

29 January 2008

Glitnir Bank Full-Year Results for 2007
ISK 27.7 billion (EUR 315 m) profit after tax
19.3% Return on equity

Financial Highlights

- Net income increased by 17.2% year-on-year
- Pre-tax profit in Q4 was ISK 3.8 billion to ISK 10.4 billion in Q3
- Net interest income in Q4 was ISK 11.9 billion, up by 54.6% from Q4 06
- Fees and commissions increased by 7.8% in Q4 and amounted to ISK 10.6 billion
- 52% of pre-tax profit was generated outside Iceland in 2007
- Earnings per share for 2007 amounted to ISK 1.86, as compared to ISK 2.68 in 2006
- Total assets amounted to ISK 2,949 billion, up from ISK 2,246 at the beginning of 2007
- Assets under management decreased by 6.7% QonQ, by the sale of Glitnir Property Holding, but increased by 91% over the year amounting to ISK 936 billion at year-end
- Capitalization with CAD ratio at 11.2%, and Tier 1 ratio at 8.1%

Operational Highlights

- Core income is solid, increasing by 36% year on year
- Glitnir number two equity broker by turnover in the Nordic Region
- Profits in Q4 are affected by unfavourable market conditions
- Costs above acceptable levels which can partly be explained by one-off costs
- Strong liquidity position in challenging markets
- Growth strategy focused on niches proven successful

Lárus Welding, Chief Executive Officer says: "Looking at the results I am pleased to see stable growth in net interest income and fees and commission. Net fees and commission have been consistent throughout the year, totalling ISK 37.6 billion, which is a 42% increase year on year. I am very pleased to see that income from core operations is growing again at a brisk pace of 21%. Glitnir is furthermore reporting a healthy growth in revenues by 17.2% and we have a stable loan portfolio to secure strong net interest income into the year."

"Glitnir's three niches, seafood, geothermal and offshore supply vessel are growing as proportion of our loan book, from 11% in 2006 to 13% in 2007. Our focus on our niches is an important investment in Glitnir's future growth. Additionally Glitnir has become one of the leading players in the Nordic Equity and Brokerage market."

"2007 has been a year where Glitnir has invested in growth which is clearly reflected in the increase in costs relating to integration of our business units, opening of new operations as well as in one-off costs relating to management change. However we are now moving to a more focused organizational structure, which makes Glitnir well equipped to increase efficiency and control costs through strong regional leadership, with clearer profit and loss responsibility and simple lines of reporting."

"Last months have been challenging for all financials institutions, but Glitnir is in good position to deal with the situation, with a comfortable liquidity position of more than EUR 6 billion of immediately



available funds and a good underlying revenue base. Our loan portfolio is well diversified and of high quality.”

“I am confident our focused strategy creates a solid platform for sustainable growth in all our lines of business”, says Lárus Welding.

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1. Consolidated performance

1.1. Highlights from the profit and loss account

ISK m	Q4 07	Q3 07	Q2 07	Q1 07	2007	2006	Q4 06
Net interest income	11,863	9,618	9,658	7,943	39,082	37,084	7,671
Net fees and commissions income	10,593	10,864	8,888	7,298	37,644	26,459	9,823
Net financial income	-2,280	790	2,732	2,914	4,155	8,503	3,616
Other operating income	-268	2,518	1,905	59	4,214	555	109
Net operating income	19,909	23,790	23,183	18,213	85,095	72,601	21,219
Salaries and salary-related expenses	-8,900	-7,063	-7,126	-4,807	-27,896	-15,747	-5,097
Other operating expenses	-6,741	-4,674	-5,002	-3,830	-20,247	-11,554	-2,964
Operating expenses	-15,641	-11,738	-12,127	-8,637	-48,144	-27,301	-8,062
Impairments	-2,366	-1,671	-247	-1,232	-5,516	-4,759	-1,653
Other income	1,905	13	479	72	2,469	5,714	90
Profit before income tax	3,808	10,394	11,287	8,416	33,904	46,255	11,595
Income tax expense	-1,320	-1,759	-1,766	-1,408	-6,253	-8,025	-2,279
Profit for the period	2,485	8,636	9,521	7,008	27,651	38,231	9,316

Profit

Glitnir's pre-tax profit was ISK 3,808 million in Q4 2007, as compared to ISK 11,595 million in Q4 2006. Pre-tax profit decreased by 63.4%, from 10,394 million in Q3 2007.

