

**Fossar Investment Bank**  
Condensed Interim Financial Statements  
1 January - 30 June 2024



**FOSSAR**

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

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## About Fossar Investment Bank

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 proprietary trading. Supporting divisions, such as legal, financial, operation and IT, operate across all company units alongside compliance, risk management and internal audit. The headquarters of Fossar Investment Bank are located in Reykjavik.

Fossar is dedicated to providing customized and personalized services to its clients and plays a leading role in connecting Icelandic businesses with the international investment environment. The Bank is recognized as a progressive investment bank that emphasizes professionalism, results, and trust.

The Condensed Interim Financial Statements have been prepared in accordance with International Financial Reporting Standard IAS 34.

## Operations and Financial position

The Bank's net operating income for the first half of 2024 was ISK 815.3 million, representing an increase of ISK 300 million compared to the previous year. The loss for the period, after taxes, amounted to ISK 131.2 million (June 30, 2023: loss of ISK 291.7 million). As of June 30, 2024, the Bank's total assets were ISK 14.8 billion (December 31, 2023: ISK 11.9 billion), and the total equity amounted to ISK 1,785.2 million (December 31, 2023: ISK 1,925.9 million). The Bank's capital adequacy ratio, calculated in accordance with Article 84 of the Act on Financial Undertakings, was 21.1% as of June 30, 2024 (see Note 17).

The number of full-time equivalent employees during the period was 34, the same as in the first six months of 2023.

During the period, changes were made to the Board of Directors of Fossar. Guðný Arna Sveinsdóttir and Marta Guðrún Blöndal joined the Board, replacing Lilja Dóra Halldórsdóttir and Brynjar Þór Hreinsson. Additionally, Brynjar Þór Hreinsson and Salóme Guðmundsdóttir were appointed as alternate board members, replacing Gunnar Egil Egilsson and Guðný Helga Herbertsdóttir. The current composition of the Board includes three women and two men, thereby fulfilling the legal requirements regarding gender balance among board members.

## External environment and future outlook

The year was off to a good start where Fossar delivered solid financial results in Q1 2024 with robust activities throughout all major business lines. However, Q2 proved to be challenging in midst of a negative external environment which was marked by risk aversion and considerable contraction in capital markets activity. The Central Bank continues its efforts to cool down the economy and combat high inflation. The economy is clearly slowing down and economic growth for the year 2024 is now expected to be only 0.5%, after having decreased by 4% in Q1. Inflation remains persistent, on average 6% in Q2, but is expected to subside to 4% at the end of 2025. This supports expectations of lower policy rates going forward and a more favorable macro environment.

## Financial Risks and Risk Management

The Bank's management monitors and analyzes risks that exist in Fossar's operations while also promoting an efficient risk culture within the Bank and increasing risk awareness. The management of risk is a fundamental part of day-to-day operations, and methods for risk management are reviewed regularly in light of changes in the markets and the Bank's operations. The Bank's main risk factors are interest rate changes and changes in market prices, while the risk factors covered by the Bank's risk management include credit risk, market risk, liquidity risk and operational risk. More details about the Bank's management of financial risks can be found in note 18.

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

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## Statement by the Board of Directors and the CEO

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

To the best of our knowledge these Condensed Interim Financial Statements give a true and fair view of the Bank's assets, liabilities and financial position as at 30 June 2024, and financial performance for the six month period ended 30 June 2024. In addition, it is the opinion of the Board of Directors and the CEO that the Condensed Interim Financial Statements provide a true and fair summary of the development and results of the Bank's operations and its position and describe the main risks and uncertainties facing the Bank.

The Board of Directors and the CEO of Fossar Investment Bank have today discussed the Bank's Condensed Interim Financial Statements for the period 1 January to 30 June 2024 and confirmed them with their signatures.

