

Press Release

2 May 2024

Kvika banki hf.: Financial Results for Q1 2024

At a board meeting on 2 May 2024, the Board of Directors and the CEO approved the interim financial statements of the Kvika banki hf. (“Kvika” or “the bank”) group for the period 1 January to 31 March 2024.

In Kvika’s financial statements for the period the insurance subsidiary TM tryggingar hf. (“TM”) is classified as held for sale. As a result, and in accordance with international financial reporting standards, the Group reports income from its insurance operations in a single line in the consolidated income statement as profit after tax from discontinued operations. The comparative figures of operations from 2023 have been restated accordingly.

Highlights of the 3M 2024 Interim Financial Statements:

- Pre-tax profit, excluding TM insurance, amounted to ISK 1,215 million in Q1 2024, compared to ISK 895 million in Q1 2023 and increases by 36% from previous year.
- Post-tax profit of the group amounted to ISK 1,083 million in Q1 2024, compared to ISK 1,167 million in Q1 2023 and decreases by 7% from previous year.
- Pre-tax return on tangible equity (RoTE) was 12.1%, compared to 13.1% in Q1 2023. Return on tangible equity of continuing operations was 15.5% in the first quarter of 2024.
- Earnings per share for the period was ISK 0.23 in Q1 2024, compared to ISK 0.24 in Q1 2023.

Income from banking and asset management:

- Net interest income amounted to ISK 2,326 million, compared to ISK 1,985 million in Q1 2023 and increased by 17% from previous year.
- Net interest margin was 3.8% in Q1 2024.
- Net fee and commission income amounted to ISK 1,633 million, compared to ISK 1,488 million in Q1 2023 and increased by 10% from previous year.
- Other net operating income was ISK 110 million, compared to ISK 16 million in the same period 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 96 million over the period, compared to ISK 428 million in the same period in 2023.
- Combined ratio of insurance operations was 100.5%, compared to 99.8% in the first quarter of 2023.

Key balance sheet figures:

- Deposits from customers were ISK 137 billion, compared to ISK 134 billion at year-end 2023 and increased by 2.5% in the period.

- Loans to customers were ISK 146 billion, compared to ISK 136 billion at year-end 2023 and increased by 7%.
- Total assets were ISK 351 billion, compared to ISK 335 billion at year-end 2023.
- Total equity of the group was ISK 83 billion at the end of the period, compared to ISK 82 billion at year-end 2023.
- The capital adequacy ratio (CAR) was 22.1%, compared to 22.6% at year-end 2023 and the solvency ratio of the financial conglomerate was 1.18 at the end of the period, as determined on the basis of the unaudited net earnings in the quarter. Kvika's capital ratio as calculated under the Financial Undertakings Act No. 161/2002 was 21.7%.
- Total liquidity coverage ratio (LCR) of the group was 286%, compared to 247% in year-end 2023.
- Total assets under management were ISK 474 billion, compared to ISK 470 billion at year-end 2023.

Árman Þorvaldsson, CEO of Kvika:

“Kvika's banking operations performed well in the first quarter, and it is great to see a significant increase in profits from Q1 last year. Profit before taxes in the first quarter, excluding TM's results, amounted to ISK 1,215 million, compared to ISK 895 million in the same period in 2023 – an increase of 36%.

Almost all income segments grew year-on-year while at the same time costs were successfully contained. Despite persistent inflation and significant wage increases, we were successful in keeping costs almost unchanged from year to year. All the bank's business units performed well in the first quarter, and it is pleasing to see the turnaround in the bank's operations in the UK after a challenging environment the past two years.

Return on tangible equity of the bank's operations amounted to 15.5%, which is below our long-term goal, but we are seeing evidence that we should close in on that goal in the coming quarters.

TM's insurance operations were in line with expectations and comparable to the first quarter of last year, but Q1 is generally the most difficult for the insurance companies. However, market conditions were unfavourable during the period, and the company's financial income was therefore considerably below expectations.

Profit before taxes, including TM insurance, amounted to ISK 1,345 million. Return on tangible equity before taxes was 12.1%.

Work on the completion of the confirmatory due diligence and the signing of an SPA with Landsbankinn for the sale of TM has progressed well, and the bank will keep the market informed as matters develop.”

Presentation for shareholders and market participants

A presentation for shareholders and market participants will be held Thursday, 2 May, at 16:15 in Kvika's headquarters on the 9th floor at Katrínartún 2, 105 Reykjavík. The presentation will be conducted in Icelandic and a live stream can be accessed on the following website:

<https://kvika.is/kynning-a-uppgjori-3m-2024/>

Meeting participants will be able to send questions before or during the meeting via ir@kvika.is.



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