

# ICEBANK

## Registration Document



April 2008

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# **Registration Document**

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# 1 Risk Factors

The objective of Icebank's risk management policy is to identify all significant risk factors related to the Bank's operations. This includes identifying all risk factors that may affect the issuer's ability to fulfil its obligations under the securities to investors, implementing risk monitoring methods, conducting regular risk assessments, maintaining rules and controlling. All relevant risk factors are kept within defined limits and thereby an acceptable equilibrium between the minimisation of risk on the one hand and maximisation of the Bank's income on the other hand is achieved.

Icebank's Board of Directors has established a framework for risk management in the Bank. The daily responsibility for identifying, quantifying, controlling and reporting risk rests with a separate unit, Risk Management, which reports directly to the CEO. Furthermore, the Board has established internal risk management rules for the Bank, in which the risk policy is defined and limits established for all the major categories of risk. In addition to the Board of Directors and Risk Management, the Finance Committee and the Committee on Physical Security of the Bank, as well as the managing directors of each division of the Bank, play an important role in the Bank's overall risk management framework.

## 1.1 Risk Management

The role of Risk Management is to identify significant risks within the Bank's operations, quantify the total risk exposure of the Bank and limit the risk by implementing corresponding limit frameworks and internal monitoring procedures. Risk Management is responsible for developing models to quantify and measure the Bank's various risks and maintain the necessary computer systems to do so.

Risk Management reports regularly on the Bank's position and limits the use of various risk limits, as defined in the internal risk management rules of the Board of Directors, to the senior management, thus enabling these bodies to assess the situation at any time and take action, if necessary.

Icebank has identified four major categories of risk; credit risk, market risk, liquidity risk and operational risk. The aforementioned four major categories are considered to affect the issuer's ability to fulfil its obligations under the securities to investors. Risk Management has developed methods to quantify these different categories of risk.

### 1.1.1 Credit risk

Credit risk arises from defaults, when an obligor fails to meet the terms of any contract with Icebank or to perform as agreed. Taking care of the credit risk is one of the core activities in risk management.

One element of credit risk is concentration risk, i.e. the risk resulting from large, connected individual exposures and the risk resulting from significant exposures to groups of counterparts whose likelihood of default results from common underlying factors, e.g. industry sector, geographical location or instrument type. The concentration risk is monitored on regular basis. Furthermore, Icebank is bound by the regulatory maximum limit on single exposures of 25% of regulatory capital. The Board of Directors has limited the CEO's general lending authority to 15% of the Bank's regulatory capital, after which the Board of Directors approves exposures on a case-by-case basis. The internal risk management rules set by the Board of Directors specify limits on geographical and industry concentrations of Icebank's loan portfolio.

Provisioning at Icebank is based on IFRS guidelines and rules issued by the Icelandic Financial Supervisory Authority. Impairment on loans and advances is established if there is objective evidence that the Bank will be unable to collect all amounts due or their equivalent value. Additions to the provisions for credit losses are made through impairments. All impaired claims are reviewed and analysed at least every three months. Impairment is reversed only when the credit quality has improved to the extent where there is reasonable assurance of timely collection of principal and interest in accordance with the original contractual terms.

### **1.1.2 Market risk**

Market risk is the risk arising from adverse movements in bond, equity or commodity prices or foreign exchange rates in the Bank's trading book. This risk can arise from market making, dealing and position taking in bonds, equities, currencies, commodities or derivatives from such assets. This risk includes foreign exchange risk, which is defined as the risk arising from adverse movements in currency exchange rates.

#### **Interest rate risk**

Interest rate risk is the current or prospective risk to earnings and capital arising from adverse movements in interest rates. It arises from a mismatch in the maturity of assets and liabilities or the type of interest rates (fixed, floating, indexed, non-indexed). Interest rate risk is measured on a regular basis by assessing the impact of a 100 basis point shift in the yield curve. The risk thus measured must not exceed 10% of the Bank's risk adjusted equity. Furthermore, the composition of assets and liabilities carrying fixed and floating interest rates and indexed and non-indexed interest rates are measured regularly. The latter is particularly important in Iceland, where price indexation of financial instruments is widespread.

#### **Equity risk**

Icebank owns listed and, to a limited extent, unlisted equity shares. The Bank is therefore exposed to price fluctuations of these assets. Shares are held for three different purposes. First, they are held for trading purposes. Second, the Bank invests in equities on a strategic basis, the Bank's shareholding in Exista falls into this category. Third, the Bank acquires shares to hedge against customer-driven derivatives transactions. In the last case, the Bank is not exposed to price risk.

Icebank's single biggest asset is its shareholding in Exista. Exista is a financial services company with a particular focus on insurance and assets finance. The Bank has entered into a derivative contract which partly hedges its current position in Exista against drop in the stock price.

## **Currency risk**

Currency risk is the risk of loss due to changes in foreign currency prices. Fluctuations in currency prices affect Icebank's assets and liabilities denominated in foreign currencies.

Icebank's currency balance is managed by the Treasury and Capital Markets division and monitored by Risk Management. The Bank's general policy is to maintain a neutral position, but speculative short term positions may be taken within the currency exposure limits set by the Central Bank of Iceland.

### **1.1.3 Liquidity risk**

Liquidity risk is the risk of loss arising from any potential inability of Icebank to meet its liabilities when due. The Bank's liquidity is managed by the Treasury and Capital Markets division.

One of the most important measures of liquidity used by Icebank is the ratio between liquid assets and liquid liabilities over specified time horizons, as defined by rules set by the Central Bank of Iceland. Certain weights are given to the different categories of assets and liabilities according to their perceived liquidity. The Bank's liquidity position is monitored regularly by Risk Management and through monthly reports to the Central Bank of Iceland.

### **1.1.4 Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Included in operational risk are IT-risk, employee risk, legal risk, compliance risk and reputational risk.

IT risk is the risk arising from inadequate information technology and processing in terms of manageability, exclusivity, integrity, controllability and continuity, or arising from an inadequate IT-strategy or from deficient use of the Bank's IT systems.

Employee risk is the risk arising from inadequate training or skills for a task, shortage of employees, employee burnout and inadequate communication and interaction between employees.

Legal and compliance risk is the risk arising from violations of, or non-compliance with, laws, rules, regulations, agreements, prescribed practices or ethical standards. Reputational risk is the risk arising from adverse perception of the image of the Bank on the part of external and internal customers, counterparties, shareholders, investors or regulators.

Operational risk matters are discussed in the Bank's Security Committee, which is an advisory and decision-making body as regards the implementation of security measures and co-ordination between departments of the Bank. It governs policies such as Security Policy, Access Policy and Mobile Computing and Teleworking Policy. Based on these and other policies the Security Committee provides advice on work processes and physical access control, as well as access control for systems and data. The Security Committee is responsible for business continuity management and planning and the Bank's Legal Services are responsible for all legally binding documents in the Bank, including both standard and case-specific documents.

