

Draft

Project Earth Vendor Due Diligence – Purchaser report

25 November 2008

Strictly Private and Confidential



For the attention of Mr Kaouach

Lafimed
83, Avenue Mohamed V – Belvédère Center
1002 – Tunis
Tunisia

25 November 2008

Dear Mr Kaouach,

In accordance with your instructions as confirmed in our contract dated 21 November 2008 (the "Contract"), we report on Kaupthing Bank Luxembourg S.A. (the "Bank" or the "Target").

This draft report has been prepared for the purposes of the proposed acquisition of the Bank by Lafimed.

We draw your attention to important comments regarding the scope and process of our work, set out immediately following this letter.

This is a draft report. The comments in this draft are subject to amendment or withdrawal: our definitive findings and conclusions will be those set out in the final report.

You may not make copies of this report available to other persons except as described in the Contract, and subject to the conditions described therein. We will not accept any responsibility to any person other than you, except under the arrangements described in the Contract.

Yours faithfully,

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Scope and Process (1/2)

Engagement and scope of our work

We were engaged by the Management of Kaupthing Bank Luxembourg S.A. on 22 October 2008 to prepare a report on the business and financial affairs of the Bank. We have performed the work in accordance with the engagement terms agreed upon in the Engagement contract, attached as Appendix 1 to this report. The engagement contract provides further detail on the scope of work we have agreed to perform. It is your responsibility to determine the extent to which our Vendor Due Diligence (VDD) report and the underlying scope of our work are suitable for your purposes and we make no representation in this regard. We point out that our work was not designed to identify fraud or any other similar issues.

These supplementary analyses, or "Purchaser report" has been prepared in accordance with our Engagement Letter dated November 20, 2008 with Lafimed and should be read in conjunction with our VDD report.

Other matters

Furthermore our work did not include a review of the Bank's Business Plan (primarily because one has not been prepared), tax and legal affairs, environmental, health and safety and insurance.

Access to information

Our work has been carried out at the Bank's headquarters in Luxembourg, where financial information is centralised. We had access to management accounts and legal accounts, and other data. Our information was obtained directly from Management. We point out that a data room has been set up by Management which include further information which we recommend any potential buyer to review extensively. For the purpose of this report we have not reviewed and commented on all aspects of this data room but we have limited our review on such documents we believed necessary for the purpose of completing the defined scope of work.

Scope and Process (2/2)

Management representations

We have shown a draft of the VDD report to the Management, who has confirmed that, to the best of his knowledge and belief, it does not contain any material error of fact, there has been no material omission and it fairly sets out the recent results, state of affairs and prospects of the Bank. To the extent that we consider them appropriate, we have incorporated his comments in this report.}]

Due diligence process

The VDD was performed over three weeks period commencing mid October 2008. The work on Purchaser report has started on 20 November. We conducted our fieldwork at the Bank's headquarters in Luxembourg . We also had ample access to top management.

International Financial Reporting Standards ("IFRS")

Kaupthing Bank Luxembourg S.A's Statutory Financial Statements are based on Luxembourgish GAAP. We did not perform any work regarding implications of moving from Luxembourgish GAAP to IFRS.

For the above reasons, this report may not have identified all matters that might be of concern to you.

Important Messages

Bank is currently under a procedure of "Sursis de Paiement"

It should be noted that the Bank is currently under a procedure of "suspension of payment" as defined by Luxembourg law and in that context PwC S.à.r.l. represented by Emmanuelle Henniaux, and Me Franz Fayot have been appointed Administrators of the Bank by a judgment of the Tribunal d'arrondissement de Luxembourg (District Court) on 9 October 2008. This situation may lead to unforeseen consequences for the Bank, which may significantly impact the figures shown in this report.

Clarity of information

The Bank produces a substantial amount of financial information for internal and statutory reporting requirements. The financial systems are primarily designed to support a legal entity structure that cannot be readily mapped to the operating structure of the business (i.e. by business line margins). In addition, the Bank usually performs month-end closing accounts and reporting.

Our review of the Balance sheet as of 20 October 2008 and as of 20 November 2008 was limited to on certain items as agreed with you, which does not correspond to the regular month-end closing and therefore monthly depreciation, accruals on bond interests, taxes and some other items are not booked in the accounts at this date.

Significant scope matters and subsequent events occurred after 20 October 2008

We point out that the scope of our work did not include a review of the Bank's financial information subsequent to 20 October 2008 except for the items specifically mentioned as per our Engagement Letter dated 21st November 2008. It should be noted that the "suspension of payment" procedure has resulted in a number of measures, which may have substantially impacted the balance sheet and the Bank after 20 October 2008. Amongst which (but not limited to):

1. The "suspension of payment" is an event of default in relation to certain transactions and therefore may lead to immediate settlement of the transaction instead of settlement at maturity and may thus generate potential litigation with bank counterparties and clients. We strongly recommend any potential acquirer to investigate the recent developments in this area which we were not able to review post 20 October 2008.
2. Certain client portfolios have been transferred to other banks at the request of the clients as they could not be managed in the current context by the Bank, resulting in a loss of clients. We strongly recommend any potential acquirer to consider the actual amount of client assets as at the most recent date.
3. A number of client trades which were ordered before 9 October 2008 but which were not settled at that date, have been cancelled further to a judgment by the Tribunal d'arrondissement dated 29 October 2008 and have been cancelled since then.
4. Volatility on securities and forex market since 20 October and 20 November may lead to financial impact to the net equity of the Bank
5. A retention plan is currently in place in order to retain some key people, in particular CRMs. We understand however that some people have left the Bank recently even if they were part of the retention plan .
6. Some creditors are currently trying to seize assets belonging to the Bank or its Parent Company. The result of these actions is unknown update on the report but will be to need investigated.

Section 1

Balance sheets highlights

Kaupthing Bank Luxembourg's balance sheets as at 20 Oct and 20 Nov 2008

Kaupthing Bank Luxembourg as at 20 October and 20 November 2008 (Unaudited figures)

€ in millions	20 October 2008				20 November 2008			
	Reported	Netting	BS netted	Adjs. Fair Value	Reported	Netting	BS netted	Adjs. Fair Value
Cash	0.1	-	0.1	0.1	0.1	-	0.1	0.1
Loans to Kaupthing Iceland	1,155.9	(355.2)	800.7	800.7	826.8	(776.5)	50.3	50.3
KSF	59.2	(59.2)	-	-	58.0	(58.0)	-	-
Loans on demand	203.5	(19.8)	183.7	178.5	226.0	(73.3)	152.7	152.7
Term loans	69.6	-	69.6	64.3	117.2	(0.1)	117.1	106.9
Loans and advances to credit institutions	1,488.2	(434.2)	1,054.0	1,043.5	1,228.0	(907.9)	320.1	309.9
Private loans	1,331.6	(354.4)	977.2	503.7	1,077.1	(151.8)	925.3	419.3
Corporate loans	507.1	(13.9)	493.2	456.5	496.1	(14.7)	481.4	322.8
Receivable for called up guarantees	-	-	-	119.3	-	-	-	241.2
Other financial institution receivables	3.3	(1.6)	1.7	1.7	3.4	(1.6)	1.8	1.8
Loans and advances to customers	1,842.0	(369.9)	1,472.1	1,081.2	1,576.6	(168.1)	1,408.5	985.1
Debt securities and other fixed income securities	144.3	(19.9)	124.4	112.6	193.3	734.4	927.7	923.5
Shares and other variable-yield securities	28.2	(15.0)	13.2	10.8	14.3	(3.5)	10.8	8.7
Total bank portfolio	1,725.0	(34.9)	1,377.6	1,234.0	2,076.0	730.9	938.5	932.2
Intangible assets	5.2	(2.7)	2.4	2.4	5.5	-	5.5	5.5
Tangible assets	13.3	(8.3)	5.1	5.1	13.6	(12.8)	0.8	0.8
Financial assets	22.4	-	22.4	22.4	22.4	-	22.4	22.4
Fixed assets	40.9	(11.0)	29.9	29.9	41.5	(12.8)	28.7	28.7
Other assets	3.1	-	3.1	3.1	3.1	-	3.1	3.1
Fair value derivative instruments	-	-	-	2.4	-	-	-	-
Prepayments and accrued income	98.3	-	98.3	80.7	48.9	-	48.9	80.6
Total Assets	3,645.0	(850.0)	2,795.0	2,364.2	3,105.7	(357.9)	2,747.8	2,339.6
Due to central banks	807.3	-	807.3	807.3	807.4	-	807.4	807.4
Due to other credit institutions	1,052.0	(435.9)	616.1	616.1	739.0	(144.1)	594.9	594.9
Amounts owed to credit institutions	1,859.3	(435.9)	1,423.4	1,423.4	1,546.4	(144.1)	1,402.3	1,402.3
Belgian and Swiss clients' deposits	576.0	-	576.0	576.0	596.7	-	596.7	596.7
Amounts owed to customers	643.6	(386.1)	257.5	255.6	439.6	(174.1)	265.5	285.5
Other liabilities	0.8	-	0.8	0.8	1.1	-	1.1	1.1
Accruals and deferred income	24.5	-	24.5	24.5	24.2	-	24.2	24.2
Provisions for liabilities and charges	31.4	-	31.4	26.3	31.1	-	31.1	24.3
Write off provision on loan	-	-	-	(8.0)	-	-	-	(8.0)
Value adjustments	57.8	(28.0)	29.8	8.0	69.5	(39.7)	29.8	8.0
Minimum potential social plan	-	-	-	15.0	-	-	-	15.0
Potential restructuring costs	-	-	-	10.0	-	-	-	10.0
Total Liabilities	3,193.4	(850.0)	2,343.4	2,331.6	2,708.6	(357.9)	2,350.7	2,339.1
Net equity	451.6	0.0	451.6	32.6	397.1	-	397.1	0.5

Source: Trial balances, Management Information and PwC analysis

The key impact on the net assets are:

- the increase of the value adjustments on private loans by €33m resulting from the review of clients' exposure by Management and the market effects on the collateral value.
- unwinding of quasi repo with Kaupthing Bank hf and recording of the securities on balance sheet; and
- corporate loan book value adjust is related mainly to Immo Croissance which is reclassified as a guaranteed called-up.

Section 2

Quality of net assets

The adjusted net equity should amount €32.6m and €0.5m as at 20 Oct and 20 Nov respectively (1/5)

Quality of net assets as of 20 Oct and 20 Nov 2008

€ in millions	20-Oct-08	20-Nov-08
	Actual	Actual
Net equity reported	451.6	397.1
<i>Adjustments:</i>		
(1) Loans to other credit institutions	(10.5)	(10.2)
(2) Loans to private clients	(463.7)	(488.1)
(3) Receivables from called up guarantees	119.3	241.2
(4) Mortgage loans	(9.8)	(17.9)
(5) Loans to corporate clients	(36.7)	(158.6)
(6) Bank own portfolio	(14.2)	(6.3)
(7) Fair value of derivative instruments	2.4	-
(8) Prepayments	(17.6)	-
(9) Loss on CFD booked twice	1.9	-
(10) Provision release	34.9	36.6
(11) Provision accruals	(25.0)	(25.0)
(12) UBS claim on forex transaction	-	31.7
Total adjustments	(419.0)	(396.6)
Adjusted net equity	32.6	0.5

Further adjustments

(13) Adjustment on a collateral	n.q.	(5.4)
(14) Exposure on Kaywo Sarl	n.q.	(5.8)
(15) Immo Croissance	n.q.	(1.2)

Potential downside

(16) Exposure on Kaupthing Bank hf	n.q.	n.q.
(17) Potential downside on repo with BCL	n.q.	n.q.
(18) Markets effect/downside	n.q.	n.q.
(19) ISK exposure	n.q.	n.q.
(20) Off-balance sheet items	n.q.	n.q.
(21) Effects of suspension of payment	n.q.	n.q.

Potential upside

(22) Potential upside on repo with BCL	n.q.	n.q.
(23) Markets effect/downside	n.q.	n.q.
(24) ISK exposure	n.q.	n.q.

Source: Management information and Fw C analysis

Introduction

- Following the meltdown in the Icelandic economy and the collapse of Kaupthing Bank hf, the Bank faces massive write downs on certain assets which are not yet reflected in the accounting system. We present below our analysis of a "mark-to-market" balance sheet as of 20 October and 20 November 2008 in order to evaluate the remaining equity of the Bank following these losses (this analysis is referred to as "quality of net assets"). The quantification of these adjustments are based on the assumptions of a "going concern" of the Bank e.g. that the Bank will operate its activity with the support of a new shareholder under normal conditions.

Quality of net assets

- Based on our analysis we propose the following adjustments to the net equity of the Bank :
 - Loans to other credit institutions** relates to the write off of loans granted to two Icelandic banks: Keflavik Savings Bank and SPRON which are considered as irrecoverable. Exposures on certain other credit institutions have also been impaired to a much lesser extent based on current market price of their debt on the secondary market.
 - Loans to private clients** includes impairment on the "Lombard loan book" to be recorded in order to reflect the decrease in the market value of the collateral as well as the assessment of the residual credit risk. This is further described in section 3.3. The adjustments have been estimated by the Bank based on the clients' portfolio review, its knowledge of the clients, the market value of the collaterals and their capacity to repay the loans. As we are not in a position to assess the clients individual positions, we have however not challenged this assessment. We have reviewed certain significant exposure as detailed in section 3.3.

