Earnings report
30 July 2008

Straumur-Burdaras Investment Bank results for the first half of 2008
Consolidated profit after tax € 20.8m

Chief results for the first half of 2008

- Profit after tax was € 20.8m for the first half of 2008. Profit before tax amounted to € 4.3m.
- Operating income totalled € 81.5m in the first half.
- Client-driven income, comprising net interest and net fee and commissions, is up 12.0% from same period in 2007, at € 103.8m.
- There was a loss of € 25.1m from trading and investment activities in the first half of 2008.
- Operating expenses totalled € 62.0m for the first half 2008.
- The cost income ratio for the first half was 76.1%.
- Earnings per share in the first half were € 0.002.
- Return on equity in the first half was 2.7%.
- Total assets amounted to € 6.2bn at 30 June 2008, decreasing by 12.7% from the beginning of the year.
- Assets under management totalled € 1.4bn at the end of first half 2008.
- The CAD ratio was 25.4% at the end of the period. The Tier 1 capital ratio was 23.2%.
- The Bank's liquidity position is strong with expected liquidity of more than 365 days.

Chief results for the second quarter of 2008

- Loss after tax was € 1.4m in the second quarter. The loss before tax was € 20.2m.
- Operating income for Q2 2008 was €15.3m.
- Client-driven income totalled € 49.8m in Q2 2008 comprising net interest income of € 23.9 and net fee and commission income of € 25.9m.
- Net losses from trading and investment activities amounted to € 36.0m in Q2 2008.
- Operating expenses continued to fall and were € 26.9m in Q2 2008.
- There was a tax credit of € 18.7m in the period, including one-off adjustments of € 10.6m.

William Fall, CEO of Straumur
Our focus has been to manage the Bank through difficult times, and we have done so by establishing stable income bases in spite of volatile markets, maintaining our capital strength, preserving our liquidity, reducing our risk and significantly cutting costs. At the same time, we have continued to strengthen our platform and seek new opportunities. Losses on some trading positions in the second quarter demonstrate how crucial it is to have diversified the business in the way we have. They do not obscure the progress we are making on that front, shown by the 12% year-on-year increase in customer-driven revenues in the first half.

Key numbers

€ m	H1 2008	H1 2007	Q2 2008	Q1 2008	Q4 2007
Client-driven income*	103.8	92.7	49.8	53.9	59.8
Operating income	81.5	240.7	15.3	66.2	56.5
Operating expenses	(62.0)	(42.3)	(26.9)	(35.1)	(46.7)
Profit (loss) before tax	4.3	191.0	(20.2)	24.4	1.4
Profit (loss) for the period	20.8	163.4	(1.4)	22.3	(0.6)
Cost to income %	76.1	17.6			
Earnings per share €	0.002	0.017			
Annualised ROE %	2.7	23.8			
CAD %	25.4	28.4			

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

Further information can be obtained from:

Stephen Jack
CFO
stephen.jack@straumur.net
+44 7885 997570

Georg Andersen
Head of Corporate Communications
georg.andersen@straumur.net
+354 858 6707

Income statement

€ m	Q2 2008	Q1 2008	Q4 2007*	Q3 2007*	Q2 2007*
Net interest income	23.9	23.2	23.0	26.3	8.4
Net fee and commission income	25.9	30.8	36.8	21.3	42.9
Net financial income	(36.0)	10.9	(4.4)	(31.8)	101.7
Other income	1.5	1.4	1.1	17.0	(4.8)
Operating income	**15.3**	**66.2**	**56.5**	**32.8**	**148.2**
Salaries and related expenses	(15.2)	(19.8)	(23.2)	(22.5)	(14.9)
Other administrative expenses	(11.7)	(15.3)	(23.5)	(7.4)	(15.1)
Operating expenses	**(26.9)**	**(35.1)**	**(46.7)**	**(29.9)**	**(30.0)**
Impairment	(8.0)	(7.4)	(8.5)	(4.3)	(4.5)
Profit (loss) before tax	**(20.2)**	**24.4**	**1.4**	**(1.4)**	**113.6**
Tax income (expense)	18.7	(2.2)	(2.0)	1.6	(19.4)
Profit (loss)	**(1.4)**	**22.3**	**(0.6)**	**0.2**	**94.2**
Attributable to:					
Equity holders of the parent	(2.8)	21.1	1.3	1.8	90.3
Minority interest	1.4	1.2	(1.9)	(1.6)	3.9
Earnings per share	0.00	0.002	0.00	0.00	0.010

*eQ consolidated from June 2007 and Wood from October 2007.