After-tax profit over the quarter was ISK 2,485 million, as compared to ISK 9,316 million in Q4 06 and ISK 8,635 million in Q3 07. After-tax profit for 2007 amounted to ISK 27,651 million compared to ISK 38,231 million in 2006.

Earnings per share were ISK 0.19 in the fourth quarter, as compared to ISK 0.64 in Q4 06. Earnings per share amounted to ISK 1.86 in 2007 compared to ISK 2.68 in 2006.

Return on Equity was 7.1% during the quarter, as compared to 26.9% in Q3 and 43.6% in Q4 06. Return on Equity for 2007 was 19.3% compared to 39.4% in 2006. Core ROE for 2007 was 13.2% and 10.2% for Q4 07.

Income

Net interest income increased by 23.3% over the quarter and amounted to ISK 11,863 million in Q4, as compared to ISK 7,671 million in Q4 06. Net interest income was ISK 9,618 million in Q3 07.

Net interest margin was 1.7% in the fourth quarter, as compared to 1.5% in Q3 2007. Net interest margin was 1.6% over the year.

Net fees and commissions totalled ISK 10,593 million in the quarter, increasing by 7.8%, as compared to ISK 9,823 million in Q4 06. Net fees and commissions were ISK 10,864 million in Q3.

Net financial income was negative by ISK 2,280 million, down by 163% from Q4 06.

Other operating income was negative by ISK 268 million in the fourth quarter of 2007, as compared to ISK 109 million in Q4 06. Other operating income was ISK 2,518 million in Q3 07.

Overall, net income decreased by 6.2% in the fourth quarter in comparison with Q4 2006. Net interest income for the year to date accounts for 45.9% of total operating income, fees and commissions for 44.2%, net financial income for 4.9% and other for 5.0%.

Expenses

Salaries and salary-related expenses were ISK 8,900 million for the quarter, as compared to ISK 7,063 million in Q3. In Q4 2006 salaries and salary-related expenses were ISK 5,097 million. The average number of full-time employees was 2,202 in Q4, up from 2,148 in the preceding quarter. At the end of Desember 2006 the total number of Glitnir employees was 1,518. Glitnir in Finland is part of the consolidated accounts as of Q2 07, adding 314 employees to Glitnir Group's total staff. New hiring accounted for an additional 416 people in 2007.

Other operating expenses came to ISK 6,741 million in the fourth quarter, increasing by ISK 3,777 million, or 127%, from Q4 2006. Other operating expenses amounted to ISK 4,674 million in Q3 07.

Total operating expenses amounted to ISK 15,641 million in the fourth quarter, as compared to ISK 11,738 million in the preceding quarter. Total operating expenses amounted to ISK 48,144 million for 2007 and were ISK 27,301 million in 2006.

Other items

Impairments on loans and receivables amounted to ISK 2,366 million in the fourth quarter, as compared to ISK 1,653 million in Q4 06. Impairments on loans and receivables were ISK 1,671 million in Q3 07.

The cost/income ratio in 2007 was 56.6%, as compared to 37.6% in 2006. The cost/income was 78.6% in Q4 07.

Calculated income tax is ISK 1,320 million for the period, as compared to ISK 1,759 million in the third quarter. Calculated income tax was ISK 2,279 million in Q4 06.