The adjusted net equity should amount €32.6m and €0.5m as at 20 Oct and 20 Nov respectively (2/5)

Quality of net assets as of 20 Oct and 20 Nov 2008

€ in millions	20-Oct-08	20-Nov-08
	Actual	Actual
Net equity reported	451.6	397.1
<i>Adjustments:</i>		
(1) Loans to other credit institutions	(10.5)	(10.2)
(2) Loans to private clients	(463.7)	(488.1)
(3) Receivables from called up guarantees	119.3	241.2
(4) Mortgage loans	(9.8)	(17.9)
(5) Loans to corporate clients	(36.7)	(158.6)
(6) Bank own portfolio	(14.2)	(6.3)
(7) Fair value of derivative instruments	2.4	-
(8) Prepayments	(17.6)	-
(9) Loss on CFD booked twice	1.9	-
(10) Provision release	34.9	36.6
(11) Provision accruals	(25.0)	(25.0)
(12) UBS claim on forex transaction	-	31.7
Total adjustments	(419.0)	(396.6)
Adjusted net equity	32.6	0.5

Further adjustments

(13) Adjustment on a collateral	n.q.	(5.4)
(14) Exposure on Kaywo Sarl	n.q.	(5.8)
(15) Immo Croissance	n.q.	(1.2)
Potential downside		
(16) Exposure on Kaupthing Bank hf	n.q.	n.q.
(17) Potential downside on repo with BCL	n.q.	n.q.
(18) Markets effect/downside	n.q.	n.q.
(19) ISK exposure	n.q.	n.q.
(20) Off-balance sheet items	n.q.	n.q.
(21) Effects of suspension of payment	n.q.	n.q.
Potential upside		
(22) Potential upside on repo with BCL	n.q.	n.q.
(23) Markets effect/downside	n.q.	n.q.
(24) ISK exposure	n.q.	n.q.

Source: Management information and Fw C analysis

Quality of net assets

- (3) **Receivables from called up guarantees** refers to the amount claimed to Kaupthing Bank hf on certain Lombard loans, which were in default before 9 October and for which the Parent Company provided a guarantee to the Bank. These guarantees are borne by the “Bad bank” and the modalities under which the Bad Bank will settle these, are currently under discussions and could potentially be made through the seizure of some assets belonging to the Parent Company but located in the Grand-Duchy as described in section 4. Such amounts have been reconciled with the Parent Company. The difference between 20 October and 20 November relates to the default of the Immo Croissance loan on 31 October 2008 as further described in section 3.4.1
- (4) **Mortgage loans** includes impairment on the mortgage loan book as further described in section 3.3.
- (5) **Loans to corporate clients** includes impairment on the corporate loan book as further described in section 3.4. Note that no impact of the Immo Croissance default has been considered in our analysis as at 20 November 2008 since this event occurred on 31 October. This loan has been valued at 0 in the loan book and called as guarantee for €122m(4).
- (6) **Bank own portfolio** impairments result from the valuation as further described in section 3.5. The main adjustments concern unquoted and Icelandic securities, where up to 100% has been written off. The main difference with 20 October relates to the fact that the Bank portfolio has significantly changed, in particular the unwinding of the intermediary portfolio.
- The impact of the valuation resulting from the Bank had already booked higher value adjustment as at 20 November 2008.

The adjusted net equity should amount €32.6m and €0.5m as at 20 Oct and 20 Nov respectively (3/5)

Quality of net assets as of 20 Oct and 20 Nov 2008

€ in millions	20-Oct-08		20-Nov-08	
	Actual	Actual	Actual	Actual
Net equity reported	451.6	397.1		
Adjustments:				
(1) Loans to other credit institutions	(10.5)	(10.2)		
(2) Loans to private clients	(463.7)	(488.1)		
(3) Receivables from called up guarantees	119.3	241.2		
(4) Mortgage loans	(9.8)	(17.9)		
(5) Loans to corporate clients	(36.7)	(158.6)		
(6) Bank own portfolio	(14.2)	(6.3)		
(7) Fair value of derivative instruments	2.4	-		
(8) Prepayments	(17.6)	-		
(9) Loss on CFD booked twice	1.9	-		
(10) Provision release	34.9	36.6		
(11) Provision accruals	(25.0)	(25.0)		
(12) UBS claim on forex transaction	-	31.7		
Total adjustments	(419.0)	(396.6)		
Adjusted net equity	32.6	0.5		

Further adjustments

(13) Adjustment on a collateral	n.q.	(5.4)
(14) Exposure on Kaywo Sarl	n.q.	(5.8)
(15) Immo Croissance	n.q.	(1.2)

Potential downside

(16) Exposure on Kaupthing Bank hf	n.q.	n.q.
(17) Potential downside on repo with BCL	n.q.	n.q.
(18) Market's effect/downside	n.q.	n.q.
(19) ISK exposure	n.q.	n.q.
(20) Off-balance sheet items	n.q.	n.q.
(21) Effects of suspension of payment	n.q.	n.q.

Potential upside

(22) Potential upside on repo with BCL	n.q.	n.q.
(23) Market's effect/downside	n.q.	n.q.
(24) ISK exposure	n.q.	n.q.

Source: Management information and Fw C analysis

(7) Fair value of derivatives instruments refers to a potential gain of €2.4m to be realized on expiration of a derivative instrument on a share of the Bank's own portfolio.

(8) Prepayments refers to certain unrealized forex gains, which will not materialize as the counterparty presents a credit risk.

(9) Loss on CFD booked twice relates to the reversal of realised loss on Bank's own CFD position booked twice in the p&l.

With respect to (7), (8) and (9), these transactions have been cancelled in the accounts of the Bank as of November 20, 2008.

(10) Provision release represents the reversal of non-tax provisions as the lump sum provision of €21.8m (Luxembourg specific tax-driven provision), discretionary year-end bonuses for €5.1m and loan write off for €8.0m already considered in adjustment (2) above. As at 20 Nov the Bank carried out an additional reversal for €1.7m related to tax provision for FY08 according to an agreement of the Luxembourg tax administration.

(11) Provision accruals refers to minimal potential social plans for €15m and potential restructuring costs of €10m in the context of a takeover by another bank. Estimates were based on discussion with Management. It also include €3m of expense accruals for costs which are recorded only at month-end (staff costs, depreciation,).

(12) UBS claim on forex transaction refers to a settlement of a claim on UBS on foreign exchange transactions. It should be noted that the cash payment has not been received, yet.

Further adjustments

- These refer to adjustments that are still under discussion with the Management.

(13) Adjustment a collateral: In performing a review of the Lombard loan book we identified a further impairment on a loan due to the loss in value of the collateral.

The adjusted net equity should amount €32.6m and €0.5m as at 20 Oct and 20 Nov respectively (4/5)

Quality of net assets as of 20 Oct and 20 Nov 2008

€ in millions	20-Oct-08	20-Nov-08
	Actual	Actual
Net equity reported	451.6	397.1
<i>Adjustments:</i>		
(1) Loans to other credit institutions	(10.5)	(10.2)
(2) Loans to private clients	(463.7)	(488.1)
(3) Receivables from called up guarantees	119.3	241.2
(4) Mortgage loans	(9.8)	(17.9)
(5) Loans to corporate clients	(36.7)	(158.6)
(6) Bank own portfolio	(14.2)	(6.3)
(7) Fair value of derivative instruments	2.4	-
(8) Prepayments	(17.6)	-
(9) Loss on CFD booked twice	1.9	-
(10) Provision release	34.9	36.6
(11) Provision accruals	(25.0)	(25.0)
(12) UBS claim on forex transaction	-	31.7
Total adjustments	(419.0)	(396.6)
Adjusted net equity	32.6	0.5

Further adjustments

(13) Adjustment on a collateral	n.q.	(5.4)
(14) Exposure on Kaytwo Sarl	n.q.	(5.8)
(15) Immo Croissance	n.q.	(1.2)

Potential downside

(16) Exposure on Kaupthing Bank hf	n.q.	n.q.
(17) Potential downside on repo with BCL	n.q.	n.q.
(18) Market's effect/downside	n.q.	n.q.
(19) ISK exposure	n.q.	n.q.
(20) Off-balance sheet items	n.q.	n.q.
(21) Effects of suspension of payment	n.q.	n.q.

Potential upside

(22) Potential upside on repo with BCL	n.q.	n.q.
(23) Market's effect/downside	n.q.	n.q.
(24) ISK exposure	n.q.	n.q.

Source: Management information and FwC analysis

(14) **Exposure on Kaytwo**: the Bank recently received bids for the building owned by Kaytwo which tend to indicate a possible impairment which amounting to €8m on the equity value of Kaytwo. The value of the loan has not been impaired.

(15) **Immo Croissance**: the shareholders of Immo Croissance are currently negotiating the disposal of Immo Croissance to a third party which would also contribute certain assets to Immo Croissance. In this context, the loan would be extended for 1 year but the conditions would be renegotiated implying a discount of the current interest rate with an estimated impact of €1.2m. As a result of the contribution the assets the loan to value should improve.

Potential downside

(16) **Exposure on Kaupthing Bank hf**: as of today we have no indication as to whether the mother company will not pay its obligations (essentially guarantee called for €119m). For further detail please refer to adj n°3.

(17) **Potential impact of the "repo"** with Kaupthing Bank hf and repo with BCL has been identified as the fair value of the securities in repo may actually differ from the actual sales price to be obtained from the potential disposal of the securities portfolio held in collateral by the BCL. It should be noted that for the purpose of this analysis we have cancelled the receivable on the parent company and included the portfolio of securities in the own portfolio of the Bank.

(18) **A market effect impact** could be taken into consideration as all valuations of securities, foreign exchange transactions have been valued on the prices as at 20 October 2008 and updated as of November 20, 2008. Any variations in these prices can result in an impact on the value of the assets (essentially impacting the recoverable amount on the Lombard loan book). We recommend potential bidders to perform a more recent valuation of assets and collaterals to evaluate the net equity position of the Bank.

Quality of Net Assets adjustments, in particular vale adjustments on loans, are not booked in accounting and therefore prevents an exhaustive revaluation of the Bank's currency positions.

The adjusted net equity should amount €32.6m and €0.5m as at 20 Oct and 20 Nov respectively (5/5)

Quality of net assets as of 20 Oct and 20 Nov 2008

€ in millions	20-Oct-08	20-Nov-08
	Actual	Actual
Net equity reported	451.6	397.1
<i>Adjustments:</i>		
(1) Loans to other credit institutions	(10.5)	(10.2)
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(6) Bank own portfolio	(14.2)	(6.3)
(7) Fair value of derivative instruments	2.4	-
(8) Prepayments	(17.6)	-
(9) Loss on CFD booked twice	1.9	-
(10) Provision release	34.9	36.6
(11) Provision accruals	(25.0)	(25.0)
(12) UBS claim on forex transaction	-	31.7
Total adjustments	(419.0)	(396.6)
Adjusted net equity	32.6	0.5

Further adjustments

(13) Adjustment on a collateral	n.q.	(5.4)
(14) Exposure on Kaywo Sarl	n.q.	(5.8)
(15) Immo Croissance	n.q.	(1.2)

Potential downside

(16) Exposure on Kaupthing Bank hf	n.q.	n.q.
(17) Potential downside on repo with BCL	n.q.	n.q.
(18) Market's effect/downside	n.q.	n.q.
(19) ISK exposure	n.q.	n.q.
(20) Off-balance sheet items	n.q.	n.q.
(21) Effects of suspension of payment	n.q.	n.q.

Potential upside

(22) Potential upside on repo with BCL	n.q.	n.q.
(23) Market's effect/downside	n.q.	n.q.
(24) ISK exposure	n.q.	n.q.

Source: Management information and Fw C analysis

Potential downside (cont'd)

(19) **ISK exposure:** The ISK is currently not traded on an official market and therefore no official exchange rate is available. The EUR/ISK exchange rate currently used in the accounting system is fixed at EUR1=ISK250 and is based on current OTC transactions. The Bank has a long interbank position of ISK 27bn as of 20 October 2008 and 20 November 2008 a variation in the exchange rate would have a direct impact on the net assets and liabilities in this currency and therefore the net equity.

(20) **Off balance-sheet items:** as of the date of our report we have not received any information enabling us to determine whether credit risk could arise from the guarantees issued (totalling €66m). Potential acquirers should further investigate this area.

(21) **Effects of suspension of payment:** a number of counterparties have cancelled or have attempted to terminate transactions with the Bank following the suspension of payment. These mainly relates to forex transactions. Potential acquirers should evaluate the risk associated with these transactions as these mostly materialized after 20 October 2008.

Potential upside

- We highlight that for the other potential upside (adjustments n° 22, 23 and 24) we refer to potential adjustments n°17, 18 and 19.

