

Applicable Final Terms

8 November 2007

Kaupthing Bank hf.
Issue of EUR 67,718,000 Fixed Rate and Index Linked Notes due 8 November 2013
under the €12,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 13 September, 2007 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at the office of the Issuer at Borgartun 19, 105 Reykjavik, Iceland and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

No person has been authorised to give any information or make any representation not contained in or not consistent with these Final Terms, or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Dealer.

By investing in the Notes each investor represents that:

- (a) Non-Reliance. It is acting for its own account, and it has made its own independent decisions to invest in the Notes and as to whether the investment in the Notes is appropriate or proper for it based upon its own judgement and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer or any Dealer as investment advice or as a recommendation to invest in the Notes, it being understood that information and explanations related to the terms and conditions of the Notes shall not be considered to be investment advice or a recommendation to invest in the Notes. No communication (written or oral) received from the Issuer or any Dealer shall be deemed to be an assurance or guarantee as to the expected results of the investment in the Notes.*
- (b) Assessment and Understanding. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and the risks of the investment in the Notes. It is also capable of assuming, and assumes, the risks of the investment in the Notes.*

Status of Parties. Neither of the Issuer nor any Dealer is acting as a fiduciary for or adviser to it in respect of the investment in the Notes.

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| 1. | Issuer: | Kaupthing Bank hf. |
| 2. | (i) Series Number: | 8 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | Euro (“EUR”) |

4.	Aggregate Nominal Amount:	
	(i) Series:	EUR 67,718,000
	(ii) Tranche:	EUR 67,718,000
5.	Issue Price:	100 per cent. of the Aggregate Nominal Amount
6.	(i) Specified Denominations:	EUR 1,000
	(ii) Calculation Amount:	EUR 1,000
7.	(i) Issue Date:	8 November 2007
	(ii) Interest Commencement Date:	Issue Date
8.	Maturity Date:	8 November 2013
9.	Interest Basis:	A Fixed Interest Amount will be paid on 10 November 2008; 5.00 per cent – Fixed Rate
		A Fixed Interest Amount will be paid on 9 November 2009; 5.00 per cent– Fixed Rate
		In addition a Fixed Interest Amount will be paid on a quarterly basis: 0.88 per cent. per annum – Fixed Rate.
		Also an Index Linked Interest Amount will be paid on the Maturity Date. Further particulars specified below.
10.	Redemption/Payment Basis:	Redemption at par
11.	Change of Interest Basis or Redemption/Payment Basis:	Not Applicable
12.	Put/Call Options:	Not Applicable
13.	(a) Status of the Notes:	Senior
	(b) Date Board approval for issuance of Notes obtained:	Not Applicable
14.	Method of distribution:	Non-syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions	Applicable
	(i) Rate(s) of Interest:	For the period from and including the Interest Commencement Date to, but excluding, 9 November 2009 the Rate of Interest is 5.00 per cent. per annum payable annually in arrear;

In addition the applicable Rate of Interest is 0.88 per cent per annum payable quarterly in arrear.

- (ii) Interest Payment Date(s): 10 November 2008, 9 November 2009 and 8 February, 8 May, 8 August and 8 November in each year commencing 8 February 2008 up to, and including, the Maturity Date.
 - (iii) Fixed Coupon Amount(s): Not Applicable
 - (iv) Broken Amount(s): Not Applicable
 - (v) Day Count Fraction: Actual/Actual (ICMA) (unadjusted)
 - (vi) Determination Date(s): 10 November 2008, 9 November 2009 and 8 February, 8 May, 8 August and 8 November in each year commencing 8 February 2008 up to, and including, the Maturity Date.
 - (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: None
16. **Floating Rate Note Provisions** Not Applicable
17. **Zero Coupon Note Provisions** Not Applicable
18. **Index Linked Interest Note Provisions** Applicable
- (i) Index/Formula: The Rate of Interest for the Calculation Amount will be determined by the Calculation Agent as follows:

EUR 1,000 x Index Linked Interest Rate

Where

“Index Linked Interest Rate” will be calculated as follows

$$\max \left\{ 5.0\%, \left[50\% \times \left(\frac{\text{Average}(\text{Index})}{\text{Index}_0} - 1 \right) \right] - 10\% \right\}$$

“Average (Index)” is the arithmetic average of the Official Closing Prices of the Index on each of the twenty four Observation Dates.

