Icebank hf.

Interim Financial Statements
1 January - 30 September 2007

Icebank hf.
Raudarárstígur 27
105 Reykjavík

kt. 681086-1379

Contents

Endorsements and Signatures of the Board of Directors and the CEO

The Interim Financial Statements of Icebank hf. for the nine months ended 30 September 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS).

According to the Income Statement net earnings for the period 1 January to 30 September 2007 amounted to ISK 4,263 million. Equity according to the Balance Sheet at the end of the period amounted to ISK 16,269 million including shareholders' equity amounting to ISK 1,141 million. The Bank's equity ratio, calculated according to the Act on Financial Undertakings, was 15.0% for the Bank. This ratio may not be lower than 8.0%.

The Board of Directors and the CEO of Icebank hf. hereby confirm the Interim Financial Statements for the period from 1 January to 30 September 2007, by means of their signature.

Reykjavik, 20 November 2007

Board of Directors:

Geirmundur Kristinsson
chairman

Fridrik Fridriksson

Ólafur Elísson

Ragnar Z. Gudjónsson

Magnús Ægir Magnússon

CEO:

Finnur Sveinbjörnsson

Auditor's Review Report

To the Board of Directors of Icebank hf.

Introduction

We have reviewed the accompanying Balance Sheet of Icebank as of September 30, 2007 and the related Statement of Income, Changes in Equity and Cash Flows for the nine month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with indicate applicable financial reporting framework. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not give a true and fair view of the financial position of the entity as at September 30, 2007, and of its financial performance and its cash flows for the nine month period then ended in accordance with applicable financial reporting framework, including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is International Financial Reporting Standards.

Reykjavik, 20 November 2007

KPMG hf.

Sigurdur Jónsson

Ólafur Már Ólafsson

Income Statement
for the Period from 1 January to 30 September 2007

	Notes	2007 1.7.-30.9.	2006 1.7.-30.9.	2007 1.1.-30.9.	2006 1.1.-30.9.
Interest income		3,483,229	1,512,835	8,320,438	4,064,993
Interest expense		(2,808,143)	(1,012,126)	(6,489,503)	(2,961,045)
Net interest income		675,086	500,709	1,830,935	1,103,948
Fee and commission income		58,687	52,935	195,778	164,791
Fee and commission expense		(30,873)	(16,074)	(85,261)	(46,678)
Net fee and commission income		27,814	36,861	110,517	118,113
Dividend income	3	18	2,744	382,292	294,360
Net (loss) gain on trading assets and liabilities	4	209,326	(34,174)	291,476	(44,526)
Net gain on financial assets designated at fair value	5	(562,010)	4,999,832	3,213,540	6,402,503
Net foreign exchange difference		61,295	96,649	209,315	201,021
Share of profit of associates		5,687	(16)	8,916	1,248
Other operating revenue	6	16,427	5,606	38,499	22,668
Other net operating income		(269,257)	5,070,641	4,144,038	6,877,274
Net operating income		433,643	5,608,211	6,085,490	8,099,335
Salaries and related expenses		(151,633)	(93,355)	(454,786)	(313,078)
Administrative expenses		(145,140)	(82,176)	(402,336)	(250,854)
Depreciation		(2,877)	(2,964)	(8,894)	(8,639)
Impairment on loans and advances	14	(54,904)	(22,500)	(103,849)	(34,500)
		(354,554)	(200,995)	(969,865)	(607,071)
Profit before income tax		79,089	5,407,216	5,115,625	7,492,264
Income tax expense		(14,237)	(971,141)	(853,113)	(1,296,858)
Profit for the year		64,852	4,436,075	4,262,512	6,195,406
Earnings per share					
Basic and diluted earnings per share	7	0.06	6.42	4.22	9.43

Notes numbered 1-31 are an integral part of these interim financial statements

Balance sheet
as at 30 September 2007

	Notes	30.9.2007	31.12.2006
Assets			
Cash and balances with the Central Bank		3,442,915	7,292,521
Loans and advances	8-14	83,129,595	61,520,424
Trading assets	15	104,549,859	8,869,689
Financial assets designated at fair value	17	14,478,390	8,786,951
Investments in associates		32,475	18,045
Property and equipment		334,796	342,836
Other assets	18	178,884	94,793
Total Assets		206,146,914	86,925,259
Liabilities			
Deposit from credit institutions and the Central Bank	19	98,610,072	16,330,099
Other deposits	20	9,995,736	4,130,836
Borrowings	21	74,353,156	49,633,317
Subordinated loans	23	2,372,913	2,430,339
Trading liabilities	24	1,271,266	6,965
Tax liabilities		2,859,335	2,093,782
Other liabilities	25	415,282	293,279
Total Liabilities		189,877,760	74,918,617
Equity			
Share capital		1,140,596	691,270
Reserves		430,599	879,924
Retained earnings		14,697,959	10,435,448
Total Equity	26	16,269,154	12,006,642
Total Liabilities and Equity		206,146,914	86,925,259

