



**First quarter results 2007**

**Bjarni Ármannsson, CEO**

**Reykjavík**

**30 April 2007**

# HIGHLIGHTS

## KEY FIGURES



# Solid performance



## Q1 2007 Results

- » Net interest income on the back of low inflation
- » 30% growth in fee income QOQ
- » EPS of ISK 0.46
- » ROE 20.5%
- » Strong CAD ratio 14.2%
- » Book equity ISK 153 billion

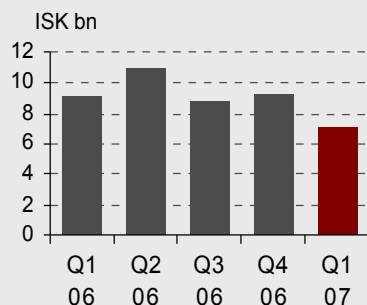
## The quarter

- » Acquisition of 68.1% of FIM Group
- » Refinancing for 2007 completed
- » Deposits in UK surpassed EUR 1 billion, with average maturity of 1 year
- » New Matrix organisational structure
  - Investment management created as a special business line
  - Increased breath of management

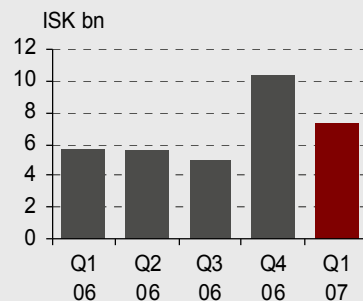
## Outlook

- » Tender offer for remaining shares in FIM to close on 16 May
- » Integration of FIM Group in process, enters consolidated accounts April 1
- » Further focus on increased fee generation
- » Net interest income expected to fluctuate between quarters due to inflation volatility in Iceland
- » Impairments to remain on similar levels as in 2006

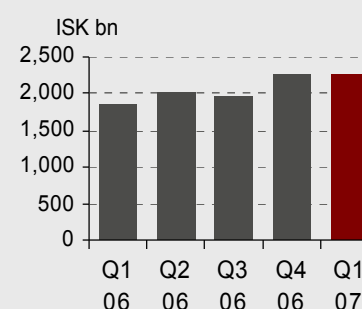
## Profit



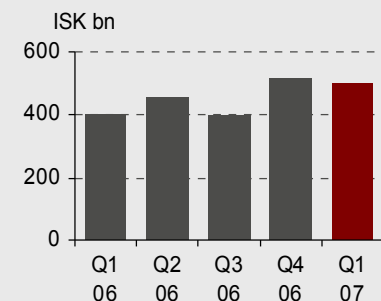
## Fees & commissions



## Assets



## Deposits



# Profit QOQ decreases on lower financial income and higher operational cost



ISK m	Q1 2007	Q1 2006	Q1 06 - Q1 07 change	Q4 06 - Q1 07 change
Net interest income	7,943	7,827	1% ↑	-6% ↓
Net fees and commissions	7,298	5,626	30% ↑	-29% ↓
Net financial income	2,913	3,791	-23% ↓	2% ↑
Other operating income	59	47	25% ↑	-75% ↓
Net operating income	18,213	17,291	5% ↑	-17% ↓
Operating expenses	-8,637	-5,872	47% ↑	-1% ↓
Impairments	-1,232	-1,424	-14% ↓	-25% ↓
Other income/(expenses)	72	1,186	-94% ↓	-20% ↓
Profit before income tax	8,416	11,181	-25% ↓	-27% ↓

# Key numbers



	Q1 07	Q1 06
CAD ratio	14.2%	12.1%
Tier 1 capital	11.6%	9.2%
Earnings per share (ISK)	0.46	0.66
Cost/income ratio	47.4%	34.0%
ROE	20.5%	42.0%
Impairment losses/average total assets	0.22%	0.24%
Employess (average)	1,546	1,216
Employees (at period end)	1,564	1,225
Net interest margin	1.4%	2.0%

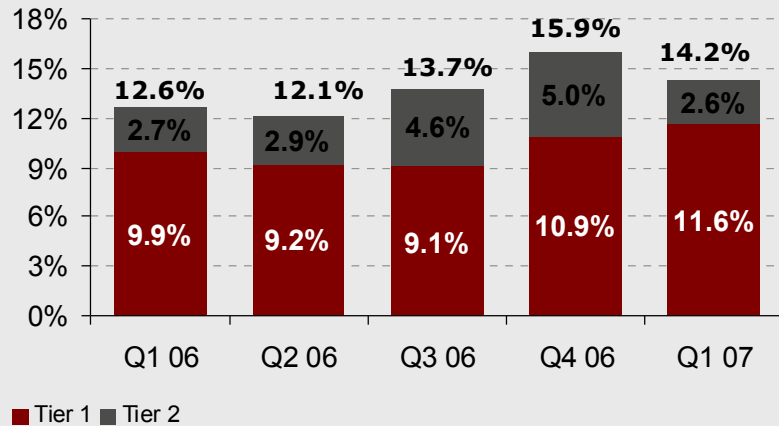
# PERFORMANCE AND STATUS ANALYSIS



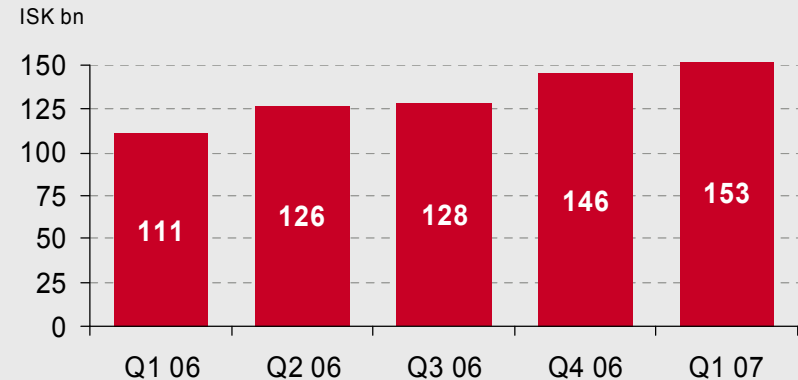
# Capitalisation remains strong



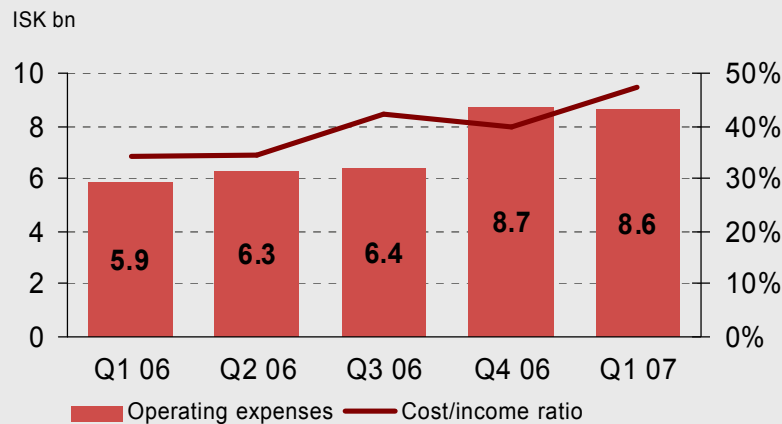
## CAD ratio



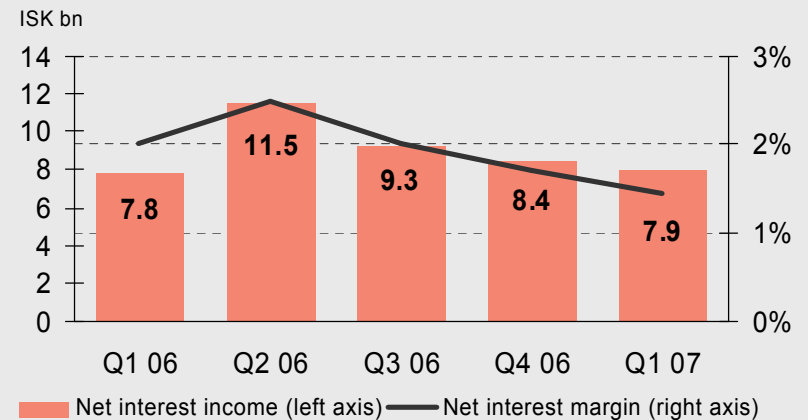
## Equity



## Operating cost and cost/income ratio



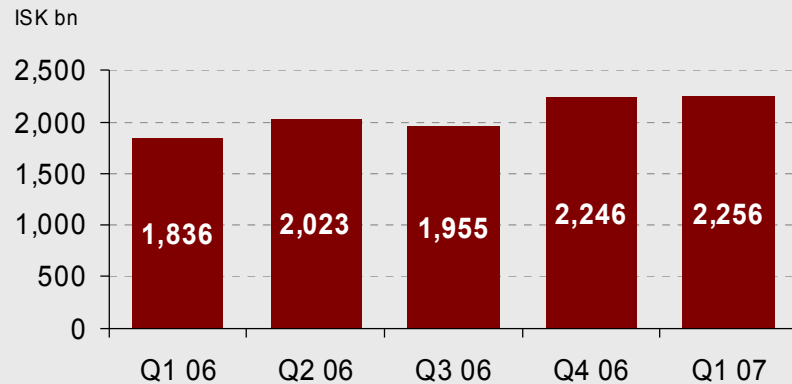
## Net interest income and interest margin



