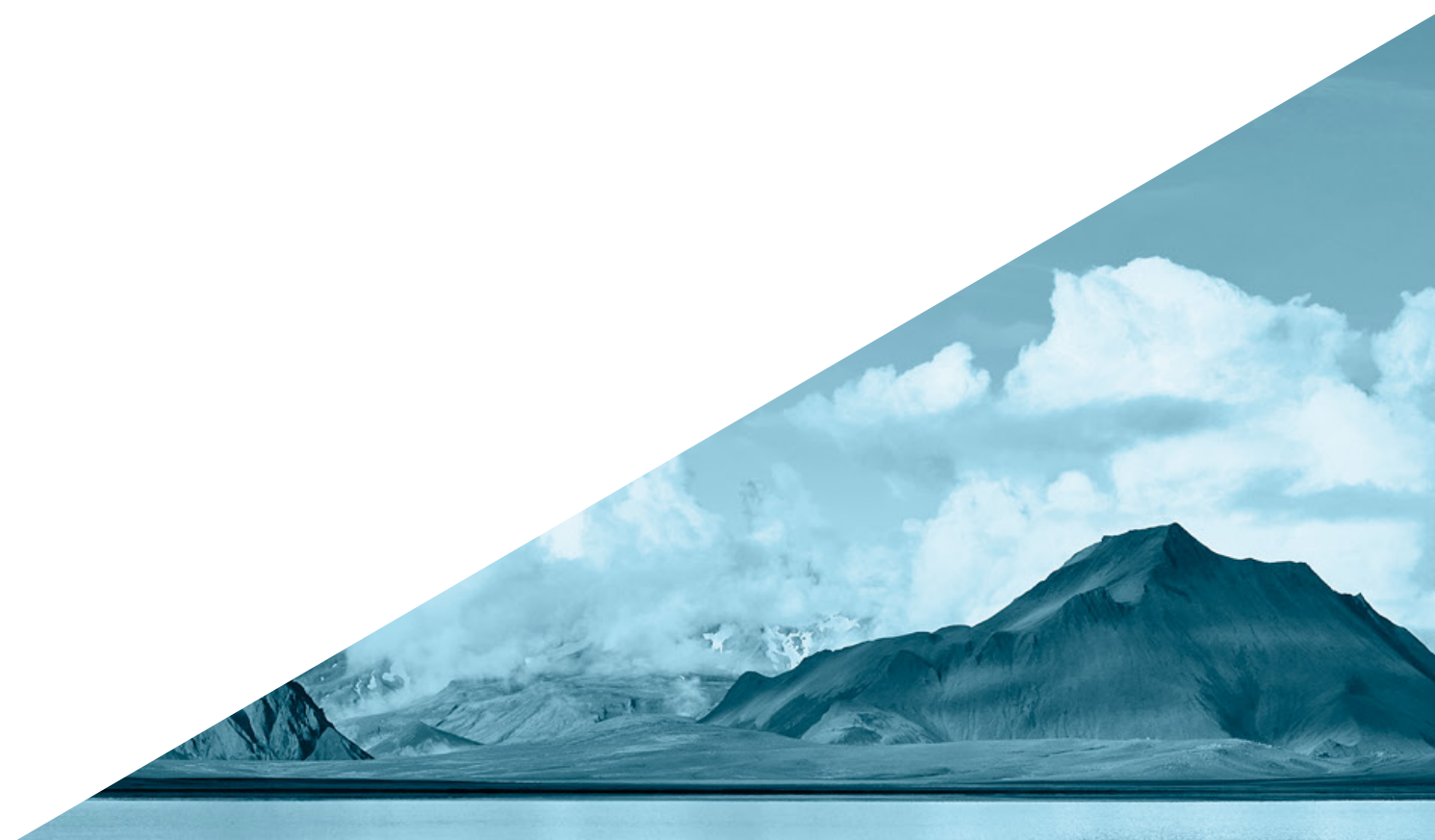




Condensed Consolidated Interim Financial Statements

1 January - 30 June 2025



Condensed Consolidated Interim Financial statements

1 January to 30 June 2025

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Report and Endorsement

by the Board of Directors and the CEO

The condensed consolidated interim financial statements of Skagi hf. ("the Company" or "Skagi") for the period 1 January to 30 June 2025 consist of the financial statements of the Company and its subsidiaries. Subsidiaries include Fossar fjárfestingarbanki hf. ("Fossar" or "the bank"), Íslensk verðbréf hf. ("ÍV"), VÍS tryggingar hf. ("VÍS") and Líftryggingafélag Íslands hf. ("Lífis"), collectively with the Company referred to as "the Group". The Group's operations consist of insurance activities, investment banking, asset and fund management. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements for companies listed on a regulated securities market. The condensed consolidated interim financial statements have not been reviewed or audited by Independent Auditors of the Company.

Operating and Financial position

According to the Income Statement the Group's loss in the 1H 2025 amounted to ISK 380 million and return on equity was negative -1.8% during the period. The Group's assets at the end of the period amounted to ISK 82,446 million and equity amounted to ISK 21,393 million according to the balance sheet.

Insurance

Continued operational improvement is taking place in the insurance business. This can be attributed to more new customers as well as increased insurance sales to existing customers. Insurance business generated 9.9% insurance revenue growth and 11.5% life and health insurance growth.

