

Press Release

12 February 2025

Kvika banki hf.: Consolidated Financial Statements 2024

At a board meeting on 12 February 2025, the Board of Directors and the CEO approved the consolidated financial statements of Kvika banki hf. (“Kvika” or “the bank”) for the year 2024.

Highlights of performance in the fourth quarter (Q4 2024)

- Profit before tax from continuing operations amounts to ISK 1,601 million, compared to ISK 363 million in Q4 2023, increasing by ISK 1,238 million from previous year or 340%.
- Post-tax profit of the group as a whole amounts to ISK 3,447 million in Q4 2024, compared to ISK 1,578 million in Q4 2023, increasing by ISK 1,869 million from previous year or 118%.
- Net interest income amounts to ISK 2,498 million in Q4 2024, compared to ISK 2,331 million in Q4 2023, increasing by ISK 167 million from previous year or 7.1%.
- Net interest margin was 3.8% in Q4 2024, compared to 3.9% in Q4 2023.
- Net fee and commission income amounts to ISK 1,601 million in Q4 2024, compared to ISK 1,578 million in Q4 2023, increasing by ISK 23 million from previous year or 1.5%.
- Other net operating income amounts to ISK 567 million in Q4 2024, compared to ISK 94 million in Q4 2023, increasing by ISK 473 million from previous year or 503%.
- Administrative expenses amount to ISK 2,864 million in Q4 2024, compared with ISK 2,779 million in Q4 2023, increasing by ISK 85 million from previous year or 3%.
- Pre-tax return on tangible equity (RoTE) of continuing operations amounted to 18.5%
- Earnings per share amounted to ISK 0.74 in Q4 2024, compared to ISK 0.33 in Q4 2023.

Income from assets held for sale:

- Post-tax profit of TM insurance is summarized in the income statement as asset held for sale and amount to ISK 1,919 million in Q4 2024, compared to ISK 990 million in Q4 2023.
- Combined ratio of insurance operations was 87.8%, compared to 92.5% in the fourth quarter of 2023.

Key balance sheet figures:

- Deposits from customers amount to ISK 163 billion at year-end 2024, compared to ISK 143 billion at year-end 2023 and increased by 15% in the year.
- Loans to customers amount to ISK 150 billion at year-end 2024, compared to ISK 136 billion at year-end 2023 and increased by 10%.
- Total assets amount to ISK 355 billion at year-end 2024, compared to ISK 335 billion at year-end 2023.

- Total equity of the group amount to ISK 90 billion at year-end 2024, compared to ISK 82 billion at year-end 2023.
- The capital adequacy ratio (CAR) was 22.8% at year-end 2024, compared to 22.6% at year-end 2023, and the solvency ratio of the financial conglomerate was 1.33.
- Total liquidity coverage ratio (LCR) of the group was 360% at year-end 2024, compared to 247% at year-end 2023.
- Total assets under management amount to ISK 456 billion, compared to ISK 470 billion at year-end 2023.

Highlights of the 2024 Consolidated Financial Statements:

- Profit before tax from continuing operations amounts to ISK 5,817 million in 2024, compared to ISK 3,009 million in 2023, increasing by ISK 2,808 million from previous year or 93.3%.
- Post-tax profit of the group as a whole amounts to ISK 8,150 million in 2024, compared to ISK 4,033 million in 2023, increasing by ISK 4,117 million from previous year or 102%.
- Net interest income amounts to ISK 9,681 million in 2024, compared to ISK 8,021 million in 2023, increasing by ISK 1,660 million from previous year or 21%.
- Net interest margin was 3.8% in 2024, compared to 3.6% in 2023.
- Net fee and commission income amounts to ISK 6,137 million in 2024, compared to ISK 5,916 million in 2023, increasing by ISK 220 million from previous year or 3.7%.
- Other net operating income amounts to ISK 1,367 million, compared to ISK 915 million in 2023, increasing by ISK 452 million from previous year or 49%.
- Administrative expenses amount to ISK 10,608 million, compared to ISK 10,785 million in 2023, decreasing by ISK 177 million from previous year or 1.6%.
- Pre-tax return on tangible equity (RoTE) from continuing operations was 18.8%, compared to 10.2% in 2023.
- Earnings per share amounted to ISK 1.73 in 2024, compared to ISK 0.84 in 2023.

Income from assets held for sale:

- Post-tax profit of assets classified as held for sale, which consist of subsidiary TM insurance, is summarized in the income statement and amounted to ISK 3,460 million in 2024, compared to ISK 1,730 million in 2023.
- Combined ratio of insurance operations was 93.9%, compared to 93.6% during the year 2023.

The Board of Directors of Kvika proposes that a dividend of 0.44 ISK per share for a total amount of ISK 2,050 million, taking into account treasury shares held by the Group, will be paid in the year 2025 on 2024 operations. The dividend payment amounts to 25% of profit after tax for the year, which is in line with the Bank's dividend policy. Additionally, the Board will decide on an extraordinary dividend upon receipt of the purchase price for TM as well as initiating a share buy back programme, for which the Bank has received an approval from the Central Bank of Iceland that is contingent on the finalisation of the TM sale.

Árman Þorvaldsson, CEO of Kvika:

“It is safe to say that 2024 has been transformative for the Bank. Characterized by a significant turnaround in Kvika's operations following two challenging years, the year is also marked by the significant strategic steps taken towards streamlining the business through the sale of TM to Landsbankinn, which we hope will receive final approval in the coming weeks.

Profit before tax from continuing operations increased significantly between years, by over 90%, and return on tangible equity rose from 10.2% to 18.8%, which is slightly below the bank's long-term target. The outcome was largely driven by a 21% increase in net interest income, alongside growth in both net investment- and net fee and commission income. However, it was not only the income side that delivered this good result. A reduction in staff and effective cost management resulted in a 1.6% decrease in operating expenses between years, during a period when inflation was around 6% with a backdrop of material wage increases.

TM's operations were very good last year and the operating results of the Kvika Group as a whole were excellent. The Group's profit after tax amounted to over ISK 8 billion in 2024, doubling from the previous year.

Looking ahead, we are optimistic about the prospects for the new year. Market conditions seem considerably better than a year ago, interest rates have started to decline and Kvika is well positioned to explore diverse opportunities in both Iceland and the UK. The sale of TM not only enables a substantial return to shareholders but also provides us the opportunity to leverage the remaining equity to expand our loan book. A larger loan book enhances our operational efficiency and increases stable income without a corresponding rise in costs in addition to strengthening the bank's foundation through a more diversified portfolio.

Furthermore, we are committed to significantly strengthening our investment banking and asset management divisions, aiming to boost both fee and investment income moving forward.”

Presentation for shareholders and market participants

A presentation for shareholders and market participants is scheduled for Thursday, February 13, at 08:30, at Kvika's headquarters, located on the 9th floor of Katrínartún 2. The presentation will be conducted in Icelandic, with a live stream available on the following website:

<https://kvika.is/kynning-a-uppgjori-arsreikningur-2024>

Meeting participants will be able to send questions before or during the meeting via ir@kvika.is or through the Slido app [here](#).

Attached is the investor presentation. Additionally, a recording with English subtitles will be made available on Kvika's website.