

CONFORMED COPY

As amended by an Acceptance and Amendment Agreement dated 19 October 2009

Loan Agreement

between

The Depositors' and Investors' Guarantee Fund of Iceland

and

Iceland

and

The Commissioners of Her Majesty's Treasury

Dated 5 June, 2009

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 COMMISSIONERS OF HER MAJESTY'S TREASURY** ("**HMT**" or, in their capacity as lender under this agreement, the "**Lender**") as lender.

BACKGROUND:

- (A) The claims of Landsbanki London Depositors against Landsbanki are guaranteed by the Guarantee Fund according and subject to Act No. 98/1999 which implements Directive 94/19/EC. Such guarantee covers up to EUR 20,887 per Landsbanki London Depositor.
- (B) The FSCS has paid compensation to the majority of Landsbanki London 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 London Depositors of such claims to the FSCS. The process by which:
 - (i) the FSCS will settle (on behalf of the Guarantee Fund) the remaining claims of the Landsbanki London Depositors against the Guarantee Fund under Act No. 98/1999; and
 - (ii) the Guarantee Fund will settle its obligations to the FSCS,will be detailed in the Settlement Agreement.
- (C) It has been agreed that the Guarantee Fund will:
 - (i) reimburse the FSCS for the amounts expended by it in paying compensation to Landsbanki London Depositors in respect of their claims against Landsbanki and the Guarantee Fund under Act No. 98/1999 and make a payment to the FSCS in respect of certain historic and future costs (which reimbursement will also settle the claims of such Landsbanki London Depositors which have been assigned to the FSCS); and
 - (ii) put the FSCS in funds to settle (on behalf of the Guarantee Fund) the remaining claims of the Landsbanki London Depositors against the Guarantee Fund under Act No. 98/1999.
- (D) It has further been agreed that the Lender will provide sufficient funding to the Guarantee Fund in order to enable the latter to perform the above obligations. The Parties wish to detail in this Agreement the terms on which such financing will be provided by the Lender and repaid by the Guarantee Fund.
- (E) It is anticipated that the FSCS will on-assign the claims against Landsbanki (which were assigned to it by Landsbanki London Depositors) to the Guarantee Fund, to the extent such claims represent amounts which are guaranteed by the Guarantee Fund under Act No. 98/1999.

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 London.

“**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).

“**Disbursement**” means a disbursement made or to be made under this Agreement.

“**Disbursement Date**” means the date on which a Disbursement is or is to be made.

“**Disbursement Request**” means a notice substantially in the form of (a).

“**Dispute**” has the meaning given to it in subparagraph 17.2.1.

“**Dutch Loan Agreement**” means the Loan Agreement entered or to be entered into between the Guarantee Fund, Iceland and The State of The Netherlands.

“**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 Dutch Loan Agreement.

“**Facility**” means the term loan facility described in paragraph 2.1.

“**Facility Amount**” has the meaning given to it in subparagraph 2.1.1.

“**Finance Documents**” means this Agreement, the Settlement Agreement and any other

agreement or document designated as a Finance Document by the Parties.

“**FSCS**” means the Financial Services Compensation Scheme Limited.

“**FSCS Bank Account**” means one or more bank accounts maintained by the Bank of England in its books for the FSCS.

“**IMF**” means the International Monetary Fund.

“**Landsbanki**” means Landsbanki Íslands hf., a financial undertaking incorporated under Icelandic law.

“**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 London Depositor).

“**Landsbanki London**” means the London branch of Landsbanki.

“**Landsbanki London Depositor**” means (i) each depositor with Landsbanki London’s “Icesave” product; (ii) any person who has submitted an application to open an account with Landsbanki London’s “Icesave” product and has transferred money to Barclays as UK clearing bank for Landsbanki London but for whom no “Icesave” account has been opened, so that the money transferred continues to be held by Barclays; and (iii) any other person who has deposited any funds, or otherwise has any credit balance, with Landsbanki London, provided that, in this final case, the corresponding claim against Landsbanki is eligible for compensation under the rules of the FSCS.

“**Lender’s Settlement Account**” means one or more bank accounts maintained by the Lender from time to time as notified by the Lender to the Guarantee Fund.

“**Parties**” means the Guarantee Fund, Iceland and the Lender.

“**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.

“**Reimbursement**” means, at any time (whether before or after the Reimbursement is required to be paid by the Guarantee Fund to the Lender), the aggregate amount of the Disbursements, together with all compounded interest thereon, or the amount outstanding for the time being of that amount.

