

Straumur-Burdaras Investment Bank hf.

**Condensed Consolidated Interim Financial Statements
for the period from 1 January to 30 September 2008**

Straumur-Burdaras Investment Bank hf.
Borgartun 25
105 Reykjavik
Iceland

Reg. no. 701086-1399

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Report and Statement of the Board of Directors and the CEO

The Condensed Consolidated Interim Financial Statements of Straumur-Burdaras Investment Bank hf. for the period 1 January to 30 September 2008 are prepared in accordance with International Financial Reporting Standards (IFRS) for interim financial statements. The Consolidated Interim Financial Statements for the period comprise Straumur-Burdaras Investment Bank hf. and its subsidiaries (together referred to as the "Bank").

According to the Income Statement, after tax losses for the period amounted to EUR 124.7 million. The Bank's equity at the end of September 2008 amounted to EUR 1,346 million. The Bank's capital adequacy ratio, calculated in accordance with the Act on Financial Undertakings, was 22.5% at period-end. As of 30 September 2008 the Bank's total assets amounted to EUR 5,244 million.

Due to events globally and in Iceland, the Bank has included an annex to its Consolidated Interim Financial Statements an Income Statement for the ten months ended 31 October 2008 and a Balance Sheet at that date. The Bank's losses for the ten month period were EUR 275 million. At 31 October the Bank's total assets amounted to EUR 4,422 million, its equity was EUR 1,173 million and its capital adequacy ratio was 17.6%.

The Bank's total share capital at the end of the period amounted to ISK 10,359 million.

At the end of the period the Bank's shareholders numbered 19,957 as compared to 21,692 at the beginning of the year. Samson Global Holdings SARL, which holds 34.31 % of the Bank's share capital, is the only shareholder with a holding exceeding 10%.

Impact of recent developments in financial markets

Developments in the global financial markets have adversely impacted most financial institutions, including Straumur. Straumur has taken all reasonable steps to disclose information concerning the impact upon it of these developments to its shareholders and creditors.

Insofar as it has been possible, over the last few months, Straumur has continued to follow its stated strategy of developing client-driven revenue and de-risking its balance sheet.

Straumur's balance sheet and capital position has been adversely affected by declining asset values (in respect of both financial assets and loans). Although the Icelandic part of its business is relatively small, it has, in particular, been impacted adversely by recent events in that market which have led to significant levels of impairments and losses which have had a negative impact on its capital position.

Straumur had a number of asset, liability and derivative balances with Landsbanki Íslands hf., Glitnir banki hf. and Kaupping banki hf. at the date when these banks' operations were taken over by the Icelandic Financial Supervisory Authority. Straumur believes that after the settlement and set off process in respect of these balances the net impact on its capital position is positive.

Straumur's reporting currency is Euros and the bank normally hedges its net assets into Euros. The Bank also has, however, a number of assets and liabilities denominated in other currencies including the *Icelandic krona*. Since early October, due to an effective closure of the foreign exchange market in Iceland, the Bank has not been able to carry out its normal hedging of net currency positions into Euros. The Bank has therefore been forced to carry positions in a number of currencies which have had a material and positive impact on its capital position at 31 October 2008. It will take steps to hedge these positions when market conditions allow.

Straumur has relatively modest financing needs as it is not highly leveraged (having a debt to equity ratio of 2.9 at 30 September 2008). It has a bank financing of less than EUR 426 million maturing over the next 12 months. Whilst the Bank has managed its cash and liquidity position carefully over the last months and met its obligations as they have fallen due, recent events in Iceland have put pressure on Straumur's liquidity position. The Bank has therefore emphasized to manage relationships with its funding banks proactively and positively. In particular, the process of securing replacement financing for the Bank's forthcoming syndication repayment on 15 December is not complete but is well advanced.

Report and Statement of the Board of Director and CEO, contd.:

As a result of concerns about the situation in Iceland, Straumur's credit rating has been steadily downgraded by Fitch to a current Long term Issuer Default Rating of B.

On account of the events described above, Straumur has focused on reducing its balance sheet and risk profile, protecting its capital and liquidity position. At the same time the Bank has taken opportunities, to develop the revenue generating capability of the organization. At the start of November recruited a number of former Teathers Limited staff in London in order to enhance its Corporate Finance and Securities platform in the UK, following the appointment of Administrators to that company.

Despite the difficult conditions which continue to prevail in most of the markets in which Straumur operates the board and management of the Bank trust that the actions described above and its strong capital position will enable it to develop its business in line with its current strategy - focusing on client-driven revenues, diversifying its sources of income and de-risking its balance sheet.

Statement of opinion

To the best of our knowledge it is our opinion that the Consolidated Interim Financial Statements for the period 1 January to 30 September 2008 give a true and fair view of the of the assets, liabilities and financial positions and financial performance of the Bank as at 30 September and it is condensed consolidated cash flows for the period.

Further it is our opinion that the Consolidated Interim Financial Statements and the endorsement of the Board of Directors and the Chief Executive Officer 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 hereby confirm the Consolidated Interim Financial Statements of Straumur-Burdaras Investment Bank hf. for the period 1 January to 30 September 2008 by affixing their signatures hereto.

Reykjavík, 25 November 2008.

Board of Directors:



Björgólfur Thor Björgólfsson
Chairman



Birgir Már Ragnarsson

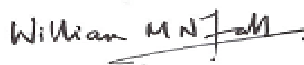


Guðmundur Kristjánsson



Hallbjörn Karlsson

CEO:



William Fall

Independent Auditors' Review Report

To the Board of Straumur-Burdaras Investment Bank hf.

We have reviewed the accompanying Condensed Consolidated Financial Statements of Straumur-Burdaras Investment Bank hf., which comprise the consolidated balance sheet as at 30 September 2008 and the consolidated income statement, statement of changes in equity and cash flow statement 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 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 30 September 2008 and of its financial performance and its cash flows for the nine month period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 25 November 2008.

KPMG hf.



