Kvika banki hf.

Q4 2024 Financial Results

12 February 2025

2024 Highlights

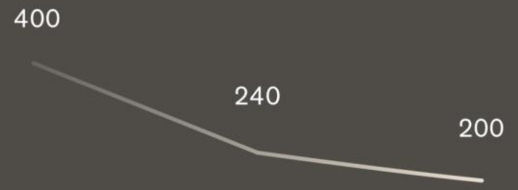
KVIKA

Outstanding workplace

96% satisfaction score by employees

KVIKA

Funding terms decreased by nearly 50%



auður

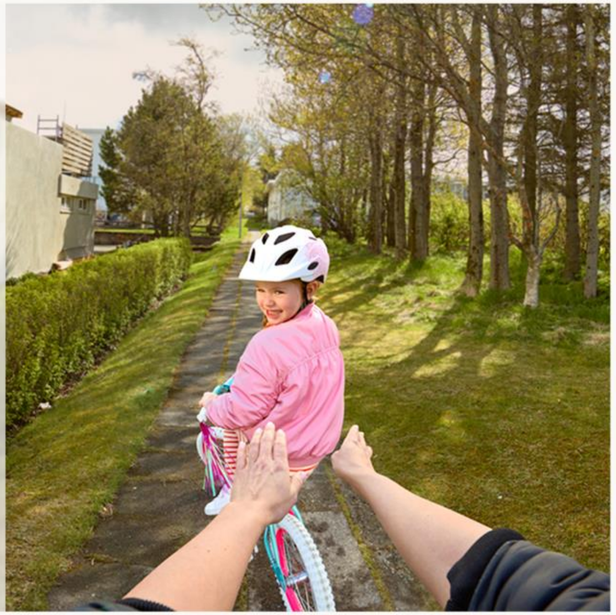
> ISK 100 bn.
> 50,000 customers

Auður launched company accounts in September after celebrating her 5th birthday in March by reaching over ISK 100 bn. in retail deposits

TM

Sale of TM Insurance

Solid performance by TM in 2024 results in an expected purchase price uplift from ISK 28.6 bn. to ISK 32.0 bn.



KVIKA *Securities*

Launch of Harpa, one of Iceland's largest private investor PE funds

> GBP 30 million
> 50 private investors

straumur

Over 20% market share

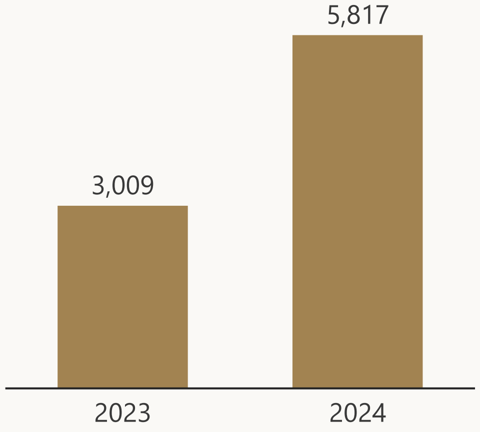
First full year of Straumur payments

A Turnaround Year

ISK 5,817 m.

Profit before tax, continuing operations

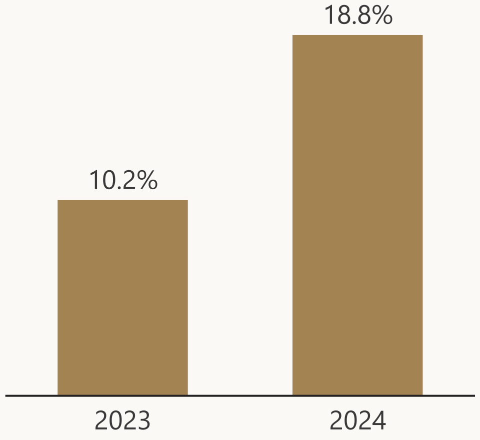
Revenues rebound as costs decrease, resulting in a near twofold PBT of continuing operations YoY



18.8%

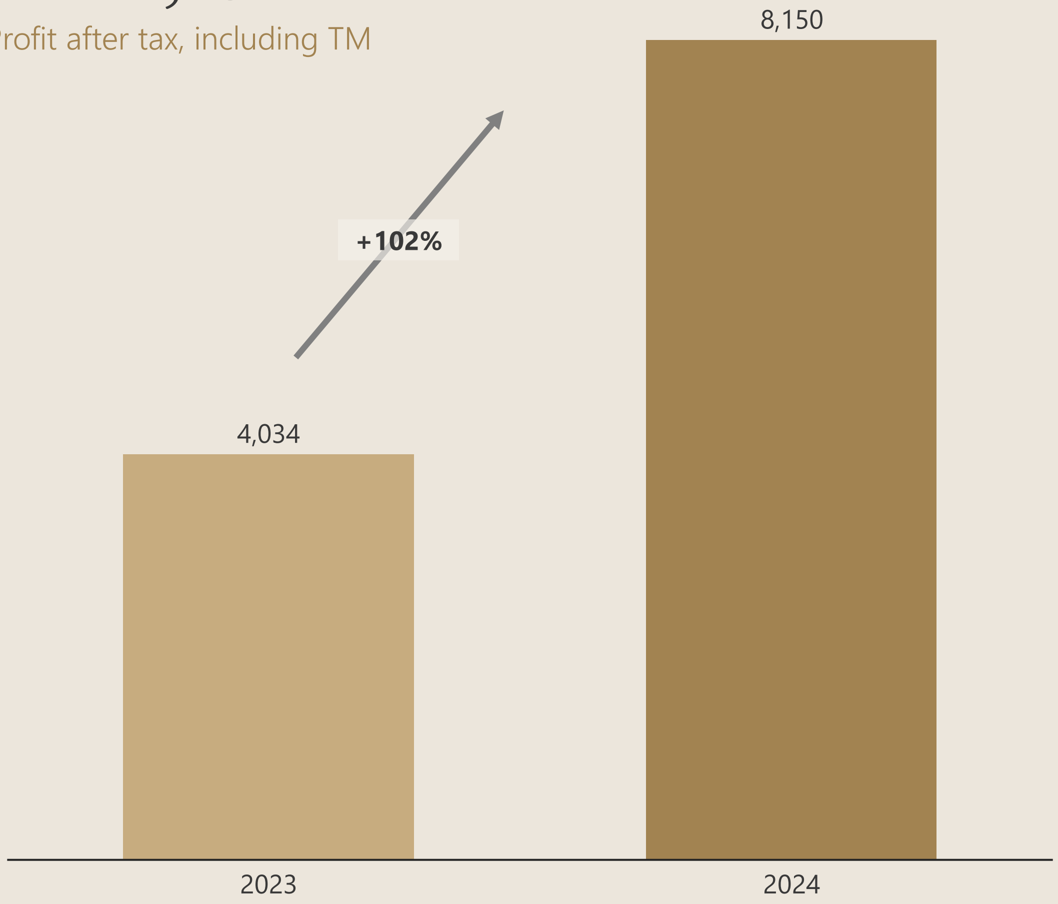
Pre-tax RoTE, continuing operations

RoTE moving towards target in the second half of 2024



ISK 8,150 m.

Profit after tax, including TM



Q4 2024

- Profit before tax from continuing operations ISK 1,601 million compared to ISK 363 million in Q4 2023
  Increasing by ISK 1,238 million from previous year or 340%
- Net interest income ISK 2,498 million compared to ISK 2,331 million in Q4 2023
  Increasing by ISK 167 million from previous year or 7.1%
- Net fee and commission income ISK 1,601 million compared to ISK 1,578 million in Q4 2023
  Increasing by ISK 23 million from previous year or 1.5%
- Other net operating income ISK 567 million compared to ISK 94 million in Q4 2023
  Increasing by ISK 473 million from previous year or 503%
- Administrative expenses ISK 2,864 million compared to ISK 2,779 million in Q4 2023
  Increasing by ISK 85 million from previous year or 3.1%

Profit before tax, continuing operations	ISK 1,601 m.
Profit after tax including TM	ISK 3,447 m.
Pre-tax RoTE, continuing operations	18.5%
CAR	22.8%

Commercial Banking

Segment highlights

Continued growth in deposits and an outstanding year for vehicle financing

- Commercial Banking's loan book grew by over ISK 3 billion (+4.5%) in 2024, driven primarily by a strong performance in vehicle and equipment lending. Despite a more than 40% decline in new car registrations*, Lykill delivered exceptional results throughout the year, closing with a solid fourth quarter
- Continued deposit growth in Q4, driven primarily by Auður online deposits which grew 6% in the quarter
- Straumur accelerated the migration of merchants to its platform, launched a new POS rental service integrated with major sales systems, and strengthened its position as Iceland's leading payment provider

**Data on the Icelandic market from the Icelandic Automobile Association (Bílgreinasambandið)*

Strong quarter across Debt Finance and Capital Markets

- Strong quarter in lending, primarily driven by property-backed loans which have been a focus in recent quarters. A solid pipeline points to growth ahead
- The fourth quarter was strong in capital markets and 2024 was a good year despite a challenging environment. In Q4 saw an increase in forward agreements and higher turnover in the equity and FX markets
- Favorable outlook in Corporate Finance pipeline driven by a robust pipeline

UK PE fund Harpa successfully closed in collaboration with Kvika UK

- Fundraising of new private equity fund Harpa has successfully closed, exceeding the original target size. The fund is in collaboration with Kvika UK and will invest in the UK
- Credit funds are nearly fully invested and fundraising for a new credit fund is currently underway
- Increase in equity prices during the last quarter of 2024, combined with expectations of further interest rate cuts in 2025, fosters optimism for brighter prospects in the asset markets
- Assets under management amounted to ISK 456 billion at end of December 2024, an increase of ISK 17 billion from the end of September 2024

Record full year performance from UK operations across both lending and investments

- Robust performance in Q4 driven by continued strong results at Ortus Secured Finance maintaining NIM in line with prior quarters
- Strong financial income in 2024 mainly attributable to the outstanding performance of a financial asset in the UK retail space. Completion of a new investment deal in the healthcare sector
- A high level of activity and pipeline in the UK across both lending and investments heading into 2025 will be further strengthened by the launch of the Harpa fund, which will significantly increase activity and deal flow

Financials

Income Statement

Q4 2024

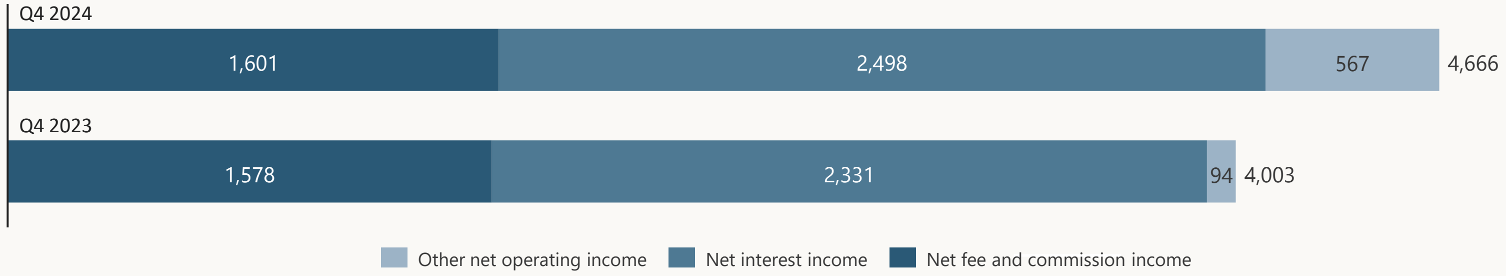
Income Statement

ISK m.

