



Condensed Interim Consolidated Financial Statements

31 March 2026



Consolidated Financial Statements
31 March 2026

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Highlights

31.03.2026

Kvika in brief

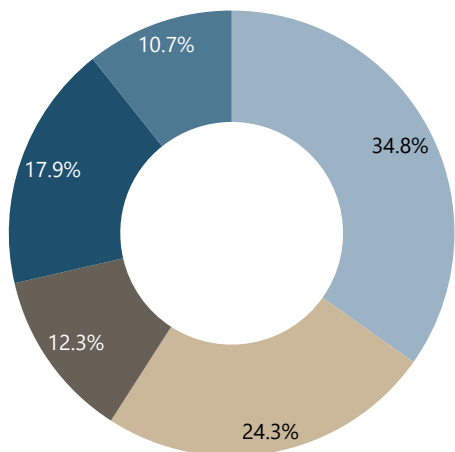
Kvika is a financial services company working to make banking more competitive and accessible in Iceland. Instead of operating traditional branches, Kvika delivers its services online, offering a wide range of solutions in asset management, payments, and banking for individuals, businesses, and investors. 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, Straumur 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
3M 2026



- Commercial Banking
- UK
- Investment Banking
- Treasury and supporting units
- Asset Management

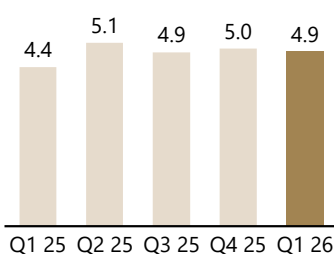
Key figures

ISK m.	3M 2026	3M 2025
Net operating income	4,886	4,449
Profit before tax, continuing operations	1,809	701
RoTE, continuing operations	15.7%	7.8%

	31.03.2026	31.12.2025
Total assets	359,817	343,112
Loans to customers	216,933	207,560
Deposits	189,678	172,787
LCR	291%	404%
NSFR	133%	137%

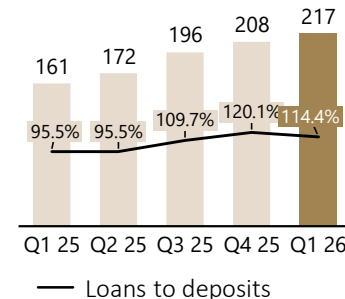
Net operating income

ISK bn.



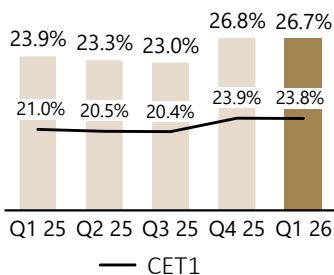
Loans to customers

ISK bn.



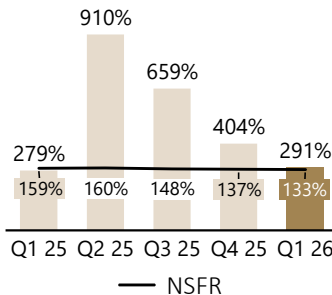
Total capital ratio

(%)



LCR ratio

(%)



Endorsement and Statement by the Board of Directors and the CEO

These are the Condensed Interim Consolidated Financial Statements of Kvika banki hf. ("Kvika" or the "Bank") and its subsidiaries (together the "Group") for the period 1 January to 31 March 2026. The Condensed Interim Consolidated Financial Statements have not been audited or reviewed by the Bank's independent auditors.

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, Straumur 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 period in 2026

Profit before taxes from continuing operations for the first quarter amounted to ISK 1,809 million (Q1 2025: ISK 701 million). Pre-tax annualised return on average tangible equity (RoTE) from continuing operations was 15.7% for the quarter (Q1 2025: 7.8%) based on the average tangible equity position of Kvika during the year. Tangible equity is the equity of shareholders of Kvika net of deferred tax assets and intangible assets. Profit after taxes for the first quarter amounted to ISK 1,374 million (Q1 2025: ISK 2,086 million, including discontinued operations).

The Group's net operating income during the period was ISK 4,886 million (3m 2025: ISK 4,449 million). Net interest income amounted to ISK 3,266 million (3m 2025: ISK 2,917 million). Net fee income amounted to ISK 1,486 million (3m 2025: ISK 1,520 million). Other net operating income amounted to ISK 135 million (3m 2025: ISK 12 million). Administrative expenses during the period amounted to ISK 3,014 million (3m 2025: ISK 3,090 million). During the period, the Group had a net impairment charge of ISK 94 million (3m 2025: ISK 65 million).

Financial position

According to the Consolidated Statement of Financial Position, equity at the end of the period amounted to ISK 66,795 million (31.12.2025: ISK 68,935 million), and total assets amounted to ISK 359,817 million (31.12.2025: ISK 343,112 million).

The Group's total assets grew by ISK 16.7 billion or 4.9% from year-end 2025. Loans to customers grew by ISK 9.3 billion or 4.5% during the first quarter of 2026.

In 2026, Kvika has continued to build on the previous year's success in capital markets and successfully completed the issuance of Additional Tier 1 (AT1) notes in April. The issuance, which amounted to SEK 300 million, is a key component of the Bank's capital optimisation, as outlined in connection with the publication of the Bank's year end results in February. This was Kvika's first issuance of AT1 notes and supports the Bank's continued growth and profitability. The issuance was oversubscribed and placed with investors across Scandinavia.

Merger with Arion banki hf. will not take place

On 15 April the preliminary discussions between Kvika banki hf. and Arion banki hf. with the Competition Authority regarding the proposed merger concluded. On that day representatives of Kvika banki and Arion banki met with representatives of the Competition Authority, during which the authority presented its position following the completion of the preliminary discussions process. In light of the position expressed by the Competition Authority at the meeting, the Boards of Directors of Kvika banki and Arion banki concluded that the proposed merger cannot proceed. The Boards of Directors therefore decided to discontinue the merger plans that were announced in a Stock Exchange notice dated 6 July 2025.

Capital adequacy and dividends

Kvika continues to maintain a strong capital position, significantly above regulatory requirements. At the end of March 2026, the Group's capital adequacy ratio was 26.2% and CET1 ratio was 23.3%, or 26.7% and 23.8%, respectively, including unaudited earnings. This compares to regulatory requirements of 17.9% and 12.9%, including capital buffers.

At the end of March 2026, 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 Q1 with ratios of 56,7% and 32,1% respectively.

The 2026 AGM approved a motion from the BOD that a dividend of ISK 0.36 per share be paid in 2026 based on the results for the year 2025. Furthermore, the 2026 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 301,000,000 shares by cancelling treasury shares held by the Bank. In March 2026, both the dividend payment and the share capital reduction were carried out.

The Bank's 2026 Annual General Meeting ("AGM") approved a motion from the Board of Directors ("BOD") to renew the BOD's authorisation from the Bank's 2025 AGM to purchase up to 10% of own shares subject to regulatory approvals. This authorisation applies until the next AGM in 2027. 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 and completed on 18 March 2026.

Endorsement and Statement by the Board of Directors and the CEO

Proposal for a special dividend payment

On 8 May the BOD convened a shareholders' meeting to be held on 4 June 2026. The purpose of the meeting is a proposal from the BOD for a special dividend payment of ISK 2.35 per share, corresponding to just over ISK 10 billion. At Kvika's Annual General Meeting on 18 March 2026, it was stated that the Bank's capital position would remain very strong following a proposed dividend payment and that the BOD would consider proposing additional distributions to shareholders later in the year, should circumstances permit. As it is now clear that the proposed merger of Kvika and Arion banki hf. will not take place and the Bank's capital position remains very strong, there is now considerable capacity for further distribution to shareholders. In preparing the BOD's proposal to the shareholders' meeting, account has also been taken of the existing authorisation approved at Kvika's Annual General Meeting to repurchase own shares of up to 10% of the Bank's share capital. Accordingly, in addition to the proposed special dividend payment, the BOD aims, if conditions permit, to repurchase own shares for up to ISK 4 billion later in the year.

Risk management

The objective of risk management is to promote a good and efficient culture of risk awareness within the Group and to increase the understanding of employees and management on the Group's risk taking, in addition to an assessment process related to risk and capital position. An emphasis is placed on being up to speed on the latest developments and adoption of rules related to risk management, such as regarding capital- and liquidity management. The Group faces various risks associated with its operations as a financial institution that arise from its day-to-day operations. Active risk management entails analysing risk, measuring it and taking actions to limit it, as well as monitoring risk factors across the Group. The Group's risk management and main operations are described in the notes accompanying the Condensed Interim Consolidated Financial Statements. Refer to notes 37-52 on the analysis of exposure to various types of risk.

