

Icebank hf.

Interim Financial Statements 1 January - 31 March 2008

Icebank hf.
Rauðarástíg 27
105 Reykjavík

Kt. 681086-1379

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Endorsements and Signatures of the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Icebank hf. for the three months ended 31 March 2008, have been prepared in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34) as adopted by EU. The Consolidated Interim Financial Statements includes the Interim Financial Statements of Icebank hf. and its subsidiaries, together referred to as Icebank.

According to the Profit and Loss Account net loss for the period 1 January to 31 March 2008 amounted to ISK 3,360 million. Equity according to the Balance Sheet at the end of the period amounted to ISK 10,309 million including shareholders' equity amounting to ISK 1,138 million. The Bank's equity ratio, calculated according to the Act on Financial Undertakings, was 9.1% for the Bank. The ratio is 10.1% when taken into consideration the effects of changes in deferred tax liabilities, as explained in notes 22 and 24. This ratio may not be lower than 8.0%.

The share capital at 31 March 2008 amounted to ISK 1,138 million. Shareholders at 31 March 2008 were 33 compared to 34 at the beginning of the year. One shareholder owned more than 10% of the Bank's outstanding capital stock at 31 March 2008, Sparisjóðurinn í Keflavík which owned 20.4%.

The Board of Directors and the CEO of Icebank hf. hereby confirm the Interim Financial Statements for the period from 1 January to 31 March 2008, by means of their signature.

Reykjavik, 20 May 2008.

Board of Directors:

Geirmundur Kristinsson
Chairman

Steinþór Jónsson

Friðrik Friðriksson

Gísli Kjartansson

Dýrleif Kristjánsdóttir

CEO:

Agnar Hansson

Auditor's Review Report

To the Board of Directors of Icebank hf.

We have reviewed the accompanying consolidated financial statements of Icebank hf., which comprise the consolidated balance sheet as at 31 March, 2008 and the consolidated income statement, statement of changes in equity and condensed cash flow statement for the three-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 31 March, 2008, and of its financial performance and its cash flows for the three-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 20 May 2008.

KPMG hf.

Sigurður Jónsson

Ólafur Már Ólafsson

Income Statement

for the Period from 1 January to 31 March 2008

	Notes	2008 1.1.-31.3.	2007 1.1.-31.3.
Interest income		6.277.231	1.944.185
Interest expense		(5.468.554)	(1.437.448)
Net interest income.....	3	<u>808.677</u>	<u>506.737</u>
Fee and commission income		36.548	87.562
Fee and commission expense		(42.108)	(26.049)
Net fee and commission income		<u>(5.560)</u>	<u>61.513</u>
Net financial (loss) income	4	(2.117.523)	1.877.908
Other operating revenue	5	2.279	12.670
Other net operating income.....		<u>(2.115.244)</u>	<u>1.890.578</u>
Net operating income.....		<u>(1.312.127)</u>	<u>2.458.828</u>
Salaries and related expenses		(250.013)	(138.341)
Administrative expenses		(254.947)	(111.819)
Depreciation		(2.876)	(3.009)
Operating cost.....		<u>(507.836)</u>	<u>(253.169)</u>
Impairment on loans and advances		(2.277.632)	(13.538)
(Loss) profit before income tax		(4.097.595)	2.192.121
Income tax		737.567	(393.683)
(Loss) profit for the period.....		<u>(3.360.028)</u>	<u>1.798.438</u>
Earnings per share			
Basic and diluted earnings per share	6	(3,0)	2,4

The notes on pages 8 to 13 are an integral part of these Consolidated Interim Financial Statements.

