

Straumur-Burdaras Investment Bank hf. 2007 annual results
Consolidated profit after tax EUR 162.9m

Chief annual results for 2007

- Profit after tax totalled EUR 162.9m in 2007, as opposed to EUR 515.4m in 2006.
- Operating income totalled EUR 330.0m in 2007, down 37.5% from 2006.
- Net interest income amounted to EUR 68.8m in 2007, representing 20.9% of operating income and up 61.8% from the previous year.
- Net fee and commission income was EUR 131.3m in 2007, representing 39.8% of operating income and an increase of 55.5% from the previous year.
- Net financial income decreased from EUR 392.3m in 2006 to EUR 111.4m in 2007.
- Operating expenses totalled EUR 118.9m for 2007 compared with EUR 44.1 for 2006.
- The cost income ratio for the year was 36.0%.
- Earnings per share in 2007 were EUR 0,017 compared with EUR 0,051 in 2006.
- Return on equity in 2007 was 11.3% as opposed to 42.0% in 2006.
- Total assets amounted to EUR 7,136.9m at 31 December 2007, compared with EUR 4,357.8m at 31 December 2006.
- Assets under management totalled EUR 1,7bn at 31 December 2007.
- The CAD ratio was 23.7% at the year-end 2007. The Tier 1 capital was 21.4%.
- Straumur has no direct or indirect exposure to sub-prime loans, collateral debt obligations, asset backed securities, structured investment vehicles, conduits and monoline insurance.

Chief results for the fourth quarter of 2007

- There was a loss after tax of EUR 0.6m in the fourth quarter, compared with a profit of EUR 276.7m for the same period in 2006.
- Operating income amounted to EUR 56.5m in the fourth quarter, down 72.7% on the fourth quarter 2006.
- Net interest income amounted to EUR 23.0m in the fourth quarter, compared with EUR 6.8m in the fourth quarter 2006.
- Net fee and commission income rose by 44.1% year-on-year and amounted to EUR 36.8m in the fourth quarter of 2007.
- Net financial income was a net loss of EUR 4.4m in the fourth quarter, compared with EUR 165.3m for same period in the previous year.

William Fall, CEO of Straumur

"The year 2007 has been a transformational year for Straumur. We have extended the international reach of the Group and developed from being an Icelandic company with operations almost exclusively based in Iceland to an Icelandic company that has taken its place in the international market with a broader and deeper product and client bases.

Despite exceptionally difficult market conditions for the second half of the year we reported a satisfactory profit for 2007 and ended the year with a strong capital and liquidity position. The journey to create the leading investment bank in Northern and Central Europe continues with increasing contribution from client-driven activities in an increasingly diverse footprint"

Key numbers

EUR m	2007	2006	Change	Q4 2007	Q4 2006	Change	Q4 2007	Q3 2007	Change
Operating income	330.0	528.6	-37.6%	56.5	206.9	-72.7%	56.5	32.7	72.8%
Operating expenses	118.9	44.1	169.6%	46.7	18.8	147.8%	46.7	29.9	55.5%
Profit for the period	162.9	515.4		-0.6	276.7		-0.6	0.2	
Cost income ratio	36.0%	8.3%							
Earnings per share	0,017	0,051							
Return on equity	11.3%	42.0%							
CAD	23.7%	37.6%							
Growth of loan portfolio	78.4%	161.3%							

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Income statement

EUR m	2007	2006	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Net interest income	68.8	42.5	23.0	26.3	8.4	11.2	6.8
Net fee and commission income	131.3	84.4	36.8	21.3	42.9	30.3	25.5
Net financial income	111.4	392.3	-4.4	-31.8	101.7	45.9	165.3
Other income	18.5	9.4	1.1	17.0	-4.8	5.1	9.3
Operating income	330.0	528.6	56.5	32.8	148.2	92.5	206.9
Salaries and related expenses	-65.3	-23.7	-23.2	-22.5	-14.9	-4.7	-11.5
Other administrative expenses	-53.6	-20.4	-23.5	-7.4	-15.1	-7.6	-7.3
Operating expenses	-118.9	-44.1	-46.7	-29.9	-30.0	-12.3	-18.8
Impairment	-20.2	-11.8	-8.5	-4.3	-4.5	-2.9	-3.4
Profit (loss) before tax	190.9	472.7	1.4	-1.4	113.6	77.4	184.7
Tax income (expense)	-28.0	42.7	-2.0	1.6	-19.4	-8.2	92.1
Profit (loss)	162.9	515.4	-0.6	0.2	94.2	69.2	276.7
Attributable to:							
Equity holders of the parent	158.3	511.6	1.3	1.8	90.3	64.9	274.1
Minority interest	4.7	3.8	-1.9	-1.6	3.9	4.3	2.7
Earnings per share (EUR)	0,017	0,051					

