

REGISTRATION DOCUMENT



EXISTA HF.
APRIL 2008

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1. RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Issuer believes that the factors described below represent the principal risks inherent in investing in its debt instruments, but the inability of the Issuer to pay the principal or other amounts on or in connection with any such instruments may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Prior to making any investment decision, prospective investors and their financial and legal advisers should carefully consider all of the information in this document, the Securities Note dated 3 April 2008 and all documents incorporated by reference and for display as listed in Chapter 6 of this Prospectus. In particular, the risks and uncertainties described below should be considered carefully. The matters described below, among other factors, should be carefully considered by any prospective investor.

This document contains forward looking statements that involve inherent risks and uncertainties. Actual results may differ significantly from the results discussed in such forward-looking statements. Factors that might cause such differences include those discussed below.

Risk relating to the Issuer

Below is a description of the risks relating to the Issuer. The list of risk factors contains the risk factors that may affect the issuer's ability to fulfil its obligations under the debt securities.

1.1 Insurance risk

Through its subsidiaries VÍS and Lífís as well as its holdings in Sampo and Storebrand, Exista has a significant interest in the underwriting business. Exista is therefore vulnerable to changes in the general market conditions for insurance companies. A downturn in the underwriting business may affect Exista's financial results.

Historically, the Icelandic insurance industry has been cyclical. A downturn may result in adverse fluctuations in Exista's financial position and results from insurance operations. Because of volatile and sometimes unpredictable developments, many of which are beyond the direct control of any general insurer, Exista may experience significant price competition, which can result in lower premium rates that will, in turn, affect results from underwriting activities. The continuation of these cycles could have a materially adverse effect on Exista's financial position and operating results.

Exista's results depend to an extent on whether future claims development is consistent with the assumptions and calculations used in underwriting, pricing policies, and the estimation of liabilities for obligations for future claims. To the extent that actual claims development is less favourable than the underlying assumptions used in estimating such liabilities, Exista could be required to increase the reserves made for its liabilities, resulting in losses for the Company and affecting its long-term competitive positioning.

Due to the nature of the risks that Exista incurs in underwriting general insurance, Exista cannot determine precisely the amounts that it will ultimately pay to meet its liabilities. Exista's claims provisions may prove to be inadequate, particularly when the payment of claims does not occur until well into the future.

Exista monitors its liabilities continuously and adjusts its established claims reserves periodically in the ordinary course of settlement, using the most prudent methods and current information available to its management. Any adjustments resulting from changes in reserve estimates are reflected in current operating results. Exista's management and the Board of Directors believes that its claims reserves are adequate, based on information

currently available. However, because the establishment of claims reserves is an inherently uncertain process, Exista cannot assure that the ultimate claims will not materially exceed claims reserves and have a materially adverse effect on Exista's financial position.

Any insufficiencies in claims reserves for future claims could have a materially adverse effect on Exista's future financial condition, operating results and cash flows.

1.1.1 Reinsurance

An important element of Exista's risk management strategy is to purchase reinsurance, thereby transferring parts of the risk underwritten to reinsurers. Under a reinsurance contract, the assuming reinsurer becomes liable to Exista to the extent of the risk ceded, although Exista remains liable to the insured as the insurer.

Any decrease in the availability and amount of reinsurance, increases in the cost of reinsurance and/or the inability or refusal of reinsurers to meet their financial obligations could adversely affect Exista's operating results and financial position.

1.1.2 Catastrophes

Non-life insurance companies are exposed to unpredictable events that affect a number of individual risks covered, e.g. related to cataclysmic events, fires, industrial accidents and terrorist attacks. General insurers cover such events, among others, that may have a material effect on its financial condition and results.

Exista reduces its exposure to catastrophes through reinsurance contracts and with active risk management. Efforts to reduce exposure against these events may only be partly covered or not covered at all and have a materially adverse effect on Exista's financial position. Catastrophic events and the frequency of such events can also have an impact on refinancing terms, reducing Exista's profitability.

1.2 Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with Exista or otherwise the failure to perform as agreed. Credit risk is found in all activities where profitability depends on the performance of a counterparty (risk to each party of a contract that the counterparty will not meet its contractual obligations), issuer, lessee or borrower. Exista will be exposed to a credit risk that arises any time the Company's funds are committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet.

1.2.1 Large credit exposure

Concentration risk arises if Exista's loan portfolio is not diversified, whether in terms of high dependence on, among other things, a small number of large counterparties, sectors or countries. A primary requirement in the risk management of the financial services operations of Exista, which is asset financing, insurance and investment, is to maintain sufficient diversification in their assets and operations. The same principles are applied in the overall operation of Exista with respect to large exposures and coherent credit risk. Exista's loan portfolio has a larger exposure to specific sectors and it is heavily focused on the Icelandic market. The largest sectors are individuals which account for 30% of the loan portfolio, contractors 21%, and services 17%. A downturn in any of these concentrations could have a negative impact on Exista's financial position. A significant portion of Exista's asset finance loan portfolio is denominated in foreign currencies. Although the exposure derived from the asset finance loan portfolio is fully hedged the borrowers themselves may not be. A devaluation of the Icelandic króna could therefore reduce borrowers' ability to meet their contractual obligations. Such development could increase write-offs and affect the financial position of the company.

1.3 Market risk

Market risk is the current or prospective risk to earnings and capital arising from adverse movements in bond, security, and commodity prices and foreign exchange rates, amongst other fluctuations.

Equity risk arises from Exista's exposure to equity markets. Equity investments represent a significant portion of Exista's assets. Equities are generally subject to greater risk and more volatility than e.g. fixed income securities. Listed equity investment assets other than Sampo Group and Kaupthing bank are marked to market on a current basis and the Company's equity investment portfolio is therefore affected by fluctuations on the equity markets. Adverse price fluctuations in the securities in our investment portfolio could have a material adverse effect on our results of operations and financial condition.

Exista's main equity assets are a 39.6%¹ stake in Bakkavör Group and an 8.7%² stake in Storebrand ASA, as well as its stake in Skipti³, all of which are listed companies. Fluctuations in the share price of these companies affects the financial performance of Exista. On 19 March 2008, Exista announced a voluntary takeover bid to other shareholders of Skipti. Shareholders who accept the offer will receive payment with shares in Exista. If the offer is successful, Skipti will no longer meet the requirements on the minimum distribution of ownership. In such circumstances Exista will propose that the board of directors of Skipti resolve that OMX be requested to remove Skipti's shares from trading on the Main Market of OMX ICE. As an unlisted company, Skipti will no longer be subject to short term fluctuations in its book value in Exista's accounts. Exista's two largest holdings, the 24.75%⁵ stake in Kaupthing bank and the 19.98%⁴ holding in Sampo Group are accounted for using the equity method. Exista is therefore not significantly affected by short term changes in their market value. However in the case of a longer term decrease in the share price of these assets impairment testing may conclude the need for impairment. This could significantly affect the financial condition of the company.

Exista's financials are exposed to the risk that listed equity, private equity and other security holdings are incorrectly valued at any given time in the fair value assessments that are conducted on a regular basis.

In the event of adverse price fluctuations in securities markets, Exista can provide no assurance as to the amount or timing of future unrealised losses or impairments of its investments, which may, in each case, materially adversely impact Exista's operations, profitability, and shareholders' equity.

1.3.1 Strategic holdings

Exista focuses on gaining strategic holdings as a principal investor in companies, securing a large enough holding to enable it to significantly influence the operations and development of these companies. This strategy requires that the investments are sufficiently large to justify resources allocated to them and to enable its management to influence the operations and decision making. Exista's strategic holdings are therefore few in number and large, which exposes it to a liquidity risk and overall dependence on the development of the value of any individual investment. Exista's efforts to influence the operations could also have a negative impact on the investment.

1.3.2 Interest rate risk

Interest rate risk arises from the Company's exposure, due to its financial obligations, to adverse movements in interest rates. All assets and liabilities are directly or indirectly affected by interest rates.

1.3.3 Inflation risk

As a part of its funding activities, Exista has issued consumer price indexed fixed income bonds. Inflation influences the Company's assets and other liabilities, e.g. higher inflation will increase the payable amount of the bonds for Exista. Exista seeks to minimize inflation risk by maintaining equilibrium between inflation-linked assets and liabilities.

1 As of 31 March 2008

2 As of 31 March 2008

3 Exista has made a takeover bid for all the capital of Skipti. As per 1 April 2008, Exista and related parties held a total of 6,479,134,977 shares in Skipti. The offer is valid until 26 May 2008. Prior to the takeover bid, Exista's stake in Skipti amounted to 43.7% as of 31 December 2007.

4 As of 31 March 2008.

5 As of 31 March 2008

1.3.4 Currency risk

Currency risk is the risk of incurring losses from adverse changes in exchange rates. Currency risk exposure forms where there is a mismatch between the assets and liabilities of Exista in currencies other than its accounting currency, the euro.

Exista undertakes certain transactions denominated in currencies other than its accounting currencies, including the Icelandic króna. These transactions are primarily related to Exista's strategic holdings that are not denominated in euros. The open currency positions derived from these undertakings is managed through asset and liability matching. Although Exista has taken steps to hedge a part of its foreign currency exposure, currency mismatches between assets and liabilities do exist at present. Furthermore, there is no guarantee that future mismatches will not occur. As a result, fluctuations in exchange rates may adversely affect Exista's operating results and financial position.

1.4 Operational risk

Operational risk is the risk of direct loss, indirect loss, or damage as a result of people's error, misconduct, or fraud, system failure, inadequate or failed internal processes, or from external events.

1.4.1 Managing growth

Exista intends to continue to grow its business through further expansion via further penetration of markets in which it currently operates. The expansion of Exista's operations will require significant investment, increased operating costs, the greater allocation of management resources away from daily operations, the continued development and integration of information management control systems, the continued training of management and other personnel, adequate employee supervision, and the delivery of consistent client product and service messages. The failure of Exista to effectively manage these issues and the Company's growth, whilst at the same time maintain an adequate focus on its current operations, could have a materially adverse effect on its business, financial condition, and results of operations.

1.4.2 Key employees

Exista's financial performance depends on its ability to attract, motivate, and retain highly competent managers and specialists. Exista may be unable to attract and retain such people in the future.

1.4.3 Reputational risk

Reputational risk is the risk that Exista will suffer as a loss of revenue due to negative publicity regarding its business practices. This negative publicity may result from, including but not limited to, mistakes in conducting its business, from wrong decisions, or from Exista or some related party not following general laws and regulations, or reasons outside of Exista's control. If Exista's reputation or credibility is negatively affected, owing to private or public discussion, Exista's ability to grow may be impaired and future earnings may be adversely affected.

1.4.4 IT and Business Continuity

IT risk is the risk of damage to the Group's value due to incomplete or inadequate processes and events related to information technology. The operation of Exista's IT systems is outsourced to the computer department of its subsidiary VÍS. VÍS's computer department has in place an information security management system based on the ISO 27001 standard. The system has been reviewed by FME and the Icelandic Data Protection Authority. Despite this IT systems may be vulnerable to disruptions that are beyond Exista's control. Possible disruptions could result from viruses, hackers, equipment failure, power failure, natural disasters or human error. Exista has taken measures to prevent operating interruptions in case of a possible evacuation of its headquarters. Exista and its significant subsidiaries have in place a business continuity plan whose purpose is to ensure that key functions can be continued in the case of possible disruption. All IT systems are backed up at another regional location office. Should the need arise, operations may be continued at that back-up location.

1.4.5 Internal controls

Operational risk relates to the inner workings of Exista, the competence of its employees, and the reliability and effectiveness of work processes. Inadequate work processes and internal controls may result in more frequent and possibly larger operational loss events, decreasing the ability to detect fraud and human error. Ineffective procedures may also result in a lack of information reliability and possibly foregone opportunity. Exista documents and regularly reviews all major work processes in order to keep them up to date. Internal limits are set and enforced. Despite efforts to maintain consistent internal controls there is still the risk that a lack of them may have a negative effect on Exista's financial results.

1.5 Other risk

1.5.1 Tax

Exista could be affected by changes in tax legislation in any of the countries that influence its financial results. Exista is not aware of any ongoing tax inspection concerning itself or its subsidiaries which may have a material impact on Exista's financials. An investigation of Exista's tax filings, as for any other Company, may be initiated at a later stage in accordance with relevant regulations and affect the Company's prospects. Exista and the tax authorities may potentially have different opinions on how various financial arrangements within the company should be treated from a tax perspective. Exista is of the opinion that it is in compliance with the relevant tax regulations and practices and should not expect claims from tax authorities relating to its treatment of income or any other financial issues.

1.5.2 Legal risk

Exista operates within a complex regulatory framework and a variety of specific regulations apply to its operations. Financial markets develop rapidly, which leads to Acts and Regulations being reviewed regularly. Amendments to legislation can have an impact on Exista's operations, financial situation, and performance. In addition, ministerial regulations and rules, or guidelines issued by the Financial Supervisory Authority or other public authority can have a substantial effect on the Company's operating environment. Close watch is kept on pending changes to legislation and rules applicable to Exista, and an assessment is made of the most suitable response in each case. Exista furthermore studies, when faced with new ventures, how they will affect the company from a regulatory standpoint.

Three of Exista's operating subsidiaries are entities under FME's supervision. These are Vátryggingafélag Íslands hf. and Líftryggingafélag Íslands hf., which are regulated insurance undertakings according to Act. No. 60/1994, and Lýsing hf., which is a regulated credit institution according to Act. No. 161/2002.