1.2. Highlights from the balance sheet

m.kr	FY 2007	Q3 07	Q2 07	Q1 07	FY 2006
Cash and cash balances	333,969	326,929	172,765	266,144	197,427
Loan to customers	1,974,907	1,786,409	1,571,479	1,521,418	1,596,184
Financial assets	503,247	500,890	471,868	391,768	413,124
Intangible assets	46,955	53,528	47,762	19,735	18,310
Other	89,832	98,162	71,134	56,831	21,295
Total Assets	2,948,910	2,765,918	2,335,008	2,255,896	2,246,340
Deposits	780,526	719,991	551,608	497,563	516,849
Borrowings	1,746,199	1,593,139	1,357,275	1,380,319	1,377,787
Subordinated loans	101,669	98,633	95,142	101,713	108,998
Other liabilities	150,547	185,808	179,714	122,890	96,587
Equity	169,969	168,347	151,269	153,411	146,119
Total Liabilities and Equity	2,948,910	2,765,918	2,335,008	2,255,896	2,246,340

Assets

Total assets were ISK 2,949 billion at the end of Q4, up by 31.3% or ISK 703 billion, in 2007.

Cash and balances with the Central Bank were ISK 55.5 billion at the end of Q4, as compared to ISK 20.4 billion at year-end 2006.

Lending to customers increased by 23.7% over the year, but with the strengthening of the ISK taken into consideration lending to customers increased by 18.7% during the period. Lending to customers amounted to ISK 1,975 billion at the end of the period growing by 10.6% in the quarter.

Total trading position

ISK bn	Q4 07	Q3 07	Q2 07	Q1 07	2006
Total bond assets	99.7	98.2	95.0	85.4	81.0
-hedged against derivatives	97.2	89.4	86.6	83.9	77.0
-net bond position	2.5	8.8	8.2	1.5	4.0
Total equity assets	77.9	103.7	91.0	63.4	79.0
-hedged against derivatives	67.1	82.9	79.6	54.3	67.0
-net equity position	10.8	20.9	11.0	9.1	12.0
Net positive derivatives	107.3	80.4	73.0	67.0	67.0
Financial assets held for trading	285.0	291.3	277.0	227.9	231.7

Financial assets designated at fair value through the Profit and Loss account were ISK 285 billion.

Liabilities and equity

Despite a turbulent and challenging environment during the second half of the year, consolidated funding amounted to EUR 6.45 billion. The bulk of the capital markets funding was raised within the first five months of the year, tapping into a wide and varied investor base. Some key transactions included a US\$ 1.25 billion global issue, a fixed rate eurosterling, as well as Euro fixed and floating rate offerings. The tightest spread achieved was with the four years Euro FRN, priced at Euribor +24bp in late May.

The summer months proved traumatic for the credit markets, with short end liquidity drying up across almost all markets. Notwithstanding, this the Bank was able to grow its deposit base steadily, culminating at year end with deposits in the London Branch reaching GBP 1.5 billion, approximately €500 million in retail deposits in the Bank's Finnish subsidiary, and an increase of approximately €600 million equivalent in customer deposits in Iceland. All these deposit-taking initiatives have been satisfactory, forwarding for Glitnir's plans for further funding diversification.

Glitnir successfully launched a US\$1 billion Yankee fixed rate bond in September at Libor + 144bp. The issue was well received by investors, being significantly oversubscribed, at a time of increasing distress in the debt markets.

Credit markets, however, continued to deteriorate during the last quarter, as the scale of the derivative related losses incurred by the US investment banks came to light.

Glitnir has very stringent, self-imposed liquidity requirements which it has worked hard at maintaining, and indeed increasing, even in the face of hostile market conditions. The Bank agreed to a number of bilateral facilities with its relationship banks in 2007 which have made a positive contribution to the Bank's sound liquidity arrangements.

Last year, BN Bank had great success in raising EUR 1.15 billion, and established a covered bond programme. The resulting transaction is expected this year.

Book equity was ISK 170 billion at the end of December, which represents an increase of ISK 24 billion over the year 2007. Unhedged positions in foreign subsidiaries resulted in a profit of ISK 466 million, which was recognised directly under equity during the year.

