KAUPTHING BANK

REGISTRATION DOCUMENT

SEPTEMBER 2007

REGISTRATION DOCUMENT

AVANT

AVANT HF.
SEPTEMBER 2007

CONTENTS

1. RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Issuer believes that the factors described below represent the principal risks inherent in investing in its debt instruments, but the inability of the Issuer to pay the principal or other amounts on or in connection with any such instruments may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Prior to making any investment decision, prospective investors and their financial and legal advisers should carefully consider all of the information in this document and, in particular, the risks and uncertainties described below should be considered carefully. The matters described below, among other factors, should be carefully considered by any prospective investor.

This document contains forward looking statements that involve inherent risks and uncertainties. Actual results may differ significantly from the results discussed in such forward-looking statements. Factors that might cause such differences include those discussed below.

All references to "we", "us" and "our" under "Factors that may affect the Issuer's ability to fulfil its obligations" are references to the Issuer.

a. Risk relating to the Issuer

Below is a brief description of the main risks relating to the Issuer in general:

Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with Avant or otherwise the failure to perform as agreed. Credit risk is found in all activities where profitability depends on the performance of a counterparty (risk to each party of a contract that the counterparty will not meet its contractual obligations), issuer, lessee or borrower. Avant will be exposed to a credit risk that arises any time the Company's funds are committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet.

Market risk

Market risk is the current or prospective risk to earnings and capital arising from adverse movements in bond, security, and commodity prices and foreign exchange rates, amongst other fluctuations.

Liquid assets risk

Avant's main operation is the financing of private vehicle through leasing agreements and loans. A large decrease in the value of private vehicles owned by Avant and leased to customers could affect the Company's asset portfolio. There is also a risk associated with general developments of lease levels of private vehicles for various sectors. To reduce this risk it is common that Avant requires a lump sum payment of 10-30% of the total at the beginning of the agreement.

Interest rate risk

Interest rate risk arises from the Company's exposure, due to its financial obligations, to adverse movements in interest rates. All assets and liabilities are directly or indirectly affected by interest rates. Since Avant's main operation is the financing of private vehicles through leasing agreements and loans, it can be affected by unexpected periods of rapid increase in interest rates. The interest rate level could also indirectly affect lease levels by having a negative impact on the revenue of the lessees, but the interest rate level is also relevant when renewing or entering into new leases. Avant seeks to minimise interest rate risk by using variable interest rates on both leases and loans.

Risk posed to Avant by lease agreements

Avant's activities include the leasing of private vehicles. Such leasing activities include the hire purchase of private vehicles for private customers and hire purchase of vehicles for companies. Therefore the ability of Avant to meet its financial obligations is determined by the lessees and their ability to discharge these agreements. The non-fulfilment of these agreements could result in Avant being required to have recourse to the aforementioned vehicles and selling it or leasing it again. This may lead to the loss of some of Avant´s claims.

Risk posed to Avant by loan agreements

Avant's activities include providing loans for the purchase of private vehicles. Such loans activities include the purchase of private vehicles for private customers and purchase of vehicles for companies. Therefore the ability of Avant to meet its financial obligations is determined by the borrowers and their ability to repay these loan agreements. The non-fulfilment of these agreements could result in Avant being required to have recourse to the aforementioned vehicles and selling it again. This may lead to the loss of some of Avant´s claims.

Risk posed by defaulted payments

Avant's main activity involves the hire purchase of vehicles. Avant also provides loans to private customers and companies to buy vehicles. In relation to these activities, Avant may need to seek satisfaction of debts on the vehicles, which it lends or leases, either by having recourse to its assets on the basis of the lease agreement or by purchasing them at auction. In such case it is necessary to resell the assets. In such case Avant may have to accept a significant loss in value of these assets, which may have a significant impact on the financial position of the company, and/or may have to hold the assets for a considerable time without being able to sell them.

Inflation risk

Inflation could have an influence on the Company's asset portfolio. Avant seeks to minimize inflation risk by maintaining equilibrium between inflation-linked assets and liabilities.

Currency risk

Avant's reporting currency is the Icelandic krona. Avant actively manages it's foreign currency exposure through it's financing means and derivative contracts. As a result, fluctuations in exchange rates do affect Avant's profitability and financial position.

Liquidity and Refinancing risk

Avant is exposed to liquidity risk that could materially affect its operating results and financial position. Liquidity risk can be divided into funding risk and market liquidity risk.

The definition of funding risk is the current or prospective risk to earnings and capital arising from the Company's inability to meet its liabilities when they come due without incurring unacceptable losses. Funding risk arises from the inability to manage unexpected decreases or changes in funding sources.

Market liquidity risk is the current or prospective risk to earnings and capital arising from the Company's inability to quickly unwind its positions either at current market rates or at a rate which would not be adversely affected by the unwinding to such an extent which would result in unacceptable losses.

Operational risk

Operational risk is the risk of direct loss, indirect loss, or damage as a result of people's reputation, systems, inadequate or failed internal processes, or from external events.

Managing growth

Avant intends to continue to grow its business through further expansion via further penetration of markets in which it currently operates. The expansion of Avant's operations will require significant investment, increased operating costs, the greater allocation of management resources away from daily operations, the continued development and integration of information management control systems, the continued training of management and other personnel, adequate employee supervision, and the delivery of consistent client product and service messages. The failure of Avant to effectively manage these issues and the Company's growth, whilst at the same time maintain an adequate focus on its current operations, could have a materially adverse effect on its business, financial condition, and results of operations.

Key employees

Avant's financial performance depends on its ability to attract, motivate, and retain highly competent managers and specialists. Avant may be unable to attract and retain such people in the future.

Legal risk

Avant is a limited liability company which operates in accordance with the Act on Public Limited Companies No. 2/1995. The main rules affecting the Company are the Act on the

Sale of Goods No. 50/2000 (lög um lausafjárkaup), the Act on Consumer Credit No. 121/1994 (lög um neytendalán), the Act on Consumer Purchase of Goods No. 48/2003 (lög um neytendakaup) and the Act on Financial Undertakings No. 161/2002. A close watch is kept on pending changes to legislation and rules applicable to Avant, and an assessment is made of the most suitable response in each case. The Company furthermore studies how new ventures will affect the Company from a regulatory standpoint. Changes to the applicable company laws, or if the Company becomes subject to different laws, might have an impact on how it continues to conduct its business.

The Company is contractually bound to honour various contracts. Should the Company become unable to fulfil the relevant covenants it might have financial consequences for the Company.

The Issuer submits that it has not been in any governmental, legal or arbitration proceedings, during the previous 12 months which may have, or have had in the recent past, significant effects on the Issuer and/or the Group's financial position or profitability. The Issuer also submits that it is not aware of any such proceedings which are pending or threatened. Litigation is not a normal part of the Company's business but because its main business concerns is leasing and financing, credit activities and other financial service, litigation is always a possibility.

Reputational risk

Reputational risk is the risk that Avant will suffer as a loss of revenue due to negative publicity regarding its business practices. This negative publicity may result from mistakes in conducting its business, from wrong decisions, or from Avant or some related party not following general laws and regulations. If Avant's reputation or credibility is negatively affected, owing to private or public discussion, Avant's ability to grow may be impaired and future earnings may be adversely affected.

IT

The IT systems may be vulnerable to disruptions that are beyond Avant's control. Possible disruptions could result from viruses, hackers, equipment failure, power failure, natural disasters or human error. Avant has taken measures to prevent operating interruptions in case of a possible evacuation of its headquarters and has a plan of action in the possible event of such an evacuation. All IT systems are backed up at another regional location office. Should the need arise, operations may be continued at that back-up location.

Internal controls

Operational risk relates to the inner workings of Avant, the competence of its employees, and the reliability of work processes and information systems. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This includes a risk of loss resulting from failure to comply with the Icelandic laws and regulations under which Avant operates. Avant is also exposed to incorrect analyses of investment options, which can have a negative impact on its financials.

Tax

Avant could be affected by changes in tax legislation in any of the countries that influence its financial results. Avant is not aware of any ongoing tax inspection concerning itself or its subsidiaries which may have a material impact on Avant's financials. An investigation of Avant's tax filings, as for any other Company, may be initiated at a later stage in accordance with relevant regulations and affect the Company's prospects. Avant and the tax authorities may potentially have different opinions on how various financial arrangements within the company should be treated from a tax perspective. Avant is of the opinion that it is in compliance with the relevant tax regulations and practices and should not expect claims from tax authorities relating to its treatment of income or any other financial issues.

Covenants

Avant is contractually bound to honour various financing agreements. Should Avant become unable to or for some reason cease to fulfil the respective covenants, the lenders and financiers may become entitled to rescind the agreements, which might have adverse financial consequences for Avant.

2. PERSONS RESPONSIBLE

Avant hf., in its capacity as the Issuer, Icelandic ID-No.561205-1750, registered office at Sudurlandsbraut 12, 108 Reykjavík, Iceland, hereby declares that having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavik, 27 September 2007
On behalf of the Issuer

Tryggvi Þór Herbertsson,
Chairman of the Board

Magnús Gunnarsson
CEO

3. MANAGER

The Manager, Kaupthing Bank hf – Capital Markets division, Icelandic ID-No. 560882-0419 registered office at Borgartun 19, 105 Reykjavik, Iceland has been the advisor to the Issuer in the preparation of this Registration Document. The Manager has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Manager as to the accuracy or completeness of the information contained in this document or any other information provided by the Issuer in connection with the debt instruments. The Manager does not accept any liability in relation to the information contained in this document or any other information, in any document, provided by the Issuer.

Reykjavik, 27 September 2007
On behalf of the Manager

Ingvar Vilhjálmsson
Managing Director

Stefán Ákason
Head of Fixed Income Sales

4. STATUTORY AUDITORS

The Company's accounts for the years ending 31 December 2005 and 2006 respectively have been audited and the annual accounts for these years have been endorsed without remarks by KPMG Endurskodun hf., national ID no. 590975-0449 Borgartúni 27, Reykjavik, Iceland, the Company's independent auditor. The account for the 1st half of 2007 has been reviewed without remarks by KPMG Endurskodun hf.

5. REFERENCES AND GLOSSARY OF TERMS AND ABBREVIATIONS

References to the "Issuer", "Avant" and "the Company" in this Registration Document shall be construed as referring to Avant hf., Icelandic ID-No. 561205-1750, unless otherwise clear from the context, Avant hf. is the legal Icelandic name of the Issuer.

References to "OMX ICE" in this Registration Document shall be construed as referring to the OMX Nordic Exchange Iceland hf., Icelandic ID-No.681298-2829, unless otherwise clear from the context. References to the "admission to trading" and the "admission to trading on a regulated market" in this Registration Document shall be construed as referring to the admission to trading on the OMX ICE Fixed Income market, unless otherwise clear from the context.

References to "ISD" in this Registration Document shall be construed as referring to the Icelandic Securities Depository, i.e. to Verdbréfaskráning Íslands hf., Icelandic ID-No. 500797-3209, Laugavegur 182, 105 Reykjavik, Iceland, unless otherwise clear from the context.

References to the "Manager" in this Registration Document shall be construed as referring to Kaupthing Bank hf. – Capital Markets division, Icelandic ID-No. 560882-0419, unless otherwise clear from the context.

6. DOCUMENTS FOR DISPLAY

For the life of this Registration Document the following documents are for display and are to be found in Appendices I – IV to this Registration Document:

a. The articles of association for Avant hf.
b. The annual accounts of Sjóvá fjármögnun hf. for the operating year 2005.
c. The annual accounts of Sjóva fjarmögnun hf. for the operating year 2006.
d. The interim account of Avant hf. for H1 2007

Copies of documents for display to this Registration Document are to be found in Appendices I – IV which can be obtained from the Issuer's office at Sudurlandsbraut 12, 108 Reykjavík and website (www.avant.is).

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Registration Document which is capable of affecting the assessment of any Debt Securities, prepare a supplement to this Registration Document or publish a new Registration Document for use in connection with any subsequent issue of such Debt Securities. If a supplement is prepared, statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Registration Document. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this document

7. NOTICE TO INVESTORS

In making an investment decision, potential investors should carefully consider the merits and risks of an investment in any Debt Securities and carefully review the terms and conditions of the Debt Securities described in the relevant Securities Note.