## 2 Persons responsible

The Chairman of the Board and the CEO, on behalf of the Board of Directors of the issuer, Icebank hf., named below, hereby declare that they have taken all reasonable care to ensure that such is the case the information contained in the Registration Document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, 11 April 2008,

On behalf of the Board of Directors of Icebank hf., Raudarárstígur 27, Reykjavík, ID No. 681086-1379

Geirmundur Kristinsson,

Agnar Hansson,

Chairman of the Board

CEO



### **3 Statutory auditors**

Icebank's statutory auditors at the time covered by the historical financial information in the Registration Document was KPMG endurskodun hf., ID No. 590975-0449, Borgartúni 27, Reykjavík, Iceland, and on their behalf Mr Sigurdur Jónsson, a state authorised public accountant. Icebank's statutory auditors have neither resigned nor been removed from their positions during the period covered by the historical information.

The statutory auditors have audited the Consolidated Financial Statements, and consider that the statements give a true and fair view of the financial position of Icebank hf. at December 31, 2007 and of its financial performance and its Consolidated Cash Flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

### **4 Manager**

Icebank's Legal Division prepared this Registration Document and was responsible on the Bank's behalf for the document.

Daði Bjarnason

General Counsel and Head of Legal Division

### **5 Legal and arbitration proceedings**

There have not been any governmental, legal or arbitration proceedings during the last 12 months (including pending or threatened proceedings of which Icebank is aware) which may have, or have had in the recent past, significant effects on Icebank's position or profitability.

## 6 Notice to investors

This Registration Document concerns Icebank hf. and the admittance of its financial instruments to trading on OMX ICE. The Registration Document is conducted in accordance with Icelandic law and regulations, including Act No. 108/2007 on Securities Transactions, Directive 2003/71/EC of the European Parliament and of the Council 4 November 2003 (the "Prospectus Directive") which has been implemented by national law. This Registration Document is prepared pursuant to current legislation and rules for issuers of shares on OMX ICE that apply to the admittance to trading.

OMX ICE has scrutinized and approved this Registration Document, which is published only in English. This Registration Document forms a part of a Prospectus that consists of two independent documents: a Securities Note and a Registration Document.

This Registration Document has been prepared by Icebank, Legal Division in cooperation with the Board of Directors, senior management, and auditors of Icebank.

In the Registration Document, "Icebank", "the Bank" and "the Issuer" refer to Icebank hf., and "OMX ICE" refers to the OMX Nordic Exchange Iceland hf. (OMX ICE), unless otherwise indicated by the wording or context.

Icebank is listed on OMX ICE as an issuer with the ticker symbol ICB, and complies with OMX ICE rules and Icelandic laws and regulations regarding on-going information disclosure for issuers. Investors are advised to follow the news announcements and notifications which may be made public concerning Icebank once the Registration Document has been issued.

Investors are advised to familiarize themselves thoroughly with this Registration Document. The information presented herein reflects its date of issue. Each investor must base any decision to invest in securities issued by Icebank on his own examination and analysis of the information presented in the Registration Document. Investors are advised to study their legal position, including taxation issues that may be relevant to their transactions involving such securities. Investors are urged especially to acquaint themselves well with the discussion of risk in Chapter 1 of this Registration Document.

This Registration Document and any document forming a part of the Prospectus shall not be distributed or mailed or otherwise disseminated or sent in or into any country where distribution would require additional registration measures or any measures other than those required under Icelandic law and regulations, or where they would conflict with any law or regulation.

### 6.1 Documents incorporated by reference

For the lifetime of the Registration Document, the following documents shall be deemed to be incorporated into and to form part of this Registration Document. The following documents which are cited in the Registration Document are available to investors:

- The Issuer's Articles of Association.
- The Annual Report of Icebank for the year 2005, including the audit report.
- The Annual Report of Icebank for the year 2006, including the audit report..
- The Annual Report of Icebank for the year 2007, including the audit report.

Copy of the Issuer's Articles of Association can be obtained at the Issuer's head office and on Icebank's website ([www.icebank.is](http://www.icebank.is)). Copies of the financial statements may be obtained from the Bank's website, [www.icebank.is](http://www.icebank.is).

## 6.2 Documents on display

For the lifetime of the Registration Document, the following documents are available for viewing:

- The Registration Document was made public on 11 April 2008 may be viewed on Icebank's website, [www.icebank.is](http://www.icebank.is) and at Icebank's head office at Raudarárstígur 27, Reykjavík, These documents have been scrutinized and approved by OMX ICE.
- Icebank's Articles of Association may be obtained from the Bank's website, [www.icebank.is](http://www.icebank.is).
- The Annual Reports of Icebank for the year, 2005, 2006 and 2007 can be obtained at the Issuer's head office, on Icebank's website, [www.icebank.is](http://www.icebank.is).

## 7 Information about the Issuer

### 7.1 Legal name and brief history

Legal name:	Icebank hf.
Legal form:	Public limited company.
Date of incorporation:	16 September 1986.
Country of incorporation:	Iceland.
Company registration number (ID No.):	681086-1379.
Domicile:	Raudarárstígur 27, 105 Reykjavík, Iceland.
Place of registration:	Raudarárstígur 27, 105 Reykjavík, Iceland.
Telephone number:	+354 540 4000.
Fax number:	+354 540 4001.
Web site:	<a href="http://www.icebank.is">www.icebank.is</a> .

Icebank is a commercial bank operating pursuant to Act No. 161/2002 on Financial Undertakings and Act No. 2/1995 on Public Limited Companies. The Bank is supervised by the Icelandic Financial Supervisory Authority.

Icebank was established in 1986 by the savings banks in Iceland on the basis of a special provision in Act No. 87/1985 on Savings Banks. At that time the legal name was Lánastofnun sparisjódanna hf. and it was only permitted by law to offer a limited range of services. The Bank started operations in February 1987 when the savings banks moved their clearing accounts from the Central Bank of Iceland to Icebank. A change in the legislation in 1993 allowed the Bank to become a fully fledged commercial bank. The opportunity was taken to change the Bank's legal name to Sparisjódabanki Íslands hf. In November 2006 the Board of Directors adopted a new strategic vision for the Bank and at a shareholders' meeting at the end of that month the Bank's legal name was changed to Icebank hf., the name that the Bank had used in its foreign business throughout its existence.

The original purpose of the Bank was to act as a central institution for the savings banks, providing them with a range of services. For example, in January 1990 Icebank took over all the foreign exchange services for the savings banks, which until then had been handled by one of Iceland's other commercial banks. The Bank has always had a portfolio of customers other than savings banks. Traditionally, these customers looked to the Bank for short-term or long-term credits, but the Bank has always stood ready to provide them with all kinds of wholesale and investment banking services. In 2007 a new strategy was put into action. The shareholder base was expanded to facilitate the Bank's further growth. At the present time, 43% of the Bank is owned by parties other than savings banks.

In its 22 years of operations, Icebank's balance sheet has grown from ISK 639 million at year-end 1987 to ISK 252.5 billion at year-end 2007. During the same period, the number of employees has increased from a mere handful to around 110.

