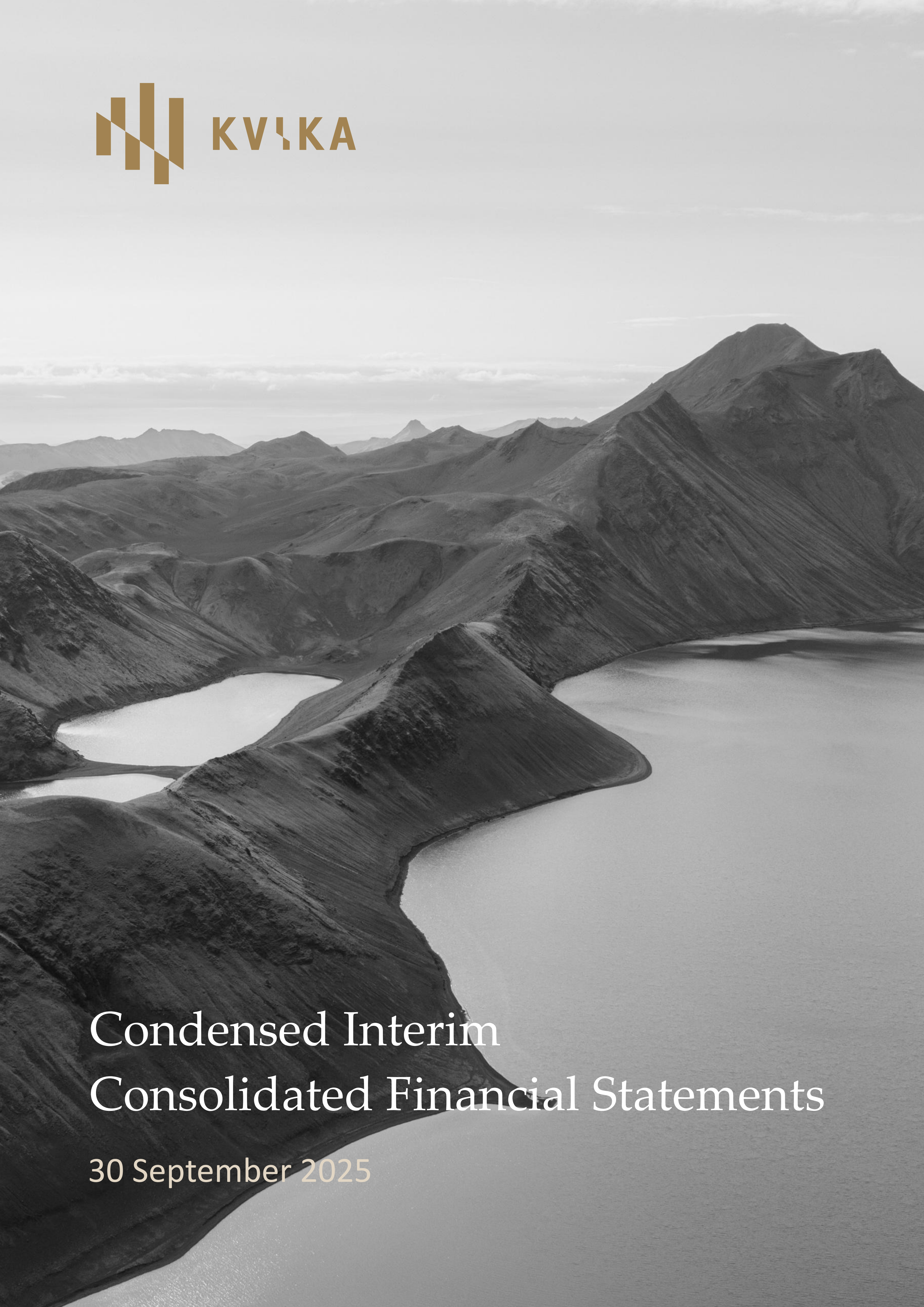


Condensed Interim Consolidated Financial Statements

30 September 2025

Condensed Interim
Consolidated Financial Statements
30 September 2025

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

Table of Contents

Highlights

30.09.2025

Kvika in brief

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

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

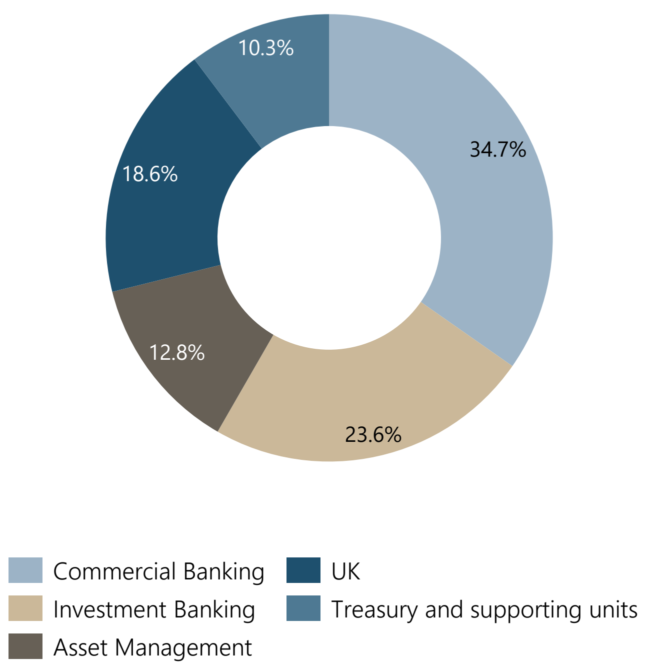
Kvika's operations are underpinned by a distinctive brand strategy. Retail financial services are delivered through specialized consumer brands such as Auður, Aur, Netgíró, and Lykill, each focused on a specific customer need, while corporate and institutional services are provided under the Kvika and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

Key figures

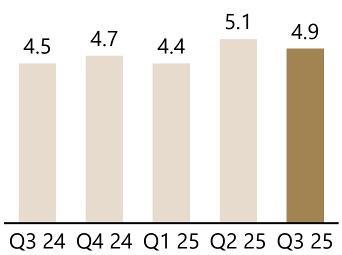
ISK m.	9M 2025	9M 2024
Net operating income	14,439	12,519
Profit before tax, continuing operations	4,695	4,217
RoTE, continuing operations	14.9%	18.1%
	30.09.2025	**31.12.2024**
Total assets	352,743	354,594
Loans to customers	195,685	150,203
Deposits	178,406	163,378
LCR	659%	360%
NSFR	148%	144%

Diversified operations

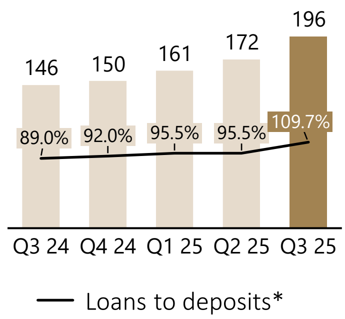
Revenues by segment
9M 2025



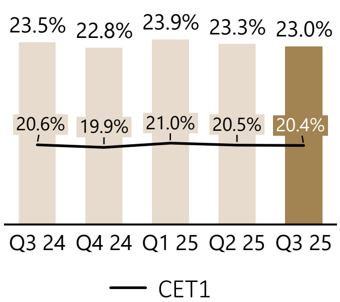
Net operating income
ISK bn.



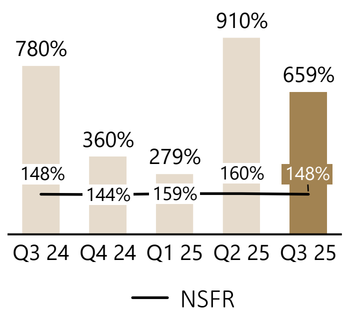
Loans to customers
ISK bn.



Total capital ratio
(%)



LCR ratio
(%)



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

Endorsement and Statement
by the Board of Directors and the CEO

These are the Condensed Interim Consolidated Financial Statements of Kvika banki hf. ("Kvika" or the "Bank") and its subsidiaries (together the "Group") for the period 1 January to 30 September 2025. The Condensed Interim Consolidated Financial Statements have not been audited or reviewed by the Bank's independent auditors.

About the Bank

Kvika is a 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, and Lykill, each focused on a specific customer need, while corporate and institutional services are provided under the Kvika and Kvika Asset Management brands.

Operations during the period in 2025

Profit before taxes from continuing operations for the third quarter amounted to ISK 1,969 million (Q3 2024: ISK 1,813 million) and for the first nine months of the year it amounted to ISK 4,695 million (9m 2024: ISK 4,217 million). Pre-tax annualised return on average tangible equity (RoTE) from continuing operations was 17.8% for the quarter (Q3 2024: 22.4%) and 14.9% for the first nine months of the year (9m 2024: 18.1%) based on the average tangible equity position of Kvika net of TM in the period. Tangible equity is the equity of shareholders of Kvika net of deferred tax assets and intangible assets. Profit after taxes, including discontinued operations, for the third quarter amounted to ISK 1,472 million (Q3 2024: ISK 2,363 million) and for the first nine months of the year it amounted to ISK 4,998 million (9m 2024: ISK 4,703 million).

The Group's net operating income during the first nine months was ISK 14,439 million (9m 2024: ISK 12,519 million). Net interest income amounted to ISK 8,831 million (9m 2024: ISK 7,183 million). Net fee income amounted to ISK 5,026 million (9m 2024: ISK 4,536 million). Other net operating income amounted to ISK 581 million (9m 2024: ISK 800 million). Administrative expenses during the period amounted to ISK 8,811 million (9m 2024: ISK 7,744 million). During the period, the Group had a net impairment charge of ISK 340 million (9m 2024: ISK 514 million).

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

Financial position

According to the Consolidated Statement of Financial Position, equity at the end of the period amounted to ISK 67,508 million (31.12.2024: ISK 89,517 million), and total assets amounted to ISK 352,743 million (31.12.2024: ISK 354,594 million).

The Group's statement of financial position decreased by ISK 1.9 billion or 0.5% during the first nine months of 2025, the reduction was mainly due to the sale of TM Tryggingar hf. in Q1 2025. Loans to customers grew by ISK 45.5 billion or 30.3% during the period.

Kvika banki has achieved several significant funding milestones in 2025, led by the successful issuance of its inaugural euro-denominated bond on 23 May—a €200 million 4-year Senior Preferred note. This marked the Bank's entry into the European bond market and a key step in diversifying its funding base. The transaction followed a multi-day investor process, gathering over €350 million in orders and pricing at MS+250bps, with strong demand from the UK, Continental Europe, the Middle East and others. Earlier in the year, in January, Kvika completed a dual-currency Nordic bond issuance for NOK/SEK 1,000 million priced at 200bps over STIBOR and NIBOR. In June, Kvika also strengthened its presence in the domestic market with an ISK 5 billion bond issuance priced at a 1.14% spread over 3-month REIBOR.

Merger discussions with Arion banki hf.

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

Kvika's foray into the mortgage market

At the end of May 2025, Kvika's well-known savings brand Auður entered the mortgage market with a new housing loan offering. The loans are non-indexed with a variable interest rates which are among the lowest compared to similar products. Auður emphasizes transparency, flexible terms, and helping homeowners build equity. Known for offering market-leading savings rates to over 50,000 customers, Auður now aims to increase competition in housing finance, continuing its track record of delivering better terms for consumers. At the end of the period mortgages amounted to ISK 21 billion.