Cost ratio continues to improve at 18.8% in the first half (1H 2024: 20.3%) and claims and reinsurance ratio was at 71.8% (1H 2024: 76.6%). This results in a combined ratio of 90.6% (1H 2024: 96.8%). The insurance service result was positive by ISK 1,449 million (1H 2024: ISK 453 million) and improves by ISK 996 million YoY.

Financial Services

Financial services activities generated growth of 58% in revenue in 1H 2025 compared to prior year. Revenue of financial activities totalled ISK 1,512 million, compared to ISK 960 million in 1H 2024.

Assets under management (AuM) at the Skagi Group stand at 232 billion at the end of 1H 2025. Net inflow of AuM was experienced from clients during 1H 2025.

Significant expenses were incurred in the first half in financial services in relation to the merger of Íslensk verðbréf and other one-off expenses. These expenses, in financial activities, total approximately 95 million during the period. Synergies are now set to materialise following integration.

Investments

Weak equity markets impact investment results with loss of ISK 1,184 million in the listed equity portfolio. The return on the insurance investment assets in 1H 2025 was 0.1% (1H 2024: 3.0%). Investments generated financial income of ISK 39 million in 1H 2025 (1H 2024: ISK 1,298 million) but a negative net financial income of ISK -1,155 million in 1H 2025 (1H 2024: ISK 519 million), after taking into account financial items of ISK -1,036 million and operating expenses of ISK -203 million.

Report and Endorsement

by the Board of Directors and the CEO

Financial Targets 2025

Guidance on target operating performance for the fiscal year 2025 is as follows, as updated on 10th July 2025:

- Target combined ratio below 94% (range 92-95%)
- Net financial services income is expected to be above 3,100 million (range 2,900 – 3,500 million)
- Expected return of insurance investments assets is 10%.

Skagi will provide update on guidance if operating performance is not likely to be in target range in insurance business and financial services. No update is given in between quarterly reporting on guidance of investment return of insurance investments.

Shares and allocation of profits

The Company's nominal shares amounted to ISK 1,906.7 million at period end (own shares amounting to ISK 10.3 million), with each share having a nominal value of ISK 1. There were 869 shareholders at the end of the period. The board of directors' proposal for the payment of a dividend in the amount of ISK 500 million or ISK 0.2637 per share was approved at the Company's Annual General Meeting on 27th March and the Company paid the dividend to shareholders on 1st April 2025.

Transfer of Insurance operations to a subsidiary

Following approvals from the Financial Supervisory Authority of the Central Bank of Iceland ("FSA"), cf. announcements by the Company on the Nasdaq Iceland on 23rd December and 30th December 2024, Skagi has, on 1st of January 2025, completed the transfer of the VÍS insurance business to its subsidiary VÍS tryggingar hf. This is in line with announcement made on 17th January 2024 following approval of a shareholders meeting of the Company for the proposed transfer of the insurance portfolio and the insurance operations to a subsidiary, to which all conditions have now been met and thus the transfer has been executed. At the request of Skagi, the Financial Supervisory Authority on 4th July 2025 revoked Skagi's insurance operating licence as all insurance activities have either been transferred to VÍS or discontinued.

Mergers within financial services concluded

Following the acquisition of Íslensk verðbréf, the Company has prepared further consolidation of financial services activities within the Group, including a merger of Íslensk verðbréf's brokerage and custody activities into Fossar and merger of SIV eignastýring hf. asset and fund management with ÍV sjóðir hf. These mergers were concluded at the end of 1st quarter and are effective as of 1st January 2025. The merged entity of SIV and ÍV sjóðir are as of 31st March this year operating under the name of Íslensk verðbréf hf., providing asset and fund management to clients.

Report and Endorsement

by the Board of Directors and the CEO

To the best knowledge of the board the consolidated interim financial statements of Skagi hf. give a true and fair view of the consolidated financial performance of the Group for the period 1 January to 30 June 2025, and its assets, liabilities, and financial position as of 30th June 2025. Further, in our opinion the consolidated interim financial statements give a fair view of the development and performance of the Group's operations and its position at the end of the period and describe the principal risks faced by the Group.

The Board of Directors and the CEO have today discussed the Company's Condensed Consolidated Interim Financial Statements of Skagi hf. for the period ended 30th June 2025 and confirm by means of their signatures.

