Earnings report
26 November 2008

Straumur-Burdaras Investment Bank results for the first nine months of 2008 and October 2008
Capital strength in difficult market conditions

Due to developments in global and Icelandic financial markets since the start of October 2008, Straumur-Burdaras Investment Bank ("Straumur" or the "Bank") is additionally reporting its results for October 2008 and its financial position as of 31 October 2008 as part of its Q3 2008 result announcement. This is consistent with Straumur's policy to be as transparent as possible by disclosing any relevant information to its shareholders and creditors.

Key results for the first nine months of 2008

- Loss after tax was € 124.7m for the first nine months of 2008. Loss before tax amounted to € 164.6m.
- Operating income totalled € 50.4m.
- Client-driven income, comprising net interest and net fee and commissions, was up 3.4% from same period in 2007, at € 145.1m.
- There was a loss of € 98.8m from trading and investment activities as markets continued to fall.
- Operating expenses totalled € 92.7m.
- Total assets amounted to € 5.2bn at 30 September 2008, decreasing by 26.5% from the beginning of the year.
- Impairments totalled € 122.3m.
- Assets under management totalled € 1.2bn at the end of the period.
- Strong CAD ratio of 22.5% at 30 September 2008. The Tier 1 capital ratio was 20.3%.

Key results for the third quarter of 2008

- Loss after tax was € 145.6m in the third quarter. The loss before tax was € 168.9m.
- Operating loss for Q3 2008 was €31.1m.
- Client-driven income totalled € 41.3m.
- Net losses from trading and investment activities amounted to € 73.6m.
- Operating expenses were € 30.7m.
- Impairments totalled € 106.8m.

Key results for October 2008

- Loss after tax was € 150.6m in October 2008. The loss before tax was € 175.1m.
- Operating income was €78.5m.
- Client-driven income totalled € 11.4m.
- Net gains from trading and investment activities amounted to € 66.3m.
- Total assets were € 4.4bn at 31 October 2008, decreasing by € 0.8bn or 15.7% from 30 September 2008.
- Impairments totalled € 244.6m, driven by extraordinary events in the global and Icelandic markets.
- The CAD ratio was 17.6% at 31 October 2008. The Bank had more than twice the minimum regulatory requirement for capital. The Tier 1 capital ratio was 15.6%.
- The liquidity position is acceptable given the tough market conditions. The Bank is actively working on securing its medium term liquidity position.

William Fall, CEO of Straumur

"The global financial markets have been characterised by a progressively more difficult market environment since June 2007. The financial crisis deepened in the third quarter of 2008 and at the start of the fourth quarter we witnessed unprecedented failure, especially in Iceland. At the end of September and start of October, the Icelandic Financial Supervisory Authority (FME) assumed control of the three largest Icelandic commercial banks. As a result of this, the foreign exchange market in Iceland virtually closed. As a consequence of these events, the international community lost confidence in the Icelandic financial system. These developments have adversely impacted most financial institutions, including Straumur. However, the Bank is weathering the storm and we are now in a position to look forward.

Our focus in the third quarter, and especially since the beginning of October 2008, has been on reducing our balance sheet and risk profile, protecting our capital, improving our liquidity position and proactively managing our relationships with our counterparties. The Bank has also taken opportunities to develop further the revenue generating capability of the organisation by recruiting a number of the former Teather's staff in London in order to enhance its Corporate Finance and Securities platform in the UK. Our capital position remains strong, with a capital ratio 22.5%. The Bank has a syndication maturing in December and refinancing is close to being finalised.

Despite difficult conditions I am confident that the repositioning of Straumur's business model over the past months and its strong capital position will enable the Bank to develop its business in line with its declared strategy – focusing on client-driven revenues, diversifying its sources of income and de-risking its balance sheet."

Key numbers

€ m	10m 2008	9m 2008	9m 2007	Oct. 2008	Q3 2008	Q2 2008	Q1 2008
Client-driven income*	156.5	145.1	140.3	11.4	41.3	49.8	53.9
Operating income	128.8	50.4	273.5	78.5	(31.1)	15.3	66.2
Operating expenses	(101.8)	(92.7)	(72.2)	(9.0)	(30.7)	(26.9)	(35.1)
Impairments	(366.8)	(122.3)	(11.6)	(244.6)	(106.8)	(8.0)	(7.4)
Profit (loss) before tax	339.8	(164.6)	189.6	(175.1)	(168.9)	(20.2)	24.4
Profit (loss) for the period	275.3	(124.7)	163.5	(150.6)	(145.6)	(1.4)	22.3
CAD ratio %	17.6	22.5	28.7				
Tier 1 ratio	15.6	20.3	26.3				

*Client-driven income is the sum of net interest, net fee and net commission income.

