

# Fossar Investment Bank

## Annual Financial Statements

### 2025



**FOSSAR**

Fossar fjárfestingarbanki hf.  
Ármúli 3  
108 Reykjavík  
Reg. no. 660907-0250



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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. Fossar provides customised and personalised services to clients and is at the forefront when it comes to connecting Icelandic businesses with the international investment environment. Fossar is a progressive investment bank that emphasises professionalism, results and trust. The headquarters of Fossar Investment Bank are in Reykjavík.

Financial Statements of Fossar fjárfestingarbanki hf. for the year 2025 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional Icelandic disclosure requirements.

## Activities in 2025

The year 2025 marked the Bank’s second full year of operations as part of the Skagi Group. Fossar is a subsidiary of Skagi hf. (“Skagi”), which is listed on Nasdaq Iceland’s Main Market. Other affiliated entities within the group include VÍS tryggingar hf. (“VIS”) and Íslensk verðbréf hf. (formerly SIV eignastýring hf.), collectively referred to as the Skagi Group.

Following Skagi’s acquisition of Íslensk verðbréf hf. (“ÍV”) in late 2024, ÍV’s brokerage and custody activities and related assets and liabilities were merged into Fossar and the asset and fund management of SIV eignastýring hf. were merged with ÍV sjóðir hf. These mergers were completed on 31 March 2025 and were effective as of 1 January 2025.

The Bank’s share capital amounted to 613,589,518 as of 31 December 2025. The Bank’s share capital was increased by 23.1 million shares in nominal value on 31 March 2025 due to the merger with ÍV, all of which were allocated to Skagi. The share capital increase resulted in a total equity increase of ISK 207 million for the Bank, effective from 1 January 2025.

The Board of Directors of the Bank was re-elected at the Annual General Meeting of Fossar on 25 March 2025, with no changes made to its composition. At a shareholders’ meeting held on 8 May 2025, Vilhjálmur Egilsson was elected to the alternate Board of Directors, replacing Brynjar Þór Hreinsson.

On 6 October 2025 the Board of Directors of Skagi and Íslandsbanki hf. approved the initiation of formal merger negotiations, and both parties signed heads of terms to that effect. Merger discussions remain subject to a final merger contract upon which shareholders’ approvals and relevant supervisory authority approvals will also be required, e.g. competition and financial supervisory authorities. Further reference is made to the information provided in Skagi’s Consolidated Financial Statements and its public announcements.

## Operations in 2025

The Bank’s net operating income amounted to ISK 2,301 million during the year and increased by ISK 544 million between years. The Bank’s profit for the year amounted to ISK 286 million (2024: profit of ISK 166 million). The Bank’s total assets at year-end amounted to ISK 25,499 million (2024: ISK 21,886 million) and equity was ISK 3,182 million (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 24.0% at year-end. The Bank’s Board of Directors proposes to the Annual General Meeting that no dividend be paid to shareholders in 2026 in respect of the 2025 operating year and refers to the annual financial statements for other changes in the equity account.

The number of the employees at the Bank during the year, converted into full-time positions (annual working units), was 31 (2024: 34). The total cost of salaries and salary-related expenses to employees, the CEO and the Board was ISK 1,075 million (2024: ISK 920 million). At year-end 2025, the Bank had 31 full-time employees (2024: 3), 29% women and 71% men.

## External environment and future outlook

The Central Bank of Iceland estimates that the economy grew by 1.3% in 2025. Inflation continued to ease from the previous year but remained above target, measuring between 3.7% to 4.5% in 2025. GDP growth is expected to increase in 2026 and measure 2.0% before approaching a long-term trend near 2.5%. Inflation rose sharply at the turn of the year and measured 5.2% in January. While this is partly due to higher taxes, high inflation readings have delayed interest rate cuts to the second half of the year.



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

Inflation is forecast to measure 3.8% at the end of 2026. Market agents' expectations are also at 3.8% and they think the CBI's policy rate will fall to 6.5% by year-end before stabilising closer to long term averages.

The Nasdaq OMXI15GI finished 2025 up 0.4%, driven by an 8.8% gain in the fourth quarter that offset a 7.7% decline over the first nine months. The ISK appreciated by almost 4% in the first half of 2025 but reverted in the autumn, which prompted the Central Bank of Iceland to stop regular purchases of foreign currency as reserves reached target levels. It has appreciated slightly in the start of 2026.

Global economic uncertainty is elevated while trade disputes are ongoing. However, the external environment is positive with GDP growth in Iceland's main trading partners measuring 1.9% between years in Q3 2025 and forecast at 1.6% this year.

### Share capital and shareholders

At year-end 2025, all of Fossar's share capital was owned by two parties. The Bank's share capital according to its Articles of Association was ISK 613.6 million at year-end versus ISK 590.5 million at the beginning of the year. The Bank's share capital was increased by ISK 23.1 million in 2025.

Shareholders at year-end are:

	Interest	Shares
Skagi hf .....	100%	613.589.517
Skagi ehf.....	0%	1

### Risk management

The management of risk is a fundamental part of day-to-day operations, and methods for risk management are reviewed regularly considering 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 30 of the annual financial statements.

### Corporate Governance

The Bank's management believes that practicing good Corporate Governance is vital for the Bank's operations and is in the best interests of shareholders, employees and other stakeholders, and will in the long run produce satisfactory returns on shareholders' investment. Corporate Governance exercised within Fossar ensures sound and effective control of the Bank's affairs and highly ethical business practices.

The framework for Corporate Governance practices within the Bank is informed by the provisions of law, the Company's Articles of Association, general securities regulations, and the Icelandic Corporate Governance guidelines issued by the Iceland Chamber of Commerce, Nasdaq Iceland, and the Confederations of Icelandic Employers. These Corporate Governance practices ensure open and transparent relationships between the Bank's management, its Board of Directors, its shareholders, and other stakeholders.

The Board of Directors has prepared a Corporate Governance Statement in compliance with the Icelandic Corporate Governance guidelines which are described in full in the Corporate Governance Statement in the Financial Statements, see page 41. It is the opinion of the Board of Directors that Fossar complies with the Icelandic guidelines for Corporate Governance.

### Non-financial disclosure

Fossar is a public interest entity according to Act no. 3/2006 on Annual Accounts. Under this Act, Fossar must provide information necessary to evaluate its development, scope, position and impact in relation to environmental, social and human resource matters, its human right policies, its measures to prevent corruption and bribery, as well as a brief description of the company's business model and other relevant aspects. Pursuant to Article 66 d (5) of Act No. 3/2006 on Annual Accounts, the disclosure of the Bank's non-financial information and information in accordance with EU Taxonomy Regulation is reported on a group-level for 2025 by Fossar's parent company Skagi hf.

Non-financial and sustainability reporting for the Skagi Group can be found in appendix 1 (Non-financial and sustainability reporting) and information on accordance with EU Taxonomy Regulation in appendix 2 (EU Taxonomy) to Skagi's consolidated financial statement for the year 2025. Furthermore, non-financial disclosure on the Skagi Group and each



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

subsidiary can also be found in Skagi's Annual and Sustainability Report for 2025 which will be published on Skagi's website ([www.skagi.is](http://www.skagi.is)).

### Statement by the Board of Directors and the CEO

Fossar's annual 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 annual financial statements give a true and fair view of the Bank's assets, liabilities, financial position and financial performance for the year 2025. In addition, it is the opinion of the Board of Directors and the CEO that the annual financial statements and the report and endorsment by the Board of Directors and CEO, 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 annual financial statements for the year 2025 and confirmed them with their signatures. The Board of Directors proposes to the Annual General Meeting that the annual financial statements be approved.

Reykjavik, 17 February 2026

### Board of Directors

Haraldur I. Þórðarson, Chairman of the Board

Anna Baldursdóttir

Guðný Arna Sveinsdóttir

Kolbeinn Arinbjarnarson

Marta Guðrún Blöndal

### CEO

Steingrímur Arnar Finnsson



# Independent Auditor's Report

To the Board of Directors and Shareholders of Fossar fjárfestingarbanki hf.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Fossar fjárfestingarbanki hf. ("the Bank"), which comprise the statement of financial position as at 31 December 2025, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

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

Our opinion is consistent with the additional report submitted to the Audit Committee and the Board of Directors.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to audits of the financial statements of public interest entities in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services, as referred to in Article 5(1) of the Regulation (EU) 537/2014 and that we remained independent in conducting the audit.

We were first appointed as auditors by the Annual General Meeting on april 17, 2015. We have been re-appointed by resolutions passed by the annual general meeting uninterrupted since then.

### Key Audit Matters

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

Key Audit Matters	The Audit
<p><b>Fee and commission income</b></p> <p>The Company's revenue recognition is complicated and is subdivided to many revenue streams. Fee and commission income is disclosed in notes 5 and 34.2. Fee and commission income amounted to ISK 1.768 million in the year 2025, or 77% of net operating income.</p> <p>Revenue recognition is a key audit matter in the audit of the financial statements due to the volume of transactions and complicated registration of revenues.</p>	<p>Our audit procedures focused on evaluating the completeness, existence and accuracy of revenue recognition, as well as the design and implementation of controls.</p> <ul style="list-style-type: none"> <li>• We inspected reconciliations between sub-systems and general ledger related to revenue.</li> <li>• We sampled revenue throughout the year to assess the integrity and accuracy of revenue recognition.</li> <li>• We used data and analytics tool to analyze revenues to identify unusual revenue entries for further examination.</li> <li>• We assessed access rights to the Company's accounting system.</li> <li>• We confirmed, on a sampling basis, that revenue recorded close to reporting date were recorded in the right period.</li> </ul>



## Independent Auditor's Report, contd.:

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

The Board of Directors and CEO are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the European Union and additional disclosure requirements for listed companies in Iceland, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and CEO are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and CEO are responsible for overseeing the Company's financial reporting process.

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

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

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

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

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

We also provide The Board of Directors and audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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



## Independent Auditor's Report, contd.:

### Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the financial statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the financial statements.

Reykjavík, February 17, 2026

KPMG ehf.

Sigríður Soffía Sigurðardóttir



# Income Statement

## For the year 2025

	Notes	2025	2024
<b>Operating income</b>			
Interest income .....		2.146.439	1.581.272
Interest expense .....		<u>(1.690.181)</u>	<u>(1.345.232)</u>
<b>Net interest income</b>	4	456.258	236.040
Fee and commission income .....		1.767.653	1.433.491
Fee and commission expense .....		<u>(79.012)</u>	<u>(58.371)</u>
<b>Net fee and commission income</b>	5	1.688.641	1.375.119
Net financial income (expense) .....	6	151.907	121.521
Other income .....		<u>4.138</u>	<u>23.892</u>
<b>Other operating income</b>		156.045	145.413
<b>Net operating income</b>		2.300.943	1.756.573
Operating expense .....	7	(2.000.076)	(1.679.486)
Net credit impairment .....	17	(6.627)	(10.815)
Depreciation .....	8	<u>(72.658)</u>	<u>(100.825)</u>
		(2.079.361)	(1.791.126)
<b>Profit (loss) before taxes</b>		221.582	(34.553)
Income tax .....	10	<u>64.753</u>	<u>200.152</u>
<b>Profit for the year</b>		<u><u>286.335</u></u>	<u><u>165.598</u></u>
<b>Profit per share</b>	12		
Profit per share and diluted per share (in ISK) .....		0,47	0,31

The notes on pages 15-40 are an integral part of these financial statements.



## Statement of Comprehensive Income

### For the year 2025

	Notes	2025	2024
<b>Profit for the year</b>		<u>286.335</u>	<u>165.598</u>
<b>Other comprehensive profit (loss)</b>			
<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>(8.483)</u>	<u>(2.419)</u>
<b>Total comprehensive profit for the year</b>		<u>290.732</u>	<u>158.059</u>

The notes on pages 15-40 are an integral part of these financial statements.



