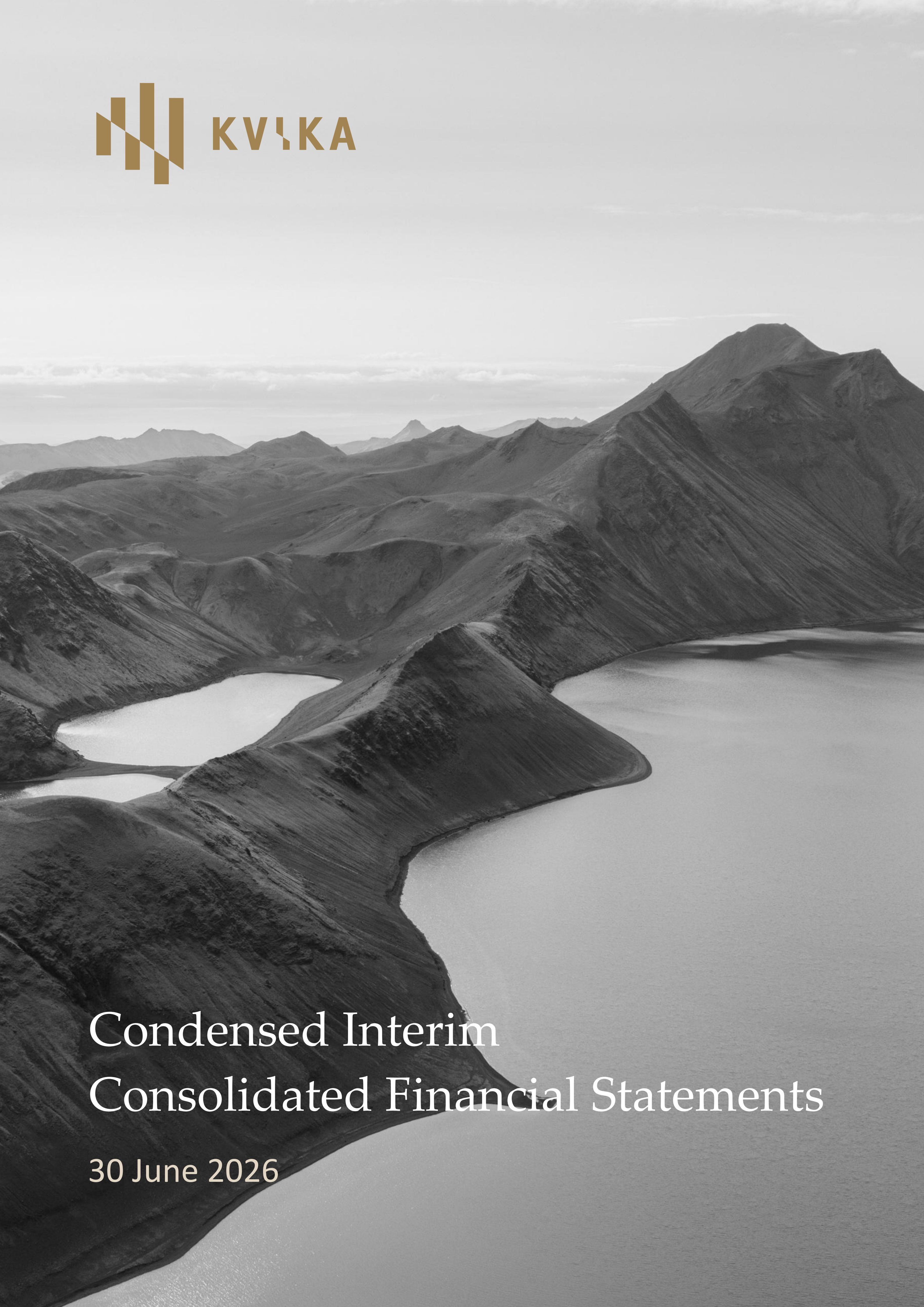

KVIKA

Condensed Interim Consolidated Financial Statements

30 June 2026

Condensed Interim
Consolidated Financial Statements
30 June 2026

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

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Highlights

30.06.2026

Kvika in brief

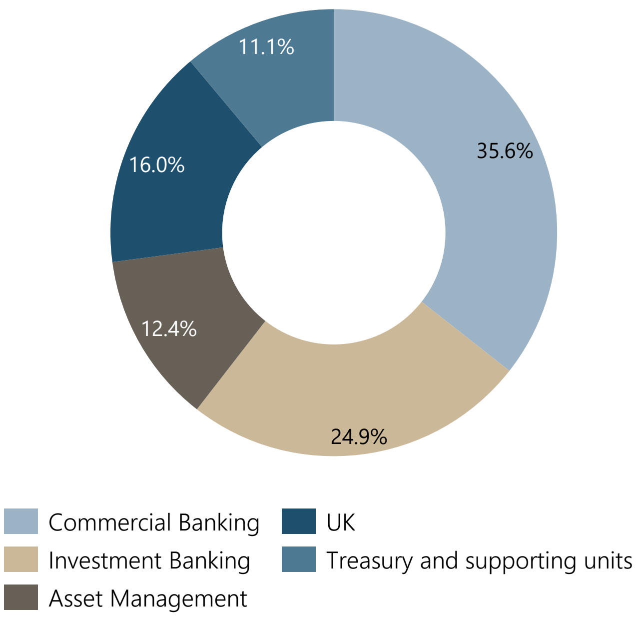
Kvika is a financial services company with operations in Iceland and the United Kingdom. Kvika does not operate traditional branches but delivers its services primarily online, offering a wide range of solutions in asset management, payments, and banking for individuals, businesses and investors. Kvika's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

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

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

Diversified operations

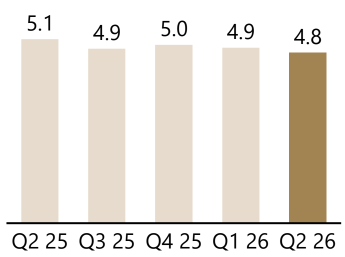
Revenues by segment
6M 2026



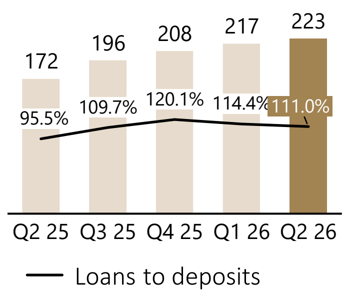
Key figures

ISK m.	6M 2026	6M 2025
Net operating income	9,643	9,577
Profit before tax, continuing operations	3,354	2,726
RoTE, continuing operations	15.6%	13.3%
	30.06.2026	**31.12.2025**
Total assets	375,726	343,112
Loans to customers	223,333	207,560
Deposits	201,229	172,787
LCR	276%	404%
NSFR	137%	137%

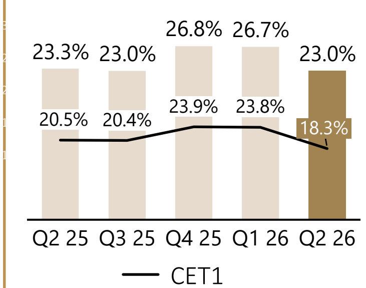
Net operating income
ISK bn.



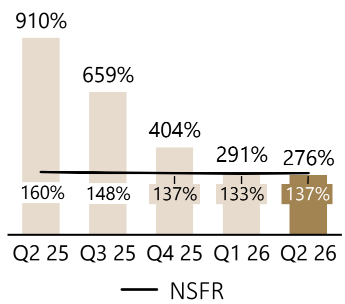
Loans to customers
ISK bn.



Total capital ratio
(%)



LCR ratio
(%)



Endorsement and Statement
by the Board of Directors and the CEO

These are the Condensed Interim Consolidated Financial Statements of Kvika banki hf. ("Kvika" or the "Bank") and its subsidiaries (together the "Group") for the period 1 January to 30 June 2026.

About the Bank

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

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

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

Operations during the period in 2026

Profit before taxes from continuing operations for the second quarter amounted to ISK 1,545 million (Q2 2025: ISK 2,025 million). Pre-tax annualised return on average tangible equity (RoTE) from continuing operations was 15.1% for the quarter (Q2 2025: 18.5%) and 15.6% for the first six months of the year (6m 2025: 13.3%) based on the average tangible equity position of Kvika during the period. Tangible equity is the equity of shareholders of Kvika net of deferred tax assets and intangible assets. Profit after taxes for the second quarter amounted to ISK 903 million (Q2 2025: ISK 1,439 million, including discontinued operations).

The Group's net operating income during the first six months was ISK 9,643 million (6m 2025: ISK 9,577 million). Net interest income amounted to ISK 6,279 million (6m 2025: ISK 5,879 million). Net fee income amounted to ISK 2,902 million (6m 2025: ISK 3,455 million). Other net operating income amounted to ISK 462 million (6m 2025: ISK 243 million). Administrative expenses during the period amounted to ISK 5,961 million (6m 2025: ISK 6,071 million). During the period, the Group had a net impairment charge of ISK 363 million (6m 2025: ISK 188 million).

During the period, the Group resolved to divest Straumur greiðslumiðlun hf. The sale of the company is in progress, with due diligence underway following a formal sales process. Accordingly, the assets and liabilities of Straumur greiðslumiðlun hf. have been classified as held for sale in accordance with IFRS 5.

Financial position

According to the Consolidated Statement of Financial Position, equity at the end of the period amounted to ISK 57,521 million (31.12.2025: ISK 68,935 million), and total assets amounted to ISK 375,726 million (31.12.2025: ISK 343,112 million).

The Group's total assets grew by ISK 32.6 billion or 9.5% from year-end 2025. Loans to customers grew by ISK 15.8 billion or 7.6% during the first half of 2026.

In 2026, Kvika continued to build on the momentum generated in the previous year's capital markets activities and successfully completed its inaugural issuance of Additional Tier 1 (AT1) notes in April. The issuance, amounting to SEK 300 million, forms a key component of the Bank's capital optimisation strategy, as outlined in connection with the publication of the 2025 year-end results in February. The transaction supports the Bank's continued growth, profitability and capital efficiency. Strong investor demand resulted in the issuance being oversubscribed and placed with investors across Scandinavia.

In June, Kvika successfully issued EUR 150 million of senior preferred notes under its Euro Medium Term Note (EMTN) Programme. The four-year notes were priced at a spread of 165 basis points over mid-swap rates and carry a fixed annual coupon of 4.375%. The transaction represented a significant step forward in the Bank's wholesale funding strategy and demonstrated continued progress in strengthening Kvika's access to international debt capital markets. Compared with the Bank's inaugural senior preferred issuance in May 2025, pricing improved by 85 basis points, while investor demand increased substantially. The transaction attracted 38 institutional investors, compared with 24 in the inaugural issuance, and the final order book was approximately 1.7 times larger than the book achieved in 2025. The issuance was more than three times oversubscribed, reflecting both the growing quality and diversification of the Bank's investor base and increasing market confidence in Kvika's credit profile. The transaction also narrowed Kvika's funding spread differential relative to the three largest Icelandic banks, highlighting the Bank's improving standing in international funding markets.

Together, the AT1 and senior preferred issuances represent important milestones in the execution of Kvika's capital optimisation and funding strategy, enhancing the Bank's access to diversified sources of capital and long-term funding.

On 13 July 2026, the Financial Supervisory Authority of the Central Bank of Iceland granted the Bank authorisation to issue covered bonds in accordance with Act No. 11/2008 on Covered Bonds. In parallel with the authorisation process, Kvika has been preparing its covered bond programme as part of its broader funding strategy. The programme is expected to further diversify the Bank's funding sources, enhance funding flexibility and strengthen access to long-term financing. The Bank anticipates that its inaugural covered bond issuance under the programme may take place during the second half of 2026.

