

30th September, 2004

**Kaupthing Bank hf.**  
**Issue of ISK 1,750,000,000 Basket of Indices Linked Notes due 6th October, 2009**  
**under the €4,000,000,000**  
**Euro Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 28th April, 2004. This Pricing Supplement is supplemental to and must be read in conjunction with such Offering Circular.

*Important Notice to Prospective Purchasers*

*Prospective purchasers of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risk and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition. Prospective purchasers should conduct their own investigations and, in deciding whether or not to purchase Notes, prospective purchasers should form their own views of the merits of an investment related to the Indices (as defined below) based upon such investigations, and in particular, the considerations set forth in Appendix 2. The Notes can be redeemed above par, at par or below par.*

*The Issuer makes no representation and gives no assurance that any publicly available information regarding the Indices is accurate or complete. Furthermore, there can be no assurance that all events occurring prior to the date of this Pricing Supplement that would affect the Indices have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning the Indices could affect the value of the Indices and consequently the value of the Notes.*

*Except as indicated in Appendix 2 to this Pricing Supplement, the Issuer accepts responsibility for the information contained in this Pricing Supplement. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of the information.*

1.	Issuer:	Kaupthing Bank hf.
2.	(i) Series Number:	9
	(ii) Tranche Number:	1
3.	Specified Currency or Currencies:	Icelandic Krona (ISK)
4.	Aggregate Nominal Amount:	
	(i) Tranche:	ISK 1,750,000,000
	(ii) Series:	ISK 1,750,000,000
5.	(i) Issue Price:	100 per cent. of the Aggregate Nominal Amount
	(ii) Net proceeds	ISK 1,750,000,000

6.	Specified Denominations:	ISK 1,000,000
7.	Issue Date:	7th October, 2004
8.	Maturity Date:	6 <sup>h</sup> October, 2009
9.	Interest Basis:	Not Applicable
10.	Redemption/Payment Basis:	Index Linked Redemption
11.	Change of Interest Basis or Redemption/ Payment Basis:	Not Applicable
12.	Put/Call Options:	Not Applicable
13.	Status of the Notes:	Senior
14.	Listing:	Luxembourg
15.	Method of distribution:	Non-syndicated

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

16.	<b>Fixed Rate Note Provisions</b>	Not Applicable
17.	<b>Floating Rate Note Provisions</b>	Not Applicable
18.	<b>Zero Coupon Note Provisions</b>	Not Applicable
19.	<b>Index Linked Interest Note Provisions</b>	Not Applicable
20.	<b>Dual Currency Note Provisions</b>	Not Applicable

**PROVISIONS RELATING TO REDEMPTION**

21.	Issuer Call	Not Applicable
22.	Investor Put	Not Applicable
23.	Final Redemption Amount of each Note	See Appendix 1

24. Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)):

An amount to be paid in ISK determined by the Calculation Agent in its sole and absolute discretion, which cannot be less than the Aggregate Nominal Amount of the Notes

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: Not Applicable
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): No
28. 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
29. Details relating to Instalment Notes:
- (i) Instalment Amount(s): Not Applicable
- (ii) Instalment Date(s): Not Applicable
30. Redenomination applicable: Redenomination not applicable
31. Other terms or special conditions: Not Applicable

## DISTRIBUTION

32. (i) If syndicated, names of Managers: Not Applicable
- (ii) Stabilising Manager (if any): Not Applicable
33. If non-syndicated, name of relevant Dealer: Kaupthing Bank hf.
34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: TEFRA D
35. Additional selling restrictions: Not Applicable

## OPERATIONAL INFORMATION

36. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): Not Applicable

37. Delivery: Delivery against payment

38. Additional Paying Agent(s) (if any): Not Applicable

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ISIN: XS0202709266  
Common Code: 020270926

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### LISTING APPLICATION

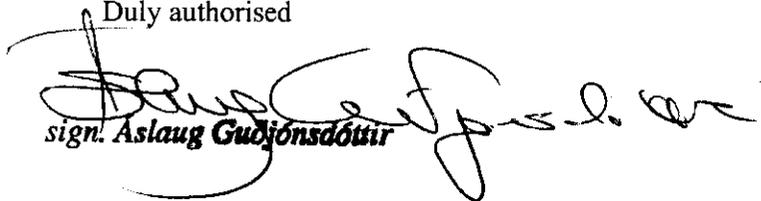
This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the €4,000,000,000 Euro Medium Term Note Programme of Kaupthing Bank hf.

### RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:   
.....  
Duly authorised

  
sign: Aslaug Guðjónsdóttir

## APPENDIX 1

### 1. REDEMPTION

For the purposes hereof:

**Basket Weight** means, using level of index basket on 30<sup>th</sup> of September 2004:

<u>Index</u>	<u>As % of Index Basket</u>
Dow Jones Euro Stoxx 50E	20.000%
FTSE 100 Index	10.000%
Nikkei 225 Index	10.000%
S&P 500 Index	60.000%

**Calculation Agent** means Kaupthing Bank hf.

**Exchange** means in respect of each Index, each exchange or quotation system on which trading in the securities, commodities, options or futures underlying such Index occurs or any successor to such exchange or quotation system.

**Exchange Business Day** means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange and each Related Exchange other than a day on which trading on any such Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time.

**Final Redemption Amount** means in respect of each Specified Denomination an amount in ISK determined by the Calculation Agent in accordance with the following formula:

$$\text{Notional Amount} \times \text{Max} \left\{ 122\% * \left( \frac{\text{Basket}_1}{\text{Basket}_0} - 1 \right), \text{LockIn} \right\}$$

where:  $\text{Basket}_1$  = Level of the Index Basket on the 5<sup>th</sup> October 2009, two Exchange BusinessDays prior to the Maturity Date

$\text{Basket}_0$  = Level of the Index Basket on the 4<sup>th</sup> October 2004, three Exchange Business Days prior to the Issue Date

with:

$\text{LockIn}$  = 48,80% if the Index Basket closed above 140% of  $\text{Basket}_0$  at any Observation Time

$\text{LockIn}$  = 30,5% if the Index Basket closed above 125% of  $\text{Basket}_0$  and below 140% at any Observation Time

$\text{LockIn}$  = 18,30% if the Index Basket closed above 115% of  $\text{Basket}_0$  and below 125% at any Observation Time

$\text{LockIn}$  = 0% if the Index Basket has never closed above 115% of  $\text{Basket}_0$  at any Observation Time

**Index Basket** means the following 4 indices:

- Dow Jones Euro Stoxx 50E (Bloomberg: SX5E)
- FTSE 100 Index (Bloomberg: [UKX])
- Nikkei 225 Index (Bloomberg: [NKY])
- S&P 500 Index (Bloomberg: [SPX])

The Index Basket is quanto ISK.

**Quanto ISK.** The basket linked returns are quanto in ISK. This means that index return is not subject to any exchange rate movements and calculated as if the basket was ISK denominated.

**Notional amount** of the bond is the minimum payout at maturity. Initially the bonds are sold at 1 so the the initial purchasing price is equal to the nominal amount.

**Indices** means the indices comprising the Index Basket and **Index** means any one of them.

**Market Disruption Event** means the failure by any Sponsor for whatever reason (including technical problems) either to publish a closing level of an Index at all in respect of any day, or the occurrence or existence on any Observation Date during the one-half hour period that ends at the Observation Time of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant Exchange or otherwise):

(i) on the relevant Exchange(s) in securities that comprise 20 per cent. or more of the level of such Index; or

(ii) on the relevant Related Exchange in options contracts or futures on that Index,

if, in any such case, such suspension or limitation is, in the determination of the Calculation Agent, material.

For the purpose of determining whether a Market Disruption Event exists at any time, if trading in a security included in the relevant Index is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of such Index shall be based on a comparison of (X) the portion of the level of such Index attributable to that security relative to (Y) the overall level of such Index, in each case immediately before that suspension or limitation.

**Observation Date** means every Exchange Business Day, from and including the Issue Date to but excluding the Maturity Date, provided that if, in the opinion of the Calculation Agent, a Market Disruption Event in respect of any Index has occurred on a day which would otherwise be an Observation Date then the Observation Date for each Index not affected by a Market Disruption Event shall be the originally designated Observation Date and the closing level for each Index affected (each an **Affected Index**) by a Market Disruption Event shall be deemed to be the closing level for such Affected Index on the Exchange Business Day immediately preceding the original date which (but for the Market Disruption Event) would have been the Observation Date for such Affected Index.

