



31 July 2007

Glitnir Bank half year results for 2007
ISK 16.5 billion (EUR 189 m) profit after tax
24.2% return on equity

Financial Highlights

- Pre-tax profit in Q2 was ISK 11.3 billion, up by 34% from Q1 2007
- 45% of pre-tax profit was generated outside Iceland
- Net interest income in Q2 was ISK 9.7 billion up by 22% from Q1 07
- Fees and commissions increased by 22% in Q2 and amounted to ISK 8.9 billion
- Earnings per share for Q2 amounted to ISK 0.66 as compared with ISK 0.46 in Q1 07
- Total assets amounted to ISK 2,335 billion up from ISK 2,246 at the beginning of 2007
- Assets under management increased to ISK 913 billion from to ISK 541 billion in Q1 07
- Strong capitalization with CAD ratio at 13.2%, and Tier 1 ratio at 9.4%

Operational Highlights

- Glitnir was the 3rd largest brokerage in the Nordic equity market with a market share of 6.16% in 1H 07
- Successful alignment of the Finnish operation: consolidation and alignment in the final stages
- Management board strengthened with experienced Nordic executives
- 500 new employees join the group in the first six months
- Strong performance in three global niche sectors, seafood/food, geothermal energy and offshore supply
- Deposits increased by 11% to ISK 552 billion by the end of Q2

Lárus Welding, Chief Executive Officer says: "We are very pleased to report strong financial results in the second quarter. Leading the quarter's performance were strong profit achievement in Capital Markets, good results in Corporate Banking, and a substantial increase in fees and commission income. In addition, we have moved forward on our strategic initiatives, doubling assets under management with strong underlying growth in our Investment Management business. We are in the final stages of integrating FIM into the group and at the same time we are progressing with the consolidation of our Norwegian operations into one banking platform. The international management team of Glitnir remains confident that earnings will continue to increase, adding value for our shareholders. We have good momentum heading into the second half of the year and our goals are to maintain sustainable growth across all our businesses."

For further information please contact:

Lárus Welding
CEO
Tel: +354 440 4005

Alexander K. Guðmundsson
CFO
Tel: +354 440 4656

Bjørn Richard Johansen
MD Corporate Communication
Tel: + 47 47 800 100
bri@glitnir.no

Vala Pálsdóttir
Head of Investor Relations
Tel: +354 440 4989
vp@glitnir.is

For Lárus Welding's video comment, please visit: <http://www.glitnir.is/Media/video/Q2Results-2007.wmv>

1. Consolidated performance

1.1. Highlights from the profit and loss account

ISK m	Q2 07	Q1 07	1H 07	1H 06	2006
Net interest income	9,658	7,943	17,601	19,353	37,084
Net fees and commissions income	8,888	7,298	16,186	11,160	26,459
Net financial income	2,732	2,914	5,645	4,737	8,503
Other operating income	1,905	59	1,964	217	555
Net operating income	23,183	18,213	41,396	35,467	72,601
Salaries and salary-related	-7,126	-4,807	-11,933	-6,967	-15,747
Other operating expenses	-5,002	-3,830	-8,832	-5,198	-11,554
Operating expenses	-12,127	-8,637	-20,764	-12,165	-27,301
Impairments	-247	-1,232	-1,479	-2,778	-4,759
Other income	479	72	551	3,770	5,714
Profit before income tax	11,287	8,416	19,703	24,294	46,255
Income tax expense	-1,766	-1,408	-3,174	-4,184	-8,025
Profit for the period	9,521	7,008	16,530	20,110	38,231

Profit

Glitnir's pre-tax profit was ISK 11,287 million in Q2 2007. Pre-tax profit increased by 34%, from ISK 8,416 million in Q1 2007.

After-tax profit in the quarter was ISK 9,521 million, compared with ISK 7,008 million in Q1.

Earnings per share were ISK 0.66 in the second quarter, compared with ISK 0.46 in Q1.

Return on Equity was 24.2% during the quarter compared with 20.5% in Q1.