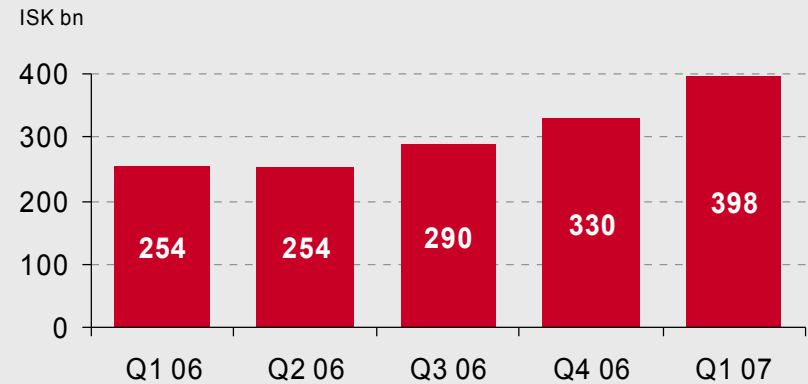
# Substantial increase in AuM



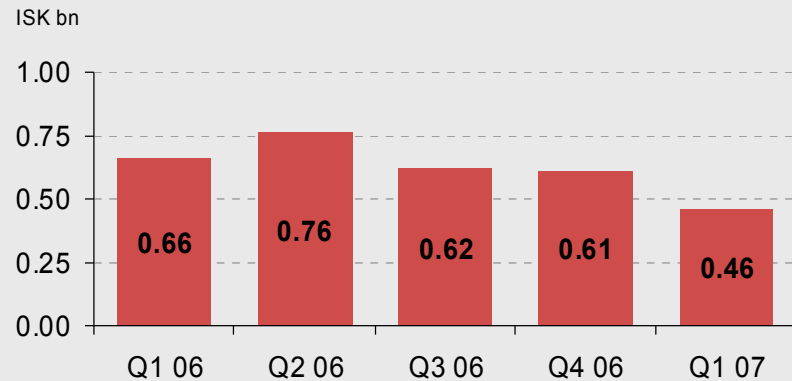
## Total assets



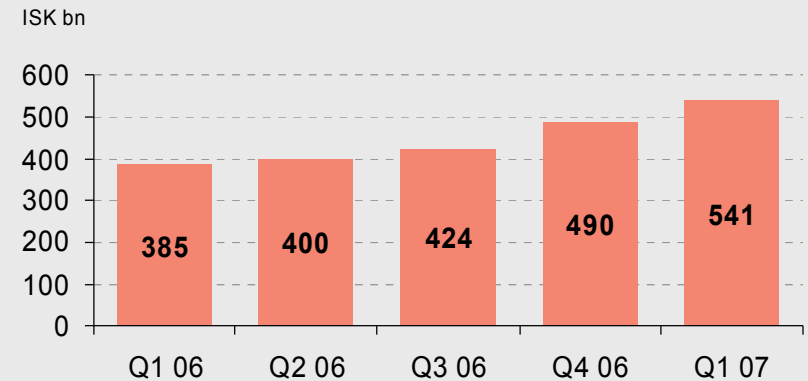
## Market capitalization



## Earnings Per Share



## Assets under management



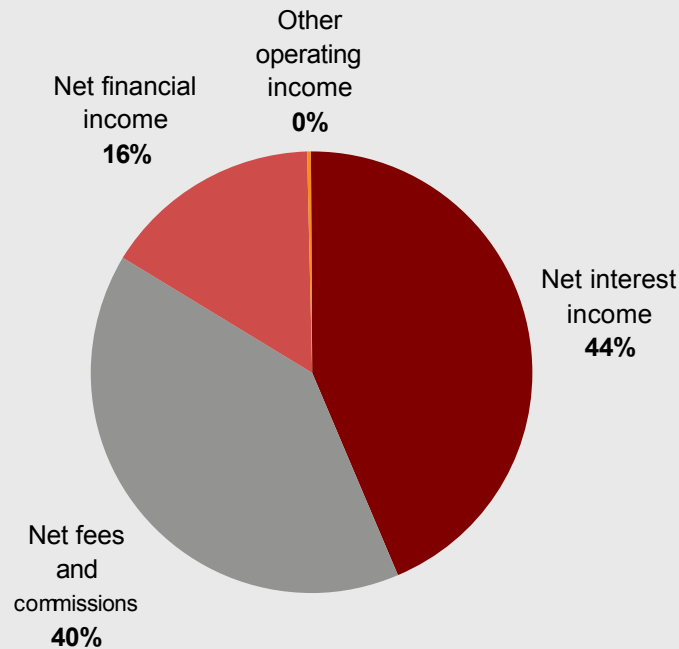


# 40% of revenues of fees represents the Banks long term goal



## Net operating income Q1 07

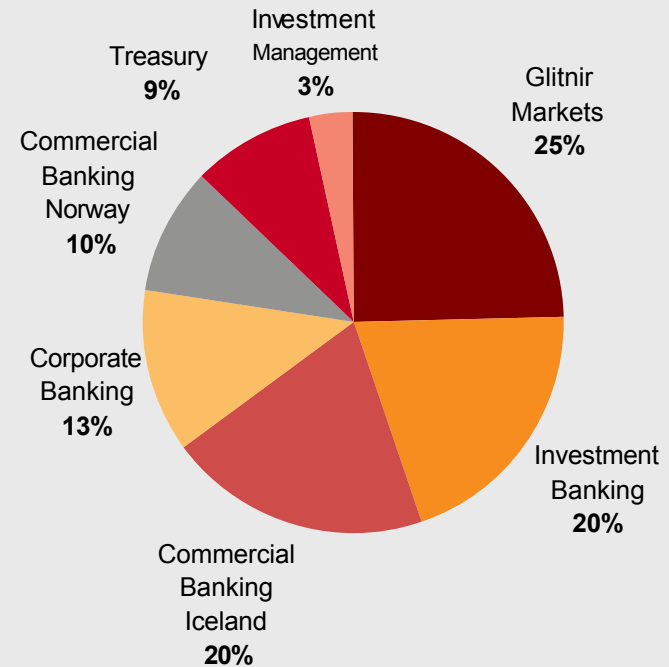
-by types of income



**Total ISK 18.2 bn**

## Pre-tax profit Q1 07

-by business units



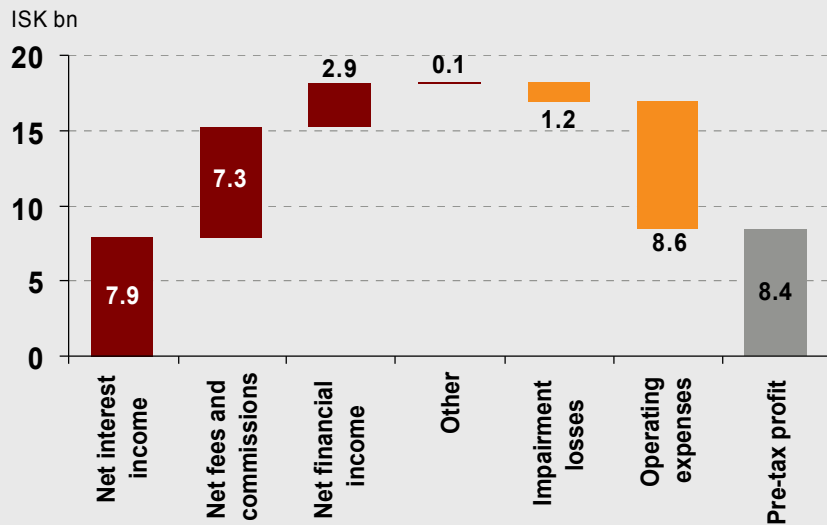
**Total ISK 9.7 bn**

# NII and fees the largest contributors

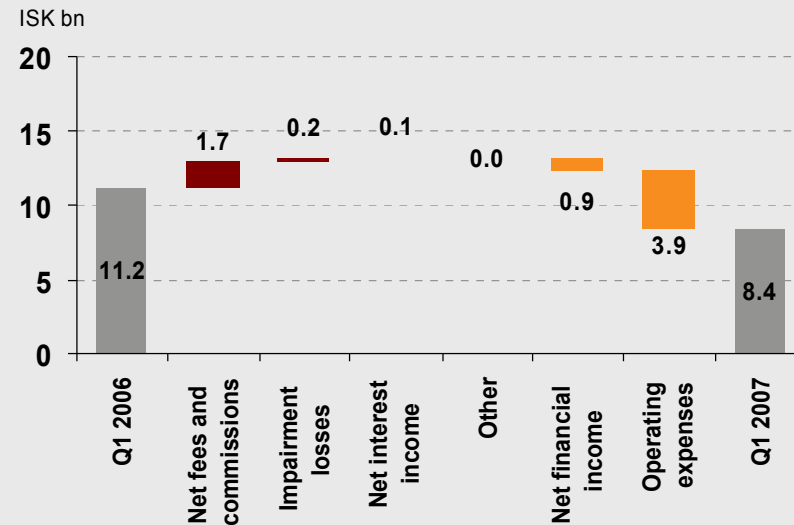
## Increase in cost

### Pre-tax profit Q1 07

- Composition



### Change in pre-tax profit from same quarter last year

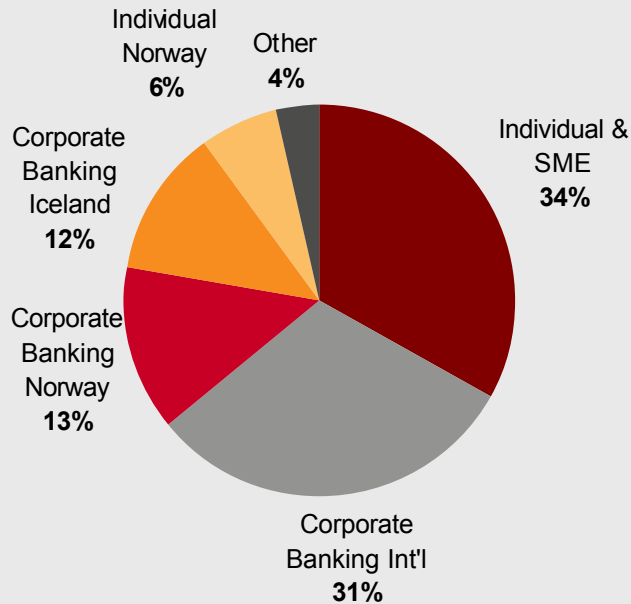


# Net interest income



## Net Interest Income Q1 07

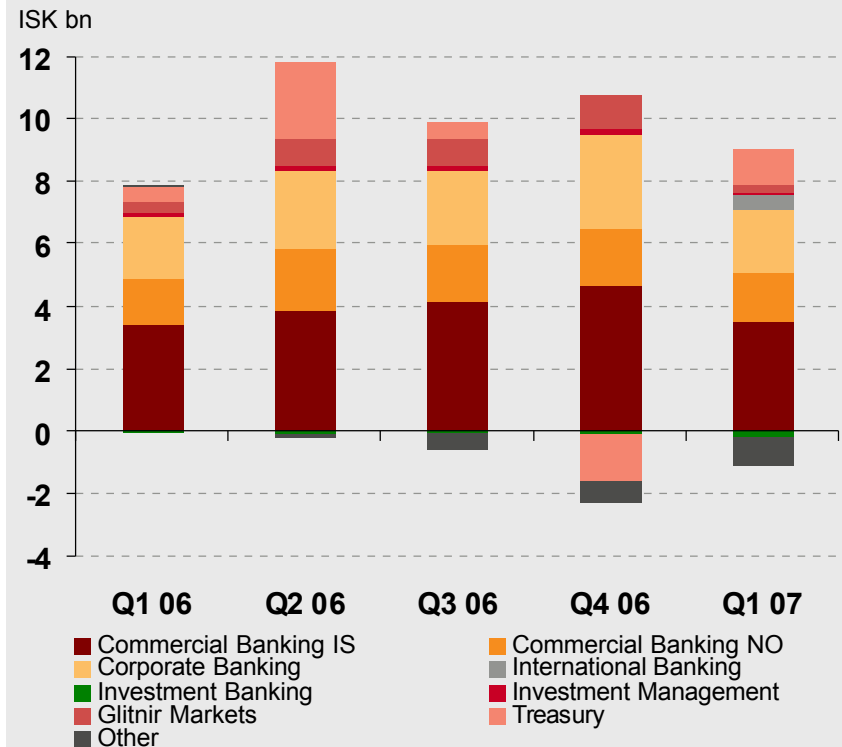
- by segments