Reykjavik, 17 July 2025

On the Board of Directors

Stefán Héðinn Stefánsson

Chairman of the Board

Vilhjálmur Egilsson

Vice-Chairman of the Board

Marta Guðrún Blöndal

Ásgeir Helgi Reykfjörð Gylfason

Hrund Rudolfsdóttir

CEO

Haraldur Þórðarson

Condensed Consolidated Interim Income Statement

For the period 1 January to 30 June 2025

	Notes	Q2 2025	Q2 2024	YTD 2025	YTD 2024
Insurance revenue		7.854.521	7.212.980	15.386.032	14.001.721
Insurance expenses		(4.577.361)	(4.848.687)	(10.532.689)	(10.256.310)
Insurance contract operating expenses		(1.448.825)	(1.418.508)	(2.897.075)	(2.839.773)
Net expenses from reinsurance contracts		<u>(329.007)</u>	<u>(250.375)</u>	<u>(507.485)</u>	<u>(452.855)</u>
Insurance service result		1.499.329	695.410	1.448.784	452.784
Interest income		505.960	356.583	1.027.907	706.643
Interest expenses		<u>(414.327)</u>	<u>(310.183)</u>	<u>(827.886)</u>	<u>(609.527)</u>
Net interest income		91.633	46.400	200.022	97.116
Fee and commission income		674.606	311.019	1.226.209	877.402
Fee and commission expenses		<u>(17.345)</u>	<u>(21.341)</u>	<u>(34.588)</u>	<u>(46.302)</u>
Net fee and commission income		657.261	289.678	1.191.621	831.100
Financial income		492.372	297.667	3.768	1.246.756
Net finance expenses from insurance contracts		(414.101)	(131.858)	(833.918)	(403.384)
Other financial items		(143.073)	(124.782)	(253.480)	(232.375)
Operating expense of the insurance investment portfolio		<u>(78.635)</u>	<u>(72.052)</u>	<u>(157.398)</u>	<u>(142.841)</u>
Net financial income		(143.437)	(31.026)	(1.241.027)	468.156
Share in profit of associates, after income tax		26.366	0	51.450	0
Other operating income		46.472	37.270	71.747	61.972
Net operating income		2.177.623	1.037.733	1.722.596	1.911.128
Operating expenses	6	(859.557)	(713.501)	(1.725.498)	(1.341.953)
Net credit impairments		(1.005)	(1.893)	(4.069)	(8.800)
Amortization of intangible assets		(50.071)	(35.782)	(97.333)	(71.564)
Profit (loss) before tax		1.266.990	286.557	(104.304)	488.810
Income tax expenses		<u>(294.647)</u>	<u>(149.213)</u>	<u>(276.077)</u>	<u>(215.953)</u>
Profit (loss) for the period		972.343	137.344	(380.381)	272.857
Attributable to shareholders		972.390	136.650	(378.164)	275.615
Attributable to minority interest		<u>(47)</u>	<u>694</u>	<u>(2.217)</u>	<u>(2.758)</u>
Profit (loss) for the period		972.343	137.344	(380.381)	272.857
Earnings per share					
Basic earnings per share		0,51	0,07	(0,20)	0,15
Diluted earnings per share		0,51	0,07	(0,19)	0,15

The notes on pages 10-21 are an integral part of these financial statements.

Condensed Consolidated Interim Statement of Comprehensive Income

For the period 1 January to 30 June 2025

	YTD 2025	YTD 2024
Profit (loss) for the period	<u>(380.381)</u>	<u>272.857</u>
Other Comprehensive income		
<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	0
Unrealized fair value changes	(10.294)	(9.521)
Total comprehensive income (loss) for the period	<u><u>(377.795)</u></u>	<u><u>263.336</u></u>

The notes on pages 10-21 are an integral part of these financial statements.

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2025

	Notes	30.6.2025	31.12.2024
Assets			
Cash and cash equivalents		2.317.496	2.321.959
Financial assets	7	51.573.798	51.391.734
Securities used for economic hedging		6.022.725	6.102.840
Loans to customers		9.598.122	7.880.021
Derivatives		221.398	118.541
Investments where investment risk is borne by life-insurance policyholders		925.875	1.023.545
Investment in associates	10	152.640	148.876
Intangible assets		4.645.761	4.734.006
Property, plant and equipment		1.454.270	700.356
Deferred income tax asset		156.152	461.117
Assets from reinsurance contracts held		1.507.422	1.491.991
Other receivables		3.870.345	2.807.731
Total assets		82.446.002	79.182.716
Liabilities			
Insurance contract liabilities	11	30.340.006	28.834.123
Investment contract liabilities		925.875	1.023.545
Financial liabilities	12	19.000.878	17.750.819
Subordinated bond		3.859.469	3.763.931
Derivatives		76.382	231.599
Lease liability		1.138.120	391.655
Deferred income tax liability		312.771	358.107
Accounts payable and other liabilities		5.399.639	4.558.183
Total liabilities		61.053.140	56.911.962
Equity			
Share capital		1.896.367	1.895.958
Share premium		3.087.000	3.087.000
Restricted reserves		628.206	2.684.635
Retained earnings		15.739.411	14.563.951
Total equity attributable to shareholders		21.350.984	22.231.544
Minority interest		41.878	39.209
Total equity		21.392.862	22.270.753
Total liabilities and equity		82.446.002	79.182.716

The notes on pages 10-21 are an integral part of these financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

For the period 1 January to 30 June 2025

	Share capital	Share premium	Restricted reserve	Retained earnings	Minority interest	Total
2025						
Equity 1.1.2025	1.895.958	3.087.000	2.684.635	14.563.951	39.209	22.270.753
Profit (loss) for the period				(378.164)	(2.217)	(380.381)
Other comprehensive income (loss)				2.586	0	2.586
Total comprehensive income (loss) for the period	0	0	0	(375.578)	(2.217)	(377.795)
Change of holding in subsidiary				(4.885)	4.885	0
Treasury share allocation	410			8.128		8.538
Dividends paid, ISK 0,264 per share				(500.072)		(500.072)
Restricted reserves			(2.056.429)	2.050.452		(5.977)
Equity 30.6.2025	1.896.367	3.087.000	628.206	15.739.411	41.878	21.392.862
2024						
Equity 1.1.2024	1.905.550	3.087.000	4.477.882	11.660.499	41.002	21.171.933
Profit (loss) for the period				275.615	(2.758)	272.857
Other comprehensive income (loss)				(9.521)	0	(9.521)
Total comprehensive income (loss) for the period	0	0	0	266.094	(2.758)	263.336
Change of holding in subsidiary					4.000	4.000
Treasury shares acquired	(27.813)			(472.187)		(500.000)
Dividends paid, ISK 0,524 per share				(984.809)		(984.809)
Restricted reserves			(1.107.746)	1.100.925		(6.821)
Stock options				4.190		4.190
Equity 30.6.2024	1.877.737	3.087.000	3.370.136	11.580.043	42.245	19.957.160

The notes on pages 10-21 are an integral part of these financial statements.