Income

Net interest income increased by 22% over the quarter and amounted to ISK 9,658 million in Q2, compared with ISK 7,943 million in Q1.

Net interest margin improved during the second quarter to 1.7%, compared with 1.4 % in Q1 2007.

Net fees and commissions totalled ISK 8,888 million in the quarter, increasing by 22%, compared with ISK 7,298 million in Q1.

Net financial income amounted to ISK 2,732 million, down by 6% from Q1 07.

Other operating income was ISK 1,905 million in the second quarter of 2007, compared with ISK 59 million in Q1.

Overall, revenue increased in the second quarter. Net interest income now accounts for 42% of the total operating income, fees and commissions 39%, net financial income 14% and other 5%.

Expenses

Salaries and salary-related expenses were ISK 7,126 million over the period, compared with ISK 4,807 million in Q1. The average number of full-time employees was 2,011 in Q2, up from 1,546 in the preceding quarter. FIM Group in Finland is now part of the consolidated accounts, adding accordingly 300 employees to Glitnir Group's total number of employees. New hirings accounted for an additional 187 people in the first six months of 2007.

Other operating expenses came to ISK 5,002 million in the second quarter, increasing by ISK 1,172 million, or 31%, from Q1 2007.

Total operating expenses amounted to ISK 12,127 million in the second quarter, compared with ISK 8,637 million in previous quarter. In the past months, Glitnir has focused on investing in skilled and experienced people for its worldwide offices as well further improving business processes.

Other items

Impairments on loans and receivables amounted to ISK 247 million in the second quarter, compared with ISK 1,232 million in Q1. Of this figure, general provisions amounted to ISK 57 million, and specific provisions were ISK 304 million.

The cost-income ratio was 50% over the first six months, compared with 34% for the corresponding period in 2006.

Calculated income tax is ISK 1,766 million for the period, compared with ISK 1,408 million in the first quarter.

1.2. Highlights from the balance sheet

ISK m	1H 07	Q1 07	FY 2006	1H 06
Cash equivalents and balances with central bank:	31,257	26,616	20,417	10,252
Loans and receivables	1,696,823	1,675,963	1,760,368	1,603,598
Financial assets held for trading	258,572	215,889	227,251	217,908
Financial assets designated at fair value through P/L	277,585	275,639	200,864	160,337
Intangible assets	47,762	19,735	18,310	16,803
Other assets	23,009	42,054	19,129	14,287
Total Assets	2,335,008	2,255,896	2,246,339	2,023,185
Deposits from credit institutions and central bank:	40,289	64,550	78,576	64,069
Other deposits	511,319	433,013	438,272	387,236
Borrowings	1,357,275	1,380,336	1,377,787	1,248,382
Subordinated loans	95,142	101,696	108,998	94,789
Trading financial liabilities	87,941	63,489	51,729	53,195
Derivatives used for hedging	15,673	12,502	13,869	18,647
Post-employment obligations	729	83	529	520
Tax liabilities	13,221	8,526	10,647	7,927
Other liabilities	62,151	38,291	19,813	22,657
Equity	151,269	153,411	146,119	125,763
Total Liabilities and Equity	2,335,008	2,255,896	2,246,339	2,023,185

Assets

Total assets were ISK 2,335 billion at the end of June, up by 3.9% or ISK 89 billion from year-end 2006.

Cash and balances with the Central Bank were ISK 31 billion at the end of Q2, as compared to ISK 20 billion at year-end 2006.

Lending to customers, when measured at fixed currency, increased by 6.5% the first six months, but with the strengthening of the ISK taken into consideration, lending to customers decreased by 1.6% during the period. Lending to customers amounted to ISK 1,571 billion at the end of the period but total loans and receivables were ISK 1,697 billion at the same time.

Total trading position

ISK bn	Q2 07	Q1 07	2006
Total bond assets	95.0	85.4	81.0
-hedged against derivatives	86.6	83.9	77.0
-net bond position	8.2	1.5	4.0
Total equity assets	91.0	63.4	79.0
-hedged against derivatives	79.6	54.3	67.0
-net equity position	11.0	9.1	12.0
Net positive derivatives	73.0	67.0	67.0
Financial assets held for trading	258.6	215.9	227.3

Financial assets designated at fair value through the Profit and Loss account were ISK 278 billion.

