SPM Savings Bank

Condensed Consolidated Interim Financial Statements

1 January - 30 June 2008

SPM Savings Bank
Digranesgata 2
310 Borgarnes

Reg. no. 610269-5409

Contents

Endorsements and Signatures of the Board of Directors and the Managing Director

The Condensed Consolidated Interim Financial Statements of the SPM Savings Bank for the period 1 January to 30 June 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Condensed Consolidated Interim Financial Statements include the Interim Financial Statements of the SPM Savings Bank and its subsidiaries, together referred to as the Savings Bank or the Group.

At the beginning of 2008 the subsidiary Sparisjóður Siglufjarðar merged with Sparisjóður Skagafjarðar and the merged savings bank is part of the Consolidated Interim Financial Statements. Reykjavík Capital hf. is also part of the Consolidated Interim Financial Statements following approval from the Financial Supervisory Authority concerning the Savings Bank's acquisition of the company.

According to the Condensed Consolidated Interim Income Statement the Savings Bank's loss for the period amounted to ISK 4,628 million. According to the Condensed Consolidated Interim Balance Sheet, capital amounted to ISK 1,502 million at the end of the period. The Group's capital adequacy ratio is -0.5%, calculated in accordance with the Act on Financial Undertakings. This ratio may not be lower than 8.0%. Reference is made to the Condensed Consolidated Interim Financial Statements concerning adjustments of loss for the period and other changes in equity.

On 15 August 2008 a primary capital owners' meeting approved a proposal from the Board of Directors to raise the primary capital of the Savings Bank by ISK 2,000 million and Borgarbyggð decided not to exercise its preemptive right. Kaupthing Bank hf. has subscribed to ISK 1,750 million and Straumborg hf. to ISK 250 million. The increase in primary capital is subject to approval from lenders, the Financial Supervisory Authority and the Competition Authority. Kaupthing Bank hf. has also pledged to find a buyer for the Savings Bank's 8.73% share in Icebank hf. It is expected that this and other related measures will raise the Savings Bank's capital adequacy ratio to 10.7% and thus meet the requirements of the Act on Financial Undertakings concerning capital adequacy ratio.

Following the increase in primary capital Kaupthing Bank hf. will own 70%, Borgarbyggð will own 20% and Straumborg hf. 10%. At 30 June 2008 the Savings Bank's primary capital was ISK 505 million, owned in full by Borgarbyggð as at the beginning of the year.

Endorsements and Signatures of the Board of Directors and the Managing Director

Statement by the Board of Directors and the Managing Director

According to our best knowledge it is our opinion that the Condensed Consolidated Financial Statements give a true and fair view of the consolidated financial performance of the Savings Bank for the financial period 1 January to 30 June 2008, its assets, liabilities and consolidated financial position as at 30 June 2008 and its consolidated cash flows for the financial period. According to our best knowledge it is our opinion that the Condensed Consolidated Financial Statements and endorsements of the Board of Directors and the Managing Director give a fair view of the development and performance of the Savings Bank's operations and its position and describes the principal risks and uncertainties faced by the Savings Bank. With regard to the above mentioned increase in primary capital, sale of shares in companies and related measures the Group will meet the mininum legal requirements concerning capital adequacy ratio.

The Board of Directors and the Managing Director of SPM Savings Bank hereby confirm the Condensed Consolidated Interim Financial Statements for the period from 1 January to 30 June 2008 with their signatures.

Borgarnes, 21 August 2008

Board of Director

Managing Director

Independent Auditor's Review Report

To the Board of Directors of SPM Savings Bank.

We have reviewed the accompanying condensed financial statements of SPM Savings Bank, which comprise the balance sheet as at June 30, 2008 and the income statement, statement of changes in equity and cash flow statement 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 Standards 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, except the potential effect of what is specified below, 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 June 30, 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.

