



Condensed Consolidated Interim Financial Statements

1 January – 30 September 2024





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Report and Endorsement

by the Board of Directors and the CEOs

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

Operating and Financial position

According to the Income Statement the Group's profit for first nine months 2024 amounted to ISK 700 million. The Group's assets at the end of the period amounted to ISK 72,835 million and equity amounted to ISK 20,403 million according to the balance sheet.

Insurance

A significant operational improvement has taken place in the insurance business. This can be attributed to more new customers as well as increased insurance sales to existing customers. Insurance business generated growth in insurance revenue with a combined ratio of 95.2% (9M 2023: 100.5%). In Q3 2024 the combined ratio was 92.3% compared to 94.7% in the same period in the prior year. Income growth in life and health insurance is about 15.0% year-on-year. The insurance service result was positive by ISK 1,042 million, versus a negative figure of ISK 102 million last year. This 1,144 million positive turnaround between years is the result of a changed focus, as the Company's sales structure was transformed, and investment was made in new digital sales channels.

The insurance contracts expense ratio is decreasing, coming in at 18.9% for the first nine months of this year versus 21.8% at the same time last year. The claims ratio was 73.3% (9M 2023: 75.7%), net reinsurance ratio was 3,0% (9M 2023: 3,0%).

Financial Services

Financial services activities, which consist of the operations of Fossar and SIV, generated net income of 1,452 million and loss before tax of -150 million in the first nine months of 2024. Important milestones have been achieved during this period as the bank's share of the bond market continued to increase, the bank's interest rate margin became more stable, and the loan book continued to grow in line with expectations. Since the beginning of the year, the balance sheet has grown by 52% and the bank's lending has increased by ISK 2.7 billion at the same time. The bank has now issued its first listed bond for ISK 1.5 billion with term of 18 months on floating rates and recently issued a bond for 1.5 billion for 18 months at fixed rates. The bank is taking important steps towards becoming a reliable issuer on the bond market.

Financial services activities also generated significant growth in net income in the first nine months of the year compared to the prior year with pro forma growth of 86% between years. The net income of financial activities totalled around ISK 1.452 million, compared to ISK 779 million pro forma last year. It should be noted that SIV's activities did not begin until the second half of last year. The financial activities are therefore on a strong growth path.

Assets under management (AuM) at the Skagi Group stand at 123 billion at the end of Q3 2024. AUM of Skagi will increase significantly after the acquisition with Íslensk verðbréf hf. has been completed, at which time AUM will be around ISK 224 billion, representing a 92% growth since the end of last year.

Report and Endorsement

by the Board of Directors and the CEOs

Investments

The return on the insurance investment assets in the first nine months of 2024 was 4.6% (9M 2023: 7.6%). Investments generated financial income of 2,011 million (9M 2023: 3,255) and net financial income of 560 million (9M 2023: 1,975 million). Controlant share price drop in the quarter negatively affects the return by an amount of 417 million representing a 0.9% drawdown on the total investment portfolio (share price reduced from 80 USD per share down to 30 USD per share).

Financial Targets

Guidance on target operating performance for the fiscal year 2024 is 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%.

An update will be provided to investors if performance is expected to be outside of the target range for Insurance business and financial services, however no update will be provided on expected return for the insurance investment assets.

Shares and allocation of profits

The Company's nominal shares amounted to ISK 1,906.7 million at period end (own shares amounting to ISK 28,9 million), with each share having a nominal value of ISK 1. There were 913 shareholders at the beginning of the period and 882 shareholders at the end of it. The board of directors' proposal for the payment of a dividend in the amount of ISK 1,000 million or ISK 0.524 per share was approved at the Company's Annual General Meeting on 21st March and the company paid the dividend to shareholders on 2nd April 2024.

The acquisition of Íslensk verðbréf hf.

Skagi has signed purchase agreements to acquire Íslensk verðbréf hf. (ÍV). The company, that was founded in 1987, offers services in the fields of capital markets, asset management and fund management and currently has about 101 billion ISK of AUM at the end of Q3 2024. Around 4,000 clients have funds under asset management and in custody at ÍV.

Skagi's acquisition of ÍV was agreed subject to the approval of the Financial Supervisory Authority of the Central Bank of Iceland ("FSA") and the Icelandic Competition Authority ("ICA"). The approval of both the FSA and ICA has now been obtained, and the acquisition was concluded on 11th November 2024. Hence, ÍV will become part of the consolidated financial statements of Skagi as of Q4 2024.

Report and Endorsement

by the Board of Directors and the CEOs

To the best knowledge of the board the consolidated interim financial statements of Vátryggingafélag Íslands hf. give a true and fair view of the consolidated financial performance of the Group for the period 1 January to 30 September 2024, and its assets, liabilities, and financial position as of 30 September 2024. Further, in our opinion the consolidated interim financial statements give a fair view of the development and performance of the Group's operations and its position at the end of the period and describe the principal risks faced by the Group.

The Board of Directors and the CEOs have today discussed the Company's Condensed Consolidated Interim Financial Statements of Vátryggingafélag Íslands hf. for the period ended 30 September 2024 and confirm by means of their signatures.

