RAFRÆNT UNDIRRITAÐ
Haraldur Ingólfur Þórðarson
Kt. 0903794459
Dags. 24.2.2025 18:06:08
Ástæða: Undirritun

RAFRÆNT UNDIRRITAÐ
Marta Guðrún Blöndal
Kt. 0902882539
Dags. 24.2.2025 18:16:03
Ástæða: Undirritun

RAFRÆNT UNDIRRITAÐ
Steingrímur Arnar Finnsson
Kt. 2902803039
Dags. 24.2.2025 18:40:46
Ástæða: Undirritun

RAFRÆNT UNDIRRITAÐ
Guðný Arna Sveinsdóttir
Kt. 0902663069
Dags. 24.2.2025 20:55:00
Ástæða: Undirritun

RAFRÆNT UNDIRRITAÐ
Sigríður Soffía Sigurðardóttir
Kt. 1909792969
Dags. 24.2.2025 21:13:14
Ástæða: Undirritun

DIGITAL SIGNATURE 24.2.2025 22:10:28 GMT
Anna Helga Eydís Baldursdóttir
Anna Helga Eydís Baldursdóttir
Reason: Signature

RAFRÆNT UNDIRRITAÐ
Kolbeinn Arinbjarnarson
Kt. 1005623329
Dags. 25.2.2025 06:50:51
Ástæða: Undirritun

Fossar Investment Bank

Annual Financial Statements
2024

FOSSAR

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

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Endorsement and Statement 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. The headquarters of Fossar Investment Bank are in Reykjavik.

Fossar provides customised and personalised services to clients and is at the forefront when it comes to connecting Icelandic business with the international investment environment. Fossar is a progressive investment bank that emphasises professionalism, results and trust.

Financial Statements of Fossar fjárfestingarbanki hf. for the year 2024 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional Icelandic disclosure requirements.

Activities in 2024

The year 2024 marked the bank's first full year of operations as part of the Skagi Group. Fossar is a subsidiary of Skagi hf., which is listed on Nasdaq Iceland's Main Market. Other affiliated entities within the group include VÍS Tryggingar hf. ("VIS") and SIV Asset Management hf. ("SIV"). Towards the end of 2024, Skagi successfully completed the acquisition of Íslensk verðbréf hf. ("ÍV") and ÍV Sjóðir hf. ("ÍVS"). Plans are underway to integrate ÍV's operations with those of Fossar by restructuring ÍV and merging part of its activities into Fossar. Additionally, ÍVS and SIV are set to be consolidated under the name Íslensk verðbréf. Through the acquisition of ÍV, the Skagi Group further strengthens its position in the financial market, expanding its capabilities with broad operational licenses for financial services. These mergers are scheduled to take effect on 1 January 2025, pending approval from the Financial Supervisory Authority of the Central Bank of Iceland and confirmation by the Company Registry of Iceland Revenue and Customs.

In March 2024, Fossar issued its first listed commercial bill, which was admitted to trading on the Main Market of Nasdaq Iceland, a regulated market as defined by Act No. 115/2021 on Markets for Financial Instruments. Consequently, Fossar became a registered issuer on the market. In July 2024, the company further expanded its market presence by issuing its first listed bond. This marked a significant milestone for the company, strengthening its funding base and increasing its visibility in the financial market.

The Board of Directors of the Bank was elected at the Annual General Meeting of Fossar on 24 April 2024, with Guðný Arna Sveinsdóttir and Marta Guðrún Blöndal joining the Board. Brynjar Þór Hreinsson served on the Board until the Annual General Meeting on 24 April 2024. He later joined the alternate Board along with Salóme Guðmundsdóttir following their election at a shareholder meeting on 28 May 2024. Guðný Helga Herbertsdóttir and Gunnar Egill Egilsson served as alternate Board members until the shareholder meeting on 28 May 2024.

The Bank's share capital amounted to 590,478,590 as of 31 December 2024. The Bank's share capital was increased by 23.1 million shares in nominal value on 1 November 2024 and by 46.6 million shares in nominal value on 19 December 2024, all of which were allocated to Skagi hf. These share capital increases resulted in a total equity increase of ISK 600 million for the Bank with the aim of further promoting the Bank's continued growth.

In June 2024, the Bank entered into an agreement to sell its shares in Glymur hf., a subsidiary of Fossar licensed as an Alternative Investment Fund Manager. The transaction was subject to regulatory approval for the buyers to acquire a qualifying holding, which was granted in December 2024. The transfer was completed as of 31 December 2024.

Operations in 2024

The Bank's net operating income amounted to ISK 1,757 million during the year and increased by ISK 631 million between years. The Bank's profit for the year amounted to ISK 166 million (2023: loss of ISK 555 million). The Bank's total assets at year-end amounted to ISK 21,886 million (2023: ISK 11,882 million) and equity was ISK 2,684 million (2023: ISK 1,926 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 23.6% at year-end. The Bank's Board of Directors proposes to the Annual General Meeting that no dividend be paid to shareholders in 2025 in respect of the 2024 operating year and refers to the annual financial statements for other changes in the equity account.

Endorsement and Statement by the Board of Directors and the CEO

Operations in 2024, contd.

The number of the employees at the Bank during the year, converted into full-time positions (annual working units), was 34 (2023: 35). The total cost of salaries and salary-related expenses to employees, the CEO and the Board was ISK 920 million (2023: ISK 967 million). At year-end 2024, the Bank had 33 full-time employees (2023: 32), 36% women and 64% men.

External environment and future outlook

The Central Bank of Iceland estimates that the economy contracted by a mild 0.4% in 2024. Inflation has significantly decreased from its peak, measuring 4.6% in January 2025, compared to 5.9% in 2024 and 8.7% in 2023. GDP growth is expected to return this year with, measuring 1.6%, before approaching a trend of 2.5-3.0% in coming years.

As a result of subsiding inflation, which is forecast to average 3.6% in 2025, the Central Bank's Monetary Policy Committee has started to lower its policy rate from a high of 9.25%. The rate currently stood at 8.0% in February 2025 and is expected to reach 6.75% in a year and a further 5.75% in two years according to a survey of market agent's expectations.

Despite concerns about rising protectionism in international trade, the outlook for Iceland's external environment is positive. Economic growth in Iceland's main trading partners is expected to average around 1.7% in 2025, while inflation is forecast at 2.2%.

The Nasdaq OMXI15GI rose by 18.8% in 2024 with most of the gains materialising in the final quarter of the year, as the inflation outlook became more certain and interest rate expectations improved. The ISK was stable for most of 2024 but had appreciated 3.5% by year-end. It has pared back some of these gains in February 2025.

After challenging external conditions in recent years, the outlook for the bank's operations is positive, with revenues continuing to grow. Increased financial strength and improved product offerings position the bank well for the operating year 2025.

Share capital and shareholders

At year-end 2024, all of Fossar's share capital was owned by two parties. The Bank's share capital according to its Articles of Association was ISK 590.5 million at year-end versus ISK 520.8 million at the beginning of the year. The Bank's share capital was increased by ISK 69.7 million in 2024.

Shareholders at year-end are:

	Interest	Shares
Skagi hf.	100%	590,478,589
VÍS tryggingar hf.	0%	1

Risk management

The management of risk is a fundamental part of day-to-day operations, and methods for risk management are reviewed regularly in light of changes in the markets and the Bank's operations. The bank employs a structured risk management approach to identify, assess, mitigate, and monitor risks across credit, market, liquidity, operational, and compliance domains. The Board sets the bank's risk appetite and risk policies, ensures robust internal controls, and regularly reviews risk exposure to align with strategic objectives. By fostering a strong risk culture, the Board aims to safeguard stakeholders' interests while enabling prudent decision-making in a dynamic financial environment. More details about the Bank's management of financial risks can be found in note 30 of the annual financial statements.

Corporate Governance

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

Endorsement and Statement by the Board of Directors and the CEO

Corporate Governance, contd.

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

The Board of Directors has prepared a Corporate Governance Statement in compliance with the Icelandic Corporate Governance guidelines which are described in full in the Corporate Governance Statement in the Financial Statements, see page 40. It is the opinion of the Board of Directors that Fossar fjárfestingarbanki hf. complies with the Icelandic guidelines for Corporate Governance.

Non-financial disclosure

Fossar is a public interest entity according to Act no. 3/2006 on Annual Accounts. Under this Act, Fossar must provide information necessary to evaluate its development, scope, position and impact in relation to environmental, social and human resource matters, its human right policies, its measures to prevent corruption and bribery, as well as a brief description of the company's business model and other relevant aspects. The disclosure of the Bank's non-financial information and information in accordance with EU Taxonomy Regulation for the year 2024 is published as an appendix to the Financial Statements, see page 52.

Non-financial and sustainability reporting for the Skagi Group can be found in appendix 1 (Non-financial and sustainability reporting) and information on accordance with EU Taxonomy Regulation in appendix 2 (EU Taxonomy) to Skagi's financial statement for the year 2024. Furthermore, non-financial disclosure on the Group and each subsidiary can also be found in Skagi`s Annual and Sustainability Report for 2024 which will be published on Skagi`s website (www.skagi.is).

Statement by the Board of Directors and the CEO

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

To the best of our knowledge these annual financial statements give a true and fair view of the Bank's assets, liabilities, financial position and financial performance for the year 2024. In addition, it is the opinion of the Board of Directors and the CEO that the annual 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 annual financial statements for the year 2024 and confirmed them with their signatures. The Board of Directors proposes to the Annual General Meeting that the annual financial statements be approved.

Reykjavik, 24 February 2025

Board of Directors

Haraldur I. Þórðarson, Chairman of the Board
Anna Baldursdóttir
Guðný Arna Sveinsdóttir
Kolbeinn Arinbjarnarson
Marta Guðrún Blöndal

CEO

Steingrímur Arnar Finnsson

Independent Auditor’s Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fossar fjárfestingarbanki hf. (“the Company”), which comprise the statement of financial position as at 31 December 2024, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional requirements in the Icelandic Act on Annual Accounts, Act on Financial Undertakings and rules on accounting for credit institutions, where applicable.

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

Basis for Opinion

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

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

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

Key Audit Matters

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

Key Audit Matters	The Audit
Fee and commission income The Company's revenue recognition is complicated and is subdivided to many revenue streams. Fee and commission income is disclosed in notes 5 and 34.3. Fee and commission income amounted to ISK 1.433 million in the year 2024, or 82% of net operating income. Revenue recognition is a key audit matter in the audit of the financial statements due to the volume of transactions and complicated registration of revenues**.**	Our audit procedures focused on evaluatingthe completeness, existance and accuracy of revenue recognition, as well as the design and implementation of controls. • We inspected reconciliations between sub-systems and general ledger related to revenue. • We sampled revenue throughout the year to assess the integrity and accuracy of revenue recognition. • We used data and analytics tool to analyze revenues to identify unusual revenue entries for further examination. • We assessed access rights to the Company's accounting system. • we confirmed, on a sampling basis, that revenue recorded close to reporting date were recorded in the right period.

Independent Auditor’s Report

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

The Board of Directors and CEO are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the European Union and additional disclosure requirements in the Icelandic Act on Annual Accounts, Act on Financial Undertakings and rules on accounting for credit institutions, where applicable, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditor’s Report

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

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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

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

Reykjavik, 24 February 2025

KPMG ehf.

Sigríður Soffía Sigurðardóttir

Income Statement for the Year 2024

	Notes	2024	2023
Operating income			
Interest income		1,581,272	869,599
Interest expense		(1,345,232)	(770,034)
Net interest income	4	236,040	99,565
Fee and commission income		1,433,491	1,152,882
Fee and commission expense		(58,371)	(42,267)
Net fee and commission income	5	1,375,119	1,110,615
Net financial income (expense)	6	121,521	(99,192)
Other income		23,892	14,210
Other operating income		145,413	(84,981)
Net operating income		1,756,573	1,125,199
Operating expense	7	(1,679,486)	(1,648,815)
Net credit impairment	16	(10,815)	0
Depreciation	8	(100,825)	(97,865)
		(1,791,126)	(1,746,680)
Loss before the effect of subsidiaries and associates		(34,553)	(621,481)
Share of loss of subsidiaries and associates	21	0	(102,351)
Loss before taxes		(34,553)	(723,832)
Income tax	10	200,152	168,845
Profit (loss) for the year		165,598	(554,987)
Profit (loss) per share	11		
Profit per share and diluted per share (in ISK)		0.31	(1.37)

The notes on pages 14-39 are an integral part of these annual financial statements.

Fossar fjárfestingarbanki hf. Annual Financial Statements 2024 9 Amounts are in ISK thousand

Statement of Comprehensive Income for the Year 2024

	Notes	2024	2023
Profit (loss) for the year		165,598	(554,987)
Other comprehensive 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		(5,121)	0
Unrealized fair value changes		(2,419)	(1,489)
Total comprehensive profit (loss) for the year		158,059	(556,477)

The notes on pages 14-39 are an integral part of these annual financial statements.

Fossar fjárfestingarbanki hf. Annual Financial Statements 2024 10 Amounts are in ISK thousand

Statement of Financial Position as at 31. december 2024

Assets:	Notes	31.12.2024	31.12.2023
Cash and cash equivalents	12	134,795	112,073
Trade receivables and other receivables	13,17	989,208	263,588
Derivatives	14	118,541	143,235
Bonds	17	5,666,300	4,459,183
Equities and other securities	17	469,019	337,320
Securities used for hedging	15,17	6,102,840	4,521,114
Loans to customers	16,17	7,880,021	1,672,720
Lease assets	18	0	82,661
Operating assets	19	74,386	71,555
Intangible assets	20	30,720	41,378
Investment in subsidiaries	21	42,367	0
Deferred income tax	25	377,667	177,516
Total assets		21,885,865	11,882,343
Liabilities and equity:			
Liabilities			
Borrowings	22	13,363,421	6,927,385
Issued bond and bills	23	4,387,399	2,285,315
Derivatives	14	231,599	215,615
Other liabilities	17,24	1,196,085	418,025
Lease liabilities	18	0	87,919
Long-term borrowings		23,394	22,176
Total liabilities		19,201,898	9,956,434
Equity	26		
Share capital		590,479	520,773
Share premium		1,885,552	1,355,258
Other restricted equity		58,898	49,877
Retained earnings		149,039	0
Total equity		2,683,967	1,925,908
Total liabilities and equity		21,885,865	11,882,343

The notes on pages 14-39 are an integral part of these annual financial statements.