We draw attention to Note no. 31 in the Condensed Consolidated Interim Financial Statements. The Group's capital adequacy ratio is calculated in accordance with the Act on Financial Undertakings No. 161/2002 and is -0.5% at the end of June 2008 and does not meet the minimum ratio set by the Act. The Savings Bank's Board of Directors and owners are working on increasing the Group's equity.

Reykjavík, 21 August 2008

KPMG hf.

Consolidated Income Statement

for the Period from 1 January to 30 June 2008

	Notes	2008 1.1.-30.6.	2007 1.1.-30.6.
Interest income		3.643.329	1.967.298
Interest expense		(2.822.106)	(1.552.607)
Net interest income	3	821.223	414.691
Fee and commission income		191.951	170.817
Fee and commission expense		(22.211)	(16.959)
Net fee and commission income	4	169.740	153.858
Net (loss) income from financial assets and liabilities carried at fair value	5	(3.592.899)	2.739.126
Net foreign exchange gain		80.165	150.096
Share of (loss) profit of associates		(88.199)	15.880
Other operating income		127.324	133.209
Total other operating income		(3.473.609)	3.038.311
Operating income		(2.482.646)	3.606.860
Salaries and salary related expenses	6	(440.600)	(290.164)
Depreciation of property and equipment		(33.592)	(23.105)
Other operating expenses		(465.369)	(251.227)
Impairment on loans		(1.936.176)	(142.658)
Impairment on intangible assets	19	(230.812)	0
(Loss) profit before income tax		(5.589.195)	2.899.706
Income tax	7	960.888	(489.924)
(Loss) profit for the period		(4.628.307)	2.409.782
Attributable to:			
Holders of capital of SPM Savings Bank and reserve		(4.613.089)	2.402.592
Minority interest		(15.218)	7.190
(Loss) profit for the period		(4.628.307)	2.409.782

The notes on pages 10-19 are an integral part of these Consolidated Interim Financial Statements.

Amounts are in ISK thousands

Consolidated Interim Balance Sheet

as at 30 June 2008

Assets	Notes	30.6.2008	31.12.2007
Cash and Cash equivalents	9	900.371	1.143.568
Trading assets	16	7.166	143.253
Derivative assets held for risk management	16	534.606	582.793
Loans to credit institutions	10-11	132.214	247.388
Loans to customers	12-15	42.901.208	34.766.680
Financial assets designated at fair value	17	6.726.624	8.652.905
Investments in associates		305.659	400.204
Property and equipment		409.854	306.438
Intangible assets	19	71.025	370.001
Investment properties		718.657	603.657
Mortgages foreclosed		251.738	202.669
Deferred tax assets		42.480	0
Other assets		253.624	278.877
Total Assets		53.255.226	47.698.433
Liabilities			
Trading liabilities	16	19.330	6.837
Derivative liabilities held for risk management	16	727.993	553.974
Deposits from credit institutions	20	7.965.964	4.333.693
Deposits from customers	21	18.909.809	17.336.734
Borrowings	22	20.031.141	14.969.378
Subordinated loans	23	2.773.065	2.107.511
Pension liability		738.451	677.272
Tax liability		12.552	931.220
Other liabilities		575.166	443.742
Total Liabilities		51.753.471	41.360.361
Equity			
Primary capital		505.021	505.021
Reserves		873.776	5.794.398
Total equity attributable to equity holders of the Savings Bank		1.378.797	6.299.419
Minority interest		122.958	38.653
Total Equity	24	1.501.755	6.338.072
Total Liabilities and Equity		53.255.226	47.698.433

The notes on pages 10-19 are an integral part of these Consolidated Interim Financial Statements.

