

Fossar Investment Bank

Condensed Interim Financial Statements

1 January to 30 June 2025



F O S S A R

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Report and Endorsement by the Board of Directors and the CEO

About Fossar Investment Bank

Fossar fjárfestingarbanki hf. (“Fossar Investment Bank hf.”, “Fossar” or “the Bank”) is a credit undertaking according to Act No. 161/2002 on Financial Undertakings and is authorised by the Financial Supervisory Authority of the Central Bank of Iceland. The Bank serves Icelandic and foreign investors in the areas of capital markets, corporate finance, asset management and lending, as well as conducting transactions for its own account. Supporting divisions, i.e. legal, financial, operational and IT divisions, work across company units as well as internal control units, i.e. compliance, risk management and internal audit. The headquarters of Fossar Investment Bank are in Reykjavik. Fossar provides customised and personalised services to clients and is at the forefront when it comes to connecting Icelandic business with the international investment environment. Fossar is a progressive investment bank that emphasises professionalism, results and trust.

Fossar is a subsidiary of Skagi hf. (“Skagi”) and is a part of the Skagi Group. Other affiliated entities within the group include VÍS tryggingar hf. and Íslensk verðbréf hf.

The Condensed Interim Financial Statements of Fossar fjárfestingarbanki hf. for the period 1 January to 30 June 2025, have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional Icelandic disclosure requirements.

Operations and Financial position

The Bank's net operating income for the first half of 2025 amounted to ISK 1,110 million and increased by ISK 295 million between years. The Bank's loss for the period amounted to ISK 1.4 million (30 June 2024: loss of ISK 131 million). As of June 30, 2025, the Bank's total assets were ISK 23,500 million (31 December 2024: ISK 21,900 million) and the total equity amounted to ISK 2,893 million (31 December 2024: ISK 2,684 million) according to the statement of financial position. The Bank's capital ratio as calculated according to Article 84 of the Act on Financial Undertakings was 23.9% as of June 30, 2025. This compares to an overall regulatory capital requirement of 22.1%, following the Supervisory Review and Evaluation (SREP) which was completed in December 2024 and enforced as of Q4 2024.

Following Skagi's acquisition of Íslensk verðbréf hf. (“ÍV”) at the end of 2024, ÍV's brokerage and custody activities and related assets and liabilities were merged into Fossar. This merger was completed on 31 March 2025 and was effective as of 1 January 2025. Due to this merger, Fossar's share capital was increased by 23,110,928 shares, bringing the total nominal share capital to ISK 613,589,518, with the resulting increase in equity effective from 1 January 2025.

During the period, changes were made to the Board of Directors of Fossar. Vilhjálmur Egilsson was appointed as an alternate board member, replacing Brynjar Þór Hreinsson. The current composition of the Board comprises three women and two men, thereby meeting the legal requirements regarding gender balance among board members.

External environment and future outlook

The Central Bank of Iceland forecasts that the economy will grow by 1% this year, after a mild contraction of 0.7% in 2024. This will be driven by 3% growth in consumption, which has been a drag on GDP in recent years, alongside high interest rates and an elevated household saving ratio. Inflation is projected to average 4% in 2025, compared to 5.9% last year. The Central Bank has cut rates from 9.25% to 7.5% since late 2024 and is indicating that further rate cuts will depend on continued progress on inflation approaching its 2.5% target. This is expected to occur gradually over the next two years.

Risk management

The management of risk is a fundamental part of day-to-day operations, and methods for risk management are reviewed regularly in light of changes in the markets and the Bank's operations. The bank employs a structured risk management approach to identify, assess, mitigate, and monitor risks across credit, market, liquidity, operational, and compliance domains. The Board sets the bank's risk appetite and risk policies, ensures robust internal controls, and regularly reviews risk exposure to align with strategic objectives. By fostering a strong risk culture, the Board aims to safeguard stakeholders' interests while enabling prudent decision-making in a dynamic financial environment. More details about the Bank's management of financial risks can be found in note 21 of the Condensed Interim Financial Statements.



Report and Endorsment by the Board of Directors and CEO, contd.

Statement by the Board of Directors and the CEO

Fossar's Condensed Interim Financial Statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements imposed in the Act on Annual Accounts No. 3/2006, Act No. 161/2002 on Financial Undertakings and the rules on the accounting of credit institutions, where applicable.

To the best of our knowledge these Condensed Interim Financial Statements give a true and fair view of the Bank's assets, liabilities, financial position and financial performance for the period 1 January to 30 June 2025. In addition, it is the opinion of the Board of Directors and the CEO that the Condensed Interim Financial Statements provide a true and fair summary of the development and results of the Bank's operations and its position and describe the main risks and uncertainties facing the Bank.

The Board of Directors and the CEO of Fossar Investment Bank have today discussed the Bank's Condensed Interim Financial Statements for the period 1 January to 30 June 2025 and confirmed them with their signatures.

Reykjavik, 17 July 2025

Board of Directors

Haraldur I. Þórðarson, Chairman of the Board

Anna Baldursdóttir

Guðný Arna Sveinsdóttir

Kolbeinn Arinbjarnarson

Marta Guðrún Blöndal

CEO

Steingrímur Arnar Finnsson



Income Statement

For the period 1 January –30 June 2025

| | Notes | 2025 1.1.-30.6. | 2024 1.1.-30.6. |
|---|-------|-----------------------|-------------------------|
| Operating income | | | |
| Interest income | | 1,027,907 | 706,643 |
| Interest expense | | <u>(827,773)</u> | <u>(609,499)</u> |
| Net interest income | 4 | 200,134 | 97,144 |
| Fee and commission income | | 958,875 | 789,592 |
| Fee and commission expense | | <u>(34,588)</u> | <u>(28,388)</u> |
| Net fee and commission income | 5 | 924,287 | 761,205 |
| Net financial income (expense) | 6 | (16,311) | (55,700) |
| Other income | | <u>1,678</u> | <u>12,649</u> |
| Other operating income | | (14,633) | (43,051) |
| Net operating income | | 1,109,789 | 815,298 |
| Operating expense | 7 | (1,077,100) | (860,077) |
| Net credit impairment | | (4,069) | (8,800) |
| Depreciation | | <u>(36,690)</u> | <u>(58,009)</u> |
| | | (1,117,859) | (926,887) |
| Loss before taxes | | (8,070) | (111,589) |
| Income tax | 8 | <u>6,716</u> | <u>(19,617)</u> |
| Loss for the period | | <u><u>(1,354)</u></u> | <u><u>(131,205)</u></u> |
| Earnings per share | 9 | | |
| Earnings per share and diluted per share (in ISK) | | (0.00) | (0.25) |

The notes on pages 10-28 are an integral part of these financial statements.



Statement of Comprehensive Income

For the period 1 January –30 June 2025

| | Notes | 2025 1.1.-30.6. | 2024 1.1.-30.6. |
|--|-------|--------------------|--------------------|
| Loss for the period | | <u>(1,354)</u> | <u>(131,205)</u> |
| Other comprehensive profit (loss) | | | |
| <i>Items that are or may be reclassified subsequently to profit and loss and relocated to equity</i> | | | |
| Reclassification of fair value changes to income statement | | 12,880 | (5,121) |
| Unrealized fair value changes | | <u>(10,294)</u> | <u>(4,401)</u> |
| Total comprehensive profit (loss) for the period | | <u>1,231</u> | <u>(140,727)</u> |

The notes on pages 10-28 are an integral part of these financial statements.



