



**Condensed Consolidated Interim Financial Statements  
1 January - 30 September 2007**

**ISK**

Sparisjodur Reykjavíkur og nágrennis hf.  
Armula 13a  
108 Reykjavík  
Iceland

Reg. no. 540502-2770

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# Endorsement and Signatures of the Board of Directors and the Managing Director

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The Condensed Consolidated Interim Financial Statements of Sparisjóður Reykjavíkur og nágrennis hf. (SPRON) for the nine months ended 30 September 2007, have been prepared in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34). The Consolidated Interim Financial Statements includes the Interim Financial Statements of SPRON hf. and its subsidiaries, together referred to as SPRON.

On 19 September, The Financial Supervisory Authority in Iceland agreed that Sparisjóður Reykjavíkur og nágrennis has complied with all legal conditions to change the form of the company to limited liability company (hf.) effective from 1 April. When business combination arise from transfers of interests in entities that are under common control assets and liabilities acquired are recognised at the carrying amounts recognised in the latest consolidated financial statements. That applies also to comparative amounts.

Net earnings, according to the Income Statement, amounted to ISK 9,279 million for the period from 1 January to 30 September 2007. Total Equity, according to the Balance Sheet, amounted to ISK 35,105 million at the end of the period, including share capital amounting to ISK 5,000 million. The capital adequacy ratio of SPRON, calculated according to the Act on Financial Undertakings, was 11.6%. This ratio may not be lower than 8.0%.

The Board of Directors and the Managing Director of SPRON hf. hereby confirm the Interim Financial Statements for the period from 1 January to 30 September 2007.

Reykjavik, 7 November 2007.

## Board of Directors

Hildur Petersen  
Chairman

Erlendur Hjaltason

Ari Bergmann Einarsson

Gunnar Þór Gíslason

Ásgeir Baldurs

## Managing Director

Guðmundur Hauksson

# Independent Auditors' Review Report

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To the Board of Directors of Sparisjóður Reykjavíkur og nágrennis hf.

## Introduction

We have reviewed the accompanying Condensed Consolidated Balance Sheet of SPRON as of September 30, 2007 and the related Condensed Consolidated Statement of Income, Changes in Equity and Cash Flows for the nine 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 indicate applicable financial reporting framework. 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 September 30, 2007, and of its financial performance and its cash flows for the nine month period then ended in accordance with IAS 34, Interim Financial Reporting.

Reykjavik, 7 november 2007.