## 7.2 Strategic vision

Icebank was established in 1986 by all 38 Icelandic savings banks. The Bank's main role was to function as administrator of liquidity for the savings banks, providing them with foreign exchange services, and represent the savings banks sector in interbank relations. From the start Icebank was a fully licensed commercial bank, focusing on wholesale banking. Icebank and the savings banks have benefited greatly from the close-knit cooperation.

In 2006 Icebank's owners decided to enhance the Bank's strategy so that the Bank could face challenges that lay ahead. The specific challenges that the savings banks sector was facing were the following:

- Over the past five to ten years, the financial industry in Iceland had grown tremendously and its operations had extended to other countries. This trend was led by the three big commercial banks and resulted in their improved competitiveness in the domestic market through improved bargaining power, transfer of knowledge and economies of scale. During this time, neither Icebank nor the savings banks had enjoyed the same benefits.
- Icelandic corporates had also experienced considerable growth as investors took advantage of opportunities outside Iceland. At the same time there was an increased domestic demand for more sophisticated foreign exchange and derivatives services. The three big commercial banks had been the main providers of these comprehensive services, whereas the savings banks had been lagging behind.
- The savings banks sectors have been undergoing mergers over the past years, a trend that is not likely to cease, and banks are becoming fewer and bigger. With their increased size the savings banks were better able to deal with larger customers on their own and render more comprehensive services directly. But at the same time, the growth called for Icebank to be able to support the bigger savings banks in their more sophisticated business transactions.
- To tackle the challenges outlined above the Board of Directors announced a new strategic vision for the Bank in 2006 for the period 2007 to 2011, under which Icebank was to take on a more proactive role and grow its business while still servicing the savings banks sector as before.
- The main elements of the strategic vision are the following:
  - Icebank is a commercial bank, focusing on wholesale and investment banking services to savings banks, Icelandic and foreign financial institutions and other large customers. The Bank will not compete in the retail market in Iceland.
  - Icebank operates in the areas of trade finance and foreign exchange, payment services, treasury services and funding with the aim of providing outstanding services to a select group of Icelandic and foreign customers.
  - Icebank will expand its overseas activities and set up operations abroad.
  - To facilitate growth the Bank will seek an external credit rating, the shareholder base will be expanded and the Bank's shares publicly listed.
  - The Bank will focus on achieving competitiveness and profitability through specialisation rather than offering a broad range of services to many different groups of customers.

- Additionally, the average cost/income ratio will be maintained below 40% and the average return on equity above 18% in 2007 to 2011.
- In 2007 the new strategy was put into action. The shareholder base was expanded to facilitate the Bank's further growth. At the present time, 43% of the Bank is owned by parties other than savings banks. Of this percentage 12% is owned by the Bank's senior management. In the wake of these changes, new parties joined the Bank's management, and at year-end 2007 a new CEO took over.
- In October 2007 Icebank bought Behrens Corporate Finance, which will be fully integrated into Icebank in 2008 and become a new profit centre within the Bank under the heading of Investment Banking. The new division will focus mainly on buy-side advisory for Nordic clients acquiring companies in the Baltic States and Eastern Europe. Behrens has enjoyed a good reputation and developed an extensive network in the region for which the Bank has high hopes. Behrens Corporate Finance had 12 employees in total, of which 6 were based in Iceland, 4 in Latvia and 2 in Lithuania. All twelve are now Icebank employees.
- Although the financial industry in Iceland has grown tremendously over the past years, no institution has specialised in servicing other financial institutions. Utilizing more than 20 years of experience in servicing the savings banks, Icebank broadened its customer base to offer more sophisticated services to other financial institutions and commercial banks in Iceland.
- Over the past few years Icebank has performed exceptionally well. Much of the Bank's performance and growth in the past has come from a single holding, namely Exista. The Bank divested a quarter of its holding in the company in the first quarter of 2007, and by year-end its stake was down to 2.5%. The Bank has also entered into derivative contracts which provided some hedging against unfavourable price trends. Furthermore, the Exista holding has been redefined as a trading asset, which will simplify further sales of its shares.
- In 2007 the Bank focused on strengthening its systems and processes with the objective of preparing the Bank even better for the task of carrying out its strategic vision of growth and profitability.

## 8 Activities

### 8.1 Overview of activities

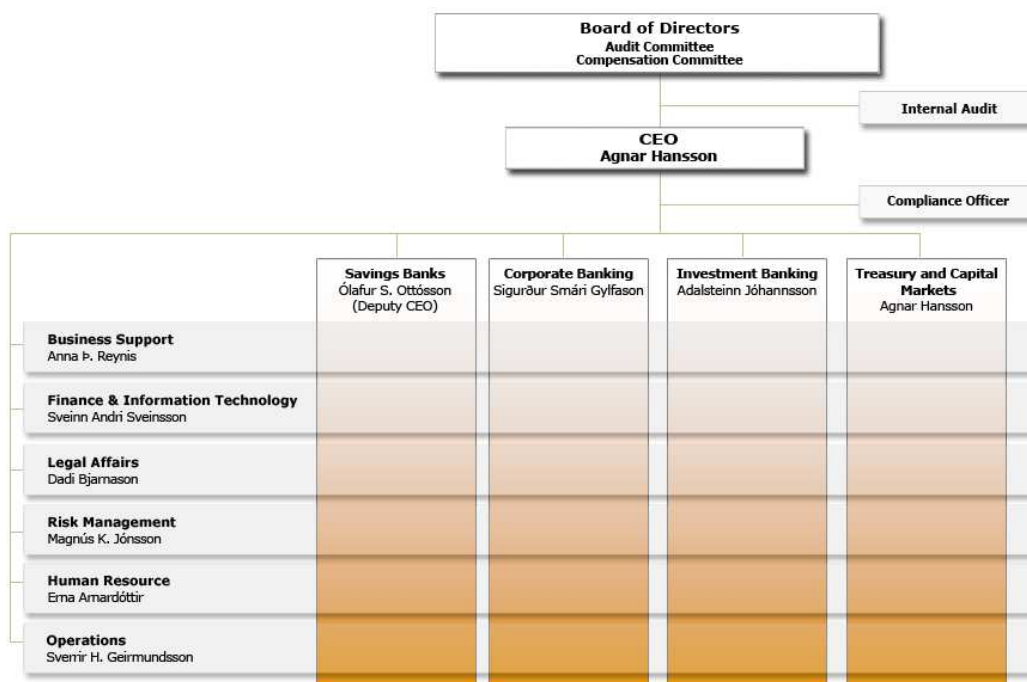
Icebank is a commercial bank, focusing on wholesale and investment banking services to savings banks, Icelandic and foreign financial institutions and other large customers. Icebank operates in the areas of trade finance and foreign exchange, payment services, treasury services and funding with the aim of providing outstanding services to a select group of Icelandic and foreign customers. The Bank achieves competitiveness and profitability through specialisation.

Icebank's customers fall into three categories: savings banks, other financial institutions and, increasingly, corporate customers. The Bank acts as a central institution for the savings banks, playing the role of a clearing bank and a treasury for most of them. Furthermore, the Bank has been the backbone of the savings banks' trade finance and foreign exchange operations. It has participated with them in larger lending projects, either by assuming all the risk itself or acting as a co-lender. Savings banks have always been able to borrow short-term or long-term from the Bank in any currency and place their liquid funds with the Bank. Finally, the Bank provides the savings banks with expertise in various areas, such as accounting, payroll services, legal services, trade finance, foreign exchange, money markets, capital markets and lending.

