

Askar Capital hf.
Condensed Consolidated
Interim Financial Statements
1 January - 30 June 2008
ISK

Askar Capital hf.
Suðurlandsbraut 12
105 Reykjavík

Reg. no. 441206-0110

Contents

Endorsement and Signatures of the Board of Directors and the CEO	3	Condensed Consolidated Interim Statement of Changes in Equity	7
Independent Auditors' Review Report	4	Condensed Consolidated Interim Statement of Cash Flows	8
Condensed Consolidated Interim Income Statement	5	Notes to the Condensed Consolidated Interim Financial Statements	9
Condensed Consolidated Interim Balance Sheet ..	6		

Endorsement and Statement of the Board of Directors and the CEO

The condensed consolidated interim financial statements of Askar Capital hf. for the six months ended 30 June 2008 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

According to the consolidated interim income statement the loss for the period amounted to ISK 961 million. According to the consolidated interim balance sheet equity at the end of the period amounted to ISK 9,548 million, including share capital in the amount of ISK 577 million.

At the end of June the Companies shareholders numbered 19. Moderna Finance AB, Sweden, which holds 82% of the Companies share capital, is the only shareholder with a holding over 10%.

To the best of our knowledge it is our opinion that the condensed consolidated interim financial statements for the period 1 January to 30 June 2008 give a true and fair view of the assets, liabilities and financial positions and financial performance of the Bank as at 30 June and its condensed consolidated interim cash flows for the period.

Further, in our opinion the condensed consolidated interim financial statements and the endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Bank's operations and its financial position and fairly describes the principal risks and uncertainties faced by the Bank.

The turbulence in the financial markets has had the effect that real estate and private equity projects have progressed much more slowly than anticipated. The changed circumstances call for a new focus, and work has been in progress in recent months on adapting the Bank to the new environment to enhance its financial performance. The Bank is currently working on reorganising its asset base and capital structure in preparation for facing the challenges of the changed climate; these actions are expected to return results in the form of improved performance as early as the second half of 2008.

The Board of Directors and the CEO of Askar Capital hf. hereby confirm the Bank's condensed consolidated interim financial statements for the period from 1 January to 30 June 2008 by means of their signatures.

Reykjavík, 29 August 2008.

Board of Directors:

Karl Wernersson

Guðmundur Ólason

Jóhannes Sigurdsson

Steingrímur Wernersson

Linda Bentsdóttir

CEO:

Benedikt Árnason

Independent Auditors' Review Report

To the Board of directors of Askar Capital hf.

We have reviewed the accompanying condensed consolidated interim financial statements of Askar Capital hf., which comprise the consolidated balance sheet as at 30 June 2008, and the consolidated income statement, statement of changes in equity and cash flow statements for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted by the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standard on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at 30 June 2008 and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 29 August 2008.

KPMG hf.

Helgi F. Arnarson

Margrét Gudjónsdóttir

Consolidated Interim Balance Sheet

as at 30 June 2008

	Notes	30/06/2008	31/12/2007
Assets:			
Cash and cash equivalents	16	1,181,419	2,350,794
Loans and receivables	17-19	28,281,580	22,603,811
Financial assets held for trading	20	83,118	315,515
Financial assets designated at fair value through profit and loss	21	14,329,680	1,578,941
Investment in associated companies		2,988,452	1,677,754
Property and equipment		151,255	148,717
Investment properties		1,045,994	754,523
Intangible assets		3,556,064	3,536,722
Deferred tax asset	25	335,778	187,282
Other assets		1,733,266	1,096,973
Total Assets		53,686,606	34,251,032
Liabilities:			
Deposits from Central Bank		12,228,244	0
Borrowings	24	28,202,124	22,296,702
Financial liabilities held for trading	20	2,809,474	408,038
Tax liabilities		37,667	0
Other liabilities		860,884	982,990
Total Liabilities		44,138,393	23,687,730
Equity:			
Share capital		576,802	579,602
Share premium		10,761,372	10,833,151
Other reserve		20,296	(567)
Retained earnings		(1,810,257)	(848,884)
Total Equity	26	9,548,213	10,563,302
Total Liabilities and Equity		53,686,606	34,251,032

Notes on pages 9 to 23 are an integral part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Income Statement for the Six Months Ended 30 June 2008

