Earnings report
4 February 2009

Straumur-Burdaras Investment Bank preliminary results for year ended 31 December 2008
Capital strength in difficult markets

Key results for 2008

- Client-driven income, comprising net interest and net fees and commissions, was € 180.9m in 2008.
- There was a loss of € 103.0m from trading and investment activities.
- Operating income totalled € 85.8m.
- Operating expenses totalled € 125.8m.
- Impairment losses on loans and receivables were € 413.5m.
- Impairment on intangible assets was € 327.7m. This impairment has no impact on regulatory capital or cash flow.
- Loss after tax was € 699.3m in 2008. Loss before tax amounted to € 780.6m.
- Loss per share was € 0.073.
- Total assets were € 3,425.6m at 31 December 2008, a 52.0% reduction from the beginning of the year.
- Strong CAD ratio of 16.9% at 31 December 2008. The Tier 1 capital ratio was 14.6%.

Key results for the fourth quarter of 2008

- Client-driven income totalled € 35.9m.
- Net losses from trading and investment activities amounted to € 4.3m.
- Operating income for Q4 2008 was €35.4m.
- Operating expenses were € 33.1m.
- Impairments on loans and receivables were € 291.2m and impairments on intangible assets were € 327.7m.
- Loss after tax was € 574.5m in the fourth quarter, including € 618.9m of impairments.

Disclosure of financial statements
Straumur-Burdaras Investment Bank ("Straumur" or the "Bank") presents preliminary statements of its financial performance for 2008 and its financial position at 31 December 2008 according to the new rules of the Icelandic Stock Exchange.

The preliminary financial statements for the year 2008 were discussed at Straumur's Board of Directors' meeting on 3 February 2009. However, the statement has not been approved by the Company's Board of Directors or its auditors.

The financial statements for the year 2008 will be presented to the Company's Board of Directors and its auditors for their approval in the week commencing 9 March 2009 and published the same day.
The preliminary financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

William Fall, CEO of Straumur
We continue to operate in exceptionally difficult times and markets. We have come through this year of increasing challenge as a result of our more diversified business model, our significant de-risking of the company and our strong capital position. These drivers of our current strategy will continue to serve us into the future.

In pursuit of our strategic goal to develop a pan-regional investment bank with a relatively low asset base, we are focussed on growing our advisory, brokerage and research businesses and leveraging our regional platform through international distribution and common technology. The integration of Teathers in London is complete with the retention of over 70 clients, and with the addition of a broad mid-cap research profile, complementing our similar *activities elsewhere. Wood and Stamford Partners have both had an exceptional year, given overall market conditions while eQ has maintained market share and continued to thrive in difficult circumstances.*

Straumur has been helped through this turmoil by its exceptionally strong capital position. While the strength of the balance sheet has been severely tested, particularly in the last quarter of the year, through both loan impairments as well as asset devaluations, we complete the year with a CAD ratio that is twice that of the regulatory minimum. Our strong risk culture and integrity have ensured that we have no transactions on the balance sheet that are potential reputational liabilities. With our clear direction, strong platform and clean balance sheet, we face the ongoing challenge in the market with enviable resources and a determination to see this through.

Key numbers

€ m	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Client-driven income*	180.9	200.1	35.9	41.3	49.8	53.9
Operating income	85.8	330.0	35.4	(31.1)	15.3	66.2
Operating expenses	(125.8)	(118.9)	(33.1)	(30.7)	(26.9)	(35.1)
Impairments on loans and receivables	(413.5)	(20.2)	(291.2)	(106.8)	(8.0)	(7.4)
Impairments on intangible assets	(327.7)	-	(327.7)	-	-	-
(Loss)/profit before tax	(780.6)	191.0	(615.9)	(168.9)	(20.2)	24.4
(Loss)/profit for the period	(699.3)	162.9	(574.5)	(145.6)	(1.4)	22.3
CAD ratio %	16.9	23.7				
Tier 1 ratio	14.6	21.4				

*Client-driven income is the sum of net interest, net fee and net commission income.

Income statement

€ m	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007*
Net interest income	76.3	68.8	14.4	14.8	23.9	23.2	23.0
Net fee and commission income	104.6	131.3	21.4	26.5	25.9	30.8	36.8
Net financial income	(103.0)	111.4	(4.3)	(73.6)	(36.0)	10.9	(4.4)
Other income	7.9	18.5	3.8	1.2	1.5	1.4	1.1
Operating income	**85.8**	**330.0**	**35.4**	**(31.1)**	**15.3**	**66.2**	**56.5**
Salaries and related expenses	(69.5)	(65.3)	(20.4)	(14.1)	(15.2)	(19.8)	(23.2)
Other administrative expenses	(56.4)	(53.6)	(12.8)	(16.6)	(11.7)	(15.3)	(23.5)
Operating expenses	**(125.8)**	**(118.9)**	**(33.1)**	**(30.7)**	**(26.9)**	**(35.1)**	**(46.7)**
Impairments on loans and receivables	(413.5)	(20.2)	(291.2)	(106.8)	(8.0)	(7.4)	(8.5)
Impairments on intangible assets	(327.7)	-	(327.7)	-	-	-	-
(Loss)/profit before tax	**(780.6)**	**191.0**	**(615.9)**	**(168.9)**	**(20.2)**	**24.4**	**1.4**
Tax credit (expense)	81.3	(28.0)	41.4	23.4	18.7	(2.2)	(2.0)
(Loss)/profit	**(699.3)**	**162.9**	**(574.5)**	**(145.6)**	**(1.4)**	**22.3**	**(0.6)**
Attributable to:							
Equity holders of the parent	(707.1)	158.3	(576.4)	(149.0)	(2.8)	21.1	1.3
Minority interest	7.8	4.7	1.8	3.4	1.4	1.2	(1.9)
Earnings per share	(0.073)	0.017					

*eQ and Wood were both consolidated in October 2007.

Profit

Straumur reported a pre-tax loss of € 780.6m in 2008, compared with a pre-tax profit of € 190.9m in 2007. The loss after tax amounted to € 699.3m as opposed to a profit of € 162.9m in 2007. Loss attributable to equity holders during 2008 amounted to € 707.1m and loss per share was € 0.073. The results for 2008, and in particular those of the last three months, reflect the deepened crisis in global markets and the exceptional events in Iceland, resulting in trading and fair value losses and high impairments.

During the fourth quarter of 2008, the Bank reported a pre-tax loss of € 615.9m. Impairments on intangible assets calculated some € 327.7m to this loss. The loss after tax amounted to € 574.5m.

Operating income

Operating income was € 85.8m in 2008, compared with € 330.0m in 2007. Client-driven income totalled € 180.9m in 2008, which more than covered operating costs. Client-driven income held up relatively well in 2008 despite the state of the markets, due to steps taken over the last two years to extend the geographical and product coverage of the Straumur platform. In the fourth quarter of 2008, operating income was € 35.4m, compared with operating income of € (31.1m) in the preceding quarter. Client-driven income in the fourth quarter was sustained and totalled € 35.9m.

Net interest income was € 76.3m in 2008, compared with € 68.8m in 2007. During the fourth quarter of 2008, net interest income was € 14.4, the same level as in the preceding quarter. Net interest income has decreased over the course of the year as interest bearing assets have reduced and funding costs increased. The following table analyses net interest income according to geographical area.