Reykjavik, 27 November 2024

On the Board of Directors

Stefán Héðinn Stefánsson

Chairman of the Board

Vilhjálmur Egilsson

Vice-Chairman of the Board

Marta Guðrún Blöndal

Ásgeir Helgi Reykfjörð Gylfason

Hrund Rudolfsdóttir

CEOs

Haraldur Þórðarson

Guðný Helga Herbertsdóttir

Condensed Consolidated Interim Income Statement

For the period 1 January to 30 September 2024

	Notes	Q3 2024	Q3 2023	YTD 2024	YTD 2023
Insurance revenue		7.634.285	6.952.232	21.636.007	19.630.537
Insurance expenses		(5.613.013)	(5.047.992)	(15.869.322)	(14.864.283)
Insurance contract operating expenses		(1.244.001)	(1.296.829)	(4.083.774)	(4.278.436)
Net expenses from reinsurance contracts		(187.636)	(238.933)	(640.491)	(589.756)
Insurance service result	6	589.635	368.479	1.042.420	(101.938)
Interest income		412.221	0	1.118.864	0
Interest expenses		(349.524)	0	(959.051)	0
Net interest income	7	62.697	0	159.813	0
Fee and commission income		312.832	0	1.190.234	0
Fee and commission expenses		(7.727)	0	(54.029)	0
Net fee and commission income	8	305.105	0	1.136.205	0
Net financial income	9	119.137	387.677	587.292	1.975.201
Other operating income		16.617	35.627	78.589	77.761
Other net operating income		135.753	423.305	665.881	2.052.961
Net operating income		1.093.190	791.783	3.004.318	1.951.023
Operating expenses	10	(651.993)	(79.423)	(2.065.510)	(203.521)
Net impairments		(650)	0	(9.450)	0
Profit before tax		440.547	712.360	929.358	1.747.502
Income tax expenses	11	(13.330)	(104.888)	(229.283)	(67.838)
Profit and net profit for the period		427.217	607.471	700.074	1.679.664
Profit attributable to shareholders		425.807	613.957	701.422	1.693.417
Profit attributable to minority interest		1.410	(6.486)	(1.348)	(13.753)
Total profit for the period		427.217	607.471	700.074	1.679.664
Earnings per share					
Basic and diluted earnings per share		0,23	0,35	0,37	0,98

The notes on pages 11-30 are an integral part of these financial statements.

Condensed Consolidated Interim Statement of Comprehensive Income

For the period 1 January to 30 September 2024

	YTD 2024	YTD 2023
Profit for the period	<u>700.074</u>	<u>1.679.664</u>
Other Comprehensive income		
<i>Items that are or may be reclassified subsequently to profit and loss and relocated to equity</i>		
Reclassification of fair value changes to income statement	(5.121)	0
Unrealised fair value changes	(1.983)	0
Total comprehensive income for the period	<u><u>692.970</u></u>	<u><u>1.679.664</u></u>

The notes on pages 11-30 are an integral part of these financial statements.

Condensed Consolidated Interim Statement of Financial Position

As at 30 September 2024

	Notes	30.9.2024	31.12.2023
Assets			
Cash and cash equivalents		1.836.096	2.270.693
Financial assets of insurance activities	12	45.050.792	42.758.589
Securities for hedging purposes	13	5.631.144	4.521.114
Forward contracts	14	188.883	143.235
Equities and other securities	26	403.288	337.320
Bonds	26	5.574.278	4.562.123
Loans to customers	26,28,29	4.406.929	1.672.720
Investments where investment risk is borne by life-insurance policyholders		1.055.384	1.047.382
Share in associates	16	174.883	190.283
Goodwill and other intangible assets	17	3.408.574	3.483.211
Right-of-use asset		397.635	584.453
Operating assets		343.699	329.531
Deferred income tax asset		280.997	191.211
Reinsurance contract assets		1.322.546	1.229.156
Other receivables	18	2.759.861	2.146.748
Total assets		<u>72.834.988</u>	<u>65.467.768</u>
Liabilities			
Liabilities due to insurance contracts	19	28.440.693	26.162.186
Provisions for investment contracts		1.055.384	1.047.382
Subordinated bond	20	3.705.666	3.589.584
Money market loans	26	9.274.046	6.227.385
Issued bonds and bills	26	3.563.529	2.285.315
Liabilities to credit institutions	26	1.399.242	700.000
Forward contracts	14	244.681	215.615
Lease liability		440.059	636.966
Deferred income tax liability		274.537	271.629
Accounts payable and other liabilities	21	4.034.015	3.159.773
Total liabilities		<u>52.431.850</u>	<u>44.295.835</u>
Equity			
Share capital	22	1.877.737	1.905.550
Share premium account		3.087.000	3.087.000
Statutory reserve		625.620	625.620
Restricted reserves		1.225.346	3.852.262
Retained earnings		13.543.780	11.660.499
Total equity attributable to shareholders		<u>20.359.483</u>	<u>21.130.931</u>
Minority interest		43.655	41.002
Total equity		<u>20.403.138</u>	<u>21.171.933</u>
Total liabilities and equity		<u>72.834.988</u>	<u>65.467.768</u>

The notes on pages 11-30 are an integral part of these financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

For the period 1 January to 30 September 2024

	Share capital	Share premium	Statutory reserve	Restricted reserve	Retained earnings	Minority interest	Total
2023							
Equity 1.1.2023	1.715.600		625.620	6.671.783	8.265.816	45.960	17.324.779
Total comprehensive income for the period					1.693.417	(13.753)	1.679.664
Change of holding in subsidiary					0	6.000	6.000
Treasury shares purchased	(20.050)				(332.335)		(352.385)
Dividends paid, ISK 0,554 per share					(939.335)		(939.335)
Restricted reserve for securites				(3.492.869)	3.492.869		0
Equity 30.9.2023	1.695.550	0	625.620	3.178.914	12.180.431	38.207	17.718.723
2024							
Equity 1.1.2024	1.905.550	3.087.000	625.620	3.852.262	11.660.499	41.002	21.171.933
Total comprehensive income for the period					701.422	(1.348)	700.074
Change of holding in subsidiary						4.000	4.000
Treasury shares purchased	(27.813)				(472.187)		(500.000)
Dividends paid, ISK 0,524 per share					(984.809)		(984.809)
Restricted reserve for securites				(2.626.916)	2.618.322		(8.594)
Stock options					20.533		20.533
Equity 30.9.2024	1.877.737	3.087.000	625.620	1.225.346	13.543.780	43.655	20.403.138

The notes on pages 11-30 are an integral part of these financial statements.

