

# **Straumur-Burdaras Investment Bank hf.**

**Condensed Consolidated Interim Financial Statements  
for the period from 1 January to 31 March 2007  
EURO**

Straumur-Burdaras Investment Bank hf.  
Borgartún 25  
105 Reykjavík  
Iceland

Reg. no. 701086-1399

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# Report and Signatures of the Board of Directors and the CEO

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The Consolidated Financial Statements of Straumur-Burdaras Investment Bank hf. for the period 1 January to 31 March 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. (the Parent) and its subsidiaries (together referred to as "the Bank").

According to the Income Statement, after-tax profits for the period amounted to EUR 69.2 million. The Bank's equity at the end of March 2007 amounted to EUR 1,539 million. The Bank's capital adequacy ratio, calculated in accordance with the Act on Financial Undertakings, was 32.8% at period-end. As of 31 March 2007 the Bank's total assets amounted to EUR 5,192 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 20,757, as compared to 20,666 at the beginning of the year. Samson Global Holdings, which holds 30.2% of the Bank's share capital, is the only shareholder with a holding over 10%.

The Board of Directors and the CEO hereby confirm the Consolidated Interim Financial Statements of Straumur-Burdaras Investment Bank hf. for the period 1 January to 31 March 2007 by affixing their signatures.

Reykjavík, 25 April 2007

Board of Directors:



Björgólfur Thor Björgólfsson



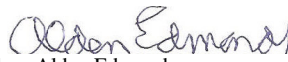
Heiðar Már Guðjónsson



Friðrik Hallbjörn Karlsson



Guðmundur Kristjánsson



Edgar Alden Edmonds

CEO:



Friðrik Jóhannsson

# Independent Auditors' Review Report

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

## Introduction

We have reviewed the accompanying consolidated balance sheet of Straumur-Burdaras Investment Bank hf. as of March 31, 2007 and the related consolidated statements of income, 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 consolidated interim financial information does not give a true and fair view of the financial position of the entity as at March 31, 2007, and of its operations and its cash flows for the three-month period then ended in accordance with IAS 34, Interim Financial Reporting.

Reykjavík, 25 April 2007

**KPMG hf.**



Helgi F. Arnarson



Ólafur Már Ólafsson

## Consolidated Interim Income Statement for the period from 1 January to 31 March 2007

Notes 1.1. - 31.3.2007    1.1. - 31.3.2006

Interest income .....		103.442	41.710
Interest expense .....		( 92.280 )	( 36.181 )
Net interest income .....		<u>11.162</u>	<u>5.529</u>
Fee and commission income .....		30.744	26.994
Fee and commission expense .....		( 456 )	( 10 )
Net fee and commission income .....		<u>30.288</u>	<u>26.984</u>
Dividend income .....		17.128	7.934
Net gains on financial assets and financial liabilities held for trading .....	10	67.554	172.742
Net gains (losses) on financial assets designated at fair value through P/L .....	11	( 10.021 )	22.821
Net foreign exchange (losses) gains .....		( 28.719 )	39.911
Other operating income .....		<u>5.126</u>	<u>103</u>
		92.518	276.024
Administrative expenses .....		( 12.257 )	( 8.619 )
Impairment losses on loans and receivables .....		( 2.862 )	( 3.031 )
<b>Profit before tax</b> .....		77.399	264.374
Tax expense .....		( 8.242 )	( 46.865 )
<b>Profit for the period</b> .....		<u><u>69.157</u></u>	<u><u>217.509</u></u>
<b>Attributable to:</b>			
Equity holders of the parent .....		64.890	218.045
Minority interest .....		<u>4.267</u>	<u>( 536 )</u>
Profit for the period .....		<u><u>69.157</u></u>	<u><u>217.509</u></u>
<b>Earnings per share</b> .....	12	0.007	0,021
<b>Diluted earnings per share</b> .....	12	0.006	0,021