Statement by the Board of Directors and the CEO

The Condensed Interim Consolidated Financial Statements of Kvika banki hf. for the period 1 January to 31 March 2026 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and additional requirements, as applicable, in the Act on Annual Accounts no. 3/2006, the Act on Financial Undertakings no. 161/2002 and rules on accounting for credit institutions no. 834/2003.

To the best of our knowledge these Condensed Interim Consolidated Financial Statements give a true and fair view of the Group's assets, liabilities and financial position as at 31 March 2026 and the financial performance of the Group and changes of cash flows for the period 1 January to 31 March 2026. Furthermore, in our opinion the Condensed Interim Consolidated Financial Statements and the Endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describe the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO of the Bank have today discussed the Condensed Interim Consolidated Financial Statements for the period 1 January to 31 March 2026 and confirmed them by the means of their signatures.

Reykjavík, 12 May 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 Condensed Interim Consolidated Financial Statements of Kvika banki hf. for the period ended 31 March 2026 are electronically certificated by the Board of Directors and the CEO.

Condensed Interim Consolidated Income Statement

For the period 1 January 2026 to 31 March 2026

	Notes	3m 2026	3m 2025
Interest income		7,982	7,300
Interest expense		(4,716)	(4,384)
Net interest income	4	3,266	2,917
Fee and commission income		1,644	1,669
Fee and commission expense		(159)	(149)
Net fee and commission income	5	1,486	1,520
Net financial income (expense)	6	84	(48)
Other operating income		51	60
Other net operating income		135	12
Net operating income		4,886	4,449
Administrative expenses	8	(3,014)	(3,090)
Net impairment	10	(94)	(65)
Revaluation of contingent consideration		-	(593)
Revaluation of investment properties		30	-
Profit before taxes from continuing operations		1,809	701
Income tax	11	(348)	(438)
Special tax on financial institutions	13	(87)	(77)
Profit for the period from continuing operations		1,374	186
Discontinued operations			
Profit after tax from discontinued operations		-	1,901
Profit for the period		1,374	2,086
	Notes	3m 2026	3m 2025
Attributable to the shareholders of Kvika banki hf.		1,371	2,086
Attributable to non-controlling interest	22	3	-
Profit for the period		1,374	2,086
Earnings per share	14		
Basic earnings per share (ISK per share)		0.31	0.45
Diluted earnings per share (ISK per share)		0.31	0.45

The notes on pages 11 to 46 are an integral part of these Condensed Interim Consolidated Financial Statements.

Condensed Interim Consolidated Statement of Comprehensive Income

For the period 1 January 2026 to 31 March 2026

	Notes	3m 2026	3m 2025
Profit for the period		1,374	2,086
Changes in fair value of financial assets through OCI, net of tax		(155)	46
Realized net loss transferred to the Income Statement, net of tax		(1)	25
Changes to reserve for financial assets at fair value through OCI		(156)	71
Exchange difference on translation of foreign operations		(45)	(30)
Other comprehensive income that is or may be reclassified subsequently to profit and loss		(201)	41
Total comprehensive income for the period		1,173	2,127
	Notes	3m 2026	3m 2025
Attributable to the shareholders of Kvika banki hf.		1,171	2,127
Attributable to non-controlling interest		3	-
Total comprehensive income for the period		1,173	2,127

The notes on pages 11 to 46 are an integral part of these Condensed Interim Consolidated Financial Statements.

Condensed Interim Consolidated Statement of Financial Position

As at 31 March 2026

Assets	Notes	31.3.2026	31.12.2025
Cash and balances with Central Bank	15	28,540	20,145
Loans to credit institutions	16	5,336	8,154
Loans to customers	17	216,933	207,560
Fixed income securities	18	39,947	44,522
Shares and other variable income securities	19	22,739	20,663
Securities used for hedging	20	5,329	6,695
Derivatives	21	4,237	3,250
Investment in associates	23	114	117
Intangible assets	24	20,951	21,130
Operating lease assets	25	553	361
Property and equipment		380	402
Deferred tax assets	11	617	939
Other assets	26	14,141	9,174
Total assets		359,817	343,112
Liabilities			
Deposits	44	189,678	172,787
Borrowings	27	7,378	6,806
Issued bonds	28	72,714	73,249
Subordinated liabilities	29	6,080	5,841
Short positions held for trading	30	616	433
Short positions used for hedging	31	493	432
Derivatives	21	548	773
Deferred tax liabilities		228	257
Other liabilities	32	15,285	13,599
Total liabilities		293,022	274,177
Equity			
Share capital	33	4,323	4,417
Share premium		41,456	43,119
Other reserves		4,258	4,376
Retained earnings		16,681	16,948
Total equity attributable to the shareholders of Kvika banki hf.		66,717	68,859
Non-controlling interest	22	78	76
Total equity		66,795	68,935
Total liabilities and equity		359,817	343,112

The notes on pages 11 to 46 are an integral part of these Condensed Interim Consolidated Financial Statements.

Condensed Interim Consolidated Statement of Changes in Equity

For the period 1 January 2026 to 31 March 2026

1 January 2026 to 31 March 2026	Notes	Share capital	Share premium	Other reserves				Restricted retained earnings	Retained earnings	Total share-holders' equity	Non-controlling interest	Total equity
				Option reserve	Deficit reduction reserve	Fair value reserve	Trans-lation reserve					
Equity as at 1 January 2026		4,417	43,119	7	1,204	(160)	40	3,285	16,948	68,859	76	68,935
Profit for the period									1,371	1,371	3	1,374
Changes in fair value of financial assets through OCI						(155)				(155)		(155)
Realized net loss transferred to the Income Statement						(1)				(1)		(1)
Translation of foreign operations												
Exchange difference on translation of foreign operations							(45)			(45)	-	(45)
Total comprehensive income for the period		-	-	-	-	(156)	(45)	-	1,371	1,171	3	1,173
Restricted due to subsidiaries and associates								178	(178)	-		-
Restricted due to development costs								(96)	96	-		-
Transactions with owners of the Bank												
Treasury shares acquired as part of a buy-back programme		(94)	(1,663)							(1,757)		(1,757)
Dividend paid to shareholders									(1,556)	(1,556)		(1,556)
Equity as at 31 March 2026		4,323	41,456	7	1,204	(315)	(5)	3,367	16,681	66,717	78	66,795

The notes on pages 11 to 46 are an integral part of these Condensed Interim Consolidated Financial Statements.

Condensed Interim Consolidated Statement of Changes in Equity

For the period 1 January 2025 to 31 March 2025

1 January 2025 to 31 March 2025	Notes	Other reserves							Retained earnings	Total shareholders' equity	Non-controlling interest	Total equity
		Share capital	Share premium	Option reserve	Deficit reduction reserve	Fair value reserve	Translation 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 period									2,086	2,086	-	2,086
Changes in fair value of financial assets through OCI						46				46		46
Realized net loss transferred to the Income Statement						25				25		25
Translation of foreign operations												
Exchange difference on translation of foreign operations							(30)			(30)	-	(30)
Total comprehensive income for the period		-	-	-	-	71	(30)	-	2,086	2,127	-	2,127
Restricted due to subsidiaries and associates								(6,166)	6,166	-		-
Restricted due to development costs								21	(21)	-		-
Transactions with owners of the Bank												
Treasury shares acquired as part of a buy-back programme		(49)	(862)							(911)		(911)
Dividend paid to shareholders									(23,135)	(23,135)		(23,135)
Share options				(22)					22	-		-
Equity as at 31 March 2025		4,612	45,888	87	1,204	(512)	49	2,403	13,790	67,520	79	67,599

The notes on pages 11 to 46 are an integral part of these Condensed Interim Consolidated Financial Statements.