**KPMG hf.**

Sigurður Jónsson

# Consolidated Interim Income Statement

## for the Period from 1 January to 30 September 2007

	Notes	2007 1.7.-30.9.	2006 1.7.-30.9.	2007 1.1.-30.9.	2006 1.1.-30.9.
Interest income .....		5.008.887	3.793.685	15.217.134	11.468.518
Interest expense .....		<u>(4.262.696)</u>	<u>(3.210.122)</u>	<u>(13.371.484)</u>	<u>(9.228.182)</u>
<b>Net interest income.....</b>		<u>746.191</u>	<u>583.563</u>	<u>1.845.650</u>	<u>2.240.336</u>
Fee and commission income .....		476.984	314.905	1.338.881	958.787
Fee and commission expense .....		<u>(116.731)</u>	<u>(100.383)</u>	<u>(436.652)</u>	<u>(248.551)</u>
<b>Net fee and commission income.....</b>		<u>360.253</u>	<u>214.522</u>	<u>902.229</u>	<u>710.236</u>
Net gains on fin. assets and fin. liabilities .....	4-7	205.002	7.681.393	10.142.506	10.041.286
Share of profit of associates .....		(1.099.664)	1.108.008	2.152.272	1.516.179
Other operating income .....	8	<u>111.911</u>	<u>73.958</u>	<u>255.011</u>	<u>284.087</u>
<b>Operating income .....</b>		<u>(782.751)</u>	<u>8.863.359</u>	<u>12.549.789</u>	<u>11.841.552</u>
<b>Net Operating income.....</b>		323.693	9.661.444	15.297.668	14.792.124
Salaries and related expenses .....		(592.468)	(397.326)	(1.810.369)	(1.280.722)
Administrative expenses .....		(658.331)	(429.582)	(1.892.341)	(1.295.965)
Depreciation .....		<u>(47.608)</u>	<u>(24.698)</u>	<u>(118.067)</u>	<u>(69.078)</u>
<b>Operating cost .....</b>		<u>(1.298.407)</u>	<u>(851.606)</u>	<u>(3.820.777)</u>	<u>(2.645.765)</u>
Impairment losses on loans and advances .....	14	<u>(74.661)</u>	<u>(95.546)</u>	<u>(359.168)</u>	<u>(329.236)</u>
<b>(Loss) profit before income tax.....</b>		(1.049.375)	8.714.292	11.117.723	11.817.123
Income tax .....		<u>199.752</u>	<u>(1.567.689)</u>	<u>(1.838.516)</u>	<u>(2.043.455)</u>
<b>Net (loss) profit.....</b>		<u><u>(849.623)</u></u>	<u><u>7.146.603</u></u>	<u><u>9.279.207</u></u>	<u><u>9.773.668</u></u>
<b>Attributable to:</b>					
Shareholders of SPRON hf. ....		(849.915)	7.145.940	9.278.752	9.771.544
Minority interest .....		<u>292</u>	<u>663</u>	<u>455</u>	<u>2.124</u>
		<u><u>(849.623)</u></u>	<u><u>7.146.603</u></u>	<u><u>9.279.207</u></u>	<u><u>9.773.668</u></u>
<b>Basic and diluted (loss) earnings per share.....</b>		(0,17)		1,86	

# Consolidated Interim Balance Sheet

## as at 30 September 2007

	Notes	30.9.2007	31.12.2006
<b>Assets</b>			
Cash and cash balances with the Central Bank .....		3.610.789	2.431.770
Loans to credit institutions .....	9-10	5.349.007	7.222.687
Loans to customers .....	11-15	148.583.203	128.295.508
Trading financial assets .....	16,29	29.275.780	20.313.026
Financial assets designated at fair value through profit and loss .....	17	15.130.516	16.748.891
Investment in associates .....		11.895.762	4.580.324
Intangible assets .....	18	1.775.198	1.675.490
Property and equipment .....		1.496.088	992.188
Non-current assets and disposal groups held for sale .....	19	434.153	104.892
Other assets .....	20	1.637.390	2.135.768
<b>Total Assets</b>		<u>219.187.886</u>	<u>184.500.544</u>
<b>Liabilities</b>			
Deposits from credit institutions and the Central Bank .....	21	5.688.445	11.523.899
Other deposits .....	22	74.625.066	56.592.406
Trading financial liabilities .....	23	505.923	360.850
Borrowings .....	24-25	88.552.666	69.642.032
Subordinated loans .....	26	5.475.946	5.216.371
Post-employment obligations .....		727.316	646.411
Tax liabilities .....		4.906.069	3.012.594
Other liabilities .....	27	3.601.058	2.731.076
<b>Total Liabilities</b>		<u>184.082.489</u>	<u>149.725.639</u>
<b>Equity</b>			
Primary capital .....		0	19.453.815
Retained earnings .....		0	15.292.045
Share capital .....		5.000.000	0
Reserves .....		1.250.000	0
Retained earnings .....		28.825.896	0
Total Shareholders' Equity	28	35.075.896	34.745.860
Minority interest .....		29.501	29.045
<b>Total Equity</b>		<u>35.105.397</u>	<u>34.774.905</u>
<b>Total Liabilities and Equity</b>		<u>219.187.886</u>	<u>184.500.544</u>
<b>Off Balance Sheet Items:</b>			
Obligations .....	30-31		