## Consolidated Interim Balance Sheet as at 31 March 2007

	Notes	31.3.2007	31.12.2006
<b>Assets:</b>			
Financial assets held for trading .....	16	1.518.804	1.330.103
Financial assets designated at fair value through profit and loss .....	17	659.504	658.355
Loans and receivables .....	13,14	2.659.274	2.046.242
Investments in associated companies .....		4.844	539
Property and equipment .....		15.122	14.089
Investment properties .....		77.402	67.784
Intangible assets .....		187.995	186.777
Other assets .....		68.619	53.874
<b>Total Assets</b>		5.191.564	4.357.763
<b>Liabilities:</b>			
Financial liabilities held for trading .....		91.264	87.686
Borrowings .....	18	3.259.436	2.572.772
Subordinated loans .....	19	110.674	88.690
Tax liabilities, current .....		56.091	50.861
Tax liabilities, deferred .....		10.948	6.247
Other liabilities .....		123.685	57.489
<b>Total Liabilities</b>		3.652.099	2.863.745
<b>Equity:</b>			
Share capital .....		102.181	100.275
Share premium .....		655.893	615.802
Other reserves .....		8.610	( 14.819)
Retained earnings .....		749.627	772.529
Total equity attributable to equity holders of the Parent		1.516.311	1.473.787
Minority interest .....		23.154	20.231
<b>Total Equity</b>	20,21	1.539.465	1.494.018
<b>Total Liabilities and Equity</b>		5.191.564	4.357.763

## Consolidated Statement of Changes in Equity

### for the period from 1 January to 31 March 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
Dividends paid ISK 0.65 per share .....				( 78.455)	( 78.455)		( 78.455)
Purchased and sold treasury shares .....	( 1.177)	( 15.486)			( 16.663)		( 16.663)
Treasury shares stated as other liability on account of put options, reversed .....			( 19.471)		( 19.471)		( 19.471)
Increase of share capital in subsidiary .....						5.791	5.791
Translation differences .....			2.307		2.307		2.307
Profit for the period .....				218.046	218.046	536	218.582
<b>Equity as at 31.3.2006 .....</b>	<u>118.271</u>	<u>816.348</u>	<u>( 45.584)</u>	<u>546.781</u>	<u>1.435.816</u>	<u>14.787</u>	<u>1.450.603</u>
<b>2007</b>							
Equity as at 1.1.2007 .....	100.275	615.802	( 14.819)	772.529	1.473.787	20.231	1.494.018
Dividends paid ISK 0.75 per share .....				( 87.792)	( 87.792)		( 87.792)
Dividends paid in subsidiary .....						( 1.862)	( 1.862)
Purchased and sold treasury shares .....	1.906	40.091			41.997		41.997
Treasury share stated as other liability on account of put options, reversed .....			25.469		25.469		25.469
Increase due to call options .....			377		377		377
Translation differences .....			(2.417)		( 2.417)	518	( 1.899)
Profit for the period .....				64.890	64.890	4.267	69.157
<b>Equity as at 31.3.2007 .....</b>	<u>102.181</u>	<u>655.893</u>	<u>8.610</u>	<u>749.627</u>	<u>1.516.311</u>	<u>23.154</u>	<u>1.539.465</u>

## Consolidated Interim Statement of Cash Flows

### for the period from 1 January to 31 March 2007

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	Notes	1.1 - 31.3.2007	1.1 - 31.3.2006
<b>Operating activities:</b>			
Net cash provided by operating activities.....		368.299	225.776
<b>Investing activities:</b>			
Cash used in investing activities.....	(	14.956)	( 617.837 )
<b>Financing activities:</b>			
Cash (used in) provided by financing activities.....	(	25.674)	648.493
<b>Increase in cash and cash equivalents .....</b>		<u>327.669</u>	<u>256.432</u>
<b>Cash and cash equivalents at the beginning of the year .....</b>		<u>370.934</u>	<u>124.083</u>
<b>Cash and cash equivalents at the end of the period .....</b>		<u><u>698.603</u></u>	<u><u>380.515</u></u>



# Notes to the Consolidated Financial Statements

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## 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 1 January to 31 March 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 April 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 Statements 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. Risk management**

Breakdown by contractual maturity of financial assets and liabilities:

<b>Assets:</b>	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	No stated maturity	Total
Financial assets held for trading .....	1.518.804						1.518.804
Financial assets designated at fair value through P/L .....					180.009	479.495	659.504
Loans and receivables .....	1.087.573	252.586	383.236	679.605	256.274		2.659.274
Investments in associates .....						4.844	4.844
Property and equipment .....						15.122	15.122
Investment property .....						77.402	77.402
Intangible assets .....						187.995	187.995
Other assets .....		67.412	1.207				68.619
<b>Total</b> .....	<u>2.606.377</u>	<u>319.998</u>	<u>384.443</u>	<u>679.605</u>	<u>436.283</u>	<u>764.858</u>	<u>5.191.564</u>
<b>Liabilities:</b>							
Financial liabilities held for trading .....	62.480	22.988	405	5.345	46		91.264
Borrowings .....	1.095.325	400.362	215.195	1.370.264	178.289		3.259.435
Subordinated loans .....					110.674		110.674
Tax liabilities .....			67.039				67.039
Other liabilities .....	46.952	56.188	12.116	8.431			123.687
<b>Total</b> .....	<u>1.204.757</u>	<u>479.538</u>	<u>294.755</u>	<u>1.384.040</u>	<u>289.009</u>	<u>0</u>	<u>3.652.099</u>
Assets - liabilities .....	<u>1.401.620</u>	<u>( 159.540)</u>	<u>89.688</u>	<u>( 704.435)</u>	<u>147.274</u>	<u>764.858</u>	<u>1.539.465</u>
<b>2006</b>							
Total assets .....	1.962.593	193.965	425.896	752.150	237.745	785.414	4.357.763
Total liabilities .....	<u>1.152.383</u>	<u>305.951</u>	<u>514.142</u>	<u>711.733</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>40.417</u>	<u>68.546</u>	<u>775.077</u>	<u>1.494.018</u>

**6. Breakdown of assets and liabilities by currency:**

The total amount of assets in foreign currencies in the Bank's Financial Statement is EUR 3,474 million, and the total amount of liabilities amounted to EUR 2,205 million, respectively, at period-end. Net off-balance sheets, due to forward contracts, amount to EUR 1,010.

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 remain neutral to currency risk and any currency risk taken shall be taken by Proprietary Trading.

## Notes, contd.:

6. contd.:

<b>31.03 2007</b>	EUR	GBP	USD	DKK	ISK	Other	Total
<b>Assets:</b>							
Financial assets held for trading .....	137.152	23.695	63.365	66.665	922.583	305.344	1.518.804
Financial assets designated at fair value through P/L .....	518.346				141.158		659.504
Loans and receivables .....	900.673	199.692	174.029	366.907	684.012	333.961	2.659.274
Investments in associated companies .....		1		4.843			4.844
Property and equipment .....		121	3	1.056	13.942		15.122
Investment property .....				77.402			77.402
Intangible assets .....	161.855	26.140					187.995
Other assets .....				4.294	29.701	34.624	68.619
<b>Total</b> .....	<u>1.718.026</u>	<u>249.649</u>	<u>237.397</u>	<u>521.167</u>	<u>1.791.396</u>	<u>673.929</u>	<u>5.191.564</u>
<b>Liabilities and equity:</b>							
Financial liabilities held for trading .....	( 70.583)				( 20.681)		( 91.264)
Borrowings .....	(1.330.162)	( 90.417)	( 46.355)	( 89.414)	(1.606.611)	( 96.477)	(3.259.436)
Subordinated loans .....	( 46.702)				( 63.972)		( 110.674)
Tax liabilities, current .....					( 56.091)		( 56.091)
Tax liabilities, deferred .....	( 8.475)			( 1.742)	( 731)		( 10.948)
Other liabilities .....	8.810	( 2.407)	51	( 6.439)	( 123.654)	( 46)	( 123.685)
Total equity .....	<u>(1.539.466)</u>						<u>(1.539.466)</u>
<b>Total</b> .....	<u>(2.986.578)</u>	<u>( 92.824)</u>	<u>( 46.304)</u>	<u>( 97.595)</u>	<u>(1.871.740)</u>	<u>( 96.523)</u>	<u>(5.191.564)</u>
<b>Net Balance Sheet position</b> ...	<u>(1.268.552)</u>	<u>156.825</u>	<u>191.093</u>	<u>423.572</u>	<u>( 80.344)</u>	<u>577.406</u>	
<b>Net off -Balance Sheet position</b> .....	1.010.406	( 197.843)	( 238.560)	( 319.903)	344.368	( 598.468)	
<b>Net position</b> .....	( 258.146)	( 41.018)	( 47.467)	103.669	264.024	( 21.062)	
<b>31.12. 2006</b>							
Total assets .....	1.023.337	296.248	190.973	498.922	1.900.476	447.807	4.357.763
Total liabilities .....	710.845	120.843	95.814	272.350	3.004.038	153.874	4.357.763
<b>Net Balance Sheet position</b> ...	<u>312.491</u>	<u>175.405</u>	<u>95.159</u>	<u>226.572</u>	<u>(1.103.562)</u>	<u>293.933</u>	
<b>Net off Balance Sheet position</b> .....	1.043.113	( 179.224)	( 82.046)	( 182.750)	( 337.391)	( 261.702)	
<b>Net position</b> .....	1.355.604	( 3.819)	13.113	43.822	(1.440.953)	32.231	