Net interest income

€ m	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Iceland	29.5	19.2	6.4	5.6	5.8	11.7
Other Nordic countries	21.8	19.9	4.7	5.4	5.3	6.4
UK	8.4	9.7	(1.2)	2.8	4.3	2.5
CEE	1.8	-	0.2	0.9	0.3	0.4
Other	14.8	20.0	4.3	0.1	8.3	2.1
Total	76.3	68.8	14.4	14.8	23.9	23.2

Net fee and commission income was € 104.6m in 2008, compared with € 131.3m in 2007, reflecting lower fee income in Straumur's platform due to more difficult markets conditions. In the fourth quarter of 2008, net fee and commission income amounted to € 21.4m. Net fees and commissions have decreased over the course of the year mainly due to more difficult markets. The following tables analyse net fee and commission income according to type and geographical area.

Net fee and commission income by type

	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Asset management fee	4.8	5.9	0.2	1.2	2.0	1.4
Underwriting fee	18.8	21.8	1.3	1.5	6.9	9.1
M&A advisory	49.5	67.0	10.6	16.5	9.8	12.6
Net brokerage	31.5	36.5	9.3	7.3	7.3	7.6
Total	104.6	131.3	21.4	26.5	25.9	30.8

Net fee and commission income by geographical area

€ m	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Iceland	17.5	56.7	3.9	3.8	7.7	2.1
Other Nordic countries	44.2	52.7	10.3	9.5	10.9	13.4
UK	23.6	15.2	5.4	8.0	2.0	8.2
CEE	19.7	5.1	2.8	5.0	5.7	6.1
Other	(0.3)	1.6	(1.1)	0.1	(0.3)	0.9
Total	104.6	131.3	21.4	26.5	25.9	30.8

Net financial loss was € 103.0m in 2008, compared with net financial income of € 111.4m in 2007. Net financial loss for Q4 2008 was € 4.3m, compared with losses of € 73.6m and € 36.0m in the preceding quarters. The following tables analyse net financial income by type and geographical area.

Net financial income by type

€m	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Dividend income	2.9	33.7	0.3	-	2.5	0.1
Trading gains (losses)	(32.9)	48.0	15.8	(23.9)	(16.4)	(8.4)
Fair value gains (losses)	(130.2)	26.6	(87.3)	(23.5)	(24.1)	4.7
Available for sale (losses)	(44.2)	-	(44.2)			
Net FX gains (losses)	101.4	3.1	111.2	(26.3)	2.0	14.5
Total	(103.0)	111.4	(4.3)	(73.6)	(36.0)	10.9

Net financial income by geographical area

€ m	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Iceland	131.0	51.2	135.9	(6.6)	(4.2)	5.9
Other Nordic countries	(42.8)	22.0	(13.3)	(23.1)	(13.9)	7.5
UK	(86.0)	17.3	(52.4)	(21.1)	2.3	(14.8)
CEE	(92.7)	14.7	(65.0)	(24.4)	(13.2)	9.9
Other	(12.5)	6.2	(9.5)	1.5	(6.8)	2.3
Total	(103.0)	111.4	(4.3)	(73.6)	(36.0)	10.9

The Bank continued to suffer losses on a number of positions although it had taken steps during the first half of 2008 to run down its trading portfolio. Trading gains of € 15.8m in the fourth quarter included € 99.5m from the write back of previously accrued losses on non ISDA derivative contracts with the banks in administration in Iceland, offset by losses on a number of legacy positions. A number of financial assets held at fair value were written down during the fourth quarter in line with market movements. The € 44.2m net losses on financial assets available for sale is related to a loss on an equity position in Landsbanki. The net FX gains arose mainly from the ISK short position that Straumur is unable to hedge.

Other income amounted to € 7.9m in 2008 and mainly related to the IT hosting activity in eQ.

Operating expenses
The Bank's *operating expenses* totalled € 125.8m in 2008, compared with € 118.9m in 2007. Operating expenses for the fourth quarter of 2008 were € 33.1m, as opposed to €30.7m in the third quarter, with the recruitment of the Teathers' team in London accounting for most of this increase. Salaries and salary-related expenses in 2008 were € 69.5m, compared with € 65.3m in 2007. In the fourth quarter, salaries and salary-related expenses amounted to € 20.4m. Other administrative expenses were € 56.4m in 2008, compared with € 53.6m in the same period in 2007, whereas other administrative expenses totalled € 12.8m in Q4 2008.

Impairments

Impairments loss on loans and receivables amounted to € 413.5m in 2008, compared with € 20.2m in 2007. In the fourth quarter, impairments loss on loans and receivables totalled € 291.2m of which €244.6m was established in the markets in October 2008. These impairments were a reflection of the further deterioration in credit markets. The aggregate impairments made in respect of loans to parties related to the banks in administration in Iceland or loans secured by their equities were € 131.9m. Other impairment charges due to Icelandic counterparties amounted to € 73.3m in the fourth quarter.

Impairment loss on intangible assets totalled € 327.7m. An annual review was carried out in accordance with IFRS rules. The valuations were based on a review of performance for 2008 and plan numbers for 2009 and covered eQ and Wood for the first time. The impairments do not impact regulatory capital, as goodwill is deducted in arriving at Tier 1 capital, and have no cash or tax consequence.

Tax

The Bank reported an overall tax credit of € 81.3m in 2008, including a tax credit of € 41.4m for the fourth quarter of 2008. The tax credit arises on the losses, excluding goodwill impairments, reported in 2008.

Balance sheet

€ m	31.12.08	31.12.07		31.12.08	31.12.07
Cash and cash equivalents	388.0	1,427.2	Financial liabilities held for trading	77.5	101.8
Financial assets held for trading	170.6	1,056.4	Deposits from banks	13.1	34.5
Pledged assets	74.3	211.9	Deposits from customers	723.1	1,233.7
Financial assets designated at fair value through profit and loss	596.4	923.9	Borrowings	1,494.7	3,778.5
Loans	1,440.9	2,411.3	Subordinated loans	92.9	113.6
Financial assets available for sale	233.3	339.0	Current tax liability	3.6	26.8
Investment in associates	6.0	11.1	Deferred tax liability	1.1	2.4
Property and equipment	21.4	21.7	Other liabilities	318.6	277.0
Assets held for sale	67.5	-	**Total liabilities**	**2.724.7**	**5,568.4**
Intangible assets	167.8	500.7			
Deferred tax asset	77.1	0.5	Total equity attributable to equity holders of the Parent	684.7	1,557.9
Other assets	182.4	233.2	Minority interests	16.2	10.6
			Total equity	**700.9**	**1,568.5**
Total assets	**3,425.6**	**7,136.9**	**Total liabilities and equity**	**3,425.6**	**7,136.9**

Assets

The Bank's total assets at the end of 2008 amounted to € 3,425.6m as opposed to € 7,136.9m as of 31 December 2007. Straumur has focused on reducing its balance sheet and risk profile since June 2007. Additionally, the deepened financial crisis in the second half of 2008 reduced Straumur's balance sheet and adversely impacted its capital position as impairments were required and asset values fell.

Cash and cash equivalents totalled € 388.0m at the end of 2008, as opposed to € 1,427.2m in the beginning of the year. The net cash outflows in the period reflect a reduction in the level of deposits placed with the Bank following events of early October 2008.

Financial assets held for trading and pledged assets (basically trading assets financed by way of repurchase agreements) totalled € 244.9m at 31 December 2008, compared with € 1,268.3m at 31 December 2007 and € 437.1m at 30 September 2008. The decrease relates to the de-risking of trading activities, reduction of the proprietary trading debt portfolio, liquidation processes and market falls.

Financial assets designated at fair value were 596.4m at the end of 2008 compared with € 923.9m at 31 December 2007. Bond positions were down by € 295.6m in the fourth quarter, mainly due to funding transactions of € 174.8m transacted with the banks now in administration that have been netted off the balance sheet against liabilities due to the same banks. In addition, a number of financial assets held at fair value were written down during the fourth quarter in line with market movements.

