Report to Fiskeri- og Havbruksnæringens Landsforening

ICELANDIC BANKS 2005

BANK FINANCING AND OWNERSHIP IN THE DOMESTIC
AND GLOBAL FISH INDUSTRY

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INTRODUCTION

This report titled: **Icelandic banks 2005 -bank financing and ownership in the domestic and global fish industry**, has been researched and written by Dr. Alda Möller, Seafood Industry Consultant in Iceland.

The report was written for the Norwegian Seafood Federation (FHL) in cooperation with the Norwegian Seafood Export Council (NSEC) as a study of the Icelandic banks' activities in the fisheries sector, in particular with a view of recent involvement in the Norwegian fisheries and bank acquisitions in Norway.

Research for the report is based chiefly on information in the latest Annual Reports of the three major Icelandic banks, but also on interviews and informal conversations with specialists in the banks' investment divisions and by study of the Iceland Stock Exchange.

The author endeavored to make the report accurate and up-to-date, and hopes that factual errors will not detract from its value.

Reykjavik, July 2005
Alda Möller

ICELANDIC BANKS 2005

EXCERPTS FROM THIS REPORT

Kaupthing Bank (KB Bank), Landsbanki Islands and Islandsbanki (ISB) are the three major banks in Iceland. All are commercial banks with a number of branches in Iceland, but more significantly, they have become investment banks on a significant scale, both domestically and internationally. All three are among the fifteen largest banks in the Nordic region.

Islandsbanki (ISB)

- Ownership of ISB is complex and includes major investment companies and the bank's own competitors.
- ISB Norway (Kredittbanken and BNbank) is a new division set up to focus on ISB strategy in Norway, following the Bank's expansion there.
- ISB senior managers have described Norway and Iceland as their home markets. The bank's interest in the Norwegian fisheries is based on expected industry consolidation and rationalisation.
- In 2004, the ISB total loans portfolio was close to USD 7.5 billion (ISK 460 billion), including 20% to the seafood industry worldwide.
- The Bank's international Seafood Industry Team consists of corporate financiers, industry analysts, credit officers and dealers with many years' experience in the seafood industry prior to joining Islandsbanki. Fifteen specialists are currently listed on the team with a focus for different geographical areas, such as the US West Coast, South America, Scandinavia, and the United Kingdom.

Landsbanki Islands

- Ownership of Landsbanki is fairly clear cut. There is a controlling shareholder and a large number of small shareholders, especially various pension funds.
- The involvement of Landsbanki in the fish industry and related business is primarily in Iceland. The bank's most conspicuous presence in the sector is as major owner of the Icelandic Group and Burdaras Investment Group, which is prominent in ownership of some fisheries-related companies.
- Landsbanki has established a new department within its Corporate Division, specialising in services for the fish industry outside Iceland.
- About 27% of the bank's lending is to foreign clients, mostly through the banks in London and Luxemburg. Outstanding loans abroad amounted to ISK 145 billion at the end of 2004.

Kaupthing Bank

- Ownership of Kaupthing Bank is quite dispersed, apart from two major shareholders.
- Kaupthing Bank is the most international of the Icelandic banks, and the least inclined to put the fisheries sector into a special focus, it seems. It is, however, a major shareholder in a few fish industry companies, most notably in the SIF Group and HB Grandi.
- A prominent feature of the bank is that in addition to its financing activities for a number of large clients it has become a significant minority shareholder in many of the same companies.

ICELANDIC BANKS, HISTORY AND NORDIC PERSPECTIVE

Icelandic banks used to be focused on services in Iceland. They were commercial banks and each operated mostly within a specific area of the country's industries, i.e. as the Bank of Fisheries, Bank of Industry, Bank of Commerce and Bank of Agriculture, in additon to Landsbanki and the Labour Bank. The largest banks had branches in most towns, servicing the private sector, the fisheries and agriculture. The fisheries and agriculture banks and Landsbanki were state-owned and state-controlled.

The first bank to be privatised was the Bank of Fisheries which merged with three other banks in 1990 to become **Islandsbanki**. In 1998 there was a further merger with the previously state-owned Investment Bank, which had its own roots in investment funds for the fisheries and industry.