Additionally, in accordance with articles 40-49 of Act No. 161/2002, the FME supervises Exista's shareholding in Kaupthing Bank since it exceeds 20% and because the bank is a regulated financial institution. Exista's shareholding in Sampo is similarly supervised by the Finnish insurance regulator.

In September 2007, the FME circulated a discussion paper where it presented draft rules on supplementary supervision of financial conglomerates, in implementation of the Financial Conglomerates Directive 2002/87/EC. Exista has studied the draft rules and submitted its comments to the FME. The rules have not been implemented yet and thus their final scope and content is not known.

Litigation is a normal part of insurance and finance operations. Exista's subsidiaries are involved in litigation due to the settlement of claims for the insurance part of the business. This is fully accounted for in technical provisions until each individual case is settled. Exista's subsidiaries are furthermore involved in litigation relating to collections of outstanding claims in the insurance and finance part of the Operating Businesses.

The Issuer is not engaged in litigation or arbitration that could substantially affect its financial position.

The Issuer submits that it has not been in any governmental, legal or arbitration proceedings, during the previous 12 months which may have, or have had in the recent past, significant effects on the Issuer and/or the Group's financial position or profitability. The Issuer also submits that it is not aware of any such proceedings which are pending or threatened. Due to the fact that Exista's main business concerns are leasing and financing, credit activities and other financial service, litigation is always a possibility.

1.5.3 Liquidity and Refinancing risk

Exista is exposed to a liquidity risk that could materially affect Exista's operating results and financial position. Liquidity risk can be divided into funding risk and market liquidity risk.

The definition of funding risk is the current or prospective risk to earnings and capital arising from the company's inability to meet its liabilities when they come due without incurring unacceptable losses. Funding risk arises from the inability to manage unexpected decreases or changes in funding sources.

Market liquidity risk is the current or prospective risk to earnings and capital arising from the Company's inability to quickly unwind its positions either at current market rates or at a rate which would not be adversely affected by the unwinding to such an extent which would result in unacceptable losses. Exista is particularly exposed to liquidity risk in relation to its holdings in Sampo, Kaupthing Bank and Bakkavör Group owing to the size of these holdings. Furthermore, Exista is the largest shareholder in these companies.

1.5.4 Covenants

Exista is contractually bound to honour various financing agreements. Should Exista become unable to or for some reason cease to fulfil the respective covenants, the lenders and financiers may become entitled to rescind the agreements, which might have significantly adverse financial consequences for Exista.

None of Exista's current financing agreements feature covenants limiting its ability to pay dividends to its shareholders.

2. PERSONS RESPONSIBLE

Exista hf., in its capacity as the Issuer, Icelandic ID-No. 610601-2350, registered office at Ármúli 3, 108 Reykjavík, Iceland, hereby declares that having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavik, 3 April 2008
On behalf of the Issuer

Lýður Guðmundsson
Executive Chairman

Erlendur Hjaltason
CEO

Sigurður Valtýsson
CEO

3. MANAGER

The Manager, Kaupthing Bank hf - Capital Markets division, Icelandic ID-No. 560882-0419 registered office at Borgartun 19, 105 Reykjavik, Iceland has been the advisor to the Issuer in the preparation of this Registration Document. The Manager has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Manager as to the accuracy or completeness of the information contained in this document or any other information provided by the Issuer in connection with the debt instruments. The Manager does not accept any liability in relation to the information contained in this document or any other information, in any document, provided by the Issuer.

Reykjavik, 3 April 2008
On behalf of the Manager

Ingvar Vilhjálmsson
Managing Director

Stefán Ákason
Head of Fixed Income Sales

4. STATUTORY AUDITORS

The Company's accounts for the years ending 31 December 2006 and 2007 respectively have been audited and the annual accounts for these years have been endorsed without remarks by Deloitte hf., ID No. 521098-2449, Smáratorgi 3, 201 Kópavogur, the Company's independent auditor.

A state authorised public accountant or accounting firm is elected as the auditor at each annual general meeting of Exista for a term of one year. The auditor audits the Company's accounts and all relevant accounting documents for each year of operation, and has access to all the Company's books and documents for this purpose. Auditors are not 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.

5. REFERENCES AND GLOSSARY OF TERMS AND ABBREVIATIONS

References to the "Issuer", "Exista" and "the Company" in this Registration Document shall be construed as referring to Exista hf., Icelandic ID-No. 610601-2350, unless otherwise clear from the context, Exista hf. is the legal Icelandic name of the Issuer.

References to "OMX ICE" in this Registration Document shall be construed as referring to the OMX Nordic Exchange Iceland hf., Icelandic ID-No.681298-2829, unless otherwise clear from the context. References to the "admission to trading" and the "admission to trading on a regulated market" in this Registration Document shall be construed as referring to the admission to trading on the OMX ICE Fixed Income market, unless otherwise clear from the context.

References to "ISD" in this Registration Document shall be construed as referring to the Icelandic Securities Depository, i.e. to Verðbréfasráning Íslands hf., Icelandic ID-No. 500797-3209, Laugavegur 182, 105 Reykjavík, Iceland, unless otherwise clear from the context.

References to the "Manager" in this Registration Document shall be construed as referring to Kaupthing Bank hf. - Capital Markets division, Icelandic ID-No. 560882-0419, unless otherwise clear from the context.

Abbreviations used

Bakkavör Group	Bakkavör Group hf.
CEO	Chief Executive Officer
FME	Icelandic Financial Supervisory Authority
ISK	Icelandic króna
Kaupthing	Kaupþing banki hf.
Lífis	Líftryggingarfélag Íslands hf.
Lýsing	Lýsing hf.
Skipti	Skipti hf. (Iceland Telecom)
The Companies Act or Act No. 2/1995	Act number 2 from 1995 on Public Limited Companies
UK	United Kingdom
Sampo	Sampo plc
Sampo Group	Sampo plc, If P&C Insurance, and Sampo Life
Storebrand	Storebrand ASA
Vátryggingafélag Íslands	Vátryggingafélag Íslands hf.
VÍS	Vátryggingafélag Íslands hf.
VÍS Holding	VÍS eignarhaldsfélag hf.
VÍS group	Vátryggingafélag Íslands hf. and VÍS eignarhaldsfélag hf.
United Pension Fund	Sameinaði lífeyrissjóðurinn (pension fund)
ÖÍ	Öryggismidstöð Íslands hf.
Öryggismidstöð Íslands	Öryggismidstöð Íslands hf.

6. DOCUMENTS INCORPORATED BY REFERENCE AND FOR DISPLAY

The following documents are incorporated herein by reference to, and form part of, this Registration Document:

- Exista's audited consolidated annual financial statements for the financial year-ended 31 December 2007.
- Exista's audited consolidated annual financial statements for the financial year-ended 31 December 2006.

The articles of association of Exista hf. are on display.

Copies of the documents incorporated by reference and on display can be obtained from the registered office of the Issuer at Ármúli 3, 108 Reykjavík, or on the Issuer's websites, www.exista.is and www.exista.com for the twelve months during which the Share Registration Document is valid.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Registration Document which is capable of affecting the assessment of any Debt Securities, publish a new Registration Document for use in connection with any subsequent issue of such Debt Securities.

7. NOTICE TO INVESTORS

In making an investment decision, potential investors should carefully consider the merits and risks of an investment in any Debt Securities and carefully review the terms and conditions of the Debt Securities described in the relevant Securities Note. This Registration Document is to be read in conjunction with the documents which are deemed to be incorporated herein by reference (see "Documents incorporated by reference"). This Registration Document shall be read and construed on the basis that such documents are incorporated and form part of this Registration Document. This Registration Document forms a part of a Prospectus which consists of two separate documents; a Registration Document and a Securities Note both published on 4 April 2008. Copies of the Prospectus can be obtained from the Issuer's office at Ármúli 3, 108 Reykjavík and on the Issuer's websites www.exista.is and www.exista.com.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Manager.

This Registration Document is not (a) intended to provide the basis of any credit or other evaluation; or (b) a recommendation by the Issuer or the Manager that any recipient of this Registration Document should purchase any Debt Securities. Each investor contemplating purchasing any Debt Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Registration Document nor any other information supplied in connection with the Issuer constitutes an offer or invitation by or on behalf of the Issuer or the Manager to any person to subscribe for or to purchase any Debt Securities.

Neither the delivery of this Registration Document nor the sale or delivery of any Debt Securities shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof. Therefore potential investors are advised to follow all information made public relating to the Issuer, during the lifetime of these bills, including, but not limited to, annual reports, interim accounts and press releases when deciding whether or not to purchase any Debt Securities.

OMX Nordic Exchange Iceland hf. has scrutinized and approved this Registration Document which is only published in English.

8 DESCRIPTION OF THE ISSUER

8.1 History

8.1.1 Issuer

Icelandic legal name: Exista hf.
Country of registration and incorporation: Iceland
ID-No.: 610601-2350
Domicile: Ármúli 3, IS-108 Reykjavík, Iceland
Telephone number: +354 550 8600
Email: info@exista.com
Legal form: Public Company in accordance with act no. 2/1995
Website: www.exista.com

8.1.2 Incorporation

Exista was founded on 19 June 2001 under the name SP eignarhaldsfélag ehf. by a group of Icelandic savings banks, later joined by Kaupthing Bank, with the objective of holding shares in Kaupthing Bank. Shortly after incorporation the name was changed to Meidur ehf. and, in May 2005, to Exista ehf. which later became the public limited company Exista hf.

8.1.3 History

Since its establishment, Exista has grown substantially in terms of the overall investment volume and profitability. In 2002 Meidur, as the company was then called, increased its stake to become the largest shareholder in Kaupthing Bank, and Bakkabraedur Holding B.V, a holding company owned by Ágúst Gudmundsson and Lýður Gudmundsson, acquired majority of the share capital in Meidur.

Meidur became the largest shareholder in Bakkavör Group in 2003 and the Company's investment strategy was expanded. Meidur was subsequently renamed Exista.

Exista bought a 16% stake in VÍS in 2005, via a new share offering, and increased its share to 19.6% later that year. Exista's strategy was honed and the objective was set to focus on investing in both listed and private companies as a long-term strategic investor and also in the short term in equities, bonds and other financial instruments. The strategy of playing a clear ownership role by having a substantial stake and board influence in each of its long-term investments was underlined even further during 2005, when Exista led a consortium of investors in acquiring Síminn (Iceland Telecom) in Iceland's largest privatisation to date.

In May 2006, Exista became the owner of 100% share capital in VÍS Holding. The consideration was paid for in new share capital in Exista, whereas the sellers received a 18.5% holding in Exista. VÍS Holding is composed of a number of subsidiaries, the largest being VÍS, Lífís and Lýsing. The acquisition transformed Exista into a financial services company with extensive operations in the areas of financial services and investments.

In conjunction with the acquisition of VÍS Holding, Exista stated its intention to list the Company on OMX Nordic Exchange Iceland hf. The Company was listed on 14 September 2006.

In February 2007, Exista announced that the company had acquired a 15.5% stake in Sampo Group, the largest insurance group in the Nordic region, thus becoming the largest shareholder in the group. Exista's share in Sampo was further built up in the course of 2007 and presently stands at 19.98%.⁶

In August 2007, Exista announced that it controlled 5.56% of total share capital in the Norwegian financial services group Storebrand. In conjunction with Storebrand's acquisition of the Swedish life insurance and pensions provider SPP in October 2007, Storebrand raised capital through a rights issue in November that year. Exista participated in that issue and purchased some additional shares, thus taking its stake to 8.7%.⁷

⁶ As of 31 March 2008.

⁷ As of 31 March 2008.

In March 2008, subsequent to the listing of Skipti (now the parent company of Síminn) on OMX Nordic Exchange Iceland hf., Exista decided to make a voluntary takeover bid to other shareholders in that company. The offer is valid until 26 May 2008. If the offer is successful, Exista intends to request that Skipti's shares are removed from trading on OMX ICE.

8.1.4 Regulatory and governing law

Exista is registered in Iceland and operates in accordance with Act no. 2/1995 on Public Limited Companies. VÍS and Lífis are registered in Iceland and operate in accordance with Act no. 2/1995 on Public Limited Companies and are regulated under Act no. 60/1994 on Insurance Activity. Lýsing is registered in Iceland and operates in accordance with Act no. 2/1995 on Public Limited Companies and is regulated under Act no. 161/2002 on Financial Undertakings. Foreign subsidiaries operate under the governing law in each relevant country. Exista B.V. is registered in the Netherlands and operates in accordance with the Dutch Civil Code.

The Icelandic Financial Supervisory Authority (FME) currently defines three of Exista's operating subsidiaries as entities under the FME's supervision. These are Vátryggingafélag Íslands hf. and Líftryggingafélag Íslands hf., which are regulated insurance undertakings according to Act. no. 60/1994, and Lýsing hf., which is a regulated credit institution according to Act. no. 161/2002.

8.1.5 Objective

The objective of the Company, according to Article 3 of its Articles of Association, is to be a financial services company through holdings in other companies, among other things in the fields of insurance, such as casualty, personal, and life insurance, and in the fields of finance, loan, and investment activities, such as leasing and security services, and furthermore to engage in the sale and purchase of securities and real estate, the management of real estate, services to subsidiaries and other related activities.