**Total ISK 7.9 bn**

## Net interest income

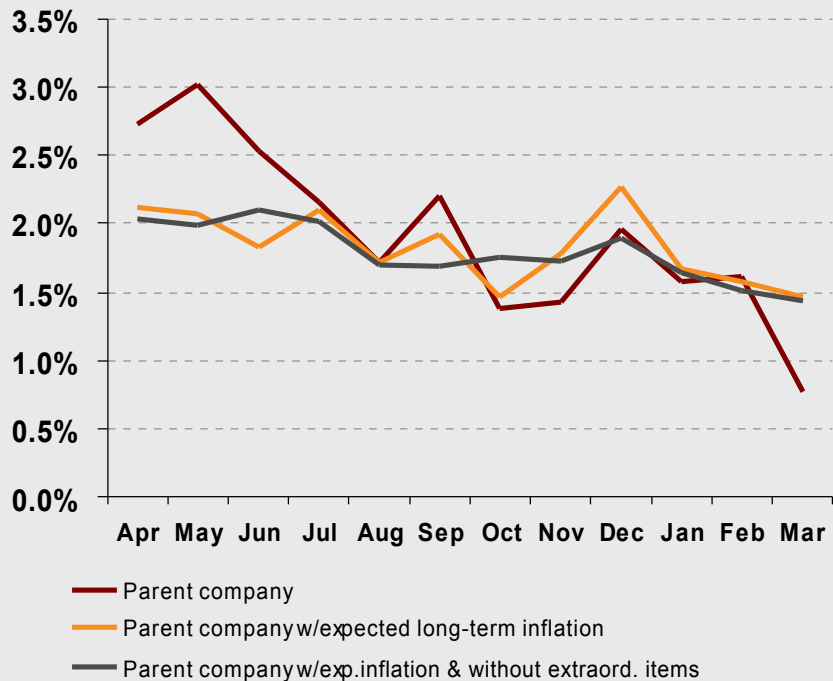
- by business units



# Margin pressure in Iceland due to inflation

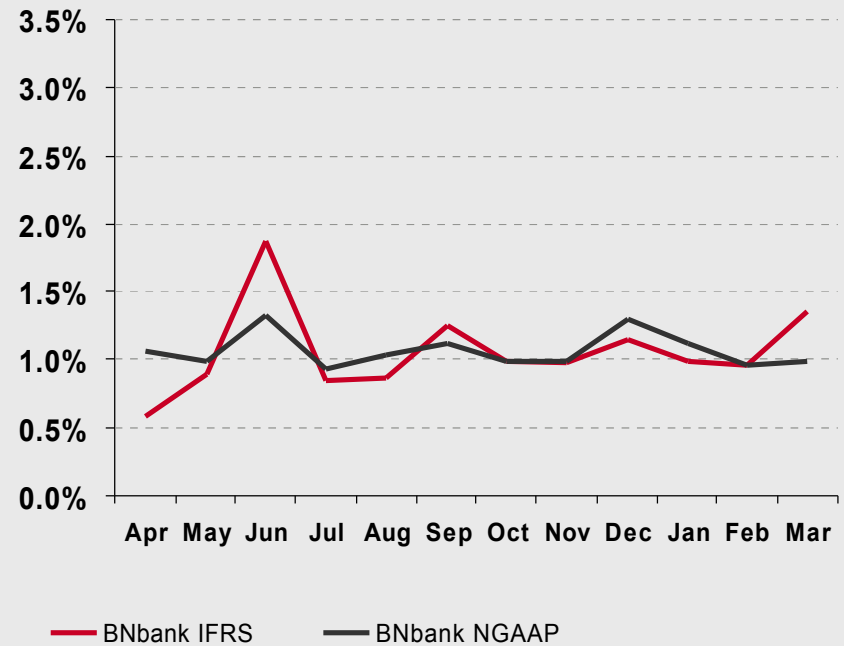
## Parent Company

- Net interest margin development



## BNbank

- Net interest margin development

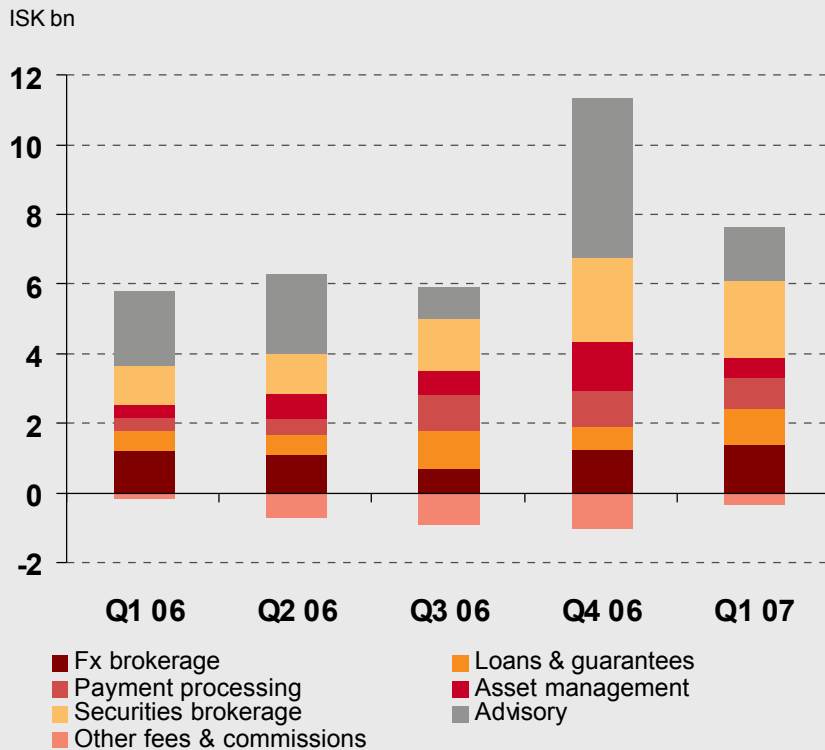


# Securities brokerage continues to drive fee growth



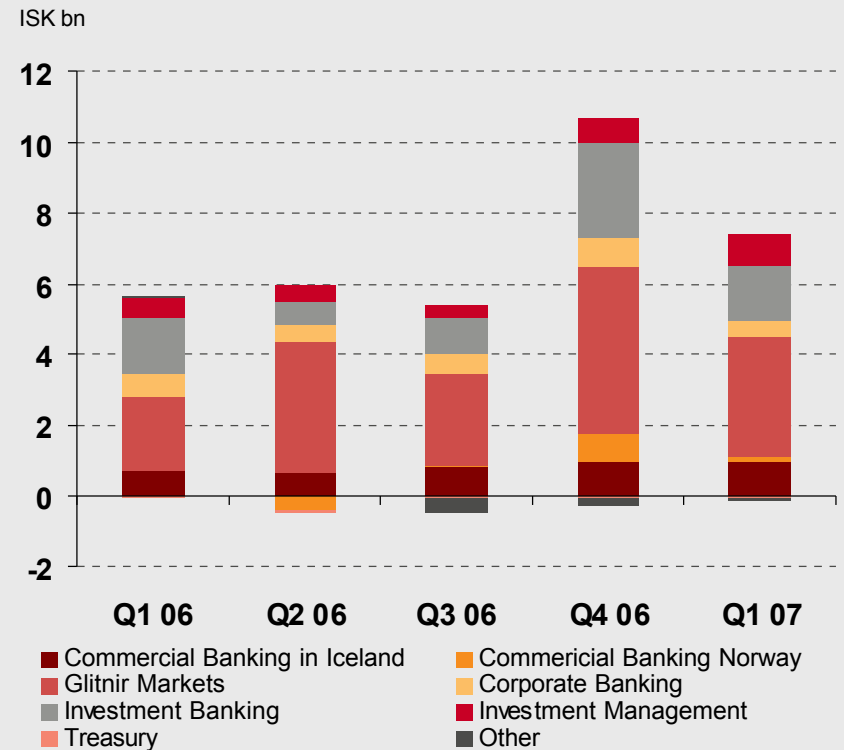
## Fee income

- by product



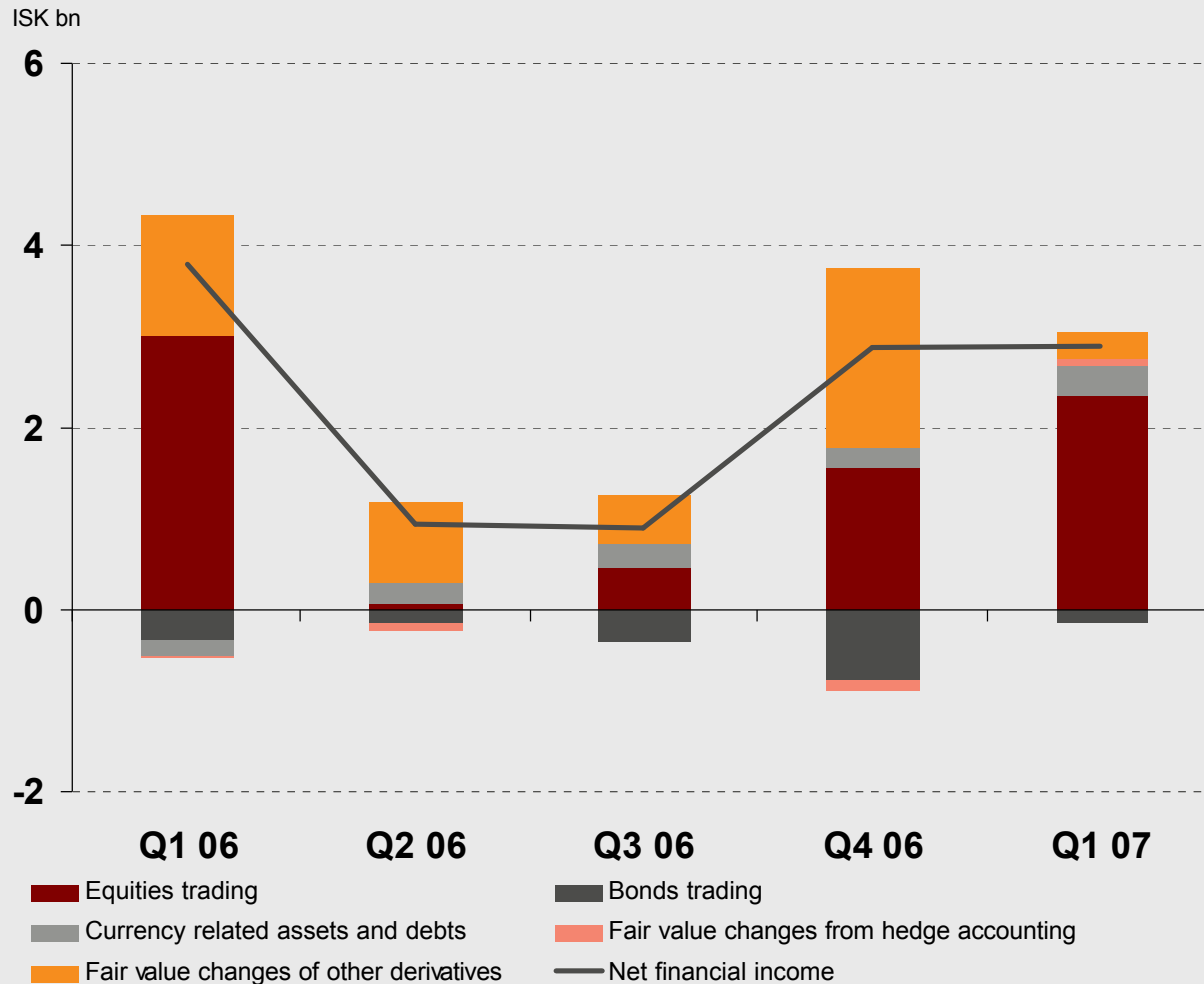
## Fee income

- by business units



## Net financial income

- composition

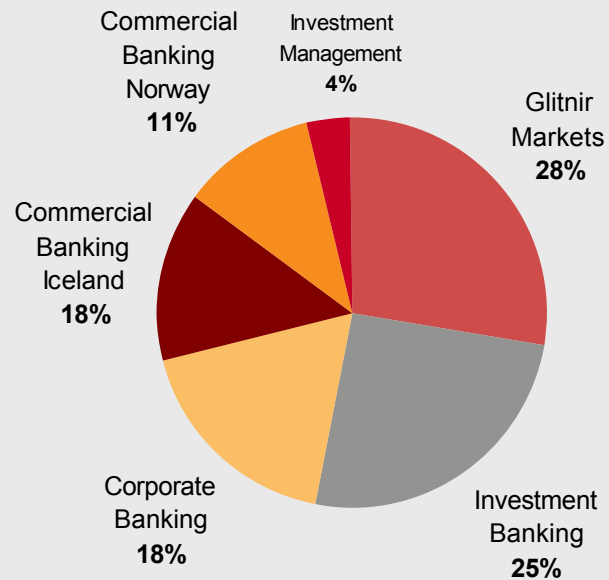


# Business units performing well



## Pre-tax Profit Q1 2006

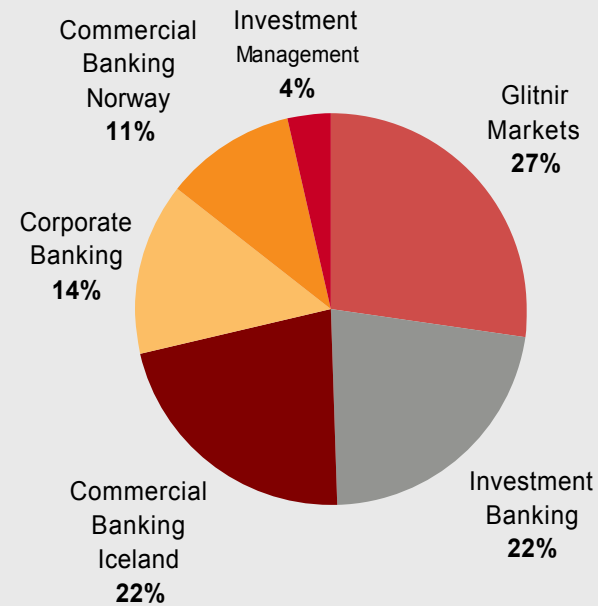
-by business units



**Total ISK 8.0 bn**

## Pre-tax Profit Q1 2007

-by business units

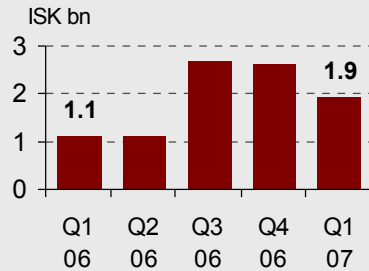


**Total ISK 8.8 bn**

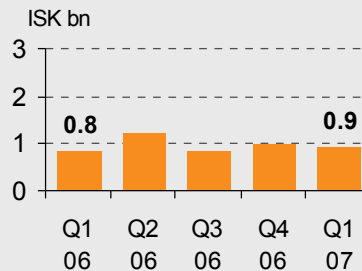
# All units on good track



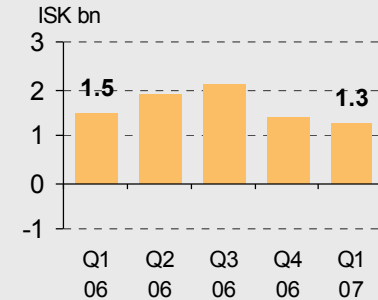
