SKAGI

Consolidated Financial Statements

1 January – 31 December 2024

Consolidated Financial statements

1 January to 31 December 2024

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Report and Endorsement

by the Board of Directors and the CEO

The consolidated financial statements of Skagi hf. ("the Company" or "Skagi") for the year 2024 consist of the financial statements of the Company and its subsidiaries. Subsidiaries include Fossar fjárfestingarbanki hf. ("Fossar" or "the Bank"), SIV eignastýring hf. (SIV), Líftryggingafélag Íslands hf. (Lífís), and Íslensk verðbréf hf. and its subsidiary ÍV sjóðir hf. (collectively referred to as "ÍV") as of 1st October 2024. VÍS insurance business was operated within the Company during the year 2024. Collectively the Company and its subsidiaries are referred to as "the Group". Legal name change of the Company from "Vátryggingafélag Íslands" to "Skagi" was approved by the board of the Company on 30th December 2024. The Group's operations consist of insurance activities, investment banking activities and asset and fund management. The financial statements are prepared in accordance with IFRS® Accounting Standards as adopted by the EU and the additional requirements for companies listed on a regulated securities market.

Operating and Financial position

According to the Statement of profit or loss the Group's profit for the year amounted to ISK 2,258 million and return on equity was 10.8%. The Group's assets at year-end amounted to ISK 79,183 million and equity amounted to ISK 22,271 million according to the Statement of financial position.

Insurance
A significant operational improvement was achieved in 2024 in the insurance business. Insurance business generated 10.2% growth in insurance revenue with a combined ratio of 94.9% (2023: 99.5%) which is in accordance with target of below 95% published at the beginning of the year. Income growth in life and health insurance was 14.9% year-on-year. The insurance service result was positive by ISK 1,479 million, representing a positive turnaround from last year of ISK 1,336 million. The strong turnaround towards profitable operations, can be attributed to more new customers as well as increased insurance sales to existing customers along with implementation of cost measures.

The insurance contracts expense ratio is decreasing, coming in at 19.1% for the year versus 22.3% at the same time last year. The claims ratio was 72.6% (2023: 76.5%) and net reinsurance ratio was 3.3% (2023: 0.7%).

Financial Services
The Financial Services, which consist of the operations of Fossar, SIV and ÍV, delivered growth throughout the year, despite challenging conditions during second and third quarter. There was a significant growth in net fee and commission income and net interest income in financial activities during the year along with increased diversification of income. Financial Services income totalled around ISK 2,344 million, which is above the target of income above ISK 2,200 million. Important milestones were achieved in financial services during the year as the share of non-capital markets revenue increased significantly to around 60% of total income (2023: 40%) and assets under management increased 94% to 227bn (2023: 117bn) following both organic growth and external growth from acquisition of ÍV. Emphasis continues to be in increasing the share of recurring revenue from asset and fund management as well as net interest income. Financial services activities continue to be on a strong growth path.

SIV's first full year of operations was strong whereas it became established in the market and increased fund offering. SIV's merger with ÍV sjóðir under the name Íslensk verðbréf will create one of the largest asset management firms in the market with wide range of product offering for its clients and significant potential for growth. Fossar's balance sheet increased 82% YoY thus increasing the bank's net interest income and other balance sheet driven income. Emphasis remains on being a trusted financial intermediary with balance sheet light activities across the spectrum of capital markets. Furthermore, the bank took significant steps in becoming a reliable issuer of bonds in the bond market.

Report and Endorsement

by the Board of Directors and the CEO

Skagi completed the acquisition of ÍV in Q4 of 2024, following approvals from the Financial Supervisory Authority of the Central Bank of Iceland and the Icelandic Competition Authority. Hence, ÍV became part of the Skagi consolidated group as of 1st October 2024. ÍV was founded in 1987, offering services in the fields of capital markets, asset management and fund management and 102 billion ISK under management. Around 4,000 clients have funds under asset management and in custody at ÍV. This acquisition provides significant opportunities for the Skagi with synergy opportunities and platform for further growth in asset and fund management.

In accordance with announcement made by the Company on the Nasdaq Iceland on 16th December a merger between Íslensk verðbréf hf. and Fossar fjárfestingarbanki hf. and a merger between SIV eignastýring hf. and ÍV sjóðir hf. is envisaged to take place as of 1st of January 2025, subject to approval of the FSA and Iceland Tax and Customs. These mergers will enable significant cost synergies within financial services of the Group.

Investments

The return on the insurance investment assets was 8.2% (2023: 10.7%). Investments generated financial income of 3,657 million (2023: 4,753 million) and net financial income of 1,742 million (2023: 2,771 million).

Financial strength and long-term ROE target

Skagi continues to target a return of equity of above 15% each year for the Group. The Group's solvency ratio is 1.35 at year end 2024 compared to the minimum requirement of 1.0. The solvency ratio does not account for potential dividend or share repurchases. Further information on financial strength of the group and its subsidiaries can be found in the notes to the account.

Financial Targets 2024

Guidance on target operating performance for the fiscal year 2024 was as follows:

- Target combined ratio below 95% (range 94-97%)
- Net financial services income is expected to be above 2,200 million (range 1,900 – 2,600 million)
- Expected return of insurance investments assets is 11%.

The Group met its target combined ratio in the insurance business unit as well as in the financial services business unit. However, the return of the insurance investment assets was 8.3%, which was below the expectation set out at the beginning of the year.

Financial Targets 2025

Guidance on target operating performance for the fiscal year 2025 is as follows:

- Target combined ratio below 94% (range 93-96%)
- Net financial services income 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 considered to be able to meet target range in insurance business and financial services. No update is given in between quarterly reporting on Investment return of insurance investments.

Transfer of Insurance operations to a subsidiary

Following approvals from the Financial Supervisory Authority of the Central Bank of Iceland ("FSA"), cf. announcements by the Company on the Nasdaq Iceland on 23rd December and 30th December 2024, Skagi has, on 1st of January 2025, completed the transfer of the VÍS insurance business into 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.

Report and Endorsement

by the Board of Directors and the CEO

Non-financial and sustainability reporting

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

Non-financial and sustainability reporting in Skagi consolidated account is reported in accordance with laws on annual accounts. In the Annual and Sustainability Report of the Group a more detailed summary of non-financial information about Skagi and its subsidiaries is provided. The summary is based on Nasdaq's ESG guidelines and climate impact calculations are performed by third parties in accordance with the Greenhouse Gas Protocol methodology. Annual and Sustainability Report for 2024 will be published on Skagi's website www.skagi.is on 26th February 2025. Non-financial disclosure for the subsidiaries can also be found in their annual financial statements and further sustainability information on their respective websites.

Skagi received 80 points in Reitun's ESG evaluation in 2024, which is the same as the year before. Skagi continues to work towards improving it sustainability rating. With regards to that the Group has initiated work for implementation of European Sustainability Reporting Standards (ESRS) in accordance with the Corporate Sustainability Reporting Directive (CSRD). Accordingly we publish further sustainability information on all subsidiaries of the Group. Furthermore we now provide further information in accordance with the EU Taxonomy regulation and classification system. We continue to work on incorporating the ESRS standards, which will include re-visiting double materiality assessment and updating our sustainability policy on group basis in the year 2025. Sustainability is also being further incorporated into the Corporate Governance statement, remuneration policy and risk management of the Group.

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

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

Corporate governance

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

Skagi's Corporate Governance practices are described in more detail in its Corporate Governance Statement which is prepared in accordance Act No. 161/2002, on Financial Undertakings, and Guidelines on Corporate Governance, 6th edition, issued by the Icelandic Chamber of Commerce, NASDAQ Iceland hf. and the Confederation of Icelandic Employers in February 2021. Corporate governance at Skagi complies with the guidelines with no exceptions. The Corporate Governance statement may be found in the unaudited appendix to the Financial Statement and on Skagi's website www.skagi.is.

Remuneration Policy and equality

Skagi's remuneration policy is reviewed annually and presented to the general meeting for approval. The policy complies with the provisions of Act No. 90/2003 on income tax, Act No. 2/1995 on limited liability companies, and other applicable laws and regulations. Further information about the policy can be found on the company's website. Information on the Group's employee incentive scheme and call options are detailed in note 10. In accordance with articles of association of the Company the board has the right to issue new shares in the nominal amount of up to 65 million shares to meet its obligations under call options or share related payments. Full time employees were 251 at the end of year 2024. Gender representation on the board of directors of Skagi is 60% male and 40% female. Skagi's Executive Committee gender ratio is 40% female and 60% male. Gender ratio of the Group in total is 44% female and 56% male.

Risk management

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

Shares and allocation of profits

The Company paid a dividend in the amount of ISK 1,000 million or ISK 0.524 per share to shareholders on 2nd April 2024, as allocation of profits for the year 2023. Furthermore, the company completed repurchase of nominal amount of 27.8 million own shares at ISK 500 million market value during the year 2024 through a share buy-back-programme executed by an external financial institution. In December 2024 the Company sold 18.2 million of own shares at the strike price of 15.25 per share with total value of ISK 278 million to employees in relation to exercise of general share option agreements.

At the end of the year 2024 the Company's nominal shares amounted to ISK 1,906.7 million (of which own shares amounting to ISK 10.7 million), with each share having a nominal value of ISK 1. There were 913 shareholders at the beginning of the year and 901 shareholders at the end of year.

A proposal for allocation of profits and dividend for the fiscal year 2024 will be presented to shareholders at the Company's Annual General Meeting on 27th March 2025. The board's proposal is to pay a dividend in the amount of ISK 500 million or ISK 0.2637 per share which is equivalent to 22% of after tax profit in fiscal year 2024. Dividend proposal is below dividend policy of 40% of after tax profit due to the company's execution of both internal and external growth last year. Top ten largest shareholders of Skagi are:

Shareholder	31.12.2024
Lífeyrissj.starfsm.rík. A-deild	8.65%
Sjávarsýn ehf	8.59%
Skel fjárfestingafélag hf	8.23%
Gildi - lífeyrissjóður	8.21%
Frjálsi lífeyrissjóðurinn	7.44%
Lífeyrissjóður verzlunarmanna	6.88%
Klettar fjárfestingar ehf	4.82%
Stapi lífeyrissjóður	3.96%
Birta lífeyrissjóður	3.12%
H3 ehf	2.94%
	62.84%

Report and Endorsement
by the Board of Directors and the CEO

To the best knowledge of the board the consolidated financial statements of Skagi hf. give a true and fair view of the consolidated financial performance of the Group for the year 2024, and its assets, liabilities, and financial position as of 31 December 2024. The financial statements are prepared in accordance with IFRS® Accounting Standards as adopted by the EU and the additional requirements for companies listed on a regulated securities market, and the Act on Annual Accounts no. 3/2006. Further, in our opinion the consolidated financial statements give a fair view of the development and performance of the Group's operations and its position at year end and describe the principal risks faced by the Group.

The Board of Directors and the CEO have today discussed the Company's Condensed Consolidated Financial Statements of Skagi hf. for the period ended 31 December 2024 and confirm by means of their signatures.

Reykjavik, 26 February 2025

On the Board of Directors

Stefán Héðinn Stefánsson
Chairman of the Board

Vilhjálmur Egilsson
Vice-Chairman of the Board

Marta Guðrún Blöndal
Board member

Ásgeir Helgi Reykfjörð Gylfason
Board member

Hrund Rudolfsdóttir
Board member

CEO

Haraldur Þórðarson

Independent Auditor's Report

To the board of directors and the shareholders of Skagi hf.

Opinion

We have audited the accompanying consolidated financial statements of Skagi hf. and its subsidiaries (the group) for the year 2024, excluding the report and endorsement by the board of directors and the CEO.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS accounting standards as adopted by the European Union (EU), and applicable articles in Icelandic law on annual accounts.

Our opinion is consistent with our additional report to the Audit Committee.

The consolidated financial statements comprise

- The report and endorsement by the board of directors and the CEO

- The consolidated statement of profit or loss for the year 2024.

- The consolidated statement of comprehensive income for the year 2024.

- The consolidated statement of financial position as at 31 December 2024.

- The consolidated statement of changes in equity for the year 2024.

- The consolidated statement of cash flows for the year 2024.

- Notes to the consolidated financial statements, which include material accounting policies and other explanatory information.

The report and endorsement by the board of directors and the CEO, note no. 39, quarterly statement and appendix 1 and 2 are excluded from the audit, refer to section reporting on other information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the consolidated financial statements section of our report.

Independence

We are independent of the group in accordance with Icelandic laws on auditors and auditing and the code of ethics that apply to auditors in Iceland and relate to our audit of the group's consolidated financial statements. We have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the group and its subsidiaries are in accordance with the applicable law and regulations in Iceland and that we have not provided non-audit services that are prohibited under Article 5.1. of Regulation (EU) No. 537/2014.

The non-audit services that we have provided to the group and its subsidiaries, in the period from January 1 - December 2024, are disclosed in note 10 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

To the board of directors and the shareholders of Skagi hf.

Key Audit Matters

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

Key audit matters	Audit procedures
Insurance contract liabilities, including the assumptions and calculations on which it is based on: See note no. 25 about financial information and note 38.7 about accounting policies for further information. Insurance contract liabilities are divided into liability for remaining coverage (LRC) and liability for incurred claims (LIC). Insurance contract liabilities amounted to ISK 28.834 million at year end 2024, which is approximately 51% of the Group´s liabilities. The Group applies the Premium Allocation Approach (PAA) to the measurement of the Group´s insurance contract liabilities in accordance with IFRS 17. On initial recognition the carrying amount of liability for remaining coverage (LRC) is recognised as the premiums received. Subsequently, the carrying amount of the LRC is increased by any premiums received and decreased by the amount recognised as insurance revenue for services provided. Services are primarily provided based on passage of time. Liability for incurred claims (LIC) are measured as the total of the expected fulfilment cash flows relating to insurance events occurred at the statement of financial position date, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risks. The estimate includes direct and indirect claims handling costs that arise from events occurred at or before the statement of financial position date. A key element of the audit is management's assessment of the estimated unsettled claims due to the complexity and extent of the estimation factors involved in the calculation. The portion of unsettled claims that have not been reported to the Group is subject to the greatest uncertainty. The assessment of claims depends on the quality of the underlying data. This includes complex assessments of future developments and changes in assumptions that can significantly change the amount of the liability for incurred claims.	We used our own actuaries in the auditing of the insurance contract liability. The audit of the insurance contract liability included the following: • The process for calculating the insurance contract liability was reviewed. • Management´s controls tested for effectiveness. • Test of details and sample testing of open claims at year-end and paid claims during the year. • Management's assumptions when assessing the insurance contract liability, including historical data on the final settlement of claims by claim group, were reviewed. • Reconciliations between systems on which the calculation of the insurance contract liability is based on were reviewed. • Our own actuaries recalculated the insurance contract liability. • The relevant disclosures were reviewed.

Independent Auditor's Report

To the board of directors and the shareholders of Skagi hf.

Key audit matters	Audit procedures
Valuation of unlisted financial assets and recognition of investment income from unlisted financial assets: See note no. 14 financial assets. Financial assets are the largest asset of the Group, amounting to ISK 51.391.734 thousand, or 64.9% of total assets at the end of 2024. A significant portion, or about 78,4%, of financial assets have quoted price in a active market for identical assets and their market price is therefore available on the balance sheet date. The portion of financial assets that required particular attention during our audit are unlisted financial assets as their valuation is based on significant inputs other than market value and is subject to uncertainty. Due to uncertainty and size, this item is a key audit matter of our audit. Valuation methods for unlisted financial assets may include recent arm's length transactions, reference to the fair value of comparable financial assets, discounted cash flows, pricing models or other valuation techniques that provide reliable estimates of other market transactions. These are securities that are defined in Levels 2 and 3 of the IFRS 13 fair value hierarchy. The value of unlisted financial assets amounts to ISK 12.387.914 thousand, or 18.7% of total assets at the end of 2024.	PwC valuation experts assisted us with the audit of unlisted financial assets. The audit of the unlisted financial assets included the following: • We reviewed the methodology and assumptions used in the valuation and compared them to common benchmarks for comparable financial assets. • We performed a independent calculation for a sample of unlisted financial assets. • The data on which calculations and assumptions were based in different valuation methods were reviewed and evaluated. • In cases where valuations were based on recent transactions, those transactions were verified. • The classification of financial assets in the fair value hierarchy was reviewed. • Management´s controls tested for effectiveness. • The relevant disclosures were reviewed.

