



Q2 2008

outlook and results

Chief Executive Officer
William Fall

Chief Financial Officer
Stephen Jack

Key messages



Financial performance in H1 2008

€ m	H1 2008	H2 2007	H1 2007
Net Interest Income	47.1	49.3	19.5
Net fees and commissions	56.7	58.1	73.2
Net financial income	(25.1)	(36.3)	147.7
Other operating income	2.9	18.1	0.4
Operating income	81.5	89.3	240.7
Operating expenses	(62.0)	(76.7)	(42.3)
Impairment	(15.5)	(12.8)	(7.4)
Share of profit of associates	0.2	0.0	(0.0)
Profit before taxes	4.3	0.0	191.0
Income tax	16.6	(0.3)	(27.7)
Profit after tax	20.8	(0.4)	163.4

Commentary (vs. H1 2007)

Profit after tax € 20.8m vs. € 163.4m.

Client driven income of € 103.8m in H1 2008 vs. € 92.7m.

Net financial losses € 25.1m vs. profit of € 147.7m.

Operating expenses contained at € 62m vs. €42.3m in H1 2007 despite acquisitions.

One-off tax credit from new laws on equity gains.

Very different business and market environments compared to H1 2007.

Financial performance in Q2 2008

€ m	Q2 2008	Q1 2008	Q4 2007
Net Interest Income	23.9	23.2	23.0
Net fees and commissions	25.9	30.8	36.8
Net financial income	(36.0)	10.9	(4.4)
Other operating income	1.5	1.4	1.1
Operating income	15.3	66.2	56.5
Operating expenses	(26.9)	(35.1)	(46.7)
Impairment	(8.0)	(7.4)	(8.5)
Share of profit of associates	(0.5)	0.7	0.1
Profit (loss) before taxes	(20.2)	24.4	1.4
Income tax	18.7	(2.2)	(2.0)
Profit (loss) after tax	(1.4)	22.3	(0.6)
Gross assets € m	6,201	7,998	7,137
CAD ratio %	25.4%	21.4%	23.7%
Liquidity (days)	>365	>365	>365

Commentary (vs. Q1 2008)

Loss before tax € 20.2m vs. profit of € 24.4m.

Client driven income of € 49.8m vs. € 53.9m.

Net financial loss of € 36m vs. profit of € 10.9m.

Operating expenses lower at € 26.9m vs. €35.1m.

One-off tax credit.

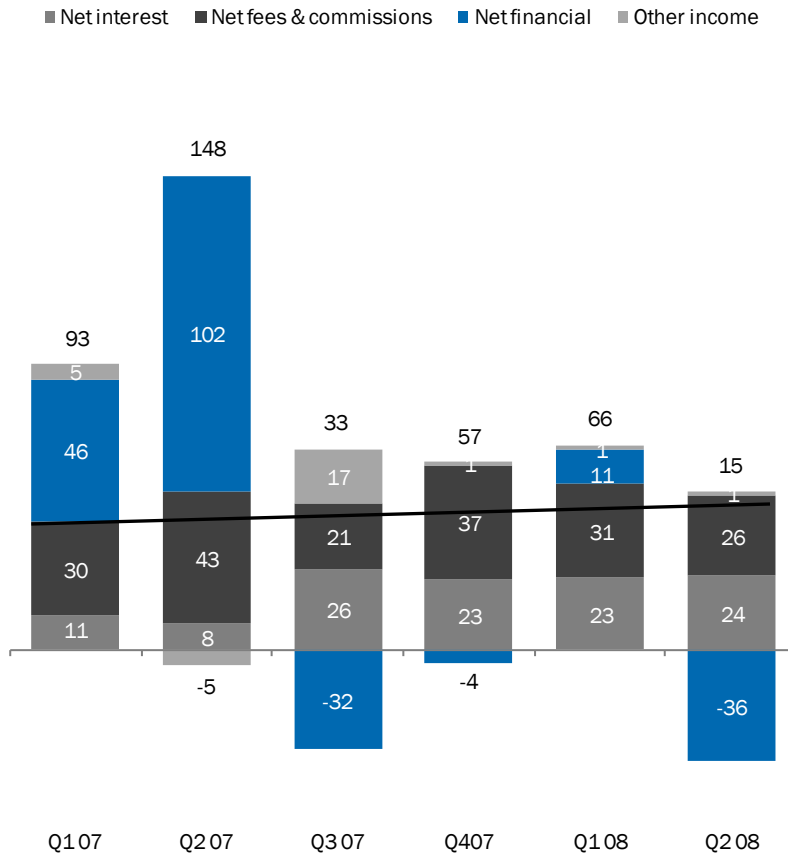
Smaller balance sheet.

Impairments consistent with previous two quarters.

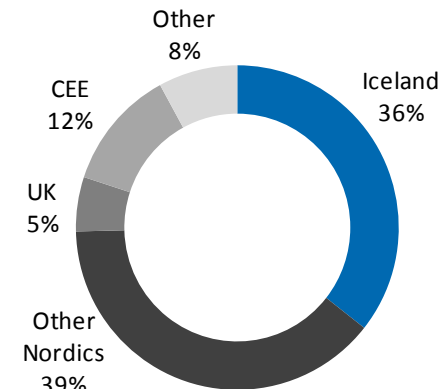
Stronger capital and steady liquidity position.

