

Straumur-Burdaras Investment Bank hf.

**Condensed Consolidated Interim Financial Statements
for the period from 1 January to 30 June 2008**

Straumur-Burdaras Investment Bank hf.
Borgartun 25
105 Reykjavik
Iceland

Reg. no. 701086-1399

Contents

Report and Statement 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		

Report and Statement of the Board of Directors and the CEO

The Consolidated Interim Financial Statements of Straumur-Burdaras Investment Bank hf. for the period 1 January to 30 June 2008 are prepared in accordance with International Financial Reporting Standards (IFRS) for interim financial statements. The Consolidated Interim Financial Statements for the period comprise Straumur-Burdaras Investment Bank hf. and its subsidiaries (together referred to as the "Bank").

According the Income Statement, after tax profits for the period amounted to EUR 20.8 million. The Bank's equity at the end of June 2008 amounted to EUR 1,519 million. The Bank's capital adequacy ratio, calculated in accordance with the Act on Financial Undertakings, was 25.4% at period-end. As of 30 June 2008 the Bank's total assets amounted to EUR 6,201 million.

The Bank's total share capital at the end of the period amounted to ISK 10,359 million.

At the end of the period the Bank's shareholders numbered 21,007 as compared to 21,692 at the beginning of the year. Samson Global Holdings SARL, which holds 34.3 % of the Bank's share capital, is the only shareholder with a holding exceeding 10%.

The Board of Directors and the CEO hereby confirm the Consolidated Interim Financial Statements of Straumur-Burdaras Investment Bank hf. for the period 1 January to 30 June 2008 by affixing their signatures hereto.

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

Further it is our opinion that the Consolidated Interim Financial Statements and the endorsement of the Board of Directors and the Chief Executive Officer gives a fair view of the development and performance of the Bank's operations and its position and describes the principal risks and uncertainties faced by the Bank.

Reykjavík, 29 July 2008.

Board of Directors:



Björgólfur Thor Björgólfsson
Chairman



Birgir Már Ragnarsson



Guðmundur Kristjánsson



Hallbjörn Karlsson



James Leitner

CEO:



William Fall

Independent Auditors' Review Report

To the Board of Straumur-Burdaras Investment Bank hf.

We have reviewed the accompanying Condensed Consolidated Financial Statements of Straumur-Burdaras Investment Bank hf., which comprise the consolidated balance sheet as at June 30, 2008 and the consolidated 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 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.

Reykjavík, 29 July 2008.

KPMG hf.



Helgi F. Arnarson



Ólafur Már Ólafsson

Condensed Consolidated Interim Income Statement for the period from 1 January to 30 June 2008

		2008	2007	2008	2007
	Notes	1.4. - 30.06.	1.4. - 30.06.	1.1. - 30.06.	1.1. - 30.06.
Interest income		147,187	257,747	256,931	361,189
Interest expense		(123,251)	(249,382)	(209,843)	(341,662)
Net interest income	10	<u>23,935</u>	<u>8,365</u>	<u>47,088</u>	<u>19,527</u>
Fee and commission income		29,032	43,009	64,786	73,753
Fee and commission expense		(3,131)	(133)	(8,121)	(589)
Net fee and commission income	11	<u>25,901</u>	<u>42,876</u>	<u>56,665</u>	<u>73,164</u>
Dividend income		2,521	7,163	2,608	24,291
Net (losses) gains on financial assets and financial liabilities held for trading	12	(16,459)	33,927	(24,860)	101,481
Net (losses) gains on financial assets designated at fair value through profit or loss	13	(24,052)	50,921	(19,358)	40,900
Net foreign exchange gains (losses)		1,975	9,704	16,465	(19,015)
Other income (expense)		1,450	(4,762)	2,898	364
Net operating income		<u>15,271</u>	<u>148,194</u>	<u>81,506</u>	<u>240,712</u>
Administrative expenses		(26,911)	(30,016)	(62,013)	(42,273)
Impairment losses on loans		(8,035)	(4,521)	(15,450)	(7,383)
Share of profit of associates		(478)	(21)	236	(21)
(Loss) profit before tax		(20,153)	113,636	4,279	191,035
Income tax	14	<u>18,709</u>	<u>(19,442)</u>	<u>16,559</u>	<u>(27,684)</u>
(Loss) profit for the period		<u>(1,444)</u>	<u>94,194</u>	<u>20,838</u>	<u>163,351</u>
Attributable to:					
Equity holders of the Parent		(2,811)	90,288	18,255	155,178
Minority interest		1,367	3,906	2,583	8,173
(Loss) profit for the period		<u>(1,444)</u>	<u>94,194</u>	<u>20,838</u>	<u>163,351</u>
Basic earnings per share	15	0.000	0.010	0.002	0.017
Diluted earnings per share	15	0.000	0.010	0.002	0.016