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Income statement

€ m	10M 2008	9M 2008	9M 2007	Oct. 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007*	Q3 2007*
Net interest income	64.6	61.9	45.8	2.7	14.8	23.9	23.2	23.0	26.3
Net fee and commission income	91.8	83.2	94.5	8.7	26.5	25.9	30.8	36.8	21.3
Net financial income	(32.5)	(98.8)	115.8	66.3	(73.6)	(36.0)	10.9	(4.4)	(31.8)
Other income	4.9	4.1	17.4	0.8	1.2	1.5	1.4	1.1	17.0
Operating income	**128.8**	**50.4**	**273.5**	**78.5**	**(31.1)**	**15.3**	**66.2**	**56.5**	**32.8**
Salaries and related expenses	(54.8)	(49.1)	(42.1)	(5.7)	(14.1)	(15.2)	(19.8)	(23.2)	(22.5)
Other administrative expenses	(47.0)	(43.6)	(30.1)	(3.4)	(16.6)	(11.7)	(15.3)	(23.5)	(7.4)
Operating expenses	**(101.8)**	**(92.7)**	**(72.2)**	**(9.0)**	**(30.7)**	**(26.9)**	**(35.1)**	**(46.7)**	**(29.9)**
Impairment	(366.8)	(122.3)	(11.6)	(244.6)	(106.8)	(8.0)	(7.4)	(8.5)	(4.3)
Profit (loss) before tax	**(339.8)**	**(164.6)**	**189.6**	**(175.1)**	**(168.9)**	**(20.2)**	**24.4**	**1.4**	**(1.4)**
Tax credit (expense)	64.5	39.9	(26.0)	24.6	23.4	18.7	(2.2)	(2.0)	1.6
Profit (loss)	**(275.3)**	**(124.7)**	**163.5**	**(150.6)**	**(145.6)**	**(1.4)**	**22.3**	**(0.6)**	**0.2**
Attributable to:									
Equity holders of the parent	(281.7)	(130.7)	157.0	(151.1)	(149.0)	(2.8)	21.1	1.3	1.8
Minority interest	6.4	6.0	6.5	0.5	3.4	1.4	1.2	(1.9)	(1.6)
Earnings per share	(0.028)	(0.013)	0.017		(0.015)	0.00	0.002	0.00	0.00

*eQ consolidated from June 2007 and Wood from October 2007.

Profit

Straumur reported a pre-tax loss of € 164.6m for the first nine months of 2008, compared with a pre-tax profit of € 189.6m during the same period in 2007. The loss after tax amounted to € 124.7 as opposed to a profit of € 163.5m. Loss attributable to equity holders during the first nine months of 2008 amounted to € 130.7m and loss per share was € 0.013.

During the third quarter of 2008, the Bank reported a pre-tax loss of € 168.9m, compared with a pre-tax loss of € 20.2m during the second quarter of 2008. The loss after tax amounted to € 145.6m, compared with a loss after tax of € 1.4m in the preceding quarter. The loss in the third quarter reflects trading, fair value and FX losses as well as a high impairment provision during the period.

In October 2008, the Bank reported a pre-tax loss of € 175.1m and a loss after tax of € 150.6m. The results for this month reflect deepened crisis in global and exceptional events in the Icelandic financial markets with impairments of € 244.6m being established.

Operating income

Operating income was € 50.4m during the first nine months of 2008, compared with € 273.5m in the same period in 2007. Client-driven income totalled € 145.1m in the period, up 3.4% compared with the same period in 2007. In the third quarter of 2008, operating income was € (31.1m), compared with operating income of € 15.3m in the preceding quarter. Client-driven income in the third quarter was sustained despite the financial turmoil and totalled € 41.3m, which more than covered operating costs. In October 2008, operating income amounted to € 78.5m, comprising € 66.3m net financial income.

Net interest income was € 61.9m during the first nine months of 2008, compared with € 45.8m during the first nine months in 2007. This increase stems from growth in interest-bearing assets, where net interest income has grown most notably in other Nordic countries. During the third quarter of 2008, net interest income was € 14.8, compared with a € 23m level in past quarters. Interest bearing assets have reduced over the course of the year and funding costs increased. The following table analyses net interest income according to geographical area.

Net interest income

€ m	10M 2008	9M 2008	9m 2007	Q3 2008	Q2 2008	Q1 2008
Iceland	23.4	23.1	33.0	5.6	5.8	11.7
Other Nordic countries	17.3	17.1	4.8	5.4	5.3	6.4
UK	8.5	9.6	2.8	2.8	4.3	2.5
CEE	1.8	1.6	-	0.9	0.3	0.4
Other	13.7	10.5	5.3	0.1	8.3	2.1
Total	64.6	61.9	45.8	14.8	23.9	23.2

Net fee and commission income was € 83.2m for the first nine months of 2008, compared with € 94.5m in the same period 2007. The results reflect lower fee income in Straumur's platform due to more difficult markets conditions. In the third quarter of 2008, net fee and commission income amounted to € 26.5m, a strong performance given the summer months and the state of the markets. The following tables analyse net fee and commission income according to type and geographical area.

Net fee and commission income by type

	10M 2008	9M 2008	9M 2007	Q3 2008	Q2 2008	Q1 2008
Asset management fee	4.8	4.6	3.4	1.2	2.0	1.4
Underwriting fee	18.1	17.5	14.5	1.5	6.9	9.1
M&A advisory	32.2	38.9	46.4	16.5	9.8	12.6
Net brokerage	36.7	22.2	30.1	7.3	7.3	7.6
Total	91.8	83.2	94.5	26.5	25.9	30.8

Net fee and commission income by geographical area

€ m	10M 2008	9M 2008	9M 2007	Q3 2008	Q2 2008	Q1 2008
Iceland	18.7	13.6	43.2	3.8	7.7	2.1
Other Nordic countries	38.0	33.8	37.1	9.5	10.9	13.4
UK	18.1	18.2	13.0	8.0	2.0	8.2
CEE	16.2	16.8	1.2	5.0	5.7	6.1
Other	0.7	0.7	-	0.1	(0.3)	0.9
Total	91.8	83.2	94.5	26.5	25.9	30.8

Net financial loss was € 98.8m in the first nine months of 2008, compared with net financial income of € 115.8m in the same period in 2007. Net financial loss for Q3 2008 was € 73.6m, compared with a loss of € 36.0m in the preceding quarter. Although Straumur had already taken steps to run down its trading portfolio during the first half, it continued to suffer losses on a number of relatively illiquid positions and on its investment book as both equity and bond market prices fell during the quarter. A number of financial assets held at fair value were written down during the quarter in line with market movements. The following tables analyse net financial income by type and geographical area.

