

## Press release

Reykjavík, 22 August 2008

### Results of Icebank hf in the second quarter of 2008:

### **Icebank shows profit of ISK 560 million in second quarter**

The second quarter of this year showed significant improvements over the first quarter, with profits for the period topping ISK 560 million. The turnaround corresponds to just short of ISK 4,000 million from the first quarter, when the Bank endured a negative result of ISK 3,360 million. Notwithstanding the improvement, the Bank's results for the first half of 2008 remain negative by ISK 2800 million, as compared to a profit of ISK 4,198 m in the corresponding period of 2007.

The most significant factor in these results is the improvement in financial gains between quarters, as the Bank showed a positive result of ISK 513 million in the second quarter, as compared to a negative result of ISK 2,117 million in the first. The primary reason is the substantial reduction of the Bank's equity portfolio.

Net fee and commission income also increased between quarters, from a negative result of almost ISK 6 million in the first quarter to a positive outcome of just short of ISK 155 million in the second quarter. The improvement is largely a result of increased business in the currency market and the increasing scope of Investment Banking, a new division launched at the start of the year.

The Bank's core operations remain strong, with net interest income surpassing previous records at ISK 1,599 million. Net interest as a ratio of operating expenses was 174%, which means that this income alone would more than cover the entire operating expenses of the Bank.

The Bank's operating expenses were reduced by ISK 100 million between quarters, amounting to just short of ISK 920 million in the first six months of the year, as compared to ISK 566 million in the corresponding period of last year. The Bank's staff has grown significantly between years, from 80 full-time position equivalents at the end of the first half of 2007 to 114 positions at the end of the corresponding period this year. As a result of the increased scope of activities, other operating costs, especially IT costs, have increased significantly.

The Bank's prudential provision for impairment on loans and advances was ISK 1,618 million for the quarter, as compared to just short of ISK 2,280 million in the first quarter, bringing the total provision for losses on loans and advances to just short of ISK 3,900 million.

Total assets amounted to ISK 289 billion at the end of June, increasing by almost 15% from the beginning of the year. This is a result of the Bank's increased activities in the interbank market, on the one hand, and changes in the price of the Icelandic króna, on the other hand, as a large part of the Bank's loan portfolio is in foreign currencies, including loans to savings banks.

Equity increased between quarters and amounted to just short of ISK 10.8 billion. The Bank's CAD ratio is now 10.85%, as compared to 9.1% at the close of the first quarter.

#### **Agnar Hansson, CEO:**

"In light of the difficult external conditions I am pleased with the success of the Bank's operations. The turnaround between quarters is clear evidence of progress, although the impairment provisions had an impact. Net interest income was almost double the operating cost of the Bank, and net interest income in the first half of the year was higher than ever before. The Bank's core business is therefore sound, and equity grew between quarters. The second quarter of the year was quite acceptable, and the third quarter is off to a good start, so I am optimistic about the future."

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