Condensed Interim Consolidated Statement of Cash Flows

For the period 1 January 2026 to 31 March 2026

	Notes	3m 2026	3m 2025
Cash flows from operating activities			
Profit for the period		1,374	2,086
Adjustments for:			
Indexation and exchange rate difference		67	56
Depreciation and amortisation		284	480
Net interest income		(3,266)	(2,917)
Net impairment		94	65
Income tax and special tax on financial activity and institutions		435	515
Adjustment relating to assets held for sale		-	(1,901)
		(1,012)	(1,615)
Changes in:			
Loans to credit institutions		52	(7,557)
Loans to customers		(8,570)	2,489
Fixed income securities		4,384	(10,478)
Shares and other variable income securities		(647)	2,543
Securities used for hedging		1,366	(171)
Derivatives - assets		(988)	(1,376)
Operating lease assets		(213)	(21)
Other assets		(5,251)	(3,200)
Deposits		16,436	4,240
Short positions		245	331
Derivatives - liabilities		(360)	(2,425)
Other liabilities		1,779	1,330
		8,233	(14,295)
Interest received		7,411	6,991
Interest paid		(3,806)	(3,704)
Income tax paid		(67)	(74)
Net cash from (to) operating activities		10,758	(12,696)
Cash flows from investing activities			
Additions of intangible assets	24	(59)	(70)
Net acquisition and sale of property and equipment		(8)	(39)
Disposal of subsidiary and associates, net of cash		-	32,285
Net cash (to) from investing activities		(67)	32,176
Cash flows from financing activities			
Borrowings		1,076	932
Issued bonds		(534)	10,644
Acquired own shares		(1,757)	(911)
Dividend paid to shareholders		(1,556)	-
Repayment of lease liabilities		(108)	(100)
Net cash (to) from financing activities		(2,879)	10,565
Net change in cash and cash equivalents		7,811	30,045
Cash and cash equivalents at the beginning of the year		37,056	22,500
Effects of exchange rate fluctuations on cash and cash equivalents		(550)	339
Cash and cash equivalents at the end of the period	15	44,317	52,884
Cash and cash equivalents			
Cash and balances with Central Bank	15	28,540	43,909
Restricted balances with Central Bank - fixed reserve requirement	15	(6,404)	(5,745)
Loans to credit institutions - Bank accounts	16	5,336	14,720
Unit shares in cash equivalent liquidity funds	19	16,845	-
Cash and cash equivalents at the end of the period		44,317	52,884

The notes on pages 11 to 46 are an integral part of these Condensed Interim Consolidated Financial Statements.

Notes to the Condensed Interim Consolidated Financial Statements

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Notes to the Condensed Interim Consolidated Financial Statements

General information

1. Reporting entity

Kvika banki hf. ("Kvika" or the "Bank") is a limited liability company incorporated and domiciled in Iceland, with its registered office at Katrínartún 2, Reykjavík. The Bank operates as a bank based on Act No. 161/2002, on Financial Undertakings, and is supervised by the Financial Supervisory Authority of the Central Bank of Iceland ("FME").

The Condensed Interim Consolidated Financial Statements for the period ended 31 March 2026 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 Condensed Interim Consolidated Financial Statements were approved and authorised for issue by the Board of Directors and the CEO on 12 May 2026.

2. Basis of preparation

a. Statement of compliance

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

The Condensed Interim Consolidated Financial Statements do not include all of the information required for full Consolidated Financial Statements and should be read in conjunction with the Group's Consolidated Financial Statements for the financial year ending 31 December 2025.

b. Basis of measurement

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

- fixed income securities are measured at fair value;
- shares and other variable income securities are measured at fair value;
- securities used for hedging are measured at fair value;
- certain loans to customers which are measured at fair value;
- derivatives are measured at fair value;
- investment properties are measured at fair value;
- 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 Condensed Interim Consolidated Financial Statements are prepared in Icelandic krona (ISK), which is the Group's functional currency. All financial information has been rounded to the nearest million, unless otherwise stated.

The Group's assets and liabilities which are denominated in other currency than ISK are translated to ISK using the exchange rate as at the end of day 31 March 2026.

d. Going concern

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

e. Estimates and judgements

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

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

The estimates and underlying assumptions are reviewed on an 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 Condensed Interim Consolidated Financial Statements, is provided in the Consolidated Financial Statements as at and for the year ended 31 December 2025.

f. Relevance and importance of notes to the reader

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

Notes to the Condensed Interim Consolidated Financial Statements

Segment information

3. 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

The Group defines the following reportable operating segments; Asset Management, Commercial Banking, Investment Banking, UK operations and Treasury. 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.

- 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 provides a range of professional services in the fields of specialised financing, securities and foreign exchange transactions and corporate finance services.
- UK operations
The UK operations consist of asset management and corporate finance services through Kvika Limited and specialised lending services through Ortus Secured Finance Ltd, 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 period in 2026 it accounted for 17.9% (3m 2025: 18.0%) 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 Condensed Interim Consolidated Financial Statements

3. Business segments (cont.)

	Asset Management	Commercial Banking	Investment Banking	UK operations	Treasury	Supporting units	Total
3m 2026							
Net interest income	(2)	1,322	808	602	541	(6)	3,266
Net fee and commission income	581	348	342	165	47	3	1,486
Net financial income (expense)	12	(3)	36	102	(62)	(0)	84
Other operating income	11	33	-	7	-	0	51
Net operating income	602	1,699	1,186	876	526	(3)	4,886
Salaries and related expenses	(272)	(253)	(209)	(247)	(67)	(768)	(1,817)
Other operating expenses	(17)	(445)	(48)	(93)	(32)	(562)	(1,197)
Administrative expenses	(289)	(698)	(258)	(340)	(100)	(1,330)	(3,014)
Net impairment	-	(43)	(15)	(36)	(0)	-	(94)
Revaluation of contingent consideration	-	-	-	-	-	-	-
Revaluation of investment properties	-	2	-	-	-	28	30
Cost allocation	(193)	(430)	(243)	(76)	(95)	1,037	-
Profit (loss) before tax from continuing operations	120	529	671	424	332	(267)	1,809
Net segment revenue from external customers	623	693	2,531	1,362	(331)	9	4,886
Net segment revenue from other segments	(21)	1,006	(1,345)	(486)	857	(11)	-
3m 2025							
Net interest income	(0)	1,177	570	535	643	(8)	2,917
Net fee and commission income	614	361	543	133	47	(178)	1,520
Net financial income	19	1	(25)	124	(166)	-	(48)
Other operating income	3	51	-	7	-	(1)	60
Net operating income	635	1,590	1,088	799	524	(187)	4,449
Salaries and related expenses	(277)	(241)	(217)	(196)	(64)	(708)	(1,703)
Other operating expenses	(32)	(525)	(55)	(104)	(19)	(651)	(1,386)
Administrative expenses	(309)	(766)	(272)	(300)	(83)	(1,359)	(3,090)
Net impairment	-	(42)	(13)	(10)	(0)	-	(65)
Revaluation of contingent consideration	(12)	-	-	(580)	-	-	(593)
Cost allocation	(172)	(370)	(220)	(52)	(88)	902	-
Profit (loss) before tax from continuing operations	141	412	583	(143)	353	(645)	701
Net segment revenue from external customers	641	38	1,873	1,163	676	57	4,449
Net segment revenue from other segments	(6)	1,552	(785)	(364)	(151)	(244)	-

Notes to the Condensed Interim Consolidated Financial Statements

Income statement

4. Net interest income

Interest income is specified as follows:

	3m 2026	3m 2025
Cash and balances with Central Bank	406	591
Loans to credit institutions	6	111
Loans to customers	6,461	4,994
Derivatives	235	563
Fixed income securities (FVOCI)	747	1,042
Other interest income	128	0
Total	7,982	7,300

Interest expense is specified as follows:

	3m 2026	3m 2025
Deposits	2,598	2,651
Borrowings	592	607
Issued bonds	1,105	684
Subordinated liabilities	239	138
Derivatives	173	291
Other interest expense*	11	13
Total	4,716	4,384
Net interest income	3,266	2,917

* Thereof are lease liabilities' interest expense amounting to ISK 7 million (3M 2025: ISK 10 million).

Total interest income recognised in respect of financial assets not carried at fair value through profit or loss amounts to ISK 6,875 million (3M 2025: ISK 5,655 million). Total interest expense recognised in respect of financial liabilities not carried at fair value through profit or loss amounts to ISK 4,543 million (3M 2025: ISK 4,093 million).

5. 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 3.

	3m 2026	3m 2025*
Asset Management	591	613
Capital markets and corporate finance	300	334
Cards and payment solutions	160	170
Loans and guarantees	555	458
Other fee and commission income	38	95
Total	1,644	1,669
Fee and commission expense	(159)	(149)
Net fee and commission income	1,486	1,520

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 services, 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.

