Fossar Investment Bank
Condensed Interim Financial Statements
1 January to 30 June 2026

FOSSAR

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

Contents

Report and Endorsement
by the Board of Directors and the CEO

About Fossar Investment Bank

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

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

The Condensed Interim Financial Statements of Fossar fjárfestingarbanki hf. for the period 1 January to 30 June 2026, have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional Icelandic disclosure requirements.

Operations and Financial Position

The Bank's net operating income for the first half of 2026 amounted to ISK 882 million and decreased by ISK 228 million between years. The Bank's loss for the period amounted to ISK 156 million (30 June 2025: loss of ISK 1.4 million). As of June 30, 2026, the Bank's total assets were ISK 23,075 million (31 December 2025: ISK 25,499 million) and the total equity amounted to ISK 3,296 million (31 December 2025: ISK 3,182 million) according to the statement of financial position. The Bank's capital ratio as calculated according to Article 84 of the Act on Financial Undertakings was 27.1% as of June 30, 2026. This compares to an overall regulatory capital requirement of 21.4%, following the Supervisory Review and Evaluation (SREP) which was completed in December 2024 and enforced as of Q4 2024.

During the period, organisational changes were made within the Bank, including changes to the CEO position, adjustments to headcount and other cost-saving measures. These actions resulted in a negative one-off impact of approximately ISK 75 million. Following these changes, the Bank’s annual cost base has reduced by approximately ISK 110 million. As a result of these organisational changes and normal staff turnover, the number of employees at the Bank, converted into full-time equivalent positions, will decrease from 31 to 28 as of 1 July 2026 (2025: 31).

To support the Bank’s continued growth, its share capital was increased on 29 June 2026 by 32,819,082 shares in nominal value, amounting to a total equity increase of ISK 300 million. All new shares were allocated to the Bank’s sole shareholder, Skagi. Following this transaction, the Bank’s share capital amounted to ISK 646,408,600 as of 30 June 2026.

During the period, changes were made to the Board of Directors and senior management of Fossar. Magnús Ingi Einarsson joined the Board, replacing Kolbeinn Arinbjarnarson, and was elected Chairman of the Board. Furthermore, Brynjar Þór Hreinsson was appointed Chief Executive Officer, succeeding Steingrímur Arnar Finnsson.

On 30 June 2026, the Bank signed a merger agreement with its wholly-owned subsidiary, Fossar hf. The merger remains pending statutory registration at the date of this report, but is intended to take effect as of 1 January 2026. As Fossar hf. has had no operating activities, the merger is not expected to have any material effect on the Bank.

External environment and future outlook

The Icelandic economy is expected to expand at a modest pace in 2026. The Central Bank of Iceland currently forecasts GDP growth of 1.6% this year, followed by growth of 1.8% in 2027. Domestic demand is expected to remain the primary driver of growth, supported by resilient private consumption, which is forecast to increase by 2.0%. Exports are expected to grow by a modest 0.4%, reflecting weaker tourism activity and heightened global uncertainty.

Inflation has remained more persistent than anticipated, averaging above 5% so far this year. Higher global commodity prices, particularly following the conflict in the Middle East, together with domestic wage pressures, have slowed the disinflation process. In response, the Central Bank raised its policy rate from 7.25% to 7.75% during the first half of the year.

The Nasdaq OMXI15GI declined by 5.4% during the first half of 2026. The ISK remained broadly stable, while the Central Bank of Iceland resumed regular foreign currency purchases, primarily to maintain adequate foreign exchange reserves and strengthen the economy's resilience.

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

Risk management

The management of risk is a fundamental part of day-to-day operations, and methods for risk management are reviewed regularly considering changes in the markets and the Bank's operations. The Bank employs a structured risk management approach to identify, assess, mitigate, and monitor risks across credit, market, liquidity, operational, and compliance domains. The Board sets the Bank's risk appetite and risk policies, ensures robust internal controls, and regularly reviews risk exposure to align with strategic objectives. By fostering a strong risk culture, the board aims to safeguard stakeholders' interests while enabling prudent decision-making in a dynamic financial environment. More details about the Bank's management of financial risks can be found in note 20 of the Condensed Interim Financial Statements.

