

Press Release

Good results at Icebank:
Profit more than doubles
- return on equity 59.5%

21 August 2007

Icebank's profit for the first half of 2007 amounted to ISK 4,198 million, of which the profit for the second quarter was ISK 2,399 million. The half-yearly profit rose by 138.6% from the preceding year. The year 2007 is the first year in which the Bank publishes quarterly statements. Since the Bank only published half-yearly statements in previous years, there will be no comparison in this press release between the second quarter of 2007 and the second quarters of previous years. The Bank's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

Second quarter 2007

- Profit amounted to ISK 2,399 million, as compared to ISK 1,798 million in the first quarter of 2007.
- Earnings per share declined slightly from the first quarter of 2007, from ISK 2.40 to ISK 2.10.
- Return on equity was 63.9%, as compared to 55.7% in the first quarter of 2007.
- The cost-income ratio remains virtually unchanged from the previous quarter, at 10.0%. This ratio is below the most ambitious targets of comparable financial undertakings.
- The interest rate margin was 2.2%, as compared to 2.1% in the first quarter of 2007.

First half of 2007

- Profit amounted to ISK 4,198 million, as compared to ISK 1,759 million in the same period of 2006.
- Earnings per share were ISK 4.44, as compared to ISK 2.75 for the same period last year.
- Return on equity was 59.5%, as compared to 50.8% in the first half of 2006.
- The cost-income ratio was 10.0%, as compared to 15.8% in the same period of 2006.
- The interest rate margin increased from 1.8% in the first half of 2006 to 2.2% in the first half of 2007.
- The Bank's funding programme has been very successful, as evidenced by the Bank's completion of a syndicated term-loan in April with a considerable oversubscription at favourable terms.
- The number of staff has increased by 40.4% over the last twelve months, as all departments have grown, in particular revenue-generating departments.

Finnur Sveinbjörnsson, CEO:

"It is a matter of great satisfaction to see how strong the Bank's operations and results have been. Half-yearly profit has never been higher, and return on equity continues to be in the 50-60% range per annum, which is an excellent result. The Bank announced a new strategic vision last November, which entails considerable changes. Since that time the focus has been on further improvement of the internal functioning of the Bank as well as the establishment and development of a new image and goals for the Bank and further increases in business volumes. This shows up most clearly in the Bank's lending activities and its FX and derivatives trading. Net interest income in the first half of 2007 was almost twice as high as in the same period 2006 and twice as high as all operating expenses of the Bank. This is a clear indication of the strength of the Bank's core business. It is important to maintain and then build on this success, while at the same time broadening the Bank's

business model, primarily through expansion overseas. Strong profits and the Bank's strong financial position provide a solid foundation for future growth."

For further information please contact:

Finnur Sveinbjörnsson, CEO, finnur@icebank.is, tel. +354-540 4000

Agnar Hansson, Managing Director, agnar@icebank.is, tel. +354-540 4000

Breki Karlsson, Investor relations, breki@icebank.is, tel. +354-540 4000

Key Indicators:

Million ISK	Q2 2007	Q1 2007	Change	Jan-June 2007	Jan-June 2006	Change
Net operating income	3,193	2,459	29,8%	5,652	2,491	126.9%
Operating expenses	-313	-253	23.7%	-566	-394	43.7%
Profit	2,399	1,798	33.4%	4,198	1,759	138.6%
Earnings per share (ISK)	2.10	2.40	-12.5%	4.44	2.75	61.5%
Total assets	122,207	115,554	5.8%	122,207	86,925	40.6%
Interest rate margin	2.2%	2.1%		2.2%	1.8%	
Capital adequacy ratio (CAD ratio)	17.4%	19.2%		17.4%	17.0%	
Return on equity	63.9%	55.7%		59.5%	50.8%	
Cost-income ratio	10.0%	10.2%		10.0%	15.8%	
Full-time equivalent positions, end of period	80	78	2.5%	80	57	40.4%

Income Statement:

Million ISK	1.4-30.6. 2007	1.1.-31.3. 2007	Change	1.1.-30.6. 2007	1.1.-30.6. 2006	Change '06-'07
Net interest income	649	507	28.1%	1,156	603	91.6%
Net fee and commission income	21	62	-65.5%	83	81	1.7%
Net operating income	3,193	2,459	29.9%	5,652	2,491	126.9%
Operating expenses	-313	-253	23.7%	-566	-394	43.7%
Impairment on loans and advances	-35	-14	162.2%	-49	-12	307.5%
Profit before income tax	2,844	2,192	29.8%	5,036	2,085	141.6%
Income tax expense	-445	-394	13.1%	-839	-326	157.6%
Profit	2,399	1,798	33.4%	4,198	1,759	138.6%

Balance Sheet:

	Million ISK	30.6.2007	31.12.2006	Change
Cash and balances with central banks		2,650	7,293	-63.7%
Loans and advances		72,427	61,520	17.7%
Trading assets		33,190	8,870	274.2%
Financial assets designated at fair value		13,372	8,787	52.2%
Investments in associates		27	18	48.9%
Property and equipment		541	438	23.7%
Total assets		122,207	86,925	40.6%
Deposits from credit institutions and the Central Bank		39,790	16,330	143.7%
Other deposits		3,446	4,131	-16.6%
Borrowings		57,211	49,633	15.3%
Other liabilities		3,264	2,394	36.3%
Subordinated loans		2,293	2,430	-5.7%
Equity		16,204	12,007	35.0%
Total liabilities and equity		122,207	86,925	40.6%

Highlights from the financial statements

The Bank's profit amounted to ISK 4,198 million in the first half of 2007, as compared to ISK 1,759 million in the same period last year, which was a record at that time. The increase corresponds to 138.6%. This is the highest half-yearly profit in the Bank's history. In comparison, the profit for the whole year 2006 was ISK 5,662 million. Earnings per share were ISK 4.44, as compared to ISK 2.75 for the same period in 2006. This represents an increase of 61.5%.

Net interest income continues to increase, amounting to ISK 649 million in the second quarter of 2007, as compared to ISK 241 million in the same period in 2006. In the first half of 2007 the total came to ISK 1,156 million, as compared to ISK 603 million in the same period last year. This represents an increase of 91.6%. In comparison, the net interest income for the whole of 2006 amounted to ISK 1,254 million. The interest rate margin as a proportion of the average balance sheet total also continues to increase. It was 2.2% in the first half of 2007, as compared to 1.8% in the same period of 2006. The interest rate margin was 1.8% for the whole of 2006 and 1.6% in 2005. The increase in net interest income is in line with the Bank's strategy of bolstering its lending activities and their profitability. Loans to customers other than financial institutions grew from ISK 31.2 billion at the end of 2006 to ISK 32.9 billion at the end of the first half of 2007. At the same time, loans to savings banks increased from ISK 18.2 billion to ISK 19.0 billion, while their deposits in the Bank declined from ISK 14.2 billion to ISK 12.2 billion. This means that their net position *vis-à-vis* the Bank has deteriorated by ISK 2.8 billion.

Income from dividends grew from ISK 292 million in the first half of 2006 to ISK 382 million in the same period this year. Most of the income stems from the Bank's shareholdings in Exista.

The item *Net gain on financial assets designated at fair value* is entirely the result of an increase in the value of the Bank's shareholdings in Exista. This item amounted to ISK 3,775 million in the first half of 2007, as compared to ISK 1,690 million in the same period of 2006. These figures are before taxes and no account is taken of the cost of carry.

Total operating expenses, i.e. salaries and payroll-related expenses and other operating expenses, amounted to ISK 560 million in the first half of 2007, as compared to ISK 388 million in the same period last year. This 44.3% increase is in line with the annual budget and is due to new staff, increased IT-expenses and larger business volumes in all departments of the Bank. The number of full-time-equivalent positions grew from 57 at the end of June 2006 to 80 at the same time in 2007, or by 40.4%. The cost-income ratio was 10.0% in the first half of 2007, as compared to 15.8% in the first half of 2006 and 12.7% for the whole of 2006.