* A portion of the fees that were recorded as other fee and commission income during the period in 2025 has been reclassified, as stated in the 2025 Consolidated Financial Statements. 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 Condensed Interim Consolidated Financial Statements

6. Net financial income (expense)

Net financial income (expense) is specified as follows:

	3m 2026	3m 2025
Net gain (loss) on financial assets and financial liabilities mandatorily measured at fair value through profit or loss		
Fixed income securities	75	81
Financial assets at fair value through OCI	1	(31)
Shares and other variable income securities	93	68
Derivatives	(0)	(5)
Loans to customers	(17)	(21)
Loss on prepayments of borrowings	-	(83)
Foreign currency exchange difference	(67)	(56)
Total	84	(48)

7. Foreign currency exchange difference

Shares and other variable income securities is specified as follows:

	3m 2026	3m 2025
Gain on financial instruments at fair value through profit and loss	96	1,118
Loss on other financial instruments	(163)	(1,173)
Total	(67)	(56)

8. Administrative expenses

Administrative expenses are specified as follows:

	3m 2026	3m 2025
Salaries and related expenses	1,817	1,703
Other operating expenses	913	906
Depreciation and amortisation	246	393
Depreciation of right of use asset	39	87
Total	3,014	3,090

9. Salaries and related expenses

Salaries and related expenses are specified as follows:

	3m 2026	3m 2025
Salaries	1,326	1,230
Performance based payments excluding share-based payments	123	125
Pension fund contributions	166	162
Tax on financial activity	69	65
Other salary related expenses	133	121
Total	1,817	1,703
Average number of full time employees during the period	248	252
Total number of full time employees at the end of the period	248	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% (2025: 5.50%).

The amount of performance based payments that has been expensed is based on the results for the year to date 2026 and the guidelines on performance based payments set forth in the Group's remuneration policy. The performance based payments have not been allocated to any employees or business segments and are subject to approval by the Board of Directors.

10. Net impairment

	3m 2026	3m 2025
Net change in impairment of loans	(101)	(70)
Net change in impairment of other assets	(1)	(0)
Net change in impairment of loan commitments, guarantees and unused credit facilities	8	4
Total	(94)	(65)

Notes to the Condensed Interim Consolidated Financial Statements

11. Income tax

The Bank and some of its subsidiaries will not pay income tax on its profit for 2026 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 Condensed Interim Consolidated Statement of Financial Position.

Income tax is recognised based on the tax rates and tax laws enacted during the current year, according to which the domestic corporate income tax rate was 20.0% (2025: 20.0%). Companies within the Group, which operate outside of Iceland, recognise income tax in accordance with the applicable tax laws in the country they reside.

12. 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% (2025: 6.0%) and the tax is not a deductible expense for income tax purposes. The tax is presented separately in the Condensed Interim Consolidated Income Statement.

13. 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% (2025: 0.145%) and the tax is not a deductible expense for income tax purposes. The tax is presented separately in the Condensed Interim Consolidated Income Statement.

14. Earnings per share

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

	Continuing operations		Discontinued operations		Continuing and discontinued operations	
	3m 2026	3m 2025	3m 2026	3m 2025	3m 2026	3m 2025
Net earnings attributable to equity holders of the Bank	1,371	186	-	1,901	1,371	2,086
Weighted average number of outstanding shares	4,369	4,651	4,369	4,651	4,369	4,651
Adjustments for stock options	1	-	1	-	1	-
Total	4,370	4,651	4,370	4,651	4,370	4,651
Basic earnings per share (ISK)	0.31	0.04	0.00	0.41	0.31	0.45
Diluted earnings per share (ISK)	0.31	0.04	0.00	0.41	0.31	0.45

Notes to the Condensed Interim Consolidated Financial Statements

Statement of Financial Position

15. Cash and balances with Central Bank

Cash and balances with Central Bank are specified as follows:

	31.3.2026	31.12.2025
Deposits with Central Bank	22,129	13,929
Cash on hand	8	12
Included in cash and cash equivalents	22,136	13,941
Restricted balances with Central Bank - fixed reserve requirement	6,404	6,203
Total	28,540	20,145

16. Loans to credit institutions

Loans to credit institutions are specified as follows:

	31.3.2026	31.12.2025
Bank accounts	5,336	8,102
Other loans	0	52
Total	5,336	8,154

17. 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
31.3.2026						
Loans to customers at amortised cost	65,538	64,625	149,449	147,990	214,988	212,615
Loans to customers at FV through profit or loss ...	-	-	4,318	4,318	4,318	4,318
Total	65,538	64,625	153,767	152,308	219,306	216,933
	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

The Group presents finance lease receivables as part of loans to customers at amortised cost. As at 31 March 2026, the book value of finance lease receivables amounted to ISK 23,387 million (31.12.2025: ISK 23,175 million).

18. Fixed income securities

Fixed income securities are specified as follows:

	31.3.2026	31.12.2025
Mandatorily measured at fair value through profit or loss		
Listed government bonds and bonds with government guarantees	1,952	1,793
Listed bonds	2,148	2,425
Unlisted bonds	1,706	1,436
Measured at fair value through other comprehensive income		
Listed government bonds and bonds with government guarantees	32,697	37,473
Listed bonds	1,443	1,394
Total	39,947	44,522

Notes to the Condensed Interim Consolidated Financial Statements

19. Shares and other variable income securities

Shares and other variable income securities are specified as follows:

	31.3.2026	31.12.2025
Mandatorily measured at fair value through profit or loss		
Listed shares	1,031	996
Unlisted shares	3,152	3,097
Unit shares in cash equivalent liquidity funds	16,845	15,013
Unlisted unit shares	1,711	1,558
Total	22,739	20,663

20. Securities used for hedging

Securities used for hedging are specified as follows:

	31.3.2026	31.12.2025
Listed government bonds and bonds with government guarantees	447	938
Listed bonds	429	320
Listed shares	4,422	5,353
Unlisted unit shares	31	84
Total	5,329	6,695

21. Derivatives

Derivatives are specified as follows:

	Notional		Carrying amount	
	Assets	Liabilities	Assets	Liabilities
31.3.2026				
Interest rate derivatives	28,749	28,738	978	-
Cross - currency interest rate swaps	55,336	44,314	1,504	-
Currency forwards	18,288	18,285	61	48
Currency forwards used for hedge accounting	-	9,380	353	-
Bond and equity total return swaps	8,764	7,908	1,024	183
Equity options	1,994	1,994	317	317
Total	113,131	110,618	4,237	548
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

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

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

	31.3.2026	31.12.2025
Balance at the beginning of the year	124	(21)
Foreign currency revaluation of the net foreign operations	197	182
Tax effect	(39)	(36)
Total	282	124

Notes to the Condensed Interim Consolidated Financial Statements

22. Group entities

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

Entity	Nature of operations	Domicile	Share	Share
			31.3.2026	31.12.2025
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%
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%	100%

23. Investment in associates

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

Entity	Nature of operations	Domicile	Share	Share
			31.3.2026	31.12.2025
Gláma fjárfestingar slhf.	Holding company	Iceland	24%	24%
Moberg d. o. o.	Digital solutions provider	Croatia	40%	40%

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

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

	31.3.2026	31.12.2025
Balance at the beginning of the year	117	113
Dividend received	-	(36)
Share in profit of associates, net of income tax	-	37
Exchange rate difference	(3)	3
Total	114	117

24. Intangible assets

Intangible assets are specified as follows:

31.3.2026	Goodwill	Customer	Brands	Software	Total
		relationships		and other	
Balance as at 1 January 2026	17,738	1,388	174	1,829	21,130
Additions during the year	-	-	-	59	59
Discontinued	-	-	-	(22)	(22)
Amortisation	-	(51)	(6)	(111)	(167)
Currency adjustments	(38)	(11)	-	-	(48)
Balance as at 31 March 2026	17,701	1,327	168	1,756	20,951
Gross carrying amount	17,701	2,071	369	4,318	24,459
Accumulated amortisation and impairment losses	-	(745)	(201)	(2,562)	(3,508)
Balance as at 31 March 2026	17,701	1,327	168	1,756	20,951
31.12.2025	Goodwill	Customer	Brands	Software	Total
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

Notes to the Condensed Interim Consolidated Financial Statements

25. Operating lease assets

Operating lease assets are specified as follows:

	31.3.2026	31.12.2025
Balance as at 1 January	361	215
Additions	238	285
Disposals	(24)	(86)
Depreciation	(22)	(53)
Total	553	361
Gross carrying amount	699	494
Accumulated depreciation	(147)	(132)
Total	553	361

26. Other assets

Other assets are specified as follows:

	31.3.2026	31.12.2025
Unsettled transactions	9,474	4,096
Accounts receivable	2,620	3,686
Right of use asset and lease receivables	507	569
Investment properties	25	93
Sundry assets	1,514	731
Total	14,141	9,174

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

	31.3.2026	31.12.2025
Right of use asset and lease receivables as at 1 January	569	1,024
Indexation	5	30
Currency adjustments	(2)	(3)
Impairment	-	(201)
Depreciation and lease receivable instalment	(65)	(282)
Total	507	569

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 32.