Statement by the Board of Directors and the CEO

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

To the best of our knowledge, these Condensed Interim Financial Statements give a true and fair view of the Bank's assets, liabilities, financial position and financial performance for the period 1 January to 30 June 2026. In addition, it is the opinion of the Board of Directors and the CEO that the Condensed Interim Financial Statements provide a true and fair summary of the development and results of the Bank's operations and its position and describe the main risks and uncertainties facing the Bank.

The Board of Directors and the CEO of Fossar Investment Bank have today discussed the Bank's Condensed Interim Financial Statements for the period 1 January to 30 June 2026 and confirmed them with their signatures.

Reykjavik, 13 July 2026

Board of Directors

Magnús Ingi Einarsson, Chairman of the Board

Anna Baldursdóttir

Guðný Arna Sveinsdóttir

Haraldur Ingólfur Þórðarson

Marta Guðrún Blöndal

CEO

Brynjar Þór Hreinsson

Income Statement
For the period 1 January - 30 June 2026

	Notes	2026 1.1.-30.6.	2025 1.1.-30.6.
Operating income			
Interest income		1.104.754	1.027.907
Interest expense		(822.282)	(827.773)
Net interest income	4	282.472	200.134
Fee and commission income		657.253	958.875
Fee and commission expense		(35.210)	(34.588)
Net fee and commission income	5	622.043	924.287
Net financial income (expense)	6	(23.779)	(16.311)
Other income		990	1.678
Other operating income		(22.788)	(14.633)
Net operating income		881.727	1.109.789
Operating expense	7	(1.000.867)	(1.077.100)
Net credit impairment	12	(6.681)	(4.069)
Depreciation		(34.873)	(36.690)
		(1.042.421)	(1.117.859)
Loss before taxes		(160.694)	(8.070)
Income tax		4.675	6.716
Loss for the period		(156.019)	(1.354)
Earnings per share	8		
Earnings per share (in ISK)		(0,25)	(0,00)

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

Condensed Interim Financial Statements 30 June 2026 5 Amounts in ISK thousand

Statement of Comprehensive Income
For the period 1 January - 30 June 2026

	Notes	2026 1.1.-30.6.	2025 1.1.-30.6.
Loss for the period		(156.019)	(1.354)
Other comprehensive profit (loss)			
Items that are or may be reclassified subsequently to profit and loss and relocated to equity			
Reclassification of fair value changes to income statement		0	12.880
Unrealized fair value changes		(29.907)	(10.294)
Total comprehensive profit for the year		(185.926)	1.231

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

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Statement of Financial Position
As at 30.6.2026

Assets:	Notes	30.6.2026	31.12.2025
Cash and cash equivalents		888.378	496.987
Trade receivables and other receivables	9,13	754.978	2.364.104
Derivatives	10	181.401	162.132
Bonds	13	5.211.821	6.517.934
Equities and other securities	13	236.014	516.799
Securities used for hedging	11,13	4.407.763	3.109.524
Loans to customers	12,13	10.942.081	11.836.508
Operating and intangible assets		265.771	266.880
Investment in subsidiaries		46.367	46.367
Deferred income tax	17	140.625	181.965
Total assets		23.075.199	25.499.201
Liabilities and equity:			
Liabilities			
Borrowings	14	10.343.656	12.272.015
Issued bonds and bills	15	8.214.567	8.610.879
Derivatives	10	59.921	254.981
Other liabilities	13,16	993.023	993.784
Lease liabilities		160.443	165.813
Long-term borrowings		7.362	19.575
Total liabilities		19.778.972	22.317.048
Equity			
Share capital	18	646.409	613.590
Share premium		2.152.733	1.885.552
Other restricted equity	18	62.021	91.928
Retained earnings		435.064	591.083
Total equity		3.296.227	3.182.153
Total liabilities and equity		23.075.199	25.499.201

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

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Statement of Changes in Equity
For the period 1 January - 30 June 2026

	Notes	Share capital	Share premium	Other restricted equity*	Retained earnings	Total equity
1 January 2025		590.479	1.885.552	58.898	149.039	2.683.967
Profit for the year 2025					(1.354)	(1.354)
Reclassification of fair value changes to income statement				12.880		12.880
Unrealized fair value changes				(10.294)		(10.294)
Total comprehensive profit for the year		0	0	2.586	(1.354)	1.231
Transactions with owners of the Bank						
Merger with Íslensk verðbréf		23.111			184.343	207.454
30 June 2025		613.590	1.885.552	61.484	332.027	2.892.652
1 January 2026		613.590	1.885.552	91.928	591.083	3.182.153
Profit for the year 2026					(156.019)	(156.019)
Unrealized fair value changes	18			(29.907)		(29.907)
Total comprehensive profit for the year		0	0	(29.907)	(156.019)	(185.926)
Transactions with owners of the Bank						
Share capital increase	18	32.819	267.181			300.000
30 June 2026		646.409	2.152.733	62.021	435.064	3.296.227

*Other restricted equity consists of statutory reserves and unrealized fair value changes. See more details in note 18.

