

**Straumur-Burdaras
Investment Bank hf.**
Consolidated Financial Statements
for the period from 1 January to 30 September 2007
EURO

Straumur-Burdaras Investment bank hf.
Borgartúni 25
105 Reykjavík

Reg. no. 701086-1399

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Report and Signatures of the Board of Directors and the CEO

The Consolidated Financial Statements of Straumur-Burdaras Investment Bank hf. for the period 1 January to 30 September 2007 are prepared in accordance with International Financial Reporting. The Consolidated Interim Financial Statements for the period comprise Straumur-Burdaras Investment Bank hf. and its subsidiaries (together referred to as the "Bank").

According to the Income Statement, after tax profits for the period amounted to EUR 164 million. The Bank's equity at the end of September 2007 amounted to EUR 1,628 million. The Bank's capital adequacy ratio, calculated in accordance with the Act on Financial Undertakings, was 28.7 % at period-end. As of 30 September 2007 the Bank's total assets amounted to EUR 6,887 million.

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

At the end of the period, the Bank's shareholders numbered 21,875, as compared to 20,666 at the beginning of the year. Samson Global Holdings S.a.r.l, which holds 32.9 % of the Bank's share capital, is the only shareholder with a holding exceeding 10%.

In August the Bank was granted a commercial banking licence. The licence will enable the Bank to solicit deposits in its current markets.

In September the Bank's Board of Directors resolved to record the Bank's share capital in euros instead of Icelandic króna. The resolution is not effective as preparations for stock exchange listing and clearing and settling of trades in euros are still underway.

In October the Bank completed the acquisition of a 50% shareholding in Wood & Company, a Czech investment bank.


The Board of Directors and the CEO hereby confirm the Consolidated Financial Statements of Straumur-Burdaras Investment Bank hf. for the period 1 January to 30 September 2007 by affixing their signatures hereto.

Reykjavík, 25 October 2007.

Board of Directors:



Björgólfur Thor Björgólfsson



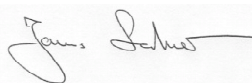
Birgir Már Ragnarsson



Guðmundur Kristjánsson

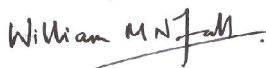


Edgar Alden Edmonds



James Leitner

CEO



William Fall

Report on Review of Interim Financial Information

To the Board of Directors of Straumur-Burdaras Investment Bank hf.

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Straumur-Brudaras Investment Bank hf. and its subsidiaries as of September 30, 2007 and the related condensed consolidated interim income statement, changes in equity and cash flows for the interim financial information. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting. 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 condensed consolidated 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 operations and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavik, 25 October 2007.

KPMG hf.



Helgi F. Arnarson



Ólafur Már Ólafsson

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		162.602	71.432	523.791	182.715
Interest expense		(136.300)	(57.091)	(477.962)	(146.969)
Net interest income (expense)		<u>26.302</u>	<u>14.341</u>	<u>45.829</u>	<u>35.746</u>
Fee and commission income		24.652	19.677	98.405	59.557
Fee and commission expense		(3.348)	(366)	(3.937)	(703)
Net fee and commission income		<u>21.304</u>	<u>19.311</u>	<u>94.468</u>	<u>58.854</u>
Dividend income		5.083	353	29.374	22.145
Net gains on financial assets and financial liabilities held for trading	11	(13.793)	13.247	87.687	117.591
Net gains on financial assets designated at fair value through profit and loss	12	(28.042)	22.287	12.858	56.437
Net foreign exchange gains (losses)		4.910	(37.574)	(14.105)	30.825
Other operating income	13	17.015	0	17.378	101
		<u>32.779</u>	<u>31.965</u>	<u>273.489</u>	<u>321.699</u>
Administrative expenses		(29.969)	(7.991)	(72.242)	(25.228)
Impairment losses on loans and receivable		(4.255)	(2.052)	(11.638)	(8.457)
Share of profit of associates		(2)	0	(22)	0
Profit (loss) before tax		(1.447)	21.922	189.587	288.014
Tax income (expense)	14	1.645	(4.264)	(26.038)	(49.343)
Profit for the period		<u>198</u>	<u>17.658</u>	<u>163.549</u>	<u>238.671</u>
Attributable to:					
Equity holders of the parent		1.828	17.020	157.005	237.549
Minority interest		(1.630)	638	6.544	1.122
Profit for the period		<u>198</u>	<u>17.658</u>	<u>163.549</u>	<u>238.671</u>
Earnings per share	15	0	0,002	0,017	0,023
Diluted earnings per share	15	0	0,002	0,016	0,023

