

Earnings release 2018

28 February 2019

Kvika banki hf.

At a meeting of the board of directors on 28 February 2019, the board and CEO approved the Consolidated Financial Statement of Kvika banki hf. for the period 1 January to 31 December 2018.

The highlights of the Consolidated Financial Statement are:

- Net earnings amounted to ISK 1,752 million
- Return on equity was 15.7%
- The board of directors are proposing a ISK 443 million dividend (25.3% of net earnings) to shareholders at the AGM to be held on March 14
- Net operating income amounted to ISK 5,705 million
- Operating costs amounted to ISK 4,009 million
- Total assets at year-end ISK 88.3 billion
- Total equity at year-end ISK 13.0 billion
- The Capital Adequacy Ratio (CAR) at year-end was 25.1%
- The Liquidity Coverage Ratio (LCR) at year-end was 277%
- Total assets under management at year-end amounted to ISK 291 billion
- The number of full-time employees were 109 at year-end

Good results reflect stable operations

Kvika's net earnings in 2018 amounted to ISK 1,752 million (ISK 1,795 million pre-tax) compared to ISK 1,591 million (ISK 1,418 million pre-tax) in 2017.

The bank saw 14% revenue growth in 2018 with most of the growth coming from increased commission income. Net fee and commission income grew by 32% between years and amounted to ISK 3,698 million, with 85% of the increase coming from asset management. Net interest income amounted to ISK 1,701 million and rose by 9%, whereas investment income increased slightly and amounted to ISK 521 million for the year. Operating costs amounted to ISK 4,009 million in 2018 and increased by 9% between years, mainly as a result of increased activity following the merger with Virðing and acquisition of Alda in 2017.

Return on equity in 2018 amounted to 15.7%.

Strong liquidity position and high capital ratio

The total assets of Kvika Bank at the end of 2018 amounted to ISK 88.3 billion, compared to ISK 75.6 billion at the end of 2017. Loans to customers increased by ISK 4.1 billion and amounted to ISK 29.4 billion at year-end. The liquidity position of the bank is very strong, with the bank's assets in cash and government-guaranteed bonds amounting to ISK 30.6 billion at year-end 2018. Kvika's Liquidity Coverage Ratio (LCR) was 277%, far above the regulatory minimum of 100%.

Customer deposits increased by 15% year-on-year and amounted to ISK 47.9 billion at year-end versus ISK 41.7 billion at the end of 2017.

The bank continued to issue bills and bonds during the year as well as issuing a new 10 year subordinated bond. Total issuance at year-end amounted to ISK 8.7 billion. Kvika's equity significantly exceeds the regulator's requirements and the capital ratio (CAR) at year-end was 25.1%, compared with the Icelandic FSA requirement of 20.25%, including capital buffers.

In March 2018, the bank's shares were listed on the Nasdaq Iceland First North market. The number of shareholders were 733 at year-end (119 at year-end 2017). In March 2019, the bank intends to list its shares on the Nasdaq Iceland Main Market.

Kvika will be hosting a meeting for investors at 8:45 PM on Friday 1st of March at the Hilton Reykjavik Nordica where the results will be presented.

Ármann Thorvaldsson, CEO of Kvika:

2018 was a satisfying year and we are pleased with the financial results, which are in line with budget, despite difficult market conditions. The bank signed agreements in 2018 to acquire Gamma Capital Management. The Icelandic FSA has approved the acquisition, but the approval of the Icelandic Competition Authority is still pending.

The results of the bank were good, its funding base strengthened, and operating costs were successfully kept within budget. The bank has made good progress, interest income increased and we have seen a substantial rise in commission income. Earnings from asset management more than doubled between years, mainly due to the mergers with Virðing and Alda Asset Management. 2018 was the first whole year that included the two acquired companies and we expect the mergers to continue to have a positive impact going forward.

The outlook for the bank is good and the mergers and acquisitions of the past years have resulted in a more stable operating income than previously. We are also optimistic about the opportunities that come with the scheduled acquisition of Gamma Capital Management.

For further information please contact Ármann Thorvaldsson CEO of Kvika, tel. (+354) 5403200.

Summarized income statement

<i>Amounts are in ISK millions</i>	2018	2017
Net interest income	1,701	1,563
Net fees and commissions	3,698	2,812
Net financial income	522	547
Income from associates	-303	64
Other income	87	23
Net operating income	5,705	5,009
Operating expenses	-4,009	-3,670
Net impairment	-15	-14
Revaluation on investment properties	115	92
Pre-tax profit	1,795	1,418
Taxes		
Income tax	110	249
Special bank taxes	-153	-75
After-tax profit	1,752	1,591
Basic earnings per share (ISK)	0.95	1.07
Diluted earnings per share (ISK)	0.86	1.03

Summarized balance sheet

<i>Amounts are in ISK millions</i>	31.12.2018	31.12.2017
Cash and balances with Central Bank	21,339	20,494
Financial instruments	30,794	23,515
Loans to customers	29,444	25,338
Intangible assets	2,379	2,284
Unsettled transactions	121	291
Other assets	4,197	3,675
Total assets	88,274	75,597
Debt issuance & borrowings	23,093	19,472
Deposits from customers	47,894	41,749
Unsettled transactions	187	557
Other liabilities	4,130	2,836
Total liabilities	75,304	64,614
Total equity	12,970	10,982
Outstanding shares	1,845	1,805
Weighted average of outstanding shares (during the year)	1,835	1,492
Adjustments for warrants and stock options	195	60

For further information on income statement and balance sheet as well as cashflow statement see Kvika's Consolidated Financial Statements for 2018.