Landsbanki Islands was privatised in 2002, and the Bank of Agriculture was sold to a group of investors in 2003. The latter shortly afterwards merged with Kaupthing Bank, the first successful investment bank, aimed at international and domestic investments, and became **Kaupthing Bank**, the largest bank in Iceland.

Kaupthing Bank (KB Bank), Landsbanki Islands and Islandsbanki (ISB) are the three major banks in Iceland. All are commercial banks with a number of branches in Iceland, but more significantly, they have become investment banks on a significant scale, both domestically and internationally.

These three banks are the largest companies on the Iceland Stock Exchange and all are among the fifteen largest in the Nordic area, as shown in the following table:

Fifteen largest Nordic banks (Feb. 2005)

	Market capitalization in billion ISK
Nordea, Nordic	1,644
Danske bank, Denmark	1,203
Handelsbanken, Sweden, Nordic	1,010
SEB, Sweden	775
DnB NOR, Norway	775
Swedbank, Sweden	771
Sampo, Finland	493
Kaupthing Bank, Iceland	350
Skandia, Sweden	326
Islandsbanki, Iceland	163
Storebrand, Norway	156
Codan, Denmark	154
Jyske Bank, Denmark	144
Landsbanki Islands, Iceland	123
Pohjola, Finland	118

Based on Morgunbladid, March 3, 2005, original ref. JPMorgan

ISLANDSBANKI ISB

Islandsbanki was formed in 1990 when four Icelandic commercial banks merged, including the former Bank of Fisheries, that had operated for sixty years and was traditionally involved in financing and banking for the fisheries. In 2000 there was further merger as Islandsbanki and FBA (The Icelandic Investment Bank) joined forces creating the largest financial group in Iceland at the time. In 2004 Islandsbanki acquired Kredittbanken in Norway, and earlier this year the acquisition of BNbank, Norway's fourth largest bank, was completed. Furthermore, Islandsbanki owns a Luxembourg based bank, has a branch in London and has recently started a branch in Copenhagen.

Key figures and operations 2004

Islandsbanki has a market capitalization of approx. ISK 170 billion (mid 2005). Total assets at year-end 2004 amounted to ISK 675 billion. Total assets increased by 52% in 2004. Shareholders are more than 10,000.

Islandsbanki operated with a net profit of 11.4 billion ISK in 2004. Equity was 50.3 billion ISK at the end of 2004 and the return on equity was 40%.

Islandsbanki operates in five main divisions as announced in April 2005:

- Commercial banking - retail and corporate -including traditional banking operations with 30 branches in Iceland.
- Capital markets - with a focus on client transactions in domestic and foreign bonds, equities, currencies and derivatives. The client base consists mostly of domestic firms and institutional investors, as well as municipalities and foreign investors.
- Investment banking - with a focus on banking services to companies in Iceland and specialised financing and advisory services in Northern Europe and North America. There is a special focus on serving certain sectors, especially the fish industry on a global basis. Investment banking is responsible for the international development of the bank, including foreign lending activities and cross-border consultation services through the London and Luxembourg branches.
- Finance Division - including risk management, credit control and proprietary trading.
- ISB Norway, composed of Kredittbanken and BNbank. This is a new division set up to focus on ISB strategy in Norway, following the Bank's expansion in Norway. The CEO for ISB operations in Norway is Mr Frank O. Reite, who is also a member of the Management Board of ISB.

Ownership of Islandsbanki

Ownership of ISB is complex and interwoven with major investment companies and the bank's own competitors. Ten largest owners are listed in the following table.

Ten largest shareholders of Islandsbanki (June 2005)

	%
Straumur Investment Bank	21.05
Burdaras	8.29
Milestone Investment Group	7.88
Islandsbanki	4.21
Landsbanki Islands	4.08
Arion nomine account	2.80
Primus Investment Group	1.90
Hromundur Investment Group	1.89
Gildi Pension funds	1.82
Norwest Investment Group	1.82
10 largest total	55.74

Straumur, the largest owner of Islandsbanki, is in turn owned by a variety of investment groups. Chief owner of Straumur is Grettir Investment Group (16.30%) - which again is owned by Landsbanki (49.75%) and TM Insurance Company (49.75%). Second largest shareholder in Straumur is MK-44 (private Investment Group)(12.65%) and the third largest is Burdaras Investment Company (8.58%). Both Islandsbanki (5.34%). and Landsbanki directly (7.73%) are also among largest owners of Straumur.

