

Press Release

15 February 2024

Kvika banki hf.: Kvika banki's Consolidated Financial Statements 2023 and Q4 results

At a board meeting on 15 February 2024, the Board of Directors and the CEO approved the consolidated financial statements of Kvika banki hf. ("Kvika") group for the year 2023.

In Kvika's consolidated financial statements for the year 2023 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 2022 have been restated accordingly.

Highlights of the Consolidated Financial Statements and performance of 2023:

- Pre-tax profit, including TM insurance, amounted to ISK 5,245 million, compared to ISK 5,621 million in 2022 and decreases by 7% year-on-year.
 - Post-tax profit of the group amounted to ISK 4,034 million, compared to ISK 4,913 million in 2022 and decreases by 18% year-on-year.
 - Pre-tax return on tangible equity (RoTE) was 12.1%, compared to 13.1% in 2022.
 - Earnings per share for the period was ISK 0.84, compared to ISK 1.02 in 2022.
- Income from banking and asset management:**
- Net interest income amounted to ISK 8,021 million, compared to ISK 7,085 million in 2022 and increased by 13% from previous year.
 - Net interest margin was 3.6% in 2023.
 - Net fee and commission income amounted to ISK 5,916 million, compared to ISK 6,414 million in 2022 and decreased by 8% from previous year.
 - Net financial income was ISK 442 million, compared to ISK 278 million in 2022 and increased by 59% year-on-year.
- Income from insurance:**
- Post-tax profit of TM insurance is summarized in the income statement as asset held for sale and amounted to ISK 1,730 million over the period, compared to ISK 560 million in 2022 and increased by 209% from previous year.

Key balance sheet figures:

- Deposits from customers were ISK 134 billion, compared to ISK 112 billion in 2022 and increased by 20% year-on-year.
- Loans to customers were ISK 136 billion, compared to ISK 107 billion in 2022 and increased by 27% year-on-year.
- Total assets were ISK 335 billion, compared to ISK 300 billion in 2022.
- Total equity of the group was ISK 82 billion at year end, compared to ISK 81 billion in 2022.
- Solvency ratio of the financial conglomerate was 1.25 at year end, compared to 1.36 in 2022 and the capital adequacy ratio (CAR) was 22.6%, compared to 23.5% in 2022.

- Total liquidity coverage ratio (LCR) of the group was 247%, compared to 320% in 2022.
- Total assets under management at year-end were ISK 470 billion, compared to ISK 462 billion at year-end 2022.

Highlights of performance in fourth quarter (Q4 2023)

- Pre-tax profit, including TM insurance, amounted to ISK 1,427 million in Q4 2023, compared to ISK 1,613 million in Q4 2022 and decreases by 13% from previous year.
- Post-tax profit of the group amounted to ISK 1,502 million in Q4 2023, compared to ISK 1,711 million in Q4 2022 and decreases by 12% year-on-year.
- Pre-tax return on tangible equity (RoTE) was 13.9%, compared to 15.3% in the fourth quarter 2022.
- Earnings per share was ISK 0.33 in Q4 2023, compared to ISK 0.36 in Q4 2022.

Income from banking and asset management:

- Net interest income amounted to ISK 2,331 million in Q4 2023, compared to ISK 1,639 million in Q4 2022 and increased by 39% from previous year.
- Net interest margin was 3.9% in Q4 2023, compared to 3.4% in Q4 2022.
- Net fee and commission income was ISK 1,758 million in Q4 2023, compared to ISK 1,541 million in Q4 2022 and increased by 2% from previous year.
- Net financial income was negative by ISK 11 million in Q4 2023, compared to profit of ISK 33 million in Q4 2022.

Income from insurance:

- Post-tax profit of TM insurance is summarized in the income statement as asset held for sale and amounted to ISK 914 million in Q4 2023, compared to ISK 1,005 million in Q4 2022 and decreased by 9% from previous year.
- Combined ratio of insurance operations was 92.5%, compared to 89.4% in the fourth quarter of 2022.

Árman Þorvaldsson, CEO of Kvika:

“Kvika’s performance in last year was solid and the operating results acceptable in challenging conditions in the financial markets. Profit before taxes, including TM insurance, was 5.3 billion ISK in the year 2023 and return on tangible equity before taxes was 12.1% during the year.

Net interest income increased by 13% year-on-year, but conditions in the first half of the year were unfavourable for Kvika due to rapid rise in interest rates resulting in interest expense increasing faster than interest earned on assets. In the second half of the year the negative effects subsided when rise in policy rates was halted and positive reversal is observable in the fourth quarter where net interest income increased by 39% during the quarter compared to the period in the previous year.

Market conditions affected net fee and commission income that contracted year on year, foremost due to lower fees in the asset management segment as with the corporate banking and capital markets segment. But positive reversal in the fourth quarter in fee and commission income was attributable to increased operations by Straumur.

Kvika is today strongly capitalized, is well funded and with diverse and granular loanbook, that is an enviable position to be in and results in positive outlook for the operations in 2024.

All our brands in retail operations are growing rapidly where efforts have been made in introducing new products and services to the market. Deposits with Auður increased by almost 50%, Lykill had a record year and Netgiro continued to grow. Aur, that has been in progressive development, now offers diverse banking services and has issued over 27,000 new cards. Straumur, that launched last year, is spearheading aggressively with 25% market share in the domestic market in payment facilitation. Market share in the capital markets division has been increasing where we have the highest market share in fixed-income trading on the Nasdaq Iceland exchange. Assets under management are increasing and Kvika's fund management operations have been delivering the highest returns of funds in the domestic market. Additionally, Kvika is the only Icelandic bank that offers services in the UK and has the performance of the operations there been steadily improving with increased interest margin and loanbook growth.

Insurance operations of TM insurance delivered exemplary results in the past year and as well in the fourth quarter. The divestment process of TM insurance, headed by Kvika's corporate finance division, is progressing well as was announced at year end that four parties were offered to continue in the sale process. We expect that a sale or listing of TM insurance will be finalised in the second or third quarter of 2024.

Kvika has updated and now publishes financial targets for the bank which is to deliver return on tangible equity before taxes of 20% or more, the bank's capital adequacy ratio will be 2-4% above regulatory requirements and that dividends and buyback of shares combined will be at minimum 25% of profit after taxes.

We will work hard on delivering Kvika's profitability target by emphasising on strengthening our operations in retail- and investment banking and asset management post divestment of TM insurance, continuing simplification of our operations and emphasis on rationalisation. More stable interest rate environment and market conditions will contribute to greater profitability of the bank.

Presentation for shareholders and market participants

A presentation for shareholders and market participants will be held Thursday, 15 February, 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-2023/>

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.

Sustainability report for 2023 published

Kvika's Sustainability Report for the year 2023 is published alongside to the publishing of the Consolidated Financial Statements.