	Notes	30/06/2008	30/06/2007
Interest income		1,889,581	487,127
Interest expense		<u>(1,937,120)</u>	<u>(295,300)</u>
Net interest income	9	<u>(47,539)</u>	<u>191,827</u>
Fee and commission income		679,679	628,925
Fee and commission expense		<u>(103,224)</u>	<u>(77,738)</u>
Net fee and commission income	10	<u>576,455</u>	<u>551,187</u>
Net (loss) gains on financial assets and financial liabilities held for trading	11	<u>(50,759)</u>	2,060
Net gains on financial assets designated at fair value through profit and loss	12	434,421	130,354
Net foreign exchange gains (losses)		183,551	<u>(23,389)</u>
Other operating income		<u>13,624</u>	<u>4</u>
		<u>1,109,753</u>	<u>852,043</u>
Administrative expenses	13	<u>(1,034,710)</u>	<u>(586,102)</u>
Impairment losses on loans and receivable	19	<u>(747,778)</u>	<u>(13,565)</u>
Share of loss of associates		<u>(393,140)</u>	<u>0</u>
(Loss) profit before tax		<u>(1,065,875)</u>	<u>252,376</u>
Income tax	14.25	<u>104,502</u>	<u>(45,371)</u>
(Loss) profit for the period		<u><u>(961,373)</u></u>	<u><u>207,005</u></u>
 (Loss) earnings per share:			
(Loss) earnings per share capital and diluted earnings per share capital	15	<u>(1.67)</u>	0.37

Notes on pages 9 to 23 are an integral part of these Condensed Consolidated Interim Financial Statements.

Consolidated Interim Statement of Changes in Equity for the Six Months Ended 30 June 2008

	Share capital	Share premium	Other reserves	Retained earnings	Total share- holders equity
Equity as at 1.1.2007	552,700	10,501,300		(17,115)	11,036,885
Translation difference			(360)		(360)
New shares issued	16,500	311,173			327,673
Profit for the period				207,005	207,005
Equity as at 30.6.2007	<u>569,200</u>	<u>10,812,473</u>	<u>(360)</u>	<u>189,890</u>	<u>11,571,203</u>
Equity as at 1.1.2008	579,602	10,833,151	(567)	(848,884)	10,563,302
Translation difference			20,863		20,863
Purchased treasury shares	(2,800)	(71,779)			(74,579)
Profit for the period				(961,373)	(961,373)
Equity as at 30.6.2008	<u>576,802</u>	<u>10,761,372</u>	<u>20,296</u>	<u>(1,810,257)</u>	<u>9,548,213</u>

Notes on pages 9 to 23 are an integral part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statement of Cash Flows for the Six Months Ended 30 June 2008

	Notes	30/06/2008	30/06/2007
Net cash used in operating activities		(1,505,734)	(1,032,322)
Net cash used in investing activities		(13,205,047)	(5,919,257)
Net cash from financing activities		<u>13,538,164</u>	<u>7,327,674</u>
Increase in cash and cash equivalents		(1,172,617)	376,095
Cash and cash equivalents at the beginning of the year		<u>2,350,794</u>	<u>110,845</u>
Effect of exchange rate fluctuations on cash held		<u>3,242</u>	<u>0</u>
Cash and cash equivalents at the end of the period		<u><u>1,181,419</u></u>	<u><u>486,940</u></u>

Notes on pages 9 to 23 are an integral part of these Condensed Consolidated Interim Financial Statements.

Notes

1. Reporting entity

Askar Capital hf. (the parent) is a company incorporated and domiciled in Iceland. The address of the Banks registered office is Suðurlandsbraut 12, Reykjavik. The Condensed Consolidated Interim Financial Statements for the period 1 January - 30 June 2008 comprise Askar Capital hf. (the parent) and its subsidiaries (together referred to as "the Bank"). The Bank offers integrated financial services to companies and institutional investors.

Askar Capital hf. is a subsidiary of Moderna Finance AB, Sweden and the Condensed Consolidated Interim Financial Statement is part of Consolidated Interim Financial Statement of Moderna Finance AB.

2. Basis of preparation

Statement of compliance

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors of Askar Capital hf. on 29 August 2008.

The statements do not include all of the information required for a complete set of Consolidated Annual Financial Statements, and should be read in conjunction with the Consolidated Financial Statements of the Bank for the year ended 31 December 2007.

3. Significant accounting policies

The accounting policies and methods of computation applied by the Bank in these Condensed Consolidated interim Financial Statements are the same as those applied by the Bank in its Consolidated Financial statements for the year ended 31 December 2007.

