



Asset Management Company

Financial Statements 2025

Stefnir hf.  
Borgartun 19  
105 Reykjavík

Reg. no. 700996-2479

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**In the case of any discrepancy between the English and the Icelandic texts, the Icelandic versions shall prevail and questions of interpretation will be addressed solely in the Icelandic language.**

# Report and endorsement of the board of directors and the managing director

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Stefnir hf. is an independently operating financial institution according to Act No. 161/2002 on Financial Undertakings. The company operates on the basis of operating licenses from the Financial Supervisory Authority of the Central Bank of Iceland as a management company for UCITS funds according to Act No. 116/2021 on UCITS, and as an alternative investment fund manager (AIFM) according to Act No. 45/2020 on Alternative Investment Fund Managers. The company's operating license also covers asset management, investment advice, and the custody and administration of units or shares in collective investment undertakings.

Stefnir is a well-established Icelandic fund management company with over ISK 379 billion under active management. Stefnir is a subsidiary of Arion Bank hf. and related parties, and part A of the annual financial statements forms part of the Bank's consolidated financial statements.

The company's annual financial statements are divided into two parts: Part A, which contains the financial statements of Stefnir hf., and Part B, which contains the financial statements of UCITS and alternative funds marketed to the public. The annual financial statements are prepared in accordance with the Annual Accounts Act, the Financial Undertakings Act, and rules issued by the Financial Supervisory Authority of the Central Bank of Iceland regarding the financial statements of UCITS management companies and AIFMs.

## Operations during the year

The company's operations generated a profit of ISK 925 million for the year according to the income statement. The company's equity at year-end amounted to nearly ISK 2.8 billion according to the balance sheet. The capital ratio calculated according to the Financial Undertakings Act was 62.7%, while the minimum permitted ratio under the Act is 8.0%.

The company's share capital was ISK 43.5 million at both the beginning and end of the year and was entirely owned by Arion Bank hf. and related parties.

The Board of Stefnir proposes a dividend payment of 850 million ISK for the financial year 2025.

## Highlights of 2025

The Annual General Meeting of Stefnir was held on 7 May 2025, at which a dividend payment of ISK 1.1 billion to shareholders was approved. The Board elected at the meeting consists of Jón Óttar Birgisson (Chairman), Hrefna Ösp Sigfinnsdóttir, and Kristín María Dýrfjörð. The company operates an Audit and Risk Committee and a Remuneration Committee. The Managing Director of the company is Jón Finnbogason.

## Performance of assets under management

Assets under active management increased by ISK 43 billion during the year, from just over ISK 336 billion to approximately ISK 379 billion. The increase is mainly attributable to inflows to newly established funds and positive returns during the year. The distribution of asset classes under management is well balanced, and the company's revenue composition aligns with the Board's objectives.

Economic developments both domestically and abroad influenced fund performance in various ways during the year. Economic and political uncertainty originating in the United States, whose foreign policy has set a tone closely monitored by markets, contributed to increased volatility in global capital markets. The Icelandic króna strengthened by nearly 10% against the US dollar but weakened by around 3% against the euro. Domestically, setbacks in export industries, particularly in the autumn, led to increased unemployment, while inflation remained persistent at 4.5% in December and monetary policy remained tight. Nevertheless, the Central Bank of Iceland lowered interest rates by 1.25% during the year, which should support a shift in savings from bank deposits to other investment options.

There was a substantial difference between the performance of foreign and domestic equities during the year. The global MSCI World Index rose by 21.6%, while the domestic OMXI15GI dividend-adjusted index increased by 0.4%. Traditional domestic dividend paying companies fared better, reflected in Stefnir – Dividend Fund being the only Icelandic equity fund to deliver positive returns for the year.

Stefnir took several steps during the year to benefit the investors in its funds. The company reduced fees for its Premia funds and eliminated all front-end fees across funds, and there is now no minimum investment amount. By lowering costs and removing minimum investment limits, the company aims to strengthen the ability of all investors to engage in regular savings through the capital markets. While these extensive changes are expected to affect the company's operating income in the short term, a broader client base investing in Stefnir's diverse range of funds is expected to create a strong long term revenue foundation.

# Report and endorsement of the Board of Directors and the Managing Director, cont.

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The number of clients increased by 11% during the year to approximately 13,700, and the number of fund subscriptions rose by 40%. The most popular subscription fund remains Stefmir – Balanced Fund, while Katla Fund – Global Equity has also attracted significant interest from new clients. The number of regular subscriptions to Stefmir's funds has never been higher, supported by the ease and convenience of investing in Stefmir funds through the Arion Bank app. The "Women Invest" initiative has also resulted in increased and larger investments by women, a welcome development.

Product development has always been a key factor supporting Stefmir's growth and competitiveness, with strong revenue diversification driven by innovation across all teams in the company.

In the spring, development began on funds connected to real estate related projects, drawing on Stefmir employees' extensive experience in establishing and managing such funds. In collaboration with several construction firms, Stefmir introduced a new co ownership structure to help individuals purchase residential property. The initiative has been well received and sparked substantial public discussion. By year end, nine construction companies had established co ownership funds, all managed by Stefmir.

Two funds were established during the year, both of which listed their bonds on Nasdaq OMX. The SÍL 3 hs. fund, a loan fund of over ISK 7 billion, and SEL II hs., which issued principal protected bonds totalling over USD 32 million. These bond issues increase institutional investors' access to alternative investment instruments that diversify portfolio risk. Further product development in this area is expected in coming years.

During the year, SÍA IV, another Stefmir managed private equity fund primarily owned by pension funds, acquired a majority stake in Internet á Íslandi hf. (ISNIC), the registry for Iceland's .is country code domain. This acquisition is the final new investment for SÍA IV, as its investment period has now ended.

The private equity fund SÍA V slhf. was founded during the year, the fifth in Stefmir's private equity series. Subscriptions totalled more than ISK 15.2 billion, primarily from pension funds. The fund aims to maximize shareholder returns through investments in Icelandic businesses. It is an active ownership fund with significant influence over the companies it invests in and focuses on value creation. The fund falls under Article 8 of the SFDR and has therefore established procedures related to environmental and social factors in investment evaluation.

The company's research team supports investment decision making in Stefmir's funds and has published extracts from its analyses on Stefmir's social media. Emphasis is placed on professional commentary, with both analysts and managers participating in market, economic, and sustainability discussions.