Reykjavik, 26 August 2024

## Board of Directors

Haraldur I. Þórðarson, Chairman of the Board

Marta Guðrún Blöndal

Anna Baldursdóttir

Kolbeinn Arinbjarnarson

Guðný Arna Sveinsdóttir

## CEO

Steingrímur Arnar Finnsson

# Income Statement for the Period 1 January - 30 June 2024

	Notes	2024 1.1.-30.6.	2023 1.1.-30.6.
<b>Operating income</b>			
Interest income .....		706.643	291.201
Interest expense .....		(609.499)	(300.530)
<b>Net interest income</b>	4	97.144	(9.329)
Fee and commission income .....		789.592	613.984
Fee and commission expense .....		(28.388)	(23.204)
<b>Net fee and commission income</b>	5	761.205	590.780
Net financial income (expense) .....	6	(55.700)	(69.171)
Other income .....		12.649	2.507
<b>Other net operating income (expense)</b>		(43.051)	(66.664)
<b>Net operating income</b>		815.298	514.787
Operating expense .....	7	(860.077)	(801.345)
Net impairment .....	18	(8.800)	0
Depreciation .....		(58.009)	(43.433)
		(926.887)	(844.778)
<b>Loss before the effect of subsidiaries and associates</b>		(111.589)	(329.991)
Share of loss of subsidiaries and associates .....		0	(28.280)
<b>Loss before taxes</b>		(111.589)	(358.271)
Income tax .....	8	(19.617)	66.560
<b>Loss for the period</b>		<u>(131.205)</u>	<u>(291.711)</u>
<b>Earnings per share</b>	9		
Loss per share (in ISK) .....		(0,25)	(0,80)
Diluted loss per share (in ISK) .....		(0,25)	(0,76)

The notes on pages 10-19 are an integral part of these Condensed Interim Financial Statements.

# Statement of Comprehensive Income for the Period

## 1 January - 30 June 2024

	Notes	2024	2023
		1.1.-30.6.	1.1.-30.6.
<b>Loss for the period</b>		<u>(131.205)</u>	<u>(291.711)</u>
<b>Other comprehensive 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 .....		(5.121)	0
Unrealized fair value changes .....		<u>(4.401)</u>	<u>1.414</u>
<b>Total comprehensive loss for the period</b>		<u><u>(140.727)</u></u>	<u><u>(290.297)</u></u>

The notes on pages 10-19 are an integral part of these Condensed Interim Financial Statements.

## Statement of Financial Position as at 30.6.2024

<b>Assets:</b>	<b>Notes</b>	<b>30.6.2024</b>	<b>31.12.2023</b>
Cash and cash equivalents .....		411.364	112.073
Other receivables .....	10,14	686.354	263.588
Derivatives .....	11	385.683	143.235
Bonds .....	14	4.699.071	4.459.183
Equities and other securities .....	14	231.416	337.320
Securities used for hedging .....	12,14	4.226.194	4.521.114
Loans to customers .....	13,14	3.907.597	1.672.720
Lease assets .....		16.761	82.661
Operating assets .....		85.555	71.555
Intangible assets .....		39.590	41.378
Deferred income tax .....		157.899	177.516
<b>Total assets</b>		<u>14.847.482</u>	<u>11.882.343</u>
<b>Liabilities and equity:</b>			
<b>Liabilities</b>			
Money market deposits .....	14	9.114.684	6.227.385
Issued bonds and bills .....	14	2.118.606	2.285.315
Borrowings .....	14	1.298.400	700.000
Derivatives .....	11	22.685	215.615
Other liabilities .....	14,15	464.985	418.025
Lease liabilities .....		17.859	87.919
Long-term borrowings .....		25.083	22.176
<b>Total liabilities</b>		<u>13.062.301</u>	<u>9.956.434</u>
<b>Equity</b>			
Share capital .....	16	520.773	520.773
Share premium .....		1.224.052	1.355.258
Other restricted equity .....		40.356	49.877
<b>Total equity</b>		<u>1.785.182</u>	<u>1.925.908</u>
<b>Total liabilities and equity</b>		<u>14.847.482</u>	<u>11.882.343</u>

The notes on pages 10-19 are an integral part of these Condensed Interim Financial Statements.