	Q4 2024	Q4 2023	Diff.	Q3 2024	Diff.
Net interest income	2,498	2,331	167	2,429	69
Net fees and commissions	1,601	1,578	23	1,552	49
Other net operating income	567	94	473	474	93
Net operating income	***4,666***	***4,003***	663	***4,455***	211
Administrative expenses	(2,864)	(2,779)	(85)	(2,344)	(520)
Net impairment	(91)	(827)	736	(261)	170
Revaluation	(110)	(34)	(76)	(36)	(74)
Pre-tax profit	***1,601***	***363***	1,238	***1,813***	(212)
Income tax	(26)	297	323	(288)	262
Special bank taxes	(47)	(72)	(25)	(127)	80
After-tax profit	***1,528***	***588***	939	***1,398***	130
Profit after tax from discontinued operations	1,919	990	929	965	954
Profit for the period	***3,447***	***1,578***	1,869	***2,363***	1,084

Revenue Composition

ISK m.



- Net Operating Income: Increased by 17% year-over-year (YoY), driven by growth in net interest income and financial income, which is included among other income
- Net Interest Income: Grows 7.1% YoY, driven by a larger balance sheet, 2.8% increase from Q3 2024
- Net fee and commission income: up 1.5% compared to Q4 2023, 3.2% increase from Q3 2024
- Other net operating income: ISK 473 m. increase YoY, robust increase mainly attributable to improved net financial income
- Administrative expenses: Remain relatively stable with a 3.1% increase YoY, despite a 5% inflation rate during the same period
- The number of employees is down 6% compared to Q4 2023, reflecting efficient cost management

Income Statement

12M 2024

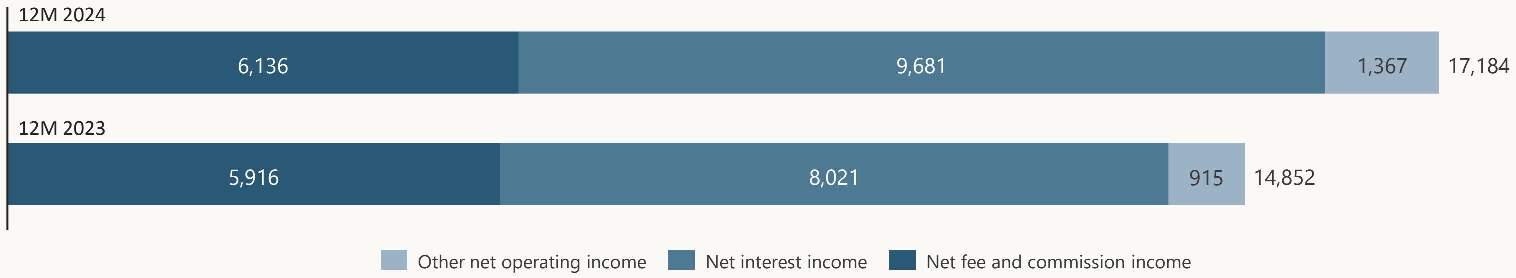
Income Statement

ISK m.

	12M 2024	12M 2023	Diff.
Net interest income	9,681	8,021	1,660
Net fees and commissions	6,137	5,916	220
Other net operating income	1,367	915	452
Net operating income	***17,184***	***14,852***	*2,332*
Administrative expenses	(10,608)	(10,785)	*177*
Net impairment	(605)	(1,027)	*423*
Revaluation	(154)	(31)	*(123)*
Pre-tax profit	***5,817***	***3,009***	*2,808*
Income tax	(876)	(472)	*(404)*
Special bank taxes	(252)	(234)	*(18)*
After-tax profit	***4,690***	***2,303***	*2,387*
Profit after tax from discontinued operations	3,460	1,730	*1,730*
Profit for the period	***8,150***	***4,033***	*4,117*

Revenue Composition

ISK m.



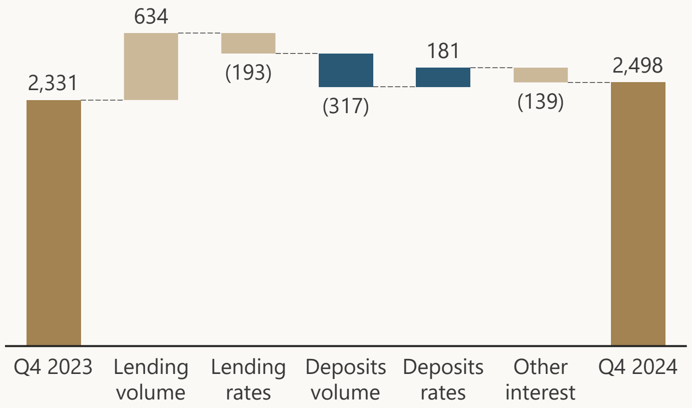
- Profit before tax from continuing operations: ISK 5,817 million, a 2,808 million or 93% year-over-year (YoY) increase.
- Profit after tax: ISK 8,150 million, including TM Insurance, which is classified as discontinued operations. This represents a 102% YoY increase
- Net interest income: Robust 21% YoY growth driven by a larger balance sheet and an improving rate environment
- Net fee and commission income: Up 4% compared to 2023
- Other net operating income: ISK 1,367 million, a 49% YoY increase mainly driven by net financial income
- Administrative expenses: Down 2% YoY, despite a 6% inflation rate over the same period
- Net impairment: ISK 605 million, down 41% YoY. Impairment of a relatively large single name exposure in Q4 2023
- Employee count: Decreased by 6% YoY, based on the average number of employees (excluding TM Insurance)

Net Interest Income

Robust 3.8% Net Interest Margin

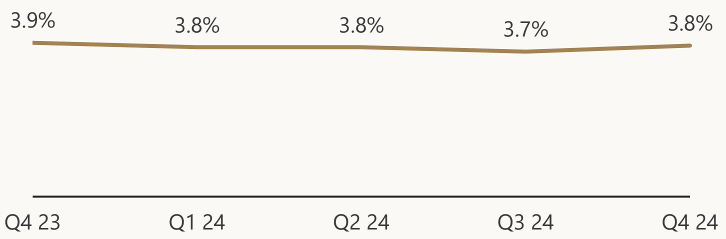
Net interest income

Q4 2023 to Q4 2024 / ISK m.



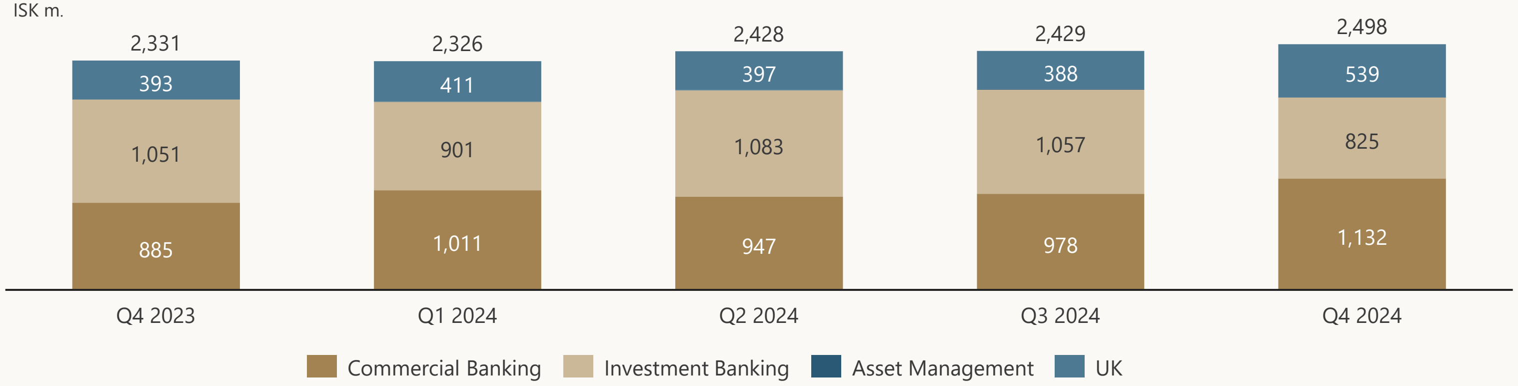
Net interest margin development

ISK m.



Net interest income development (NII)

ISK m.