Continued focus on diversifying income

Operating income – breakdown by type € m



Operating income - geographical breakdown H1

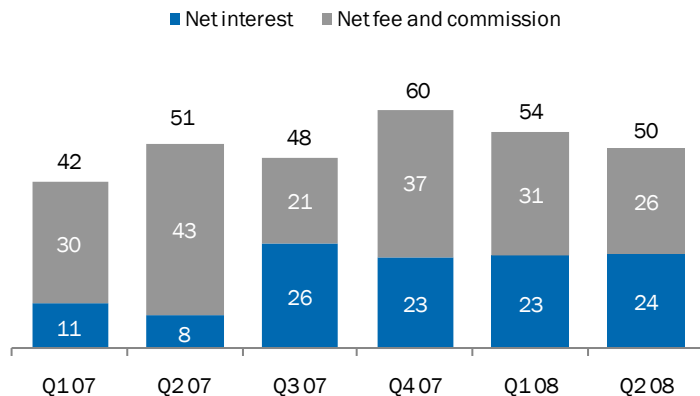


Commentary

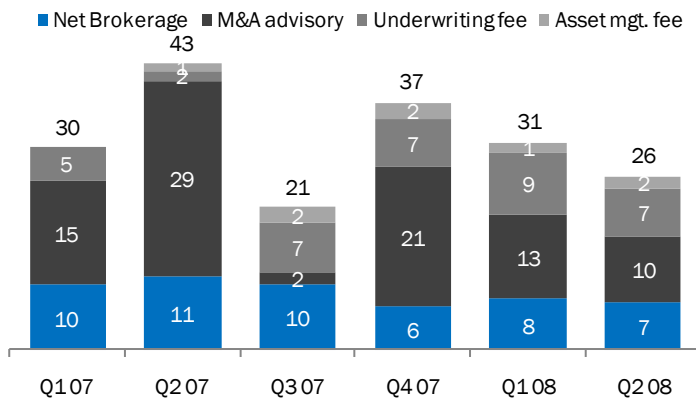
- Client driven income stable.
- Financial income includes losses from both trading **and** investment portfolios.
- FX income not a significant factor.

Client driven income stable

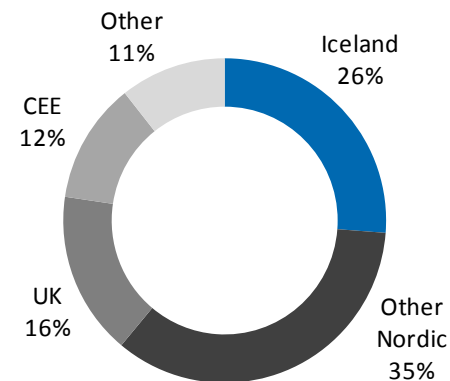
Client driven income – breakdown by type € m



Net fee and commission - breakdown by type € m



Client driven income - geographical breakdown H1



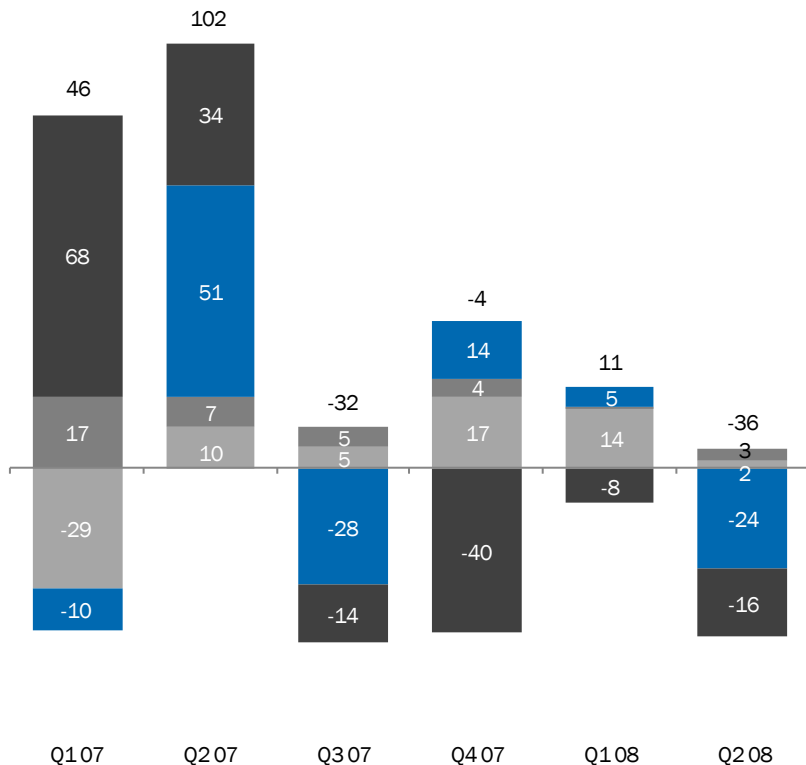
Commentary

- More difficult markets.
- Product and geographic diversity maintaining income momentum.
- Net fee and commission income from eQ and Wood of €11.8m for Q1, € 25.6m for H1

Net financial income

Breakdown by type € m

■ Fx gains/losses ■ Dividend income ■ Fair value gains/losses ■ Trading gains/losses



Analysis of H1 trading and investment losses

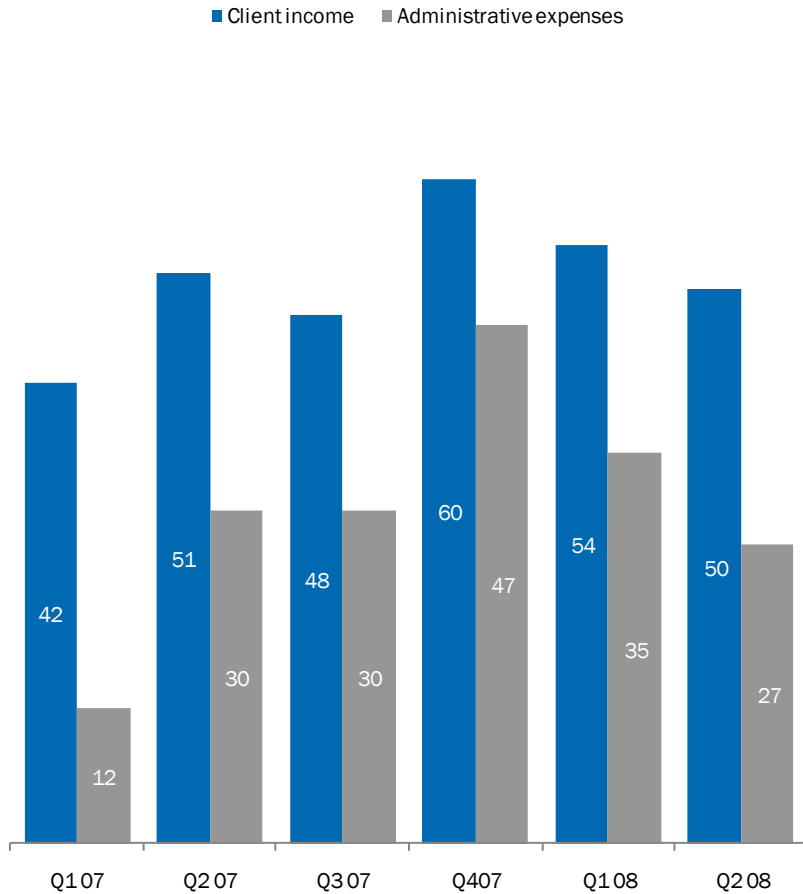
€ m	P&L on closed positions	P&L on open positions	Total H1 2008
Trading assets	(26.9)	2.0	(24.9)
Fair value assets	4.4	(23.7)	(19.3)
Total	(22.5)	(21.7)	(44.2)

