

## Glitnir Second Quarter 2008 results

1H 08 profit before tax ISK 15.4 bn. (EUR 121m)  
Total recognised earnings in equity ISK 40 bn. (EUR 316m) in 1H 08  
Strong liquidity position of EUR 8.1 bn.

### FINANCIAL HIGHLIGHTS

- Net profit ISK 7.6 bn. up 29,3% from Q1 08
- Record quarter for net operating income, ISK 26.9 bn., a 5% increase from ISK 25.6 bn. in Q1 08
- Return on equity 17,0% compared 15,0% in Q1 08
- Net Interest income ISK 17.8 bn. growing 28.9% QoQ
- Fees and commissions remain strong at ISK 9.3 bn. despite a slight drop from Q1 08
- Net operating expenses were ISK 14.8 bn. rising by 7.2% from Q1 08.
- Real growth of the loan portfolio negative by ISK 45 bn. from the previous quarter
- Liquidity position remains strong at 8.1 bn. euro
- CAD ratio rises to 11.2%. Tier 1 capital ratio stands at 8,0% up from 7.7% in Q1 08.

### OPERATIONAL HIGHLIGHTS

- Core earnings have increased by 10% on average each quarter (CQGR) from Q2 07
- Core profit before tax<sup>1</sup> grew 19.9% QoQ and 25.9% YoY.
- Cost / Income ratio is stable at 55%
- Continued strong performance by Capital Markets, Corporate Banking and Investment Banking units in the first half of 08
- 40% of advisory fees YTD originated through niche related activities. Solid pipeline going forward.
- Launch of a new international deposit product, Save&Save, in Norway and Iceland. This product will be introduced in other markets in the coming quarters.
- Successful issue of EUR 900m covered bond in Norway during the quarter

**Lárus Welding, Glitnir CEO:** "We are very content with the results for the second quarter, where our core profits have risen by nearly 20% for the second consecutive quarter. As a result of our strategy and the initiatives we have adopted since Q4 2007, the bank has shown great resilience in a challenging market environment. We have continued to successfully increase our core income and profits while at the same time focusing on several cost cutting initiatives. We estimate that these co-ordinated efforts will start to bear real fruit in the second half of the year.

During the first half, we have successfully raised EUR 2.4 bn in funding while paying outstanding maturities of EUR 2.1 bn. At the same time we have maintained a strong CAD ratio of 11.2% despite a severe weakening of the ISK. We have also been successful in deleveraging our balance sheet. The bank's liquidity position remains strong at EUR 8.1 bn.

At the end of the quarter, the bank launched a new international deposit product, Save&Save, in Norway and Iceland which will be expanded into other markets in due course.

Looking forward, we will continue to focus on our core operations leveraging on the bank's niche strategy and the positive outlook for the global food and energy sectors where we have a strong market presence.

In our immediate plans we do not expect the wholesale funding markets to improve in the near future. With our strong asset quality intact we will continue to manage our balance sheet, further diversifying our funding sources and deleveraging non-core assets."

### For further information, please contact:

Lárus Welding

CEO

phone: +354 440 4005

Rósant Már Torfason

CFO

phone: +354 440 4743

Bjorn Richard Johansen

MD, Corp. Communication

phone: +47 47 800 100 or

brj@glitnir.no

Sigrún Hjartardóttir

Investor Relations

phone: +354 440 4748 or

SiHj@glitnir.is

Glitnir's condensed consolidated interim accounts can be found on [www.glitnirbank.com](http://www.glitnirbank.com)

<sup>1</sup> Net profit – other operating income

## 1. Consolidated performance

### 1.1. Highlights from the profit and loss account

(ISK million)	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07
Net interest income	17,790	13,793	11,863	9,618	9,658
Net fees and commissions	9,257	10,604	10,594	10,864	8,888
Other income	-136	1,227	-2,547	3,308	4,637
Net operating income	26,911	25,624	19,910	23,790	23,183
Expenses	-14,786	-13,799	-15,642	-11,738	-12,127
- Salaries	-7,315	-7,612	-8,900	-7,063	-7,126
- Other expenses	-7,471	-6,188	-6,742	-4,675	-5,001
Impairment	-4,492	-4,119	-2,366	-1,671	-247
Profit from associates & JV's	24	4	1,905	13	478
Profit before tax	7,657	7,710	3,808	10,394	11,287
Income tax	-83	-1,851	-1,320	-1,759	-1,766
Net profit	7,574	5,859	2,486	8,636	9,521

### PROFIT

Net profit was ISK 7,574 million, up 29.3% from ISK 5,859 million in Q1 08. Net profit in Q2 07 was ISK 9,521 million. Reduced tax payments are explained by the lowering of the corporate tax rate from 18% to 15%. This change is effective from 1 January 2008 therefore entitling Glitnir to a tax rebate for the first quarter.

