

RULES
on the financial statements of credit institutions
No 834 of 3 November 2003,

CHAPTER I
Scope and definitions

Article 1

These Rules shall apply to the following:

1. credit institutions, i.e. commercial banks, savings banks, credit undertakings and electronic money undertakings, cf. Act No 161/2002, Article 4, Paragraph 1, Points 1 – 4.
2. branches of credit institutions established in a country outside the European Economic Area, and
3. subsidiary undertakings, cf. Article 82, Paragraph 2 of these Rules.

The entities mentioned in Article 1 of these Rules, will be called undertakings in following Articles.

The Rules apply furthermore to the following:

1. consolidations where the parent undertaking is one of the undertakings mentioned in Paragraph 1, Point 1 of this Article, and
2. consolidations where the parent company is in possession of either the whole or the majority of shares of a subsidiary undertaking, being a credit institution or an undertaking connected with the financial sector.

Article 2

In these Rules the following words shall have the following meanings:

Subsidiary undertaking: An undertaking which is connected to a *parent undertaking* in the ways described in Article 97, paragraph 1 of Act on Financial Undertakings No 161/2002. Cf. also *Associated undertaking; Consolidation, Consolidated undertakings; Affiliated undertaking; Holding company for appropriated assets; Appropriated undertaking.*

Remaining maturity: The period between the balance sheet date and the date of maturity; if loans or debts involve payments by instalments, the remaining maturity shall be the period between the balance sheet date and the date on which each instalment falls due. In the case of special deposits and time deposits, the remaining maturity shall be the period between the balance sheet date and the date of the first possible withdrawal of the deposit. In the case of overdrafts, produce credits and operational credits, the remaining maturity shall be the period between the balance sheet date and the date of negotiation for renewal of the loan/overdraft.

Investment security: A *market security* and a *share* which an undertaking has formally decided to hold for the long term, at least one year. Shares in *associated undertakings* or *affiliated undertakings* are excluded. Cf. also *Trading security.*

Undertaking connected with the financial sector: An undertaking, which is not a credit institution and operates, in particular, in acquiring holdings or pursues any of the activities referred to in Points 2 to 12 of the first paragraph of Article 20 of Act No 161/2002 on Financial Undertakings.

Forward transactions: Transactions which are settled three days or later from the trade day. Cf. also *Spot transactions.*

Appropriated undertaking: A company which an undertaking has acquired in connection with the restructuring of the company or in order to secure the payment of claims, cf. Article 20, of Act No 161/2002. Cf. also *Holding company for appropriated assets*.

Claim repayable on demand: A claim for which an undertaking can demand payment without notice. Cf. also *Subordinated claim /liability*.

Debt repayable on demand: A debt for which a creditor can demand payment without notice. Cf. also *Subordinated claim /liability*.

Participation: A share in *associated undertakings* or *affiliated undertakings* which is intended for a permanent ownership.

Associated undertaking: An undertaking, not being a *subsidiary undertaking*, in which another undertaking and its *subsidiary undertaking*, possesses shares and exercises material influence on or possesses, directly or indirectly, or controls at least 20% of the voting rights in the undertaking.

Share: A share in a limited company or a participating interest in own funds of other types of companies.

Credit institution: An undertaking having received operating licence according to Article 4, Paragraph 1, Points 1 - 4 of Act No 161/2002 on Financial Undertakings. Cf. also *Undertaking connected with the financial sector*.

Market security: A transferable security (a debenture, a share or a unit share) which is offered for sale to natural and/or legal persons by a prospectus in which all securities in each series have all principal characteristics in common, including the identity of the issuer (the debtor), the first day of interest, and provisions concerning repayment, interest and acceleration, as applicable. Cf. also *Investment security; Trading security*.

Parent undertaking: An undertaking as defined in Article 97, Paragraph 1 of the Act on Financial Undertakings No 161/2003 and Article 1, Paragraph 3, Point 2 of these Rules. Cf. also *Subsidiary undertaking; Consolidation, Consolidated undertaking; Affiliated undertaking*.

Spot transactions: Transactions which are settled no later than two working days after the trade date. Cf. also *Forward transactions*.

Public body: Central government and local authorities in Iceland and comparable authorities in other countries.

Non performing loans: This includes all loans with specific provisions as well as other loans which have been interest frozen, cf. furthermore Appendix I to these Rules. When classifying *non-performing loans* those loans to the customer in question which are considered fully secured can be exempted.

Genuine sale and repurchase transactions: *Sale and repurchase transactions* where the transferee is obliged to return the assets. Cf. also *Sale with an option to repurchase*.

Holding company for appropriated assets: A company which business it is to manage and operate appropriated assets owned by an undertaking. Cf. also *Appropriated undertaking*.

Sale with an option to repurchase: *Sale and repurchase transactions* where the transferee is merely entitled, but not obliged, to return the assets. Cf. also *Genuine sale and repurchase transactions*.

Consolidation, Consolidated undertakings: *Parent undertaking* and its *subsidiary undertakings*.

Listed security: A security which has been listed on a regulated securities market.

Sale and repurchase transactions: Transactions which involve the transfer by an undertaking or customer (the transferor) to another undertaking or customer (the transferee) of assets, for

example bills of exchange, debentures or transferable securities, subject to an agreement that the same assets will be transferred back to the transferor at a specified price. Cf. also *Genuine sale and repurchase transactions*; *Sale with an option to repurchase*.

Affiliated undertaking: *Subsidiary undertaking* of an undertaking, its *parent undertaking* or sister undertaking (i.e. undertakings belonging to the same parent undertaking).

Trading security: *Market security* which is not acquired with the intention of holding it for the long term. Cf. also *Investment security*.

Subordinated claim/liability: Claim/debt which in the event of dissolution or bankruptcy of the borrower may be repaid according to the loan agreement following all other claims against the borrower. Cf. also *Claim repayable on demand*; *Debt repayable on demand*.

Article 3

Undertakings according to Article 1, Paragraph 1, of these Rules shall compile annual accounts, cf. Chapters II - VIII of these Rules, and a directors' report. Furthermore, undertakings according to Article 1, Paragraph 1, having the sum total of the balance sheet exceeding ISK 2,000 million, shall compile interim financial statements as of 30 June each year, cf. Chapter X of these Rules

Consolidations, according to Article 1, Paragraph 3, shall compile consolidated annual accounts, cf. Chapters II - IX of these Rules and a directors' report. Furthermore, consolidations according to Article 1, Paragraph 3, having the sum total of the balance sheet exceeding ISK 2,000 million, shall compile interim financial statements as of 30 June each year, cf. Chapter X of these Rules

CHAPTER II

Layout of the balance sheet

Article 4

ASSETS

1. Cash in hand and demand deposits with central banks etc.
2. Treasury bills and other bills eligible for refinancing with central banks.
3. Loans and advances to credit institutions etc.
 - 3.1. Required deposits with central banks.*
 - 3.2. Loans and advances to credit institutions.*
4. Loans and advances etc.
 - 4.1. Loans and advances to customers.*
 - 4.2. Lease contracts*
 - 4.3. Appropriated assets.*
5. Bonds and other fixed rate securities.
 - 5.1. Trading bonds etc. issued by public bodies.*
 - 5.2. Trading bonds etc. issued by other borrowers.*
 - 5.3. Investment bonds etc. issued by public bodies.*
 - 5.4. Investment bonds etc. issued by other borrowers.*
6. Shares and other variable-yield securities.
 - 6.1. Trading shares etc.*
 - 6.2. Investment shares etc.*
7. Shares in associated undertakings.
 - 7.1. Shares in credit institutions.*
 - 7.2. Shares in other undertakings.*
8. Shares in affiliated undertakings.

- 8.1. Shares in credit institutions.*
- 8.2. Shares in other undertakings.*
- 9. Intangible assets.
 - 9.1. Goodwill.*
 - 9.2. Other intangible assets.*
- 10. Tangible assets.
 - 10.1. Buildings and land.*
 - 10.2. Equipment, machinery etc.*
- 11. Operating lease assets.
- 12. Other assets.
- 13. Prepayments and accrued income.
- Total assets.

See Chapter IV, Article 6, for further explanation of the asterisk.

LIABILITIES AND OWNERS' EQUITY

- 1. Amounts owed to credit institutions etc.
 - 1.1. Debts repayable on demand.*
 - 1.2. Other debts owed to credit institutions.*
- 2. Deposits.
 - 2.1. Demand deposits.*
 - 2.2. Time deposits (up to 3 months).*
 - 2.3. Time deposits (> 3 months).*
 - 2.4. Special deposits.*
- 3. Debts evidenced by certificates.
 - 3.1. Debts securities in issue.
 - 3.2. Securities owed to credit institutions.
 - 3.3. Other debts.
- 4. Other liabilities.
- 5. Accruals and deferred income.
- 6. Provisions for liabilities and charges.
 - 6.1. Provisions for pension commitments.*
 - 6.2. Provisions for deferred taxes.*
 - 6.3. Other provisions for liabilities and charges.*
- 7. Subordinated liabilities.
- 8. Owners' equity.
 - 8.1. Share capital/ Guarantee capital.
 - 8.2. Reserves.
 - 8.3. Revaluation account.
 - 8.4. Retained earnings.

Total liabilities and owners' equity.

OFF-BALANCE SHEET ITEMS

- 1. Guarantees etc.
 - 1.1. Guarantees issued.*

- 1.2. Acceptances and endorsements etc.*
- 2. Other commitments.
 - 2.1. Sale with an option to repurchase.*
 - 2.2. Forward purchases of assets.*
 - 2.3. Irrevocable loan commitments *
 - 2.4. Other commitments.*

CHAPTER III

Layout of the profit and loss account

Article 5

PROFIT AND LOSS ACCOUNT

- 1. Interest receivable etc.
 - 1.1. Interest from credit institutions etc.*
 - 1.2. Interest on loans and advances etc.*
 - 1.3. Interest on debts evidenced by certificates etc.*
 - 1.4. Other interest receivable etc.*
 - Total.
- 2. Interest payable etc.
 - 2.1. Interest to credit institutions.*
 - 2.2. Interest on deposits etc.*
 - 2.3. Interest on bonds issued etc.*
 - 2.4. Interest on subordinated liabilities.*
 - 2.5. Other interest payable etc.*
 - Total.
- A. NET INTEREST INCOME
- 3. Dividends from shares etc. and other holdings.
 - 3.1. Dividends from trading and investment shares etc.*
 - 3.2. Dividends from associated undertakings in financial activities.*
 - 3.3. Dividends from other associated undertakings.
 - 3.4. Dividends from shares in affiliated undertakings.*
 - Total.
- 4. Commissions receivable etc.
 - 4.1. Guarantee commissions.*
 - 4.2. Other commissions.*
 - Total.
- 5. Commissions payable.
- 6. Value adjustment of financial operations.
 - 6.1. Value adjustment of trading bonds etc.*
 - 6.2. Value adjustment of trading shares etc.*
 - 6.3. Value adjustment of foreign transactions.*
 - 6.4. Value adjustment of other financial instruments.*
 - Total.
- 7. Other operating income.
 - 7.1. Income from operating lease assets.*
 - 7.2. Sundry operating income.*
- B. PROFIT ON FINANCIAL ITEMS
- 8. General administrative costs.
 - 8.1. Wages and wage-related expenditure.
 - 8.1.1. Salaries.*
 - 8.1.2. Pension costs.*

