
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 and Steingrímur Kárason

Other present: Bjarki H. Diago,

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 Board 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 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, CEO of KSF. 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 plans 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

Bakkavör will subsequently deposit £150 million with Kaupthing Bank hf.

The Board Credit Committee approved the request, but recommended a penalty of up to 5% of withdrawals of deposits that would exceed drawn amounts.

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 Bakkavör Group hf. (Iceland) (the "Group") (altogether the "Transaction"). Proceeds are to be used to support the Group's 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: First legal charge over 17 properties and negative pledge as to the creation of further charges or encumbrances. 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 Board Credit Committee approved an increase in Bakkavör's Credit line due to currency exchange derivatives in the total amount of ISK 3.5b.

The Board Credit Committee did also state that Bakkavör Group's debts and accounts should be analysed further.

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 around USD 826 million 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 Bank hf. with a 1.48% shareholding.

An approval is sought for two loan facilities in the total amount of up to EUR 1.1b.

Loan request A:

SPV 1. Loan amount of up to EUR 500m for investing in securities, a bullet, maturity 3 years and margin Euribor + 1.5% per annum. The loan will be guaranteed by 20% of shares in Coalco Development Ltd. and with a corporate guarantee from the same company.

Loan request B:

SPV 2. Loan amount of up to EUR 600m, (a liquidity credit line), a bullet, maturity 3 years, margin Euribor + 2.5% per annum. The purpose is mainly to invest in shares in Sampo Group (Puukko). To be refinanced by 3rd party.

Loan request C:

An approval is also sought to build up to USD 1.2b of stake (through CFD's) in the mining and metallurgical company Norilsk Nickel for Gallagher Holdings on terms and subject to general limits for CFD transactions.

The Board Credit Committee approved the requests.

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 Kaupthing extends the 6.8 billion which is due this October for two years, until 15th October 2010.

The proposed margin is between 25% and 30% (current margin 25%) 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 Kaupthing changes the terms of the loan so that it is without recourse to Exista, but is instead secured with Exista's shares in VIS and Exista Properties, as applicable. It is proposed that Kaupthing accepts this change, since it strengthens the bank's security position towards Exista. It is further proposed that Kaupthing increases the margin to 2.5% - 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 arrangements with the bank. Related to these agreements Kaupthing needs to approve an ISK 20 billion credit line to Exista hf. and an ISK 3 billion credit line to Exista Trading as those credit lines have now expired. Both lines should be valid until 31 July 2009.

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

4. Bakkabræður Holding BV

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

BH currently has an exposure with the bank amounting to around ISK 20 billion. The loan is related to its holding in Exista and is secured with a pledge over 5.1 million shares in Exista, with current market value of around 33.5 billion ISK. Current margin on the loan is 1.65%. The loan has final maturity on 2 October 2008 and therefore BH has requested a one year extension on the loan.

In May/June 2008 BH acquired some 1.3 million shares in Exista from Kaupthing Bank, which Kaupthing Bank received as payment for its shares in Skipti, in relation to Exista's settlement of the take over bid of Skipti.

BH has now requested that Kaupthing provides the company with an additional loan amounting to ISK 13 billion to finance this acquisition. As additional security Kaupthing would pledge the 1.3 million shares in Exista.

It is proposed that Kaupthing offers BH a one year extension to the current loan and that Kaupthing confirms an additional loan to BH in the amount of ISK 13 billion (plus cost), thereby increasing the exposure towards BH to some ISK 33.5 billion. Current value of the 6.4 million Exista shares Kaupthing would have as a collateral is around 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.

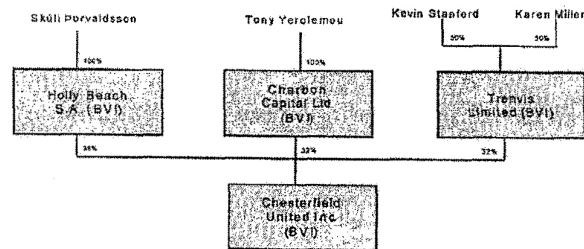
The Board Credit Committee approved the requests.