# Statement of Financial Position

## As at 31.12.2025

<b>Assets:</b>	<b>Notes</b>	<b>31.12.2025</b>	<b>31.12.2024</b>
Cash and cash equivalents .....	13	496.987	134.795
Trade receivables and other receivables .....	14,18	2.364.104	989.208
Derivatives .....	15	162.132	118.541
Bonds .....	18	6.517.934	5.666.300
Equities and other securities .....	18	516.799	469.019
Securities used for hedging .....	16,18	3.109.524	6.102.840
Loans to customers .....	17,18	11.836.508	7.880.021
Operating and intangible assets .....	19,20,21	266.880	105.106
Investment in subsidiaries .....	22	46.367	42.367
Deferred income tax .....	26	181.965	377.667
<b>Total assets</b>		<b><u>25.499.201</u></b>	<b><u>21.885.865</u></b>
<b>Liabilities and equity:</b>			
<b>Liabilities</b>			
Borrowings .....	23	12.272.015	13.363.421
Issued bonds and bills .....	24	8.610.879	4.387.399
Derivatives .....	15	254.981	231.599
Other liabilities .....	18,25	993.784	1.196.085
Lease liabilities .....	19	165.813	0
Long-term borrowings .....		19.575	23.394
<b>Total liabilities</b>		<b><u>22.317.048</u></b>	<b><u>19.201.898</u></b>
<b>Equity</b>			
Share capital .....	27	613.590	590.479
Share premium .....		1.885.552	1.885.552
Other restricted equity .....		63.295	58.898
Retained earnings .....		619.717	149.039
<b>Total equity</b>		<b><u>3.182.153</u></b>	<b><u>2.683.967</u></b>
<b>Total liabilities and equity</b>		<b><u>25.499.201</u></b>	<b><u>21.885.865</u></b>

The notes on pages 15-40 are an integral part of these financial statements.



# Statement of Changes in Equity

## For the year 2025

	Notes	Share capital	Share premium	Other restricted equity*	Retained earnings	Total equity
<b>1 January 2024</b>	27	520.773	1.355.258	49.877	0	1.925.908
Profit for the year 2024.....					165.598	165.598
Reclassification of fair value changes to income statement.....				(5.121)		(5.121)
Unrealized fair value changes.....				(2.419)		(2.419)
<b>Total comprehensive profit for the year.....</b>		<b>0</b>	<b>0</b>	<b>(7.539)</b>	<b>165.598</b>	<b>158.059</b>
<i>Transactions with owners of the Bank</i>						
New shares issued.....		69.706	530.294			600.000
Contribution to statutory reserve.....				16.560	(16.560)	0
<b>31 December 2024</b>		<b>590.479</b>	<b>1.885.552</b>	<b>58.898</b>	<b>149.039</b>	<b>2.683.967</b>
Profit for the year 2025.....					286.335	286.335
Reclassification of fair value changes to income statement.....				12.880		12.880
Unrealized fair value changes.....				(8.483)		(8.483)
<b>Total comprehensive profit for the year.....</b>		<b>0</b>	<b>0</b>	<b>4.397</b>	<b>286.335</b>	<b>290.732</b>
<i>Transactions with owners of the Bank</i>						
Merger with Íslensk verðbréf.....	11	23.111			184.343	207.454
Contribution to statutory reserve.....				28.634	(28.634)	0
<b>31 December 2025</b>		<b>613.590</b>	<b>1.885.552</b>	<b>91.928</b>	<b>591.083</b>	<b>3.182.153</b>

\*Other restricted equity consists of statutory reserves and unrealized share of the profit of subsidiaries. See more details in note 27.

The notes on pages 15-40 are an integral part of these financial statements.



# Statement of Cash Flow

## For the year 2025

	Notes	2025	2024
<b>Operating activities</b>			
Profit for the year .....		286.335	165.598
<i>Adjustments to reconcile net earnings to net cash provided</i>			
Depreciation and impairment .....	8	72.658	100.825
Profit on sale of equipment .....		0	(3.420)
Securities revaluation (Derivatives) .....		(15.813)	33.139
Financial items .....		(454.509)	(232.945)
Income tax, change .....	10	(64.753)	(200.152)
Working capital to operating activities w/o interest and tax		(176.081)	(136.955)
<i>Net change in operating assets and liabilities</i>			
Current receivables, (increase) .....		(1.052.872)	(622.659)
Current payables (decrease), increase .....		(432.015)	677.135
Securities, change .....		2.166.365	(2.920.543)
Loans to customers, change .....		(3.956.488)	(6.207.301)
Cash to operating activities w/o interest and taxes		(3.451.092)	(9.210.323)
Interest and dividends received .....		2.144.690	1.578.160
Interest paid .....		(1.584.889)	(1.427.099)
<b>Net cash to operating activities</b>		<b>(2.891.290)</b>	<b>(9.059.262)</b>
<b>Investing activities</b>			
Investment in intangible assets .....	20	(15.417)	(9.661)
Investment in property and equipment .....	21	(1.620)	(33.889)
Sale price of property and equipment .....	21	0	3.712
Acquisition of shares in subsidiaries .....	22	(4.000)	0
Acquisition of shares in other companies .....	22	0	(42.367)
Cash acquired on merger with IV .....	11	273.138	0
		252.101	(82.205)
<b>Financing activities</b>			
New shares issued .....	27	0	600.000
Short term loan, changes .....	23	(1.091.406)	6.436.036
Issued bonds and bills .....	24	6.204.818	6.662.083
Repayment and repurchases of issued bonds and bills .....		(2.086.630)	(4.478.115)
Repayment of lease liabilities .....	19	(21.583)	(52.530)
Repayment of long term loan .....		(3.819)	(3.286)
		3.001.381	9.164.189
Increase in cash .....		362.192	22.721
Cash at beginning of year .....		134.795	112.073
Cash at year-end .....		496.987	134.795

The notes on pages 15-40 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 institution 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.

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 consolidated annual financial statements with its subsidiary, as the parent company, Skagi hf, prepares a consolidated annual financial statements.

### 2. Basis of preparation

#### 2.1 Statement of compliance with international financial reporting standards

The Company’s annual 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.

#### 2.2 Basis of measurement

The annual 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. The annual 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 annual 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:	2025	2024
Bank deposits, liquid funds and other interest income .....	106.427	94.234
Loans to customers .....	1.140.344	465.563
Derivatives .....	471.782	580.687
Interest on financial assets at fair value .....	207.182	206.404
Interest on financial assets recognized at fair value through other comprehensive income .....	220.704	234.383
<b>Total interest income .....</b>	<b>2.146.439</b>	<b>1.581.272</b>
Money market deposits and other borrowings .....	(1.144.470)	(1.019.977)
Issued bonds and bills .....	(480.174)	(307.849)
Interest expense from leases, note 18 .....	(11.207)	0
Other interest expense .....	(54.331)	(17.406)
<b>Total interest expense .....</b>	<b>(1.690.181)</b>	<b>(1.345.232)</b>
<b>Net interest income, total .....</b>	<b>456.258</b>	<b>236.040</b>

Interest income calculated using the effective interest rate method amounted to 1.467 million

### 5. Net fee and commission income

	2025	2024
Capital markets and corporate finance .....	1.131.278	1.016.611
Asset management fees .....	209.396	181.232
Other net fee and commission income .....	347.967	177.277
	<b>1.688.641</b>	<b>1.375.119</b>

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)

	2025	2024
Fair value changes of equities .....	116.983	129.094
Fair value changes of bonds .....	30.967	(17.578)
Fair value of securities and related derivatives .....	6.690	14.404
Exchange rate gain/loss .....	(2.734)	(4.399)
	<b>151.907</b>	<b>121.521</b>

### 7. Operating expense

	2025	2024
Salaries .....	822.072	685.584
Pension fund contributions .....	111.970	106.560
Share option expenses * .....	13.022	6.624
Other salary-related expenses .....	127.789	121.218
Other operating expenses .....	925.223	759.501
	<b>2.000.076</b>	<b>1.679.486</b>
Average FTEs during period .....	31	34
FTEs at year-end .....	31	34

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

Salaries include severance payments made to employees who are not included in the average number of full-time equivalents (FTEs). Salaries to the Board of Directors, CEO and key employees are shown in note 29, related parties.



## Notes

### 8. Depreciation

	2025	2024
Depreciation of right-of-use assets, note 19 .....	26.361	49.740
Depreciation of property and equipment, note 20 .....	25.064	30.766
Depreciation of intangible assets, note 21 .....	21.232	20.319
	<u>72.658</u>	<u>100.825</u>

### 9. Auditor's fee

	2025	2024
Audit of annual financial statements and interim financial statements .....	10.058	8.396
Other permitted service, taxservice and other assurance .....	3.965	4.312
	<u>14.022</u>	<u>12.708</u>

### 10. Income tax

	2025	2024
Change in deferred income tax liability .....	64.753	200.152
Income tax according to income statement .....	<u>64.753</u>	<u>200.152</u>

Effective income tax is specified as follows:	2025		2024	
	Amount	%	Amount	%
Profit (loss) before taxes .....	221.582		(34.553)	
Tax rate .....	(44.316)	(20,0%)	7.256	21,0%
Effect of shares in companies .....	103.742	46,8%	204.298	591,3%
Other non-deductible expenses .....	(467)	(0,2%)	(4)	(0,0%)
Effect of temporary change in tax rate .....	0	0,0%	(10.008)	(29,0%)
Other items .....	5.795	2,6%	(1.391)	(4,0%)
Income tax acc. to income statement .....	<u>64.753</u>	<u>29,2%</u>	<u>200.152</u>	<u>579,3%</u>

### 11. Merger with Íslensk verðbréf

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 effective from 1 January 2025. Total equity addition from ÍV merger amounted to ISK 207 million.

Assets:	Fossar 31.12.2024	Merger with IV	Fossar 1.1.2025
Cash and cash equivalents .....	134.795	273.138	407.932
Other receivables .....	989.208	61.569	1.050.777
Derivatives .....	118.541		118.541
Bonds .....	5.666.300		5.666.300
Equities and other securities .....	469.019	72.462	541.481
Securities used for hedging .....	6.102.840		6.102.840
Loans to customers .....	7.880.021		7.880.021
Operating assets .....	74.386		74.386
Goodwill .....	0	30.000	30.000
Intangible assets .....	30.720		30.720
Investment in subsidiaries .....	42.367		42.367
Deferred income tax .....	377.667		377.667
Total assets	<u>21.885.865</u>	<u>437.168</u>	<u>22.323.033</u>



## Notes

### 11. Merger with Íslensk verðbréf, contd.

	Fossar 31.12.2024	Merger with IV	Fossar 1.1.2025
Liabilities and equity:			
Liabilities			
Money market deposits .....	10.663.421		10.663.421
Issued bond and bills .....	4.387.399		4.387.399
Borrowings .....	2.700.000		2.700.000
Derivatives .....	231.599		231.599
Other liabilities .....	1.196.085	229.715	1.425.800
Long-term borrowings .....	23.394		23.394
Total liabilities	<u>19.201.898</u>	<u>229.715</u>	<u>19.431.612</u>
Equity			
Share capital .....	590.479	23.111	613.590
Share premium .....	1.885.552		1.885.552
Other restricted equity .....	58.898		58.898
Retained earnings .....	149.039	184.343	333.381
Total equity	<u>2.683.967</u>	<u>207.454</u>	<u>2.891.421</u>
Total liabilities and equity	<u>21.885.865</u>	<u>437.168</u>	<u>22.323.033</u>

### 12. 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.

	2025	2024
Profit attributable to Fossar shareholders .....	286.335	165.598
Weighted average no. of outstanding shares (thousand) .....	613.590	526.071
Profit per share and diluted per share (in ISK) .....	0,47	0,31

### 13. Cash

Cash consists of demand deposits and term deposits that have a maturity of less than thirty days. Bank deposits are specified as follows:

	2025	2024
Bank deposits in ISK .....	409.256	69.164
Bank deposits in foreign currencies .....	87.731	65.630
	<u>496.987</u>	<u>134.795</u>

### 14. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:

	2025	2024
Trade receivables .....	256.276	116.927
Related parties, note 29 .....	91.235	3.111
Prepaid expenses .....	24.040	72.157
Contingent revenue .....	63.960	15.082
Other receivables .....	41.687	68.662
Unsettled transactions .....	1.886.907	713.268
	<u>2.364.104</u>	<u>989.208</u>



## Notes

### 15. Derivatives

Derivatives are specified as follows:

	2025	2024
Assets:		
Derivatives, equities .....	153.201	113.267
Derivatives, bonds .....	8.932	5.273
	<u>162.132</u>	<u>118.541</u>
Liabilities:		
Derivatives, equities .....	248.063	229.745
Derivatives, bonds .....	6.918	1.854
	<u>254.981</u>	<u>231.599</u>

Fossar offers it's clients exposures through forward contracts derivative on listed bonds and equities instruments. See note 16 for information on hedging.

