



KAUPTHING BANK

Condensed Consolidated Interim Financial Statements
1 January - 31 March 2008

Kaupthing Bank hf.
Borgartún 19
105 Reykjavík
Iceland

Reg. no. 560882-0419

Contents

	page		page
Endorsement and Statement by the Board of Directors and the CEO	3	Notes to the Consolidated Interim Financial Statements:	
Independent Auditors' Review Report	4	Accounting Policies	9
Consolidated Interim Income Statement	5	Segment Reporting	9
Consolidated Interim Balance Sheet	6	Notes to the Income Statement	12
Consolidated Interim Statement of Changes in Equity	7	Notes to the Balance Sheet	13
Condensed Consolidated Interim Statement of Cash Flows	8	Other Information	23
		Off Balance Sheet Information	25

Endorsement and Signatures by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Kaupthing Bank hf. for the three months ended 31 March 2008, have been prepared in accordance with International Financial Reporting Standards (IFRS) for Interim Financial Statements (IAS 34). The Condensed Consolidated Interim Financial Statements include the Interim Financial Statements of Kaupthing Bank hf. and its subsidiaries, together referred to as "the Bank".

Net earnings, according to the Condensed Consolidated Interim Income Statement, amounted to ISK 18,787 million for the period from 1 January to 31 March 2008. Total equity, according to the Consolidated Interim Balance Sheet, amounted to ISK 416,922 million at the end of the period, including share capital amounting to ISK 7,127 million. The equity ratio of the Bank, calculated according to the Act on Financial Undertakings, was 11.4%. This ratio may not be lower than 8.0%.

Registered shareholders at 31 March 2008 numbered 31,283 compared to 32,264 at the beginning of the year. At the end of the period, one shareholder held more than 10% of the shares in the Bank, Exista and related companies, which owned 24.7% of the shares.

Statement by the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements for the three months ended 31 March 2008 have been prepared in accordance with International Financial Reporting Standards (IFRSs) for Interim Financial Statements (IAS 34).

According to our best knowledge it is our opinion that the Condensed Consolidated Interim Financial Statements give a true and fair view of the consolidated financial performance of the Bank for the period 1 January to 31 March 2008, its assets, liabilities and consolidated financial position as at 31 March 2008 and its condensed consolidated cash flows for the period.

Further, in our opinion the Condensed Consolidated Interim Financial Statements and the Endorsement of the Board of Directors and the CEO gives a fair view of the development and performance of the Bank's operations and its position and describes the principal risks and uncertainties faced by the Bank.

The Board of Directors and the CEO have today discussed the Condensed Consolidated Interim Financial Statements of Kaupthing Bank hf. for the three-month period ended 31 March 2008 and confirm them by means of their signatures.

Reykjavík, 30 April 2008

Board of Directors

Sigurður Einarsson

Chairman

Bjarnfredur H. Ólafsson

Gunnar Páll Pálsson

Niels de Coninck-Smith

Lýður Gudmundsson

Ásgeir Thoroddsen

Brynja Halldórsdóttir

Hjörleifur Thór Jakobsson

Tommy Persson

CEO

Hreidar Már Sigurdsson

Independent Auditors' Review Report

To the Board of Directors of Kaupthing Bank hf.

Introduction

We have reviewed the accompanying Condensed Consolidated Interim Balance Sheet of Kaupthing Bank hf. as of 31 March 2008 and the related statements of income, changes in equity and cash flows for the three-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 Standard IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at 31 March 2008, and of its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34, *Interim Financial Reporting*.

Reykjavik, 30 April 2008

KPMG hf.

Sigurður Jónsson

Reynir Stefán Gylfason

Consolidated Interim Income Statement

for the Period from 1 January to 31 March 2008

	Notes	2008 1.1.-31.3.	2007 1.1.-31.3.
Interest income		92,120	62,047
Interest expense		(70,788)	(45,782)
Net interest income		21,332	16,265
Fee and commission income		13,318	15,413
Fee and commission expense		(2,370)	(3,076)
Net fee and commission income		10,948	12,337
Net financial income	7-12	9,686	13,456
Share of profit of associates	26	2,001	144
Other operating income	13	1,933	1,858
Operating income		45,900	44,060
Salaries and related expenses		(12,093)	(10,534)
Administration expenses		(7,334)	(5,543)
Depreciation and amortisation		(1,942)	(1,534)
Other operating expenses		(193)	(96)
Impairment on loans	21	(4,059)	(1,423)
Earnings before income tax		20,279	24,930
Income tax expense		(1,492)	(4,236)
Net earnings		18,787	20,694
Attributable to:			
Shareholders of Kaupthing Bank hf.		18,748	20,281
Minority interest		39	413
Net earnings		18,787	20,694
Earnings per share:			
Basic earnings per share (ISK)	15	26.1	27.4
Diluted earnings per share (ISK)	15	25.7	26.7

The notes on pages 9 to 25 are an integral part of these Condensed Consolidated Financial Statements.

Consolidated Interim Balance Sheet

as at 31 March 2008

	Notes	31.3.2008	31.12.2007
Assets			
Cash and balances with central banks	16	70,857	97,959
Loans to credit institutions	17	617,545	588,441
Loans to customers	18-21	3,980,749	3,304,408
Bonds and debt instruments	22	517,630	367,350
Shares and instruments with variable income	22	196,584	160,797
Derivatives	22,37	384,766	134,856
Derivatives used for hedging	22,37	41,453	22,503
Securities used for hedging	22	107,680	159,949
Investments in associates	26	105,735	83,831
Intangible assets	27	82,091	66,774
Investment property	28	35,876	28,155
Property and equipment		37,785	32,714
Tax assets		8,941	6,899
Other assets	29	180,663	292,709
Total Assets	39	6,368,355	5,347,345
Liabilities			
Due to credit institutions and central banks	22	461,256	339,088
Deposits	22	1,448,313	1,381,457
Financial liabilities measured at fair value	22,30-32	322,074	217,945
Borrowings	33	3,168,271	2,615,960
Subordinated loans	34	342,044	267,289
Tax liabilities		20,185	22,478
Other liabilities	35	189,290	146,697
Total Liabilities	39	5,951,433	4,990,914
Equity			
Share capital		7,127	7,371
Share premium		146,538	162,221
Other reserves		57,917	(14,627)
Retained earnings		192,277	190,643
Total Shareholders' Equity		403,859	345,608
Minority interest		13,063	10,823
Total Equity		416,922	356,431
Total Liabilities and Equity		6,368,355	5,347,345

The notes on pages 9 to 25 are an integral part of these Condensed Consolidated Financial Statements.