8.2 Description of Business

Exista is a financial services group with core operations in insurance underwriting and other financial services activities, coupled with international investments. The Group's primary market is Northern Europe.

Exista focuses on diversification in income streams, solid cash flows and sound financial fundamentals. Exista operates one of the largest non-life insurance companies in Iceland, VÍS, with a market share of about one-third⁹ of the Icelandic market, and the life insurance company Lífis. Another Exista subsidiary, Lýsing, is the largest specialised asset financing company in Iceland.¹⁰

Exista's associates, Sampo Group and Kaupthing Bank, are among the leading financial institutions in the Nordic region. Exista is the largest shareholder in Sampo Group and Kaupthing Bank, with 19.98%¹⁰ and 24.75%¹¹ respectively.

Exista investments include Bakkavör Group, Storebrand and Skipti, along with a number of smaller holdings. On the investment side, Exista strategy is to invest in mature businesses with strong cash flow, competent management, and promising market potential.

Exista's Head Office is in Ármúli 3 in Reykjavík, Iceland. The company also has an office at 3 Sheldon Square, Paddington Central, in London, UK.

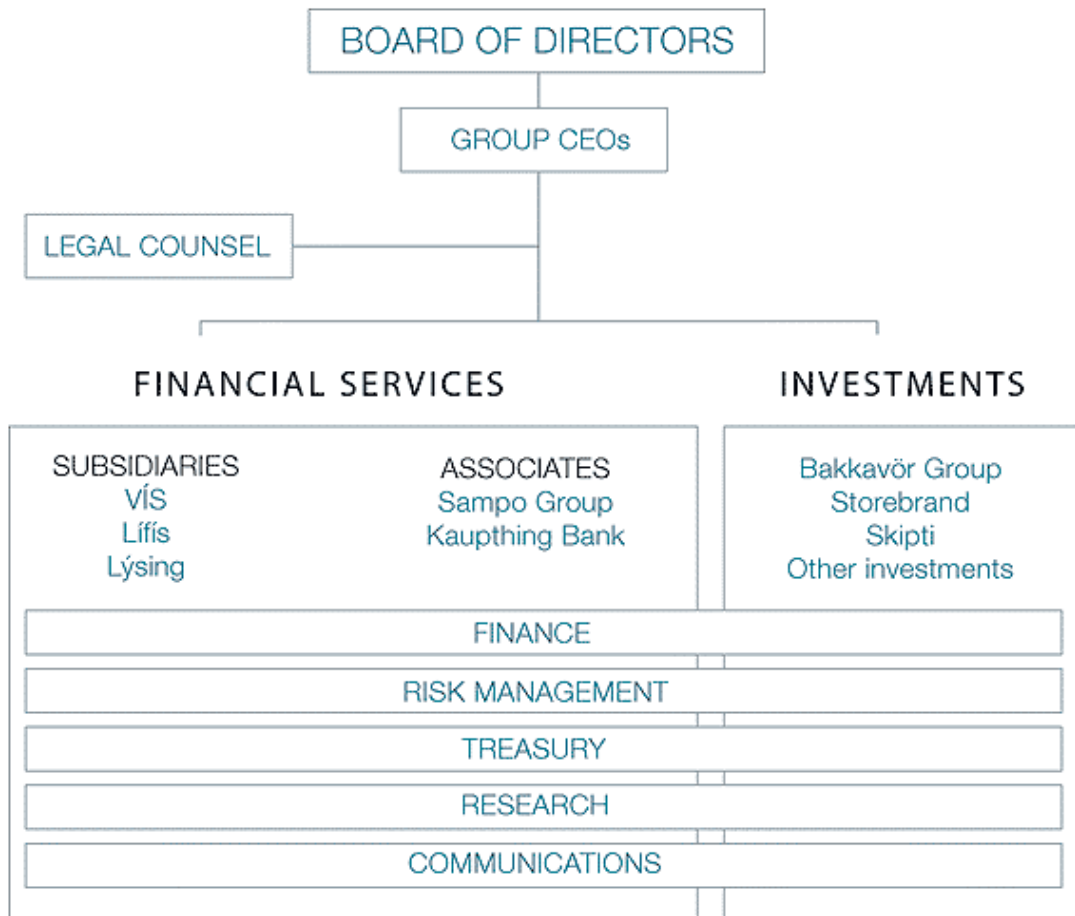
⁸ Source: Data from the Annual Accounts of insurance companies operating on the Icelandic market, published by the Financial Supervisory Authority (FME).

⁹ Source: Annual Accounts of asset finance companies in the Icelandic market.

¹⁰ As of 31 March 2008.

¹¹ As of 31 March 2008.

8.2.1 Organisational structure



Exista's operations are based on two main divisions, Financial Services and Investments. Financial Services is further divided into Subsidiaries and Associates, whereas Investments comprises the group's other shareholdings and investments in listed and unlisted companies.

Six support divisions, Risk Management, Finance, Legal Counsel, Communications, Research, and Treasury, monitor and support the Group's financial service and investment activities.

Below is the organisational structure and business activities of Exista, the parent company and the subsidiaries:

Subsidiaries in Financial Services are wholly owned by Exista and are accounted for as such in the consolidated financial statements:

Associates in Financial Services are long-term strategic holdings and are recorded in Exista's accounts using the equity method.

Investments include Exista's other shareholdings and investments in listed and unlisted companies. Investments are recorded at fair value in the Group's accounts. Exista looks for companies with solid financial fundamentals, a strong management team and a healthy cash flow. The investment time horizon is open-ended and normally medium or long-term.

The parent company, Exista hf., is led by co-CEOs Erlendur Hjaltason and Sigurdur Valtýsson. They are responsible for executing the board's resolutions regarding Exista's policy and development as well as Exista's financial performance. They are also responsible for accomplishing the company's objectives and facilitating synergies within the group.

The executive chairman, Lýður Gudmundsson, is in charge of Exista's strategy formulation, the vision for the group as a whole and plays a monitoring role as the chairman of the board.

8.2.2 Financial Services – subsidiaries

8.2.2.1 Insurance underwriting

Exista wholly owns and operates two independent insurance underwriters: VÍS is one of the leading property and casualty insurance company in Iceland, and Lífís is an Icelandic life insurance provider.

While the two insurance companies enjoy a solid market position, Exista has focused on improving the profitability of the underwriting operations. From mid-2006, when Exista acquired the insurance business, until year-end 2007, the combined ratio dropped from 113.3% to 99.5%. The operational ratio was 86.3% in 2007, compared with 95.9% the year before. VÍS and Lífís are regulated by the Icelandic Financial Supervisory Authority (FME).

VÍS Insurance

VÍS (Vátryggingafélag Íslands hf.) is one of Iceland's leading general insurance companies. With roots dating back to 1917, the company specialises in non-life insurance operations, offering comprehensive insurance products for households, businesses, municipalities, and institutions. VÍS is a market leader in Iceland and has a strong brand name. In recent years, the company has begun to explore opportunities to insure risk in other market areas. This is a growing part of the portfolio, although it does not yet generate a substantial share of company's premium income. In co-operation with the Nordic insurance company If, which is part of the Sampo Group, VÍS has been able to extend its service offering internationally. VÍS employed 205 people and operated 43 branches around Iceland in 2007.

Market position and competition

The non-life insurance market in Iceland has grown conservatively in recent years, and competition for customers has been fierce. There are three major players in the market - VÍS, Sjóvá, and TM - along with a few smaller entities. In 2006 VÍS increased its market share by approximately 2% and became the largest insurance company in the Icelandic market, with a 34.4% market share in terms of premiums. VÍS was still strengthening its market position in 2007.¹²

VÍS focuses more on profitability from insurance operations than on market share. The company has revised its premium basis and has been working on significant cost-cutting and reorganisation efforts aimed at establishing and maintaining underwriting profit. This has not compromised VÍS' market position, however, as there was 7.8% growth in the number of VÍS insurance policies during 2007.

VÍS has begun expanding its business internationally by offering insurance protection in the Nordic countries and elsewhere in Northern Europe.

International markets and operation

Through EEA passporting legislation, VÍS insures risks in a number of European countries, including the UK, Denmark, Sweden, Norway, France and Spain. In addition, VÍS has a license to write risks in Ireland, Finland, Portugal, Italy and the Baltics. The company also plans to open a branch in the Faroe Islands.

VÍS has a collaboration agreement with the Nordic insurance company If, concerning joint marketing through worldwide networks. If P&C Insurance is a major property and casualty insurance company in the Nordic region, with approximately 3.3 million customers in the Nordic and Baltic countries, in addition to Nordic customers with international operations. If is a part of Sampo Group, which is further discussed elsewhere in this document.

¹² Source: Data from the Annual Accounts of insurance companies operating on the Icelandic market, published by the Financial Supervisory Authority (FME).

Products and services

VÍS offers comprehensive insurance services in Iceland, including life insurance and health insurance, which are available through Lífís.

VÍS' homeowners' insurance products underwent substantial development during the year. F+ homeowners' insurance was further developed and improved, and a new product, F+4, now provides the most comprehensive homeowners' coverage on the Icelandic market.

During the year, VÍS and Valitor (formerly VISA Iceland) concluded an agreement whereby VÍS will provide all travel insurance for those VISA customers who hold cards from SPRON (Reykjavík Savings Bank), Kaupthing Bank, and all of the savings banks in regional Iceland. Following the conclusion of that agreement, VÍS also took over the payment card insurance provided to SPRON MasterCard holders.

Due to the sharp increase in recreational vehicle and trailer ownership in Iceland, VÍS introduced insurance coverage for trailers, campers, and recreational vehicles during the year. VÍS customers have been quick to welcome this insurance for trailers, campers, and RVs, as they represent sizable investments on the part of their owners.

VÍS hf and the United Pension Fund signed an agreement for the sale of so-called disability protection during the year. Disability protection is a new product among VÍS' offerings but is only available through the United Pension Fund.

Distribution network and collaboration

VÍS places strong emphasis on efficient and responsive service operations throughout Iceland. In order to improve services and move decision-making as close to the customer as possible, the country is divided into six regions. Each regional manager is responsible for the VÍS operations in his or her territory. This structure has proven successful, and VÍS has retained its strong market position in most areas of Iceland despite increased competition.

Since 2005, VÍS has been engaged in a very successful strategic alliance with Kaupthing Bank for the sales and marketing of insurance and financial services in Iceland. The mutual loyalty scheme, called Vöxtur, has been growing year by year and now has more than 15,000 members. A comprehensive financial and insurance service owned by VÍS and Kaupthing Bank, Vöxtur consists of banking services from Kaupthing Bank, general insurance from VÍS, life insurance from KB-líf and Lífís, home security services from Öryggismidstöðin, and asset financing from Lýsing.

In early 2007, VÍS added one more channel to its sales network through an agreement with SPRON (Reykjavík Savings Bank), whereby VÍS insurance is now a part of SPRON's product offering. In addition to its co-operation with SPRON, VÍS also collaborates with a number of local savings banks around the country.

Insurance classes

VÍS is a general insurance company with broad distribution in terms of services and premium income. Motor insurance represents the largest class of business, with over 53% of gross premiums. The second-largest is property insurance, with 25% of gross premiums.

The main insurance classes are the following:

- *Compulsory motor insurance* is third-party liability insurance against physical injuries and property damage, as well as personal accident insurance for the driver and the owner of the vehicle. This insurance is mandatory for all registered vehicles in Iceland and is the largest insurance class, accounting for 38% of total premiums at VÍS.

- *Other motor insurance* insures against damage to the owner's own vehicle. This kind of insurance has become increasingly popular and is required when vehicles are financed through car loans or leasing.
- *In property insurance*, fire insurance is the largest insurance class. In Iceland it is compulsory to insure real estate against fire. The second-largest category is homeowners' insurance. VÍS has a strong market position in home insurance and has developed a combined policy that includes insurance of the contents of the home, personal accident and sickness insurance, and travel insurance, as well as legal expense coverage, credit card protection, and third-party liability insurance for the family.
- *Accident and sickness insurance* consists of two types of insurance: personal accident insurance and sickness insurance, which can be purchased together or separately. Personal accident insurance is offered to individuals, to employers on behalf of their employees, or to groups. It compensates claimants with a lump sum in the event of permanent or temporary disability or death resulting from an accident. Sickness insurance compensates claimants with a lump sum in the event of permanent or temporary disability.
- *General liability insurance* consists of two types of insurance: general third-party liability insurance, mainly for the corporate sector; and professional indemnity insurance, which is mandatory for some professions. There has been considerable growth in these insurance types due to increased economic activity, greater risk awareness, and legal requirements.
- *Marine insurance* is insurance against damage or loss of ships and cargo. VÍS' market share in marine insurance has not been significant; however, the company aims at enhancing its market position in this sector.

Reinsurance and risk control

VÍS transfers part of its underwritten risk to reinsurers. Under a reinsurance contract, the assuming reinsurer becomes liable to VÍS to the extent of the risk ceded, although VÍS remains liable to the insured as the insurer.

VÍS devises a reinsurance programme for each branch of business and for the company as a whole. The amount of risk that VÍS carries for its own account is determined with respect to the financial strength of the company and the nature of the risk.

The reinsurance programme is managed as a part of Exista's Group Risk Management unit and is continuously revised and developed so that it better meets the needs of VÍS and the Group as a whole. Underwriting risk is discussed in greater detail in Chapter 1 (Risk Factors) above.