### 16. Securities used for hedging

Fossar holds underlying securities to hedge the banks' exposure to clients forward contrast derivatives. These securities are accounted for on it's balance sheet. The carrying amount of securities held for this purpose are as follows:

	2025	2024
Government bonds and bills .....	124.439	1.068.281
Equities .....	2.453.276	4.721.242
Other bonds .....	531.809	313.318
	<u>3.109.524</u>	<u>6.102.840</u>

For further information see note 34.3 Financial income and expences.

### 17. Loans to customers

Loans to customers are specified as follows:

	2025	2024
Loans to customers .....	11.853.950	7.890.836
Credit impairment on loans .....	(17.442)	(10.815)
	<u>11.836.508</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 30.8 and 30.9.



## Notes

### 18. Financial instruments

#### Balance 31.12.2025

Financial assets:	Amortised cost	Fair value through income statement	Fair value through other com- prehensvie income	Total
Cash .....	496.987	0	0	496.987
Other receivables (w/o prepaid expe) .....	2.340.065	0	0	2.340.065
Bonds .....	0	3.375.332	3.142.602	6.517.934
Equities and other securities .....	0	516.799	0	516.799
Securities used for hedging .....	0	3.109.524	0	3.109.524
Loans to customers .....	11.836.508	0	0	11.836.508
Derivatives .....	0	162.132	0	162.132
	<b>14.673.560</b>	<b>7.163.787</b>	<b>3.142.602</b>	<b>24.979.949</b>
<b>Financial liabilities:</b>				
Money market deposits .....	8.972.015	0		8.972.015
Issued bonds and bills .....	8.610.879	0		8.610.879
Borrowings .....	3.300.000	0		3.300.000
Other liabilities (w/o unpaid taxes) .....	661.837	0		661.837
Long-term borrowings .....	19.575	0		19.575
Derivatives .....	0	254.981		254.981
	<b>21.564.306</b>	<b>254.981</b>	<b>0</b>	<b>21.819.287</b>

#### Balance 31.12.2024

Financial assets:	Amortised cost	Fair value through income statement	Fair value through other com- prehensvie income	Total
Cash .....	134.795	0	0	134.795
Other receivables (w/o prepaid expe) .....	917.051	0	0	917.051
Bonds .....	0	3.166.688	2.499.612	5.666.300
Equities and other securities .....	0	469.019	0	469.019
Securities used for hedging .....	0	6.102.840	0	6.102.840
Loans to customers .....	7.880.021	0	0	7.880.021
Derivatives .....	0	118.541	0	118.541
	<b>8.931.866</b>	<b>9.857.089</b>	<b>2.499.612</b>	<b>21.288.567</b>
<b>Financial liabilities:</b>				
Money market deposits .....	10.663.421	0		10.663.421
Issued bonds and bills .....	4.387.399	0		4.387.399
Borrowings .....	2.700.000	0		2.700.000
Other liabilities (w/o unpaid taxes) .....	948.049	0		948.049
Long-term borrowings .....	23.394	0		23.394
Derivatives .....	0	231.599		231.599
	<b>18.722.263</b>	<b>231.599</b>	<b>0</b>	<b>18.953.862</b>

#### Fair value hierarchy

The fair value of financial assets in level 1 is based on the quoted price 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 2025:	Level 1	Level 2	Level 3	Total
Investment in listed companies .....	2.970.075	0		2.970.075
Investment in bonds .....	7.174.182	0		7.174.182
Derivatives .....	0	162.132		162.132
<b>Total .....</b>	<b>10.144.257</b>	<b>162.132</b>	<b>0</b>	<b>10.306.389</b>



## Notes

### 18. Financial instruments, contd.

Breakdown 2024:	Level 1	Level 2	Level 3	Total
Investment in listed companies .....	5.303.528	0		5.303.528
Investment in bonds .....	6.934.632	0		6.934.632
Derivatives .....	0	118.541		118.541
<b>Total .....</b>	<b>12.238.160</b>	<b>118.541</b>	<b>0</b>	<b>12.356.701</b>

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 33,5m 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.

### 19. Leases

The Bank has entered into leases for real estate that are recorded in the statement of financial position. Information on right-of-use assets and the lease liability can be found below, while a more detailed description of the accounting treatment of leases can be found in the note on accounting policies.

	Lease liabilities	Lease assets
Balance 1 January 2024 .....	87.919	82.661
Indexation of lease liability .....	1.130	1.017
Termination of leases .....	(36.520)	(34.208)
Payments on lease liabilities / depreciation of lease assets .....	(52.530)	(49.469)
<b>Balance 31 December 2024 .....</b>	<b>0</b>	<b>0</b>
Indexation of lease liability .....	6.564	6.564
New lease, addition .....	180.831	180.831
Payments on lease liabilities / depreciation of lease assets .....	(21.583)	(26.361)
<b>Balance 31 December 2025 .....</b>	<b>165.813</b>	<b>161.034</b>

A new lease agreement took effect on January 1, 2025. The lease is linked to the Icelandic consumer price index. The remaining estimated lease term is six years at year-end 2025.

#### Amounts recorded through income statements

	2025	2024
Depreciation of right-of-use asset .....	26.361	49.740
Interest expense on lease liability .....	11.207	(1.169)
Expensed due to short-term lease .....	871	20.901
Termination of leases .....	0	89
<b>Total expensed during the year .....</b>	<b>38.439</b>	<b>69.562</b>

#### Lease liability - maturity analysis

	31.12.2025	31.12.2024
Next year payment .....	22.665	0
Payment 2027 .....	25.043	0
Payment 2028 .....	26.720	0
Payment 2029 .....	28.510	0
Payment 2030 .....	30.419	0
Payment later .....	32.456	0
<b>Total .....</b>	<b>165.813</b>	<b>0</b>

#### Cash flow from leases

	2025	2024
Depreciation of right-of-use asset .....	26.361	49.469
Interest payments on lease liability (operating activity) .....	(11.207)	1.169
Payments of principal of lease liability (financing activity) .....	(21.583)	(52.530)



## Notes

### 20. Operating assets

	Equipment and furniture	
	2025	2024
<b>Cost price</b>		
Balance at beginning of year .....	141.180	116.044
Capitalised during the year .....	1.620	33.889
Sold and disposed during the year .....	(31.540)	(8.754)
Balance at year-end .....	111.260	141.180
<b>Depreciation</b>		
Balance at beginning of year .....	66.794	44.489
Depreciation for the year .....	25.064	30.766
Disposed during the year .....	(31.540)	(8.462)
Balance at year-end .....	60.318	66.794
Depreciation rate .....	15-33%	15-50%
<b>Carrying value</b>		
Balance 1.1.2024 .....		71.555
Balance 1.1.2025 .....		74.386
Balance 31.12.2025 .....		50.942

The insurance valuation of equipment and furniture amounted to ISK 91.8 million at year-end 2025 (2024: ISK 89.5 million).

### 21. Intangible assets

	Goodwill	Software and business relations		Total
<b>Cost price</b>				
Balance 1 January 2024 .....	0	98.389		98.389
Capitalised during the year .....	0	9.661		9.661
Balance 31 December 2024 .....	0	108.050		108.050
Capitalised during the year .....	30.000	15.417		45.417
Disposed during the year .....	0	(64.498)		(64.498)
Balance 31 December 2025 .....	30.000	58.968		88.968
<b>Depreciation and impairment</b>				
Balance 1 January 2024 .....	0	57.011		57.011
Depreciation for the year .....	0	20.319		20.319
Balance 31 December 2024 .....	0	77.330		77.330
Depreciation for the year .....	0	21.232		21.232
Disposed during the year .....	0	(64.498)		(64.498)
Balance 31 December 2025 .....	0	34.064		34.064
Depreciation rate .....	0%	25-33%		
<b>Carrying value</b>				
Balance 1.1.2024 .....	0	41.378		41.378
Balance 1.1.2025 .....	0	30.720		30.720
Balance 31.12.2025 .....	30.000	24.904		54.904

Goodwill is attributed to Fossar merger with Íslensk verðbréf hf., see note 11.

At year-end 2025, the carrying value of software amounted to ISK 23.0 million (31 December 2024: ISK 21.8 million) and the carrying value of business relationships amounted to ISK 1.9 million (31 December 2024: ISK 8.9 million).



## Notes

### 22. Investment in subsidiaries

Investment in subsidiaries are specified as follows:

	Interest	Carrying value	Nature of operation
Glymur 1 GP ehf. ....	100,0%	42.367	Guarantor for specialized funds
Fossar hf. ....	100,0%	4.000	The company has no operating activities

### 23. Borrowings

	2025	2024
Money market deposits .....	8.972.015	10.663.421
Secured borrowings .....	3.300.000	2.700.000
	<u>12.272.015</u>	<u>13.363.421</u>

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

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

### 24. Issued bonds and bills

#### Balance 31.12.2025

Issued bonds and bills	Issued	Maturity	Type and terms of interest	2025
FOS 26 0311 .....	11.9.2025	11.3.2026	Bill, discounted	1.023.153
FOS 26 0528 .....	28.11.2025	28.5.2026	Bill, discounted	908.819
FOS 26 1 .....	10.7.2024	10.1.2026	Bond, floating 1M Reibor +1.5%	783.014
FOS 281026 .....	28.10.2024	28.10.2026	Bond, fixed 9.2%	1.523.767
FOS 040728 .....	4.7.2025	4.7.2028	Bond, fixed 9.03%	1.566.220
FOS 27 1 .....	23.12.2025	23.6.2027	Bond, floating 1M Reibor +1.7%	2.805.907
				<u>8.610.879</u>

#### Balance 31.12.2024

Issued bonds and bills	Issued	Maturity	Type and terms of interest	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
				<u>4.387.399</u>

### 25. Other liabilities

Trade and other payables are specified as follows:

	2025	2024
Trade payables .....	54.436	41.195
Debts to related parties, see note 29 .....	103.909	22.632
Unpaid salaries and salary-related expenses .....	139.236	135.003
Unpaid capital gains tax .....	331.948	248.035
Clients collateral used for funding * .....	262.030	594.039
Other payables .....	59.610	13.340
Unsettled transactions .....	42.616	141.841
	<u>993.784</u>	<u>1.196.085</u>

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



## Notes

### 26. Deferred income tax asset

	Asset	
	2025	2024
Balance at beginning of year .....	377.667	177.516
Income tax recognized as income for the year .....	64.753	200.152
Effects of tax utilization of Skagí Group .....	(58.374)	0
Tax utilization of Skagí Group .....	(202.081)	0
Balance at year-end .....	181.965	377.667

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

	31.12.2025	31.12.2024
Operating assets .....	403	(446)
Intangible assets .....	(2.061)	(2.332)
Lease liabilities and lease assets .....	956	0
Derivatives .....	18.570	22.612
Other items .....	658	1.152
Loss carry-forward .....	163.440	356.682
	181.965	377.667

The Company's loss carry-forward amounts to ISK 817.2 million and can be utilized until the end of 2032 - 2034.

