit loss models.• Testing the appropriateness of forward looking information and how they have been applied in the expected credit loss models. We have reviewed the disclosures to the Consolidated Financial statements to confirm compliance with IFRS.

Independent Auditor's Report

Other information

The Board of Directors and the CEO are responsible for the other information. Other information comprises the report of board of directors, Statement on the Corporate Governance and Non-Financial information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except the confirmation regarding report of the board of directors as stated below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with Paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the accompanying report of the board of directors includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the financial statements.

Responsibilities of the Board of Directors and the CEO for the Consolidated Financial Statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act, and for such internal control as the Board of Directors and the CEO determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Board of Directors and the CEO are responsible for assessing Kvika banki hf.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and the CEO either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The board of directors and the audit committee are responsible for overseeing the Kvika banki hf. financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kvika banki hf.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated and Separate Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

In addition to our work as the auditors of Kvika banki hf., Deloitte has provided the firm with permitted additional services such as review of interim financial statements, other assurance engagements and consultation on tax matters. Deloitte has in place internal procedures in order to ensure its independence before acceptance of additional services. Deloitte has provided to the audit committee written confirmation that Deloitte is independent of Kvika banki hf.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on European single electronic format (ESEF Regulation)

As part of our audit of the Consolidated Financial Statements of Kvika banki hf. we performed procedures to be able to issue an opinion on whether the Consolidated Financial Statements of Kvika banki hf. for the year 2025 with the file name „254900WR3I1Z9NPC7D84-2025-12-31-en.zip“ is prepared, in all material respects, in compliance with laws no. 20/2021 disclosure obligation of issuers of securities and the obligation to flag relating to requirements regarding European single electronic format regulation EU 2019/815 which include requirements related to the preparation of the Consolidated Financial Statements in XHTML format and XBRL markup.

Management is responsible for preparing the Consolidated Financial Statements in compliance with laws no. 20/2021 disclosure obligation of issuers of securities and the obligation to flag. This responsibility includes preparing the Consolidated Financial Statements in a XHTML format in accordance to EU regulation 2019/815 on the European single electronic format (ESEF regulation).

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the Consolidated Financial Statements is prepared in all material respects, in compliance with the ESEF Regulation, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirement set out in the ESEF regulation, whether due to fraud or error.

In our opinion, the Consolidated Financial Statements of Kvika banki hf. for the 2025 with the file name „254900WR3I1Z9NPC7D84-2025-12-31-en.xbri“ is prepared, in all material respects, in compliance with the ESEF Regulation.

Deloitte was appointed auditor of Kvika banki hf. by the general meeting of shareholders on March 26th 2025. Deloitte have been elected since the general meeting 2016.

Kópavogur, 11 February 2026.

Deloitte ehf.

Guðmundur Ingólfsson

State Authorized Public Accountant

The Consolidated Financial Statements of Kvika banki hf. for the year ended 31 December 2025 are electronically certificated by the auditor.

Consolidated Income Statement

For the year 2025

	Notes	Q4 2025	Q4 2024	2025	2024
Interest income		7,307	6,805	29,895	28,865
Interest expense		(4,242)	(4,307)	(17,999)	(19,184)
Net interest income	5	3,065	2,498	11,896	9,681
Fee and commission income		1,442	1,765	6,901	6,788
Fee and commission expense		(177)	(164)	(610)	(651)
Net fee and commission income	6	1,265	1,601	6,291	6,137
Net financial income	7	481	507	926	1,054
Share in profit of associates, net of income tax	27	15	16	37	41
Other operating income		146	44	261	271
Other net operating income		642	567	1,223	1,367
Net operating income		4,972	4,666	19,411	17,184
Administrative expenses	9-12	(3,263)	(2,864)	(12,074)	(10,608)
Net impairment	13	(175)	(91)	(515)	(605)
Revaluation of contingent consideration	14	(12)	(110)	(604)	(154)
Profit before taxes from continuing operations		1,522	1,601	6,217	5,817
Income tax	15	(209)	(45)	(1,423)	(766)
Special tax on financial activity	16	20	18	(113)	(109)
Special tax on financial institutions	17	(67)	(47)	(319)	(252)
Profit for the year from continuing operations		1,266	1,528	4,363	4,690
Discontinued operations					
Profit after tax from discontinued operations	3	-	1,919	1,901	3,460
Profit for the year		1,266	3,447	6,264	8,150

	Notes	Q4 2025	Q4 2024	2025	2024
Attributable to the shareholders of Kvika banki hf.		1,269	3,447	6,267	8,143
Attributable to non-controlling interest	26	(3)	-	(3)	7
Profit for the year		1,266	3,447	6,264	8,150
Earnings per share	18				
Basic earnings per share (ISK per share)		0.29	0.74	1.39	1.73
Diluted earnings per share (ISK per share)		0.29	0.74	1.39	1.73

Quarterly information is unaudited.

The notes on pages 17 to 74 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year 2025

	Notes	Q4 2025	Q4 2024	2025	2024
Profit for the year		1,266	3,447	6,264	8,150
Changes in fair value of financial assets through OCI, net of tax	99	241	197	347	
Realized net loss transferred to the Income Statement, net of tax	(12)	(14)	7	1	
Changes to reserve for financial assets at fair value through OCI	88	227	203	347	
Exchange difference on translation of foreign operations	73	(59)	(39)	(7)	
Other comprehensive income that is or may be reclassified subsequently to profit and loss	161	168	164	340	
Total comprehensive income for the year		1,427	3,615	6,428	8,490

	Notes	Q4 2025	Q4 2024	2025	2024
Attributable to the shareholders of Kvika banki hf.	1,430	3,615	6,431	8,484	
Attributable to non-controlling interest	(3)	-	(3)	7	
Total comprehensive income for the year		1,427	3,615	6,428	8,490

Quarterly information is unaudited.

The notes on pages 17 to 74 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 31 December 2025

Assets	Notes	31.12.2025	31.12.2024*
Cash and balances with Central Bank	19	20,145	18,593
Loans to credit institutions	20	8,154	11,530
Loans to customers	21	207,560	150,203
Fixed income securities	22	44,522	64,795
Shares and other variable income securities	23	20,663	5,432
Securities used for hedging	24	6,695	12,601
Derivatives	25	3,250	1,197
Investment in associates	27	117	113
Intangible assets	28	21,130	21,693
Operating lease assets	29	361	215
Property and equipment		402	543
Deferred tax assets	15, 30	939	2,273
Other assets	31	9,174	7,704
Assets classified as held for sale	3	-	57,702
Total assets		343,112	354,594
Liabilities			
Deposits	50	172,787	163,378
Borrowings	32	6,806	14,390
Issued bonds	33	73,249	37,123
Subordinated liabilities	34	5,841	5,629
Short positions held for trading	35	433	153
Short positions used for hedging	36	432	42
Derivatives	25	773	2,932
Deferred tax liabilities	30	257	466
Other liabilities	37	13,599	13,635
Liabilities associated with assets classified as held for sale	3	-	27,329
Total liabilities		274,177	265,077
Equity			
Share capital	38	4,417	4,660
Share premium		43,119	46,750
Other reserves		4,376	9,357
Retained earnings		16,948	28,672
Total equity attributable to the shareholders of Kvika banki hf.		68,859	89,439
Non-controlling interest	26	76	79
Total equity		68,935	89,517
Total liabilities and equity		343,112	354,594

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

The notes on pages 17 to 74 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year 2025

1 January 2025 to 31 December 2025	Notes	Other reserves							Total share-holders' equity	Non-controlling interest	Total equity	
		Share capital	Share premium	Option reserve	Deficit reduction reserve	Fair value reserve	Trans-lation reserve	Restricted retained earnings				
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 year									6,267	6,267	(3)	6,264
Changes in fair value of financial assets through OCI						197				197		197
Realized net loss transferred to the Income Statement						7				7		7
Translation of foreign operations												
Exchange difference on translation of foreign operations							(39)			(39)	-	(39)
Total comprehensive income for the year		-	-	-	-	203	(39)		6,267	6,431	(3)	6,428
Restricted due to subsidiaries and associates						220		(5,306)	5,086	-		-
Restricted due to development costs								44	(44)	-		-
Transactions with owners of the Bank												
Treasury shares acquired as part of a buy-back programme		(243)	(3,632)							(3,875)		(3,875)
Dividend paid to shareholders									(23,135)	(23,135)		(23,135)
Stock options	66			(102)					102	-		-
Equity as at 31 December 2025		4,417	43,119	7	1,204	(160)	40	3,285	16,948	68,859	76	68,935

The notes on pages 17 to 74 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year 2024

1 January 2024 to 31 December 2024	Notes	Other reserves							Total share-holders' equity	Non-controlling interest	Total equity	
		Share capital	Share premium	Option reserve	Deficit reduction reserve	Fair value reserve	Trans-lation reserve	Restricted retained earnings				
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 year									8,143	8,143	7	8,150
Changes in fair value of financial assets through OCI						347				347		347
Realized net loss transferred to the Income Statement						1				1		1
Translation of foreign operations												
Exchange difference on translation of foreign operations							(7)			(7)	-	(7)
Total comprehensive income for the year		-	-	-	-	347	(7)		8,143	8,484	7	8,490
Restricted due to subsidiaries and associates								4,745	(4,745)	-	-	-
Restricted due to development costs								6	(6)	-	-	-
Transactions with owners of the Bank												
Treasury shares acquired as part of a buy-back programme		(64)	(936)							(1,000)		(1,000)
Stock options	66			(60)					103	43		43
Stock options exercised		2	25	(5)	-	-	-	-	5	26		26
Equity as at 31 December 2024		4,660	46,750	109	1,204	(583)	79	8,547	28,672	89,439	79	89,517

The notes on pages 17 to 74 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year 2025

Cash flows from operating activities	Notes	2025	2024*
Profit for the year		6,264	8,150
Adjustments for:			
Indexation and exchange rate difference	40	6	
Share in profit of associates, net of income tax	(37)	(41)	
Depreciation and amortisation	1,348	1,106	
Net interest income	(11,896)	(9,681)	
Net impairment	515	605	
Income tax and special tax on financial activity and institutions	1,854	1,128	
Adjustment relating to assets held for sale	(1,901)	(3,488)	
Other adjustments	-	43	
		(3,812)	(2,173)
Changes in:			
Loans to credit institutions	1,752	(777)	
Loans to customers	(59,289)	(11,224)	
Fixed income securities	17,497	750	
Shares and other variable income securities	(144)	(5,246)	
Securities used for hedging	5,906	4,251	
Derivatives - assets	(2,053)	1,301	
Operating lease assets	(199)	225	
Other assets	(1,430)	(444)	
Deposits	9,019	20,413	
Insurance contract liabilities	368	2,361	
Short positions	670	59	
Derivatives - liabilities	(2,304)	713	
Other liabilities	(190)	(2,690)	
		(30,398)	9,693
Interest received	28,978	27,993	
Interest paid	(17,414)	(18,851)	
Income tax paid	(452)	(614)	
Net cash (to) from operating activities		(23,098)	16,048
Cash flows from investing activities			
Additions of intangible assets	28	(329)	(608)
Net acquisition and sale of property and equipment		72	(91)
Dividend from associates		36	20
Disposal of subsidiary and associates, net of cash		31,825	1,238
Net cash from investing activities		31,605	558
Cash flows from financing activities			
Borrowings		(5,313)	(2,072)
Issued bonds		36,126	(8,592)
Subordinated loans		-	(300)
Acquired own shares		(3,875)	(1,000)
Sale of own shares due to share options		-	26
Dividend paid to shareholders		(23,135)	-
Repayment of lease liabilities		(382)	(408)
Net cash from (to) financing activities		3,421	(12,346)
Net change in cash and cash equivalents		11,927	4,260
Cash and cash equivalents at the beginning of the year		22,500	20,852
Effects of exchange rate fluctuations on cash and cash equivalents		556	(539)
Cash and balances with Central Bank at the end of the year, including asset held for sale		34,984	24,572
Cash and cash equivalents due to assets held for sale		2,072	(2,072)
Cash and cash equivalents at the end of the year	19	37,056	22,500
Cash and cash equivalents			
Cash and balances with Central Bank	19	20,145	18,593
Restricted balances with Central Bank - fixed reserve requirement	19	(6,203)	(5,819)
Loans to credit institutions - Bank accounts	20	8,102	9,726
Unit shares in cash equivalent liquidity funds	23	15,013	-
Cash and cash equivalents at the end of the year		37,056	22,500

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

The notes on pages 17 to 74 are an integral part of these Consolidated Financial Statements.

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Notes to the 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 Consolidated Financial Statements for the year ended 31 December 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 with operations in Iceland and the United Kingdom. Kvika does not operate traditional branches but delivers its services primarily online, offering a wide range of solutions in asset management, payments, and banking for individuals, businesses and investors.

The Consolidated Financial Statements were approved and authorised for issue by the Board of Directors and the CEO on 11 February 2026.

2. Basis of preparation

a. Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), 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 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;
- share-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 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 31 December 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 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 ongoing 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 Consolidated Financial Statements is provided in note 109.

f. Relevance and importance of notes to the reader

In order to enhance the informational value of the 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.

Notes to the Consolidated Financial Statements

2. Basis of preparation (cont.)

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, 12m 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:

	Restated		
	31.12.2024	Reclassified	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

	Restated		
	12m 2024	Reclassified	12m 2024
Lines in the Consolidated Statement of Cash Flows			
Loans to credit institutions	-	(777)	(777)
Other assets	773	(1,216)	(444)
Cash and balances with Central Bank at the beginning of the year	24,677	(3,825)	20,852
Cash and cash equivalents at the end of the year	28,319	(5,819)	22,500

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 68.

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

	28.2.2025	31.12.2024
Assets		
Cash and balances with Central Bank	391	2,072
Fixed income securities	25,551	21,065
Shares and other variable income securities	18,567	20,608
Intangible assets	12,350	12,350
Other assets	1,796	1,608
Assets classified as held for sale	58,655	57,702
Liabilities		
Insurance contract liabilities	26,477	25,302
Deferred tax liabilities	561	605
Other liabilities	1,367	1,422
Liabilities associated with assets classified as held for sale	28,405	27,329
Eliminations with the Group	-	(55)
Net assets directly associated with disposal group	30,250	30,318

Notes to the Consolidated Financial Statements

3. Discontinued operations (cont.)

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

	31.12.2025	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	0	30,318

The loss after tax of the disposed entity for the period 1 January to 28 February 2025 amounted to ISK 138 million and is included in profit after tax from discontinued operations.

The net cash flows incurred by the discontinued operations are as follows:

	2025	2024
	1.1.-28.2	1.1.-31.12
Operating	1,058	5,161
Investing	(2,739)	(4,077)
Financing	0	(1)
Net cash inflow/(outflow)	(1,681)	1,083

Cash and cash equivalents of the subsidiary that left the Group at disposal

391 0

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 year 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 year 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 Orts Secured Finance Ltd, as well as the Bank's lending to customers in the UK. UK operations is the only geographic area outside of Iceland where the Group operates and for the year 2025 it accounted for 19.8% (2024: 17.4%) 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.

Notes to the Consolidated Financial Statements

4. Business segments (cont.)

2025	Asset	Commercial	Investment	UK	Supporting		Total
	Management	Banking	Banking	operations	Treasury	units	
Net interest income	(6)	5,084	2,777	2,376	1,691	(27)	11,896
Net fee and commission income	2,206	1,549	1,807	648	93	(11)	6,291
Net financial income	98	2	(117)	813	131	(0)	926
Share in profit of associates	-	-	-	-	-	37	37
Other operating income	53	138	9	8	43	9	261
Net operating income	2,351	6,772	4,476	3,846	1,958	7	19,411
Salaries and related expenses	(1,132)	(1,014)	(925)	(877)	(296)	(2,720)	(6,965)
Other operating expenses	(122)	(1,939)	(211)	(416)	(167)	(2,254)	(5,109)
Administrative expenses	(1,254)	(2,953)	(1,137)	(1,293)	(463)	(4,974)	(12,074)
Net impairment	0	(282)	(155)	(79)	1	-	(515)
Revaluation of contingent consideration	(24)	-	-	(580)	-	-	(604)
Cost allocation	(682)	(1,481)	(882)	(214)	(334)	3,592	-
Profit (loss) before tax from continuing operations	392	2,057	2,302	1,680	1,162	(1,375)	6,217
Net segment revenue from external customers	2,336	1,338	8,709	5,420	1,322	285	19,411
Net segment revenue from other segments	15	5,434	(4,233)	(1,575)	636	(278)	-
2024	Asset	Commercial	Investment	UK	Supporting		Total
	Management	Banking	Banking	operations	Treasury	units	
Net interest income	(18)	4,844	1,954	1,792	1,147	(38)	9,681
Net fee and commission income	2,457	1,536	1,399	623	120	0	6,137
Net financial income	96	(6)	292	554	122	(4)	1,054
Share in profit of associates	-	41	-	-	-	-	41
Other operating income	33	218	-	13	-	7	271
Net operating income	2,568	6,634	3,645	2,982	1,389	(34)	17,185
Salaries and related expenses	(1,030)	(979)	(855)	(748)	(245)	(2,588)	(6,445)
Other operating expenses	(78)	(1,695)	(185)	(413)	(102)	(1,688)	(4,162)
Administrative expenses	(1,108)	(2,674)	(1,040)	(1,161)	(348)	(4,276)	(10,608)
Net impairment	(3)	(343)	(90)	(169)	(1)	-	(605)
Revaluation of contingent consideration	(5)	-	-	(149)	-	-	(154)
Cost allocation	(730)	(1,548)	(832)	(162)	(297)	3,570	-
Profit (loss) before tax from continuing operations	723	2,069	1,682	1,341	743	(740)	5,818
Net segment revenue from external customers	2,610	159	7,583	4,534	2,314	(15)	17,185
Net segment revenue from other segments	(41)	6,475	(3,938)	(1,552)	(925)	(19)	-

Notes to the Consolidated Financial Statements

Income statement

5. Net interest income

Interest income is specified as follows:

	Q4 2025	Q4 2024	2025	2024
Cash and balances with Central Bank	473	382	2,002	2,198
Loans to credit institutions	10	43	481	154
Loans to customers	5,792	4,692	21,707	19,538
Derivatives	141	392	1,703	2,779
Fixed income securities (FVOCI)	765	1,288	3,724	4,186
Other interest income	125	8	280	9
Total	7,307	6,805	29,895	28,865

Interest expense is specified as follows:

	Q4 2025	Q4 2024	2025	2024
Deposits	2,368	2,690	10,083	11,059
Borrowings	589	678	2,371	2,744
Issued bonds	985	696	3,782	3,332
Subordinated liabilities	98	88	560	597
Derivatives	132	142	1,094	1,396
Other interest expense*	71	13	109	57
Total	4,242	4,307	17,999	19,184

Net interest income 3,065 2,498 11,896 9,681

* Thereof are lease liabilities' interest expense amounting to ISK 37 million (2024: ISK 54 million).

Total interest income recognised in respect of financial assets not carried at fair value through profit or loss amounts to ISK 24,437 million (2024: ISK 21,772 million). Total interest expense recognised in respect of financial liabilities not carried at fair value through profit or loss amounts to ISK 16,905 million (2024: ISK 17,788 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.

	Q4 2025	Q4 2024	2025	2024
Asset Management	434	659	2,157	2,401
Capital markets and corporate finance	267	394	1,566	1,419
Cards and payment solutions	194	159	748	602
Loans and guarantees	510	464	2,063	2,084
Other fee and commission income	36	89	366	281
Total fee and commission income	1,442	1,765	6,901	6,788
Fee and commission expense	(177)	(164)	(610)	(651)
Net fee and commission income	1,265	1,601	6,291	6,137

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.

In the fourth quarter, the Group reclassified retrospectively a portion of the fees that had been recorded as other fee and commission income during the first three quarters of 2025. The reclassification primarily resulted in a decrease in other fee and commission income and an increase in fee income related to loans and guarantees.

Notes to the Consolidated Financial Statements

7. Net financial income

Net financial income is specified as follows:

	Q4 2025	Q4 2024	2025	2024
Net (loss) gain on financial assets and financial liabilities mandatorily measured at fair value through profit or loss				
Fixed income securities	133	87	420	310
Financial assets at fair value through OCI	15	17	(8)	(1)
Shares and other variable income securities	395	356	848	354
Derivatives	1	7	41	460
Loans to customers	19	5	(62)	(62)
Loss on prepayments of borrowings	(190)	-	(273)	-
Foreign currency exchange difference	108	34	(40)	(6)
Total	481	507	926	1,054

8. Foreign currency exchange difference

Foreign currency exchange difference is specified as follows:

	Q4 2025	Q4 2024	2025	2024
Gain (loss) on financial instruments at fair value through profit and loss	674	(13)	2,003	(1,326)
(Loss) gain on other financial instruments	(566)	47	(2,044)	1,319
Total	108	34	(40)	(6)

9. Administrative expenses

Administrative expenses are specified as follows:

	Q4 2025	Q4 2024	2025	2024
Salaries and related expenses	1,939	1,705	6,965	6,445
Other operating expenses	1,040	871	3,761	3,056
Depreciation and amortisation	241	231	1,140	872
Depreciation of right of use asset	42	57	208	234
Total	3,263	2,864	12,074	10,608

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:

	Q4 2025	Q4 2024	2025	2024
Salaries	1,314	1,170	4,848	4,574
Performance based payments excluding share-based payments	194	170	627	478
Share-based payment expenses	-	7	-	33
Pension fund contributions	218	186	709	642
Tax on financial activity	90	79	290	273
Other salary related expenses	124	93	491	447
Total	1,939	1,705	6,965	6,445
Average number of full time employees during the year	250	251	249	247
Total number of full time employees at year-end	250	253	250	253

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%).

Notes to the Consolidated Financial Statements

11. Employment terms of the Board of Directors and management

Salaries and benefits paid to the Board of Directors, the CEO, Managing Directors, including the Deputy CEO, and other key employees of the Bank for their work for companies within the Group are specified as follows:

Remuneration to the Board of Directors	2025			2024		
	Board and committee remunerat.	Pension contribut-ion	Total	Board and committee remunerat.	Pension contribut-ion	Total
Sigurður Hannesson, Chairman of the Board and member of the Risk and Remuneration committees	20	3	23	21	3	24
Helga Kristín Auðunsdóttir, Deputy Chairman of the Board, member of the Audit and the Remuneration committees	16	2	19	21	3	24
Guðjón Karl Reynisson, Board member and chairperson of the Remuneration committee	11	2	13	13	2	15
Ingunn Svala Leifsdóttir, Board member, chairperson of the Audit committee and member of the Risk committee	14	2	16	16	2	18
Páll Harðarson, Board member and chairperson of the Risk committee	8	1	9	-	-	-
Sigurgeir Guðlaugsson, former Board member and former member of the Risk committee	3	0	4	4	0	4
Helga Jóhanna Oddsdóttir, former alternate Board member	1	0	1	1	0	1
Guðmundur Þórðarson, former Board member and former chairperson of the Risk committee	-	-	-	13	2	15
Total	73	11	84	88	13	101

Remuneration to the CEO, executive committee and other key employees	2025			2024		
	Salaries and benefits	Performance based payments	Pension contribut-ion	Salaries and benefits	Performance based payments	Pension contribut-ion
			Total			Total
Ármann Þorvaldsson, CEO	60	12	11	83	60	9
Managing Directors (2025: 7 (on average 7), 2024: 8 (on average: 7.6))	318	48	51	416	259	33
Former Managing Directors (2025: 0 (on average 0), 2024: 1 (on average: 0.5))	-	-	-	25	-	4
Other key employees (2025:2, 2024:2)	54	-	8	62	49	-
Expensed notice payments	-	-	-	60	-	9
Total	431	60	70	560	452	42
						70
						565

Besides the CEO, the following were a part of the Bank's executive committee during 2025: i) Anna Rut Ágústsdóttir, Deputy CEO (from January 2026) and MD Operations and Development, ii) Eiríkur Magnús Jansson, CFO, iii) Halldór Snæland, MD of Commercial Banking, iv) Bjarni Egvinds, MD Investment Banking, v) Lilja Jensen, General Counsel, vi) Úlfsíða G. Björnsdóttir, MD Risk Management and vii) Guðmundur Þórðarson, MD Business Development.

Expensed notice payments include payments during notice period for the members of executive committee and other key employees, as applicable, which left the Group during the respective year.

The Bank has adopted a remuneration policy which covers three remuneration components, base pay, performance based incentive scheme and other benefits, including pension fund contributions. Further information about the remuneration policy is provided in notes 64-66.

The members of the BOD owned, or controlled, 21,440 thousand shares at year-end 2025. The CEO owned, or controlled, 4,842 thousand shares in the Bank at year-end 2025. The members of the executive committee owned, or controlled, 67,467 thousand shares and options for 1,366 thousand shares at year-end 2025.

12. Auditor's fees

Remuneration to the Group's auditors is specified as follows:

	2025	2024
Audit of annual accounts	139	189
Review of interim accounts	27	31
Other audit related services	11	25
Total	178	244
Thereof to the auditors of the Bank	154	180

The table above shows fees paid to Deloitte and other component auditors. Total fee paid to other component auditors for the year 2025 amounts to ISK 23 million (2024: ISK 65 million).

Notes to the Consolidated Financial Statements

13. Net impairment

	Q4 2025	Q4 2024	2025	2024
Net change in impairment of loans	(179)	(91)	(511)	(599)
Net change in impairment of other assets	(0)	(1)	(7)	(4)
Net change in impairment of loan commitments, guarantees and unused credit facilities	4	1	2	(2)
Total	(175)	(91)	(515)	(605)

14. 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 year 2025. The revaluation led to an expense of ISK 24 million.

