

Press Release

14 August 2024

Kvika banki hf.: Financial Results for Q2 2024

At a board meeting on 14 August 2024, the Board of Directors and the CEO approved the interim financial statements of the Kvika banki hf. (“Kvika” or “the bank”) for the second quarter and first six months of 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 operations of TM 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 performance in the second quarter (Q2 2024)

- Post-tax profit of the group as a whole amounts to ISK 1,256 million in Q2 2024, compared to ISK 745 million in Q2 2023 and increases by 69% year-on-year.
- Profit before tax from continuing operations amounts to ISK 1,189 million, compared to ISK 1,517 million in Q2 2023 and decreases by 22% from year on year.
- Net interest income amounted to ISK 2,428 million in Q2 2024, compared to ISK 1,856 million in Q2 2023 and increased by 31% from previous year.
- Net interest margin was 3.8% in Q2 2024, compared to 3.4% in Q2 2023.
- Net fee and commission income was ISK 1,351 million in Q2 2024, compared to ISK 1,526 million in Q2 2023 and decreased by 11% from previous year.
- Other net operating income was amounted to by ISK 217 million in Q2 2024, compared to ISK 954 million in Q2 2023. Financial income from a revaluation of shares in Kerecis amounted to ISK 899 million in Q2 2023.
- Administrative expenses were ISK 2,733 million in Q2 2024, compared with ISK 2,738 million in Q2 2023 and is nearly unchanged from previous year.
- Pre-tax return on tangible equity (RoTE) of continuing operations amounts to 14.6%
- Earnings per share amount to ISK 0.27 in Q2 2024, compared to ISK 0.15 in Q2 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 amounted to ISK 480 million in Q2 2024, compared to a loss of ISK 319 million in Q2 2023.
- Combined ratio of insurance operations was 101.5%, compared to 95.3% in the second quarter of 2023. Excluding the effects of a single major claim in the period, TM’s combined ratio would have been 94.1% in Q2 2024.

Key balance sheet figures:

- Deposits from customers amount to ISK 149 billion at the end of Q2 2024, compared to ISK 134 billion at year-end 2023 and increased by 12% in the period.

- Loans to customers amount to ISK 147 billion at the end of Q2 2024, compared to ISK 136 billion at year-end 2023 and increased by 8%.
- Total assets amounted to ISK 359 billion at the end of Q2 2024, compared to ISK 335 billion at year-end 2023.
- Total equity of the group amounted to ISK 84 billion at the end of Q2 2024, compared to ISK 82 billion at year-end 2023.
- The capital adequacy ratio (CAR) was 22.1% at the end of Q2 2024, compared to 22.6% at year-end 2023, and the solvency ratio of the financial conglomerate was 1.20.
- Total liquidity coverage ratio (LCR) of the group was 475% at the end of Q2 2024, compared to 247% in year-end 2023.
- Total assets under management amounted to ISK 480 billion, compared to ISK 470 billion at year-end 2023.

Highlights of the 6M 2024 Interim Financial Statements:

- Post-tax profit of the group as a whole amounted to ISK 2,340 million in 6M 2024, compared to ISK 1,912 million in 6M 2023 and increases by 22% from previous year.
- Profit before tax from continuing operations amounted to ISK 2,404 million in the first six months of 2024, compared to ISK 2,412 million in 6M 2023 and decreases by 0.3% from previous year.
- Net interest income amounted to ISK 4,754 million, compared to ISK 3,841 million in 6M 2023 and increased by 24% from previous year.
- Net interest margin was 3.8% in 6M 2024.
- Net fee and commission income amounted to ISK 2,984 million, compared to ISK 3,015 million in 6M 2023 and decreased by 1% from previous year.
- Other net operating income was ISK 326 million, compared to ISK 969 million in the same period in 2023. Financial income from a revaluation of shares in Kerecis amounted to ISK 899 million in 6M 2023.
- Administrative expenses were ISK 5,399 million, compared to ISK 5,373 million in the same period in 2023 and is nearly unchanged from previous year.
- Pre-tax return on tangible equity (RoTE) from continuing operations was 15.4%
- Earnings per share for the period amounted to ISK 0.49 in 6M 2024, compared to ISK 0.40 in 6M 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 576 million over the period, compared to ISK 109 million in the same period in 2023.
- Combined ratio of insurance operations was 101.2%, compared to 97.5% in the first same period in 2023. Excluding the effects of a single major claim in the period, TM's combined ratio would have been 97.2% in 6M 2024.

Árman Þorvaldsson, CEO of Kvika:

"The bank demonstrated strong performance during the quarter, reflecting the positive impact of the strategic actions implemented in recent quarters. These actions have resulted in robust core

operations. This is evidenced by results from continuing operations, excluding investment income, which show a year-on-year increase of ISK 409 million.

Net interest income continues to grow and provide a strong income base across the group. Compared to the same quarter in 2023, interest income grew by ISK 572 million, translating to an estimated annualised increase of approximately ISK 2,300 million.

Simultaneously, the bank has effectively managed to maintain operating costs at nearly the same level as the corresponding quarter in 2023, despite challenges posed by high inflation and wage increases during the period. Employees have been reduced by nearly 40, alongside other cost-cutting measures.

Net fee and commission income decreased compared to the same quarter last year, reflecting challenging conditions in the domestic capital market. Income from cards and payments has a positive effect and grows year-on-year while fee generation in capital markets, corporate advisory and asset management is somewhat below expectations due to lower volume and activity in the market. We anticipate a reversal of this trend when there are clear indications of the beginning of a rate cut cycle at the Central Bank of Iceland.

TM's operations improved significantly year-on-year due to increased investment income. The company's insurance operations are generally going well, but losses due to large claims this summer meant that the company's combined ratio was higher than at the same time last year.

The bank upholds robust financial strength, characterized by high capital ratios and an exceptionally strong liquidity position. Deposits continue to grow, and the bank successfully completed a bond offering in the Nordics this quarter with terms significantly better than those seen in the past two years.

It is clear that all prerequisites are in place for us to leverage the robust capital position established by the sale of TM that will enable us to enhance our service and product offerings, grow our loan books and ultimately driving increased future profitability of the bank.”

Presentation for shareholders and market participants

A presentation for shareholders and market participants is scheduled for Thursday, August 15, 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-6m-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.