Net financial income by type

€m	10M 2008	9M 2008	9M 2007	Q3 2008	Q2 2008	Q1 2008
Dividend income	2.9	2.6	29.4	-	2.5	0.1
Trading gains (losses)	(13.2)	(48.7)	87.7	(23.9)	(16.4)	(8.4)
Fair value gains (losses)	(72.7)	(42.9)	12.9	(23.5)	(24.1)	4.7
Available for sale (losses)	(44.2)					
Net FX gains (losses)	94.8	(9.8)	(14.1)	(26.3)	2.0	14.5
Total	(32.5)	(98.8)	115.8	(73.6)	(36.0)	10.9

Net financial income by geographical area

€ m	10M 2008	9M 2008	9M 2007	Q3 2008	Q2 2008	Q1 2008
Iceland	143.3	(4.9)	20.0	(6.6)	(4.2)	5.9
Other Nordic countries	(34.1)	(29.5)	58.3	(23.1)	(13.9)	7.5
UK	(46.0)	(33.6)	0.2	(21.1)	2.3	(14.8)
CEE	(51.8)	(27.7)	40.8	(24.4)	(13.2)	9.9
Other	(43.8)	(3.0)	(3.4)	1.5	(6.8)	2.3
Total	(32.5)	(98.8)	115.8	(73.6)	(36.0)	10.9

In October 2008, Straumur benefitted by € 99.5m from the write back of previously accrued losses on non ISDA derivative contracts with the banks now in administration in Iceland. In addition, because the FX markets were effectively closed in Iceland, Straumur was unable to hedge a significant ISK short position which arose largely because of the treatment of the derivative contracts noted above, and consequently reported a € 94.8m gain. Losses from trading, investment and available for sale assets amounted to € 138.1m in the month.

Other income amounted to € 1.2m in the third quarter of 2008 and mainly related to IT hosting activity in eQ.

Operating expenses
The Bank's *operating expenses* totalled € 92.7m for the first nine months of 2008, compared with € 72.2m for the same period last year. The increase reflects the larger platform that the Bank has in 2008. Operating expenses for the third quarter of 2008 were € 30.7m.

Salaries and salary-related expenses in the first nine months of 2008 were € 49.1m, compared with € 42.1m in the same period in 2007. This increase between years is primarily due to a significant increase in the number of employees. *Other administrative expenses* were € 43.6m in the first nine months of 2008, compared with € 30.1m in the same period in 2007. In the third quarter, salaries and salary-related expenses amounted to € 14.1m as opposed to the Q2 level of € 15.2m, whereas other administrative expenses totalled € 16.6m compared to € 11.7m in Q2 2008. Higher administrative expenses relate to moving the location of Straumur's offices and IT investments in London.

Impairments
Impairments amounted to € 122.3m for the first nine months of 2008, compared with € 11.6m for the first nine months of 2007. Impairment losses on loans in Q3 2008 were € 106.8m, which is a significant increase from the preceding quarter's level of € 8.0m. These impairments were a reflection of the further deterioration in credit markets during the quarter. Impairments in October 2008 totalled € 244.6m. The September impairment provision includes € 35.4m provided against margin placed with Lehman brothers as part of a prime brokerage agreement and now the subject of a claim. The aggregate impairments made in respect of loans to parties related to the banks in administration or loans secured by their equities were € 135.3m. Straumur had a number of asset, liability and derivative balances with Landsbanki Íslands hf., Glitnir banki hf. and Kaupthing banki hf. at the date when these banks' operations were taken over by the Icelandic Financial Supervisory Authority. Straumur believes that after the settlement and set off process in respect of these balances the net impact on its capital position is positive.

Tax
The Bank reported an overall tax credit of € 39.9m for the first nine months of 2008 and a tax credit of € 23.4m for the third quarter of 2008. The tax credit for the third quarter relates to the operating loss reported in the first nine months of 2008.