Condensed Consolidated Interim Statement of Cash Flows

For the period 1 January to 30 September 2024

	Notes	YTD 2024	YTD 2023
Operating activities			
Profit for the period		700.074	1.679.664
Operating items not affecting cash flows:			
Net interest income		(159.813)	0
Financial income		(2.038.682)	(3.254.684)
Net finance expense from insurance contracts		920.226	668.611
Deferred tax, change		(86.878)	(13.582)
Forward contracts, change		(16.583)	0
Stock options		20.533	0
Profit on sale of operating assets		(3.420)	(6.014)
Depreciation and amortisation		405.185	453.694
Changes in operating assets and liabilities:			
Financial assets, change		(552.116)	1.139.633
Reinsurance assets, change		(93.391)	(45.611)
Securities, change		(2.196.746)	0
Loans to customers, change		(2.734.209)	0
Other receivables, change		(597.713)	(2.489.924)
Insurance contract liabilities, change		1.447.861	3.417.946
Accounts payable and other liabilities, change		919.804	(88.306)
Cash flows from operating activities before interest and tax		<u>(4.065.865)</u>	<u>1.461.426</u>
Interest income received		1.177.761	605.453
Dividend received		239.036	0
Financial expenses paid		(932.549)	(517.449)
Income taxes paid		(45.563)	(194.537)
Cash flows from operating activities		<u>(3.627.180)</u>	<u>1.354.895</u>
Investing activities			
Purchase of operating assets		(137.353)	(55.670)
Sale of operating assets		3.712	25.200
Purchase of intangible assets	17	(32.786)	(125.749)
Sale of shares in subsidiary		4.000	6.000
		<u>(162.429)</u>	<u>(150.220)</u>
Financing activities			
Purchase of treasury shares		(500.000)	(352.385)
Dividends paid		(984.809)	(939.335)
Principal payments of lease liability		(184.958)	(118.770)
Short-term loans, change		5.024.117	0
		<u>3.354.350</u>	<u>(1.410.490)</u>
Change in cash and cash equivalents		(435.258)	(205.815)
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		659	7.325
Cash and cash equivalents at year end		<u><u>1.836.096</u></u>	<u><u>2.182.036</u></u>

The notes on pages 11-30 are an integral part of these financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

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Notes to the Condensed Consolidated Interim Financial Statements

1. Reporting entity

Vátryggingafélag Íslands 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.

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 will not be concluded until transfer of the insurance operations into a subsidiary has been finalized.

A purchase agreement for the Company's insurance operations has been concluded between Skagi and VÍS tryggingar hf.; the agreement is 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 remains outstanding. The Company expects that the transfer of the Company's insurance operations to VÍS tryggingar hf. will take place in 2024.

The condensed consolidated interim financial statements of Vátryggingafélag Ísland ("consolidated financial statements") comprise the interim financial statements of Vátryggingafélag Íslands ("Skagi" or the "Parent Company") which includes the insurance business of VÍS ("VÍS") and its subsidiaries, Líftryggingafélag Íslands ("Lífís"), SIV Asset Management ("SIV") and Fossar Investment Bank ("Fossar"). The Company and its subsidiaries are collectively referred to as the "Group". The Group operates in the fields of non-life insurance, life insurance, investments, asset management and investment banking. The Icelandic Financial Supervisory Authority supervises the Group's operations based on Act No. 87/1998 on Official Supervision of Financial Activities.

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting, as adopted by the European Union and additional requirements according to the Icelandic Financial Statements Act. The interim financial statements were approved and authorized for publication at a meeting of the Board of Directors on 27 November 2024. The condensed consolidated interim financial statements do not contain all the information required in consolidated financial statements and should be read in conjunction with its annual consolidated financial statements for the year 2023, which are available at www.skagi.is.

3. Functional and presentation currency

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

Notes to the Condensed Consolidated Interim Financial Statements

4. Accounting estimates

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

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

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

- '- Financial assets, see notes no. 12 and 26
- '- Intangible assets, see note no. 17
- '- Liability due to insurance contracts, see note no. 19

5. Operating segment reporting

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

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

	Insurance operations	Insurance investments	Financial services	Skagi Supporting units and eliminations	Total
Insurance revenue	21.636.007				21.636.007
Claims incurred	(15.869.322)				(15.869.322)
Insurance contract operating expenses	(4.083.774)				(4.083.774)
Net expenses from reinsurance contracts	(640.491)				(640.491)
Insurance service result	1.042.420	0	0	0	1.042.420
Net interest income			159.813		159.813
Net fee and commission income			1.244.280	(108.076)	1.136.205
Financial income		2.011.091	27.591		2.038.682
Operating cost of the insurance investment portfolio		(206.409)			(206.409)
Net finance expenses from insurance contracts		(920.226)			(920.226)
Other financial items		(324.755)			(324.755)
Net financial income	0	559.701	27.591	0	587.292
Other operating income	62.547		20.010	(3.968)	78.589
Net operating income	1.104.967	559.701	1.451.694	(112.044)	3.004.318
Operating expenses	(22.585)		(1.592.611)	(450.315)	(2.065.510)
Net impairments			(9.450)		(9.450)
Profit (loss) before tax	1.082.382	559.701	(150.367)	(562.359)	929.358
Income tax expenses					(229.283)
Profit for the period					700.074

Notes to the Condensed Consolidated Interim Financial Statements

5. Operating segment reporting (cont.)

The operating segments' results for the period 1 January to 30 September 2023 are specified as follows:

	Insurance operations	Insurance Investments	Financial services	Skagi Supporting units and eliminations	Total
Insurance revenue	19.630.537				19.630.537
Claims incurred	(14.864.283)				(14.864.283)
Insurance contract operating expenses	(4.278.436)				(4.278.436)
Net expenses from reinsurance contracts	(589.756)				(589.756)
Insurance service result	(101.938)	0	0		(101.938)
Net interest income					0
Net fee and commission income					0
Financial income		3.254.684			3.254.684
Operating cost of the insurance investment portfolio		(239.198)			(239.198)
Net finance expenses from insurance contracts		(668.611)			(668.611)
Other financial items		(371.674)			(371.674)
Net financial income	0	1.975.201	0		1.975.201
Other operating income	55.251		22.510		77.761
Net operating income	(46.687)	1.975.201	22.510	0	1.951.023
Operating expenses	(114.478)		(89.044)		(203.521)
Net impairments					0
Profit (loss) before tax	(161.165)	1.975.201	(66.534)	0	1.747.502
Income tax expenses					(67.838)
Profit for the period					1.679.664

6. Insurance service result

	YTD 2024	YTD 2023
Insurance revenue		
Premiums earned	21.306.737	19.327.586
Other insurance revenue	329.270	302.951
Insurance revenue.....	21.636.007	19.630.537
Insurance service expenses		
Claims incurred	(15.869.322)	(14.864.283)
Insurance contract operating expenses	(4.083.774)	(4.278.436)
Insurance service expenses.....	(19.953.096)	(19.142.719)
Net expenses from reinsurance contracts		
Premiums earned, reinsurers' share	(774.269)	(658.371)
Claims incurred, reinsurers' share	128.572	63.722
Fee and commission income from reinsurers	5.207	4.893
	(640.491)	(589.756)
Insurance service result, total	1.042.420	(101.938)

Notes to the Condensed Consolidated Interim Financial Statements

7. Net interest income

Interest income is specified as follows:	<u>YTD 2024</u>
Bank deposits, cash, loans and other interest income	359.945
Derivatives	439.315
Interest on financial assets at fair value	140.873
Interest on financial assets recognized at fair value through other comprehensive income	178.731
Interest income, total	<u>1.118.864</u>
Money market loans and other borrowings	(754.389)
Issued bonds and bills	(195.996)
Interest expenses of leases	1.258
Other interest expenses	(9.924)
Interest expenses, total	<u>(959.051)</u>
Net interest income, total	<u>159.813</u>

Interest income and expenses above are from financial services operations. Interest income of insurance investments is allocated in the income statement within net financial income along with all other income from the insurance investment asset portfolio. Net finance expenses from insurance contracts and other financial items of the insurance operations are also allocated in the income statement within net financial income. The breakdown of net financial income can be seen in note 9.

8. Net fee and commission income

	<u>YTD 2024</u>
Capital markets and corporate finance	767.718
Asset management fees	260.136
Other net fee and commission income	108.351
Net fee and commission income, total	<u>1.136.205</u>

Fee and commission income includes fees for services provided to clients in the field of market trading, corporate advisory, asset management, securities custody and credit.

9. Net financial income

	<u>YTD 2024</u>	<u>YTD 2023</u>
Interest income and other investment income	298.594	448.297
Fair value change of equities*	(418.832)	1.404.883
Fair value change of other financial assets*	<u>2.158.920</u>	<u>1.401.504</u>
Fair value change of financial assets	<u>1.740.087</u>	<u>2.806.387</u>
Financial income, total	<u>2.038.682</u>	<u>3.254.684</u>
Net finance expenses from insurance contracts	(920.226)	(668.611)
Other financial items	(324.755)	(371.674)
Operating cost of the insurance investment portfolio	(206.409)	(239.198)
Net financial income, total	<u>587.292</u>	<u>1.975.201</u>

* Fair value changes in respect of financial services included.

Fair value change of equities includes ISK 141 million (2023: ISK 145 million) dividend income from equity holdings.

Interest income, finance expenses and other financial income above are from insurance investment operations.

Notes to the Condensed Consolidated Interim Financial Statements

10. Operating expenses

	YTD 2024	YTD 2023
Salaries and related expenses	3.944.103	2.767.232
Other operating expenses	2.006.405	1.500.230
Depreciation and amortisation	405.185	453.694
Total	6.355.693	4.721.156
Operating expenses of parent company	450.315	0
Operating expenses of financial services	1.592.611	89.044
Expenses of insurance operations	4.106.359	4.392.914
Operating cost of the insurance investment portfolio	206.409	239.198
Operating expenses, total	6.355.693	4.721.156
Salaries and related expenses are specified as follows:	YTD 2024	YTD 2023
Salaries	3.048.515	2.171.811
Pension fund contributions	430.111	284.097
Share option expenses*	20.533	0
Special financial activities tax on salaries	191.352	128.778
Other salary-related expenses	253.591	182.546
Salaries and salary-related expenses	3.944.103	2.767.232
Number of fulltime employees	242	198

*The 2023 general meeting of the company authorized the Board of directors to approve a share option plan in accordance with Article 10 of the Income Tax Act No. 90/2003 for all employees of Skagi (Vátryggingafélag Íslands) and its subsidiaries as for management as part of bonus scheme.

11. Income tax

Income taxes are calculated and recognized in the financial statements.

Effective tax rate:	YTD 2024		YTD 2023	
	Amount	%	Amount	%
Profit before income taxes	929.358		1.747.502	
Income tax according to prevailing tax rate	195.165	21,0%	349.500	20,0%
Fair value changes of financial assets	79.864	8,6%	(252.047)	-14,4%
Non-deductible expenses	10	0,0%	9	0,0%
Dividends received	(50.198)	-5,4%	(28.929)	-1,7%
Effect of temporary change in tax rate	3.825	0,4%	0	0,0%
Other changes	618	0,1%	(694)	0,0%
Income taxes according to the income statement	229.283	24,7%	67.838	3,9%

Notes to the Condensed Consolidated Interim Financial Statements

12. Financial assets of insurance activities

Financial assets are specified as follows:

	30.9.2024	31.12.2023
Shares in other companies		
Listed on domestic stock exchanges	3.175.148	3.852.460
Listed on foreign stock exchanges	3.073.373	1.896.105
Other companies	7.004.888	6.408.261
	<u>13.253.409</u>	<u>12.156.827</u>
Other securities		
Government-backed securities, indexed	3.824.279	4.338.264
Government-backed securities, non-indexed	6.647.062	5.066.129
Other bonds	10.534.457	12.044.764
Bond funds	8.358.969	6.628.339
Institutional investor funds	2.432.616	2.524.266
	<u>31.797.383</u>	<u>30.601.762</u>
Total financial assets	<u>45.050.792</u>	<u>42.758.589</u>

13. Securities for hedging purposes

The carrying amounts of equities and securities held for hedging purposes are specified as follows:

	30.9.2024	31.12.2023
Government bonds and treasury bills	1.298.168	991.441
Shares	3.629.684	2.877.705
Other securities	703.292	651.968
	<u>5.631.144</u>	<u>4.521.114</u>

14. Forward contracts

	30.9.2024	31.12.2023
Assets		
Derivatives shares	187.366	126.986
Derivatives bonds	1.518	16.249
	<u>188.883</u>	<u>143.235</u>
Liabilities		
Derivatives shares	226.124	194.563
Derivatives bonds	18.557	21.052
	<u>244.681</u>	<u>215.615</u>

15. Share in subsidiaries

	30.9.2024	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 activities
Líftryggingafélag Íslands hf.	100,0%	100,0%	Life insurance
SIV eignastýring hf.	70,0%	70,0%	Asset and fund management

Notes to the Condensed Consolidated Interim Financial Statements

16. Share in associates

	Share	Book value 30.9.2024	Book value 31.12.2023
Tplús hf.	35,0%	135.994	151.393
Vex ehf.	35,0%	38.889	38.889
		<u>174.883</u>	<u>190.283</u>

17. Intangible assets

Cost	Customer				Total
	Goodwill	relationships	Brands	Software	
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 Fossar	0	12.887	5.923	28.820	47.630
Cost at 31.12.2023	2.242.583	937.887	310.923	3.988.119	7.479.512
Additions during the period	0	25.000	0	9.661	34.661
Total cost 30.9.2024	<u>2.242.583</u>	<u>962.887</u>	<u>310.923</u>	<u>3.997.780</u>	<u>7.514.173</u>
Amortisation					
Accumulated amortisation as at 1.1.2023	0	0	0	2.840.550	2.840.550
Taken over due to acquisition of Fossar	0	1.692	778	3.784	6.253
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	24.817	8.403	3.963.083	3.996.302
Amortisation for the period	0	75.616	24.094	9.587	109.297
Accumulated amortisation as at 30.9.2024	<u>0</u>	<u>100.433</u>	<u>32.496</u>	<u>3.972.670</u>	<u>4.105.599</u>
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	302.521	25.036	3.483.211
Carrying amount as at 30.9.2024	2.242.583	862.454	278.427	25.110	3.408.574
Amortisation rates	0%	10%	10%	10-33%	

The Group's goodwill stems from VIS's acquisition of Lífis in 2012 as well as the merger of Fossar Investment Bank in 2023. At year-end 2023, an annual impairment test was carried out on the goodwill in respect of Lífis, based on discounted future cash flow. The result of the test was that it was not necessary to write down the carrying amount of the goodwill. It is management opinion that there are no indicators of impairment of goodwill at the 30.9.2024 reporting date.

18. Other receivables

Other receivables are specified as follows:	30.9.2024	31.12.2023
Prepaid taxes	715.699	460.581
Accrued interest income and prepaid expenses	614.169	794.027
Receivables related to domestic operations and other receivables	1.429.993	892.139
Other receivables, total	<u>2.759.861</u>	<u>2.146.748</u>

Notes to the Condensed Consolidated Interim Financial Statements

19. Insurance contract liabilities

Insurance contract liabilities are determined according to the accounting standard IFRS 17.

	30.9.2024	31.12.2023
Insurance contract liabilities		
Liability for remaining coverage	2.731.255	2.185.132
Liability for incurred claims	25.709.439	23.977.054
Total insurance contract liabilities	<u>28.440.693</u>	<u>26.162.186</u>
Reinsurance contract assets		
Reinsurance contracts assets	<u>1.322.546</u>	<u>1.229.156</u>
Insurance contract liabilities, net of reinsurance		
Insurance contract liabilities, net of reinsurance	<u>27.118.147</u>	<u>24.933.030</u>

Changes in liabilities for incurred claims are specified as follows:

Liability for incurred claims, start of year	<u>23.977.054</u>	<u>22.880.803</u>
Net finance expenses from insurance contracts	830.646	1.070.275
Paid claims in the period due to older years	(7.664.614)	(9.787.018)
Liability for incurred claims, current year	8.826.031	11.080.777
Total calculated liability for incurred claims	<u>25.969.116</u>	<u>25.244.837</u>
Ruff off	(302.869)	(783.016)
Change in risk adjustment	43.191	(484.767)
Liability for incurred claims, end of period	<u>25.709.439</u>	<u>23.977.054</u>

20. 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.

21. Accounts payable and other liabilities

Accounts payable are specified as follows:	30.9.2024	31.12.2023
Accounts payable	1.446.714	785.401
Income tax payable	421.225	150.590
Liabilities due to reinsurance activities	184.735	67.623
Other liabilities	1.981.340	2.156.160
Accounts payable and other liabilities, total	<u>4.034.015</u>	<u>3.159.773</u>

Notes to the Condensed Consolidated Interim Financial Statements

22. Share capital and equity reserves

The share capital is specified as follows:	30.9.2024	31.12.2023
Share capital according to the Company's Articles of Association	1.906.700	1.906.700
Treasury shares	(28.963)	(1.150)
Share capital according to annual financial statements	<u>1.877.737</u>	<u>1.905.550</u>

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

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.

According to the Annual Accounts 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 consist of profit and 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.