## Statement of Changes in Equity as at 30.6.2024

	Notes	Share capital	Share premium	Other restricted equity*	Retained earnings	Total equity
<b>1 January 2023</b>	25	361.854	641.995	54.398	0	<b>1.058.247</b>
Loss for the period .....					(291.711)	<b>(291.711)</b>
Unrealized fair value changes.....				1.414		<b>1.414</b>
Total comprehensive loss for the year.....		0	0	1.414	(291.711)	<b>(290.297)</b>
<i>Transactions with owners of the Bank</i>						
Redeemed share options.....		6.499	27.985	(9.983)		<b>24.500</b>
Reserved for employee stock option .....				9.903		<b>9.903</b>
Cancelled share options.....				(611)	611	<b>0</b>
Non-adjusted loss recognized in share premium.....			(291.100)		291.100	<b>0</b>
<b>30 June 2023</b>		<b>368.353</b>	<b>378.879</b>	<b>55.120</b>	<b>(0)</b>	<b>802.353</b>
<b>1 January 2024</b>		520.773	1.355.258	49.877	0	<b>1.925.908</b>
Loss for the period .....					(131.205)	<b>(131.205)</b>
Reclassification of fair value changes to income statement.....				(5.121)		<b>(5.121)</b>
Unrealized fair value changes.....				(4.401)		<b>(4.401)</b>
Total comprehensive loss for the year.....		0	0	(9.521)	(131.205)	<b>(140.727)</b>
<i>Transactions with owners of the Bank</i>						
Non-adjusted loss recognized in share premium.....			(131.205)		131.205	<b>0</b>
<b>30 June 2024</b>		<b>520.773</b>	<b>1.224.052</b>	<b>40.356</b>	<b>0</b>	<b>1.785.182</b>

\*Other restricted equity consists of statutory reserves, unrealized fair value changes, share option agreements and unrealized share of the profit of subsidiaries. See more details in note 16.

The notes on pages 10-19 are an integral part of these Condensed Interim Financial Statements.



# Statement of Cash Flows for the period

## 1 January - 30 June 2024

	Notes	2024 1.1.-30.6.	2023 1.1.-30.6.
<b>Operating activities</b>			
Loss .....		(131.205)	(291.711)
<i>Adjustments to reconcile net earnings to net cash provided</i>			
Depreciation and impairment .....		58.009	43.433
Effect of subsidiaries and associates (w/o dividends) .....		0	28.280
Securities revaluation .....		73.538	48.717
Financial items .....		(95.890)	4.445
Income tax, change .....	8	19.617	(66.560)
		<u>(75.932)</u>	<u>(233.396)</u>
<i>Working capital to operating activities w/o interest and taxes</i>			
<i>Net change in operating assets and liabilities</i>			
Current receivables, decrease, (increase) .....		12.169	(211.392)
Current payables (decrease), increase .....		(70.989)	554.950
		<u>(134.752)</u>	<u>110.163</u>
Cash (to) from operating activities w/o interest and taxes			
Interest and dividends received .....		706.658	296.085
Interest paid .....		(610.768)	(300.530)
		<u>(38.862)</u>	<u>105.717</u>
<b>Cash (to) from operating activities</b>			
<b>Investing activities</b>			
Investment in intangible assets .....		(8.276)	(18.330)
Investment in property and equipment .....		(28.963)	(26.913)
Acquisition of shares in other companies .....		0	(40.240)
Dividend from subsidiary .....		0	2.200
Securities, change .....		(781.061)	(1.234.495)
Claims against related parties, change .....		(11.375)	(52.225)
Loans to customers, change .....		(2.234.877)	111.302
		<u>(3.064.551)</u>	<u>(1.258.701)</u>
<b>Financing activities</b>			
New shares issued .....	16	0	24.500
Effects of share option agreements .....	7	578	9.903
Short term loan, changes .....		3.318.990	2.244.415
Liabilities to customers .....	15	2.098	(181.445)
Repayment of lease liabilities .....		(37.143)	(27.676)
Long-term borrowings .....		0	15.514
Repayment of long term loan .....		(1.597)	(1.587)
Capital gain tax .....		119.777	40.992
		<u>3.402.703</u>	<u>2.124.616</u>
Increase in cash .....		299.290	971.631
Cash at beginning of period .....		112.073	762.124
Cash at end of period .....		<u>411.364</u>	<u>1.733.756</u>

The notes on pages 10-19 are an integral part of these Condensed Interim Financial Statements.

# Notes

## 1. General information

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 proprietary trading.