This Registration Document is to be read in conjunction with all documents which are for display in this Registration document (see Appendices I - IV).

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Manager.

This Registration Document is not (a) intended to provide the basis of any credit or other evaluation; or (b) a recommendation by the Issuer or the Manager that any recipient of this Registration Document should purchase any Debt Securities. Each investor contemplating purchasing any Debt Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. Neither this Registration Document nor any other information supplied in connection with the Issuer constitutes an offer or invitation by or on behalf of the Issuer or the Manager to any person to subscribe to or purchase any Debt Securities.

Neither the delivery of this Registration Document nor the sale or delivery of any Debt Securities shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof. Investors should review, inter alia, the documents for display in appendices to this Registration Document when deciding whether or not to purchase any Debt Securities.

OMX ICE has scrutinized and approved this Registration Document which is only published in English.

7. DESCRIPTION OF THE ISSUER

a. History

Avant hf., Icelandic ID-No. 561205-1750, Sudurlandsbraut 12, 108 Reykjavík, Iceland, telephone number +354-4128900, was founded 16 December 2005 but its formal activity started on 1 April 2006. Sjóvá-Almennar tryggingar hf.,, one of largest insurance company in Iceland, laid the foundation for Avant since Sjóvá-Almennar tryggingar hf., has from 1990 offered their customers car financing. One of Sjóvá-Almennar tryggingar hf., finance departments tasks was to finance cars for their customers. On average 6 employees tended to these tasks at Sjóvá-Almennar tryggingar hf., in the years 1990-2006, thus the chief financial officer, department manager, 3 loan representatives and one in supportive tasks.

When Avant´s formal activity started in April 2006 with an approval from the Financial Supervisory Authority in Iceland, to operate as a credit undertaking, a CEO was hired and an analyst to attend to special projects. Other employees were department manager, 3 loan representatives and one in supportive tasks. The CEO of Avant worked closely with the chief financial officer at Sjóvá-Almennar tryggingar hf.

Ownership of Avant changed 2 January 2007. From the time Avant was established on 16 December 2005 the shareholders was the insurance company Sjova Almennar tryggingar hf. (70%), and the live insurance company Sjóvá-Almennar líftryggingar hf. (30%). From 2 January 2007 Avant is a 100 % subsidiary of Askar Capital hf. Milestone, the parent company of Sjóvá-Almennar tryggingar hf., owns about 80% of Askar Capital hf.

In the beginning of 2007 a decision was made to move the company from Kringlan 5 where Sjóvá-Almennar tryggingar hf., has its headquarters to Suðurlandsbraut 12. This decision was made in relation to the establishment of the investment bank Askar Capital hf. Askar Capital is built on the foundation of Sjóvá fjarmögnun hf., Radgjof og efnahagsspar ehf. (R&E) and Aquila Venture Partners ehf. (AVP).

On the March 27 2007 the name changed from Sjóvá fjármögnun hf. to Avant hf. When Avant opened at Suðurlandsbraut 12 on the 6 March 2007 employees working at the comany were the CEO, the analyst, the head of the Auto Loan Department, dealer services manager, three loan representatives and one in supportive tasks. In addition to that a service contract was made with Askar Capital hf. regarding various operational factors.

Askar Capital hf.´s operations are governed by Act No. 2/1995 on Private Limited Companies and is regulated by The Financial Supervisory Authority as an investment bank. For a further description of the Issuer's business see the chapter 'Description of the business'

b. Description of Business

Avant hf. is a subsidiary of Askar Capital hf. The Company was established 16 December 2005 - but its formal activity started on 1 April 1 2006. Currently the Icelandic market generates 100% of the operating income of Avant hf.

Avant provides individuals and companies in Iceland with auto loans and auto leases. Avant's goal is to become Iceland's leading company in auto loans and leases. New service was released in March 2007 where customers can apply for a loan assurance through www.avant.is, prior to finding a car. This is done through Avant's web site and gives the customer a chance to shop like cash buyer and place emphasis on bargaining about the price without having to worry whether or not the loan will be accepted. This is a novelty in the Icelandic market. Avant will strive to introduce other novelties in the year 2007 and become known in the marketplace as a new and fresh option. In the fall of 2007, Avant is planning to expand its product supply and offer operational leases. The company is currently altering its IT systems to handle the new products.

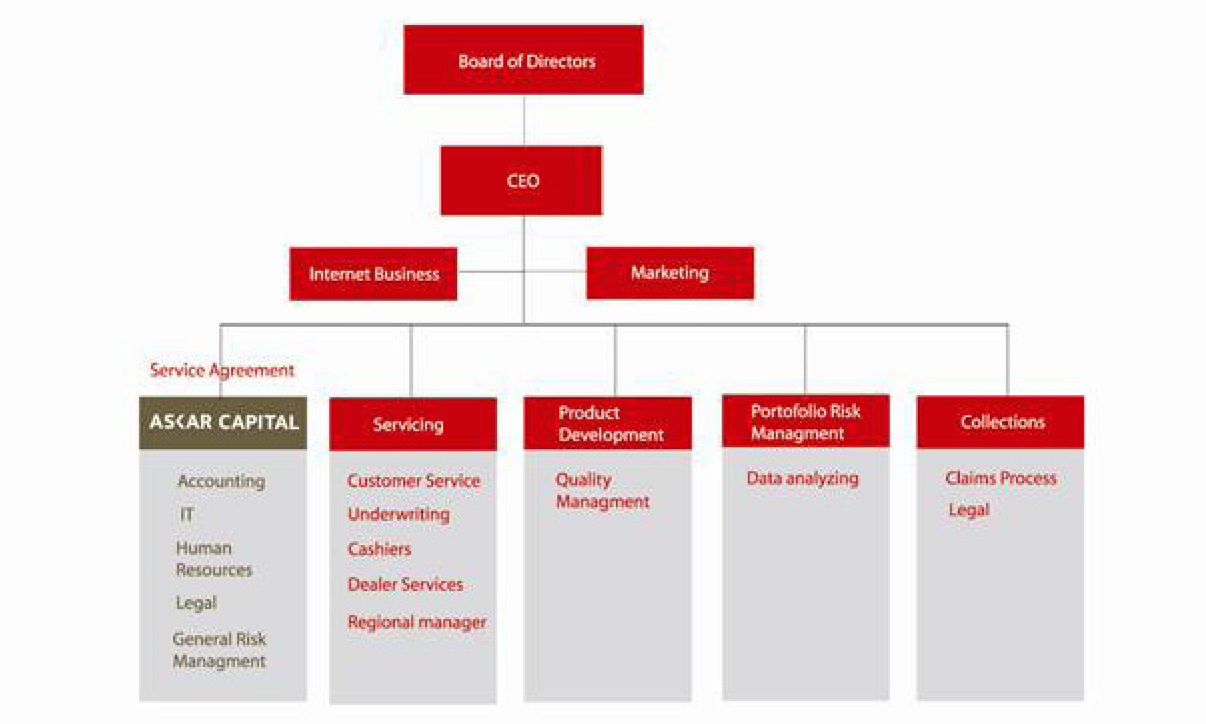
Most of Avant´s clients are individuals or small business. Currently, most of Avant´s customers are also customers of Sjóvá-Almennar tryggingar hf. This is due to the fact that until recently Sjóvá fjarmögnun hf. only lent for the purchase of cars that were insured at Sjóvá-Almennar tryggingar hf. These restrictions were discontinued from 26 March2007, that is customers can choose at which insurance company they want to insure their cars. This means that the target market is increasing even though Sjóvá-Almennar tryggingar hf customers will still be charged lower front end fees than customers of other insurance companies.

Avant´s operation has lately been growing fast. There are several reasons explaining this, i.e. being able to offer leases and currency baskets, no restrictions regarding insurance companies, introduction of a new brand and a marketing campaign, new office and increase in personnel. All these factors have contributed to the growth of the company the last few months.

Avant now has 19 employees and employee turnover is low. Avant hired 2 specialists in product development earlier this year to enhanced projects i.e. leasing agreements. A marketing manager was also hired and a regional manager for the northern part of the country, situated in Akureyri, which is Iceland's biggest town outside of the Reykjavik catchment area.

c. Organisational structure

At the date of issue of this Registration Document, Avant hf is a fully owned subsidiary of Askar Capital hf. Avant hf. has no subsidiaries and therefore all its operation is conducted through Avant hf. The following chart illustrates the Issuer's organisation



The Issuer is divided into six different divisions as set forth in the organisational chart above. In addition accounting, financial statements, legal matters and human resources are outsourced to Askar Capital hf., the parent company.

As the Issuer is a subsidiary of Askar Capital hf., Askar Capital hf. elects all the members of Avant's board. Avant has no subsidiaries.

d. Administrative, management, supervisory bodies and senior management

As an Icelandic limited liability company, the organisational structure of Avant hf. is governed by Act No. 2/1995 on Public Limited Companies.

Corporate governance

Corporate governance at Avant hf. is defined as the framework by which the Company is directed and controlled and the means by which relationships among the Company's management, its board, its shareholders and other stakeholders are conducted. This framework is largely set out in its articles of association and is supplemented by the relevant provisions of Act No. 2/1995 on Public Limited Companies.

The aim of corporate governance at Avant hf. is to ensure disclosure and transparency, define the responsibilities of the board of directors and the management, define the rights and obligations of shareholder and stakeholders, ensure the equal treatment of shareholders, and avoid conflicts of interests between the parties. The board is ultimately responsible for the group's system of internal controls and for reviewing their effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss.

Statutory bodies

The supreme authority in the affairs of Avant hf., within the limits established by its articles of association and statutory provisions, is in the hands of the Company's shareholders' meetings. Shareholders' meetings may be attended by shareholders, their representatives and advisors. At shareholders' meetings each share carries one vote. Decisions at shareholders' meetings are made by majority vote unless otherwise provided for in the articles of association or prescribed by law.

Board of directors

The board of directors of Avant hf. manages the Company's general affairs and endeavours to keep the organisation and operations consistent with the Company's mission and strategy. The Company's board of directors directs Company's affairs and works to ensure that the Company's organisation and activities are in good order at all times and that the accounting and the handling of the Company's funds are sufficiently supervised.

The board of directors appoints the CEO of the Company and defines the terms of his remuneration. The board plans to assess the activity, work practices and procedures of the board annually in light of the Company's progress, with the assistance of outside parties, when appropriate. The internal rules governing the operations of the board of directors of the Company, state that board members should familiarise themselves with the provisions of law, the Company's articles of association, securities regulations, any rules which the Company may adopt and relate to the handling of inside information and insider trading, and other relevant rules. Magnús Gunnarsson CEO of Avant is an alternate member of the board. Most of the board members are employees of the parent company, Askar Capital hf.

Avant's board of directors shall consist of five members, elected at a meeting of the shareholders for a term of one year at a time. Furthermore, five alternate members shall be elected for a term of one year at a time. The eligibility of members of the board shall be subject to statutory law. The table below shows the principal and alternate board members elected by the shareholders' meeting of 30 March 2007.

Name	**NRN**	**Address**	**Position**
Tryggvi Þór Herbertsson, chairman	170163-3709	Suðurlandsbraut 12, Reykjavík	CEO of Askar Capital hf.
Bogi Nils Bogason	180469-4439	Suðurlandsbraut 12, Reykjavík	CFO of Askar Capital hf.
Brandur Thor Ludwig	310771-6009	2-4 rue Edmond Reuter, Lúxemborg	CAO of Askar Capital hf.
Tómas Sigurðsson	180966-3159	Suðurlandsbraut 12, Reykjavík	MD, Askar Capital hf.
Yngvi Harðarson	190960-2859	Suðurlandsbraut 12, Reykjavík	MD, Askar Capital hf.
Davíð Þorláksson, alternate	160980-5679	Suðurlandsbraut 12, Reykjavík	Lawyer, Askar Capital hf.
Kristinn Karl Jónsson, alternate	290978-5729	Suðurlandsbraut 12, Reykjavík	MD, Askar Capital hf.
Magnús Gunnarsson, alternate	291050-4179	Suðurlandsbraut 12, Reykjavík	CEO of Avant hf.
Árni Jón Árnason , alternate	150566-5259	Suðurlandsbraut 12, Reykjavík	Asset managment, Askar Capital hf.
Sverrir Sverrisson, alternate	030454-5379	Suðurlandsbraut 12, Reykjavík	MD, Askar Capital hf.