# Consolidated Interim Statement of Changes in Equity

## for the Period from 1 January to 30 September 2007

	Primary Capital	Retained earnings	Total	Minority interest	Total
<b>Changes in capital in 1.1.-31.3.2007:</b>					
Capital at 1 January 2007 .....	19.453.815	15.292.045	34.745.860	29.045	34.774.905
Net earnings .....		4.689.883	4.689.883	17	4.689.900
Dividend paid .....		(8.948.716)	(8.948.716)		(8.948.716)
Revaluation of Primary Capital .....	1.041.770	(1.041.770)	0		0
Capital at 31 March 2007 .....	<u>20.495.585</u>	<u>9.991.442</u>	<u>30.487.027</u>	<u>29.062</u>	<u>30.516.089</u>

	Share capital	Reserves	Retained earnings	Primary Capital	Retained earnings	Total
<b>Changes in capital in 31.3.-1.4.2007:</b>						
Capital at 31 March 2007 .....				20.495.585	9.991.442	30.487.027
Change to hf. ....	5.000.000	1.250.000	24.237.026	(20.495.585)	(9.991.442)	0
Equity at 1 April 2007 .....	<u>5.000.000</u>	<u>1.250.000</u>	<u>24.237.026</u>	<u>0</u>	<u>0</u>	<u>30.487.027</u>

	Share capital	Reserves	Retained earnings	Total	Minority interest	Total
<b>Changes in equity in 1.4. - 30.9.2007:</b>						
Equity at 1 April 2007 .....	5.000.000	1.250.000	24.237.026	30.487.026	29.062	30.516.071
Net earnings .....			4.588.869	4.588.869	438	4.589.307
Equity at 30 September 2007 .....	<u>5.000.000</u>	<u>1.250.000</u>	<u>28.825.895</u>	<u>35.075.895</u>	<u>29.500</u>	<u>35.105.378</u>

### Changes in capital in 1.1. - 30.9.2006:

	Primary capital	Retained earnings	Total	Minority interest	Total
Capital at 1 January 2006 .....	3.960.503	9.055.476	13.015.979	1.232	13.017.211
Net earnings .....		9.771.544	9.771.544	2.124	9.773.668
Issued new primary capital .....		(1.980.343)	(1.980.343)		(1.980.343)
Dividends paid .....	5.488.696		5.488.696		5.488.696
Revaluation of primary capital .....	766.558	(766.558)	0	13.263	13.263
Capital at 30 September 2006 .....	<u>10.215.757</u>	<u>16.080.119</u>	<u>26.295.876</u>	<u>16.619</u>	<u>26.312.495</u>

# Consolidated Interim Statement of Cash Flows

## for the Period from 1 January to 30 September 2007

	2007 1.1.-30.9.	2006 1.1.-30.9.
Net cash provided by (used in) operating activities.....	11.701.114	(1.982.422)
Net cash flow (used in) provided by investing activities.....	(288.612)	39.961
Net cash flow (used in) provided by financing activities.....	(8.948.716)	3.586.612
Net change in cash and cash equivalents.....	2.463.786	1.644.151
Cash and cash equivalents, beginning of the year.....	4.372.984	3.405.942
<b>Cash and cash equivalents, end of the period.....</b>	<u>6.836.770</u>	<u>5.050.093</u>

# Notes to the Consolidated Interim Financial Statements

## Accounting Policies

Sparisjóður Reykjavíkur og nágrennis hf.(SPRON) is a company incorporated and domiciled in Iceland. The address of the company registered office is Armuli 13a, Reykjavik, Iceland. On September 19, The Financial Supervisory Authority in Iceland agreed that SPRON has complied with all legal conditions to change the form of the company to limited liability company (hf.)

### 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 SPRON as at and for the year ended 31 December 2006.

### 2. Significant accounting policies

The accounting policies applied by SPRON in these Consolidated Interim Financial Statements are the same as those applied by SPRON in its Consolidated Financial Statements as at and for the year ended 31 December 2006.