Listed equities, which are reported within trading, pledged, fair value, and available for sale assets, totalled € 112m as of 31 December 2008. At the beginning of the year 2008, listed equities totalled € 480m. The following table shows the Bank's five largest listed equity positions at the end of the period:

Listed *€ m*

Rank	Counterparty	Value	Country	Industry
1	Netia	75	Poland	Diversified Telecommunication Services
2	Hungarian Telephone & Cable	10	Hungary	Diversified Telecommunication Services
3	Nýherji	2	Iceland	IT Services
4	Reinhold Polska AB	1	Poland	Real Estate
5	Amer Sports oyj A SHS	1	Finland	Leisure Equipment & Products

Unlisted equities at the end of the period totalled € 603m. This is an increase from the beginning of the year when unlisted equities amounted to € 415m. The majority of the increase relates to increased holdings in P4 in the second quarter of 2008. P4 is an independent 3G mobile operator in Poland that aims to become a distinctive player on the Polish mobile telephony market, offering competitive facilities combined with new mobile broadband services under the brand name Play. The following table shows the Bank's five largest unlisted equity positions at the end of the period:

Unlisted *€ m*

Rank	Counterparty	Value	Country	Industry
1	P4	242	Poland	Wireless Telecommunication Services
2	Actavis Pharma Holding 1	80	Global	Pharmaceuticals
3	XLF Holdings S.á.r.l.	57	France	Airlines
4	Julia Capital Management	30	Global	Diversified Financial Services
5	RAM Defender Fund	20	Global	Diversified Financial Services

Loans totalled € 1,440.9m at the end of 2008 compared with 2,411.3m at the year-end 2007. The decrease from the beginning of 2008 is in part due to the Bank's de-consolidation of Alpstar, a corporate loan fund, in the first quarter of 2008 when the ownership in the subsidiary was taken below 50.0% resulting in a € 576m decrease in the loan portfolio. The loan book decreased by 21.8% in the fourth quarter from the 30 September 2008 level of € 1,842.6m, mainly due to sales and loan impairments. The Icelandic part of the loan book was impacted adversely by recent events in that market and accounted for only 16% of the portfolio at 31 December 2008.

Financial assets available for sale were € 233.3m at 31 December 2008, compared with € 339.0m as of 31 December 2007. Positions with the banks in administration were netted down and the investment in Landsbanki shares was fully written off in October 2008.

Assets held for sale includes investments which are anticipated to be sold in the next 12 months.

Intangible assets amounted to € 167.8m at the end of the period, down by € 327.7m due to the impairments undertaken at year end.

Liabilities and equity

Financial liabilities held for trading totalled € 77.5m at the end of the period, compared with € 101.8m at the beginning of the year. The amount includes some € 8.9m of trading liabilities and € 68.6m of derivative liabilities.

Deposits totalled € 736.2m at the end of 2008, compared with € 1,268.3m at the beginning of the year and € 832.0m at the end of third quarter. The level of institutional, corporate and bank deposits at Straumur and eQ has decreased, particularly since events of early October 2008.

Borrowings include long-and short-term bank borrowing, overdrafts and repo financing. Borrowings totalled € 1,494.7m at the end of the period, down from € 3,778.5m at the beginning of the year. The reduction is in line with declining trading portfolio and repayments of loans. On 9 December 2008, Straumur closed bank financing of € 133m and met the repayment of its 2005 € 200m syndication.

The *subordinated loan* position was € 92.9m at the end of the period, as opposed to € 113.6m at the beginning of the year, in part due to a weaker ISK. A new subordinated loan totalling € 10.1m was received on 9 December 2008 from Novator International Holding Ltd.

Other liabilities and current and deferred tax liabilities amounted to € 323.4m at the end of the period, compared with € 306.2m at the beginning of the year. Tax liabilities reduced during the year as losses accrued against previous liabilities.

Equity amounted to € 700.9m at the end of 2008, compared with € 1,568.5m in the beginning of the year and € 1,345.7m at the end of the third quarter. Total equity attributable to equity holders of the Parent totalled € 684.7m at the end of the period, as opposed to € 1,557.9m as of 31 December 2007. The decrease relates to losses and impairments.

The CAD ratio at the end of 2008 was 16.9%, down from 23.7% at the end of 2007. The Tier 1 ratio was 14.6%, compared with 21.4% at the year-end 2007. Straumur's capital position has been adversely affected by declining asset values (in respect of both financial assets and loans) arising from events in the global and Icelandic markets, but the reduction in the balance sheet has also reduced capital requirements.

Operating results of business lines

The business lines' results for 2008 are as set out below:

€ m	Corporate Finance	Debt Finance	Capital Markets	Proprietary Trading	Asset Management	Merchant Banking	Treasury	Other operations	Total
Net interest income	(2.5)	41.1	(13.9)	3.0	5.0	(12.6)	56.4	(0.1)	76.3
Net fee and commission income	50.9	18.8	34.4	(3.1)	4.8	-	(1.5)	0.2	104.6
Net financial income	(14.8)	(17.8)	24.6	(64.2)	-	(189.7)	159.0	(0.1)	(103.0)
Other income	0.1	-	0.2	-	(0.1)	3.0	0.3	4.3	7.9
Operating income	**33.7**	**42.2**	**45.4**	**(64.3)**	**9.6**	**(199.3)**	**214.2**	**4.2**	**85.8**
Operating expenses	(27.4)	(12.4)	(37.3)	(11.0)	(14.1)	(2.0)	(7.5)	(14.2)	(125.8)
Impairment loss on loans and receivables		(326.5)	(47.5)	-	-	-	-	(39.5)	(413.5)
Profit (loss) before impairments on intangible assets	**6.3**	**(296.7)**	**(39.4)**	**(75.3)**	**(4.5)**	**(201.3)**	**206.7**	**(49.5)**	**(453.5)**
Impairment loss on intangible assets	(78.8)	(105.5)	(73.0)	(30.5)	(39.8)	-	-	-	(327.7)
Share of profit of associates	-	-	-	-	-	0.6	-	-	0.6
(Loss) /profit before tax	**(72.5)**	**(402.1)**	**(112.4)**	**(105.8)**	**(44.3)**	**(200.7)**	**206.7**	**(49.5)**	**(780.6)**

Corporate Finance

Corporate Finance generated profit before tax and impairment on intangibles of € 6.3m in 2008, compared to a profit before tax of € 39.9m in 2007. Operating income totalled € 33.7m in 2008, as opposed to € 76.1m in 2007. The results reflect more difficult market conditions, increased financial losses and high impairments. Nevertheless the business reported fees and commissions of more than € 50.0m.

In the fourth quarter, the business line reported € 5.8m loss before tax and impairment on intangible. Operating income amounted to € 3.2m for Q4 2008 as opposed to € 7.4m for Q3 2008. The net financial loss of € 7.2m is due to the write down of certain trading and fair value assets attributable to Corporate Finance.

Corporate Finance – results

€ m	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	(2.5)	(3.6)	(0.5)	(0.7)	(3.8)	2.5	(0.4)
Net fee and commission income	50.9	68.6	11.0	16.9	10.0	13.0	20.8
Net financial income	(14.8)	(4.9)	(7.2)	(9.0)	(0.7)	2.1	2.0
Other income	0.1	16.1	-	-	-	0.1	0.1
Operating income	**33.7**	**76.1**	**3.2**	**7.4**	**5.4**	**17.7**	**22.6**
Operating expenses	(27.4)	(34.7)	(9.0)	(6.9)	(5.4)	(6.1)	(16.0)
Impairment loss on loans and receivables	-	(1.6)	-	-	-	-	0.5
Profit (loss) before impairments on intangible assets	**6.3**	**39.9**	**(5.8)**	**0.5**	**0.0**	**11.6**	**7.2**
Impairment loss on intangible assets	(78.8)	-	(78.8)	-	-	-	-
(Loss)/profit before tax	**(72.5)**	**39.9**	**(84.6)**	**0.5**	**0.0**	**11.6**	**7.2**

Debt Finance

Debt Finance reported a loss before tax and impairments of intangible assets of € 296.7m in 2008, compared with a profit of € 43.1m in 2007, reflecting lower net interest income, increased financial losses and significant impairments on loans and receivables. Net fee and commissions held up well despite market conditions.

