

FINAL DRAFT 18 OCTOBER 2009
CONSOLIDATED COPY
AFTER AMENDMENTS MADE BY ACCEPTANCE AND
AMENDMENT AGREEMENT DATED 19 OCTOBER 2009

Loan Agreement

between

The Depositors' and Investors' Guarantee Fund of Iceland

and

Iceland

and

The State of The Netherlands

Dated 5 June 2009

Tripolis 300
Burgerweeshuispad 301
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The Netherlands

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Loan Agreement

THIS AGREEMENT IS DATED 5 JUNE 2009 AND MADE BETWEEN:

- (1) **THE DEPOSITORS' AND INVESTORS' GUARANTEE FUND OF ICELAND** (*Tryggingarsjóður Innstæðueigenda og Fjárfesta*), a private foundation incorporated under Icelandic law (the "**Guarantee Fund**") as borrower;
- (2) **ICELAND** ("**Iceland**") as guarantor; and
- (3) **THE STATE OF THE NETHERLANDS** ("**The Netherlands**") as lender.

BACKGROUND:

- (A) The claims of Landsbanki Amsterdam Depositors against Landsbanki are guaranteed by the Guarantee Fund according and subject to Act No. 98/1999 which implements Directive 94/19/EC up to EUR 20,887 per Landsbanki Amsterdam Depositor.
- (B) DNB has paid compensation to Landsbanki Amsterdam Depositors in respect of their claims against Landsbanki and the Guarantee Fund under Act No. 98/1999 in return for an assignment by such Landsbanki Amsterdam Depositors of such claims to DNB. DNB has accepted the majority of the applications for compensation and has completed making such compensation payments on 2 June 2009. DNB has refused the applications of a minority of Landsbanki Amsterdam Depositors for payment of compensation either in full or in respect of the full amount of their claim. Certain of these Landsbanki Amsterdam Depositors have opposed such refusal by DNB. DNB's refusal is subject to judicial review and it is uncertain on the date of this Agreement to what extent DNB may be ordered by a court to pay compensation in respect of these claims.
- (C) The Netherlands has prefinanced and will further prefinance the payment of compensation by DNB in respect of the claims of Landsbanki Amsterdam Depositors against Landsbanki and the Guarantee Fund under Act No. 98/1999 and related costs. The Parties have agreed that the Guarantee Fund will reimburse The Netherlands for its prefinancing. The Parties wish to finally determine the amount for which the Guarantee Fund will reimburse The Netherlands in this Agreement.

IT IS AGREED AS FOLLOWS:

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

"Act No. 98/1999" means the Icelandic Act No. 98/1999 on Deposit and Investor-Compensation Scheme (*Lög nr. 98/1999 um innstæðutryggingar og tryggingakerfi fyrir fjárfesta*) as in force on 11 October 2008.

"Anniversary Date" means each anniversary of the date of this Agreement.

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are open for general business in Reykjavik and in Amsterdam.

"Change of Icelandic Law" means the coming into force of any law, regulation or governmental order, or any change to any law, regulation or governmental order, in each case of Iceland, excluding any such law, regulation or governmental order, or any change thereto, to the extent required to be made or introduced under any regulation or directive of the European Community (whether directly or as a result of the Agreement on European Economic Area).

"Directive 94/19/EC" means Directive 94/19/EC of the European Parliament and of the Council of 30 May 1994 on deposit-guarantee schemes as in force on 11 October 2008 (subject to any contrary indication).

"DNB" means the Dutch Central Bank (*De Nederlandsche Bank N.V.*).

"External Indebtedness" means any present or future borrowing, debt or other obligation, whether actual or contingent, which is:

- (a) payable to non-residents of Iceland or, if in the form of bonds, notes, debentures, loan stock or other securities, at least 25 per cent. in aggregate principal amount of which is or was initially offered to non-residents of Iceland; or
- (b) denominated in a currency other than Icelandic krónur or, if denominated in Icelandic krónur, under the terms of which payment of principal, premium (if any) or interest can be or is required to be made in or by reference to any other currency;

including, for the avoidance of doubt:

- (i) any borrowing, debt or other obligation owing to the International Monetary Fund; and
- (ii) any borrowing, debt or other obligation owing under the UK Loan Agreement.

"Finance Documents" means this Agreement and any other agreement or document designated as a Finance Document by the Parties.

"HMT Commissioners" means the Commissioners of Her Majesty's Treasury of the United Kingdom of Great Britain and Northern Ireland.

"Landsbanki" means Landsbanki Íslands hf., a financial undertaking incorporated

under Icelandic law.

"Landsbanki Amsterdam" means the Amsterdam branch of Landsbanki.

"Landsbanki Amsterdam Depositor" means each person or entity who has deposited any funds, or otherwise has any credit balance, with Landsbanki Amsterdam and whose corresponding claim against Landsbanki is guaranteed by the Guarantee Fund according and subject to Act No. 98/1999.

"Landsbanki Depositor" means each person who has deposited any funds, or otherwise has any credit balance, with Landsbanki and whose corresponding claim against Landsbanki is guaranteed by the Guarantee Fund according and subject to Act No. 98/1999 (including, for the avoidance of doubt, each Landsbanki Amsterdam Depositor).