Liabilities and equity

Funding remains robust, and there was a strong growth in deposits which amounted to ISK 552 billion on 30 June 2007.

Glitnir took advantage of favourable conditions in the international credit markets in the second quarter of 2007 and continued to be an active issuer during the period. The parent company raised approximately EUR 1.5 billion in a mixture of private and public transactions, and has to date raised approximately EUR 3.4 billion in the course of the year.

Glitnir's London money market operations have achieved the milestone balance of EUR 1.5 billion in deposits and certificates of deposits in their first nine months of existence. All tenors are between three months and four years, with an average maturity of just under one year. Counterparties include central banks, corporates, interbank, building societies, local authorities and universities.

Book equity was ISK 151 billion at the end of June, which represents an increase of ISK 5 billion over the first six months of 2007. Unhedged positions in foreign subsidiaries resulted in a loss of ISK 5.1 billion, which was recognised directly in equity during the year.

Capitalisation remains strong, with CAD and Tier 1 ratios standing at 13.2% and 9.4% respectively at the end of June. The Bank will continue to maintain capitalisation well above its prudent long-term targets, 11% CAD ratio and 8% Tier 1 ratio, for the foreseeable future.

It is Glitnir Bank's policy to cover all maturing debt of the parent company over a period of six months with immediately available funds. After taking liquid assets into account, the Bank's policy is to cover all maturing debt over a period of 12 months.

2. Good performance in all business units

Glitnir reports the financial performance of 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. Figures for 2006 have not been restated.

Profit and loss account by business units in Q2 2007

ISK m	Retail Banking	Corporate Banking	Investment Banking	Investment Management	Glitnir Markets	Treasury	Eliminations and other activities	Total
Net interest income	3,198	5,061	-137	166	572	2,425	-1,626	9,658
Net fees and commissions	1,036	629	1,203	2,563	3,659	-31	-172	8,888
Net financial income	0	273	1,170	-57	1,100	-736	982	2,732
Other operating income	340	-125	0	0	563	-499	1,625	1,905
Net operating income	4,574	5,838	2,236	2,672	5,894	1,159	809	23,183
Operating expenses	-3,216	-2,631	-685	-1,973	-3,052	-73	-497	-12,127
Impairments	-179	-84	-3	19	-9	0	9	-247
Other income	5	762	0	0	0	-119	-169	479
Profit before income tax	1,184	3,884	1,548	718	2,833	967	151	11,287

Pre-tax profit of business units across regions in Q2 2007

	Iceland	Nordic	Europe	International	Total
Retail Banking	838	347	0	0	1,184
Corporate Banking	844	1,530	1,347	164	3,884
Investment Banking	792	451	85	220	1,548
Investment Management	104	672	-59	0	718
Glitnir Markets	2,783	50	0	0	2,833
Treasury	951	0	17	0	967
Eliminations and other activities	151	0	0	0	151
Total	6,461	3,049	1,390	384	11,287

Profit from elimination and other activities was ISK 151 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: Net operating income increases by 15% between quarters

ISK m	Q2 07	Q1 07	Q4 06	Q3 06	Q2 06
Net interest income	3,198	2,872	6,501	5,981	5,860
Net fees and commissions	1,036	920	1,251	1,010	653
Net financial income	0	-5	-242	-232	-11
Other operating income	340	191	182	13	65
Net operating income	4,574	3,977	7,691	6,771	6,567
Operating expenses	-3,216	-2,746	-3,734	-2,845	-3,079
Impairments	-179	-132	-363	-429	-1,208
Other income	5	18	-3	0	73
Profit before income tax	1,184	1,118	3,591	3,497	2,353

Retail Banking reported good results in the second quarter of 2007. Profit before tax was ISK 1,184 million, compared with ISK 1,118 million in the first quarter of 2007.