Consolidated Interim Statement of Changes in Equity for the Period from 1 January to 31 March 2008

	Share capital and share premium	Other reserves	Retained earnings	Total Share- holders' equity	Minority interest	Total equity
Changes in equity in Q1 2008:						
Equity at the beginning of the year	169,592	(14,627)	190,643	345,608	10,823	356,431
Translation difference from foreign operations		72,544		72,544	2,035	74,579
Net earnings according to the Income Statement			18,748	18,748	39	18,787
Total recognised earnings for the period		72,544	18,748	91,292	2,074	93,366
Dividends paid to shareholders, ISK 20 per share			(14,380)	(14,380)		(14,380)
Purchases and sales of treasury stock	(16,324)			(16,324)		(16,324)
Exercised stock options	(49)			(49)		(49)
Stock option expense	446			446		446
Other changes			(2,734)	(2,734)	166	(2,568)
Equity 31 March 2008	153,665	57,917	192,277	403,859	13,063	416,922
Changes in equity in Q1 2007:						
Equity at the beginning of the year	171,349	17,220	134,941	323,510	11,382	334,892
Translation difference		(19,613)		(19,613)	(989)	(20,602)
Fair value changes in financial assets available-for-sale		15		15		15
Net loss recognised directly in equity		(19,598)		(19,598)	(989)	(20,587)
Net earnings according to the Income Statement			20,281	20,281	413	20,694
Total recognised earnings for the period		(19,598)	20,281	683	(576)	107
Dividends paid to shareholders, ISK 14 per share			(10,272)	(10,272)		(10,272)
Purchases and sales of treasury stock	(238)			(238)		(238)
Exercised stock options	217			217		217
Other changes				0	(566)	(566)
Equity 31 March 2007	171,328	(2,378)	144,950	313,900	10,240	324,140

The notes on pages 9 to 25 are an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Interim Statement of Cash Flows

for the Period from 1 January to 31 March 2008

	2008	2007
	1.1.-31.3.	1.1.-31.3.
Net cash (used in) provided by operating activities.....	(87,846)	53,243
Cash used in investing activities.....	(6,191)	(1,148)
Cash provided by (used in) financing activities.....	44,051	(7,684)
Net (decrease) increase in cash and cash equivalents.....	(49,986)	44,411
Cash and cash equivalents at beginning of the year.....	295,199	202,789
Effect of exchange rate changes on cash and cash equivalents.....	72,022	(17,703)
Cash and cash equivalents at end of the period.....	317,235	229,497

The notes on pages 9 to 25 are an integral part of these Condensed Consolidated Financial Statements.

Notes to the Consolidated Interim Financial Statements

Accounting Policies

General information

Kaupthing Bank hf. is a company incorporated and domiciled in Iceland. The address of the Bank's registered office is Borgartún 19, Reykjavík, Iceland. The Condensed Consolidated Interim Financial Statements for the three-months period ended 31 March 2008 comprise Kaupthing Bank hf. (the parent) and its subsidiaries (together referred to as "the Bank"). The Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors of Kaupthing Bank hf. on 30 April 2008.

1. Statement of compliance

These Condensed Consolidated 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 Consolidated Financial Statements of the Bank as at and for the year ended 31 December 2007.

2. Significant accounting policies

The accounting policies applied by the Bank in these Condensed Consolidated Interim Financial Statements are the same as those applied by the Bank in its Consolidated Financial Statements as at and for the year ended 31 December 2007.

The Condensed Consolidated Interim Financial Statements are presented in Icelandic króna (ISK) which is the Bank's functional currency, rounded to the nearest million.

Segment Reporting

3. Segment information is presented in respect of the Bank's business and geographical segments. The primary format, business segments, is based on the Bank's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis. Business segments pay and receive interest to and from Treasury on an arm's length basis to reflect the allocation of capital and funding cost.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment and intangible assets other than goodwill.

Business segments

Kaupthing Bank divides its operations into five business segments plus cost centres. The Bank's business segments are: Banking, Capital Markets, Treasury, Investment Banking and Asset Management & Private Banking.

Banking is divided into two distinct units: Corporate Banking and Retail Banking. Corporate Banking offers a range of financing services and products for its corporate clients, from smaller businesses to larger companies operating in complex international environments. The Retail Banking unit is responsible for traditional retail banking operations, with a focus on individual and smaller businesses. The vast majority of retail banking activity takes place in Iceland. In addition, the Banking unit also provides banking services to Private Banking customers, primarily through the offices in Luxembourg, Iceland and the UK.

Capital Markets delivers high quality research and advice, distribution, and trading services to its clients. There are four primary roles across the various business lines: Sales, Trading/Execution, Proprietary Trading and Research.

Investment Banking offers mid-market clients a full range of financial services, including M&A advisory and capital markets advisory, together with comprehensive debt and equity financing solutions across the entire capital structure.

Treasury is responsible for managing the Bank's funding, liquidity, interest rate exposure and trading in foreign currencies and derivatives, which includes warehousing of risk arising from financial products sold to the Bank's clients. Group Treasury is a central coordination unit responsible for the overall Treasury strategy of the Bank with a presence in both Iceland and the UK. The internet deposit bank, Kaupthing Edge, is also part of Treasury.

Asset Management & Private Banking are divided into four main areas: fund management, private banking, institutional asset management and services to institutional investors. Asset Management offers customised asset allocation strategies and managed accounts, designed to meet the diverse needs of corporate, institutional and private clients, in addition to a variety of mutual funds, alternative investments vehicles and pension plans schemes. Private Banking entails wealth management services, as well as discretionary and non-discretionary portfolio management.

Cost Centres are: Overhead, Back Office, Risk Management, Finance, Legal Department, Information Technology, Human Resources, Sales and Marketing.

Geographical segments

The Bank operates in four main geographical regions, being: Iceland, Scandinavia, the United Kingdom and Luxembourg.

