

Straumur-Burdaras Investment Bank hf.

**Condensed Consolidated Interim Financial Statements
for the period from 1 January to 30 June 2007
EURO**

Straumur-Burdaras Investment Bank hf.
Borgartún 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 June 2007 are prepared in accordance with International Financial Reporting Standards (IFRS) for interim financial statements. 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 163 million. The Bank's equity at the end of June 2007 amounted to EUR 1,612 million. The Bank's capital adequacy ratio, calculated in accordance with the Act on Financial Undertakings, was 28.4% at period-end. As of 30 June 2007 the Bank's total assets amounted to EUR 6,829 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 20,957, as compared to 20,666 at the beginning of the year. Samson Global Holdings S.a.r.l, which holds 30.7% of the Bank's share capital, is the only shareholder with a holding exceeding 10%.

In June, William Fall, former President, International, of Bank of America, joined the Bank as CEO, replacing Fridrik Jóhannsson, who has been with Straumur since June 2006. The Board would like to express gratitude to Fridrik for his important contribution to the Bank's growth and strong performance during his tenure.

In May, the Bank acquired a majority holding in eQ Corporation ("eQ"), a Finnish bank specialising in brokerage, asset management and corporate finance. The acquisition was followed by the launching of a mandatory tender offer for all the remaining shares and option rights issued by eQ. The acquisition value on a fully diluted basis amounts to EUR 260 million. The Bank currently controls more than 95% of eQ's shares and voting rights, and eQ now forms a part of the Bank's consolidated accounts.

In June the Bank signed an agreement relating to the acquisition of a 50% stake in Wood & Company ("Wood"), an investment house operating in Central and Eastern Europe. The Bank also has secured the option of acquiring the remaining shares of Wood no later than early 2011. The completion of the transaction is inter alia subject to the approval of the Icelandic Financial Supervisory Authority and the Czech Central Bank. The sellers, four partners, have all committed to continue to run Wood in partnership with the 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 June 2007 by affixing their signatures hereto.

Reykjavík, 26 July 2007

Board of Directors:



Björgólfur Thor Björgólfsson



Birgir Már Ragnarsson



Guðmundur Kristjánsson

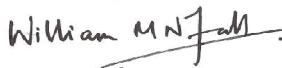


Edgar Alden Edmonds



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 30 June , 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 30 June, 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.

Reykjavík, 26 July 2007.

KPMG hf.



Helgi F. Arnarson



Olafur Már Olafsson

Consolidated Interim Income Statement

for the period from 1 January to 30 June 2007

	Notes	2007 1.4. - 30.6	2006 1.4. - 30.6	2007 1.1. - 30.6	2006 1.1. - 30.6
Interest income		257.747	69.567	361.189	111.278
Interest expense		(249.382)	(53.686)	(341.662)	(89.868)
Net interest income		<u>8.366</u>	<u>15.881</u>	<u>19.528</u>	<u>21.410</u>
Fee and commission income		43.009	12.886	73.753	39.879
Fee and commission expense		(133)	(316)	(589)	(327)
Net fee and commission income		<u>42.876</u>	<u>12.570</u>	<u>73.164</u>	<u>39.552</u>
Dividend income		7.163	13.849	24.291	21.784
Net gains on financial assets and financial liabilities held for trading	11	33.927	(68.395)	101.481	104.345
Net gains on financial assets designated at fair value through profit and loss	12	50.921	11.331	40.900	34.155
Net foreign exchange gains (losses)		9.704	28.487	(19.015)	68.394
Other operating income		(4.762)	(3)	364	101
		<u>148.194</u>	<u>13.721</u>	<u>240.712</u>	<u>289.742</u>
Administrative expenses		(30.016)	(8.624)	(42.273)	(17.243)
Impairment losses on loans and receivable		(4.521)	(3.375)	(7.383)	(6.406)
Effects of related parties		(21)	0	(21)	0
Profit before tax		113.636	1.722	191.035	266.093
Tax income (expense)		(19.442)	1.784	(27.684)	(45.082)
Profit for the period		<u>94.194</u>	<u>3.506</u>	<u>163.351</u>	<u>221.011</u>
Attributable to:					
Equity holders of the Parent		90.288	2.481	155.178	220.524
Minority interest		3.906	1.025	8.173	487
Profit for the period		<u>94.194</u>	<u>3.506</u>	<u>163.351</u>	<u>221.011</u>
Earnings per share	13	0,010	0,021	0,017	0,022
Diluted earnings per share	13	0,010	0,021	0,016	0,022