The following section lists the current members of the board of directors and their activities. It is not intended to be exhaustive, but details the main occupations and or other occupations that are linked to the ownership or operations of Avant hf. In references made to "related parties" that hold shares in the Company, related parties are linked to board members, where the board members have extensive influence over the investment activity of the related party.

Tryggvi Þór Herbertsson, PhD

Tryggvi Þór Herbertsson chairman of the board of Avant hf., was born in 1963. Mr. Herbertsson is the CEO of Askar Capital hf. Before joining the Askar Capital hf. management team, Dr. Herbertsson was the Director of the Institute of Economic Studies and a Professor of Economics at the University of Iceland. He is a member of the advisory board of the Reinventing Bretton Woods Committee and on the research board of INPRS, an OECD-administered organization. Dr. Herbertsson has published extensively in academic journals and is the author of 11 books on various topics in economics.

Professor Herbertsson has been a consultant to private companies, institutions and international organizations, such as the World Bank, the International Monetary Fund, the Nordic Council of Ministers, and the OECD. He has been a member of and chaired many ministerial appointed committees in Iceland and has been a consultant to the governments of Belgium, Croatia, Denmark, Finland, Iceland, Norway, Sweden, and Uganda.

Bogi Nils Bogason

Board member Bogi Nils Bogason was born in 1969. Mr. Bogason is the CFO of Askar Capital hf. Mr. Bogason graduated in business studies from the University of Iceland in 1993 and became licensed as a chartered accountant in 1998. Before joining the Askar Capital hf. management team Mr. Bogason was employed as Chief Financial Officer of Icelandic Group Plc. from July 2004 to December 2006. From 1993 to 2004 he was an auditor, partner and a board member at KPMG in Iceland.

Brandur Thor Ludwig

Board member Brandur Thor Ludwig was born in 1971. Mr. Ludwig is the managing director of a company in real estate and infrastructure products. Before joining Askar Capital hf., Mr. Ludwig was the Managing Director and co-founder of Aquila Venture Partners (AVP). Mr. Ludwig received a Cand.Oecon Business degree from the University of Iceland, where he graduated with honours, and has a Certificate in Corporate Finance from the Securities Institute.

Mr. Ludwig has worked in the Icelandic banking sector since 1999, when he joined the Corporate Advisory/M&A division of FBA (the predecessor of Glitnir (bank)) and then worked for Glitnir in Iceland and in London until year-end 2003. Prior to the founding and incorporation of AVP, he worked in Investment Advisory at Landsbanki hf. in Luxembourg.

Mr. Ludwig has served on several boards of directors over the past decade, including in investment companies, governmentally linked entities and business societies/groups

Tómas Sigurðsson

Board member Tómas Sigurðsson was born in 1966. Mr. Sigurðsson is the managing director of the investment Advisory division. Prior to joining Askar Capital hf., Mr. Sigurdsson served as VP Treasury and New Alliances at deCODE Genetics (NASD: DCGN). From 2001 to 2002 he served as internal legal counsel and assistant treasurer at deCODE.

Mr. Sigurdsson was employed as Chief Legal Counsel with Islandsbanki, an Icelandic commercial bank, from 2002 to 2004, as Managing Director of R Raphael & Sons, a private bank in the UK, from 2000 to 2001 and as Chief Legal Advisor to the Icelandic Investment Bank and the Industrial Loan Fund in Iceland from 1995 to 2000. Mr. Sigurdsson received a cand. jur. degree in law from the University of Iceland in 1994 and a license to practice law before district courts in 1996.

Yngvi Harðarson

Board member Yngvi Harðarson was born in 1960. Mr. Hardarson holds an MA in Economics from Queen's University of Kingston Canada, with specialization in econometrics and monetary economics. In addition, he holds a certificate in international trade and resource allocation from the Yrjö Jahnsson Foundation in Helsinki, Finland and a CMT designation by the Market Technicians Association.

Mr. Harðarson is the managing director of Risk Management at Askar Capital hf. Before joining Askar Capital Mr. Hardarson was the Chief Economist of the Federation of Icelandic Industries, and before that he worked as an economist at the National Economic Institute.

Mr. Hardarson lectured on macroeconomics at the School of Economics and Business Administration at the University of Iceland until founding ECF (Ráðgjöf og efnahagsspár ehf.) in collaboration with Dr. Sverrisson in 1993. Rádgjöf og efnahagsspár was an independent advisory company with its main focus on Risk Management. Prior to the merger with Askar Capital hf., the company had become a well-recognized advisory unit with 7 employees and a vast variety of clients.

Alternative Board Member David Thorlaksson was born in 1980 and he is the General Counsel of Askar Capital hf. Prior to joining Askar, David served as General Counsel of the Iceland Chamber of Commerce from 2005-2007. From 2006-2007 he was also a Project Manager at the School of Law at the University of Reykjavik and was a part time teacher at the Faculty of Law at the University of Iceland from 2005-2006. From 2004-2005 he worked at the Loan Department of the Icelandic Housing Financing Fund. From 2001-2004 he worked for Eignaval, real estate agency.

He received a master's degree in law from the University of Iceland. He has been a member of various committees, e.g. the EFTA (European Free Trade Association) and EEA (European Economic Area) Consultative Committees and the Ethics Committee of the Society of Icelandic Advertising Agencies.

Alternate board member Kristinn Karl Jónsson was born in 1978. Before joining Askar Capital he worked at Sjóvá-Almennar tryggingar hf, mainly managing Sjóvá-Almennar tryggingar hf´s investments. He lived in Britain where he worked at Pirelli Tyres Ltd., in the Operating Division.
Mr. Jónsson graduated from the University of Iceland with a degree in industrial engineering. He is a board member of SJ-fasteignir and has been a board member of a number of companies on behalf of Sjóvá Almennar tryggingar hf.

Alternate board member Magnús Gunnarsson was born in 1950. The CEO of Avant hf. Prior to joining Avant, Mr. Gunnarsson (1950) served as the Managing Director of Sjóva Financing Ltd. He was elected mayor of Hafnarfjördur 1998-2002, Iceland's third largest municipality, and was the leader of the Independence Party in the municipality for over 12 years.

He has over 20 years of experience in finance and budgeting and served as the head of accounting and finance at Hvalur hf. from 1973 to 1995.

Mr. Gunnarsson has been a member of the Board of Directors of Sudurnes Electric and Power Company since 2000.

Alternate Board member Árni Jón Árnason was born in 1966. Mr. Arnason has a Master's degree in Finance from the University of Strathclyde in Glasgow. Mr. Arnason has extensive experience in Asset Management including seven years within the Landsbanki Group where he headed the offshore funds unit as well as being the head of the Groups Asset Allocation and Asset Management Strategy. Mr. Arnason was based in London with a subsidiary of Landsbanki, Heritable Bank and is licensed by the FSA. Mr. Arnason was also with the Icelandic Financial Supervisory Authority for over two years as a senior supervisor for credit institutions and management companies of funds and most recently Director for Deloitte Financial Advisory Services in Iceland.

Alternate Board member Sverrir Sverrisson was born 1954. Mr. Sverrisson is the managing director of asset management at Askar Captial hf. Mr. Sverrisson has a Master's degree in Economics from the University of Copenhagen, a certificate in International Economics from the Kiel institute of World Economics and a PhD. in Economics from the University of Copenhagen, with focus on International Economics.

During his residence in Denmark, Sverrisson was an Economist at RISOE Nat. Lab., the Chief Economist at MSC International, and an investment analyst for American and Danish brokerage firms and banks. Prior to the foundation of ECF in 1993, Sverrisson was Chief Economist at Kaupthing Ltd.

In 1993, Dr. Sverrisson established together with Mr. Hardarson Rádgjöf og efnahagsspár ehf., an independent advisory company with its main focus on Risk Management. Prior to the merger with Askar Capital, the company had become a well-recognized advisory unit with 7 employees and a vast variety of clients.

From 1998 to 2006 Dr. Sverrisson was on the Board of Reykjavik University and from the year 2000, he was the President of the Board. He has also been the President on the Board of the Danish-Icelandic Chamber of Commerce since the year 2000 and been a board member of a number of Icelandic companies since 1995.

In the Company's opinion there are no potential conflicts of interest between any duties of the individual members of the board of directors of Avant hf., its managers, auditors and compliance personnel, on one hand, and the Company, on the other.

The business address of the board of directors, as well as senior management is Avant hf., for the attention of the relevant person, Suðurlandsbraut 12,108 Reykjavík , Iceland.

None of the members of the board of directors of Avant hf. has, during the course of the last five years, received any convictions in relation to fraudulent offences. Furthermore none of them has, in the last five years, been a senior manager, member of the administrative, management or supervisory bodies of a company which has been a part of or associated with bankruptcy, receivership or liquidation in the previous five years. None of them has in the last five years been convicted for any criminal act or been subjected to sanctions by statutory or regulatory authorities. Furthermore, none of them has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

Senior Management

The CEO is in charge of the day operations of the Company and represents the Company in all matters concerning normal operations. The CEO manages the accounts of the Company and hires its employees. The CEO provides the board of directors and auditors with all necessary information on the operations of the Company which they might request and should be granted according to statutory law. Key employees of Avant are:

Name	NRN	Address	Occupation
Magnús Gunnarsson	291050-4179	Lynghvammi 6, Hafnarfjörður	CEO, Avant hf
Gudmundur Valgeir Gunnarsson	051277-3099	Hjallabraut 43, Hafnarfjördur	Specialist, Avant hf.
Elísabet Jónsdóttir	070876-3459	Fálkagötu 14, Reykjavík	Department Marketing Manager, Avant hf.
Helga Hermannsdóttir	241258-4089	Fífuseli 16, Reykjavík	Head of the Auto Loan, Avant hf.

Magnús Gunnarsson was born on 29 October 1950 and serves as the CEO of Avant. He was elected mayor of Hafnarfjordur 1998-2002, Iceland's third largest municipality, and was the leader of the Independence Party in the municipality for over 12 years. He has over 20 years of experience in finance and budgeting and served as the head of accounting and finance at Hvalur hf. from 1973 to 1995. Mr. Gunnarsson has been a member of the Board of Directors of Sudurnes Electric and Power Company since 2000

Guðmundur Valgeir Gunnarsson was born on 5 December 1977. He completed a B.S. degree in Business Administration from Bifrost University in 2005. He works as a Specialist at Avant (commenced work in 2006). His main field of work is data analyzing and development of the SAP system in co-operation with developers. From 2001-2006 he worked in the claim department of Sjóvá-Almennar tryggingar hf.

Elisabet Jonsdottir was born on 7 August 1976. She graduated in 2003 from Copenhagen Business School with a M.S. degree in Economics & Business Administration from the International Marketing & Management line. She graduated in 2000 from the University of Iceland with a B.S. degree in Business Administration with emphasis on finance. She also completed a certificate in practical journalism from the University of Iceland in the year 2004. In the year 2005-2007 she was employed at Sjóvá-Almennar tryggingar hf, which is one of the largest insurance company in Iceland, first as a marketing specialist and then PR manager. Prior to that in the year 2004-2005 she was Communications manager at The United Pension Fund (Sameinadi lifeyrissjodurinn) which is one of the largest pension funds in Iceland.

Helga Hermannsdottir was born on 24 December 1958. She has a high school commerce diploma and is a certified securities broker. She started working at Sjóvá-Almennar tryggingar hf in 1981 and has worked in the auto loan sector since 1993.

Auditors

A state authorised public accountant or accounting firm is elected as the auditor at each annual general meeting of Avant hf. for a term of one year. The auditor examines the Company's accounts and all relevant accounting documents for each year of operation and has access to all the Company's books and documents for this purpose. Auditors are not elected from among the members of the board of the Company or employees. The qualifications and eligibility of the auditor at elections are in other respects governed by law.