Kevin Stanford / Trenvis Limited

Currently Kevin Stanford's exposure towards Kaupthing Bank hf. is around ISK 34 billion, secured with various assets kept in custody with Kaupthing Bank Luxembourg, following the intended transfer of Kevin Stanford's exposure to Kaupthing Bank hf., but will increase to around ISK 40 billion 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) bonds. 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 + 1,122.4 bps. There are EUR 5m in costs.

Holly Beach owns 36% in Chesterfield, Charbon Capital 32% and Trenvis Limited 32%.

Trenvis Limited is one of the three holding companies behind Chesterfield. The company requests to borrow EUR 41.6 million which is its equity contribution in this transaction. Kevin Stanford and Karen Millen are the beneficial owners of Trenvis Limited.

Total exposure of Kevin Stanford and related parties is around ISK 40b.

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 Board Credit Committee approved the requests.

Kjalar hf./Harlow Equities/Patridge Management Group

The Credit rating is B+. Total exposure of Kjalar and related companies is around ISK 76 billion.

1. The company has requested a short term loan in the total amount of ISK 500m. Maturity 1 year. The loan will be used to inject equity into Hafrahlid ehf., one of the owners of Hekla hf.
2. Harlow Equities and Patridge Management Group are on the exception list regarding credit rating.

Harlow Equities S.A. is a holding company behind Patridge Management Group. Patridge Management Group is a SPV with the sole purpose of investing in two times leveraged Credit Linked Note (CLN) linked to Kaupthing Bank (KB) bonds. Ólafur Ólafsson is the beneficial owner of Harlow Equities S.A. Total exposure of Ólafur Ólafsson and related parties is ISK 77.8b.

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 + 1,380 bps.

The request from Harlow Equities:

Loan amount: EUR 130m
Maturity: 5 years bullet (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.
Security: A pledge over the share capital in Harlow Holding as well as the shares that Harlow owns in Patridge Management Group.

The request from Partridge Management Group S.A.:

Loan amount: EUR 50m
Maturity: 5 years bullet (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.
Security: A pledge over the CLN.

3. Extension of an overdraft for Kjalar hf. in the amount of ISK 200m valid for 6 months.

The Board Credit Committee approved the requested financing.

Sheik Mohamed Al-Thani/Brooks/Mink Trading Corp./Q Iceland Holding effh.

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 350m 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) bonds. 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 + around 1,300 bps. There are EUR 5m in costs.
There is a holding company behind Brooks, Mink Trading Corp. (Mink). Sheikh Mohamed Al-Thani is the beneficial owner of Mink. DB will lend EUR 125m to Brooks and the remaining EUR 130m come from Mink.

The request from Mink Trading Corp.:

Loan amount: EUR 130m
Maturity: 5 years bullet (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.

Security: A pledge over the share capital in Mink as well as the shares Mink owns in Brooks.

The request from Brooks:

Loan amount: USD 50m

Maturity: 5 years bullet (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.

Security: A pledge over 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 securities. The Sheikh has requested that Kaupthing lends up to EUR 150m into Serval.

It is proposed that Kaupthing Bank hf. offers the loan to Serval with a margin of 1.50%, first through a short term MM loan which will later be refinanced through KSF. As security the bank will get a personal guarantee, which shall be replaced with collateral over the Sheikh's assets at a later stage.

3. Currently 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 through a SPV called Q Iceland Holding ehf., where the Sheikh is the beneficial owner, to invest in Alfesca shares. The loan will have a tenure of 4 years, a margin of 2.25% and arrangement fee of 1.0%. As a collateral the bank will enjoy a pledge over 850 million shares in Alfesca with current LTV of 60% and margin call at 80% LTV.

When all of the above facilities have been paid out, the total exposure of the Sheikh will be around EUR 350 million.

The Board 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 Kaupthing issues up to ISK 5 billion bank guarantee, due to a tender offer by the Government of Iceland 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 it is in a pole position to get this project. Skipti feels 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 Skipti are awarded with the project the guarantee will be drawn upon during a 12 months period, as Síminn receives payments from the Icelandic Government. At final delivery the guarantee will be fully drawn/issued. The guarantee shall be valid for 7 years with an annual step down.