Consolidated Interim Balance Sheet

as at 30 June 2007

	Notes	30.6.2007	31.12.2006
Assets:			
Financial assets held for trading	17	1.863.715	1.330.103
Financial assets designated at fair value through profit and loss	18	762.764	658.355
Loans and receivables	14	2.951.143	2.046.242
Financial assets available for sale		195.768	0
Investment in associated companies		1	539
Property and equipment		21.715	14.089
Investment properties		77.597	67.784
Intangible assets		414.281	186.777
Other assets		541.679	53.874
Total Assets		6.828.664	4.357.763
Liabilities:			
Financial liabilities held for trading		79.514	87.686
Borrowings	19	4.691.068	2.572.772
Subordinated loans	20	115.562	88.690
Tax liabilities, current		60.825	50.861
Tax liabilities, deferred		27.507	6.247
Other liabilities		242.594	57.489
Total Liabilities		5.217.070	2.863.745
Equity:			
Share capital		100.812	100.275
Share premium		615.019	615.802
Other reserves		26.038	(14.819)
Retained earnings		843.197	772.529
Total equity attributable to equity holders of the Parent		1.585.066	1.473.787
Minority interest		26.528	20.231
Total Equity	21,22	1.611.594	1.494.018
Total Liabilities and Equity		6.828.664	4.357.763

Consolidated Interim Statement of Changes in Equity

for the period from 1 January to 30 June 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				2.136	2.136	842	2.978
Profit for the period			0	220.524	220.524	487	221.011
Total recognised earnings for the period			0	222.660	222.660	1.329	223.989
Dividends paid, ISK 0.75 per share				(78.455)	(78.455)	0	(78.455)
Purchased and sold treasury shares	(257)	(1.859)		0	(2.116)	0	(2.116)
Treasury shares 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	0	19.409		19.409
Increase of share capital due to merger						5.925	5.925
Equity as at 30.6.2006	119.191	829.975	(28.482)	551.394	1.472.078	15.714	1.487.792
2007							
Equity as at 1.1.2007	100.275	615.802	(14.819)	772.529	1.473.787	20.231	1.494.018
Translation difference			12.160		12.160	654	12.814
Fair value changes in AFS financial assets			44		44		44
Net earnings recognised directly in equity			12.204	0	12.204	654	12.858
Profit for the period				155.178	155.178	8.173	163.351
Total recognised earnings for the period			12.204	155.178	167.382	8.827	176.209
Dividends paid, ISK 0.75 per share				(87.792)	(87.792)	(2.530)	(90.322)
Purchased and sold treasury shares	537	(783)			(246)		(246)
Treasury share stated as other liability on account of put options, reversed ...			25.469		25.469		25.469
Increase due to call options			3.184	3.282	6.466		6.466
Equity as at 30.6.2007	100.812	615.019	26.038	843.197	1.585.066	26.528	1.611.594

Consolidated Interim Statement of Cash Flows

for the period from 1 January to 30 June 2007

	Notes	2007	2006
		1.1. - 30.6	1.1. - 30.6
Operating activities:			
Net cash provided by operating activities.....		296.346	296.128
Investing activities:			
Cash used in investing activities.....		(340.758)	(851.720)
Financing activities:			
Cash (used in) provided by financing activities.....		<u>63.696</u>	<u>642.887</u>
(Decrease) increase in cash and cash equivalents		(108.108)	87.295
Cash and cash equivalents at beginning of year		<u>370.934</u>	<u>124.083</u>
Cash and cash equivalents at the end of the period		<u><u>262.826</u></u>	<u><u>211.378</u></u>

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-Burdarás Investment Bank hf. for the period from 1 January to 30 June 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 26 July 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, cont'd:

5. Changes within the Group

The Bank acquired a majority holding in eQ Corporation in May. The Bank is located in Finland.