Reporting on other information, including the report and endorsement by the board of directors and the CEO

The board of directors and Chief executive officer are responsible for other information. The other information comprises of the report and endorsement by the board of directors and the CEO, note no. 39, quarterly statement, appendix 1 about Non- financial and sustainability reporting and appendix 2 about EU taxonomy regulation which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information, including the report and endorsement by the board of directors and the CEO.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in other information that we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

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Independent Auditor's Report

To the board of directors and the shareholders of Skagi hf.

With respect to the report and endorsement by the board of directors and the CEO we have, in accordance with article 104, of the Icelandic law on annual accounts reviewed that to the best of our knowledge, the report of the report and endorsement by the board of directors and the CEO accompanying the consolidated financial statements includes applicable information in accordance with Icelandic law on annual accounts if not presented elsewhere in the consolidated financial statements.

Responsibilities of the board of directors and the chief executive officer

The board of directors and the chief executive officer are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS accounting standards as adopted by the European Union (EU), and applicable articles in Icelandic law on annual accounts, and for such internal control as determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the groups' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so. The Group's management must provide appropriate explanations regarding its ability to continue as going concern, if applicable, and why management applies the presumption of going concern in the preparation and presentation of the consolidated financial statements.

Those charged with governance are responsible for overseeing the group's financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group’s internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report

To the board of directors and the shareholders of Skagi hf.

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 group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

Report on European single electronic format (ESEF Regulation)

As part of our audit of the consolidated financial statements of Skagi hf. we performed procedures to be able to issue an opinion on whether the consolidated financial statements of Skagi hf. for the year 2024 with the file name 213800QFQIHO7KG2P786-2024-12-31-0-en.zip is prepared, in all material respects, in accordance with law no. 20/2021 Act on securities issuer obligations to issue information and self-report relating to requirements under the European single electronic format regulation EU no. 2019/815, which include requirements concerning preparation of the consolidated financial statements in XHTML format and iXBRL markup.

The board of directors and Chief executive officer are responsible for preparing the consolidated financial statements in accordance with law no. 20/2021. This responsibility includes preparing the consolidated financial statements in a XHTML format in accordance to EU regulation no. 2019/815 on the European single electronic format (ESEF regulation).

Independent Auditor's Report

To the board of directors and the shareholders of Skagi hf.

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

In our opinion, the consolidated financial statements of Skagi hf. for the year 2024 with the file name 213800QFQIHO7KG2P786-2024-12-31-0-en.zip is prepared, in all material respects, in accordance with the European single electronic format regulation EU no. 2019/815.

Appointment

We were first appointed as auditors at the company's annual general meeting on March 22, 2018. Our appointment has been renewed annually at the company's annual general meeting representing a total period of uninterrupted engagement appointment of 7 years.

Reykjavík, February 26, 2025.

PricewaterhouseCoopers ehf.

Kristinn Kristinsson

certified public accountant

Consolidated Statement of profit or loss

For the year 2024

	Notes	2024	2023*
Insurance revenue		29.182.080	26.474.076
Insurance service expenses		(26.754.044)	(26.156.388)
Net expenses from reinsurance contracts		(948.562)	(174.516)
Insurance service result	6	**1.479.475**	**143.173**
Interest income		1.582.354	323.200
Interest expenses		(1.345.297)	(249.517)
Net interest income	7	**237.057**	**73.683**
Fee and commission income		1.874.042	373.112
Fee and commission expenses		(58.371)	(17.453)
Net fee and commission income	8	**1.815.671**	**355.659**
Financial income		3.797.335	4.811.225
Net finance expenses from insurance contracts		(1.240.923)	(1.184.268)
Other financial items		(388.569)	(476.444)
Operating expense of the insurance investment portfolio		(285.019)	(320.987)
Net financial income	9	**1.882.824**	**2.829.526**
Share in profit of associates, after income tax	20	0	9.191
Other operating income		139.374	74.055
Net operating income		**5.554.400**	**3.485.286**
Operating expenses	10	(2.998.327)	(888.232)
Net credit impairments	35	(10.815)	0
Impairment of intangible assets		0	(805.628)
Profit before tax		**2.545.258**	**1.791.426**
Income tax expenses	11	(286.841)	40.178
Profit for the year		2.258.417	1.831.604
Attributable to shareholders of the parent company		2.264.210	1.846.832
Attributable to minority interest		(5.793)	(15.228)
Profit for the year		2.258.417	1.831.604
Earnings per share			
Basic earnings per share	12	1,19	0,97
Diluted earnings per share	12	1,16	0,97

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

The notes on pages 18-78 are an integral part of these financial statements.

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Consolidated Statement of Comprehensive Income

For the year 2024

	2024	2023
Profit for the year	2.258.417	1.831.604
Other Comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Unrealised fair value changes	(9.029)	0
Total comprehensive income for the year	2.249.389	1.831.604
Attributable to shareholders of the parent company	2.255.181	1.846.832
Attributable to minority interest	(5.793)	(15.228)
Total comprehensive income for the year	2.249.389	1.831.604

The notes on pages 18-78 are an integral part of these financial statements.

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Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	31.12.2024	31.12.2023*
Assets			
Cash and cash equivalents	13	2.321.959	2.270.693
Financial assets	14	51.391.734	47.658.033
Securities used for economic hedging	15	6.102.840	4.521.114
Loans to customers	16	7.880.021	1.672.720
Derivatives	17	118.541	143.235
Investments where investment risk is borne by life-insurance policyholders	18	1.023.545	1.047.382
Investment in associates	20	148.876	190.283
Intangible assets	21	4.734.006	3.483.211
Property, plant and equipment	22	700.356	913.984
Deferred income tax asset	11	461.117	191.211
Assets from reinsurance contracts held	23	1.491.991	1.601.402
Other receivables	24	2.807.731	2.146.748
Total assets		79.182.716	65.840.014
Liabilities			
Insurance contract liabilities	25	28.834.123	26.534.433
Investment contract liabilities	18	1.023.545	1.047.382
Financial liabilities	26	17.750.819	9.212.700
Subordinated bond	27	3.763.931	3.589.584
Derivatives	17	231.599	215.615
Lease liability	28	391.655	636.966
Deferred income tax liability	11	358.107	271.629
Accounts payable and other liabilities	29	4.558.183	3.159.773
Total liabilities		56.911.962	44.668.081
Equity			
Share capital	30	1.895.958	1.905.550
Share premium		3.087.000	3.087.000
Restricted reserves		2.684.635	4.477.882
Retained earnings		14.563.951	11.660.499
Total equity attributable to shareholders of the parent company		22.231.544	21.130.931
Minority interest		39.209	41.002
Total equity		22.270.753	21.171.933
Total liabilities and equity		79.182.716	65.840.014

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

The notes on pages 18-78 are an integral part of these financial statements.

Consolidated Financial Statements 31 December 2024 15 All amounts are in thousands of ISK

Consolidated Statement of Changes in Equity

For the year 2024

	Share capital	Share premium	Restricted reserve	Retained earnings	Minority interest	Total equity
2024						
Equity 1.1.2024	1.905.550	3.087.000	4.477.882	11.660.499	41.002	21.171.933
Profit for the year				2.264.210	(5.793)	2.258.417
Other comprehensive income				(9.029)		(9.029)
Total comprehensive income for the year	0	0	0	2.255.181	(5.793)	2.249.389
Change of holding in subsidiary					4.000	4.000
Treasury shares acquired	(27.813)			(472.187)		(500.000)
Stock options exercised during the period	18.221			259.647		277.868
Dividends paid, ISK 0,524 per share				(984.809)		(984.809)
Restricted reserves			(1.793.247)	1.793.247		0
Stock options				52.373		52.373
Equity 31.12.2024	1.895.958	3.087.000	2.684.635	14.563.951	39.209	22.270.753
2023						
Equity 1.1.2023	1.715.600		7.297.403	8.265.816	45.960	17.324.779
Profit for the year				1.846.832	(15.228)	1.831.604
Other comprehensive income						0
Total comprehensive income for the year	0	0	0	1.846.832	(15.228)	1.831.604
Change of holding in subsidiary					10.270	10.270
Share capital increase	210.000	3.087.000				3.297.000
Treasury shares acquired	(20.050)			(332.335)		(352.385)
Dividends paid, ISK 0,554 per share				(939.335)		(939.335)
Restricted reserves			(2.819.521)	2.819.521		0
Equity 31.12.2023	1.905.550	3.087.000	4.477.882	11.660.499	41.002	21.171.933

The notes on pages 18-78 are an integral part of these financial statements.

Consolidated Financial Statements 31 December 2024 16 All amounts are in thousands of ISK

Consolidated Statement of Cash Flows

For the year 2024

	Notes	2024	2023*
Operating activities			
Profit for the year		2.258.417	1.831.604
Operating items not affecting cash flows:			
Net interest income		(237.057)	(73.683)
Net financial income		(3.268.371)	(3.434.001)
Derivatives, change	17	40.678	72.380
Stock options, change		52.373	0
Share in profit of associate		0	(9.191)
Profit on sale of operating assets	22	(49.565)	(6.014)
Depreciation and amortisation	22,28	545.118	1.477.464
		(658.406)	(141.441)
Changes in operating assets and liabilities:			
Financial assets, change		1.117.064	1.659.793
Assets from reinsurance contracts held, change		109.411	(91.345)
Securities, change		(3.156.150)	(2.103.583)
Loans to customers, change		(6.207.301)	(1.011.514)
Other receivables, change		(370.422)	(478.998)
Insurance contract liabilities, change		2.299.690	1.074.456
Accounts payable and other liabilities, change		1.068.712	337.605
Cash flows from operating activities before interest and tax		(5.797.402)	(755.027)
Interest income received		1.741.140	856.171
Dividend received		239.036	167.135
Financial expenses paid		(1.561.987)	(203.800)
Income taxes paid		(142.148)	(66.711)
Cash flows from operating activities		(5.521.360)	(2.232)
Investing activities			
Investments in property and equipment	22	(207.928)	(96.345)
Sale of property and equipment	22	66.337	25.200
Investments in intangible assets	21	(32.161)	(178.524)
Sale of shares in subsidiary		4.000	10.000
Dividend from associate		15.400	0
Investment in associate	20	26.007	(82.725)
Net cash flow from investment in subsidiary	19	(1.383.474)	1.285.596
Receivables against related entities, change		0	(22.766)
		(1.511.819)	940.435
Financing activities			
Purchase of treasury shares		(500.000)	(352.385)
Sale of treasury shares		277.856	0
Dividends paid		(984.809)	(939.335)
Principal payments of lease liability		(232.802)	(179.748)
Short-term loans, change	26	8.538.119	367.172
Liabilities to customers, change		0	(8.849)
Unpaid capital gains tax in respect of transactions, change		0	67.913
		7.098.364	(1.045.232)
Change in cash and cash equivalents		65.185	(107.029)
Cash and cash equivalents at the beginning of the year		2.270.693	2.380.526
Effect of movements in exchange rates on cash held		(13.919)	(2.805)
Cash and cash equivalents at year end		2.321.959	2.270.693
Non-cash investing activities	19		

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

The notes on pages 18-78 are an integral part of these financial statements.

Consolidated Financial Statements 31 December 2024 17 All amounts are in thousands of ISK

Notes to the Consolidated Financial Statements

General information

Segment information

Income Statement

Statement of financial position

Statement of financial position

Other information

Appendix

Notes to the Consolidated Financial Statements

1. Reporting entity

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

The consolidated financial statements of the Company for the period 1 January to 31 December 2024 consist of the financial statements of the Company and its subsidiaries. Subsidiaries include Fossar fjárfestingarbanki hf. ("Fossar" or "the bank"), SIV eignastýring hf. (SIV), Líftryggingafélag Íslands hf. (Lífís), and Íslensk verðbréf hf. and its subsidiary ÍV sjóðir hf. (collectively referred to as "ÍV") as of 1st October 2024. Collectively the Company and its subsidiaries are referred to as "the Group". The Group's operations consist of insurance activities, investment banking activities and asset and fund management. The Icelandic Financial Supervisory Authority supervises the Group's operations based on Act No. 87/1998 on Official Supervision of Financial Activities.

On 17th January 2024 a shareholders meeting of the Company was held whereas a change of the Company name from "Vátryggingafélag Íslands hf." to a new name "Skagi hf." was approved. The change of name to Skagi hf. in company registry in Iceland was concluded on 4th February 2025.

On 7th May 2024 Skagi signed a purchase agreement with the shareholders of Íslensk verðbréf hf. (ÍV). After obtaining regulatory approval, the acquisition was finalised and ÍV was consolidated as of 1st October 2024.

A purchase agreement for the Company's insurance operations has been signed between Skagi and VÍS tryggingar hf.; the agreement was subject to the approval of a shareholders' meeting for the transfer of the insurance operations (which was approved at a shareholders meeting on 17th January 2024) and the approval of the Financial Supervisory Authority of the Central Bank of Iceland for the transfer of the insurance portfolio and the insurance operations to a subsidiary, which were approved before year end 2024. The Company concluded the transfer of the insurance operations to VÍS tryggingar hf on 1st January 2025.

Following the acquisition of ÍV, the Company has prepared further consolidation of financial services activities within the Group, including a proposed merger of ÍV into Fossar and merger of SIV into ÍV sjóðir hf. These proposed mergers are subject to the approval of the Financial Supervisory Authority of the Central Bank of Iceland ("FSA") and will be filed in early 2025 with the Companies House in Iceland. Once necessary approvals are in place, from the FSA and the Companies House, the mergers will become effective as of 1st January 2025.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as adopted by the European Union and additional requirements according to the Icelandic Financial Statements Act No. 3/2006. The consolidated financial statements have been prepared using the cost basis except for securities which are measured at fair value. The financial statements were approved and authorized for publication at a meeting of the Board of Directors on 26 February 2025. A summary of material accounting policies of the Group is provided in note 38.

Notes to the Consolidated Financial Statements

2. Basis of preparation (cont.)

Disclosure note: Changes in the Statement of profit or loss and the statement of financial position

As part of the preparation of the financial statements, adjustments were made to the comparative figures in the Statement of Profit or Loss and the Statement of Financial Position for the prior reporting period.

The following changes have been applied to the comparative figures related to the risk adjustment

Statement of profit or loss	Prior year comparative figures	Revised comparative figures	Change
Insurance service expenses	(25.784.142)	(26.156.388)	372.246
Net expenses from reinsurance contracts	(546.762)	(174.516)	(372.246)
Statement of financial position			
Assets from reinsurance contracts held	1.229.156	1.601.402	372.246
Insurance contract liabilities	26.162.186	26.534.433	(372.246)

In the 2023 financial statements, the risk adjustment for reinsurance was previously reported under insurance service expenses in the statement of profit or loss. It is now classified under net expenses from reinsurance contracts.

In the 2023 financial statements, the reinsurance share of the risk adjustment was previously presented under Insurance Contract Liabilities on the Balance Sheet. It is now reported as part of assets from reinsurance contracts held.

These adjustments do not affect the insurance service result, profit for the year, or the overall equity position. However, they ensure a more accurate presentation of the financial position for the comparative period.

Presentation changes in the statement of financial position

In the previous year's statement of financial position, property and equipment, along with right-of-use assets, were presented separately. They have now been reclassified as property, plant, and equipment. Additionally, financial assets related to insurance activities, including bonds, equities, and other securities, are now grouped under financial assets.

Presentation changes in the statement of cash flows

From the prior year's statement of cash flows, financial income and expenses, as well as fair value changes of financial assets, have been restated and are now presented as net interest income and net financial income.