Amounts are in ISK thousands

Consolidated Interim Statements of Changes in
Capital for the Period from 1 January to 30 June 2008

	Primary capital	Reserve	**Total**	Minority interest	**Total**
Changes in Capital 1.1.-30.6.2008:					
Capital as at 1.1.2008	505.021	5.794.398	6.299.419	38.653	6.338.072
Dividends paid		(267.661)	(267.661)		(267.661)
Loss for the period		(4.613.089)	(4.613.089)	(15.218)	(4.628.307)
Other changes to equity		(39.872)	(39.872)	99.523	59.651
Capital as at 30.6.2008	505.021	873.776	1.378.797	122.958	1.501.755
Changes in Capital 1.1.-30.6.2007:					
Capital as at 31.12.2006 (IS-GAAP)	4.471	3.539.279	3.543.750		3.543.750
Changes due to IFRSs		1.621.374	1.621.374	46.797	1.668.171
Capital as at 1.1.2007 (IFRS)	4.471	5.160.653	5.165.124	46.797	5.211.921
Dividends paid		(3.100)	(3.100)		(3.100)
Profit for the period		2.402.592	2.402.592	7.190	2.409.782
Revaluation of primary capital	550	(550)	0		0
Capital as at 30.6.2007	5.021	7.559.595	7.564.616	53.987	7.618.603

The notes on pages 10-19 are an integral part of these Consolidated Interim Financial Statements.

Amounts are in ISK thousands

Consolidated Interim Statement of Cash Flow
for the Period from 1 January to 30 June 2008

	2008 1.1.-30.6.	2007 1.1.-30.6.
Net cash used in operating activities	(627.017)	(2.438.961)
Net cash used in investing activities	(118.952)	(83.138)
Net cash used in financing activities	502.773	2.284.511
Decrease in cash and cash equivalents	(243.196)	(237.588)
Cash and cash equivalents at beginning of year	1.143.567	574.477
Cash and cash equivalents at period end	900.371	336.889

The notes on pages 10-19 are an integral part of these Consolidated Interim Financial Statements.

Amounts are in ISK thousands

Notes

General information

1. Reporting entity

SPM Savings Bank is domiciled at Digranesgata 2, Borgarnes. The Condensed Consolidated Interim Financial Statements for the period 1 January to 30 June 2008 comprise SPM Savings Bank (the parent) and its subsidiaries (together referred to as "the Group").

SPM Savings Bank's main purpose is to offer banking services to individuals and corporates. SPM Savings Bank offers services in areas of commercial banking, brokerage services and asset management services.

2. Basis of preparation

(a) ***Statement of compliance***
These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standard IAS 34 on Interim Financial Statements. The Condensed Consolidated Interim Financial Statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2007.

(b) ***Basis of measurement***
The same accounting policies have been used when preparing these Condensed Consolidated Interim Financial Statements as used when the annual financial statements of the year 2007 were prepared.

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- investment properties are measured at fair value
- mortages foreclosed are measured at the lower of cost or fair value
- liabilities for cash-settled share-based payment arrangements are measured at fair value

(c) ***Functional and presentation currency***
These Condensed Consolidated Interim Financial Statements are prepared and presented in Icelandic krona (ISK), which is Parent company´s functional currency. Except as indicated, financial information presented in ISK has been rounded to the nearest thousand.

(d) ***Use of estimates and judgements***
The preparation of financial statements in accordance to IFRS requires management to make judgements, estimates and assumptions, which affect the application of accounting policies and the reported amounts of assets and liabilities as well as income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Notes

Notes to the Income Statement

Net interest income

3. Interest income and expense are specified as follows:

	2008 1.1.-30.6	2007 1.1.-30.6
Interest income		
Cash and cash equivalents	39.157	23.596
Derivatives	190.029	207.844
Loans to credit institutions	119.468	45.137
Loans to customers	3.147.512	1.664.467
Securities	147.163	26.254
Total	3.643.329	1.967.298
Interest expense		
Derivatives	134.244	113.071
Deposits from credit institutions	214.811	229.725
Deposits from customers	1.443.911	676.398
Borrowings	846.341	443.114
Subordinated liabilities	179.799	90.299
Other interest expense	3.000	0
Total	2.822.106	1.552.607
Net interest income	821.223	414.691