A summary of significant accounting policies is provided in the Bank's Consolidated Financial Statements for the year 2007.

4. Significant judgements and accounting estimate

The preparation of Condensed Consolidated Interim Financial Statements requires that management make judgements estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by the management in applying the Bank's accounting policies and key source of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2007.

Notes, contd.:

5. Risk management disclosure

The breakdown by contractual maturity of financial assets and liabilities.

1.1.-30.6.2008	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets:						
Cash and cash equivalents	481,064	700,355	0	0	0	1,181,419
Loans and receivables	0	4,827,321	5,269,391	17,235,099	949,769	28,281,580
Financial assets held for trading	31,255	0	51,863	0	0	83,118
Financial assets designated at fair value through profit and loss	0	12,742,535	312,953	1,274,192	0	14,329,680
Other assets	0	1,733,267	0	0	0	1,733,267
Total assets	512,319	20,003,478	5,634,207	18,509,291	949,769	45,609,064
Liabilities:						
Deposits from Central Bank	0	12,228,244	0	0	0	12,228,244
Borrowings	0	4,098,135	19,959,640	4,144,349	0	28,202,124
Financial liabilities held for trading	0	0	2,809,474	0	0	2,809,474
Tax liabilities	0	0	37,667	0	0	37,667
Other liabilities	0	860,884	0	0	0	860,884
Total liabilities	0	17,187,263	22,806,781	4,144,349	0	44,138,393
Assets - liabilities	512,319	2,816,215	(17,172,574)	14,364,942	949,769	1,470,671
31.12.2007						
Total assets	1,824,168	7,937,019	2,344,364	12,682,840	3,157,643	27,946,034
Total liabilities	0	15,943,304	5,682,948	2,061,478	0	23,687,730
Assets - liabilities	1,824,168	(8,006,285)	(3,338,584)	10,621,362	3,157,643	(4,258,304)

Liquidity management for Askar Capital is based on contractual maturity profile of liabilities. Amounts set above are principal amounts reported at the earliest maturity date. Financial liabilities held for trading, including cross-currency interest rate swaps are measured according to gross principal outflow on which no netting is performed at maturity.

Notes, contd.:

5. Contd.:

Currency risk

Foreign exchange risk is controlled by monitoring the net exposure in all foreign currencies and ensuring that it is within the set net position limits. Risk Management has defined risk limits on individual currencies as well as the gross exposure and Risk Management monitors compliance with these procedures on a daily basis. The Bank's policy is that Treasury is to stay neutral to currency risk and any currency risk taken be taken by Proprietary Trading.

Breakdown of assets and liabilities by currency:

30.6.2008	ISK	USD	EUR	CHF	JPY	Other	Total
Assets:							
Cash and cash equivalents	898,313	49,610	212,108	76	0	21,312	1,181,419
Loans and receivables	4,438,557	2,476,353	2,598,128	9,125,638	8,300,996	1,341,907	28,281,579
Financial assets held for trading	52,250					30,868	83,118
Financial assets designated at fair value through P/L	12,499,197	1,185,018	645,465	0	0	0	14,329,680
Investment in associates	2,000	1,932,365	651,368	0	0	402,719	2,988,452
Property and equipment	151,254	0	0	0	0	0	151,254
Investment property	0	19,815	0	0	0	1,026,179	1,045,994
Intangible assets	3,556,064	0	0	0	0	0	3,556,064
Deferred tax asset	335,778	0	0	0	0		335,778
Other assets	328,689	632,253	605,457	0	0	166,869	1,733,268
Total assets	22,262,102	6,295,414	4,712,526	9,125,714	8,300,996	2,989,854	53,686,606

Notes, contd.:

5. Contd.:

30.6.2008	ISK	USD	EUR	CHF	JPY	Other	Total
Liabilities and equity:							
Deposits from Central Bank	12,228,244	0	0	0	0	0	12,228,244
Borrowings	9,475,547	1,421,948	2,911,846	6,747,897	5,848,880	1,796,006	28,202,124
Financial liabilities held for trading	2,809,474	0	0	0	0	0	2,809,474
Tax liabilities	37,667	0	0	0	0	0	37,667
Other liabilities	769,005	24,977	66,902	0	0	0	860,884
Total equity	9,548,213						9,548,213
Total	34,868,150	1,446,925	2,978,748	6,747,897	5,848,880	1,796,006	53,686,606
Net Balance Sheet position	(12,606,048)	4,848,489	1,733,778	2,377,817	2,452,116	1,193,848	0
Net off Balance sheet position	12,587,817	(4,072,789)	(1,246,748)	(3,172,151)	(2,330,227)	(1,765,902)	0
Net position	(18,231)	775,700	487,030	(794,334)	121,889	(572,054)	0

