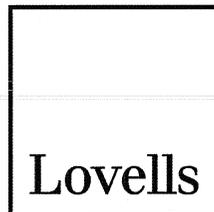


SHAREHOLDERS' AGREEMENT

RELATING TO

ÍSLANDSBANKI HF



Ref: C1KW / C1CKM

Lovells LLP, Atlantic House, Holborn Viaduct, London EC1A 2FG

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BETWEEN:

- (1) **Íslandsbanki hf.**, a company incorporated in Iceland (registered id. 491008-0160) whose registered office is at Kirkjusandur 2, 155, Reykjavík, Iceland (the "**Company**"); and
- (2) **Glitnir Bank hf.**, a company incorporated in Iceland (registered number 550500-3530) whose registered office is at Sóltúni 26, Reykjavík, Iceland ("**Glitnir**"); and
- (3) **The Ministry of Finance** (registered id. 550169-2829), on behalf of the Government of Iceland whose registered office is at Arnarhvoli, 150 Reykjavík, Iceland (the "**Government**").

RECITALS:

- (1) As at the date of this Agreement Glitnir holds 9.5 billion Ordinary Shares in the capital of the Company and the Government holds 500 million Ordinary Shares in the capital of the Company and the Government Capitalisation Instrument;
- (2) This Agreement sets out the terms on which the investment by the Government and Glitnir in the Company shall be regulated between the Government and Glitnir and certain other matters concerning the future operation of the Company and of the Group.

IT IS AGREED:

1. **DEFINITIONS AND INTERPRETATION**

1.1 In this Agreement:

"**Acceptance Period**" is defined in clause 7.2(d);

"**Affiliate**" in relation to any Party means:

- (a) any other person, directly or indirectly, through one or more intermediaries that Controls or is Controlled by or under direct or indirect common Control with such specified person (which shall include the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise); or
- (b) any other person who is a director or officer, employee, agent or representative (or Family Member of any such person) of (1) such specified person; (2) any subsidiary of such specified person; or (3) any person described in (a) above;

"**After Tax Profits**" means the operating profits of the Group after tax for the relevant financial year;

"**Agreed Form**" means a form agreed between or identified by the Parties for the purposes of this Agreement and signed or initialled for identification purposes by them or on their behalf;

"**Annual Business Plan**" is defined in paragraph 2 of Schedule 2;

"**Applicable Law**" means any Icelandic legislation, statutory instrument or regulation issued by a regulatory body, including without limitation the FME, from time to time in force;

"Articles" means the articles of association or similar constitutional document of the Company (as amended from time to time), which at the date of this Agreement will be those regulations in the Agreed Form and attached as Exhibit A;

"Board" means the board of Directors of the Company from time to time including any duly appointed committee thereof;

"Board Procedure Rules" means rules adopted by the Board in accordance with FME Guidelines No. 4/2006;

"Business" means the business(es) currently carried on by each Group member;

"Business Day" means a day, except a Saturday or Sunday, on which banks in Reykjavík are open for business generally;

"Business Plan" means the Initial Business Plan or an Annual Business Plan;

"CEO" means the person employed as the chief executive officer (or equivalent) of the Company, the first such person being Birna Einarsdottir;

"Company" means Íslandsbanki hf, a company incorporated in Iceland (registered number 491008-0160), further details of which are set out in Schedule 1;

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person whether through the ownership of voting securities, by contract or otherwise;

"Deed of Adherence" means a deed substantially in the form set out in Schedule 5 with such amendments as the Government may approve in writing;

"Directors" means the directors of the Company from time to time, including the Government Director (if appointed), who, at the date of this Agreement, are as set out in Schedule 1, and **"Director"** means any of them;

"Drag-Along Rights" means the Ordinary Shareholders' (excluding the Government) rights set out in clause 7.1;

"Executive Directors" means the executive directors of the Company from time to time, who, at the date of this Agreement, are as set out in Schedule 1, and **"Executive Director"** means any of them;

"Family Member" means a person's spouse, parent, children and siblings whether by blood, marriage or adoption or anyone residing in such person's home;