Statement of Financial Position

As at 30.6.2025

| Assets: | Notes | 30.6.2025 | 31.12.2024 |
|---|-------|-------------------|-------------------|
| Cash and cash equivalents | | 927,983 | 134,795 |
| Trade receivables and other receivables | 10,14 | 657,697 | 989,208 |
| Derivatives | 11 | 221,398 | 118,541 |
| Bonds | 14 | 5,086,860 | 5,666,300 |
| Equities and other securities | 14 | 493,801 | 469,019 |
| Securities used for hedging | 12,14 | 6,022,725 | 6,102,840 |
| Loans to customers | 13,14 | 9,598,122 | 7,880,021 |
| Lease assets | | 172,506 | 0 |
| Operating assets | | 60,833 | 74,386 |
| Intangible assets | | 52,722 | 30,720 |
| Investment in subsidiaries | | 42,367 | 42,367 |
| Deferred income tax | 15 | 135,306 | 377,667 |
| Total assets | | 23,472,320 | 21,885,865 |
| Liabilities and equity: | | | |
| Liabilities | | | |
| Borrowings | 16 | 14,032,225 | 13,363,421 |
| Issued bond and bills | 17 | 4,222,401 | 4,387,399 |
| Derivatives | 11 | 76,382 | 231,599 |
| Other liabilities | 14,18 | 2,052,111 | 1,196,085 |
| Lease liabilities | | 175,000 | 0 |
| Long-term borrowings | | 21,549 | 23,394 |
| Total liabilities | | 20,579,668 | 19,201,898 |
| Equity | 19 | | |
| Share capital | | 613,590 | 590,479 |
| Share premium | | 1,885,552 | 1,885,552 |
| Other restricted equity | | 61,484 | 58,898 |
| Retained earnings | | 332,027 | 149,039 |
| Total equity | | 2,892,652 | 2,683,967 |
| Total liabilities and equity | | 23,472,320 | 21,885,865 |

The notes on pages 10-28 are an integral part of these financial statements.



Statement of Changes in Equity

For the period 1 January – 30 June 2025

| | Notes | Share capital | Share premium | Other restricted equity* | Retained earnings | Total equity |
|---|-------|----------------|------------------|--------------------------|-------------------|------------------|
| 1 January 2024 | | 520,773 | 1,355,258 | 49,877 | 0 | 1,925,908 |
| Loss for the period | | | | | (131,205) | (131,205) |
| Reclassification of fair value changes to income statement..... | | | | (5,121) | | (5,121) |
| Unrealized fair value changes..... | | | | (4,401) | | (4,401) |
| Total comprehensive loss for the year..... | | 0 | 0 | (9,521) | (131,205) | (140,727) |
| <i>Transactions with owners of the Bank</i> | | | | | | |
| Non-adjusted loss recognized in share premium..... | | | (131,205) | | 131,205 | 0 |
| 30 June 2024 | | 520,773 | 1,224,052 | 40,356 | 0 | 1,785,182 |
| 1 January 2025 | | 590,479 | 1,885,552 | 58,898 | 149,039 | 2,683,967 |
| Loss for the period | | | | | (1,354) | (1,354) |
| Reclassification of fair value changes to income statement..... | | | | 12,880 | | 12,880 |
| Unrealized fair value changes..... | | | | (10,294) | | (10,294) |
| Total comprehensive loss for the year..... | | 0 | 0 | 2,586 | (1,354) | 1,231 |
| <i>Transactions with owners of the Bank</i> | | | | | | |
| Merger with Íslensk verðbréf | 2 | 23,111 | | | 184,343 | 207,454 |
| 30 June 2025 | | 613,590 | 1,885,552 | 61,484 | 332,027 | 2,892,652 |

*Other restricted equity consists of statutory reserves and unrealized fair value changes. See more details in note 19.

The notes on pages 10-28 are an integral part of these financial statements.



Statement of Cash Flow

For the period 1 January - 30 June 2025

| | Notes | 2025 1.1.-30.6. | 2024 1.1.-30.6. |
|---|-------|--------------------|--------------------|
| Operating activities | | | |
| Loss | | (1,354) | (131,205) |
| <i>Adjustments to reconcile net earnings to net cash provided</i> | | | |
| Depreciation and impairment | | 36,690 | 58,009 |
| Securities revaluation | | (255,490) | 73,538 |
| Financial items | | (201,308) | (95,890) |
| Income tax, change | 8 | (6,716) | 19,617 |
| Working capital to operating activities w/o interest and tax | | (428,178) | (75,932) |
| <i>Net change in operating assets and liabilities</i> | | | |
| Current receivables, decrease | | 599,791 | 12,169 |
| Current payables, increase | | 626,312 | 50,886 |
| Securities, change | | 749,603 | (781,061) |
| Loans to customers, change | | (1,718,101) | (2,234,877) |
| Cash to operating activities w/o interest and taxes | | (170,573) | (3,028,815) |
| Interest and dividends received | | 1,100,986 | 706,658 |
| Interest paid | | (899,679) | (610,768) |
| Net cash from (to) operating activities | | 30,735 | (2,932,924) |
| Investing activities | | | |
| Investment in intangible assets | | (2,170) | (8,276) |
| Investment in property and equipment | | 0 | (28,963) |
| Claims against related parties, change | | 0 | (11,375) |
| | | (2,170) | (48,613) |
| Financing activities | | | |
| Effects of share option agreements | | 0 | 578 |
| Short term loan, changes | | 503,807 | 3,318,990 |
| Repayment of lease liabilities | | (10,475) | (37,143) |
| Repayment of long term loan | | (1,845) | (1,597) |
| | | 491,486 | 3,280,828 |
| Increase in cash | | 520,050 | 299,290 |
| Cash at beginning of year | | 134,795 | 112,073 |
| Cash from merger with Íslensk verðbréf 1.1. | 2 | 273,138 | 0 |
| Cash at year-end | | 927,983 | 411,364 |

The notes on pages 10-28 are an integral part of these financial statements.



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Notes

1. General information

Fossar fjárfestingarbanki hf. ("Fossar Investment Bank hf.", "Fossar" or the "Bank") is a credit undertaking according to Act No. 161/2002 on Financial Undertakings and is authorised by the Financial Supervisory Authority of the Central Bank of Iceland. The Bank serves Icelandic and foreign investors in the areas of capital markets, corporate finance, asset management and lending, as well as conducting transactions for its own account. Fossar is a subsidiary of Skagi hf. ("Skagi") and is a part of the Skagi Group.

The Bank is domiciled in Iceland and its registered office is at Ármúli 3, 108 Reykjavík.

Subsidiaries are companies over which the Bank has control. Control exists when the Bank has significant influence, directly or indirectly, to control the financial and operational strategy of a subsidiary. The Bank does not prepare condensed consolidated interim financial statements with its subsidiary, as the parent company, Skagi hf, prepares a condensed consolidated interim financial statements.

2. Basis of preparation

2.1 Statement of compliance with international financial reporting standards

The Bank's Condensed Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The Bank has not adopted issued standards, changes to standards or interpretations that had not entered into force at the beginning of the reporting period but were allowed to be implemented earlier by the approval of the European Union.

The Condensed Interim Financial Statements of Fossar Investment Bank hf. does not contain all the information required in Financial Statements and should be read in conjunction with its Annual Financial Statements for the year 2024, which are available at <https://fossar.is/>.

The accounting policies are unchanged from those set out in Note 34 in the Annual Financial Statements for the year 2024.