Technical provisions

Technical provisions are the sum of premium provisions and claims provisions. Premium provisions are the part of the collected premiums and reinsurance premiums that correspond to the unexpired period of the insurance policies. Claims provisions are amounts set aside for claims filed before the balance sheet date, but not paid. They are estimated according to claims history and are adjusted for cost of claims and claims for losses incurred but not reported. Then the estimated salvage value of the damaged assets is subtracted. Statistical methods and previous claims experience are used to estimate claims provisions.

Performance in 2007

For the year 2007, operations at VÍS yielded an after-tax profit of EUR 126 million. The company's total assets amounted to EUR 343 million at year-end, and its equity totalled EUR 112 million. Income from own premiums increased by 36.6% during the year.

During the year, VÍS and Lífis' balance sheet was reorganised to reflect the core activities of the company. Equity was reduced, and changes were made to the portfolio in response to a regulation on the equalisation of assets against technical provisions.

Premiums written increased by 21%, and paid losses increased by 18% during the year. The loss ratio was 82.2% in 2007, compared with 87.6% in 2006. The combined ratio was 104.7% in 2007, compared with 115.4% in 2006. This positive trend is mainly due to increased premiums tariffs and other measures taken in order to improve the profitability of the insurance operation. Several large loss events were recorded during the year, the largest by far being extensive fire damage in the old town of Reykjavík. This loss represented the largest single claim VÍS has received in more than a decade. Several other unusually large losses were recorded during the year. In terms of traffic accidents, however, the year was relatively favourable in a historical perspective.

Lífis life insurance

Lífis (Líftryggingafélag Íslands hf.) offers its clients life insurance and other health-related insurance. Lífis was established in 1990 and has grown considerably in recent years, especially in the areas of life and critical illness insurance. Lífis is the third-largest life insurance company in Iceland, with a market share of around 24% in terms of gross premiums.¹³

Lífis has low fixed costs and a small number of employees, as the company utilises ancillary units at VÍS to a considerable extent. At the same time, Lífis uses a number of other sales channels - e.g., brokers and savings banks - in order to distribute its products. As is the case with VÍS, reinsurance and investments are managed by the parent company, Exista. Though the customer base consists primarily of individuals, companies have begun, in increasing measure, to purchase personal insurance for their key employees. Most Lífis customers are also customers of VÍS.

Lífis offers life insurance, critical illness insurance, unit-linked life insurance, and income insurance. The basic insurance policy offered by Lífis is term life insurance, which pays a specified amount upon the death of the insured. Critical illness insurance is a policy in which claimants receive a lump sum payment in the event of a critical illness covered by the policy. Unit-linked life insurance combines regular savings and life insurance and is exempt from tax. Income insurance is designed as a supplement to pension benefits or other insurance in the event of sickness or accident.

8.2.2.2 Asset Finance

Exista's asset finance business is operated through the subsidiary Lýsing, Iceland's leading asset finance provider. The largest¹⁴ company of its kind in Iceland, Lýsing has active business operations in both private and corporate markets.

Since its founding in 1986, Lýsing has shown solid and stable performance. The company has consistently sought to be an innovator in introducing new leasing products and new financing solutions for private and corporate clients.

Lýsing focuses on small and medium-sized enterprises and, in many cases, has grown with its customers and followed their expansion and prosperity. Lýsing's fundamental aim is to provide outstanding services so as to retain its competitive edge in the Icelandic asset financing market.

Regional markets

Although the Icelandic leasing market can be considered a mature one, leasing penetration is not as high as in many similar markets in Western Europe. The market doubled, however, between 2002 and 2007, with new contracts increasing from EUR 560 million to EUR 1,111 million in those five years. In Europe the annual growth of leasing markets correlates closely to the economic growth in each country, and the same applies to the Icelandic market.

¹³ Source: Data from the Annual Accounts of life insurance companies operating on the Icelandic market, published by the Financial Supervisory Authority (FME).

¹⁴ Source: Annual Accounts of asset finance companies in the Icelandic market.

In Northern Europe, leasing companies are predominantly owned by banks. This is also the case in Iceland. Of Iceland's three largest leasing companies, Lýsing is the only one not owned by a bank.

A salient characteristic of the Icelandic market – and one that sets it apart from other markets in Northern Europe – is that automobile and equipment manufacturers do not offer financing through their dealerships in Iceland.

Iceland's largest asset finance companies have designed services to meet the needs of individuals and corporations alike, in part due to the small size of the market. In Northern Europe, however, it is much more common for asset financing companies to specialise in either the private market or the corporate market, which tends to make it more difficult to compare sector categories between Iceland and Northern Europe.

The leasing market in Iceland

The construction and service sectors have traditionally been the most important sectors for Lýsing. However, private vehicle financing has grown steadily in recent years and is now the largest single segment of operations.

The company's two main competitors within the asset leasing business are SP-fjármögnun and Glitnir Asset Finance. The combined loan portfolio of these three firms amounted to approximately EUR 1.6 billion at the end of 2007, 43% of which is attributable to Lýsing's operations.¹⁵

Vehicle financing contracts form the largest part of the portfolios for all the major leasing companies. Last year a new competitor, Avant, entered the market and took market share from all three of its competitors. However, Lýsing still remains the largest asset financing provider for private contracts, with a market share just over 30%.¹⁶

Main products

In its commercial asset financing operations, Lýsing focuses on providing financing solutions for business equipment and commercial real estate purchases. For individual customers, the focus is on financing private vehicles. The company's core products fall into the following four categories:

- *Financial leases* are used to finance the purchase of assets that the customer wishes to acquire and use beyond the initial leasing period. The asset is formally owned by and carried in the books of the leasing company, and the customer acquires the asset at the end of the agreed leasing period. In many cases, financial leases are more convenient than borrowing.
- *Hire-purchase* contracts are used when the customer wants to own the leased asset and carry it on his books.
- *Operational leases* are usually structured as short-term (6 to 36 months) non-cancellable agreements, where the leasing company owns the asset and rents it out to the customer for a pre-defined period. At the outset, a repurchase agreement is made with the customer or the car importer concerning the purchase of the asset at the end of the lease term.
- *Direct loans* are offered as an alternative to leasing for both commercial equipment and private vehicles, usually against the first collateral lien on the asset.

Lýsing has strategic partnerships with retailers for automobiles, machinery, and equipment. Vehicle retailers are connected to the company through the Internet and are able to calculate financing figures and submit applications on behalf of their clients. Swift, reliable service is therefore a key feature of the relations between retailers and the company's advisors.

¹⁵ Source: Annual Accounts of asset finance companies in the Icelandic market.

¹⁶ Source: Data from Umferðarstofa (The Road Traffic Directorate) concerning the number of private vehicle financing contracts registered in the name of each loan provider.

Swift online application handling

What sets the Icelandic environment apart is the financing available to automobile dealers through Internet-based loan systems. These systems can respond to dealers' requests for vehicle purchase financing within minutes; therefore, a customer's financing agreement can be completed at the dealership in a very short period of time.

Performance in 2007

The profit from operations of the asset finance arm totalled EUR 5.6 million for the year 2007, and return on equity was 9%. The cost-to-income ratio was 26%, down from 30% in 2006. At year-end 2007, Lýsing's CAD ratio was 10.6%.

Total assets increased by 10% over the year 2007. The loan portfolio amounted to EUR 694 million at year-end and grew by nearly EUR 60 million during the year. The average lifetime of a contract is approximately 4.9 years. Private individuals, the largest group of customers, represent approximately 30% of the total loan balance.

8.2.3 Financial Services – Associates

8.2.3.1 Sampo Group

Sampo Group is a major insurer in the Nordic region, as well as being a significant investor on a Nordic scale. The company's largest business is the property and casualty insurer, If, which is the leading non-life insurer in the Nordic region and has additional operations in the Baltic countries and Russia. Sampo also operates a life insurance business, Sampo Life, which offers life and pension products in Finland and, through its subsidiaries, in Sweden and the Baltics.

In 2007, Sampo Group reported a pre-tax profit of EUR 3.83 billion, generating a return on equity of 52.6%. The profit includes gains from the sale of Sampo Bank to Danske Bank for EUR 2.83 billion. This compares with net income of EUR 991 million in 2006. Sampo Bank contributed EUR 316 million to pre-tax profit during 2006. The proceeds received from the disposal have been partially re-invested in the listed Swedish bank Nordea, in which Sampo has built a stake during 2007 and 2008. The Nordea holding tied up EUR 0.9 billion in cash, and Sampo had an additional EUR 2.0 billion in cash.

At the end of February 2008, Sampo held over 10% of the outstanding shares in Nordea, with a market value of EUR 2.4 billion. Management has stated that the group will continue to invest in Nordea and will continue to purchase its own shares if valuations remain favourable.

In 2007, the pre-tax profit from the property and casualty business was EUR 534 million, compared with EUR 730 million in 2006. The decline can be attributed to a drop in investment income between 2006 and 2007. Property and casualty gross premiums totalled EUR 4,085 million, up 2% from the 2006 level of EUR 4,019 million. The combined ratio for the business was solid, or 90.6% for the year, compared with 89.9% in 2006. The P&C business grew in the Baltic area and Russia, and efficiency improved, with a cost ratio of 23.7%, as opposed to 24.0% in 2006.

Sampo Life posted a profit before tax of EUR 342 million, compared with EUR 295 million in 2006. Return on equity was 9.1%, down from 30.0% in 2006, due primarily to a drop in the market value of investments.

Sampo is listed on the OMX Nordic Exchange in Helsinki.

8.2.3.2 Kaupthing Bank

Kaupthing Bank offers integrated financial services to companies, institutional investors, and individuals. The bank has operations in 13 countries. Its comprehensive service offerings include corporate banking, investment banking, capital markets services, asset management, and private banking. With sound organic growth and strategic acquisitions, Kaupthing Bank has been one of the fastest-growing financial institutions in Europe in recent years. Its core market is Northern Europe, and its largest operations are in Denmark, Iceland, and the UK.

In 2007 Kaupthing Bank continued to broaden its platform as a financial service provider of choice for SMEs and high-net-worth individuals. In October, Kaupthing acquired Robeco Bank Belgium, a small Belgian bank that focuses mainly on private banking and asset management. A few weeks later it purchased the deposit-taking business of Derbyshire Offshore on the Isle of Man. In the second half of 2007, Kaupthing opened branches in Qatar and Dubai, the first Nordic bank to commence operations in those locations. In August Kaupthing Bank announced its intention to acquire the Dutch merchant bank NIBC for EUR 2.99 billion. However, following the turmoil in the global financial markets beginning in the latter half of 2007, Kaupthing and the sellers of NIBC agreed not to proceed with the planned acquisition.

Despite growing turbulence in the financial markets, Kaupthing Bank enjoyed another strong year in 2007. Following a record year in 2006, it recorded net earnings of ISK 71.2 billion (EUR 813 million) in 2007, a decrease of 17.6%. However, the results for 2006 were favourably distorted by a one-off gain of ISK 21.4 billion (EUR 245 million) earned on the disposal of Kaupthing's holding in Exista. Had this single item been excluded, net earnings for 2007 would have increased by 9.6% compared with 2006. Kaupthing Bank reported a return on equity of 23.5% for 2007.

Excluding the Exista gain, net operating income for 2007 increased by 17.5% to ISK 165.8 billion (EUR 1.9 billion). Profits in 2007 were driven by strong gains in net interest income, which grew by 53% to ISK 80.1 billion (EUR 915 million), and in net fees and commissions, which rose by 47.6% to ISK 55 billion (EUR 628 million).

Asset quality remained strong, with impairment on loans charged to the profit & loss account increasing to ISK 6.2 billion (EUR 71 million), which was broadly in line with the growth in lending. At the same time, the company incurred a charge of ISK 11.5 billion (EUR 129 million) after restructuring its portfolio of structured credit products following the upheaval in the fixed-income markets. Despite the issues affecting credit markets, the company's funding position remains robust. This follows a significant increase in customer deposits during the year.

Total assets amounted to ISK 5.3 trillion (EUR 58.3 billion), an increase of 35.8%, taking into account the 7.1% appreciation of the Icelandic króna in 2007.

Kaupthing Bank is listed on the OMX Nordic Exchange Iceland hf and OMX Nordic Exchange Stockholm.

8.2.4 Investments

8.2.4.1 Bakkavör Group

Bakkavör Group is an important international food manufacturing company specialising in fresh prepared foods and produce. The Group operates 57 factories and employs over 20,000 people in nine countries. Its turnover in 2007 totalled GBP 1.5 billion (EUR 2.2 billion), with the UK accounting for 90% of sales.

Bakkavör Group has over 20 years' history and has grown briskly during that time. Today, Bakkavör Group makes over 4,700 products in 17 categories, which are developed and sold predominantly under its customers' own brands. In addition to the UK and Iceland, the group also has operations in France, Belgium, Spain, the Czech Republic, South Africa, China, and the United States, and it is well positioned for further expansion.

Bakkavör Group made excellent strategic progress during 2007. In the UK, the Group acquired two businesses during the year: a fresh produce and fresh prepared foods company, and a flavourings and sauce producer. In

France, Bakkavör Group acquired a leafy salads provider, and in the Czech Republic, the Group acquired a 51% stake in a fresh prepared foods manufacturer that supplies the Central European market. In China, Bakkavör Group acquired the remaining 60% stake in Creative Food, in co-operation with Glitnir Bank. Creative Food grows produce and packs around 250 salad products, supplying international supermarkets and foodservice chains in China.