Merger with Arion banki hf. will not take place

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

CEO to step down at year end

On 10 June 2026, the Bank's CEO, Ármann Þorvaldsson, requested to step down from his position at the end of this year after nearly ten years with the Group. He will continue to serve as CEO until year end, while the Board will use the coming months to recruit his successor.

Endorsement and Statement
by the Board of Directors and the CEO

Shareholder Distributions and Share Buyback Programme

Kvika continues to maintain a strong capital position, well above regulatory requirements. At the end of June 2026, the Group’s capital adequacy ratio was 23.0% and CET1 ratio was 18.3%, compared with regulatory requirements of 17.7% and 12.8%, respectively, including capital buffers. The Group also comfortably exceeded its MREL requirements, reporting ratios of 58.8% of RWEA and 32.1% of total exposure measure ("TEM"), well above the applicable requirements of 28.3% and 6.0%, respectively.

The Bank's strong capital position enabled significant capital distributions to shareholders during the period in 2026. At the Annual General Meeting in March 2026, shareholders approved an ordinary dividend of ISK 0.36 per share based on the 2025 financial results, as well as the cancellation of 301 million treasury shares. In June 2026, shareholders further approved a special dividend of ISK 2.35 per share following the decision not to proceed with the proposed merger with Arion banki hf. As a result, total dividends paid during the period 2026 amounted to ISK 2.71 per share, or ISK 11.7 billion.

In addition, the Board of Directors launched a new share buyback programme in July 2026, following shareholder and regulatory approval, with a maximum purchase amount of ISK 2.0 billion. Upon completion of the programme, total capital returned to shareholders through dividends and share repurchases is expected to amount to approximately ISK 13.7 billion in 2026.

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.

Statement by the Board of Directors and the CEO

The Condensed Interim Consolidated Financial Statements of Kvika banki hf. for the period 1 January to 30 June 2026 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and additional requirements, as applicable, in the Act on Annual Accounts no. 3/2006, the Act on Financial Undertakings no. 161/2002 and rules on accounting for credit institutions no. 834/2003.

To the best of our knowledge these Condensed Interim Consolidated Financial Statements give a true and fair view of the Group's assets, liabilities and financial position as at 30 June 2026 and the financial performance of the Group and changes of cash flows for the period 1 January to 30 June 2026. Furthermore, in our opinion the Condensed Interim Consolidated Financial Statements and the Endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describe the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO of the Bank have today discussed the Condensed Interim Consolidated Financial Statements for the period 1 January to 30 June 2026 and confirmed them by the means of their signatures.

Reykjavík, 12 August 2026.

Board of Directors

Sigurður Hannesson, Chairman

Helga Kristín Auðunsdóttir, Deputy Chairman

Ingunn Svala Leifsdóttir

Guðjón Reynisson

Páll Harðarson

Chief Executive Officer

Ármann Þorvaldsson

The Condensed Interim Consolidated Financial Statements of Kvika banki hf. for the period ended 30 June 2026 are electronically signed by the Board of Directors and the CEO.

Review Report on the Condensed Interim Consolidated Financial Statements

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

We have reviewed the accompanying Condensed Interim Consolidated Statement of Financial Position of Kvika banki hf. and its subsidiaries (the "Group") as of 30 June 2026 and the related Condensed Interim Consolidated Income Statement, Condensed Interim Consolidated Statement of Comprehensive Income, Condensed Interim Consolidated Statement of changes in equity and Condensed Interim Consolidated Statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

Auditor's Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Interim Consolidated Financial Statements does not give a true and fair view of the financial position of the Group as at 30 June 2026, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the European Union and additional requirements in the Icelandic Financial Statement Act., Act on Financial Undertakings and Icelandic accounting regulation for financial institution.

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

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

Kópavogur, 12 August 2026.

Deloitte ehf.

Ingvi Björn Bergmann
State Authorized Public Accountant

The Condensed Interim Consolidated Financial Statements of Kvika banki hf. for the period ended 30 June 2026 are electronically signed by the auditors.

Kvika banki hf. Amounts are in ISK millions

Condensed Interim Consolidated Income Statement

For the period 1 January 2026 to 30 June 2026

	Notes	Q2 2026	Q2 2025	6m 2026	6m 2025
Interest income		7,895	7,699	15,877	15,000
Interest expense		(4,882)	(4,737)	(9,598)	(9,121)
Net interest income	5	3,013	2,962	6,279	5,879
Fee and commission income		1,579	2,079	3,223	3,748
Fee and commission expense		(162)	(143)	(321)	(293)
Net fee and commission income	6	1,416	1,935	2,902	3,455
Net financial income	7	235	187	320	140
Share in profit of associates, net of income tax	24	10	22	10	22
Other operating income		82	22	132	82
Other net operating income		327	231	462	243
Net operating income		4,756	5,128	9,643	9,577
Administrative expenses	9	(2,947)	(2,981)	(5,961)	(6,071)
Net impairment	11	(269)	(122)	(363)	(188)
Revaluation of contingent consideration		1	-	1	(593)
Revaluation of investment properties		4	-	34	-
Profit before taxes from continuing operations		1,545	2,025	3,354	2,726
Income tax	12	(340)	(424)	(687)	(862)
Special tax on financial activity	13	(197)	(70)	(197)	(70)
Special tax on financial institutions	14	(105)	(92)	(192)	(169)
Profit for the period from continuing operations		903	1,439	2,277	1,625
Discontinued operations					
Profit after tax from discontinued operations		-	-	-	1,901
Profit for the period		903	1,439	2,277	3,525

	Notes	Q2 2026	Q2 2025	6m 2026	6m 2025
Attributable to the shareholders of Kvika banki hf.		906	1,439	2,277	3,525
Attributable to non-controlling interest	23	(3)	-	(1)	-
Profit for the period		903	1,439	2,277	3,525
Earnings per share	15				
Basic earnings per share (ISK per share)		0.21	0.31	0.52	0.77
Diluted earnings per share (ISK per share)		0.21	0.31	0.52	0.77

Quarterly information is unaudited.

The notes on pages 12 to 47 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 2026 to 30 June 2026

	Notes	Q2 2026	Q2 2025	6m 2026	6m 2025
Profit for the period		903	1,439	2,277	3,525
Changes in fair value of financial assets through OCI, net of tax		(40)	(30)	(194)	16
Realized net profit (loss) transferred to the Income Statement, net of tax		1	(13)	(0)	12
Changes to reserve for financial assets at fair value through OCI		(39)	(43)	(195)	28
Exchange difference on translation of foreign operations		20	(49)	(25)	(79)
Other comprehensive income that is or may be reclassified subsequently to profit and loss		(19)	(92)	(220)	(51)
Total comprehensive income for the period		884	1,347	2,057	3,474

	Notes	Q2 2026	Q2 2025	6m 2026	6m 2025
Attributable to the shareholders of Kvika banki hf.		887	1,347	2,058	3,474
Attributable to non-controlling interest		(3)	-	(1)	-
Total comprehensive income for the period		884	1,347	2,057	3,474

Quarterly information is unaudited.

The notes on pages 12 to 47 are an integral part of these Condensed Interim Consolidated Financial Statements.

Kvika banki hf. Amounts are in ISK millions

Condensed Interim Consolidated Statement of Financial Position
As at 30 June 2026

Assets	**Notes**	**30.6.2026**	**31.12.2025**
Cash and balances with Central Bank	16	35,897	20,145
Loans to credit institutions	17	7,409	8,154
Loans to customers	18	223,333	207,560
Fixed income securities	19	34,207	44,522
Shares and other variable income securities	20	33,539	20,663
Securities used for hedging	21	3,605	6,695
Derivatives	22	2,324	3,250
Investment in associates	24	125	117
Intangible assets	25	20,311	21,130
Operating lease assets	26	1,085	361
Property and equipment		272	402
Deferred tax assets	12	355	939
Other assets	27	12,648	9,174
Assets classified as held for sale	28	615	-
Total assets		375,726	343,112

Liabilities			
Deposits	46	201,229	172,787
Borrowings	29	5,503	6,806
Issued bonds	30	86,101	73,249
Subordinated liabilities	31	10,100	5,841
Short positions held for trading	32	146	433
Short positions used for hedging	33	-	432
Derivatives	22	625	773
Deferred tax liabilities		241	257
Other liabilities	34	11,294	13,599
Liabilities associated with assets classified as held for sale	28	2,967	-
Total liabilities		318,205	274,177

Equity			
Share capital	35	4,323	4,417
Share premium		41,456	43,119
Other reserves		4,024	4,376
Retained earnings		7,643	16,948
Total equity attributable to the shareholders of Kvika banki hf.		57,446	68,859
Non-controlling interest	23	75	76
Total equity		57,521	68,935
Total liabilities and equity		375,726	343,112

The notes on pages 12 to 47 are an integral part of these Condensed Interim Consolidated Financial Statements.

Amounts are in ISK millions

Condensed Interim Consolidated Statement of Changes in Equity

For the period 1 January 2026 to 30 June 2026

1 January 2026 to 30 June 2026	Notes	Share capital	Share premium	Other reserves: Option reserve	Other reserves: Deficit reduction reserve	Other reserves: Fair value reserve	Other reserves: Translation reserve	Other reserves: Restricted retained earnings	Retained earnings	Total shareholders' equity	Non-controlling interest	Total equity
Equity as at 1 January 2026		4,417	43,119	7	1,204	(160)	40	3,285	16,948	68,859	76	68,935
Profit for the period									2,277	2,277	(1)	2,277
Changes in fair value of financial assets through OCI						(194)				(194)		(194)
Realized net loss transferred to the Income Statement						(0)				(0)		(0)
Translation of foreign operations												
Exchange difference on translation of foreign operations							(25)			(25)	-	(25)
Total comprehensive income for the period		-	-	-	-	(195)	(25)	-	2,277	2,058	(1)	2,057
Restricted due to subsidiaries and associates								(33)	33	-		-
Restricted due to development costs								(99)	99	-		-
Transactions with owners of the Bank												
Treasury shares acquired as part of a buy-back programme		(94)	(1,663)							(1,757)		(1,757)
Dividend paid to shareholders									(11,715)	(11,715)		(11,715)
Equity as at 30 June 2026		4,323	41,456	7	1,204	(354)	15	3,153	7,643	57,446	75	57,521

The notes on pages 12 to 47 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 June 2025

				Other reserves								
1 January 2025 to 30 June 2025	**Notes**	**Share capital**	**Share premium**	**Option reserve**	**Deficit reduction reserve**	**Fair value reserve**	**Trans-lation reserve**	**Restricted retained earnings**	**Retained earnings**	**Total share-holders' equity**	**Non-controlling interest**	**Total equity**
Equity as at 1 January 2025		4,660	46,750	109	1,204	(583)	79	8,547	28,672	89,439	79	89,517
Profit for the period									3,525	3,525	-	3,525
Changes in fair value of financial assets through OCI						16				16		16
Realized net loss transferred to the Income Statement						12				12		12
Translation of foreign operations												
Exchange difference on translation of foreign operations							(79)			(79)	-	(79)
Total comprehensive income for the period		-	-	-	-	28	(79)	-	3,525	3,474	-	3,474
Restricted due to subsidiaries and associates						220		(6,224)	6,004	-		-
Restricted due to development costs								47	(47)	-		-
Transactions with owners of the Bank												
Treasury shares acquired as part of a buy-back programme		(237)	(3,529)							(3,767)		(3,767)
Dividend paid to shareholders									(23,135)	(23,135)		(23,135)
Share options				(102)					102	-		-
Equity as at 30 June 2025		4,423	43,221	7	1,204	(335)	0	2,370	15,121	66,011	79	66,090