Presentation changes in notes

The comparative figures in note 25.1 for insurance contract liabilities have also been revised where other cost for insurance services provided has been reclassified from LRC to LIC.

3. Functional and presentation currency

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

Notes to the Consolidated Financial Statements

4. Accounting estimates and judgements

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

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

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

'- Financial instruments, see notes no. 14. and 34.

'- Loans to customers no. 16

'- Intangible assets, see note no. 21.

'- Liability due to insurance contracts, see note no. 25.

Financial instruments

Business model assessment

The classification and measurement of financial instruments depend on the results of the SPPI and the business model tests. Judgement is required in assessing the relevant evidence including how the performance of the instruments are evaluated and their performance is measured, the risks that affect the performance of the instruments and how these are managed and how the managers of the instruments are compensated. Refer to notes 34 and 38.13 for further information regarding classification of financial instruments.

Fair value measurement

In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where quoted prices in active markets for identical assets are not available the Group uses other market observable inputs and lastly unobservable inputs. Refer to notes 34 and 38.13 for more details on fair value measurement.

Goodwill

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

Notes to the Consolidated Financial Statements

4. Accounting estimates and judgements (cont.)

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

Other intangible assets

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

Customer relationships

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

Brands

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

Software

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

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

Insurance Contract Liabilities

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

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

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

Premiums due to the Group for insurance contract services already provided in the period but not yet received at the end of the reporting period are included in the Liability for Incurred Claims (LIC), in accordance with IFRS 17. The Group has made an accounting policy choice not to adjust the carrying amount of the LRC to reflect the time value of money and the effect of financial risk if, at initial recognition, the time between providing each part of the services and the related premium due date is no more than one year.

Notes to the Consolidated Financial Statements

4. Accounting estimates and judgements (cont.)

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

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

For further information regarding judgements and estimates applied in measuring liability due to insurance contracts please refer to notes 25, 35.9 and 38.5-7.

Notes to the Consolidated Financial Statements

5. Operating segment reporting

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

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

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

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

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

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

	Insurance operations	Insurance investments	Financial services	Skagi Supporting units and eliminations	Total
Insurance revenue	29.182.080				29.182.080
Claims incurred	(21.178.419)				(21.178.419)
Insurance contract operating expenses	(5.575.624)				(5.575.624)
Net expenses from reinsurance contracts	(948.562)				(948.562)
Insurance service result	1.479.475	0	0	0	1.479.475
Net interest income			237.057		237.057
Net fee and commission income			1.942.195	(126.524)	1.815.671
Financial income		3.656.940	140.395		3.797.335
Operating exp. of the insurance investment portfolio		(285.019)			(285.019)
Net finance expenses from insurance contracts		(1.240.923)			(1.240.923)
Other financial items		(388.569)			(388.569)
Net financial income	0	1.742.429	140.395	0	1.882.824
Other operating income	122.449		23.892	(6.968)	139.374
Net operating income	1.601.924	1.742.429	2.343.539	(133.492)	5.554.400
Operating expenses	(25.892)		(2.314.333)	(658.102)	(2.998.327)
Net credit impairment			(10.815)		(10.815)
Profit (loss) before tax	1.576.032	1.742.429	18.391	(791.594)	2.545.258
Income tax expenses					(286.841)
Profit for the year					2.258.417

Consolidated Financial Statements 31 December 2024 24 All amounts are in thousands of ISK

Notes to the Consolidated Financial Statements

5. Operating segment reporting (cont.)

The operating segments' results for the period 1 January to 31 December 2023* are specified as follows:

	Insurance operations	Insurance Investments	Financial services	Skagi Supporting units and eliminations	Total
Insurance revenue	26.474.076				26.474.076
Claims incurred	(20.251.232)				(20.251.232)
Insurance contract operating expenses	(5.905.156)				(5.905.156)
Net expenses from reinsurance contracts	(174.516)				(174.516)
Insurance service result	143.173	0	0	0	143.173
Net interest income			73.683		73.683
Net fee and commission income			355.659		355.659
Financial income		4.752.884	58.341		4.811.225
Operating exp. of the insurance investment portfolio		(320.987)			(320.987)
Net finance expenses from insurance contracts		(1.184.268)			(1.184.268)
Other financial items		(476.444)			(476.444)
Net financial income	0	2.771.185	58.341	0	2.829.526
Other operating income	68.093		5.961		74.055
Share in the profit of associates, after income tax		9.191			9.191
Net operating income	211.265	2.780.376	493.644	0	3.485.286
Operating expenses	(266.470)		(621.762)		(888.232)
Impairment of intangible assets	(805.628)				(805.628)
Profit (loss) before tax	(860.833)	2.780.376	(128.118)	0	1.791.426
Income tax expenses					40.178
Profit for the year					1.831.604

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

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

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

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

Consolidated Financial Statements 31 December 2024 25 All amounts are in thousands of ISK

Note Notes to the Consolidated Financial Statements

5. Operating segment reporting (cont.)

Insurance operations consist of non-life and life insurance, and are specified as follows for the year 2023*:

	Property insurance	Marine and cargo insurance	Vehicle insurance	General liability insurance	Accident and health insurance
Insurance revenue	5.676.272	555.763	14.162.203	1.539.949	2.631.053
Insurance service expenses					
- Claims incurred	(4.241.489)	(701.488)	(11.571.654)	(910.334)	(2.054.096)
- Operating expense of insurance	(1.379.810)	(159.832)	(2.871.645)	(412.818)	(643.232)
Net expenses from reinsurance contracts	(349.221)	71.284	44.000	(49.626)	45.814
Insurance service result	(294.248)	(234.273)	(237.095)	167.170	(20.461)

	Life insurance	Health and critical illness insurance	Total direct insurance	Foreign reinsurance	Total
Insurance revenue	833.814	1.066.750	26.465.805	8.271	26.474.076
Insurance service expenses					
- Claims incurred	(218.738)	(580.761)	(20.278.560)	27.328	(20.251.232)
- Operating expense of insurance	(187.429)	(221.160)	(5.875.926)	(29.231)	(5.905.156)
Net expenses from reinsurance contracts	(40.806)	104.040	(174.516)	0	(174.516)
Insurance service result	386.842	368.869	136.803	6.369	143.173

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

6. Insurance service result

Insurance revenue	2024	2023*
Insurance revenue	29.182.080	26.474.076
Insurance service expenses		
Claims incurred	(21.178.419)	(20.251.232)
Insurance contract operating expenses	(5.575.624)	(5.905.156)
Insurance service expenses	(26.754.044)	(26.156.388)
Net expenses from reinsurance contracts held		
Expenses from reinsurance contracts held	(995.753)	(893.979)
Reinsurers share in incurred claims	41.546	714.077
Fee and commission income from reinsurance contracts held	5.645	5.386
Net expenses from reinsurance contracts held	(948.562)	(174.516)
Insurance service result, total	1.479.475	143.173

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

Consolidated Financial Statements 31 December 2024 26 All amounts are in thousands of ISK

Notes to the Consolidated Financial Statements

7. Net interest income

Interest income is specified as follows:	2024	2023
Bank deposits, cash, loans and other interest income	560.879	102.220
Interest on forward contract derivatives	580.687	106.443
Interest on financial assets at fair value	206.404	65.183
Interest on financial assets recorded at fair value through other comprehensive income	234.383	49.353
Interest income, total	1.582.354	323.200
Money market deposits and other borrowings	(1.019.977)	(188.168)
Issued bonds and bills	(307.849)	(49.979)
Other interest expenses	(17.471)	(11.370)
Interest expenses, total	(1.345.297)	(249.517)
Net interest income, total	237.057	73.683

Interest income and expenses above are from financial services operations. Interest income of insurance investments is allocated in the statement of profit or loss within financial income along with all other income from the insurance investment asset portfolio. The breakdown of net financial income is provided in Note 9.

8. Net fee and commission income

	2024	2023
Capital markets and corporate finance	1.070.111	197.692
Asset management fees	590.623	128.515
Other net fee and commission income	154.937	29.452
Net fee and commission income, total	1.815.671	355.659

9. Net financial income

	2024	2023*
Interest income and other investment income	383.903	638.584
Fair value change of equities instruments	478.026	1.715.133
Fair value change of other financial assets	2.935.406	2.457.509
Fair value change of financial assets	3.413.432	4.172.642
Financial income, total	3.797.335	4.811.225
Net finance expenses from insurance contracts	(1.240.923)	(1.184.268)
Other financial items	(388.569)	(476.444)
Operating expense of the insurance investment portfolio	(285.019)	(320.987)
Net financial income, total	1.882.824	2.829.526

Fair value change of equities instruments includes ISK 141 million (2023: ISK 167 million) dividend income from equity holdings.

Interest income and other investment income, net finance expenses and other financial items above are from Insurance investment operations assets.

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

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Notes to the Consolidated Financial Statements

10. Operating expenses

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

	2024	2023
Other insurance cost	25.892	266.470
Financial services	2.314.333	621.762
Skagi supporting units	658.102	0
Operating expenses, total	2.998.327	888.232

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

	2024	2023
Salaries and related expenses	5.417.296	3.971.062
Other operating expenses	2.896.556	2.502.232
Depreciation and amortisation	545.118	641.081
Total	8.858.969	7.114.375
Operating expenses of Skagi supporting units and other insurance cost	683.994	266.470
Operating expenses of financial services	2.314.333	621.762
Insurance contract operating expenses	5.575.624	5.905.156
Operating expenses of the insurance investment portfolio	285.019	320.987
Operating expenses, total	8.858.969	7.114.375

The auditor's fee for the audit of the annual financial statements amounted to ISK 49.7 million (2023: ISK 37.6 million) and the fee for other services amounted to ISK 2.6 million (2023: ISK 2.6) million. The figures include 24% VAT.

10.1 Salaries and related expenses

Salaries and related expenses are specified as follows:	2024	2023
Salaries	4.173.342	3.100.468
Pension fund contributions	582.297	415.398
Share option expenses	55.424	0
Special financial activities tax on salaries	259.190	176.396
Other salary-related expenses	347.044	278.799
Salaries and salary-related expenses	5.417.296	3.971.062
Number of fulltime employees	251	208

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Notes to the Consolidated Financial Statements

10.1 Salaries and related expenses (cont.)

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

	2024		2023	
	Salaries and benefits	Pension fund contributions	Salaries and benefits	Pension fund contributions
Stefán Héðinn Stefánsson, Chairman of the Board and member of the Risk committee and Remuneration committee	13.247	1.523	11.418	1.313
Vilhjálmur Egilsson, Vice-Chairman of the Board and member of the Risk committee and Audit committee	8.059	927	7.500	863
Ásgeir Helgi Reykfjörð Gylfason, Board member and member of the Remuneration committee	6.348	730	4.275	492
Hrund Rudolfsdóttir, Board member and member of the Remuneration committee and Audit committee	6.069	698	0	0
Marta Guðrún Blöndal, Board member	6.674	768	8.061	927
Ragnheiður Hrefna Magnúsdóttir, alternate Board member	622	72	475	55
Sveinn Friðrik Sveinsson, alternate Board member	490	56	475	55
Guðný Hansdóttir, former Board member and member of the Risk committee	1.989	229	7.677	883
Valdimar Svavarsson, former Board member and member of the Audit committee	240	28	7.671	882
Guðný Helga Herbertsdóttir, CEO of VÍS*	61.160	11.152	54.804	9.579
Haraldur Þórðarson, Group CEO of Skagi	54.713	9.922	12.928	2.205
Helgi Bjarnason, former CEO of VÍS	35.771	6.618	58.359	10.688
Group senior management (5)**	184.662	32.202	37.541	5.747
	380.044	64.924	211.183	33.689

* The total salary and benefits of the CEO of VIS includes a 40% deferred bonus from 2020 in the amount of ISK 1,620,599.

** Group management team; Group CFO, Group General Counsel, Group Managing Director of Risk Management, CEO of Fossar Investment Bank and managing director of SIV Asset Management.

The members of the Board of Directors held 2,200,000 thousand shares at year-end 2024. The CEOs held 56,923,213 thousand shares and management owned a total of 38,985,229 thousand shares.

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

10.2 Remuneration policy

The Company's remuneration policy was approved at the Company's board meeting on 28 February 2024 upon the recommendation of the remuneration committee. Subsequently, the Company's Annual General Meeting approved the Company's current remuneration policy in March 2024. The Company's remuneration policy undergoes an annual review and is presented to the Company's Annual General meeting for approval, either with or without amendments. The remuneration policy complies with the provisions of Act no. 90/2003 on Income Tax, Act no. 2/1995 on Limited Liability companies, and other applicable laws and regulations. Additional information regarding the policy can be found on the Company's website www.skagi.is.

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10.3 Incentive scheme

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

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

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

Cash incentives: For all employees of VÍS a cash incentive is in place, where cash incentives are paid equally to employees in accordance with performance criteria. The maximum amount per employee according to the cash incentive was 500,000 ISK per year.

Incentive scheme payments through profit and loss

	YTD 2024	YTD 2023
Non-deferred	(94.164)	(91.158)
Deferred	(53.528)	(31.150)
Salary related expenses	(44.308)	(36.692)
Total	(192.000)	(159.000)

Deferred incentive scheme payments in the statement of financial position

	31.12.2024	31.12.2023
Deferred payments	238.599	185.859

10.4 Share options and share related payments

The Company has issued a general share options and share options in relation to annual bonus scheme in accordance with authorization of the Annual General Meeting and the Company's remuneration policy.

General share options

General share options are call options issued by the Company to all employees of the Group in the amount of ISK 1.5 million (market value) per employee per year based on a fixed exercise price per share. Issue of general share options are approved by both the Icelandic Tax and Customs and the shareholders of the Company. In October 2023, share option agreements were executed with employees of the group in accordance with a one-year share option plan authorized by the Board of Directors as part of the remuneration policy approved at the Annual General Meeting in March 2023. A total of 239 employees participated in the program, entering into agreements covering up to 20,973,700 shares, assuming full exercise of the options. In December 2024, 189 employees of Skagi and its subsidiaries exercised their share options, acquiring 18,220,862 shares at an option price of ISK 15.25 per share, resulting in a total transaction value of ISK 277,868,190.

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Notes to the Consolidated Financial Statements

10.4 Share options and share related payments (cont.)

At the Annual General Meeting held on March 21, 2024, the Board of Directors was granted authorization to implement a new three-year share option plan and to enter into share option agreements with employees of Skagi and its subsidiaries under this framework. The agreements were executed in accordance with the approved plan, which entitles option holders to purchase shares in the company for up to ISK 1,500,000 once per year over a three-year period, beginning 12 months after the signing of the agreement.

There is no vesting condition in order to be able to exercise other than 12 months having to laps after signing and being an employee of the Group upon exercise of the general option. For those general options that are forfeited, it can also be because employees choose not to exercise the option.

Total cost of general options in 2024 amounts to ISK 36 million.

The Company has the right, in accordance with articles of the Company, to issue new shares and/or own shares to meet its obligations under the general share options.

	Number of shares	Exercise year	Exercise price
Issued in 2023*	20.974	2024	15,25
Issued in 2024*	19.307	2025	19,11
Issued in 2024*	19.307	2026	19,11
Issued in 2024*	19.307	2027	19,11

*Up to ISK 1.5 million annually per employee

General share option movements during the year:	Av.exc.price per share	Share options
At 1.1.2023		0
Granted in 2023	15,25	20.974
Exercised		0
Forfeited in 2023		0
As at 31.12.2023	15,25	20.974
Granted in 2024	19,11	57.922
Exercised in 2024	15,25	(18.221)
Forfeited in 2024	15,25	(2.753)
As at 31.12.2024	19,11	57.922

Share options in relation to annual bonus scheme

Share options in relation annual bonus scheme are based on those employees of the Group that receive call options as part of their annual incentive scheme, which includes those employees that receive incentive at the range of 10% up to 25% of annual salary.

