

# **ARTICLES OF ASSOCIATION**

## **for Kaupthing Bank hf**

### **CHAPTER I**

#### **Company Name, Domicile and Object**

##### **Article 1**

The Company is a limited liability company. The name of the Company is Kaupþing banki hf. The Company's alternative international name is Kaupthing Bank hf.

##### **Article 2**

The Domicile of the Company is Borgartún 19, 105 Reykjavík.

##### **Article 3**

The Company is a commercial bank and operates pursuant to Act No. 161/2002 on Financial Undertakings. The object of the Company is to provide financial services and other services normally connected with such services.

### **CHAPTER II**

#### **Share Capital of the Company**

##### **Article 4**

The share capital of the Company amounts to ISK 7,404,530,530 nominal value, divided into 740,453,053 shares.

The Board of Directors of the Company is authorised to increase the share capital of the Company by up to ISK 1,500,000,000 nominal value through the subscription of up to 150,000,000 new shares. The current shareholders waive their pre-emptive rights to the new shares pursuant to Article 34 of Act no. 2/1995 on Public Limited Companies. The Board of Directors may, however, authorise shareholders in each instance to subscribe for the new shares, in part or in whole. There will be no restrictions on trading in the new shares. The new shares shall belong to the same class and carry the same rights as other shares in the Company. The new shares shall grant rights within the Company as of the date of registration of the increase of share capital. The Board of Directors of the Company shall determine more specifically how this increase will be executed, with reference to price and terms of payment. The Board of Directors shall also determine the stages in which the authorisation will be exercised. The Board of Directors of the Company is authorised to decide that subscribers pay for the new shares in part or in whole with other valuables than cash. This authorisation shall be effective until 16 March 2012, to the extent that it has not been exercised before that date.

Each share in the Company is of 10 ISK nominal value.

Shareholders' meetings may decide on an increase in the share capital of the Company, whether through subscription to new shares or through the issue of bonus shares, based on the rules that apply to amendment of these Articles. Shareholders have pre-emptive rights to increased share capital in proportion to their holdings in the Company and within the time limits specified in the decision to increase the Company share capital. To the extent that existing shareholders do not exercise their pre-emptive rights, other shareholders shall be

granted increased subscription rights. A shareholders meeting can, by a 2/3 majority vote, decide to waive pre-emptive rights on increases in share capital, provided that there is no discrimination.

In the event that a shareholder has not paid in his shares by the due date, he shall pay penalty interest on the amount due from that date to the date of payment, in addition to costs accrued from the collection of the payment. Other means for dealing with defaults may also be used, as provided for by law at any time.

All the shares carry the same rights.

#### **Article 5**

Shares may be issued electronically in a securities depository, pursuant to the decision of the Board of Directors of the Company pursuant to the Act on Electronic Registration of Securities. Once a shareholder has paid in his share in full to the Company, he shall be issued an electronic certificate in a securities depository and a registered title which confers on him the full rights provided for in the Articles of Association of the Company.

#### **Article 6**

The Board of Directors shall maintain a register of shares, pursuant to statutory law.

The share ledger shall be preserved in the offices of the Company where all shareholders shall have access to it and be entitled to acquaint themselves with its contents.

A printout of titles to shares in the Company from a securities depository shall be regarded as an adequate base for a share register.

#### **Article 7**

Shares in the Company may be sold and pledged to the extent permitted by law.

Transfers of ownership of a share, whether as a result of sale, gift, inheritance, the settlement of an estate or attachment, shall always be notified to the Company's office as soon as such transfers have been effected, and the Company's Share Ledger shall be amended accordingly.

Those who have acquired shares in the Company cannot exercise their rights as shareholders until their names have been registered in the Share Ledger, or until they have given due notice and submitted proof of their ownership of the share.

For the Company, the Share Ledger shall be regarded as full proof of ownership rights to any shares in the Company, and dividends at any time, as well as bonus shares, notices of meetings and other notices shall be sent to the party registered as the owner of the shares in question in the Share Ledger of the Company. The Company assumes no responsibility of payments or notices being lost owing to neglect to notify the Company of changes of ownership or address.

