



## MP Investment Bank's performance in 2007

# Record profits by MP Investment Bank in 2007

MP Investment Bank turned a profit of ISK 2,250 million before tax in 2007. Profits after tax amounted to ISK 1,780 million, equivalent to a return on capital of 35% on a yearly basis. According to the annual accounts for 2007 the Bank's equity amounts to more than ISK 6,187 million and the Bank's CAD ratio stands at 27.95%.

The Bank is financially strong and therefore well capable of further growth.

### Main results:

- The Bank's profit before tax in 2007 amounted to ISK 2,250 million, an increase of 35% from the previous year.
- Profit after tax amounted to ISK 1,780 million, an increase of 40% from 2006.
- Income from operations increased by 45% and amounted to ISK 3.16 million.
- Net interest income in 2007 amounted to ISK 779 million, which is a significant increase from the years before.
- Net fee income receivable increased by 50% between years and amounted to ISK 1,528 million.
- Return of equity after tax amounted to 35%.
- Equity increased by 26% during the year, from ISK 4,927 million in 2006 to ISK 6.187 million in 2007.
- Equity ratio (CAD) amounted to 28.1% at the end of 2007.
- The Bank's balance sheet decreased by 22% from the previous year and now stands at ISK 52 million.
- MP Investment Bank holds no assets linked to collateralised debt obligations or so called sub-prime loans.
- The Board of Directors will propose that the Company pay a dividend of 30%, amounting to ISK 320 million. This is equivalent to 18% of the profits of the year.
- The Board of Directors will request the permission of the annual general meeting to apply for a commercial banking licence to the Financial Supervisory Authority.

MP Investment Bank's annual general meeting will be held on 13 March.



## Key Figures

| <i>Income Statement</i>                                     | <i>2007</i>   | <i>2006</i>   | <i>Change</i> |
|---|---------------|---------------|---------------|
| Financial income  | 4,968         | 2,384         | 108.4%        |
| Financial expenses  | -4,189        | -2,355        | 77.9%         |
| <b>Net interest income</b>                                  | <b>779</b>    | <b>29</b>     | 2.586.2%      |
| Net fee and commission income                               | 1,528         | 1,013         | 50.8%         |
| Trading profit  | 853           | 1,096         | -22.2%        |
| <b>Operating income</b>                                     | <b>3,160</b>  | <b>2,139</b>  | 47.7%         |
| Salaries and related expenses                               | -503          | -337          | 49.3%         |
| Other operating expenses                                    | -383          | -166          | 130.7%        |
| Depreciation and amortisation                               | -17           | -3            | 466.7%        |
| <b>Operating expenses</b>                                   | <b>-903</b>   | <b>-465</b>   | 94.2%         |
| Impairment on loans   | -8            | -101          | -92.1%        |
| <b>Profit before income tax</b>                             | <b>2,250</b>  | <b>1,531</b>  | 47.0%         |
| Income tax expense  | -470          | -291          | 61.5%         |
| <b>Profit for the year</b>                                  | <b>1,720</b>  | <b>1,240</b>  | 38.7%         |
| Earnings per share  | 1,62          | 1,17          | 38.5%         |
| <br>  |               |               |               |
| <i>Balance Sheet</i>  | <i>2007</i>   | <i>2006</i>   | <i>Change</i> |
| <b>Assets</b>   |               |               |               |
| Cash and cash equivalent                                    | 7,242         | 2,157         | 235.7%        |
| Loans   | 9,600         | 7,936         | 21.0%         |
| Financial assets at fair value through profit and loss      | 20,505        | 13,591        | 50.9%         |
| Securities used for hedging                                 | 10,399        | 15,892        | -34.6%        |
| Other assets  | 4,629         | 3,261         | 42.0%         |
| <b>Total assets</b>   | <b>52,375</b> | <b>42,837</b> | 22.3%         |
| <b>Liabilities</b>  |               |               |               |
| Deposits from credit institution                            | 13,451        | 7,733         | 73.9%         |
| Borrowings  | 24,112        | 23,846        | 1.1%          |
| Financial liabilities at fair value through profit and loss | 5,709         | 2,601         | 119.5%        |
| Subordinated liabilities                                    | 44            | 58            | -24.1%        |
| Deferred tax liabilities                                    | 194           | 0             |               |
| Other liabilities   | 2,851         | 3,672         | -22.4%        |
| <b>Total liabilities</b>                                    | <b>46,361</b> | <b>37,910</b> | 22.3%         |
| <b>Total equity</b>   | <b>6,187</b>  | <b>4,926</b>  | 25.6%         |
| <b>Total Liabilities and equity</b>                         | <b>52,375</b> | <b>42,837</b> | 22.3%         |



## 2007

MP Investment Bank's performance in 2007 was excellent, despite the instability on the world's financial markets, most notably during the latter part of the year. The Bank's commissions receivable continued to rise from the previous year. Net interest income increased significantly between years; a very pleasing development since great emphasis was laid on increasing this income factor.

The Bank's share in BYR Savings Bank was redeemed during the year and following that sale MP Investment Bank's holding of domestic securities with variable-income (i.e. shares in savings banks and other shares) decreased considerably. Parallel to the Bank's substantial growth during the past few years the Bank's risk management and internal control has been greatly improved, ensuring that the bank suffered no major difficulties due to extensive deflation of stock markets in the autumn of 2007.

The Bank's funding was improved during the year. In the spring MP Investment Bank finalised its first foreign long-term syndicated loan. At the end of the year domestic and foreign binding loan commitments were finalised.

At the start of 2007 the Bank opened its first branch in the Baltic states in Vilnius, Lithuania. The Vilnius branch was successful during the year and currently returns around 15% of the Bank's total income and around 15% of the Bank's balance sheet represents the activities of the branch. Today MP Investment Bank has 13 employees in Lithuania. In February 2008 the branch moved to an impressive new office building. The office space is much larger than the first one and offers the potential of further growth in the coming months, as the Bank has targeted further expansion of its activities in Lithuania in 2008.

During 2007, MP Investment Bank's management company received authorisation as a fund management company for mutual and investment funds and has already started a money market fund and a corporate bond fund. More funds are planned.

The Bank's subsidiary in Lithuania received authorisation to operate pension funds in 2007 and started such operations in the autumn under the name MP Pension Fund Baltic.

## Prospects for 2008

In spite of the instability of financial markets at the beginning of 2008 the Bank's operation is off to a bright start. Risk management and credit control will be enhanced further.

In 2008 the Bank will focus on the ongoing expansion of its operations in the Baltic states as well as increasing the activities of the Bank's asset management in Iceland and abroad.

The Bank's Board of Directors has decided to propose an application for a commercial banking licence to the Financial Supervisory Authority at the upcoming general meeting. A commercial banking licence allows the Bank to expand its activities further, especially through the Lithuanian branch.

### For further information contact:

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**MP Investment Bank** is a rapidly growing and progressive financial institution successfully focusing on smaller markets and new markets in Europe. The Bank provides clearly focused professional services that fully meet international standards. The Bank offers total asset management solutions for individuals and investors with different emphases, and offers mutual funds operated by MP and competitors alike. The Bank brokers securities on the domestic and foreign markets and works on diverse projects in relation to services and advice to companies, municipalities and institutional investors.