Profit

Straumur Investment Bank reported a pre-tax profit of EUR 190.9m in 2007, compared with EUR 472.7m in 2006. The profit after tax amounted to EUR 162.9m in 2007, compared with the previous year's profit of EUR 515.4m. Earnings per share were EUR 0,017 in 2007 as compared with EUR 0,051 in 2006.

For fourth quarter 2007, Straumur recorded a pre-tax profit of EUR 1.4m, as opposed to a profit of EUR 184.7m for fourth quarter 2006. The loss after tax was EUR 0.6m in the fourth quarter of 2007, as compared with a profit of EUR 276.7m in fourth quarter 2006. Despite strong client-related income in the quarter, the exceptionally difficult market conditions adversely impacted the Bank's trading activities and the values of a number of assets in its investment books. Profit in 2006 included some EUR 285m of income from trading in equities and realised and unrealised gains on the investment book.

Operating income

Operating income was EUR 330.0m in 2007, down 37.6% from the 2006 level of EUR 528.6m. The acquisitions of eQ and Wood during the year contributed EUR 33.0m to this total. For the fourth quarter of 2007, operating income totalled EUR 56.5m, compared with EUR 206.9m in 2006.

Net interest income amounted to EUR 68.8m in 2007, compared with EUR 42.5m in 2006, an increase of 61.8%. Net interest income for the fourth quarter of 2007 amounted to EUR 23.0m, compared with EUR 6.8m for the same period a year ago. This year-on-year increase is largely due to the growth in both the loan portfolio and in interest-bearing assets which have increased as a result of funding and liquidity management activities. The following table illustrates net interest income according to geographical area.

Net interest income

EUR m	2007	2006	Change
Iceland	19.2	35.3	-16.1
Other Nordic countries	19.9	3.5	16.4
UK	9.7		9.7
CEE		0.3	-0.3
Other	20.0	3.5	16.5
Total	68.8	42.5	26.3

Net fee and commission income amounted to EUR 131.3m in 2007, compared with to EUR 84.4m in 2006, an increase of 55.5%. For the fourth quarter, net fee and commission income totalled EUR 36.8m, compared with EUR 25.5m for the fourth quarter in 2006, an increase of 44.1%. This increase stems primarily from substantially increased business activity in the Corporate Finance and Debt Finance businesses, and commissions earned by Capital Markets and the Group's newly acquired brokerage businesses. The following table illustrates net fee and commission income according to geographical area.

Net fee and commission income

<i>EUR m</i>	2007	2006	Change
Iceland	56.7	77.5	-20.8
Other Nordic countries	52.7	6.9	45.8
UK	15.2		15.2
CEE	5.1		5.1
Other	1.6		1.6
Total	131.3	84.4	46.9

Net financial income was EUR 111.4m in 2007, compared with EUR 392.3m in 2006. Net financial loss for the fourth quarter of 2007 amounted to EUR 4.4m, compared with a profit of EUR 165.3m in 2006. This significant change is largely a result of a difficult market conditions for proprietary trading and write downs on the investment books driven by the stock market decline over the period. The following table analyses net financial income by geographical area.

Net financial income

<i>EUR m</i>	2007	2006	Change
Iceland	51.2	203.3	-152.1
Other Nordic countries	22.0	135.4	-113.4
UK	17.4	18.7	-1.3
CEE	14.6	19.6	-5.0
Other	6.2	15.3	-9.1
Total	111.4	392.3	-280.9

Other income amounted to EUR 18.5m in 2007. This amount largely represents the gain of the sale of Property Group A/S.

Operating expenses

The Bank's operating expenses for the year were EUR 118.9m in 2007 with acquisitions contributing EUR 25.0m to this figure. Operating expenses totalled EUR 44.1m in 2006. For the fourth quarter of 2007, operating expenses were EUR 46.7m, up from EUR 18.8m for the same period a year ago. The year-on-year increase is due to the significant expansion of staff and the overall development of the Group in terms of new activities and acquisitions. The cost income ratio at the year-end was 36.0%.

