

26 July 2007

Straumur Investment Bank ("Straumur")
Results for the first six months of 2007

CONSIDERABLE PLATFORM AND SERVICE GROWTH ENLARGED MARKET AREA WITH INCREASED GEOGRAPHICAL DIVERSIFICATION FEES AND COMMISSIONS CONTINUE TO GROW

William Fall, CEO:

"We are very pleased to confirm to our stakeholders and to the market that Straumur has made considerable advances towards its goal of becoming the leading Nordic investment bank. Our emphasis on the growth of the platform and the diversification in the services we offer exemplifies Straumur's drive to assure the stability of its income sources. The acquisitions of eQ and Wood & Company have enabled the Bank to reach its goals much earlier than the anticipated 2009 target: the Bank's customer base has increased threefold, it derives 20% of its revenue from new products and services, and it has achieved an ROE of 15% over risk-free rates. Straumur offers a complete and diversified range of integrated investment banking services, including capital markets, corporate finance, debt finance, and asset management services. We now operate in eight countries and employ the equivalent of 442 full-time members of staff, which is a fivefold increase from the same time last year."

After-tax profit soars year-on-year

- After-tax profit for the second quarter of 2007 was EUR 94.19 million, as compared with EUR 3.51 million during the same period last year. After-tax profit for the first half of 2007 dropped by 35% to EUR 163.35 million from its prior-year level of EUR 221.01 million. Included in the financial statements are one month's results from Finnish bank eQ, the acquisition which was announced at the end of May 2007.
- Net income from operations during the quarter was EUR 148.20 million, as compared with EUR 13.72 million for the same period in 2006. For the first six months of 2007, net income from operations decreased to EUR 240.71 million, a 20% year-on-year drop. Excluding the profit from the sale in Islandsbanki, net income from operations increased by 15% for the first half of 2007, compared to EUR 209,74 million in the first half of 2006.
- Annualised return on equity (ROE) was 23.80%, which is in line with the Bank's targets.
- The cost-income ratio was 17.6% in the first half of the year, as compared with 5.9% for the same period in 2006. The Bank will continue to invest in further growth in core markets.

84% increase in fees and commissions

- Net commission income in the second quarter amounted to EUR 42.88 million, as opposed to EUR 12.57 million in the same quarter last year. Net commission income for the first half of the year, at EUR 73.16 million, was 84% higher than the EUR 39.55 million earned during the same period in 2006.
- Net interest income in the first half of the year was EUR 19.53 million, as compared with EUR 21.41 million for the same period in 2006.

Total assets up 57% since year-end 2006

- The Bank's total assets at the end of the second quarter amounted to EUR 6,828.66 million, where as they totalled EUR 4,357.76 million at the end of 2006. This represents an increase of 57%.
- The Bank's CAD ratio was 28,4%, with a Tier 1 capital ratio of 25.9%. In comparison, at year-end 2006 the CAD ratio was 37.59% and the Tier 1 capital ratio 35.20%.
- Shareholders' equity amounted to EUR 1,585.07 million at the end of the second quarter, after the deduction of the Bank's own shares.

Steady increase in loan portfolio

- Straumur's loan portfolio grew from EUR 1,322.54 million at the end of 2006 to EUR 2,113.36 million at the end of the second quarter 2007, a 60% increase.

Key figures from operations

<i>EUR thousands</i>	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Net interest income	8.37	11.16	6.79	14.34	15.88
Net commission income	42.88	30.29	25.55	19.31	12.56
Dividends	7.16	17.13	6.00	0.35	13.85
Net income from current assets/current liabilities	33.93	67.55	37.43	13.26	-68.40
Net income on other assets at fair value	50.92	-10.02	84.40	22.28	11.33
Net income on investments	0.00	0.00	9.26	0.00	0.00
Net foreign exchange gain/loss	9.70	-28.72	37.48	-37.57	28.49
Other operating income	-4.76	5.12	0.00	0.00	0.00
Net operating income	148.20	92.51	206.90	31.97	13.71
Salaries and related expenses	-14.93	-4.68	-11.53	-4.49	-3.63
Other operating expenses	-15.09	-7.57	-7.32	-3.50	-4.99
Total operating expenses	-30.02	-12.25	-18.84	-7.99	-8.62
Impairment	-4.52	-2.86	-3.37	-2.05	-3.37
Interest in associated companies	-0.02	0.00	0.00	0.00	0.00
Pre-tax profit	113.64	77.40	184.68	21.92	1.72
Income tax	-19.44	-8.24	92.05	-4.26	1.78
Profit	94.19	69.16	276.73	17.66	3.50
Profit per share	0.01	0.01	0.03	0.00	0.00
Minority interest	3.9	4.27	2.68	0.64	1.01

Income statement

Income

The Bank's after-tax profit in the second quarter of 2007 was EUR 94.19 million, as compared with EUR 3.51 million in the second quarter of 2006. After-tax profit in the first half of the year was EUR 163.35 million, compared with EUR 221.01 million for the same period in the previous year, a decrease of 35%.