The central theme of Icebank's new strategic vision is that the future growth of the Bank will come mainly from servicing customers other than the savings banks. The Bank provides companies, professional investors and other large customers, both in Iceland and abroad, with a wide range of services, including long-term credits, foreign exchange and derivatives. It also supports Icelandic companies that are building up operations abroad through advice, lending and equity participation, while at the same time taking part in various types of syndicated loans and structured finance both in Iceland and abroad.

### 8.2 Organization

Icebank is organised into four profit centres and six support divisions as shown in the organisational chart next page.



### 8.3 Savings Banks Division

The Savings Banks Division is responsible for marketing the Bank's services and products to the savings banks and their customers, primarily the products offered by the Bank's Business Support division. Examples include foreign payments (SWIFT), administration of the savings banks' foreign loan portfolios, distribution and clearing of foreign cheques and notes, trade finance, import/export, letters of credit and guarantees etc. The division is also responsible for marketing all traditional and/or specialised wholesale and fx-related banking services to other financial institutions.

### 8.4 Corporate Banking

Corporate Advisory was separated from Corporate Banking early in 2008 with the adoption of a new organisation chart, where the Investment Banking Division (Corporate Advisory) was introduced following the acquisition of Behrens Corporate Finance in late 2007. The term Corporate Banking therefore replaces what used to be called Corporate Finance. The organisational change, as well as the change in name, is intended to reflect the new emphasis in the Bank's strategic vision. Corporate Banking will focus on servicing corporate clients through loans and participation in investment projects at all levels of financing.

In its lending activities one of Icebank's main tasks is to provide medium to long-term corporate credit, since the Bank does not engage in retail lending.

The activities of Corporate Banking may be split into four different categories:

- An increasingly important part of Corporate Banking's activities is structured finance, involving complicated structures of leveraged financing. Here, the Bank provides financing for corporate acquisitions in various forms, including M&As, MBOs and MBIs. This includes financing local Icelandic acquisitions as well as cross-border corporate acquisitions with partners outside Iceland.



- Corporate Banking is also responsible for the Bank's investment book in emerging markets, mainly in CIS countries. This has been an important part of the division's business in 2007. The investment book includes loan syndications, trade finance, credit-linked notes (CLNs) and bonds.
- One of the new sectors that Icebank has focused on is the real estate market, where the Bank has established partnerships with domestic and overseas companies as well as industry specialists. Senior loan participation mostly involves local real estate partners, but internationally more complicated approaches are used, including mezzanine and equity-based financing.
- The fourth and a fast growing category is investments in private equity, mostly through limited partnerships, both in Iceland and overseas. The Bank expects this activity to return good profits while at the same time serving as a source of attractive projects for Corporate Banking in terms of structured finance together with good support and fee-generating deals for the new Investment Banking division.

All lending goes through Icebank's Credit Committee, which consists of the management team and the Bank's general council. The internal auditor of the Bank conducts regular random checks of all loan agreements and, in co-operation with the external auditors, carries out regular reviews of the largest exposures. The reports of these random and regular reviews are submitted directly to the CEO and to the Board of Directors.

## 8.5 Treasury and Capital Markets

Icebank's Treasury and Capital Markets division consists of five units:

**Inter-bank trading** manages the Bank's currency exposure and liquidity. The Bank is a market maker in the ISK REIBOR market and is active in quoting spot rates and derivatives in ISK against all major currencies. The interbank desk also operates as a "central bank" for the Icelandic savings banks, providing them with clearance services in ISK and foreign currencies.

**The sales desk** is responsible for FX, money market products and derivatives sales to savings banks, corporate clients and other institutional clients.

**The derivatives** desk is responsible for hedging the Bank against unwanted risk brought on by derivative trading. It also supports other Treasury units in creating and/or investing in structured products in all asset classes. The derivatives desk is a market leader in credit-linked products denominated in ISK.

**Proprietary trading** takes positions through market making and trading in fixed-income debt products and equity positions. The most extensive fixed-income market is Bill and Notes benchmarks from the National Debt Management Agency and the Housing Financing Fund. On the equity side, the Bank regards the Nordic equity market as its main home market.

**The funding desk** is responsible for the overall funding of the Bank. The bulk of domestic funding in 2007 came from the Central Bank of Iceland in the form of savings banks' repurchase agreements, but also from corporate and institutional clients' deposits. The Bank has a commercial paper program running, with the CPs admitted to trading on the OMX ICE as well as ISK bonds, which are also admitted to trading on the OMX ICE.

Overseas funding for the Bank has mainly been conducted through the European syndication market and occasional club and bilateral loans. In May 2007 the Bank raised a syndicated loan amounting to EUR 217.5 million, its largest syndicated loan facility to date. The loan amount was EUR 117.5 million higher than the initial launch amount. The loan had a positive impact on Icebank's liquidity position, as the Bank had no need to turn to the credit market in the second half of the year when markets had tightened.

## 8.6 Investment banking

Investment Banking became a new division within Icebank as of January 2008. It is based on Behrens Corporate Finance Ltd., which was acquired in the fall of 2007 and expanded the Bank's operations beyond Iceland's borders with its offices in Riga, Latvia and Vilnius, Lithuania.

The main focus in Investment Banking is M&A advisory services to Nordic corporate clients and investors planning investments in Central and Eastern Europe, with a specific focus on the Baltic countries. In particular, Investment Banking scouts for opportunities in the Baltic Region and advises on the development of pan-Baltic strategies for its customers. Over 20 successful transactions have been concluded in the last two years, including advisory services to Penninn hf. in building up the leading office supplies company (Office Day) in the region, as well as assistance to Icelandair Group in its acquisition in 2006 of Latcharter SIA (the leading charter airline in the Baltic region), followed by the acquisition of Travel Service AS in the Czech republic in 2007 (the largest private airline in the country).

In addition, Investment Banking provides M&A advisory services to Icelandic clients in Iceland, advising on local transactions, some of which derive from the customers of the Icelandic savings banks. This service, along with M&A advisory outside Iceland, was not being offered before and therefore expands still further the Bank's revenue base, with revenues from fees and commissions becoming a larger part of the Bank's profit in the coming years.

In 2008 Investment Banking will focus on building greater access to clients in the Nordic region as well as sustaining the deal flow from the CEE countries, where growth and consolidation are forecast in the coming years with more and more Nordic investors looking eastwards; with the Baltic economies growing faster and becoming more developed than before, transactions and acquisition targets of this kind attract different types of investors looking for more developed companies.

## 8.7 Business Support Division

The Business Support division comprises six units:

**Payment Services** executes all foreign payments deriving from or destined for the Bank and all the savings banks. The unit is also responsible for registration and implementation of all new accounts, administration and reconciliation of Nostro/Vostro accounts.

**Trade Finance** caters for the execution of letters of credit, guarantees and documentary collections for the customers of all the savings banks, as well as the Bank's own corporate customers.