Helgi F. Arnarson



Ólafur Már Ólafsson

Condensed Consolidated Interim Income Statement

for the period from 1 January to 30 September 2008

		2008	2007	2008	2007
	Notes	1.7. - 30.09.	1.7. - 30.09.	1.1. - 30.09.	1.1. - 30.09.
Interest income		142,517	162,602	399,448	523,791
Interest expense		(127,695)	(136,300)	(337,538)	(477,962)
Net interest income	10	14,822	26,302	61,910	45,829
Fee and commission income		30,410	24,652	95,196	98,405
Fee and commission expense		(3,906)	(3,348)	(12,027)	(3,937)
Net fee and commission income	11	26,504	21,304	83,169	94,468
Dividend income		21	5,083	2,629	29,374
Net (losses)/gains on financial assets and financial liabilities held for trading	12	(23,871)	(13,793)	(48,731)	87,687
Net (losses)/gains on financial assets designated at fair value through profit or loss	13	(23,503)	(28,042)	(42,861)	12,858
Net foreign exchange (losses)/gains		(26,267)	4,910	(9,802)	(14,105)
Other income		1,152	17,015	4,050	17,378
Net operating (expense)/income		(31,142)	32,779	50,364	273,489
Administrative expenses		(30,727)	(29,969)	(92,740)	(72,242)
Impairment losses		(106,812)	(4,255)	(122,262)	(11,638)
Share of profit of associates		(237)	(2)	(1)	(22)
(Loss)/profit before tax		(168,917)	(1,447)	(164,639)	189,587
Tax income/(expense)	14	23,367	1,645	39,925	(26,038)
(Loss)/profit for the period		(145,551)	198	(124,714)	163,549
Attributable to:					
Equity holders of the Parent		(148,966)	1,828	(130,711)	157,005
Minority interest		3,415	(1,630)	5,997	6,544
(Loss)/profit for the period		(145,551)	198	(124,714)	163,549
Basic earnings per share	15	(0.015)	0.000	(0.013)	0.017
Diluted earnings per share	15	(0.015)	0.000	(0.013)	0.016

Notes on pages 10 to 24 are an integral part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Balance Sheet

as at 30 September 2008

	Notes	30.9.2008	31.12.2007
Assets:			
Cash and cash equivalents	16	592,489	1,427,171
Financial assets held for trading	17	252,795	1,056,406
Pledged assets	18	184,255	211,923
Financial assets designated at fair value through profit or loss	19	1,020,242	923,939
Loans	20	1,842,584	2,411,342
Financial assets available-for-sale	22	309,540	338,960
Investments in associates		7,428	11,097
Property and equipment		23,674	21,679
Asset held for sale		66,348	0
Intangible assets		498,907	500,723
Deferred tax assets		32,494	491
Other assets		413,477	233,192
Total Assets		<u>5,244,232</u>	<u>7,136,923</u>
Liabilities:			
Financial liabilities held for trading	23	231,143	101,786
Deposits from banks		51,293	34,538
Deposits from customers		780,707	1,233,725
Borrowings	24	2,394,000	3,778,515
Subordinated loans	25	92,016	113,641
Current tax liability		3,618	26,829
Deferred tax liability		945	2,377
Other liabilities		344,846	277,011
Total Liabilities		<u>3,898,569</u>	<u>5,568,422</u>
Equity:			
Share capital		102,525	102,777
Share premium		639,136	647,970
Other reserves	(74,658)	(36,006)
Retained earnings		663,506	843,116
Total equity attributable to equity holders of the Parent		1,330,510	1,557,857
Minority interest		15,154	10,644
Total Equity	26	<u>1,345,663</u>	<u>1,568,501</u>
Total Liabilities and Equity		<u>5,244,232</u>	<u>7,136,923</u>

Notes on pages 10 to 24 are an integral part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statement of Changes in Equity for the period from 1 January to 30 September 2008

	Share capital	Share premium	Other reserves	Retained earnings	Total share- holders' equity	Minority interest	Total equity
2008							
Equity as at 1.1.2008	102,777	647,970	(36,006)	843,116	1,557,857	10,644	1,568,501
Translation difference			(56,623)		(56,623)	156	(56,467)
Fair value changes in available-for-sale financial assets			14,932		14,932		14,932
Net earnings recognised directly in equity			(41,690)		(41,690)	156	(41,535)
Loss for the period				(130,711)	(130,711)	5,997	(124,714)
Total recognised in income statement			(41,690)	(130,711)	(172,402)	6,153	(166,249)
Dividends paid ISK 0.56 per share				(48,900)	(48,900)		(48,900)
Dividends paid by subsidiary						(1,643)	(1,643)
Purchases and sales of treasury shares	(252)	(8,834)			(9,086)		(9,086)
Increase due to call options			3,039		3,039		3,039
Equity as at 30.09.2008	102,525	639,136	(74,658)	663,505	1,330,510	15,154	1,345,663
2007							
Equity as at 1.1.2007	100,275	615,802	(14,819)	772,529	1,473,787	20,231	1,494,018
Translation difference			(3,372)		(3,372)	1,230	(2,142)
Fair value changes in available-for-sale financial assets			(12,524)		(12,524)		(12,524)
Net earnings recognised directly in equity			(15,896)		(15,896)	1,230	(14,666)
Profit for the period				157,005	157,005	6,544	163,549
Total recognised in income statement			(15,896)	157,005	141,109	7,774	148,883
Dividends paid ISK 0.75 per share				(87,792)	(87,792)	(6,498)	(94,290)
Purchases and sales of treasury shares	4,119	56,228			60,347		60,347
Treasury shares stated as other liability on account of put options, reversed			25,469		25,469		25,469
Expense due to call option			1,768	1,691	3,459		3,459
Sale of subsidiary						(10,355)	(10,355)
Equity as at 30.09.2007	104,394	672,030	(3,478)	843,433	1,616,379	11,152	1,627,531

Notes on pages 10 to 24 are an integral part of these Condensed Consolidated Interim Financial Statements.

Condensed Consolidated Interim Statement of Cash Flows for the period from 1 January to 30 September 2008

	2008	2007
	1.1. - 30.09.	1.1. - 30.09.
Operating activities:		
Net cash from operating activities	606,264	241,396
Investing activities:		
Net cash used in investing activities	(500)	(174,667)
Financing activities:		
Net cash (used in) provided by financing activities	(1,440,446)	25,302
(Decrease)/increase in cash and cash equivalents	(834,682)	92,031
Cash and cash equivalents at beginning of year	1,427,171	370,934
Cash and cash equivalents at the end of the period	592,489	462,965

Notes on pages 10 to 24 are an integral part of these Condensed Consolidated Interim Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements

1. Reporting entity

Straumur-Burdaras Investment Bank hf. (the Parent) is a company incorporated and domiciled in Iceland. The address of the Parent's registered office is Borgartun 25, Reykjavik. The Condensed Consolidated Interim Financial Statements for the period 1 January to 30 September 2008 comprise Straumur-Burdaras Investment Bank hf. and its subsidiaries (together referred to as "the Bank"). The Bank offers integrated financial services to companies, institutional investors and individuals. These services include corporate banking, investment banking, retail banking, capital markets services and asset management.