Profit

Straumur Investment Bank reported a pre-tax profit of € 4.3m for the first half of 2008, compared with a pre-tax profit of € 191.0m during the same period in 2007. The profit after tax amounted to € 20.8 in the first half as opposed to € 163.4m in the first half of 2007. Profit attributable to equity holders during the first half of 2008 amounted to € 18.3m and earnings per share were € 0.002.

During the second quarter of 2008, the Bank reported a pre-tax loss of € 20.2m, compared with a pre-tax profit of € 24.4m during the first quarter of 2008. The loss after tax amounted to € 1.4m in Q2 2008, compared with a profit after tax of € 22.3m in the preceding quarter. The significant difference in loss before and after tax relates to a one-off tax adjustments totalling € 10.6m primarily relating to tax previously provided on equity gains in Iceland.

Operating income

Operating income was € 81.5m during the first half of 2008, compared with € 240.7m in the same period in 2007 when the focus of the business and the nature of the markets were very different to those prevailing this year. Client-driven income totalled € 103.8m in the first half of 2008, up 12.0 % compared with the same period in 2007. In the second quarter of 2008, operating income was € 15.3m, down from the Q1 2008 level of € 66.2m. Client-driven income totalled € 49.8m in Q2 2008, compared with € 53.9m in Q1 2008.

Net interest income was € 47.1m during the first half of 2008, compared with € 19.5m during the first half of 2007. The increase stems from growth in interest-bearing assets which has more than offset some increases in the costs of the Bank's funding. Net interest income has grown in all geographical areas, most notably in other Nordic countries. During the second quarter of 2008, net interest income was € 23.9, the same level as in the first quarter. The following table analyses net interest income according to geographical area.

Net interest income

€ m	H1 2008	H1 2007	Q2 2008	Q1 2008	Q4 2007
Iceland	17.5	7.8	5.8	11.7	6.4
Other Nordic countries	11.7	2.7	5.3	6.4	6.7
UK	6.8	2.9	4.3	2.5	3.2
CEE	0.7	0.8	0.3	0.4	-
Other	10.4	5.3	8.3	2.1	6.7
Total	47.1	19.5	23.9	23.2	23.0

Net fee and commission income was € 56.7m for the first half of 2008, compared with € 73.2m for the first half of 2007. In the second quarter of 2008, net fee and commission income amounted to € 25.9m, down 16.0% from the first quarter. This decrease reflects more difficult markets conditions in some parts of Straumur's platform and the, inevitably, irregular timing of fee income. The following tables analyse net fee and commission income according to type and geographical area.

Net fee and commission income by type

	H1 2008	H1 2007	Q2 2008	Q1 2008	Q4 2007
Asset management fee	3.4	1.1	2.0	1.4	2.4
Underwriting fee	16.1	7.2	6.9	9.1	7.3
M&A advisory	22.4	44.6	9.8	12.6	20.6
Net brokerage	14.8	20.3	7.3	7.6	6.5
Total	56.7	73.2	25.9	30.8	36.8

Net fee and commission income by geographical area

€ m	H1 2008	H1 2007	Q2 2008	Q1 2008	Q4 2007
Iceland	9.7	34.7	7.7	2.1	13.1
Other Nordic countries	24.3	22.3	10.9	13.4	14.4
UK	10.2	11.3	2.0	8.2	2.8
CEE	11.8	4.1	5.7	6.1	5.2
Other	0.6	0.8	(0.3)	0.9	1.3
Total	56.7	73.2	25.9	30.8	36.8

Net financial loss was € 25.1m in the first half of 2008, compared with net financial income of € 147.7m in the same period in 2007. Net financial loss for Q2 2008 was € 36.0m, compared with income of € 10.9m in Q1 2008. The following tables analyse net financial income by type and geographical area.