**Observation Time** means the time at which the relevant Sponsor effects and publishes the official closing level of the relevant Index.

**Related Exchange** means, in respect of an Index, each exchange or quotation system on which trading in the securities, commodities, options or futures underlying such Index occurs or any successor to such related exchange or quotation system.

**Sponsor** means, in respect of Dow Jones Euro Stoxx 50E, STOXX LIMITED, in respect of FTSE 100 Index, FTSE International Limited, S&P 500 Index, Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. and, in respect of Nikkei 225 Index, Nihon Keizai Shimbun, Inc.

## 2. ADJUSTMENTS TO AN INDEX

- (a) If an Index is (i) not calculated and announced by the relevant Sponsor but is calculated and published by a successor to the relevant Sponsor (the **Successor Sponsor**) acceptable to the Calculation Agent or (ii) 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 relevant Index, then that Index will be deemed to be the index so calculated and announced by that Successor Sponsor or that successor index, as the case may be.
- (b) If (i) on or prior to any Observation Date the relevant Sponsor or (if applicable) the Successor Sponsor makes a material change in the formula for or the method of calculation of the relevant Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock and other routine events), or (ii) on any Observation Date the relevant Sponsor or (if applicable) the relevant Successor Sponsor fails to calculate and publish the relevant Index, then the Calculation Agent shall determine the level for such Index using, for the relevant Observation Date and in lieu of a published level for that Index, the level for that Index as at the relevant Observation Date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities that comprised that Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant Exchange).
- (c) If the level of the Index published on any Observation Date and used or to be used by the Calculation Agent to determine the Final Redemption Amount is subsequently corrected and the correction is published by the Sponsor or a Successor Sponsor, on the following Exchange Trading Day of the Observation Date and the Calculation Agent has notified the Issuer within that time, the Index level for that Observation Date shall be the level of the Index as so corrected.

## 3. CALCULATION AGENT AND CALCULATION AGENT NOTICES

- (a) The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent pursuant to the Notes shall (in the absence of manifest error) be final and binding on the Issuer and the Noteholders. In performing its duties pursuant to the Notes, the Calculation Agent shall act in its sole discretion and in a commercially reasonable manner. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion pursuant to the Notes including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any later performance or exercise of such obligation or discretion, and neither the Calculation Agent nor the Issuer shall bear any liability in respect of, or consequent upon, any such delay, deferral or forbearance.
- (b) A notice delivered by the Calculation Agent on or prior to 4:00 p.m., London time on a London Business Day will be effective on such London Business Day. A notice delivered after 4:00 p.m. London time will be deemed effective on the next following London Business Day. Any notice given orally, including by telephone, will be effective when actually received by the intended recipient. If the notice is delivered orally, a written confirmation will be executed and delivered confirming the substance of that notice within one London Business Day of that notice. Failure to provide that written confirmation will not affect the

effectiveness of that oral notice. If that written confirmation is not received within such time, the Calculation Agent will be deemed to have satisfied its obligation to deliver such written confirmation at the time that a written confirmation of the oral notice is received.

**London Business Day** means a day on which commercial banks are open for business and foreign exchange markets settle payments in London.

## APPENDIX 2

### Part I

#### 1. DESCRIPTION OF THE DOW JONES EURO STOXX 50<sup>SM</sup> INDEX

##### 1.1 General

Deutsche Börse, Dow Jones and Co. Inc., SBF-Bourse de Paris and Schweizer Börse have together founded a new company, named STOXX LIMITED (STOXX), and created a new family of indices. They consist of four major indices and various sector and regional indices calculated for Western Europe and the Euro-zone. The four major indices are:

Dow Jones STOXX<sup>SM</sup>, the European broad index<sup>(1)</sup> (which duplicates the Dow Jones Global Indexes Europe index);

Dow Jones STOXX 50<sup>SM</sup>, the European blue-chip index (a 50-stock index derived from Dow Jones STOXX<sup>SM</sup>);

Dow Jones EURO STOXX<sup>SM</sup>, the Euro broad index<sup>(2)</sup> (Dow Jones STOXX excluding those countries not participating in European Economic and Monetary Union); and

Dow Jones EURO STOXX 50<sup>SM</sup>, the Euro blue-chip index (a 50-stock index derived from Dow Jones EURO STOXX<sup>SM</sup>) (the Euro Stoxx).

