

## Press release

# A good quarter at Icebank: Profit up by 280% from last year

Reykjavík, 15 May 2007

Icebank hf. reported a profit of ISK 1,798 million for the first quarter of 2007, as compared to the IFRS-adjusted profit of ISK 473 million for the same period in 2006, an increase of 280%. The profit for the first quarter of 2007 corresponds to earnings per share of ISK 2.4, compared to ISK 0.8 for the same period in 2006. Annualised return on equity for the quarter was 55.7%, compared to 31.7% for Q1 2006, which is among the highest for any financial institution, Icelandic or foreign. The impairment on loans and advances amounted to only ISK 14 million, which demonstrates clearly the high quality of the Bank's loan portfolio.

This is the first time Icebank has published quarterly statements. Publication of the statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS), is part of its preparations for a listing on OMX Nordic Exchange Iceland.

Net interest income amounted to ISK 507 million, compared to ISK 241 million for the same period in 2006. This is an increase of 110%. This same item amounted to ISK 1,254 million for the whole of 2006. The total interest-rate margin was 2.1% in the first quarter of 2007, compared to 1.8% for the whole of 2006. The growth in net interest income and the total interest-rate margin are in line with the year's budget and are a clear sign of the continued strengthening of the Bank's lending activities.

The item *Other net operating income* amounted to ISK 1,891 million, compared to ISK 483 million for Q1 2006. This is an increase of 291%, and is due mostly to the net gain on the Bank's shareholding in Exista. The Bank sold one quarter of its shareholding (94 million shares) towards the end of the quarter, realising gains of just over ISK 500 million. It also reports unrealised gains on its remaining shareholding in Exista.

Salaries, payroll-related expenses and other operating expenses amounted to ISK 250 million for the quarter, compared to ISK 167 million for the Q1 2006. This 50% increase is in line with the Bank's budget and is explained by an increase in the number of staff, increased IT costs and general growth in operations.

Total assets came to ISK 116 billion at the end of Q1 2007, compared to ISK 87 billion at the end of 2006, representing an increase of 33%. The largest share of this growth comes from repurchase agreements with credit institutions. Loans to customers other than financial institutions grew by ISK 2.3 billion and amounted to ISK 33.9 billion at the end of the quarter.

The Bank's capital adequacy ratio (CAD) was 19.2% at the end of Q1 2007, compared to 17.0% at the end of 2006. This change represents the outcome of two contrary forces: on the one hand, balance sheet growth reduced the ratio, while profit for the period and the sale of shares in Exista raised it. Total equity amounted to ISK 13.8 billion at the end of the first quarter, compared to ISK 12.0 billion at the end of 2006. In March 2007 the Bank made a scrip issue to current shareholders, raising share capital in the Bank from ISK 691 million to ISK 1,141 million. The item *Retained earnings* was reduced by a corresponding amount.

### **Finnur Sveinbjörnsson, CEO:**

"This past quarter was a very good one. The Bank showed good profitability, the staff are optimistic and keen to press ahead and the implementation of our new strategic vision is moving along nicely. The

Bank's financial position is stronger than ever before and there is room for growth. The Bank recently signed its largest ever syndicated loan agreement in the amount of EUR 217.5 million with a total of 34 European banks. Last month it was decided to move the Bank's headquarters in January 2009 into a posh new office and residential complex that is currently being built in the heart of Reykjavík's financial district. All of us at Icebank are full of confidence about the future."

The financial statements can be found on the Bank's webpage: [www.icebank.is](http://www.icebank.is) or the webpage of OMX Nordic Exchange Iceland: [www.omx.is](http://www.omx.is).

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