The notes on pages 12 to 47 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 2026 to 30 June 2026

Cash flows from operating activities	Notes	6m 2026	6m 2025
Profit for the period		2,277	3,525
Adjustments for:			
Indexation and exchange rate difference		24	154
Share in profit of associates, net of income tax		(10)	(22)
Depreciation and amortisation		572	788
Net interest income		(6,279)	(5,879)
Net impairment		363	188
Income tax and special tax on financial activity and institutions		1,077	1,101
Adjustment relating to assets held for sale		-	(1,901)
		(1,976)	(2,046)
Changes in:			
Loans to credit institutions		(93)	(7,154)
Loans to customers		(14,317)	(21,811)
Fixed income securities		10,075	8,258
Shares and other variable income securities		(1,583)	(5,581)
Securities used for hedging		3,089	5,374
Derivatives - assets		926	(1,121)
Operating lease assets		(776)	(14)
Other assets		(4,416)	(5,713)
Deposits		27,403	16,153
Short positions		(719)	(91)
Derivatives - liabilities		(137)	(2,201)
Other liabilities		964	(55)
		20,416	(13,955)
Interest received		14,973	14,310
Interest paid		(8,032)	(7,845)
Income tax and special tax on financial activity paid		(445)	(147)
Net cash from (to) operating activities		24,937	(9,683)
Cash flows from investing activities			
Additions of intangible assets	25	(105)	(166)
Net acquisition and sale of property and equipment		(20)	138
Disposal of subsidiary and associates, net of cash		-	32,217
Net cash (to) from investing activities		(125)	32,188
Cash flows from financing activities			
Borrowings		(1,109)	5,330
Issued bonds		12,852	43,102
Subordinated loans		3,894	-
Acquired own shares		(1,757)	(3,767)
Dividend paid to shareholders		(11,715)	(23,135)
Repayment of lease liabilities		(199)	(190)
Net cash from financing activities		1,967	21,340
Net change in cash and cash equivalents		26,779	43,846
Cash and cash equivalents at the beginning of the year		37,056	22,500
Effects of exchange rate fluctuations on cash and cash equivalents		(975)	(3)
Cash and cash equivalents at the end of the period	16	62,860	66,343
Cash and cash equivalents			
Cash and balances with Central Bank	16	35,897	30,919
Restricted balances with Central Bank - fixed reserve requirement	16	(6,922)	(6,118)
Loans to credit institutions - Bank accounts	17	7,264	18,771
Unit shares in cash equivalent liquidity funds	20	26,621	22,770
Cash and cash equivalents at the end of the period		62,860	66,343

The notes on pages 12 to 47 are an integral part of these Condensed Interim Consolidated Financial Statements.

Notes to the Condensed Interim Consolidated Financial Statements

Notes to the Condensed Interim Consolidated Financial Statements

General information

1. Reporting entity

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

The Condensed Interim Consolidated Financial Statements for the period ended 30 June 2026 comprise Kvika banki hf. and its subsidiaries (together referred to as the Group). The Group operates four business segments, Asset Management, Commercial Banking, Investment Banking and UK operations. Kvika is a financial services company with operations in Iceland and the United Kingdom. Kvika does not operate traditional branches but delivers its services primarily online, offering a wide range of solutions in asset management, payments, and banking for individuals, businesses and investors.

The Condensed Interim Consolidated Financial Statements were approved and authorised for issue by the Board of Directors and the CEO on 12 August 2026.

2. Basis of preparation

a. Statement of compliance

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

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

b. Basis of measurement

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

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

c. Functional and presentation currency

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

The Group's assets and liabilities which are denominated in currencies other than ISK are translated to ISK using the exchange rate at the end of day 30 June 2026.

d. Going concern

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

e. Estimates and judgements

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

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

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

Information about areas of estimation uncertainty and critical judgements made by management in applying accounting policies that can have a significant effect on the amounts recognised in the Condensed Interim Consolidated Financial Statements, is provided in the Consolidated Financial Statements as at and for the year ended 31 December 2025.

f. Relevance and importance of notes to the reader

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

Notes to the Condensed Interim Consolidated Financial Statements

3. Changes in accounting policies

New standards, amendments to standards and interpretations have been issued but are not yet effective for the current year, and have not been applied in preparing these Condensed Interim Consolidated Financial Statements. Relevant to the Group's reporting is IFRS 18 Presentation and disclosures in financial statements.

In April 2024, the International Accounting Standards Board (IASB) issued IFRS 18 Presentation and Disclosure in Financial Statements. IFRS 18 replaces IAS 1 Presentation of Financial Statements and introduces new requirements for the presentation and disclosure of financial information, including specified categories and subtotals in the statement of profit or loss and enhanced disclosure requirements for management-defined performance measures.

IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, with retrospective application required. The Group has not early adopted the standard.

Management is currently assessing the impact of IFRS 18 on the Group’s financial reporting. While the assessment is ongoing, management does not currently expect the adoption of IFRS 18 to have a material impact on the Group’s financial statements. However, the final impact of applying the standard will depend on the outcome of the Group’s implementation assessment.

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
The Group defines the following reportable operating segments; Asset Management, Commercial Banking, Investment Banking, UK operations and Treasury. Operating segments pay and receive interest to and from Treasury on an arm's length basis to reflect the allocation of capital and funding cost.

- Asset Management
  Products and services offered include asset management involving both domestic and foreign assets, private banking and private pension plans. The management of a broad range of mutual funds, investment funds and institutional investor funds is included in this segment through the operations of Kvika eignastýring hf.
- Commercial Banking
  Commercial Banking offers various forms of banking services and related advisory services. Included in this operating segment is Lykill, the leasing operations of the Group, and the Group's fintech operations, such as Auður, Netgíró and Aur, as well as the payment facilitation operations of Straumur greiðslumiðlun hf.
- Investment Banking
  Investment Banking provides a range of professional services in the fields of specialised financing, securities and foreign exchange transactions and corporate finance services.
- UK operations
  The UK operations consist of asset management and corporate finance services through Kvika Limited and specialised lending services through Ortus Secured Finance Ltd, as well as the Bank's lending to customers in the UK. The UK operations are the only geographic area outside of Iceland where the Group operates and for the period in 2026 it accounted for 16.0% (6m 2025: 17.8%) 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.

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

4. Business segments (cont.)

6m 2026	Asset Management	Commercial Banking	Investment Banking	UK operations	Treasury	Supporting units	Total
Net interest income	(6)	2,612	1,587	1,154	942	(10)	6,279
Net fee and commission income	1,142	731	713	306	86	(76)	2,902
Net financial income	37	(5)	99	71	119	(0)	320
Share in profit of associates	0	-	0	(0)	(0)	10	10
Other operating income	23	95	0	13	-	1	132
Net operating income	1,196	3,433	2,398	1,544	1,147	(75)	9,643
Salaries and related expenses	(601)	(531)	(454)	(459)	(126)	(1,523)	(3,694)
Other operating expenses	(29)	(882)	(90)	(189)	(59)	(1,017)	(2,266)
Administrative expenses	(630)	(1,412)	(544)	(648)	(186)	(2,541)	(5,961)
Net impairment	-	(132)	(166)	(65)	(0)	-	(363)
Revaluation of contingent consideration	1	-	-	-	-	-	1
Revaluation of investment properties	-	2	-	-	-	32	34
Cost allocation	(382)	(843)	(467)	(142)	(182)	2,016	-
Profit (loss) before tax from continuing operations	185	1,048	1,221	688	780	(568)	3,354
Net segment revenue from external customers	1,231	1,328	5,102	2,583	(623)	22	9,643
Net segment revenue from other segments	(36)	2,105	(2,703)	(1,039)	1,770	(98)	0

6m 2025	Asset Management	Commercial Banking	Investment Banking	UK operations	Treasury	Supporting units	Total
Net interest income	(3)	2,449	1,198	1,111	1,138	(15)	5,879
Net fee and commission income	1,178	746	1,144	377	71	(60)	3,455
Net financial income	41	0	(21)	223	(103)	(0)	140
Share in profit of associates	(0)	-	0	0	-	22	22
Other operating income	17	71	-	(9)	-	3	82
Net operating income	1,233	3,266	2,321	1,702	1,105	(51)	9,577
Salaries and related expenses	(566)	(484)	(415)	(404)	(124)	(1,459)	(3,453)
Other operating expenses	(71)	(1,001)	(100)	(206)	(47)	(1,192)	(2,618)
Administrative expenses	(637)	(1,485)	(516)	(610)	(171)	(2,652)	(6,071)
Net impairment	0	(103)	(58)	(26)	(0)	-	(188)
Revaluation of contingent consideration	(12)	-	-	(580)	-	-	(593)
Revaluation of investment properties	-	-	-	-	-	-	-
Cost allocation	(342)	(727)	(432)	(100)	(169)	1,770	-
Profit (loss) before tax from continuing operations	241	951	1,315	386	765	(932)	2,726
Net segment revenue from external customers	1,248	156	4,162	2,406	1,412	194	9,577
Net segment revenue from other segments	(15)	3,110	(1,841)	(704)	(306)	(244)	(0)

Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

Income statement

5. Net interest income

Interest income is specified as follows:

	Q2 2026	Q2 2025	6m 2026	6m 2025
Cash and balances with Central Bank	663	502	1,069	1,093
Loans to credit institutions	17	221	24	331
Loans to customers	6,429	5,243	12,889	10,237
Derivatives	167	648	402	1,211
Fixed income securities (FVOCI)	501	1,059	1,248	2,101
Other interest income	117	26	245	27
Total	7,895	7,699	15,877	15,000

Interest expense is specified as follows:

	Q2 2026	Q2 2025	6m 2026	6m 2025
Deposits	3,331	2,890	6,403	5,838
Borrowings	113	299	231	610
Issued bonds	1,013	939	2,118	1,622
Subordinated liabilities	224	174	463	312
Derivatives	191	423	364	714
Other interest expense*	9	12	20	25
Total	4,882	4,737	9,598	9,121
Net interest income	3,013	2,962	6,279	5,879

* Thereof are lease liabilities' interest expense amounting to ISK 13 million (6m 2025: ISK 20 million).

During the period, the Group revised the presentation of certain interest expenses to align with the classification of money market deposits in the statement of financial position. Accordingly, part of the interest expenses previously included under Borrowings are now presented under Deposits. Comparative amounts have been reclassified.

Total interest income recognised in respect of financial assets not carried at fair value through profit or loss amounts to ISK 13,970 million (6m 2025: ISK 11,615 million). Total interest expense recognised in respect of financial liabilities not carried at fair value through profit or loss amounts to ISK 9,234 million (6m 2025: ISK 8,407 million).

6. Net fee and commission income

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

	Q2 2026	Q2 2025*	6m 2026	6m 2025*
Asset Management	567	570	1,158	1,182
Capital markets and corporate finance	260	643	560	977
Cards and payment solutions	177	187	338	358
Loans and guarantees	544	525	1,099	983
Other fee and commission income	30	153	68	248
Total fee and commission income	1,579	2,079	3,223	3,748
Fee and commission expense	(162)	(143)	(321)	(293)
Net fee and commission income	1,416	1,935	2,902	3,455

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

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

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

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

* A portion of the fees that were recorded as other fee and commission income during the period in 2025 has been reclassified, as stated in the 2025 Consolidated Financial Statements. The reclassification primarily resulted in a decrease in other fee and commission income and an increase in fee income related to loans and guarantees.