Commentary

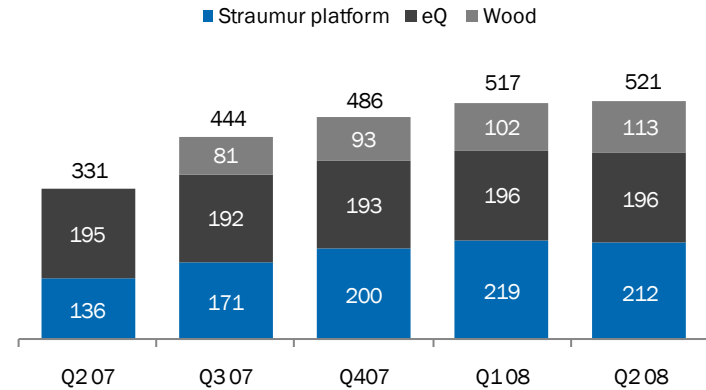
- Difficult markets throughout quarter.
- Losses on both trading **and** investment books in Q2.
- Loss-making trading strategies closed out in Q2.
- Significant medium term value in investment portfolio despite Q2 write downs.
- Net FX income not significant factor in Q2.

Improvement in cost management

Client driven income and administrative expenses € m



Headcount



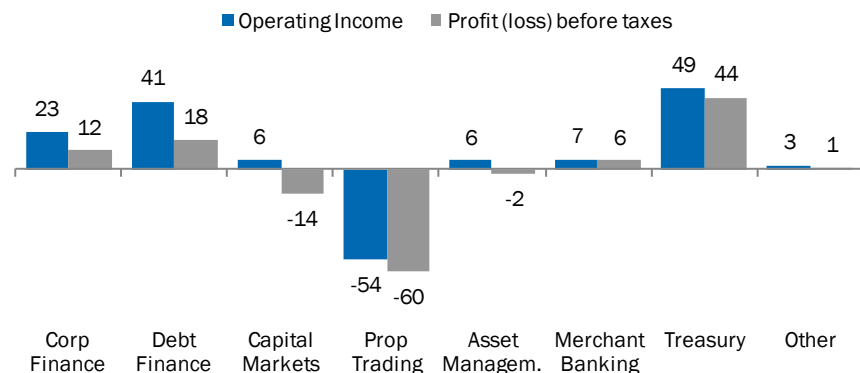
Commentary

- Client driven income consistently covers the total cost base
- 2007 investment in office and recruitments costs in Straumur platform not repeated in 2008.
- Some headcount increases in new product areas.
- Continued development of platform in CEE.

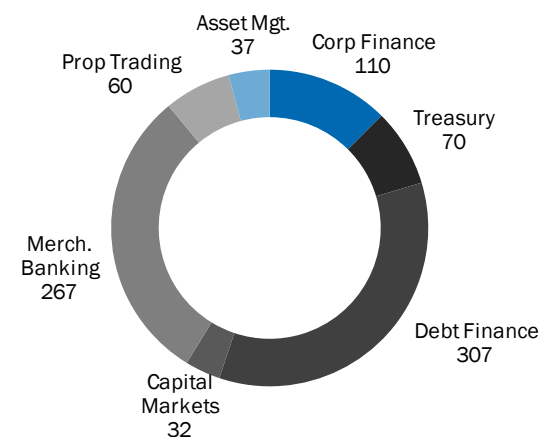
Breakdown of results by business units

€ m	Client income		Prop. income and other		Operating income		Profit (loss) before tax	
	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007
Corporate Finance	22	35	1	11	23	46	12	34
Debt Finance	46	31	(4)	1	41	32	18	18
Capital Markets	9	23	(3)	6	6	29	(14)	23
Proprietary Trading	0	0	(54)	70	(54)	70	(60)	67
Asset Management	6	2	0	0	6	2	(2)	0
Merchant Banking	0	1	7	44	7	45	6	41
Treasury	22	0	28	16	49	16	44	8
Other	0	0	3	1	3	1	1	(1)
Total	104	93	(22)	148	82	241	4	191

Breakdown of operating income and P/L before tax in H1 2008 € m



Allocated economic capital total at 30.06.2008 € m



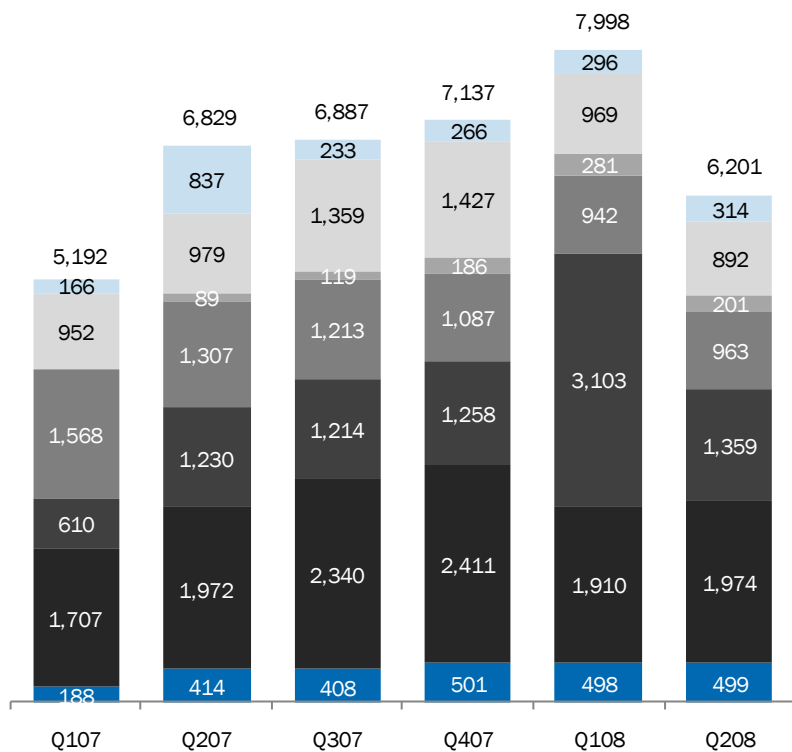
Balance sheet development

Assets by type € m

21% of our assets are ISK denominated.