Endorsement and Statement
by the Board of Directors and the CEO

TM sale finalised

On 28 February 2025 Kvika and Landsbankinn hf. ("Landsbankinn") finalised the sale of 100% of TM tryggingar hf. ("TM") share capital to Landsbankinn. The handover of the insurance company took place simultaneously, with Landsbankinn paying Kvika the agreed purchase price upon completion. As previously communicated by Kvika on 30 May 2024, the final purchase price has been adjusted based on changes in TM's tangible equity from the beginning of 2024 until the closing date, 28 February 2025. The initially agreed purchase price was ISK 28.6 billion, but the final purchase price amounted to ISK 32.2 billion, reflecting the purchase price adjustment for 2024 and for the period 1 January to 28 February 2025.

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

Capital adequacy and dividends

Kvika continues to maintain a strong capital position, significantly above regulatory requirements. At the end of September 2025, the Group's capital adequacy ratio was 22.5% and CET1 ratio was 19.8%. This compares to regulatory requirements of 17.9% and 12.9%, including capital buffers. Kvika has prepared for the upcoming implementation of Regulation (EU) No. 2024/1623 of the European Parliament and of the Council (CRR III). Based on the assumptions currently available, Kvika estimates that the implementation will lead to around 14% reduction in the Bank's risk-weighted exposure amount, based on data as of 30 September 2025.

The MREL requirements as of 30 September 2025, including the combined buffer requirement, are 28.4% of RWEA and 6.0% of total exposure measure ("TEM"). The Group comfortably exceeded both at the end of Q3 with ratios of 50.5% and 33.2% respectively. This October, the Resolution Authority approved an updated resolution plan for Kvika, setting a new MREL-RWEA requirement of 28.3% including combined buffer requirement.

The Bank's 2025 Annual General Meeting ("AGM") approved a motion from the Board of Directors ("BOD") to renew the BOD's authorisation from the Bank's 2024 AGM to purchase up to 10% of own shares subject to regulatory approvals. This authorisation applies until the next AGM in 2026. In February 2025, based on authorisation from the AGM and approval from the Financial Supervisory Authority of the Central Bank of Iceland, the BOD decided to establish a buy-back programme to carry out the purchase of shares for a total consideration amount of ISK 5 billion but for no higher nominal amount than 400,000,000 shares. Following the announcement of merger discussions with Arion banki hf., the BOD has decided that no further share buybacks will be carried out under the current buyback programme while merger discussions between Kvika and Arion banki hf. are ongoing.

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

Risk management

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

Endorsement and Statement
by the Board of Directors and the CEO

Statement by the Board of Directors and the CEO

The Condensed Interim Consolidated Financial Statements of Kvika banki hf. for the period 1 January to 30 September 2025 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and additional requirements, as applicable, in the Act on Annual Accounts no. 3/2006, the Act on Financial Undertakings no. 161/2002 and rules on accounting for credit institutions no. 834/2003.

To the best of our knowledge these Condensed Interim Consolidated Financial Statements give a true and fair view of the Group's assets, liabilities and financial position as at 30 September 2025 and the financial performance of the Group and changes of cash flows for the period 1 January to 30 September 2025. Furthermore, in our opinion the Condensed Interim Consolidated Financial Statements and the Endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describe the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO of the Bank have today discussed the Condensed Interim Consolidated Financial Statements for the period 1 January to 30 September 2025 and confirmed them by the means of their signatures.

Reykjavík, 5 November 2025.

Board of Directors

Sigurður Hannesson, Chairman

Helga Kristín Auðunsdóttir, Deputy Chairman

Ingunn Svala Leifsdóttir

Guðjón Reynisson

Páll Harðarson

Chief Executive Officer

Ármann Þorvaldsson

The Condensed Interim Consolidated Financial Statements of Kvika banki hf. for the period ended 30 September 2025 are electronically certificated by the Board of Directors and the CEO.

Kvika banki hf. Amounts are in ISK millions

Condensed Interim Consolidated Income Statement
For the period 1 January 2025 to 30 September 2025

	Notes	Q3 2025	Q3 2024	9m 2025	9m 2024
Interest income		7,589	7,292	22,589	22,060
Interest expense		(4,636)	(4,863)	(13,757)	(14,877)
Net interest income	5	2,953	2,429	8,831	7,183
Fee and commission income		1,711	1,730	5,460	5,022
Fee and commission expense		(141)	(178)	(433)	(487)
Net fee and commission income	6	1,571	1,552	5,026	4,536
Net financial income	7	305	403	445	547
Share in profit of associates, net of income tax	25	0	0	22	26
Other operating income		33	70	115	227
Other net operating income		338	474	581	800
Net operating income		4,862	4,454	14,439	12,519
Administrative expenses	9	(2,740)	(2,344)	(8,811)	(7,744)
Net impairment	11	(153)	(261)	(340)	(514)
Revaluation of contingent consideration	12	-	(36)	(593)	(44)
Profit before taxes from continuing operations		1,969	1,813	4,695	4,217
Income tax	13	(351)	(288)	(1,213)	(721)
Special tax on financial activity	14	(63)	(54)	(133)	(128)
Special tax on financial institutions	15	(82)	(73)	(252)	(205)
Profit for the period from continuing operations		1,472	1,398	3,097	3,162
Discontinued operations					
Profit after tax from discontinued operations	3	-	965	1,901	1,541
Profit for the period		1,472	2,363	4,998	4,703

	Notes	Q3 2025	Q3 2024	9m 2025	9m 2024
Attributable to the shareholders of Kvika banki hf.		1,472	2,361	4,998	4,697
Attributable to non-controlling interest	24	-	2	-	7
Profit for the period		1,472	2,363	4,998	4,703
Earnings per share	16				
Basic earnings per share (ISK per share)		0.33	0.50	1.11	1.00
Diluted earnings per share (ISK per share)		0.33	0.50	1.10	1.00

The notes on pages 12 to 48 are an integral part of these Condensed Interim Consolidated Financial Statements.

Kvika banki hf. Amounts are in ISK millions

Condensed Interim Consolidated Statement of Comprehensive Income

For the period 1 January 2025 to 30 September 2025

	Notes	Q3 2025	Q3 2024	9m 2025	9m 2024
Profit for the period		1,472	2,363	4,998	4,703
Changes in fair value of financial assets through OCI, net of tax		81	34	97	105
Realized net loss transferred to the Income Statement, net of tax		7	(0)	18	15
Changes to reserve for financial assets at fair value through OCI		88	34	116	120
Exchange difference on translation of foreign operations		(33)	36	(112)	52
Other comprehensive income that is or may be reclassified subsequently to profit and loss		55	70	4	172
Total comprehensive income for the period		1,527	2,433	5,001	4,876

	Notes	Q3 2025	Q3 2024	9m 2025	9m 2024
Attributable to the shareholders of Kvika banki hf.		1,527	2,430	5,001	4,869
Attributable to non-controlling interest		-	2	-	7
Total comprehensive income for the period		1,527	2,433	5,001	4,876

The notes on pages 12 to 48 are an integral part of these Condensed Interim Consolidated Financial Statements.

Kvika banki hf. Amounts are in ISK millions

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

Assets	Notes	30.9.2025	31.12.2024*
Cash and balances with Central Bank	17	32,532	18,593
Loans to credit institutions	18	9,653	11,530
Loans to customers	19	195,685	150,203
Fixed income securities	20	45,986	64,795
Shares and other variable income securities	21	30,198	5,432
Securities used for hedging	22	5,676	12,601
Derivatives	23	2,827	1,197
Investment in associates	25	133	113
Investment properties		79	-
Intangible assets	26	21,155	21,693
Operating lease assets	27	217	215
Property and equipment		404	543
Deferred tax assets	13	1,096	2,273
Other assets	28	7,100	7,704
Assets classified as held for sale	3	-	57,702
Total assets		352,743	354,594

Liabilities	Notes	30.9.2025	31.12.2024*
Deposits	46	178,406	163,378
Borrowings	29	6,249	14,390
Issued bonds	30	81,891	37,123
Subordinated liabilities	31	6,012	5,629
Short positions held for trading	32	125	153
Short positions used for hedging	33	453	42
Derivatives	23	183	2,932
Deferred tax liabilities		427	466
Other liabilities	34	11,489	13,635
Liabilities associated with assets classified as held for sale	3	-	27,329
Total liabilities		285,235	265,077

Equity	Notes	30.9.2025	31.12.2024*
Share capital	35	4,417	4,660
Share premium		43,119	46,750
Other reserves		3,674	9,357
Retained earnings		16,220	28,672
Total equity attributable to the shareholders of Kvika banki hf.		67,430	89,439
Non-controlling interest	24	79	79
Total equity		67,508	89,517
Total liabilities and equity		352,743	354,594

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

The notes on pages 12 to 48 are an integral part of these Condensed Interim Consolidated Financial Statements.

Kvika banki hf. Amounts are in ISK millions

Condensed Interim Consolidated Statement of Changes in Equity

For the period 1 January 2025 to 30 September 2025

				Other reserves								
1 January 2025 to 30 September 2025	**Notes**	**Share capital**	**Share premium**	**Option reserve**	**Deficit reduction reserve**	**Fair value reserve**	**Trans-lation reserve**	**Restricted retained earnings**	**Retained earnings**	**Total share-holders' equity**	**Non-controlling interest**	**Total equity**
Equity as at 1 January 2025		4,660	46,750	109	1,204	(583)	79	8,547	28,672	89,439	79	89,517
Profit for the period									4,998	4,998	-	4,998
Changes in fair value of financial assets through OCI						97				97		97
Realized net loss transferred to the Income Statement						18				18		18
Translation of foreign operations												
Exchange difference on translation of foreign operations							(112)			(112)	-	(112)
Total comprehensive income for the period		-	-	-	-	116	(112)	-	4,998	5,001	-	5,001
Restricted due to subsidiaries and associates						220		(5,848)	5,628	-		-
Restricted due to development costs								44	(44)	-		-
Transactions with owners of the Bank												
Treasury shares acquired as part of a buy-back programme		(243)	(3,632)							(3,875)		(3,875)
Dividend paid to shareholders									(23,135)	(23,135)		(23,135)
Share options				(102)					102	-		-
Equity as at 30 September 2025		4,417	43,119	7	1,204	(247)	(33)	2,744	16,220	67,430	79	67,508

The notes on pages 12 to 48 are an integral part of these Condensed Interim Consolidated Financial Statements.

Kvika banki hf. Amounts are in ISK millions

Condensed Interim Consolidated Statement of Changes in Equity

For the period 1 January 2024 to 30 September 2024

				Other reserves								
1 January 2024 to 30 September 2024	**Notes**	**Share capital**	**Share premium**	**Option reserve**	**Deficit reduction reserve**	**Fair value reserve**	**Trans-lation reserve**	**Restricted retained earnings**	**Retained earnings**	**Total share-holders' equity**	**Non-controlling interest**	**Total equity**
Equity as at 1 January 2024		4,722	47,662	174	1,204	(930)	86	3,797	25,172	81,886	72	81,958
Profit for the period									4,697	4,697	7	4,703
Changes in fair value of financial assets through OCI						105				105		105
Realized net loss transferred to the Income Statement						15				15		15
Translation of foreign operations												
Exchange difference on translation of foreign operations							52			52	-	52
Total comprehensive income for the period		-	-	-	-	120	52	-	4,697	4,869	7	4,876
Restricted due to subsidiaries and associates								2,690	(2,690)	-		-
Restricted due to development costs								7	(7)	-		-
Transactions with owners of the Bank												
Treasury shares acquired as part of a buy-back programme		(64)	(936)							(1,000)		(1,000)
Share options				33						33		33
Equity as at 30 September 2024		4,658	46,725	206	1,204	(810)	138	6,494	27,171	85,788	79	85,866

The notes on pages 12 to 48 are an integral part of these Condensed Interim Consolidated Financial Statements.