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

Condensed Consolidated Interim Balance Sheet as at 30 June 2008

	Notes	30.6.2008	31.12.2007
Assets:			
Cash and cash equivalents	16	891,994	1,427,171
Financial assets held for trading	17	541,721	1,056,406
Pledged assets	18	597,225	211,923
Financial assets designated at fair value through profit or loss	19	1,044,727	923,939
Loans	20	1,973,752	2,411,342
Financial assets available-for-sale	22	339,013	338,960
Investments in associates		8,882	11,097
Property and equipment		22,463	21,679
Intangible assets		498,985	500,723
Deferred tax assets		24,072	491
Other assets		258,097	233,192
Total Assets		<u>6,200,931</u>	<u>7,136,923</u>
Liabilities:			
Financial liabilities held for trading	23	184,901	101,786
Deposits from banks		84,822	34,538
Deposits from customers		1,034,183	1,233,725
Borrowings	24	3,026,538	3,778,515
Subordinated loans	25	98,906	113,641
Current tax liability		9,063	26,829
Deferred tax liability		9,043	2,377
Other liabilities		234,874	277,011
Total Liabilities		<u>4,682,330</u>	<u>5,568,422</u>
Equity:			
Share capital		103,645	102,777
Share premium		645,933	647,970
Other reserves	(57,171)	(36,006)
Retained earnings		812,471	843,116
Total equity attributable to equity holders of the Parent		<u>1,504,879</u>	<u>1,557,857</u>
Minority interest		13,723	10,644
Total Equity	26	<u>1,518,602</u>	<u>1,568,501</u>
Total Liabilities and Equity		<u>6,200,931</u>	<u>7,136,923</u>

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

Condensed Consolidated Interim Statement of Changes in Equity for the period from 1 January to 30 June 2008

	Share capital	Share premium	Other reserves	Retained earnings	Total share- holders' equity	Minority interest	Total equity
2008							
Equity as at 1.1.2008	102,777	647,970	(36,006)	843,116	1,557,857	10,644	1,568,501
Translation difference			(38,133)		(38,133)	553	(37,580)
Fair value changes in available-for-sale financial assets			15,012		15,012		15,012
Net earnings recognised directly in equity			(23,121)	0	(23,121)	553	(22,568)
Profit for the period				18,255	18,255	2,583	20,838
Total recognised in income statement			(23,121)	18,255	(4,866)	3,136	(1,730)
Dividends paid ISK 0.56 per share			(48,900)	(48,900)			(48,900)
Dividends paid by subsidiary						(58)	(58)
Purchases and sales of treasury shares	868	(2,037)			(1,168)		(1,168)
Increase due to call options			1,956		1,956		1,956
Equity as at 30.06.2008	103,645	645,933	(57,171)	812,471	1,504,879	13,723	1,518,602
2007							
Equity as at 1.1.2007	100,275	615,802	(14,819)	772,529	1,473,787	20,231	1,494,018
Translation difference			12,160		12,160	654	12,814
Fair value changes in available-for-sale financial assets			44		44		44
Net earnings recognised directly in equity			12,204	0	12,204	654	12,858
Profit for the period				155,178	155,178	8,173	163,351
Total recognised in income statement			12,204	155,178	167,382	8,827	176,209
Dividends paid ISK 0.75 per share			(87,792)	(87,792)			(87,792)
Dividends paid by subsidiary						(2,530)	(2,530)
Purchased and sold treasury shares	537	(783)			(246)		(246)
Treasury shares stated as other liability on account of put options, reversed			25,469		25,469		25,469
Expense due to call option			3,184	3,282	6,466		6,466
Equity as at 30.06.2007	100,812	615,019	26,038	843,197	1,585,066	26,528	1,611,594

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 period from 1 January to 30 June 2008

	2008	2007
Notes	1.1. - 30.06.	1.1. - 30.06.
Operating activities:		
Net cash from operating activities	282,345	296,346
Investing activities:		
Net cash used in investing activities	(742)	(340,758)
Financing activities:		
Net cash used in financing activities	(816,780)	(63,696)
Decrease in cash and cash equivalents	(535,177)	(108,108)
Cash and cash equivalents at beginning of year	1,427,171	370,934
Cash and cash equivalents at the end of the period	891,994	262,826

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

Notes to the Condensed Consolidated Interim Financial Statements

1. Reporting entity

Straumur-Burdaras Investment Bank hf. (the Parent) is a company incorporated and domiciled in Iceland. The address of the Parent's registered office is Borgartun 25, Reykjavik. The Condensed Consolidated Interim Financial Statements for the period 1 January to 30 June 2008 comprise Straumur-Burdaras Investment Bank hf. and its subsidiaries (together referred to as "the Bank"). The Bank offers integrated financial services to companies, institutional investors and individuals. These services include corporate banking, investment banking, retail banking, capital markets services and asset management.