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

7. Net financial income

Net financial income is specified as follows:

	Q2 2026	Q2 2025	6m 2026	6m 2025
Net gain (loss) on financial assets and financial liabilities mandatorily measured at fair value through profit or loss				
Fixed income securities	100	86	175	167
Financial assets at fair value through OCI	(1)	17	0	(14)
Shares and other variable income securities	113	207	205	275
Derivatives	(0)	1	(0)	(4)
Loans to customers	(19)	(25)	(36)	(47)
Loss on prepayments of borrowings	-	-	-	(83)
Foreign currency exchange difference	43	(98)	(24)	(154)
Total	235	187	320	140

8. Foreign currency exchange difference

Foreign currency exchange difference is specified as follows:

	Q2 2026	Q2 2025	6m 2026	6m 2025
(Loss) gain on financial instruments at fair value through profit and loss	(223)	(777)	(127)	341
Gain (loss) on other financial instruments	266	679	102	(495)
Total	43	(98)	(24)	(154)

9. Administrative expenses

Administrative expenses are specified as follows:

	Q2 2026	Q2 2025	6m 2026	6m 2025
Salaries and related expenses	1,877	1,750	3,694	3,453
Other operating expenses	782	924	1,695	1,830
Depreciation and amortisation	242	267	487	660
Depreciation of right of use asset	46	41	85	128
Total	2,947	2,981	5,961	6,071

10. Salaries and related expenses

Salaries and related expenses are specified as follows:

	Q2 2026	Q2 2025	6m 2026	6m 2025
Salaries	1,385	1,249	2,711	2,479
Performance based payments excluding share-based payments	95	144	218	269
Pension fund contributions	184	165	350	326
Tax on financial activity	74	69	144	134
Other salary related expenses	139	124	271	245
Total	1,877	1,750	3,694	3,453
Average number of full time employees during the period	241	251	245	251
Total number of full time employees at the end of the period	232	249	232	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% (2025: 5.50%).

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

11. Net impairment

	Q2 2026	Q2 2025	6m 2026	6m 2025
Net change in impairment of loans	(265)	(115)	(366)	(185)
Net change in impairment of other assets	-	(7)	(1)	(7)
Net change in impairment of loan commitments, guarantees and unused credit facilities	(4)	(0)	3	4
Total	(269)	(122)	(363)	(188)

12. Income tax

The Bank and some of its subsidiaries will not pay income tax on its profit for 2026 due to the fact that Group has a tax loss carry forward that offsets the calculated income tax. At year-end 2025, the tax loss carry forward of the Group amounted to ISK 6.6 billion. A substantial part of the tax loss carry forward is utilisable until end of year 2028. Management is of the opinion that the Group's operations in the years to come will result in taxable results which will be offset with the tax loss carry forward. The Group has therefore recognised the tax loss carry forward as a deferred tax asset in the Condensed Interim Consolidated Statement of Financial Position.

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

13. Special tax on financial activity

The special tax on financial activity is an additional income tax which becomes effective when the income tax base exceeds ISK 1,000 million. It is levied on the same entities as the tax on financial activity according to Act No. 90/2003. The tax rate is set at 6.0% (2025: 6.0%) and the tax is not a deductible expense for income tax purposes. The tax is presented separately in the Condensed Interim Consolidated Income Statement.

14. Special tax on financial institutions

According to Act No. 155/2010 on Special Tax on Financial Institutions, certain types of financial institutions, including banks, must pay annually a tax based on the carrying amount of their liabilities as determined for tax purposes in excess of ISK 50 billion at year-end. The tax rate is set at 0.145% (2025: 0.145%) and the tax is not a deductible expense for income tax purposes. The tax is presented separately in the Condensed Interim Consolidated Income Statement.

15. Earnings per share

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

	Continuing operations		Discontinued operations		Continuing and discontinued operations	
	6m 2026	**6m 2025**	**6m 2026**	**6m 2025**	**6m 2026**	**6m 2025**
Net earnings attributable to equity holders of the Bank	2,277	1,625	-	1,901	2,277	3,525
Weighted average number of outstanding shares	4,346	4,576	4,346	4,576	4,346	4,576
Adjustments for stock options	2	1	2	1	2	1
Total	4,348	4,577	4,348	4,577	4,348	4,577
Basic earnings per share (ISK)	0.52	0.36	0.00	0.42	0.52	0.77
Diluted earnings per share (ISK)	0.52	0.35	0.00	0.42	0.52	0.77
	Q2 2026	**Q2 2025**	**Q2 2026**	**Q2 2025**	**Q2 2026**	**Q2 2025**
Net earnings attributable to equity holders of the Bank	906	1,439	-	-	906	1,439
Weighted average number of outstanding shares	4,323	4,651	4,323	4,651	4,323	4,651
Adjustments for stock options	2	-	2	-	2	-
Total	4,325	4,651	4,325	4,651	4,325	4,651
Basic earnings per share (ISK)	0.21	0.31	-	-	0.21	0.31
Diluted earnings per share (ISK)	0.21	0.31	-	-	0.21	0.31

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

Statement of Financial Position

16. Cash and balances with Central Bank

Cash and balances with Central Bank are specified as follows:

	30.6.2026	31.12.2025
Deposits with Central Bank	28,964	13,929
Cash on hand	11	12
Included in cash and cash equivalents	28,975	13,941
Restricted balances with Central Bank - fixed reserve requirement	6,922	6,203
Total	35,897	20,145

17. Loans to credit institutions

Loans to credit institutions are specified as follows:

	30.6.2026	31.12.2025
Bank accounts	7,264	8,102
Other loans	145	52
Total	7,409	8,154

18. Loans to customers

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

	Individuals		**Corporates**		**Total**	
30.6.2026	Gross carrying amount	Book value	Gross carrying amount	Book value	Gross carrying amount	Book value
Loans to customers at amortised cost	67,022	66,080	154,569	152,924	221,591	219,004
Loans to customers at FV through profit or loss	-	-	4,330	4,330	4,330	4,330
Total	67,022	66,080	158,898	157,254	225,921	223,333

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

The Group presents finance lease receivables as part of loans to customers at amortised cost. As at 30 June 2026, the book value of finance lease receivables amounted to ISK 25,120 million (31.12.2025: ISK 23,175 million).

19. Fixed income securities

Fixed income securities are specified as follows:

	30.6.2026	31.12.2025
Mandatorily measured at fair value through profit or loss		
Listed government bonds and bonds with government guarantees	3,197	1,793
Listed bonds	2,723	2,425
Unlisted bonds	1,709	1,436
Measured at fair value through other comprehensive income		
Listed government bonds and bonds with government guarantees	25,215	37,473
Listed bonds	1,364	1,394
Total	34,207	44,522

Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

20. Shares and other variable income securities

Shares and other variable income securities are specified as follows:

Mandatorily measured at fair value through profit or loss	**30.6.2026**	**31.12.2025**
Listed shares	1,042	996
Unlisted shares	4,135	3,097
Unit shares in cash equivalent liquidity funds	26,621	15,013
Unlisted unit shares	1,742	1,558
Total	33,539	20,663

21. Securities used for hedging

Securities used for hedging are specified as follows:

	30.6.2026	**31.12.2025**
Listed government bonds and bonds with government guarantees	1,323	938
Listed bonds	356	320
Listed shares	1,846	5,353
Listed unit shares	51	-
Unlisted unit shares	30	84
Total	3,605	6,695

22. Derivatives

Derivatives are specified as follows:

	Notional		**Carrying amount**	
30.6.2026	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate derivatives	50,400	50,400	-	1
Cross - currency interest rate swaps	39,945	29,839	580	-
Currency forwards	7,839	8,496	26	52
Currency forwards used for hedge accounting	-	9,438	254	-
Bond and equity total return swaps	4,868	3,977	1,039	148
Equity options	2,003	2,003	424	424
Total	105,054	104,153	2,324	625

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

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

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

	30.6.2026	**31.12.2025**
Balance at the beginning of the year	124	(21)
Foreign currency revaluation of the net foreign operations	99	182
Tax effect	(20)	(36)
Total	204	124

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

23. Group entities

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

Entity	Nature of operations	Domicile	Share 30.6.2026	Share 31.12.2025
GAMMA Capital Management ehf.	Holding company	Iceland	100%	100%
Kvika eignastýring hf.	Asset management	Iceland	100%	100%
Skilum ehf.	Debt Collection	Iceland	100%	100%
Straumur greiðslumiðlun hf.	Payment facilitator	Iceland	100%	100%
AC GP 3 ehf.	Fund management	Iceland	85%	85%
Kvika Limited	Business consultancy services	UK	100%	100%
Ortus Secured Finance ltd.	Lending operations	UK	100%	100%

24. Investment in associates

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

Entity	Nature of operations	Domicile	Share 30.6.2026	Share 31.12.2025
Gláma fjárfestingar slhf.	Holding company	Iceland	24%	24%
Moberg d. o. o.	Digital solutions provider	Croatia	40%	40%

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

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

	30.6.2026	31.12.2025
Balance at the beginning of the year	117	113
Dividend received	-	(36)
Share in profit of associates, net of income tax	10	37
Exchange rate difference	(3)	3
Total	125	117

25. Intangible assets

Intangible assets are specified as follows:

30.6.2026	Goodwill	Customer relationships	Brands	Software and other	Total
Balance as at 1 January 2026	17,738	1,388	174	1,829	21,130
Additions during the period	-	-	-	105	105
Discontinued	-	(115)	-	(22)	(136)
Amortisation	-	(88)	(11)	(229)	(329)
Reclassified as assets held for sale	-	(148)	-	(285)	(433)
Currency adjustments	(19)	(5)	-	-	(25)
Balance as at 30 June 2026	17,719	1,032	162	1,398	20,311
Gross carrying amount	17,719	1,761	369	3,998	23,848
Accumulated amortisation	-	(729)	(207)	(2,600)	(3,536)
Balance as at 30 June 2026	17,719	1,032	162	1,398	20,311

31.12.2025	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	-	-	-	306	306
Discontinued	-	-	-	(27)	(27)
Amortisation	-	(163)	(45)	(573)	(781)
Currency adjustments	(45)	(15)	(1)	-	(61)
Balance as at 31 December 2025	17,738	1,388	174	1,829	21,130
Gross carrying amount	17,738	2,082	369	4,281	24,471
Accumulated amortisation	-	(694)	(195)	(2,452)	(3,341)
Balance as at 31 December 2025	17,738	1,388	174	1,829	21,130

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

26. Operating lease assets

Operating lease assets are specified as follows:

	30.6.2026	31.12.2025
Balance as at 1 January	361	215
Additions	820	285
Disposals	(44)	(86)
Depreciation	(53)	(53)
Total	1,085	361
Gross carrying amount	1,230	494
Accumulated depreciation	(145)	(132)
Total	1,085	361

27. Other assets

Other assets are specified as follows:

	30.6.2026	31.12.2025
Unsettled transactions	8,129	4,096
Accounts receivable	2,448	3,686
Right of use asset and lease receivables	455	569
Investment properties	25	93
Sundry assets	1,591	731
Total	12,648	9,174

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

	30.6.2026	31.12.2025
Right of use asset and lease receivables as at 1 January	569	1,024
Indexation	19	30
Currency adjustments	(1)	(3)
Impairment	-	(201)
Depreciation and lease receivable instalment	(132)	(282)
Total	455	569

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

28. Assets classified as held for sale

On 30 June 2026 the Group classified the assets and liabilities of Straumur greiðslumiðlun hf. as held for sale in accordance with IFRS 5. Management is committed to a plan to sell the subsidiary and expects the transaction to be completed within twelve months. The disposal group does not represent a separate major line of business or geographical area of operations and, accordingly, has not been presented as a discontinued operation.

