



Consolidated Financial Statements

1 January – 31 December 2025





Consolidated Financial Statements

1 January to 31 December 2025

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Report and Endorsement

by the Board of Directors and the CEO

The consolidated financial statements of Skagi hf. ("the Company" or "Skagi") for the year 2025 consist of the financial statements of the Company and its subsidiaries. Subsidiaries include VÍS tryggingar hf. and Líftryggingafélag Íslands hf. ("Lífís") (together referred to as "VÍS"), Fossar fjárfestingarbanki hf. ("Fossar" or "the bank") and Íslensk verðbréf hf. ("ÍV"), 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.

Operating and Financial position

According to the Statement of profit or loss the Group's profit for the year amounted to ISK 1,902 million and return on equity was 8.6%. The Group's assets at year-end amounted to ISK 85,035 million and equity amounted to ISK 23,984 million according to the Statement of financial position.

Insurance

Continued operational improvement is taking place in the insurance business. Results were supported by strategic and profitable growth of the insurance portfolio which, combined with emphases on automation, has improved economy of scale. Insurance business generated 9.5% (2024: 10.2%) insurance revenue growth and life and health insurance growth of 12.2%. Cost ratio continues to improve at 18.1% in 2025 (2024: 19.1%) and claims and reinsurance ratio was at 72.6% (2024: 75.8%). This results in a combined ratio of 90.7% (2024: 94.9%). The insurance service result was positive by ISK 2,970 million in 2025 (2024: ISK 1.479 million) and improves by ISK 1,491 million YoY.

Financial Services

Financial services activities generated growth of 36% in revenue in 2025 compared to prior year. Revenue of financial activities totalled ISK 3,188 million, compared to ISK 2,344 million in 2024. Assets under management (AuM) at the Skagi Group stand at ISK 253 billion at the end of 2025 (2024: ISK 227 billion) and grew 11% YoY. Financial services delivered a profit before tax of ISK 238 million in 2025 (2024: ISK 18 million) and improves by ISK 220 million YoY despite significant consolidation and one-off expenses amounting to ISK 115 million incurred in 2025. Positive tax of ISK 61 million attributed to an after tax profit of ISK 299 million in 2025 in Financial Services.

Investments

The return on the insurance investment assets in 2025 was 5.2% (2024: 8.3%). Investments generated financial income of ISK 2,355 million in 2025 (2024: ISK 3,555 million) and net financial income of ISK 20 million in 2025 (2024: ISK 1,760 million), after taking into account net financial expenses of insurance contracts and other financial items of ISK 2,026 million and operating expenses of investment portfolio of ISK 308 million.

Financial strength and long-term ROE target

Skagi continues to target a return of equity of above 15% each year for the Group. The Group's solvency ratio is 1,31 at year end 2025 compared to internal target of minimum 1.175. The solvency ratio does not account for potential dividend or share repurchases. Further information on financial strength of the group and its subsidiaries can be found in the notes to the account.

Financial Targets 2025

Guidance on target operating performance for the fiscal year 2025 was as follows, as updated on as updated on 14th October 2025:

- Combined ratio range 89.5%-92.5%
- Financial services revenue target is to be above 3,100 million (range 2,900 – 3,500 million)
- Expected return of insurance investments assets was 10%:

Report and Endorsement

by the Board of Directors and the CEO

The Group met its target combined ratio in the insurance business unit as well as in the financial services business unit. However, the return of the insurance investment assets was 5.2%, which was below the expected return of 10% set out at the beginning of the year.

Financial Targets 2026

Guidance on target operating performance for the fiscal year 2026 is as follows:

- Target combined ratio below 93.5% (range 92-95%)
- Financial services revenue target is to be above 3,500 million (range 3,300 – 3,800 million)
- Expected return of insurance investments assets is 9.5%.

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

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 been transferred to VÍS tryggingar and discontinued in the Parent Company.

Integration of financial services concluded

Following the acquisition of Íslensk verðbréf in late 2024, the Company prepared further consolidation of financial services activities within the Group during 2025, 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 now operates under the name of Íslensk verðbréf hf., providing asset and fund management to clients. In the beginning of 2026 Skagi exercised an option to buy 14,1% share in Íslensk verðbréf. Hence, Skagi now has 100% shareholding in Íslensk verðbréf in addition to its 100% shareholding in Fossar.

Skagi and Íslandsbanki commenced merger discussions

On 6th October 2025 the board of directors of Skagi hf. and Íslandsbanki hf. approved the initiation of formal merger negotiations, and both parties signed a Heads of Terms to that effect. Among other key commercial terms it outlines that Skagi's shareholders will receive 323,859,440 new shares in Íslandsbanki, representing approximately 15% ownership in the combined company. This indicates a share price of ISK 21.18 per Skagi share and ISK 124.00 per Íslandsbanki share. Merger discussions remain subject to a final merger agreement upon which shareholders approvals and relevant supervisory authority approvals will also be required, e.g. competition and financial supervisory authorities.

Skagi and Íslandsbanki recognise significant value potential in the merger by creating an integrated financial services model that utilises the strengths of both entities. The combined company will be a prominent player in banking and insurance, while also strengthening its investment banking and asset management platforms, offering numerous opportunities for further expansion. Together, the companies will be well-positioned to compete across all areas of financial services and take a leading role in the ongoing development of the Icelandic financial landscape.

Report and Endorsement

by the Board of Directors and the CEO

The merger is expected to enhance customer service and boost profitability by creating a more efficient capital structure and achieving greater scale in asset management. The transaction is also anticipated to generate significant synergies, estimated at ISK 1.8-2.4 billion annually.

Skagi's board of directors considers the proposed transaction an attractive opportunity for Skagi's shareholders. It aligns with Skagi's strategy of actively engaging in the ongoing development of the financial services sector. The Board also believes that the merger will enhance the long-term profitability of the combined company. Additionally, the merged entity is anticipated to have considerable excess capital, offering further capacity for growth.

Further discussions on the detailed terms and structure of the merger are ongoing. Updates on the progress of the negotiations will be provided as appropriate and in accordance with the companies' legal disclosure obligations.

Non-financial and sustainability reporting

Skagi places emphasis on sustainability being integrated into the Group's operations. Information in our sustainability reporting is based on a sustainability policy which emphasises certain priorities in ESG (environmental, social and governance) areas that are relevant to the activities of the Group. The Company's Board of Directors is responsible for the policy; the CEO and senior management are responsible for its implementation and ensuring it is followed in the Company's operations.

Non-financial and sustainability reporting in Skagi consolidated account is reported in accordance with laws on annual accounts. In the Annual and Sustainability Report of the Group a more detailed summary of non-financial information about Skagi and its subsidiaries is provided. The summary is based on Nasdaq's ESG guidelines and climate impact calculations are performed by third parties in accordance with the Greenhouse Gas Protocol methodology. Annual and Sustainability Report for 2025 will be published on Skagi's website www.skagi.is on 18th February 2025. Non-financial disclosure for the subsidiaries can also be found in their annual financial statements and further sustainability information on their respective websites.

Skagi received 81 points in Reitun's ESG evaluation in 2025, which is an improvement by 1 point from the previous year. Skagi continues to work towards improving its sustainability rating. With regards to that the Group has initiated work for implementation of European Sustainability Reporting Standards (ESRS) in accordance with the Corporate Sustainability Reporting Directive (CSRD). Accordingly, we publish further sustainability information on all subsidiaries of the Group. We also provide further information in accordance with the EU Taxonomy regulation and classification system. We continued to work on incorporating the ESRS standards, which included double materiality assessment and updating our sustainability policy on group basis in the year 2025. Sustainability also continues to be further incorporated into the corporate governance procedures, remuneration policy and risk management of the Group.

Skagi is a member of Festa, a centre for social responsibility, IcelandSIF, an organisation that promotes responsible investment, and a signatory of UN-PRI, the United Nations principles for responsible investment. Skagi is also a signatory of the UN Global Impact on the implementation of responsible policies.

Non-financial and sustainability reporting for the Group can be found in appendix 1 (Non-financial and sustainability reporting) and information in accordance with EU Taxonomy Regulation in appendix 2 (EU Taxonomy) to these financial statements. Furthermore, non-financial disclosure on the Group and each subsidiary can also be found on Skagi's website www.skagi.is.

Report and Endorsement

by the Board of Directors and the CEO

Corporate governance

Skagi places great emphasis on good corporate governance, which provides the foundation for responsible management and well-conceived decision-making, while promoting reliable relations between shareholders, the Board of Directors, management, employees and other stakeholders. The Company is committed to continually enhance its governance practices to align with international standards and best practices within the Company and the Group. These corporate governance requirements are articulated in Shareholder policies for its subsidiaries.

Skagi's corporate governance practices are described in more detail in its Corporate Governance Statement which is prepared in accordance Act No. 161/2002, on Financial Undertakings, and Guidelines on Corporate Governance, 6th edition, issued by the Icelandic Chamber of Commerce, NASDAQ Iceland hf. and the Confederation of Icelandic

Employers in February 2021. Corporate governance at Skagi complies with the guidelines with no exceptions. For further information on Corporate Governance, we refer to the Corporate Governance statement which may be found on Skagi's homepage.

Remuneration Policy and equality

Skagi's remuneration policy is reviewed annually and presented to the general meeting for approval. The policy complies with the provisions of Act No. 90/2003 on income tax, Act No. 2/1995 on limited liability companies, and other applicable laws and regulations. Further information about the policy can be found on the company's website. Information on the Group's employee incentive scheme and call options are detailed in note 10. In accordance with articles of association of the Company the board has the right to issue new shares in the nominal amount of up to 55.6 million shares to meet its obligations under call options or share related payments. Full time employees were 240 at the end of year 2025. Gender representation on the board of directors of Skagi is 60% male and 40% female. Skagi's Executive Committee gender ratio is 43% female and 57% male. Gender ratio of the Group in total is 40% female and 60% male.

Risk management

Risk management is a core component of the Group, guided by the risk policy of Skagi and its subsidiaries. The Group encounters a range of risks linked to its activities as a financial conglomerate, stemming from its daily operations. Effective risk management involves assessing, measuring, and implementing actions to mitigate these risks, along with ongoing monitoring of risk factors throughout the Group. Details about the Group's risk management and core operations can be found in the notes to the Consolidated Financial Statements. For an analysis of solvency, capital adequacy and exposure to different risk types, please refer to notes 31-35.

Report and Endorsement

by the Board of Directors and the CEO

Shares and allocation of profits

The Company paid a dividend in the amount of ISK 500 million or ISK 0.2637 per share to shareholders on 2nd April 2025, as allocation of profits for the year 2024. In December 2025 the Company sold and issued 9.4 million new shares at the strike price of 18.85 per share with total value of ISK 177 million to employees in relation to exercise of general share option agreements.

At the end of the year 2025 the Company's nominal outstanding shares amounted to ISK 1.916,1 million (of which own shares amounting to ISK 10.3 million), with each share having a nominal value of ISK 1. There were 901 shareholders at the beginning of the year and 908 shareholders at the end of year.

A proposal for allocation of profits and dividend for the fiscal year 2025 will be presented to shareholders at the Company's Annual General Meeting on 17th March 2026. The board's proposal is to pay a dividend in the amount of ISK 760 million or ISK 0.3966 per share which is equivalent to 40% of after tax profit in fiscal year 2025. Dividend proposal is in line with dividend policy of 40% of after tax profit. The board reserves the right to propose an extraordinary dividend to either the AGM or later dated shareholders' meeting. Top ten largest shareholders of Skagi are:

Shareholder	31.12.2025
Sjávarsýn ehf.....	9.81%
Lífeyrissj. starfsm. rík. A-deild.....	8.67%
Skel fjárfestingafélag hf.....	8.19%
Gildi – lífeyrissjóður.....	8.17%
Lífeyrissjóður verzlunarmanna.....	7.84%
Frjálsi lífeyrissjóðurinn.....	7.50%
Klettur fjárfestingar ehf.....	4.79%
Stapi lífeyrissjóður.....	4.22%
H3 ehf.....	2.92%
Birta lífeyrissjóður.....	2.87%
Total.....	64.99%

Report and Endorsement

by the Board of Directors and the CEO

To the best knowledge of the Board the consolidated financial statements of Skagi hf. give a true and fair view of the consolidated financial performance of the Group for the year 2025, and its assets, liabilities, and financial position as of 31 December 2025. The financial statements are prepared in accordance with IFRS® Accounting Standards as adopted by the EU and the additional requirements for companies listed on a regulated securities market, and the Act on Annual Accounts no. 3/2006. Further, in our opinion the consolidated financial statements and the report and endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position at year end and describe the principal risks faced by the Group.

The Board of Directors and the CEO have today discussed the Company's Consolidated Financial Statements of Skagi hf. for the period ended 31 December 2025 and confirm by means of their signatures.

Reykjavik, 18 February 2026

On the Board of Directors

Stefán Héðinn Stefánsson
Chairman of the Board

Vilhjálmur Egilsson
Vice-Chairman of the Board

Marta Guðrún Blöndal
Board member

Ásgeir Helgi Reykfjörð Gylfason
Board member

Hrund Rudolfsdóttir
Board member

CEO

Haraldur Þórðarson

Independent Auditor's Report

To the board of directors and shareholders of Skagi hf.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Skagi hf. ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated 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 consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional disclosure requirements for listed companies in Iceland.

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

Other matter

The consolidated financial statements of the Company as at and for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on February 26, 2025.

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 Consolidated 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 consolidated 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 27 March 2025 and we have been uninterrupted since then.

Independent Auditor's Report

To the board of directors and shareholders of Skagi hf.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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

Measurement of Insurance Contract Liabilities

The liability for insurance contracts amounted to ISK 30.3 billion at year-end 2025 and represents 50% of the Group's total liabilities. The liability for insurance contracts is divided into the liability for remaining insurance coverage and the liability for incurred claims. Reference is made to Note 39 regarding accounting policies for insurance contracts and Note 25 for financial information.

The Group applied a simplified allocation approach in measuring its insurance contract liabilities, in accordance with IFRS 17.

The liability for remaining insurance coverage consists of premiums received for insurance coverage relating to future periods, as well as obligations associated with the remaining insurance coverage.

The liability for incurred claims represents the Group's best estimate of the present value of expected future cash outflows required to settle the obligation, together with a risk adjustment reflecting the uncertainty inherent in the measurement. The best estimate incorporates both direct and indirect costs attributable to the insurance coverage provided during the contract period, in addition to obligations relating to incurred claims.

A key area of focus in the audit is management's assessment of estimated outstanding claims, given the significant inherent risk associated with forecasting expected future payments for incurred claims. Claims may take several years to be fully settled, and the ultimate cost may depend on factors that are unknown at the reporting date or outside of the Group's control. The estimation of incurred but not reported (IBNR) claims is subject to the highest degree of uncertainty. Claim estimates are based on the data available and the assumptions applied in the valuation process. Any changes to these assumptions may have a material impact on the liability amount.

The Audit

Our audit procedures were designed to evaluate the assumptions applied by management in the measurement of insurance contract liabilities.

We assessed and tested the Group's internal controls relating to the recording of claims and the data used to determine the amounts of outstanding claims at year-end.

We evaluated and tested the Group's internal controls over the processes for calculating insurance contract liabilities and the documentation of management's assessment.

We evaluated the design and implementation of the systems used for claims registration, the flow of information between the claims system and the financial system, and tested the automated controls within these systems.

Substantive sample testing was performed on outstanding claims at year-end to confirm their existence and the appropriateness of claim valuations, as well as to verify the accuracy of claim payments.

We verified reconciliations between the systems on which the calculation of the claims liability is based.

We performed an independent recalculation on the insurance liability with the assistance of actuarial specialists.

We have verified the disclosures to confirm that the insurance contract liabilities are presented in accordance with the applicable accounting standards and are adequate.

Independent Auditor's Report

To the board of directors and shareholders of Skagi hf.

Key audit matters

Valuation of Unlisted Financial Instruments Measured at Fair Value

The carrying amount of financial instruments totalled ISK 55,9 billion. Thereof unlisted financial instruments measured at fair value amount to ISK 15.7 billion. Reference is made to Note 39 regarding accounting policies and Note 34 for the related financial information.

The financial instruments are measured at fair value, and the majority of them are listed on active markets, where observable market prices are available at the reporting date.

There is, however, a degree of uncertainty associated with the valuation of unlisted financial instruments measured at fair value and are classified as Level 2 and Level 3 in accordance with the applicable accounting standards. In valuing these instruments, management must apply assumptions regarding various factors that influence the measurement. Valuation techniques for unlisted financial instruments measured at fair value may include recent arm's-length transactions, discounted cash flow analysis, net asset values published by fund managers of the relevant investment funds, or other recognised valuation methodologies. Accordingly, the valuation of unlisted financial instruments is a key area of focus in the audit.

Other information

The Board of Directors and CEO are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The annual report is not available at our reporting date but is expected to be made available to us after that date.

The Audit

Our audit procedures were designed to evaluate the assumptions applied by management in the valuation of unlisted financial instruments.

We verified the net asset values of unlisted investment funds using information obtained from the fund managers of the respective investment funds in which the Group has invested.

We assessed management's valuation methodologies and calculations for unlisted financial instruments with the assistance of our valuation specialists.

We evaluated valuations based on recent transactions and verified the authenticity and relevance of those transactions.

We performed sample testing of purchases and sales of financial instruments during the year and confirmed that the transactions had been recorded accurately.

With the assistance of our valuation specialists, we assessed the disclosures in Note 34 to confirm that the financial assets are appropriately classified within the correct fair value hierarchy levels and that the presentation complies with the applicable accounting standards.

Independent Auditor's Report

To the board of directors and shareholders of Skagi hf.

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

The Board of Directors and CEO are responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report

To the board of directors and shareholders of Skagi hf.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements, cont.:

Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

Report on Other Legal and Regulatory Requirements

Report on European single electronic format (ESEF Regulation)

As part of our audit of the consolidated financial statements of Skagi hf. we performed procedures to be able to issue an opinion on whether the consolidated financial statements of Skagi hf. for the year 2025 with the file name 213800QFQIHO7KG2P786-2025-12-31-en.xbri is prepared, in all material respects, in compliance with the Act on disclosure obligation of issuers of securities and the obligation to flag no. 20/2021 relating to requirements regarding European single electronic format Regulation EU 2019/815 which include requirements related to the preparation of the consolidated financial statements in XHTML format and iXBRL markup.

Board of Directors and CEO are responsible for preparing the consolidated financial statements in compliance with the Act on disclosure obligation of issuers of securities and the obligation to flag no. 20/2021. This includes preparing the consolidated financial statements in an XHTML format in accordance with EU Regulation 2019/815 on the European single electronic format (ESEF Regulation).

Our responsibility is to obtain reasonable assurance, based on evidence that we have obtained, on whether the consolidated financial statements are prepared in all material respects, in compliance with the ESEF Regulation, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirement set out in the ESEF Regulation, whether due to fraud or error.

In our opinion, the consolidated financial statements of Skagi hf. for the year 2025 with the file name 213800QFQIHO7KG2P786-2025-12-31-en.xbri is prepared, in all material respects, in compliance with the ESEF Regulation.

Independent Auditor's Report

To the board of directors and shareholders of Skagi hf.

Report on the report of the Board of Directors and CEO

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 consolidated financial statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the consolidated financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Sigríður Soffía Sigurðardóttir.

Reykjavík, 18 February 2026

KPMG ehf.

Sigríður Soffía Sigurðardóttir

Matthías Þór Óskarsson

Consolidated Statement of profit or loss

For the year 2025

	Notes	2025	2024
Insurance revenue		31.959.386	29.182.080
Insurance service expenses		(28.006.004)	(26.754.044)
Net expenses from reinsurance contracts		<u>(983.651)</u>	<u>(948.562)</u>
Insurance service result	6	2.969.732	1.479.475
Interest income		2.151.175	1.582.354
Interest expenses		<u>(1.690.478)</u>	<u>(1.345.297)</u>
Net interest income	7	460.697	237.057
Fee and commission income		2.436.643	1.874.042
Fee and commission expenses		<u>(79.012)</u>	<u>(58.371)</u>
Net fee and commission income	8	2.357.631	1.815.671
Financial income		2.480.837	3.695.304
Net finance expenses from insurance contracts		<u>(1.631.525)</u>	<u>(1.121.708)</u>
Other financial items		<u>(502.467)</u>	<u>(388.569)</u>
Operating expense of the insurance investment portfolio		<u>(308.440)</u>	<u>(285.019)</u>
Net financial income	9	38.405	1.900.007
Share in profit of associates, after income tax	20	110.950	0
Other operating income		210.853	241.405
Net operating income		6.148.269	5.673.615
Operating expenses	10	<u>(3.508.235)</u>	<u>(2.967.167)</u>
Net credit impairments	35	<u>(6.627)</u>	<u>(10.815)</u>
Amortization of intangible assets		<u>(196.305)</u>	<u>(150.374)</u>
Profit before tax		2.437.102	2.545.258
Income tax expenses	11	<u>(534.637)</u>	<u>(286.841)</u>
Profit for the year		1.902.466	2.258.417
Attributable to shareholders of the parent company		1.900.657	2.264.210
Attributable to minority interest		<u>1.808</u>	<u>(5.793)</u>
Profit for the year		1.902.466	2.258.417
Earnings per share			
Basic earnings per share	12	1,00	1,19
Diluted earnings per share*	12	1,00	1,19

*The presentation of comparative figures has been revised. For further details, refer to Note 2.

The notes on pages 19-82 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year 2025

	2025	2024
Profit for the year	<u>1.902.466</u>	<u>2.258.417</u>
Other Comprehensive income		
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
Reclassification of fair value changes to income statement	12.880	0
Unrealised fair value changes	(8.483)	(9.029)
Total comprehensive income for the year	<u><u>1.906.863</u></u>	<u><u>2.249.389</u></u>
Attributable to shareholders of the parent company	1.905.054	2.255.181
Attributable to minority interest	<u>1.808</u>	<u>(5.793)</u>
Total comprehensive income for the year	<u><u>1.906.863</u></u>	<u><u>2.249.389</u></u>

The notes on pages 19-82 are an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2025

	Notes	31.12.2025	31.12.2024*
Assets			
Cash and cash equivalents	13	1.750.025	2.321.959
Financial assets	14	55.888.970	51.890.854
Securities used for economic hedging	15	3.109.524	6.102.840
Loans to customers	16	11.836.508	7.880.021
Derivatives	17	162.132	118.541
Investments where investment risk is borne by life-insurance policyholders	18	882.144	1.023.545
Investment in associates	20	212.140	148.876
Intangible assets	21	4.558.785	4.734.006
Property, plant and equipment	22	1.384.416	700.356
Deferred income tax asset	11	196.090	461.117
Assets from reinsurance contracts held	23	960.618	1.289.371
Other receivables	24	4.093.665	2.308.612
Total assets		<u>85.035.018</u>	<u>78.980.095</u>
Liabilities			
Insurance contract liabilities	25	30.331.427	29.744.014
Investment contract liabilities	18	882.144	1.023.545
Financial liabilities	26	20.953.779	17.750.819
Subordinated bond	27	3.907.720	3.763.931
Derivatives	17	254.981	231.599
Lease liability	28	1.126.536	391.655
Deferred income tax liability	11	435.667	358.107
Accounts payable and other liabilities	29	3.158.530	3.445.671
Total liabilities		<u>61.050.782</u>	<u>56.709.341</u>
Equity			
Share capital	30	1.905.747	1.895.958
Share premium		3.254.432	3.087.000
Restricted reserves		2.740.607	2.864.105
Retained earnings		16.037.499	14.384.481
Total equity attributable to shareholders of the parent company		<u>23.938.285</u>	<u>22.231.544</u>
Minority interest		45.950	39.209
Total equity		<u>23.984.235</u>	<u>22.270.753</u>
Total liabilities and equity		<u>85.035.018</u>	<u>78.980.095</u>

*The presentation of comparative figures has been revised. For further details, refer to Note 2.

The notes on pages 19-82 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year 2025

	Share capital	Share premium	Other restricted equity		Retained earnings	Minority interest	Total equity
			Restricted reserves	Unrealised profit of subsidiaries and associates			
2025							
Equity 1.1.2025	1.895.958	3.087.000	2.684.635	179.470	14.384.481	39.209	22.270.753
Profit for the year					1.900.657	1.808	1.902.466
Other comprehensive income					4.397		4.397
Total comprehensive income for the year	0	0	0	0	1.905.054	1.808	1.906.863
Change of holding in subsidiary					(4.932)	4.932	0
Share capital increase	9.380	167.432					176.812
Treasury share allocation	410				8.128		8.538
Dividends paid, ISK 0,264 per share					(500.072)		(500.072)
Effects of profit or loss of subsidiaries and associates				1.931.120	(1.931.120)		0
Change in fair value of securities			(2.054.618)		2.054.618		0
Stock options					121.341		121.341
Equity 31.12.2025	1.905.747	3.254.432	630.017	2.110.590	16.037.499	45.950	23.984.235
2024*							
Equity 1.1.2024	1.905.550	3.087.000	4.477.882	0	11.660.499	41.002	21.171.933
Profit for the year					2.264.210	(5.793)	2.258.417
Other comprehensive income					(9.029)		(9.029)
Total comprehensive income for the year	0	0	0	0	2.255.181	(5.793)	2.249.389
Change of holding in subsidiary						4.000	4.000
Treasury shares acquired	(27.813)				(472.187)		(500.000)
Stock options exercised during the period	18.221				259.647		277.868
Dividends paid, ISK 0,524 per share					(984.809)		(984.809)
Effects of profit or loss of subsidiaries and associates				179.470	(179.470)		0
Change in fair value of securities			(1.793.247)		1.793.247		0
Stock options					52.373		52.373
Equity 31.12.2024	1.895.958	3.087.000	2.684.635	179.470	14.384.481	39.209	22.270.753

*The presentation of comparative figures has been revised. For further details, refer to Note 2.

The notes on pages 19-82 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year 2025

	Notes	2025	2024*
Operating activities			
Profit for the year		1.902.466	2.258.417
Operating items not affecting cash flows:			
Net interest income		(460.697)	(237.057)
Net financial income		(1.789.302)	(3.268.371)
Stock options, change		129.469	52.373
Share in profit of associate		(110.950)	0
Profit on sale of operating assets	22	(2.190)	(49.565)
Depreciation and amortisation	22,28	550.837	545.118
		<u>219.633</u>	<u>(699.084)</u>
Changes in operating assets and liabilities:			
Financial assets, change		(1.285.020)	1.117.064
Assets from reinsurance contracts held, change		245.990	109.411
Securities, change		2.170.259	(3.156.150)
Loans to customers, change		(3.956.488)	(6.207.301)
Other receivables, change		(1.490.251)	(370.422)
Derivatives, change	17	(20.210)	40.678
Insurance contract liabilities, change		775.146	2.299.690
Accounts payable and other liabilities, change		54.586	1.068.712
		<u>(3.286.352)</u>	<u>(5.797.402)</u>
Cash flows from (used in) operating activities before interest and tax			
Interest income received		1.912.607	1.741.140
Dividend received		457.738	239.036
Financial expenses paid		(1.887.001)	(1.643.871)
Income taxes paid		(206.964)	(142.148)
		<u>(3.009.972)</u>	<u>(5.603.245)</u>
Investing activities			
Investments in property and equipment	22	(178.108)	(207.928)
Sale of property and equipment	22	19.900	66.337
Investments in intangible assets	21	(22.959)	(32.161)
Dividends received from associates		42.690	15.400
Sale of shares in subsidiary		0	4.000
Investment in associates		0	26.007
Net cash flow from investment in subsidiary		0	(1.383.474)
		<u>(138.477)</u>	<u>(1.511.819)</u>
Financing activities			
Purchase of treasury shares		0	(500.000)
Sale of treasury shares		0	277.856
Dividends paid		(500.072)	(984.809)
Principal payments of lease liability		(141.439)	(232.802)
Short-term loans, change	26	(1.020.521)	6.436.036
Issued bonds and bills	26	6.197.865	6.662.083
Repayment of bonds and bills	26	(2.079.677)	(4.478.115)
Share capital increase		177.222	0
		<u>2.633.378</u>	<u>7.180.249</u>
Change in cash and cash equivalents		(515.072)	65.184
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		(56.863)	(13.919)
Cash and cash equivalents at year end		<u>1.750.025</u>	<u>2.321.959</u>

*The presentation of comparative figures has been revised. For further details, refer to Note 2.

The notes on pages 19-82 are an integral part of these financial statements.

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Notes to the Consolidated Financial Statements

1. Reporting entity

Skagi hf., the Parent Company, hereinafter referred to as "the Company" or "Skagi", is a limited liability company and operates on the basis of Act No. 100/2016 on Insurance Activities, Act No. 2/1995 on Limited Liability Companies and Act No. 161/2002 on Financial Undertakings. The Company's headquarters are at Ármúli 3, Reykjavík.

The consolidated financial statements of the Company for the period 1 January to 31 December 2025 consist of the financial statements of the Company and its subsidiaries. Subsidiaries include VÍS tryggingar hf. and Líftryggingafélag Íslands hf. ("Lífis") (together referred to as "VÍS"), Fossar fjárfestingarbanki hf. ("Fossar" or "the bank") and Íslensk verðbréf hf. ("ÍV"), collectively with the Company referred to as "the Group". The Group's operations consist of insurance activities, investment banking, asset and fund management. The Icelandic Financial Supervisory Authority supervises the Group's operations based on Act No. 87/1998 on Official Supervision of Financial Activities.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as adopted by the European Union and additional requirements according to the Icelandic Financial Statements Act No. 3/2006. The financial statements were approved and authorized for publication at a meeting of the Board of Directors on 18 February 2026. A summary of material accounting policies of the Group is provided in note 39.