Balance sheet

€ m	31.10.08	30.09.08	31.12.07		31.10.08	30.09.08	31.12.07
Cash and cash equivalents	650.1	592.5	1,427.2	Financial liabilities held for trading	85.8	231.1	101.8
Financial assets held for trading	167.0	252.8	1,056.4	Deposits from banks	35.1	51.3	34.5
Pledged assets	124.7	184.3	211.9	Deposits from customers	694.9	780.7	1,233.7
Financial assets designated at fair value through profit and loss	686.3	1,020.2	923.9	Borrowings	1,832.8	2,394.0	3,778.5
Loans	1,520.7	1,842.6	2,411.3	Subordinated loans	83.7	92.0	113.6
Financial assets available for sale	200.2	309.5	339.0	Current tax liability	3.7	3.6	26.8
Investment in associates	7.2	7.4	11.1	Deferred tax liability	0.9	0.9	2.4
Property and equipment	23.6	23.7	21.7	Other liabilities	511.8	344.8	277.0
Asset held for sale	68.0	66.4	-	**Total liabilities**	**3,248.7**	**3,898.6**	**5,568.4**
Intangible assets	499.0	498.9	500.7				
Deferred tax asset	57.3	32.5	0.5	Total equity attributable to equity holders of the Parent	1,157.7	1,330.5	1,557.9
Other assets	417.9	413.5	233.2	Minority interests	15,6	15.2	10.6
				Total equity	**1,173.2**	**1,345.7**	**1,568.5**
Total assets	**4,421.9**	**5,244.2**	**7,136.9**	**Total liabilities and equity**	**4.421.9**	**5,244.2**	**7,136.9**

Assets

The Bank's total assets at the end of the third quarter 2008 amounted to € 5,244.2m as opposed to € 7,136.9m as of 31 December 2007. Straumur has focused on reducing its balance sheet and risk profile since June 2007. Additionally, the deepened financial crisis in the third quarter reduced Straumur's balance sheet and adversely impacted its capital position as asset values fell. At 31 October 2008, the balance sheet totalled € 4,421.9m. Although the Icelandic part of its business is relatively small, only accounting for 26.4% of assets at 30 September 2008, it has, in particular, been impacted adversely by recent events in that market, especially in respect of financial assets and loans.

Cash and cash equivalents totalled € 592.5m at the end of the period, as opposed to € 1,427.2m in the beginning of the year and € 892.0m at the end of second quarter 2008. The net cash outflows in the period reflect a reduction in the level of deposits placed with the Bank.

Financial assets held for trading and pledged assets (basically trading assets financed by way of repurchase agreement) totalled € 437.1m at 30 September 2008, compared with € 1,268.3m at 31 December 2007. The reduction relates to the de-risking of trading activities in the period and to a lesser extent, falling asset values. Debt instruments financed by repo were reduced by €379.6m in the third quarter of 2008. The equivalent aggregate balance at 31 October 2008 was € 291.7m.

Financial assets designated at fair value were 1,020.2m at 30 September 2008 compared with € 923.9m at 31 December 2007. Bond positions were up by € 210m during the third quarter as a result of funding transactions. These assets were transacted with the banks now in administration and have been netted off the balance sheet against liabilities due to the same banks in the 31 October balance sheet.

Listed equities, which are reported within trading, pledged, fair value, and available for sale assets, totalled € 324m as of 30 September 2008, or around 34.5% of the Bank's own funds. At the beginning of the year 2008, listed equities totalled € 480m, or 41% of own funds. As of 31 October 2008, listed equities totalled € 212m and included the following five largest positions:

Listed *€ m*

Rank	Counterparty	Value	Country	Industry
1	Netia	84	Poland	Diversified Telecommunication Services
2	WOOD & Co. CEE Fund	22	Global	Diversified Financial Services
2	Hungarian Telephone & Cable	13	Hungary	Diversified Telecommunication Services
3	xG Technology Inc.	4	USA	Wireless Telecommunication Services
4	Amer Sports	4	Finland	Leisure Equipment & Products

Unlisted equities at the end of the period totalled € 596m, or 63.5% of the Bank's own funds. This is an increase from the beginning of the year when unlisted equities amounted to € 415m, or 35.1% of own funds. The majority of the increase relates to increased holdings in Play in the second quarter of 2008. Play is an independent 3G mobile operator in Poland that aims to become a distinctive player on the Polish mobile telephony market, offering competitive facilities combined with new mobile broadband services. At 31 October 2008, unlisted equities amounted to € 549m and included the following five largest positions:

Unlisted *€ m*

Rank	Counterparty	Value	Country	Industry
1	Play (formerly P4)	274	Poland	Wireless Telecommunication Services
2	Actavis Pharma Holding 1	80	Global	Pharmaceuticals
3	XLF Holdings	56	France	Airlines
4	Julia Capital Management	30	Global	Diversified Financial Services
5	Boreas Capital Fund	24	Global	Diversified Financial Services

Loans totalled € 1,842.6m at the end of third quarter 2008, compared with 2,411.3m at the year-end 2007. The decrease from the beginning of 2008 is largely due to the Bank's de-consolidation of Alpstar, a corporate loan fund, in the first quarter of 2008 when the ownership in the subsidiary was taken below 50.0% resulting in a € 576m decrease in the loan portfolio. At 30 September 2008, the loan book had decreased by 6.6% from the 30 June 2008 level, when it totalled € 1,973.7m. In October 2008, the loan book decreased further by 17.5% and totalled € 1,520.7m as of 31 October 2008 due mainly to the increased impairments but also to the sales of certain assets. Impairments are covered in more detail in the Income statement on page 5.

Financial assets available for sale were € 309.5m at 30 September 2008, compared with € 339.0m as of 31 December 2007. As of 31 October 2008, financial assets available for sale totalled € 200.2m. Positions with the banks in administration were netted down and the investment in Landsbanki shares was fully written off in October 2008.

Assets held for sale includes investments which are anticipated to be sold in the next 12 months.

Intangible assets amounted to € 498.9m at the end of the period, essentially unchanged since 31 December 2007.