Following Skagi's acquisition of Íslensk verðbréf hf. ("ÍV") at the end of the year 2024, ÍV's brokerage and custody activities and related assets and liabilities were merged into Fossar. The merger was effective at the beginning of the year 2025. With the merger assets increased by 437.2 million, liabilities by 229.7 million and equity by 207.5 million.

2.2 Basis of measurement

The Condensed Interim Financial Statements of Fossar Investment Bank hf. have been prepared in accordance with the cost method, with the exception that certain financial instruments are recorded at fair value and share options are recorded in accordance with IFRS 2, see note 34 for accounting policies in the Annual Financial Statements. The Condensed Interim Financial Statements are prepared in Icelandic Krona (ISK), which is the Bank's functional currency. All amounts are in thousands of ISK, unless otherwise stated.

3. Estimates and judgments

The preparation of Condensed Interim Financial Statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date, disclosures in the notes and income and expenses. 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. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.



Notes

4. Net interest income

Interest income is specified as follows:

| | 1.1.-30.6.2025 | 1.1.-30.6.2024 |
|---|----------------|----------------|
| Bank deposits, liquid funds, loans and other interest income | 556,464 | 197,058 |
| Derivatives | 231,537 | 301,438 |
| Interest on financial assets at fair value | 123,772 | 81,453 |
| Interest on financial assets recognized at fair value through other comprehensive income | 116,135 | 126,695 |
| Total interest income | 1,027,907 | 706,643 |
| Money market deposits and other borrowings | (610,347) | (502,861) |
| Issued bonds and bills | (209,193) | (103,221) |
| Interest expense from leases | (5,705) | 1,348 |
| Other interest expense | (2,528) | (4,765) |
| Total interest expense | (827,773) | (609,499) |
| Net interest income, total | 200,134 | 97,144 |

5. Net fee and commission income

| | 1.1.-30.6.2025 | 1.1.-30.6.2024 |
|---|----------------|----------------|
| Capital markets and corporate finance | 581,413 | 588,397 |
| Asset management fees | 104,991 | 95,012 |
| Other net fee and commission income | 237,884 | 77,796 |
| | 924,287 | 761,205 |

Fee and commission income comprises remuneration for services provided to clients in the field of capital markets, corporate finance, asset management, securities custody and credit.

6. Net financial income (expense)

| | 1.1.-30.6.2025 | 1.1.-30.6.2024 |
|--|----------------|----------------|
| Fair value changes of equities | 3,013 | (19,523) |
| Fair value changes of bonds | (1,890) | (40,494) |
| Fair value of securities and related derivatives | (5,897) | 3,473 |
| Exchange rate gain/loss | (11,537) | 844 |
| | (16,311) | (55,700) |

7. Operating expense

| | 1.1.-30.6.2025 | 1.1.-30.6.2024 |
|-------------------------------------|----------------|----------------|
| Salaries | 450,373 | 351,443 |
| Pension fund contributions | 55,887 | 51,372 |
| Share option expenses * | 7,078 | 578 |
| Other salary-related expenses | 83,352 | 86,151 |
| Other operating expenses | 480,411 | 370,533 |
| | 1,077,100 | 860,077 |

* Share option expenses is due to share options granted to Fossar employees in Skagi hf.



Notes

8. Income tax

| | 1.1.-30.6.2025 | 1.1.-30.6.2024 |
|--|----------------|----------------|
| Change in deferred income tax liability | 6,716 | (19,617) |
| Income tax according to income statement | 6,716 | (19,617) |

Effective income tax is specified as follows:

| | 1.1.-30.6.2025 | | 1.1.-30.6.2024 | |
|--|----------------|---------|----------------|---------|
| | Amount | % | Amount | % |
| Loss before taxes | (8,070) | | (111,589) | |
| Tax rate | 1,614 | 20.0% | 23,434 | 21.0% |
| Effect of shares in companies | (3,807) | (47.2%) | (43,567) | (39.0%) |
| Other non-deductible expenses | (2) | (0.0%) | (2) | (0.0%) |
| Effect of temporary change in tax rate | 9,222 | 114.3% | 519 | 0.5% |
| Other items | (311) | (3.9%) | 0 | 0.0% |
| Income tax acc. to income statement | 6,716 | 83.2% | (19,617) | (17.6%) |

9. Earnings per share

The calculation of earnings per share is based on earnings attributable to shareholders and a weighted average number of shares outstanding during the period.

| | 1.1.-30.6.2025 | 1.1.-30.6.2024 |
|---|----------------|----------------|
| Loss attributable to Fossar shareholders | (1,354) | (131,205) |
| Weighted average no. of outstanding shares (thousand) | 613,590 | 520,773 |
| Earnings per share and diluted per share (in ISK) | (0.00) | (0.25) |

10. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:

| | 30.6.2025 | 31.12.2024 |
|------------------------------|-----------|------------|
| Trade receivables | 183,389 | 116,927 |
| Related parties | 248,492 | 3,111 |
| Prepaid expenses | 35,737 | 72,157 |
| Contingent revenue | 113,476 | 15,082 |
| Other receivables | 67,414 | 68,662 |
| Unsettled transactions | 9,189 | 713,268 |
| | 657,697 | 989,208 |

11. Derivatives

Derivatives are specified as follows:

| Assets: | 30.6.2025 | 31.12.2024 |
|-----------------------------|-----------|------------|
| Derivatives, equities | 186,001 | 113,267 |
| Derivatives, bonds | 35,397 | 5,273 |
| | 221,398 | 118,541 |
| Liabilities: | | |
| Derivatives, equities | 73,374 | 229,745 |
| Derivatives, bonds | 3,008 | 1,854 |
| | 76,382 | 231,599 |



Notes

12. Securities used for hedging

Fossar offers its clients exposures through derivative contracts on listed bonds and equities. To hedge these client exposures the bank holds the underlying securities which are accounted for on its balance sheet. The carrying amount of securities held for this purpose is as follows:

| | 30.6.2025 | 31.12.2024 |
|----------------------------------|------------------|------------------|
| Government bonds and bills | 3,197,117 | 1,068,281 |
| Equities | 2,525,786 | 4,721,242 |
| Other bonds | 299,821 | 313,318 |
| | <u>6,022,725</u> | <u>6,102,840</u> |

13. Loans to customers

Loans to customers are specified as follows:

| | 30.6.2025 | 31.12.2024 |
|----------------------------------|------------------|------------------|
| Loans to customers | 9,613,006 | 7,890,836 |
| Credit impairment on loans | (14,884) | (10,815) |
| | <u>9,598,122</u> | <u>7,880,021</u> |

Loans to customers includes both margin loans and credit loans and are all payable within 24 months. These loans are non-indexed and secured by liens on the borrowers' assets. Further analysis of loans to customers is provided in notes 21.8 and 21.9.