#### **Article 8**

Shareholders are not required to submit their shares to redemption unless so required by law.

### **Article 9**

The Company may purchase its own shares to the extent permitted by statutory law.

### **Article 10**

Each shareholder is under obligation, without specific undertaking, to abide by the Articles of Association of the Company in their current form or as legitimately amended at any time.

Shareholders are not liable for the commitments of the Company beyond their share in the Company unless they assume further commitments under a separate legal instrument. No amendments may be made to the provisions of this Article.

## **CHAPTER III Shareholders' Meetings**

### **Article 11**

The supreme authority in the affairs of the Company, within the limits established by these Articles of Association and statutory law, is in the hands of legitimate shareholders' meetings.

Shareholders' meetings may be attended by shareholders, their proxies and advisors, the Auditor of the Company and the Managing Director.

A shareholder may appoint a proxy to attend a shareholders' meeting on his behalf. The proxy shall submit a written and dated letter of proxy. A letter of proxy is valid only for one meeting.

A shareholder may attend a meeting accompanied by an advisor. The advisor shall not be entitled to speak, submit motions or vote at shareholders' meetings.

The Auditor of the Company and the Managing Director shall have full rights to speak and submit motions at shareholders' meetings even if they are not shareholders

The Board of Directors of the Company shall have the right to invite experts to attend individual meetings if their opinion or assistance is needed.

### **Article 12**

The Annual General Meeting shall be held before the end of April each year. The Annual General Meeting may be held outside the domicile of the Company.

Each shareholder shall be notified of Annual General Meetings by registered letter, telegram, or other verifiable manner, including an advertisement in a daily newspaper. The notice of the meeting shall state the business of the meeting. If the agenda includes a motion to amend the Articles of the Company, the main substance of the motion shall be included in the notice of the meeting.

The Annual General Meeting shall be called with at least one week's notice and at most 4 weeks' notice. The Annual General Meeting is valid if it has been legitimately called.

### **Article 13**

The Agenda of the Annual General Meeting shall include the following:

- 1) The report of the Board of Directors on the activities of the Company in the preceding year of activities;
- 2) The audited accounts of the Company for the preceding financial year, including a proposal from the Board of Directors of the Bank on the disposal of earnings.
- 3) Motions to amend the Articles of the Company, if submitted;
- 4) A decision on payment of dividends;
- 5) A proposal of the Board of Directors on a remuneration policy;
- 6) Elections to the Board of Directors;
- 7) Election of a Chartered Auditor or accounting firm;
- 8) Decision on remuneration to the Members of the Board of the Company for services rendered;
- 9) Any other business.

In the event that shareholders controlling at least 1/3 of the shares so request in writing at the Annual General Meeting, decisions on item 2 shall be postponed to an adjourned Annual General Meeting, which shall be held at the earliest one month and at the latest two months later. Submissions of requests for further postponement are not permitted.

#### **Article 14**

Extraordinary shareholders' meetings shall be held at the discretion of the Board of Directors, by a resolution of a meeting, or if the elected auditor or shareholders holding a minimum of 1/10 of the shares of the Company request a meeting in writing stating the business of the meeting, in which case the extraordinary shareholders' meeting shall be called within 14 days from the date that the request was received by the Board of Directors.

Shareholders' meetings shall be called with at least one week's and at most four weeks' notice. If all shareholders or their proxies are present they may grant exception from this provision. Shareholders' meetings shall be called in the same manner as Annual General Meetings, pursuant to Article 12.2. The validity of extraordinary meetings shall be subject to the same rules as the validity of the Annual General Meeting pursuant to Article 12.3.

In the event that equity pursuant to the books of the Company falls below half of the listed share capital, the Board of Directors of the Company shall call a shareholders' meeting within six months. At the meeting, the Board of Directors shall explain the financial situation of the Company and, if necessary, submit proposals on the required measures to be taken.

