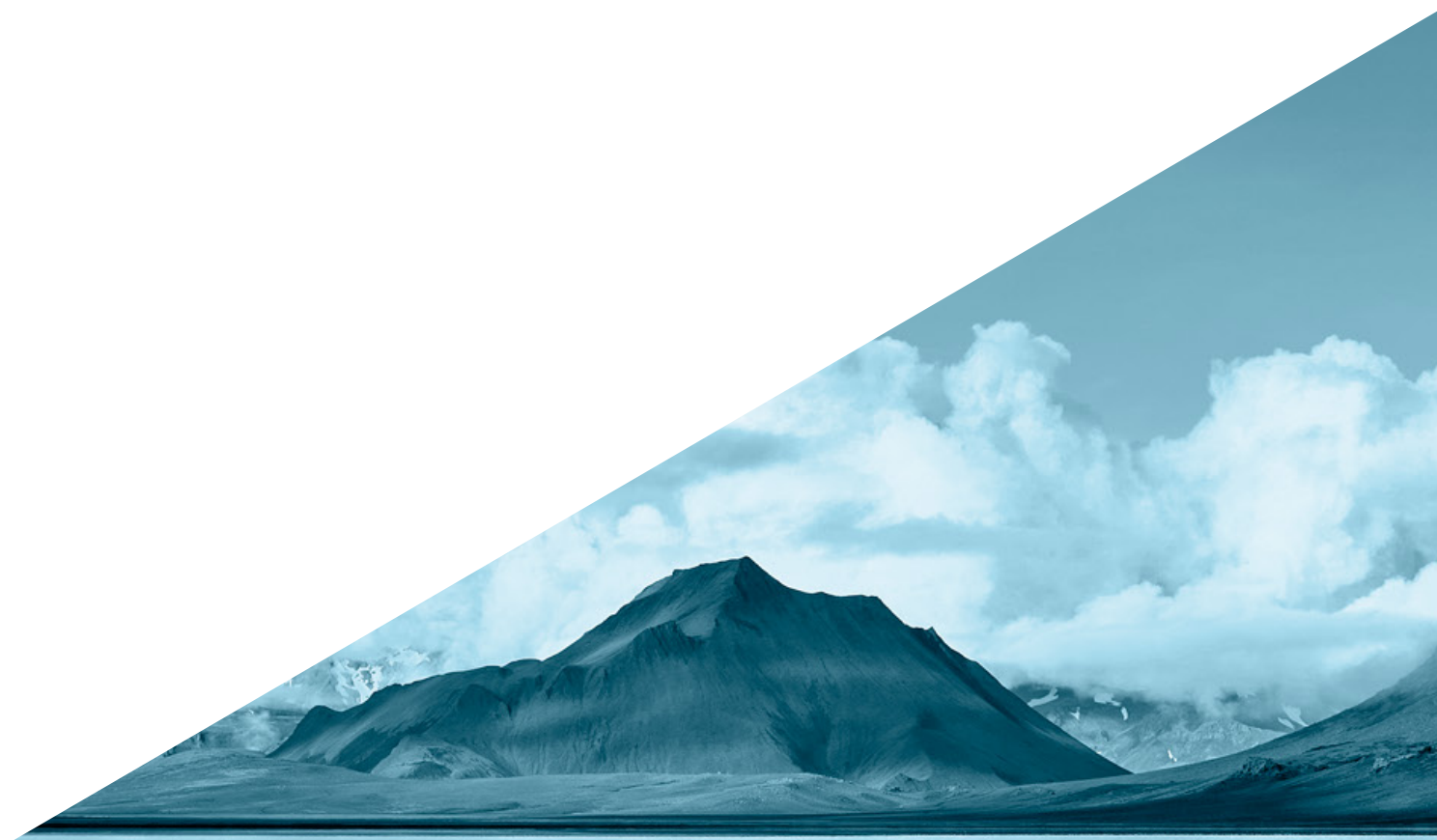




Condensed Consolidated Interim Financial Statements

1 January - 30 September 2025



Condensed Consolidated Interim Financial statements

1 January to 30 September 2025

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Report and Endorsement

by the Board of Directors and the CEO

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

Operating and Financial position

According to the Income Statement the Group's profit in the first 9M 2025 amounted to ISK 337 million and return on equity was 1.6% during the period. The Group's assets at the end of the period amounted to ISK 83,688 million and equity amounted to ISK 22,128 million according to the balance sheet.

Insurance

Continued operational improvement is taking place in the insurance business. This can be attributed to more new customers as well as increased insurance sales to existing customers. Insurance business generated 9.8% insurance revenue growth and 11.6% life and health insurance growth in the first 9 months.