Capitalisation remains strong, with CAD and Tier 1 ratios standing at 11.2% and 8.1% respectively at the end of the year.

2. Solid performance by all business units

Glitnir reports financial performance for both units and regions. The units are Retail Banking, Corporate Banking, Investment Banking, Investment Management, Markets and Treasury, while the regions are Iceland, Nordic, Europe and International.

Profit and loss account by business units in Q4 2007

ISK m	Retail Banking	Corporate Banking	Investment Banking	Investment Management	Glitnir Markets	Treasury	Eliminations and other activities	Total
Net interest income	3,755	7,156	-110	267	1,080	2,240	-2,524	11,864
Net fees and commissions	1,275	715	1,279	3,111	5,150	-68	-868	10,594
Other operating income	396	105	2,382	-12	-2,264	100	-3,254	-2,548
Net operating income	5,427	7,976	3,550	3,366	3,966	2,272	-6,647	19,909
Operating expenses	-4,030	-3,645	-1,163	-3,212	-4,070	-155	633	-15,642
Impairments	-361	-1,991	3	-46	-1	-	30	-2,365
Other income	30	42	49	-	-	-	1,785	1,905
Profit before income tax	1,066	2,382	2,439	107	-104	2,117	-4,199	3,808

Pre-tax profit of business units across regions in Q4 2007

ISK m	Iceland	Nordic	Europe	International	Total
Retail Banking	1,129	-63	-	-	1,066
Corporate Banking	-864	1,065	2,298	-118	2,381
Investment Banking	366	1,410	424	239	2,439
Investment Management	866	-835	76	-	107
Glitnir Markets	359	-463	-	-	-104
Treasury	2,196	-	-79	-	2,117
Eliminations and other activities	-4,197	-	-	-	-4,197
Total	-145	1,113	2,719	121	3,808

Profit from elimination and other activities was negative in Q4 07 of ISK 4,197 million, which is explained by the share of associates' profits and other items not allocated to profit units.

Operating expenses of support functions and head office expenses are fully allocated to the profit units.

2.1. Retail Banking: Results in 2007 were good

ISK m	Q4 07	Q3 07	Q2 07	Q1 07	Q4 06
Net interest income	3,755	3,696	3,199	2,871	3,637
Net fees and commissions	1,275	1,177	1,036	920	950
Other operating income	396	-33	345	186	43
Net operating income	5,427	4,840	4,580	3,977	4,630
Operating expenses	-4,030	-2,834	-3,203	-2,764	-2,705
Impairments	-361	-395	-181	-130	-491
Other income	30	-16	5	18	-3
Profit before income tax	1,066	1,595	1,201	1,101	1,431

Retail Banking reported good results in the fourth quarter of 2007. Profit before tax was ISK 1,066 million, as compared to ISK 1,431 million in the fourth quarter of 2006. The profit before tax results for the year 2007 was ISK 4,963 compared to ISK 4,895 in 2006.

The demand for loans in Iceland was strong during the fourth quarter but slowed down in its latter part. The demand for mortgage loans slowed down during the quarter as a result of increasing interest rates and declining demand in the property market. Demand for loans by SME's remained good during the quarter as well as demand for new lending in asset-based financing. Deposits declined somewhat during the fourth quarter after a sharp increase in the third quarter. Sales of other services remained strong during the quarter as throughout the year.

During 2007, the loan portfolio in Retail Banking in Iceland increased by 16.1% and deposits increased by 20%. The outlook for increased deposits in the coming months is good but growth in new lending will be somewhat restricted while the lending squeeze in the financial markets will last.

The Norwegian economy remains healthy, rendering a relatively stable retail market. Glitnir's retail products in Norway primarily comprise mortgage lending and savings products.