The Investment Company Burdaras is both the second largest owner of Islandsbanki and also among the major owners of Straumur. Burdaras is controlled by and chiefly owned by Landsbanki (close to 50%).

From the above it can be concluded that Landsbanki has various direct and indirect stakes in Islandsbanki, with its influence through the Straumur Investment Bank and Burdaras Investment Group being the most significant.

Presently (July 2005) there is a large-scale transfer of shares in Islandsbanki, seen as a campaign for control of the bank. Since the end of last year both Landsbanki and Burdaras have increased their share ownership.

Recent Acquisitions

In 2004 Islandsbanki bought KredittBanken in Norway for 3.5 billion ISK and the BNbank in Norway for 33.6 billion ISK. Both are commercial banks and in both cases Islandsbanki has become sole owner.

KredittBanken has operated for 14 years in Ålesund, mostly by servicing small and medium-sized fisheries companies. Its loan portfolio at the end of 2004 included 25% vessel financing and 20% property loans. A change of direction in 2005 involves financial services for offshore enterprises in the oil industry and the fisheries.
By April 2005, majority shareholders in FactoNor (Ålesund) had given KredittBanken their acceptances to sell their holdings in FactoNor. KredittBanken is making a bid for all the outstanding shares in FactoNor, which specialises in factoring for small and medium-sized companies in northwestern Norway.

BNbank is the 4th largest bank in Norway, and the leading bank in mortgage financing of the Norwegian property market. It is headquartered in Trondheim with chief activity in the Trondheim and Oslo areas and operates BNkreditt as a subsidiary. The bank's loan portfolio is 30% to private individuals and 70% corporate.

In July 2005, ISB bought a 10% share in the newly founded Bank2 in Norway. This will be a commercial bank offering traditional banking service. The bank's primarly focus will be refinancing of restructured debt.

ISB will be opening a representative office in Copenhagen this year. Its primary activities will be leveraged finance activities in Scandinavia and relationships with Nordic businesses and financial institutions.

ISB focus on Norway and fisheries-based areas

ISB senior managers have described Norway and Iceland as their home markets. In a recent interview with Bjarni Armannsson, CEO of Islandsbanki, he explains why the bank is so focused on the Norwegian market[1]. The following are excerpts: "Our strategy for some time has been to develop opportunities for the bank outside Iceland in areas where we have some expertise on a global scale. Because of the seafood industry we've been working in Norway and think that the developments taking place there are promising, such as quota consolidation..."

In an interview with Kjartan Olafsson, Senior Business Manager of KredittBanken he sharpens this focus[2], saying that the bank wants to expand within areas of its expertise, i.e. in the seafood business, wherever it is based on sustainable and responsible fisheries management. This includes not only Norway and Iceland, but also the US, Canada, South America and New Zealand. As regards Norway, he feels that industry consolidation and a system for increasingly transferable quotas will improve efficiency in the Norwegian industry and make it more profitable in the future. As an example he mentions that export value per fisherman in Iceland is close to ISK 23 million, while it is equivalent to ISK 10 million in Norway. He also expects there to be increased vertical integration within the industry, facilitating a market-based and quality-based approach to the business.

Fisheries in the ISB loans portfolio

ISB outstanding loans to fishing and processing companies in Iceland amounted to about ISK 45 billion by the end of 2004. This was a third of the total loans under the Commercial Division, making the sector the most prominent in the loans portfolio. About 28% of new loans in 2004 were allocated to the fishing and processing sector in Iceland.

[1] Interview in Atlantica Magazine, 2005
[2] Morgunbladid, 9 Dec 2004

In 2004, the ISB total loans portfolio was close to USD 7.5 billion (ISK 460 billion), including 20% to the seafood industry worldwide.

In 2004, about 30% of the bank's outstanding loans (all sectors) were assigned to customers outside Iceland.

ISB Fisheries interests

The Bank's international Seafood Industry Team is part of the Investment Banking Division and consists of corporate financiers, industry analysts, credit officers and dealers with many years' experience. Fifteen specialists are currently listed on the team with a focus for different geographical areas, such as the US West Coast, South America, Scandinavia, and the United Kingdom.