14. Financial instruments

Balance 30.6.2025

| | Depreciated cost | Fair value through income statement | Fair value through other comprehensive income | Total |
|---|-------------------|---|--|-------------------|
| Financial assets: | | | | |
| Cash | 927,983 | | | 927,983 |
| Other receivables (w/o prepaid expense) | 621,960 | | | 621,960 |
| Bonds | | 2,617,527 | 2,469,333 | 5,086,860 |
| Equities and other securities | | 493,801 | | 493,801 |
| Securities used for hedging | | 6,022,725 | | 6,022,725 |
| Loans to customers | 9,598,122 | | | 9,598,122 |
| Derivatives | | 221,398 | | 221,398 |
| | <u>11,148,065</u> | <u>9,355,451</u> | <u>2,469,333</u> | <u>22,972,849</u> |
| Financial liabilities: | | | | |
| Money market deposits | 10,682,225 | | | 10,682,225 |
| Issued bonds and bills | 4,222,401 | | | 4,222,401 |
| Borrowings | 3,350,000 | | | 3,350,000 |
| Other liabilities (w/o unpaid taxes) | 1,656,482 | | | 1,656,482 |
| Long-term borrowings | 21,549 | | | 21,549 |
| Derivatives | | 76,382 | | 76,382 |
| | <u>19,932,657</u> | <u>76,382</u> | <u>0</u> | <u>20,009,039</u> |



Notes

14. Financial instruments, contd.

Balance 31.12.2024

| | Depreciated cost | Fair value through income statement | Fair value through other comprehensive income | Total |
|---|-------------------|---|--|-------------------|
| Financial assets: | | | | |
| Cash | 134,795 | | | 134,795 |
| Other receivables (w/o prepaid expense) | 917,051 | | | 917,051 |
| Bonds | | 3,166,688 | 2,499,612 | 5,666,300 |
| Equities and other securities | | 469,019 | | 469,019 |
| Securities used for hedging | | 6,102,840 | | 6,102,840 |
| Loans to customers | 7,880,021 | | | 7,880,021 |
| Derivatives | | 118,541 | | 118,541 |
| | <u>8,931,866</u> | <u>9,857,089</u> | <u>2,499,612</u> | <u>21,288,567</u> |
| Financial liabilities: | | | | |
| Money market deposits | 10,663,421 | | | 10,663,421 |
| Issued bonds and bills | 4,387,399 | | | 4,387,399 |
| Borrowings | 2,700,000 | | | 2,700,000 |
| Other liabilities (w/o unpaid taxes) | 948,049 | | | 948,049 |
| Long-term borrowings | 23,394 | | | 23,394 |
| Derivatives | | 231,599 | | 231,599 |
| | <u>18,722,263</u> | <u>231,599</u> | <u>0</u> | <u>18,953,862</u> |

Fair value hierarchy

The bank uses the following hierarchy to determine the fair value of assets and liabilities. The fair value of financial assets in level 1 is based on the quoted prices in an active market for the relevant asset or similar assets. The fair value of financial assets in level 2 is based on market information other than quoted prices in an active market. The fair value of financial assets in level 3 is based on assumptions other than public market information.

The following table shows a breakdown of the carrying value of financial assets at fair value by valuation method:

| | | | | |
|--------------------------------------|-------------------|----------------|----------|-------------------|
| Breakdown 30.6.2025: | Level 1 | Level 2 | Level 3 | Total |
| Investment in listed companies | 2,935,530 | | | 2,935,530 |
| Investment in bonds | 8,583,798 | | | 8,583,798 |
| Derivatives | | 221,398 | | 221,398 |
| Total | <u>11,519,329</u> | <u>221,398</u> | <u>0</u> | <u>11,740,727</u> |
| Breakdown 2024: | Level 1 | Level 2 | Level 3 | Total |
| Investment in listed companies | 5,303,528 | | | 5,303,528 |
| Investment in bonds | 6,934,632 | | | 6,934,632 |
| Derivatives | | 118,541 | | 118,541 |
| Total | <u>12,238,160</u> | <u>118,541</u> | <u>0</u> | <u>12,356,701</u> |

The fair value of loans and receivables bearing fixed interest rates is assessed using the cash flow method, where the yield is based on the estimated market interest rate for the respective debt instrument on the reporting date. The fair value of issued bonds is ISK 3,7m lower than the year-end carrying value. The fair value of other financial assets and liabilities, including those with variable interest rates, is not considered significantly different from the year-end carrying value.



Notes

15. Deferred income tax asset

| | Asset (liability) | |
|--|-------------------|------------|
| | 30.6.2025 | 31.12.2024 |
| Balance at beginning of year | 377,667 | 177,516 |
| Income tax recognized as income for the year | 6,716 | 200,152 |
| Tax utilization of Skagi group | (249,078) | 0 |
| Balance at year-end | 135,306 | 377,667 |

The deferred income tax asset is specified as follows by individual items in the statement of financial position:

| | 30.6.2025 | 31.12.2024 |
|--|-----------|------------|
| Operating assets | 152 | (446) |
| Intangible assets | (1,823) | (2,332) |
| Lease liabilities and lease assets | 499 | 0 |
| Derivatives | (29,003) | 22,612 |
| Other items | 2,041 | 1,152 |
| Loss carry-forward | 163,440 | 356,682 |
| | 135,306 | 377,667 |

The Bank's loss carry-forward amounts to ISK 817,2 million and can be utilized until the end of 2032 - 2034.

16. Borrowings

| | 30.6.2025 | 31.12.2024 |
|-----------------------------|------------|------------|
| Money market deposits | 10,682,225 | 10,663,421 |
| Secured borrowings | 3,350,000 | 2,700,000 |
| | 14,032,225 | 13,363,421 |

Money market deposits typically have a principal of ISK 20 - 500 million and maturity between 1 week and 6 months and pay fixed interest rates.

Secured borrowings is incurred due to repurchase transactions that are part of the Bank's financing strategy.

17. Issued bond and bills

Balance 30.6.2025

| Issued bonds and bills | Issued | Maturity | Type and terms of interest | 30.6.2025 |
|------------------------|------------|------------|--------------------------------|-----------|
| FOS 25 0911 | 11.3.2025 | 11.9.2025 | Bill, discounted | 727,561 |
| FOS 25 1128 | 30.5.2025 | 28.11.2025 | Bill, discounted | 463,407 |
| FOS 26 1 | 10.7.2024 | 10.1.2026 | Bond, floating 1M Reibor +1.5% | 1,507,667 |
| FOS 281026 | 28.10.2024 | 28.10.2026 | Bond, fixed 9.2% | 1,523,767 |
| | | | | 4,222,401 |

Balance 31.12.2024

| Issued bonds and bills | Issued | Maturity | Type and terms of interest | 31.12.2024 |
|------------------------|------------|------------|--------------------------------|------------|
| FOS 25 0311 | 11.9.2024 | 11.3.2025 | Bill, discounted | 392,440 |
| FOS 25 0530 | 29.11.2024 | 30.5.2025 | Bill, discounted | 962,420 |
| FOS 26 1 | 10.7.2024 | 10.1.2026 | Bond, floating 1M Reibor +1.5% | 1,508,772 |
| FOS 281026 | 28.10.2024 | 28.10.2026 | Bond, fixed 9.2% | 1,523,767 |
| | | | | 4,387,399 |



Notes

18. Other liabilities

Trade and other payables are specified as follows:

| | 30.6.2025 | 31.12.2024 |
|---|------------------|------------------|
| Trade payables | 54,432 | 41,195 |
| Debts to related parties | 27,569 | 22,632 |
| Unpaid salaries and salary-related expenses | 176,696 | 135,003 |
| Unpaid capital gains tax | 395,629 | 248,035 |
| Clients collateral used for funding * | 429,091 | 594,039 |
| Other payables | 87,517 | 13,340 |
| Unsettled transactions | 881,177 | 141,841 |
| | <u>2,052,111</u> | <u>1,196,085</u> |

* The bank is authorized to use the collateral of certain clients for its own account.

19. Equity

The Bank's share capital amounted to 613,589,518 on 30 June 2025 according to the Bank's Articles of Association and is divided into an equal number of shares, each in the amount of ISK 1. On 31 March 2025, the Bank's share capital was increased by 23,110,928 shares in nominal value due to the merger with Íslensk verðbréf hf., effective as of 1 January 2025. With the share capital increase, the Bank's equity increased by ISK 207.4 million.