“Index₀” means the Official Closing Price of the Index on the Issue Date.

“Index” means an index made up of a basket of Brazilian, Russian, Indian and Chinese stocks the value and composition of which is determined, calculated and

published by the Index Sponsor and/or (ii) any substitute index in the determination of the Calculation Agent, using the same or a substantially similar formula for and method of calculation as used in the calculation of the Index or any constituent thereof; Bloomberg Code: SBE INDEX Index; Reuters Code: .SPBRICE.

For further details on the Index please see paragraph 8 of Part B – Other Information below and the Sponsor website (www.standardandpoors.com);

“Observation Date” means each of 8 February, 8 May, 8 August and 8 November in each year commencing 8 February 2008 up to, and including, 8 August 2013 and the final Observation Date shall be 29 October 2013.

- (ii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):

Deutsche Bank AG, London Branch

- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:

Adjustment Provisions

Definitions

“**Affiliate**” means any entity controlled, directly or indirectly, by the Issuer, any entity that controls, directly or indirectly, the Issuer, or any entity under common control with the Issuer. As used herein “**control**” means ownership of a majority of the voting power of the entity or, as the case may be, the Issuer and “**controlled by**” and “**controls**” shall be construed accordingly;

“**Index Constituent**” means any security or other asset or reference value constituting an Index at a relevant time;

“**Index Sponsor**” means, in respect of the Index, Standard & Poor’s Corporation, a division of the McGraw-Hill Companies, Inc. (“**S&P**”), or, failing that, in the case of the Index, such other person acceptable to the Calculation Agent which calculates and announces the Index, or any agent or other person acting on behalf of such person.

“**Reference Currency**” means (i) EUR and (ii) in relation to an Index Constituent, is the currency in which the Index Constituent is denominated or quoted or with which it is most closely connected, as determined by the Calculation Agent;

“**Official Closing Price**”, in respect of any day, an amount equal to the official closing level of the Index published on the Reference Source, as determined by the

Calculation Agent;

“Reference Source” means in relation to each security or other asset constituting the Index, the primary exchange on which such security or other asset is listed or traded as determined by the Calculation Agent;

“Related Exchange” means with respect to an Index or an Index Constituent, any exchange, trading system or quotation system on which options contracts or futures contracts on such Index or such Index Constituent are traded, as determined by the Calculation Agent;

“Relevant Country” means, each of:

- (i) any country (or any political or regulatory authority thereof) in which a Reference Currency or the Settlement Currency is the legal tender or currency; and
- (ii) any country (or any political or regulatory authority thereof) with which an Index or an Index Constituent has a material connection and, in determining what is material the Calculation Agent may, without limitation, refer to the country or countries in which the Index is calculated or published, the issuer of the Index Constituent is incorporated and/or such other factor(s) as it may deem appropriate, all as determined by the Calculation Agent;

“Relevant Time” means, with respect to an Index or an Index Constituent, the relevant time by reference to which the relevant Index Sponsor determines the price or value of such Index or such Index Constituent for the purposes of determining the Official Closing Price; and

“Settlement Currency” means EUR;

“Trading Day” means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day for the “Reference Source”, provided that trading day shall mean for any Reference Source which is an exchange, a trading system or a quotation system, any day on which such Reference Source is open for trading other than a day on which trading on any such Reference Source is scheduled to close prior to its regular weekday closing time;

Market Disruption

The Calculation Agent shall give notice as soon as practicable to the Noteholders if a Market Disruption Event has occurred on any date with respect to which the Calculation Agent would, but for the occurrence of a

Market Disruption Event, have been required to determine the level of an Index;

“**Market Disruption Event**” means:

the occurrence or existence on any Trading Day at the Relevant Time for such Index or such Index Constituent or at any time during the one hour period that ends at the Relevant Time for such Index or such Index Constituent:

(A) of any suspension of or limitation imposed on trading (whether by reason of movements in price exceeding limits permitted by any Reference Source or any Related Exchange or otherwise):

(i) on any Reference Source as a whole; or on any Related Exchange of any options contracts or futures contracts on or relating to any Index or any Index Constituent; or

on any exchange or trading system or quotation system on which an Index Constituent is listed or quoted of such Index Constituent; or