2. Basis of preparation

Statement of compliance

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

The Condensed Consolidated Financial Statements were authorised for issue by the Board of Directors of Straumur-Burdaras Investment Bank hf. on 29 July 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 as at 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 as at, and 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 the 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.

5. Changes within the Bank

Alpstar CLO 2 plc was treated as a subsidiary in the Consolidated Financial Statements for the year ended 31 December 2007 because the Bank owned the majority of the subordinated loans this fund had issued. In February 2008, the Bank sold down its interest in these subordinated loans to a level below 50%. Accordingly, Alpstar is no longer treated as a subsidiary in the Condensed Consolidated Interim Financial Statements of the Bank because the Bank no longer bears the majority of the risks and benefits arising from the operation of the fund. The Bank's investment are now treated as a financial asset held at fair value. The main effects of this on the Condensed Consolidated Interim Financial Statement is that loans decrease by EUR 576 million, borrowings decrease by EUR 585 million and financial assets held at fair value increase by EUR 25 million.

Notes, contd.:

6. Risk management disclosure

The breakdown by contractual maturity of financial assets and liabilities:

	0-1 months	1 to 3 months	3-12 months	1-5 years	Over 5 years	No stated maturity	Total
Assets:							
Cash and cash equivalents	880,904	10,544		546			891,994
Financial assets held for trading	384,434	26,399	44,027	75,825	11,036		541,721
Pledged assets	597,225						597,225
Financial assets designated at fair value through P/L				349,200		695,527	1,044,727
Loans	313,975	20,390	276,101	661,628	701,658		1,973,752
Financial assets available-for-sale	220,602	81,374	34,323			2,714	339,013
Other assets	121	208,807	36,345	844		36,052	282,169
Total	2,397,262	347,513	390,796	1,088,043	712,694	734,294	5,670,601
Liabilities:							
Financial liabilities held for trading	177,700	4,460	2,441	300			184,901
Deposits from banks	58,286	18,836	7,700				84,822
Deposits from customers	712,841	282,620	37,292	1,430			1,034,183
Borrowings	893,048	124,459	648,908	941,175	418,947		3,026,538
Subordinated loans					98,906		98,906
Other liabilities	50,155	175,145	10,805	3,408	8,095	5,373	252,980
Total	1,892,030	605,521	707,146	946,312	525,948	5,373	4,682,330
Assets - liabilities	505,232	(258,008)	(316,350)	141,730	186,746	728,921	988,271
31.12.2007							
	0-1 months	1 to 3 months	3-12 months	1-5 years	Over 5 years	No stated maturity	Total
Total assets	2,639,820	487,059	399,446	715,226	1,601,564	760,309	6,603,424
Total liabilities	1,290,871	693,191	835,403	1,591,323	1,152,825	4,809	5,568,422
Assets - liabilities	1,348,949	(206,132)	(435,957)	(876,097)	448,739	755,500	1,035,002

Liquidity management for Straumur Bank is based on the contractual maturity profile of liabilities. The amounts set out 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.:

6. contd.:

Currency risk

Foreign exchange risk is controlled by continuous monitoring of the Bank's net exposure to foreign currencies, reporting findings and enforcing limits. The Risk Committee has defined exposure limits to individual currencies as well as a gross exposure limits. The exposures are expressed in terms of the FX delta taking account of complex derivative instruments and the cash value of vanilla instruments. Risk Management monitors compliance with these procedures on a daily basis. The Bank's policy, implemented by Treasury, is to maintain currency neutrality in the Banking Book (investment assets) but net currency exposures are possible in the trading book with the approval of the Risk Committee.