Kvika banki hf. Amounts are in ISK millions

Condensed Interim Consolidated Statement of Cash Flows

For the period 1 January 2025 to 30 September 2025

Cash flows from operating activities	Notes	9m 2025	9m 2024*
Profit for the period		4,998	4,703
Adjustments for:			
Indexation and exchange rate difference		148	41
Share in profit of associates, net of income tax		(22)	(26)
Depreciation and amortisation		1,065	818
Net interest income		(8,831)	(7,183)
Net impairment		340	514
Income tax and special tax on financial activity and institutions		1,598	1,055
Adjustment relating to assets held for sale		(1,901)	(1,423)
Other adjustments		-	33
		(2,605)	(1,468)
Changes in:			
Loans to credit institutions		1,381	-
Loans to customers		(46,212)	(7,689)
Fixed income securities		18,620	(3,340)
Shares and other variable income securities		(1,070)	(437)
Securities used for hedging		6,925	6,163
Derivatives - assets		(1,630)	359
Operating lease assets		(40)	179
Other assets		(605)	(5,297)
Deposits		13,892	13,126
Short positions		383	141
Derivatives - liabilities		(3,231)	181
Other liabilities		(2,207)	1,479
		(13,795)	4,863
Interest received		21,643	20,775
Interest paid		(11,914)	(13,164)
Income tax paid		(196)	(485)
Net cash (to) from operating activities		(6,868)	10,520
Cash flows from investing activities			
Additions of intangible assets	26	(234)	(348)
Net acquisition of property and equipment		214	(36)
Disposal of subsidiary and associates, net of cash		32,217	-
Net cash from (to) investing activities		32,198	(384)
Cash flows from financing activities			
Borrowings		(5,868)	(1,811)
Issued bonds		44,768	6,528
Subordinated loans		-	(300)
Acquired own shares		(3,875)	(1,000)
Dividend paid to shareholders		(23,135)	-
Repayment of lease liabilities		(285)	(292)
Net cash from financing activities		11,606	3,125
Net change in cash and cash equivalents		36,935	13,261
Cash and cash equivalents at the beginning of the year		22,500	19,856
Effects of exchange rate fluctuations on cash and cash equivalents		50	(177)
Cash and cash equivalents at the end of the period	17	59,485	32,941

Cash and cash equivalents			
Cash and balances with Central Bank	17	32,532	25,837
Restricted balances with Central Bank - fixed reserve requirement	17	(6,546)	(5,958)
Loans to credit institutions - Bank accounts	18	9,230	13,062
Shares and other variable income securities - Unit shares in cash equivalent liquidity funds	21	24,269	-
Cash and cash equivalents at the end of the period		59,485	32,941

** Comparative information has been restated, reference is made to note 2 for further information.*
The notes on pages 12 to 48 are an integral part of these Condensed Interim Consolidated Financial Statements.

Notes to the Condensed Interim Consolidated Financial Statements

Notes to the Condensed Interim Consolidated Financial Statements

General information

1. Reporting entity

Kvika banki hf. ("Kvika" or the "Bank") is a limited liability company incorporated and domiciled in Iceland, with its registered office at Katrínartún 2, Reykjavík. The Bank operates as a bank based on Act No. 161/2002, on Financial Undertakings, and is supervised by the Financial Supervisory Authority of the Central Bank of Iceland ("FME"). Following the completion of the sale of TM in February 2025, the Group is no longer designated by the FME as a financial conglomerate as defined in Article no. 3 of Act no. 61/2017 on Additional Supervision of Financial Conglomerates.

The Condensed Interim Consolidated Financial Statements for the period ended 30 September 2025 comprise Kvika banki hf. and its subsidiaries (together referred to as the Group). The Group operates four business segments, Asset Management, Commercial Banking, Investment Banking and UK operations. Kvika is a financial services company working to make banking more competitive and accessible in Iceland. Instead of operating traditional branches, Kvika delivers its services online, offering a wide range of solutions in 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 5 November 2025.

2. Basis of preparation

a. Statement of compliance

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

b. Basis of measurement

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

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

c. Functional and presentation currency

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

The Group's assets and liabilities which are denominated in other currency than ISK are translated to ISK using the exchange rate as at the end of day 30 September 2025.

d. Going concern

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

e. Estimates and judgements

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

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

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

Information about areas of estimation uncertainty and critical judgements made by management in applying accounting policies that can have a significant effect on the amounts recognised in the Condensed Interim Consolidated Financial Statements, is provided in the Consolidated Financial Statements as at and for the year ended 31 December 2024.

f. Relevance and importance of notes to the reader

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

g. Change in presentation

In 2025 the Group changed the way it presents cash and balances with central bank. The Group now presents loans to credit institutions as a separate line item in the statement of financial position. That line item includes balances with other credit institutions, which were previously included as part of cash and balances with central bank and other assets. The comparative figures for 31 December 2024 in the statement of financial position, 9m 2024 in the Consolidated Statement of Cash Flows and in the notes have been restated, as applicable.

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

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

	9m 2024	Reclassified	Restated 9m 2024
Lines in the Consolidated Statement of Cash Flows			
Other assets	(3,164)	(2,133)	(5,297)
Cash and balances with Central Bank at the beginning of the year	23,681	(3,825)	19,856
Cash and cash equivalents at the end of the period	38,899	(5,958)	32,941

3. Discontinued operations

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

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

	30.9.2025	31.12.2024
Assets classified as held for sale	-	57,702
Liabilities associated with assets classified as held for sale	-	(27,329)
Eliminations with the Group	-	(55)
Net assets directly associated with disposal group	-	30,318

	30.9.2025	31.12.2024
Balance at the beginning of the year	30,318	26,830
Profit after tax from discontinued operations	1,901	3,460
Purchase price	(32,217)	-
Other adjustments	(2)	28
Net assets directly associated with disposal group	0	30,318

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

Segment information

4. Business segments

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

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

- Asset Management
  Products and services offered include asset management involving both domestic and foreign assets, private banking and private pension plans. The management of a broad range of mutual funds, investment funds and institutional investor funds is included in this segment through the operations of Kvika eignastýring hf.
- Commercial Banking
  Commercial Banking offers various forms of banking services and related advisory services. Included in this operating segment is Lykill, the leasing operations of the Group, and the Group's fintech operations, such as Auður, Netgíró and Aur, as well as the payment facilitation operations of Straumur greiðslumiðlun hf.
- Investment Banking
  Investment Banking provide a range of professional services in the fields of specialised financing, securities and foreign exchange transactions and corporate finance services.
- UK operations
  The UK operations consist of asset management and corporate finance services through Kvika Limited and specialised lending services through Ortus Secured Finance Ltd, 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 2025 it accounted for 18.6% (9m 2024: 16.0%) 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.

9m 2025	Asset Management	Commercial Banking	Investment Banking	UK operations	Treasury	Supporting units	Total
Net interest income	(6)	3,743	1,955	1,741	1,419	(21)	8,831
Net fee and commission income	1,772	1,171	1,559	474	65	(14)	5,026
Net financial income	71	2	(106)	470	9	(0)	445
Share in profit of associates	-	-	-	-	-	22	22
Other operating income	13	97	1	(4)	-	8	115
Net operating income	1,849	5,012	3,408	2,682	1,493	(5)	14,439
Salaries and related expenses	(799)	(695)	(592)	(645)	(180)	(2,115)	(5,026)
Other operating expenses	(99)	(1,463)	(156)	(302)	(92)	(1,674)	(3,785)
Administrative expenses	(898)	(2,157)	(748)	(947)	(272)	(3,789)	(8,811)
Net impairment	0	(191)	(92)	(56)	(0)	-	(340)
Revaluation of contingent consideration	(12)	-	-	(580)	-	-	(593)
Cost allocation	(494)	(1,066)	(624)	(149)	(242)	2,575	-
Profit (loss) before tax from continuing operations	444	1,598	1,945	949	978	(1,219)	4,695
Net segment revenue from external customers	1,823	688	6,432	3,828	1,403	265	14,439
Net segment revenue from other segments	26	4,324	(3,023)	(1,146)	89	(270)	(0)

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

4. Business segments (cont.)

9m 2024	Asset Management	Commercial Banking	Investment Banking	UK operations	Treasury	Supporting units	Total
Net interest income	(15)	3,643	1,436	1,236	912	(29)	7,183
Net fee and commission income	1,809	1,110	1,042	503	73	(2)	4,536
Net financial income	67	1	275	249	(41)	(4)	547
Share in profit of associates	-	26	-	-	-	-	26
Other operating income	11	199	-	12	-	5	227
Net operating income	1,872	4,979	2,753	2,000	944	(28)	12,519
Salaries and related expenses	(727)	(675)	(564)	(499)	(159)	(2,117)	(4,740)
Other operating expenses	(66)	(1,205)	(130)	(302)	(71)	(1,229)	(3,003)
Administrative expenses	(793)	(1,880)	(694)	(801)	(230)	(3,346)	(7,744)
Net impairment	(3)	(281)	(113)	(116)	(1)	-	(514)
Revaluation of contingent consideration	(8)	-	-	(36)	-	-	(44)
Cost allocation	(547)	(1,141)	(617)	(116)	(224)	2,644	-
Profit (loss) before tax from continuing operations	521	1,677	1,328	931	490	(731)	4,217
Net segment revenue from external customers	1,904	114	5,749	3,203	1,560	(11)	12,519
Net segment revenue from other segments	(32)	4,864	(2,996)	(1,203)	(617)	(17)	0

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

Income statement

5. Net interest income

Interest income is specified as follows:

	Q3 2025	Q3 2024	9m 2025	9m 2024
Cash and balances with Central Bank	435	838	1,528	1,816
Loans to credit institutions	139	37	470	111
Loans to customers	5,677	4,821	15,915	14,846
Derivatives	351	523	1,562	2,388
Fixed income securities (FVOCI)	858	1,072	2,959	2,898
Other interest income	128	0	155	1
Total	7,589	7,292	22,589	22,060

Interest expense is specified as follows:

	Q3 2025	Q3 2024	9m 2025	9m 2024
Deposits	2,473	2,897	7,715	8,369
Borrowings	576	713	1,782	2,066
Issued bonds	1,174	875	2,797	2,636
Subordinated liabilities	151	137	463	509
Derivatives	248	227	962	1,254
Other interest expense*	13	12	38	44
Total	4,636	4,863	13,757	14,877
Net interest income	2,953	2,429	8,831	7,183

* Thereof are lease liabilities' interest expense amounting to ISK 28 million (9m 2024: ISK 43 million).

Total interest income recognised in respect of financial assets not carried at fair value through profit or loss amounts to ISK 17,897 million (9m 2024: ISK 16,671 million). Total interest expense recognised in respect of financial liabilities not carried at fair value through profit or loss amounts to ISK 12,795 million (9m 2024: ISK 13,623 million).