Fossar fjárfestingarbanki hf. Annual Financial Statements 2024 11 Amounts are in ISK thousand

Statement of Changes in Equity for the Year 2024

	Notes	Share capital	Share premium	Other restricted equity*	Retained earnings	**Total equity**
1 January 2023	25	361,854	641,995	54,398	0	**1,058,247**
Loss for the year 2023......................					(554,987)	**(554,987)**
Unrealized fair value changes.............				(1,489)		**(1,489)**
Total comprehensive loss for the year.................................		0	0	(1,489)	(554,987)	**(556,477)**
Transactions with owners of the Bank						
New shares issued............................		152,420	1,211,891			**1,364,311**
Redeemed share options...................		6,499	27,985			**34,483**
Cancelled share options....................				(3,031)	28,375	**25,344**
Non-adjusted loss recognized in share premium............................			(526,612)		526,612	**0**
31 December 2023		520,773	1,355,258	49,877	0	**1,925,908**
Profit for the year 2024.....................					165,598	**165,598**
Reclassification of fair value changes to income statement..........				(5,121)		**(5,121)**
Unrealized fair value changes.............				(2,419)		**(2,419)**
Total comprehensive profit for the year.................................		0	0	(7,539)	165,598	**158,059**
Transactions with owners of the Bank						
New shares issued............................		69,706	530,294			**600,000**
Contribution to statutory reserve.........				16,560	(16,560)	**0**
31 December 2024		590,479	1,885,552	58,898	149,039	**2,683,967**

*Other restricted equity consists of statutory reserves and unrealized share of the profit of subsidiaries. See more details in note 26.

The notes on pages 14-39 are an integral part of these annual financial statements.

Fossar fjárfestingarbanki hf. Annual Financial Statements 2024 12 Amounts are in ISK thousand

Statement of Cash Flows for the Year 2024

	Notes	2024	2023
Operating activities			
Profit (loss) before tax		165,598	(554,987)
Adjustments to reconcile net earnings to net cash provided			
Depreciation and impairment	8	100,825	97,865
Effect of subsidiaries and associates (w/o dividends)	21	0	102,351
Profit on sale of equipment		(3,420)	0
Securities revaluation		33,139	(301,808)
Financial items		(232,945)	(27,725)
Income tax, change	10	(200,152)	(168,845)
Other adjustments		0	32,139
Working capital to operating activities w/o interest and tax		(136,955)	(821,010)
Net change in operating assets and liabilities			
Current receivables (increase), decrease		(622,659)	138,860
Current payables, increase		677,135	63,430
Securities, change		(2,920,543)	(4,445,646)
Loans to customers, change		(6,207,301)	(282,790)
Cash to operating activities w/o interest and taxes		(9,210,323)	(5,347,156)
Interest and dividends received		1,578,160	701,190
Interest paid		(1,345,214)	(673,466)
Net cash to operating activities		(8,977,377)	(5,319,431)
Investing activities			
Investment in intangible assets	19	(9,661)	(33,891)
Investment in property and equipment	20	(33,889)	(54,040)
Sale price of property and equipment	20	3,712	11,310
Acquisition of shares in subsidiaries	21	(42,367)	0
Acquisition of shares in other companies	21	0	40,460
Dividend from subsidiary		0	2,200
Claims against related parties, change		0	(90,034)
		(82,205)	(123,996)
Financing activities			
New shares issued	26	600,000	1,388,811
Short term loan, changes		8,538,119	3,452,818
Repayment of lease liabilities	18	(52,530)	(58,218)
Long-term borrowings		0	15,514
Repayment of long term loan		(3,286)	(13,364)
Short-term loans from related parties, change		0	7,815
		9,082,304	4,793,376
Increase, (decrease) in cash		22,721	(650,051)
Cash at beginning of year		112,073	762,124
Cash at year-end		134,795	112,073

The notes on pages 14-39 are an integral part of these annual financial statements.

Fossar fjárfestingarbanki hf. Annual Financial Statements 2024 13 Amounts are in ISK thousand

Notes

1. General information

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

The Bank is domiciled in Iceland and its registered office is at Ármúli 3, 108 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 consolidated annual financial statements with its subsidiary, as the parent company, Skagi hf, prepares a consolidated annual financial statements.

2. Basis of preparation

2.1 Statement of compliance with international financial reporting standards

The Company's annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The Bank has not adopted issued standards, changes to standards or interpretations that had not entered into force at the beginning of the reporting period but were allowed to be implemented earlier by the approval of the European Union.

2.2 Basis of measurement

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

3. Estimates and judgments

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

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

4. Net interest income

Interest income is specified as follows:	2024	2023
Bank deposits, liquid funds, loans and other interest income	559,798	347,499
Derivatives	580,687	321,816
Interest on financial assets at fair value	206,404	65,183
Interest on financial assets recognized at fair value through other comprehensive income	234,383	135,101
Total interest income	1,581,272	869,599
Money market deposits and other borrowings	(1,019,977)	(558,996)
Issued bonds and bills	(307,849)	(164,757)
Interest expense from leases, note 18	0	(6,192)
Interest expenses to related companies	0	(14,311)
Other interest expense	(17,406)	(25,778)
Total interest expense	(1,345,232)	(770,034)
Net interest income, total	236,040	99,565

5. Net fee and commission income

	2024	2023
Capital markets and corporate finance	1,016,611	848,647
Asset management fees	181,232	169,694
Other net fee and commission income	177,277	92,274
	1,375,119	1,110,615

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)

	2024	2023
Fair value changes of equities	129,094	74,776
Fair value changes of bonds	(17,578)	(149,679)
Fair value of securities and related derivatives	14,404	(28,389)
Exchange rate gain/loss	(4,399)	4,100
	121,521	(99,192)

7. Operating expense

	2024	2023
Salaries	685,584	709,049
Pension fund contributions	106,560	103,169
Share option expenses *	6,624	35,327
Other salary-related expenses	121,218	119,460
Other operating expenses	759,501	681,810
	1,679,486	1,648,815
Average FTEs during period	34	35
FTEs at year-end	34	32

* Share option expenses in 2024 is due to share options granted to Fossar employees in Skagi hf. The expense is due to Fossar share in options cost.

Salaries to the Board of Directors, CEO and key employees are shown in note 29, related parties.

8. Depreciation

	2024	2023
Depreciation of right-of-use assets, note 18	49,740	59,797
Depreciation of property and equipment, note 19	30,766	17,736
Depreciation of intangible assets, note 20	20,319	20,332
	100,825	97,865

9. Auditor's fee

	2024	2023
Audit of annual financial statements and interim financial statements	8,396	10,340
Internal audit	5,108	4,823
Other services	4,312	6,700
	17,816	21,863

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Notes

10. Income tax

	2024	2023
Change in deferred income tax liability	200,152	168,845
Income tax according to income statement	200,152	168,845

Effective income tax is specified as follows:	2024		2023	
	Amount	%	Amount	%
Loss before taxes	(34,553)		(723,832)	
Tax rate	7,256	21.0%	144,766	20.0%
Effect of subsidiaries and associates	0	0.0%	(20,470)	(2.8%)
Effect of shares in companies	204,298	591.3%	52,089	7.2%
Other non-deductible expenses	(4)	(0.0%)	0	0.0%
Effect of temporary change in tax rate	(10,008)	(29.0%)	0	0.0%
Other items	(1,391)	(4.0%)	(7,540)	(1.0%)
Income tax acc. to income statement	200,152	579.3%	168,845	23.3%

11. 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.

	2024	2023
Profit (loss) attributable to Fossar shareholders	165,598	(554,987)
Weighted average no. of outstanding shares (thousand)	526,071	404,292
Profit per share and diluted per share (in ISK)	0.31	(1.37)

12. Cash

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

	2024	2023
Bank deposits in ISK	69,164	88,079
Bank deposits in foreign currencies	65,630	23,994
	134,795	112,073

13. Trade receivables and other receivables

Trade receivables and other receivables are specified as follows:	2024	2023
Trade receivables	116,927	121,932
Related parties, note 29	3,111	55,375
Prepaid expenses	72,157	52,510
Contingent revenue	15,082	33,771
Other receivables	68,662	0
Unsettled transactions	713,268	0
	989,208	263,588

14. Derivatives

Derivatives are specified as follows:

Assets:	2024	2023
Derivatives, equities	113,267	126,986
Derivatives, bonds	5,273	16,249
	118,541	143,235

Liabilities:		
Derivatives, equities	229,745	194,563
Derivatives, bonds	1,854	21,052
	231,599	215,615

15. Securities used for hedging

Fossar offers it's clients exposures through derivative contracts on listed bonds and equities. To hedge these client exposures the bank holds the underlying securities which are accounted for on it's balance sheet. The carrying amount of securities held for this purpose is as follows:

	2024	2023
Government bonds and bills	1,068,281	991,441
Equities	4,721,242	2,877,705
Other bonds	313,318	651,968
	6,102,840	4,521,114

For further information see note 34.3 Financial income and expenses.

16. Loans to customers

Loans to customers are specified as follows:	2024	2023
Loans to customers	7,890,836	1,672,720
Credit impairment on loans	(10,815)	0
	7,880,021	1,672,720

Loans to customers includes both margin loans and credit loans and are all payable within 24 months. These loans are non-indexed and secured by liens on the borrowers' assets. Further analysis of loans to customers is provided in notes 30.8 and 30.9.

17. Financial instruments

Balance 31.12.2024

Financial assets:	Depreciated cost	Fair value through income statement	Fair value through other com- prehensvie income	Total
Cash	134,795			134,795
Other receivables (w/o prepaid expence)	917,051			917,051
Bonds		3,166,688	2,499,612	5,666,300
Equities and other securities		469,019		469,019
Securities used for hedging		6,102,840		6,102,840
Loans to customers	7,880,021			7,880,021
Derivatives		118,541		118,541
	8,931,866	9,857,089	2,499,612	21,288,567

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17. Financial instruments, contd.

Financial liabilities:	Depreciated cost	Fair value through income statement	Fair value through other com- prehensvie income	Total
Money market deposits	10,663,421			10,663,421
Issued bonds and bills	4,387,399			4,387,399
Borrowings	2,700,000			2,700,000
Other liabilities (w/o unpaid taxes)	948,049			948,049
Long-term borrowings	23,394			23,394
Derivatives		231,599		231,599
	18,722,263	231,599	0	18,953,862

Balance 31.12.2023

Financial assets:	Depreciated cost	Fair value through income statement	Fair value through other com- prehensvie income	Total
Cash	112,073			112,073
Other receivables (w/o prepaid expence)	211,078			211,078
Bonds		1,801,714	2,657,469	4,459,183
Equities and other securities		337,320		337,320
Securities used for hedging		4,521,114		4,521,114
Loans to customers	1,672,720			1,672,720
Derivatives		143,235		143,235
	1,995,872	6,803,383	2,657,469	11,456,724

Financial liabilities:				
Money market deposits	6,227,385			6,227,385
Issued bonds and bills	2,285,315			2,285,315
Borrowings	700,000			700,000
Other liabilities (w/o unpaid taxes)	292,507			292,507
Long-term borrowings	22,176			22,176
Derivatives		215,615		215,615
	9,527,383	215,615	0	9,742,998

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 2024:	Level 1	Level 2	Level 3	Total
Investment in listed companies	5,303,528			5,303,528
Investment in bonds	6,934,632			6,934,632
Derivatives		118,541		118,541
Total	12,238,160	118,541	0	12,356,701

Breakdown 2023:	Level 1	Level 2	Level 3	Total
Investment in listed companies	3,215,025			3,215,025
Investment in bonds	6,102,592			6,102,592
Derivatives		143,235		143,235
Total	9,317,617	143,235	0	9,460,852

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17. Financial instruments, contd.

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 24,5m 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.

18. Leases

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

	Lease liabilities	Lease assets
Balance at 1 January 2023	186,466	179,598
Indexation of lease liability	13,121	13,121
New lease, addition	8,276	8,276
Termination of leases	(61,725)	(58,537)
Payments on lease liabilities / depreciation of lease assets	(58,218)	(59,797)
Balance 31 December 2023	87,919	82,661
Indexation of lease liability	1,130	1,017
Termination of leases	(36,520)	(34,208)
Payments on lease liabilities / depreciation of lease assets	(52,530)	(49,469)
Balance 31 December 2024	0	0

On 1.12.2023, the first lease agreement was terminated with a notice period of nine months. Subsequently, on 1.2.2024, the final lease agreement was also terminated with a nine month notice.

Amounts recorded through income statements	2024	2023
Depreciation of right-of-use asset	49,740	59,797
Interest expense on lease liability	(1,169)	6,251
Expensed due to short-term lease	20,901	116
Termination of leases	89	0
Total expensed during the year	69,562	66,163

Cash flow from leases	2024	2023
Depreciation of right-of-use asset	49,469	59,797
Interest payments on lease liability (operating activity)	1,169	(6,251)
Payments of principal of lease liability (financing activity)	(52,530)	(58,218)

19. Operating assets

	Equipment and furniture	
Cost price	2024	2023
Balance at beginning of year	116,044	73,314
Capitalised during the year	33,889	54,040
Sold and disposed of during the year	(8,754)	(11,310)
Balance at year-end	141,180	116,044
Depreciation		
Balance at beginning of year	44,489	26,753
Depreciation for the year	30,766	17,736
Sold and disposed of during the year	(8,462)	0
Balance at year-end	66,794	44,489
Depreciation rate	15-50%	15-33%

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19. Operating assets, contd.

Carrying value

Balance 1.1.2023	46,561
Balance 1.1.2024	71,555
Balance 31.12.2024	74,386

The insurance valuation of property and equipment amounted to ISK 89.5 million at year-end 2024 (2023: ISK 85.5 million).

20. Intangible assets

	Software and business relationships	
Cost price	2024	2023
Balance at beginning of year	98,389	64,498
Capitalised during the year	9,661	33,891
Balance at year-end	108,050	98,389
Depreciation and impairment		
Balance at beginning of year	57,011	36,679
Depreciation for the year	20,319	20,332
Balance at year-end	77,330	57,011
Depreciation rate	25-33%	25-33%

Carrying value

Balance 1.1.2023	27,819
Balance 1.1.2024	41,378
Balance 31.12.2024	30,720

At year-end 2024, the carrying value of software amounted to ISK 21.8 million (31 December 2023: ISK 25.0 million) and the carrying value of business relationships amounted to ISK 8.9 million (31 December 2023: ISK 16.3 million).