2. Basis of preparation

Statement of compliance

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors of Straumur-Burdaras Investment Bank hf. on 25 November 2008.

The statements do not include all of the information required for a complete set of Consolidated Annual Financial Statements, and should be read in conjunction with the Consolidated Financial Statements of the Bank as at the year ended 31 December 2007.

3. Significant accounting policies

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

A summary of significant accounting policies is provided in the Bank's Consolidated Financial Statements for the year 2007.

4. Significant judgements and accounting estimate

The preparation of Condensed Consolidated Interim Financial Statements requires that management make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by the management in applying the Bank's accounting policies and the key source of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2007.

5. Changes within the Bank

Alpstar CLO 2 plc was treated as a subsidiary in the Consolidated Financial Statements for the year ended 31 December 2007 because the Bank owned the majority of the subordinated loans this fund had issued. In February 2008, the Bank sold down its interest in these subordinated loans to a level below 50%. Accordingly, Alpstar is no longer treated as a subsidiary in the Condensed Consolidated Interim Financial Statements of the Bank because the Bank no longer bears the majority of the risks and benefits arising from the operation of the fund. The Bank's investment are now treated as a Financial asset held at fair value. The main effects of this on the Condensed Consolidated Interim Financial Statement is that loans decrease by EUR 576 million, borrowings decrease by EUR 585 million and financial assets held at fair value increase by EUR 25 million.

Notes, contd.:

6. Risk management disclosure

The breakdown by contractual maturity of financial assets and liabilities:

	0-1 months	1 to 3 months	3-12 months	1-5 years	Over 5 years	No stated maturity	Total
Assets:							
Cash and cash equivalents	578,023	10,415	4,050				592,489
Financial assets held for trading	125,904	45,191	21,580	53,213	6,907		252,795
Pledged assets	184,255						184,255
Financial assets designated at fair value through P/L					102,146	918,096	1,020,242
Loans	212,753	99,071	232,355	695,707	602,697		1,842,584
Financial assets available-for-sale	207,283	72,625	6,903	6,235	4,869	11,625	309,540
Other assets	52,954	189,929	96,466	1,685	629	104,307	445,969
Total	<u>1,361,174</u>	<u>417,230</u>	<u>361,354</u>	<u>756,840</u>	<u>717,248</u>	<u>1,034,028</u>	<u>4,647,873</u>
Liabilities:							
Financial liabilities held for trading	200,015	30,189	228	711			231,143
Deposits from banks	16,900	27,373	7,020				51,293
Deposits from customers	533,543	134,072	112,093	999			780,707
Borrowings	285,483	327,139	250,159	1,174,537	356,683		2,394,000
Subordinated loans					92,016		92,016
Other liabilities	67,775	229,414	15,734	3,409	9,816	23,261	349,408
Total	<u>1,103,716</u>	<u>748,187</u>	<u>385,234</u>	<u>1,179,656</u>	<u>458,515</u>	<u>23,261</u>	<u>3,898,567</u>
Assets - liabilities	<u>257,458</u>	<u>(330,957)</u>	<u>(23,880)</u>	<u>(422,816)</u>	<u>258,733</u>	<u>1,010,767</u>	<u>749,306</u>

31.12.2007

Total assets	2,639,820	487,059	399,446	715,226	1,601,564	760,309	6,603,424
Total liabilities	<u>1,290,871</u>	<u>693,191</u>	<u>835,403</u>	<u>1,591,323</u>	<u>1,152,825</u>	<u>4,809</u>	<u>5,568,422</u>
Assets - liabilities	<u>1,348,949</u>	<u>(206,132)</u>	<u>(435,957)</u>	<u>(876,097)</u>	<u>448,739</u>	<u>755,500</u>	<u>1,035,002</u>

Liquidity management for Straumur Bank is based on the contractual maturity profile of liabilities. The amounts set out above are principal amounts reported at the earliest maturity date. Financial liabilities held for trading, including cross-currency interest rate swaps, are measured according to gross principal outflow on which no netting is performed at maturity.

Notes, contd.:

6. contd.:

Currency risk

Foreign exchange risk is controlled by continuous monitoring of the Bank's net exposure to foreign currencies, reporting findings and enforcing limits. The Risk Committee has defined exposure limits to individual currencies as well as a gross exposure limits. The exposures are expressed in terms of the FX delta taking account of complex derivative instruments and the cash value of vanilla instruments. Risk Management monitors compliance with these procedures on a daily basis. The Bank's policy, implemented by Treasury, is to maintain currency neutrality in the Banking Book (investment assets) but net currency exposures are possible in the trading book with the approval of the Risk Committee.

Breakdown of assets and liabilities by currency:

30.09.2008	EUR	ISK	GBP	USD	DKK	Other	Total
Assets:							
Cash and cash equivalents	227,120	138,984	20,749	28,833	83,337	93,466	592,489
Financial assets held for trading	88,865	19,150		23,799	92,233	28,749	252,795
Pledged assets		101,827	15,600	25,308	24,548	16,972	184,255
Financial assets designated at fair value through P/L	658,654	295,473	1,311	53,165	5,119	6,520	1,020,242
Loans	615,394	204,334	226,704	202,060	458,172	135,919	1,842,584
Financial assets available-for-sale	130,554	178,792				194	309,540
Investments in associates		7,428					7,428
Property and equipment	4,334	10,411	5,637		900	2,391	23,673
Assets held for sale	66,348						66,348
Intangible assets	475,982		22,557			369	498,907
Deferred tax assets	2,052	30,233	208				32,494
Other assets	350,232	7,008	9,269	1,965	7,643	37,359	413,477
Total	2,619,534	993,641	302,036	335,129	671,952	321,939	5,244,232
Liabilities and equity:							
Financial liabilities held for trading	128,681	77,056	4,463	8,741	14	12,189	231,143
Deposits from banks	14,845	23,414				13,033	51,293
Deposits from customers	396,808	291,441	677	31,503	49,317	10,962	780,707
Borrowings	1,213,316	836,670	79,621	155,834	68,600	39,958	2,394,000
Subordinated loans	46,827	45,190					92,016
Current tax liabilities	1,280		1,205			1,133	3,618
Deferred tax liabilities	935					10	945
Other liabilities	251,181	36,184	7,686		39,984	9,810	344,846
Total equity	1,345,663						1,345,663
Total	3,399,535	1,309,954	93,652	196,078	157,916	87,096	5,244,232
Net Balance Sheet position	(780,001)	(316,314)	208,384	139,051	514,036	234,843	
Net off/Balance Sheet position	651,828	356,680	(201,292)	(110,419)	(476,368)	(220,429)	
Net (liabilities)/asset position	(128,173)	40,366	7,092	28,632	37,668	14,414	