BNbank's lending activities was stable in the quarter, while the deposit side showed an improvement, primarily due to higher interest rates. In September, Glitnir, through BNbank, increased its shareholding and committed to acquiring the remaining shares in Glitnir Privatøkonomi. This private financial advisory company, with offices throughout Norway, will provide Glitnir with a further distribution channel for savings, investment and equity products. BNbank has acquired Eiendomsfinans AS, a mortgage provider for mortgage lenders and has 17 offices in Norway. The acquisition was effective 31 December 2007, from which date the company was renamed Glitnir Eiendomsfinans AS. BNbank has cooperated with Eiendomsfinans over the past year. Glitnir Bank ASA reported a sustainable growth in 2007, increasing both assets by 23% over the year and net profit by 79%.

The loan portfolio of Retail Banking was ISK 555 billion at the end of the fourth quarter, growing by 17.8%, or ISK 84 billion over the period.

The total number of full-time employees in Retail Banking was 751 at the end of December.

2.2. Corporate Banking: Loan book growing by 44% over the year

ISK m	Q4 07	Q3 07	Q2 07	Q1 07	Q4 06
Net interest income	7,156	6,312	5,025	4,704	5,781
Net fees and commissions	715	872	626	706	1,062
Other operating income	105	61	624	650	-130
Net operating income	7,976	7,245	6,275	6,060	6,713
Operating expenses	-3,645	-2,579	-3,097	-1,491	-1,675
Impairments	-1,991	-1,179	-82	-1,064	-1,289
Other income	42	-23	762	-474	0
Profit before income tax	2,382	3,464	3,858	3,031	3,749

Corporate Banking's net operating income increased by slightly more than 10% over the period in comparison with the preceding quarter, and just short of 19% in comparison with the corresponding quarter of 2006. This growth is consistent with the growth in lending over the period, but it should be noted that net interest income was significantly higher, i.e. 13% higher than in the preceding quarter and about 23% higher than in the fourth quarter of 2006. Corporate Banking's profit before taxes was lower than in both the preceding quarter and in the preceding year, amounting to just short of ISK 2.4 billion. Corporate Banking returned ISK 871 million less in profit in 2007 than in 2006, largely as a result of higher operating expenses, which rose by over ISK 2.7 billion between years, and an increase in loan impairment of just short of ISK 1.6 billion. Operating cost grew primarily in Scandinavia, where loan impairment remained low. The increase in operating cost is also a result of an enlarged staff and costs in the Bank's fisheries and geothermal energy business development. Impairment resulted, among other things, from increased special provisions for losses and higher loans.

Corporate Banking's results in Iceland over the quarter suffered from the high loan impairment. The year 2007 was characterised by fierce competition in various fields of corporate banking, although the competition waned towards the autumn as the Icelandic banks' access to loan capital became tighter.

Glitnir's Corporate Banking in Norway benefited once again from the relatively strong Norwegian economy, but there, as elsewhere in the West, the business suffered from the restricted access to loan capital and deteriorating borrowing terms. Loans for investment in commercial premises, one of Corporate Banking's two principal markets in Norway, have remained stable. Strong markets in the Bank's offshore service vessels business contributed to the positive development the Bank's lending relating service vessels in the oil industry, both in Norway and elsewhere in the world.

During the fourth quarter, International Banking played an important role on several financing and advisory transactions; provided financing and advisory services on several key transactions in the Global Seafood and Geothermal Energy industries. International Banking continued to strengthen its position in the Global Seafood industry where it has strong relationships with many of the leading seafood companies in North America, Latin America and Asia. International Banking experienced significant growth during 2007, as the division participated in a number of milestone transactions within its niche industries. This growth is expected to continue in 2008, driven by increasing interest in the development of Geothermal Energy in North America and strong demand for Seafood across all of its markets.

The corporate banking loan portfolio was ISK 1,316 billion at the end of December, growing by 44%, or ISK 402 billion.

The number of employees at the division increased by 38%, and the total staff is now 316.