After a slow start in the property market in the first months of the year, the market picked up and the second quarter saw an increased demand for mortgage loans. Demand for loans by SMEs was also strong during the quarter and new lending in asset-based financing remained high. Deposits increased due to competitive interest rates offered to customers. Increased focus on cross-selling initiatives and integration between units within Iceland resulted in several new key accounts.

In Norway the economy is strong, activity is robust and the loan portfolio is stable. The level of non-performing loans continues to be very low.

The loan portfolio of Retail Banking was ISK 479 billion at the end of the second quarter, growing by 4% or ISK 16 billion over the period.

The total number of full-time employees in Retail Banking was 741 at the end of June.

2.2. Corporate Banking: Growth in both net interest income and pre-tax profit

ISK m	Q2 07	Q1 07	Q4 06	Q3 06	Q2 06
Net interest income	5,061	4,669	2,965	2,362	2,444
Net fees and commissions	629	701	847	497	539
Net financial income	273	1,058	-16	20	25
Other operating income	-125	82	24	4	10
Net operating income	5,838	6,510	3,821	2,883	3,017
Operating expenses	-2,631	-1,969	-1,012	-967	-978
Impairments	-84	-1,062	-1,416	183	-159
Other income	762	-474	0	0	0
Profit before income tax	3,884	3,005	1,393	2,100	1,880

Corporate Banking showed good results in the second quarter of 2007. Profit before tax was ISK 3,884 million, compared with ISK 3,005 million in the first quarter 2007.

The Icelandic corporate market continued to be both active and competitive during the first half of the year. After a slow start activity increased considerably and was especially notable in the spring, particularly in the real estate, construction and seafood sectors, yielding additional business with both existing and new customers.

In the commercial real estate market in Norway, which represents part of Glitnir's corporate banking activities in the country, turnover remains high.

In international markets, Glitnir focused on the bank's niche strategies and achieved some milestone transactions. The business is driven by participation in the global seafood and geothermal energy industries and support to home market customers in their activities in the Americas and Asia.

The pipeline remains strong with prospects of a number of transactions closing in the third and fourth quarters.

The corporate loan portfolio was ISK 992 billion at the end of June, growing in real terms from year-end 2006.

The Corporate Banking team had 253 full-time employees at the end of June.

2.3. Investment Banking: Continued strong activity

ISK m	Q2 07	Q1 07	Q4 06	Q3 06	Q2 06
Net interest income	-137	-174	-122	-66	-114
Net fees and commissions	1,203	1,547	2,646	1,006	621
Net financial income	1,170	1,120	893	423	102
Other operating income	0	0	0	0	0
Net operating income	2,236	2,494	3,416	1,364	609
Operating expenses	-685	-553	-775	-305	-181
Impairments	-3	-3	62	-64	-5
Other income	0	0	0	0	0
Profit before income tax	1,548	1,938	2,703	995	423

Investment Banking had a good second quarter. Net operating income reached ISK 2,236 million and pre-tax profit ISK 1,548 million, compared with a pre-tax profit of ISK 1,938 million in Q1.

Net fees for the unit amounted to ISK 1,203 million in Q2. The unit registered trading gains on listed shares of ISK 154 million in the quarter, and ISK 541 million in 'income from other assets at fair value'. This corresponds to total gains of ISK 695 million on equity instruments in Q2. In addition the unit realised profit of ISK 472 million during the quarter, mostly from real estate projects.

During the second quarter, Investment Banking completed several corporate advisory transactions with most of the activity occurring in Iceland and Norway.

Investment Banking now operates in seven markets with Sweden as the most recent addition in Q2. Synergies across markets will bring numerous additional business opportunities and strengthen deal flow still further. The forward pipeline is strong, with good prospects for the second half of the year.

The Investment Banking team consisted of approximately 50 full time employees.

