

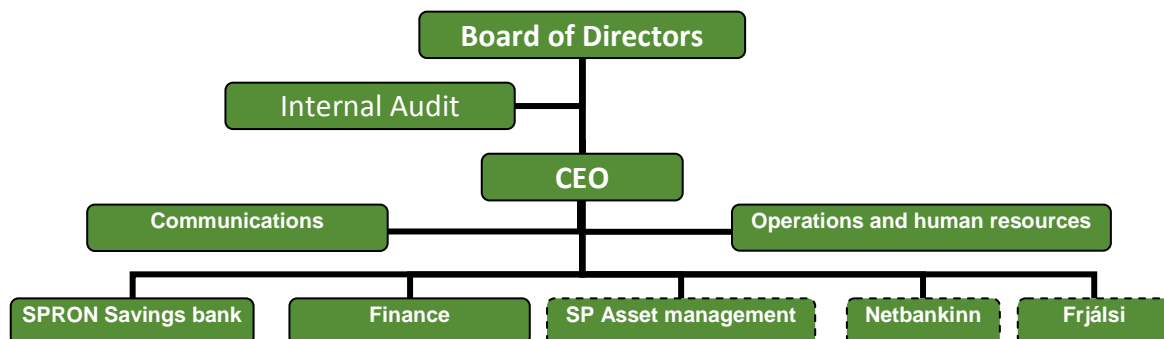
Press release January 28 2009

SPRON's operations restructured to meet economic downturn

Work has been in progress in the past months to restructure SPRON's operations in light of changed circumstances in the Icelandic economy. The aim of the restructuring is to improve efficiency and cut operating cost in order to meet the foreseeable decrease in the bank's income going forward. Measures to restructure the business are necessary at this point and are implemented independently of the merger discussions which are ongoing between SPRON, Keflavik Savings Bank and Byr, although they will support those plans.

New organisational structure

Changes have been made to SPRON's organisational structure with the aim of simplifying the organisation of the bank. The bank's divisions will now be two, SPRON Savings bank and Finance.



Other major changes to the bank's organisational structure include moving the treasury department under the finance department. Following the change the Director of Treasury, Osvaldur Knudsen will become Head of Treasury. Risk management will also be moved under the finance department and Páll Árnason will continue as the Head of Risk Management. Valgeir M. Baldursson is the Director of Finance.

The service division will be closed down and its projects partly placed under Operations and human resources and partly under SPRON savings bank. Harpa Gunnarsdóttir will be the Director of Operations and Human resources, Harpa was the Director of the service division before the change. Ólafur Haraldsson will remain the Director of SPRON savings bank.

The IT division will be closed down and it's projects placed under Operations and Human resources in part and partly under SPRON Savings Bank. Ólafur Haraldsson Director of SPRON savings bank was the Director of the IT division before the change.

The Netbank's operations will remain unchanged but Geir Þórðarson Director of Netbank has chosen to use this opportunity to resign from his position and will be transferred to SPRON savings bank.

The operations of Frjálsi and SPRON asset management are being reviewed with the aim of rationalising the operations further and enhance synergies between the subsidiaries and SPRON. Kristinn Bjarnason is the Director of Frjálsi and Björg Kristinsdottir is the Director of SPRON asset management.

SPRON's branches in Skeifan and Borgartun merged, full time equivalent positions decreased and salaries reduced

SPRON's branch in Skeifan will be closed as a part of the restructuring plan and it's business operations transferred to the branch in Borgartun. SPRON's branches will be six after the change. Full time equivalent positions will be decreased by ten and SPRON's employees will now be 190. To contain the number of redundancies a decrease in working hours was negotiated with some employees and salaries and benefits reduced.

The aim is to cut operating costs by 50% in 2009 compared with 2008 and are all cost items being reviewed. One of the items being reviewed are salaries and related expenses and salaries which are above ISK 450.000 will be decreased by 10-30% with the decrease becoming proportionately higher as the salary is higher.

Guðmundur Hauksson CEO:

"It is clear that with the deepening of the recession the projects of banks and other financial institutions will change and opportunities to increase their income base diminish substantially for the time being. The restructuring of SPRON's operations is therefore inevitable in order to meet these changed circumstances and are independent of the merger discussions which are ongoing between SPRON, Keflavik Savings Bank and Byr. "

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