Glitnir's pre-tax profit was ISK 7,657 million in Q2 08, compared to ISK 7,710 million in the previous quarter.

Earnings per share increased by 22.5% QoQ and amounted to ISK 0.49 per share in Q2 08, compared to ISK 0.40 per share in Q1 08.

Return on equity was 17.0% during the quarter, up from 15% in Q1 08. Return on equity in Q2 07 was 29.8%.

Return on equity calculated from income recognised in equity was 52% in the first half of the year.

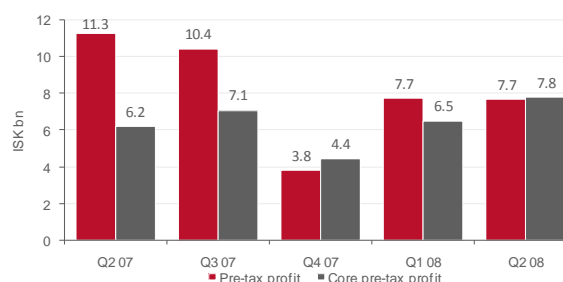
### INCOME

Net interest income increased by 29% and stood at ISK 17,790 million, up from ISK 13,793 million in Q1 08. Year on year net interest income rose by 84.2% from ISK 9,658 million.

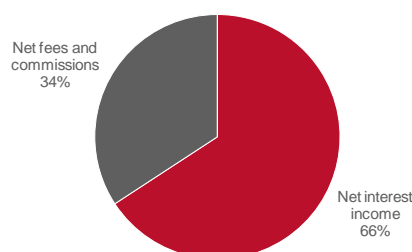
Net interest margin was 1.9% in the second quarter, up from 1.7% in Q1 08.

Net fees and commissions were up 4.2% year on year and stand at ISK 9,257 million in Q2 08. However there was a slight decrease QoQ, having been ISK 10,604 million in Q1 08.

Profit before tax / core profit before tax

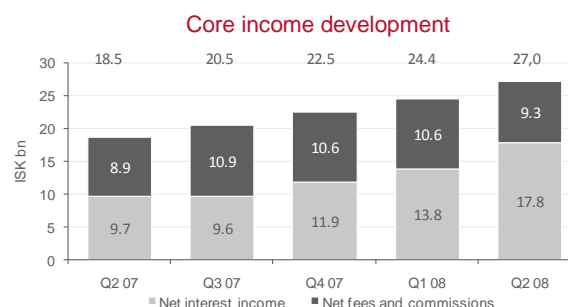


Operating income, by type



Other operating income came in negative at ISK 136 million in the second quarter. This item was positive at ISK 1,227 million in the first quarter. This is mainly attributed to fair value adjustments of listed securities held for trading.

Overall, net operating income increased by 5% from Q1 08. Net interest income accounted for 66% of the total operating income, net fees and commissions 34%.



## EXPENSES

Glitnir has reacted quickly and efficiently to the deteriorating conditions in financial markets by adjusting its operations in Europe and Iceland accordingly. These efforts were ongoing in the second quarter with the scaling down of non-core operations, reduction in the number of employees and the merging of branches. The cost benefits of these actions will become apparent in the second half of the year.

Salary costs are down by ISK 297 million quarter on quarter, from ISK 7,612 million in Q1 08 to ISK 7,315 million in Q2 08. This cost amounted to ISK 7,126 million in Q2 last year. The number of employees was reduced by 117 on a Group level during the quarter. The average number of full-time employees was 2,174 in the second quarter compared to 2,291 in the preceding quarter.

Expenses amounted to ISK 14,786 million in Q2 08 compared to ISK 13,799 million in the first quarter. The increase is due to one-off costs relating to cost cutting initiatives as well as higher costs owing to various funding activities.

## OTHER ITEMS

Impairments on loans and receivables amounted to ISK 4,100 million in the second quarter, compared to ISK 3,714 million in Q1 08. Impairments on loans and receivables amounted to ISK 247 million in Q2 07.