Disclosure note: Changes in the statement of profit and loss

Certain items within the income statement have been reclassified to improve presentation.

Income relating to card and collection fees in the amount of ISK 102 million, previously presented within finance income, is now presented under other income. Furthermore, certain expenses previously classified within finance items in the amount of ISK 119 million have been reclassified to other expenses. The net effect of these reclassifications is not material and has no impact on profit for the year.

In addition, a misstatement in the calculation of diluted earnings per share for 2024 has been corrected. Adjustments relating to stock options were previously overstated. Diluted earnings per share for 2024 is ISK 1.19 compared to ISK 1.16 as previously reported.

Disclosure note: Changes in the statement of financial position

During the preparation of the financial statements, certain comparative figures in the Statement of Financial Position and related disclosures have been reclassified to improve presentation and consistency.

Currency forwards amounting to ISK 499 million were previously presented under *Other receivables* and are now classified as part of *Financial assets*. This reclassification affects Note 14 Financial assets, Note 24 Other receivables and Note 34 Financial instruments. Reinsurance contract liabilities amounting to ISK 102 million were previously presented under *Accounts payable and other liabilities* and are now included in *Liabilities for insurance contracts*. This reclassification affects Note 23 Assets from reinsurance contracts held and Note 29 Accounts payable and other liabilities.

Liabilities arising from insurance contract operating expenses amounting to ISK 910 million were previously presented under *Accounts payable and other liabilities* and are now included in *Liabilities for insurance contracts*. This reclassification affects Note 25 Insurance contracts, Note 29 Accounts payable and other liabilities and Note 35.7 Liquidity risk.

These adjustments do not affect the insurance service result, profit for the year, or total equity. They improve the classification and accuracy of the comparative information presented.

Notes to the Consolidated Financial Statements

3. Functional and presentation currency

The consolidated 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 and judgements

Preparing consolidated financial statements in accordance with IFRS Accounting Standards requires management to make assumptions, estimates and apply judgements 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. Management distinguishes between areas involving significant *judgement*—those requiring interpretation or choice between accounting treatments—and *estimates*, which involve assumptions about future events and measurement uncertainty.

Estimates and assumptions are reviewed regularly. Changes in accounting estimates are recognized in the period when they are revised. Key judgements and estimation uncertainties specific to Skagi's operations are summarised below.

Management has made assumptions and accounting estimates regarding the following items that materially impact the Group's financial statements:

- Financial instruments, see notes no. 14. and 34.
- Loans to customers no. 16.
- Intangible assets, see note no. 21.
- Liability due to insurance contracts, see note no. 25.

Financial instruments

Business model assessment

The classification and measurement of financial instruments depend on the results of the SPPI and the business model tests. Judgement is required in assessing the relevant evidence including how the performance of the instruments is evaluated and their performance is measured, the risks that affect the performance of the instruments and how these are managed and how the managers of the instruments are compensated. Refer to notes 34 and 38.13 for further information regarding classification of financial instruments. Management regularly reassesses the business model for each portfolio to ensure classification remains consistent with actual management practices and strategic objectives.

Fair value measurement

In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where quoted prices in active markets for identical assets are not available the Group uses other market observable inputs and lastly unobservable inputs. Refer to notes 34 and 39.13 for more details on fair value measurement.

Notes to the Consolidated Financial Statements

4. Accounting estimates and judgements (cont.)

Goodwill

Goodwill arises in business combinations. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is subject to annual impairment testing, or more frequently when there is an indication of impairment.

Estimation uncertainty arises primarily from assumptions regarding future cash flows, discount rates and growth assumptions used in testing goodwill and other intangible assets for impairment. Management reviews these assumptions at least annually to ensure they reflect current expectations and market conditions.

For impairment testing of goodwill, the Group estimates the value in use of certain cash-generating units ("CGUs"). Value in use is the present value of estimated future cash flows expected to arise from the CGU, and such an estimate requires management to make certain assumptions. The methods, assumptions and key inputs applied in the impairment testing of goodwill are further described in note 21.

Other intangible assets

Judgement is required in estimating the useful lives of intangible assets and capitalisation period of internally generated intangible assets.

Customer relationships

Customer relationships have been acquired as part of recent acquisitions and are capitalized and amortized using the straight-line method over their useful life of maximum 10 years.

Brands

Brands have been acquired as part of recent acquisitions and are capitalized and amortized using the straight-line method over their useful life but not exceeding 20 years.

Software

Software comprises acquired software licences and external costs associated with the development of bespoke applications.

Development cost that has been capitalized is amortized on the day that the product is launched using the straight-line method over their useful life but not exceeding 10 years.

Notes to the Consolidated Financial Statements

4. Accounting estimates and judgements (cont.)

Insurance Contract Liabilities

The Group applies the Premium Allocation Approach (PAA) to the measurement of all insurance contracts as the coverage period of each contract is one year or less. The Group applies a policy of expensing all insurance acquisition cash flows as they are incurred.

Judgement is required in estimating the insurance liability in accordance with the PAA method at period end, including the assumptions about the discount rate used and the assumptions on the future inflation. Discounting and adjustment for future inflation are, in particular, important for the long tailed claims such as claims in motor liability, professional liability, workers' compensation and personal accident.

Level of aggregation and the evaluation of contract boundary are significant assumptions as these define the use of the premium allocation model's simplified measurement model.

Premiums due to the Group for insurance contract services already provided in the period but not yet received at the end of the reporting period are included in the Liability for Incurred Claims (LIC), in accordance with IFRS 17.

The Group has made an accounting policy choice not to adjust the carrying amount of the LRC to reflect the time value of money and the effect of financial risk if, at initial recognition, the time between providing each part of the services and the related premium due date is no more than one year.

When calculating the Liability for Incurred Claims (LIC), the fulfillment cash flow is discounted using the discount rate applied to the expected cash flow for loss expenses at the time the claim is initially recognized. The liability is subsequently remeasured using the discount rate applicable at each measurement date. Capital costs resulting from the calculation of the LIC, such as interest, changes in interest rates for discounting purposes and inflation, are recognized in the statement of profit or loss as insurance financial items, which are part of the investment result.

The Group considers a group of insurance contracts to be onerous if the fulfillment cash flows that relate to the remaining coverage of the group contract exceed the carrying amount of the liability for remaining coverage of the group. If the expected fulfillment cash flows allocated to the contract, any previously recognized acquisition cash flows, and any cash flows arising from the contract at the date of initial recognition in total result in a net cash outflow, the contract is considered onerous. The Group has not recognized any group of onerous contracts in the current or previous reporting period.

For further information regarding judgements and estimates applied in measuring liability due to insurance contracts please refer to notes 25, 35.8 and 39.5-7.

Notes to the Consolidated Financial Statements

5. Operating segment reporting

The Group operates through three primary operating segments: Insurance Operations, Insurance Investments, and Financial Services. These segments have been identified based on the Group's internal reporting structure, which reflects the nature of products and services offered.

Insurance Operations comprises the Group's core insurance activities, including the underwriting of life, health, and general insurance products. The revenue of this segment primarily consists of premium income from policyholders. Key expenses include claims incurred and insurance contracts operating expenses.

Insurance Investments includes the management of assets backing insurance liabilities as well as proprietary investment activities. It covers investments in fixed income securities, equities and other financial instruments. The primary source of revenue for this segment is investment income, including interest, dividends, and realized or unrealized gains on financial assets.

The Financial Services segment comprises activities such as asset management, loans to customers, and other non-insurance financial products. Revenue in this segment is generated through interest income, management fees, advisory services, and other financial transactions. This segment supports the Group's strategic objective of diversifying income streams and expanding its presence in the broader financial sector.

Inter-segment transactions, where applicable, are conducted on an arm's length basis, and segment performance is assessed based on key financial metrics, including revenue, profit before tax, and return on capital.

The operating segments' results for the period 1 January to 31 December 2025 are specified as follows:

	Insurance operations	Insurance investments	Financial services	Skagi Supporting units and eliminations	Total
Insurance revenue	31.959.386				31.959.386
Claims incurred	(22.224.160)				(22.224.160)
Insurance contract operating expenses	(5.781.843)				(5.781.843)
Net expenses from reinsurance contracts	(983.651)				(983.651)
Insurance service result	2.969.732	0	0	0	2.969.732
Net interest income			460.697		460.697
Net fee and commission income			2.533.879	(176.248)	2.357.631
Financial income		2.354.626	189.068	(62.858)	2.480.837
Operating exp. of the insurance investment portfolio		(308.440)			(308.440)
Net finance expenses from insurance contracts		(1.631.525)			(1.631.525)
Other financial items		(394.743)		(107.724)	(502.467)
Net financial income	0	19.919	189.068	(170.582)	38.405
Other operating income	208.011		4.138	(1.296)	210.853
Share in the profit of associates, after income tax				110.950	110.950
Net operating income	3.177.743	19.919	3.187.783	(237.176)	6.148.269
Operating expenses	(160.961)		(2.845.062)	(502.213)	(3.508.235)
Allocated costs from supporting units	(246.979)	(227.981)	(75.960)	550.920	0
Amortization of intangible assets			(22.505)	(173.800)	(196.305)
Net credit impairment			(6.627)		(6.627)
Profit (loss) before tax	2.769.803	(208.062)	237.630	(362.269)	2.437.102
Income tax expenses					(534.637)
Profit for the year					1.902.466

Notes to the Consolidated Financial Statements

5. Operating segment reporting (cont.)

The operating segments' results for the period 1 January to 31 December 2024 are specified as follows:

	Insurance operations	Insurance Investments	Financial services	Skagi Supporting units and eliminations	Total
Insurance revenue	29.182.080				29.182.080
Claims incurred	(21.178.419)				(21.178.419)
Insurance contract operating expenses	(5.575.624)				(5.575.624)
Net expenses from reinsurance contracts	(948.562)				(948.562)
Insurance service result	1.479.475	0	0	0	1.479.475
Net interest income			237.057		237.057
Net fee and commission income			1.942.195	(126.524)	1.815.671
Financial income		3.554.909	140.395		3.695.304
Operating exp. of the insurance investment portfolio		(285.019)			(285.019)
Net finance expenses from insurance contracts		(1.121.708)			(1.121.708)
Other financial items		(388.569)			(388.569)
Net financial income	0	1.759.613	140.395	0	1.900.007
Other operating income	224.481		23.892	(6.968)	241.405
Share in the profit of associates, after income tax					0
Net operating income	1.703.955	1.759.613	2.343.539	(133.492)	5.673.615
Operating expenses	(145.107)		(2.294.014)	(528.046)	(2.967.167)
Amortization of intangible assets			(20.319)	(130.056)	(150.374)
Net credit impairment			(10.815)		(10.815)
Profit (loss) before tax	1.558.849	1.759.613	18.391	(791.594)	2.545.258
Income tax expenses					(286.841)
Profit for the year					2.258.417

Insurance operations consist of non-life and life insurance, and are specified as follows for the year 2025:

	Property insurance	Marine and cargo insurance	Vehicle insurance	General liability insurance	Accident and health insurance
Insurance revenue	6.259.996	598.496	17.934.298	1.733.495	2.983.829
Insurance service expenses					
- Claims incurred	(3.963.612)	(296.628)	(14.312.771)	(553.717)	(2.102.580)
- Operating expense of insurance	(1.391.597)	(188.101)	(2.613.922)	(440.696)	(656.831)
Net expenses from reinsurance contracts	(462.327)	(77.538)	(90.952)	(242.603)	(27.155)
Insurance service result	442.461	36.230	916.653	496.479	197.262
	Life insurance	Health and critical illness insurance	Total direct insurance	Foreign reinsurance	Total
Insurance revenue	994.258	1.455.028	31.959.401	(15)	31.959.386
Insurance service expenses					
- Claims incurred	(340.647)	(912.709)	(22.482.664)	258.504	(22.224.160)
- Operating expense of insurance	(208.307)	(269.326)	(5.768.779)	(13.064)	(5.781.843)
Net expenses from reinsurance contracts	(64.960)	(18.116)	(983.651)	0	(983.651)
Insurance service result	380.344	254.877	2.724.308	245.424	2.969.732

Note Notes to the Consolidated Financial Statements

5. Operating segment reporting (cont.)

Insurance operations consist of non-life and life insurance, and are specified as follows for the year 2024:

	Property insurance	Marine and cargo insurance	Vehicle insurance	General liability insurance	Accident and health insurance
Insurance revenue	6.045.707	553.593	15.887.781	1.669.081	2.842.849
Insurance service expenses					
- Claims incurred	(4.356.528)	(208.526)	(12.675.327)	(1.200.677)	(2.007.606)
- Operating expense of insurance	(1.278.270)	(154.449)	(2.671.099)	(389.114)	(607.890)
Net expenses from reinsurance contracts	(285.770)	(115.162)	(190.436)	(58.996)	(72.409)
Insurance service result	<u>125.139</u>	<u>75.455</u>	<u>350.919</u>	<u>20.294</u>	<u>154.944</u>

	Life insurance	Health and critical illness insurance	Total direct insurance	Foreign reinsurance	Total
Insurance revenue	921.789	1.261.129	29.181.930	150	29.182.080
Insurance service expenses					
- Claims incurred	(296.188)	(487.647)	(21.232.499)	54.079	(21.178.419)
- Operating expense of insurance	(213.887)	(252.454)	(5.567.164)	(8.460)	(5.575.624)
Net expenses from reinsurance contracts	(60.866)	(164.922)	(948.562)	0	(948.562)
Insurance service result	<u>350.848</u>	<u>356.106</u>	<u>1.433.706</u>	<u>45.769</u>	<u>1.479.475</u>

6. Insurance service result

	2025	2024
Insurance revenue		
Insurance revenue.....	31.959.386	29.182.080
Insurance service expenses		
Claims incurred	(22.224.160)	(21.178.419)
Insurance contract operating expenses	(5.781.843)	(5.575.624)
Insurance service expenses.....	<u>(28.006.004)</u>	<u>(26.754.044)</u>
Net expenses from reinsurance contracts held		
Expenses from reinsurance contracts held	(1.079.347)	(995.753)
Reinsurers share in incurred claims	89.253	41.546
Fee and commission income from reinsurance contracts held	6.443	5.645
Net expenses from reinsurance contracts held.....	<u>(983.651)</u>	<u>(948.562)</u>
Insurance service result, total	<u>2.969.732</u>	<u>1.479.475</u>

Notes to the Consolidated Financial Statements

7. Net interest income

Interest income is specified as follows:	2025	2024
Bank deposits, cash and other interest income	111.163	95.316
Loans to customers	1.140.344	465.563
Interest on forward contract derivatives	471.782	580.687
Interest on financial assets at fair value	207.182	206.404
Interest on financial assets recorded at fair value through other comprehensive income	220.704	234.383
Interest income, total	2.151.175	1.582.354
Money market deposits and other borrowings	(1.144.470)	(1.019.977)
Issued bonds and bills	(480.174)	(307.849)
Other interest expenses	(65.834)	(17.471)
Interest expenses, total	(1.690.478)	(1.345.297)
Net interest income, total	460.697	237.057

Interest income and expenses above are from financial services operations. Net interest income presented in the table above calculated in accordance with the effective interest rate method amounted to ISK 1.472 million (2024: ISK 795 million). Interest income of insurance investments is allocated in the statement of profit or loss within financial income along with all other income from the insurance investment asset portfolio. The breakdown of net financial income is provided in Note 9.

8. Net fee and commission income

	2025	2024
Capital markets and corporate finance	1.027.248	1.070.111
Asset management fees	982.416	590.623
Other net fee and commission income	347.967	154.937
Net fee and commission income, total	2.357.631	1.815.671

Fees earned from transaction-type services are recognised when the service has been completed (i.e., at a point in time). Fees that are performance-linked are recognised when the relevant performance criteria are fulfilled (i.e., at a point in time). Contractual fees, such as fees for asset management, are recognised over the period of the contract as the services are provided (i.e., over time), usually on a straight-line basis.

There is not considered to be a significant financing component in contracts for commission income, as the credit period for receivables is relatively short. Uncertainties regarding variable consideration for performance-based income are generally resolved at the point in time when revenue is recognised.

The Company does not have significant contract assets or contract liabilities. Commission fee income under long-term contracts is recognised on a straight-line basis over time and invoiced monthly in arrears. Performance-related fees are mainly in relation to asset management services. For further information reference is made to note 40.9 (Fee and commission income and expenses).

Notes to the Consolidated Financial Statements

9. Net financial income

	2025	2024
Interest income and other investment income	277.631	281.872
Fair value change of equities instruments	(277.886)	478.026
Fair value change of other financial assets.....	2.481.092	2.935.406
Fair value change of financial assets.....	2.203.206	3.413.432
Financial income, total.....	2.480.837	3.695.304
Net finance expenses from insurance contracts.....	(1.631.525)	(1.121.708)
Other financial items.....	(502.467)	(388.569)
Operating expense of the insurance investment portfolio.....	(308.440)	(285.019)
Net financial income, total.....	38.405	1.900.007

Fair value change of equities instruments includes ISK 239 million (2024: ISK 141 million) dividend income from equity holdings.

Interest income and other investment income, net finance expenses and other financial items above are from Insurance investment operations assets. Net interest income presented in the table above calculated in accordance with the effective interest rate method amounted to ISK 254 million (2024: 259 ISK million).

Notes to the Consolidated Financial Statements

10. Operating expenses

The table below shows operating expenses as presented in the Consolidated statement for Profit or Loss.

	2025	2024
Financial services	2.845.062	2.294.014
Skagi supporting units	502.213	528.046
Other cost related to VÍS tryggingar	160.961	145.107
Total.....	<u>3.508.235</u>	<u>2.967.167</u>

The following table shows breakdown of total operating expenses, including Insurance contract operating expenses cf. note 6.

	2025	2024
Salaries and related expenses	5.969.726	5.417.296
Other operating expenses	3.274.260	3.015.770
Depreciation and amortisation	550.837	545.118
Total.....	<u>9.794.823</u>	<u>8.978.184</u>
Centralized supporting units and eliminations	502.213	528.046
Operating expenses of financial services	2.845.062	2.294.014
Insurance contract operating expenses	5.781.843	5.575.624
Operating expenses of the insurance investment portfolio and other insurance cost	469.401	430.126
Amortization of intangible assets	196.305	150.374
Operating expenses, total	<u>9.794.823</u>	<u>8.978.184</u>

Auditor's fee

	Current auditor	Former auditor	Total 2025	2024
Statutory audit of the financial statements	29.444	53.024	82.469	58.111
Other permitted services, tax service and other assurance	17.341	1.246	18.587	12.068
Total fees paid to auditors	<u>46.786</u>	<u>54.271</u>	<u>101.056</u>	<u>70.179</u>

10.1 Salaries and related expenses

Salaries and related expenses are specified as follows:	2025	2024
Salaries	4.383.196	4.015.812
Pension fund contributions	659.046	582.297
Incentive scheme	148.549	157.529
Share option expenses	121.341	55.424
Special financial activities tax on salaries	257.182	259.190
Other salary-related expenses	400.411	347.044
Salaries and salary-related expenses	<u>5.969.726</u>	<u>5.417.296</u>
Number of fulltime employees during the year	241	251

Salaries include severance payments made to employees who are not included in the average number of full-time employees during the year.

Notes to the Consolidated Financial Statements

10.1 Salaries and related expenses (cont.)

Salaries, benefits and contributions to pension funds to CEO, board members and key management personnel are as follows:

	2025		2024	
	Salaries and benefits	Pension fund contributions	Salaries and benefits	Pension fund contributions
Stefán Héðinn Stefánsson, Chairman of the Board and member of the Risk committee and Remuneration committee	12.906	1.484	13.247	1.523
Vilhjálmur Egilsson, Board member and member of the Risk committee and Audit committee	7.056	811	8.059	927
Ásgeir Helgi Reykþjörð Gylfason, Board member and member of the Remuneration committee	6.978	802	6.348	730
Hrund Rudolfsdóttir, Board member and member of the Remuneration committee and Audit committee	8.946	1.029	6.069	698
Marta Guðrún Blöndal, Board member	6.033	694	6.674	768
Ragnheiður Hrefna Magnúsdóttir, alternate Board member	507	58	622	72
Sveinn Friðrik Sveinsson, alternate Board member	507	58	490	56
Guðný Hansdóttir, former Board member	0	0	1.989	229
Valdimar Svavarsson, former Board member	0	0	240	28
Haraldur Þórðarson, Group CEO of Skagi	59.402	10.459	54.713	9.922
Helgi Bjarnason, former CEO of Vátryggingafélag Íslands	0	0	35.771	6.618
Group senior management (7)*	304.115	48.046	245.822	43.354
	406.450	63.443	380.044	64.924

* Group senior management team; Group CFO, Group General Counsel, Group Managing Director of HR, CEO of VIS Insurance, CEO of Fossar Investment Bank, managing director of Íslensk verðbréf and the Group Managing Director of Risk Management, who was a member of the Group management team until May 2025.

The members of the Board of Directors held 3,434,000 shares at year-end 2025. The CEO held 56,409,979 shares and management owned a total of 40,723,526 shares and stock options on 7,039,371 shares as shown in note 10.4.

The shareholdings of board members and management include shares held by spouses and dependent children, as well as shares that they or their spouses own a majority stake in.

10.2 Remuneration policy

The Company's remuneration policy was approved at the Company's board meeting on 26 February 2025 upon the recommendation of the remuneration committee. Subsequently, the Company's Annual General Meeting approved the Company's current remuneration policy in March 2025. The Company's remuneration policy undergoes an annual review and is presented to the Company's Annual General meeting for approval, either with or without amendments. The remuneration policy complies with the provisions of Act no. 90/2003 on Income Tax, Act no. 2/1995 on Limited Liability companies, and other applicable laws and regulations. Additional information regarding the policy can be found on the Company's website www.skagi.is.

Notes to the Consolidated Financial Statements

10.3 Incentive scheme

Incentive scheme of the Skagi includes general share options, annual bonus scheme, and cash incentives for each company within the Group, all in accordance with the company's remuneration policy and incentive scheme.

General share options: are call options provided to all employees which are not related to performance cf. note 10.4 which provides further details of General Share options.

Annual bonus scheme: approved by the Board of Directors annually based on performance criteria. Certain employees of the Group are included in the annual bonus scheme, where the incentive is calculated as a percentage of the annual salary, either up to 10% or up to 25% of the total annual salary, depending on the nature of the work. In cases where the employee's maximum incentive is a fixed amount and under the deferral conditions of the law, it is assumed that the entire amount will be paid out as a salary when the year's results are known. In cases where the annual bonus is above 10% of total annual salary, it is assumed that a minimum of 40% of the incentive scheme will be delivered in the form of share related payments, either shares or share options, that will be delivered after three years have passed. Information on share options in relation to annual bonus incentive scheme can be found in note 10.4.

Cash incentives: For all employees of VÍS a cash incentive is in place, where cash incentives are paid equally to employees in accordance with performance criteria. The maximum amount per employee according to the cash incentive was 600,000 ISK per year.

Incentive scheme payments through profit and loss

	2025	2024
Non-deferred	(149.911)	(94.164)
Deferred	(5.284)	(53.528)
Salary related expenses	(46.563)	(44.308)
Total	(201.758)	(192.000)

Deferred incentive scheme payments in the statement of financial position

	31.12.2025	31.12.2024
Deferred payments	220.527	238.599

10.4 Share options and share related payments

The Company has issued a general share options scheme and share options in relation to annual bonus scheme in accordance with authorization of the Annual General Meeting and the Company's remuneration policy. Both the General share option scheme and the Share options in relation to the annual bonus scheme are equity-settled share-based payment arrangements in accordance with IFRS 2.

General share options

General share options are call options issued by the Company to all employees of the Group in accordance with the Company's remuneration policy. The options are granted annually with a market value of ISK 1.5 million per employee per year and are issued at a fixed exercise price per share. The issuance of general share options is approved by the shareholders of the Company and the Icelandic Tax and Customs authorities.

At the Annual General Meeting held on 21 March 2024, the Board of Directors was authorised to implement a three-year general share option plan and to enter into share option agreements with employees of Skagi and its subsidiaries under this framework. The plan entitles option holders to purchase shares in the Company for up to ISK 1.5 million per year over a three-year period, beginning 12 months after the signing of the agreement.

Notes to the Consolidated Financial Statements

10.4 Share options and share related payments (cont.)

The general share options vest solely based on continued employment, with no performance-related vesting conditions. Options may be exercised after 12 months from the grant date, provided the employee remains employed by the Group at the time of exercise. Options lapse if the employee leaves the Group prior to exercise or if the employee elects not to exercise the options within the contractual term.

The total expense recognised in profit or loss in respect of general share options during 2025 amounted to ISK 115 million (2024: ISK 55 million) and is included in operating expenses.

The Company may settle its obligations under the general share option scheme through the issuance of new shares and/or the use of treasury shares, in accordance with its Articles of Association.

Share options in relation to annual bonus scheme

Certain employees of the Group participate in the annual bonus scheme, under which a portion of the variable remuneration is delivered in the form of share options, in accordance with the Company's remuneration policy and applicable laws and regulations governing incentive schemes for insurance companies.

Share options granted under the annual bonus scheme are equity-settled share-based payment arrangements in accordance with IFRS 2. The options are granted annually based on performance in the preceding financial year and form part of the employees' deferred variable remuneration.

The options vest after three years of continuous service from the grant date and may be exercised thereafter, provided the employee remains employed by the Group at the vesting date. There are no market-based vesting conditions. Options lapse if the employee leaves the Group prior to vesting or if the options are not exercised within the contractual term.

The exercise price of the options is determined based on the weighted average market price of the Company's shares prior to the grant date, adjusted for the risk-free interest rate and expected dividends, in accordance with the terms of the scheme.

The fair value of the options granted under the annual bonus scheme is determined at the grant date using the Black-Scholes valuation model. Key assumptions applied in the valuation include the share price at grant date, expected volatility, expected option life, risk-free interest rate and expected dividend yield.

The total expense recognised in profit or loss in respect of share options granted under the annual bonus scheme during 2025 amounted to ISK 8 million (2024: ISK 11 million) and is included in operating expenses.

The Company may settle its obligations under the annual bonus share option scheme through the issuance of new shares and/or the use of treasury shares, in accordance with its Articles of Association.

Options outstanding and exercisable

	General share options	Bonus related share options	Total
Outstanding at 1 January 2025	57.922	7.332	65.255
Granted during the year	4.398	4.360	8.759
Exercised during the year	(9.380)	0	(9.380)
Forfeited / lapsed	(16.453)	0	(16.453)
Outstanding at 31 December 2025	36.488	11.693	48.181
Exercisable at 31 December 2025	0	0	0

Notes to the Consolidated Financial Statements

10.4 Share options and share related payments (cont.)

Exercise prices and remaining contractual life

	General share options	Bonus related share options
Exercise price range (ISK)	18,85-19,78	17,27 - 20,84
Weighted average exercise price (ISK)	18,85	18,88
Weighted average remaining contractual life (years)	1,0	1,5

Expense recognised in profit or loss

	2025	2024
General share options	108.383	36.858
Bonus-related share options	7.989	11.000
Total share-based payment expense	116.372	47.858

11. Income tax

11.1 Calculated income taxes

Income taxes are calculated and recognized in the financial statements.

Effective tax rate:	2025		2024	
	Amount	%	Amount	%
Profit before income taxes	2.437.102		2.545.258	
Income tax according to prevailing tax rate	487.420	20,0%	534.504	21,0%
Fair value changes of financial assets	140.846	5,8%	(226.863)	-8,9%
Share in profit of associates	(22.190)	-0,9%	0	0,0%
Share in profit of non-taxable companies	7.193	0,3%	(8.442)	-0,3%
Dividends received	(91.548)	-3,8%	(50.198)	-2,0%
Special tax on financial activity	20.846	0,9%	28.951	1,1%
Effect of temporary change in tax rate	0	0,0%	9.247	0,4%
Other changes	(7.931)	-0,3%	(358)	0,0%
Income taxes according to the statement of profit or loss	534.637	21,9%	286.841	11,3%

11.2 Deferred taxes

Deferred tax asset and (liability) is specified as follows:

	2025		2024	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
At the beginning of the year	461.117	(358.107)	191.211	(271.629)
Tax synergies	(200.105)	0	0	0
Assumed deferred tax asset upon investment of subsidiary	0	0	68.000	0
Acquired trademarks and business relationships	0	0	0	(102.000)
Income taxes according to the statement of profit or loss	(91.352)	(443.285)	31.171	(318.012)
Effect of share in the results of non-independent taxable entities	0	7.193	0	(8.442)
Taxes to be paid for the year	94.628	290.331	170.733	341.974
Total	264.290	(503.866)	461.117	(358.107)
Deferred tax assets and liabilities offsetting	(68.200)	68.200	0	0
Net deferred income tax asset and (liability) at year end	196.090	(435.667)	461.117	(358.107)

The main terms of deferred income tax asset and (liability) are specified as follows:

	2025		2024	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Operating assets and software	222	(8.585)	(2.332)	23.559
Intangible assets	(15.175)	(388.896)	(446)	(326.602)
Financial assets	0	(99.722)	0	(55.339)
Derivatives	18.570	0	22.612	0
Tax loss carry-forward	190.719	30.695	440.526	0
Other items	1.754	30.841	756	274
Deferred income tax asset and (liability) at year end	196.090	(435.667)	461.117	(358.107)

Notes to the Consolidated Financial Statements

11.2 Deferred taxes (cont.)

A deferred tax asset has been recognised in respect of ISK 191 million (2024: ISK 441 million) of unused tax losses which management expects will be utilized against future taxable profits. Included in unused tax losses are losses of ISK 974 million that will expire in 2034, ISK 1.068 million that will expire in 2033 and ISK 159 million that will expire in the year 2031-2032.