(B) of any event that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in relation to or to obtain market values for such Index or such Index Constituent on the relevant Reference Source or to effect transactions in or obtain market values for options contracts or futures contracts on or relating to such Index or such Index Constituent on any Related Exchange; or

the closure on any Trading Day of any Reference Source or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by such Reference Source or such Related Exchange, as the case may be, at least one hour prior to (aa) the actual closing time for the regular trading session on such Reference Source or such Related Exchange on such Trading Day or, if earlier, (bb) the submission deadline (if applicable) for orders to be entered into such Reference Source or such Related Exchange system for execution at the Relevant Time on such Trading Day. A “**Scheduled Closing Time**” is the scheduled weekday closing time of the relevant Reference Source or Related Exchange, without regard to after hours or any other trading outside of the regular trading session hours; or

a general moratorium is declared in respect of banking activities in any Relevant Country;

if, in the determination of the Calculation Agent, any of the foregoing is material and in determining what is “material” the Calculation Agent may have regard to such circumstances as it in its reasonable discretion deems appropriate, including any hedging arrangements of the Issuer and/or any of its Affiliates in relation to the Notes;

Adjustments to the Index

The Calculation Agent shall give notice as soon as practicable to the Noteholders of any determination made by it pursuant to paragraph (X) or (Y) below.

(X)

(a) If the Index is not calculated and announced by the relevant Index Sponsor but is calculated and published by a successor sponsor (the “**Successor Sponsor**”) acceptable to the Calculation Agent; or

(b) If the Index is replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then in each case that Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.

or

(c) if, in the determination of the Calculation Agent, a Hedging Disruption occurs in respect of any of the hedging arrangements of the Issuer and/or any of its Affiliates in relation to the Notes. “Hedging Disruption” means that Issuer or any of its Affiliates is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to such hedging arrangement, or (B) realize, recover or remit the proceeds of any such transaction or asset, or

(d) if, in the determination of the Calculation Agent, an Increased Cost of Hedging occurs in respect of any of the hedging arrangements of the Issuer and/or any of its Affiliates in relation to the Notes. “Increased Cost of Hedging” means that the Issuer or any of its Affiliates would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it

deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to its hedging arrangements,

(e) if, in the determination of the Calculation Agent, a Change in Law occurs in respect of any of the hedging arrangements of the Issuer and/or any of its Affiliates in relation to the Notes. "Change in Law" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority), the Calculation Agent determines in good faith that (X) it has become illegal to hold, acquire or dispose of the Notes, or (Y) the Issuer will incur a materially increased cost in performing its obligations under the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

then in each case that Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, or, if the Calculation Agent so determines the provisions of (Y) (b) and (c) below will apply.

(Y) If:

on or prior to any date with respect to which the Calculation Agent is required by these Note Terms to determine the level of an Index, the relevant Index Sponsor or, if applicable, the Successor Sponsor (i) makes or announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation and other routine events) (an "**Index Modification**") or (ii) permanently cancels that Index (an "**Index Cancellation**") or (iii) fails to calculate and announce that Index (an "**Index Disruption**") and,

in each case, (X) (a) or (X) (b) does not apply, then the Issuer may take any action described in (Y) (b) or (Y) (c) below:

(Y) (b) require the Calculation Agent to determine the level of that Index on that date using, in lieu of a published level for that Index, the level for that Index as at that date as determined by the Calculation Agent in

accordance with the formula for and method of calculating that Index last in effect prior to the Index Modification, Index Cancellation or Index Disruption but using only those Index Constituents that comprised that Index immediately prior to the Index Modification, Index Cancellation or Index Disruption; or

(Y) (c) cancel the Notes by giving notice to Noteholders. If the Notes are so cancelled, the Issuer will pay an amount to each Noteholder in respect of each Security held by such Noteholder which amount shall be the fair market value of a Security taking into account the Index Modification, Index Cancellation or Index Disruption, as the case may be, less the cost to the Issuer and/or any of its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its reasonable discretion. Payment will be made in such manner as shall be notified to the Noteholders.

The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Noteholder of any determination made by it which occurs on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Noteholders copies of any such determinations.