Cost ratio continues to improve at 17.9% in the 9M 2025 (9M 2024: 18.9%) and claims and reinsurance ratio was at 69.8% (9M 2024: 76.3%). This results in a combined ratio of 87.7% (9M 2024: 95.2%). The insurance service result was positive by ISK 2,920 million in 9M 2025 (9M 2024: ISK 1,042 million) and improves by ISK 1,877 million YoY.

Financial Services

Financial services activities generated growth of 52% in revenue in 9M 2025 compared to prior year. Revenue of financial activities totalled ISK 2,211 million, compared to ISK 1,452 million in 9M 2024. Assets under management (AuM) at the Skagi Group stand at 237 billion at the end of Q3 2025.

Financial services delivered a profit before tax of 2 million in 9M 2025 (9M 2024: -150 million) and improves 152 million YoY. Significant consolidation and one-off expenses amounting to 115 million were incurred in the first 9M 2025 in financial services. Adjusted profit before tax is 117 million in 9M 2025 in financial services, when adjusted for one-off expenses of 115 million.

Investments

The return on the insurance investment assets in 9M 2025 was 1.2% (9M 2024: 4.6%). Investments generated financial income of ISK 509 million in 9M 2025 (9M 2024: ISK 2,011 million) but a negative net financial income of ISK -1,432 million in 9M 2025 (9M 2024: ISK 560 million), after taking into account net financial expenses of insurance contracts and other financial items of ISK -1,713 million and operating expenses of investment portfolio of ISK -228 million. Weak equity markets impact investment results due to loss of ISK 1,413 million in the listed equity portfolio in 9M 2025.

Report and Endorsement

by the Board of Directors and the CEO

Financial Targets 2025

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

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

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

Shares and allocation of profits

The Company's nominal shares amounted to ISK 1.906,7 million at period end (own shares amounting to ISK 10.3 million), with each share having a nominal value of ISK 1. There were 875 shareholders at the end of the period. The board of directors' proposal for the payment of a dividend in the amount of ISK 500 million or ISK 0.2637 per share was approved at the Company's Annual General Meeting on 27th March and the Company paid the dividend to shareholders on 1st April 2025.

Transfer of Insurance operations to a subsidiary

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

Mergers within financial services of Skagi concluded

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

Merger discussions with Íslandsbanki

The Board of Directors of Skagi hf. and Íslandsbanki hf. have approved the initiation of formal merger negotiations, and both parties have signed a term sheet to that effect. The term sheet stipulates that Skagi's shareholders will receive 323,859,440 new shares in Íslandsbanki, representing approximately 15% ownership in the combined company. This indicates a share price of ISK 21.18 per Skagi share and ISK 124.00 per Íslandsbanki share. Skagi's board of directors considers the proposed transaction an attractive opportunity for Skagi's shareholders. It aligns with Skagi's strategy of actively engaging in the ongoing development of the financial services sector. The Board also believes that the merger will enhance the long-term profitability of the combined company. Additionally, the merged entity is anticipated to have considerable excess capital, offering further capacity for growth. Further discussions on the detailed terms and structure of the merger are expected to occur in the coming weeks. Updates on the progress of the negotiations will be provided as appropriate and in accordance with the companies' legal disclosure obligations.