The fourth quarter 2008 was a challenging quarter for this business line, wherein it reported a loss before tax and goodwill impairments of € 242.8m, as opposed to loss before tax of € 72.1m for Q3 2008. The results include impairments taken on the business line's loan book of € 265.7m, as the Bank responded to the systemic risks in Iceland following the demise of the commercial banks.

Debt Finance – results

€ m	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	41.1	57.1	13.5	(2.1)	15.2	14.5	14.2
Net fee and commission income	18.8	21.8	1.3	1.4	7.0	9.1	7.3
Net financial income	(17.8)	(0.5)	(11.3)	(2.2)	3.2	(7.5)	(0.9)
Operating income	**42.2**	**78.5**	**3.6**	**(2.8)**	**25.3**	**16.1**	**20.6**
Operating expenses	(12.4)	(16.8)	(1.7)	(2.9)	(3.2)	(4.6)	(5.8)
Impairment loss on loans and receivables	(326.5)	(18.5)	(244.7)	(66.4)	(8.0)	(7.4)	(9.0)
(Loss)/profit before impairments on intangible assets	**(296.7)**	**43.1**	**(242.8)**	**(72.1)**	**14.0**	**4.2**	**5.8**
Impairment loss on intangible assets	(105.5)	-	(105.5)	-	-	-	-
(Loss)/profit before tax	**(402.1)**	**43.1**	**(348.3)**	**(72.1)**	**14.0**	**4.2**	**5.8**

Capital Markets

Capital markets reported a loss before tax and impairment of intangibles of € 39.4m in 2008, compared with a loss before tax of € 7.0m in 2007. The results include impairments of € 47.5m taken on the business line's receivables in Iceland. In the fourth quarter, the loss before tax and impairment of intangibles was € 21.1m. Brokerage commissions held up well across the whole platform, including eQ and Wood, despite underlying market uncertainties, and increased by 15.5% quarter to quarter. The financial income of € 23.6m includes exceptional gains on derivative contracts in Iceland.

Capital Markets – results

€ m	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	(13.9)	(7.7)	(2.3)	(4.2)	(0.7)	(6.7)	(7.7)
Net fee and commission income	34.4	37.3	9.7	8.4	7.6	8.7	6.7
Net financial income	24.6	(6.2)	23.6	3.7	1.1	(3.8)	(9.8)
Other income	0.2	-	(0.1)	0.3	(0.1)	0.1	-
Operating income	**45.4**	**23.4**	**31.0**	**8.2**	**7.9**	**(1.7)**	**(10.7)**
Operating expenses	(37.3)	(30.4)	(9.6)	(7.6)	(9.4)	(10.7)	(16.5)
Impairment loss on loans and receivables	(47.5)	-	(42.5)	(5.0)	0.1	(0.1)	-
(Loss)/profit before impairments on intangible assets	**(39.4)**	**(7.0)**	**(21.1)**	**(4.3)**	**(1.5)**	**(12.4)**	**(27.2)**
Impairment loss on intangible assets	(73.0)	-	(73.0)	-	-	-	-
Share of profit of associates	-	-	-	-	(0.1)	0.1	-
(Loss)/profit before tax	**(112.4)**	**(7.0)**	**(94.2)**	**(4.3)**	**(1.5)**	**(12.4)**	**(27.2)**

Proprietary Trading

Proprietary Trading reported a loss before tax and impairment of intangibles of € 75.3m in 2008, compared with a profit before tax of € 80.8m in 2007. The results include a net financial loss of € 64.2m related to declining asset values. The loss before tax and goodwill impairments reported in the fourth quarter was € 21.1m, including losses of € 17.7m taken on a number of legacy and illiquid assets.

Proprietary Trading – results

€ m	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	3.0	(7.1)	(0.7)	2.1	0.1	1.5	1.4
Net fee and commission income	(3.1)	(0.7)	(0.5)	(1.0)	(0.4)	(1.2)	(0.3)
Net financial income	(64.2)	97.6	(17.7)	7.0	(41.3)	(12.5)	(33.1)
Operating income	**(64.3)**	**89.8**	**(18.6)**	**8.0**	**(41.4)**	**(12.3)**	**(31.9)**
Operating expenses	(11.0)	(9.0)	(2.5)	(1.8)	(2.5)	(4.2)	(4.1)
(Loss)/profit before impairments on intangible assets	**(75.3)**	**80.8**	**(21.1)**	**6.2**	**(44.0)**	**(16.4)**	**(36.0)**
Impairment loss on intangible assets	(30.5)	-	(30.5)	-	-	-	-
(Loss)/profit before tax	**(105.8)**	**80.8**	**(51.6)**	**6.2**	**(44.0)**	**(16.4)**	**(36.0)**

Asset Management

Asset Management reported a loss before tax and impairments on intangibles of € 4.5m in 2008, compared with a profit before tax of € 3.0m in 2007. In Q4 2008, the loss before tax and impairments on intangibles was € 2.0m, compared to a loss before tax of € 0.5m in the preceding quarters. Total client assets under management across at 31 December 2008 totalled € 992m. Management and performance fees continued to be impacted by falling equity markets.

Asset Management – results

€ m	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	5.0	4.8	0.9	1.5	1.3	1.3	2.2
Net fee and commission income	4.8	5.9	(0.1)	1.5	2.0	1.4	2.4
Net financial income	-	(1.4)	-	-	-	-	(0.7)
Other income	(0.1)	-	-	0.3	(0.4)	-	-
Operating income	**9.6**	**9.3**	**1.1**	**2.9**	**2.9**	**2.7**	**4.0**
Operating expenses	(14.1)	(6.3)	(3.1)	(3.5)	(3.4)	(4.1)	(1.9)
(Loss)/profit before impairments on intangible assets	**(4.5)**	**3.0**	**(2.0)**	**(0.5)**	**(0.5)**	**(1.4)**	**2.1**
Impairment loss on intangible assets	(39.8)	-	(39.8)	-	-	-	-
(Loss)/profit before tax	**(44.3)**	**3.0**	**(41.9)**	**(0.5)**	**(0.5)**	**(1.4)**	**2.1**

Merchant Banking

Merchant Banking reported a € 200.7m loss before tax in 2008, comprising a € 154.9m loss before tax for the fourth quarter. The financial losses reported in the fourth and third quarters are mainly due to significant write downs on a number of long-term holdings.

Merchant Banking – results

€ m	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	(12.6)	(0.7)	(2.6)	(6.4)	(2.9)	(0.7)	1.1
Net fee and commission income	-	-	-	(0.2)	0.2	-	-
Net financial income	(189.7)	17.9	(155.0)	(44.4)	(10.3)	20.0	16.2
Other income	3.0	0.2	2.7	-	0.1	0.2	(0.1)
Operating income	**(199.3)**	**17.4**	**(155.0)**	**(50.9)**	**(12.9)**	**19.5**	**17.3**
Operating expenses	(2.0)	(0.8)	(0.5)	(0.3)	0.8	(2.0)	0.2
Share of profit of associates	0.6	-	0.6	(0.2)	(0.4)	0.6	-
(Loss)/profit before tax	**(200.7)**	**16.6**	**(154.9)**	**(51.4)**	**(12.6)**	**18.2**	**17.5**

Treasury

Treasury generated a profit before tax of € 206.7m in 2008, compared with a profit before tax of € 16.2m in 2007. In the fourth quarter, the profit before tax was € 168.5m, compared with a loss of € 5.4m in the preceding quarter. The difference relates mostly to the FX gains arising on open positions, which were allocated to Treasury. The Bank's practice is to credit business lines with a notional return on the economic capital they utilise. The net interest income in Treasury reflects the return made on the Bank's free and unutilised capital.