Other restricted equity is specified as follows at period-end:

| | Statutory reserve | Unrealized fair value changes | Total |
|--|----------------------|-------------------------------------|---------------|
| Balance at beginning 2024 | 51,367 | (1,489) | 49,877 |
| Contribution to statutory reserve | 16,560 | | 16,560 |
| Reclassification of fair value changes to income statement | | (5,121) | (5,121) |
| Unrealized fair value change | | (2,419) | (2,419) |
| Balance at beginning 2025 | 67,927 | (9,029) | 58,898 |
| Reclassification of fair value changes to income statement | | 12,880 | 12,880 |
| Unrealized fair value change | | (10,294) | (10,294) |
| Balance as at 30.6.2025 | <u>67,927</u> | <u>(6,443)</u> | <u>61,484</u> |

20. Capital ratio

The Bank's capital ratio is calculated according to the Act on Financial Undertakings. The capital adequacy requirements due to credit, market and operational risk is shown below, where credit risk is calculated using the standardized approach.

| | 30.6.2025 | 31.12.2024 |
|---|-------------------|------------------|
| Total equity at year-end | 2,892,652 | 2,683,967 |
| Deductions | (188,028) | (408,387) |
| Capital base | <u>2,704,624</u> | <u>2,275,580</u> |
| Risk weighted exposures: | | |
| Credit risk | 6,332,355 | 4,985,493 |
| Market risk | 2,460,880 | 2,128,398 |
| Operational risk | 2,518,431 | 2,518,318 |
| Total risk exposure amount | <u>11,311,666</u> | <u>9,632,209</u> |
| Capital ratio according to statutory provisions on capital ratios | 23.9% | 23.6% |



Notes

20. Capital ratio, contd.

The minimum required capital ratio of credit undertakings is 8% according to Article 84 of the Act No. 161/2002 on Financial Undertakings. Following the Supervisory Review and Evaluation Process, the bank shall as of 31 December 2024 maintain an additional capital requirement of 9.1% of the risk exposure amount. In addition to the minimum required capital base, the Bank must maintain certain capital buffers, specified by the Financial Supervisory Authority of the Central Bank of Iceland from time to time, which today consist of a countercyclical capital buffer and a capital conservation buffer, which total 5.0%. The banks overall capital requirement, taking into account capital buffers, is 22.1%.

21. Financial risk management

21.1 Risk management in general

The Bank has implemented a policy for coordinated risk management. Its purpose is to ensure that the Bank has an effective system of risk management that includes, among other things, analysing, measuring, controlling and monitoring the Bank's risks. The objective of the policy is to establish and define in a clear and straightforward manner risk policies, principles, governance structures, risk appetite and risk management systems, including the Bank's decision-making powers.

The Board of Directors establishes a framework for coordinated risk management and a written risk management policy. The Board of Directors is responsible for ensuring implementation of risk policies and that they are followed. The Board of Directors sets the risk appetite, including the Bank's criteria, objectives and targets, and establishes a framework for the CEO in accordance with the Board's approved criteria.

The CEO is responsible for the effective implementation of the Bank's risk policies and that they are followed. The CEO shall provide information to the Board on the Bank's risk-taking which is close to the risk appetite limits and inform the Board without delay if risk-taking exceeds the risk appetite.

The Chief Risk Officer is responsible for enforcing provisions related to risk management. Risk management ensures that the Bank's risk management system is managed, including policies and risk appetite, assists the Board and other divisions in the effective operation of risk management systems and monitors the Bank's overall risk profile.

The Bank's policy on equity and dividends is to ensure it has sufficient equity to fulfill its commitments and meet minimum own fund requirements despite potential setbacks.

The Board sets targets for the Bank's capital ratio as a part of establishing a risk appetite for the Bank. The calculation of the minimum own fund requirements is risk-based and takes into account all the main risks applicable to the Bank's operation. The Bank calculates its risk profile at least monthly in accordance with the Bank's risk policy and risk appetite.

21.2 Market risk

Market risk is the risk of loss or unfavourable change in financial position, which arise directly or indirectly from fluctuations in the market value of assets, provisions and financial instruments.

The main market risk factors that are specifically considered:

- Interest rate risk
- Equity risk
- Foreign exchange rate risk

21.3 Interest rate risk

Interest rate risk is the risk of loss from fluctuations in fair value of financial instruments due to changes in interest rates. The Bank is subject to interest rate risk due to mismatches in fixing of interest rates between assets and liabilities, as well as movements in market rates which affect to trading portfolio of the Bank. The Bank actively manages interest rate risk through balance sheet adjustments like duration matching. Governance frameworks, including risk limits and regular monitoring ensure risks remain within acceptable thresholds.



Notes

21. Financial risk management, contd.

Interest sensitivity analysis

The following table discloses the effect of 50 and 100 bp increase in interest rates on interest bearing assets would have on profit or loss and on equity at the reporting date. The sensitivity analysis is presented for interest bearing assets and is based on the presumption that all other variables remain constant. The sensitivity is presented post-tax and therefore reflects the effect on profit or loss and equity.

The effect on profit or loss and equity is the same since changes in the value of the underlying financial instruments are in no cases recognised directly in equity. A positive number indicates an increase in profit and equity. A decrease of interest rates would have the same effect in the opposite direction.

| | 30.6.2025 | | 31.12.2024 | |
|---|-----------|---------|------------|----------|
| | 50 bp | 100 bp | 50 bp | 100 bp |
| Impact on profit or loss and equity | (2,476) | (4,953) | (7,310) | (14,619) |

21.4 Equity risk and other price risks of market securities

Equity risk is the risk of loss due to changes in the price of equities.

The Bank's listed and unlisted equities are measured at fair value and therefore fluctuations in share prices have a considerable effect on investment income. The management of the Bank constantly monitors market developments to be able to react to changes in equity markets.

The Bank also invests in market debt securities to spread risk and even fluctuations in accordance with the Bank policy on investments.

| | 30.6.2025 | 31.12.2024 |
|--|-----------|------------|
| Equities and equity funds at fair value through profit or loss | 2,803,710 | 5,190,261 |
| Debt instruments and other securities at fair value through profit or loss | 5,470,483 | 7,047,899 |

The effect of 5% and 10% increases in the market value of equities and debt securities on profit or loss is disclosed below, net of 20% income tax. Accordingly, 5% and 10% decreases in market value would have the same effect but in the opposite direction.

| | 30.6.2025 | | 31.12.2024 | |
|--|-----------|---------|------------|---------|
| | 5% | 10% | 5% | 10% |
| Equities - impact on profit or loss | 112,148 | 224,297 | 207,610 | 415,221 |
| Debt securities - impact on profit or loss | 218,819 | 437,639 | 281,916 | 563,832 |

21.5 Foreign exchange rate risk

Foreign exchange rate risk is the risk of loss from fluctuations in the exchange rates of foreign currencies. It arises if there is a mismatch in position of assets and liabilities in individual foreign currencies.

The majority of the Bank's assets and liabilities are denominated in ISK, but the Bank also holds some foreign financial assets. Information regarding foreign currencies that have the largest impact on the Bank's operations is provided below.

The group manages foreign exchange risk by minimizing exposure and/or hedging positions.

