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15 August 2007
Press release

Kaupthing Bank acquires NIBC

Kaupthing Bank hf. ("Kaupthing") today announces that it intends to purchase the entire share capital of NIBC Holding NV ("NIBC") for EUR 2,985 million. NIBC represents an excellent strategic fit for Kaupthing in terms of geographic diversification, products and business culture.

NIBC is a Dutch merchant bank focused on the mid-cap segment in western Europe with a global distribution network. The Bank has 718 full-time employees and offices in The Hague, London, Brussels, Frankfurt, New York and Singapore. NIBC, which was founded in 1945, offers innovative corporate finance, banking and investment management solutions to corporate clients, financial institutions, institutional investors and family offices. NIBC is presently owned by a consortium of shareholders led by J.C. Flowers & Co. LLC ("JCF & Co." or the "Sellers").

The expected acquisition will allow Kaupthing to further diversify and strengthen its existing operations. It will also make it one of the leading corporate and investments banks focusing on financial services to small and medium sized enterprises in Europe. The combined group will benefit from Kaupthing and NIBC's complementary product offerings and compatible business culture.

Transaction Terms and Financing

The purchase price of EUR 2,985 million represents 12.7x NIBC's last twelve months ("LTM") net income¹ and 1.5x NIBC's shareholders' equity as at 30 June 2007.

The purchase consideration will be structured as follows:

- 110 million of newly issued Kaupthing shares at SEK 115.375² per share for an aggregate value of EUR 1,360 million will be issued to the Sellers in relation to completion. The Sellers will become the second largest shareholder in Kaupthing. These shares will be subject to a customary lock-up arrangement whereby all will be restricted for 12 months from closing, tapering to approximately 48 million for 24 months.

¹ Net income from continuing operations for the last twelve months

² The average of the closing bid and ask price on 14th of August

- Cash consideration of EUR 1,625 million financed from existing cash resources, an issue of Tier 1 hybrid instruments and proceeds from an issuance of 40 million new shares (via a pre-emptive rights issue). The rights issue is expected to take place early next year.

The share issuance is in accordance with the existing authorisation under which Kaupthing may issue up to 150 million new shares, or approximately a 20% increase in shares outstanding. Kaupthing has strong liquidity reserves and is therefore well positioned to finance the cash consideration for the acquisition. NIBC's liquidity policies are similar to Kaupthing's and the combined group will maintain robust liquidity requirements going forward, including Kaupthing's target to finance 40% of loans to customers with deposits.

As part of the terms of the transaction, NIBC's US sub-prime portfolio will be transferred prior to the completion to a company controlled by the Sellers.

Strategic Rationale

The transaction will enhance Kaupthing's position as a leading provider of integrated financial services to small and medium enterprises (SMEs) and affluent private clients beyond northern Europe. The acquisition will also further increase Kaupthing's geographic diversification and will in addition provide a strong platform for the expansion of Kaupthing's product offering and the cross-selling of both companies' core products.

Kaupthing's earnings and assets have grown per annum by 77% and 75% (CAGR) respectively over the last four years. This has been achieved through focused organic expansion and highly disciplined acquisitions followed by swift integration. The acquisitions of FIH Erhvervsbank in 2004 and Singer & Friedlander in 2005 are examples of Kaupthing's strong integration skills and ability to create incremental value for shareholders. The expected acquisition of NIBC will benefit from this experience and expertise.

Following the acquisition, Kaupthing will be one of the leading corporate and investment banks in Europe, with total assets of EUR 86.3bn (pro-forma H1 2007) and a presence in 15 countries globally. The transaction will bring a number of strategic benefits to Kaupthing including:

- Become a leading European corporate and investment bank. The bank will have an integrated product offering including financing, advisory, principal investments, capital markets solutions and wealth management. The combined group will be ideally positioned to target further profitable growth in NIBC's core Benelux market as well as other European markets such as Germany.
- Increased value for Kaupthing's shareholders. Significant complementarities exist between Kaupthing and NIBC which make both businesses an excellent fit. For example, there are similarities in their business model, strategy, culture and client focus. Kaupthing and NIBC intend to spread these complementarities, including focussing on cross-selling core products to each other's clients and developing joint initiatives to leverage best practice in both organisations.
- More diversified business. Less than 40% of the combined group's assets will be based in the Nordic region, compared to 66% as at the end of 2006, and only approximately 15% of the combined group's assets will be in Iceland.
- Reduced reliance on earnings from Iceland. In 2006, operating income from Iceland accounted for 33% of Kaupthing's total income. After the integration of NIBC, this figure will decrease to about 25% (pro-forma). Income from the Nordic region will decrease to 48% (pro-forma), from 64% at the end of 2006.
- Improved positioning and enhanced scale. Kaupthing will be more able to respond to the continued move towards larger banks with a greater capacity to provide specialised services and comprehensive client solutions.

- The combined group will have improved access to funding and a larger capital base. By anticipated closing in Q4 2007 Kaupthing's Tier 1 ratio will be above 9% and CAD above 12%.

Kaupthing's aim with the acquisition is to create a stronger, more diverse organisation, not removing overlap, and it expects integration to be smooth. Kaupthing aims to achieve a return on equity of 15% for NIBC within 18 months from completion of the acquisition. As part of the integration NIBC's employees will be offered stock options in Kaupthing in accordance with the bank's policy of offering all employees of the group the chance to become shareholders. Kaupthing intends to fully integrate NIBC into its operations and also to ensure the integration respects NIBC's considerable franchise value and brand name in its markets.

Pro-forma financial information for the combined Kaupthing – NIBC group, for the year ended 31 December 2006, is set out below:

Pro-forma figures for 2006 (€m)	Kaupthing	NIBC	Pro-forma
Net Interest Income	596	251	847
Net Fee and Commission Income	424	61	485
Net Financial Income	388	172	560
Other Income	114	32	146
Operating Income	1522	516	2038
Operating Expenses	683	209	892
Net Income	605	253	858
Cost/Income Ratio	45%	41%	44%
Total Assets	42,864	32,636	75,500
ROE	33%	12%	
Tier 1 Capital	10.5%	12.3%	

Kaupthing's financials exclude capital gains from sale of stakes in VIS and Exista and NIBC's reported net income is from continuing operations

Hreidar Már Sigurdsson, Chief Executive Officer of Kaupthing Bank, said: “The proposed acquisition is a natural next step in Kaupthing’s strategy of growth and diversification. NIBC is an excellent bank that we have followed for many years. It has a strong product offering in its home market, an attractive operating performance from its core operations and strong distribution capabilities. Both Kaupthing and NIBC have similar business models targeted at providing the full range of financial solutions to SMEs and affluent individuals, and the two businesses are complementary in terms of strategy and geographic spread. This will be a great deal for Kaupthing and we all look forward to entering the exciting new markets.”

Michael Enthoven, Chief Executive Officer of NIBC, said: “We look forward to this transaction as it offers many new opportunities to NIBC clients and employees. There is a strong strategic and business fit between the two companies. This will strengthen our origination capabilities and enlarge our global distribution network. Kaupthing’s management has a proven track record of successfully integrating new companies into the group and we are confident about their capacity to carry out the acquisition and integration of NIBC to the highest standards. This is good news for NIBC’s clients and employees. Together NIBC and Kaupthing will be stronger.”

Ravi S. Sinha, Managing Director of JCF & Co, said:

“We expect that this transaction will improve NIBC’s ability to compete and prosper in its core markets. By joining Kaupthing we believe NIBC will benefit from being part of a focused banking group with complementary products, markets and business cultures and a strong

financial position. Our confidence in the enlarged group is reflected by our election to assume a substantial portion of the consideration in Kaupthing shares and becoming one of Kaupthing's largest shareholders."

Regulatory approval

The deal is subject to the approval of the relevant regulatory authorities. These approvals are expected in the fourth quarter of 2007.

Completion

This acquisition is expected to be completed around the end of this year.

Press conference and an analyst conference call

Kaupthing and NIBC will hold a conference call for analysts and investors at 11.00 am (CET) today and a press conference at 14:00 (CET) today in Amsterdam. More information about Kaupthing's acquisition of NIBC is available at www.kaupthing.com.