Condensed Consolidated Interim Statement of Cash Flows

For the period 1 January to 30 June 2025

	YTD 2025	YTD 2024
Operating activities		
Profit (loss) for the period	(380.381)	272.857
Operating items not affecting cash flows:		
Net interest income	(200.022)	(97.116)
Net financial income	244.389	(468.156)
Derivatives, change	(258.076)	(435.378)
Stock options, change	(8.760)	0
Share in profit of associate	8.538	0
Depreciation and amortization	263.724	269.376
	<u>(330.587)</u>	<u>(458.417)</u>
Changes in operating assets and liabilities:		
Financial assets, change	(928.821)	(508.763)
Assets from reinsurance contracts held, change	(15.431)	(207.145)
Securities, change	690.751	176.233
Loans to customers, change	(1.718.101)	(2.234.877)
Other receivables, change	(1.057.618)	(419.019)
Insurance contract liabilities, change	1.505.883	1.338.393
Accounts payable and other liabilities, change	1.174.446	(118.930)
Cash flows from operating activities before interest and tax	<u>(679.477)</u>	<u>(2.432.525)</u>
Interest income received	835.816	577.682
Dividend received	331.329	251.766
Financial expenses paid	(933.627)	(888.622)
Income taxes paid	(73.361)	(28.352)
Cash flows from operating activities	<u>(519.320)</u>	<u>(2.520.049)</u>
Investing activities		
Investments in property and equipment	(82.588)	(86.007)
Investments in intangible assets	(9.713)	(33.276)
Sale of shares in subsidiary	0	4.000
	<u>(92.301)</u>	<u>(115.283)</u>
Financing activities		
Purchase of treasury shares	0	(500.000)
Dividends paid	(500.072)	(984.809)
Principal payments of lease liability	(90.628)	(125.024)
Short-term loans, change	1.250.059	3.318.990
Unpaid capital gains tax in respect of transactions, change	0	119.777
	<u>659.359</u>	<u>1.828.934</u>
Change in cash and cash equivalents	47.738	(806.400)
Cash and cash equivalents at the beginning of the year	2.321.959	2.270.693
Effect of movements in exchange rates on cash held	(52.202)	2.382
Cash and cash equivalents at the end of the period	<u>2.317.496</u>	<u>1.466.675</u>

The notes on pages 10-21 are an integral part of these financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

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Notes to the Condensed Consolidated Interim Financial Statements

1. Reporting entity

Skagi hf., the Parent Company, hereinafter referred to as "the Company" or "Skagi", is a limited liability company incorporated and domiciled in Iceland. Skagi operates on the basis of Act no. 2/1995 on Limited Liability Companies, Act no. 61/2017 on Supplementary supervision of Financial Conglomerates, Act no. 60/2017 on Insurance Conglomerates and certain applicable provisions in Act no. 100/2016 on Insurance Activities and Act no. 161/2002 on Financial Institutions. The Company is supervised by the Financial Supervisory Authority of the Central Bank of Iceland. The Company's headquarters are at Ármúli 3, Reykjavík.

The condensed consolidated interim financial statements of Skagi hf. ("the Company" or "Skagi") for the period 1 January to 30 June 2025 consist of the financial statements of the Company and its subsidiaries. Subsidiaries include Fossar fjárfestingarbanki hf. ("Fossar" or "the bank"), Íslensk verðbréf hf. ("ÍV"), VÍS tryggingar hf. ("VÍS") and Líftryggingafélag Íslands hf. ("Lífís"), collectively with the Company referred to as "the Group". The Group's operations consist of insurance activities, investment banking and asset and fund management. The Icelandic Financial Supervisory Authority supervises the Group's operations.

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting, as adopted by the European Union and additional requirements according to the Icelandic Financial Statements Act. The interim financial statements were approved and authorized for publication at a meeting of the Board of Directors on 17 July 2025. The condensed consolidated interim financial statements do not contain all the information required in consolidated financial statements and should be read in conjunction with its annual consolidated financial statements for the year 2024, which are available at www.skagi.is.

The condensed consolidated interim financial statements do not include a detailed discussion of material accounting policies. For a full description of accounting policies and principles applied, please refer to the most recent consolidated annual financial statements of the Company.

3. Functional and presentation currency

The condensed consolidated interim financial statements are prepared and presented in Icelandic krónur (ISK), which is the Company's functional currency. All amounts are presented in thousands of ISK unless otherwise stated.

4. Accounting estimates

Preparing condensed consolidated interim financial statements in accordance with IFRS requires management to make assumptions, estimates and apply judgement that affect the assets and liabilities at the reporting date, disclosures in notes and income and expenses. Estimates and judgements are based on experience and various other factors that are considered appropriate and form the basis of decisions made regarding the reported amounts of assets and liabilities not evident by other means.