Notes to the Consolidated Interim Financial Statements

4. Summary of the Bank's business segments:

1.1.-31.3.2008	Capital Markets	Investment Banking	Treasury	Banking	Asset		Total
					Managem. and Private Banking	Elimination and Cost Centres	
Net interest income	(16)	(683)	9,867	16,027	421	(4,284)	21,332
Net fee and commission income	4,264	2,203	(67)	1,021	3,392	135	10,948
Net financial income	(8,834)	1,445	4,772	44	205	12,054	9,686
Other income	57	111	299	1,664	128	1,675	3,934
Operating income	(4,529)	3,076	14,871	18,756	4,146	9,580	45,900
Operating expense	(3,834)	(1,701)	(2,446)	(6,434)	(2,748)	(4,399)	(21,562)
Impairment	-	-	-	(4,065)	-	6	(4,059)
Total expense	(3,834)	(1,701)	(2,446)	(10,499)	(2,748)	(4,393)	(25,621)
Earnings before cost allocation	(8,363)	1,375	12,425	8,257	1,398	5,187	20,279
Allocated cost	(591)	(199)	(354)	(1,174)	(589)	2,907	-
Earnings before income tax	(8,954)	1,176	12,071	7,083	809	8,094	20,279
Net segment revenue from external customers	(1,617)	5,196	(32,122)	62,958	2,074	9,411	45,900
Net segment revenue from other segments	(2,912)	(2,120)	46,993	(44,202)	2,072	169	-
Operating income	(4,529)	3,076	14,871	18,756	4,146	9,580	45,900
Depreciation and amortisation	30	9	16	1,079	29	779	1,942
Total assets 31.3.2008	356,669	184,759	2,969,453	3,787,578	71,998	(1,002,102)	6,368,355
Total liabilities 31.3.2008	324,674	154,586	2,924,723	3,497,519	56,453	(1,006,522)	5,951,433
Allocated equity 31.3.2008	31,995	30,173	44,730	290,059	15,545	4,420	416,922
Total liabilities and equity 31.3.2008	356,669	184,759	2,969,453	3,787,578	71,998	(1,002,102)	6,368,355
1.1.-31.3.2007							
Net interest income	(564)	(1,095)	4,428	13,423	324	(251)	16,265
Net fee and commission income	4,126	3,483	(75)	1,257	3,414	132	12,337
Net financial income	9,778	3,980	(441)	94	28	17	13,456
Other income	56	65	67	1,555	81	178	2,002
Operating income	13,396	6,433	3,979	16,329	3,847	76	44,060
Operating expense	(2,997)	(788)	(1,333)	(6,281)	(2,320)	(3,988)	(17,707)
Impairment	-	-	-	(1,424)	-	1	(1,423)
Total expense	(2,998)	(789)	(1,333)	(7,705)	(2,320)	(3,987)	(19,131)
Earnings before cost allocation	10,400	5,644	2,646	8,624	1,527	(3,911)	24,930
Allocated cost	(579)	(351)	(103)	(507)	(752)	2,291	-
Earnings before income tax	9,821	5,293	2,543	8,118	775	(1,620)	24,930
Net segment revenue from external customers	18,112	6,456	(25,358)	45,179	1,962	(2,290)	44,060
Net segment revenue from other segments	(4,715)	(23)	29,337	(28,850)	1,885	2,366	-
Operating income	13,396	6,433	3,979	16,329	3,847	76	44,060
Depreciation and amortisation	3	1	11	988	17	514	1,534
Total assets 31.12.2007	289,634	177,278	2,580,162	3,209,018	49,197	(957,944)	5,347,345
Total liabilities 31.12.2007	253,004	135,857	2,517,943	3,006,550	38,451	(960,891)	4,990,914
Allocated equity 31.12.2007	36,630	41,421	62,219	202,468	10,746	2,947	356,431
Total liabilities and equity 31.12.2007	289,634	177,278	2,580,162	3,209,018	49,197	(957,944)	5,347,345

Direct expenses from other divisions are now included in operating expenses within business segments, which were included in allocated cost. Comparative figures has been changed according to this.

Notes to the Consolidated Interim Financial Statements

Geographical analysis

5. Operating income specified by location of its markets and customers.

The geographical analysis of operating income is provided in order to comply with IFRS and does not reflect the way the Bank is managed.

1.1.-31.3.2008	Iceland	Scandi- navia	UK	Luxem- bourg	Other	Total
Net interest income	6,062	5,056	8,095	1,792	327	21,332
Net fee and commission income	5,026	2,134	2,376	1,096	316	10,948
Net financial income	20,310	(3,584)	(7,019)	(5)	(16)	9,686
Other income	267	2,089	1,324	166	88	3,934
Operating income	31,665	5,695	4,776	3,049	715	45,900

1.1.-31.3.2007

Net interest income	4,652	5,122	4,491	1,510	490	16,265
Net fee and commission income	4,960	1,755	3,909	1,528	185	12,337
Net financial income	1,531	10,221	1,221	536	(53)	13,456
Other income	606	294	1,102	-	-	2,002
Operating income	11,749	17,392	10,723	3,574	622	44,060

6. Assets specified by location of its markets and customers.

31.3.2008	Iceland	Scandi- navia	UK	Luxem- bourg	Other	Total
Cash and balances with central banks	1,336	14,471	53,218	1,419	413	70,857
Loans to credit institutions	214,243	167,537	76,301	86,907	72,557	617,545
Loans to customers	1,047,543	1,465,937	869,137	383,140	214,992	3,980,749
Financial assets measured at fair value	650,069	404,119	119,832	63,662	10,431	1,248,113
Other assets	126,672	201,360	92,312	21,572	9,175	451,091
Total assets	2,039,863	2,253,424	1,210,800	556,700	307,568	6,368,355

31.12.2007

Cash and balances with central banks	1,034	14,632	79,719	2,156	418	97,959
Loans to credit institutions	198,079	118,112	82,715	71,881	117,654	588,441
Loans to customers	884,885	1,160,486	662,132	382,342	214,563	3,304,408
Financial assets measured at fair value	506,135	262,092	10,662	63,886	2,680	845,455
Other assets	118,164	286,088	81,791	22,080	2,959	511,082
Total assets	1,708,297	1,841,410	917,019	542,345	338,274	5,347,345

Notes to the Consolidated Interim Financial Statements

Notes to the Consolidated Income Statement

Net financial income

7. Net financial income is specified as follows:	Q1 2008	Q1 2007
Dividend income	1,333	1,858
Net (loss) gain on financial assets and liabilities at fair value through profit or loss	(31,017)	11,526
Net foreign exchange gain	23,386	62
Net gain on financial assets and liabilities not at fair value through profit or loss	15,984	10
Net financial income	9,686	13,456