Notes:

- (1) The European broad index covers companies from Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Ireland, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. Luxembourg will be added when a continuous data feed becomes available. Other European countries may be added to the European broad index in the future.
- (2) The Euro broad index covers companies from Austria, Belgium, Finland, France, Germany, Italy, Ireland, The Netherlands, Portugal and Spain. Luxembourg will be added when a continuous data feed becomes available. Other countries may be added in the future.

##### 1.2 Calculation of the Euro Stoxx

The Euro Stoxx is capitalisation-weighted and is calculated on both a price- and total-return basis. For the purposes of the determination of the Cash Settlement Amount, the price-return based index only is relevant. It is calculated in Euro in real-time and is currently disseminated every 15 seconds from 9.00 a.m. to 5.45 p.m. (Central European Time).

The Euro Stoxx is computed on the basis of last prices; a traded price on various exchanges listed below will trigger the calculation of the Euro Stoxx after the opening trade of a component stock is received.

$$Index_t = \frac{\sum_{i=1}^n (p_{it} \cdot q_{it} \cdot x_{it}^{EURO} \cdot f_{it})}{C_t \sum_{i=1}^n p_{io} \cdot q_{io} \cdot x_{io}^{EURO}} \cdot basevalue$$

$$= \frac{M_t}{B_t} \cdot basevalue$$

n = Number of stocks in the index

p<sub>io</sub> = Closing price of stock (i) on the base date

p<sub>io</sub> = Number of shares of company (i) on the base date

p<sub>it</sub> = Price of stock (i) at time (t)

q<sub>it</sub> = Number of shares of company (i) at time (t)

f<sub>it</sub> = Free float factor of company (i) at time (t)

C<sub>t</sub> = adjustment factor for the base date market capitalisation

T = Time the index is computed

M<sub>t</sub> = Free float market capitalization of the index at time (t)

B<sub>t</sub> = Adjusted base date market capitalization of the index at time (t)

X<sub>it</sub><sup>EURO</sup> = Cross rate: domestic currency in euros of company (i) at time (t)

Base value = 1000

In the event of a suspension of the quotation during a trading session, the last traded price is used for all subsequent computations. If a quotation is suspended before the trading begins, the adjusted closing price from the previous day is taken for the calculation of the Euro Stoxx. If there is a stock exchange holiday in one or more countries, the last available stock prices from this exchange will be used for the calculation of the Euro Stoxx.

The Euro Stoxx was based on 31 December 1991. The base value of the Euro Stoxx was set at 1,000.

### 1.3 Relevant Stock Exchange Markets

The following countries and exchange/trading systems are currently used as a source for stock prices for the Euro Stoxx:

<u>Country</u>	<u>Stock Exchange/Trading System</u>
Austria	Vienna Stock Exchange
Belgium	Euronext Brussels
Finland	Helsinki Stock Exchange
France	Euronext Paris
Germany	Xetra
Greece	Athens
Ireland	Irish Stock Exchange
Italy	Italian Stock Exchange
Netherlands	Euronext Amsterdam
Portugal	Euronext Lisboa
Spain	SIBE

### 1.4 Euro Stoxx Composition

Securities are selected for Dow Jones STOXX 50<sup>SM</sup> so as to represent the largest and most liquid stocks in the market.

Dow Jones EURO STOXX<sup>SM</sup> is a subset of Dow Jones STOXX<sup>SM</sup>. Only companies from countries that are part of the European Monetary Union are included in Dow Jones EURO STOXX<sup>SM</sup>.

The Euro Stoxx is a subset of the stocks of 50 companies of the Dow Jones EURO STOXX<sup>SM</sup> index with the intent of reflecting the sector leaders.

### 1.5 Periodic and Ongoing Reviews

Currently the composition of the Euro Stoxx is reviewed annually, and changes are implemented on the third Friday in September, using market data from the end of July as the basis for the review process. In addition, the Euro Stoxx is continually reviewed for changes to the index composition necessitated, e.g., by extraordinary corporate actions affecting the component companies.