Notes, contd.:

5. Contd.:

31.12.2007	ISK	USD	EUR	CHF	JPY	Other	Total
Assets:							
Cash and cash equivalents	1,792,897	375,032	114,016	54	0	68,795	2,350,794
Loans and receivables	5,962,794	1,550,794	1,875,070	6,396,348	5,822,721	996,084	22,603,811
Financial assets held for trading	280,068	0	0	0	0	35,447	315,515
Financial assets designated at fair value through P/L	2,002	1,123,548	446,426	0	0	6,965	1,578,941
Investment in associates	1,500	785,806	812,486	0	0	77,962	1,677,754
Property and equipment	144,992	3,272	453	0	0	0	148,717
Investment property	0	324,697	0	0	0	429,826	754,523
Intangible assets	3,536,722	0	0	0	0	0	3,536,722
Deferred tax asset	187,282	0	0	0	0	0	187,282
Other assets	885,963	30,577	73,633	0	0	106,800	1,096,973
Total assets	12,794,220	4,193,726	3,322,084	6,396,402	5,822,721	1,721,879	34,251,032
Liabilities and equity:							
Borrowings	13,597,665	1,371,918	1,720,852	2,665,010	2,365,459	575,798	22,296,702
Financial liabilities held for trading	408,038	0	0	0	0	0	408,038
Other liabilities	847,521	56,443	76,159	0	0	2,867	982,990
Total equity	10,563,302	0	0	0	0	0	10,563,302
Total liabilities and equity	25,416,526	1,428,361	1,797,011	2,665,010	2,365,459	578,665	34,251,032
Net Balance Sheet position	(12,622,306)	2,765,365	1,525,073	3,731,392	3,457,262	1,143,214	0
Net off Balance sheet position	12,878,311	(3,299,581)	(699,330)	(3,952,572)	(3,548,815)	(1,378,013)	0
Net position	256,005	(534,216)	825,743	(221,180)	(91,553)	(234,799)	0

Notes, contd.:

6. Derivative financial instruments

Currency and interests rate derivatives, agreements unlisted:

	Nominal amount		Carrying amount	
	Assets	Liabilities	Assets	Liabilities
Forward exchange rate agreements	19,078,008	21,791,627	51,863	2,765,482
Equity derivatives:				
Equity swaps, agreements unlisted	123,109	167,101	0	43,992
Total Derivative financial instruments	19,201,117	21,958,728	51,863	2,809,474

7. Financial assets and liabilities

Accounting classifications and fair values

The table below sets out the Bank's classification of each class of financial assets and liabilities.

	Trading	Designated	Loans	Total
		at fair value		carrying amount
30/06/2008				
Cash and cash equivalents	0	0	1,181,419	1,181,419
Financial assets held for trading	83,118	0	0	83,118
Financial assets designated at fair value				
through P/L	0	14,329,680	0	14,329,680
Loans	0		28,281,580	28,281,580
Investment property	0	1,045,994	0	1,045,994
Investments in associates	0	2,988,452	0	2,988,452
	83,118	18,364,126	29,462,999	47,910,243
Deposits from Central Bank	0	0	12,228,244	12,228,244
Borrowings	0	0	28,202,124	28,202,124
Financial liabilities held for trading	0	2,809,474	0	2,809,474
	0	2,809,474	40,430,368	43,239,842
31/12/2007				
Cash and cash equivalents			2,350,794	2,350,794
Financial assets held for trading	315,515			315,515
Financial assets designated at fair value				
through P/L		1,578,941		1,578,941
Loans			22,603,811	22,603,811
Investment property		754,523		754,523
Investments in associates		1,677,754		1,677,754
	315,515	4,011,218	24,954,605	29,281,338
Financial liabilities held for trading	0	408,038	0	408,038
Borrowings	0	0	22,968,702	22,968,702
	0	408,038	22,968,702	23,376,740

Notes, contd.:

8. Segment information is presented in respect of the Bank's business segments. The primary format, business segments, is based on the Bank's management and internal reporting structure.