The chartered accountant and registered auditor of Avant hf. is Margrét Guðjónsdóttir, Icelandic ID-No. 130558-5859 of KPMG Endurskodun hf., Icelandic ID-No. 590975-0449 Borgartún 27, Reykjavik, Iceland. Guðjón Ásmundsson signed the financial statements for the year 2005, Margrét Guðjónsdóttir signed the financial statements for the year 2006 and Helgi Arnarsson signed the interim financial statements for the year 2007.

Compliance officer

A compliance officer is employed at the Company. The compliance officer is directly responsible to the CEO and is independent in his or her duties. The compliance officer monitors the implementation of insider rules adopted by the Company, including rules regarding securities trading by employees and primary insiders. The compliance officer is responsible for interpreting the rules, and takes decisions based on the rules. The compliance officer makes proposals for improved working procedures for various positions within the Company and helps develop and maintain the compliance monitoring system.

e. Employees

At the end of August 2007 the total number of employees at Avant was 17. The Issuer employed on average 8 employees in 2005 and 2006.

The majority of the employees of Avant hf. are based at its headquarters in Iceland, Sudurlandsbraut 12, Reykjavik. Avant has one employee based in Akureyri, Iceland. Avant hf. also employs an insignificant number of temporary employees.

f. Major shareholders

As of the date of this Registration Document Avant is a subsidiary of Askar Capital hf. which owns 100% of the Company's total issued share capital. Other subsidiaries of Askar Capital are Askar Romania SRL that is based in Romania, Gjaldeyrisvogunarsjóður hf., Askar fjárfestingaráðgjöf ehf. and Aquila Venture Partner SRL, subsidiary of Askar fjárfestingaráðgjöf ehf., based in Luxembourg.

Askar Capital hf. and Sjóvá-Almennar tryggingar hf are subsidiaries of Milestone hf. Milestone hf. is a privately held company that focus mainly on insurance, banking and asset management.
Askar Capital is a company that offers clients alternative investment solutions, asset financing and advisory services.

The main aspects of the services offered by Askar Capital hf. and subsidiaries are:

Investment Advisory

Through its subsidiary Askar Capital hf. is a real estate investment manager and advisor. Askar Capital hf´s team sources, evaluates and manages real estate investments around the world. Askar Capital hf. is involved with a diversified spectrum of projects, has the aim to allocate investment opportunities in properties that match the risk and return preferences of their clients.

Asset Financing

Through its subsidiary, Avant hf., Askar Capital hf. offers its customers with consumer auto-loans and leasing at competitive prices.

Asset Management

Askar Capital hf. will focus on managing hedge funds, real estate investment funds, and private equity funds. The asset management team will focus primarily on private client services for high net worth individuals and asset management for institutions and municipalities. Product offerings will cover a broad array of traditional and alternative investment strategies. Recently The Financial Supervisory Authority granted Askar Capital hf. an operating licence as an investment bank, therefore, operations recently started.

Risk and Funding Advisory

Askar Capital hf´s advisory unit focuses on servicing Icelandic and international clients on macro and micro issues affecting operational matters within their firms or institution. The Advisory's expertise lies within the fields of risk management, funding and re-financing. Askar Capital hf´s clients include some of the largest municipalities, pension funds, leading companies, and SOEs within all major sectors in Iceland, both listed and unlisted ones.

g. Related party transactions.

Avant hf. states that it has not entered into any transactions with its shareholders, employees or related parties other than on arm's length terms and in a context which may be regarded as being in the ordinary course of its business.

h. No material adverse change.

The Issuer submits that there has not been any material adverse change in the prospects, of the Issuer since the latest published audited financial statements, i.e. the annual account of Avant hf. for the operating year 2006.

The Issuer also submits that there has not been any material adverse change in the financial and trading position of its group since the date of 1st half of 2007 reviewed without remarks by KPMG Endurskoðun hf.

8. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

Operations

Avant is licensed to operate as financial undertaking pursuant to Act No. 161/2002 and its aim is to offer reliable and professional services to the Icelandic market by offering vehicle lease and loans for individuals and small business.

Ownership of Avant changed 2 January 2007. From the time Avant was established 16 December 2005 the shareholders was the insurance company Sjóvá - Almennar tryggingar hf. (70%), and the live insurance company Sjóvá-Almennar líftryggingar hf. (30%). From 2 January 2007 Avant is a subsidiary of Askar Capital hf.

The Company's accounts for the years ending 31 December 2005 and 31 December 2006, respectively, have been audited and the annual accounts for these years have been endorsed without comment by KPMG hf., the Company's independent auditors. The interim accounts for the period January – June 2007 have been reviewed without remarks by KPMG hf.

The company was established 16 December 2005, therefore, no operation was during the year. The annual accounts for 2005 include opening financial statements.

The 2006 annual accounts and the interim accounts for the period January – June 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS). The 2005 annual accounts have been prepared in accordance with IS-GAAP.

Avant hf. returned a profit of ISK 54 million for the year 2006. Net interest income totalled ISK 173 million and net income from commissions to ISK 57 million. Net operating expenses for the year amounted to ISK 133 million, thereof ISK 52 million for salaries and related expenses. Impairment of loans totalled ISK 36 million.

Total assets as of 31 December 2006 totalled to ISK 4,263 million. Loans and receivables totalled ISK 3,868 million. Leases amounted to ISK 1,797 million and bonds and other loans to ISK 2,071 million. Total liabilities amounted to ISK 3,759 million thereof borrowings ISK 3,422 million. Equity at year end amounted to ISK 504 million which is 11.9% of total assets. Capital stock amounted to ISK 450 million. The capital adequacy ratio, calculated in accordance with the Icelandic Act on Financial Undertakings, was 11.9%.

Avant returned a loss for the period January – June 2007 amounting to ISK 37 million compared to a profit of ISK 54 million for the year 2006. The loss is mainly due to an increase in interest expenses and operating expenses.

Net interest income was ISK 94 million in the period January - June 2007 compared to ISK 173 million for the whole year 2006. This increase in income is due to an increase in loans, especially leases. At year end 2006 leases amounted to ISK 1,797 million compared to ISK 6,456 million as of 30 June 2007. This increase is mainly due to a market campaign that Avant launched earlier this year after changing the name from Sjóvá fjármögnun hf. to Avant hf. Interest expenses increased to ISK 310 million as of 30 June 2007 from ISK 101 million as of 31 December 2006. This increase is due to an increase in borrowings in relation with the growth of the company.

Net income from commissions totalled ISK 25 million in June 2007 compared to ISK 57 million in the year 2006. Operating expenses amounted to ISK 164 million as of 30 June 2007 while it amounted to ISK 133 million as of 31 December 2006.The increase in operating expenses is due to an increase in the number of employees, developing cost for the IT system and the market campaign.

Impairment of loans amounted to ISK 14 million as of 30 June 2007 compared to ISK 36 million as of 31 December 2006.

Total assets as of 30 June 2007 totalled ISK 9,007 million. Loans and receivables totalled 8,655 million, whereof leases amounted to ISK 6,456 and bonds and other loans to ISK 2,200 million. The increase in loans and receivables is 124% for the first six months of the year 2007.

Total liabilities amounted to ISK 7,880 million as of 30 June 2007 increasing from ISK 3,759 million as of 31 December 2006. Borrowings totalled ISK 5,388 million as of 30 June 2007 compared to ISK 3,422 million as of 31 December 2006. This increase is due to growth in loans and receivables and the growth of the company.
Capital stock increased from ISK 450 million at the end of 2006 to ISK 615 million as of 30 June 2007. Equity at the end of June 2007 amounted to ISK 1,127 million which is 12.5% of total assets and the capital adequacy ratio was 12.9%.

Interim Income Statement

Amounts are in thousand of ISK

	2007 1.1.-30.6.	2006 1.1.-31.12.
Interest income	404,735	273,719
Interest expenses	(310,395)	(100,927)
Net interest income	94,340	172,792
Income from commissions	28,886	63,497
Expenses from commissions	(4,179)	(6,479)
Net income from commissions	24,707	57,018
Net foreign exchange gain	13,487	4,899
Net operating income	132,534	234,709
Operating expenses	(163,549)	(132,580)
Impairment on loans	(13,658)	(36,317)
Pre-tax (loss) profit	(44,673)	65,811
Income tax	8,041	(11,846)
(Loss) profit for the year	(36,632)	53,965
Earnings per Share:		
Earnings per each 1 krona of share capital	(0.06)	0.07

Interim Balance Sheet

Amounts are in thousand of ISK

	30.6.2007	31.12.2006	31.12.2005
Assets			
Cash and cash equivalents	287,532	46,363	0
Loans and receivables	8,655,935	3,867,729	0
Derivatives	16,713	0	0
Fixed assets	16,338	8,408	0
Related companies, claims	0	333,853	450,000
Other claims	31,028	6,867	0
Total Assets	9,007,546	4,263,220	450,000
Liabilities			
Borrowings	5,387,893	3,422,060	0
Related companies, loans	2,425,577	0	0
Tax liabilities	3,805	11,846	0
Other liabilities	62,937	325,349	0
Total Liabilities	7,880,212	3,759,255	0
Equity			
Capital stock	615,000	450,000	450,000
Premium account	495,000	0	0
Statutory reserve	5,397	5,397	0
Retained earnings	11,937	48,569	0
Total Equity	1,127,334	503,965	450,000
Total Liabilities and Equity	9,007,546	4,263,220	450,000

Interim Statement of Cash Flows

Amounts are in thousand of ISK

	2007 1.1.-30.6.	2006 1.1.-31.12.
Cash flows from operating activities:		
Pre-tax (loss) profit	(44,673)	65,811
Difference between net profit and cash from operations:		
Depreciation of fixed assets	47	143
Impairment	13,658	36,317
Loans and other receivables, change	(4,801,864)	(3,904,046)
Other operating assets and liabilities, change	(286,590)	318,482
Borrowing, change	1,965,833	3,422,060
Net cash used in operating activities	(3,153,589)	(61,233)
Cash flows from investment activities:		
Derivatives, change	(16,713)	0
Investments in fixed and intangible assets	(7,959)	(8,550)
Related parties, change	333,853	116,147
Net cash provided by investment activities	309,181	107,597
Cash flows from financing activities:		
Subordinated loans, change	2,425,577	
Paid in capital	660,000	0
Net cash provided by financing activities	3,085,577	0
Increase (decrease) in cash and cash equivalents	241,169	46,363
Cash and cash equivalents at 1 January	46,363	0
Cash and cash equivalents at end of period	287,532	46,363

Appendix I

ARTICLES OF ASSOCATION

of

Avant HF

SECTION I
Name of the company, domicile and role

Domicile – legal venue

Article 1

The company is a corporation and its name is Avant HF. The company is a finance company that operates on grounds of Act no. 161/2002 on Finance Companies and Act no. 2/1997 Respecting Public Limited Companies.

The company's domicile is at Sudurlandsbraut 12, Reykjavík. Its legal venue is in Reykjavík.

Purpose

Article 2

The purpose of the company is property leasing, lending activities and other financial services, including the operation of real estate. Additionally, the company's purpose is any other activity deemed as necessary in relation to the aforementioned purpose.

Organization

Article 3

The administration of the company is as follows:

1 Shareholders meetings
2 Company's board of directors
3 Managing director

SECTION II
Share capital of the company

Share capital – shares

Article 4

The company's share capital is ISK 615,000,000.- (ISKsixhundredandfifteenmillion) and is divided into an equal number of shares, each to the amount of ISK 1.

A shareholder who has paid his shares in full shall receive a share certificate that grants him full rights in the company according to these Articles of Association. The shares shall be numbered and issued to name. The share certificates shall be issued by the company's board of directors and all board members shall sign the share certificates. Their names may be electronically written. Joining the shares of individual shareholders in one share certificate is permissible.

Obligations of shareholders

Article 5

No special privileges are attached to the shares in the company. Every shareholder is obligated to abide by the company's Articles of Association as they are at any given time. Shareholders are not responsible for the company's commitments in excess of their shareholding. Shareholders are not obligated to be subjected to the redemption of their shares unless otherwise provided for by law. The provisions of this article cannot be amended except with the consent of all shareholders.