"Loan" means the loan referred to in paragraph 2.2 (*The Loan*) or the principal amount outstanding from time to time of that loan.

"Parties" means the Guarantee Fund, Iceland and The Netherlands.

"Repayment Date" means:

- (a) each date falling three, six or nine months after the seventh Anniversary Date or any subsequent Anniversary Date; and
 - (b) each Anniversary Date falling after the seventh Anniversary Date;
- (so that the first Repayment Date will be the date falling three months after the seventh Anniversary Date).

"Repayment Instalment" means, subject to any adjustments required by paragraph 4 (*Repayment*), an amount equal to the principal amount of the Loan on the seventh Anniversary Date divided by thirty two.

"Termination Event" means any event or circumstance specified as such in paragraph 11 (*Termination Events*).

"UK Loan Agreement" means the Loan Agreement entered or to be entered into between the Guarantee Fund, Iceland and the HMT Commissioners.

1.2 Third-party benefits

- 1.2.1 Unless a contrary indication appears, a person who is not a Party will have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of this Agreement.
- 1.2.2 DNB has the benefit of and may enforce, any right accorded to it, or any term or condition expressed to be for its benefit, in this Agreement.
- 1.2.3 Notwithstanding subparagraph 1.2.2, nothing in this Agreement shall impose any obligation on any person who is not a Party.

1.3 Construction

- 1.3.1 In this Agreement, except where the context otherwise requires:

- (a) references to a person include its successors in title, permitted assignees and permitted transferees;
- (b) references to any document (or a provision thereof) shall be construed as a reference to that document (or provision) as from time to time amended, supplemented, varied, novated, assigned or replaced (in whole or in part); and
- (c) references to any statute or other legislative provision shall include any statutory or legislative modification or re-enactment thereof, or any substitution therefor.

1.3.2 If, but for the operation of this paragraph 1.3.2, any sum payable under or in connection with any Finance Document would fall due for payment on a day which is not a Business Day, or any period by reference to which any such sum is calculated would end on a day which is not a Business Day, that sum will instead be payable, or that period will instead end, on the next following Business Day, unless such Business Day falls in the next calendar month, in which case that sum will instead be payable, or that period will instead end, on the immediately preceding Business Day.

2 THE LOAN

2.1 Reimbursement

2.1.1 In consideration of:

- (a) the assignment by DNB of the claims of the Landsbanki Amsterdam Depositors against Landsbanki assigned to DNB in connection with its compensation in respect of those claims, in each case up to an amount of EUR 20,887 as referred to in subparagraph 3.1.1(c) of paragraph 3 (*Coming into force*);
- (b) the payment of compensation by DNB to Landsbanki Amsterdam Depositors in respect of their claims against Landsbanki and the Guarantee Fund under Act No. 98/1999 as referred to in recital (B); and
- (c) The Netherlands' prefinancing of the payment of compensation by DNB in respect of the claims of Landsbanki Amsterdam Depositors as referred to in recital (C);

the Guarantee Fund undertakes to reimburse The Netherlands for that prefinancing.

2.1.2 The amount of the reimbursement will be EUR 1,329,242,850 (one billion three hundred twenty nine million two hundred forty two thousand eight hundred and fifty euro).

2.1.3 *No further claims*

- (a) The Netherlands will not have (and to the extent that absent this subparagraph it would have, it irrevocably renounces) any claim against

the Guarantee Fund or Iceland in relation to the payment of compensation by DNB in respect of the claims of Landsbanki Amsterdam Depositors as referred to in recital (B) above, other than the claims of The Netherlands under this Agreement.

- (b) Neither the Guarantee Fund nor Iceland will make (and to the extent that absent this subparagraph it would have, it irrevocably renounces) any claim, or initiate any proceedings, including indemnification proceedings against The Netherlands or DNB in relation to:
 - (i) the payment of compensation by DNB in respect of claims of Landsbanki Amsterdam Depositors as referred to in recital (B) above (including any rejections of such claims); or
 - (ii) any claim of a Landsbanki Amsterdam Depositor in respect of which compensation was not paid by DNB (for whatever reason).
- (c) DNB has the benefit of and may enforce subparagraph (b) above.

2.2 The Loan

The reimbursement referred to in subparagraph 2.1.2 of paragraph 2.1 (*Reimbursement*) will remain outstanding as a loan from The Netherlands to the Guarantee Fund in an amount of (subject to paragraph 5.2 (*Payment of interest*)) EUR 1,329,242,850 (one billion three hundred twenty nine million two hundred forty two thousand eight hundred and fifty euro) in accordance with and subject to this Agreement.

3 COMING INTO FORCE

3.1.1 This Agreement will come into force if:

- (a) the Guarantee Fund has delivered to The Netherlands, in form and substance satisfactory to it, the following documents (which will be in English or, if not in English, accompanied by a certified translation into English):
 - (i) an original copy of this Agreement, dated and duly signed on behalf of the Guarantee Fund and Iceland;
 - (ii) a board resolution or other corporate authorisation of the Guarantee Fund authorising the execution by it of this Agreement and the performance of its obligations under this Agreement; and
 - (iii) a legal opinion of Lex, legal advisers to the Guarantee Fund as to Icelandic law, and a legal opinion of the State Attorney of Iceland (*Ríkislögmaður*) in respect of, *inter alia*, the capacity and due authorisation of, and valid signing of each Finance Document to which it is a party by, each of the Guarantee Fund and Iceland respectively;
- (b) the Icelandic parliament (*Alþingi*) has authorised the guarantee given by

Iceland under this Agreement and has adopted any other legislative act or authorisation necessary to ensure that the obligations of the Guarantee Fund and Iceland under this Agreement are legal, valid, binding and enforceable (and Iceland will deliver to The Netherlands a copy of any such act or authorisation when enacted or adopted); and

- (c) the Guarantee Fund and DNB have entered into a deed of assignment of claims which complies with subparagraph 3.1.2.