At 30 June 2026, assets classified as held for sale amounted to ISK 615 million and liabilities associated with assets classified as held for sale amounted to ISK 2,967 million. The carrying amounts presented represent the disposal group on a consolidated basis and therefore exclude all intragroup balances that are eliminated in the preparation of the consolidated financial statements.

29. Borrowings

Borrowings are specified as follows:

	30.6.2026	31.12.2025
Secured borrowings	5,176	5,228
Other borrowings	327	1,579
Total	5,503	6,806

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

30. Issued bonds

Issued bonds are specified as follows:

Currency, nominal value	First issued	Maturity	Maturity type	Terms of interest	30.6.2026	31.12.2025
Unsecured bonds:						
EMTN 26 0511, SEK 566 million	2023	5/2026	At maturity	Floating, 3 month STIBOR + 4.10%	-	3,115
EMTN 26 0511, NOK 750 million	2023	5/2026	At maturity	Floating, 3 month NIBOR + 4.10%	-	4,193
EMTN 26 1123 GB, SEK 500 million ..	2023	11/2026	At maturity	Floating, 3 month STIBOR + 4.0%	6,529	6,845
KVB 21 02, ISK 5,400 million	2021	5/2027	At maturity	CPI-indexed, fixed 1.0%	7,419	7,172
EMTN 28 0421, NOK 400 million	2025	4/2028	At maturity	Floating, 3 month NIBOR + 2.0%	5,157	5,039
EMTN 28 0421, SEK 600 million	2025	4/2028	At maturity	Floating, 3 month STIBOR + 2.0%	7,851	8,228
KVIKA 28 0703, ISK 5,000 million	2025	7/2028	At maturity	Floating, 3 month REIBOR + 1.14%	5,111	5,109
EMTN 29 0602, EUR 200 million	2025	6/2029	At maturity	Fixed 4.50%	28,903	30,209
EMTN 30 0610, EUR 150 million	2026	6/2030	At maturity	Fixed 4.375%	21,654	-
KVIKA 32 0112, ISK 2,000 million	2022	1/2032	At maturity	CPI-indexed, fixed 1.40%	2,681	2,579
Total					85,306	72,490
Unlisted senior unsecured bonds, total					795	759
Total					86,101	73,249

31. Subordinated liabilities

a. Subordinated liabilities:

Currency, nominal value	First issued	Maturity	First call	Terms of interest	30.6.2026	31.12.2025
KVIKA 34 1211 T2i, ISK 2,500 m.	2023	12/2034	12/2029	CPI-Indexed, fixed 6.25%	2,929	2,733
TM 15 1, ISK 2,000 million	2015	5/2045	5/2027	CPI-Indexed, fixed 6.25%	3,233	3,109
Total - Tier 2					6,163	5,841
KVIKA AT1, SEK 300 million	2026	Perpetual	4/2031	Floating, 3 month STIBOR + 4.25%	3,938	-
Total - Additional Tier 1					3,938	-
Total subordinated liabilities					10,100	5,841

The Group has the right to repay the TM 15 01 subordinated bond on any interest payment dates until maturity. Additionally, at the interest payment date in the year 2029 for KVIKA 34 1211 T2i, the Group has the right to repay the subordinated bond and on any subsequent interest payment dates until maturity.

In April 2026, the Group issued SEK 300 million Additional Tier 1 (AT1) capital instruments. The AT1 instruments are perpetual and have no fixed maturity date. The instruments are callable at the option of the Group after five years and on subsequent interest payment dates thereafter, subject to regulatory approval. The instruments include a temporary write-down feature with a Common Equity Tier 1 (CET1) trigger of 5.125%.

Subordinated liabilities and capital instruments form part of the Group's regulatory capital base. In the event of the Group's voluntary or compulsory winding-up, subordinated liabilities rank behind the claims of ordinary creditors. Tier 2 instruments are included in Tier 2 capital, while AT1 instruments are included in Additional Tier 1 capital for regulatory capital purposes. The amount eligible for Tier 2 capital treatment is amortised on a straight-line basis over the final five years to maturity, in accordance with applicable capital adequacy regulations. The Group may only redeem, repurchase or otherwise retire subordinated liabilities and capital instruments with the approval of the Financial Supervisory Authority of the Central Bank of Iceland.

b. Subordinated liabilities are specified as follows:

	30.6.2026	31.12.2025
Balance at the beginning of the year	5,841	5,629
Additions	3,894	-
Paid interest	(62)	(272)
Paid interests due to indexation	(37)	(76)
Accrued interests and indexation	463	560
Total	10,100	5,841

Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

32. Short positions held for trading

Short positions held for trading are specified as follows:

	30.6.2026	31.12.2025
Listed government bonds and bonds with government guarantees	0	108
Listed bonds	146	253
Listed shares	0	72
Total	146	433

33. Short positions used for hedging

Short positions used for hedging are specified as follows:

	30.6.2026	31.12.2025
Listed government bonds and bonds with government guarantees	0	432
Total	0	432

34. Other liabilities

Other liabilities are specified as follows:

	30.6.2026	31.12.2025
Unsettled transactions	5,636	3,252
Salaries and salary related expenses	1,692	1,688
Accounts payable and accrued expenses	1,300	5,268
Withholding taxes	796	1,055
Lease liability	621	802
Contingent consideration	296	641
Special taxes on financial institutions and financial activities	623	433
Expected credit loss allowance for loan commitments, guarantees and unused credit facilities	13	16
Other liabilities	318	444
Total	11,294	13,599

Lease liability is specified as follows:

	30.6.2026	31.12.2025
Lease liability as at 1 January	802	1,158
Currency adjustments	(2)	(5)
Instalment	(199)	(382)
Indexation	19	30
Total	621	802

The lease liability mostly consists of real estate for the Group's own use. The end date of the lease agreement of the Group's head office is in November 2031 but with an exit clause in September 2027. The lease is linked to the Icelandic consumer price index. Right of use asset and lease receivables are specified in note 27.

35. Share capital

a. Share capital

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

	30.6.2026	31.12.2025
Share capital according to the Bank's Articles of Association	4,330	4,631
Nominal amount of treasury shares	7	214
Authorised but not issued shares	240	240

b. Changes made to the nominal amount of share capital

During the period in 2026 the Bank's share capital was decreased by ISK 301 million in nominal value following a resolution by the AGM to cancel treasury shares. Furthermore, during the period in 2026 the Bank acquired treasury shares amounting to ISK 94 million in nominal value as a result of a share buy-back plan.

c. Share capital increase authorisations

According to the Bank's Articles of Association dated 18 March 2026, cf. temporary provision I, the Board of Directors is authorised to issue options or warrants for up to ISK 240 million in nominal value. To serve such instruments the Board of Directors is authorised to either increase the share capital accordingly or purchase own shares, as permitted by law. This authorisation is valid until 31 March 2027.

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

Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

36. Capital adequacy ratio (CAR)

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

Own funds	**30.6.2026**	**31.12.2025**
Total equity	57,521	68,935
Proposed dividends and buybacks	(569)	(3,323)
Goodwill and intangibles	(20,137)	(20,925)
Shares in other financial institutions	(217)	(217)
Deferred tax asset	(355)	(939)
Amounts below the threshold for deduction	572	1,156
Common equity Tier 1 capital (CET1)	36,815	44,687
Additional Tier 1 Capital	3,938	0
Tier 1 capital	40,752	44,687
Tier 2 capital instruments	6,163	5,416
Deductions from Tier 2 capital	(463)	-
Tier 2 capital	5,699	5,416
Total own funds	46,451	50,103
Risk-weighted exposure amount (RWEA)		
Credit risk	173,822	157,968
Market risk	7,377	8,296
Operational risk	20,503	20,503
Total risk-weighted exposure amount	201,701	186,767
Capital ratios		
CET1 ratio	18.3%	23.9%
T1 ratio	20.2%	23.9%
Capital adequacy ratio (CAR)	23.0%	26.8%
Capital buffer requirement, % of RWEA		
Systemic risk buffer (SRB)	1.6%	1.6%
Countercyclical capital buffer (CCyB)	2.4%	2.4%
Capital conservation buffer (CCB)	2.5%	2.5%
Combined buffer requirement	6.4%	6.4%

Capital requirement, % of RWEA			**30.6.2026**
	CET1	**Tier 1**	**Total**
Pillar I capital requirement	4.5%	6.0%	8.0%
Pillar II-R capital requirement	1.9%	2.5%	3.3%
Minimum requirement under Pillar I and Pillar II-R	6.4%	8.5%	11.3%
Combined buffer requirement	6.4%	6.4%	6.4%
Total capital requirement	12.8%	14.9%	17.7%

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

37. Leverage ratio

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

	30.6.2026	31.12.2025
On-balance sheet exposures	352,696	315,613
Derivative exposures	3,746	3,331
Off - balance sheet exposures	13,025	1,093
Total exposure measure	369,468	320,037
Tier 1 capital	40,752	44,687
Leverage ratio	11.0%	14.0%

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 liabilities (MREL) as a percentage to the Group's total risk-weighted exposure amount (MREL-RWEA). The MREL-RWEA requirement must be met parallel to the combined buffer requirement (CBR). The Group must also meet a requirement of MREL funds as a percentage of the Group's total exposure measure (MREL-TEM). The MREL requirements as of 30 June are 21.9% of MREL-RWEA and 6% of MREL-TEM.

Own funds and eligible liabilities	**30.6.2026**	**31.12.2025**
Common equity Tier 1 capital (CET1)	36,815	44,687
Additional tier 1 capital (AT1)	3,938	-
Tier 2 capital	5,699	5,416
Eligible liabilities	72,143	59,096
Total own funds and eligible liabilities	118,595	109,199
MREL-RWEA and CBR		
Risk-weighted exposure amount (RWEA)	201,701	186,767
Own funds and eligible liabilities as % of RWEA	58.8%	58.5%
Minimum requirements for own funds (MREL)	21.9%	21.9%
Combined buffer requirement (CBR)	6.4%	6.4%
MREL-RWEA requirement including CBR	28.3%	28.3%
MREL-TEM		
Total exposure measure	369,468	320,037
Own funds and eligible liabilities as % of TEM	32.1%	34.1%
MREL-TEM requirement	6.0%	6.0%

Notes to the Condensed Interim Consolidated Financial Statements

Risk management

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

b. Management

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

c. Credit approval process

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

A more thorough credit assessment may be conducted if considered appropriate and can include an assessment of a borrower's fundamental credit strength as well as the value of any collateral. To assess the borrower's ability to meet its obligations, the committee may request stress testing of the borrower's cash flows or obtain assessments from third parties.

d. Collateral

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

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

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

e. Credit rating

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

f. Loan portfolio management

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

g. Impairment

Provisioning for loan impairments is estimated based on expected credit loss models assessing the portfolio as well as individual lending. Risk management suggests a level of provisioning for the portfolio, based on the expected credit loss assessment. Provisions require approval from the credit committee. Refer to note 82 in the 2025 Consolidated Financial Statements for more information on the Group's impairment policy.

h. Derivatives

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

i. Securities used for hedging

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

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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:

On-balance sheet exposure	Public entities	Financial institutions	Corporate customers	Individuals	30.6.2026
Cash and balances with Central Bank	35,897	-	-	-	35,897
Loans to credit institutions	-	7,409	-	-	7,409
Loans to customers	5	2	157,246	66,080	223,333
Fixed income securities	30,137	3,878	193	-	34,207
Derivatives	-	1,573	660	90	2,324
Other assets	2	663	11,503	-	12,168
	66,041	13,526	169,602	66,170	315,339
Off-balance sheet exposure					
Loan commitments	18	7	11,162	842	12,029
Financial guarantee contracts	-	-	996	-	996
Maximum exposure to credit risk	66,058	13,533	181,760	67,012	328,364

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

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

The Group utilises an economic forecast which is aligned with requirements for the calculation of expected credit loss. The Group owns loan portfolios in two geographical segments, i.e. Iceland and the United Kingdom ("UK"). In general, the Group utilises the same ECL methodology for the portfolios in both segments, although in the UK it is to a larger extent based on an individual assessment by credit specialists and a separate macroeconomic forecast is used to reflect the UK economy. The following tables show the first 12 month macro economic values for the variables used in the expected credit loss model. Reference is made to note 82 in the 2025 Consolidated Financial Statements for further information about the Group's impairment methodology.