Report and Endorsement

by the Board of Directors and the CEO

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

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

Reykjavik, 29 October 2025

On the Board of Directors

Stefán Héðinn Stefánsson

Chairman of the Board

Vilhjálmur Egilsson

Vice-Chairman of the Board

Marta Guðrún Blöndal

Ásgeir Helgi Reykfjörð Gylfason

Hrund Rudolfsdóttir

CEO

Haraldur Þórðarson

Condensed Consolidated Interim Income Statement

For the period 1 January to 30 September 2025

	Notes	Q3 2025	Q3 2024	YTD 2025	YTD 2024
Insurance revenue		8.368.737	7.634.285	23.754.769	21.636.007
Insurance expenses		(5.240.882)	(5.613.013)	(15.773.571)	(15.869.322)
Insurance contract operating expenses		(1.349.502)	(1.244.001)	(4.246.577)	(4.083.774)
Net expenses from reinsurance contracts		<u>(307.324)</u>	<u>(187.636)</u>	<u>(814.809)</u>	<u>(640.491)</u>
Insurance service result		1.471.029	589.635	2.919.812	1.042.420
Interest income		555.372	412.221	1.583.280	1.118.864
Interest expenses		<u>(432.542)</u>	<u>(349.524)</u>	<u>(1.260.428)</u>	<u>(959.051)</u>
Net interest income		122.830	62.697	322.852	159.813
Fee and commission income		495.223	312.832	1.721.431	1.190.234
Fee and commission expenses		<u>(15.340)</u>	<u>(7.727)</u>	<u>(49.928)</u>	<u>(54.029)</u>
Net fee and commission income		479.882	305.105	1.671.504	1.136.205
Financial income		517.321	791.926	521.089	2.038.682
Net finance expenses from insurance contracts		(564.730)	(516.842)	(1.398.648)	(206.409)
Other financial items		(135.064)	(92.380)	(388.544)	(920.226)
Operating expense of the insurance investment portfolio		<u>(70.488)</u>	<u>(63.567)</u>	<u>(227.886)</u>	<u>(324.755)</u>
Net financial income		(252.962)	119.137	(1.493.989)	587.292
Share in profit of associates, after income tax		0	0	51.450	0
Other operating income		13.685	16.617	85.433	78.589
Net operating income		1.834.465	1.093.190	3.557.061	3.004.318
Operating expenses	6	(726.349)	(616.135)	(2.451.847)	(1.958.088)
Net credit impairments		(2.309)	(650)	(6.377)	(9.450)
Amortization of intangible assets		(49.170)	(35.858)	(146.503)	(107.422)
Profit before tax		1.056.638	440.547	952.334	929.358
Income tax expenses		<u>(339.241)</u>	<u>(13.330)</u>	<u>(615.318)</u>	<u>(229.283)</u>
Profit for the period		717.397	427.217	337.016	700.074
Attributable to shareholders		715.751	425.807	337.587	701.422
Attributable to minority interest		<u>1.647</u>	<u>1.410</u>	<u>(570)</u>	<u>(1.348)</u>
Profit for the period		717.397	427.217	337.016	700.074
Earnings per share					
Basic earnings per share		0,38	0,23	0,18	0,37
Diluted earnings per share		0,36	0,23	0,17	0,37

The notes on pages 10-22 are an integral part of these financial statements.

Condensed Consolidated Interim Statement of Comprehensive Income

For the period 1 January to 30 September 2025

	YTD 2025	YTD 2024
Profit for the period	<u>337.016</u>	<u>700.074</u>
Other Comprehensive income		
<i>Items that are or may be reclassified subsequently to profit and loss and relocated to equity</i>		
Reclassification of fair value changes to income statement	12.880	(5.121)
Unrealized fair value changes	(1.612)	(1.983)
Total comprehensive income for the period	<u><u>348.285</u></u>	<u><u>692.970</u></u>

The notes on pages 10-22 are an integral part of these financial statements.

Condensed Consolidated Interim Statement of Financial Position

As at 30 September 2025

	Notes	30.9.2025	31.12.2024
Assets			
Cash and cash equivalents		1.502.636	2.321.959
Financial assets	7	52.643.742	51.391.734
Securities used for economic hedging		6.352.981	6.102.840
Loans to customers		10.742.689	7.880.021
Derivatives		302.683	118.541
Investments where investment risk is borne by life-insurance policyholders		878.952	1.023.545
Investment in associates	10	152.640	148.876
Intangible assets		4.560.488	4.734.006
Property, plant and equipment		1.398.921	700.356
Deferred income tax asset		192.275	461.117
Assets from reinsurance contracts held		1.192.045	1.491.991
Other receivables		3.768.412	2.807.731
Total assets		83.688.463	79.182.716
Liabilities			
Insurance contract liabilities	11	29.363.396	28.834.123
Investment contract liabilities		878.952	1.023.545
Financial liabilities	12	21.181.105	17.750.819
Subordinated bond		3.848.817	3.763.931
Derivatives		23.272	231.599
Lease liability		1.112.616	391.655
Deferred income tax liability		362.959	358.107
Accounts payable and other liabilities		4.789.843	4.558.183
Total liabilities		61.560.959	56.911.962
Equity			
Share capital		1.896.367	1.895.958
Share premium		3.087.000	3.087.000
Restricted reserves		636.888	2.684.635
Retained earnings		16.463.677	14.563.951
Total equity attributable to shareholders		22.083.933	22.231.544
Minority interest		43.571	39.209
Total equity		22.127.504	22.270.753
Total liabilities and equity		83.688.463	79.182.716

The notes on pages 10-22 are an integral part of these financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