On March 4th, 2024, 7,988,035 share options were issued as part of certain employees´ 2023 performance related incentive scheme. The options can be exercised 3 years from signing (or in 2027) and are based on weighted average share price of 17.72 (based on last 10 trading days before issue date) in addition to risk free interest rates (of 7.63%) the exercise price is 22.1 which will be adjusted for dividends. Valuation of the share options were calculated based on Black Scholes formula. At year end the remaining lifetime of the options is 2.2 years. For the share options, these certain employees pay a total of ISK 26.3 million from deferred incentives. The terms of the share option agreements are in accordance with the company's remuneration policy and incentive scheme.

The value of share options is determined using a Black-Scholes calculation and the value fits within the laws and regulations that apply to insurance companies' incentive scheme. The total cost of the share options in relation to incentive scheme amount to 11 million in 2024.

The Company has the right, in accordance with articles of the Company, to issue new shares and/or own shares to meet its obligations under the share options in relation to incentive scheme.

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Notes to the Consolidated Financial Statements

10.4 Share options and share related payments (cont.)

	Number of shares	Exercise year	Exercise price
Issued in 2023 (ISK 0)	0	0	0
Issued in 2024 (ISK 26.280.636)	7.988	2027	17,72

Movements of share options in relation to incentive scheme during the year:	Av.exc.price per share	Share options
At 1.1.2023	0	0
Granted in 2023	0	0
Forfeited in 2023	0	0
As at 31.12.2023	0	0
Granted in 2024	17,72	7.988
Forfeited in 2024	17,72	(656)
As at 31.12.2024	17,72	7.332

11. Income tax

11.1 Calculated income taxes

Income taxes are calculated and recognized in the financial statements.

Effective tax rate:	2024		2023	
	Amount	%	Amount	%
Profit before income taxes	2.545.258		1.791.426	
Income tax according to prevailing tax rate	534.504	21,0%	358.285	20,0%
Fair value changes of financial assets	(226.863)	-8,9%	(293.002)	-16,4%
Share in profit of associates	0	0,0%	(1.838)	-0,1%
Effect of holdings in companies	0	0,0%	(52.089)	-2,9%
Share of profit of non-taxable companies	(8.442)	-0,3%	(17.514)	-1,0%
Dividends received	(50.198)	-2,0%	(33.427)	-1,9%
Special tax on financial activity	28.951	1,1%	0	0,0%
Effect of temporary change in tax rate	9.247	0,4%	0	0,0%
Other changes	(358)	0,0%	(593)	0,0%
Income taxes according to the statement of profit or loss	286.841	11,3%	(40.178)	-2,2%

11.2 Deferred taxes

Deferred tax asset and (liability) is specified as follows:	2024		2023	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
At the beginning of the year	191.211	(271.629)	78	(116.389)
Assumed deferred tax asset upon investment of subsidiary	68.000	0	120.213	0
Acquired trademarks and business relationships	0	(102.000)	0	(258.300)
Income taxes according to the statement of profit or loss	31.171	(318.012)	(92.681)	132.859
Effect of share in the results of non-independent taxable entities	0	(8.442)	0	(16.712)
Taxes to be paid for the year	170.733	341.974	150.512	0
Total	461.117	(358.107)	178.122	(258.540)
Deferred tax assets and liabilities offsetting	0	0	13.089	(13.089)
Net deferred income tax asset and (liability) at year end	461.117	(358.107)	191.211	(271.629)

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

	2024		2023	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Operating assets and software	(2.332)	23.559	(766)	36.286
Intangible assets	(446)	(326.602)	(1.198)	(251.843)
Financial assets	0	(55.339)	0	(53.557)
Derivatives	22.612	0	14.476	0
Tax loss carry-forward	440.526	0	177.415	0
Other items	756	274	1.282	(2.516)
Deferred income tax asset and (liability) at year end	461.117	(358.107)	191.211	(271.629)

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Notes to the Consolidated Financial Statements

11.2 Deferred taxes (cont.)

A deferred tax asset has been recognised in respect of ISK 441 million (2023: ISK 177 million) of unused tax losses which management expects will be utilized against future taxable profits. Included in unrecognised tax losses are losses of ISK 974 million that will expire in 2034, ISK 1.068 million that will expire in 2033 and ISK 159 million that will expire in the year 2031-2032.

12. Earnings per share

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

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

	2024	2023
Profit for the year attributable to shareholders of the Parent Company	2.264.210	1.846.832
Weighted average number of outstanding shares	1.895.993	1.906.255
Adjustments for stock options	57.922	0
Diluted weighted average number of outstanding shares	1.953.915	1.906.255
Basic earnings per share	1,19	0,97
Diluted earnings per share	1,16	0,97

13. Cash and cash equivalents

Cash and cash equivalents at year-end are specified as follows:	31.12.2024	31.12.2023
Funds	0	20.438
Bank deposits in ISK	2.088.309	2.134.293
Bank deposits in foreign currencies	233.650	115.961
Cash and cash equivalents	2.321.959	2.270.693

14. Financial assets

Financial assets are specified as follows:

31.12.2024

Shares in other companies	Insurance investments	Financial services	Total
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

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14. Financial assets (cont.)

31.12.2023

Shares in other companies	Insurance investments	Financial services	Total
Listed on domestic stock exchanges	3.852.460	332.563	4.185.023
Listed on foreign stock exchanges	1.896.105	0	1.896.105
Other companies	6.408.261	4.758	6.413.019
	12.156.827	337.320	12.494.148
Other securities			
Government-backed securities, indexed	4.338.264	272.468	4.610.733
Government-backed securities, non-indexed	5.066.129	4.186.715	9.252.843
Other bonds	12.044.764	0	12.044.764
Bond funds	6.628.339	102.940	6.731.279
Institutional investor funds	2.524.266	0	2.524.266
	30.601.762	4.562.123	35.163.885
Total financial assets	42.758.589	4.899.443	47.658.033

15. Securities used for economic hedging

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

	31.12.2024	31.12.2023
Government bonds	1.068.281	991.441
Equities instruments	4.721.242	2.877.705
Other bonds	313.318	651.968
	6.102.840	4.521.114

16. Loans to customers

Loans to customers are specified as follows:

	31.12.2024	31.12.2023
Loans to customers	7.890.836	1.672.720
Impairment of 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 35.10 and 35.11.

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17. Derivatives

Forward contracts derivatives are specified as follows:

Assets	31.12.2024	31.12.2023
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

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

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

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

Balance at 01.01.2024	1.047.382
Premiums	32.516
Claims	303
Pay out	(158.990)
Return of investments	110.580
Premiums for life insurance & waiver of premium	(7.050)
Cost (fees & discounts)	(1.197)
Balance at 31.12.2024	1.023.545

19. Share in subsidiaries

	31.12.2024	31.12.2023	Principal activity
VÍS tryggingar hf.	100,0%	100,0%	Seeking licence for insurance operations
Fossar fjárfestingarbanki hf.	100,0%	100,0%	Investment banking
VF Nord ehf.	100,0%	100,0%	Investing activites
Líftryggingafélag Íslands hf.	100,0%	100,0%	Life insurance
Íslensk verðbréf hf.	100,0%	0,8%	Brokerage and custody
ÍV sjóðir hf.	100,0%	0,8%	Asset and fund management
SIV eignastýring hf.	70,0%	72,0%	Asset and fund management

On 7th May 2024 Skagi signed a purchase agreement with the shareholders of Íslensk verðbréf hf. (ÍV). Management of the Group expects the acquisition will strengthen the Group‘s financial services through the well-known brand of ÍV, customer relationships, expertise of management and staff of ÍV and synergies with other components of Skagi‘s financial services segment. After obtaining regulatory approval, the acquisition was finalised with Skagi becoming 100% shareholder and ÍV was consolidated into the financial statements of the Group as of 1st October 2024.

The table below shows the fair values of ÍV‘s identifiable assets and liabilities at the acquisition date.

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19. Share in subsidiaries (cont.)

Assets acquired and liabilities assumed

Cash and cash equivalents	230.190
Financial assets	12.321
Intangible assets	576.000
Other assets	307.745
Deferred tax liabilities	(102.000)
Other liabilities	(238.145)
Total assets acquired and liabilities assumed	**786.112**
Goodwill	861.008
Total consideration	1.647.120

Satisfied by:	
Cash	1.613.665
Contingent consideration arrangement	33.456
	1.647.120

Net cash outflow arising on acquisition:	
Cash consideration	1.613.665
Less: cash and cash equivalent balances acquiried	(230.190)
	1.383.474

The consolidated income statement of the Group for the period from January 1st to September 30th 2024 does not include ÍV's operations, as the acquisition concluded in the fourth quarter and was consolidated with Skagi as of 1st of October 2024. Net operating income of ÍV during 4Q 2024 amounted to ISK 202 million and profit after tax amounted to ISK 63 million during the same period. Had the acquisition taken place on January 1st 2024, the Group's estimated net operating income would have increased by ISK 435 million, and profit after tax before discontinued operations would have decreased by ISK 103 million.

20. Share in associates

	Share	Book value 31.12.2024	Book value 31.12.2023
Tplús hf.	35,0%	135.994	151.393
Vex ehf.	33,3%	12.883	38.889
		148.876	190.283

T Plus is an Icelandic financial services provider specializing in back office outsourcing for the financial services sector. Services provided range from clearing and settlement of securities, custody services and pension fund services. T Plus operates according to Act No. 161/2002 on Financial Undertakings and is under the supervision of the Financial Supervisory Authority.

Vex ehf. is an independent asset management company operating according to Act No. on 45/2020 on Asset Management Companies for specialized funds and is under the supervision of the Financial Supervisory Authority.

Changes in holdings in associates are specified as follows:

	31.12.2024	31.12.2023
Balance at beginning of year	190.283	98.366
Purchase of shares in associates	0	82.725
Share reduction in accociates	(26.007)	0
Share in profit of associate	0	9.191
Received dividend	(15.400)	0
	148.876	190.283

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21. Intangible assets

Cost	Goodwill	Customer relationships	Brands	Software	Total
Cost at 1.1.2023	474.599	0	0	3.780.775	4.255.374
Additions during the year	1.767.984	925.000	305.000	178.524	3.176.508
Taken over due to acquisition of subsidiary	0	11.195	5.146	25.036	41.377
Cost at 31.12.2023	2.242.583	936.195	310.146	3.984.335	7.473.259
Additions during the period	861.008	217.000	316.000	9.661	1.403.669
Total cost 31.12.2024	3.103.591	1.153.195	626.146	3.993.996	8.876.928
Amortisation					
Accumulated amortisation as at 1.1.2023	0	0	0	2.840.550	2.840.550
Amortisation for the year	0	23.125	7.625	313.121	343.871
Impairment	0	0	0	805.628	805.628
Accumulated amortisation as at 31.12.2023	0	23.125	7.625	3.959.299	3.990.049
Amortisation for the period	0	103.488	36.514	12.872	152.874
Accumulated amortisation as at 31.12.2024	0	126.613	44.139	3.972.171	4.142.923
Carrying amount					
Carrying amount at the beginning of the year 2023	474.599	0	0	940.225	1.414.824
Carrying amount at year-end 2023	2.242.583	913.070	302.520	25.036	3.483.211
Carrying amount as at 31.12.2024	3.103.591	1.026.582	582.007	21.825	4.734.006
Amortisation rates	0%	10%	10%	10-33%	

Assets such as goodwill are subject to annual impairment testing, or more frequently when there is an indication of impairment. Goodwill is allocated to cash generating units ("CGUs") for the purpose of impairment testing. Goodwill has been allocated to the following CGUs; Insurance operations and Financial Services operations. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combinations in which the goodwill arose. Internally developed software in the insurance operation was impaired fully in 2023 as a result of impairment testing showing insignificant value of the software. Software additions during the period consists of third-party software development that was acquired separately.

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

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

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21. Intangible assets (cont.)

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

31.12.2023	Future growth rate	Discount rate	Goodwill book value
Insurance operations	5,0%	14,1%	474.599
Financial services	3,0%	16,5%	1.767.984
Total goodwill			2.242.583

22. Property, plant and equipment

Property and equipment

Cost	Buildings and land	Computer, equipment and vehicles	Total
Cost at 1.1.2023	113.840	1.399.839	1.513.681
Additions during the year	0	69.218	69.218
Taken over due to acquisition of subsidiary	0	71.555	71.555
Sold and disposed of during the year	0	(19.186)	(19.186)
Total value 1.1.2024	113.840	1.521.427	1.635.270
Additions during the year	0	207.928	207.928
Sold and disposed of during the year	(866)	(15.905)	(16.772)
Total cost at 31.12.2024	112.974	1.713.450	1.826.426
Accumulated depreciation			
Depreciated 1.1.2023	57.923	1.109.576	1.167.498
Depreciation for the year	2.185	136.051	138.236
Depreciated 1.1.2024	60.108	1.245.627	1.305.734
Depreciation for the year	2.181	170.139	172.320
Depreciated 31.12.2024	62.289	1.415.766	1.478.054
Carrying amount			
Carrying amount at beginning of the year 2023	55.917	290.263	346.180
Carrying amount at beginning of the year 2024	53.732	275.800	329.531
Carrying amount at end of the year 2024	50.684	297.684	348.367
Depreciation rates	3%	10-33%	

The assessment value of buildings at year-end 2024 amounted to ISK 126 million (2023: 136 million). The insurance value of buildings amounted to ISK 327 million. The insurance value of property and equipment amounted to ISK 640 million.

Leases	31.12.2024	31.12.2023
Right of use asset at year end	351.989	584.453

Included in buildings and land are Right-of-use assets from lease agreements in the amount of ISK 352 million (2023: ISK 584 million). For further information on leases please refer to note 28.