The effects of the merger of the companies on the Bank's Consolidated Balance Sheet is presented in the following table:

	eQ
Assets	
Financial assets held for trading	228.392
Loans and receivables	190.762
Financial assets available for sale	179.540
Investment in associated companies	16
Property and equipment	4.899
Intangible assets in eQ	27.544
Other assets	228.038
Total Assets	<u>859.191</u>
Liabilities	
Financial liabilities held for trading	12.810
Borrowings	540.927
Tax liabilities, current	771
Tax liabilities, defferred	422
Other liabilities	238.764
Total Liabilities	<u>793.694</u>
Net estimated value	65.497
Intangible assets	194.637
Total acquisition price	<u>260.134</u>

Notes, contd.:

Risk management

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

	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	No stated maturity	Total
Assets:							
Financial assets held for trading	1.625.370	14.946	53.271	138.147	22.590	9.390	1.863.715
Financial assets designated at fair value ... through P/L	0	122.243	56.745	0	351.080	232.586	762.654
Loans and receivables	890.003	256.257	753.265	698.867	351.172	1.580	2.951.143
Financial assets available for sale	195.878	0	0	0	0	0	195.878
Property and equipment	0	0	0	2.396	2.468	16.850	21.715
Investment property	0	0	0	0	0	77.597	77.597
Deferred tax assets	0	6	0	3.801	1.391	409.084	414.281
Intangible assets	0	0	0	0	0	0	0
Other assets	693	134.138	6.418	74	73.487	326.869	541.679
Intercompany balances	0	0	0	0	0	0	0
Total	<u>2.711.944</u>	<u>527.590</u>	<u>869.699</u>	<u>843.287</u>	<u>802.188</u>	<u>1.073.956</u>	<u>6.828.664</u>
Liabilities:							
Financial liabilities held for trading	24.472	48.240	6.803	0	0	0	79.514
Borrowings	1.600.798	595.178	544.240	1.730.814	220.039	0	4.691.068
Subordinated loans	0	0	0	0	115.562	0	115.562
Tax liabilities	0	1	1.067	232	60.006	27.025	88.332
Other liabilities	59.377	72.466	68.411	6.276	36.065	0	242.594
Total	<u>1.684.646</u>	<u>715.885</u>	<u>620.520</u>	<u>1.737.321</u>	<u>431.672</u>	<u>27.025</u>	<u>5.217.070</u>
Assets - liabilities	<u>1.027.298</u>	<u>(188.296)</u>	<u>249.179</u>	<u>(894.035)</u>	<u>370.517</u>	<u>1.046.931</u>	<u>1.611.594</u>
31.12.2006							
Total assets	1.962.593	193.965	425.896	752.151	237.745	785.414	4.357.763
Total liabilities	<u>1.152.383</u>	<u>305.951</u>	<u>514.142</u>	<u>711.732</u>	<u>169.199</u>	<u>10.337</u>	<u>2.863.745</u>
Assets - liabilities	<u>810.210</u>	<u>(111.986)</u>	<u>(88.246)</u>	<u>40.419</u>	<u>68.544</u>	<u>775.077</u>	<u>1.494.018</u>

7. Breakdown of assets and liabilities by currency:

The total amount of assets in foreign currencies in the Bank's financial statement was EUR 3,540 billion, and the total amount of liabilities amounted to EUR 2,244 billion, 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 remain neutral to currency risk and any currency risk taken is to be taken by Proprietary Trading.

Notes, contd.:

7. contd.:

30.6.2007	EUR	GBP	USD	DKK	ISK	Other	Total
Assets:							
Financial assets held for trading	314.438	22.255	40.781	141.034	1.150.607	194.599	1.863.715
Financial assets designated at fair value through P/L	527.679	608	25.532	0	208.192	753	762.764
Loans and receivables	1.354.049	186.482	93.826	325.736	606.116	384.934	2.951.143
Investment in subsidiary	0	0	0	0	1	0	1
Financial assets available for sale	195.768	0	0	0	0	0	195.768
Property and equipment	4.865	118	3	1.214	15.514	0	21.715
Investment property	0	0	0	77.597	0	0	77.597
Deferred tax assets	0	0	0	0	0	0	0
Intangible assets	382.408	26.393	0	5.480	0	0	414.281
Other assets	521.092	0	0	0	20.587	0	541.679
Total	3.300.299	235.857	160.143	551.061	2.001.018	580.286	6.828.664
Liabilities and equity:							
Financial liabilities held for trading	78.626	0	0	0	889	0	79.514
Borrowings	2.443.664	89.761	48.172	67.871	1.993.755	47.844	4.691.068
Subordinated loans	46.735	0	0	0	68.827	0	115.562
Tax liabilities	26.833	0	0	2.116	59.383	0	88.332
Other liabilities	76.296	22.742	(48)	23.323	41.663	78.618	242.594
Total equity	1.611.594						1.611.594
Total	4.283.747	112.503	48.124	93.310	2.164.517	126.462	6.828.664
Net Balance Sheet position							
	(983.448)	123.354	112.018	457.750	(163.499)	453.823	
Net off-Balance Sheet position							
	895.166	(133.504)	(164.422)	(363.053)	267.446	(501.633)	
Net position	(88.282)	(10.150)	(52.404)	94.697	103.947	(47.810)	
31.12.2006							
Total assets	1.023.338	296.248	190.973	498.922	1.900.476	447.807	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							
	312.493	175.404	95.159	226.572	(1.103.562)	293.933	
Net off-Balance Sheet position							
	1.043.113	(179.224)	(82.046)	(182.750)	(337.391)	(261.702)	
Net position	1.355.606	(3.820)	13.113	43.822	(1.440.953)	32.231	