Section 3

Assets and liabilities analysis

Section 3.1

Exposure with Kaupthing Bank hf (Iceland)

Reconciliation of the positions held with Kaupthing Bank hf

Reconciliation of the positions held with Kaupthing Iceland

€ in millions	20 Oct 08	20 Nov 08
Loans to Kaupthing Iceland as of 20 October 2008	1,155.9	826.8
Due to Kaupthing Iceland	(291.1)	(9.6)
Net position before guarantees	864.8	817.2
ISK transfers to Clearstream after 20 October 2008	(64.0)	-
Transfers to own portfolio	-	(766.9)
Net position to Kaupthing Iceland	800.7	50.3
<i>Of which:</i>		
<i>Debt of Kaupthing Iceland in the repo transaction</i>	767.7	-
<i>Cash on account with New Kaupthing Bank hf ("Good Bank")</i>	33.0	50.3
Guarantees with Kaupthing Iceland		
€ in millions	31 Oct 08	20 Nov 08
Receivables for called-up guarantees	119.3	119.3
Immo Croissance guarantee called on 31 October 2008	121.9	121.9
Total guarantees exposure	241.2	241.2
Summary of exposure with Kaupthing Iceland		
€ in millions	31 Oct 08	20 Nov 08
Net cash position	800.7	50.3
Guarantees	241.2	241.2
Total exposure with Kaupthing Iceland	1,041.9	291.5
Debt of Kaupthing Iceland in the repo transaction	(767.7)	-
Residual exposure at risk with Kaupthing Iceland	274.2	291.5

Source: Management information

- Cash reconciliation**
 Kaupthing Bank Luxembourg S.A. presents intercompany items with Kaupthing Bank hf (Iceland) which are reconciled with the positions recorded in the parent company's books as of 20 October 2008 and 20 November 2008. The cash position with New Kaupthing Bank cannot be transferred out of Iceland at present.
- Repo**
 Kaupthing Bank hf has borrowed monies from the Bank through collateralized money market loans (quasi-repo) for €767.7m which was funded by repo transaction with BCL, collateralized by the portfolio of securities provided by Kaupthing Bank hf (further described as BCL repo). The Parent Company has used the Bank to access funding at the Luxembourg Central Bank.
- These money market loans of €767.7m are secured by a portfolio of securities eligible for central bank refinancing. The Bank has entered into a further repo with BCL of €40m using additional securities from its own portfolio. These transactions are further discussed in our report. For the purpose of this analysis, we have cancelled the receivable on the parent company for €766.9m and included the portfolio in the Bank own portfolio.
- Guarantees**
 The Immo Croissance guarantee was called on 31 October 2008 for the full amount of the loan balance outstanding (€121.9m) although the guarantee covers only the actual loss that the Bank will realize. Therefore the amount disclosed aside is over-estimated as the recoverable amount of the loan from Immo Croissance will not be nil. For further details please refer to section 3.4.1.

Section 3.2

Loans and advances to credit institutions

Loans and advances towards credit institutions

Loan and advances to credit institutions as at 20 October and 20 November 2008 (Unaudited figures)

€ in millions	20 Oct 2008				20 Nov 2008					
	Reported	Netting	BS netted	Adjs.	Fair Value	Reported	Netting	BS netted	Adjs.	Fair Value
Kaupthing Bank Iceland	1,155.9	(315.2)	840.7	(40.0)	800.7	826.8	(776.5)	50.3	-	50.3
KSF	59.2	(59.2)	0.0	44.5	44.5	58.0	(58.0)	-	-	-
BCEE	55.1	(24.3)	30.8	-	30.8	59.8	-	59.8	-	59.7
Clearstream Banking	31.5	(6.7)	24.7	40.0	64.7	35.8	-	35.8	-	35.8
Banque Generale du Luxembourg	-	-	-	-	-	33.9	-	33.9	-	33.9
LL OYDS TSB BANK	1.7	-	1.7	-	1.7	5.2	-	5.2	-	5.2
Chase Manhattan Bank, NY	0.2	(0.2)	-	-	-	3.4	-	3.4	-	3.4
UBS EUR Collateral account	-	-	-	-	-	2.9	-	2.9	-	2.9
MP Fjarfestingabanki	4.6	(0.7)	3.9	-	3.9	2.7	(0.3)	2.5	-	2.5
Bank of Montreal Toronto	0.0	(0.0)	-	-	-	2.0	-	2.0	-	2.0
Credit Suisse	2.2	(0.4)	1.8	-	1.8	2.3	(0.3)	2.0	-	2.0
RBC Global Services London	2.1	(2.1)	-	-	-	1.3	-	1.3	-	1.3
Svenska Handelsbanken Stockholm	3.6	-	3.6	-	3.6	1.3	(0.2)	1.2	-	1.2
Sparisjódurinn Keiflavik	0.7	(0.1)	0.6	-	0.6	0.7	(0.1)	0.6	-	0.6
KAUPTHINGDK	1.0	-	1.0	-	1.0	0.6	-	0.6	-	0.6
Rietumu Banka	7.5	-	7.5	(0.2)	7.3	-	-	-	-	-
SPRON - Reykjavik Savings Bank	5.0	(0.0)	5.0	(5.0)	-	-	-	-	-	-
Other	88.5	(69.7)	18.8	-	18.8	74.1	(72.3)	1.8	-	1.8
Loans on demand	203.7	(104.3)	99.5	34.8	134.3	226.0	(73.2)	152.8	-	152.7
BCEE	-	-	-	-	-	52.4	-	52.4	-	52.4
Landsbanki Iceland	-	-	-	-	-	12.0	-	12.0	-	12.0
Skaeelskor Bank	11.4	(0.0)	11.4	-	11.4	11.4	(0.0)	11.4	-	11.4
Aarhús Lokalbanc AS	10.1	(0.0)	10.1	-	10.1	10.1	(0.0)	10.1	-	10.1
Sparakassen Faaborg	9.6	-	9.6	-	9.6	8.6	-	8.6	-	8.6
Rietumu Banka	-	-	-	-	-	7.5	-	7.5	(0.2)	7.3
JSC Norvik Banka	5.0	-	5.0	-	5.0	5.0	-	5.0	-	5.0
Max Bank AS	0.2	(0.1)	0.1	-	0.1	0.2	(0.1)	0.1	-	0.1
SPRON - Reykjavik Savings Bank	-	-	-	-	-	5.0	(0.0)	5.0	(5.0)	-
Keiflavik Savings Bank	5.0	(0.0)	5.0	(5.0)	-	5.0	(0.0)	5.0	(5.0)	-
Lokalbancen Nordsjælland	10.0	(0.0)	10.0	-	10.0	0.0	(0.0)	-	-	-
Forstædernes Bank	5.0	-	5.0	-	5.0	-	-	-	-	-
Total banks	13.1	-	13.1	(0.3)	12.9	-	-	-	-	-
Term loans	69.4	(0.1)	69.3	(5.3)	64.0	117.2	(0.1)	117.1	(10.2)	106.9
Total	1,488.2	(478.7)	1,009.5	34.0	1,043.5	1,228.0	(907.8)	320.2	(10.2)	309.9
<i>Of which:</i>										
ISK	108.1	(0.6)	107.5	-	107.5	77.7	(0.1)	77.6	-	77.6
Other currencies	1,380.1	(478.1)	902.0	34.0	936.0	1,150.3	(907.7)	242.6	(10.2)	232.4
Total	1,488.2	(478.7)	1,009.5	34.0	1,043.5	1,228.0	(907.8)	320.2	(10.2)	309.9

Source: Trial balances, Management Information and PwC analysis

- Landsbanki increase of €12m, refers to new Landsbanki Iceland Bank and relates to part of ISK exposure formally with Clearstream

Netting as at 20 Nov 08

- BCL Repo: for the purpose of this analysis, we have netted the loan to the Parent Company against the of the inclusion Repo portfolio into the Bank own portfolio.
- Rietumu, SPRON, Keiflavik adj, refers to the loans held mainly by Icelandic banks characterized by uncertain recoverability as follows:
 - €0.2m loan to Rietumu Banka (LV),
 - €5.0m loan to SPRON-Reykjavik Savings Bank; and
 - €5.0m loan to Keiflavik Savings Bank.

Amounts owed to credit institutions

Amounts owed to credit institutions as at 20 October and 20 November 2008 (Unaudited figures)

€ in millions	20 Oct 2008				20 Nov 2008				
	Reported	Netting	BS netted	Adjs. Fair Value	Reported	Netting	BS netted	Adjs. Fair Value	
Due to Banque Centrale du Lux	(807.3)		(807.3)	-	(807.4)		(807.4)	-	(807.4)
Kaupthing Bank Iceland	(315.2)	315.2	-	-	(9.6)	9.6	-	-	-
Ing Bank N.V. London Branch	(215.0)	-	(215.0)	(215.0)	(215.0)	-	(215.0)	(215.0)	(215.0)
Dexia Bank Belgium	(100.0)	-	(100.0)	(100.0)	(100.0)	-	(100.0)	(100.0)	(100.0)
Landesbank Baden Württemberg	(60.5)	-	(60.5)	(60.5)	(60.5)	-	(60.5)	(60.5)	(60.5)
Commerzbank AG	(60.0)	-	(60.0)	(60.0)	(60.1)	-	(60.1)	(60.1)	(60.1)
Bank of Montreal Toronto	(37.6)	0.0	(37.5)	(37.5)	(39.9)	-	(39.9)	(39.9)	(39.9)
Banque Cantonale Vaudoise Guer	(27.8)	-	(27.8)	(27.8)	(27.9)	-	(27.9)	(27.9)	(27.9)
DZ Bank Frankfurt	(25.0)	-	(25.0)	(25.0)	(25.0)	-	(25.0)	(25.0)	(25.0)
KfW Frankfurt	(19.0)	-	(19.0)	(19.0)	(19.0)	-	(19.0)	(19.0)	(19.0)
Banca Aletti Bergamo Italy	(13.0)	-	(13.0)	(13.0)	(13.0)	-	(13.0)	(13.0)	(13.0)
AG Private Bank	(7.0)	-	(7.0)	(7.0)	(7.5)	-	(7.5)	(7.5)	(7.5)
HSH Nordbank AG	(7.5)	-	(7.5)	3.5	(7.5)	3.5	(4.0)	(4.0)	(4.0)
KSF	(21.6)	59.2	37.6	(46.4)	(64.9)	57.6	(7.2)	(7.2)	(7.2)
Ing Bank Brussels Our Corr. BK	(0.5)	0.5	(0.0)	(8.8)	(8.1)	3.8	(4.3)	(4.3)	(4.3)
Elk Bank AS	(3.1)	-	(3.1)	(3.1)	(3.2)	0.0	(3.2)	(3.2)	(3.2)
C.I.M Banque	(3.9)	1.7	(2.1)	(2.1)	(4.1)	1.7	(2.4)	(2.4)	(2.4)
Finbanco	(2.1)	-	(2.1)	(2.1)	(2.2)	-	(2.2)	(2.2)	(2.2)
Yp Bank Luxembourg S.A.	(1.5)	-	(1.5)	(1.5)	(1.5)	-	(1.5)	(1.5)	(1.5)
Union Bank of Switzerland	-	-	-	-	(1.1)	-	(1.1)	(1.1)	(1.1)
Other	(48.9)	36.2	(12.7)	(12.7)	(2.9)	1.8	(1.1)	(1.1)	(1.1)
Due to other credit institutions	(923.4)	378.7	(544.7)	(42.9)	(672.9)	78.1	(594.9)	(594.9)	(594.9)
Total	(1,730.6)	378.7	(1,351.9)	(42.9)	(1,480.3)	78.1	(1,402.3)	(1,402.3)	(1,402.3)
Kaupthing Bank Belgium	(642.7)	62.0	(580.7)	(580.7)	(645.5)	62.9	(582.6)	(582.6)	(582.6)
Kaupthing Bk Lux Geneva Branch	(16.2)	3.9	(12.3)	(12.3)	(17.2)	3.1	(14.1)	(14.1)	(14.1)
Belgian and Swiss clients' Deposits	(658.9)	65.9	(593.0)	-	(662.7)	66.0	(596.7)	-	(596.7)
Total	(2,389.5)	444.6	(1,944.9)	(42.9)	(2,143.0)	144.1	(1,999.0)	-	(1,999.0)
<i>Of which:</i>									
ISK	(11.7)	-	(11.7)	3.5	(11.7)	3.5	(8.2)	(8.2)	(8.2)
Other currencies	(1,719.0)	378.7	(1,340.3)	(46.4)	(1,468.7)	74.6	(1,394.1)	(1,394.1)	(1,394.1)
Total	(1,730.6)	378.7	(1,351.9)	(42.9)	(1,480.3)	78.1	(1,402.3)	-	(1,402.3)

Source: Trial balances, Management Information and PwC analysis

Netting as at 20 Nov 08

- HSH Nordbank AG for €3.5m refers to the netting out of the full amount of HSH repo book value.
- KSF for €0.6m is composed by the netting out of the following amounts:
 - €40.6m: KSF repo book value on clients accounts;
 - €5.6m: KSF repo book value for own account;
 - €37.6m: margin calls write-off for CFD contracts with clients. This is a temporary booking which need to be reversed at month end and therefore which does not impact on the Net Equity.
- €9.0m: valuation of CFD contracts.

Section 3.3

Loans and advances to private clients

Private loans

Private Loans as at 20 October and 20 November 2008 (Unaudited figures)

€ in millions	20 Oct 2008				20 Nov 2008					
	Reported	Netting	BS netted	Adjs. Fair Value	Reported	Netting	BS netted	Adjs. Fair Value		
Lombard loans	1,238.0	(329.6)	908.4	(463.7)	444.7	978.6	(115.8)	862.8	(488.1)	374.7
Mortgage loans	93.6	(3.4)	90.2	(9.8)	80.4	98.5	(4.4)	94.2	(17.9)	76.3
Sub-total	1,331.6	(333.0)	998.6	(473.5)	525.1	1,077.1	(120.2)	957.0	(506.0)	451.0
Margin call CFD	-	3.0	3.0	-	3.0	-	9.0	-	-	9.0
Repo customer securities	-	(24.4)	(24.4)	-	(24.4)	-	(40.6)	(40.6)	-	(40.6)
Total	1,331.6	(354.4)	977.2	(473.5)	503.7	1,077.1	(151.8)	925.4	(506.0)	419.3

Source: Trial balances, Management information and PwC analysis

Reported balance sheets as at 20 Nov 08

- As at 20 November the reduction in private loans by €254.5m mainly refers to the facts that:
 - certain loans have been repaid or netted with cash owned by clients;
 - certain portfolio (Lombard loan) have been sold, in order to reduce the exposure on client; and
 - further write-offs on portfolio carried out by Management in order to reflect the market decrease and the Bank assessment of the client's financial situation.