Model parameters for Icelandic portfolio		**30.6.2026**		**31.12.2025**		
Scenarios	**Base case**	**Upside**	**Downside**	**Base case**	**Upside**	**Downside**
Unemployment rate	6.1%	5.1%	6.9%	5.0%	4.0%	6.4%
Inflation CPI index	5.1%	4.4%	6.6%	3.4%	3.0%	5.8%
Assigned weight	55.0%	10.0%	35.0%	55.0%	10.0%	35.0%

Model parameters for UK portfolio		**30.6.2026**				**31.12.2025**		
Scenarios	**Base case**	**Upside**	**Downside**	**Severe**	**Base case**	**Upside**	**Downside**	**Severe**
Unemployment rate	5.1%	4.8%	6.1%	7.5%	4.9%	2.3%	3.6%	5.9%
Inflation CPI index	3.3%	2.8%	4.5%	8.5%	2.5%	4.4%	5.9%	7.5%
Assigned weight	50.0%	15.0%	25.0%	10.0%	50.0%	15.0%	25.0%	10.0%

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.

30.6.2026	Claim value	Impairment due to expected credit loss	Carrying amount	%	Allocated collateral: 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	5	(0)	5	0.0%	8	-	-	-	-	-	8	-	-	-	1
Financial institutions	2	(0)	2	0.0%	-	-	-	-	-	-	-	-	-	-	2
Corporate															
Real estate activities	59,526	(316)	59,210	26.5%	100,944	146	181	507	36,050	61,624	1,154	490	100	693	351
Construction	27,582	(204)	27,378	12.3%	46,639	8	-	-	23,067	9,636	7,111	5,359	0	1,458	456
Activities of Holding Companies	19,588	(589)	18,999	8.5%	63,194	101	1,811	13,010	11,206	15,269	438	141	688	20,530	978
Service Activities	15,574	(76)	15,498	6.9%	30,089	45	49	273	1,280	6,060	18,262	3,291	0	830	293
Accommodat. and Food Service Activit.	12,003	(69)	11,933	5.3%	23,067	61	-	-	2,839	19,515	523	85	0	44	266
Act. of Hold. Comp. - Securities Financing ..	7,079	(278)	6,801	3.0%	14,033	142	13,340	541	10	-	-	-	0	-	366
Other	17,539	(112)	17,427	7.8%	39,125	38	553	3,923	2,978	13,820	8,073	5,748	115	3,877	2,348
Individuals	67,022	(942)	66,080	29.6%	131,755	80	1,040	837	79,741	2,379	44,843	1,323	-	1,513	8,719
Total	225,921	(2,587)	223,333	100.0%	448,855	622	16,973	19,090	157,171	128,303	80,413	16,437	903	28,944	13,780

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

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

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.

30.6.2026

Loans to customers:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	146,326	2,419	-	4,011	152,756
Credit quality band II	37,974	4,765	-	-	42,739
Credit quality band III	13,239	4,421	-	192	17,852
Credit quality band IV	583	946	-	-	1,529
In default	4	0	8,938	127	9,070
Non-rated	822	293	859	-	1,975
Gross carrying amount	198,949	12,845	9,797	4,330	225,921
Expected credit loss	(385)	(282)	(1,921)	-	(2,587)
Book value	198,564	12,563	7,876	4,330	223,333

Loan commitments, guarantees and unused credit facilities:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	8,098	59	-	436	8,592
Credit quality band II	3,436	19	-	-	3,455
Credit quality band III	245	319	-	-	565
Credit quality band IV	4	5	-	-	10
In default	1	-	156	-	157
Non-rated	246	-	-	-	246
Total off-balance sheet amount	12,030	402	156	436	13,025
Expected credit loss	(8)	(2)	(3)	-	(13)
Net off-balance sheet amount	12,022	401	154	436	13,013

31.12.2025

Loans to customers:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	139,620	5,455	-	3,658	148,733
Credit quality band II	33,264	2,123	-	94	35,480
Credit quality band III	11,787	4,113	-	-	15,901
Credit quality band IV	374	518	-	-	892
In default	4	1	7,706	-	7,710
Non-rated	730	318	-	125	1,173
Gross carrying amount	185,778	12,527	7,706	3,877	209,889
Expected credit loss	(379)	(203)	(1,747)	-	(2,329)
Book value	185,400	12,324	5,959	3,877	207,560

Loan commitments, guarantees and unused credit facilities:	**Stage 1**	**Stage 2**	**Stage 3**	**FVTPL**	**Total**
Credit quality band I	6,722	0	-	61	6,783
Credit quality band II	2,945	0	-	-	2,945
Credit quality band III	236	14	-	-	249
Credit quality band IV	2	77	-	-	80
In default	-	-	12	-	12
Non-rated	741	-	-	-	741
Total off-balance sheet amount	10,646	91	12	61	10,810
Expected credit loss	(13)	(0)	(3)	-	(16)
Net off-balance sheet amount	10,633	91	9	61	10,794

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

42. Credit quality of financial assets (cont.)

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

30.6.2026	Claim value	Expected credit loss	Carrying amount
Not past due	204,610	(627)	203,983
Past due 1-30 days	9,392	(69)	9,323
Past due 31-60 days	3,290	(145)	3,144
Past due 61-90 days	1,727	(47)	1,680
Past due 91-180 days	3,860	(197)	3,662
Past due 181-360 days	1,615	(669)	946
Past due more than 360 days	1,428	(833)	595
Total	225,921	(2,587)	223,333

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

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

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

30.6.2026

Expected credit loss allowance total

	Stage 1	Stage 2	Stage 3	Total
Transfers of financial assets:				
Balance as at 1 January 2026	392	204	1,749	2,345
Transfer to Stage 1 - (Initial recognition)	51	(34)	(17)	-
Transfer to Stage 2 - (significantly increased credit risk)	(30)	84	(55)	-
Transfer to Stage 3 - (credit impaired)	(14)	(40)	55	-
Net remeasurement of loss allowance	(68)	62	343	337
New financial assets, originated or purchased	170	50	114	335
Derecognitions and maturities	(108)	(43)	(163)	(314)
Write-offs	(0)	(0)	(103)	(103)
Balance as at 30 June 2026	393	283	1,923	2,600

Expected credit loss allowance for loans to customers

	Stage 1	Stage 2	Stage 3	Total
Transfers of financial assets:				
Balance as at 1 January 2026	379	203	1,747	2,329
Transfer to Stage 1 - (Initial recognition)	50	(34)	(16)	-
Transfer to Stage 2 - (significantly increased credit risk)	(28)	82	(55)	-
Transfer to Stage 3 - (credit impaired)	(14)	(40)	55	-
Net remeasurement of loss allowance	(63)	63	341	341
New financial assets, originated or purchased	169	49	114	332
Derecognitions and maturities	(107)	(42)	(163)	(312)
Write-offs	(0)	(0)	(103)	(103)
Balance as at 30 June 2026	385	282	1,921	2,587

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 2026	13	0	3	16
Transfer to Stage 1 - (Initial recognition)	1	(0)	(1)	-
Transfer to Stage 2 - (significantly increased credit risk)	(2)	2	(0)	-
Transfer to Stage 3 - (credit impaired)	(0)	(0)	0	-
Net remeasurement of loss allowance	(4)	(1)	2	(4)
New financial assets, originated or purchased	1	1	-	2
Derecognitions and maturities	(1)	(0)	(0)	(1)
Balance as at 30 June 2026	8	2	3	13

31.12.2025

Expected credit loss allowance total

	Stage 1	Stage 2	Stage 3	Total
Transfers of financial assets:				
Balance as at 1 January 2025	377	189	1,778	2,345
Transfer to Stage 1 - (Initial recognition)	80	(33)	(47)	-
Transfer to Stage 2 - (significantly increased credit risk)	(18)	42	(24)	-
Transfer to Stage 3 - (credit impaired)	(17)	(28)	45	-
Net remeasurement of loss allowance	(139)	5	99	(35)
New financial assets, originated or purchased	303	107	633	1,043
Derecognitions and maturities	(194)	(79)	(405)	(679)
Write-offs	(0)	(0)	(329)	(330)
Balance as at 31 December 2025	392	204	1,749	2,345

Expected credit loss allowance for loans to customers

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

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

	Stage 1	Stage 2	Stage 3	Total
Transfers of financial assets:				
Balance as at 1 January 2025	11	0	7	18
Transfer to Stage 1 - (Initial recognition)	6	(0)	(6)	-
Transfer to Stage 2 - (significantly increased credit risk)	(0)	0	(0)	-
Transfer to Stage 3 - (credit impaired)	(0)	(0)	0	-
Net remeasurement of loss allowance	(5)	0	2	(4)
New financial assets, originated or purchased	5	-	-	5
Derecognitions and maturities	(3)	(0)	(0)	(4)
Balance as at 31 December 2025	13	0	3	16

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

43. Loan-to-value

a. General

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

b. Breakdown

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

	30.6.2026	%	31.12.2025	%
Less than 50%	66,147	29.6%	66,278	31.9%
50-70%	79,127	35.4%	70,430	33.9%
70-90%	58,091	26.0%	44,615	21.5%
90-100%	4,021	1.8%	6,707	3.2%
100-125%	2,364	1.1%	3,814	1.8%
125-200%	1,227	0.5%	2,371	1.1%
Greater than 200%	1,118	0.5%	2,231	1.1%
No or negligible collateral:				
Other loans with no collateral	11,238	5.0%	11,112	5.4%
Total	223,333	100.0%	207,560	100.0%

44. Collateral against exposures to derivatives

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

	Deposits	Fixed income securities	Variable income securities	Real estate	Other fixed assets	Other	30.6.2026
Financial institutions	436	78	52	-	-	-	565
Corporate customers	395	48	1,069	-	-	-	1,512
Individuals	37	7	117	-	-	-	161
Total	868	133	1,238	-	-	-	2,239

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

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

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 15 bn. ISK, whichever is higher. Single large exposures net of risk adjusted mitigation take into account the effects of collateral and other credit enhancements held by the financial institution, and other credit enhancements, in accordance with regulation no. 575/2013.