Increasing the share capital

Article 6

The consent of a shareholders meeting is required for increasing the share capital. In the instance of increased share capital, the shareholders shall have a preemptive right of purchase to the new shares in proportion with their registered shareholding. In other respects the increase shall be carried out in conformity with the rules set forth by the company's board of directors in collaboration with a lawfully called meeting at any given time.

Shares in the company – sale of shares – prohibition of lending

Article 7

Shares in the company grant shareholders rights as stipulated in the company's Articles of Association. No restrictions apply regarding the sale of shares, pledging shares or other transfer of shares in the company. The company may not grant loans against shares in the company.

Share Register

Article 8

The company's board of directors is obligated to keep a detailed Share Register. The Share Register shall always be safeguarded at the company's offices and all shareholders and the authorities shall have access to it and shall be able study its contents.

The offices of the company shall be notified of any change in the ownership of shares through sale, gift, inheritance, the settlement of estate or collection procedures, as soon as such takes place in which instance the Share Register shall be changed accordingly.

A party who becomes the owner of shares in the company may not exercise his rights as a shareholder unless his name has been entered in the Share Register or he has proved his ownership of shares.

Transfer of shares shall always be written on the share certificates.

In respect of the company, the Share Register shall always be deemed as full proof of the ownership of shares in the company. The dividend at any given time, as well as bonus shares, calls to meetings and any notifications, shall be dispatched to the party who is registered in the company's Share Register as the owner of the relevant shares at any time. The company is not responsible for payments or notifications being misplaced because of negligence in notifying the company of a change in ownership or address.

According to a decision by the company's board of directors, share certificates may be issued by electronic means at a stock exchange in conformity with Act no. 131/1997 on the Electronic Ownership Registration of shares. A printout from a stock exchange is deemed as being a satisfactory Share Register.

Own shares

Article 9

The company is authorized to own up to 10% (ten percent) of the share capital. The company may only become the owner of shares according to an authorization by a shareholders meeting to the board of director. Such an authorization may not be issued for a longer period of time than 18 months at a time.

SECTION III
Shareholders meetings

Article 10

Lawfully held company meetings, shareholders meetings, hold the supreme power in all affairs of the company within the limitations of these Articles of Association. The majority of votes determines the outcome of matters unless otherwise provided for by these Articles of Association or national law. Shareholders meetings shall be held in Reykjavík unless the company's board of directors decides otherwise.

Annual meeting – calls to meetings

Article 11

The annual meeting shall be held before the end of April every year. The board of directors shall call the meeting by letter, telegram or an advertisement in the news media 14 days in advance, and the call shall state the agenda of the meeting.

Not later than one week before the annual meeting, the agenda, the final proposals, as well as the annual accounts, the report by the board of directors and the report by the certified accountants shall be available for inspection by the shareholders at the company's offices and shall also be sent to any registered shareholder who requests this.

If amendments to these Articles of Association are to be addressed, the principal contents of the proposals shall be stated in the call to the meeting.

Extraordinary meetings – calls to shareholders meetings – matters not stated in the agenda

Article 12

Extraordinary meetings shall be held when the company's board of directors deems this as necessary, according to a resolution by a meeting.

Additionally, the board shall call an extraordinary meeting when the elected certified accountants or shareholders, controlling at least 1/10th of the share capital, demand this in writing and state the reason for the need for an extraordinary meeting. The board shall send a notification about the extraordinary meeting within 14 days from the date the board received the demand. If the board has not sent a call to the meeting within 14 days from receiving the demand, the certified accountants and/or the shareholders may have the meeting called according to Article 87 of the Act Respecting Public Limited Companies.

Not later than one week before a shareholders meeting, the agenda and final proposals shall be available for inspection by shareholders at the offices of the company and shall also be sent to any registered shareholder who requests this.

An extraordinary meeting shall be called in the same manner as the annual meeting, however, on one-week notice, if the company's board of directors deems this as necessary.

Extraordinary meetings shall only enter into decisions on matters that have been stated in the call to the meeting. Matters that have not been stated in the agenda cannot be taken up for disposition at shareholders meetings except with the consent of all shareholders in the company, however, guideline resolutions on them may be made for the board of directors.

Lawfulness of shareholders meetings – amendments to the Articles of Association

Article 13

Shareholders meetings are lawful if lawfully called irrespective of how many attend the meeting. The weight of votes determines the outcome at shareholders meetings.

The company's Articles of Association may only be amended at a lawful shareholders meeting. The company's Articles of Association may not be amended, however, except at a meeting where the votes of more than 2/3rd of the share capital is represented and an amendment is accepted with not less than 2/3rd of the shares represented at the meeting, cf. however, Article 4 of these Articles of Association and Article 94 of Act no. 2/1995 Respecting Public Limited Companies. If an amendment is not made due to insufficient attendance at the meeting, a new meeting may be called within one month to address the amendment proposals only. At such a meeting the consent of 2/3rd of the share capital represented at the meeting is sufficient.

Right to attend shareholders meetings

Article 14

The right to attend shareholders meetings is held by all shareholders, the company's certified accountants and the managing director.

A shareholder is authorized to attend a meeting together with a consultant, who shall not have the right to speak, make proposals or the right to vote. Additionally, a shareholder may instruct a representative to attend a meeting on his behalf in which instance he shall present a written and dated power of attorney, which shall not be valid, however, for more than 5 years from its date.

Additionally, the executor of estate, legal guardians of persons not in control of their finances, financial guardian according to the Act on Legal Competence and the person holding the power of procuration of an entity, are authorized to attend a meeting on behalf of their clients or have an agent do so on their behalf.

Rules of procedure

Article 15

The chairman of the board of directors or another person as appointed by the board shall declare shareholders meetings as open.

Shareholders meetings are chaired by a chairperson who shall be elected by the meeting. The chairperson determines everything regarding the lawfulness of meeting, the format of discussions, the disposition of matters at the meetings and the voting, which shall be in writing, however, if any participant at the meeting so requests.

When a meeting has been declared as opened, a register shall be made of the shareholders and the representatives of shareholders attending the meeting in order to ensure how many shares and votes each of them controls.

The chair of the meeting shall have a secretary to the meeting elected who shall write the Record of Minutes. The decisions by the shareholders meeting shall be entered in the Record of Minutes. The register of shareholders and representatives present shall be entered in the Record of Minutes or shall accompany it.

The minutes shall be read out aloud before the end of the meeting and comments, if any, shall be entered therein. The chair and the secretary to the meeting shall sign the minutes.

Not later than 14 days after the shareholders meeting, the shareholders shall have access to the minutes or a confirmed copy thereof at the offices of the company. The Record of Minutes shall be securely safeguarded.

The minutes shall be a full proof of that taking place at shareholders meetings.

Agenda of the annual meeting

Article 16

The annual meeting shall address the following matters:

1 Report by the board of directors on the company's activities in the previous year of operation.
2 Audited accounts of the past accounting year with the comments of the certified accountants.
3 Determine the payment of dividend and the disposition of the company's profit or deficit in the past accounting year.
4 Proposals amending these Articles of Association, if received.
5 Election of the board of directors.
6 Election of certified accountants or an accounting firm.
7 Determine the remuneration for the members of the company's board of directors for the new term.
8 Discussions and voting on other matters lawfully presented.

If shareholders controlling at least 1/5th of the share capital so demand in writing at the annual meeting, deciding the matters as stated in items 2 and 3 of this article or pertain to a release of responsibility, shall be postponed until an extended annual meeting which shall be held not sooner than one month and not later than two months thereafter. A further postponement cannot be requested.

Weight of votes

Article 17

Shareholders have one vote that is attached to every ISK 1 shares they hold in the company.

No right to vote is attached to shares in the company which the company may own. Additionally, no voting right is attached to shares which subsidiaries may own in the company.

SECTION IV

Activities and company's management

Election of the board of directors

Article 18

The company's board of directors shall consist of five persons and five alternates.

The company's annual meeting elects the board of directors and the alternates whose term shall be until the next annual meeting. Those running for the board shall notify this in writing to the board of directors not later than five regular weekdays before the beginning of the annual meeting. The members on the board of directors shall be elected first, followed by the election of the alternates.

The election of the board of directors shall be proportional voting of individuals. The procedure shall be such that the names of all the candidates shall be listed in one voting slip. Each individual may cast one to three votes. If the voting slip does not state the division of votes between those to whom the votes are cast, the weight of votes shall be equally divided between those he elects.

An alternate shall take the seat of a principal board member in his absence. The members of the board of directors and the managing director shall satisfy the conditions set forth in Article 66 of the Corporate Act and Article 52 of the Act on Finance Companies as applicable. The majority of the members of the board of directors shall reside in Iceland.

Division of duties between board members – rules of procedure at board meetings

Article 19

The board of directors elects its chairman and in other respects divides the duties as appropriate. The chairman of the board shall call board meetings; he shall chair the meetings and prepare them in collaboration with the managing director.

Meetings shall be held when the chairman deems this as necessary; however, the chairman is also obligated to call a meeting if requested by any board member, the company's managing director or its certified accountants.

The weight of votes determines the outcome of matters at board meetings and board meetings are deemed as lawful if attended by a majority of board members. If a meeting is not fully attended two votes are required for accepting a proposal. The weight of votes determines the outcome of matters unless otherwise provided for by these Articles of Association or other lawful instructions. If the votes fall even the vote of the chairman is the determining vote. The board of directors shall write a short record on that occurring at its meetings and the record shall be confirmed with the signatures of the members present.

The board of directors shall set rules of procedure further stipulating the execution of its duties.

Sphere of duties of the board of directors

Article 20

The company's board of directors holds the chief power of operation of the company unless otherwise decided in these Articles of Association.

The duties of the board of directors are as follows, among other things:

1 Maintaining chief management of the company's activities and general control of the company's organization and activities, especially the accounting and finances, and that they are always in conformity with law and the company's Articles of Association.
2 Confirming the principal factors in the management organization of the company and deciding its chief management.
3 Hiring a managing director for the company. His competence and duties shall be in accordance with law and the further instructions by the board of directors at all times.
4 Hiring the company's internal auditor.
5 Determining which employees are authorized to commit the company and set rules on such matters.
6 Entering into strategic and major decisions pertaining to the interests, investments and activities of the company.
7 Preparing a strategy in interest and currency issues, and setting general rules on lending, the issuance of guarantees and borrowing of the company, subject to comments by the managing director.
8 Deciding the depreciation of assets and the company's receivables. The board of directors is authorized to instruct the company's personnel to handle the write-off of receivables according to rules set by the board.
9 Presenting proposals at the annual meeting on the disposition of the profit according to the annual accounts.
10 Carrying out other projects as stipulated in the Act on Finance Companies and the Corporate Act, including maintaining a share register.

The company's board of directors also addresses other issues as presented to it by shareholders meetings or the managing director.

Article 21

Anything the board of directors presents in writing shall be signed by the chairman and two other board members. The company is responsible for any commitments which the board undertakes under the umbrella of its position on behalf of the company.

Managing director – internal audit

Article 22

The daily operation of the company is in the hands of the managing director who is hired by the board of director. The board is authorized to grant a power of procuration to the managing director. The board is authorized to terminate the employment of the managing director.

The managing director is responsible for the daily operation of the company according to rules set by the company's board of directors or according to these Articles of Association. The daily operation does not include measures that are unusual or major. The managing director holds the votes of the company at the shareholders meetings of companies of which the company is a shareholder unless otherwise especially decided by the board of directors. The managing director shall see to it that the operation of the company is in conformity with law, these Articles of Association and the decisions by the board of directors. The managing director shall see to it that the books are kept in accordance with law and prevailing practice, and that the disposition of the company's assets is safely conducted. The managing director hires and expels the company's personnel.

The company's internal audit controls that the company's activities conform to law and regulations.

Except subject to a special permission by the company's board of directors, the managing director is not authorized to hold seats on the boards of institutions and undertakings outside of the company or to participate in business operations in other respects unless law stipulates otherwise.

The company's board of directors is authorized to terminate the employment of the managing director.

SECTION V

Annual accounts and auditing

Annual accounts

Article 23

The company's year of operation and its accounting year are the fiscal year. The company's board of directors prepares the annual accounts for every accounting year. The annual accounts shall consist of the annual report, the profit and loss account and the balance sheet with the explanatory notes.