Business segments

The Bank comprises the following main business segments:

Real Estate Advisory provides advisory services to institutional and private clients in respect of investments in Real Estates.

Asset Management provides banking and investment service for institutional and private clients.

Risk and fundig advisory provides risk and funding advise to clients and debt management.

Proprietary Trading trades in securities for the Bank's own account.

Leasing offers auto loans to individuals and companies.

Support areas are managed under the following functional headings: Operations, Risk Management, Finance, Legal & Compliance, Information Technology and Human Resources.

1.1.-30.6.2008

	Real Estate Advisory	Asset Manage- ment	Advisory	Proprietary trading	Leasing	Other and eleminations	Total
Net interest income	(844)	(1)	(191)	(480,431)	395,928	38,000	(47,539)
Net fee and commission income	344,931	79,758	99,390	54,757	46,381	(48,763)	576,454
Net financial income	0	0	0	383,663	0	0	383,663
Net foreign exchange gain	0	0	0	15,079	168,471	0	183,550
Other operating income	0	0	0	0	13,149	475	13,624
	<u>344,087</u>	<u>79,757</u>	<u>99,199</u>	<u>(26,932)</u>	<u>623,929</u>	<u>(10,288)</u>	<u>1,109,752</u>
Administrative expenses	(293,375)	(133,814)	(98,988)	(21,446)	(232,342)	(254,744)	(1,034,709)
Impairment losses on loans	(55,000)	0	0	(216,000)	(476,778)	0	(747,778)
Share of profit of associates	0	0	0	(393,140)	0	0	(393,140)
(Loss) profit before tax	(4,288)	(54,057)	211	(657,518)	(85,191)	(265,032)	(1,065,875)
Income tax							104,503
(Loss) profit for the period	(4,288)	(54,057)	211	(657,518)	(85,191)	(265,032)	(961,372)

Notes, contd.:

8. Contd.:

30/06/2008

	Real Estate Advisory	Asset Manage- ment	Advisory	Proprietary trading	Leasing	Other and eliminations	Total
Segment assets							
Loans and receivables	185,370	0	0	9,953,402	22,352,912	(4,210,104)	28,281,580
Financial assets held for trading	0	0	0	115,780	3,365	(36,027)	83,118
Financial assets designated at fair value through profit and loss	0	0	0	14,329,680	0	0	14,329,680
Investment in associated comp.	0	0	0	2,988,452	0	0	2,988,452
Investment properties	0	0	0	1,074,034	0	(28,040)	1,045,994
Intangible assets	0	0	0	0	102,759	3,453,306	3,556,065
Other assets	1,373,619	0	0	1,701,989	162,010	164,099	3,401,717
Total assets	1,558,989	0	0	30,163,337	22,621,046	(656,766)	53,686,606

31/12/2007

Segment assets	1,107,456	0	0	7,134,988	17,782,100	8,226,488	34,251,032
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Notes, contd.:**Notes to the Condensed Consolidated Interim Income Statement****9. Net interest income**

	2008 1/1-30/6	2007 1/1-30/6
Interest income:		
Cash and cash equivalents	40,989	7,444
Loans and receivables	1,477,024	315,295
Derivatives	368,923	164,190
Other interest income	2,645	198
	<u>1,889,581</u>	<u>487,127</u>
Interest expense:		
Borrowings	(1,676,319)	(286,148)
Derivatives	(258,483)	0
Other interest expense	(2,318)	(9,152)
	<u>(1,937,120)</u>	<u>(295,300)</u>
Net interest income	<u>(47,539)</u>	<u>191,827</u>

10. Net fee and commission income

Fee and commission income:		
Loans, guarantees and risk sharing	95,149	58,187
Investment advisory, structuring and management fee	503,185	405,220
Advisory	81,345	129,309
Brokerage	0	36,209
Total fees and commission	<u>679,679</u>	<u>628,925</u>
Commission expenses	(103,224)	(77,738)
Net fee and commission income	<u>576,455</u>	<u>551,187</u>

11. Net gains on financial assets and financial liabilities held for trading

Dividend	8,075	0
Listed shares	(36)	34
Foreign listed shares	(58,798)	2,026
Total net gains on financial assets and financial liabilities held for trading	<u>(50,759)</u>	<u>2,060</u>

12. Net gains on financial assets designated at fair value

Listed bonds	566,230	0
Unlisted shares	(97,193)	32,877
CDO unlisted	0	(48,441)
CLO unlisted	(34,616)	145,918
Total net gains on financial assets designated at fair value	<u>434,421</u>	<u>130,354</u>