Consolidated Interim Balance Sheet

as at 30 September 2007

	Notes	30.9.2007	31.12.2006
Assets:			
Financial assets held for trading	16	1.214.075	1.330.103
Financial assets designated at fair value through profit and loss	17	926.920	658.355
Loans and receivables	18	3.699.673	2.046.242
Financial assets available for sale	21	404.628	0
Investment in associated companies		0	539
Property and equipment		21.876	14.089
Investment properties		0	67.784
Intangible assets		407.796	186.777
Tax asset, deferred		1.901	0
Other assets		209.655	53.874
Total Assets		6.886.524	4.357.763
Liabilities:			
Financial liabilities held for trading		69.246	87.686
Deposits from credit institutions		140.910	0
Other deposits		1.299.567	0
Borrowings	22	3.225.048	2.572.772
Subordinated loans	23	114.562	88.690
Tax liabilities		90.229	57.108
Other liabilities		319.431	57.489
Total Liabilities		5.258.993	2.863.745
Equity:			
Share capital		104.394	100.275
Share premium		672.030	615.802
Other reserve		(3.478)	(14.819)
Retained earnings		843.433	772.529
Total equity attributable to equity holders of the Parent		1.616.379	1.473.787
Minority interest		11.152	20.231
Total Equity	24,25	1.627.531	1.494.018
Total Liabilities and Equity		6.886.524	4.357.763

Consolidated Statement of Changes in Equity

for the period from 1 January to 30 September 2007

2006	Share capital	Share premium	Other reserves	Retained earnings	Total share-holders equity	Minority interest	Total equity
Equity as at 1.1.2006	119.448	831.834	(28.420)	407.189	1.330.051	8.460	1.338.511
Translation difference				1.402	1.402		1.402
Profit for the period				237.551	237.551	1.117	238.668
Total recognised earnings for the period				646.142	1.569.004	9.577	1.578.581
Dividends paid ISK 0,75 per share			(78.455)	(78.455)		(78.455)	(78.455)
Purchased and sold treasury shares	(3.112)	(45.919)			(49.031)		(49.031)
Treasury share stated as other liability on account of put options			(19.471)		(19.471)		(19.471)
Treasury share stated as other liability on account of put options, reversed			19.409		19.409		19.409
Expense due to call option			376		376		376
Translation of own funds	(3.946)	(27.186)	4.857	(15.198)	(41.473)	6.654	(34.819)
Equity as at 30.9.2006	112.390	758.729	(23.249)	552.489	1.400.359	16.231	1.416.590
2007							
Equity as at 1.1.2007	100.275	615.802	(14.819)	772.529	1.473.787	20.231	1.494.018
Translation differences			(3.372)		(3.372)	1.230	(2.142)
Fair value changes in AFS financial assets			(12.524)		(12.524)		(12.524)
Net earnings recognised directly in equity			(15.896)		(15.896)	1.230	(14.666)
Profit for the period				157.005	157.005	6.544	163.549
Total recognised earnings for the period			(15.896)	157.005	141.109	7.774	148.883
Dividends paid ISK 0,75 per share			(87.792)	(87.792)	(87.792)	(6.498)	(94.290)
Purchased and sold treasury shares	4.119	56.228			60.347		60.347
Treasury share stated as other liability on account of put options, reversed			25.469		25.469		25.469
Increase due to call options			1.768	1.691	3.459		3.459
Sale of subsidiary						(10.355)	(10.355)
Equity as at 30.9.2007	104.394	672.030	(3.478)	843.433	1.616.379	11.152	1.627.531

Consolidated Interim Statement of Cash Flows for the period from 1 January to 30 September 2007

	Notes	2007	2006
		1.1.-30.9.	1.1.-30.9.
Operating activities:			
Net cash provided by operating activities		241.396	323.844
Investing activities:			
Cash used in investing activities		(174.667)	(786.910)
Financing activities:			
Cash provided by financing activities		25.302	597.749
Increase in cash and cash equivalents		92.031	104.324
Cash and cash equivalents at beginning of year		370.934	124.083
Cash and cash equivalents at the end of the period		462.965	228.407

Notes to the Consolidated Interim Financial Statements

1. Reporting entity

Straumur-Burdaras Investment Bank hf. is a company incorporated and domiciled in Iceland. The Condensed Consolidated Interim Financial Statements of Straumur-Burdaras Investment Bank hf. for the period from January 1 to 30 September 2007 includes Straumur-Burdaras Investment Bank hf. and its subsidiaries (together referred to as the "Bank").