Net financial income by type

€m	H1 2008	H1 2007	Q2 2008	Q1 2008	Q4 2007
Dividend income	2.6	24.3	2.5	0.1	4.3
Trading gains (losses)	(24.8)	101.5	(16.4)	(8.4)	(39.6)
Fair value gains (losses)	(19.8)	40.9	(24.1)	4.7	13.7
Net FX gains (losses)	16.5	(19.0)	2.0	14.5	17.2
Total	(25.1)	147.7	(36.0)	10.9	(4.4)

Net financial income by geographical area

€ m	H1 2008	H1 2007	Q2 2008	Q1 2008	Q4 2007
Iceland	1.7	40.7	(4.2)	5.9	(1.6)
Other Nordic countries	(6.4)	89.0	(13.9)	7.5	(1.4)
UK	(12.5)	1.0	2.3	(14.8)	(0.6)
CEE	(3.3)	17.7	(13.2)	9.9	(0.6)
Other	(4.5)	(0.7)	(6.8)	2.3	(0.2)
Total	(25.1)	147.7	(36.0)	10.9	(4.4)

Difficult market conditions adversely impacted a number of trading strategies undertaken by the Proprietary Trading team and these were closed out and losses totalling € 41.3m recognised in during the quarter. The trading area has now been reorganised, put under new management and operates under significantly reduced limits. The trading losses in Proprietary Trading were offset by trading gains in Merchant Banking, Treasury and Capital Markets. In addition, a number of financial assets held at fair value were written down during the quarter in line with market movements. The largest of these were write downs of € 16.8m and € 9.6m on the holdings in Netia and Landsbanki respectively. Despite volatility during the quarter the €/ISK exchange rate only moved 4% by period end and FX gains were not a significant factor within net financial income in Q2 2008.

Other income amounted to € 1.5m in the second quarter of 2008 and mainly related to IT hosting activity in eQ.

Operating expenses

The Bank's *operating expenses* totalled € 62.0m for the first half of 2008, compared with € 42.3m for the same period last year, reflecting the larger platform that the Bank has in 2008. The cost to income ratio for the first half of 2008 was 76.1%. Operating expenses for the second quarter of 2008 were € 26.9m, which is significantly lower than in the two preceding quarters. The underlying cost base is now stable. The decrease in the Q2 2008 figure reflects lower performance-related compensation accruals.

Salaries and salary-related expenses in the first half of 2008 were € 35.0m, compared with € 19.6m in the first half of 2007. This increase between years is primarily due to a significant increase in the number of employees. Other administrative expenses were € 27.0m in the first half of 2008, compared with € 22.7m in the same period in 2007. In the second quarter, salaries and salary-related expenses amounted to € 15.2m as opposed to the Q1 level of € 19.8m, whereas other administrative expensed totalled € 11.7m compared to € 15.3m in Q1 2008.

Impairments

Loan impairments amounted to € 15.5m for the first half of 2008, compared with € 7.4m for the first half of 2007. This charge arises from a regular quarterly review of our loan portfolio which focuses on loans that might potentially become non-performing or not fully recoverable. Impairments in Q2 2008 were consistent with the previous two quarters. The provision ratio was 2.04% at the end of the period.

Tax

The Bank reported an overall tax credit of € 16.6m for the first half of 2008 and a tax credit of € 18.7m for the second quarter of 2008. Both these figures include a one-off € 10.6m write back of tax liabilities previously provided on equity gains in Iceland, which no longer need to be accrued due to changes in the tax legislation. Two relevant legislative changes were passed by the Icelandic parliament in the spring of 2008, one lowering the corporate tax rate from 18% to 15%, the other permitting companies to deduct profits from the sale of shares from their taxable income. The second change accounts for most of the one-off adjustment. See note 14 in the Interim Financial Statements for more details.

Balance sheet

€ m	30.06.08	31.12.07		30.06.08	31.12.07
Cash and cash equivalents	892.0	1,427.2	Financial liabilities held for trading	184.9	101.8
Financial assets held for trading	541.7	1,056.4	Deposits from banks	84.8	34.5
Pledged assets	597.2	211.9	Deposits from customers	1,034.2	1,233.7
Financial assets designated at fair value through profit and loss	1,044.7	923.9	Borrowings	3,026.5	3,778.5
Loans	1,973.7	2,411.3	Subordinated loans	98.9	113.6
Financial assets available for sale	339.0	339.0	Current tax liability	9.1	26.8
Investment in associated companies	8.9	11.1	Deferred tax liability	9.0	2.4
Property and equipment	22.5	21.7	Other liabilities	234.9	277.0
Intangible assets	499.0	500.7	**Total liabilities**	**4.682.3**	**5,568.4**
Deferred tax asset	24.1	0.5			
Other assets	258.1	233.2	Total equity attributable to equity holders of the Parent	1,504.9	1,557.9
			Minority interests	13.7	10.6
			Total equity	**1,518.6**	**1,568.5**
Total assets	**6,200.9**	**7,136.9**	**Total liabilities and equity**	**6,200.9**	**7,136.9**

Assets

The Bank's total assets at the end of second quarter 2008 amounted to € 6,200.9m as opposed to € 7,136.9m as of 31 December 2007 and € 7,998.3 as of 31 March 2008. The decrease from 31 March is mainly due to closing out of € 2.1bn of positions, mainly in fixed income securities, taken by Proprietary Trading during Q1 2008.