Treasury – results

€ m	2008	2007	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Net interest income	56.4	24.6	6.2	24.6	14.7	10.9	12.5
Net fee and commission income	(1.5)	(1.6)	(0.5)	(0.2)	(0.5)	(0.3)	(0.2)
Net financial income	159.0	3.9	163.8	(29.2)	11.9	12.5	19.4
Other income	0.3	-	-	0.1	0.2	-	-
Operating income	**214.2**	**26.9**	**169.6**	**(4.8)**	**26.3**	**23.1**	**31.6**
Operating expenses	(7.5)	(10.7)	(1.0)	(0.7)	(2.7)	(3.1)	(0.5)
Profit/(loss) before tax	**206.7**	**16.2**	**168.5**	**(5.4)**	**23.6**	**20.0**	**32.1**

Four year overview

€ m	2008	2007	2006	2005
Income statement				
Net interest income	76.3	68.8	42.5	(3.2)
Net fee and commission income	104.6	131.3	84.4	25.0
Net financial income	(103.0)	111.4	392.3	411.6
Other Income	7.9	18.5	9.4	-
Operating income	**85.8**	**330.0**	**528.6**	**433.5**
Operating costs	(125.8)	(118.9)	(44.1)	(16.7)
Impairments on loans and receivables	(413.5)	(20.2)	(11.8)	(4.9)
Impairments on intangible assets	(327.7)			
(Loss)/profit before tax	**(780.6)**	**190.9**	**472.7**	**411.9**
Tax credit (expense)	81.3	(28.0)	42.7	(69.9)
(Loss)/profit	**(699.3)**	**162.9**	**515.4**	**341.9**
Attributable to:				
Equity holders of the parent	(707.1)	158.3	511.6	340.6
Minority interest	7.8	4.7	3.8	1.3
Balance sheet				
Assets				
Financial assets held for trading	170.6	1,056.4	945.2	1,234.7
Financial assets designated at fair value through profit and loss	596.4	923.9	644.7	1,175.9
Loans and cash and cash equivalents	1,828.8	3,838.5	2,046.2	803.1
Other assets	829.8	1,318.1	721.6	258.1
Total Assets	**3,425.6**	**7,136.9**	**4,357.8**	**3,471.8**
Liabilities and equity				
Deposits	736.2	1,268.3	-	-
Borrowings	1,494.7	3,778.5	2,572.8	1,628.6
Other liabilities	493.8	521.6	291.0	305.5
Total equity	700.9	1,568.5	1,494.0	1,537.7
Total liabilities and equity	**3,425.6**	**7,136.9**	**4,357.8**	**3,471.8**

Key ratios

	2008	2007	2006	2005
Annualised ROE %	N/A	11.3	42.0	46.5
Earnings per share €	(0.073)	0.017	0.051	0.045
P/E	(0.203)	10.3	3.9	4.6
P/B	0.126	1.02	1.18	1.42
Cost to income %	N/A	36.0	8.3	3.9
Number of employees at end of period	593	486	109	52
Share price at end of period	1.86	15.1	17.4	15.9
CAD ratio %	16.9	23.7	37.6	19.8
Tier 1 %	14.6	21.4	35.2	15.3
Growth of loan portfolio %	(21.5)	78.4	161.3	93.0
Deposits / Assets %	21.5	17.8	-	-
Loans / Assets %	42.1	33.8	31.0	18.9
Provision ratio %	16.8	1.25	1.18	-
Exchange rates				
Exchange rate ISK/€ for P/L average of period	123.83	87.79	87.72	78.14
Exchange rate ISK/€ for balance sheet at end of period	198.49	91.91	94.61	74.70

* Growth of the loan portfolio has been adjusted to Alpstar. The Bank's de-consolidated Alpstar, a corporate loan fund, in the first quarter of 2008 when the ownership in the subsidiary was taken below 50.0%. This resulted in a € 576m decrease in the loan portfolio.

Outlook

The global financial environment is still uncertain and key economies are facing more difficulties than ever seen before. Straumur has weathered these conditions satisfactory until now and is determined to continue to do so by following its strategy of de-risking its balance sheet and refocusing the bank's business model toward advisory and broking activities.

Activities in Q1 2009 will centre on further reductions in the balance sheet, protecting the capital position, securing the liquidity position, further aligning our platform as well as on preparing for future opportunities.

Funding and liquidity

The liquidity positions of Straumur-Burdaras Investment Bank and the Group have been impacted by the tough market conditions it has faced since the start of October 2008. In December the bank repaid € 200 million syndication loan and secured short term financing of € 133 million. The focus in 2009 is on disposing of assets in order to meet its maturing funding.

Credit rating

Fitch Ratings downgraded Straumur's credit rating on 5 November 2008: Long-term IDR B, Short-term IDR B, Individual rating D/E, Support rating 5, Outlook negative.

Other information

Personnel

At end of the December 2008, the Group had a headcount of 593.

Information disclosure

Straumur Investment Bank is committed to providing timely, reliable, correct, and appropriate information to the market, through the OMX Nordic Exchange Iceland News System, on its own website, in media and on one on one meeting with shareholders, potential investors and analysts, both domestically and internationally. The Bank's aim is to guarantee all stakeholders´ access to clear and accurate information on its operations and projects.

Presentation in Reykjavík

A presentation will be held for shareholders and market participants at Hilton Reykjavík Nordica, Suðurlandsbraut 2, on Wednesday 4 February 2008. The CEO and the CFO of Straumur Investment Bank will present the Bank's operating results and answer questions. The presentation will take place in English. It will be possible to follow events at the meeting in real-time on the Bank's website: www.straumur.com/webcast. Information will be available after the meeting on Straumur's website, www.straumur.com, and on the OMX Nordic Exchange Iceland's website, www.omxnordicexchange.is.

The meeting will begin punctually at 09:00 a.m.

Agenda:
09:00 William Fall, CEO and Stephen Jack, CFO, present the results and respond to questions from the audience
10:30 Meeting concludes

Meeting chair: Georg Andersen, Head of Corporate Communications.

Publication of next earnings reports

The financial calendar for 2009 is following:

First quarter:	13 May 2009
Second quarter:	29 July 2009
Third quarter:	4 November 2009
Fourth quarter:	10 February 2010

Annual general meeting

The annual general meeting of Straumur Investment Bank will be held on 23 April 2009. The dividend payment to the Bank's shareholders will be presented at the annual meeting.

Further information

For further information on the results please contact Stephen Jack, CFO, at +44 7885 997570 or stephen.jack@straumur.com or Georg Andersen, Head of Corporate Communications, at +354 585 6707 or georg.andersen@straumur.com. Information on Straumur Investment Bank is also available on the Bank's website www.straumur.com.