### 1.6 Decision-Making Bodies

STOXX's Advisory Committee advises the Supervisory Board on matters relating to the Euro Stoxx. This committee proposes changes of the composition to the Supervisory Board. It makes recommendations with respect to the accuracy and transparency of the Euro Stoxx computation. Decisions on the composition and changes in the Euro Stoxx are reserved to the Supervisory Board.

## 1.7 Performance of the Euro Stoxx

The high and low closing values (price-return) for the Euro Stoxx for 1999, 2000, 2001 and 2002 are set out below:

	Year ended 31 December 1999	Year ended 31 December 2000	Year ended 31 December 2001	Year ended 31 December 2002
High	4904.46	5522.42	4240.99	3833.09
Low	3325.56	4471.89	3857.01	2150.27

Source: Sponsor's website: [www.stoxx.com](http://www.stoxx.com)

The high and low closing values (price return) for the Euro Stoxx, for the periods indicated are set out below:

*The recent historical performance of the Euro Stoxx should not be taken as an indicating future performance.*

Month Ended	High	Low
<b>2000</b>		
1st Quarter	5,464.43	4,500.69
2nd Quarter	5,434.81	4,903.92
3rd Quarter	5,392.63	4,915.18
4th Quarter	5,101.4	4,614.24
<b>2001</b>		
1st Quarter	4,787.45	3,891.49
2nd Quarter	4,582.07	4,039.16
3rd Quarter	4,304.44	2,877.68
4th Quarter	3,828.76	3,208.31
<b>2002</b>		
1st Quarter	3,833.09	3,430.18
2nd Quarter	3,748.44	2,928.72
3rd Quarter	3,165.47	2,187.22
4th Quarter	2,669.89	2,150.27
<b>2003</b>		
January	2,529.86	2,154.53
February	2,280.82	2,058.97
March	2,249.11	1,849.64
April	2,365.97	2,067.23
May	2,389.7	2,229.43
June	2,527.44	2,365.76
July	2,519.79	2,366.86
August	2,593.55	2,436.06

<b>Month Ended</b>	<b>High</b>	<b>Low</b>
September	2,641.55	2,395.87
October	2,542.52	2,427.06
November	2,657.60	2,568.71
December	2,760.66	2,651.41
<b>2004</b>		
January	2,896.78	2,782.52
February	2,932.95	2,816.34
March	2,959.71	2,702.05
April	2,905.88	2,787.48
May	2,823.37	2,659.85
June	2,840.04	2,713.29
July	2,806.62	2,640.61
August	2,712.45	2,580.04
September	2,790.67	2,691.67

Source: Sponsor's website: [www.stoxx.com](http://www.stoxx.com) and Bloomberg

## 2. DESCRIPTION OF THE FTSE 100 INDEX

### 2.1 General Description

The FTSE 100 Index (the **FTSE**) is a capitalisation-weighted index of the 100 most highly capitalised companies traded on the London Stock Exchange plc. The FTSE was developed with a base level of 1,000 as of 3 January 1984. The FTSE is calculated continuously during London Stock Exchange trading hours.

### 2.2 Computation of the FTSE

The FTSE is calculated using the following formula:

$$\sum_{i=1}^n \frac{X_i.W_i}{d}$$

Where:

$X_i$  is the latest mid price of the  $i^{\text{th}}$  component security (or the price at the close of the Index on the previous day);

$n$  is the number of securities in the FTSE;

$W_i$  is the weighting for the  $i^{\text{th}}$  component security (equal to the number of ordinary shares issued by the company); and

$d$  is the divisor (a figure which represents the total issued share capital of the FTSE at the base date and which can be adjusted to allow changes in the issued share capital of individual constituents to be made without distorting the FTSE).

### 2.3 Historical Performance

The following table shows the high and low official closing levels of the FTSE for the periods indicated.