21. Investment in subsidiaries

Investment in subsidiaries are specified as follows:

	Interest	Carrying value	Nature of operation
Glymur 1 GP ehf.	100.0%	42,367	Guarantor for specialized funds

22. Borrowings

	2024	2023
Money market deposits	10,663,421	6,227,385
Secured borrowings	2,700,000	700,000
	13,363,421	6,927,385

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

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

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23. Issued bond and bills

Balance 31.12.2024

Issued bonds and bills	Issued	Maturity	Type and terms of interest	2024
FOS 25 0311	11.9.2024	11.3.2025	Bill, discounted	392,440
FOS 25 0530	29.11.2024	30.5.2025	Bill, discounted	962,420
FOS 26 1	10.7.2024	10.1.2026	Bond, floating 1M Reibor +1.5%	1,508,772
FOS 281026	28.10.2024	28.10.2026	Bond, fixed 9.2%	1,523,767
				4,387,399

Balance 31.12.2023

Issued bonds and bills	Issued	Maturity	Type and terms of interest	2023
FOS 24 0228	28.8.2023	28.2.2024	Bill, discounted	944,105
FOS 24 0530	30.11.2023	30.5.2024	Bill, discounted	478,829
FOS 24 0530 2	12.12.2023	30.5.2024	Bill, discounted	862,381
				2,285,315

24. Other liabilities

Trade and other payables are specified as follows:	2024	2023
Trade payables	41,195	160,981
Debts to related parties, see note 29	22,632	7,815
Unpaid salaries and salary-related expenses	135,003	108,728
Unpaid capital gains tax	248,035	121,013
Clients collateral used for funding *	594,039	2,332
Other payables	13,340	17,156
Unsettled transactions	141,841	0
	1,196,085	418,025

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

25. Deferred income tax asset

	Asset (liability)	
	2024	2023
Balance at beginning of year	177,516	8,299
Income tax recognized as income for the year	200,152	168,845
Unrealized change in fair value recognized through comprehensive income	0	372
Balance at year-end	377,667	177,516

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

	31.12.2024	31.12.2023
Operating assets	(446)	(764)
Intangible assets	(2,332)	(1,198)
Lease liabilities and lease assets	0	1,052
Derivatives	22,612	14,476
Other items	1,152	190
Loss carry-forward	356,682	163,759
	377,667	177,516

The Company's loss carry-forward amounts to ISK 1,783.4 million and can be utilized until the end of 2032 - 2034.

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26. Equity

The Bank's share capital amounted to 543.896.547 on 31 December 2024 according to the Bank's Articles of Association and is divided into an equal number of shares, each in the amount of ISK 1. On 1 November 2024, the Bank's share capital was increased by 23.123.659 shares in nominal value. With the share capital increase, the Bank's equity increased by ISK 200 million. Additionally on 19 December 2024 the Bank's share capital was increased by 46.582.043 shares in nominal value, resulting in increase of Bank's equity by ISK 400 million. Total increase of Bank's equity in 2024 was ISK 600 million.

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

	Statutory reserve	Share option agreements	Unrealized fair value changes	Total
Balance at beginning 2023	51,367	3,031	0	54,398
Restricted due to share option agreement		9,903		9,903
Issued shares		(9,983)		(9,983)
Cancelled share options		(2,950)		(2,950)
Unrealized fair value change			(1,489)	(1,489)
Balance at beginning 2024	51,367	0	(1,489)	49,877
Contribution to statutory reserve	16,560			16,560
Reclassification of fair value changes to income statement			(5,121)	(5,121)
Unrealized fair value change			(2,419)	(2,419)
Balance at year-end 2024	67,927	0	(9,029)	58,898

27. Capital ratio

The Bank's capital ratio is calculated according to the Act on Financial Undertakings. The capital adequacy requirements due to credit, market and operational risk is calculated using the standard method and the Bank's capital ratio is 23.6%.

	31.12.2024	31.12.2023
Total equity at year-end	2,683,967	1,925,908
Deductions	(408,387)	(218,894)
Capital base	2,275,580	1,707,014
Risk weighted exposures:		
Credit risk	4,985,493	1,764,845
Market risk	2,128,398	1,417,711
Operational risk	2,518,318	2,372,280
Total risk exposure amount	9,632,209	5,554,836
Capital ratio according to statutory provisions on capital ratios	23.6%	30.7%

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

29. Related parties

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

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29. Related parties, contd.

The Board of Directors of the Bank was elected at the Annual General Meeting of Fossar on 24 April 2024, with Guðný Arna Sveinsdóttir and Marta Guðrún Blöndal joining the Board. Brynjar Þór Hreinsson served on the Board until the Annual General Meeting on 24 April 2024. He later joined the alternate Board along with Salóme Guðmundsdóttir following their election at a shareholder meeting on 28 May 2024. Guðný Helga Herbertsdóttir and Gunnar Egill Egilsson served as alternate Board members until the shareholder meeting on 28 May 2024.

Information regarding related parties is specified as follows:

Salaries and benefits of directors, the CEO, key employees and their rights in 2024:

	Salaries and benefits	Share option agreements	Number of at year-end
Anna Baldursdóttir, Board member	6,040	0	0
Kolbeinn Arinbjarnarson, Board member	5,740	0	0
Lilja Dóra Halldórsdóttir, former Board member	1,500	0	0
Marta Guðrún Blöndal, Board member	3,272	0	0
Guðný Arna Sveinsdóttir, Board member	2,522	0	0
Steingrímur Arnar Finnsson, CEO	42,636	0	0
Haraldur I. Þórðarson, Chairman of the Board	0	0	0
Executive management and key employees *	251,150	0	0
	312,859	0	0

* The executive management consisted of six employees, two of which joined the executive management in mid-2024. There was one key employee.

Salaries and benefits of directors, the CEO, key employees and their rights in 2023:

	Salaries and benefits	Share option agreements	Number of at year-end
Anna Baldursdóttir, Board member	5,700	0	0
Brynjar Þór Hreinsson, former Board member	0	0	0
Kolbeinn Arinbjarnarson, Board member	6,100	0	0
Lilja Dóra Halldórsdóttir, Board member	6,000	0	0
Sigurbjörn Þorkelsson (form. Chairman of the Board)	4,950	0	0
Brynja Baldursdóttir (former Board member)	4,400	0	0
Steingrímur Arnar Finnsson, CEO*	10,491	0	0
Haraldur I. Þórðarson, (former CEO)	33,500	1,500	0
Executive management and key employees *	176,612	6,000	0
	247,753	7,500	0

* Steingrímur Arnar Finnsson was a member of the executive management before assuming the position of CEO. The executive management consisted of four employees, three of which joined the executive management in mid-2023. There were two key employees.

Transaction with related companies in 2024:

	Purchased services	Sold services and fees	Receivables	Liabilities
Parent company	56,446	10,468	1,606	14,133
Affiliate companies	25,791	8,104	744	8,499
Other related entities	0	0	762	0
	82,237	18,572	3,111	22,632

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29. Related parties, contd.

Transaction with related companies in 2023:

	Purchased services	Sold services and fees	Receivables	Liabilities
Parent company	519	0	0	0
Subsidiary	5,662	14,760	53,515	0
Other related entities	66,365	789	1,861	7,815
	72,546	15,549	55,375	7,815

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

30. Financial risk management

30.1 Risk management in general

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

The Board of Directors establishes a framework for coordinated risk management and a written risk management policy. The Board of Directors is responsible for ensuring implementation of risk policies and that they are followed. The Board of Directors sets the risk appetite, including the Bank's criteria, objectives and targets, and establishes a framework for the CEO in accordance with the Board's approved criteria. The Board of Directors has established the target for the Bank's solvency ratio to be above 1.25.

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

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

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

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

30.2 Market risk

Market risk is the risk of loss or unfavorable 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

30.3 Interest rate risk

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

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30. Financial risk management, contd.

30.3 Interest rate risk, contd.

Interest sensitivity analysis

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

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

	31.12.2024		31.12.2023	
	50 bp	100 bp	50 bp	100 bp
Impact on profit or loss and equity	(7,310)	(14,619)	6,620	3,310

30.4 Equity risk and other price risks of market securities

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

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

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

	31.12.2024	31.12.2023
Equities and equity funds at fair value through profit or loss	5,190,261	3,215,025
Debt instruments and other securities at fair value through profit or loss	7,047,899	6,102,592

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.

	31.12.2024		31.12.2023	
	5%	10%	5%	10%
Equities - impact on profit or loss	207,610	415,221	128,601	257,202
Debt securities - impact on profit or loss	281,916	563,832	244,104	488,207

30.5 Foreign exchange rate risk

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

The majority of the Bank's assets and liabilities are denominated in ISK, but the Bank also holds some foreign financial assets. Information regarding those foreign currencies that have the largest impact on the Bank's operations is provided below.
The group manages foreign exchange risk by minimizing exposure and/or hedging positions.

Foreign exchange rate risk as at 31.12.2024:

	Assets	Liabilities	Net position
USD	727,299	708,316	18,983
EUR	601,112	585,760	15,352
GBP	4,323	0	4,323
DKK	1,310	0	1,310
NOK	16	0	16
SEK	3,596	0	3,596
	1,337,656	1,294,076	43,580

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30. Financial risk management, contd.

30.5 Foreign exchange rate risk, contd.

Foreign exchange rate risk as at 31.12.2023:

	Assets	Liabilities	Net position
USD	567,753	546,372	21,381
EUR	2,112	0	2,112
GBP	1,181	0	1,181
DKK	569	0	569
NOK	70	0	70
SEK	2,940	0	2,940
	574,625	546,372	28,253

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

	31.12.2024		31.12.2023	
	5%	10%	5%	10%
USD	759	1,519	855	1,710
EUR	614	1,228	84	169
GBP	173	346	47	94
DKK	52	105	23	46
NOK	1	1	3	6

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

30.6 Large exposures of the Bank

Large exposures of the bank before risk adjusted mitigation

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

The Bank has three large exposures at year end 2024, totalling 945 m ISK.

	31.12.2024		31.12.2023	
	Number	Amount	Number	Amount
10-20% of capital base	3	944,830	0	0
20-25% of capital base	0	0	0	0
Exceeding 25% of capital base	0	0	0	0
	3	944,830	0	0
Large exposure net of risk adjusted mitigation	3	944,830	0	0

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.

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30. Financial risk management, contd.

30.7 Liquidity risk

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

The liquidity position, its development as well as the impact of market conditions and future outlook is monitored on a regular basis. Particular emphasis is placed on there being always adequate liquid assets to meet expected payments of both claims and other liabilities. The Bank's expected payments are very well covered by its liquidity position. The Bank'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 mother 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 Bank’s risk policy that each subsidiary adheres to its own liquidity risk policy.

Liquidity risk of financial services activities is specified as follows:

The main measure of the Fossar liquidity risk is the liquidity coverage ratio (LCR) as defined in Rules No. 1520/2022 of the Central Bank of Iceland and the bank adheres to prudent internal standards regarding the minimum liquidity coverage ratio. Fossar liquidity coverage ratio was 286% on 31.12.2024, while the minimum liquidity coverage ratio according to the CBI's rules is 100%.

Time analysis of assets and liabilities

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

Balance 31.12.2024

Assets	0-3 months	4-6 months	7-12 months	1-2 years	Total
Current receivables	1,359,216				1,359,216
Cash and cash equivalents	138,777				138,777
Derivatives	118,541				118,541
Securities	5,176,335	2,605,721		6,125,418	13,907,474
Loans to customers	4,461,531	1,171,869	2,073,951	577,326	8,284,677
	11,254,399	3,777,590	2,073,951	6,702,744	23,808,684

Liabilities	0-3 months	4-6 months	7-12 months	1-2 years	Total
Money market deposits	10,140,691	627,522	0	0	10,768,213
Issued bonds and bills	400,000	1,000,000	0	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
	14,523,288	1,627,522	0	3,402,554	19,553,364

Balance 31.12.2023

Assets	0-3 months	4-6 months	7-12 months	1-2 years	Total
Current receivables	512,659				512,659
Cash and cash equivalents	112,073				112,073
Derivatives	143,235				143,235
Securities	2,361,572	2,282,224	0	4,673,820	9,317,617
Loans to customers	1,051,145	306,015	332,825	16,484	1,706,469
	4,180,684	2,588,239	332,825	4,690,304	11,792,053

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30. Financial risk management, contd.

30.7 Liquidity risk, contd.

Balance 31.12.2023

Liabilities	0-3 months	4-6 months	7-12 months	1-2 years	Total
Money market deposits	5,973,835	314,176			6,288,012
Issued bonds and bills	929,620	1,355,696			2,285,315
Borrowings	700,000				700,000
Derivatives	215,615				215,615
Other liabilities	495,706			32,413	528,119
	8,314,777	1,669,872	0	32,413	10,017,062

30.8 Credit risk of financial activities

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

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

	31.12.2024	31.12.2023
Cash and cash equivalents	134,795	112,073
Other receivables (without prepaid expence)	917,051	211,078
Securities used for hedging	6,102,840	4,521,114
Loans to customers	7,880,021	1,672,720
	15,034,707	6,516,985

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 1occurs when the credit risk has decreased and is no longer considered to have significantly increased since the initial classification.

	31.12.2024	31.12.2023
Carryover from prior year	0	838
Reassessment of expected credit loss	10,815	0
Final loss	0	(838)
Total provisions at year-end	10,815	0

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

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30. Financial risk management, contd.

30.8 Credit risk of financial activities, contd.

The table below shows the nominal value of financial assets and write-downs by age (number of days past maturity) and classification:

2024	Nominal value of claim	Expected credit losses agreements	Booked balance at year-end
Not yet due	7,890,836	(10,815)	7,880,021
Default 31-60 days	0	0	0
Default 61-90 days	0	0	0
Default >90 days	0	0	0
	7,890,836	(10,815)	7,880,021
2023			
Not yet due	1,672,720	0	1,672,720
Default 31-60 days	0	0	0
Default 61-90 days	0	0	0
Default >90 days	0	0	0
	1,672,720	0	1,672,720

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:

31.12.2024	Public entities	Financial institutions	Corporate customers	Individuals	Total
Cash and cash equivalents	0	134,795	0	0	134,795
Derivatives	0	0	118,541	0	118,541
Fixed income securities	7,008,612	44,560		0	7,053,173
Loans to customers	0	783,746	7,096,274	0	7,880,021
	7,008,612	963,101	7,214,815	0	15,186,529

31.12.2023	Public entities	Financial institutions	Corporate customers	Individuals	Total
Cash and cash equivalents	0	112,073	0	0	112,073
Derivatives	0	0	143,235	0	143,235
Fixed income securities	5,450,624	0	651,968	0	6,102,592
Loans to customers	0	0	1,672,720	0	1,672,720
	5,450,624	112,073	2,467,923	0	8,030,620

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30. Financial risk management, contd.

30.9 Credit quality of financial assets

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

				Allocated collateral					
31.12.2024	Claim value	Impairment to expected credit loss	Carrying amount	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	3,129,150	(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
Service Activit.	235,024	(649)	234,375	2,551,335	0	0	2,091,335	460,000	0
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
Individuals									
	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

				Allocated collateral					
31.12.2023	Claim value	Impairment to expected credit loss	Carrying amount	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	0	0	0	0	0	0	0	0	0
Construction	14,994	0	14,994	67,500	0	0	0	0	67,500
Service activities	0	0	0	0	0	0	0	0	0
Service Activit.	150,967	0	150,967	4,080,000	0	0	0	0	4,080,000
Companies	1,506,759	0	1,506,759	3,728,145	3,208	2,680,526	1,044,411	0	0
Wholesale and Retail Trade	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
Individuals	0	0	0	0	0	0	0	0	0
	1,672,720	0	1,672,720	7,875,645	3,208	2,680,526	1,044,411	0	4,147,500

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30. Financial risk management, contd.