Net income from operations in the second quarter of the year was EUR 148.20 million, as opposed to EUR 13.72 million at the same time in 2006, a tenfold increase. Net income from operations in the first half of 2007 were EUR 240.71 million, against EUR 289.74 million for the same period in 2006.

The Bank's net interest and commission income in the second quarter was EUR 42.88 million, compared with EUR 12.57 million over the same period in 2006. Net interest and commission income totalled EUR 92.69 million in the first half of 2007, as compared with EUR 39.55 million during the same period in 2006.

Dividend income was EUR 7.16 million in the second quarter of 2007, whereas it was EUR 13.85 million for the same period in the previous year. Dividend income was EUR 24.29 million in the first half of the year, as opposed to EUR 21.78 million for the first six months of 2006.

Net income on financial assets and financial liabilities held for trading was positive by approximately EUR 33.93 million in the second quarter 2007 and negative EUR 68.40 million at same time last year. Net income from current assets and current liabilities was EUR 101.48 million in the first half of 2007, against EUR 104.34 million during the same period in 2006.

Net income on financial assets at fair value was EUR 50.92 million in the second quarter of 2007, as opposed to EUR 11.33 million at the same time last year. Net income on financial assets at fair value was EUR 40.90 million in the first half of the year, up from EUR 34.16 million for the same period in 2006.

Net currency gains were EUR 9.70 million in the second quarter of 2007, compared with EUR 28.49 million during the same period in 2006. Net currency gains were negative in the amount of EUR 19 million in the first half of 2007, while they were positive in the amount of EUR 68.39 million during the same period a year ago.

Operating expenses

Operating expenses in the second quarter of 2007 were EUR 30 million, as compared with EUR 8.62 million in the second quarter of 2006. Operating expenses in the first half of 2007 totalled EUR 42.27 million, as opposed to EUR 17.24 million in the first half of 2006.

Key figures from the balance sheet

<i>EUR thousands</i>	30.06.07	31.12.06		30.06.07	31.12.06
Financial assets held for trading	1,863.72	1,330.10	Financial liabilities held for trading	79.51	87.69
Financial assets designated at fair value through	762.76	658.36	Borrowings	4,691.07	2,572.77
Loans and receivable	2,951.14	2,046.24	Subordinated loans	115.56	88.69
Financial assets available for sale	195.76	0.00	Tax liabilities	88.32	6.25
Affiliates	0.01	0.54	Other liabilities	242.59	108.35
Property and equipment	21.71	14.09	Equity	1,611.59	1,494.02
Investment property	77.58	67.78			
Intangible assets	414.28	186.78			
Other assets	541.68	53.87			
Total Assets	6,828.66	4,357.76	Total Liabilities and Equity	6,828.66	4,357.76

Balance sheet

As of 30 June 2007, Straumur's total assets had increased by 19% to EUR 6,828.66 million, as opposed to EUR 4,357.76 million at year-end 2006. The capital adequacy ratio, calculated on a CAD basis, was 28.4% at the end of the first half of 2007, with a Tier 1 capital ratio of 25.9%.

Assets

The balance of the credit provisioning account in the first half of 2007 was EUR 23.38 million, compared with EUR 15.99 million at 31 December 2006. This is equivalent to 1.365% of total loans outstanding at the end of the second quarter of 2007.

Current assets amounted to EUR 1,863.76 million in the first half of 2007, compared with EUR 1,330.10 million at the end of 2006. The total value of the Bank's equity holdings recognised as current assets amounted to EUR 736.32 million as of 30 June 2007, and the value of its bond assets was EUR 1,038.09 million. A portion of the Bank's equity assets is balanced against derivative contracts. At the end of the second quarter, the Bank's clients had, by means of forward contracts, sold shares to the Bank, or purchased shares from it, in the amount of EUR 268.17 million, as compared with EUR 348.27 million at the end of 2006.