Dividend income

8. Dividend income is specified as follows:		
Dividend income on trading assets	1,220	1,732
Dividend income on assets at fair value through profit or loss	113	126
Dividend income	1,333	1,858

Net (loss) gain on financial assets and liabilities at fair value through profit or loss

9. Net (loss) gain on financial assets and liabilities at fair value through profit or loss are specified as follows:		
Net (loss) gain on trading portfolio	(14,999)	9,376
Net (loss) gain on assets designated at fair value through profit or loss	(15,969)	2,043
Fair value adjustments on hedge accounting	(49)	107
Net (loss) gain on financial assets and liabilities at fair value through profit or loss	(31,017)	11,526

10. Net (loss) gain on trading portfolio are specified as follows:

Net (loss) gain on equity instruments and related derivatives	(10,216)	10,485
Net gain on interest rate instruments and related derivatives	939	11
Net loss on other derivatives	(5,722)	(1,120)
Net (loss) gain on trading portfolio	(14,999)	9,376

11. Net (loss) gain on assets designated at fair value through profit or loss are specified as follows:

Net (loss) gain on interest rate instruments designated at fair value	(16,360)	488
Net gain on equity instruments designated at fair value	391	1,555
Net (loss) gain on assets designated at fair value through profit and loss	(15,969)	2,043

Net gain on financial assets and liabilities not at fair value through profit or loss

12. Net gain on financial assets and liabilities not at fair value through profit or loss are specified as follows:

Net realised gain on loans and finance leases	32	8
Net realised gain on available-for-sale assets	-	2
Realised gain on financial liabilities measured at amortised cost	15,952	-
Net gain on financial assets and liabilities not at fair value	15,984	10

Notes to the Consolidated Interim Financial Statements

Other operating income

13. Other operating income is specified as follows:	Q1 2008	Q1 2007
Income from operating leases	1,341	1,155
Fair value adjustments on investment property	(53)	(57)
Other income	645	760
Other operating income	1,933	1,858

Personnel

14. The Bank's total number of employees is as follows:	31.3.2008	31.12.2007
Average number of full time equivalent positions during the period	3,329	3,109
Full time equivalent positions at the end of the period	3,324	3,334

Earnings per share

15. Earnings per share are specified as follows:	Q1 2008	Q1 2007
Net earnings attributable to the shareholders of Kaupthing Bank hf.	18,748	20,281
Weighted average share capital:		
Weighted average of outstanding shares for the period	717.1	739.1
Effects of stock options	13.0	21.4
Weighted average of total shares for the period, diluted	730.1	760.5
Basic earnings per share	26.1	27.4
Diluted earnings per share	25.7	26.7
Number of outstanding shares at the end of the period, million	712.7	734.4
Number of total shares at the end of the period, million, diluted	725.6	755.8
Average number of own shares, million	23.3	5.8
Number of own shares at the end of the period, million	27.8	6.1

Notes to the Consolidated Balance Sheet

Cash and balances with central banks

16. Cash and balances with central banks are specified as follows:	31.3.2008	31.12.2007
Cash and cash balances	29,220	50,269
Cash equivalent	41,637	47,690
Cash and balances with central banks	70,857	97,959

Loans to credit institutions

17. Loans to credit institutions specified by types of loans:		
Money market loans	138,578	228,348
Bank accounts	246,378	197,240
Overdrafts	4,547	3,855
Reverse repos	40,885	18,869
Other loans	187,157	140,129
Loans to credit institutions	617,545	588,441

Notes to the Consolidated Interim Financial Statements

Loans to customers

18. Loans to customers specified by types of loans:	31.3.2008	31.12.2007
Overdrafts	35,269	24,759
Finance leases	94,237	73,597
Reverse repos and related agreements	39,647	41,971
Subordinated loans	49,584	38,328
Other loans	3,789,232	3,145,156
Provision on loans	(27,220)	(19,403)
Loans to customers	3,980,749	3,304,408

19. Loans to customers specified by sectors:		
Individuals	14.0%	17.1%
Holding companies	14.8%	14.7%
Industry	17.4%	17.1%
Real estate	22.8%	20.7%
Service	18.4%	18.3%
Trade	9.2%	10.1%
Transportation	3.4%	2.0%
Loans to customers	100.0%	100.0%

20. Specification of subordinated loans:		
Loans to customers	49,309	38,104
Bonds and other fixed income securities	275	224
Subordinated loans	49,584	38,328

21. Changes in the provision for losses are specified as follows:			Q1 2008	Q1 2007
	Collective	Specific	Total	Total
Balance at the beginning of the year	6,004	13,399	19,403	16,582
Impairment on loans during the period	2,307	1,752	4,059	1,423
Exchange rate difference on translation	1,050	3,089	4,139	(724)
Write-offs during the period	-	(340)	(340)	(760)
Payment of loans previously written-off	-	(41)	(41)	34
Provision on loans at the end of the period	9,361	17,859	27,220	16,555

Non-performing loans are classified as aggregated exposures for which the Bank has made specific provisions in part or in full. Non-performing loans amounted at the end of March 2008 to ISK 36,187 million (31.12.2007: ISK 32,503 million), 0.90% of total loans to customers (31.12.2007: 0.98%).