Salaries and salary-related expenses in 2007 were EUR 65.3m, up from EUR 23.7m in 2006. Salaries and salary-related expenses in Q4 2007 was EUR 23.2m. The Group's headcount totalled 486 at the end of 2007, compared with 109 at the end of 2006. The Bank's staff expanded therefore by 377 over the year with the acquisitions accounting for 286 employees of this development.

Other administrative expenses were EUR 53.6m in 2007, compared with EUR 20.4m in 2006. For the fourth quarter of 2007, other administrative expenses were EUR 23.5m, up from EUR 7.3m for the same period a year ago. Again growth in business activity and headcount across the Bank's business lines and the opening of new offices were the main drivers of this increase.

Loan impairments amounted to EUR 20.2m in 2007, compared with EUR 11.8m in 2006. The increase in impairment is consistent with development of the Bank's loan portfolio which grew by 78.4% in 2007.

In the year 2007, *income tax* totalled EUR -28.0m, which is equivalent to 14.7% of profit before tax. In 2006, income tax was a credit of EUR 42.7m due to an exceptional tax credit of EUR 100.7m arising on a permanent deferral of capital gains.

Balance Sheet

EUR m	31.12.2007	31.12.2006		31.12.2007	31.12.2006
Cash and cash equivalents	1,427.2	694.9	Financial liabilities held for trading	101.8	87.7
Financial assets held for trading	1,056.4	945.2	Deposits from banks	34.5	
Pledged assets	211.9	398.6	Deposits from customers	1,233.7	
Financial assets designated at fair value through profit and loss	923.9	644.7	Borrowings	3,778.5	2,572.8
Loans	2,411.3	1,351.3	Subordinated loans	113.6	88.7
Financial assets available for sale	339.0		Current tax liability	26.8	50.9
Investment in associated companies	11.1	0.5	Deferred tax liability	2.4	6.2
Property and equipment	21.7	14.1	Other liabilities	277.0	57.5
Investment properties		67.8	Total liabilities	5,568.4	2,863.8
Intangible assets	500.7	186.8			
Tax asset, deferred	0.5		Total equity attributable to equity holders of the Parent	1,557.9	1,473.8
Other assets	233.2	53.9	Minority interests	10.6	20.2
			Total equity	1,568.5	1,494.0
Total assets	7,136.9	4,357.8	Total liabilities and equity	7,136.9	4,357.8

Assets

The Bank's total assets as of 31 December 2007 amounted to EUR 7,136.9m as opposed to EUR 4,357.8m at the beginning of the year. The acquisition of eQ has added EUR 659.0m of assets to the balance sheet whilst the acquisition of Wood has added EUR 111.5m. Excluding acquisitions the underlying growth in the balance sheet was EUR 2,008.6m.

Financial assets held for trading were (including those pledged at the respective year ends) EUR 1,056.4m at 31st December 2007 compared with EUR 945.2m a year earlier. Holdings in listed and unlisted shares fell by EUR 640.1 as the Group 'de-risked' its equities book and refocused the Proprietary Trading business line. The majority of the December 2007 balance is now in fixed income securities.

Pledged assets fell from EUR 398.6 in 2006 to EUR 211.9 in 2007.

Financial assets designated at fair value increased by EUR 279.3m due to investments in a number of funds, an increase in the value of a number of holdings, and the full consolidation of the Bank's subsidiary Novator One, which was accounted for as an investment in 2006.

Financial assets available for sale mainly comprised EUR 215.5 of bonds held by Treasury and EUR 119.3m of eQ investments in unlisted units.

Listed equities totalled EUR 661.8m on 31 December 2007, or around 9.3% of the Bank's total assets at the end of the year. Listed equities are down 33.4% from the beginning of the year. The following table shows the Bank's five largest listed equity positions at the end of the year:

Listed EUR M

Rank	Counterparty	Value	Country	Industry
1	Netia*	142	Poland	Diversified Telecommunication Services
2	Tradus (formerly QXL)*	120	Global	Internet Software & Services
3	Forthnet*	40	Greece	Diversified Telecommunication Services
4	Hungarian Telephone & Cable	21	Hungary	Diversified Telecommunication Services
5	Tanganyika Oil Company Ltd.	20	Sweden	Oil, Gas & Consumable Fuels