3.1.2 The deed of assignment of claims referred to in paragraph 3.1.1 will provide that, subject to the condition precedent that this Agreement comes into force:

- (a) DNB assigns to the Guarantee Fund, in consideration of the Guarantee Fund's undertaking to reimburse The Netherlands as set out in paragraph 2.1 (*Reimbursement*), all claims of the Landsbanki Amsterdam Depositors against Landsbanki assigned to DNB in connection with its payment of compensation in respect of those claims, in each case up to an amount of EUR 20,887;

- (b) *Pari passu ranking*

- (i) to the extent that, following the assignment referred to in subparagraph (a) above, DNB retains any part of any claim (due to the fact that such claim exceeds EUR 20,887 in aggregate), then the part of the claim which has been assigned to the Guarantee Fund shall, to the fullest extent permitted by applicable law, rank *pari passu* in all respects with the part of that claim retained by DNB; and

- (ii) in the event that, for any reason whatsoever (including, without limitation, any preferential status accorded to the Guarantee Fund under Icelandic law), following the assignment of a part of any given claim to the Guarantee Fund, either the Guarantee Fund or DNB experiences a greater *pro rata* level of recovery in respect of such claim, than that experienced by the other, the Guarantee Fund or DNB (as appropriate) shall, as soon as practicable, unless subparagraph (iii) below applies, make such balancing payment to DNB or the Guarantee Fund, as the case may be, as is necessary to ensure that each of the Guarantee Fund's and DNB's *pro rata* level of recovery in respect of such claim is the same as the other's;

- (iii) if:

- (A) an Icelandic court gives a final and non-appealable judgement which (1) determines that all or part of any claim assigned to the Guarantee Fund, or the rights retained by DNB, as the case may be, will be entitled to receive distributions in the Landsbanki estate on a preferential basis relative to other claims originating from the same deposits,

and (2) is not in conflict with an advisory opinion obtained from the Court of the European Free Trade Area on that preferential status; or

- (B) the Winding-up Board of Landsbanki determines that all or part of any claim assigned to the Guarantee Fund, or the rights retained by DNB, as the case may be, will be entitled to receive distributions in the Landsbanki estate on a preferential basis relative to the other claims originating from the same deposits but such ruling is not challenged in an Icelandic court by any depositor or creditor and such failure to challenge is not the result of a Change of Icelandic Law made after 5 June 2009 which renders such a challenge more difficult or impossible;

then, unless that preferential status results from any Change of Icelandic Law made after 5 June 2009, the obligation described in subparagraph (ii) above for the Guarantee Fund or DNB, as the case may be, to make balancing payments will not apply; and

- (c) DNB agrees that it will not have (and to the extent that absent such agreement it would have, it irrevocably renounces) any claim against the Guarantee Fund or Iceland in relation to the payment of compensation by DNB in respect of the claims of Landsbanki Amsterdam Depositors as referred to in recital (B) above and that both the Guarantee Fund and Iceland will have the benefit of and may enforce this agreement.

- 3.1.3 If the actions referred to in subparagraph 3.1.1 have not been completed by the date the Icelandic parliament goes on its 2009 summer recess, The Netherlands may, by notice to the Guarantee Fund with a copy to Iceland, terminate this Agreement.

4 REPAYMENT

4.1 Repayment out of amounts received from Landsbanki

- 4.1.1 If the Guarantee Fund receives any amount in respect of the claims of or formerly of Landsbanki Depositors or otherwise in respect of the insolvency of Landsbanki, it will within five Business Days pay that amount to The Netherlands and the HMT Commissioners, *pro rata* to the amounts of principal then outstanding under this Agreement and the UK Loan Agreement (subject to any rounding).
- 4.1.2 Any repayment of the Loan pursuant to this paragraph 4.1 made after the seventh Anniversary Date:
 - (a) will be made together with all accrued interest thereon; and
 - (b) subject to paragraph 8.3 (*Partial payments*), will reduce the principal amount of the Loan by the amount of the repayment and will be applied

pro rata towards each of the remaining Repayment Instalments.

4.2 Scheduled repayment

4.2.1 Subject to the other provisions of this paragraph 4, following the seventh Anniversary Date, the Guarantee Fund will repay the then outstanding principal amount of the Loan in thirty two quarterly Repayment Instalments.

4.2.2 Subject to paragraph 4.2a (*Cap on principal payments by reference to cumulative GDP growth*), the Guarantee Fund will pay a Repayment Instalment on each Repayment Date.