Foreign exchange rate risk as at 30.6.2025:

| | Assets | Liabilities | Net position |
|-------------|---------|-------------|--------------|
| USD | 163,385 | 143,440 | 19,945 |
| CAD | 21,525 | 0 | 21,525 |
| EUR | 5,581 | 0 | 5,581 |
| GBP | 3,748 | 0 | 3,748 |
| SEK | 3,727 | 0 | 3,727 |
| Other | 6,904 | 0 | 6,904 |
| | 204,870 | 143,440 | 61,430 |



Notes

21. Financial risk management, contd.

Foreign exchange rate risk as at 31.12.2024:

| | Assets | Liabilities | Net position |
|-----------|------------------|------------------|---------------|
| USD | 727,299 | 708,316 | 18,983 |
| EUR | 601,112 | 585,760 | 15,352 |
| GBP | 4,323 | 0 | 4,323 |
| DKK | 1,310 | 0 | 1,310 |
| NOK | 16 | 0 | 16 |
| SEK | 3,596 | 0 | 3,596 |
| | 1,337,656 | 1,294,076 | 43,580 |

Sensitivity analysis

The following table discloses the effect of 5% and 10% strengthening of the ISK against the respective foreign currencies on profit or loss and equity. The analysis is based on the carrying amount of assets and liabilities denominated in those currencies at the reporting date. The table above discloses those foreign assets and liabilities on which the sensitivity analysis is based, which are mainly foreign denominated securities. The sensitivity analysis is based on the assumption that all other variables remain constant. It is based on post-tax effects, 20% income tax, and reflects the impact on profit or loss and equity. The negative impact on profit or loss and equity is the same since value changes of the underlying financial instruments are in no instances recognised directly in equity.

Impact on profit or loss and equity

| | 30.6.2025 | | 31.12.2024 | |
|-------------|-----------|-------|------------|-------|
| | 5% | 10% | 5% | 10% |
| USD | 798 | 1,596 | 759 | 1,519 |
| CAD | 861 | 1,722 | 614 | 1,228 |
| EUR | 223 | 446 | 173 | 346 |
| GBP | 150 | 300 | 52 | 105 |
| SEK | 149 | 298 | 1 | 1 |
| Other | 276 | 552 | | |

A weakening of the ISK against the above mentioned foreign currencies would have a positive impact on profit and equity.

21.6 Large exposures of the Bank

Large exposures of the bank before risk adjusted mitigation

A large exposure is defined as an exposure to a group of connected clients which exceeds 10% of the Banks Tier 1 capital. The legal maximum for an individual exposure is 25% of Tier 1, after credit risk mitigation.

The Bank has 4 large exposures at 1H end 2025, totalling 1.578 m ISK.

| | 30.6.2025 | | 31.12.2024 | |
|--|-----------|------------------|------------|----------------|
| | Number | Amount | Number | Amount |
| 10-20% of capital base | 4 | 1,578,379 | 3 | 944,830 |
| 20-25% of capital base | 0 | 0 | 0 | 0 |
| Exceeding 25% of capital base | 0 | 0 | 0 | 0 |
| | 4 | 1,578,379 | 3 | 944,830 |
| Large exposure net of risk adjusted mitigation | 4 | 1,578,379 | 3 | 944,830 |



Notes

21. Financial risk management, contd.

21.7 Liquidity risk

Liquidity risk is the risk that the Bank will not have enough liquid assets or is not able to sell assets in time and therefore encounter difficulty in meeting its financial obligations when due.

The liquidity position, its development as well as the impact of market conditions and future outlook is monitored on a regular basis. Particular emphasis is placed on there being always adequate liquid assets to meet expected payments of both claims and other liabilities. The Bank's expected payments are very well covered by its liquidity position.

It is part of the Bank's risk policy that each subsidiary adheres to its own liquidity risk policy.

Liquidity risk of financial services activities is specified as follows:

The main measure of the Bank's liquidity risk is the liquidity coverage ratio (LCR) as defined in Rules No. 1520/2022 of the Central Bank of Iceland and the bank adheres to prudent internal standards regarding the minimum liquidity coverage ratio. Fossar liquidity coverage ratio was 209% on 30.06.2025, while the minimum liquidity coverage ratio according to the CBI's rules is 100%.

Time analysis of assets and liabilities

The tables show non-discounted contractual interest and principal payments in respect of the Banks financial liabilities and assets. The aggregates for each liability and asset type are therefore higher than the corresponding figures in the consolidated statement of financial position. For contractual obligations, amounts are broken down by period depending on when contractual principal payments and estimated interest payments occur. Liabilities which do not have a contractual maturity date are classified based on the assumption that the customer will demand payment from the Bank at the first opportunity.

Balance 30.6.2025

| Assets | 0-3 months | 4-6 months | 7-12 months | 1-5 years | Over 5 years | Total |
|---------------------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|
| Current receivables | 657,697 | 0 | 0 | 0 | 0 | 657,697 |
| Cash and cash equivalents | 927,983 | 0 | 0 | 0 | 0 | 927,983 |
| Derivatives | 221,398 | 0 | 0 | 0 | 0 | 221,398 |
| Securities | 6,042,643 | 0 | 0 | 3,526,038 | 1,560,822 | 11,129,502 |
| Loans to customers | 5,317,484 | 1,900,501 | 2,038,635 | 356,166 | 0 | 9,612,786 |
| | <u>13,167,205</u> | <u>1,900,501</u> | <u>2,038,635</u> | <u>3,882,204</u> | <u>1,560,822</u> | <u>22,549,367</u> |
| Liabilities | | | | | | |
| Money market deposits | 10,297,522 | 104,111 | 0 | 0 | 0 | 10,401,633 |
| Issued bonds and bills | 740,000 | 480,000 | 1,500,000 | 1,500,000 | 0 | 4,220,000 |
| Borrowings | 3,355,309 | 0 | 0 | 0 | 0 | 3,355,309 |
| Derivatives | 76,382 | 0 | 0 | 0 | 0 | 76,382 |
| Other liabilities | 2,052,111 | 0 | 0 | 0 | 0 | 2,052,111 |
| | <u>16,521,323</u> | <u>584,111</u> | <u>1,500,000</u> | <u>1,500,000</u> | <u>0</u> | <u>20,105,434</u> |

Balance 31.12.2024

| Assets | 0-3 months | 4-6 months | 7-12 months | 1-2 years | Over 5 years | Total |
|---------------------------------|-------------------|------------------|------------------|------------------|-----------------|-------------------|
| Current receivables | 1,359,216 | 0 | 0 | 0 | 0 | 1,359,216 |
| Cash and cash equivalents | 138,777 | 0 | 0 | 0 | 0 | 138,777 |
| Derivatives | 118,541 | 0 | 0 | 0 | 0 | 118,541 |
| Securities | 6,338,280 | 2,520,442 | 0 | 2,539,308 | 606,551 | 12,004,580 |
| Loans to customers | 4,461,531 | 1,171,869 | 2,073,951 | 577,326 | 0 | 8,284,677 |
| | <u>12,416,343</u> | <u>3,692,311</u> | <u>2,073,951</u> | <u>3,116,634</u> | <u>606,551</u> | <u>21,905,790</u> |
| Liabilities | | | | | | |
| Money market deposits | 10,140,691 | 627,522 | 0 | 0 | 0 | 10,768,213 |
| Issued bonds and bills | 400,000 | 1,000,000 | 0 | 3,402,554 | 0 | 4,802,554 |
| Borrowings | 2,700,000 | 0 | 0 | 0 | 0 | 2,700,000 |
| Derivatives | 231,599 | 0 | 0 | 0 | 0 | 231,599 |
| Other liabilities | 1,050,997 | 0 | 0 | 0 | 0 | 1,050,997 |
| | <u>14,523,288</u> | <u>1,627,522</u> | <u>0</u> | <u>3,402,554</u> | <u>0</u> | <u>19,553,364</u> |



Notes

21. Financial risk management, contd.

21.8 Credit risk of financial activities

Credit risk is the risk that counterparties will not be able to meet their obligations, that will result in losses on financial instruments. The main sources of credit risk are loans to customers, deposits with other financial institutions and derivatives. Management regularly monitors the development of assets related to credit risk, and the company has implemented policies and rules aimed at minimizing the likelihood of credit losses by, e.g., imposing stricter requirements for security and choosing counterparties diligently. The underlying collateral is not taken into account when estimating the maximum credit risk.