## **Non-financial disclosures, responsible investment, governance, and risk management**

Stefmir's role is to manage client assets with their best interests in mind. Responsible and diversified investment options, along with thorough disclosures, are key elements of Stefmir's approach to social responsibility. By considering environmental, social, and governance (ESG) factors, the company aims to have a positive impact on society, fund investors, and other stakeholders. Non financial disclosures pursuant to Article 66.d of Act No. 3/2006 can be found on Stefmir's website. The company's ESG reporting follows Nasdaq's UFS guidelines, available at <https://www.nasdaq.com/ESG-Guide>.

The Board has established a responsible investment policy that is continuously being integrated into investment processes and portfolio selection. Stefmir submits an annual progress report to the UN Principles for Responsible Investment (PRI), the world's largest reporting platform for responsible investment.

Risk management and strong internal controls are fundamental pillars of responsible fund management. The Board has approved a risk management policy covering the management of risks associated with the assets and portfolios of UCITS and AIFs marketed to the public. The company's risk appetite has been defined, and the Board monitors key performance indicators regularly. Major risks in Stefmir's operating environment are identified annually. Risk identification, assessment, and measurement are carried out systematically, with the Board receiving regular reports from risk management and internal audit. Measures for mitigating and controlling risks are essential for safeguarding operational security.

Stefmir has obtained and maintained ISO 27001:2022 certification for information security, and equal pay certification under ÍST 85:2012 from BSI.

The Board of Stefmir emphasizes good governance practices and is committed to fostering responsible conduct and corporate culture for the benefit of all stakeholders.

# Report and endorsement of the Board of Directors and the Managing Director, cont.

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Stefnir was the first Icelandic company to receive recognition as a “Model Company in Corporate Governance” from the Centre for Corporate Governance in 2012 and has received the recognition annually since then. Continuous improvements and governance development form part of the company’s core processes, including periodic independent governance assessments. Further information on governance can be found in the corporate governance statement accompanying these financial statements.

## **Outlook, risk factors, and events after the reporting period**

The outlook is considered favourable; however, various uncertainties related to domestic and international economic developments, market fluctuations, interest rate trends, and other external factors may affect Stefnir’s funds and operations in the short and long term. Diversified portfolios and a broad revenue base reduce the likelihood of earnings volatility. Stefnir has demonstrated adaptability in a changing business environment and benefits from economies of scale and stable ownership.

## **Endorsement by the Board of Directors and the Managing Director**

These financial statements are prepared in accordance with the Annual Accounts Act, the Financial Undertakings Act, the Alternative Investment Fund Managers Act, and the rules on financial statements for UCITS management companies, AIFMs, UCITS funds, and investment funds. To the best knowledge of the Board and the Managing Director, the financial statements provide a true and fair view of the company’s performance for the year 2025, its assets, liabilities, and financial position as of 31 December 2025, and changes in cash flows during the year. The Board of Directors and the Managing Director have reviewed the financial statements for 2025 and confirm them with their electronic signatures.

Reykjavik, 25. February 2026.

## **The Board of Directors:**

Jón Óttar Birgisson, chairman of the board  
Hrefna Ösp Sigfinnsdóttir, board member  
Kristín María Dýrfjörð, board member

## **Managing Director:**

Jón Finnbogason

# Independent Auditors' Report

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**To the Board of Directors Shareholders of Stefir hf**

## **Opinion**

We have audited the financial statements of Stefir hf. for the year ended December 31, 2025 which comprise the statement of income, the statement of financial position, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Stefir hf. as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with the Icelandic Financial Statement Act, Act on Financial Undertakings and the rules of the Financial Supervisory Authority on the annual accounts of UCITS management companies, alternative investment fund managers, UCITS and investment funds.

## **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Stefir hf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

## **Other information**

The Board of Directors and the CEO are responsible for the other information. The other information comprises of the report of Board of Directors, Corporate governance statement and EU Taxonomy Regulation.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Except from the confirmation regarding report of the board of directors as stated below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with Paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the accompanying report of the board of directors includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the financial statements.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the financial statements in accordance with the Icelandic Financial Statement Act, Act on Financial Undertakings and the rules of the Financial Supervisory Authority on the annual accounts of UCITS management companies, alternative investment fund managers, UCITS and investment funds, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors shall supervise the preparation and presentation of the financial statements.

# Independent Auditors' Report, cont.

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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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.

Kópavogur, 25. February 2026

## **Deloitte ehf.**

Gunnar Þorvarðarson  
State Authorized Public Accountant

The Financial Statements of Stefmir hf. Is electronically signed by the auditors.

# Statement of Income

## for the year 2025

	Note	2025 2025	2025 2024
<b>Operating income</b>			
Management and performance based fees .....	5	2,475,583	2,581,632
Financial income .....	11	98,253	213,697
		<u>2,573,836</u>	<u>2,795,329</u>
Financial expense .....	10	( 51)	( 18,936)
		<u>2,573,785</u>	<u>2,776,393</u>
<b>Operating expense</b>			
Salaries and related expense .....	12	756,355	724,585
Service commissions to Arion bank hf. ....		469,492	485,218
Other expense .....		185,425	200,274
		<u>1,411,272</u>	<u>1,410,077</u>
<b>Earnings before tax .....</b>		1,162,513	1,366,316
Income tax .....	15	( 237,213)	( 305,664)
<b>Net earnings .....</b>	19	<u>925,300</u>	<u>1,060,652</u>

# Statement of Financial Position

## as at 31 December 2025

	Note	31.12.2025	31.12.2024
<b>Assets</b>			
Securities with fixed income .....		0	26,123
Securities with variable income .....		736,133	1,040,004
Total Securities	6, 16	<u>736,133</u>	<u>1,066,127</u>
Accounts receivables .....	8	2,156,617	2,066,614
Receivable from related parties .....		192,336	183,997
Total Receivables		<u>2,348,953</u>	<u>2,250,611</u>
Cash and cash equivalents .....	9	531,256	642,952
Other assets .....		12,235	4,733
Total Other Assets		<u>543,491</u>	<u>647,685</u>
<b>Total Assets</b>		<u><u>3,628,577</u></u>	<u><u>3,964,423</u></u>
<b>Equity</b>			
Share capital .....		43,500	43,500
Statutory reserve .....		10,875	10,875
Other reserves .....		124,254	174,327
Retained earnings .....		2,588,613	2,710,285
Total Equity	19	<u>2,767,242</u>	<u>2,938,987</u>
<b>Liabilities</b>			
Deferred tax liabilities .....		22,117	18,998
Accounts payable .....		12,553	8,452
Accounts payable to related entities .....		57,588	58,855
Accounts payable to other related parties .....		8,155	9,670
Tax liabilities .....	20	235,828	307,884
Other liabilities .....		525,094	621,577
Total liabilities		<u>861,335</u>	<u>1,025,436</u>
<b>Total Equity and Liabilities</b>		<u><u>3,628,577</u></u>	<u><u>3,964,423</u></u>