Breakdown of assets and liabilities by currency:

30.06.2008	EUR	ISK	GBP	USD	DKK	Other	Total
Assets:							
Cash and cash equivalents	424,950	140,720	28,600		36,641	261,083	891,994
Financial assets held for trading	67,521	257,124	4,753	65,740	95,148	51,434	541,721
Pledged assets	211,837	56,139	18,786	26,043	245,214	39,206	597,225
Financial assets designated at fair value through P/L	645,463	357,319	792	40,648		506	1,044,727
Loans	712,686	251,844	257,611	185,219	431,906	134,486	1,973,752
Financial assets available-for-sale	132,420	206,410				183	339,013
Investments in associates		8,882					8,882
Property and equipment	4,855	11,898	3,966	3	894	846	22,463
Intangible assets	476,072		22,505			408	498,985
Deferred tax assets	681	23,183	209				24,072
Other assets	249,765					8,332	258,097
Total	2,926,250	1,313,517	337,222	317,655	809,804	496,484	6,200,931
Liabilities and equity:							
Financial liabilities held for trading	175,917	284	398	3,591		4,710	184,901
Deposits from banks	6,593	64,815	8	448		12,957	84,822
Deposits from customers	515,440	472,540	1,623	9,883	22,327	12,370	1,034,183
Borrowings	1,502,440	1,060,358	57,220	120,223	266,013	20,282	3,026,538
Subordinated loans	46,801	52,105					98,906
Current tax liabilities	64	7,925	1,059			15	9,063
Deferred tax liabilities	1,073	7,735			222	13	9,043
Other liabilities	197,314	37,560					234,873
Total equity	1,518,602						1,518,602
Total	3,964,244	1,703,323	60,308	134,146	288,562	50,348	6,200,931
Net Balance Sheet position	(1,037,994)	(389,807)	276,914	183,508	521,241	446,137	
Net off Balance Sheet position	1,008,935	403,686	(272,659)	(165,505)	(521,475)	(452,983)	
Net position (liabilities)/asset	(29,059)	13,879	4,255	18,003	(234)	(6,846)	

Notes, contd.:

6. contd.:

31.12.2007	EUR	ISK	GBP	USD	DKK	Other	Total
Assets:							
Cash and cash equivalents	836,392	281,771	3,265		68,561	237,182	1,427,171
Financial assets held for trading	546,250	246,916	16,632	9,305	160,582	76,721	1,056,406
Pledged assets	10,540	5,625	4,536	33,029	72,740	85,453	211,923
Financial liabilities designated at fair value through P/L	718,320	160,469	652	44,007		491	923,939
Loans	1,502,030	260,477	207,208	93,846	256,718	91,063	2,411,342
Financial assets available-for-sale	121,426	217,417				117	338,960
Investment in associates	104	10,993					11,097
Property and equipment	4,867	15,143	274		806	589	21,679
Intangible assets	476,229		24,139			355	500,723
Deferred tax assets	491						491
Other assets	183,103	50,089					233,192
Total	4,399,752	1,248,900	256,706	180,187	559,407	491,971	7,136,923
Liabilities and equity:							
Financial liabilities held for trading	68,989	5,673			84	27,040	101,786
Deposits from banks		34,538					34,538
Deposits from customers	575,468	587,351	1,547	17,174	40,583	11,602	1,233,725
Borrowings	2,838,112	845,912	1,149	92,689	105	548	3,778,515
Subordinated loans	46,774	66,867					113,641
Current tax liabilities	22,604	3,427	463			335	26,829
Deferred tax liabilities	2,142		13		222		2,377
Other liabilities		277,011					277,011
Total equity	1,568,501						1,568,501
Total	5,122,590	1,820,779	3,172	109,863	40,994	39,525	7,136,923
Net Balance Sheet position	(722,838)	(571,879)	253,534	70,324	518,413	452,446	
Net off Balance Sheet position	781,365	496,635	(190,319)	(108,070)	(462,042)	(517,569)	
Net position asset/(liabilities)	58,527	(75,244)	63,215	(37,746)	56,371	(65,123)	

Notes, contd.:

7. Derivative financial instruments

	Nominal account		Carrying amount	
	Assets	Liabilities	Assets	Liabilities
Currency and interests rate derivatives, agreements unlisted:				
Forward exchange rate agreements	1,884,437	1,808,588	21,115	8,909
Interest rate and exchange rate agreements	10,999,892	7,190,950	112,354	132,606
Options - purchased agreements	5,389,440		1,905	
Options - sold agreements		4,642,420		1,499
Futures, agreements	9,183,500	6,679,000	5,442	2,920
Total	27,457,270	20,320,958	140,816	145,934
Equity derivatives:				
Equity swaps, agreements unlisted	4,249	99,348	28,967	3,671
Equity options, purchased unlisted agreements	4,293		11,742	207
Equity options, sold unlisted agreements		33,813		3,983
Futures, agreements listed		2,455	39	63
Total	8,542	135,616	40,748	7,924
Credit derivative contracts:				
Credit default swaps	727,800	604,750	18,296	18,030
Total	727,800	604,750	18,296	18,030
Bond derivatives:				
Bond forward, agreements unlisted		52,500	330	279
Bonds futures, agreements	50,000		524	
Total	50,000	52,500	853	279
Total derivative financial instruments	28,243,612	21,113,824	200,713	172,167