30.9 Credit quality of financial assets, 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			
31.12.2024	Deposits	Fixed income Securities	Variable income securities	Total collateral
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
31.12.2023				
Financial institutions	42,465	0	0	42,465
Corporate customers	760,846	209,600	2,002,550	2,972,996
Individuals	15,132	0	0	15,132
	818,443	209,600	2,002,550	3,030,593

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

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

Credit quality of financial assets by credit quality band

31.12.2024

Loans to customers:	Stage 1	Stage 2	Stage 3	Total
Credit quality band I	7,760,750			7,760,750
Credit quality band II	130,086			130,086
Credit quality band III	0			0
Credit quality band IV	0			0
In default	0			0
Non-Rated	0			0
Gross carrying amount	7,890,836	0	0	7,890,836
Expected credit loss	(10,815)			(10,815)
Book value	7,880,021	0	0	7,880,021

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30. Financial risk management, contd.

30.9 Credit quality of financial assets, contd.

31.12.2023

Loans to customers:	Stage 1	Stage 2	Stage 3	Total
Credit quality band I	1,505,956			1,505,956
Credit quality band II	166,764			166,764
Credit quality band III				0
Credit quality band IV				0
In default				0
Non-Rated				0
Gross carrying amount	1,672,720	0	0	1,672,720
Expected credit loss	0			0
Book value	1,672,720	0	0	1,672,720

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

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	0	0	0
Past due 31-60 days	0	0	0
Past due 61-90 days	0	0	0
Past due 91-180 days	0	0	0
Past due 181-360 days	0	0	0
Past due more than 360 days	0	0	0
	7,890,836	(10,815)	7,880,021

31.12.2023	Claim value	Expected credit loss	Book value
Not past due	1,672,720	0	1,672,720
Past due 1-30 days	0	0	0
Past due 31-60 days	0	0	0
Past due 61-90 days	0	0	0
Past due 91-180 days	0	0	0
Past due 181-360 days	0	0	0
Past due more than 360 days	0	0	0
	1,672,720	0	1,672,720

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.

31.12.2024

Expected credit loss allowance total

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, origin. or purch.	8,169			8,169
Write-offs				0
Balance as at 30 Desember 2024	10,815	0	0	10,815

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30. Financial risk management, contd.

30.9 Credit quality of financial assets, contd.

31.12.2023

Transfer of financial assets:	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	838			838
Transfer to Stage 1	0			0
Transfer to Stage 2	0			0
Transfer to Stage 3	0			0
Net remeasurement of loss allowance	0			0
New financial assets, origin. or purch.				0
Write-offs	(838)			(838)
Balance as at 30 Desember 2023	0	0	0	0

f. Loan-to-value

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

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

	31.12.2024	%	31.12.2023	%
Less than 50%	2,642,171	34%	662,273	40%
51-70%	3,696,008	47%	809,305	48%
71-90%	1,504,511	19%	201,142	12%
91-100%	37,331	0.5%	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%
	7,880,021	0	1,672,720	0

30.10 Operational risk

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

The main components of operational risk are the following:

• Organisational structure

• Documentation and contracting

• Information technology

• Employees

• External events

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30. Financial risk management, contd.

30.11 Internal management and control

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

• Performance and efficiency of operations (operational targets)

• Reliability of information data (accurate information target)

• Compliance with laws and regulations (compliance target)

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

• Control environment

• Risk assessment

• Control procedures

• Information and communication

• Management controls

Internal management and control is reflected in the Bank’s procedures, practices, code of conduct and human resources policy. It is a normal part of the Bank'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 Bank's rules and other unforeseeable factors.

31. Assets under management

The Company has assets under management for clients as well as assets in foreign funds in the amount of ISK 49.4 billion (2023: ISK 48.5 billion). These assets are not recorded in the Company's Statement of Financial Position.

32. Legal matters

At any given time, various matters may be under review by the Financial Supervisory Authority of Iceland (FME), and there are currently ongoing cases with the FME. These are not expected to have a significant financial impact on the bank’s operations.

33. Approval of annual financial statements

These annual financial statements were approved by the Board of Directors of the Bank on 24. February 2025.

34. Accounting policies

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

34.1 Foreign currencies

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

34.2 Fee and commission income

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

34.3 Financial income and expenses

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

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

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

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

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

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

34.4 Recognition of expenses

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

34.5 Income tax

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

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

34. Accounting policies, contd.

34.5 Income tax contd.

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

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

34.6 Financial assets

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

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

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

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

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

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

34. Accounting policies, contd.

34.6 Financial asserts, contd.

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

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

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

Definition of default

The Bank considers that there are objective indications of impairment if it is likely that the debtor will not be able to fully meet its obligations to the bank. The following are examples of circumstances where the Bank believes that objective indications of impairment exist:
- a debtor has applied for bankruptcy, a company has been deregistered, or if a company is no longer a going concern,
- -it is considered unlikely that the debtor will meet his obligations due to violations of the terms of the loan agreement or his financial restructuring.

Final write-off of financial assets

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

34.7 Financial liabilities

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

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

34.8 Equity instruments

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

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

Statutory reserve

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

Reserve for share options

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

34. Accounting policies, contd.

34.9 Earnings per share

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

34.10 Retained earnings

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

34.11 Leases

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

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

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

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

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

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

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

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

34.12 Intangible assets

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

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

34. Accounting policies, contd.

34.13 Impairment of assets other than financial assets

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

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

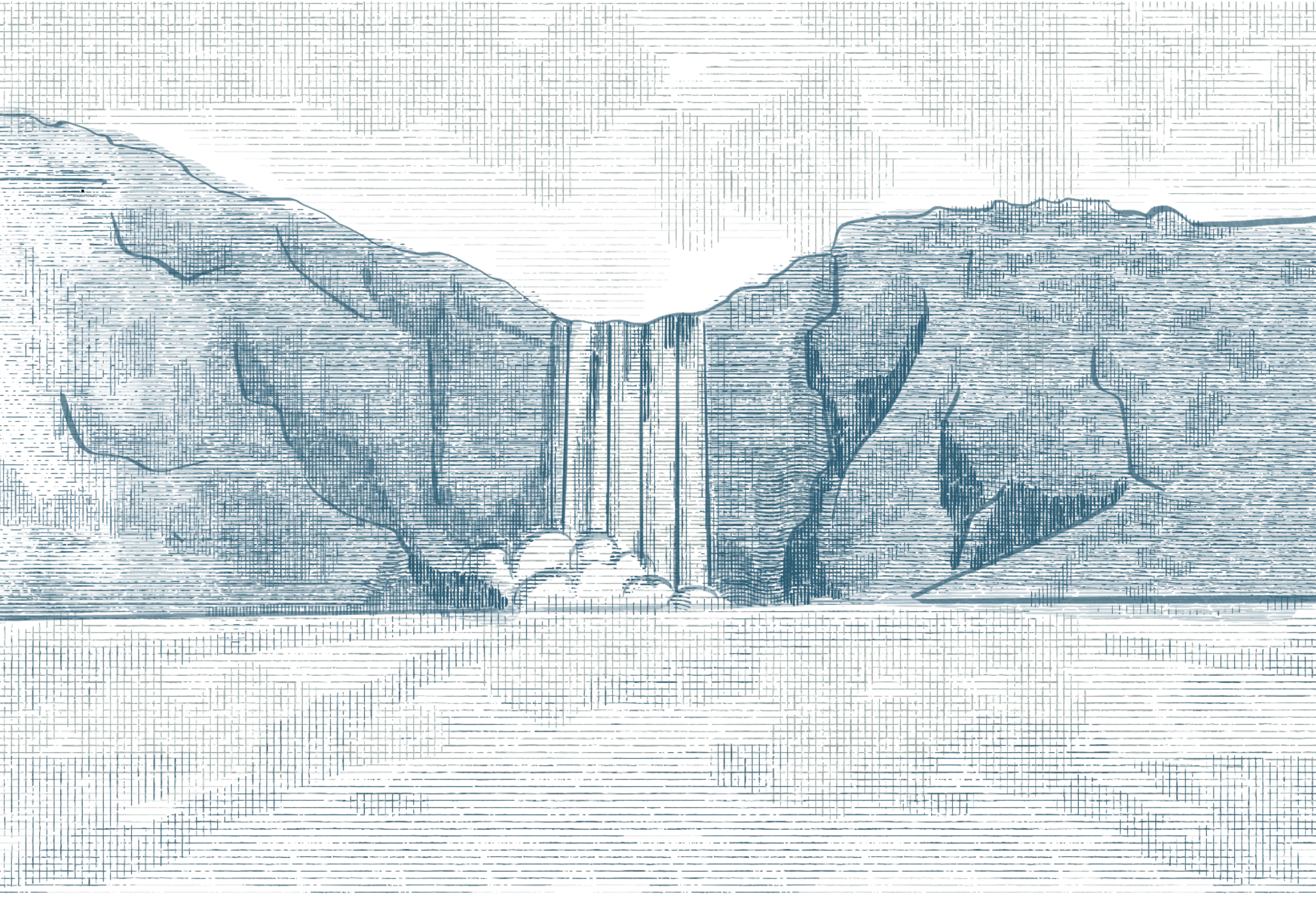
34.14 Obligations

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

34.15 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. However, the Company has not early adopted the following new or amended standards in preparing these Financial Statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's Financial Statements.
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Lack of Exchangeability (Amendments to IAS 21)



Corporate Governance Statement of Fossar Investment Bank hf.

for the year 2024

Fossar places great emphasis on the continuous development of good corporate governance, as this lays the foundation for reliable and good relations between shareholders, the Board of Directors, employees, clients and other stakeholders. Good corporate governance also contributes to responsible decision-making and success in operations, guided by trust and professionalism.

Introduction

The Board of Directors of Fossar Investment Bank hf. ("Fossar", the "Bank" or the "Company") hereby publishes the annual Corporate Governance Statement for the year 2024. The purpose of the Corporate Governance Statement is to define the powers, roles and responsibilities of the Bank's management units and how decision-making takes place, in accordance with applicable laws and regulations. A Fossar shareholders' meeting elects the Board of Directors, which appoints the CEO and monitors that the organization and operations of the Bank are in good order. The CEO is responsible for the day-to-day operations of the Company.

The year 2024 marked the bank's first full year of operations as part of the Skagi Group. Fossar is a subsidiary of Skagi hf., which is listed on Nasdaq Iceland's Main Market. Other affiliated entities within the group include VÍS Tryggingar hf. ("VIS") and SIV Asset Management hf. ("SIV"). Towards the end of 2024, Skagi successfully completed the acquisition of Íslensk verðbréf hf. ("ÍV") and ÍV Sjóðir hf. ("ÍVS"). Plans are underway to integrate ÍV's operations with those of Fossar by restructuring ÍV and merging part of its activities into Fossar. Additionally, ÍVS and SIV are set to be consolidated under the name Íslensk verðbréf. Through the acquisition of ÍV, the Skagi Group further strengthens its position in the financial market, expanding its capabilities with broad operational licenses for financial services.

Legal framework

The activities of Fossar require an operating license and the Company is regulated by the Financial Supervisory Authority of the Central Bank of Iceland ("FME"), on the basis of Act No. 87/1998 on Official Supervision of Financial Activities. Fossar is an investment bank that is authorised as a credit undertaking on the basis of Act No. 161/2002 on Financial Undertakings. The Company provides services to domestic and foreign investors in the fields of capital markets, corporate finance, asset management and lending. The laws governing the Company's activities include Act No. 115/2021 on Markets in Financial Instruments, Act No. 140/2018 on Measures against Money Laundering and Terrorist Financing, Act No. 2/1995 on Limited Liability Companies, Act No. 60/2021 on Measures against Market Abuse and Act No. 90/2018 on Data Protection and the Processing of Personal Data. The main laws and regulations that govern Fossar's activities can be found on the FME website, www.fme.is.

Business strategy and values

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

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

Compliance with Guidelines on Good Corporate Governance

Under the seventh paragraph of Article 54 of Act No. 161/2002 on Financial Undertakings, Fossar is required to adhere to guidelines on good corporate governance. To that end, Fossar is required to publish an annual Corporate Governance Statement.

Fossar's Corporate Governance Statement is based on the laws, rules and recognised guidelines that are in force at the time of approval of the Company's annual financial statements by the Board of Directors. More specifically, the Corporate Governance Statement essentially follows the Corporate Governance Guidelines, 6th edition, issued by the Iceland Chamber of Commerce, NASDAQ Iceland and the Confederation of Icelandic Enterprise in July 2021 (the "Guidelines"). The Guidelines are available at www.leidbeiningar.is. In 2024, Fossar was named an “Exemplar of Corporate Governance” by Stjórnvísi, after an evaluation process which is essentially based on the guidelines on corporate governance.

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

When Fossar was authorised as a credit undertaking on 1 June 2022, the Company became a public interest entity. Accordingly, Fossar's activities are now subject to the provisions of Article 66d of the Annual Accounts Act No. 3/2006 regarding non-financial disclosure, and such disclosure was provided for the first time with the annual financial statements for the year 2022. According to the requirements, such disclosure shall include a discussion of the Company's position and impact in relation to environmental, social and personnel issues.

Further information about Fossar's social responsibility and sustainability can be found in the non-financial disclosure published with the report of the Board of Directors of the parent company accompanying the consolidated financial statements for the year 2024.

Deviations from the Guidelines on Corporate Governance

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

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

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

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

Article 2.9.2 of the Guidelines: Fossar has not adopted a special policy on the diversity of the Board of Directors, executive management and senior management. However, Fossar has established rules for evaluating the qualifications of the Board of Directors, managing directors and key employees in accordance with the joint guidelines of the EBA and the European Securities and Markets Authority (ESMA) and with reference to Article 52 of Act No. 161/2002 on Financial Undertakings, provisions of Rules No. 150/2017 on the Fit and Proper Assessment of Managing Directors and Directors of Financial Undertakings and the Guidelines.

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

Article 6.3 of the Guidelines: Fossar has not published on its website information about shareholders' meetings, how candidacies for the Board of Directors are to be submitted, or the minutes of shareholders' meetings. Non-financial disclosure has so far been limited, see the section above.

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

At any given time, various matters may be under review by the Financial Supervisory Authority of Iceland (FME), and there are currently ongoing cases with the FME. These are not expected to have a significant financial impact on the bank's operations.

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

Social responsibility and sustainability

It is Fossar's goal to show responsibility in environmental, social and governance matters, both in the Company's operations and through the impact of the Company's activities on clients, society and other stakeholders. Fossar therefore wants to strive to minimize negative environmental impacts in its operations, create a healthy, safe and constructive workplace and promote good and sound governance. Sustainability considerations have always guided the Company's practices, and Fossar has adopted a Sustainability Policy. The Bank has a Sustainability Committee, which is appointed by the executive management. The committee is a formal forum for discussion of issues related to sustainability factors, sustainability risks and other related matters. Fossar is also subject to Act No. 25/2023 on Sustainability-Related Disclosures in the Financial Services Sector and a Classification System for Sustainable Investments.