	31.12.2024	31.12.2023
Total property, plant and equipment at year end	700.356	913.984

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Notes to the Consolidated Financial Statements

23. Assets from reinsurance contracts held

	31.12.2024	31.12.2023*
Assets from remaining coverage	207.751	187.525
Assets from incurred claims	1.182.060	1.403.165
Reinsurance receivables	102.180	10.712
Assets from reinsurance contracts held	1.491.991	1.601.402

		Assets for incurred claims		
	Assets for remaining coverage	Future cash flows	Risk adjustment for non-financial risk	Total
Balance as at 01.01.2024	(187.525)	(1.041.630)	(372.247)	(1.601.402)
Reinsurers' share of insurance revenue	995.753			995.753
Claims recovered & other directly attrib. income	(5.645)	(289.628)	(176.585)	(471.858)
Run-off previous years adjustm. to the LIC		52.421	372.247	424.668
Profit/loss on reinsurance contracts held	990.107	(237.207)	195.662	948.562
Cash flows				
Reinsurance premiums paid	(1.015.979)			(1.015.979)
Recoveries from reinsurance	5.645	171.182		176.827
Total cash flows	(1.010.334)	171.182	0	(839.152)
Balance as at 31.12.2024	(207.751)	(1.107.655)	(176.585)	(1.491.991)

		Assets for incurred claims		
	Assets for remaining coverage	Future cash flows	Risk adjustment for non-financial risk	Total
Balance as at 01.01.2023	(189.679)	(948.132)	0	(1.137.811)
Reinsurers' share of insurance revenue	893.979			893.979
Claims recovered & other directly attrib. income	(5.386)	(477.215)	(372.247)	(854.848)
Run-off previous years adjustm. to the LIC		135.385		135.385
Profit/loss on reinsurance contracts held	888.593	(341.831)	(372.247)	174.516
Cash flows				
Reinsurance premiums paid	(891.825)			(891.825)
Recoveries from reinsurance	5.386	248.333		253.719
Total cash flows	(886.439)	248.333	0	(638.106)
Balance as at 31.12.2023*	(187.525)	(1.041.630)	(372.247)	(1.601.402)

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

24. Other receivables

Other receivables are specified as follows:

	31.12.2024	31.12.2023
Prepaid taxes	456.136	460.581
Accrued interest income and prepaid expenses	1.048.121	794.027
Receivables related to domestic operations and other receivables	1.303.474	892.139
Other receivables, total	2.807.731	2.146.748

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Notes to the Consolidated Financial Statements

25. Insurance contracts

25.1 Insurance contract liabilities

Insurance contract liabilities are specified as follows:

	31.12.2024	31.12.2023*
Liability for remaining coverage	2.608.357	2.185.132
Liability for incurred claims	26.225.766	24.349.301
Liability for insurance contracts, total	28.834.123	26.534.433

	Liability for remaining coverage		Liabilities for incurred claims for contracts under the PAA		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Balance as at 01.01.2024	2.185.132	0	23.582.941	766.360	26.534.433
Insurance revenue	(29.182.080)				(29.182.080)
Incurred claims & other directly attrib. exp.			21.966.745	273.912	22.240.657
Other cost for insurance services provided			5.575.624		5.575.624
Run-off previous years adjustm. to the LIC			(640.740)	(421.497)	(1.062.237)
Profit/loss on gross business	(29.182.080)	0	26.901.629	(147.587)	(2.428.036)
Finance exp. from insurance contracts	0	0	1.121.708	0	1.121.708
Cash flows					
Insurance revenue received	29.605.305				29.605.305
Claims & other directly attrib. exp. paid			(20.423.661)		(20.423.661)
Insurance operational cash flows			(5.575.624)		(5.575.624)
Total cash flows	29.605.305	0	(25.999.285)	0	3.606.020
Balance as at 31.12.2024	2.608.357	0	25.606.993	618.773	28.834.123

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

	Liability for remaining coverage		Liabilities for incurred claims for contracts under the PAA		
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	Total
Balance as at 01.01.2023	2.211.273	0	21.997.958	878.499	25.087.730
Insurance revenue	(26.474.076)				(26.474.076)
Incurred claims & other directly attrib. exp.			21.144.872	371.036	21.515.908
Other cost for insurance services provided			5.905.156		5.905.156
Run-off previous years adjustm. to the LIC			(781.502)	(483.174)	(1.264.676)
Profit/loss on gross business	(26.474.076)	0	26.268.527	(112.139)	(317.689)
Finance exp. from insurance contracts			1.070.275		1.070.275
Cash flows					
Insurance revenue received	26.447.935				26.447.935
Claims & other directly attrib. exp. paid			(19.848.662)		(19.848.662)
Insurance operational cash flows			(5.905.156)		(5.905.156)
Total cash flows	26.447.935	0	(25.753.818)	0	694.117
Balance as at 31.12.2023*	2.185.132	0	23.582.941	766.360	26.534.433

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

The risk adjustment calculation corresponds to an 85% confidence interval as at 31 December 2023.

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Notes to the Consolidated Financial Statements

25.2 Development of incurred claims

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

Total amounts in ISK million

	2017	2018	2019	2020	2021	2022	2023	2024	Total
Estimate of final claim expenses									
At end of claim year	12.664	14.555	16.404	16.105	17.046	18.860	22.354	23.160	
One year later	15.385	16.331	18.351	15.377	16.532	19.610	22.267		
Two years later	15.360	17.974	19.102	15.840	16.120	18.928			
Three years later	15.949	18.374	19.507	15.618	15.984				
Four years later	16.399	18.441	19.325	15.561					
Five years later	16.298	18.265	19.439						
Six years later	16.022	18.245							
Seven years later	15.928								
Estimate of accumulated claims at year-end 2024	15.928	18.245	19.439	15.561	15.984	18.928	22.267	23.160	
Accumulated payments At year-end 2024	15.821	18.079	18.653	15.047	13.952	15.207	14.001	10.695	
Claims provision at year end 2024	107	167	787	514	2.032	3.721	8.266	12.465	28.061
Discounting	-6	-15	-46	-47	-203	-290	-713	-1.299	-2.618
Older insurance contract liabilities									164
Risk adjustment									619
Insurance contract liabilities, total									26.226

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

Assets from reinsurance contracts held in ISK million

	2017	2018	2019	2020	2021	2022	2023	2024	Total
Estimate of final claim expenses									
At end of claim year	135	668	564	139	878	276	468	392	
One year later	34	651	695	221	823	253	409		
Two years later	33	889	708	194	813	232			
Three years later	33	901	707	215	770				
Four years later	33	900	664	210					
Five years later	33	839	708						
Six years later	33	612							
Seven years later	149								
Estimate of accumulated claims at year-end 2024	149	612	708	210	770	232	409	392	
Accumulated payments At year-end 2024	149	614	644	210	143	232	280	152	
Claims provision at year end 2024	0	-2	64	0	627	0	129	239	1.058
Discounting									0
Older insurance contract liabilities									49
Risk adjustment									177
Insurance contract liabilities, total									1.284

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Notes to the Consolidated Financial Statements

25.2 Development of incurred claims (cont.)

Net of own account in ISK million

	2017	2018	2019	2020	2021	2022	2023	2024	Total
Estimate of final claim expenses									
At end of claim year	12.530	13.887	15.840	15.966	16.168	18.584	21.886	22.768	
One year later	15.351	15.680	17.656	15.156	15.709	19.357	21.858		
Two years later	15.327	17.085	18.394	15.646	15.307	18.696			
Three years later	15.916	17.473	18.799	15.402	15.214				
Four years later	16.366	17.541	18.662	15.351					
Five years later	16.265	17.426	18.732						
Six years later	15.989	17.633							
Seven years later	15.779								
Estimate of accumulated claims at year-end 2024	15.779	17.633	18.732	15.351	15.214	18.696	21.858	22.768	
Accumulated payments									
At year-end 2024	15.672	17.465	18.009	14.836	13.809	14.975	13.720	10.543	
Claims provision at year end 2024	107	168	723	514	1.405	3.721	8.137	12.226	27.002
Discounting	-6	-15	-46	-47	-203	-290	-713	-1.299	-2.618
Older insurance contract liabilities									115
Risk adjustment									442
Insurance contract liabilities, total									24.942

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

2024			2023		
1 year	5 years	10 years	1 year	5 years	10 years
8,2%	6,9%	5,9%	9,1%	7,0%	6,3%

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Notes to the Consolidated Financial Statements

26. Financial liabilities

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

	31.12.2024	31.12.2023
Borrowings	13.363.421	6.927.385
Issued bonds and bills	4.387.399	2.285.315
Financial liabilities total	17.750.819	9.212.700

26.1 Borrowings

Borrowings are specified as follows:

	31.12.2024	31.12.2023
Money market deposits	10.663.421	6.227.385
Liabilities to credit institutions	2.700.000	700.000
Total	13.363.421	6.927.385

26.2 Issued bonds and bills

Issued bonds and bills are specified as follows:

Issued bonds and bills	Issued	Maturity	Type Terms of interest	31.12.2024	31.12.2023
FOS 24 0228	2023	2024	Bill At maturity,		944.105
FOS 24 0530	2023	2024	Bill At maturity,		478.829
FOS 24 0530 2	2023	2024	Bill At maturity,		862.381
FOS 25 0311	2024	2025	Bill At maturity,	392.440	
FOS 25 0530	2024	2025	Bill At maturity,	962.420	
FOS 26 1	2024	2026	Bond At maturity, floting 1 month Reibor + 1.5%	1.508.772	
FOS 281026	2024	2026	Bond At maturity, fixed 9.2%	1.523.767	
Total				4.387.399	2.285.315

27. Subordinated bond

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

Changes in the subordinated bond from the beginning to the end of the year:	31.12.2024	31.12.2023
Balance at 1 January	3.589.584	3.320.195
Accrued interest and price indexation	364.887	447.853
Paid interests	(190.540)	(178.465)
Balance at 31 December	3.763.931	3.589.584

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Notes to the Consolidated Financial Statements

28. Leases

	2024		2023	
	Right-of-use Asset	Lease Liability	Right-of-use Asset	Lease Liability
Balance at beginning of year	584.453	636.966	615.906	663.802
Change during the year	(35.144)	(36.676)	96.478	101.727
Payment of liabilities	0	(232.802)		(177.853)
Depreciation	(221.488)		(175.924)	
Indexation	24.168	24.168	47.993	49.292
Balance at year end	351.989	391.655	584.453	636.966

The Group's right-of-use asset is recognised based on the provisions of leasing agreements, see note 38.21 for further information. Total payments under lease agreements during the year amounted to ISK 201 million (2023: 178 million).

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

Interest expenses in respect of the lease liability during the year, which are included in the operating expenses for the year, amounted to ISK 21 million.

29. Accounts payable and other liabilities

Accounts payable are specified as follows:	31.12.2024	31.12.2023
Accounts payable	1.099.576	785.401
Income tax payable	511.031	150.590
Reinsurance payable	202.631	67.623
Other liabilities	2.744.945	2.156.160
Accounts payable and other liabilities, total	4.558.183	3.159.773

30. Share capital and equity reserves

The share capital is specified as follows:	31.12.2024	31.12.2023
Share capital according to the Company's Articles of Association	1.906.700	1.906.700
Treasury shares	(10.742)	(1.150)
Share capital according to annual financial statements	1.895.958	1.905.550

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

Statutory reserve

According to the Limited Liability Companies Act, the Company is required to retain amounts corresponding to 25% of the nominal value of shares in a statutory reserve that is prohibited from being distributed as dividends to shareholders. Amounts in excess of 25% of the nominal value of shares are at the Company's disposal.

Restricted reserve

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

Retained earnings

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

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31. 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 23.6%.

	31.12.2024	31.12.2023
Fossar total equity at period end	2.683.967	1.925.908
Deduction items	(408.387)	(218.894)
Own funds	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 adequacy ratio for Fossar	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%.

32. Solvency of a financial conglomerate

It is assumed that the approval for defining the Group as a financial conglomerate, as defined in Article 3 of Act No. 61/2017 on Supplementary Supervision of Financial Conglomerates, will be obtained and the capital requirement of the Group is thus now calculated in accordance with the law.

The Group calculates its own funds and minimum own funds in accordance with articles 17. and 18., and method 2 as described in the appendix of Act No. 61/2017, where the own funds and minimum own fund requirements are the sum of the own funds and minimum own fund requirements of each subsidiary calculated in accordance with the laws and regulations applicable to each entity. The minimum own funds requirements associated with other assets and liabilities held directly by the Group are calculated in accordance with the Solvency II regulatory framework.

Solvency is a measure of the Group's ability to absorb shocks and an indicator of its financial strength. The Group's solvency ratio is 1.35 compared to the minimum requirement of 1.0. The solvency ratio does not account for future dividend or share repurchases.

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

Own funds	31.12.2024	31.12.2023
Own funds available for activities other than insurance	2.791.057	1.868.000
Own funds available for insurance activities	18.671.822	17.817.000
Total own funds	21.462.879	19.685.000
Minimum own fund requirements of insurance activities		
Solvency capital requirement (SCR)	13.567.776	11.867.000
Minimum own fund requirements for activities other than insurance		
Minimum own fund requirements	2.335.626	743.000
Total minimum own fund requirements	15.903.402	12.609.999
Solvency ratio		
Solvency ratio of insurance activities	1,38	1,50
Group solvency ratio	1,35	1,56

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32. Solvency of a financial conglomerate (cont.)

Solvency

The Group´s own funds is based on its equity less intangible assets but including applicable subordinated bonds. The Board of Directors of the Group has established that the Group´s solvency ratio should always be above 1.25. The solvency ratio does not account for potential dividend or share repurchases. For every 160 million in dividend the group solvency ratio would drop by 0.01, i.e. from 1.35 to 1.34 based on end of year balance.

	31.12.2024	31.12.2023
Equity according to the statement of financial position	22.270.753	21.171.933
Intangible assets	(4.734.006)	(3.483.211)
Subordinated bond	3.763.931	3.589.584
Proposed dividend plan	0	(1.000.000)
Share repurchase program	0	(500.000)
Other	162.200	(93.231)
Calculated own funds	21.462.879	19.685.076
Minimum own fund requirements	15.903.402	12.609.495
Solvency ratio	1,35	1,56

33. Solvency of insurance activities

The standard rule according to Act No. 100/2016 is applied to calculate the minimum solvency requirements of insurance activities. The following tables specify how the solvency requirement is divided into subcomponents of risk. Diversification effects are included since it is not assumed that all risks will be realized simultaneously. An adjustment for the loss-absorbing capacity of deferred taxes is deducted upon realization of risks. The solvency ratio of insurance activities is 1.38 compared to the minimum requirement of 1.0. The solvency ratio does not account for future dividend or share repurchases.

Solvency capital requirements	31.12.2024	31.12.2023
Base Solvency capital requirement (BSCR)	14.961.935	12.916.417
Operational risk	1.035.841	955.206
Adjustment due to deferred taxes	(2.430.000)	(2.005.000)
Total minimum solvency	13.567.776	11.866.623

Base Solvency capital requirement (BSCR)		
Market risk	8.423.089	6.683.185
Counterparty risk	1.914.552	1.820.181
Life underwriting risk	251.393	147.200
Health underwriting risk	2.056.803	1.782.403
Non-life underwriting risk	8.516.322	7.806.635
Diversification effects and other factors	(6.200.222)	(5.323.187)
Total BSCR	14.961.935	12.916.417

Market risk		
Interest rate risk	577.915	160.382
Equity risk	7.315.682	5.780.115
Property risk	175.456	189.942
Spread risk	633.718	738.573
Foreign currency risk	507.974	273.147
Concentration risk	712.935	1.201.890
Diversification effects	(1.500.591)	(1.660.864)
Total market risk	8.423.089	6.683.185

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Notes to the Consolidated Financial Statements

34. Financial instruments

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

31.12.2024 Financial assets	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
Cash and cash equivalents	0	0	2.212.801	2.212.801
Cash in escrow accounts and term deposits	0	0	109.159	109.159
Other receivables (without prepayments)	0	0	1.726.366	1.726.366
Equity instruments and equity funds	17.108.703	0	0	17.108.703
Debt instruments and other securities	25.411.137	0	0	25.411.137
Secured debt instruments	0	0	2.407.045	2.407.045
Bonds	3.496.218	2.499.612	0	5.995.830
Equities and other securities	469.019	0	0	469.019
Securities used for hedging	6.102.840	0	0	6.102.840
Loans to customers	0	0	7.880.021	7.880.021
Derivatives	118.541	0	0	118.541
Total	52.706.458	2.499.612	14.335.391	69.541.462
Financial liabilities				
Money market deposits	0	0	10.663.421	10.663.421
Issued bonds and bills	0	0	4.387.399	4.387.399
Borrowings	0	0	2.700.000	2.700.000
Accounts payable and other liabilities (without unpaid taxes)	0	0	3.585.316	3.585.316
Subordinated bond	0	0	3.763.931	3.763.931
Derivatives	231.599	0	0	231.599
Long-term borrowings	0	0	23.394	23.394
Total	231.599	0	25.123.460	25.355.060

31.12.2023 Financial assets	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
Cash and cash equivalents	0	0	2.270.693	2.270.693
Cash in escrow accounts and term deposits	0	0	154.607	154.607
Other receivables (without prepayments)	0	0	1.992.141	1.992.141
Equity instruments and equity funds	13.661.697	0	0	13.661.697
Debt instruments and other securities	26.387.543	0	0	26.387.543
Secured debt instruments	0	0	2.709.349	2.709.349
Bonds	1.904.654	2.657.469	0	4.562.123
Equities and other securities	337.320	0	0	337.320
Securities used for hedging	4.521.114	0	0	4.521.114
Loans to customers	0	0	1.672.720	1.672.720
Derivatives	143.235	0	0	143.235
Total	46.955.563	2.657.469	8.799.510	58.412.542
Financial liabilities				
Money market deposits	0	0	6.227.385	6.227.385
Issued bonds and bills	0	0	2.285.315	2.285.315
Borrowings	0	0	700.000	700.000
Accounts payable and other liabilities (without unpaid taxes)	0	0	2.668.869	2.668.869
Subordinated bond	0	0	3.589.584	3.589.584
Derivatives	215.615	0	0	215.615
Long-term borrowings	0	0	22.176	22.176
Total	215.615	0	15.493.329	15.708.944

The carrying amounts of financial assets at amortised cost approximates their fair values.