Consolidated Income Statement for the year 2008

	2008	2007
Interest income	465.178	493.103
Interest expense	(388.852)	(424.270)
Net interest income	76.326	68.833
Fee and commission income	120.158	139.478
Fee and commission expense	(15.547)	(8.203)
Net fee and commission income	104.611	131.275
Dividend income	2.865	33.707
Net (losses)/gains on financial assets and financial liabilities held for trading	(32.934)	48.044
Net (losses)/gains on financial assets designated at fair value through profit or loss	(130.188)	26.592
Net losses on financial assets available for sale	(44.220)	0
Net foreign exchange gains	101.434	3.062
Other income	7.861	18.501
Net operating income	85.755	330.014
Administrative expenses	(125.832)	(118.937)
Impairment loss on loans and receivables	(413.454)	(20.161)
Impairment loss on intangible assets	(327.688)	0
Share of profit of associates	651	44
(Loss)/profit before tax	(780.568)	190.960
Tax credit/(expense)	81.307	(28.017)
(Loss)/profit for the year	(699.261)	162.943
Attributable to:		
Equity holders of the Parent	(707.079)	158.262
Minority interest	7.818	4.681
(Loss)/profit for the year	(699.261)	162.943
Basic earnings per share	(0,073)	0,017
Diluted earnings per share	(0,073)	0,017

Amounts are in thousand of EUR

Consolidated Balance Sheet as at 31 December 2008

	2008	2007
Assets:		
Cash and cash equivalents	387.987	1.427.171
Financial assets held for trading	170.554	1.056.406
Pledged assets	74.316	211.923
Financial assets designated at fair value through profit or loss	596.395	923.939
Loans	1.440.850	2.411.342
Financial assets available-for-sale	233.330	338.960
Investment in associates	5.984	11.097
Property and equipment	21.389	21.679
Asset held for sale	67.522	0
Intangible assets	167.811	500.723
Deferred tax assets	77.063	491
Other assets	182.349	233.192
Total Assets	3.425.551	7.136.923
Liabilities:		
Financial liabilities held for trading	77.522	101.786
Deposits from banks	13.117	34.538
Deposits from customers	723.060	1.233.725
Borrowings	1.494.689	3.778.515
Subordinated loans	92.901	113.641
Current tax liability	3.644	26.829
Deferred tax liability	1.101	2.377
Other liabilities	318.620	277.011
Total Liabilities	2.724.654	5.568.422
Equity:		
Share capital	99.723	102.777
Share premium	602.608	647.970
Other reserves	(104.357)	(36.006)
Retained earnings	86.771	843.116
Total equity attributable to equity holders of the Parent	684.745	1.557.857
Minority interest	16.151	10.644
Total Equity	700.896	1.568.501
Total Liabilities and Equity	3.425.551	7.136.923

Amounts are in thousand of EUR

Consolidated Statement of Changes in Equity for the year 2008

2008	Share capital	Share premium	Other reserves	Retained earnings	Total share-holders' equity	Minority interest	Total equity
Equity as at 1.1.2008	102.777	647.970	(36.006)	843.116	1.557.857	10.644	1.568.501
Translation difference			(82.936)		(82.936)	(752)	(83.689)
Fair value changes in available-for-sale financial assets			10.648		10.648	(14)	10.634
Net earnings recognised directly in equity			(72.289)		(72.289)	(766)	(73.055)
(Loss)/profit for the period				(707.079)	(707.079)	7.818	(699.261)
Total recognised income and expense			(72.289)	(707.079)	(779.367)	7.052	(772.316)
Dividends paid ISK 0.56 per share				(49.267)	(49.267)		(49.267)
Dividends paid by subsidiary						(1.643)	(1.643)
Purchases and sales of treasury shares	(3.054)	(45.362)			(48.415)		(48.415)
Expense due to call options			3.938		3.938		3.938
Increase of share capital in subsidiaries						98	98
Equity as at 31.12.2008	99.723	602.608	(104.357)	86.771	684.745	16.151	700.896

2007	Share capital	Share premium	Other reserves	Retained earnings	Total share-holders' equity	Minority interest	Total equity
Equity as at 1.1.2007	100.275	615.802	(13.417)	771.127	1.473.787	20.231	1.494.018
Translation difference			(26.457)		(26.457)	2.635	(23.822)
Fair value changes in available-for-sale financial assets			(24.695)		(24.695)		(24.695)
Net loss recognised directly in equity			(51.152)		(51.152)	2.635	(48.517)
Profit for the period				158.262	158.262	4.681	162.943
Total recognised income and expense			(51.152)	158.262	107.110	7.316	114.426
Dividends paid ISK 0.75 per share				(87.792)	(87.792)	(7.561)	(95.353)
Purchases and sales of treasury shares	2.502	32.168			34.670		34.670
Treasury shares stated as other liability on account of put options, reversed			25.469		25.469		25.469
Expense due to call option			3.094	1.519	4.613		4.613
Sale of subsidiary						(9.342)	(9.342)
Equity as at 31.12.2007	102.777	647.970	(36.006)	843.116	1.557.857	10.644	1.568.501

Amounts are in thousand of EUR

Consolidated Statement of Cash Flows for the year 2008

	2008	2007
Operating activities:		
Net cash provided by/(used in) operating activities	1.317.099	(143.867)
Investing activities:		
Net cash provided by/(used in) investing activities	3.230	(301.502)
Financing activities:		
Net cash (used in)/provided by financing activities	(2.359.513)	1.177.572
(Decrease)/increase in cash and cash equivalents	(1.039.184)	732.203
Cash and cash equivalents at beginning of year	1.427.171	694.968
Cash and cash equivalents at the end of the year	387.987	1.427.171

Amounts are in thousand of EUR

Notes

1. **Reporting entity**

Straumur-Burdaras Investment Bank hf. (the Parent) is a company incorporated and domiciled in Iceland. The address of it's registered office is Borgartun 25, Reykjavik. These statements for the year end 2008 consolidate Straumur-Burdaras Investment Bank hf. and its subsidiaries (together referred to as "the Bank"). The Bank offers integrated financial services to companies, institutional investors and individuals. These services include corporate banking, investment banking, retail banking, capital markets services and asset management.

2. **Basis of preparation**

Statement of compliance

These statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

These statements do not include all of the information required for a complete set of Consolidated Annual Financial Statements, and should be read in conjunction with the Consolidated Financial Statements of the Bank as at the year ended 31 December 2007.

3. **Significant accounting policies**

The accounting policies and methods of computation applied by the Bank in these statements are the same as those applied by the Bank in its Consolidated Financial Statements as at, and for the year ended, 31 December 2007.

4. **Significant judgements and accounting estimate**

The preparation of these statements requires that management make judgements, estimates and assumptions that effect the application of accounting policies and the reported to amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these statements, the significant judgements made by the management in applying the Bank's accounting policies and the key source of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2007.

5. **Risk management disclosure**

The breakdown by contractual maturity of financial assets and liabilities:

Assets:	0-1 months	1 to 3 months	3-12 months	1-5 years	Over 5 years	No stated maturity	Total
Cash and cash equivalents	319.762	68.225					387.987
Financial assets held for trading	130.749	5.391	17.472	13.923	3.019		170.554
Pledged assets	74.316						74.316
Financial assets designated at fair value through P/L					81.373	515.023	596.395
Loans	260.353	124.278	231.897	298.352	525.970		1.440.850
Financial assets available-for-sale	115.856	41.896	63.668	4.704	4.643	2.564	233.330
Other assets	76.003	123.499	57.378	1.449		1.083	259.412
Total	977.038	363.289	370.415	318.428	615.005	518.670	3.162.845
Liabilities:							
Financial liabilities held for trading	75.104		2.417				77.522
Deposits from banks	4.297	5.600	3.220				13.117
Deposits from customers	365.397	84.327	151.228	106.619	15.490		723.060
Borrowings	354.017	66.010	242.527	729.608	102.527		1.494.689
Subordinated loans				10.083	82.818		92.901
Other liabilities	80.244	57.608	166.354	291	10.252	3.872	318.620
Total	879.059	213.545	565.746	846.601	211.087	3.872	2.719.909
Assets - liabilities	97.978	149.744	(195.331)	(528.174)	403.917	514.798	442.935

31.12.2007

Total assets	2.639.820	487.059	399.446	715.226	1.601.564	760.309	6.603.424
Total liabilities	1.290.871	693.191	835.403	1.591.323	1.152.825	4.809	5.568.422
Assets - liabilities	1.348.949	(206.132)	(435.957)	(876.097)	448.739	755.500	1.035.002

Liquidity management for Straumur Bank is based on the contractual maturity profile of liabilities. The amounts set out above are principal amounts reported at the earliest maturity date. Financial liabilities held for trading, including cross-currency interest rate swaps, are measured according to gross principal outflow on which no netting is performed at maturity.