Cash and cash equivalents totalled € 892.0m at the end of the period, as opposed to € 1,427.2m in the beginning of the year. The decrease reflects net cash outflows in the period, partly as a result of the investment of cash in net financial assets, and partly a reduction in the level of deposits placed with the Bank.

In aggregate, financial assets held for trading and pledged assets (basically trading assets financed by way of repurchase agreement) totalled € 1,138.9m at 30 June 2008 compared with € 1,268.3m at 31 December 2007. The 30 June 2008 balance included some € 706.5m of debt instruments, € 231.8m of equities and € 200.7m of derivative assets. At 31 March, the equivalent aggregate balance was € 3,268.0m. The bulk of the significant reduction since this date relates to the closing out of a number of trading positions taken in debt securities during the first quarter of 2008.

Financial assets designated at fair value were € 1,044.7m at the end of the period as opposed to € 923.9m at 31 December 2007. During the quarter the Bank, through Novator One, increased its position in Play, a Polish telecommunications company.

Listed equities, which are reported within trading, pledged, fair value, and available for sale assets, totalled € 328m at the end of the period, or around 29% of the Bank's own funds. At the beginning of the year 2008, listed equities totalled € 480m, or 41% of own funds. 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	132	Poland	Diversified Telecommunication Services
2	Landsbanki Íslands	53	Iceland	Commercial Banks
3	Net Entertainment	25	Sweden	Hotels, Restaurants & Leisure
4	Hungarian Telephone & Cable	21	Hungary	Diversified Telecommunication Services
5	Funkom N.V.	15	Hungary	Software

Unlisted equities at the end of the period totalled € 535m, or 48% of the Bank's own funds. This is an increase from the beginning of the year when unlisted equities amounted to € 415m, or 35.1% of own funds. 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	Play (formerly P4)	253	Poland	Wireless Telecommunication Services
2	Novator Pharma Holding 1 hf.	80	Global	Pharmaceuticals
3	Novator Credit Fund	19	Global	Diversified Financial Services
4	Boreas Capital Fund	18	Global	Diversified Financial Services
5	Altima Global	15	Global	Diversified Financial Services

Loans totalled € 1,973.8m at the end of second quarter 2008, compared with 2,411.3m at the year-end 2007. The decrease is largely 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. At 30 June 2008, the loan book had increased by € 63.9m from 31 March 2008; this conservative rate of growth is in line with the strategy of focused use of the balance sheet.

Financial assets available for sale were € 339.0m at the end of second quarter 2008, the same level as of 31 December 2007. Financial assets available for sale have increased by € 64m from the end of the first quarter, which are mainly due to the purchase of both debt and equity investments.

Intangible assets amounted to € 499.0m at the end of the period, essentially unchanged since 31 December 2007.

Liabilities and equity

Financial liabilities held for trading totalled € 184.9m at the end of the period, compared with € 101.8m at the beginning of the year. The amount includes some € 12.7m of trading liabilities and € 172.2m of derivative liabilities.

At the end of second quarter 2008, *deposits* totalled € 1,119.0m, compared with € 1,268.3m at the beginning of the year and € 860.7m at the end of first quarter 2008. Higher level of institutional and bank deposits has contributed to the increase since 31 March 2008. Deposits represented 18.0% of the Bank's total assets and 56.7% of the Bank's loans at 30 June 2008.

Borrowings totalled € 3,026.5m at the end of the period, down from € 3,778.5m at the beginning of the year and € 4,876.7m at the end of first quarter 2008. The decrease over the last quarter relates mostly to the realisation of repo financed fixed income securities positions.

The *subordinated loan* position was € 98.9m at the end of the period, as opposed to € 113.6m at the beginning of the year, with the fall in value reflecting a weaker ISK.