15. 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 2025, the tax loss carry forward of the Group amounted to ISK 6.6 billion. A substantial part of the tax loss carry forward is utilisable until end of year 2028. Management is of the opinion that the Group's operations in the years to come will result in taxable results which will be offset with the tax loss carry forward. The Group has therefore recognised the tax loss carry forward as a deferred tax asset in the Consolidated Statement of Financial Position.

Income tax is recognised based on the tax rates and tax laws enacted during the current year, according to which the domestic corporate income tax rate was 20.0% (2024: 21.0%). Companies within the Group, which operate outside of Iceland, recognise income tax in accordance with the applicable tax laws in the country they reside.

Reconciliation of effective tax rate:

	2025	2024
Profit before tax	6,217	5,817
Income tax using the domestic corporation tax rate	20.0%	(1,243)
Different tax rates	(0.1%)	5
Effect of tax rates in foreign jurisdictions	1.0%	(63)
Non-deductible expenses	0.3%	(16)
Tax exempt revenues / loss	3.3%	(205)
Other changes	(1.6%)	100
Effective income tax rate	22.9%	(1,423)
Special tax on financial activity	1.8%	(113)
Effective tax rate	24.7%	(1,536)

Profit before tax amounts to ISK 6,217 million. Income tax amounts to ISK 1,423 million, resulting in an effective income tax rate of 22.9%. This is substantially different from the Icelandic corporate tax rate of 20%, mainly due to non-taxable income from shares. Special tax on financial activity amounts to ISK 113 million, resulting in an effective tax rate of 24.7%.

16. Special tax on financial activity

The special tax on financial activity is an additional income tax which becomes effective when the income tax base exceeds ISK 1,000 million. It is levied on the same entities as the tax on financial activity according to Act No. 90/2003. The tax rate is set at 6.0% (2024: 6.0%) and the tax is not a deductible expense for income tax purposes. The tax is presented separately in the Consolidated Income Statement.

17. Special tax on financial institutions

According to Act No. 155/2010 on Special Tax on Financial Institutions, certain types of financial institutions, including banks, must pay annually a tax based on the carrying amount of their liabilities as determined for tax purposes in excess of ISK 50 billion at year-end. The tax rate is set at 0.145% (2024: 0.145%) and the tax is not a deductible expense for income tax purposes. The tax is presented separately in the Consolidated Income Statement.

Notes to the Consolidated Financial Statements

18. 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	
	2025	2024	2025	2024	2025	2024
Net earnings attributable to equity holders of the Bank	4,366	4,683	1,901	3,460	6,267	8,143
Weighted average number of outstanding shares	4,496	4,698	4,496	4,698	4,496	4,698
Adjustments for stock options	1	-	1	-	1	-
Total	4,497	4,698	4,497	4,698	4,497	4,698
Basic earnings per share (ISK)	0.97	1.00	0.42	0.74	1.39	1.73
Diluted earnings per share (ISK)	0.97	1.00	0.42	0.74	1.39	1.73
	Q4 2025	Q4 2024	Q4 2025	Q4 2024	Q4 2025	Q4 2024
Net earnings attributable to equity holders of the Bank	1,269	1,528	-	1,919	1,269	3,447
Weighted average number of outstanding shares	4,417	4,658	4,417	4,658	4,417	4,658
Adjustments for stock options	1	-	1	-	1	-
Total	4,418	4,658	4,418	4,658	4,418	4,658
Basic earnings per share (ISK)	0.29	0.33	-	0.41	0.29	0.74
Diluted earnings per share (ISK)	0.29	0.33	-	0.41	0.29	0.74

Notes to the Consolidated Financial Statements

Statement of Financial Position

19. Cash and balances with Central Bank

Cash and balances with Central Bank are specified as follows:

	31.12.2025	31.12.2024
Deposits with Central Bank	13,929	12,759
Cash on hand	12	16
Included in cash and cash equivalents	13,941	12,774
Restricted balances with Central Bank - fixed reserve requirement	6,203	5,819
Total	20,145	18,593

20. Loans to credit institutions

Loans to credit institutions are specified as follows:

	31.12.2025	31.12.2024
Bank accounts	8,102	9,726
Other loans	52	1,804
Total	8,154	11,530

21. Loans to customers

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

	Individuals		Corporates		Total	
	Gross carrying amount	Book value	Gross carrying amount	Book value	Gross carrying amount	Book value
31.12.2025						
Loans to customers at amortised cost	64,981	64,090	141,030	139,593	206,012	203,683
Loans to customers at FV through profit or loss	-	-	3,877	3,877	3,877	3,877
Total	64,981	64,090	144,907	143,470	209,889	207,560

	Individuals		Corporates		Total	
	Gross carrying amount	Book value	Gross carrying amount	Book value	Gross carrying amount	Book value
31.12.2024						
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 31 December 2025, the book value of finance lease receivables amounted to ISK 23,175 million (31.12.2024: ISK 22,866 million).

22. Fixed income securities

Fixed income securities are specified as follows:

	31.12.2025	31.12.2024
Mandatorily measured at fair value through profit or loss		
Listed government bonds and bonds with government guarantees	1,793	2,714
Listed bonds	2,425	2,189
Unlisted bonds	1,436	722
Measured at fair value through other comprehensive income		
Listed government bonds and bonds with government guarantees	37,473	54,256
Listed treasury bills	-	3,453
Listed bonds	1,394	1,459
Total	44,522	64,795

Notes to the Consolidated Financial Statements

23. Shares and other variable income securities

Shares and other variable income securities are specified as follows:

	31.12.2025	31.12.2024
Mandatorily measured at fair value through profit or loss		
Listed shares	996	1,101
Unlisted shares	3,097	3,069
Unit shares in cash equivalent liquidity funds	15,013	-
Unlisted unit shares	1,558	1,262
Total	20,663	5,432

24. Securities used for hedging

Securities used for hedging are specified as follows:

	31.12.2025	31.12.2024
Listed government bonds and bonds with government guarantees	938	1,905
Listed bonds	320	584
Listed shares	5,353	9,669
Unlisted unit shares	84	442
Total	6,695	12,601

25. Derivatives

Derivatives are specified as follows:

	Notional		Carrying amount	
	Assets	Liabilities	Assets	Liabilities
31.12.2025				
Interest rate derivatives	29,496	29,476	685	-
Cross - currency interest rate swaps	65,265	55,477	1,037	6
Currency forwards	4,890	4,868	29	15
Currency forwards used for hedge accounting	-	8,745	156	-
Bond and equity total return swaps	8,100	7,510	1,020	429
Equity options	2,034	2,034	323	323
Total	109,785	108,109	3,250	773
31.12.2024				
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:

	31.12.2025	31.12.2024
Balance at the beginning of the year	(21)	(53)
Foreign currency revaluation of the net foreign operations	182	39
Tax effect	(36)	(8)
Total	124	(21)

Notes to the Consolidated Financial Statements

26. Group entities

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

Entity	Nature of operations	Domicile	Share 31.12.2025	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.

27. Investment in associates

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

Entity	Nature of operations	Domicile	Share 31.12.2025	Share 31.12.2024
Gláma fjárfestingar slhf.	Holding company	Iceland	24%	24%
Moberg d. o. o.	Digital solutions provider	Croatia	40%	40%

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

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

		31.12.2025	31.12.2024
Balance at the beginning of the year		113	96
Dividend received		(36)	(20)
Share in profit of associates, net of income tax		37	41
Exchange rate difference		3	(5)
Total		117	113

28. Intangible assets

Intangible assets are specified as follows:

31.12.2025	Goodwill	Customer		Software and other	Total
		relationships	Brands		
Balance as at 1 January 2025	17,784	1,567	219	2,123	21,693
Additions during the year	-	-	-	306	306
Discontinued	-	-	-	(27)	(27)
Amortisation	-	(163)	(45)	(573)	(781)
Currency adjustments	(45)	(15)	(1)	-	(61)
Balance as at 31 December 2025	17,738	1,388	174	1,829	21,130
Gross carrying amount	17,738	2,082	369	4,281	24,471
Accumulated amortisation and impairment losses	-	(694)	(195)	(2,452)	(3,341)
Balance as at 31 December 2025	17,738	1,388	174	1,829	21,130
31.12.2024	Goodwill	Customer		Software and other	Total
		relationships	Brands		
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	-	(531)	(151)	(1,898)	(2,580)
Balance as at 31 December 2024	17,784	1,567	219	2,123	21,693

Notes to the Consolidated Financial Statements

28. Intangible assets (cont.)

b. Impairment testing

Assets with indefinite useful life, such as goodwill, are not amortised but are subject to annual impairment testing as described in note 91. Goodwill is allocated to cash generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combinations in which the goodwill arose. As described in note 4, at the beginning of the year 2025 the operations of Treasury were separated from Investment Banking and presented as a distinct segment. In accordance with the relative value approach, the allocated goodwill was split between the two segments, with 77% (ISK 921 million) assigned to Investment Banking and 23% (ISK 278 million) to Treasury. Goodwill was therefore allocated to five CGUs during 2025 but four CGUs during 2024.

The goodwill impairment tests were performed at the end of 2025. Their results show that the recoverable values exceed the carrying values of goodwill. In addition to the base case testing, additional scenarios were tested where some key inputs had been stressed. In all scenarios tested the results show that there is sufficient headroom and that there are no triggers indicating that impairment is necessary.

The cash flow projections for 2025 are derived from the Group's three year business plan which has been approved by the Board of Directors. In some instances, the Group's subsidiaries have prepared a three year business plan which has been approved by the Board of Directors of those companies. Management prepares a five year cash flow projection for each CGU, which is derived from the three year business plan and is also based on management assumptions. The following table shows the key assumptions used in the estimation of the recoverable amount. The recoverable amounts are calculated by discounting the estimated future cash flow of the CGUs. The time value of money and price of uncertainty are based on external market information about market risk, interest rates and CGU specific elements like country risk.

	Future growth rate	Discount rate	Book value
31.12.2025			
Asset Management	3.8%	12.0%	2,944
Commercial Banking	3.8%	10.1%	11,827
Investment Banking	3.8%	10.3%	921
UK operations	3.0%	10.2%	1,768
Treasury	3.8%	10.3%	278
Total			17,738
 31.12.2024			
Asset Management	3.5%	11.2%	2,944
Commercial Banking	3.9%	11.3%	11,827
Investment Banking	3.5%	11.2%	1,200
UK operations	3.5%	9.2%	1,814
Total			17,784

29. Operating lease assets

Operating lease assets are specified as follows:

	31.12.2025	31.12.2024
Balance as at 1 January	215	530
Additions	285	36
Disposals	(86)	(261)
Depreciation	(53)	(90)
Total	361	215
 Gross carrying amount	494	465
Accumulated depreciation	(132)	(250)
Total	361	215

Notes to the Consolidated Financial Statements

30. Deferred tax assets and liabilities

	31.12.2025	31.12.2024
Deferred tax assets	939	2,273
Deferred tax liabilities	(257)	(466)
Net	682	1,807
The Group's deferred tax assets (liabilities) are attributable to the following items:		
	31.12.2025	31.12.2024
Property and equipment	38	41
Intangible assets	(68)	(79)
Derivatives	(495)	159
Other items	(114)	(246)
Tax losses carried forward	1,322	1,931
Total	682	1,807
At year end 2025, tax losses carried forward amount to ISK 6.6 billion, and are set to expire as follows:		Tax losses
Tax losses 2018, expiring in 2028		5,474
Tax losses 2019, expiring in 2029		2
Tax losses 2020, expiring in 2030		909
Tax losses 2021, expiring in 2031		1
Tax losses 2022, expiring in 2032		14
Tax losses 2023, expiring in 2033		8
Tax losses 2024, expiring in 2034		14
Tax losses 2025, expiring in 2035		187
Total		6,608

31. Other assets

	31.12.2025	31.12.2024
Unsettled transactions	4,096	2,861
Accounts receivable	3,686	3,207
Right of use asset and lease receivables	569	1,024
Investment properties	93	-
Sundry assets	731	612
Total	9,174	7,704

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

	31.12.2025	31.12.2024
Right of use asset and lease receivables as at 1 January	1,024	1,321
Additions during the year	-	13
Termination of lease agreements	-	(15)
Indexation	30	56
Currency adjustments	(3)	1
Impairment	(201)	-
Depreciation and lease receivable instalment	(282)	(352)
Total	569	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 year end. Lease liability is specified in note 37.

32. Borrowings

	31.12.2025	31.12.2024
Secured borrowings	5,228	13,809
Other borrowings	1,579	580
Total	6,806	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.

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33. Issued bonds

Issued bonds are specified as follows:

Currency, nominal value	First issued	Maturity	Maturity		31.12.2025	31.12.2024
			type	Terms of interest		
Unsecured bonds:						
KVIKA 25 1201 GB ISK 1,660 million	2022	2025	At maturity Floating, 3 month REIBOR + 1.25%		-	1,674
EMTN 26 0511, SEK 566 million *	2023	2026	At maturity Floating, 3 month STIBOR + 4.10%		3,115	9,832
EMTN 26 0511, NOK 750 million *	2023	2026	At maturity Floating, 3 month NIBOR + 4.10%		4,193	9,891
EMTN 26 1123 GB, SEK 500 million .	2023	2026	At maturity Floating, 3 month STIBOR + 4.0%		6,845	6,325
KVB 21 02, ISK 5,400 million	2021	2027	At maturity CPI-indexed, fixed 1.0%		7,172	6,915
EMTN 28 0421, NOK 400 million	2025	2028	At maturity Floating, 3 month NIBOR + 2.0%		5,039	-
EMTN 28 0421, SEK 600 million	2025	2028	At maturity Floating, 3 month STIBOR + 2.0%		8,228	-
KVIKA 28 0703, ISK 5,000 million	2025	2028	At maturity Floating, 3 month REIBOR + 1.14%		5,109	-
EMTN 29 0602, EUR 200 million	2025	2029	At maturity Fixed 4.50%		30,209	-
KVIKA 32 0112, ISK 2,000 million	2022	2032	At maturity CPI-indexed, fixed 1.40%		2,579	2,486
Total					72,490	37,123
Unlisted senior unsecured bonds, total					759	-
Total					73,249	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. The Bank further tendered the Bonds in October 2025, accepting offers for a total aggregate nominal amount of SEK 339 million and NOK 417 million. Following both tenders, the remaining outstanding nominal amount of SEK Notes and NOK Notes are SEK 227 million and NOK 333 million respectively.

34. Subordinated liabilities

a. Subordinated liabilities:

Currency, nominal value	First issued	Maturity	Maturity		31.12.2025	31.12.2024
			type	Terms of interest		
KVIKA 34 1211 T2i, ISK 2,500 m.	2023	2034	At maturity	CPI-Indexed, fixed 6.25%	2,733	2,634
TM 15 1, ISK 2,000 million	2015	2045	At maturity	CPI-Indexed, fixed 6.25%	3,109	2,994
Total						
					5,841	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. Furthermore, as of that interest payment date, the Group had the right to repay the TM 15 01 subordinated bond and on any subsequent interest payment dates until maturity. Additionally, 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:

		31.12.2025	31.12.2024
Balance at the beginning of the year		5,629	5,993
Redemption of KVB 18 02		-	(800)
Additions		-	500
Paid interest		(272)	(113)
Paid interests due to indexation		(76)	(346)
Accrued interests and indexation		560	394
Total		5,841	5,629

35. Short positions held for trading

Short positions held for trading are specified as follows:

	31.12.2025	31.12.2024
Listed government bonds and bonds with government guarantees	108	128
Listed bonds	253	25
Listed shares	72	-
Total	433	153

Notes to the Consolidated Financial Statements

36. Short positions used for hedging

Short positions used for hedging are specified as follows:

	31.12.2025	31.12.2024
Listed government bonds and bonds with government guarantees	432	-
Listed bonds	-	42
Total	432	42

37. Other liabilities

Other liabilities are specified as follows:

	31.12.2025	31.12.2024
Accounts payable and accrued expenses	5,268	7,531
Unsettled transactions	3,252	1,565
Salaries and salary related expenses	1,688	1,259
Withholding taxes	1,055	1,111
Lease liability	802	1,158
Contingent consideration	641	320
Special taxes on financial institutions and financial activities	433	377
Expected credit loss allowance for loan commitments, guarantees and unused credit facilities	16	18
Other liabilities	444	296
Total	13,599	13,635

Lease liability is specified as follows:

	31.12.2025	31.12.2024
Lease liability as at 1 January	1,158	1,510
Additions during the year	-	13
Termination of lease agreements	-	(15)
Currency adjustments	(5)	2
Instalment	(382)	(408)
Indexation	30	56
Total	802	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 31.

38. Share capital

a. Share capital

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

	31.12.2025	31.12.2024
Share capital according to the Bank's Articles of Association	4,631	4,722
Nominal amount of treasury shares	214	62
Authorised but not issued shares	240	310

b. Changes made to the nominal amount of share capital

During the year 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 year 2025 the Bank acquired treasury shares amounting to ISK 243 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.

Notes to the Consolidated Financial Statements

39. 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.

	31.12.2025	31.12.2024	
Own funds			
Total equity	68,935	89,517	
Proposed dividends and buybacks	(3,323)	(2,050)	
Goodwill and intangibles	(20,925)	(28,828)	
Shares in other financial institutions *	(217)	(23,500)	
Deferred tax asset *	(939)	(2,273)	
Amounts below the threshold for deduction *	1,156	5,801	
Common equity Tier 1 capital (CET 1)	44,687	38,667	
 Tier 2 capital	5,416	5,601	
Total own funds	50,103	44,268	
 Risk-weighted exposure amount (RWEA)			
Credit risk	157,968	158,178	
Market risk	8,296	7,586	
Operational risk	20,503	28,080	
Total risk-weighted exposure amount	186,767	193,844	
 Capital ratios			
CET1 ratio	23.9%	19.9%	
T1 ratio	23.9%	19.9%	
Capital adequacy ratio (CAR)	26.8%	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		31.12.2025	
	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 requirement	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 (*).

Notes to the Consolidated Financial Statements

40. 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%.

	31.12.2025	31.12.2024
On-balance sheet exposures	315,613	253,117
Derivative exposures	3,331	2,533
Off - balance sheet exposures	1,093	800
Total exposure measure	320,037	256,450
Tier 1 capital	44,687	38,667
Leverage ratio	14.0%	15.1%

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

According to Act No. 70/2020 on Resolution of Credit Institutions and Investment Firms, the Bank shall at all times meet the minimum requirement for own funds and eligible liabilities (MREL) 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 MREL requirements as of 31 December are 21.9% of MREL-RWEA and 6% of MREL-TEM.

	31.12.2025	31.12.2024
Own funds and eligible liabilities		
Common equity Tier 1 capital (CET 1)	44,687	38,667
Tier 2 capital	5,416	5,601
Eligible liabilities	59,096	35,449
Total own funds and eligible liabilities	109,199	79,718
MREL-RWEA and CBR		
Risk-weighted exposure amount (RWEA)	186,767	193,844
Own funds and eligible liabilities as % of RWEA	58.5%	41.1%
Minimum requirements for own funds (MREL)*	21.9%	22.0%
Combined buffer requirement (CBR)	6.4%	6.4%
MREL-RWEA requirement including CBR*	28.3%	28.4%
MREL-TEM		
Total exposure measure	320,037	256,450
Own funds and eligible liabilities as % of TEM	34.1%	31.1%
MREL-TEM requirement*	6.0%	6.0%

*Requirements were first set in January 2025

Notes to the Consolidated Financial Statements

Risk management

42. Risk management framework

a. Board of Directors

The Board of Directors is responsible for the governance of the Bank's Group, including determining the risk management framework. In this regard, the Board of Directors has, among other things, set a Group Governance Policy and approved a Group Risk Policy, which describes the framework that the Board of Directors has set for risk management and the Group's risk appetite. The Board of Directors is responsible for the framework for identifying, assessing, monitoring, managing and disclosing the Group's identified risk factors. The Board of Directors is also responsible for ensuring that the policy is implemented and instructs the CEO to implement and elaborate on its implementation in more detail. The Board of Directors defines the risk appetite, including in the form of the Group's key risk indicators, and defines risk tolerance and risk capacity. The Board of Directors also sets policies for the Bank's main risk factors. In order to ensure consistent and good governance on a consolidated basis, the Board of Directors has also set out ownership policies for those subsidiaries that are considered an important part of the Group's operations. According to the ownership policies, the boards of the relevant subsidiaries shall always provide the Bank with all necessary information to enable it to perform its supervisory role and the services provided by the Bank to the companies. As it is necessary to coordinate risk management on a consolidated basis, the relevant companies shall provide the Bank's risk management with all necessary information to enable the Bank to fulfil its obligations as a parent company in a group. The Bank's Chief Risk Officer and the Compliance Officer may request a direct audience of the boards of the relevant subsidiaries. The risk policy and the entire risk management framework are reviewed regularly with a view to adapting the framework to changes in market conditions and the Group's operations. The Group, through training and management standards and procedures, continuously aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

b. Board of Directors sub-committees

The Bank's Board of Directors has established three sub-committees, the Risk Committee, the Audit Committee and the Remuneration Committee. In accordance with the Bank's articles of association, members of the committees are appointed in accordance with applicable law, and each committee currently has three members. It is not permitted to appoint employees of the Bank to any committee. Members shall have the necessary experience and knowledge for each committee's tasks according to applicable laws and rules. Each committee has incorporated procedural rules which have been confirmed by the Board of Directors.

The Risk Committee has an advisory and supervisory role for the Bank's Board of Directors, including in formulating the Group's risk policy and risk appetite, and acts on behalf of the Bank's Board of Directors in supervising the implementation of the Group's Risk Policy. The Committee supervises the management of the Group's risk factors and the arrangement and effectiveness of risk management. The Committee shall discuss the Bank's risk culture and risk appetite.

The Audit Committee has an advisory and supervisory role for the Bank's Board of Directors, including in ensuring the quality of the Bank's annual accounts and other financial information and the independence of the Bank's auditor. The Committee oversees the work process for preparing financial statements, the effectiveness of internal controls, and internal and external audits.

The Remuneration Committee has an advisory and supervisory role for the Bank's Board of Directors in relation to remuneration and shall advise the Board on the Company's remuneration policy and independently assess the policy and its implementation. This includes, among other things, ensuring that bonuses support sound risk management and do not encourage excessive risk-taking. The Committee also makes proposals for the remuneration of the Executive Committee and the Internal Auditor and oversees the remuneration of the Chief Risk Officer and the Compliance Officer.

c. CEO and the Executive Committee

The CEO is responsible for the effective implementation of risk management through the corporate governance structure and committees. The CEO appoints Managing Directors which, together with the CEO, form the Bank's Executive Committee. Each Managing Director heads individual divisions within the Bank at any given time. The Bank's Executive Committee together with the CEO of Kvika eignastýring hf. form the Group Executive Committee.

The Executive Committee manages and supervises, as decided by the CEO, the day-to-day operations of the Bank in accordance with the policy formulated by the Bank's Board of Directors in collaboration with the CEO. The managing directors of subsidiaries and the managing directors/directors of individual units of the Bank are each responsible to their CEO/managing director and the boards of each company for risk-taking and risk management in the daily operations of their units.

Furthermore, the CEO has established five committees within the Bank which are responsible to the CEO for, among other things, risk management of different risk factors and that the implementation of risk management is in accordance with the Board of Directors' risk appetite. These committees are composed of the Bank's employees.

Notes to the Consolidated Financial Statements

Risk management

42. Risk management framework (cont.)

d. Committees

The Bank operates five committees that deal with the Bank's risk management: the Group Risk Committee, the Asset and Liability Committee (ALCO), the Credit Committee, the Operations Committee and the Sustainability Committee.

The Group Risk Committee oversees the implementation of and compliance with the Group's risk policy and risk management framework. The Committee has a comprehensive overview of the main risks faced by the Group and monitors that risk-taking is in accordance with the Board of Directors' risk appetite. The Committee reviews the rules of procedure of other committees and ensures that procedures are coordinated between different committees and companies.

ALCO, as a professional committee for the management of the balance sheet as well as capital-, liquidity-, funding- and market risks, is responsible for the implementation and execution of the part of the Group's risk policy that relates to capital-, liquidity-, funding- and market risks. ALCO informs the Group's Risk Committee on the status of these risk factors on a regular basis.

The Credit Committee, as a professional committee for the Bank's lending and credit risk, is responsible for the implementation and execution of that part of the Group's risk policy that relates to credit risk. The Credit Committee informs the Group's Risk Committee on the status of credit risk on a regular basis.

The Operations Committee, as a professional committee for operations and operational risk, is responsible for the implementation and execution of the part of the Group's risk policy that relates to operational risk. The Operations Committee informs the Group's Risk Committee on the status of operational risk on a regular basis.

