

This is a translation - In the case of discrepancies the Icelandic version shall prevail

**MERGER SCHEDULE
FOR REYKJAVÍK SAVINGS BANK HF. AND
KAUPTHING BANK HF.**

With respect to the proposed merger between Reykjavík Savings Bank hf. (hereinafter referred to as "SPRON"), ID-No. 540502-2770, Ármúli 13a, Reykjavík, and Kaupthing Bank hf., ID-No. 560882-0419, Borgartún 19, Reykjavík (jointly referred to as "the Companies")

the board of directors of SPRON and
the board of directors of Kaupthing Bank hf.

have decided to conclude the following schedule of merger of the Companies:

Article 1

SPRON shall be dissolved without settlement of debts and Kaupthing Bank hf. shall take over the assets and liabilities of SPRON on the basis of the provisions of Chapter XIV of Act no. 2/1995 on Public Limited Companies, cf. Art. 106 of Act no. 161/2002 on Financial Undertakings.

A draft of an initial balance sheet has been prepared showing the position as of 1 April 2008. However, the merged company will not assume the operations, assets and liabilities, or the rights and obligations of the acquired company until all the conditions of Art. 7 of this merger schedule have been met.

Article 2

Upon the merger there will be no changes to the legal form, name or address of Kaupthing Bank hf. and the merger does not entail any amendments to the company's articles of association.

Article 3

Upon the merger shareholders in SPRON will receive 0.002007864 shares in Kaupthing Bank hf. and 0.305585106 shares in Exista hf. as payment for each share of a nominal value of ISK 1 - one króna - in SPRON. No payment will be made for SPRON treasury stock.

Shareholders in SPRON who would thereby receive a fraction of a whole share in Kaupthing Bank hf. will instead receive 0.203723404 shares in Exista hf. for each share in SPRON constituting such a fraction. The number of shares thus received in Exista hf. shall be rounded up to equal the next whole share.

Article 4

Those shares in Kaupthing Bank hf. on the one hand, and in Exista hf. on the other hand, which shareholders in SPRON receive as payment upon the merger shall entitle the holder to rights to dividends from Kaupthing Bank hf. and Exista hf. from the date on which they are delivered to SPRON shareholders.

Article 5

Those shares in Kaupthing Bank hf. on the one hand, and in Exista hf. on the other hand which shareholders in SPRON receive as payment upon the merger shall be delivered to shareholders in SPRON no later than five banking days after all the conditions of Art. 7 have been met.

Article 6

Board directors, managing directors, assessors and supervisory parties of the Companies shall not enjoy special rights upon the merger.

Article 7

This merger schedule is subject to the following conditions:

- (1) that the proposal on the merger is approved at the SPRON shareholders' meeting by at least 2/3 of votes cast and by shareholders controlling at least 2/3 of the share capital represented by votes at shareholders' meetings in the company,
- (2) that the Icelandic Financial Supervisory Authority approve the merger, and
- (3) that the competition authorities do not invalidate the merger or impose conditions which the boards of directors of the Companies consider unacceptable or which would leave them with no choice but to resubmit the merger proposal to another SPRON shareholders' meeting.

This merger schedule may not be implemented until the conditions precedent have been met.

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In accordance with Art. 120 (1) of Act no. 2/1995 on Public Limited Companies the boards of directors of the Companies hereby sign this merger schedule.

Reykjavik, 1 July 2008.

For the board of directors of
Reykjavík Savings Bank hf.

For the board of directors of
Kaupthing Bank hf.

**REPORT
OF THE BOARD OF DIRECTORS OF KAUPTHING BANK HF.**

A draft of an initial balance sheet has been prepared showing the position as of 1 April 2008. On 31 March 2008 the total assets of Kaupthing Bank hf. amounted to approximately ISK 6,368,355 million and the total assets of SPRON amounted to approximately ISK 254,707 million. It is therefore assumed that Kaupthing Bank hf. will take over the assets and liabilities of SPRON. However, the merged company will not assume the operations, assets and liabilities, or the rights and obligations of the acquired company until all the conditions of Art. 7 of the merger schedule have been met.