In early 2008, Bakkavör Group announced its entry into North America through the acquisition of a Californian fresh and frozen prepared foods provider that specialises in the manufacture of bakery products, sauces, soups and savoury dips for the US retail and foodservice markets. Bakkavör Group also acquired a Chinese vegetable and fruit provider in early 2008.

Operating conditions were challenging for Bakkavör Group in 2007. Commodity prices soared, the British summer weather was unfavourable, and the economic slowdown affected retail sales in the UK. Bakkavör Group performed well against this backdrop, however. Sales rose by 21%, outstripping market growth. Like-for-like sales were up 6.3%, but margins were under pressure.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 1% to GBP 149 million (EUR 218 million), resulting in an EBITDA ratio of 10.1%. Operating profit (EBIT) amounted to GBP 110 million (EUR 161 million). Earnings per share from continuing operations declined from 2.6 pence to 2.2 pence, and return on equity decreased from 37% to 18.2%.

The group's total assets increased to GBP 1.5 billion (EUR 2.0 billion), compared with GBP 1.3 billion in 2006.

With the global trend in consumer food consumption shifting towards a healthier diet and increased demand for convenient fresh prepared foods made from high-quality ingredients, Bakkavör Group is well positioned for the future. Bakkavör's acquisitions in Europe and China in 2007 - and in the US early in 2008 - reflect the company's determination to grow as a world leader in fresh prepared foods.

Bakkavör Group is listed on the OMX Nordic Exchange Iceland hf.

8.2.4.2 Storebrand

Storebrand is one of the leading players in the Norwegian market for long-term savings and life insurance. The company is an integrated financial services group, with pensions and life insurance, banking and asset management activities, and property and casualty insurance provided by subsidiaries of the holding company Storebrand ASA.

Since 2002 Storebrand's financial performance has improved steadily. The group suffered significant operating losses in both 2001 and 2002, but Storebrand recorded a profit in 2003 and has improved its performance ever since. By 2007 its operating profit amounted to NOK 4.8 billion (EUR 600 million).

Similarly, the value of assets has increased across Storebrand, from approximately NOK 150 billion in 2001 and 2002 to NOK 223 billion in 2006. During this period, asset values in the Asset Management division rose 50% to NOK 217 million.

Since 2002 there has been a significant change in the corporate structure of Storebrand. In earlier years the company focused on disposing of businesses and streamlining operations. The most important transaction was the sale of Storebrand's P&C insurance business to Sampo Group in May 2004. After selling this major part of the business, Storebrand expanded its life insurance operations by acquiring SPP in September 2007.

SPP is an important Swedish life insurance and occupational pension provider. SPP's businesses are active within the defined benefit and defined contribution occupational pension segment. The company is also active in mass market collectively agreed pension schemes and in the private pension segment. In addition, SPP provides advanced consulting services covering occupational pensions, insurance, and administrative solutions for municipalities and other organisations.

The SPP acquisition was financed by a significantly oversubscribed rights issue that increased the number of Storebrand shares by approximately 80%. The annual synergies expected from the acquisition amount to over NOK 400 million. As a result of this instrumental acquisition, Storebrand has become one of the major life insurance and pension providers in the Nordic region. The transaction also gives the company superior geographical diversification, as the bulk of the life insurance and pension business is in Sweden, while the existing business is in Norway. Given a number of the provisions in Solvency II, there should also be capital synergies arising from this geographical diversification. Moreover, because the SPP acquisition strengthens Storebrand's presence in the Nordic area, it should provide the company with greater strategic and financial flexibility and enable it to participate more effectively in the financial services sector.

During 2007, Storebrand recorded a net profit of NOK 2,006 million (EUR 250 million), up 34% from its 2006 profit of NOK 1,496 million (EUR 187 million). The group's two largest divisions, Life Insurance and Storebrand Bank, grew significantly in 2007. In contrast, the Asset Management division recorded weaker results, as aggressive cost control measures failed to compensate for poor investment performance. The total dividend payable for 2007 is NOK 534 million, up 9% from NOK 449 million in the previous year. The dividend per share has dropped from NOK 1.80 to NOK 1.20. Dividends are payable to all shareholders, including holders of shares issued in the rights issue of December 2007.

8.2.4.3 Skipti

Skipti is a holding company that invests in telecommunications and IT companies in Europe. Skipti's largest holding is Síminn (Iceland Telecom), which provides comprehensive telephone, mobile, internet and IP-television distribution services to households as well as corporate customers.. Exista led a consortium of institutional investors that won the bidding in 2005 and subsequently acquired a 43.7% stake in the company.

Skipti acquired three telecommunications companies in 2007: Aerofone, Business Phone, and Ventelo Denmark A/S. Aerofone is an independent service provider for business telecommunications and data solutions in the UK. Business Phone provides fixed line, mobile and internet connections in Denmark, and Ventelo Denmark A/S is a telecommunications and IT company focusing on the corporate market.

Skipti's performance was solid in 2007. Consolidated accounts show sales growth of 31%, driven by strong performance at Síminn and income from newly acquired companies. Skipti's earnings before interests, taxes, depreciation and amortisation (EBITDA) totalled ISK 9.5 billion (EUR 108.4 million), a 12% increase over the prior year. The EBITDA margin was 28.5%, compared with 33.1% in 2006, owing to Skipti's shift toward value-added services and IT. These newly acquired operations tend to include activities with a lower EBITDA margin than those of the existing business. Operating profit totalled ISK 5.3 billion (EUR 60.4 million), which was up 15% from 2006 and more in line with the sales growth than the rise in EBITDA. The reported net profit in 2007 was ISK 3.1 billion (EUR 35.2 million).

In March 2008, 30% of Skipti's share capital was offered to the public, following which Skipti was listed on the OMX Nordic Exchange Iceland hf. On 19 March 2008, Exista announced a voluntary takeover bid to other shareholders of Skipti. Shareholders who accept the offer will receive payment with shares in Exista. If the offer is successful, Skipti will no longer meet the requirements on the minimum distribution of ownership and will be removed from trading on the market of OMX ICE.

8.2.4.4 Other investments

Exista holds a number of smaller assets, including the following:

- **Flaga Group:** Since 2004, Exista has been a major shareholder in Flaga Group, a global leader in diagnostic equipment and treatment services related to sleep disorders. Exista holds 22%¹⁸ of share capital in Flaga Group, which is listed on the OMX Nordic Exchange Iceland hf.
- **SPRON:** Since acquiring VÍS Holding in 2006, Exista has held 4%¹⁹ of share capital in SPRON (Reykjavík Savings Bank). SPRON is listed on the OMX Nordic Exchange Iceland hf. SPRON holds a 3.02%²⁰ stake in Exista and furthermore has a stake in Kista Investments ehf., which holds a further 8.94%²¹ of Exista shares.
- **JJB Sports:** In June 2007, Exista acquired a 29%²² share in UK sports retailer JJB Sports, together with Chris Ronnie. Mr. Ronnie subsequently became CEO of the company. JJB Sports is listed on the London Stock Exchange.

In general, Exista significantly reduced its equity stakes and position-taking during 2007. However, the Group still holds a few smaller listed and unlisted assets, although these holdings constitute a small proportion of the Group's total assets.

8.2.5 Group Responsibilities

Six support divisions, Risk Management, Finance, Legal Counsel, Communications, Research, and Treasury, monitor and support the Group's financial service and investment activities.

8.2.5.1 Risk Management

Exista is exposed to various risks inherent in conducting financial services operations. These risks include market, liquidity, credit, underwriting and operational risks, as well as other risks that require comprehensive control and management. The Board of directors emphasises effective risk management, and Exista operates a centralised Group Risk Management (GRM) in order to enforce that policy. The GRM unit reports directly to the CEOs of Exista. GRM makes sure that the main risks to which Exista is exposed are identified, monitored, and managed through a framework of risk policies and procedures.

The Board of Directors of Exista determines overall risk tolerance levels. The CEOs oversee the day-to-day risk levels of the Group on behalf of the Board. A Risk Committee composed of senior management and chaired by the Chief Risk Officer (CRO) is responsible for proposing limits and policies to the Board of Directors for its approval, and for verifying that risk is managed within accepted tolerance levels. The Risk Committee also reports on significant matters and risk concentrations to the Board of Directors.

8.2.5.2 Finance

The Finance division manages consolidated accounting, budget planning and cost control. The division works closely with all businesses of the group and plays an important role in supporting other divisions in terms of collecting financial information.

8.2.5.3 Legal Counsel

Group legal is responsible for the general legal compliance of the group, providing legal support within the Group and coordinates instructions to external legal advisers.

¹⁸ As of 31 March 2008.

¹⁹ As of 31 March 2008.

²⁰ As of 1 April 2008.

²¹ As of 1 April 2008.

²² As of 31 March 2008

8.2.5.4 Communications

Exista’s Communications division is in charge of communications with all stakeholders. The division is responsible for investor relations, communicating with shareholders, analysts, creditors and the investor community in general, as well as with the press and other media. The division also oversees liaison with the stock exchange, regulators and other entities monitoring the group. The Communications division is instrumental in the production of Exista’s annual and interim reports, presentation material and other publications. In addition, the division is responsible for the development of the Exista brand.

8.2.5.5 Research

Research handles analysis of investment opportunities and markets, thus supporting Exista’s further development in the financial services sector in Northern Europe, as well as supporting its other investments.

As Exista has developed from an investment company into a financial services group, market and equity research rendered within the Group has become important. Research also follows and analyses companies owned by Exista, in addition to providing advisory services concerning asset management for the insurance companies within the Group.

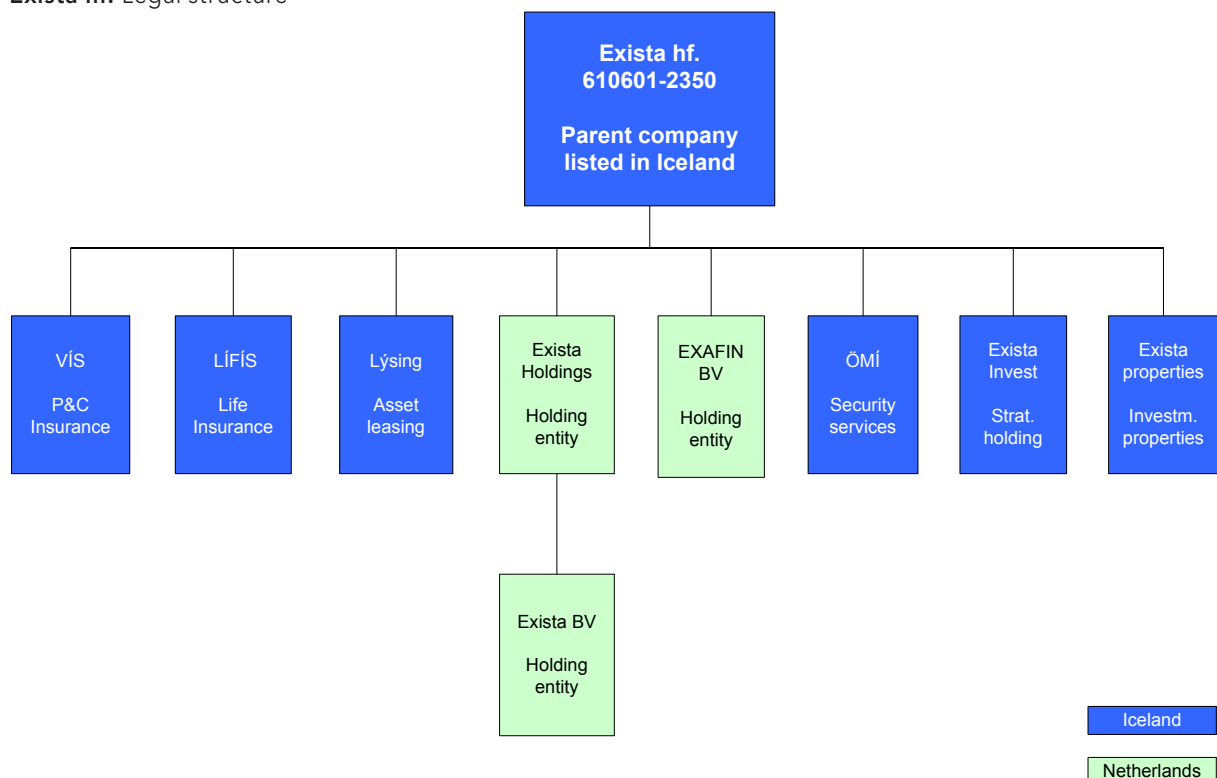
8.2.5.6 Treasury

Treasury is responsible for funding activities and liquidity management for the Group. The division also manages the Group’s foreign exchange balance.

8.3 Legal structure

The Issuer is the parent company of the financial services group presented in this prospectus. The main subsidiaries, associates, and investments are presented in the following diagram.

Exista hf. Legal structure



8.4 Administrative, management, supervisory bodies and senior management

As an Icelandic limited liability company, the organisational structure of Exista hf. is governed by Act No. 2/1995 on Public Limited Companies.

8.4.1 Corporate governance

Corporate governance in Exista is defined as the framework by which the Company is directed and controlled and the means by which relationships among Exista's management, its board, its shareholders and other stakeholders are conducted.