- 8.1.3. Other staff costs.*
- 8.2. Other administrative costs.
- Total.
- 9. Depreciation of tangible assets, operating lease assets etc.
 - 9.1. Depreciation of intangible assets.*
 - 9.2. Depreciation of buildings.*
 - 9.3. Depreciation of equipment, machinery etc.*
 - 9.4. Depreciation of operating lease assets.*
 - Total.
- 10. Other operating expenses.
- 11. Provisions for bad and doubtful debts.
- 12. Value adjustment of investment securities etc.
 - 12.1. Value adjustment of investment securities.*
 - 12.2. Value adjustment of shares in associated undertakings.*
 - 12.3. Value adjustment of shares in affiliated undertakings.*
 - 12.4. Other value adjustments.*
 - Total.
- C. PROFIT/LOSS ON ORDINARY ACTIVITIES BEFORE TAXES
- 13. Taxes.
 - 13.1. Calculated income tax.
 - 13.2. Tax on net worth.
 - Total.
- D. PROFIT/LOSS ON ORDINARY ACTIVITIES AFTER TAXES
- 14 Profit/loss on extraordinary activities.
 - 14.1. Extraordinary income.*
 - 14.2. Extraordinary expenses.*
 - 14.3. Calculated tax on extraordinary activities.*
 - Total.
- E. NET PROFIT/LOSS FOR THE YEAR

CHAPTER 4

General provisions concerning the balance sheet, profit and loss account, cash flow statement and off-balance sheet items

Article 6

The presentation of the balance sheet, the profit and loss account and the cash flow statement shall be in accordance with the layout prescribed in Chapters II and III of these Rules and Appendix IV to these Rules. A combination of balance sheet sub-items and profit and loss account sub-items marked with asterisk in Chapters II and III is allowed, provided all combined sub-items are specified in the notes to the annual accounts. The conditions for such combination are as follows:

- such combination does not affect the fair presentation in the financial statements of the financial position and operating results of the undertaking;
- such combination of sub-items adds to the informational value of the financial statements.

A combination of cash flow statement items is furthermore allowed provided aforementioned conditions are fulfilled. Appendix IV to these Rules gives further accounting regarding compilation of cash flow statement.

Article 7

The Following items shall be specified as sub-items to the appropriate balance sheet items unless their amount and/or materiality is such that it is considered sufficient to specify them in the notes to the financial statements, cf. the conditions in Article 6:

- claims on or debts to affiliated undertakings,
- claims on or debts to an undertaking in which the undertaking holds a participation,
- claims on or debts to a subsidiary undertaking in which the undertaking holds a participation, on the condition that consolidation accounts including that subsidiary undertaking do not exist,
- claims on or debts to a company in which the undertaking has acquired holding on a temporary basis for the purpose of financial restructuring of the company or concluding dealings between the company and the undertaking, and
- subordinated claims, i.e. claims in the event of dissolution or bankruptcy of the borrower, repayment of which may be obtained following all claims against the borrower.

Article 8

The items shown in the annual accounts shall be valued in accordance with the following general principles:

1. The undertaking must be presumed to carry on its business as a going concern.
2. The methods of valuation must be applied consistently from one financial year to the next.
3. Valuation must be made on a prudent basis, and in particular:
 - a. only profits made at the balance sheet date may be included,
 - b. account must be taken of all foreseeable liabilities and potential losses arising in the course of the financial year concerned or of previous years, even if such liabilities or losses become apparent only between the date of the balance sheet and the date on which it is confirmed,
 - c. account must be taken of all depreciation, whether the results for the financial year indicate a loss or a profit, and
 - d. in the case of uncertainty, the alternative which is most likely not to overvalue assets and net income shall be chosen.
4. Account must be taken of income and charges relating to the financial year, irrespective of the date of receipt or payment of such income or charges.
5. The components of assets and liabilities items must be valued separately.
6. The opening balance sheet for each financial year must correspond to the closing balance sheet for the preceding financial year.

Any set-off between assets and liabilities items, or between income and expenditure items, shall be prohibited unless otherwise prescribed in these Rules.

Departures from these general principles shall be permitted in exceptional cases. Any such departures, if material, must be disclosed in the notes to the accounts and the reasons for them given together with an assessment of their effect on the financial position and profit or loss.

Article 9

Where a loan has been granted by a syndicate consisting of a number of credit institutions, each credit institution participating in the syndicate shall disclose only that part of the total loan it has itself funded.

If, in the case of a syndicated loan such as described in paragraph 1, the amount of funds guaranteed by a credit institution exceeds the amount which it has made available, any additional guarantee portion shall be shown as a guarantee under off-balance sheet item 1.1.

Article 10

In the case of genuine sale and repurchase transactions the assets transferred shall continue to appear in the transferor's balance sheet. The purchase price received by the

transferor shall be shown as an amount owed to the transferee. In addition, the value of the assets transferred shall be disclosed in a note to the transferor's accounts. The transferee shall not be entitled to show the assets transferred in the balance sheet, instead the purchase price shall be shown as a claim on the transferor.

In the case of sale with an option to repurchase, the transferor shall not be entitled to show in his balance sheet the assets transferred. The transferor shall enter under off-balance sheet item 2.1 "Sale with an option to repurchase", an amount equal to the price agreed in the event of repurchase.

No forward exchange transactions, options, transactions involving the issue of debt securities with commitment to repurchase all or part of the issue before maturity or any similar transactions shall be regarded as sale and repurchase transactions within the meaning of this Article.

CHAPTER V

Special provisions relating to certain balance sheet items and off-balance sheet items

Article 11

Assets item 1 "Cash in hand and demand deposits with central banks etc."

Cash in hand shall comprise all legal tender, including foreign notes and coins.

Furthermore, this asset item shall include balances with central bank and postal giro (post bank) of the countries in which the undertaking is established. Such balances must be readily available at all times. Other claims on such bodies must be shown as loans and advances to credit institutions (Assets item 3), as loans and advances (Assets item 4) or as bonds and other fixed rate securities (Assets item 5).

Article 12

Assets item 2 "Treasury bills and other bills eligible for refinancing with central banks"

This item shall comprise treasury bills and similar securities issued by public bodies which are eligible for refinancing with central banks of the countries in which the undertaking is established. This item shall only comprise those bills the undertaking has an unconditional right to refinance at the balance sheet date. Treasury Bonds and other similar securities issued by public bodies must be shown under Assets item 5, "Bonds and other fixed rate securities". The entries of the sale and repurchase transactions according to this Article shall be in accordance with the provisions of Article 10 of these Rules.

Article 13

Assets item 3 "Loans and advances to credit institutions etc."

Assets item 3.1, "Required deposits with central banks", shall comprise all claims on central banks other than those specified under Article 11. Required deposits with central banks shall be specified in the accompanying notes as required deposits according to Rules on required deposits on the one hand, and other time deposits on the other hand.

Assets item 3.2, "Loans and advances to credit institutions", shall comprise all claims on credit institutions, domestic and foreign, other than bonds and other securities which shall be shown under Assets item 5, "Bonds and other fixed rate securities" cf. following Article 15 Claims in the form of cheques on credit institutions and central banks shall be shown under Assets item 3.2.

Claims on credit institutions arising out of forward transactions or options shall be shown under Assets item 3.2.

Subordinated claims on credit institutions which are not issued as market securities shall be shown under Assets item 3.2. cf. Article 23, paragraph 2.

A credit institution means, according to this Article, an undertakings according to Article 1, Paragraph 1, of these Rules, and furthermore central banks and international and multinational banks. The aforementioned definition of a credit institution thus applies to the following institutions:

- Commercial Banks and Savings Banks and comparable undertakings in other countries. Furthermore, the Postal-giro Office which has legal right to accept deposits, cf. Act No 19/2002, and comparable undertakings in other countries,
- credit undertakings and comparable undertakings in other countries.
- Central Bank of Iceland and comparable institutions in other countries, and
- international financial institutions and multinational credit institutions, such as the Nordic Investment Bank (NIB) and European Investment Bank (EIB).

Article 14

Assets item 4 "Loans and advances etc."

Assets item 4.1, "Loans and advances to customers", shall comprise all claims, including accrued interests, on domestic and foreign customers other than credit institutions regardless of their actual designations. Claims classified as market securities shall, however, be shown under Asset item 5, "Bonds and other fixed rate securities", cf. Article 15 below.

Assets item 4.2, "Lease contracts", shall comprise all lease contracts arising out of financial lease and lease purchase. An asset taken over to secure payment of financial lease contract or lease purchase contract or at the end of the period of such a contract shall be shown under Assets item 4.3, "Appropriated assets".

In the notes to the annual accounts loans and advances shall at least be specified according to the remaining maturity of the loans and advances in compliance with Appendix III to these Rules, cf. also Article 61. Regarding specification of loans and advances involving payments by instalments, the remaining maturity shall be the period between the balance sheet date and the date on which each instalment falls due.

Allowance account for credit losses shall be deducted from the corresponding asset item.

Discount on claims not yet credited as income shall be deducted from the corresponding asset item.

Real estate or equipment an undertaking has taken over to secure payment of claim shall be entered at its estimated real value (market value) under Assets item 4.3, "Appropriated assets". The corresponding loan shall be deducted from Assets item 4.1, "Loans and advances to customers" but unpaid collateral loans shall be entered under Liabilities item 4, "Other liabilities". An asset which an undertaking has taken over to secure payment of claim may be shown under Assets item 4.1, "Loans and advances to customers" for a period of up to 6 months from the date of the transfer of ownership, provided the undertaking still has a claim on the original borrower and there is a likelihood that the property will be sold within one year from the date of the take-over. Appropriated assets shall be shown at their estimated real value.

Assets item 4.3 shall furthermore comprise estimated real value of shares and holdings in appropriated undertakings and holding companies for appropriated assets, cf. definitions in Article 2. This asset item shall also comprise loans to the same undertakings provided the undertaking and/or other credit institutions own the majority of the shares in such an appropriated undertaking or holding company for appropriated assets and the loans are not considered fully secured.

In the notes relating to Assets item 4.3 the appropriated assets shall be specified into real estate and equipment and holdings and loans cf. the preceding paragraph. Furthermore the notes shall comprise information as to total value of all of the undertaking's appropriated assets, i.e. all the appropriated assets of which the undertaking has formal ownership. Furthermore the notes on these asset items shall contain information as to the undertaking's proportional ownership and the operational performance and financial position of individual appropriated undertakings and holding companies for appropriated assets.