Notes, contd.:

13. Administrative expenses

	30/06/2008	30/06/2007
Salaries and related expenses	569,561	329,845
Other administrative expenses	414,783	245,197
Depreciation	50,366	11,060
Total administrative expenses	<u>1,034,710</u>	<u>586,102</u>

14. Tax assets and tax liabilities

Tax assets and tax liabilities recognised in the Income Statement

Current tax expense	0	13,834
Deferred tax expense	(104,502)	31,537
Total income tax expense	<u>(104,502)</u>	<u>45,371</u>

15. Earnings per Share

Calculations of earnings per share are based on profit and the weighted average share capital:

(Loss) profit according to the Consolidated Financial Statements	(961,373)	207,005
Calculated average share capital:		
Share capital at the beginning of the year	579,602	552,700
Effect of the (decrease) increase of share capital during the period	(2,738)	1,742
Calculated average share capital	<u>576,864</u>	<u>554,442</u>
(Loss) earnings per share in ISK kronur	(1.67)	0.37

Notes to the Condensed Consolidated Interim Balance Sheet

16. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

	30/06/2008	31/12/2007
Cash.....	0	3,300
Balances with banks.....	481,064	1,547,181
Money market placements.....	700,355	800,313
Total cash and cash equivalents.....	<u>1,181,419</u>	<u>2,350,794</u>

17. Loans and receivables

Loans and leasing contracts to customers	20,677,161	19,243,772
Loans to credit institutions	951,120	682,000
Other receivables	6,653,299	2,678,039
Total	<u>28,281,580</u>	<u>22,603,811</u>

Notes, contd.:

18. Loans and receivables are specified as follows by sectors:

	30/06/2008	31/12/2007
Individuals	66.0%	71.8%
Real estate	12.3%	13.4%
Services	4.3%	3.6%
Credit institutions	3.7%	3.4%
Commerce	3.7%	3.2%
Industry	4.9%	0.8%
Other	5.1%	3.8%
Total loans and receivables	<u>100.0%</u>	<u>100.0%</u>

19. The Allowance account for credit losses has been deducted from Loans and Receivables. Changes in the provision are specified as follows:

The Allowance account at the beginning of the year	190,572	90,196
Provision for losses during the period	747,778	118,165
Loans written off during the period as uncollectible	0	(17,789)
The Allowance account at period-end	<u>938,350</u>	<u>190,572</u>

20. **Financial Assets**

Financial assets held for trading are specified as follows:

Share and other variable-yield securities:

Listed shares	387	423
Foreign listed shares	30,868	35,447
Total	<u>31,255</u>	<u>35,870</u>
Positive balance of derivatives	51,863	279,645
Total financial assets held for trading	<u>83,118</u>	<u>315,515</u>

21. Financial assets designated as at fair value specifies as follows:

Listed bonds	12,496,697	0
CLO unlisted	1,274,191	1,052,178
Unlisted affiliated shares	312,954	328,194
Unlisted shares	245,838	198,569
Total	<u>14,329,680</u>	<u>1,578,941</u>

22. Intangible assets are specified as follows:

Software	175,768	156,426
Goodwill	3,380,296	3,380,296
	<u>3,556,064</u>	<u>3,536,722</u>

Notes, contd.:

23. Pledged assets

Pledged assets are as follows:

	30/06/2008	31/12/2007
Loans and borrowings	22,327,664	17,224,507
Listed bonds	12,496,697	0
Total pledged assets	<u>34,824,361</u>	<u>17,224,507</u>

The total financial assets that have been pledged as collateral for liabilities (including amounts reflected above) at 30 June 2008 was 35 million (year-end 2007: 17 million).

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the bank acts as an intermediary.