#### **Article 15**

Each shareholder shall be entitled to have a specific item of business included on the agenda of shareholders' meetings, provided that such shareholder submits a written request to this effect to the Board of Directors of the Company with sufficient advance notice for the item to be included on the agenda pursuant to these Articles.

Notices of shareholders' meetings shall specify the business on the agenda of the meeting. One week before a shareholders' meeting, at the latest, an agenda, final submissions and, in the case of Annual General Meetings, the annual accounts, report of the Board of Directors, the Board's proposal on the remuneration policy and the Auditor's report shall be laid open for inspection by the shareholders at the Company office.

Items which are not included on the agenda of a shareholders' meeting may not be brought to a conclusion at the meeting except with the consent of all the shareholders in the Company,

but resolutions may be passed on such matters for the purpose of providing guidance to the Board of Directors. Even if an item of business has not been included on the agenda nothing shall prevent the calling of an extraordinary shareholders' meeting to discuss the matter. Furthermore, an Annual General Meeting may always conclude matters which must be concluded there by law or in accordance with the Company Articles.

Lawfully submitted proposals for amendment may be submitted at the meeting itself even if they have not been made available for examination by shareholders.

If the Board of Directors has decided that a shareholders' meeting shall be held partly electronically, shareholders who participate electronically in the meeting shall submit questions on the agenda or submitted documents etc. related to the shareholders' meeting, not later than 5 days before the shareholders' meeting.

#### **Article 16**

The Chairman of the Board of the Company or an elected chairman shall preside over shareholders' meetings and the election of a secretary. The chairman shall verify at the beginning of the meeting whether it has been lawfully convened and whether the meeting is valid in other respects, and declare whether such is the case. He shall preside over all deliberations and polls.

When the meeting has been called to order, a list shall be drawn up of the shareholders present and their proxies in order to ascertain how many shares and votes each of them controls. This list shall be used until such time as the shareholders' meeting decides to amend it.

#### **Article 17**

The secretary of the meeting shall keep the minutes. The decisions of shareholders' meetings and the results of polls shall be entered in the minutes. A list of the shareholders present and their proxies shall be entered in the minutes or accompany the minutes. The minutes shall be read out before the end of the meeting and comments recorded, if any. The chairman and the secretary shall sign the minutes.

Fourteen days following the shareholders' meeting, at the latest, the shareholders shall have access to the minutes or a certified transcript of the minutes at the Company Office. The Book of Minutes shall be preserved in a secure manner.

The recorded minutes shall constitute conclusive proof of the proceedings of meetings.

#### **Article 18**

At shareholders' meetings each share shall carry one vote.

Decisions at shareholders' meetings shall be taken by majority vote unless otherwise provided in these Articles or statutory law. In the event of an equality of votes at elections to posts in the Company, the election shall be decided by casting lots.

The consent of all shareholders is required to:

- a) Oblige shareholders to contribute funds etc. for Company needs beyond their commitments;

- b) Oblige shareholders to suffer redemption of their shares in part or in full, to a greater extent than provided for by law or Article 8 of these Articles of Association, unless the Company is dissolved or the share capital lawfully reduced;
- c) Limit shareholders' rights to dispose of their shares.

## **CHAPTER IV**

### **The Board of Directors of the Company**

#### **Article 19**

The Board of Directors of the Company shall be composed of nine members, to be elected at the Annual General Meeting for a term of one year. Nine alternate members shall also be elected. The eligibility of Members of the Board shall be subject to statutory law. Elections to the Board shall always be by ballot if the number of nominations exceeds the number of Members to be elected.

The Board shall elect a Chairman of the Board from among its members, and allocate tasks in other respects as required. The Board shall be authorised to entrust the Chairman of the Board with special activities on behalf of the company.

Those who wish to stand for election to the Board of Directors must announce their intention with at least seven days' notice. Information on the candidates shall be available at the Bank's office no later than two days prior to the shareholders' meeting.