### 27. Equity

The Bank's share capital amounted to 613,589,518 on 31 December 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. The increase in share capital by 23,110,928 shares is due to Fossar's merger with Íslensk verðbréf hf., see note 11.

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

	Statutory reserve	Unrealized fair value changes	Total
Balance at beginning 2024 .....	51.367	(1.489)	49.877
Contribution to statutory reserve .....	16.560	0	16.560
Reclassification of fair value changes to income statement .....	0	(5.121)	(5.121)
Unrealized fair value change .....	0	(2.419)	(2.419)
Balance at beginning 2025 .....	67.927	(9.029)	58.898
Contribution to statutory reserve .....	28.634	0	28.634
Reclassification of fair value changes to income statement .....	0	12.880	12.880
Unrealized fair value change .....	0	(8.483)	(8.483)
Balance at year-end 2025 .....	96.560	(4.632)	91.928



## Notes

### 28. 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 calculated using the standardized approach and the Bank's capital ratio is 24.0%.

	31.12.2025	31.12.2024
Total equity at year-end .....	3.182.493	2.683.967
Tax assets .....	(181.965)	(377.667)
Intangible assets .....	(54.904)	(30.720)
Capital base (CET1) .....	<u>2.945.623</u>	<u>2.275.580</u>
Risk weighted exposures:		
Credit risk .....	6.880.546	4.985.493
Market risk .....	2.478.240	2.128.398
Operational risk .....	2.918.189	2.518.318
Total risk exposure amount .....	<u>12.276.974</u>	<u>9.632.209</u>
Capital ratio according to statutory provisions on capital ratios .....	24,0%	23,6%

The minimum required capital ratio of credit undertakings is 8% according to Article 84 of the Act No. 161/2002 on Financial Undertakings. 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%.

CRR 3 was implemented in Iceland in December 2025. Overall the implementation led to a 10% decrease in REA due operational risk and 4,3% decrease in REA due to credit risk.

### 29. Related parties

Related parties are those parties that have a significant influence on the Bank, whether directly or indirectly. Related parties of the Bank include its owners and their families, large investors, key employees and their families, as well as other parties directed by or significantly dependent on the Bank. Transactions with related parties have been on the same terms as with unrelated parties.

The Board of Directors of the Bank was re-elected at the Annual General Meeting of Fossar on 25 March 2025. Brynjar Þór Hreinsson served as an alternate Board member until 8 May 2025, when Vilhjálmur Egilsson joined as an alternate Board member.

Information regarding related parties is specified as follows:

Salaries and benefits of board members, the CEO, executive management and key employees:

	2025	2024
Haraldur I. Þórðarson, Chariman of the board * .....	0	0
Anna Baldursdóttir, Board member .....	7.401	6.040
Guðný Arna Sveinsdóttir, Board member .....	5.149	2.522
Kolbeinn Arinbjarnarson, Board member .....	6.331	5.740
Lilja Dóra Halldórsdóttir, former Board member .....	0	1.500
Marta Guðrún Blöndal, Board member .....	6.331	3.272
Salóme Guðmundsdóttir, alternate Board member .....	446	0
Vilhjálmur Egilsson, alternate Board member .....	446	0
Steingrímur Arnar Finnsson, CEO .....	51.701	42.636
Executive management and key employees ** .....	237.425	251.150
	<u>315.230</u>	<u>312.859</u>

\* As the CEO of Skagi, Haraldur does not receive any remuneration for serving on the Board.

\*\* The executive management consisted of five employees at the end of the year 2025. They were six in the year 2024. There was one key employee.



## Notes

### 29. Related parties, contd.

Transaction with related companies in 2025:

	Purchased services	Sold services and fees	Receivables	Liabilities
Parent company .....	99.156	2.000	69.925	27.482
Affiliate companies .....	120.170	11.667	20.429	76.427
Other related entities .....	0	0	882	0
	<u>219.326</u>	<u>13.667</u>	<u>91.235</u>	<u>103.909</u>

Transaction with related companies in 2024:

	Purchased services	Sold services and fees	Receivables	Liabilities
Parent company .....	56.446	10.468	1.606	14.133
Affiliate companies .....	25.791	8.104	744	8.499
Other related entities .....	0	0	762	0
	<u>82.237</u>	<u>18.572</u>	<u>3.111</u>	<u>22.632</u>

Transactions with related parties are on the same terms as with unrelated parties.

### 30. Financial risk management

#### 30.1 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, analyzing, 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, monitors the Bank's overall risk profile and manages own risk.

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.

#### 30.2 Market risk

Market risk is the risk of loss or unfavorable changes 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



## Notes

### 30. Financial risk management, contd.

#### 30.3 Interest rate risk

Interest rate risk is the risk of loss from fluctuations in fair value of financial instruments due to a change 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.

#### Interest sensitivity analysis

The following table discloses the effect that 50 and 100 bp increase in interest 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.

	31.12.2025		31.12.2024	
	50 bp	100 bp	50 bp	100 bp
Impact on profit or loss and equity .....	16.643	33.285	7.310	14.619

#### 30.4 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 risk.

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

	31.12.2025	31.12.2024
Equities and equity funds at fair value through profit or loss .....	2.970.075	5.190.261
Debt instruments and other securities at fair value through profit or loss .....	7.174.182	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.

	31.12.2025		31.12.2024	
	5%	10%	5%	10%
Equities - impact on profit or loss .....	148.504	297.007	259.513	519.026
Debt securities - impact on profit or loss .....	358.709	717.418	352.395	704.790

#### 30.5 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 those 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.



## Notes

### 30. Financial risk management, contd.

Foreign exchange rate risk as at 31.12.2025:

	Assets	Liabilities	Net position
USD .....	42.831	0	42.831
EUR .....	24.457	0	24.457
GBP .....	5.586	0	5.586
DKK .....	3.560	0	3.560
NOK .....	4.170	0	4.170
Other .....	11.095	0	11.095
	<b>91.699</b>	<b>0</b>	<b>91.699</b>

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
	<b>1.337.656</b>	<b>1.294.076</b>	<b>43.580</b>

#### 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 pre-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

	31.12.2025		31.12.2024	
	5%	10%	5%	10%
USD .....	1.713	3.426	759	1.519
EUR .....	978	1.957	614	1.228
GBP .....	223	447	173	346
DKK .....	142	285	52	105
NOK .....	167	334	1	1

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

### 30.6 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 five large exposures at year end 2025, totalling 2.116 m ISK.

	31.12.2025		31.12.2024	
	Number	Amount	Number	Amount
10-20% of capital base .....	5	2.116.380	3	944.830
20-25% of capital base .....	0	0	0	0
Exceeding 25% of capital base .....	0	0	0	0
	<b>5</b>	<b>2.116.380</b>	<b>3</b>	<b>944.830</b>
Large exposure net of risk adjusted mitigation .....	5	2.116.380	3	944.830



## Notes

### 30. Financial risk management, contd.

#### 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.

#### 30.7 Liquidity risk

Liquidity risk is the risk that the Bank will not have enough liquid assets or not being 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. Liquidity risk is considered a key risk within the Bank and great emphasis is placed on prudent management. It is the responsibility of the Bank's Treasury department to ensure that liquidity risk is within the risk appetite at all times. Risk Management monitors, measures and analyses the Bank's liquidity risk.

#### Liquidity risk of financial services activities is specified as follows:

The main measure of the Fossar 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 417% on 31.12.2025, 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 Fossar 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 31.12.2025

	0-3 months	4-6 months	7-12 months	1-5 years	Over 5 years	Total
<b>Assets</b>						
Current receivables .....	2.364.104	0	0	0	0	2.364.104
Cash and cash equivalents .....	496.987	0	0	0	0	496.987
Derivatives .....	1.442.507	0	0	0	0	1.442.507
Securities .....	2.984.478	0	1.445.867	4.287.174	1.329.760	10.047.280
Loans to customers .....	9.012.399	1.492.047	894.417	437.645	0	11.836.508
	<u>16.300.477</u>	<u>1.492.047</u>	<u>2.340.285</u>	<u>4.724.819</u>	<u>1.329.760</u>	<u>26.187.387</u>
<b>Liabilities</b>						
Money market deposits .....	8.993.053	0	0	0	0	8.993.053
Issued bonds and bills .....	1.951.775	1.073.050	1.764.825	4.699.000	0	9.488.650
Borrowings .....	3.305.698	0	0	0	0	3.305.698
Derivatives .....	750.473	0	0	0	0	750.473
Other liabilities .....	993.784	0	0	0	0	993.784
	<u>15.994.783</u>	<u>1.073.050</u>	<u>1.764.825</u>	<u>4.699.000</u>	<u>0</u>	<u>23.531.658</u>



## Notes

### 30. Financial risk management, contd.

#### Balance 31.12.2024

Assets	0-3 months	4-6 months	7-12 months	1-5 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>
<b>Liabilities</b>						
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>

#### 30.8 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:

	31.12.2025	31.12.2024
Cash and cash equivalents .....	496.987	134.795
Other receivables (without prepaid expense) .....	2.340.065	917.051
Securities used for hedging .....	3.109.524	6.102.840
Loans to customers .....	11.836.508	7.880.021
	<u>17.783.085</u>	<u>15.034.707</u>

Cash and cash equivalents are bank deposits with financial institutions that the bank considers to be trustworthy and are also mostly insured, 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 receivable, 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 tables below show changes in provisions by type of financial asset and stage of the IFRS 9 impairment model. 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.

	31.12.2025	31.12.2024
Carryover from prior year .....	10.815	0
Reassessment of expected credit loss .....	6.627	10.815
Final loss .....	0	0
Total provisions at year-end .....	<u>17.442</u>	<u>10.815</u>

A total of 417 m ISK were classified in Stage 2 as of 31 December 2025.