Balance sheet

as at 31 March 2008

	Notes	31.03.2008	31.12.2007
Assets			
Cash and balances with the Central Bank		1.706.816	4.423.799
Loans and advances	7-13	124.884.995	97.197.831
Trading assets	14	101.550.941	136.354.791
Financial assets designated at fair value	15	10.590.294	12.972.251
Property and equipment		329.044	331.920
Intangible assets		1.062.370	1.062.370
Other assets	16	182.081	168.881
Total Assets		<u>240.306.541</u>	<u>252.511.843</u>
Liabilities			
Deposits from credit institutions and the Central Bank	17	108.886.390	117.388.327
Other deposits	18	11.032.272	11.796.063
Borrowings	19-20	105.050.686	104.753.243
Subordinated loans	21	2.860.356	2.409.624
Current tax liability		0	233.170
Deferred tax liability	22	1.139.832	1.877.399
Other liabilities	23	1.027.860	692.844
Total Liabilities		<u>229.997.396</u>	<u>239.150.670</u>
Equity			
Share capital		1.138.049	1.127.049
Reserves		479.573	182.573
Retained earnings		8.691.523	12.051.551
Total Equity	24	<u>10.309.145</u>	<u>13.361.173</u>
Total Liabilities and Equity		<u>240.306.541</u>	<u>252.511.843</u>

The notes on pages 8 to 13 are an integral part of these Consolidated Interim Financial Statements.

Statement of Changes in Equity for the Period from 1 January to 31 March 2008

	Share capital	Reserves	Retained earnings	Total
Changes in equity 1.1.-31.3.2008:				
Equity 1 January 2008	1.127.049	182.573	12.051.551	13.361.173
Loss for the period			(3.360.028)	(3.360.028)
Sold treasury shares	11.000	297.000		308.000
Equity 31 March 2008	1.138.049	479.573	8.691.523	10.309.145
Changes in equity 1.1.-31.3.2007:				
Equity 1 January 2007	691.270	879.924	10.435.448	12.006.642
Profit for the period	0	0	1.798.438	1.798.438
Issue of compensation shares	449.326	(449.326)	0	0
Equity 31 March 2007	1.140.596	430.598	12.233.886	13.805.080

Interim Statement of Cash Flows for the Period from 1 January to 31 March 2008

	2008 1.1.-31.3.	2007 1.1.-31.3.
Net cash (used in) provided by operating activities	(3.771.892)	(27.123.294)
Net cash flow (used in) provided by investing activities.....	(1.267)	7.399
Net cash flow provided by financing activities.....	1.056.176	26.220.955
Net change in cash and cash equivalents.....	(2.716.983)	(894.940)
Cash and cash equivalents, beginning of the year.....	4.423.799	7.292.521
Cash and cash equivalents, end of the period.....	1.706.816	6.397.581

The notes on pages 8 to 13 are an integral part of these Consolidated Interim Financial Statements.

Notes

Accounting Policies

Icebank hf. is a company domiciled in Iceland. The address of the Bank is Raudarárstígur 27 in Reykjavík. Icebank is a commercial bank, focusing on wholesale transactions with domestic and foreign financial institutions, especially with Icelandic savings banks and businesses. The Consolidated Interim Financial Statement for the period ended 31 March, 2008 includes the Interim Financial Statement for Icebank and its subsidiaries together referred to as Icebank.

1. Statement of compliance

The Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34, Interim Financial Reporting, as adopted by the EU. They 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 Icebank as at and for the year ended 31 December 2007.

2. Significant accounting policies

The accounting policies applied by Icebank in these Consolidated Interim Financial Statements are the same as those applied by Icebank in its Consolidated Financial Statements as at and for the year ended 31 December 2007.

The Consolidated Financial Statements of Icebank as at and for the year ended 31 December 2007 are available upon request through the company's registered office at Raudarárstígur 27, Reykjavík or at www.icebank.is and www.omxnordicexchange.com.

The Consolidated Interim Financial Statements are presented in Icelandic króna (ISK) which is the company's functional currency, rounded to the nearest thousand.

