
MINUTES

Credit Committee of the Board of Kaupthing bank hf

29th meeting

Date: 24/09 2008, time: 14:00

CC members present: Sigurður Einarsson, Hreiðar Már Sigurðsson, Bjarnfreður H. Ólafsson, Gunnar Páll Pálsson
Other present: Bjarki H. Diego,
Secretary: Guðrún Harðardóttir
Venue: Kaupthing S&F, London

Credit applications

Bakkavör Group hf.

(HBL) Credit rating of Bakkavör Group is BB. Total exposure of Bakkavör is ISK 10,771m. The Credit Committee is requested to approve a GBP 125m receivables financing facility (advance rate to be 80% of approved debtors) to be made available to Bakkavör Finance Limited, an SPV set up for this transaction to buy the receivables from another Bakkavör Group SPV. Two separate SPVs will be set up to effect the transaction: The first SPV will purchase goods from the 27 Bakkavör UK entities for immediate onward sale to the Bakkavör customers and it will raise invoices on these customers. The second SPV will purchase receivables generated by the first SPV and fund the purchases through this facility.

This facility was introduced to KS&F by NM Rothschild (NMR) following an initial approach by the CEO of Bakkavör to Armann Thorvaldsson. The background to the need for this facility arising is that Bakkavör currently has GBP 700m of RCF facilities which are currently drawn at a level of GBP 450m. Bakkavör plan to utilise the GBP 125m facility by initially drawing down £100m to pay down the RCF facility and ensure there is no covenant breach.

The loan structure:

Loan amount: GBP 125m

Margin: 2%

Maturity: 12 months after first drawdown

Arrangement fee: 0.8% and non-utilisation fee of 0.75% against 0.5%, 1.8% and 0.4% quoted by Rabobank for their 5 year facility.

Security: Company assets

The Credit Committee approved and recommended a penalty of 5% of drawn amount.

Project Rocet / Bakkavör Estates Ltd.

Project Rocket is the proposed financing of a portfolio of 17 freehold assets located throughout the UK (the "Portfolio") owned and operated by Bakkavor Holdings Ltd, the UK subsidiary of the Bakkavor Group hf. (Iceland) (the "Group") (altogether the "Transaction"). Proceeds to be used to support the Group working capital position.

Project Rocket will be implemented through an internal sale and leaseback, whereby the Portfolio will be sold to Bakkavor Estates Ltd ("Propco"), a newly created vehicle formed solely for the purpose of owning the Portfolio. Propco will grant 15 year leases to Bakkavor Foods Ltd ("Opco"), which will be fully repairing and insuring triple net leases, with an annual fixed inflator of 1.5% and a 5 yearly upward only mark-to-market adjustment. Bakkavor Holdings Ltd ("Parent") will serve as guarantor of the leases. Please note that there is a net asset value (NAV) covenant of GBP 225 million on the Parent.

An approval is sought to underwrite a loan facility in the amount of GBP 51.4m and a swap line in the amount of GBP 4m.

Loan amount: GBP 51,400,000 structured into 1 tranche

Margin: Libor 2.5% per annum

Maturity: 5 years after first drawdown

Arrangement fee: 2%

Security: fist legal charge over 17 properties and negative pledge as to the creation of further charges or encumbrances. Third party security covers all facilities unless otherwise stated. LTV 75%.

Hedging: The borrower will hedge the total facility against interest rate risk for a period not ending earlier than the facility mature date.

The Credit Committee approved the request, recommended a penalty of 5% of drawn amount and to analyse further the company's debts and accounts.

The Credit Committee approved an increase in Bakkavör's Credit line in the total amount of ISK 3.5b.

Project Puukko / Epion

The company is on the exception list with regard to credit rating. Currently the customer has been trading CFD's with total exposure of USD 826,931 but note that CDF trading positions do not reflect regulatory exposure.

Epion is in the ownership of Mr. Alisher Ushmanov, the customer has been trading CFD's through KSF Capital Markets. The customer is a shareholder of Kaupthing with a 1.48% shareholding.

An approval is sought for two loan facilities in the total amount of up to 1.1b to acquire up to 9.9% of shares in Sampo Group.

Loan request:

SPV 1 loan amount EUR 500m, a bullet, maturity 3 years and margin Euribor +1.5% per annum.

The loan will be guaranteed by 20% of shares in Coalco Development

SPV 2 loan amount EUR 600m, (a liquidity credit line), a bullet, maturity 3years, margin Euribor +2.5% per annum to be refinanced by 3rd party.