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

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

Internal control

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

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

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

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

Auditing and financial reporting

According to the law, the Board of Directors and CEO are to ensure that the Company keeps accounts in accordance with laws and regulations, that its assets are administered in a secure manner and that effective internal control is in place. The CEO ensures that the Board of Directors regularly receives detailed information about the Company's finances and operations. Annual and interim financial statements are submitted to the Board of Directors for approval. The 2024 financial statements have been prepared by the Board of Directors, the CEO and the finance division in accordance with international accounting standards, IFRS, and the Icelandic Annual Accounts Act. Auditing has been contractually assigned to KPMG ehf. The financial information of Fossar for the year 2024 will be included in Skagi's consolidated financial statements. The consolidated financial statements are audited by PricewaterhouseCoopers ehf.

The Board of Directors and its sub-committees

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

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

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

At the Bank’s annual general meeting on 24 April 2024, five principal members and two alternate members were elected to the Company's Board of Directors. Additionally, a new alternate Board was elected on May 28, 2024. The members of the Fossar Board of Directors are well educated and have extensive experience working in the financial services sector. The current Board is composed of three women and two men.

Board meetings are normally held monthly or when decided by the Chairman of the Board, and additional meetings are held as needed. In 2024, the Fossar Board of Directors met 15 times. Minutes are kept of proceedings at Board meetings and of Board decisions.

According to its rules of procedure, the Board of Directors has one sub-committee: a Risk Committee. The committee is appointed by the Board of Directors. The Board of Directors is responsible for the appointment and work of the sub-committee, which operates under its authority. The Board of Directors appoints members to the sub-committee at the first regular Board meeting following the Company's Annual General Meeting and decides who will chair the committee.

The Audit Committee and the Remuneration Committee operated as subcommittees of Fossar’s board until April 24, 2024. Now, the Audit Committee and the Remuneration Committee of Skagi operate on a consolidated basis. One board member from Fossar’s board is appointed as an observer in the consolidated Audit Committee.

The Board's Risk Committee, along with the consolidated Audit Committee and Remuneration Committee, shall ensure that Board members regularly receive detailed information about the committees' main work. At least annually, the sub-committees shall provide the Board of Directors with a report on their work. Information on the roles of individual committees is provided below:

Risk Committee: The main function of the Risk Committee is to serve in an advisory and monitoring role for the Board of Directors, including in the formulation of the Company's risk policy and risk appetite. The committee monitors the arrangement and effectiveness of risk management, the management of credit risk, market risk, operational risk and other risks as appropriate. The Risk Committee is composed of three Board members. In 2024, the committee met ten times and considered fourteen issues between meetings. The members of the Risk Committee are Anna Helga Baldursdóttir (chairman), Kolbeinn Arinbjarnarson and Marta Guðrún Blöndal. The committee operates in accordance with the rules of procedure of the Fossar Risk Committee.

Audit Committee: The main function of the Audit Committee is to serve in an advisory and monitoring role for the Board of Directors, including in ensuring the quality of the Company's annual financial statements and other financial information and the independence of the Company's auditing. The committee shall review financial information and arrangements for providing information from management, the internal auditor and the external auditor.

The Bank’s Audit Committee was active until April 24, 2024, and held two meetings during that period. The committee consisted of two board members and one external member, Ása Karlsdóttir. The Audit Committee of Skagi replaced the Bank’s Audit Committee on April 24, 2024, which now operates on a consolidated basis. The Skagi Audit Committee functions according to its established rules of procedure. Based on these rules, the Bank is permitted to appoint an observer to the consolidated Audit Committee. Guðný Arna Sveinsdóttir was appointed as an observer on behalf of Fossar on 26 June 2024.

Remuneration Committee: The main function of the Remuneration Committee is to serve in an advisory and monitoring role for the Board of Directors in relation to remuneration at the Company and ensuring that remuneration arrangements support the Company's goals and interests. The committee formulates an annual remuneration policy for the Bank, which is submitted to the Board of Directors and the Annual General Meeting for approval. The committee monitors the Bank's remuneration policy and bonus scheme.

The Remuneration Committee of Fossar was active until April 24, 2024, and held one meeting during that period. The Remuneration Committee of Skagi replaced Fossar's Remuneration Committee on April 24, 2024, and now operates on a consolidated basis. The committee operates according to the rules of procedure of Skagi's Remuneration Committee.

Below is an overview of the attendance of individual Board members and sub-committee members at meetings:[1]

Board members	**Term**	**The Board** (15)	**Risk Committee** (10)	**Audit Committee** (2)	**Remuneration Committee** (1)
Haraldur I. Þórðarson	01.01.2024-31.12.2024	15	3	-	-
Anna Helga Baldursdóttir	01.01.2024-31.12.2024	15	10	-	1
Guðný Arna Sveinsdóttir	24.04.2024-31.12.2024	8	-	-	-
Kolbeinn Arinbjarnarson	01.01.2024-31.12.2024	15	10	-	1
Marta Guðrún Blöndal	24.04.2024-31.12.2024	9	7	-	-
Former Board Members					
Brynjar Þór Hreinsson	01.01.2024-24.04.2024	6	-	2	-
Lilja Dóra Halldórsdóttir	01.01.2024-24.04.2024	5	-	2	1
Alternate Board Members					
Brynjar Þór Hreinsson	28.05.2024-31.12.2024	-	-	-	-
Salóme Guðmundsdóttir	28.05.2024-31.12.2024	-	-	-	-
Former Alternate Board Members					
Guðný Helga Herbertsdóttir	01.01.2024-24.04.2024	-	-	-	-
Gunnar Egill Egilsson	01.01.2024-24.04.2024	-	-	-	-
External Committee Members					
Ása Karlsdóttir	01.01.2024-24.04.2024	1	-	2	-

[1] Guðný Arna Sveinsdóttir and Marta Guðrún Blöndal joined the Board following their election at the Bank's Annual General Meeting on 24 April 2024. Brynjar Þór Hreinsson served on the company's board until the Bank's Annual General Meeting on 24 April 2024. He later became an alternate board member along with Salóme Guðmundsdóttir, following their election at the Bank's shareholders' meeting on 28 May 2024. Guðný Helga Herbertsdóttir and Gunnar Egill Egilsson served as alternate board members until the Bank's shareholders' meeting on 28 May 2024. Changes were made to the structure and composition of the Board's sub-committees in relation to the new board appointments, with new committee members appointed on 14 May 2024. As part of these changes, Marta Guðrún joined the Bank's Risk Committee. The Remuneration Committee and the Audit Committee of Fossar were dissolved following amendments to the Company's articles of association at the Annual General Meeting on 24 April 2024. Since then, the Remuneration Committee and the Audit Committee of Skagi, the parent company of Fossar, have operated on a consolidated basis. Guðný Arna was appointed as an observer in Skagi's Audit Committee on 26 June 2024.

CEO and executive management

The Board of Directors hires a managing director, who has the title of CEO. The CEO is responsible for the day-to-day operations of the Bank and, in that regard, shall comply with relevant laws as well as the policies and instructions of the Company's Board of Directors. The CEO's decision-making power covers all matters that are not delegated to others by law, the Bank's Articles of Association or decisions of the Board of Directors. The CEO represents the Bank in day-to-day operations, but day-to-day operations do not include measures that are extraordinary or major. The CEO shall ensure that the Bank's accounts are kept in accordance with the law and that its finances are handled in a secure manner.

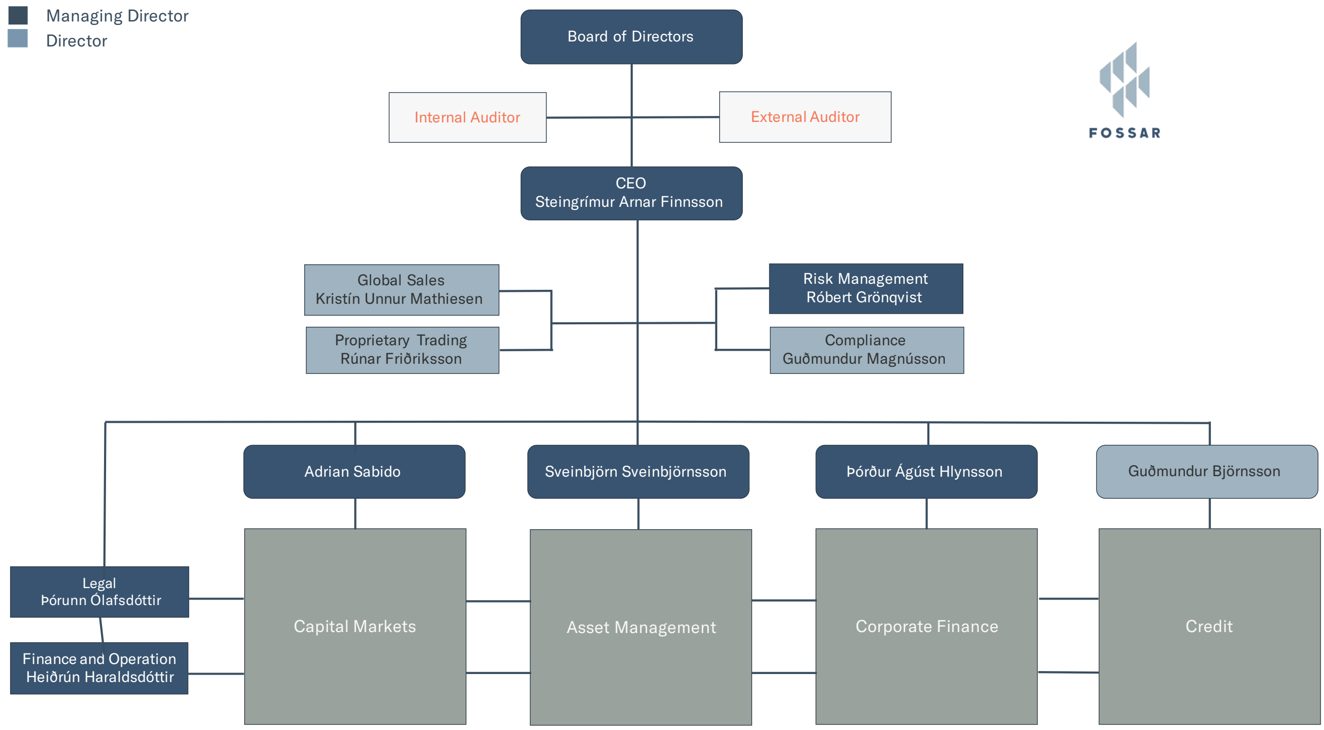
The executive management of Fossar is appointed by the CEO and consists of the CEO, the managing directors of Fossar, the Chief Legal Officer, and the Head of Risk Management.

The executive management operates in accordance with its rules of procedure.

In addition to the CEO, the following persons were members of Fossar's executive management during the period:

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

The Bank's organizational chart is as follows:



Principal and alternate members of the Fossar Board of Directors

Haraldur I. Þórðarson, Chairman of the Board

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

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

Haraldur indirectly owns about 2.95% of the shares in Fossar. There are no interest ties between Haraldur and the main clients and competitors of Fossar. Haraldur has served as a board member of the Bank since 2023.

Anna Baldursdóttir, Board Member

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

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

Anna indirectly owns about 0.01% of the shares in Fossar. There are no interest ties between Anna and the main clients and competitors of Fossar. Anna is independent of the Company and major shareholders. Anna has served as a board member of the Bank since 2022.

Guðný Arna Sveinsdóttir, Board Member

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

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

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

There are no interest ties between Guðný Arna and the main clients or competitors of Fossa. She is independent of the Company and its major shareholders. Guðný has served as a board member of the bank since 2024.

Kolbeinn Arinbjarnarson, Board Member

Kolbeinn (b. 1962) worked for 10 years at Icelandair in various divisions and then became the managing director of Air Iceland before he founded his own company, Calidris, which developed technology solutions for airlines. Calidris was sold to Saber Corporation in the USA and Kolbeinn worked as a manager at that company for four years until he left to work independently as a consultant and investor as well as serving on corporate boards. Kolbeinn is the Vice-Chairman of Fossar's Board of Directors.

Kolbeinn has an engineering degree from the University of Iceland and an M.Sc. degree from Stanford University in the United States.

Kolbeinn indirectly owns about 0.09% of the shares in Fossar. There are no interest ties between Kolbeinn and the main clients and competitors of Fossar. Kolbeinn is independent of the Company and major shareholders. Kolbeinn has served as a board member of the Bank since 2015.

Marta Guðrún Blöndal, Board Member

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

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

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

There are no interest ties between Marta and the main clients and competitors of Fossar. Marta has served as a board member of the Bank since 2024.

Brynjar Þór Hreinsson, Alternate Board Member

Brynjar (b.1982) has more than 20 years of experience serving in senior positions in the financial services industry in Iceland and abroad. Brynjar now serves as the CFO of the VIS Group, the parent company of Fossar. He has worked as investment manager for Stapi pension fund, as head of alternative investments at Íslensk verðbréf and as head of asset management at Straumur Investment Bank. He also has experience in investment banking and in the debt finance division of Straumur-Burdarás Investment Bank.

Brynjar Þór holds an MBA from Reykjavik University and a BS degree in Business Administration from the same school. He is a licensed securities broker.

There are no interest ties between Brynjar and the main clients and competitors of Fossar. Brynjar has served as an alternate board member of the Bank since 2024.

Salóme Guðmundsdóttir, Alternate Board Member

With two active board roles, seven former board positions, a CEO and COO roles Salome has gained a significant strategic governance experience. Salome was the CEO of Klak – Icelandic Startups from 2014 to 2021. She then became an advisor and a board member for Eyrir Venture Management and has subsequently held management positions for its portfolio companies. She has been a board member of the Icelandic Chamber of Commerce since 2018. Salome is also an instructor at the Executive MBA at Reykjavik University where she teaches Executive Simulation in collaboration with IESE Business School, and oversees the Final Project run by MIT Venture Design Center.

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

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

CEO

Steingrímur Arnar Finnsson, CEO

Steingrímur Arnar Finnsson (b. 1980) is the CEO of Fossar. Steingrímur has worked in the financial services sector for almost 20 years. Before assuming the position of CEO, Steingrímur was head of Capital Markets at Fossar from 2015-2023. Before joining Fossar in 2015, Steingrímur was the Executive Director of Capital Markets at Straumur Investment Bank. From 2006 to 2011, Steingrímur worked in the capital markets division of Kaupthing and later Arion Bank, first in the FX and derivatives desk and later in bond brokerage. Before that, he worked in the research department of Kaupthing Bank.