Liabilities and equity

Financial liabilities held for trading totalled € 231.1m at the end of the period, compared with € 101.8m at the beginning of the year. The amount includes some € 22.1m of trading liabilities and € 209.0m of derivative liabilities.

At the end of third quarter 2008, *deposits* totalled € 832.0m, compared with € 1,268.3m at the beginning of the year and € 1,119.0m at the end of Q2 2008. At 31 October 2008, deposits amounted to € 730.1m. The level of institutional, corporate and bank deposits in Iceland has decreased since the half year and particularly since the beginning of September.

Borrowings totalled € 2,394.0m at the end of the period, down from € 3,778.5m at the beginning of the year. As of 31 October 2008, borrowings totalled € 1,832.8. Borrowings include long and short-term bank borrowing, overdrafts and repo financing. The decrease relates mostly to reduction in repo financing in line with run down of trading positions.

The *subordinated loan* position was € 92.0m at the end of the period, as opposed to € 113.6m at the beginning of the year, with the fall in value reflecting a weaker ISK.

Other liabilities and current and deferred tax liabilities amounted to € 349.4m at the end of the period, compared with € 306.2m at the beginning of the year. Tax liabilities reduced from € 18.7m at the end of Q2 2008 to € 4.6m at the end of Q3 2008 as losses accrued against previous liabilities.

Equity amounted to € 1,345.7m at the end of the third quarter, compared with € 1,568.5m as of 31 December 2007. Total equity attributable to equity holders of the Parent totalled € 1,330.5m at the end of the period, as opposed to € 1,557.9m as of 31 December 2007.

The CAD ratio at the end of September 2008 was 22.5%, down from 23.7% at the end of 2007. The Tier 1 ratio was 20.3%, compared with 21.4% at the year-end 2007. The bank has calculated its capital position as of 31 October 2008 taking account of the financial consequences of trading gains and losses, fair value adjustments, FX positions and impairment provisions arising from events in the global and Icelandic markets. As of 31 October 2008, the CAD ratio was 17.6% and the Tier 1 ratio was 15.6%, still a very strong position. Adjusting for the significant capital requirement associated with the unhedged positions the Bank had at 31 October 2008 its "normalised" capital adequacy ratio, based on the FX capital requirement used at 30 September, would be 19.2%.

Operating results of business lines

Straumur divides its operations into seven business lines: namely Corporate Finance, Debt Finance, Capital Markets, Proprietary Trading, Asset Management, Merchant Banking and Treasury.

The business lines' results for the first nine months of 2008 are as set out below:

€ m	Corporate Finance	Debt Finance	Capital Markets	Proprietary Trading	Asset Management	Merchant Banking	Treasury	Other operations	Total
Net interest income	(2.0)	27.6	(11.6)	3.7	4.1	(10.0)	50.2	(0.1)	61.9
Net fee and commission income	39.9	17.5	24.7	(2.6)	4.6	-	(1.0)	0.1	83.2
Net financial income	(7.6)	(6.5)	1.1	(46.8)	-	(34.7)	(4.8)	0.5	(98.8)
Other income	0.1	-	0.3	-	(0.1)	0.3	0.3	3.2	4.1
Operating income	**30.5**	**38.6**	**14.4**	**(45.7)**	**8.6**	**(44.3)**	**44.6**	**3.7**	**50.4**
Operating expenses	(18.4)	(10.7)	(27.7)	(8.5)	(11.0)	(1.5)	(6.5)	(8.5)	(92.7)
Impairment	-	(81.8)	(5.0)	-	-	-	-	(35.4)	(122.3)
Share of profit of associates	-	-	-	-	-	-	-	-	-
Profit (loss) before tax	**12.0**	**(53.9)**	**(18.2)**	**(54.2)**	**(2.4)**	**(45.8)**	**38.2**	**(40.3)**	**(164.6)**

Corporate Finance

The business line generated in the first nine months of 2008 a profit before tax of € 12.0m compared to a profit before tax of € 32.8m in the same period in 2007. Operating income totalled € 30.5m in the first nine months of 2008, as opposed to € 53.7m in the first nine months of 2007. The results reflect more difficult market conditions in parts of the Straumur platform in 2008, with considerable less growth of fee and commission income than anticipated in the beginning of the year, and increased financial losses.

The business line reported € 0.5m profit in Q3 2008, compared with a break-even result in the second quarter. Operating income totalled € 7.4m for Q3 2008 as opposed to € 5.4m for Q2 2008. Net fee and commission income was exceptionally high in Q3 2008 compared to the past quarters, at € 16.9m, reflecting strong fee income in UK in the quarter. The net financial loss of € 9.0m is due to the write down of certain trading and fair value assets attributable to Corporate Finance.