2.3. Investment Banking: Good flow of deals throughout the year

ISK m	Q4 07	Q3 07	Q2 07	Q1 07	Q4 06
Net interest income	-110	-140	-138	-174	-118
Net fees and commissions	1,279	2,201	1,206	1,547	2,953
Other operating income	2,382	942	1,167	1,121	892
Net operating income	3,550	3,003	2,235	2,494	3,727
Operating expenses	-1,163	-828	-685	-553	-854
Impairments	3	-8	-3	-3	62
Other income	49	7	-	-	-
Profit before income tax	2,439	2,174	1,547	1,938	2,935

Investment Banking experienced some slow down in advisory related activity in the fourth quarter. Net operating income reached ISK 3,549 million and pre-tax profit ISK 2,438 million, as compared to a pre-tax profit of ISK 2,174 in Q3.

Net fees for the unit amounted to ISK 1,279 million in Q4. The unit registered a trading loss of ISK 179 million on listed shares in Q4 and a gain of ISK 1,298 million in 'income from other assets at fair value'. This resulted in a total gain of ISK 1,119 million on equity instruments in Q4.

During the quarter, Investment Banking completed several transactions such as; Management of the share offering for the financial institution Byr, private placement of the leading agro industrial company Camposol in Peru, sold the subsidiary of Aker Yards, Brevik Engineering, to Standard Subsea and Technology and established the capital fund Marin Capital in Norway which invests in offshore and fishing vessels.

Investment banking operates in nine countries where the office in New York is the most recent addition. Currently, Investment Banking has 66 employees up from 27 at the year end of 2006. A focus is on increasing activities by building capacity through the teams, sharing of resources and to build additional deal flow through cross border activities. The forward pipeline is solid but activity is dependent on development of financial markets in the next few months.

2.4. Markets: well positioned with strong market share in the Nordic

ISK m	Q4 07	Q3 07	Q2 07	Q1 07	Q4 06
Net interest income	1,080	1,016	572	246	981
Net fees and commissions	5,150	5,017	3,659	3,355	4,016
Other operating income	-2,264	-440	1,663	1,006	646
Net operating income	3,966	5,593	5,894	4,607	5,643
Operating expenses	-4,070	-3,557	-3,052	-2,212	-599
Impairments	-1	7	-9	7	-
Other income	-	-	-	-	-
Profit before income tax	-104	2,043	2,833	2,402	5,044

Uncertainty characterized the fourth quarter as the market tried to understand the full affect of the credit crises and the outlook for the economy. In turbulent waters November was a record month for Glitnir Capital Markets with a market share of 6.8% of the Nordic equity market (OMX + OSE). Glitnir was the second largest equity broker, for the full year 2007, growing its market share from 4.9% in 2006 to 6.2% in 2007.

The strong increase in income was supported by increased activity in Glitnir Markets, record high trading volume on the Nordic exchanges and the acquisition of FIM in February 2007. Profit before tax was negative of ISK 104 million in Q4 2007, compared to ISK 5,044 million in Q4 2006. The decrease in profits in 2007 is partly explained by new hirings and increased competition for talent. Glitnir Markets grew from 201 employees at year-end 2006 to 312 employees at year-end 2007.

The positive trend in FX sales and FX management in Iceland continued in Q4 supported by the high volatility in the FX market. The equity desk, with a market share of 24.8% in 2007, maintained its position from 2006 as the second largest broker on OMX ICE. Turbulence in the international financial markets had a strong effect on the Icelandic market. Prices fell sharply and the turnover on OMX ICE decreased, having a negative effect on Glitnir's brokerage activities and the proprietary trading. Activity in the bond market was high, but decreased market share reduced the income from FI brokerage.

The equity markets in the Nordic countries had a tough Q4 with all markets down from Q3. The high volume continued into Q4 and Glitnir maintained its high market share. In the Direct Market Access (DMA) business, providing the main driving force for Glitnir's market share, margin pressure continues to be strong. In 2007 Glitnir completed its first listings outside of Iceland with the listings of Copeinca and Camposol on the Oslo Stock exchange. Through the acquisition of FIM, now rebranded to Glitnir, in February 2007 Glitnir established Markets operations in Finland and Russia.