27. Borrowings

Borrowings are specified as follows:

	31.3.2026	31.12.2025
Secured borrowings	5,117	5,228
Other borrowings	2,260	1,579
Total	7,378	6,806

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

Notes to the Condensed Interim Consolidated Financial Statements

28. Issued bonds

Issued bonds are specified as follows:

Currency, nominal value	First issued	Maturity	Maturity type	Terms of interest	31.3.2026	31.12.2025
Unsecured bonds:						
EMTN 26 0511, SEK 566 million *	2023	2026	At maturity	Floating, 3 month STIBOR + 4.10%	3,004	3,115
EMTN 26 0511, NOK 750 million * ...	2023	2026	At maturity	Floating, 3 month NIBOR + 4.10%	4,313	4,193
EMTN 26 1123 GB, SEK 500 million ..	2023	2026	At maturity	Floating, 3 month STIBOR + 4.0%	6,602	6,845
KVB 21 02, ISK 5,400 million	2021	2027	At maturity	CPI-indexed, fixed 1.0%	7,368	7,172
EMTN 28 0421, NOK 400 million	2025	2028	At maturity	Floating, 3 month NIBOR + 2.0%	5,184	5,039
EMTN 28 0421, SEK 600 million	2025	2028	At maturity	Floating, 3 month STIBOR + 2.0%	7,934	8,228
KVIKA 28 0703, ISK 5,000 million	2025	2028	At maturity	Floating, 3 month REIBOR + 1.14%	5,106	5,109
EMTN 29 0602, EUR 200 million	2025	2029	At maturity	Fixed 4.50%	29,793	30,209
KVIKA 32 0112, ISK 2,000 million	2022	2032	At maturity	CPI-indexed, fixed 1.40%	2,634	2,579
Total					71,937	72,490
Unlisted senior unsecured bonds, total					777	759
Total					72,714	73,249

* 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.

29. Subordinated liabilities

a. Subordinated liabilities:

Currency, nominal value	First issued	Maturity	Maturity type	Terms of interest	31.3.2026	31.12.2025
KVIKA 34 1211 T2i, ISK 2,500 m.	2023	2034	At maturity	CPI-Indexed, fixed 6.25%	2,844	2,733
TM 15 1, ISK 2,000 million	2015	2045	At maturity	CPI-Indexed, fixed 6.25%	3,236	3,109
Total					6,080	5,841

The Group has the right to repay the TM 15 01 subordinated bond on any 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:

	31.3.2026	31.12.2025
Balance at the beginning of the year	5,841	5,629
Paid interest	-	(272)
Paid interests due to indexation	-	(76)
Accrued interests and indexation	239	560
Total	6,080	5,841

30. Short positions held for trading

Short positions held for trading are specified as follows:

	31.3.2026	31.12.2025
Listed government bonds and bonds with government guarantees	616	108
Listed bonds	-	253
Listed shares	-	72
Total	616	433

Notes to the Condensed Interim Consolidated Financial Statements

31. Short positions used for hedging

Short positions used for hedging are specified as follows:

	31.3.2026	31.12.2025
Listed government bonds and bonds with government guarantees	493	432
Total	493	432

32. Other liabilities

Other liabilities are specified as follows:

	31.3.2026	31.12.2025
Unsettled transactions	7,252	3,252
Accounts payable and accrued expenses	3,914	5,268
Salaries and salary related expenses	1,408	1,688
Withholding taxes	1,011	1,055
Lease liability	696	802
Contingent consideration	293	641
Special taxes on financial institutions and financial activities	422	433
Expected credit loss allowance for loan commitments, guarantees and unused credit facilities	8	16
Other liabilities	281	444
Total	15,285	13,599

Lease liability is specified as follows:

	31.3.2026	31.12.2025
Lease liability as at 1 January	802	1,158
Currency adjustments	(4)	(5)
Instalment	(108)	(382)
Indexation	5	30
Total	696	802

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 26.

33. Share capital

a. Share capital

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

	31.3.2026	31.12.2025
Share capital according to the Bank's Articles of Association	4,330	4,631
Nominal amount of treasury shares	7	214
Authorised but not issued shares	240	240

b. Changes made to the nominal amount of share capital

During the period in 2026 the Bank's share capital was decreased by ISK 301 million in nominal value following a resolution by the AGM to cancel treasury shares. Furthermore, during the period in 2026 the Bank acquired treasury shares amounting to ISK 94 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 18 March 2026, 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 Condensed Interim Consolidated Financial Statements

34. 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.

	31.3.2026	31.12.2025	
Own funds			
Total equity	66,795	68,935	
Other unaudited (positive) changes to total equity in current period	(1,374)	-	
Proposed dividends and buybacks	-	(3,323)	
Goodwill and intangibles	(20,563)	(20,925)	
Shares in other financial institutions	(217)	(217)	
Deferred tax asset	(617)	(939)	
Amounts below the threshold for deduction	834	1,156	
Common equity Tier 1 capital (CET 1)	44,858	44,687	
Tier 2 capital	5,953	5,416	
Deductions from Tier 2 capital	(364)	-	
Total own funds	50,448	50,103	
Risk-weighted exposure amount (RWEA)			
Credit risk	163,726	157,968	
Market risk	8,506	8,296	
Operational risk	20,503	20,503	
Total risk-weighted exposure amount	192,734	186,767	
Capital ratios			
CET1 ratio	23.3%	23.9%	
T1 ratio	23.3%	23.9%	
Capital adequacy ratio (CAR)	26.2%	26.8%	
Total own funds including unaudited (positive) retained earnings and expected dividends	51,480		
CET1 ratio including unaudited (positive) retained earnings and expected dividends	23.8%		
T1 ratio including unaudited (positive) retained earnings and expected dividends	23.8%		
Capital adequacy ratio (CAR) including unaudited (positive) retained earnings and expected dividends	26.7%		
Capital buffer requirement, % of RWEA			
Systemic risk buffer (SRB)	1.6%	1.6%	
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			
	CET1	Tier 1	31.3.2026
			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%

Notes to the Condensed Interim Consolidated Financial Statements

35. 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%.

	31.3.2026	31.12.2025
On-balance sheet exposures	335,017	315,613
Derivative exposures	4,153	3,331
Off - balance sheet exposures	1,052	1,093
Total exposure measure	340,221	320,037
Tier 1 capital	44,858	44,687
Leverage ratio	13.2%	14.0%

36. 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 March are 21.9% of MREL-RWEA and 6% of MREL-TEM.

	31.3.2026	31.12.2025
Own funds and eligible liabilities		
Common equity Tier 1 capital (CET 1)	44,858	44,687
Tier 2 capital	5,953	5,416
Eligible liabilities	58,786	59,096
Total own funds and eligible liabilities	109,598	109,199
MREL-RWEA and CBR		
Risk-weighted exposure amount (RWEA)	192,734	186,767
Own funds and eligible liabilities as % of RWEA	56.7%	58.5%
Minimum requirements for own funds (MREL)	21.9%	21.9%
Combined buffer requirement (CBR)	6.4%	6.4%
MREL-RWEA requirement including CBR	28.3%	28.3%
MREL-TEM		
Total exposure measure	340,221	320,037
Own funds and eligible liabilities as % of TEM	32.1%	34.1%
MREL-TEM requirement	6.0%	6.0%

Notes to the Condensed Interim Consolidated Financial Statements

Risk management

37. 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.

38. 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. This 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 2025 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 Condensed Interim Consolidated Financial Statements

39. 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	31.3.2026
On-balance sheet exposure					
Cash and balances with Central Bank	28,540	-	-	-	28,540
Loans to credit institutions	-	5,336	-	-	5,336
Loans to customers	6	3	152,300	64,625	216,933
Fixed income securities	36,592	3,165	189	-	39,947
Derivatives	-	3,594	553	90	4,237
Other assets	2	682	12,886	39	13,609
	65,140	12,781	165,928	64,754	308,602
Off-balance sheet exposure					
Loan commitments	16	6	8,976	932	9,930
Financial guarantee contracts	-	-	1,054	-	1,054
Maximum exposure to credit risk	65,156	12,786	175,958	65,686	319,586
	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

40. 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 2025 Consolidated Financial Statements for further information about the Group's impairment methodology.

Model parameters for Icelandic portfolio	31.3.2026			31.12.2025		
	Base case	Upside	Downside	Base case	Upside	Downside
Unemployment rate	5.0%	4.0%	6.4%	5.0%	4.0%	6.4%
Inflation CPI index	3.4%	3.0%	5.8%	3.4%	3.0%	5.8%
Assigned weight	55.0%	10.0%	35.0%	55.0%	10.0%	35.0%

Model parameters for UK portfolio	31.3.2026				31.12.2025			
	Base case	Upside	Downside	Severe	Base case	Upside	Downside	Severe
Unemployment rate	4.9%	2.3%	3.6%	5.9%	4.9%	2.3%	3.6%	5.9%
Inflation CPI index	2.5%	4.4%	5.9%	7.5%	2.5%	4.4%	5.9%	7.5%
Assigned weight	50.0%	15.0%	25.0%	10.0%	50.0%	15.0%	25.0%	10.0%

Notes to the Condensed Interim Consolidated Financial Statements

40. 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.