23. 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 19,1%.

	30.9.2024	31.12.2023
Fossar total equity at period end	1.859.182	1.925.908
Deduction items	(302.950)	(218.894)
Own funds	<u>1.556.232</u>	<u>1.707.014</u>
Risk weighted exposures:		
Credit risk	4.155.693	1.764.845
Market risk	1.635.395	1.417.711
Total risk weighted exposure for part a, 3rd paragraph. Article 84	<u>5.791.088</u>	<u>3.182.556</u>
Capital requirements for operational risk	<u>2.372.280</u>	<u>2.372.280</u>
Total risk weighted exposure for part b, 3rd paragraph. Article 84	<u>2.372.280</u>	<u>2.372.280</u>
Total risk weighted assets for Article 84	<u>8.163.368</u>	<u>5.554.836</u>
Capital adequacy ratio for Fossar	19,1%	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. 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%.

Notes to the Condensed Consolidated Interim Financial Statements

24. Solvency of a financial conglomerate

It is assumed the approval of the Financial Supervisory Authority for defining the Group as a financial conglomerate as defined in Article 3 of Regulation No. 61/2017 on Supplementary Supervision of Financial Conglomerates will be obtained and the capital requirement of the Group is now calculated as the solvency ratio of a financial conglomerate.

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

Solvency is a measure of the Group's ability to absorb shocks, or in other words, an indication of its financial strength. The Group's available capital and capital requirements are calculated on the assumption that the Group meets the definition of a financial conglomerate according to Articles 16, 17 and 18 of Regulation No. 61/2017 on Supplementary Supervision of Financial Conglomerates. The Group's solvency ratio is 1,48 compared to the minimum requirement in the Regulation, which is 1.0.

	30.9.2024	31.12.2023
Solvency capital requirements for insurance activities	12.825.142	11.866.623
Solvency capital requirements for other activities	1.138.568	742.873
Total solvency capital requirements	<u>13.963.710</u>	<u>12.609.495</u>
Own funds for insurance activities	19.025.936	19.317.148
Own funds for other activities	1.702.313	1.867.927
Total own funds	<u>20.728.249</u>	<u>21.185.076</u>
Solvency ratio	1,48	1,68

25. Solvency of insurance activities

The minimum solvency is a minimum amount of capital needed to meet the risks faced by the Company. The standardized approach, according to Act No. 100/2016, is applied, whereby calculation is based on all measurable risks. The following tables specify how the solvency requirements are divided into subcomponents of risk. Diversification effects are deducted since it is not assumed that all risks will be realized simultaneously. An adjustment for the loss-absorbing capacity of deferred taxes is deducted upon realization of risks.

Solvency capital requirements

	30.9.2024	31.12.2023
Market risk	7.765.004	6.683.185
Counterparty risk	1.988.050	1.820.181
Insurance risk	10.185.362	9.736.238
Diversification effects and other factors	(7.113.275)	(6.372.981)
Total solvency capital requirements	<u>12.825.142</u>	<u>11.866.623</u>
Own funds	19.025.936	19.317.148
Solvency ratio	1,48	1,63
Minimum Capital Requirements (MCR)	5.771.314	5.338.300

Notes to the Condensed Consolidated Interim Financial Statements

26. Financial instruments

26.1 Classification of financial instruments of insurance operations

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

30.9.2024	Financial assets at fair value	Financial assets at amortised cost	Total	Fair value
Financial assets				
Equity and equity funds	13.253.409		13.253.409	13.253.409
Debt instruments and other securities	29.145.177		29.145.177	29.145.177
Secured debt instruments		2.652.206	2.652.206	
Other receivables		1.567.027	1.567.027	
Cash in escrow accounts and term deposits		76.205	76.205	
Cash and cash equivalents		1.313.147	1.313.147	
Financial assets, total	<u>42.398.586</u>	<u>5.608.586</u>	<u>48.007.172</u>	
31.12.2023				
Financial assets				
Equity and equity funds	13.661.697		13.661.697	13.661.697
Debt instruments and other securities	26.387.746		26.387.746	26.387.746
Secured debt instruments		2.709.349	2.709.349	
Other receivables		1.781.063	1.781.063	
Cash in escrow accounts and term deposits		154.607	154.607	
Cash and cash equivalents		2.158.620	2.158.620	
Financial assets, total	<u>40.049.444</u>	<u>6.803.639</u>	<u>46.853.082</u>	

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

Fair value hierarchy of insurance operations

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.

30.9.2024	Level 1	Level 2	Level 3	Total
Financial assets at fair value	28.778.599	2.223.214	11.396.773	42.398.586
31 December 2023				
	Level 1	Level 2	Level 3	Total
Financial assets at fair value	27.394.439	1.054.670	11.600.335	40.049.444

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

	30.9.2024	31.12.2023
Balance 1.1.	11.600.335	11.540.198
Purchased	1.574.118	2.371.195
Sold / Repayments	(1.624.166)	(3.781.357)
Moved between levels	0	(305.964)
Interest and fair value changes*	(153.514)	1.776.264
Balance at 30.9.	<u>11.396.773</u>	<u>11.600.335</u>

*Of which ISK 47 million is realised and ISK -201 million is unrealised. Interest and fair value changes are recorded among net financial income in the income statement.