Estimates and assumptions are reviewed regularly. Changes in accounting estimates are recognized in the period when they are revised.

Notes to the Condensed Consolidated Interim Financial Statements

5. Operating segment reporting

The Group is divided into three operating segments: Insurance operations, Insurance investments and Financial services, in accordance with the Group's organization and internal structure. Insurance operations include the VÍS insurance and Lífís life insurance business units. Insurance investments include the investment operations of the insurance business (VÍS and Lífís). Financial services include the operations of Fossar and ÍV.

The operating segments' results for the period 1 January to 30 June 2025 are specified as follows:

	Insurance operations	Insurance investments	Financial services	Centralized supporting units and eliminations	Total
Insurance revenue	15.386.032				15.386.032
Claims incurred	(10.532.689)				(10.532.689)
Insurance contract operating expenses	(2.897.075)				(2.897.075)
Net expenses from reinsurance contracts	(507.485)				(507.485)
Insurance service result	1.448.784	0	0	0	1.448.784
Net interest income			200.022		200.022
Net fee and commission income			1.315.590	(123.968)	1.191.621
Financial income		39.177	(5.323)	(30.085)	3.768
Operating exp. of the insurance investment portfolio		(157.398)			(157.398)
Net finance expenses from insurance contracts		(833.918)			(833.918)
Other financial items		(202.577)		(50.903)	(253.480)
Net financial income	0	(1.154.716)	(5.323)	(80.989)	(1.241.027)
Other operating income	72.560		1.678	(2.491)	71.747
Share in profit of associates, after income tax				51.450	51.450
Net operating income	1.521.344	(1.154.716)	1.511.966	(155.998)	1.722.596
Operating expenses	(22.173)		(1.486.893)	(216.433)	(1.725.498)
Allocated costs from supporting units	(123.490)	(113.990)	(37.980)	275.460	0
Amortization of intangible assets			(10.433)	(86.900)	(97.333)
Net credit impairments			(4.069)		(4.069)
Profit (loss) before tax	1.375.681	(1.268.706)	(27.408)	(183.871)	(104.304)
Income tax expenses					(276.077)
Profit (loss) for the period					(380.381)

Notes to the Condensed Consolidated Interim Financial Statements

5. Operating segment reporting (cont.)

The operating segments' results for the period 1 January to 30 June 2024 are specified as follows:

	Insurance operations	Insurance Investments	Financial services	Centralized supporting units and eliminations	Total
Insurance revenue	14.001.721				14.001.721
Claims incurred	(10.256.310)				(10.256.310)
Insurance contract operating expenses	(2.857.053)			17.280	(2.839.773)
Net expenses from reinsurance contracts	(452.855)				(452.855)
Insurance service result	435.504	0	0		452.784
Net interest income			97.116		97.116
Net fee and commission income			900.686	(69.586)	831.100
Financial income		1.297.668	(50.912)		1.246.756
Operating exp. of the insurance investment portfolio		(142.841)			(142.841)
Net finance expenses from insurance contracts		(403.384)			(403.384)
Other financial items		(232.375)			(232.375)
Net financial income	0	519.067	(50.912)	0	468.156
Other operating income	53.291		12.649	(3.968)	61.972
Share in profit of associates, after income tax					0
Net operating income	488.795	519.067	959.539	(73.554)	1.911.128
Operating expenses	(14.440)		(1.059.393)	(268.120)	(1.341.953)
Amortization of intangible assets			(10.064)	(61.500)	(71.564)
Net credit impairments			(8.800)		(8.800)
Profit (loss) before tax	474.355	519.067	(118.718)	(403.174)	488.810
Income tax expenses					(215.953)
Profit for the period					272.857

6. Operating expenses

	YTD 2025	YTD 2024*
Salaries and related expenses	3.121.323	2.749.503
Other operating expenses	1.492.258	1.377.252
Depreciation and amortization	263.724	269.376
Total	4.877.304	4.396.131
Centralized supporting units and eliminations	216.433	268.120
Operating expenses of financial services	1.486.893	1.059.393
Insurance contract operating expenses	2.897.075	2.839.773
Operating expenses of the insurance investment portfolio and other insurance cost	179.571	157.281
Amortization of intangible assets	97.333	71.564
Operating expenses, total	4.877.304	4.396.131
Salaries and related expenses are specified as follows:		
Salaries	2.360.601	2.131.554
Pension fund contributions	338.998	290.293
Share option expenses	52.567	4.190
Special financial activities tax on salaries	150.428	128.895
Other salary-related expenses	218.729	194.571
Salaries and salary-related expenses	3.121.323	2.749.503
Number of fulltime employees	245	238

*The presentation of comparative figures has been revised.

The 2023 general meeting of the Company authorized the Board of directors to approve a general share option plan in accordance with Article 10 of the Income Tax Act No. 90/2003 for all employees of Skagi and its subsidiaries.