Certified accountants

Article 24

The company's annual accounts shall be audited by a certified accountant or an accounting firm. The certified accountant or accounting firm shall be elected at the company's annual meeting for a one-year term at a time.

The certified accountants shall always have access to the company's books for inspection. The accountant may not hold a seat on the company's board of directors, may not be its managing director or an employee, and shall in other respects meet the statutory competence requirements.

Article 25

No later than one month before the annual meeting the company's board of directors shall have completed the accounts for the previous year of operation and shall have sent them to the certified accountants, who in turn shall have returned them to the chairman of the board with their comments in sufficient time to render it possible for the accounts being available for inspection by the shareholders for a week.

Article 26

The board of directors shall present proposals on the disposition of the profit at the annual meeting, which shall enter into a final decision on its disposition. Dividend shall be paid after the annual meeting has so decided.

SECTION VI
Dissolving the company and other provisions

Dissolving the company

Article 27

If it is deemed as necessary to dissolve the company, a shareholders meeting shall be called in the same manner as an annual meeting.

In order for a decision by a shareholders meeting on dissolving the company being valid, shareholders controlling at least 2/3rd of the total share capital of the company shall vote in favor. Dissolving the company shall be made as stipulated in Section XIII of the Corporate Act. A meeting entering into a lawful decision on dissolving the company shall also determine the disposition of its assets and the payment of debt. The shareholders are not free of their commitments until all responsibilities of the company have been settled and the duties of the managing director and the board of directors continue in effect unless the company meeting that has decided to dissolve the company appoints a special settlement committee. Such a committee may not start working until it has been certified by the minister.

Provisions of law

Article 28

In instances where the provisions of these Articles of Association do not stipulate the disposition of matters, the provisions of the Corporate Act shall prevail, as well as the Act on Finance Companies, the Act on Annual Accounts and the provisions of other law as appropriate.

These Articles of Association were accepted at the founding meeting and subsequently amended at the annual meeting on 30 March 2007.

The headlines within the individual sections are not deemed as constituting a part of these Articles of Association, i.e. are only included for practical reasons.

Appendix II

Sjóvá fjármögnun hf.

Financial Statements 2005

Sjóvá fjármögnun hf.
Kringlunni 5
103 Reykjavík

Reg no. 561205-1750

Contents

Endorsement by the Board of Directors

The company was founded 2005 and commenced operations 2006. Sjóvá fjármögnun hf. is a leasing company and operates according to the Act on Financial Institutions no. 161/2002.

Sjóvá fjármögnun hf.'s share capital amounted to ISK 450 million at year-end and the shareholder is Sjóvá-Almennar tryggingar hf.

The company's board of directors hereby confirm the company's 2005 financial statements with their signatures.

Reykjavík, September 7th, 2006

Board of Directors:

Helgi Bjarnason.

Managing Director:

Auditor's Report

To the Board of Directors and Shareholders of Sjóvá fjármögnun hf.

We have assisted the management of Sjóvá fjármögnun hf. in presenting the Company's Financial Statements. These Financial Statements include Balance Sheet as at December 31, 2005 and notes. The Financial Statements are based on Company data and information provided by Company management. The Company's Board of Directors is responsible for the Financial Statements.

We have organised and conducted our work in accordance with generally accepted procedures in the preparation of unaudited Financial Statements. We have therefore neither audited nor reviewed the Financial Statement and hence do not provide an opinion thereto.

The presentation of the Financial Statements is in accordance with law and generally accepted accounting principles in Iceland. To the best of our knowledge, all information relevant to the Company's financial position is included in the Financial Statements.

Reykjavík, September 7th, 2006

KPMG Endurskoðun hf.

Balance Sheet as at December 31, 2005

Assets

	2005
Related companies, claims	450,000,000
Total Assets	450,000,000

Equity

	2005
Equity:	
Capital stock	450,000,000
Total Equity	450,000,000
Total Equity	450,000,000

Notes

Accounting Principles

Basis of preparation

1. The financial statements have been prepared in accordance with with Icelandic laws and generally accepted auditing standards and guidelines. The financial statements are presented in Icelandic krona (ISK). The financial statements are prepared on the historical cost basis.

Equity

2. The company's capital stock amounted to ISK 450 million at year-end 2005. Each share of one krona carries one vote.

Appendix III

Sjóvá fjármögnun hf.

Financial Statements
2006

Sjóvá fjármögnun hf.
Kringlunni 5
103 Reykjavík

Reg no. 561205-1750

Contents

Endorsement by the Board of Directors and the Managing Director

Sjóvá fjármögnun hf. is a leasing company and operates according to the Act on Financial Institutions no. 161/2002. The company is a subsidiary of Sjóvá-Almennar tryggingar hf. and the financial statements are part of the consolidated financial statements of the parent company and information on the company's performance and financial position are to be found therein. The financial statements of Sjóvá fjármögnun hf. for the year ended 31 December 2006, have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements for the year 2005 was prepared in accordance with act on financial statements and the effect of the change in accounting policies on the book value of stockholders′ equity is none.

According to the income statement company's net profit for the year amounted to ISK 54 million. According to the balance sheet, stockholders' equity at year-end amounted to ISK 504 million which is 11.9% of total assets. The company's capital ratio, calculated in accordance with provisions in the Act on Financial Institutions, is 11.7% at year-end 2006. The board of directors proposes that no dividend will be paid to shareholders in 2007. Changes in stockholders equity are further explained in the notes to the financial statements.

Sjóvá fjármögnun hf.'s share capital amounted to ISK 450 million at year-end. Shareholders at year-end 2006 numbered 2 as at the beginning of the year they both held more than 10% of the Company's capital stock, they are:.

	Share
Sjóvá Almennar tryggingar hf., Reykjavík	70.0%
Sjóvá Almennar líftryggingar hf., Reykjavík	30.0%

The company's board of directors and managing director hereby confirm the company's 2006 financial statements with their signatures.

Reykjavík, February 16th, 2007.

Managing Director:

Áritun óháðs endurskoðanda

To the Board of Directors and Shareholders of Sjóvá fjármögnun hf.

Report on the Financial Statements

We have audited the accompanying financial statements of Sjóvá fjármögnun hf., which comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Sjóvá fjármögnun hf. as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Reykjavík, February 16th 2007.

KPMG hf.

Margrét Guðjónsdóttir

Income Statement for the Year 2006

	Notes	2006
Interest income		273,718,802
Interest expenses		(100,926,517)
Net interest income	13	172,792,285
Income from commissions		63,497,176
Expenses from commissions		(6,479,476)
Net income from commissions		57,017,700
Net foreign exchange gain		4,898,879
Operating expenses	14-17	(132,580,129)
Impairment on loans	24	(36,317,305)
		(163,998,555)
Pre-tax profit		65,811,430
Income tax	28	(11,846,057)
Profit for the year		53,965,373
Earnings per Share:		
Earnings per each 1 krona of share capital	18	0.12
Diluted earnings per each 1 krona of share capital	18	0.12

Notes 1-36 are an intergral part of these financial statements

Balance Sheet as at December 31, 2006

	Notes	2006	2005
Assets			
Cash and cash equivalents	19	46,363,400	0
Loans and claims	20-24	3,867,728,993	0
Fixed assets	25	8,407,500	0
Related companies, claims		333,853,264	450,000,000
Other claims		6,866,987	0
Total Assets		4,263,220,144	450,000,000
Liabilities			
Borrowings	26,27	3,422,060,191	0
Tax liabilities	28	11,846,057	0
Other liabilities		325,348,523	0
Total Liabilities		3,759,254,771	0
Equity	29,30		
Capital stock		450,000,000	450,000,000
Statutory reserve		5,396,537	0
Retained earnings		48,568,836	0
Total Equity		503,965,373	450,000,000
Total Liabilities and Equity		4,263,220,144	450,000,000

Notes 1-36 are an intergral part of these financial statements

Statement of Changes in Equity

	Capital Stock	Statutory reserve	Retained earnings	Total
2005				
Capital stock, paid in...	450,000,000	0	0	450,000,000
Equity 31.12.2005...	450,000,000	0	0	450,000,000
2006				
Equity 1.1. 2006...	450,000,000	0	0	450,000,000
Profit for the year..			53,965,373	53,965,373
Contribution to statutory reserve............................		5,396,537	(5,396,537)	
Equity 31.12.2006...	450,000,000	5,396,537	48,568,836	503,965,373

Notes 1-36 are an intergral part of these financial statements

Statement of Cash Flows for the Year 2006

	Notes	2006
Cash flows from operating activities:		
Pre-tax profit		65,811,430
Difference between net profit and cash from operations:		
Depreciation of fixed assets		142,500
Impairment	24	36,317,305
Loans and other claims, change		(3,904,046,298)
Other operating assets and liabilities, change		318,481,536
Net cash used in operating activities		(3,483,293,527)
Cash flows from investment activities:		
Investments in fixed and intangible assets	25	(8,550,000)
Related parties, change		116,146,736
Net cash provided by investment activities		107,596,736
Cash flows from financing activities:		
Loans, change		3,422,060,191
Subordinated claims, change		0
Net cash provided by financing activities		3,422,060,191
Increase in cash and cash equivalents		46,363,400
Cash and cash equivalents at the beginning of the year		0
Cash and cash equivalents at the end of the year	19	46,363,400
Other informations:		
Interest income received		273,718,802
Interest expenses paid		0
Income tax paid		0

Notes 1-36 are an intergral part of these financial statements

Notes to the Financial Statements

General information

1. ***Reporting entity***

Sjóvá fjármögnun hf. ("the company") is incorporated and domiciled in Iceland. Sjóvá fjármögnun hf. is a subsidiary of Sjóvá-Almennar tryggingar hf. and the financial statement of Sjóvá fjármögnun hf. is a part of the consolidated financial statements of Sjóvá-Almennar tryggingar hf.

2. ***Basis of preparation***

a. *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial statements were approved by the board of directors on 16 of February 2007.

The adoption of IFRS had no impact on the company.

b. *Basis of measurement*

The financial statements are prepared on the historical cost basis.

c. *Functional and presentation currency*

The financial statements are presented in Icelandic krona (ISK), rounded to the nearest thousand. Icelandic krona is the companies functional currency.

d. *Use of estimates and judgments*

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised and in any future periods affected.

The company values and applies assumptions that has impact on the value of assets. This valuations and assumptions are constantly revaluated and build on experience and other facts, like expectations about future events.

The company values their loan collection at least every six months to value impairment. Before a decision is made about a impairment transaction, the company needs to value if sources indicate measurable decrease on expected future cash flow, either from single loan or a collection of loans before the increase will be noticeable with one loan in the collection. Methodology and assumptions that are used to value both amount and timing on the future cash flow are revaluated regularly to minimize the difference between expected loss and real loss.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3. ***Foreign currency***

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Icelandic kronas at the foreign currency closing exchange rate ruling at the balance sheet date. Foreign currency exchange difference arising on translation are recognised in the income statement.

4. ***Revenue and expenses recognition***

a. *Net interest income*

Interest income and expenses are recognized in the income statement as they incur, based on effective interests. Among interest income and expenses is the distribution of discount and other difference between the initial book value of interest bearing instruments and their amount on maturity date, which is calculated based on effective interests.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently. The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate.

If a financial asset or a group of comparable financial assets has been subject to impairment loss, interest income is recognized based on the same imputed rate of interest as for the determination of the fair value for impairment losses. Interest income on financial assets, that are written down due to impairment loss, are calculated on the recoverable amount of financial assets.

b. *Net income from commissions*

The Company provides various services to customers, for which it receives payments, including service income from leasing agreements. Service income and fees are recognized in the income statement when the service has been provided.

c. *Income tax*

Income tax on the profit for the year is deferred tax. The company will not pay income tax in the year 2007 for the operation in year 2006.

Deferred tax is calculated and entered into the financial statements. Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The difference in balance sheet items as it materializes arises due to the fact that income tax assessment is based on different premises than in the financial statements for the group and in substance, concerns a temporary difference in income and expense registration in tax accounting on the one hand, and on the other, in the financial statements.