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

## 2. Basis of preparation

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

The Bank's Condensed Interim Financial Statements have been prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting, as adopted by the European Union and additional requirements, as applicable, in the Act on Annual Accounts no. 3/2006, the Act on Financial Undertakings no. 161/2002 and rules on accounting for credit institutions no. 834/2003. The Bank has not adopted issued standards, changes to standards or interpretations that had not entered into force at the beginning of the reporting period but were allowed to be implemented earlier by the approval of the European Union.

The Condensed Interim Financial Statements of Fossar Investment Bank hf. does not contain all the information required in Financial Statements and should be read in conjunction with its annual Financial Statements for the year 2023, which are available at <https://fossar.is/>.

The accounting policies are unchanged from those set out in Note 36 in the annual Financial Statements for the year 2023.

### 2.2 Basis of measurement

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

## 3. Estimates and judgments

The preparation of condensed interim financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date, disclosures in the notes and income and expenses. The estimates and underlying assumptions are based on historical results and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

## 4. Net interest income

Interest income is specified as follows:	<u>1.1.-30.6.2024</u>	<u>1.1.-30.6.2023</u>
Bank deposits, liquid funds, loans and other interest income .....	197.058	167.471
Derivatives .....	301.438	100.253
Interest on financial assets at fair value .....	81.453	0
Interest on financial assets recognized at fair value through other comprehensive income .....	126.695	23.477
Total interest income .....	<u>706.643</u>	<u>291.201</u>
Money market deposits and other borrowings .....	(502.861)	(214.478)
Issued bonds and bills .....	(103.221)	(69.668)
Interest expense from leases .....	1.348	(5.077)
Other interest expense .....	(4.765)	(11.308)
Total interest expense .....	<u>(609.499)</u>	<u>(300.530)</u>
Net interest income, total .....	<u>97.144</u>	<u>(9.329)</u>

# Notes

## 5. Net fee and commission income

	<u>1.1.-30.6.2024</u>	<u>1.1.-30.6.2023</u>
Capital markets and corporate finance .....	588.397	483.578
Asset management fees .....	95.012	88.598
Other net fee and commission income .....	77.796	18.604
	<u>761.205</u>	<u>590.780</u>

## 6. Net financial income (expense)

	<u>1.1.-30.6.2024</u>	<u>1.1.-30.6.2023</u>
Fair value changes of equities .....	(19.523)	5.497
Fair value changes of bonds .....	(40.494)	(79.552)
Derivatives .....	3.473	0
Exchange rate gain/loss .....	844	4.884
	<u>(55.700)</u>	<u>(69.171)</u>

## 7. Operating expense

	<u>1.1.-30.6.2024</u>	<u>1.1.-30.6.2023</u>
Salaries .....	351.443	344.179
Pension fund contributions .....	51.372	49.187
Share option expenses * .....	578	9.903
Other salary-related expenses .....	86.151	66.204
Other operating expenses .....	370.533	331.872
	<u>860.077</u>	<u>801.345</u>
Average FTEs during period .....	34	34
FTEs at period-end .....	34	41

\* Share option expenses in 2024 is due to an agreement between Fossar employees and Skagi - Vátryggingafélag Íslands hf.

## 8. Income tax

	<u>1.1.-30.6.2024</u>	<u>1.1.-30.6.2023</u>
Change in deferred income tax liability .....	(19.617)	66.560
Income tax according to income statement .....	<u>(19.617)</u>	<u>66.560</u>

Effective income tax is specified as follows:

	<u>1.1.-30.6.2024</u>		<u>1.1.-30.6.2023</u>	
	Amount	%	Amount	%
Loss before taxes .....	(111.589)		(358.271)	
Tax rate .....	23.434	21,0%	71.654	20,0%
Effect of subsidiaries and associates .....	0	0,0%	(5.531)	(1,5%)
Other non-deductible expenses .....	(2)	(0,0%)	(21)	(0,0%)
Effect of temporary change in tax rate .....	519	0,5%		
Fair value changes of financial assets .....	(43.567)	(39,0%)	354	0,1%
Other items .....	0	0,0%	104	(0,0%)
Income tax acc. to income statem. ....	<u>(19.617)</u>	17,6%	<u>66.560</u>	(18,6%)