Net interest income

3. Interest income and expense are specified as follows:

	Interest income	Interest expense	Net interest income
1.1 - 31.03 2008			
Cash and deposits to/from credit institutions and the Central Bank	4.550.701	(4.547.634)	3.067
Loans and deposits	295.845	(134.745)	161.100
Borrowings	0	(720.457)	(720.457)
Subordinated loans	0	(64.350)	(64.350)
Trading assets and liabilities	1.430.685	0	1.430.685
Other	0	(1.368)	(1.368)
Total	<u>6.277.231</u>	<u>(5.468.554)</u>	<u>808.677</u>
Interest income and expense of financial assets and liabilities at fair value	1.430.685	(1.368)	1.429.317
Interest income and expense of financial assets and liabilities not at fair value through profit and loss	<u>4.846.546</u>	<u>(5.467.186)</u>	<u>(620.640)</u>
	<u>6.277.231</u>	<u>(5.468.554)</u>	<u>808.677</u>

Net financial (loss) income

	2008	2007
4. Net financial (loss) income is specified as follows:	1.1.-31.3.	1.1.-31.3.
Dividend income	491	4.994
Net (loss) gain on trading assets and liabilities	(1.401.600)	(227.643)
Net (loss) gain on assets designated at fair value	(2.130.747)	2.005.218
Net foreign exchange difference	1.414.333	95.339
Net financial (loss) income	<u>(2.117.523)</u>	<u>1.877.908</u>

Other operating revenue

5. Other operating revenue is specified as follows:

Gain on disposals of assets	0	5.393
Other operating revenue	<u>2.279</u>	<u>7.277</u>
Other operating revenue	<u>2.279</u>	<u>12.670</u>

Notes

Earnings per share

6. Earnings per share are specified as follows:

Net loss (earnings)	(3.360.028)	1.798.438
Equity according to Financial Statements at the beginning of the period	1.127.049	691.270
Effects of increase/sale of share during the period	3.385	44.933
Weighted average of outstanding shares for the period	1.130.434	736.203
Basic and diluted earnings per share	(3,0)	2,4

Earnings per share

Earnings per share are calculated by dividing the net earnings attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period.

Loans and advances

7. Loans and advances are specified as follows:

	31.3.2008	31.12.2007
Loans to credit institutions	68.162.703	48.887.750
Loans to customers	59.526.004	48.850.162
Provision for impairment	(2.803.712)	(540.081)
Loans and advances	124.884.995	97.197.831

Loans to credit institutions

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

Bank accounts	7.667.243	1.746.515
Money market loans	7.559.790	10.859.752
Repurchase agreements	19.128.501	7.195.471
Other loans	33.807.169	29.086.012
Loans to credit institutions	68.162.703	48.887.750

9. Loans to credit institutions specified by maturity:

Up to 3 months	35.875.849	21.148.108
Over 3 months and up to a year	13.654.597	13.020.338
Over 1 year and up to 5 years	15.429.177	11.552.549
Over 5 years	3.203.080	3.166.755
Loans to credit institutions	68.162.703	48.887.750

Loans to customers

10. Loans to customers, net of impairment, specified by types of loans:

Overdrafts	2.368.584	2.071.179
Bonds and loan agreements	34.563.431	25.069.898
Other loans	19.790.277	21.169.004
Loans to customers	56.722.292	48.310.081

Notes

11. Loans to customers specified by sectors:

	31.3.2008	31.12.2007
Business enterprises:		
Agriculture and Fishing	2,7%	2,6%
Industry	21,8%	14,1%
Commerce	5,9%	5,7%
Service	63,1%	71,3%
Other	6,5%	6,3%
Loans to customers	100,0%	100,0%

12. Loans to customers specified by maturity:

On demand	129.771	13.566
Up to 3 months	14.459.068	16.325.797
Over 3 months and up to a year	12.734.889	8.123.428
Over 1 year and up to 5 years	24.451.845	19.811.118
Over 5 years	4.946.719	4.036.172
Loans to customers	56.722.292	48.310.081