Other liabilities and current and deferred tax liabilities amounted to € 252.9m at the end of second quarter 2008, compared with € 306.2m at the beginning of the year. Tax liabilities reduced from € 29m in the beginning of the year to € 18m at the end of second quarter, in line with favourable changes in tax treatment.

Equity amounted to € 1,518.6m at the end of first quarter 2008, compared with € 1,568.5m as of 31 December 2007. Total equity attributable to equity holders of the Parent totalled € 1,504.9m at the end of second quarter 2008, as opposed to € 1,557.9m as of 31 December 2007. The change reflects the loss in the second quarter and changes in holdings of own shares.

The CAD ratio at the end of second quarter 2008 was 25.4%, up from 23.7% at the end of 2007. The Tier 1 ratio was 23.2% at the end of the period, compared with 21.4% at the year-end 2007. This increase is the result of lower market risk requirement.

At the end of second quarter 2008, the Bank had 21,007 shareholders. Samson Global Holding SARL, Straumur's largest shareholder, owned 34.31% of the Bank's shares at the end of the period. Samson is the only shareholder with a stake of over 10% in the Bank. At the end of the period, the nominal value of issued share capital in the Bank was ISK 10,359,144,971 divided into the same number of shares.

Operating results of business lines

Straumur divides its operations into seven business lines: namely Corporate Finance, Debt Finance, Capital Markets, Proprietary Trading, Asset Management, Merchant Banking and Treasury.

The business lines' results for first half of 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	(1.3)	29.7	(7.4)	1.6	2.6	(3.6)	25.6	-	47.1
Net fee and commission income	23.0	16.1	16.3	(1.6)	3.4	0.2	(0.8)	-	56.7
Net financial income	1.4	(4.3)	(2.7)	(53.8)	-	9.7	24.4	-	(25.1)
Other income	0.1	-	-	-	(0.4)	0.3	0.2	2.8	2.9
Operating income	**23.1**	**41.4**	**6.2**	**(53.7)**	**5.6**	**6.6**	**49.4**	**2.9**	**81.5**
Operating expenses	(11.5)	(7.8)	(20.1)	(6.7)	(7.5)	(1.2)	(5.8)	(1.5)	(62.0)
Impairment	-	(15.4)	-	-	-	-	-	-	(15.5)
Share of profit of associates	-	-	-	-	-	0.2	-	-	0.2
Profit (loss) before tax	**11.6**	**18.2**	**(13.9)**	**(60.4)**	**(1.9)**	**5.6**	**43.6**	**1.5**	**4.3**

Corporate Finance

The business line generated in the first half of 2008 a profit before tax of € 11.6m compared to a profit before tax of € 34.1m in the same period in 2007. Operating income totalled € 23.1m in the first half of 2008.

The business line broke even in Q2 2008, compared with a profit before tax of € 11.6m in Q1 2008. Operating income totalled € 5.4m for Q2 2008 as opposed to € 17.7m for Q1 2008. The results reflect more difficult market conditions in parts of the Straumur platform. The net interest loss reflects a more accurate allocation of funding costs to the business lines. The net financial loss is due to the write down of certain trading and fair value assets attributable to Corporate Finance.

Corporate Finance – results

€ m	H1 2008	H1 2007	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Net interest income	(1.3)	(5.9)	(3.8)	2.5	(0.4)	2.7	(2.2)
Net fee and commission income	23.0	41.4	10.0	13.0	20.8	6.3	25.3
Net financial income	1.4	10.9	(0.7)	2.1	2.0	(16.4)	20.5
Other income	0.1	-	-	0.1	0.1	16.0	(5.1)
Operating income	**23.1**	**46.4**	**5.4**	**17.7**	**22.6**	**8.6**	**38.5**
Operating expenses	(11.5)	(11.1)	(5.4)	(6.1)	(16.0)	(7.7)	(6.3)
Impairment	-	(1.3)	-	-	0.5	(0.9)	(1.3)
Profit (loss) before tax	**11.6**	**34.1**	**0.0**	**11.6**	**7.2**	**0.0**	**30.9**

Debt Finance

Debt Finance reported a profit before tax of € 18.2m in the first half of 2008, compared with a profit of € 18.5m in the same period in 2007. Operating income grew by 30.2% from the first half of 2007 and totalled € 41.4m for this period.

The business line generated a profit before tax of € 14.0m for Q2 2008, as opposed to € 4.2m for Q1 2008. Operating income was € 25.3m, which is significantly higher than in preceding quarters. Net interest income was maintained, net fee income decreased by 23.1% from the first quarter, and no significant write downs were taken on investment assets in the period. The results include impairments taken on the business line's assets.