Private loans: Review of the top 10 clients exposures

Top 10 Private Loans exposures as at 20 November 2008

€ in millions	Portfolio n°	20 November 2008			
		Reported	BS Netted	Adjs.	Fair Value
1	401947	80.4	80.2	-	80.2
2	401958	73.5	73.5	(52.8)	20.7
3	400398	64.1	60.3	(60.2)	0.0
4	401896	50.2	50.2	(32.9)	17.3
5	401605	35.7	35.7	(21.3)	14.4
6	401163	32.3	32.3	(32.3)	-
7	200132	28.9	28.9	(14.7)	14.2
8	402187	24.6	24.6	(2.5)	22.1
9	400438	24.4	24.4	(14.9)	9.5
10	401341	23.5	0.8	-	0.8
Top 10 private clients	437.6	410.9	(231.5)	179.4	
<i>% on total private loans</i>	<i>40.6%</i>	<i>42.9%</i>	<i>45.7%</i>	<i>39.8%</i>	
Other	639.6	546.1	(274.5)	271.6	
Total Private loans	1,077.1	957.0	(506.0)	451.0	

Source: Management information and PwC analysis

- (1) The Borrower is a private equity fund where the fund administration is undertaken by the Bank. The exposure derives from the bridge financing of investments until investors commitments are called in. It should be noted that the fund is currently under administration. The Bank holds all the investments carried out by the Borrower in the collateral for the loan and the value of the collateral is sufficient to cover the outstanding loan.
- (2) The Borrower is an investment vehicle. The fair value represents an amount held in another account but pledged in favor of this loan.
- (3) The Borrower is an investment vehicle. The Bank does not benefit from any recourse against any guarantors, therefore the exposure is considered fully unrecoverable.
- (4) The Borrower is an investment vehicle that was established to take a company public to private. The Public to Private transaction is in progress and the fair value is considered recoverable. We have identified a further impairment of this loan amounting €5.4m based on the review of the value of the collateral held not included in this adjustment.
- (5) The Borrower is an investment vehicle. The Borrower has granted a loan to its beneficial owner who holds cash equivalent in the Bank. The remaining fair value of the loan after adjustment is estimated to be recoverable.
- (6) The Borrower is an investment vehicle. The Bank does not benefit from any recourse against any guarantors, therefore the exposure is considered unrecoverable.
- (7) The Borrower is a physical person who owns real estate assets in Europe which value is estimated to be sufficient to secure the exposure.
- (8) The Borrower is a SPV that owns an aircraft. The most recent market value of the aircraft (mortgaged towards the Bank) exceeds the debt. In addition, the Borrower owns another aircraft being sold in order to reduce debt towards the Bank.
- (9) The Borrower is an investment vehicle. The company invested in a single equity position which value significantly dropped during the Icelandic and the global financial crises. The Bank is currently negotiating a public-to-private transaction whereby the "total uncovered position" might be partly recovered. As this is uncertain, the Bank has considered the difference between value of shares and outstanding exposures unrecoverable.
- (10) The Borrower is an investment vehicle. The exposure is fully secured by pledge over cash and/or securities.

Private loans: Review of the top 15 largest under collateralized exposure (1/3)

Top 15 largest under collateralized exposure

Portfolio n°	20 November 2008 - €/m		Recoverable amount	
	Uncovered position	Adjs.		
1	401958	71.3	(52.8)	18.6
2	401896	45.8	(32.9)	12.9
3	401592	10.3	-	10.3
4	401188	7.3	-	7.3
5	401605	28.3	(21.3)	7.0
6	101147	6.4	-	6.4
7	100270	6.4	-	6.4
8	200132	20.4	(14.7)	5.7
9	102228	5.7	-	5.7
10	401719	4.9	-	4.9
11	402187	6.5	(2.5)	4.0
12	101121	3.6	-	3.6
13	401191	2.9	-	2.9
14	401639	2.6	-	2.6
15	401489	2.5	-	2.5
Top 15 private clients	224.9	(124.1)		100.9

Source: Management information and PwC analysis

Basis of preparation

- We have identify a number of loans which are under collateralized for €134.1. This amount from the decrease of market vale of the collateral held to secure the loan and after off set of all cash amounts and pledge held by clients.

Top 15 largest under collateralized exposure

- (1) A cash transfer of equivalent amount is pending coming from another related company account (n° 400637).
- (2) The collateral value of the securities held as collateral is revalued based on an assessment of the quoted price and the analysed value of the shares in the company. The company is debt free and holds a significant amount of cash.
- (3) In March 2006, the Borrower acquired a property in the UK for GBP11.7m (or €13.8m). The acquisition was undertaken through an SPV (the Borrower) with the sole purpose of owning the property. Representatives from the Bank are acting as Directors of the SPV (the Borrower) hence the Bank has control over the Borrower. The loan carries a personal guarantee from the ultimate beneficial owner.
- (4) The Borrower is a Luxembourg Holding company domiciled at the Bank. The company is in the process of being merged into it's parent company from whom the Bank benefits from a corporate guarantee. The Borrower holds a private equity investment, which is in the process of being sold (controlled by the Bank) whereby the Borrower is expecting a proceeds of some GBP10m (or €11.7m), and therefore the exposure will be fully repaid. The Borrower is an investment vehicle that was established to take a company public to private. The P-t-P transaction is in progress and the difference between "total uncovered position" and the adjustment is the additional amount that is considered recoverable.
- (5) The Borrower holds a claim deriving from a loan granted by its owner (account number: 101297). The owner holds a cash equivalent amount on account number 101297 with the Bank an amount of €7m, which will be used to set off against the exposure of the Borrower.
- (6) The exposure is covered by a personal guarantee from the owner of accounts numbers : 100977, 200069 and 101989 (all held with the Bank). Those accounts hold excess collateral of minimum €25m.

Private loans: Review of the top 15 largest under collateralized exposure (2/3)

Top 15 largest under collateralized exposure

Portfolio n°	20 November 2008 - €/m		
	Uncovered position	Adjs.	Recoverable amount
1	71.3	(52.8)	18.6
2	45.8	(32.9)	12.9
3	401592	-	10.3
4	401188	-	7.3
5	401605	(21.3)	7.0
6	101147	-	6.4
7	100270	6.4	6.4
8	200132	20.4	5.7
9	102228	5.7	5.7
10	401719	4.9	4.9
11	402187	6.5	4.0
12	101121	3.6	3.6
13	401191	2.9	2.9
14	401639	2.6	2.6
15	401489	2.5	2.5
Top 15 private clients	224.9	(124.1)	100.9

Source: Management information and PwC analysis

- (7) The Borrowers (2) are physical persons who acquired a property in France (Chamonix). The Bank has a covenant to the loan agreement whereas it has the right to mortgage the property if it deems it necessary. The Borrowers have - according to public available sources - significant financial capacity in the range of €10 to 50m.
- (8) The Borrower is a physical person who is considered to have a sufficient asset base to repay the difference through the ownership of real estate assets in Europe.
- (9) The Borrower is a physical person who has invested into a Dutch financial company (private equity investment). The Borrower is occupying a European CEO position for a international private equity firm. The Bank holds assignments in the investment that the Borrower has undertaken.
- (10) The exposure is covered by cash for CFD positions that have been closed. As the CFD business was conducted by the Bank with a UK counter part, the cash has been frozen there. However, the client has entered into an agreement with the Bank and is contractually entitled to receive his cash back.
- (11) The Borrower is a SPV that owns an aircraft. The most recent market value of the aircraft (mortgaged towards the Bank) covers the debt up to the adjustment. In addition the Borrower owns another aircraft that the Bank does not have a pledge in - however the company is selling this as well in order to reduce debt towards the Bank.
- (12) The Borrower is a physical person, who is employed as a professional football player in one of the worlds' largest football club. He has a contract which runs for additional 3 years with an annual net salary of €1.5m and earnings from sponsorships. In addition he owns some private equity property investments in Asia that are supposed to turn into cash within a timeframe of 6 months from November 2008. The Bank does not hold a pledge over those assets, but the Borrower has undertaken to direct the cash into the Bank to reduce its debt.

Private loans: Review of the top 15 largest under collateralized exposure (3/3)

Top 15 largest under collateralized exposure

Portfolio n°	20 November 2008 - €/m		
	Uncovered position	Adjs.	Recoverable amount
1 401958	71.3	(52.8)	18.6
2 401896	45.8	(32.9)	12.9
3 401592	10.3	-	10.3
4 401188	7.3	-	7.3
5 401605	28.3	(21.3)	7.0
6 101147	6.4	-	6.4
7 100270	6.4	-	6.4
8 200132	20.4	(14.7)	5.7
9 102228	5.7	-	5.7
10 401719	4.9	-	4.9
11 402187	6.5	(2.5)	4.0
12 101121	3.6	-	3.6
13 401191	2.9	-	2.9
14 401639	2.6	-	2.6
15 401489	2.5	-	2.5
Top 15 private clients	224.9	(124.1)	100.9

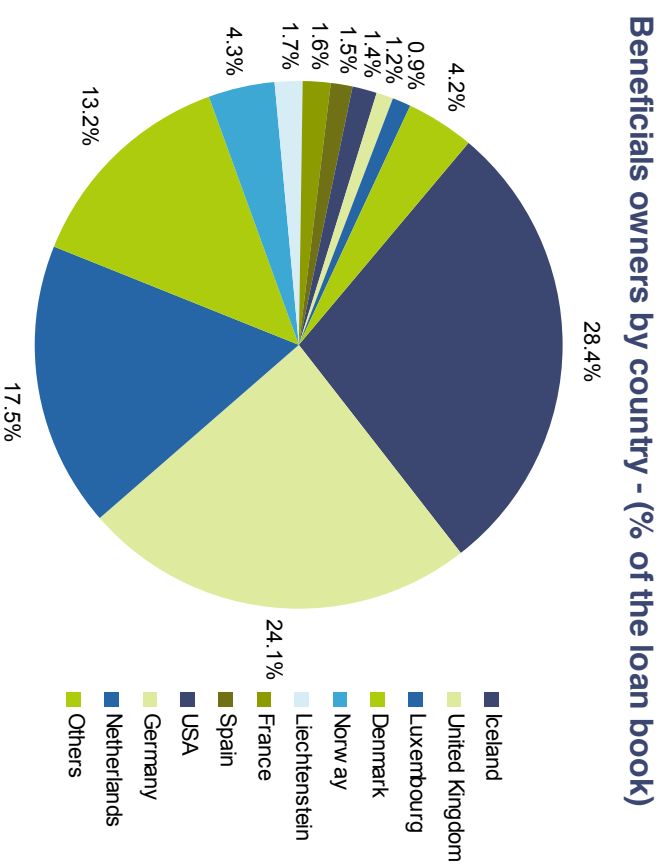
Source: Management information and PwC analysis

(13) The Borrower is a fund of hedge funds managed by the Bank's branch in Geneva. The exposure derives from currency hedges and should be covered by the assets held by the fund.

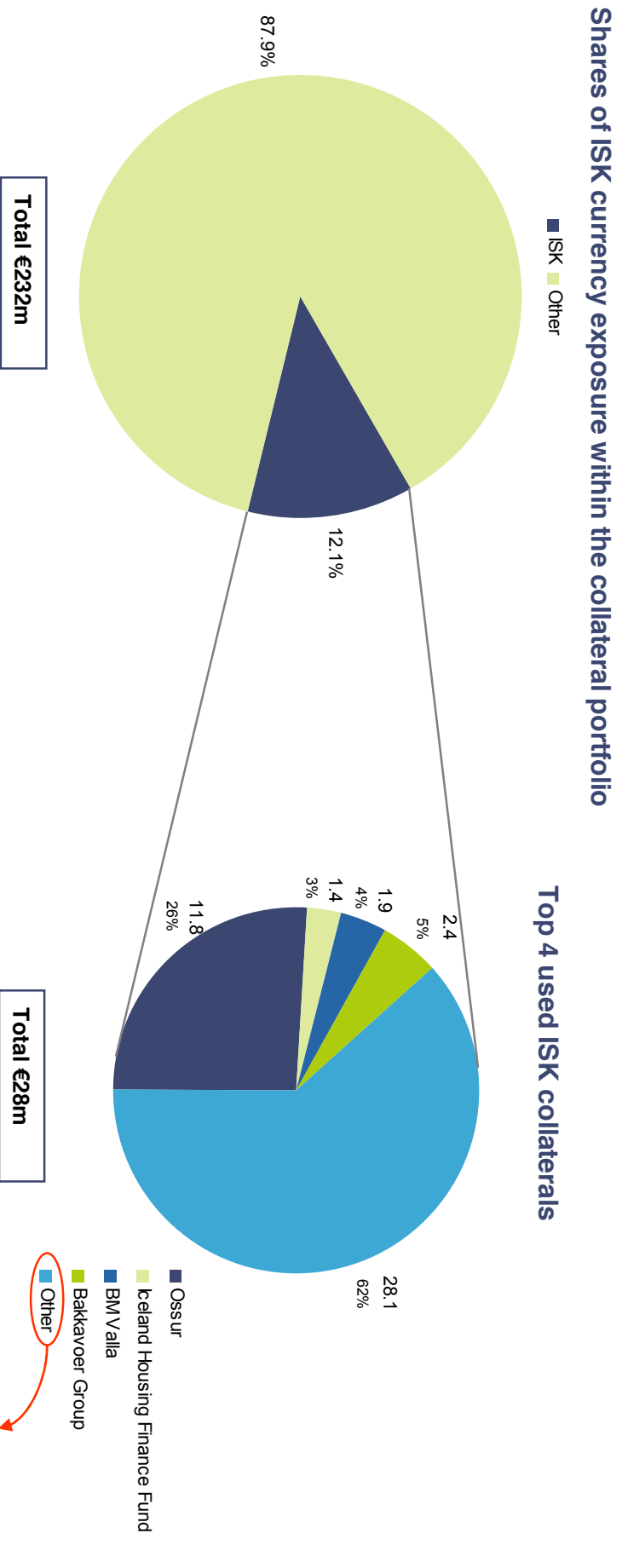
(14) The exposure is guaranteed personally by a physical person and therefore the Bank considers the security position as satisfactory. In addition the person who guarantees owns properties in which the bank partly holds mortgages, which is considered back-up for the personal guarantee.