Allowance for losses on loans and advances

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

Balance at 1 January	540.081	358.816
Impairment losses recognised during the period	2.277.631	181.579
Write-offs during the period	(14.000)	(8.939)
Amounts recovered from loans previously written off	0	8.625
Balance at the end of period	2.803.712	540.081

Trading assets

14. Trading assets are specified as follows:

Bonds	90.402.278	125.400.970
Shares	3.702.567	3.332.271
Derivatives	7.446.096	7.621.550
Trading assets	101.550.941	136.354.791

Financial assets designated at fair value

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

Securities	7.872.602	6.268.830
Shares	2.717.692	6.703.421
Financial assets designated at fair value	10.590.294	12.972.251

Other assets

16. Other assets are specified as follows:

Sundry assets	28.521	15.201
Prepaid expenses and accrued income	153.560	153.680
Other assets	182.081	168.881

Notes

Deposits from credit institutions and the Central Bank

17. Deposits from credit institutions and the Central Bank mature as follows:	31.3.2008	31.12.2007
Up to 3 months	107.379.155	115.875.044
Over 3 months and up to 1 year	1.507.235	1.513.283
Deposits from credit institutions and the Central Bank.....	108.886.390	117.388.327

Other deposits

18. Other deposits mature as follows:		
Up to 3 months	11.032.272	11.796.063

Borrowings

19. Borrowings are specified as follows:		
Bonds issued	5.352.119	5.259.682
Bills issued	11.951.486	16.164.756
Loans from credit institutions	87.747.081	83.328.805
Borrowings	105.050.686	104.753.243

20. Borrowings mature as follows:		
Up to 3 months	41.278.982	40.465.463
Over 3 months and up to a year	13.465.212	23.111.582
Over 1 year and up to 5 years	45.206.431	36.166.516
Over 5 years	5.100.061	5.009.682
Borrowings	105.050.686	104.753.243

Subordinated loans

21. Subordinated loans are specified as follows:

	Currency	Interest	Maturity date	Book value	Book value
Loans that qualify as Tier II capital:					
Issued in 2006	ISK	5,0%	2016	1.019.708	1.020.046
Issued in 2005	EUR	5,2%	2015	1.840.648	1.389.578
Subordinated loans				2.860.356	2.409.624

Deferred income tax liability

22. Deferred income tax liability is specified as follows:

Deferred income tax liability at the end of previous year	1.877.399	2.006.222
Calculated income tax for the period	(737.567)	104.347
Income tax for the year to be paid next year	0	(233.170)
Deferred income tax liability at the end of the period	1.139.832	1.877.399

Deferred income tax liability is attributable to the following items:

Shares in other companies	1.169.444	1.808.771
Other assets and liabilities	(29.612)	68.628
Deferred income tax liability at the end of the year	1.139.832	1.877.399

Notes

22. Cont.

The deferred income tax liability has been calculated and recognised in the Balance Sheet. The calculation is based on the difference between balance sheet items as presented in the tax return on one hand, and in the Consolidated Financial Statements on the other, taking into consideration tax losses carried forward. This difference is due to the fact that the tax assessment is based on premises that differ from those governing the financial statements, mostly due to temporary differences arising from the recognition of revenues and expenses in the tax returns and in the Financial Statements.

In May 2008 a new tax law was issued which includes changes in tax liability regarding the gain of sale of shares in other companies. A deferred tax liability has been calculated and included in the Balance Sheet at the end of March 2008. However in the second quarter of the year 2008, the deferred tax liability attributable to the capital gains of shares in other companies will decrease by ISK 1,169 million and the same amount will be entered as tax income in the Income Statement.

Other liabilities

23. Other liabilities are specified as follows:	31.3.2008	31.12.2007
Sundry liabilities	381.671	92.241
Unpaid expenses	644.668	591.259
Accrued expenses and deferred income	1.521	9.344
Other liabilities	1.027.860	692.844

Equity

24. Icebank's share capital, in accordance with the articles of association, amounts to ISK 1,141 million. Own share capital amounts to ISK 2.6 million and is subtracted from the share capital as presented in the balance sheet. One vote is attached to each share of one ISK. Equity at the end of the period amounts to ISK 10,309 million. The capital ratio, calculated in accordance to Article 84 of the Act on Financial Undertakings, was 9.1%. The ratio is 10.1% when taken into consideration the effects of changes in deferred tax liabilities, as explained in note 22. According to the law the ratio may not go below 8.0%.