Notes, cont'd.:

8. Derivatives held for trading:

	Nominal account		Carrying amount	
	Assets	Liabilities	Assets	Liabilities
Forward stock swaps	0	268.168	12.686	1.383
Forward bond swaps	0	3.738.497	928	883
Interest and currency swaps	216.658	233.555	0	8.965
Currency swaps	3.890.394	3.966.803	57.217	53.432
Interest swaps	349.221	349.221	16.169	0
Total	4.456.273	8.556.244	87.000	64.664

9. Quarterly statements

Summary of the Group's operating results by quarters:

	Q2	Q1	Q4	Q3	Q2
	2007	2007	2006	2006	2006
Net interest income (expense)	8.366	11.162	6.794	14.341	15.880
Net fee and commission income	42.876	30.288	25.547	19.311	12.563
Dividend income	7.163	17.128	5.996	353	13.851
Other net financial income	84.848	57.533	121.819	35.534	(57.068)
Net foreign exchange gain	9.704	(28.719)	37.483	(37.574)	28.488
Other operating income	(4.762)	5.126	9.257	0	0
Administrative expenses	(30.016)	(12.257)	(18.844)	(7.991)	(8.618)
Impairment losses on loans and receivables	(4.521)	(2.862)	(3.374)	(2.052)	(3.374)
Effects of related parties	(21)	0	0	0	0
Profit before tax	113.636	77.399	184.679	21.922	1.721
Income tax	(19.442)	(8.242)	92.054	(4.264)	1.778
Profit for the period	94.194	69.157	276.733	17.658	3.500
Attributable to:					
Equity holders of the Parent	90.288	64.890	274.054	17.020	2.485
Minority interest	3.906	4.267	2.679	638	1.015
Profit for the period	94.194	69.157	276.733	17.658	3.500

Notes, cont'd.:

10. Segment Reporting

30.6.2007

	Proprietary Trading	Corporate Finance	Debt Finance	Treasury	Capital Markets	Asset manage- ment	Other operation and elimina- tion	Total
Net interest income (expense)	(9.169)	(9.652)	23.864	11.133	2.239	640	472	19.528
Net fee and commission income	(384)	45.568	7.245	(1.009)	20.630	1.115	(1)	73.164
Dividend income	24.099	95	0	48	49	0	0	24.291
Net gains on financial assets and liabilities held for trading	100.207	(6.394)	341	919	6.383	102	(77)	101.481
Net gains on financial asset designated at fair value through profit and loss	0	31.021	331	17	0	0	9.531	40.900
Net foreign exchange gains (losses)	(23.550)	0	0	4.535	(0)	(0)	0	(19.015)
Other operating income	0	0	0	0	20	280	63	364
Net operating income	91.202	60.638	31.781	15.643	29.321	2.138	9.989	240.712
Net operating expense	(2.946)	(11.862)	(7.208)	(7.773)	(6.504)	(1.721)	(4.259)	(42.273)
Impairment	0	(1.270)	(6.114)	0	1	0	0	(7.383)
Effects of related parties	0	0	0	0	0	(16)	(5)	(21)
Profit before tax	88.257	47.507	18.459	7.869	22.817	401	5.725	191.035
Income tax								(27.684)
Profit for the period								163.351

Notes, cont'd.:

10. contd.:

Segment assets	Proprietary Trading	Corporate Finance	Debt Finance	Treasury	Capital Markets	Asset manage- ment	Other operation and elimina- tion	Total
Financial assets held for trading	797.151	16.677	67.513	199.910	519.759	224.306	38.398	1.863.715
Financial assets designated at fair value through	0	520.963	22.522	169.807	0	0	49.473	762.765
Loans and receivables	0	72.589	2.113.357	603.889	20.956	133.792	6.561	2.951.143
Financial assets available for sale	0	0	0	0	0	195.768	0	195.768
Property and equipment	99	1.207	0	0	1.222	3.643	15.544	21.715
Investment properties	0	77.597	0	0	0	0	0	77.597
Intangible assets	29.602	71.405	102.378	0	3.242	202.898	4.756	414.281
Other assets	33.132	179.909	63.644	0	259.757	5.237	0	541.679
Total assets	859.983	940.348	2.369.414	973.606	804.935	765.644	114.734	6.828.664

1.1. - 30.6 2006

Segment revenue:

Net operating income	134.848	63.488	30.982	47.206	12.378	0	840	289.742
Net operating expense	(2.602)	(4.591)	(2.470)	(3.337)	(1.581)	0	(2.662)	(17.243)
Impairment			(6.406)			0		(6.406)
Profit before tax	<u>132.246</u>	<u>58.897</u>	<u>22.106</u>	<u>43.869</u>	<u>10.797</u>	<u>0</u>	<u>(1.822)</u>	<u>266.093</u>
Income tax								(45.082)
Profit for the period								<u>221.011</u>

31.12.2006

Segment assets	<u>941.719</u>	<u>710.010</u>	<u>1.455.523</u>	<u>1.158.101</u>	<u>7.504</u>	<u>0</u>	<u>84.906</u>	<u>4.357.763</u>
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Notes, contd.:**11. Net gains on financial assets and financial liabilities held for trading**

	2007 1.1.-30.6	2006 1.1.-30.6
Shares	104.383	103.579
Bonds	(2.902)	766
Total net gains on financial assets and financial liabilities held for trading	<u>101.481</u>	<u>104.345</u>

12. Net gains on financial assets designated at fair value

Listed shares	685 (1.778)	
Unlisted shares	26.447	35.933
Unlisted unit share	13.436	0
Unlisted bonds	331	0
Total net gains on financial assets designated at fair value	<u>40.900</u>	<u>34.155</u>

13. Earnings per share

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

	2007 1.1.-30.6	2006 1.1.-30.6
Profit according to the Consolidated Financial Statements	<u>163.351</u>	<u>221.011</u>
Calculated average share capital:		
Share capital at the beginning of the year	9.487	10.251
Effect of the increase (decrease) in share capital during the year	51 (25)	
Calculated average share capital	<u>9.538</u>	<u>10.226</u>
Earnings per share in ISK	0,017	0,022
Calculated average share capital:		
Share capital at the beginning of the year	9.487	10.251
Effect of the increase (decrease) of share capital during the year	51 (25)	
Effect of changes in stock options	369	0
Calculated average share capital	<u>9.907</u>	<u>10.226</u>
Diluted earnings of share capital	0,016	0,022

Notes, cont'd.:**14. Loans and receivables**

	30.6.2007	31.12.2006
Balances with credit institutions	978.699	694.968
Loans to customers.....	<u>1.972.444</u>	<u>1.351.274</u>
Total	<u>2.951.143</u>	<u>2.046.242</u>

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

Financial services diversified	380.605	318.698
Real estate	267.540	319.089
Pharmaceutical	184.806	167.889
Special retail	159.333	92.643
Media	116.934	4.934
Food products	115.823	77.994
Diversified telecommunications services	111.494	20.372
Hotels	110.053	13.132
Other	<u>525.856</u>	<u>336.523</u>
Total loans to customers	<u>1.972.444</u>	<u>1.351.274</u>

16. The allowance account for credit losses has been deducted from Loans and receivables. Changes in the provision are specified as follows:

	30.6.2007	31.12.2006
Allowance account at beginning of the year	15.992	6.359
Provision for losses during the year	7.384	11.833
Translation	<u>0</u>	<u>(2.200)</u>
Allowance account at end of period	<u>23.376</u>	<u>15.992</u>

17. Financial assets

Financial assets held for trading are specified as follows:

Bonds and other fixed-rate securities:

Listed on the OMX Nordic Exchange	797.096	311.849
Foreign listed bonds	<u>240.990</u>	<u>35.609</u>
Total	<u>1.038.086</u>	<u>347.458</u>

Share and other variable-yield securities:

Listed on the OMX Nordic Exchange	157.001	317.060
Other listed shares	577.103	631.117
Unlisted shares	<u>2.214</u>	<u>328</u>
Total	<u>736.318</u>	<u>948.504</u>

Positive balance of derivatives	<u>89.311</u>	<u>34.140</u>
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Total financial assets held for trading	<u>1.863.715</u>	<u>1.330.103</u>
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Notes, cont'd.:

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

	30.6.2007	31.12.2006
Listed shares	295.584	45.894
Unlisted shares	274.851	140.397
Unlisted unit shares	0	335.504
Listed bonds	169.807	136.561
Unlisted bonds	22.522	0
Total	<u>762.764</u>	<u>658.355</u>

19. Borrowings

The Bank's borrowings are specified as follows:

Balances with the Central Bank and other credit institutions regarding due to repurchase agreement	411.399	866.621
Other balances with credit institutions	2.716.787	678.015
Bonds	778.607	412.673
Money market loans	784.275	615.463
Total borrowings	<u>4.691.068</u>	<u>2.572.772</u>

20. Subordinated loans

	Currency	Maturity date		
Loans that qualify as Tier II capital:				
Subordinated loan - listed on the OMX Nordic				
Exchange, Iceland, interest 5%	ISK	1.3.2015	68.839	61.410
Subordinated loan, interest EURIBOR + 3%	EUR	15.12.2018	27.080	27.280
Subordinated loan, interest EURIBOR + 2.95%	EUR	19.4.2019	19.643	0
			<u>115.562</u>	<u>88.690</u>

21. 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 year end 2006 and at 30 June 2007 amounted to ISK 872 and 821 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, cont'd.:

22. Equity at the end of the period amounted to EUR 1,612 million, equivalent to 23.7 % of the total assets according to the Balance Sheet. The capital adequacy ratio of the Group, calculated in accordance with Article 84 of the Act on Financial Undertakings, is 27.1%. This ratio may not be lower than 8.0% according to the Act. The ratio is calculated as follows:

	Weighted value
Total equity	1.611.594
Intangible assets	(414.281)
Subordinated loans	115.562
Total own funds	<u>1.312.875</u>
Total capital requirements for:	
Credit risk	203.951
Market risk under standardised approaches (SA)	109.419
Operational risk (Opr)	57.118
Capital requirements	<u>370.488</u>
Surplus of own funds	942.387
Capital adequacy ratio	28.4%

23. The Bank has granted its customers guarantees that amount to EUR 30.9 million.

24. Related parties

The Bank has a related party relationship with its 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 definition is based on IAS 24.

Loans to related parties amounted to EUR 418 million, and receivables from related parties amounted to EUR 134 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 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.

As at the end of 2006, there were no personal loans or receivables to managers or Board members.

At the end of June, the Bank accepted the take-over bid from Novator for shares in Actavis Group hf. As a result, receivables from related companies increased by EUR 134 million.

Notes, cont'd.:

24. cont.:

Put options and ownership of the Board of Directors, CEO and managers of the bank are specified as follows:

	30.6.2007	31.12.2006
Call options of the CEO and managing directors ¹⁾	263	235
Put options of the CEO and managing directors ¹⁾	0	80
Shares of the Board members, CEO and managing directors ²⁾	100	91

1) Call option contracts with the former CEO were concluded during the year 2006 and settled following his employment termination with the Bank. Put options concluded with the department managers at the beginning of the years 2004-2006 have been discontinued. The present CEO has a call option in the nominal value of ISK 103 million at the exchange rate 20.43, exercisable in the years 2008 to 2011.

2) Included among the holdings of the aforementioned persons are holdings of their spouses, dependent children and companies owned by them, if any.

25. Events after Balance Sheet date

In June the Bank signed an agreement relating to the acquisition of a 50% stake in Wood & Company ("Wood"), an investment house operating in Central and Eastern Europe. The Bank also has secured the option of acquiring the remaining shares of Wood no later than early 2011. The completion of the transaction is inter alia subject to the approval of the Icelandic Financial Supervisory Authority and the Czech Central Bank.