The Sustainability Committee, as a professional committee on sustainability and sustainability risk, is responsible for the implementation and execution of the part of the Group's risk policy that relates to sustainability risk. The Sustainability Committee informs the Group Risk Committee on the status of sustainability risk on a regular basis.

e. Risk management

The Risk Management department is an independent unit reporting to the CEO. It simultaneously fulfils the risk management functions of both the Bank and the entire Group. It monitors the identified risk factors across the Group and develops methods for systematically identifying, assessing, monitoring, and managing them. Risk Management supports other units in identifying and managing risks, ensuring compliance with internal and external regulations. The Risk Management department prepares reports for relevant professional committees and supervisory bodies, including compliance with the defined risk appetite. It provides direct information to the Group's Board and participates in shaping the Group Risk Policy.

f. Compliance Officer

The compliance function is an independent function that operates under the CEO, and the appointment of the Compliance Officer and his deputy is confirmed by the Board. The compliance function monitors the Bank's compliance risk on a permanent basis and that the measures, policies and procedures that have been put in place so that the Bank complies with its obligations are adequate and effective. The Compliance Officer is also responsible for coordinating and monitoring the Bank's compliance with applicable anti-money laundering and terrorist financing laws and regulations. The Compliance officer, further, manages provisions of applicable market abuse laws and regulations, regarding the handling of inside information and PDMR transactions, and oversees the complaints management process. Compliance is operated on a consolidated basis and the employees responsible for compliance in the Bank's subsidiaries report to and receive support from the Compliance Officer and the parent entity's compliance function.

g. Internal Audit

The internal audit (IA) activity of Kvika bank hf. operates according to Article 16 on the Act on financial companies no. 161/2002 and guiding recommendations of the Financial Supervisory Authority of the Central Bank of Iceland regarding the work of the audit activity of financial companies no. 3/2008. The IA department operates in accordance with the International Professional Practices Framework (IPPF framework). The position of IA in the organizational chart demonstrates the independence of the department. In accordance with the Internal Auditor's charter, the internal auditor has direct and unrestricted access to the Board and managers of the Bank and its subsidiaries. Kvika's Internal Audit Department provides independent and objective assurance and advisory services regarding the operations of the Bank on a consolidated basis, with the aim of enhancing its overall value. The department's activities assess and improve the effectiveness of risk management, control processes, and governance practices through systematic and disciplined work, thereby contributing to the Group's achievement of its key objectives. The Internal Auditor is responsible for effectively managing the IA activity in accordance with the IA's charter and the IPPF framework.

43. 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.

Notes to the Consolidated Financial Statements

44. Credit risk - overview

a. Definition

One of the Group's primary sources of risk is credit risk. Credit risk is the risk of financial loss arising from a customer's failure to meet its contractual obligations. Credit risk primarily relates to default risk but also includes other risk components where applicable. Credit risk comprises, among other things, default risk, which is the risk that a borrower fails to meet its loan obligations and is mitigated through collateral where available; concentration risk, arising from insufficient diversification of the loan portfolio across borrowers, industries, or geographical areas; settlement risk, which may arise in transactions involving securities, foreign exchange, or derivatives if a counterparty fails to fulfil its obligations on the settlement date; counterparty risk related to derivatives, resulting from a counterparty's failure to meet its contractual obligations; and equity risk in the investment portfolio, which reflects the risk of a decline in the value of unlisted equity investments.

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 ability to meet its obligations, the committee may request stress testing of the borrower's cash flows or obtain assessments from third parties.

d. Collateral

Securing loans with collateral is a traditional and effective method of mitigating credit risk. The Group employs various risk-mitigation techniques, including obtaining collateral from customers where appropriate. Such collateral grants the Group the right to enforce against the collateralised assets for both current and future obligations of the customer.

The Group applies appropriate haircuts to all collateral to ensure that the mitigating effect is prudent and robust. For collateral consisting of listed securities, the Group retains the right to liquidate the assets if their market value falls below a predefined threshold.

A substantial proportion of the Group's loan portfolio consists of senior loans, most of which are secured with collateral. The Group monitors the value of collateral by listed securities on a real time basis and takes prompt action when necessary.

e. Credit rating

Risk management ensures that loans have a credit rating and is responsible for reviewing the loan portfolio.

f. Loan portfolio management

To ensure effective diversification of the loan portfolio, the board has established a limit framework defining maximum exposure as a proportion of the Group's capital or the total size of the loan portfolio. These framework includes limits on exposures to connected clients, industries, regions and countries etc. Risk management is responsible for monitoring compliance with these limits and reporting any breaches to the credit committee.

g. Impairment

Provisioning for loan impairments is estimated based on expected credit loss models assessing the portfolio as well as individual lending. Risk management suggests a level of provisioning for the portfolio, based on the expected credit loss assessment. Provisions require approval from the credit committee. Refer to note 82 in the 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.

Notes to the Consolidated Financial Statements

45. 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:

	Public entities	Financial institutions	Corporate customers	Individuals	31.12.2025
On-balance sheet exposure					
Cash and balances with Central Bank	20,145	-	-	-	20,145
Loans to credit institutions	-	8,154	-	-	8,154
Loans to customers	6	2	143,462	64,090	207,560
Fixed income securities	41,326	3,008	188	-	44,522
Derivatives	-	2,493	650	107	3,250
Other assets	1	1,417	5,944	1,151	8,513
	61,477	15,074	150,244	65,348	292,143
Off-balance sheet exposure					
Loan commitments	10	6	8,647	1,050	9,713
Financial guarantee contracts	-	-	1,097	-	1,097
Maximum exposure to credit risk	61,487	15,080	159,988	66,398	302,953
 On-balance sheet exposure					
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

46. 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 credit rating, lifetime PD values, days past due and registration on Creditinfo's delinquency register.

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 Consolidated Financial Statements for further information about the Group's impairment methodology.

Model parameters for Icelandic portfolio		31.12.2025			31.12.2024		
Scenarios	Base case	Upside	Downside	Base case	Upside	Downside	
Unemployment rate	5.0%	4.0%	6.4%	4.2%	3.7%	4.9%	
Inflation CPI index	3.4%	3.0%	5.8%	3.7%	3.4%	5.5%	
Assigned weight	55.0%	10.0%	35.0%	50.0%	15.0%	35.0%	

Model parameters for UK portfolio		31.12.2025				31.12.2024			
Scenarios	Base case	Upside	Downside	Severe	Base case	Upside	Downside	Severe	
Unemployment rate	4.9%	2.3%	3.6%	5.9%	4.1%	3.9%	5.8%	7.5%	
Inflation CPI index	2.5%	4.4%	5.9%	7.5%	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%	

Notes to the Consolidated Financial Statements

46. 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.

31.12.2025	Allocated collateral																	
	Impairment		Carrying amount	%	Total collateral	Listed			Unlisted			Residential real estate	Commercial real estate	Automobiles	Industrial equipment	Guarantees	Other	Unsecured claim value
	Claim due to expected value	credit loss				Deposits	securities and liquid funds	securities and other funds										
Public entities	6	(0)	6	0.0%	9	-	-	-	-	-	-	-	9	-	-	-	1	
Financial institutions	2	(0)	2	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	2	
Corporate																		
Real estate activities	51,219	(308)	50,911	24.5%	89,260	63	400	2,983	36,289	47,916	956	322	100	231	1,249			
Construction	22,161	(104)	22,057	10.6%	42,192	9	-	-	21,576	7,534	6,344	5,140	-	1,589	411			
Activities of Holding Companies	16,541	(48)	16,493	7.9%	60,434	4	40	10,588	10,152	17,785	1,513	147	706	19,500	1,322			
Service Activities	15,859	(527)	15,333	7.4%	29,280	38	67	711	1,596	6,655	16,724	3,004	0	485	522			
Accommodat. and Food Service Activit.	11,299	(75)	11,224	5.4%	22,120	144	-	-	3,905	17,419	542	60	0	50	271			
Act. of Hold. Comp. - Securities Financing ..	7,698	(282)	7,417	3.6%	14,583	364	13,891	276	52	-	-	-	0	-	664			
Other	20,122	(94)	20,028	9.6%	40,580	378	4,968	3,645	3,674	10,998	7,795	4,887	115	4,120	2,029			
Individuals	64,981	(891)	64,090	30.9%	121,954	35	446	665	73,022	2,314	42,932	1,178	0	1,362	8,982			
Total	209,889	(2,329)	207,560	100.0%	420,411	1,034	19,812	18,868	150,266	110,621	76,814	14,737	921	27,338	15,452			
Allocated collateral																		
31.12.2024	Allocated collateral																	
	Impairment		Carrying amount	%	Total collateral	Listed			Unlisted			Residential real estate	Commercial real estate	Automobiles	Industrial equipment	Guarantees	Other	Unsecured claim value
	Claim due to expected value	credit loss				Deposits	securities and liquid funds	securities and other funds										
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.

Notes to the Consolidated Financial Statements

46. 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.

31.12.2025

	Stage 1	Stage 2	Stage 3	FVTPL	Total
<i>Loans to customers:</i>					
Credit quality band I	139,620	5,455	-	3,658	148,733
Credit quality band II	33,264	2,123	-	94	35,480
Credit quality band III	11,787	4,113	-	-	15,901
Credit quality band IV	374	518	-	-	892
In default	4	1	7,706	-	7,710
Non-rated	730	318	-	125	1,173
Gross carrying amount	185,778	12,527	7,706	3,877	209,889
Expected credit loss	(379)	(203)	(1,747)	-	(2,329)
Book value	185,400	12,324	5,959	3,877	207,560
<i>Loan commitments, guarantees and unused credit facilities:</i>					
Credit quality band I	6,722	0	-	61	6,783
Credit quality band II	2,945	0	-	-	2,945
Credit quality band III	236	14	-	-	249
Credit quality band IV	2	77	-	-	80
In default	-	-	12	-	12
Non-rated	741	-	-	-	741
Total off-balance sheet amount	10,646	91	12	61	10,810
Expected credit loss	(13)	(0)	(3)	-	(16)
Net off-balance sheet amount	10,633	91	9	61	10,794

31.12.2024

	Stage 1	Stage 2	Stage 3	FVTPL	Total
<i>Loans to customers:</i>					
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

	Stage 1	Stage 2	Stage 3	FVTPL	Total
<i>Loan commitments, guarantees and unused credit facilities:</i>					
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

Notes to the Consolidated Financial Statements

46. Credit quality of financial assets (cont.)

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

	Claim value	Expected credit loss	Carrying amount
31.12.2025			
Not past due	193,748	(620)	193,129
Past due 1-30 days	5,802	(510)	5,292
Past due 31-60 days	2,633	(62)	2,572
Past due 61-90 days	3,145	(10)	3,135
Past due 91-180 days	1,963	(144)	1,819
Past due 181-360 days	1,049	(192)	857
Past due more than 360 days	1,549	(792)	757
Total	209,889	(2,329)	207,560

	Claim value	Expected credit loss	Carrying amount
31.12.2024			
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.

31.12.2025

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)	80	(33)	(47)	-
Transfer to Stage 2 - (significantly increased credit risk)	(18)	42	(24)	-
Transfer to Stage 3 - (credit impaired)	(17)	(28)	45	-
Net remeasurement of loss allowance	(139)	5	99	(35)
New financial assets, originated or purchased	303	107	633	1,043
Derecognitions and maturities	(194)	(79)	(405)	(679)
Write-offs	(0)	(0)	(329)	(330)
Balance as at 31 December 2025	392	204	1,749	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 2025	367	189	1,771	2,327
Transfer to Stage 1 - (Initial recognition)	74	(33)	(41)	-
Transfer to Stage 2 - (significantly increased credit risk)	(18)	42	(24)	-
Transfer to Stage 3 - (credit impaired)	(17)	(28)	45	-
Net remeasurement of loss allowance	(134)	5	98	(31)
New financial assets, originated or purchased	297	107	633	1,038
Derecognitions and maturities	(191)	(79)	(405)	(675)
Write-offs	(0)	(0)	(329)	(330)
Balance as at 31 December 2025	379	203	1,747	2,329

Notes to the Consolidated Financial Statements

46. 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)	6	(0)	(6)	-
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	(5)	0	2	(4)
New financial assets, originated or purchased	5	-	-	5
Derecognitions and maturities	(3)	(0)	(0)	(4)
Balance as at 31 December 2025	13	0	3	16

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

Notes to the Consolidated Financial Statements

47. Loan-to-value

a. General

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

b. Breakdown

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

	31.12.2025	%	31.12.2024	%
Less than 50%	66,278	31.9%	41,225	27.4%
50-70%	70,430	33.9%	57,209	38.1%
70-90%	44,615	21.5%	33,497	22.3%
90-100%	6,707	3.2%	2,958	2.0%
100-125%	3,814	1.8%	3,461	2.3%
125-200%	2,371	1.1%	1,505	1.0%
Greater than 200%	2,231	1.1%	1,378	0.9%
No or negligible collateral:				
Other loans with no collateral	11,112	5.4%	8,968	6.0%
Total	207,560	100.0%	150,203	100.0%

48. 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.

	Fixed income Deposits	Variable income securities	Real estate	Other fixed assets	Other	31.12.2025
Financial institutions	1,533	86	298	-	-	1,916
Corporate customers	618	13	1,151	-	-	1,783
Individuals	44	9	104	-	-	156
Total	2,195	107	1,553	-	-	3,855

	Fixed income Deposits	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 posted in excess of the contractual collateral limit (overcollateralisation).

49. 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 39).

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 15 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.

	Number	31.12.2025	Number	31.12.2024
		Amount		Amount
Large exposures before risk adjusted mitigation				
10-20% of capital base	2	9,610	2	11,133
20-25% of capital base	0	-	0	-
Exceeding 25% of capital base	0	-	0	-
Total	2	9,610	2	11,133
Thereof loans to credit institutions which are part of Kvika's liquidity management				
Kvika's liquidity management	0	-	1	6,522
Large exposures net of risk adjusted mitigation	1	4,662	1	6,702

Notes to the Consolidated Financial Statements

50. 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%.

31.12.2025	ISK		EUR*		Total all currencies	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
Liquid assets level 1	53,860	53,860	957	909	55,809	55,712
Liquid assets level 2A	2,559	2,175	758	606	4,970	4,104
Liquid assets level 2B	-	-	3,442	1,549	6,109	2,749
Excess liquid asset amount	-	-	-	(1,549)	-	-
Total high quality liquid assets (HQLA)	56,419	56,035	5,157	1,516	66,888	62,565
Deposits	129,272	24,320	3,703	1,647	136,160	27,418
Other borrowings	131	131	-	-	292	292
Other outflows	8,515	4,238	1,651	222	15,898	4,887
Total outflows (0-30 days)	137,918	28,688	5,354	1,869	152,350	32,597
Short-term deposits with other banks	284	284	2,870	2,870	8,075	8,075
Other inflows	7,335	5,778	490	489	11,194	9,030
Restrictions on inflows	-	-	-	(1,957)	-	-
Total inflows (0-30 days)	7,620	6,062	3,359	1,402	19,268	17,104
Liquidity coverage ratio			248%		324%	
						404%

*Requirement first applies from June 2025

31.12.2024	ISK		EUR*		Total all currencies	
	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	-	-	-	-	-	-
Excess liquid asset amount	-	-	-	-	-	-
Total high quality liquid assets (HQLA)	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%

	31.12.2025	31.12.2024
NSFR total	137%	144%

Notes to the Consolidated Financial Statements

50. Liquidity risk (cont.)

c. LCR deposit categories

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

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

31.12.2025	Run off date	0-30 days	Over 30 days	Total
Individuals	5%-100%	106,607	16,120	122,727
Small and medium sized corporates	5%-100%	8,905	118	9,023
Large corporates	20%-40%	9,005	6	9,011
Public entities	40%	98	1	98
Financial entities	100%	11,545	18,130	29,676
Other *		2,247	5	2,252
Total		138,407	34,380	172,787
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.

Notes to the Consolidated Financial Statements

50. Liquidity risk (cont.)

d. Maturity analysis of financial assets and financial liabilities

31.12.2025	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Gross inflow/ (outflow)	Carrying amount
Financial assets by type							
<i>Non-derivative assets</i>							
Cash and balances with Central Bank	20,146	-	-	-	-	20,146	20,145
Loans to credit institutions	8,149	-	5	0	-	8,154	8,154
Loans to customers	21,090	15,270	71,415	112,754	63,673	284,203	207,560
Fixed income securities	10,847	985	18,015	12,450	2,224	44,522	44,522
Shares and other variable income securities	16,966	-	3,697	-	-	20,663	20,663
Securities used for hedging	6,695	-	-	-	-	6,695	6,695
Other assets	5,321	2,103	856	232	-	8,513	8,513
	89,214	18,358	93,989	125,437	65,898	392,895	316,251
<i>Derivative assets</i>							
Inflow	5,634	569	17,818	28,615	-	52,636	
Outflow	(4,599)	(550)	(16,866)	(27,004)	-	(49,019)	
	1,035	18	952	1,611	-	3,617	3,250
Financial liabilities by type							
<i>Non-derivative liabilities</i>							
Deposits	(138,421)	(18,034)	(15,538)	(1,386)	(685)	(174,063)	172,787
Borrowings	-	(87)	(528)	(6,989)	-	(7,604)	6,806
Issued bonds	(292)	(238)	(16,687)	(61,576)	(2,616)	(81,409)	73,249
Subordinated liabilities	-	-	(362)	(1,452)	(9,285)	(11,099)	5,841
Short positions held for trading	(433)	-	-	-	-	(433)	433
Short positions used for hedging	(432)	-	-	-	-	(432)	432
Other liabilities	(3,003)	(7,188)	(1,286)	(2,156)	-	(13,633)	13,599
	(142,580)	(25,547)	(34,401)	(73,558)	(12,585)	(288,672)	273,147
<i>Derivative liabilities</i>							
Inflow	12,126	-	10,687	3,149	-	25,963	
Outflow	(12,653)	-	(10,926)	(3,523)	-	(27,103)	
	(527)	-	(239)	(374)	-	(1,140)	773
Unrecognised financial items							
<i>Loan commitments</i>							
Inflow	489	673	3,371	6,302	94	10,930	
Outflow	(9,713)	-	-	-	-	(9,713)	
<i>Financial guarantee contracts</i>							
Inflow	-	1	298	792	7	1,097	
Outflow	(1,097)	-	-	-	-	(1,097)	
	(10,321)	674	3,669	7,094	101	1,217	
Summary							
Non-derivative assets	89,214	18,358	93,989	125,437	65,898	392,895	
Derivative assets	1,035	18	952	1,611	-	3,617	
Non-derivative liabilities	(142,580)	(25,547)	(34,401)	(73,558)	(12,585)	(288,672)	
Derivative liabilities	(527)	-	(239)	(374)	-	(1,140)	
Net assets (liabilities) excluding unrecognised items	(52,858)	(7,171)	60,301	53,115	53,312	106,700	
Net unrecognised items	(10,321)	674	3,669	7,094	101	1,217	
Net assets (liabilities)	(63,179)	(6,497)	63,970	60,209	53,414	107,917	

Notes to the Consolidated Financial Statements

50. Liquidity risk (cont.)

31.12.2024	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Gross inflow/ (outflow)	Carrying amount
Financial assets by type							
<i>Non-derivative assets</i>							
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
<i>Derivative assets</i>							
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							
<i>Non-derivative liabilities</i>							
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
<i>Derivative liabilities</i>							
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							
<i>Loan commitments</i>							
Inflow	147	49	2,796	3,722	-	6,714	
Outflow	(6,060)	-	-	-	-	(6,060)	
<i>Financial guarantee contracts</i>							
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.

Notes to the Consolidated Financial Statements

51. 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 52-57 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.

52. 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.

53. Interest rate risk associated with trading portfolios

a. Breakdown

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

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	31.12.2025
Fixed income securities	33	58	364	2,438	1,320	4,213
Short positions - fixed income securities	(1)	(8)	(7)	(135)	(210)	(361)
Net imbalance	32	50	357	2,303	1,110	3,853
	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	31.12.2025		31.12.2024	
		Upward	Downward	Upward	Downward
Indexed	50	43	(40)	53	(51)
Non-indexed	100	59	(58)	67	(64)
Total		102	(97)	120	(115)

Notes to the Consolidated Financial Statements

54. Interest rate risk associated with non-trading portfolios

a. Breakdown

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

31.12.2025

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	20,145	-	-	-	-	20,145
Loans to credit institutions	8,154	-	-	-	-	8,154
Loans to customers	192,654	3,693	5,590	5,353	270	207,560
Fixed income securities	3,984	1,049	18,974	12,893	3,408	40,309
Unit shares in cash equivalent liquidity funds	15,013					15,013
Financial assets excluding derivatives	239,950	4,741	24,565	18,247	3,677	291,180
Effect of derivatives	22,616	48,125	6,256	30,818	-	107,815
Total	262,566	52,867	30,820	49,065	3,677	398,995
Financial liabilities	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Deposits	144,844	13,644	14,259	40	0	172,787
Borrowings	6,806	-	-	-	-	6,806
Issued bonds	18,358	14,035	1,389	37,061	2,406	73,249
Subordinated liabilities	-	-	3,272	2,570	-	5,841
Other liabilities	-	-	84	166	-	250
Financial liabilities excluding derivatives	170,008	27,679	19,004	39,836	2,406	258,933
Effect of derivatives	22,744	69,396	6,674	-	-	98,814
Total	192,752	97,075	25,678	39,836	2,406	357,746
Total interest repricing gap	69,814	(44,208)	5,142	9,229	1,272	41,248

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:

Currency	Shift in basis points	31.12.2025		31.12.2024	
		Downward	Upward	Downward	Upward
ISK, indexed	50	53	(49)	(25)	26
ISK, non-indexed	100	201	(197)	450	(439)
Other currencies	20	(6)	6	(4)	4
Total		248	(240)	422	(410)

Notes to the Consolidated Financial Statements

55. Exposure towards changes in the CPI

a. Definition

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

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

b. Management

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

c. Balance of CPI linked assets and liabilities

	31.12.2025	31.12.2024
Assets	31,407	38,426
Liabilities	(24,971)	(23,653)
Total	6,436	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.

	31.12.2025	31.12.2024	
	-1%	1%	
Government bonds	(25)	25	(55)
Other fixed income securities	(35)	35	(31)
Loans to customers	(233)	233	(278)
Derivatives	(20)	20	(21)
Deposits	91	(91)	86
Issued bonds	98	(98)	94
Subordinated liabilities	58	(58)	56
	(64)	64	(148)
			148

The effect on equity would be the same.

56. 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 31 December 2025 and 31 December 2024 the Group's position in foreign currencies was within those limits.

c. Hedge accounting

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

d. Exchange rates

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

	Closing 31.12.2025	Average 2025	Closing 31.12.2024	Average 2024
EUR/ISK	147.2	144.7	143.9	149.3
USD/ISK	125.2	128.4	138.2	138.0
GBP/ISK	169.0	169.0	173.3	176.4

Notes to the Consolidated Financial Statements

56. Currency risk (cont.)

e. Breakdown of assets and liabilities denominated in foreign currencies

31.12.2025

Assets

	EUR	USD	GBP	SEK	Other currencies	Total
Cash and balances with Central Bank	1	1	2	-	-	4
Loans to credit institutions	2,872	813	3,657	143	307	7,793
Loans to customers	3,121	578	41,146	251	-	45,096
Fixed income securities	-	81	-	-	-	81
Shares and other variable income securities	5,727	390	11,629	0	16	17,762
Securities used for hedging	59	705	10	626	116	1,517
Intangible assets	-	-	2,293	-	-	2,293
Other assets	777	16	804	16	13	1,626
Assets excluding derivatives	12,558	2,585	59,540	1,037	452	76,171
Derivatives	62,372	1,679	-	17,261	14,434	95,746
Total	74,930	4,264	59,540	18,297	14,886	171,917
Liabilities					Other currencies	
Deposits	4,104	2,918	666	51	182	7,920
Borrowings	-	-	5,228	-	-	5,228
Issued bonds	30,209	-	-	18,188	9,232	57,629
Other liabilities	2,225	146	1,661	19	-	4,051
Liabilities excluding derivatives	36,538	3,064	7,554	18,257	9,415	74,828
Derivatives	38,448	1,124	51,389	19	5,226	96,207
Total	74,987	4,188	58,944	18,276	14,641	171,035
Net currency position					Other currencies	
Total assets	74,930	4,264	59,540	18,297	14,886	171,917
Total liabilities	(74,987)	(4,188)	(58,944)	(18,276)	(14,641)	(171,035)
Financial guarantee contracts	862	-	-	-	-	862
Total	805	76	596	21	245	1,744

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					Other currencies	
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					Other currencies	
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

Notes to the Consolidated Financial Statements

56. Currency risk (cont.)

f. Sensitivity to currency risk

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

	31.12.2025	31.12.2024		
	-10%	+10%	-10%	+10%
Assets and liabilities denominated in foreign currencies				
EUR	81	(81)	156	(156)
USD	8	(8)	(9)	9
GBP	60	(60)	78	(78)
SEK	2	(2)	4	(4)
NOK	5	(5)	7	(7)
Other currencies	19	(19)	8	(8)
Total	174	(174)	243	(243)

57. Equity risk

a. Definition

Equity risk is the risk that the fair value of equities 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 unit shares in cash equivalent liquidity funds are excluded.

	31.12.2025	31.12.2024		
	-10%	+10%	-10%	+10%
Listed shares	(100)	100	(110)	110
Unlisted shares	(310)	310	(307)	307
Unlisted unit shares in funds	(156)	156	(126)	126
Total	(565)	565	(543)	543

58. 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.