Notes to the Condensed Consolidated Interim Financial Statements

7. Financial assets

Financial assets are specified as follows:

30.6.2025

	Insurance investments	Financial services	Total
Shares in other companies			
Listed on domestic stock exchanges	3.518.346	409.744	3.928.090
Listed on foreign stock exchanges	3.097.349	0	3.097.349
Other companies	6.831.426	84.057	6.915.483
	13.447.121	493.801	13.940.922
Other securities			
Government-backed securities, indexed	4.440.323	312.334	4.752.657
Government-backed securities, non-indexed	7.135.322	4.388.549	11.523.871
Other bonds	11.094.371	385.976	11.480.347
Bond funds	7.609.891	273.554	7.883.444
Institutional investor funds	1.992.556	0	1.992.556
	32.272.462	5.360.413	37.632.875
Total financial assets	45.719.584	5.854.214	51.573.798

31.12.2024

	Insurance investments	Financial services	Total
Shares in other companies			
Listed on domestic stock exchanges	4.650.350	464.211	5.114.561
Listed on foreign stock exchanges	3.400.052	0	3.400.052
Other companies	7.953.557	4.809	7.958.366
	16.003.959	469.019	16.472.978
Other securities			
Government-backed securities, indexed	3.790.116	428.568	4.218.684
Government-backed securities, non-indexed	5.998.580	5.237.732	11.236.312
Other bonds	8.612.351	0	8.612.351
Bond funds	8.010.225	329.530	8.339.755
Institutional investor funds	2.511.653	0	2.511.653
	28.922.926	5.995.830	34.918.756
Total financial assets	44.926.884	6.464.850	51.391.734

Notes to the Condensed Consolidated Interim Financial Statements

8. Loans to Customers

a. Credit risk of financial activities

The table below shows the nominal value of financial assets and expected credit losses, in accordance with IFRS 9, by age (number of days past maturity).

	Nominal value of claim	Expected credit losses	Booked balance
30.6.2025			
Not yet due	9.613.006	(14.884)	9.598.122
Default 1-30 days			
Default 31-60 days			
Default 61-90 days			
Default >90 days			
	<u>9.613.006</u>	<u>(14.884)</u>	<u>9.598.122</u>
31.12.2024			
Not yet due	7.890.836	(10.815)	7.880.021
Default 1-30 days			
Default 31-60 days			
Default 61-90 days			
Default >90 days			
	<u>7.890.836</u>	<u>(10.815)</u>	<u>7.880.021</u>

b. Loan-to-value

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

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

	30.6.2025	%	31.12.2024	%
Less than 50%	2.497.432	26,0%	2.642.171	33,5%
51-70%	2.903.206	30,2%	3.696.008	46,9%
71-90%	3.693.797	38,5%	1.504.511	19,1%
91-100%	503.687	5,2%	37.331	0,5%
101-125%	0	0,0%	0	0,0%
126-200%	0	0,0%	0	0,0%
Greater than 200%	0	0,0%	0	0,0%
No or negligible collateral:	0	0,0%	0	0,0%
Other loans with no collateral	0	0,0%	0	0,0%
Total	<u>9.598.122</u>	<u>100%</u>	<u>7.880.021</u>	<u>100%</u>

Notes to the Condensed Consolidated Interim Financial Statements

8. Loans to Customers (cont.)

a. 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. The Bank's impairment model uses external credit ratings as one of its main inputs, while LGD is based on internal estimates that take into account management judgement as well as economic outlook.

30.6.2025

Loans to customers:	Stage 1	Stage 2	Stage 3	Total
Credit quality band I	6.840.777			6.840.777
Credit quality band II	1.554.391			1.554.391
Credit quality band III	603.466			603.466
Credit quality band IV	614.371			614.371
In default				0
Non-Rated				0
Gross carrying amount	9.613.006	0	0	9.613.006
Expected credit loss	(14.884)			(14.884)
Book value	9.598.122	0	0	9.598.122

31.12.2024

Loans to customers:	Stage 1	Stage 2	Stage 3	Total
Credit quality band I	7.760.750			7.760.750
Credit quality band II	130.086			130.086
Credit quality band III				0
Credit quality band IV				0
In default				0
Non-Rated				0
Gross carrying amount	7.890.836	0	0	7.890.836
Expected credit loss	(10.815)			(10.815)
Book value	7.880.021	0	0	7.880.021

Notes to the Condensed Consolidated Interim Financial Statements

9. Share in subsidiaries

	30.6.2025	31.12.2024	Principal activity
VÍS tryggingar hf.	100,0%	100,0%	Insurance operations
Fossar fjárfestingarbanki hf.	100,0%	100,0%	Investment banking
VF Nord ehf.	100,0%	100,0%	Investing activities
Skagi ehf.	100,0%	0,0%	Investing activities
Líftryggingafélag Íslands hf.	100,0%	100,0%	Life insurance
Íslensk verðbréf hf.	85,9%	100,0%	Asset and fund management

10. Share in associates

	Share	Book value 30.6.2025	Book value 31.12.2024
Tplús hf.	35,0%	135.878	135.994
Vex ehf.	33,3%	16.762	12.883
		<u>152.640</u>	<u>148.876</u>

11. Insurance contract liabilities

Insurance contract liabilities are measured in accordance with IFRS 17 using the Premium Allocation Approach (PAA) and include a risk adjustment for non-financial risk. The line “Run-off and Reassessment of Risk Adjustment” includes the release of risk adjustment for services provided and increases due to updated assumptions.