6. Net fee and commission income

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

	Q3 2025	Q3 2024	9m 2025	9m 2024
Asset Management	552	578	1,755	1,742
Capital markets and corporate finance	323	330	1,299	1,025
Cards and payment solutions	122	161	366	443
Loans and guarantees	555	590	1,540	1,620
Other fee and commission income	160	70	499	192
Total fee and commission income	1,711	1,730	5,460	5,022
Fee and commission expense	(141)	(178)	(433)	(487)
Net fee and commission income	1,571	1,552	5,026	4,536

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

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

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

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

7. Net financial income

Net financial income is specified as follows:

	Q3 2025	Q3 2024	9m 2025	9m 2024
Net (loss) gain on financial assets and financial liabilities mandatorily measured at fair value through profit or loss				
Fixed income securities	120	85	287	223
Financial assets at fair value through OCI	(9)	(19)	(23)	(19)
Shares and other variable income securities	179	159	454	(2)
Derivatives	44	265	40	453
Loans to customers	(35)	(58)	(81)	(67)
Loss on prepayments of borrowings	-	-	(83)	-
Foreign currency exchange difference	6	(29)	(148)	(41)
Total	305	403	445	547

8. Foreign currency exchange difference

Foreign currency exchange difference is specified as follows:

	Q3 2025	Q3 2024	9m 2025	9m 2024
Gain (loss) on financial instruments at fair value through profit and loss	988	(741)	1,329	(1,313)
(Loss) gain on other financial instruments	(983)	712	(1,477)	1,272
Total	6	(29)	(148)	(41)

9. Administrative expenses

Administrative expenses are specified as follows:

	Q3 2025	Q3 2024	9m 2025	9m 2024
Salaries and related expenses	1,573	1,373	5,026	4,740
Other operating expenses	890	702	2,720	2,185
Depreciation and amortisation	239	212	899	641
Depreciation of right of use asset	38	57	166	177
Total	2,740	2,344	8,811	7,744

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

10. Salaries and related expenses

Salaries and related expenses are specified as follows:

	Q3 2025	Q3 2024	9m 2025	9m 2024
Salaries	1,055	945	3,534	3,403
Performance based payments excluding share-based payments	164	107	433	307
Share-based payment expenses	-	8	-	25
Pension fund contributions	165	141	491	456
Tax on financial activity	67	60	201	194
Other salary related expenses	121	111	367	354
Total	1,573	1,373	5,026	4,740
Average number of full time employees during the period	243	244	249	246
Total number of full time employees at the end of the period	246	249	246	249

According to Act No. 165/2011, passed in 2011, banks and other financial institutions providing VAT exempt services, must pay a tax based on salary payments, called tax on financial activity. The current tax rate is 5,50% (2024: 5,50%).

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

11. Net impairment

	Q3 2025	Q3 2024	9m 2025	9m 2024
Net change in impairment of loans	(147)	(261)	(332)	(508)
Net change in impairment of other assets	-	(0)	(7)	(3)
Net change in impairment of loan commitments, guarantees and unused credit facilities	(6)	0	(2)	(3)
Total	(153)	(261)	(340)	(514)

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

12. Revaluation of contingent consideration

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

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

13. Income tax

The Bank and some of its subsidiaries will not pay income tax on its profit for 2025 due to the fact that Group has a tax loss carry forward that offsets the calculated income tax. At year-end 2024, the tax loss carry forward of the Group amounted to ISK 9.7 billion. A substantial part of the tax loss carry forward is utilisable until end of year 2028. Management is of the opinion that the Group's operations in the years to come will result in taxable results which will be offset with the tax loss carry forward. The Group has therefore recognised the tax loss carry forward as a deferred tax asset in the Condensed Interim Consolidated Statement of Financial Position.

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

14. Special tax on financial activity

The special tax on financial activity is an additional income tax which becomes effective when the income tax base exceeds ISK 1,000 million. It is levied on the same entities as the tax on financial activity according to Act No. 90/2003. The tax rate is set at 6,0% (2024: 6,0%) and the tax is not a deductible expense for income tax purposes. The tax is presented separately in the Condensed Interim Consolidated Income Statement.

15. Special tax on financial institutions

According to Act No. 155/2010 on Special Tax on Financial Institutions, certain types of financial institutions, including banks, must pay annually a tax based on the carrying amount of their liabilities as determined for tax purposes in excess of ISK 50 billion at year-end. The tax rate is set at 0,145% (2024: 0,145%) and the tax is not a deductible expense for income tax purposes. The tax is presented separately in the Condensed Interim Consolidated Income Statement.

16. Earnings per share

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

	Continuing operations		Discontinued operations		Continuing and discontinued operations	
	9m 2025	**9m 2024**	**9m 2025**	**9m 2024**	**9m 2025**	**9m 2024**
Net earnings attributable to equity holders of the Bank	3,097	3,156	1,901	1,541	4,998	4,697
Weighted average number of outstanding shares	4,522	4,712	4,522	4,712	4,522	4,712
Adjustments for stock options	1	0	1	0	1	0
Total	4,523	4,712	4,523	4,712	4,523	4,712
Basic earnings per share (ISK)	0.68	0.67	0.42	0.33	1.11	1.00
Diluted earnings per share (ISK)	0.68	0.67	0.42	0.33	1.10	1.00
	Q3 2025	**Q3 2024**	**Q3 2025**	**Q3 2024**	**Q3 2025**	**Q3 2024**
Net earnings attributable to equity holders of the Bank	1,472	1,396	-	965	1,472	2,361
Weighted average number of outstanding shares	4,417	4,691	4,417	4,691	4,417	4,691
Adjustments for stock options	1	0	1	0	1	0
Total	4,418	4,691	4,418	4,691	4,418	4,691
Basic earnings per share (ISK)	0.33	0.30	-	0.21	0.33	0.50
Diluted earnings per share (ISK)	0.33	0.30	-	0.21	0.33	0.50

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

Statement of Financial Position

17. Cash and balances with Central Bank

Cash and balances with Central Bank are specified as follows:

	30.9.2025	31.12.2024
Deposits with Central Bank	25,973	12,759
Cash on hand	14	16
Included in cash and cash equivalents	25,987	12,774
Restricted balances with Central Bank - fixed reserve requirement	6,546	5,819
Total	32,532	18,593

18. Loans to credit institutions

Loans to credit institutions are specified as follows:

	30.9.2025	31.12.2024
Bank accounts	9,230	9,726
Other loans	423	1,804
Total	9,653	11,530

19. Loans to customers

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

	Individuals		**Corporates**		**Total**	
30.9.2025	Gross carrying amount	Book value	Gross carrying amount	Book value	Gross carrying amount	Book value
Loans to customers at amortised cost	61,158	60,301	133,620	132,235	194,778	192,536
Loans to customers at FV through profit or loss	-	-	3,149	3,149	3,149	3,149
Total	61,158	60,301	136,769	135,385	197,928	195,685

	Individuals		**Corporates**		**Total**	
31.12.2024	Gross carrying amount	Book value	Gross carrying amount	Book value	Gross carrying amount	Book value
Loans to customers at amortised cost	40,609	39,736	111,047	109,593	151,656	149,329
Loans to customers at FV through profit or loss	-	-	874	874	874	874
Total	40,609	39,736	111,921	110,466	152,530	150,203

The Group presents finance lease receivables as part of loans to customers at amortised cost. As at 30 September 2025, the book value of finance lease receivables amounted to ISK 23,470 million (31.12.2024: ISK 22,866 million).

20. Fixed income securities

Fixed income securities are specified as follows:

Mandatorily measured at fair value through profit or loss	30.9.2025	31.12.2024
Listed government bonds and bonds with government guarantees	1,699	2,714
Listed bonds	2,831	2,189
Unlisted bonds	1,522	722
Measured at fair value through other comprehensive income		
Listed government bonds and bonds with government guarantees	38,491	54,256
Listed treasury bills	0	3,453
Listed bonds	1,442	1,459
Total	45,986	64,795

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

21. Shares and other variable income securities

Shares and other variable income securities are specified as follows:

Mandatorily measured at fair value through profit or loss	30.9.2025	31.12.2024
Listed shares	1,186	1,101
Unlisted shares	3,144	3,069
Unit shares in cash equivalent liquidity funds	24,269	-
Unlisted unit shares	1,599	1,262
Total	30,198	5,432

22. Securities used for hedging

Securities used for hedging are specified as follows:

	30.9.2025	31.12.2024
Listed government bonds and bonds with government guarantees	51	1,905
Listed bonds	319	584
Listed shares	5,224	9,669
Unlisted unit shares	83	442
Total	5,676	12,601

23. Derivatives

Derivatives are specified as follows:

	Notional		Carrying amount	
30.9.2025	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate derivatives	28,985	28,633	352	-
Cross - currency interest rate swaps	30,938	21,618	883	-
Currency forwards	6,023	6,044	39	59
Currency forwards used for hedge accounting	-	8,199	462	-
Bond and equity total return swaps	8,364	7,407	1,092	124
Total	74,310	71,900	2,827	183

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

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

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

	30.9.2025	31.12.2024
Balance at the beginning of the year	(21)	(53)
Foreign currency revaluation of the net foreign operations	489	39
Tax effect	(98)	(8)
Total	370	(21)

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

24. Group entities

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

Entity	Nature of operations	Domicile	Share 30.9.2025	Share 31.12.2024
GAMMA Capital Management ehf.	Holding company	Iceland	100%	100%
Kvika eignastýring hf.	Asset management	Iceland	100%	100%
Skilum ehf.	Debt Collection	Iceland	100%	100%
Straumur greiðslumiðlun hf.	Payment facilitator	Iceland	100%	100%
TM líftryggingar hf.	Insurance company	Iceland	-	100%
TM tryggingar hf.	Insurance company	Iceland	-	100%
AC GP 3 ehf.	Fund management	Iceland	85%	85%
Kvika Limited	Business consultancy services	UK	100%	100%
Ortus Secured Finance ltd.	Lending operations	UK	100%	80%

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

25. Investment in associates

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

Entity	Nature of operations	Domicile	Share 30.9.2025	Share 31.12.2024
Gláma fjárfestingar slhf.	Holding company	Iceland	24%	24%
Moberg d. o. o.	Digital solutions provider	Croatia	40%	40%

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

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

	30.9.2025	31.12.2024
Balance at the beginning of the year	113	96
Dividend received	-	(20)
Share in profit of associates, net of income tax	22	41
Exchange rate difference	(1)	(5)
Total	133	113

26. Intangible assets

Intangible assets are specified as follows:

30.9.2025	Goodwill	Customer relationships	Brands	Software and other	Total
Balance as at 1 January 2025	17,784	1,567	219	2,123	21,693
Additions during the period	-	-	-	234	234
Amortisation	-	(126)	(34)	(470)	(630)
Currency adjustments	(107)	(34)	(1)	-	(142)
Balance as at 30 September 2025	17,677	1,407	185	1,887	21,155
Gross carrying amount	17,677	2,064	369	4,214	24,323
Accumulated amortisation and impairment losses	0	(657)	(184)	(2,327)	(3,168)
Balance as at 30 September 2025	17,677	1,407	185	1,887	21,155

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

27. Operating lease assets

Operating lease assets are specified as follows:

	30.9.2025	31.12.2024
Balance as at 1 January	215	530
Additions	111	36
Disposals	(71)	(261)
Depreciation	(38)	(90)
Total	217	215
Gross carrying amount	356	465
Accumulated depreciation	(139)	(250)
Total	217	215

28. Other assets

Other assets are specified as follows:

	30.9.2025	31.12.2024
Unsettled transactions	3,254	2,861
Accounts receivable	2,574	3,207
Right of use asset and lease receivables	614	1,024
Sundry assets	658	612
Total	7,100	7,704

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

	30.9.2025	31.12.2024
Right of use asset and lease receivables as at 1 January	1,024	1,321
Additions during the period	-	13
Termination of lease agreements	-	(15)
Indexation	29	56
Currency adjustments	(8)	1
Impairment	(201)	-
Depreciation and lease receivable instalment	(230)	(352)
Total	614	1,024

Right of use asset and lease receivables mostly consist of real estates for the Group's own use. The Group has entered into sublease contracts for parts of the real estates which it does not use for its operations. The lease receivables are immaterial at period end. Lease liability is specified in note 34.