The cost / income ratio rose slightly to 55% in Q2 from 54% in Q1 08. The cost / income ratio for Q2 07 was 52%

Calculated income tax was ISK 83 million for the period, compared to ISK 1,851 million in the first quarter of 2008. Calculated income tax was ISK 1,766 million in Q2 07. This large difference is in part due to the lowering of the corporate tax rate from 18% to 15%, a change that was effective from 1 January 2008

### 1.2. Highlights from the balance sheet

(ISK billion)	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07
Cash and loans to banks	366	424	334	327	173
Loans to customers	2,548	2,516	1,975	1,786	1,571
Financial assets	730	738	503	501	472
Intangible assets	63	62	47	54	48
Other	155	125	90	98	71
<b>Total assets</b>	<b>3,863</b>	<b>3,865</b>	<b>2,949</b>	<b>2,766</b>	<b>2,335</b>
Deposits	1,021	891	781	720	552
Borrowings	2,242	2,372	1,746	1,593	1,357
Subordinated loans	146	147	102	99	95
Other liabilities	253	266	151	186	180
Equity	200	189	170	168	151
<b>Total Liabilities &amp; Equity</b>	<b>3,863</b>	<b>3,865</b>	<b>2,949</b>	<b>2,766</b>	<b>2,335</b>

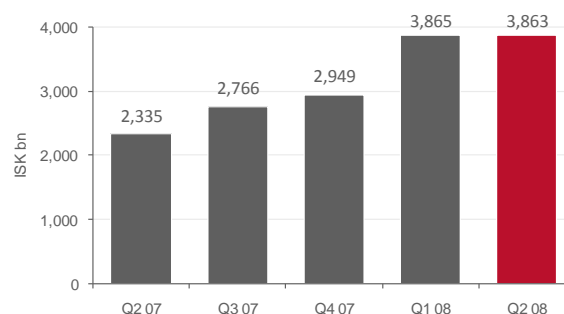
## ASSETS

Adjusted for inflation and the depreciation of the ISK, lending to customers decreased by ISK 45 bn. in real terms during the quarter. In nominal terms the growth of the loan book was ISK 33 bn.

Glitnir's total assets were ISK 3,863 bn. at the end of June, decreasing marginally from the end of March when they amounted to ISK 3,865 bn.

Cash and loans to banks were ISK 366 bn. at the end of June, compared to ISK 424 bn. at the end of the first quarter.

Total assets at the end of each quarter



## LIABILITIES AND EQUITY

Book equity increased by ISK 11,7 bn. in Q2 08 and amounted to a total of ISK 200 bn. at the end of June. ISK 4,484 million were recognised directly in equity during the period due to currency gains.

The CAD ratio rose to 11.2% in the second quarter from 11,0% in the first quarter. The Tier 1 ratio rose to 8,0% from 7,7% at the end of Q1 08. By the end of the first quarter Glitnir had fully hedged its capital ratios against exchange rate fluctuations which thus remained unaffected by the weakening of the ISK.

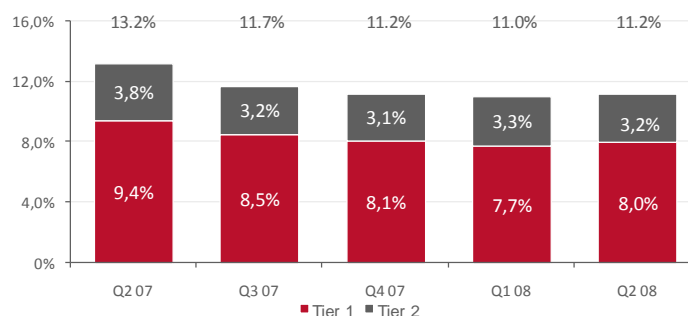
### 1.3. Funding and liquidity

## FUNDING

In recent years Glitnir has put great emphasis on diversifying its funding sources and not being too reliant on any single source of funding. The international credit markets have been turbulent so far this year and not favourable for senior unsecured funding. Glitnir has responded proactively to these circumstances by actively preparing and implementing plans to re-enforce its longer term liquidity position. This includes increased focus on balance sheet management and de-leveraging, asset backed funding on the back of the bank's strong assets and strengthening relationships with core banks.