## Commercial Banking in Iceland



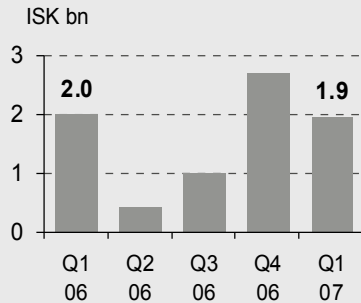
## Commercial Banking in Norway



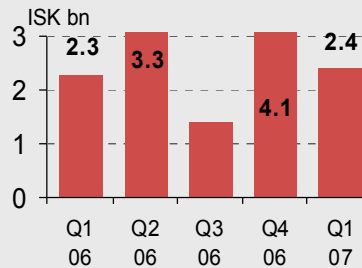
## Corporate banking



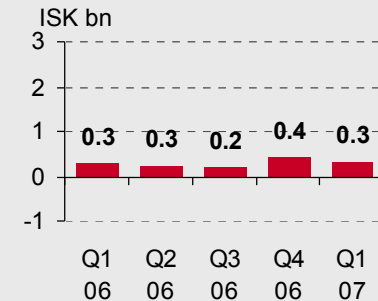
## Investment Banking



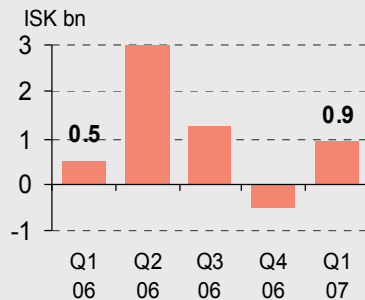
## Glitnir Markets



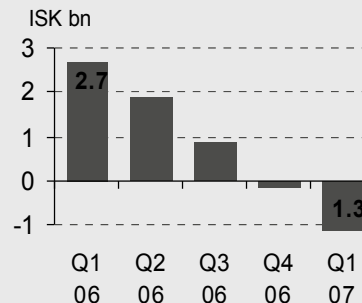
## Investment Management



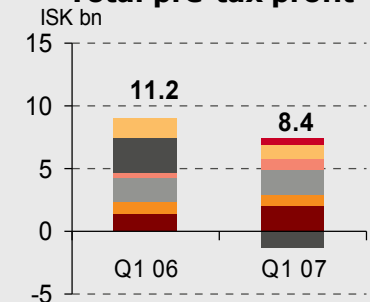
## Treasury



## Other



## Total pre-tax profit



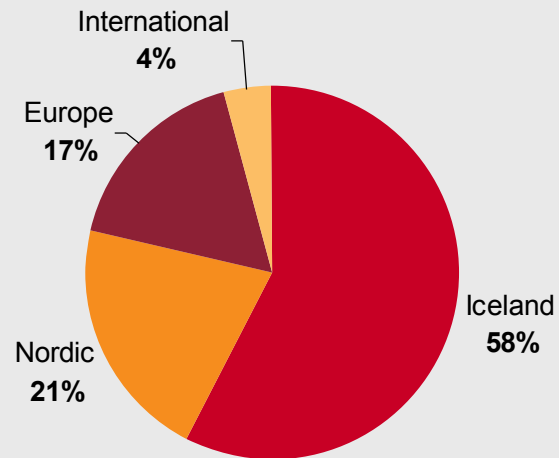


# Iceland represent 58% of profit



## Pre-tax Profit Q1 2007

-by region



**Total ISK 8.4 bn**

## Pre-tax Profit Q1 2007

-by region and units

	Q1 2007	Q1 2006
<b>ICELAND</b>	<b>4,837</b>	<b>6,415</b>
<b>NORDIC</b>	<b>1,789</b>	<b>1,041</b>
<b>EUROPE</b>	<b>1,446</b>	
<b>INTERNATIONAL</b>	<b>344</b>	
<b>Other units not categorized by region in 2006</b>		<b>3,725</b>
<b>Profit centers - pre-tax</b>	<b>8,416</b>	<b>11,181</b>

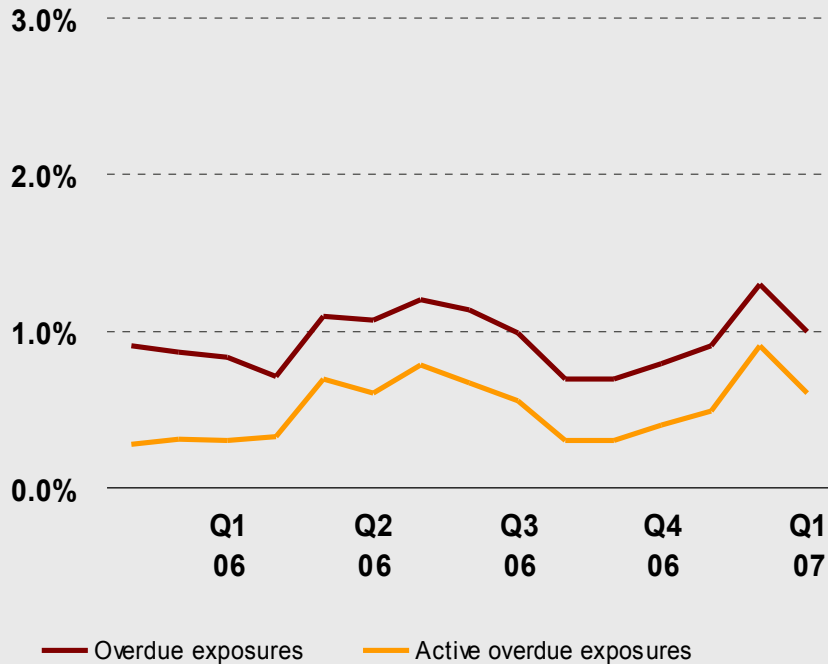