# Statement of Cash Flows

## for the year 2025

	Note	2025 2025	2025 2024
<b>Cash flows from operating activities</b>			
Net earnings .....	19	925,300	1,060,652
Non-cash items included in net earnings:			
Valuation changes of securities .....	(	25,376)	( 108,838)
Income tax recognised in profit or loss .....		237,213	305,664
		<u>1,137,137</u>	<u>1,257,478</u>
Changes in operating assets and liabilities .....	(	198,054)	( 324,019)
Income tax paid .....	20	( 306,150)	( 287,685)
Net cash from operating activities		<u>632,933</u>	<u>645,774</u>
<b>Investing activities</b>			
Purchase of securities with variable income .....	(	76,150)	( 977,725)
Sale of securities with variable income .....		404,495	1,123,495
Purchase of securities with fixed income .....	(	19,177)	( 27,271)
Sale of securities with fixed income .....		44,578	0
Instalment of securities with fixed income .....		1,625	3,196
Investing activities		<u>355,371</u>	<u>121,695</u>
<b>Finance activities</b>			
Dividend paid .....	19	( 1,100,000)	( 1,000,000)
Finance activities		<u>( 1,100,000)</u>	<u>( 1,000,000)</u>
Net change in cash and cash equivalents .....		( 111,696)	( 232,531)
Cash and cash equivalents at the beginning of the year .....		<u>642,952</u>	<u>875,483</u>
Cash and cash equivalents at the end of the year .....	9	<u>531,256</u>	<u>642,952</u>

# Notes to the Financial Statements

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## Accounting policies

### 1. General information

Stefnir hf. is a limited liability entity and operates in accordance with Act. 2/1995 on Limited Liability Companies and Act. 161/2002 on Financial Undertakings. The address of Stefnir's registered office is at Borgartún 19, Reykjavík and its ID no. is 700996-2479.

Stefnir is a subsidiary of Arion Bank hf., ID no. 581008-0150, Borgartún 19, Reykjavík.

### 2. Financial risk management at the company

Risk management and active internal control are mainstays of the responsible operation of a fund management company. Potential risks are analyzed thoroughly and we work methodically to strengthen the entire structure of the management company.

The operation of Part B funds involves various risks, such as the impact of changes in the price of financial instruments, foreign currencies, the liquidity of debtors and interest rate changes. The risk management of the funds focuses on actions designed to manage these risks. Fund managers seek to manage risk by actively managing financial instruments where applicable. Further information on financial risk factors can be found in the prospectuses on the company's website.

### 3. Basis of preparation

The Financial Statements of Stefnir hf. are prepared in accordance with law on Financial Statements, law on Financial Undertakings, law on Mutual Funds and the rules of the Financial Supervisory Authority on the annual accounts of UCITS management companies, alternative investment fund managers, UCITS and investment funds. The Financial Statements are prepared on the historical cost basis except for Securities that are valued at fair value. The Financial Statements are presented in Icelandic króna (ISK), rounded to the nearest thousand unless otherwise stated.

The Financial Statements of Stefnir hf. are part of the Consolidated Financial Statements for the parent company with information on operations and financial position of the Consolidated company.

### 4. Use of estimates and judgements

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses in the Financial Statements presented. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the Financial Statements.

### 5. Management and performance based fees

The company earns asset management fees for the operations of Stefnir's securities funds, alternative investment funds marketed towards the public and other alternative investment funds. The fee is a fixed percentage of the net assets, total assets or subscriptions of each fund and includes the following operating expenses of the funds; salaries of the employees of the operating company, marketing and management. Additionally the company earns fees for the asset management of foreign funds that are in custody of foreign entities. Performance fees are earned if certain conditions are met.

### 6. Securities

#### a. Securities with variable income

Securities owned by the company are trading assets. Fund units and shares in special purpose entities are measured at cost at the end of the year. Listed fund units are measured at market value at the end of the year.

#### b. Securities with fixed income

Bonds that are listed on regulated securities market which is active and price generating are measured at market price at each time. The expression "active and price generating" means that the closing price of a bond is not based on old trades, trading with an insignificant portion of the total issuance or does not reflect the fair value of the bond as valued by specialists. If the issuer of a bond is expected to default, the bond is valued at the expected recoverable amount taking into account priority order of claims.

A bond where the issuer is deemed viable but is not listed on an active and price generating securities market is measured at present value of future cash flow. The choice of yield curve used for each bond is based on general risk and the circumstances on the market at the end of the year.

# Notes to the Financial Statements, cont.

## b. Securities with fixed income, cont.

For a bond where the issuer is not deemed viable the methods described above are deviated from and the bond is measured at expected recovery value and no interest income is realised. The estimate of expected recovery value takes into account the experience of the recovery from similar issuers, the financial statements of the issuer and statements issued by it. If the issuer is in administration, has defaulted or stated that payments of the bond will not be made the expected recovery is measured 0-1% and the bond entered into a collection process. If new information is received from issuers that have previously been fully provisioned for, the bond is re-valued, which might change the valuation of the bond to higher value. Due to significant uncertainty about the valuation of bonds the final recovery might vary considerably from the valuation at the end of the year.

## 7. Foreign currency transactions

Transactions in foreign currencies are translated to Icelandic króna at exchange rates at the dates of transactions, according to Reuter. Assets and liabilities denominated in foreign currency are translated at exchange rate at the end of the year.

Net foreign assets at 31 December 2025 amount to ISK 349 millions and are specified as follows:

	EUR	USD	GBP	Other
Assets .....	348,439	7,437	153	0
Liabilities .....	( 1,926)	( 4,630)	0	0
Net balance 31.12.2025 .....	346,513	2,807	153	0
Net balance 31.12.2024 .....	480,929	11,956	44	0
Exchange rate of ISK 31.12.2025 .....	147.23	125.19	168.66	
Exchange rate of ISK 31.12.2024 .....	143.88	138.62	173.47	

## 8. Receivables

Receivables are measured at nominal value deducted by impairment.

## 9. Cash

Cash consists of cash and deposits with credit institutions.

## 10. Tax assets / liabilities

The calculation of deferred tax asset / liability is based on the difference between Statement of Financial Position items as presented in the tax return on the one hand, and in the Financial Statements on the other. This difference is due to the fact that tax assessments are based on premises that differ from those governing the Financial Statements, mostly because of time difference in impairment of securities and foreign exchange gain and loss are distributed over three years in the tax return.