The annual accounts or interim financial statements of an appropriated undertaking which is a credit institution shall accompany the undertaking's financial statements provided the appropriated undertaking is not included in consolidated financial statements.

The Financial Supervisory Authority can grant an exemption to an undertaking from publishing information according to the last sentence of paragraph 8 and paragraph 9 of this Article.

Article 15

Asset item 5 "Bonds and other fixed rate securities"

Assets items 5.1, and 5.2, "Trading bonds etc.", shall comprise market securities and other securities, including market securities in the form of subordinated loans which are trading securities and issued by credit institutions, other undertakings or public bodies. Such securities issued by the last mentioned shall only be included here if they are not shown under Assets item 2, "Treasury bills and other bills eligible for refinancing with central banks".

Assets items 5.3, and 5.4, "Investment bonds etc.", shall comprise market securities and other securities, including market securities in the form of subordinated loans which are investment securities and issued by credit institutions, other undertakings or public bodies. Such securities issued by the last mentioned shall only be included here if they are not shown under Assets item 2, "Treasury bills and other bills eligible for refinancing with central banks".

Unit shares of mutual funds shall not be entered to Asset item 5 but to Asset item 6, "Shares and other variable-yield securities".

Own-debt securities shall be deducted from the corresponding liability item.

Treasury bonds and other comparable securities eligible for refinancing with central banks of the countries in which the undertaking is established shall be specified in the notes to Assets item 5.

Article 16

Assets item 6 "Shares and other variable-yield securities"

Assets item 6.1, "Trading shares etc." shall comprise shares, unit shares and other variable-yield holdings counted as trading securities other than those entered to Assets items 7 and 8.

Assets item 6.2, "Investment shares etc." shall comprise shares, unit shares and other variable-yield holdings counted as investment securities other than those entered to Assets items 7 and 8.

The book value of own shares shall be specified in the notes to Assets item 6 provided it is not deducted from the undertaking's share capital.

Article 17

Assets item 7 "Shares in associated undertakings"

This assets item shall comprise holdings in associated undertakings, cf. Article 2 of these Rules, excluding holdings in appropriated undertakings or holding companies for appropriated assets.

Article 18

Assets item 8 "Shares in affiliated undertakings"

This assets item shall comprise holdings in affiliated undertakings, cf. Article 2 of these Rules, excluding holdings in appropriated undertakings or holding companies for appropriated assets.

Article 19

Assets item 9 "Intangible assets"

This assets item shall comprise goodwill, unamortized cost, unamortized development cost and other intangible assets.

Capitalisation of formation expenses is not permitted.

Article 20

Assets item 10 "Tangible assets"

Assets item 10.1, "Buildings and land", shall comprise all real properties excluding appropriated assets of which the undertaking has acquired ownership. Lease contracts arising out of financial lease or lease purchase contracts shall be shown under Assets item 4.2, "Lease

contracts" and assets acquired for leasing as operating lease assets shall be shown under Assets item 11, "Operating lease assets". Appropriated assets shall be shown under Assets item 4.3, "Appropriated assets"..

Assets item 10.2, "Equipment, machinery etc.", shall comprise for example equipment, office machines, computers, cars and safe deposit boxes which are not part of a real estate.

Article 21

Assets item 11 "Operating lease assets"

Assets item 11, "Operating lease assets", shall comprise all assets which have been acquired for operating lease activities.

Article 22

Asset item 12 "Other assets"

Assets item 12, "Other assets", shall comprise miscellaneous assets and other claims which do not apply to other Assets items.

Article 23

Assets item 13 "Prepayments and accrued income"

This asset item shall comprise expenditure incurred during the financial year but relating to subsequent year together with any income which, though relating to the financial year in question, is not due until after its expiry. Accrued interest shall, however be shown under the corresponding Assets items.

This asset item shall comprise market value of all forward foreign-exchange contracts with positive position and, if appropriate, other similar contracts. Only total amount of net profit shall be shown under this asset item. On the other hand, market value of contracts with negative value shall be shown under Liabilities item 5. Value adjustment shall be shown under Profit and loss account item 6.4, "Value adjustment of other financial instruments". Claims on credit institutions arising from similar contracts shall be shown under Assets item 3.2, cf. Article 13, paragraph 3.

Article 24

Liabilities item 1 "Amounts owed to credit institutions"

Liabilities item 1, "Amounts owed to credit institutions", shall comprise deposits, inter-bank credits and other debts owed to credit institutions excluding debts evidenced by certificates or other negotiable securities which shall be shown under liabilities item 3, "Debts evidenced by certificates" or Liabilities item 7, "Subordinated liabilities".

Liabilities item 1.1, "Debts repayable on demand" shall comprise all debts repayable on demand owed to credit institutions, excluding debts evidenced by certificates and subordinated liabilities, cf. paragraph 1.

Liabilities item 1.2, "Other debts owed to credit institutions", shall comprise all debts owed to credit institutions with remaining maturity or subject to notice of termination, excluding debts evidenced by certificates and subordinated liabilities, cf. paragraph 1.

Debts owed to credit institutions arising out of forward transactions or option transactions shall be shown under Liabilities item 1.2., cf. Article 28, paragraph 2 and Article 23, paragraph 2.

Debts to central banks under Liabilities items 1.1 and 1.2 must be shown separately in the notes to the annual accounts.

For a fuller definition of the term credit institution as used in this Article, see Article 13, paragraph 5 above.

Article 25

Liabilities item 2 "Deposits"

This Liabilities item shall comprise all deposits other than debts evidenced by certificates or other negotiable securities which are to be shown under Liabilities item 3 "Debts evidenced

by certificates" or Liabilities item 7, "Subordinated loans". Deposits from credit institutions shall not be shown here but under Liabilities item 1, cf. Article 24 above.

Liabilities item 2.1, "Demand deposits", shall comprise deposits falling under the definition of the term "Debt repayable on demand in Article 2 above".

Liabilities item 2.1, "Demand deposits", shall furthermore comprise claims from customers arising out of forward transactions or option transactions, provided the customer is not a credit institution.

Liabilities item 2.2, "Time deposits (up to 3 months)", shall comprise deposits with minimum maturity time or notice of termination of up to 3 months.

Liabilities item 2.3, "Time deposits (> 3 months)", shall comprise deposits with minimum maturity time or notice of termination of 3 months or longer.

Liabilities item 2.4, "Special deposits", shall comprise deposit accounts which have been established with reference to existing legislation, for example tax laws, cf. savings schemes for private housing.

Article 26

Liabilities item 3 "Debts evidenced by certificates"

Liabilities item 3, "Debts evidenced by certificates", shall comprise debts, other than deposits, which have been incurred by issuing bonds and other negotiable securities. Securities issues which fall under the definition of subordinated debts shall be shown under Liabilities item 7, "Subordinated liabilities".

Liabilities item 3.1, "Debt securities in issues", shall comprise both bonds issues and issues of securities which can be classified as market securities, as well as acceptances which the undertaking has issued for its own refinancing and in respect of which it is the first party liable ("drawee").

Liabilities item 3.2, "Securities owed to credit institutions", shall comprise debts owed to credit institutions which fall under the definition of paragraph 1, other than those debts which shall be entered under Liabilities item 3.1. Short-term loans, from other credit institution shall, however, not be entered here but under Liabilities item 1, "Amounts owed to credit institutions etc."

Liabilities item 3.3, "Other debts", shall comprise debts which fall under the definition of paragraph 1, other than those debts which shall be entered under Liabilities items 3.1 and 3.2.

Article 27

Liabilities item 4 "Other liabilities"

Liabilities item 4, "Other liabilities", shall comprise those liabilities which are not related to financing, such as unpaid operating costs, amounts corresponding to the amounts recorded to offset probable losses relating to off-balance-sheet items and estimated taxes due in the course of the subsequent financial year.

Article 28

Liabilities item 5 "Accruals and deferred income"

Income receivable before the balance sheet date but relating to a subsequent financial year, together with any charges which, at though relating to the financial year in question, will be paid only in the course of a subsequent financial year, must be shown under this liabilities item. Accrued interest shall, however, be shown under the corresponding liabilities items.

Furthermore, this liabilities item shall comprise market value of financial contracts with negative position, cf. Article 23, paragraph 2.

Article 29

Liabilities item 6 "Provisions for liabilities and charges"

This liabilities item shall comprise provisions for liabilities and charges which have incurred before the balance sheet date but are uncertain as to amount or due date.

Provisions to the allowance account for credit losses and provisions relating to off-balance sheet items shall not be shown under this liabilities item but should be deducted from Assets item 4 or Liabilities item 4, cf. Articles 14 and 27.

Liabilities item 6.1, "Provisions for pension commitments", shall comprise accrued obligations to which the undertaking has committed itself in order to guarantee the pension rights of its employees, cf. also Appendix II to these Rules.

Liabilities item 6.2, "Provisions for deferred taxes", shall comprise deferred tax commitments, cf. Article 47.

Liabilities item 6.3, "Other provisions for liabilities and charges", shall comprise for example negative difference arising out of consolidation, cf. further explanation in Chapter 9 of these Rules.

Article 30

Liabilities item 7 "Subordinated liabilities"

This liabilities item shall comprise debts which may only be repaid following all claims other than repayment of share capital or guarantee capital.

Article 31

Owners' equity item 8 "Owners' equity"

Owners' equity item 8.1, "Share capital/guarantee capital", shall comprise an undertaking's paid-up share capital/guarantee capital.

Owners' equity item 8.2, "Reserves", shall comprise all reserves which have been created, included statutory reserve funds. Share premium shall be entered in statutory reserve cf. Act No. 2/1995, Article 100, paragraph 2.

Owners' equity item 8.3, "Revaluation account", shall comprise revaluation of fixed assets and intangible assets.

Owners' equity item 8.4, "Retained earnings", shall comprise that part of the retained profit of the financial year or preceding years which has not been disposed to other own funds' items.

Revaluation of individual items of owners' equity is permitted in accordance with generally accepted accounting principles.

Balance sheet items which represent correction of the book value of assets items may not be shown under owners' equity items or liabilities items but shall instead be deducted from the corresponding assets item, thus showing assets in the balance sheet at fair value.

Article 32

Off-balance sheet item 1 "Guarantees etc."

Item 1, "Guarantees etc.", shall comprise all transactions whereby an undertaking has underwritten the obligations of a third party.

Item 1.1, "Guarantees issued", shall comprise guarantees on loans, tender warranties, performance warranties and customs and tax bonds.

Item 1.1 shall furthermore comprise documentary credits relating to import and confirmed documentary credits relating to export.

Item 1.1 shall not comprise note issuance facilities and revolving underwriting facilities, but such obligations shall be shown under off-balance sheet item 2.4, "Other commitments", cf. Article 33 below.

Item 1.2, "Acceptances and endorsements etc.", shall comprise obligations which arise out of acceptances of bills and endorsements on rediscounted bills. This item shall furthermore comprise obligations arising out of recourse from a third party.