The London Branch forms a part of the ISB Investment Banking Division. The principal business is corporate finance, which provides advice to clients when undertaking mergers and acquisitions. The primary focus of business is the food sector - advising companies on transactions in the fisheries, food ingredients and packaged foods sectors.

ISB has developed a large-scale involvement in the fisheries sector. The following are recent developments. The list is probably not complete.

Norway

1. **Norway Seafoods and Aker Seafoods in Norway -** ISB arranged EUR 9 million loan for vessel financing for Norway Seafoods. In June 2005, ISB underwrote an ISK 4 billion bond issue for Aker Seafoods. Investors responded well to the bond issue and the bank completed the sale of the bonds a few days later to about 20 Icelandic institutional investors. The bonds are index-linked and will be listed on the Iceland Stock Exchange.

   Aker Seafoods has entered into an agreement with ISB and DnB NOR on the refinancing of the group. This agreement allows for total borrowing of NOK 1.3 billion. Apart from the frst bond issue, which raised the equivalent of NOK 400 million, DnB NOR will be granting Aker Seafoods a 10-year senior secured credit facility of NOK 800 million, and the company has signed an agreement on a NOK 100 million revolving credit and guaranteed facility from DnB NOR.

   Aker Seafoods ASA, created by the merger of Norway Seafoods, West Fish-Aarsæther and Nordic Sea Holding is Europe's largest fisheries company, active in the catching, processing and sale of whitefish. It has operations in Norway, Denmark, UK and USA. The pro-forma turnover in 2004 of the business units forming Aker Seafoods was around NOK 2.5 billion.

2. **Cermaq Norway -** ISB participated in a USD 300 million syndicated loan.

3. **Maritech Norway** - The bank provides total refinancing for Maritech (undisclosed amount).

4. **Norlax Norway** - ISB was the arranger and underwriter of EUR 12 million integrated financing.

Other Europe

1. **Labeyrie in France -** Islandsbanki participated in leveraged buyout of the Labeyrie Group, by arranging EUR 160 million senior loan and EUR 25 million mezzanine loan. (Later in the year, the Labeyrie Group was acquired by the SIF Group in Iceland). In 2004, ISB also facilitated the sale of Farne of Scotland to the Labeyrie Group.

2. **Young's Bluecrest UK -** ISB participated in leveraged buy-out in the form of GBP 98 million senior loan and GBP 15 million mezzanine loan to Young's Bluecrest.

3. **Coldwater Seafood UK -** ISB arranged a syndicated loan (with Landsbanki) to IFP Holding (Coldwater Seafood UK) valued at GBP 53 million to finance their recent acquisitions in fresh fish processing (Seachill, Cavaghan & Gray). Islandsbanki's share of this loan was GBP 35.5 million.

4. **SIF France -** ISB participated in EUR 25 million working capital financing.

5. **Europacifico Spain -** ISB provided EUR 14 million working capital for Europacifico in Spain.

6. **Findus Sweden –** ISB participated in EUR 250 million syndicated loan.

North America

1. **American Seafoods USA -** ISB participated in USD 380 million syndicated loan to the American Seafoods Group.

2. **Arctic Storm Management Group USA -** ISB arranged for USD 35 million syndicated loan for refinancing of the vessel Arctic Fjord.

3. **Cooke Aquaculture Inc. USA -** The bank financed the buy-out of Heritage Salmon in Canada and purchase of Heritage Salmon in USA. Last year's buy-out of Atlantic Salmon of Maine by Cooke Aquaculture was also financed by ISB. Cooke Aquaculture is the largest Canadian salmon farming company with annual turnover of USD 200 million. The company has also publicly declared an interest in acquiring Stolt Sea Farms in Canada.

4. **FPIL Canada -** ISB was the leading arranger for CAD 80 million long-term loan for Fishery Products International Ltd. in Newfoundland.

5. **Clearwater Seafoods Canada** – The bank was also the arranger of CAD 120 million syndicated loan for Clearwater Seafoods in Nova Scotia.

6. **High Liner Foods Canada** - The bank arranged loans for High Liner Foods in Nova Scotia in the late 1990s.