As noted above, on September 19, The Financial Supervisory Authority in Iceland agreed that SPRON has complied with all legal conditions to change the form of the company to limited liability company (hf.) When business combination arise from transfers of interests in entities that are under common control assets and liabilities acquired are recognised at the carrying amounts recognised in the latest consolidated financial statements. That applies also to comparative amounts.

The Consolidated Financial Statements of SPRON as at and for the year ended 31 December 2006 are available upon request through the company's registered office at Armuli 13a, Reykjavik or at [www.spron.is](http://www.spron.is) and [www.omx.is](http://www.omx.is).

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

## Business segments

3. SPRON hf. divides its business into two main components. Lending and funds deposits as well as financial advisory services to individuals and corporates are the traditional banking services offered at SPRON hf. Investments and Treasury deal mainly with securities investing and treasury management for the company.

Summary of the SPRON's business segments' operations (amounts in ISK millions):

<b>30.09.2007</b>	Banking	Investments	Eliminations	Total
Net interest income .....	2.479	(633)		1.846
Net fee and commission income .....	570	332		902
Net financial income .....	208	14.023	(1.936)	12.295
Other operating revenue .....	217	357	(319)	255
Net operating income .....	3.474	14.079	(2.255)	15.298
Operating expenses .....	(2.359)	(1.781)	319	(3.821)
Impairment on loans and advances .....	(333)	(26)		(359)
Profit before income tax .....	782	12.272	(1.936)	11.118
Net segment revenue from external customers .....	6.312	8.734	(1.936)	13.110
Net segment revenue from other segments .....	(2.838)	5.345	(319)	2.188
Net operating income .....	3.474	14.079	(2.255)	15.298
Total assets .....	149.503	141.777	(72.093)	219.188
Total liabilities .....	138.428	117.776	(72.122)	184.082
Allocated equity .....	11.075	24.001	29	35.105
Total liabilities and equity .....	149.503	141.777	(72.093)	219.187



# Notes to the Consolidated Interim Financial Statements

## Net financial income

4. Net financial income is specified as follows:	9M 2007	9M 2006
Dividend income .....	860.080	464.096
Net gain on trading assets and liabilities .....	1.179.627	689.036
Net gain on assets designated at fair value .....	8.097.796	8.834.511
Net foreign exchange difference .....	5.003	53.643
<b>Net financial income .....</b>	<b>10.142.506</b>	<b>10.041.286</b>

## Dividend income

5. Dividend income is specified as follows:		
Dividend income on trading assets .....	99.823	59.748
Dividend income on assets at fair value through profit and loss .....	760.257	404.348
<b>Dividend income .....</b>	<b>860.080</b>	<b>464.096</b>

## Net gains on financial assets and financial liabilities held for trading

6. Net gains on financial assets and financial liabilities held for trading are specified as follows:		
Shares and related derivatives .....	1.015.522	528.607
Bonds and related derivatives .....	171.501	68.189
Other derivatives .....	(7.396)	92.240
<b>Net gains on financial assets and financial liabilities held for trading .....</b>	<b>1.179.627</b>	<b>689.036</b>

## Net gains on financial assets designated at fair value through profit or loss

7. Net gains on assets designated at fair value through profit and loss are specified as follows:		
Shares .....	8.097.796	8.834.511

## Other operating income

8. Other operating income is specified as follows:		
Gain on disposals of assets .....	75.455	229.106
Other operating income .....	179.556	54.981
<b>Other operating income .....</b>	<b>255.011</b>	<b>284.087</b>

## Loans to credit institutions

9. Loans to credit institutions specified by types of loans:	30.9.2007	31.12.2006
Bank accounts .....	2.272.570	1.880.594
Money market loans .....	2.370.053	5.277.023
Other loans .....	706.384	65.070
<b>Loans to credit institutions .....</b>	<b>5.349.007</b>	<b>7.222.687</b>