#### **Article 20**

The Chairman shall convene meetings of the Board and preside at Board meetings. Meetings shall be held at the discretion of the Chairman. The Chairman shall also convene a meeting of the Board if requested by one Member of the Board or the Managing Director. Board Meetings shall be called with at least 24 hours notice. Meetings of the Board of Directors are legally constituted if attended by a majority of the Board or their alternates. A decision made by the Board of Directors is valid if supported by a majority of the Board Members.

Members of the Board shall keep minutes of proceedings at Meetings of the Board and confirm such minutes with their signatures.

#### **Article 21**

The Board of Directors of the Company is the supreme authority in the affairs of the Company between shareholders' meetings. It shall handle the affairs of the Company and ensure that its organisation and operation are at all times in correct and appropriate order. The Board shall ensure adequate supervision of the accounts and disposal of the Company's property. The Board of Directors of the Company may not involve itself in decisions on individual dealings, unless their scope is substantial in relation to the size of the company. Individual board members must not involve themselves in decisions on individual dealings.

The Board of Directors shall establish rules regarding the division of tasks between the Boards of Directors and the Managing Director which shall include the limiting of the Managing Director's authority to provide loans and rules regarding decisions on financial investments cf. Paragraph 1 of Article 54 of Act No. 161/2002.

The Board of Directors shall appoint a Managing Director of the Company and decide on the terms of his employment.

Only the Board of Directors may assign powers of procuration on behalf of the Company.

The signatures of the majority of the Board are binding for the Company.

The Board of Directors shall establish rules of procedure setting out further details of the performance of its duties. These rules shall discuss in particular the authorisation of the Board to take decisions on individual dealings, the implementation of rules on the special eligibility of board members, the handling of information on individual customers by the Board, the participation of board members in the boards of directors of subsidiaries and affiliated companies, and the implementation of rules on handling business dealings with board members cf. Paragraph 2 of Article 54 of Act 161/2002.

In other respects, the responsibilities, powers and work of the Board of Directors shall be governed by statutory law.

#### **Article 22**

The Managing Director of the Company and the Board of Directors are jointly responsible for the management of the Company.

The Managing Director has charge of the day-to-day operations of the Company, and in this respect he shall observe the policy and directions of the Board of Directors. The day-to-day operations do not include measures which are unusual or extraordinary. Such measures may only be taken by the Managing Director pursuant to special authorisation from the Board of Directors of the Company unless it is impossible to wait for the decisions of the Board of Directors without seriously disadvantaging the operation of the Company. In such cases, the Board of Directors shall be promptly notified of the measures.

The Managing Director shall ensure that the accounts and finances of the Company conform to law and accepted standards and that the disposal of the Company's assets is secure.

The Managing Director shall employ the employees of the Company, but shall seek the approval of the Board of Directors on the appointment of key personnel. He is also empowered to dismiss personnel and negotiate their salaries.

The Managing Director shall meet all the competence requirements provided for by law at each time.

### **CHAPTER V Accounts and Auditing**

#### **Article 23**

A chartered accountant or accounting firm shall be elected auditor at each Annual General Meeting of the Company for a term of one year. The Auditor shall examine the Company's accounts and all account documents for each year of operation, and shall for this purpose have access to all the Company's books and documents.

Auditors shall not be elected from among the Members of the Board of the Company or employees. The qualifications and eligibility of the Auditor at elections are in other respects governed by law.

#### **Article 24**

The operating year and fiscal year of the Company shall be the calendar year. The Board of Directors of the Company shall prepare the annual accounts and the annual report. The annual account and the annual report form a whole.

The annual accounts shall be prepared in accordance with the law and generally accepted accounting standards, both as regards the assessment of the various items, organisation, itemisation, notes and titles of items.

#### **Article 25**

The Financial Supervisory Authority shall be delivered the audited accounts of the Company three months following the close of the fiscal year, at the latest. The auditor shall prepare an auditing report to be submitted to the Annual General Meeting. The report shall be delivered to the Board of Directors no later than two weeks before the Annual General Meeting. The annual accounts and the audit report shall be made available for examination by shareholders at least one week before the Annual General Meeting.

