

Glitnir banki hf.

**Income statement and balance sheet
Year Ended 31 December 2007
ISK**

Glitnir banki hf.
Kirkjusandur
155 Reykjavík

Reg. no. 550500-3530

Independent Auditors' Report

To Board of Directors of Glitnir banki hf. in their capacity of acting on behalf of the shareholders

We have audited the accompanying consolidated balance sheet as of 31 December 2007 and the consolidated income statement for the year then ended of Glitnir banki hf and its subsidiaries (the Group).

Management's responsibility for the balance sheet and income statement

Management is responsible for the preparation and fair presentation of these consolidated balance sheet and income statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the balance sheet and income statement that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated balance sheet and income statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the balance sheet and income statement are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the balance sheet and income statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the balance sheet and income statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the balance sheet and income statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the balance sheet and income statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated balance sheet and income statement of the Group as of 31 December 2007, are prepared, in all material respect in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 29 January 2008

PricewaterhouseCoopers hf

Kristinn F. Kristinsson
Sigrún Guðmundsdóttir

Consolidated Income Statement for the year 2007

	2007	2006
Interest income	187,576	119,115
Interest expense ..... (	148,494)	(82,031)
Net interest income	39,082	37,084
Fee and commission income	44,059	30,307
Fee and commission expense ..... (	6,415)	(3,848)
Net fee and commission income	37,644	26,459
Net financial income	4,155	8,503
Other net operating income	4,214	555
Net operating income	85,095	72,601
Administrative expenses ..... (	48,144)	(27,301)
Net impairment losses on financial assets ..... (	5,516)	(4,759)
Net gains on non-current assets classified as held for sale	2,523	4,244
Share of (loss) profit of associates ..... (	54)	(1,470)
Profit before income tax	33,904	46,255
Income tax ..... (	6,253)	(8,024)
Profit for the year	27,651	38,231
Attributable to:		
Equity holders of Glitnir banki hf.	26,680	37,360
Minority interest	971	871
Profit for the year	27,651	38,231
Basic earnings per share	1.86	2.68
Diluted earnings per share	1.85	2.66

Consolidated Balance Sheet as at 31 December 2007

	31.12.2007	31.12.2006
Assets		
Cash and balances with central banks	55,500	20,417
Derivatives	118,706	72,603
Bonds and debt instruments	278,960	231,675
Shares and equity instruments	105,581	108,846
Loans to banks	278,469	177,010
Loans to customers	1,974,907	1,596,184
Investments in associates	2,820	4,379
Investment property	5,539	0
Property and equipment	4,202	3,296
Intangible assets	46,955	18,310
Deferred tax assets	1,269	264
Non-current assets held for sale	476	409
Other assets	75,526	12,947
Total Assets	2,948,910	2,246,340
Liabilities		
Short positions	15,023	4,877
Derivatives	77,497	60,721
Deposits from central banks	4,653	36,045
Deposits from banks	50,524	42,532
Deposits from customers	725,349	438,272
Debt issued and other borrowed funds	1,746,199	1,377,787
Subordinated loans	101,669	108,998
Post-employment obligations	425	529
Current tax liabilities	4,362	7,526
Deferred tax liabilities	5,641	3,121
Other liabilities	47,599	19,813
Total Liabilities	2,778,941	2,100,221
Equity		
Share capital	14,730	14,161
Share premium	58,329	51,847
Other reserves	9,456	7,504
Retained earnings	86,686	71,066
Total equity attributable to the equity holders of Glitnir bank hf.	169,201	144,578
Minority interest	768	1,541
Total Equity	169,969	146,119
Total Liabilities and Equity	2,948,910	2,246,340