29. Borrowings

Borrowings are specified as follows:

	30.9.2025	31.12.2024
Secured borrowings	5,042	13,809
Other borrowings	1,207	580
Total	6,249	14,390

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

30. Issued bonds

Issued bonds are specified as follows:

Currency, nominal value	First issued	Maturity	Maturity type	Terms of interest	30.9.2025	31.12.2024
Unsecured bonds:						
KVIKA 25 1201 GB ISK 1,660 million	2022	2025	At maturity	Floating, 3 month REIBOR + 1.25%	1,672	1,674
EMTN 26 0511, SEK 566 million *	2023	2026	At maturity	Floating, 3 month STIBOR + 4.10%	7,352	9,832
EMTN 26 0511, NOK 750 million *	2023	2026	At maturity	Floating, 3 month NIBOR + 4.10%	9,213	9,891
EMTN 26 1123 GB, SEK 500 million	2023	2026	At maturity	Floating, 3 month STIBOR + 4.0%	6,478	6,325
KVB 21 02, ISK 5,400 million	2021	2027	At maturity	CPI-indexed, fixed 1.0%	7,147	6,915
EMTN 28 0421, NOK 400 million	2025	2028	At maturity	Floating, 3 month NIBOR + 2.0%	4,918	-
EMTN 28 0421, SEK 600 million	2025	2028	At maturity	Floating, 3 month STIBOR + 2.0%	7,790	-
KVIKA 28 0703, ISK 5,000 million	2025	2028	At maturity	Floating, 3 month REIBOR + 1.14%	5,111	-
EMTN 29 0602, EUR 200 million	2025	2029	At maturity	Fixed 4.50%	28,901	-
KVIKA 32 0112, ISK 2,000 million	2022	2032	At maturity	CPI-indexed, fixed 1.40%	2,567	2,486
Total					81,150	37,123
Unlisted senior unsecured bonds, total					741	-
Total					81,891	37,123

* Bond issued in two tranches, first tranche SEK 275 million was issued in May 2023 at a spread of STIBOR + 410 bps, the second tranche amounting to SEK 500 million was issued in May 2024 at a price corresponding to a spread of STIBOR + 240 bps. In January 2025, concurrent with an offering of new bonds in SEK/NOK, Kvika offered to buy back bonds issued by the Bank in SEK with a maturity date 11 May 2026 and in NOK with a maturity date of 11 May 2026. The Bank received valid tenders of SEK 209 million and NOK 50 million which were all accepted. The Bank further tendered the Bonds in October 2025, accepting offers for a total aggregate nominal amount of SEK/NOK 756,000,000 , SEK 339 million and NOK 417 million. Following both tenders, the remaining outstanding nominal amount of SEK Notes and NOK Notes are SEK 227,000,000 and NOK 333,000,000, respectively.

31. Subordinated liabilities

a. Subordinated liabilities:

Currency, nominal value	First issued	Maturity	Maturity type	Terms of interest	30.9.2025	31.12.2024
KVIKA 34 1211 T2i, ISK 2,500 m.	2023	2034	At maturity	CPI-Indexed, fixed 6.25%	2,857	2,634
TM 15 1, ISK 2,000 million	2015	2045	At maturity	CPI-Indexed, fixed 6.25%	3,155	2,994
Total					6,012	5,629

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

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

b. Subordinated liabilities are specified as follows:

	30.9.2025	31.12.2024
Balance at the beginning of the year	5,629	5,993
Redemption of KVB 18 02	-	(800)
Additions	-	500
Paid interest	(53)	(113)
Paid interests due to indexation	(27)	(346)
Accrued interests and indexation	463	394
Total	6,012	5,629

32. Short positions held for trading

Short positions held for trading are specified as follows:

	30.9.2025	31.12.2024
Listed government bonds and bonds with government guarantees	0	128
Listed bonds	61	25
Listed shares	65	-
Total	125	153

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

33. Short positions used for hedging

Short positions used for hedging are specified as follows:

	30.9.2025	31.12.2024
Listed government bonds and bonds with government guarantees	453	-
Listed bonds	-	42
Total	453	42

34. Other liabilities

Other liabilities are specified as follows:

	30.9.2025	31.12.2024
Accounts payable and accrued expenses	4,731	7,531
Unsettled transactions	2,321	1,565
Salaries and salary related expenses	1,318	1,259
Lease liability	891	1,158
Withholding taxes	723	1,111
Contingent consideration	647	320
Special taxes on financial institutions and financial activities	565	377
Expected credit loss allowance for loan commitments, guarantees and unused credit facilities	20	18
Other liabilities	272	296
Total	11,489	13,635

Lease liability is specified as follows:

	30.9.2025	31.12.2024
Lease liability as at 1 January	1,158	1,510
Additions during the period	-	13
Termination of lease agreements	-	(15)
Currency adjustments	(12)	2
Instalment	(285)	(408)
Indexation	29	56
Total	891	1,158

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

35. Share capital

a. Share capital

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

	30.9.2025	31.12.2024
Share capital according to the Bank's Articles of Association	4,631	4,722
Nominal amount of treasury shares	214	62
Authorised but not issued shares	240	310

b. Changes made to the nominal amount of share capital

During the period in 2025 the Bank's share capital was decreased by ISK 91 million in nominal value following a resolution by the AGM to cancel treasury shares. Furthermore, during the period, the Bank acquired treasury shares amounting to ISK 243 million in nominal value as a result of a share buy-back plan.

c. Share capital increase authorisations

According to the Bank's Articles of Association dated 26 March 2025, cf. temporary provision I, the Board of Directors is authorised to issue options or warrants for up to ISK 240 million in nominal value. To serve such instruments the Board of Directors is authorised to either increase the share capital accordingly or purchase own shares, as permitted by law. This authorisation is valid until 31 March 2027.

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

36. Capital adequacy ratio (CAR)

The capital adequacy ratio of the Group is calculated in accordance with capital requirements regulation no. 575/2013 as implemented through the Act on Financial Undertakings No. 161/2002. The Bank's regulatory capital calculations for credit risk and market risk are based on the standardised approach and the capital calculations for operational risk are based on the basic indicator approach.

Own funds	**30.9.2025**	**31.12.2024**
Total equity	67,508	89,517
Unaudited retained (positive) earnings from current period	(1,472)	-
Proposed dividends and buybacks	(2,007)	(2,050)
Goodwill and intangibles	(20,814)	(28,828)
Shares in other financial institutions *	(217)	(23,500)
Deferred tax asset *	(1,096)	(2,273)
Amounts below the threshold for deduction *	1,313	5,801
Common equity Tier 1 capital (CET 1)	43,216	38,667
Tier 2 capital	5,803	5,601
Total own funds	49,019	44,268
Risk-weighted exposure amount (RWEA)		
Credit risk	180,089	158,178
Market risk	9,569	7,586
Operational risk	28,080	28,080
Total risk-weighted exposure amount	217,739	193,844
Capital ratios		
CET1 ratio	19.8%	19.9%
T1 ratio	19.8%	19.9%
Capital adequacy ratio (CAR)	22.5%	22.8%
Total own funds including unaudited (positive) retained earnings and expected dividends	50,123	
CET1 ratio including unaudited (positive) retained earnings and expected dividends	20.4%	
T1 ratio including unaudited (positive) retained earnings and expected dividends	20.4%	
Capital adequacy ratio (CAR) including unaudited (positive) retained earnings and expected dividends	23.0%	
Capital buffer requirement, % of RWEA		
Systemic risk buffer (SRB)	1.5%	1.5%
Countercyclical capital buffer (CCyB)	2.4%	2.4%
Capital conservation buffer (CCB)	2.5%	2.5%
Combined buffer requirement	6.4%	6.4%

Capital requirement, % of RWEA			**30.9.2025**
	CET1	**Tier 1**	**Total**
Pillar I capital requirement	4.5%	6.0%	8.0%
Pillar II-R capital requirement	2.0%	2.6%	3.5%
Minimum requirement under Pillar I and Pillar II-R	6.5%	8.6%	11.5%
Combined buffer requirement	6.4%	6.4%	6.4%
Total capital reqiurement	12.9%	15.0%	17.9%

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

37. Leverage ratio

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

	30.9.2025	31.12.2024
On-balance sheet exposures	327,096	253,117
Derivative exposures	3,356	2,533
Off - balance sheet exposures	500	800
Total exposure measure	330,952	256,450
Tier 1 capital	43,216	38,667
Leverage ratio	13.1%	15.1%

38. 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 liabilisites (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 30 September are 22% of MREL-RWEA and 6% of MREL-TEM. This October, the Resolution Authority approved an updated resolution plan for the Bank, setting a new MREL-RWEA requirement of 21.9%.

Own funds and eligible liabilities	30.9.2025	31.12.2024
Common equity Tier 1 capital (CET 1)	43,216	38,667
Tier 2 capital	5,803	5,601
Eligible liabilities	60,854	35,449
Total own funds and eligible liabilities	109,873	79,718
MREL-RWEA and CBR		
Risk-weighted exposure amount (RWEA)	217,739	193,844
Own funds and eligible liabilities as % of RWEA	50.5%	41.1%
Minimum requirements for own funds (MREL)*	22.0%	22.0%
Combined buffer requirement (CBR)	6.4%	6.4%
MREL-RWEA requirement including CBR*	28.4%	28.4%
MREL-TEM		
Total exposure measure	330,952	256,450
Own funds and eligible liabilities as % of TEM	33.2%	31.1%
MREL-TEM requirement*	6.0%	6.0%

*Requirements were first set in January 2025

Notes to the Condensed Interim Consolidated Financial Statements

Risk management

39. Hedging

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

40. Credit risk - overview

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

b. Management
The risk management unit monitors credit risk and is responsible for developing methodologies to systematically identify, assess, monitor, and manage it. The Group uses a variety of tools and processes to manage credit risk, including collaterals, hedges and loan portfolio management.

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

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

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

The Group applies appropriate haircuts on all collateral in order to ensure proper risk mitigation. For all collateral in listed securities, the Group maintains the right to liquidate collateral in case its market value falls below a predefined limit.

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

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

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

g. Impairment
Provisioning for loan impairments is estimated on the basis of expected loss models assessing the portfolio as a whole as well as individual lending. Risk management unit suggest a level of provisioning for the portfolio, based on the expected loss assessment. Risk management unit reassess impairments in the event of collateral decay, delayed payments, indication of increased risk, or other early warning signs. Provisions require approval from the credit committee. Refer to note 82 in the 2024 Consolidated Financial Statements for more information on the Group's impairment policy.