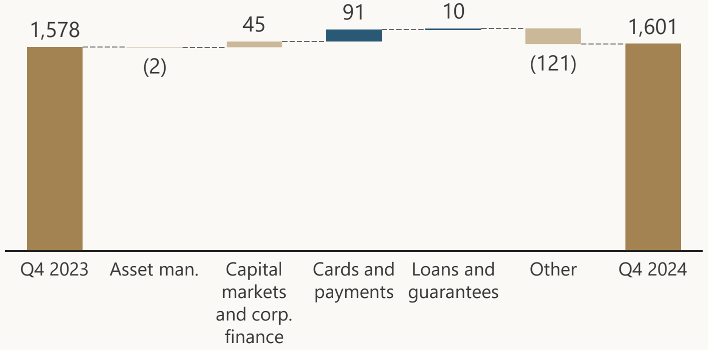
- Net interest income up 7% from Q4 2023 driven by a growing loan book and a more favorable interest rate environment
- Net interest margin of 3.8% in Q4 2024 is 0.1% higher than in Q3 2024, showing a stabilization at the current level throughout the year. Net interest margin is calculated as net interest income to total average interest-bearing assets
- Segment split of net interest income in Q4 affected by one-off internal transfers from treasury (included in Investment Banking) to Commercial Banking

Net Fee and Commission Income

Stable income stream

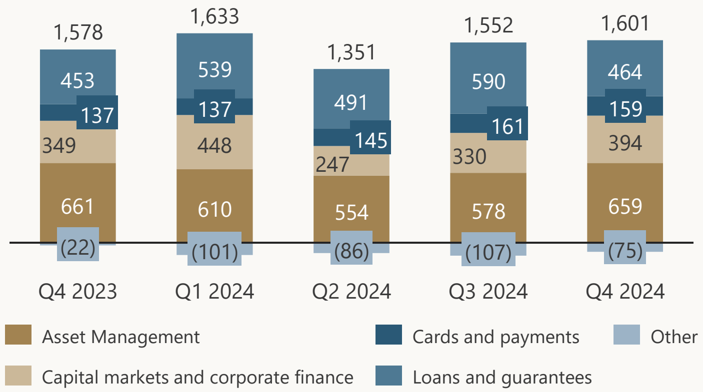
Net fee and commission income

Q4 2023 to Q4 2024 / ISK m.



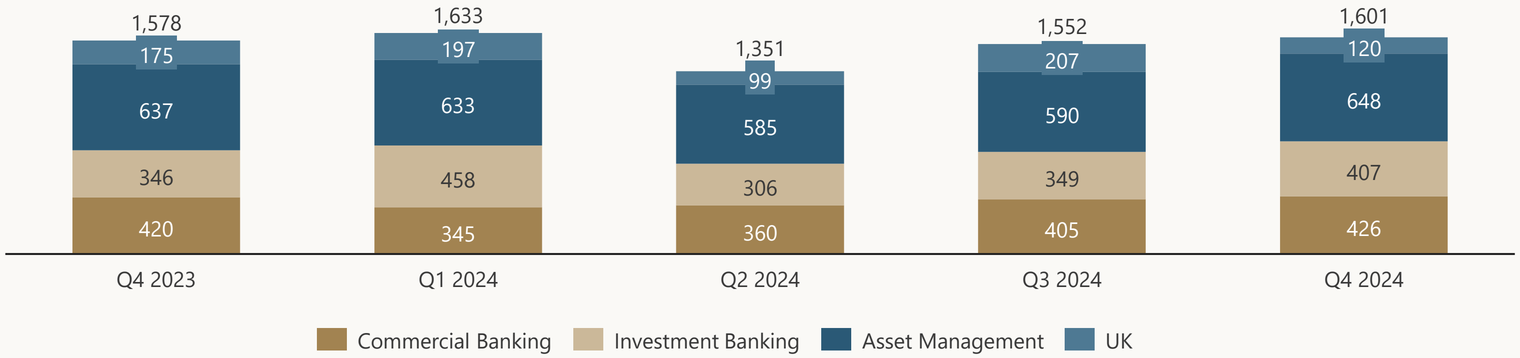
Net fee and commission income

ISK m.



Net fee and commission income development

ISK m.



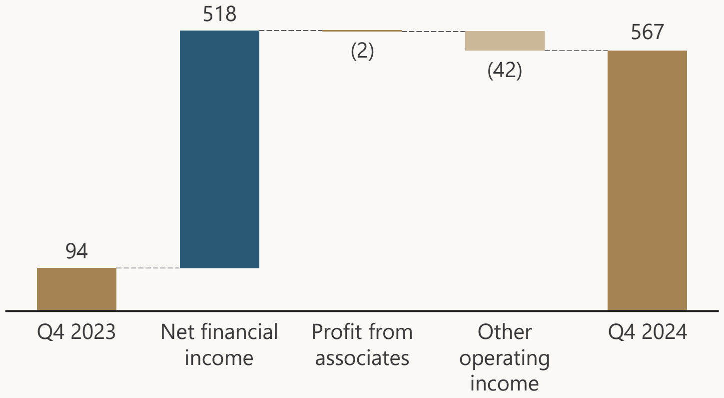
- Net fee and commission income improves slightly from Q4 2023 and is up 4% for the period 12M 2023 to 12M 2024
- Solid performance by all business units with a strong rebound by asset management attributable to growth in assets under management as well as performance related fees

Other Net Operating Income

Positive development for net financial income

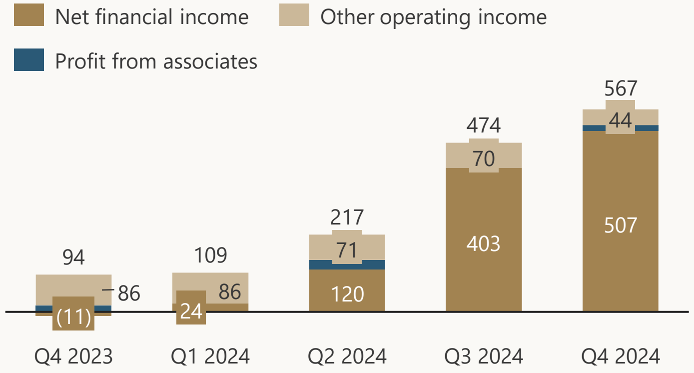
Other net operating income

Q4 2023 to Q4 2024 / ISK m.



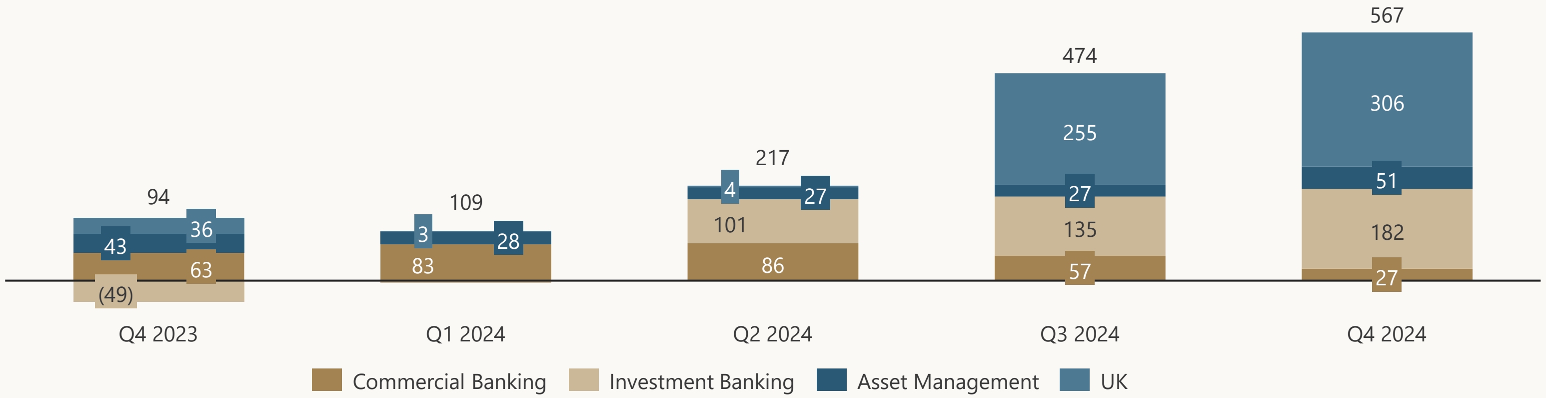
Other net operating income

Composition / ISK m.



Other net operating income development

ISK m.



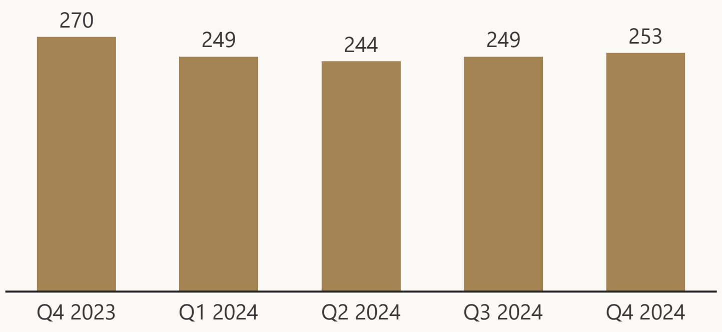
- Other net operating income improves significantly from Q4 2023, driven by robust financial income in the quarter
- Improving market conditions affect financial income from market making while UK and Investment banking benefit from a value increase of unlisted equity holdings

Operating Expenses

Efficient cost management continues to be a focus

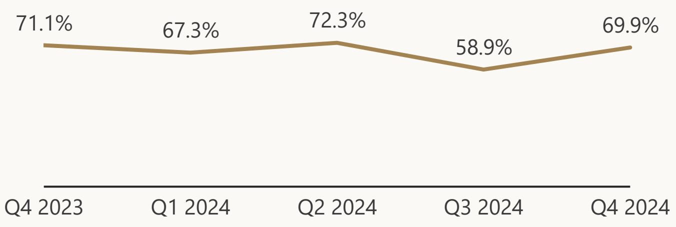
Employee development

Full time employees at the end of each period



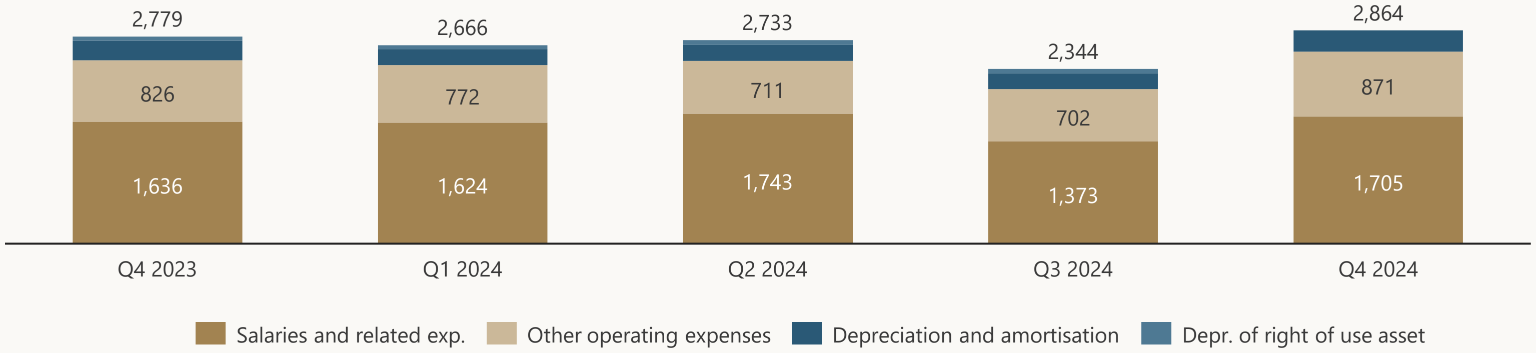
Cost to core income

(%)