The board of directors of Kaupthing Bank hf. believes that the merger will improve services and increase the profitability of operations and value for the companies' shareholders. Both Kaupthing Bank hf. and SPRON are highly respected on the Icelandic financial market. The board of directors of Kaupthing Bank hf. therefore believes that the merger will create opportunities to combine the strengths and qualities of both companies. The intention is to preserve the infrastructure of SPRON and thus cultivate the company's existing business relationships. It is also assumed that the merged company will continue to use the SPRON name. Furthermore, the board of directors of Kaupthing Bank hf. is confident that the merger will create opportunities to improve the efficiency of operations and reduce operating costs, thereby strengthening the merged company's ability to compete. The board of Kaupthing Bank hf. believes that the merger creates a platform from which the merged company can provide superior services to benefit the customers of both entities.

In calculating the payment to SPRON shareholders, the market price of SPRON shares at the close of trading on 30 June 2008 plus a 15% premium was used. Accordingly, ISK 3.83 is paid for each SPRON share. Shareholders' equity, return on equity, CAD ratio, the cost to income ratio and other ratios are also taken into account.

Shares in Kaupthing Bank hf. and Exista hf. are priced according to the closing price on 30 June 2008, which was ISK 763 a share for Kaupthing Bank hf. and ISK 7.52 for Exista hf.

It is proposed in the merger schedule that 3/5 of the payment which SPRON shareholders receive upon the merger is in the form of shares in Exista hf., while 2/5 of the payment is in the form of shares in Kaupthing Bank hf. Treasury stock in Kaupthing Bank hf. will be used and therefore no new share capital will be issued in connection with the merger. SPRON and Kista Investment Company (Kista-fjárfestingarfélag ehf.) have also agreed to sell Kaupthing Bank hf. 832,737,199 shares in Exista hf. The acquisition is subject to all the conditions of Art. 7 of the merger schedule being met.

Enclosed with the report is a draft of the proforma initial balance sheet for 1 April 2008, which is based on the reviewed interim accounts of the companies as of 31 March 2008.

Reykjavik, 1 July 2008.

For the board of directors of
Kaupthing Bank hf.

REPORT
OF THE BOARD OF DIRECTORS OF REYKJAVÍK SAVINGS BANK HF.

A draft of an initial balance sheet has been prepared showing the position as of 1 April 2008. On 31 March 2008 the total assets of Kaupthing Bank hf. amounted to approximately ISK 6,368,355 million and the total assets of SPRON amounted to approximately ISK 254,707 million. It is therefore assumed that Kaupthing Bank hf. will take over the assets and liabilities of SPRON. However, the merged company will not assume the operations, assets and liabilities, or the rights and obligations of the acquired company until all the conditions of Art. 7 of the merger schedule have been met.

The board of directors of SPRON believes that the merger will create opportunities to combine the strengths and qualities of both companies and will have a positive effect on their operations. Both Kaupthing Bank hf. and SPRON are highly respected on the Icelandic financial market. Upon merging, emphasis will be placed on maintaining the special status and market positions of both companies, and the branches of both banks will continue to operate under their own brand names. The financial market unrest of the past months has highlighted the need to place greater focus on improving operating efficiency and reining in costs of financial companies. Furthermore, the board of directors of SPRON believes that the merger will create opportunities to improve the efficiency of operations and reduce operating costs, thereby strengthening the merged company's ability to compete. SPRON's board of directors is of the opinion that the merger will enable the combined company to provide customers with even better and more comprehensive services than previously available.

In calculating the payment to SPRON shareholders, the market price of SPRON shares at the close of trading on 30 June 2008 plus a 15% premium was used. Accordingly, ISK 3.83 is paid for each SPRON share. Shareholders' equity, return on equity, CAD ratio, the cost to income ratio and other ratios are also taken into account.