Allowance account to offset probable losses relating to off-balance sheet items according to this Article shall be shown under Liabilities item 4, "Other liabilities". The corresponding off-balance sheet items shall be deducted by the same amount.

Article 33

Off-balance sheet item 2 "Other commitments"

Item 2.1, "Sale with an option to repurchase", shall comprise commitments arising out of sale and repurchase transactions as described in Article 10, paragraph 2 of these Rules.

Item 2.2, "Forward purchases of assets", shall comprise all assets, including securities, shares, foreign currency and forward contracts, which have been purchased under a forward purchase agreement to be delivered three days or later from the trade day.

Item 2.3, "Irrevocable loan commitments", shall comprise all irrevocable commitments to grant credit or guarantee, including undrawn overdraft privileges. In the notes a specification shall be shown of loan commitments up to 1 year on the one hand and over 1 year on the other hand.

Item 2.4, "Other commitments", shall comprise note issuance facilities and revolving underwriting facilities, including NIF and RUF and other similar commitments. This item shall furthermore comprise all other commitments which are not shown in the balance sheet but could give rise to a risk.

Allowance account to offset probable losses relating to off-balance sheet items according to this Article shall be shown under Liabilities item 4, "Other liabilities". The corresponding off-balance sheet items shall be deducted by the same amount.

Notes to the accounts shall state the nature and amount of any type of commitment which is material in relation to an undertaking's activities.

CHAPTER VI

Special provisions relating to certain items in the Profit and loss account

Article 34

Profit and loss account item 1 "Interest receivable etc."

This profit and loss account item shall comprise:

- interest receivable,
- commissions receivable similar in nature to interest and calculated on a time basis or by reference to the amount of the claim,
- discount on securities and borrowers' commitments which are not shown at market value and is spread on a time basis based on the originally required investment return, and
- indexation on assets items.

Profit and loss account item 1.1, "Interest from credit institutions etc.", shall comprise interest income, indexation and commissions receivable, calculated on a time basis or by reference to the amount of the claim, on demand deposits with central banks and postgiro (post banks) in those countries where the institution is established, as well as similar income from Assets item 2, "Treasury bills and other bills eligible for refinancing with central banks" and Assets item 3, "Loans and advances to credit institutions etc.". Interest receivable and similar income from claims on securities companies and other undertakings connected with the financial sector, not being credit institutions, shall not be shown under this item.

Profit and loss account item 1.2, "Interest on loans and advances etc.", shall comprise interest receivable, indexation and commissions receivable, calculated on a time basis or by reference to the amount of the claim, on Assets item 4, "Loans and advances", including credited discount on loans and advances.

Profit and loss account item 1.2 shall furthermore comprise income from financial lease and lease purchase contracts. Income from operating lease assets shall on the other hand be shown under Profit and loss account item 7.1.

Profit and loss account item 1.3., "Interest on bonds etc.", shall comprise interest receivable, indexation and commissions receivable, calculated on a time basis or by reference to the amount of the claim, on Assets item 5, "Bonds and other fixed rate securities".

Interest receivable, indexation and commissions receivable, calculated on a time basis or by reference to the amount of the claim, on subordinated loans shall be entered under Profit

and loss account item 1.1, "Interest from credit institutions etc.", item 1.2, "Interest on loans and advances etc." or item 1.3., "Interest on bonds etc.", depending on under which assets item the claim is entered.

Profit and loss account item 1.4., "Other interest receivable etc.", shall comprise for example net interest income arising out of swaps.

Reversal of entries of credited interest from previous financial years is not allowed. The credit of interest on doubtful claims shall be ceased, cf. Appendix I to these Rules.

Article 35

Notwithstanding the provisions of Articles 34 and 40, regarding the breakdown of income from bonds into interest receivable and value adjustment, an entry of value adjustment under interest receivable is allowed, provided that the amounts in question are not material.

Article 36

Profit and loss account item 2 "Interest payable etc."

This profit and loss account item shall comprise:

- interest payable;
- commissions payable similar in nature to interest and calculated on a time basis or by reference to the amount of the debt;
- discount on securities issued and commitments which are not shown at market value and shall the discount be spread on a time basis based on the originally required investment return;
- indexation on liabilities items.

Profit and loss account item 2.1, "Interest to credit institutions", shall comprise interest payable etc. on Liabilities item 1, "Amounts owed to credit institutions etc."

Profit and loss account item 2.2, "Interest on deposits etc.", shall comprise interest payable and indexation on Liabilities item 2, "Deposits".

Profit and loss account item 2.3, "Interest on debts evidenced by certificates etc.", shall comprise interest payable and indexation on Liabilities item 3, "Debts evidenced by certificates".

Profit and loss account item 2.4, "Interest on subordinated liabilities", shall comprise interest payable etc. on Liabilities item 7, "Subordinated liabilities".

Profit and loss account item 2.5, "Other interest payable etc.", shall comprise interest payable on other liabilities and provisions for liabilities and charges .

Article 37

Profit and loss account item 3 "Dividends from shares etc. and other holdings"

Profit and loss account item 3.1, "Dividends from trading and investment shares etc.", shall comprise dividend and similar income from trading and investment shares and other similar variable-yield securities. An entry of dividends from trading shares under profit and loss account item 6.2. is, however, allowed.

Profit and loss account item 3.2, "Dividends from associated undertakings in financial activities" and item 3.4, "Dividends from shares in affiliated undertakings", shall comprise profit share from associated undertakings, being credit institutions or undertakings connected with the financial sector, and affiliated undertakings.

Profit and loss account item 3.3, "Dividends from other associated undertakings", shall comprise received dividend and similar income from associated undertakings other than those engaged in financial activities, cf. the preceding Article.

Article 38

Profit and loss account item 4 "Commissions receivable etc."

Without prejudice to Article 34, Profit and loss account item 4, "Commissions receivable etc.", shall include income in respect of off-balance sheet items, payment transactions, safe custody service and administration of securities. This item shall i.a. include:

- commissions for guarantees, loans administration on behalf of other lenders and securities transactions on behalf of third parties,
- commissions and income in respect of payment transactions, account administration, administration of securities and commissions for collection of securities and custodianship, including safe custody services,
- commissions for foreign currency transactions and for the sale and purchase of coin and precious metals etc., and
- commissions charged for brokerage services in connection with savings and insurance contracts and loans.

Profit and loss account item 4.1, "Guarantee commissions", shall comprise income in respect of guarantees.

Profit and loss account item 4.2, "Other commissions", shall comprise other income which falls under the definitions of paragraph 1 of this Article.

Article 39

Profit and loss account item 5 "Commissions payable"

Without prejudice to Article 36, "Commissions payable" shall include charges for services rendered by third parties, cf. listing of transactions and services in Article 38 above.

Article 40

Profit and loss account item 6 "Value adjustment"

This Profit and loss account item shall comprise value adjustment of other financial operations.

Profit and loss account item 6.1, "Value adjustment of trading bonds etc.", shall comprise realised and unrealised value adjustment of the undertaking's securities according to Assets items 5.1 and 5.2, "Trading bonds etc.", cf. however the provisions of Article 35. Value adjustment of foreign transactions shall be shown under Profit and loss account item 6.3, "Value adjustment of foreign transactions". Interest receivable, indexation and commissions receivable, calculated on a time basis or by reference to the amount of the claim, shall be shown under Profit and loss account item 1.3, "Interest on bonds etc."

Profit and loss account item 6.2, "Value adjustment of trading shares etc.", shall comprise the total value adjustment of the undertaking's securities according to Assets item 6.1, "Trading shares etc.". Value adjustment of foreign transactions shall however be shown under Profit and loss account item 6.3, "Value adjustment of foreign transactions". Under this account item an entry of dividends from trading shares is allowed, cf. Article 37, paragraph 1.

Profit and loss account item 6.3, "Value adjustment of foreign transactions", shall comprise every value adjustment of foreign transactions, including value adjustment of assets and liabilities denominated in foreign currency. In the case of securities denominated in foreign currency, the value adjustment arising out of changes in market value, but not foreign currency rate, shall be shown under Profit and loss account item 6.1, "Value adjustment of trading bonds etc.", item 6.2, "Value adjustment of trading shares etc." or item 12, "Value adjustment of investment securities etc."

Profit and loss account item 6.4, "Value adjustment of other financial instruments", shall comprise value adjustment, including value adjustment of foreign transactions, of futures, options, currency or interest rate swaps and similar financial instruments, which are not shown in the balance sheet.

In the case of securities denominated in foreign currencies, the value adjustment arising out of changes in foreign currency rates shall be calculated and entered under Profit and loss account item 6.3, "Value adjustment of foreign transactions", before the calculation of the value adjustment arising out of changes in market value.

Article 41

Profit and loss account item 7 "Other operating income"

This profit and loss account item shall include all operating income not falling under the definitions of Article 38 above and all other ordinary income arising out of the undertaking's activities. Building rental income and profit from sales of tangible assets as well as income from operating lease assets shall be shown under this account item.

Article 42

Profit and loss account item 8 "General administrative costs"

Profit and loss account item 8.1, "Wages and wagherelated expenses ", shall comprise all staff costs of the undertaking.

Profit and loss account item 8.1.1, "Salaries", shall comprise salaries which are object for tax return.

Profit and loss account item 8.1.2, "Pension costs", shall comprise the undertaking's costs arising out of pension commitments cf. Appendix II.

Profit and loss account item 8.1.3, "Other staff costs", shall comprise other staff costs of the institution.

The notes relating to Profit and loss account item 8.1, "Staff costs", shall contain a specification of salaries and emoluments granted to members of the board of directors and executive management in respect of their responsibilities, provided this information is not given in the directors' report. The information shall be specified by the members of the board and members of the executive management. The term "Executive management" means the person or persons who are engaged by the board of directors to bear the responsibility of the day-to-day running of the undertaking. The term "Salaries and emoluments" means, in addition to direct salaries, any type of work-connected benefits such as car benefits and house rental benefits. The term "In respect of their responsibilities" means i.a. duties the persons concerned perform in the power of the undertaking's participation in a subsidiary or an associated undertaking, along with representation on behalf of the undertaking in various committees and boards, even though emoluments granted for such duties are not paid by the undertaking itself.

Profit and loss account item 8.2, "Other administrative costs", shall comprise other operating and administrative expenses, including:

- rent expenses for premises rented by the undertaking,
- expenses related to electricity, heating, cleaning etc.; staff costs related to cleaning personnel who are employees of the undertaking shall not be shown under this account item but under Profit and loss account items 8.1.1 - 8.1.3,
- repairing and maintenance expenses of equipment (cars, office furniture etc.) and maintenance expenses of property which are allowed for debit entry,
- development costs, audit fee, cash differences, insurance costs, costs of security and alarm systems, dues to associations of which the undertaking is a member, fees to deposit guarantee fund and various public levies other than income tax and tax on net worth, and
- various administrative costs, for example costs related to office supplies, print, mailing, telephone, computer lease, brought in computer services, advertising, brochures, entertainment, travelling, remuneration for use of cars, per diem allowances and training.