Debt Finance – results

€ m	H1 2008	H1 2007	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Net interest income	29.7	23.9	15.2	14.5	14.2	19.1	13.0
Net fee and commission income	16.1	7.2	7.0	9.1	7.3	7.3	2.1
Net financial income	(4.3)	0.7	3.2	(7.5)	(0.9)	(0.3)	0.7
Operating income	**41.4**	**31.8**	**25.3**	**16.1**	**20.6**	**26.1**	**15.8**
Operating expenses	(7.8)	(7.2)	(3.2)	(4.6)	(5.8)	(3.8)	(4.5)
Impairment	(15.4)	(6.1)	(8.0)	(7.4)	(9.0)	(3.4)	(3.3)
Profit (loss) before tax	**18.2**	**18.5**	**14.0**	**4.2**	**5.8**	**18.9**	**8.0**

Capital Markets

The business line reported a loss of € 13.9m in the first half 2008, compared with a profit before tax of € 22.8m in the same period in 2007.

Overall, the second quarter 2008 saw positive changes in the performance of this business line. Loss before tax decreased to € 1.5m, compared with a loss of € 12.4m in Q1 2008 and € 27.2 in Q4 2007. The business line reported operating income of € 7.9m in Q2 2008 compared to operating losses in the two preceding quarters. Brokerage commissions held up well despite market uncertainties and trading activities returned € 1.1m in net financial income after three quarters of losses. The brokerage businesses of Wood and eQ made positive contributions for the quarter.

Capital Markets – results

€ m	H1 2008	H1 2007	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Net interest income	(7.4)	2.2	(0.7)	(6.7)	(7.7)	(2.3)	2.2
Net fee and commission income	16.3	20.6	7.6	8.7	6.7	9.9	10.6
Net financial income	(2.7)	6.4	1.1	(3.8)	(9.8)	(2.8)	6.4
Other income	-	-	(0.1)	0.1	-	-	-
Operating income	**6.2**	**29.3**	**7.9**	**(1.7)**	**(10.7)**	**4.8**	**19.3**
Operating expenses	(20.1)	(6.5)	(9.4)	(10.7)	(16.5)	(7.4)	(5.6)
Impairment	-	-	0.1	(0.1)	-	-	-
Share of profit of associates	-	-	(0.1)	0.1	-	-	-
Profit (loss) before tax	**(13.9)**	**22.8**	**(1.5)**	**(12.4)**	**(27.2)**	**(2.6)**	**13.7**

Proprietary Trading

The business line reported a loss before tax of € 60.4m in the first half of 2008, compared with a profit before tax of € 66.6m in the same period in 2007. The loss reported in the second quarter of 2008 was € 44.0m. As noted elsewhere, the loss arose from closing out a number of strategies and positions which failed to develop as traders expected.

Proprietary Trading – results

€ m	H1 2008	H1 2007	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Net interest income	1.6	(9.2)	0.1	1.5	1.4	0.7	(3.6)
Net fee and commission income	(1.6)	(0.3)	(0.4)	(1.2)	(0.3)	-	(0.1)
Net financial income	(53.8)	79.1	(41.3)	(12.5)	(33.1)	29.6	20.5
Other income	-	-	-	-	-	-	-
Operating income	**(53.7)**	**69.6**	**(41.4)**	**(12.3)**	**(31.9)**	**30.3**	**16.7**
Operating expenses	(6.7)	(2.9)	(2.5)	(4.2)	(4.1)	(2.0)	(1.7)
Profit (loss) before tax	**(60.4)**	**66.6**	**(44.0)**	**(16.4)**	**(36.0)**	**28.3**	**15.0**

Asset Management

The business line reported a loss before tax of € 1.9m in the first half of 2008, compared with a profit before tax of € 0.4m in the same period in 2007.

The loss before tax in Q2 2008 was € 0.5m compared with a loss of € 1.4m for Q1 2008. The operating income was € 2.9m for Q2 2008, down from € 2.7m for Q1 2008. Market conditions have reduced the level of management and performance fees compared to 2007.