An approval is also sought to build up to USD 1.2b of stake (through CFD's) in the mining and metallurgical company Norlisk Nickel for Gallagher Holdings.

The Credit Committee approved the request.

Exista hf./ Bakkabráður Holding BV

The Credit rating is BB. Total exposure of Exista and related parties is ISK 171,329m

1. Exista is requesting an extension of loan nr. 8295 in the amount of ISK 13,4 billion, thereof ISK 6,8 billion with maturity on October 15th 2008 and the rest with maturity in October 2009. The company is now requesting that we extend the 6,8 billion which is due this October for two years, until 15th October 2010.

The proposed margin is between 2,5% and 3,0% (current margin 2,5%) and proposed extension fee is between 0,5% and 1,0%.

Approved

2. Exista has a loan with Kaupthing Bank (5686) amounting to ISK 23,6 billion. The loan is due to be repaid in 2009 and 2010. Currently the loan is unsecured. Exista has requested that we change the terms of the loan so that it is without recourse to Exista, but is instead secured with Exista's shares in VÍS and Exista Properties. It is proposed that we accept this change, since it diversifies our exposure towards Exista. It is further proposed that we increase the margin to 2,5% to 3,0% (current margin 0,8%) with a fee of 25bps to 50bps.

Approved

3. Exista and Exista Trading currently have some ISK 250 billion in various hedging agreements with the bank. Related to these agreements we need to approve an ISK 20 billion credit line to Exista hf. and an ISK 3 billion credit line to Exista Trading. Both lines should be valid until 31 July 2009.

The Credit Committee approved the request but recommended a discussion between the bank and the company regarding repayment of current debts.

4. Bakkabráður Holding BV

The Company is on the exception list with regard to credit rating. Total exposure will be 33.5b.

BH currently have an exposure with the bank amounting to around ISK 20 billion. The loan is related to its holding in Exista and is secured with 5.1 million shares in Exista, with current market value of around 33.5 million. Current margin on the loan is 1,65%. The loan has final maturity on 2 October 2008 and therefore BH have requested a one year extension on the loan.

In May/June BH acquired some 1,3 million shares in Exista from Kaupthing Bank, which Kaupthing Bank received as payment for their shares in Skipti, in relation to Exista's settlement of the take over bid of Skipti.

BH has now requested that we provide them with an additional loan amounting to ISK 13 billion

loan to finance this acquisition. As additional security we would pledge the 1,3 million shares in Exista.

It is proposed that we offer them a one year extension to current loan and that we offer them in addition ISK 13 billion new loan (plus costs), thereby increasing the exposure on BH to some ISK 33,5 billion. Current value of the 6,4 million Exista shares we have as collateral is some ISK 42 billion, implying a LTV of 80%.

The proposed margin is 2,5%, with an extension/arrangement fee of 0,5% on the total amount and margin call at 1:1.

The Credit Committee approved the request.

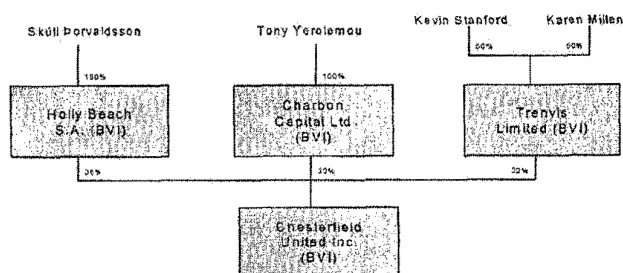
Kevin Stanford / Trenvis Limited

Currently the exposure is 34b but will increase to ISK 40b if the request is approved.

Trenvis Limited is on the exception list with regard to credit rating.

Chesterfield is a SPV with the sole purpose of investing in a two times leveraged Credit Linked Note (CLN) issued by Deutsche Bank (DB) linked to Kaupthing Bank (KB).

There are four investors behind Chesterfield (see structure chart).



The CLN has a final maturity date on 20 September 2013. Note notional is EUR 125m with a CDS notional of EUR 250m. Note coupon is 3m EURIBOR + 1122.4 bps. There is EUR 5m in costs.

Holly Beach owns 36% in Chesterfield.

Trenvis Limited is one of the three holding companies behind Chesterfield the company would like to borrow EUR 41.6 million which is their equity contribution in this transaction. Kevin Stanford and Karen Millen are the beneficial owners of Trenvis Limited. Total exposure of Kevin Stanford and related is ISK 62,7b.

The request:

Loan amount: EUR 41.6m

Maturity: 5 years (maturity date 20.09.2013)

Margin: 1.5%, quarterly interest payments

Arrangement fee: 1.45%

Security: A pledge over the share capital in Trenvis Limited and the shares that Trenvis Limited owns in Chesterfield.