**Loans Administration** is responsible for the overall administration of the Banks's total loan portfolio, including collection, statement distribution and default tracing. The unit is also responsible for administration and settlements in relation to the Bank's own long-term borrowed funds.

**Settlement, Clearing and Custody** is responsible for settlement and custody of all derivatives and securities trades initiated in the Bank's Treasury and Capital Markets.

**Middle Office** is responsible for all customer agreements deriving from Treasury's Derivatives Desk and Collateral Management.

**Project Management** oversees all banking relations, including SWIFT. The unit is also responsible for finding ways to maximise the effective use of back-office software, to improve working procedures and manage temporary projects, e.g SEPA and EBA Step 2.

## 8.8 Finance and IT

The Finance division is responsible for the Bank's accounting, budgeting, preparation of financial statements and monthly financials, as well as all deviation analysis. The division is also responsible for reporting to senior management and regulatory authorities, mainly the Financial Supervisory Authority and the Central Bank.

Icebank has implemented written policies and procedures to ensure that it can, at the request of the Icelandic Financial Supervisory Authority (FME), deliver in a timely manner financial reports which reflect a true and fair view of Icebank's financial position and which comply with all accounting standards and rules applicable to the Bank (IFRS). This is in accordance with Directive 2004/39/EC on markets in financial instruments (MiFID), Article 13, paragraph 5 (cf. Commission Directive 2006/73/EC, Article 5, paragraph 4). It is the responsibility of the Managing Director of Finance to provide the relevant information promptly and in the form requested by competent regulatory bodies.

The Bank's IT division manages all information technology issues and is responsible for operating Icebank's information systems in cooperation with Teris, the savings banks' data centre.

## 8.9 Legal Division

The Legal Division provides legal advice and services to the Bank's Board of Directors as well as to the Bank's other divisions. The Legal Division also ensures that the Bank complies in all its activities with current laws and regulations. It also gives advice regarding the Bank's internal rules which are based on law, government regulations and the guidelines of the Financial Supervisory Authority. Furthermore, the Legal Division cooperates with public authorities in their efforts to prevent money laundering and terrorist financing as well as representing the Bank's interests before the courts of law and public authorities.

## 8.10 Human Resources

The role of Human Resources division is to ensure the necessary services, processes and policies are in place to enable the bank to recruit and retain the best talents available. Furthermore the role is to enable the employees to perform at their best, be safe and satisfied with their work and be developed accordingly to the requirements of the customers and fast changing markets. Human Resources also ensure that employees work in an environment which is in accordance with the banks values and best Human Resources practices.

Human Resources is responsible for the leadership of the human resources function. This includes responsibility for human resources systems, policy and practice across the bank.

Human Resources has a number of areas of focus including:

Employee Relations; Recruiting, retaining, communication

Employee Wellbeing; Equal opportunities, safety and healthy issues, fair management and employee development

Executive Services; Leadership and management development, coaching and expert advise

Planning and Performance; Compensation and benefits, performance management

Organisational Capability; Business partner, organisational change, implementing strategies and values

Systems and Human Resources processes development; Human Resources statistics

Human Resources manages a number of organisational projects across the bank in the above areas, in collaboration with various task force or enablers. The focus of the Human Resources manager is to be a strategic business partner and provide coaching and expert advice and support to managers and employees.

## 9 Principal markets

Icebank has leveraged on its 20 years of servicing the savings banks and is increasingly offering its services to other financial institutions in Iceland. Icebank provides comprehensive treasury services to financial institutions, such as clearing, money markets and foreign exchange operations. The Bank also provides treasury services to the big commercial banks, and in the market environment of the latter half of 2007 Icebank became a vehicle of liquidity for the economy through the Central Bank of Iceland. Icebank is therefore strengthening its role as a bank for other banks and financial institutions. The biggest growth area brought on by this emergent strategy has been in the domestic money market, where Icebank has become an important provider of liquidity through the repo market. Icebank has taken on a key role as an independent intermediary between different financial institutions, asset management companies, institutional investors, commercial banks and the Central Bank of Iceland. In short, Icebank has bought repo-eligible bonds and bills issued by the commercial banks from the issuers and provided liquidity by reposing these with the Central Bank. At the same time, Icebank has hedged out excess risk by buying suitable protection (TRS, CDS, guarantees, etc.) from institutional investors.

Icebank is also increasingly becoming a bank for small and medium-sized enterprises. The increased emphasis on SMEs can be seen from the fact that a new division has been added to provide services designed specifically for SMEs. Among the services provided are mergers and acquisition advisory by the Investment Banking division and specialised lending by the Corporate Banking division, both through the savings banks and directly with the Bank's customers.

Lending is the traditional mainstay of Icebank's operations. The Bank conducts its own credit rating of all customers, both for the savings banks themselves and other corporate clients. In general, savings banks are rated based on the size of their total assets and their financial soundness. Other corporate clients' ratings are based on their earnings, earning potential, ability to provide collateral and financial soundness in general.

## 10 Financial highlights

Icebank's complete audited annual accounts and audited half-yearly accounts are published on the Bank's website and OMX ICE's website. The Annual Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards.

**Table 1** Use of funds

<i>Use of funds</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
<b>Cash and balances with central banks</b>	4,424	7,293	10,387
<b>Loans to credit institutions</b>	48,888	30,270	24,601
<b>Loans to customers</b>	48,310	31,250	20,955
<b>Trading assets</b>	136,355	8,870	5,124
<b>Financial assets designated at fair value</b>	11,720	8,787	4,201
<b>Investments in associates</b>	1,252	18	25
<b>Property and equipment</b>	501	437	374
<b>Intangible assets</b>	1,062		
<b>Total assets</b>	<u>252,512</u>	<u>86,925</u>	<u>65,667</u>
<b>Figures are in ISK millions</b>			

Total assets grew from ISK 86.9 billion at year-end 2006 to 252.5 billion at year-end 2007. This represents an increase of 190%. The growth is entirely organic and is a result of increased lending, interbank trading with other financial institutions and repo transactions with the Central Bank designed to provide liquidity to the domestic market. Exposure to structured credit obligations (such as CDOs, SIVs and CLOs) is within 3% of total assets. These assets are not related to sub-prime loans.

The Bank's lending to corporate customers grew from ISK 21 billion at year-end 2005 to ISK 48.3 billion in 2007. This growth is due to, on the one hand, to increased overseas lending in the corporate banking division and, on the other hand, to growing money market activity in the domestic market from the treasury side.

**Table 2 Funding and sources of funds**

<i>Funding and sources of funds</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
<b>Deposits from credit institutions and the Central Bank</b>	117,388	12,705	13,675
<b>Other deposits</b>	10,955	4,131	4,165
<b>Borrowings</b>	104,753	53,258	39,828
<b>Subordinated loans</b>	2,410	2,430	1,126
<b>Trading liabilities</b>	841	7	17,3
<b>Current tax liabilities</b>	233	88	0
<b>Deferred tax liabilities</b>	1,877	2,006	916
<b>Other liabilities</b>	693	293	204
<b>Total liabilities</b>	239,151	74,919	59,932
<b>Equity</b>	13,361	12,007	5,735
<b>Total liabilities and equity</b>	252,512	86,925	65,667

The bulk of domestic funding in 2007 came from the Central Bank of Iceland in the form of savings banks' repurchase agreements (repo), but also from corporate and institutional clients' deposits. Overseas funding for the bank has mainly been conducted through the European syndication market and occasional club and bilateral loans.