Shares in Kaupthing Bank hf. and Exista hf. are priced according to the closing price on 30 June 2008, which was ISK 763 a share for Kaupthing Bank hf. and ISK 7.52 for Exista hf.

It is proposed in the merger schedule that 3/5 of the payment which SPRON shareholders receive upon the merger is in the form of shares in Exista hf., while 2/5 of the payment is in the form of shares in Kaupthing Bank hf. Treasury stock in Kaupthing Bank hf. will be used and therefore no new share capital will be issued in connection with the merger. SPRON and Kista Investment Company (Kista-fjárfestingarfélag ehf.) have also agreed to sell Kaupthing Bank hf. 832,737,199 shares in Exista hf. The acquisition is subject to all the conditions of Art. 7 of the merger schedule being met.

Enclosed with the report is a draft of the initial balance sheet for 1 April 2008, which is based on the reviewed interim accounts of the Companies as of 31 March 2008.

Reykjavik, 1 July 2008.

For the board of directors of
Reykjavík Savings Bank hf.

Kaupthing Bank & SPRON, Pro forma Consolidated Interim Balance Sheet as at 1 April 2008

	01.04.2008 Pro forma
Assets	
Cash and balances with central banks	76.269
Loans to credit institutions	622.840
Loans to customers	4.154.853
Bonds and debt instruments	538.572
Shares and instruments with variable income	213.839
Derivatives	383.080
Derivatives used for hedging	41.453
Securities used for hedging	107.680
Investments in associates	106.817
Intangible assets	84.728
Investment property	35.876
Property and equipment	40.111
Tax assets	8.941
Other assets	182.432
Total Assets	6.597.491
Liabilities	
Due to credit institutions and central banks	478.735
Deposits	1.542.303
Financial liabilities measured at fair value	322.085
Borrowings	3.267.517
Subordinated loans	347.985
Tax liabilities	21.238
Other liabilities	193.591
Total Liabilities	6.173.453
Equity	
Share capital	7.218
Share premium	153.592
Other reserves	57.917
Retained earnings	192.173
Total Shareholders' Equity	410.900
Minority interest	13.138
Total Equity	424.038
Total Liabilities and Equity	6.597.491



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To the boards of directors of Sparisjóður Reykjavíkur og nágrennis hf. and Kaupthing Bank hf.

Reykjavik, 1 July 2008

We have reviewed the merger schedule for Sparisjóður Reykjavíkur og nágrennis hf. (SPRON) and Kaupthing Bank hf. which is dated 1 July 2008 and is signed by the boards of both companies, and with respect to this we would like to state the following.

According to the merger schedule shareholders in SPRON will receive 0,002007864 shares in Kaupthing Bank hf. and 0,305585106 shares in Exista hf. as payment for each share of a nominal value of ISK 1 – one króna – in SPRON. No payment will be made for SPRON treasury stock.

The interim financial statements of both companies as of 31 March 2008 have been made available and have been reviewed by the companies' auditors. As specified in the merger schedule, the market prices of the companies and Exista were used when calculating payment to SPRON shareholders. Shareholders' equity, return on equity, CAD ratio, the cost to income ratio and other ratios are also taken into account. It is our opinion that this rate of exchange has been calculated in a reasonable manner and is fair with respect to the available data and information and that it is rational.

A draft consolidated balance sheet for the company has been prepared stating the position as of 1 April 2008, and it shows the changes resulting from the merger. As stated in the balance sheet, it is not expected that Kaupthing Bank will increase its share capital because of the merger.

Furthermore we confirm in accordance with Art. 122 (4) of Act no. 2/1995 on Public Limited Companies that the proposed merger of the two companies will not diminish the ability of the companies' creditors for recourse.

Yours faithfully

KPMG hf.



KPMG Endurskoðun hf., an Icelandic limited liability company,
is the Icelandic member firm of KPMG International,
a Swiss cooperative.

Reykjavík
Reykjavíkspítali
Borgartúni

Spudarkrokur
Akureiri
Dehík

Þinkatorfjörður
Egilsstaðir
Svíffos