The Credit Committee approved the request.

Kjalar hf.

The Credit rating is B+. Total exposure of Kjalar and related companies.

1. The company has requested a short term loan in the total amount of ISK 500m. Maturity 1 year. The loan will be used as anew equity injection into Hafrahlið ehf. the owner of Hekla hf.

2. New equity into Kjalar through Harlow Equities S.A. and Partridge Management Group S.A. The loan is in relation to this equity injection amounts to EUR 190m.

Harlow Equities S.A. is a holding company behind Chesterfield II, the company would like to borrow EUR 130 million which is their equity contribution in this transaction. Ólafur Ólafsson is the beneficial owner of Harlow Equities S.A. Total exposure of Ólafur Ólafsson and related is ISK 77.8b

The request:

Loan amount: EUR 130m a bullet

Maturity: 5 years (maturity date 20.09.2013)

Margin: 1.5%, quarterly interest payments

Arrangement fee: 1.45%

Security: A pledge over the share capital in Harlow Holding as well as the shares that Harlow owns

in Chesterfield II.

Partridge Management Group S.A. would like to borrow EUR 50m.

Behind Partridge Management Group S.A. is the holding company Harlow Equities S.A. in the ownership of Olafur Olafsson.

The request:

Loan amount: EUR 50m

Maturity: 5 years (maturity date 20.09.2013)

Margin: 1.5%, quarterly interest payments

Arrangement fee: 1.45%

Security: A pledge over the CLN.

3. Extension of a revolver in the amount of ISK 200m valid for 6 months.
The Credit Committee approved the requested financing.

Sheik Mohamed Al-Thani

The companies are on the exception list with regard to credit rating.

Sheikh Mohammed Bin Khalifa Al-Thani is the brother of the Emir of Qatar.

The request is in the total amount of up to EUR 320m in three different proposals:

1. Brooks Trading Limited (Brooks) is a SPV with the purpose of investing in a two times leveraged Credit Linked Note (CLN) issued by Deutsche Bank (DB) linked to Kaupthing Bank (KB). The CLN has a final maturity date on 20 September 2013. Note notional is EUR 125m with a CDS notional of EUR 250m. Note coupon is 3m EURIBOR + 112.4 bps. There is EUR 5m in costs.

There is one holding company behind Brooks, Mink Trading Corp. (Mink). Sheikh Mohamed Al-Thani is the beneficial owner of Mink. DB lends EUR 125m to Brooks and the remaining EUR 130m comes from Mink.

Mink would like to borrow up to EUR 130m which is their equity contribution in this transaction plus arrangement fee and transaction costs. In addition Brooks would like to borrow USD 50m which is parts of the profits from the transaction.

Loan amount Mink: EUR 130m

Maturity: 5 years (maturity date 20.09.2013)

Margin: 1.5%, quarterly interest payments

Arrangement fee: 1.45%

As security we will pledge the share capital in Mink as well as the shares Mink owns in Brooks.

Loan amount Brooks: USD 50m

Maturity: 5 years (maturity date 20.09.2013)

Margin: 1.5%, quarterly interest payments

Arrangement fee: 1.45% and quarterly repayments, in sync with interest payments on the CLN, with final repayment in October 2013.

As security we will pledge the CLN

2. Sheikh Mohamed Al-Thani is the beneficial owner of Serval Trading Group Corp (Serval), which is a BVI SPV, intending to invest in some securities. The Sheikh has requested that we lend up to EUR 150m into Serval.

It is proposed that we offer the loan to Serval with a margin of 1,50%, first through a short term MM loan which will later be refinanced probably through KSF. As security we will get a personal guarantee, which will probably be replaced with collateral over some assets at a later stage.

3. Currently the Sheikh Mohammed Bin Khalifa Al-Thani has no exposure with Kaupthing bank. The bank is however in the process of issuing a EUR 28 million loan to him, through a SPV called Q Iceland Holding ehf., to invest in Alfesca shares. That loan has a tenure of 4 years, a margin of 2,25% and arrangement fee of 1,0%. As collateral we have 850 million shares in Alfesca with current LTV of 60% and margin call at 80% LTV.

When all of these loans have been paid out, the total exposure of the Sheikh will be some EUR 350 million.

The Credit Committee approved the request.

Skipti hf.

Credit rating is BB. Total outstanding exposure is ISK 30,505m with a total commitment of ISK 40,160m.

Skipti on behalf of Síminn has requested that we issue up to ISK 5 billion bank guarantee, because of a tender for providing all Icelanders with high speed internet access.