The Condensed Consolidated Interim Financial Statements were authorised for issuance by the Board of Directors of Straumur-Burdaras Investment Bank on 25 October 2007.

2. Statement of compliance

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standard 34 Interim Financial Reporting, as adopted by the EU.

They do not include all of the information required for a complete set of consolidated annual financial statements, and should be read in conjunction with the Consolidated Financial Statements of the Bank as at and for the year ended 31 December 2006.

3. Significant accounting policies

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

A summary of significant accounting policies is provided in the Bank's Financial Statement for the year 2006.

4. Significant judgements and accounting estimate

The preparation of interim financial statements requires that management make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Bank's accounting policies and the key source of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2006.

Notes, contd.:

5. Changes Within the Group

The Bank sold 45% in Property Group in August. The effect of the sale of the company on the Bank's consolidated balance sheet is presented in the following table:

	Property Group
Assets:	
Financial assets held for trading	7.363
Loans and receivables	9.629
Investment property	77.597
Property and equipment	260
Other assets	82.021
Total Assets	<u>176.870</u>
Liabilities:	
Borrowings	99.721
Subordinated loans	26.875
Tax liabilities	2.111
Other liabilities	24.213
Total Liabilities	<u>152.920</u>
Net estimated value	(23.951)
Minority interest	10.355
Goodwill	(5.480)
The Bank's 5% share in Property Group	1.513
Gain on disposal	(15.981)
Total acquisition price	<u>(33.544)</u>

Notes, contd.:

Risk management

6. The breakdown by contractual maturity of financial assets and liabilities.

Assets:	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	No stated maturity	Total
Financial assets held for trading	956.363	30.458	61.888	145.057	20.309		1.214.075
Financial assets designated at fair value through P/L					167.213	759.707	926.920
Loans and receivables ..	1.341.314	126.295	574.350	540.818	241.661	875.235	3.699.673
Financial assets available for sale	257.123	141.151	5.932			421	404.627
Property and equipment						21.876	21.876
Intangible assets						407.796	407.796
Deferred tax assets						1.901	1.901
Other assets	621	63.366	22.720			122.949	209.656
Total	2.555.421	361.270	664.890	685.875	429.183	2.189.885	6.886.524
Liabilities:							
Financial liabilities held for trading	22.720	35.750	10.776				69.246
Deposits and borrowings	1.779.726	237.257	247.102	2.359.246	34.880	7.315	4.665.526
Subordinated loans				114.562			114.562
Tax liabilities	52	59.495	1.565	215	242	28.660	90.229
Other liabilities	26.438	275.255	17.246	492			319.431
Total	1.828.936	607.757	276.689	2.474.515	35.122	35.975	5.258.993
Assets - liabilities	726.485	(246.487)	388.201	(1.788.640)	394.061	2.153.910	1.627.531

2006

Total assets	1.962.593	193.965	425.896	752.151	237.744	785.414	4.357.763
Total liabilities	1.152.383	305.951	514.142	711.732	169.200	10.337	2.863.745
Assets - liabilities	810.210	(111.986)	(88.246)	40.419	68.544	775.077	1.494.018

7. Breakdown of assets and liabilities by currency:

The total amount of assets in foreign currencies in the Banks financial statement was EUR 3.075 million, and the total amount of liabilities amounted to EUR 3.427 million, respectively, at period end. Included in these assets and liabilities are forward contracts.

FX risk is controlled by monitoring the net exposure in all foreign currencies and ensuring that it is within the set net position limits. The Risk Committee has defined risk limits on individual currencies as well as the gross exposure and Risk Management monitors compliance with these procedures. The Bank's policy is that Treasury is to stay neutral to currency

Notes, contd.:

7. contd.:

30.9.2007	EUR	GBP	USD	DKK	ISK	Other	Total
Assets:							
Financial assets held for trading	213.797	23.834	41.168	119.068	656.990	159.218	1.214.075
Financial assets designated at fair value through P/L	682.379	1.290	69.747		172.798	706	926.920
Loans and receivables .	1.835.941	194.920	105.002	457.768	747.583	358.459	3.699.673
Financial assets available for sale	167.227				237.401		404.628
Property and and equipment	4.943	124	3	999	15.807		21.876
Intangible assets	382.294	25.502					407.796
Deferred tax assets	793				1.108		1.901
Other assets	524.070	(30.518)	(2.921)	(58.819)	(131.827)	(90.330)	209.655
Total	3.811.444	215.152	212.999	519.016	1.699.860	428.053	6.886.524
Liabilities and equity:							
Financial liabilities held for trading	68.492	243	464		5	42	69.246
Deposits and borrowings	2.547.268	75.798	66.729	36.994	1.895.759	42.977	4.665.525
Subordinated loans	46.742				67.820		114.562
Tax liabilities	27.323	1.565		222	61.119		90.229
Other liabilities	627.068	(37.470)	(2.578)	(62.582)	(116.917)	(88.090)	319.431
Total equity	1.627.531						1.627.531
Total	4.944.424	40.136	64.615	(25.366)	1.907.786	(45.071)	6.886.524
Net balance Sheet							
position	(1.132.980)	175.016	148.384	544.382	(207.926)	473.124	
Net off Balance							
Sheet position	895.048	(162.961)	(161.310)	(500.860)	394.889	(464.806)	
Net position	(237.932)	12.055	(12.926)	43.522	186.963	8.318	
2006							
Total assets	1.023.338	296.248	190.973	498.922	1.900.476	447.806	4.357.763
Total liabilities	710.844	120.843	95.814	272.350	3.004.038	153.874	4.357.763
Net balance Sheet							
position	312.494	175.405	95.159	226.572	(1.103.562)	293.932	
Net off Balance							
Sheet position	1.043.113	(179.224)	(82.046)	(182.750)	(337.391)	(261.702)	
Net position	1.355.607	(3.819)	13.113	43.822	(1.440.953)	32.230	

Notes, contd.:

8. Derivatives held for trading:

	Nominal account		Carrying amount	
	Assets	Liabilities	Assets	Liabilities
Forward stock swaps	0	285.432	21.561	119
Forward bond swaps	0	163.899	1.717	0
Interest and currency swaps	208.433	232.532	15.712	170
Currency swaps	3.273.246	3.257.178	55.105	45.335
Interest swaps	398.247	398.247	5.615	0
Futures	0	0	3.744	538
Credit Default Swap	311.413	245.585	0	1.521
Stock Option	137.932	127.477	15.382	21.563
Total	4.329.271	4.710.350	118.836	69.246

9. Quarterly Statements

Summary of the Group's operating results by quarters:

	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net interest income (expense)	26.302	8.366	11.162	6.794	14.341
Net fee and commission income	21.304	42.876	30.288	25.547	19.311
Dividend income	5.083	7.163	17.128	5.996	353
Other net financial income	(41.835)	84.848	57.533	121.819	35.534
Net foreign exchange gain	4.910	9.704	(28.719)	37.483	(37.574)
Other operating income	17.015	(4.762)	5.126	9.257	0
Administrative expenses	(29.969)	(30.016)	(12.257)	(18.844)	(7.991)
Impairment losses on loans and receivable	(4.255)	(4.521)	(2.862)	(3.374)	(2.052)
Share of profit of associates	(2)	(21)	0	0	0
Profit before tax	(1.447)	113.637	77.399	184.679	21.922
Income tax	1.645	(19.442)	(8.242)	92.054	(4.264)
Profit for the period	198	94.194	69.157	276.733	17.658
Attributable to:					
Equity holders of the parent	1.828	90.288	64.890	274.054	17.020
Minority interest	(1.630)	3.906	4.267	2.679	638
Profit for the period	198	94.194	69.157	276.733	17.658

Notes, contd.:

10. Segment Reporting

30.9.2007	Proprietary trading	Corporate finance	Debt finance	Treasury	Capital Markets	Asset Management	Other operation and elimination	Total
Net interest income (expense)	(8.457)	(4.091)	42.973	12.177	(55)	2.597	685	45.829
Net fee and commission income	(415)	47.747	14.531	(1.384)	30.526	3.464	(1)	94.468
Dividend income	25.769	45			48		3.512	29.374
Net gains on financial assets and liabilities held for trading	80.491	3.096	341		3.570	(849)	1.038	87.687
Net gains on financial asset designated at fair value through profit and loss		8.813	3	17	(36)	93	3.968	12.858
Net foreign exchange (losses) gains	(22.875)	380		8.361	28		1	(14.105)
Other operating income		15.981			13	7	1.377	17.378
Net operating income	74.513	71.971	57.848	19.171	34.094	5.312	10.580	273.489
Net operating expense	(4.913)	(18.726)	(11.041)	(11.191)	(13.920)	(4.398)	(8.053)	(72.242)
Impairment		(2.147)	(9.494)		2			(11.638)
Share of profit of associates						(16)	(6)	(22)
Profit before tax	69.600	51.098	37.313	7.980	20.176	898	2.521	189.587
Income tax								(26.038)
Profit for the period								163.549