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

“**Settlement Agreement**” means the settlement agreement to be entered into between the Guarantee Fund and the FSCS which sets out the process by which the FSCS will settle (on behalf of the Guarantee Fund) the claims of the Landsbanki London Depositors against the Guarantee Fund under Act No. 98/1999 and the process by which the Guarantee Fund will settle its obligations to the FSCS.

“**Termination Event**” means any event or circumstance specified as such in paragraph 12.

1.2 Third-party benefits

- 1.2.1 Subject to subparagraph 1.2.2, a person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of this Agreement.
- 1.2.2 The FSCS 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 (including, without limitation, paragraph 8).
- 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);
 - (c) references to any statute or other legislative provision shall include any statutory or legislative modification or re-enactment thereof, or any substitution therefor; and
 - (d) references to the FSCS settling claims or paying compensation "on behalf of the Guarantee Fund" include all payments made by the FSCS to Landsbanki London Depositors in respect of the Guarantee Fund's obligations under Act No. 98/1999 (whether such payments are made by the FSCS as principal or agent).
- 1.3.2 If, but for the operation of this subparagraph 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 shall instead be payable, or that period shall instead end, on the next following Business Day, unless such Business Day falls in the next calendar month, in which case that sum shall instead be payable, or that period shall instead end, on the immediately preceding Business Day.

2 THE FACILITY

2.1 The Facility

- 2.1.1 Subject to the terms of this Agreement, the Lender makes available to the Guarantee Fund a Sterling term loan facility in a maximum principal amount of £2,350,000,000, or such other amount as the Lender and the Guarantee Fund may agree in writing from time to time (the "**Facility Amount**").
- 2.1.2 Disbursements made under the Facility shall be applied (or, pending such application, placed on interest-bearing deposit in order to be subsequently applied) by the Guarantee Fund or on its behalf towards one or more of the following purposes:
- (a) the repayment (whether by way of set off or otherwise) of any amounts borrowed by the FSCS from HMT which have been applied by the FSCS (on behalf of the Guarantee Fund) in order to pay compensation in respect of claims of Landsbanki London Depositors under Act No. 98/1999 for up to £16,872.99 per claim, together with interest accrued on such amounts borrowed from (and including) 1 January 2009;

- (b) the settlement by the FSCS (on behalf of the Guarantee Fund) of the claims of Landsbanki London Depositors under Act No. 98/1999 for up to £16,872.99 per depositor (or, where applicable, per joint-account holder); and
- (c) payment to the FSCS by way of compensation and funding for certain costs, in accordance with and subject to the Settlement Agreement.

2.1.3 Notwithstanding subparagraph 2.1.2, the Lender shall not be bound to monitor nor be concerned with the use or application of any Disbursement.

2.2 Operation of the Facility

2.2.1 Without prejudice to the liability of Iceland, the Guarantee Fund shall be the sole borrower under the Facility, shall be the debtor in respect of all Disbursements made under the Facility and shall be primarily liable for all sums (including, without limitation, the Reimbursement and any interest, costs and expenses arising in connection therewith) which are or may become due to the Lender under this Agreement.

2.2.2 The FSCS may, and the Guarantee Fund (with the consent of Iceland) hereby irrevocably authorises the FSCS to, on behalf of the Guarantee Fund, make drawings under the Facility in the form of one or more Disbursements, which the FSCS may request by delivery to the Lender of a duly completed Disbursement Request in accordance with the Settlement Agreement.

2.2.3 A Disbursement Request must be submitted to the Lender by no later than 11:00 am (London time) on the proposed Disbursement Date.

2.2.4 The FSCS may, on behalf of the Guarantee Fund, make drawings under the Facility in accordance with this paragraph 2.2:

- (a) in order to make any payment necessary or desirable for any of the purposes set out in paragraph 2.1; and
- (b) until (and so that no Disbursement Date falls after) 30 March 2012 and in an aggregate principal amount not exceeding the Facility Amount.

2.3 Making of a Disbursement

2.3.1 Provided that:

- (a) this Agreement has come into force in accordance with paragraph 3; and
- (b) no Termination Event has occurred or would occur as a result of the proposed Disbursement being made,

the Lender will make each Disbursement available to the FSCS on its Disbursement Date. Each Disbursement shall be made available by credit to an FSCS Bank Account (or, in the case of a Disbursement to be used for the purpose of repaying any amount borrowed by the FSCS from HMT, by setting off such Disbursement against the amount already borrowed).