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

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

41. Maximum exposure to credit risk

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

30.9.2025 **On-balance sheet exposure**	**Public entities**	**Financial institutions**	**Corporate customers**	**Individuals**	**30.9.2025**
Cash and balances with Central Bank	32,532	-	-	-	32,532
Loans to credit institutions	-	9,653	-	-	9,653
Loans to customers	6	3	135,376	60,301	195,685
Fixed income securities	42,569	3,162	255	-	45,986
Derivatives	-	2,393	327	107	2,827
Other assets	1	646	5,803	35	6,486
	75,109	15,857	141,761	60,443	293,170
Off-balance sheet exposure					
Loan commitments	10	5	4,899	810	5,724
Financial guarantee contracts	-	-	378	-	378
Maximum exposure to credit risk	75,119	15,862	147,039	61,253	299,272

31.12.2024 **On-balance sheet exposure**	**Public entities**	**Financial institutions**	**Corporate customers**	**Individuals**	**31.12.2024**
Cash and balances with Central Bank	18,593	-	-	-	18,593
Loans to credit institutions	-	11,530	-	-	11,530
Loans to customers	7	2	110,458	39,736	150,203
Fixed income securities	62,660	1,889	245	-	64,795
Derivatives	-	1,001	144	52	1,197
Other assets	1	1,115	5,423	142	6,680
	81,261	15,536	116,270	39,930	252,997
Off-balance sheet exposure					
Loan commitments	7	2	5,038	1,013	6,060
Financial guarantee contracts	-	-	801	-	801
Maximum exposure to credit risk	81,268	15,538	122,109	40,943	259,858

42. Credit quality of financial assets

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

The Group utilises an economic forecast which is aligned with requirements for the calculation of expected credit loss. The Group owns loan portfolios in two geographical segments, i.e. Iceland and the United Kingdom ("UK"). In general, the Group utilises the same ECL methodology for the portfolios in both segments, although in the UK it is to a larger extent based on an individual assessment by credit specialists and a separate macroeconomic forecast is used to reflect the UK economy. The following tables shows the first 12 month macro economic values for the variables used in the expected credit loss model. Reference is made to note 82 in the 2024 Consolidated Financial Statements for further information about the Group's impairment methodology.

Model parameters for Icelandic portfolio		**30.9.2025**			**31.12.2024**	
Scenarios	**Base case**	**Upside**	**Downside**	**Base case**	**Upside**	**Downside**
Unemployment rate	4.6%	3.7%	5.5%	4.2%	3.7%	4.9%
Inflation CPI index	3.9%	3.4%	5.8%	3.7%	3.4%	5.5%
Assigned weight	50.0%	15.0%	35.0%	50.0%	15.0%	35.0%

Model parameters for UK portfolio		**30.9.2025**				**31.12.2024**		
Scenarios	**Base case**	**Upside**	**Downside**	**Severe**	**Base case**	**Upside**	**Downside**	**Severe**
Unemployment rate	4.8%	4.5%	5.9%	7.5%	4.1%	3.9%	5.8%	7.5%
Inflation CPI index	3.3%	3.2%	3.5%	8.9%	5.0%	4.7%	8.3%	16.4%
Assigned weight	50.0%	15.0%	25.0%	10.0%	50.0%	20.0%	25.0%	5.0%

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

42. Credit quality of financial assets (cont.)

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

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

					Allocated collateral										
30.9.2025	**Claim value**	**Impairment due to expected credit loss**	**Carrying amount**	**%**	**Total collateral**	**Deposits**	**Listed securities and liquid funds**	**Unlisted securities and other funds**	**Residential real estate**	**Commercial real estate**	**Automobiles**	**Industrial equipment**	**Guarantees**	**Other**	**Unsecured claim value**
Public entities	6	(0)	6	0.0%	9	-	-	-	-	-	9	-	-	-	1
Financial institutions	3	(0)	3	0.0%	-	-	-	-	-	-	-	-	-	-	3
Corporate															
Real estate activities	47,224	(270)	46,954	24.0%	80,878	63	386	2,571	32,527	43,747	945	330	100	210	861
Construction	22,382	(106)	22,275	11.4%	40,571	0	-	-	18,778	10,128	6,070	4,947	0	648	155
Service Activities	16,167	(558)	15,610	8.0%	31,087	31	58	2,004	1,394	6,304	17,243	2,865	2	1,187	277
Activities of Holding Companies	14,116	(32)	14,084	7.2%	35,399	20	119	10,329	10,382	8,943	1,566	152	711	3,177	1,656
Accommodat. and Food Service Activit.	12,194	(65)	12,129	6.2%	24,480	103	-	-	3,844	19,902	535	62	0	34	308
Act. of Hold. Comp. - Securities Financing	7,154	(275)	6,879	3.5%	14,307	508	13,389	372	38	-	-	-	0	-	425
Other	17,523	(78)	17,445	8.9%	34,031	62	3,421	245	3,263	10,286	7,895	4,939	115	3,804	296
Individuals	61,158	(857)	60,301	30.8%	112,832	33	416	651	64,743	2,292	42,049	1,188	-	1,460	8,359
Total	197,928	(2,242)	195,685	100.0%	373,594	820	17,790	16,173	134,968	101,603	76,311	14,482	928	10,519	12,341

					Allocated collateral										
31.12.2024	**Claim value**	**Impairment due to expected credit loss**	**Carrying amount**	**%**	**Total collateral**	**Deposits**	**Listed securities and liquid funds**	**Unlisted securities and other funds**	**Residential real estate**	**Commercial real estate**	**Automobiles**	**Industrial equipment**	**Guarantees**	**Other**	**Unsecured claim value**
Public entities	7	(0)	7	0.0%	10	-	-	-	-	-	10	-	-	0	0
Financial institutions	2	(0)	2	0.0%	-	-	-	-	-	-	-	-	-	-	2
Corporate															
Real estate activities	45,564	(339)	45,225	30.1%	84,189	31	50	31	41,523	41,134	974	240	0	206	491
Construction	16,412	(92)	16,320	10.9%	32,487	0	0	-	12,426	9,668	5,260	4,426	0	707	256
Service Activities	16,068	(162)	15,906	10.6%	29,302	26	122	577	1,020	2,523	19,253	3,815	0	1,966	317
Accommodat. and Food Service Activit.	11,492	(86)	11,406	7.6%	22,151	105	-	-	1,367	20,069	528	47	-	36	8
Activities of Holding Companies	7,143	(654)	6,489	4.3%	20,066	13	201	9,762	4,864	3,344	217	183	1,468	15	1,434
Wholesale and Retail Trade	4,930	(56)	4,875	3.2%	7,474	24	-	-	247	913	3,601	1,952	100	636	384
Other	10,303	(66)	10,237	6.8%	29,559	342	7,208	163	3,390	11,277	2,176	2,190	22	2,791	415
Individuals	40,609	(872)	39,736	26.5%	57,599	33	793	655	11,886	1,815	40,060	1,032	-	1,325	8,312
Total	152,530	(2,327)	150,203	100.0%	282,838	575	8,374	11,187	76,723	90,743	72,080	13,884	1,589	7,683	11,619

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

42. Credit quality of financial assets (cont.)

b. Credit quality of financial assets by credit quality band

The following tables show financial assets subject to the impairment requirements of IFRS 9 broken down by credit quality bands where band i denotes the lowest credit risk and band iv the highest credit risk. Assets measured at fair value through profit or loss are not subject to the stage classification requirements of IFRS 9 but are nevertheless included in the tables in order to give a more complete picture of the credit quality of loans to customers and reconcile the tables to the carrying amount on the balance sheet. The Bank has primarily used calibrated external credit ratings to assess the default probability of its customers. Some of the larger borrowers are furthermore individually assessed by credit specialists. The Bank has implemented internal credit rating models for part of the loan portfolio and intends to continue this development in 2025.

30.9.2025

Loans to customers:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	129,277	4,330	-	2,926	136,532
Credit quality band II	33,845	1,107	-	-	34,952
Credit quality band III	9,901	7,627	-	110	17,638
Credit quality band IV	282	955	-	-	1,236
In default	16	4	6,795	113	6,928
Non-rated	396	244	1	-	641
Gross carrying amount	173,716	14,266	6,796	3,149	197,928
Expected credit loss	(345)	(204)	(1,693)	-	(2,242)
Book value	173,371	14,062	5,103	3,149	195,685

Loan commitments, guarantees and unused credit facilities:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	4,093	19	-	171	4,284
Credit quality band II	331	1	-	-	331
Credit quality band III	510	569	-	-	1,080
Credit quality band IV	1	0	-	-	1
In default	0	-	406	-	406
Non-rated	0	1	-	-	1
Total off-balance sheet amount	4,935	590	406	171	6,102
Expected credit loss	(9)	(7)	(3)	-	(19)
Net off-balance sheet amount	4,926	583	403	171	6,083

31.12.2024

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

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

42. Credit quality of financial assets (cont.)

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

30.9.2025	**Claim value**	**Expected credit loss**	**Carrying amount**
Not past due	183,290	(976)	182,313
Past due 1-30 days	6,331	(77)	6,254
Past due 31-60 days	3,680	(76)	3,603
Past due 61-90 days	413	(12)	401
Past due 91-180 days	1,450	(105)	1,344
Past due 181-360 days	1,081	(199)	882
Past due more than 360 days	1,684	(796)	888
Total	197,928	(2,242)	195,685

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

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

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

30.9.2025

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)	91	(41)	(49)	-
Transfer to Stage 2 - (significantly increased credit risk)	(22)	44	(22)	-
Transfer to Stage 3 - (credit impaired)	(15)	(31)	46	-
Net remeasurement of loss allowance	(148)	18	(36)	(166)
New financial assets, originated or purchased	235	95	541	870
Derecognitions and maturities	(164)	(61)	(325)	(550)
Write-offs	(0)	(0)	(237)	(238)
Balance as at 30 September 2025	354	212	1,696	2,261

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)	85	(41)	(43)	-
Transfer to Stage 2 - (significantly increased credit risk)	(22)	44	(21)	-
Transfer to Stage 3 - (credit impaired)	(14)	(31)	46	-
Net remeasurement of loss allowance	(142)	18	(37)	(161)
New financial assets, originated or purchased	232	88	541	861
Derecognitions and maturities	(161)	(61)	(325)	(547)
Write-offs	(0)	(0)	(237)	(238)
Balance as at 30 September 2025	345	204	1,693	2,242

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

42. Credit quality of financial assets (cont.)

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

	Stage 1	Stage 2	Stage 3	Total
Transfers of financial assets:				
Balance as at 1 January 2025	11	0	7	18
Transfer to Stage 1 - (Initial recognition)	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	(7)	0	2	(5)
New financial assets, originated or purchased	2	7	0	9
Derecognitions and maturities	(3)	(0)	(0)	(3)
Balance as at 30 September 2025	9	7	3	19

31.12.2024

Expected credit loss allowance total

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

Expected credit loss allowance for loans to customers

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

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

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

43. Loan-to-value

a. General

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

b. Breakdown

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

	30.9.2025	%	31.12.2024	%
Less than 50%	53,294	27.2%	41,225	27.4%
50-70%	75,988	38.8%	57,209	38.1%
70-90%	44,490	22.7%	33,497	22.3%
90-100%	7,057	3.6%	2,958	2.0%
100-125%	3,114	1.6%	3,461	2.3%
125-200%	1,115	0.6%	1,505	1.0%
Greater than 200%	1,158	0.6%	1,378	0.9%
No or negligible collateral:				
Other loans with no collateral	9,469	4.8%	8,968	6.0%
Total	195,685	100.0%	150,203	100.0%

44. Collateral against exposures to derivatives

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

	Deposits	Fixed income securities	Variable income securities	Real estate	Other fixed assets	Other	30.9.2025
Financial institutions	1,178	46	336	-	-	-	1,560
Corporate customers	776	59	1,322	-	-	-	2,156
Individuals	47	10	74	-	-	-	131
Total	2,001	115	1,733	-	-	-	3,848