# Notes to the Consolidated Interim Financial Statements

10. Loans to credit institutions specified by maturity:	30.9.2007	31.12.2006
On demand .....	3.225.981	1.941.214
Up to 3 months .....	1.437.456	5.182.036
Over 3 months and up to a year .....	681.648	95.622
Over 1 year and up to 5 years .....	2.617	2.543
Over 5 years .....	1.305	1.272
<b>Loans to credit institutions</b> .....	<b>5.349.007</b>	<b>7.222.687</b>

## Loans to customers

11. Loans to customers specified by types of loans:		
Overdrafts .....	129.745.753	9.332.555
Bills of exchange .....	11.451.970	97.746
Bonds and loan agreements .....	86.960	110.567.933
Other loans .....	8.692.492	9.408.576
Allowance for losses on loans and advances .....	(1.393.972)	(1.111.302)
<b>Loans to customers</b> .....	<b>148.583.203</b>	<b>128.295.508</b>

12. Loans to customers specified by sectors:		
Government .....	0,3%	0,3%
Business enterprises:		
Fishing industry and agriculture .....	1,1%	1,0%
Industry .....	9,8%	11,9%
Commerce .....	3,2%	3,3%
Service .....	24,6%	23,0%
Individuals .....	61,0%	60,5%
<b>Loans to customers</b> .....	<b>100,0%</b>	<b>100,0%</b>

13. Loans to customers specified by maturity:		
On demand .....	5.226.209	3.799.440
Up to 3 months .....	18.262.885	14.085.499
Over 3 months and up to a year .....	17.382.144	18.012.564
Over 1 year and up to 5 years .....	22.537.182	19.858.879
Over 5 years .....	85.174.783	72.539.126
<b>Loans to customers</b> .....	<b>148.583.203</b>	<b>128.295.508</b>

## Allowance for losses on loans and advances

14. Allowance for losses on loans are specified as follows:		
Specific provision .....	689.740	382.760
Collective assessment .....	704.232	728.542
<b>Allowance for losses on loans</b> .....	<b>1.393.972</b>	<b>1.111.302</b>

15. Changes in the allowance for losses on loans and advances are specified as follows:	9M 2007	9M 2006
Balance at 1 January 2007 .....	1.111.302	1.086.695
Impairment losses recognised during the period .....	359.168	329.236
Write-offs during the period .....	(67.755)	(221.344)
Amounts recovered from loans previously written off .....	11.746	48.890
Unwind of discount of allowance .....	(20.489)	(62.679)
<b>Balance at 30 September 2007</b> .....	<b>1.393.972</b>	<b>1.180.798</b>

# Notes to the Consolidated Interim Financial Statements

## Trading financial assets

16	Trading financial assets are specified as follows:	30.9.2007	31.12.2006
	Bonds .....	10.424.557	8.191.764
	Shares .....	15.860.012	9.872.135
	OTC derivatives .....	2.991.211	2.249.127
	<b>Trading financial assets .....</b>	<b>29.275.780</b>	<b>20.313.026</b>

## Financial assets designated at fair value through profit and loss

17.	Financial assets designated at fair value through profit and loss are specified as follows:		
	Bonds .....	168.987	92.558
	Shares .....	14.961.529	16.656.333
	<b>Financial assets designated at fair value through profit and loss .....</b>	<b>15.130.516</b>	<b>16.748.891</b>

## Intangible assets

18. Intangible assets are specified as follows:

	Goodwill	Software	Total
<b>30.9.2007</b>			
Intangible assets 1 January .....	1.547.421	128.069	1.675.490
Addition during the period .....	0	193.623	193.623
Amortisation during the period .....	0	(93.915)	(93.915)
<b>Intangible assets at period end .....</b>	<b>1.547.421</b>	<b>227.777</b>	<b>1.775.198</b>
<b>31.12.2006</b>			
Intangible assets 1 January .....	1.547.421	72.018	1.619.439
Additions during the period .....	0	96.318	96.318
Amortisation .....	0	(40.267)	(40.267)
<b>Intangible assets at period end .....</b>	<b>1.547.421</b>	<b>128.069</b>	<b>1.675.490</b>