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

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Statement of Cash Flow

For the period 1 January - 30 June 2026

	Notes	2026 1.1.-30.6.	2025 1.1.-30.6.
Operating activities			
Loss		(156.019)	(1.354)
Adjustments to reconcile net earnings to net cash provided			
Depreciation and impairment		34.873	36.690
Loss on sale of equipment		656	0
Securities revaluation (Derivatives)		(244.236)	(255.490)
Financial items		(282.764)	(201.308)
Income tax, change		(4.675)	(6.716)
Working capital to operating activities w/o interest and tax		(652.166)	(428.178)
Net change in operating assets and liabilities			
Current receivables, decrease		1.655.142	599.791
Current payables (decrease), increase		(761)	626.312
Securities, change		288.659	749.603
Loans to customers, change		894.427	(1.718.101)
Cash from (to) operating activities w/o interest and taxes		2.185.302	(170.573)
Interest and dividends received		1.105.046	1.100.986
Interest paid		(822.282)	(899.679)
Net cash from operating activities		2.468.066	30.735
Investing activities			
Investment in intangible assets		(30.725)	(2.170)
Investment in property and equipment		(7.343)	0
Sale price of property and equipment		10.000	0
Cash acquired on merger with ÍV		0	273.138
		(28.068)	270.967
Financing activities			
New shares issued	18	300.000	0
Short term loan, changes	14	(1.928.359)	503.807
Issued bonds and bills	15	2.319.703	0
Repayment and repurchases of issued bonds and bills		(2.716.015)	0
Repayment of lease liabilities		(11.723)	(10.475)
Repayment of long term loan		(12.213)	(1.845)
		(2.048.607)	491.486
Increase in cash		391.391	793.188
Cash at beginning of year		496.987	134.795
Cash at year-end		888.378	927.983

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

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Notes to the Condensed Interim Financial Statements

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Notes

1. General information

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

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

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

2. Basis of preparation

2.1 Statement of compliance with international financial reporting standards

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

The Condensed Interim Financial Statements of Fossar Investment Bank hf. do not include all the information required in Financial Statements and should be read in conjunction with its Annual Financial Statements for the year 2025, which are available at www.fossar.is.

The accounting policies are unchanged from those set out in Note 34 in the Annual Financial Statements for the year 2025.

2.2 Basis of measurement

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

3. Estimates and judgments

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

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

Notes

4. Net interest income

Interest income is specified as follows:	1.1.-30.6.2026	1.1.-30.6.2025
Bank deposits, liquid funds and other interest income	26.143	45.864
Loans to customers	727.138	502.422
Derivatives	162.567	231.537
Interest on financial assets at fair value	73.983	131.950
Interest on financial assets recognized at fair value through other comprehensive income	114.922	116.135
Total interest income	1.104.754	1.027.907
Money market deposits and other borrowings	(448.528)	(583.835)
Issued bonds and bills	(359.213)	(209.193)
Interest expense from leases	(5.247)	(5.705)
Other interest expense	(9.294)	(29.041)
Total interest expense	(822.282)	(827.773)
Net interest income, total	282.472	200.134

Interest income calculated using the effective interest rate method amounted to 873,5 million

5. Net fee and commission income

	1.1.-30.6.2026	1.1.-30.6.2025
Capital markets and corporate finance	392.236	592.906
Asset management fees	102.579	104.991
Other net fee and commission income	127.228	226.391
	622.043	924.287

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

6. Net financial income (expense)

	1.1.-30.6.2026	1.1.-30.6.2025
Fair value changes of equities	(528)	3.013
Fair value changes of bonds	(29.480)	(1.890)
Fair value of securities and related derivatives	5.593	(5.897)
Exchange rate gain/loss	637	(11.537)
	(23.779)	(16.311)

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Notes

7. Operating expense

	1.1.-30.6.2026	1.1.-30.6.2025
Salaries	437.765	450.373
Pension fund contributions	59.505	55.887
Share option expenses *	7.270	7.078
Other salary-related expenses	55.911	83.352
Other operating expenses	440.417	480.411
	1.000.867	1.077.100
Average FTEs during period	31	34
FTEs at year-end	31	34

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

Salaries include severance payments made to employees who are not included in the average number of full-time equivalents (FTEs).