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

Steingrímur indirectly owns about 1.88% of the shares in Fossar. There are no interest ties between Steingrímur and the main clients and competitors of Fossar.

Approved at a meeting of the Board of Directors on 20 February 2025

Non-financial reporting

Non-financial disclosure

Fossar Investment Bank hf. ("Fossar" or "the Bank") is classified as a public interest entity under Act no. 3/2006 on Annual Accounts. The following disclosure of the Bank's non-financial information for the year 2024 is published as an appendix to the Annual Financial Statements. Fossar is a subsidiary of Skagi hf. and is a part of the Skagi Group. For further details, refer to Appendix 1 (Non-financial and Sustainability Reporting) and Appendix 2 (EU Taxonomy) of Skagi's 2024 financial statement for information on the Group's non-financial and sustainability reporting, as well as compliance with the EU Taxonomy Regulation. Additionally, non-financial disclosures for the Group and each subsidiary are available in Skagi's 2024 Annual and Sustainability Report, which is to be published on Skagi's website (www.skagi.is)

Business model

Fossar operates as a credit undertaking under Act No. 161/2002 on Financial Undertakings, authorized by the Financial Supervisory Authority of the Central Bank of Iceland. The Bank serves both Icelandic and foreign investors through its capital markets, corporate finance, asset management, and lending services. Additionally, Fossar conducts transactions for its own account.

Sustainability policy and materiality analysis

Fossar's sustainability policy encompasses all its activities and operations. The Board of Directors oversees the policy, while the CEO is responsible for its implementation and ensuring adherence within the Company's operations. Employees have undergone strategic planning and are well-informed about the policy, its goals, and its purpose.

In 2024, the Bank revised its sustainability policy, providing more detailed procedures for responsible investments and integrating sustainability risks into investment decisions and advisory services. This updated revision aligns with the requirements of Article 4 of Regulation (EU) No. 2019/2088 on sustainability-related disclosures in the financial services sector.

In 2023, Fossar conducted a simple materiality analysis to identify the sustainability factors most significant to the Bank and its sector. The analysis is crucial to Fossar's operations and should be at the forefront of the Bank's non-financial disclosures. A simple materiality analysis assesses only financial materiality, without evaluating impact materiality. Fossar foresees conducting a complete double materiality analysis in 2025.

According to the results of the simple materiality analysis, governance is the most material sustainability factor for Fossar, followed by social factors and environmental factors. The key sustainability factors within these categories for Fossar's operations are as follows:

Governance

· Management and oversight
· Risk management
· Business ethics

Social

· Development of human resource
· Diversity and inclusion

Environmental

· Support for sustainable companies and the development of sustainability funds
· Climate policy

The objectives of Fossar's sustainability policy are based on the results of the materiality analysis. Progress will be disclosed in annual sustainability reports and updated as needed, with measurements based on Nasdaq's ESG guidelines.

In 2023, the Bank selected specific United Nations Sustainable Development Goals (SDGs) to further advance its policy objectives. The Bank is particularly dedicated to advancing the following four SDGs: Goal 5, which pertains to Gender Equality; Goal 8, concerning Decent Work and Economic Growth; Goal 9, focused on Industry, Innovation, and Infrastructure; and Goal 13, related to Climate Action.

Non-financial reporting, contd.

Engagement and Memberships in Responsible Investment Organizations

Fossar was the first Icelandic company to join the Climate Bonds Initiative (CBI), an international organization leveraging the bond market for environmental benefits. The Bank has pioneered the issuance of sustainable bonds in Iceland and has been a leading consultant in the sustainable bond market.

Skagi hf. is a signatory of the United Nations Principles for Responsible Investments (UN PRI) on behalf of Skagi Group. Until mid-2024, Fossar was an independent signatory of the UN PRI. The principles help investors understand the impact of environmental, social, and governance (ESG) issues on investments, encouraging the incorporation of non-financial factors into investment decisions.

As a signatory, Fossar is committed to implementing the UN PRI in its operations, submitting an annual transparency report, and disclosing how responsible investments are carried out. In addition, the Bank's asset management unit has adopted procedures for responsible investments, integrating ESG factors into the entire investment process. This approach focuses on financial instruments that contribute to responsible long-term returns while considering sustainability risks. The methodology for applying the ESG criteria may vary depending on the investment opportunities.

Fossar strives to partner with entities who have demonstrated significant progress in implementing sustainability practices worldwide.

Fossar is a member of IcelandSIF, a discussion forum focused on responsible investments that aims to enhance awareness and foster debate about sustainable investment practices. Fossar's employees actively participate in this forum and have contributed to various working groups organized by IcelandSIF.

Sustainability Committee

The Sustainability Committee, appointed by the executive management, serves as a formal forum for discussing sustainability aspects, risks, and other ESG-related issues. The committee's responsibilities include updating the sustainability policy and preparing the sustainability report. Meetings are held as often as necessary to address these matters.

Due Diligence Process

Internal control of non-financial aspects primarily involves preparing an annual sustainability report and non-financial disclosure, which accompanies the Board of Directors' report in the Bank's annual financial statements. Regular reporting on sustainability-related issues is also provided to the Board of Directors. Non-financial information is approved by the Board of Directors and reviewed by the auditor.

The Skagi Annual Report includes a sustainability statement and a detailed summary of non-financial information about Skagi and its subsidiaries, including Fossar. The summary is based on Nasdaq's ESG guidelines, and climate impact calculations are conducted by third parties in accordance with the Greenhouse Gas Protocol methodology.

Governance

Fossar’s materiality analysis revealed that governance is the Bank’s most material sustainability factor. The primary objective of Fossar's management is to ensure that the Bank'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 Bank's clients remain the guiding principle in all operations.

Fossar emphasizes good corporate governance practices and 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. Fossar adheres to these guidelines according to the size and scope of its operations, which leads to certain deviations.

Non-financial reporting, contd.

Fossar's governance goals primarily support SDG number 8 on Decent Work and Economic Growth, and Goal 9 on Industry, Innovation, and Infrastructure. The organization and risk management of sustainability matters at Fossar provide a stronger foundation for responsible investments and lending. This approach ensures better access to capital for entities with good governance and supports responsible long-term returns where externalities are internalized.

Fossar's Board of Directors is composed of three women and two men, fulfilling the requirements of the Act on Limited Liability Companies regarding the gender ratio of directors. At year-end 2024, the gender ratio on the Board was 60% women and 40% men, compared to 40% women and 60% men at the beginning of the year. Three directors, or 60% of the Board members, are considered independent of the Bank and its major shareholders.

Although a specific policy on diversity on the Board has not been adopted, Fossar has established rules for evaluating the qualifications of the Board, managing directors, and key employees. These rules are in accordance with the joint guidelines of the EBA and ESMA and take into account Article 52 of Act No. 161/2002 on Financial Undertakings.

Fossar's Board of Directors has one sub-committee: the Risk Committee. Until April 2024, the Audit Committee and the Remuneration Committee operated as sub-committees of Fossar's Board of Directors. Thereafter, these committees began operating on a consolidated basis under Skagi, Fossar's parent company. One member of Fossar's Board of Directors has been appointed as an observer in the Audit Committee.

The Board of Directors is responsible for overseeing the Bank's activities and strategic planning, ensuring that the Bank's governance and internal organization comply with legal requirements, the Bank's risk policy, and risk tolerance, as well as the implementation of risk management. Additionally, the Board ensures the presence of effective internal control systems and adequate oversight of accounting and the handling of the Bank's funds. The Board of Directors appoints the Bank's CEO, who oversees its daily operations.

Fossar's internal control framework is structured around three lines of defense, designed to ensure efficiency and clear coordination of responsibilities. This internal control system entails all actions aimed at supporting, controlling, limiting, or monitoring specific activities. By doing so, it increases the likelihood that the Bank will achieve its set goals while operating in alignment with its risk policy and risk tolerance.

The first line of defense comprises the managers and employees of business and support units, who oversee the Bank's daily operations. They are responsible for establishing and maintaining effective internal controls and managing risks in daily activities. This line of defense must have appropriate procedures and controls in place to detect and mitigate risks in accordance with the Bank's risk tolerance, while ensuring compliance with legal requirements and internal rules and processes.

The second line of defense consists of the Company's internal control units. Its role is to ensure that the first line of defense establishes and adheres to adequate internal controls. The main components of this line of defense are Compliance and Risk Management, although other units may also be assigned roles. The Board of Directors appoints a Compliance Officer and signs their terms of reference. The primary function of Compliance is to ensure that Fossar maintains appropriate procedures to identify and minimize the risk of compliance failures in its operations. The reports and conclusions of the Internal Auditor and Compliance Officer are disclosed directly to the Board of Directors. The Board has approved risk management procedures and Fossar's Risk Policy, and it endeavors to ensure that internal processes and the risk management framework are reviewed at least annually.

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

Further information on Fossar's governance, including any deviations from corporate governance guidelines, can be found in the Appendix to the annual financial statements, which contains the Corporate Governance Statement for the year 2024. The Corporate Governance Statement is also available on the Bank's website at www.fossar.is.

The Board of Directors has established a Code of Conduct for the Bank. The primary goal of the Code is to promote honesty and fairness among Fossar employees towards clients and colleagues, thereby fostering trust and credibility in Fossar's operations. Employees are expected to work professionally and prioritize their clients' interests. Additionally, the Code of Conduct aims to mitigate risks, particularly operational and reputational risks. The Code of Conduct applies to all Fossar employees, managers, and directors. It is of utmost importance that all employees thoroughly familiarize themselves with the Code and adhere to it in every aspect of their work for Fossar.

Non-financial reporting, contd.

Fossar is dedicated to preventing bribery and corruption. To that end, the Bank has established comprehensive rules and policies to address conflicts of interest. These rules outline Fossar's methods for analyzing, preventing, and managing conflicts of interest within its operations. They also aim to ensure that the objectivity of Fossar's employees is not compromised when handling and processing individual cases. Additionally, the Bank has 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.

Furthermore, Fossar has instituted a comprehensive policy on measures against money laundering and terrorist financing. This policy encompasses risk assessment, internal rules, and processes. It is Fossar's clear stance to combat money laundering and the financing of terrorism, ensuring that the Bank's activities are not misused for such purposes.

As a credit institution providing investment services, Fossar prioritizes the secure handling of client personal data as a fundamental aspect of its operations. The Bank adheres to the requirements set forth by the Act on Data Protection and the Processing of Personal Data, in addition to complying with the provisions related to bank secrecy under the Act on Financial Undertakings. Fossar has implemented a comprehensive Privacy Policy and established procedural rules for the processing of personal data. Furthermore, the Bank adheres to the Act on Actions against Market Abuse.

The table below presents materiality factors according to Fossar's materiality analysis, along with key metrics and achievements for the year 2024. It also outlines objectives in accordance with Fossar's sustainability policy.

Table – Governance

Materiality Factors and Policies	***Key Indicators and Goals***
Fossar's materiality analysis revealed that the most material factors within governance are management and oversight, risk management, and business ethics. Governance-related risk is considered part of the Bank's operational risk, which encompasses the risk of insufficient or faulty systems, employee behavior, or other internal or external factors that may lead to financial losses or significant operational disruptions. Fossar's governance goals primarily support SDG number 8 on Decent Work and Economic Growth, as well as Goal 9 on Industry, Innovation, and Infrastructure. Fossar adheres to Nasdaq's ESG guidelines for non-financial disclosures related to governance goals and outcomes. Fossar is committed to maintaining high standards of corporate governance and complies with the guidelines established by the Iceland Chamber of Commerce, Nasdaq Iceland, and the Confederation of Icelandic Enterprise. This compliance is in accordance with the seventh paragraph of Article 54 of Act No. 161/2002 on Financial Undertakings. Fossar adheres to these guidelines in a manner proportionate to the size and scope of its operations, which may lead to certain deviations from standard practices.	*The goals are based on the Bank's sustainability policy* Fossar emphasizes a robust governance structure for sustainability matters, with clear responsibilities assigned to individual units. The Bank welcomes the introduction of new sustainability legislation, including the transposition of the EU Taxonomy Regulation and the SFDR into Icelandic law. Emphasis should be placed on their responsible and orderly implementation in the Bank's activities. As part of this approach, Fossar emphasizes regular training for employees on sustainability matters. Fossar will identify and provide clear information about sustainability risks in the Bank's operations. Fossar shall emphasize in a clear manner strong ethics in all decision-making, both in transactions and in the Company's internal affairs, e.g. by maintaining a strong risk culture.

Table - Governance, contd.

Materiality Factors and Policies	Key Indicators and goals
Fossar has implemented a comprehensive set of policies and rules that cover governance, business ethics, and actions against bribery and corruption. These include a code of conduct, a policy on measures against conflicts of interest, a policy on actions against money laundering and terrorist financing, rules on incentive payments, gifts, and rewards, rules on Fossar employees' own trading in financial instruments, rules on the separation of work areas, and rules on employees' other employment. Additionally, Fossar has adopted an outsourcing policy and a policy on the operation of information systems and information security.	Fossar shall adopt a supplier code of conduct or communicate its code of conduct to its suppliers. Fossar will identify and provide clear information about sustainability risks in the Bank's operations. The company will emphasize strong ethics in all decision-making processes, both in transactions and internal affairs, by fostering a robust risk culture. Additionally, Fossar will adopt a supplier code of conduct or communicate its existing code of conduct to its suppliers.

Achievements in 2024

The Bank's Corporate Governance Statement for the year 2024 is included in the annual financial statements. In August 2024, the Bank passed Stjórnvísi's review and was named an "Exemplar of Corporate Governance", following an evaluation process based on the previously mentioned guidelines on corporate governance. Throughout the year, there were changes to Fossar's Board of Directors and sub-committees, with two new directors joining the Board. Additionally, changes were made to the deputy Board of Directors, with both new deputies joining in 2024. The majority of the Board remains independent of the Company and its major shareholders.

For improved transparency and impartiality, all board members must disclose any potential conflicts of interest that could impact their objectivity. At the beginning of each board meeting, members' declarations of interest are reviewed, and they must confirm their eligibility to participate in discussions and decisions on the meeting agenda. This approach ensures the Board's eligibility for decision-making and helps prevent conflicts of interest. Throughout the year, there was a comprehensive update on the management and analysis of potential conflicts of interest in the Bank's operations. Additionally, updates were made to the rules on incentive payments, gifts, and rewards, as well as the Bank's rules on private transactions in financial instruments for employees and Board members. These updates collectively enhance the Bank's transparency and governance, further strengthening its defenses against corruption and bribery.

Throughout the year, the Bank emphasized the implementation of Act No. 25/2023 on Sustainability Disclosure in the Financial Services Sector and a Classification System for Sustainable Investments.