2.4. Markets: 3rd largest broker in the Nordic equity market

ISK m	Q2 07	Q1 07	Q4 06	Q3 06	Q2 06
Net interest income	572	246	999	837	896
Net fees and commissions	3,659	3,355	5,328	2,490	3,262
Net financial income	1,100	478	697	-281	417
Other operating income	563	528	72	64	69
Net operating income	5,894	4,607	7,096	3,109	4,644
Operating expenses	-3,052	-2,212	-2,939	-1,681	-1,329
Impairments	-9	7	0	-7	0
Other income	0	0	0	0	0
Profit before income tax	2,833	2,402	4,157	1,420	3,315

Markets performed very well in the second quarter of 2007. Profit before tax was ISK 2,833 million, compared with ISK 2,402 million in the first quarter 2007.

In terms of market turnover,* Glitnir was the third largest equity broker in the Nordic capital markets, including OMX and the Oslo Stock Exchange, in the first six months of 2007.

Largest brokers Nordics	1H 07
1 Skandinaviska Enskilda Banken AB	7.11%
2 Morgan Stanley & Co. International Ltd	6.36%
3 Glitnir	6.16%
4 Merrill Lynch International	4.42%
5 Carnegie Investment Bank AB	4.38%
6 Lehman Brothers International	4.19%
7 Svenska Handelsbanken AB	3.85%
8 Goldman Sachs International	3.61%
9 UBS Limited	3.52%
10 Danske Bank A/S	3.47%

In Iceland, the FX market was characterised by increasing volume. This returned good results for the unit, which surpassed a good first quarter. The securities brokerage team also had an exceptionally good quarter. Equity and bond desks both ranked second in the Icelandic market. The sale of structured bonds to a value of ISK 14 billion in Q2 was a milestone in the successful building and growing of Markets derivatives and structured product unit.

In Norway, customer activity remained high throughout the quarter. The favourable market contributed to good results for Glitnir's Norwegian markets operations, which include general capital markets advisory and trading services, as well as a niche focus on commercial property advisory and trading.

The team in Sweden is the group's volume driver and an important execution platform for Glitnir's markets activities. The implementations of a staff development programme and other projects have been initiated to broaden Glitnir's future revenue base in Sweden.

In Finland and Russia, favourable markets contributed to a positive trend in operating profit for Glitnir, but operating profit is still burdened by the development of operations in Russia.

* Based on statistics published by OMX and the Oslo Stock Exchange

Markets expects its good performance to continue over the remainder of the year.

The total number of employees was 337 at the end of June.

2.5. Investment Management: Growth in AUM of 69% to ISK 913 billion

ISK m	Q2 07	Q1 07	Q4 06	Q3 06	Q2 06
Net interest income	166	104	244	170	163
Net fees and commissions	2,563	899	680	403	503
Net financial income	-57	6	8	-3	-5
Other operating income	0	3	4	3	4
Net operating income	2,672	1,011	937	572	664
Operating expenses	-1,973	-645	-636	-376	-397
Impairments	19	-37	91	-1	-1
Other income	0	0	0	0	0
Profit before income tax	718	330	392	195	267

Investment Management is one of Glitnir's focus areas for growth, and the group aims to substantially step up its range of international investment and asset management services in its entire business territory in the years ahead. With the inclusion of FIM, the group has a strong product range for further growth in the mutual and investment fund business.

Glitnir's assets under management at the end of June 2007 were ISK 913 billion. Assets under management increased from ISK 541 billion, or 69% compared with Q1. The main contributing factor was the inclusion of FIM's assets under management during the period. Assets in custody amounted to ISK 1,076 billion at 30 June, up by 54% in 2007.

In Iceland, the second quarter showed continued growth in portfolio management services for private clients. The performance of funds remains strong, as do inflows into mutual and investment funds. In particular, inflows into the Icelandic money market fund were extremely strong due to high short-term interest rates. Trading related revenues were somewhat lower than in the first quarter.

In 2006, the second quarter was impacted by a fairly sharp correction in the Nordic and emerging markets' equity markets which are of importance to Investment Management. This caused a substantial decrease in performance fees in discretionary asset management and in discretionary fund management. These have now returned to more comfortable levels. Demand for structured products has also been very strong. Sales of structured products were up 34% in the first half of this year. In terms of investment activities, the unit performed well in the first half of the year, with 64% of its mutual funds outperforming their benchmarks during the reporting period.