4.2a Cap on principal payments by reference to cumulative GDP growth

4.2a.1 In this paragraph 4.2a:

"**Aggregate Debt Service**" means, in relation to any calendar year, the aggregate of:

- (a) the Repayment Instalments paid or payable pursuant to paragraph 4.2 (*Scheduled repayment*); and
- (b) the interest paid or payable pursuant to subparagraph 5.2.2 of paragraph 5.2 (*Payment of interest*);

in each case during that calendar year.

"**Cap Calculation Date**" means each day falling ten Business Days before a Repayment Date.

"**Cap**" means, in relation to any calendar year after 2015, an amount equal to 2 per cent (or, in respect of 2016, 1 per cent) of the amount by which Icelandic GDP Equivalent for that calendar year is greater than the equivalent in euro of the Icelandic gross domestic product for 2008, which the Parties determine to be EUR 11,495,000,000.

"**Icelandic GDP**" means, on any Cap Calculation Date, the then most recent estimate of the gross domestic product of Iceland for that calendar year, as published by the International Monetary Fund in its most recent World Economic Outlook.

"**Icelandic GDP Equivalent**" means, on any Cap Calculation Date and in relation to any Icelandic GDP, the amount of that Icelandic GDP (expressed in Icelandic Krona) converted into euro at the average of the daily rates of exchange as published by the Central Bank of Iceland (*Seðlabanki Íslands*) (or, to the extent that no such rates of exchange are published by the Central Bank of Iceland, the daily rates of exchange derived from a source reasonably agreed between Iceland and The Netherlands) for the period ending on the day immediately preceding that Cap Calculation Date and starting on the immediately preceding Cap Calculation Date.

4.2a.2 This paragraph 4.2a applies if, on any Cap Calculation Date, in respect of any Repayment Instalment (including, for the avoidance of doubt, any Repayment Instalment the amount of which has been increased pursuant to subparagraph

4.2a.4) the Aggregate Debt Service paid or payable during the then current calendar year has exceeded or will exceed the Cap for that calendar year.

4.2a.3 If this paragraph 4.2a applies in respect of any Repayment Instalment, the Guarantee Fund may no later than on the fifth Business Day following the relevant Cap Calculation Date so notify The Netherlands and, following such notification, that Repayment Instalment will be reduced by an amount such that, after such reduction, subparagraph 4.2a.2 does not apply to that Repayment Instalment or, if to that effect the Repayment Instalment would need to be reduced to a negative amount, to zero.

4.2a.4 Any amount by which a Repayment Instalment is reduced pursuant to subparagraph 4.2a.3 will be added to the next following Repayment Instalment.

4.2a.5 Nothing in this paragraph 4.2a shall affect, or be affected by, any payment made or required to be made under paragraph 4.1 (*Repayment out of amounts received from Landsbanki*).

4.2b Extension option for Iceland

4.2b.1 In this paragraph 4.2b:

"**Extension Effective Date**" means the date falling three months after the date on which an Extension Notice has been given or such other date as the Parties may agree in writing.

"**Extension Notice**" means a notice as referred to in subparagraph 4.2b.2.

4.2b.2 The Guarantee Fund may, at any time, by written notice to The Netherlands, elect to extend the repayment schedule set out in subparagraph 4.2.1 of paragraph 4.2 (*Scheduled repayment*).

4.2b.3 If the Guarantee Fund gives an Extension Notice, then:

(a) if the Extension Effective Date occurs before the first Repayment Date, the references to "thirty two" in the definition of "Repayment Instalment" in paragraph 1.1 (*Definitions*) and in subparagraph 4.2.1 of paragraph 4.2 (*Scheduled repayment*) will be read as if they referred to "fifty six"; and

(b) if the Extension Effective Date occurs on or after the first Repayment Date:

(i) the reference to "thirty two" in subparagraph 4.2.1 of paragraph 4.2 (*Scheduled repayment*) will be read as if it referred to "fifty six"; and

(ii) the definition of Repayment Instalment will be read such that Repayment Instalments falling due after the Extension Effective Date will be an amount equal to the principal amount of the Loan immediately after the Extension Effective Date divided by the number of Repayment Dates remaining after the Extension

Effective Date, assuming a total of fifty six Repayment Dates in all.

4.2b.4 If after 5 June 2024 any amount of principal of the Loan remains outstanding as a result of the operation of paragraph 4.2a (*Cap on principal payments by reference to cumulative GDP growth*), then, unless the Guarantee Fund has given an Extension Notice before that date, the Guarantee Fund will be deemed to have given an Extension Notice with the Extension Effective Date being 5 June 2024.

4.2c Repayment of any remaining principal after 5 June 2030

4.2c.1 In this paragraph 4.2c "**Unpaid Principal**" means any amount of principal of the Loan which has not been repaid on or before 5 June 2030 as a result of the operation of paragraph 4.2a (*Cap on principal payments by reference to cumulative GDP growth*).

4.2c.2 If after 5 June 2030 any Unpaid Principal remains outstanding, then, unless the Parties otherwise agree in writing, the Unpaid Principal will be repaid in twenty further equal quarterly instalments over a further five year period, during which paragraph 4.2a (*Cap on principal payments by reference to cumulative GDP growth*) will continue to apply so as to limit, potentially, the size of any such instalment.

4.2c.3 If at the end of the five year period referred to in subparagraph 4.2c.2 any Unpaid Principal remains unpaid then the provisions of this paragraph 4.2c will apply *mutatis mutandis* to its repayment.