This year, Fossar held educational sessions for employees focused on sustainability, particularly the development of ESG factors and the regulatory framework. This included the Taxonomy Regulation and the SFDR Regulation. Emphasis was placed on employee education and retraining to promote a strong risk and compliance culture. Overall, a total of eight educational sessions were conducted for the company this year, with two of them qualifying as continuing education for securities trading rights.

During the year, Fossar continued to advance the implementation of the SFDR Regulation, the Taxonomy Regulation, and amendments to the MiFID II Directive, driven by sustainability requirements and changes to the product management process. This involved tasks such as providing information on how sustainability-related risks are integrated into investment decisions and advice, as well as assessing the alignment of the Bank's remuneration policy with the integration of sustainability risks.

For the second consecutive year, Fossar discloses information in accordance with the Taxonomy Regulation in an appendix to the Bank's annual financial statements.

The SFDR Regulation imposes specific obligations on financial market participants and financial advisors, including fund management companies, credit institutions, securities firms providing asset management or investment advice, insurance companies, and pension funds. These entities must disclose how sustainability-related risks are incorporated into investment decisions and advice. As defined by the SFDR, sustainability risk refers to an environmental, social, or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment. Additionally, they must provide information on whether and how the negative impacts of investment decisions on sustainability are considered.

Fossar has published a sustainability risk statement on its website, outlining how the bank incorporates sustainability risk considerations into its investment decision-making process and advisory services. The statement details the bank's current and planned analyses of sustainability risks, noting that the implementation process is ongoing.

Additionally, the bank has published a statement regarding the negative impact of investment decisions and advisory services on sustainability factors. In accordance with Article 4 of the SFDR Regulation, the bank declares that it currently does not take into account the negative impacts of investment decisions and investment advice on sustainability factors. This determination was made due to the limited availability of non-financial information from companies, which has significantly hindered the bank's ability to conduct a sufficient analysis of the principal adverse impacts of its investments and advisory services on sustainability factors. The bank's position will be reviewed early in the year 2025. Once the level of disclosure is deemed satisfactory, Fossar will take the negative impacts of investment decisions and advisory services on sustainability factors into account.

Fossar places a strong emphasis on sustainable investment options for its clients. The asset management unit has implemented procedures for responsible investments, which means that ESG factors are considered alongside traditional financial analysis when making investment decisions. These criteria are applied throughout the entire investment process. The asset management unit focuses on financial instruments that contribute to responsible long-term returns, taking into account sustainability risks. However, the methodology for applying ESG criteria may vary depending on the different investment opportunities. Efforts are ongoing to update processes to comply with sustainability requirements and to revise the product manual in accordance with Act No. 25/2023.

Additionally, two of the Bank's employees have been members of the educational group, and one has been a member of the legal group of IcelandSIF, an organization dedicated to promoting responsible investments.

Social

Fossar is committed to making a positive impact on society by emphasizing social factors in matters concerning employees, clients, suppliers, and society as a whole. A simple materiality analysis of Fossar's activities reveal that the Bank can have the most significant positive impact on social factors through its human resources. Great emphasis is placed on being a desirable workplace that fosters a healthy, safe, and constructive work environment for its employees. Diversity and inclusion are integral to Fossar's workplace culture.

Fossar's social objectives primarily support SDG Goal 5 on Gender Equality and Goal 8 on Decent Work and Economic Growth. By fostering a positive workplace culture and creating an environment where employees are respected, Fossar actively contributes to achieving the SDG goals. Ensuring the active participation of women in the financial sector, especially in management positions, is of utmost importance.

Fossar's workplace culture is deeply rooted in the company's core values of professionalism, trust, and results. These values guide all activities and decisions within the Bank. The workplace culture is results-driven, yet employees are trusted to carry out their work professionally without overly rigid constraints. While work is typically performed at the employer's place of business, Fossar encourages employees who are able to work remotely to take advantage of this opportunity in consultation with their immediate supervisor.

Employees working remotely are prohibited from handling confidential data in public places. If remote work is conducted outside the home, the location must be chosen in consultation with the immediate supervisor. Employees are given the flexibility to organize their working hours in ways that best suit their needs and responsibilities. By offering flexible working hours and a flexible workplace, Fossar aims to be a family-friendly employer that considers the individual circumstances of each employee.

Fossar underscores the importance of employee development and retraining, whether through internal education and training programs or external opportunities. To foster such a working environment, the company prioritizes diversity and an inclusive workplace culture. Fossar has adopted a policy and response plan against bullying, sexual and gender-based harassment, and violence, known as the EKKO Policy, which works to ensure that any form of discrimination, harassment, or violence is not tolerated.

Non-financial reporting, contd.

Various presentations and educational programs, both optional and compulsory, are available to employees to enhance their knowledge of the Bank's operations, regulations, and culture. Due to the nature of their work, some employees are required to have securities trading rights. To this end, they have undergone the necessary education and examinations. Those who have acquired securities trading rights are also required to attend regular continuing education courses to maintain their academic knowledge, professional competence, and values.

Fossar provides great facilities for employees who prefer cycling or other alternative means of commuting over personal cars, both for commuting and during working hours. The company strongly focuses on a family-friendly environment and a balance between work and personal life. The Bank's Code of Conduct outlines good business practices, the quality of the working environment, workplace behavior, risk culture, and non-discrimination. It ensures equal opportunities for all employees, regardless of gender, and aims to equalize the gender ratio in management positions.

Fossar is committed to ensuring equality in all its activities, meaning that no one is discriminated against based on gender, race, color, nationality, origin, language, religion or belief, political opinion, disability, age, sexual orientation, or any other factor. The Bank emphasizes respect for human rights, even though it has not yet adopted a formal human rights policy. Efforts are made to ensure that neither employees nor clients face any form of discrimination.

Good health is essential for long-term success at work and in other areas of life. Fossar offers annual influenza vaccinations and provides employees with six free hours per year for counseling or treatment with certified health and well-being experts through the Kara Connect Wellbeing Hub. The Wellbeing Hub features a selection of qualified professionals specializing in areas such as stress management, nutrition, and mental health. Employees can book both remote and in-person appointments, and the platform is user-friendly and compliant with data protection requirements. This service enhances access to resources that promote employee well-being.

Fossar 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 adherence to the provisions of the SSF collective agreement, Fossar compensates payments from the Parental Leave Fund during parental leave, regardless of union membership as of 1 January 2023. The Parental Leave Fund covers 80% of wages, up to ISK 700,000 per month, while Fossar contributes 20%, up to a maximum of ISK 150,000 per month, for a duration of up to 7.5 months. Additionally, Fossar provides parental benefits to permanent employees.

The year 2024 was marked by various changes in Fossar’s workplace following the bank’s integration into the Skagi Group. At the beginning of 2024, the company relocated from its former headquarters to Skagi’s premises at Ármúli 3. To keep employees informed throughout this transition, management held regular staff meetings. Additionally, annual employee reviews are conducted between each employee and their direct supervisor.

Fossar's current remuneration policy aims to offer competitive compensation to ensure the Bank remains an attractive workplace for qualified individuals. The guiding principle of the policy is to avoid promoting unreasonable risk-taking, instead encouraging long-term considerations and ensuring the Bank's stable operation. The policy mandates that no unreasonable discrimination occurs when determining wages and other working conditions, ensuring equal pay for equivalent or equally valuable work, regardless of gender, in accordance with Act No. 150/2020 on Equal Status and Equal Rights Irrespective of Gender.

Following its update in 2024, the remuneration policy now details how the Bank’s approach to compensation aligns with the integration of sustainability risks. 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.

Since its founding, Fossar has been dedicated to making a positive impact on its local community. The most significant initiative in this regard is Thanks Day, which has been held annually since Fossar's inception in 2015. On this day, all of Fossar's fee and commission income is 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, while the advertising agency TVIST donates its services for the day.

In 2024, the chosen cause was the Unique Children Support Group (Einstök börn). A total of 26.5 million ISK was raised, which should ensure that essential services, including participation in group activities and consultations with specialists, are provided free of charge for three years. Since the first Thanks Day, over 140 million ISK has been raised.

Non-financial reporting, contd.

Below is a table that shows materiality factors according to Fossar's materiality analysis, along with key metrics and achievements in the year 2024. The table also outlines objectives according to the sustainability policy.

Table - Social

Materiality Factors and Policies	***Key Indicators and Goals***
According to Fossar's materiality analysis, the most important factors within social are the development of human resources and diversity and inclusion. Social-related risks mainly comprise management and personnel risks, i.e. the importance of ensuring job satisfaction and that the Bank manages to retain and attract qualified staff.	*The goals are based on the Bank's sustainability policy* Fossar will emphasize attracting, retaining and developing qualified staff. Fossar will adopt a human resources policy. Fossar will emphasize healthy working hours and a healthy workplace culture.
Fossar's objectives with respect to social factors mainly support Global Goal 5 on Gender Equality and Global Goal 8 on Decent Work and Economic Growth.	
Fossar's non-financial disclosure of its goals and results on social factors is in accordance with Nasdaq's ESG guidelines.	Fossar will encourage employees to pursue continuing education in their professional field Fossar will prepare a job satisfaction survey and conduct it regularly.
Various policies and rules within the Company cover social factors and human resources. These include a remuneration policy, a code of conduct, a policy and response plan for actions against bullying, sexual harassment, gender-based harassment and violence (the "EKKO Policy") and various educational material about the rights and benefits of employees is also available on the Fossar Intranet.	Fossar maintains a culture that encourages healthy communication and development, with an emphasis on equality and respect. Fossar promotes gender diversity and emphasizes equal gender ratios in management positions. Fossar takes active measures to include women in informal events. These include dinners and lunches, fishing trips and other gatherings.

Achievements in 2024

In 2024, the Board of Directors and management continued their efforts to analyze key human resources challanges for the upcoming operating year. The bank engaged an independent consultant to conduct an employee survey at the beginning of 2024. Additionally, the bank hired an external and independent human resources consultant to maintain a weekly presence at the bank's premises temporarily, providing employees with the opportunity to seek professional advice. At the end of 2024, another employee survey was conducted, which included a workplace analysis for all companies within the Skagi Group, by an independent party (Gallup). The analysis assessed management, organizational structure, and workplace culture as part of efforts to create a healthy work environment that fosters employee success.

A decision was subsequently made to establish a centralized human resources department for all companies within Skagi Group. This would be achieved by transferring the HR department of VÍS tryggingar hf., the Bank's associate company, to the parent company, Skagi. This approach ensures alignment in human resources management across all companies within the Skagi Group. This transition is set to take effect at the beginning of 2025.

During the year, the Bank's Board of Directors approved an Equality Plan aimed at ensuring equal opportunities and rights for all genders within the bank. This plan, which includes an Equal Pay Policy, was prepared in accordance with Act no. 150/2020 on Gender Equality and Act no. 86/2018 on Equal Treatment in the Labor Market. The plan also received approval from the Centre for Gender Equality Iceland in 2024. The Equality Plan outlines measurable goals in gender equality, specifies time-bound actions to achieve these goals, and assigns responsibility for their implementation.

Non-financial reporting, contd.

In 2024, a decision was made to formally initiate work toward obtaining Equal Pay Confirmation from the Centre for Gender Equality in Iceland. This confirmation will verify that sufficient documentation has been provided to demonstrate that the company's wage system and its implementation do not result in wage discrimination based on gender. The bank applied for the Equal Pay Confirmation in 2024, and the confirmation is expected in the first half of the year 2025.

The Bank continued to offer six free appointments per year to permanent employees for counselling or treatment by certified health and well-being experts through the Kara Connect, Wellbeing Hub to support the mental and physical health of employees. Great emphasis was placed on the education and retraining of employees to promote a strong risk and compliance culture, as detailed in the Governance section. Throughout the year, a total of eight education sessions were held, two of which were recognized as continuing education for securities trading rights. Significant strategic work also took place, particularly due to the bank's integration into the Skagi Group.

The gender ratio on the Bank's Board of Directors is 60/40 in favor of women (three women, two men). In the Bank's executive management, the gender ratio is approximately 70/30 in favor of men (five men, two women). Among the Bank's employees at year-end 2024, the gender ratio was approximately 60/40, with men making up 60% of the workforce and women 40% (22 men, 13 women). No notifications of deviations were received according to the EKKO Policy. The average age of employees was 38.3 years at year-end 2024.

Environmental

Fossar places great importance on minimizing the negative environmental impact and greenhouse gas emissions from its activities. The Bank aims to analyze the environmental impact of its operations and propose actions to reduce this impact. Significant efforts have been made to implement sustainability-related EU legislation into Icelandic law, primarily focusing on environmental sustainability.

At Fossar'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. Fossar user the Taktikal electronic signature system, and the workplace is almost entirely electronic in regards of minimal paper usage.

In preparing the sustainability report for 2021, an assessment and analysis of the environmental impact of operations were conducted, including calculating Fossar's carbon footprint since the Bank's inception. The carbon footprint was calculated by a third party according to the Greenhouse Gas Protocol criteria and is divided into scopes 1, 2, and 3. For 2024, the greenhouse gas emissions of the entire Skagi Group's operations, including Fossar's, were calculated. Moving forward, emissions for the entire group will continue to be measured and offset accordingly, with Fossar's emissions offset as part of the consolidated group.

Fossar recognizes the critical importance of addressing indirect (financed) emissions from its loan and asset portfolio, which constitutes the largest emissions category (scope 3, category 15). Therefore, it is essential for the company to prioritize setting goals to manage emissions in this area. Conducting an assessment of the extent of greenhouse gas emissions financed through loans and investments is a prerequisite for the Bank to set targets for emission reductions. Fossar has yet to commence this work.

Non-financial reporting, contd.

Below is a table that presents the materiality factors identified in Fossar's materiality analysis, along with key metrics and achievements for the year 2024. The table also outlines the objectives according to the sustainability policy.

Table – Environmental

Materiality factors and policies	***Key indicators and goals***
According to Fossar's materiality analysis, the most material factors within environmental are support for sustainable companies and the development of sustainability funds and the implementation of a climate policy. Fossar has defined these materiality factors in the objectives for the sustainability of asset and loan portfolios and carbon emissions, respectively. Environmental-related risk can be defined as an event or situation in the field of climate or environmental issues, which could, if it occurs, have actual or potential significant harmful effects.	*The goals are based on the Bank's sustainability policy* Fossar aims to start work on evaluating indirect emissions from the loan and asset portfolio according to an approved methodology. Fossar adopts a policy on responsible lending. Fossar will continue efforts to disclose information on environmental sustainability according to the Taxonomy Regulation.
Fossar's environmental objectives mainly support SDG Goal 13 on Climate Action.	Fossar will measure its carbon footprint annually and set targets for reducing carbon emissions.
Fossar's non-financial disclosure of its goals and results on environmental factors aligns with Nasdaq's ESG guidelines.	Fossar will carbon-offset all emissions in the Company's operations each year and choose purchases of carbon units carefully.
The recent EU legislation in the field of sustainability, which has now been transposed into Icelandic law by Act No. 23/2025, focuses on environmental sustainability and places various obligations on Fossar.	