# Notes

## 9. Earnings per share

The calculation of earnings per share is based on earnings attributable to shareholders and a weighted average number of shares outstanding during the period. The diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

	<u>1.1.-30.6.2024</u>	<u>1.1.-30.6.2023</u>
Loss attributable to Fossar shareholders .....	(131.205)	(291.711)
Weighted average no. of outstanding shares (thous.) .....	520.773	363.154
Weighted average no. outstanding shares taking share options into account (thous.) .....	520.773	382.678
Loss per share (in ISK) .....	(0,25)	(0,80)
Diluted loss per share (in ISK) .....	(0,25)	(0,76)

## 10. Other receivables

Other receivables are specified as follows:

	<u>30.6.2024</u>	<u>31.12.2023</u>
Trade receivables .....	31.751	64.643
Related parties .....	44.001	55.375
Prepaid expenses .....	59.563	52.510
Earned non-entered income .....	127.479	91.060
Unsettled transactions .....	423.561	0
	<u>686.354</u>	<u>263.588</u>

## 11. Derivatives

The status of derivatives at period-end:

Assets:	<u>30.6.2024</u>	<u>31.12.2023</u>
Derivatives, equities .....	378.058	126.986
Derivatives, bonds .....	7.625	16.249
	<u>385.683</u>	<u>143.235</u>
Liabilities:		
Derivatives, equities .....	18.529	194.563
Derivatives, bonds .....	4.155	21.052
	<u>22.685</u>	<u>215.615</u>

## 12. Securities used for hedging

The carrying value of the Bank's equities and securities used for hedging is specified as follows:

	<u>30.6.2024</u>	<u>31.12.2023</u>
Government bonds .....	618.084	991.441
Equities .....	3.448.005	2.877.705
Other bonds .....	160.105	651.968
	<u>4.226.194</u>	<u>4.521.114</u>

## 13. Loans to customers

Loans to the Bank's customers are specified as follows:

	<u>30.6.2024</u>	<u>31.12.2023</u>
Loans to customers .....	3.916.397	1.674.769
Impairment on loans .....	(8.800)	0
	<u>3.907.597</u>	<u>1.674.769</u>

Loans to the Bank's customers are payable within 24 months. The loans are non-indexed and secured by liens on the borrowers' assets.

# Notes

## 14. Financial instruments

### Balance 30.6.2024

	Depreciated cost	Fair value through income statement	Fair value through other com- prehensvie income	Total
Financial assets:				
Cash .....	411.364			411.364
Other receiv. (w/o prep. exp.) .....	626.792			626.792
Bonds .....		2.511.977	2.187.094	4.699.071
Equities and other securities .....		231.416		231.416
Securities used for hedging .....		4.226.194		4.226.194
Loans to customers .....	3.907.597			3.907.597
<b>Total .....</b>	<b>4.945.752</b>	<b>6.969.586</b>	<b>2.187.094</b>	<b>14.102.432</b>
Financial liabilities:				
Money market deposits .....	9.114.684			9.114.684
Issued bonds and bills .....	2.118.606			2.118.606
Borrowings .....	1.298.400			1.298.400
Other liabilities (w/o unpaid taxes) .....	252.045			252.045
Long-term borrowings .....	25.083			25.083
<b>Total .....</b>	<b>12.808.817</b>	<b>0</b>	<b>0</b>	<b>12.808.817</b>

### Balance 31.12.2023

	Depreciated cost	Fair value through income statement	Fair value through other com- prehensvie income	Total
Financial assets:				
Cash .....	112.073			112.073
Other receiv. (w/o prep. exp.) .....	211.078			211.078
Bonds .....		1.801.714	2.657.469	4.459.183
Equities and other securities .....		337.320		337.320
Securities used for hedging .....		4.521.114		4.521.114
Loans to customers .....	1.672.720			1.672.720
<b>Total .....</b>	<b>1.995.872</b>	<b>6.660.148</b>	<b>2.657.469</b>	<b>11.313.489</b>
Financial liabilities:				
Money market deposits .....	6.227.385			6.227.385
Issued bonds and bills .....	2.285.315			2.285.315
Borrowings .....	700.000			700.000
Other liabilities (w/o unpaid taxes) .....	292.507			292.507
Long-term borrowings .....	22.176			22.176
<b>Total .....</b>	<b>9.527.383</b>	<b>0</b>	<b>0</b>	<b>9.527.383</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.