The notes shall contain information on the remuneration granted to the undertaking's accountant/accounting firm specified by remuneration for accounting services on one hand and other services on the other.

The provisions regarding information on salaries and emoluments granted to members of the board of directors and executive management are minimum provisions. Undertakings listed on a regulated securities market are required to submit more detailed information in accordance to rules issued by the securities market in question.

Article 43

Profit and loss account item 9 "Depreciation of tangible assets, operating lease assets etc."

Profit and loss account item 9.1, "Depreciation of intangible assets", shall comprise depreciation and debit entries related to intangible assets, including goodwill and unamortized cost.

Profit and loss account item 9.2, "Depreciation of buildings", shall comprise depreciation of buildings.

Profit and loss account item 9.3, "Depreciation of equipment machinery etc." shall comprise depreciation of corresponding assets items.

Profit and loss account item 9.4, "Depreciation of operating lease assets" shall comprise depreciation of corresponding assets items.

Article 44

Profit and loss account item 10 "Other operating expenses".

This profit and loss account item shall include all ordinary operating expenses not falling under the definitions of other profit and loss account items. Loss from sales of tangible assets shall be shown under this account item.

Article 45

Profit and loss account item 11 "Provisions for bad and doubtful debts"

This account item shall comprise provisions to allowance accounts for credit losses which are related to assets shown under Assets item 3, "Loans and advances to credit institutions etc.", and Assets item 4, "Loans and advances etc.". This account item shall furthermore comprise all deductions arising out of losses related to appropriated undertakings and appropriated assets. Furthermore, provisions to offset probable losses relating to off-balance sheet items and other transactions not shown in the balance sheet shall be shown under this account item and also collected previously debited provisions related to these same items.

Article 46

Profit and loss account item 12 "Value adjustment of investment securities etc."

Profit and loss account item 12.1, "Value adjustment of investment securities", shall comprise value adjustment of securities shown under Assets items 5.3 and 5.4, "Investment bonds etc.", and item 6.2, "Investment shares etc.".

Profit and loss account item 12.2, "Value adjustment of shares in associated undertakings", shall comprise value adjustment of securities shown under Assets item 7, "Shares in associated undertakings".

Profit and loss account item 12.3, "Value adjustment of shares in affiliated undertakings", shall comprise value adjustment of securities shown under Assets item 8, "Shares in affiliated undertakings".

Profit and loss account item 12.4, "Other value adjustments", shall comprise value adjustments of assets items other than those mentioned in preceding paragraphs.

Value adjustment of foreign transactions, cf. preceding paragraphs, shall, however, be shown under Profit and loss account item 6.3, "Value adjustment of foreign transactions".

Article 47

Profit and loss account item 13 "Taxes"

Profit and loss account item 13.1 shall comprise calculated income tax on ordinary activities. Income tax shall be entered when incurred without respect to when it will become due. That part of the tax due after more than one year shall be shown as deferred tax commitment, cf. Liabilities item 6.2. Calculation of the deferred tax commitment shall be based on the current tax ratio at the balance sheet date. The timing difference of the entries of income and expenses in respect of the accounting principles applied, on the one hand, in the financial statements and, on the other hand, in the income tax statement cause the deferred tax commitment. The calculation of deferred tax commitment shall take into account transferable tax-related losses.

Profit and loss account item 13.2 shall comprise tax on net worth belonging to the financial year.

Article 48

Profit and loss account item 14 "Profit/loss on extraordinary activities"

Profit and loss account item 14.1, "Extraordinary income", shall comprise income not concerning ordinary activities of the undertaking and not supposed to recur in the short or the long run. This account item shall furthermore comprise income relating to changes in accounting principles for the undertaking and income relating to material error or deficiency in the previous years' financial statements. The extraordinary income shall be specified under this account item only if it is considered to be material.

Profit and loss account item 14.2, "Extraordinary expenses", shall comprise expenses not concerning ordinary activities of the undertaking and not supposed to recur in the short or the long run. This account item shall furthermore comprise expenses relating to changes in accounting principles of the undertaking and expenses relating to material error or deficiency in the previous years' financial statements. The extraordinary expenses shall be specified under this account item only if they are considered to be material.

Profit and loss account item 14.3, "Calculated tax on extraordinary activities", shall comprise calculated tax on extraordinary activities, cf. also Article 47.

CHAPTER VII

Valuation rules

Provisions relating to valuation of fixed assets

Article 49

Assets as defined by items 9, 10 and 11 shall be assessed by their original acquisition cost provided it is in accordance with generally accepted accounting principles. If the actual value of fixed assets is higher than the cost price and the revaluation is considered to be permanent, the book value can be revalued in the annual accounts; the value adjustment shall be booked under owners' equity item 8.3, "Revaluation account". Depreciation shall be calculated from the cost price. When calculating the the cost price according to Indents 1 and 2 of this Article a consideration shall be taken to the influence of the inflation from the year of acquisition to the year 2001.

Article 50

The cost price of tangible assets and operating lease assets with a limited useful lifetime shall be systematically depreciated to reflect the decrease in value of the asset.

Tangible assets renewed on a regular basis may be debited in the profit and loss account for the year of purchase provided their total value is immaterial for the undertaking.

Article 51

Intangible assets, such as goodwill, unamortized cost and development cost, shall be depreciated over a period not exceeding 5 years. The period of depreciation can, however, exceed 5 years provided that it does not exceed the utilization life of the asset in question. The reason for this shall be disclosed in the notes.

Article 52

If the actual value of tangible assets, operating lease assets and intangible assets is lower than their book value cf. Articles 49-51 and the reasons for this cannot be regarded as short-term, the book value shall be brought down to be consistent with the lower value.

If the conditions for value decrease, cf. paragraph 1 of this Article, no longer apply, the book value shall be increased to equal the previous value.

The lowering as defined by paragraph 1 of this Article shall be stated under profit and loss item 14.2 "Extraordinary expenses". The increase as defined by paragraph 2 of this Article shall be stated under 14.1 "Extraordinary income".

Article 53

A security can only be counted as investment security if the undertaking has made a formal decision to keep the security for the long term. The long term is generally understood to be one year or more.

A bond must be a market security in order to be counted as an investment security.

Investment securities shall be stated on the balance sheet in the following manner:

- Shares shall be stated at their market price or original acquisition cost adjusted to changes in the credit terms index or development of the exchange rate in the case of foreign securities, whichever is the lower on the balance sheet date. When calculating the the cost price according to Indents 1 and 2 of this Article a consideration shall be taken to the influence of the inflation from the year of acquisition to the year 2001,
- unit shares shall be stated at their market price on the balance sheet date, and
- bonds shall be stated with accrued indexation and foreign exchange value adjustment on the balance sheet date. Indexation shall be based on the relevant index for the month following the balance sheet month, whereas bonds in foreign currency shall be stated at the buying rate of the relevant currency at the end of the accounting period. Amortisation of discounts and premiums of purchased bonds shall be according to the required investment return on the date of purchase.

The calculation of discount and premiums shall be based on the required investment return on the date of purchase. However, the valuation of a security which an institution has decided to classify as an investment security and is already possessed by the undertaking shall be based on the required investment return valid at the time the decision is made, provided the market price of a comparable security is then lower than the original acquisition cost of the security. In the event that the market price is higher, the valuation shall be based on the original acquisition cost and the required investment return valid at the time.

If the actual value of an investment security is lower than its book value, cf. the provisions of this Article, and the reasons for this cannot be regarded as short-term, for example on account of the impaired solvency of the payer of an investment bond, the book value shall be brought down to be consistent with the lower value. This provision also applies in the case of a value decrease arising out of general interest increases provided the undertaking's investment securities are not financed by comparable interest terms.

Article 54

The shares of a parent undertaking in subsidiary undertakings or associated undertakings shall be valued to be consistent with intrinsic value according to the financial statements of the subsidiary or associated undertaking in question. This provision does not, however, cover subsidiary or associated undertakings that are defined as appropriated undertakings or holding companies for appropriated assets.

Provisions relating to valuation of trading securities

Article 55

Quoted trading securities shall be entered at the quoted market value valid on the balance sheet date. If the value of the securities held by an undertaking is regarded as being lower than the quoted market price or the average price of the same securities, e.g. on account of little or no trading in such securities for some period of time, the value of the securities shall be lowered to equal actual value. The difference between market value and book value shall be specified in the notes to the annual accounts.

Article 56

Trading securities which are unlisted, cf. Article 2, shall be entered at acquisition cost. Amortisation of discounts and premiums of purchased bonds shall be according to the required investment return on the date of purchase.

If the actual value of unlisted securities is lower than book value on balance sheet date, cf. paragraph 1 of this Article, the securities shall be brought down to the lower value.

In the event of an increase in the actual value of unlisted securities that have been brought down in accordance with the provisions of paragraph 2 of this Article, the increase may be posted as income. Such securities can, at the highest, be entered at acquisition cost, cf. the provisions of paragraph 1.

The purchase price of unlisted securities of the same category can be calculated on the basis of weighted average prices or by the "first in, first out" (FIFO) method.

The provisions of this Article also apply to unlisted securities which are entered under Assets item 2 "Treasury bills and other bills eligible for refinancing with central banks".

Provisions relating to the valuation of loans and advances etc.

Article 57

Loans and other borrowers' commitments shall be assessed with a view to the risk of credit losses and the necessary amounts entered into the allowance account for credit losses in accordance with the conclusion of such assessment. The allowance account for credit losses shall comprise specific provisions and general provisions and shall be deducted from the corresponding balance sheet item.

Specific provisions to the allowance account for credit losses shall comprise provisions to offset losses on borrower's commitments which are deemed to be at a particular risk due to substantial or long-standing defaults, moratorium, bankruptcy or other circumstances, such as when a borrower's solvency or ability to pay has suffered a considerable decrease. The amount of the specific provision shall be assessed with a view to the present value of expected future cash flows, or market value if considered appropriate, and taking account to the estimated market value of security held.

General provisions to the allowance account for credit losses shall comprise provisions to offset probable losses on the balance sheet date, other than borrowers' commitments already provisioned for by specific provisions. Assessment of general provisions shall be made according to loan classification by households and industries..

Further instructions regarding allowance account for credit losses, appropriated assets, calculation of interest on non-performing loans, etc. are given in Appendix I to these Rules.

Article 58

Allowance account to offset probable losses relating to off-balance sheet items shall be recorded as described in the last paragraphs of Articles 32 and 33.

Provisions to allowance accounts relating to loans and other borrowers' commitments shall be debited to Profit and loss account item 11, "Provisions for bad and doubtful debts etc."

Article 59

Assets, liabilities and other commitments denominated in foreign currencies shall be translated at the official rate on the balance sheet date.

Unsettled spot transactions in foreign currencies shall be assessed and recorded at the official rate on the balance sheet date.

Unsettled forward transactions in foreign currencies shall be assessed and recorded at the official rate on the balance sheet date.

