

## Overview of Netherlands/UK Loan Agreements - Iceland Obligations

(paragraph references shown as (1.1 etc) below are to the paragraphs of the Netherlands Loan Agreement)

1. **Repay loan:** Repay loan of €1,329,242,850 (Netherlands) and up to £2,350,000,000 (UK). (2.1.2 and 4)
2. **Repayment instalments:** Quarterly instalments commence September 2016 and end June 2024. (32 equal instalments). (4.2) – subject to the extensions which may occur as mentioned below.
3. **Payments Cap:** If the total of interest and principal repayments in any calendar year exceeds 2% (Netherlands) or 4% (UK)<sup>1</sup> of the cumulative growth in Icelandic GDP since 2008 (as determined from the IMF World Economic Outlook), then principal repayments are reduced<sup>2</sup> so that the Cap is not exceeded. Interest is always payable in full.<sup>3</sup> (4.2a)
4. **Extension option:** Iceland has the option (at any time) to extend the repayment instalments by six years out to 2030. The repayment instalments are recalculated at the time of the extension so that they are equalised over the remaining years to 2030. (4.2b)
5. **Automatic extension:** If the extension option has not been exercised and the loan will not be repaid in full by 2024 (by virtue of operation of the Cap) then there is an automatic extension to 2030. (4.2b.4) There are further five year automatic extensions from 2030 if the Cap continues to prevent the loan being repaid in full by the relevant extended maturity date. (4.2c)
6. **Further disbursements:** The UK loan anticipates the UK may make further payments to London depositors in the period through to 30 March 2012. The FSCS<sup>4</sup> is authorised to make drawdowns on behalf of TIF to meet the future claims of London depositors in Icesave (up to £16,872.99 per depositor).
7. **Assignment of depositor claims to TIF:** Both DNB and FSCS will transfer (assign) the depositor claims against Landsbanki they hold (in respect of the €20,887 and £16,872.99 payments to depositors) to TIF upon the Loan Agreements entering into legal effect. (3.1.2). Separate assignment instruments will implement those transfers.
8. **Landsbanki standard distributions:** As and when TIF receives a distribution from Landsbanki in respect of the depositor claims it acquires (or otherwise) it must apply those in paying down the UK Loan and the Netherlands Loan on a pro rata basis. (4.1.1)
9. **Preferential Landsbanki recoveries:** If TIF receives preferential recoveries as a creditor of Landsbanki (i.e. it has priority over other creditors in Landsbanki) it must make payments to the UK and Netherlands to equalise the position in respect of the other claims Netherlands and UK retain against Landsbanki.<sup>5</sup> However, TIF is not obliged to equalise where the preferential recoveries result from (a) an Icelandic court deciding TIF has priority and such decision is not in conflict with an opinion obtained from the EFTA court (3.1.2b) or (b) the Winding-up Board of Landsbanki decides TIF has priority and such decision is not challenged by any depositor or creditor in an Icelandic court (provided the failure to challenge is not the result of a change in Icelandic law after 5 June 2009 which makes such a challenge more difficult or impossible).

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<sup>1</sup> 1% for Netherlands and 2% for the UK in 2016 ( as there are only two instalment dates in 2016).

<sup>2</sup> Potentially to zero but not negative.

<sup>3</sup> Even if this results in the Cap being exceeded because the total interest exceeds the Cap.

<sup>4</sup> Financial Services Compensation Scheme.

<sup>5</sup> I.e. the elements of the claims which Netherlands and UK have paid out above €20,887 and £16,872.99.

10. **Voluntary prepayments:** TIF may make voluntary prepayments of the Netherlands and UK Loans (on a pro rata basis) subject to a minimum prepayment amount of £1m (UK) or €1m (Netherlands). (4.3)
11. **Interest:** Interest is payable on the Loans for so long as they are outstanding at the rate of 5.55% per annum. (5.1.1)
12. **Iceland guarantee:** Iceland guarantees all payments by TIF under the Loan Agreement and all other obligations of TIF under the Loan Agreement (6.2). The guarantee only comes into effect on 5 June 2016.
13. **Treatment of Landsbanki creditors:** Iceland agrees not to take any action which results in creditors of Landsbanki being treated in a manner contrary to generally accepted international or European principles of treatment of the creditors in an international winding up. (6.9)

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