Achievements in 2024

In 2024, the Bank revised its sustainability policy, elaborating further on the procedures for responsible investments and the integration of sustainability risks into investment decisions and advisory services. This revision aligns with the requirements of Article 4 of Regulation (EU) No. 2019/2088 on sustainability-related disclosures in the financial services sector.

New legislation in the field of sustainability, Act No. 25/2023 on Sustainability Disclosure in the Financial Services Sector and a Classification System for Sustainable Investments came into force in Iceland on 1 June 2023. Fossar has dedicated significant effort to implement the legislation and will continue working on its implementation going forward.

At the beginning of 2023, Fossar purchased 92 inactive carbon units from SoGreen, a company that creates carbon units by supporting education for girls in Zambia. These carbon units will become active and delivered once the girls' education is complete. Fossar is among the pioneers of this project, collaborating with a diverse group of companies. The purchase of carbon units from SoGreen offset half of Fossar's calculated carbon emissions for the years 2017-2021, which were calculated in 2022 by a third party according to the Greenhouse Gas Protocol criteria, divided into scopes 1, 2, and 3.

Now that Fossar is a part of the Skagi Group, the greenhouse gas emission is offset on a consolidated basis. The emission from Skagi Group operations for the year 2024, including Fossar's operations, are offset with Climate Impact Partners verified units. Further information on greenhouse gas emissions for Skagi Group can be found in the Sustainability Report 2024 on Skagi's website (www.skagi.is).

The Bank significantly reduced driving by utilizing electronic signatures throughout the year, amounting to 17,627 km and 2.24 tons of reduced carbon footprint, with calculations by the software company Taktikal.

Disclosure according to the EU Taxonomy Regulation

General

On 1 June 2023, Act No. 25/2023 on Sustainable Finance Disclosure and Taxonomy for Sustainable Investment entered into force. The Act implemented two regulations of the European Union into Icelandic law, namely regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the SFDR) and regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the Taxonomy Regulation). Companies subject to the obligation of Article 66.d. of the Annual Accounts Act No. 3/2006 on non-financial disclosure must now also provide disclosure according to the requirements of the Taxonomy Regulation, Fossar being amongst them.

The Taxonomy Regulation establishes a uniform classification system by defining the criteria an economic activity must meet to be considered environmentally sustainable. This classification system creates a common language for discussing sustainability and harmonizes the understanding of environmentally sustainable economic activity.

To be considered environmentally sustainable an economic activity shall meet the four criteria outlined in Article 3 of the Regulation. First, the economic activity must contribute significantly to one or more of the six environmental objectives defined in the Taxonomy Regulation. These environmental objectives are a) climate change mitigation; b) climate change adaptation; c) the sustainable use and protection of water and marine resources; d) the transition to a circular economy; e) pollution prevention and control; f) the protection and restoration of biodiversity and ecosystems. Second, the economic activity must not significantly harm any of the other environmental objectives. Third, the economic activity must be carried out in compliance with the minimum safeguards laid down in Article 18, i.e. alignment must be ensured with the OECD Guidelines for Multinational Enterprises, Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights (ILO), and the UN Guiding Principles on Business and Human Rights. Fourth and last, the economic activity must comply with technical screening criteria that have been established for each environmental objective. This technical screening criteria is established in delegated regulations supplementing the Taxonomy Regulation. In order for an economic activity to be eligible, technical screening criteria must be defined in said delegated regulations. However, eligibility does not imply that an economic activity is environmentally sustainable. It merely indicates that technical screening criteria is available, allowing it to be analysed in accordance with the Regulation.

Key performance indicators and disclosure

Financial undertakings, more specifically credit institutions, are required to disclose information on environmentally sustainable assets. The information is presented in a key performance indicator known as green asset ratio (GAR). The indicator reflects the percentage of Fossar bank's assets that are allocated to and invested in economic activities deemed environmentally sustainable under 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.

Non-financial reporting, contd.

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

- Financial undertakings frequently lack Taxonomy KPIs at the time of reporting.
- For non-financial undertakings, significant data gaps remain, as a number of companies that are required to report under the Taxonomy Regulation either fail to provide the necessary disclosures or do 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 the GAR 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 central governments, central banks and supranational issuers
- Exposures to undertakings not obligated to disclose non-financial information pursuant to Article 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 undertaking’s publicly available annual accounts for FY2023. 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 previously stated, 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.

Non-financial reporting, contd.

Summary of key performance indicators credit institutions shall disclose according to Article 8 of the EU Taxonomy Regulation

GAR KPI flow is excluded from this report as it requires comparative data over multiple reporting periods to assess changes in Taxonomy-aligned activities. Since Icelandic counterparties have only provided one year of Taxonomy-related disclosures (for the financial year 2023), an accurate calculation of the flow KPI is not yet possible. This KPI will be incorporated in future reports once sufficient historical data becomes available to enable meaningful year-on-year comparisons.

		Total environmentally sustainable assets	KPI*	KPI**	% coverage (over total assets)*
Main KPI	Green asset ratio (GAR) stock	1.288.224	0,024%	0,075%	0,0059%

*based on the Turnover KPI of the counterparty

**based on the CapEx KPI of the counterparty

1. Assets for the calculation of the green asset ratio

The disclosure reference date T-1 is not included in this reporting as it requires comparative data from previous reporting periods. Since Icelandic counterparties have only provided one year of Taxonomy-related disclosures (for the financial year 2023), T-1 data does not exist. This information will be incorporated in future reports once sufficient historical data becomes available to support year-on-year comparisons.

Additionally, columns B–K are excluded from this report as the disclosure is limited to Taxonomy alignment related to climate change mitigation. No reporting has been conducted on climate change adaptation, as relevant data from counterparties is not available.

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.

Non-financial reporting, contd.

	ISK	a	l	m	n	o	p
		Disclosure reference date T					
			TOTAL (CCM + CCA)				
		Total gross carrying amount	Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)			
					Of which specialised lending	Of which transitional/adaptation	Of which enabling
1	**GAR - Covered assets in both numerator and denominator**						
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	5.401.176.893	-	-			
3	**Financial corporations**	2.400.949.870	-	-			
4	Credit institutions	2.400.949.870	-	-			
6	Debt securities, including UoP	215.724.755	-	-			
7	Equity instruments	2.185.225.115	-	-			
21	**Non-financial corporations**	3.000.227.023	1.403.102.550	1.288.224			1.242.216
22	NFCs subject to NFRD disclosure obligations	3.000.227.023	1.403.102.550	1.288.224			1.242.216
24	Debt securities, including UoP	-	-	-			
25	Equity instruments	3.000.227.023	1.403.102.550	1.288.224			1.242.216
49	**Total GAR assets**	5.401.176.893	1.403.102.550	1.288.224			1.242.216
50	**Other assets not covered for GAR calculation**	16.379.919.107					
51	**Sovereigns**	6.734.581.333					
52	**Central banks exposure**	-					
53	**Trading book**	4.808.907					
54	**Total assets**	21.781.096.000	1.403.102.550	1.288.224			1.242.216

Non-financial reporting, contd.

	ISK	a	l	m	n	o	p
		Disclosure reference date T					
		TOTAL (CCM + CCA)					
		Total gross carrying amount	Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)			
					Of which specialised lending	Of which transitional/adaptation	Of which enabling
1	**GAR - Covered assets in both numerator and denominator**						
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	5.401.176.893	-	-			
3	**Financial corporations**	2.400.949.870	-	-			
4	Credit institutions	2.400.949.870	-	-			
6	Debt securities, including UoP	215.724.755	-	-			
7	Equity instruments	2.185.225.115	-	-			
21	**Non-financial corporations**	3.000.227.023	1.472.496.610	4.045.440	-	-	3.309.905
22	NFCs subject to NFRD disclosure obligations	3.000.227.023	1.472.496.610	4.045.440	-	-	3.309.905
24	Debt securities, including UoP	-	-	-			
25	Equity instruments	3.000.227.023	1.472.496.610	4.045.440		-	3.309.905
49	**Total GAR assets**	5.401.176.893	1.472.496.610	4.045.440			3.309.905
50	**Other assets not covered for GAR calculation**	16.379.919.107					
51	**Sovereigns**	6.734.581.333					
52	**Central banks exposure**	-					
53	**Trading book**	4.808.907					
54	**Total assets**	21.781.096.000	1.472.496.610	4.045.440			3.309.905

Non-financial reporting, contd.

2. Information on the green asset ratio by sector

	a	n	o	q	r
	Breakdown by sector - NACE 4 digits level (code and label)	TOTAL (CCM + CCA)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		Gross carrying amount		Gross carrying amount	
		ISK	Of which environmentally sustainable (CCM + CCA)	Mn EUR	Of which environmentally sustainable (CCM + CCA)
1	Manufacture of pharmaceutical preparations (21200)	241.400.000	-		
2	Other retail sale in non-specialised stores (47190)	46.008.000	1.288.224		
3	Renting and leasing of air transport equipment (77350)	20.982.860	-		
4	Supermarkets and convenience stores (47111)	142.698.896	-		
5	Activities of holding companies (64200)	1.152.651.078	-		
6	Wireless telecommunications activities (61200)	79.525.541	-		

	a	n	o	q	r
	Breakdown by sector - NACE 4 digits level (code and label)	TOTAL (CCM + CCA)			
		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
		Gross carrying amount		Gross carrying amount	
		ISK	Of which environmentally sustainable (CCM + CCA)	Mn EUR	Of which environmentally sustainable (CCM + CCA)
1	Manufacture of pharmaceutical preparations (21200)	241.400.000	-		
2	Other retail sale in non-specialised stores (47190)	46.008.000	2.530.440		
3	Renting and leasing of air transport equipment (77350)	20.982.860	-		
4	Supermarkets and convenience stores (47111)	142.698.896	-		
5	Activities of holding companies (64200)	1.152.651.078	1.515.000		
6	Wireless telecommunications activities (61200)	79.525.541	-		

3. GAR KPI stock

		l	m	n	o	p
	% (compared to total covered assets in the denominator) assets in the denominator)	TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional/adaptation	Of which enabling
1	**GAR - Covered assets in both numerator and denominator**					
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	-	-			
3	**Financial corporations**	-	-			
4	Credit institutions	-	-			
6	Debt securities, including UoP	-	-			
7	Equity instruments	-	-			
21	**Non-financial corporations**	47%	0,043%			96%
22	NFCs subject to NFRD disclosure obligations	47%	0,043%			96%
24	Debt securities, including UoP	-	-			
25	Equity instruments	47%	0,043%			96%
49	**Total GAR assets**	26%	0,024%			96%

	% (compared to total covered assets in the denominator)	TOTAL (CCM + CCA)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)			
				Of which specialised lending	Of which transitional/adaptation	Of which enabling
1	**GAR - Covered assets in both numerator and denominator**					
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	-	-			
3	**Financial corporations**	-	-			
4	Credit institutions	-	-			
6	Debt securities, including UoP	-	-			
7	Equity instruments	-	-			
21	**Non-financial corporations**	49%	0,13%	-	-	82%
22	NFCs subject to NFRD disclosure obligations	49%	0,13%	-	-	82%
24	Debt securities, including UoP	-	-			
25	Equity instruments	49%	0,13%		-	82%
49	**Total GAR assets**	27%	0,075%			82%

Minimum Safeguards

One of the four requirements for an economic activity to be considered environmentally sustainable is that a company implements adequate minimum safeguards in accordance with Article 18 of the Taxonomy Regulation. These minimum safeguards generally cover four main areas:(1) human rights, (2) corruption and bribery, (3) taxes, and (4) competition. Below, is an account will be given of how and to what extent the Bank operates in accordance with these four main areas.

1. Human rights

Fossar is committed to upholding human rights and refrains from engaging in any transactions associated with human rights violations, including discrimination based on gender, religion, or race. This dedication is consistently reflected in its Sustainability Policy, Code of Conduct, and Outsourcing Policy. The Bank remains compliant with all relevant laws and regulations pertaining to human rights.

Fossar has not conducted a formal supplier assessment regarding human rights in the operations or value chain. However, various policies and rules have been established to prevent human rights violations. For example, the Bank has implemented a Code of Conduct that applies to the Board of Directors, management, and all employees. This Code emphasizes equality and prohibits discrimination in all of the Bank's activities. According to the Code of Conduct, equality must be maintained between clients and other stakeholders, ensuring they are not discriminated against on illegal or unreasonable grounds. Fossar employees are required to provide clients with reliable and clear information.

Non-financial reporting, contd.

The Bank has also established a policy and response plan against bullying, sexual harassment, gender-based harassment, and violence, known as the "EKKO Policy." Additionally, protocols are in place for reporting violations, potential violations, or attempted violations within the operations of a financial company to ensure the protection of whistleblowers.

According to the Bank's Outsourcing Policy, specific criteria must be followed when selecting an outsourcing partner and arrangement to maintain good governance at the Bank. The Bank adheres to laws on data protection, processing of personal data, and bank secrecy, making the secure handling of confidential information a crucial aspect of Fossar's daily operations. Furthermore, the Bank is subject to the provisions of the Act on Actions against Market Abuse."

2. Protection against corruption and bribery

Fossar is committed to combating bribery and corruption. The goal of the Code of Conduct is to promote honesty and fairness by Fossar employees towards clients and other employees, as well as to promote trust in and the credibility of Fossar's operations. To achieve this, the Bank has, among other things, established rules and policies on measures against conflicts of interest. They are also intended to prevent the objectivity of Fossar's employees from being called into question when handling and processing individual cases. Other rules of the Bank also concern conflicts of interest and serve to prevent bribery and corruption. These include rules on incentive payments, gifts and rewards, rules on Fossar employees' own trading in financial instruments, rules on separation of work areas and rules on employees’ other employment. Fossar has also established a policy on measures against money laundering and terrorist financing, along with risk assessment, internal rules and processes concerning the same issue. It is Fossar's clear policy to combat money laundering and the financing of terrorism and to prevent the Bank's activities from being misused for such purposes.

3. Taxes

Fossar complies with Act No. 90/2003 on Income Tax, Act No. 155/2010 on Financial Institutions Tax, Act No. 94/1996 on Withholding Tax, and other applicable tax laws. While Fossar has no specific tax policy, it aims to manage tax risk within operational risk and adhere to regulations. The Bank has not breached any tax laws. The Finance Division oversees tax management and returns, ensuring these tasks are integral to the Bank's control processes.

4. Competition

Fossar has not adopted a special competition policy. The Bank faces active and healthy competition in most areas, e.g. in lending to clients, in brokering transactions for investors, in capital management through private banking services (asset management) and in financial services for various companies. An important factor in the Bank’s continued development is to retaining good staff and ensure their training and further education as appropriate. The Bank strives to provide good working conditions and competitive salaries within the Bank. No special education is provided on competition issues. The Bank has not violated any laws or regulations in the field of competition.