2.3.2 Only the FSCS may request and receive the proceeds of a Disbursement and the Guarantee Fund will, notwithstanding (and without prejudice to) its obligations as borrower under the Facility, not have any right or claim to request or receive the proceeds of any Disbursement.

2.4 Confirmation of Disbursements

2.4.1 The Lender will, as soon as reasonably possible after making any Disbursement, notify the Guarantee Fund and Iceland of:

- (a) the amount of the Disbursement and its Disbursement Date; and
- (b) the amount of the Reimbursement immediately after the making of the

Disbursement.

2.4.2 Any failure to comply with subparagraph 2.4.1 shall not in any way limit the duties or liabilities of the Guarantee Fund and Iceland under this Agreement.

3 COMING INTO FORCE

3.1 Conditions precedent

This Agreement will come into force if and when:

- (a) the Guarantee Fund has delivered to the Lender, in form and substance satisfactory to it, the following documents (which shall 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) an original copy of the Settlement Agreement, dated and duly signed on behalf of the Guarantee Fund;
 - (iii) a board resolution or other corporate authorisation of the Guarantee Fund authorising the execution by it of this Agreement and the Settlement Agreement and the performance of its obligations under such documents; and
 - (iv) a legal opinion of Lex, legal advisers to the Guarantee Fund as to Icelandic law, and the State Attorney of Iceland (*Ríkislögmaður*) in respect of, inter alia, the capacity and due authority of, and valid execution 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 and the Settlement Agreement are legal, valid, binding and enforceable, and Iceland has delivered to the Lender a copy of any such act or authorisation when enacted or adopted; and
- (c) the Guarantee Fund and the FSCS have entered into an assignment of claims (which will come into force simultaneously with this Agreement) complying with the provisions of paragraph 4.2 of the Settlement Agreement.

3.2 Long stop date

If the actions referred to in subparagraph 3.1 other than subparagraph 3.1(c) have not been completed by the date the Icelandic parliament goes on its 2009 summer recess, the Lender may, by notice to the Guarantee Fund with a copy to Iceland, terminate this Agreement.

4 REIMBURSEMENT

4.1 Reimbursement

The Guarantee Fund will reimburse the Lender for all Disbursements made by it in accordance with this Agreement by paying the Reimbursement.

4.2 Repayment out of amounts received from Landsbanki

4.2.1 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 Lender and to The State of the Netherlands (as lender under the Dutch Loan Agreement), in inverse order of maturity (subject to any necessary rounding adjustments) to the principal amounts then outstanding under this Agreement and the Dutch Loan Agreement. Any amount received by the Lender under this subparagraph 4.2.2 shall be applied in prepayment of the Reimbursement.

- 4.2.2 Any repayment of the Reimbursement made pursuant to this paragraph 4.2 after the seventh Anniversary Date shall:
- (a) be made together with all accrued interest thereon, but without penalty; and
 - (b) subject to paragraph 9.3, reduce the amount of the Reimbursement by the amount of the prepayment and be applied pro rata towards each of the remaining Repayment Instalments.

4.3 Scheduled repayment

- 4.3.1 Subject to other provisions of this paragraph 4 (*Reimbursement*), following the seventh Anniversary Date, the Guarantee Fund will repay the then outstanding principal amount of the Loan in thirty two quarterly Repayment Instalments.
- 4.3.2 Subject to paragraph 4.3a (*Cap on principal payments by reference to cumulative GDP growth*), the Guarantee Fund will pay a Repayment Instalment on each Repayment Date.

4.3a Cap on principal payments by reference to cumulative GDP growth

4.3a.1 In this paragraph 4.3a:

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

- (a) the Repayment Instalments paid or payable pursuant to paragraph 4.3 (*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 4 per cent. (or, in respect of 2016, 2 per cent.) of the amount by which Icelandic GDP Equivalent for that calendar year is greater than the equivalent in sterling of the Icelandic gross domestic product for 2008, which the Parties determine to be GBP £9,194,000,000.

“**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 sterling 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 as derived from a source reasonably agreed between Iceland and HMT) for the period ending on the day immediately preceding that Cap Calculation Date and starting on the immediately preceding Cap Calculation Date.

- 4.3a.2 This paragraph 4.3a 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 4.3a.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.