Loans and receivables in the first half of 2007 totalled EUR 2,951.14 million, of which amount loans to clients accounted for EUR 1,972.44 million. Loans to clients totalled EUR 1,351.27 million at the end of 2006.

Other financial assets at fair value amounted to EUR 762.76 million on 30 June 2007, against EUR 658.36 million at the end of 2006.

Fixed assets amounted to EUR 21.71 million at the end of the second quarter, as compared with EUR 14.09 million at the beginning of 2007.

Other assets amounted to EUR 541.68 million as of 30 June 2007, up from EUR 53.87 million at year-end 2006.

Liabilities and shareholders' equity

Current liabilities totalled EUR 79.51 million in the first half of 2007, as opposed to EUR 87.69 million at the beginning of the year.

Total borrowings increased by EUR 2,118.29 million during the second quarter to reach EUR 4,691.07 million at 30 June 2007. Of this figure, the amount owed to credit institutions was EUR 2,716.78 million, compared with EUR 1,207.34 million at 31 December 2006. Other borrowing amounted to EUR 1,974.29 million, compared with EUR 1,365.43 million at year-end 2006.

Subordinated debt amounted to EUR 115.56 million at the end of the period.

The calculated income tax liability at the end of Q2 2007 was EUR 88.32 million; other liabilities totalled EUR 242.59 million.

As of 30 June 2007, shareholders' equity amounted to EUR 1,611.59 million, up from EUR 1,494.02 million at the beginning of the year. Dividends amounting to EUR 87.79 million were paid to shareholders in the first half of the year.

The Bank's income divisions

The Bank's operations are divided into income divisions and support divisions. The income divisions are Corporate Finance, Proprietary Trading, Debt Finance, Treasury, and Capital Markets. The support divisions are Risk Management, Legal, and Operations. Three support divisions that previously reported to Operations now report directly to the CEO: Finance and Accounting, Human Resources, and Corporate Communications.

Operating expenses of support divisions are taken into account in the calculation of the profits for each income division.

<i>EUR thousands</i>	Proprietary Trading	Capital Markets	Corporate Finance	Debt Finance	Treasury	Other operations	Total Q2 2007
Net interest income	-9.169	2.239	-9.652	23.864	11.133	1.112	19.528
Net commission income	-0.384	20.630	45.568	7.245	-1.009	1.114	73.164
Dividends	24.099	0.049	0.095		0.048		24.291
Net income from current assets/current liabilities	100.207	6.383	-6.394	0.341	0.919	0.025	101.481
Net income on other assets at fair value			31.021	0.331	0.017	9.531	40.900
Net foreign exchange gain/loss	-23.550				4.535		-19.015
Other operating income		0.020				0.344	0.364
Operating income	91.203	29.321	60.638	31.781	15.643	12.126	240.712
Operating expenses	-2.946	-6.504	-11.862	-7.208	-7.773	-5.980	-42.273
Impairment		-0.001	-1.270	-6.114			-7.383
Effects of related parties						-0.021	-0.021
Pre-tax profit	88.257	22.816	47.506	18.459	7.870	6.146	191.035
						Tax	-27.684
						Profit	163.351

Proprietary Trading

The Bank's transactions on its own account are the responsibility of Proprietary Trading. Transactions are either part of market marking for certain classes of securities or the Bank's own exposures in bonds, listed equities, FX, and derivatives of these products, on domestic and foreign markets.

Net operating income was positive by EUR 91.20 million in the second quarter of 2007, an increase of EUR 65.44 million over the previous quarter.

<i>EUR thousands</i>	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Net interest income	-9,17	-5,54	-24,85	-13,37	-24,96
Net commission income	-0,38	-0,25	0,03	0,11	
Dividends	24,10	17,13	5,85	0,30	13,85
Net income on equity	100,21	67,66	37,38	32,32	-83,25
Net income on bonds			-0,42	-2,14	
Net foreign exchange gain/loss	-23,55	-24,59	6,40	-37,70	31,29
Net income on investments					
Other operating income					
Operating income	91,20	54,41	24,38	-20,49	-62,91
<i>Operating expense</i>	-2,95	-1,57	-1,47	-1,35	-0,80
Impairment					
Pre-tax profit	88,26	52,84	22,91	-21,83	-63,71

Capital Markets

Capital Markets handles the Bank's securities brokerage and co-ordinates share and bond offers. It offers structured products and a variety of services and products to its clients. The division continues to grow rapidly overseas; its clients are primarily institutional investors and corporations.