Administrative expenses

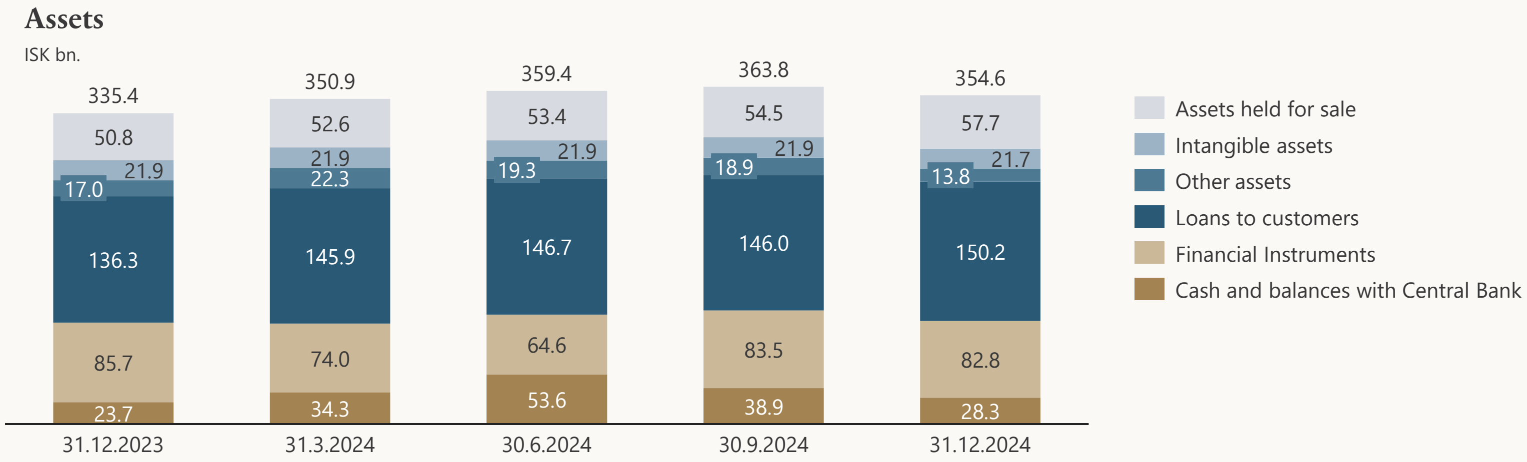
ISK m.

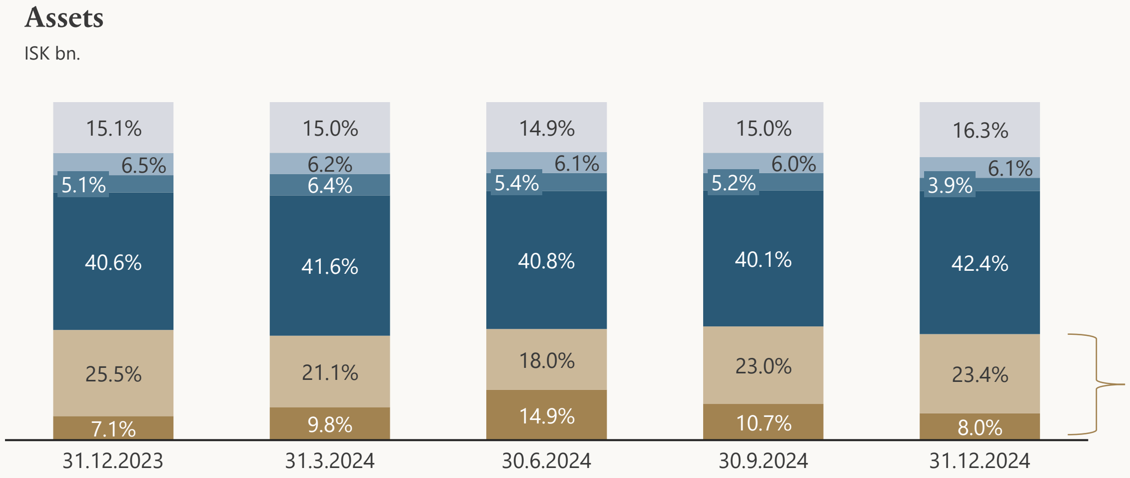


- Administrative expenses increase marginally, up 3% from Q4 2023, while inflation amounted to 5% in the period
- Increase is mainly driven by growth in salaries and related expenses as well as small increase in other operating expenses
- Number of employees of Kvika bank lower by 7% compared to Q4 2023
- Management remains committed to continued focus on cost management and efficient growth

Balance Sheet: Assets

Robust mix of liquid assets and loans to customers





Liquid assets, consisting of cash and financial instruments excluding securities used for hedging, **amount to ISK 105.7 bn., 28.9% of total assets and 70.3% of loans to customers**

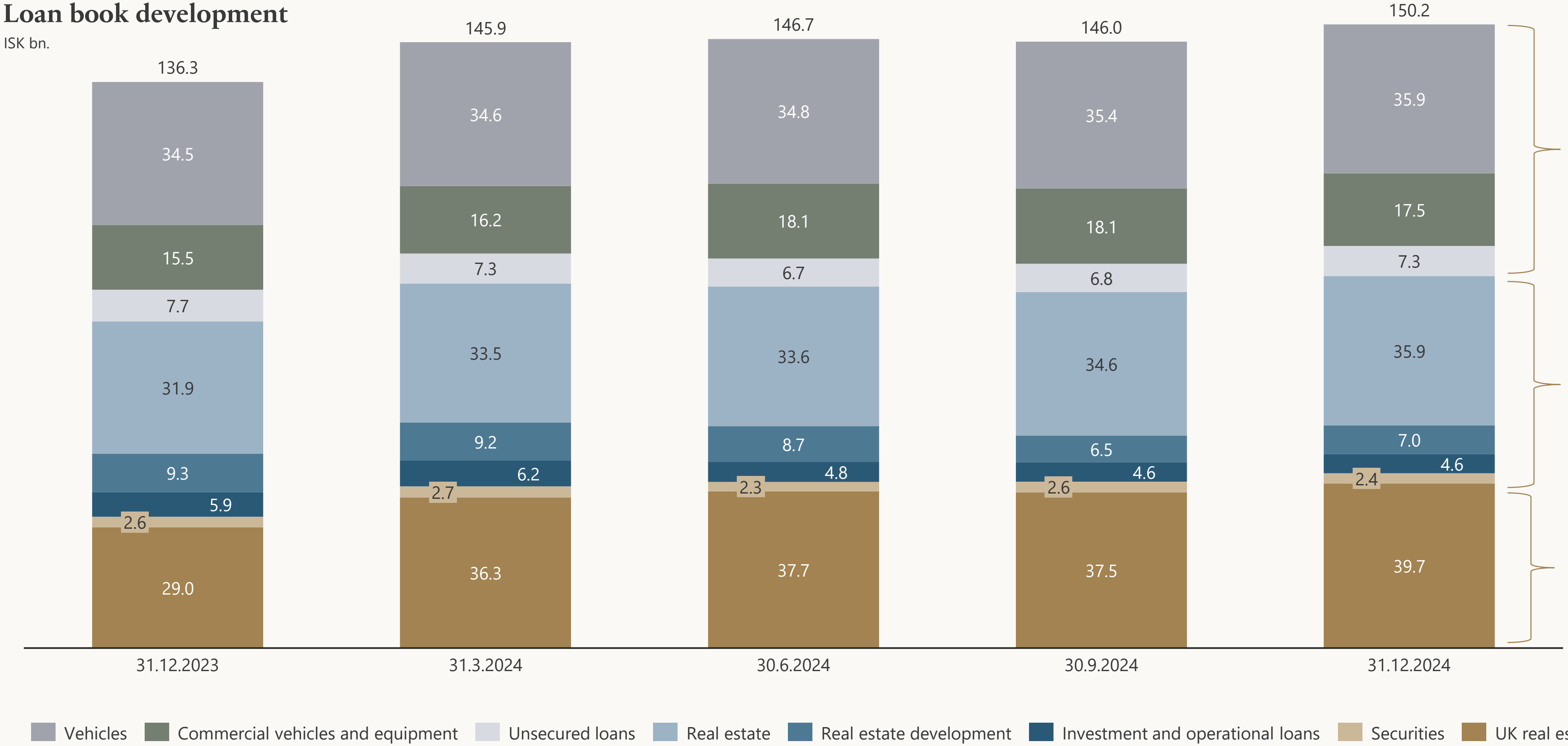
- Total assets increase by ISK 19 bn. since year-end 2023, thereof loans to customers increase by ISK 14 bn. since year-end 2023
- Balance sheet decreases slightly between quarters, mainly attributable to a decreased cash position as money market borrowings and unsettled transactions are at a minimum in addition to bonds maturing in the period
- Over 30% of assets consist of cash and financial instruments, reflecting the group's strong liquidity position that will be available to fund loan book growth once TM divestment completes
- ISK 14.8 bn. positive CPI balance at year end 2024 of which ISK 2.7 bn. are securities for market making

Loans to Customers

Well diversified loan book

Loan book development

ISK bn.



