

Press release 1H 2016

29 August 2016

Kvika banki hf.

At a board meeting on 29 August 2016, the Board and the CEO approved the condensed consolidated interim financial statements of Kvika banki hf. for the period 1 January 2016 to 30 June 2016.

Sigurður Atli Jónsson, CEO of Kvika:

“It is gratifying to present the financial statement of Kvika for the first half of 2016. Kvika has reached the operational targets set when Straumur Investment Bank and MP banki merged. Behind us is a successful merger that was based on respect and collaboration of those involved. The performance of Kvika is good and in line with expectations, after only one year of operation. The bank has great financial strength. We build on that foundation and leverage the knowledge and skills of Kvika's staff to move forward.

It is very positive that Iceland will again be part of international financial markets. Kvika is ready for those changes, as the bank has provided extensive foreign investment services to its customers in recent years. When long-term planning and a job well done meet, optimism for the future follows.”

Good performance in line with expectations

The profit of Kvika during the first six months of 2016 amounted to ISK 378 million. Return on equity was 12.3%. Net operating income was ISK 2,164 million during the period, compared to ISK 2,535 million in the second half of 2015. Fee incomes decrease somewhat compared to 2H 2015, mainly due to seasonality and fluctuations in performance related fee income.

Operating expenses amounted to ISK 1,668 million during the first half of 2016. Operating expenses decreased in line with expectations by 13% from the second half of 2015, taking merger costs in the previous period into account.

At the end of June 2016, Kvika's consolidated assets totalled ISK 77,825 million compared to ISK 61,614 million at the end of 2015, which equals an increase of 26% during the period. Loans to customers amounted to ISK 23 billion. General deposits and money market deposits increased significantly, by over ISK 14 billion, or 30%, during the period. At the same time, the bank has improved funding cost.

The total capital ratio at the end of June was 18.0% versus 23.5% at the end of 2015. The reduction is in line with expectations and is mainly due to the decrease of share capital, approved at the shareholders' meeting earlier this year. The bank's liquidity is strong, LCR is 211%, and the bank is well positioned to deal with possible capital outflow as a result of the abolition of capital controls.

Highlights of the bank's activities

- Kvika has been designated as the best asset management company in Iceland 2016 by the British financial magazine World Finance. The magazine annually nominates companies for outstanding performance and this is the third consecutive year that Kvika has won the award for Best Investment Management Company in Iceland.

- Kvika was the bond market leader in Nasdaq Iceland during the first half of 2016. The bond turnover of Kvika totalled ISK 329 billion or about 22% of the total trading in the period.
- Kvika has signed an agreement with two international asset management companies, T. Rowe Price and Wellington Management, on the sale and distribution of their funds. These agreements come as an addition to Kvika's 12 years of working with Credit Suisse.
- Kvika submitted a cost-benefit study of a submarine power cable between the United Kingdom and Iceland to the Ministry of Industry and Innovation. The report was prepared by Kvika's experts in cooperation with Pöyry, one of the most respected European consulting firms in the energy sector.
- Kvika is a certified adviser to Iceland Seafood International in the First North market, which is a Nordic alternative market for equity trading.
- Kvika advised in the sale of a 40% share in Iceland Seafood International.
- Kvika advised the owner of Húsafell in financing tourism in the Húsafell region.
- Jupiter Management Company hf., a subsidiary of Kvika, established two funds in specialized investments during the first half of the year, including JR Mortgages I, specializing in the purchase of mortgage deeds of companies.

For further information, please contact Sigurður Atli Jónsson, CEO of Kvika, tel.: +354 540 3200 or +354 821 2051.

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Kvika is a specialised investment bank which serves the needs of customers in specific niches with professional knowledge and a specialized product range. Kvika's backbone is a powerful asset management and the bank provides investors and depositors with comprehensive financial services. Kvika employs a tight team of 87 specialists who achieves success through education, market knowledge and extensive experience. Sigurður Atli Jónsson is CEO and Þorsteinn Pálsson is Chairman of the Board. The ownership of Kvika is transparent and it is the only bank which is wholly owned by private entities, such as pension funds, companies and individuals. More under: www.kvika.is.