12. Earnings per share

Basic earnings per share (EPS) is calculated based on earnings attributable to shareholders and the weighted average number of shares outstanding during the reporting period. Diluted EPS is determined by adjusting the weighted average number of shares outstanding to account for the potential conversion of all dilutive ordinary shares, including share options granted to employees. The company has issued share options that have a dilutive effect on EPS.

Earnings per outstanding share is calculated based on the following assumptions:

	2025	2024*
Profit for the year attributable to shareholders of the Parent Company	1.900.657	2.264.210
Weighted average number of outstanding shares	1.897.042	1.895.993
Adjustments for stock options	2.069	84
Diluted weighted average number of outstanding shares	1.899.111	1.953.915
Basic earnings per share	1,00	1,19
Diluted earnings per share	1,00	1,19

*The presentation of comparative figures has been revised.

13. Cash and cash equivalents

Cash and cash equivalents at year-end are specified as follows:

	31.12.2025	31.12.2024
Bank deposits in ISK	1.599.246	2.088.309
Bank deposits in foreign currencies	150.779	233.650
Cash and cash equivalents	1.750.025	2.321.959

14. Financial assets

The table below shows Financial assets from the Consolidated statement of financial position for each operating segment:

31.12.2025

	Insurance investments	Financial services	Total
Shares in other companies			
Listed on domestic stock exchanges	3.797.389	459.228	4.256.618
Listed on foreign stock exchanges	3.518.905	0	3.518.905
Other companies	8.183.576	57.571	8.241.146
	15.499.870	516.799	16.016.669
Other securities			
Government-backed securities, indexed	2.500.633	307.614	2.808.247
Government-backed securities, non-indexed	8.345.277	5.997.752	14.343.028
Other bonds	11.519.128	212.568	11.731.696
Bond funds	8.320.339	253.174	8.573.513
Institutional investor funds	2.103.653	0	2.103.653
	32.789.030	6.771.107	39.560.137
Other financial assets			
Currency forwards	312.164	0	312.164
Total financial assets	48.601.064	7.287.906	55.888.970

Notes to the Consolidated Financial Statements

14. Financial assets (cont.)

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
	<u>16.003.959</u>	<u>469.019</u>	<u>16.472.978</u>
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
	<u>28.922.926</u>	<u>5.995.830</u>	<u>34.918.756</u>
Other financial assets			
Currency forwards*	499.119	0	499.119
	<u>45.426.005</u>	<u>6.464.850</u>	<u>51.890.854</u>

*The presentation of comparative figures has been revised. For further details, refer to Note 2.

15. Securities used for economic hedging

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

	31.12.2025	31.12.2024
Government bonds	124.439	1.068.281
Equities instruments	2.453.276	4.721.242
Other bonds	531.809	313.318
	<u>3.109.524</u>	<u>6.102.840</u>

16. Loans to customers

Loans to customers are specified as follows:

	31.12.2025	31.12.2024
Loans to customers	11.853.950	7.890.836
Impairment of 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 35.9 and 35.10.

Notes to the Consolidated Financial Statements

17. Derivatives

Forward contracts derivatives are specified as follows:

	31.12.2025	31.12.2024
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>

The Group, via Fossar, offers its clients exposures through forward contracts derivatives on listed bonds and equities instruments. To hedge these exposures Fossar holds the underlying securities which are accounted for on its balance sheet cf. Note 15.

18. Investments where investment risk is borne by the life-insurance policyholders

The Group, via Lífis, offers life-insurance policies which consist of life insurance and contribution to investments funds. The investment component in these contracts is considered distinct and therefore accounted for separately applying IFRS 9. The cost of the life insurance decreases as the amount in the investment fund increases and ceases by the time the amount in the investment fund exceeds the life-insured amount. The life-insurance policyholder bears the investment risk.

Balance at 01.01.2025	1.023.545
Premiums	24.392
Claims	322
Pay out	(168.033)
Return of investments	10.701
Premiums for life insurance & waiver of premium	(6.113)
Cost (fees & discounts)	(2.670)
Balance at 31.12.2025	<u>882.144</u>

19. Share in subsidiaries

	31.12.2025	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
SIV eignastýring hf.	0,0%	70,0%	Asset and fund management

VF Nord ehf. and Skagi ehf. are holding companies with no operations. ÍV sjóðir hf. (owned 100% by Skagi pre-merger), SIV eignastýring hf. (owned 70% by Skagi pre-merger) and Íslensk verðbréf hf. (owned 100% by Skagi pre-merger) were all merged, effective as of 1st January 2025, under the name Íslensk verðbréf hf. (owned 85,9% by Skagi post-merger). Reference is made to announcement published by the Company on the NasdaqIceland on 6th January 2026 where Skagi exercised an option to acquire 14,1% share in Íslensk verðbréf hf. (ÍV). Skagi has an option to pay the purchase price with issuance of new Skagi shares, equivalent to nominal amount of 24,231,800.-, issued at average closing price of shares in Skagi traded on Nasdaq OMX Iceland ten days before exercise of option. Issue of new shares in Skagi is subject to shareholders approval but Skagi also has the right to pay the purchase price in cash. Issuance of new shares will be proposed at the next AGM of the Company.

Notes to the Consolidated Financial Statements

20. Share in associates

	Share	Book value 31.12.2025	Book value 31.12.2024
Tplús hf.	35,0%	158.378	135.994
Vex ehf.	33,3%	53.762	12.883
		<u>212.140</u>	<u>148.876</u>

T plus hf. is an Icelandic financial services provider specializing in back office outsourcing for the financial services sector. Services provided range from clearing and settlement of securities, custody services and pension fund services. T plus hf. operates according to Act No. 161/2002 on Financial Undertakings and is under the supervision of the Financial Supervisory Authority. Vex ehf. is an independent asset management company operating according to Act No. on 45/2020 on Asset Management Companies for specialized funds and is under the supervision of the Financial Supervisory Authority.

Changes in holdings in associates are specified as follows:

	31.12.2025	31.12.2024
Balance at beginning of year	148.876	190.283
Share reduction in associates	0	(26.007)
Share in profit of associate	110.950	0
Received dividend	(47.686)	(15.400)
	<u>212.140</u>	<u>148.876</u>

21. Intangible assets

Cost	Customer				Total
	Goodwill	relationships	Brands	Software	
Cost at 1.1.2024	2.242.583	936.195	310.146	3.984.335	7.473.259
Additions during the year	861.008	217.000	316.000	9.661	1.403.669
Cost at 31.12.2024	3.103.591	1.153.195	626.146	3.993.996	8.876.928
Additions during the period	0	0	0	22.959	22.959
Total cost 31.12.2025	<u>3.103.591</u>	<u>1.153.195</u>	<u>626.146</u>	<u>4.016.955</u>	<u>8.899.887</u>
Amortisation					
Accumulated amortisation as at 1.1.2024	0	23.125	7.625	3.959.299	3.990.049
Amortisation for the year	0	103.488	36.514	12.872	152.874
Accumulated amortisation as at 31.12.2024	0	126.613	44.139	3.972.171	4.142.923
Amortisation for the period	0	118.949	63.725	15.506	198.180
Accumulated amortisation as at 31.12.2025	<u>0</u>	<u>245.562</u>	<u>107.864</u>	<u>3.987.677</u>	<u>4.341.103</u>
Carrying amount					
Carrying amount at the beginning of the year 2024	2.242.583	913.070	302.520	25.036	3.483.211
Carrying amount at year-end 2024	3.103.591	1.026.582	582.007	21.825	4.734.006
Carrying amount as at 31.12.2025	3.103.591	907.633	518.282	29.279	4.558.785
Amortisation rates	0%	10%	10%	10-33%	

Assets such as goodwill are subject to annual impairment testing, or more frequently when there is an indication of impairment. Goodwill is allocated to cash generating units ("CGUs") for the purpose of impairment testing. Goodwill has been allocated to the following CGUs; Insurance operations and Financial Services operations. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combinations in which the goodwill arose.

Notes to the Consolidated Financial Statements

21. Intangible assets (cont.)

The goodwill impairment testing was made at the end of the fiscal year. Results of the impairment testing show that the recoverable values exceed the carrying values of goodwill. In addition to the base case testing, additional scenarios were tested where some key inputs had been stressed. In all scenarios tested the results show that there is sufficient headroom and that there are no triggers indicating that impairment is required.

The cash flow projections for the impairment testing are derived from the Group's three year business plan which has been approved by the Board of Directors. In some instances, the Group's subsidiaries have prepared a three year business plan which has been approved by the Board of Directors of those companies. Management prepares a cash flow projection for each CGU, which is derived from the three year business plan and is also based on management assumptions. The following table shows the key assumptions used in the estimation of the recoverable amount. The recoverable amounts are calculated by discounting the estimated future cash flow of the CGUs and the terminal value of which has been determined by use of a long-term growth rate. The time value of money and price of uncertainty are based on external market information about market risk, interest rates and CGU specific elements like country risk. It is management opinion that reasonable changes in key inputs would not lead to impairment of goodwill.

	Future growth rate	Discount rate	Goodwill book value
31.12.2025			
Insurance operations	5,0%	12,0%	474.599
Financial services	3,3%	13,1%	2.628.992
Total goodwill			<u>3.103.591</u>
31.12.2024			
Insurance operations	5,0%	13,1%	474.599
Financial services	3,0%	15,5%	2.628.992
Total goodwill			<u>3.103.591</u>

Notes to the Consolidated Financial Statements

22. Property, plant and equipment

Property and equipment

	Buildings and land	Computer, equipment and vehicles	Total
Cost			
Cost at 1.1.2024	113.840	1.521.427	1.635.270
Additions during the year	0	207.928	207.928
Sold and disposed of during the year	(866)	(15.905)	(16.772)
Total value 1.1.2025	<u>112.974</u>	<u>1.713.450</u>	<u>1.826.426</u>
Additions during the year	0	178.108	178.108
Sold and disposed of during the year	0	(17.710)	(17.710)
Total cost at 31.12.2025	<u>112.974</u>	<u>1.873.848</u>	<u>1.986.825</u>
Accumulated depreciation			
Depreciated 1.1.2024	60.108	1.245.627	1.305.734
Depreciation for the year	2.181	170.139	172.320
Depreciated 1.1.2025	<u>62.289</u>	<u>1.415.766</u>	<u>1.478.054</u>
Depreciation for the year	1.521	105.023	106.544
Depreciated 31.12.2025	<u>63.810</u>	<u>1.520.789</u>	<u>1.584.598</u>
Carrying amount			
Carrying amount at beginning of the year 2024	<u>53.732</u>	<u>275.800</u>	<u>329.531</u>
Carrying amount at beginning of the year 2025	<u>50.684</u>	<u>297.684</u>	<u>348.367</u>
Carrying amount at end of the year 2025	<u>49.164</u>	<u>353.058</u>	<u>402.221</u>
Depreciation rates	3%	10-33%	

The assessment value of properties at year-end 2025 amounted to ISK 146 million (2024: 126 million). The insurance value of properties amounted to ISK 343 million. The insurance value of properties and equipment amounted to ISK 662 million.

	31.12.2025	31.12.2024
Leases		
Right of use asset at year end	<u>982.195</u>	<u>351.989</u>

Included in properties and land are Right-of-use assets from lease agreements in the amount of ISK 982 million (2024: ISK 352 million). For further information on leases please refer to note 28.

	31.12.2025	31.12.2024
Total property, plant and equipment at year end	<u>1.384.416</u>	<u>700.356</u>

Notes to the Consolidated Financial Statements

23. Assets from reinsurance contracts held

	31.12.2025	31.12.2024*
Assets from remaining coverage	227.397	207.751
Assets from incurred claims	733.222	1.081.619
Assets from reinsurance contracts held	<u>960.618</u>	<u>1.289.371</u>

*The presentation of comparative figures has been revised. For further details, refer to Note 2.

	<u>Assets for incurred claims</u>			Total
	Assets for remaining coverage	Future cash flows	Risk adjustment for non-financial risk	
Balance as at 01.01.2025	(207.751)	(905.034)	(176.585)	(1.289.371)
Reinsurers' share of insurance revenue	1.079.347			1.079.347
Claims recovered & other directly attrib. income	(6.443)	(370.734)	(73.789)	(450.967)
Run-off previous years adjustm. to the LIC		178.685	176.585	355.270
Profit/loss on reinsurance contracts held	<u>1.072.904</u>	<u>(192.049)</u>	<u>102.796</u>	<u>983.650</u>
Cash flows				
Reinsurance premiums paid	(1.098.993)			(1.098.993)
Recoveries from reinsurance	6.443	437.652		444.095
Total cash flows	<u>(1.092.550)</u>	<u>437.652</u>	<u>0</u>	<u>(654.898)</u>
Balance as at 31.12.2025	<u>(227.397)</u>	<u>(659.432)</u>	<u>(73.789)</u>	<u>(960.618)</u>

	<u>Assets for incurred claims</u>			Total
	Assets for remaining coverage	Future cash flows	Risk adjustment for non-financial risk	
Balance as at 01.01.2024	(187.525)	(1.041.630)	(372.247)	(1.601.402)
Reinsurers' share of insurance revenue	995.753			995.753
Claims recovered & other directly attrib. income	(5.645)	(289.628)	(176.585)	(471.858)
Run-off previous years adjustm. to the LIC		52.421	372.247	424.668
Profit/loss on reinsurance contracts held	<u>990.107</u>	<u>(237.207)</u>	<u>195.662</u>	<u>948.562</u>
Cash flows				
Reinsurance premiums paid	(1.015.979)			(1.015.979)
Recoveries from reinsurance	5.645	373.803		379.448
Total cash flows	<u>(1.010.334)</u>	<u>373.803</u>	<u>0</u>	<u>(636.531)</u>
Balance as at 31.12.2024	<u>(207.751)</u>	<u>(905.034)</u>	<u>(176.585)</u>	<u>(1.289.371)</u>

24. Other receivables

Other receivables are specified as follows:

	31.12.2025	31.12.2024*
Prepaid taxes	712.946	456.136
Prepaid expenses	246.856	549.001
Receivables related to domestic operations and other receivables	3.133.863	1.303.474
Other receivables, total	<u>4.093.665</u>	<u>2.308.612</u>

*The presentation of comparative figures has been revised. For further details, refer to Note 2.

Notes to the Consolidated Financial Statements

25. Insurance contracts

25.1 Insurance contract liabilities

Insurance contract liabilities are specified as follows:

	31.12.2025	31.12.2024*
Liability for remaining coverage	2.758.248	2.608.357
Liability for incurred claims	27.573.179	27.135.657
Liability for insurance contracts, total	<u>30.331.427</u>	<u>29.744.014</u>

*The presentation of comparative figures has been revised. For further details, refer to Note 2.

	Liability for remaining coverage		Liabilities for incurred claims for contracts under the PAA		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
Balance as at 01.01.2025	2.608.357	0	26.516.885	618.774	29.744.014
Insurance revenue	(31.959.386)				(31.959.386)
Incurred claims & other directly attrib. exp.			23.143.720	340.326	23.484.045
Other cost for insurance services provided			5.781.843		5.781.843
Run-off previous years adjustm. to the LIC			(1.400.356)	140.472	(1.259.885)
Profit/loss on gross business	(31.959.386)	0	27.525.206	480.796	(3.953.382)
Finance exp. from insurance contracts	0	0	1.631.525	0	1.631.525
Cash flows					
Insurance revenue received	32.109.277				32.109.277
Claims & other directly attrib. exp. paid			(23.228.373)		(23.228.373)
Insurance operational cash flows			(5.487.802)		(5.487.802)
Total cash flows	<u>32.109.277</u>	<u>0</u>	<u>(28.716.175)</u>	<u>0</u>	<u>3.393.102</u>
Reclassified to other balance sheet items			(483.832)		(483.832)
Balance as at 31.12.2025	<u>2.758.248</u>	<u>0</u>	<u>26.473.609</u>	<u>1.099.570</u>	<u>30.331.427</u>

The risk adjustment calculation corresponds to an 85% confidence interval as at 31 December 2025.

	Liability for remaining coverage		Liabilities for incurred claims for contracts under the PAA		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
Balance as at 01.01.2024	2.185.132	0	24.518.797	766.360	27.470.289
Insurance revenue	(29.182.080)				(29.182.080)
Incurred claims & other directly attrib. exp.			21.966.745	273.912	22.240.657
Other cost for insurance services provided			5.575.624		5.575.624
Run-off previous years adjustm. to the LIC			(640.740)	(421.497)	(1.062.237)
Profit/loss on gross business	(29.182.080)	0	26.901.629	(147.586)	(2.428.036)
Finance exp. from insurance contracts	0	0	1.121.708	0	1.121.708
Cash flows					
Insurance revenue received	29.605.305				29.605.305
Claims & other directly attrib. exp. paid			(20.423.661)		(20.423.661)
Insurance operational cash flows			(5.120.575)		(5.120.575)
Total cash flows	<u>29.605.305</u>	<u>0</u>	<u>(25.544.236)</u>	<u>0</u>	<u>4.061.069</u>
Reclassified to other balance sheet items			(481.013)		(481.013)
Balance as at 31.12.2024	<u>2.608.357</u>	<u>0</u>	<u>26.516.885</u>	<u>618.774</u>	<u>29.744.014</u>

The risk adjustment calculation corresponds to an 85% confidence interval as at 31 December 2024.

*The presentation of comparative figures has been revised. For further details, refer to Note 2.

Notes to the Consolidated Financial Statements

25.2 Development of incurred claims

The table shows the Group's estimate of the total amount of claims for each claim year and how this estimate has developed from year to year. The liability is based on paid claims, reported but unsettled claims and unreported claims.

	Total amounts in ISK million								
	2018	2019	2020	2021	2022	2023	2024	2025	Total
Estimate of final claim expenses									
At end of claim year	14.555	16.404	16.105	17.046	18.860	22.354	23.160	24.170	
One year later	16.331	18.351	15.377	16.532	19.610	22.267	23.081		
Two years later	17.974	19.102	15.840	16.120	18.928	22.606			
Three years later	18.374	19.507	15.618	15.984	18.498				
Four years later	18.441	19.325	15.561	15.612					
Five years later	18.265	19.439	15.566						
Six years later	18.245	18.938							
Seven years later	18.196								
Estimate of accumulated claims									
at year-end 2025	18.196	18.938	15.566	15.612	18.498	22.606	23.081	24.170	
Accumulated payments									
At year-end 2025	18.119	18.785	15.239	14.705	17.164	18.329	15.237	10.954	
Claims provision at year end 2025	77	153	327	907	1.335	4.277	7.844	13.216	28.137
Discounting	-6	-10	-26	-85	-110	-310	-614	-1.246	-2.409
Provisions from 2017 and prior years									164
Gross provisions for Claims, end of year									25.892
Debt related to Liability for incurred claim (LIC) and other insurance liabilities									1.681

The following tables show the reinsurers' share of the liability and the liability net of reinsurance.

	Assets from reinsurance contracts held in ISK million								
	2018	2019	2020	2021	2022	2023	2024	2025	Total
Estimate of final claim expenses									
At end of claim year	668	564	139	878	276	468	392	371	
One year later	651	695	221	823	253	409	286		
Two years later	889	708	194	813	232	457			
Three years later	901	707	215	770	233				
Four years later	900	664	210	641					
Five years later	839	708	219						
Six years later	612	643							
Seven years later	614								
Estimate of accumulated claims									
at year-end 2025	614	643	219	641	233	457	286	371	
Accumulated payments									
At year-end 2025	614	643	210	142	232	426	252	228	
Claims provision at year end 2025	0	0	9	498	1	31	34	143	716
Discounting									0
Recoverables from 2017 and prior years									8
Recoverables for incurred claims, end of year									0
Assets related to incurred claim (LIC) and other insurance assets									9

Notes to the Consolidated Financial Statements

25.2 Development of incurred claims (cont.)

	Net of own account in ISK million								
	2018	2019	2020	2021	2022	2023	2024	2025	Total
Estimate of final claim expenses									
At end of claim year	13.887	15.840	15.966	16.168	18.584	21.886	22.769	23.799	
One year later	15.680	17.656	15.156	15.709	19.357	21.858	22.795		
Two years later	17.085	18.394	15.646	15.307	18.696	22.149			
Three years later	17.473	18.799	15.402	15.214	18.266				
Four years later	17.541	18.662	15.351	14.971					
Five years later	17.426	18.732	15.347						
Six years later	17.633	18.295							
Seven years later	17.582								
Estimate of accumulated claims									
at year-end 2025	17.582	18.295	15.347	14.971	18.266	22.149	22.795	23.799	
Accumulated payments									
At year-end 2024	17.505	18.141	15.029	14.562	16.931	17.902	14.985	10.726	
Claims provision at year end 2025	77	153	318	409	1.334	4.246	7.810	13.073	27.420
Discounting	-6	-10	-26	-85	-110	-310	-614	-1.246	-2.409
Net Provisions from 2017 and prior years									156
Liability for incurred claims (LIC) and assets for incurred claims (AIC)									25.168

25.3 Eiopa yield curves used on all contracts measured under PAA:

2025			2024		
1 year	5 years	10 years	1 year	5 years	10 years
7,0%	6,5%	6,2%	8,2%	6,9%	5,9%

Notes to the Consolidated Financial Statements

26. Financial liabilities

Financial liabilities are specified as follows. For a detailed breakdown, refer to notes 26.1 and 26.2.

	31.12.2025	31.12.2024
Borrowings	12.342.900	13.363.421
Issued bonds and bills	8.610.879	4.387.399
Financial liabilities total	<u>20.953.779</u>	<u>17.750.819</u>

26.1 Borrowings

Borrowings are specified as follows:

	31.12.2025	31.12.2024
Money market deposits	8.972.015	10.663.421
Liabilities to credit institutions	3.370.884	2.700.000
Total	<u>12.342.900</u>	<u>13.363.421</u>

26.2 Issued bonds and bills

Issued bonds and bills are specified as follows:

Issued bonds and bills	Issued	Maturity	Type and terms of interest	31.12.2025
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 27 1	23.12.2025	23.6.2027	Bond, floating 1M Reibor +1.7%	2.805.907
FOS 040728	4.7.2025	4.7.2028	Bond, fixed 9.03%	1.566.220
FOS 281026	28.10.2024	28.10.2026	Bond, fixed 9.2%	1.523.767
				<u>8.610.879</u>

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
				<u>4.387.399</u>

26.3 Reconciliation of Liabilities Arising from financing activities

In accordance with IAS 7,44D the table below provides reconciliation between the opening and closing balances of liabilities arising from financing activities, distinguishing between cash flows and non-cash movements such as new leases, accrued interest and foreign exchange differences.

	Interest bearing borrowings	Lease liabilities	Total
Opening balance as 1 January 2025	21.514.751	391.655	21.906.406
Cash flow from financing activities	2.868.018	(141.709)	2.726.310
New leases	0	827.287	827.287
Accrued interest	444.987	0	444.987
Other non cash movements	33.742	49.302	83.045
Closing balance at 31 December 2025	<u>24.861.498</u>	<u>1.126.536</u>	<u>25.988.034</u>

Notes to the Consolidated Financial Statements

27. Subordinated bond

At the end of February 2016, the Company issued a subordinated bond in the nominal amount of ISK 2,500 million. The bond is classified as Tier II capital and is included in the Company's solvency. The bond bears a fixed inflation-indexed interest rate of 5.25%. Its maturity is 30 years but with a prepayment option and a step-up in interest rate to 6.25% ten years after the issue date.

Changes in the subordinated bond from the beginning to the end of the year:	31.12.2025	31.12.2024
Balance at 1 January	3.763.931	3.589.584
Accrued interest and price indexation	341.475	364.887
Paid interests	(197.687)	(190.540)
Balance at 31 December	<u>3.907.720</u>	<u>3.763.931</u>

28. Leases

	2025		2024	
	Right-of-use Asset	Lease Liability	Right-of-use Asset	Lease Liability
Balance at beginning of year	351.989	391.655	584.453	636.966
Change during the year	827.017	827.287	(35.144)	(36.676)
Payment of liabilities		(141.709)		(232.802)
Depreciation	(246.114)		(221.488)	
Indexation	49.302	49.302	24.168	24.168
Balance at year end	<u>982.195</u>	<u>1.126.536</u>	<u>351.989</u>	<u>391.655</u>

The Group's right-of-use asset is recognised based on the provisions of leasing agreements, see note 39.21 for further information. Total payments under lease agreements during the year amounted to ISK 192 million (2024: 201 million).

At 2024 year-end the remaining lease period for the Group's leases was 10-36 months.

Interest expenses in respect of the lease liability during the year, which are included in the operating expenses for the year, amounted to ISK 51 million.

29. Accounts payable and other liabilities

Accounts payable are specified as follows:

	31.12.2025	31.12.2024*
Accounts payable	155.943	975.807
Income tax payable	356.628	511.031
Other liabilities	2.645.960	1.958.833
Accounts payable and other liabilities, total	<u>3.158.530</u>	<u>3.445.671</u>

*The presentation of comparative figures has been revised. For further details, refer to Note 2.

Notes to the Consolidated Financial Statements

30. Share capital and equity reserves

The share capital is specified as follows:

	31.12.2025	31.12.2024
Share capital according to the Company's Articles of Association	1.916.080	1.906.700
Treasury shares	(10.333)	(10.742)
Share capital according to annual financial statements	<u>1.905.747</u>	<u>1.895.958</u>

One vote is attached to each share of the nominal value of one Icelandic Krona in the Company.

Statutory reserve

According to the Limited Liability Companies Act, the Company is required to retain amounts corresponding to 25% of the nominal value of shares in a statutory reserve that is prohibited from being distributed as dividends to shareholders. Amounts in excess of 25% of the nominal value of shares are at the Company's disposal. Statutory reserve in the amount of ISK 625 million is presented within restricted reserves in the statement of changes in equity, and there were no changes in this reserve in 2024 and 2025.

Restricted reserve

According to the Financial Statements Act, the Company is to recognize unrealized fair value income of financial assets designated at fair value through profit or loss in a restricted reserve among equity which is not distributable as dividends. According to the Annual Accounts Act, the Company is to restrict the share in profit from a subsidiary and associate in excess of dividends received.

Retained earnings

Retained earnings consist of accumulated profit or loss of the Company not distributed as dividends or contributed to statutory reserve or other reserves. Retained earnings can be distributed to shareholders as dividends. However, solvency requirements limit the amounts the Company can pay as dividends.

31. 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 1.31 compared to the minimum requirement in the Regulation, which is 1.0 and internal limit of 1.175. Group solvency ratio is after assumed dividend as of reporting date in accordance with target dividend payout ratio of 40% of profits. Group solvency ratio is also shown before assumed dividend.

Notes to the Consolidated Financial Statements

31. Solvency of financial conglomerate (cont.)

The Group's solvency ratio as a financial conglomerate is specified as follows:

	31.12.2025	31.12.2024
Own funds		
Own funds for insurance activities	20.105.530	18.671.822
Own funds for other activities	3.288.461	2.791.057
Total own funds (before assumed dividend or share repurchase)	23.393.991	21.462.879
Minimum own fund requirements		
Own funds requirements for insurance activities	14.328.365	13.567.776
Own fund requirements for other activities	2.935.881	2.335.626
Total minimum own fund requirements	17.264.246	15.903.402
	31.12.2025	31.12.2024
Equity according to the statement of financial position	23.984.235	22.270.753
Intangible assets	(4.558.785)	(4.734.006)
Subordinated bond	3.907.720	3.763.931
Assumed dividend plan	(760.000)	0
Share repurchase program	0	0
Other	60.822	162.200
Calculated own funds	22.633.991	21.462.879
Minimum own fund requirements	17.264.246	15.903.402
Solvency ratio (after assumed dividend or share repurchase)	1,31	1,35
Solvency ratio (before assumed dividend or share repurchase)	1,36	1,35

32. Solvency of insurance activities

The standard rule according to Act No. 100/2016 is applied to calculate the minimum solvency requirements of insurance activities. The following tables specify how the solvency requirement is divided into subcomponents of risk. Diversification effects are included 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 1.44 compared to internal limit of 1.35. Solvency ratio of the insurance activities is after assumed dividend and/or share repurchase to Skagi parent company. Solvency ratio of the insurance activities is also shown before assumed dividend.