6. **Barry Group Canada -** ISB has operated closely with the Barry Group in Newfoundland since 1998. The bank arranged for the refinancing of the Group.This company was probably the first client of ISB in the bank's "outward reach".

South America

1. **AquaChile -** Islandsbanki recently concluded a USD 25 million loan agreement to AquaChile in collaboration with a Chilean bank. The deal provides working capital financing to the company, which has grown rapidly during in recent years. AquaChile has a vertically integrated production (from eggs to farming), with a turnover in 2004 of USD 250 million. The company accounts for 13% of salmon export from Chile.

2. **Invertec in Chile -** In 2004, the bank participated in a USD 9 million syndicated loan to Invertec, a leading Chilean producer of frozen salmon portions to the US and European markets.

Domestic - Iceland

1. **Sig. Agustsson -** ISB provided consultancy service on the acquisition of Hevico and arranged the financing when Sig. Agustsson in Iceland bought the Danish company recently. Hevico specialises in the manufacture of smoked trout and is the largest company in its field in Europe.

2. **Eskja** - ISB arranged for ISK 1,500 million leveraged buy-out and public to private conversion for Eskja (whitefish and pelagic fishing and processing).

3. **Samherji** - The bank arranged refinancing of Samherji (undisclosed amount)

4. **Þorbjörn Fiskanes** - The bank arranged leveraged buy-out for the company management (undisclosed amount).

5. **Marel** - The bank arranged refinancing of Marel (undisclosed amount).

6. **Fram Foods** - The bank provided ISK 500 million working capital for Fram Foods (Roe products and herring marinades).

7. **HB Grandi** - the bank provides long-term financing of HB Grandi.

LANDSBANKI ISLANDS

Landsbanki Islands places emphasis on its domestic role and involvement in private and corporate banking, but its chief growth has nevertheless been abroad in the past three years, i.e. since it was privatised. The involvement of Landsbanki in the fish industry and related business is primarily in Iceland. The bank's most conspicuous

presence in the sector is as major owner of the Icelandic Group and Burdaras Investment Group, which is prominent in some fisheries-related companies.

Landsbanki bought the Heritable Bank in London in 2003. The bank specialises in providing funding for residential property development and mortgage lending. In 2005, Landsbanki acquired the stockbroker firm Teather and Greenwood in London. Landsbanki also has a branch in its own name in Luxembourg specialising in asset management, private banking for Icelandic and Scandinavian customers, and lending operations for Scandinavian institutional investors.

Key figures and operations 2004

Landsbanki has a market capitalization of approx. ISK 120 billion (early 2005). Total assets at year-end 2004 amounted to ISK 730 billion. Total assets increased by 63% in 2004. Shareholders are close to 14,800.

Landsbanki operated with a net profit of ISK 12.7 billion in 2004. Equity was ISK 38 billion at the end of 2004 and the return on equity was 50%.

Landsbanki operates in 6 main divisions from its headquarters in Iceland:

- Corporate banking - domestic and international
- International banking
- Securities and Treasury
- Asset management
- Sales and Marketing
- Private banking.

Ownership of Landsbanki Islands

The ownership of Landsbanki is clear-cut. There is a controlling shareholder and a large number of small shareholders, especially various pension funds.

Ten largest shareholders of Landsbanki (June 2005)

	%
Samson Holding	44.79
Landsbanki Islands	6.19
TM Insurance Company	4.11
Landsbanki Luxembourg	3.75
Pension Funds - Public Employees	3.07
Pension Funds (LV)	2.55
Proteus Global Holding (undisclosed)	2.45
LB Holding (Landsbanki)	2.39
Pension Fund - Gildi	1.82
Pension Fund North Iceland	1.52
10 largest total	72.64

Samson Holding is a private investment company, largely family-owned, that acquired the Landsbanki shares when it was privatised in 2002.

Landbanki in foreign markets

About 27% of the bank's lending is to foreign clients, mostly through the banks in London and Luxemburg. Outstanding loans abroad amounted to ISK 145 billion at the end of 2004, having increased from ISK 40 billion in the past two years. Most of these are syndicated loans, where Landsbanki is either a major or minor contributor. Areas of business are mostly in UK retail (Big Food Group, MK One, Goldsmiths Group, Oasis, New Look, Pets At Home), retail in Germany (CBR), in Excel Airways Group UK, in telecommunication in Central Europe and Eastern Europe and in the Cinema business (Odeon UK). Involvement in the fish industry and related businesses is as yet not significant in comparison.