For analyst and investor conference call please dial +31 (0) 20 531 58 46

The press conference will be held on Hilton Amsterdam Schiphol Airport Hotel at Schipholboulevard 701, 1118 BN Schiphol Airport. Room: Cairo & Melbourne

Kaupthing is being advised by Kaupthing and Lehman Brothers Europe Limited.

For further information, please contact:

Kaupthing Bank

Hreidar Már Sigurdsson

Chief Executive Officer

Tel: +354 444 6105

Jónas Sigurgeirsson

Chief Communications Officer

Tel: +354 444 6112

PR advisers to Kaupthing:

Anita Scott/ Tom Williams, Brunswick Group LLP

+44 207 404 5959

NIBC

Peter Bodes

Director Investor Relations & Corporate Communications NIBC

Tel: +31 70 342 56 25

About NIBC

NIBC's predecessor De Nationale Investeringsbank was established in 1945 by the Dutch government to help finance the reconstruction of the Netherlands. From the beginning, the bank provided long term financing to the Benelux area through both lending and private equity investment. Until 1999, the Bank was majority owned by the Dutch government and other Dutch institutions. In 1999 the Bank was sold to ABP and PGGM, which marked the start of the evolution from a long term lending bank into a Merchant Bank focused on North West Europe. On December 14, 2005, NIB Capital N.V. was sold to a consortium of international investors, organized by J.C. Flowers & Co. LLC. In February 2006 the brand name was changed to NIBC.

Today NIBC is a merchant bank focused on the mid-cap segment in western Europe with a global distribution network. NIBC offers innovative corporate finance, risk management and investment management solutions to corporate clients, financial institutions, financial sponsors, institutional investors and family offices. NIBC has offices in The Hague, London, Brussels, Frankfurt, New York and Singapore.

NIBC's strategy is based on its intermediary role in asset origination and distribution. The strategy is executed through the integrated business model, which embodies the way in which NIBC operates, bringing specialised expertise and knowledge to targeted clients and segments.

For more information, please contact Investor Relations & Corporate Communications.

Phone: +31 (0)70 342 56 25

Web : www.nibc.com

About J.C. Flowers & Co LLC

J.C. Flowers & Co. LLC, based in New York, is a private equity firm focused solely on the financial service sector. Its latest fund has over \$7 billion in commitments from investors.

About Kaupthing Bank

Kaupthing Bank ("Kaupthing") is a European bank offering integrated financial services to companies, institutional investors and high net worth individuals. These services include corporate banking, investment banking, capital markets services, treasury services and asset management and comprehensive wealth management for private banking clients.

The bank operates in ten countries, including all the Nordic countries, Luxembourg, Switzerland, the UK and the US. In addition, the bank operates a retail franchise in Iceland, where it is headquartered.

Based on Kaupthing's market capitalisation of €9.2 billion as of 14 August 2007, the bank is currently the seven largest bank in the Nordic region. Through strong organic growth and strategic acquisitions, such as the acquisition in Denmark of FIH Erhvervsbank in 2004 and the acquisition of the UK-based bank Singer & Friedlander in 2005, Kaupthing has successfully increased both the product and geographic diversification of its operations. As of 30 June 2007 the bank has 2,970 employees and total assets of €54.3 billion.

Kaupthing's shares are listed on the OMX Nordic Exchange in Iceland and Stockholm.

For further information about Kaupthing, go to www.kaupthing.com

Forward-looking statements

To the extent that this press release contains forward-looking statements, such statements are not guarantees of future performance and are subject to inherent risks and uncertainties. Forward-looking statements may be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, words such as “may,” “will,” “expects,” “believes,” “anticipates,” “plans,” “intends,” “estimates,” “projects,” “targets,” “forecasts,” “seeks,” “could,” or the negative of such terms, and other variations on such terms or comparable terminology. Forward-looking statements include, but are not limited to, statements about the expected future business of NIBC resulting from and following the acquisition. These statements reflect Kaupthing’s or NIBC’s respective management’s current expectations based upon information currently available to them and are subject to various assumptions, as well as risks and uncertainties that may be outside of their control. Actual results could differ materially from those expressed or implied in such forward-looking statements. Any such forward-looking statements speak only as of the date on which they are made and neither Kaupthing Bank nor NIBC undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.