Commercial Banking
Vehicles
Commercial vehicles & equipment
Unsecured loans

Investment Banking
Real estate
Real estate development
Investment and operational loans
Securities

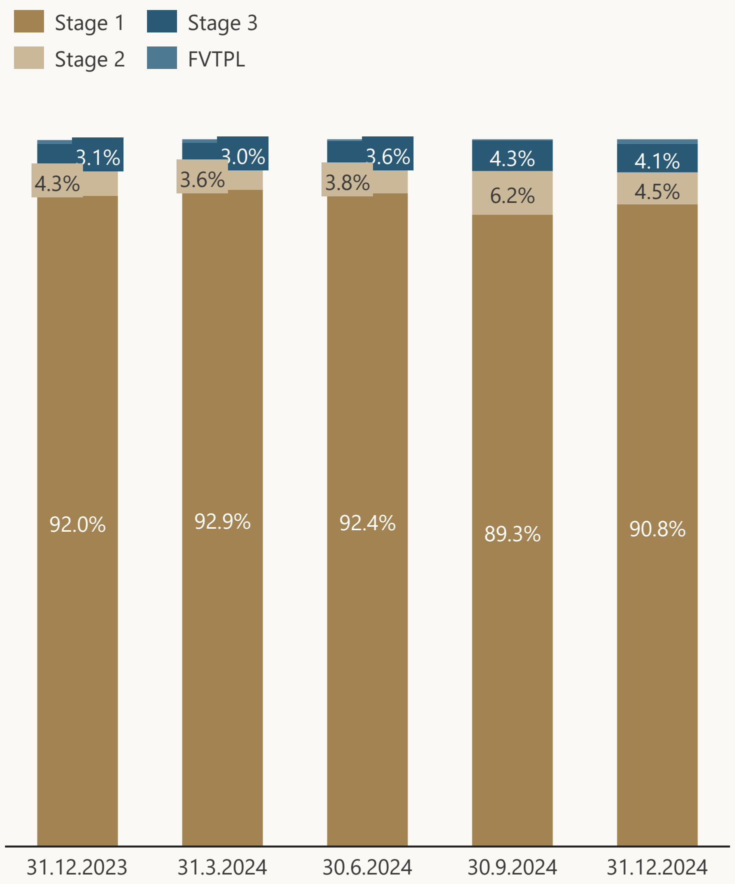
UK
UK real estate

Credit Quality

Credit quality remains stable

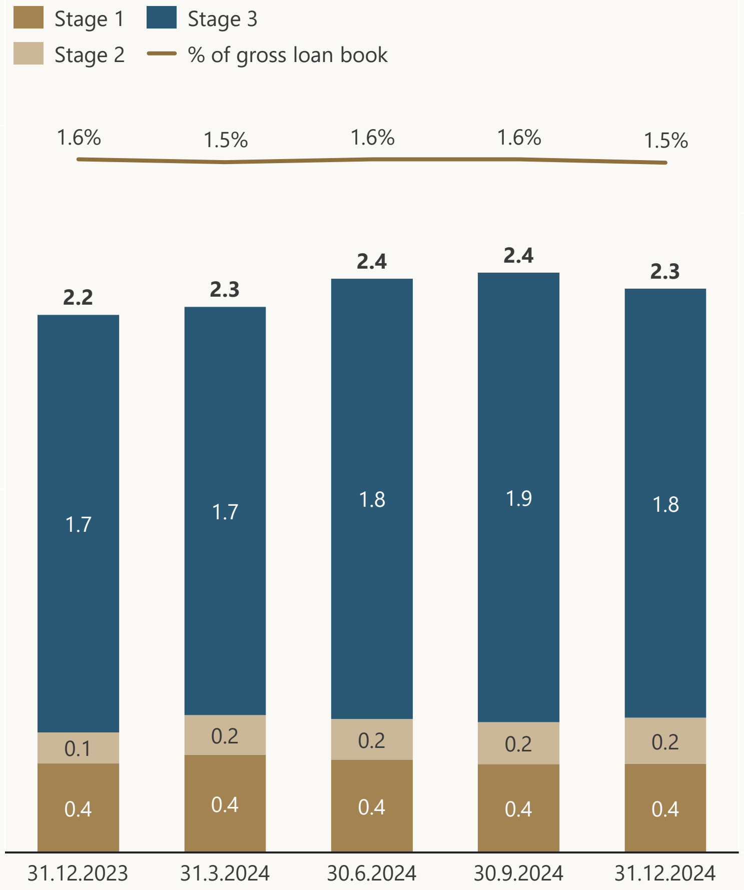
Loans to customers risk stage allocation

Net loan book / (%)



Impairment loss allowance

ISK bn.



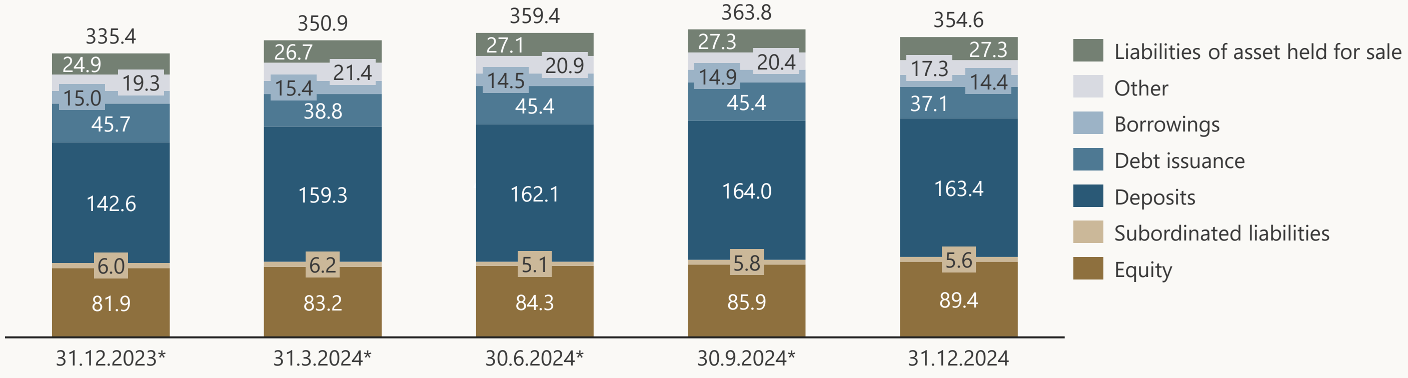
- Loan book quality continues to be stable and increases slightly between quarters
- Stage 3 loans decrease from 4.3% to 4.1%, on a net loan book basis, between quarters. Stage 1 loans increase from 89.3% to 90.8% as loan book quality rebounds
- Robust average LTV of stage 3 loans of 64.2%

Balance Sheet: Liabilities

Significant growth in retail deposits

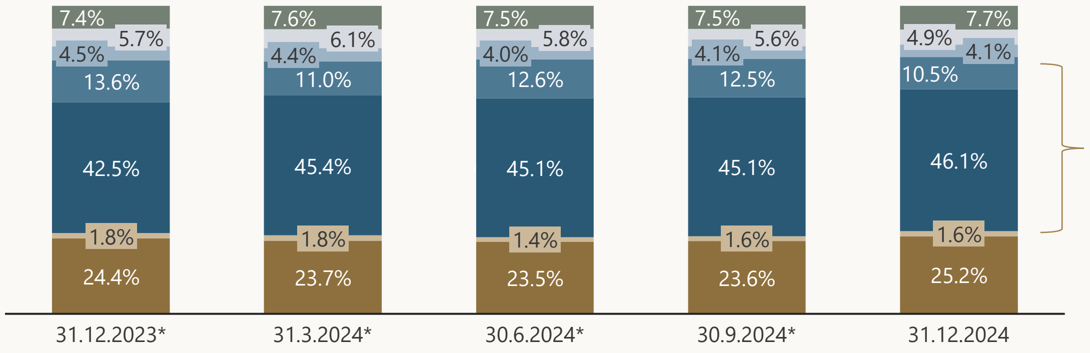
Liabilities and equity

ISK bn.



Liabilities and equity

ISK bn.



Deposits are a key source of funding that is supplemented with debt issuance and other borrowings

- Liabilities increase by ISK 19 bn. since year-end 2023, mainly driven by growth in deposits and equity
- Deposits increased by ISK 21 bn YoY or 15%, driven by growth in retail deposits. Deposits remain largely on-demand
- Liabilities related to the insurance entity, TM tryggingar hf., amounting to ISK 27.3 bn. are categorized as liabilities associated with assets classified as held for sale

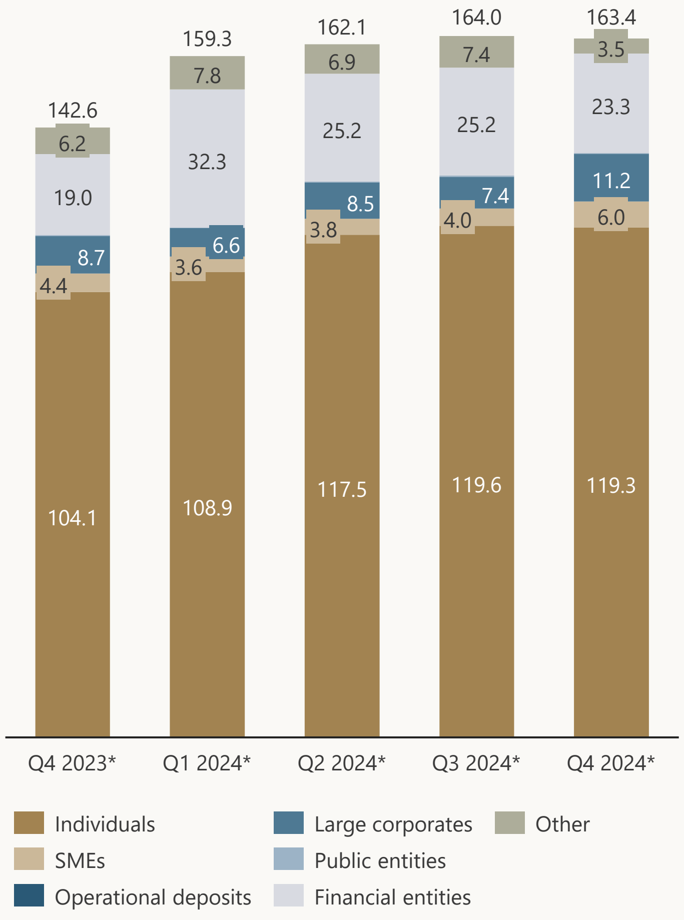
*Money market deposits were previously presented as part of borrowings but are now presented as part of deposits. Comparative figures have been restated. Reference is made to note 2 in Kvika's Consolidated Financial Statements dated 31.12.2024 for further information

Deposits

Retail deposits remain a key funding base

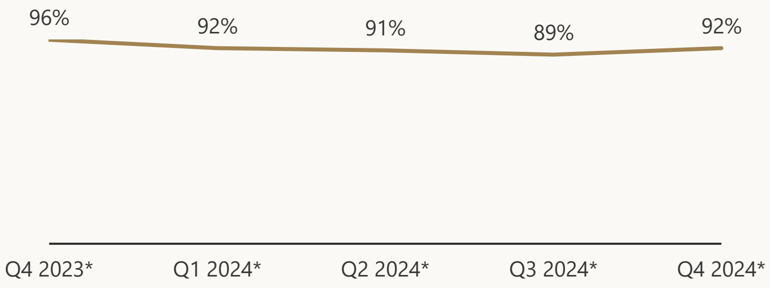
Deposits by type

ISK bn.