## 11. financial income / (expense)

Financial income is specified as follows:

	2025	2024
Valuation gain in securities assets .....	9,029	123,134
Foreign exchange gain .....	122	0
Interest income .....	89,102	90,563
Financial income .....	98,253	213,697

Financial expenses is specified as follows:

Foreign exchange loss .....	0	( 18,567)
Interest expense .....	( 51)	( 369)
Financial expense .....	( 51)	( 18,936)

## Notes to the Financial Statements, cont.

<b>12. Salaries and related expenses and personnel</b>	<b>2025</b>	<b>2024</b>
Salaries .....	584,915	560,670
Share-based payment expenses .....	2,954	4,519
Contribution to pension funds .....	87,485	84,121
Other salary related expenses .....	81,001	75,275
Salaries invoiced .....	0	0
Salaries and related expenses .....	756,355	724,585
Number of employees at the end of the year. ....	20	20
Average number of employees during the year. ....	20	23

At the annual general meeting of Arion Bank on 16 March 2022, the board of directors of the Bank was authorized to make changes to the Bank's share option scheme and it was expanded to include employees of Stefnir. Costs relating to the share option scheme amount to ISK 3.0 million for 2025. (ISK 4.5 million for 2024). Please refer to the annual and/or interim financial statements of Arion Bank for further information on the share option scheme.

Compensation of the key management personnel:

Jón Finnbogason, Managing Director .....	59,953	55,474
Jón Óttar Birgisson, Chairman of the Board .....	8,245	0
Hrefna Ösp Sigfinnsdóttir, Board-member .....	7,275	6,945
Kristín María Dýrfjörð, Board-member .....	4,838	0
Guðmundur Jón Jónsson, Board-member .....	4,153	6,090
Sigrún Ragna Ólafsdóttir, Chairman of the Board .....	2,433	11,843
Total remuneration .....	86,897	80,352

No salary and salary related expenses were expensed in the year of 2025 in respect of the resignation of former employees. (ISK 6.5 million in 2024 in respect of the resignation of former employees.)

Remuneration to three managers was total ISK 105 million in the year of 2025 (ISK 153.4 million in the year 2024)

The Board of Stefnir has set rules for bonus payments in accordance with the FSA's rules on remuneration policy for financial institutions. In 2025 the company made a provision of ISK 96.8 million for performance plan payment, including salary related expense (ISK 109.8 million in 2024). Forty percent of the payment is deferred for three years if it exceeds 10% of the employee's annual salary without any bonus payments in accordance with FME rules on remuneration policy for financial undertakings. At the end of the year the company's accrual for performance plan payments amounts to ISK 163.3 million (ISK 173,8 million in the end of 2024).

<b>13. Audit expense</b>	<b>2025</b>	<b>2024</b>
Audit of annual accounts .....	16,524	18,728
Review of the interim accounts .....	4,733	4,883
Other audit services .....	2,991	3,268
Total Audit expense .....	24,248	26,879

# Notes to the Financial Statements, cont.

## 14. Leases

An agreement is in place between Stefmir hf. and Arion Bank hf. on the leasing of commercial property. The agreement was signed in December 2012. The leased office space is located on the third floor of Borgartún 19. According to the agreement the lease period is indefinite and there is no period of notice.

The lease pursuant to the agreement amounted to ISK 30.2 million in the year 2025. The lease is expensed under other operating expenses in the company's income statement. The corresponding payment in 2024 amounted to ISK 28.4 million.

15. Income tax expense	2025	2024
Current tax expense .....	235,828	307,884
Prior year correction .....	( 1,734)	( 1,335)
Deferred tax expense .....	3,119	( 885)
Total Income tax expense .....	237,213	305,664

16. Securities	31.12.2025	31.12.2024
Securities with fixed income are listed on regulated market:		
Issued by public entities .....	0	26,123
	0	26,123
Securities with variable income are unlisted and specified as follows:		
Shares in companies .....	5,185	500
Shares in investment companies .....	191,920	245,465
Fund units .....	539,028	794,039
	736,133	1,040,004
Securities total .....	736,133	1,066,127

## 17. Related parties

Stefmir hf. has a related party relationship with the parent company, Arion Bank hf. and its subsidiaries and associates, funds under management, The Board of Directors and key management personnel at Stefmir.

No unusual transaction took place with related parties during the year. Transaction with related parties have been conducted on an arm's length basis.

Stefmir pays Arion Bank for custody services, in addition Stefmir has outsourced activities to Arion Bank, with the approval of the Financial Supervisory Authority. The main outsourced tasks are outsourcing of internal auditing, compliance, IT services, accounting and settlement services, specific tasks to the Commercial Banking division and other activities.

Transactions with related parties 2025	Revenue	Expense	Receivables/ Assets	Liabilities
Arion bank consolidated .....	44,545	585,640	531,256	57,588
Funds in operation .....	1,976,766	0	192,336	8,155
	2,021,310	585,640	723,592	65,743

Transactions with related parties 2024	Revenue	Expense	Receivables/ Assets	Liabilities
Arion bank consolidated .....	40,980	593,341	642,952	58,855
Funds in operation .....	1,849,831	0	183,997	9,670
	1,890,811	593,341	826,949	68,525

# Notes to the Financial Statements, cont.

## 18. Assets under Management

Assets under Management in funds in operation by Stefmir at the end of the year amount to ISK 379 billions compared to ISK 336 billions at year end 2024.

## 19. Equity

a. Share capital amounts to ISK 43.5 million at year end, unchanged from year end 2024, with par value of ISK 1 per share.

b. Changes in equity are specified as follows:

	Share capital	Statutory reserve	Fair value equity reserve	Retained earnings	Total
Equity 1.1.2024 .....	43,500	10,875	173,165	2,646,274	2,873,814
Dividend distributed .....	0	0	0	( 1,000,000)	( 1,000,000)
Net earnings .....	0	0	0	1,060,652	1,060,652
Fair value equity reserve .....	0	0	767	( 767)	0
Share-based salary reserve .....	0	0	395	4,126	4,521
Equity 31.12.2024 .....	<u>43,500</u>	<u>10,875</u>	<u>174,327</u>	<u>2,710,285</u>	<u>2,938,987</u>
Equity 1.1.2025 .....	43,500	10,875	174,327	2,710,285	2,938,987
Dividend distributed .....	0	0	0	( 1,100,000)	( 1,100,000)
Net earnings .....	0	0	0	925,300	925,300
Fair value equity reserve .....	0	0	( 46,398)	46,398	0
Share-based salary reserve .....	0	0	( 3,675)	6,630	2,955
Equity 31.12.2025 .....	<u>43,500</u>	<u>10,875</u>	<u>124,254</u>	<u>2,588,613</u>	<u>2,767,242</u>

According to the Financial Statements Act No. 3/2006 fair value changes of financial assets from the initial reporting, shall be transferred from retained earnings to a fair value equity reserve, net of tax. The fair value equity reserve is not subject to dividend payments. The fair value equity reserve shall be released in accordance with fair value changes recognized when financial asset is sold or redeemed or the assumptions for the fair value change is no longer in force.

c. Return on assets, presented as the ratio between net earnings and the average balance of assets according to the Balance Sheet, was 24.4% in 2025. Return on assets in 2024 was 28.1%.

d. Equity at end of the year is ISK 2,767 million or 76.3% of total assets.