Amounts are in thousand of EUR

5. contd.:

Currency risk

Foreign exchange risk is controlled by continuous monitoring of the Bank's net exposure to foreign currencies, reporting findings and enforcing limits. The Risk Committee has defined exposure limits to individual currencies as well as a gross exposure limits. The exposures are expressed in terms of the FX delta taking account of complex derivative instruments and the cash value of vanilla instruments. Risk Management monitors compliance with these procedures on a daily basis. The Bank's policy, implemented by Treasury, is to maintain currency neutrality in the Banking Book (investment assets) but net currency exposures are possible in the trading book with the approval of the Risk Committee.

Breakdown of assets and liabilities by currency:

31.12.2008	EUR	ISK	GBP	USD	DKK	Other	Total
Assets:							
Cash and cash equivalents	227.329	19.720	10.378	2.135	103.090	25.335	387.987
Financial assets held for trading	63.001	45.508	2.079	25.312	20.698	13.954	170.554
Pledged assets		53.276		10.160	10.450	429	74.316
Financial assets designated at fair value through P/L	541.219	8.636	489	33.725	6.855	5.472	596.395
Loans	591.030	38.935	151.699	176.848	377.323	105.015	1.440.850
Financial assets available-for-sale	129.695	90.700	5.446	7.413		76	233.330
Investments in associates		5.984					5.984
Property and equipment	4.294	8.188	6.173	3	580	2.151	21.389
Assets held for sale	67.522						67.522
Intangible assets	148.507		18.944			361	167.811
Deferred tax assets	4.116	72.050	85		698	114	77.063
Other assets	26.074	34.424	20.552	36.804	40.690	23.806	182.349
Total	1.802.788	377.421	215.844	292.401	560.385	176.712	3.425.551
Liabilities and equity:							
Financial liabilities held for trading	55.305	15.768	3.963	1.226		1.261	77.522
Deposits from banks	2.267	9.793				1.057	13.117
Deposits from customers	300.631	324.823	2.715		93.892	999	723.060
Borrowings	969.399	414.160	101	53.739	55.722	1.568	1.494.689
Subordinated loans	56.871	36.030					92.901
Current tax liabilities	425		1.149			2.070	3.644
Deferred tax liabilities	1.081					20	1.101
Other liabilities	77.980	9.002	73.438	71.060	58.470	28.670	318.620
Total equity	700.896						700.896
Total	2.164.855	809.576	81.366	126.025	208.084	35.645	3.425.551
Net Balance Sheet position	(362.068)	(432.155)	134.478	166.376	352.301	141.068	
Net off Balance Sheet position	(51.263)	28.314		11.873		11.077	
Net (liabilities)/asset position	(413.331)	(403.841)	134.478	178.249	352.301	152.145	

Amounts are in thousand of EUR

5. contd.:

31.12.2007	EUR	ISK	GBP	USD	DKK	Other	Total
Assets:							
Cash and cash equivalents	836.392	281.771	3.265		68.561	237.182	1.427.171
Financial assets held for trading	546.250	246.916	16.632	9.305	160.582	76.721	1.056.406
Pledged assets	10.540	5.625	4.536	33.029	72.740	85.453	211.923
Financial liabilities designated at fair value through P/L	718.320	160.469	652	44.007		491	923.939
Loans	1.502.030	260.477	207.208	93.846	256.718	91.063	2.411.342
Financial assets available-for-sale	121.426	217.417				117	338.960
Investment in associates	104	10.993					11.097
Property and equipment	4.867	15.143	274		806	589	21.679
Intangible assets	476.229		24.139			355	500.723
Deferred tax assets	491						491
Other assets	183.103	50.089					233.192
Total	4.399.752	1.248.900	256.706	180.187	559.407	491.971	7.136.923
Liabilities and equity:							
Financial liabilities held for trading	68.989	5.673			84	27.040	101.786
Deposits from banks		34.538					34.538
Deposits from customers	575.468	587.351	1.547	17.174	40.583	11.602	1.233.725
Borrowings	2.838.112	845.912	1.149	92.689	105	548	3.778.515
Subordinated loans	46.774	66.867					113.641
Current tax liabilities	22.604	3.427	463			335	26.829
Deferred tax liabilities	2.142		13		222		2.377
Other liabilities		277.011					277.011
Total equity	1.568.501						1.568.501
Total	5.122.590	1.820.779	3.172	109.863	40.994	39.525	7.136.923
Net Balance Sheet position	(722.838)	(571.879)	253.534	70.324	518.413	452.446	
Net off Balance Sheet position	781.365	496.635	(190.319)	(108.070)	(462.042)	(517.569)	
Net asset/(liabilities) postion	58.527	(75.244)	63.215	(37.746)	56.371	(65.123)	

Amounts are in thousand of EUR

7. **Segment Reporting**

Segment information is presented in respect of the Bank's business and geographical segments. The primary format, business segments, is based on the Bank's management and internal reporting structure.

Business segments pay and receive interest to and from Treasury on an arm's length basis to reflect the allocation of capital and funding costs. Inter-segment pricing is determined on an arm's length basis.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment and intangible assets other than goodwill.

The Bank defined a new business segment in 2008, Merchant Banking, and 2007 segments have been restated accordingly.

Business segments:

The Bank comprises the following main business segments:

Corporate Finance provides advisory services to corporate clients in respect of M&A and equity and debt, capital market transactions.

Debt Finance provides advice and a wide range of financing products to clients in Northern and Central Europe.

Capital Markets offers securities brokerage service to the Bank's clients.

Proprietary Trading trades in securities for the Bank's own account in all major markets.

Asset Management provides banking and investment service for institutional and private clients.

Merchant Banking comprises the Bank's direct investment activities and its participation in third party managed assets and funds.

Treasury is responsible for managing the Bank's funding and liquidity, and its foreign exchange and interest rate risk management.

Support areas are managed under the following functional headings: Operations, Risk Management, Finance, Legal & Compliance, Information Technology, Human Resources, Corporate Services, Corporate Comunications and Group Management.

Geographical segments:

The Bank reports its results in five main geographical regions, being: Iceland, other Nordic countries, the United Kingdom, Central Eastern Europe and other countries.