Net fee and commission income

4. Fee and commission income and expense are specified as follows:

Securities commission	240	824
Payment service commission	27.233	14.326
Other commission income	164.478	155.667
Total fee and commission income	191.951	170.817
Securities commission	1.457	0
Other commission expense	20.754	16.959
Total fee and commission expense	22.211	16.959
Net fee and commission income	169.740	153.858

Amounts are in ISK thousands

Notes

Net (loss) income from financial assets and liabilities

5. Net (loss) income from financial assets and liabilities is specified as follows:

	2008 1.1-30.6	2007 1.1-30.6
Dividends received	73.022	132.010
Net (loss) income from trading assets and liabilities	(17.793)	6.733
Net (loss) income from financial assets designated at fair value	(3.648.128)	2.600.383
Net (loss) income from financial assets and liabilities	(3.592.899)	2.739.126

Personnel

6. Salaries and related expenses are specified as follows:

Salaries	287.710	219.566
Pension expenses	73.746	21.393
Salary related expenses	79.144	49.205
Salaries and related expenses	440.600	290.164

Income tax expense

7. Reconciliation of effective tax rate:

		2008 1.1-30.6
Loss before income tax		(5.589.195)
Income tax as per the domestic corporation tax rate	15,0%	(838.379)
Effect of changes in tax laws concerning capital gains on equities	20,4%	(1.137.591)
Effect of decrease in the income tax rate from 18% to 15%	(0,6%)	30.997
Undeductible expenses	(10,8%)	601.859
Untaxed revenues	0,2%	(10.343)
Loss carry-forward	(7,0%)	392.569
Effective tax	17,2%	(960.888)

8. The effective income tax rate of the Group in the first 6 months of the year 2008 was 17.2%. The change in the effective income tax rate is mostly due to changes in tax laws which the Icelandic Parliament approved in May 2008 and authorizes companies, fulfilling certain conditions, to deduct from taxable income profit from the sale of shares. The deduction is only authorized if tax loss carry-forward, including loss for the current year, has been utilized. The authorization is effective for profit arising in the year 2008 or later. The effect on the accounting of a company is that a deferred tax liability due to shares in companies is no longer recognized in the balance sheet. Due to this, the deferred tax liability has decreased by ISK 1,138 million compared to 31 December 2007. The decrease was recognised in the current period in the income statement.

   There are no deferred tax assets due to Savings Bank's deferred losses recorded since it is uncertain how it will be utilized. The expected increase in the Savings Bank's primary capital and other measures, cf. note No. 31, can create premise for the capitalization of the deferred tax asset.

Amounts are in ISK thousands

Notes

Notes to the Balance Sheet

Cash and cash equivalents

9. Cash and cash equivalents	30.6.2008	31.12.2007
Cash and cash equivalents	900.371	1.143.568
Cash and cash equivalents	900.371	1.143.568

Loans to credit institutions

10. Loans to credit institutions specified by types of loans:

Money market loans	79.098	100.938
Other loans	53.116	146.450
Loans to credit institutions	132.214	247.388

11. Loans to credit institutions specified by maturity:

On demand	66	37.510
Up to 3 months	80.305	188.608
Over 3 months and up to a year	2.199	21.270
Over 1 year and up to 5 years	48.573	0
Over 5 years	1.071	0
Loans to credit institutions	132.214	247.388

Loans to customers

12. Loans to customers specified by types of loans:

Overdrafts	6.857.293	5.674.740
Bills of exchange	113.821	44.730
Bonds and loan agreements	38.417.165	29.629.052
Other loans	19.490	14.924
Provision for impairment	(2.506.561)	(596.766)
Loans to customers	42.901.208	34.766.680

13. Loans to customers specified by sectors:

State and municipalities	3,8%	3,9%
Business enterprises:		
Fishing industry and agriculture	14,7%	12,8%
Industry	11,0%	9,7%
Commerce	6,2%	5,6%
Service	20,2%	19,6%
Individuals	44,1%	48,4%
Loans to customers	100,0%	100,0%