## Notes

### 30. Financial risk management, contd.

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
<b>2025</b>			
Not yet due .....	11.853.950	(17.442)	11.836.508
Default 31-60 days .....	0	0	0
Default 61-90 days .....	0	0	0
Default >90 days .....	0	0	0
	<b>11.853.950</b>	<b>(17.442)</b>	<b>11.836.508</b>
<b>2024</b>			
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
	<b>7.890.836</b>	<b>(10.815)</b>	<b>7.880.021</b>

#### 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
<b>31.12.2025</b>					
Cash and cash equivalents .....	0	496.987	0	0	496.987
Derivatives .....	0	0	162.132	0	162.132
Fixed income securities .....	5.773.556	323.417	420.960	0	6.517.934
Loans to customers .....	0	0	11.836.508	0	11.836.508
	<b>5.773.556</b>	<b>820.404</b>	<b>12.419.601</b>	<b>0</b>	<b>19.013.561</b>
<b>31.12.2024</b>					
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
	<b>7.008.612</b>	<b>963.101</b>	<b>7.214.815</b>	<b>0</b>	<b>15.186.529</b>





## Notes

### 30. 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			Total collateral
	Deposits	Fixed income Securities	Variable income securities	
31.12.2025				
Financial institutions .....	178.688	269.133	268.494	716.315
Corporate customers .....	107.274	499.689	3.955.348	4.562.311
Individuals .....	5.200	0	2.506	7.706
	<u>291.162</u>	<u>768.822</u>	<u>4.226.348</u>	<u>5.286.332</u>
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
	<u>359.262</u>	<u>1.420.669</u>	<u>2.922.166</u>	<u>4.702.097</u>

#### 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.

31.12.2025	Stage 1	Stage 2	Stage 3	Total
Loans to customers:				
Credit quality band I .....	9.922.861	0		9.922.861
Credit quality band II .....	1.163.305	56.381		1.219.687
Credit quality band III .....	340.165	235.746		575.911
Credit quality band IV .....	10.483	125.009		135.492
In default .....	0	0		0
Non-Rated .....	0	0		0
Gross carrying amount .....	<u>11.436.813</u>	<u>417.137</u>	<u>0</u>	<u>11.853.950</u>
Expected credit loss .....	<u>(11.342)</u>	<u>(6.100)</u>		<u>(17.442)</u>
Book value .....	<u>11.425.472</u>	<u>411.037</u>	<u>0</u>	<u>11.836.508</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 .....	<u>7.890.836</u>	<u>0</u>	<u>0</u>	<u>7.890.836</u>
Expected credit loss .....	<u>(10.815)</u>			<u>(10.815)</u>
Book value .....	<u>7.880.021</u>	<u>0</u>	<u>0</u>	<u>7.880.021</u>



## Notes

### 30. Financial risk management, contd.

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

	Claim value	Expected credit loss	Book value
31.12.2025			
Not past due .....	11.853.950	(17.442)	11.836.508
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>11.853.950</u>	<u>(17.442)</u>	<u>11.836.508</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.

	Stage 1	Stage 2	Stage 3	Total
31.12.2025				
Transfer of financial assets:				
<b>Balance as at 1 January 2025</b>	10.815	0		10.815
Transfer to Stage 1 .....	0	0		0
Transfer to Stage 2 .....	0	0		0
Transfer to Stage 3 .....	0	0		0
Net remeasurement of loss allowance .....	2.037	3.101		5.139
New financial assets, origin. or purch. ....	1.512	2.464		3.976
Write-offs .....	(2.488)	0		(2.488)
<b>Balance as at 31 December 2025</b> .....	<u>11.876</u>	<u>5.565</u>	<u>0</u>	<u>17.442</u>
31.12.2024				
Transfer of financial assets:				
<b>Balance as at 1 January 2024</b>	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
Write-offs .....	0			0
<b>Balance as at 31 December 2024</b> .....	<u>10.815</u>	<u>0</u>	<u>0</u>	<u>10.815</u>

#### f. Loan-to-value

The loan-to-value ratio (LTV) is the ratio of the gross amount of the loan against the value of collateral, if any, for 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.



## Notes

### 30. Financial risk management, contd.

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

	31.12.2025	%	31.12.2024	%
Less than 50% .....	3.520.710	30%	2.642.171	34%
51-70% .....	6.055.787	51%	3.696.008	47%
71-90% .....	2.260.012	19%	1.504.511	19%
91-100% .....	0	0%	37.331	0%
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%
	<b>11.836.508</b>	<b>100%</b>	<b>7.880.021</b>	<b>100%</b>

#### 30.10 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

#### 30.11 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

### 31. Assets under management

The Company has assets under management for clients as well as assets in foreign funds in the amount of ISK 53.1 billion (2024 ISK 49.4 billion). These assets are not recorded in the Company's Statement of Financial Position.

### 32. Legal matters

At any given time, various matters may be under review by the Financial Supervisory Authority of Iceland (FME). There are currently no ongoing cases with the FME that are expected to have a significant financial impact on the bank's operations.

### 33. Approval of annual financial statements

These annual financial statements were approved by the Board of Directors of the Bank on 17. February 2026.



## Notes

### 34. Accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these annual financial statements.

#### 34.1 Foreign currencies

Transactions in foreign currencies are translated to the functional currency using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the exchange rate at the close of the reporting date. The resulting exchange rate difference is recorded in the income statement.

#### 34.2 Fee and commission income

Fee and commission income is mainly generated by the Bank's services to clients in the field of asset management and corporate finance. Fees for services provided over a certain period are recognized as income as the services are provided. Performance-related fees are recognized as income when the set performance target has been reached.

#### 34.3 Financial income and expenses

Financial income consists of interest income from bank deposits, exchange rate gains from monetary assets and liabilities and interest-bearing financial receivables and fair value valuation changes of financial assets through the income statement (profit). Financial expenses consist of interest expenses on interest-bearing financial liabilities, exchange rate losses on monetary assets and liabilities and fair value valuation changes of financial assets (losses).

Interest income and interest expenses are recognized in the income statement as they occur, based on the effective interest rate. Interest income and interest expenses include the distribution of discounts and other differences between the initial carrying value of interest-bearing instruments and their amounts at maturity, which are calculated based on the effective interest rate.

Interest income from financial assets at level 1 and 2 in the impairment model is calculated from the gross balance of the financial assets. Interest income from financial assets at level 3 that are selectively impaired is calculated from the net balance of the financial asset (gross balance less impairment).

The effective interest rate method is based on the calculation of the repayment value of a financial asset or financial liability and the interest income or interest expenses are spread over the appropriate period. The effective interest rate is the rate that discounts the estimated cash flows over the estimated life of the financial instrument or a shorter period, as appropriate, so that it is equivalent to the carrying amount of the financial asset or financial liability in the statement of financial position. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument but it does not consider any future credit losses. The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate.

Valuation changes of financial assets at fair value through the income statement are recorded in the period in which the valuation change takes place.

Forward contracts are commitments to buy or sell a financial instrument in the future at a specified price. Forward contracts are entered into on behalf of clients and are recognized at fair value through the income statement. A position is taken in the underlying financial instruments as a hedge against forward contracts.

#### 34.4 Recognition of expenses

Expenses incurred in generating revenue during the period are recognized as operating expenses. Expenses incurred in the accounting year but which concern subsequent accounting years are recognized in the statement of financial position as prepaid expenses. Expenses that pertain to the accounting year but are payable later are recognized as accrued expenses in the statement of financial position.

#### 34.5 Income tax

Income tax is calculated and recognized in the annual financial statements. Its calculation is based on pre-tax earnings, taking into account permanent differences between taxable earnings and earnings according to the annual financial statements. The income tax rate is 20%.

Income tax payable is income tax that is estimated to be payable next year due to the year's taxable profit plus adjustments to income tax payable for previous years.



## Notes

### 34. Accounting policies contd.

Deferred tax arises from the difference between balance sheet items in the tax settlement on the one hand and the annual financial statements on the other hand. The difference is due to the fact that the Bank's income tax base is based on different assumptions than its financial statements.

A deferred income tax asset is assessed as at the reporting date and is only recognized to the extent that it is likely to be used against taxable profit in the future.

#### 34.6 Financial assets

Financial assets are recognized when the Bank has generated a contractual right to receive payment. Financial assets are recognized at fair value upon initial recording. Transaction costs that are directly attributable to the acquisition of financial assets that are not recognized at fair value through the income statement are added to or deducted from fair value at initial recording as appropriate. Transaction costs related to financial assets at fair value through the income statement are immediately recognized in the income statement.

##### *Classification of financial assets*

The Bank's financial assets are divided into the following categories: financial assets at amortized cost and financial assets at fair value through operations. The classification is determined upon initial recording and depends on the Bank's business model for the relevant financial asset. All general transactions in financial assets are recorded on the transaction date. General transactions means the purchase and sale of financial assets based on an agreement or market practices for the delivery or receipt of financial assets within a specified time.

##### *Financial assets at amortized cost*

A financial asset which is intended to be held to maturity and where the contractual payments on set due dates consist only of payments of principal and interest shall be recorded at amortized cost unless the instrument is defined at fair value through profit or loss in accordance with the fair value authorisation. Such assets are initially recognized at fair value plus any related transaction costs. After the initial recognition, such financial assets are valued at amortized cost based on the effective interest rate, less impairment. All loans and receivables of the Bank are recognized at amortized cost.

##### *Financial assets at fair value*

A financial asset where the intention is both to collect a contractual payment and to profit from its sale, and where the contractual payments consist only of payments of principal and interest, shall be recognized at fair value through other comprehensive income. This applies unless the choice is made to recognize it at fair value through profit or loss in accordance with the fair value authorisation, if certain conditions are met. Financial assets that are not valued at amortized cost or at fair value through other comprehensive income must be valued at fair value through profit or loss. Derivatives are recorded at fair value through profit or loss, except for derivatives that have been defined as a hedge in the hedge accounting. The Bank did not recognize any financial assets at fair value through other comprehensive income during the prior year, but the Bank began to purchase bonds during the year with the aim of managing the Bank's liquidity needs, where both contractual payments are collected and profits are made through sales. The effect of the change in the fair value of these bonds is recognized through other comprehensive income.

##### *Impairment of financial assets*

The Bank's loans and receivables fall under the IFRS 9 impairment model. Estimates of expected credit losses are updated at each reporting date, and the impairment model divides financial assets into three levels:

- Level 1 All financial assets at initial recognition, with a few exceptions. Expected credit losses are estimated based on the probability of default in the next 12 months from the reporting date.
- Level 2 A significant increase in credit risk has occurred. Expected credit losses are estimated based on the probability of default during the lifetime of the financial asset.
- Level 3 There are objection indications of impairment. Expected credit losses are estimated based on the probability of default during the lifetime of the financial asset.

All financial assets within the scope of the impairment model are recorded at level 1 at initial recognition, with the exception of financial assets that are impaired at initial recognition and financial assets covered by the simplified model of the standard (e.g. trade receivables where payment due in less than 12 months).

Since there are relatively few receivables, management assesses expected credit losses separately for individual receivables. Because of this, receivables are not automatically moved down a level upon certain changes, such as 30 or 90 day default.

If the credit risk due to a financial asset in level 2 or 3 decreases and the reasons for this are not considered short-term, the relevant financial asset is lowered by a level, i.e. to level 1 or 2 depending on the circumstances.



## Notes

### 34. Accounting policies contd.

#### *Definition of default*

"The Bank considers that there are objective indications of impairment if it is likely that the debtor will not be able to fully meet its obligations to the bank. The following are examples of circumstances where the Bank believes that objective indications of impairment exist:

- a debtor has applied for bankruptcy, a company has been deregistered, or if a company is no longer a going concern,
- it is considered unlikely that the debtor will meet his obligations due to violations of the terms of the loan agreement or his financial restructuring.

#### *Final write-off of financial assets*

Trade receivables and loans are recognized as finally lost, either in part or in full, when there is no realistic chance of recovering the amounts that are written off.

#### 34.7 Financial liabilities

Financial liabilities are recorded at fair value upon initial recognition. Transaction costs that are directly attributable to the purchase or issuance of financial liabilities that are not recognized at fair value through profit or loss are added to or deducted from fair value at initial recognition as appropriate. Transaction costs in respect of financial liabilities that are recognized at fair value through profit or loss are immediately recognized in profit or loss.

Financial liabilities are valued at amortized cost based on the effective interest rate. The Bank derecognizes financial liabilities only when the obligation associated with them no longer exists. Gains or losses due to the derecognition are recorded in profit or loss.

#### 34.8 Equity instruments

An equity instrument is a contract that evidences residual interests in assets of the Bank after deduction of all its liabilities. Equity instruments issued by the Bank are recorded at cost less the direct costs of their issuance.