Notes numbered 1-31 are an integral part of these interim financial statements

Statement of Changes in Equity
for the Period from 1 January to 30 September 2007

	Share capital	Reserves	Retained earnings	**Total**
Changes in equity 1.1.-30.9.2007:				
Equity 1 January 2007	691,270	879,924	10,435,448	12,006,642
Profit for the period			4,262,512	4,262,512
Issue of compensation shares	449,326	(449,326)		0
Equity 30 September 2007	1,140,596	430,598	14,697,960	16,269,154
Changes in equity 1.1.-30.9.2006:				
Equity 1 January 2006	609,944	351,306	4,773,823	5,735,073
Profit for the period			6,195,406	6,195,406
Paid-in capital	81,326	528,618		609,944
Equity 30 September 2006	691,270	879,924	10,969,229	12,540,423

Notes numbered 1-31 are an integral part of these interim financial statements

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

	2007 1.1.-30.9.	2006 1.1.-30.9.
Net cash (used in) provided by operating activities..	(34,080,857)	(13,753,223)
Net cash flow provided by (used in) investing activities...	(296,062)	(22,497)
Net cash flow provided by financing activities...	30,527,313	8,718,858
Net change in cash and cash equivalents..	(3,849,606)	(5,056,862)
Cash and cash equivalents, beginning of the year..	7,292,521	8,494,369
Cash and cash equivalents, end of the period...	3,442,915	3,437,507

Notes numbered 1-31 are an integral part of these interim financial statements

Notes

Accounting Policies

Icebank hf. is a company domiciled in Iceland. The address of the Bank is Raudarárstígur 27 in Reykjavík. Icebank is a commercial bank, focusing on wholesale transactions with domestic and foreign financial institutions, especially with Icelandic savings banks and businesses. The Interim Accounts were authorised for issue by the Board of Directors of Icebank on 20 November 2007.

1. Statement of compliance

The Interim Financial Statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34, *Interim Financial Reporting*, as adopted by the EU. They do not include all of the information required for full annual Financial Statements and should be read in conjunction with the Financial Statements of the Bank as at and for the year ended 31 December 2006.

2. Significant accounting policies

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

The Interim Financial Statements of the Bank as of 30 September 2007 are available upon request through the Bank´s registared office at Raudarárstígur 27, Reykjavik or at www.icebank.is and www.icex.is.

The Interim Financial Statements are presented in Icelandic krona (ISK), rounded to the nearest thousand.

Dividend income

3. Dividend income is specified as follows:

	2007 1.1.-30.9.	2006 1.1.-30.9.
Dividend income on trading assets	7,489	6,860
Dividend income on financial assets designated at fair value	374,803	287,500
Total dividend income	382,292	294,360

Net (loss) gain on trading assets and liabilities

4. Net (loss) gain on trading assets and liabilities is specified as follows:

Shares and related derivatives	155,467	91,762
Bonds and related derivatives	136,009	(136,288)
Net (loss) gain on trading assets and liabilities	291,476	(44,526)

Net gain on financial assets designated at fair value

5. Net gain on financial assets designated at fair value is specified as follows:

Shares	3,213,540	6,402,503

Other operating revenue

6. Other operating revenue is specified as follows:

Gain on disposals of assets	19,703	0
Other operating revenue	18,796	22,668
Other operating revenue	38,499	22,668

Earnings per share

	2007	2006
7. Earnings per share are specified as follows:	1.1.-30.9.	1.1.-30.9.
Net earnings	4,262,512	6,195,406
Equity according to Financial Statements at the beginning of the period	691,270	609,944
Effects of increase/sale of share during the period	319,301	47,366
Weighted average of outstanding shares for the period	1,010,571	657,310
Basic and diluted earnings per share	4.22	9.43

Earnings per share

Earnings per share are calculated by dividing the net earnings by the weighted average number of ordinary shares outstanding during the period.