Amounts are in ISK thousands

14. Loans to customers specified by maturity:

	30.6.2008	31.12.2007
On demand	1.892.878	824.564
Up to 3 months	5.341.225	4.093.517
Over 3 months and up to a year	2.897.970	3.257.212
Over 1 year and up to 5 years	17.815.225	12.627.249
Over 5 years	14.953.910	13.964.138
Loans to customers	42.901.208	34.766.680

15. Changes in the provision for impairment of loans and advances are specified as follows:

	Provision for losses		30.6.2008	30.6.2007
	Specific	General	Total	Total
Balance at the beginning of the year	216.078	380.686	596.764	592.572
Transferred at merger	38.562	35.552	74.114	0
Impairment for the period	1.815.987	120.189	1.936.176	142.658
Write-offs	(60.478)	(42.851)	(103.329)	(69.648)
Recoveries of loans previously written off	1.904	932	2.836	2.407
Provision for impairment of loans	2.012.053	494.508	2.506.561	667.989

Derivatives

16. Derivatives remaining maturity date of principal and book value are specified as follows:

30.6.2008	Principal				Book value	
	Up to 3 months	Over 3 months and up to a year	Over 1 year	Total	Assets	Liabilities
Unlisted currency and interest rate derivatives:						
Forward currency agreements	13.841.843	1.417.744	0	15.259.587	151.886	299.250
Interest rate agreements	1.687.435	309.129	346.942	2.343.506	382.720	428.743
Total	15.529.278	1.726.873	346.942	17.603.093	534.606	727.993
Unlisted equity derivatives:						
Forward equity agreements	18.437	0	0	18.437	7.166	19.330
Total	18.437	0	0	18.437	7.166	19.330
Derivatives total	15.547.715	1.726.873	346.942	17.621.530	541.772	747.323

Amounts are in ISK thousands

16. Contd:

31.12.2007

Unlisted currency and interest rate derivatives:						
Forward currency agreements .	6.846.603	1.544.396	0	8.390.999	117.382	59.110
Interest rate agreements	0	3.301.026	674.132	3.975.158	465.411	494.864
Total	6.846.603	4.845.422	674.132	12.366.157	582.793	553.974
Unlisted equity derivatives:						
Forward equity agreements	653.388	60.497	0	713.885	143.253	6.837
Total	653.388	60.497	0	713.885	143.253	6.837
Derivatives total	7.499.991	4.905.919	674.132	13.080.042	726.046	560.811

The objective of the above-mentioned agreements is to control currency and interest rate risk of the Group. The credit risk is valued at ISK 3,197 million when calculating the capital adequacy ratio of the Group for the period.

Financial assets designated at fair value

17. Financial assets designated at fair value are specified as follows:

	30.6.2008	31.12.2007
Shares	3.280.908	7.379.436
Securities	3.445.716	1.254.046
Bills of exchange	0	19.423
Financial assets designated at fair value	6.726.624	8.652.905

Investments in subsidiaries

18. The parent's investments in its subsidiaries are as follows (amounts in ISK millions):

	Location	Owner-ship	Assets	Liabilities	Revenue	Results
Niðurskógur ehf.	Iceland	100,0%	625.195	627.395	13.075	(26.107)
Reykjavík Capital hf.	Iceland	100,0%	178.696	37.162	16.503	(58.302)
Sparisjóður Ólafsfjarðar	Iceland	99,9%	3.780.701	3.608.597	21.028	(79.696)
AFL - sparisjóður	Iceland	88,6%	11.086.487	10.027.825	32.210	4.892
SPM ehf.	Iceland	100,0%	88.926	2.022	4.152	2.978
Veita hf.	Iceland	72,8%	115.136	105.218	64.799	(57.888)

Notes

Goodwill

19. The Group assesses whether there is any indication of impairment of goodwill on annual basis, with expert analysis being commissioned if necessary. Goodwill is written down for impairment. Gains or losses realized on the disposal of subsidiaries include any unamortized balance of goodwill relating to the subsidiary disposed of.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment loss of goodwill is not reversed. Impairment loss of previous periods of other assets is assessed when the books are closed in order to determine if there are indications whether the impairment loss has decreased or disappeared. Impairment loss is reversed if there has been a change in assessment used in calculating redeemable amounts. Impairment loss is only reversed if the recorded value of an asset is not higher than what it would have been if no impairment loss had been recorded.