The insurance activities solvency ratio is specified as follows:

	31.12.2025	31.12.2024
Solvency capital requirements		
Base Solvency capital requirement (BSCR)	15.714.987	14.961.935
Operational risk	1.127.280	1.035.841
Adjustment due to deferred taxes	(2.526.170)	(2.430.000)
Total minimum solvency	14.316.097	13.567.776
Base Solvency capital requirement (BSCR)	31.12.2025	31.12.2024
Market risk	9.246.964	8.423.089
Counterparty risk	1.902.212	1.914.552
Life underwriting risk	184.216	251.393
Health underwriting risk	1.951.091	2.056.803
Non-life underwriting risk	8.727.296	8.516.322
Diversification effects and other factors	(6.296.792)	(6.200.222)
Total BSCR	15.714.987	14.961.935
Market risk		
Interest rate risk	700.832	577.915
Equity risk	8.077.662	7.315.682
Property risk	268.610	175.456
Spread risk	1.037.481	633.718
Foreign currency risk	396.282	507.974
Concentration risk	599.090	712.935
Diversification effects	(1.832.994)	(1.500.591)
Total market risk	9.246.964	8.423.089

Notes to the Consolidated Financial Statements

32. Solvency of insurance activities (cont.)

Solvency

Minimum own fund requirements	14.316.097	13.567.776
Calculated own funds (before assumed dividend or share repurchase)	21.794.430	18.671.822
Solvency ratio (before assumed dividend or share repurchase)	1,52	1,38
Calculated own funds (after assumed dividend or share repurchase)	20.594.430	18.671.822
Solvency ratio (after assumed dividend or share repurchase)	1,44	1,38

33. 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 24.0%.

	31.12.2025	31.12.2024
Fossar total equity at period end	3.182.493	2.683.967
Deduction items	<u>(236.870)</u>	<u>(408.387)</u>
Own funds	<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	<u>2.918.189</u>	<u>2.518.318</u>
Total risk exposure amount	<u>12.276.974</u>	<u>9.632.209</u>
Capital adequacy ratio for Fossar	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%.

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34. Financial instruments

The Group's financial instruments pertain to the following categories:

31.12.2025	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
Financial instruments - assets				
Cash and cash equivalents	0	0	1.750.025	1.750.025
Cash in escrow accounts and term deposits	0	0	80.096	80.096
Other receivables (without prepayments)	0	0	3.099.367	3.099.367
Equity instruments and equity funds	15.798.944	0	0	15.798.944
Debt instruments and other securities	29.218.148	0	0	29.218.148
Secured debt instruments	0	0	3.271.807	3.271.807
Currency forwards	312.164	0	0	312.164
Bonds	3.628.506	3.142.602	0	6.771.107
Equities and other securities	516.799	0	0	516.799
Securities used for hedging	3.109.524	0	0	3.109.524
Loans to customers	0	0	11.836.508	11.836.508
Derivatives	162.132	0	0	162.132
Total	52.746.218	3.142.602	20.037.803	75.926.623
Financial instruments - liabilities				
Money market deposits	0	0	8.972.015	8.972.015
Issued bonds and bills	0	0	8.610.879	8.610.879
Borrowings	0	0	3.370.884	3.370.884
Accounts payable and other liabilities (without unpaid taxes)	0	0	2.511.886	2.511.886
Subordinated bond	0	0	3.907.720	3.907.720
Derivatives	254.981	0	0	254.981
Long-term borrowings	0	0	19.575	19.575
Total	254.981	0	27.392.960	27.647.941
31.12.2024*	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
Financial instruments - assets				
Cash and cash equivalents	0	0	2.212.801	2.212.801
Cash in escrow accounts and term deposits	0	0	109.159	109.159
Other receivables (without prepayments)	0	0	1.726.366	1.726.366
Equity instruments and equity funds	17.108.703	0	0	17.108.703
Debt instruments and other securities	25.411.137	0	0	25.411.137
Secured debt instruments	0	0	2.407.045	2.407.045
Currency forwards	499.120	0	0	499.120
Bonds	3.496.218	2.499.612	0	5.995.830
Equities and other securities	469.019	0	0	469.019
Securities used for hedging	6.102.840	0	0	6.102.840
Loans to customers	0	0	7.880.021	7.880.021
Derivatives	118.541	0	0	118.541
Total	53.205.578	2.499.612	14.335.391	70.040.582
Financial instruments - liabilities				
Money market deposits	0	0	10.663.421	10.663.421
Issued bonds and bills	0	0	4.387.399	4.387.399
Borrowings	0	0	2.700.000	2.700.000
Accounts payable and other liabilities (without unpaid taxes)	0	0	3.382.695	3.382.695
Subordinated bond	0	0	3.763.931	3.763.931
Derivatives	231.599	0	0	231.599
Long-term borrowings	0	0	23.394	23.394
Total	231.599	0	24.920.839	25.152.439

*The presentation of comparative figures has been revised. For further details, refer to Note 2.

The carrying amounts of financial instruments at amortised cost approximates their fair values. Loans to customers are predominantly on floating interest and/or with short maturity (<12 months). Same applies to liabilities, including money market deposits, bonds, bills and borrowings. Subordinated bond is redeemable at the company's choice as of 1st March 2026. Therefore, book value of those instruments is predominantly in line with fair value at the reporting date.

Notes to the Consolidated Financial Statements

34. Financial instruments (cont.)

Fair value measurement – valuation techniques and inputs

The Group measures financial instruments at fair value using valuation techniques consistent with its internal investment valuation procedures. Valuation techniques are applied in the order of priority described below, depending on the availability and reliability of observable inputs.

Valuation methods and inputs by instrument class:

Instrument class	Fair value level	Valuation method	Significant observable inputs	Significant unobservable inputs
Listed equity securities	Level 1	Quoted market prices on an active market (Method 1)	Quoted closing prices	–
Listed debt securities	Level 1 / Level 2	Quoted market prices on an active market; where not available, valuation based on comparable market yields (Methods 1 and 6)	Quoted prices, yield curves, observable market spreads	–
Derivatives (interest rate swaps, FX forwards)	Level 2	Market-standard valuation models (discounted cash flow / forward pricing models)	Yield curves, FX rates, forward curves	–
Holdings in investment funds (UCITS, AIFs, limited partnerships)	Level 2 / Level 3	Net asset value (NAV) provided by fund manager (Method 3)	Reported NAV	Adjustments to NAV where applicable
Unlisted equity instruments	Level 3	Discounted cash flow models and/or valuation based on comparable companies or transactions (Methods 5 and 6)	Comparable multiples (EV/EBITDA, P/E), market benchmarks	Forecast cash flows, discount rates, terminal growth rates, discounts for lack of marketability
Unlisted debt instruments	Level 2 / Level 3	Discounted cash flow models and/or valuation based on comparable debt instruments (Methods 5 and 6)	Benchmark interest rates	Credit spreads, probability of default (PD), loss given default (LGD), prepayment assumptions
Equity instruments with contractual exit prices (put options / shareholder agreements)	Level 3	Valuation based on contractual sale rights or shareholder agreements (Method 4)	Contractual terms	Assumptions regarding enforceability and timing
Other financial instruments	Level 3	Cost as an approximation of fair value where no other valuation technique is reliable (Method 7)	–	Cost-based assumptions

Notes to the Consolidated Financial Statements

34. Financial instruments (cont.)

Fair value hierarchy

The following table discloses financial instruments at fair value or held-to-maturity according to valuation techniques. The valuation techniques are separated into three levels based on the significance of the assumptions made in determining fair value. The levels are as follows:

Level 1: Quoted price in an active market for identical assets.

Level 2: Fair value is not based on quoted prices in an active market (level 1) but on inputs that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Financial assets for which there is not an active market are classified into level 2. The fair value assessment is based on recent transactions between unrelated parties or bid prices of unrelated parties. Comparison to similar financial assets is also applied.

Level 3: Fair value measurement is based on significant inputs other than market value. Fair value measurement of financial assets classified as level 3 is based on inputs such as valuation from fund managers of investment or institutional investment funds, put options or the Company's valuation based on financial results or comparison to other similar financial assets.

The fair value of loans and receivables that bear fixed interest is assessed using the discounted 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 financial liabilities, including of those with variable interest rates, is not considered significantly different from the carrying amounts at period-end.

	Level 1	Level 2	Level 3	Total
31.12.2025				
Listed equity securities	9.347.953	0	0	9.347.953
Listed debt securities	25.874.654	326.336	0	26.200.990
Derivatives	0	474.296	0	474.296
Holdings in investment funds	253.174	4.470.959	4.679.462	9.403.594
Unlisted equity instruments	57.571	950.693	8.113.732	9.121.995
Unlisted debt instruments	0	1.152.540	187.451	1.339.991
Total investments at fair value	<u>35.533.352</u>	<u>7.374.823</u>	<u>12.980.645</u>	<u>55.888.820</u>
31.12.2024				
Listed equity securities	12.937.933	0	0	12.937.933
Listed debt securities	22.725.568	209.769	0	22.935.337
Derivatives	0	617.661	0	617.661
Holdings in investment funds	329.530	4.298.195	4.666.316	9.294.041
Unlisted equity instruments	0	1.093.877	7.275.677	8.369.553
Unlisted debt instruments	0	1.104.744	445.921	1.550.665
Total investments at fair value	<u>35.993.031</u>	<u>7.324.245</u>	<u>12.387.914</u>	<u>55.705.190</u>

Changes that fall under level 3 during the period are specified as follows:

	31.12.2025	31.12.2024
Balance 1.1.	12.387.914	11.600.335
Purchased	2.609.823	2.678.684
Sold / Repayments	(2.726.364)	(1.927.354)
Interest and fair value changes*	709.272	36.249
Balance at 31.12	<u>12.980.645</u>	<u>12.387.914</u>

*Of which ISK 97 million is realised and ISK 612 million is unrealised. Interest and fair value changes are recorded among net financial income in the statement of profit or loss.

Notes to the Consolidated Financial Statements

34. Financial instruments (cont.)

Sensitivity analysis of fair value

The table below illustrates the fair value of Level 3 unlisted equity instruments that are measured using cost, manager-provided pricing, recent transaction data (Asset class 1), or valuation techniques based on peer multiples or discounted cash flows (Asset class 2).

Asset class	Fair value 31.12.2025	Asset class 1	Asset class 2
Cost of equity - 9,96%		Change in value	Change in cost of equity
Unlisted equities	7.226.915	-5% / 5%	0,5% / -0,5%

A 5% decrease in the fair value of asset class 1 and a 0.5-percentage-point increase in the cost of equity applied to the valuation of asset class 2 would decrease total fair value by ISK 374 million.

A 5% increase in the fair value of asset class 1 and a 0.5-percentage-point decrease in the cost of equity for asset class 2 would increase total fair value by ISK 381 million.

Governance and controls over valuation

The valuation of investment assets is reviewed at least quarterly. The Investment Committee of the insurance business is responsible for the valuation of investment assets, while day-to-day monitoring is performed by the investment function. Where deviations from third-party valuations occur, these are documented in formal memoranda and approved by the Investment Committee, in accordance with the Group's valuation procedures.

Notes to the Consolidated Financial Statements

35. Risk management

35.1 Risk management in general

The Group has implemented a policy for coordinated risk management. Its purpose is to ensure that the Group has an effective system of risk management that includes, among other things, analysing, measuring, controlling and monitoring the Group'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 Group'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 Group's criteria, objectives and targets, and establishes a framework for the CEO in accordance with the Board's approved criteria. The Board of Directors has established the target for the Group's solvency ratio to be above 1.25.

The CEO is responsible for the effective implementation of the Group's risk policies and that they are followed. The CEO shall provide information to the Board on the Group'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 Group'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 Group's overall risk profile and manages own risk and solvency assessment.

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

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

Notes to the Consolidated Financial Statements

35.2 Own risk- and solvency assessment (ORSA)

The purpose of own risk and solvency assessment (ORSA) is to simplify the Group's optimization of solvency. The objective of the ORSA is to inform how much solvency the Group needs compared to current and future risk-taking. ORSA informs the Board, management and other relevant parties on the Group's risk profile, solvency need and risk factors at any given time, thus enabling rational and well-informed decisions related to the Group's policies and risk-taking.

ORSA is a continuous key process in the Group's operations and is inherent in its activities and thus enhances the understanding of the relationship between the Group's risk profile, solvency and capital requirements for the shorter and longer term.

The ORSA can be defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short- and long-term risks which an insurance company faces or may be exposed to and to determine the own funds necessary to ensure that the undertaking's overall solvency needs are met at all times. In this connection, the Group has adopted an ORSA policy which has been approved by the Board.

35.3 Market risk

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

The main market risk factors that are specifically considered:

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

35.4 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 rate (required rate of return). The duration of the assets is in most cases not the same as the duration of the liabilities due to insurance contracts and therefore interest rate risk can arise in the operation of the Group.

Interest sensitivity analysis

The following table discloses the effect that 50 and 100 bp increase in interest on net interest bearing assets and on the discounting of insurance contract liabilities, 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
Net impact on interest bearing assets	(501.244)	(992.034)	(342.451)	(678.945)
Higher discounting of insurance contract liabilities	157.493	312.456	149.133	295.901
Net Impact on profit and loss and equity	<u>(343.750)</u>	<u>(679.579)</u>	<u>(193.318)</u>	<u>(383.044)</u>

Notes to the Consolidated Financial Statements

35.5 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 Group'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 Group constantly monitors market developments to be able to react to changes in equity risk.

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

	31.12.2025	31.12.2024
Equities instruments and equity funds at fair value through profit or loss	16.315.743	17.577.722
Debt instruments and other securities at fair value through profit or loss	36.268.342	35.509.315
Derivatives at fair value through profit or loss	162.132	118.541

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	815.787	1.631.574	878.886	1.757.772
Debt securities - impact on profit or loss	1.450.734	2.901.467	1.420.373	2.840.745
Derivatives - impact on profit or loss	6.485	12.971	4.742	9.483

Notes to the Consolidated Financial Statements

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

Foreign exchange rate risk as at 31.12.2025	Assets	Liabilities	Net position
USD	1.474.990	14.690	1.460.300
EUR	74.565	12.494	62.071
GBP	46.402	0	46.402
DKK	3.560	44.353	(40.793)
NOK	45.567	0	45.567
SEK	14.575	0	14.575
Total	<u>1.659.659</u>	<u>71.538</u>	<u>1.588.122</u>

Foreign exchange rate risk as at 31.12.2024	Assets	Liabilities	Net position
USD	4.201.047	708.316	3.492.731
EUR	1.863.022	662.171	1.200.851
GBP	54.079	234.644	(180.565)
DKK	786.331	0	786.331
NOK	856.231	0	856.231
SEK	6.829	0	6.829
Total	<u>7.767.539</u>	<u>1.605.131</u>	<u>6.162.408</u>

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	58.412	116.824	139.709	279.418
EUR	2.483	4.966	48.034	96.068
GBP	1.856	3.712	(7.223)	(14.445)
DKK	(1.632)	(3.263)	31.453	62.906
NOK	1.823	3.645	34.249	68.498
SEK	583	1.166	273	546

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

Notes to the Consolidated Financial Statements

35.7 Liquidity risk

Liquidity risk is the risk that the Group 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. Particular emphasis is placed on there being always adequate liquid assets to meet expected payments of both claims and other liabilities. The Group's expected payments are very well covered by its liquidity position. The Group's policy on liquid assets is to have at a minimum enough liquid assets, including access to credit lines, to cover the operating costs of the parent company for 3 months, in addition to at least ISK 500 million to support subsidiaries if they run into difficulties. It is part of the Group's risk policy that each subsidiary adheres to its own liquidity risk policy.

Expected cash flows of liabilities is specified as follows:

31.12.2025	Within	1-5 years	Over 5 years	Total
	one year			
Financial liabilities	18.415.422	4.372.127		22.787.549
Subordinated bond	203.796	815.750	7.040.097	8.059.643
Lease liability	230.072	1.090.985		1.321.057
Accounts payable and other short-term liabilities	3.158.530			3.158.530
Total	22.007.821	6.278.861	7.040.097	35.326.779

31.12.2024	Within	1-5 years	Over 5 years	Total
	one year			
Financial liabilities	14.718.281	3.032.539		17.750.819
Subordinated bond	194.648	781.843	6.937.446	7.913.937
Lease liability	204.774	204.059		408.833
Accounts payable and other short-term liabilities*	3.445.671			3.445.671
Total	18.563.374	4.018.441	6.937.446	29.519.260

*The presentation of comparative figures has been revised. For further details, refer to Note 2.

The following table provides a maturity analysis of the Group's liability in respect of insurance contracts, which reflects the dates on which the cash flows are expected to occur. Liabilities for remaining coverage measured under the PAA have been excluded from this analysis.

31.12.2025	Within	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	one year						
Liabilities for incurred claims	13.153.135	8.184.786	3.834.434	1.502.196	768.242	727.114	28.169.906

31.12.2024	Within	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	one year						
Liabilities for incurred claims	13.665.350	7.890.586	3.624.669	1.455.811	729.505	705.832	28.071.753

Notes to the Consolidated Financial Statements

35.7 Liquidity risk (cont.)

Liquidity risk of financial services activities is specified as follows:

The main measure of the bank's liquidity risk is the liquidity coverage ratio (LCR) as defined in Rules No. 1520/2022 of the Central Bank of Iceland and the bank adheres to prudent internal standards regarding the minimum liquidity coverage ratio. The bank's 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 in respect of Fossar financial liabilities and assets

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 Group at the first opportunity.

Assets 31 December 2025:	0-3 months	4-6 months	7-12 months	1-5 years	Over 5 years	Total
Current receivables	2.364.104					2.364.104
Cash and cash equivalents	496.987					496.987
Derivatives	1.442.507					1.442.507
Securities	2.984.478		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		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>
Liabilities 31 December 2025:	0-3 months	4-6 months	7-12 months	1-5 years	Over 5 years	Total
Money market deposits	8.993.053					8.993.053
Issued bonds and bills	1.951.775	1.073.050	1.764.825	4.699.000		9.488.650
Borrowings	3.305.698					3.305.698
Derivatives	750.473					750.473
Other liabilities	993.784					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>
Net position	305.694	418.997	575.460	25.819	1.329.760	2.655.729
Assets 31 December 2024:	0-3 months	4-6 months	7-12 months	1-5 years	Over 5 years	Total
Current receivables	1.359.216					1.359.216
Cash and cash equivalents	138.777					138.777
Derivatives	118.541					118.541
Securities	6.338.280	2.520.442		2.539.308	606.551	12.004.580
Loans to customers	4.461.531	1.171.869	2.073.951	577.326	0	8.284.677
	<u>12.416.343</u>	<u>3.692.311</u>	<u>2.073.951</u>	<u>3.116.634</u>	<u>606.551</u>	<u>21.905.790</u>
Liabilities 31 December 2024:	0-3 months	4-6 months	7-12 months	1-5 years	Over 5 years	Total
Money market deposits	10.140.691	627.522				10.768.213
Issued bonds and bills	400.000	1.000.000		3.402.554		4.802.554
Borrowings	2.700.000					2.700.000
Derivatives	231.599					231.599
Other liabilities	1.050.997					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>
Net position	(2.106.944)	2.064.789	2.073.951	(285.920)	606.551	2.352.426

*The presentation of comparative figures has been revised.

Notes to the Consolidated Financial Statements

35.8 Insurance risk

Insurance risk comprises of underwriting risk and reserve risk. The underwriting risk is the risk that the insurance premiums are not sufficient to cover the losses and other of the insurance contracts.

The underwriting risk is the risk that the insurance premiums collected are not sufficient to cover losses, claims, or expenses arising from the insurance contracts. It can be broken down into life, health, and non-life insurance risks, each of which can be further divided into sub-categories. The main risk drivers are increase in claims frequency, claims inflation, large loss events and loss of a single large risk.

Mitigation measures for underwriting risk typically include rigorous monitoring of the insurance risk, prudent risk selection, well diversified business across many different risk groups, premium setting based on actuarial analysis, policy terms, and the use of reinsurance to transfer a portion of the risk.

Reserve risk refers to the possibility that the technical provisions (reserves) held by the insurer are insufficient to cover future claim obligations. Inadequate reserves may result from inaccurate estimates of future claims or changes in assumptions such as inflation rates or legal settlements.

To mitigate reserve risk, the Group regularly reviews and reassesses technical provisions using actuarial methodologies. This includes applying historical claims data, trend analyses, and stress-testing scenarios. Independent actuarial assessments may also be used to ensure the adequacy of reserves.

Insurance categories - insurance revenue	2025		2024	
Property insurance	6.259.996	19,6%	6.045.707	20,7%
Marine and cargo insurance	598.496	1,9%	553.593	1,9%
Vehicle insurance	17.934.298	56,1%	15.887.781	54,4%
Liability insurance	1.733.495	5,4%	1.669.081	5,7%
Accident and health insurance	2.983.829	9,3%	2.842.849	9,7%
Life and health insurance	2.449.287	7,7%	2.182.918	7,5%
Reinsurance	(15)	0,0%	150	0,0%
	<u>31.959.386</u>	<u>100,0%</u>	<u>29.182.080</u>	<u>100,0%</u>
Domestic and foreign operations - premiums earned				
Domestic operations	31.959.401	100,0%	29.181.930	100,0%
Foreign operations	(15)	0,0%	150	0,0%
	<u>31.959.386</u>	<u>100,0%</u>	<u>29.182.080</u>	<u>100,0%</u>

The underwriting risk is mainly managed in the insurance guidelines and via business processes and underwriting rules.

Reinsurance is used to manage part of the underwriting risk. The is mainly the risk of large claims or major events.

The reserve risk is managed through the insurance guidelines, in which the guidelines for reserving are set out. Reserves for the long-tailed risk are subject to discounting and inflation risk. These risks are managed through groups assets portfolio matching the financial risks.

Notes to the Consolidated Financial Statements

35.8 Insurance risk (cont.)

Sensitivity analysis of claims in the insurance business

The following table shows the impact of a 1% change in claim amounts, the claims provision and premiums on the Group's profit or loss and equity. A 1% decrease in claim amounts would have the same effect but in the opposite direction.

	2025	2024
Claim amounts	186.853	169.095
Claims provision	200.221	196.812
Premiums based on no change in claims and cost ratios	9.884	9.028

The main risk factors involve mistakes in the processing and settlement of claims, wrong decision-making or fraud by employees. There is also a risk that the claimant gives wrong information or exaggerates the effects of the loss, i.e. insurance fraud. Other risks relate to the handling of sensitive personal information and that the Group's contractors will go beyond their purview.

35.9 Credit and counterparty risk

The operations of the Group are based on three pillars: insurance, financial services and investments. Credit risk exists in all three pillars and is mitigated using various approaches, including the monitoring of counterparty exposures, collaterals, and credit ratings. Internal credit policies specify constraints on credit ratings of new customers. Credit risk associated with insurance stems mainly from unpaid premiums, that are mitigated by short maturities, and reinsurance exposures, that are mitigated by high credit ratings of reinsurance counterparties. The Group considers counterparty risk to be a form of credit risk and therefore these risks are presented together in this note.

The main components of credit and counterparty risks are the following:

- Risk of loss or unforeseeable change in financial position due to a counterparty's lower rating
- Risk of lower rating of a bond issuer (spread risk)
- The risk that a counterparty cannot meet a contractual obligation

The main sources of counterparty risk are:

- Primary insurance
- Reinsurance
- Lending
- Investments in debt securities
- Bank deposits
- Derivatives

The Group's counterparty risk is regularly monitored.

Notes to the Consolidated Financial Statements

35.9 Credit and counterparty risk (cont.)

Counterparty risk is specified as follows:

	31.12.2025	31.12.2024
Marketable debt instruments, credit rating A	22.391.730	16.542.713
Marketable debt instruments, credit rating BBB	1.021.934	1.779.718
Other marketable securities	16.659.174	17.648.394
Reinsurance receivables	0	102.180
Other receivables	4.093.665	2.807.731
Cash and cash equivalents	1.750.025	2.321.959
Total	<u>45.916.528</u>	<u>41.202.694</u>

The Group's maximum exposure to counterparty risk corresponds to the carrying amounts disclosed above.

35.9 a. Reinsurance counterparty risk

Reinsurance counterparty risk

Reinsurers' risk is among other things the risk that reinsurers do not meet their obligations of paying their share of claims, the reinsurance amount is not adequate, there is a mismatch between primary insurance and reinsurance and different interpretation between the insurer and the reinsurer regarding the reinsurance agreement. The Group's reinsurance policy stipulates that its reinsurers shall have a rating from an international rating agency.

Limits are applied regarding reinsurance from each individual reinsurer. Ratings requirements depend on the estimated settlement period of claims in each contract. In addition, the number of reinsurers in each contract and the maximum risk exposure of each reinsurer is based on that reinsurer's rating. All sensitivities presented in connection with insurance and reinsurance risk are shown after the effect of reinsurance. The applied 1% stress on claims amounts reflects management's assessment of the Group's risk profile and portfolio composition, and is intended to illustrate the impact of reasonable changes in key insurance risk parameters. The following table shows the disaggregation of premiums to reinsurers based on their latest available credit rating.

	2026	2025
AA+	0,6%	0,8%
AA	23,1%	39,4%
AA-	42,6%	22,1%
A+	24,4%	29,4%
A	6,9%	6,7%
A-	2,4%	1,6%
	<u>100,0%</u>	<u>100,0%</u>

Notes to the Consolidated Financial Statements

35.9 b. Credit risk of financial activities

Large exposures of the bank before risk adjusted mitigation

	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
Exceeding 25% of capital base	0		0	0
Total	5	2.116.380	0	944.830
Large exposure net of risk adjusted mitigation	5	2.116.380	3	944.830

Collateral against exposures to derivatives

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

	Market value of collateral			
	Deposits	Fixed income securities	Variable income securities	Total collateral
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
	291.162	768.822	4.226.348	5.286.332

	Market value of collateral			
	Deposits	Fixed income securities	Variable income securities	Total collateral
31.12.2024				
Financial institutions	173.112	180.761	495.750	849.623
Corporate customers	186.150	1.239.908	2.426.416	3.852.475
Individuals	0	0	0	0
	359.262	1.420.669	2.922.166	4.702.097

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 payments)	2.389.467	917.051
Securities used for hedging	3.109.524	6.102.840
Loans to customers	11.836.508	7.880.021
	17.832.486	15.034.707

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.

Notes to the Consolidated Financial Statements

35.9 b. Credit risk of financial activities (cont.)

The tables below show changes in provisions by type of financial asset and level 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 reassessment from Stage 1 and 2 to Stage 3 occurs when there is an objective indication of impairment. Reassessment from Stage 3 occur when there is no longer an objective indication of impairment or when the credit risk has decreased and is no longer considered to have significantly increased since the initial classification (from Stage 2 to Stage 1).

	2025 Impairment	2024 Impairment
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.

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	Booked balance
Not yet due	11.853.950	(17.442)	11.836.508
Default 1-30 days			
Default 31-60 days			
Default 61-90 days			
Default >90 days			
	<u>11.853.950</u>	<u>(17.442)</u>	<u>11.836.508</u>

On and off balance sheet exposure for Fossar

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:

31.12.2025

	Public entities	Financial institutions	Corporate customers	Individuals	Total
Cash and cash equivalents		496.987			496.987
Fixed income securities	5.773.556	323.417	420.960		6.517.934
Loans to customers		0	11.836.508		11.836.508
Derivatives			162.132		162.132
Other assets			2.389.467		2.389.467
Total	<u>5.773.556</u>	<u>820.404</u>	<u>14.809.067</u>	<u>0</u>	<u>21.403.028</u>

31.12.2024

	Public entities	Financial institutions	Corporate customers	Individuals	Total
Cash and cash equivalents		134.795			134.795
Fixed income securities	7.008.612	44.560			7.053.173
Loans to customers		783.746	7.096.274		7.880.021
Derivatives			118.541		118.541
Other assets			917.051		917.051
Total	<u>7.008.612</u>	<u>963.101</u>	<u>8.131.867</u>	<u>0</u>	<u>16.103.580</u>

Notes to the Consolidated Financial Statements

35.10 Credit quality of financial assets

a. Breakdown of loans to customers by industry and type of collateral.

Collateral under the category Other is comprised mostly of land under development but also includes machinery and receivables.

	Claim value	Impairment to expected credit loss	Carrying amount	Allocated collateral					
				Total collateral	Deposits	Listed securities and liquid funds	Unlisted securities and other funds	Commercial real estate	Other
31.12.2025									
Public entities									
Financial institutions									
Corporate									
Real estate activities	3.993.210	(12.268)	3.980.941	9.380.842	2.389	3.532.853	1.600	3.357.000	1.120.000
Construction	484.381	(189)	484.192	1.733.715	0	0	228.000	1.020.715	0
Service activities	0	0	0	0	0	0	0	0	0
Accommodat. and Food Service Activit.	201.804	(108)	201.696	1.835.612	3.175	0	1.052.437	780.000	0
Activities of Holding Companies	4.626.540	(623)	4.625.917	20.873.492	135.176	12.405.106	4.541.510	1.335.850	1.120.000
Wholesale and Retail Trade	0	0	0	0	0	0	0	0	0
Other	2.548.016	(4.254)	2.543.762	9.161.793	96.207	401.730	5.194.047	638.000	2.598.059
Individual									
Total	11.853.950	(17.442)	11.836.508	42.985.454	236.947	16.339.689	11.017.594	7.131.565	4.838.059

	Claim value	Impairment to expected credit loss	Carrying amount	Allocated collateral					
				Total collateral	Deposits	Listed securities and liquid funds	Unlisted securities and other funds	Commercial real estate	Other
31.12.2024									
Public entities									
Financial institutions									
Corporate									
Real estate activities	3.129.150	(5.540)	3.123.610	7.188.322	0	2.937.682	1.120.800	1.701.940	1.427.900
Construction	254.363	(634)	253.729	1.559.250	0	0	228.000	1.264.000	67.250
Service activities	0	0	0	0	0	0	0	0	0
Accommodat. and Food Service Activit.	235.024	(649)	234.375	2.551.335	0	0	2.091.335	460.000	0
Activities of Holding Companies	3.079.210	(2.607)	3.076.603	7.988.212	190.078	3.479.218	2.896.226	569.000	853.690
Wholesale and Retail Trade	0	0	0	0	0	0	0	0	0
Other	1.193.089	(1.385)	1.191.704	2.956.928	250.299	860.829	1.120.800	185.000	540.000
Individual									
Total	7.890.836	(10.815)	7.880.021	22.244.047	440.377	7.277.729	7.457.161	4.179.940	2.888.840

Notes to the Consolidated Financial Statements

b. 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.