Notes, contd.:

6. contd.:

31.12.2007	EUR	ISK	GBP	USD	DKK	Other	Total
Assets:							
Cash and cash equivalents	836,392	281,771	3,265		68,561	237,182	1,427,171
Financial assets held for trading	546,250	246,916	16,632	9,305	160,582	76,721	1,056,406
Pledged assets	10,540	5,625	4,536	33,029	72,740	85,453	211,923
Financial liabilities designated at fair value through P/L	718,320	160,469	652	44,007		491	923,939
Loans	1,502,030	260,477	207,208	93,846	256,718	91,063	2,411,342
Financial assets available-for-sale	121,426	217,417				117	338,960
Investment in associates	104	10,993					11,097
Property and equipment	4,867	15,143	274		806	589	21,679
Intangible assets	476,229		24,139			355	500,723
Deferred tax assets	491						491
Other assets	183,103	50,089					233,192
Total	4,399,752	1,248,900	256,706	180,187	559,407	491,971	7,136,923
Liabilities and equity:							
Financial liabilities held for trading	68,989	5,673			84	27,040	101,786
Deposits from banks		34,538					34,538
Deposits from customers	575,468	587,351	1,547	17,174	40,583	11,602	1,233,725
Borrowings	2,838,112	845,912	1,149	92,689	105	548	3,778,515
Subordinated loans	46,774	66,867					113,641
Current tax liabilities	22,604	3,427	463			335	26,829
Deferred tax liabilities	2,142		13		222		2,377
Other liabilities		277,011					277,011
Total equity	1,568,501						1,568,501
Total	5,122,590	1,820,779	3,172	109,863	40,994	39,525	7,136,923
Net Balance Sheet position	(722,838)	(571,879)	253,534	70,324	518,413	452,446	
Net off/Balance Sheet position	781,365	496,635	(190,319)	(108,070)	(462,042)	(517,569)	
Net asset/(liabilities) position	58,527	(75,244)	63,215	(37,746)	56,371	(65,123)	

Notes, contd.:

7. Derivative financial instruments

	Nominal account		Carrying amount	
	Assets	Liabilities	Assets	Liabilities
Currency and interests rate derivatives, agreements unlisted:				
Forward exchange rate agreements	1,692,479	1,723,476	8,482	49,044
Interest rate and exchange rate agreements	5,491,747	8,396,281	27,927	98,387
Options - purchased agreements	209,867		1,351	
Options - sold agreements		264,664		1,657
Futures, agreements	4,240,000	5,031,500	647	672
Total	11,634,094	15,415,922	38,406	149,759
Equity derivatives:				
Equity swaps, agreements unlisted	7,242	35,736	23,011	10,266
Equity options, purchased unlisted agreements	395,662		27,653	2,456
Equity options, sold unlisted agreements		447,081		25,811
Futures, agreements listed	1,677	39,330	57	177
Total	404,582	522,146	50,721	38,710
Credit derivative contracts:				
Credit default swaps	200,500	242,000	11,667	20,189
Total	200,500	242,000	11,667	20,189
Bond derivatives:				
Bond forward, agreements unlisted	49,544	20,767	235	336
Bonds futures, agreements	50,000		34	
Total	99,544	20,767	269	336
Total derivative financial instruments	12,338,720	16,200,835	101,064	208,995

8. Quarterly Statements

Summary of the Bank's operating results by quarters:

	Q3	Q2	Q1	Q4	Q3
	2008	2008	2008	2007	2007
Net interest income	14,822	23,935	23,153	23,003	26,302
Net fee and commission income	26,504	25,901	30,765	36,807	21,304
Dividend income	21	2,521	87	4,333	5,083
Other net financial (expense) income	(47,374)	(40,512)	(3,706)	(25,909)	(41,835)
Net foreign exchange (losses) gain	(26,267)	1,975	14,490	17,167	4,910
Other operating income	1,152	1,450	1,448	1,122	17,015
	(31,142)	15,271	66,236	56,523	32,779
Administrative expenses	(30,727)	(26,911)	(35,102)	(46,695)	(29,969)
Impairment losses on loans	(106,812)	(8,035)	(7,415)	(8,523)	(4,255)
Share of profit of associates	(237)	(478)	713	67	(2)
(Loss) profit before tax	(168,918)	(20,153)	24,432	1,372	(1,447)
Income tax	23,367	18,709	(2,150)	(1,978)	1,645
(Loss) profit for the period	(145,551)	(1,444)	22,282	(606)	198
Attributable to:					
Equity holders of the parent	(148,966)	(2,811)	21,067	1,256	1,828
Minority interest	3,415	1,367	1,215	(1,862)	(1,630)
(Loss) profit for the period	(145,551)	(1,444)	22,282	(606)	198

Notes, contd.:

9. Segment Reporting

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.

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

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

The Bank has defined a new business segment in 2008, Merchant Banking, and 2007 segments have been restated accordingly.

Business segments:

The Bank comprises the following main business segments:

Corporate Finance provides advisory services to corporate clients in respect of M&A and equity and debt, capital market transactions.

Debt Finance provides advice and a wide range of financing products to clients in Northern and Central Europe.

Capital Markets offers securities brokerage service to the Bank's clients.

Proprietary Trading trades in securities for the Bank's own account in all major markets.

Asset Management provides banking and investment service for institutional and private clients.

Merchant Banking comprises the Bank's direct investment activities and its participation in third party managed assets and funds.