At a board meeting on 23 August 2006, Exista implemented a corporate governance programme which is outlined in the internal rules of the Company. The aim of the corporate governance programme at Exista is to ensure disclosure and transparency, define the responsibilities of the board and the management, define the rights and obligations of shareholders and stakeholders, ensure equal treatment of shareholders, and avoid conflicts of interests between the parties. The corporate governance programme was amended at a board meeting on 31 January 2008.

The board is ultimately responsible for the group's system of internal controls and for reviewing their effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss.

The Corporate Governance rules adopted are in accordance with Guidelines on Corporate Governance (2nd edition) published by the Iceland Chamber of Commerce, OMX Nordic Exchange Iceland hf. and SA - Confederation of Icelandic Employers. Exista fully complies with the Guidelines and intends to follow them with respect to its future structure and management.

8.4.2 Statutory bodies

The ultimate authority in the affairs of Exista, within the limits established by statutory provisions and the Company's Articles of Association, is in the hands of lawfully convened shareholders' meetings. Shareholders' meetings may be attended by shareholders and their representatives and advisors. Shareholders' meetings are open to representatives of the press and the OMX Nordic Exchange Iceland hf..

Exista's Annual General Meeting must be held each year before the end of May.

At shareholders' meetings, each share carries one vote. Decisions at shareholders' meetings are made by majority vote unless otherwise provided for in the Articles of Association or prescribed by law.

8.4.3 Board of directors

The Board of Directors manages Exista's general affairs and endeavours to keep its organisation and operations consistent with its mission and strategy. The Board of Directors directs Company affairs; it works to ensure that the Company's organisation and activities are in good order at all times and that accounting and handling of Company funds are sufficiently supervised.

The Board of the Company shall be composed of up to seven members who are to be elected at the Annual General Meeting for a term of one year. The eligibility of members of the Board is subject to statutory law.

The Board of Directors appoints the CEOs of Exista, and the Company's Remuneration Committee defines their terms of employment.

The board regularly assesses its own work, working methods and working procedures and the Company's performance, with the assistance of external parties if appropriate. Such performance assessment involves the board evaluating the strengths and weaknesses of its work and working methods and focuses on those aspects of its governance it feels could be improved. Exista also assesses the activity, work practices and procedures

of the board annually in light of the Company's progress, with the assistance of outside parties, when appropriate. The administrative rules adopted by the Board of Directors on 23 August 2006 state that Board members should familiarise themselves with the provisions of law, the Company's Articles of Association, securities regulations, any rules that the Company may adopt and that relate to the handling of inside information and insider trading, and other relevant rules. The majority of Exista's Board members are independent of the Company, and three members are independent of major shareholders.

A major shareholder is any party controlling at least 10% of the Company's total share capital, either solely or acting in concert with related parties.

The independence of a Board member is evaluated as specified in Article 2.6 of the Guidelines on Corporate Governance, which are published by the Iceland Chamber of Commerce, the OMX Nordic Exchange Iceland hf., and the Confederation of Icelandic Employers.

The Board of Exista operates an Audit Committee and a Remuneration Committee. Each committee consists of the directors on the Board of Exista who are competent to deal with Exista's financial issues or remuneration, as the case may be.

8.4.4 Board Committees

8.4.4.1 Audit Committee

The role of the Audit Committee is to ensure the integrity of the financial information reported to shareholders, control the Company's internal auditing and accounting systems, and evaluate the work of Exista's financial management and elected auditor.

The role also includes the monitoring the Company's financial position, evaluating its internal surveillance and risk management, evaluating management reporting on financial issues, and assessing whether all statutes and regulations are complied with.

The Audit Committee must consist of at least three members, the majority of whom should be independent of the company. Members must have the relevant skills and experience to discharge the duties of the Committee. Members of the Audit Committee are Chairman Gudmundur Hauksson, Hildur Árnadóttir, and Sigurjón Rúnar Rafnsson.

The responsibilities of the Audit Committee are set forth in the Audit Committee charter, which was approved by the Board of Exista on 25 September 2007.

8.4.4.2 Remuneration Committee

The Remuneration Committee's role is to ensure that Company executives' remuneration reflects their personal performance, the interests of Exista shareholders, and the long-term performance of the Group. The CEOs are responsible for the remuneration of other employees and for ensuring that such remuneration remains in line with the policy of the Remuneration Committee. The Remuneration Committee's policy is to ensure that the Company can attract and retain highly talented executives. For these purposes, the Committee consults external advisers concerning levels of remuneration in comparable companies, where appropriate. The remuneration package for executive directors consists of a basic salary, an annual bonus, pension arrangements, and other taxable benefits. Furthermore, the Remuneration Committee's role includes negotiating with executives concerning salaries and other terms of employment, negotiating with other employees who also sit on the Board concerning their salaries and other terms of employment, and drafting the Company's remuneration policy, including the performance-linking of salaries and stock options.

The Remuneration Committee also determines Exista's policy regarding employee stock options. Currently there is no stock option plan in place for Exista employees, although the remuneration policy adopted at the Annual General Meeting on 28 February 2008 anticipates that such a plan will be implemented.

The Remuneration Committee consists of three members, the majority of whom must be independent of the company. Members of the Remuneration Committee are Chairman Ágúst Gudmundsson, Bogi Pálsson, and Hildur Árnadóttir.

8.4.5 Senior Management

8.4.5.1 Board Members

The following section lists the current members of the Board of Directors, their business addresses and functions in the issuer and an indication of the principal activities performed by them outside the Issuer where these are significant with respect to the Issuer. Details of shareholdings of members of the Board of Directors, including shares held by related parties (as defined in the Financial Supervisory Authority's (FME) Rules no. 987/2006 on Treatment of Insider Information and Insider Trading) of such Board Members, are also given.

Lýdur Gudmundsson, London, United Kingdom

Business Address: 3 Sheldon Square, Paddington Central, London W2 6HY, United Kingdom

Executive Chairman of the Board of Exista, elected to the Board of Directors in February 2003.

Lýdur Gudmundsson founded Bakkavör Group in 1986. Since that time he and his brother Ágúst have managed the company's operations and growth. Lýdur is a board member of several companies, including Bakkavör Group where he acts as the Chairman of the Board, Skipti where he acts as the Chairman of the Board, Síminn where he acts as the Chairman of the Board, Ufsastadir ehf where he acts as the Chairman of the Board, Thraedir ehf. where he acts as the Chairman of the Board, and is a Board Member of Kaupthing Bank, Korkur ehf, Tjarnargata 35 ehf., Bakkavor (London) Ltd., Bakkavor Asia Ltd., Bakkavor Invest Ltd., Bakkavor Foods Ltd., Bakkavor Ltd. and Exista UK Ltd. Lýdur has also been proposed as a Member of the Board of Sampo Oyj for the forthcoming Annual General Meeting of that company, which will take place on 15 April 2008.

Lýdur has over 20 years of experience and an outstanding track record in managing rapidly growing companies. Together with his brother, he has built Bakkavör Group from a small raw materials supplier with three employees to an international powerhouse in fresh prepared foods, with over 20,000 employees in nine countries. In recent years, Lýdur has devoted a large part of his time to building up Exista from a holding company of shares in Kaupthing Bank and Bakkavör to a financial services group with significant international presence.

Holdings of financially related parties: 5,135,943,926 shares

Bakkabraedur Holding, which controls 5,135,943,722 shares in Exista, is owned by Lýdur Gudmundsson and Ágúst Gudmundsson.

Remuneration for the year 2007: 1.58 million euros

Lýdur Gudmundsson does not own any call or put options in Exista.

No service contracts providing for benefits for Lýdur Gudmundsson have been made with the Issuer or any of its subsidiaries upon termination of employment.

Ágúst Gudmundsson, London, United Kingdom

Business Address: 3 Sheldon Square, Paddington Central, London W2 6HY, United Kingdom

Member of the Board, elected to the Board of Directors in February 2003.

CEO of Bakkavör Group hf.

Ever since founding Bakkavör with his brother, Lýður Gudmundsson, two decades ago, Ágúst Gudmundsson has devoted himself to the development of the company. Bakkavör Group is now the UK's leading provider of fresh prepared foods and produce. Ágúst is a Board member of several companies, including Bakkavör Group, Fram Foods hf., Korkur ehf. as the Chairman of the Board, Tjarnargata 35 ehf., as an alternate and Thraedir ehf.

With a business background spanning more than 20 years, Ágúst has founded and managed exceptionally fast-growing businesses in a number of countries. Under his leadership, Bakkavör Group has grown over the past 20 years from a small start-up company in Iceland to an international food producer with turnover of GBP 1.5 billion.

Holdings of financially related parties: 5,135,943,722 shares

Bakkabraedur Holding, which controls 5,135,943,722 shares in Exista, is owned by Ágúst Gudmundsson and Lýður Gudmundsson.

Remuneration for the year 2007: 31 thousand euros

Ágúst Gudmundsson does not own any call or put options in Exista.

No service contracts providing for benefits for Ágúst Gudmundsson have been made with the Issuer or any of its subsidiaries upon termination of employment.

Gudmundur Örn Hauksson, Reykjavík, Iceland.

Business Address: Ármúla 13a, 108 Reykjavík, Iceland.

Member of the Board, elected to the Board of Directors in June 2001.

CEO of Reykjavík Savings Bank (Sparisjóður Reykjavíkur og nágrennis hf. (SPRON)).

Gudmundur Hauksson has been an executive within the financial sector for many years, having served as CEO of Hafnarfjörður Savings Bank (1986-1987), CEO of the Fisheries Bank of Iceland (1987-1989), and Executive Director of Íslandsbanki (1989-1991). From 1991-1996 he was CEO of Kaupthing Ltd. (now Kaupthing Bank), and since 1996 he has been CEO of SPRON (Reykjavík Savings Bank).

Gudmundur is a Board member and Chairman of the Board of several companies, including Kista-fjárfestingafélag ehf., SPRON-Verðbréf hf. and Frjálsi Investment Bank.

Gudmundur has over 20 years' experience as an executive in the financial markets. He was CEO of Kaupthing when the Icelandic securities market began taking off, and since he took over at the helm of SPRON, the bank has increased in size many times over. Gudmundur holds a degree in Business Administration from the University of Iceland.

Holdings in Exista: 3,504,198 shares

Holdings of financially related parties: 1,383,250,012 shares in Exista

Gudmundur Hauksson is financially connected to Kista-fjárfestingarfélag ehf., which controls 1,015,846,914 shares in Exista. He is also financially connected to Reykjavík Savings Bank (SPRON), which controls 367,402,900 shares in Exista.

Remuneration for the year 2007: 31 thousand euros

Gudmundur Hauksson does not own any call or put options in Exista.

No service contracts providing benefits for Gudmundur Hauksson have been made with the Issuer or any of its subsidiaries upon termination of employment.

Bogi Óskar Pálsson, Garðabær, Iceland.

Business Address: Lækjargata 4, 101 Reykjavík, Iceland.

Member of the board, elected to the Board of Directors in August 2006.

CEO of Stofn ehf. and BOP ehf.

Bogi Pálsson has been an innovator and entrepreneur for 20 years. He is a former CEO of P. Samúelsson hf., which handles motor vehicle imports, sales, and service for Toyota and Lexus. Bogi is also Chairman of the Board of Flaga Group, Chairman of the Board of Eignarhaldsfélagið Stofn ehf., Chairman of the Board of Fasteignastofn ehf., Chairman of the Board of Eco-Electrics á Íslandi ehf., member of the board of P.S. fasteignir ehf, member of the board of BOP ehf. and a member of the Court of Arbitration of the Iceland Chamber of Commerce.

Bogi has been a leading figure in Icelandic business life for two decades, first as CEO of Iceland's highly successful Toyota dealership, and later as an investor and entrepreneur. Bogi has a degree in Business Administration from the University of Iceland.

Holdings in Exista: 141,091 shares

Holdings of financially related parties: 173,156,147 shares in Exista

Remuneration for the year 2007: 31 thousand euros

Bogi Pálsson does not own any call or put options in Exista. No service contracts providing benefits for Bogi Pálsson have been made with the Issuer or any of its subsidiaries upon termination of employment.

Sigurjón Rúnar Rafnsson, Saudárkrókur, Iceland.

Business Address: Ártorgi 1, 550 Sauðárkróki, Iceland.

Member of the Board, elected to the Board of Directors in August 2006.

Deputy CEO and CFO of Kaupfélag Skagfirdinga.

Sigurjón Rúnar Rafnsson has been Deputy CEO and CFO of Kaupfélag Skagfirdinga Co-operative Society for over 10 years. Kaupfélag Skagfirdinga is among the largest companies in Northern Iceland, with a broad range of activities and business interests.

Sigurjón is a member of the Board of Directors of several companies, including Sparisjóður Skagfirdinga (Skagafjörður Savings Bank), Eignarhaldsfélagid Andvaka gt., Eignarhaldsfélagid Samvinnutryggingar, Gift fjárfestingarfélag ehf., Gilding ehf. Fódurblandan hf., and FISK Seafood hf.

Sigurjón has enjoyed a long and successful career as a business operator and director of diverse companies and investments. He holds a degree in Business Administration from the University of Iceland.

Holdings of financially related parties: 11,146 shares in Exista

Remuneration for the year 2007: 31 thousand euros

Sigurjón Rúnar Rafnsson does not own any call or put options in Exista. No service contracts providing benefits for Sigurjón Rúnar Rafnsson have been made with the Issuer or any of its subsidiaries upon termination of employment.