## Non-current assets and disposal groups classified as held for sale

19.	Non-current assets and disposal groups classified as held for sale are specified as follows:	30.9.2007	31.12.2006
	Mortgages foreclosed .....	434.153	104.892

## Other assets

20.	Other assets are specified as follows:		
	Unsettled securities trading .....	764.932	917.121
	Properties in progress intended for future sale .....	475.449	914.295
	Sundry assets .....	356.681	201.472
	Accrued income .....	40.328	102.880
	<b>Other assets .....</b>	<b>1.637.390</b>	<b>2.135.768</b>

# Notes to the Consolidated Interim Financial Statements

## Deposits from credit institutions and the Central Bank

21. Deposits from credit institutions and the Central Bank mature as follows:	30.9.2007	31.12.2006
On demand .....	419.852	376.484
Up to 3 months .....	4.356.985	7.222.949
Over 3 months and up to a year .....	911.608	3.924.466
<b>Deposits from credit institutions and the Central Bank .....</b>	<b>5.688.445</b>	<b>11.523.899</b>

## Other deposits

22. Other deposits mature as follows:		
On demand .....	50.052.596	30.825.026
Up to 3 months .....	8.765.269	9.645.039
Over 3 months and up to a year .....	6.058.675	4.326.897
Over 1 year and up to 5 years .....	7.228.131	9.645.179
Over 5 years .....	2.520.395	2.150.265
<b>Other deposits .....</b>	<b>74.625.066</b>	<b>56.592.406</b>

## Trading liabilities

23. Trading liabilities are specified as follows:		
Derivatives .....	505.923	360.850

## Borrowings

24. Borrowings are specified as follows:		
Bonds issued .....	23.357.673	31.774.949
Bills issued .....	6.817.769	3.660.090
Money market loans .....	58.377.224	34.206.993
<b>Borrowings .....</b>	<b>88.552.666</b>	<b>69.642.032</b>

25. Borrowings mature as follows:		
Up to 3 months .....	9.957.605	10.877.683
Over 3 months and up to a year .....	12.074.308	15.200.124
Over 1 year and up to 5 years .....	51.536.200	24.970.848
Over 5 years .....	14.984.553	18.593.377
<b>Borrowings .....</b>	<b>88.552.666</b>	<b>69.642.032</b>

## Subordinated loans

26. Subordinated loans are specified as follows:		
Tier I capital .....	658.993	648.593
Tier II capital .....	4.816.953	4.567.778
<b>Subordinated loans .....</b>	<b>5.475.946</b>	<b>5.216.371</b>

# Notes to the Consolidated Interim Financial Statements

## Other liabilities

27. Other liabilities are specified as follows:	30.9.2007	31.12.2006
Unsettled securities trading .....	937.059	837.787
Capital tax .....	1.022.031	626.200
Accounts payable .....	162.338	162.853
Other liabilities .....	<u>1.479.630</u>	<u>1.104.236</u>
<b>Other liabilities .....</b>	<b><u>3.601.058</u></b>	<b><u>2.731.076</u></b>

## Equity

28. SPRON's share capital, in accordance with the articles of association, amounts to ISK 5.004 million. Own share capital amounts to ISK 4 million and is subtracted from the share capital as presented in the balance sheet. The capital adequacy ratio, calculated in accordance to Article 84 of the Act on Financial Undertakings, was 11.6%. According to the law the ratio may not go below 8.0%.