Payments due to claims issued under this guarantee would have to be fully subordinated against the senior loan agreement to Skipti. It is proposed that the bank offers this guarantee to Skipti at a fee of 2.0%-3.0% p.a.

The Board Credit Committee approved the request.

Skúli Þorvaldsson and related parties/Holly Beach/Holt Investment Group.

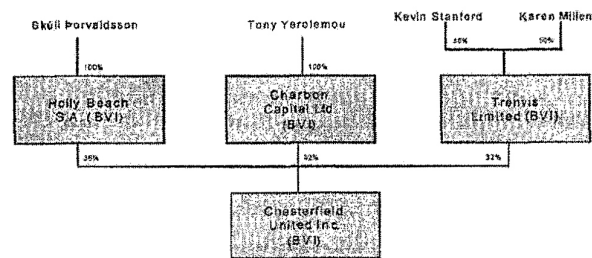
Total exposure of Skúli Þorvaldsson and related parties is around ISK 74 billion.

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.

Request by Holly Beach:

Holly Beach 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) bonds. 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 + 1,122.4 bps. There are EUR 5m in costs.

Holly Beach owns 36% in Chesterfield, Charbon Capital 34% and Trenvis Limited 34%. Skúli Þorvaldsson is the beneficial owner of Holly Beach.

The company requests to borrow EUR 46.8 million which is its 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.

Request by 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 an acquisition 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 Board Credit Committee approved the requested financing.

Crosslet Vale / Moses and Mendi Gertner

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

The Gertner brothers, Moses and Mendi, have built 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, and has made introductions to both Landsvirkjun and the Ministry of Industry.

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 Board 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 an increase and extension of a credit line in the amount of up to ISK 5,800m against exposure due to derivatives transaction, 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).

Kaupthing is working on a refinancing with the company.

The Board 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 its debts. Further to that it is necessary to dispose of 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 Board Credit Committee reviewed and approved the overview and the statement in the presentation.

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 dispose of 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, e.g. by selling some of the company's assets.

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

Tchenquiz Discretionary Trust / Robert Tchenguiz

The Board Credit Committee reviewed the customer's overview and statement. TDT is on a daily watchlist with loans and assets. The Board Credit Committee was informed that the customer and the bank are working on decreasing the leverage and exposure by selling some of RT's assets and rearranging the pledged portfolio, even though exposure on Oscatello may temporarily go up to £661 million:

1. Bay Restaurants and Town and Citi Pub Company are being sold to a third party. Since there is not a lot of equity value in these companies at the moment, the sales price is irrelevant, but RT will have an option to buy these assets back at a later time. With this transaction, some ISK 32bln of exposure will be moved from RT to a third party.
2. RT's stake in Somerfield will be sold to Kaupthing for the same price, less cost of carry, as Co-op has agreed to acquire the company. The deal with Co-op is expected to close before the end of 1Q09. Some ISK 31.6bln of debt in the Oscatello structure will be paid down.
3. Kaupthing is acquiring RT's stake in Kaupthing (11m shares), at market price which will decrease the exposure by about ISK 8.1m.
4. Further to the above selling of assets, RT's exposure with Kaupthing Luxembourg will be moved to Iceland.

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

Other businesses and credit proposals that have been approved between physical meetings:

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 acquire shares in Kaupthing Bank hf. Security will be negative pledge over the shares in addition with current collateral/pledge.

Approved between meetings 14.09.2008

An approval is sought to increase the current Facility C in the amount of up to USD 60m, the purpose of which 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 Kaupthing acquires a EUR 15m facility (on par). The facility is a part of EUR 500m agreement where around 25 banks participated in a transaction.

Approved between meetings 27.06.08

Exista has requested that Kaupthing provides Exista with a non recourse EUR 100m revolver valid for 1 year. The loan will be secured with a cash collateral in the same amount.

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.