*The historical performance of the FTSE should not be taken as an indication of future performance.*

	High	Low
<b>2000</b>		
1st Quarter	6,738.5	6,005.2
2nd Quarter	6,626.4	5,994.6
3rd Quarter	6,798.1	6,199.2
4th Quarter	6,477.4	6,097.5
<b>2001</b>		
1st Quarter	6,334.5	5,314.8
2nd Quarter	5,976.6	5,463.4
3rd Quarter	5,716.7	4,433.7
4th Quarter	5,369.8	4,785.6
<b>2002</b>		
1st Quarter	5,323.8	5,024.1
2nd Quarter	5,263.9	4,531
3rd Quarter	4,685.8	3,671.1
4th Quarter	4,210.7	3,671.1

	<b>High</b>	<b>Low</b>
<b>2003</b>		
January	4,009.5	3,480.80
February	3,729.5	3,569.9
March	3,861.1	3,287
April	3,966.5	3,684.8
May	4,083.6	3,880.1
June	4,207	4,031.2
July	4,157	3,963.9
August	4,272.1	4,070.4
September	4,314.7	4,091.3
October	4,368.8	4,169.2
November	4,397.0	4,303.4
December	4,476.9	4,331.3
<b>2004</b>		
January	4,518.1	4,390.7
February	4,524.3	4,377.7
March	4,559.10	4,309.40
April	4,575.70	4,410.70
May	4,569.50	4,395.20
June	4,518.70	4,422.70
July	4,424.70	4,287.00
August	4,490.10	4,301.50
	4,608.40	4,502.00

Source: Bloomberg

### 3. DESCRIPTION OF THE NIKKEI

#### 3.1 General Description

Unless otherwise stated, all information herein relating to the Nikkei 225 Index (RIC:N225) (the **Nikkei**) has been derived from publicly available sources. Such information reflects the policies of Nihon Keizai Shimbun, Inc. (hereinafter referred to as the **Nikkei Sponsor**) as of the date hereof as stated in such sources; such policies are subject to change at the discretion of the Nikkei Sponsor.

The Nikkei is a stock index calculated, published and disseminated by the Nikkei Sponsor that measures the composite price performance of selected Japanese stocks. The Nikkei is currently based on 225 highly capitalised underlying stocks trading on the Tokyo Stock Exchange (the **TSE**) representing a broad cross-section of Japanese industries. All 225 underlying stocks are stocks listed in the First Section of the TSE. Stocks listed in the First Section are among the most actively traded stocks on the TSE.

While the Nikkei Sponsor currently employs the following methodology to calculate the Nikkei, no assurance can be given that the Nikkei Sponsor will not modify or change such methodology in a manner that may affect the Cash Settlement Amount or any other amount payable in respect of the Warrants.

The Nikkei is a modified, price-weighted index (i.e., an underlying stock's weight in the index is based on its price per share rather than the total market capitalisation of the issuer) which is calculated by (i) multiplying the per share price of each underlying stock by the corresponding weighting factor for such underlying stock (a **Weight Factor**), (ii) calculating the sum of all these products and (iii) dividing such sum by a divisor (the **Divisor**). The Divisor, initially set in 1949 at 225, was 22.751 as of 25th September, 2003 and is subject to adjustments as set forth below. Each Weight Factor is computed by dividing yen 50 by the par value of the relevant underlying stock, so that the share price of each underlying stock when multiplied by its Weight Factor corresponds to a share price based on a uniform par value of yen 50. The par value stock system was abolished with effect as of 1 October 2001. With effect from such date presumed par values determined by the Nikkei Sponsor are used in the computation of each Weight Factor. The presumed par value of each underlying stock in use as of 30th September, 2001 was set at the par value of such stock as of such date. The stock prices used in the calculation of the Nikkei are those reported by a primary market for the underlying stocks (currently the TSE). The level of the Nikkei is calculated once per minute during TSE trading hours.

In order to maintain continuity in the level of the Nikkei in the event of certain changes due to non-market factors affecting the underlying stocks, such as the addition or deletion of stocks, substitution of stocks, stock dividends, stock splits or distributions of assets to stockholders, the Divisor used in calculating the Nikkei is adjusted in a manner designed to prevent any instantaneous change or discontinuity in the level of the Nikkei. Thereafter, the Divisor remains at the new value until a further adjustment is necessary as the result of another change. As a result of such change affecting any underlying stock, the Divisor is adjusted in such a way that the sum of all share prices immediately after such change multiplied by the applicable Weight Factor and divided by the new Divisor (i.e., the level of the Nikkei immediately after such change) will equal the level of the Nikkei immediately prior to the change.