- 4.3a.3 If this paragraph 4.3a applies in respect of any Repayment Instalment, the Guarantee Fund will no later than on the fifth Business Day following the relevant Cap Calculation Date so notify HMT and, following such notification, that Repayment Instalment will be reduced by an amount such that, after such reduction, subparagraph 4.3a.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.
- 4.3a.4 Any amount by which a Repayment Instalment is reduced pursuant to paragraph 4.3a.3 will be added to the next following Repayment Instalment.
- 4.3a.5 Nothing in this paragraph 4.3a shall affect, or be affected by, any payment made or required to be made under paragraph 4.2 (*Repayment out of amounts received by Landsbanki*).

4.3b Extension option for Iceland

- 4.3b.1 In this paragraph 4.3b:

“**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 4.3b.2.

- 4.3b.2 The Guarantee Fund may, at any time, by written notice to HMT, elect to extend the repayment schedule set out in subparagraph 4.3.1 of paragraph 4.3 (*Scheduled repayment*).

- 4.3b.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 4.3.1 of paragraph 4.3 (*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 4.3.1 of paragraph 4.3 (*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 Effective Extension 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.

- 4.3b.4 If after 5 June 2024 any amount of principal of the Reimbursement remains outstanding as a result of the operation of paragraph 4.3a (*Cap on principal payments by reference to cumulative GDP growth*) or this paragraph 4.3b, 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.

4.3c Repayment of any remaining principal after 5 June 2030

- 4.3c.1 In this paragraph 4.3c, “**Unpaid Principal**” means any amount of the principal of the Loan which has not been repaid on or before 5 June 2030 as a result of the operation of paragraph 4.3a (*Cap on principal payments by reference to cumulative GDP growth*).

- 4.3c.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 4.3a (*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.

4.3c.3 If at the end of the five year period referred to in subparagraph 4.3c.2 any Unpaid Principal remains unpaid, then the provisions of this paragraph 4.3c will apply *mutatis mutandis* to its repayment.

4.3d **Notices**

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

4.4 **Voluntary prepayment**

4.4.1 Subject to subparagraph 4.4.2, the Guarantee Fund may, at any time, if it gives the Lender not less than three Business Days' prior written notice, voluntarily prepay the Reimbursement in whole or in part but, if in part, in an amount equal to at least £1,000,000 or, if less, the amount of any Excess (as defined in paragraph 7.2 of the Settlement Agreement).

4.4.2 At the same time as making any voluntary prepayment under subparagraph 4.4.1, the Guarantee Fund shall (unless such voluntary prepayment was in respect of any Excess as referred to in subparagraph 4.4.1) make a *pro rata* voluntary prepayment of the principal amount then outstanding under the Dutch Loan Agreement, such that the same proportion of the principal amount then outstanding is prepaid under this Agreement and under the Dutch Loan Agreement (subject to any rounding).

4.4.3 Any prepayment of any amount of the Reimbursement pursuant to this paragraph 4.4 shall:

- (a) be made together with all accrued interest thereon, but without penalty; and
- (b) subject to paragraph 9.3, reduce the amount of the Reimbursement by the amount of the prepayment and be applied *pro rata* towards each of the remaining Repayment Instalments.

4.4.4 No amount prepaid may be reborrowed.

5 **INTEREST**

5.1 **Interest rate**

The Reimbursement will bear interest at a rate of 5.55 per cent. per annum from (and including) the first Disbursement Date to (but excluding) the date on which the last Repayment Instalment (or, as the case may be, prepayment) is paid to the Lender.

5.2 **Payment of interest**

5.2.1 Up to (and including) the seventh Anniversary Date, accrued interest on the Disbursements will be compounded with (and thus become part of) the Reimbursement on each Anniversary Date.

5.2.2 Following the seventh Anniversary Date, the Guarantee Fund will pay accrued interest on the Reimbursement on each Anniversary Date and on each date falling three, six 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 the rate specified in paragraph 5.1 plus 0.3 per cent. per annum. Such interest

shall be compounded or payable (as the case may be) on the dates specified in paragraph 5.2 and on the date of actual payment of the overdue amount.

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:

- (a) guarantees to the Lender 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;
- (b) undertakes to the Lender 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 shall, on demand, pay that amount as if it were the principal obligor; and
- (c) undertakes to indemnify the Lender, on demand, against any cost, loss or liability suffered by the Lender 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 shall be equal to the amount which the Lender 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 shall 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 Lender.