For the period 1 January to 30 September 2025

	Share capital	Share premium	Restricted reserve	Retained earnings	Minority interest	Total
Equity 1.1.2025	1.895.958	3.087.000	2.684.635	14.563.951	39.209	22.270.753
Profit for the period				337.587	(570)	337.016
Other comprehensive income				11.268	0	11.268
Total comprehensive income for the period	0	0	0	348.855	(570)	348.285
Change of holding in subsidiary				(4.932)	4.932	0
Treasury share allocation	410			8.128		8.538
Dividends paid, ISK 0,264 per share				(500.072)		(500.072)
Restricted reserves			(2.047.747)	2.047.747		0
Equity 30.9.2025	1.896.367	3.087.000	636.888	16.463.677	43.571	22.127.504
Equity 1.1.2024	1.905.550	3.087.000	4.477.882	11.660.499	41.002	21.171.933
Profit (loss) for the period				701.422	(1.348)	700.074
Other comprehensive income (loss)				(7.104)	0	(7.104)
Total comprehensive income (loss) for the period	0	0	0	694.318	(1.348)	692.970
Change of holding in subsidiary					4.000	4.000
Treasury shares acquired	(27.813)			(472.187)		(500.000)
Dividends paid, ISK 0,524 per share				(984.809)		(984.809)
Restricted reserves			(2.626.916)	2.618.322		(8.594)
Stock options				20.533		20.533
Equity 30.9.2024	1.877.737	3.087.000	1.850.966	13.543.780	43.655	20.403.138

The notes on pages 10-22 are an integral part of these financial statements.

Condensed Consolidated Interim Statement of Cash Flows

For the period 1 January to 30 September 2025

	YTD 2025	YTD 2024
Operating activities		
Profit for the period	337.016	700.074
Operating items not affecting cash flows:		
Net interest income	(322.852)	(159.813)
Net financial income	(73.116)	(1.118.456)
Stock options, change	8.538	20.533
Share in profit of associate	(51.450)	0
Profit on sale of operating assets	(1.334)	(3.420)
Depreciation and amortization	457.634	405.185
	<u>354.437</u>	<u>(155.896)</u>
Changes in operating assets and liabilities:		
Financial assets, change	(1.726.067)	(552.116)
Assets from reinsurance contracts held, change	299.947	(93.391)
Securities, change	435.506	(2.196.746)
Loans to customers, change	(2.862.668)	(2.734.209)
Other receivables, change	(960.681)	(597.713)
Derivatives, change	(392.470)	(16.583)
Insurance contract liabilities, change	529.273	1.447.861
Accounts payable and other liabilities, change	603.167	832.926
	<u>(3.719.557)</u>	<u>(4.065.865)</u>
Cash flows from operating activities before interest and tax		
	<u>(3.479.866)</u>	<u>(3.627.180)</u>
Interest income received	1.508.771	1.177.761
Dividend received	335.849	239.036
Financial expenses paid	(1.507.115)	(932.549)
Income taxes paid	(97.814)	(45.563)
	<u>(3.479.866)</u>	<u>(3.627.180)</u>
Investing activities		
Investments in property and equipment	(125.055)	(137.353)
Sale of property and equipment	7.700	3.712
Investments in intangible assets	(12.364)	(32.786)
Dividends received from associate	47.686	0
Sale of shares in subsidiary	0	4.000
	<u>(82.033)</u>	<u>(162.429)</u>
Financing activities		
Purchase of treasury shares	0	(500.000)
Dividends paid	(500.072)	(984.809)
Principal payments of lease liability	(130.667)	(184.958)
Short-term loans, change	3.430.286	5.024.117
	<u>2.799.547</u>	<u>3.354.350</u>
Change in cash and cash equivalents	(762.352)	(435.258)
Cash and cash equivalents at the beginning of the year	2.321.959	2.270.693
Effect of movements in exchange rates on cash held	(56.971)	659
Cash and cash equivalents at the end of the period	<u>1.502.636</u>	<u>1.836.096</u>

The notes on pages 10-22 are an integral part of these financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

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Notes to the Condensed Consolidated Interim Financial Statements

1. Reporting entity

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

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

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting, as adopted by the European Union and additional requirements according to the Icelandic Financial Statements Act. The interim financial statements were approved and authorized for publication at a meeting of the Board of Directors on 29 October 2025. The condensed consolidated interim financial statements do not contain all the information required in consolidated financial statements and should be read in conjunction with its annual consolidated financial statements for the year 2024, which are available at www.skagi.is.

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

3. Functional and presentation currency

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

4. Accounting estimates

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

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

Goodwill

Assets such as goodwill are subject to annual impairment testing, or more frequently when there is an indication of impairment. Goodwill is allocated to cash generating units ("CGUs") for the purpose of impairment testing. Goodwill has been allocated to the following CGUs; Insurance operations and Financial Services operations. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combinations in which the goodwill arose. At the end of the reporting period there are no triggers indicating that impairment of goodwill is required.

