



INVESTMENT BANK

Press release

Interim Financial Statement for the first 6 months of 2008

1 January 2008 to 30 June 2008

27 August 2008

MP Investment Bank's results for the first half of 2008

Key results from operations and balance sheet:

- Profits during the first six months of the year amounted to ISK 1,525 million, an increase of 36.4% compared to the first six months of 2007.
- The bank's earnings before tax in the first half of the year equalled ISK 1,540 million, rising by 12.6% from the same period last year.
- Net interest income amounts to ISK 762 million in the first six months compared to ISK 159 million in the first six months of 2007.
- Interest income increased by 45.6% in the first six months of the year compared to the corresponding period last year and totalled ISK 3,190 million.
- Return on equity (ROE) in the first six months of the year 2008 equals a return of 49.6% on a yearly basis.
- Exchange rate earnings from financial operations increased by 8.3% between periods, at ISK 679 million.
- Net income from operations rose by 16.5% from the corresponding period last year and amounted to ISK 2,083 million.
- The bank's total assets increased by 29.8% from the start of the year and stood at ISK 68,220 million at the end of June 2008 compared to ISK 52,549 million on 31 December 2007.
- The bank's liquid assets on 30 June 2008 amounted to ISK 10,742 million.
- On 30 June 2008, equity equalled ISK 7,502 million, an increase of 21.3% from 31 December 2007.
- The consolidation's equity (CAD) ratio was 29.6% at the end of June 2008 compared to 28.1% at the end of 2007.
- Earnings per share amounted to 1.43 during the first 6 months of the year compared to 1.04 for the corresponding period of last year, which represent an increase of 37.5%.
- The number of employees as of 30 June 2008 is 50 compared to 41 at the same time last year.



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Income Statement	2008	2007	Changes
	1.1-30.6	1.1-30.6	
Interest income	3.189.762	2.191.174	45,6%
Interest expense	-2.427.360	-2.031.792	19,5%
Net interest income	762.402	159.382	378,3%
Fees and commission income	578.001	871.987	-33,7%
Fees and commission expenses	-19.900	-51.114	138,9%
Net fees and commissions	558.101	820.873	-32,0%
Financial income	678.860	626.820	8,3%
Other income	83.218	180.851	-54,0%
Net operating income	2.082.582	1.787.926	16,5%
Expenses	-497.984	-418.111	19,1%
impairment on loans	-44.938	-3.000	1398%
Profit before tax	1.539.660	1.366.815	12,6%
Income tax	-14.838	-248.719	106,0%
Net profit	1.524.821	1.118.096	36,4%

Balance sheet	2008	2007	Changes
Assets	1.1-30.6		
Cash and balance with the Central Bank	10.742.106	7.241.857	48,3%
Loans	13.406.166	9.599.516	39,7%
Financial assets at fair value	25.771.689	20.659.461	24,7%
Securities used for hedging	13.026.879	10.418.582	25,0%
Other assets	5.273.403	4.629.262	13,9%
Total assets	68.220.242	52.548.678	29,8%
Liabilities & Equity			
Deposits	9.387.735	13.450.667	-30,2%
Borrowings	17.466.755	7.476.824	133,6%
Financial liabilities at fair value	14.788.601	5.709.533	159,0%
Short positions in securities used for hedging	8.708.786	0	-
Debt securities issued	7.971.675	16.361.050	-51,3%
Deferred tax liabilities	227.901	193.863	17,6%
Other liabilities	2.166.746	3.169.655	-31,6%
Equity	7.502.043	6.187.086	21,3%
Total Liabilities & Equity	68.220.242	52.548.678	29,8%



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Operations in the first half of 2008:

MP Investment Bank's operations were very successful in the first half of the year, particularly taking into account the difficult conditions on financial markets worldwide. Interest rate difference increased significantly from the previous year, explained by own trading on the bond market and a significant expansion of bond brokerage activities. The above factors also resulted in a substantial growth of the bank's balance sheet since the turn of the year. The bank's commissions have been somewhat reduced since 2007 as a result of decreasing turnover on the domestic stock market, but at the same time bond brokerage commissions have risen significantly, and the income of the bank's branch in Lithuania has also increased considerably. The operations in Lithuania have been a success so far this year and the bank has already made a strong name for itself among investors in the country.

The business of the bank's asset management has been good so far this year. Demand for the bank's asset management services for individuals and institutional investors has increased significantly following good management results and the independence of the service.

The bank's exchange rate earnings were healthy during the first part of the year, primarily justified by the bank's proprietary bond trading. The bank adopts a prudential point of view when evaluating all assets in its portfolio, listed or unlisted assets alike.

The bank considers the loan portfolio to be solid. Practically every loan is secured by liquid securities and active risk management is used to evaluate individual loans. In the Financial Interim Statement all loans are evaluated from a prudential point of view and the bank has made a general precautionary provision for losses on the loan portfolio, equalling around 1.5% of the bank's loans to customers.

The bank's funding has been successful during the year. New funding lines with domestic and foreign financial institutions have been arranged and the Lithuania branch negotiated its first line in the first half of the year.

Prospects for the remaining months of 2008:

There is no end in sight to the difficulties on financial markets worldwide. The development of the domestic economic situation, i.e. high interest rate policy, inflation, the devaluation of the Icelandic króna and plunging real estate prices, has created difficult operating conditions for domestic companies.

Not having a large part of its assets tied up in long-term loans and shares has been convenient for the bank this year. Therefore the bank has managed to shift its emphases in accordance with the conditions. In the latter half of the year focus will be on growing the branch in Lithuania, where the bank sees great opportunities. Bond brokerage and asset management will also be improved further, with our independence and professionalism as guiding lights.



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The bank believes that times like these give rise to great opportunities, in spite of the difficult operating conditions on financial markets. A high CAD equity ratio, healthy balance of liquid assets and solid operations are a source of optimism for the bank.

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A copy of the bank's Interim Financial Statements can be accessed on the bank's web site, www.mp.is.