Press release
Reykjavík, 20 May 2008

Results of Icebank in the first quarter of 2008
Increase in net interest income, but results negative by ISK 3.4 billion

Icebank's net interest income amounted to ISK 809 million in the first quarter of 2008, as compared to ISK 507 million in the first quarter of last year. The increase corresponds to approximately 60% and interest income is now 59% higher than the Bank's entire operating cost.

Nevertheless, the Bank's results over the quarter were negative by 3,360 million after taxes, as compared to a negative result of ISK 2,747 million in the last quarter of 2007. There are two principal reasons for this result:

a) Financial losses on market securities amounting to ISK 3,532 million, particularly on the Bank's holdings in Exista, which lost 44% of their value over the quarter; the Bank held ISK 281 million shares in Exista at the start of the year.
b) A prudential provision for losses on the Bank's claims amounting to ISK 2,278 million.

This means that the Bank's equity has decreased between quarters from ISK 13,361 million to ISK 10,309 million. The Bank's CAD Ratio was accordingly 9.1% at the end of first quarter but taking into consideration newly amended legislation on income tax, the CAD Ratio is 10.1%.

The Bank's total assets decreased over the quarter, mostly as a result of containment measures in lending following the turbulence in the financial markets. Total assets at the end of the quarter amounted to ISK 240,192 million, as compared to ISK 252,512 million at year-end 2007. The Bank's operating expenses amounted to ISK 508 million over the quarter, as compared to ISK 647 million in the last quarter of 2007.

Agnar Hansson, CEO:
"The first quarter was difficult, like the closing quarter of 2007, and it is clear that the results are not good. Nonetheless, the increase in net interest income is a matter of some satisfaction, as it shows better than many other indicators that the Bank's operations rest on a solid foundation. The interest income alone is sufficient to cover the Bank's entire operating cost, and more. Icebank has always emphasised efficiency and effectiveness in its operations, so we are well prepared to deal with the challenging market conditions.

Icebank has continued to reduce its holdings in Exista, and the Bank's holdings in the company now amount to ISK 111 million. This change has served to increase the Bank's CAD regulatory capital.

A thorough examination has been carried out of the Bank's assets. Following the examination, the precautionary measure was taken of entering a provision of ISK 2,278 million against the Bank's claims. The primary reason for the provision is the loss in value of collateral in the form of equity shares. It is my belief that through the provision the Bank has adequately met the fall in market prices.

Icebank recently completed its refinancing of foreign long-term loans for the year 2008 on favourable terms. The Bank's liquidity position is good, and the Bank has adequate cash to cover the coming 12 months. I believe that Icebank has got over the worst, and we are optimistic about the future. The second quarter is off to a good start, and future prospects are good."

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