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| (iv) | Specified Period(s)/Specified Interest Payment Dates: | The Maturity Date |
| (v) | Business Day Convention: | Modified Following Business Day Convention |
| (vi) | Additional Business Centre(s): | TARGET |
| (vii) | Minimum Rate of Interest: | 0.00 per cent. per annum |
| (viii) | Maximum Rate of Interest: | Not Applicable |
| (ix) | Day Count Fraction: | Not Applicable |
| 19. | Equity Linked Interest Note Provisions | Not Applicable |
| 20. | Commodity Linked Interest Note Provisions | Not Applicable |
| 21. | Additional Disruption Events (applicable to Equity Linked Interest Notes only): | Not Applicable |

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| 22. | Dual Currency Interest Note Provisions | Not Applicable |
| 23. | Target Redemption Note Provisions: | Not Applicable |
| 24. | Range Accrual Note Provisions: | Not Applicable |

PROVISIONS RELATING TO REDEMPTION

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| 25. | Issuer Call: | Not Applicable |
| 26. | Investor Put | Not Applicable |
| 27. | Target Redemption Note Provisions: | Not Applicable |
| 28. | Final Redemption Amount: | EUR 1,000 per Calculation Amount |
| 29. | Early Redemption Amount: | <p>With respect to each Calculation Amount, such amount(s) determined by the Calculation Agent which shall represent the fair market value of such Calculation Amount on the date of redemption, including accrued interest (if any), adjusted to account fully for any losses, expenses and costs to the Issuer (or any of its affiliates) of unwinding any underlying or related hedging and funding arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. For the purposes hereof:</p> <ul style="list-style-type: none"> (i) the references to "together (if appropriate) with interest accrued to (but excluding) the date of redemption" shall be deemed to be deleted from each of Condition 7(b) and Condition 7(h); and (ii) the references to "together with accrued interest thereon to the date of repayment" shall be deemed to be deleted from Condition 14. |
| 30. | Capital Notes Provisions: | Not Applicable |
| 31. | Equity Linked Redemption Notes: | Not Applicable |
| 32. | Additional Disruption Events: | Not Applicable |
| 33. | Credit Linked Notes: | Not Applicable |

34. Commodity Linked Redemption Notes: Not Applicable

GENERAL PROVISIONS APPLICABLE TO THE NOTES

35. (a) Form of Notes: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event

(b) New Global Note: No

36. Additional Financial Centre(s) or other special provisions relating to Payment Dates: TARGET

37. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): No.

38. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and, consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: Not Applicable

39. Details relating to Instalment Notes:

(i) Instalment Amount(s): Not Applicable

(ii) Instalment Date(s): Not Applicable

40. Redenomination applicable: Redenomination not applicable

41. Other final terms: Not Applicable

DISTRIBUTION

42. (i) If syndicated, names and addresses of Managers and underwriting commitments: Not Applicable

(ii) Date of Subscription Agreement: Not Applicable

(iii) Stabilising Manager (if any): Not Applicable

43. If non-syndicated, name and address of relevant Dealer: Deutsche Bank AG, London Branch
Winchester House
23 Great Winchester Street
London EC2N 2DB

44. Total commission and concession: 0.00 per cent. of the Aggregate Nominal Amount
45. U.S. Selling Restrictions: TEFRA D
46. Non-exempt Offer: Not Applicable
47. Additional selling restrictions: The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:
- (i) to qualified investors (investitori qualificati), as defined in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the Financial Services Act) and Article 31, second paragraph, of CONSOB (the Italian Securities Exchange Commission) Regulation No. 11522 of 1 July 1998, as amended (Regulation No. 11522) by CONSOB; or
 - (ii) in other circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended (Regulation No. 11971).

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Regulation No. 11522 and Legislative Decree No. 385 of 1 September 1993, as amended (the Banking Act); and
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB.

PURPOSE OF FINAL TERMS


These Final Terms comprise the final terms required for issue and admission to trading on the Bourse de Luxembourg and admission to an official list of the Notes described herein pursuant to the €12,000,000,000 Euro Medium Term Note Programme of Kaupthing Bank hf.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Standard and Poors and Bloomberg, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By:


Duly authorised

JAKOB BJARNASON

MANAGING DIRECTOR



STEINGRÍMUR KARASON

CHIEF RISK OFFICER

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING** Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Bourse de Luxembourg and, admission to an official list with effect from 8 November 2007.

2. **RATINGS**

Ratings: The Notes to be issued have not been rated.