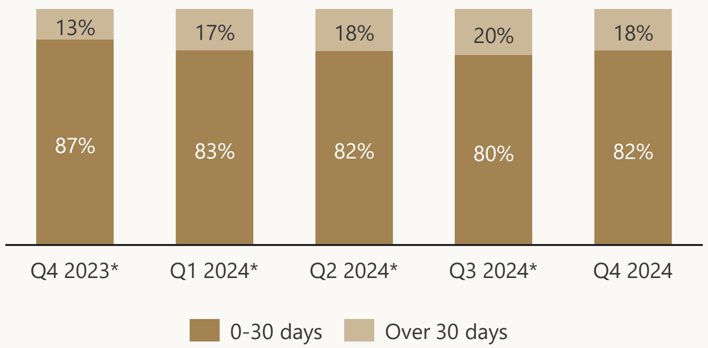
Loans to deposits

(%)



Maturity of deposits

31.12.2024 / ISK bn.



- Deposits grow by 15% YoY, largely attributable to retail deposits through the Auður brand
- Non-retail deposits grow somewhat, mainly due to a new corporate offering by Auður, launched in September 2024
- Deposit maturity increased throughout the year though over 80% of deposits remain on-demand

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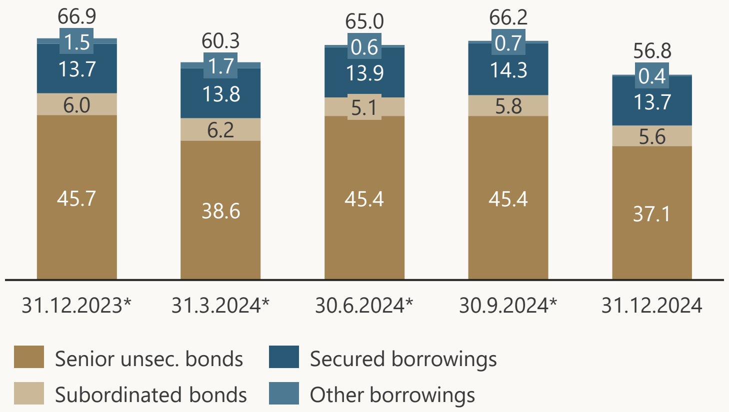
Debt Issuance

Significant steps taken towards improved rates

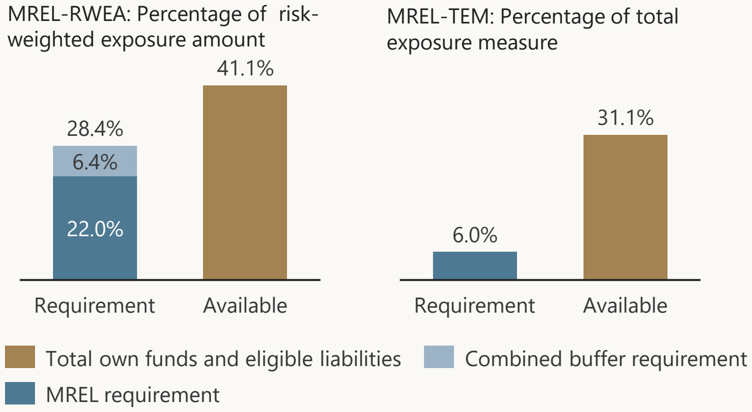
Development of market funding

31.12.2024 / ISK bn.



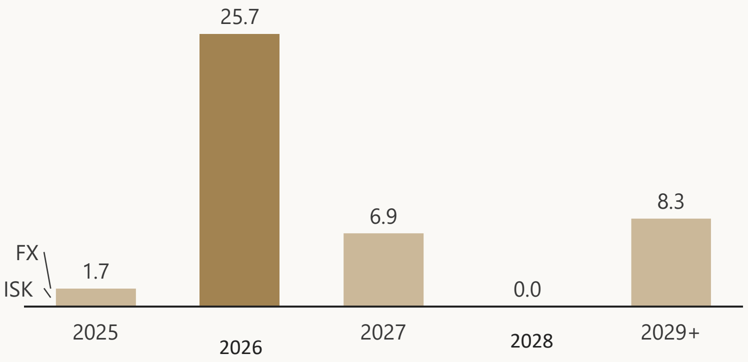
MREL requirements

31.12.2024



Maturity of issuance

31.12.2024 / ISK bn.



Rating

Rating

	Bank deposit rating	Issuer rating
Long term	Baa1	Baa2
Short term	P-2	P-2
Outlook	Stable	Stable
Last update	4 July 2024	4 July 2024

- Kvika is an active issuer of bonds in the public bond markets in Iceland, Norway and Sweden from its EMTN programme and maintains a credit rating from Moody's Investors Service
- Latest issuance was in January 2025 where Kvika issued bonds amounting to SEK 600 million and NOK 400 million at STIBOR/NIBOR + 200bps., a meaningful reduction from previous issuance
- The Resolution Authority of the Central Bank of Iceland presented the Bank with MREL requirements in January. Kvika's MREL requirements are 22.0% of total risk exposure amount (MREL-TREA), which must be met parallel to a combined buffer requirement, and 6.0% of total exposure measure (MREL-TEM). Both of which are already met through a combination of own funds and eligible liabilities.
- As at year-end, ISK 25.7 bn. of Kvika's bonds has a maturity in the year 2026. However, about ISK 3.2 bn. was tendered in January decreasing 2026 maturities to about ISK 22.5 bn.
- In July 2024 Moody's confirmed Kvika's ratings which include a long-term issuer rating of Baa2, Kvika remains committed on maintaining a solid investment grade credit rating

*Money market deposits were previously presented as part of borrowings but are now presented as part of deposits. Comparative figures have been restated. Reference is made to note 2 in Kvika's Consolidated Financial Statements dated 31.12.2024 for further information

Liquidity and Funding Ratios

Continued strong liquidity position

Liquidity coverage ratio (LCR)

31.12.2024 / ISK bn.

High quality liquid assets	73.1
Net outflow	20.3
Liquidity coverage ratio	**360%**
Minimum regulatory requirement	100%

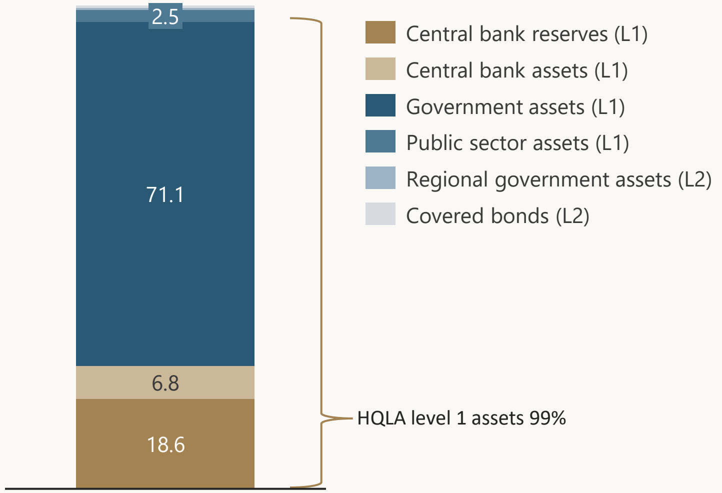
Net stable funding ratio (NSFR)

31.12.2024 / ISK bn.

Available stable funding	247.7
Required stable funding	171.9
Net stable funding ratio	**144%**
Minimum regulatory requirement	100%

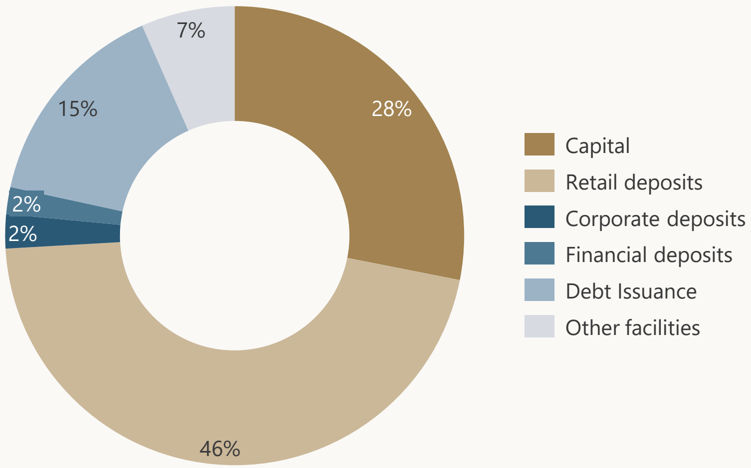
High quality liquid assets (HQLA)

31.12.2024 / (%)



Available stable funding

31.12.2024 / (%)



- High Quality Liquid Assets (HQLA) ISK 73.1 bn. excluding mandatory reserves and collateral to the Central Bank
- Liquidity coverage ratio is strong at 360%, where the regulatory minimum is 100%
- Net stable funding ratio is strong at 144%, where the regulatory minimum is 100%
- Asset and liability management is aimed at maintaining stable funding sources such as core retail deposits and long-term funding via debt issuance