5. ***Impairment***

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment . If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

a. *Loans and claims*

The company values its loans every six months at least to make sure of every impairment. The company values the collection and single loan and if the valuation indicates impairment an impairment is entered.

If the reviewing of lending's indicates an impairment of their future cash flow, the loan is recognized in accordance with the estimated present value of future cash flows. Evidence of impairment may be considerable financial difficulties of the borrower or default installment payments. In determining the impairment loss, a risk assessment is performed, amount and timing of prospect payments are estimated and insurance sales value is assessed.

5. *Impairment, contd.:*

Loans and claims that are not adjusted to impairment become a part of a portfolio which is assessed with regard to possible impairment. A valuation of a loan portfolio is made on the basis that the loans bear similar credit risk characteristics. Indication of impairment in a loan portfolio is if authentically data indicate that the future cash flow is decreasing and the decrease is measurable with a reliable method.

Loans are recognized as definite bad debt, in part or as a whole, when there is no realistic chance that the amount will be recovered

b. *Pledged assets*

The company has taken over assets due to mortgages foreclosed. Assets available for sale are recognized at the lower of the estimated fair value and the cost value. Any later entries on the pledged asset down to fair value are entered as impairment in the income statement. Any later entries to raise the fair value are entered in to the income statement if it is not higher than the impairment.

c. *Calculation of recoverable amount*

The recoverable amount of the group's receivables carried at amortized cost is calculated at the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessment of the time value of money and the risk specific to the assets.

d. *Reversal of impairment*

An impairment loss in respect of assets that are reported at depreciated cost value are reversed if the increase can be objectively related to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization.

6. ***Cash and cash equivalents***

Cash and cash equivalents in the statement of cash flows include cash and current accounts.

7. ***Loans and receivables***

Loans and receivables are financial assets, other than derivative agreements, which carry fixed, calculated payments and are not listed in an effective market. Loans and receivables consist of leasing agreements that the company grants to customers for real estates, machines and equipments and loans, such as debentures.
Loans are recognised when cash is advanced to borrowers. They are initially recorded at fair value, which is the cash given to originate the loan, including any transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. The company's loans are capitalized with accrued interests, indexation and exchange rate differences at year-end. Indexed loans are recognized based on the indices that came into effect at the beginning of year 2007 and currency indexed loans are recognized based on the exchange rate of the relevant currency at year-end.

Loans and receivables are depreciated when cash flow can no longer be obtained or when the group has transferred for the most part risk and gains from the ownership.

8. ***Fixed assets***

Fixed assets are stated at cost less depreciation and impairment.

The company recognizes in the carrying amount of an item of buildings and other fixed assets the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense has incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of property and equipment. The estimated useful life is specified as follows:

	Useful life	Residual value
Vechiles	5 years	20%

Residual value is revalued every year if it is not material.

9. ***Borrowings***

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are recognized in the Income statement over the period of the borrowing on an effective interest rate basis.

Borrowings and subordinated loans are recognized when the group enters into a contractual debt instrument. A financial liability is derecognized when the group's liability is settled with payment, the creditor relinquishes the debt or the debt expires.

10. ***Other assets and liabilities***

Other assets and liabilities are stated at cost.

11. ***Earnings per share***

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is equal to basic EPS.

12. ***New standards and interpretations not yet adopted***

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these financial statements.

IFRS 7 Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures require extensive disclosures about the significance of financial instruments for an entity’s financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the group’s 2007 financial statements, will require extensive additional disclosures with respect to group’s financial instruments and share capital.

12. *New standards and interpretations not yet adopted, cont.:*

IFRS 8 *Operating Segments* sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8, which becomes mandatory for the group's 2009 financial statements, is not expected to have any impact on the financial statement.

I*FRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economy* addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the group's 2007 financial statements, is not expected to have any impact on the financial statements.

IFRIC 8, scope of the IFRS *Share related payments*, concerns accounting methods that apply to share related payments when return on some or all goods or services can not be specified. IFRIC 8 becomes effective as of January 1 2007 but will not affect the group's financial statements

IFRIC 9 Reassessment of *Embedded Derivatives* requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the group's 2007 financial statements, is not expected to have any impact on the financial statements.

IFRIC 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Group's 2007 financial statements, is not expected to have any impact on the financial statements.

IFRIC 11 IFRS 2 – *Consolidated group and transactions with own shares* deals with how certain types of agreements on securities related payments shall be recognized in the financial statements of a company and its subsidiaries. IFRIC 11 applies for accounting periods starting as of March 1, 2007 and will not affect the financial statements of the group.

IFRIC 12 – *Service Concession Arrangements*. IFRIC 12 will become mandatory for the company 2008 financial statements, is not expected to have any impact on the financial statements.

Net income interest

13. Interest income and interest expense are specified as follows:

	2006
Interest income from loans	271,453,591
Interest income from credit institutions	2,265,211
Interest income total	273,718,802
Interest expence from related parties	(100,926,517)
Net interest income	172,792,285

Operating expenses

14. Operating expenses are specified as follows:

Salary and salary related expenses	52,345,642
Other operating expenses	80,091,987
Depreciation	142,500
Total operating expenses	132,580,129

15. Salaries and related expenses are specified as follows:

Salaries	44,368,053
Pension	4,624,402
Salary related expenses	3,353,187
Total salaries and related expenses	52,345,642

16. The company's total number of employees is as follows:

Average number of employees during the year	9
Full time equivalent positions at year-end	9

17. Salaries and commissions to board members and managing director:

Salaries and commisions to managing director amounted to ISK 10 million during the year 2006. No salaries and commissions were paid to board members for the year 2006.

Earnings per share

18. The calculation of basic earnings per share was based on the profit and a weighted average number of shares outstanding during the year. Diluted earnings per share is the same as basic earnings per share as the company has not entered into share options agreements and has no convertible loans.

	2006
Profit	53,965,373
Weighted average number outstanding shares during the year	450,000,000
Basic earnings and diluted earnings	0.12

Cash and cash equivalents

19. Cash and cash equivalents are specified as follows:

	2006
Claims on credit institutions	46,363,400
Cash and cash equivalents total	46,363,400

Loans and claims

20. Loans and claims are specified as follows:

	2006
Leases	1,797,209,863
Bonds and other loans	2,070,519,130
Loans and claims total	3,867,728,993

21. Loans and claims are specified by types of assets:

	2006
Vehicles	3,289,406,912
Other assets	578,322,081
Loans and claims total	3,867,728,993

22. Loans and claims to customers are specified as follows:

Individuals	77.3%
State Treasury and government institutions	0.1%
Company's:	
Agriculture	0.3%
Fishing industry	1.3%
Industry	2.2%
Building contractors	4.3%
Commerce	4.7%
Transportation	1.5%
Finance organization	0.1%
Service	8.2%
Total loans and claims	100.0%

23. Loans and claims to customers are specified by maturity:

	2006
On demand	117,341,671
Up to 3 months	302,789,972
Over 3 months and up to 1 year	899,263,763
Over 1 year	2,548,333,587
Loans and claims total	3,867,728,993

24. Impairment on loans and claims are specified as follows:

Impariment on loans at January 1	0
Impairment on loans over the year	36,317,306
Impairment on loans and claims at December 31	36,317,306
Impairment on loan portfolio, as percentage of loans	0.9%

Fixed assets

25. Fixed assets are specified as follows:

Total value	Machines, equipments and vehicles	Total
Total value 31.12.2005	0	0
Additions during the year 2006	8,550,000	8,550,000
Total value 31.12.2006	8,550,000	8,550,000
Depreciation		
Total depreciation 31.12.2005	0	0
Depreciation during the year 2006	142,500	142,500
Total depreciation 31.12.2006	142,500	142,500

25. *Fixed assets, contd..*

Book value

1.1.2005	0	0
31.12.2005	0	0
31.12.2006	8,407,500	8,407,500
Depreciation ratio	20%	

Borrowings

26. The company's borrowings are specified as follows:

	2006
Borrowings from parent company	2,273,518,038
Borrowings from subsidiary	1,148,542,153
Borrowings total	3,422,060,191

27. The borrowing mature as follows:

	2006
Over 3 months and up to 1 year	3,422,060,191
Borrowings total	3,422,060,191

Tax liability

28. The change in the deferred income tax liability is specified as follows:

	2006
Deferred income tax liability at beginning of 2006	0
Calculated income tax	11,846,057
Deferred income tax liability at year-end	11,846,057

Deferred income tax liability is divided between the following balance sheet items:

Loans and claims	13,946,044
Fixed assets	282,150
Carry forward loss	(2,382,137)
Deferred income tax liability at year-end	11,846,057

The company will not pay income tax in the year 2007 for the operation in year 2006.

Equity

29. The company's capital stock amounted to ISK 450 million at year-end 2006 and 2005 according to the company's articles of association. Each share of one krona carries one vote. No changes were done to the company's capital stock during the years 2006.

30. Equity at year-end amounts to ISK 508 million which is 11.9% of total assets. The capital ratio according to provision af Article 84 of Act on Credit Institutions is 11.7%, but according to the Act, it must be at least 8%. The ratio is computed as follows:

30. *Equity*

	Book value	Weighted value 2006
Risk base:		
Assets	4,263,220,144	4,169,652,827
Risk base in relation to the exchange rate difference	132,500,167	132,500,167
Risk base, total		4,302,152,994
Tier I capital:		
Capital		503,965,373
Tier II capital:		
Subordinated loan		0
Total capital		503,965,373
Capital ratio		11.7%

Risk management

31. *Loans-, interest- and foreign currency risk*

Exposure to loans-, interest and currency risks arises in the normal course of the company's business.

The company has established loan policies and regularly monitors it's loan risk. Risk valuation is regularly done and insurance valued. The total loan risk is equal to book value of loans and claims in the balance sheet.

The company regularly monitors the company's interest rate risk and assesses their conditions on loans by their cost of borrowings.

Exposure to foreign exchange rate arises from loans and borrowings in currencies other than the company's base currency, which is the ISK krona. Assets and liabilities that are exposed to foreign exchange rate risk are specified as follows:

2006	EUR	USD	CHF	Other currency	Total
Loans and claims	327,462	157,800	514,377	303,071	1,302,710
Exchange insured assets	327,462	157,800	514,377	303,071	1,302,710
Borrowings	294,155	141,750	462,059	272,246	1,170,210
Exchange insured borrowings	294,155	141,750	462,059	272,246	1,170,210
Net foreign currency positon	33,307	16,050	52,318	30,825	132,500

32. *Liquid assets related risk*

Liquid assets related risk is the risk involved in the loss that the company might be subject to as a result of not being able to settle its liabilities on time. The company monitors its cash balance by analyzing date of maturity of financial assets and liabilities to be able to settle all liabilities on maturity date. The company maintains work procedures that ensure sufficient liquid assets to be able to meet contingent and foreseeable payment liabilities. The company has for that purpose, among other things, ensured an access to loan lines. According to the rules of the Central Bank of Iceland (Sedlabankinn), on liquid assets ratio no. 317 from April 25, 2006, the company must remit reports on liquid assets each month. By remitting those reports there is a very effective control on the liquid assets ratio.

Following is the breakdown of the companies financial assets and liabilities with respect to maturity date:

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Loans and claims	302,789,972	899,263,763	2,665,675,258	0	3,867,728,993
Cash at year end	46,363,400	0	0	0	46,363,400
Total 31.12.2006	349,153,372	899,263,763	2,665,675,258	0	3,914,092,393
Total 31.12.2005	0	0	0	0	0

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Borrowings	0	3,422,060,191	0	0	3,422,060,191
Other debts	0	0	0	0	0
Total 31.12.2006	0	3,422,060,191	0	0	3,422,060,191
Total 31.12.2005	0	0	0	0	0
Assets-liabilities 31.12.2006	349,153,372	(2,522,796,428)	2,665,675,258	0	492,032,202
Assets-liabilities 31.12.2005	0	0	0	0	0

33. *Assets and liabilities index-linked*

The total amount of indexed assets amounted to ISK 1,649 million at year-end and the total amount of indexed liabilities were none.

34. *Fair value*

Fair value of loans, receivables, borrowings and subordinated loans is considered to be the closest to book value, as their interest terms in general vary in accordance with market interest terms at each time. It is the Company's evaluation that unrealized profit or losses due to the difference between fair value of assets and liabilities and the book value is insubstantial.