(15) The Bank benefits from a personal guarantee from the beneficial owner of the Borrower. The beneficial owner is considered to have a wealth in excess of €500m.

Iceland, United Kingdom and Luxembourg account for 70% of the loan book



Shares of ISK currency exposure within the collateral portfolio



Top 4 ISK collaterals as at 20 November 2008

Top 4 ISK collaterals as at 20 November 2008

n°	Securities description	Type of investment	Exchange rate used	Current value new used €/m
1	Ossur hf	Share	250	11.8
2	Bakkavör Group hf 6.700% 03-15.05.2009	Bond	250	2.4
3	BM Valla hf	Share	250	1.9
4	Iceland Housing Finance Fund 3.750% I/L 04-15.06.2044/ (Ibudabref 04/3) / (Dirty priced)	Bonds	250	1.4
Total				17.5

Source: Management information and PwC analysis

- (1) Ossur is a leading company in the development, manufacture and sale of high quality orthopaedic solutions.
- The company's work revolves around successful outcomes for both clinicians and patients. It is this unstinting focus on business and clinical outcomes that will continue to differentiate the business from its competitors and fuel future growth.
- Ossur's shares have been listed on the OMX Iceland since 1999.
- (2) Bakkavör Group is a leading international food manufacturing company specialising in fresh prepared foods and products. The Group operates 66 factories and employs over 20,000 people in 10 countries, with a pro-forma turnover in 2007 of £1.5 billion. The head office is in Reykjavík, Iceland, and the Group is listed on Nasdaq OMX Nordic Exchange in Iceland. Bakkavör Group operates in the dynamic fresh prepared food and products market - a \$50 billion market, growing at 11% operating in the UK, Western Europe, Central Europe, China and the US). At present the majority of sales are generated in the UK.
- (3) The company is privately owned (not listed) and is the largest concrete producer in Iceland. It has been valued based on the NAV.
- (4) HFF Bonds are issued and sold by the Fund to raise funds for mortgage loans and other loan categories. HFF Bonds are annuities; inflation-linked using the Consumer Price Index; and carry a fixed interest of 3.75%, payable semi-annually. HFF Bonds are Government guaranteed. The HFF is rated by Standard and Poor's and quoted on the OMX.

Section 3.4

Loans and advances to corporate clients

Corporate loans

Corporate Loans as at 20 October and 20 November 2008 (Unaudited figures)

€ in millions	20 Oct 2008				20 Nov 2008				
	Reported	Netting	BS netted	Adjs. Fair Value	Reported	Netting	BS netted	Adjs. Fair Value	
Corporate loans	507.1	(13.9)	493.2	(36.7)	496.1	(14.7)	481.4	(158.6)	322.8
Total	507.1	(13.9)	493.2	(36.7)	496.1	(14.7)	481.4	(158.6)	322.8

Source: Trial balances, Management information and PwC analysis

Top 12 loans as of 20 Oct and 20 Nov 2008

€ in millions	Sector	Maturity	20 Oct 08		20 Nov 08	
			GBV	GBV	GBV	GBV
Immo Croissance SICAV SI	Real Estate	Oct-08	122.0	122.0		
Parque Eolico Pueto Real I	Wind Energy	Mar-09	50.0	50.1		
RGW/AS	Real Estate	Sep-08	32.3	32.6		
Vaerlose Bymidle AS	Real Estate	Feb-09	21.5	21.5		
BBS Bulk 1 KS	Shipping	May-12	17.3	16.3		
Holdingselskabet 25.06.97	Other	Oct-08	13.4	-		
SCI Chateau	Real Estate	Jun-10	13.1	13.1		
Piano Holding Ltd	Other	Oct-12	14.4	14.4		
BBS Bulk IVKS	Shipping	Mar-15	14.6	14.6		
Griffin Bonds Berlin I AS	Real Estate	Jun-10	14.1	14.1		
BBS Bulk II KS	Shipping	Sep-14	12.5	12.5		
Kaywo S.a.r.l.	Real Estate		10.5	10.5		
Top 12 Corporate loans			312.6	298.6		
Other			194.5	197.5		
Total loans			507.1	496.1		

Source: Management information and PwC analysis

As at 20 November, the adjustment increased by €122m due to the fact that Immo Croissance loan has been write off against guarantee called up the Parent Company.

Section 3.4.1

Immo Croissance

Based on the RCapital's offer, no impairment to the loan value is required

- The Investment Properties and the loans are fully described in details in the following pages.

Company description

- Immo Croissance has been established as an open-end real estate investment fund (SICAV) in 1988 by Dexia Bank, Pulaetco Dewaay and Le Foyer Group as promoters.
- The purpose of the fund is long-term investment in commercial real estate (office use) with Luxembourg as core market.
- Until July 2008, IC has been held 2/3 by Baugur Group and 1/3 by SKLux.
- In August 2008, SKLux took over 100% in the shares of IC. The acquisition was exercised in relation to reduction of credit exposure that Baugur Group hf. had towards Kaupthing Bank Group.
- As the acquisition was completed without customary due diligence process due to timing constraints and Baugur Group financial status, Kaupthing Bank hf. granted SKLux a put option that gives him the right to sell the acquired shares (2/3) within 1 year for the total consideration of acquisition price (€17.5m). At that date, SKLux was the sole shareholder of IC.
- On 30 September, SKLux exercised the put option so that the current shareholding structure is the following:
 - Kaupthing Bank hf. (28,154 shares or 2/3); and
 - SKLux (14,077 shares or 1/3).

Immo Croissance Balance sheet as at 30 Sep 08

€ in millions	30 Sep 08		
	Actual	PwC Adjs.	Adjusted
Investment properties	162.0	(21.7)	140.3
Restricted cash	1.1	-	1.1
Cash (*)	21.0	-	21.0
Other assets	0.4	-	0.4
Assets	184.5	(21.7)	162.8
Long term debt	(35.0)	-	(35.0)
Short term debt	(122.0)	-	(122.0)
Other liabilities	(3.2)	-	(3.2)
Liabilities	(160.1)	-	(160.1)
Net asset value	24.4	(21.7)	2.7

(*) € 11m cash deposit pledged in order to secure the payment of the future construction costs for 1 asset.

Source: Management information

Loan Agreements: Terms & Conditions

Loan Agreements: Terms & Conditions

€ in millions	Lender	20-Nov-08	Comments	Pledges, guarantees, etc.
Mortgage loan	Dexia Brussels and Dexia-BIL	35	Maturity 19 Jan 11	1st ranking mortgage ("mandat hypothécaire") for €35m on Luxembourg properties
Bridge Loan	Kaupthing Bank Luxembourg	122	Drawdown notice date 31 Jul 08	- €11m cash deposit pledged in favor of Dexia Bank Luxembourg in order to secure the payment of the future construction costs for 1 asset. All other liquidity pledged in favour of DEXIA to secure future annuities. - Negative pledge over all assets of IC (excl. €35m guaranteed to Dexia) - Guarantee from Kaupthing Bank hf up to €125m
Total		157		

Source: Management information

Bridge Loan

Guarantee from Kaupthing Bank hf

Agreement Date: 31 Jul 2008

Facility Amount: up to max. €122m

Outstanding Amount: €122m

Loan Maturity Date: 31 Oct 2008 (defaulted)

Repayment: Bullet at maturity

Applicable Interest Rate: LIBOR 3M + 150 bps. p.a.

Default rate: Applicable Interest Rate + 200 bps. p.a.

- In the context of the potential acquisition of Immo Croissance, the term and condition of the loan are currently under negotiation and could lead a potential P&L impact for €1.2m on interest on the loan.

- On 31 Oct 2008, Kaupthing Bank Lux has called the guarantee from its parent company in the amount of €122m
- Considering the current situation, the amount claimed to the parent company is still outstanding and may be partially recovered through the sale of certain assets held by Kaupthing Bank hf and deposited in Luxembourg.

Overview of the current tenancy schedule

Current tenancy schedule

€ in thousands	Lessee	Floor	notes	Sqm			Parking space		Lease contract			Rent (year)
				Office	Archives	Other	Internal	External	Start	Next break	End	
Arsenal Project	Etaridu Grand Duché de Luxembourg											
Centre Monterey	SGG	+6/+5	new lease starts 01/11/2008	654			3		01-Jul-04	31-Dec-10	31-Dec-10	209
Centre Monterey	Innofi	+7	signing under process	194			2		01-Nov-08	31-Oct-14	31-Oct-17	78
Centre Monterey	Risk & Reinsurance Solutions SA	+3	option given to potential tenant	410			6		01-Dec-08			173
Centre Monterey	to be confirmed	+4										148
Centre Monterey	Parking Louvigny						15		30-Jun-04	30-Nov-08	30-Nov-08	49
Hesperange	IBM Belgium	+1/0/-1		2,080	157			119	01-Jun-05	31-May-09	31-May-14	910
Res. Monterey	Tilli	+5/6				164			01-Sep-95	30-Nov-08		36
Res. Monterey	Landsbanki	+4				105			20-Aug-08	28-Feb-09	28-Feb-09	36
Res. Monterey	Natexis	+3				105			23-Feb-05	30-Nov-08	23-Apr-05	33
Res. Monterey	2nd floor	+2	under renovation work			105						36
Res. Monterey	1st floor	+1	marketing under process			99						36
Res. Monterey	Arizona Bar	0	marketing under process			455			15-Jan-95	14-Jan-19	14-Jan-19	66
Res. Monterey	Divers parking space lessees						1					4
Res. Monterey	Parking Costogels & Pfizer						2		01-Dec-05	30-Nov-08	30-Nov-08	7
Royal Arsenal	Family ministry of Luxembourg	+6/+5/+4/+3/0	new lease starts 01/01/2009	3,337	340		35		01-Sep-93	31-Dec-11	31-Dec-19	1,296
Royal Arsenal	Divers parking space lessees						41		30-Nov-08			138
Royal Arsenal	Vacant		Reserved for Immo-Croissance				3					
Marcel Thiry	Novus	+4		684	25		13		10-Mar-04	09-Mar-10	09-Mar-13	108
Marcel Thiry	Kellen Europe	+3		679			11		01-Jan-06	31-Dec-08	31-Dec-08	109
Marcel Thiry	Lane Clark & Peacock Belgium	+2		438			7		01-Jan-05	31-Dec-08	31-Dec-08	70
Marcel Thiry	Essensys	+2		242			4		01-Jan-05	31-Dec-08	31-Dec-08	39
Marcel Thiry	Ernstand Young						41		01-Jul-07	31-Dec-08	31-Dec-08	87
Marcel Thiry	Vacant			2,618	106		1					
Edison	Compagnie de Banque Privée	3/4		2,211		35	76		01-Apr-07	31-Mar-10	31-Mar-10	678
Edison	Young Energy Prize		1.0	691			30		01-Apr-07	31-Mar-10	31-Mar-10	270
Edison	PKF Weber & Bontemps	2/3		1,446	91		20		01-Oct-07	30-Sep-10	30-Sep-13	538
Edison	Garanti Bankasi			744			2		01-Mar-08	28-Feb-13	28-Feb-13	229
Edison	DZI			2,029			60		01-Nov-07	31-Oct-12	31-Oct-12	679
Edison	Vacant						74					
Gutenberg	Dexia - Bill	0/-1/2				1087	125		01-Nov-02	31-Oct-08	31-Oct-08	1,580
Gutenberg	Ministry dept of Luxembourg	+1 to +4 & -1 to -4		3,284	650		60		01-Sep-03	31-Dec-12	31-Dec-12	1,119
Gutenberg	Former cafeteria		under renovation until 31/1/2008	250								69
Gutenberg	Former restaurant		under renovation until 31/1/2009	450								124
Gutenberg	Divers parking space lessees						4		28-Dec-06		30-Jun-09	4
Gutenberg	RBC						100		01-Nov-08			192
Gutenberg	former kitchen	-1/-2	dismantling under progress									
Gutenberg	Vacant		one parking space reserved for IC				3					
Villa Churchill	WestLB	-1/0/1/2		667	248			8	08-Aug-06	07-Aug-11	07-Aug-11	259

Overview of the appraised values and PwC valuation update

N°	€ in thousands	Gross Property			Leasing Status	14 Apr 08		1 Nov 08
		Size (sqm) / Parking	Property Type / Status	Appraised value		Appraised value net of charges	Updated net value performed by PwC (*)	
1	ARSENAL - Boulevard Royal 14a - Avenue Emile Reuter 6 - Luxembourg	7,657 / 55	Office under construction	N/A	40,470	36,790	33,900	
2	ROYAL ARSENAL - Avenue Emile Reuter 12-14 - Luxembourg	3,677 / 42	Mixed-use office/res. Built 1992	Fully let through 2013 to local gov.	22,820	20,740	19,690	
3	CENTRE MONTEREY - Avenue Monterey 23 - Luxembourg	1,920 / 22	Office Built 1969	Fully let to SGG through year-end '08. (automatic renewal every three years).	8,900	8,090	7,710	
4	IBM - Rue de la Montagne - Ceinture um Schllass 1 - Hespérange	2,237 / 119	Office Built 1990	Fully let to IBM through 2014	10,250	9,580	9,210	
5	RESIDENCE MONTEREY - Avenue Monterey 22 - Luxembourg	1,166 / 3	Mixed-use commercial/res.	Fully let commercial portion to Arizona bar through 2014, res. portions on 1-year leases.	2,600	2,370	2,260	
6	MARCEL THIRY COURT - Bâtiment D: Woluwé-Saint-Lambert	4,792 / 120	Office Built 1989-1990	Multi-tenant, 44% let with majority of leases expiring in '08.	5,380	4,780	4,405	
7	EDISON - Rue Edison 7 - Strassen	7,121 / 378	2-office buildings	Multi-tenant, fully let with leases expiring 2009-2013.	38,190	35,700	34,240	
8	GUTENBERG - Rue des Primeurs 3 - Luxembourg	6,620 / 219	Office	Multi-tenant, fully let with leases expiring 2009-2012.	27,510	25,710	24,630	
9	VILLACHURCHILL - Place Churchill 7-9 - Luxembourg	915 / 8	Office	Fully let to WestLB through 2011	4,790	4,470	4,256	
Total					160,910	148,230	140,301	

(*)PwC bumped the yield rates 25 basis points on a property-by-property basis to reflect the softening real estate market through the 4th Quarter 2008.