The Capital adequacy ratio of the company which is calculated according to Article 84 of the Act on Financial Undertakings is 62.7%, exceeding the minimum legal requirement of 8%.

The ratio is calculated as follows:

	31.12.2025	31.12.2024
Total equity .....	<u>2,767,242</u>	<u>2,938,987</u>
Total own funds for solvency purposes .....	<u>2,767,242</u>	<u>2,938,987</u>
Total capital requirements are specified as follows:		
Credit risk .....	264,096	285,843
Market risk .....	<u>27,958</u>	<u>39,434</u>
Capital requirement .....	<u>292,054</u>	<u>325,277</u>
Capital requirement due to fixed overheads .....	352,818	352,519
Capital adequacy ratio .....	62.7%	66.7%

## Notes to the Financial Statements, cont.

<b>20. Tax liabilities</b>	<b>31.12.2025</b>	<b>31.12.2024</b>
Changes in tax assets and liabilities are specified as follows:		
Tax liability at the beginning of the year .....	( 326,882)	( 308,903)
Reassessment of taxes for the previous year .....	1,734	1,335
Income tax recognised in Statement of Income .....	( 230,679)	( 285,247)
Additional 6% tax recognised in Statement of Income .....	( 8,268)	( 21,752)
Income tax paid .....	306,150	287,685
Net tax liabilities at the end of the year .....	<u>( 257,945)</u>	<u>( 326,882)</u>
Specified as follows:		
Current tax .....	( 227,560)	( 286,132)
Additional 6% tax on financial institution .....	( 8,268)	( 21,752)
Deferred tax liabilities .....	<u>( 22,117)</u>	<u>( 18,998)</u>
Net tax liabilities at the end of the year .....	<u>( 257,945)</u>	<u>( 326,882)</u>
Deferred tax liabilities are attributable to the following:		
Deferred foreign exchange gain and loss .....	1,199	3,462
Provision of claims .....	<u>( 23,316)</u>	<u>( 22,460)</u>
Deferred tax liabilities at the end of the year .....	<u>( 22,117)</u>	<u>( 18,998)</u>
Tax liabilities are attributable to the following:		
Income tax using the Icelandic corporation tax rate .....	227,560	285,247
Additional 6% tax on financial institutions .....	8,268	22,637
Tax liabilities at the end of the year .....	<u>235,828</u>	<u>307,884</u>
<b>21. Shareholders of Stefmir hf.</b>	<b>31.12.2025</b>	<b>31.12.2024</b>
Shareholders of Stefmir hf. with shareholding exceeding 1% of issued share capital:		
Arion banki hf. ....	99.93%	99.93%
Shareholders of Arion banki hf.:		
Pension Fund of Commerce .....	9.56%	9.06%
Gildi Pension fund .....	9.55%	9.17%
LSR - The Pension Fund for Icelandic State Employees .....	9.24%	8.79%
Brú Pension fund .....	5.22%	5.31%
Stoðir hf. ....	5.07%	5.29%
Frjálsi Pension fund .....	4.07%	3.60%
Vanguard .....	3.97%	3.59%
Birta Pension fund .....	2.97%	3.15%
Stapi Pension fund .....	2.92%	3.02%
Festa Pension fund .....	2.61%	2.25%
Hvalur hf. ....	2.59%	2.43%
Arion banki hf. ....	2.59%	6.65%
Lífsværk Pension fund .....	2.06%	1.51%
Almenni Pension fund .....	1.81%	1.63%
Stefmir funds .....	1.73%	2.08%
Íslandsbanki hf. ....	1.44%	1.52%
Landsbréf hf. ....	1.05%	0.94%
Íslandssjóðir hf. ....	0.91%	1.01%
Other .....	30.64%	29.00%
	<u>100.00%</u>	<u>100.00%</u>

# Corporate Governance Statement of Stefir hf. 2026

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## Introduction

The Board of Directors of Stefir hf. places great emphasis on good corporate governance and considers it to be an important factor in the company's success as a leading fund management firm in Iceland. Corporate governance provides companies with a framework that defines objectives, the tools used to achieve those objectives, and how progress toward them is measured. Good governance encourages the Board and management to pursue opportunities that serve the interests of the company, its shareholders, and the general public, while also enabling the Board to carry out its supervisory role effectively.

With this corporate governance statement, Stefir complies with the requirements set out in recognised guidelines in effect at the time these financial statements are approved by the Board, with reference to Article 66(c) of Act No. 3/2006 on Annual Accounts. The Icelandic Guidelines on Corporate Governance, 6th edition, published by the Iceland Chamber of Commerce, the Confederation of Icelandic Enterprise, and Nasdaq OMX Iceland hf., as well as the G20/OECD Principles of Corporate Governance (2015), were specifically taken into account in preparing Stefir's governance statement. The Icelandic Corporate Governance Guidelines can be seen at [leidbeiningar.is](http://leidbeiningar.is) and the OECD's Principles of Corporate Governance can be seen here <https://www.oecd.org/daf/ca/Corporate-Governance-Principles-ENG.pdf>.

In 2012, Stefir became the first Icelandic company to receive the recognition "*Model Company in Corporate Governance*". The recognition was first awarded by the Centre for Corporate Governance at the University of Iceland, following an assessment conducted by KPMG. Stefir has repeatedly received renewed recognition and continues to be a benchmark company in Iceland for good governance practices.

Stefir hf. is an independently operating financial institution under Act No. 161/2002 on Financial Undertakings. The company operates under licences from the Financial Supervisory Authority of the Central Bank of Iceland as a UCITS management company pursuant to Act No. 116/2021 on UCITS, and as an alternative investment fund manager (AIFM) under Act No. 45/2020. The company is also licensed to provide asset management, investment advice, and custody and administration of units or shares in collective investment schemes. Stefir managed approximately ISK 379 billion in assets at year-end 2025. The company employs 22 individuals with diverse expertise and experience in domestic and international financial markets.