Credit quality of financial assets by credit quality band

31.12.2025

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

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				
Credit quality band IV				
In default				
Non-Rated				
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 Consolidated Financial Statements

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

31.12.2025	Claim value	Expected credit loss	Book value
Not past due	11.853.950	(17.442)	11.836.508
Past due 1-30 days			
Past due 31-60 days			
Past due 61-90 days			
Past due 91-180 days			
Past due 181-360 days			
Past due more than 360 days			
Total	<u>11.853.950</u>	<u>(17.442)</u>	<u>11.836.508</u>

31.12.2024	Claim value	Expected credit loss	Book value
Not past due	7.890.836	(10.815)	7.880.021
Past due 1-30 days			
Past due 31-60 days			
Past due 61-90 days			
Past due 91-180 days			
Past due 181-360 days			
Past due more than 360 days			
Total	<u>7.890.836</u>	<u>(10.815)</u>	<u>7.880.021</u>

d. 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.

31.12.2025

Expected credit loss allowance total

Transfer of financial assets:	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	10.815			10.815
Transfer to Stage 1				0
Transfer to Stage 2				0
Transfer to Stage 3				0
Net remeasurement of loss allowance	2.037	3.101		5.139
New financial assets, originated or purchased	1.512	2.464		3.976
Derecognitions and maturities	(2.488)			(2.488)
Write-offs				
Balance as at 31 December 2025	<u>11.876</u>	<u>5.565</u>	<u>0</u>	<u>17.442</u>

31.12.2024

Transfer of financial assets:

Transfer of financial assets:	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	0			0
Transfer to Stage 1	0			0
Transfer to Stage 2	0			0
Transfer to Stage 3	0			0
Net remeasurement of loss allowance	2.646			2.646
New financial assets, originated or purchased	8.169			8.169
Derecognitions and maturities				
Write-offs				
Balance as at 31 December 2024	<u>10.815</u>	<u>0</u>	<u>0</u>	<u>10.815</u>

Notes to the Consolidated Financial Statements

e. 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. Collateral position and the general creditworthiness of a customer are together viewed as the most reliable indicators 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:

	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%
Total	11.836.508	100%	7.880.021	100%

35.11 Operational risk

Operational risk consists of all risks that are related to regular operations of the Group and its subsidiaries 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 Group'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

35.12 Concentration of risk

The Group is exposed to concentration of risk arising from insurance contracts within the scope of IFRS 17, which could result in significant impacts from specific events or economic conditions affecting certain geographical regions, insurance lines, or weather-related conditions. The primary sources of risk concentration include:

Geographical Risk: Exposure to regions prone to natural disasters, economic downturns, or regulatory changes.

Lines of Insurance Risk: Dependence on specific insurance products that may be susceptible to adverse claims experience.

Weather-Related Risk: Increased exposure to extreme weather events such as severe storms, floods, and wildfires, as well as severe winter conditions leading to higher incidences of car accidents and storms causing property damage.

Notes to the Consolidated Financial Statements

35.12 Concentration of risk (cont.)

The Group actively manages these risks through diversification strategies, reinsurance arrangements, and underwriting policies to mitigate potential financial impacts. Sensitivity analyses and stress testing are conducted regularly to assess the resilience of the portfolio against risk concentrations.

35.13 Internal management and control

The Group's policy is to have a well-organized and reliable internal control framework. The framework is articulated by the Board, the subsidiaries Board's, their management and employees and is designed to give reasonable assurance of the achievement of the Group'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 Group's internal management and control systems are divided into the following five components:

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

The policy is based on the COSO (Committee of Sponsoring Organisations of the Treadway Commission) Internal Control– Integrated Framework, published in May 2013.

Internal management and control are reflected in the Group's and subsidiaries' procedures, practices, code of conduct and human resources policy. It is a normal part of the Group's activities and is integrated with its operations. However, internal management and control are subject to human limitations such as mistakes and the intention to circumvent the Group's rules and other unforeseeable factors.

36. Combined ratio

The combined ratio is the sum of incurred claims, insurance contract operating expenses and net expenses from reinsurance contracts as a proportion of insurance revenue. The claims ratio, insurance contracts expense ratio and net reinsurance ratio are calculated as a proportion of the insurance revenue.

The following table shows the combined ratio and other key ratios of the insurance operations for the past five years.

	2025	2024	2023	2022	2021
Claims ratio	69,5%	72,6%	76,5%	70,8%	73,3%
Net reinsurance ratio	3,1%	3,3%	0,7%	2,4%	-0,8%
Claims and net reinsurance ratio	72,6%	75,8%	77,2%	73,2%	72,5%
Insurance contracts expense ratio	18,1%	19,1%	22,3%	21,8%	23,0%
Combined ratio	90,7%	94,9%	99,5%	95,0%	95,5%

Notes to the Consolidated Financial Statements

37. Related parties

Related parties are those parties, or their companies, that have a significant influence on the Group, whether directly or indirectly. Related parties are board members of the Group, the CEOs of the Group, key management personnel, associates as disclosed in note 20, close family members of individuals identified as related parties, as well as other dependent parties directed by or under the influence of the Group. Transactions with related parties have been on the same terms as with unrelated parties. Salaries and benefits of the board, CEOs and key management personnel are disclosed in note 10.1.

Transactions and balances with related parties are specified as follows:

2025	<u>Income</u>	<u>Expenses</u>	<u>Assets</u>	<u>Liabilities</u>
Board of directors and key management	8.181	8.274	2.652	0
Associates	4.460	231.242	25	18.860
2024	<u>Income</u>	<u>Expenses</u>	<u>Assets</u>	<u>Liabilities</u>
Board of directors and key management	25.425	15.501	128.592	845
Associates	4.203	138.981	178	9.520

38. 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. On 6th October 2025 the board of directors of Skagi hf. and Íslandsbanki hf. approved the initiation of formal merger negotiations, and both parties signed a Heads of Terms to that effect. Among other key commercial terms it outlines that Skagi's shareholders will receive 323,859,440 new shares in Íslandsbanki, representing approximately 15% ownership in the combined company. This indicates a share price of ISK 21.18 per Skagi share and ISK 124.00 per Íslandsbanki share. Merger discussion remain subject to a final merger agreement upon which shareholders approvals and relevant supervisory authority approvals will also be required, e.g. competition and financial supervisory authorities. Reference is made to note 19 (Share in subsidiaries) in relation to purchase of shares in Íslensk verðbréf hf.

Notes to the Consolidated Financial Statements

39. Material accounting policies

The accounting policies as set out below have been applied consistently for all periods described in the annual financial statements and for all the Group's entities.

To increase the information value of the annual financial statements, notes are included based on their relevance and importance for the readers of these statements. Therefore, information that is neither considered important nor relevant for the readers of the annual financial statements is not included in the notes.

39.1 The Group

The Group's annual financial statements include the annual financial statements of the Parent Company and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The financial results of subsidiaries acquired or sold during the year are included in the consolidated financial statements from the date of acquisition to the date of disposal, as applicable.

The consolidated financial statements include the revenue, expenses, assets and liabilities of the Group from transactions with third parties. Intercompany transactions are eliminated in the consolidated accounts. Where applicable, the financial statements of subsidiaries are adjusted to align them with the accounting policies of the Group.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent company and to the non-controlling interests.

39.2 Associates

Associates are those companies in which the Company has significant influence, but not control, over their financial and operating policy. Significant influence is usually present when the Company holds 20% to 50% of the voting rights, including any potential exercisable voting rights. Interests in associates are accounted for using the equity method.

Equity method

The equity method is an accounting policy whereby investments in associates are initially recognised at cost and the carrying amount is subsequently adjusted in accordance with any changes in the Company's share of the net assets of the associates. The Company's share of the profit of an associate is recognised as part of the Company's profit or loss. If the Company's share of loss of an associate exceeds its carrying amount, the Company does not recognise any further share of loss unless it has issued guarantees on behalf of the associate or financed its operations. In subsequent periods, the Company does not recognise any share of the profit of associates until the unrecognised share of loss has been equalised.

39.3 Goodwill

Goodwill that arises from acquisitions is recognised on the date the Company achieves control of the acquired company. Goodwill is the difference between the acquisition price of a subsidiary and the acquirer's interest in the net assets of the subsidiary, at fair value at the acquisition date. Goodwill is not amortised but tested annually for impairment or more often if there is any indication of impairment. For the purpose of impairment testing, goodwill is allocated to cash-generating units. Those cash-generating units to which goodwill has been allocated are tested for impairment. Impairment has occurred if the carrying amount exceeds the recoverable amount. Impairment is first recognised by the expense of goodwill and thereafter as a reduction of the carrying amount of other assets of that cash-generating unit. Impairment losses of goodwill are not reversed in later periods.

Notes to the Consolidated Financial Statements

39.4 Foreign currencies

Transactions in foreign currency are recognised at the prevailing exchange rate on the transaction date. Monetary assets and liabilities in foreign currencies are recognised at the prevailing exchange rate at the end of the reporting date. Foreign exchange differences are recognised in profit or loss.

39.5 Insurance Revenue

Insurance revenue is recognized over the coverage period in line with the transfer of insurance services to the policyholder. Under the Premium Allocation Approach (PAA), insurance revenue reflects the release of the Liability for Remaining Coverage (LRC) as services are provided over time.

Measurement of the Liability for Remaining Coverage (LRC)

- **Initial Recognition:** At the inception of the contract, the LRC is measured as the premiums received (or receivable), net of any acquisition cash flows if applicable. If a financing component exists, the LRC is discounted accordingly.
- **Subsequent Measurement:** The LRC is reduced over the coverage period as insurance services are provided, with the corresponding amount recognized as insurance revenue. Adjustments are made for changes in estimates of future premiums and expected claims.

Recognition of Insurance Revenue Insurance revenue for each reporting period is derived from the amount of the LRC released as services are provided of the period. The Group allocates the revenue on a straight-line basis over the coverage period. If the expected pattern of the release of service differs significantly from the straight-line basis, then the allocation is changed to the expected pattern for release of service. The group changes the method if facts and circumstance change.

Key considerations for recognizing insurance revenue:

- **Time-Based Recognition:** If insurance coverage is provided evenly over the contract period, revenue is recognized on a straight-line basis.
- **Alternative Systematic Approaches:** If the risk profile changes over time, an alternative allocation method is used to reflect the transfer of services more accurately.
- **Adjustments for Premium Changes:** Revenue is adjusted for cancellations, modifications, and other changes in premium estimates.

Premiums received in advance for future coverage periods are recorded as part of the LRC and recognized as revenue when the coverage is provided. Insurance revenue is presented separately from the insurance service result, which includes claims incurred, risk adjustments, and other related expenses.

39.6 Insurance service expenses

Insurance service expenses include both the operating expenses of insurance contracts, and the claims expensed during the year. Claims expensed consist of claims incurred during the year as well as the effect of reassessment of claims from previous years. The liability due to claims incurred consists of the total amount of reported and unsettled claims as well as an actuarial estimation of incurred but unreported claims.

Notes to the Consolidated Financial Statements

39.7 Insurance contracts

The Group issues contracts that transfer both financial and insurance risk from its customers to the Group.

Definition of insurance contracts

Insurance contracts are contracts under which the insurer agrees, in accordance with the term of the contract, to compensate the policyholder for financial loss incurred due to an insured event.

The insured event is uncertain, it is not known if or when it occurs, and generally its financial consequences are not known beforehand.

Classification of insurance contracts

Insurance contracts are classified into categories based on the nature of the insured risk, life insurance and non-life insurance with non-life insurance contracts consisting of liability insurance contracts, accident insurance contracts and property insurance contracts, including marine and cargo insurance contracts.

Liability insurance contracts protect the customer from the risk of causing harm to third parties as a result of their legitimate activities. Accident insurance contracts compensate the insured own bodily injuries in accordance with contractual provisions.

Property insurance contracts compensate the Group's customers for damage to or loss of property. Customers that carry on commercial activities may also be entitled to compensation for a loss of earnings if their business is curtailed or temporarily suspended due to damage to the insured property.

Life insurance contracts are related to human life, for instance death or living beyond the insurance period. Premiums are recognized as revenue over the life of the contract. Compensation is expensed when an insured event occurs.

Within each category, it is assessed whether contracts can become onerous based on the assumption that pricing or underlying risks will lead to a loss on the contract during the contract period. If a contract proves to be onerous, the expected loss from the contract is recognised as an expense through profit or loss. No groups of agreements have been identified at the Group that are considered onerous.

Contract boundaries

Contract boundaries define the cash flows within the boundary of each insurance contract. The measurement of a group of insurance contracts includes all future cash flows arising within the contract boundary. In determining which cash flows fall within the contract boundary, substantive rights and obligations arising from the terms of the contract, together with applicable laws and regulations, are considered.

The insurance contracts have a less than one-year contract boundary, typically until the next renewal date, i.e. contract has one-year coverage period during which there are substantive rights and obligations.

The group uses the same principles for the contract boundaries of reinsurance contracts held.

Notes to the Consolidated Financial Statements

39.7 Insurance contracts (cont.)

Insurance contract liabilities

Liability for remaining coverage:

The Group uses the premium allocation approach (PAA) to simplify the measurement of groups of insurance contracts. On initial recognition of each group of contracts, the carrying amount of the liability for remaining coverage is measured as the premiums received on initial recognition.

The insurance contracts issued by the group have a coverage period of one year or less. For contracts where the coverage period is over one year, it is calculated that the obligation for remaining coverage will not deviate significantly from the obligation that would have been arrived at by applying the general measurement model called GMM, and therefore PAA will also be used for these contracts.

The Group has chosen to expense insurance acquisition cash flows when they are incurred. The coverage period is defined as the period when an insured event can occur.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any premiums received and decreased by the amount recognised as insurance revenue for services provided.

Services is usually provided based on passage of time.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

Liability for incurred claims:

Liability for Incurred claims is measured as the total of the expected fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk.

Claims and claims handling costs including expected claims handling costs are expensed in the statement of profit or loss as incurred based on the estimated future cash flows to policyholders or third parties to fulfil the obligations toward policyholders.

Claims include direct claims handling costs that arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Group.

The Group recognises the liability for incurred claims of a group of insurance contracts at the amount of the fulfilment cash flows relating to incurred claims. The future fulfilment cash flows are discounted (at current rates) and adjusted for the effect of future inflation. Fulfilment cash flows are estimated using the assessments of individual cases reported to the Group and statistical analyses of claims incurred but not reported. The provisions include claims handling costs.

Assumptions and interdependencies

Level of aggregation and the evaluation of contract boundary are significant assumptions as these define the use of the premium allocation model's simplified measurement model. Discounting and adjustment for future inflation affects in particular long tailed claims where the assessment of the actual claim takes time. This is the case for claims in motor liability, professional liability, workers' compensation, personal accident.

Notes to the Consolidated Financial Statements

39.7 Insurance contracts (cont.)

Liability for incurred claims is determined for each line of business based on actuarial methods. Expected cash flows are adjusted for the future effect of inflation. The models currently used are Chain-Ladder, Bornhuetter Ferguson. In some instances, historic data used in the actuarial models need to be supplemented with predictions for the expected future development of claims. This is used when there are structural changes in underlying insurance risk. In this situation, the historical data is supplemented with an a priori estimate for the expected change in the level of claims.

Measurement, reinsurance contracts held

The Group applies the same principles to measure a group of reinsurance contracts and insurance contracts issued, adapted where necessary to reflect features that differ from those of insurance contracts.

The Liability for remaining coverage is measured using the PAA method. The reinsurance held have a coverage period of one year or less. For contracts where the coverage period is over one year, the obligation for remaining coverage will not deviate significantly from the obligation that would have been arrived at by applying the general measurement model called GMM, and therefore PAA will also be used for these contracts.

If a loss-recovery component is created for a group of reinsurance contracts measured under the PAA, then the Group adjusts the carrying amount of the asset for remaining coverage.

Risk adjustment for non-financial risk for reinsurance contracts are modelled using similar statistical models as for direct insurance contract so that it represents the amount of risk being transferred by the holder of the group of reinsurance contracts to the issuer of those contracts.

Principles for Discounting

Discounting under IFRS 17 involves adjusting future cash flows to present value to reflect the time value of money. Liability for incurred claims is discounted to reflect the time value of money and the associated financial risks at the reporting date. Discount rate reflects the yield curve in the appropriate currency for instruments that expose the holder to no or negligible credit risk, adjusted to reflect the liquidity characteristics of payment of future incurred claims.

The EIOPA risk free discount meets these requirements and have been used.

Principles for Risk Adjustment

The risk adjustment represents the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk as the entity fulfils insurance contracts. The risk adjustment for non-financial risk (RA) reflects the compensation required by the insurer to bear the uncertainty of the amount and timing of cash flows arising from non-financial risk. Sources of the uncertainty about the amount and timing of the cash flows are linked to the determination of the LIC, stated above, and the estimation of the future cash flows, i.e. when the claims payments take place.

RA is calculated on a group level for the insurance business. A cost of capital approach is chosen, and risk adjustment is chosen to represent a confidence level of 85 per cent. RA is presented in full in the insurance service result.

Risk adjustment for non-financial risk for reinsurance contracts are modelled using similar statistical models as for direct insurance contract so that it represents the amount of risk being transferred by the holder of the group of reinsurance contracts to the issuer of those contracts.

Notes to the Consolidated Financial Statements

39.7 Insurance contracts (cont.)

Principles for Level of Aggregation

Insurance contracts are aggregated into portfolios of insurance contracts. A portfolio comprises of insurance contracts with similar risks that are managed together. These portfolios are further divided into annual cohorts, i.e. contracts not issued more than one year apart based in a risk basis. Portfolios are determined based on a segmentation of business, or a combination of line of business (as defined by the management), business area and country.

No material onerous contracts have been identified.

Principles for Separation

Contracts that transfer a significant insurance risk are classified as insurance contracts. Contracts held by the group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts.

The Group issues certain group of life insurance policies, which included a life insurance part, and a separate unit linked saving part. Using the principles for separation, these contracts are split into a savings and an insurance component. The savings component is valued using IFRS 9, because the investment risk is borne by the policyholder, and it is distinct from the insurance risk. The insurance component is valued using IFRS17.

These principles ensure that insurance contracts are measured accurately, transparently, and in a manner that reflects the economic reality of the underlying risks and cash flows.

Insurance acquisition cost

All insurance acquisition costs are recognized immediately in the statement of profit or loss as an expense in the period in which they are incurred and are recognised under insurance service expense in the Income statement.

Reinsurance contracts held

The Group enters into reinsurance contracts with the purpose of mitigating its risk. Reinsurance contracts held are either proportional or cover the total risk if the loss from a claim event exceeds the pre-agreed claim amount.

Premium on reinsurance contracts held are recognised as reinsurance expenses and on reinsurers held as claims received. These consists of claims on reinsurers due to their share of the claims provision. The Group applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

Risk adjustment for non-financial risk for reinsurance contracts are modelled using similar statistical models as for direct insurance contract so that it represents the amount of risk being transferred by the holder of the group of reinsurance contracts to the issuer of those contracts.

Net finance expenses from insurance contracts

Net finance expenses from insurance contracts comprise the insurance finance income and expenses recognised in profit or loss during the period in accordance with IFRS 17 *Insurance Contracts*. These amounts arise from the effect of the time value of money and financial risk related to insurance contracts issued.

Insurance finance income and expenses include the unwinding of discount rates applied to insurance contract liabilities and the impact of changes in financial assumptions that relate to future cash flows. Finance income and expenses are determined using the discount rates applied on initial recognition of the insurance contracts and, where applicable, updated discount rates reflecting current market conditions.

Net finance expenses from insurance contracts are presented within net financial income/expense in the statement of profit or loss.

Notes to the Consolidated Financial Statements

39.8 Interest income and expenses

Interest income is recognised in the statement of profit or loss as it accrues.

Interest expense on financial liabilities measured at amortised cost is recognised in the statement of profit or loss as it accrues.

39.9 Fee and commission income and expenses

Fee and commission income is mainly due to the Company's services to clients in the field of asset management, fund management and corporate consulting. Fee and commission income and expense for services provided over a certain period are recognized as the services are provided. Fees earned from transaction type services are recognized when the service has been completed, i.e. point in time. Fees that are performance linked are recognized when the performance criteria are fulfilled, i.e. point in time. Contractual fees, such as fees for asset management, are recognised over the period of the contract as the services are provided (i.e. over time), usually on a straight line basis. There is not considered to be a significant financing component in contracts for commission income, as the credit period for receivables is relatively short. Uncertainties regarding variable consideration for performance-based income are commonly resolved at the point in time when revenue is recognised. The Company does not have significant contract assets or liabilities on its balance sheet. Commission fee income according to long-term contracts is recognised on a straight line basis over time and invoiced monthly in arrears. Performance-related fees are recognized as income when the set target has been reached.

39.10 Net financial income

Net financial income, stems from insurance investment activities and consists of interest income from bank deposits, exchange rate gains from monetary assets and liabilities and interest-bearing financial receivables, fair value changes of financial assets through the statement of profit or loss, and unwinding, interest and exchange rate change of technical provision. Dividend income from investments is recognised on the date when the right to a dividend is established. Dividends are presented as a component of net financial income.

Financial expenses consist of interest expenses on interest-bearing financial liabilities, exchange rate losses on monetary assets and liabilities and fair value changes of financial assets. Financial expenses are recognised during the period in which they are incurred.

39.11 Income taxes

Income taxes expensed consists of current taxes and deferred tax.

Current tax

Current taxes are the taxes expected to be payable on taxable income for the year, and any adjustment to taxes payable in respect of previous years. Taxable income for the year is generally different from profit or loss before tax according to the financial statements. Calculated income tax is based on the tax rates in effect at the reporting date.

Deferred income tax

Deferred income tax is due to a temporary difference between taxable income and profit or loss according to the financial statements. This is because the Group's tax base is based on assumptions different from the financial statements. Deferred income tax is not recognised on non-deductible goodwill.

A deferred tax asset is estimated at the reporting date and is recognised only to the extent that it is probable that future taxable income will be available against which the tax asset can be utilised in the future.

Deferred income tax is expensed in profit or loss unless it is related to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or equity.

Notes to the Consolidated Financial Statements

39.12 Cash and cash equivalents

Cash and cash equivalents consist of unrestricted deposits with financial institutions, and highly liquid financial assets that are due within three months from the acquisition date and can easily be converted into cash where risk of changes in their fair value is insignificant.

39.13 Financial assets

Initial recognition

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Classification of financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The classification of financial assets is based on the business model within which they are held and their contractual cash flow characteristics. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at amortised cost

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

Financial assets at fair value

Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income unless the fair value option is applied. All other debt investments and equity investments not measured at amortised cost are measured subsequently 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 hedging instruments in hedge accounting. During the year ended 31 December 2025, the Group held debt instruments (bonds) classified as financial assets measured at fair value through other comprehensive income (FVOCI). As at 31 December 2023, these instruments had a carrying value of ISK 2.499.612 (2024: 2.499.612). The related unrealised fair value changes are recognised in other comprehensive income and accumulated in the FVOCI reserve within equity.

Notes to the Consolidated Financial Statements

39.13 Financial assets (cont.)

Impairment of financial assets

The Group'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 stages:

Stage 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.

Stage 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.

Stage 3

There are objective 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 stage 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 with payment due in less than 12 months).

Since there are relatively few receivables (excluding insurance contracts for which credit risk is considered limited), management assesses expected credit losses separately for individual receivables. Therefore, the Group does not apply the presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due and that objective indicators of impairment exist when payments are more than 90 days past due.

If the credit risk of 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.

Definition of default

Management believes that objective indications of impairment exist if it is considered likely that the debtor will not be able to fully meet its obligations to the Group. The following are examples of circumstances where the Group believes that objective indications of impairment exist:

- a debtor has applied for bankruptcy, a company has been deregistered, or if a company no longer operates on 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

Receivables are written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Notes to the Consolidated Financial Statements

39.14 Customer relationships

Customer relationships, recognised upon acquisition of operations, are amortised over the estimated useful life, which is 10 years.

39.15 Software

Software is recognized at cost less accumulated amortisation and impairment. The cost price consists of the purchase price and all direct costs associated with getting the software into use. Software is amortised using the straight-line method over 3 to 10 year from the date it is taken into use.

39.16 Property, plant and equipment

Property, plant and equipment are recognised when it is probable that economic benefits embodied in the asset will flow to the Group and its cost can be measured reliably. Property, plant and equipment assets are recognised at cost value less accumulated depreciation and impairment. The cost of property, plant and equipment assets consists of the purchase price and all directly attributable cost necessary to make the asset capable of generating revenue.

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment.

Depreciation is recognised on a systematic basis over the expected useful life of the asset, taking into account its estimated residual value. The depreciation method expected useful life and residual value are reviewed at least annually.

Gain or loss on the sale of property, plant and equipment are calculated as the difference between the sale price and carrying amount. It is recognised in profit or loss as part of other income.

39.17 Impairment of non-financial assets

At each reporting date, management reviews the carrying amount of tangible and intangible assets for indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount of a cash-generating unit to which the asset belongs is estimated if it is not possible to test the asset individually for impairment.

The recoverable amount is the higher of fair value less estimated cost to sell and value in use. Value in use is based on estimated future cash flows, discounted at the pre-tax rate of interest, where the interest rate reflects the market assessment of time value of money at each time and the risk embodied in the asset.

Intangible assets with indefinite useful life and intangible assets not ready for use are tested for impairment annually and more often if there is any indication of impairment.

If the recoverable amount of an asset is lower than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment loss is recognised in profit or loss.

A recovery of the asset, subsequent to impairment recognition, is reversed. However, reversal is limited to the amount of the asset not being recognised at an amount higher than its carrying amount prior to the impairment recognition. Reversal of impairment of goodwill is prohibited.

Notes to the Consolidated Financial Statements

39.18 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 recognised at fair value through profit or loss are immediately recognised in profit or loss.

Financial liabilities are valued at amortised cost based on the effective interest rate. The Group derecognises 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.

39.19 Equity instruments

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

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

39.20 Provisions

A provision is recognised when the Group has a legal or constructive obligation due to a past event, payment is probable, and the amount of the obligation can be reliably determined.

The amount of the provision is based on the best possible estimation of the liability at the reporting date. If the amount of the provision is based on estimated future cash flows, it is recognised at present value.

If the provision is recoverable from a third party, the recoverable amount is recognised as an asset.

39.21 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. For discounting the Group uses its incremental borrowing rate when the rate implicit in the lease cannot be readily determined.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

39.22 Earnings per share

The Group 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.

Notes to the Consolidated Financial Statements

39.23 New standards, interpretations and amendments to standards

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.

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 Groups' statement of profit or loss, the statement of cash flows, and the additional disclosure required for MPMs. The Group is also assessing the impact of 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 7)

Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)

Notes to the Consolidated Financial Statements

40. Quarterly statement (unaudited)

	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024
Insurance revenue	8.204.617	8.368.737	7.854.521	7.531.512	7.546.073
Net interest income	137.845	122.830	91.633	108.389	77.244
Net fee and commission income	686.128	479.882	603.761	587.860	679.466
Net financial income	1.532.395	(252.962)	(143.437)	(1.097.590)	1.312.202
Share in profit of associates, after income tax	59.500	0	26.366	25.084	0
Other income	125.420	13.685	46.472	25.276	162.816
Total income	10.745.905	8.732.173	8.479.315	7.180.530	9.777.802
Insurance service expenses	(7.985.855)	(6.590.384)	(6.026.185)	(7.403.579)	(6.800.948)
Net expenses from reinsurance contracts	(168.842)	(307.324)	(329.007)	(178.478)	(308.071)
Operating expenses	(1.056.389)	(726.349)	(806.057)	(919.441)	(1.008.566)
Amortization of intangible assets	(49.802)	(49.170)	(50.071)	(47.262)	(42.952)
Net credit impairments	(249)	(2.309)	(1.005)	(3.064)	(1.365)
Profit (loss) before income taxes	1.484.768	1.056.638	1.266.990	(1.371.294)	1.615.901
Income tax	80.681	(339.241)	(294.647)	18.570	(57.558)
Profit (loss) for the period	1.565.449	717.397	972.343	(1.352.724)	1.558.343
Insurance operations					
Claims ratio	78,6%	62,6%	58,3%	79,1%	72,9%
Net reinsurance ratio	2,1%	3,7%	4,2%	2,4%	1,5%
Claims and net reinsurance ratio	80,7%	66,3%	62,5%	81,4%	74,4%
Insurance contracts expense ratio	18,7%	16,1%	18,4%	19,2%	19,8%
Combined ratio	99,4%	82,4%	80,9%	100,7%	94,2%
Investment Operations					
Insurance investment portfolio return	4,0%	1,0%	1,2%	-1,1%	3,6%
Financial services					
Financial Services revenue (excl. Interco. adj.)	976	700	732	780	892
Assets under Management (AuM) ISKbn	253	236	232	225	227
Group					
ROE on annual basis	27,2%	13,2%	18,4%	-25,1%	29,0%
Profit per share	0,82	0,38	0,51	-0,71	0,82

Appendix 1

Non-Financial Disclosure 2025

CEO Statement

Skagi is a leading Icelandic Financial Services Group focused on sustainable and profitable growth in insurance, investment banking, and asset management. Building on a long-standing legacy in insurance, the Group has developed a strong track record in financial services and long-term investment performance. Skagi consists of VÍS Insurance (“VÍS”), Fossar Investment Bank (“Fossar”), and Íslensk verðbréf (“ÍV” or “ÍV Asset Management”). Skagi and all its subsidiaries are conscious of the importance of sustainability in their operations and activities.