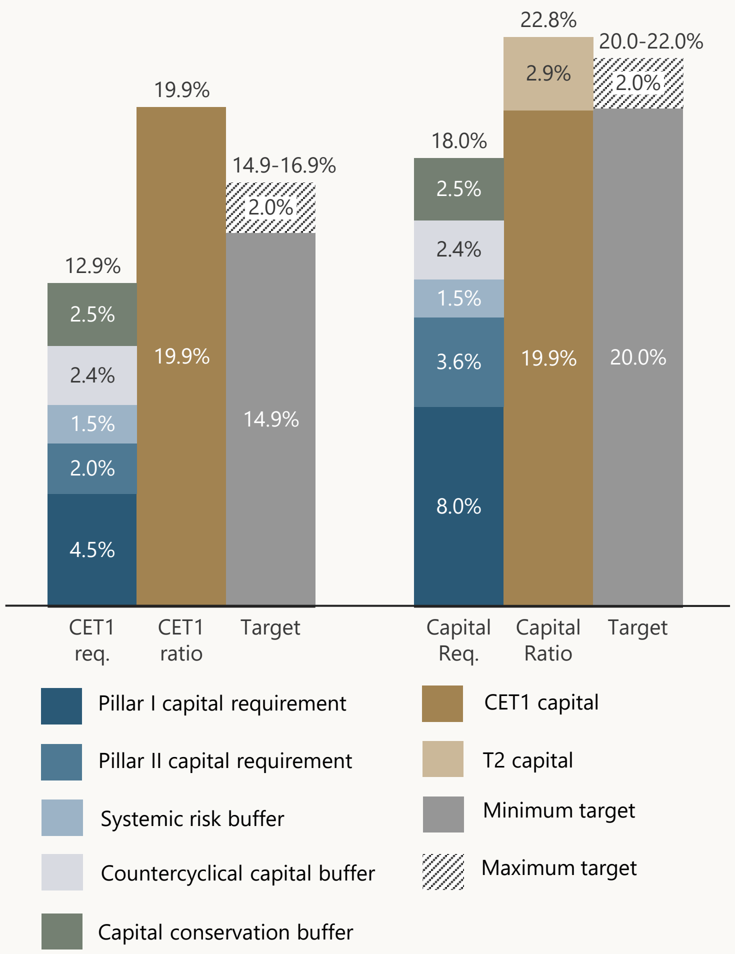
L1: Level 1 assets , L2: Level 2 assets

Capital Position

Strong capital position well above regulatory requirements

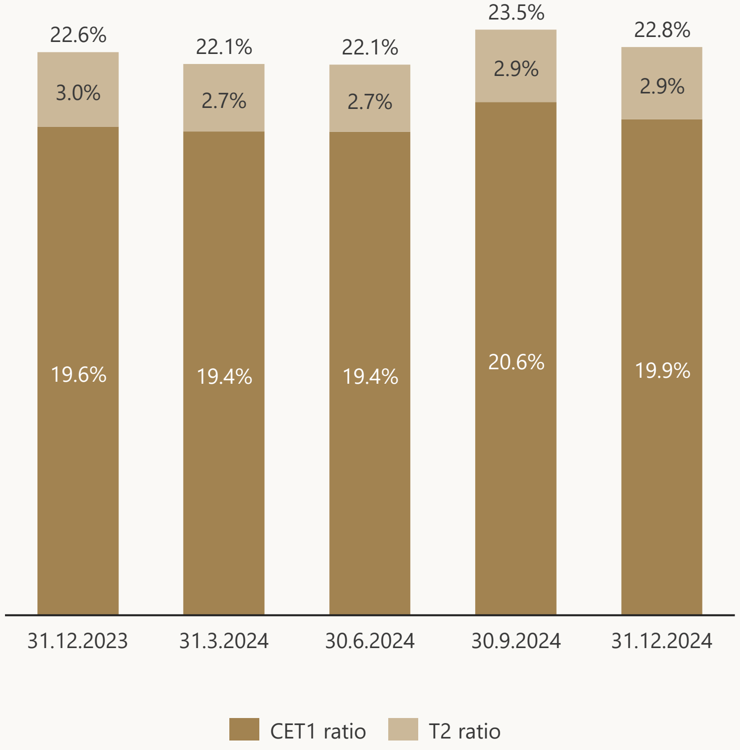
Capital position and requirements

31.12.2024 / (%)



Capital ratio development

31.12.2024 / (%)



- CAR of 22.8% at the end of December, above management target
- Capital requirement decreased by 0.9%points in the quarter
  - 0.8% due to reduction in systemic risk buffer in Iceland*
  - 0.1% due to changes in composition of risk weighted exposure between Iceland and UK which impacts both systemic risk and countercyclical buffers
- Kvika aims to maintain a management buffer of 2% to 4% over current and anticipated CAR requirements
- On a financial conglomerate basis, Kvika has a group solvency of 1.33 at the end of December 2024
  - Insurance operations solvency of 1.70 at 31 December 2024
- Capital exceeds regulatory requirements by ISK 14.5 bn. on consolidated solvency basis for the group and ISK 9.4 bn. on CAR basis excluding insurance activities

*The Central Bank of Iceland's Rules on Systemic Risk Buffers for Financial Undertakings, no. 1414/2024 were approved at a meeting of the Financial Stability Committee on 3 December 2024

Financial Targets

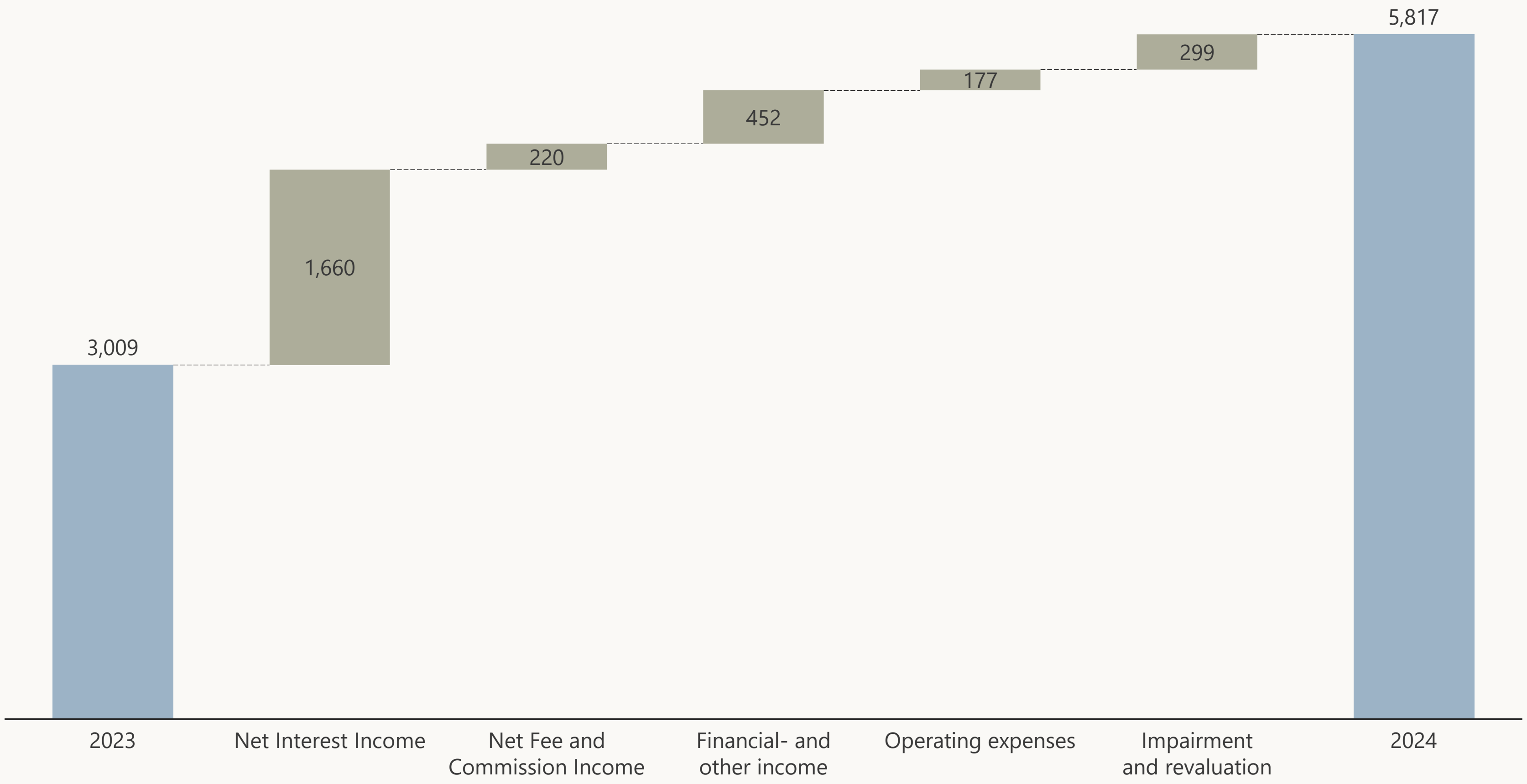
	Target	12M 2023	Q4 2024
Return on Tangible Equity Pre-tax	>20%	18.8%	18.5%
Capital Adequacy Ratio (CAR) Buffer Over Requirement (basis points)	200-400 bps.	480 bps.	480 bps.
Dividend Payout Ratio Dividends and Share Buybacks as % of Profit after Tax	25%	25%	25%

Looking ahead

Foundation Built in 2024

Profit before tax from continuing operations

ISK m.



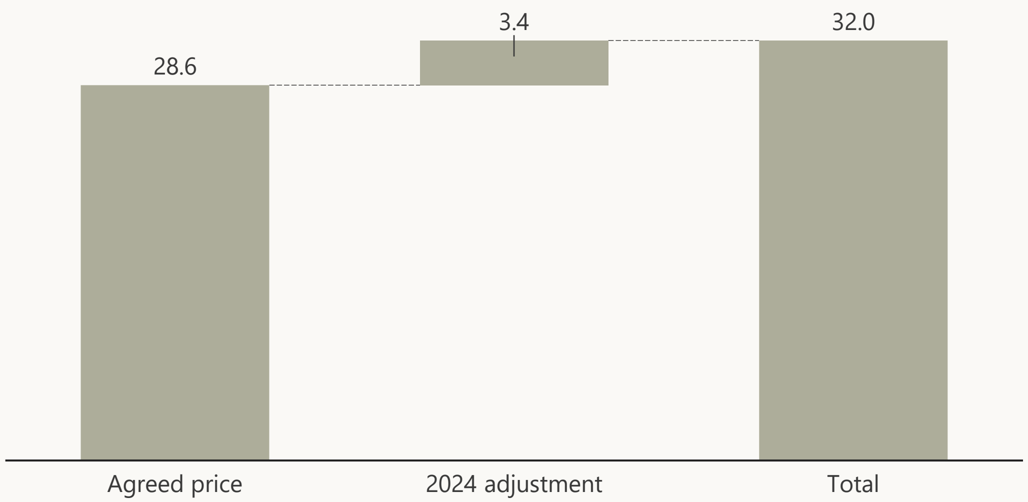
2024 demonstrates a **strong operational rebound** for Kvika over the last 12 months

Revenue growth driven by a significant increase in **net interest income**, attributed to both **loan book expansion** and an **improved net interest margin**. Additionally, net fee and commission income has seen a welcome recovery, alongside a **turnaround in financial income**.