Bids were delivered on September 4th and Síminn delivered three different bids

- One for apr. ISK 400 million using 3G technology
- One for apr. ISK 1 billion using current copper wire infrastructure
- One for apr. ISK 5 billion using fibre optic.

Síminn believes they are in a pole position to get this project. They feel it is quite unlikely the fibre optic alternative will be accepted. It is therefore more likely that either of the other two bids will be accepted.

If they are awarded this project the guarantee will be drawn upon during a 12 months period, as Síminn receives payments from the Icelandic Government, which is funding the projects. At final delivery the guarantee will be fully drawn/issued. The guarantee shall be valid for 7 years with an annual step down.

Possible payments because of this guarantee would have to be fully subordinated against the senior loan agreement to Skipti. It is proposed that we offer this guarantee to Skipti at a fee of 2,0%-3.0% p.a.

The Credit Committee approved the request.

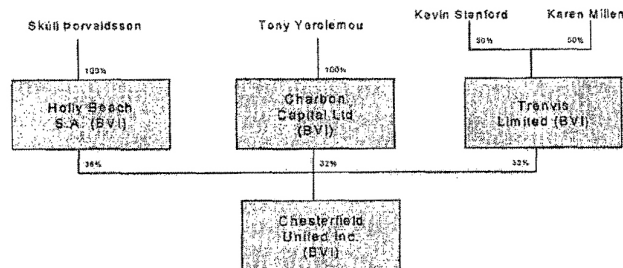
Skúli Þorvaldsson and related parties.

Total exposure of Skúli Þorvaldsson and related is ISK 73,949,645,019

The exposure is mostly related to different trading activities SP carries out with the bank and secured with the underlying securities. The exception is the exposure on Immo Croissance SICAV SII related to a takeover of a real estate company previously jointly held by SP and Baugur, discussion is now taking place regarding refinancing of that loan.

Chesterfield is a SPV with the sole purpose of investing in a two times leveraged Credit Linked Note (CLN) issued by Deutsche Bank (DB) linked to Kaupthing Bank (KB).

There are four investors behind Chesterfield (see structure chart).



The CLN has a final maturity date on 20 September 2013. Note notional is EUR 125m with a CDS notional of EUR 250m. Note coupon is 3m EURIBOR + 1122.4 bps. There is EUR 5m in costs.

Holly Beach owns 36% in Chesterfield. Skúli Þorvaldsson is the beneficial owner of Holly Beach.

The company is on the exception list with regard to credit rating.

Holly Beach would like to borrow EUR 46.8 million which is their equity contribution in this transaction.

The request:

Loan amount: EUR 46.8m

Maturity: 5 years (maturity date 20.09.2013)

Margin: 1.5%, quarterly interest payments

Arrangement fee: 1.45%

Security: A pledge over the share capital in Holly Beach and the shares that Holly Beach owns in Chesterfield.

Immo Croissance SICAV SII

Holt Investment Group Ltd.

Holt Investment Group Ltd. is requesting a loan in the amount of ISK 2,570m. The company is on the exception list with regard to credit rating.

The purpose is to finance purchase of 3.700.000 shares in Kaupthing Bank. Currently, the company owns 22.000.000 shares in Kaupthing Bank and 93.971.303 shares in Exista hf.

The following is requested:

Loan amount: Up to ISK 2,570m

Maturity date: 02.07.2009

Interests: R+3%-5%

Pledge: All assets of the borrower, which consists of shares in both Kaupthing Bank hf. and shares in Exista – and/or negative pledge over all assets of Holt Investment Group Ltd.

The Credit Committee approved the requested financing.

Crosslet Vale / Moses and Mendi Gertner

(ST) The Company is on the exception list with regard to credit rating. Current total exposure ISK 42.8b.

The Gertner brothers, Moises and Mendi, have build up good connections in the DRC through a friend of theirs and co-investor, Dan Gertler, who has spent numerous years in DRC, the Gertners are now planning substantial investments in the DRC, i.e. the construction of some thousands of km of railroads. Kaupthing has been in discussions with the brothers concerning other possibilities in the DRC, i.e. to explore the possibility of a bauxite mining unit, alumina refinery and aluminium smelter together with hydro power plant.

An increase of USD 230 million to Facility C is requested, which would take this facility from USD 120 to USD 350 million. This would be a bridge financing of up-to 12 months – possibly a hybrid structure (mezzanine + equity kicker) – and would have to be adequately rewarded.

The Credit Committee approved to analyse the case further as additional comfort is needed regarding the security.