	Impairment				Allocated collateral											Unsecured claim value			
					Claim due to expected value	credit loss	Carrying amount	%	Total collateral	Listed		Unlisted securities and other funds	Residential real estate	Commercial			Industrial		Other
										securities and liquid funds	securities and other funds			real estate	real estate		Automobiles	equipment	
31.3.2026						Deposits	liquid funds												
Public entities	6	(0)	6	0.0%	8	-	-	-	-	-	-	8	-	-	-	1			
Financial institutions	3	(0)	3	0.0%	-	-	-	-	-	-	-	-	-	-	-	3			
Corporate																			
Real estate activities	55,101	(303)	54,798	25.3%	91,918	56	371	669	35,792	52,840	1,042	375	100	673	842				
Construction	25,469	(156)	25,313	11.7%	48,613	5	-	-	25,001	10,320	6,540	5,201	-	1,545	206				
Service Activities	16,172	(70)	16,102	7.4%	30,904	45	51	304	1,073	8,101	17,317	3,218	0	796	237				
Accommodat. and Food Service Activit.	14,327	(76)	14,252	6.6%	26,296	60	-	-	3,872	21,698	543	78	0	45	273				
Activities of Holding Companies	14,276	(484)	13,791	6.4%	60,439	205	902	15,727	9,904	13,551	175	143	688	19,144	887				
Act. of Hold. Comp. - Securities Financing ..	9,233	(282)	8,951	4.1%	16,020	517	14,326	252	925	-	-	-	0	-	682				
Other	19,181	(88)	19,093	8.8%	38,633	187	4,155	3,703	3,138	10,763	7,866	5,033	115	3,673	2,086				
Individuals	65,538	(914)	64,625	29.8%	126,719	32	993	759	76,920	2,167	43,228	1,297	-	1,324	8,945				
Total	219,306	(2,373)	216,933	100.0%	439,551	1,106	20,798	21,413	156,624	119,440	76,720	15,345	903	27,201	14,162				

	Impairment				Allocated collateral											Unsecured claim value			
					Claim due to expected value	credit loss	Carrying amount	%	Total collateral	Listed		Unlisted securities and other funds	Residential real estate	Commercial			Industrial		Other
										securities and liquid funds	securities and other funds			real estate	real estate		Automobiles	equipment	
31.12.2025						Deposits	liquid 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				

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 Condensed Interim Consolidated Financial Statements

40. 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.

31.3.2026

<i>Loans to customers:</i>	Stage 1	Stage 2	Stage 3	FVTPL	Total
Credit quality band I	143,406	1,544	-	4,002	148,951
Credit quality band II	38,834	4,482	-	-	43,316
Credit quality band III	10,518	4,235	-	182	14,935
Credit quality band IV	486	387	-	135	1,008
In default	4	0	10,408	-	10,413
Non-rated	477	207	-	-	684
Gross carrying amount	193,724	10,856	10,408	4,318	219,306
Expected credit loss	(348)	(234)	(1,791)	0	(2,373)
Book value	193,376	10,622	8,617	4,318	216,933

<i>Loan commitments, guarantees and unused credit facilities:</i>	Stage 1	Stage 2	Stage 3	FVTPL	Total
Credit quality band I	7,918	3	-	112	8,033
Credit quality band II	2,499	20	-	-	2,520
Credit quality band III	250	74	-	1	325
Credit quality band IV	2	0	-	-	2
In default	2	-	4	-	6
Non-rated	98	-	-	-	98
Total off-balance sheet amount	10,769	97	4	113	10,984
Expected credit loss	(7)	(0)	(1)	-	(8)
Net off-balance sheet amount	10,762	97	3	113	10,976

31.12.2025

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

Notes to the Condensed Interim Consolidated Financial Statements

40. 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
31.3.2026			
Not past due	203,119	(567)	202,552
Past due 1-30 days	5,190	(91)	5,099
Past due 31-60 days	4,485	(129)	4,356
Past due 61-90 days	1,896	(38)	1,858
Past due 91-180 days	1,311	(511)	800
Past due 181-360 days	1,374	(193)	1,181
Past due more than 360 days	1,931	(844)	1,087
Total	219,306	(2,373)	216,933

	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

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

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

31.3.2026

Expected credit loss allowance total

	Stage 1	Stage 2	Stage 3	Total
Transfers of financial assets:				
Balance as at 1 January 2026	392	204	1,749	2,345
Transfer to Stage 1 - (Initial recognition)	48	(30)	(18)	-
Transfer to Stage 2 - (significantly increased credit risk)	(18)	68	(50)	-
Transfer to Stage 3 - (credit impaired)	(8)	(31)	39	-
Net remeasurement of loss allowance	(94)	20	133	59
New financial assets, originated or purchased	107	27	71	206
Derecognitions and maturities	(72)	(24)	(83)	(179)
Write-offs	-	-	(50)	(50)
Balance as at 31 March 2026	355	234	1,792	2,381

Expected credit loss allowance for loans to customers

	Stage 1	Stage 2	Stage 3	Total
Transfers of financial assets:				
Balance as at 1 January 2026	379	203	1,747	2,329
Transfer to Stage 1 - (Initial recognition)	47	(30)	(17)	-
Transfer to Stage 2 - (significantly increased credit risk)	(18)	68	(50)	-
Transfer to Stage 3 - (credit impaired)	(8)	(31)	39	-
Net remeasurement of loss allowance	(87)	20	133	66
New financial assets, originated or purchased	107	27	71	205
Derecognitions and maturities	(72)	(24)	(82)	(177)
Write-offs	-	-	(50)	(50)
Balance as at 31 March 2026	348	234	1,791	2,373

Notes to the Condensed Interim Consolidated Financial Statements

40. 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 2026	13	0	3	16
Transfer to Stage 1 - (Initial recognition)	1	(0)	(1)	-
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	(7)	(0)	(0)	(7)
New financial assets, originated or purchased	0	-	-	0
Derecognitions and maturities	(0)	(0)	(0)	(1)
Balance as at 31 March 2026	7	0	1	8

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

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

Notes to the Condensed Interim Consolidated Financial Statements

41. Loan-to-value

a. General

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

b. Breakdown

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

	31.3.2026	%	31.12.2025	%
Less than 50%	62,667	28.9%	66,278	31.9%
50-70%	83,020	38.3%	70,430	33.9%
70-90%	51,821	23.9%	44,615	21.5%
90-100%	3,852	1.8%	6,707	3.2%
100-125%	1,849	0.9%	3,814	1.8%
125-200%	849	0.4%	2,371	1.1%
Greater than 200%	1,292	0.6%	2,231	1.1%
No or negligible collateral:				
Other loans with no collateral	11,584	5.3%	11,112	5.4%
Total	216,933	100.0%	207,560	100.0%

42. Collateral against exposures to derivatives

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

	Deposits	Fixed income securities	Variable income securities	Real estate	Other fixed assets	Other	31.3.2026
Financial institutions	1,721	96	249	-	-	-	2,066
Corporate customers	429	41	1,250	-	-	-	1,721
Individuals	62	18	113	-	-	-	192
Total	2,212	155	1,612	-	-	-	3,979
	Deposits	Fixed income securities	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

Amounts have been adjusted to exclude collateral posted in excess of the contractual collateral limit (overcollateralisation).

43. 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 34).

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.

	31.3.2026		31.12.2025	
Large exposures before risk adjusted mitigation	Number	Amount	Number	Amount
10-20% of capital base	3	14,803	2	9,610
20-25% of capital base	0	-	0	-
Exceeding 25% of capital base	0	-	0	-
Total	3	14,803	2	9,610
Thereof loans to credit institutions which are part of				
Kvika's liquidity management	0	-	0	-
Large exposures net of risk adjusted mitigation	1	4,781	1	4,662

Notes to the Condensed Interim Consolidated Financial Statements

44. Liquidity risk

a. Definition

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

b. Management

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

	ISK		EUR		Total all currencies	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
31.3.2026						
Liquid assets level 1	57,090	57,090	1,410	1,340	59,074	58,975
Liquid assets level 2A	2,735	2,325	1,436	1,149	4,689	3,888
Liquid assets level 2B	-	-	5,182	2,332	5,758	2,591
Excess liquid asset amount	-	-	-	(2,587)	-	-
Total high quality liquid assets (HQLA)	59,825	59,415	8,028	2,233	69,521	65,454
Deposits	142,789	35,223	4,238	1,573	150,182	38,094
Other borrowings	109	109	-	-	265	265
Other outflows	7,781	2,937	1,613	139	15,269	3,516
Total outflows (0-30 days)	150,678	38,268	5,851	1,711	165,717	41,875
Short-term deposits with other banks	284	284	980	980	7,956	7,956
Other inflows	10,853	7,430	374	373	15,579	11,417
Restrictions on inflows	-	-	-	(70)	-	-
Total inflows (0-30 days)	11,137	7,714	1,354	1,283	23,535	19,373
Liquidity coverage ratio		194%		522%		291%

	ISK		EUR		Total all currencies	
	Unweighted	Weighted	Unweighted	Weighted	Unweighted	Weighted
31.12.2025						
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%

NSFR total					31.3.2026	31.12.2025
					133%	137%

Notes to the Condensed Interim Consolidated Financial Statements

44. 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.