Notes to the Consolidated Interim Financial Statements

Financial assets and liabilities

22. Financial assets and liabilities are specified as follows:

31.3.2008	Loans and receivables	Trading	Designated at fair value	Available for sale	Derivatives used for hedging	Financial liabilities at amort. cost	Total
<i>Loans and receivables</i>							
Cash and balances with central banks	70,857	-	-	-	-	-	70,857
Loans to credit institutions	617,545	-	-	-	-	-	617,545
Loans to customers	3,980,749	-	-	-	-	-	3,980,749
Loans and receivables	4,669,151	-	-	-	-	-	4,669,151
<i>Bonds and debt instruments</i>							
Listed	-	20,846	454,898	-	-	-	475,744
Unlisted	-	14,436	17,622	-	-	-	32,058
Mortgage loans	-	-	9,828	-	-	-	9,828
Bonds and debt instruments	-	35,282	482,348	-	-	-	517,630
<i>Shares and instruments with variable income</i>							
Listed	-	68,391	31,548	-	-	-	99,939
Unlisted	-	4,364	75,760	215	-	-	80,339
Bond funds with variable income	-	8,069	8,237	-	-	-	16,306
Shares and instruments with variable income	-	80,824	115,545	215	-	-	196,584
<i>Derivatives</i>							
OTC derivatives	-	286,120	-	-	-	-	286,120
Other trading derivatives	-	98,646	-	-	-	-	98,646
Derivatives	-	384,766	-	-	-	-	384,766
<i>Derivatives used for hedging</i>							
Fair value hedge	-	-	-	-	35,628	-	35,628
Portfolio hedge of interest rate risk	-	-	-	-	5,825	-	5,825
Derivatives used for hedging	-	-	-	-	41,453	-	41,453
<i>Securities used for hedging</i>							
Bonds and debt instruments	-	61,563	-	-	-	-	61,563
Shares and equity instruments	-	46,117	-	-	-	-	46,117
Securities used for hedging	-	107,680	-	-	-	-	107,680
Other financial assets	144,461	-	-	-	-	-	144,461
Financial assets	4,813,612	608,552	597,894	215	41,453	-	6,061,724
<i>Liabilities at amortised cost</i>							
Due to credit institutions and central banks	-	-	-	-	-	461,256	461,256
Deposits	-	-	-	-	-	1,448,313	1,448,313
Borrowings	-	-	-	-	-	3,168,271	3,168,271
Subordinated loans	-	-	-	-	-	342,044	342,044
Liabilities at amortised cost	-	-	-	-	-	5,419,884	5,419,884
<i>Financial liabilities measured at fair value</i>							
Short position in equity held for trading	-	6,458	-	-	-	-	6,458
Derivatives held for trading	-	196,649	-	-	-	-	196,649
Repos and related agreements held for trading	-	90,957	-	-	-	-	90,957
Derivatives used for hedging	-	-	-	-	18,457	-	18,457
Mortgages funding	-	-	9,553	-	-	-	9,553
Financial liabilities measured at fair value	-	294,064	9,553	-	18,457	-	322,074
Other financial liabilities	-	-	-	-	-	115,887	115,887
Financial liabilities	-	294,064	9,553	-	18,457	5,535,771	5,857,845

Notes to the Consolidated Interim Financial Statements

22. con'd

31.12.2007	Loans and receivables	Trading	Designated at fair value	Available for sale	Derivatives used for hedging	Financial liabilities at amort. cost	Total
<i>Loans and receivables</i>							
Cash and balances with central banks	97,959	-	-	-	-	-	97,959
Loans to credit institutions	588,441	-	-	-	-	-	588,441
Loans to customers	3,304,408	-	-	-	-	-	3,304,408
Loans and receivables	3,990,808	-	-	-	-	-	3,990,808
<i>Bonds and debt instruments</i>							
Listed	-	18,859	317,004	-	-	-	335,863
Unlisted	-	15,506	8,070	-	-	-	23,576
Mortgage loans	-	-	7,911	-	-	-	7,911
Bonds and debt instruments	-	34,365	332,985	-	-	-	367,350
<i>Shares and instruments with variable income</i>							
Listed	-	52,033	15,256	-	-	-	67,289
Unlisted	-	4,130	78,436	165	-	-	82,730
Bond funds with variable income	-	5,132	5,646	-	-	-	10,778
Shares and instruments with variable income	-	61,294	99,338	165	-	-	160,797
<i>Derivatives</i>							
OTC derivatives	-	110,052	-	-	-	-	110,052
Other trading derivatives	-	24,804	-	-	-	-	24,804
Derivatives	-	134,856	-	-	-	-	134,856
<i>Derivatives used for hedging</i>							
Fair value hedge	-	-	-	-	16,617	-	16,617
Portfolio hedge of interest rate risk	-	-	-	-	5,886	-	5,886
Derivatives used for hedging	-	-	-	-	22,503	-	22,503
<i>Securities used for hedging</i>							
Bonds and debt instruments	-	68,051	-	-	-	-	68,051
Shares and equity instruments	-	91,898	-	-	-	-	91,898
Securities used for hedging	-	159,949	-	-	-	-	159,949
Other financial assets	263,993	-	-	-	-	-	263,993
Financial assets	4,254,801	390,464	432,323	165	22,503	-	5,100,256
<i>Liabilities at amortised cost</i>							
Due to credit institutions and central banks	-	-	-	-	-	339,088	339,088
Deposits	-	-	-	-	-	1,381,457	1,381,457
Borrowings	-	-	-	-	-	2,615,960	2,615,960
Subordinated loans	-	-	-	-	-	267,289	267,289
Liabilities at amortised cost	-	-	-	-	-	4,603,794	4,603,794
<i>Financial liabilities measured at fair value</i>							
Short position in equity held for trading	-	2,305	-	-	-	-	2,305
Derivatives held for trading	-	100,273	-	-	-	-	100,273
Repos and related agreements held for trading	-	96,865	-	-	-	-	96,865
Derivatives used for hedging	-	-	-	-	10,815	-	10,815
Mortgages funding	-	-	7,687	-	-	-	7,687
Financial liabilities measured at fair value	-	199,443	7,687	-	10,815	-	217,945
Other financial liabilities	-	-	-	-	-	72,212	72,212
Financial liabilities	-	199,443	7,687	-	10,815	4,676,006	4,893,951

Notes to the Consolidated Interim Financial Statements

23. Bonds and debt instruments designated at fair value specified by issuer:	31.3.2008	31.12.2007
Financial institutions	442,408	293,845
Governments	2,878	11,375
Corporates	35,242	25,373
Other	1,820	2,392
Bonds and debt instruments designated at fair value	482,348	332,985

Pledged assets

24. Pledged assets are specified as follows:

Mortgage loans in Kaupthing mortgages Fund	112,331	88,374
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In the ordinary course of business, the Bank enters into transactions that result in the transfer of financial assets to third parties or special entities. The Bank has transferred retail mortgage loans to the Kaupthing mortgages Fund, but has retained substantially all of the credit risk associated with the transferred assets, and continues to recognise these assets within loans to customers.

25. Financial assets that may be repledged or resold by counterparties:	31.3.2008	31.12.2007
Bonds	285,710	194,695
Shares	119,671	125,278
Pledged assets	405,381	319,973

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the bank acts as an intermediary.