All assets are hedged into EUR

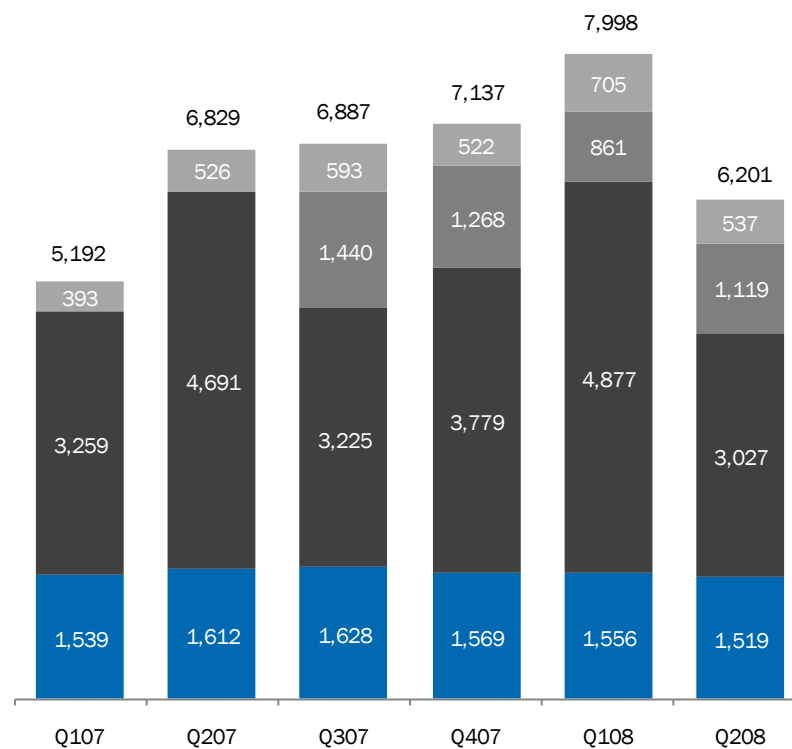
■ Intangible assets ■ Loans ■ Debt instruments ■ Equities ■ Derivatives ■ Cash ■ Other assets



Liabilities and equity by type € m

Our equity is managed in EUR

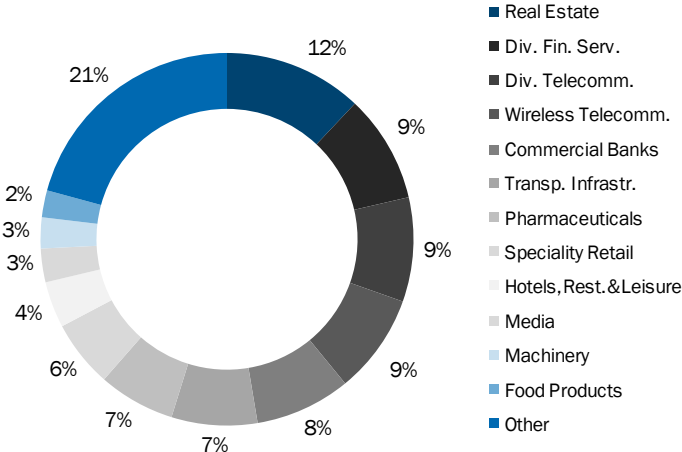
■ Equity ■ Borrowings ■ Deposits ■ Other liabilities



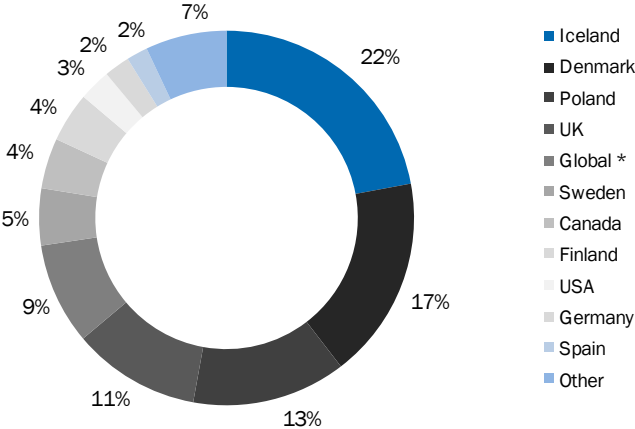
Asset quality

Total assets (risk weighted basis)