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

- (i) Reasons for the offer: See “Use of Proceeds” wording in Base Prospectus
- (ii) Estimated net proceeds: EUR 67,211,807.95
- (iii) Estimated total expenses: EUR 1,975

5. **YIELD** (*Fixed Rate Notes only*)

Indication of yield: For the period from and including the Interest Commencement Date to, but excluding, 9 November 2009 the applicable yield is 5.00 per cent per annum.

0.88% per annum - Fixed Rate paid on a quarterly basis

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. **HISTORIC INTEREST RATES** (*Floating Rate Notes only*)

Not Applicable

7. **PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING INDEX** (*Index-Linked Notes only*)

The S&P BRIC 40 Index is a basket of 40 leading securities, representing the largest and most liquid companies in Brazil, Russia, India and China (BRIC) (for a complete list of constituents please see table below).

All companies in the S&P BRIC 40 are constituents of the S&P/IFCI index series, a family of emerging market indices that measure the return of stocks that are legally and practically available for foreign investment and meet minimum market capitalization and liquidity requirements.

All stocks in the S&P BRIC 40 Index must trade in developed market exchanges (Hong Kong Stock Exchange, London Stock Exchange, Nasdaq and NYSE).

The index uses a modified market capitalization weighting scheme, with modifications being to

market cap weights, if required, to reflect available float, reduce single stock concentration and enhance index basket liquidity.

The S&P BRIC 40 uses data from the S&P Emerging Markets Database (EMDB). EMDB contains the oldest and deepest data history of emerging markets equities. This database has been maintained since 1975 and was acquired by Standard & Poor's in 2000.

Index Membership

- All constituents of the S&P/IFCI indices for Brazil, Russia, India and China comprise the starting universe.
- Stocks in the starting universe that do not have a developed market listing are removed.
- All stocks with a float adjusted market cap less than the "Market Cap Threshold" and/or average three-month daily value traded less than the "Liquidity Threshold" are removed. (Currently, the Market Cap Threshold is US \$1 billion and the Liquidity Threshold is US \$5 million.)
- If a stock has multiple share classes, the share class with lower liquidity is removed.
- Remaining stocks are sorted in decreasing order of their market cap. The top forty become index members.

Calculation and Rebalancing

The Index uses a modified market capitalization weighting scheme and is rebalanced once a year after the close of the third Friday in December with a mid-year review in May which may result in a mid-year rebalancing. The mid-year rebalancing to be effective after the close of the third Friday in June would only occur if three of the biggest 30 stocks from the eligible universe are not in the index.

At rebalancing, the starting weight of each stock is proportional to its available market capitalization, which accounts for available float and investment restrictions for foreign investors. Modifications are made to this weight, if required to ensure the following:

- No single stock has a weight in index greater than the "Maximum Weight",
- The maximum portfolio size that can be turned over in a single day based on historical volumes is greater than the "Basket Liquidity".

Weighting Process

The current methodology stipulates that at rebalancing no stock can have a weight of more than 10% in the index and respectively, the minimum initial portfolio size for 1-day trade (based on recent trading volumes) can not be lower than USD 600 million.

According to the methodology, these parameters (portfolio size and maximum weight) can be changed during the annual rebalancing period depending upon market circumstances.

Pricing and Currency

The index is calculated in USD and EUR.

Local market prices are converted using the Reuters/WM London closing. The pricing of individual index constituents is taken from their listing in the developed market exchange in which it trades. If a stock trades on more than one developed market exchange, the listing from the market with the most liquidity is taken. Price return and total return versions are available, with the total return version using dividends reinvested after withholding taxes.

S&P BRIC 40 Index has historical data back to February 2, 2004, which includes, price returns, total

returns and net returns. Data is published daily.

The information relating to the Index mentioned above are excerpted from the document "S&P BRIC 40 - Factsheet". The S&P BRIC 40 Index is a basket of 40 leading securities, representing the largest and most liquid companies in Brazil, Russia, India and China (BRIC) (for a complete list of constituents please see table below).

All companies in the S&P BRIC 40 are constituents of the S&P/IFCI index series, a family of emerging market indices that measure the return of stocks that are legally and practically available for foreign investment and meet minimum market capitalization and liquidity requirements.