		30.6.2026		31.12.2025
Large exposures before risk adjusted mitigation	Number	Amount	Number	Amount
10-20% of capital base	3	14,507	2	9,610
20-25% of capital base	0	-	0	-
Exceeding 25% of capital base	0	-	0	-
Total	3	14,507	2	9,610
Thereof loans to credit institutions which are part of Kvika's liquidity management	0	-	0	-
Large exposures net of risk adjusted mitigation	2	9,095	1	4,662

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

46. Liquidity risk

a. Definition

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

b. Management

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

	ISK		EUR		Total all currencies	
30.6.2026	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**	**Unweighted**	**Weighted**
Liquid assets level 1	59,139	59,139	1,291	1,226	61,942	61,802
Liquid assets level 2A	2,756	2,343	1,878	1,503	7,020	5,754
Liquid assets level 2B	-	-	6,262	2,818	7,416	3,337
Excess liquid asset amount	-	-	-	(3,503)	-	-
Total high quality liquid assets (HQLA)	61,895	61,482	9,431	2,044	76,378	70,893
Deposits	159,314	37,780	3,319	1,299	165,066	40,107
Other borrowings	132	132	-	-	358	358
Other outflows	12,052	5,432	1,506	209	19,771	6,189
Total outflows (0-30 days)	171,498	43,344	4,826	1,507	185,195	46,654
Short-term deposits with other banks	338	338	1,587	1,587	7,415	7,415
Other inflows	12,289	8,278	1,948	1,947	18,065	13,521
Restrictions on inflows	-	-	-	(2,404)	-	-
Total inflows (0-30 days)	12,628	8,617	3,535	1,130	25,480	20,936
Liquidity coverage ratio		177%		542%		276%

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

	30.6.2026	**31.12.2025**
NSFR total	137%	137%

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

46. Liquidity risk (cont.)

c. LCR deposit categories

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

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

30.6.2026	**Run off date**	**0-30 days**	**Over 30 days**	**Total**
Individuals	5%-100%	115,089	18,121	133,210
Small and medium sized corporates	5%-100%	9,119	339	9,458
Large corporates	20%-40%	12,373	167	12,540
Public entities	40%	10,355	5	10,360
Financial entities	100%	18,131	15,710	33,841
Other *		1,774	46	1,820
Total		166,840	34,389	201,229

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

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

46. Liquidity risk (cont.)

d. Maturity analysis of financial assets and financial liabilities

30.6.2026 **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	35,930	-	-	-	-	35,930	35,897
Loans to credit institutions	7,264	-	-	145	-	7,409	7,409
Loans to customers	25,891	17,168	67,972	125,500	78,180	314,711	223,333
Fixed income securities	7,635	495	22,018	446	3,612	34,207	34,207
Shares and other variable income securities	28,627	-	4,911	-	-	33,539	33,539
Securities used for hedging	3,605	-	-	-	-	3,605	3,605
Other assets	10,157	43	1,598	369	-	12,168	12,168
	119,110	17,706	96,500	126,460	81,792	441,569	350,159
Derivative assets							
Inflow	4,981	1,309	13,065	20,032	-	39,387	
Outflow	(3,937)	(1,282)	(12,660)	(18,840)	-	(36,719)	
	1,044	27	405	1,192	-	2,668	2,324

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	(166,994)	(21,895)	(9,060)	(3,849)	(792)	(202,589)	201,229
Borrowings	-	(85)	(567)	(5,594)	-	(6,246)	5,503
Issued bonds	(295)	(97)	(17,180)	(76,072)	(2,701)	(96,346)	86,101
Subordinated liabilities	(62)	-	(565)	(6,396)	(9,553)	(16,577)	10,100
Short positions held for trading	(146)	-	-	-	-	(146)	146
Short positions used for hedging	-	-	-	-	-	-	-
Other liabilities	(2,405)	(5,774)	(1,584)	(1,549)	-	(11,312)	11,294
	(169,903)	(27,852)	(28,956)	(93,460)	(13,046)	(333,217)	314,373
Derivative liabilities							
Inflow	5,371	1,260	-	36,308	-	42,939	
Outflow	(5,616)	(1,267)	-	(37,026)	-	(43,909)	
	(245)	(6)	-	(718)	-	(969)	625
Unrecognised financial items							
Loan commitments							
Inflow	850	308	3,097	8,933	264	13,453	
Outflow	(12,029)	-	-	-	-	(12,029)	
Financial guarantee contracts							
Inflow	-	-	952	37	7	996	
Outflow	(996)	-	-	-	-	(996)	
	(12,175)	308	4,049	8,970	271	1,424	
Summary							
Non-derivative assets	119,110	17,706	96,500	126,460	81,792	441,569	
Derivative assets	1,044	27	405	1,192	-	2,668	
Non-derivative liabilities	(169,903)	(27,852)	(28,956)	(93,460)	(13,046)	(333,217)	
Derivative liabilities	(245)	(6)	-	(718)	-	(969)	
Net assets (liabilities) excluding unrecognised items	(49,993)	(10,125)	67,949	33,474	68,746	110,051	
Net unrecognised items	(12,175)	308	4,049	8,970	271	1,424	
Net assets (liabilities)	(62,168)	(9,817)	71,998	42,444	69,018	111,474	

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

46. Liquidity risk (cont.)

31.12.2025 **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	20,146	-	-	-	-	20,146	20,145
Loans to credit institutions	8,149	-	5	0	-	8,154	8,154
Loans to customers	21,090	15,270	71,415	112,754	63,673	284,203	207,560
Fixed income securities	10,847	985	18,015	12,450	2,224	44,522	44,522
Shares and other variable income securities	16,966	-	3,697	-	-	20,663	20,663
Securities used for hedging	6,695	-	-	-	-	6,695	6,695
Other assets	5,321	2,103	856	232	-	8,513	8,513
	89,214	18,358	93,989	125,437	65,898	392,895	316,251
Derivative assets							
Inflow	5,634	569	17,818	28,615	-	52,636	
Outflow	(4,599)	(550)	(16,866)	(27,004)	-	(49,019)	
	1,035	18	952	1,611	-	3,617	3,250

Financial liabilities by type	**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	(138,421)	(18,034)	(15,538)	(1,386)	(685)	(174,063)	172,787
Borrowings	-	(87)	(528)	(6,989)	-	(7,604)	6,806
Issued bonds	(292)	(238)	(16,687)	(61,576)	(2,616)	(81,409)	73,249
Subordinated liabilities	-	-	(362)	(1,452)	(9,285)	(11,099)	5,841
Short positions held for trading	(433)	-	-	-	-	(433)	433
Short positions used for hedging	(432)	-	-	-	-	(432)	432
Other liabilities	(3,003)	(7,188)	(1,286)	(2,156)	-	(13,633)	13,599
	(142,580)	(25,547)	(34,401)	(73,558)	(12,585)	(288,672)	273,147
Derivative liabilities							
Inflow	12,126	-	10,687	3,149	-	25,963	
Outflow	(12,653)	-	(10,926)	(3,523)	-	(27,103)	
	(527)	-	(239)	(374)	-	(1,140)	773
Unrecognised financial items by type							
Loan commitments							
Inflow	489	673	3,371	6,302	94	10,930	
Outflow	(9,713)	-	-	-	-	(9,713)	
Financial guarantee contracts							
Inflow	-	1	298	792	7	1,097	
Outflow	(1,097)	-	-	-	-	(1,097)	
	(10,321)	674	3,669	7,094	101	1,217	

Summary						
Non-derivative assets	89,214	18,358	93,989	125,437	65,898	392,895
Derivative assets	1,035	18	952	1,611	-	3,617
Non-derivative liabilities	(142,580)	(25,547)	(34,401)	(73,558)	(12,585)	(288,672)
Derivative liabilities	(527)	-	(239)	(374)	-	(1,140)
Net assets (liabilities) excluding unrecognised items	(52,858)	(7,171)	60,301	53,115	53,312	106,700
Net unrecognised items	(10,321)	674	3,669	7,094	101	1,217
Net assets (liabilities)	(63,179)	(6,497)	63,970	60,209	53,414	107,917

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

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

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

47. Market risk

a. Definition

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

b. Management

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

48. Interest rate risk

a. Definition

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

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

b. Management

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

49. Interest rate risk associated with trading portfolios

a. Breakdown

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

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	30.6.2026
Fixed income securities	15	70	370	4,914	660	6,030
Short positions - fixed income securities	(1)	(3)	(60)	(30)	(52)	(146)
Net imbalance	14	66	310	4,884	608	5,883

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	31.12.2025
Fixed income securities	33	58	364	2,438	1,320	4,213
Short positions - fixed income securities	(1)	(8)	(7)	(135)	(210)	(361)
Net imbalance	32	50	357	2,303	1,110	3,853

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	30.6.2026 Downward	30.6.2026 Upward	31.12.2025 Downward	31.12.2025 Upward
Indexed	50	49	(47)	43	(40)
Non-indexed	100	106	(100)	59	(58)
Total		155	(147)	102	(97)

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

50. Interest rate risk associated with non-trading portfolios

a. Breakdown

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

30.6.2026

Financial assets	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Cash and balances with Central Bank	35,897	-	-	-	-	35,897
Loans to credit institutions	7,264	-	-	145	-	7,409
Loans to customers	209,830	3,083	7,680	2,736	5	223,333
Fixed income securities	214	495	22,165	1,750	3,554	28,178
Unit shares in cash equivalent liquidity funds	10,457	16,163	-	-	-	26,621
Financial assets excluding derivatives	263,663	19,741	29,845	4,631	3,559	321,438
Effect of derivatives	18,806	58,309	4,375	50,425	-	131,915
Total	282,468	78,050	34,220	55,056	3,559	453,353

Financial liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Deposits	174,463	17,365	7,203	2,199	0	201,229
Borrowings	5,176	-	176	151	-	5,503
Issued bonds	18,095	6,471	9,589	49,445	2,501	86,101
Subordinated liabilities	3,918	-	3,405	2,777	-	10,100
Other liabilities	-	-	81	81	-	162
Financial liabilities excluding derivatives	201,652	23,836	20,455	54,652	2,501	303,095
Effect of derivatives	14,216	107,946	3,878	-	-	126,041
Total	215,868	131,782	24,333	54,652	2,501	429,136
Total interest repricing gap	66,600	(53,732)	9,887	404	1,058	24,217

31.12.2025

Financial assets	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Cash and balances with Central Bank	20,145	-	-	-	-	20,145
Loans to credit institutions	8,154	-	-	-	-	8,154
Loans to customers	192,654	3,693	5,590	5,353	270	207,560
Fixed income securities	3,984	1,049	18,974	12,893	3,408	40,309
Unit shares in cash equivalent liquidity funds	15,013	-	-	-	-	15,013
Financial assets excluding derivatives	239,950	4,741	24,565	18,247	3,677	291,180
Effect of derivatives	22,616	48,125	6,256	30,818	-	107,815
Total	262,566	52,867	30,820	49,065	3,677	398,995

Financial liabilities	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Deposits	144,844	13,644	14,259	40	0	172,787
Borrowings	6,806	-	-	-	-	6,806
Issued bonds	18,358	14,035	1,389	37,061	2,406	73,249
Subordinated liabilities	-	-	3,272	2,570	-	5,841
Other liabilities	-	-	84	166	-	250
Financial liabilities excluding derivatives	170,008	27,679	19,004	39,836	2,406	258,933
Effect of derivatives	22,744	69,396	6,674	-	-	98,814
Total	192,752	97,075	25,678	39,836	2,406	357,746
Total interest repricing gap	69,814	(44,208)	5,142	9,229	1,272	41,248

b. Sensitivity analysis

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

	Shift in		**30.6.2026**		**31.12.2025**
Currency	**basis points**	**Downward**	**Upward**	**Downward**	**Upward**
ISK, indexed	50	43	(39)	53	(49)
ISK, non-indexed	100	99	(97)	201	(197)
Other currencies	20	(12)	12	(6)	6
Total		129	(124)	248	(240)

Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

51. Exposure towards changes in the CPI

a. Definition

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

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

b. Management

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

c. Balance of CPI linked assets and liabilities

	30.6.2026	31.12.2025
Assets	32,182	31,407
Liabilities	(26,038)	(24,971)
Total	6,145	6,436

d. Sensitivity to changes in CPI

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

	30.6.2026		31.12.2025	
	-1%	**1%**	**-1%**	**1%**
Government bonds	(34)	34	(25)	25
Other fixed income securities	(40)	40	(35)	35
Loans to customers	(228)	228	(233)	233
Derivatives	(21)	21	(20)	20
Short positions	1	(1)	2	(2)
Deposits	97	(97)	91	(91)
Issued bonds	101	(101)	98	(98)
Subordinated liabilities	62	(62)	58	(58)
	(61)	61	(64)	64

The effect on equity would be the same.