The maximum exposure to credit risk corresponds to the carrying amounts disclosed below:

| | 30.6.2025 | 31.12.2024 |
|---|-------------------|-------------------|
| Cash and cash equivalents | 927,983 | 134,795 |
| Other receivables (without prepaid expense) | 621,960 | 917,051 |
| Securities used for hedging | 6,022,725 | 6,102,840 |
| Loans to customers | 9,598,122 | 7,880,021 |
| | <u>17,170,790</u> | <u>15,034,707</u> |

Cash and cash equivalents are bank deposits with financial institutions that the bank considers to be trustworthy, and management therefore assesses the credit risk of cash and cash equivalent as being insignificant. Securities consist of government bonds and government bills where the credit risk is considered insignificant. Management assesses credit risk due to accounts receivables, other receivables, receivables from related entities and loans to customers on a case-by-case basis based on individual customers and receivables as there are relatively few debtors.

The table below shows the nominal value of financial assets and write-downs by age (number of days past maturity) and classification:

| | Nominal value of claim | Expected credit losses agreements | Booked balance at year-end |
|--------------------------|------------------------------|---|----------------------------------|
| 30.6.2025 | | | |
| Not yet due | 9,613,006 | (14,884) | 9,598,122 |
| Default 31-60 days | 0 | 0 | 0 |
| Default 61-90 days | 0 | 0 | 0 |
| Default >90 days | 0 | 0 | 0 |
| | <u>9,613,006</u> | <u>(14,884)</u> | <u>9,598,122</u> |
| 31.12.2024 | | | |
| Not yet due | 7,890,836 | (10,815) | 7,880,021 |
| Default 31-60 days | 0 | 0 | 0 |
| Default 61-90 days | 0 | 0 | 0 |
| Default >90 days | 0 | 0 | 0 |
| | <u>7,890,836</u> | <u>(10,815)</u> | <u>7,880,021</u> |



Notes

21. Financial risk management, contd.

On and off balance sheet exposure

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

| | Public entities | Financial institutions | Corporate customers | Individuals | Total |
|---------------------------------|--------------------|---------------------------|------------------------|-------------|-------------------|
| 30.6.2025 | | | | | |
| Cash and cash equivalents | 0 | 927,983 | 0 | 0 | 927,983 |
| Derivatives | 0 | 0 | 221,398 | 0 | 221,398 |
| Fixed income securities | 8,583,822 | 0 | 0 | 0 | 8,583,822 |
| Loans to customers | 0 | 0 | 9,598,122 | 0 | 9,598,122 |
| | <u>8,583,822</u> | <u>927,983</u> | <u>9,819,521</u> | <u>0</u> | <u>19,331,325</u> |
| 31.12.2024 | | | | | |
| Cash and cash equivalents | 0 | 134,795 | 0 | 0 | 134,795 |
| Derivatives | 0 | 0 | 118,541 | 0 | 118,541 |
| Fixed income securities | 7,008,612 | 44,560 | 0 | 0 | 7,053,173 |
| Loans to customers | 0 | 783,746 | 7,096,274 | 0 | 7,880,021 |
| | <u>7,008,612</u> | <u>963,101</u> | <u>7,214,815</u> | <u>0</u> | <u>15,186,529</u> |



Notes

21. Financial risk management, contd.

21.9 Credit quality of financial assets

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

| | Claim value | Impairment to expected credit loss | Carrying amount | Allocated collateral | | | | | |
|------------------------------------|-------------|------------------------------------|-----------------|----------------------|----------|------------------------------------|-------------------------------------|--|-----------|
| | | | | Total collateral | Deposits | Listed securities and liquid funds | Unlisted securities and other funds | Commercial and residential real estate | Other |
| 30.6.2025 | | | | | | | | | |
| Public entities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial institutions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Real estate activities | 3,797,006 | 9,414 | 3,787,591 | 8,982,980 | 52,827 | 3,410,197 | 1,982,017 | 2,177,940 | 1,360,000 |
| Construction | 228,342 | 165 | 228,176 | 1,573,020 | 0 | 0 | 228,000 | 1,024,770 | 320,250 |
| Service activities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Activit. | 246,251 | 431 | 245,820 | 2,243,894 | 3,175 | 0 | 1,940,719 | 300,000 | 0 |
| Activities of Holding Companies .. | 4,041,986 | 3,698 | 4,038,288 | 7,861,592 | 161,051 | 4,074,276 | 2,373,602 | 1,116,700 | 135,963 |
| Wholesale and Retail Trade | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 1,299,421 | 1,175 | 1,298,246 | 7,879,193 | 153,617 | 421,631 | 5,669,800 | 185,000 | 1,449,145 |
| Individuals | | | | | | | | | |
| | 9,613,006 | 14,884 | 9,598,122 | 28,540,679 | 370,670 | 7,906,104 | 12,194,137 | 4,804,410 | 3,265,358 |
| 31.12.2024 | | | | | | | | | |
| Public entities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial institutions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Real estate activities | 3,129,150 | (5,540) | 3,123,610 | 7,188,322 | 0 | 2,937,682 | 1,120,800 | 1,701,940 | 1,427,900 |
| Construction | 254,363 | (634) | 253,729 | 1,559,250 | 0 | 0 | 228,000 | 1,264,000 | 67,250 |
| Service activities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Activit. | 235,024 | (649) | 234,375 | 2,551,335 | 0 | 0 | 2,091,335 | 460,000 | 0 |
| Activities of Holding Companies .. | 3,079,210 | (2,607) | 3,076,603 | 7,988,212 | 190,078 | 3,479,218 | 2,896,226 | 569,000 | 853,690 |
| Wholesale and Retail Trade | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 1,193,089 | (1,385) | 1,191,704 | 2,956,928 | 250,299 | 860,829 | 1,120,800 | 185,000 | 540,000 |
| Individuals | | | | | | | | | |
| | 7,890,836 | (10,815) | 7,880,021 | 22,244,047 | 440,377 | 7,277,729 | 7,457,161 | 4,179,940 | 2,888,840 |



Notes

21. Financial risk management, contd.

b. Collateral against exposures to derivatives

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

| | Market value of collateral | | | |
|------------------------------|----------------------------|-------------------------|----------------------------|------------------|
| | Deposits | Fixed income Securities | Variable income securities | Total collateral |
| 30.6.2025 | | | | |
| Financial institutions | 93,504 | 537,250 | 226,121 | 856,875 |
| Corporate customers | 117,173 | 731,326 | 498,938 | 1,347,437 |
| Individuals | 5,000 | 3,844 | 0 | 8,844 |
| | 215,677 | 1,272,420 | 725,059 | 2,213,157 |
| 31.12.2024 | | | | |
| Financial institutions | 173,112 | 180,761 | 495,750 | 849,623 |
| Corporate customers | 186,150 | 1,239,908 | 2,426,416 | 3,852,475 |
| Individuals | 0 | 0 | 0 | 0 |
| | 359,262 | 1,420,669 | 2,922,166 | 4,702,097 |

c. Credit quality of loans to customers 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 and band IV the highest credit risk. The Bank has primarily used adjusted external credit ratings to assess the default probability of its customers.