7. Derivatives held for trading:

	Nominal account		Carrying amount	
	Assets	Liabilities	Assets	Liabilities
Forward stock swaps .....	0	278.068	1.888	20.321
Forward bond swaps .....	1.041.926	0	0	359
Interest and currency swaps .....	210.296	232.867	0	2.365
Currency swaps .....	5.504.363	5.507.615	56.772	65.097
Interest swaps .....	365.781	365.781	9.766	0
<b>Total</b> .....	<u>7.122.366</u>	<u>6.384.331</u>	<u>68.426</u>	<u>88.142</u>

## Notes, contd.:

### 8. Quarterly statements

	Q1	Q4	Q3	Q2	Q1
Summary of the Group's operating results by quarters:	2007	2006	2006	2006	2006
Net interest income (expense) .....	11.162	6.794	14.341	15.880	5.529
Net fee and commission income .....	30.288	25.547	19.311	12.563	26.984
Dividend income .....	17.128	5.996	353	13.851	7.934
Other net financial income .....	57.533	121.818	35.534	( 57.068 )	195.564
Net foreign exchange gain .....	( 28.719 )	37.483	( 37.574 )	28.488	39.911
Other operating income .....	5.126	9.257	0	0	103
Administrative expenses .....	( 12.257 )	( 18.844 )	( 7.991 )	( 8.618 )	( 8.619 )
Impairment losses on loans and receivables .....	( 2.862 )	( 3.374 )	( 2.052 )	( 3.374 )	( 3.031 )
<b>Profit before tax</b> .....	<b>77.399</b>	<b>184.678</b>	<b>21.922</b>	<b>1.722</b>	<b>264.374</b>
Income tax .....	( 8.242 )	92.054	( 4.264 )	1.778	( 46.865 )
<b>Profit for the period</b> .....	<b>69.157</b>	<b>276.732</b>	<b>17.658</b>	<b>3.500</b>	<b>217.509</b>
<b>Attributable to:</b>					
Equity holders of the parent .....	64.890	274.053	17.020	2.485	218.045
Minority interest .....	4.267	2.679	638	1.015	( 536 )
<b>Profit for the period</b> .....	<b>69.157</b>	<b>276.732</b>	<b>17.658</b>	<b>3.500</b>	<b>217.509</b>

### 9. Segment Reporting

	Proprietary Trading	Corporate Finance	Debt Finance	Treasury	Capital Markets	Elimina- tion	Total
<b>01.01.-31.3.2007</b>							
Net interest income (expense) .....	( 5.538 )	( 4.547 )	10.846	10.315	22	64	11.162
Net fee and commission income (expense) .....	( 250 )	16.144	5.153	( 776 )	10.017		30.288
Dividend income .....	17.128						17.128
Net gains on financial assets and liabilities held for trading .....	67.658	( 220 )		116			67.554
Net gains on financial asset designated at fair value through P/L .....		( 9.241 )				( 780 )	( 10.021 )
Net foreign exchange losses .....	( 24.590 )			( 4.087 )		( 42 )	( 28.719 )
Other operating income .....		5.105				21	5.126
Net operating income .....	54.408	7.241	15.999	5.568	10.039	( 737 )	92.518
Net operating expense .....	( 1.566 )	( 5.447 )	( 3.433 )	( 3.796 )	( 1.277 )	3.262	( 12.257 )
Impairment .....			( 2.862 )				( 2.862 )
Profit before tax .....	52.842	1.794	9.704	1.772	8.762	2.525	77.399
Income tax .....						( 8.242 )	( 8.242 )
Profit for the period .....						( 5.717 )	69.157