Impairment on loans and advances was ISK 49 million in the first half of 2007, as compared to ISK 12 million in the same period of 2006. The total provision for impairment amounted to ISK 406 million at June-end 2007, which corresponds to 1.2% of total loans and advances. These figures are a clear indicator of the quality of the Bank's loan portfolio. The quality has improved markedly since 2001-2005, when the Bank had to cope with substantial loan-losses.

Total assets grew by 40.6% from year-end 2006 to the end of June 2007, or from ISK 86.9 billion to ISK 122.2 billion. This growth is mostly due to an increase in derivatives trading, with the outstanding value of such contracts increasing from ISK 2.8 billion at year-end 2006 to ISK 24.4 billion at June-end 2007. The counterparts are almost entirely financial institutions and large customers, and the risks are managed carefully.

The Bank signed a new syndicated term-loan agreement in April, the largest such loan in the Bank's history. The amount was €217 million, which corresponded to ISK 19 billion at that time. A total of 34 European banks joined the syndication, and the loan was heavily oversubscribed. The oversubscription and the large number of participating banks clearly show the good standing of the Bank in this market.

The Bank's equity amounted to ISK 16.2 billion at the end of June 2007. The capital adequacy ratio (CAD-ratio) was 17.4% at the same time. The ratio has fallen from 19.2% at the end of the first quarter in 2007. This decline is partly due to growth in the Bank's loan portfolio and other balance sheet items, and partly due to the growth of off-balance-sheet guarantees. The Bank's policy is to maintain a CAD-ratio of 10-12%, as compared to the legal minimum of 8%. The high CAD-ratio of the Bank gives it considerable room to grow. The annualised return on equity in the first half of 2007 was 59.5%, which is well above the Bank's stated goal of 18%.

Outlook for the remainder of 2007

Icebank's last financial statements have shown that the Bank's lending activities and other traditional banking activities have continued to improve. The Bank intends to strengthen these activities even further, thereby rendering the Bank less vulnerable to market risk in securities and foreign exchange markets. The Bank was for a while one of the larger shareholders in the listed company Exista, but sold a quarter of its shares at the end of 2006 and a quarter of the remainder was sold towards the end of the first quarter of 2007. The Bank still holds 281 million shares in Exista, which had a market value of ISK 9.7 billion at the end of the second quarter of 2007. Fluctuations in domestic and foreign FX, bond and equities markets over the last few weeks have resulted in a decrease in the share price of Exista, which in turn affects the profitability of the Bank. The value of many other assets and liabilities of the Bank have been affected by this market turbulence. However, it is estimated that the Bank's total loss from the end of the second quarter 2007 to date amounts to less than ISK 400 million, net of taxes. The Bank's YTD-profit is therefore very high despite this loss during the first few weeks of the second half of 2007. The Bank's equity and liquidity positions are strong and it is therefore in a good position to utilise the worldwide market turbulence to invest in various assets whose price is likely to increase as markets calm down again.

The Bank has not invested in individual securities, asset-backed securities or derivatives linked to subprime mortgages in the United States.

Shareholders

All the Icelandic savings banks are shareholders in Icebank. They are currently 21. Five savings banks own more than 5% each of the Bank's share capital: BYR Savings Bank (28.7%), Reykjavík Savings Bank (SPRON, 24.5%), Keflavík Savings Bank (SpKef, 12.2%), Mýrasýsla Savings Bank (SPM, 8.7%) and Kópavogur Savings Bank (SPK, 5.6%).

A merger is in the pipelines between BYR, SPK and Akureyri Savings Bank. Furthermore, a merger is planned between two savings banks in northern Iceland. If both of these mergers are completed, the number of the Bank's shareholders will decrease to 18. At the same time, BYR's shareholding will increase to 36.1%.

The Bank's strategic vision assumes the opening up of ownership of the Bank and listing of its shares on the OMX Nordic Exchange Iceland.

About Icebank

Icebank is a commercial bank, focusing on wholesale and investment banking services to savings banks, Icelandic and foreign financial institutions and other large customers. It is owned by all the savings banks in Iceland.