Credit quality of financial assets by credit quality band:

30.6.2025

| Loans to customers: | Stage 1 | Stage 2 | Stage 3 | Total |
|-------------------------------|------------------|----------|----------|------------------|
| Credit quality band I | 6,840,777 | | | 6,840,777 |
| Credit quality band II | 1,554,391 | | | 1,554,391 |
| Credit quality band III | 603,466 | | | 603,466 |
| Credit quality band IV | 614,371 | | | 614,371 |
| In default | 0 | | | 0 |
| Non-Rated | 0 | | | 0 |
| Gross carrying amount | 9,613,006 | 0 | 0 | 9,613,006 |
| Expected credit loss | (14,884) | | | (14,884) |
| Book value | <u>9,598,122</u> | <u>0</u> | <u>0</u> | <u>9,598,122</u> |

31.12.2024

| | | | | |
|-------------------------------|------------------|----------|----------|------------------|
| Loans to customers: | | | | |
| Credit quality band I | 7,760,750 | | | 7,760,750 |
| Credit quality band II | 130,086 | | | 130,086 |
| Credit quality band III | 0 | | | 0 |
| Credit quality band IV | 0 | | | 0 |
| In default | 0 | | | 0 |
| Non-Rated | 0 | | | 0 |
| Gross carrying amount | 7,890,836 | 0 | 0 | 7,890,836 |
| Expected credit loss | (10,815) | | | (10,815) |
| Book value | <u>7,880,021</u> | <u>0</u> | <u>0</u> | <u>7,880,021</u> |



Notes

21. Financial risk management, contd.

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

| | Claim value | Expected credit loss | Book value |
|-----------------------------------|------------------|-------------------------|------------------|
| 30.6.2025 | | | |
| Not past due | 9,613,006 | (14,884) | 9,598,122 |
| Past due 1-30 days | 0 | 0 | 0 |
| Past due 31-60 days | 0 | 0 | 0 |
| Past due 61-90 days | 0 | 0 | 0 |
| Past due 91-180 days | 0 | 0 | 0 |
| Past due 181-360 days | 0 | 0 | 0 |
| Past due more than 360 days | 0 | 0 | 0 |
| | <u>9,613,006</u> | <u>(14,884)</u> | <u>9,598,122</u> |
| 31.12.2024 | | | |
| Not past due | 7,890,836 | (10,815) | 7,880,021 |
| Past due 1-30 days | 0 | 0 | 0 |
| Past due 31-60 days | 0 | 0 | 0 |
| Past due 61-90 days | 0 | 0 | 0 |
| Past due 91-180 days | 0 | 0 | 0 |
| Past due 181-360 days | 0 | 0 | 0 |
| Past due more than 360 days | 0 | 0 | 0 |
| | <u>7,890,836</u> | <u>(10,815)</u> | <u>7,880,021</u> |

e. Allowance for expected credit loss on loans to customers and on loan commitments, guarantees and unused credit facilities during the period

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. Changes from stage 1 to stage 2 occur when there has been a significant increase in credit risk. A transfer from stage 1 and 2 to stage 3 occurs when there is an objective indication of impairment. Transfer from stage 3 occurs when there is no longer an objective indication of impairment. Transfer from stage 2 to stage 1 occurs when the credit risk has decreased and is no longer considered to have significantly increased since the initial classification.

| | | | | |
|--|---------------|----------|----------|---------------|
| 30.6.2025 | | | | |
| Transfer of financial assets: | Stage 1 | Stage 2 | Stage 3 | Total |
| Balance as at 1.1.2025 | 10,815 | | | 10,815 |
| Transfer to Stage 1 | 0 | | | 0 |
| Transfer to Stage 2 | 0 | | | 0 |
| Transfer to Stage 3 | 0 | | | 0 |
| Net remeasurement of loss allowance | (2,479) | | | (2,479) |
| New financial assets, origin. or purch. | 7,142 | | | 7,142 |
| Derecognitions and maturities | (594) | | | (594) |
| Write-offs | 0 | | | 0 |
| Balance as at 30.6.2025 | <u>14,884</u> | <u>0</u> | <u>0</u> | <u>14,884</u> |
| 31.12.2024 | | | | |
| Transfer of financial assets: | | | | |
| Balance as at 1.1.2024 | 0 | | | 0 |
| Transfer to Stage 1 | 0 | | | 0 |
| Transfer to Stage 2 | 0 | | | 0 |
| Transfer to Stage 3 | 0 | | | 0 |
| Net remeasurement of loss allowance | 2,646 | | | 2,646 |
| New financial assets, origin. or purch. | 8,169 | | | 8,169 |
| Derecognitions and maturities | 0 | | | 0 |
| Write-offs | 0 | | | 0 |
| Balance as at 31 December 2024 | <u>10,815</u> | <u>0</u> | <u>0</u> | <u>10,815</u> |



Notes

21. Financial risk management, contd.

f. Loan-to-value

The loan-to-value ratio (LTV) is the ratio of the gross amount of the loan to the value of the collateral, if any, for the loans to customers of the Bank. 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 Bank uses other risk mitigation measures, such as guarantees, negative pledge, cross-collateral and collateralization of non-quantifiable assets.

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

| | 30.6.2025 | % | 31.12.2024 | % |
|--------------------------------------|------------------|-------------|------------------|-------------|
| Less than 50% | 2,497,432 | 26.0% | 2,642,171 | 33.5% |
| 51-70% | 2,903,206 | 30.2% | 3,696,008 | 46.9% |
| 71-90% | 3,693,797 | 38.5% | 1,504,511 | 19.1% |
| 91-100% | 503,687 | 5.2% | 37,331 | 0.5% |
| 101-125% | 0 | 0% | 0 | 0% |
| 126-200% | 0 | 0% | 0 | 0% |
| Greater than 200% | 0 | 0% | 0 | 0% |
| No or negligible collateral: | 0 | 0% | 0 | 0% |
| Other loans with no collateral | 0 | 0% | 0 | 0% |
| | <u>9,598,122</u> | <u>100%</u> | <u>7,880,021</u> | <u>100%</u> |

21.10 Operational risk

Operational risk consists of all risks that are related to regular operations of the Bank and is defined as a risk of direct or indirect loss due to insufficient or faulty internal systems or working procedures, conduct of employees or external factors, such as legal risk. The Bank's policy is to reduce operational risk, taking the cost and effectiveness of preventive measures into account.

The main components of operational risk are the following:

- Organisational structure
- Documentation and contracting
- Information technology
- Employees
- External events

21.11 Internal management and control

The Bank's policy is to have a well-organized and reliable internal control framework. The framework is articulated by the Board, their management and employees and is designed to give reasonable assurance of the achievement of the Bank's objectives on:

- Performance and efficiency of operations (operational targets)
- Reliability of information data (accurate information target)
- Compliance with laws and regulations (compliance target)

To achieve those objectives, the Bank's internal management and control systems are divided into the following five components:

- Control environment
- Risk assessment
- Control procedures
- Information and communication
- Management controls



Notes

22. Assets under management

The Company has assets under management for clients as well as assets in foreign funds in the amount of ISK 56,2 billion (2024 ISK 49,4 billion). These assets are not recorded in the Company's Statement of Financial Position.

23. Approval of Condensed Interim Financial Statements

These Condensed Interim Financial Statements were approved by the Board of Directors of the Bank on 17 July 2025.