**Notes, contd.:**

9. contd.:

<b>Segment assets 31.03.2007</b>	Proprietary Trading	Corporate Finance	Debt Finance	Treasury	Capital Markets	Elimina- tion	Total
Financial assets held for trading .....	1.361.472	2.931	66.976	71.651	( 230)	16.004	1.518.804
Financial assets designated at fair value through P/L .....		436.085		180.009		43.410	659.504
Loans and receivable .....	( 9)	115.493	1.718.230	821.929		3.631	2.659.274
Investments in associated companies .....		4.843				1	4.844
Property and equipment .....	99	1.056				13.967	15.122
Investment properties .....		77.402					77.402
Intangible assets .....	29.602	49.718	102.378			6.297	187.995
Other assets .....	34.683	25.357			4.800	3.779	68.619
<b>Total assets .....</b>	<b>1.425.847</b>	<b>712.885</b>	<b>1.887.584</b>	<b>1.073.589</b>	<b>4.570</b>	<b>87.089</b>	<b>5.191.564</b>

**1.1-31.3. 2006**

Segment revenue:

Net operating income .....	197.765	37.847	14.888	19.197	8.060	( 1.733)	276.024
Net operating expense .....	( 1.801)	( 2.474)	( 1.186)	( 1.721)	( 1.049)	( 388)	( 8.619)
Impairment .....			( 3.031)				( 3.031)
Profit before tax .....	195.964	35.373	10.671	17.476	7.011	( 2.121)	264.374
Income tax .....						( 46.865)	( 46.865)
Profit for the period .....	195.964	35.373	10.671	17.476	7.011	( 48.986)	217.509
 Segment assets 31.12.2006 .....	 941.719	 710.010	 1.455.523	 1.158.101	 7.504	 84.906	 4.357.763

**Notes, contd.:****10. Net gains on financial assets and financial liabilities held for trading**

	2007 1.1-31.3	2006 1.1-31.3
Shares .....	61.611	172.101
Bonds .....	5.943	641
Total net gains on financial assets and financial liabilities held for trading .....	<u>67.554</u>	<u>172.742</u>

**11. Net gains on financial assets designated at fair value**

Listed shares .....	( 220)	2.963
Unlisted shares .....	( 1.301)	19.858
Unlisted unit shares .....	( 8.500)	0
Total net gains on financial assets designated at fair value .....	<u>( 10.021)</u>	<u>22.821</u>

**12. Earnings per share**

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

Profit according to the Consolidated Financial Statements .....	64.890	218.045
Calculated average shares:		
Shares at the beginning of the year .....	9.486.694	10.250.790
Effect of the increase of shares during the year .....	219.665	( 100.560)
Calculated average shares .....	<u>9.706.359</u>	<u>10.150.230</u>
Earnings per share .....	0,007	0,021
Calculated average shares:		
Shares at the beginning of the year .....	9.486.694	10.250.790
Stock options at the beginning of the year .....	355.000	0
Effect of the increase of shares during the year .....	219.665	( 100.560)
Calculated average shares .....	<u>10.061.359</u>	<u>10.150.230</u>
Diluted earnings per share .....	0,006	0,021

**13. Loans and receivables**

Balances with credit institutions .....	31.3.2007	31.12.2006
Balances with credit institutions .....	952.373	694.968
Loans to customers.....	<u>1.706.901</u>	<u>1.351.274</u>
Total .....	<u>2.659.274</u>	<u>2.046.242</u>