Robert Tchenguiz, London, United Kingdom.

Business Address: 5th Floor, Leconfield House, Curzon Street, London W1J 5JA, United Kingdom.

Member of the Board, elected to the Board of Directors in March 2007.

Chairman of R20 Limited.

In 2002, Robert Tchenguiz established the investment firm R20 Limited, whose purpose was to advise the Tchenguiz Family Trust on its investments. The firm specialises in a range of alternative investment strategies, including private equity, public equity & structured finance, and real estate.

Over 25 years ago, Robert established and built up Rotch Property Group, one of the largest investors in the UK real estate market. In recent years he has been among the most successful entrepreneurs and investors in the United Kingdom. He has a BSc in Business Administration from Pepperdine University in Los Angeles.

Holdings of financially related parties: 579,101,094 shares in Exista

Robert Tchenguiz donated his remuneration for the year 2007, 31 thousand euros, to charity.

Robert Tchenguiz does not own any call or put options in Exista.

No service contracts providing for benefits for Robert Tchenguiz have been made with the Issuer or any of its subsidiaries upon termination of employment.

Hildur Árnadóttir, Reykjavík, Iceland

Business Address: Ármúla 3, 108 Reykjavík, Iceland.

Member of the Board, elected to the Board of Directors in February 2008.

Hildur Árnadóttir has been an executive for over 10 years. She started her career in 1990 at KPMG in Iceland and became a partner of the company in 1997. Hildur was CFO of Bakkavör Group from 2004 until 2008.

Hildur is a Board Member of Bakkavör Group, Fram Foods hf., Argyron hf., BAR-Holding ehf., Skipti hf. and an alternative member of the Board of Kaupthing Bank hf. She is a Board Member of the Iceland Chamber of Commerce and the Finnish Icelandic Chamber of Commerce.

Hildur has enjoyed a good experience as an auditor in the financial sector and CFO in the manufacturing sector. She has been entrusted to be a Member and Chairman of the Audit committee and the Ethics committee of the Institute of State Authorised Public Accountants as well as other committees. Hildur holds a degree in Business Administration from the University of Iceland and became a state authorised public accountant in 1995.

Holdings of financially related parties: 2,325,582 shares in Exista.

Hildur Árnadóttir does not own any call or put options in Exista.

No service contracts providing for benefits for Hildur Árnadóttir have been made with the Issuer or any of its subsidiaries upon termination of employment.

None of the members of the Board of Directors of Exista hf. has, during the course of the last five years, received any convictions in relation to fraudulent offences. Furthermore none of them has, in the last five years, been a senior manager, member of the administrative, management or supervisory bodies of a company which has been a part of or associated with bankruptcy, receivership or liquidation in the previous five years. None of them has in the last five years been convicted for any criminal act or been subjected to sanctions by statutory or

regulatory authorities. Furthermore, none of them has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

There are no potential conflicts of interest between any duties of the Members of the Board of Directors and the Company and their private interests.

8.4.6 Senior Management

The CEOs are in charge of the day-to-day operations of the Company and represent the Company in all matters concerning normal operations. The CEOs shall manage the accounts

of Exista and hire the employees. The CEOs shall provide board members and auditors with all necessary information on the operations of the Company which they might request and should be provided with according to statutory law.

The chief executive officers of Exista are Erlendur Hjaltason and Sigurdur Valtýsson.

Erlendur Hjaltason, Reykjavík, Iceland

CEO of Exista hf., since September 2004.

Erlendur Hjaltason served as a managing director at Eimskip, the largest transport group in Iceland, for 18 years. He became CEO of the company in 2002. Two years later he joined Exista as CEO. Erlendur holds a degree in Business Administration and an MBA from Copenhagen Business School.

Erlendur is Chairman of the Iceland Chamber of Commerce. He is also a Board member of Skipti (Iceland Telecom), Síminn and Chairman of the Board of SPRON (Reykjavík Savings Bank). Erlendur also acts as a Board Member in several subsidiaries of Exista.

Holdings in Exista: 13,109,699 shares

Holding of financially related parties: 11,683,751 shares in Exista

Remuneration for the year 2007: 350 thousand euros

Erlendur Hjaltason does not own any call or put options in Exista. No service contracts providing for benefits for Erlendur Hjaltason have been made with the issuer or any of its subsidiaries upon termination of employment.

Erlendur Hjaltason has had no convictions in relation to fraudulent offences in the previous five years. Erlendur Hjaltason has not been a senior manager, member of the administrative, management or supervisory bodies of a company which has been a part of or associated with bankruptcy, receivership or liquidation in the previous five years. Erlendur Hjaltason has not been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities and has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the previous five years.

Sigurdur Valtýsson, Kópavogur, Iceland

CEO of Exista hf., since May 2006.

Sigurdur Valtýsson served as a managing director at the insurance company Tryggingamidstöðin hf. for eight years. He served as a managing director of Corporate Finance for MP Investment Bank from 2000 until he became CEO of the bank in 2003. In May 2006, Sigurdur became co-CEO of Exista. He received a degree in Economics from Columbia University in New York in 1991.

Sigurdur Valtýsson acts as a Board Member in several subsidiaries of Exista.

Holdings of financially related parties: 24,716,713 shares

Remuneration for the year 2007: 420 thousand euros

Sigurdur Valtýsson does not own any call or put options in Exista. No service contracts providing benefits for Sigurdur Valtýsson have been made with the Issuer or any of its subsidiaries upon termination of employment.

Sigurdur Valtýsson has had no convictions in relation to fraudulent offences in the previous five years. Sigurdur Valtýsson has not been a senior manager, member of the administrative, management or supervisory bodies of a company which has been a part of or associated with bankruptcy, receivership, or liquidation in the previous five years. Sigurdur Valtýsson has not been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities and has never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in the previous five years.

Other than the related party transactions described in Chapter 8.7 below, there are no potential conflicts of interest between any duties of the Senior Management and the Company and their private interests.

8.4.7 Auditors

A state authorised public accountant or accounting firm is elected as the auditor at each annual general meeting of Exista for a term of one year. The auditor examines the Company's accounts and all relevant accounting documents for each year of operation, and has access to all the Company's books and documents for this purpose. Auditors are not 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.

The Company's accounts for the years ending 31 December 2006 and 2007 respectively have been audited and the annual accounts for these years have been endorsed without remarks by Hilmar A. Alfredsson, ID-No. 120759-5159 and Knútur Thórhallsson, ID-No. 230465-5419 chartered accountants of Deloitte hf., ID No. 521098-2449, Smáratorgi 3, 201 Kópavogur the Company's independent auditor.

8.4.8 Compliance officer

A compliance officer is employed at the Company. The compliance officer is directly responsible to the CEOs and is independent in his or her duties, cf. Article 27 of Rules no. 987/2006 on the Treatment of Insider Information and Insider Trading. The compliance officer monitors the implementation of insider rules adopted by the Company, including rules regarding securities trading by employees and primary insiders. The compliance officer is responsible for interpreting the rules, and takes decisions based on the rules. The compliance officer makes proposals for improved working procedures for various positions within the Company and helps develop and maintain the compliance monitoring system.

8.5 Employees

In 2007, the average number of Exista employees, including subsidiaries, was 433 (corresponding figure for 2006 was 286). Exista's headquarters are based in Ármúli 3, Reykjavík, along with VÍS and Lífis.

The majority of Exista's employees are based in Iceland. Exista employs an insignificant number of temporary employees.

The Annual General Meeting held on 28 February 2008 approved the Remuneration Policy of Exista hf. wherein the CEOs are authorised to propose to the Board of Directors that employees and the management of Exista

and/or employees and the management of any subsidiary of Exista from time to time should be rewarded in addition to their set terms of employment in the form of delivery of shares, stock options or any payment having to do with Company shares or the future value of such shares. The CEOs are also authorised to propose to the Board of Directors that employees and the management of Exista should be rewarded in addition to their set terms of employment in the form of performance based payments, loan contracts, pension fund contributions, retirement or redundancy payments. The status of the relevant individual, responsibility and future prospects and the main objectives of this Policy shall be taken into consideration when deciding whether he should be granted rewards in addition to his set terms of employment. When granting stock option similar contracts previously made between the Company and the relevant employee or member of management shall be taken into consideration. Ordinarily a stock option shall only subsist while the employee remains employed by Exista or the relevant subsidiary of Exista.

The Board of Directors has not, at this time, used this authorisation.

8.6 Major shareholders

At 21 April 2008 there were 29,052 shareholders in Exista hf. At 1 April 2008 the 20 largest shareholders owned a total of 90,39% of the Company's total issued share capital.

The Issuer is neither directly nor indirectly owned nor controlled by others than the listed shareholders as far as the Issuer is aware.

8.6.1 List of major shareholders

The table below lists the largest shareholders in Exista as of the date of this Registration Document.

Shareholder	Shares	Ownership
Bakkabraedur Holding B.V.	5.135.943.722	45,21%
Kista-fjárfestingarfélag ehf	1.015.846.914	8,94%
Gift fjárfestingarfélag ehf	615.509.009	5,42%
Castel (Luxembourg)SARL	579.101.094	5,10%
Arion safnreikningur	578.717.683	5,09%
Sparisjóður Reykjavíkur/nágr h	340.965.708	3,00%
AB 47 ehf	265.435.668	2,34%
Lífeyrissjóðir Bankastræti 7	209.197.306	1,84%
Lífeyrissjóður verslunarmanna	206.020.443	1,81%
Gildi -lífeyrissjóður	198.602.099	1,75%
Eignarhaldsfélagið Stofn ehf	173.156.147	1,52%
Eignarhaldsfélagið Andvaka gt	170.120.118	1,50%
Icebank hf	164.005.078	1,44%
Den Danske Bank A/S	151.148.069	1,33%
Kaupþing banki hf	114.381.768	1,01%
Sparisjóðurinn í Keflavík	106.183.881	0,93%

Bakkabraedur Holding B.V. is a holding company owned by Lýður Gudmundsson and Águst Gudmundsson. Exista holds 39.6%²³ in Bakkavor Group. Lýður Gudmundsson and Águst Gudmundsson are Board Members of Exista hf.

Kista Investments is an investment company founded by six savings banks, Sparisjóður Reykjavíkur og nágr. (SPRON), Sparisjóðurinn í Keflavík, Sparisjóður Mýrasýslu, Eyraeldi ehf. (a subsidiary of Sparisjóður Vestfirðinga), Thrælsfell ehf. (a subsidiary of Sparisjóður Húnathings og Stranda), and Sparisjóður Svarfdæla. Current owners of Kista Investments are Sparisjóður Reykjavíkur og nágr. (SPRON), Sparisjóðurinn í Keflavík, Sparisjóður Mýrasýslu and Sparisjóður Svarfdæla. Gudmundur Hauksson, Board Member of Exista hf., is the Chairman of the Board of Kista Investments and CEO of Sparisjóður Reykjavíkur og nágr.

²³ As of 31 March 2008

Gift fjárfestingarfélag ehf. is a holding company owned by Eignarhaldsfélagid Samvinnutryggingar gt. Sigurjón Rúnar Rafnsson, Board Member of Exista hf., is a Board Member of Gift fjárfestingarfélag ehf.

Castel (Luxembourg) S.a.r.l. is a wholly owned subsidiary of Glenalla Properties Limited. Glenalla Properties Limited is 95% owned by Investec Trust (Guernsey) Limited as Trustee of the Tchenguiz Family Trust of which Robert Tchenguiz, Board Member of Exista hf., is beneficiary. Minority interests are safeguarded by the provisions of Act No. 2/1995, on limited liability companies and the Company's Articles of Association.

The Members of the Board of Directors, the CEO's and parties related to them, spouses and children under 18 years, hold together 7,277,433,196 shares in Exista.

8.7 Related party transactions.

As stated in the Company's Annual Accounts for the year 2007,²⁴ Exista has granted loans to CEOs and managing directors, and to companies wholly owned by these persons, to the amount of EUR 4.5 million as of 31 December 2007 (2006: EUR 3.9 million). No loans were granted to members of the Board of Directors or their wholly owned companies during the same period.

Loans to subsidiaries amounted to EUR 930 million as of 31 December 2007. At year-end 2006, the comparable amount was EUR 394 million.

The Group has granted its employees and employees of subsidiaries guarantees relating to the purchase of shares in Exista hf. in September 2006. At year-end 2007 the guarantees amounted to EUR 13 million (2006: EUR 14 million).

Customers' guarantees of a subsidiary amounted to EUR 35.7 million (2006: EUR 30 million).

Exista hf. has not entered into any other contracts or transactions with its shareholders, employees or related parties other than on arm's length terms and in a context which may be regarded as being in the ordinary course of its business.

8.8 No material adverse change.

The Issuer states that there has not been any material adverse change in the prospects, of the Issuer since the latest published audited financial statements, i.e. the annual account of Exista hf. for the operating year 2007.

The Issuer also states that there has not been any material adverse change in the financial and trading position of its group since the latest published audited financial statements, i.e. the annual account of Exista hf. for the

²⁴ See Notes 36 and 37 to the Annual Account for the year 2007.

operating year 2007.

9 Financial Information concerning the Issuer's assets and liabilities, financial position and profits and losses

9.1 Financial Overview

Exista's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements have been audited by the Group's auditors, Deloitte hf.