# Notes

## 14. Financial instruments, cont.

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

Breakdown 30.6.2024:	Level 1	Level 2	Level 3	Total
Investment in listed companies .....	3.679.421			3.679.421
Investment in bonds .....	5.477.260			5.477.260
Holdings in other companies, total	9.156.680	0	0	9.156.680

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 other financial assets and liabilities, including those with variable interest rates, is not considered significantly different from the year-end carrying value.

## 15. Other liabilities

Other liabilities are specified as follows:

	30.6.2024	31.12.2023
Trade payables .....	24.060	163.313
Debts to related parties .....	34.123	7.815
Unpaid salaries and salary-related expenses .....	149.355	108.728
Unpaid capital gains tax .....	212.940	121.013
Next year's payment .....	0	4.504
Other payables .....	34.552	12.651
Unsettled transactions .....	9.955	0
	464.985	418.025

## 16. Equity

The Bank's share capital amounted to 520,772,888 on 30 June 2024 according to the Bank's Articles of Association and is divided into an equal number of shares, each in the amount of ISK 1.

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

	Statutory reserve	Translation difference	Share option agreements	Unrealized fair value changes	Total
Balance at 1.1.2023 .....	51.367	0	3.031	0	54.398
Restricted due to share option agreement .....			9.903		9.903
Issued shares .....			(9.983)		(9.983)
Cancelled share options .....			(2.950)		(2.950)
Unrealized fair value changes .....				(1.489)	(1.489)
Balance at 31.12.2023 .....	51.367	0	0	(1.489)	49.877
Unrealized fair value changes .....				(9.521)	(9.521)
Balance at 30.6.2024 .....	51.367	0	0	(11.011)	40.356

# Notes

## 17. 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 standard method and the Bank's capital ratio is 21,1%.

	30.6.2024	31.12.2023
Total equity at period-end .....	1.785.182	1.925.908
Deductions .....	(197.488)	(218.894)
Capital base .....	<u>1.587.693</u>	<u>1.707.014</u>
Risk exposures are specified as follows:		
Credit risk .....	3.854.803	1.764.845
Market risk .....	1.303.852	1.417.711
Total risk exposure acc. to Article 84e(3)(a) .....	<u>5.158.654</u>	<u>3.182.556</u>
Operational risk exposure .....	2.372.280	2.372.280
Total risk exposure acc. to Article 84e(3)(b) .....	<u>2.372.280</u>	<u>2.372.280</u>
Total risk exposure acc. to Article 84 .....	<u>7.530.934</u>	<u>5.554.836</u>
Capital ratio according to statutory provisions on capital ratios .....	21,1%	30,7%

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 from time to time, which today consist of a countercyclical capital buffer and a capital conservation buffer, which total 5.0%.

## 18. Financial risk management

The Bank manages its capital in such a way that it maintains its operability while at the same time maximizing the profitability of stakeholders with the best possible balance between debt and equity. The Bank is required to comply with rules on a minimum capital base according to Act No. 161/2002 on Financial Undertakings, see note 17 for more details.

The Bank's management monitors and analyzes financial risks in its operations. Risk management methods are reviewed regularly to detect changes in the market and the Bank's operations. The following risks have been identified in connection with financial instruments.

### Credit risk

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

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

	30.6.2024	31.12.2023
Cash .....	411.364	112.073
Other receivables (w/o prepayments) .....	626.792	211.078
Securities used for hedging .....	4.226.194	4.521.114
Loans to customers .....	3.907.597	1.672.720
	<u>9.171.946</u>	<u>6.516.985</u>

# Notes

## 18. Financial risk management, cont.

Cash consists of 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 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.

Breytingar á afskriftarreikningi fjárfrafna greinast þannig:

The tables below show changes in provisions by type of financial asset and level of the IFRS 9 impairment model. Changes from level 1 to level 2 occur when there has been a significant increase in credit risk. An upgrade from level 1 and 2 to level 3 occurs when there is an objective indication of impairment. Downgrades occur when there is no longer an objective indication of impairment (from level 3) or when the credit risk has decreased and is no longer considered to have significantly increased since the initial classification (from level 2 to level 1).