Source: Management information

Overview of the current offers on Immo Croissance

Offer DEXIA BANK BELGIUM

Date of the offer: 21 October 2008

Terms & Conditions of the offer:

- DEXIA offers to take over 100% of the shares of ImmoCroissance fully held at the date of the offer by SKLux
- The proposed acquisition price for the shares amounts EUR 28 Mio
- DEXIA offers to take over the existing loan of Kaupthing of EUR 122 Mio at current loan maturity 31st October 2008
- Based on existing Interbanking relationship, Kaupthing as current accounts payable in favour to DEXIA for an amount of EUR 101 Mio
- Thus, the proposed payment to Kaupthing is the following:
 - Payment of €122m (Loan ImmoCroissance) Less €101m (Interbanking payables) = €21m
 - Payment of €28m (100% acquisition of the shares)

Offer AERRIUM Finance Ltd

Date of the offer: 24 October 2008

Terms & Conditions of the offer:

- AERRIUM offers to take over 100% of the shares of ImmoCroissance fully held at the date of the offer by SKLux
- The proposed acquisition price for the shares amounts €0.1m
- Pay-off the current loan from Kaupthing (i.e. €122m) with a cash payment of €82m.

Offer RCapital

Date of the offer: 21 November 2008

Terms & Conditions of the offer:

- RCapital offers to take over 100% of the shares of ImmoCroissance partially held at the date of the offer by SKLux and Kaupthing Bank hf
- The proposed acquisition price for the shares is the following:
 - €1m to be paid in January 2009 and €1,5m to be paid in January 2010 for the shares held by SKLux
 - €1,- for the shares held by Kaupthing.
- Earn-out Kaupthing: Kaupthing shall be granted an earn-out equal to 1.5% of the portfolio value as per an independent valuation at the end of 2009 *subject to* that such value is higher than the reported actual values as per April 2008 valuation, on a like-for-like basis. Earn-out, as applicable, shall be due for payment at the end of June 2010.
- Corporate Guarantee: R Capital will provide a duly executed corporate guarantee, securing a contribution in kind of up to €50m in net asset value. PwC or another first standing advisor will be mandated to manage the contribution in kind for RCapital.
- Loan Assumptions: The offer is conditional upon receiving an extension on the current €122m loan from Kaupthing and that Dexia accepts to remain in the transaction at unchanged terms until contractual maturity. Kaupthing's loans are expected to be extended with a 3 months period including a 9 months extension option right carrying an interest of 4% to be accrued and paid at final maturity. It is furthermore expected that if R Capital would achieve a repayment on the Kaupthing loans of min. €50m before 30 September 2009, that Kaupthing will agree to extending the remaining approx. €72m until 30 September 2010 carrying an interest of 5% to be accrued and paid at final maturity.

Section 3.4.2

KAYTWO S.à r.l.

Based on current valuation no impairment on loan is required but an impairment on equity value amount to €8m

KayTwo Balance sheet as at 30 Sep 08

€ in millions	30 Sep 08 Actual
Investment properties (*)	132.0
Other assets	4.2
Cash	3.1
Assets	139.3
Long term debt	(126.7)
Short term debt	(3.4)
Liabilities	(130.1)
Net asset value	9.2

(*) based on Pw C appraisal

Source: Management information

The Net Asset value of €9.2m should be compared with the carrying value of this Company in the Bank's account of €15m, therefore it should result in a potential impairment of the value if this participation of €5.8m

Address:

Avenue J.F. Kennedy, 35A

Kirchberg

L-1855 Luxembourg

Location:

"A" premises are located on the main avenue of the Kirchberg (business and European district. Well-served by public transports and services.

"B" premises are located on the parallel street to the main avenue of the Kirchberg.

Specification:

- The buildings benefit from excellent visibility. The motorway coming from Germany, France and Belgium is less than 5 minutes away. The property was built in Sept 2005.

Configuration:

The property is divided in 4 main premises called:

Rentable areas

Property	Office	retail	Storage	Parking units
ALLEGRO A1	5,177	292	139	89
ALLEGRO A2	5,427	262	271	84
ALLEGRO B1	4,045	0	181	55
ALLEGRO B2	4,279		388	59
Total	18,928	554	979	287

Source: Management information

Loan Agreements: Terms & Conditions

I. Interest Free & Subordinated Loan Agreement (“The Junior Loan”)

- **Parties:**
 - Lender : Kaupthing Bank Luxembourg S.A.
 - Borrower: Kaytwo S.à.r.l.
- Agreement Date:** Dated 10 April 2008
- Principal Amount:** €10.5m
- Outstanding Amount:** as per 20 November 2008.
- Loan Maturity Date:** 30 days after Final Maturity of the “Senior Loan”
- Applicable Interest Rate:** Free of interest
- Repayment:** No repayment (only upon an Event Default)

II. Senior Loan Agreement (“The Senior Loan”)

- **Parties:**
 - Lender : State and Savingsbank Luxembourg (BCEE) and LRI Landesbank Rheinland-Pfalz
 - Borrower: Kaytwo S.à.r.l.
- Agreement Date:** Dated 10 April 2008
- Principal Amount:** €115m, each of the Lenders participates on an equal basis of 50%
- Outstanding Amount** (as per 20 November 2008):
- Loan Maturity Date:** 5 years
- Applicable Refinancing Interest Rate:**
 - Tranche 1 : €103.5m at a fixed interest rate for 5 years (currently at 4.2%)
 - Tranche 2: €11.5m at a floating Euribor rate (3,6 or 12M) (currently at 4.7%)
- Applicable Margin:**

The applicable margin on the fixed as well as the floating interest rate is fixed at 0.90% p.a.
- Repayment:** bullet repayment at maturity, with €1.38m repayment on Tranche 1 for 5 years.
- Covenants:** LTV ratio and DSCR ratio. The covenant levels are.
 - April 2009: 83% LTV / 110% DSCR
 - April 2010: 81% LTV / 115% DSCR
 - April 2011: 79% LTV / 120% DSCR
 - April 2012: 77% LTV / 120% DSCR

Additional Guarantees

I. Interest Cover Guarantee

Parties:

- Guarantee Provider: Kaupthing Bank Luxembourg S.A.
- Guarantee Beneficiaries:
 - State and Savingsbank Luxembourg (BCEE)
 - LRP Landesbank Rheinland-Pfalz

Agreement Date: Dated 10 April 2008

Guarantee Amount: €6.9m

Condition: The Guarantee Provider irrevocably and unconditionally undertakes to pay to the Beneficiaries, if Kaytwo has failed to pay the "Interests", any amount of unpaid Interests not exceeding the Guarantee Amount.

II. Repayment Cover Guarantee

Parties:

- Guarantee Provider: Kaupthing Bank Luxembourg S.A.
- Guarantee Beneficiaries:
 - State and Savingsbank Luxembourg (BCEE)
 - LRP Landesbank Rheinland-Pfalz

Agreement Date: Dated 10 April 2008

Guarantee Amount: €6.9m

Condition: The Guarantee Provider irrevocably and unconditionally undertakes to pay to the Beneficiaries, if Kaytwo has failed to pay the "repayment installments", any amount of unpaid Interests not exceeding the Guarantee Amount.

Overview of the current tenancy schedule

Rent income by buildings

Premises	Tenant	Occupancy/	
		Net Income	€ in thousands
Allegro 1	Cour de Justice	37%	685
	Kaupthing Bank	63%	1,188
Sub-total			1,873
Allegro 2	Linklaters	80%	1,544
	Cour de Justice	20%	377
Sub-total			1,921
Balade 1	Corpus Sireo	35%	541
	FWU A.G.	52%	798
	Kaupthing Bank	12%	187
Sub-total			1,525
Balade 2	Cinven Sarl	10%	163
	Merrill Lynch	27%	418
	SHS	21%	325
	Linklaters	24%	368
	Kaupthing Bank	19%	291
Sub-total			1,565
Total			6,884

Source: Management information

Detail of the occupancy of Kaupthing Bank in the K2 buildings

€ in thousands	Total Rent	Part of Kaupthing as tenant in the K2 income	
		% on total	Rent portion
<i>Offices</i>			
Allegro 1	1,873	62%	1,188
Allegro 2	1,921	0%	-
Balade 1	1,525	13%	187
Balade 2	1,565	20%	291
Sub-total	6,884		1,666
Percentage of the total rent :			
			24%
Parking and Archives	910	27%	246
TOTAL	7,794		1,912

Parking and Archives

Source: Management information

DCF Desktop Valuation of the asset as per 20.11.2008

Valuation methodology & assumptions

- The used methodology belongs to the income approach, which is the correct valuation approach for income producing properties and comply with established practice.
- We have used the net income produced by the asset based on the current lease agreement. For 2009, we made the assumptions that the areas currently rented to Kaupthing Bank will be vacant for a period of 6 months and then re-let at market conditions.
- The yield depend on the quality of the building, its age, the remaining maturity of the lease contracts, its location and the demand for such investments at present. According to our market research and our experience the yields used for the capitalisation of the net income on the property should be around 6%.

Total current initial net income	6,884
Discount rate (for DCF valuation)	6.00%
Capitalisation Yield (for DCF valuation)	6.00%
PwC Valuation estimation as per 20.11.2008	132,227

Overview of debt covenants on the Senior Loan

Rental cash flow

€ in thousands	2007	2008	2009	2010	2011	2012	2013	2014
Loan outstanding Senior	115,000	113,620	112,240	110,860	109,480	108,100	106,720	105,570
Loan outstanding Sub	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500
Loan outstanding total	125,500	124,120	122,740	121,360	119,980	118,600	117,220	116,070
Total rental income	-	5,218	7,022	7,162	7,306	7,452	7,601	7,753
Vacancy deduction (2% of rental income)	-	(104)	(140)	(143)	(146)	(149)	(152)	(155)
Operating expenses (4% of rental income)	-	(209)	(281)	(286)	(292)	(298)	(304)	(310)
Cash Interest (Senior loan)	-	(5,887)	(5,816)	(5,745)	(5,674)	(5,603)	(5,532)	(5,466)
Repayment Loan	-	(1,380)	(1,380)	(1,380)	(1,380)	(1,380)	(1,380)	(1,150)
Estimation of net results	(2,124)	(2,362)	(595)	(392)	(186)	22	233	671
Net equity of K2	7,437	5,075	4,480	4,088	3,901	3,924	4,157	4,828
In K Lux books (+€8.5m)	15,935	13,573	12,977	12,585	12,399	12,421	12,654	13,325

Covenants Check:

Senior LTV	84.9%	83.8%	82.8%	81.8%
Covenant Level	83.0%	81.0%	79.0%	77.0%
Covenant	Breach	Breach	Breach	Breach
DSCR	98%	101%	104%	107%
DSCR Covenant	110%	115%	120%	120%
Covenant	Breach	Breach	Breach	Breach

Source: Management information

Based on the current rental situation, there is a potential risk of breach of applicable covenants to be tested in April 2009 that may lead to an event of default of the Senior Loan.

Section 3.5

Bank portfolio

Bank's own portfolio

Bank's own portfolio as at 20 October and 20 November 2008 (Unaudited figures)

€ in millions	20 Oct 2008				20 Nov 2008			
	Reported	Netting	BS netted	Adis. Fair Value	Reported	Netting	BS netted	Adis. Fair Value
Issued by public bodies	0.1		0.1	-	0.1		-	0.1
Value adj. on the portfolio		(11.0)	(11.0)	-		(23.4)	(23.4)	(23.4)
Repo with KSF	-	(5.4)	(5.4)	-	-	(5.6)	(5.6)	(5.6)
HSH repo	-	(3.5)	(3.5)	-	-	(3.5)	-	(3.5)
Bonds issued by credit institutions	90.0	-	90.0	(11.8)	158.1	766.9	925.0	920.8
Other	54.2	-	54.2	-	-	-	-	-
Issued by other borrowers	144.2	(19.9)	124.3	(11.8)	158.1	734.4	892.5	(4.2)
Debt securities and other fixed income securities	144.3	(19.9)	124.4	(11.8)	193.3	734.4	927.7	(4.2)
Repo customer securities	-	(9.0)	(9.0)	-	-	-	-	-
Other	28.2	(6.0)	22.2	(2.4)	14.3	(3.5)	10.8	8.7
Shares and other variable-yield securities	28.2	(15.0)	13.2	(2.4)	14.3	(3.5)	10.8	8.7
Total	172.5	(34.9)	137.6	(14.2)	207.6	730.9	938.5	(6.3)

Source: Trial balances, Management information and PwC analysis

Bonds

Reported balance sheets as at 20 Nov 08

- As at 20 November the increase in debt securities by €49m mainly refer to:
 - €35m purchasing of four bonds of which €33m of Icelandic Government bonds;
 - €13m refer to settlement of the intermediary portfolio.