Corporate Finance – results

€ m	10M 2008	9M 2008	9M 2007	Oct. 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	(1.7)	(2.0)	(3.3)	0.2	(0.7)	(3.8)	2.5	(0.4)	2.7
Net fee and commission income	42.2	39.9	47.8	2.4	16.9	10.0	13.0	20.8	6.3
Net financial income	(15.0)	(7.6)	(6.7)	(7.4)	(9.0)	(0.7)	2.1	2.0	(16.4)
Other income	0.1	0.1	16.0	-	-	-	0.1	0.1	16.0
Operating income	**25.6**	**30.5**	**53.7**	**(4.9)**	**7.4**	**5.4**	**17.7**	**22.6**	**8.6**
Operating expenses	(20.6)	(18.4)	(18.7)	(2.2)	(6.9)	(5.4)	(6.1)	(16.0)	(7.7)
Impairment		-	(2.1)		-	-	-	0.5	(0.9)
Share of profit of associates	-	-		-	-	-	-	-	-
Profit (loss) before tax	**4.9**	**12.0**	**32.8**	**(7.1)**	**0.5**	**0.0**	**11.6**	**7.2**	**0.0**

Debt Finance

Debt Finance reported a loss before tax of € 53.9m in the first nine months of 2008, compared with a profit of € 37.3m in the same period in 2007, reflecting the difficult market situation in 2008 and significant impairments on loans.

The third quarter 2008 was a challenging quarter for this business line. The business line reported a loss before tax of € 72.1m for Q3 2008, as opposed to profit of € 14.0m for Q2 2008. Net interest income was maintained. The results include impairments taken on the business line's loan book of € 66.4m for the third quarter. Additionally, impairments amounted to € 205.1m in October 2008, as the Bank responded to the systemic risks in Iceland following the demise of the commercial banks.

Debt Finance – results

€ m	10M 2008	9M 2008	9M 2007	Oct. 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	32.6	27.6	43.0	5.0	(2.1)	15.2	14.5	14.2	19.1
Net fee and commission income	18.1	17.5	14.5	0.6	1.4	7.0	9.1	7.3	7.3
Net financial income	(29.6)	(6.5)	0.3	(23.1)	(2.2)	3.2	(7.5)	(0.9)	(0.3)
Operating income	**21.0**	**38.6**	**57.8**	**(17.6)**	**(2.8)**	**25.3**	**16.1**	**20.6**	**26.1**
Operating expenses	(11.0)	(10.7)	(11.0)	(0.3)	(2.9)	(3.2)	(4.6)	(5.8)	(3.8)
Impairment	(286.9)	(81.8)	(9.5)	(205.1)	(66.4)	(8.0)	(7.4)	(9.0)	(3.4)
Profit (loss) before tax	**(277.0)**	**(53.9)**	**37.3**	**(223.1)**	**(72.1)**	**14.0**	**4.2**	**5.8**	**18.9**

Capital Markets

The business line reported a loss of € 18.2m in the first nine months of 2008, compared with a profit before tax of € 20.1m in the same period in 2007.

Loss before tax was € 4.3m, reflecting net interest loss of € 4.2m and impairments of € 5.0m. Brokerage commissions held up well despite market uncertainties increasing by 10.5% in the third quarter of 2008.

Capital Markets – results

€ m	10M 2008	9M 2008	9M 2007	Oct. 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	(14.0)	(11.6)	-	(2.4)	(4.2)	(0.7)	(6.7)	(7.7)	(2.3)
Net fee and commission income	39.5	24.7	30.5	14.8	8.4	7.6	8.7	6.7	9.9
Net financial income	11.8	1.1	3.5	10.8	3.7	1.1	(3.8)	(9.8)	(2.8)
Other income	0.6	0.3		0.3	0.3	(0.1)	0.1	-	-
Operating income	**38.0**	**14.4**	**34.1**	**23.6**	**8.2**	**7.9**	**(1.7)**	**(10.7)**	**4.8**
Operating expenses	(30.8)	(27.7)	(19.9)	(3.1)	(7.6)	(9.4)	(10.7)	(16.5)	(7.4)
Impairment	(28.7)	(5.0)		(23.7)	(5.0)	0.1	(0.1)	-	-
Share of profit of associates	-	-		-	-	(0.1)	0.1	-	-
Profit (loss) before tax	**(21.5)**	**(18.2)**	**20.1**	**(3.3)**	**(4.3)**	**(1.5)**	**(12.4)**	**(27.2)**	**(2.6)**

Proprietary Trading

The business line reported a loss before tax of € 54.2m in the first nine months of 2008, compared with a profit before tax of € 116.9m in the same period in 2007. The third quarter of 2008 saw positive changes in the performance of this business line. The profit reported in the quarter was € 6.2m.

Proprietary Trading – results

€ m	10M 2008	9M 2008	9M 2007	Oct. 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	2.5	3.7	(8.5)	(1.2)	2.1	0.1	1.5	1.4	0.7
Net fee and commission income	(2.8)	(2.6)	(0.4)	(0.2)	(1.0)	(0.4)	(1.2)	(0.3)	-
Net financial income	(39.7)	(46.8)	130.7	7.1	7.0	(41.3)	(12.5)	(33.1)	29.6
Other income	-	-		-	-	-	-	-	-
Operating income	**(39.9)**	**(45.7)**	**121.8**	**5.8**	**8.0**	**(41.4)**	**(12.3)**	**(31.9)**	**30.3**
Operating expenses	(9.6)	(8.5)	(4.9)	(1.1)	(1.8)	(2.5)	(4.2)	(4.1)	(2.0)
Profit (loss) before tax	**(49.5)**	**(54.2)**	**116.9**	**4.7**	**6.2**	**(44.0)**	**(16.4)**	**(36.0)**	**28.3**

Asset Management

The business line reported a loss before tax of € 2.4m in the first nine months of the year, compared with a profit before tax of € 0.9m in the same period in 2007. The loss before tax in Q3 2008 was € 0.5m, same level as for Q2 2008.