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

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

45. Large exposures

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

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

		30.9.2025		31.12.2024
Large exposures before risk adjusted mitigation	**Number**	**Amount**	**Number**	**Amount**
10-20% of capital base	2	9,524	2	11,133
20-25% of capital base	0	-	0	-
Exceeding 25% of capital base	0	-	0	-
Total	2	9,524	2	11,133
Thereof loans to credit institutions which are part of Kvika's liquidity management	0	-	1	6,522
Large exposures net of risk adjusted mitigation	1	4,547	1	6,702

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

46. Liquidity risk

a. Definition

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

b. Management

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

	ISK		EUR*		Total all currencies	
30.9.2025	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**
Liquid assets level 1	67,950	67,950	5,438	5,166	74,421	74,098
Liquid assets level 2A	958	814	2,263	1,810	4,308	3,494
Liquid assets level 2B	-	-	4,775	2,149	5,825	2,621
Excess liquid asset amount	-	-	-	(918)	-	-
Total high quality assets	68,907	68,764	12,476	8,208	84,554	80,213
Deposits	131,824	24,530	2,917	1,000	137,511	26,725
Other borrowings	114	114	-	-	274	274
Other outflows	8,853	4,333	924	158	12,011	4,755
Total outflows (0-30 days)	140,791	28,978	3,841	1,158	149,797	31,754
Short-term deposits with other banks	690	690	1,606	1,606	7,105	7,105
Other inflows	6,445	4,346	1,287	1,286	17,908	12,480
Restrictions on inflows	-	-	-	(2,024)	-	-
Total inflows (0-30 days)	7,136	5,036	2,893	868	25,013	19,585
Liquidity coverage ratio		287%		2835%		659%

*Requirement first applies from June 2025

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

	30.9.2025	**31.12.2024**
NSFR total	148%	144%

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

46. Liquidity risk (cont.)

c. LCR deposit categories

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

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

30.9.2025	Run off date	0-30 days	Over 30 days	Total
Individuals	5%-100%	110,064	15,617	125,680
Small and medium sized corporates	5%-100%	7,469	448	7,918
Large corporates	20%-40%	8,975	288	9,263
Public entities	40%	68	3,031	3,100
Financial entities	100%	10,934	18,491	29,426
Other *		2,930	90	3,020
Total		140,441	37,964	178,406

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

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

Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

46. Liquidity risk (cont.)

d. Maturity analysis of financial assets and financial liabilities

30.9.2025 **Financial assets by type**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Gross inflow/ (outflow)**	**Carrying amount**
Non-derivative assets							
Cash and balances with Central Bank	32,564	-	-	-	-	32,564	32,532
Loans to credit institutions	9,230	-	-	423	-	9,653	9,653
Loans to customers	20,315	14,233	64,537	111,820	57,028	267,934	195,685
Fixed income securities	12,544	-	255	29,583	3,604	45,986	45,986
Shares and other variable income securities	26,413	-	3,785	-	-	30,198	30,198
Securities used for hedging	5,676	-	-	-	-	5,676	5,676
Other assets	4,502	308	1,461	215	-	6,486	6,486
	111,244	14,542	70,039	142,041	60,632	398,498	326,218
Derivative assets							
Inflow	5,977	235	1,965	42,326	1,102	51,605	
Outflow	(4,937)	(127)	(1,928)	(40,725)	(936)	(48,653)	
	1,040	108	37	1,601	166	2,952	2,827

Financial liabilities by type	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Gross inflow/ (outflow)**	**Carrying amount**
Non-derivative liabilities							
Deposits	(143,598)	(16,847)	(17,044)	(1,414)	(648)	(179,552)	178,406
Borrowings	(8)	(86)	(315)	(6,737)	-	(7,147)	6,249
Issued bonds	(274)	(2,107)	(19,482)	(66,782)	(2,613)	(91,258)	81,891
Subordinated liabilities	-	(267)	(95)	(1,451)	(9,543)	(11,356)	6,012
Short positions held for trading	(125)	-	-	-	-	(125)	125
Short positions used for hedging	(453)	-	-	-	-	(453)	453
Other liabilities	(1,995)	(6,061)	(1,349)	(2,125)	-	(11,530)	11,489
	(146,454)	(25,369)	(38,285)	(78,508)	(12,805)	(301,421)	284,625
Derivative liabilities							
Inflow	5,010	829	9,828	-	-	15,667	
Outflow	(5,195)	(836)	(9,944)	-	-	(15,975)	
	(185)	(7)	(116)	-	-	(308)	183
Unrecognised financial items							
Loan commitments							
Inflow	751	1,033	1,460	2,830	-	6,074	
Outflow	(5,724)	-	-	-	-	(5,724)	
Financial guarantee contracts							
Inflow	-	-	144	227	7	378	
Outflow	(378)	-	-	-	-	(378)	
	(5,351)	1,033	1,604	3,057	7	350	
Summary							
Non-derivative assets	111,244	14,542	70,039	142,041	60,632	398,498	
Derivative assets	1,040	108	37	1,601	166	2,952	
Non-derivative liabilities	(146,454)	(25,369)	(38,285)	(78,508)	(12,805)	(301,421)	
Derivative liabilities	(185)	(7)	(116)	-	-	(308)	
Net assets (liabilities) excluding unrecognised items	(34,355)	(10,726)	31,674	65,134	47,994	99,720	
Net unrecognised items	(5,351)	1,033	1,604	3,057	7	350	
Net assets (liabilities)	(39,706)	(9,693)	33,278	68,191	48,001	100,070	

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

46. Liquidity risk (cont.)

31.12.2024 **Financial assets by type**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Gross inflow/ (outflow)**	**Carrying amount**
Non-derivative assets							
Cash and balances with Central Bank	18,595	-	-	-	-	18,595	18,593
Loans to credit institutions	9,726	-	-	1,804	-	11,530	11,530
Loans to customers	10,753	13,421	52,863	98,218	4,718	179,974	150,203
Fixed income securities	17,597	10,341	7,442	25,482	3,932	64,795	64,795
Shares and other variable income securities	1,681	-	3,751	-	-	5,432	5,432
Securities used for hedging	12,601	-	-	-	-	12,601	12,601
Other assets	2,736	2,397	1,543	3	-	6,680	7,704
	73,689	26,160	65,600	125,507	8,650	299,606	270,857
Derivative assets							
Inflow	13,279	143	2,346	920	1,036	17,724	
Outflow	(12,289)	(98)	(2,329)	(796)	(940)	(16,453)	
	989	45	17	124	95	1,271	1,197

Financial liabilities by type	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Gross inflow/ (outflow)**	**Carrying amount**
Non-derivative liabilities							
Deposits	(134,688)	(15,130)	(10,447)	(3,739)	(547)	(164,551)	163,378
Borrowings	(1)	(301)	(1,132)	(17,271)	-	(18,705)	14,390
Issued bonds	(17)	(535)	(3,319)	(34,010)	(2,557)	(40,439)	37,123
Subordinated liabilities	-	-	(336)	(1,399)	(9,304)	(11,039)	5,629
Short positions held for trading	(153)	-	-	-	-	(153)	153
Short positions used for hedging	(42)	-	-	-	-	(42)	42
Other liabilities	(1,418)	(9,219)	(1,122)	(1,927)	-	(13,686)	13,635
	(136,320)	(25,185)	(16,355)	(58,347)	(12,407)	(248,615)	234,350
Derivative liabilities							
Inflow	12,104	142	6,321	24,413	-	42,981	
Outflow	(12,968)	(145)	(6,240)	(26,506)	-	(45,858)	
	(864)	(2)	81	(2,092)	-	(2,877)	2,932
Unrecognised financial items by type							
Loan commitments							
Inflow	147	49	2,796	3,722	-	6,714	
Outflow	(6,060)	-	-	-	-	(6,060)	
Financial guarantee contracts							
Inflow	-	1	756	37	7	801	
Outflow	(801)	-	-	-	-	(801)	
	(6,714)	50	3,552	3,759	7	654	

Summary						
Non-derivative assets	73,689	26,160	65,600	125,507	8,650	299,606
Derivative assets	989	45	17	124	95	1,271
Non-derivative liabilities	(136,320)	(25,185)	(16,355)	(58,347)	(12,407)	(248,615)
Derivative liabilities	(864)	(2)	81	(2,092)	-	(2,877)
Net assets (liabilities) excluding unrecognised items	(62,506)	1,018	49,343	65,191	(3,662)	49,385
Net unrecognised items	(6,714)	50	3,552	3,759	7	654
Net assets (liabilities)	(69,220)	1,068	52,896	68,950	(3,655)	50,039

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

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

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

47. Market risk

a. Definition

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

b. Management

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

48. Interest rate risk

a. Definition

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

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

b. Management

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

49. Interest rate risk associated with trading portfolios

a. Breakdown

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

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	30.9.2025
Fixed income securities	28	41	432	2,608	1,748	4,857
Short positions - fixed income securities	(7)	(1)	(4)	(50)	-	(61)
Net imbalance	22	40	428	2,559	1,748	4,797

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

b. Sensitivity analysis

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

	Shift in basis points	30.9.2025 Downward	30.9.2025 Upward	31.12.2024 Downward	31.12.2024 Upward
Indexed	50	68	(64)	53	(51)
Non-indexed	100	87	(82)	67	(64)
Total		155	(146)	120	(115)

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

50. Interest rate risk associated with non-trading portfolios

a. Breakdown

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

30.9.2025

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	32,532	-	-	-	-	32,532
Loans to credit institutions	9,653	-	-	-	-	9,653
Loans to customers	181,829	2,930	5,040	5,613	274	195,685
Fixed income securities	2,875	4,987	1,210	28,666	3,391	41,129
Financial assets excluding derivatives	226,888	7,918	6,249	34,279	3,665	278,999
Effect of derivatives	18,542	49,248	1,300	28,679	935	98,705
Total	245,431	57,166	7,550	62,957	4,600	377,704

Financial liabilities	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Deposits	147,179	16,196	14,992	40	0	178,406
Borrowings	6,249	-	-	-	-	6,249
Issued bonds	17,782	24,498	1,351	35,866	2,395	81,891
Subordinated liabilities	-	3,323	-	2,690	-	6,012
Other liabilities	-	80	159	-	-	239
Financial liabilities excluding derivatives	171,210	44,096	16,501	38,595	2,395	272,797
Effect of derivatives	17,109	71,221	-	-	-	88,329
Total	188,319	115,317	16,501	38,595	2,395	361,126
Total interest repricing gap	57,112	(58,151)	(8,952)	24,362	2,205	16,577

31.12.2024

Financial assets	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with Central Bank	18,593	-	-	-	-	18,593
Loans to credit institutions	11,530	-	-	-	-	11,530
Loans to customers	136,380	3,761	3,955	5,748	358	150,203
Fixed income securities	11,158	10,434	9,184	25,308	3,368	59,451
Financial assets excluding derivatives	177,661	14,195	13,138	31,056	3,726	239,777
Effect of derivatives	23,021	23,306	8,408	928	890	56,553
Total	200,682	37,501	21,546	31,984	4,616	296,330

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

b. Sensitivity analysis

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

	Shift in	30.9.2025		31.12.2024	
Currency	**basis points**	**Downward**	**Upward**	**Downward**	**Upward**
ISK, indexed	50	50	(46)	(25)	26
ISK, non-indexed	100	283	(277)	450	(439)
Other currencies	20	(6)	6	(4)	4
Total		327	(317)	422	(410)

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

51. Exposure towards changes in the CPI

a. Definition

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

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

b. Management

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

c. Balance of CPI linked assets and liabilities

	30.9.2025	31.12.2024
Assets	31,219	38,426
Liabilities	(24,807)	(23,653)
Total	6,412	14,773

d. Sensitivity to changes in CPI

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

	30.9.2025		31.12.2024	
	-1%	1%	-1%	1%
Government bonds	(27)	27	(55)	55
Other fixed income securities	(42)	42	(31)	31
Loans to customers	(223)	223	(278)	278
Derivatives	(21)	21	(21)	21
Deposits	91	(91)	86	(86)
Issued bonds	97	(97)	94	(94)
Subordinated liabilities	60	(60)	56	(56)
	(64)	64	(148)	148

The effect on equity would be the same.