8. Earnings per share

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

	1.1.-30.6.2026	1.1.-30.6.2025
Profit attributable to Fossar shareholders	(156.019)	(1.354)
Weighted average no. of outstanding shares (thousand)	613.952	613.590
Profit per share and diluted per share (in ISK)	(0,25)	(0,00)

9. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:

	30.6.2026	31.12.2025
Trade receivables	189.853	256.276
Related parties	54.115	91.235
Prepaid expenses	30.752	24.040
Contingent revenue	109.785	63.960
Other receivables	30.032	41.687
Unsettled transactions	340.441	1.886.907
	754.978	2.364.104

10. Derivatives

Derivatives are specified as follows:

Assets:	30.6.2026	31.12.2025
Derivatives, equities	174.651	153.201
Derivatives, bonds	6.751	8.932
	181.401	162.132
Liabilities:		
Derivatives, equities	44.622	248.063
Derivatives, bonds	15.299	6.918
	59.921	254.981

Fossar offers its clients exposures through forward contracts derivative on listed bonds and equities instruments. See note 11 for information on hedging.

Notes

11. Securities used for hedging

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

	30.6.2026	31.12.2025
Government bonds and bills	2.697.530	124.439
Equities	1.119.961	2.453.276
Other bonds	590.272	531.809
	4.407.763	3.109.524

12. Loans to customers

Loans to customers are specified as follows:

	30.6.2026	31.12.2025
Loans to customers	10.966.204	11.853.950
Credit impairment on loans	(24.123)	(17.442)
	10.942.081	11.836.508

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 20.8 and 20.9.

13. Financial instruments

Balance 30.6.2026

Financial assets:	Amortised cost	Fair value through income statement	Fair value through other com-prehensvie income	Total
Cash	888.378	0	0	888.378
Other receivables (w/o prepaid expence)	724.226	0	0	724.226
Bonds	0	2.135.137	3.076.684	5.211.821
Equities and other securities	0	236.014	0	236.014
Securities used for hedging	0	4.407.763	0	4.407.763
Loans to customers	10.942.081	0	0	10.942.081
Derivatives	0	181.401	0	181.401
	12.554.685	6.960.315	3.076.684	22.591.684
Financial liabilities:				
Money market deposits	6.543.656	0	0	6.543.656
Issued bonds and bills	8.214.567	0	0	8.214.567
Borrowings	3.800.000	0	0	3.800.000
Other liabilities (w/o unpaid taxes)	612.206	0	0	612.206
Long-term borrowings	7.362	0	0	7.362
Derivatives	0	59.921	0	59.921
	19.177.791	59.921	0	19.237.712

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13. Financial instruments, contd.

Balance 31.12.2025 Financial assets:	Amortised cost	Fair value through income statement	Fair value through other com-prehensvie income	Total
Cash	496.987	0	0	496.987
Other receivables (w/o prepaid expence)	2.340.065	0	0	2.340.065
Bonds	0	3.375.332	3.142.602	6.517.934
Equities and other securities	0	516.799	0	516.799
Securities used for hedging	0	3.109.524	0	3.109.524
Loans to customers	11.836.508	0	0	11.836.508
Derivatives	0	162.132	0	162.132
	14.673.560	7.163.787	3.142.602	24.979.949
Financial liabilities:				
Money market deposits	8.972.015	0	0	8.972.015
Issued bonds and bills	8.610.879	0	0	8.610.879
Borrowings	3.300.000	0	0	3.300.000
Other liabilities (w/o unpaid taxes)	661.837	0	0	661.837
Long-term borrowings	19.575	0	0	19.575
Derivatives	0	254.981	0	254.981
	21.564.306	254.981	0	21.819.287

Fair value hierarchy

The fair value of financial assets in level 1 is based on the quoted price in an active market for the relevant asset or similar assets. The fair value of financial assets in level 2 is based on market information other than quoted prices in an active market. The fair value of financial assets in level 3 is based on assumptions other than public market information.