# Higher specific impairments

## Stable default ratios



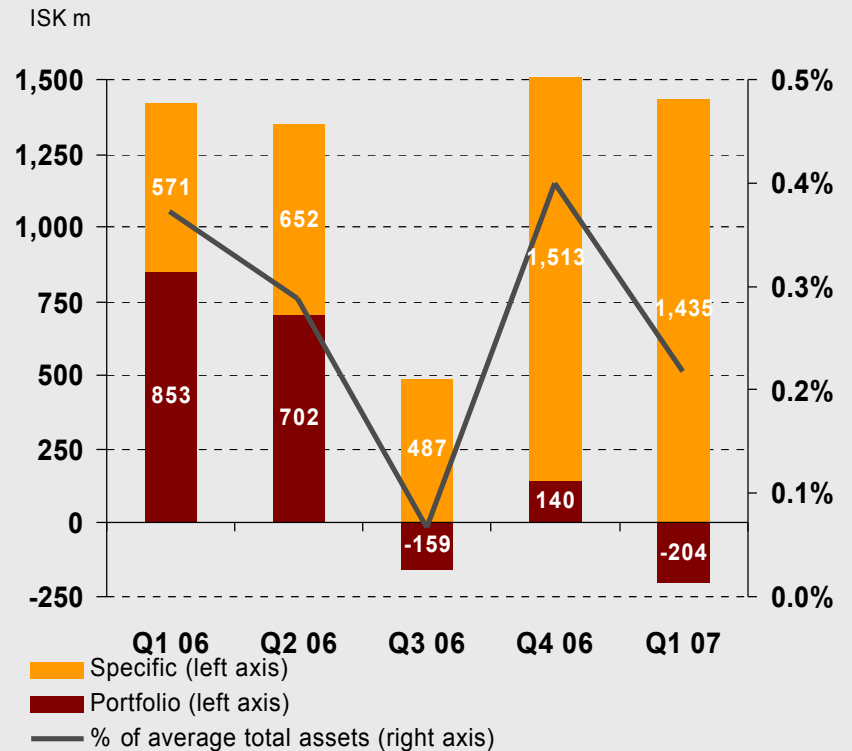
### Development of default ratios

- parent company



### Loan impairments

- consolidated accounts



# Loans and risk weighted assets



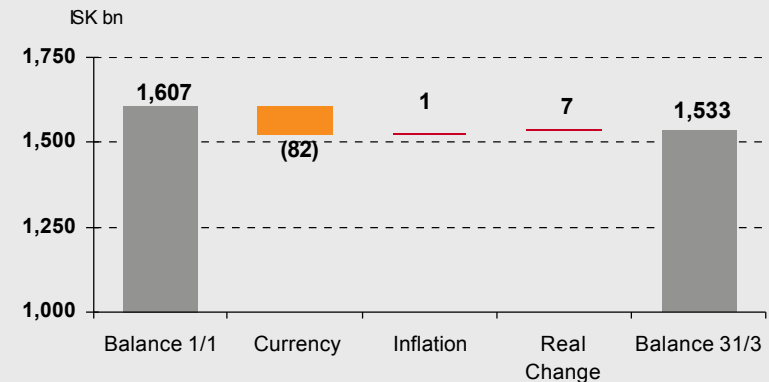
## Loans by business units

Loan Portfolio Q1 2007	Size ISK (bn)	%
Leveraged Finance	54.9	4%
Glitnir Luxembourg	91.6	6%
Investment Banking	4.3	0%
Corporate Banking	201.7	13%
<b>Corporate Banking</b>	<b>352.6</b>	<b>23%</b>
<b>International Banking</b>	<b>31.0</b>	<b>2%</b>
Retail Banking	169.6	11%
Mortgage Lending	115.4	8%
Corporate Banking	215.4	14%
Asset Based Financing	38.3	3%
Other Lending	12.3	1%
<b>Commercial Banking Iceland</b>	<b>551.1</b>	<b>37%</b>
Glitnir Bank ASA	48.5	3%
BNbank	473.5	31%
Norway Operations	46.8	3%
Glitnir AB	2.9	0%
<b>Glitnir Nordic</b>	<b>571.8</b>	<b>38%</b>
<b>Total</b>	<b>1,506.6</b>	<b>100%</b>

## Growth in risk weighted assets



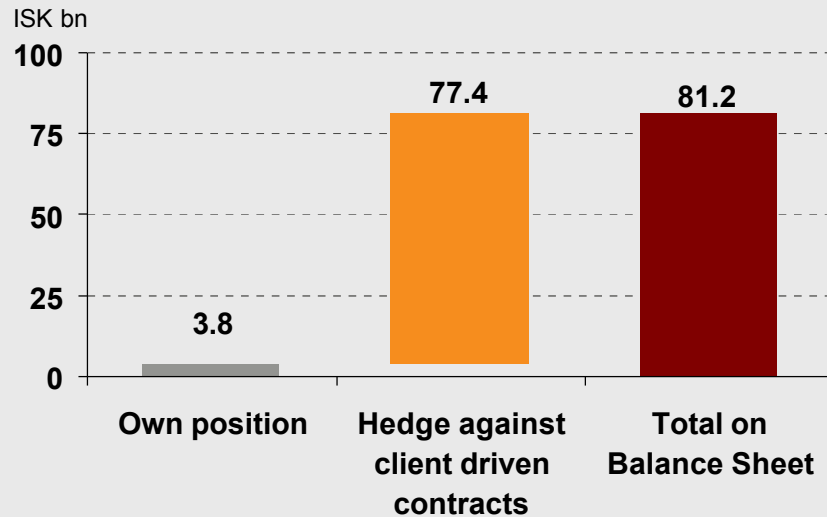
## Lending, leasing and fair value loans