Underlying stocks may be deleted or added by the Nikkei Sponsor. The underlying stocks shall be, in general, reconsidered once a year, on the first business day of October, pursuant to the periodic reconsideration standard set up by the Nikkei Sponsor. There is no upper limit to the number of stocks to be replaced under the periodic reconsideration. Further, other than the periodic reconsideration, any stock becoming ineligible for listing in the First Section of the TSE due to any of the following reasons will be deleted from the underlying stocks: (i) bankruptcy of the issuer,

(ii) merger of the issuer with, or acquisition of the issuer by, another company, (iii) de-listing of such stock, (iv) transfer of such stock to the "Seiri-Post" because of excess debt of the issuer or because of any other reason or (v) transfer of such stock to the Second Section. Any underlying stock which is transferred to the "Kanri-Post" because of the high likelihood that it will become de-listed or because the stock is undergoing an inspection for the application for de-listing is in principle a candidate for deletion; however, the actual deletion of such stock will be decided after taking into account the possibility of continuance of business of the issuer or the likelihood of de-listing, etc. Upon deletion of a stock from the underlying stocks, the Nikkei Sponsor will select a suitable replacement for such deleted underlying stock in accordance with certain criteria. As a general rule, in each case, the number of stocks to be deleted from and the number of replacement stocks to be added to the underlying stocks shall be the same and such replacement will be made on the same day to maintain the number of the underlying stocks at 225. However, under special circumstances the Nikkei may be calculated with less than 225 underlying stocks for a limited period of time between the deletion of a stock and the addition of a replacement stock. During this period the continuity in the index value of the Nikkei will be maintained by adjusting the Weight Factor each time upon addition, deletion or substitution of the underlying stock(s).

### 3.2 Historical Data on the Nikkei

The following table sets forth the value of the Nikkei at the end of each month in the periods indicated. This historical data on the Nikkei is not indicative of the future performance of the Nikkei or what the value of the Warrants may be. Any historical upward or downward trend in the value of the Nikkei during any period set forth below is not any indication that the Nikkei is more or less likely to increase or decrease at any time during the term of the Warrants.

	2000	2001	2002	2003
January	19,539.70	13,843.55	9,997.80	8,339.94
February	19,959.52	12,883.54	10,587.83	8,363.04
March	20,337.32	12,999.70	11,024.94	7,972.71
April	17,973.70	13,934.32	11,492.54	7,831.42
May	16,332.45	13,262.14	11,763.70	8,424.51
June	17,411.05	12,969.05	10,621.84	9,083.11
July	15,727.49	11,860.77	9,877.94	9,563.21
August	16,861.26	10,713.51	9,619.30	10,343.55
September	15,747.26	9,774.68	9,383.29	10,219.05
October	14,539.60	10,366.34	8,640.48	10,559.59
November	14,648.51	10,697.44	9,215.56	10,100.57
December	13,785.69	10,542.62	8,578.95	10,676.64

Source: Bloomberg

2003	High	Low
November	10,847.97	9,614.60
December	10,676.64	9,910.56
<b>2004</b>		
<b>January</b>	11,103.10	10,665.15
<b>February</b>	11,271.12	10,365.40
<b>March</b>	11,770.65	11,162.75
<b>April</b>	12,163.89	11,683.42
<b>May</b>	11,571.34	10,505.05

<b>June</b>	11,884.06	11,027.05
<b>July</b>	11,896.01	11,031.54
<b>August</b>	11,222.24	10,687.81
September	11,298.94	10,786.10

### **3.3 The Tokyo Stock Exchange**

The TSE is one of the world's largest securities exchanges in terms of market capitalisation. The TSE is a two-way, continuous, pure auction market. Trading hours are currently from 9:00 a.m. to 11:00 a.m. and from 12:30 p.m. to 3:00 p.m., Tokyo time, Monday through Friday.