Loans and advances

8. Loans and advances are specified as follows:	30.9.2007	31.12.2006
Loans to credit institutions	44,889,203	30,270,492
Loans to customers	38,702,743	31,608,748
Provision for impairment	(462,351)	(358,816)
Loans and advances	83,129,595	61,520,424

9. Loans to credit institutions specified by types of loans:

Bank accounts	1,442,797	178,293
Money market loans	8,031,022	8,639,411
Repurchase agreements	8,851,759	13,425
Other loans	26,563,625	21,439,363
Loans to credit institutions	44,889,203	30,270,492

10. Loans to credit institutions specified by maturity:

Up to 3 months	22,685,091	9,267,655
Over 3 months and up to a year	6,048,303	9,470,845
Over 1 year and up to 5 years	12,382,203	8,070,267
Over 5 years	3,773,606	3,461,725
Loans to credit institutions	44,889,203	30,270,492

11. Loans to customers specified by types of loans:

Overdrafts	2,098,719	2,424,290
Bonds and loan agreements	18,577,578	12,243,724
Other loans	17,564,095	16,581,918
Loans to customers	38,240,392	31,249,932

Notes, contd.:

12. Loans to customers specified by sectors:

	30.9.2007	31.12.2006
Municipalities	0.1%	0.1%
Business enterprises:		
Agriculture and Fishing	3.4%	6.4%
Industry	18.9%	21.1%
Commerce	9.9%	8.4%
Service	51.4%	48.0%
Other	16.3%	16.0%
Loans to customers	100.0%	100.0%

13. Loans to customers specified by maturity:

On demand	65,933	76,746
Up to 3 months	13,148,917	7,097,036
Over 3 months and up to a year	6,774,271	2,861,849
Over 1 year and up to 5 years	14,136,620	16,170,604
Over 5 years	4,114,651	5,043,697
Loans to customers	38,240,392	31,249,932

Provision for impairment of loans and advances

14. Changes in the provision for impairment of loans and advances are specified as follows:

Balance at the beginning of the year	358,816	451,039
Impairment for the period	103,849	(15,096)
Write-offs	(8,939)	(77,422)
Recoveries of loans previously written off	8,625	295
Provision for impairment of loans and advances	462,351	358,816

Trading assets

15. Trading assets are specified as follows:

Market securities and other bonds with fixed income	8,476,364	4,904,111
Shares and other securities with variable income	3,481,632	1,165,553
Derivatives	92,591,863	2,800,025
Trading assets	104,549,859	8,869,689

Notes, contd.:

Derivatives

16. Derivatives, remaining maturity of principal and book value are specified as follows:

30.9.2007	Principal					
	Up to 3 months	Over 3 months and up to a year	Over 1 year	Total	Assets	Liabilities
OTC currency and interest rate derivatives:						
Forward currency agreements	88,104,156	981,080	5,485,256	94,570,492	190,514	1,267,821
Interest rate agreements	24,215,842	39,685,381	34,575,394	98,476,617	800,898	3,445
	112,319,998	40,666,461	40,060,650	193,047,109	991,412	1,271,266
OTC equity derivatives:						
Forward equity agreements	7,095,500	2,872,389	0	9,967,889	1,030,078	158,794
	7,095,500	2,872,389	0	9,967,889	1,030,078	158,794
Total	119,415,498	43,538,850	40,060,650	203,014,998	2,021,490	1,430,060

31.12.2006	Principal					
	Up to 3 months	Over 3 months and up to a year	Over 1 year	Total	Assets	Liabilities
OTC currency and interest rate derivatives:						
Forward currency agreements	50,189,052	2,936,471		53,125,523	595,937	538,255
Interest rate agreements	8,000,000	4,000,000	5,186,660	17,186,660	106,786	98,946
	58,189,052	6,936,471	5,186,660	70,312,183	702,723	637,201
OTC equity derivatives:						
Forward equity agreements	230,865	2,654,486		2,885,351	457,626	323,213
	230,865	2,654,486	0	2,885,351	457,626	323,213
Total	58,419,917	9,590,957	5,186,660	73,197,534	1,160,349	960,414

Financial assets designated at fair value

17. Financial assets designated at fair value are specified as follows:	30.9.2007	31.12.2006
Securities	4,658,340	261,528
Shares	9,820,050	8,525,423
Financial assets designated at fair value	14,478,390	8,786,951

Other assets

18. Other assets are specified as follows:	30.9.2007	31.12.2006
Sundry assets	17,432	68,675
Prepaid expenses and accrued income	161,452	26,118
Other assets	178,884	94,793

Deposits from credit institutions and the Central Bank

19. Deposits from credit institutions and the Central Bank mature as follows:

	30.9.2007	31.12.2006
Up to 3 months	98,610,072	16,330,099

Other deposits

20. Other deposits mature as follows:

	30.9.2007	31.12.2006
Up to 3 months	9,995,736	4,122,008
Over 1 year and up to 5 years	0	8,828
Other deposits	9,995,736	4,130,836

Borrowings

21. Borrowings are specified as follows:

	30.9.2007	31.12.2006
Bonds issued	5,220,388	4,999,757
Bills issued	3,500,000	1,045,475
Loans from credit institutions	65,632,768	43,588,085
Borrowings	74,353,156	49,633,317

22. Borrowings mature as follows:

	30.9.2007	31.12.2006
Up to 3 months	22,526,272	9,042,648
Over 3 months and up to a year	14,118,814	3,399,093
Over 1 year and up to 5 years	32,737,682	32,191,819
Over 5 years	4,970,388	4,999,757
Borrowings	74,353,156	49,633,317