Treasury is responsible for managing the Bank's funding and liquidity, and its foreign exchange and interest rate risk management.

Support areas are managed under the following functional headings: Operations, Risk Management, Finance, Legal & Compliance, Information Technology, Human Resources, Corporate Services, Corporate Communications and Group Management.

Geographical segments:

The Bank reports its results in five main geographical regions, being: Iceland, other Nordic countries, the United Kingdom, Central and Eastern Europe and other countries.

Notes, contd.:

9. contd.:

1.1. - 30.9.2008

Business segment income statement:

	Corporate finance	Debt finance	Capital Markets	Proprietary trading	Asset Manage- ment	Merchant Banking	Treasury	Other Operations	Total
Net interest (expense) income	(1,964)	27,635	(11,586)	3,690	4,087	(10,000)	50,159	(109)	61,910
Net fee and commission income (expense)	39,884	17,498	24,665	(2,575)	4,591	10	(1,006)	103	83,169
Dividend income	1,077		82	67		1,269	26	107	2,629
Net (losses) gains on financial assets and liabilities held for trading			1,880	(46,894)	(3)	3,396	(7,132)	21	(48,731)
Net (losses) gains on financial asset designated at fair value thought P/L	(8,691)	(6,489)	5			(38,983)	11,296		(42,861)
Net foreign exchange gains (losses)	33	(894)				(379)	(8,956)	393	(9,802)
Other operating income (expense)	120		288		(117)	344	251	3,163	4,050
Net operating income	30,459	38,644	14,442	(45,712)	8,558	(44,344)	44,637	3,679	50,364
Administrative expenses	(18,421)	(10,692)	(27,652)	(8,531)	(10,972)	(1,463)	(6,484)	(8,523)	(92,740)
Impairment		(81,839)	(5,009)					(35,413)	(122,262)
Share of profit of associates								(1)	(1)
(Loss)/profit before tax	12,038	(53,888)	(18,220)	(54,244)	(2,415)	(45,807)	38,153	(40,259)	(164,639)
Income tax									39,925
(Loss)/profit for the period									(124,714)
Business segment assets:									
Cash and cash equivalents	8,374	28,209	46,102	54,998	85,455	1,233	356,590	11,528	592,489
Financial assets held for trading			71,561	66,482	92,749	11,726	3,482	6,795	252,795
Pledged assets			42,976	8,311		84,389	48,579		184,255
Financial assets designated at fair value through P/L	37,246	108,600	20,890			557,601	295,905		1,020,242
Loans		1,766,637	319		74,190	1,394		43	1,842,584
Financial assets available for sale				25,153	105,186	12,496	164,401	2,304	309,540
Investment in associated companies						7,428			7,428
Property and equipment	803	39	1,212	110	774	12,703	67	7,965	23,674
Assets held for sale		66,348							66,348
Intangible assets	64,979	102,378	3,023	29,602	7,080			291,845	498,907
Deferred tax assets	208					1,254	30,051	980	32,494
Other assets	40,778	17,443	114,447	45,983	3,818	27,844	61,299	101,864	413,477
Total assets	152,390	2,089,654	300,531	230,638	369,253	718,068	960,375	423,322	5,244,232

Notes, contd.:

9. contd.:

1.1. - 30.9.2007

Business segment net income:

	Corporate finance	Debt finance	Capital Markets	Proprietary trading	Asset Manage- ment	Merchant Banking	Treasury	Other Operations	Total
Net interest income (expense)	(3,280)	42,973	(55)	(8,457)	2,597	(1,828)	12,177	1,702	45,829
Net fee and commission income (expense)	47,755	14,531	30,526	(415)	3,464	(8)	(1,384)	(1)	94,468
Dividend income	45		48	25,769				3,512	29,374
Net gains (losses) on financial assets and liabilities held for trading		341	3,570	104,919	(849)	(21,112)		818	87,687
Net (losses) gains on financial asset designated at fair value through P/L	(6,790)	3	(36)		93	19,826	17	(255)	12,858
Net foreign exchange (losses)							(14,105)		(14,105)
Other operating income	15,981		13		7	229		1,148	17,378
Net operating income	53,711	57,848	34,066	121,816	5,312	(2,893)	(3,295)	6,924	273,489
Administrative expenses	(18,723)	(11,041)	(13,920)	(4,913)	(4,398)	(1,008)	(11,191)	(7,048)	(72,242)
Impairment	(2,147)	(9,494)	3						(11,638)
Share of profit of associates					(16)	(6)			(22)
Profit before tax	32,841	37,313	20,149	116,903	898	(3,907)	(14,486)	(124)	189,587
Income tax									(26,038)
Profit for the period									163,549

31.12.2007

Business segments assets	438,126	2,576,725	840,298	56,608	527,645	623,047	1,742,689	331,785	7,136,923
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Notes, contd.:

9. contd.:

Geographical analysis

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.

	Iceland	Other Nordic Countries	UK	Central Eastern Europe	Other	Total
1.1.-30.9.2008						
Net interest income	23,101	17,115	9,599	1,606	10,489	61,910
Net fee and commission income	13,591	33,840	18,155	16,847	736	83,169
Net financial income	(4,928)	(29,509)	(33,592)	(27,736)	(3,000)	(98,765)
Other income	398	2,938		714		4,050
Net operating income	32,162	24,384	(35,295)	20,888	8,225	50,364
1.1.-30.9.2007						
Net interest income	33,043	4,766	2,750		5,270	45,829
Net fee and commission income	43,153	37,134	12,958	1,223		94,468
Net financial income	20,008	58,275	156	40,816	(3,441)	115,814
Other income	229	17,149				17,378
Net operating income	96,433	117,324	15,864	42,039	1,829	273,489

Assets specified by location of its markets and customers:

30.9.2008						
Total Assets	1,383,239	1,196,279	695,207	1,099,603	869,904	5,244,232
31.12.2007						
Total Assets	1,739,927	1,345,923	850,553	1,162,810	2,037,710	7,136,923

Notes, contd.:

Notes to the Income Statement

10. Net interest income	2008	2007
	1.1. - 30.9	1.1. - 30.9
Interest income is specified as follows:		
Cash and cash equivalents	77,991	225,382
Loans	159,681	167,098
Financial assets	159,160	66,703
Other interest income	2,616	64,608
	<u>399,448</u>	<u>523,791</u>
Income expense is specified as follows:		
Financial liabilities held for trading	(46,388)	(86,677)
Deposits	(77,707)	(82,342)
Borrowings	(213,443)	(308,943)
	<u>(337,538)</u>	<u>(477,962)</u>
Net interest income	<u>61,910</u>	<u>45,829</u>
11. Net fee and commission income		
Fee and commission income is specified as follows:		
Asset management fees	5,938	4,682
Underwriting fees	17,499	14,144
M&A advisory	40,086	47,763
Net brokerage	31,673	31,816
Total fees and commission	<u>95,196</u>	<u>98,405</u>
Fee and commission expense	<u>(12,027)</u>	<u>(3,937)</u>
Net fee and commission income	<u>83,169</u>	<u>94,468</u>
12. Net (losses)/gains on financial assets and financial liabilities held for trading		
Net gains on financial assets and financial liabilities held for trading are specified as follows:		
Shares	14,788	76,337
Bonds	(64,530)	10,608
Derivatives	1,011	742
Total net (losses)/gains on financial assets and financial liabilities held for trading	<u>(48,731)</u>	<u>87,687</u>
13. Net (losses)/gains on financial assets designated at fair value		
Net gains on financial assets designated at fair value are specified as follows:		
Listed shares	(27,373)	(6,042)
Unlisted shares	(20,171)	4,028
Listed unit shares	1,487	0
Unlisted unit shares	10,128	14,903
Listed bonds	(6,933)	0
Unlisted bonds	0	(32)
Total net (losses)/gains on financial assets designated at fair value	<u>(42,861)</u>	<u>12,858</u>

Notes, contd.:

14. Income tax

In May 2008 the Icelandic Parliament approved two changes in the Tax law. Firstly, a decrease in the income tax rate from 18% to 15% as of January 2008, this change will become effective in the tax assessment of the year 2009. Secondly, companies, which fulfilled particular conditions, will be able to deduct profits from the sale of shares and listed derivatives on shares from taxable income. The deduction is only authorized if tax loss carry-forward, including loss for the current year, has been utilized. The new treatment is effective for profits arising in the year 2008 or later. The effect on the accounting of the Bank is that a tax liability relating to profits from shares in companies and listed derivatives on shares is no longer recognized in the balance sheet. Due to this, the tax liabilities have decreased by EUR 7,144 thousand compared to 31 December 2007.

Reconciliation of effective tax rate:

	2008		2007
	1.1.-30.9		1.1.-30.9
(Loss)/profit before tax	(164,639)		189,587
Income tax using the domestic corporation tax rate	(15.0%) 24,696	(18.0%)	(34,126)
Tax exempt revenue	(1.1%) 1,758	2.9%	5,494
Effects of branches and subsidiaries	(3.8%) 6,327	1.7%	3,315
Changes in tax laws	28.9% 7,144	.0%	0
Other changes0% 0	(.4%)	(722)
Effective tax	(24.2%) 39,925	(13.7%)	(26,039)
Tax assets and tax liabilities recognised directly in equity:			
	2008		2007
	1.1.-30.9		1.1.-30.9
Available-for-sale investment securities	(3,714)		688

15. Earnings per share

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

	2008	2007
	1.1.-30.9	1.1.-30.9
(Loss)/profit for the period according to the Consolidated Interim Financial Statements	(124,714)	163,549
Weighted average share capital:		
Weighted average of outstanding shares for the period	9,684	9,877
Effects of stock options	0	217
Weighted average of total shares for the period, diluted	9,684	10,094
Basic earnings per share	(0.013)	0.017
Diluted earnings per share	(0.013)	0.016

Notes to the Balance Sheet

16. Cash and cash equivalents

	30.9.2008	31.12.2007
Cash and cash equivalents are specified as follows:		
Cash.....	126	81
Balances with banks.....	242,123	215,283
Unrestricted balances with central banks.....	21,622	20,963
Money market placements.....	328,618	1,190,844
Total cash and cash equivalents.....	592,489	1,427,171

Notes, contd.:

17. Financial assets held for trading

	30.9.2008	31.12.2007
Financial assets held for trading are specified as follows:		
Bonds and other fixed-rate securities:		
Listed bonds	111,856	747,101
Shares and other variable-yield securities:		
Listed shares	39,875	119,818
Unlisted shares	0	2,992
Total	39,875	122,810
Positive balance of derivatives	101,064	186,495
Total Financial assets held for trading	252,795	1,056,406

18. Pledged assets

Pledged assets are specified as follows:		
Bonds	56,890	11,488
Shares	127,365	200,435
Total pledged assets	184,255	211,923

The total financial assets that have been pledged as collateral for liabilities (including amounts reflected above) at 30 September 2008 was EUR 963 million (2007: EUR 556 million).

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.

19. Financial assets designated at fair value

Financial assets designated at fair value specify as follows:		
Listed shares	97,270	321,321
Unlisted shares	434,602	330,191
Listed unit shares	47,237	20,331
Unlisted unit shares	145,228	86,932
Listed bonds	295,905	165,164
Total financial assets designated at fair value	1,020,242	923,939

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

Real Estate	278,275	245,405
Transportation Infrastructure	235,101	47,425
Financial services diversified	210,760	359,908
Special Retail	186,088	199,294
Pharmaceutical	129,925	103,923
Hotels	103,233	131,356
Machinery	80,784	130,677
Media	78,747	218,611
Housholds	63,064	56,783
Diversified telecommunication Services	60,628	107,134
Other	415,979	810,826
Total loans to customers	1,842,584	2,411,342

Notes, contd.:**21. Provision**

The Impairment provision for credit losses has been deducted from Loans.