	30.6.2024 Level 1	31.12.2023 Level 1
Carry-over from prior year .....	2.049	838
Reassessment of expected credit loss .....	6.751	2.098
Final loss .....	0	(888)
Total provisions at period-end .....	<u>8.800</u>	<u>2.049</u>

No movement between levels 1, 2 and 3 occurred in 2023 and 2024.

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 receivable	Expected credit loss	Carrying balance
30. June 2024:			
Not yet due .....	3.948.148	8.800	3.939.348
	<u>3.948.148</u>	<u>8.800</u>	<u>3.939.348</u>
31. December 2023:			
Not yet due .....	1.739.412	2.049	1.737.363
	<u>1.739.412</u>	<u>2.049</u>	<u>1.737.363</u>

### Market risk

The Bank's main risk factors are interest rate changes and inflation. The goal of market risk management is to manage and limit risk to defined limits, while maximizing profit.

### Interest rate risk

Interest rate risk is the risk of fluctuations in the fair value or future of cash flow of financial instruments due to a change in market interest rates. Interest rate risk arises where the Bank's deposits, bonds and short-term loans bear fixed or floating interest. The risk is managed by monitoring interest rate trends and an appropriate composition of loans with fixed and floating interest. Interest rate risk arises primarily in the trading book, which also includes the bank's liquid assets portfolio. In order to manage the interest rate risk of the trading book, limits are defined for individual positions, and units of measure such as the base point value (bpv) are also taken into account. The base point value measures the effect of a 0.01 percent movement in a parallel movement of the interest rate curve on the market value.



# Notes

## 18. Financial risk management, cont.

Bonds, assets	30.6.2024		
	Market value	Average duration	Basis point value
Non-indexed .....	1.141.956	2,32	265
Indexed .....	388.268	3,07	119
Total .....	1.530.224	2,51	384

  

Bonds, short position	30.6.2024		
	Market value	Average duration	Basis point value
Non-indexed .....	81.422	11,62	95
Indexed .....	0	0,00	0
Total .....	81.422	11,62	95

Below is a summary of the Bank's financial instruments that carry a floating interest rate:

	30.6.2024	31.12.2023
Bank deposits .....	411.364	112.073
Loans to customers .....	3.907.597	1.672.720
Short-term loans .....	(9.114.684)	(6.227.385)
Long-term borrowings .....	(25.083)	(22.176)
Net balance .....	(4.820.806)	(4.464.767)

The table below shows the effect a 0.5% and 1% increase in interest rates would have on earnings and equity on the reporting date. The sensitivity analysis covers interest-bearing assets and liabilities that bear floating interest and it is based on the assumption that all variables other than those under consideration here are fixed. The sensitivity analysis reflects the effects that appear in the income statement and equity without tax effects.

	30.6.2024		31.12.2023	
	0,5%	1%	0,5%	1%
Effect on earnings and equity .....	(19.283)	(38.566)	(17.859)	(35.718)

### Inflation risk

Interest-bearing assets in the amount of ISK 388 million (31 December 2023: 272 million) and interest-bearing liabilities in the amount of ISK 0 million (31 December 2023: 0 million) are indexed based on the consumer price index, and the development of the consumer price index therefore affects the carrying amount of the relevant assets and liabilities and the cash flows associated with them. An increase in inflation by 1% over the year would have increased the Bank's earnings by ISK 3.8 million before income tax (2023: 2.7 million) with a corresponding effect on the statement of financial position. The sensitivity analysis is based on the assumption that all variables other than those under consideration here are fixed.

### **Liquidity risk**

Liquidity risk is defined as the risk that the Bank will be unable to meet its obligations when they are due, or will be forced to finance itself on unfavorable terms. Liquidity risk is one of the Bank's main risk factors, and great emphasis is placed on its management and control. Management monitors the liquidity position by analyzing the maturity dates of financial assets and liabilities to ensure that the Bank can repay all debts when they mature.