4.2d Notices

Any notice which the Guarantee Fund may give under this paragraph 4 may also be given by Iceland on its behalf.

4.3 Voluntary prepayment

4.3.1 Subject to subparagraph 4.3.2, the Guarantee Fund may, at any time, if it gives The Netherlands no less than three Business Days' prior written notice, voluntarily prepay the Loan in whole or in part (but, if in part, in an amount equal to at least EUR 1,000,000 (one million euro)).

4.3.2 At the same time as making any voluntary prepayment under subparagraph 4.3.1 the Guarantee Fund will make a *pro rata* voluntary prepayment of the principal amount then outstanding under the UK Loan Agreement, such that the same proportion of the principal amount then outstanding is prepaid under this Agreement and under the UK Loan Agreement (subject to any rounding).

4.3.3 Any voluntary prepayment of the Loan pursuant to this paragraph 4.3:

(a) will be made together with all accrued interest thereon but without any penalty; and

(b) subject to paragraph 8.3 (*Partial payments*), will reduce the principal amount of the Loan by the amount of the prepayment and will be applied *pro rata* towards each of the remaining Repayment Instalments.

5 INTEREST

5.1 Interest rate

- 5.1.1 The Loan will bear an interest at a rate of 5.55 per cent. per annum.
- 5.1.2 Interest on the Loan will accrue from 1 January 2009 on the principal amount of the Loan from time to time.

5.2 Payment of interest

- 5.2.1 Up to (and including) the seventh Anniversary Date, accrued interest on the Loan will be compounded with (and thus become part of the principal amount of) the Loan on each Anniversary Date.
- 5.2.2 Following the seventh Anniversary Date, the Guarantee Fund will pay accrued interest on the Loan on each Anniversary Date and on each date falling three, six months or nine months after an Anniversary Date.

5.3 Interest on arrears

If the Guarantee Fund fails to pay any amount payable by it under this Agreement on its due date, interest will accrue on the overdue amount from the due date up to the date of actual payment at a rate referred to in paragraph 5.1 (*Interest rate*) plus 0.30 percentage points *per annum*.

5.4 Day count convention

Any interest accruing under this Agreement will accrue from day to day and will be calculated on the basis of the actual number of days elapsed and a year of 365 days.

6 GUARANTEE AND INDEMNITY

6.1 Coming into force

The guarantee and indemnity contained in this paragraph 6 will come into force on the seventh Anniversary Date.

6.2 Guarantee and indemnity

Iceland irrevocably and unconditionally:

- 6.2.1 guarantees to The Netherlands the due and punctual performance by the Guarantee Fund of all the Guarantee Fund's obligations under the Finance Documents to which it is a party;
- 6.2.2 undertakes to The Netherlands that, whenever the Guarantee Fund does not pay any amount when due under or in connection with the Finance Documents to which it is a party, that it will, on demand, pay that amount as if it were the principal obligor; and
- 6.2.3 undertakes to indemnify The Netherlands, on demand, against any cost, loss or liability suffered by The Netherlands if any obligation guaranteed by it under the Finance Documents is or becomes unenforceable, invalid or illegal. The

amount of the cost, loss or liability will be equal to the amount which The Netherlands would otherwise have been entitled to recover.

6.3 Continuing guarantee and indemnity

The guarantee and indemnity contained in this paragraph 6 is a continuing guarantee and indemnity and will extend to the ultimate balance of sums payable by the Guarantee Fund under the Finance Documents, regardless of any intermediate payment or discharge, whether in whole or in part. Such guarantee and indemnity will be discharged (subject to paragraph 6.4) only once the ultimate balance of all sums payable by the Guarantee Fund under the Finance Documents has been fully and finally paid to, and retained by, The Netherlands.

6.4 Reinstatement

If any payment by the Guarantee Fund or Iceland or any discharge given by The Netherlands in favour of the Guarantee Fund or Iceland is avoided or reduced:

- 6.4.1 the liability of the Guarantee Fund or Iceland (as appropriate) will continue as if the payment, discharge, avoidance or reduction had not occurred; and
- 6.4.2 The Netherlands will be entitled to recover the value or amount of any such payment or discharge from the Guarantee Fund or Iceland (as appropriate), as if the payment, discharge, avoidance or reduction had not occurred.

6.5 Waiver of defences

The obligations of Iceland under this paragraph 6 will not be affected by an act, omission, matter or thing which, but for this paragraph 6.5, would reduce, release or prejudice any of its obligations under this paragraph 6, including (without limitation and whether or not known to it or any other Party):

- 6.5.1 any time, waiver or consent granted to, or composition with, the Guarantee Fund, Iceland or any other person;
- 6.5.2 the release of the Guarantee Fund, Iceland or any other person under the terms of any composition or arrangement with any creditor of any of them;
- 6.5.3 the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Guarantee Fund, Iceland or any other person or any non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- 6.5.4 any incapacity or lack of power, authority or legal personality of or dissolution or change in the status of the Guarantee Fund, Iceland or any other person;
- 6.5.5 any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Finance Document including (without limitation) any change in the purpose of, any extension of or any increase in the Loan or the addition of any Finance Document;
- 6.5.6 any unenforceability, illegality or invalidity of any obligation of any person

under any Finance Document or any other document; or

6.5.7 any insolvency, reorganisation or similar proceedings in respect of Landsbanki, the Guarantee Fund or any other person.