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34. Financial instruments (cont.)

Fair value hierarchy

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

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

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

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

The fair value of loans and receivables that bear fixed interest is assessed using the discounted cash flow method, where the yield is based on the estimated market interest rate for the respective debt instrument on the reporting date. The fair value of other financial assets and financial liabilities, including of those with variable interest rates, is not considered significantly different from the carrying amounts at period-end.

31.12.2024	Level 1	Level 2	Level 3	Total
Investment in listed companies	15.885.858	1.093.877		16.979.735
Holdings in unlisted companies			7.833.467	7.833.467
Investment in bonds	24.405.368	1.314.513	4.554.447	30.274.328
Derivatives		118.541		118.541
Total investments at fair value	40.291.226	2.526.931	12.387.914	55.206.070

31.12.2023	Level 1	Level 2	Level 3	Total
Investment in listed companies	10.228.469			10.228.469
Holdings in unlisted companies			6.974.947	6.974.947
Investment in bonds	26.586.323	1.054.670	4.625.387	32.266.381
Derivatives		143.235		143.235
Total investments at fair value	36.814.792	1.197.905	11.600.335	49.613.031

Changes that fall under level 3 during the period are specified as follows:	31.12.2024	31.12.2023
Balance 1.1.	11.600.335	11.540.198
Purchased	2.678.684	2.371.195
Sold / Repayments	(1.927.354)	(3.781.357)
Moved to level 1	0	(305.964)
Moved from level 1	0	0
Interest and fair value changes*	36.249	1.776.264
Balance at 31.12	12.387.914	11.600.335

*Of which ISK 104 million is realised and ISK -68 million is unrealised. Interest and fair value changes are recorded among net financial income in the statement of profit or loss.

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34. Financial instruments (cont.)

The table below presents the fair value measurements for Level 3 financial assets. While assets within the same group share similar valuation methods, each asset is assessed individually.

Asset class	Method	Input	Book value 31.12.2024
Fixed income securities	Discounted cash flow	Accrued interest	4.554.447
Unlisted variable income securities	Market price	Recent trades	7.833.467
Total			12.387.914

Asset class	Method	Input	Book value 31.12.2023
Fixed income securities	Discounted cash flow	Accrued interest	4.625.387
Unlisted variable income securities	Market price	Recent trades	6.974.947
Total			11.600.335

The table below illustrates the impact of a 10% change in estimates on pre-tax profit or loss for Level 3 fair value measurements.

2024	+10%	-10%
Fixed income securities	455.445	(455.445)
Unlisted variable income securities	783.347	(783.347)
Total	1.238.791	(1.238.791)

2023	+10%	-10%
Fixed income securities	462.539	(462.539)
Unlisted variable income securities	697.495	(697.495)
Total	1.160.033	(1.160.033)

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35. Risk management

35.1 Risk management in general

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

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

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

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

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

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

35.2 Own risk- and solvency assessment (ORSA)

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

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

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

35.3 Market risk

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

The main market risk factors that are specifically considered:

• Interest rate risk

• Equity risk

• Foreign exchange rate risk

35.4 Interest rate risk

Interest rate risk is the risk of loss from fluctuations in fair value of financial instruments due to a change in interest rate (required rate of return). The duration of the assets is in most cases not the same as the duration of the liabilities due to insurance contracts and therefore interest rate risk can arise in the operation of the Group.

Interest sensitivity analysis

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

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

	31.12.2024		31.12.2023	
	50 bp	100 bp	50 bp	100 bp
Net impact on interest bearing assets	6.565	13.130	15.530	31.061
Higher discounting of insurance contract liabliites	(149.133)	(295.901)	(138.994)	(275.764)
Net Impact on profit and loss and equity	(142.568)	(282.772)	(123.464)	(244.703)

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35.5 Equity risk and other price risks of market securities

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

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

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

	31.12.2024	31.12.2023
Equities instruments and equity funds at fair value through profit or loss	17.577.722	13.999.017
Debt instruments and other securities at fair value through profit or loss	35.010.195	32.813.311
Derivatives at fair value through profit or loss	118.541	143.235

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	878.886	1.757.772	699.951	1.399.902
Debt securities - impact on profit or loss	1.400.408	2.800.816	1.312.532	2.625.065
Derivatives - impact on profit or loss	4.742	9.483	5.729	11.459

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35.6 Foreign exchange rate risk

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

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

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

Foreign exchange rate risk as at 31.12.2023	Assets	Liabilities	Net position
USD	3.104.170	27.897	3.076.273
EUR	1.692.968	146.387	1.546.581
GBP	153.987	265.930	(111.943)
DKK	57.549	0	57.549
NOK	795.860	0	795.860
SEK	3.419	0	3.419
Total	5.807.953	440.214	5.367.739

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	139.709	279.418	123.051	246.102
EUR	48.034	96.068	61.863	123.726
GBP	(7.223)	(14.445)	(4.478)	(8.955)
DKK	31.453	62.906	2.302	4.604
NOK	34.249	68.498	31.834	63.669
SEK	273	546	137	274

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

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35.7 Counterparty risk

The operations of the Group are based on three pillars: insurance, financial services and investments. Counterparty risk exists in all three pillars and is mitigated using various approaches, including the monitoring of counterparty exposures, collaterals, and credit ratings. Internal credit policies specify constraints on credit ratings of new customers. Counterparty risk associated with insurance stems mainly from unpaid premiums, that are mitigated by short maturities, and reinsurance exposures, that are mitigated by high credit ratings of reinsurance counterparties.

The main components of counterparty risk are the following:

• Risk of loss or unforeseeable change in financial position due to a counterparty's lower rating

• Risk of lower rating of a bond issuer (spread risk)

• The risk that a counterparty cannot meet a contractual obligation

The main sources of counterparty risk are:

• Primary insurance

• Reinsurance

• Lending

• Investments in debt securities

• Bank deposits

The Group's counterparty risk is regularly monitored.

Counterparty risk is specified as follows:

	31.12.2024	31.12.2023
Marketable debt instruments, credit rating A	16.542.713	15.466.701
Marketable debt instruments, credit rating BBB	1.779.718	2.263.964
Other marketable securities	17.648.394	12.871.097
Reinsurance receivables	102.180	15.085
Other receivables	2.807.731	2.146.748
Cash and cash equivalents	2.321.959	2.270.693
Total	41.202.695	35.034.287

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

Large exposures of the bank before risk adjusted mitigation

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

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35.7. Counterparty risk (cont.)

Collateral against exposures to derivatives

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

	Market value of collateral			
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

	Market value of collateral			
31.12.2023	Deposits	Fixed income securities	Variable income securities	Total collateral
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

35.8 Liquidity risk

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

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

Expected cash flows of liabilities is specified as follows:

31.12.2024	Within one year	1-5 years	Over 5 years	Total
Liabilities for incurred claims	13.665.350	12.971.066	705.832	27.342.248
Financial liabilities	14.718.281	3.032.539		17.750.819
Subordinated bond	194.648	781.843	6.937.446	7.913.937
Lease liability	204.774	204.059		408.833
Accounts payable and other short-term liabilities	4.558.183			4.558.183
Total	33.341.236	16.989.507	7.643.278	57.974.020

31.12.2023	Within one year	1-5 years	Over 5 years	Total
Liabilities for incurred claims	12.519.010	12.292.959	664.846	25.476.815
Financial liabilities	9.212.700			9.212.700
Subordinated bond	186.548	743.608	6.798.994	7.729.149
Lease liability	250.536	227.443	194.303	672.281
Accounts payable and other short-term liabilities	3.159.773	0	0	3.159.773
Total	25.328.567	13.264.010	7.658.143	46.250.718

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35.8 Liquidity risk (cont.)

Liquidity risk of financial services activities is specified as follows:

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

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

Assets 31 December 2024:	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 31 December 2024:	0-3 months	4-6 months	7-12 months	1-2 years	Total
Money market deposits	10.140.691	627.522			10.768.213
Issued bonds and bills	400.000	1.000.000		3.402.554	4.802.554
Borrowings	2.700.000				2.700.000
Derivatives	231.599				231.599
Other liabilities	1.050.997				1.050.997
Other payables					
	14.523.288	1.627.522	0	3.402.554	19.553.364
Net position	(3.268.889)	2.150.068	2.073.951	3.300.190	4.255.320

35.9 Insurance risk

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

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

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

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

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

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35.9 Insurance risk (cont.)

Insurance categories - insurance revenue	2024		2023	
Property insurance	6.045.707	20,7%	5.676.272	21,4%
Marine and cargo insurance	553.593	1,9%	555.763	2,1%
Vehicle insurance	15.887.781	54,4%	14.162.203	53,5%
Liability insurance	1.669.081	5,7%	1.539.949	5,8%
Accident and health insurance	2.842.849	9,7%	2.631.053	9,9%
Life and health insurance	2.182.918	7,5%	1.900.564	7,2%
Reinsurance	150	0,0%	8.271	0,0%
	29.182.080	100,0%	26.474.076	100,0%
Domestic and foreign operations - premiums earned				
Domestic operations	29.181.930	100,0%	26.465.805	100,0%
Foreign operations	150	0,0%	8.271	0,0%
	29.182.080	100,0%	26.474.076	100,0%

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

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

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

Sensitivity analysis of claims in the insurance business

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

	2024	2023
Claim amounts	169.095	156.426
Claims provision	196.812	180.416
Premiums based on no change in claims and cost ratios	9.028	8.185

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

Reinsurance counterparty risk

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

Limits are applied regarding reinsurance from each individual reinsurer. Ratings requirements depend on the estimated settlement period of claims in each contract. In addition, the number of reinsurers in each contract and the maximum risk exposure of each reinsurer is based on that reinsurer's rating. The following table shows the disaggregation of premiums to reinsurers based on their latest available credit rating.

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35.9 Insurance risk (cont.)

	2025	2024
AA+	0,3%	0,4%
AA-	38,3%	38,8%
AA	22,5%	21,6%
A+	27,7%	27,4%
A	10,6%	11,2%
A-	0,6%	0,6%
	100,0%	100,0%

Credit Risk from insurance activities

At 31 December 2024, the maximum exposure to credit risk from insurance contracts totals 8.178 million, which primarily relates to premiums receivable for insurance services which the Group has already provided.

35.10 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 payments)	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 level of the IFRS 9 impairment model. Changes from level 1 to level 2 occur when there has been a significant increase in credit risk. An upgrade from level 1 and 2 to level 3 occurs when there is an objective indication of impairment. Downgrades occur when there is no longer an objective indication of impairment (from level 3) or when the credit risk has decreased and is no longer considered to have significantly increased since the initial classification (from level 2 to level 1).

	2024 Level 1	2023 Level 1
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 levels 1, 2 and 3 occurred in 2023 and 2024.

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35.10 Credit risk of financial activities (cont.)

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

	Nominal value of claim	Expected credit losses	Booked balance
Not yet due	7.890.836	(10.815)	7.880.021
Default 1-30 days			
Default 31-60 days			
Default 61-90 days			
Default >90 days			
	7.890.836	(10.815)	7.880.021

On and off balance sheet exposure for Fossar

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

31.12.2024

	Public entities	Financial institutions	Corporate customers	Individuals	Total
Cash and cash equivalents		134.795			134.795
Fixed income securities	7.008.612	44.560			7.053.173
Loans to customers		783.746	7.096.274		7.880.021
Derivatives			118.541		118.541
Other assets			896.906		896.906
Total	7.008.612	963.101	8.111.722	0	16.083.435

31.12.2023

	Public entities	Financial institutions	Corporate customers	Individuals	Total
Cash and cash equivalents		112.073			112.073
Fixed income securities	5.450.624		651.968		6.102.592
Loans to customers			1.672.720		1.672.720
Derivatives			143.234		143.234
Other assets			211.078		211.078
Total	5.450.624	112.073	2.679.000	0	8.241.697

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35.11 Credit quality of financial assets

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

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

				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									
Financial institutions									
Corporate									
Real estate activities	3.129.150	(5.540)	3.123.610	7.188.322	0	2.937.682	1.120.800	1.701.940	1.427.900
Construction	254.363	(634)	253.729	1.559.250	0	0	228.000	1.264.000	67.250
Service activities	0	0	0	0	0	0	0	0	0
Accommodat. and Food Service Activit.	235.024	(649)	234.375	2.551.335	0	0	2.091.335	460.000	0
Activities of Holding Companies	3.079.210	(2.607)	3.076.603	7.988.212	190.078	3.479.218	2.896.226	569.000	853.690
Wholesale and Retail Trade	0	0	0	0	0	0	0	0	0
Other	1.193.089	(1.385)	1.191.704	2.956.928	250.299	860.829	1.120.800	185.000	540.000
Individual									
Total	7.890.836	(10.815)	7.880.021	22.244.047	440.377	7.277.729	7.457.161	4.179.940	2.888.840

				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									
Financial institutions									
Corporate									
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
Accommodat. and Food Service Activit.	150.967	0	150.967	4.080.000	0	0	0	0	4.080.000
Activities of Holding 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
Individual									
Total	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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Notes to the Consolidated Financial Statements

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

The following tables show financial assets subject to the impairment requirements of IFRS 9 broken down by credit quality bands where band I denotes the lowest and band IV the highest credit risk. The Bank has primarily used adjusted external credit ratings to assess the default probability of its customers. The Bank's impairment model uses external credit ratings as one of its main inputs, while LGD is based on internal estimates that take into account management judgement as well as economic outlook.

Credit quality of financial assets by credit quality band

31.12.2024

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

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				
Credit quality band IV				
In default				
Non-Rated				
Gross carrying amount	1.672.720	0	0	1.672.720
Expected credit loss				0
Book value	1.672.720	0	0	1.672.720

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c. 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			
Past due 31-60 days			
Past due 61-90 days			
Past due 91-180 days			
Past due 181-360 days			
Past due more than 360 days			
Total	7.890.836	(10.815)	7.880.021

31.12.2023	Claim value	Expected credit loss	Book value
Not past due	1.672.720		1.672.720
Past due 1-30 days			
Past due 31-60 days			
Past due 61-90 days			
Past due 91-180 days			
Past due 181-360 days			
Past due more than 360 days			
Total	1.672.720	0	1.672.720

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

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

31.12.2024
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, originated or purchased	8.169			8.169
Derecognitions and maturities				
Write-offs				
Balance as at 31 December 2024	10.815	0	0	10.815

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, originated or purchased	0			0
Derecognitions and maturities	(838)			(838)
Write-offs				0
Balance as at 31 December 2023	0	0	0	0

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Notes to the Consolidated Financial Statements

e. Loan-to-value

The loan-to-value ratio (LTV) is the ratio of the gross amount of the loan to the value of the collateral, if any, for the loans to customers of the Bank. 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%				
126-200%				
Greater than 200%				
No or negligible collateral:				
Other loans with no collateral				
Total	7.880.021	100%	1.672.720	100%

35.12 Operational risk

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

The main components of operational risk are the following:

• Organisational structure

• Documentation and contracting

• Information technology

• Employees

• External events

35.13 Concentration of risk

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

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

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

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

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Notes to the Consolidated Financial Statements

35.13 Concentration of risk (cont.)

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

35.14 Internal management and control

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

• Performance and efficiency of operations (operational targets)

• Reliability of information data (accurate information target)

• Compliance with laws and regulations (compliance target)

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

• Control environment

• Risk assessment

• Control procedures

• Information and communication

• Management controls

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

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

35.15 Combined ratio

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

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

	2024	2023	2022	2021	2020
Claims ratio	72,6%	76,5%	70,8%	73,3%	84,5%
Net reinsurance ratio	3,3%	0,7%	2,4%	-0,8%	1,9%
Claims and net reinsurance ratio	75,8%	77,2%	73,2%	72,5%	86,4%
Insurance contracts expense ratio	19,1%	22,3%	21,8%	23,0%	22,4%
Combined ratio	**94,9%**	**99,5%**	**95,0%**	**95,5%**	**108,8%**

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Notes to the Consolidated Financial Statements

36. Related parties

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

Transactions and balances with related parties are specified as follows:

2024	Income	Expenses	Assets	Liabilities
Board of directors and key management	25.425	15.501	128.592	845
Associates	4.203	138.981	178	9.520

2023	Income	Expenses	Assets	Liabilities
Board of directors and key management	23.902	55.749	389.318	911

37. 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 that, following approval from the Financial Supervisory Authority of the Central Bank of Iceland (“FSA”), Skagi has, on 1st of January 2025, completed the transfer of the VÍS insurance business into 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 pre-conditions have now been met and thus the transfer has been executed. It is also noted that, in accordance with announcement by the Company on the Icelandic Stock Exchange 16th December a merger between Íslensk verðbréf hf. and Fossar fjárfestingabanki hf. and a merger between SIV eignastýring hf. and ÍV sjóðir hf. Is envisaged to take place as of 1st of January 2025, subject to approval of the FSA and Iceland Revenue and Customs.