Highlights of the year include a successful EUR 900m covered bond issue in Norway which was sold to Norwegian institutional investors, a ISK 65 billion issuance of ISK denominated covered bonds and a ISK 15bn mandatory convertible that have substantially strengthened Glitnir's capital ratios.

CAD ratio



During the first six months of 2008, Glitnir has successfully raised approximately EUR 2.4 billion in a mixture of currencies through private placements, bilateral facilities and asset backed bond issuance at good levels and at prices substantially through CDS levels. During the same period of last year Glitnir raised approximately EUR 3.4 billion, when the bank was able to take advantage of favourable credit markets.

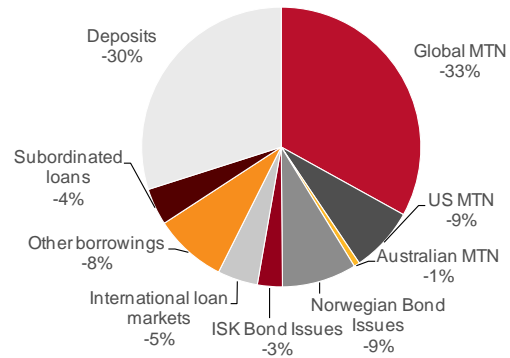
Deposits are one of the important pillars in Glitnir's funding strategy. Iceland and Norway are the two most important deposit markets for Glitnir. Approximately 85% of customer deposits are originated in these two markets and they have proven to be very durable and reliable. The bank's wholesale deposit business in the UK has been more volatile given the institutional nature of the depositors and the general demand for liquidity.



**LIQUIDITY**

Glitnir's liquidity position continues to be strong and resilient in Q2 08 despite difficult market conditions. At the end of the quarter, Glitnir's six month liquidity ratio stood at 87%, compared to 89% at the end of Q1 08. The 12 month liquidity ratio was 119% at the end of Q2, virtually the same as in Q1 when it was 120%. This position reflects the bank's recent funding initiatives achieved over the past few months. These included covered bond issuance in Norway and Iceland and the use of the bank's strong balance sheet for secured funding. The implementation of measures to restructure non-core units is ongoing.

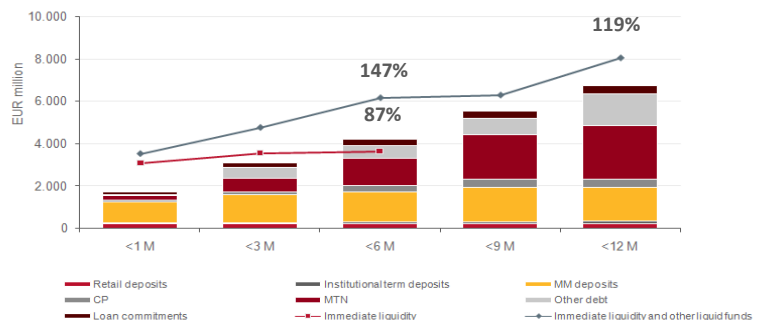
Consolidated funding mix



**CREDIT RATINGS**

Glitnir is the only Icelandic bank rated by the three main rating agencies, Moody's, Fitch and S&P. No changes have been made to Glitnir's ratings by Moody's during the quarter, with the following ratings in effect: A2 for long term liabilities and P-1 for short term liabilities. The agency sees the bank's outlook as being stable. At the beginning of April, Fitch placed Glitnir's Long and Short-term Issuer Default ratings, senior and subordinated debt and individual ratings on Rating Watch Negative. Subsequently the agency downgraded Glitnir's ratings to A- for long term debt and F2 for short term debt. Fitch rationalised its decision by pointing to the weaker outlook for markets the bank has expanded into as well as the increased risk of a hard landing in the Icelandic economy. In late April S&P announced it had lowered the bank's long-term counterparty ratings to BBB+ from A- (negative outlook). Among main reasons were the weakening position of the Icelandic economy, deteriorating access to international funding and consequently a weaker earnings outlook for the bank.

Liquidity position



## 2. Regional and business unit overview

Glitnir reports financial performance for business units and geographic regions. The business units consist of Retail Banking, Corporate Banking, Investment Banking, Investment Management, Markets and Treasury. The regions are Iceland, the Nordic Region and International.