Notes to the Condensed Consolidated Interim Financial Statements

26.2 Classification of financial instruments of financial services operations

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

30.9.2024	Fair value through profit or loss	Fair value through OCI	Amortised cost	Total
Financial assets				
Cash and cash equivalents			522.949	522.949
Other receivables (without prepayments)			1.116.628	1.116.628
Bonds	2.547.324	3.026.954		5.574.278
Equities and other securities	403.288			403.288
Securities for hedging purposes	5.631.144			5.631.144
Loans to customers			4.406.929	4.406.929
Total	8.581.756	3.026.954	6.046.506	17.655.217
Financial liabilities				
Money market loans			9.274.046	9.274.046
Issued bonds and bills			3.563.529	3.563.529
Liabilities to credit institutions			1.399.242	1.399.242
Accounts payable and other liabilities (without unpaid taxes)			1.732.549	1.732.549
Long-term loans			24.256	24.256
Total	0	0	15.993.621	15.993.621
31 December 2023				
Financial assets				
Cash and cash equivalents			112.073	112.073
Other receivables (without prepayments)			211.078	211.078
Bonds	1.904.654	2.657.469		4.562.123
Equities and other securities	337.320			337.320
Securities for hedging purposes	4.521.114			4.521.114
Loans to customers			1.672.720	1.672.720
Total	6.763.087	2.657.469	1.995.872	11.416.428
Financial liabilities				
Money market loans			6.227.385	6.227.385
Issued bonds and bills			2.285.315	2.285.315
Liabilities to credit institutions			700.000	700.000
Accounts payable and other liabilities (without unpaid taxes)			292.507	292.507
Long-term loans			22.176	22.176
Total	0	0	9.527.383	9.527.383

Fair value hierarchy of financial services operations

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

30. september 2024	Level 1	Level 2	Level 3	Total
Investment in listed companies	4.032.973			4.032.973
Investment in bonds	7.472.809			7.472.809
Holdings in other companies, total	11.505.781	0	0	11.505.781
31 December 2023				
Investment in listed companies	3.215.025			3.215.025
Investment in bonds	6.102.592			6.102.592
Holdings in other companies, total	9.317.617	0	0	9.317.617

The fair value of loans and receivables that bear fixed interest is assessed using the cash flow method, where the yield is based on the estimated market interest rate for the respective debt instrument on the reporting date. The fair value of 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.

Notes to the Condensed Consolidated Interim Financial Statements

27. Credit quality of financial assets

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

	Claim value	Impairment to expected credit loss	Carrying amount	Total collateral	Allocated collateral				
					Deposits	Listed securities and liquid funds	Unlisted securities and other funds	Residential and Commercial real estate	Other
30.9.2024									
Public entities									
Financial institutions									
Corporate									
Real estate activities	292.686	(1.651)	291.035	459.900				459.900	0
Construction	302.282	(519)	301.763	3.205.250				3.138.000	67.250
Service activities	0	0	0	0				0	0
Accommodat. and Food Service Activit.	224.445	(1.218)	223.227	2.376.335			2.091.335	285.000	0
Activities of Holding Companies	3.421.283	(5.495)	3.415.788	9.060.406	37.647	3.862.656	1.561.489	1.412.900	2.185.714
Wholesale and Retail Trade	0	0	0	0					0
Other	175.683	(567)	175.116	540.000					540.000
Individual									
Total	4.416.379	(9.450)	4.406.929	15.641.891	37.647	3.862.656	1.561.489	5.295.800	2.792.964

	Claim value	Impairment to expected credit loss	Carrying amount	Total collateral	Allocated collateral				
					Deposits	Listed securities and liquid funds	Unlisted securities and other funds	Commercial real estate	Other
31.12.2023									
Public entities									
Financial institutions									
Corporate									
Real estate activities									
Construction	14.994		14.994	67.500					67.500
Service activities									
Accommodat. and Food Service Activit.	150.967		150.967	4.080.000					4.080.000
Activities of Holding Companies	1.506.759		1.506.759	3.728.145	3.208	2.680.526	1.044.411		
Wholesale and Retail Trade									
Other									
Individual									
Total	1.672.720	0	1.672.720	7.875.645	3.208	2.680.526	1.044.411	0	4.147.500

Notes to the Condensed Consolidated Interim Financial Statements

27.2 Credit quality of loans to customers by credit quality band

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

Credit quality of financial assets by credit quality band

30.9.2024

Loans to customers:	Stage 1	Stage 2	Stage 3	Total
Credit quality band I	4.289.980			4.289.980
Credit quality band II	126.399			126.399
Credit quality band III				
Credit quality band IV				
In default				
Non-Rated				
Gross carrying amount	4.416.379	0	0	4.416.379
Expected credit loss	(9.450)			(9.450)
Book value	4.406.929	0	0	4.406.929

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

27.3 Breakdown of loans to customers into not past due and past due

30.9.2024

	Claim value	Expected credit loss	Book value
Not past due	4.416.379	(9.450)	4.406.929
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	4.416.379	(9.450)	4.406.929

31.12.2023

	Claim value	Expected credit loss	Book value
Not past due	1.672.720	0	1.672.720
Past due 1-30 days			
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

Notes to the Condensed Consolidated Interim Financial Statements

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

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

30.9.2024

Expected credit loss allowance total

Transfer of financial assets:	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	2.049			2.049
Transfer to Stage 1				
Transfer to Stage 2				
Transfer to Stage 3				
Net remeasurement of loss allowance	538			538
New financial assets, originated or purchased	6.863			6.863
Derecognitions and maturities				
Write-offs				
Balance as at 30 September 2024	9.450	0	0	9.450

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				
Transfer to Stage 2				
Transfer to Stage 3				
Net remeasurement of loss allowance	2.099			2.099
New financial assets, originated or purchased				
Derecognitions and maturities				
Write-offs	(888)			(888)
Balance as at 31 December 2023	2.049	0	0	2.049

28. 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. 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 Group uses other risk mitigation measures, such as guarantees, negative pledge, cross-collateral and collateralization of non-quantifiable assets.