The notes to the annual accounts shall disclose total amounts of assets and liabilities in foreign currencies translated to Icelandic krónur.

Provisions relating to valuation of pension commitments

Article 60

Valuation and presentation of pension commitments shall be in accordance with the provisions of Appendix II to these Rules.

CHAPTER VIII

Contents of the notes to the financial statements

General provisions

Article 61

In addition to the information stipulated in Appendix III to these Rules, the information laid down in Articles 6-8, 10, 14-16, 24, 33, 42 and 65-80 shall be disclosed in the notes to the financial statements.

Article 62

Where the notes require the disclosure of cost price, it can be calculated on the basis of weighted average prices or by the "first in, first out" (FIFO) method.

Article 63

Where the notes require the disclosure of the remaining maturity, cf. Article 2, in the case of loans and debts involving payment by instalments, the remaining maturity shall be the period between the balance sheet date and the date on which each instalment falls due.

Article 64

In respect of each balance sheet and profit and loss account item the figure relating to the corresponding item for the preceding financial year must be shown. In any case, non-comparability and any adjustment of the figures must be disclosed in the notes to the financial statements, with relevant comments.

Article 65

The valuation methods applied to the various items in the annual accounts shall be disclosed in the notes. This information can be disclosed in that part of the notes which deals with accounting principles.

As considered appropriate, the following methods shall be disclosed:

- assessment of the need for provisions to cover losses on loans and appropriated assets,
- interest freezing of loans,
- valuation of foreign currency denominated items,
- valuation of securities owned by the undertaking and the classification of marketable securities into trading securities and investment securities,
- valuation of derivatives and the breakdown of derivatives into trading security items and investment security items. Furthermore it shall be disclosed if and in what way the derivatives are used to manage the undertaking's interest and foreign exchange risk,
- revaluation and depreciation of fixed assets, and
- valuation of items related to leasing operations.

Notes relating to assets items.

Article 66

The value of shares or other holdings acquired in connection with the restructuring of an undertaking shall be disclosed, cf. also the provisions of Article 14.

Article 67

In the notes relating to Assets items 7 and 8 the following classification shall be disclosed for each subsidiary and associated undertaking:

- book value of holding,
- ownership, and
- profit share.

Article 68

In the notes relating to Assets item 9.2, "Other intangible assets", the amounts considered important to the users of the financial statements shall be disclosed. The depreciation of

intangible assets related to subsidiary and associated undertakings shall be specified, cf. Article 67.

Article 69

In the notes relating to Assets item 12, "Other assets", the main sub-items shall be specified, provided those items are considered important to the users of the financial statements.

Article 70

In the notes relating to Assets item 13, "Prepayments and accrued income", the main sub-items which are considered material shall be specified, but at least "accrued interest income" and "prepaid interest expenses" shall be specified.

Notes relating to liabilities items and owners' equity items

Article 71

In the notes relating to Liabilities item 4, "Other liabilities", the main sub-items considered material shall be specified.

Article 72

In the notes relating to Liabilities item 5, "Accruals and deferred income", the main sub-items which are considered material shall be specified, but at least "accrued interest expenses" and "prepaid interest income" shall be specified.

Article 73

In the notes relating to Liabilities item 6, "Provisions for liabilities and charges", the main sub-items shall be specified, provided those items are considered important to the users of the financial statements. Pension commitments entered into on behalf of administrative bodies shall be specified.

Article 74

In the notes relating to Liabilities item 7, "Subordinated liabilities", the following shall be disclosed:

- interest and expenses related to borrowing or repayment of subordinated liabilities during the financial year, and
- that part of subordinated liabilities which can be added to own capital in the calculation of capital adequacy ratio.

In respect of each borrowing exceeding 10% of the total amount of the subordinated liabilities, the following shall be disclosed:

- the amount of the borrowing, the currency in which it is denominated, the rate of interest and the maturity date or the fact that it is a perpetual issue,
- if there are any circumstances in which early repayment may be required, and
- the terms of subordination, the existence of any provisions to convert the subordinated liability into capital or some other form of liability and the terms of any such provisions.

Regarding other subordinated liabilities, a general description of terms shall be given.

Article 75

In the notes relating to item 8, "Owners' equity", the number and nominal value of shares shall be disclosed. Furthermore, the total value of issued shares and the amount of the undertaking's own shares shall be disclosed.

Furthermore, item 8.2, "Reserves", shall be specified by individual reserves and the statutory reserve shall be specified as share premium account and other transfers.

Article 76

In the notes relating to item 8, "Owners' equity", changes in owners' equity during the financial year shall be disclosed.

Article 77

For each liabilities item and each off-balance sheet item, the undertaking shall disclose the type and amount of the assets pledged as security for the undertaking's own liabilities.

The Total amount of assets pledged as security on behalf of subsidiary undertakings and other affiliated undertakings shall be disclosed separately.

Article 78

Leasing transactions an undertaking has undertaken and are of importance for its operational performance shall be disclosed.

The statement of the types of unmatured forward transactions outstanding at the balance sheet date shall be disclosed, indicating in particular, for each type of transaction, whether they are made to a material extent for the purpose of hedging the effects of fluctuations in interest rates, exchange rates and market prices, or whether they are made to a material extent for dealing purposes. These types of transactions shall include all those in connection with which the income or expenditure is to be included under Profit and loss account item 6, "Value adjustment of other financial operations", for example foreign currencies, precious metals, transferable securities, certificates of deposits and other assets.

Notes relating to the profit and loss account

Article 79

In the notes relating to Profit and loss account item 7, "Other operating income", item 10, "Other operating expenses", item 14.1, "Extraordinary income", and item 14.2, "Extraordinary expenses", the main sub-items of these profit and loss account items shall be specified, provided they are considered important to the users of the annual accounts.

If an undertaking provides services to third parties where the scale of business of that kind is material in relation to the undertaking's activities as a whole, it shall be disclosed.

Article 80

Where an undertaking operates a branch in another country, possesses a holding in a foreign subsidiary or associated undertaking, the following specification of income items by geographical markets shall be disclosed in the notes:

1. "Interest receivable etc.",
3. "Dividends from shares etc. and other holdings",
4. "Commissions receivable etc.",
6. "Value adjustment of other financial operations", and
7. "Other operating income".

CHAPTER IX

Provisions relating to consolidated accounts

Article 81

A parent undertaking shall compile annual accounts and directors' report for the consolidation. The annual accounts for the consolidation, consolidated accounts, shall be in accordance with the provisions of this Chapter.

The directors' report of the parent undertaking shall provide information pertaining to the consolidation as a whole in accordance with the provisions of Article 89 of Act No. 161/2002 on Financial Undertakings.

Article 82

Subsidiary undertakings falling under the provisions Article 22, paragraph 1 of Act No. 161/2002 shall not be included in consolidated accounts unless the Bank Inspectorate decides otherwise, cf. Article 104, paragraph 4. of Act No. 161/2002.

Subsidiary undertakings, other than those falling under paragraph 1 of this Article, shall be included in consolidated accounts unless the Bank Inspectorate grant exemption from that rule, cf. Article 104, paragraph 5 of Act No. 161/2002.

Article 83

Consolidated accounts shall include balance sheet, profit and loss account, cash flow statement and notes.

The provisions of Chapters II - VIII of these Rules shall apply as is considered applicable when compiling consolidated accounts.

Consolidated accounts and the directors' report shall be made public in accordance with Article 95, paragraph 3 of Act No. 161/2002, cf. also Article 97, paragraph 8 of the same Act.

The accounting year of consolidated accounts shall be the calendar year.

Article 84

The assets and liabilities of undertakings included in a consolidation shall be incorporated in full in the consolidated balance sheet.

The income and expenses of undertakings included in a consolidation shall be incorporated in full in the consolidated profit and loss account. Income and expenses of undertakings which have been appropriated during the financial year shall, however only be incorporated from the date of appropriation.

Holdings in consolidated undertakings owned by other parties shall be shown as minority interest.

Article 85

The book value of holdings in subsidiary undertakings shall be set off against shares in the equity capital of those subsidiary undertakings.

Article 86

Internal income and expenditure between the parties of a consolidation shall be eliminated and the same rule shall apply for internal assets and liabilities.

Income arising out of transfer of assets within the consolidation shall be considered as internal income provided the correspondent assets have not been depreciated for the same amount in the acquiring undertaking.

Article 87

The provisions of Chapter VI of the Annual Accounts Act No 144/1994, with later amendments, shall otherwise apply regarding compilation of financial statements on a consolidated basis for the undertakings falling under these Rules.

CHAPTER X

Provisions regarding interim financial statements

Article 88

The interim financial statements shall comprise profit and loss account, balance sheet, cash flow statement and explanatory notes. The provisions of Chapters II – IX of these Rules apply to interim financial statements as appropriate regarding content, presentation and explanatory notes and valuation of balance sheet items. The explanatory notes shall contain particular information on individual expense and revenue items which might present a misleading picture of the performance results for the accounting period in question. The need to make provisions for possible credit losses shall be based on an independent assessment comparable to the assessment conducted for annual accounts.

The interim financial statements shall contain comparative figures relating to the same period in the previous year.

CHAPTER XI

**Provisions regarding the publication of annual accounts and interim financial statements
and provisions regarding entry into force**

Article 89

The audited and endorsed annual accounts of the undertakings to which these Rules apply, cf. Article 1, paragraph 1, together with the directors' report, shall be submitted to the Financial Supervisory Authority within ten days of the endorsement, and not later than three months after the end of the accounting year.

The interim financial statements shall be available no later than two months from the accounting date and signed by the board of directors and executive manager of the institution concerned. If the accounts have been audited or reviewed, they shall also be signed by the undertaking's accountant. The signed interim financial statements shall be submitted to the Financial Supervisory Authority immediately upon publication.

Article 90

Within the same time limits as mentioned in the preceding Article, these same undertakings shall submit to the Financial Supervisory Authority a specification of the annual accounts on a standardised form supplied by the Financial Supervisory Authority.

Article 91

The annual accounts together with the directors' report shall be available at the place of operations of the undertaking concerned and be given to any customer who requests it within two weeks of the approval of the annual general meeting. The interim financial statements shall be available at the place of operations of the undertaking and given to any customer who requests it.

Article 92

These Rules are made in accordance with the provisions of Article 88, Paragraph 2, Article 96 and Article 97, Paragraph 9, of the Act No 161/2002 on Financial Undertakings. These Rules shall enter into force immediately. At the same time, Rules on the annual accounts of commercial banks, savings banks and other credit institutions No. 692 of 10 September 2001, as amended, cf. Rules No. 51 of 14 January 2002 and Rules No. 755 of 30 October 2002, and Rules on the interim financial statements of credit institutions No 691 of 10 September 2001, shall cease to apply.

Reykjavík, 3 November 2003.