Landic Property hf.

Credit rating is BBB-. Total exposure is ISK 29,107m and total exposure including related parties is ISK 34,300m

An approval is sought to extend the following facilities until 20.02.2009:

Currency	Number	Amount m	Margin %	Loan type	Maturity
ISK	190	3926	R+4.75	Bullet	05.12.2008
Multi	299	1212	L+2.50	Bullet	05.12.2008
EUR	2923	430	L+2.50	Bullet	05.12.2008
EUR /ISK	7946	2594	L+4.50	Bullet	05.12.2008
ISK	11	200	20,3	Overdraft	20.11.2009
Total		8362			

In addition the company is requesting a Credit line in the amount of ISK 5.800m against exposure in derivatives valid until 20.02.2009.

Margin shall be 3%, apart from the overdraft and an extension fee of 0.1% (or 0.05% pr. month) is requested.

A refinancing work is in being carried out.

The Credit Committee approved but requested that the Credit line should be monitored and closed at first opportunity.

Gaumur / Baugur Group hf.

Credit rating: Watch list. Total exposure including related parties is ISK 82,818m.

The purpose of the presentation is to give an overview of the exposure towards Baugur and related parties.

Baugur and related parties have suffered considerably in the devaluing equity markets. The company and related parties are therefore seeking grace in paying interest and principal of their debts. Further to that it is necessary to sell some assets to decrease the debt load.

Kaupthing will not increase the leverage on Baugur and related parties, further work is needed in order to decrease leverage and improve security position.

The Credit Committee reviewed and approved the overview and the statement in the presentation.

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Stoðir hf. (FL Group)

Credit rating: Watch list. Total exposure including related parties is ISK 35,183m. The purpose of the presentation is to give an overview of the exposure towards Stoðir and related parties.

Stoðir hf. and related parties have suffered considerably in the devaluing equity markets. The company and related parties are therefore seeking grace in paying interest and principal of their debts. Further to that it is necessary to sell some assets to decrease the debt load.

In addition Stoðir have asked Kaupthing to waive the interest payments that are due in the beginning of October and at the end of November this year.

Kaupthing will not increase the leverage on Stoðir and related parties, further work is needed in order to decrease leverage and improve security position among other things by selling some of the company's assets to decrease debts.

The Credit Committee reviewed and approved the overview and the statement in the presentation.

Tchenquiz Discrecionary Trust / Robert Tchenguiz

The Credit Committee reviewed the customer's overview and statement. TDT is on a daily watchlist with loans and assets. The Credit Committee was informed that the customer and the bank is working on degreasing the leverage and exposure by selling some of RT's assets.

New credit request:

TDT has requested a loan to settle a margin call from KSF. This new loan will be guaranteed by pledging shares in Montzando Limited and Santora Investment Limited which own shares in Phase Eight and House of Fraser. This will also help to improve Kaupthing's collateral exposure.

Note that this loan will not be a part of the Oscatello Structure.

Loan amount: GBP 5m a bullet

Maturity: 1 year

Margin : Libor +4.5% per annum

Arrangement fee: 1%

The Credit Committee approved the request and reviewed the customer's overview and statement.

Other businesses**Crosslet Vale / Moses and Mendi Gertner**

Approved between meetings (11.06.2008)

The request is of a bridge loan-bullet in the total amount of up to EUR 120m in SEK currency. The purpose is to purchase shares in Kaupthing. Security will be negative pledge over the shares in addition with current collateral / pledge.

Approved between meetings 14.09.2008

An approval is sought of an increase in current Facility C in the amount of up to USD 60m, the purpose is to finance the purchase of oil rights. Maturity is 3 months.

Landic Property hf.

Approved between meetings 30.05.08

The company is seeking loan in the total amount of up to EUR 20m, maturity 1 month L+4,5% with arrangement fee of 0.2%. Secured with a pledge in the property funds Prestbury 1 Limited Partnership and LXB 3 Limited Partnership.

Exista hf. and related companies

Approved between meetings 11.06.2008

An agreement has been made between Kaupthing Bank and Bank of America that we purchase a EUR 15m facility (on par). The facility is a part of EUR 500m agreement where some 25 banks participated in a transaction.

Approved between meetings 27.06.08

Exista has requested that we provide them with a non recourse EUR 100m revolver valid for 1 year. The loan will be secured with

Samskip Holding BV

Approved between meetings 08.07.08

An approval is sought of a loan in the total amount of EUR 10m. The purpose is to finance the European operation of the company. Maturity will be 01.12.2009.

The meeting concluded at 16:45.