The ratio is calculated as follows:	31.3.2008	31.12.2007
	Weighted	Weighted
	value	value
Total equity	10.309.145	13.361.173
Intangible assets	(1.062.370)	(1.062.370)
Subordinated loans	2.860.356	2.409.624
Assets deducted from equity	(1.991.710)	(4.994.967)
Total own funds	10.115.421	9.713.460
Effects of changes in tax law regarding capital gains of sale of shares in other companies	1.169.444	0
Total own funds including effect of changes in deferred tax liability	11.284.865	9.713.460
Capital requirements	8.967.665	7.064.334
Surplus of own funds	2.317.200	2.649.126
Capital adequacy ratio	9,1%	11,0%
Capital adequacy ratio including effects of changes in deferred tax liability	10,1%	

Off-balance sheet information

25. The bank has granted its customers guarantees. These items are specified as follows:

Guarantees	17.430.833	13.788.282
Unused overdrafts	10.541	70.711

Notes

Pledged assets

26. Assets have been pledged as security in respect of the following liabilities: 31.3.2008 31.12.2007

Liabilities

Repurchase agreements with the Central Bank 76.150.928 104.571.973

Assets

Repurchase agreements with credit institutions 19.751.689 7.195.471

Monitoring and controlling liquidity risk

27. The breakdown by contractual maturity of financial assets and liabilities, at 31 March 2008.

31.3.2008	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and Central balances	1.706.816					1.706.816
Loans and advances	32.419.450	18.045.238	26.389.486	39.881.022	8.149.799	124.884.995
Trading financial assets	101.550.941					101.550.941
Financial assets meas. at fair value	10.590.294					10.590.294
Total financial assets	146.267.501	18.045.238	26.389.486	39.881.022	8.149.799	238.733.046
Deposits f. credit inst. and Central Bank ..	107.151.543	227.612	1.507.235	0	0	108.886.390
Other deposits	11.032.272		0	0	0	11.032.272
Trading liabilities	0	0	0	0	0	0
Borrowings	36.086.357	5.192.625	13.465.212	45.206.431	5.100.061	105.050.686
Subordinated loans	0	0	0	0	2.860.356	2.860.356
Total financial liabilities	154.270.172	5.420.237	14.972.447	45.206.431	7.960.417	227.829.704
Financial assets - financial liabilities	(8.002.671)	12.625.001	11.417.039	(5.325.409)	189.382	10.903.342
31.12.2007	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and Central Bank balances	4.423.799					4.423.799
Loans and advances	24.833.267	12.775.204	21.143.766	31.242.667	7.202.927	97.197.831
Trading financial assets	136.354.791					136.354.791
Financial assets meas. at fair value	12.972.251					12.972.251
Total financial assets	178.584.108	12.775.204	21.143.766	31.242.667	7.202.927	250.948.672
Deposits f. credit inst. and Central Bank ..	114.809.239	1.066.805	1.512.283			117.388.327
Other deposits	11.796.063					11.796.063
Borrowings	36.086.357	4.358.391	23.111.582	36.166.516	5.030.397	104.753.243
Subordinated loans					2.409.624	2.409.624
Total financial liabilities	162.691.659	5.425.196	24.623.865	36.166.516	7.440.021	236.347.257
Financial assets - financial liabilities	15.892.449	7.350.008	(3.480.099)	(4.923.849)	(237.094)	14.601.415

Events after the Balance Sheet date

28. There have been no material post Balance Sheet events which would require disclosure or adjustment to the Financial Statements for the period 1 January 2008 to 31 March 2008.