*Novator One holding

Unlisted equities as of 31 December 2007 totalled EUR 420m, or 5.9% of the Bank's total assets. This is down 11.8% from the beginning of the year. The following table shows the Bank's five largest unlisted equity positions at the end of the year:

Unlisted EUR M

Rank	Counterparty	Value	Country	Industry
1	P4*	130	Poland	Diversified Telecommunication Services
2	Novator Pharma Holding 1 hf.	80	Iceland	Pharmaceuticals
3	Novator Credit Fund	41	Global	Diversified Financial Services
4	Carera Global Investments Ltd.	25	Bulgaria	Diversified Telecommunication Services
5	Boreas Capital Fund	19	Global	Diversified Financial Services

*Novator One holding

Loans, and cash and cash equivalents totalled EUR 3,838.5m on 31 December 2007, as opposed to EUR 2,046.2m at the beginning of the year. Loans totalled EUR 2,411.3m at 31 December 2007, compared with 1,351m at the beginning of the year.

Intangible assets amounted to EUR 500.7m at the end of 2007, compared with EUR 186.8m at the beginning of the year. The acquisitions made during the year increased intangible assets by EUR 283.3m. The intangible assets brought forward at the beginning of the year have been substantiated by impairment testing.

Liabilities and equity

Financial liabilities held for trading as of 31 December 2007 totalled EUR 101.8m, up from EUR 87.7m at the beginning of the year.

In quarter three of 2007, the Bank was granted a commercial banking licence which authorises it to receive deposits in Iceland and Denmark. The licence and the consolidation of eQ's retail business led to deposits amounting to EUR 1,268.3m at the end of the year.

Borrowings as of 31 December 2007 totalled EUR 3,778.5m, up 46.9% from EUR 2,572.8m at the beginning of the year. At 31 December 2007 the Bank had more than 270 days of secured liquidity. The Bank has a strategy of diversifying its sources of funding and the recent funding activities have all taken place outside of Iceland which emphasizes the strength of its funding position. In the last quarter of 2007 the bank secured over EUR 400m of funding from sources outside Iceland. The addition of the eQ deposit base has also provided the Bank with another stable source of funding. The subordinated loan position was EUR 113.6m at the end of the year, as opposed to EUR 88.7m at the beginning of the year.

The EUR 219.5m increase in other liabilities from EUR 57.5m at 31st December 2006 to EUR 277.0m at the end of 2007 is attributable to settlement balances associated with eQ's and Wood's brokerage business.

Equity amounted to EUR 1,568.5m at the end of 2007, compared with EUR 1,494.0m at the beginning of the year. This is an increase of 5.0%.

The CAD ratio as of 31 December 2007 was 23.7%, down from 37.6% at the beginning of the year. Tier 1 ratio amounted to 21.4% at the end of the year, compared with 35.2% at the beginning of the year. This reduction is the result of balance sheet growth and the increase in goodwill, arising from the acquisitions during the year, which is a deduction from the capital base. Straumur's target is to maintain a long-term CAD ratio of at least 15%.

As of 31 December 2007, the Bank's shareholders numbered 21,693. Samson Global Holding SARL, Straumur's largest shareholder, owned 32.9% 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 year 2007, the nominal value of issued share capital in the Bank was 10,359,144,971 divided into the same number of shares.

Operating results of business lines

Straumur divides its operations into six business lines and several supporting areas. The business lines are: Corporate Finance, Debt Finance, Capital Markets, Proprietary Trading, Asset Management and Treasury.

	Corporate Finance	Debt Finance	Capital Markets	Proprietary Trading	Asset Management	Treasury	Other operations and elimination	Total
<i>EUR m</i>								
Net interest income	-4.4	57.2	-7.7	-7.1	4.8	24.6	1.4	68.8
Net fee and commission income	68.6	21.8	37.3	-0.7	5.9	-1.6		131.3
Net financial income	27.5	-0.5	-6.2	57.4	-1.4	28.1	6.5	111.4
Other income	16.1						2.4	18.5
Operating income	107.8	78.5	23.4	49.6	9.3	51.1	10.3	330.0
Operating expenses	-34.7	-16.8	-30.4	-9.0	-6.3	-10.7	-10.9	118.9
Impairment	-1.6	-18.5						20.2
Profit (loss) before tax	71.5	43.1	-7.0	40.6	3.0	40.4	-0.6	190.9

Corporate Finance

Corporate Finance advises the Bank's clients on mergers, acquisitions and financing. The business line has teams based in Reykjavík, Copenhagen, London, Amsterdam, Helsinki and Prague, Bratislava and Bucharest.