Asset Management – results

€ m	H1 2008	H1 2007	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Net interest income	2.6	0.6	1.3	1.3	2.2	2.0	0.6
Net fee and commission income	3.4	1.1	2.0	1.4	2.4	2.3	1.1
Net financial income	-	0.1	-	-	(0.7)	(0.9)	0.1
Other income	(0.4)	0.3	(0.4)	-	-	(0.3)	0.3
Operating income	**5.6**	**2.1**	**2.9**	**2.7**	**4.0**	**3.2**	**2.1**
Operating expenses	(7.5)	(1.7)	(3.4)	(4.1)	(1.9)	(2.7)	(1.7)
Profit (loss) before tax	**(1.9)**	**0.4**	**(0.5)**	**(1.4)**	**2.1**	**0.5**	**0.4**

Merchant Banking

The business line reported a € 5.6m profit before tax in the first half of 2008, comprising a € 12.6m loss for Q2 2008 and a € 18.2m profit for Q1 2008. The loss in Q2 2008 is mainly due to significant write downs on certain holdings (including Netia and Landsbanki as noted above) although some profits were recognised, and partly realised, on other holdings (in particular Tanganyika Oil).

Merchant Banking – results

€ m	H1 2008	H1 2007	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Net interest income	(3.6)	(3.2)	(2.9)	(0.7)	1.1	1.4	(2.5)
Net fee and commission income	0.2	4.1	0.2	-	-	(4.1)	4.1
Net financial income	9.7	44.2	(10.3)	20.0	16.2	(47.4)	43.7
Other income	0.3	-	0.1	0.2	(0.1)	0.2	-
Operating income	**6.6**	**45.1**	**(12.9)**	**19.5**	**17.3**	**(50.0)**	**45.4**
Operating expenses	(1.2)	(3.8)	0.8	(2.0)	0.2	2.7	(3.8)
Share of profit of associates	0.2	-	(0.4)	0.6	-	-	-
Profit (loss) before tax	**5.6**	**41.4**	**(12.6)**	**18.2**	**17.5**	**(47.2)**	**41.7**

Treasury

The business line generated a profit before tax of € 43.6m in the first half of 2008, compared with € 7.9m in the same period in 2007.

The profit in Q2 2008 was € 23.6m, up from the € 20.0m level for the preceding quarter. 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. Net financial income includes gains made on hedging activities and FX gains, which were lower in Q2 2008 than Q1 2008 as the €/ISK exchange rate moved only 4% in Q2 2008 compared with 23% in Q1 2008.

Treasury – results

€ m	H1 2008	H1 2007	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Net interest income	25.6	11.1	14.7	10.9	12.5	1.0	0.8
Net fee and commission income	(0.8)	(1.0)	(0.5)	(0.3)	(0.2)	(0.4)	(0.2)
Net financial income	24.4	5.5	11.9	12.5	19.4	2.9	9.0
Other income	0.2	-	0.2	-	-	-	-
Operating income	**49.4**	**15.6**	**26.3**	**23.1**	**31.6**	**3.5**	**9.6**
Operating expenses	(5.8)	(7.8)	(2.7)	(3.1)	(0.5)	(3.4)	(5.1)
Profit (loss) before tax	**43.6**	**7.9**	**23.6**	**20.0**	**32.1**	**0.1**	**4.6**

Four year overview

€ m	H1 2008	2007	2006	2005
Income statement				
Net interest income	47.1	68.8	42.5	(3.2)
Net fee and commission income	56.7	131.3	84.4	25.0
Net financial income	(25.1)	111.4	392.3	411.6
Other Income	2.9	18.5	9.4	-
Operating income	**81.5**	**330.0**	**528.6**	**433.5**
Operating costs	(62.0)	(118.9)	(44.1)	(16.7)
Impairment	(15.5)	(20.2)	(11.8)	(4.9)
Profit (loss) before tax	**4.3**	**190.9**	**472.7**	**411.9**
Tax income (expense)	16.6	(28.0)	42.7	(69.9)
Profit (loss)	**20.8**	**162.9**	**515.4**	**341.9**
Attributable to:				
Equity holders of the parent	18.3	158.3	511.6	340.6
Minority interest	2.6	4.7	3.8	1.3
Balance sheet				
Assets				
Financial assets held for trading	541.7	1,056.4	945.2	1,234.7
Financial assets designated at fair value through profit and loss	1,044.7	923.9	644.7	1,175.9
Loans and cash and cash equivalents	2,865.7	3,838.5	2,046.2	803.1
Other assets	1,748.7	1,318.1	721.6	258.1
Total Assets	**6,200.9**	**7,136.9**	**4,357.8**	**3,471.8**
Liabilities and equity				
Deposits	1,119.0	1,268.3	-	-
Borrowings	3,026.5	3,778.5	2,572.8	1,628.6
Other liabilities	536.8	521.6	291.0	305.5
Total equity	1,518.6	1,568.5	1,494.0	1,537.7
Total liabilities and equity	**6,200.9**	**7,136.9**	**4,357.8**	**3,471.8**