Related parties

35. Parent company (Sjóvá-Almennar tryggingar hf. - 70% share, Sjóvá-Almennar líftryggingar hf. 30%), associates (SJ fasteignir ehf., SJ1 ehf.), board members, executives and stockholders are considered related parties. Company's owned by board members, executives and stockholders are also considered related parties.

The balance with the parent company are stated in previus notes. In the income statement the interest expenses to parent company and associates amounts to ISK 101 million and interest expenses amounts to ISK 1,391 million (2005: 287 million). Expenses from commissions to parent company and associates is ISK 6 million (2005: 6 million).

Interest terms to related parties are in accordance with the company's general interest rate terms.

Subsequent events

36. Nothing has come forth following the date of the financial statement, which would require adjustments or changes to the financial statements as at December 31, 2006. On February 16th, 2007, the company's board of directors reviewed and approved the financial statements. The financial statements will be submitted in the company's annual general meeting for shareholders' approval. In January 2007 Askar Capital hf. was founded and Sjóvá fjármögnun ehf. became a part of that company.

Appendix VI

Avant hf.

Condensed Interim Financial Statements
1 January - 30 June 2007
ISK

Avant hf.
Suðurlandsbraut 12
105 Reykjavík

Reg. no. 561205-1750

Contents

Endorsement by the Board of Directors

The Interim Financial Statements of Avant hf. as of 30 June 2007, have been prepared in accordance with International Financial Reporting Standards (IFRS).

Avant hf. is a leasing company and operates according to the Act on Financial Institutions no. 161/2002. The Company is a subsidiary of Askar Capital hf. and the Consolidated Financial Statements are part of the Consolidated Financial Statements of the Parent Company and information on the Group's performance and financial position are to

According to the Interim Income Statement the Company's net loss for the period amounted to ISK 37 million. According to the Balance Sheet, Stockholders' Equity at period-end amounted to ISK 1.127 million which is 12,5% of total assets. The Company's capital ratio, calculated in accordance with provisions in the Act on Commercial Banks and Savings Banks, is 12,9% at the end of June 2007.

The Company's Board of Directors and Managing Director hereby confirm the Interim Financial Statements for the period January 1 to June 30 2007 with their signatures.

Reykjavík, August 28, 2007.

Board of Directors:

Managing Director:

Report on Review of Interim Financial Information

To the Board of Directors of Avant hf.

Introduction

We have reviewed the accompanying balance sheet of Avant hf. as of June 30, 2007 and the related statements of income and cash flows for the six-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 International Financial Reporting standards as adopted by the EU. 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 June 30, 2007, and of its financial performance and its cash flows for the six month period then ended in accordance with International

Reykjavík, August 28, 2007.

KPMG hf.

Interim Income Statement January 1 - June 30, 2007

	Notes	2007 1.1.-30.6.	2006 1.1.-30.6.
Interest income		404,735	113,095
Interest expenses		(310,395)	(16,628)
Net interest income		94,340	96,467
Income from commissions		28,886	600
Expenses from commissions		(4,179)	(1,303)
Net income from commissions		24,707	(703)
Net foreign exchange gain		13,487	0
Net operating income		132,534	95,764
Operating expenses		(163,549)	(57,921)
Impairment on loans		(13,658)	(3,065)
Pre-tax (loss) profit		(44,673)	34,778
Income tax		8,041	(6,260)
(Loss) profit for the year	5	(36,632)	28,518

Earnings per Share:

		2007	2006
Earnings per each 1 krona of share capital		(0.06)	0.07

Amounts are in thousand of ISK

Interim Balance Sheet as at 30 June 2007

	Notes	30.6.2007	31.12.2006
Assets			
Cash and cash equivalents		287,532	46,363
Loans and receivables	2,3	8,655,935	3,867,729
Derivatives		16,713	0
Fixed assets		16,338	8,408
Related companies, claims		0	333,853
Other claims		31,028	6,867
Total Assets		9,007,546	4,263,220
Liabilities			
Borrowings		5,387,893	3,422,060
Related companies, loans		2,425,577	0
Tax liabilities		3,805	11,846
Other liabilities		62,937	325,349
Total Liabilities		7,880,212	3,759,255
Equity			
Capital stock	4	615,000	450,000
Premium account		495,000	0
Statutory reserve		5,397	5,396
Retained earnings		11,937	48,569
Total Equity	5,6	1,127,334	503,965
Total Liabilities and Equity		9,007,546	4,263,220

Amounts are in thousand of ISK

Interim Statement of Cash Flows
January 1 – June 30, 2007

	Notes	2007 1.1.-30.6.	2006 1.1.-30.6.
Cash flows from operating activities:			
Pre-tax (loss) profit		(44,673)	34,778
Difference between net profit and cash from operations:			
Depreciation of fixed assets		47	0
Impairment		13,658	3,065
Loans and other receivables, change		(4,801,864)	(1,530,100)
Other operating assets and liabilities, change		(286,590)	454,196
Borrowing, change		1,965,833	0
Net cash used in operating activities		(3,153,589)	(1,038,061)
Cash flows from investment activities:			
Derivatives, change		(16,713)	0
Investments in fixed and intangible assets		(7,959)	0
Related parties, change		333,853	0
Net cash provided by investment activities		309,181	0
Cash flows from financing activities:			
Subordinated loans, change		2,425,577	1,038,061
Paid in capital		660,000	0
Net cash provided by financing activities		3,085,577	1,038,061
Increase (decrease) in cash and cash equivalents		241,169	0
Cash and cash equivalents at 1 January		46,363	0
Cash and cash equivalents at 30 June		287,532	0

Amounts are in thousand of ISK

Notes to the Interim Financial Statements

Significant accounting policies

1. Avant hf. ("the company") is incorporated and domiciled in Iceland. Avant hf. is a subsidiary of Askar Capital hf. and the interim financial statement of Avant hf. is a part of the consolidated financial statements of Askar Capital hf. The Interim Financial Statements were authorised for issue by the Board of Directors of Avant hf. on August 28, 2007.

a. ***Statement of compliance***

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 Statement as at and for the year ended 31 December 2006.

b. ***Basis of preparation***

In preparing these condensed consolidated interim financial statements, were the same accounting policies applied as those that applied to the consolidated financial statments as at and for the year ended 31 December 2006.

A summary of significant accounting policies are provided in the Financial Statement for the year 2006.

The Interim Financial Statements are presented in Icelandic krona (ISK), rounded to the nearest thousand. The Interim Financial Statements are prepared on the historical cost basis except the derivatives that are stated at their fair value.

c. ***Significant judgements and Accounting Estimate***

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgemetns made by the management in applying the company'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.

Loans

2. Loans and leases to customers are specified as follows:

	30.6.2007	31.12.2006
Leases	6,456,129	1,797,210
Bonds and other loans	2,199,806	2,070,519
Total loans and leases to customers	8,655,935	3,867,729

Amounts are in thousand of ISK

Notes, contd.:

3. Impairment on loans, leases and assets held for sale are specified as follows:

	30.6.2007	31.12.2006
Impairment on loans, leases and assets held for sale at January 1	90,196	53,879
Impairment on loans over the period	13,565	73,823
Actual losses during the period	(2,955)	(37,766)
Payment of loans previously written off	0	260
Impairment on loans and leases at period-end	100,806	90,196
Impairment on loan portfolio, as percentage of loans	1.2%	1.8%

Equity

4. The Company's capital stock amounted to ISK 615 million according to the Company's articles of association. At the beginnig of the year The company's capital stock amounted to ISK 450 million and was increased by the nominal amount of ISK 165 million according to its Articles of Association on March 30, and June 29, 2007. Each share of one krona carries one vote.

5. Changes in equity are as follows

	Capital Stock	Premium account	Statutory reserve	Retained earnings	Total
Equity 1.1.2007	450,000	0	5,397	48,569	503,966
Paid in capital	165,000	495,000			660,000
Loss for the period				(36,632)	(36,632)
Equity 30.6.2007	615,000	495,000	5,397	11,937	1,127,334

6. Stockholders' equity at period-end amounts to ISK 1.127 million which is 12,5% of total assets. The capital ratio according to provision of Article 84 of Act on Credit Institutions is 12,9%, it must be at least 8%. The ratio is computed as follows:

	Book value	Weighted value 30.6.2007
Risk base:		
Assets	9,007,546	8,730,052
Risk base in relation to derivatives		11,492
Risk base in relation to the exchange rate difference		27,494
Risk base, total		8,769,038

Capital:	
Tier I capital:	
Capital	1,127,334
Tier II capital:	
Subordinated loan	0
Total capital	1,127,334
Capital ratio	12.9%

Amounts are in thousand of ISK

Risk Management

7. *Loans-, interest- and foreign currency risk*

Exposure to loans-, interest and currency risks arises in the normal course of the company's business.

The company has established loan policies and regularly monitors it's loan risk. Risk valuation is regularly done and insurance valued. The total loan risk is equal to book value of loans and claims in the balance sheet.

The company regularly monitors the company's interest rate risk and assesses their conditions on loans by their cost of borrowings.

Exposure to foreign exchange rate arises from loans and borrowings in currencies other than the company's base currency, which is the ISK krona. Assets and liabilities that are exposed to foreign exchange rate risk are specified as follows:

30/06/2007	EUR	USD	CHF	JPY	Total
Cash and cash equivalents	5,089	5,104	45,225	46,738	102,156
Loans and receivables	566,921	272,971	2,682,279	2,318,988	5,841,159
Total	572,010	278,075	2,727,504	2,365,726	5,943,315
Borrowings	715,066	555,299	528,111	486,562	2,285,038
Total	715,066	555,299	528,111	486,562	2,285,038
Net Balance sheet position ...	(143,056)	(277,224)	2,199,393	1,879,164	3,658,277
Net off Balance sheet position	169,626	275,271	(2,238,783)	(1,913,561)	(3,707,447)
Net position	26,570	(1,953)	(39,390)	(34,397)	(49,170)

8. *Liquid assets related risk*

Liquid assets related risk is the risk involved in the loss that the company might be subject to as a result of not being able to settle its liabilities on time. The company monitors its cash balance by analyzing date of maturity of financial assets and liabilities to be able to settle all liabilities on maturity date. The company maintains work procedures that ensure sufficient liquid assets to be able to meet contingent and foreseeable payment liabilities. The company has for that purpose, among other things, ensured an access to loan lines. According to the rules of the Central Bank of Iceland (Sedlabankinn), on liquid assets ratio no. 317 from April 25, 2006, the company must remit reports on liquid assets each month. By remitting those reports there is a very effective control on the liquid assets ratio.

Amounts are in thousand of ISK

8. Contd.:

Following is the breakdown of the companies financial assets and liabilities with respect to maturity date:

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and cash equivalents	287,532	0	0	0	287,532
Loans and receivables	582,027	1,194,147	5,836,034	1,043,727	8,655,935
Other assets	16,713	26,983	4,045	0	47,741
Total 30.6.2007	886,272	1,221,130	5,840,079	1,043,727	8,991,208
Total 31.12.2006	349,153	899,264	2,665,675		3,914,092

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Borrowings	3,101,072	2,336,541	2,375,857	0	7,813,470
Other liabilities	62,937	0	0	0	62,937
Total 30.6.2007	3,164,009	2,336,541	2,375,857	0	7,876,407
Total 31.12.2006	0	3,422,060	0	0	3,422,060
Assets-liabilities 30.6.2007 ..	(2,277,737)	(1,115,411)	3,464,222	1,043,727	1,114,801
Assets-liabilities 31.12.2006	349,153	(2,522,796)	2,665,675	0	492,032

9. *Assets and liabilities index-linked*

The total amount of indexed assets amounted to ISK 1,900 million at period-end and the total amount of indexed liabilities were none.

10. *Fair value*

Fair value of loans, receivables, borrowings and subordinated loans is considered to be the closest to book value, as their interest terms in general vary in accordance with market interest terms at each time. It is the Company's evaluation that unrealized profit or losses due to the difference between fair value of assets and liabilities and the book value is insubstantial.

Amounts are in thousand of ISK