FJÁRMÁLAEFTIRLITIÐ
(The Financial Supervisory Authority, Iceland)

Páll Gunnar Pálsson

Ragnar Haflidason

Appendix I

**Further instructions regarding the assessment of provisions to cover
losses on loans and other borrowers' commitments and the presentation
of the allowance account for credit losses, cf. Article 57 of the Rules.**

With a view to current rules and generally accepted accounting principles, a credit institution shall, when preparing its annual accounts and interim financial statements, assess the need for provisions to cover losses on loans and other borrowers' commitments and record the necessary entry into the allowance account for credit losses in order to offset probable credit losses of the institution as at the balance sheet date. Entry to the allowance account for credit losses shall comprise specific and general provisions and shall be deducted from the corresponding balance sheet item. Each credit institution shall formulate its own internal rules

of procedure regarding the assessment of specific and general provisions and the assessment of appropriated assets, as well as internal rules regarding the booking of written off loans.

1) Specific provisions

Specific provisions are provisions made in order to offset estimated loss on borrower's commitments which, at the balance sheet date, are deemed to be at a particular risk. Borrowers that come under inspection in relation to this are those who following applies to: Commitments are in arrears for a period of 3 months or more, borrowers' moratorium, bankruptcy or other circumstances which damage borrowers' solvency or liquidity and make it likely that the obligations will not be carried out in full.

When a borrower's commitments are considered at a particular risk, the need for the following shall be assessed:

- ceasing to credit interest and commissions;
- reversing the entry of credited interest and commissions within the account period, and
- entering specific provisions to the allowance account for credit losses etc.

Borrowers' commitments are understood as:

- loans and re-lent loans, including accrued interest and commissions,
- off balance sheet guarantees of the credit institution,
- guarantees of the borrower on behalf of other borrowers with the credit institution, and
- other possible commitments to the credit institution.

The amount of the specific provision to the allowance account for credit losses shall be assessed with a view to the present value of expected future cash flow and taking account to the estimated market value of security held. The present value shall be calculated by using the original effective interest rate as discount rate in the case of fixed-rate loans, whereas, for variable interest-rate loans, the discount rate shall be the current effective interest rate under the contract.

The assessment of security held shall take aim of the expected sales value of the asset in question, less selling expenses. If the sales value of an asset cannot be determined, for example if no active market for it exists at that time, other means for assessing the value of the security held shall be sought, for example with a view to cash flow or estimated future market value of the asset. Here, the cost of capital (calculated interest) of the undertaking shall also be taken into account.

2) General provisions

General provisions are provisions to offset probable losses on the balance sheet date, other than losses of borrowers' commitments already provisioned for, cf. section 1 above.

Assessment of general provisions shall be made according to loan classification by households and industries. The assessment shall be made in the light of the default of loans and loan loss experience specified by households and industries and prevailing economic conditions etc.

3) Changes in the credit terms of loans

When re-negotiation of the credit terms of a particular loan results in a substantially lower value of the loan in question than of a loan carrying market interest rates, the difference shall be booked as lost loans and/or, as required, debited to previously recorded revenue within the financial year. Borrowers who have renegotiated terms of loans in arrears, for example extension of loans by debt restructuring, shall be assessed specifically in view of probable credit losses, cf. furthermore section 1 in this Appendix.

4) Appropriated assets

Assets taken over by the institution to secure payment of claims, i.e. the assets of an undertaking under item 4.3 "Appropriated Assets", shall be entered at their estimated real value and the difference between the loan and the estimated value of the appropriated asset written off. Real value shall be based on the estimated sale price of the asset in question on a cash basis less estimated sales cost and cost incurred from maintaining or refurbishing the asset.

If it is considered likely that some considerable time will be needed to bring the asset into a saleable condition or to find a buyer, expenses and revenue related to the asset must be taken into account as well as the estimated cost of capital (calculated interest) of the undertaking.

5) *Write-offs*

A borrower's commitment shall be entered as unrecoverable in the annual accounts of the undertaking and the amount deducted from the allowance account for credit losses in the event of any of the following:

- the completion of bankruptcy proceedings,
- remission or reduction of debt,
- the undertaking resolves to cease debt collection measures, and
- a loss is deemed certain to occur.

6) *Internal rules of procedure*

Each undertaking shall formulate its own rules of procedure as regards survey of the lending base, assessment of the need to provide for probable credit losses, ceasing to book interest income on doubtful loans, and write-offs.

The internal rules shall state the appropriate procedure for the following:

- survey of loans and loan-groups with a view to assessing loans that are at a particular risk,
- assessment of general provisions for probable credit losses,
- interest freezing on doubtful loans and reverse entry of credited interest;
- debt restructuring,
- assessment of security held and appropriated assets,
- writing off doubtful loans.

APPENDIX II

Further instructions regarding pension commitments, cf. Article 60 of the Rules.

The presentation of pension commitments shall be as detailed in the following sub-sections numbered 1 to 4:

1. Undertakings which have undertaken pension commitments shall have an insurance actuary conduct a survey of the status of accrued but unpaid pension commitments and enter those in their annual accounts as further stipulated in this Appendix. This calculation shall be based on earned pension rights on account of completed terms of employment.
Calculations of the above shall take into account a required investment return not exceeding 3 per cent, i.e. investment return above changes in salaries. The ratio used in the calculations shall be specified in the notes to the annual account.
2. Actuarial surveys, cf. sub-section 1 of this paragraph, shall on average be conducted on an annual basis but never less frequently than every three years. When calculations are not carried out for each year, the status of accrued commitments shall be appraised by an insurance actuary.
3. Pension payments rendered by an undertaking on behalf of retired employees shall be debited to accrued pension commitments in the balance sheet.
4. The difference between the calculated status of accrued pension commitments at the end and at the beginning of an accounting year, with respect to sub-section 3 of this paragraph, shall be entered in the balance sheet and profit and loss account as follows:
 - a) The calculation of indexation and interest on accrued pension commitments shall be based on the status at the beginning of the accounting year as well as changes during the year and the amount obtained debited to the profit and loss account under item 2.5 "Other interest payable, etc.". Account shall be taken of changes in the credit terms index during the period and average rates of interest on indexed loans by deposit institutions at each particular time.

- b) The effect of any changes in calculation principles or assumptions that may be regarded as significant shall be specified and entered under extraordinary items in the profit and loss account.
- c) Any changes in accrued pension commitments, increase or reduction, shall be entered in the profit and loss account under 8.1.2 "Pension costs".

The notes to the annual accounts for each accounting year shall contain a statement of total commitments which shall be calculated as specified in paragraph 1 of this Appendix.

APPENDIX III

Information and specifications in the notes, cf. Article 61 of the Rules.

Assets item 1. "Cash in hand and demand deposits with central banks etc."

<i>Specification by cash and demand deposits with central banks etc.</i>	ISK
1. Cash in hand	
2. Demand deposits with central banks	
3. Demand deposits with postgiro	
Total	

Assets item 3 "Loans and advances to credit institutions etc."

<i>Specification by creditors, provided it is not shown in the balance sheet:</i>	ISK
1. Required deposits with central bank	
1.1. Deposits according to the Central Bank's Rules on required deposits.	
1.2. Other time deposits in central banks	
2. Loans and advances to credit institutions:	
2.1. Associated undertakings	
2.2. Affiliated undertakings	
2.3. Other credit institutions	
Total	

<i>Specification by remaining maturity: *</i>	ISK
1. On demand	
2. Up to 3 months	
3. Over 3 months and up to a year	
4. Over 1 year and up to 5 years	
5. Over 5 years	
Total	

*) Excluding required deposits according to Central Bank of Iceland's Rules on required deposits.
An explanatory note should contain description of the nature of these deposits.

Assets item 4 "Loans and advances"

Assets item 4.1 "Loans and advances to customers"

<i>Specification by types of loans: *</i>	ISK
1. Overdrafts	
2. Produce/Operational credits	
3. Bills of exchange	
4. Debentures	
5. Letters of credit redeemed	
6. Other loans	
Total	

*) Allowance account for credit losses is subtracted. General allowance account for credit losses shall be subtracted proportionally in accordance with the weight of the appropriate assets items.

Assets item 4 "Loans and advances", continued

Assets items 4.1 "Loans and advances to customers" and 4.2 "Operating lease assets"

<i>Specification by sectors: *</i>	%
1. Central government and state owned enterprises	
2. Municipalities	
3. Enterprises:	
(specification by main industries)	
4. Households	
Total	

*) Allowance account for credit losses is withdrawn. General allowance account for credit losses shall be subtracted proportionally in accordance with the weight of the appropriate assets items.

Assets items 4.1 "Loans and advances to customers" and 4.2 "Operating lease assets"

<i>Specification by remaining maturity: *</i>	ISK
---	-----

1. On demand	
2. Up to 3 months	
3. Over 3 months and up to 1 year	
4. Over 1 year and up to 5 years	
5. Over 5 years	
Total	

*) Allowance account for credit losses is withdrawn. General allowance account for credit losses shall be subtracted proportionally in accordance with the weight of the appropriate assets items.

Assets item 4.2 "Lease contracts"

<i>Specification by types of assets: *</i>	ISK
1. Contracts on fixed assets	
2. Contracts on machines and equipment	
3. Other	
Total	

*) Allowance account for credit losses is withdrawn. General allowance account for credit losses shall be subtracted proportionally in accordance with the weight of the appropriate assets items.

Assets item 4.3 "Appropriated assets"

<i>Specification of appropriated assets:</i>	ISK
1. Fixed assets	
2. Machines and equipment	
3. Holdings in appropriated undertakings and holding companies for appropriated assets	
4. Loans to appropriated undertakings and holding companies for appropriated assets *	
5. Other holdings	
Total	

*) Loans to appropriated undertakings and holding companies for appropriated assets, provided that the institution and/or other credit institutions have the majority of the shares in such undertaking or company and the loans are not considered fully secured.

*Non-performing loans**

	ISK
1. Loans with specific provisions	
2. - Specific allowance account for credit losses	
3. Other interest frozen loans	
Non-performing loans total (1-2+3)	

*) Commitments of the borrower in question considered fully secured may be excluded.

Assets item 4 "Loans and advances", continued

Allowance account for credit losses

<i>Changes during the year:</i>	Specific allowance account. ISK	General allowance account ISK	Total ISK
Balance 1.1.			
Provisions for the year			
- Loans written off			
Collected previously written off loans			
Balance 31.12.			

Assets item 5 "Bonds and other fixed rate securities"

	ISK
The amount which will become due within one year of the balance sheet date	

	Market value ISK	Book value ISK
<i>Assets items 5.1 and 5.2 "Trading bonds":</i>		
1. Quoted on the Iceland Stock Exchange		
2. Other quoted securities		
3. Unlisted securities		
Total		
<i>Assets items 5.3 and 5.4 "Investment bonds":</i>		
1. Quoted on the Iceland Stock Exchange		
2. Other quoted securities		
3. Unlisted securities		
Total		

	ISK
Treasury bonds and similar securities which are eligible for refinancing in central banks	

Assets item 6 "Shares and other variable-yield securities"

Assets item 6 "Shares and other variable-yield securities"

	Market value ISK	Book value ISK
<i>Assets item 6.1 "Trading shares":</i>		
1. Quoted on the Iceland Stock Exchange		
2. Other quoted shares etc.		
3. Unlisted shares etc.		
Total		
<i>Assets item 6.2 "Investment shares":</i>		
1. Quoted on the Iceland Stock Exchange		
2. Other quoted shares etc.		
3. Unlisted shares etc.		
Total		

Asset item 6.1 "Trading shares", unquoted shares.