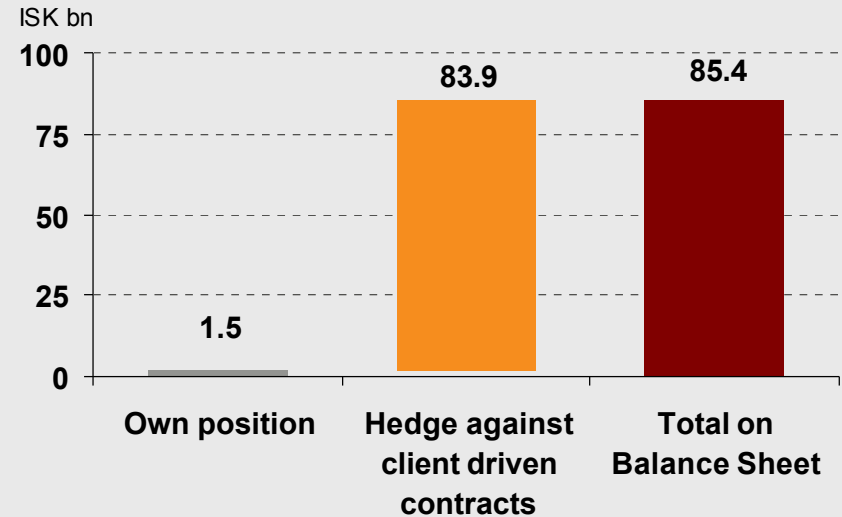
# Trading bond position lowers



## Q4 2006



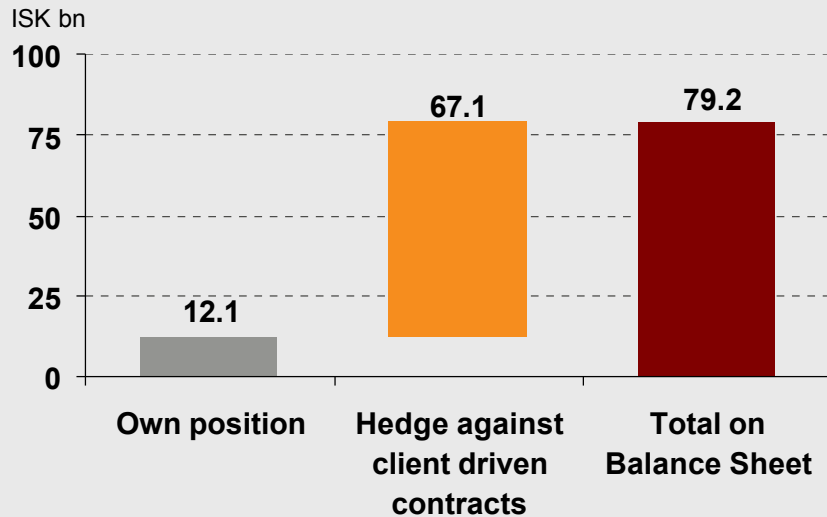
## Q1 2007



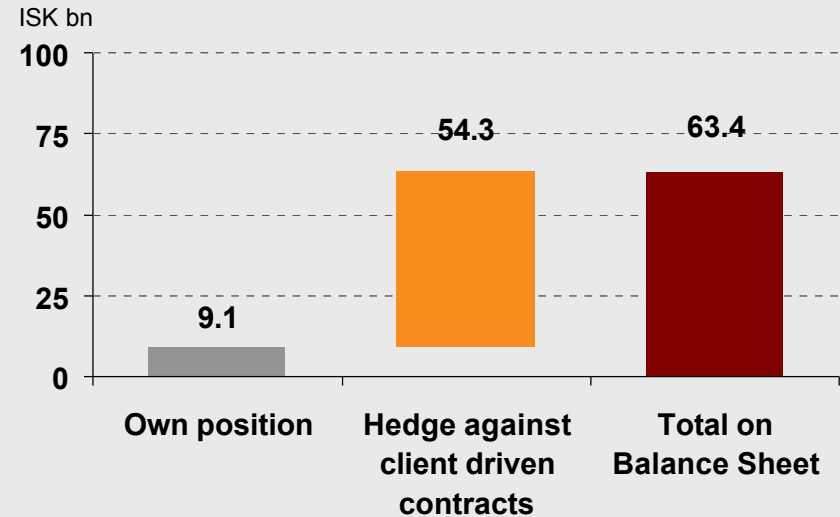
# Trading equity position lowers



## Q4 2006



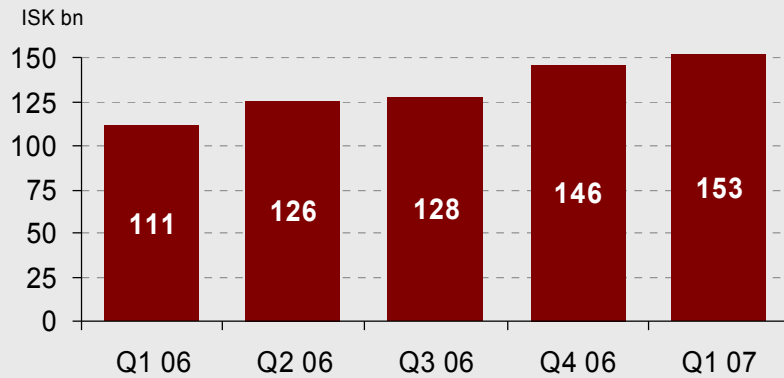
## Q1 2007



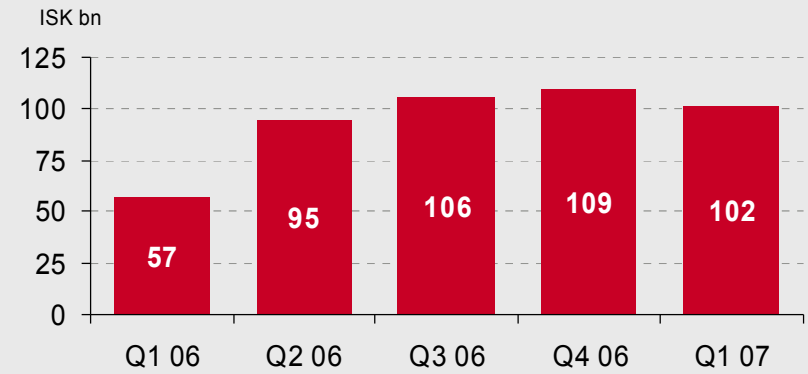
# Stability in funding



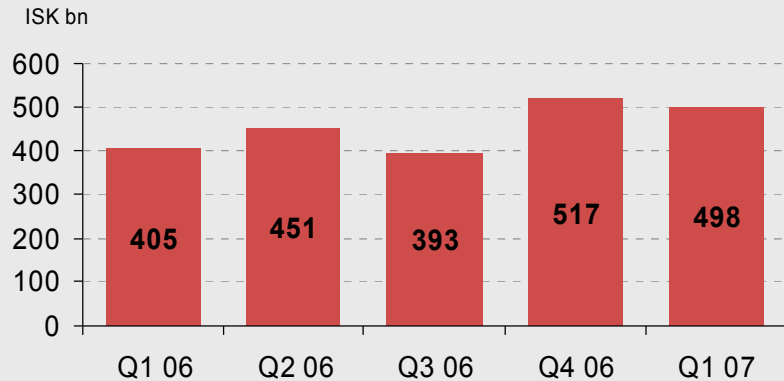
## Equity



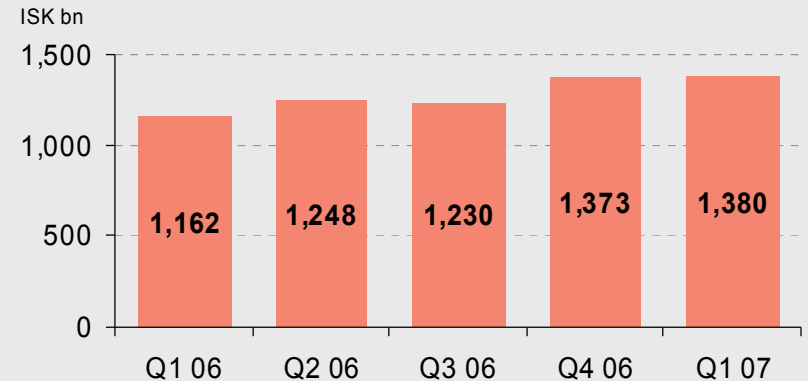
## Subordinated borrowings



## Deposits



## Borrowings



# RESULTS OF BUSINESS UNITS

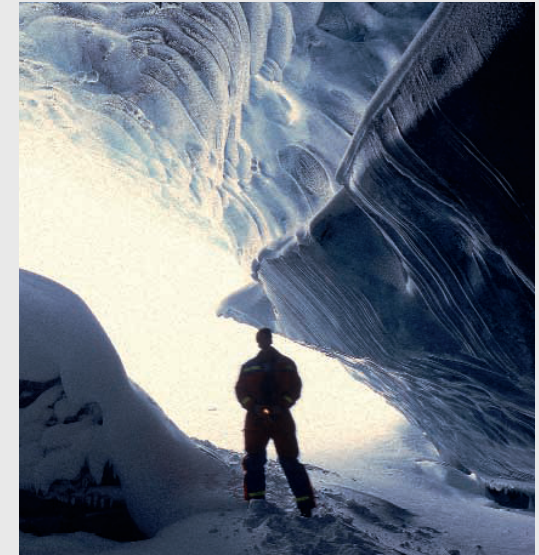


## The quarter

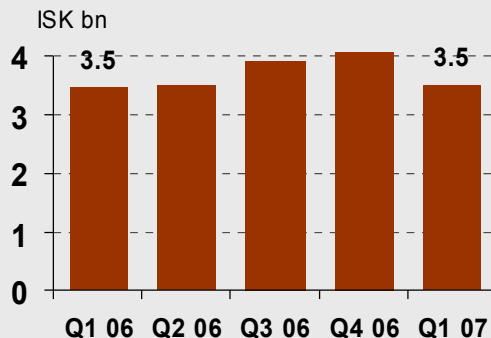
- » All units performing well
- » Steady demand for credit
- » Slower demand for mortgages
- » Lower net interest income partly due to movement of loan portfolio to Corporate Banking
- » Kreditkort increased profit mainly due to one time gain