Notes to the Condensed Consolidated Interim Financial Statements

5. Operating segment reporting

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

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

	Insurance operations	Insurance investments	Financial services	Centralized supporting units and eliminations	Total
Insurance revenue	23.754.769				23.754.769
Claims incurred	(15.773.571)				(15.773.571)
Insurance contract operating expenses	(4.246.577)				(4.246.577)
Net expenses from reinsurance contracts	(814.809)				(814.809)
Insurance service result	2.919.812	0	0	0	2.919.812
Net interest income			322.852		322.852
Net fee and commission income			1.826.681	(155.178)	1.671.504
Financial income		508.794	59.429	(47.134)	521.089
Operating exp. of the insurance investment portfolio		(227.886)			(227.886)
Net finance expenses from insurance contracts		(1.398.648)			(1.398.648)
Other financial items		(314.314)		(74.230)	(388.544)
Net financial income	0	(1.432.055)	59.429	(121.364)	(1.493.989)
Other operating income	84.157		2.572	(1.296)	85.433
Share in profit of associates, after income tax				51.450	51.450
Net operating income	3.003.969	(1.432.055)	2.211.534	(226.388)	3.557.061
Operating expenses	(32.876)		(2.130.505)	(288.466)	(2.451.847)
Allocated costs from supporting units	(185.234)	(170.986)	(56.970)	413.190	0
Amortization of intangible assets			(16.153)	(130.350)	(146.503)
Net credit impairments			(6.377)		(6.377)
Profit (loss) before tax	2.785.858	(1.603.040)	1.529	(232.014)	952.334
Income tax expenses					(615.318)
Profit for the period					337.016

Notes to the Condensed Consolidated Interim Financial Statements

5. Operating segment reporting (cont.)

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

	Insurance operations	Insurance Investments	Financial services	Centralized supporting units and eliminations	Total
Insurance revenue	21.636.007				21.636.007
Claims incurred	(15.869.322)				(15.869.322)
Insurance contract operating expenses	(4.083.774)				(4.083.774)
Net expenses from reinsurance contracts	(640.491)				(640.491)
Insurance service result	1.042.420	0	0		1.042.420
Net interest income			159.813		159.813
Net fee and commission income			1.244.280	(108.076)	1.136.205
Financial income		2.011.091	27.591		2.038.682
Operating exp. of the insurance investment portfolio		(206.409)			(206.409)
Net finance expenses from insurance contracts		(920.226)			(920.226)
Other financial items		(324.755)			(324.755)
Net financial income	0	559.701	27.591	0	587.292
Other operating income	62.547		20.010	(3.968)	78.589
Share in profit of associates, after income tax					0
Net operating income	1.104.967	559.701	1.451.694	(112.044)	3.004.318
Operating expenses	(22.585)		(1.577.438)	(358.065)	(1.958.088)
Amortization of intangible assets			(15.172)	(92.250)	(107.422)
Net credit impairments			(9.450)		(9.450)
Profit (loss) before tax	1.082.382	559.701	(150.367)	(562.359)	929.358
Income tax expenses					(229.283)
Profit for the period					700.074

6. Operating expenses

	YTD 2025	YTD 2024
Salaries and related expenses	4.427.665	3.944.103
Other operating expenses	2.187.513	2.006.405
Depreciation and amortization	457.634	405.185
Total	7.072.812	6.355.693
Centralized supporting units and eliminations	288.466	358.065
Operating expenses of financial services	2.130.505	1.577.438
Insurance contract operating expenses	4.246.577	4.083.774
Operating expenses of the insurance investment portfolio and other insurance cost	260.762	228.993
Amortization of intangible assets	146.503	107.422
Operating expenses, total	7.072.812	6.355.693
Salaries and related expenses are specified as follows:	YTD 2025	YTD 2024
Salaries	3.362.485	3.048.515
Pension fund contributions	496.293	430.111
Share option expenses	79.189	20.533
Special financial activities tax on salaries	212.854	191.352
Other salary-related expenses	276.845	253.591
Salaries and salary-related expenses	4.427.665	3.944.103
Number of fulltime employees	244	242

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

Notes to the Condensed Consolidated Interim Financial Statements

7. Financial assets

Financial assets are specified as follows:

30.9.2025

	Insurance investments	Financial services	Total
Shares in other companies			
Listed on domestic stock exchanges	4.873.960	321.796	5.195.756
Listed on foreign stock exchanges	2.919.590	0	2.919.590
Other companies	7.045.628	84.057	7.129.685
	14.839.178	405.853	15.245.031
Other securities			
Government-backed securities, indexed	2.894.471	250.153	3.144.624
Government-backed securities, non-indexed	7.813.249	4.461.132	12.274.381
Other bonds	12.093.286	413.835	12.507.121
Bond funds	7.250.937	248.229	7.499.166
Institutional investor funds	1.973.419	0	1.973.419
	32.025.361	5.373.350	37.398.711
Total financial assets	46.864.539	5.779.203	52.643.742