The business line generated in the year 2007 a profit of EUR 71.5m compared to EUR 162.1m in 2006. The 2006 profit relied heavily on investment gains whilst in 2007, net fee and commission income at EUR 68.6m was some EUR 19.3m (or 39.3%) higher than in the previous year. Profit in Q4 2007 totalled EUR 20.3m compared to EUR 93.5m in Q4 2006. Again, the 2006 profit was driven by investment gains whilst 2007 saw a significant development in fee income. Operating expenses in 2007 totalled EUR 34.7m and rose by EUR 18.0m from 2006, reflecting investment in both people and infrastructure.

Corporate Finance – Results

<i>EUR m</i>	2007	2006	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Net interest income	-4.4	-16.2	-0.3	5.6	-5.1	-4.5	-4.9
Net fee and commission income	68.6	49.3	20.8	2.2	29.4	16.1	14.1
Net financial income	27.5	136.5	15.2	-12.4	34.2	-9.5	93.0
Other income	16.1	9.3	0.1	16.0	-5.1	5.1	
Operating income	107.8	178.8	35.8	11.3	53.4	7.2	102.2
Operating expenses	-34.7	-16.7	-16.0	-6.9	-6.4	-5.4	-8.7
Impairment	-1.6		0.5	-0.9	-1.3		
Profit (loss) before tax	71.5	162.1	20.3	3.6	45.7	1.8	93.5

Debt Finance

Debt Finance provides tailored funding solutions, mainly to corporate and private equity clients and usually in the context of an acquisition or corporate restructuring. The financing capabilities span the range from working capital and bridge finance through mezzanine to underwritten senior debt. Debt Finance is establishing an increasing degree of synergy with other parts of the bank, especially Corporate Finance. The business line has teams based in Reykjavík, Copenhagen and London.

The business line generated a profit of EUR 43.1m in 2007 compared with EUR 47.6m in 2006. The profit in Q4 2007 was EUR 5.9m, compared with EUR 12.6m in Q4 2006 and reflects a slightly more significant increase in impairment provisions in the last three months of 2007. The business line's operating income totalled EUR 78.5m in 2007 which is an increase of 17.0% from 2006. Operating expenses totalled EUR 16.8m in 2007 compared with EUR 7.7m in 2006 with this business line sharing some of the costs of the Bank's transformation in 2007.

Debt Finance – Results

EUR m	2007	2006	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Net interest income	57.1	58.9	14.2	19.1	13.0	10.8	17.0
Net fee and commission income	21.8	8.0	7.2	7.3	2.1	5.2	2.4
Net financial income	-0.5	0.1	-0.9	-0.3	0.7		
Operating income	78.5	67.1	20.6	26.1	15.8	16.0	19.4
Operating expenses	-16.8	-7.7	-5.8	-3.8	-3.8	-3.4	-3.5
Impairment	-18.5	-11.8	-8.9	-3.4	-3.3	-2.9	-3.4
Profit (loss) before tax	43.1	47.6	5.9	18.9	8.8	9.7	12.6

Capital Markets

Capital Markets provides securities brokerage, sales trading and over-the-counter (OTC) services across most global asset classes, including equities, fixed income, commodities, foreign exchange and their derivatives. The clients are institutions and high net worth individuals. This business line is based in Reykjavík and London.

The business line reported a loss of EUR 7.0m in the year 2007 compared with profit of EUR 23.7m in 2006. In fourth quarter 2007 the loss was EUR 27.2m. Operating income was EUR 23.4m in the year 2007 compared with EUR 27.4m in the year 2006. Whilst net fees and commissions, including for part of the year those generated at eQ and Wood, were higher than last year, trading activities produced a loss for the year due to the difficult market conditions of the second half of 2007. Operating expenses amounted to EUR 30.4m in 2007 a year-on-year increase of EUR 26.7m reflecting the build out of the Bank and the development of the Capital Markets platform.