To facilitate comparison between years, it is appropriate to point out the primary changes made in Exista's operations and accounting methods between 2006 and 2007:

- As of the beginning of 2007, the Group's financial statements are prepared in euros. Prior to that time, they were prepared in Icelandic krónas.
- Since the beginning of 2007, the equity method has been used to record the Group's strategic holdings in financial companies (Sampo Group and Kaupthing Bank), whereas all strategic holdings were previously recorded at fair value. This means that as of 2007 the issuer records in the income statement a share of the profit of these associated companies instead of market value change. The book value of these holdings is the original acquisition price or the value of these holdings in the beginning of year. Dividend income from associated companies is not realized in the income but is recorded in the cash flow of the issuer and is subtracted from the book value of the holdings. Strategic holdings in other companies are still assessed at fair value.
- As of 1 June 2006, the insurance company Vátryggingafélag Íslands (VÍS) and the asset financing company Lýsing were included in the accounts of the Exista Group, as were other assets held by the holding company VÍS eignarhaldsfélag hf. This affects the Group's revenue and expense items, as well as its balance sheet.

Profit

Exista's profit before tax in 2007 totalled EUR 525.7 million, as opposed to EUR 436.6 million in 2006. Profit after tax totalled EUR 573.9 million, as compared with EUR 426.7 million in the prior year.

Earnings per share were 5.11 cents for the year. Return on equity was 23% in 2007.

Revenue

In comparing revenues between years, it is worth noting that since the beginning of 2007 the equity method has been used to record the Group's strategic holdings in financial companies - that is, Sampo Group and Kaupthing Bank - whereas all strategic holdings were recorded at fair value in previous years. This change of accounting method affects financial assets at fair value through profit or loss, financial assets held for trading, and share of profit in associates. When comparing with previous years it should also be kept in mind that dividend revenue from associated companies is not realized in the income statement but recorded in the cash flow of the Group. Furthermore, important sources were added to the revenue stream in June 2006, when the Group became a financial services group, adding the insurance and asset finance sector to its base.

Total revenues amounted to EUR 961.5 million in 2007, as opposed to EUR 696.7 million for the prior year.

Financial assets at fair value yielded capital gains of EUR 0.8 million during 2007, as opposed to EUR 357.6 million in 2006.

The loss on financial assets held for trading totalled EUR 46.3 million for 2007, as opposed to a gain of EUR 129 million in 2006. As Exista has developed from an investment company into a financial services group, the weight of its proprietary trading activity has diminished. Emphasis has moved increasingly toward market and equity research, as well as investment advisory services rendered within the Group. During the fourth quarter

of 2007, the Trading unit reduced its short-term position-taking in the market and liquidated its portfolios. This improves the risk profile of the Group, enhances liquidity, and reflects the increased emphasis on financial services as the core operations of the Group.

Dividend income totalled EUR 12.6 million for 2007, as opposed to EUR 78.7 million for 2006. The year-on-year drop can be explained by the fact that the dividends for the Group's associates, Kaupthing Bank and Sampo Group, are not recorded in the income statement. Instead, dividends of associated companies, which amounted to EUR 135 million in 2007, are recorded as a reduction in book value in the balance sheet.

Interest revenue, which is generated primarily by asset financing operations, totalled EUR 91.2 million during 2007, while interest revenue was EUR 50.3 million for the previous year. Asset financing activities were first included in the Group accounts in June 2006.

Revenue from life and non-life insurance premiums totalled EUR 129.0 million during the year. Insurance premium income amounted to EUR 73.6 million in 2006. Insurance premiums from insurance companies were included in the Group accounts for the first time in June 2006.

Share in profit of associates totalled EUR 756.2 million for the year. The calculation of Exista's share in the quarterly profits of the financial companies Sampo Group and Kaupthing Bank is based on the market consensus concerning these companies' profit for the period. If actual profit deviates from these estimates, the difference is recorded as income or expense in the next quarterly financial statements.

Expenses

Operating expenses totalled EUR 65.4 million in 2007, as opposed to EUR 51.1 million for the prior year.

Life and non-life insurance claims, which were first included in the Group accounts in June 2006, totalled EUR 104.4 million for the year, as opposed to EUR 58.6 million in 2006.

The Group's total expenses, including insurance claims, amounted to EUR 169.9 million for the year. In 2006, however, total expenses were EUR 109.6 million, which reflects the cost impact that the addition of insurance and asset finance businesses has had on Group's operations.

In 2007 the average number of Exista employees, including subsidiaries, was 433. Members of staff averaged 286 in 2006.

Operating profit, financial expenses, and taxes

Profit before financial expenses totalled EUR 791.7 million in 2007, as opposed to EUR 587.1 million in 2006. Interest expenses totalled EUR 350.3 million for the year, as compared with EUR 104.1 million in 2006. Increased interest expenses reflect the growth in the Group's balance sheet and funding.

Net foreign exchange gains amounted to EUR 84.3 million for the year, against a loss of EUR 46.4 million in 2006. It should be noted that Exista's accounting currency is now the euro instead of the Icelandic króna. This has led to changes in the Group's currency hedging. In accordance with IFRS hedge accounting rules, currency hedging is now recorded in the Group accounts as a change in equity.

Income tax was positive in the amount of EUR 48.2 million for the year. The positive tax for 2007 is explained primarily by a deferred income tax liability that was dissolved in the first quarter.

Consolidated Income Statement

(EUR MILLIONS)	2007	2006	CHANGE
Financial assets designated at fair value	0.8	357.6	-99%
Financial assets held for trading	-46.3	129.0	-136%
Dividends	12.6	78.7	-84%
Interest income	91.2	50.3	81%
Insurance premium	129.0	73.6	75%
Share in profit of associates	756.2	-	-
Other revenue	17.9	7.5	138%
Revenue	961.5	696.7	38%
Insurance claims	-104.4	-58.6	-78%
Operating expenses	-65.4	-51.1	-28%
Expenses	-169.9	-109.6	55%
Profit before financial expenses	791.7	587.1	35%
Interest expenses	-350.3	-104.1	-237%
Foreign exchange difference	84.3	-46.4	281%
Profit (loss) before tax	525.7	436.6	20%
Income tax	48.2	-9.9	585%
Profit (loss) for the period	573.9	426.7	35%

Quarterly Consolidated Income Statements

(EUR MILLIONS)	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Financial assets designated at fair value	-104.6	32.0	35.3	38.2	24.6
Financial assets held for trading	-156.3	-37.3	36.4	110.8	103.8
Dividends	0.04	0.7	6.9	5.0	58.3
Interest income	30.3	23.2	19.3	18.4	22.8
Insurance premium	31.2	32.0	30.6	35.2	25.6
Share in profit of associates	48.4	92.5	158.3	457.0	0.0
Other revenue	7.2	4.2	3.3	3.3	2.5
Revenue	-143.8	147.1	290.2	668.0	237.5
Insurance claims	-28.3	-25.1	-24.5	-26.5	-21.8
Operating expenses	-18.8	14.5	-15.5	-16.7	-17.6
Expenses	-47.1	-39.6	-40.0	-43.2	-39.4
Profit before financial expenses	-190.8	107.5	250.2	624.8	198.0
Interest expenses	-109.4	-106.2	-78.2	-56.4	-37.7
Foreign exchange difference	-6.2	8.7	52.7	29.0	-8.0
Profit (loss) before tax	-306.5	10.0	224.7	597.5	152.3
Income tax	10.9	-2.6	-3.3	43.2	-4.8
Profit (loss) for the period	-295.6	7.4	221.4	640.7	147.4

The summary of the Issuer's quarterly income statements is unaudited.

BALANCE SHEET**Assets**

Exista's total assets amounted to EUR 8,010 million as of 31 December 2007, an increase of EUR 3,615 million, or 82%, over the prior year.

Financial assets at fair value totalled EUR 1,123 million at the end of 2007. This is a decrease of EUR 1,149 million, or 51%, since the beginning of the year. The main reason for this change is that the Group's share in Kaupthing Bank is no longer entered at fair value, as in 2006, but is recorded as an associate using the equity method.

Financial assets held for trading, which consist mainly of the technical provisions of the insurance operations, totalled EUR 210 million at the end of the year. This is roughly EUR 627 million less than at the beginning of the year.

Loans and accounts receivable totalled some EUR 785 million at the end of 2007, up 12% since the beginning of the year, and are mostly due to the Group's asset financing activities. Asset financing agreements and loans totalled EUR 694 million at the end of the year.

The Group's goodwill, valued at EUR 469 million at the end of 2007, is due to the purchase of insurance and asset financing businesses in 2006. Goodwill accounts for less than 6% of total assets and has been tested for impairment.

Holdings in associated companies were valued at EUR 4,738 million at the end of the year. A substantial portion of these holdings is the Group's stakes in the financial services companies Sampo Group and Kaupthing Bank. In Exista's accounts, the book value of these assets is EUR 992 million above market value, according to the market price of 31 December 2007. The holdings were tested for impairment.

Reinsurance assets totalled EUR 10 million at the end of the year. Investment properties totalled EUR 70 million, and other properties and equipment amounted to EUR 28 million. Cash and cash equivalents amounted to EUR 568 million at the end of 2007. Other assets totalled EUR 10 million.

Liabilities and equity

Exista's total liabilities amounted to EUR 5,642 million as of 31 December 2007, an increase of EUR 3,147 million since the beginning of the year. In broad terms, Exista's liabilities consist of borrowings and technical provisions.

Borrowings totalled EUR 5,124 million at the end of 2007, an increase of approximately EUR 2,941 million since the beginning of the year.

In the fourth quarter of 2007, Exista issued a hybrid security, Preferred Equity Certificates (PEC), in the amount of EUR 250 million.

Technical provisions totalled EUR 222 million at the end of the year, after having decreased by roughly EUR 2 million since the beginning of the year.

The Group's deferred income tax liability amounted to EUR 19 million at the end of 2007, as opposed to EUR 60 million at the beginning of the year.

The Group's equity totalled EUR 2,369 million as of 31 December 2007, an increase of EUR 469 million, or 25%, since the beginning of the year.

The Group's equity ratio was 29.6% as of 31 December 2007.

Consolidated Balance Sheet

(EUR MILLIONS)	31 DEC 2007	31 DEC 2006	CHANGE
ASSETS			
Financial assets designated at fair value through profit and loss	1,123.4	2,273	-51%
Financial assets held for trading	210.2	837	-75%
Loans and accounts receivable	785.0	704	12%
Goodwill and other intangibles	469.4	465	1%
Associates	4,737.6	0	-
Reinsurance assets	10.1	16	-36%
Investment properties	70.1	0	-
Property and equipment	27.6	12	126%
Cash and cash equivalents	567.6	76	646%
Other assets	9.5	13	-25%
Total assets	8,010.5	4,395	82%
EQUITY			
Share capital	120.6	112	7%
Reserves	736.3	721	2%
Retained earnings	1,511.3	1,061	42%
Shareholders' equity	2,368.1	1,894	25%
Minority interest	0.6	6.0	-90%
Total equity	2,368.7	1,900	25%
LIABILITIES			
Borrowings	5,123.7	2,183	135%
Hybrid securities	250.0	-	-
Technical provisions	221.5	224	-1%
Deferred Income tax liability	18.8	60	-70%
Other liabilities	27.8	28	0%
Total liabilities	5,641.8	2,495	126%
Total equity and liabilities	8,010.5	4,395	82%

FUNDING & LIQUIDITY

Exista places great emphasis on dynamic funding operations and a strong liquidity position. Since acquiring its insurance and assets finance businesses in mid-year 2006, the Group has been systematically developing its funding operations as a financial services group. The funding structure has been centralised for the entire Group, funding sources have been expanded, maturities extended and focus shifted from secured to unsecured funding.

Funding operations in 2007

The year 2007 was an active one in terms of funding and refinancing for the Group. During the course of the year, a total of EUR 4.3 billion was raised through various financing arrangements. In addition, agreements for EUR 450 million in committed credit lines were completed. Exista utilised a wide variety of funding instruments, including syndicated loans, securitisation, bond issues, repo transactions, and commercial paper.

Funding and liquidity strategy

Exista focuses on three key principles: diversifying funding sources, extending maturities, and maintaining strong liquidity. This strategy was followed closely in 2007.

Diversification

During the year, Exista concluded two major international funding transactions that substantially broadened the Group's creditor base. In August, Exista signed a EUR 500 million senior unsecured credit facility, which was substantially oversubscribed by 27 banks from 12 countries, and in September, Exista completed a EUR 500 million asset-backed securitisation facility. The transaction, which is backed by a part of the Group's asset finance portfolio, has a ten-year maturity and is effectively a securitisation platform that can be expanded along with the growth of the portfolio.

Extension of maturity profile

In 2007, Exista placed emphasis on raising term funding - that is, liabilities with a maturity of three years or longer - in order to extend its maturity profile. The EUR 4.3 billion raised during the year has an average maturity of 3.7 years, compared to an average maturity of 1.8 years in 2006.

Maintenance of strong liquidity

As a wholesale funded entity, Exista maintains a conservative liquidity policy. Exista secured committed liquidity lines in the amount of EUR 450 million before year-end 2007, in order to support the Group's objective of maintaining strong liquidity at all times.

Liquidity management

Maintaining a solid liquidity position is central to Exista's funding policy. Internal liquidity requirements demand that, at a minimum, committed liquidity sources cover all obligations maturing within 26 weeks (180 days). Furthermore, internal requirements also demand that all debt maturing within 52 weeks (360 days) be covered with the addition of other liquidity sources.