

Press Release

6 November 2024

Kvika banki hf.: Financial Results for Q3 2024

At a board meeting on 6 November 2024, the Board of Directors and the CEO approved the interim financial statements of Kvika banki hf. (“Kvika” or “the bank”) for the third quarter and first nine 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 third quarter (Q3 2024)

- Profit before tax from continuing operations amounts to ISK 1,813 million, compared to ISK 234 million in Q3 2023, increasing by ISK 1,579 million from previous year.
- Post-tax profit of the group as a whole amounts to ISK 2,363 million in Q3 2024, compared to ISK 544 million in Q3 2023, increasing by ISK 1,819 million from previous year.
- Net interest income amounted to ISK 2,429 million in Q3 2024, compared to ISK 1,849 million in Q3 2023 and increased by 31% from previous year.
- Net interest margin was 3.7% in Q3 2024, compared to 3.2% in Q3 2023.
- Net fee and commission income was ISK 1,552 million in Q3 2024, compared to ISK 1,324 million in Q3 2023 and increased by 17% from previous year.
- Other net operating income amounted to by ISK 474 million in Q3 2024, compared to ISK a 148 million loss in Q3 2023, mainly attributable to an ISK 665 million rebound in net financial income.
- Administrative expenses were ISK 2,344 million in Q3 2024, compared with ISK 2,633 million in Q3 2023 and decrease by 11% from previous year.
- Pre-tax return on tangible equity (RoTE) of continuing operations amounted to 22.4%
- Earnings per share amounted to ISK 0.50 in Q3 2024, compared to ISK 0.11 in Q3 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 965 million in Q3 2024, compared to ISK 631 million in Q3 2023.
- Combined ratio of insurance operations was 86.0%, compared to 87.5% in the third quarter of 2023.

Key balance sheet figures:

- Deposits from customers amount to ISK 149 billion at the end of Q3 2024, compared to ISK 134 billion at year-end 2023 and increased by 12% in the period.

- Loans to customers amount to ISK 146 billion at the end of Q3 2024, compared to ISK 136 billion at year-end 2023 and increased by 7.1%.
- Total assets amounted to ISK 364 billion at the end of Q3 2024, compared to ISK 335 billion at year-end 2023.
- Total equity of the group amounted to ISK 86 billion at the end of Q3 2024, compared to ISK 82 billion at year-end 2023.
- The capital adequacy ratio (CAR) was 23.5% at the end of Q3 2024, compared to 22.6% at year-end 2023, and the solvency ratio of the financial conglomerate was 1.24.
- Total liquidity coverage ratio (LCR) of the group was 780% at the end of Q3 2024, compared to 247% in year-end 2023.
- Total assets under management amounted to ISK 440 billion, compared to ISK 470 billion at year-end 2023.

Highlights of the 9M 2024 Interim Financial Statements:

- Profit before tax from continuing operations amounted to ISK 4,217 million in the first nine months of 2024, compared to ISK 2,646 million in 9M 2023.
- Post-tax profit of the group as a whole amounted to ISK 4,703 million in 9M 2024, compared to ISK 2,456 million in 9M 2023.
- Net interest income amounted to ISK 7,183 million, compared to ISK 5,690 million in 9M 2023 and increased by 26% from previous year.
- Net interest margin was 3.9% in 9M 2024.
- Net fee and commission income amounted to ISK 4,536 million, compared to ISK 4,339 million in 9M 2023 and increased by 5% from previous year.
- Other net operating income was ISK 800 million, compared to ISK 821 million in the same period in 2023.
- Administrative expenses were ISK 7,744 million, compared to ISK 8,006 million in the same period in 2023 and decrease by 3%.
- Pre-tax return on tangible equity (RoTE) from continuing operations was 18.1%
- Earnings per share for the period amounted to ISK 1.00 in 9M 2024, compared to ISK 0.51 in 9M 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 1,541 million during the first nine months of 2024, compared to ISK 741 million in the same period in 2023.
- Combined ratio of insurance operations was 95.9%, compared to 94.0% during the same period in 2023.

Árman Þorvaldsson, CEO of Kvika:

"I am very pleased to see the substantial turnaround in the bank's operations recently, as reflected in the third-quarter results. The bank is meeting its profitability targets for continuing operations as profit before tax for the quarter multiplies year-over-year, amounting to ISK 1,813 million, which corresponds to a 22.4% return on tangible equity before tax.

There is significant growth across all revenue streams compared to the previous year. Growth in the loan book and an increase in net interest margin led to an increase of nearly ISK 600 million in interest income year-over-year. Additionally, there was a notable turnaround in net financial income, which amounted to over ISK 400 million for the quarter, compared to negative figures for the same period last year. This rebound in financial income is largely due to the strong performance of the bank's unlisted investments in Iceland and the UK during the quarter. Net fee and commission income grew by 17% year-over-year, mainly driven by increased activity from Straumur and increased lending fees.

The bank's performance in managing costs has been exceptionally strong over the past year, with challenging cost-control measures yielding substantial results. Operating expenses for the quarter decreased by nearly ISK 300 million compared to the same quarter last year, which is an impressive outcome given the high inflation and wage increases.

The bank's capital position remains very robust and its liquidity ratio is at an all-time high. All business units are delivering results in line with or exceeding the company's projections, and it is particularly good to see the turnaround in the bank's operations in the UK.

TM's operations also performed very well during the quarter, both in terms of insurance operations and investments, with the company's profit increasing by over ISK 300 million year-over-year.

The Financial Supervisory Authority of the Central Bank of Iceland granted its approval for Landsbankinn's acquisition of TM during the quarter though approval from the Competition Authority is still pending. The expected sale of TM will significantly strengthen the bank's capital position and enable it to take advantage of numerous growth opportunities going forward, as we will discuss further in Kvika's Capital Markets Day held November 7th."

Presentation for shareholders and market participants

A presentation for shareholders and market participants will be combined with Kvika's Capital Markets Day which will be held the next day, at 12:00 on Thursday 7 November in Harpa's Northern Lights Hall. During the event, Kvika's management will present the company's strategic priorities following the expected sale of TM and provide an overview of the key highlights from the third quarter financial results.

The presentation will be conducted in Icelandic, with a live stream available on the following website: <https://kvika.is/fjarfestadagur2024/>

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