	Run off date	0-30 days	Over 30 days	Total
31.3.2026				
Individuals	5%-100%	107,610	17,368	124,978
Small and medium sized corporates	5%-100%	8,607	223	8,830
Large corporates	20%-40%	10,701	70	10,771
Public entities	40%	2,767	5	2,772
Financial entities	100%	20,668	19,625	40,292
Other *		2,007	29	2,035
Total		152,359	37,320	189,678
31.12.2025				
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

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

Notes to the Condensed Interim Consolidated Financial Statements

44. Liquidity risk (cont.)

d. Maturity analysis of financial assets and financial liabilities

31.3.2026	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	28,555	-	-	-	-	28,555	28,540
Loans to credit institutions	5,336	0	-	0	-	5,336	5,336
Loans to customers	27,359	18,355	68,358	116,813	77,558	308,442	216,933
Fixed income securities	9,435	-	12,997	14,380	3,135	39,947	39,947
Shares and other variable income securities	18,833	-	3,906	-	-	22,739	22,739
Securities used for hedging	5,329	-	-	-	-	5,329	5,329
Other assets	11,636	196	1,562	213	2	13,609	13,609
	106,483	18,550	86,823	131,406	80,695	423,957	332,433
<i>Derivative assets</i>							
Inflow	5,012	16,611	14,432	20,910	-	56,965	
Outflow	(4,003)	(16,197)	(13,762)	(18,736)	-	(52,698)	
	1,009	414	670	2,175	-	4,267	4,237
Financial liabilities by type							
<i>Non-derivative liabilities</i>							
Deposits	(152,534)	(21,834)	(12,187)	(3,879)	(739)	(191,173)	189,678
Borrowings	-	(82)	(1,120)	(6,867)	-	(8,069)	7,378
Issued bonds	(265)	(8,841)	(7,644)	(60,599)	(2,662)	(80,012)	72,714
Subordinated liabilities	-	(98)	(274)	(1,488)	(9,516)	(11,376)	6,080
Short positions held for trading	(616)	-	-	-	-	(616)	616
Short positions used for hedging	(493)	-	-	-	-	(493)	493
Other liabilities	(7,093)	(5,304)	(1,165)	(1,745)	-	(15,307)	15,285
	(161,002)	(36,158)	(22,391)	(74,578)	(12,918)	(307,047)	292,245
<i>Derivative liabilities</i>							
Inflow	2,831	8,326	1,227	10,808	-	23,193	
Outflow	(3,023)	(8,387)	(1,230)	(11,131)	-	(23,771)	
	(192)	(60)	(3)	(323)	-	(578)	548
Unrecognised financial items							
<i>Loan commitments</i>							
Inflow	185	728	1,934	8,485	90	11,423	
Outflow	(9,930)	-	-	-	-	(9,930)	
<i>Financial guarantee contracts</i>							
Inflow	-	144	852	51	7	1,054	
Outflow	(1,054)	-	-	-	-	(1,054)	
	(10,799)	872	2,787	8,536	97	1,493	
Summary							
Non-derivative assets	106,483	18,550	86,823	131,406	80,695	423,957	
Derivative assets	1,009	414	670	2,175	-	4,267	
Non-derivative liabilities	(161,002)	(36,158)	(22,391)	(74,578)	(12,918)	(307,047)	
Derivative liabilities	(192)	(60)	(3)	(323)	-	(578)	
Net assets (liabilities) excluding unrecognised items							
Net unrecognised items	(10,799)	872	2,787	8,536	97	1,493	
Net assets (liabilities)	(64,501)	(16,382)	67,885	67,215	67,874	122,092	

Notes to the Condensed Interim Consolidated Financial Statements

44. Liquidity risk (cont.)

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 by type							
<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							
Net 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	

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 Condensed Interim Consolidated Financial Statements

45. 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 46-51 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.

46. 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.

47. Interest rate risk associated with trading portfolios

a. Breakdown

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

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
						31.3.2026
Fixed income securities	40	32	324	4,259	880	5,535
Short positions - fixed income securities	-	-	(44)	(157)	(415)	(616)
Net imbalance	40	32	280	4,102	465	4,918
						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

b. Sensitivity analysis

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

	Shift in basis points	Downward	31.3.2026 Upward	Downward	31.12.2025 Upward
Indexed	50	14	(15)	43	(40)
Non-indexed	100	51	(53)	59	(58)
Total		64	(68)	102	(97)

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48. Interest rate risk associated with non-trading portfolios

a. Breakdown

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

31.3.2026

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	28,540	-	-	-	-	28,540
Loans to credit institutions	5,336	-	-	-	-	5,336
Loans to customers	202,215	3,023	7,664	4,025	5	216,933
Fixed income securities	3,861	44	13,019	13,889	3,599	34,412
Unit shares in cash equivalent liquidity funds	8,418	8,427	-	-	-	16,845
Financial assets excluding derivatives	248,370	11,494	20,683	17,915	3,604	302,066
Effect of derivatives	14,215	62,977	2,529	30,483	-	110,204
Total	262,585	74,471	23,212	48,398	3,604	412,270
Financial liabilities	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Deposits	159,635	18,096	9,781	2,167	0	189,678
Borrowings	5,250	730	-	1,399	-	7,378
Issued bonds	18,183	15,154	36	36,884	2,457	72,714
Subordinated liabilities	-	3,237	167	2,676	-	6,080
Other liabilities	82	-	-	163	-	245
Financial liabilities excluding derivatives	183,149	37,217	9,984	43,289	2,457	276,096
Effect of derivatives	16,290	83,771	2,462	-	-	102,523
Total	199,439	120,988	12,446	43,289	2,457	378,618
Total interest repricing gap	63,146	(46,516)	10,765	5,110	1,147	33,652

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

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	31.3.2026		31.12.2025	
		Downward	Upward	Downward	Upward
ISK, indexed	50	42	(38)	53	(49)
ISK, non-indexed	100	153	(151)	201	(197)
Other currencies	20	(2)	2	(6)	6
Total		193	(187)	248	(240)

Notes to the Condensed Interim Consolidated Financial Statements

49. Exposure towards changes in the CPI

a. Definition

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

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

b. Management

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

c. Balance of CPI linked assets and liabilities

	31.3.2026	31.12.2025
Assets	29,826	31,407
Liabilities	(25,707)	(24,971)
Total	4,119	6,436

d. Sensitivity to changes in CPI

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

	31.3.2026		31.12.2025	
	-1%	1%	-1%	1%
Government bonds	(31)	31	(25)	25
Other fixed income securities	(34)	34	(35)	35
Loans to customers	(213)	213	(233)	233
Derivatives	(20)	20	(20)	20
Short positions	2	(2)	2	(2)
Deposits	95	(95)	91	(91)
Issued bonds	100	(100)	98	(98)
Subordinated liabilities	61	(61)	58	(58)
	(41)	41	(64)	64

The effect on equity would be the same.