Glitnir Markets is well positioned with a strong market share on the Nordic exchanges and local presence throughout the Nordic countries. It founds a solid foundation for expanding Glitnir's service offering and broadening the customer base outside Iceland. Margin pressure and competition in electronic trading is expected to continue, and successful offering of new products outside of Iceland will be a key to Glitnir's success in the future. External factors such as credit market trends, performance and activity in the stock market, the ISK exchange rate and interest levels will impact the business areas performance in the future.

2.5. *Investment Management: operations increased markedly in 2007*

ISK m	Q4 07	Q3 07	Q2 07	Q1 07	Q4 06
Net interest income	267	260	166	104	309
Net fees and commissions	3,111	1,978	2,563	899	1,150
Other operating income	-12	-	-56	8	15
Net operating income	3,366	2,238	2,673	1,011	1,474
Operating expenses	-3,212	-1,810	-1,973	-645	-1,004
Impairments	-46	-71	18	-37	91
Other income	-	-	-	-	-
Profit before income tax	107	357	718	329	561

In early 2007 Glitnir Bank made a decision to substantially step up its range of investment and asset management services internationally in the years ahead. The first major action to implement international growth was taken in the spring when Glitnir bought the Finnish investment services company FIM Group, whose asset management operations were consolidated into Investment Management's financial reporting from 1 April, 2007.

Glitnir's total assets under management at the end of December 2007 were ISK 936 billion as compared with ISK 490 billion at end 2006, which corresponds to a 91.0% increase. Despite turbulence in financial markets, assets under management developed positively in all units. However, the main contributor to the substantial increase was the inclusion of the assets under management from Investment Management's Finnish unit. Assets in custody amounted to ISK 1,318 billion at 31 December, up by 8.3% in 2007.

Net operating income for the full year 2007 shows a substantial increase compared with 2006 due to the inclusion of the Finnish unit. The net operating income in Q4 07 was substantially higher than in Q3 07 which was burdened by seasonal lull as well as very turbulent market situation. On the other hand, net operating income in Q4 was marked by a very successful launch of a structured note, which was also visible in the profits for the quarter.

The full year profit before tax was ISK 1,510 million. At the end of the reporting period, the total number of employees in Investment Management was 326.

The year 2008 has begun in a very turbulent market sentiment. Due to this, short to medium term the outlook is overshadowed by challenging market conditions that has effect on all segments of the business.

2.6. Treasury

ISK m	Q4 07	Q3 07	Q2 07	Q1 07	Q4 06
Net interest income	2,240	1,041	2,425	1,148	-2,185
Net fees and commissions	-68	-57	-32	-80	-91
Other operating income	100	-1,481	-1,353	-	1,667
Net operating income	2,272	-497	1,040	1,068	-609
Operating expenses	-155	-219	47	-146	105
Impairments	-	-	-	-	-
Other income	-	119	-119	-	-
Profit before income tax	2,117	-597	968	922	-504

3. Key Market Ratios

	2007	2006	2005	2004	2003*	2002*
CAD ratio (end of period)	11.2%	15.0%	12.6%	12.6%	11.4%	12.7%
Tier 1 capital (end of period)	8.1%	10.8%	9.9%	9.4%	8.0%	10.1%
Return on equity after taxes	19.3%	39.4%	30.3%	40.0%	30.1%	18.2%
Earnings per share (ISK)	1.86	2.68	1.48	1.13	0.63	0.36
Average number of full-time employees	1,977	1,392	1,216	1,126	948	907
Net interest margin	1.6%	2.0%	1.9%	2.7%	3.0%	3.0%
Cost/income ratio	57%	38%	36%	49%	50%	55%
Impairment losses						
- as a proportion of average total assets	0.2%	0.3%	0.2%	0.6%	0.8%	0.7%
- as a proport. of loans and quarantees	0.2%	0.3%	0.2%	0.7%	0.9%	0.8%
Share price (end of period)	22.0	23.3	17.3	11.2	6.4	4.7
Price/earnings (end of period)	11.7	8.7	11.7	9.5	10.2	12.4
Dividend per share		0.66	0.38	0.35	0.23	0.17
Pay-out ratio		24.6%	25.7%	29.7%	36.5%	45.0%
Outstanding shares (end of period)	14,729	14,161	13,112	11,081	10,080	9,400
Share price/book value (end of period)	1.90	2.26	2.68	2.56	2.19	2.11
Market Capital (ISK bn end of period)	323,302	329,951	226,838	124,107	64,512	44,180