Asset Management – results

€ m	10M 2008	9M 2008	9M 2007	Oct. 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	4.6	4.1	2.6	0.5	1.5	1.3	1.3	2.2	2.0
Net fee and commission income	4.8	4.6	3.5	0.2	1.5	2.0	1.4	2.4	2.3
Net financial income	-	-	(7.5)	-	-	-	-	(0.7)	(0.9)
Other income	(0.2)	(0.1)		(0.1)	0.3	(0.4)	-	-	(0.3)
Operating income	**9.3**	**8.5**	**5.3**	**0.8**	**2.9**	**2.9**	**2.7**	**4.0**	**3.2**
Operating expenses	(12.2)	(11.0)	(4.4)	(1.2)	(3.5)	(3.4)	(4.1)	(1.9)	(2.7)
Profit (loss) before tax	**(3.0)**	**(2.4)**	**0.9**	**(0.6)**	**(0.5)**	**(0.5)**	**(1.4)**	**2.1**	**0.5**

Merchant Banking

The business line reported a € 45.8m loss before tax in the first nine months of 2008, comprising a € 51.4m loss for Q3 2008, a € 12.6m loss for Q2 2008 and a € 18.2m profit for Q1 2008. The loss in the third quarter is mainly due to significant write downs on a number of long-term holdings. This trend continued as equity markets continued to fall in October.

Merchant Banking – results

€ m	10M 2008	9M 2008	9M 2007	Oct. 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	(10.6)	(10.0)	(1.8)	(0.6)	(6.4)	(2.9)	(0.7)	1.1	1.4
Net fee and commission income	-	-	-	-	(0.2)	0.2	-	-	(4.1)
Net financial income	(137.5)	(34.7)	(1.3)	(102.8)	(44.4)	(10.3)	20.0	16.2	(47.4)
Other income	0.4	0.3	0.2	0.1	-	0.1	0.2	(0.1)	0.2
Operating income	**(147.8)**	**(44.3)**	**(2.9)**	**(103.5)**	**(50.9)**	**(12.9)**	**19.5**	**17.3**	**(50.0)**
Operating expenses	(1.5)	(1.5)	(1.0)	-	(0.3)	0.8	(2.0)	0.2	2.7
Share of profit of associates	-	-	-	-	(0.2)	(0.4)	0.6	-	-
Profit (loss) before tax	**(149.2)**	**(45.8)**	**(3.9)**	**(107.9)**	**(51.4)**	**(12.6)**	**18.2**	**17.5**	**(47.2)**

Treasury

The business line generated a profit before tax of € 38.2m in the first nine months of 2008, compared with a loss of € 14.5m in the same period in 2007.

The loss in Q3 2008 was € 5.4m, compared with a profit of € 23.6m in the preceding quarter. The difference relates to net financial loss of € 29.2m in the third quarter of 2008 as opposed to net financial income in the second quarter of 2008. The Bank's practice is to credit business lines with a notional return on the economic capital they utilise. The net interest income in Treasury reflects the return made on the Bank's free and unutilised capital. The loss is mainly due to challenging environment for hedging activities during the third quarter of 2008. The extraordinary FX gains reported in October 2008 where allocated to Treasury.

Treasury – results

€ m	10M 2008	9M 2008	9M 2007	Oct. 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Net interest income	51.3	50.2	12.2	1.1	24.6	14.7	10.9	12.5	1.0
Net fee and commission income	(10.0)	(1.0)	(1.4)	(9.0)	(0.2)	(0.5)	(0.3)	(0.2)	(0.4)
Net financial income	177.4	(4.8)	(14.1)	182.2	(29.2)	11.9	12.5	19.4	2.9
Other income	0.3	0.3	-	-	0.1	0.2	-	-	-
Operating income	**219.1**	**44.6**	**(3.3)**	**174.5**	**(4,8)**	**26.3**	**23.1**	**31.6**	**3.5**
Operating expenses	(7.2)	(6.5)	(11.2)	(0.7)	(0.7)	(2.7)	(3.1)	(0.5)	(3.4)
Impairments	(15.7)			(15.7)					
Profit (loss) before tax	**196.2**	**38.2**	**(14.5)**	**158.0**	**(5.4)**	**23.6**	**20.0**	**32.1**	**0.1**