### Profit and loss accounts by units in Q2 2008

(ISK million)	Retail Banking	Corporate Banking	Investment Banking	Capital Markets	Investment Management	Treasury & Other	Total
Net interest income	3.920	7.448	-821	1.953	346	4.944	17.790
Net fees and commissions	849	477	1.073	4.854	1.817	188	9.257
Other income	819	-739	1.709	443	34	-2.401	-136
Net operating income	5.588	7.186	1.961	7.250	2.197	2.730	26.911
Expenses	-3.531	-2.331	-664	-2.496	-1.720	-4.036	-14.777
- Salaries	-1.694	-1.470	-488	-1.693	-1.051	-919	-7.315
- Other expenses	-1.837	-862	-176	-802	-669	-3.117	-7.463
Impairment	-1.310	-2.721	-17	-462	51	-32	-4.492
Profit from associates & JV's	5	23	0	0	0	-4	24
Profit before tax & allocation	752	2.156	1.280	4.292	528	-1.343	7.666
Allocated expenses	-556	-60	-126	-173	-206	1.112	-9
Profit before tax	196	2.096	1.154	4.119	322	-231	7.657

### Profit and loss accounts by geographic regions in Q2 2008

(ISK million)	Iceland	Nordics	International	Treasury & Other	Total
Net interest income	7,412	3,112	2,323	4,943	17,790
Net fees and commissions	5,581	3,096	392	188	9,257
Other income	130	754	1,381	-2,401	-136
Net operating income	13,122	6,962	4,097	2,730	26,911

### 2.1. Iceland: Strong home market providing knowledge backbone to niche activities

(ISK million)	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07
Net interest income	7,412	7,590	7,280	6,285	5,148
Net fees and commissions	5,581	7,824	6,040	5,702	4,261
Other income	130	-2,516	-2,040	-587	2,086
Net operating income	13,122	12,899	11,280	11,400	11,494

Net operating income of the bank's Icelandic operations increased from ISK 12,899 million to ISK 13,122 million QoQ. Compared to Q2 07, net operating income increased by 14%.

Capital Markets continued to perform exceptionally well in Q2. Turnover was markedly high in FX and bonds with the fluctuations in the currency market, and increased demand for bonds due to challenging conditions in the stock market.

Activities, income and profits were all above budget in Corporate Finance in Q2. Among large projects was advisory in relation to Eik Property Group. The Group's total asset portfolio is valued at ISK 54 bn. and its equity is ISK 21 bn.

The lending business of Corporate Banking was affected by the difficult conditions in the credit market. The unit will continue to focus on core client business going forward.

Q2 was good for Retail banking. Loan growth has been curbed and it is supported by less demand for borrowed funds. Allowances for impairments have been increased to meet possible write downs given the current economic situation. Glitnir continued to increase efficiency of its branch network in Iceland by merging smaller branches in Reykjavik with larger ones. A special service centre for SMEs was established with the aim of increasing market share by servicing these important clients even better. Glitnir now operates 21 branches in Iceland, 12 of which are situated in Reykjavik and the surrounding area.

### 2.2. Nordic region: Asset quality in strong economies

(ISK million)	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07
Net interest income	3,112	2,644	2,247	2,346	2,009
Net fees and commissions	3,096	2,964	4,849	4,018	4,365
Other income	754	1,714	1,765	402	979
Net operating income	6,962	7,322	8,860	6,767	7,353

Market conditions in the Nordic region remained challenging during the second quarter. In Finland, the investment management business experienced some reductions in AuM, but performed well relative to the general market. Measures have been implemented to reduce the cost base both in Helsinki and in Moscow and these will come into effect in the second half of the year.

The underlying Norwegian business remained stable. Gross interest income and core expenses are in line with the first quarter.

Corporate Finance income in the Nordic region was characterised by high activity. In Norway income increased 30% YoY on the back of two major transactions, the sale of Norway Pelagic on OSE and the sale of RenoNorway to Norvestor.

### 2.3. International region – Geographic reach through niche strategy

(ISK million)	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07
Net interest income	2,323	2,317	2,605	2,524	1,680
Net fees and commissions	392	361	661	1,508	409
Other income	1,381	1,877	884	714	732
Net operating income	4,097	4,556	4,150	4,745	2,821

International Banking encompasses Glitnir's niches Seafood and Sustainable Energy. Both enjoyed high activity in the second quarter as they did during Q1 08, contributing to the region's net operating income of ISK 4.097 million.

To follow up on Glitnir's success within the seafood sector in Latin America and to provide better service to its customers, Glitnir recruited two new business directors for Chile and Peru, located in Santiago and Lima

respectively. The bank is furthermore in the process of preparing applications for Representative Office licences for both countries.