Notes to the Consolidated Financial Statements

Financial assets and financial liabilities

59. Accounting classification of financial assets and financial liabilities

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

31.12.2025	Amortised cost	Fair value through OCI	Mandatorily at fair value through P/L	Total carrying amount
Financial assets				
Cash and balances with Central Bank	20,145	-	-	20,145
Loans to credit institutions	8,154	-	-	8,154
Loans to customers	203,683	-	3,877	207,560
Fixed income securities	-	38,867	5,655	44,522
Shares and other variable income securities	-	-	20,663	20,663
Securities used for hedging	-	-	6,695	6,695
Derivatives	-	-	3,094	3,094
Derivatives used for hedge accounting	-	156	-	156
Other assets	8,513	-	-	8,513
Total	240,494	39,023	39,984	319,501
 Financial liabilities				
31.12.2024	Amortised cost	Fair value through OCI	Mandatorily at fair value through P/L	Total carrying amount
Deposits	172,787	-	-	172,787
Borrowings	6,806	-	-	6,806
Issued bonds	73,249	-	-	73,249
Subordinated liabilities	5,841	-	-	5,841
Short positions held for trading	-	-	433	433
Short positions used for hedging	-	-	432	432
Derivatives	-	-	773	773
Other liabilities	12,958	-	641	13,599
Total	271,642	-	2,278	273,920
 Financial assets				
31.12.2024	Amortised cost	Fair value through OCI	Mandatorily 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				
31.12.2024	Amortised cost	Fair value through OCI	Mandatorily 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

Notes to the Consolidated Financial Statements

60. Financial assets and financial liabilities measured at fair value

a. Fair value hierarchy

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

- Level 1

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

- Level 2

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

- Level 3

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

b. Valuation process

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

c. Valuation techniques

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

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

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

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

d. Fair value hierarchy classification

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

31.12.2025

Financial assets

	Level 1	Level 2	Level 3	Carrying amount
Mandatorily measured at fair value through profit and loss				
Fixed income securities	4,781	107	767	5,655
Shares and other variable income securities	17,068	2	3,594	20,663
Securities used for hedging	6,695	-	-	6,695
Loans to customers	-	-	3,877	3,877
Derivatives	-	3,094	-	3,094
Measured at fair value through other comprehensive income				
Fixed income securities	38,867	-	-	38,867
Derivatives used for hedge accounting	-	156	-	156
Total	67,411	3,358	8,237	79,007

Notes to the Consolidated Financial Statements

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

31.12.2025

Financial liabilities

	Level 1	Level 2	Level 3	Carrying amount
Mandatorily measured at fair value through profit and loss				
Short positions held for trading	433	-	-	433
Short positions used for hedging	432	-	-	432
Derivatives	-	773	-	773
Other liabilities	-	-	641	641
Measured at fair value through other comprehensive income				
Derivatives used for hedge accounting	-	-	-	-
Total	865	773	641	2,278

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

	Shares and					Total
	Fixed income securities	other var. income securities	Loans to customers	Derivatives	Other liabilities	
31.12.2025						
Balance as at 1 January 2025	611	3,456	874	(939)	(320)	3,682
Total gains and losses in profit or loss	(69)	589	224	17	(18)	742
Additions	778	1,937	1,325	(580)	(6)	3,454
Repayments	-	-	(922)	990	216	283
Disposals	-	(2,388)	-	-	-	(2,388)
Reclassification	(553)	-	2,376	513	(513)	1,823
Balance as at 31 December 2025	767	3,594	3,877	-	(641)	7,596

	Shares and					Total
	Fixed income securities	other var. income securities	Loans to customers	Derivatives	Other liabilities	
31.12.2024						
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)
Reclassification	(114)	-	743	-	-	629
Balance as at 31 December 2024	611	3,456	874	(939)	(320)	3,682

Notes to the Consolidated Financial Statements

60. 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	Book value	
			Range	31.12.2025
Unlisted bonds	Expected recovery	Value of assets	0-95%	767
Unlisted variable income securities	Market price	Recent trades	-	3,594
Loans to customers	Expert model	Value of assets and collateral	-	3,877
Total				8,237

Asset class	Method	Significant unobservable input	Book value	
			Range	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	77	(77)
Shares and other variable income securities	359	(359)
Loans to customers	388	(388)
Total	824	(824)

61. Financial assets and financial liabilities not measured at fair value

The Group holds financial instruments which are not measured at fair value. Except for loans to customers, the Group believes that the best estimate of the fair value of these financial instruments is equal to the carrying amount at the reporting date and does therefore not report a fair value for these financial instruments. Loans to customers measured at amortised cost are classified as level 3, in the fair value hierarchy, and have a book value of ISK 203,683 million at end of December 2025 (31.12.2024: ISK 149,329 million). The estimated fair value of loans to customers measured at amortised cost at end of December 2025 is ISK 203,606 million (31.12.2024: ISK 149,121 million).

Cash and balances with Central Bank includes several components as detailed in note 19. These assets are either balances available on-demand or on very short notice, or other assets easily converted to cash. Other financial assets consist primarily of short-term receivables. The carrying amount of these assets is therefore a reasonable approximation of their fair value.

Deposits and other borrowings are typically either short-term or have variable interest rates. Other liabilities consist primarily of accounts payables, unsettled transactions, withholding taxes and other short-term payables. The carrying amount of these liabilities is therefore considered a reasonable approximation of their fair value.

Notes to the Consolidated Financial Statements

Other information

62. Pledged assets

	Settlement and committed facilities	Securities borrowing	Total
31.12.2025			
Loans to credit institutions	-	0	0
Loans to customers	9,045	-	9,045
Fixed income securities	13,659	324	13,984
Other assets	-	47	47
Total	22,704	372	23,076
31.12.2024			
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.

63. 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 27, 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

	Assets	Liabilities
Management	130	243
Associates	-	39
Total	130	283
31.12.2024		
Management	2	124
Associates	-	41
Total	2	165

d. Transactions with related parties

	Interest income	Interest expense	Other income	Other expense
2025				
Management	6	13	1	2
Associates	-	-	-	322
Total	6	13	1	323
2024				
Management	-	6	1	1
Associates	-	-	-	341
Total	-	6	1	342

Further information about salaries and benefits paid to the Board of Directors, the CEO and Managing Directors is provided in note 11.

Notes to the Consolidated Financial Statements

64. Remuneration policy

The Board of Directors has adopted a remuneration policy at the proposal of the Remuneration Committee. The Bank's Annual General Meeting approved the Bank's current remuneration policy in March 2025. The Board of Directors will submit an updated remuneration policy for approval at the Bank's Annual General Meeting in 2026. The remuneration policy applies on a consolidated basis. However, it does not apply to the Bank's subsidiaries that, based on the activities carried out by the subsidiaries, are subject to independent legal requirements regarding remuneration policies and/or the granting of bonuses, except to the extent required by law. Kvika shall strive to ensure that the remuneration policies of subsidiaries take into account the Bank's remuneration policy as possible. The Bank's subsidiaries subject to independent legal requirements have, thus, each implemented own remuneration policies.

The remuneration policy conforms to Articles 57 a and 57 b of Act No. 161/2002 on Financial Undertakings, Act No. 2/1995 on Public Limited Companies and other applicable rules and guidelines, as well as Act No. 25/2023 on Sustainable Finance Disclosure. A more detailed description of the policy can be found on the Bank's website, www.kvika.is.

65. Incentive scheme

The Board of Directors has approved a performance based incentive scheme at the proposal of the Remuneration Committee. The scheme forms a part of the remuneration policy adopted by the Bank. As described above it does not apply to the Bank's subsidiaries that are subject to independent legal requirements regarding remuneration policies and/or granting of bonuses. The Bank's subsidiaries subject to independent legal requirements have, thus, each implemented own incentive schemes.

a. Description

The Bank's incentive scheme is set forth in accordance with Article 57 b of Act No. 161/2002 on Financial Undertakings. Performance based payments may consist, in part or in full, of shares or share-linked instruments, such as warrants or stock options for shares in the Bank. Payments according to the scheme are based on key performance indicators (KPIs) that reflect the goals of the Bank, the division and the employee. The basis for performance based pay reflects sound risk management and does not induce excessive risk taking. Performance based pay to individual employees shall not exceed 25% of their annual salary and at least 40% of the performance based pay shall be deferred for three years. Performance based pay that does not exceed 10% of annual salary is not subject to deferral. A more detailed description of the scheme can be found in the Bank's remuneration policy on its website, www.kvika.is. Incentive schemes of the Icelandic subsidiaries are similar to the Bank's due to specific Icelandic legal requirements that are similar for the operations of the Bank and these subsidiaries. UK law has not implemented similar restrictions for incentive schemes and, therefore, the incentive schemes of the UK subsidiaries differ from the Bank and the Icelandic subsidiaries.

b. Performance based payments through profit and loss

	2025	2024
	Cash	Cash
Non-deferred	428	399
Deferred	199	79
Salary related expenses	143	69
Cancelled deferred performance based payments	(1)	-
Total	770	547

c. On-balance sheet deferred performance based payments

	31.12.2025	31.12.2024
Deferred cash payments	362	130
Total	362	130

Notes to the Consolidated Financial Statements

66. Share-based payments

a. Description

The Bank has issued share options in accordance with authorisations of its annual general meeting, the Group's remuneration policy and incentive scheme. The share options were granted in September of 2023, based on an authorisation by the Annual General Meeting of Kvika banki hf. in 2022, and were assigned as a deferred part of recruitment bonuses of certain employees. The stock options were granted in order to align the long-term interests of the company and said employees. The cost of these share option agreements was calculated ISK 14.7 million based on the Black-Scholes calculation model.

The main terms of the share options are as follows:

- The exercise price of the share options is ISK 20.107 per share, which is equivalent to the weighted average price in transactions with shares of the company on Nasdaq OMX Iceland for ten business days prior to the contract date, with 7.5% annual interest over the period, and the exercise price shall be adjusted for dividends that may be decided during the vesting period.
- The options do not provide for cash settlement.
- The vesting period of the share options is 36 months from grant date of the share options. Following that the share options may be exercised for a period of three months where in that period the strike continues to accrue with 7.5% annual interest until the option is exercised. However, in the event of a merger involving a dissolution of the company or if there is a change in the company's control, the share options will become fully vested.
- In general, share options shall lapse if the share option holder's employment relationship with the company is terminated before the end of the vesting period.
- Executive managers within the Group commit to retain, until the end of their employment, shares which market value correspond to profit after taxes of utilised share options until the value of the shares owned by those individuals is equivalent to six months' salary.
- The value of the share options was determined by an independent specialist and the value is in line with the laws and rules applicable to bonus payments of financial undertakings.
- In certain instances, the Group is entitled to revoke the share options in part or in whole in line with applicable rules.

b. The following share options are in existence at year end

Share options	Number of shares	Exercise year	Exercise price
Issued in 2023 - Other share options, cf. the Bank's incentive scheme	2,441	2026	20.17

c. Movements in the number of share options outstanding and their related weighted average exercise prices	Average exercise price per share	Share options (thousands)
At 1 January 2024	22.24	69,478
Exercised in 2024	15.27	(1,730)
Forfeited in 2024	23.93	(25,397)
At 31 December 2024	21.51	42,350
Forfeited in 2025	21.59	(39,909)
At 31 December 2025	20.17	2,441
Exercisable share options at 31 December 2025		0

Notes to the Consolidated Financial Statements

67. Shareholders of the Bank

Shareholder	Country	31.12.2025	31.12.2024
		%	% Beneficial owners
Lífeyrissjóður verzlunarmana	Iceland	9.14%	9.17%
Lífeyrissjóður starfsmanna ríkisins A-deild	Iceland	8.04%	7.93%
Gildi - lífeyrissjóður	Iceland	7.86%	5.64%
Birta lífeyrissjóður	Iceland	7.24%	5.58%
Stoðir hf.	Iceland	5.07%	7.09%
Stapi lífeyrissjóður	Iceland	2.96%	2.55%
Lífsverk lífeyrissjóður	Iceland	2.76%	2.59%
Almenni lífeyrissjóðurinn	Iceland	2.37%	2.33%
Frjálsí lífeyrissjóðurinn	Iceland	2.66%	2.32%
Lífeyrissjóður starfsmanna ríkisins B-deild	Iceland	1.49%	1.71%
Landsbankinn hf.	Iceland	1.37%	2.39%
Vanguard Total International S	USA	1.39%	1.36% Investment fund managed by The Vanguard Group, Inc.
Vanguard Emerging Markets Stock	USA	1.23%	1.30% Investment fund managed by The Vanguard Group, Inc.
Landsbréf - Úrvalsbréf hs.	Iceland	1.21%	0.70% Investment fund managed by Landsbréf hf.
Arion banki hf.	Iceland	1.17%	1.96%
Others, each less than 1%		39.42%	44.06% 2025: 2761, 2024: 2726
		95.37%	98.69%
Treasury shares		4.63%	1.31%
Total		100%	100%

Beneficial owners are defined as owners holding a share of 10% or greater, directly or indirectly. The information presented is, among other things, based on publicly available information.

68. 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 32.3 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.

69. Events after the reporting date

There are no material events after the reporting date.

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Notes to the Consolidated Financial Statements

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements, and have been applied consistently by Group entities.

70. Basis of consolidation

a. Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses its relationship with an entity when there is a change in one or more of the elements of control.

b. Business combinations

The Group uses the acquisition method to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value, at the date of exchange, of the assets given, liabilities incurred or assumed and equity instruments issued. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in the income statement.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is account for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit and loss.

c. Non-controlling interest

Non-controlling interest represent the portion of profit or loss and equity not owned, directly or indirectly, by the Bank. Non-controlling interest is presented separately in the income statement and is included in equity in the statement of financial position, separately from equity attributable to owners of the Bank.

The Group chooses on an acquisition-by-acquisition basis whether to measure non-controlling interest in an acquiree at fair value or according to the proportion of non-controlling interests in the acquiree's net assets. Changes in the Bank's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Bank.

d. Fiduciary services

The Group provides custody services, fund management and discretionary and advisory investment management services which require the Group to make decisions on the handling, acquisition or disposal of financial instruments on behalf of its clients.

The financial statements of managed funds and investment portfolios managed by the Group on behalf of customers are not included in the financial statements, as they do not constitute assets or liabilities of the Group.

e. Transactions eliminated on consolidation

Intra-group balances, income and expenses, and unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. This also applies to subsidiaries classified as disposal groups held for sale.

f. Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Group acts as investment manager or investment advisor, for example, to a number of investment funds operated by the fund management company Kvika eignastýring hf. The purpose of such a fund management company is to generate fees from managing assets on behalf of third-party investors by providing investment strategies. These investment funds are financed through the issue of units to investors. The Group has no contractual obligation to provide financial support to these structured entities.

From time to time, the Group makes seed capital investments in certain fund products in order to establish track records for new products, to test new investment strategies or to launch new products at a viable minimum size.

The Group has set up a formal procedure to assess whether or not to consolidate investment funds managed and administered by the Group on behalf of its customers and other investors in the consolidated financial statements. As part of this assessment, the Group reviews all facts and circumstances including the purpose and design of the investment fund, to determine whether the Group, as fund manager, is acting as agent or principal. The Group is deemed to be a principal when the Group acts as fund manager and cannot be removed without cause, has variable returns through significant holdings and is able to influence the returns of the funds by exercising its power.

Notes to the Consolidated Financial Statements

71. Foreign currency

a. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the respective Group's entity using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the exchange rate at the date the fair value was determined.

Foreign currency differences are posted as a separate line item under net financial income as disclosed in notes 7 and 74.

b. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the functional currency at spot exchange rate current at the reporting date. The income and expenses of foreign operations are translated into the functional currency at the spot exchange rates at the dates of the transactions.

Translation differences on foreign operations are presented as a separate category in the statement of changes in equity.

72. Interest income and expense

Effective interest rate

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability. When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Presentation

Interest income and expense presented in the income statement includes interest on:

- financial assets and liabilities measured at amortised cost
- financial assets at fair value through other comprehensive income (FVOCI)
- financial assets at fair value through profit and loss
- derivatives

73. Fee and commission income and expense

The Group earns income from providing various services to its customers. This includes fees for managing assets on behalf of customers, commissions received for equity and bond transactions and fees and commissions for various other financial services. Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fee and commission income and expense are recognised in the income statement when an agreement with a customer meets all of the following criteria:

- the parties to the contract have approved the contract and are committed to perform their respective obligations
- performance obligations have been established for services to be transferred
- the payment terms have been established for the services to be transferred
- the transaction price can be allocated to each individual service in the agreement
- it is probable that a consideration will be collected in exchange for the services that will be transferred to the customer

The following applies to recognition of income for various types of fees and charges:

- Fees that are earned gradually as the services are performed, such as management fees in asset management, are recognised as income at the rate these services are delivered. In practice, these are on a straight line basis
- Fees attributable to a specific service or action are recognised as income when the service has been performed. Examples of such fees are brokerage and payment commissions

Notes to the Consolidated Financial Statements

74. Net financial income

Net financial income comprises the following:

- Realised and unrealised gains or losses from price changes of fixed income securities measured at fair value
- Realised and unrealised gains or losses from price changes of variable income securities
- Interest income from fixed income securities carried at fair value through profit or loss
- Dividends
- Fair value changes of loans to customers held at fair value
- Fair value changes in derivatives
- Foreign exchange difference

75. Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are presented as a component of net financial income.

76. Administrative expenses

Administrative expenses comprise expenses other than interest expenses, fee and commission expenses and expenses related to fair value changes. A breakdown of administrative expenses is provided in note 9.

77. Employee benefits

a. Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed in profit or loss as the related service is provided. The Group has no further obligations once those contributions have been paid.

c. Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at grant date. The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

78. Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised there.

Current tax liabilities include the estimated tax payable next year on current year's profit according to the tax rates prevailing at reporting date, in addition to corrections on tax from previous years.

The deferred income tax asset and/or liability has been calculated and recognised in the statement of financial position. The calculation is based on the difference between assets and liabilities as presented in the tax return on the one hand, and in the consolidated financial statements on the other, taking into consideration tax losses carried forward. This difference is due to the fact that the tax assessment is based on premises that differ from those governing the financial statements, mostly due to temporary differences arising from the recognition of revenue and expense in the tax returns and in the financial statements.

Deferred tax assets and tax liabilities are offset in the statement of financial position when there is a legal right to settle on a net basis and they are levied by the same taxing authority on the same entity or on different entities subject to joint taxation.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Consolidated Financial Statements

79. Financial assets and financial liabilities

a. Recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial assets and liabilities are initially recognised on the trade date, which is the date when the Group becomes a party to the contractual provisions of the instrument.

b. Classification

Financial assets

The Group's financial assets are classified into one of three measurement categories, i.e. i) at amortised cost, ii) at fair value through other comprehensive income or iii) at fair value through profit or loss. The measurement basis of individual financial assets is determined based on an assessment of the cash flow characteristics of the assets and the business models under which they are managed.

Financial assets at amortised cost

A financial asset is measured at amortised cost if the contractual terms of the financial asset give rise to cash flows that are solely payment of principal and interest and the asset is held within a business model whose objective is to collect contractual cash flows, i.e. Held to collect. After initial measurement, financial assets in this category are carried at amortised cost using the effective interest rate method. Amortisation is included in interest income in the Consolidated Income Statement. The majority of the Group's loans to customers are carried at amortised cost using the effective interest rate method. Interest on loans to customers is recognised as interest income.

Impairment on financial assets measured at amortised cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortised cost are presented net of allowance for credit losses in the Consolidated Statement of Financial Position.

Financial assets at fair value through other comprehensive income (FVOCI)

Fixed income securities may be classified as financial instruments measured at fair value through other comprehensive income ("FVOCI") when they meet the classification criteria. Interest income is calculated using the effective interest rate. Interest income and foreign exchange gains or losses are recognised in the Consolidated Statement of Comprehensive Income. Fixed income securities classified as FVOCI are subject to impairment measurement using the expected credit loss approach. Fair value measurements are recognised in Other Comprehensive Income while on derecognition, cumulative gains (losses) recognised in Other Comprehensive Income are reclassified to the Consolidated Statement of Income.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets classified at fair value through profit or loss are all other financial assets which are not classified at amortised cost or at fair value through other comprehensive income. This includes financial assets classified mandatorily at fair value through profit or loss and financial assets which are irrevocably designated by the Group at initial recognition as at fair value through profit or loss that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income. The Group may designate financial assets as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at fair value through profit or loss are measured in the Consolidated Statement of Financial Position at fair value. Loans to customers which are measured at fair value through profit or loss are assets whose cash flows do not represent payments that are solely payments of principal and interest but are non-trading assets. Interest on loans to customers measured at fair value through profit or loss is recognised as interest income. Changes in fair value, as well as any gains or losses realised on disposal, are recognised in the line item Net financial income (expense) in the Consolidated Income Statement.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held to both collect contractual cash flows and to sell financial assets.

Notes to the Consolidated Financial Statements

79. Financial assets and financial liabilities (cont.)

Cash flow characteristics assessment

Financial assets held within the business models Held to collect and Held to collect and sell are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest (SPPI). SPPI payments are those which are consistent with a basic lending arrangement. Principal is the fair value of the financial asset at initial recognition and may change over the life of the instruments, e.g. due to repayments. Interest relates to basic lending returns, including compensation for the time value of money and credit risk associated with the principal amount outstanding and for other basic lending risks (expected losses, liquidity risks and administrative costs), as well as a profit margin.

Where the contractual terms introduce exposure to other risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model and if the change is significant to the Group's operations.

Financial liabilities

The Group's financial liabilities are classified into one of two measurement categories, i.e. at amortised cost or at fair value through profit or loss. Financial liabilities held for trading are measured at fair value through profit or loss, all other financial liabilities are measured at amortised cost. Financial liabilities measured at amortised cost are initially recognised at fair value, which is typically equal to cost, i.e. cash advanced less any transaction costs. They are subsequently measured at amortised cost using the effective interest method. Accrued interest, in the case of interest bearing liabilities is included in the carrying amount. Interest expense is recognised in net interest income.

Derecognition

Financial assets

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or when the Group enters into a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale and repurchase agreements.

Financial liabilities

Financial liabilities are derecognised when the obligation of the Group is discharged, cancelled or expires.

80. Offsetting

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses arising from a group of similar transactions, such as in the Group's trading activity, or other circumstances permitted by International Financial Reporting Standards.

81. Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. For further information on valuation techniques, refer to notes 60 - 61.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Notes to the Consolidated Financial Statements

82. Impairment

Expected Credit Loss

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- debt instruments measured at amortised cost;
- debt instruments measured at fair value through other comprehensive income;
- finance lease receivables measured at amortised cost;
- contract assets;
- loan commitments issued; and
- financial guarantee contracts issued.

The Group estimates an ECL for each of these types of assets or exposures. However, IFRS 9 specifies three different approaches depending on the type of asset or exposure:

1. For trade receivables and contract assets without a significant financing component a simplified (lifetime expected loss) approach can be applied.
2. For assets that are credit-impaired at purchase or origination lifetime expected loss approach shall be applied.
3. For other assets/exposures a general (or three-stage) approach shall be applied.

The general approach

The Group measures the ECL at least on each balance sheet date according to a three-stage expected credit loss impairment model.

Stage 1 covers financial assets that have not deteriorated significantly in credit quality since initial recognition or (where the optional low credit risk simplification is applied) have low credit risk.

Stage 2 covers financial assets that have deteriorated significantly in credit quality since initial recognition (unless the low credit risk simplification has been applied and is relevant) but that do not have objective evidence of a credit loss event.

Stage 3 covers financial assets that have objective evidence of a credit loss event at the reporting date.

12-month expected credit losses are recognised in stage 1, while lifetime expected credit losses are recognised in stages 2 and 3. IFRS 9 draws a distinction between financial instruments that have not deteriorated significantly in credit quality since initial recognition and those that have. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

An asset moves from 12-month expected credit losses to lifetime expected credit losses when there has been a significant deterioration in credit quality since initial recognition. Hence the 'boundary' between 12-month and lifetime losses is based on the change in credit risk not the absolute level of risk at the reporting date.

There is also an important operational simplification that permits companies to stay in '12-month expected credit losses' if the absolute level of credit risk is 'low'. This applies even if the level of credit risk has increased significantly.

There is also a third stage. This applies to assets for which there is objective evidence of impairment. In Stage 3 the credit loss allowance is still based on lifetime expected losses but the calculation of interest income is different.

In the periods subsequent to initial recognition, interest is calculated based on the amortised cost net of the loss provision, whereas the calculation is based on the gross carrying value in Stages 1 and 2.

Finally, it is possible for an instrument for which lifetime expected credit losses have been recognised to revert to 12-month expected credit losses should the credit risk of the instrument subsequently improve so that the requirement for recognising lifetime expected credit losses is no longer met.

Expected credit losses

Expected credit losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows that it actually expects to receive ('cash shortfalls'). This difference is discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

12 month expected credit losses

12-month expected credit losses are a portion of the lifetime expected credit losses. They are calculated by multiplying the probability of a default occurring on the instrument in the next 12 months by the total (lifetime) expected credit losses that would result from that default. They are not the expected cash shortfalls over the next 12 months. They are also not the credit losses on financial instruments that are forecast to actually default in the next 12 months.

Lifetime expected credit losses

Lifetime expected credit losses are the expected shortfalls in contractual cash flows, taking into account the potential for default at any point during the life of the financial instrument.

Notes to the Consolidated Financial Statements

82. Impairment (cont.)

Definition of default

The Group considers a financial asset to be in default if one of the following applies:

- the borrower is more than 90 days past due of one of his exposures with the Bank;
- the borrower is considered to be unlikely to pay as determined by the Bank's Risk Management department. Events that are likely to lead to default as determined by the Risk Management department include the following:
 - i. An increased impairment of the exposure, for example as a result of a deterioration in the obligor's creditworthiness or credit rating
 - ii. The Bank has approved a loan restructuring that is likely to result in an impairment or write-off of the exposure.
 - iii. The Bank has initiated bankruptcy proceedings against the obligor.
 - iv. The obligor has initiated bankruptcy proceedings that affect or delay the repayment of the exposure to the Bank.
 - v. The obligor is more than 30 days past due on one or more of its material credit obligations and is on Creditinfo's default registry.

An exposure shall cease to be considered in default when all of the following conditions are met.

- i. Based on the Bank's assessment, the obligor's payment capacity has improved materially such that full repayment of the exposure is now
- ii. The obligor is less than 90 days past due on all exposures that have been classified as being in default.
- iii. None of the conditions which resulted in the obligor being classified as in default as referred to in 2.2 have been present for a period of 3 months, or 12 months if the borrower has received a forbearance measure.

Probability of default and credit risk rating

The Group utilises internal and external Probability of Default models (PD models). Internal models are developed using internal default data along with demographic and other explanatory variables. External models are developed by Creditinfo, an Icelandic credit bureau, for the domestic corporate and individual portfolios. The Creditinfo PD models are calibrated to the default rate of the underlying portfolios. The PD models calculate a 12 month PD and a lifetime PD is calculated for stage 2 loans. All PD models use an economic regression model which uses forecasted macro variables to adjust the PD values for economic scenarios.