Stefir is supervised by the Financial Supervisory Authority of the Central Bank of Iceland pursuant to Act No. 87/1998 on Public Supervision of Financial Activities.

Stefir is a wholly owned subsidiary of Arion Bank hf. The corporate governance statement forms part of the company's efforts to promote transparent, reliable, and trustworthy interactions between the Board, shareholders, and other stakeholders, including fund investors, service providers, employees, and the general public.

## Description of key elements of internal control, risk management, and financial reporting

Risk management and effective internal control are fundamental pillars of responsible fund management operations. The Board approved the company's risk policy in mid 2025. The policy states, among other things:

"Risk in the company's operations shall be identified, quantified, measured and monitored according to the criteria established in the business at any given time. The risk appetite of the board of directors of Stefir shall be communicated to the employees and be integral the process of informed decision-making at the company."

By setting a clear risk policy, the Board aims to promote and support a corporate culture at Stefir that is characterised by strong risk awareness.

The company's risk appetite has been defined based on international best practice tailored to Icelandic conditions and the company's circumstances. The Audit and Risk Committee participated in preparing the definition of the risk appetite and its thresholds. The Board reviews the company's risk appetite annually in light of changes to its internal and external environment.

# Corporate Governance Statement, cont.

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Stefnir's Risk Officer is responsible for analysing and assessing the company's financial and operational risks, participates actively in shaping the risk policy and risk appetite, and is involved in key risk related decisions. The Compliance Officer, Internal Auditor, and Risk Officer regularly present their findings to the Board and to the Audit and Risk Committee. All control measures are documented and reviewed regularly by relevant supervisory parties, including the Risk Officer, and progress is reported to the Audit and Risk Committee. Compliance and internal audit functions are outsourced, with the Central Bank's approval, to Arion Bank, and operate under mandates issued by Stefnir's Board.

Stefnir has implemented a policy on conflicts of interest. The purpose of the policy is to protect clients and fund members, and to safeguard the independence and reputation of the company and its employees. The policy applies equally to the Board and employees and requires the company to take all reasonable measures to prevent conflicts of interest from harming fund members. A summary of the policy, along with rules regarding employees' securities transactions, can be found on Stefnir's website.

The company's financial reporting is carried out by the finance division of Arion Bank, under an outsourcing arrangement approved by the Financial Supervisory Authority. Arion Bank also acts as Stefnir's depository and is responsible for calculating fund net asset values. The Audit and Risk Committee reviews the company's financial statements and receives the external auditor's opinions on the six-month and annual accounts of Stefnir and the funds it manages. Reporting to the Board on the financial statements is the responsibility of the committee, and the Board also meets Deloitte, Stefnir's external auditor.

## Values and social responsibility

In 2023, Stefnir completed a strategic review that defined operational priorities for the coming years. The Board and staff participated actively, and several key performance indicators were established to reinforce Stefnir's position as a leading fund management company in Iceland. The strategy and priorities were refined further in 2025. Given the dynamic nature of the fund management industry, the company must regularly reassess its strategy to meet the evolving needs of clients.

Stefnir's purpose, vision, and values were defined in January 2026 and are now shared across the Arion Group. The Group's purpose is "*We unleash the power*". One of the most important things the Group does is channel capital from those who have it to those who need it, in order to generate returns and bring ideas and ambitions to life. We also intend to safeguard what matters to people and businesses and create space and courage for action and prosperity. Our customers have diverse and differing goals that reflect the ambition and energy within them. By fulfilling our role, we help ensure that ideas become reality and that the energy surrounding us is activated.

Our purpose embodies confidence in the environment in which we operate. A belief that people possess strength, ideas, and dreams that are worth supporting and bringing to life, for the benefit of society as a whole. We want to harness the power of our customers, the power of the economy, the power of women, the power of the environment, the power of the community as a whole, the power within ourselves — and the list goes on.

The company's purpose embodies its belief in the strength of its environment—confidence in people's ideas and ambitions and the value of supporting them for the benefit of society. Stefnir seeks to unleash the potential of its clients, the economy, women, the environment, society as a whole, and itself.

Our vision is *Together, we aim to be the best at meeting our clients' needs—leading companies that drive success*. This shared vision across all companies within the Group describes where we aim to be in a few years' time and serves as a guiding light for employees on that journey.

We have five core values, and they guide decision making as well as everything we do and say. In this way, they help us understand what is expected of each of us — and of the group as a whole.

# Corporate Governance Statement, cont.

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Our values are *Find solutions, work together, say what we mean, show initiative, be forward looking*

The Board reapproved a Code of Ethics in 2025, reflecting the ethical standards expected of the Board and employees. Additional standards apply through employment contracts, the conflict of interest policy, and the Board's rules of procedure.

The Board also updated its Sustainability and Social Responsibility Policy in 2025, outlining the company's long term sustainability priorities and how these are integrated into operations and investment stewardship. This policy is available on Stefmir's website.

The Diversity, Equity, and Inclusion Policy (2025) defines the company's approach to diversity and equality. An updated Responsible Investment Policy was approved in September 2025 and is used in the management of all funds. The policy describes Stefmir's ESG integration framework and is based partly on EU Regulation 2019/2088 (SFDR).

Stefmir is a signatory to the UN Principles for Responsible Investment (PRI) and is therefore committed to reporting on how environmental, social, and governance considerations are integrated into investment decisions. Stefmir is also a founding member of IcelandSIF, the Icelandic Sustainable Investment Forum, established in 2017. Stefmir employees are active participants, with one employee serving on the board and another chairing the education committee.

## Board of Directors

Stefmir's Board consists of three members. The majority of the Board is independent of Arion Bank hf. and of the company itself. All Board members are elected at shareholders' meetings. The Managing Director is appointed by the Board and is responsible for daily operations on its behalf. Board meetings are held regularly, typically monthly, and more frequently when needed. Ten Board meetings were held during the year, and the Board was quorate at all of them. The Board's rules of procedure and the company's Articles of Association are available on the company website.

The Board comprises two women and one man, all with diverse backgrounds and extensive business experience. The Board members are Jón Óttar Birgisson, Hrefna Ösp Sigfinnsdóttir, Kristín María Dýrfjörð.