Capital Markets – Results

EUR m	2007	2006	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Net interest income	-7.7	-0.6	-7.7	-2.3	2.2		
Net fee and commission income	37.3	27.9	6.8	9.9	10.6	10.0	9.4
Net financial income	-6.2		-9.8	-2.8	6.4		
Operating income	23.4	27.4	-10.7	4.8	19.3	10.0	9.4
Operating expenses	-30.4	-3.7	-16.5	-7.4	-5.2	-1.3	-1.3
Profit (loss) before tax	-7.0	23.7	-27.2	-2.6	14.1	8.8	8.1

Proprietary Trading

Proprietary Trading manages transactions for Straumur's own account. The business line trades in the fixed income, equity, commodity, and foreign exchange markets, through a broad range of uncorrelated strategies. The business line is located in London, Copenhagen and Stockholm.

The business line generated a profit of EUR 40.6m in the year 2007 compared with EUR 133.3m in 2006. In fourth quarter 2007 the loss was EUR 28.9m. Operating income was EUR 49.6m in the year 2007 compared with EUR 138.8m in the year 2006. During the year the long only equity positions which generated material profits in 2006 and the first half of 2007 were significantly reduced and the trading activities reorganised. Despite this timely "de-risking", the residual equity book accounted for approximately 70% of the Q4 2007 trading loss. Operating expenses amounted to EUR 9.0m in 2007 a year-on-year increase of EUR 3.6m, again, reflecting changes in the platform of the business line.

Proprietary Trading – Results

EUR m	2007	2006	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Net interest income	-7.1	-85.5	1.4	0.7	-3.6	-5.5	-24.9
Net fee and commission income	-0.7	0.2	-0.3		-0.1	-0.3	
Net financial income	57.4	224.1	-26.0	-17.4	40.6	60.2	49.2
Operating income	49.6	138.8	-24.8	-16.7	36.8	54.4	24.4
Operating expenses	-9.0	-5.4	-4.1	-2.0	-1.4	-1.6	-1.5
Profit (loss) before tax	40.6	133.3	-28.9	-18.7	35.4	52.8	22.9

Asset Management

Straumur started including specialist services in savings and investments to institutional and retail clients in its business with the Bank's acquisition of eQ in May. The activities in this area include mutual funds, structured investment products, discretionary asset management and private banking services. The business line is based in Helsinki. In addition, Wood operates a Central and Eastern European Fund that invests primarily in equities in the CEE states.

The business line's profit was EUR 2.9m in the year 2007 with operating income of EUR 9.3m. This business is a new source of client related income for the Bank.

Asset Management – Results

EUR m	2007	Q4 2007	Q3 2007	Q2 2007
Net interest income	4.8	2.2	2.0	0.6
Net fee and commission income	5.9	2.4	2.3	1.1
Net financial income	-1.4	-0.7	-0.9	0.1
Other income			-0.3	0.3
Operating income	9.3	4.0	3.2	2.1
Operating expenses	-6.3	-2.0	-2.7	-1.7
Profit (loss) before tax	2.9	2.0	0.5	0.4

Treasury

Treasury is responsible for managing the Bank's liquidity. It is the main interface with the funding markets and uses a range of derivative instruments to hedge the Bank's exposures to foreign exchange and interest rate risk. Personnel are based in Reykjavík and Copenhagen.

The business line generated in the year 2007 a profit of EUR 40.4m compared with EUR 107.9m in the year 2006. In the fourth quarter the profit amounted to EUR 32.4m as changes in the methods of internal accounting were made to report more correctly the performance of the Bank. The operating income totalled EUR 51.1m in 2007, below the return from 2006, reflecting the management of the Group's balance sheet in EUR rather than ISK. Operating expenses amounted to EUR 10.7m in the year 2007, up 25.9% from 2006 reflecting the allocation of costs associated with the Bank's general development.

Treasury – Results

EUR m	2007	2006	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Net interest income	24.6	88.6	12.5	1.0	0.8	10.3	19.3
Net fee and commission income	-1.6		-0.2	-0.4	-0.2	-0.8	
Net financial income	28.1	27.8	19.7	2.9	9.5	-4.0	30.6
Operating income	51.1	116.4	31.9	3.5	10.1	-5.6	49.9
Operating expenses	-10.7	-8.5	-0.5	-3.4	-4.0	-3.8	-3.4
Profit (loss) before tax	40.4	107.9	32.4	0.1	6.1	1.8	46.6