6.6 Immediate recourse

Iceland hereby irrevocably waives any right it may have of first requiring The Netherlands to proceed against or enforce any other rights or security or claim payment from any person before claiming from Iceland under this paragraph 6. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

6.7 Deferral of Iceland's rights

Until all amounts which have become payable by the Guarantee Fund or Iceland under or in connection with the Finance Documents have been irrevocably paid in full, and unless The Netherlands otherwise directs, Iceland will not exercise any rights of indemnity, subrogation or contribution which it may have by reason of the performance by it of its obligations under the Finance Documents (and, if Iceland receives any payment or distribution in relation to such rights, it will promptly turn such payment or distribution over to The Netherlands).

6.8 Additional security

The guarantee and indemnity set out in this paragraph 6 is in addition to and is not in any way prejudiced by any other guarantee, indemnity or security now or subsequently held by The Netherlands or any other person.

6.9 Treatment of Landsbanki creditors

Iceland will not take any action which would result in the creditors (or any class of them) of Landsbanki (including, for the avoidance of doubt, the creditors (or any class of them) of Landsbanki Amsterdam), being treated in a manner contrary to generally accepted international or European principles of treatment of the creditors in an international winding-up.

7 COMPARABILITY OF TREATMENT AND EQUAL TREATMENT

7.1 Comparability of treatment

If the Guarantee Fund or Iceland enters into any financing arrangement or treaty (other than the UK Loan Agreement) with any financier (including, without limitation, any state, international organisation or private entity) for the purpose of financing claims of any depositors of an Icelandic bank and, under the relevant financing arrangement or treaty (taken as a whole), that financier enjoys an overall more favourable treatment than The Netherlands under this Agreement, or has the benefit of any security, then the Guarantee Fund and Iceland will grant The Netherlands the same favourable treatment or the benefit of similar security (and the Guarantee Fund and Iceland will enter into any documentation necessary or desirable in order to do so).

7.2 Equal treatment

7.2.1 In this paragraph 7.2:

"Excess Payment" means any payment in excess of an amount of EUR 20,887 in respect of any claim or claims of a Landsbanki Depositor (not including, for the avoidance of doubt, any former Landsbanki Depositor who became a depositor of NBI hf.) other than a Landsbanki Amsterdam Depositor.

"Other Guarantee Fund" means any deposit-guarantee scheme introduced and officially recognised in Iceland for the purpose of Directive 94/19/EC (including any modification or re-enactment thereof or any substitution therefor), other than the Guarantee Fund.

7.2.2 If:

- (a) the Guarantee Fund, any Other Guarantee Fund or Iceland makes any Excess Payment; or
- (b) the Guarantee Fund or any Other Guarantee Fund has sufficient funds available to make any Excess Payment;

then the Guarantee Fund will pay (or will ensure that each other relevant Guarantee Fund pays) an amount equal to the Excess Payment to each Landsbanki Amsterdam Depositor, provided that, to the extent that The Netherlands or DNB has made any payment to a Landsbanki Amsterdam Depositor in respect of a claim of that Landsbanki Amsterdam Depositors under Act No. 98/1999 in excess of EUR 20,887 per claim, the payment under this paragraph 7.2 will be made to The Netherlands or DNB, as the case may be.

8 PAYMENTS AND SET-OFF

8.1 Payments

Each payment by the Guarantee Fund or Iceland under this Agreement will be made on, and for value on, the due date to bank account nr. 600113019 (BIC: MIFINL2G; IBAN: NL10FLOR0600113019) with DNB in the name of The Netherlands.

8.2 Currency

Each of the Guarantee Fund and Iceland will make each payment to be made by it under this Agreement in euro and in freely available and transferable funds.

8.3 Partial payments

If the Guarantee Fund or Iceland makes a payment to The Netherlands that is insufficient to discharge all matured payments then due under this Agreement from the Guarantee Fund or Iceland, as the case may be, to The Netherlands, that payment will be applied:

- 8.3.1 first, towards discharging any costs and expenses of The Netherlands incurred under this Agreement;

- 8.3.2 second, towards payment of such part of the Loan as is then due; and
- 8.3.3 third, towards payment of any accrued interest which is due but unpaid under this Agreement.

8.4 Set-off and deductions

- 8.4.1 All payments to be made by the Guarantee Fund or Iceland under this Agreement will be calculated and be made:
 - (a) without, and clear of any deduction for, any suspension, counterclaim or set-off; and
 - (b) clear of any deduction or withholding for, or on account of, any tax, levy, impost, duty or other charge of a similar nature, other than any such deduction or withholding required by law.
- 8.4.2 If the Guarantee Fund or Iceland is required to make a deduction or withholding as referred to in subparagraph 8.4.1(b), the amount of the payment due from it will be increased to an amount which, after making the deduction or withholding, leaves an amount equal to the payment which would have been due if no deduction or withholding had been required.