The Group utilises an economic forecast and the current 12 month PD for the purpose of estimating lifetime PD for loans in stage 2. The 12 month PD is adjusted with a survival rate for each year until maturity with the following formula: $PD_t = PD_{12} * SR_t$ where PD_{12} is the 12 month PD from the credit rating model and SR_t is the survival rate at time t , which is calculated recursively as $SR_t = SR_{t-1} * (1-PD_t)$. The Group monitors the appropriateness of the assumption as a part of its yearly validation and monitoring process. The PD assessment for portfolios in the UK is primarily individually assessment done by credit specialists based on payment history and general creditworthiness where performing customers are ranked in three different risk classes.

Significant increase in credit risk

When considering whether a significant increase in credit risk (SICR) has occurred the Group considers both quantitative and qualitative factors. In general the Group will rely on a quantitative analysis based on the PD model but will additionally consider qualitative factors based on the information available to the Group.

Quantitative SICR assessment

The Group has defined the following criteria's for SICR:

1. Over 30 days past due of any of the client's exposures or client is in Creditinfo's default registry
2. Grading migrations – SICR has occurred if the current grade has increased compared to the origination grade. For the domestic portfolio, more or equal to the following thresholds are considered to be significant increase in credit risk:

Origination grade	Threshold grade
1	6
2	6
3	6
4	6
5	7
6	8
7	9
8	9
9	10

Migration of corporations by one or two risk grades in the PD model is considered to be a significant increase in risk and therefore warrant a transfer to stage 2, depending on the origination grade. However, the Group considers risk grade 5 and lower for corporations to be low risk and therefore excludes any movement between categories that does not result in a rating above that level. If the borrower is in Creditinfo's default registry then he moves to stage 3 if he is more than 30 days delinquent but stage 2 otherwise. The rating scale for individuals is A1–A3, B1–B3, C1–C3, D1–D3 and E1–E3. A loan is considered a SICR if the rating has deteriorated by at least two risk grades from origination and is B3 or worse at the reporting date.

Qualitative SICR assessment

Risk Management is responsible for managing the credit risk of the Group which includes a qualitative SICR assessment. Risk Management reviews at least quarterly all significant exposures on a loan by loan basis, such as the largest borrowers in each loan portfolio and the largest borrowers in default.

Notes to the Consolidated Financial Statements

82. Impairment (cont.)

Exposure at default

Lifetime definition

The Group considers the lifetime of each exposure to be the contractual maturity of each loan. The Group considers this to be the case as any lending subsequent to that period would be based on an independent lending decision at that time based on the prevailing market terms. The Group only considers contractual cash flows when estimating exposure at default. The average lifetime of the Group's exposures is relatively short and it does therefore not consider the likelihood of prepayment when concluding on the lifetime of the assets.

Committed facilities

The Group considers the off-balance portion of exposure at default to be 50% (credit conversion factor) of any facilities not drawn upon that are considered committed. Such facilities include overdrafts, credit cards and guarantees. The credit conversion factor is subject to expert review on a case by case basis. The Bank does not consider credit line facilities to be committed facilities as disbursements are subject to predetermined conditions and constitute a separate credit review. These predetermined conditions will in most cases lead directly to an increase in posted collateral and disbursements therefore stay within acceptable collateral coverage.

Expected credit loss measurement

IFRS 9 requires the Group to determine an expected credit loss (ECL) amount on a probability-weighted basis as the difference between the cash flows that are due to the Group in accordance with the contractual terms of a financial instrument and the cash flows that the Group expects to receive. The Group has implemented an ECL model which is consistent with regulatory and best practices. The model is based on four components.

Probability of Default (PD). This is an estimate of the likelihood of default over a given time horizon. 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.

Exposure at Default (EAD). This is an estimate of the exposure at a future date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Loss Given Default (LGD). This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is expressed as a percentage of EAD and derived from value of underlying collaterals.

Discount rate. This is used to discount an expected loss to present value at the reporting date using the effective interest rate (EIR) at initial recognition.

Forward looking probability weighted scenarios

The Group's management has identified and probability weighted three domestic macro-economic scenarios and four scenarios for its UK loan portfolios for the purpose of estimating the development of PD values in the calculation of expected credit losses. The forecasts of macro-economic variables and the associated scenario weights are based on management judgement and are applied to those loan portfolios that are affected by these variables. The Group incorporates the following forward-looking macro- economic variables into its probability weighted expected credit loss calculations: (i) unemployment rate and (ii) inflation rate.

83. Cash and balances with Central Bank

Cash and balances with Central Bank include notes and coins on hand, balances held with the Central Bank and other financial institutions, and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and balances with Central Bank are carried at amortised cost in the statement of financial position.

84. Fixed income securities

Fixed income securities are initially measured at fair value and subsequently accounted for depending on their classification as discussed in note 79.

85. Shares and other variable income securities

Shares and other variable income securities consist of equity investments and unit shares in mutual funds. Shares and other variable income securities are initially measured at fair value and subsequently accounted for depending on their classification as discussed in note 79.

86. Securities used for hedging

Securities used for hedging consist of non-derivative financial assets that are used to hedge the Group's exposure arising from derivative contracts with customers. Securities used for hedging are measured at fair value as discussed in note 79.

Notes to the Consolidated Financial Statements

87. Loans to customers

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include loans provided by the Group to its customers, participation in loans from other lenders and purchased loans that are not quoted in an active market and which the Group has no intention of selling immediately or in the near future. Finance lease receivables are a part of the line item Loans to Customers.

Loans are initially recognised at fair value, which is the cash advanced, plus any transaction costs. Subsequently, they are measured at amortised cost using the effective interest method. Accrued interest is included in the carrying amount of the loans and advances. The carrying amount of impaired loans is reduced through the use of an allowance account.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset, or a substantially similar asset, at a fixed price at a future date ("reverse repo" or "stock borrowing"), the arrangement is accounted for as a loan and the underlying asset is not recognised in the Group's statement of financial position.

88. Derivatives

A derivative is a financial instrument or another contract that falls under the scope of IFRS 9 and generally has the following three characteristics:

- Its value changes due to changes in an underlying variable, such as bond price, share price, security or price index (including CPI), foreign currency exchange rate or interest rate
- The contract requires no initial investment or an initial investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors
- Settlement takes place at a future date

The Group uses derivatives for trading purposes and to hedge its exposure to market price risk, foreign exchange risk and inflation and interest risk arising from operating, financing and investing activities.

Derivative assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position. Derivatives with positive fair values are classified as financial assets and derivatives with negative fair values as financial liabilities. Revenue from derivatives is split into interest income and net income from financial instruments at fair value and presented in the corresponding line items in the income statement.

89. Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence generally exists when the Group holds between 20% and 50% of the voting power, including potential voting rights, if any. Investments in associates are initially recognised at cost.

The Group's share of the total recognised gains and losses of associates is included in the financial statements of the Group on an equity accounted basis, from the date the significant influence commences until the date it ceases.

If the Group's share of loss exceeds its interest in an associate, the Group's carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

90. Investment properties

An investment property is an asset which is specified for leasing to third parties, for returns or for both purposes. Investment properties are initially recognised at cost and subsequently measured at fair value. Changes in fair value are recognised as gains or loss in the income statement.

Notes to the Consolidated Financial Statements

91. Intangible assets

a. Asset categories

The Group groups intangible assets into four categories:

- Goodwill

Goodwill arises in business combinations. It is recognised as of the acquisition date and measured as the aggregate of (a) the fair value of the consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) the fair value of any previously held equity interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. The consideration transferred includes the fair value of assets transferred, liabilities incurred and equity interests issued by the Group. In addition, consideration transferred includes the fair value of any contingent consideration.

- Customer relationships

Customer relationships have been acquired as part of recent acquisitions and are capitalised and amortised using the straight line method over their useful life of maximum 16 years.

- Brands

Brands have been acquired as part of recent acquisitions and are capitalised and amortised using the straight line method over their useful life, but not exceeding 20 years.

- Software and other

Software comprise acquired software licences and external costs associated with the development of bespoke applications.

- Development cost that has been capitalised is amortized on the day that the product is launched using the straight line method over their useful life, but not exceeding 14 years.

b. Initial recognition

Intangible assets are initially recognised at cost.

c. Subsequent measurement

The Group uses the cost model for measurement after recognition and intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits at each reporting date. If such indications exist, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

d. Amortisation

Intangible assets with finite useful life are amortised using the straight-line method over their estimated useful economic life, with the amortisation recognised in the income statement. The estimated useful life of intangible assets is as follows:

Customer relationships	7-16 years
Brands	4-20 years
Software and other	3-14 years

Depreciation of property and equipment and amortisation of intangible assets are presented together as a separate line item in administrative expenses as disclosed in note 9. Further breakdown on depreciation of intangible assets is provided in note 28.

92. Operating lease assets

Operating lease assets are rental agreements on vehicles and heavy equipments where the bank is the lessor. Operating lease assets are recognised at cost less depreciation and impairment. Depreciation is calculated and recognised in the income statement on a straight-line basis based on estimated useful life, taking into account the residual value.

Notes to the Consolidated Financial Statements

93. Property and equipment

a. Asset categories

The Group groups tangible assets into two categories:

- Real estate, which includes office and residential buildings, land and building rights
- Other property and equipment, which includes automobiles for own use, furniture and fixtures, computers and other office equipment

b. Initial recognition

Property and equipment is initially recognised at cost, which includes direct expenses related to the purchase.

c. Subsequent measurement

The Group uses the cost model for the measurement after recognition and property and equipment is carried at cost less any accumulated depreciation and any accumulated impairment losses. Property and equipment is reviewed for indications of impairment or changes in estimated future economic benefits at each reporting date. If such indications exist, the assets are analysed to assess whether their carrying amount is fully recoverable.

d. Subsequent cost

The Group recognises in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. The decision whether subsequent costs are added to the acquisition cost of property and equipment is based on whether an identified component, or part of such component, has been replaced or not, or if the nature of the subsequent cost means a contribution of a new component. All other costs are expensed in the income statement when incurred.

e. Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. The estimated useful lives are as follows:

Real estate	15-50 years
Other property and equipment	3-5 years

Where parts of an item of property and equipment have different useful lives, those components are accounted for separately.

94. Other assets

Other assets are measured at amortised cost.

95. Deposits

Deposits consist of time deposits and demand deposits, as well as money market deposits. They are recognised at amortised cost, including accrued interest.

96. Borrowings

Borrowings are initially recognised at fair value less attributable transaction costs. Subsequently, they are measured at amortised cost using the effective interest method. Accrued interest is included in their carrying amount.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset, or a substantially similar asset, at a fixed price at a future date ("repo" or "stock lending"), the arrangement is accounted for as a borrowing and the underlying asset continues to be recognised in the Group's statement of financial position.

97. Issued bonds

Issued bonds are initially recognised at fair value less attributable transaction costs. Subsequently, they are measured at amortised cost using the effective interest method. Accrued interest is included in their carrying amount.

98. Subordinated liabilities

Subordinated liabilities are initially recognised at fair value less attributable transaction costs. Subsequently, they are measured at amortised cost using the effective interest method. Accrued interest is included in their carrying amount.

99. Short positions held for trading

Short positions are obligations of the Group to deliver financial assets borrowed by the Group and sold to third parties. Short positions are carried at fair value through profit or loss with all fair value changes recognised in the income statement under net financial income.

Notes to the Consolidated Financial Statements

100. Short positions used for hedging

Short positions used for hedging are obligations of the Group to deliver financial assets borrowed by the Group and sold to third parties. Short positions used for hedging consist of non-derivative financial liabilities that are used to hedge the Group's risk exposure arising from derivative contracts with customers. Short positions used for hedging are carried at fair value through profit or loss with all fair value changes recognised in the income statement under net financial income.

101. Other liabilities

Other liabilities are measured at amortised cost, except for the contingent consideration which is measured at fair value.

102. Assets and disposal groups held for sale

The Group classifies an asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and the sale must be highly probable.

Immediately before classification as held for sale, the measurement of the qualifying assets and all assets and liabilities in a disposal group is brought up-to-date in accordance with applicable IFRS. Then, on initial classification as held for sale, assets and disposal groups are recognized at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the Income Statement, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement. Revaluation through the reversal of impairment in subsequent periods is limited so that the carrying amount of the held for sale, assets or disposal groups does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years.

103. Right of use asset and lease liability

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's incremental borrowing rate. The right-of-use assets comprise the initial measurement of the corresponding lease liability. They are subsequently measured at cost less accumulated depreciation.

104. Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value. The guarantee liability is subsequently measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Liabilities arising from financial guarantees are included with provisions.

105. Share capital

a. Treasury shares

Acquired own shares and other equity instruments (treasury shares) are deducted from equity. No gain or loss is recognised in income statement on the purchase, sale, issue or cancellation of treasury shares. Consideration paid or received is recognised directly in equity. Incremental transaction costs of treasury share transactions are accounted for as a deduction from equity, net of any related income tax benefit.

b. Share premium

Share premium represents excess of payment above nominal value (ISK 1 per share) that shareholders have paid for shares sold by the Group.

c. Dividends on share capital

Dividends on share capital are deducted from equity in the period in which they are approved by the Group's shareholders meetings.

106. Nature and purpose of equity reserves

a. Option reserve

The option reserve represents the cumulative charge to the income statement for options to purchase shares in the Bank granted under the Bank's Remuneration policy, which is discussed in notes 64-66.

b. Deficit reduction reserve

The deficit reduction reserve was created as a part of a share capital reduction approved by the Bank's Annual General Meeting in April 2014. The reserve has no specified purpose and can only be used with the approval of a shareholders' meeting.

c. Fair value reserve

The fair value reserve represents fair value changes, net of tax, for assets held at fair value through other comprehensive income. The reserve is released in correlation with realization of gains or losses of financial assets upon sale or derecognition.

Notes to the Consolidated Financial Statements

106. Nature and purpose of equity reserves (cont.)

d. Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, until the operations are sold, dissolved or abandoned.

e. Restricted retained earnings

According to the Financial Statements Act No. 3/2006 the difference between share of profit of subsidiary or associate in excess of dividend payment or dividend payment pending, shall be transferred to a restricted retained earnings reserve, net of tax, which is not subject to dividend payments. When shareholding in subsidiary or associate is sold or written off the restricted retained earnings reserve shall be released and the amount transferred to retained earnings.

When development cost is capitalized a corresponding amount is transferred from retained earnings to restricted retained earnings according to the Financial Statements Act No. 3/2006. The reserve is then transferred back to retained earnings in line with amortization of the asset through income statement.

f. Retained earnings - accumulated deficit

Retained earnings (accumulated deficit if negative) consists of undistributed profits and losses accumulated, less transfers to other reserves.

107. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, which comprise share options granted to employees and issued warrants.

108. New standards and interpretations

A number of new standards, amendments to standards and interpretations were not yet effective for the year ended 31 December 2025 and have not been applied in the preparation of these financial statements. Early adoption of new standards and amendments is not planned.

109. Use of estimates and judgements

In the process of applying the Group's accounting policies, management makes use of judgements and estimates which are based on various assumptions. These judgements and estimates can affect the reported amounts of assets and liabilities, income and expense.

Assumptions and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are reviewed on an on-going basis. The estimates form the basis for judgements about the carrying value of assets and liabilities that are not readily available from other sources and actual results may differ. Judgement may also be required in circumstances not involving estimates, e.g. when determining the substance of a particular transaction, contract or relationship.

The areas where the use of judgements and estimates has the most significant effect on the amounts recognised in the statement of financial position or the income statement are disclosed in this note.

a. Fair value of financial instruments

The fair value of financial instruments that are not quoted in active markets is determined using valuation techniques which are reviewed regularly as discussed in note 60.

b. Impairment of financial assets

As outlined in note 82, the use of estimates and judgement is an important component of the calculation of impairment losses. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Unforeseen events could, however, result in further impairment losses which would have a material effect on the income statement and statement of financial position.

c. Impairment of intangible assets

The carrying amount of intangible assets are reviewed annually to determine whether there is indication of impairment as disclosed in note 91. If any such indication exists the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

d. Deferred tax assets

Judgement is required to determine the extent to which deferred tax assets are recognised in the statement of financial position, based on the likely timing and level of future taxable profits.



KVÍKA

Appendix 1:
Statement on the Corporate
Governance of Kvika banki hf. 2025

Unaudited

Statement on the Corporate Governance of Kvika banki hf.

Business strategy and values

Kvika banki hf. (hereinafter referred to as "Kvika" or the "Bank") is the parent company of the Kvika group. Kvika's purpose is to increase competition and simplify customers' finances by utilizing infrastructure and financial strength. Kvika's vision is to transform financial services in Iceland with mutual benefits in mind. On that journey, Kvika is guided by three values that contribute to the development of robust business relationships, long-term results, and active innovation. Kvika's values are long-term thinking, simplicity, and courage. In accordance with those values the Bank places emphasis on thinking of the future and contributing to a sustainable community through active participation. Emphasis is placed on putting ourselves in the customer's shoes, rethinking things and selecting projects that provide the most long-term value for customers and the Bank.

Kvika offers its customers diversified financial services through four business segments: Commercial Banking, Investment Banking, Asset Management and UK operations. The business segments Asset Management and the UK operations are operated in the subsidiaries Kvika eignastýring hf. and Kvika Limited. The sale of TM tryggingar hf. to Landsbankinn was completed on February 28, 2025, and the Bank is no longer defined as a financial conglomerate in the financial sector.

Commercial Banking provides businesses, institutions, and investors with general banking services. Customer's daily banking transactions are handled mostly via Kvika's online banking system. Kvika's specialized brands provide diverse financial services to customers. Auður offers individuals with a wide selection of savings accounts as well as favourable mortgage lending, which the bank began offering in 2025. Auður also offers corporate accounts to legal entities. Aur provides individuals with access to a variety of online banking services. Lykill makes financing in the form of loan and lease agreements for cars, machinery, and equipment available for individuals and legal entities. Kvika also operates the brand Framtíðin exclusively online and provides mortgages to individuals in the form of secondary mortgages. Lastly, Kvika provides payment services to customers through its brands Netgíró and Straumur.

Investment Banking provides a range of professional services in the fields of specialised financing, securities and foreign exchange transactions and corporate finance services. Capital Markets provide customers with comprehensive services in securities and foreign exchange brokerage. The Corporate Finance segment provides advice on the acquisition, sale and merger of companies and business entities, financing businesses via stock or bond auctions, listing and delisting stocks and bonds. The Lending segment provides businesses, institutions, and investors with specialised lending to finance such things as real estate, real estate development, securities transactions and other investments. The division also uses the Bank's infrastructure to distribute loans to other institutional investors.

Asset Management emphasises on offering clients a broad range of services for investing in Iceland as well as in foreign markets. Its aim is to provide the best asset and fund management services, guided by clients' long-term interests. Asset and fund management operations are mostly handled by Kvika's subsidiary, Kvika eignastýring hf. (hereinafter referred to as "KES").

Kvika's **UK operations** are operated through the subsidiary Kvika Limited. (hereinafter referred to as "KL"). KL, established in 2017, is a subsidiary regulated in the United Kingdom by the Financial Supervisory Authority. KL's focus is on corporate finance, as well as fund and asset management services. KL also handles specialized real estate mortgage transactions under the brand Ortus Secured Finance.

Kvika takes the independence of its licenced subsidiaries, both with regards to management and day-to-day operations, seriously. However, Kvika, as a parent company, is responsible for internal governance on a consolidated basis. In that context Kvika has laid down ground rules for its subsidiaries, both in terms of administrative structure and internal governance, through ownership policies for its significant subsidiaries and requires regular and ad hoc information from the subsidiaries to the parent company. Kvika requires harmonized and professional work ethics within the Kvika group, harmonized corporate culture, coordinated human resources working under the same conditions and that Kvika's values are maintained within the group to the extent allowed by law. Further reference is made to annual reports of the Bank's subsidiaries, available at www.skatturinn.is.

Return on equity is determined by decisions made in accordance with the Bank's risk appetite, which reflects its profitability targets. Consequently, decisions regarding the optimal composition of the balance sheet to generate income are restricted by risk appetite. Kvika's target is a return on tangible equity of at least 20% and keeping the capital adequacy ratio (CAR) 2-4% above legal and regulatory requirements set by the Financial Supervision of the Central Bank of Iceland (hereinafter referred to as "the Icelandic Financial Supervision").

Kvika's objective is to deliver to shareholders an annual compensation equivalent to a minimum of 25% of profit, whether in the form of dividend payments or share repurchases, under a formal buy-back programme, as authorised by applicable laws and decisions made at shareholders' meetings. When deciding on the amount of dividends or, as the case may be, the funds allocated for share buy-backs, care is taken to maintain Kvika's strong financial position, bearing in mind risks in the internal and external environment and growth prospects, to ensure that the Bank maintains a solid capital ratio and liquidity for the future.

Sustainability

Kvika's purpose, as previously stated, is to increase competition in financial services and simplify customers' finances. Kvika's BOD approved a new sustainability policy in September 2025, which is based on the priorities that emerged from Kvika's double materiality assessment conducted in 2024. In parallel with the new policy, Kvika's sustainability committee also approved new procedures during the year, setting out goals and metrics related to the priorities in the sustainability policy. The sustainability policy applies to the Kvika group based on Kvika's ownership policy for significant subsidiaries.

In parallel with the sustainability strategy, it was decided to reduce the number of United Nations Sustainable Development Goals (SDGs) that Kvika places special emphasis on from six to four so that the goals best align with Kvika's sustainability priorities. They are: SDG 5 on gender equality; SDG 9 on industry, innovations, and infrastructure; SDG 13 on climate action and SDG 17 on partnership for the goals.

A special sustainability committee is in place at Kvika and is now composed of the CEO, CFO and managing directors of most divisions of the bank and KES, as well as the Director of Sustainability. The Director of Sustainability has day-to-day oversight of sustainability matters on behalf of the Sustainability Committee, but the subject area falls under the Operation and Development Division. Kvika's sustainability risk policy was reviewed by the BOD in September 2025. The policy forms part of the Bank's overall risk management framework, with the Risk Management Division overseeing sustainability risk. As part of the updates to the risk management framework in 2024, a position of a specialist in sustainability risk was added to the Risk Management Division. Additionally, sustainability risk was elevated within the framework, becoming an independent risk factor and one of the Bank's key risk factors. The policy was revised to expand its scope from its previous focus on climate risk. The policy now covers all of Kvika's sustainability risks, based on the results of a double materiality assessment from 2024.

Statement on the Corporate Governance of Kvika banki hf.

In 2024, work began with external consultants on a double materiality assessment, which is, among other things, the first step in the Risk Management Division's risk management process for monitoring sustainability risk. The result of the assessment will form the foundation for further work in the sustainability area in the coming year and will also serve as the basis for Kvika's sustainability reporting.

Kvika is a member of the United Nations Principles for Responsible Investment (UN PRI) and is working on integrating the principles of the UN PRI into its operations, particularly within KES. Kvika is one of the founding members of IcelandSIF, an organisation for responsible investments, is a member of Festa Centre for Sustainability and supports Grænvangur, which is a co-operation forum between industry and government on climate issues and green solutions. Kvika is a member of the Partnership for Carbon Accounting Financials (PCAF), an industry-led initiative to enable financial institutions to consistently measure and disclose GHG emissions financed by their loans and investments. In 2025, Kvika conducted its third assessment of estimated financed emission using the PCAF methodology. Information on estimated financed greenhouse gas emissions from Kvika's loans and investments is published annually in Kvika's sustainability report.

Kvika awards a variety of grants that have a positive social impact, and the selection of projects reflects the four UN SDGs that have been adopted. Last year was, among other things, provided to UNICEF in Iceland and women and innovation with FrumkvöðlaAuður.

A more detailed discussion of the scope, position, and impact of the group regarding environmental, social and governance matters (also known as "ESG factors") can be found in Kvika's sustainability report, which is published together with Kvika's annual financial statement. When writing the report, data points from the ESRS standards of the CSRD (Corporate Sustainability Reporting Directive), which has not yet been implemented in Iceland, are selected and taken into account. Deloitte provides a limited assurance assessment of selected information in Kvika's 2025 sustainability report.

Compliance with corporate governance guidelines

Kvika is obliged to observe recognised corporate governance guidelines, pursuant to Par. 7 of Article 54 of Act No. 161/2002, on Financial Undertakings. The Bank complies with chapter VII of Act No. 161/2002, on Financial Undertakings, and with the Guidelines on Corporate Governance issued jointly in February 2021 by the Chamber of Commerce, NASDAQ Iceland, and SA – Business Iceland. Kvika has been recognized as a model company in good corporate governance, most recently in August 2025. The Guidelines are available on the website of the Chamber of Commerce www.vi.is.

Furthermore, Kvika's activities comply with the recognised standards and rules of the European Banking Authority (EBA), including guidelines on internal governance (EBA/GL/2021/05), cf. Article 15 of regulation of the European Parliament and of the Council No. 1093/2010, which was incorporated into Icelandic law with act no. 24/2017 on a European Financial Supervisory System (hereinafter "EBA Guidelines"). The EBA Guidelines can be found on the Central Bank of Iceland's website www.cb.is and on EBA's website <https://www.eba.europa.eu/homepage>.