All stocks in the S&P BRIC 40 Index must trade in developed market exchanges (Hong Kong Stock Exchange, London Stock Exchange, Nasdaq and NYSE).

The index uses a modified market capitalization weighting scheme, with modifications being to market cap weights, if required, to reflect available float, reduce single stock concentration and enhance index basket liquidity.

The S&P BRIC 40 uses data from the S&P Emerging Markets Database (EMDB). EMDB contains the oldest and deepest data history of emerging markets equities. This database has been maintained since 1975 and was acquired by Standard & Poor's in 2000.

The information relating to the Index mentioned above are excerpted from the document "S&P BRIC 40 - Factsheet" dated 5 November 2007 as published by Standard & Poor's on its website (www.indices.standardandpoors.com).

AmBev -PN (ADR)
Bank of China Ltd-H
BANK OF COMMUNICATIONS CO-H
Bradesco-PN (ADR)
Cemig-PN (Companhia Energetica de Minas Gerais SA) (ADR)
China Construction Bank Corporation - H Shares
China Life Insurance Co. Ltd. - H
China Merchant Hld
CHINA MERCHANTS BANK - H
China Mobile Ltd.
China Petroleum & Chemical Corporation - H Shares
China Shenhua Energy Co - H
China Telecom Corp-H
CNOOC Ltd.
Companhia Siderurgica Nacional-ON (ADR)
Embraer ON (ADR)
Gerdau S.A. -PN (ADR)
HDFC Bank Ltd.
ICICI Bank Limited
Industrial and Commercial Bank of China Ltd. - H Shares
Infosys Technologies Ltd.
Itaubanco-PN (Bco Itau Hldg Financeira) (ADR)
JSC MMC NORILSK NICKEL-ADR
LUKOIL-SPON ADR
NOVATEK OAO
OAO GAZPROM-SPON ADR REG S
OAO ROSNEFT OIL CO-GDR
PetroChina Co. Ltd. - H Shares

Petroleo Brasileiro S.A. - Petrobras
Ping An Insurance-H
Reliance Industries Ltd.
Satyam Computer Services Limited
SURGUTNEFTEGAZ-SP ADR
TATNEFT
Tele Norte Leste Participacoes SA-PN (ADR)
Unibanco -UNIT (Uniao de Bancos Brasileiros SA) (ADR)
UNIFIED ENERGY SYS-REG S GDR
Vale R Doce - ON (Companhia Vale do Rio Doce SA-CVRD) (ADR)

Source: Standard & Poor's

As regards the S&P BRIC 40 methodology, please also refer to the document "S&P BRIC 40 - Methodology" as published, from time to time, by Standard & Poor's on its website (www.indices.standardandpoors.com).

For further details, please refer to Part A, paragraph 18.(i) above and visit the S&P web site. as published by Standard & Poor's on its website (www.indices.standardandpoors.com).

As regards the S&P BRIC 40 methodology, please also refer to the document "S&P BRIC 40 - Methodology" as published, from time to time, by Standard & Poor's on its website (www.indices.standardandpoors.com)

The Issuer does not intend to provide post-issuance information.

- 8. PERFORMANCE OF THE EQUITY/BASKET OF EQUITIES, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE EQUITY/BASKET OF EQUITIES** (*Equity Linked Notes only*)

Not Applicable

- 9. PERFORMANCE OF THE COMMODITY/BASKET OF COMMODITIES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE COMMODITY/BASKET OF COMMODITIES** (*Commodity Linked Notes only*)

Not Applicable

- 10. INFORMATION IN RELATION TO THE REFERENCE ENTITY, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE REFERENCE ENTITY** (*Credit Linked Notes only*)

Not Applicable

- 11. PERFORMANCE OF RATES OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT** (*Dual Currency Notes only*)

Not Applicable

12. OPERATIONAL INFORMATION

- | | | |
|-------|---|--------------------------|
| (i) | ISIN Code: | XS0313144379 |
| (ii) | Common Code: | 031314437 |
| (iii) | Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, <i>société anonyme</i> and the relevant identification number(s): | Not Applicable |
| (iv) | Delivery: | Delivery against payment |
| (v) | Names and addresses of additional Paying Agent(s) (if any): | Not Applicable |
| (vi) | Intended to be held in a manner which would allow Eurosystem eligibility: | No |

13. TERMS AND CONDITIONS OF THE OFFER Not Applicable