Purchases of own shares are recognized as a reduction in the total share capital. No gains or losses are recognized through profit or loss due to the purchase, sale or issuance of own shares.

#### *Statutory reserve*

According to Act No. 2/1995 on Limited Liability Companies, at least 10% of the Bank's earnings, which are not used to meet losses from previous years and do not go to other statutory funds, shall be allocated to a statutory reserve until it amounts to 10% of the share capital. Once that level has been reached, the contribution to the reserve shall amount to a minimum of 5% of earnings until the statutory reserve amounts to 25% of the Bank's share capital.

#### *Reserve for share options*

Estimated costs due to share options are expensed over the vesting period of the share options, with an offsetting entry to a reserve in equity. When shares options are exercised or cancelled, the reserve is reclassified to retained earnings.

#### 34.9 Earnings per share

The Bank presents basic earnings per share and diluted earnings per share for ordinary shares in the statement of profit or loss. Basic earnings per share are calculated as a percentage of the profit allocated to the ordinary shareholders in the company, and the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by taking into account all shares, whether issued or potential shares at the reporting date, such as share options granted to employees.

#### 34.10 Retained earnings

The profit (loss) for the year is recorded as an increase (reduction) in retained earnings. Dividends are recorded as a reduction in retained earnings. Restrictions due to a share in the profit of subsidiaries and associates in excess of dividend payments from them are recorded as a reduction in retained earnings.

#### 34.11 Leases

Upon initial recognition, the Bank assesses whether a contract is considered a lease or contains a lease. The Bank records a right-of-use asset and a corresponding lease liability for all leases, except for short-term leases (less than 12 months) and for leased properties with a low value, where lease payments are recognized linearly among operating expenses over the lease term.



## Notes

### 34. Accounting policies contd.

A lease liability is initially valued at the present value of future lease payments. Lease payments are discounted with the embedded interest rate of the contract, or if not readily available, with the interest rate of additional credit. A lease liability consists of fixed payments minus lease incentives, variable payments due to indexation, expected residual value and options to purchase leased property if it is considered likely that they will be exercised.

Lease payments are divided into interest expenses and principal payments, which reduce the lease liability. The Bank reassesses a lease liability if the lease period changes, if the lease payment changes due to indexation or when changes are made to the lease agreement that do not result in a new lease agreement being recorded.

Right of use is amortized over the shorter of the life of the lease agreement or leased property. If the lease agreement results in a change of ownership or if the carrying value of the right-of-use includes an option to purchase the leased property, then the right of use is amortized over the life of the leased property. Right of use is amortized from the commencement of the lease.

Variable lease payments that are not index-linked are not part of the lease liability or right-of-use asset, but are expensed in the period in which they occur.

The Bank exercises the authorisation provided under IFRS 16 in order not to separate contractual payments due to a service component (or other payments that are not considered rent) from lease payments when evaluating the lease liability and right-of-use asset.

Fixed assets are depreciated linearly over their estimated useful life, taking into account the expected residual value.

Profit or loss from the sale of assets is the difference between the sale price and the carrying value of the assets on the date of sale, and is recognized in the income statement at the time of sale.

#### 34.12 Intangible assets

The Bank's intangible assets have a limited life and are recognized at cost less accumulated depreciation and impairment. Depreciation is recorded on a straight-line basis in the income statement over the estimated useful life of the asset.

Intangible assets that are recorded upon business mergers and are separated from goodwill are recognized at fair value on the date of acquisition (which is considered their cost). After initial recording, the assets are recognized at cost less accumulated depreciation and impairment.

#### 34.13 Impairment of assets other than financial assets

On the reporting date, the carrying value of assets is assessed for impairment. If there is an indication of impairment, the recoverable value of the asset is assessed to determine the amount of impairment (if any). If it is not possible to estimate the recoverable value of specific assets, the recoverable value of the smallest distinguishable cash-generating unit to which the relevant asset belongs is estimated.

Recoverable value is the fair value of an asset less selling costs or its operational value, whichever is higher. If the recoverable value of an asset (or cash-generating unit) is estimated to be lower than the carrying value, the carrying value is reduced to the recoverable value. Impairment is recognized in the income statement unless the asset is recognized according to the revaluation method. Impairment may be reversed at a later stage, but never beyond the carrying value of the relevant asset (or cash-generating unit) if the impairment had not been recognized.

#### 34.14 Obligations

Obligations are recognized in the statement of financial position if it is considered likely that the Bank will incur financial expenses in the future due to a specific event or transaction and the amount can be estimated reliably.

#### 34.15 Accounting standards issued but not yet effective

A number of new accounting standards are effective for annual reporting periods beginning after 1 January 2025 and earlier application is permitted. However, the Group has not early adopted the following new or amended accounting standards in preparing these consolidated financial statements.



## Notes

### 34. Accounting policies contd.

#### *IFRS 18 Presentation and Disclosure in Financial Statements*

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new accounting standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management -defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

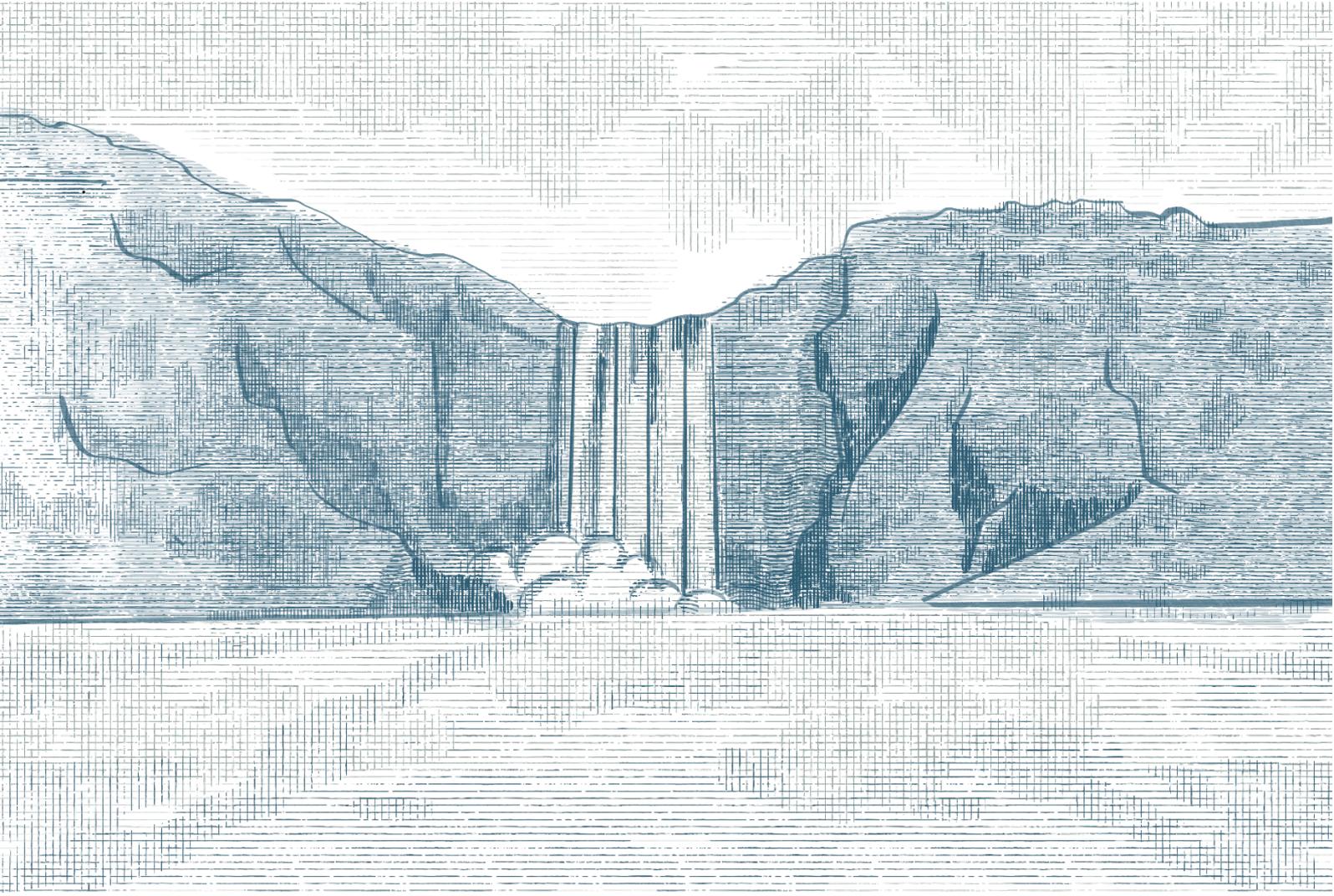
In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Group is still in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Group's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

#### *Other accounting standards*

The following new and amended accounting standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 14); and
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7).



# Corporate Governance Statement of Fossar Investment Bank hf.

for the year 2025



**Fossar places strong emphasis on the continuous development of good corporate governance, which forms the basis for reliable, transparent and constructive relationships between shareholders, the Board of Directors, employees, clients and other stakeholders. Good corporate governance also contributes to responsible decision-making and successful operations, guided by trust and professionalism.**

## **Introduction**

The Board of Directors of Fossar Investment Bank hf. (“Fossar”, the “Bank” or the “Company”) hereby publishes the annual Corporate Governance Statement for the year 2025. The purpose of the Corporate Governance Statement is to describe the allocation of powers, roles and responsibilities within the Bank and to outline the framework for decision-making, in accordance with applicable laws and regulations. Fossar is a subsidiary of Skagi hf., a company which is listed on the Main Market of Nasdaq Iceland. Other affiliated entities within the group include VÍS tryggingar hf. (“VIS”) and Íslensk verðbréf hf. (“IV”) (together referred to as the “Skagi Group”).

## **Legal framework**

Fossar operates under an operating licence and is subject to supervision by the Financial Supervisory Authority of the Central Bank of Iceland (“FME”), pursuant to Act No. 87/1998 on Official Supervision of Financial Activities. Fossar is an investment bank that is authorized as a credit undertaking on the basis of Act No. 161/2002 on Financial Undertakings. The Company provides services to both domestic and foreign investors in the fields of capital markets, corporate finance, asset management and lending.

The laws governing the Company’s activities include Act No. 115/2021 on Markets in Financial Instruments, Act No. 140/2018 on Measures against Money Laundering and Terrorist Financing, Act No. 2/1995 on Limited Liability Companies, Act No. 60/2021 on Measures against Market Abuse and Act No. 90/2018 on Data Protection and the Processing of Personal Data. The main laws and regulations that govern Fossar’s activities can be found on the FME website, [www.fme.is](http://www.fme.is).

## **Business strategy and values**

Fossar is a progressive bank that emphasises professionalism, results and trust as its core values. Fossar's corporate governance is founded, i.a. on the Bank's Articles of Association, which are approved by a shareholders' meeting, as well as policies and rules approved by the Bank's Board of Directors. These include rules of procedure of the Board of Directors and its sub-committees, risk management policies and other rules, policies and processes.

The objective of Fossar's management is to ensure that the Company's activities are conducted at all times in compliance with applicable laws and regulatory requirements, as well as with generally accepted and sound business practices in the financial services sector, with the interests of the Company's clients serving as a guiding principle. In order to ensure this, Fossar has adopted a number of internal rules and policies that apply to its activities. Good corporate governance promotes good relations between the Board of Directors, shareholders, clients and other stakeholders, such as Fossar's employees and the public. The Company's corporate governance also lays the foundation for responsible management and decision-making. The Company's Board of Directors places strong emphasis on good corporate governance and regularly reviews its governance practices in view of recognized guidelines.