Changes in the provision are specified as follows:	30.9.2008	30.9.2007
Impairment provision at the beginning of the period	30,217	15,993
Provision for losses during the period	122,262	11,638
Loans written off during the year as uncollectible	(22,227)	(5,930)
Release due to deconsolidation of subsidiary	(4,212)	0
Translation difference	(910)	(14)
Impairment provision at the end of the period	125,130	21,687

22. Financial assets available-for-sale

Financial assets available-for-sale are specified as follows:	30.9.2008	31.12.2007
Listed shares	12,496	0
Unlisted shares	2,725	4,130
Unlisted unit shares	14,133	421
Listed bonds	200,658	215,522
Unlisted bonds	79,528	118,887
Total financial assets available-for-sale	309,540	338,960

23. Financial liabilities held for trading

Financial liabilities held for trading are specified as follows:

Trading liabilities	22,148	5,699
Derivatives	208,995	96,087
Total financial liabilities held for trading	231,143	101,786

24. Borrowings

The Bank's borrowings are specified as follows:

Loans from central bank	309,718	252,178
Loans from Banks	1,384,412	1,728,910
Debt securities issued	399,583	1,071,568
Short term borrowings	300,287	725,859
Total borrowings	2,394,000	3,778,515

25. Subordinated Loans

Loans that qualify as Tier II capital:

Loans that qualify as Tier II capital:		Maturity		
	Currency	date	Book value	
Subordinated loan - listed on the Iceland				
Stock Exchange, interest 5%	ISK	1.3.2015	45,190	66,855
Subordinated loan, interest Euribor + 3%	EUR	15.12.2018	27,089	27,083
Subordinated loan, interest Euribor + 3%	EUR	19.4.2019	19,737	19,703
			<hr/> 92,016	<hr/> 113,641

Notes, contd.:

26. Equity

a. Share capital

According to the Parent Company's Articles of Association, total share capital amounts to ISK 10,359 million. The nominal amount of treasury shares at 31 December 2007 and at 30 September 2008 amounted to ISK 636 and 659 million respectively. One vote is attached to each share of one ISK and the holders of ordinary shares are entitled to one vote per share at meetings of the Bank. The Board of Directors is authorised, within its discretion, to increase the Bank's share capital by ISK 2,000,000,000 by issuing new shares.

b. Regulatory capital

Equity at the end of the period amounted to EUR 1,346 million, equivalent to 25,7% of total assets according to the balance sheet. The capital adequacy ratio of the Bank, calculated in accordance to Article 84 of the Act on Financial Undertakings, is 22,5%. This ratio may not be lower than 8.0% according to that Act. The ratio is calculated as follows:

	30.9.2008	31.12.2007
Total Equity	1,345,663	1,568,501
Intangible assets	(498,907)	(500,723)
Subordinated loans	92,016	113,641
Total own funds	938,772	1,181,419
Total capital requirements for:		
Credit risk	238,243	285,687
Market risk under standardised approaches (SA)	40,081	48,473
Operational risk (Opr)	55,619	64,604
Capital requirements	333,943	398,764
Surplus of own funds	604,829	782,655
Capital adequacy ratio	22.5%	23.7%

Off Balance Sheet information

27. Obligations

Guarantees	107,527	49,894
Loan commitments	95,887	77,321
Obligations total	203,414	127,215

29. Events after the Balance Sheet date

After the Balance Sheet date a number of significant events took place in the global financial markets and in Iceland. In particular the three largest banks in Iceland were taken over by the Icelandic Financial Supervisory Authority between 3 and 9 October. The immediate decline in the market value of these banks combined with other systemic problems also had an adverse financial impact on many other companies in Iceland. Straumur is a counterparty to these Banks and has exposures to a number of other Icelandic companies. Because of these events Straumur sets out in an annex to these Condensed Consolidated Interim Statements, (pages 25 to 30), its Income Statement and its Changes in Equity for the 10 months ended 31 October 2008 and its Balance Sheet at that date.

The Bank's loss for October was EUR 151 million. Impairment losses for the month were EUR 245 million. At 31 October 2008, the Bank had total assets of EUR 4,422 million, a decrease of EUR 822 million since 30 September 2008. Total Equity at 31 October was EUR 1,173 million and the Bank's Capital adequacy ratio at that date was 17.6%.

30. Related parties

The Bank has a related party relationship with its subsidiaries, the Board of Directors of the parent company, the managing directors of the bank and close family members of individuals referred to herein. This definition is based on IAS 24.

At the end of September 2008, loans to related parties amounted to EUR 404 million (31 December 2007: EUR 420 million), guarantees related to these loans amounted to EUR 28 million (31 December 2007: EUR 28 million), and ownership in companies wherein Board members have significant influence amounted to EUR 89 million (31 December: EUR 121 million). Debts to related parties at the end of the period was EUR 71 million (31 December 2007: nil).

At the end of September 2008 as at the year end 2007, there were no personal loans or receivables to managers or Board members.

Condensed Consolidated Interim Income Statement for the period from 1 January to 31 October 2008

	2008 1.10. - 31.10.	2008 1.1. - 31.10.
Net interest income	2,715	64,625
Net fee and commission income	8,666	91,836
Dividend income	237	2,865
Net gain/(losses) on financial assets and financial liabilities held for trading	35,484	(13,247)
Net losses on financial assets designated at fair value through profit or loss	(29,866)	(72,727)
Net losses on financial assets available for sale	(44,220)	(44,220)
Net foreign exchange gains	104,641	94,839
Other income	827	4,876
Net operating income	78,484	128,847
Administrative expenses	(9,039)	(101,779)
Impairment losses	(244,554)	(366,815)
Share of profit of associates	(34)	(35)
Loss before tax	(175,143)	(339,782)
Tax income	24,550	64,475
Loss for the period	(150,593)	(275,307)

Condensed Consolidated Interim Balance Sheet as at 31 October 2008

	31.10.2008	30.9.2008
Assets:		
Cash and cash equivalents	650,056	592,489
Financial assets held for trading	166,952	252,795
Pledged assets	124,668	184,255
Financial assets designated at fair value through profit or loss	686,310	1,020,242
Loans	1,520,676	1,842,584
Financial assets available-for-sale	200,153	309,540
Investments in associates	7,175	7,429
Property and equipment	23,642	23,674
Asset held for sale	68,021	66,348
Intangible assets	499,018	498,907
Deferred tax assets	57,349	32,494
Other assets	417,896	413,476
Total Assets	4,421,916	5,244,232
Liabilities:		
Financial liabilities held for trading	85,787	231,143
Deposits from banks	35,120	51,293
Deposits from customers	694,935	780,707
Borrowings	1,832,766	2,394,000
Subordinated loans	83,681	92,016
Current tax liability	3,655	3,618
Deferred tax liability	938	945
Other liabilities	511,809	344,846
Total Liabilities	3,248,691	3,898,569
Equity:		
Share capital	100,150	102,525
Share premium	630,177	639,136
Other reserves	(85,203)	(74,658)
Retained earnings	512,529	663,506
Total equity attributable to equity holders of the Parent	1,157,653	1,330,510
Minority interest	15,572	15,154
Total Equity	1,173,225	1,345,663
Total Liabilities and Equity	4,421,916	5,244,232