52. Currency risk

a. Definition

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

b. Management

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

The Group is subject to limits set by the Central Bank of Iceland regarding the maximum open currency position. At 30 June 2026 and 31 December 2025 the Group's position in foreign currencies was within those limits.

c. Hedge accounting

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

d. Exchange rates

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

	Closing 30.6.2026	Average 6m 2026	Closing 31.12.2025	Average 6m 2025
EUR/ISK	144.0	144.4	147.2	145.2
USD/ISK	126.4	123.7	125.2	133.1
GBP/ISK	167.1	166.5	169.0	172.3

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

52. Currency risk (cont.)

e. Breakdown of assets and liabilities denominated in foreign currencies

30.6.2026

Assets	**EUR**	**USD**	**GBP**	**SEK**	**Other currencies**	**Total**
Cash and balances with Central Bank	1	1	1	-	-	3
Loans to credit institutions	1,593	1,883	3,033	252	321	7,082
Loans to customers	3,003	402	44,623	54	-	48,082
Fixed income securities	11	85	-	-	-	96
Shares and other variable income securities	10,492	271	19,576	0	-	30,339
Securities used for hedging	26	464	41	177	57	764
Intangible assets	-	-	2,231	-	-	2,231
Other assets	774	621	1,428	81	141	3,046
Assets excluding derivatives	15,900	3,727	70,932	563	519	91,641
Derivatives	95,686	2,992	1	17,831	5,148	121,658
Total	111,586	6,719	70,934	18,394	5,667	213,299

Liabilities	**EUR**	**USD**	**GBP**	**SEK**	**Other currencies**	**Total**
Deposits	3,717	1,890	620	19	152	6,397
Borrowings	-	-	5,176	-	-	5,176
Issued bonds	50,557	-	-	18,318	5,157	74,033
Other liabilities	727	1,072	1,122	46	2	2,969
Liabilities excluding derivatives	55,002	2,961	6,918	18,382	5,311	88,574
Derivatives	56,672	3,595	63,485	19	0	123,772
Total	111,674	6,557	70,403	18,401	5,311	212,346

Net currency position	**EUR**	**USD**	**GBP**	**SEK**	**Other currencies**	**Total**
Total assets	111,586	6,719	70,934	18,394	5,667	213,299
Total liabilities	(111,674)	(6,557)	(70,403)	(18,401)	(5,311)	(212,346)
Financial guarantee contracts	771	-	-	-	-	771
Total	683	162	531	(7)	356	1,724

31.12.2025

Assets	**EUR**	**USD**	**GBP**	**SEK**	**Other currencies**	**Total**
Cash and balances with Central Bank	1	1	2	-	-	4
Loans to credit institutions	2,872	813	3,657	143	307	7,793
Loans to customers	3,121	578	41,146	251	-	45,096
Fixed income securities	-	81	-	-	-	81
Shares and other variable income securities	5,727	390	11,629	0	16	17,762
Securities used for hedging	59	705	10	626	116	1,517
Intangible assets	-	-	2,293	-	-	2,293
Other assets	777	16	804	16	13	1,626
Assets excluding derivatives	12,558	2,585	59,540	1,037	452	76,171
Derivatives	62,372	1,679	-	17,261	14,434	95,746
Total	74,930	4,264	59,540	18,297	14,886	171,917

Liabilities	**EUR**	**USD**	**GBP**	**SEK**	**Other currencies**	**Total**
Deposits	4,104	2,918	666	51	182	7,920
Borrowings	-	-	5,228	-	-	5,228
Issued bonds	30,209	-	-	18,188	9,232	57,629
Other liabilities	2,225	146	1,661	19	-	4,051
Liabilities excluding derivatives	36,538	3,064	7,554	18,257	9,415	74,828
Derivatives	38,448	1,124	51,389	19	5,226	96,207
Total	74,987	4,188	58,944	18,276	14,641	171,035

Net currency position	**EUR**	**USD**	**GBP**	**SEK**	**Other currencies**	**Total**
Total assets	74,930	4,264	59,540	18,297	14,886	171,917
Total liabilities	(74,987)	(4,188)	(58,944)	(18,276)	(14,641)	(171,035)
Financial guarantee contracts	862	-	-	-	-	862
Total	805	76	596	21	245	1,744

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

52. Currency risk (cont.)

f. Sensitivity to currency risk

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

	30.6.2026		31.12.2025	
Assets and liabilities denominated in foreign currencies	**-10%**	**+10%**	**-10%**	**+10%**
EUR	68	(68)	81	(81)
USD	16	(16)	8	(8)
GBP	53	(53)	60	(60)
SEK	(1)	1	2	(2)
Other currencies	36	(36)	25	(25)
Total	172	(172)	174	(174)

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 unit shares in cash equivalent liquidity funds are excluded.

	30.6.2026		31.12.2025	
	-10%	**+10%**	**-10%**	**+10%**
Listed shares	(104)	104	(100)	100
Unlisted shares	(413)	413	(310)	310
Unlisted unit shares in funds	(174)	174	(156)	156
Total	(692)	692	(565)	565

54. Operational risk

a. Definition

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

b. Management

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

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

Financial assets and financial liabilities

55. Accounting classification of financial assets and financial liabilities

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

30.6.2026 **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	35,897	-	-	35,897
Loans to credit institutions	7,409	-	-	7,409
Loans to customers	219,004	-	4,330	223,333
Fixed income securities	-	26,579	7,629	34,207
Shares and other variable income securities	-	-	33,539	33,539
Securities used for hedging	-	-	3,605	3,605
Derivatives	-	-	2,070	2,070
Derivatives used for hedge accounting	-	254	-	254
Other assets	12,168	-	-	12,168
Total	274,477	26,833	51,172	352,483

Financial liabilities	**Amortised cost**	**Fair value through OCI**	**Manda-torily at fair value through P/L**	**Total carrying amount**
Deposits	201,229	-	-	201,229
Borrowings	5,503	-	-	5,503
Issued bonds	86,101	-	-	86,101
Subordinated liabilities	10,100	-	-	10,100
Short positions held for trading	-	-	146	146
Short positions used for hedging	-	-	-	-
Derivatives	-	-	625	625
Other liabilities	10,998	-	296	11,294
Total	313,931	-	1,067	314,998

31.12.2025 **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	20,145	-	-	20,145
Loans to credit institutions	8,154	-	-	8,154
Loans to customers	203,683	-	3,877	207,560
Fixed income securities	-	38,867	5,655	44,522
Shares and other variable income securities	-	-	20,663	20,663
Securities used for hedging	-	-	6,695	6,695
Derivatives	-	-	3,094	3,094
Derivatives used for hedge accounting	-	156	-	156
Other assets	8,513	-	-	8,513
Total	240,494	39,023	39,984	319,501

Financial liabilities	**Amortised cost**	**Fair value through OCI**	**Manda-torily at fair value through P/L**	**Total carrying amount**
Deposits	172,787	-	-	172,787
Borrowings	6,806	-	-	6,806
Issued bonds	73,249	-	-	73,249
Subordinated liabilities	5,841	-	-	5,841
Short positions held for trading	-	-	433	433
Short positions used for hedging	-	-	432	432
Derivatives	-	-	773	773
Other liabilities	12,958	-	641	13,599
Total	271,642	-	2,278	273,920

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

56. Financial assets and financial liabilities measured at fair value

a. Fair value hierarchy

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

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

b. Valuation process

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

c. Valuation techniques

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

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

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

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

d. Fair value hierarchy classification

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

30.6.2026

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Mandatorily measured at fair value through profit and loss				
Fixed income securities	6,510	97	1,022	7,629
Shares and other variable income securities	28,890	1	4,647	33,539
Securities used for hedging	3,605	-	-	3,605
Loans to customers	-	-	4,330	4,330
Derivatives	-	2,070	-	2,070
Measured at fair value through other comprehensive income				
Fixed income securities	26,579	-	-	26,579
Derivatives used for hedge accounting	-	254	-	254
Total	65,583	2,423	9,999	78,005

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

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

30.6.2026

Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**
Mandatorily measured at fair value through profit and loss				
Short positions held for trading	146	-	-	146
Short positions used for hedging	-	-	-	-
Derivatives	-	625	-	625
Other liabilities	-	-	296	296
Total	146	625	296	1,067

31.12.2025

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

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

e. Reconciliation of changes in Level 3 fair value measurements

30.6.2026	**Fixed income securities**	**Shares and other var. income securities**	**Loans to customers**	**Derivatives**	**Other liabilities**	**Total**
Balance as at 1 January 2026	767	3,594	3,877	(0)	(641)	7,596
Total gains and losses in profit or loss	28	(30)	225	-	5	228
Additions	227	1,097	567	-	-	1,892
Repayments	-	-	(339)	-	340	1
Disposals	-	(13)	-	-	-	(13)
Balance as at 30 June 2026	1,022	4,647	4,330	-	(296)	9,703

31.12.2025	**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	(69)	589	224	17	(18)	742
Additions	778	1,937	1,325	(580)	(6)	3,454
Repayments	-	-	(922)	990	216	283
Disposals	-	(2,388)	-	-	-	(2,388)
Reclassification	(553)	-	2,376	513	(513)	1,823
Balance as at 31 December 2025	767	3,594	3,877	(0)	(641)	7,596

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

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

f. Fair value measurements for Level 3 financial assets

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

Asset class	Method	Significant unobservable input	Range	Book value 30.6.2026
Unlisted bonds	Expected recovery	Value of assets	0-95%	1,022
Unlisted variable income securities	Market price	Recent trades	-	4,647
Loans to customers	Expert model	Value of assets and collateral	-	4,330
Total				9,999

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

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

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

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

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

	+10%	-10%
Fixed income securities	102	(102)
Shares and other variable income securities	465	(465)
Loans to customers	433	(433)
Total	1,000	(1,000)

Kvika banki hf. Amounts are in ISK millions

Notes to the Condensed Interim Consolidated Financial Statements

Other information

57. Pledged assets

30.6.2026	Settlement and committed facilities	Securities borrowing	Total
Loans to credit institutions	-	107	107
Loans to customers	8,061	-	8,061
Fixed income securities	13,804	178	13,982
Other assets	-	38	38
Total	21,865	323	22,188

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

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

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 24, shareholders with significant influence over the Bank, close family members of individuals identified as related parties and entities under the control or joint control of related parties.

b. Arm's length

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

c. Balances with related parties

30.6.2026	Assets	Liabilities
Management	127	358
Associates	-	29
Total	127	387

31.12.2025	Assets	Liabilities
Management	130	243
Associates	-	39
Total	130	283

d. Transactions with related parties

6m 2026	Interest income	Interest expense	Other income	Other expense
Management	5	4	0	0
Associates	-	-	-	146
Total	5	4	0	146

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

Notes to the Condensed Interim Consolidated Financial Statements

59. Other matters

Tax treatment of warrants sold by the Bank

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

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

60. Events after the reporting date

There are no material events after the reporting date.