

SPRON's Results for the Third Quarter of 2008

Net loss of ISK 3.1 billion after taxes

CAD ratio 10.1%

Highlights from the Third Quarter of 2008:

- Net losses after taxes of ISK 3.1 billion with all listed holdings marked to market. Losses from holdings amounted to 3.5 billion in the third quarter of 2008
- Net interest income was ISK 1.1 billion, up 47% from the same period in 2007
- Net operating income was negative by ISK 2.0 billion
- Customer deposits up 10% from year-end 2007
- Customer deposits 45% of loans to customers
- Loans to customers amounted to ISK 206.5 billion
- Total assets amounted to ISK 266.6 billion, up 19% from year-end 2007
- Equity was ISK 10.4 billion
- Capital adequacy (CAD) ratio was 10.1% The legal minimum is 8%
- The Auditor's review report is qualified due to a material uncertainty which may cast doubt on the Company's ability to continue as a going concern.

Events after the third quarter 2008:

- The international financial crisis and the collapse of the three largest banks in Iceland have severely impacted the Icelandic economy. SPRON's equity position has been adversely impacted and the Financial Supervisory Authority in Iceland has been notified. Measures are being taken to improve the bank's equity position in close co-operation with all major stakeholders. This work is well underway and a conclusion is expected soon.
- The merger of SPRON and Kaupthing was cancelled after the collapse of Kaupthing in October 2008 and subsequently measures were taken to restructure SPRON to position it for a different future.

Gudmundur Hauksson, CEO of SPRON:

"The results for the quarter reflect the banks status before the collapse of the three largest banks in Iceland. The bank's loss for the period was ISK 3.1 billion and the equity ratio was 10.1% which is satisfactory in light of the extremely challenging circumstances in the financial markets. The collapse of the banks and subsequent events have adversely affected most financial companies in Iceland and will affect all companies and individuals in Iceland one way or another. SPRON is also affected and following the collapse it has been difficult to estimate the value of assets and other financial figures with any accuracy. However the bank's management has already taken measures to strengthen SPRON's position with the long-term interests of the bank in mind in co-operation with all major stakeholders. The results of which will be announced as soon as possible."

Auditors Review Report and Board of Directors approval

SPRON's financial statements are prepared in accordance with IFRS and have been reviewed by the Group's auditors. The Auditor's review report is qualified due to a material uncertainty which may cast doubt on the Company's ability to continue as a going concern. The Board of Directors of SPRON approved the Interim Consolidated Financial Statements for the first nine months of 2008 at a Board meeting held today 28 November 2008.

Income statement

Net after-tax loss of ISK 3.1 billion

The Group's net loss totalled ISK 3,065 million for the period and was due to losses on the Group's stock holdings. Net loss for the first nine months amounted to ISK 16,525 million which again is primarily due to loss in stock holdings.

ISK Million	3Q 2008	2Q 2008	1Q 2008	4Q 2007	3Q 2007
Net interest income	1,097	888	830	800	746
Net commission income	283	246	335	629	360
Net (loss) gains on fin. Assets and fin. liabilities	(946)	(1,987)	(5,112)	(5,540)	205
Share of (loss) profit of associates	(2,519)	(2,889)	(4,915)	(5,411)	(1,100)
Other operating income	101	82	55	3,440	112
Net operating (loss) income	(1,985)	(3,660)	(8,807)	(6,082)	324
Operating expenses	(1,579)	(1,284)	(1,316)	(1,598)	(1,298)
Impairment of loans and advances	(2,079)	(774)	(293)	(139)	(75)
Income tax	2,578	705	1,969	1,826	200
Net (loss) profit	(3,065)	(5,013)	(8,447)	(5,993)	(850)

Net interest income ISK 1,097 million

Net interest income amounted to ISK 1,097 million for the period, compared with ISK 746 million in the same period last year, up 47%. Interest income for the first nine months of the year 2008 was ISK 2,814 million, compared with 1,846 million in the same period of 2007, up 52%.

Net interest income as a percentage of interest-earning assets was 1.7%, compared with 1.5% in the third quarter of 2007. Net interest income as a percentage of total assets was 1.9% in the quarter.

Net commission income ISK 283 million

Net commission income for the third quarter amounted to ISK 283 million, compared with ISK 360 million in the same period last year.

Net operating income negative by ISK 1,985 million

Net operating income for the period was negative by ISK 1,985 million, having been positive by ISK 324 million in the same period last year.

Operating expenses ISK 1,579 million

Operating expenses for the quarter totalled ISK 1,579 million, compared with ISK 1,298 million in the same period last year. Salaries and related expenses for the third quarter were ISK 729 million, compared with ISK 592 million in the same period in 2007. Other operating expenses amounted to ISK 796 million, against ISK 658 million in the same period of 2007.

Impairment on loans and advances ISK 2,079 million

The impairment on loans and advances for the quarter amounted to ISK 2,079 million, compared with ISK 75 million in the same period of 2007.

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The balance sheet

Total assets ISK 266.6 billion

Total assets stood at ISK 266,646 million at the end of the first nine months, up from ISK 224,196 million at year-end 2007, a 19% increase in the period.

Cash and balances with the Central Bank ISK 8.1 billion

Cash and balances with the Central Bank stood at ISK 8,061 million, compared with ISK 10,332 million at year-end 2007.