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

Breakdown 30.6.2026:	Level 1	Level 2	Level 3	Total
Investment in listed companies	1.355.974	0		1.355.974
Investment in bonds	8.499.623	0		8.499.623
Derivatives	0	181.401		181.401
Total	9.855.598	181.401	0	10.036.999

Breakdown 31.12.2025:	Level 1	Level 2	Level 3	Total
Investment in listed companies	2.970.075	0		2.970.075
Investment in bonds	7.174.182	0		7.174.182
Derivatives	0	162.132		162.132
Total	10.144.257	162.132	0	10.306.389

The fair value of loans and receivables bearing fixed interest rates is assessed using the cash flow method, where the yield is based on the estimated market interest rate for the respective debt instrument on the reporting date. The fair value of issued bonds is ISK 33,5m lower than the year-end carrying value. The fair value of other financial assets and liabilities, including those with variable interest rates, is not considered significantly different from the year-end carrying value.

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14. Borrowings

	30.6.2026	31.12.2025
Money market deposits	6.543.656	10.663.421
Secured borrowings	3.800.000	2.700.000
	10.343.656	13.363.421

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

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

15. Issued bonds and bills

Balance 30.06.2026

Issued bonds and bills	Issued	Maturity	Type and terms of interest	30.6.2026
FOS 26 0909	11.3.2026	9.9.2026	Bill, discounted	1.220.277
FOS 26 1126	28.5.2026	26.11.2026	Bill, discounted	1.099.426
FOS 281026	28.10.2024	28.10.2026	Bond, fixed 9.2%	1.523.767
FOS 040728	4.7.2025	4.7.2028	Bond, fixed 9.03%	1.565.844
FOS 27 1	23.12.2025	23.6.2027	Bond, floating 1M Reibor +1.7%	2.805.254
				8.214.567

Balance 31.12.2025

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 281026	28.10.2024	28.10.2026	Bond, fixed 9.2%	1.523.767
FOS 040728	4.7.2025	4.7.2028	Bond, fixed 9.03%	1.566.220
FOS 27 1	23.12.2025	23.6.2027	Bond, floating 1M Reibor +1.7%	2.805.907
				8.610.879

16. Other liabilities

Trade and other payables are specified as follows:

	30.6.2026	31.12.2025
Trade payables	39.122	54.436
Debts to related parties	28.685	103.909
Unpaid salaries and salary-related expenses	186.755	139.236
Unpaid capital gains tax	380.818	331.948
Clients collateral used for funding *	199.146	262.030
Other payables	62.812	59.610
Unsettled transactions	95.686	42.616
	993.023	993.784

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

Condensed Interim Financial Statements 30 June 2026 16 Amounts in ISK thousand

Notes

17. Deferred income tax asset

	Asset 30.6.2026	31.12.2025
Balance at beginning of year	181.965	377.667
Income tax recognized as income for the year	4.675	64.753
Effects of tax utilization of Skagi Group	(46.016)	(58.374)
Tax utilization of Skagi Group	0	(202.081)
Balance at period-end	140.625	181.965

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

	30.6.2026	31.12.2025
Operating assets	1.522	403
Intangible assets	(1.488)	(2.061)
Lease liabilities and lease assets	1.349	956
Derivatives	(24.296)	18.570
Other items	97	658
Loss carry-forward	163.440	163.440
	140.625	181.965

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

18. Equity

The Bank's share capital amounted to 646,408,600 on 30 June 2026 according to the Bank's Articles of Association and is divided into an equal number of shares, each in the amount of ISK 1. The Bank's share capital was increased by 32,819,082 million shares in nominal value on 29 June 2026, all of which were allocated to Skagi.

Other restricted equity is specified as follows at 30 June 2026:

	Statutory reserve	Unrealized fair value changes	Total
Balance at beginning 2025	67.927	(9.029)	58.898
Contribution to statutory reserve	28.634	0	28.634
Reclassification of fair value changes to income statement	0	12.880	12.880
Unrealized fair value change	0	(8.483)	(8.483)
Balance at beginning 2026	96.560	(4.632)	91.928
Unrealized fair value change	0	(29.907)	(29.907)
Balance as at 30.6.2026	96.560	(34.539)	62.021

Condensed Interim Financial Statements 30 June 2026 17 Amounts in ISK thousand

Notes

19. Capital ratio

The Bank's capital ratio is calculated according to the Act on Financial Undertakings. The capital adequacy requirements due to credit, market and operational risk is calculated using the standardized approach and the Bank's capital ratio is 27.1%.