In May 2007 the Bank raised a syndicated loan amounting to EUR 217.5 million, its largest syndicated loan facility to date. The loan amount was EUR 117.5 million higher than the initial launch amount. The loan had a very positive impact on Icebank's liquidity position, as the Bank had no need to turn to the credit market in the latter half of the year when markets tightened.

In 2007 Icebank's after-tax profit was ISK 1,616 million and return on equity after taxes was 13.5%. Net interest income was up 87% to ISK 2,341 million and was substantially higher than operating expenses. The total interest rate margin has remained at similar levels the past years, it was at 1,6% in 2007, compared to 1,8% in 2006 and 1,6% in 2005.

**Table 3** Operational results

<i>Operational results</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
<b>Interest income</b>	14,586	5,235	3,344
<b>Interest expense</b>	12,244	3,981	2,521
<b>Net interest income</b>	2,341	1,254	823
<b>Net fee and commission income</b>	107	136	119
<b>Other net operating income</b>	890	6,430	2,831
<b>Net operating income</b>	3,338	7,820	3,773
<b>Salaries and other operating expenses</b>	-1,436	-996	-708
<b>Impairment</b>	-182	15	-142
<b>Profit before income tax</b>	1,720	6,840	2,923
<b>Income tax expense</b>	-104	-1,178	-542
<b>Profit for the year</b>	1,616	5,662	2,381
<b>Figures are in ISK millions</b>			

Icebank was not immune to the turmoil in stock markets, being a shareholder in Exista. The Bank divested one-fourth of its holding in the company in the first quarter of 2007, at year-end its stake was down to 2.5%. The Bank owned 4.6% of the shares when the company was listed on the Iceland Stock Exchange in September 2006. The listing led to a considerable increase in value of the company. The Bank sold a quarter of its shares in Exista in December 2006, thereby realizing some of the booked profits. The Bank has entered into derivative contracts which provide hedging positions against unfavourable price development.

At year-end 2007 the equity ratio (CAD) was 11.1%, compared to 17.0% at year-end 2006. The Tier 1 ratio amounted to 14.0% in 2007 compared to 12.1% in 2006. The Bank's equity was 5.3% of total assets or ISK 13,361 million at the end of 2007. The capital stock at that date amounted to ISK 1,127 million.

**Table 4** Key Figures and Ratios

<i>Key Figures and Ratios</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
<b>Total balance</b>	252,812	86,925	65,667
<b>Subordinated debt</b>	2,410	2,430	1,126
<b>Total equity</b>	13,361	12,007	5,688
<b>Share capital</b>	1,127	691	609
<b>Figures are in ISK millions</b>			
<b>Cost-income ratio after impairment</b>	48.5%	12.8%	18.8%
<b>Capital adequacy ratio</b>	11.1%	17.0%	12.5%
<b>Capital adequacy ratio, Tier 1</b>	14.0%	12.1%	8.80%
<b>Average number of full time employees</b>	87	67	56

Net cash used in operating activities was -53.121 million in 2007 as compared to 13.486 million in 2006 and -8.643 in 2005.

Cash used in investing activities was ISK -961 million 2007 as compared to -25 million in 2006 and -42 in 2005.



Net cash provided by financing activities was 51.213 million in 2007 as compared to 15.344 million in 2006 and 13.840 in 2005.

**Table 5 Consolidated Statement of Cash Flows**

<i>Consolidated Statement of Cash Flows</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
<b>Operating activities:</b>			
<b>Profit for the year</b>	1.616	5.662	2.381
<b>Adjustments for:</b>			
<b>Impairment on loans and advances</b>	182	-15	142
<b>Depreciation of property and equipment</b>	12	12	47
<b>Net interest income</b>	-2.341	-1.254	-823
<b>Income tax expense</b>	104	1.178	542
	-428	5.583	2.289
<b>Loans and advances, changes</b>	-35.859	15.950	-16.299
<b>Trading assets, changes</b>	-133.354	-3.746	1.000
<b>Financial assets designated at fair value, changes</b>	1.707	-4.586	2.014
<b>Other assets, changes</b>	-74	-50	-45
<b>Deposits from credit institutions and the Central Bank</b>	104.683	-970	1.696
<b>Other deposits</b>	8.078	57	13
<b>Trading liabilities, changes</b>	834	-10	4
<b>Other liabilities, changes</b>	291	96	0
	-54.121	12.324	-9.328
<b>Interest received</b>	13.077	5.028	3.189
<b>Interest paid</b>	-11.990	-3.865	-2.504
<b>Income tax paid</b>	-88	0	0
<b>Net cash used in operating activities</b>	-53.121	13.486	-8.643
<b>Investing activities.</b>			
<b>Purchase of property and equipment</b>	-1	-25	0
<b>Payments for acquisition of subsidiary (less cash acquired)</b>	-960	0	-42
<b>Cash used in investing activities</b>	-961	-25	-42
<b>Financing activities:</b>			
<b>Borrowings, change</b>	51.495	13.430	12.685
<b>Subordinated loans</b>	-21	1.304	1.126
<b>Purchased and sold treasury shares</b>	-262	610	29
<b>Cash from financing activities</b>	51.213	15.344	13.840
<b>Decrease in cash and cash equivalents</b>	-2.869	-3.094	5.178
<b>Cash and cash equivalents at beginning of the year</b>	7.293	10.387	5.209
<b>Cash and cash equivalents at year-end</b>	4.424	7.293	10.387
<b>Figures are in ISK millions</b>			

The CEO and the Deputy CEO on behalf of the Issuer hereby declare that no significant change in the financial or trading position of the Issuer has occurred since the release of the financial statement of Icebank for the year 2007. Icebank recently sold a 1,03% stake in Exista thus bringing it's total stake down to 1,44,%. Icebank's remaining stake in Exista has, however, continued to impair during the three first months of 2008 with the price per share decreasing in value from 19,80 per share by year-end 2007 to 11,28 by 27.03.2008 or some 43%. Although Icebank's EUR 217.5 million syndicated loan in May 2007 had a very positive impact on the Bank's liquidity position, the currently prevailing liquidity squeeze in the financial markets has had a negative impact.

Apart from the above mentioned there has been no material adverse change in the prospects of the issuer since the date of its last published audited financial statements.

## 10.1 Lending activity

The lending activity of Icebank consists of loans to credit institutions and to corporate customers. Loans to credit institutions accounted for 19.4% of total assets at year-end 2007 and loans to corporate customers accounted for 19.1% of total assets.

The service sector accounts for a total of 77% of loans to customers. The breakdown by activities follows ISAT95, which is the Icelandic equivalent to NACE rev.1 classification, down to 5 digit level. The distribution by industry is shown in table 2.