Fish industry loans abroad

Last year the bank established a new department within its Corporate Division, specialising in services for the fish industry outside Iceland. The department is reported to have established contacts with major fisheries companies in Europe and North America. So far, the only financing of fish business companies seems to be the bank's involvement in the syndicated loan (with ISB) to IFP Holding (Coldwater Seafood UK) valued at GBP 53 million total to finance their recent acquisitions of Seachill, and Cavaghan & Gray. Landsbanki's share of this loan was most likely about GBP 18 million (not confirmed).

Landsbanki in the domestic market

Landsbanki is the leading bank in the domestic finance markets with a third of the market for private deposits, lending and equity trading and over 40% of foreign exchange trading. It also has the largest share of the domestic corporate business, with 230 of the country's 300 largest enterprises banking with Landsbanki, either as their house bank or their second bank. The bank is involved in financing various large-scale projects and industries, including the expansion of Atlanta Airlines, various contractors for hydro-electric projects, aluminium plants, and a number of municipal projects. Its involvement in the fisheries sector is also considerable (see later).

Landsbanki shareholding in Icelandic companies and financing in the fisheries sector

Landsbanki is still the major owner of the Icelandic Group seafood marketing company, which has a market value of about ISK 23 billion. The largest listed owners in the Icelandic Group (June 2005) are:

1. Burdaras hf. 20.8%
2. Landsbanki Islands 18.1%

3. Straumur Investment Bank 12.4%
4. Sund ehf. (Blue Ice Group) 12.3%
5. Landsbanki Luxemborg S.A. 9.3%

Burdaras is 50% owned by Landsbanki and Straumur Investment Bank is also partly owned by Landsbanki, as shown earlier.

It is generally perceived that Landsbanki does not plan large-scale involvement in the Icelandic Group as a long-term investment.

Landsbanki is indirectly the largest owner of **Marel** (Processing machinery), through Burdaras which owns 36.3% in Marel, but the bank also has a direct share of 4.1% in Marel.

Landsbanki is actively involved in financing a number of Icelandic fisheries companies, such as:

1. **Brim hf** - Fishing and processing. Large scale loan to new owners when Landsbanki sold this company.

2. **Saeplast** - Plastic tubs manufacturing. ISK 750 million financing in conversion of public to private company.

3. **Visir** - fishing and processing. ISK 4 billion loan for refinancing.

4. **Lysi** - cod liver oil processing. ISK 1,100 million financing of a new plant.

KAUPTHING BANK (KB BANK)

Kaupthing Bank stems from the merger of Kaupthing Bank and the Bank of Agriculture in 2003 after privatisation of the latter, which is still a matter of political debate. It is the largest bank in Iceland and the largest company on the stock exchange.

Kaupthing Bank is the most international of the Icelandic banks, and the least inclined to put the fisheries sector into a special focus, it seems. It is, however, a major shareholder in a few fish industry companies, most notably in the SIF Group and HB Grandi but also in lesser known production companies, such as Fram Foods. A prominent feature of the bank is that in addition to its financing activities for a number of large clients it has become a significant minority shareholder in many of the same companies.

Kaupthing Bank operates in ten countries with headquarters in Iceland. The bank's subsidiaries are FIH Erhvervsbank A/S in Denmark (acquired in 2004), Kaupthing Bank Sverige, Kaupthing Bank Luxembourg, Kaupthing Bank Oyj in Finland, Norvestia in Finland, Kaupthing Føroyar, Kaupthing New York, Kaupthing Switzerland, Kaupthing Ltd in the United Kingdom and Kaupthing Norge AS in Norway. Furthermore, Arion Custody Services and a life insurance company, both in Iceland, are owned by the bank.

In 2004, Kaupthing Bank acquired the Norwegian securities company A. Sundsvall ASA, in order to strengthen the bank's activities in Norway as reported in last year's Annual Report. The company operates within securities brokerage, investment banking and research.