	30.6.2026	31.12.2025
Total equity at period-end	3.296.227	3.182.153
Tax assets	(140.625)	(181.965)
Intangible assets	(73.652)	(54.904)
Capital base (CET1)	3.081.950	2.945.284
Risk weighted exposures:		
Credit risk	6.626.242	6.880.546
Market risk	1.840.301	2.478.240
Operational risk	2.918.189	2.918.189
Total risk exposure amount	11.384.732	12.276.974
Capital ratio according to statutory provisions on capital ratios	27,1%	24,0%

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 2025 maintain an additional capital requirement of 8.4% 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 21.4%.

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

20. Financial risk management

20.1 Risk management in general

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

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

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

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

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

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

Condensed Interim Financial Statements 30 June 2026 18 Amounts in ISK thousand

20. Financial risk management, contd.

20.2 Market risk

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

The main market risk factors that are specifically considered:

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

20.3 Interest rate risk

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

Interest sensitivity analysis

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

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

	30.6.2026		31.12.2025	
	50 bp	100 bp	50 bp	100 bp
Impact on profit or loss and equity	21.451	42.903	16.643	33.285

20.4 Equity risk and other price risks of market securities

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

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

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

	30.6.2026	31.12.2025
Equities and equity funds at fair value through profit or loss	1.355.974	2.970.075
Debt instruments and other securities at fair value through profit or loss	8.499.623	7.174.182

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

	30.6.2026		31.12.2025	
	5%	10%	5%	10%
Equities - impact on profit or loss	67.799	135.597	148.504	297.007
Debt securities - impact on profit or loss	424.981	849.962	358.709	717.418

Condensed Interim Financial Statements 30 June 2026 19 Amounts in ISK thousand

Notes

20. Financial risk management, contd.

20.5 Foreign exchange rate risk

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

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

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

Foreign exchange rate risk as at 30.6.2026:

	Assets	Liabilities	Net position
USD	52.497	0	52.497
EUR	730.844	714.044	16.800
GBP	7.990	0	7.990
DKK	3.739	0	3.739
NOK	4.251	0	4.251
Other	13.067	0	13.067
	812.388	714.044	98.344

Foreign exchange rate risk as at 31.12.2025:

	Assets	Liabilities	Net position
USD	42.831	0	42.831
EUR	24.457	0	24.457
GBP	5.586	0	5.586
DKK	3.560	0	3.560
NOK	4.170	0	4.170
SEK	11.095	0	11.095
	91.699	0	91.699

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

	30.6.2026		31.12.2025	
	5%	10%	5%	10%
USD	2.100	4.200	1.713	3.426
EUR	672	1.344	978	1.957
GBP	320	639	223	447
DKK	150	299	142	285
NOK	170	340	167	334

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

Condensed Interim Financial Statements 30 June 2026 20 Amounts in ISK thousand

20. Financial risk management, contd.

20.6 Large exposures of the Bank

Large exposures of the bank before risk adjusted mitigation

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

The Bank had seven large exposures at end of June 2026, totalling 2.748 m ISK.

	30.6.2026		31.12.2025	
	Number	Amount	Number	Amount
10-20% of capital base	7	2.747.756	5	2.116.380
20-25% of capital base	0	0	0	0
Exceeding 25% of capital base	0	0	0	0
	7	2.747.756	5	2.116.380
Large exposure net of risk adjusted mitigation	7	2.747.756	5	2.116.380

Collateral against exposures to derivatives

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

20.7 Liquidity risk

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

The liquidity position, its development as well as the impact of market conditions and future outlook is monitored on a regular basis. Liquidity risk is considered a key risk within the Bank and great emphasis is placed on prudent management. It is the responsibility of the Bank's Treasury department to ensure that liquidity risk is within the risk appetite at all times. Risk Management monitors, measures and analyses the Bank's liquidity risk.

Liquidity risk of financial services activities is specified as follows:

The main measure of the Banks liquidity risk is the liquidity coverage ratio (LCR) as defined in Rules No. 1520/2022 of the Central Bank of Iceland and the bank adheres to prudent internal standards regarding the minimum liquidity coverage ratio. Fossar liquidity coverage ratio was 664% at end of June 2026, while the minimum liquidity coverage ratio according to the CBI's rules is 100%.