<i>Specification by undertakings *</i>	Owner- ship %	Nominal- value ISK	Number of under- takings	Book value ISK
Total preceding undertakings				
Other unquoted trading shares				
Total				

*) Shares related to changes of ownership or preperation of public offering may be excluded. Furthermore those shares which fulfil both of following conditions may be excluded: Participation in the undertaking in question is equivalent to less than 20% and the book value is less than 2% of the owners' equity of the credit institution.

*Assets item 6.2 "Investment shares" **

<i>Changes during the year:</i>	ISK
Book value 1.1.	
Bought during the year	
Sold during the year	
Value adjustment	
Book value 31.12.	

*) Provided this information is not included in a cash flow statement.

Assets item 6.2 "Investment shares"

<i>Specification by undertakings *</i>	Owner-ship %	Profit share ISK	Nominal value ISK	Market value ISK	Book value ISK
Total					

*) Quoted shares shall be specified.

Assets item 7 "Shares in associated undertakings"

<i>Specification by undertakings *</i>	Owner-ship %	Profit share ISK	Nominal value ISK	Market value ISK	Book value ISK
Total					

*) Quoted shares shall be specified.

Assets item 8 "Shares in affiliated undertakings"

<i>Specified by undertakings *</i>	Owner-ship %	Profit share ISK	Nominal value ISK	Market value ISK	Book value ISK
Total					

*) Quoted shares shall be specified.

Assets item 9 "Intangible assets"

<i>Changes during the year:</i>	Goodwill ISK	Other intangible assets ISK
Book value 1.1.		
Bought during the year		
Sold during the year		
Revaluation		
Depreciation during the year		
Book value 31.12.		

Assets item 10 "Tangible assets"

<i>Changes during the year:</i>	Buildings and land ISK	Equipment, machinery etc. ISK	Total ISK
Total value 1.1.			
Additions during the year			
Revaluation during the year			
Sold during the year			
Total value 31.12.			
Previously depreciated			
Depreciation during the year			
Revaluation during the year			
Sold during the year			
Total depreciation			
Book value 31.12.			

Specification shall be made of the official real estate value of buildings and land and the insurance value of buildings.

Assets item 11 "Operating lease assets"

Comparable specification as regards tangible assets cf. above.

Specification of balances with associated undertakings and affiliated undertakings

	Associated undertakings ISK	Affiliated undertakings ISK
<i>Assets items:</i>		
A.2. Treasury bills and other bills eligible for refinancing with central banks		
A.3.2 Loans and advances to credit institutions		
A.4.1 Loans and advances to customers		
A.5. Bonds and other fixed rate securities		
Total asset items		
<i>Liabilities items:</i>		
L.1. Amounts owed to credit institutions		
L.2. Deposits		
L.3 Debts evidenced by certificates		
L.7. Subordinated liabilities		
Total liability items		

Specification of subordinated loans

<i>Assets items:</i>	Associated undertakings ISK	Affiliated undertakings ISK	Other undertakings ISK
A.3.2 Loans and advances to credit institutions			
A.4.1 Loans and advances to customers			
A.5. Bonds and other fixed rate securities			
Total subordinated loans			

Assets and liabilities denominated in foreign currency

	ISK
Assets denominated in foreign currency	
Liabilities denominated in foreign currency	
Balance	

Assets and liabilities linked to a domestic index

	ISK

Assets linked to a domestic index	
Liabilities linked to a domestic index	
Balance	

Liabilities item 1 "Amounts owed to credit institutions"

Liabilities item 1.1. og 1.2.

<i>Specification by creditors:</i>	ISK
1.1. Debts repayable on demand:	
Debts to central banks	
Debts to other credit institutions	
Total	
1.2. Other debts owed to credit institutions:	
Debts to central banks	
Debts to other credit institutions	
Total	

Liabilities item 1 "Amounts owed to credit institutions", continued

Liabilities item 1.2 "Other debts"

<i>Specification by remaining maturity:</i>	ISK
1. Up to 3 months	
2. Over 3 months and up to a year	
3. Over 1 year and up to 5 years	
4. Over 5 years	
Total	

Liabilities item 2 "Deposits"

Liabilities items 2.2., 2.3., and 2.4.

<i>Specification by remaining maturity:</i>	ISK
1. Up to 3 months	
2. Over 3 months and up to a year	
3. Over 1 year and up to 5 years	
4. Over 5 years	
Total	

Liabilities item 3 "Debts evidenced by certificates"

	ISK
The amount which will become due within one year of the balance sheet date	

Liabilities item 6 "Provisions for liabilities and charges"

Liabilities item 6.1 "Provisions for pension commitments"

	ISK
Pension commitments total *	
thereof for former members of board of directors	
thereof for former members of executive management **	

*) The yield on which the calculation of pension commitments is based shall be specified.

**) Cf. definition in Article 42, paragraph 5 of the Rules.

Loans and commitments, other than pension commitments, entered into on behalf of board of directors and executive management

<i>Total amounts of loans to and commitments for:</i>	ISK
Board of directors	
Executive management *	
Total	

*) Cf. definition in Article 42, paragraph 5 of the Rules.

Salaries and emoulements granted to the board and the management.

<i>Salaries and emoulements granted to the board and the management:</i>	Kr.
1. Members of the board of directors	

2. Executive management**	
Total	

*) Provided this information is not given in the directors' report.

**) Cf. definition in Article 42, paragraph 5, of the Rules.

Remuneration to the accountant/accounting firm *)

	Kr.
1. Remuneration for accounting services	
2. Remuneration for other services	
Total	

*) Cf. Article 42, paragraph 7, of the Rules

Number of employees

	Number
Average number of employees in the financial year recalculated to full-time equivalent positions	
Number of full-time equivalent of positions at end of year	
thereof employees engaged in bank activities	

Own funds and solvency ratio

<i>Own funds and solvency ratio according to law:</i>	ISK.
Own funds:	
Own Funds Part A	
Own Funds Part B	
Own Funds Part C	
- items deducted according to Article 85, paragraph 1, of Act No 161/2002	
Own funds total	
Risk assets	
Solvency ratio	%

	Number of shares	Nominal value of a share ISK	Total amount of shares ISK
<i>Information about shares/guarantee capital:</i>			
1. Issued shares/guarantee capital			
2. thereof own shares			

Changes in owners' equity

	ISK.
<i>8.1. Share capital/guarantee capital 1.1.200x</i>	
a. New paid-up share/guarantee capital	
b. Bonus shares issued	
c. Decrease in share/guarantee capital	
d. Other additions or disposals	
<i>Share capital/guarantee capital 31.12.200x</i>	
<i>8.2. Reserves 1.1.200x</i>	

a. Transfers from retained earnings	
b. Transfers to statutory reserve on account of share premium	
c. Other transfers to statutory reserve	
d. Other additions or disposals	
<i>Reserves 31.12.200x</i>	
8.3. <i>Revaluation account 1.1.200x</i>	
a. Revaluation made during the year	
b. Other additions or disposals	
<i>Revaluation account 31.12.200x</i>	
8.4. <i>Retained earnings 1.1.200x</i>	
a. Net profit/loss for the year	
b. Transfers from share premium account	
c. Transfers to statutory reserve	
d. Other transfers to reserves	
e. Dividend paid	
f. Other additions or disposals	
<i>Retained earnings 31.12.200x</i>	

Off-balance sheet items

Specification of item 2.3., Irrevocable loan commitments, cf. Article.33, paragraph 3.

<i>Specification by maturity:</i>	ISK
Up to 1 year	
Over 1 year	
Total	

Forward contracts and foreign exchange and interest rate contracts.

	ISK
<i>Forward contracts:</i>	
Assets in ISK	
Assets in foreign currencies	
Liabilities in ISK	
Liabilities in foreign currencies	
<i>Foreign exchange and interest rate contracts:</i>	
Assets in ISK	
Assets in foreign currencies	
Liabilities in ISK	
Liabilities in foreign currencies	

	ISK
Credit equivalent of derivatives according to rules on assessment of risk assets *	

*) Credit equivalent means the result of the calculations before multiplying with the appropriate risk weighting factor of the counterparty.

*Customers' assets under custodianship**

	ISK
Customers' assets under custodianship	

*) Custodianship means a service provided for a fee, under the terms of a particular agreement, involving the receipt of funds for investment in securities or other valuables for the customer's own account, cf. definition in Article 2 of Act No. 13/1996, on Securities Transactions, as amended.

APPENDIX IV

Further instructions regarding cash flow statement, cf. Article 6 of the Rules.

The statement shall i.a. disclose cash flow from operating activities, investing activities, financing activities and other changes of cash and cash equivalents during the year, cf.

furthermore following presentation. A combination of items or an addition is allowed provided such step adds to the informational value of the cash flow statement. When calculating the effects of operating activities on the cash flow a correction shall be made relating to the effects of indexation and exchange rate difference but not the effect of interest revenues/expenses given the assumption that those operating items are paid within the year. Income tax according to “Cash flow from operating activities” means changes in income tax obligations but changes in income tax payable shall be shown under the item “Changes in assets and liabilities”. “Other items” according to “Cash flows from operating activities” means operating items such as depreciation, gain on sale and changes in pension liabilities. “Cash and cash equivalents” means cash in hand, demand deposits with central banks, treasury bills and other bills eligible for refinancing with central banks and claims on credit institutions repayable on demand.

CASH FLOWS STATEMENT

Cash flows from operating activities:

Net profit for the year

Differences between net profit and cash from operations:

Indexation and exchange rate difference

Provision for losses on loan portfolio

Income tax, changes in income tax obligations

Other items

Changes in assets and liabilities

Net cash provided by operating activities

Cash flows from investing activities:

Reserve requirement account with the Central Bank, changes

Other time deposits with credit institutions

Loans, changes

Trading bonds, changes

Trading shares, changes

Investment bonds, changes

Investment shares, changes

Shares in associated and affiliated undertakings, changes

Investment in fixed assets

Proceeds from sale of fixed assets

Other assets, changes

Net cash used in investing activities

Cash flows from financing activities:

Amounts owed to credit institutions

Deposits, changes

Borrowings, changes

Other liabilities

Subordinated loans

Dividend paid

Treasury stock, changes

Net cash provided by financing activities

Increase(-decrease) in cash

Cash and cash equivalent at the beginning of year

Cash and cash equivalent at the year-end

Other information:

Income tax, paid

Dividends from associated and affiliated undertakings.