## Outlook

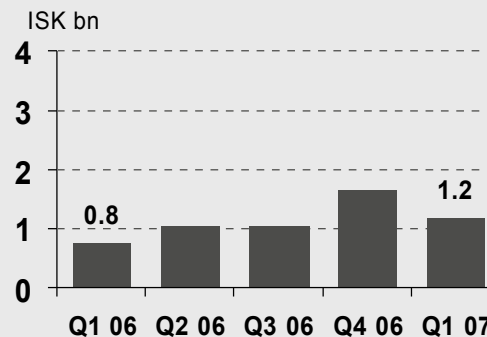
- » Increased competition in all markets
- » Margin pressure
- » Slow demand for mortgages
- » Economy slowing down
- » Expected disciplined growth



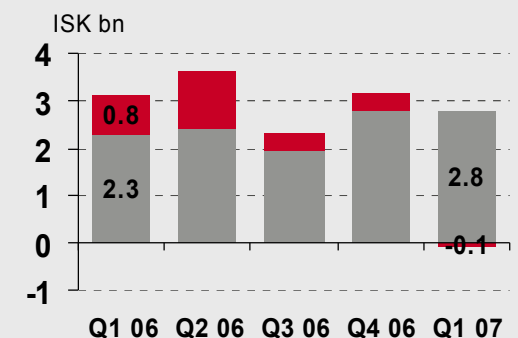
## Net Interest Income



## Net other revenue



## Operational Cost and Impairments





# Commercial banking in Norway



## The quarter

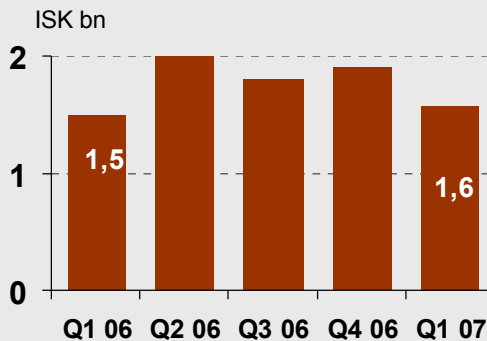
- » Stable interest margin, despite heavy competition
- » Closer cooperation between BNbank and Glitnir Bank ASA.
- » BNbank launches new product
- » Morten Bjørnsen hired as head of Nordic banking operations

## Outlook

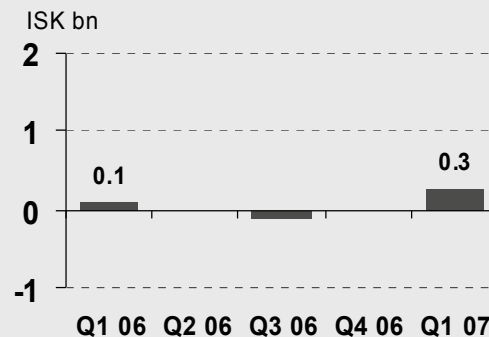
- » Healthy macro environment, but interest rate increase in Norway
- » Covered bonds legislation will improve BNbank's funding



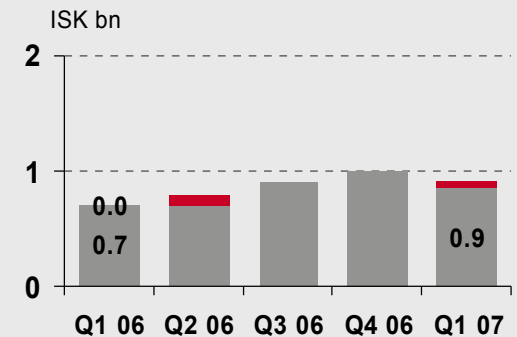
## Net Interest Income



## Net Other Revenue



## Operational Cost and Impairments



## The quarter

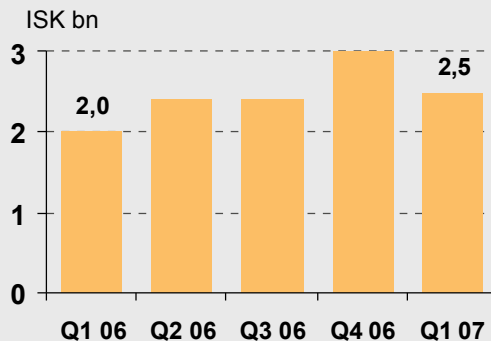
- » Higher net operating income than in Q1 06
- » Record fees and net interest income for the unit
- » Negative effects of impairments

## Outlook

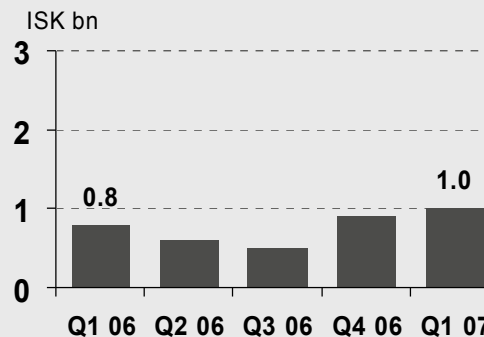
- » Focus on build up of European Corporate Banking
- » Expected growth and focus on segments and geographic areas
- » Increased competition in corporate market
- » Impairments expected to be lower



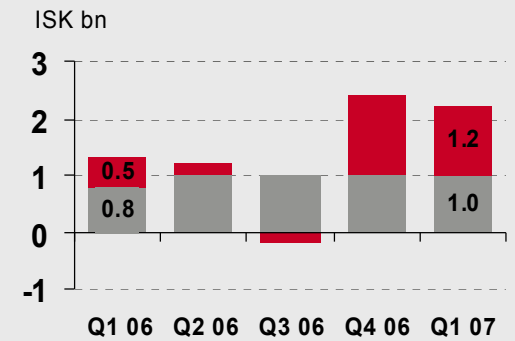
### Net Interest Income



### Net other revenue



### Operational Cost and Impairments



## The quarter

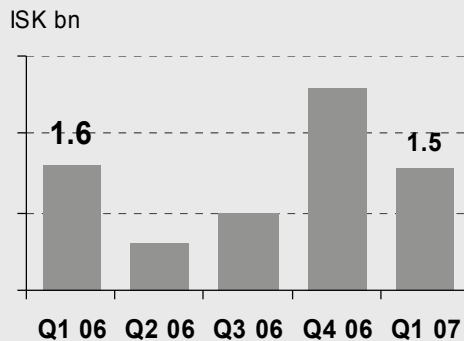
- » Good quarter
- » Good returns on Equity investments
- » Various small and midsize transactions closed in Iceland
- » Successful IPO of REM Offshore
- » Listing of Copeinca in Oslo Stock Exchange finalized

## Outlook

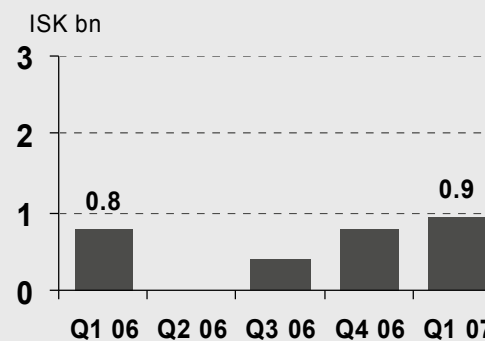
- » Solid pipeline
- » Further strengthening of Corporate Finance team



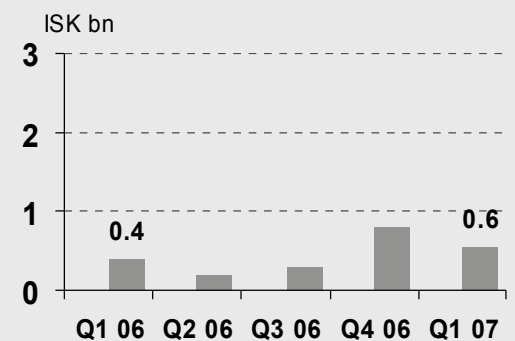
## Fees & Commissions



## Net other revenue

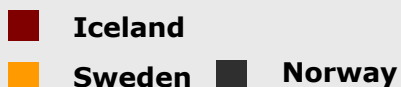


## Operational Cost and Impairments



## The quarter

- » 2nd largest broker in Nordic market, when FIM is included
- » Markets Reykjavik continues to perform well
- » Markets Norway and Sweden maintain even higher level of activities and build a strong foundation for expansion