Time analysis of assets and liabilities

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

Condensed Interim Financial Statements 30 June 2026 21 Amounts in ISK thousand

Notes

20. Financial risk management, contd.

Balance 30.6.2026

Assets	0-3 months	4-6 months	7-12 months	1-5 years	Over 5 years	Total
Current receivables	754.978	0	0	0	0	754.978
Cash and cash equivalents	888.378	0	0	0	0	888.378
Derivatives	181.401	0	0	0	0	181.401
Securities	1.244.883	1.158.246	2.030.392	3.009.562	2.103.869	9.546.951
Loans to customers	8.757.563	913.051	606.154	689.436	0	10.966.204
	11.827.203	2.071.297	2.636.546	3.698.997	2.103.869	22.337.912
Liabilities						
Money market deposits	6.407.275	0	0	0	0	6.407.275
Issued bonds and bills	1.371.775	2.773.050	2.995.825	1.703.175	0	8.843.825
Borrowings	3.802.692	0	0	0	0	3.802.692
Derivatives	59.921	0	0	0	0	59.921
Other liabilities	993.023	0	0	0	0	993.023
	12.634.686	2.773.050	2.995.825	1.703.175	0	20.106.736

Balance 31.12.2025

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

20.8 Credit risk of financial activities

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

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

	30.6.2026	31.12.2025
Cash and cash equivalents	888.378	496.987
Other receivables (without prepaid expence)	724.226	2.340.065
Securities used for hedging	4.407.763	3.109.524
Loans to customers	10.942.081	11.836.508
	16.962.448	17.783.085

Condensed Interim Financial Statements 30 June 2026 22 Amounts in ISK thousand

Notes

20. Financial risk management, contd.

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

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

	30.6.2026	31.12.2025
Carryover from prior year	17.442	10.815
Reassessment of expected credit loss	6.681	6.627
Final loss	0	0
Total provisions at year-end	24.123	17.442

On and off balance sheet exposure

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

30.6.2026	Public entities	Financial institutions	Corporate customers	Individuals	Total
Cash and cash equivalents	0	888.378	0	0	888.378
Derivatives	0	0	181.401	0	181.401
Fixed income securities	4.918.851	0	292.970	0	5.211.821
Loans to customers	0	0	10.942.081	0	10.942.081
	4.918.851	888.378	11.416.452	0	17.223.681

31.12.2025	Public entities	Financial institutions	Corporate customers	Individuals	Total
Cash and cash equivalents	0	496.987	0	0	496.987
Derivatives	0	0	162.132	0	162.132
Fixed income securities	5.773.556	323.417	420.960	0	6.517.934
Loans to customers	0	0	11.836.508	0	11.836.508
	5.773.556	820.404	12.419.601	0	19.013.561

Condensed Interim Financial Statements 30 June 2026 23 Amounts in ISK thousand

Notes

20. Financial risk management, contd.

20.9 Credit quality of financial assets

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

30.6.2026	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
Public entities	0	0	0	0	0	0	0	0	0
Financial institutions	0	0	0	0	0	0	0	0	0
Corporate	0	0	0	0		0	0	0	0
Real estate activities	4.245.540	(8.188)	4.237.352	8.253.411	112.122	4.629.170	0	2.049.519	1.462.600
Construction	417.331	(2.905)	414.426	904.528	0	0	228.000	609.278	67.250
Service activities	0	0	0	0	0	0	0	0	0
Service Activit.	65.978	(1)	65.977	308.556	0	0	308.556	0	0
Companies	4.326.409	(1.385)	4.325.024	11.056.207	101.633	3.547.727	4.101.290	1.126.350	2.179.208
Wholesale and Retail Trade	0	0	0	0	0	0	0	0	0
Other	1.910.946	(11.643)	1.899.302	4.624.734	216.893	1.202.924	1.124.899	776.060	1.303.958
Individuals	0	0	0	0	0	0	0	0	0
	10.966.204	(24.123)	10.942.081	25.147.437	430.648	9.379.821	5.762.745	4.561.207	5.013.016