8. Quarterly Statements

Summary of the Bank's operating results by quarters:

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Net interest income	23,935	23,153	23,003	26,302	8,366
Net fee and commission income	25,901	30,765	36,807	21,304	42,876
Dividend income	2,521	87	4,333	5,083	7,163
Other net financial income	(40,512)	(3,706)	(25,909)	(41,835)	84,847
Net foreign exchange gain	1,975	14,490	17,167	4,910	9,704
Other operating income	1,450	1,448	1,122	17,015	(4,762)
	15,271	66,236	56,523	32,779	148,194
Administrative expenses	(26,911)	(35,102)	(46,695)	(29,969)	(30,016)
Impairment losses on loans	(8,035)	(7,415)	(8,523)	(4,255)	(4,521)
Share of profit of associates	(478)	713	67	(2)	(21)
(Loss) profit before tax	(20,153)	24,432	1,372	(1,447)	113,636
Income tax	18,709	(2,150)	(1,978)	1,645	(19,442)
(Loss) profit for the period	(1,444)	22,282	(606)	198	94,194
Attributable to:					
Equity holders of the parent	(2,811)	21,067	1,256	1,828	90,288
Minority interest	1,367	1,215	(1,862)	(1,630)	3,906
(Loss) profit for the period	(1,444)	22,282	(606)	198	94,194

Notes, contd.:

9. Segment Reporting

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

Business segments pays and receives interest to and from Treasury on an arm's length basis to reflect the allocation of capital and funding costs. Inter-segment pricing is determined on an arm's length basis.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment and intangible assets other than goodwill.

The Bank has defined a new business segment in 2008, Merchant Banking, and 2007 segment have been restated accordingly.

Business segments:

The Bank comprises the following main business segments:

Corporate Finance provides advisory services to corporate clients in respect of M&A and equity and debt, capital market transactions.

Debt Finance provides advice and a wide range of financing products to clients in Northern and Central Europe.

Capital Markets offers securities brokerage service to the Bank's clients.

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

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

Merchant Banking comprises the Bank's direct investment activities and its participation in third party managed assets and funds.

Treasury is responsible for managing the Bank's funding and liquidity, and its foreign exchange and interest rate risk management.

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

Geographical segments:

The Bank reports its results in five main geographical regions, being: Iceland, other Nordic countries, the United Kingdom, Central and Eastern Europe and other countries.

Notes, contd.:

9. contd.:

1.1. - 30.6.2008

Business segment income statement:

	Corporate finance	Debt finance	Capital Markets	Proprietary trading	Asset Manage- ment	Merchant Banking	Treasury	Other Operations	Total
Net interest income (expense)	(1,325)	29,665	(7,387)	1,550	2,633	(3,625)	25,606	(28)	47,088
Net fee and commission income (expense)	22,970	16,069	16,342	(1,596)	3,380	247	(816)	68	56,665
Dividend income	1,077		168	67		1,269	26		2,608
Net (losses) gains on financial assets and liabilities held for trading			(1,176)	(53,758)		23,616	6,458		(24,860)
Net (losses) gains on financial asset designated at fair value through P/L	392	(4,285)	(798)			(15,386)	718		(19,358)
Net foreign exchange gains (losses)	(89)		(901)		1	222	17,176	57	16,465
Other operating income (expense)	99		(26)		(450)	278	183	2,814	2,898
Net operating income	23,124	41,449	6,223	(53,737)	5,565	6,621	49,351	2,911	81,506
Administrative expenses	(11,488)	(7,846)	(20,095)	(6,668)	(7,469)	(1,224)	(5,766)	(1,458)	(62,013)
Impairment		(15,400)	(56)					6	(15,450)
Share of profit of associates						236			236
Profit before tax	11,636	18,203	(13,929)	(60,405)	(1,904)	5,633	43,586	1,459	4,279
Income tax									16,559
Profit for the period									20,838
Business segment assets:									
Cash and cash equivalents	9,848	64,629	16,120	70,781	77,621	4,159	641,183	7,653	891,994
Financial assets held for trading			255,480	101,883	140,644	38,278		5,436	541,721
Pledged assets	812		73,424	399,594		123,395			597,225
Financial assets designated at fair value through P/L	77,951	99,141	17,796			500,639	349,200		1,044,727
Loans		1,899,723	319		72,305	1,389		17	1,973,752
Financial assets available for sale					132,206	16,689	187,825	2,293	339,013
Investment in associated companies						8,882			8,882
Property and equipment	784	39	1,269	110	826	13,530	67	5,839	22,463
Intangible assets	64,927	102,378	3,062	29,602	7,120			291,896	498,985
Deferred tax assets	209						23,183	681	24,072
Other assets	53,741	2,349	41,226	32,900	8,642	17,610	732	100,898	258,097
Total assets	208,272	2,168,260	408,696	634,870	439,364	724,570	1,202,189	414,712	6,200,931