9 INDEMNITY

The Guarantee Fund will, within ten Business Days of demand, indemnify The Netherlands against any cost, loss or liability suffered by The Netherlands in connection with or arising out of:

- 9.1.1 the conversion of one currency into another pursuant to the Finance Documents;
- 9.1.2 the occurrence of a Termination Event or the breach by the Guarantee Fund or Iceland of any of their respective obligations under the Finance Documents; or
- 9.1.3 the preservation, perfection or enforcement of any of The Netherlands' rights under the Finance Documents.

10 REPRESENTATIONS

The Guarantee Fund makes the representations and warranties set out in this paragraph 10 to The Netherlands on the date of this Agreement:

- 10.1.1 it is a private foundation, duly incorporated and validly existing under Icelandic law and it has the power to own its assets and carry on its business as it is being conducted; and
- 10.1.2 the obligations expressed to be assumed by it in each Finance Document to which it is a party are or will be, subject to any general principles of law limiting its obligations which are specifically referred to in the legal opinion referred to in paragraph 3 (*Coming into force*), legal, valid, binding and

enforceable obligations.

11 TERMINATION EVENTS

11.1 Termination Events

Each of the following is a Termination Event:

- 11.1.1 Non-payment:** The Guarantee Fund or Iceland fails to pay on the due date any amount payable under the Finance Documents at the place and in the currency in which it is expressed to be payable unless such failure is due solely to administrative or technical error and such amount is paid within five Business Days of the due date for payment.
- 11.1.2 Other defaults:** The Guarantee Fund or Iceland fails to perform any of their respective obligations under the Finance Documents and, if capable of remedy, such failure is not remedied to the satisfaction of The Netherlands within ten Business Days of such failure.
- 11.1.3 Avoidance of payments:** Any payment previously made by the Guarantee Fund or Iceland in respect of amounts due under the Finance Documents is avoided, set aside, invalidated or reduced.
- 11.1.4 Untrue representations:** Any statement made, or deemed to be made, in any Finance Document or in any document delivered by the Guarantee Fund or Iceland in connection with any Finance Document is, or proves to have been, incorrect or misleading in any material respect when made or deemed to be made.
- 11.1.5 Cross default of Iceland:** Iceland (or any governmental or ministerial authority of Iceland) fails to make any payment in respect of any of its External Indebtedness on its due date (or within any originally applicable grace period set out in the agreement constituting such External Indebtedness) or any such External Indebtedness becomes due earlier than its stated date of payment by reason of an event of default (however described), provided that no Termination Event will occur under this subparagraph 11.1.5 unless the aggregate amount of External Indebtedness in respect of which any amount has not been paid when due or which has become due early exceeds GBP 10,000,000 or its equivalent in other currencies.
- 11.1.6 Inability to pay debts:** The Guarantee Fund is unable or admits its inability to pay, taking into account any support available to it, any of its debts as they fall due, suspends (whether voluntarily or involuntarily) making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to restructuring or rescheduling any of its indebtedness.
- 11.1.7 Compliance with laws:** The Guarantee Fund or Iceland:
- (a) fails to comply with the requirements of the Directive 94/19/EC in

respect of any Landsbanki Depositor in any material way; or

(b) fails to comply with any law to which it is subject, in circumstances where such failure might materially impair its ability to perform its obligations under the Finance Documents.

11.1.8 Claims pari passu: The payment obligations of the Guarantee Fund under the Finance Documents cease to rank at least *pari passu* with the present and future claims of all of its other creditors or the payment obligations of Iceland under the Finance Documents cease to rank at least *pari passu* with its present and future External Indebtedness, in both cases other than claims which are mandatorily preferred by law in force on the date of this Agreement.

11.1.9 Invalidity or repudiation: Any provision of any of the Finance Documents is not or ceases to be legal, valid, binding and enforceable or is repudiated in any way by either the Guarantee Fund or Iceland.

11.1.10 Compensation fund: The Guarantee Fund is dissolved or ceases to be, or any Change of Icelandic Law occurs which has or will have the effect that the Guarantee Fund ceases to be, the sole deposit-guarantee scheme in respect of the Landsbanki Depositors officially recognised in Iceland for the purpose of Directive 94/19/EC (including any modification or re-enactment thereof or any substitution therefor).

11.1.11 Change of Icelandic Law: Any Change of Icelandic Law occurs which has or would have a material adverse effect on the ability of the Guarantee Fund or Iceland to perform their respective payment or other obligations under the Finance Documents to which they are party.

11.2 Notification of a Termination Event

If the Guarantee Fund or Iceland becomes aware that a Termination Event has occurred, it will notify The Netherlands of such occurrence as soon as possible, together with details of the events or circumstances comprising such Termination Event and of the steps being taken to remedy the same.

11.3 Consequences of a Termination Event

On and at any time after the occurrence of a Termination Event, The Netherlands may, by notice to the Guarantee Fund with a copy to Iceland, declare that all or part of the Loan, together with any accrued interest thereon, and all other amounts accrued or outstanding under the Finance Documents, will be immediately due and payable, whereupon they will become immediately due and payable.

12 CHANGES

12.1 Amendments

This Agreement may be amended, supplemented or waived only by a written agreement between the Parties.

12.2 Changes to Parties

No Party may assign, transfer or encumber any of its rights or obligations under this Agreement.

13 NOTICES

13.1 Communications in writing

Any communication to be made under or in connection with this Agreement will be made in writing in English and, unless otherwise stated, may be made by letter or fax (and may be copied, but not validly served, by email).