Investments in associates

26. Investment in associates are specified as follows:	31.3.2008	31.12.2007
Carrying amount at the beginning of the year	83,831	5,304
Additions during the period	85	26,329
Sold during the period	(470)	(512)
Transferred from financial assets at fair value due to step acquisition	-	44,111
Share of profit	2,001	3,459
Dividend received	(2,781)	(149)
Exchange rate difference	23,069	5,289
Carrying amount at the end of the period	105,735	83,831

Notes to the Consolidated Interim Financial Statements

26. con'd

Main associates are specified as follows:

	Functional currency	Owner- ship	Book value in ISK
Storebrand ASA, Norway	NOK	20.0%	96,639
Kaupthing Capital Partners, United Kingdom	GBP	40.0%	4,425
Valitor hf., Iceland	ISK	39.5%	1,695
Mezzanin Kapital A/S, Denmark	DKK	22.7%	682
Drake Management LLC, USA	USD	20.0%	504
FMS Holding af 2004 A/S, Denmark	DKK	25.0%	413
FiNoble Advisors Private Ltd., India	USD	20.0%	374
Reiknistofa Bankanna, Iceland	ISK	17.3%	263
Other associates			740
Associates			<u>105,735</u>

Kaupthing holds around 20% share in Storebrand ASA, a Norwegian insurance and financial services company. The 20% share was at end of March valued at NOK 6,493 million or around 72 NOK a share which is in agreement with the latest embedded valuation, released with the 2007 Storebrand annual report. At the end of the period the market value of Storebrand amounted to ISK 54,124 million.

Intangible assets

27. Intangible assets are specified as follows:

	Goodwill	Other intangible assets	31.3.2008	31.12.2007
Balance at the beginning of the year	60,014	6,760	66,774	68,301
Exchange rate difference	14,390	643	15,033	(3,198)
Additions during the period	-	618	618	2,654
Sold during the period	-	-	-	(77)
Impairment	-	-	-	(75)
Amortisation	-	(334)	(334)	(831)
Intangible assets	<u>74,404</u>	<u>7,687</u>	<u>82,091</u>	<u>66,774</u>

Investment property

28. Investment property are specified as follows:

	31.3.2008	31.12.2007
Balance at the beginning of the year	28,155	31,584
Exchange rate difference	7,825	(30)
Additions during the period	-	1,586
Sold during the period	(149)	(13,473)
Fair value adjustments	31	(219)
Transferred to investment property	13	8,707
Investment property at the end of the period	<u>35,875</u>	<u>28,155</u>

Notes to the Consolidated Interim Financial Statements

Other assets

29. Other assets are specified as follows:	31.3.2008	31.12.2007
Unsettled securities trading	120,092	239,988
Accounts receivables	24,369	24,005
Accrued income	18,050	15,808
Prepaid expenses	3,239	2,879
Non-current assets and disposal groups classified as held for sale	3,219	1,842
Sundry assets	11,694	8,187
Other assets	180,663	292,709

Unsettled securities trading was settled in less than three days from the reporting date.

Financial liabilities measured at fair value

30. Financial liabilities measured at fair value are specified as follows:

Trading liabilities	294,064	199,443
Derivatives used for hedging - portfolio hedge of interest rate risk	18,457	10,815
Mortgage funding measured at fair value	9,553	7,687
Financial liabilities measured at fair value	322,074	217,945

31. Trading liabilities are specified as follows:

Short position in equity instruments held for trading	6,458	2,305
Derivatives held for trading	196,649	100,273
Repos and related agreements held for trading	90,957	96,865
Trading liabilities	294,064	199,443

32. Derivatives used for hedging are specified as follows:

Fair value hedge	2,060	1,859
Portfolio hedge of interest rate risk	16,397	8,956
Derivatives used for hedging	18,457	10,815

Borrowings

33. Borrowings are specified as follows:

Bonds issued	1,947,297	1,638,113
Bills issued	161,311	136,813
Money market loans	690,344	555,606
Other loans	369,319	285,428
Borrowings	3,168,271	2,615,960

Included are Repurchase agreements with banks amounting to ISK 213,585 million at the end of the period compared to ISK 178,014 million at year end 2007.

As a part of its hedging strategy, the Bank entered into funding arrangements where the interest payments are related to indices with inverse relation to capital markets. During the 3 months period ending 31 March 2008 the Bank revised its estimates of future interest payments on interest bearing liabilities which are measured at amortised cost and whose interest payments are linked to changes in the indices. In accordance with the effective interest method, the Bank recalculated the carrying amount of the liabilities by computing the present value of the revised estimated future payments at the liabilities' original effective interest rate. The adjustment resulted in a decrease in the carrying amount of the liabilities by ISK 15,952 million which has been recognised as income in the income statement in the line item Net financial income, as shown in note 7 and 12.

Notes to the Consolidated Interim Financial Statements

Subordinated loans

34. Subordinated loans are specified as follows:	31.3.2008	31.12.2007
Tier I - Non-innovative hybrid capital	94,218	74,403
Tier I - Innovative hybrid capital	34,563	26,427
Tier II	213,263	166,459
Subordinated loans	<u>342,044</u>	<u>267,289</u>

Other liabilities

35. Other liabilities are specified as follows:		
Unsettled securities trading	107,009	64,560
Provisions	1,654	2,303
Accounts payable	8,878	7,652
Sundry liabilities	71,749	72,182
Other liabilities	<u>189,290</u>	<u>146,697</u>

Unsettled securities trading was settled in less than three days from the reporting date.

Equity

36. Capital management and allocation

Equity at the end of the period amounts to ISK 416,922 million. The equity ratio, calculated in accordance to Article 84 of the Act on Financial Undertakings, was 11.4%. According to the law the ratio may not be lower than 8.0%.