Notes, contd.:

10. contd.:

Segment assets	Proprietary trading	Corporate finance	Debt finance	Treasury	Capital Markets	Asset Management	Other operation and elimination	Total
Financial assets held for trading	115.463	(53.278)	28.597		847.125	242.330	33.838	1.214.075
Financial assets designated at fair value through		592.563	103.598	167.213	20.626		42.920	926.920
Loans and receivable		263.118	2.162.291	1.176.091	10.953	196.992	(109.772)	3.699.673
Financial assets available for sale				235.506		169.122		404.628
Property and equipment	99	997			1.314	685	18.781	21.876
Intangible assets	29.602	65.034	102.378		3.058	201.942	5.782	407.796
Deferred tax asset							1.901	1.901
Other assets	6		120.871		106.343	4.235	(21.800)	209.655
Total assets	145.170	868.434	2.517.735	1.578.810	989.419	815.306	(28.350)	6.886.524

1.1. - 30.9. 2006

Segment revenue:

Net operating income	114.354	76.623	47.683	66.483	17.991		(1.435)	321.699
Net operating expense	(3.944)	(8.065)	(4.283)	(5.147)	(2.448)		(1.341)	(25.228)
Impairment			(8.457)					(8.457)
Profit before tax	110.410	68.558	43.400	61.336	15.543		(2.776)	288.014
Income tax								(49.343)
Profit for the period								238.671

31.12.2006

Segment assets	941.719	710.010	1.455.523	1.158.101	7.504		84.906	4.357.763
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Notes, contd.:**11. Net gains on financial assets and financial liabilities held for trading**

	2007	2006
	1.1.-30.9.	1.1.-30.9.
Shares	77.079	118.848
Bonds	10.608	(1.257)
Total net gains on financial assets and financial liabilities held for trading	<u>87.687</u>	<u>117.591</u>

12. Net gains on financial assets designated at fair value

Listed shares	1.410	1.744
Unlisted shares	11.480	54.693
Unlisted bonds	(32)	0
Total net gains on financial assets designated at fair value	<u>12.858</u>	<u>56.437</u>

13. Other operating income

Gain on disposal	15.981	0
Other operating income	1.398	101
	<u>17.379</u>	<u>101</u>

14. Tax income (expense)

	2007		2006	
	1.1.-30.9.		1.1.-30.9.	
Reconciliation of effective tax rate:				
Profit before tax		189.587		288.014
Income tax using the domestic corporation tax rate	(18,%)	(34.126)	(18,%)	(51.843)
Tax exempt revenue	2,9%	5.494	1,4%	3.986
Deferral of gains from sale of subsidiary against tax base of investments in subsidiaries	1,7%	3.315		0
Other changes	(0,4%)	(722)	(4,6%)	(1.487)
Effective tax	(13,7%)	(26.038)	(17,1%)	(49.343)

15. Earnings per Share

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

	2007	2006
	1.1.-30.9.	1.1.-30.9.
Profit according to the Consolidated Financial Statements	163.549	238.671
Calculated average share capital:		
Share capital at the beginning of the year	9.487	10.251
Effect of the increase of share capital during the year	390	(273)
Calculated average share capital	<u>9.877</u>	<u>9.978</u>
Earnings per share in ISK kronur	0,017	0,023
Calculated average share capital:		
Share capital at the beginning of the year	9.487	10.251
Effect of the increase of share capital during the year	390	(273)
Effect of changes in stock options	217	33
Calculated average share capital	<u>10.094</u>	<u>10.011</u>
Diluted earnings of share capital	0,016	0,023

Notes, contd.:**16. Financial Assets**

	30.9.2007	31.12.2006
Financial assets held for trading are specified as follows:		
Bonds and other fixed-rate securities:		
Listed on the Iceland Stock Exchange	357.525	311.849
Other listed bonds	262.476	35.609
Total	620.001	347.458
Share and other variable-yield securities:		
Listed on the Iceland Stock Exchange	107.622	317.060
Other listed shares	365.440	631.117
Unlisted shares	2.176	328
Total	475.238	948.505
Positive balance of derivatives	118.836	34.140
Total financial assets held for trading	1.214.075	1.330.104

