

DECISION OF THE FINANCIAL SUPERVISORY AUTHORITY (FME)ⁱ

on the disposal of assets and liabilities

of Kaupthing Bank hf., ID no. 560882-0419, to New Kaupthing Bank hf., ID no. 581008-0150.

With reference to the authorization in Article 100a of Act no. 161/2002 on Financial Undertakings, defined by Article 5 of Act no. 125/2008 on the Authority for Treasury Disbursements due to Unusual Financial Market Circumstances, etc., the FME has taken the following decision on the disposal of assets and liabilities of Kaupthing Bank hf.:

ASSETS:

1. All assets of Kaupthing Bank hf. of any type, such as property, liquid assets, cash, shares in other companies and claims, are immediately allocated to New Kaupthing Bank hf. Excluded from this transfer are the assets and entitlements specified in the ANNEX to this decision. New Kaupthing Bank hf. further takes over contractual rights of use of property and liquid assets, except in instances where they are specifically excluded in the compilation accompanying the new opening balance sheet. Rights and obligations according to derivative contracts are not transferred to the New Kaupthing Bank hf.
2. Further, New Kaupthing Bank hf. takes over all rights used to secure the performance of obligations of the debtors of Kaupthing Bank hf., including all liens, guarantees and other comparable rights connected to the claims of the bank. New Kaupthing Bank hf. shall, however, be accountable to Kaupthing Bank hf. for specific collaterals of customers, as applicable, due to claims and derivatives which are not transferred to New Kaupthing Bank hf. according to this decision or according to agreement hereinafter.
3. New Kaupthing Bank hf. takes over all immaterial assets and rights, including trademarks, registered and unregistered, co-brands, databases, software and related licenses, as well as all comparable rights whether based on a contract, registration, public permits or other, except to the extent to which such rights are specifically excluded in the compilation accompanying the new opening balance sheet.
4. The following parties are mandated to register or transfer rights and/or assets of New Kaupthing Bank hf., as per points 1-3 above, to all property, securities, liquid assets, bank deposits and or/other rights:
 - a. The Central Bank of Iceland
 - b. Financial Undertakings
 - c. The Icelandic Securities Depository hf.
 - d. Registers, as per the provisions of Act no. 39/1978 on Registration
 - e. The Central Databank of Real Property/The Land Registry of Iceland
 - f. The Icelandic Patent Office

- g. Hosting agents for domains that Kaupthing Bank hf. and associated parties have used
 - h. Telecommunications companies
 - i. The National Registry
 - j. Nasdaq OMX (Icelandic Stock Exchange)
 - k. Boards of organizations that are responsible for the register of shares and such
 - l. Other parties involved in the registry of rights
5. From 22 October 2008 at 9:00 a.m. New Kaupthing Bank hf. takes over the operations which have been under the auspices of Kaupthing Bank hf. and are connected to the transferred assets, including the participation of Kaupthing Bank hf. in any type of payment system. Furthermore, New Kaupthing Bank hf. takes at this time over the rights and obligations according to contracts on custodianship and asset management with the customers of Kaupthing Bank hf. in Iceland.
6. The account balance of debt instruments corresponds to the same time period as stipulated in point 5 above. The place of payment for debt instruments of Kaupthing Bank hf. is considered to be at the corresponding branch of New Kaupthing Bank hf. and bills of exchange are further considered properly claimed for payment to New Kaupthing Bank hf.

LIABILITIES AND OTHER OBLIGATIONS:

7. New Kaupthing Bank hf. takes over obligations of the branches of Kaupthing Bank hf. in Iceland due to deposits from financial undertakings, the Icelandic Central Bank and other customers. Deposits are transferred according to the balance and interest earned at the time of transfer according to point 5. This transfer does not necessitate a recall or public announcement.
8. New Kaupthing Bank hf. takes over obligations according to import and export guarantees due to discharge of contract by companies and individuals regarding regular activities. New Kaupthing Bank does not take over obligations of Kaupthing Bank hf. due to: a) obligations of subsidiaries abroad, b) companies under moratorium, composition or in bankruptcy, c) obligations of those owning a qualifying holding in Kaupthing Bank hf., and connected parties, d) obligations to Icelandic financial undertakings; e) other specifically identified liabilities according to the compilation accompanying the new opening balance sheet.
9. Debt backed by collateral which rests upon appropriated assets transferred to New Kaupthing Bank is taken over.

VALUATION OF ASSETS AND SETTLEMENT:

10. Further stipulations on the treatment of individual items regarding the division of the balance sheet are found in a separate document which the FME has certified (“Premises for the division of the balance sheet”) and the draft of the new opening balance sheet and the accompanying compilation. New Kaupthing Bank hf. shall preserve all documents which are connected to databases mandated by law, with regard to regulations concerning money laundering, accounting and related issues.
11. The FME appoints a recognized appraiser to evaluate the true worth of assets and liabilities allocated to New Kaupthing Bank hf. according to this decision. Following this valuation, a settlement shall be made, whereby New Kaupthing Bank hf. shall pay Kaupthing Bank hf. the difference between the worth of assets and liabilities, with reference to the time frame of the

transfer according to point 5. The conclusion of the appraisers shall be available within 90 days of this decision.

12. New Kaupthing Bank hf. shall issue a bond to Kaupthing Bank hf. as payment of the remuneration. The terms of the bond shall be available within 10 days of the announcement of the conclusion of the appraiser. The value of the bond shall be verified by an internationally recognized appraisal company to be appointed by the FME.

OTHER ISSUES:

13. The transfer of claims according to this decision shall not deprive a debtor of the right to debt-equalization which he had against the previous claimant or its bankruptcy estate. At the time of settlement according to points 11 and 12, the amount, which could be subtracted due to debt-equalization from the claims taken over by New Kaupthing Bank hf. according to this decision, shall be estimated.

14. No default remedies of the contracting parties shall take effect as a result of this decision.

This decision is based on available information and data. Should it prove to be based on insufficient or wrong information on merits, or other underlying premises of the decision turn out to be fundamentally inaccurate, the FME may make any changes to this decision, including nullifying it in part or in whole.

This decision was taken by the Board of the FME and is effective immediately.

THE FINANCIAL SUPERVISORY AUTHORITY

21 October 2008

Jón Sigurdsson
Chairman of the Board

Jónas Fr. Jónsson
Director General

¹ The original Icelandic text is the valid text. In case of any discrepancy between the original Icelandic text and the English translation, the original Icelandic text applies.

ANNEX

to the decision of the Financial Supervisory Authority (FME) dated 21 October 2008

The following assets of Kaupthing Bank hf. shall not be transferred to New Kaupthing Bank hf.:

Assets

- a. Claims on financial undertakings on which the FME has taken action on the basis of Article 5 of Act no. 125/2008.
- b. Securities issued by financial undertakings on which the FME has taken action on the basis of Article 5 of Act no. 125/2008.
- c. Claims and cash flow due to claims collateralized to other financial undertakings.
- d. All assets of foreign branches of Kaupthing Bank hf.
- e. Claims of Kaupthing Bank hf. on its foreign branches and subsidiaries.
- f. Shares in foreign subsidiaries.
- g. Other assets specifically identified in the compilation accompanying the new opening balance sheet.

A further breakdown is found in the opening balance sheet and its accompanying explanatory compilation.