The ratio is calculated as follows:

	30.9.2007		31.12.2006	
	Book value	Weighted value	Book value	Weighted value
Risk base:				
Assets recorded in the Financial Statements .....	219.187.886	148.577.178	184.500.544	125.627.153
Assets deducted from equity .....		(25.035.473)		(17.533.484)
Guarantees and other items not included in the Balance Sheet .....		<u>1.379.898</u>		<u>712.595</u>
		<u>124.921.603</u>		<u>108.806.264</u>
Equity:				
Tier I capital:				
Equity .....		35.075.896		34.745.860
Minority interests .....		29.501		29.045
Goodwill .....		(1.547.421)		(1.547.421)
Subordinated loans .....		658.993		648.593
Tier II capital:				
Subordinated loans .....		3.704.692		4.080.586
Investment in credit institutions .....		<u>(23.488.051)</u>		<u>(15.986.063)</u>
		<u>14.433.610</u>		<u>21.970.600</u>
Capital adequacy ratio .....		11,6%		20,2%
Thereof Tier I ratio .....		27,4%		31,1%

# Notes to the Consolidated Interim Financial Statements

## Derivatives

29. Derivatives with parties outside SPRON, remaining maturity date of principal and book value are specified as follows:

30.9.2007	Principal			Total	Book value	
	Up to 3 months	Over 3 months and up to a year	Over 1 year		Assets	Liabilities
OTC currency and interest rate derivatives:						
Forward currency agreements .....	56.748.571	22.107.990	0	78.856.561	1.952.120	188.850
Interest rate agreements .....	0	0	12.032.653	12.032.653	586.805	275.716
	<u>56.748.571</u>	<u>22.107.990</u>	<u>12.032.653</u>	<u>90.889.214</u>	<u>2.538.925</u>	<u>464.566</u>
OTC equity derivatives:						
Forward equity agreements .....	785.543	1.011.033	0	1.796.576	452.286	41.357
<b>Derivatives total .....</b>	<b>57.534.114</b>	<b>23.119.023</b>	<b>12.032.653</b>	<b>92.685.790</b>	<b>2.991.211</b>	<b>505.923</b>

## 31.12.2006

OTC currency and interest rate derivatives:						
Forward currency agreements .....	23.762.832	18.367.146	0	42.129.978	388.725	341.608
Interest rate agreements .....	0	0	12.877.660	12.877.660	1.723.160	0
	<u>23.762.832</u>	<u>18.367.146</u>	<u>12.877.660</u>	<u>55.007.638</u>	<u>2.111.885</u>	<u>341.608</u>
OTC equity derivatives:						
Forward equity agreements .....	1.553.757	151.203	0	1.704.960	137.242	19.242
	<u>1.553.757</u>	<u>151.203</u>	<u>0</u>	<u>1.704.960</u>	<u>137.242</u>	<u>19.242</u>
<b>Derivatives total .....</b>	<b>25.316.589</b>	<b>18.518.349</b>	<b>12.877.660</b>	<b>56.712.598</b>	<b>2.249.127</b>	<b>360.850</b>

The objective of the above-mentioned agreements is to control currency and interest rate risk of SPRON. The credit risk is valued ISK 2,179 million when calculating the capital ratio of SPRON at 30 September 2007 and ISK 1,873 million at 31 December 2006.

## Obligations

30. SPRON has granted its customers guarantees and overdraft permissions. These items are specified as follows:

	30.9.2007	31.12.2006
Guarantees .....	855.704	687.311
Unused overdrafts .....	5.217.488	4.706.996

## Assets under management and custody

31 Assets under management and assets under custody are specified as follows:

Assets under management .....	44.972.321	20.890.389
Assets under custody .....	50.932.382	23.395.720

# Notes to the Consolidated Interim Financial Statements

## Pledged assets

32. Assets have been pledged as security in respect of the following liabilities:

	30.9.2007	31.12.2006
Repo agreements with the National Debt Management Agency .....	3.330.171	2.991.062

SPRON has sold the rights to the cash flows of part of its loans to customers to the Housing Financing Fund. The Housing Financing Fund bears all risks associated with the loans. The difference between present value of the loans from the Housing Financing Fund and book value of the underlying loans to customers has been recognised in the Income Statement as net gain on sale of financial assets measured at amortised cost.