24. Borrowings

The Companies borrowings are specified as follows:

	30/06/2008	31/12/2007
Balances with the credit institutions regarding due to repurchase agreement	0	481,214
Loans from credit institutions	19,720,840	11,278,481
Bill of exchange	982,850	3,198,223
Issued bonds	2,336,062	2,061,478
Other borrowings	<u>5,162,372</u>	<u>5,277,306</u>
Total borrowings	<u>28,202,124</u>	<u>22,296,702</u>

25. Deferred Income Tax Liability

Changes in tax liability during the year are as follows:

Tax asset / tax liability at the beginning of the year	(187,282)	(14,554)
Calculated income tax for the period	(104,502)	(172,728)
Current tax liability	(6,327)	0
Tax asset / tax liability at the end of the period	<u>(298,111)</u>	<u>(187,282)</u>

Notes, contd.:

26. Equity

a. Share capital

According to the Parent Company's Articles of Association, total share capital amounts to ISK 588 million. One vote is attached to each share of one ISK and the holders of ordinary shares are entitled to one vote per share at meetings of the Company.

b. Regulatory capital

Equity at the end of the period amounted to ISK 9,549 million, equivalent to 17.8% of total assets according to the Balance Sheet. The capital adequacy ratio of the Bank, calculated in accordance to Article 84 of the Act on Financial Undertakings, is 17.1%. This ratio may not be lower than 8.0% according to that Act. The ratio is calculated as follows:

	30/06/2008	31/12/2007
Total equity	9,548,213	10,563,302
Intangible assets	(3,556,064)	(3,536,722)
Total own funds	<u>5,992,149</u>	<u>7,026,580</u>
Total capital requirements for:		
Credit risk	2,486,227	1,862,270
Market risk under standardised approaches (SA)	156,396	105,541
Operational risk (OP)	145,856	88,349
Capital requirements	<u>2,788,479</u>	<u>2,056,160</u>
Surplus of own funds	3,203,670	4,970,420
Capital adequacy ratio	17.2%	27.3%

Off Balance Sheet Information

27. The Banks obligations are as follows:

Guarantees	0	434,000
Loan commitments	<u>507,264</u>	<u>620,000</u>
Obligations at the end of the period	<u>507,264</u>	<u>1,054,000</u>

28. Events after the Balance Sheet date

There have been no other material post Balance Sheet events which would require disclosure or adjustments to the 30 June 2008 Condensed Consolidated Interim Financial Statements.

Notes, contd.:

Company:	Country	Currency	In millions	Accum. %
Askar Capital Advisory Private Limited	India	USD	31	100%
Askar Fasteignaráðgjöf ehf.	Iceland	EUR	100	100%
Askar Rumenia	Rumenia	EUR	5	100%
Askar USA	USA	USD	1	100%
Avant hf.	Iceland	ISK	853	100%
AVP s.á.r.l.	Luxembourg	EUR	3	100%
Crawley ehf.	Iceland	GBP	38	100%
Ecchinswell ehf.	Iceland	GBP	50	100%
Gjaldeyrisvogunarsjóðurinn ehf.	Iceland	ISK	10	100%
Staten Group Limited	BVI	USD	14	100%

Unaudited Information

Quarterly Statements

Summary of the Company's operating results by quarters:

	Q2 2008	Q1 2008	Total
Net interest income	(264,999)	217,460	(47,539)
Net fee and commission income	384,937	191,518	576,455
Net financial income	114,937	268,725	383,662
Net foreign exchange gain	(37,709)	221,260	183,551
Other operating income	13,624	0	13,624
	<u>210,790</u>	<u>898,963</u>	<u>1,109,753</u>
Administrative expenses	(458,020)	(576,690)	(1,034,710)
Impairment losses on loans	(626,648)	(121,130)	(747,778)
Share of profit of associates	(200,984)	(192,156)	(393,140)
Loss before tax	(1,074,862)	8,987	(1,065,875)
Income tax	102,777	1,725	104,502
(Loss) profit for the period	(972,085)	10,712	(961,373)

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Total
Net interest income	75,115	296,969	225,168	(33,341)	563,911
Net fee and commission income	607,535	335,958	301,715	249,472	1,494,680
Net financial income	(1,325,473)	(362,182)	22,990	109,424	(1,555,241)
Net foreign exchange gain	67,762	38,581	(14,722)	(8,667)	82,954
Other operating income	2,686	0	4	0	2,690
	<u>(572,375)</u>	<u>309,326</u>	<u>535,155</u>	<u>316,888</u>	<u>588,994</u>
Administrative expenses	(619,661)	(309,300)	(317,564)	(268,538)	(1,515,063)
Impairment losses on loans	(52,091)	(52,509)	(27,510)	13,945	(118,165)
Share of profit of associates	39,737	0	0	0	39,737
Loss before tax	(1,204,390)	(52,483)	190,081	62,295	(1,004,497)
Income tax	208,736	9,363	(34,158)	(11,213)	172,728
(Loss) profit for the period	(995,654)	(43,120)	155,923	51,082	(831,769)