The ratio is calculated as follows:

	31.3.2008		31.12.2007	
	Book value	Weighted value	Book value	Weighted value
Risk base:				
Assets recorded in the Financial Statements	6,368,355	4,956,313	5,347,345	3,917,079
Assets deducted from equity		(168,978)		(135,600)
Guarantees and other items not included in the Balance Sheet		359,151		331,953
		<u>5,146,486</u>		<u>4,113,432</u>
Equity:				
Tier I capital:				
Equity		416,922		356,431
Intangible assets		(76,466)		(61,757)
Subordinated loans		128,781		100,830
Tier II capital:				
Subordinated loans		210,573		164,483
Investment in credit institutions		(92,512)		(73,843)
		<u>587,298</u>		<u>486,144</u>
Equity ratio		11.4%		11.8%
Thereof Tier I ratio		9.1%		9.6%

Notes to the Consolidated Interim Financial Statements

Derivatives

37. Derivatives remaining maturity date of principal and book value are specified as follows:

31.3.2008	Principal			Total	Book value	
	Up to 3 months	Over 3 months and up to a year	Over 1 year		Assets	Liabilities
Currency and interests rate derivatives, agreements unlisted:						
Forward exchange rate agreements	3,029,645	289,418	37,112	3,356,175	113,881	65,415
Interest rate and exchange rate agreements	798,195	1,305,707	3,728,657	5,832,559	161,966	83,373
Options - purchased agreements	70,446	36,030	62,496	168,972	12,481	16
Options - sold agreements	73,439	49,921	49,628	172,988	742	10,079
	<u>3,971,725</u>	<u>1,681,076</u>	<u>3,877,893</u>	<u>9,530,694</u>	<u>289,070</u>	<u>158,883</u>
Equity derivatives:						
Equity swaps, agreements unlisted	72,654	4,356	-	77,010	33,869	10,590
Equity options, purchased unlisted agreements	13,147	216	-	13,363	691	-
Equity options, sold unlisted agreements	11,672	2,011	-	13,683	-	570
Futures, agreements listed	8,498	-	-	8,498	-	-
Contracts for differences	311,016	-	-	311,016	90,136	14,094
	<u>416,987</u>	<u>6,583</u>	<u>-</u>	<u>423,570</u>	<u>124,696</u>	<u>25,254</u>
Credit derivative contracts:						
Corporate Synthetic CDOs	-	-	41,853	41,853	79	24,409
	<u>-</u>	<u>-</u>	<u>41,853</u>	<u>41,853</u>	<u>79</u>	<u>24,409</u>
Bond derivatives:						
Bond swaps, agreements unlisted	34,291	13,255	25,235	72,781	5,326	517
Options - purchased agreements	1,273	2,319	3,723	7,315	7,048	-
Options - sold agreements	1,273	2,319	3,723	7,315	-	6,044
	<u>36,837</u>	<u>17,893</u>	<u>32,681</u>	<u>87,411</u>	<u>12,374</u>	<u>6,561</u>
Derivatives	4,425,549	1,705,552	3,952,427	10,083,528	426,219	215,107

Notes to the Consolidated Interim Financial Statements

37. con'd

31.12.2007	Principal				Book value	
	Up to 3 months	Over 3 months and up to a year	Over 1 year	Total	Assets	Liabilities
Currency and interests rate derivatives, agreements unlisted:						
Forward exchange rate agreements	2,329,301	136,964	24,394	2,490,659	20,269	15,946
Interest rate and exchange rate agreements	764,533	515,492	2,728,407	4,008,432	65,957	44,733
Options - purchased agreements	59,555	20,344	45,670	125,569	5,679	-
Options - sold agreements	44,911	23,813	48,762	117,486	29	4,127
	<u>3,198,300</u>	<u>696,613</u>	<u>2,847,233</u>	<u>6,742,146</u>	<u>91,934</u>	<u>64,806</u>
Equity derivatives:						
Equity swaps, agreements unlisted	131,682	12,217	211,076	354,975	19,506	3,953
Equity options, purchased unlisted agreements	12,064	601	-	12,665	598	-
Equity options, sold unlisted agreements	9,762	4,386	-	14,148	-	2,091
Futures, agreements listed	2,484	-	-	2,484	-	-
Contracts for differences	90,345	-	211,075	301,420	30,716	19,264
	<u>246,337</u>	<u>17,204</u>	<u>422,151</u>	<u>685,692</u>	<u>50,820</u>	<u>25,308</u>
Credit derivative contracts:						
Corporate Synthetic CDOs	-	-	32,081	32,081	96	13,304
Total rate of return swaps	-	-	48,052	48,052	1,786	-
	<u>-</u>	<u>-</u>	<u>80,133</u>	<u>80,133</u>	<u>1,882</u>	<u>13,304</u>
Bond derivatives:						
Bond swaps, agreements unlisted	39,792	18,373	22,828	80,993	6,128	765
Options - purchased agreements	600	3,122	6,850	10,572	6,595	-
Options - sold agreements	600	3,122	6,850	10,572	-	6,905
	<u>40,992</u>	<u>24,617</u>	<u>36,528</u>	<u>102,137</u>	<u>12,723</u>	<u>7,670</u>
Derivatives	3,485,629	738,434	3,386,045	7,610,108	157,359	111,088

The objective of the above-mentioned agreements is to control currency and interest rate risk of the Bank. The credit risk is valued at ISK 100,682 million when calculating the capital ratio of the Bank at 31 March 2008 and ISK 71,379 million at 31 December 2007.