On the cost side, the bank **reduced overall costs by ISK 177 million** year-on-year **despite significant inflation** in the period

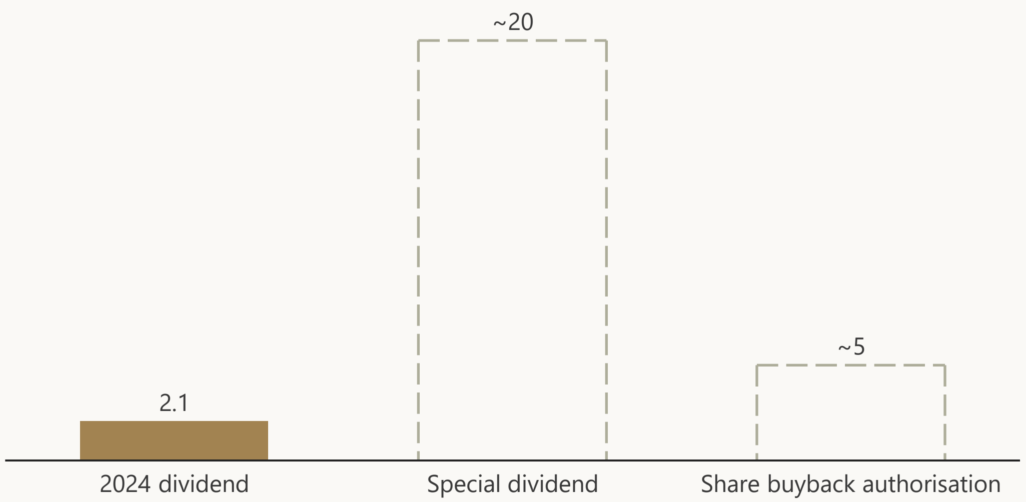
Supporting both Growth and Returns in 2025

Estimated purchase price of TM
ISK bn.



Completion of TM divestment still pending regulatory approval by the Icelandic Competition Authority. TM provided a solid performance in 2024 with profit after tax more than double that of 2023 resulting in an expected purchase price adjustment of ISK 3.4 bn., an uplift from ISK 28.6 bn. to **ISK 32.0 bn**.

Expected returns to shareholders in 2025
ISK bn.

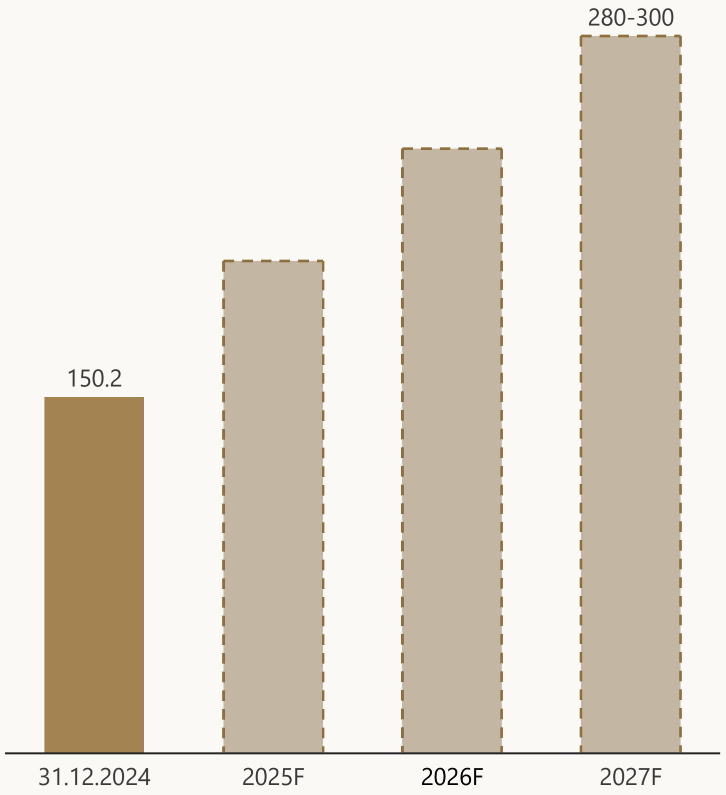


Strong capital position post TM sale enables the bank to **significantly increase returns to shareholders while maintaining a robust capital position**. In addition to a regular dividend of ISK 0.44 per share, the Board will decide on an extraordinary dividend upon receipt of the purchase price for TM as well as initiating a share buy back programme, for which the Bank has received an approval from the Central Bank of Iceland, contingent on the finalisation of the TM sale

Retained Capital Utilized for Considerable Loan Book Growth

Loan Book Breakdown	12M 2024	2027 Target
Vehicle & equipment lending	36%	20-25%
Consumer lending	5%	3-5%
Mortgages	1%	10-15%
UK	26%	20-25%
Corporate lending	32%	30-40%
Loan Book Size	ISK 150 bn.	ISK ~ 300 bn.

Anticipated loan book growth post-divestment
ISK bn.

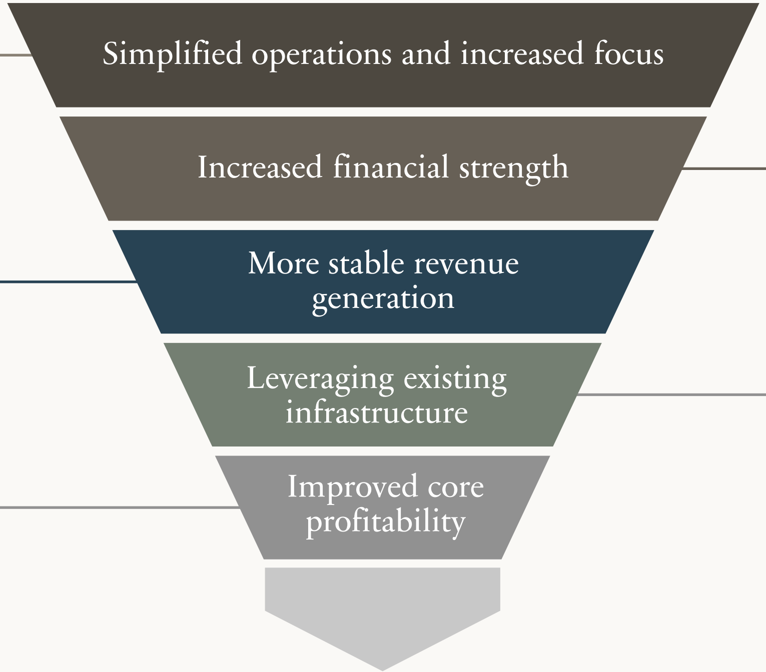


Strategic Priorities Going Forward

The sale of TM simplifies the group's operations and enhances focus

Increased focus on stable interest income and strengthening of fee generation

A broader product offering and more stable revenue generation, along with relatively lower costs, strengthen core profitability



Strong capital and liquidity are key priorities, underpinning future growth and better utilization of infrastructure

Leveraging existing infrastructure to expand revenues without a corresponding growth in costs

...creating optimal conditions for profitable growth

Appendix

TM Insurance

Asset held for sale

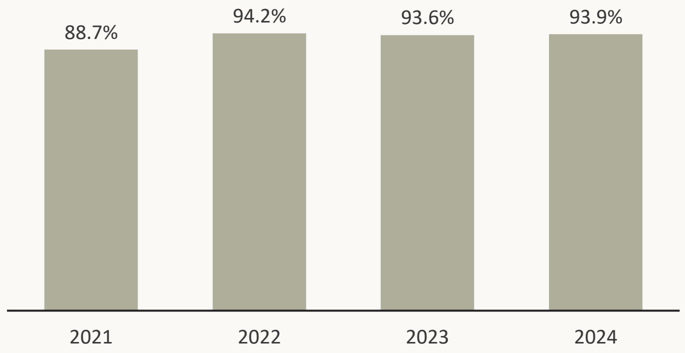
Income statement

ISK m.

	2024	2023
Net interest income	706	896
Net fee and commission income	(9)	24
Insurance revenue	20,861	19,582
Incurred claims and net expense from reinsurance contracts held	(15,549)	(14,860)
Net financial income	2,402	800
Other operating income	117	133
Administrative expenses related to insurance service	(4,799)	(4,524)
Net impairment	(3)	21
Revaluation of investment properties		60
Gain on sale of subsidiary	95	
Administrative expenses, stranded cost	55	102
Income tax	(415)	(505)
Profit for the period	**3,460**	**1,730**
Claims ratio	*72.8%*	*70.5%*
Cost ratio	*19.4%*	*19.6%*
Reinsurance ratio	*1.7%*	*3.5%*
Combined ratio	***93.9%***	***93.6%***

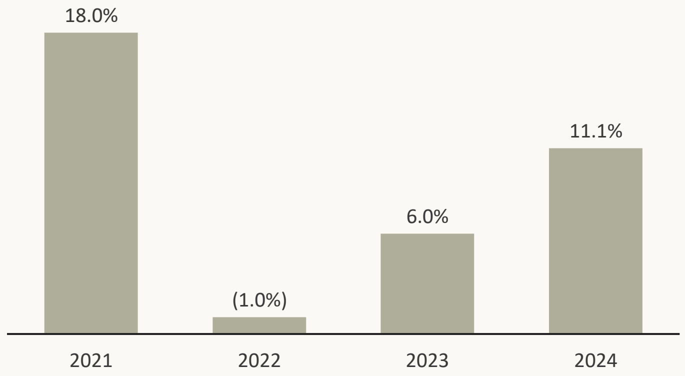
Combined ratio

(%)



Return on investment assets

(%)



- Profit from insurance operations increases substantially year on year, mainly attributable to a rebound in net financial income
- Overall insurance operations provide a solid performance with the combined ratio relatively stable at 93.9% compared to 93.6% in 2023, despite significant claim events during the year
- Net financial income improves substantially YoY with an overall yield of 11.1% in the period

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