Loans to credit institutions ISK 5.4 billion

Loans to credit institutions totalled ISK 5,362 million at the end of the first nine months, against ISK 3,728 million at year-end 2007.

Assets

Million ISK	30.9. 2008	30.6. 2008	31.3. 2008	31.12.2007	30.09.2007
Credit and balances with the Central Bank	8,061	6,709	5,412	10,332	3,611
Loans to credit institutions	5,362	8,703	13,274	3,728	5,349
Loans to customers	206,451	179,793	176,836	161,630	148,583
Trading assets	21,415	22,900	25,733	27,508	29,276
Financial asset designated at fair value	16,937	21,955	26,615	12,666	15,131
Investments in associates	282	147	1,083	2,575	11,896
Property and equipment	2,280	2,256	2,327	2,060	1,775
Intangible assets	285	1,681	1,649	1,713	1,496
Other assets	5,564	2,567	1,779	1,983	434
Total assets	266,646	246,711	254,707	224,196	219,188

Loans to customers ISK 206.5 billion

Loans to customers amounted to ISK 206,451 million at the end of the quarter, against ISK 161,629 million at year-end 2007.

Trading assets ISK 17.0 billion

Trading assets amounted to ISK 21,415 million at the end of the quarter, compared with ISK 27,507 million at the end of 2007. Financial assets designated at fair value were ISK 16,937 million, against ISK 12,666 million at year-end 2007. Investments in associates amounted to ISK 282 million, compared with ISK 2,575 million at year-end 2007.

Deposits from credit institutions and the Central Bank ISK 34.0 billion

Deposits from credit institutions and the Central Bank of Iceland amounted to ISK 34,016 million at the end of the quarter, compared with ISK 8,513 million at year-end 2007.

Deposits from customers ISK 93,6 billion

Deposits from customers stood at ISK 93,617 million at the end of the quarter, compared with ISK 85,410 million at the end of 2007, up 10% in the first half of the year.

The customer deposit-to-loan ratio stood at 45.3% at the end of the quarter, decreasing slightly from the year-end 2007 due to the depreciation of the Icelandic krona.

Borrowings ISK 103.3 billion

Borrowings amounted to ISK 103,269 million at the end of the quarter, compared with ISK 89,097 million at year-end 2007. The increase is due to the depreciation of Icelandic krona.

Subordinated loans ISK 13.2 billion

Subordinated loans amounted to ISK 13,159 million at the end of the period, compared with ISK 5,432 million at year-end 2007.

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Liabilities

Million ISK	30.9.2008	30.6. 2008	31.3.2008	31.12.2007	30.09.2007
Deposits from credit institutions and Central Bank of Iceland	34,016	20,641	17,479	8,513	5,688
Deposits from customers	93,618	88,658	93,991	85,410	74,625
Trading liabilities	8,567	6,315	7,863	725	506
Borrowings	103,269	101,490	101,239	89,097	88,553
Subordinated loan	13,160	11,690	10,963	5,433	5,476
Post-employment obligations	734	726	721	714	727
Tax liabilities	0	232	1,052	2,905	4,906
Other liabilities	2,841	3,009	3,587	3,639	3,601
Total liabilities	256,205	232,648	236,894	196,435	184,082
Equity	10,441	13,587	17,813	27,761	35,105

CAD ratio of 10.1%

SPRON's equity stood at ISK 10,441 million at the end of the quarter, compared with ISK 27,761 million at year-end 2007. The capital adequacy (CAD) ratio stood at 10.1% compared with 13.4% at year end 2007.

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Events in the beginning of the fourth quarter and prospects

The collapse of the three largest banks in Iceland in October and subsequent events plus challenging circumstances in international financial markets have transformed future prospects of all financial companies in Iceland. SPRON's CAD ratio has been severely affected and the Financial Supervisory Authority in Iceland been notified. Measures are being taken to improve the bank's equity position in close co-operation with all major stakeholders. The dramatic downturn in the Icelandic economy will affect everyone in Iceland, companies and individuals alike. As a result SPRON will need to restructure its business in order to these challenging circumstances.

Merger of SPRON and Kaupthing cancelled

After Kaupthing was taken into administration by the Financial Supervisory Authority the merger of SPRON and Kaupthing was cancelled. Subsequently the management of SPRON took measures to meet changed circumstances.

Trading suspended at the OMX Nordic Exchange

In conjunction with the passing of the emergency laws on October 6 2008 the Financial Supervisory Authority decided to suspend trading on the OMX Nordic Exchange with shares in SPRON as well as other financial companies on the Exchange. According to the Financial Supervisory Authority's announcement it stated that uncertainties regarding the issuers are likely to disrupt normal price formation, and as such, any trading could be detrimental for investors. It also stated that equal treatment of investors cannot be ensured, as the issuers cannot ensure confidentiality of price-sensitive information that has not been made public. Trading is still suspended and the Financial Supervisory Authority has not issued any statement as to when trading will start again.

Further information

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About SPRON

SPRON is a financial institution which offers retail and investment banking services to individuals, businesses and institutional investors in the greater Reykjavik area. SPRON's main subsidiaries are SPRON Securities, SPRON Factoring, Netbankinn and the Frjálsi Investment Bank. SPRON operates seven branches in the capital area.