Breakdown by sector



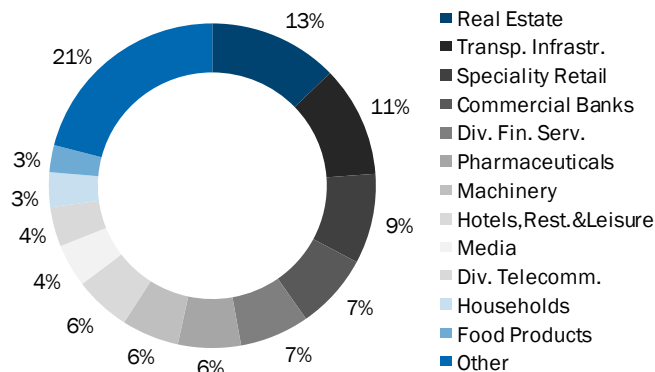
Geographical breakdown



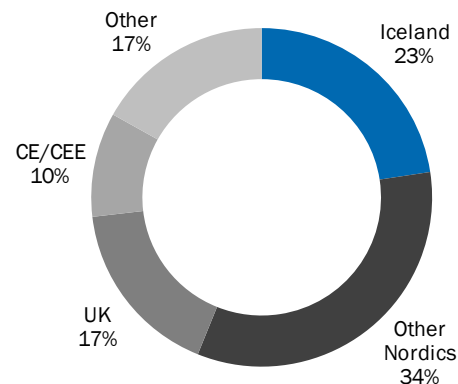
* Global = Multinational corporations

Well diversified loan portfolio

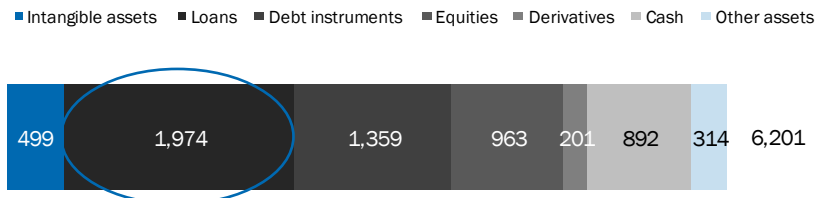
Breakdown by sector



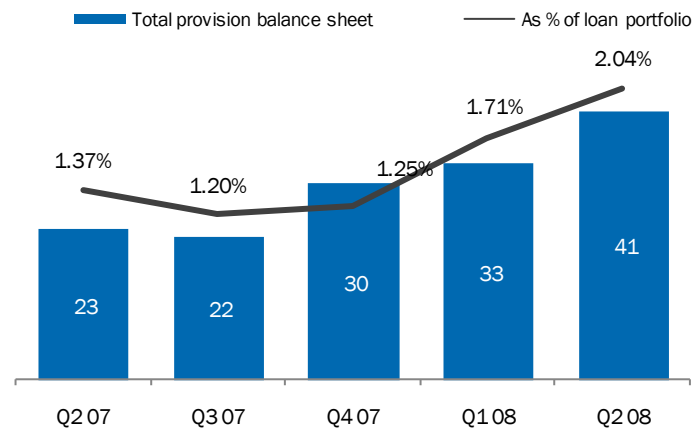
Geographical breakdown



Total loan assets total € 1,974m



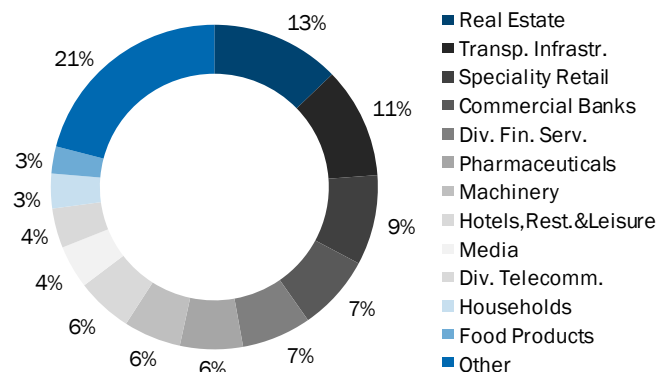
Impairments



Loan portfolio – largest exposures

Breakdown by sector

Total loan assets € 1,974m



Largest loan exposures

Country	Value € m
Global	116
Denmark	100
Canada	98
UK	67
Iceland	61
UK	61
Spain	54
Iceland	53
Finland	47
Iceland	45
Finland	42
Iceland	40
Denmark	39
UK	38
Iceland	38
Denmark	37
UK	37
UK	37
Denmark	32
Canada	31
Total top 20 loans	1,073
Other loan exposures	906
Total loan portfolio	1,974

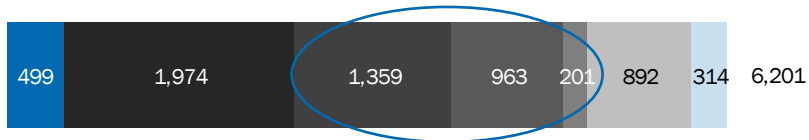
Financial assets

Overview financial assets

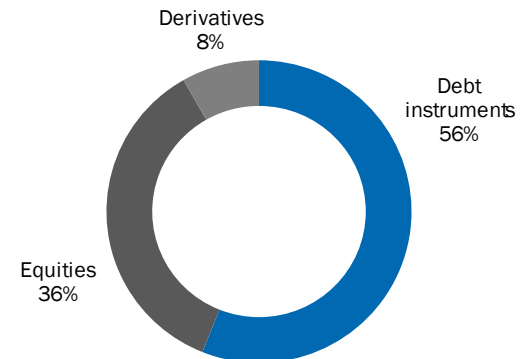
	Trading assets	Pledged assets	Fair value	Available for sale	Total 30.6.2008	Total 31.3.2008
Debt instruments	270	437	349	304	1,359	3,103
Equities	71	161	696	36	963	942
Derivatives	201	-	-	-	201	281
Total financial assets	542	597	1,045	339	2,523	4,325

Financial assets total € 2,523m

■ Intangible assets ■ Loans ■ Debt instruments ■ Equities ■ Derivatives ■ Cash ■ Other assets