Notes, contd.:

9. contd.:

1.1. - 30.6.2007

Business segment net income:

	Corporate finance	Debt finance	Capital Markets	Proprietary trading	Asset Manage- ment	Merchant Banking	Treasury	Other Operations	Total
Net interest income (expense)	(5,942)	23,864	2,239	(9,169)	640	(3,235)	11,133	(3)	19,527
Net fee and commission income (expense)	41,439	7,245	20,630	(384)	1,115	4,129	(1,009)	(1)	73,164
Dividend income	45		49	23,868		281	48		24,291
Net (losses) gains on financial assets and liabilities held for trading		341	6,383	79,885	102	13,928	919	(77)	101,481
Net (losses) gains on financial asset designated at fair value thought P/L	11,185	331				28,878	17	489	40,900
Net foreign exchange gains (losses)	(331)			(24,641)		1,073	4,535	349	(19,015)
Other operating income			20		280	64			364
Net operating income	46,396	31,781	29,321	69,559	2,137	45,118	15,643	757	240,712
Administrative expenses	(11,062)	(7,208)	(6,503)	(2,946)	(1,721)	(3,752)	(7,773)	(1,308)	(42,273)
Impairment	(1,270)	(6,113)							(7,383)
Share of profit of associates					(15)	(6)			(21)
Profit before tax	34,064	18,460	22,818	66,613	401	41,360	7,870	(551)	191,035
Income tax									(27,684)
Profit for the period									163,351

31.12.2007

Business segments assets	438,126	2,576,725	840,298	56,608	527,645	623,047	1,742,689	331,785	7,136,923
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Notes, contd.:

9. contd.:

Geographical analysis

Operating income specified by location of its markets and customers.

The geographical analysis of operating income is provided in order to comply with IFRS and does not reflect the way the Bank is managed.

	Iceland	Other Nordic Countries	UK	Central Eastern Europe	Other	Total
1.1.-30.6.2008						
Net interest income	17,457	11,747	6,754	725	10,404	47,088
Net fee and commission income	9,742	24,348	10,216	11,793	566	56,665
Net financial income	1,666	(6,407)	(12,527)	(3,346)	(4,532)	(25,145)
Other income	196	2,063		640		2,898
Net operating income	29,061	31,752	4,443	9,812	6,439	81,506
1.1.-30.6.2007						
Net interest income	7,810	2,734	2,929	781	5,272	19,527
Net fee and commission income	34,679	22,293	11,310	4,129	753	73,164
Net financial income	40,675	88,976	980	17,749	(722)	147,657
Other income	63	300				364
Net operating income	83,228	114,303	15,218	22,659	5,303	240,712

Assets specified by location of its markets and customers:

30.6.2008

Total Assets	2,141,695	1,655,869	632,551	787,731	983,086	6,200,931
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31.12.2007

Total Assets	1,739,927	1,345,923	850,553	1,162,810	2,037,710	7,136,923
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Notes, contd.:

Notes to the Income Statement

	2008	2007
10. Net interest income	1.1. - 30.6	1.1. - 30.6
Interest income is specified as follows:		
Cash and cash equivalents	52,037	149,861
Loans	97,476	109,968
Financial assets	105,830	36,542
Other interest income	1,588	64,818
	<u>256,931</u>	<u>361,189</u>
Income expense is specified as follows:		
Financial liabilities held for trading	(31,386)	(99,583)
Deposits	(45,888)	0
Borrowings	(132,569)	(242,079)
	<u>(209,843)</u>	<u>(341,662)</u>
Net interest income	<u>47,088</u>	<u>19,527</u>
11. Net fee and commission income		
Fee and commission income is specified as follows:		
Asset management fee	4,330	1,115
Underwriting fee	16,069	6,646
M&A advisory	23,322	45,520
Net brokerage	21,065	20,472
Total fees and commission	<u>64,786</u>	<u>73,753</u>
Fee and commission expense	(8,121)	(589)
Net fee and commission income	<u>56,665</u>	<u>73,164</u>
12. Net (losses) gains on financial assets and financial liabilities held for trading		
Net gains on financial assets and financial liabilities held for trading are specified as follows:		
Shares	27,910	103,447
Bonds	(71,024)	(2,902)
Derivatives	18,254	936
Total net (losses) gains on financial assets and financial liabilities held for trading	<u>(24,860)</u>	<u>101,481</u>
13. Net (losses) gains on financial assets designated at fair value		
Net gains on financial assets designated at fair value are specified as follows:		
Listed shares	(11,720)	685
Unlisted shares	(6,416)	26,447
Listed unit shares	(1,188)	0
Unlisted unit shares	2,116	13,436
Listed bonds	(2,151)	0
Unlisted bonds	0	332
Total net (losses) gains on financial assets designated at fair value	<u>(19,358)</u>	<u>40,900</u>

Notes, contd.:

14. Income tax

In May 2008 the Icelandic Parliament approved two changes in the Tax law. Firstly, a decrease in the income tax rate from 18% to 15% as of January 2008, this change will become effective in the tax assessment of the year 2009. Secondly, companies, which fulfilled particular conditions, will be able to deduct profits from the sale of shares and listed derivatives on shares from taxable income. The deduction is only authorized if tax loss carry-forward, including loss for the current year, has been utilized. The new treatment is effective for profits arising in the year 2008 or later. The effect on the accounting of the Bank is that a tax liability relating to profits from shares in companies and listed derivatives on shares is no longer recognized in the balance sheet. Due to this, the tax liabilities have decreased by EUR 10,609 thousand compared to 31 December 2007. The decrease was recognized in the current period.

Reconciliation of effective tax rate:

	2008		2007	
	1.1.-30.6		1.1.-30.6	
Profit before tax		4,279		191,035
Income tax using the domestic corporation tax rate	(15.%)	(642)	(18.%)	(34,386)
Tax exempt revenue	60.4%	2,584	(2.3%)	4,372
Effects of branches and subsidiaries	93.7%	4,008	1.2%	2,330
Changes in tax laws	247.9%	10,609		0
Effective tax	387.0%	16,559	(14.5%)	(27,684)
Tax assets and tax liabilities recognised directly in equity:				
		2008		2007
		1.1.-30.6		1.1.-30.6
Available-for-sale investment securities		2,651		12

15. Earnings per share

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

	2008		2007	
	1.1.-30.6		1.1.-30.6	
Profit for the period according to the Consolidated Interim Financial Statements		20,838		163,351
Weighted average share capital:				
Weighted average of outstanding shares for the period		9,658		9,538
Effects of stock options		0		369
Weighted average of total shares for the period, diluted		9,658		9,907
Basic earnings per share		0.002		0.017
Diluted earnings per share		0.002		0.016

Notes to the Balance Sheet

16. Cash and cash equivalents

	30.6.2008	31.12.2007
Cash and cash equivalents are specified as follows:		
Cash.....	321	81
Balances with banks.....	303,872	215,283
Unrestricted balances with central banks.....	24,470	20,963
Money market placements.....	563,331	1,190,844
Total cash and cash equivalents.....	891,994	1,427,171

Notes, contd.:**17. Financial assets held for trading**

	30.6.2008	31.12.2007
Financial assets held for trading are specified as follows:		
Bonds and other fixed-rate securities:		
Listed bonds	269,934	747,101
Shares and other variable-yield securities:		
Listed shares	70,045	119,818
Unlisted shares	1,029	2,992
Total	71,074	122,810
Positive balance of derivatives	200,713	186,495
Total Financial assets held for trading	541,721	1,056,406

18. Pledged assets

Pledged assets are specified as follows:

Corporate bonds	436,542	11,488
Shares	160,684	200,435
Total pledged assets	597,225	211,923

The total financial assets that have been pledged as collateral for liabilities (including amounts reflected above) at 30 June 2008 was EUR 959 million (2007: EUR 556 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.