## **Compliance with Corporate Governance Guidelines**

Pursuant to the seventh paragraph of Article 54 of Act No. 161/2002 on Financial Undertakings, Fossar is required to adhere to the Guidelines on Corporate



Governance.<sup>1</sup> For this purpose, Fossar is required to publish an annual Corporate Governance Statement.

Fossar's Corporate Governance Statement is based on the laws, rules and recognised guidelines that are in force at the time of approval of the Company's annual financial statements by the Board of Directors. More specifically, the Corporate Governance Statement essentially follows the Corporate Governance Guidelines, 6th edition, issued by the Iceland Chamber of Commerce, NASDAQ Iceland and the Confederation of Icelandic Enterprise in July 2021 (the "Guidelines"). The Guidelines are available at [www.leidbeiningar.is](http://www.leidbeiningar.is). In 2025, Fossar was recognised by Stjórnvísí as an "Exemplar of Corporate Governance", following an evaluation process primarily based on the Guidelines.

In addition, Fossar essentially follows the guidelines of the European Banking Authority (EBA) on the internal governance of financial undertakings. The guidelines are available on the FME website. Fossar's corporate governance is further supported by Act No. 161/2002 on Financial Undertakings, Act No. 2/1995 on Limited Liability Companies, the Bank's Articles of Association, the rules of procedure of the Board of Directors and its sub-committees, the Bank's Code of Conduct as well as the various policies and rules set by the Board of Directors.

Following its authorisation as a credit undertaking on 1 June 2022, Fossar became a public interest entity and is therefore subject to Act No. 3/2006 on Annual Accounts regarding non-financial disclosure. The Bank's non-financial disclosure and sustainability reporting, including information accordance with the EU Taxonomy Regulation, is reported at group level for 2025 by Skagi. can be found in appendix 1 (Non-financial and sustainability reporting) and information on accordance with EU Taxonomy Regulation in appendix 2 (EU Taxonomy) to Skagi's financial statement for the year 2025. Furthermore, non-financial disclosure on the Skagi Group and each subsidiary can also be found in Skagi's Annual and

Sustainability Report for 2025 which will be published on Skagi's website ([www.skagi.is](http://www.skagi.is)).

## Deviations from the Guidelines on Corporate Governance

According to the Guidelines, the Company must specify and explain any deviations from the Guidelines, as well as specifying the reasons for the deviations. Fossar follows the Guidelines in accordance with the size and scope of its operations, and therefore there are some deviations from the Guidelines, as set out below:

Article 1.1.2 of the Guidelines: Due to the makeup and low number of Fossar's shareholders, the Company has not provided information about the timing of Fossar's shareholders' meetings on the Company's website. If decisions are made at shareholders' meetings that affect clients, clients will be informed about this on the Company's website.

Article 1.1.6 of the Guidelines: Information about candidates for the Board of Directors has not been made available on the Company's website, but has been submitted to shareholders in accordance with law.

Article 1.4 of the Guidelines: Due to the makeup and low number of Fossar's shareholders, the Company has not considered it necessary to have a special nomination committee for Board elections. In this connection, it is worth noting that special rules apply to financial undertakings regarding the assessment of the composition of the boards of directors of financial undertakings.

Article 2.9.2 of the Guidelines: Fossar has not adopted a special policy on the diversity of the Board of Directors, executive management and senior management. However, Fossar has established rules for evaluating the qualifications of the Board of Directors, managing directors and key employees in accordance with the joint guidelines of the EBA and the European Securities and Markets Authority (ESMA) and with reference to Article 52 of Act No.

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<sup>1</sup> The Corporate Governance Guidelines are published by the Iceland Chamber of Commerce, SA Confederation of Icelandic Enterprise and Nasdaq Iceland.



161/2002 on Financial Undertakings, provisions of Rules No. 150/2017 on the Fit and Proper Assessment of Managing Directors and Directors of Financial Undertakings and the Guidelines.

Article 2.10 of the Guidelines: Fossar has not established special rules or procedures for relations with shareholders. However, relations between the Board of Directors and shareholders are discussed in the Board's rules of procedure. The Company places great emphasis on following the substance of the Guidelines as well as applicable laws and regulations in its communications with shareholders.

Article 6.3 of the Guidelines: Fossar has not published on its website information about shareholders' meetings, how candidacies for the Board of Directors are to be submitted, or the minutes of shareholders' meetings.

### **Information about violations of laws and regulations as determined by a relevant regulatory or adjudicating body**

At any given time, various matters may be under review by the Financial Supervisory Authority of Iceland (FME). There are currently no ongoing cases with the FME that are expected to have a significant financial impact on the bank's operations.

Information about court cases that involve Fossar can be found in the notes to the Company's annual financial statements, as applicable. No court or arbitration cases were ongoing or pending at the end of the year.

### **Social responsibility and sustainability**

It is Fossar's goal to show responsibility in environmental, social and governance matters, both in the Company's operations and through the impact of the Company's activities on clients, society and other stakeholders. Fossar therefore wants to strive to minimize negative environmental impacts in its operations, create a healthy, safe and constructive workplace and promote good and sound governance. Sustainability considerations have always guided the Company's practices, and Fossar has adopted a Sustainability Policy. Fossar is also subject to Act No. 25/2023 on Sustainability-Related Disclosures in the

Financial Services Sector and a Classification System for Sustainable Investments.

Fossar is a signatory of the United Nations Principles for Responsible Investment (UN PRI) through the Skagi Group. Until 2024, Fossar was an independent signatory of UN PRI. This means that the Skagi Group has publicly committed to implementing these principles in its activities. Fossar is also a member of IcelandSIF, a discussion forum for responsible investments, which aims to promote knowledge about sustainable and responsible investments. Fossar was the first Icelandic company to become a member of the Climate Bonds Initiative (CBI), an international organization that works to leverage the bond market to address global environmental issues.

Fossar has been a pioneer in managing the issuance of green bonds. The Company managed the first issuance of green bonds in Iceland and has been a leading consultant in the market for green bond issues. Fossar's asset management takes responsible investments into account when evaluating and selecting investment opportunities.

### **Internal control**

Fossar's Board of Directors is responsible for ensuring that there is an active system of internal control at the Company. Fossar's internal control is organized based on three lines of defense, with the aim of ensuring efficiency and coordination of responsibilities.

The first line of defense consists of the managers and employees of business and support units, who oversee the day-to-day operations of the Company. The first line of defense is responsible for establishing and maintaining effective internal controls and managing risks in the day-to-day operations. The first line of defense shall have appropriate procedures and controls in place that aim to detect and mitigate risks in accordance with the Company's risk appetite, while also ensuring that the activities are in accordance with the requirements imposed by law and internal rules and processes.

The second line of defense consists of the Company's internal control units. The role of the second line of defense is to ensure that the first line of defense establishes adequate internal controls and that they are properly followed. The main components of the



second line of defense are Compliance and Risk Management. Other units may be assigned roles in this line of defense. The Board of Directors appoints a Compliance Officer and signs his or her terms of reference. The main function of Compliance is to make sure that Fossar maintains appropriate procedures to identify the risk of failures of compliance in its operations and minimize such risk. The reports and conclusions of the Internal Auditor and Compliance Officer are disclosed to the Board of Directors without intermediaries. The Board of Directors has approved risk management procedures as well as Fossar's risk policy and shall ensure that internal processes and the framework for risk management are reviewed at least annually.

The third line of defense consists of Internal Audit. The purpose of the third line of defense is to conduct independent audits of the effectiveness of internal controls. Internal Audit is outsourced to Helga Harðardóttir. The Internal Auditor annually conducts an independent review of the Company's operations. The Internal Auditor's report is submitted annually to the Board of Directors.

### **Auditing and financial reporting**

According to law, the Board of Directors and CEO are to ensure that the Company keeps accounts in accordance with laws and regulations, that its assets are administered in a secure manner and that effective internal control is in place. The CEO ensures that the Board of Directors regularly receives detailed information about the Company's finances and operations. Annual and interim financial statements are submitted to the Board of Directors for approval. The 2025 financial statements have been prepared by the Board of Directors, the CEO and the finance division in accordance with international accounting standards, IFRS, and the Icelandic Annual Accounts Act. Auditing has been contractually assigned to KPMG ehf. The financial information of Fossar for the year 2025 will be included in Skagi's consolidated financial statements. The consolidated financial statements are audited by KPMG ehf.

### **The Board of Directors and its sub-committees**

The Board of Directors of Fossar is elected at a shareholders' meeting and is composed of five principal members and two alternate members. The Board of Directors is the supreme authority in the Company's affairs between shareholders' meetings in accordance with laws, regulations and the Company's Articles of Association. The Board of Directors is responsible for those aspects of the Bank's operations that are not part of its day-to-day operations. At the first meeting of the newly elected Board, the Board elects a Chairman of the Board and a Vice-Chairman.

The Board of Directors supervises the Bank's activities and ensures that they are always in compliance with laws and regulations. The Board of Directors formulates the Bank's policy and places great emphasis on regulatory compliance in its operations. The main tasks, duties and responsibilities of the Board of Directors are set out in detail in the rules of procedure of the Board of Directors which are adopted on the basis of Article 54 of Act No. 161/2002 on Financial Undertakings, Article 70 of Act No. 2/1995 on Limited Liability Companies, Guidelines No. 1/2010 of the Financial Supervisory Authority and the Company's Articles of Association. The Chairman of the Board shall ensure that the Board performs its duties in an efficient and organized manner. The rules of procedure of the Board of Directors are published on the Fossar website.

The performance evaluation of the Fossar Board of Directors takes place annually. The Board of Directors evaluates its work, size, composition, procedures and practices, as well as the performance of the Chairman of the Board and the CEO. The Board of Directors reviews and evaluates the Company's development and whether it is in line with its goals. In performing such an evaluation, the Board of Directors assesses, among other things, strengths and weaknesses in its work and procedures and considers what it thinks can be improved.

At the Bank's Annual General Meeting on 25 March 2025, five principal members and two alternate members were elected to the Company's Board of Directors. Additionally, a new alternate Board Member



was elected on 8 May 2025. The members of the Fossar Board of Directors are well educated and have extensive experience working in the financial services sector. The current Board is composed of three women and two men.

Board meetings are normally held monthly or when decided by the Chairman of the Board, and additional meetings are held as needed. In 2025, the Fossar Board of Directors met 16 times. The minutes of the Board of Directors of Fossar are comprehensive and prepared in accordance with recognized corporate governance guidelines. Provisions on conflicts of interest set out in the Board's rules of procedure enhance transparency and support sound preventive practices.

An annual evaluation of the performance of the Board of Directors was conducted in 2025. The purpose of the evaluation is to assist the Chair of the Board and the Board as a whole in assessing the effectiveness of their work and to support continued development and improvements in the Board's practices. The Board performance evaluation is a useful tool for reviewing past performance and better equipping the Board to address future challenges, with the aim of improving working methods and enhancing the overall effectiveness of the Board. The results of the evaluation indicated that the members of the Board consider the composition of the Board to be well suited to the needs of the Company and that Board members possess broad knowledge and experience. Furthermore, all Board members demonstrated a high level of commitment to their duties and participated actively in the work of the Board.

Pursuant to its rules of procedure, the Board of Directors has established one sub-committee, the Risk Committee. The Risk Committee operates under the authority of the Board of Directors, which is responsible for its composition, mandate and activities. The members of the Risk Committee are appointed by the Board of Directors at the first regular Board meeting following the Company's Annual General Meeting, at which time the Board also appoints the chair of the committee. The Audit Committee and the Remuneration Committee of Skagi operate on a consolidated basis for the Skagi Group. One member of Fossar's Board of Directors is

appointed as a member of the consolidated Audit Committee.