Key ratios

	H1 2008	2007	2006	2005
Annualised ROE %	2.7	11.3	42.0	46.5
Earnings per share €	0.002	0.017	0.051	0.045
P/E	43.76	10.3	3.9	4.6
P/B	0.517	1.02	1.18	1.42
Cost to income %	76.1	36.0	8.3	3.9
Number of employees	521	486	109	52
Share price at end of period	9.9	15.1	17.4	15.9
CAD ratio %	25.4	23.7	37.6	19.8
Tier 1 %	23.2	21.4	35.2	15.3
Growth of loan portfolio %	7.5*	78.4	161.3	93.0
Loans / Assets %	31.8	33.8	31.0	18.9
Provision ratio %	2.04	1.25	1.18	-
Exchange rates				
Exchange rate ISK/€ for P/L average of period	109.14	87.79	87.72	78.14
Exchange rate ISK/€ for balance sheet at end of period	124.30	91.91	94.61	74.70

*Adjusted for Alpstar

Outlook
Although uncertainties remain in the global financial environment and key economies continue to face difficulties, Straumur is well positioned to weather these conditions, having broadened its service and product offerings, diversified its footprint and its sources of funding, de-risked its balance sheet and preserved its substantial financial strength. Progress in H1 2008 includes year-on-year increase in customer-driven revenues; the establishment of Straumur Capital Management; the development of an Asset Management capability in Denmark; cost management actions, an affirmed credit rating from Fitch; and successful funding activities.

Activities in Q3 2008 will be focused on an ongoing drive towards creating stability in difficult markets, maintaining capital strength and shaping our business for opportunities. This will be achieved by investing in certain business segments and continuing to integrate our platform; further leveraging our footprint – not least in the faster growing economies of the CEE region; fully developing new business initiatives; continuing tight cost control; and further de-risking of the balance sheet.

Funding and liquidity
The Bank continued to diversify funding by type and geography in H1 2008 by closing financing transactions totalling € 475m. This figure includes a syndicated loan and a number of smaller bilateral financings. The syndicated loan of € 180m was signed 27 May 2008 and was in two tranches; € 70m at 110 bps over Euribor with one year maturity and € 110m at 180 bps over Euribor with three years maturity. The loan was led by Bayern LB, Commerzbank, HSH Nordbank and RZB. Ten banks from five countries participated in the loan. The Bank closed bilateral financings with a number of parties totalling € 295m with maturities ranging from one to five years. Deposits are important part of the Bank's funding. The overall level of deposits increased by 30% in the second quarter and the deposit base continued to broaden across footprint. At the end of the period, 61% of the Bank's funding came from non-Icelandic sources.

The liquidity positions of Straumur-Burdaras Investment Bank and the Group are both strong. The expected liquidity indicates that the Bank and the Group have sufficient liquidity to meet liabilities falling due over more than 365 days. At 29 July, on a "stressed" basis, the Bank and the Group have sufficient liquidity for 215 and 365 days respectively.

Credit rating
Fitch Ratings confirmed Straumur's credit rating on 2 April 2008: Default BBB-, Short-term F3, Individual C/D, Support 3, Outlook stable.

Other information
Audit
The interim financial statements for the first half of 2008 have been examined by the Bank's auditor, KPMG Endurskodun hf.

Personnel
At end of the period, the Group had a headcount of 521.

Information disclosure
Straumur Investment Bank is dedicated to provide timely, reliable, correct, and appropriate information to the market, both 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 explicit 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 30 July 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.net/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 09:30 a.m. Refreshments will be offered beginning at 09:00 a.m.

Agenda:
09:00 Doors open and refreshments served
09:30 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.

Further information

For further information on the results please contact Stephen Jack at +44 7885 997570 or Georg Andersen at +354 585 6707 or ir@straumur.net. Information on Straumur Investment Bank is also available on the Bank's website www.straumur.com.

Publication of next earnings reports

The financial calendar for 2008 is following:

Third quarter: 5 November 2008
Fourth quarter: 3 February 2009