13.2 Addresses

The address and fax number (and the department or official, if any, for whose attention the communication is to be made) of each Party for any communication to be made under or in connection with this Agreement is:

- 13.2.1 that identified with its name on the signature pages of this Agreement; or
- 13.2.2 any substitute address or fax number or department or official as a Party may notify to the other Parties by not less than five Business Days' notice.

13.3 Delivery

Notices served by personal delivery, post or fax will be deemed to have been duly given:

- 13.3.1 if left at the address of the person to be served, at the time when it is so left (or, if left on a day that is not a Business Day, at 8:15am (local time) on the next following Business Day);
- 13.3.2 if sent by registered international post, on the second Business Day following the day of posting; and
- 13.3.3 if sent by facsimile transmission, when confirmation of receipt is received from the receiving facsimile machine (or, if sent on a day that is not a Business Day, at 8:15am (local time) on the next following Business Day),

and provided that, in proving the giving of notice under or in connection with this Agreement, it will be sufficient to prove that the notice was delivered to the address for service or that the envelope containing such notice was properly addressed and posted by registered international post (as the case may be).

14 MISCELLANEOUS

14.1 Severability

If any provision of this Agreement becomes illegal, invalid, not binding or unenforceable in any respect under any law, the legality, validity, binding effect and enforceability of the remaining provisions will not in any way be affected or impaired.

14.2 Remedies

No failure or delay by The Netherlands in exercising any right or remedy provided by law or under or pursuant to this Agreement will impair that right or remedy or operate or be construed as a waiver or variation of it or preclude its exercise at any subsequent time and no single or partial exercise of that right or remedy will preclude any other or further exercise of it or the exercise of any other right or remedy. Any liberty or power which may be exercised or any determination which may be made under this Agreement by The Netherlands (including, without limitation, any act, matter or thing as agreed, specified, determined, decided or notified by The Netherlands to the Guarantee Fund and/or Iceland) may be exercised or made in the absolute and unfettered discretion of The Netherlands from time to time, which will not be under any obligation to give reasons therefor.

14.3 Counterparts

This Agreement may be executed in any number of counterparts, and by the Parties on separate counterparts, and this will have the same effect as if the signatures on the counterparts were on a single copy of this Agreement. Each counterpart will be an original copy of this Agreement, but they will together constitute one and the same instrument.

15 CHANGE OF CIRCUMSTANCES

15.1.1 This paragraph 15 applies if at any time the then most recently published Article IV review by the International Monetary Fund in relation to Iceland states that a significant deterioration has occurred in the sustainability of the debt of Iceland, relative to the assessment of such sustainability by the International Monetary Fund as of 19 November 2008.

15.1.2 The Netherlands agrees that, if this paragraph 15 applies and Iceland so requests, it will meet to discuss the situation and consider whether, and if so how, this Agreement should be amended to reflect the relevant change in circumstances.

16 GOVERNING LAW AND JURISDICTION

16.1 Governing law

This Agreement is governed by, and will be construed in accordance with, the laws of England.

16.2 Jurisdiction

16.2.1 Any dispute concerning this Agreement, including a dispute regarding the existence, validity or termination of this Agreement, (a "**Dispute**") will be subject to the exclusive jurisdiction of the English courts.

16.2.2 Given the similarities between this Agreement and the UK Loan Agreement, the Parties agree that the English courts are the most appropriate and

convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

16.2.3 Paragraph 16.2.1 is for the benefit of The Netherlands only. As a result, The Netherlands will not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, The Netherlands may take concurrent proceedings in any number of jurisdictions.

16.2.4 Without prejudice to any other mode of service allowed under any relevant law, the Guarantee Fund hereby irrevocably appoints the Embassy of Iceland of 2A Hans Street, SW1X 0JE London, England, as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document and agrees that failure by the process agent to notify it of any process will not invalidate the proceedings concerned.

16.3 Waiver of sovereign immunity

Each of the Guarantee Fund and Iceland consents generally to the issue of any process in connection with any Dispute and to the giving of any type of relief or remedy against it, including the making, enforcement or execution against any of its property or assets (regardless of its or their use or intended use) of any order or judgment. If either the Guarantee Fund or Iceland or any of their respective property or assets is or are entitled in any jurisdiction to any immunity from service of process or of other documents relating to any Dispute, or to any immunity from jurisdiction, suit, judgment, execution, attachment (whether before judgment, in aid of execution or otherwise) or other legal process, this is irrevocably waived to the fullest extent permitted by the law of that jurisdiction. Each of the Guarantee Fund and Iceland also irrevocably agree not to claim any such immunity for themselves or their respective property or assets.

THIS AGREEMENT HAS BEEN MADE ON THE DATE STATED AT THE BEGINNING OF THIS AGREEMENT BY:

The Depositors' and Investors'
Guarantee Fund of Iceland
(*Tryggingarsjóður Innstæðueigenda og
Fjárfesta*)

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Name: Aslaug Arnadottir

Title: Chairperson of the Board

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Attn.: Permanent Secretary

Name: Indriði H. Þorláksson
Title: Permanent Secretary

The State of the Netherlands
The Minister of Finance
on his behalf

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Name: Johan C. Barnard