**Table 6** Loans to customers itemized by sector

<i>Loans to customers itemized by sector</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
<b>Municipalities</b>	0.0%	0.1%	0.3%
<b>Business enterprises</b>			
<b>Agriculture and fishing</b>	2.6%	6.4%	9.8%
<b>Industry</b>	14.1%	21.1%	15.4%
<b>Service and commerce</b>	77.0%	56.4%	48.9%
<b>Others</b>	6.3%	16.0%	25.2%

The service sector has been growing in the Bank's portfolio over the past years. This has been achieved mostly through participation in syndicated loans in Iceland and abroad with other Icelandic banks and a select group of close banking partners in Europe.

**Table 7** Loan maturity – credit institutions

<i>Loan maturity – credit institutions</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
<b>Required deposits with the Central Bank</b>	402	95	145
<b>Up to 3 months</b>	21,148	9,268	7,488
<b>Over 3 months up to 1 year</b>	13,020	9,471	6,384
<b>Over 1 year up to 5 years</b>	11,553	8,070	7,686
<b>Over 5 years</b>	3,167	3,462	3,042
<b>Total Loans</b>	48,888	30,270	24,601
<b>Figures are in ISK millions</b>			

The Bank believes there is further room for growth in this sector, especially in cross-border and overseas projects. However, the Bank will proceed with caution in its expansion and exercise great care in the selection of partners and projects. Icebank's special status as a service bank to the savings banks does not permit it to lend to the general public, i.e. to private individuals.

All lending goes through Icebank's Credit Committee, which consists of the management team and the Bank's general council. The internal auditor of the Bank conducts regular random checks of all loan agreements and, in co-operation with the external auditors, carries out regular reviews of the largest exposures. The reports of these random and regular reviews are submitted directly to the CEO and to the Board of Directors.

**Table 8** Loan maturity– Customers

<i>Loan maturity– Customers</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
<b>On demand</b>	0,014	0,077	0,040
<b>Up to 3 months</b>	16,326	7,097	5,591
<b>Over 3 months up to 1 year</b>	8,123	2,862	2,653
<b>Over 1 year up to 5 years</b>	19,811	16,171	8,933
<b>Over 5 years</b>	4,036	5,044	3,736
<b>Total Loans</b>	48,310	31,250	20,955
<b>Figures are in ISK millions</b>			

In the evaluation of the non-performing loans, Icebank follows rules laid down by the Financial Supervisory Authority of Iceland (FSA). In 2002, the regulatory criteria for classifying non-performing loans were tightened from 180 days to 90 days overdue, although, at their discretion, banks were permitted to set an earlier date.

It is Icebank's policy to make immediate provisions whenever there is a risk of loss on an account. On a monthly basis the Bank reviews its provisioning requirements. Non-performing loans and their provision cover are as follows:

**Table 9** Coverage for non-performing assets

<i>Coverage for non-performing assets</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
<b>Total non-performing loans</b>	207.8	445	517
<b>Percentage of customer loans</b>	0.4%	1.4%	2.5%
<b>Total provisions</b>	540	409	501
<b>Provision ratio of non-performing loans</b>	259.9%	91.9%	96.9%
<b>Percentage of loans and guarantees</b>	1.1%	1.3%	2.2%
<b>Actual losses during the year</b>	9	77	169
<b>Figures are in ISK millions</b>			

The total provisions made in 2007 are 540 million and represent 1.1% of total loans to customers, this is due to a significant increase in customer lending. The provision coverage for non-performing loans is strong, or 259.9% in 2007 write-offs were only 9 million.

# 11 Governance

## 11.1 Board of Directors

The following members were elected to the Board of Directors at Icebank's last Annual General Meeting on 7 March 2008.

***Geirmundur Kristinsson, Chairman of the Board***  
***CEO of Keflavík Savings Bank, Tjarnargatu 12-14, 230 Reykjanesbær***

Born in 1944. Graduated from a commercial college in 1963. Worked for an oil and petroleum importer and distributor 1963-1965. Joined the Keflavík Savings Bank in 1965, first as the Head of Administration, later as Deputy CEO, and finally as CEO from 1993. First elected to Icebank's Board of Directors in 1998 and has served as Chairman since 2001.

***Steinthór Jónsson***  
***Hotel Director of Hotel Keflavík, Vatnsnesvegur 12-14, 230 Reykjanesbær***

Born 1963. Graduated from a comprehensive college in 1982. CEO of a radiator factory from 1983. One of two founders of Hotel Keflavík 1986 and Hotel Director from that time. First Alternate Member for the Independence Party of Reykjanesbaer City Council as well as Vice-Chairman of the City's Marketing and Employment Committee. Chairman of the Icelandic Chapter of the international environmental project Local Agenda 21 2002-2003. A Member of Reykjanesbaer City Council and the Council's Executive Committee since 2002, while at the same time serving as Chairman of the City's Environmental and Planning Committee. Chairman of the Association of Local Authorities on the Reykjanes Peninsula 2006-2007. Pioneer of Reykjanesbaer's Night of Lights festival and Chairman from the beginning. Alternate Member of the Board of Directors of Keflavík Savings Bank (SpKef) 2002-2007. First elected to Icebank's Board of Directors in 2007.

***Fridrik Fridriksson, Vice-Chairman of the Board***  
***CEO of Svarfdaelir Savings Bank, Rádhúsid, 620 Dalvík***

Born in 1949. Commercial college graduate. CEO of Svarfdaelir Savings Bank in North Iceland since 1985. First elected to Icebank's Board of Directors in 1995.

***Gísli Kjartansson***  
***CEO of Mýrarsýsla Savings Bank, Digranesgötu 2, 310 Borgarnes***

Born 1944. Cand. Juris from University of Iceland 1971. Licensed as a district court attorney 1980 and licensed as a real estate agent 1984. Deputy District Commissioner in Borgarnes 1971-1984. Private legal practice and real estate agency 1984-1999. CEO of Mýrarsýsla Savings Bank (SPM) from 1999. Member and Alternate Member of the Board of Directors of numerous companies, including Kaupthing Bank, VBS Investment Bank, Ólafsfjörður Savings Bank, Siglufjörður Savings Bank and Skagafjörður Savings Bank. Member of the Board of Directors of the Icelandic Savings Banks' Association from 1999 and Chairman from 2006. Member of the Borgarnes Local District Council 1982-2000 and Chairman 1982-1986. Chairman of the Election Board of the Vesturland Electoral District 1987-2003. First elected to Icebank's Board of Directors as an Alternate Member in 2002 and a full Member in 2007.

***Karl Axelsson******Supreme Court Attorney, LEX, Sundagardar 2, 104 Reykjavík***

Born in 1962. Licensed as a Supreme Court Attorney. He completed his law degree at the University of Iceland in October 1990. Since completing his law degree, he has worked as an attorney and managing director, as well as operating his own law firm. Currently he is one of the owners of Lex Law Offices, where he is also Chairman of the Board. Karl was an instructor at the University of Iceland Faculty Of Law from 1992 until 1995, adjunct faculty member from 1995, lecturer from 2002 and associate professor since 2007. He has participated in a number of appointed committees as chairman, vice-chairman, Court appointed assessor, and land division expert, as well as being a member of the Board of several corporations. He is a member of the Board of Atorka Group, Ranarborg ehf., Mavur ehf. and Bjorgun ehf.