Notes to the Consolidated Interim Financial Statements

Other Information

38. Breakdown of assets and liabilities by currency:

Assets	ISK	EUR	DKK	GBP	USD	Other	Total
Cash and balances with central banks	1,337	7,522	4,494	53,892	516	3,096	70,857
Loans to credit institutions	48,538	254,118	108,687	71,175	37,448	97,579	617,545
Loans to customers	502,203	829,423	814,925	894,566	338,657	600,975	3,980,749
Bonds and debt instruments	39,454	146,358	274,256	9,298	43,214	5,050	517,630
Shares and instruments with variable income	51,571	42,778	20,477	18,656	24,041	39,061	196,584
Derivatives	44,805	137,074	28,706	97,413	58,868	17,900	384,766
Derivatives used for hedging	-	2,437	5,825	36	32,106	1,049	41,453
Securities used for hedging	73,599	5,042	1,594	23,421	297	3,727	107,680
Investments in associates	2,346	153	1,297	4,421	878	96,640	105,735
Intangible assets	7,679	614	40,637	31,704	179	1,278	82,091
Investment property	1,303	17,800	12,807	3,966	-	-	35,876
Property and equipment	8,706	5,121	402	22,502	77	977	37,785
Tax assets	316	662	-	4,842	14	3,107	8,941
Other assets	44,995	19,650	22,072	41,625	9,702	42,619	180,663
Total assets 31.3.2008	826,852	1,468,752	1,336,179	1,277,517	545,997	913,058	6,368,355
Liabilities							
Due to credit institutions and central banks	26,162	159,358	191,212	9,529	26,177	48,818	461,256
Deposits	286,913	252,927	116,802	570,663	111,073	109,935	1,448,313
Financial liabilities measured at fair value	22,922	101,182	66,954	91,686	20,863	18,467	322,074
Borrowings	189,183	1,686,738	125,384	224,554	592,266	350,146	3,168,271
Subordinated loans	11,498	150,858	-	7,701	167,168	4,819	342,044
Tax liabilities	3,529	4,979	5,045	6,397	-	235	20,185
Other liabilities	24,647	41,071	46,388	35,845	-	41,339	189,290
Equity and minority interest	403,859	12,530	129	404	-	-	416,922
Total liabilities and equity 31.3.2008	968,713	2,409,643	551,914	946,779	917,547	573,759	6,368,355
Net on-balance sheet position	(141,861)	(940,891)	784,265	330,738	(371,550)	339,299	
Net off-balance sheet position	(315,487)	1,064,504	(591,251)	(288,933)	395,652	(264,485)	
Net position 31.3.2008	(457,348)	123,613	193,014	41,805	24,102	74,814	
Net position 31.12.2007	(364,075)	140,877	112,707	72,329	(2,633)	40,795	

Notes to the Consolidated Interim Financial Statements

39. The breakdown by contractual maturity of assets and liabilities.

	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	70,857	-	-	-	-	70,857
Loans to credit institutions	287,956	289,312	20,124	10,625	9,528	617,545
Loans to customers	256,461	896,852	445,726	1,379,386	1,002,324	3,980,749
Bonds and debt instruments	36,067	8,407	121,072	183,194	168,890	517,630
Shares and instruments with variable income	80,824	115,545	-	-	215	196,584
Derivatives	29,255	69,392	163,906	99,540	22,673	384,766
Derivatives used for hedging	-	1,325	554	18,566	21,008	41,453
Securities used for hedging	107,680	-	-	-	-	107,680
Investments in associates	-	-	-	-	105,735	105,735
Intangible assets	-	-	-	-	82,091	82,091
Investment property	-	-	-	-	35,876	35,876
Property and equipment	-	-	-	-	37,785	37,785
Tax assets	-	-	2,010	6,931	-	8,941
Other assets	119,942	-	60,721	-	-	180,663
Total Assets 31.3.2008	989,042	1,380,833	814,113	1,698,242	1,486,125	6,368,355
Total Assets 31.12.2007	1,090,909	1,205,538	534,820	1,307,456	1,208,622	5,347,345
Liabilities						
Due to credit institutions and central banks	78,149	320,853	15,084	44,762	2,408	461,256
Deposits	580,149	639,705	150,983	24,079	53,397	1,448,313
Financial liabilities measured at fair value	111,606	78,834	27,895	62,520	41,219	322,074
Borrowings	27,489	724,099	313,255	1,682,481	420,947	3,168,271
Subordinated loans	-	-	-	92,414	249,630	342,044
Tax liabilities	-	-	10,345	9,840	-	20,185
Other liabilities	107,009	-	80,627	1,654	-	189,290
Total Liabilities 31.3.2008	904,402	1,763,491	598,189	1,917,750	767,601	5,951,433
Total Liabilities 31.12.2007	670,778	1,566,488	567,575	1,594,188	591,885	4,990,914
Assets - liabilities 31.3.2008	84,640	(382,658)	215,924	(219,508)	718,524	416,922
Assets - liabilities 31.12.2007	420,131	(360,950)	(32,755)	(286,732)	616,737	356,431

Assets under management and under custody

40. Assets under management and assets under custody are specified as follows:	31.3.2008	31.12.2007
Assets under management	1,647,983	1,557,395
Assets under custody	2,409,237	2,276,875

The Bank provides asset custody, asset management, investment management and advisory services to its clients. These services require the Bank to make decisions on the treatment, acquisition or disposal of financial instruments. Assets in the Bank's custody are not reported in its accounts.

Notes to the Consolidated Interim Financial Statements

Related parties

41. The Bank has a related party relationship with its subsidiaries, associates, the Board of Directors of the Parent Company, the Managing Directors of the Bank, the Managing Directors of the largest subsidiaries, close family members of individuals referred to above and entities with significant influence as the largest shareholders of the Bank which are Exista and related companies (24.7%) and Eglia Invest BV. (9.9%). Information regarding related parties are as follows:

Significant related companies:

Loans:	31.3.2008	31.12.2007
Balance at the beginning of the year	106,724	109,556
Additions	39,329	54,810
Reductions	(18,301)	(54,405)
Exchange rate difference	17,818	(3,236)
Balance at the end of the period	145,570	106,725

The Bank has issued a contingent guarantee to a related party regarding exposure to a market price of equity shares with a maximum potential exposure of EUR 300 million. At the end of the period the condition for the guarantee was not met. The related party has also issued a guarantee to Kaupthing Bank for the same maximum potential amount.

The Bank has granted loans to board members and its key management. The outstanding balance of loans to board members, management and close family members amounted to ISK 35,364 million at 31 March 2008 and ISK 34,408 million at 31 December 2007. The terms and conditions are similar for the board members and key management as loans granted to other customers of the Bank. The aforementioned amounts do not include loans related to the business activities of the board members and key management.

No unusual transactions took place with related parties in the first quarter of 2008.

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

Off Balance Sheet information

Obligations

42. The Bank has granted its customers guarantees, overdraft permissions and loan commitments. These items are specified as follows:

	31.3.2008	31.12.2007
Financial guarantees	521,856	471,645
There of credit default swaps	349,491	319,065
Unused overdrafts	93,311	73,844
Loan commitments	297,231	278,481

The credit risk is valued at ISK 253 billion at the end of the period (31.12.2007: ISK 235 billion) for guarantees, credit default swaps, unused overdrafts and loan commitments when calculating the capital ratio of the Bank.

Events after the Balance Sheet date

43. There have been no material post Balance Sheet events which would require disclosures or adjustments to the 31 March 2008 Condensed Consolidated Interim Financial Statements. On 30 April 2008 the Board of Directors approved the Condensed Consolidated Interim Financial Statements and authorised for publication.