6.4 Reinstatement

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

- (a) the liability of the Guarantee Fund or Iceland (as appropriate) shall continue as if the payment, discharge, avoidance or reduction had not occurred; and
- (b) the Lender shall 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 shall 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):

- (a) any time, waiver or consent granted to, or composition with, the Guarantee Fund, Iceland or any other person;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) 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 Facility or the addition of any Finance Document;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document; or
- (g) 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 Lender 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 Lender otherwise directs, Iceland shall 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 shall promptly turn such payment or distribution over to the Lender).

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 Lender 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 London), 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 Dutch 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 Lender under this Agreement or the benefit of any security, then the Guarantee Fund and Iceland shall grant the Lender the same favourable treatment or the benefit of similar security (and the Guarantee Fund and Iceland shall execute 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) other than a Landsbanki London Depositor; and

“**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 London Depositor, provided that, to the extent that the Lender or the FSCS has made any payment to a Landsbanki London Depositor in respect of a claim of that Landsbanki London Depositor under Act No. 98/1999 in excess of EUR 20,887, the payment under this paragraph 7.2 will be made to the Lender or the FSCS, as the case may be.

8 RESPONSIBILITY OF THE LENDER AND THE FSCS

Neither the Lender nor the FSCS will be responsible for any cost, loss or liability suffered by the Guarantee Fund or Iceland in connection with this Agreement or the Settlement Agreement or otherwise in connection with Landsbanki prior to the date of this Agreement.

9 PAYMENTS AND SET-OFF

9.1 Payments

Each payment by the Guarantee Fund or Iceland under this Agreement will be made on, and for value on, the due date to a Lender's Settlement Account (or as the Lender may otherwise direct).

9.2 Currency

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

9.3 Partial payments

If the Guarantee Fund or Iceland makes a payment to the Lender 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 Lender, that payment will be applied:

- (a) first, towards discharging any costs and expenses of the Lender incurred under this Agreement;
- (b) second, towards payment of such part of the Reimbursement as is then due; and
- (c) third, towards payment of any accrued interest which is due but unpaid under this Agreement.

9.4 Set-off and deductions

9.4.1 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.

9.4.2 If the Guarantee Fund or Iceland is required to make a deduction or withholding as referred to in subparagraph 9.4.1(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.

10 INDEMNITY

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

- (a) the conversion of one currency into another pursuant to the Finance Documents;
- (b) 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
- (c) the preservation, perfection or enforcement of any of the Lender's rights under the Finance Documents.

11 REPRESENTATIONS AND WARRANTIES

The Guarantee Fund makes the representations and warranties set out in this paragraph 11 to the Lender on the date of this Agreement and shall be deemed to repeat them on the date on which it enters into the Settlement Agreement:

- (a) 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
- (b) 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 3.1(a)(iv), legal, valid, binding and enforceable obligations.

12 TERMINATION EVENTS

12.1 Termination Events

Each of the following is a Termination Event:

- 12.1.1 **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.
- 12.1.2 **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 Lender within ten Business Days of such failure.
- 12.1.3 **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.
- 12.1.4 **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.
- 12.1.5 **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 shall occur under this subparagraph 12.1.5 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 £10,000,000 or its equivalent in other currencies.
- 12.1.6 **Inability to pay debts:** The Guarantee Fund is unable (taking into account any support available to it) or admits its inability to pay 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.
- 12.1.7 **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.

12.1.8 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.

12.1.9 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.

12.1.10 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).

12.1.11 Change of Icelandic Law: A 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.

12.2 Notification of a Termination Event

If either the Guarantee Fund or Iceland becomes aware that a Termination Event has occurred, it shall notify the Lender 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.

12.3 Consequences of a Termination Event

On and at any time after the occurrence of a Termination Event, the Lender may, by notice to the Guarantee Fund, with a copy to Iceland and the FSCS:

- (a) cancel the Facility, whereupon it shall immediately be cancelled; and/or
- (b) declare that all or part of the Reimbursement, together with any accrued interest thereon, and all other amounts accrued or outstanding under the Finance Documents, shall be immediately due and payable, whereupon they shall become immediately due and payable.

13 ENTIRE AGREEMENT; CHANGES

13.1 Amendments

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

13.1.2 The effect of any amendment, supplement or waiver made in accordance with subparagraph 13.1.1 will extend to the Guarantee Fund.