Netting as at 20 Nov 08

- €766.9m represents the Market Value of securities in repo with BCL which are netted against the receivables of the Kaupthing Bank hf.

- €23.4m refers to the value adjustment already booked in the liabilities.

Adjustments as at 20 Nov 08

- The reduction in our adjustment by €7.6m is due to the fact that the Bank prudentially reduced the value of its portfolio.

Project Earth • Vendor Due Diligence – Purchaser report

Shares

Reported balance sheets as at 20 Nov 08

- The reduction in share by €13.9m is due to: (i) the settlement of intermediary portfolio and (ii) the sale of two different company shares.

Netting as at 20 Nov 08

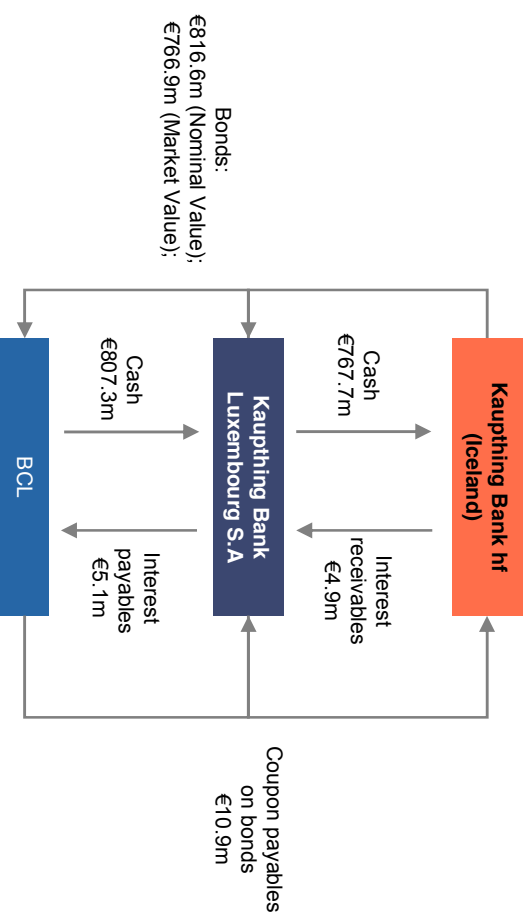
- The reduction of netting is driven by the decrease in portfolio already carried out by the Bank.

Section 3.6

Repo with BCL

Repurchase Agreements with BCL

- Kaupthing Bank hf and Kaupthing Bank Luxembourg S.A. entered into "Repurchase agreement". The Luxembourg entity received a collateral valued at €766.9m as per Luxembourg Central Bank's valuation as of 17 November 2008. The loan granted to Kaupthing Bank hf equal €767.7m. We understand that this operation should be considered as a collateralized money market loan and not as repo following the Global Master Repurchase Agreement with Kaupthing Bank hf.
- Kaupthing Bank Luxembourg S.A. entered into a repurchase agreement with the BCL. The bonds given to BCL amounts to €828.4m according to the valuation performed by the Luxembourg Central Bank composed of bonds received from Kaupthing Bank hf (€766.9m) and bonds included in the Bank's own portfolio amounting to €61.5m. As a consequence, the Luxembourg entity has received cash for an amount of €807.3m.
- Kaupthing Bank Luxembourg transferred cash received from BCL for an amount of €767.7m to its Parent Company (included in "loan to Kaupthing Bank hf" in the balance sheet").
- Interest on bonds included in the repurchase agreement in BCL are paid to Kaupthing Bank Luxembourg S.A.. The part of interest due on bonds owned by Kaupthing Bank hf are paid by Kaupthing Bank Luxembourg S.A. to Kaupthing Bank hf.
- Management informed us that in case of increase/decrease in the value of the bonds owned by Kaupthing Bank hf (Iceland), as legal owner of these securities, Kaupthing Bank hf will keep the related risks (or margin call) and rewards on these assets. It also informed us that it intends to seize the bonds to net off the exposure on Kaupthing Bank hf.
- Considering that Kaupthing Bank hf is in default of payment and based on the assumption that the cash flows with Kaupthing Bank hf are frozen, the unwinding of the REPO with the Mother Company has a positive impact on the net equity of the Bank of €5.3m.



- Kaupthing Bank hf is in default of payment, the following assumptions have been considered :
 - The bonds received from the Mother Company have been bought by Kaupthing Bank Luxembourg and are therefore recorded in its own portfolio (for a total amount of €766.9m);
 - The coupons on bonds, payable to the Parent Company, are kept in the Kaupthing Bank Luxembourg records (amount of €10.9m);
 - The loan granted to Kaupthing bank hf has been written-off for a total amount of €767.7m ; and
 - The interests payable, initially paid by Kaupthing Bank hf, have been considered as a charge for the bank (€5.1m)

Section 4

Guarantees received from Kaupthing Bank hf

€241.2m guarantees have been called up but not paid yet by the parent company

Based on the letters of guarantee signed with the Parent company, Kaupthing Bank hf is guarantying the default of payment of 9 specific clients of Kaupthing Bank Luxembourg for a maximum amount of €865m.

Guarantees with the parent company at 20 October 2008

€ in millions	Guarantees		Called guarantees		Net exposure	Amount received from the parent company	Amount called still receivable	Net receivable from the parent company
	Amount	Maturity date	Amount	Call date				
Everest	40.0	31/10/2008	40.0	06/10/2008	61.4	-	40.0	40.0
Holly Beach S.A.	120.0	31/01/2009	83.5	13/10/2008	72.0	17.7	65.8	54.3
Immo Croissance	125.0	31/10/2008	121.9	31/10/2008 (*)	121.9	-	121.9	121.9
Kaupthing Capital Partner	45.0	30/11/2008	45.0	16/10/2008	-	-	45.0	-
Kornl Invest	40.0	31/10/2008	36.7	06/10/2008	25.0	-	36.7	25.0
Total	370.0		327.0		280.3	17.7	309.4	241.2

(*) It has been called as at 31 Oct 08
Source: Management Information and PwC analysis

€47.5m out of €395.9m have already been paid by the Parent Company.

Refers to the amount that should be paid by the parent company (of which €119.3m as at 20 Oct 08 and €121.9m as at 31 Oct 08 which relates to Immo Croissance) considering the net exposure for €281m and the amounts already received from the Parent company.

The assets identified as potential compensation for guarantee amount in a range of €106.7m to €165.4m

Before the 9 of October the Bank has called-up guarantees against the Parent Company for €119m on certain Lombard loans which were in default and for which the Parent Company provided a guarantee to the Bank.

These guarantees are borne by the "Bad bank" and the modalities under which the Bad Bank will settle these, are currently under discussion and could potentially be made through the seizure of some assets belonging to the Parent Company but located in the Grand-Duchy.

Seized Assets

n°	€ in millions	Receivership Committee Est.			Kaupthing Lux Est.			PwC Est.		
		High	Low	Avg.	High	Low	Cash	High	Low	Cash
1	Loan Portfolio A (pledged assets)	70.0	40.0	55.0	26.0	26.0	-	24.8	20.1	-
2	ABS / CDO bonds	15.0	15.0	15.0	65.0	65.0	7.3	71.5	21.5	9.0
3	KCP 40% participation of Kaupthing Bank hf	40.0	30.0	35.0	30.0	-	-	39.5	39.5	-
4	Gir Capital Investment	10.0	10.0	10.0	6.5	5.5	-	4.4	4.4	-
5	K-Invest (Real estate company)	4.0	4.0	4.0	4.0	4.0	-	4.0	n.q.	-
6	Alpha Management Company SA	-	-	-	21.0	21.0	21.0	21.2	21.2	21.2
7	Management Companies	-	-	-	12.6	-	7.6	-	-	-
Total		139.0	99.0	119.0	165.1	121.5	35.9	165.4	106.7	30.2

Source: Management Information and PwC analysis

- Loan Portfolio A:** refers to a portfolio of shares for €197.4m belonging to Mr KS. As at 21 November 2008, the market value of listed shares amount to €23.6m while for the un-listed securities, the Bank received an offer for €4.7m from Mercatortrust dated 4 November. We have not been provided by Management with an updated bid.
 - K-Invest Holding:** is a UK real estate company which owns a flat in London that was acquired in December 2007 for GBP4.6m. Considering the UK real estate market trend the latest estimates on the aforementioned flat are approximately €4m.
 - Alpha Management Company SA:** manages 3 funds (Aska, Katla and Krafia) which have cash deposit with the Bank amounting to €21.2m
 - Management Companies:** are represented by Kaupthing Advisory Company S.A. and Kaupthing Management Company S.A. We highlight that the portfolio owned by Kaupthing Advisory Company S.A. (KAC) which amounted to €12.6m has been sold by the Parent Company and settled into its own accounts, therefore the Bank will not seized these assets anymore.
 - For further details on the aforementioned assets, please refer overleaf.
- ABS/CDO bonds:** this portfolio is composed by €829.5m of bonds at nominal value and €9m in cash and its mainly owned by a company called Blacksunshine. The Bank received two bids on certain securities of this portfolio, by Deutsche Bank (€71.5m) and Morgan Stanley (€21.5m) as at 19 November and 4 November respectively. We have not been provided by Management with an updated bids.
 - KCPll Fund:** consists of four feeders and one Master Fund which owns 5 companies with a NAV as at 30 Jun 08 for €39.5m.
 - Gir Capital Investment** is a Cayman registered fund listed in the Luxembourg stock exchange and the last available NAV as at 31.10.2008 amounted to ISK1.136m (or €4.4m).

Loan portfolio A

Portfolio A

€ in millions	Quantity	Shares' name	Currency	listed / not listed	Avg Cost	Price 31-10	Valuation		Bank valuation
							Market Price 21 Nov 08	21 Nov 08	
200069	4,616,500	Kirkland Lake Gold	CAD	listed	8.4822	4.35	9.3	7.9	•
200069	9,215,000	Belvedere Resources	CAD	listed	1.1442	0.18	0.7	0.6	•
200069	513,500	Kirkland Lake Gold	GBP	listed	3.1522	2.175	1.0	0.9	•
100977	14,585,720	Mulberry Group plc	GBP	listed	1.3673	0.79	12.2	10.4	•
200069	50,000	Brazzauro Res Wits	CAD	listed		2.25	0.1	0.1	•
200069	403,500	Suroco Energy Inc	CAD	listed	0.44	0.18	0.0	0.0	•
200069	160,000	Block Shield Corp	GBP	listed	1.2822	0.07	0.0	0.0	•
200069	75,000	Libertas Capital Grp	GBP	listed	0.2	0.075	0.0	0.0	•
101989	15,000	Mercator Gold PLC	GBP	listed	0.61	0.0325	0.0	-	•
200069	200,000	Rambler Metals & Min	GBP	listed	0.3846	0.0875	0.0	0.0	•
100977	675,000	Rambler Metals & Min	GBP	listed	0.6137	0.0875	0.1	0.1	•
200069	1,000,000	Talonka Oil & Gas	USD	listed	0.5	0.03	0.0	0.0	•
200069	500,000	Indian Film Co Ltd	GBP	listed	1.005	0.26	0.1	0.1	•
Listed shares							23.6	20.1	
100977	30,000	Mezzanine Group	GBP	Delisted	100	100	3.8		
100977	9,500	All Saints Retail	GBP	Private company	1,971.98	4,210.53	50.9		
100977	101,108,396	Baugur Group hf	ISK	Private company	45.5	54.4	27.5		
100977	685	Fusion Real Estate	USD	Private company	13.059	52,297.02	28.0		
100977	18,000,000	Highland Group Hldgs	GBP	Private company	1	2.25	51.6		•
100977	316,671,731	BYR Sparisjodur	ISK	unlisted	3.5331	2.912085	4.6		
200069	7,500	LXB Developments	GBP	unlisted	0.01	0.01	0.0		
200069	499,900	LXB Developments -Pfd	GBP	unlisted	1	1	0.6		
200069	1,630,000	Public House Collect	GBP	unlisted	1	1	2.1		
Sub-total							169.2		
100977	5,000,000	CreativeEducationCo	GBP	Delisted	0.05	0.001	0.0		
200069	20,000,000	CreativeEducationCo	GBP	Delisted	0.055	0.001	0.0		
100977	29,479,000	Kaupthing Bank hf	ISK	Delisted	760.4313		0.0		
200069	100,000	Kaupthing Bank hf	ISK	Delisted	734.0244	0	0.0		
200069	1,333,000	Kaupthing Bank hf	SEK	Delisted	114.2888	0	0.0		
200069	715,000	Palandr Ltd	GBP	Delisted	0.2816	0.035	0.0		
200069	40,000	Altair Fin. Serv Intl	GBP	private company	6.5	6.5	0.3		
200069	2,000,000	GB Petroleum PLC	GBP	private company	0.05	0.05	0.1		
100977	75,000	CentralChinaGift-WTS	GBP	unlisted		0.08	0.0		
200069	511,334	Eden Energy Corp WTS	USD	unlisted			0.0		
100977	16,500	Ghost Holding Ltd	GBP	unlisted	90.4568	90.4568068	1.9		
100977	1,500,000	Ghost Holding Pref	GBP	unlisted	1	1	1.9		
200069	100,000	NewfoundlandLabsator	USD	unlisted	3	3	0.2		
200069	291,227	Uppspretta Icelandic	ISK	unlisted	54.2298	13.25	0.0		
Total							197.4		

Source: Management information

The Bank received two purchasing offers for €71.5m and €21.5m from Deutsche Bank and Morgan Stanley respectively on ABS and CDO portfolio

Assets Backed Securities (ABS) / Collateralized Debt Obligations (CDO)