Regulatory framework

Kvika is a financial undertaking subject to provisions of Act No. 161/2002 on Financial Undertakings, Act No. 115/2021 on The Market for Financial Instruments, Act No. 60/2021 on Measures against Market Abuse, Act No. 45/2020 on Alternative Investment Funds, Act No. 116/2021 on undertakings for collective investment in transferable securities, Act No. 14/2020 on Prospectus for Public Offering or Admission to Trading on a Regulated Market, Act No. 33/2013 on Consumer Lending, Act No. 118/2016 on mortgage lending to consumers, Act No. 2/1995 on Limited Liability Companies, the Competition Act No. 44/2005, Act No. 114/2021 on Payment Services, Act No. 3/2006 on Annual Financial Statements, Act No. 3/2023 on Payment Accounts, Act No. 140/2018 on Measures against Money Laundering and Terrorist Financing and Act No. 78/2025 on digital operational resilience for the financial sector. Moreover, Kvika is obliged to guarantee the safety of the personal data it processes in its activities, in accordance with Act No. 90/2018, on the Protection of Privacy as regards the Processing of Personal Data and follows Act No. 25/2023 on Sustainable Finance Disclosure. Kvika has an operating licence from the Icelandic Financial Supervision, which supervises the activities of the Bank. Kvika's activities are therefore governed by the rules and instructions of the Icelandic Financial Supervision and Central Bank of Iceland. Kvika is also subjective to further extensive legislation and secondary acts that apply to the financial market, mostly originated from Europe, and incorporated in Icelandic law through various means. More details about the Icelandic Financial Supervision and an overview of the principal legislation and rules that apply to the Bank at any given time can be found on the website of the Central Bank of Iceland www.cb.is.

The main elements of internal control, risk management and accounting

The BOD is responsible for ensuring that an active system of internal control is in place within the Bank, which is based on three lines of defence. The first line of defence consists of the management and the employees of business and supporting units in charge of the Bank's daily management and organization. The main responsibility of the first line of defence is to ensure the functionality and implementation of internal control measures in daily operations. The second line of defence is comprised of the Compliance Officer and Risk Management. The Compliance Officer is responsible for the training of employees and the BOD, monitors and regularly and preventively assesses compliance with relevant legislation, monitors compliance risk, as well as consulting on implementation of laws and regulations in Kvika's operations. Risk Management oversees the Bank's identified risk factors and is responsible for developing methods to identify, assess, monitor and manage them in a systematic manner. Compliance and risk management oversight is additional to internal controls of the first line of defense. Other units may also be assigned a supervisory role in the second line of defence, in line with Kvika's policy on internal control. The third line of defence is the internal auditor, operating independently from other units within Kvika's organization and directly under the control of the BOD, according to a formal statement of duties and job description of the internal audit function. The internal audit function assesses the effectiveness of risk management, control methods and internal governance in an independent and objective manner and in accordance with internal auditing standards. Among other things, the function prepares independent audits, verifications, and advice to the BOD and the Audit Committee.

The implementation and functioning of internal control are the responsibility of the management of the Bank. Internal control is based on risk assessments and control measures intended to reduce risk factors in the operations of the Bank. Internal control includes documented and formal procedures which Kvika's employees follow in their daily work, and which are reviewed by the control units.

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The BOD determines the risk policy and risk appetite of the group within Kvika Group's Risk Policy, which also defines main risk factors in Kvika's operations, including their nature and acceptable volume. The purpose of the policy is to establish an effective and transparent framework for managing the group's risk and risk appetite, ensuring that risk management is aligned across the group on a consolidated basis. The Kvika Group Risk Policy stipulates that the Bank and its subsidiaries must ensure that the policy is implemented in their daily operations where applicable. It further states that Kvika and its subsidiaries shall establish risk policies addressing the main risk factors relevant to their activities. These policies must define a risk appetite within the framework of the risk appetite outlined in the Kvika Group Risk Policy.

The BOD hires an Internal Auditor, signs his/her formal statement of duties, and annually approves the internal audit plan. The CEO appoints the Compliance Officer, and the BOD confirms the appointment. The CEO appoints the Managing Director of the Risk Management function. The reports and findings of the internal control function are presented directly to the BOD.

Kvika's Finance division prepares annual financial statements in accordance with International Financial Reporting Standards (IFRS) 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. The annual financial statements are audited by Kvika's external auditors, Deloitte.

The CEO reports to the BOD and verifies the effectiveness of internal controls and risk management in the Consolidated Financial Statements. Internal controls and risk management applied in the preparation of the Consolidated Financial Statements are organised with a view to preventing any significant deficiencies in the accounting process.

Kvika's BOD and control units regularly verify the effectiveness of internal controls and risk management.

Composition and activities of the BOD, Executive Committee, sub-committees and the Nomination Committee

Each year Kvika's annual general meeting elects the BOD consisting of five board members and two alternates.

Board members come from varied backgrounds, and all possess extensive experience and expertise. In accordance with the Act on Limited Liability Companies No. 2/1995, the Bank's Articles of Association and Kvika's policy for assessing the eligibility of its board members and CEO care is taken to ensure at least 40% representation of each gender on the BOD and among the alternates. The BOD is currently comprised of three men and two women. At the Bank's 2025 annual general meeting Sigurgeir Guðlaugsson resigned from the board and Páll Harðarson joined the board.

Regular board meetings are generally held once a month and meetings to review financial statements are held quarterly. Additional meetings may be called in between to discuss specific matters. In 2025, 25 board meetings were held and all current board members attended all board meetings. The Chairman attended all meetings of the BOD.

The BOD is the supreme authority in the affairs of the Bank between shareholders' meetings. Its main duties are to supervise all of Kvika's operations and ensure that they are in good order at all times. The BOD is responsible for Kvika's policy making and shall ensure that the accounting and handling of the Bank's assets is properly supervised. The BOD prepares plans for Kvika in line with the Bank's objectives and in accordance with its Articles of Association and determines the strategies to be followed to achieve the objectives set. The BOD appoints the CEO and supervises his work, e.g., by receiving regular reports from the CEO at board meetings. The BOD annually evaluates the CEO's work in a documented manner. The BOD also represents the Bank before courts and government authorities and allocates authority to sign and to commit the Bank.

Kvika's BOD has three sub-committees, the Audit Committee, Risk Committee and Remuneration Committee.

The members of the Audit Committee are Ingunn Svala Leifsdóttir, as chairperson, Helga Kristín Auðunsdóttir and Margrét G. Flóvenz. The committee is intended to play an advisory and supervisory role for Kvika's BOD by, among other things, ensuring the quality of financial statements and other financial information from the Bank and the independence of its auditors. The committee supervises accounting procedures and the effectiveness of internal controls as well as internal and external auditing. The committee met nine times in 2025 and all members attended all meetings.

The members of the Risk Committee are Páll Harðarson, as chairperson, Ingunn Svala Leifsdóttir and Sigurður Hannesson. The committee has an advisory and supervisory role for the Bank's BOD, among other things, in determining its risk policy and risk appetite. The committee also monitors the organisation and effectiveness of risk management, management of credit risk, market risk, liquidity risk, operating risk, reputational risk, and other risks, as the case may be. The committee met 11 times in 2025 and all members attended all meetings.

The members of the Remuneration Committee are Guðjón Reynisson, as chairperson, Sigurður Hannesson, and Helga Kristín Auðunsdóttir. The committee has an advisory and supervisory role for the Bank's BOD regarding salaries and other remuneration, ensuring that this supports the Bank's objectives and interests. The committee met seven times in 2025 and all members attended all meetings.

All the BOD's sub-committees have established rules of procedure prescribing the implementation of their tasks in detail and endorsed by the BOD. The BOD appoints sub-committee members by majority vote from its own ranks and nominates the chairpersons. Because of the nature of the committees, neither the CEO nor other employees can serve on them. The rules of procedure of the committees and the BOD are accessible on Kvika's website www.kvika.is. Kvika operates a nomination committee, whose role is to prepare and make proposals for candidates for election to the Bank's BOD at its annual general meeting and at those shareholder meetings where board election is on the agenda. The committee's proposals shall aim to ensure that the board is at all times composed in such a way that it has a diverse knowledge and experience that is useful to the Bank in policy-making and supervision in the environment in which the Bank operates at any given time. According to Kvika's articles of association, the annual general meeting appoints/elects three members to the Nomination Committee. The committee consists of Jakobína Hólmfríður Árnadóttir, who is the chairman, Helga Melkorka Óttarsdóttir and Ragnar Páll Dyer, all appointed to the committee at the annual general meeting in 2025. The committee's rules of procedure and further information are available on Kvika's website www.kvika.is.

The members of Kvika's Executive Committee, in addition to the CEO are the following employees: Anna Rut Ágústsdóttir, deputy CEO and Managing Director of Operations and Development, Bjarni Egvinds Þrástason, Managing Director of Investment Banking, Elísabet Guðrún Björnsdóttir, Managing Director of Risk Management, Eiríkur Magnús Jansson, CFO, Guðmundur Þórðarson, Managing Director of Business Development, Halldór Snæland, Managing Director of Commercial Banking, and Lilja Jensen, General Counsel. Additionally in the group's Executive Committee is Hannes Frímann Hrólfsson, CEO of KES. More details about the Executive Committee are accessible on Kvika's website www.kvika.is.

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Kvika has adopted a policy for assessing the eligibility of its board members and CEO as provided for in EBA guidelines and pursuant to Art. 52 of Act No. 161/2002 on Financial Undertakings, provisions of Rules No. 150/2017 on assessment of eligibility of managing directors and directors of financial undertakings and the guidelines. It addresses, inter alia, Kvika's policy on the diversity of its BOD, Executive Committee, and senior management with regard to age, gender and educational and professional background. The composition of the BOD is also dealt with in Kvika's Articles of Association, which state, among other things, that its BOD shall be so comprised that its members jointly possess adequate expertise, skills, and experience to understand the activities of the Bank, including key risk factors. Kvika has also adopted a Human Resources Policy and Equality Policy. According to the Bank's Equality Policy, non-discrimination and diversity shall characterise all its operations. All employees should have the opportunity to make good use of their abilities at work and be valued on their own merit, have equal opportunities, and enjoy the same rights in their work and for career advancement, regardless of gender, age and origin. The status and opportunities of individuals shall be equal regardless of gender, race, nationality, religion, age, or other irrelevant factors when it comes to employment in management positions and participation in working groups, boards and committees.

Information on Board members

Sigurður Hannesson is the chairman of the BOD. He was appointed to Kvika's BOD in March 2020. He was born in 1980 and is currently the Director General of the Federation of Icelandic Industries. From 2007-2017, Sigurdur worked in the financial markets, most recently serving as a Managing Director of Asset Management at Kvika's (formerly MP Bank's). In 2015, Sigurdur was the Vice-Chairman of the Government Task Force on lifting of capital controls and in 2013 the Chairman of the Expert Group on household debt relief. Sigurdur holds a DPhil degree in mathematics from the University of Oxford, a BS degree in mathematics from the University of Iceland and is a certified securities broker. Sigurður also sits on the boards of Iceland Symphony Orchestra, Grænvangur (Green by Iceland), Reykjavík University, Skólastræti and the Icelandic Cancer Society. Sigurður owns 8,550,107 shares in the Bank through shareholding in the private limited company BBL 39 ehf., but does not have interest links with major clients, competitors, or big shareholders in the sense of the corporate governance guidelines and is also independent from the bank in sense of the guidelines.

Helga Kristín Auðunsdóttir is the deputy chairperson of the BOD. She was appointed to Kvika's BOD in April 2021. She was born in 1980. Helga Kristín is a doctor in Law from Fordham University in New York. In her doctoral studies at Fordham University she researched corporate governance and hedge fund investments. Helga Kristín graduated with BS in Business Law from Bifröst University in 2004 and with a master's degree in law from the same university in 2006. She graduated with an LL.M degree in law from the University of Miami, with a focus on international business law and contracts in 2010. Helga Kristín is an assistant professor at the Department of Law at Reykjavík University. Before that, she worked as a director and assistant professor at Bifröst University, as a lawyer for Stoðir hf., as a lawyer for FGM/Auðkenni, now part of the Central Bank of Iceland and as a lecturer at the faculty of law at University of Miami. Helga Kristín was a member of the board of directors of TM tryggingar hf. from 2023-2025 and of TM hf. in the years 2020-2021. She was also an appointed alternate on the board of directors of Tryggingamiðstöðin hf. in 2012-2015. Helga Kristín does not own shares in the Bank and does not have interest links with major clients, competitors, or big shareholders in the sense of the corporate governance guidelines and is also independent from the bank in sense of the guidelines.

Guðjón Reynisson was appointed to Kvika's BOD in March 2018. He was born in 1963 and works as an independent investor and board member. Between 2008 and 2017 he served as CEO of Hamleys of London. From 2003 to 2008, he served as managing director of the 10-11 stores. From 1998 to 2003 he was the managing director of the sales division of Tal, an Icelandic phone company. He graduated with an MBA degree from the University of Iceland in 2002. He graduated with an Operations and Business degree from the Continuing Education Study of the University of Iceland in 1999 and graduated with a degree as a licensed physical education teacher from the University of Iceland in 1986. Guðjón has been on the board of directors of Festi hf. since 2014, of Securitas hf. since 2018 and of Dropp ehf. since 2020. In 2024 Guðjón also took seat on the board of the private equity fund Harpa Capital Partners II. Guðjón controls 10,410,789 shares in Kvika through his private limited company, Hakk ehf., but does not have interest links with major clients, competitors, or big shareholders in the sense of the corporate governance guidelines and is also independent from the bank in sense of the guidelines.

Ingunn Svala Leifsdóttir was appointed to Kvika's BOD in September 2021. Ingunn was born in 1976. She graduated with a BS degree in Business from the University of Iceland in 1999, with a focus on accounting and finance, and with a Cand. Oecon business degree from the same University in 2001, with a focus on accounting and management. Ingunn Svala completed the Advanced Management program (AMP) from the IESE Business School in New York in 2018. Ingunn Svala currently works as a chief executive officer at Olís. Prior to that she worked as a COO for Dohop and as an executive director of operations at Reykjavík University. Ingunn Svala also has extensive experience from the financial sector. She worked for the Kaupthing's Resolution Committee as Chief Financial Officer from 2009 to 2011 as well as working as a Global Business Controller in Investment Banking at Kaupþing bank in 2007 to 2009. Ingunn Svala also worked within the Actavis Group consolidation in 2001 to 2007 as a CFO for four subsidiaries, namely Actavis hf., Medis ehf., Actavis Group hf. and Actavis Group PTC ehf. Ingunn Svala has extensive experience of serving as a board member and has previously served on the boards of Ósar – lifeline of health hf. and of its subsidiary, Parlogis ehf., as well as Slippurinn Akureyri and Líffis, a subsidiary of VÍS. Ingunn Svala does not own shares in the Bank and does not have interest links with major clients, competitors, or big shareholders in the sense of the corporate governance guidelines and is also independent from the bank in sense of the guidelines.

Páll Harðason was appointed to the Bank's BOD in March 2025. He was born in 1966. Páll holds a Ph.D. degree in economics from Yale University and a B.A. degree in economics from Macalester College. Pall served as BU CFO of Nasdaq Trading Services from 2023 to 2024 and BU CFO of European Markets at Nasdaq from 2019 to 2023. Prior to these roles, Páll served as CEO of Nasdaq Iceland from 2011 to 2019, and as Deputy CEO and Chief Operating Officer from 2002 to 2011. He also worked as an economist at the National Economic Institute of Iceland from 1999 to 2002. Páll has extensive experience as a board member, having served on the boards of various companies and organizations, including the Nasdaq stock exchanges in the Nordic countries. Páll sits on the boards of Elma Orkuviðskipti and Ísaksskóli. Páll owns 700,000 shares in Kvika. Páll does not have interest links with major clients, competitors, or big shareholders in the sense of the corporate governance guidelines and is also independent from the bank in sense of the guidelines.

The BOD considers all board members to be independent as defined by the corporate governance guidelines.

Kolbrún Jónsdóttir and Thomas Skov Jensen are alternate members of the BOD. In the opinion of the BOD, Kolbrún is also an independent member of the BOD within the meaning of the corporate governance guidelines. Thomas is not since he worked as Management Director of Risk Management of Kvika until 2023.

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Main factors in the BOD's performance evaluation

The BOD annually evaluates its performance. It evaluates the performance of tasks and work of the BOD for the previous year. The focus of the assessment is on strategic planning, disclosure and future vision, the size and composition of the BOD, performance of board members, the work of sub-committees and performance of the CEO, the internal auditor, and the secretary of the BOD. The development of the Bank is reviewed to assess whether it is in line with objectives. Following the annual performance assessment, the BOD defines tasks in areas where improvements are needed. The last performance assessment was conducted in December 2025. The BOD also regularly conducts special self-assessments on its composition in accordance with the guidelines of the European Banking Authority (EBA), and last did so in December 2025.

Information on the CEO of Kvika and his main duties

Ármann Þorvaldsson became CEO of Kvika in August 2023. Ármann was born in 1968 and previously worked as CEO in the years 2017-2019 and Deputy CEO in the years 2019-2022. Ármann has worked in the financial market for nearly thirty years. From 1997-2005 he was Head of Corporate Finance at Kaupthing and in 2005-2008 he was CEO of Kaupthing Singer & Friedlander in London. Later he worked at Ortus Secured Finance in London until 2015 when he joined Virðing. Ármann headed up Virðing's Corporate Finance division before joining Kvika. Ármann has an MBA degree from Boston University and a BA degree in history from the University of Iceland. Ármann controls 759,892 shares in Kvika and has also entered into call option agreements with Kvika in accordance with Kvika's remuneration policy and incentive scheme. Further, Ármann and his family own the company BMA ehf. which controls 4,082,158 shares in the Bank. He does not have interest links with major clients, competitors or major shareholders as defined by the corporate governance guidelines.

The CEO oversees the daily operations of Kvika and in so doing follows the policies and instructions which have been laid down by the Bank's BOD. Daily operations do not include unusual or major arrangements. The CEO shall ensure that Kvika's accounts are kept in accordance with laws and customs and that the Bank's assets are handled in a secure manner. The CEO appoints and dismisses employees of the Bank. Furthermore, he is required to follow all of the BOD's instructions. The CEO shall provide Kvika's external auditors with all requested information.

Information on violations of laws and regulations, determined by the relevant supervisory body or adjudicating entity

Kvika has not been subject to withdrawal, revocation or dismissal of registration, authorization, membership, or permissions to perform certain trades, operations or work. Kvika was not fined by any supervisory body in the year 2025. In December 2025 the Icelandic Financial Supervision offered the Bank to settle a case regarding Article 26 (1) of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (MiFIR). In January 2026 the Bank reached an agreement with the Icelandic Financial Supervision to settle the case, which included the payment of a fine of ISK 20,000,000.

As per usual the Central Bank of Iceland carried out routine inspections in 2025. No court cases or arbitration proceedings which may have significant effects on the Bank, or the Group, were ongoing or pending at the end of the year.

Communications between shareholders and the BOD

Information is provided to shareholders on a non-discriminatory basis and is mainly limited to shareholders' meetings or the communication of harmonised information to all shareholders simultaneously. News of the Bank's operations are posted on Kvika's website and press releases are issued in accordance with disclosure obligations of issuers of shares when newsworthy events in the Bank's operations take place. A detailed presentation of the Bank's operations over the past year is also provided at its AGM and information on the Bank's operations is published in Kvika's annual report and financial statements.

This statement on the corporate governance practices of Kvika banki hf. was reviewed and approved by the BOD on 11 February 2026.



KVIKA

Appendix 2:
EU Taxonomy Regulation

Unaudited

EU Taxonomy Regulation

Regulation (EU) No. 2020/852 (hereinafter referred to as the "EU Taxonomy") and delegated regulations were incorporated into Icelandic law with Act No. 25/2023 on Sustainability Disclosure in Financial Services and the Classification System for Sustainable Investments. According to Article 8 of the EU Taxonomy, companies subject to its provisions are required to disclose how and to what extent their activities are linked to economic activities considered environmentally sustainable.

Kvika reports its Green Asset Ratio (GAR) in accordance with the requirements of the EU Taxonomy. The information is presented in templates specified in the annexes to the EU's delegated regulations, as provided later in this document for the Bank and Kvika Asset Management. There is a one-year delay in Kvika's disclosures, as the GAR is based on companies' disclosures from the previous year. Information covering all six environmental objectives will be included in the sustainability disclosures for the financial year 2026.

Eligible assets under the EU Taxonomy are assets linked to activities specified in the delegated regulations of the EU Taxonomy, for which technical criteria exist to assess whether the activity is environmentally sustainable and therefore taxonomy aligned. Kvika's eligible assets, as defined by Delegated Regulation (EU) No. 2021/2139, include loans to companies subject to the non-financial reporting obligation under Article 66(d) of the Annual Accounts Act No. 3/2006, as well as loans to households (primarily financing of motor vehicles and residential real estate). For eligible assets to be considered environmentally sustainable and included in Kvika's GAR, they must meet four key criteria:

- The activity must significantly contribute to one or more of the environmental objectives of the EU Taxonomy (so far only two of the six objectives have been considered at Kvika, as required by law, which will change for the financial year 2026).
- The activity must comply with the technical screening criteria set out in the delegated regulations.
- The activity must be conducted in accordance with minimum safeguards.
- The activity must not significantly harm other environmental objectives established in the EU Taxonomy.

Business loans

Companies subject to the non-financial reporting obligation under Article 66(d) of the Annual Accounts Act are companies that are considered large and of public interest. They are required by law to disclose information and key performance indicators in accordance with the requirements of the EU Taxonomy. Financial institutions are required to use counterparty data to calculate their GAR and must therefore rely on the information from the companies included in their investment and loan portfolios that fall within this scope. Kvika's loan portfolio is structured in such a way that a large portion of its business loans (98.3% of the Group's loans) are granted to small and medium-sized companies that do not meet the criteria. As a result, a very small portion of Kvika's business loans are eligible for Kvika's GAR.

Loans to individuals

Motor vehicle financing (6.5: transport with motorcycles, passenger cars, and light commercial vehicles) is an eligible activity, as previously stated. A significant portion of Kvika's lending to individuals falls within this category. However, loans issued prior to June 1, 2023, when the EU Taxonomy came into effect in Iceland, are not eligible. Furthermore, for motor vehicle financing to be considered environmentally sustainable and contribute significantly to climate change mitigation, the emissions of the vehicles in question must be below 50g CO₂/km. Additionally, the activity must not cause harm to other environmental objectives and must comply with minimum safeguards. To assess this, information on various aspects of the underlying vehicles, such as their equipment and specifications, must be collected. However, such information is not readily available in most cases. For this reason, Kvika cannot consider motor vehicle financing as environmentally sustainable, and the activity is thus excluded from the Bank's GAR.

Kvika maintains a relatively modest portfolio of real estate-backed loans. While these loans fall within the scope of the EU Taxonomy as financing of eligible activities, they are currently not considered environmentally sustainable and taxonomy aligned. For real estate-backed loans to be classified as environmentally sustainable, information on the energy efficiency of the underlying assets is required. Energy efficiency is based on energy performance certificates, as defined in EU Directive No. 2010/31, that show the energy performance of buildings. Iceland is exempt from implementing this directive and no formal energy performance certificates have therefore been issued for buildings in Iceland. Thus, real estate-backed loans do not meet the technical screening criteria to be classified as environmentally sustainable and are therefore excluded from the Bank's GAR.

Limitations of the 2025 Reporting

The implementation and follow-up of the EU Taxonomy is still evolving, and it is anticipated it will take time to enhance data flow and evolve data collection, analysis, and reporting. As companies gain experience with the disclosure requirements associated with the EU Taxonomy it will become clearer how effective key indicators, such as the GAR will be. The technical criteria tailored to different industries has proved useful in considering green financing. Kvika will continue to monitor the development of the EU Taxonomy, both in Iceland and in Europe.

¹ The information has been prepared in accordance with the templates in the annexes to Delegated Regulation (EU) No. 2021/2178, which specifies the content and presentation of disclosures that companies must provide regarding environmentally sustainable economic activities and the methodology for complying with this disclosure obligation. Regulation 2021/2178 was implemented in Iceland through Regulation 10/2024 on the classification system for sustainable investments. On January 1, 2024, Regulation 10/2024 was amended by Regulation 1207/2024, which, among other things, incorporated Delegated Regulation (EU) No. 2023/2486 on additions to the EU Taxonomy and Regulation (EU) 2021/2178. Regulation 2023/2486 introduces additions to the EU Taxonomy by establishing technical screening criteria to determine the conditions under which economic activities are considered to contribute significantly to the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, or the protection and restoration of biodiversity and ecosystems. It also defines whether such activities cause significant harm to any other overarching environmental objectives. Additionally, it includes amendments to Regulation (EU) 2021/2178 regarding specific public disclosure requirements for these economic activities. The delegated regulation sets out the technical criteria that economic activities must meet to be considered as significantly contributing to climate change mitigation and adaptation, as well as when an economic activity causes significant harm to one or more of the regulation's objectives.

² The delegated regulation on the technical criteria that economic activities must meet to be considered as significantly contributing to climate change mitigation and adaptation, and determining when an economic activity causes significant harm to one or more of the regulation's objectives.

Annex VI - Template for the KPIs of credit institutions

Template number	Name
0	Summary of KPIs
1	Assets for the calculation of GAR
2	GAR sector information
3	GAR KPI stock
4	GAR KPI flow
5	KPI off-balance sheet exposures
6**	KPI on fees and commissions income from services other than lending and asset management*
7**	KPI Trading book portfolio*

* For credit institutions that do not meet the conditions of Article 94(1) of the CRR or the conditions set out in Article 325a(1) of the CRR

** Fees and Commissions and Trading Book KPIs shall only apply starting 2026. SMEs' inclusion in these KPI will only apply subject to a positive result of an impact assessment

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

		Total environmentally sustainable assets	KPI****	KPI*****	% coverage (over total assets)***	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
31.12.2025	Main KPI	Green asset ratio (GAR) stock	0	0.0%	0.0%	75.5%	56.7%
31.12.2024	Main KPI	Green asset ratio (GAR) stock	0	0.0%	0.0%	75.4%	65.2%

		Total environmentally sustainable activities	KPI	KPI	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Additional KPIs	GAR (flow)				23.8%		
	Trading book*						
	Financial guarantees						
	Assets under management	1,397	1.7%	1.0%			
	Fees and commissions income**						

* For credit institutions that do not meet the conditions of Article 94(1) of the CRR or the conditions set out in Article 325a(1) of the CRR

** Fees and commissions income from services other than lending and AuM

**** % of assets covered by the KPI over banks' total assets

*****based on the Turnover KPI of the counterparty

*****based on the CapEx KPI of the counterparty, except for lending activities where for general lending Turnover KPI is used

Note 1: Across the reporting templates: cells shaded in black should not be reported.