One of Skagi’s objectives is to open new dimensions in financial markets, by drawing on the combined strength and distinct expertise of its three subsidiaries. By emphasizing quality growth, supporting innovation, and expanding opportunities for clients with diverse needs and ambitions, Skagi aims to help foster broader participation in financial markets and a more resilient economy. Sustainability plays an integral role in achieving this objective. Integrating responsible business practices not only benefits the environment and the society but supports the Group’s long-term success.

2025 was the first full year in which all three subsidiaries operated under Skagi, with Íslensk verðbréf becoming fully merged with SIV eignastýring at the beginning of the year 2025. Following these changes within the Group, emphasis was placed on developing a comprehensive sustainability policy for Skagi and its subsidiaries. The policy was built based on a double materiality assessment, which was conducted on a group-wide basis. The information presented in this year’s Sustainability Report reflects the priorities identified through that assessment.

Skagi aims to contribute to sustainability and ESG through areas where the group holds a particular advantage to provide value. For example, VÍS contributes significantly to accident prevention measures through education, grants and gifts. Both ÍV and Fossar work to promote financial health of both its customers and the economy in general by providing specialized services and supporting healthy competition in the market.

This report is Skagi’s first in which EFRAG’s Voluntary Standards for SMEs, Basic Module, is used to provide non-financial information, with European Sustainability Reporting Standards (ESRS) also used as a reference point for disclosure. With the new presentation of the report, Skagi aims to increase transparency and accountability in its sustainability-related disclosures for the Group.

General Disclosure

General Basis for Preparation of Sustainability Report

This Sustainability Report covers the period from 1 January 2025 to 31 December 2025. It provides insight into the sustainability efforts of Skagi (the “Company”) and its subsidiaries (the “Skagi Group” or the “Group”) on a consolidated basis for the relevant period. Skagi’s subsidiaries are VÍS tryggingar hf. (“VÍS Insurance”, “VÍS”), Fossar fjárfestingarbanki hf. (“Fossar Investment Bank”, “Fossar”) and Íslensk verðbréf hf. (“Íslensk verðbréf”, “ÍV” or “ÍV Asset Management”). All companies of the Group have a registered address at Ármúli 3, 108 Reykjavík, Iceland.

In preparing the report, Skagi has for the first time referred to the European Financial Reporting Advisory Group (“EFRAG”) standards known as the European Sustainability Reporting Standards (“ESRS”) when

disclosing information for selected data points. However, Skagi has chosen to provide the required information under EFRAG’s voluntary standards for small and medium-sized enterprises (Voluntary Standards for SMEs, Basic Module). Information is provided on the matters assessed as material based on the double materiality assessment conducted in the first half of 2025.

Skagi will continue to develop its sustainability disclosures in line with regulatory developments as they occur. At the time of preparing this report, the EU’s Corporate Sustainability Reporting Directive (“CSRD”) has not been implemented into Icelandic law. This report therefore complies with the current requirements of Article 66(d) of Act no. 3/2006 on Annual Accounts, concerning non-financial reporting. While the EU is drawing back on its sustainability disclosure framework for companies through its intended Omnibus Regulation, Skagi chooses to reflect the prevailing best practices in sustainability-related disclosures to ensure consistency, maintain transparency towards stakeholders and prepare the Group for potential future developments in regulation and market expectations. Climate impact calculations are performed by a third party in accordance with the Greenhouse Gas Protocol methodology.

Non-financial disclosure for the subsidiaries can also be found in their annual financial statements. More detailed non-financial disclosure, including numeric data, on the 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).

Double Materiality Assessment – Methodology and Results

General

A double materiality assessment involves evaluating both *impact materiality*, i.e. the effects that a company’s operations have on the external environment and society, and *financial materiality*, i.e. the ways in which sustainability matters affect a company’s operations, including whether they present financial opportunities or risks for the company. A double materiality assessment makes it possible to determine which ESRS sustainability topics are material for the Group.

The results of the group-wide double materiality assessment conducted in the first half of 2025 identified material sustainability topics for the Group, namely impacts, risks and opportunities, that form the basis for this financial year’s Sustainability Report. In carrying out the assessment, Skagi relied on EFRAG’s guidance on double materiality while also taking into account the practices of comparable companies in the Nordic region.

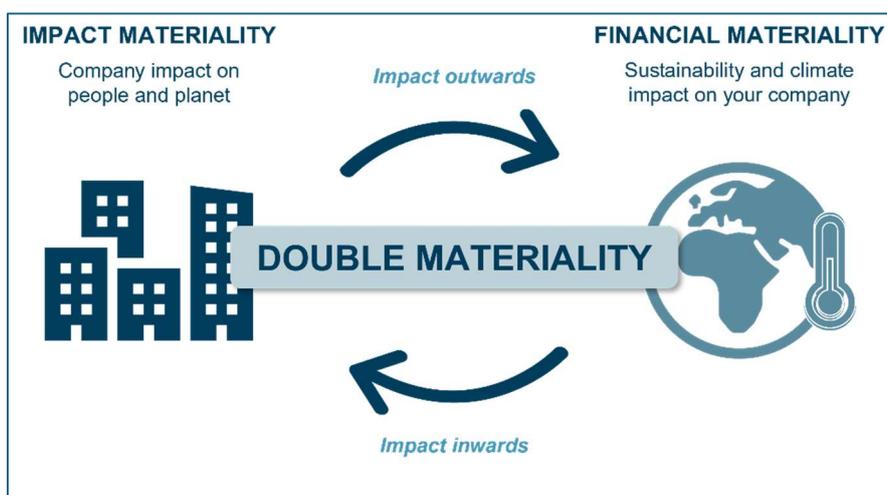


Figure 1: Double Materiality Methodology

Methodology

To identify and assess the Group's actual and potential impacts, risks, and opportunities, an initial assessment was conducted of how the ESRS sustainability standards relate to the Group's strategy and organizational structure. This was followed by analytical work involving key personnel within the Group, namely employees who, through their participation, were able to provide insight into the relevance and impacts of sustainability matters for the Group. These participants reviewed the sustainability topics set out in the ESRS standards and assessed additional factors that should be included in the assessment.

In assessing impact materiality, consideration was given to actual and potential, positive and negative impacts that the Group has or may have on the external environment. The assessment covered the operations of all entities within the Group, and the impacts were evaluated based on the following criteria:

- (a) **Scale:** The extent to which the negative or positive impacts are, or could be, severe.
- (b) **Scope:** The breadth or extent of the impacts, or the potential breadth thereof.
- (c) **Irremediable Character:** The degree to which it is difficult or impossible to prevent, mitigate, or remedy negative impacts.
- (d) **Likelihood:** The probability that the impacts will materialize, whether positive or negative.

In assessing financial materiality, consideration was given to the financial risks and/or financial opportunities that sustainability factors may create for the Group. Financial materiality encompasses potential impacts on the Group's financial position, including both direct financial impacts, such as costs or revenues, and indirect impacts, such as changes in market conditions, the regulatory environment, or effects on Skagi's reputation. In the assessment of financial materiality, the following factors were considered:

- (a) **Potential Scale:** The potential magnitude of the financial consequences, i.e. the risk or opportunity.
- (b) **Likelihood:** As in the assessment of impact materiality, the probability that the risk or opportunity will materialize.

The results of the impact materiality assessment and the financial materiality assessment were subsequently combined, forming the Group's double materiality assessment and thereby determining the ESRS standards on which Skagi will provide disclosures. To validate the outcome of Skagi's double materiality assessment, the results were presented to key personnel within the Group for approval. Once it becomes clear how EU sustainability legislation will be transposed into Icelandic law, Skagi will consider how future materiality assessments for the Group should be conducted.

The double materiality assessment was based on available information and data on the Group's operations, as well as on the results of a workshop held with Group employees who, through their participation, were able to provide insights into the relevance of sustainability topics for the Group. Skagi will update the results of its double materiality assessment as needed and adapt it to developments within the Group and, where applicable, to changes in the regulatory framework.

Results

The results of the double materiality assessment showed that the following sustainability topics were assessed as material for Skagi's operations:

- E1 – Climate change
- S1 – Own workforce

S4 – Consumers and End-Users
G1 – Business Conduct

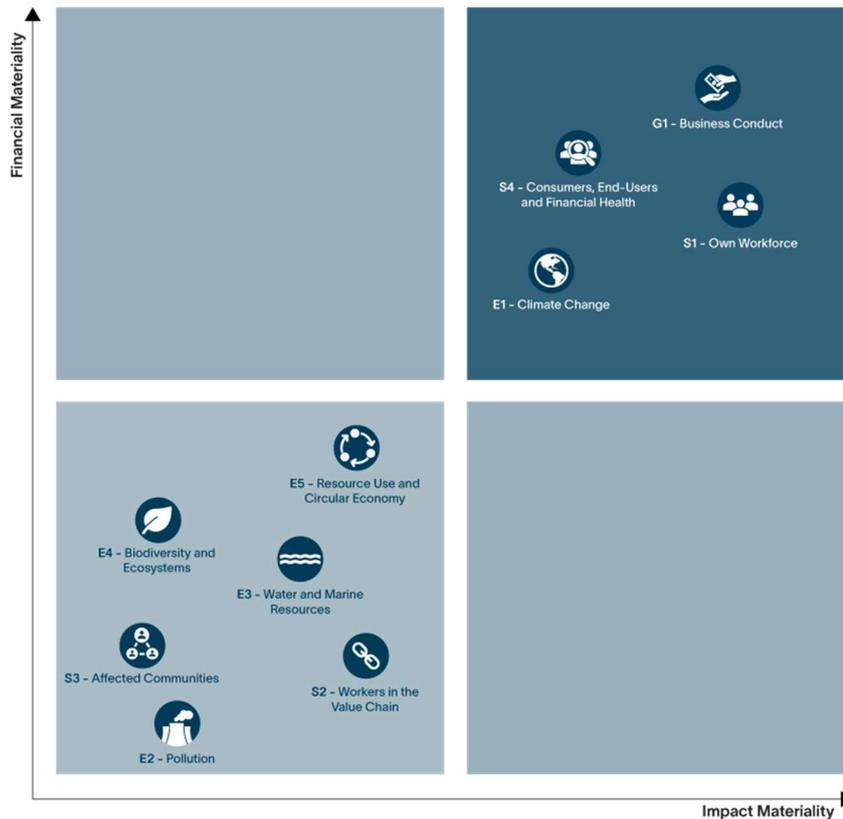


Figure 2: Skagi's Results from the Double Materiality Assessment

Skagi's Operations and Sustainability Governance

Skagi's main operations consist of insurance activities, investment banking activities and asset and fund management, through the operations of its subsidiaries. Skagi operates as a financial conglomerate in the insurance sector and a mixed holding company in financial activities pursuant to Act no. 61/2017 and as such is subject to certain supervision and requirements imposed by the Financial Supervisory Authority.

Skagi operates as a public holding company pursuant to Act no. 2/1995 on Public Holding Companies. Full-time employees numbered 240 at the end of the year 2025. Skagi's turnover in 2025 was ISK 35,355 million and the balance sheet size was ISK 85,035 million at the end of year 2025. The country of primary operations and location of significant assets of the Group is in Iceland. The Group solely operates in Iceland, both in the capital and rural area.

Skagi's Value Chain

Skagi's value chain was analysed to identify where sustainability-related matters may arise within the Group's activities and business relationships, both in terms of impacts on people and the environment and in terms of potential effects on Skagi's financial position, performance and future prospects. The value chain serves as a key reference point for Skagi's sustainability governance and climate-related risk management.

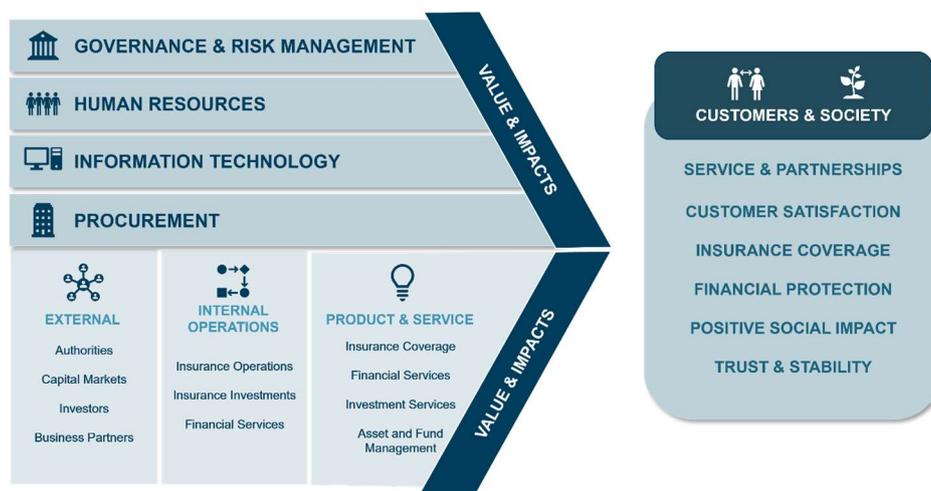


Figure 3: Skagi's Value Chain

Skagi's value creation is primarily driven by the provision of services, financial expertise and indirect impacts through capital allocation and risk management. On that basis, the value chain was defined as follows:

External environment (upstream)

The external environment comprises the operating conditions that shape Skagi's activities but fall outside the Group's direct control. This includes the regulatory and supervisory framework, public authorities, external business partners, financing and capital markets, investors and other capital providers. These elements influence Skagi's operating environment and inform the sustainability-related risks and opportunities the Group must manage.

Internal operations (own operations)

Internal operations represent the areas over which the Group exercises direct control, primarily through its subsidiaries and consist of Skagi's core activities and internal supporting functions.

Skagi's activities are organised into three main business areas: insurance operations, insurance investments and financial services. Insurance operations comprise life and health insurance as well as property and casualty (P&C) insurance. Insurance investments include investment of the insurance portfolio assets. Financial services activities include asset and fund management, corporate finance advisory, debt finance and market making. Fund management constitutes a dedicated activity focused on the establishment and management of investment funds.

These activities are supported by Skagi's internal functions, including its workforce, internal governance structures, risk management, compliance and information technology. Together, these business areas and internal functions form the foundation of Skagi's value creation and enable the delivery of reliable financial and insurance services.

Value creation (downstream)

Value creation materialises through the products and services delivered to customers and the outcomes these support in society. Skagi's offerings include insurance coverage and solutions, financial and investment services and asset and fund management products, where sustainability considerations are increasingly integrated into decision-making processes.

The stakeholder groups, sustainability impacts, risks and opportunities, as well as potential financial effects associated with each part of the value chain form an important basis for Skagi's ongoing management of sustainability-related risks and opportunities.

Sustainability Governance

In 2025, a new comprehensive sustainability policy was developed by Skagi and its subsidiaries. The policy was built on the basis of the double materiality assessment discussed above, which was conducted on a group-wide basis. The Company's Board of Directors is responsible for the policy; the CEO and senior management are responsible for its implementation and ensuring it is followed in the Company's operations.

Non- Financial Disclosure Report of Skagi is approved by Skagi's Board of Directors. Reference is made to the Independent Auditor's Report with regards to its confirmation of their best knowledge that the report of the Board of Directors and CEO accompanying the consolidated financial statements includes the information required by the Financial Statements Act if not disclosed elsewhere in the consolidated financial statements.

Policies Related to Sustainability

Skagi and its subsidiaries have various policies in place that relate to sound governance and sustainability factors. Following is an overview of various policies that relate to sound governance and sustainability factors, both at parent company level and subsidiary level. In most cases the policies are approved on a group-level basis by Skagi's board, where the board of directors in each subsidiary also implements the policy or solely on a subsidiary-level. Further, the subsidiaries may have other policies and procedures tailored to their operations, which may relate to sustainability. It is therefore possible that additional policies and internal rules may fall within this scope; however, analysis to that effect is ongoing within Skagi and has not been completed at this time. Accordingly, the overview should not be regarded as exhaustive. The table also includes a concise description of the content of each policy as well as to which sustainability factors they connect.

Policies and Internal Rules	Scope in relation to Material Sustainability Factors and Sub-Factors
Sustainability Policy	E-1 Climate change S-1 Own workforce S-1 Working conditions S-1 Equal treatment and opportunities for all G-1 Corporate culture S-4 Information related impacts for consumers and/or end users S-4 Personal safety of consumers and/or end-users G-1 Business conduct G-1 Corporate culture
Corporate Governance Policy	G-1 Corruption and Bribery G-1 Business Conduct G-1 Corporate culture
Remuneration Policy	S-1 Own workforce S-1 Working conditions S-1 Equal treatment and opportunities for all G-1 Corporate culture
Code of Conduct	S-1 Own workforce S-1 Working conditions G-1 Business conduct G-1 Corporate culture
Human Resources Policy	S-1 Own workforce S-1 Working conditions S-1 Equal treatment and opportunities for all G-1 Corporate culture
Risk Management Policy	E-1 Climate change E-1 Climate change S-1 Own workforce S-1 Working conditions

	S-1 Equal treatment and opportunities for all
	G-1 Corporate culture
	S-4 Information related impacts for consumers and/or end users
	S-4 Personal safety of consumers and/or end-users
	G-1 Business conduct
	G-1 Corporate culture
	G-1 Corruption and Bribery
	G-1 Business conduct
Internal Control Policy	G-1 Corporate culture
	G-1 Corruption and Bribery
	G-1 Whistle blower protection
	G-1 Business conduct
Compliance Policy	G-1 Corporate culture
	G-1 Corruption and Bribery
	G-1 Whistle blower protection
	S-4 Personal safety of consumers and/or end-users
Ownership Policy	G-1 Business conduct
	G-1 Corporate culture
Data Protection and Privacy Policy	S-4 Personal safety of consumers and/or end-users
	G-1 Corporate culture
	G-1 Business conduct
Conflict of Interest Policy	G-1 Corporate culture
	S-1 Own workforce
	G-1 Business conduct
Policy on treatment of insider information and management trading	G-1 Corporate culture
	G-1 Corruption and bribery
	G-1 Whistle blower protection
	G-1 Business conduct
Competition Policy (subsidiary level)	G-1 Corporate culture
	G-1 Corruption and bribery
	S-4 Information related impacts for consumers and/or end users
Policy on IT Operations	S-4 Personal safety of consumers and/or end-users
	G-1 Corporate culture
	G-1 Business conduct
	G-1 Corporate culture
Outsourcing and Service Procurement Policy	S-4 Information related impacts for consumers and/or end users
	S-4 Personal safety of consumers and/or end-users
	G-1 Business conduct
Internal Audit Policy	G-1 Corporate culture
	G-1 Corruption and Bribery
	G-1 Business conduct
Policy on measures against money laundering and terrorist financing	G-1 Corporate culture
	G-1 Corruption and Bribery
	E-1 Climate change
	S-1 Own workforce
	S-1 Working conditions
	S-1 Equal treatment and opportunities for all
Operational Risk Policy	G-1 Corporate culture
	S-4 Information related impacts for consumers and/or end users
	S-4 Personal safety of consumers and/or end-users
	G-1 Business conduct
	G-1 Corporate culture
	G-1 Corruption and Bribery
	S-1 Own workforce
Policy and Response Plan for Bullying, Harassment and Violence	S-1 Working conditions
	S-1 Equal treatment and opportunities for all
	G-1 Corporate culture
Information Policy	G-1 Business conduct
	G-1 Corporate culture
Policy on Product Governance (subsidiary level)	G-1 Business conduct

	S-4 Information related impacts for consumers and/or end users
	S-4 Personal safety of consumers and/or end-users
	G-1 Business conduct
Supplier Code of Conduct	G-1 Corporate culture
	S-1 Own workforce
	S-1 Working conditions
Policy on Responsible Investments (subsidiary level)	E-1 Climate change
	G-1 Corporate culture

Sustainability Focus

Sustainability Commitments

Skagi is a member of Festa, a centre for social responsibility, IcelandSIF, an organisation that promotes responsible investment, and a signatory of UN PRI, the United Nations Principles for Responsible Investment. Skagi is also a signatory of the UN Global Impact on the implementation of responsible policies and the UN Women's Empowerment Principles, where Skagi's commitments reach to all subsidiaries.

Fossar has been a pioneer in managing the issuance of sustainable bonds in Iceland, and Fossar has been a leading consultant in the sustainable bond market. Fossar is also a direct member of IcelandSIF. VÍS, now Skagi, was a signatory of the 2020 Declaration of Intent on Investments in Support of Sustainable Development, as well as the 2015 Climate Declaration of Festa and the City of Reykjavík.

Skagi supports the United Nations Sustainable Development Goals and will use them as guiding principles in its operations. The Group focuses in particular on the following goals:

- **SDG 3, Good Health and Well-Being:** Promote healthy living and well-being for all, from cradle to grave.
- **SDG 5, Gender Equality:** Ensure gender equality and empower all women and girls.
- **SDG 8, Decent Work and Economic Growth:** Promote sustained, sustainable economic growth and productive and decent employment opportunities for all.
- **SDG 12, Responsible Consumption and Production:** Ensure sustainable consumption and production patterns.

Skagi Remains Above Market Average in Reitun's ESG Evaluation

Skagi improved year-on-year in Reitun's ESG assessment, receiving 81 points and a B1 rating. In Reitun's summary, it is noted that Skagi's performance remains strong and is above average in all categories when compared with 45 other domestic issuers. The market average shows an overall score of 73 out of a possible 100 points, corresponding to rating category B2.

Skagi, together with its subsidiaries VÍS Insurance and Fossar Investment Bank, was also awarded the designation of *Outstanding Governance Company*, a recognition granted by Stjórnvísí, the Iceland Chamber of Commerce, the Confederation of Icelandic Enterprise, and Nasdaq Iceland.

Topical Disclosure

Disclosure on Factors Identified as Material Based on the Materiality Assessment

1. Social Factors

Skagi places strong emphasis on ensuring an attractive working environment for its employees and on promoting positive societal change by advancing diversity, equality, and human rights, both within its own operations and in the wider community. The Group plays an important social role by providing individuals with access to a range of services and by enhancing financial well-being through sound advice and information, thereby supporting a well-functioning and competitive financial market.

Skagi received 92 points for the social component in Reitun's ESG evaluation. Skagi continues to pay close attention to human resources, job satisfaction and customer satisfaction. The results of the double materiality analysis revealed that Skagi can have the most positive impact on social factors through both its human resources and end-users. Policies related to social factors are presented in the table on Policies and Internal Rules.

Skagi's social objectives primarily support SDG number 3, Good Health and Well-Being, SDG Goal number 5 on Gender Equality and Goal number 8 on Decent Work and Economic Growth.

Key Social Objectives for 2026:



S-1 Workforce

Skagi operates on the basis of an ambitious group-level human resources policy. The human resources manager of Skagi is a member of the Group's executive management, thereby ensuring a consistent human resources policy and approach to HR matters across the organization. The workforce has been identified as a material topic for Skagi through the Group's double materiality assessment, reflecting both the significance of people-related matters for Skagi's long-term value creation and the impact of Skagi's practices on employees. Key material factors include attracting and retaining qualified employees, ensuring equal opportunities and fair treatment, maintaining a healthy and safe working environment, supporting employee wellbeing and professional development, and fostering an inclusive and performance-oriented culture across all entities within the Group.

a. General Characteristics of Skagi's Workforce

The table below presents key quantitative information relating to the composition of Skagi's workforce in 2025.

Skagi's workforce composition	
Total Number of Employees	240
<i>Men</i>	144
<i>Women</i>	96
Number of Permanent Employees	232
<i>Men</i>	142
<i>Women</i>	90
Gender Ratio of Senior Management¹	
<i>Men</i>	63%
<i>Women</i>	38%
Employee Turnover Rate	19,9 %
Number of Work-Related Accidents	0
Number of Employees Covered by Collective Agreements²	240

b. Equal Opportunities and Fair Treatment

Skagi is committed to being a desirable workplace that creates a healthy, safe and constructive work environment for its employees. Each employee is appraised based on merit, competence and performance, irrespective of gender, sex, race, colour, nationality, religion, political opinions, social status, origin or other irrelevant factors or circumstances. Consideration is also given, where appropriate, to diversity perspectives within the workforce. Through an active equality and equal pay policy, the Group promotes the full utilization of the talents and capabilities of its entire workforce, where employees shall be paid equal wages and enjoy the same terms for the same or equally valuable work.

Skagi complies with legislation on equal status and equal rights irrespective of gender, as laid out in Act no. 150/2020. VÍS has an equal pay certificate and Fossar has equal pay confirmation, where the latter has less stringent requirements and is aimed at smaller companies. Pay equity analysis has not been carried out on a group-level. The most recent pay equity analysis at VÍS was conducted in 2025, and the results of the wage analysis showed that the adjusted gender pay gap measured 0.10% in favour of women. In connection with Fossar's equal pay certification in 2024, a wage analysis was conducted which showed that the adjusted gender pay gap measured 0.20% in favour of men.

Skagi's Code of Conduct covers in detail good business practices, the quality of the working environment and behaviour at the workplace, risk culture and non-discrimination. The Code of Conduct, as well as the Group Sustainability Policy, provides that Skagi shall ensure equal opportunities for its employees. The impacts of these commitments are reflected in a strong workplace culture, high employee satisfaction and a positive working environment. Employee turnover was higher during the reporting period was among other reasons due to internal organizational changes within the Skagi Group. Opportunities exist to further strengthen this area and to promote gender balance in senior and managerial positions.

c. Employee Satisfaction and Professional Development

Skagi is a desirable workplace, with a strong majority of employees reporting that they are satisfied or very satisfied in their roles. Skagi prioritizes that subsidiaries should preserve their individual cultures, while at

¹ Senior Management is defined as the CEO and the Managing Directors of Skagi and its subsidiaries.

² Meaning number of employees that receive pay that is equal or above applicable minimum wage according to the relevant collective agreement.

the same time ensuring a coherent and shared employee culture across the Group. Continued emphasis is placed on a result-oriented culture within the Group.

In the summer of 2025, a harmonized employee satisfaction survey was conducted across the Group. The results indicate continued high levels of employee satisfaction across all entities within the Group. Skagi's HR department analyses the survey results and monitors developments over time. Surveys are conducted at least annually, and the results provide insight into employees' expectations, needs and views, and are intended to raise awareness and encourage dialogue about the working environment and conditions.

Managers are also encouraged to have regular performance and feedback sessions with their employees where purpose is to ensure a shared understanding between the manager and the employee regarding role expectations as well as the employee's needs. The format and frequency of these discussions vary depending on managers and departments.

Skagi's operations are to a large extent dependent on the skills and contributions of qualified personnel. A key factor in the Group's continued development is the retention of skilled employees and ensuring appropriate training and continuing education. The Group strives to provide good working conditions and competitive remuneration. In September 2025, it was announced that Skagi and Íslandsbanki hf. were in ongoing merger discussions. Uncertainty during periods of strategic change can pose a risk to morale and employee engagement, which in turn may impact wellbeing, productivity and retention if not managed appropriately. Skagi has in place a communication plan to ensure clear engagement and consistent management practices.

Opportunities lie in maintaining this competitive advantage and continuously strengthening workplace culture, enhancing employee satisfaction and, consequently, supporting strong performance.

d. Health and Safety

Skagi focuses on promoting a healthy work-life balance, providing opportunities and attractive terms of employment, supported by a robust occupational health and safety policy. Skagi complies with legislation on working environment, health and safety, as laid out in Act no. 46/1980. Employee safety is ensured through dedicated occupational health and safety committees and structured training programs that facilitate knowledge sharing across the Group. These measures also contribute to the United Nations' goal related to labour rights and equality in the labour market.

Skagi condemns and will not tolerate bullying, harassment, violence or other inappropriate conduct in the workplace and has established a policy and a response plan to address such situations in a safe and effective manner. The policy and response plan have been developed in accordance with applicable laws and regulations governing the working environment, health and safety. Employees are clearly informed of reporting channels and procedures relating to the response plan. In this way, Skagi fosters a safe working environment in which respect and equality among employees prevail.