Condensed Consolidated Interim Statement of Changes in Equity for the period from 1 January to 31 October 2008

	Share capital	Share premium	Other reserves	Retained earnings	Total share- holders' equity	Minority interest	Total equity
2008							
Equity as at 1.1.2008	102,777	647,970	(36,006)	843,116	1,557,857	10,644	1,568,501
Translation difference			(62,435)		(62,435)	190	(62,245)
Fair value changes in available-for-sale financial assets			10,200		10,200		10,200
Net earnings recognised directly in equity			(52,235)		(52,235)	190	(52,045)
Loss for the period				(281,687)	(284,292)	6,380	(275,307)
Total recognised in income statement			(52,235)	(281,687)	(333,923)	6,571	(327,352)
Dividends paid ISK 0.56 per share				(48,900)	(48,900)		(48,900)
Dividends paid by subsidiary .						(1,643)	(1,643)
Purchases and sales of treasury shares	(2,627)	(17,793)			(20,420)		(20,420)
Increase due to call options			3,039		3,039		3,039
Equity as at 31.10.2008	100,150	630,177	(85,203)	512,529	1,157,653	15,572	1,173,225

Annex, contd.:

Currency risk

Breakdown of assets and liabilities by currency:

31.10.2008	EUR	ISK	GBP	USD	DKK	Other	Total
Assets:							
Cash and cash equivalents	269,905	195,265	20,318	59,111	57,399	48,059	650,056
Financial assets held for trading	42,146	22,547		1,391	83,945	16,922	166,952
Pledged assets		69,648	3,915	23,172	17,036	10,897	124,668
Financial assets designated at fair value through P/L	609,525	10,949	1,311	52,885	5,119	6,520	686,310
Loans	552,875	29,497	220,498	213,120	375,593	129,093	1,520,676
Financial assets available-for-sale	113,720	86,239				194	200,153
Investments in associates		7,175					7,175
Property and equipment	4,284	10,243	5,821	3	900	2,391	23,642
Assets held for sale	68,021						68,021
Intangible assets	476,032		22,617			369	499,018
Deferred tax assets	2,424	54,716	209				57,349
Other assets	339,051	15,433	9,202	1,420	13,919	38,871	417,896
Total	2,477,983	501,712	283,890	351,104	553,911	253,315	4,421,916
Liabilities and equity:							
Financial liabilities held for trading	39,302	18,750	8,636	9,751	1	9,346	85,787
Deposits from banks	14,407	7,680				13,033	35,120
Deposits from customers	299,051	306,356	3,220	25,613	59,620	1,075	694,935
Borrowings	1,006,036	501,389	81,129	146,538	60,115	37,558	1,832,766
Subordinated loans	46,744	36,937					83,681
Current tax liabilities	1,313		1,208			1,133	3,655
Deferred tax liabilities	927					11	938
Other liabilities	258,389	124,524	34,570		60,617	33,709	511,809
Total equity	1,173,225						1,173,225
Total	2,839,394	995,636	128,764	181,902	180,354	95,864	4,421,916
Net Balance Sheet position	(361,411)	(493,925)	155,127	169,201	373,556	157,451	
Net off/Balance Sheet position	71,688	40,995	(86,003)	23,137	(64,306)	14,489	
Net (liabilities)/asset position	(289,723)	(452,930)	69,124	192,338	309,250	171,940	

Annex, contd.:

1.1. - 31.10.2008

Business segment income statement:

	Corporate finance	Debt finance	Capital Markets	Proprietary trading	Asset Manage- ment	Merchant Banking	Treasury	Other Operations	Total
Net interest (expense) income	(1,659)	32,600	(13,994)	2,510	4,588	(10,643)	51,346	(119)	64,625
Net fee and commission income (expense)	42,159	18,067	39,532	(2,800)	4,837	4	(9,959)		91,836
Dividend income	1,077		132	253		1,269	26	108	2,865
Net (losses) gains on financial assets and liabilities held for trading	(5,304)	(21,796)	12,026	(39,907)	(3)	(29,048)	70,787		(13,247)
Net (losses) gains on financial asset designated at fair value thought P/L	(10,865)	(7,845)	5			(65,359)	11,335		(72,727)
Net (losses) gains on financial asset available for sale						(44,030)	(190)		(44,220)
Net foreign exchange gains (losses)	52	(334)			23	(381)	95,454	25	94,839
Other operating income (expense)	107		617		(167)	412	269	3,639	4,876
Net operating income (expense)	25,567	21,026	37,980	(39,944)	9,279	(147,776)	219,068	3,653	128,849
Administrative expenses	(20,623)	(11,042)	(30,798)	(9,602)	(12,204)	(1,450)	(7,186)	(8,875)	(101,779)
Impairment		(286,949)	(28,726)				(15,727)	(35,413)	(366,815)
Share of loss of associates					(34)				(34)
Profit/(loss) before tax	4,944	(276,965)	(21,545)	(49,546)	(2,959)	(149,226)	196,155	(40,635)	(339,780)
Income tax									64,475
Loss for the period									(275,307)

Annex, contd.:

Regulatory capital

Equity at the end of the period amounted to EUR 1,173 million, equivalent to 26.5% of total assets according to the balance sheet. The capital adequacy ratio of the Bank, calculated in accordance to Article 84 of the Act on Financial Undertakings, is 17.6%. This ratio may not be lower than 8.0% according to that Act. The ratio is calculated as follows:

	31.10.2008	30.9.2008
Total Equity	1,173,225	1,345,663
Intangible assets	(499,018)	(498,907)
Subordinated loans	83,681	92,016
Total own funds	757,888	938,772
Total capital requirements for:		
Credit risk	222,999	238,243
Market risk for debt instrument and equity under standardised approaches (SA)	29,455	32,841
Market risk for foreign exchange under standardised approaches (SA)	36,234	7,240
Operational risk (Opr)	56,665	55,619
Capital requirements	345,353	333,943
Surplus of own funds	412,535	604,829
Capital adequacy ratio	17.6%	22.5%