**14. Loans to customers are specified as follows by sectors:**

Hotels, restaurants .....	92.034	0
Telecommunication services .....	65.868	103.953
Pharmaceutical .....	182.875	167.889
Financial services diversified .....	314.285	182.317
Software .....	64.769	65.670
Commercial banks .....	204.030	136.381
Special retail .....	179.347	92.643
Real estate .....	155.212	319.089
Insurance .....	65.889	53.398
Food products .....	112.577	77.994
Other .....	270.015	151.940
Total loans to customers .....	<u>1.706.901</u>	<u>1.351.274</u>

**Notes, contd.:**

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

	31.3.2007	31.3.2006
The allowance account at the beginning of the year .....	15.993	5.019
Provision for losses during the year .....	2.875	3.013
Translation .....	( 13)	( 207)
The allowance account at the end of the period .....	<u>18.855</u>	<u>7.825</u>

**16. Financial assets**

Financial assets held for trading are specified as follows:

	31.3.2007	31.12.2006
Bonds and other fixed-rate securities:		
Listed on the OMX Nordic Exchange .....	280.124	311.849
Foreign listed bonds .....	80.312	35.609
Total .....	<u>360.436</u>	<u>347.458</u>
Shares and other variable-yield securities:		
Listed on the OMX Nordic Exchange .....	309.686	317.060
Other listed shares .....	778.521	631.117
Unlisted shares .....	314	328
Total .....	<u>1.088.521</u>	<u>948.505</u>
Positive balance of derivatives .....	69.847	34.140
Total financial assets held for trading .....	<u>1.518.804</u>	<u>1.330.103</u>

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

Listed shares .....	26.430	45.894
Unlisted shares .....	132.972	140.397
Unlisted unit shares .....	320.093	335.504
Listed bonds .....	180.009	136.560
Total .....	<u>659.504</u>	<u>658.355</u>

**18. Borrowings**

The Bank's borrowings are specified as follows:

Balances with the Central Bank and other credit institutions		
due to repurchase agreement .....	413.393	866.621
Other balances with credit institutions .....	1.764.600	678.015
Bonds .....	409.827	412.673
Money market loans .....	671.616	615.463
Total borrowings .....	<u>3.259.436</u>	<u>2.572.772</u>

**19. Subordinated loans**

	Currency	Maturity date	31.3.2007	31.12.2006
			Book value	
Loans that qualify as Tier II capital:				
Subordinated loan - listed on the OMX Nordic Exchange				
Stock Exchange, interest 5% .....	ISK	1.3.2015	63.963	61.410
Subordinated loan, interest Euribor + 3% .....	EUR	15.12.2018	27.083	27.280
Subordinated loan, interest Euribor + 2.95% .....	EUR	19.4.2019	19.628	0
			<u>110.674</u>	<u>88.690</u>

## Notes, contd.:

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### 20. 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 as of March 2007 amounted to ISK 872 and 653 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.

21. Equity at the end of the period amounted to EUR 1,539 million, equivalent to 29.7 % 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 32.8%. This ratio may not be lower than 8.0% according to that Act. The ratio is calculated as follows:

	Weighted value
Total Equity .....	1.539.465
Intangible assets .....	( 187.995)
Subordinated loans .....	110.674
Assets in credit and financial institutions .....	( 16.445)
Total own funds .....	<u>1.445.699</u>
Total capital requirements for:	
Credit risk .....	107.635
Market risk under standardised approaches (SA) .....	192.078
Operational risk (Opr) .....	<u>53.048</u>
Capital requirements .....	<u>352.761</u>
Surplus of own funds .....	1.092.938
Capital adequacy ratio .....	32,8%

22. The Bank has granted its customers guarantees that amount to EUR 33.4 million.

### 23. 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 305.9 million at the end of March 2007. Guarantees at the same time amount to EUR 29.6 million, and the Bank's shareholding in companies wherein Board members have significant influence amounts to EUR 89.8 million. At year-end 2006, loans to related parties amounted to EUR 239.9 million, guarantees related to these loans amounted to EUR 30.2 million, and ownership in companies wherein Board members have significant influence amounted to EUR 72.6 million. There were no debts to related parties at the end of the period.

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

### 24. Events after balance sheet date

There have been no material post-Balance Sheet events that would require disclosure or adjustments to the 31 March 2007 Interim Financial Statements.