€ in millions	Company's owner	Cusip	Nominal	ISIN	Moody's	S&P	Currency	Market value	
								Deutsche Bank	Morgan Stanley
ACABS 2006-2A A1LB	Blacksunshine	003869PAB1	5.0	USG0064XAB94	Aaa	AAA	USD	n.a.	0.01
ACEDO 7AA	Blacksunshine	003887YAA5	25.0	USG00631AA82	Aaa	AAA	USD	n.a.	4.50
BARM 2006-1A B	Blacksunshine	0688325AC3	5.0	USG08272AC36	Aa2	AA	USD	n.a.	0.01
BARM 2006-1A C	Blacksunshine	068325AD1	12.5	USG08272AD19	A2	A	USD	n.a.	0.03
CAMBR 3A B	Blacksunshine	131899AD8	4.0	USG17751AD36	Aa2	AA	USD	n.a.	0.01
CAMBR 4A A2	Blacksunshine	131899MAA5	5.0	XS0208439009	Aaa	AAA	USD	n.a.	0.01
CBCL 12A A	Blacksunshine	12498CAA5	35.0	USG1985GAA25	NA	AAA	USD	n.a.	4.20
CBCL 12A B	Blacksunshine	12498CAB3	2.0	USG1985GAB08	NA	AA	USD	n.a.	0.01
CBCL 15A B	Blacksunshine	124670AB6	3.0	USG1984RAB71	Aa2	AA	USD	n.a.	0.01
CBCL 16A B	Blacksunshine	12488VAC3	2.5	USG19851AB33	Aa2	AA	USD	n.a.	0.01
DUKEF 2005-HG3A C2	Blacksunshine	2644EPLA6	25.0	USG2861MAE52	A3	A-	USD	n.a.	0.06
DUKEF 2005-HG4A A2	Blacksunshine	264413AC9	7.0	USG2861FAB97	Aaa	AAA	USD	n.a.	0.02
DUKEF 2005-HG4A B1	Blacksunshine	264413AE5	13.0	USG2861FAC70	Aa1	AA+	USD	n.a.	0.03
ORPT 2006-1A C	Blacksunshine	68619RAC4	15.0	USG6777RAC54	Aa2	AA	USD	n.a.	0.04
RFCCD 2006-4A A2	Blacksunshine	762007AC6	25.0	USG7551PAB16	Aaa	AAA	USD	n.a.	0.06
CARRH I A C	Other	127763AD2	10.0	XS0226519352	Aa3	A	USD	n.a.	-
CAMBR 3A C	Other	131899AE6	26.0	USG17751AE19	A2	A	USD	n.a.	-
Sub-total			220.0					9.5	9.0
FL OATING RATE Oblig. Caisse Other		US939333VAN48	25.0	US939333VAN48 Corp	Ca /-	D	USD	4.9	6.1
FL OATING RATE Oblig. Caisse Other		XS0284968426	13.0	XS0284968426 Corp	Ca /-	D	GBP	3.4	3.1
FL OATING RATE Oblig. Caisse Other		XS0226781242	20.0	XS0226781242 Corp	Ca a2 /-	n.a.	EUR	1.5	0.4
FL OATING RATE Oblig. Caisse Other		US12543JAA51	45.0	US12543JAA51	n.a.	n.a.	USD	30.4	-
FL OATING RATE Oblig. Caisse Other		US784657AB44	32.5	US784657AB44	n.a.	n.a.	USD	21.9	-
Sub-total			135.5					62.0	9.6
Cash			9.0					9.0	9.0
Total			364.5					80.5	27.6

- This portfolio is composed by €829.5m of bonds and €9m in cash and its mainly owned by a company called Blacksunshine.
- €9m cash refer to the sum of coupons generated by the portfolio in the first 6 months of 2008 and which the Bank booked into account and never paid back to Blacksunshine.
- We highlight that the Bank received two bids on certain securities of this portfolio, by Deutsche Bank (€71.5m) and Morgan Stanley (€21.5m) as at 19 November and 4 November respectively.
- Morgan Stanley did not bid on two bonds which Deutsche Bank offered €52.3m.

Source: Management information

The value of Kaupthing Capital Partner II Funds as at 30 June 08 amount to €39.3m

- **KCP II**: consists of four feeders and one Master Fund with a total commitment as following:

GBP in millions	Commitment	Total
LPA	90.7	
LPB	47.0	
LPK	200.0	
Fund	191.6	
Master Fund	529.3	

Source: Management information

- Kaupthing Bank hf, has committed into feeder K LP (100% of the feeder) and into A LP (31% of the feeder):
- | GBP in millions | Total | % of ownership | KCP II Commitment | Advance contribution GBP/m | €/m |
|-----------------|--------------|----------------|-------------------|----------------------------|-------------|
| LPA | 90.7 | 31% | 28.1 | 3.9 | 4.6 |
| LPK | 200.0 | 100% | 200.0 | 29.4 | 34.7 |
| Total | 290.7 | | 228.1 | 33.3 | 39.3 |
- Exchange rate as at 20 Nov 08 1 GBP= 0.8469€
- Source: Management information
- The value of the investment as at 30/06/08 is GBP 33.3m (or €39.3m) as per the latest quarterly statements sent out to each Limited Partners.
 - The Master Fund owns five companies: three unlisted and two listed.
 - **ADP Dental Company Limited** (not listed) is one of a handful of dental body corporate (DBCs) in the UK, and is third largest behind Oasis Plc, and Integrated Dental Holdings Limited.
 - In March 2007 EAC, now called Milestone Capital, sold their investment in ADP to the management and Kaupthing Bank, for an undisclosed sum. A new holding company, ADP Healthcare Services Limited was formed, and additional debt was provided by Kaupthing Bank to provide working capital needs.
 - ADP's 30 November 2007 turnover amount to £40m.

- **Dig Equity Holdings Limited** (not listed) has created the UK's leading consumer marketing data hub, providing the most extensive and highly targeted access to consumers across all direct channels. DLG's data hub facilitates bespoke 1-2-1 marketing through digital TV, internet, mobile/fixd line telephone, sms and mail, allowing it to transform above-the-line advertising into targeted direct marketing channels. The data hub combines millions of volunteered lifestyle responses from the UK's only multi-channel lifestyle survey programme with a wealth of additional data from its network of trusted consumer brand partners.
- **PHASE Eight HoldCo** (not listed): owns the Alacra Store which is a public e-commerce website that enables business information users to find and purchase research with a credit card.
- **Consort Medical PLC** (listed in LSE): is a leader in medical devices for inhaled drug delivery and anesthesia and the Bank owns approx. 10% of shares.
- **KCP II ehf owns 22% of Booker Group PLC** (listed in LSE): is the UK's largest cash and carry operator, offering branded and private label goods which are sold to 400,000 customers including convenience stores, grocers, pubs and restaurants. In June 2007 Booker reversed into Blueheath Holding plc to form Booker Group Plc. Blueheath is a wholesaler of groceries to independent and multiple retail and leisure outlets within the UK.

Gir Capital Investment, K-Invest holding, Alpha Management Company and Management Companies

- **Gir Capital Investment** is a Cayman registered fund listed on the Luxembourg stock exchange.
- As at 31 October 2008 two out of three securities held in the portfolio have been totally written off.

Description	Value
Exista hf.	-
KB ABS 1:3 (Investment Fund)	1 ISK
Kaupthing Bk hf Floating rate Note 12 Apr 2011	ISK 1,136m

- The Fund has 9,065,224.39 shares in issue: 4,440,345.66 are owned by Kaupthing Bank hf and the remaining held by Kaupthing Bank Luxembourg on behalf of investors.
- The last available NAV as at 31.10.2008 amount to ISK1.136m (or €4.4m) considering the ISK exchange rate as follow: 1€ = 255 ISK.
- **K-Invest Holding**: is a UK real estate company which owns a flat in London that was acquired in December 2007 for GBP4.6m.
- The company presents liabilities towards Kaupthing Bank hf for GBP2.1m.
- Considering the UK real estate market trend the latest estimates on the aforementioned flat are approximately at GBP4m. Therefore taking into consideration transfer tax, fees, company's liquidation costs and the timing of selling the flat, it is reasonable to evaluate the Company for €4m.

- **Alpha Management Company SA**: manages 3 funds (Aska, Katla and Krafta) which have cash deposit with the Bank amounting to €21.2m
- This cash will be used to offset the debt against the Parent company.

- **Management Companies**: are represented by:

- **Kaupthing Advisory Company S.A.** (KAC) runs a UCITS III umbrella, Kaupthing Fund, collects investment advisory fees, payment of investment management fees and distribution fees.

- **Kaupthing Management Company S.A.** (KMC) runs an FCP part II Fund, Kaupthing Investment Fund collects investment advisory fees, payment of investment management fees and distribution fees.

- We highlight that the portfolio owned by **Kaupthing Advisory Company S.A.** (KAC) which amounted to €12.6m has been sold by the Parent Company and settled into its own accounts, therefore the Bank will not seized these assets anymore.

Appendix 1

Other details

ISK long exposure of the Bank represents 4.4% of total assets and 3.2% of total liabilities at 20 November 2008

ISK exposure as at 20 November 2008

Amounts in millions	ISK	Exchange rate: € in millions			
		1€=250ISK	1€=300ISK	1€=400ISK	1€=500ISK
Asset position :	33,896.5	135.6	113.0	84.7	67.8
Liab. position :	24,209.3	(96.8)	(80.7)	(60.5)	(48.4)
Net amount	9,687.3	38.7	32.3	24.2	19.4
Potential losses		(6.5)	(14.5)	(19.4)	

Source: Management information

Management assumptions for certain Lombard investments (1/2)

Used portfolio breakdown as at 20 November 2008

Type of share	Asset description	Valuation %
Bond	Iccrea Banca SpA VAR/STEP 05-23.02.2012/(Callable 23.02.2008 at 100.00) Cpn. 3.05% 'till 23.02.2006 / thereafter reset annually 3.15% 3.3% 3.5% 3.7%	100%
	Iceland Housing Finance Fund 3.750% 04-15.09.2014 Drawn Bond // (Dirty priced)	100%
	Iceland Housing Finance Fund 3.750% /L 04-15.02.2024/(Ibudabref 04/1) / (Dirty priced)	100%
	Iceland Housing Finance Fund 3.750% /L 04-15.04.2034/(Ibudabref 04/2) / (Dirty priced)	100%
	Iceland Housing Finance Fund 3.750% /L 04-15.06.2044/(Ibudabref 04/3) / (Dirty priced)	100%
	Iceland Housing Finance Fund 4.750% 97-15.12.2037 Drawn Bond / (Husbréf 98/2 4.75% 15.12.2037 - Flokkur A) (Dirty priced)	100%
	ISIS 12% 06.01.2016 Agreement//	100%
	Kaupthing Bank hf 3M LIBOR+70BP 144A06-15.01.2010 //	50%
	Kaupthing Bank hf 3M REIBOR+140BP 06-10.05.2045/KAUP Float 12/59 (Callable 10.11.2016 at 100.00) /	50%
	Kaupthing Bank hf 7.125% REG-S 06-19.05.2016 //	50%
	Landsbanki Islands hf 3MEURBOR+20BP 05-19.10.2010//	100%
	Stanfield Dayona CLO Ltd 2007-1XC1 REG-S SUB 07-27.04.2012 // ABS: Asset Backed Security	100%
Fund	Artemis Holdings - Ptg.Shs. Hedge Class EUR//	75%
	Artemis Holdings 2xL - Red.Ptg.Pref. //	75%
	Artemis Master - Red.Ptg.Pref.Shs (USD)//	75%
	Bluebay Investment Grade Bond Fund - Base R//	100%
	BNP Paribas Euribor 3 Month Fund - C //	100%
	Calyon Finance Guernsey 3MEURIBOR+240BP BSKT 06-30.03.2013//	100%
	DWS Cash USD //	100%
	East Capital Bering Russia Fund - A Master Series 2005 //	100%
	East Capital Bering Ukraine Fund - A Master Series 2005//	100%
	Feriskur Holding BV/PIK Facility/EURIBOR+1200BP 06-30.06.2017 / PIK Facility/Agreement utilised to fund the acquisition of/Retresco Holding BV	100%
	Handelsbanken Funds SICAV - Swedish Short Term Assets Fund //	100%

Management assumptions for certain Lombard investments (2/2)

Used portfolio breakdown as at 20 November 2008

Type of share	Asset description	Valuation %
Fund	Henderson Horizon - American Equity Fund - A1//	100%
	Kaupthing Gov Bds LongTerm (Rikis verdbrefasjodur-Langur) //	100%
	Kaupthing Manager Selection - Europe - A //	100%
	Kaupthing Penningmarknad (SEK) //	100%
	Petercam B Fund - Petercam Bonds EUR Fund - C//	100%
	York Enhanced Strategies Feeder Fund (Cayman) Ltd - 144A//	100%
Share	ADP Healthcare Services Limited - Preferred Shs - A//	67%
	ADP Healthcare Services Limited - Preferred Shs - AA//	67%
	ADP Healthcare Services Limited (Private Company) - A//	67%
	Bakkavær Group hf //	100%
	Beteiligungs-gesellschaft Zukunftsenergien AG //	100%
	BM Valla hf//	50%
	BYR Sparisjodur ("fund" to change to "Limited Liability Co") //	55%
	DLG Equity Holdings Ltd - A Preferred Shares //	67%
	DLG Equity Holdings Ltd - AA Preferred Shares//	67%
	Medicover Holdings SA//	100%
	Paradox Entertainment AB //	100%
	Phase Eight Holdco Limited - Preferred Shs //	67%
	Phase Eight Holdco Limited (Unlisted)//	67%
	Sampo Oyj - A//	100%
	Vinovo Holding AB//	100%

Source: Management information