19. Financial assets designated at fair value

Financial assets designated at fair value specify as follows:

Listed shares	145,852	321,321
Unlisted shares	432,924	330,191
Listed unit shares	34,143	20,331
Unlisted unit shares	82,607	86,932
Listed bonds	349,200	165,164
Total financial assets designated at fair value	1,044,727	923,939

20. Loans to customers are specified as follows by sectors:

Financial services diversified	281,267	359,908
Real Estate	253,802	245,405
Transportation Infrastructure	216,926	47,425
Special Retail	166,987	199,294
Pharmaceutical	114,288	103,923
Machinery	112,667	130,677
Hotels	110,207	131,356
Media	93,255	218,611
Diversified telecommunication Services	77,664	107,134
Food Products	63,132	103,040
Other	483,557	764,569
Total loans to customers	1,973,752	2,411,342

Notes, contd.:

21. Provision

The Impairment provision for credit losses has been deducted from Loans.

Changes in the provision are specified as follows:	30.6.2008	30.6.2007
Impairment provision at the beginning of the period	30,217	15,992
Provision for losses during the period	15,450	7,384
Release due to deconsolidation of subsidiary	(4,212)	0
Translation difference	(303)	0
Impairment provision at the end of the period	<u>41,152</u>	<u>23,376</u>

22. Financial assets available-for-sale

Financial assets available-for-sale are specified as follows:	30.6.2008	31.12.2007
Listed shares	16,689	0
Unlisted shares	2,714	4,130
Unlisted unit shares	16,088	421
Listed bonds	187,825	215,522
Unlisted bonds	<u>115,697</u>	<u>118,887</u>
Total available-for-sale	<u>339,013</u>	<u>338,960</u>

23. Financial liabilities held for trading

Financial liabilities held for trading are specified as follows:

Trading liabilities	12,734	5,699
Derivatives	<u>172,167</u>	<u>96,087</u>
Total financial liabilities held for trading	<u>184,901</u>	<u>101,786</u>

24. Borrowings

The Bank's borrowings are specified as follows:

Loans from central bank	217,053	252,178
Loans from Banks	1,570,071	1,728,910
Debt securities issued	483,345	1,071,568
Short term borrowings	<u>756,068</u>	<u>725,859</u>
Total borrowings	<u>3,026,538</u>	<u>3,778,515</u>

25. Subordinated Loans

Loans that qualify as Tier II capital:

	Currency	Maturity date	Book value	
Subordinated loan - listed on the Iceland				
Stock Exchange, interest 5%	ISK	1.3.2015	52,105	66,855
Subordinated loan, interest Euribor + 3%	EUR	15.12.2018	27,084	27,083
Subordinated loan, interest Euribor + 3%	EUR	19.4.2019	<u>19,717</u>	<u>19,703</u>
			<u>98,906</u>	<u>113,641</u>

Notes, contd.:

26. Equity

a. Share capital

According to the Parent Company's Articles of Association, total share capital amounts to ISK 10,359 million. The nominal amount of treasury shares at 31 December 2007 and at 30 June 2008 amounted to ISK 636 and 553 million respectively. 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 Bank. The Board of Directors is authorised, within its discretion, to increase the Bank's share capital by ISK 2,000,000,000 by issuing new shares.

b. Regulatory capital

Equity at the end of the period amounted to EUR 1,519 million, equivalent to 24,5% 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 25,4%. This ratio may not be lower than 8.0% according to that Act. The ratio is calculated as follows:

	30.6.2008	31.12.2007
Total Equity	1,518,602	1,568,501
Intangible assets	(498,985)	(500,723)
Subordinated loans	98,906	113,641
Total own funds	<u>1,118,523</u>	<u>1,181,419</u>
Total capital requirements for:		
Credit risk	219,339	285,687
Market risk under standardised approaches (SA)	70,350	48,473
Operational risk (Opr)	62,603	64,604
Capital requirements	<u>352,292</u>	<u>398,764</u>
Surplus of own funds	766,231	782,655
Capital adequacy ratio	25.4%	23.7%

Off Balance Sheet information

27. Obligations

Guarantees	89,606	49,894
Loan commitments	92,495	77,321
Obligations total	<u>182,101</u>	<u>127,215</u>

Notes, contd.:

28. Events after the Balance Sheet date

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

29. Related parties

The Bank has a related party relationship with its subsidiaries, the Board of Directors of the parent company, the managing directors of the bank and close family members of individuals referred to herein. This definition is based on IAS 24.

At the end of June 2008, loans to related parties amounted to EUR 401 million (31 December 2007: EUR 420 million), guarantees related to these loans amounted to EUR 28 million (31 December 2007: EUR 28 million), and ownership in companies wherein Board members have significant influence amounted to EUR 118 million (31 December: EUR 121 million). Debts to related parties at the end of the period was EUR 110 million (31 December 2007: nil).

At the end of June 2008 as at the year end 2007, there were no personal loans or receivables to managers or Board members.