**Jón Óttar was** born in 1974. He is the managing director of Stöplar Advisory ehf. Jón Óttar served on the board of Stefmir during the period 2020–2022. He temporarily held the position of head of alternative investments at Stefmir from December 2022 until autumn 2023. Jón Óttar is the managing director and a board member of Kasi Consulting ehf., Stöplar Advisory ehf., and Kveldúlfsgata fjárfestingar ehf. He is also a board member of Nova hf., Nova Klúbbur ehf., JVB Investments ehf., and EVE Harpa ehf. Jón Óttar holds a degree in economics from the University of Iceland and is a licensed securities broker. He is a dependent board member.

**Hrefna Ösp** was born in 1969. Hrefna is the CEO of Creditinfo and former managing director of asset management at Landsbankinn. Hrefna is a board member of Coripharma Holding hf. and Vaxandi fjárfestingar hf. Hrefna holds a degree in business administration from the University of Iceland, is a licensed securities broker and has completed the Advanced Management Program (AMP) from IESE Business School. Neither she nor any related parties own shares or share options in the company, and there are no conflicts of interest with the main business partners, competitors, or shareholders of Stefmir.

**Kristín María** was born in 1982. She is currently a co owner of Te og Kaffi ehf. and also serves as chairwoman of the board. Kristín María has worked at Te og Kaffi ehf. since 2009 and has been its marketing director. She is also the chairwoman of the board of Kaffibrennsla Hafnarfjarðar ehf. Kristín María holds a degree in business administration from Reykjavík University. Neither she nor any related parties own shares or share options in the company, and there are no conflicts of interest with the main business partners, competitors, or shareholders of Stefmir.

Board members have not undertaken any special assignments for the company; however, other tasks that board members may assume are specifically addressed in the Board's rules of procedure.

Jón Óttar Birgisson has served as Chairman of the Board since May 2025. Hrefna Ösp Sigfinnsdóttir joined the Board of Stefmir in December 2022, and Kristín María Dýrfjörð joined the Board in May 2025. Further information about Stefmir's Board is available on the company's website.

Unaudited

# Corporate Governance Statement, cont.:

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## Board Committees

Stefnir operates an Audit and Risk Committee, composed of Board members. The committee met five times during the year and was always quorate. Two members of the committee are independent of the company, and the diverse expertise of all committee members in corporate operations, auditing, and governance serves the committee's work well. The committee submits an annual report to the Board in every first quarter. Its rules of procedure are published on the company website.

Stefnir also operates a Remuneration Committee, also composed of Board members. It met three times and was always quorate. A Nomination Committee is not operated because Stefnir is wholly owned by Arion Bank and related companies.

## Role of the Board

The role of the Board of Directors has been defined as follows:

*The board's key role is to establish a corporate strategy and ensure that it is implemented. The core of the strategy is for the company to be a leading fund management company and to ensure that the company is guided by the interests of clients, owners, employees and society as a whole when managing financial assets responsibly. There is an emphasis on high quality risk management and running a dependable and profitable business. The board places a strong emphasis on good corporate governance and ensuring that the board and company operate at all times in compliance with the law, rules and good business practices.*

The role of the board is defined in more detail in the rules of procedures and the company's articles of association.

The board evaluates its own work and that of the chairman on an annual basis and makes proposals for improvements. For the assessment, the board uses an anonymous, digital questionnaire. The results of the assessment are then discussed at a board meeting and the board's proposals for improvements are assigned to people for completion. The key features of the board assessment are value creation and strategic planning, the board agenda and meetings, employees and culture, board composition, assessment of the chairperson, risk management and disclosure and other factors which are important in order for the board to reach its targets. The board examines the assessment, and this is specified in the minutes of the board meeting.

## Managing director

The company's managing director since 1 May 2022 is Jón Finnbogason, born in 1973. Jón is a lawyer and a licensed securities broker. Jón has worked on the financial markets in a diverse range of management and specialist positions. Jón was manager at Byr Savings Bank and later CEO of Byr hf. between 2009 and 2011, when he took over as assistant managing director of retail banking at Íslandsbanki, a position he held until 2013. He worked at Stefnir from 2003 to 2008 and again from 2013 to 2017 when he was head of the fixed income team and deputy managing director. Jón was credit officer at Arion Bank from 2017 to 2022. Jón serves on boards of fund on behalf of Stefnir. Jón has no shared interests with Stefnir's main business partners or competitors.

Neither the managing director nor related parties own share or options in Stefnir, but the managing director and related parties do have shares and share option in Arion Bank, the parent company of Stefnir. There are no common interests with Stefnir's main trading partners, competitors or shareholders. The main duties of the managing director are to manage the day-to-day business of the company, implement strategy and follow the instructions given by the board of directors, cf. Article 68 (1) of the Public Limited Companies Act. He is responsible for reporting to internal and external supervisory bodies. The managing director is authorized, upon approval by the board, to grant other employees of the company the power to carry out limited aspects of his duties.

# Corporate Governance Statement, cont.:

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## **Board Rules of Procedure and communications between shareholders and the Board**

The Board's rules of procedure follow Article 70(5) of the Companies Act. The rules draw upon guidelines from the Financial Supervisory Authority, the company's Articles of Association, and Stefmir's work toward achieving its "Model Company in Corporate Governance" recognition.

The rules describe in detail the communication framework between shareholders and the Board. In general, the Chairman is responsible for communications with shareholders and must ensure that the Board is informed of all contact. At each Board meeting, a report is presented, verbally or in writing, on any communications with shareholders since the previous meeting. The rules are available on Stefmir's website.

## **Conclusion**

No judgments for punishable acts according to the Criminal Code, the Competition Act, Financial Undertakings Act or laws on public limited companies, private limited companies, book-keeping, annual accounts, bankruptcy or taxation, nor under special legislation applicable to parties subject to public supervision of financial activities, have been passed on Stefmir hf.

Stefmir has been a leader in many areas and has placed great importance on offering its clients competitive and responsible investment options in virtually all asset classes. It is vital that the company is able to share information accurately and easily with investors. The company's website plays an important role in this respect by publishing detailed information on all the Stefmir funds available to the public.

# EU Taxonomy Regulation

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**Stefnir publishes information for the third time regarding the EU Taxonomy in an annex to the 2025 Consolidated Financial Statement.**

## **Eligible and environmentally sustainable activities**

An activity is considered to be eligible if it is defined in delegated EU regulations, established in the basis of the Taxonomy Regulation, on the technical screening criteria which the activity needs to fulfil in order to be considered environmentally sustainable according to the taxonomy. If the taxonomy applies to the activity, it is considered eligible. Eligibility does not, however, determine whether a particular activity is sustainable, but just states that there are technical screening criteria for the activity which enable it to be analyzed in accordance with the taxonomy.