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

	30.9.2024	%	31.12.2023	%
Less than 50%	1.698.874	39%	662.273	40%
51-70%	2.467.681	56%	809.305	48%
71-90%	240.374	5%	201.142	12%
91-100%				
101-125%				
126-200%				
Greater than 200%				
No or negligible collateral:				
Other loans with no collateral				
Total	4.406.929	100%	1.672.720	100%

Notes to the Condensed Consolidated Interim Financial Statements

29. Maximum exposure to credit risk

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

30.9.2024

On and off balance sheet exposure	Public entities	Financial institutions	Corporate customers	Individuals	Total
Cash and balances with Central Bank		517.291			517.291
Fixed income securities	5.631.144				5.631.144
Loans to customers			4.406.929		4.406.929
Derivatives			188.883		188.883
Other assets			258.925		258.925
Total	5.631.144	517.291	4.854.738	0	11.003.173

31.12.2023

On and off balance sheet exposure	Public entities	Financial institutions	Corporate customers	Individuals	Total
Cash and balances with Central Bank		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

Notes to the Condensed Consolidated Interim Financial Statements

30. 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.

	Notional amount fixed income securities	Notional amount variable income securities	Total notional amount	Market value of collateral			
				Deposits	Fixed income Securities	Variable income securities	Total collateral
30.9.2024							
Financial institutions	881.814	2.637.097	3.518.911	185.421	239.851	180.744	606.016
Corporate customers	4.704.636	320.402	5.025.038	274.457	2.975.014	866.895	4.116.366
Individuals							
	<u>5.586.450</u>	<u>2.957.499</u>	<u>8.543.949</u>	<u>459.878</u>	<u>3.214.865</u>	<u>1.047.639</u>	<u>4.722.382</u>

	Notional amount fixed income securities	Notional amount variable income securities	Total notional amount	Market value of collateral			
				Deposits	Fixed income Securities	Variable income securities	Total collateral
31.12.2023							
Financial institutions	157.081	1.336.746	1.493.827	42.465	0	0	42.465
Corporate customers	4.766.714	552.748	5.319.462	760.846	209.600	2.002.550	2.972.996
Individuals	0	237.628	237.628	15.132	0	0	15.132
	<u>4.923.795</u>	<u>2.127.122</u>	<u>7.050.917</u>	<u>818.443</u>	<u>209.600</u>	<u>2.002.550</u>	<u>3.030.593</u>

Notes to the Condensed Consolidated Interim Financial Statements

31. Large exposure

Large exposure before risk adjusted mitigation	30.9.2024		31.12.2023	
	Number	Amount	Number	Amount
10-20% of capital base	6	1.478.679	0	0
20-25% of capital base	0		0	0
Exceeding 25% of capital base	0		0	0
Total	6	1.478.679	0	0
Large exposure net of risk adjusted mitigation	6	1.230.442	0	0

32. Key ratios

The combined ratio is the sum of incurred claims, operating expenses and net reinsurance cost as a proportion of insurance revenue. The claims ratio, operating ratio and net reinsurance ratio are calculated as a proportion of the insurance revenue for the period.

The following table shows the combined ratio and other key figures of the insurance operations and the Group. For further information on solvency ratios, reference is made to notes 24-25.

Key ratios for insurance business	30.9.2024	30.9.2023
Claims ratio	73,3%	75,7%
Net reinsurance ratio	3,0%	3,0%
Claims and net reinsurance ratio	76,3%	78,7%
Insurance contracts expense ratio	18,9%	21,8%
Combined ratio	95,2%	100,5%
Solvency ratio for insurance business	1,48	1,53
Key ratios for the Group		
ROE on annual basis	3,9%	13,1%
Solvency ratio for the Group	1,48	1,73

33. 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, 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.

Transactions and balances with related parties are specified as follows:

	1.1-30.9.2024		30.9.2024	
	Income	Expenses	Assets	Liabilities
Board of directors and key management	2.895	36.249	388.153	12.297
	1.1-30.9.2023		31.12.2023	
	Income	Expenses	Assets	Liabilities
Board of directors and key management	22.586	54.434	389.318	911

Notes to the Condensed Consolidated Interim Financial Statements

34. 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 however noted that capital allocations within the Group have been concluded in November, in terms of (a) on 1st November an equity share capital increase was completed from Skagi to Fossar fjárfestingarbanki hf. in the amount of ISK 200 million, to support growth of the bank; and (b) on 11th November the acquisition of Íslensk verðbréf hf. with initial (1st) payment of ISK 1,579 million to sellers of 98.07% share capital in ÍV was concluded. The 2nd and final payment to sellers of Íslensk verðbréf is expected to be made on 11th January 2025 in the amount of 25 million, subject to certain conditions.

35. Quarterly statement

	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023
Insurance revenue	7.634.285	7.212.980	6.788.741	6.843.539	6.952.232
Investment result after financial items	119.137	(31.026)	499.182	845.132	396.871
Net interest and commission income	367.801	336.078	592.138	391.452	37.891
Share in the profit of aff., after income tax	0	0	0	9.191	0
Other income	16.617	37.270	24.702	17.337	14.584
Total income	8.137.840	7.555.303	7.904.763	8.106.650	7.401.578
Insurance service expenses	(6.857.014)	(6.267.195)	(6.828.887)	(6.641.423)	(6.344.821)
Net expenses from reinsurance contracts	(187.636)	(250.375)	(202.480)	42.994	(238.933)
Operating expenses	(651.993)	(749.283)	(664.235)	(658.669)	(105.464)
Impairment of intangible assets	(650)	(1.893)	(6.907)	(805.628)	0
Profit before income taxes	440.547	286.557	202.254	43.924	712.360
Income tax	(13.330)	(149.213)	(66.740)	108.016	(104.888)
Profit for the period	427.217	137.344	135.514	151.940	607.471
Claims ratio	73,5%	67,2%	79,7%	73,3%	72,6%
Net reinsurance ratio	2,5%	3,5%	3,0%	-0,6%	3,4%
Claims and net reinsurance ratio	76,0%	70,7%	82,6%	72,6%	76,0%
Insurance contracts expense ratio	16,3%	19,7%	20,9%	23,8%	18,7%
Combined ratio	92,3%	90,4%	103,6%	96,4%	94,7%