7. contd.:

2008

Business segment income statement:

	Corporate finance	Debt finance	Capital Markets	Proprietary trading	Asset Management	Merchant Banking	Treasury	Other Operations	Total
Net interest (expense) income	(2.514)	41.105	(13.856)	3.030	4.954	(12.627)	56.358	(124)	76.326
Net fee and commission income (expense)	50.924	18.841	34.417	(3.082)	4.791	(3)	(1.456)	179	104.611
Dividend income	1.077		239	254		1.269	26		2.865
Net (losses) gains on financial assets and liabilities held for trading	(21)	(7.178)	24.936	(64.489)	(3)	(32.136)	45.957		(32.934)
Net (losses) gains on financial asset designated at fair value thought P/L	(15.922)	(10.646)	5			(112.796)	9.171		(130.188)
Net losses on financial assets available for sale						(44.030)	(190)		(44.220)
Net foreign exchange gains (losses)	61	70	(557)		5	(2.019)	104.023	(148)	101.434
Other operating income (expense)	130		217		(123)	3.036	285	4.316	7.861
Net operating income	33.735	42.191	45.402	(64.287)	9.623	(199.305)	214.174	4.223	85.755
Administrative expenses	(27.352)	(12.359)	(37.327)	(10.993)	(14.083)	(2.023)	(7.484)	(14.210)	(125.832)
Impairment loss on loans and receivables		(326.455)	(47.470)					(39.529)	(413.454)
Impairment loss on intangible assets	(78.845)	(105.509)	(73.019)	(30.507)	(39.809)				(327.688)
Share of profit of associates						593		59	651
(Loss)/profit before tax	(72.462)	(402.132)	(112.414)	(105.788)	(44.269)	(200.735)	206.689	(49.458)	(780.568)
Tax credit									81.307
Loss for the year									(699.261)
Business segment assets:									
Cash and cash equivalents	7.992	59.893	81.994	42.729	87.670	45.672	43.168	18.871	387.987
Financial assets held for trading			43.557	52.931	33.733	8.029	31.560	744	170.554
Pledged assets			16.481			10.589	47.246		74.316
Financial assets designated at fair value through P/L	31.543	103.046	13.721			448.085			596.395
Loans		1.380.626			57.512	1.372	738	603	1.440.850
Financial assets available-for-sale				20.125	122.258		88.805	2.143	233.330
Investment in associated companies						5.984			5.984
Property and equipment	813	39	1.255	110	681	10.608	67	7.817	21.389
Assets held for sale		67.522							67.522
Intangible assets	83.425		55.253		27.843			1.290	167.811
Deferred tax assets	85					1.842	72.409	2.726	77.063
Other assets	44.588	16.299	34.174	42.093	1.826	18.918	21.994	2.457	182.349
Total assets	168.446	1.627.425	246.435	157.987	331.523	551.098	305.985	36.651	3.425.551

Amounts are in thousand of EUR

7. contd.:

2007

Business segment net income:	Corporate finance	Debt finance	Capital Markets	Proprietary trading	Asset Manage-ment	Merchant Banking	Treasury	Other Operations	Total
Net interest (expense) income	(3.632)	57.148	(7.738)	(7.055)	4.818	(684)	24.634	1.342	68.833
Net fee and commission income (expense)	68.604	21.833	37.253	(671)	5.878	(8)	(1.611)	(3)	131.275
Dividend income	45		(81)	29.104			67	4.572	33.707
Net (losses) gains on financial assets and liabilities held for trading		(513)	(6.024)	68.458	(1.611)	(13.614)	381	967	48.044
Net (losses) gains on financial asset designated at fair value thought P/L	(4.971)	3	(82)		182	31.533	348	(421)	26.592
Net foreign exchange							3.062		3.062
Other operating income	16.084		36		26	169		2.186	18.501
Net operating income	76.130	78.471	23.364	89.836	9.293	17.396	26.881	8.643	330.014
Administrative expenses	(34.729)	(16.809)	(30.410)	(9.029)	(6.253)	(831)	(10.716)	(10.160)	(118.937)
Impairment	(1.621)	(18.525)	(14)					(1)	(20.161)
Share of profit of assosiates	71		16		(88)			45	44
Profit before tax	39.851	43.137	(7.044)	80.807	2.952	16.565	16.165	(1.473)	190.960
Tax expense									(28.017)
Profit for the year									162.943

31.12.2007

Business segments assets	438.126	2.576.725	840.298	56.608	527.645	623.047	1.742.689	331.785	7.136.923

Amounts are in thousand of EUR

7. contd.:

Geographical analysis

Operating income specified by location of its markets and customers.

The geographical analysis of operating income is provided in order to comply with IFRS and does not reflect the way the Bank is managed.

2008	Iceland	Other Nordic Countries	UK	Central Eastern Europe	Other	Total
Net interest income	29.512	21.826	8.446	1.784	14.758	76.326
Net fee and commission income	17.496	44.157	23.601	19.693	(336)	104.611
Net financial income	130.974	(42.795)	(85.986)	(92.740)	(12.496)	(103.043)
Other income	455	4.084		3.322		7.861
Net operating income	178.437	27.272	(53.939)	(67.941)	1.926	85.755
2007						
Net interest income	19.219	19.883	9.728		20.003	68.833
Net fee and commission income	56.685	52.703	15.151	5.143	1.593	131.275
Net financial income	51.170	22.024	17.348	14.652	6.211	111.405
Other income		18.501				18.501
Net operating income	127.074	113.111	42.227	19.795	27.807	330.014

Assets specified by location of its markets and customers:

	Iceland	Other Nordic Countries	UK	Central Eastern Europe	Other	Total
2008						
Total Assets	492.291	977.264	331.295	986.342	638.359	3.425.551
2007						
Total Assets	1.739.927	1.345.923	850.553	1.162.810	2.037.710	7.136.923

Amounts are in thousand of EUR

8. **Equity**

a. Share capital

According to the Parent Company's Articles of Association, total share capital amounts to ISK 10,359 million. The nominal amount of treasury shares at 31 December 2007 and at 31 December 2008 amounted to ISK 636 and 924 million respectively. One vote is attached to each share of one ISK and the holders of ordinary shares are entitled to one vote per share at meetings of the Bank. The Board of Directors is authorised, within its discretion, to increase the Bank's share capital by ISK 2,000,000,000 by issuing new shares.

b. Regulatory capital

Equity at the end of the period amounted to EUR 701 million, equivalent to 20,5% of total assets according to the balance sheet. The capital adequacy ratio of the Bank, calculated in accordance to Article 84 of the Act on Financial Undertakings, is 16,9%. This ratio may not be lower than 8.0% according to that Act. The ratio is calculated as follows:

	2008	2007
Total Equity	700.896	1.568.501
Intangible assets	(167.811)	(500.723)
Subordinated loans	82.819	113.641
Total own funds	615.904	1.181.419
Total capital requirements for:		
Credit risk	186.147	285.687
Market risk under standardised approaches	57.939	48.473
Operational risk	47.219	64.604
Capital requirements	291.305	398.764
Surplus of own funds	324.599	782.655
Capital adequacy ratio	16,9%	23,7%

Amounts are in thousand of EUR

9. **Quarterly Statements**

Summary of the Bank's operating results by quarters:

	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Total
Net interest income	14.416	14.822	23.935	23.153	76.326
Net fee and commission income	21.441	26.504	25.901	30.765	104.611
Dividend income	236	21	2.521	87	2.865
Other net financial expense	(115.750)	(47.374)	(40.512)	(3.706)	(207.342)
Net foreign exchange gains/(losses)	111.236	(26.267)	1.975	14.490	101.434
Other operating income	3.811	1.152	1.450	1.448	7.861
	35.390	(31.142)	15.271	66.236	85.755
Administrative expenses	(33.092)	(30.727)	(26.911)	(35.102)	(125.832)
Impairment loss on loans and receivables	(291.192)	(106.812)	(8.035)	(7.415)	(413.454)
Impairment loss on intangible assets	(327.688)				(327.688)
Share of profit of associates	653	(237)	(478)	713	651
(Loss)/profit before tax	(615.929)	(168.918)	(20.153)	24.432	(780.568)
Tax credit/(expense)	41.381	23.367	18.709	(2.150)	81.307
(Loss)/profit for the period	(574.548)	(145.551)	(1.444)	22.282	(699.261)
Attributable to:					
Equity holders of the parent	(576.368)	(148.966)	(2.811)	21.067	(707.079)
Minority interest	1.820	3.415	1.367	1.215	7.818
(Loss)/profit for the period	(574.548)	(145.551)	(1.444)	22.282	(699.261)

Amounts are in thousand of EUR