Kaupthing Bank has announced an offer to acquire the UK bank Singer & Friedlander. The bid was approved by UK financial regulatory agencies on July 12. The offer is worth GBP 547 million for the entire issued share capital. Singer & Friedlander, which was founded in 1907, specialises in banking, asset finance and fund management.

Key figures and operations 2004

Kaupthing Bank had a market capitalization of approx. ISK 290 billion at the end of 2004 but ISK 350 billion in March 2005. Total assets at that time amounted to ISK 1,500 billion, having increased by 175% in 2004. Shareholders are close to 32,000.

Kaupthing Bank operated with a net profit of ISK 11.4 billion in 2004. Equity was ISK149 billion at the end of 2004 and the return on equity was 22.6%.

Kaupthing Bank operates in 7 main divisions from its headquarters in Iceland:

- Capital markets
- Investment banking
- Corporate banking
- Asset management and private banking
- Finance and accounting
- Retail banking
- Treasury

Ownership of Kaupthing Bank

Ownership of Kaupthing Bank is quite dispersed, apart from two major shareholders. The ten largest owners are listed in the following table.

Ten largest shareholders of Kaupthing Bank (June 2005)

	%
Exista Investment company	16.98
Egla Holding	9.65
Arion nomine account	5.57
VIS Insurance company	4.06
Pension Fund - Public employees	3.93
Pension Fund VR	3.79
Arion custody services	3.48
Gildi Pension Fund	3.42
Landsbanki Luxembourg	2.81
Islandsbanki	2.58
10 largest total	56.27

Exista is an investment company controlled (60%) by the largest shareholders of Bakkavor Group (manufacturers of fresh convenience food products in the UK) but Kaupthing Banki conversely has a 20% share in Exista. Egla is an investment company controlled by Olafur Olafsson (Board Chairman SIF Group) and Vending.Holding (formerly Ker).

Kaupthing Bank in foreign markets

The bank has very significant business in most of its markets but most notably in the UK and Denmark. In Britain it has assisted in acquisitions by the Icelandic-owned investment company Baugur and become a shareholder in clothes retail chains, such as Mosaic Fashions (running Karen Millen, Oasis Group, Coast and Whistles); shoes retail chains (Shoe Studio); food and refreshment providers (Bakkavor, Laurel Pub Company); and refrigeration (Huurre Group).

Kaupthing is a 9% owner of Baugur Group and 11% direct owner of Oasis fashion retailer.

Kaupthing Bank in the domestic market

The bank operates 35 branches in Iceland for conventional retail banking servicing, i.e. private customers and smaller companies. It is involved in a number of large syndicated financial projects, such as refinancing of the aluminium company Nordural, financing of the Keflavik air terminal extension, refinancing of the largest Icelandic contractor firm (IAV), and refinancing of the Blue Lagoon leisure centre.

Kaupthing Bank and the fisheries

Kaupthing is not involved in foreign fisheries companies but has large interests in Icelandic fish industry companies. It is a major shareholder in a few fish industry companies, most notably in the SIF Group and HB Grandi.

The five largest shareholders of the SIF Group (June 2005) are the following:
1. Vending Holding (formerly Ker) 28.70%
2. Kaupthing Bank 24.81%
3. Samvinn Pension Fund 5.81%
4. Arion nomine account 4.76%
5. Pension funds (Public employees) 3.95%

Olafur Olafsson, Chairman of the Board of SIF Group is a major owner of Vending Holding. Kaupthing thus owns a quarter of the shares in SIF directly but it was also the provider of EUR 280 million to SIF on the acquisition of the Labeyrie Group in France in late 2004. (It may be noted that the Chairman of SIF is also a significant owner of Kaupthing Bank through Egla Holding).

Kaupthing Bank is also a 30% shareholder in the fish-roe producer **Fram Foods**, which split off from Bakkavor Group in 2003 (see also under Landsbanki).

The bank is a significant shareholder in **HB Grandi** (14.4%) and recently financed the purchase and technical modification of the company's pelagic-processing vessel, which is the largest in the fleet.

Kaupthing Bank was a major provider of finance for **Samherji** on acquisition of the seafood processing company Pickenpack Hussmann & Hahn in Germany.

Just lately, Kaupthing Bank has refinanced **Iceland Seafood International**, which was split from the SIF Group and is now only in minority shareholding (45%) of SIF.

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