31.12.2024

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

Notes to the Condensed Consolidated Interim Financial Statements

8. Loans to customers

a. Credit risk of financial activities

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

	Nominal value of claim	Expected credit losses	Booked balance
30.9.2025			
Not yet due	10.759.882	(17.193)	10.742.689
Default 1-30 days			
Default 31-60 days			
Default 61-90 days			
Default >90 days			
	<u>10.759.882</u>	<u>(17.193)</u>	<u>10.742.689</u>
31.12.2024			
Not yet due	7.890.836	(10.815)	7.880.021
Default 1-30 days			
Default 31-60 days			
Default 61-90 days			
Default >90 days			
	<u>7.890.836</u>	<u>(10.815)</u>	<u>7.880.021</u>

b. Loan-to-value

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

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

	30.9.2025	%	31.12.2024	%
Less than 50%	2.586.141	24,1%	2.642.171	33,5%
51-70%	5.693.051	53,0%	3.696.008	46,9%
71-90%	2.463.498	22,9%	1.504.511	19,1%
91-100%	0	0,0%	37.331	0,5%
101-125%	0	0,0%	0	0,0%
126-200%	0	0,0%	0	0,0%
Greater than 200%	0	0,0%	0	0,0%
No or negligible collateral:	0	0,0%	0	0,0%
Other loans with no collateral	0	0,0%	0	0,0%
Total	<u>10.742.689</u>	<u>100%</u>	<u>7.880.021</u>	<u>100%</u>

Notes to the Condensed Consolidated Interim Financial Statements

8. Loans to Customers (cont.)

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

30.9.2025

Loans to customers:	Stage 1	Stage 2	Stage 3	Total
Credit quality band I	8.080.059	-		8.080.059
Credit quality band II	1.737.857	-		1.737.857
Credit quality band III	-	-		0
Credit quality band IV	941.966			941.966
In default	-	-		0
Non-Rated	-			0
Gross carrying amount	10.759.882	0	0	10.759.882
Expected credit loss	(17.193)			(17.193)
Book value	10.742.689	0	0	10.742.689

31.12.2024

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

Notes to the Condensed Consolidated Interim Financial Statements

9. Group entities

	30.9.2025	31.12.2024	Principal activity
VÍS tryggingar hf.	100,0%	100,0%	Insurance operations
Fossar fjárfestingarbanki hf.	100,0%	100,0%	Investment banking
VF Nord ehf.	100,0%	100,0%	Investing activities
Skagi ehf.	100,0%	0,0%	Investing activities
Líftryggingafélag Íslands hf.	100,0%	100,0%	Life insurance
Íslensk verðbréf hf.	85,9%	100,0%	Asset and fund management
SIV eignastýring hf.	0%*	70,0%	Asset and fund management

SIV eignastýring hf. was merged with ÍV sjóðir and the merged entity was named Íslensk verðbréf hf., effective as of 1st January 2025. Skagi has a call option agreement on 14.1% shareholding in Íslensk verðbréf hf. from minority shareholders, which if exercised, would increase Skagi's shareholding to 100%. Call option is exercisable in Q1 2026 and if exercised it is expected to issue shares in Skagi as payment towards minority shareholders, subject to lock in requirements for two years on those Skagi shares. The agreement stipulates shareholders approval as condition precedent if payment will proposed to be made in newly issued Skagi shares, otherwise Skagi can pay in cash.

10. Investment in associates

	Share	Book value 30.9.2025	Book value 31.12.2024
Tplús hf.	35,0%	135.878	135.994
Vex ehf.	33,3%	16.762	12.883
		152.640	148.876

11. Insurance contract liabilities

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

	30.9.2025	31.12.2024
Insurance contract liabilities		
Liability for remaining coverage	2.861.507	2.608.357
Liability for incurred claims	26.501.889	26.225.766
Total insurance contract liabilities	29.363.396	28.834.123
Reinsurance contract assets		
Assets from reinsurance contracts held	1.192.045	1.491.991
Insurance contract liabilities, net of reinsurance		
Insurance contract liabilities, net of reinsurance	28.171.351	27.342.132

Changes in liabilities for incurred claims are specified as follows:

Liability for incurred claims, start of year	26.225.776	24.349.301
Net finance expenses from insurance contracts	1.308.720	1.121.708
Paid claims in the period due to older years	(9.322.728)	(9.618.803)
Liability for incurred claims, current year	9.506.738	11.161.887
Total calculated liability for incurred claims	27.718.506	27.014.093
Run off and reassessment of risk adjustment	(1.216.617)	(788.327)
Liability for incurred claims, end of period	26.501.889	26.225.766

Notes to the Condensed Consolidated Interim Financial Statements

12. Financial liabilities

	30.9.2025	31.12.2024
Borrowings	15.108.286	13.363.421
Issued bonds and bills	6.072.819	4.387.399
Financial liabilities total	<u>21.181.105</u>	<u>17.750.819</u>