	30.6.2025	31.12.2024
Insurance contract liabilities		
Liability for remaining coverage	3.997.786	2.608.357
Liability for incurred claims	<u>26.342.220</u>	<u>26.225.766</u>
Total insurance contract liabilities	<u>30.340.006</u>	<u>28.834.123</u>
Reinsurance contract assets		
Assets from reinsurance contracts held	<u>1.507.422</u>	<u>1.491.991</u>
Insurance contract liabilities, net of reinsurance		
Insurance contract liabilities, net of reinsurance	<u>28.832.584</u>	<u>27.342.132</u>

Changes in liabilities for incurred claims are specified as follows:

Liability for incurred claims, start of year	<u>26.225.776</u>	<u>24.349.301</u>
Net finance expenses from insurance contracts	777.079	1.121.708
Paid claims in the period due to older years	(7.011.141)	(9.618.803)
Liability for incurred claims, current year	<u>7.025.620</u>	<u>11.161.887</u>
Total calculated liability for incurred claims	<u>27.017.333</u>	<u>27.014.093</u>
Run off and reassessment of risk adjustment	<u>(675.113)</u>	<u>(788.327)</u>
Liability for incurred claims, end of period	<u>26.342.220</u>	<u>26.225.766</u>

Notes to the Condensed Consolidated Interim Financial Statements

12. Financial liabilities

	30.6.2025	31.12.2024
Borrowings	14.778.477	13.363.421
Issued bonds and bills	4.222.401	4.387.399
Financial liabilities total	19.000.878	17.750.819

12.1 Borrowings

Borrowings are specified as follows:

	30.6.2025	31.12.2024
Money market deposits	10.682.225	10.663.421
Liabilities to credit institutions	4.096.252	2.700.000
Total	14.778.477	13.363.421

12.2 Issued bonds and bills

Balance 30.6.2025

Issued bonds and bills	Issued	Maturity	Type and terms of interest	30.6.2025
FOS 25 0911	3.11.2025	9.11.2025	Bill, discounted	727.561
FOS 25 1128	30.5.2025	28.11.2025	Bill, discounted	463.407
FOS 26 1	10.7.2024	10.1.2026	Bond, floating 1M Reibor + 1,5%	1.507.667
FOS 281026	28.10.2024	28.10.2026	Bond, fixed 9.2%	1.523.767
				4.222.401

Balance 31.12.2024

Issued bonds and bills	Issued	Maturity	Type and terms of interest	31.12.2024
FOS 25 0311	11.9.2024	11.3.2025	Bill, discounted	392.440
FOS 25 0530	29.11.2024	30.5.2025	Bill, discounted	962.420
FOS 26 1	10.7.2024	10.1.2026	Bond, floating 1M Reibor + 1,5%	1.508.772
FOS 281026	28.10.2024	28.10.2026	Bond, fixed 9.2%	1.523.767
				4.387.399

Skagi has a bank credit facility line up to ISK 1,700 million, of which ISK 954 million remains undrawn as of the reporting date.

Notes to the Condensed Consolidated Interim Financial Statements

13. Solvency of a financial conglomerate

The Financial Supervisory Authority has specified that the Group is a financial conglomerate as defined in Article 3 of Act no. 61/2017 on Supplementary Supervision of Financial Conglomerates. The capital requirement and own funds of the Group is calculated according to method 1 of Act no 61/2017. As the primary entity in the group is an insurance company, method 1 requires that all assets and liabilities in Skagi, that do not belong to a subsidiary, are included in the solvency calculations of the insurance activates in the computation of the solvency of the conglomerate. The numbers in the current period in this note are therefore not fully comparable to the numbers from the previous period.

The Group calculates the minimum capital requirements for companies that do not fall under the insurance operations using applicable regulations while using the Solvency II framework to calculate own funds and minimum own funds requirements for insurance activities.

Solvency is a measure of the Group's ability to absorb shocks, or in other words, an indication of its financial strength. The Group's available capital and capital requirements are calculated on basis that the Group has now been defined as a financial conglomerate, according to Articles 16, 17 and 18 of Regulation No. 61/2017 on Supplementary Supervision of Financial Conglomerates. The Group's solvency ratio is 1.28 compared to the minimum requirement in the Regulation, which is 1.0 and internal limit of 1.15.

Own funds	30.6.2025	31.12.2024
Own funds for insurance activities	18.256.671	18.671.822
Own funds for other activities	3.009.819	2.791.057
Total own funds	<u>21.266.490</u>	<u>21.462.879</u>
Minimum own fund requirements		
Own funds requirements for insurance activities	13.896.160	13.567.776
Own fund requirements for other activities	2.708.858	2.335.626
Total minimum own fund requirements	<u>16.605.018</u>	<u>15.903.402</u>
Solvency		
	30.6.2025	31.12.2024
Equity according to the statement of financial position	21.392.862	22.270.753
Intangible assets	(4.645.761)	(4.734.006)
Subordinated bond	3.859.469	3.763.931
Proposed dividend plan	0	0
Share repurchase program	0	0
Other	659.920	162.200
Calculated own funds	<u>21.266.490</u>	<u>21.462.879</u>
Minimum own fund requirements	16.605.018	15.903.402
Solvency ratio	1,28	1,35

Notes to the Condensed Consolidated Interim Financial Statements

14. Solvency of insurance activities

The minimum solvency is a minimum amount of capital needed to meet the risks faced by insurance activities (VÍS and Lífis). The standardized approach, according to Act No. 100/2016, is applied, whereby calculation is based on all measurable risks. The following tables specify how the solvency requirements are divided into subcomponents of risk. Diversification effects are deducted since it is not assumed that all risks will be realized simultaneously. An adjustment for the loss-absorbing capacity of deferred taxes is deducted upon realization of risks. The solvency ratio of the insurance activities is 1.43 compared to internal limit of 1.35.