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Notes to the Consolidated Financial Statements

38. Material accounting policies

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

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

38.1 The Group

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

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

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

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

38.2 Associates

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

Equity method

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

38.3 Goodwill

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

Notes to the Consolidated Financial Statements

38.4 Foreign currencies

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

38.5 Insurance Revenue

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

Measurement of the Liability for Remaining Coverage (LRC)

- **Initial Recognition:** At the inception of the contract, the LRC is measured as the premiums received (or receivable), net of any acquisition cash flows if applicable. If a financing component exists, the LRC is discounted accordingly.

- **Subsequent Measurement:** The LRC is reduced over the coverage period as insurance services are provided, with the corresponding amount recognized as insurance revenue. Adjustments are made for changes in estimates of future premiums and expected claims.

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

Key considerations for recognizing insurance revenue:

- **Time-Based Recognition:** If insurance coverage is provided evenly over the contract period, revenue is recognized on a straight-line basis.

- **Alternative Systematic Approaches:** If the risk profile changes over time, an alternative allocation method is used to reflect the transfer of services more accurately.

- **Adjustments for Premium Changes:** Revenue is adjusted for cancellations, modifications, and other changes in premium estimates.

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

38.6 Insurance service expenses

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

Notes to the Consolidated Financial Statements

38.7 Insurance contracts

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

Definition of insurance contracts

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

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

Classification of insurance contracts

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

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

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

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

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

Contract boundaries

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

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

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

Notes to the Consolidated Financial Statements

38.7 Insurance contracts (cont.)

Insurance contract liabilities

Liability for remaining coverage:

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

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

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

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

Services is usually provided based on passage of time.

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

Liability for incurred claims:

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

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

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

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

Assumptions and interdependencies

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

38.7 Insurance contracts (cont.)

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

Measurement, reinsurance contracts held

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

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

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

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

Principles for Discounting

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

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

Principles for Risk Adjustment

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

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

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

Notes to the Consolidated Financial Statements

38.7 Insurance contracts (cont.)

Principles for Level of Aggregation

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

No material onerous contracts have been identified.

Principles for Separation

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

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

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

Insurance acquisition cost

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

Notes to the Consolidated Financial Statements

38.7 Insurance contracts (cont.)

Reinsurance contracts held

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

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

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

38.8 Interest income and expenses

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

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

38.9 Fee and commission income and expenses

Fee and commission income is mainly due to the Company's services to clients in the field of asset management, fund management and corporate consulting. Fee and commission income and expense for services provided over a certain period are recognized as the services are provided. Performance-related fees are recognized as income when the set target has been reached.

38.10 Net financial income

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

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

Notes to the Consolidated Financial Statements

38.11 Income taxes

Income taxes expensed consists of current taxes and deferred tax.

Current tax

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

Deferred income tax

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

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

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

38.12 Cash and cash equivalents

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

38.13 Financial assets

Initial recognition

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

Classification of financial assets

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

Notes to the Consolidated Financial Statements

38.13 Financial assets (cont.)

Financial assets at amortised cost

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

Financial assets at fair value

Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income unless the fair value option is applied. All other debt investments and equity investments not measured at amortised cost are measured subsequently at fair value through profit or loss. Derivatives are recorded at fair value through profit or loss, except for derivatives that have been defined as hedging instruments in hedge accounting. The Group did not recognise any financial assets at fair value through other comprehensive income during the prior year but began to purchase bonds during the year with the aim of managing its liquidity needs, with a business model of hold to collect or sell. Fair value changes of these bonds are recognised in other comprehensive income.

Impairment of financial assets

The Group's loans and receivables fall under the IFRS 9 impairment model. Estimates of expected credit losses are updated at each reporting date, and the impairment model divides financial assets into three stages:

Stage 1

All financial assets at initial recognition, with a few exceptions. Expected credit losses are estimated based on the probability of default in the next 12 months from the reporting date.

Stage 2

A significant increase in credit risk has occurred. Expected credit losses are estimated based on the probability of default during the lifetime of the financial asset.

Stage 3

There are objective indications of impairment. Expected credit losses are estimated based on the probability of default during the lifetime of the financial asset.

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

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

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

Notes to the Consolidated Financial Statements

38.13 Financial assets (cont.)

Definition of default

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

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

- it is considered unlikely that the debtor will meet his obligations due to violations of the terms of the loan agreement or his financial restructuring

Final write-off of financial assets

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

38.14 Customer relationships

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

38.15 Software

Software is recognized at cost less accumulated amortisation and impairment. The cost price consists of the purchase price and all direct costs associated with getting the software into use. Software is amortised using the straight-line method over 3 to10 year from the date it is taken into use.

38.16 Property, plant and equipment

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

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

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

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

38.17 Impairment of non-financial assets

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

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

Notes to the Consolidated Financial Statements

38.17 Impairment of non-financial assets (cont.)

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

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

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

38.18 Financial liabilities

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

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

38.19 Equity instruments

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

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

38.20 Provisions

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

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

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

38.21 Leases

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

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

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

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

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38.22 Earnings per share

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

38.23 New standards, interpretations and amendments to standards

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

- IAS 1 Presentation of Financial Statements	Classification of liabilities as current or non-current
- IAS 1 Presentation of Financial Statements	Non-current liabilities with covenants
- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures	Supplier finance arrangements
- IFRS 16 Leases	Lease liability in a sale and leaseback

The adoption of the amendments stated above has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

The Group has not early adopted new standards or amendments to IFRS Accounting Standards that have been issued and are permitted for early adoption. The following amendments are effective from 1 January 2025:

- IAS 21 The Effects of Changes in Foreign Exchange Rates	Lack of Exchangeability

Management of the Company do not expect that the adoption of the amended Standard listed above, or other issued new standards and amendments scheduled that become effective in subsequent periods will have a material impact on the consolidated financial statements of the Group in future periods.

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Notes to the Consolidated Financial Statements

39. Quarterly statement (unaudited)

	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
Insurance revenue	7.546.073	7.634.285	7.212.980	6.788.741	6.843.539
Investment result after financial items	1.295.532	119.137	(31.026)	499.182	845.132
Net interest and commission income	756.710	367.801	336.078	592.138	391.452
Share in the profit of affilliates, after income tax	0	0	0	0	9.191
Other income	60.785	16.617	37.270	24.702	17.337
Total income	9.659.100	8.137.840	7.555.303	7.904.763	8.106.650
Insurance service expenses	(6.800.948)	(6.857.014)	(6.267.195)	(6.828.887)	(7.013.669)
Net expenses from reinsurance contracts	(308.071)	(187.636)	(250.375)	(202.480)	415.241
Operating expenses	(932.816)	(651.993)	(749.283)	(664.235)	(658.669)
Impairment of intangible assets	(1.365)	(650)	(1.893)	(6.907)	(805.628)
Profit before income taxes	1.615.901	440.547	286.557	202.254	43.924
Income tax	(57.558)	(13.330)	(149.213)	(66.740)	108.016
Profit for the year	1.558.343	427.217	137.344	135.514	151.940

Claims ratio	72,9%	73,5%	67,2%	79,7%	73,3%
Net reinsurance ratio	1,5%	2,5%	3,5%	3,0%	-0,6%
Claims and net reinsurance ratio	74,4%	76,0%	70,7%	82,6%	72,6%
Insurance contracts expense ratio	19,8%	16,3%	19,7%	20,9%	23,8%
Combined ratio	**94,2%**	**92,3%**	**90,4%**	**103,6%**	**96,4%**
Net Financial Services income (excl. interco)	892	492	333	626	447
Insurance investment portfolio return	3,6%	1,6%	0,8%	2,2%	3,4%

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Appendix 1

Non-financial and sustainability reporting

Business model
Skagi's main operations consist of insurance operations, investments, asset and fund management and investment banking. Fundamentally, these activities of the Group are divided into three main areas of focus, namely insurance activities, financial services and investments.

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

Non-financial and sustainability reporting in Skagi consolidated account is reported in accordance with laws on annual accounts. In the Annual and Sustainability Report of the Group a more detailed summary of non-financial information about Skagi and its subsidiaries is provided. The summary is based on Nasdaq's ESG guidelines and climate impact calculations are performed by third parties in accordance with the Greenhouse Gas Protocol methodology. Annual and Sustainability Report for 2024 will be published on Skagi's website www.skagi.is. Non-financial disclosure for the subsidiaries can also be found in their annual financial statements and further sustainability information on their respective websites.

Skagi received 80 points in Reitun's ESG evaluation in 2024, which is the same as the year before. Skagi continues to work towards improving it sustainability rating. With regards to that the Group has initiated work for implementation of European Sustainability Reporting Standards (ESRS) in accordance with the Corporate Sustainability Reporting Directive (CSRD). Accordingly we publish further sustainability information on all subsidiaries of the Group. Furthermore we now provide further information in accordance with the EU Taxonomy regulation and classification system. We continue to work on incorporating the ESRS standards, which will include re-visiting double materiality assessment and updating our sustainability policy on group basis in the year 2025. Sustainability is also being further incorporated into the Corporate Governance statement, remuneration policy and risk management of the Group.

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

Skagi supports the United Nation's Global Goals and particularly supports the following Global Goals:

Global Goal 3: Good health and well-being	**Global Goal 5:** Gender equality	**Global Goal 8:** Decent work and economic growth	**Global Goal 12:** Responsible consumption and production
Through strong prevention, we reduce losses and encourage a better lifestyle. **Global Goal Target 3.6** is to reduce traffic fatalities.	Skagi places special emphasis on gender equality with a gender equality policy and code of ethics. Skagi is committed to having an active equal pay policy and maintaining equal pay certification.	We insure companies, their operations and assets. In so doing, we ensure good employment and economic growth. Through our cooperation with companies, we reduce losses and improve employee safety. **Global Goal Target 8.8** is to promote a safe and secure working	Responsible consumption and production through the implementation of sustainable development.

		environment for all workers. By working together with our customers, we promote a safe working environment through strong prevention efforts.	

The Company's policies concerning non-financial information, sustainability and ESG (environmental, social and governance)

Policies of the Board of Directors	**Policies of senior management**
Policy on Suitability, Competence and Diversity	Equality and Equal Pay Policy
Corporate Governance Policy	Transportation Policy
Owner Policy	Prevention Policy
Policy on VIS investments	Information Policy
Sustainability Policy	Occupational Safety Policy
Policy on IT Operations	Information Security Policy
Compliance Policy	
Conflict of Interest Policy	
Privacy Policy	
Risk Management Policy	
Internal Control Policy	
Policy on measures against money laundering and terrorist financing	
Internal Audit Policy	
Outsourcing and Service Procurement Policy	
Competition Policy	
Policy on treatment of insider information and management trading	

Sustainability statement

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

The selection of key ESG metrics was based on a materiality assessment of the insurance sector and an examination of leading foreign insurance companies with regards to ESG performance. The assessment is mainly based on VÍS's operations but on Group basis as applicable. Further details below is provided about the actions taken in the 2024 operating year.

Environment

Skagi received 88 points for the environmental component in Reitun's ESG evaluation, increasing its score by one point from the prior year. In the justification, it was stated that Skagi operates according to measureable environmental goals and has purchased verified carbon units for measure emissions. VÍS also aims to calculate emissions from its insurance and asset portfolio, thus becoming the first Icelandic insurance company to calculate its insurance carbon footprint. Skagi conducts a risk assessment in relation to climate change which is part of the Company's risk management system, and the Board of Directors and management are actively involved in climate-related matters.

Sustainability in claims and services
Used spare parts have been used for car repairs for many years in Iceland, and for the past 30 years, VIS has sold around 1,000 damaged cars each year at auctions where the cars are either repaired or disassembled in order to give spare parts a second life. VIS is the only insurance company in Iceland that has held closed auctions of damaged cars exclusively for spare parts dealers who have the required permits to resell used spare parts.

It is important for VIS to actively contribute to supporting the circular economy. This is done, for example, with experimental projects, such as cooperation with parts dealers in the demolition of damaged cars with the aim of increasing the supply of used spare parts for vehicle repairs. During the year, work continued on a project in which 45 cars of certain types were selected to go to a parts dealer for demolition. The result is that around 20% of the spare parts gained a second life by being used in car repairs. The turnover rate of the spare parts is low, but there is a lot of learning to be had from the project that will be useful in our continuing efforts to support the circular economy.

VIS emphasises repairing vehicles as much as possible instead of replacing parts. The proportion of plastic and car window repairs is lower in Iceland than in comparison countries. VIS has the goal of increasing the percentage of repairs instead of parts being replaced. The ratio of windshield repairs to windshield replacements grew from 16% to 19.6% between years, and VIS aims for an even higher percentage. Estimated savings in carbon emissions are about 43.5 kgCO2 for each windshield that is repaired instead of replaced.

Good results were achieved during the year in increasing electronic and paperless transactions in order to reduce paper consumption and reduce carbon emissions from employee and customer travel, whether through increased electronic claim notifications, video calls to assess water damage or increased sales through the vastly improved VIS online store. The use of electronic signatures at VÍS resulted in savings of 194,931 kilometers according to calculations done by the software company Taktikal.

During the year, VÍS increased its focus on providing more sustainable options for consumers when it comes to shopping for insurance online. VÍS customers can now buy insurance online in a matter of minutes, which saves time while also providing increased transparency and convenience.

Verified carbon units
For the fourth year in a row, Skagi offset emissions from its operations with Climate Impact Partners verified units. The projects selected reflect the chosen Global Goals.

Main risks	Key metrics	Performance	Goals
<u>**Materiality factor:**</u> Climate policy <u>**Risk:**</u> Failing to achieve the desired results in mitigation and adaptation to climate change. *VIS is aware of greenhouse gas emissions in its operations. However, it is clear that in insurance operations, emissions fall mainly under Scope 3, i.e. emissions stemming from the insurance and investment portfolio. VIS does not specifically*	**Emissions intensity.** *Emissions intensity shows total GHG emissions based on the main sample sizes in the Company's operations.* **Does the Company have an environmental policy?**	The Company continues to follow an action plan for reducing emissions by 2025. The plan was drawn up in 2021. Greenhouse gas emissions increased or by about 18% year-on-year. For VÍS operations there was an increase of around 45% in Scope 1 and a decrease of around 33% in Scope 2. Emissions in Scope 3 increased by 19%. Emissions intensity as a percentage of revenue (all scopes) was 6.6 kg CO2/ISKm – increasing by 22%.	Analyse the carbon footprint of the portfolio and investments according to the PCAF methodology. Also consider PCAF membership. Target setting to reduce greenhouse gas emissions and adapt to climate change, consider SBTi certification and create an action plan. Continue to reduce greenhouse gas emissions in accordance with the action plan.