* Figures not restated according to IFRS

4. Glitnir sells in Glitnir Property Holding (GPH)

Glitnir's gain from the sale of 12% share amounts to approximately ISK 347 million. Additionally, previously deferred capital gains of ISK 1.5 billion are realized as GPH will no longer be part of the consolidated accounts. According to the most recent transactions, the unrealized fair value gains of the share amounts to approximately ISK 1.2 billion. Glitnir now holds 48.8% in GPH.

5. Dividends and authorisation to issue new shares

The Board of Directors has decided to recommend to the Annual General Meeting the payment of ISK 0.37 per share in dividend. The number of shares is approximately 14.9 billion. Total dividend will amount to ISK 5.5 billion. The dividend corresponds to 20% of after-tax profit for the year 2007. The reference date for dividend payment is at the end of day of the Annual General Meeting, and the dividend will be paid out on 13 March 2008. The remainder of the profit for the year, ISK 22.1 billion, will be allocated to increase the equity of Glitnir.

The board of directors has also decided to recommend to the Annual General Meeting that shareholders shall be granted the option to receive up to one half of their dividend in shares in Glitnir banki hf.

6. Exchange Rates

Exchange rates as per 31 Desember 2007: EUR/ISK 91.2 and NOK/ISK 11.4. The average exchange rate for the fourth quarter was EUR/ISK 88.7 and NOK/ISK 11.3, and for the full year EUR/ISK 87.6 and NOK/ISK 10.9.

7. Publication of financial reports for 2008

The 2008 Annual General Meeting of Glitnir banki hf. will be held at Hotel Saga on 20 February at 2:00 p.m.

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

- 1st quarter, 7 May 2008
- 2nd quarter, 30 July 2008
- 3rd quarter, 4 November 2008
- 4th quarter, 4 February 2009
- Annual Results, 18 February 2009

8. Presentation of Glitnir Bank's Full-Year Results 2007

Glitnir will host the following presentations and webcasts in connection with the publication of the Group's results for the full-year of 2007. An English version of the presentation will be available on www.glitnirbank.com as of its publication early morning on 29 January.

Presentation in Reykjavík, Iceland



Lárus Welding, CEO, and Alexander K. Guðmundsson, CFO, will present Glitnir's full-year results for 2007 to shareholders and market participants on Tuesday, 29 January, at 12.00 p.m. at Nordica Hotel, rooms F and G, in Reykjavík.

Presentation and web cast in London, UK

Lárus Welding, CEO, and Alexander K. Guðmundsson, CFO, will present Glitnir's full-year results for 2007 to shareholders and market participants on Wednesday, 3 January, at 12 p.m. at Crowne Plaza London Shoreditch, 100 Shoreditch High Street, E1 6JQI, London.

If you plan to attend, please inform Vala Pálsdóttir, Head of Investor Relations, by e-mail at ir@glitnir.is or by calling +354 440 4989.

A live broadcast of the meeting can be accessed on Glitnir's corporate website, www.glitnirbank.com, where questions can be sent to the meeting via webcast.

Booking media interviews

To book media interviews, please contact Bjørn Richard Johansen, Managing Director, Corporate Communication, by e-mail to bri@glitnir.no or mobile +47 47 800 100.

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