52. Currency risk

a. Definition

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

b. Management

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

The Group is subject to limits set by the Central Bank of Iceland regarding the maximum open currency position. At 30 September 2025 and 31 December 2024 the Group's position in foreign currencies was within those limits.

c. Hedge accounting

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

d. Exchange rates

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

	Closing 30.9.2025	Average 9m 2025	Closing 31.12.2024	Average 9m 2024
EUR/ISK	142.4	144.4	143.9	149.5
USD/ISK	121.3	129.5	138.2	138.2
GBP/ISK	163.0	169.9	173.3	174.9

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

52. Currency risk (cont.)

e. Breakdown of assets and liabilities denominated in foreign currencies

30.9.2025

Assets	**EUR**	**USD**	**GBP**	**SEK**	**Other currencies**	**Total**
Cash and balances with Central Bank	0	2	2	-	-	4
Loans to credit institutions	1,696	1,016	3,082	2,125	338	8,258
Loans to customers	3,992	-	37,228	235	14	41,469
Fixed income securities	-	150	-	-	-	150
Shares and other variable income securities	13,778	203	13,091	2	16	27,089
Securities used for hedging	48	815	1	1,020	80	1,964
Intangible assets	-	-	2,283	-	-	2,283
Other assets	741	541	785	38	54	2,158
Assets excluding derivatives	20,255	2,726	56,472	3,420	501	83,374
Derivatives	51,467	888	2	18,165	14,051	84,573
Total	71,722	3,615	56,473	21,585	14,552	167,947

Liabilities	**EUR**	**USD**	**GBP**	**SEK**	**Other currencies**	**Total**
Deposits	3,526	3,103	545	55	179	7,408
Borrowings	-	-	5,042	-	-	5,042
Issued bonds	28,901	-	-	21,620	14,131	64,653
Other liabilities	1,582	304	1,279	8	49	3,223
Liabilities excluding derivatives	34,010	3,407	6,867	21,683	14,360	80,326
Derivatives	37,466	96	48,519	20	73	86,175
Total	71,476	3,503	55,386	21,703	14,432	166,501

Net currency position	**EUR**	**USD**	**GBP**	**SEK**	**Other currencies**	**Total**
Total assets	71,722	3,615	56,473	21,585	14,552	167,947
Total liabilities	(71,476)	(3,503)	(55,386)	(21,703)	(14,432)	(166,501)
Financial guarantee contracts	142	-	-	-	-	142
Total	389	111	1,087	(118)	120	1,589

31.12.2024

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

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

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

52. Currency risk (cont.)

f. Sensitivity to currency risk

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

	30.9.2025		31.12.2024	
Assets and liabilities denominated in foreign currencies	**-10%**	**+10%**	**-10%**	**+10%**
EUR	39	(39)	156	(156)
USD	11	(11)	(9)	9
GBP	109	(109)	78	(78)
SEK	(12)	12	4	(4)
NOK	(3)	3	7	(7)
Other currencies	15	(15)	8	(8)
Total	159	(159)	243	(243)

53. Equity risk

a. Definition

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

b. Sensitivity analysis of equity risk

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

	30.9.2025		31.12.2024	
	-10%	**+10%**	**-10%**	**+10%**
Listed shares	(119)	119	(110)	110
Unlisted shares	(314)	314	(307)	307
Unit shares in cash equivalent liquidity funds	(2,427)	2,427	-	-
Unlisted unit shares in funds	(160)	160	(126)	126
Total	(3,020)	3,020	(543)	543

54. Operational risk

a. Definition

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

b. Management

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

Financial assets and financial liabilities

55. Accounting classification of financial assets and financial liabilities

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

30.9.2025 Financial assets	Amortised cost	Fair value through OCI	Manda-torily at fair value through P/L	Total carrying amount
Cash and balances with Central Bank	32,532	-	-	32,532
Loans to credit institutions	9,653	-	-	9,653
Loans to customers	192,536	-	3,149	195,685
Fixed income securities	-	39,933	6,053	45,986
Shares and other variable income securities	-	-	30,198	30,198
Securities used for hedging	-	-	5,676	5,676
Derivatives	-	-	2,365	2,365
Derivatives used for hedge accounting	-	462	-	462
Other assets	6,486	-	-	6,486
Total	241,207	40,395	47,442	329,044

Financial liabilities	Amortised cost	Fair value through OCI	Manda-torily at fair value through P/L	Total carrying amount
Deposits	178,406	-	-	178,406
Borrowings	6,249	-	-	6,249
Issued bonds	81,891	-	-	81,891
Subordinated liabilities	6,012	-	-	6,012
Short positions held for trading	-	-	125	125
Short positions used for hedging	-	-	453	453
Derivatives	-	-	183	183
Other liabilities	10,842	-	647	11,489
Total	283,400	-	1,408	284,808

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

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

56. Financial assets and financial liabilities measured at fair value

a. Fair value hierarchy

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

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

b. Valuation process

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

c. Valuation techniques

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

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

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

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

d. Fair value hierarchy classification

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

30.9.2025

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Mandatorily measured at fair value through profit and loss				
Fixed income securities	5,104	106	844	6,053
Shares and other variable income securities	26,494	5	3,700	30,198
Securities used for hedging	5,676	-	-	5,676
Loans to customers	-	-	3,149	3,149
Derivatives	-	2,365	-	2,365
Measured at fair value through other comprehensive income				
Fixed income securities	39,933	-	-	39,933
Derivatives used for hedge accounting	-	462	-	462
Total	77,207	2,937	7,693	87,837

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

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

30.9.2025

Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Mandatorily measured at fair value through profit and loss				
Short positions held for trading	125	-	-	125
Short positions used for hedging	453	-	-	453
Derivatives	-	183	-	183
Other liabilities	-	-	647	647
Measured at fair value through other comprehensive income				
Derivatives used for hedge accounting	-	-	-	-
Total	578	183	647	1,408

31.12.2024

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Mandatorily measured at fair value through profit and loss				
Fixed income securities	4,908	106	611	5,625
Shares and other variable income securities	1,922	55	3,456	5,432
Securities used for hedging	12,601	-	-	12,601
Loans to customers	-	-	874	874
Derivatives	-	1,197	-	1,197
Measured at fair value through other comprehensive income				
Fixed income securities	59,169	-	-	59,169
Total	78,600	1,358	4,940	84,898

Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Mandatorily measured at fair value through profit and loss				
Short positions held for trading	153	-	-	153
Short positions used for hedging	42	-	-	42
Derivatives	-	1,710	939	2,649
Other liabilities	-	-	320	320
Measured at fair value through other comprehensive income				
Derivatives used for hedge accounting	-	283	-	283
Total	195	1,993	1,259	3,447

e. Reconciliation of changes in Level 3 fair value measurements

30.9.2025	**Fixed income securities**	**Shares and other var. income securities**	**Loans to customers**	**Derivatives**	**Other liabilities**	**Total**
Balance as at 1 January 2025	611	3,456	874	(939)	(320)	3,682
Total gains and losses in profit or loss	8	194	79	17	11	309
Additions	778	836	579	(580)	(3)	1,609
Repayments	-	-	(758)	990	177	409
Disposals	-	(786)	-	-	-	(786)
Reclassification	(553)	-	2,376	513	(513)	1,823
Balance as at 30 September 2025	844	3,700	3,149	-	(647)	7,046

31.12.2024	**Fixed income securities**	**Shares and other var. income securities**	**Loans to customers**	**Derivatives**	**Other liabilities**	**Total**
Balance as at 1 January 2024	114	2,517	682	(860)	(405)	2,049
Total gains and losses in profit or loss	7	362	69	(168)	(5)	265
Additions	604	612	-	-	-	1,217
Repayments	-	-	(621)	89	90	(442)
Disposals	-	(36)	-	-	-	(36)
Reclassified as assets held for sale	(114)	-	743	-	-	629
Balance as at 31 December 2024	611	3,456	874	(939)	(320)	3,682

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

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

f. Fair value measurements for Level 3 financial assets

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

Asset class	Method	Significant unobservable input	Range	Book value 30.9.2025
Unlisted bonds	Expected recovery	Value of assets	0-95%	844
Unlisted variable income securities	Market price	Recent trades	-	3,700
Loans to customers	Expert model	Value of assets and collateral	-	3,149
Total				7,693

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

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

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

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

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

	+10%	-10%
Fixed income securities	84	(84)
Shares and other variable income securities	370	(370)
Loans to customers	315	(315)
Total	769	(769)

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

Other information

57. Pledged assets

30.9.2025	Settlement and committed facilities	Securities borrowing	Total
Loans to credit institutions	-	418	418
Loans to customers	7,461	-	7,461
Fixed income securities	14,300	109	14,409
Total	21,761	527	22,288

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

The Group has pledged assets, in the ordinary course of banking business, to the Central Bank of Iceland to secure general settlement in the Icelandic clearing system. Cash pledged to secure the borrowing of securities from other counterparties than the Central Bank of Iceland is classified as loans to credit institutions.

58. Related parties

a. Definition of related parties
The Group has a related party relationship with the board members of the Bank, the CEO of the Bank and key employees (together referred to as management), associates as disclosed in note 25, shareholders with significant influence over the Bank, close family members of individuals identified as related parties and entities under the control or joint control of related parties.

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

c. Balances with related parties

30.9.2025	Assets	Liabilities
Management	117	225
Associates	-	36
Total	117	260

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

d. Transactions with related parties

9m 2025	Interest income	Interest expense	Other income	Other expense
Management	-	5	1	1
Associates	-	-	-	240
Total	-	5	1	241

9m 2024	Interest income	Interest expense	Other income	Other expense
Management	-	2	1	1
Associates	-	-	-	259
Total	-	2	1	260

Notes to the Condensed Interim Consolidated Financial Statements

59. Other matters

Sale of TM finalised

On 28 February 2025 Kvika and Landsbankinn hf. ("Landsbankinn") finalised the sale of 100% of TM tryggingar hf. ("TM") share capital to Landsbankinn. The handover of the insurance company took place simultaneously, with Landsbankinn paying Kvika the agreed purchase price upon completion. As previously communicated by Kvika on 30 May 2024, the final purchase price has been adjusted based on changes in TM's tangible equity from the beginning of 2024 until the closing date, 28 February 2025. The initially agreed purchase price was ISK 28.6 billion, but the final purchase price amounted to ISK 32.2 billion, reflecting the purchase price adjustment for 2024 and for the period 1 January to 28 February 2025.

Tax treatment of warrants sold by the Bank

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

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

60. Events after the reporting date

There are no material events after the reporting date.