Net operating income, at EUR 29.32 million in the second quarter, increased by 160% over the previous quarter.

<i>EUR thousands</i>	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Net interest income	2,24	0,02	-0,01	-0,18	-0,29
Net commission income	20,63	10,02	9,39	5,80	4,61
Dividends	0,05				
Net income on equity	6,38				
Net income on bonds					
Net foreign exchange gain/loss					
Net income on investments					
Other operating income	0,02				
Operating income	29,32	10,04	9,38	5,62	4,32
<i>Operating expense</i>	-6,50	-1,28	-1,25	-0,87	-0,54
Impairment					
Pre-tax profit	22,82	8,76	8,13	4,75	3,79

Corporate Finance

Corporate Finance advises the Bank's clients on the acquisition, disposal and/or financing of companies and investment vehicles. The division's services may involve mergers, acquisitions, or general restructuring requiring the issuance of share capital and/or debt financing.

In the second quarter, net operating income was EUR 60.64 million, and net fee and commission income totalled EUR 45.57 million.

<i>EUR thousands</i>	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Net interest income	-9,65	-4,55	-4,91	-5,48	-3,02
Net commission income	45,57	16,14	14,11	13,01	7,22
Dividends	0,10			0,06	
Net income on equity	-6,39	-0,22	83,76	5,54	21,44
Net income on bonds	31,02				
Net foreign exchange gain/loss					
Net income on investments		-9,24	9,26		
Other operating income		5,11			
Operating income	60,64	7,24	102,21	13,12	25,65
<i>Operating expense</i>	-11,86	-5,45	-8,66	-3,47	-2,12
Impairment	-1,27				
Pre-tax profit	47,51	1,79	93,55	9,66	23,53

Debt Finance

Debt Finance offers a full range of debt financing solutions – from simple corporate loans to bridge facilities and structured lending – to corporate clients and institutional investors. The division's principal focus is on providing clients with tailored and comprehensive services – including senior and mezzanine debt – on acquisition financing in relation to LBOs.

Net operating income for the division was EUR 31.78 million in the second quarter, as compared with EUR 16 million in the previous quarter. The division's net interest income was EUR 23.86 million. Net fee and commission income amounted to EUR 7.25 million during the quarter.

<i>EUR thousands</i>	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Net interest income	23.86	10.85	17.02	16.01	14.95
Net commission income	7.25	5.15	2.43	0.70	1.03
Dividends					
Net income on equity	0.34		0.13		
Net income on bonds	0.33		-0.13		0.13
Net foreign exchange gain/loss					
Net income on investments					
Other operating income					
Operating income	31.78	16.00	19.45	16.70	16.10
<i>Operating expense</i>	-7.21	-3.43	-3.47	-1.82	-1.29
Impairment	-6.11	-2.86	3.37	-2.05	-3.37
Pre-tax profit	18.46	9.70	12.61	12.84	11.43

Treasury

Treasury is responsible for the Bank's financing and the management of short-term cash flow, interest rate balance, and FX balance.

The Treasury division's net operating income was EUR 15.64 million during the second quarter.

<i>EUR thousands</i>	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Net interest income	11.13	10.31	19.29	18.39	30.46
Net commission income	-1.01	-0.78		0.05	
Dividends	0.05				
Net income on equity	0.92				
Net income on bonds	0.02				
Net foreign exchange gain/loss	4.54	-4.09	30.63	0.84	-2.45
Net income on investments					
Other operating income					
Operating income	15.64	5.57	49.92	19.28	28.01
<i>Operating expense</i>	-7.77	-3.80	-3.36	-1.81	-1.62
Impairment					
Pre-tax profit	7.87	1.77	46.56	17.46	26.39

Profitability and share capital

Return on equity during the second quarter of 2007 was 23.80% annualised (ROE).

As of 30 June 2007, the nominal value of the outstanding share capital of Straumur Investment Bank was ISK 9,538 million.

Shareholders

At the end of the period the Bank's shareholders numbered 20,957 as compared to 20,666 at the beginning of the year. Samson Global Holdings SARL, which holds 30.7% of the Bank's share capital, is the only shareholder with a holding exceeding 10%.

Events in Q2 2007

10 May Straumur announced the hiring of Höskuldur Hauksson, who was previously Managing Director of Goldman Sachs' Capital Markets operations. Mr Hauksson leads the development of the Bank's Capital Markets operations in the UK and the Nordic region. Capital Markets operations are already up and running in London and will be expanded to include the provision of corporate finance services to small and mid-sized companies (SMEs), so as to complement the Bank's activities in the other geographic markets in which it operates.