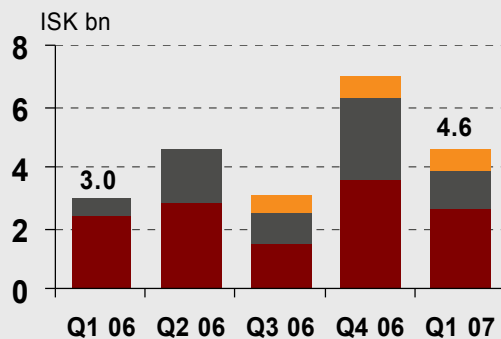


## Outlook

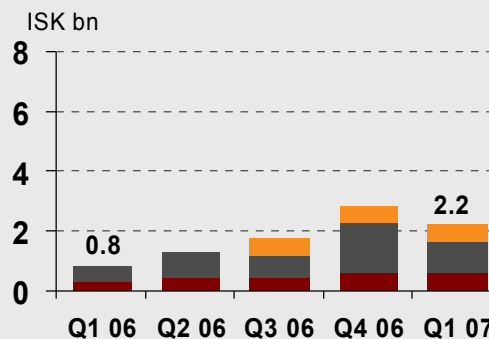
- » Dependant on market's activity level, which looks good
- » Mandates in Norway to list companies
- » Integration between entities continues
- » MD of Nordic Research in place



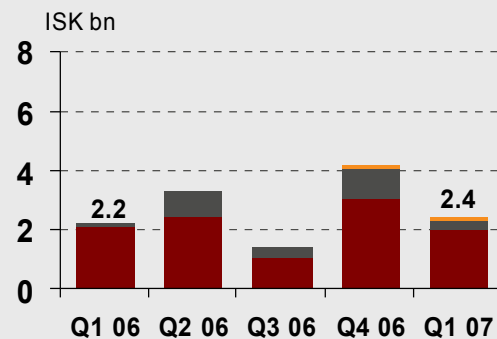
### Net Revenue



### Expenses



### Profit Before Tax



## The quarter

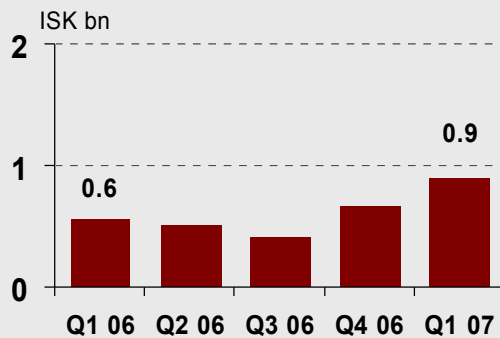
- » Formed as a new business unit in February
- » Strong inflows from Private and retail clients in Iceland
- » Strong return in Icelandic equity market
- » Performance of funds and portfolios continues to be strong

## Outlook

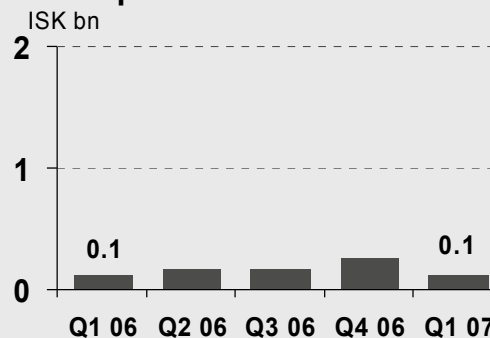
- » Integration of FIM continues
- » FIM Group enters consolidated accounts as of 1 April
- » Inflows into funds & services expected to remain strong
- » Increased profitability in Iceland expected in coming quarters
- » To be one of the major growth areas for the bank



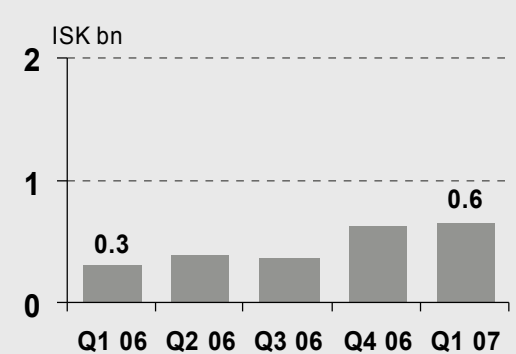
### Net revenue



### Expenses

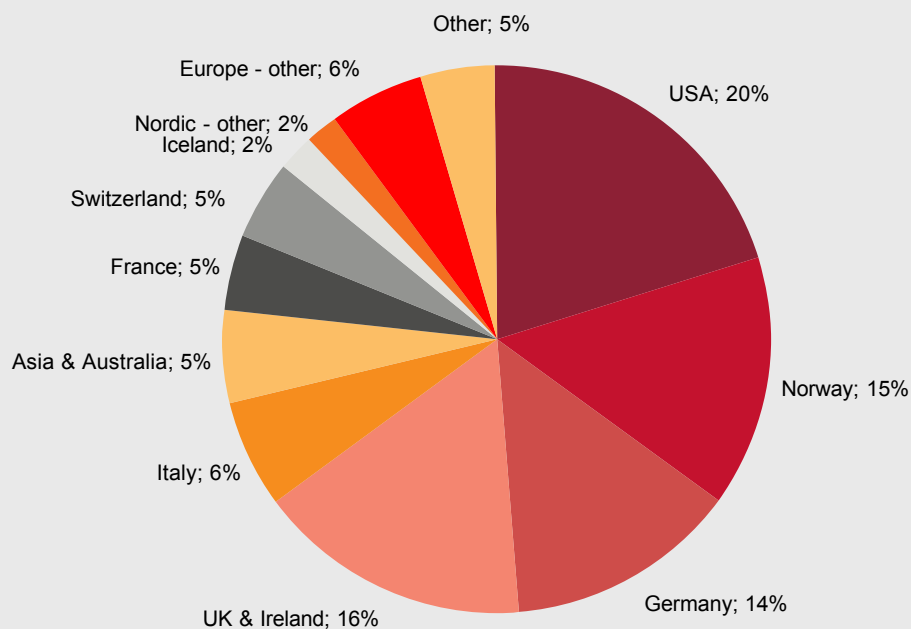


### Profit Before Tax



## Well diversified investor base

Glitnir Bank Consolidated - Geographical distribution of international long-term debt Investors



## 2007 refinancing need of EUR 2.7bn completed

- » 5 year USD 1,250m Global FRN
- » 5 year GBP 300m Fixed rate
- » 3 year EUR 500m Fixed rate
- » 3 year USD 500m 144a FRN
- » Several private placements

## BNbank - one of the largest private issuers in the Norwegian bond market

- » NOK 1.4bn (EUR 170m) issued in bonds and certificates in 2007
- » 5 year EUR 150m Term Loan Facility

## The London money market operation has surpassed EUR 1bn of deposits

- » Started operations in October 2006
- » Average maturity approximately 1 year

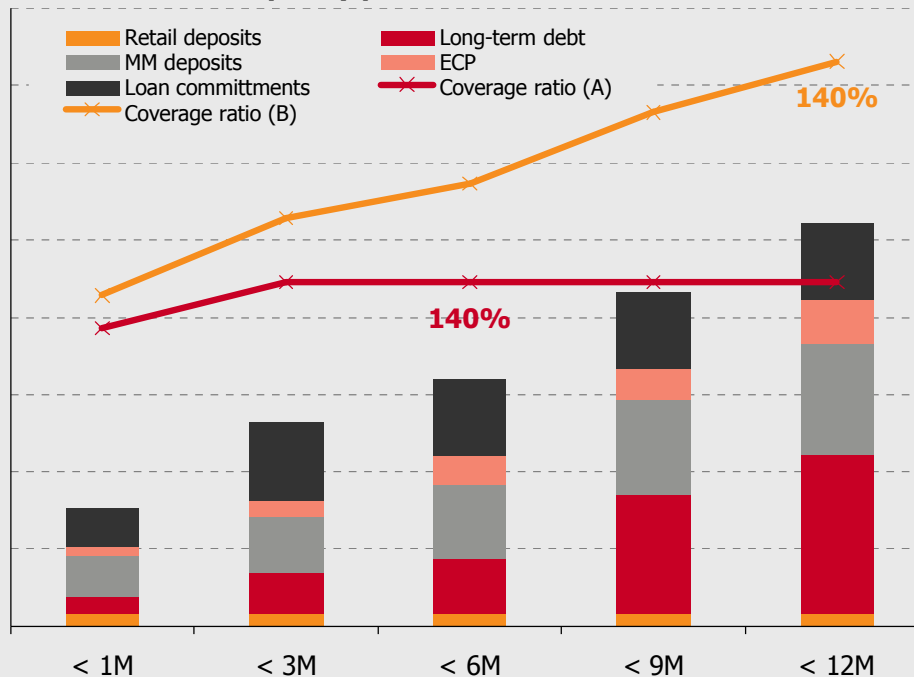
# Strong liquidity position



Glitnir Bank's policy is for immediate liquidity to cover all maturing debt of the parent company other than general deposits for the following 6 months

In addition, all debt maturing within the following 12 months must be covered with immediate liquidity and other liquid assets

**Liquidity position on 30 March 2007**



Liquidity position of the next 24 months is monitored closely

Liquid funds are split into two categories depending on how quickly those funds can be accessed

## Liquid assets A

Immediately available funds:

- Cash
- MM placings
- Liquidity portfolio
- Unused repo eligible ISK bonds
- Committed credit facilities

## Liquid assets B

Liquid assets A + liquidatable loans and securities

Liquid assets A and B do not include contractual inflow from long term assets

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