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measure this, but closely monitors the methodology used for such calculations, e.g. by the Partnership for Carbon Accounting Financials (PCAF).		VÍS has purchased a guarantee of origin of electricity and therefore the emission is 216 tons of Co2 for the year 2024 (market based). For the fourth year in a row, the remaining emissions from the VÍS operations and Skagi Group in whole are offset with Climate Impact Partners verified units. Further information on greenhouse gas emissions for Skagi Group and other subsidiaries can be found in the Sustainability Report 2024 on Skagi's website.	
Materiality factor: Responsible product offering. **Risk:** Not being competitive with green products that are in demand.	**Does the Company have a sustainable product offering?**	The use of Ökuvísir results in lower emissions of greenhouse gases as well as promoting safer traffic. In 2023, VÍS became the first Icelandic insurer to begin a collaboration with an environmentally friendly vehicle recycling company, in order to increase the supply of spare parts for car repairs. In this way, VIS wants to contribute to the circular economy and reduce the carbon footprint of car repairs.	Inform customers about the environmental benefits of Ökuvísir.

Social

Skagi received 90 points for the social component in Reitun's ESG evaluation and continues to pay close attention to human resources, job satisfaction and customer satisfaction. VÍS has made it a priority to increase customer satisfaction. In 2024, it ranked third in the customer satisfaction survey and was the only insurance company to increase its ranking from the prior year. The Company closely monitors the satisfaction of its customers, both through measurements that are carried out after service contacts as well as by purchasing measurements from independent parties that measure the market as a whole. One of VÍS's goals for 2024 was to increase the number of proactive contacts with its customers as well as implementing a service policy that puts VÍS's customers first.

Human resources and remuneration policy

The satisfaction and engagement of employees continues to measure very high, continuing the trend of recent years. Engagement measured 4.33 at VÍS on a scale of 1-5 while job satisfaction measured at 4.47, with 94% of employees being satisfied or very satisfied in their jobs. These are excellent results. The Company's updated remuneration policy now states focus on sustainability and a link with long-term interests. Therefore, as of 2025, sustainability performance will be included in the criteria used in the employee incentive scheme.

Grants to the community

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Skagi is committed to being present in its local communities throughout Iceland. Through our service offices outside the Greater Reykjavik area, we support various social issues and sports. In addition, VÍS allocates ISK 10 million each year to social projects in accordance with the grant policy at any given time. Grants were awarded during the year to prevention projects such as a video on safety equipment for horse riding, reflective vests for primary school children, ski helmets at a ski area, free condoms at the Þjóðhátíð festival and a grant to restore the website of the Fire Protection Association. In addition, over 1,800 back seat car mirrors were given to customers who are new parents, as these can significantly increase safety in traffic and reduce the likelihood of distraction. First aid courses for young parents were also offered along with other prevention courses for both companies and individuals. When the people of Grindavík had to leave their homes at the end of last year due to seismic activity in the Reykjanes peninsula, VÍS decided to reimburse individuals and companies for insurance on real estate and homes that amounted to up to 6 months of premiums. Every year Fossar supports a good cause by supplying all revenue of the bank for one day, called the "Thanks Day" along with grants from customers and partners. Fossar held its first Thanks Day in November 2015 when Mæðrastyrksnefnd was awarded the first grant of ISK 2.5 million. Since then, the donations have increased annually in line with Fossar's increased activities, and including the amount raised last year (26.5 million), the Thanks Day has returned a total of over ISK 140 million to grant recipients of good cause since the collection began.

Main risks	Key metrics	Performance	Goals
Materiality factor: Human resources. **Risk:** Staff disunity and stagnation.	**The gender pay gap.** **Diversity at all levels, as per the Company's policy on suitability, competence and diversity.** **Recruitment, employee engagement and employee turnover.**	As in recent years, Skagi did not have a measurable gender pay gap. In 2023, Skagi achieved the goal of reducing the unadjusted gender pay gap substantially. The gap measured similar in 2024 and continued to be considerably below peer companies, according to figures from Statistics Iceland. Continued good results of workplace analysis at VÍS. Engagement measured at 4.33, which places VIS among the top 30% of companies in Iceland. Job satisfaction measured at 4.47, which means that 94% of employees are satisfied or very satisfied in their jobs. These are excellent results much like in previous years.	Continued objective of having no unexplained gender pay gap. To continue to reduce the unadjusted gender wage gap as much as possible, so that the average gender wage is as equal as possible. To continue to work purposefully to ensure the competence and professionalism of managers. In this way, we create the best possible working conditions in order to attract top talent. To continue to work purposefully to maintain good employee job satisfaction and to offer diverse training and career development opportunities. In 2025, emphasis will continue to be placed on implementing a results-oriented culture s well as creating opportunities for professional development across the Group.
Materiality factor: Responsible marketing. **Risk:** Reputational risk e.g. due to greenwashing.	**The number of reports of harmful or misleading marketing.** **Whether there is a defined procedure around grants**.	No reports received in 2024. Community grants are connected to the chosen Global Goals, with a particular focus on prevention.	Analyse EGS risks related to responsible marketing.

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Materiality factor: Customer wellbeing. **Risk:** Reputational risk due to customer dissatisfaction.	**The number of incidents that can affect customer wellbeing.** **Customer satisfaction; NPS net promoter score.**	No reports received in 2024 We achieved our goal of increasing customer satisfaction. VÍS increased its score in the Icelandic Customer Satisfaction Index and was the only insurance company to do so. The CSAT score for VÍS in internal service contacts continues to rise, and VÍS employees have achieved excellent results in improving service to customers.	We intend to continue to increase the satisfaction of our customers. Our goal is to continue to increase the NPS recommendation index and for the measured index to be 0 or higher. CSAT customer contacts will be 9+.

Governance

Skagi received 76 points for governance, an increase of one point from the prior year. General governance and business ethics were considered to be in good order at the Company. Following the creation of the Skagi Group, governance practices have been updated in line with the Group's new structure. The activities of Skagi's board of directors and subsidiaries meet the requirements set out in the assessment and the Company follows the corporate governance guidelines. The Skagi parent company has a board of directors and each subsidiary has its own board of directors. Subsidiaries operate according to a clear ownership policy in accordance with the corporate governance guidelines of Skagi. Further information on corporate governance of Skagi Group can be found on Skagi's website.

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

Main risks	Key metrics	Performance	Goals
Materiality factor: Good corporate governance. **Risk:** Disagreement between stakeholders and failure to comply with the law.	**Rating according to the Reitun annual EGS assessment.** **Loophole analysis based on upcoming EU legislation (CSRD and EU taxonomy).** **Shareholder rights.** **Response rate in regular stakeholder survey.**	Skagi received a score of 80 out of 100 from Reitun. The Company is among the top-scoring insurance companies. Skagi received 76 points for the governance component in Reitun's ESG evaluation. Skagi was recognized for good governance while also being named: *Exemplar of Corporate Governance*. Continued remote participation in shareholders' meetings. Preparation for stakeholder analysis.	Achieve a score of 85 out of 100 from Reitun for 2025. Continue to deepen internal knowledge of EU taxonomy legislation with respect to present policies and the Company's disclosures. Review and implement necessary policies and processes in accordance with legislation (CSRD and EU taxonomy). Conduct meaningful stakeholder analysis.

Materiality factor: Risk management **Risk:** That risks are not identified and no mitigation measures are implemented. Lack of awareness of risks in the value chain and in investments.	**The number of mitigation measures and their status.** **Results of supplier evaluation and number of suppliers who are committed to human rights.** **Whether ESG factors are taken into account in investment decisions.**	Supplier code of conduct defined and supplier assessment prepared. Continue to define active involvement in investments (e.g. through a conversation about ESG with companies in which investments are made).	Redo materiality analysis based on double materiality and stakeholder analysis. Insert provisions in contracts requiring suppliers to comply with laws on labour, human rights and environmental protection. Incorporate EGS risk assessment into existing risk management processes. Examine methods for implementing EGS risk assessment for new policyholders.
Materiality factor: Data protection and cyber security. **Risk:** Data breach and being vulnerable to cybercrime.	**Implement and enhance employee cyber security awareness.** **Number of data breaches.** **Number of complaints regarding data protection and cyber security.** **Number of reported privacy breaches.**	The Company received ISO 27001 certification in January 2024. Work continues according to a defined plan on the maintenance of the information security management system. Follow-up review planned for December 2024. No data breaches occurred in 2024. No complaints received regarding data protection or cyber security. During the year, the Company received one complaint regarding the processing of personal data from the Data Protection Authority. The matter concluded in October with the Data Protection Authority's finding that the Company's processing was in compliance with the requirements of the Data Protection Act no. 90/2018.	Receive continued good results from auditors on ISO 27001. Receive a good result from the auditor (KPMG) in relation to compliance with recommendation no. 1/2019 and the EIOPA guideline. Maintain good results in risk assessment in the operation of information systems and in information security. Ensure that the Company complies with the Data Protection Act and good business practices.

Minimum safeguards

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

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

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

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

The Company has not violated any laws or rules imposed by regulators in the area of human rights.

Corruption/bribery
The Company engages in honest and responsible business practices where any form of bribery, corruption, criminal activity and money laundering is neither practiced nor tolerated. The Company has established and implemented internal processes, codes of conduct and procedures in the area of compliance and has taken measures to identify and prevent bribery. VIS has established a code of ethics which is signed by employees upon commencing work at the Company. The Board reviews and confirms the code of ethics each year.

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

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

The Board has established a policy on measures against money laundering and the financing of terrorism, and procedures have been established based on the policy. The Company has appointed a person in charge of measures against money laundering who is responsible for the enforcement of the laws and regulations on measures against money laundering and the financing of terrorism, and the Compliance Officer handles notifications of suspicious transactions and funds.

The Company has not violated any laws or rules imposed by regulators in the area of corruption and bribery.

Taxes

The Company does not have a defined tax policy that is set by the Board and published publicly. However, tax procedures are well defined at the Company with the involvement of senior management. Company complies with applicable laws and regulations in every respect. The Company strives to set an example here as elsewhere.

The Company has reporting channels on its website for reporting possible misconduct, including inappropriate behaviour or actions related to taxes, and has a misconduct team whose role it is to receive and investigate reports received.

The Company has not violated any laws or rules imposed by regulators in the area of taxes.

Competition

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

The CEO is responsible for the implementation of the policy on competition matters and must ensure that appropriate measures are taken to ensure that it is followed, while the General Counsel is the supervisor of the policy and the Compliance Officer is responsible for ensuring that employees receive appropriate training on competition matters while monitoring compliance with the policy.

The Company has not violated any laws or rules imposed by regulators in the area of competition matters.

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Appendix 2

EU Taxonomy Regulation

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

VÍS Insurance operations and insurance investments portfolio

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

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

				Significant Harm)							
Insurance operations	**Absolute insurance revenue, year 2024**	**Proportion of insurance revenue, year 2024**	**Absolute insurance revenue, year 2023**	**Climate change mitigation (7)**	**Water and marine resources (8)**	**Circular economy (9)**	**Pollution (10)**	**Biodiversity and ecosystems (11)**	**Minimum safeguards (12)**	**Category (transitional activity (T)) (13)**	**Category (transitional activity (T)) (14)**
	Currency	*%*	*%*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*Y/N*	*E*	*T*
A.1. Non-life insurance and reinsurance underwriting Taxonomy-aligned activities (environmentally sustainable)											
A.1.1 Of which reinsured											
A.1.2 Of which stemming from reinsurance activity E											
A.1.2.1 Of which reinsured (retrocession) E											
A.2 Activities under the regulation but not adaptable to it (not environmentally sustainable)	26.999.162	92,5%	24.573.512							-	
B Life and none life operations not included under the regulation	2.182.918	7,5%	1.900.564								
Total (A.1 + A.2 + B)	29.182.080		26.474.076							-	

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

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

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

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

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

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

The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities relative to the value of total assets covered by the KPI, with following weights for investments in undertakings per below:		The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities, with following weights for investments in undertakings per below:	
Turnover-based: Capital expenditures-based:	0,1% 0,5%	Turnover-based: Capital expenditures-based:	40.207.294 162.776.127
The percentage of assets covered by the KPI relative to total investments of insurance or reinsurance undertakings (total AuM). Excluding investments in sovereign entities.		The monetary value of assets covered by the KPI. Excluding investments in sovereign entities	
Coverage ratio:	93%	Coverage:	31.140.165.834

Additional, complementary disclosures: breakdown of **denominator** of the KPI			
The percentage of derivatives relative to total assets covered by the KPI.	0%	The value in monetary amounts of derivatives.	0
The proportion of exposures to financial and nonfinancial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:		Value of exposures to financial and nonfinancial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU:	
For non financial undertakings:	18%	For non financial undertakings:	5.676.202.513
For financial undertakings:	31%	For financial undertakings:	9.584.511.490
The proportion of exposures to financial and nonfinancial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:		Value of exposures to financial and nonfinancial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU:	
For non financial undertakings:	0%	For non financial undertakings:	0
For financial undertakings:	15%	For financial undertakings:	4.522.736.576
The proportion of exposures to financial and nonfinancial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:		Value of exposures to financial and nonfinancial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU:	
For non financial undertakings:	26%	For non financial undertakings:	8.001.611.872
For financial undertakings:	11%	For financial undertakings:	3.355.103.384
The proportion of exposures to other counterparties over total assets covered by the KPI:	0%	Value of exposures to other counterparties:	0
The proportion of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned economic activities:	0,1%	Value of insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned economic activities :	40.207.294
The value of all the investments that are funding economic activities that are not Taxonomyeligible relative to the value of total assets covered by the KPI:	7%	Value of all the investments that are funding economic activities that are not Taxonomyeligible:	2.287.273.176
The value of all the investments that are funding Taxonomy-eligible economic activities, but not Taxonomy-aligned relative to the value of total assets covered by the KPI:	12%	The value of all the investments that are funding Taxonomy-eligible economic activities, but not Taxonomy-aligned relative to the value of total assets covered by the KPI:	3.676.630.189

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Additional, complementary disclosures: breakdown of **numerator** of the KPI			
The proportion of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:		Value of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU:	
For non financial undertakings:		For non financial undertakings:	
Turnover-based: %	0,1%	Turnover-based: [monetary amount]	40.207.294
Capital expenditures-based: %	0,5%	Capital expenditures-based: [monetary amount]	162.776.127
For financial undertakings:		For financial undertakings:	
Turnover-based: %	0%	Turnover-based: [monetary amount]	0
Capital expenditures-based: %	0%	Capital expenditures-based: [monetary amount]	0
The proportion of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned:		Value of insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned:	
Turnover-based: %	0,1%	Turnover-based: [monetary amount]	40.207.294
Capital expenditures-based: %	0,5%	Capital expenditures-based: [monetary amount]	162.776.127
The proportion of Taxonomy-aligned exposures to other counterparties in over total assets covered by the KPI:		Value of Taxonomy-aligned exposures to other counterparties over total assets covered by the KPI:	
Turnover-based:	0%	Turnover-based:	0
Capital expenditures-based:	0%	Capital expenditures-based:	0

Breakdown of the numerator of the KPI per environmental objective	
Taxonomy-aligned activities – provided 'do-not-significant-harm'(DNSH) and social safeguards positive assessment:	
(1) Climate change mitigation	
Turnover: %	100%
CapEx:%	100%
Enabling activity (Turnover)	45%
Enabling activities: (CapEx)	48%

Fossar fjárfestingarbanki hf. - financial services operations

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

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

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

- Financial undertakings often do not have Taxonomy KPIs available at the time of reporting.

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

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

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

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

The data used for the KPI calculations, including the determination of Taxonomy eligibility and alignment, is sourced from the public 2023 financial reports of counterparties. Given the evolving nature of EU Taxonomy reporting, particularly in relation to the consistency and completeness of data disclosures, there may be limitations in the accuracy and scope of the reported figures.

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

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

The flow KPI is not included in this reporting 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), it is not possible to calculate the flow KPI accurately. 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 because 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.

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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.

	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

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	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

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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	-		

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3. GAR KPI stock

		l	m	n	o	p
		TOTAL (CCM + CCA)				
	% (compared to total covered assets in the denominator) assets in the denominator)	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%

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% (compared to total covered assets in the denominator)		l	m	n	o	p
		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%

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