The bank continued its announced re-organisation in Europe by consolidating its Danish activity into the operation in London. International Banking saw employee numbers reduce in the second quarter in response to changing market conditions.

### 2.4. Treasury and Other

(ISK million)	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07
Net interest income	4,943	1,241	-268	-1,537	822
Net fees and commissions	188	-546	-955	-366	-147
Other income	-2,401	151	-3,159	2,781	840
Net operating income	2,730	847	-4,382	878	1,515

Treasury's activities include funding, liquidity and balance sheet management, interest rate risk management and proprietary trading and market making in foreign exchange and interest rates. Treasury is also responsible for the Bank's relationship management towards financial institutions and rating agencies.

## 3. Key Market Ratios

	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07
CAD ratio (end of period)	11,2%	11,0%	11,2%	11,7%	13,2%
Tier 1 capital (end of period)	8,0%	7,7%	8,1%	8,5%	9,4%
Return on equity after taxes	17,5%	15,0%	7,1%	26,9%	29,8%
Earnings per share (ISK)	0,49	0,40	0,19	0,55	0,66
Average number of full-time employees	2.174	2.291	2.202	2.148	2.011
Net interest margin	1,9%	1,7%	1,7%	1,5%	1,7%
Cost/income ratio	54,9%	53,9%	78,6%	49,3%	52,3%
Impairment losses					
- as a proportion of average total assets	0,1%	0,1%	0,1%	0,1%	0,0%
- as a proportion of loans and guarantees	0,2%	0,1%	0,1%	0,1%	0,0%
Share price (end of period)	15,4	17,3	22,0	28,5	29,0
Price/earnings (end of period)	9,2	9,5	11,7	12,1	12,0
Dividend per share					
Pay-out ratio					
Outstanding shares (end of period)	14,647	14.567	14.730	14.609	14.476
Share price/book value (end of period)	1,13	1,33	1,90	2,48	2,76
Market Capital (ISK bn end of period)	225.557	251.283	323.303	417.817	419.000



#### 4. Exchange Rates

Exchange rates as per 30 June 2008: EUR/ISK 126.6 and NOK/ISK 15.85. The average exchange rate for the second quarter was EUR/ISK 118.7 and NOK/ISK 14.94.

#### 5. Publication of financial results for 2008

The proposed publication dates of Glitnir Bank's financial reports in 2008 are as follows:

3<sup>rd</sup> quarter, 4 November 2008

Annual Results, 11 February 2009

#### 6. Presentation of Glitnir's second quarter 2008 results

Glitnir will host the following presentations and webcasts in connection with the publication of the Group's results for the first half of 2008. An English version of the condensed consolidated interim accounts and presentation will be available at [www.glitnirbank.com](http://www.glitnirbank.com) on the morning of Friday 1 August from 7:30 a.m. (8:30 UK).

##### **Presentation in Reykjavík, Iceland and webcast**

Lárus Welding, CEO, will present Glitnir's results to shareholders and market participants on Friday 1 August at 9:30 a.m. (10:30 a.m. UK) at the Nordica Hilton Hotel in rooms H & I. The meeting will be conducted in English. A live broadcast of the meeting will be available on Glitnir's corporate website, [www.glitnirbank.com](http://www.glitnirbank.com), where questions can be submitted to the meeting via webcast.

##### **Presentation in London, UK**

Lárus Welding, CEO, Rósant Már Torfason, CFO and Vilhelm Mar Thorsteinsson, Executive Vice President of Treasury, will present Glitnir's results to market participants on Tuesday 5 August at 4 p.m.(UK) at the Andaz Hotel in the Great Eastern Room (first floor), 40 Liverpool Street, London ECM2 7QN.

Registration: Please pre-register by e-mail to [JR@glitnir.is](mailto:JR@glitnir.is)

##### **Booking media interviews**

To book media interviews, please contact Bjørn Richard Johansen, Managing Director, Corporate Communication, by e-mail [brj@glitnir.no](mailto:brj@glitnir.no) or on mobile +47 47 800 100.

##### **For further information:**

Sigrún Hjartardóttir,

Head of Investor Relations,

Phone: +354 440 4748 or mobile: +354 844 4748

E-mail: [SiHj@glitnir.is](mailto:SiHj@glitnir.is)