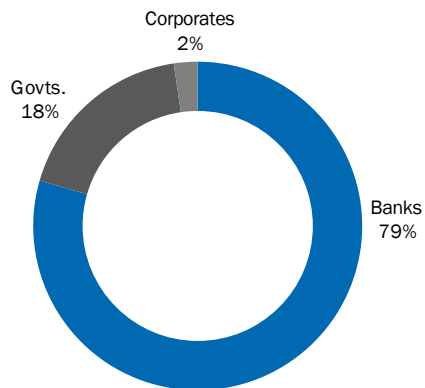


Financial assets - split by type 30.6.2008



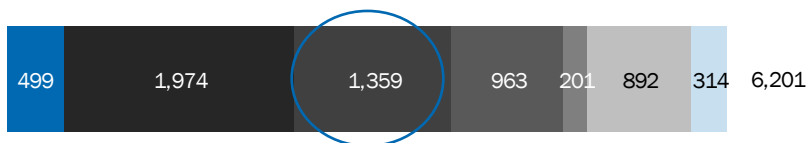
Financial assets – debt instruments

Breakdown by type

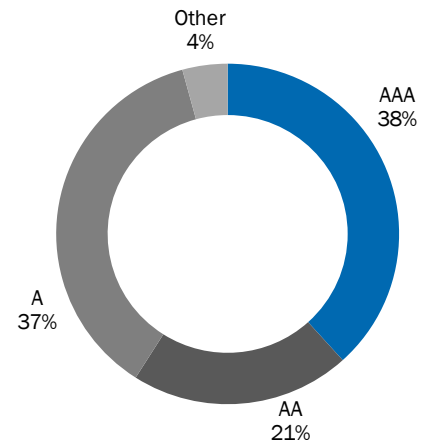


Debt instruments total € 1,359m

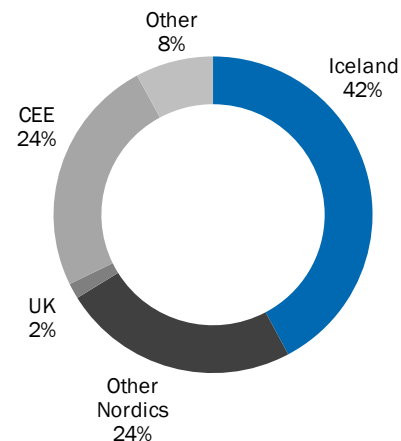
■ Intangible assets ■ Loans ■ Debt instruments ■ Equities ■ Derivatives ■ Cash ■ Other assets



Breakdown by credit quality

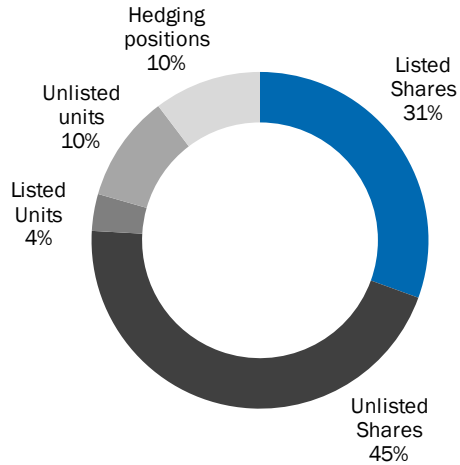


Breakdown by geography



Financial assets – equities

Breakdown by type

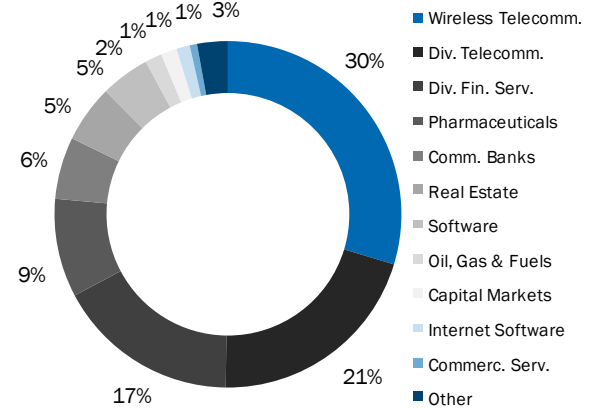


Equities total € 963m

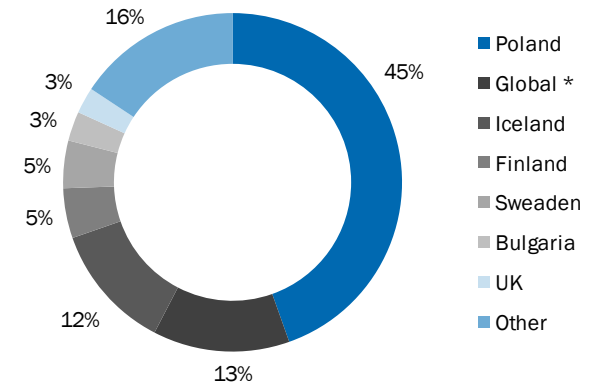
Intangible assets Loans Debt instruments Equities Derivatives Cash Other assets



Breakdown by sector



Breakdown by geography

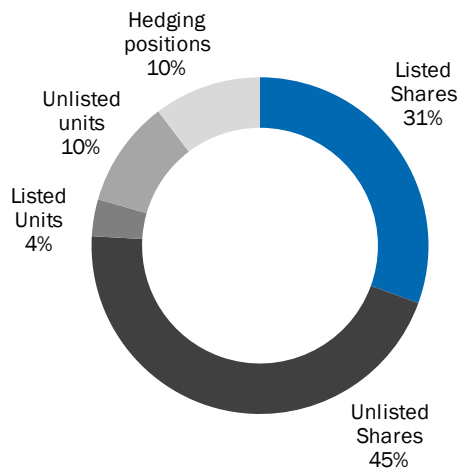


* Global = Multinational corporations

Financial assets - equities

Breakdown by type

Total equities € 963m



Largest listed equity holdings

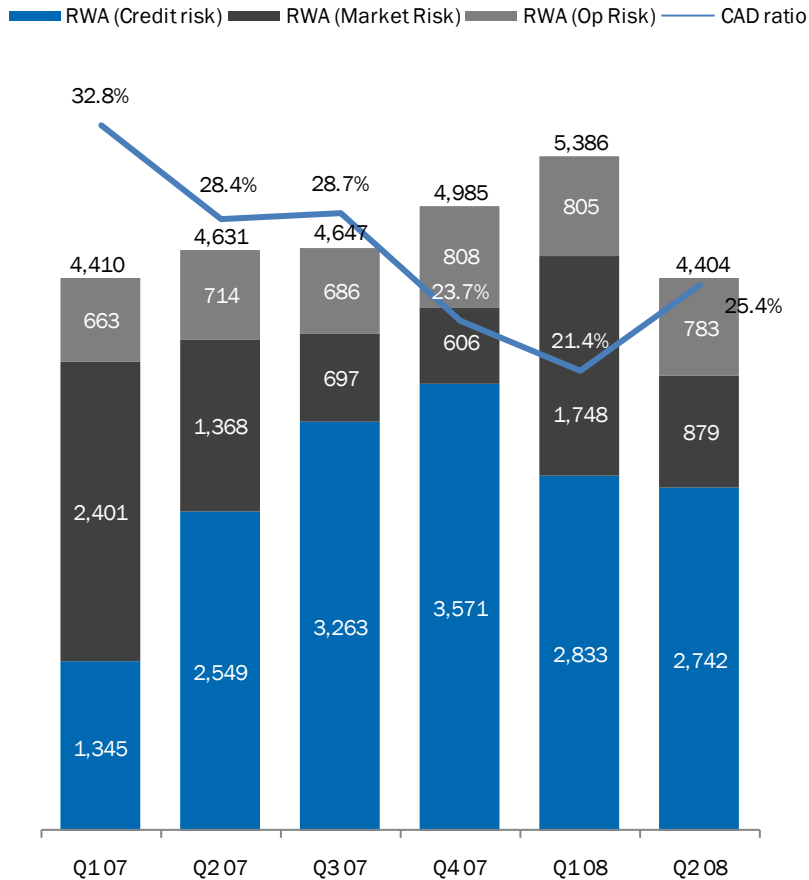
Investment	Value € m	Country	Sector
Netia	132	Poland	Div. Telecomm.
Landsbanki Íslands	53	Iceland	Commercial Banks
Net Entertainment	25	Sweden	Hotels, Rest. & Leisure
Hungarian Telephone & Cable	21	Hungary	Div. Telecomm.
Funkom N.V.	15	Norway	Software
Other	82		
Total listed equity investments	328		