The main measure of the Bank's liquidity risk is the liquidity coverage ratio (LCR) as defined in the rules of the Central Bank of Iceland no. 1520/2022 and the Bank adheres to prudent internal standards regarding the minimum liquidity coverage ratio. The Bank's liquidity coverage ratio was 448% on 30.06.2024, while the minimum according to the CBI's rules is 100%.

# Notes

## 18. Financial risk management, cont.

### Time analysis of assets and liabilities

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

#### Assets 30. June 2024:

	0-3 months	4-6 months	7-12 months	1-2 years	Total
Current receivables .....	929.808	0	0	0	929.808
Cash .....	411.364	0	0	0	411.364
Derivatives .....	385.683				385.683
Securities .....	3.679.421	0	2.888.961	3.572.484	10.140.866
Loans to customers .....	2.049.403	555.038	832.789	766.942	4.204.171
	<u>7.455.678</u>	<u>555.038</u>	<u>3.721.750</u>	<u>4.339.426</u>	<u>16.071.892</u>

#### Liabilities 30. June 2024:

	Within 1 year	2 years	3 years	4 years or later	Total
Money market deposits .....	9.205.456	0	0	0	9.205.456
Issued bonds and bills .....	2.200.000	0	0	0	2.200.000
Borrowings .....	1.298.400	0	0	0	1.298.400
Derivatives .....	22.685	0	0	0	22.685
Other liabilities .....	464.985	0	0	0	464.985
Other payables .....	42.942	0	0	0	42.942
	<u>13.234.467</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13.234.467</u>

#### Assets 31. December 2023:

	0-3 months	4-6 months	7-12 months	1-2 years	Total
Current receivables .....	512.659	0	0	0	512.659
Cash .....	112.073	0	0	0	112.073
Derivatives .....	143.235	0	0	0	143.235
Securities .....	9.317.617	0	0	0	9.317.617
Loans to customers .....	1.051.145	306.015	332.825	16.484	1.706.469
	<u>11.136.729</u>	<u>306.015</u>	<u>332.825</u>	<u>16.484</u>	<u>11.792.053</u>

#### Liabilities 31. December 2023:

	Within 1 year	2 years	3 years	4 years or later	Total
Money market deposits .....	6.288.012	0	0	0	6.288.012
Issued bonds and bills .....	2.285.315	0	0	0	2.285.315
Borrowings .....	700.000	0	0	0	700.000
Derivatives .....	215.615	0	0	0	215.615
Other liabilities .....	418.025	0	0	0	418.025
Other payables .....	82.186	32.413	0	0	114.599
	<u>9.989.153</u>	<u>32.413</u>	<u>0</u>	<u>0</u>	<u>10.021.566</u>

## 18. Financial risk management, cont.

### Investment risk

Investment risk is the risk that changes in the fair value of the Bank's investments in the shares of other companies (over which the Bank has neither control nor significant influence) pose to the Bank's profit and equity. The effect of a 10% increase in the fair value of investments in other companies would result in an increase in profit of ISK 23 million before taxes in 2024 (2023: 32m) with a corresponding effect on the statement of financial position. The effect of a 10% decrease would have a corresponding decreasing effect on profit before taxes and the stated investments in the statement of financial position. The sensitivity analysis is based on the assumption that all variables other than those under consideration here are fixed.

### Operational risk

The Bank defines operational risk as the risk of loss as a result of inadequate internal procedures, failure to follow procedures, human error and system failures or as a result of external events. The Bank's definition of operational risk includes reputational risk, legal risk, conduct risk and compliance risk along with other risk factors.

The Board of Directors of Fossar Investment Bank is responsible for ensuring that the framework for operational risk management is adequate. The Board has approved an operational risk policy that describes the framework for operational risk management at the Bank. Risk Management is responsible for implementing a framework for operational risk management and for developing and maintaining an operational risk policy and communicating it to the Bank's employees.

## 19. Assets under management

The Bank has assets under management for clients as well as assets in foreign funds in the amount of ISK 48.8 billion (31.12.2023: ISK 48.5 billion). These assets are not recorded in the Bank's Statement of Financial Position.

## 20. Approval of Condensed Interim Financial Statements

These Condensed Interim Financial Statements were approved by the Board of Directors of the Bank on 26. August 2024.