### **CHAPTER VI**

#### **Amendments to the Articles of Association of the Company**

#### **Article 26**

These Articles of Association may be amended at a lawfully convened Annual General Meeting or extraordinary shareholders' meeting with the support of 2/3 of the cast votes, provided that shareholders controlling at least 2/3 of the shares represented in the meeting participate in the polling, subject to the provisions of Article 18.

### **CHAPTER VII**

#### **Dissolution of the Company.**

#### **Article 27**

Decisions on the dissolution of the Company or its merger with other companies shall be subject to the provisions of Act No. 161/2002 on Financial Undertakings and other applicable legislation.

### **CHAPTER VIII**

#### **Further Provisions**

#### **Article 28**

Matters on which these Articles provide no directions shall be governed by the provisions of Act No. 161/2002 on Financial Undertakings, the provisions of the Companies Act and such provisions of other statutory law as may be applicable.



So adopted at the initial meeting of the Company on 22 February 1982 with amendments adopted at a shareholders' meeting on 22 November 1989, amendments adopted at a shareholders' meeting on 19 October 1990, amendments adopted at the Annual General Meeting on 21 February 1994, amendments adopted at the Annual General Meeting of 17 February 1995, amendments approved at a shareholders' meeting on 20 September 1995, amendments adopted at the Annual General Meeting of 29 April 1996, shareholders' meeting 25 November 1996, amendments adopted at the Annual General Meeting of 20 March 1997, amendments adopted at the Annual General Meeting of 20 February 1998, amendments adopted at the Annual General Meeting of 19 April 1999, amendments adopted at a shareholders' meeting on 27 September 1999, amendments adopted at the Annual General Meeting of the Company on 9 March 2000 and a shareholders' meeting held on 19 June 2000, at a shareholders' meeting on 29 August 2000 and 23 October 2000, amendments adopted at a shareholders' meeting on 5 February 2001, amendments adopted at the Annual General Meeting of the Company on 22 March 2001, amendment in respect of the exercise of the authorisation of the Board to increase the share capital of the Company adopted on 26 March 2001, amendment in respect of the exercise of the authorisation of the Board to increase the share capital of the Company adopted on 21 November 2001, amendments adopted at a shareholders' meeting on 28 December 2001, amendment in respect of the exercise of the authorisation of the Board to increase the share capital of the Company adopted on 28 December 2001, amendments adopted at a shareholders' meeting on 20 March 2002, amendments relating to the exercise by the Board of Directors of its authorisation to increase the Company's share capital on 8 August 2002, amendments adopted at a shareholders' meeting on 11 November 2002, amendments relating to the exercise by the Board of Directors of its authorisation to increase the Company's share capital on 11 November 2002, amendments relating to the exercise by the Board of Directors of its authorisation to increase the Company's share capital on 12 December 2002, amendments adopted at the Annual General Meeting of the Company on 12 March 2003, amendments adopted at a shareholders' meeting on 26 May 2003, amendments relating to the exercise by the Board of Directors of its authorisation to increase the Company's share capital on May 26 2003, amendments adopted at a shareholders' meeting on 26 May 2003, amendments adopted at a board meeting on 19 December 2003, amendments adopted at the Annual General Meeting of the Company on 27 March 2004, amendments adopted at a shareholders' meeting on 5 July 2004, amendments adopted at a board meeting on 5 July 2004, amendments adopted at a board meeting on 13 October 2004, amendments adopted at the Annual General Meeting of the Company on 18 March 2005, amendments adopted at a board meeting on 31 October 2005, amendments adopted at the Annual General Meeting of the Company on 17 March 2006, amendments adopted at a board meeting on 21 November 2006, amendments adopted at a board meeting on 29 November 2006 and amendments adopted at the Annual General Meeting of the Company on 16 March 2007.

Reykjavík, 16 March, 2007

For Kaupthing Bank hf.

Hreidar Mar Sigurdsson, CEO