None of the principal activities or duties of the board members of Icebank performed to the issuing entity or other duties are considered to give rise to conflicts of interest.

## **11.2 Senior management**

***The senior management consists of the following:***

***Agnar Hansson, CEO***

Born in 1965. Graduated with a Cand. Scient. Oecon. degree from the University of Aarhus in Denmark in 1994. Taught part-time courses in finance and economics at the University of Iceland 1995-1999. Worked in Íslandsbanki 1993-1997, first as a securities trader and later as head of the economic and market research unit of that bank (first such unit in an Icelandic bank). Served as one of the first employees of FBA Bank, which was established in 1997 through the merger of four state-owned funds and which later merged with Íslandsbanki. At FBA he built up the Treasury and Capital Markets Division. In 1999 he became the first Dean of the School of Business at the newly established Reykjavík University. Joined Kaupthing Bank in 2004, where he worked as a project manager in the CEO's office, concentrating on projects in the areas of treasury and capital markets. Joined Icebank in March 2006 as Managing Director of Treasury and Capital Markets and became CEO of Icebank in December 2007.

***Ólafur Ottósson, Deputy CEO and Managing Director, Savings Banks***

Born in 1943. Graduated from a commercial college in 1962. He worked for the co-operative movement 1962-1973, first in the manufacturing division and from 1964 in the Co-operative Bank. During 1974-1977 he lived and worked in Kenya on a Nordic development project. He then joined a wool manufacturer in Iceland and served as Head of Personnel and Marketing Director 1977-1983. Worked as Head of Administration at the Agricultural Bank of Iceland (now part of Kaupthing Bank) 1983-1984. This was followed by another stint in Kenya 1984-1985 on a Nordic development project. Ólafur served as a Deputy General Manager in the People's Bank 1985-1989 (that bank later merged with three other banks to form Íslandsbanki). He joined Icebank in 1990 as General Manager of the International Division and Deputy CEO.

***Adalsteinn Jóhannsson, Managing Director, Investment Banking***

Born in 1978. Graduated in business administration from the University of Reykjavik in 2001. Adalsteinn was employed with the Bunadarbanki Islands Corporate Finance and Investment divisions from 1999 until 2001 where he led the bank's investments in the information technology sector. He served as investment manager of the Icelandic Software Fund until 2003. Adalsteinn was one of the two founders of Behrens Corporate Finance. Icebank acquired the company at year-end 2007. Adalsteinn has served on the boards of directors of numerous companies and been engaged in the establishment and restructuring of companies in the investment, real estate development and information technology sectors. Adalsteinn joined Icebank in January 2008 as Managing Director of Investment Banking.

***Anna Reynis, Managing Director, Business Support***

Born in 1965. Graduated with a degree in Business Administration from the University of Iceland in 1995. From 1995 to 1999 Anna was CFO at Teymi – Oracle software in Iceland and in 1999 she worked as a consultant at KPMG Consultancy. From 1999 to 2003 she headed fund accounting at Landsbréf (securities brokerage) and in 2003 she joined Landsbanki Íslands as a department manager in the custody, clearing and settlement division. Anna joined Icebank in March 2007 as Deputy Managing Director of Business Support and became Managing Director in October 2007.

***Dadi Bjarnason, General Counsel and Head of Legal Division***

Born in 1974. Graduated with a Candidatus Juris degree from the University of Iceland in 1999. Dadi was a legal counsel for the Icelandic Securities Depository from May 1999 until June 2002 and he passed the Icelandic Bar Exam in May 2001. Dadi started working with Icebank hf. in July 2002 as a legal adviser. In 2005 he received his LL.M. Masters of Law degree in Banking and Corporate Law at King's College London. He returned to Icebank in October 2006 as General Counsel and Head of Legal Department.

***Sigurður Smári Gylfason, Managing Director, Corporate Banking***

Born in 1964. Graduated in Business Administration from the University of Iceland in 1988 and was granted a licence as a securities broker in 1998. Sigurður taught at the Commercial College of Iceland in 1989-1990 and was CFO of Íslenska stálfélagid (the Iceland Steel Corporation) in 1990-1992. In 1992-1993 he taught courses in finance at the University of Bifröst until he was appointed head of investments at the Eignarhaldsfélagid Althýdubankinn hf. holding company, where he was involved in the development of that company and its eventual listing in the Iceland Stock Exchange in 1993-1997. Sigurður was one of the founders of the Iceland Software Fund hf. and served variously as Chairman of the Board or CEO in 1997-2003. The Iceland Software Fund was one of the largest venture capital investors in technology and software enterprises during these years and was listed on the Iceland Stock Exchange in 2000. Sigurður was one of the two founders of Behrens Corporate Finance and CEO of that company from 2003 to 2007; Icebank acquired the company at year-end 2007. Sigurður has served on the boards of directors of numerous companies in the course of his career.

***Sveinn Andri Sveinsson, Managing Director, Finance & IT***

Born in 1964. Graduated with a Cand. Oecon. degree from the University of Iceland in 1988. Sveinn Andri was CFO at Northern Lights Communications (NLC) and its predecessor, the Icelandic Broadcasting Corporation, from 1996. Before that he was an accountant with KPMG, worked for Connecticut Bank and Trust in Hartford, Connecticut, and was a teacher at the Commercial College of Iceland. From 2002 Sveinn Andri was CFO at EJS, a hardware, service and software reseller and distributor. Part of that time he also served as CEO at EJS Group. Sveinn Andri Sveinsson has been the CEO of Hands Holding since 1 December 2006 until he joined Icebank in January 2008 as Managing Director of Finance & IT.

None of the principal activities or duties of the senior management team of Icebank performed to the issuing entity or other duties are considered to give rise to conflicts of interest.

## 12 Ownership

On the date of this report, Icebank is owned by 18 savings banks in Iceland, 9 other investors and the senior management of the bank, bringing the number of shareholders to 33.

### Savings banks:

Keflavík Savings Bank (SpKef)	20.4%
Mýrarsýsla Savings Bank (SPM)	8.7%
BYR	6.4%
Vestmannaeyjar Savings Bank (SpVey)	5.3%
SPRON	5.2%
13 other savings banks	12.1%
<b>Total savings banks:</b>	<b>58.1%</b>

### Other shareholders:

Bergid ehf.	9.5%
SM1 ehf.	9.5%
Icebank's senior management and 8 other investors	22.9%
<b>Total other shareholders:</b>	<b>41.9%</b>

The following ownership links exist between the largest shareholders in Icebank:

- SpKef owns 14% in Sudurnesjamenn ehf. which wholly owns SM1 ehf.
- SpKef owns 1% in SPRON through Vikur, a wholly owned subsidiary.
- BYR owns 1.4% in SpKef.
- SPRON owns 3.4% in SpKef.
- Sudurnesjamenn owns 1.8% in SpKef