The Taxonomy Regulation covers six environmental objectives:

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

In order for an economic activity to be considered environmentally sustainable it must be aligned with one of the six environmental objectives of the regulation but at the same time must do no significant harm to other objectives. This is to prevent an economic activity from being considered environmentally sustainable if it then does such harm to the environment that it outweighs the activity's contribution to the environmental objective. The activity also needed to be carried out in accordance with minimum safeguards which, among other things, address human rights, meet the DNSH criteria (do no significant harm) and to meet technical screening criteria.

## **Off-balance sheet exposures**

Icelandic companies which come under the scope of the Taxonomy Regulation, regarding assets under management, published for the first time figures on the proportion of environmentally sustainable turnover and capital expenditure in 2024 in the annual financial statement for 2023. The number of domestic companies that have disclosed figures on eligible or environmentally sustainable turnover and capital expenditure is still very low. Since the implementation of the Taxonomy Regulation commenced earlier for companies in the EU, more foreign companies have reported their mitigation and adaptation to climate change. Therefore, there was a higher proportion of foreign assets for which eligibility and environmental sustainability could be assessed based on turnover and capital expenditure.

Just over two thirds of the group's assets under management fall under the regulation. However, majority of them do not report eligibility. Also, many companies do not disclose how their revenues or capital expenditure, fall under the regulation, i.e. whether they fall under climate change adaptation or mitigation or whether they are transitional or enabling activities. Data on eligible and environmentally sustainable assets was obtained from Bloomberg. Government bonds are not covered by the regulation so there is no disclosure requirement for them.

# EU Taxonomy Regulation

## KPIs of asset managers according to the EU Taxonomy Regulation

<p>The weighted average value of all the investments that are directed at funding, or are associated with taxonomy-aligned economic activities <b>relative to the value of total assets covered by the KPI</b>, with following weights for investments in undertakings per below:</p> <p>Turnover-based: 1.23% CapEx-based: 1.25%</p>	<p>The weighted average value of all the investments that are directed at funding, or are associated with taxonomy-aligned economic activities, with following weights for investments in undertakings per below:</p> <p>Turnover-based: 3,784 mISK CapEx-based: 3,855 mISK</p>
<p>The percentage of assets covered by the KPI relative to total investments (total AuM). Excluding investments in sovereign entities.</p> <p>Coverage ratio: 81.4%</p>	<p>The monetary value of assets covered by the KPI. Excluding investments in sovereign entities.</p> <p>Coverage: 308,626 mISK</p>
<b>Additional, complementary disclosures: Breakdown of denominator of the KPI</b>	
<p>The percentage of derivatives relative to total assets covered by the KPI. -0.1%</p>	<p>Fjárhagslegt virði afleiða: -355 mISK</p>
<p>The proportion of <b>exposures to EU financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU</b> over total assets covered by the KPI: For non-financial undertakings:</p> <p>For non-financial undertakings: 0 For financial undertakings: 0%</p>	<p>Value of <b>exposures to EU financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU</b>:</p> <p>For non-financial undertakings: 0 ISK For financial undertakings: 0 ISK</p>
<p>The proportion of <b>exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU</b> over total assets covered by the KPI:</p> <p>For non-financial undertakings: 0% For financial undertakings: 33.6%</p>	<p>Value of <b>exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU</b>:</p> <p>For non-financial undertakings: 2 mISK For financial undertakings: 103,752 mISK</p>
<p>The proportion of <b>exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU</b> over total assets covered by the KPI:</p> <p>For non-financial undertakings: 16.5% For financial undertakings: 55.6%</p>	<p>Value of <b>exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU</b>:</p> <p>For non-financial undertakings: 50,790 mISK For financial undertakings: 171,603 mISK</p>
<p>The proportion of <b>exposures to other counterparties over total assets covered by the KPI</b>: 0</p>	<p>Value of <b>exposures to other counterparties</b>: 0 ISK</p>
<p>The value of all the investments that are funding <b>economic activities that are not taxonomy-eligible relative to the value of total assets covered by the KPI</b>: 62.5%</p>	<p>Value of all the investments that are funding <b>economic activities that are not taxonomy-eligible</b>: 192,755 mISK</p>
<p>The value of all the investments that are funding taxonomy-eligible economic activities, <b>but not taxonomy-aligned relative to the value of total assets covered by the KPI</b>: 8.5%</p>	<p>Value of all the investments that are funding Taxonomy-eligible economic activities, <b>but not taxonomy-aligned</b>: 26,200 mISK</p>

<b>Additional, complementary disclosures: Breakdown of numerator of the KPI</b>		
<p>The proportion of <b>Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU</b> over total assets covered by the KPI: :</p> <p>For non-financial undertakings:  Turnover-based: 1.23%  CapEx-based: 1.25%</p> <p>For financial undertakings:  Turnover-based: 0%  CapEx-based: 0%</p>	<p>Value of <b>Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU</b>:</p> <p>For non-financial undertakings:  Turnover-based: 3,784 mISK  CapEx-based: 3,855 mISK</p> <p>For financial undertakings:  Turnover-based: 0 ISK  CapEx-based: 0 ISK</p>	
<p>The proportion of <b>taxonomy-aligned exposures to other counterparties</b> in over total assets covered by the KPI:</p> <p>Turnover-based: 0%  CapEx-based: 0%</p>	<p>Value of <b>taxonomy-aligned exposures to other counterparties</b> :</p> <p>Turnover-based: 0 ISK  CapEx-based: 0 ISK</p>	
<b>Breakdown of the numerator of the KPI per environmental objective</b>		
<b>Taxonomy-aligned activities</b>		
1) Climate change mitigation	Turnover: 0.4% CapEx: 0.5%	Transitional activities: 0.2%, 0.2% (Turnover; CapEx) Enabling activities: 0.01%, 0.01% (Turnover; CapEx)
2) Climate change adaptation	Turnover: 0.8% CapEx: 0.8%	Transitional activities: 0.2%, 0% (Turnover; CapEx)
3) The sustainable use and protection of water and marine resources	Turnover: 0% CapEx: 0%	Transitional activities: 0%, 0% (Turnover; CapEx)
4) The transition to a circular economy	Turnover: 0% CapEx: 0%	Transitional activities: 0%, 0% (Turnover; CapEx)
5) Pollution prevention and control	Turnover: 0% CapEx: 0%	Transitional activities: 0%, 0% (Turnover; CapEx)
6) Protection and restoration of biodiversity and ecosystems	Turnover: 0% CapEx: 0%	Transitional activities: 0%, 0% (Turnover; CapEx)