Subordinated loans

23. Subordinated loans are specified as follows:

				30.9.2007	31.12.2006
	Currency	Interest	Maturity date	Book value	Book value
Loans that qualify as Tier II capital:					
Issued in 2006	ISK	5.0%	2016	1,019,933	1,017,842
Issued in 2005	EUR	5.2%	2015	1,352,980	1,412,497
Subordinated loans				2,372,913	2,430,339

Trading liabilities

24. Trading liabilities are specified as follows:

	30.9.2007	31.12.2006
Derivatives with credit institutions	1,271,266	6,965
Trading liabilities	1,271,266	6,965

Notes, contd.:

Other liabilities

25. Other liabilities are specified as follows:

	30.9.2007	31.12.2006
Sundry liabilities	61,520	58,281
Unpaid expenses	324,629	224,349
Accrued expenses and deferred income	29,133	10,649
Other liabilities	415,282	293,279

Capital

26. Equity at the end of the period amounted to ISK 16,269 million. The bank issued compensation shares amounted to 449 million, during the period. Equity ratio, calculated in accordance to Article 84 of the Act on Financial Undertakings, was 15.0%. According to law the ratio may not be lower than 8.0%.

The ratio is calculated as follows:

	30.9.2007		31.12.2006	
	Book value	Weighted value	Book value	Weighted value
Risk I:				
Assets recorded in the Accounts	206,146,914	73,281,601	86,925,259	56,628,605
Assets deducted from capital		(7,351,389)		(5,209,492)
Guarantees and other items not included in the Balance Sheet		9,176,169		2,876,259
		75,106,381		54,295,372
Capital:				
Tier I capital:				
Equity		16,269,154		12,006,642
Tier II capital:				
Subordinated loans		2,372,913		2,430,339
Investment in credit institutions		(7,351,389)		(5,209,492)
		11,290,678		9,227,489
Equity ratio		15.0%		17.0%
Thereof Tier I ratio		21.7%		22.1%

Off-balance sheet information

27. The bank has granted its customers guarantees. These items are specified as follows:

	30.9.2007	31.12.2006
Guarantees	11,180,186	4,502,023
Unused overdrafts	30,000	57,521

Notes, contd.:

Pledged assets

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

	30.9.2007	31.12.2006
Liabilities		
Repurchase agreements with the Central Bank	81,277,000	3,624,643
Repurchase agreements with the Central Bank	3,843,867	0
Liabilities total	85,120,867	3,624,643
Assets		
Reverse repurchase agreements with credit institutions	8,851,759	13,425

Related parties

29. The Bank has a related party relationship with its associates, the Board of Directors, the CEO, close family members of individuals referred to herein, and entities with significant influence as the largest capital holders of the Bank, which are BYR-sparisjodur (28.7%), SPRON (24.5%), and Keflavík Savings Bank (12.2%). This definition is based on IAS 24. Information regarding related parties are as follows:

	30.9.2007	31.12.2006
Loans to the CEO and Board of Directors	0	0
Loans to members of the board and companies related to members of the board	0	0
Loans to associated companies	34,679	50,000

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

The Bank has entered into forward contracts with the CEO and the nominal value of the contracts amounts to ISK 82,355 thousand. At the end of the period the net balance of the contracts was negative to the amount of ISK 41,166 thousand.

Icelandic savings banks are among the Bank's main customers but their transactions are not included in the aforementioned amounts.

Monitoring and controlling liquidity risk

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

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and Central Bank balances	3,442,915					3,442,915
Loans and advances	20,717,881	15,182,060	12,822,574	26,518,823	7,888,257	83,129,595
Trading financial assets	104,549,859					104,549,859
Financial assets meas. at fair value ...	14,478,390					14,478,390
Total financial assets	143,189,045	15,182,060	12,822,574	26,518,823	7,888,257	205,600,759
Deposits from credit inst.	98,610,072					98,610,072
Other deposits	9,995,736					9,995,736
Trading financial liabilities	1,062,109	209,157				
Borrowings and subord. loans	13,179,267	9,347,005	14,118,814	32,737,682	7,343,301	76,726,069
Total financial liabilities	122,847,184	9,556,162	14,118,814	32,737,682	7,343,301	186,603,143
Financial assets - financial liabilities	20,341,861	5,625,898	(1,296,240)	(6,218,859)	544,956	18,997,616
Unused creditlines	2,940,000	0	0	0	0	2,940,000
Unused overdrafts	30,000	0	0	0	0	30,000

Events after the Balance Sheet date

31. There have been no material post Balance Sheet events which would require disclosure or adjustment to the Financial Statements for the period 1 January 2007 to 30 September 2007.