Largest unlisted equity holdings

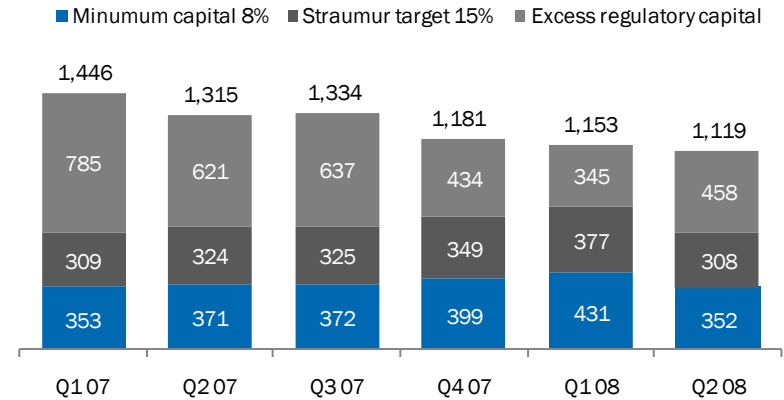
Investment	Value € m	Country	Sector
Play	253	Poland	Wireless Telecomm.
Novator Pharma Holding 1 hf.	80	Global	Pharmaceuticals
Novator Credit Fund	19	Global	Div. Financial Services
Boreas Capital Fund	18	Global	Div. Financial Services
Altima Global	15	Global	Div. Financial Services
Other	150		
Total unlisted equity investments	535		

Strong capital position

CAD ratio and risk weighed assets € m



Total own funds € m

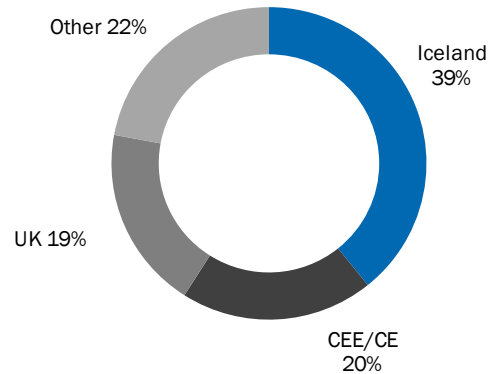


Commentary

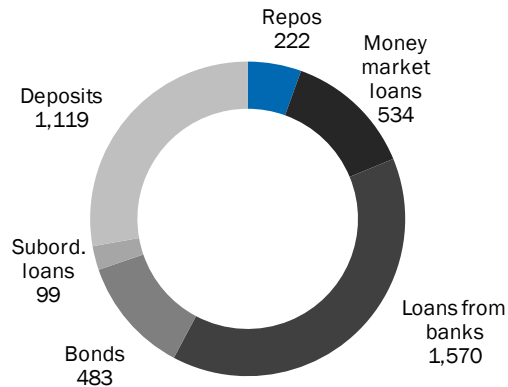
- Balance sheet de-risked over Q2 2008
- Strong capital base
- CAD ratio strengthened
- Very modest leverage

Continued development of funding profile

Sources of funding



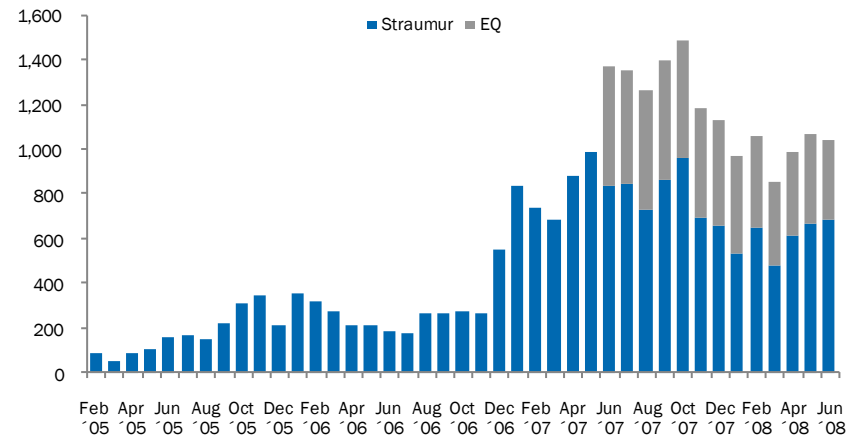
Funding mix



New funding

- Financing transactions of € 475m closed in H1
 € 180 m syndicated loan
 € 295m bilateral financings
- Continue to diversify funding by type and geography
- Broadened deposit gathering across footprint