By providing flexible working hours where possible, Skagi wishes to ensure that the Company is a family-friendly workplace and that different situations of employees are considered. Similarly, Skagi offers employees a fitness membership allowance and commuting allowance for employees that wish to commute. Influenza vaccination is offered every year, and employees have access to psychological counselling annually. Skagi is committed to offering expectant parents the flexibility to take parental leave in ways that best suit their families. Employees are encouraged to utilize the vacation they are entitled to by law. In addition to payments from the Icelandic Parental Leave Fund to which employees are entitled during parental leave, all permanent employees are eligible to receive a supplementary employer contribution from Skagi in accordance with SSF's collective agreements.

e. *Remuneration, Collective Bargaining and Training*

Skagi promotes job satisfaction and stability through fair and appropriate remuneration and maintaining healthy incentive structures within the Group. Skagi's current remuneration policy aims to offer competitive compensation to ensure the Group remains an attractive workplace for qualified individuals. The Remuneration Committee for the Skagi Group serves in an advisory and monitoring role for the Board of Directors, ensuring that remuneration practices support the Bank's goals and interests. Risk is associated with regulatory restrictions on variable remuneration within the financial sector, which reduces flexibility and can adversely affect competitiveness.

Each employee spent an average of 3,5 hours in 2025 on online training and education. In addition, a substantial portion of training is delivered on-site and in person, including workshops, internal training sessions, and hands-on learning that is not captured in online training hours. Education and training have always been key pillars in human capital development at Skagi, and its predecessor VÍS. The objective of employee training is to strengthen and maintain employees' professional knowledge.

Various educational material is available to employees, both optional and mandatory, which increases their knowledge of the Bank's operations, regulations and culture. Due to the nature of their work, some employees of Fossar and Íslensk verðbréf must have securities trading rights. Those who have acquired securities trading rights are obliged to attend regular continuing education courses of their choosing, which ensure that they maintain academic knowledge, professional competence and values. Skagi has supported employees in acquiring these licenses where applicable as well as continuing education. For example, Fossar has organized training that has been approved as continuing education by the Examination Committee for securities trading rights.

S-4 Consumers and End-Users

As a financial conglomerate with operations in insurance, asset management and investment services, Skagi has identified three closely linked, material topics for its customers: (i) financial health and grants to the community, (ii) data protection and privacy, and (iii) cybersecurity.

a. *Financial Health*

Supporting the financial health of customers is a core part of Skagi's value proposition and social role. Skagi's customers are a diverse group of individuals and business entities. Different customer groups have distinct needs and preferences for various products and services within the Group, which range from insurance services, investment funds, corporate finance services, asset management, lending, trading in complex financial instruments and more.

Skagi's products and services are designed to help households, companies and investors cope with unexpected financial shocks, access capital and investment opportunities, and build long-term financial security. Within the Group, insurance solutions play an important role as a financial safety net, protecting customers against unforeseen events and losses. Investment banking services, covering lending, brokerage, asset management and corporate finance services, enable investors and companies to allocate capital efficiently, manage financial risk and support growth. Complementing these activities, the Group's fund management, within Íslensk verðbréf, provides professionally managed investment funds that aim to deliver stable, long-term wealth accumulation for a broad range of customers.

Skagi seeks to promote financial health through clear and responsible communication, high level of services and accessible information. Furthermore, the Group is at the forefront when it comes to connecting Icelandic business with the global investment environment. For example, Fossar's core

strength lies in its strong service levels, achieved by providing customers with insights into their portfolios and the financial markets through one-on-one communication, as applicable. To achieve this, Fossar prioritizes deep knowledge and expertise within its staff, to ensure high-quality service. VÍS Insurance has prioritized ensuring access to services, both in the capital area and across the country. In early 2025, VÍS and Íslandsbanki hf. signed a partnership agreement, aimed to ensure that customers who do business with both companies enjoy special benefits within loyalty programs within each company. As part of the cooperation, VÍS started offering services with a visible presence across all of Íslandsbanki's distribution channels, including its website, mobile app, and online banking platform. The partnership's objective is to enhance customer service and support customer growth. In 2025, VÍS Insurance increased its score in the Icelandic Customer Satisfaction Index, for the second year in a row, placing second for the first time in seventeen years.

Risk related to financial health may materialize as operational risk in business relationships, including reputational risk due to inadequate services, non-compliance with regulatory requirements or systematic disruptions which could negatively affect Skagi's products and services. Skagi sees an opportunity to further expand initiatives that raise awareness of financial resilience, risk prevention and broader participation in financial markets. With these objectives at the forefront, Skagi aims to increase competition in the financial market.

b. Grants to the Community

Skagi and its subsidiaries are committed to being present in local communities throughout Iceland, making a direct positive impact on their local community.

Íslensk verðbréf focuses on supporting children's and youth sports activities in its local community, mainly in Northern Iceland, through financial contributions to local sport clubs.

During 2025, VÍS Insurance allocated more than ISK 7 million to community projects. This included grants to sports clubs in the form of match programs, advertising boards, travel grants and naming rights for VÍS Stadium, where Þór Akureyri plays its home football matches. Support was also provided to memorial funds and the installation of memorials. VÍS additionally supported a range of social and prevention-focused initiatives. This included support to Pieta, an organization that carries out prevention work against suicide and self-harm and provides support to family members, as well as public health projects aimed at increasing participation in breast cancer screening and the Bjössli Fire Safety Bear program. Various safety-related products were purchased and distributed, such as reflective items and ice scrapers for car windows. Free condoms were distributed at the Þjóðhátíð festival for the second consecutive year. In 2025, 1,630 rear-seat car mirrors were provided free of charge to new parents, as part of VÍS's ongoing focus on child and traffic safety. Customers with children under the age of four were offered first aid training, which was delivered on four occasions during the year. In addition, VÍS donated ten flotation suits to the Icelandic Safety School (Slysavarnaskóli Íslands) for the fifteenth time. VÍS also hosts the largest B2B safety and prevention conference in Iceland, further strengthening its role in promoting risk awareness, accident prevention and workplace safety across industries.

The most significant initiative in this regard by Fossar is Fossar's Thanks Day, which has been held annually since Fossar's inception in 2015. Since the first Thanks Day, over 170 million ISK has been raised. On this day, all Fossar's fee and commission income along with direct donations are donated to a cause chosen by the employees. Additionally, Nasdaq Iceland and T Plus waive all fees from Fossar's transactions and contribute them to the cause. In 2025, the chosen cause was Ljósið, a rehabilitation and support center for people who have been diagnosed with cancer and their families. A total of 32.3 million ISK was raised, which will be used to build a new support center on new premises.

c. Data Protection and Consumer Privacy

Given the volume and sensitivity of data processed in connection with customers, such as when handling claims, providing advisory services and executing transactions, consumer privacy and data protection are considered material. The Group has implemented policies, procedures and technical and organizational controls aimed at protecting personal data in line with applicable data protection laws and regulatory requirements, such as Act no. 90/2018. This includes governance for data access and use, confidentiality obligations, training for employees who handle customer information and ongoing monitoring of regulatory developments and evolving customer expectations. Protecting personal data is a fundamental precondition for trust and long-term customer relationships, while breaches of data protection rules could result in significant financial, legal and reputational consequences for the Group. Data protection therefore remains a strategic priority in Skagi's risk management and governance.

d. Cyber Security and Resilience

Cybersecurity threats are a growing risk for Skagi, reflecting the increasing digitalisation of financial services and the handling of sensitive personal and financial data. A significant cyber incident could disrupt services, compromise customer data and undermine confidence in the group.

Skagi invests in cybersecurity infrastructure to prevent, detect and respond to cyber threats. The group maintains controls designed to protect critical systems and collaborates with specialised partners and authorities where relevant. Cybersecurity is integrated into risk management and IT governance processes, and Skagi aims to continuously adapt its defences to technological developments, changing threat landscapes and regulatory evolvments.

The Group seeks to proactively identify, assess, and mitigate cybersecurity risks through appropriate technical and organisational measures, regular monitoring, and ongoing awareness and training initiatives across all staff. For example, 16 educational videos and questionnaires on cyber security were presented to employees during the year, with close to full participation across all subsidiaries. In 2025, the core focus was on implementing the EU Digital Operational Resilience Act (DORA), which took effect in Iceland in the beginning of 2026.

VÍS Insurance holds an ISO 27001:2022 certification for its information security management system. Both Fossar and Íslensk verðbréf outsource the operations of information systems to VÍS Insurance as well as matters relating to information security. Thereby, a harmonized and comprehensive framework for managing these matters has been established across the Skagi Group. This arrangement strengthens the Group's infrastructure and simplifies governance. It further ensures that uniform requirements, procedure and oversight now apply to all companies within the Group.

2. Governance Factors

Maintaining a robust governance framework with clearly defined roles and procedures is highly material for a financial conglomerate such as Skagi. Through effective governance structures, robust risk management, and adherence to applicable laws and regulations, the Group supports transparent, accountable, and responsible business practices.

Skagi received 77 points for the governance component in Reitun's ESG evaluation. General governance and business ethics were considered to be in good order at the Company. Following the formalisation of the Skagi Group, governance practices have continued to be updated in line with the Group's new structure.

Skagi's double materiality assessment revealed that the most material factors within governance are compliance culture and regulatory compliance, sound business conduct, engagement with suppliers, anti-bribery and anti-corruption processes and risk management. Further, Skagi can have a positive impact by focusing on offering responsible services and products. Policies related to governance factors are presented in the table on Policies and Internal Rules.

Skagi's governance goals primarily support SDG number 5 on Gender Equality, SDG number 8 on Decent Work and Economic Growth and SDG number 12 on Responsible Consumption and Production.

Key Governance Objectives for 2026:



G-1 Business Conduct

The primary objective of Skagi's management is to ensure that the Group's activities are consistently conducted in compliance with laws and regulatory requirements, as well as adhering to responsible business practices within the financial services sector. The interests of the Group's clients remain the guiding principle in all operations.

a. General Characteristics of Skagi's Governance Structure

Good corporate governance provides the foundation for responsible management and sound decision-making, and supports strong relations between shareholders, the Board of Directors, management, employees and other stakeholders. As with other areas, there is a risk that shortcomings may arise in this area. The potential impacts may be wide-ranging and significant but continued focus on governance practices is intended to mitigate such risks and limit potential impacts.

In recent years, Skagi has undergone a significant transformation process, starting with the merger of VÍS and Fossar in 2023, the decision to transfer the insurance operations in 2024, which was finalized at the beginning of 2025, and the acquisition and merger of Íslensk Verðbréf and ÍV sjóðir hf. into the Skagi Group,

which was fully completed at the end of the first quarter of 2025 with accounting effect from 1 January 2025. The year 2025 is therefore the first year of the Group in its current form.

Skagi's has implemented a Corporate Governance Policy, aimed at ensuring effective management of the Company and establishing clear responsibilities within the governance system. Further, Skagi has implemented a General Ownership Policy and specific ownership policies for all subsidiaries as well, outlining owner expectations, corporate governance of the subsidiary within the group and KPIs of the subsidiaries.

Skagi adheres to the guidelines set forth by the Icelandic Chamber of Commerce, Nasdaq Iceland, and the Confederation of Icelandic Enterprise. This adherence is in accordance with the seventh paragraph of Article 54 of Act No. 161/2002 on Financial Undertakings and Article 9 of Act no. 100/2016 on Insurance Activities. Skagi's subsidiaries adhere to these guidelines according to the size and scope of its operations, which leads to certain deviations.

In 2025, Skagi, VÍS and Fossar all received recognition for good corporate governance and were awarded the designation *Exemplary Company in Corporate Governance* (Fyrirmyndarfyrirtæki í góðum stjórnarháttum). The recognition is jointly granted by Stjórnvísí, the Icelandic Chamber of Commerce, Nasdaq Iceland, and the Confederation of Icelandic Enterprise.

Skagi's corporate governance is focused on clarifying the roles and responsibilities of the Group's management, both internally and towards shareholders, thereby enabling them to achieve their objectives. At Skagi, strong emphasis is placed on the continuous development and strengthening of good corporate governance within the company, ensuring that processes are aligned with internationally recognised best-practice standards in the field of corporate governance.

Gender Representation on Boards				
	Skagi Group	VÍS Insurance	Fossar	Íslensk verðbréf
Share of women on the board (compared to men)	40%	40%	60%	33%
Share of women serving as committee chairs (compared to men)	67%	0%	100%	N/A
Board Independence				
Is the CEO prohibited from serving as Chair of the Board? ³	Yes	Yes	Yes	Yes
Share of independent board members	100%	60%	60%	100%
Incentive Compensation				
Do executive managers receive formal incentive compensation linked to sustainability performance?	Yes	Yes	Yes	Yes

The Board of Skagi has appointed two subcommittees of the board; Remuneration Committee and Audit Committee. At subsidiary level, VÍS Insurance and Fossar have board-level Risk Committees. Fossar further has a representative on Skagi's Audit Committee, elected by shareholders. Íslensk verðbréf does not have any board committees. In addition, Skagi has a Nomination Committee appointed by shareholders.

³ Not prohibited inter-group.

In 2025, Skagi updated its remuneration policy where performance in sustainability related matters is now incorporated into the bonus criteria under the employee incentive scheme.

Further information on the key aspects of Skagi's governance can be found in the Corporate Governance Statement, which is published alongside the Group's financial statements and is available on Skagi's website.

b. Compliance Culture and Risk Management

Emphasis on compliance reduces legal risk and reputational risk, and thereby the company's operational risk. Compliance with laws and regulations is not only a legal obligation but also a key factor in building trust, both internally and externally. Various measures are taken to promote a strong compliance culture within the company; the Group operates dedicated training programs, and these aspects are also incorporated into the subsidiaries' bonus scheme. Adherence to and monitoring of both risk and internal policies is essential, as significant risks may arise in this area.

The Board of Skagi is responsible for ensuring that an effective internal control system is in place. Skagi's internal control framework is structured around three lines of defence, with the objective of ensuring efficiency and clear allocation of responsibilities within the Group.

Skagi has in place a Compliance Policy, with the purpose of outlining how Skagi shall work to identify the risk of non-compliance with its legal and regulatory obligations. This policy sets out in more detail the tasks of the compliance function, as well as its responsibilities and powers. Skagi further has set a Risk Management Policy. To assess, measure, and manage the issuer's risk-taking and to ensure compliance with applicable laws and regulations, the bank relies on various policies and other internal rules.

c. Regulatory Environment

Skagi is a financial conglomerate in the insurance sector and a mixed holding company in financial activities according to Act No. 61/2017 on supplementary supervision of financial conglomerates. VÍS Insurance has a license as an insurance company pursuant to Act No. 100/2016 on Insurance Undertakings. Fossar has a license to operate as a credit institution according to Act No. 161/2002 on Financial Undertakings. Fossar's operating license extends to receipt of repayable funds from the public, granting of credit, investment services and investment activities. Íslensk verðbréf operates on the basis of an operating license pursuant to Act No. 116/2021 on Undertakings for Collective Investment in transferable Securities (UCITS) and Act No. 45/2020 on Alternative Investment Fund Managers. Íslensk verðréf is also authorised to provide asset management services.

The following operating licenses entail that companies within the Group are bound by extensive and complex regulatory requirements, which can cause risk within the Skagi Group. For example, there could be risk of regulatory oversight, inadequate implementation of new legislation or staff not having adequate knowledge of regulatory requirements. This can cause financial risk such as risk of higher cost of capital or risk of fines and other sanctions by supervisory authorities. As detailed above, there are various policies and procedures in place within the Skagi Group to promote compliance with applicable laws and regulations as well as sound risk-management throughout Skagi's operations.

All regulatory changes that could affect Skagi's operations are monitored closely, but a constantly evolving legal framework, gold-plating of EU legislation in Icelandic law and new interpretations by authorities and courts can have negative effects on Skagi's operations.

d. Measures Against Bribery and Corruption

To mitigate risk related to bribery and corruption, the Group has established comprehensive rules and policies to address conflicts of interest. These rules outline the Group's methods for analysing, preventing, and managing conflicts of interest within its operations. They also aim to ensure that objectivity of the Group's employees, board of each subsidiary and management. Additionally, subsidiaries have implemented rules on incentive payments, gifts and rewards, employees' own trading in financial instruments, separation of work areas, and employees' other employment, all of which serve to prevent bribery and corruption. The Group has clear rules relating to inter-group transactions.

The Group has formal procedures in place for reporting misconduct and protecting whistleblowers.

Furthermore, all subsidiaries have instituted a comprehensive policy on measures against money laundering and terrorist financing. The policies encompass risk assessment, internal rules, and processes. It is the Group's clear stance to combat money laundering and the financing of terrorism, ensuring that the Bank's activities are not misused for such purposes.

Skagi operates within the framework of the EU Market Abuse Regulation (MAR) as a listed company and ensures that all required information is disclosed to the market in a timely, accurate, and transparent manner, in accordance with the Group's information policy and policy on treatment of insider information and management trading. In addition, the Group's banking subsidiary has adopted a dedicated policy on the prevention of market abuse, setting out clear requirements, controls, and procedures to mitigate risks related to insider dealing and market manipulation.

During the reporting period, there were no convictions or reported incidents related to violations of applicable anti-bribery and anti-corruption laws.

e. Suppliers

In 2025, Skagi implemented a comprehensive framework covering its supplier base with the objective of establishing a practical, risk-based approach for identifying and managing sustainability-related risks across the value chain.

As part of this framework, Skagi established a group-wide Supplier Code of Conduct applicable to all subsidiaries and published on their respective websites. The Code of Conduct sets out minimum requirements for suppliers in relation to responsible business practices and sustainability, while also encouraging alignment with Skagi's own standards. It covers, among other matters:

- compliance with applicable laws and regulations,
- human rights, labour rights and non-discrimination,
- health and safety,
- environmental management and climate-related impacts,
- business ethics, anti-corruption and fair competition,
- governance, transparency and responsible sourcing, including expectations towards subcontractors.

To support implementation and oversight, Skagi introduced a formal supplier assessment, where the scope is based on specified thresholds. The assessment is conducted using a structured questionnaire aligned with the Supplier Code of Conduct, Skagi's sustainability policy and broader sustainability criteria. The process is designed to assess suppliers' compliance with Skagi's minimum requirements and to identify potential sustainability- and climate-related risks within the value chain. Assessment results are recorded in Skagi's quality management system and escalation mechanisms are in place if a supplier does not meet Skagi's standards.

The Supplier Code of Conduct is attached to all new supplier contracts and incorporated into existing agreements upon renewal, progressively embedding ESG requirements into Skagi’s contractual relationships.

During 2025, Skagi completed supplier assessments covering approximately 90% of in-scope suppliers and obtained formal confirmation of adherence to the Supplier Code of Conduct from around 50% of in-scope suppliers. Assessments of the remaining in-scope suppliers and continued collection of formal confirmations will take place in 2026. Skagi will also further develop its remediation, follow-up and risk mitigation processes as part of its ongoing non-financial risk management and sustainability governance.

f. Responsible Products and Services

In 2021, Skagi became a member of UN PRI, the United Nations Principles for Responsible Investment. The Group has significant influence through its asset portfolio. By taking sustainability factors into consideration in its investments, the Company minimizes the risks associated with sustainability while at the same time encouraging other companies to improve their business practices.

Fossar and Íslensk verðbréf have continued to advance the implementation of EU’s SFDR Regulation and sustainability provisions of MiFID II, relating to sustainability in financial services, for example by integrating sustainability risk into investment decision-making processes and investment advice.

3. Environmental Factors

Skagi prioritizes environmental and climate-related matters and seeks to support the transition towards a carbon-neutral economy while taking environmental impacts into account in its own operations. The outcome of the Group’s double materiality assessment was that, among environmental sustainability matters, E1 – Climate change was assessed as material. Policies related to environmental factors are presented in the table on Policies and Internal Rules.

Skagi received 84 points for the environmental component in Reitun's ESG evaluation. In assessing environmental factors, primary emphasis is placed on VÍS, as this is where the most significant environmental impacts of the Group occur.

Skagi's environmental goals primarily support SDG number 12 on Responsible Consumption and Production as well as SDG number 13 on Climate Action.

Key Environmental Objectives for 2026:



E-1 Climate Change

a. Governance of Environmental Risk

Skagi is exposed to climate-related risks, which are divided into physical risks, which are further classified as acute or chronic risks, and transition risks. Physical risks can for example arise as increased claims and losses due to more frequent and severe extreme weather events, as well as gradual, long-term changes in climate patterns that affect insured assets, operations and collateral values. Transition risks can arise as greenwashing and broader regulatory, legal, market and technological developments associated with the move towards a low-carbon economy, which may impact Skagi's business model, product offering, asset values and reputation.

The Board of Directors and management of Skagi are actively involved in climate-related matters according to the Group's formal sustainability policy. Skagi has not completed a formal climate-related risk assessment at group-level but intends to conduct such assessment in year 2026. However, insurance companies are subject to a strict regulatory framework regarding risk assessment and disclosure, and VÍS therefore carries out a regular Own Risk and Solvency Assessment (ORSA). VÍS prepares an ORSA report on an annual basis, which is submitted to the Board of Directors and to the Financial Supervisory Authority of the Central Bank of Iceland. Climate-related risk assessment forms part of this report and covers both VÍS's insurance operations and its investment portfolio.

There is a risk that VÍS may experience increased claims severity or higher claims frequency as a result of extreme weather events (physical risk) attributable to climate change. In addition, there is a risk that climate change may have a negative impact on the return of the investment portfolio if climate-related considerations are not taken into account in investment decisions (transition risk). The conclusion of VÍS's assessment of climate-related risks is that none of the identified risk factors are considered material. That said, the majority of losses attributable to natural disasters caused by climate change fall under the responsibility of the Icelandic Natural Catastrophe Insurance, and therefore do not constitute a significant part of the Company's risk exposure.

Fossar have initiated work to integrate ESG risk into the business model, taking into account the scale of operations, and to assess it in connection with the assessment of other risk factors in the activities, through traditional types of financial risk.

In 2026, the Group aims to conduct a group-wide risk assessment, extending from VÍS Insurance to all subsidiaries. Further, opportunities may arise with the transition to a more climate resilient economy, such as with increased demand for green products. Skagi subsidiaries have generated positive climate impacts in this regard. For example, Fossar has been the leading advisor in the domestic green bond market in the recent years. VÍS offers the product Ökuvísir, which encourages customers to drive responsibly. The aim of Ökuvísir is to reduce the number of car accidents and lower greenhouse gas emissions, and the product therefore delivers both environmental and social benefits.

b. Emissions from Own Operations and Carbon Offsetting

Skagi places importance on minimizing the negative environmental impact and greenhouse gas emissions from its activities. The Group aims to analyze the environmental impact of its operations and propose actions to reduce this impact. Although a formal greenhouse gas emissions target has not yet been established by the Group, Skagi measures and discloses statistics on its own greenhouse gas emissions in accordance with a recognised methodology. The statistics cover both direct and indirect emissions from the Group's operations. In 2026, Skagi saw a dramatic decrease in emissions under Scope 1, and slight increases under Scope 2 and 3. In 2026, Skagi aims to implement measurable target for decreasing emissions on a group-wide basis.

At Skagi's workplace, waste is sorted and recycled, and charging stations are accessible for employees who commute in electric cars. Employees are encouraged to utilize local services as much as possible. Skagi's workplace is almost entirely electronic in regards of minimal paper usage.

Digitalisation at VÍS has proved to have positive environmental effects. A factor like increased self service solutions which reduces office visits has been assessed to reduce driven kilometres to the office of about 200,000 km per year. All electronic process and documents also contribute environmentally by heavily reduced paper usage.

VÍS works constantly on various prevention operations both through marketing and with collaboration and risk assessment at companies. This part of the business contributes to the environmental factors by reducing car and property claims which carry environmental costs. This is hard to measure but clearly a factor worth mentioning, along with the beneficial factors on the society with fewer accidents and bodily harm.

Continued good results were achieved during the year in increasing electronic and paperless transactions to reduce paper consumption and reduce carbon emissions from employee and customer travel, whether through increased electronic claim notifications, video calls to assess water damage or increased sales through the vastly improved VÍS online store. During the year, VÍS increased its focus on providing more sustainable options for consumers when it comes to shopping for insurance online. VÍS customers can now buy insurance online in a matter of minutes, which saves time while also providing increased transparency and convenience.

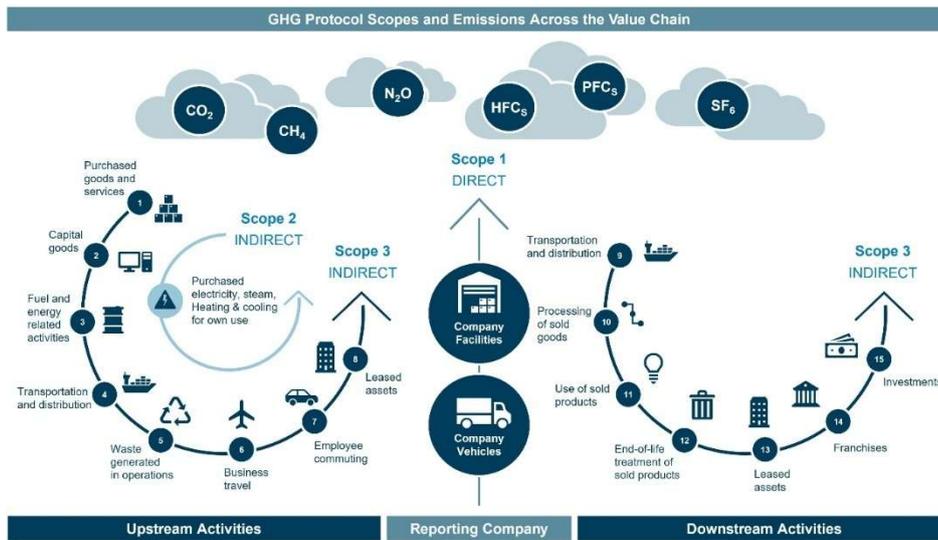


Figure 4: Overview of GHG Protocol Scopes and Emissions Across the Value Chain

For the fifth year in a row, Skagi offset emissions from operations of the Group with verified units. In 2025, Skagi's total greenhouse gas emissions amounted to 260.5 tCO₂e (including Scope 1, Scope 2 and selected Scope 3 categories). To mitigate Skagi's climate impact, 261 removal units were purchased through Carbonmark, a global carbon credits marketplace, to support certified and registered projects by the International Carbon Registry (ICR). Projects were chosen which support certain set of United Nations Sustainable Development Goals (SDGs).

In parallel, Skagi procured approximately 82 Guarantees of Origin (GOs) to cover 100% of its annual electricity consumption. By doing so, Skagi ensures that all reported electricity use is backed by certified renewable energy on a market-based basis, thereby reducing Scope 2 emissions from electricity to zero.

The combination of renewable electricity procurement and carbon removals reflects Skagi's approach of prioritizing emission reductions in its own operations and then compensating for residual emissions through high-quality climate projects.

Total Greenhouse Gas Emissions

Total Greenhouse Gas Emissions				
	Unit	Change	2025	2024
Scope 1 – Fuel	tCO ₂ e	↓ -52%	19,4	40,8
Scope 2 – Electricity & Heating ⁴	tCO ₂ e	↑ 12%	14,9	13,3
Scope 3 – Other ⁵	tCO ₂ e	↑ 11%	228,5	205,1
Total Gross Emissions	tCO₂e	↑ 1%	262,8	259,2
Effect of GO's ⁶	tCO ₂ e		-2,3	-2,4
Total net Emissions ⁷	tCO₂e	↑ 1%	260,5	256,8
Carbon Credits Offsets	tCO ₂ e		-261,0	-257,0
Net GHG Emissions (after offsets)	tCO₂e	–	0,0	0,0

Energy Consumption

Energy Consumption by Type						
	Unit	Change	2025		2024	
Direct - Fuels	MWh	↓ -48 %	75,5	4%	146,3	9%
Indirect – Electricity & Heating	MWh	↑ 34 %	1973,7	96%	1463,0	91%
Total Energy Consumption	MWh	↑ 27%	2049,2	100%	1609,3	100%

GHG Emission Intensity

GHG Emission Intensity				
	Unit	Change	2025	2024
Emissions Intensity per Revenue <i>All Scopes</i>	kgCO ₂ e / ISKm	–	7,4	7,4
Emissions Intensity per Revenue <i>of which Scopes 1-2</i>	kgCO ₂ e / ISKm	↓ 37 %	1,0	1,5
Emissions Intensity per Employee <i>All Scopes</i>	tCO ₂ e	–	1,1	1,1
Emissions Intensity per Employee <i>of which Scopes 1-2</i>	tCO ₂ e	↓ 37 %	0,1	0,2

⁴ Location-Based emissions for electricity and heating.

⁵ Other indirect GHG emissions including purchased goods & services, employee commuting, business travel and waste.

⁶ Effects of Guarantees of Origins (GO's) for Market-Based Electricity.

⁷ Total net emissions (tCO₂) post offsetting by landlord. Total net emissions are then offset by Skagi (260,5 tCO₂) in year 2025 with purchase of 261 removal units.

c. Emissions Related to Claims

A large share of VÍS's emissions arises in connection with claims. Emissions specifically related to claims are not measured separately, but VÍS's Scope 3 emissions have increased year-on-year. Emissions associated with claims handling, such as vehicle repairs, spare parts and waste, fall under such indirect emissions. Although VÍS does not perform these repairs itself, the company influences how they are carried out through its policies, terms and conditions, and choice of partners.

VÍS has undertaken various measures to generate positive impacts in this area. VÍS emphasizes accident prevention as well as setting specific requirements for the disposal of damaged goods. Ökuvísir is another example of a product aimed at having a positive impact in this category, as the project also aims to reduce claims. There is likewise an opportunity to promote lower emissions by encouraging repairs rather than replacement.

d. Emissions Related to Investments

Emissions associated with investments are not yet measured separately by the Group. Skagi recognizes the importance of addressing indirect (financed) emissions from its asset portfolio, which constitutes the largest emissions category (scope 3). Skagi has not yet initiated such an assessment but intends to explore this further in the near term.