Note 2: Fees and Commissions and Trading Book KPIs shall only apply starting 2026. SMEs' inclusion in these KPI will only apply subject to a positive result of an impact assessment.

1. Assets for the calculation of GAR - Turnover-based

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
ISK Million	Total gross carrying amount	Disclosure 31.12.2025														
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)		
		Of which environmentally sustainable (Taxonomy-aligned)			Of which Use of Proceeds			Of which Use of Proceeds			Of which Use of Proceeds			Of which Use of Proceeds		
		Of which Use of Proceeds	Of which transitional	Of which enabling	Of which Use of Proceeds	Of which adaptation	Of which enabling	Of which Use of Proceeds	Of which transitional/adaptation	Of which enabling	Of which Use of Proceeds	Of which transitional/adaptation	Of which enabling	Of which Use of Proceeds	Of which transitional/adaptation	Of which enabling
1 GAR - Covered assets in both numerator and denominator***																
2 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	64,701	22,373	0		0							22,374				0
3 Financial undertakings	4,751	1	0		0							1	0			0
4 Credit institutions	2															
5 Loans and advances	2															
6 Debt securities, including UoP	-															
7 Equity instruments	-															
8 Other financial corporations	4,749	1	0		0							1	0			0
9 of which investment firms	-															
10 Loans and advances	-															
11 Debt securities, including UoP	-															
12 Equity instruments	-															
13 of which management companies	4,748															
14 Loans and advances	4,748															
15 Debt securities, including UoP	-															
16 Equity instruments	-															
17 of which insurance undertakings	1	1	0		0							1	0			0
18 Loans and advances	1	1	0		0							1	0			0
19 Debt securities, including UoP	-															
20 Equity instruments	-															
21 Non-financial undertakings	2,450															
22 NFCs subject to NFRD disclosure obligations	2,450															
23 Loans and advances	2,450															
24 Debt securities, including UoP	-															
25 Equity instruments	-															
26 Households*	56,102	22,373										22,373				
27 of which loans collateralised by residential immovable property	1,705	1,705										1,705				
28 of which building renovation loans	-															
29 of which motor vehicle loans**	20,983	20,668										20,668				
30 Local governments financing	1,399															
31 Housing financing	-															
32 Other local government financing	1,399															
33 Assets excluded from the numerator for GAR calculation (covered in the denominator)****	194,497															

1. Assets for the calculation of GAR - Turnover-based (cont.)

ISK Million	Total gross carrying amount	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure 31.12.2025															
		Climate Change Mitigation (CCM)						Climate Change Adaptation (CCA)						TOTAL (CCM + CCA)			
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)		Of which towards taxonomy relevant sectors (Taxonomy-eligible)		Of which towards taxonomy relevant sectors (Taxonomy-eligible)		Of which environmentally sustainable (Taxonomy-aligned)		Of which environmentally sustainable (Taxonomy-aligned)		Of which environmentally sustainable (Taxonomy-aligned)		Of which Use of Proceeds		Of which Use of Proceeds	
34	Financial and Non-financial undertakings	144,253															
35	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	101,190															
36	Loans and advances	101,190															
37	of which loans collateralised by commercial immovable property	45,247															
38	of which building renovation loans	-															
39	Debt securities	-															
40	Equity instruments	-															
41	Non-EU country counterparties not subject to NFRD disclosure obligations	43,063															
42	Loans and advances	43,063															
43	Debt securities	-															
44	Equity instruments	-															
45	Derivatives	9,944															
46	On demand interbank loans	8,154															
47	Cash and cash-related assets	12															
48	Other categories of assets (e.g. Goodwill, commodities etc.)	32,134															
49	Total GAR assets	259,198	22,373	0	-	0	-	-	-	-	-	-	-	22,373	0	-	0
50	Assets not covered for GAR calculation*****	83,924															
51	Central governments and Supranational issuers	43,128															
52	Central banks exposure	20,132															
53	Trading book	20,663															
54	Total assets	343,122	22,373	0	-	0	-	-	-	-	-	-	-	22,373	0	-	0
Off-balance sheet exposures - Corporates subject to NFRD disclosure obligations																	
55	Financial guarantees	214	9											9			
56	Assets under management ***	81,158	11,227	1,397		15	268							11,227	1,397		15
57	Of which debt securities	32,099	2,874	1,353		15	268							2,874	1,353		15
58	Of which equity instruments	49,059	8,353	44										8,353	44		-

*Households include all retail loans issued to individuals

**Motor vehicle loans for households include cars in vehicle groups (M1) and (N1)

**For motor vehicle loans, only exposures generated after 1 June 2023 (the date of application of the disclosure) are included

***Accounting categories of financial assets used for the calculation of the green asset ratio

****Certain assets are excluded from the numerator e.g. financial assets held for trading, on-demand interbank loans, derivatives and exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU

*****The exposures to central governments, central banks and supranational issuers shall be excluded from the calculation of the numerator and denominator of key performance indicators of financial undertakings

1. Assets for the calculation of GAR - Turnover-based

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Disclosure 31.12.2024															
ISK Million	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)		
		Of which environmentally sustainable (Taxonomy-aligned)			Of which Use of Proceeds			Of which Use of Proceeds			Of which Use of Proceeds			Of which Use of Proceeds		
1 <u>GAR - Covered assets in both numerator and denominator****</u>																
2 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	36,034	12,465												12,465		
3 Financial undertakings	1,257															
4 Credit institutions	2															
5 Loans and advances	2															
6 Debt securities, including UoP	-															
7 Equity instruments	-															
8 Other financial corporations	1,255															
9 of which investment firms	-															
10 Loans and advances	-															
11 Debt securities, including UoP	-															
12 Equity instruments	-															
13 of which management companies	1,255															
14 Loans and advances	1,255															
15 Debt securities, including UoP	-															
16 Equity instruments	-															
17 of which insurance undertakings	-															
18 Loans and advances	-															
19 Debt securities, including UoP	-															
20 Equity instruments	-															
21 Non-financial undertakings	67															
22 NFCs subject to NFRD disclosure obligations	67															
23 Loans and advances	67															
24 Debt securities, including UoP	-															
25 Equity instruments	-															
26 Households*	33,209	12,465											12,465			
27 of which loans collateralised by residential immovable property	1,675	1,675											1,675			
28 of which building renovation loans	-															
29 of which motor vehicle loans**	20,089	10,790											10,790			
30 Local governments financing	1,466															
31 Housing financing																
32 Other local government financing	1,466															
33 <u>Assets excluded from the numerator for GAR calculation (covered in the denominator)*****</u>	231,175															

1. Assets for the calculation of GAR - Turnover-based (cont.)

ISK Million	Total gross carrying amount	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure 31.12.2024															
		Climate Change Mitigation (CCM)						Climate Change Adaptation (CCA)						TOTAL (CCM + CCA)			
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)			Of which Use of Proceeds	Of which transitional/adaptation	Of which enabling	
			Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which adaptation	Of which enabling		Of which Use of Proceeds	Of which transitional/adaptation	Of which enabling		Of which Use of Proceeds	Of which transitional/adaptation	Of which enabling
34	Financial and Non-financial undertakings	115,644															
35	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	78,017															
36	Loans and advances	78,017															
37	of which loans collateralised by commercial immovable property	30,409															
38	of which building renovation loans	-															
39	Debt securities	-															
40	Equity instruments	-															
41	Non-EU country counterparties not subject to NFRD disclosure obligations	37,627															
42	Loans and advances	37,627															
43	Debt securities	-															
44	Equity instruments	-															
45	Derivatives	13,798															
46	On demand interbank loans	9,726															
47	Cash and cash-related assets	16															
48	Other categories of assets (e.g. Goodwill, commodities etc.)	91,992															
49	Total GAR assets	267,285	12,465												12,465		
50	Assets not covered for GAR calculation*****	87,340															
51	Central governments and Supranational issuers	63,335															
52	Central banks exposure	18,578															
53	Trading book	5,427															
54	Total assets	354,595	12,465												12,465		
Off-balance sheet exposures - Corporates subject to NFRD disclosure obligations																	
55	Financial guarantees	33	-														
56	Assets under management ***	73,034	10,564	549			468								10,564	549	468
57	Of which debt securities	26,445	1,619	542			462								1,619	542	462
58	Of which equity instruments	46,589	8,945	7			7								8,945	7	7

*Households include all retail loans issued to individuals

**Motor vehicle loans for households include cars in vehicle groups (M1) and (N1)

**For motor vehicle loans, only exposures generated after 1 June 2023 (the date of application of the disclosure) are included

***Accounting categories of financial assets used for the calculation of the green asset ratio

****Certain assets are excluded from the numerator e.g. financial assets held for trading, on-demand interbank loans, derivatives and exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU

***** GAR - Covered assets in both numerator and denominator: Accounting categories of financial assets used for the calculation of the green asset ratio.

1. Assets for the calculation of GAR - Cap-Ex based

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
ISK Million	Total gross carrying amount	Disclosure 31.12.2025														
		Climate Change Mitigation (CCM)			Climate Change Adaptation (CCA)			TOTAL (CCM + CCA)								
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)											
		Of which environmentally sustainable (Taxonomy-aligned)			Of which environmentally sustainable (Taxonomy-aligned)											
		Of which Use of Proceeds	Of which transitional	Of which enabling	Of which Use of Proceeds	Of which adaptation	Of which enabling	Of which Use of Proceeds	Of which Use of Proceeds	Of which transitional/adaptation	Of which enabling		Of which Use of Proceeds	Of which Use of Proceeds	Of which transitional/adaptation	Of which enabling
1 <u>GAR - Covered assets in both numerator and denominator***</u>																
2 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	64,701	22,373	0	0									22,373			
3 Financial undertakings	4,751	1	0	0												
4 Credit institutions	2															
5 Loans and advances	2															
6 Debt securities, including UoP	-															
7 Equity instruments	-															
8 Other financial corporations	4,749	1	0	0	0											
9 of which investment firms	-															
10 Loans and advances	-															
11 Debt securities, including UoP	-															
12 Equity instruments	-															
13 of which management companies	4,748															
14 Loans and advances	4,748															
15 Debt securities, including UoP	-															
16 Equity instruments	-															
17 of which insurance undertakings	1	1	0	0												
18 Loans and advances	1	1	0	0	0											
19 Debt securities, including UoP	-															
20 Equity instruments	-															
21 Non-financial undertakings	2,450															
22 NFCs subject to NFRD disclosure obligations	2,450															
23 Loans and advances	2,450															
24 Debt securities, including UoP	-															
25 Equity instruments	-															
26 Households*	56,102	22,373											22,373			
27 of which loans collateralised by residential immovable property	1,705	1,705											1,705			
28 of which building renovation loans	-															
29 of which motor vehicle loans**	20,983	20,668											20,668			
30 Local governments financing	1,399															
31 Housing financing	-															
32 Other local government financing	1,399															
33 <u>Assets excluded from the numerator for GAR calculation (covered in the denominator)****</u>	194,497															

1. Assets for the calculation of GAR - Cap-Ex based (cont.)

ISK Million	Total gross carrying amount	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure 31.12.2025															
		Climate Change Mitigation (CCM)						Climate Change Adaptation (CCA)						TOTAL (CCM + CCA)			
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)						Of which towards taxonomy relevant sectors (Taxonomy-eligible)						Of which towards taxonomy relevant sectors (Taxonomy-eligible)			
34	Financial and Non-financial undertakings	144,253															
35	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	101,190															
36	Loans and advances	101,190															
37	of which loans collateralised by commercial immovable property	45,247															
38	of which building renovation loans	-															
39	Debt securities	-															
40	Equity instruments	-															
41	Non-EU country counterparties not subject to NFRD disclosure obligations	43,063															
42	Loans and advances	43,063															
43	Debt securities	-															
44	Equity instruments	-															
45	Derivatives	9,944															
46	On demand interbank loans	8,154															
47	Cash and cash-related assets	12															
48	Other categories of assets (e.g. Goodwill, commodities etc.)	32,134															
49	Total GAR assets	259,198	22,373	0	-	0	-	-	-	-	-	-	22,373	-	-	-	-
50	Assets not covered for GAR calculation*****	83,924															
51	Central governments and Supranational issuers	43,128															
52	Central banks exposure	20,132															
53	Trading book	20,663											22,373	-	-	-	-
54	Total assets	343,122	22,373	0	-	0	-	-	-	-	-	-	22,373	-	-	-	-
Off-balance sheet exposures - Corporates subject to NFRD disclosure obligations																	
55	Financial guarantees	214	9										9				
56	Assets under management ***	81,158	12,503	1,485		15	268						12,503	1,485		15	268
57	Of which debt securities	32,099	2,874	1,383		15	268						2,874	1,383		15	268
58	Of which equity instruments	49,059	9,628	102									9,628	102			

*Households include all retail loans issued to individuals

**Motor vehicle loans for households include cars in vehicle groups (M1) and (N1)

**For motor vehicle loans, only exposures generated after 1 June 2023 (the date of application of the disclosure) are included

***Accounting categories of financial assets used for the calculation of the green asset ratio

****Certain assets are excluded from the numerator e.g. financial assets held for trading, on-demand interbank loans, derivatives and exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU

*****The exposures to central governments, central banks and supranational issuers shall be excluded from the calculation of the numerator and denominator of key performance indicators of financial undertakings

1. Assets for the calculation of GAR - Cap-Ex based

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
ISK Million	Total gross carrying amount	Disclosure 31.12.2024														
		Climate Change Mitigation (CCM)			Climate Change Adaptation (CCA)			TOTAL (CCM + CCA)								
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)											
		Of which environmentally sustainable (Taxonomy-aligned)			Of which environmentally sustainable (Taxonomy-aligned)											
		Of which Use of Proceeds	Of which transitional	Of which enabling	Of which Use of Proceeds	Of which adaptation	Of which enabling	Of which Use of Proceeds	Of which transitional/adaptation	Of which enabling	Of which Use of Proceeds	Of which transitional/adaptation	Of which Use of Proceeds	Of which transitional/adaptation	Of which enabling	
1 <u>GAR - Covered assets in both numerator and denominator****</u>																
2 Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	36,034	12,465											12,465			
3 Financial undertakings	1,257															
4 Credit institutions	2															
5 Loans and advances	2															
6 Debt securities, including UoP	-															
7 Equity instruments	-															
8 Other financial corporations	1,255															
9 of which investment firms	-															
10 Loans and advances	-															
11 Debt securities, including UoP	-															
12 Equity instruments	-															
13 of which management companies	1,255															
14 Loans and advances	1,255															
15 Debt securities, including UoP	-															
16 Equity instruments	-															
17 of which insurance undertakings	-															
18 Loans and advances	-															
19 Debt securities, including UoP	-															
20 Equity instruments	-															
21 Non-financial undertakings	67	-			0							-				
22 NFCs subject to NFRD disclosure obligations	67															
23 Loans and advances	67															
24 Debt securities, including UoP	-															
25 Equity instruments	-															
26 Households*	33,209	12,465										12,465				
27 of which loans collateralised by residential immovable property	1,675	1,675										1,675				
28 of which building renovation loans	-															
29 of which motor vehicle loans**	20,089	10,790										10,790				
30 Local governments financing	1,466															
31 Housing financing																
32 Other local government financing	1,466															
33 <u>Assets excluded from the numerator for GAR calculation (covered in the denominator)*****</u>	231,175															

1. Assets for the calculation of GAR - Cap-Ex based (cont.)

ISK Million	Total gross carrying amount	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
		Disclosure 31.12.2024															
		Climate Change Mitigation (CCM)						Climate Change Adaptation (CCA)						TOTAL (CCM + CCA)			
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)			Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)			Of which Use of Proceeds	Of which transitional/adaptation	Of which enabling	
34	Financial and Non-financial undertakings	115,644															
35	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	78,017															
36	Loans and advances	78,017															
37	of which loans collateralised by commercial immovable property	30,409															
38	of which building renovation loans	-															
39	Debt securities	-															
40	Equity instruments	-															
41	Non-EU country counterparties not subject to NFRD disclosure obligations	37,627															
42	Loans and advances	37,627															
43	Debt securities	-															
44	Equity instruments	-															
45	Derivatives	13,798															
46	On demand interbank loans	9,726															
47	Cash and cash-related assets	16															
48	Other categories of assets (e.g. Goodwill, commodities etc.)	91,992															
49	Total GAR assets	267,285	10,607												10,607		
50	Assets not covered for GAR calculation*****	87,340															
51	Central governments and Supranational issuers	63,335															
52	Central banks exposure	18,578															
53	Trading book	5,427															
54	Total assets	354,595	12,465												12,465		
Off-balance sheet exposures - Corporates subject to NFRD disclosure obligations																	
55	Financial guarantees	33	-														
56	Assets under management ***	73,034	15,440	746				746							15,440	746	
57	Of which debt securities	26,445	1,966	462				462							1,966	462	
58	Of which equity instruments	46,589	13,474	284				284							13,474	284	

*Households include all retail loans issued to individuals

**Motor vehicle loans for households include cars in vehicle groups (M1) and (N1)

**For motor vehicle loans, only exposures generated after 1 June 2023 (the date of application of the disclosure) are included

***Accounting categories of financial assets used for the calculation of the green asset ratio

****Certain assets are excluded from the numerator e.g. financial assets held for trading, on-demand interbank loans, derivatives and exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU

*****The exposures to central governments, central banks and supranational issuers shall be excluded from the calculation of the numerator and denominator of key performance indicators of financial undertakings

2. GAR sector information

a Breakdown by sector - NACE 4 digits level (code and label) ISK Million	b	c	d	e	f	g	h	i	j	k	l	m
	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				TOTAL (CCM + CCA)			
	Non-Financial corporates (Subject to NFRD)	SMEs and other NFC not subject to NFRD	Non-Financial corporates (Subject to NFRD)	SMEs and other NFC not subject to NFRD	Non-Financial corporates (Subject to NFRD)	SMEs and other NFC not subject to NFRD	Non-Financial corporates (Subject to NFRD)	SMEs and other NFC not subject to NFRD	Non-Financial corporates (Subject to NFRD)	SMEs and other NFC not subject to NFRD	Non-Financial corporates (Subject to NFRD)	SMEs and other NFC not subject to NFRD
	Gross carrying amount	Gross carrying amount	Gross carrying amount									
	ISK Million	Of which environmentally sustainable (CCM)	ISK Million	Of which environmentally sustainable (CCM)	ISK Million	Of which environmentally sustainable (CCA)	ISK Million	Of which environmentally sustainable (CCA)	ISK Million	Of which environmentally sustainable (CCM + CCA)	ISK Million	Of which environmentally sustainable (CCM + CCA)
31.12.2025 - Turnover-based												
1		-			-				-			
31.12.2025 - Cap-Ex based												
1		-			-				-			
31.12.2024 - Turnover-based												
1	C2442 - Aluminium production	8							8			
31.12.2024 - Cap-Ex based												
1	C2442 - Aluminium production	8				-			8			

1. Credit institutions shall disclose in this template information on exposures in the banking book towards those sectors covered by the Taxonomy (NACE sectors 4 levels of detail), using the relevant NACE Codes on the basis of the principal activity of the counterparty.

2. The sector breakdown by activity is only applicable to activities covered by the delegated acts that have been adopted in Iceland.

3. The breakdown by sector is based on ISAT 2008 mapping onto NACE codes, by the principal activity of the counterparty available in public records, the Group expects this to possibly change next year as more companies publish their Taxonomy disclosures in 2024.

4. This table only covers exposures to non-financial corporates subject to disclosure obligations according to article 8 of the EU Taxonomy. For the first reporting year the Group cannot disclose which corporates classify as an activity under the objectives of "climate change mitigation" (CCA) or "climate change adaptation" (CCA), as that is dependent on the public disclosures by said corporates, and therefore the results are published as a total for both objectives.

3. GAR KPI stock - Turnover-based

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
% (compared to total covered assets in the denominator)	Disclosure 31.12.2025															
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					
	Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling		Proportion of total assets covered	
1 <u>GAR - Covered assets in both numerator and denominator</u>																
2 Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	34.6%										34.6%					18.9%
3 Financial undertakings	0.0%										0.0%					1.4%
4 Credit institutions	0.0%										0.0%					0.0%
5 Loans and advances	0.0%										0.0%					0.0%
6 Debt securities, including UoP	0.0%										0.0%					0.0%
7 Equity instruments	0.0%										0.0%					0.0%
8 Other financial corporations	0.0%										0.0%					1.4%
9 of which investment firms	0.0%										0.0%					0.0%
10 Loans and advances	0.0%										0.0%					0.0%
11 Debt securities, including UoP	0.0%										0.0%					0.0%
12 Equity instruments	0.0%										0.0%					0.0%
13 of which management companies	0.0%										0.0%					1.4%
14 Loans and advances	0.0%										0.0%					1.4%
15 Debt securities, including UoP	0.0%										0.0%					0.0%
16 Equity instruments	0.0%										0.0%					0.0%
17 of which insurance undertakings	87.1%	6.0%		6.0%							87.1%	6.0%	6.0%			0.0%
18 Loans and advances	87.1%	6.0%		6.0%							87.1%	6.0%	6.0%			0.0%
19 Debt securities, including UoP	0.0%										0.0%					0.0%
20 Equity instruments	0.0%										0.0%					0.0%
21 Non-financial undertakings	0.0%										0.0%					0.7%
22 NFCs subject to NFRD disclosure obligations	0.0%										0.0%					0.7%
23 Loans and advances	0.0%										0.0%					0.7%
24 Debt securities, including UoP	0.0%										0.0%					0.0%
25 Equity instruments	0.0%										0.0%					0.0%
26 Households	39.9%										39.9%					16.4%
27 of which loans collateralised by residential immovable property	100.0%										100.0%					0.5%
28 of which building renovation loans	0.0%										0.0%					0.0%
29 of which motor vehicle loans	98.5%										98.5%					6.1%
30 Local governments financing	0.0%										0.0%					0.4%
31 Housing financing	0.0%										0.0%					0.0%
32 Other local government financing	0.0%										0.0%					0.4%
49 Total GAR assets	8.6%	0.0%		0.0%							8.6%	0.0%	0.0%			75.5%

3. GAR KPI stock - Turnover-based

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
% (compared to total covered assets in the denominator)	Disclosure 31.12.2024															
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					
		Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling		Of which Use of Proceeds	Of which transitional	Of which enabling		Proportion of total assets covered	
1	<u>GAR - Covered assets in both numerator and denominator</u>															
2	Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	34.6%									34.6%					10.2%
3	Financial undertakings	0.0%									0.0%					0.4%
4	Credit institutions	0.0%									0.0%					0.0%
5	Loans and advances	0.0%									0.0%					0.0%
6	Debt securities, including UoP	0.0%									0.0%					0.0%
7	Equity instruments	0.0%									0.0%					0.0%
8	Other financial corporations	0.0%									0.0%					0.4%
9	of which investment firms	0.0%									0.0%					0.0%
10	Loans and advances	0.0%									0.0%					0.0%
11	Debt securities, including UoP	0.0%									0.0%					0.0%
12	Equity instruments	0.0%									0.0%					0.0%
13	of which management companies	0.0%									0.0%					0.4%
14	Loans and advances	0.0%									0.0%					0.4%
15	Debt securities, including UoP	0.0%									0.0%					0.0%
16	Equity instruments	0.0%									0.0%					0.0%
17	of which insurance undertakings	0.0%									0.0%					0.0%
18	Loans and advances	0.0%									0.0%					0.0%
19	Debt securities, including UoP	0.0%									0.0%					0.0%
20	Equity instruments	0.0%									0.0%					0.0%
21	Non-financial undertakings	0.0%									0.0%					0.0%
22	Loans and advances	0.0%									0.0%					0.0%
23	Debt securities, including UoP	0.0%									0.0%					0.0%
24	Equity instruments	0.0%									0.0%					0.0%
25	Households	37.5%									37.5%					9.4%
26	of which loans collateralised by residential immovable property	100.0%									100.0%					0.5%
27	of which building renovation loans	0.0%									0.0%					0.0%
28	of which motor vehicle loans	53.7%									53.7%					5.7%
29	Local governments financing	0.0%									0.0%					0.4%
30	Housing financing	0.0%									0.0%					0.0%
31	Other local government financing	0.0%									0.0%					0.4%
32	Collateral obtained by taking possession: residential and commercial immovable properties	0.0%									0.0%					0.0%
49	Total GAR assets	4.7%									4.7%					75.4%