The Risk Committee, the consolidated Audit Committee and Remuneration Committee, shall ensure that the Board of Directors receives regular and adequate information on the principal activities of the committees. At least once a year, each committee shall submit a report on its activities to the Board of Directors. Information on the roles of individual committees is provided below.

**Risk Committee:** The main function of the Risk Committee is to serve in an advisory and monitoring role for the Board of Directors, including in the formulation of the Company's risk policy and risk appetite. The committee monitors the arrangement and effectiveness of risk management, the management of credit risk, market risk, operational risk and other risk factors as appropriate. The Risk Committee is composed of three Board members. In 2025, the committee met twelve times. The members of the Risk Committee are Anna Helga Baldursdóttir (chairman), Kolbeinn Arinbjarnarson and Marta Guðrún Blöndal. The committee operates in accordance with the rules of procedure of the Fossar Risk Committee.

**Audit Committee:** The main function of the Audit Committee is to serve in an advisory and monitoring role for the Board of Directors, including in ensuring the quality of the Company's annual financial statements and other financial information and the independence of the Company's auditing. The committee shall review financial information and arrangements for providing information from management, the internal auditor and the external auditor. The Audit Committee of Skagi operates on a consolidated basis according to its established rules of procedure. Guðný Arna Sveinsdóttir, a member of Fossar's Board of Directors, was appointed as a member of Skagi's Audit Committee at Skagi's Annual General Meeting held on 27 March 2025.

**Remuneration Committee:** The main function of the Remuneration Committee is to serve in an advisory and monitoring role for the Board of Directors in relation to remuneration at the Company and ensuring that remuneration arrangements support the Company's goals and interests. The committee formulates an



annual remuneration policy for the Bank, which is submitted to the Board of Directors and the Annual General Meeting for approval. The committee monitors the Bank's remuneration policy and bonus scheme.

The Remuneration Committee of Skagi operates on a consolidated basis according to its established rules of procedure.

Below is an overview of the attendance of individual Board members and sub-committee members at meetings:<sup>2</sup>

Board Members	Term	The Board	Risk Committee
Haraldur I. Þórðarson	01.01.2025 – 31.12.2025	15	-
Anna Helga Baldursdóttir	01.01.2025 – 31.12.2025	15	12
Guðný Arna Sveinsdóttir	01.01.2025 – 31.12.2025	14	-
Kolbeinn Arinbjarnarson	01.01.2025 – 31.12.2025	15	12
Marta Guðrún Blöndal	01.01.2025 – 31.12.2025	14	11
Alternate Board Members			
Salóme Guðmundsdóttir	01.01.2025 – 31.12.2025	-	-
Vilhjálmur Egilsson	08.05.2025 – 31.12.2025	-	-
Former Alternate Board Members			
Brynjar Þór Hreinsson	01.01.2025 – 08.05.2025	-	-

## CEO and executive management

The Board of Directors appoints a managing director, who holds the title of Chief Executive Officer (“CEO”). The CEO is responsible for the day-to-day management of the Bank and, in that capacity, shall comply with applicable laws as well as the policies and instructions of the Company's Board of Directors. The CEO's decision-making authority extends to all matters that are not delegated to others by law, the Bank's Articles of Association or decisions of the Board of Directors. The CEO represents the Bank in day-to-day management, that does not include measures that are extraordinary or major. The CEO shall ensure that the Bank's accounts are kept in accordance with applicable law and that its finances are handled in a secure and prudent manner.

The executive management of Fossar is appointed by the CEO and consists of the CEO, the managing

directors of Fossar, the Chief Legal Officer, and the Head of Risk Management. The executive management operates in accordance with its rules of procedure. In addition to the CEO, the following persons were members of Fossar's executive management during the period:

- Adrian Sabido, Managing Director, Capital Markets
- Heiðrún Haraldsdóttir, Managing Director, Finance
- Róbert Ragnar Grönqvist, Managing Director, Risk Management
- Þórður Ágúst Hlynsson, Managing Director, Corporate Finance
- Þórunn Ólafsdóttir, Head of Legal and operations

<sup>2</sup> The Board of Directors of the Bank was re-elected at the Annual General Meeting of Fossar on 25 March 2025, with no changes made to its composition. At a shareholders'

meeting held on 8 May 2025, Vilhjálmur Egilsson was elected to the alternate Board of Directors, replacing Brynjar Þór Hreinsson.



## Principal and alternate members of the Fossar Board of Directors



### Haraldur I. Þórðarson, Chairman of the Board

Haraldur (b. 1979) has extensive experience in the financial services sector and is the CEO of the Skagi Group, the parent company of Fossar. Haraldur is one of the founders of Fossar and was the bank's CEO from 2015-2023. In 2011-2015, he served as Managing Director of Capital Markets at Straumur Investment Bank hf. In 2007-2010, he was Group Treasurer of Exista hf. and Head of Funding at the same company from 2006. Previously, Haraldur worked in Treasury at Kaupþing from 2003-2006.

Haraldur has a B.Sc. degree in Business Administration from Reykjavik University and a Global Executive MBA from IESE Business School. He is also a licensed securities broker.

Haraldur, directly and indirectly owns 2.94% of the shares in Skagi hf. There are no conflicts of interest between Haraldur and Fossar's principal clients or competitors. Haraldur has served as a board member of the Bank since 2023.



### Anna Baldursdóttir, Board Member

Anna (b. 1976) is a consultant with extensive experience in the financial services sector. She started her career at Íslandsbanki and led the lending team in London as well as assisting Glitnir's winding-up board with the administration and recovery of foreign loan portfolios. Anna has worked at the Royal Bank of Scotland as a manager and decision-maker on projects related to lending and the sale of derivatives to small and medium-sized firms.

Anna has an economics degree from the University of Iceland and an M.Sc. degree in finance from London Business School as well as having completed the LEAD management program at Stanford University.

Anna owns 0.01% of the shares in Skagi hf. There are no conflicts of interest between Anna and Fossar's principal clients or competitors. Anna is independent of the Bank and major shareholders. Anna has served as a board member of the Bank since 2022.



### Guðný Arna Sveinsdóttir, Board Member

Guðný Arna (b. 1966) is the Chief Financial Officer at Embla Medical. She joined the company from Kvika Banki, where she worked in financial roles.

Guðný Arna spent ten years at the pharmaceutical company Teva/Actavis, working in both Switzerland and the United States, including as CFO for generic drug development. Prior to that, she worked at Kaupþing from 2001 to 2008, serving in various financial roles, including CFO. She has also held positions at Eimskip and PWC in Stockholm.

She holds a cand.oecon. degree in accounting and auditing from the University of Iceland (1991) and a master's degree in accounting and finance from Uppsala University (1996).

There are no conflicts of interest between Guðný Arna and Fossar's principal clients or competitors. She is independent of the Bank and its major shareholders. Guðný Arna has served as a board member of the Bank since 2024.



**Kolbeinn Arinbjarnarson,  
Board Member**

Kolbeinn (b. 1962) brings over three decades of leadership in aviation technology and entrepreneurship. He spent ten years at Icelandair across various divisions before becoming Managing Director of Air Iceland. He subsequently founded Calidris, a travel technology company that developed innovative solutions for airlines. Calidris was acquired by Sabre Corporation (USA), where Kolbeinn served in a senior management role for four years before transitioning to independent consulting, investing, board service, and founding an AI-native company specializing in agentic travel retailing. Kolbeinn is the Vice-Chairman of Fossar's Board of Directors.

Kolbeinn holds an engineering degree from the University of Iceland and an M.Sc. from Stanford University.

Kolbeinn owns 0,09% of the shares in Skagi hf. There are no conflicts of interest between Kolbeinn and Fossar's principal clients and competitors. Kolbeinn is independent of the Bank and major shareholders. Kolbeinn has served as a board member of the Bank since 2015.



**Marta Guðrún Blöndal,  
Board Member**

Marta (b. 1988) is the EVP of Corporate Development at ORF Genetics. She has worked at ORF Genetics since 2018, and up until the end of 2022 she was also the General Counsel of BIOEFFECT. From 2014 to 2018, Marta was the Deputy Managing Director and General Counsel of the Iceland Chamber of Commerce. During the same period, she was the Secretary General of the Nordic Arbitration Centre. Marta is an attorney and has extensive knowledge of the legal environment of Icelandic companies as well as good corporate governance. She has been involved in the publication of the Icelandic Corporate Governance Guidelines since 2014.

Marta also serves on the Board of Directors of Skagi, Fossar Investment Bank's parent company, as well as the Icelandic fuel distribution company Olíudreifing.

Marta holds a master's degree in law from the University of Iceland and a bachelor's degree from the same school. She is licensed as a district court attorney.

There are no conflicts of interest between Marta and Fossar's principal clients and competitors. Marta has served as a board member of the Bank since 2024.



**Vilhjálmur Egilsson,  
Alternate Board Member**

Vilhjálmur (b. 1952) has extensive experience in management and strategic planning in both the private and public sectors. He served as Rector of Bifröst University in 2013-2020, Director General of the Confederation of Icelandic Employers in 2006-2013, Permanent Secretary of the Ministry of Fisheries in 2004-2006, a member of the Executive Board of the International Monetary Fund (IMF) in 2003 and a Managing Director of the Iceland Chamber of Commerce in 1987-2003. He further served as a Member of Parliament for the Northwest Constituency in 1991-2003. Vilhjálmur has served as a board member of Skagi hf., VÍS Insurance hf., and Innviðir slhf., as well as Vice Chairman of the Board and Audit Committee member of Harpa ohf.

Vilhjálmur holds a PhD in economics from the University of Southern California, Los Angeles; master's degree in economics from the University of Southern California and a business administration degree from the University of Iceland.

There are no conflicts of interest between Vilhjálmur and Fossar's principal clients and competitors. Vilhjálmur has served as an alternate board member of the Bank since 2025.



**Salóme Guðmundsdóttir,  
Alternate Board Member**

Salome (b. 1983) has significant strategic governance experience through both board and management positions. Salome is the CEO of Ísorka, was the CEO of Klak – Icelandic Startups from 2014 to 2021. She then became an advisor and a board member for Eyrir Venture Management and subsequently held management positions for its portfolio companies. She has been a board member of the Icelandic Chamber of Commerce since 2018 and the Chairman of the Board of Kadeco since 2025. Salome is also an instructor at the Executive MBA at Reykjavik University where she teaches Executive Simulation in collaboration with IESE Business School, and oversees the Final Project run by MIT Venture Design Center.

Salome holds a BSc degree in International Business Administration from Reykjavik University and an AMP executive degree from IESE Business School.

There are no conflicts of interest between Salóme and Fossar's principal clients and competitors. Salóme is independent of the Company and major shareholders. Salóme has served as an alternate board member of the Bank since 2024.



## CEO



**Steingrímur Arnar  
Finnsson, CEO**

Steingrímur Arnar Finnsson (b. 1980) is the CEO of Fossar.

Steingrímur has worked in the financial services sector for almost 20 years. Before assuming the position of CEO, Steingrímur was head of Capital Markets at Fossar from 2015-2023. Before joining Fossar in 2015, Steingrímur was the Executive Director of Capital Markets at Straumur Investment Bank. From 2006 to 2011, Steingrímur worked in the capital markets division of Kaupthing and later Arion Bank, first in the FX and derivatives desk and later in bond brokerage. Before that, he worked in the

research department of Kaupthing Bank.

Steingrímur has a B.Sc. degree in Economics from the University of Iceland and is a licensed securities broker.

Steingrímur indirectly owns about 1.88% of the shares in Fossar. There are no conflicts of interest between Steingrímur and Fossar's principal clients and competitors.

Approved at a meeting of the Board of Directors on 17 February 2026