Solvency capital requirements	30.6.2025	31.12.2024
Base Solvency capital requirement (BSCR)	15.289.355	14.961.935
Operational risk	1.151.135	1.035.841
Adjustment due to deferred taxes	(2.585.000)	(2.430.000)
Total minimum solvency	<u>13.855.490</u>	<u>13.567.776</u>

Base Solvency capital requirement (BSCR)	30.6.2025	31.12.2024
Market risk	8.135.410	8.423.089
Counterparty risk	2.436.418	1.914.552
Life underwriting risk	191.994	251.393
Health underwriting risk	2.105.261	2.056.803
Non-life underwriting risk	8.714.098	8.516.322
Diversification effects and other factors	(6.293.826)	(6.200.222)
Total BSCR	<u>15.289.355</u>	<u>14.961.935</u>

Market risk		
Interest rate risk	257.024	577.915
Equity risk	6.808.872	7.315.682
Property risk	157.318	175.456
Spread risk	1.172.151	633.718
Foreign currency risk	395.994	507.974
Concentration risk	828.197	712.935
Diversification effects	(1.484.146)	(1.500.591)
Total market risk	<u>8.135.410</u>	<u>8.423.089</u>

Solvency		
Calculated own funds	19.817.935	18.671.822
Minimum own fund requirements	13.855.490	13.567.776
Solvency ratio	1,43	1,38

Notes to the Condensed Consolidated Interim Financial Statements

15. Fossar Capital adequacy ratio

The capital adequacy ratio of Fossar is calculated in accordance with Act No. 161/2002 on Financial Undertakings. The capital requirement due to credit, market, and operational risk is calculated using a standard method and the bank's capital adequacy ratio is 23.9%.

	30.6.2025	31.12.2024
Fossar total equity at period end	2.892.652	2.683.967
Deduction items	(188.028)	(408.387)
Own funds	<u>2.704.624</u>	<u>2.275.580</u>
Risk weighted exposures:		
Credit risk	6.332.355	4.985.493
Market risk	2.460.880	2.128.398
Operational risk	<u>2.518.431</u>	<u>2.518.318</u>
Total risk exposure amount	11.311.666	9.632.209
Capital adequacy ratio for Fossar	23,9%	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. 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. Minimum capital requirement is based on the Bank's Internal Capital Adequacy Assessment Process (ICAAP) and is reviewed by the FME through the Supervisory Review and Evaluation Process (SREP). Minimum regulatory capital requirements, including additional capital buffers, is 22.1% as at 30 June 2025.

16. Events after the reporting date

No events have occurred after the end of the reporting period that require the Group to change these financial statements.

17. Quarterly statement and key ratios

	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024
Insurance revenue	7.854.521	7.531.512	7.546.073	7.634.285	7.212.980
Net interest income	91.633	108.389	77.244	62.697	46.400
Net fee and commission income	603.761	587.860	679.466	305.105	289.678
Net financial income	(143.437)	(1.097.590)	1.295.532	119.137	(31.026)
Share in profit of associates, after income tax	26.366	25.084	0	0	0
Other income	46.472	25.276	60.785	16.617	37.270
Total income	<u>8.479.315</u>	<u>7.180.530</u>	<u>9.659.100</u>	<u>8.137.840</u>	<u>7.555.303</u>
Insurance service expenses	(6.026.185)	(7.403.579)	(6.800.948)	(6.857.014)	(6.267.195)
Net expenses from reinsurance contracts	(329.007)	(178.478)	(308.071)	(187.636)	(250.375)
Operating expenses	(806.057)	(919.441)	(889.864)	(585.385)	(713.501)
Amortization of intangible assets	(50.071)	(47.262)	(42.952)	(66.608)	(35.782)
Net credit impairments	(1.005)	(3.064)	(1.365)	(650)	(1.893)
Profit (loss) before income taxes	1.266.990	(1.371.294)	1.615.901	440.547	286.557
Income tax	(294.647)	18.570	(57.558)	(13.330)	(149.213)
Profit (loss) for the period	<u>972.343</u>	<u>(1.352.724)</u>	<u>1.558.343</u>	<u>427.217</u>	<u>137.344</u>
Insurance operations					
Claims ratio	58,3%	79,1%	72,9%	73,5%	67,2%
Net reinsurance ratio	4,2%	2,4%	1,5%	2,5%	3,5%
Claims and net reinsurance ratio	62,5%	81,4%	74,4%	76,0%	70,7%
Insurance contracts expense ratio	18,4%	19,2%	19,8%	16,3%	19,7%
Combined ratio	80,9%	100,7%	94,2%	92,3%	90,4%
Investment Operations					
Insurance investment portfolio return	1,2%	-1,1%	3,6%	1,6%	0,8%
Financial services					
Financial Services income (excl. interco adj.) ISKm	732	780	892	492	333
Assets under Management (AuM) ISKbn	232	225	227	123	121
Group					
ROE on annual basis	18,4%	-25,1%	29,0%	8,5%	2,7%
Profit per share	0,51	-0,71	0,82	0,23	0,07