31.12.2025	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
Public entities	0	0	0	0	0	0	0	0	0
Financial institutions	0	0	0	0	0	0	0	0	0
Corporate	0	0	0	0	0	0	0	0	0
Real estate activities	3.993.210	(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
Service Activit.	201.804	(108)	201.696	1.835.612	3.175	0	1.052.437	780.000	0
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
Individuals	0	0	0	0	0	0	0	0	0
	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

Condensed Interim Financial Statements 30 June 2026 24 Amounts are in ISK thousand

Notes

20. Financial risk management, contd.

b. Collateral against exposures to derivatives

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

	Market value of collateral			
30.6.2026	Deposits	Fixed income Securities	Variable income securities	Total collateral
Financial institutions	69.805	0	328.493	398.298
Corporate customers	360.843	80.964	9.714.837	10.156.643
Individuals	0	0	0	0
	430.648	80.964	10.043.329	10.554.941
31.12.2025				
Financial institutions	93.828	0	356.686	450.514
Corporate customers	65.176	0	10.844.422	10.909.599
Individuals	0	0	0	0
	159.005	0	11.201.108	11.360.113

c. Credit quality of loans to customers by credit quality band

The following tables show financial assets subject to the impairment requirements of IFRS 9 broken down by credit quality bands where band I denotes the lowest and band IV the highest credit risk. The Bank has primarily used adjusted external credit ratings to assess the default probability of its customers.

Credit quality of financial assets by credit quality band.

30.6.2026

Loans to customers:	Stage 1	Stage 2	Stage 3	Total
Credit quality band I	8.047.922	0		8.047.922
Credit quality band II	1.999.274	382.583		2.381.858
Credit quality band III	230.985	63.447		294.432
Credit quality band IV	0	59.590		59.590
In default	0	182.402		182.402
Non-Rated	0	0		0
Gross carrying amount	10.278.181	688.023	0	10.966.204
Expected credit loss	(13.134)	(10.988)		(24.123)
Book value	10.265.047	677.034	0	10.942.081

31.12.2025

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

Condensed Interim Financial Statements 30 June 2026 25 Amounts are in ISK thousand

Notes

20. Financial risk management, contd.

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

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

A total of 338 m ISK that were classified as Past due 31-60 days were fully paid up after the end of the period and thus no longer constitute a risk to the Bank.

30.6.2026	Claim value	Expected credit loss	Book value
Not past due	10.448.222	(19.215)	10.429.007
Past due 1-30 days	166.776	(4.386)	162.391
Past due 31-60 days	338.029	(191)	337.838
Past due 61-90 days	13.177	(332)	12.845
Default > 90 days	0	0	0
	10.966.204	(24.123)	10.942.081

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	0	0	0
Past due 31-60 days	0	0	0
Past due 61-90 days	0	0	0
Default > 90 days	0	0	0
	11.853.950	(17.442)	11.836.508

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

The following tables show changes in the expected credit loss allowance of loans to customers and for loan commitments, guarantees and unused credit facilities during the period.

30.6.2026

Transfer of financial assets:	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2026	11.876	5.565		17.442
Transfer to Stage 1	3.884	(3.884)		0
Transfer to Stage 2	(262)	262		0
Transfer to Stage 3	0	0		0
Net remeasurement of loss allowance	(2.286)	8.578		6.292
New financial assets, origin. or purch.	282	521		803
Derecognitions and maturities	(360)	(53)		(413)
Write-offs	0	0		0
Balance as at 30 June 2026	13.134	10.988	0	24.123

31.12.2025

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

Condensed Interim Financial Statements 30 June 2026 26 Amounts in ISK thousand

Notes

20. Financial risk management, contd.

f. Loan-to-value

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

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

	30.6.2026	%	31.12.2025	%
Less than 50%	3.499.937	32%	3.520.710	30%
51-70%	6.135.384	56%	6.055.787	51%
71-90%	1.306.761	12%	2.260.012	19%
91-100%	0	0%	0	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%
	10.942.081	100%	11.836.508	100%

20.10 Operational risk

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

The main components of operational risk are the following:

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

20.11 Internal management and control

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

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

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

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

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Notes

21. Assets under management

The Company has assets under management for clients as well as assets in foreign funds in the amount of ISK 46,3 billion (2025 ISK 53,1 billion). These assets are not recorded in the Company's Statement of Financial Position.

22. Approval of Condensed Interim Financial Statements

These Condensed Interim Financial Statements were approved by the Board of Directors of the Bank on 13 July 2026.