13.2 Changes to Parties

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

14 NOTICES

14.1 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). Any notice to the Lender shall be copied to the FSCS and any notice to the FSCS shall be copied to the Lender.

14.2 Addresses

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

- (a) in the case of the Lender, HM Treasury, 1 Horse Guards Road, London SW1A 2HQ, United Kingdom and +44 (0)20 7270 5764 (attention: Tom Scholar);
- (b) in the case of the FSCS, Financial Services Compensation Scheme, 7th Floor, Lloyds Chamber, 1 Portsoken Street, London E1 8BN, United Kingdom and +44 (0)20 7892 7637 (attention: Loretta Minghella, Chief Executive);
- (c) in the case of the Guarantee Fund, Borgartun 26, 3rd floor, 105 Reykjavik, Iceland and +354 590 2606 (attention: Managing Director); and
- (d) in the case of Iceland, Ministry of Finance, Arnarhvoli Lindargötu, 150 Reykjavik, Iceland and +354 5628280 (attention: Permanent Secretary),

or, in each case, any substitute address or fax number (or department or officer) which any of the above may notify to the others by not less than five Business Days' notice.

14.3 Delivery

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

- (a) 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);
- (b) if sent by registered international post, on the second Business Day following the day of posting; and
- (c) if sent by fax, when confirmation of receipt is received from the receiving fax 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 shall 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).

15 MISCELLANEOUS

15.1 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 shall not in any way be affected or impaired.

15.2 Remedies

No failure or delay by the Lender in exercising any right or remedy provided by law or under or pursuant to this Agreement shall 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 shall 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 Lender (including, without limitation, any act, matter or thing as agreed, specified, determined, decided or notified by the Lender to the Guarantee Fund and/or Iceland) may be exercised or made in the absolute and unfettered discretion of the Lender from time to time, which shall not be under any obligation to give reasons therefor.

15.3 Counterparts

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

16 CHANGE IN CIRCUMSTANCES

16.1 Occurrence of a change in circumstances

This paragraph 16 applies if at any time the then most recently published Article IV review by the IMF 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 IMF as of 19 November 2008.

16.2 Meeting to consider change in circumstances

The Lender agrees that, if this paragraph 16 applies and Iceland so requests, it will meet with Iceland to discuss the situation and consider whether, and, if so, how, this Agreement should be amended to reflect the relevant change in circumstances.

17 GOVERNING LAW AND JURISDICTION

17.1 Governing law

This Agreement and any matter, claim or dispute arising out of or in connection with it, whether contractual or non-contractual, shall be governed by, and construed in accordance with, the laws of England.

17.2 Jurisdiction

17.2.1 Any matter, claim or dispute arising out of or in connection with this Agreement, whether contractual or non-contractual, including a matter, claim or dispute regarding the existence, validity or termination of this Agreement (a "**Dispute**"), shall be subject to the exclusive jurisdiction of the English courts.

17.2.2 The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

17.2.3 This paragraph 17.2 is for the benefit of the Lender only. As a result, the Lender shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Lender may take concurrent proceedings in any number of jurisdictions.

17.3 Service of process

Without prejudice to any other mode of service allowed under any relevant law, each of the Guarantee Fund and Iceland 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.

18 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.

(a) Form of Disbursement Request

From: Financial Services Compensation Scheme Limited

To: The Commissioners of Her Majesty's Treasury

Dated: [Date]

Dear Sirs/Madams,

**Up to £2,350,000,000 Loan Agreement dated 5 June 2009
(the "Agreement")**

(a) We refer to the Agreement. Terms defined in the Agreement have the same meaning in this Disbursement Request.

(a) This is a Disbursement Request.

(a) We wish to request a Disbursement, on behalf of the Guarantee Fund, on the following terms:

Disbursement Date: [date]

Amount (in Sterling): [amount]

(a) The Disbursement should be credited to [specify FSCS Bank Account].

(a) [Immediately upon the proceeds of the Disbursement being credited to the above account, please transfer an equivalent sum from that account to *[specify account from which Landsbanki London Depositors will be paid compensation]*].

Yours faithfully,

Financial Services Compensation Scheme Limited

Name:

Title:

Name:

Title:

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*)
Name: Aslaug Arnadóttir
Title: Chairperson of the Board

Iceland
Name: Indriði H. Þorláksson
Title: Permanent Secretary

The Commissioners of Her Majesty's
Treasury
Name: Gary Roberts
Title: Duly authorised representative

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