17. Financial assets designated as at fair value specify as follows:

Listed shares	285.527	45.894
Unlisted shares	363.881	140.397
Listed unit shares	20.000	0
Unlisted unit shares	46.076	335.504
Listed bonds	167.213	136.560
Unlisted bonds	44.223	0
Total	926.920	658.355

18. Loans and receivables

	30.9.2007	31.12.2006
Balances with credit institutions	1.359.251	694.968
Loans to customers.....	2.340.422	1.351.274
Total	3.699.673	2.046.242

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

Financial services diversified	466.121	318.698
Real Estate	289.882	319.089
Pharmaceutical	98.971	167.889
Special Retail	171.918	92.643
Media	187.091	4.934
Food Products	102.337	77.994
Diversified telecommunication services	108.872	20.372
Hotel	135.193	13.132
Other	780.037	336.523
Total loans to customers	2.340.422	1.351.274

Notes, contd.:

20. The Allowance account for credit losses has been deducted from Loans and Recievables. Changes in the provision are specified as follows:

	30.9.2007	30.9.2006
The Allowance account at the beginning of the year	15.993	6.359
Provision for losses during the year	11.638	11.833
Loans written off during the year as uncollectible	(5.930)	0
Translation	(14)	(4.495)
The Allowance account at the end of period	<u>21.687</u>	<u>13.697</u>

21. **Financial Assets available for sale**

Financial assets available for sale specify as follows:

	30.9.2007	31.12.2006
Listed government bonds	235.506	0
Unlisted unit shares	22.039	0
Unlisted bonds	147.083	0
	<u>404.628</u>	<u>0</u>

22. **Borrowings**

The Bank's borrowings are specified as follows:

Balances with the Central Bank due to repurchase agreement	211.029	866.621
Loans with credit institutions	1.568.775	678.015
Bonds	1.061.739	412.673
Money market loans	383.505	615.463
Total borrowings	<u>3.225.048</u>	<u>2.572.772</u>

23. **Subordinated Loans**

	Currency	Maturity date	30.9.2007	31.12.2006
			Book value	
Loans which qualify as Tier II capital:				
Subordinated loan - listed on the Iceland				
Stock Exchange, intrerest 5%	ISK	1.3.2015	66.973	61.410
Subordinated loan, intrerest Euribor + 3%	EUR	15.12.2018	27.075	27.280
Subordinated loan, intrerest Euribor + 3%	EUR	19.4.2019	20.514	0
			<u>114.562</u>	<u>88.690</u>

24. **Equity**

According to the Parent Company's Articles of Association, total share capital amounts to ISK 10.359 million. The nominal amount of treasury shares at end of year 2006 and at 30. September 2007 amounted to ISK 872 and 482 million respectively. One vote is attached to each share of one ISK and the holders of ordinary shares are entitled to one vote per share at meetings of the Bank.

Notes, contd.:

25. Equity at the end of the period amounted to EUR 1.628 million, equivalent to 23.6% of total assets according to the Balance Sheet. The capital adequacy ratio of the Group, calculated in accordance to Article 84 of the Act on Financial Undertakings, is 28.7%. This ratio may not be lower than 8.0% according to that Act. The ratio is calculated as follows:

	Weighted value
Total equity	1.627.531
Intangible assets	(407.796)
Subordinated loans	114.562
Total own funds	<u>1.334.297</u>
Total capital requirements for:	
Credit risk	261.067
Market risk under standardised approaches (SA)	55.758
Operational risk (Opr)	54.918
Capital requirements	<u>371.743</u>
Surplus of own funds	962.554
Capital adequacy ratio	28,7%

26. The Bank has granted its customers guaranties that amount to EUR 85.677 million.

27. Related parties

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

Loans to related parties amounted to EUR 487 million at period-end. Guarantees at the same time amount to EUR 28 million. At year end 2006, loans to related parties amounted to EUR 240 million, guarantees related to to these loans amounted to EUR 30 million, and ownership in companies wherein Board members have significant influence amounted to EUR 73 million. There were no debts to related parties at period-end.

28. Events after Balance sheet date

In October the Bank completed the acquisition of a 50% shareholding in Wood & Company, a Czech investment bank. The Bank has secured the option of acquiring the remaining share of Wood & Company no later than early 2011. Wood & Company will be part of the Bank in the 4th quarter 2007.