3. GAR KPI stock - Cap-Ex based

% (compared to total covered assets in the denominator)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p				
	Disclosure 31.12.2025																			
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)									
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)									
		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)								
		Of which Use of Proceeds		Of which transitional		Of which enabling		Of which Use of Proceeds		Of which transitional		Of which enabling		Of which Use of Proceeds		Of which transitional		Of which enabling		
1 <u>GAR - Covered assets in both numerator and denominator</u>																				
2 Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	34.6%															34.6%				18.9%
3 Financial undertakings	0.0%															0.0%				1.4%
4 Credit institutions	0.0%															0.0%				0.0%
5 Loans and advances	0.0%															0.0%				0.0%
6 Debt securities, including UoP	0.0%															0.0%				0.0%
7 Equity instruments	0.0%															0.0%				0.0%
8 Other financial corporations	0.0%															0.0%				1.4%
9 of which investment firms	0.0%															0.0%				0.0%
10 Loans and advances	0.0%															0.0%				0.0%
11 Debt securities, including UoP	0.0%															0.0%				0.0%
12 Equity instruments	0.0%															0.0%				0.0%
13 of which management companies	0.0%															0.0%				1.4%
14 Loans and advances	0.0%															0.0%				1.4%
15 Debt securities, including UoP	0.0%															0.0%				0.0%
16 Equity instruments	0.0%															0.0%				0.0%
17 of which insurance undertakings	87.1%	6.0%			6.0%											0.0%	6.0%	6.0%	6.0%	0.0%
18 Loans and advances	87.1%	6.0%			6.0%											0.0%	6.0%	6.0%	6.0%	0.0%
19 Debt securities, including UoP	0.0%															0.0%				0.0%
20 Equity instruments	0.0%															0.0%				0.0%
21 Non-financial undertakings	0.0%															0.0%				0.7%
22 NFCs subject to NFRD disclosure obligations	0.0%															0.0%				0.7%
23 Loans and advances	0.0%															0.0%				0.7%
24 Debt securities, including UoP	0.0%															0.0%				0.0%
25 Equity instruments	0.0%															0.0%				0.0%
26 Households	39.9%															39.9%				16.4%
27 of which loans collateralised by residential immovable property	100.0%															100.0%				0.5%
28 of which building renovation loans	0.0%															0.0%				0.0%
29 of which motor vehicle loans	98.5%															98.5%				6.1%
30 Local governments financing	0.0%															0.0%				0.4%
31 Housing financing	0.0%															0.0%				0.0%
32 Other local government financing	0.0%															0.0%				0.4%
49 Total GAR assets	8.6%	0.0%			0.0%											8.6%	0.0%			75.5%

3. GAR KPI stock - Cap-Ex based

% (compared to total covered assets in the denominator)	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Disclosure 31.12.2024															
	Climate Change Mitigation (CCM)						Climate Change Adaptation (CCA)						TOTAL (CCM + CCA)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)						Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)						Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)						Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)						Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			
	Of which Use of Proceeds	Of which transitional	Of which enabling	Of which Use of Proceeds	Of which transitional	Of which enabling	Of which Use of Proceeds	Of which transitional	Of which enabling	Of which Use of Proceeds	Of which transitional	Of which enabling	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered
1 <u>GAR - Covered assets in both numerator and denominator</u>																
2 Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	34.6%												34.6%			10.2%
3 Financial undertakings	0.0%												0.0%			0.4%
4 Credit institutions	0.0%												0.0%			0.0%
5 Loans and advances	0.0%												0.0%			0.0%
6 Debt securities, including UoP	0.0%												0.0%			0.0%
7 Equity instruments	0.0%												0.0%			0.0%
8 Other financial corporations	0.0%												0.0%			0.4%
9 of which investment firms	0.0%												0.0%			0.0%
10 Loans and advances	0.0%												0.0%			0.0%
11 Debt securities, including UoP	0.0%												0.0%			0.0%
12 Equity instruments	0.0%												0.0%			0.0%
13 of which management companies	0.0%												0.0%			0.4%
14 Loans and advances	0.0%												0.0%			0.4%
15 Debt securities, including UoP	0.0%												0.0%			0.0%
16 Equity instruments	0.0%												0.0%			0.0%
17 of which insurance undertakings	0.0%												0.0%			0.0%
18 Loans and advances	0.0%												0.0%			0.0%
19 Debt securities, including UoP	0.0%												0.0%			0.0%
20 Equity instruments	0.0%												0.0%			0.0%
21 Non-financial undertakings	0.0%												0.0%			0.0%
22 Loans and advances	0.0%												0.0%			0.0%
23 Debt securities, including UoP	0.0%												0.0%			0.0%
24 Equity instruments	0.0%												0.0%			0.0%
25 Households	37.5%												37.5%			9.4%
26 of which loans collateralised by residential immovable property	100.0%												100.0%			0.5%
27 of which building renovation loans	0.0%												0.0%			0.0%
28 of which motor vehicle loans	53.7%												53.7%			5.7%
29 Local governments financing	0.0%												0.0%			0.4%
30 Housing financing	0.0%												0.0%			
31 Other local government financing	0.0%												0.0%			0.4%
32 Collateral obtained by taking possession: residential and commercial immovable properties	0.0%												0.0%			0.0%
49 Total GAR assets	4.7%												4.7%			75.4%

4. GAR KPI flow - Turnover-based

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p
	Disclosure 31.12.2025															
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total new assets covered
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					
	Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling			
1 GAR - Covered assets in both numerator and denominator																
2 Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	29.9%										29.9%					29.8%
3 Financial undertakings	0.0%										0.0%					0.0%
4 Credit institutions	0.0%										0.0%					0.0%
5 Loans and advances	0.0%										0.0%					0.0%
6 Debt securities, including UoP	0.0%										0.0%					0.0%
7 Equity instruments	0.0%										0.0%					0.0%
8 Other financial corporations	0.0%										0.0%					0.0%
9 of which investment firms	0.0%										0.0%					0.0%
10 Loans and advances	0.0%										0.0%					0.0%
11 Debt securities, including UoP	0.0%										0.0%					0.0%
12 Equity instruments	0.0%										0.0%					0.0%
13 of which management companies	0.0%										0.0%					0.0%
14 Loans and advances	0.0%										0.0%					0.0%
15 Debt securities, including UoP	0.0%										0.0%					0.0%
16 Equity instruments	0.0%										0.0%					0.0%
17 of which insurance undertakings	0.0%										0.0%					0.0%
18 Loans and advances	0.0%										0.0%					0.0%
19 Debt securities, including UoP	0.0%										0.0%					0.0%
20 Equity instruments	0.0%										0.0%					0.0%
21 Non-financial undertakings	100.0%										100.0%					1.6%
22 NFCs subject to NFRD disclosure obligations	100.0%										100.0%					1.6%
23 Loans and advances	100.0%										100.0%					1.6%
24 Debt securities, including UoP	0.0%										0.0%					0.0%
25 Equity instruments	0.0%										0.0%					0.0%
26 Households	31.2%										31.2%					28.2%
27 of which loans collateralised by residential immovable property	100.0%										100.0%					0.7%
28 of which building renovation loans	0.0%										0.0%					0.0%
29 of which motor vehicle loans	100.0%										100.0%					27.6%
30 Local governments financing	0.0%										0.0%					0.0%
31 Housing financing	0.0%										0.0%					0.0%
32 Other local government financing	0.0%										0.0%					0.0%
49 Total GAR assets	10.5%										10.5%					29.8%

4. GAR KPI flow -Turnover-based

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	
% (compared to flow of total eligible assets)	Disclosure 31.12.2024																
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					Proportion of total new assets covered	
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)						
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)						
	Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling				
1 <u>GAR - Covered assets in both numerator and denominator</u>																	
2 Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	100.0%										100.0%					38.4%	
3 Financial undertakings	0.0%										0.0%					0.0%	
4 Credit institutions	0.0%										0.0%					0.0%	
5 Loans and advances	0.0%										0.0%					0.0%	
6 Debt securities, including UoP	0.0%										0.0%					0.0%	
7 Equity instruments	0.0%										0.0%					0.0%	
8 Other financial corporations	0.0%										0.0%					0.0%	
9 of which investment firms	0.0%										0.0%					0.0%	
10 Loans and advances	0.0%										0.0%					0.0%	
11 Debt securities, including UoP	0.0%										0.0%					0.0%	
12 Equity instruments	0.0%										0.0%					0.0%	
13 of which management companies	0.0%										0.0%					0.0%	
14 Loans and advances	0.0%										0.0%					0.0%	
15 Debt securities, including UoP	0.0%										0.0%					0.0%	
16 Equity instruments	0.0%										0.0%					0.0%	
17 of which insurance undertakings	0.0%										0.0%					0.0%	
18 Loans and advances	0.0%										0.0%					0.0%	
19 Debt securities, including UoP	0.0%										0.0%					0.0%	
20 Equity instruments	0.0%										0.0%					0.0%	
21 Non-financial undertakings	100.0%										100.0%					0.2%	
22 Loans and advances	100.0%										100.0%					0.2%	
23 Debt securities, including UoP	0.0%										0.0%					0.0%	
24 Equity instruments	0.0%										0.0%					0.0%	
25 Households	39.1%										39.1%					38.1%	
26 of which loans collateralised by residential immovable property	100.0%										100.0%					0.7%	
27 of which building renovation loans	0.0%										0.0%					0.0%	
28 of which motor vehicle loans	100.0%										100.0%					37.4%	
29 Local governments financing	0.0%										0.0%					0.0%	
30 Housing financing	0.0%										0.0%					0.0%	
31 Other local government financing	0.0%										0.0%					0.0%	
32 Collateral obtained by taking possession: residential and commercial immovable properties	0.0%										0.0%					0.0%	
49 Total GAR assets	15.5%										15.5%					38.4%	

4. GAR KPI flow - Cap-Ex based

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	
% (compared to flow of total eligible assets)	Disclosure 31.12.2025																
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					Proportion of total new assets covered	
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)						
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)						
	Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling				
1 <u>GAR - Covered assets in both numerator and denominator</u>																	
2 Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	29.9%										29.9%					29.8%	
3 Financial undertakings	0.0%										0.0%					0.0%	
4 Credit institutions	0.0%										0.0%					0.0%	
5 Loans and advances	0.0%										0.0%					0.0%	
6 Debt securities, including UoP	0.0%										0.0%					0.0%	
7 Equity instruments	0.0%										0.0%					0.0%	
8 Other financial corporations	0.0%										0.0%					0.0%	
9 of which investment firms	0.0%										0.0%					0.0%	
10 Loans and advances	0.0%										0.0%					0.0%	
11 Debt securities, including UoP	0.0%										0.0%					0.0%	
12 Equity instruments	0.0%										0.0%					0.0%	
13 of which management companies	0.0%										0.0%					0.0%	
14 Loans and advances	0.0%										0.0%					0.0%	
15 Debt securities, including UoP	0.0%										0.0%					0.0%	
16 Equity instruments	0.0%										0.0%					0.0%	
17 of which insurance undertakings	0.0%										0.0%					0.0%	
18 Loans and advances	0.0%										0.0%					0.0%	
19 Debt securities, including UoP	0.0%										0.0%					0.0%	
20 Equity instruments	0.0%										0.0%					0.0%	
21 Non-financial undertakings	100.0%										100.0%					1.6%	
22 NFCs subject to NFRD disclosure obligations	100.0%										100.0%					1.6%	
23 Loans and advances	100.0%										100.0%					1.6%	
24 Debt securities, including UoP	0.0%										0.0%					0.0%	
25 Equity instruments	0.0%										0.0%					0.0%	
26 Households	31.2%										31.2%					28.2%	
27 of which loans collateralised by residential immovable property	100.0%										100.0%					0.7%	
28 of which building renovation loans	0.0%										0.0%					0.0%	
29 of which motor vehicle loans	100.0%										100.0%					27.6%	
30 Local governments financing	0.0%										0.0%					0.0%	
31 Housing financing	0.0%										0.0%					0.0%	
32 Other local government financing	0.0%										0.0%					0.0%	
49 Total GAR assets	10.5%										10.5%					29.8%	

4. GAR KPI flow - Cap-Ex based

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	
% (compared to flow of total eligible assets)	Disclosure 31.12.2024																
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					Proportion of total new assets covered	
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)						
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)					Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)						
	Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which transitional	Of which enabling				
1 <u>GAR - Covered assets in both numerator and denominator</u>																	
2 Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	66.9%										66.9%					38.4%	
3 Financial undertakings	0.0%										0.0%					0.0%	
4 Credit institutions	0.0%										0.0%					0.0%	
5 Loans and advances	0.0%										0.0%					0.0%	
6 Debt securities, including UoP	0.0%										0.0%					0.0%	
7 Equity instruments	0.0%										0.0%					0.0%	
8 Other financial corporations	0.0%										0.0%					0.0%	
9 of which investment firms	0.0%										0.0%					0.0%	
10 Loans and advances	0.0%										0.0%					0.0%	
11 Debt securities, including UoP	0.0%										0.0%					0.0%	
12 Equity instruments	0.0%										0.0%					0.0%	
13 of which management companies	0.0%										0.0%					0.0%	
14 Loans and advances	0.0%										0.0%					0.0%	
15 Debt securities, including UoP	0.0%										0.0%					0.0%	
16 Equity instruments	0.0%										0.0%					0.0%	
17 of which insurance undertakings	0.0%										0.0%					0.0%	
18 Loans and advances	0.0%										0.0%					0.0%	
19 Debt securities, including UoP	0.0%										0.0%					0.0%	
20 Equity instruments	0.0%										0.0%					0.0%	
21 Non-financial undertakings	100.0%										100.0%					0.2%	
22 Loans and advances	100.0%										100.0%					0.2%	
23 Debt securities, including UoP	0.0%										0.0%					0.0%	
24 Equity instruments	0.0%										0.0%					0.0%	
25 Households	39.1%										39.1%					38.1%	
26 of which loans collateralised by residential immovable property	100.0%										100.0%					0.7%	
27 of which building renovation loans	0.0%										0.0%					0.0%	
28 of which motor vehicle loans	100.0%										100.0%					37.4%	
29 Local governments financing	0.0%										0.0%					0.0%	
30 Housing financing	0.0%										0.0%					0.0%	
31 Other local government financing	0.0%										0.0%					0.0%	
32 Collateral obtained by taking possession: residential and commercial immovable properties	0.0%										0.0%					0.0%	
49 Total GAR assets	15.5%										0.0%					38.4%	

5. KPI off-balance sheet exposures

	a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	Disclosure 31.12.2025														
	Climate Change Mitigation (CCM)						Climate Change Adaptation (CCA)						TOTAL (CCM + CCA)		
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)						Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)						Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)		
% (compared to flow of total eligible assets)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)						Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)						Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)		
	Of which Use of Proceeds	Of which transitional	Of which enabling				Of which Use of Proceeds	Of which transitional	Of which enabling				Of which Use of Proceeds	Of which transitional	Of which enabling

31.12.2025 - Turnover-based

1	Financial guarantees (FinGuar KPI)	4%											4%		
2	Assets under management (AuM KPI)	14%	2%			0%							14%	2%	0%

31.12.2025 - Cap-Ex based

1	Financial guarantees (FinGuar KPI)	4%											4%		
2	Assets under management (AuM KPI)	14%	2%			0%							14%	2%	0%

31.12.2024 - Turnover-based

1	Financial guarantees (FinGuar KPI)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2	Assets under management (AuM KPI)	14%	1%	0%	0%	1%	0%	0%	0%	0%	0%	14%	1%	0%	1%

31.12.2024 - Cap-Ex based

1	Financial guarantees (FinGuar KPI)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2	Assets under management (AuM KPI)	21%	1%	0%	0%	1%	0%	0%	0%	0%	0%	21%	1%	0%	1%

- Institution shall disclose in this template the KPIs for off-balance sheet exposures (financial guarantees and AuM) calculated based on the data disclosed in template 1, on covered assets, and by applying the formulas proposed in this template.

Disclosure by credit institutions under EU Taxonomy Regulation Article 8 and underlying Delegated Act (EU) 2021/2178, Article 10.**Annex XI****QUALITATIVE DISCLOSURES FOR ASSET MANAGERS, CREDIT INSTITUTIONS, INVESTMENT FIRMS AND INSURANCE AND REINSURANCE UNDERTAKINGS**

The disclosure of quantitative KPIs shall be accompanied by the following qualitative information to support the financial undertakings' explanations and markets' understanding of these KPIs:

<p>Contextual information in support of the quantitative indicators including the scope of assets and activities covered by the KPIs, information on data sources and limitation.</p>	<p>The Group has derived that the following assets can be considered as taxonomy-eligible; loans and advances to financial and non-financial corporates that are subject to non-financial disclosures according to Article 66 d of the Annual Accounts Act and loans to households, in particular motor vehicle loans (activity 6.5: Purchase, financing, renting, leasing) and residential real estate (mortgages, activity 7.7: Acquisition and ownership of buildings). Kvika has employed external data sourced from a third party, adhering to the criteria outlined in Article 66 d of the Annual Accounts Act. This information has been complemented, where needed, with data directly collected from the annual reports of corporate customers and counterparties. Kvika's estimation of how and to what extent its activities are associated with taxonomy-aligned economic activities is dependent upon and limited to its counterparties' reporting.</p>
<p>Explanations of the nature and objectives of Taxonomy-aligned economic activities and the evolution of the Taxonomy aligned economic activities over time, starting from the second year of implementation, distinguishing between business-related and methodological and data-related elements.</p>	<p>Not applicable for financial year 2025. No economic activities were Taxonomy-aligned for the financial year 2024.</p>
<p>Description of the compliance with Regulation (EU) 2020/852 in the financial undertaking's business strategy, product design processes and engagement with clients and counterparties.</p>	<p>In 2024, Kvika updated its Green Funding Framework to better adhere to recent developments in sustainability related regulations, including the EU Taxonomy. In its Green Funding Framework, Kvika has mapped applicable categories to EU environmental objectives and example of economic activities under the EU Taxonomy. Where possible, applicable eligibility criteria have been designed to comply with the technical screening criteria set out in the EU Taxonomy Delegated Act as at the time of this Framework publication.</p>
<p>For credit institutions that are not required to disclose quantitative information for trading exposures, qualitative information on the alignment of trading portfolios with Regulation (EU) 2020/852, including overall composition, trends observed, objectives and policy.</p>	
<p>Additional or complementary information in support of the financial undertaking's strategies and the weight of the financing of Taxonomy-aligned economic activities in their overall activity.</p>	

Kvika Asset Management

Kvika Asset Management publishes the following information pursuant to Article 8 of the EU Taxonomy, alongside Kvika Asset Management annual accounts for 2025. The information is presented in templates set out in Annexes IV and XI of the Delegated Regulation No. 2021/2178, and in all relevant updates to those templates, as laid out in Delegated Regulation (EU) No. 2023/2486, covering asset managers.

Key performance indicators

According to the Delegated Regulation no. 2021/2178, asset managers are to disclose the proportion of investment in taxonomy-aligned economic activities out of the total Assets under Management. This ratio is based on investees' key performance indicators (turnover and capex) and is therefore dependent upon and limited to the investees' taxonomy disclosures.

ANNEX IV**TEMPLATE FOR THE KPI OF ASSET MANAGERS**

Standard template for the disclosure required under Article 8 of Regulation (EU) 2020/852 (asset managers)

The weighted average value of all the investments that are directed at funding, or are associated with taxonomy-aligned economic activities relative to the value of total assets covered by the KPI , with following weights for investments in undertakings per below:		The weighted average value of all the investments that are directed at funding, or are associated with taxonomy-aligned economic activities, with following weights for investments in undertakings per below:	
Turnover-based: %	0.3%	Turnover-based: [ISK Million]	2
CapEx-based: %	0.4%	CapEx-based: [ISK Million]	2
The percentage of assets covered by the KPI relative to total investments (total AuM). Excluding investments in sovereign entities.		The monetary value of assets covered by the KPI. Excluding investments in sovereign entities.	
Coverage: %	88.1%	The value in monetary amounts of derivatives.	41
Additional, complementary disclosures: breakdown of denominator of the KPI			
The percentage of derivatives relative to total assets covered by the KPI.		The value in monetary amounts of derivatives.	
Percentage (%)	0.0%	ISK Million	0
The proportion of exposures to EU financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:		Value of exposures to EU financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU :	
For non-financial undertakings:	40.1%	For non-financial undertakings: ISK Million	163
For financial undertakings:	22.7%	For financial undertakings: ISK Million	93
The proportion of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:		Value of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU :	
For non-financial undertakings:	1.7%	For non-financial undertakings: ISK Million	7
For financial undertakings:	3.8%	For financial undertakings: ISK Million	15
The proportion of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:		Value of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU :	
For non-financial undertakings:	8.4%	For non-financial undertakings: ISK Million	34
For financial undertakings:	12.6%	For financial undertakings: ISK Million	51
The proportion of exposures to other counterparties over total assets covered by the KPI:		Value of exposures to other counterparties :	
Percentage (%)	10.6%	ISK Million	43
The value of all the investments that are funding economic activities that are not taxonomy-eligible relative to the value of total assets covered by the KPI:		Value of all the investments that are funding economic activities that are not taxonomy-eligible :	
Percentage (%)	54.3%	ISK Million	221
The value of all the investments that are funding taxonomy-eligible economic activities, but not taxonomy-aligned relative to the value of total assets covered by the KPI :		Value of all the investments that are funding Taxonomy eligible economic activities, but not taxonomy aligned :	
Percentage (%)		ISK Million	

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ANNEX IV (cont.)

Additional, complementary disclosures: breakdown of numerator of the KPI			
The proportion of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:		Value of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU:	
For non-financial undertakings:		For non-financial undertakings:	
Turnover-based: %	0.3%	Turnover-based: ISK Million	2
CapEx-based: %	0.4%	CapEx-based: ISK Million	2
For financial undertakings:		For financial undertakings:	
Turnover-based: %	0.0%	Turnover-based: ISK Million	0
CapEx-based: %	0.0%	CapEx-based: ISK Million	0
The proportion of taxonomy-aligned exposures to other counterparties in over total assets covered by the KPI:		Value of taxonomy-aligned exposures to other counterparties:	
Turnover-based: %	0.0%	Turnover-based: ISK Million	0
CapEx-based: %	0.0%	CapEx-based: ISK Million	0
Breakdown of the numerator of the KPI per environmental objective			
Taxonomy-aligned activities :-			
1) Climate change mitigation	Turnover: 0.3%	Transitional activities: A% (Turnover; CapEx)	0.0%
	Capex: 0.4%	Enabling activities: B% (Turnover; CapEx)	100.0%
2) Climate change adaptation	Turnover: 0.0%	Transitional activities: A% (Turnover; CapEx)	0.0%
	Capex: 0.0%	Enabling activities: B% (Turnover; CapEx)	0.0%
3) The sustainable use and protection of water and marine resources	Turnover: 0.0%	Transitional activities: A% (Turnover; CapEx)	0.0%
	Capex: 0.0%	Enabling activities: B% (Turnover; CapEx)	0.0%
4) The transition to a circular economy	Turnover: 0.0%	Transitional activities: A% (Turnover; CapEx)	0.0%
	Capex: 0.0%	Enabling activities: B% (Turnover; CapEx)	0.0%
5) Pollution prevention and control	Turnover: 0.0%	Transitional activities: A% (Turnover; CapEx)	0.0%
	Capex: 0.0%	Enabling activities: B% (Turnover; CapEx)	0.0%
6) The protection and restoration of biodiversity and ecosystems	Turnover: 0.0%	Transitional activities: A% (Turnover; CapEx)	0.0%
	Capex: 0.0%	Enabling activities: B% (Turnover; CapEx)	0.0%

Explanatory notes

'taxonomy-aligned activities'	economic activities that qualify as environmentally sustainable under EU Taxonomy
'not taxonomy-aligned'	economic activities that do not qualify as environmentally sustainable under EU Taxonomy i.e. do not fulfil the criteria set out in the delegated acts
'taxonomy-eligible activities'	activity that has a corresponding criteria in the EU Taxonomy delegated acts to be assessed against

ANNEX XI

QUALITATIVE DISCLOSURES FOR ASSET MANAGERS, CREDIT INSTITUTIONS, INVESTMENT FIRMS AND INSURANCE AND REINSURANCE UNDERTAKINGS

The disclosure of quantitative KPIs shall be accompanied by the following qualitative information to support the financial undertakings' explanations and markets' understanding of these KPIs:	
Contextual information in support of the quantitative indicators including the scope and activities covered by the KPIs, information on data sources and limitation.	The calculation of key indicators uses total assets under management (AuM), excluding exposures to central governments, central banks and supranational issuers. Investments in companies which are not obliged to disclose non-financial information under the Act on Annual Accounts should also be excluded. Furthermore, the calculations of Kvika Asset Management's Taxonomy KPIs depend upon and are limited to investee companies' 2025 Taxonomy disclosures for the financial year 2024.
Explanations of the nature and objectives of Taxonomy-aligned economic activities and the evolution of the Taxonomy-aligned economic activities over time, starting from the second year of implementation, distinguishing between business-related and methodological and data-related elements.	As according to investee companies' Taxonomy disclosures, all Taxonomy-aligned economic activities are enabling activities, i.e. they all enable other activities to make a substantial contribution to climate change mitigation.
Description of the compliance with Regulation (EU) 2020/852 in the financial undertaking's business strategy, product design processes and engagement with clients and counterparties.	Kvika Asset Management expects to increasingly consider the EU Taxonomy e.g. in product development as well as in communication with customers, additionally there has been increased education to employees on the topic.
For credit institutions that are not required to disclose quantitative information for trading exposures, qualitative information on the alignment of trading portfolios with Regulation (EU) 2020/852, including overall composition, trends observed, objectives and policy.	Does not apply to asset managers.

Group alignment*Computation of weighted averages of KPIs on Taxonomy-aligned activities of Groups***31.12.2025**

ISK Million	Proportion of total		KPI per business segment			
	Revenue	group revenue	KPI (Turnover)	KPI (CapEx)	KPI (Turnover) weighted	KPI (CapEx) weighted
Asset management	2,351	12.11%	0.34%	0.37%	0.05%	0.06%
Banking activities	17,059	87.89%	0.00%	0.00%	0.00%	0.00%
Total	19,411					
Average KPI					0.05%	0.06%

31.12.2024

ISK Million	Proportion of total		KPI per business segment			
	Revenue	group revenue	KPI (Turnover)	KPI (CapEx)	KPI (Turnover) weighted	KPI (CapEx) weighted
Asset management	2,597	15.12%	0.14%	0.21%	0.02%	0.03%
Banking activities	14,587	84.88%	0.00%	0.00%	0.00%	0.00%
Total	17,184					
Average KPI					0.02%	0.03%