Credited impairment loss of goodwill for the period 1 January to 30 June 2008 amounts to ISK 231 million.

Deposits from credit institutions and the Central Bank

20. Deposits from credit institutions and the Central Bank mature as follows:

	30.6.2008	31.12.2007
On demand	49.067	0
Up to 3 months	2.574.997	1.806.061
Over 3 months and up to a year	5.256.875	2.523.536
Over 5 years	85.025	4.096
Deposits from credit institutions and the Central Bank	7.965.964	4.333.693

Deposits

21. Deposits from customers mature as follows:

On demand	12.386.265	11.980.240
Up to 3 months	1.493.228	1.903.224
Over 3 months and up to a year	708.106	679.503
Over 1 year and up to 5 years	3.484.712	2.038.113
Over 5 years	837.498	735.654
Deposits	18.909.809	17.336.734

Amounts are in ISK thousands

Borrowings

22. Borrowings mature as follows:

	30.6.2008	31.12.2007
Up to 3 months	2.736.826	181.778
Over 3 months and up to a year	127.756	2.028.817
Over 1 year and up to 5 years	17.166.559	9.369.622
Over 5 years	0	3.389.161
Borrowings	20.031.141	14.969.378

Subordinated loans

23. Subordinated loans are specified as follows:

	Currency	Interest	Maturity date	30.6.2008 Book value	31.12.2007 Book value
Loans that qualify as Tier II capital:					
Issued in 2002	ISK	7,9%	2009	20.890	0
Issued in 2004	ISK	6,0%	2014	131.771	125.659
Issued in 2005	ISK	4,6%-6,0%	2015	347.374	339.854
Issued in 2006	ISK	5,7%-6,6%	2016	933.696	898.326
Issued in 2007	EUR	6,9%	2017	1.006.952	743.672
Issued in 2008	ISK	11,0%	2018	332.382	0
				2.773.065	2.107.511
Total				2.773.065	2.107.511

Capital

24. Capital at the end of the period amounts to ISK 1,502 million. The capital adequacy ratio, calculated in accordance with Article 84 of the Act on Financial Undertakings, was -0,5%. According to the Act the ratio may not be lower than 8.0%.

The ratio is calculated as follows:	30.6.2008
Total capital	1.501.755
Intangible assets	(71.025)
Subordinated loans	713.675
Shares in financial undertakings	(2.347.484)
Total own funds	(203.079)
Total capital requirements for:	
Credit risk	3.221.030
Market risk under standardised approaches (SA)	60.966
Operational risk (Opr)	347.084
Capital requirements	3.629.080
Capital adequacy ratio	(0,5)%

Amounts are in ISK thousands

Notes

Off-balance sheet information

25. The Group has granted its customers guarantees and overdraft permissions. These items are specified as follows:

	30.6.2008	31.12.2007
Guarantees	3.439.451	2.738.830
Unused overdrafts	1.096.019	1.389.225

Pledged assets

26. HFF Bonds amounting to ISK 2,070 million are pledged in connection with a loan abroad.

Related parties

27. The Group has a related party relationship with its subsidiaries, associates, the Board of Directors of the parent company, the Managing Directors of the Group, the Managing Directors of subsidiaries, close family members of individuals referred to herein, and entities with significant influence as large capital holders of SPM Savings bank. Information regarding related parties are as follows:

Loans to the managing director	29.931	32.600
Loans to members of the board and companies related to members of the board	110.520	97.040
Loans to associated companies	1.220.787	970.767

No unusual transactions took place with related parties in the period.