At the end of the reporting period, the total number of employees in Investment Management was 307.

2.6. Treasury

ISK m	Q2 07	Q1 07	Q4 06	Q3 06	Q2 06
Net interest income	2,425	1,148	-1,436	551	2,438
Net fees and commissions	-31	-80	-91	-96	-61
Net financial income	-736	56	917	889	698
Other operating income	-499	-55	0	0	0
Net operating income	1,159	1,068	-610	1,345	3,076
Operating expenses	-73	-146	104	-47	-88
Impairments	0	0	0	0	0
Other income	-119	0	0	0	0
Profit before income tax	967	922	-505	1,298	2,988

3. Key Market Ratios

	1H 07	2006	2005	2004	2003*	2002*	2001*
CAD ratio (end of period)	13.2%	15.0%	12.6%	12.6%	11.4%	12.7%	12.2%
Tier 1 capital (end of period)	9.4%	10.8%	9.9%	9.4%	8.0%	10.1%	9.0%
Return on equity after taxes	24.2%	39.4%	30.3%	40.0%	30.1%	18.2%	24.5%
Earnings per share (ISK)	1.12	2.68	1.48	1.13	0.63	0.36	0.32
Average number of full-time employees	1,779	1,392	1,216	1,126	948	907	940
Net interest margin	1.5%	2.0%	1.9%	2.7%	3.0%	3.0%	3.1%
Cost/income ratio	50%	38%	36%	49%	50%	55%	55%
Impairment losses							
- as a proportion of average total assets	0.1%	0.3%	0.2%	0.6%	0.8%	0.7%	0.7%
- as a proport. of loans and quarantees	0.1%	0.3%	0.2%	0.7%	0.9%	0.8%	0.8%
Share price (end of period)	29.0	23.3	24.3	11.2	6.4	4.7	4.3
Price/earnings (end of period)	12.1	8.7	16.4	9.5	10.2	12.4	13.4
Dividend per share		0.66	0.38	0.35	0.23	0.17	0.13
Pay-out ratio		24.6%	25.7%	29.7%	36.5%	45.0%	40.0%
Outstanding shares (end of period)	14,476	14,265	13,112	11,081	10,080	9,400	9,700
Share price/book value (end of period)	2.77	2.27	3.76	2.56	2.19	2.11	2.08
Market Capital (end of period)	419,080	332,375	318,622	124,107	64,512	44,180	42,098

* Figures not restated according to IFRS



4. Exchange Rates

Exchange rates as per 30 June 2007: EUR/ISK 84.02 and NOK/ISK 10.54. Average exchange rate for the second quarter was EUR/ISK 85.92 and NOK/ISK 10.60 and for the first half of the year EUR/ISK 87.58 and NOK/ISK 10.76.

5. Publication of financial reports for 2007

The proposed publication dates of Glitnir Bank's financial reports in 2007 are as follows:

Third quarter, 30 October 2007

Annual Results, 29 January 2008

6. Presentation of Glitnir Bank's Second Quarter Results

Glitnir will host the following presentations and webcasts in connection with the publication of the group's results for the second quarter of 2007. An English version of the presentation will be available on www.glitnirbank.com as of its publication at midday on 31 July.

Presentation in Reykjavík, Iceland

Lárus Welding, CEO, will present Glitnir's second quarter 2007 results to shareholders and market participants on Tuesday, 31 July, at 1.30 p.m. at Nordica Hotel, room H, in Reykjavík.

Presentation and web cast in London, UK

Lárus Welding, CEO, will present Glitnir's second quarter 2007 results to shareholders and market participants on Wednesday, 1 August, at 11 a.m. at The Great Eastern Hotel, Liverpool Street, EC2M 7QN, London. Lunch will be offered after the presentation.

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. You can also participate with questions over the telephone by dialling +44 (0) 208 817 9301.

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.

Booking media interviews

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