Four year overview

EUR m	2007	2006	2005	2004	Check
Income Statement					
Net interest income	68.8	42.5	-3.2		
Net fee and commission income	131.3	84.4	25.0		
Net financial income	111.4	392.3	411.6		
Other Income	18.5	9.4			
Operating income	330.0	528.6	433.5		95.4
Operating costs	-118.9	-44.1	-16.7		
Impairment	-20.2	-11.8	-4.9		
Profit (loss) before tax	190.9	472.7	411.9		88.9
Tax income (expense)	-28.0	42.7	69.9		
Profit (loss)	162.9	515.4	341.9		73.5
Attributable to:					
Equity holders of the parent	158.3	511.6	340.6		73.2
Minority interest	4.7	3.8	1.3		0.3
Balance Sheet					
Assets					
Financial assets held for trading	1,056.4	945.2	1,234.7		
Financial assets designated at fair value through profit and loss	923.9	644.7	1,175.9		
Loans	3,838.5	2,046.2	803.1		
Other assets	1,318.1	721.6	258.1		
Total Assets	7,136.9	4,357.8	3,471.8		1,073.5
Liabilities and equity					
Deposits	1,268.3				
Borrowing	3,778.5	2,572.8	1,628.6		
Other liabilities	521.6	291.0	305.5		
Total equity	1,568.5	1,494.0	1,537.7		
Total liabilities and equity	7,136.9	4,357.8	3,471.8		1,073.5

Key Ratios

	2007	2006	2005	2004
ROE	11.3%	42.0%	46.5%	34.5%
Earnings per share EUR	0,017	0,051	0,045	
Price/ Earnings	10.3	3.9	4.55	6.4
Price/ Book	1.02	1.18	1.42	1.61
Cost / Income	36.0%	8.3%	3.9%	5.7%
Number of employees	486	109	52	17
Share price at end of year	15.1	17.4	15.9	9.6
CAD ratio	23.7%	37.6%	19.8%	15.5%
Tier 1	21.4%	35.2%	15.3%	15.5%
Growth of loan portfolio	78.4%	161.3%		
Loans / Assets	33.8%	31.0%		
Impairment / Loans	1.25%	1.18%		
Exchange rates				
Exchange rate ISK/EUR for P/L average of year	87,79	87,72	78,14	
Exchange rate ISK/EUR for Balance sheet at year end	91,91	94,61	74,70	

Strategic objectives 2008

- Continue to focus on revenues and synergies in existing business lines.
- Maximise return from expanded platform leveraging presence in new markets by building on capabilities in eQ and Wood, extending Corporate Finance and Debt Finance origination, and continue the consolidation and integration internally.
- Extending Asset Management, leveraging the eQ platform and developing businesses within Wood and in Copenhagen operation.
- Develop new business line, Straumur Capital Management (SCM), which will bring together a number of new and old funds aimed at special situations and specific markets, in which the Bank will co-invest alongside its clients.
- Manage for moderate growth given current market conditions.

Credit rating

Fitch Ratings confirmed Straumur's credit rating on 21 December 2007: Default BBB-, Short-term F3, Individual C/D, Support 3, Outlook stable.

Other information

Auditing

The annual financial statements for 2007 have been examined by the Bank's auditor, KPMG Endurskodun hf.

Personnel

At end of the quarter, the Group had a headcount of 486.

Information disclosure

Straumur Investment Bank is dedicated to providing timely, reliable, correct, and appropriate information to the market, both through the OMXI Stock Exchange 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 of results

A presentation will be held for shareholders and market participants at Hilton Reykjavík Nordica, Suðurlandsbraut 2, on Tuesday 29 January 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.net and on the Iceland Stock Exchange's website, www.icex.is.

The meeting will begin punctually at 08:30 a.m. Refreshments will be offered beginning at 08:00 a.m.

Agenda:

08:00 Doors open and breakfast is served

08:30 William Fall, CEO, and Stephen Jack, CFO, present the Bank's 2007 annual results

09:15 Response to questions from the audience

09:30 Meeting concludes

Meeting chair: Georg Andersen, Director of Investor Relations

Further information

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

Publication of next earnings reports

The publication of the Q1 2008 financial statements is scheduled for 29 January 2008. The financial calendar for 2008 is:

First quarter: 30 April 2008

Second quarter: 31 July 2008

Third quarter: 30 October 2008

Fourth quarter: 3 February 2009

Annual general meeting of Straumur

The annual general meeting of Straumur Investment Bank will be held at Hilton Reykjavík Nordica on 3 April 2008 at 4 p.m. The dividend payment to the Bank's shareholders will be presented at the annual meeting.