## Assets and liabilities

Cash flows of loans to customers sold to the Housing Financing Fund .....	13.231.619	13.440.128
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## Related parties

33. SPRON has a related party relationship with its subsidiaries, associates, the Board of Directors of the parent company, the managing directors of the parent company, the managing directors of subsidiaries, close family members of individuals referred to herein, and entities with significant influence as the largest stockholders of SPRON. This definition is based on IAS 24. Information regarding related parties are as follows:

Loans to the managing director and management board members .....	82.529	51.138
Loans to members of the board and companies related to members of the board .....	1.056.076	1.066.094
Loans to associated companies .....	1.001.083	2.001.073

No unusual transactions took place with related parties in the nine months of 2007.

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

## Monitoring and controlling liquidity risk

34. The breakdown by contractual maturity of financial assets and liabilities, at 30 September 2007.

<b>30.9.2007</b>	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and Central Bank balances .....	3.610.789					3.610.789
Loans and advances .....	8.452.190	19.700.341	18.063.792	22.539.799	85.176.088	153.932.210
Trading financial assets .....	29.275.780					29.275.780
Financial assets measured at fair value ...	15.125.444			5.072		15.130.516
<b>Total financial assets .....</b>	<b>56.464.203</b>	<b>19.700.341</b>	<b>18.063.792</b>	<b>22.544.871</b>	<b>85.176.088</b>	<b>201.949.295</b>
Deposits f. credit inst. and Central Bank	419.852	4.356.985	911.608			5.688.445
Other deposits .....	50.052.596	8.765.269	6.058.675	7.228.131	2.520.395	74.625.066
Borrowings .....		9.957.605	12.074.308	51.536.200	14.984.553	88.552.666
<b>Total financial liabilities .....</b>	<b>50.472.448</b>	<b>23.079.859</b>	<b>19.044.591</b>	<b>58.764.331</b>	<b>17.504.948</b>	<b>168.866.177</b>
<b>Financial assets - financial liabilities ...</b>	<b>5.991.755</b>	<b>(3.379.518)</b>	<b>(980.799)</b>	<b>(36.219.460)</b>	<b>67.671.140</b>	<b>33.083.118</b>
<b>31.12.2006</b>						
Cash and Central Bank balances .....	2.431.770					2.431.770
Loans and advances .....	5.311.744	19.696.445	18.108.186	19.861.422	72.540.398	135.518.195
Trading financial assets .....	20.313.026					20.313.026
Financial assets measured at fair value ...	16.739.901			8.990		16.748.891
<b>Total financial assets .....</b>	<b>44.796.441</b>	<b>19.696.445</b>	<b>18.108.186</b>	<b>19.870.412</b>	<b>72.540.398</b>	<b>175.011.882</b>
Deposits f. credit inst. and Central Bank	5.716.169	1.883.264	3.924.466			11.523.899
Other deposits .....	33.856.281	6.613.784	4.326.897	9.645.179	2.150.265	56.592.406
Borrowings .....		10.877.683	15.200.124	24.970.848	18.593.377	69.642.032
<b>Total financial liabilities .....</b>	<b>39.572.450</b>	<b>19.374.731</b>	<b>23.451.487</b>	<b>34.616.027</b>	<b>20.743.642</b>	<b>137.758.337</b>
<b>Financial assets - financial liabilities ...</b>	<b>5.223.991</b>	<b>321.714</b>	<b>(5.343.301)</b>	<b>(14.745.615)</b>	<b>51.796.756</b>	<b>37.253.545</b>

# Notes to the Consolidated Interim Financial Statements

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## Events after the Balance Sheet date

35. There have been no material post Balance Sheet events which would require disclosure or adjustment to the 30 September 2007 Interim Financial Statements. In October SPRON sold 20.6% of its stake in Icebank for a gain on sale of ISK 3.9 billion. SPRON's stake in Icebank after the sale is 4%.