The TSE has adopted certain measures intended to prevent any extreme short-term price fluctuations resulting from order imbalances. These include daily price floors and ceilings intended to prevent extreme fluctuations in individual stock prices. In general, any stocks listed on the TSE cannot be traded at a price outside of these limits, which are stated in terms of absolute amounts of Japanese yen, and not percentage changes from the closing price of the stock on the previous day. In addition, when there is a major order imbalance in a listed stock, the TSE posts a "special bid quote" or a "special asked quote" for that stock at a specified higher or lower price level than the stock's last sale price in order to solicit counter orders and balance supply and demand for stock. Investors should also be aware that the TSE may suspend the trading of individual stocks in certain limited and extraordinary circumstances including, for example, unusual trading activity in that stock. As a result, variations in the Nikkei may be limited by price limitations, or by suspension of trading, on individual stocks which comprise the Nikkei which may, in turn, adversely affect the value of the Warrants under certain circumstances.

## 4. DESCRIPTION OF THE S&P 500 INDEX

### 4.1 General Description

The S&P 500 Index (the **S&P**) was inaugurated in March 1957 by Standard & Poor's. The S&P is a market weighted index compiled daily by the S&P Sponsor.

The S&P is composed of 500 stocks that are traded on The New York Stock Exchange, The American Stock Exchange and The NASDAQ National Market System. The S&P is designed to serve as a performance benchmark for United States equity markets. Component stocks are selected to be representative of important industries within the United States economy. The S&P is updated and published continuously during the American Stock Exchange and NASDAQ National Market System trading hours.

The S&P is adjusted to reflect relevant corporate actions.

### 4.2 Computation of the S&P

The S&P is calculated as follows:

$$I_{c,t} = \frac{\sum_{i=1}^n P_{i,c,t} N_{i,t}}{B_{c,t}}$$

where:

- $I_{c,t}$  is the S&P Value in U.S.\$ "c" at time "t";
- $P_{i,c,t}$  is the price of stock "i" in U.S.\$ "c" at time "t";
- $N_{i,t}$  is the number of issued shares of company "i" at time "t";
- $n$  is the number of constituents in the S&P at time "t"; and
- $B_{c,t}$  is the adjusted base of the S&P in U.S. \$ "c" at time "t".

The calculation of the S&P base, at time  $t = 0$ , is as follows

$$B_{c,t=0} = \sum_{i=1}^n P_{i,c,t=0} N_{i,t=0}$$

Subsequent base values are calculated as

$$B_{c,t} = B_{c,t-1} \left[ 1 + \frac{\sum_{i=1}^n C_{i,c,t}}{\sum_{i=1}^n P_{i,t-1} N_{i,t-1}} \right]$$

where:

$C_{i,c,t}$  is the "Capital Change" as the result of additions, deletions or corporate actions of the S&P constituents.

### 4.3 Historic Performance

Set out below is a table showing the high and low official closing levels of the S&P for the periods indicated.

*The historical performance of the S&P should not be taken as an indication of future performance.*

	High	Low
<b>2000</b>		
1st Quarter	1,527.46	1,333.36
2nd Quarter	1,516.35	1,356.56
3rd Quarter	1,520.77	1,419.89
4th Quarter	1,436.28	1,264.74
<b>2001</b>		
1st Quarter	1,373.73	1,117.58
2nd Quarter	1,312.83	1,103.25
3rd Quarter	1,236.72	965.8
4th Quarter	1,170.35	1,038.55
<b>2002</b>		
1st Quarter	1,172.51	1,080.17
2nd Quarter	1,146.54	973.53
3rd Quarter	989.03	797.7
4th Quarter	938.87	776.76
<b>2003</b>		
January	931.66	844.61
February	860.32	817.37
March	895.79	800.73
April	919.02	858.48
May	963.59	916.3
June	1,011.66	967
July	1,007.84	978.8
August	1,008.01	965.46
September	1,039.58	995.97
October	1,050.71	1,018.22
November	1,059.02	1,033.65
December	1,111.92	1,059.05
<b>2004</b>		
January	1,155.37	1,108.48
February	1,157.76	1,126.52
March	1,156.86	1,091.33
April	1,150.57	1,107.30
May	1,121.53	1,084.10
June	1,144.06	1,116.64
July	1,128.94	1,084.07
August	1,107.77	1,063.23
September	1,129.30	1,103.52

Source: Bloomberg

## APPENDIX 2

### Part 2

#### 1. DISCLAIMERS

##### 1.1 The Dow Jones EURO STOXX 50<sup>SM</sup> Index

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