50. 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 March 2026 and 31 December 2025 the Group's position in foreign currencies was within those limits.

c. Hedge accounting

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

d. Exchange rates

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

	Closing 31.3.2026	Average 3m 2026	Closing 31.12.2025	Average 3m 2025
EUR/ISK	143.6	146.3	143.9	145.6
USD/ISK	124.9	124.7	138.2	138.5
GBP/ISK	165.4	168.5	173.3	174.3

Notes to the Condensed Interim Consolidated Financial Statements

50. Currency risk (cont.)

e. Breakdown of assets and liabilities denominated in foreign currencies

31.3.2026

Assets

	EUR	USD	GBP	SEK	Other currencies	Total
Cash and balances with Central Bank	1	1	1	-	-	4
Loans to credit institutions	982	318	3,188	138	567	5,194
Loans to customers	2,956	931	42,431	208	-	46,526
Fixed income securities	-	82	-	-	-	82
Shares and other variable income securities	8,490	230	10,752	0	16	19,488
Securities used for hedging	38	641	62	191	67	999
Intangible assets	-	-	2,226	-	-	2,226
Other assets	1,091	704	831	18	12	2,655
Assets excluding derivatives	13,559	2,906	59,490	555	663	77,173
Derivatives	60,709	4,296	-	17,021	14,825	96,850
Total	74,267	7,202	59,490	17,576	15,487	174,023

Liabilities

	EUR	USD	GBP	SEK	Other currencies	Total
Deposits	4,640	2,950	672	47	169	8,479
Borrowings	-	-	5,117	-	-	5,117
Issued bonds	29,793	-	-	17,540	9,496	56,829
Other liabilities	2,149	1,260	1,092	-	8	4,509
Liabilities excluding derivatives	36,583	4,210	6,882	17,586	9,674	74,934
Derivatives	37,533	2,934	51,978	14	5,326	97,785
Total	74,115	7,144	58,860	17,601	14,999	172,719

Net currency position

	EUR	USD	GBP	SEK	Other currencies	Total
Total assets	74,267	7,202	59,490	17,576	15,487	174,023
Total liabilities	(74,115)	(7,144)	(58,860)	(17,601)	(14,999)	(172,719)
Financial guarantee contracts	841	-	-	-	-	841
Total	993	57	631	(24)	488	2,144

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

	EUR	USD	GBP	SEK	Other currencies	Total
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

	EUR	USD	GBP	SEK	Other currencies	Total
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

Notes to the Condensed Interim Consolidated Financial Statements

50. 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.

Assets and liabilities denominated in foreign currencies	31.3.2026		31.12.2025	
	-10%	+10%	-10%	+10%
EUR	99	(99)	81	(81)
USD	6	(6)	8	(8)
GBP	63	(63)	60	(60)
SEK	(2)	2	2	(2)
Other currencies	49	(49)	25	(25)
Total	214	(214)	174	(174)

51. 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.

	31.3.2026		31.12.2025	
	-10%	+10%	-10%	+10%
Listed shares	(103)	103	(100)	100
Unlisted shares	(315)	315	(310)	310
Unlisted unit shares in funds	(171)	171	(156)	156
Total	(589)	589	(565)	565

52. 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 Condensed Interim Consolidated Financial Statements

Financial assets and financial liabilities

53. Accounting classification of financial assets and financial liabilities

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

31.3.2026		Fair value	Manda-	Total
Financial assets	Amortised	through	torily at	carrying
	cost	OCI	fair value	amount
			through P/L	
Cash and balances with Central Bank	28,540	-	-	28,540
Loans to credit institutions	5,336	-	-	5,336
Loans to customers	212,615	-	4,318	216,933
Fixed income securities	-	34,140	5,806	39,947
Shares and other variable income securities	-	-	22,739	22,739
Securities used for hedging	-	-	5,329	5,329
Derivatives	-	-	3,885	3,885
Derivatives used for hedge accounting	-	353	-	353
Other assets	13,609	-	-	13,609
Total	260,100	34,493	42,077	336,670

	Amortised	Fair value	Manda-	Total
Financial liabilities	cost	through	torily at	carrying
		OCI	fair value	amount
			through P/L	
Deposits	189,678	-	-	189,678
Borrowings	7,378	-	-	7,378
Issued bonds	72,714	-	-	72,714
Subordinated liabilities	6,080	-	-	6,080
Short positions held for trading	-	-	616	616
Short positions used for hedging	-	-	493	493
Derivatives	-	-	548	548
Other liabilities	14,992	-	293	15,285
Total	290,842	-	1,951	292,794

31.12.2025		Fair value	Manda-	Total
Financial assets	Amortised	through	torily at	carrying
	cost	OCI	fair value	amount
			through P/L	
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

	Amortised	Fair value	Manda-	Total
Financial liabilities	cost	through	torily at	carrying
		OCI	fair value	amount
			through P/L	
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

Notes to the Condensed Interim Consolidated Financial Statements

54. Financial assets and financial liabilities measured at fair value

a. Fair value hierarchy

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

- Level 1
Inputs are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2
Inputs are not quoted market prices but are observable either directly, i.e. as prices, or indirectly, i.e. derived from prices. This category includes financial instruments valued using quoted prices in active markets for similar instruments, quoted prices for similar or identical instruments in markets that are considered less than active and other instruments which are valued using techniques which rely primarily on inputs that are directly or indirectly observable from market data.
- Level 3
Inputs are not observable or unobservable inputs have a significant effect on the valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments are required to reflect the differences between the instruments.

b. Valuation process

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

c. Valuation techniques

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

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

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

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

d. Fair value hierarchy classification

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

31.3.2026

Financial assets

	Level 1	Level 2	Level 3	Carrying amount
Mandatorily measured at fair value through profit and loss				
Fixed income securities	4,698	95	1,013	5,806
Shares and other variable income securities	19,084	1	3,654	22,739
Securities used for hedging	5,329	-	-	5,329
Loans to customers	-	-	4,318	4,318
Derivatives	-	3,885	-	3,885
Measured at fair value through other comprehensive income				
Fixed income securities	34,140	-	-	34,140
Derivatives used for hedge accounting	-	353	-	353
Total	63,251	4,334	8,985	76,570

Notes to the Condensed Interim Consolidated Financial Statements

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

31.3.2026

Financial liabilities	Level 1	Level 2	Level 3	Carrying amount
Mandatorily measured at fair value through profit and loss				
Short positions held for trading	616	-	-	616
Short positions used for hedging	493	-	-	493
Derivatives	-	548	-	548
Other liabilities	-	-	293	293
Total	1,110	548	293	1,951

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

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
Total	865	773	641	2,278

e. Reconciliation of changes in Level 3 fair value measurements

	Fixed income securities	Shares and other var. income securities	Loans to customers	Derivatives	Other liabilities	Total
31.3.2026						
Balance as at 1 January 2026	767	3,594	3,877	(0)	(641)	7,596
Total gains and losses in profit or loss	30	60	106	-	8	205
Additions	217	0	396	-	-	613
Repayments	-	-	(61)	-	340	278
Balance as at 31 March 2026	1,013	3,654	4,318	-	(293)	8,692

	Fixed income securities	Shares and other var. income securities	Loans to customers	Derivatives	Other liabilities	Total
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	(0)	(641)	7,596

Notes to the Condensed Interim Consolidated Financial Statements

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

f. Fair value measurements for Level 3 financial assets

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

Asset class	Method	Significant unobservable input	Range	Book value 31.3.2026
Unlisted bonds	Expected recovery	Value of assets	0-95%	1,013
Unlisted variable income securities	Market price	Recent trades	-	3,654
Loans to customers	Expert model	Value of assets and collateral	-	4,318
Total				8,985

Asset class	Method	Significant unobservable input	Range	Book value 31.12.2025
Unlisted bonds	Expected recovery	Value of assets	0-95%	767
Unlisted variable income securities	Market price	Recent trades	-	3,594
Loan to customers	Expert model	Value of assets and collateral	-	3,877
Total				8,237

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	101	(101)
Shares and other variable income securities	365	(365)
Loans to customers	432	(432)
Total	899	(899)

Notes to the Condensed Interim Consolidated Financial Statements

Other information

55. Pledged assets

	Settlement and committed facilities	Securities borrowing	Total
31.3.2026			
Loans to customers	9,006	-	9,006
Fixed income securities	14,380	107	14,488
Total	23,387	107	23,494
31.12.2025			
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

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.

56. Related parties

a. Definition of related parties

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

b. Arm's length

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

c. Balances with related parties

	Assets	Liabilities
31.3.2026		
Management	128	275
Associates	-	23
Total	128	298
31.12.2025		
Management	130	243
Associates	-	39
Total	130	283

d. Transactions with related parties

	Interest income	Interest expense	Other income	Other expense
3m 2026				
Management	3	2	0	-
Associates	-	-	-	76
Total	3	2	0	76
3m 2025				
Management	-	1	1	0
Associates	-	-	-	76
Total	-	1	1	76

Notes to the Condensed Interim Consolidated Financial Statements

57. Other matters

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 instrument. 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.

58. Events after the reporting date

Merger with Arion banki hf. will not take place

On 15 April the preliminary discussions between Kvika banki hf. and Arion banki hf. with the Competition Authority regarding the proposed merger concluded. On that day representatives of Kvika banki and Arion banki met with representatives of the Competition Authority, during which the authority presented its position following the completion of the preliminary discussions process. In light of the position expressed by the Competition Authority at the meeting, the Boards of Directors of Kvika banki and Arion banki concluded that the proposed merger cannot proceed. The Boards of Directors therefore decided to discontinue the merger plans that were announced in a Stock Exchange notice dated 6 July 2025.