22 May Straumur acquired a majority holding in eQ Corporation, a Finnish bank specialising in brokerage, asset management, and corporate finance. A mandatory tender offer was launched for all the shares and option rights in eQ. By 4 July the offer had been accepted by 96% of the shareholders, as well as the holders of option rights.

24 May Following the announcement of Straumur's acquisition of eQ, Fitch Ratings affirmed the Bank's ratings at Issuer Default "BBB-" (BBB minus), Short-term "F3", Individual "C/D" and Support "3". The Support Rating Floor is unchanged at "BB-" (BB minus). The Outlook on the Issuer Default rating is Stable.

29 May William Fall, former President, International, of Bank of America, was appointed as CEO of Straumur. Fridrik Jóhannsson, who had been the Bank's CEO since June 2006, worked closely with William to ensure a smooth transition.

20 June Straumur acquired a 50% stake in Wood & Company, the leading independent investment house in Central and Eastern Europe, with the option of acquiring 100% no later than early 2011. The acquisition is a demonstration of the Bank's determination to build a stronger international presence and to increase its fee and commission income by conducting a greater proportion of client-driven business.

Outlook for 2007

Straumur's intention is to become the leading Northern and Central European investment bank. It will commence operations in Stockholm before year-end 2007, and the acquisitions of eQ in Finland and a 50% holding in Wood & Company in the Czech Republic are a clear indication of the Bank's determination to continue its advance into international markets. The employment of the most qualified people in each market will continue to be a point of emphasis.

It is very important that the Bank's growth is healthy and that it benefits the Company and its shareholders for the long term. Growth over the next few years will be based on achieving clearly defined targets relating to meeting the various stakeholder goals for the Company. These stakeholders are our shareholders, our clients, and our associates. The Bank is currently in the process of a 90-day review, following the appointment of a new CEO, of the current strategy and an appropriate operating model. This will be communicated to the Bank's various stakeholders before the end of the third quarter. It is the Bank's goal to achieve growth and diversification targets through expansion, both internationally and across its various revenue activities.

The Bank's balance sheet is strong and supports its external and organic growth.

Three-year overview

<i>EUR thousands</i>	6 months 2007	3 months 2007	2006	2005	2004
Total assets	6.820	5.192	4.358	3.472	1.073
Equity at end of period (ISK millions)	1.612	1.539	1.494	1.538	383
Shares at end of period (ISK millions)	101	102	100	139	65
Equity per share	16	15	15	11	6
Net operating income	241	93	490	453	103
Operating costs	-42	-12	-41	-17	-6
Profit before tax (ISK millions)	191	77	438	431	96
Profit after tax (ISK millions)	163	69	478	358	80
Return on equity on annual basis	23,80%	19,90%	42,00%	46,50%	34,50%
Profit (losses) per share	0,017	0,007	2,41	3,5	1,51
Dividend per share	0,0072	0,0072	0,65	0,65	0,35
Full-time-equivalent positions	442	117	109	52	17
Net op. Income/Total assets	3,5%	1,8%	11,2%	13,1%	9,6%
Op. Expenses/Total assets	0,6%	0,2%	0,9%	0,5%	0,6%
Cost/Income	17,6%	13,2%	8,3%	3,9%	6,1%

Accounting

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

Personnel

At end of the quarter, there were the equivalent of 442 full-time positions at the Bank.

Information disclosure

Straumur is dedicated to providing timely, reliable, correct, and appropriate information to the market, through the OMX The Nordic Exchange News System, its own website and in the press. The Bank's aim is to guarantee all stakeholders access to clear and exact information on the Bank's operations and projects at any given time.

Financial calendar for 2007

Publication of the results for the first nine months (Q3) is scheduled for 25 October 2007, and for the annual results (Q4) on 29 January 2008.

Presentation of results

A presentation for investors and other parties in the market will be held at 8:30 a.m. on Thursday 26 July 2007, at the Bank's headquarters at Borgartún 25, 8th floor. Chief Executive Officer William Fall will present the results and a survey of Company operations during the first six months of 2007.

The interim financial statements and further information

For further information, please contact Jóhanna Vigdís Gudmundsdóttir (johanna@straumur.net, mobile: +354 8409133). The interim financial statements for the first six months of 2007 will be available at the Bank's offices in Borgartún 25, Reykjavík and will be accessible, together with other information on the Bank, on its website: www.straumur.net.