Four year overview

€ m	10M 2008	9M 2008	2007	2006	2005
Income statement					
Net interest income	64.6	61.9	68.8	42.5	(3.2)
Net fee and commission income	91.8	83.2	131.3	84.4	25.0
Net financial income	(32.5)	(98.8)	111.4	392.3	411.6
Other Income	4.9	4.1	18.5	9.4	-
Operating income	**128.8**	**50.4**	**330.0**	**528.6**	**433.5**
Operating costs	(101.8)	(92.7)	(118.9)	(44.1)	(16.7)
Impairment	(366.8)	(122.3)	(20.2)	(11.8)	(4.9)
Profit (loss) before tax	**(339.8)**	**(164.6)**	**190.9**	**472.7**	**411.9**
Tax income (expense)	64.5	39.9	(28.0)	42.7	(69.9)
Profit (loss)	**(275.3)**	**(124.7)**	**162.9**	**515.4**	**341.9**
Attributable to:					
Equity holders of the parent	(281.7)	(130.7)	158.3	511.6	340.6
Minority interest	6.4	6.0	4.7	3.8	1.3
Balance sheet					
Assets					
Financial assets held for trading	167.0	252.8	1,056.4	945.2	1,234.7
Financial assets designated at fair value through profit and loss	686.3	1,020.3	923.9	644.7	1,175.9
Loans and cash and cash equivalents	2,170.7	2,435.1	3,838.5	2,046.2	803.1
Other assets	1,397.9	1,536.1	1,318.1	721.6	258.1
Total Assets	**4,421.9**	**5,244.2**	**7,136.9**	**4,357.8**	**3,471.8**
Liabilities and equity					
Deposits	730.1	832.0	1,268.3	-	-
Borrowings	1,832.8	2,394.0	3,778.5	2,572.8	1,628.6
Other liabilities	685.9	672.6	521.6	291.0	305.5
Total equity	1,173.2	1.345.7	1,568.5	1,494.0	1,537.7
Total liabilities and equity	**4,421.9**	**5,244.2**	**7,136.9**	**4,357.8**	**3,471.8**

Key ratios

	10M 2008	9M 2008	2007	2006	2005
Annualised ROE %	(21.1)	(10.6)	11.3	42.0	46.5
Earnings per share €	(0.028)	(0.013)	0.017	0.051	0.045
P/E	(2.077)	(5.66)	10.3	3.9	4.6
P/B	0.309	0.404	1.02	1.18	1.42
Cost to income %	N/A	N/A	36.0	8.3	3.9
Number of employees at end of period	596	510	486	109	52
Share price at end of period	7.08	8.35	15.1	17.4	15.9
CAD ratio %	17.6	22.5	23.7	37.6	19.8
Tier 1 %	15.6	20.3	21.4	35.2	15.3
Growth of loan portfolio %	17.1	0.4*	78.4	161.3	93.0
Loans / Assets %	34.4	35.1	33.8	31.0	18.9
Provision ratio %	15.6	4.34	1.25	1.18	-
Exchange rates					
Exchange rate ISK/€ for P/L average of period	117.33	114.22	87.79	87.72	78.14
Exchange rate ISK/€ for balance sheet at end of period	184.8	149.06	91.91	94.61	74.70

* Growth of the loan portfolio has been adjusted to Alpstar. The Bank's de-consolidated Alpstar, a corporate loan fund, in the first quarter of 2008 when the ownership in the subsidiary was taken below 50.0%. This resulted in a € 576m decrease in the loan portfolio.

Outlook
Uncertainties still remain in the global financial environment and key economies are facing more difficulties than ever seen before. Straumur is determined to weather these conditions, having de-risked its balance sheet and preserved a strong capital position.

Activities in Q4 2008 will be focused on further reductions in the balance sheet, maintaining capital strength, securing the liquidity position and shaping our business for future opportunities. This will be achieved by continuing to invest in certain business segments and by further emerging our platform; taking opportunities to grow its business in all the geographies in which it operates; continuing to develop new business initiatives and maintaining tight cost control.

Funding and liquidity
The liquidity positions of Straumur-Burdaras Investment Bank and the Group have been impacted by the tough market conditions it has faced, given its domicile in Iceland, since the start of October 2008. The Bank is actively working on the re-financing of its syndication which matures on 15 December 2008. The process of securing financing is not complete but is well advanced. This, together with the proceeds of a small number of asset sales, should significantly extend the Bank's liquidity horizon.

Credit rating
Fitch Ratings downgraded Straumur's credit rating on 5 November 2008: Long-term IDR B, Short-term IDR B, Individual rating D/E, Support rating 5, Outlook negative.

Other information
Audit
The interim financial statements for the first nine months of 2008 have been examined by the Bank's auditor, KPMG Endurskodun hf.

Personnel
At end of the October 2008, the Group had a headcount of 596.

Information disclosure
Straumur Investment Bank is committed to providing timely, reliable, correct, and appropriate information to the market, through the OMX Nordic Exchange Iceland News System, on its own website, in media and on one on one meeting with shareholders, potential investors and analysts, both domestically and internationally. The Bank's aim is to guarantee all stakeholders´ access to clear and accurate information on its operations and projects.

Presentation in Reykjavík
A presentation will be held for shareholders and market participants at Hilton Reykjavík Nordica, Suðurlandsbraut 2, on Wednesday 26 November 2008. The CEO and the CFO of Straumur Investment Bank will present the Bank's operating results and answer questions. The presentation will take place in English. It will be possible to follow events at the meeting in real-time on the Bank's website: www.straumur.com/webcast. Information will be available after the meeting on Straumur's website, www.straumur.com, and on the OMX Nordic Exchange Iceland's website, www.omxnordicexchange.is.

The meeting will begin punctually at 09:00 a.m.

Agenda:
09:00 William Fall, CEO and Stephen Jack, CFO, present the results and respond to questions from the audience
10:00 Meeting concludes

Meeting chair: Georg Andersen, Head of Corporate Communications.

Further information
For further information on the results please contact Stephen Jack at +44 7885 997570 or Georg Andersen at +354 585 6707 or ir@straumur.com. Information on Straumur Investment Bank is also available on the Bank's website www.straumur.com.

Publication of next earnings reports
The financial calendar for 2008 is following:

Fourth quarter: 3 February 2009