12.1 Borrowings

Borrowings are specified as follows:

	30.9.2025	31.12.2024
Money market deposits	10.800.874	10.663.421
Liabilities to credit institutions	<u>4.307.412</u>	<u>2.700.000</u>
Total	<u>15.108.286</u>	<u>13.363.421</u>

12.2 Issued bonds and bills

Balance 30.9.2025

Issued bonds and bills	Issued	Maturity	Type and terms of interest	30.9.2025
FOS 25 1128	30.5.2025	28.11.2025	Bill, discounted	473.517
FOS 26 0311	11.9.2025	11.3.2026	Bill, discounted	1.001.012
FOS 26 1	10.7.2024	10.1.2026	Bond, floating 1M Reibor + 1,5%	1.507.667
FOS 281026	28.10.2024	28.10.2026	Bond, fixed 9.2%	1.558.267
FOS 040728	4.7.2025	4.7.2028	Bond, fixed 9.03%	<u>1.532.358</u>
				<u>6.072.819</u>

Balance 31.12.2024

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

Skagi has a bank credit facility line up to ISK 1,700 million, of which ISK 893 million remains undrawn as of the reporting date.

Notes to the Condensed Consolidated Interim Financial Statements

13. Solvency of a financial conglomerate

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

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

Solvency is a measure of the Group's ability to absorb shocks, or in other words, an indication of its financial strength. The Group's available capital and capital requirements are calculated on basis that the Group has now been defined as a financial conglomerate, according to Articles 16, 17 and 18 of Regulation No. 61/2017 on Supplementary Supervision of Financial Conglomerates. The Group's solvency ratio is 1.27 compared to the minimum requirement in the Regulation, which is 1.0 and internal limit of 1.15. Group solvency ratio is net of assumed dividend as of reporting date in accordance with target dividend payout ratio of 40% of profits.

Own funds	30.9.2025	31.12.2024
Own funds for insurance activities	18.543.942	18.671.822
Own funds for other activities	3.002.599	2.791.057
Total own funds (before assumed dividend or share repurchase)	<u>21.546.541</u>	<u>21.462.879</u>
Minimum own fund requirements		
Own funds requirements for insurance activities	14.084.793	13.567.776
Own fund requirements for other activities	<u>2.746.205</u>	<u>2.335.626</u>
Total minimum own fund requirements	<u>16.830.998</u>	<u>15.903.402</u>
Solvency		
	30.9.2025	31.12.2024
Equity according to the statement of financial position	22.127.504	22.270.753
Intangible assets	(4.560.488)	(4.734.006)
Subordinated bond	3.848.817	3.763.931
Assumed dividend plan	(134.807)	0
Share repurchase program	0	0
Other	<u>130.708</u>	<u>162.200</u>
Calculated own funds	21.411.735	21.462.879
Minimum own fund requirements	16.830.998	15.903.402
Solvency ratio	1,27	1,35
Solvency ratio (before assumed dividend or share repurchase)	1,28	1,35

Notes to the Condensed Consolidated Interim Financial Statements

14. Solvency of insurance activities

The minimum solvency is a minimum amount of capital needed to meet the risks faced by insurance activities (VÍS and Lífis). The standardized approach, according to Act No. 100/2016, is applied, whereby calculation is based on all measurable risks. The following tables specify how the solvency requirements are divided into subcomponents of risk. Diversification effects are deducted since it is not assumed that all risks will be realized simultaneously. An adjustment for the loss-absorbing capacity of deferred taxes is deducted upon realization of risks. The solvency ratio of the insurance activities is 1.40 compared to internal limit of 1.35. Solvency ratio of the insurance activities is net of assumed dividend and/or share repurchase to Skagi parent company.

Solvency capital requirements	30.9.2025	31.12.2024
Base Solvency capital requirement (BSCR)	15.412.228	14.961.935
Operational risk	1.153.820	1.035.841
Adjustment due to deferred taxes	(2.484.907)	(2.430.000)
Total minimum solvency	<u>14.081.141</u>	<u>13.567.776</u>

Base Solvency capital requirement (BSCR)	30.9.2025	31.12.2024
Market risk	8.694.951	8.423.089
Counterparty risk	2.137.790	1.914.552
Life underwriting risk	186.081	251.393
Health underwriting risk	1.946.197	2.056.803
Non-life underwriting risk	8.716.988	8.516.322
Diversification effects and other factors	(6.269.779)	(6.200.222)
Total BSCR	<u>15.412.228</u>	<u>14.961.935</u>

Market risk		
Interest rate risk	319.139	577.915
Equity risk	7.553.819	7.315.682
Property risk	270.404	175.456
Spread risk	1.024.616	633.718
Foreign currency risk	406.067	507.974
Concentration risk	583.358	712.935
Diversification effects	(1.462.453)	(1.500.591)
Total market risk	<u>8.694.951</u>	<u>8.423.089</u>