Transactions with related parties have been conducted on arm's length basis.

Liquidity risk control and management

28. Financial assets and liabilities are specified as follows by maturity:

30.6.2008	Book value	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Assets:						
Cash and Cash equivalents	900.371	900.371	0	0	0	0
Loans to customers	42.901.208	1.892.878	5.218.851	3.705.546	17.130.022	14.953.911
Trading assets and derivatives	541.772	541.772	0	0	0	0
Financial assets at fair value	6.726.624	6.726.624	0	0	0	0
Total financial assets	51.069.975	10.061.645	5.218.851	3.705.546	17.130.022	14.953.911
Liabilities:						
Deposits from credit institutions	7.965.964	2.624.064	5.256.875	0	0	85.025
Deposits from customers	18.909.809	12.386.266	1.493.228	708.106	3.484.712	837.497
Trading liabilities and derivatives	747.323	747.323	0	0	0	0
Borrowings	20.031.141	0	155.208	1.528.114	13.507.283	4.840.536
Subordinated loans	2.773.065	11.912	0	0	1.477.879	1.283.274
Total financial liabilities	50.427.302	15.769.565	6.905.311	2.236.220	18.469.874	7.046.332

Amounts are in ISK thousands

28. Contd:

31.12.2007	Book value	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Assets:						
Cash and Cash equivalents	1.143.568	1.143.568	0	0	0	0
Loans to customers	34.766.680	1.417.249	5.243.291	4.966.366	12.721.964	10.417.810
Trading assets and derivatives	726.046	726.046	0	0	0	0
Financial assets at fair value	8.652.905	8.652.905	0	0	0	0
Total financial assets	45.289.199	11.939.768	5.243.291	4.966.366	12.721.964	10.417.810
Liabilities:						
Deposits from credit institutions	4.333.693	4.333.693	0	0	0	0
Deposits from customers	17.336.734	11.637.120	1.749.645	623.797	2.639.254	686.918
Trading liabilities and derivatives	560.811	560.811	0	0	0	0
Borrowings	14.969.378	0	181.778	2.028.817	9.369.622	3.389.161
Subordinated loans	2.107.511	0	0	0	1.372.311	735.200
Total financial liabilities	39.308.127	16.531.624	1.931.423	2.652.614	13.381.187	4.811.279

Interest rate risk

29. Total amount of SPM's indexed assets amounted to ISK 18,150 million at period end and total value of indexed liabilities amounted to ISK 12,053 million at the same time.

Currency risk

30. The total amount of group assets denominated in foreign currencies amounted to ISK 28,627 million at period end, and the total amount of liabilities amounted to ISK 28,934 million at the same time.

Events after the Balance Sheet date

31. On 15 August 2008 a primary capital owners' meeting approved a proposal from the Board of Directors to raise the primary capital of the Savings Bank by ISK 2,000 million. Kaupthing Bank hf. has subscribed to ISK 1,750 million and Straumborg hf. to ISK 250 million. The increase in primary capital is subject to approval from lenders, the Financial Supervisory Authority and the Competition Authority. Kaupthing Bank hf. has also pledged to find a buyer for the Savings Bank's 8.73% share in Icebank hf.

    The Savings Bank's management expects that this and other related measures will raise the Group's capital adequacy ratio to 10.7% and thus meet the requirements of the Act on Financial Undertakings concerning capital adequacy ratio.

    Since among other things the captial adequacy ratio is below the minimum set in the Act on Financial Undertakings No. 161/2002 the Group does not meet provisions in several loan agreements. The respective lenders are permitted to declare the loans to be immediately due and payable and in certain instances they have to approve expected changes in the Savings Bank's ownership. To date there have been no declarations on loans being immediately due and payable. The management of the Savings Bank is working on solutions in cooperation with the lenders.

Amounts are in ISK thousands