Íslensk verðbréf and Fossar follow EU's SFDR Regulation, which is aimed promoting transparency within the financial market for responsible and sustainable investments. Both subsidiaries have implemented a policy on how sustainability risk, whether material or likely to be material, is integrated into its investment decision-making process and investment advice. Íslensk verðbréf, further follows a responsible investment policy, integrating environmental and social factors into its asset management investment process.

E-5 Circular Economy

a. Reuse in claims handling and repairs

The materiality factor regarding a circular economy is most applicable to VÍS Insurance, due to its operations as an insurance company. By placing greater emphasis on the circular economy, it is possible to reduce waste, shorten supply chains, lower emissions and decrease the use of raw materials. The biggest impact in this field is related to damaged cars and spare parts, given their portion in claims at VÍS. VÍS has conducted auctions for decades and sold more than 1,000 damaged cars each year at auctions where the cars are either repaired or disassembled to give spare parts a second life.

It is important for VÍS contribute to the circular economy and in all agreements with auto body repair shops related to car claims and construction contractors related to property claims, it is especially stated that they are expected to support the circular economy by reusing and repairing whatever is possible and in accordance with industry standards. This applies e.g. to windshields and plastic repairs for cars. It is also stated in those agreements that disposal of waste should be done in an environmentally friendly way. VÍS has collaborated in special projects related to the circular economy and did so in 2024 with a company which actively focused on increasing the use of used spare parts for damaged cars. That company stopped operating in 2025 so as did the project. VÍS looks at such projects on ad hoc basis and keeps an open eye for such collaboration.

VÍS emphasises repairing vehicles as much as possible instead of replacing parts. The proportion of plastic and car window repairs is lower in Iceland than in comparison countries. VÍS has the goal of

increasing the percentage of repairs instead of parts being replaced. The ratio of windshield repairs to windshield replacements grew from 19% to 20% between 2024-2025, and the aim is to get closer to 30%. For comparison the ratio was 10% in 2019. Estimated savings in carbon emissions are about 43.5 kgCO₂ for each windshield that is repaired instead of replaced so 10% increase saves around 30 tons of carbon emissions.

Minimum safeguards

Some of the criteria for environmentally sustainable economic activities concern social factors and governance, also known as minimum safeguards. The minimum safeguards set out in the Taxonomy Regulation refer to the processes that ensure minimum compliance with the standards of the Organization for Economic Co-operation and Development (OECD) for multinational companies and of the United Nations for human rights and business. They are intended to ensure that economic activities meet certain minimum standards when it comes to human rights, corruption and bribery, tax matters and competition matters.

Human rights

Skagi operates in accordance with applicable laws and regulations and respects human rights in all its activities. The Group has a policy on qualifications, competence and diversity, equality policy and occupational health and safety policy. Skagi's equality and equal pay policy clearly states that Skagi is a workplace where gender-based and sexual harassment, violence or bullying are not tolerated. Within the Group, there is a clear channel for issues related to bullying and sexual harassment, and employees are given clear information about the channels of communication and the progress of such cases. At Skagi, it is understood that it is the joint task of all employees to follow the Group's equality and equal pay policy. Each employee must be careful to show respect, openness and discretion in their dealings with others. It is also the responsibility of each employee to be aware of their environment and their moral duty to act if they witness what could be considered an EKKO incident (EKKO is an Icelandic abbreviation for bullying, sexual harassment, gender-based harassment and violence).

The Group has a procedure in place for the handling of reports of misconduct and the protection of whistleblowers in accordance with the Act on the Protection of Whistleblowers no. 40/2020. The procedure is available on the website of subsidiaries, as required. The purpose of the procedure is to document the method for handling and reporting alleged misconduct in relation to the Group's operations and the protection of whistleblowers. The Compliance Officer is responsible for ensuring that adequate communication channels are in place for reporting alleged misconduct. On the websites of Skagi's subsidiaries, it is possible to submit a notification of potential misconduct in Skagi's activities. Notifiers are encouraged to submit a notification under their own name, but the system also offers the ability to send anonymous notifications.

The Group has implemented and ensured compliance with the Act on Data Protection and the Processing of Personal Data. Skagi's Board of Directors has set a policy on the handling of personal data and a Data Protection Officer has been appointed for each subsidiary within the Group. Procedures have been established and processes defined to ensure careful handling of personal data, and a committee for information security and data protection operates within the Group. On the Company's and subsidiaries' websites, customers can find information in the Company's Privacy Policy on how the Company processes personal data and how they can exercise their rights under the Data Protection Act.

The Group has not violated any laws or rules imposed by regulators on human rights.

Corruption/Bribery

Skagi engages in honest and responsible business practices where any form of bribery, corruption, criminal activity and money laundering is neither practiced nor tolerated. The Group has established and

implemented internal processes, codes of conduct and procedures around compliance and has taken measures to identify and prevent bribery. Skagi has established a Code of Conduct which all new employees affirm upon commencing work at the Company. The Board reviews and confirms the code of ethics each year.

The Group has established a board-level policy on internal control and defined the internal control process and procedures for the implementation of internal control. In addition, the Group has established a policy on compliance that describes the way in which work should be done to identify the risk of failure by the Group to fulfil obligations according to laws and regulations.

The Group has reporting channels for reporting possible misconduct, including acceptance of bribery, and has a misconduct team whose role it is to receive and investigate reports received. All subsidiaries have reporting channels for misconduct available on their website. Procedures have been established for perks received by employees from customers, partners and suppliers, and employees must report all gifts, perks or invitations.

The boards of all subsidiaries of the Group have established a policy on measures against money laundering and the financing of terrorism, and procedures have been established based on the policy. The subsidiaries have appointed a person in charge of measures against money laundering who are responsible for the enforcement of the laws and regulations on measures against money laundering and the financing of terrorism, who handle notifications of suspicious transactions and funds.

The Group has not violated any laws or rules imposed by regulators on corruption and bribery.

Taxes

Skagi does not have a defined tax policy that is set by the Board and published publicly. However, tax procedures are well defined at the Group with the involvement of senior management. The Group CFO is the person responsible, while the CFO of subsidiaries are responsible for following through on paying taxes with the help of tax experts and the payment of public dues. The Group receives services from external consultants in the field of tax matters who assist with calculation and review before tax returns are filed. The Group's position is clear on the issue, and the Group complies with applicable laws and regulations in every respect. The Group strives to set an example here as elsewhere.

The Group has reporting channels for reporting possible misconduct, including inappropriate behaviour or actions related to taxes, and has a misconduct team whose role it is to receive and investigate reports received. All subsidiaries have reporting channels available on their website.

The Group has not violated any laws or rules imposed by regulators on taxes.

Competition

Competition rules play an important role in a free market, as they are intended to ensure that consumers and society as a whole benefit from the efficient use of production resources and thereby from active competition. Competition laws are part of the regulatory environment in which the Group operates at any given time. It is therefore a fundamental prerequisite for the Group's operations and structure to comply with the rules of the Competition Act. The Board of VÍS has established a policy on competition matters which is reviewed annually. Based on the policy, VÍS has also published a manual on competition rules for employees. The Group attaches great importance to regular education of employees about competition rules and that employees are well informed about the laws and regulations that apply to competition matters. It is emphasized that competition law considerations are always considered in decision-making.

The CEO of Skagi and subsidiaries is responsible for the implementation of the policy on competition matters and must ensure that appropriate measures are taken to ensure that it is followed, while the

relevant General Counsel is the supervisor of the policy and the relevant Compliance Officer is responsible for ensuring that employees receive appropriate training on competition matters while monitoring compliance with the policy.

The Group has not violated any laws or rules imposed by regulators on competition matters.

Appendix 2

EU Taxonomy Regulation

On 1 June 2023, Regulation (EU) 2020/852 on a framework for sustainable investment was transposed into Icelandic law through Act no. 25/2023 on Sustainable Financial Disclosure and Taxonomy for Sustainable Investments. Companies that are subject to the obligation of Article 66d of the Annual Accounts Act no. 3/2006 on non-financial disclosure must now also provide disclosure according to the requirements of the aforementioned regulation, also known as the EU Taxonomy Regulation. This includes VÍS and Fossar.

VÍS Insurance operations and insurance investments

According to Article 3 of the EU Taxonomy Regulation, an economic activity that qualifies as environmentally sustainable must contribute substantially to one or more of the environmental objectives set out in the Regulation while at the same time not significantly harm any other environmental objectives. The activity shall also be carried out in compliance with minimum safeguards and technical screening criteria. The technical screening criteria for non-life insurance: underwriting of climate-related perils, is defined in section 10.1 of Annex II to Commission Delegated Regulation (EU) 2021/2139. In order to meet this criteria, VÍS will continue to carry out a detailed analysis of its activities and make appropriate improvements as required. The Company is committed to continue its work related to the EU Taxonomy Regulation.

Key performance indicators are set out in Annex IX and XI to Commission Delegated Regulation (EU) 2021/2178.

Economic activities (1)	Substantial contribution to climate change adaptation			DNSH (Do No Significant Harm)					Minimum safeguards (10)
	Absolute premiums, year 2025 (2)	Proportion of premiums, year 2025 (3)	Proportion of premiums, year 2024 (4)	Climate change mitigation (5)	Water and marine resources (6)	Circular economy (7)	Pollution (8)	Biodiversity and ecosystems (9)	
	<i>Currency</i>	<i>%</i>	<i>%</i>	<i>Y/N</i>	<i>Y/N</i>	<i>Y/N</i>	<i>Y/N</i>	<i>Y/N</i>	<i>Y/N</i>
A.1. Non-life insurance and reinsurance underwriting Taxonomy-aligned activities (environmentally sustainable)									
A.1.1. Of which reinsured									
A.1.2. Of which stemming from reinsurance activity									
A.1.2.1. Of which reinsured (retrocession)									
A.2. Non-life insurance and reinsurance underwriting Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)	29.510.099	92%	26.999.162						
B. Non-life insurance and reinsurance underwriting Taxonomy-non-eligible activities	2.449.287	8%	2.182.918						
Total (A.1 + A.2 +B)	31.959.386	100%	29.182.080						

In line with the requirements of Article 8 of the EU Taxonomy Regulation and the accompanying Delegated Regulation (EU) 2021/2178, the company is obligated to report on specific key performance indicators (KPIs). These indicators reflect both the share of the company's investment portfolio that falls within the scope of the Taxonomy Regulation and the portion of those investments that meet the criteria for Taxonomy alignment.

The disclosure relies solely on information publicly disclosed by the entities in which the company has invested, as required by the regulation. Icelandic companies subject to these reporting obligations provided information on Taxonomy eligibility and alignment in their 2023 annual financial statements, including details on the eligibility of their business activities under the Taxonomy framework and the extent to which those activities align with its criteria.

The methodology for calculating the KPIs is based on the company's total investment portfolio, with specific exclusions applied to ensure compliance with regulatory standards. These exclusions include:

- Holdings in sovereign debt, exposures to central banks, and investments in supranational organizations.
- Investments in entities not required to disclose non-financial information under Articles 19a and 29a of Directive 2013/34/EU.

It is important to note that experience with EU Taxonomy reporting is still evolving, particularly regarding the availability and consistency of data from issuers, which may affect the completeness and accuracy of the company's disclosures. Significant data gaps remain, as a number of companies that are required to report under the Taxonomy Regulation have either not provided the necessary disclosures or have done so inconsistently or incompletely.

The proportion of the insurance or reinsurance undertaking's investments that are directed at funding, or are associated with, Taxonomy-aligned in relation to total investments

The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities relative to the value of total assets covered by the KPI, with following weights for investments in undertakings per below:		The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities, with following weights for investments in undertakings per below:	
Turnover-based:	1,6%	Turnover-based:	557.463.848
Capital expenditures-based:	1,6%	Capital expenditures-based:	554.602.778
The percentage of assets covered by the KPI relative to total investments of insurance or reinsurance undertakings (total AuM). Excluding investments in sovereign entities.		The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities, with following weights for investments in undertakings per below:	
Coverage ratio:	74%	Coverage:	34.702.947.500

Additional, complementary disclosures: breakdown of denominator of the KPI			
The percentage of derivatives relative to total assets covered by the KPI.	0%	The value in monetary amounts of derivatives.	0
The proportion of exposures to financial and non financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:		Value of exposures to financial and non financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU:	
For non financial undertakings:	27%	For non financial undertakings:	9.289.915.173
For financial undertakings:	28%	For financial undertakings:	9.553.555.024
The proportion of exposures to financial and non financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:		Value of exposures to financial and non financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU:	
For non financial undertakings:	0%	For non financial undertakings:	37.606.195
For financial undertakings:	4%	For financial undertakings:	1.250.056.578
The proportion of exposures to financial and non financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:		Value of exposures to financial and non financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU:	
For non financial undertakings:	16%	For non financial undertakings:	7.423.720.898
For financial undertakings:	15%	For financial undertakings:	7.148.093.632
The proportion of exposures to other counterparties over total assets covered by the KPI:	0%	Value of exposures to other counterparties:	0
The proportion of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned economic activities:	1,2%	Value of insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned economic activities :	557.463.848
The value of all the investments that are funding economic activities that are not Taxonomy eligible relative to the value of total assets covered by the KPI:	11,1%	Value of all the investments that are funding economic activities that are not Taxonomy eligible:	3.849.906.850
The value of all the investments that are funding Taxonomy-eligible economic activities, but not Taxonomy-aligned relative to the value of total assets covered by the KPI:	8,7%	The value of all the investments that are funding Taxonomy-eligible economic activities, but not Taxonomy-aligned relative to the value of total assets covered by the KPI:	3.016.350.200

Additional, complementary disclosures: breakdown of numerator of the KPI			
The proportion of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:		Value of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive	
For non financial undertakings:		For non financial undertakings:	
Turnover-based:	1,6%	Turnover-based:	557.463.848
Capital expenditures-based:	1,6%	Capital expenditures-based:	554.602.778
For financial undertakings:		For financial undertakings:	
Turnover-based:	0,0%	Turnover-based:	0
Capital expenditures-based:	0,0%	Capital expenditures-based:	0
other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned:		Value of insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned:	
Turnover-based:	1,6%	Turnover-based:	557.463.848
Capital expenditures-based:	1,6%	Capital expenditures-based:	554.602.778
The proportion of Taxonomy-aligned exposures to other counterparties in over total assets covered by the KPI:		Value of Taxonomy-aligned exposures to other counterparties over total assets covered by the KPI:	
Turnover-based:	0%	Turnover-based:	0
Capital expenditures-based:	0%	Capital expenditures-based:	0

Breakdown of the numerator of the KPI per environmental objective			
Breakdown of the numerator of the KPI per environmental objective			
(1) Climate change mitigation	Turnover:	100%	Transitional activities: 1%, 1%
	CapEx:	100%	Enabling activities: 20,5%, 17%
(2) Climate change adaptation	Turnover:	0%	Enabling activities: 0%,0%
	CapEx:	0%	
(3) The sustainable use and protection of water and marine resources	Turnover:	0%	Enabling activities: 0%,0%
	CapEx:	0%	
(4) The transition to a circular economy	Turnover:	0%	Enabling activities: 0%,0%
	CapEx:	0%	
(5) Pollution prevention and control	Turnover:	0%	Enabling activities: 0%,0%
	CapEx:	0%	
(6) The protection and restoration of biodiversity and ecosystems	Turnover:	0%	Enabling activities: 0%,0%
	CapEx:	0%	

Fossar fjárfestingarbanki hf. - financial services operations

Companies in the financial services industry are required to disclose information on environmentally sustainable assets, which is presented in a key performance indicator on the green asset ratio (GAR). The indicator shows the proportion of the Fossar bank's assets that it finances and invests in economic activities that fall under the taxonomy, i.e. which are considered environmentally sustainable according to Article 3 of the EU Taxonomy Regulation.

When determining the extent to which the institution's exposures are Taxonomy-eligible or Taxonomy-aligned, the disclosure relies exclusively on information publicly disclosed by counterparties, as mandated by the regulation. This applies to both financial and non-financial undertakings that fall within the scope of the Corporate Sustainability Reporting Directive (CSRD) and related EU regulations.

However, data availability challenges persist, particularly regarding Taxonomy-aligned activities:

- For non-financial undertakings, significant data gaps remain, as a number of companies that are required to report under the Taxonomy Regulation have either not provided the necessary disclosures or have done so inconsistently or incompletely.

Key performance indicators are presented in accordance with Annex V and VI to Commission Delegated Regulation (EU) 2021/2178.

The calculation of key performance indicators (KPIs) is based on the institution's total assets covered by the KPI, with specific exclusions to maintain consistency with regulatory guidelines. The following are excluded from the calculations:

- Exposures to sovereign entities, central banks, and supranational organizations,
- Exposures to entities not required to disclose non-financial information under Articles 19a and 29a of Directive 2013/34/EU.

The data used for the KPI calculations, including the determination of Taxonomy eligibility and alignment, is sourced from the public 2024 financial reports of counterparties. Given the evolving nature of EU Taxonomy reporting, particularly in relation to the consistency and completeness of data disclosures, there may be limitations in the accuracy and scope of the reported figures.

As stated before, significant data gaps remain, as some counterparties required to report under the Taxonomy Regulation have either not provided the necessary information or have done so in an incomplete or inconsistent manner. This impacts the institution's ability to fully capture Taxonomy alignment in its investment and lending activities.

0. Summary of key performance indicators that credit institutions are required to disclose according to Article 8 of the EU Taxonomy Regulation

Main KPI	Green asset ratio (GAR) stock	Total environmentally sustainable assets (turnover)	Total environmentally sustainable assets (CAPEX)	KPI****	KPI*****	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
		78.905.518	81.824.880	1,45%	1,50%	75%	54%	25%
Additional KPIs	GAR (flow)	76.655.573	78.340.310	1,41%	1,44%			
	Trading book*	N/A	N/A	N/A	N/A			
	Financial guarantees	N/A	N/A	N/A	N/A			
	Assets under management	N/A	N/A	N/A	N/A			
	Fees and commissions income**	N/A	N/A	N/A	N/A			

1. Assets for the calculation of the green asset ratio

Additionally, columns b-aa are excluded from this report because the disclosure is limited to Taxonomy alignment related to climate change mitigation. No reporting has been conducted on other environmental objectives.

Furthermore, certain rows are not included in the disclosure because no investments were made by Fossar in the corresponding asset categories. As a result, these sections are not applicable to the bank's asset composition.

These exclusions reflect both the evolving nature of EU Taxonomy reporting and the current structure of Fossar's investment activities.

ICR	a	b	c	Disclosure reference date 2023									Disclosure reference date 2024												
				Climate Change Mitigation (CCM)			TOTAL (CCM + CCS + WTR + CE + IPCC-BIO)			Total (gross) carrying amount	Climate Change Mitigation (CCM)			TOTAL (CCM + CCS + WTR + CE + IPCC-BIO)											
				Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-eligible)	Of which transitional	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-eligible)	Of which transitional		Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-eligible)	Of which transitional												
1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	
GAS - Covered assets in both numerator and denominator																									
1	Loans and advances, debt securities and equity instruments not IFRS eligible for GAR calculation	5,442,879,770	52,091,642	78,655,373		786,556	13,798,023	5,442,879,770	52,091,642	78,655,373	786,556	5,401,178,891													
2	Residual undercollateral	1,602,262,761										2,400,640,870													
3	Capital instruments	3,900,270,761										2,400,640,870													
4	Loans and advances																								
5	Gold reserves, including IASB	447,273,387										377,746,775													
6	Equity instruments	4,454,878,594										2,485,226,155													
10	Non-residential undercollateral	3,320,522,026	60,080,042	78,655,373								1,644,000,000	1,288,224												
11	Loans and advances																								
12	Gold reserves, including IASB	2,086,173,128										1,600,227,024	1,403,102,500	1,288,224											
13	Equity instruments	3,443,917,738	52,091,642	78,655,373			33,798,023					1,403,102,500	1,288,224												
14	Residuals																								
15	Of which loans collateralized by residential immovable property																								
16	Of which building construction loans																								
17	Of which motor vehicle loans																								
18	Local government financing																								
19	Housing financing																								
20	Other local government financing																								
21	Collateral obtained by taking possession: residential and commercial immovable properties																								
22	Assets excluded from the numerator for GAR calculation (covered in the denominator)	11,672,402,914																							
23	Total GAS assets	5,442,879,770	52,091,642	78,655,373		786,556	13,798,023	5,442,879,770	52,091,642	78,655,373	786,556	5,401,178,891													
24	Assets excluded from GAR calculation	4,424,120,111																							
25	Central governments and Supranational issues	4,424,204,283																							
26	Central governments																								
27	Trading book	4,153,340																							
28	Total assets	25,548,002,032										21,783,000,000													

2. Information on the green asset ratio by sector

Breakdown by sector - NACE 4 digits level (code and label)	a		b		c		d		y		z		aa		ab	
	Climate Change Mitigation (CCM)								TOTAL (CCM + CCA + WTR + CE + PPC + BIO)							
	Non-Financial corporates (Subject to [Gross] carrying amount)				SMEs and other NFC not subject to [Gross] carrying amount				Non-Financial corporates (Subject to [Gross] carrying amount)				SMEs and other NFC not subject to [Gross] carrying amount			
	ISK		Of which environmentally sustainable (CCM)		ISK		Of which environmentally sustainable (CCM)		ISK		Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)		ISK		Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	
1	Manufacture of pharmaceutical preparations (21.20)	11.755.200							11.755.200							
2	Other monetary intermediation (64.19)	1.778.095.522							1.778.095.522							
3	Other non-specialised retail sale (47.12)	73.946.196							73.946.196							
4	Non-specialised retail sale of predominately food, beverages or tobacco (47.11)	82.495.998							82.495.998							
5	Activities of holding companies and financing conduits (64.2)	2.026.934.378							2.026.934.378							
6	Other financial service activities, except insurance and pension funding n.e.c. (64.99)	25.582.471							25.582.471							
8	Telecommunication reselling activities and intermediation service activities for telecommunication (61.20)	131.400.000							131.400.000							
9	Retail sale of automotive fuel (47.30)	91.850.000							91.850.000							
10	Steam and air conditioning supply (35.30)	84.236.893	76.655.573						84.236.893	76.655.573						
11	Other credit granting (64.92)	124.155.239							124.155.239							
12	Manufacture of soft drinks and bottled waters (11.07)	7.082.994							7.082.994							

Breakdown by sector - NACE 4 digits level (code and label)	a		b		c		d		y		z		aa		ab	
	Climate Change Mitigation (CCM)								TOTAL (CCM + CCA + WTR + CE + PPC + BIO)							
	Non-Financial corporates (Subject to [Gross] carrying amount)				SMEs and other NFC not subject to [Gross] carrying amount				Non-Financial corporates (Subject to [Gross] carrying amount)				SMEs and other NFC not subject to [Gross] carrying amount			
	ISK		Of which environmentally sustainable (CCM)		ISK		Of which environmentally sustainable (CCM)		ISK		Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)		ISK		Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	
1	Manufacture of pharmaceutical preparations (21.20)	11.755.200							11.755.200							
2	Other monetary intermediation (64.19)	1.778.095.522							1.778.095.522							
3	Other non-specialised retail sale (47.12)	73.946.196							73.946.196							
4	Non-specialised retail sale of predominately food, beverages or tobacco (47.11)	82.495.998							82.495.998							
5	Activities of holding companies and financing conduits (64.2)	2.026.934.378							2.026.934.378							
6	Other financial service activities, except insurance and pension funding n.e.c. (64.99)	25.582.471							25.582.471							
8	Telecommunication reselling activities and intermediation service activities for telecommunication (61.20)	131.400.000							131.400.000							
9	Retail sale of automotive fuel (47.30)	91.850.000							91.850.000							
10	Steam and air conditioning supply (35.30)	84.236.893	78.340.310						84.236.893	78.340.310						
11	Other credit granting (64.92)	124.155.239							124.155.239							
12	Manufacture of soft drinks and bottled waters (11.07)	7.082.994	70.830						7.082.994	70.830						

3. GAR KPI stock

		Disclosure reference date 2025											Disclosure reference date 2024										
		Climate Change Mitigation (CCM)			TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			Climate Change Mitigation (CCM)			TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			Climate Change Mitigation (CCM)			TOTAL (CCM + CCA + WTR + CE + PPC + BIO)						
% (compared to total covered assets in the denominator)		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)						
		Of which Use of Proceeds			Of which transitional			Of which enabling			Of which Use of Proceeds			Of which transitional			Of which enabling						
GAR - Covered assets in both numerator and denominator																							
1	Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation																						
2	Financial undertakings	39.68%	0.12%		0.00%	39.68%	0.12%				0.00%	39.68%	0.12%										
3	Credit institutions	39.68%	0.12%		0.00%	39.68%	0.12%				0.00%	39.68%	0.12%										
4	Loans and advances																						
5	Debt securities, including UoP	9.23%	0.02%		0.23%	0.02%					1.8%	0%											
6	Equity instruments	36.46%	0.10%		36.46%	0.10%					5.7%	0%											
20	Non-financial undertakings	4.42%	0.15%		0.02%	0.20%	1.42%	0.12%	0.09%	13.0%	46.77%	0.04%		46.8%	0.04%					0.001%	46.8%		
21	Loans and advances																						
22	Debt securities, including UoP		2.72%		0.02%	0.20%	2.72%				0.02%	0.09%	8.2%										
23	Equity instruments	1.47%	1.43%								0.01%	0.2%	21.30%	46.77%	0.04%					0.001%	46.8%		
32	Total GAR assets	14.88%	1.43%		0.02%	0.20%		0.01%	0.2%	21.30%	46.77%	0.04%		46.8%	0.04%					0.001%	46.8%		

		Disclosure reference date 2025											Disclosure reference date 2024										
		Climate Change Mitigation (CCM)			TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			Climate Change Mitigation (CCM)			TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			Climate Change Mitigation (CCM)			TOTAL (CCM + CCA + WTR + CE + PPC + BIO)						
% (compared to total covered assets in the denominator)		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)						
		Of which Use of Proceeds			Of which transitional			Of which enabling			Of which Use of Proceeds			Of which transitional			Of which enabling						
GAR - Covered assets in both numerator and denominator																							
1	Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation																						
2	Financial undertakings	39.13%	0.18%		0.00%	39.13%	0.18%				7.4%												
3	Credit institutions	39.13%	0.18%		0.00%	39.13%	0.18%				7.4%												
4	Loans and advances																						
5	Debt securities, including UoP	7.61%	0.02%		0.00%	0.01%	7.61%	0.02%	0.00%	0.00%	1.8%												
6	Equity instruments	32.52%	0.02%		32.52%	0.02%					5.7%												
20	Non-financial undertakings	2.48%	2.22%		0.00%	2.48%	2.22%	2.21%	0.00%	13.0%	49%	0.11%		0.00%	49%	0.11%				0.00%	49.21%		
21	Loans and advances																						
22	Debt securities, including UoP		2.21%			2.21%					0%												
23	Equity instruments	2.48%	0.02%			2.48%	0.02%				5.7%	49%	0.11%	0.00%	49%	0.11%				0.00%	49.21%		
32	Total GAR assets	15.09%	2.50%		0.00%	0.00%	15.26%	2.50%	0.00%	0.00%	21.2%	49%	0.11%	0.00%	49%	0.11%				0.00%	49.21%		

4. GAR KPI flow

Information on flows for the year 2025 is estimated as the difference between the position of equity instruments and debt securities at year-end 2024 and year-end 2025, as detailed information on new investments during the period was not available.

		Disclosure reference date 2025																				
		Climate Change Mitigation (CCM)			TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			Climate Change Mitigation (CCM)			TOTAL (CCM + CCA + WTR + CE + PPC + BIO)											
% (compared to flow of total eligible assets)		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)											
		Of which Use of Proceeds			Of which transitional			Of which enabling			Of which Use of Proceeds			Of which transitional			Of which enabling					
GAR - Covered assets in both numerator and denominator																						
1	Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	1,6%	1,4%					1,6%	1,4%													3,8%
20	Non-financial undertakings	2,5%	2,2%					2,5%	2,2%													3,8%
21	Loans and advances																					
22	Debt securities, including UoP	0,7%	3,7%					0,7%	3,7%													3,3%
23	Equity instruments	3,8%	0,0%					3,8%	0,0%													0,4%
32	Total GAR assets	1,6%	1,4%					1,6%	1,4%													3,8%

		Disclosure reference date 2025																				
		Climate Change Mitigation (CCM)			TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			Climate Change Mitigation (CCM)			TOTAL (CCM + CCA + WTR + CE + PPC + BIO)											
% (compared to flow of total eligible assets)		Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)											
		Of which Use of Proceeds			Of which transitional			Of which enabling			Of which Use of Proceeds			Of which transitional			Of which enabling					
GAR - Covered assets in both numerator and denominator																						
1	Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	1,6%	1,4%					1,6%	1,4%													3,8%
20	Non-financial undertakings	2,5%	2,2%					2,5%	2,2%													3,8%
21	Loans and advances																					
22	Debt securities, including UoP	3,8%	3,8%					3,8%	3,8%													3,3%
23	Equity instruments	0,7%	0,0%					0,7%	0,0%													0,4%
32	Total GAR assets	1,6%	1,4%					1,6%	1,4%													3,8%