Solvency		
Minimum own fund requirements	14.081.141	13.567.776
Calculated own funds (before assumed dividend or share repurchase)	20.429.089	18.671.822
Solvency ratio (before assumed dividend or share repurchase)	1,45	1,38
Calculated own funds (after assumed dividend or share repurchase)	19.713.597	18.671.822
Solvency ratio (after assumed dividend or share repurchase)	1,40	1,38

Notes to the Condensed Consolidated Interim Financial Statements

15. Fossar capital adequacy ratio

The capital adequacy ratio of Fossar is calculated in accordance with Act No. 161/2002 on Financial Undertakings. The capital requirement due to credit, market, and operational risk is calculated using a standard method and the bank's capital adequacy ratio is 23.4%.

	30.9.2025	31.12.2024
Fossar total equity at period end	2.907.601	2.683.967
Deduction items	(225.610)	(408.387)
Own funds	<u>2.681.991</u>	<u>2.275.580</u>
Risk weighted exposures:		
Credit risk	6.898.099	4.985.493
Market risk	2.064.127	2.128.398
Operational risk	<u>2.518.431</u>	<u>2.518.318</u>
Total risk exposure amount	<u>11.480.656</u>	<u>9.632.209</u>
Capital adequacy ratio for Fossar	23,4%	23,6%

The minimum required capital ratio of credit undertakings is 8% according to Article 84 of the Act No. 161/2002 on Financial Undertakings. In addition to the minimum required capital base, the Bank must maintain certain capital buffers, specified by the Financial Supervisory Authority of the Central Bank of Iceland. Minimum capital requirement is based on the Bank's Internal Capital Adequacy Assessment Process (ICAAP) and is reviewed by the FSA through the Supervisory Review and Evaluation Process (SREP). Minimum regulatory capital requirements, including additional capital buffers, is 22.1% as at 30 September 2025.

16. Events after the reporting date

No events have occurred after the end of the reporting period that require the Group to change these financial statements. It is noted however that The Board of Directors of Skagi hf. and Íslandsbanki hf. have approved the initiation of formal merger negotiations, and both parties have signed a term sheet to that effect, in accordance with announcement published on Nasdaq OMX Iceland on 6 October 2025.

Notes to the Condensed Consolidated Interim Financial Statements

17. Quarterly statement and key ratios

	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024
Insurance revenue	8.368.737	7.854.521	7.531.512	7.546.073	7.634.285
Net interest income	122.830	91.633	108.389	77.244	62.697
Net fee and commission income	479.882	603.761	587.860	679.466	305.105
Net financial income	(252.962)	(143.437)	(1.097.590)	1.295.532	119.137
Share in profit of associates, after income tax	0	26.366	25.084	0	0
Other income	13.685	46.472	25.276	60.785	16.617
Total income	8.732.173	8.479.315	7.180.530	9.659.100	8.137.840
Insurance service expenses	(6.590.384)	(6.026.185)	(7.403.579)	(6.800.948)	(6.857.014)
Net expenses from reinsurance contracts	(307.324)	(329.007)	(178.478)	(308.071)	(187.636)
Operating expenses	(726.349)	(806.057)	(919.441)	(889.864)	(616.135)
Amortization of intangible assets	(49.170)	(50.071)	(47.262)	(42.952)	(35.858)
Net credit impairments	(2.309)	(1.005)	(3.064)	(1.365)	(650)
Profit (loss) before income taxes	1.056.638	1.266.990	(1.371.294)	1.615.901	440.547
Income tax	(339.241)	(294.647)	18.570	(57.558)	(13.330)
Profit (loss) for the period	717.397	972.343	(1.352.724)	1.558.343	427.217
Insurance operations					
Claims ratio	62,6%	58,3%	79,1%	72,9%	73,5%
Net reinsurance ratio	3,7%	4,2%	2,4%	1,5%	2,5%
Claims and net reinsurance ratio	66,3%	62,5%	81,4%	74,4%	76,0%
Insurance contracts expense ratio	16,1%	18,4%	19,2%	19,8%	16,3%
Combined ratio	82,4%	80,9%	100,7%	94,2%	92,3%
Investment Operations					
Insurance investment portfolio return	1,0%	1,2%	-1,1%	3,6%	1,6%
Financial services					
Financial Services income (excl. interco adj.) ISKm	700	732	780	892	492
Assets under Management (AuM) ISKbn	236	232	225	227	123
Group					
ROE on annual basis	13,2%	18,4%	-25,1%	29,0%	8,5%
Profit per share	0,38	0,51	-0,71	0,82	0,23