Deposits – monthly development € m



Satisfactory liquidity profile

Liquidity in days

Expected liquidity

Bank > 365 days

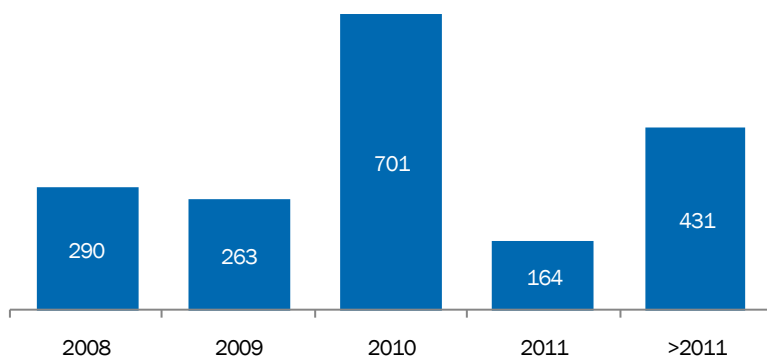
Group > 365 days

Stressed liquidity

Bank 215 days

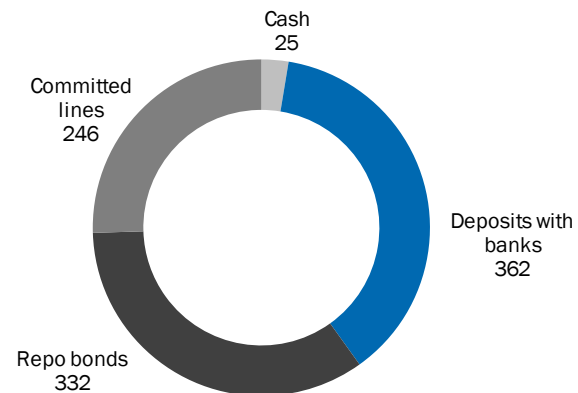
Group 365 days

Maturity of long term funding € m

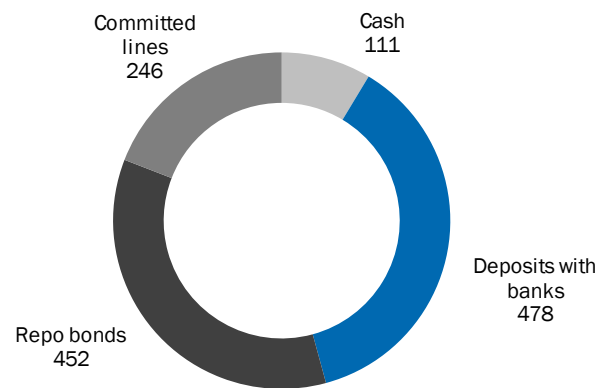


* All numbers from 29 July

Secure liquid assets - Bank € 965m



Secure liquid assets - Group €1,287m



Key messages



Ongoing drive towards creating stability in difficult markets

Economic outlook

Global

US

- Troubled consumer sector
 - Rising unemployment
 - House price declines / negative equity
 - Increasing inflationary pressures
- Recession fears abating but concern over financial strength ongoing:
 - Asset quality concerns
 - Real estate exposures
 - Fed action: Support weakens but limited ability to counter inflation
 - Investor litigation actions on the rise

UK/Ireland

- Troubled consumer sector
 - Rising unemployment
 - House price declines / negative equity / “frozen” mortgage market
 - Very high level of consumer debt
- Financial sector concerns around under-capitalisation, liquidity and revenue outlook

Western Europe

- Early signs of slowdown with high input prices
- Economic weakness but few sign of financial problems, due to “local” issues

Rest of World

- Too early to see
- Price corrections to “exuberant” stock markets

Iceland

Wavering consumer confidence

- Rising unemployment
- Increasing inflation pressures
- High interest rates
- Ongoing ISK weakness

Financial sector

- Well-capitalised major banks, with adequate medium-term liquidity
- Functioning of domestic market compromised by lack of market liquidity
- Lack of interest of international investment community in Iceland
- Gathering asset impairment issues:
 - Construction
 - Real estate
 - Consumer

Conclusion

- Ongoing market volatility
- Regional variations in extent of recession

Stability in difficult markets

Further decrease in market risk profile

- Proprietary Trading downsized
- Ongoing reductions of Merchant Banking and Proprietary Trading positions
- Trading VaR limits reduced from € 25m to € 10m
- Management changes:
 - Benedikt Gíslason recruited as Head of Capital Markets, Proprietary Trading and Merchant Banking, replacing 3 persons on the Management Committee
- Further balance sheet reduction of € 400m in Q3 (on back of € 1,800m reduction in Q2)

Reduction in risk tolerance

- More refined market risk control (more focus on ageing & liquidity of positions)
- Credit risk actions
- Operational risk monitoring revamp
- Financial control improved (independent price verification and data scrubbing)

Shaping our business for opportunities

Growth opportunities - internal

Segment	Investment	Integration
Corporate Finance & Debt Finance	<ul style="list-style-type: none"> Maintain client income in stable markets Invest in growing sectors <ul style="list-style-type: none"> CEE Stamford Partners 	<ul style="list-style-type: none"> Roll-out of integrated finance model into eQ and Wood Co-location Stamford partners with Straumur in London
Markets	<ul style="list-style-type: none"> Develop (currently under-represented) activities in Icelandic markets Increase international distribution <ul style="list-style-type: none"> SCM Icelandic Securities / Research 	<ul style="list-style-type: none"> Prop. Trading model extended into CEE International distribution (CEE into LDN) Cross-platform distribution of fund and asset management products
Merchant Banking	<ul style="list-style-type: none"> Consolidation of previously decentralised management to link into fund and asset management activities 	<ul style="list-style-type: none"> Roll-out of Merchant Banking model into Stamford Partners and Wood
Asset Management	<ul style="list-style-type: none"> Increase institutional funds under management in SCM – four funds established to date Danish HNWI initiative – FME approval pending 	<ul style="list-style-type: none"> Establishment of CEE-focused fund (with another in pipeline)
Treasury	<ul style="list-style-type: none"> Expand European CP programme Establish Treasury / deposit team in Prague branch H2 2008 Expand Danish internet deposit-gathering into CEE 	<ul style="list-style-type: none"> Deposit gathering expanded into CEE Common approach to Treasury management across platform

Growth opportunities - external

Market conditions are challenging the sustainability of and growth in several sectors, generating acquisition, merger and partnership opportunities across the financial services landscape.

Current conditions are presenting discrete opportunities because of Straumur's:

- Capital strength
- Clear regional and investment banking strategy
- Scale

H1 2008 detailed evaluations / discussions with:

- Emerging markets investment bank
- CEE / Russian asset management company
- CEE (single country) boutique
- Russia / CIS private bank and asset management company
- Danish asset management company
- Finnish asset management company

Key messages



Q&A

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