"Finance Documents" means the Liquidity Facility and any other document which the parties designate as a Finance Document and **"Finance Document"** means any of them;

"First Financial Year" is defined in paragraph 2 of Schedule 2;

"FME" means The Financial Supervisory Authority of Iceland;

"Government Capitalisation Instrument" means the Tier II Notes issued by the Company on commercial terms, in the Agreed Form and attached as Exhibit B;

"Government Director" is defined in clause 3.2;

"Group" means the Company, its Subsidiaries from time to time (and until it ceases to be an Affiliate) and **"Group member"** and **"member of the Group"** means any such entity;

"Initial Business Plan" means the business plan and projections for the Group in the Agreed Form;

"Insolvency Event" means, in relation to a person:

- (a) it is, or is deemed for the purposes of any law to be, unable to pay its debts as they fall due or insolvent;
- (b) the value of its assets is less than its liabilities (taking into account contingent and prospective liabilities);
- (c) it suspends making payments on any of its debts or announces an intention to do so;
- (d) by reason of actual or anticipated financial difficulties, it commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
- (e) any corporate action, legal proceedings or other procedure or step is taken in relation to it or with a view to the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration (whether out of court or otherwise) or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of such person;
- (f) it makes a composition, general assignment or arrangement with, or for the benefit of, any creditor of such person;
- (g) a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator or similar officer (in each case, whether out of court or otherwise) is appointed in respect of it or substantially all of its assets;
- (h) the enforcement of any security over all or substantially all of its assets; or
- (i) an order or effective resolution for the winding up of such person is passed (except for the purposes of a solvent re-organisation, reconstruction or amalgamation where no cash or cash equivalent is distributed to such person's shareholders);

"Liquidity Facility" means the liquidity facility made available by the Government to the Company in an amount of ISK 25 billion pursuant to the terms of a liquidity facility agreement dated [●] 2009 between (1) the Government, (2) the Company and (3) Glitnir;

"Ordinary Shareholder" means any of the holders of the Ordinary Shares from time to time;

"Ordinary Shares" means ordinary shares of ISK 1 each in the capital of the Company, the rights of which are set out in the Articles;

"Parties" means the parties to this Agreement and any person who has signed a Deed of Adherence to it and **"Party"** means each of them;

"Proposed Drag-Along Sale" is defined in clause 7.1(a);

"Proposed Tag-Along Transfer" is defined in clause 7.2(a);

"Purchaser" is defined in clause 7.1(a);

"Qualifying IPO" means the offer and sale of Shares in any jurisdiction:

- (a) representing not less than 50% of the Ordinary Shares to be issued and outstanding immediately after such sale;
- (b) in an underwritten offering to the public (with the underwriter being an internationally recognised investment bank); and
- (c) where such Shares are admitted to trading on any internationally recognised stock exchange;

"**Remuneration Committee**" is defined in clause 3.4;

"**Security Interest**" means all mortgages, pledges, charges (fixed or floating), liens, other security interests, options, equities, claims or other third party rights whatsoever including rights of pre-emption of any nature;

"**Selling Shareholder(s)**" is defined in clause 7.1(a) and 7.2(a) (as the case may be);

"**Shareholders**" means the holders of Shares;

"**Shares**" means all shares in the capital of the Company (including Ordinary Shares), the rights of which are set out in the Articles and "**Share**" means any of them;

"**Signing Date**" means the date of this Agreement;

"**Subsidiary**" means any corporation, association, partnership or other business entity of which more than 50 per cent of the total voting rights of its share capital is at the time owned or Controlled directly or indirectly by the Company, save that any corporation, association, partnership or other business entity which becomes a Subsidiary as a result of a debt for equity swap shall only be a Subsidiary for the purposes of this Agreement if it falls within the definition of Subsidiary six months after the effective date of the relevant debt for equity swap;

"**Tag-Along Rights**" means the rights of the Government set out in clause 7.2;

"**Tier II Debt Instrument**" means the instrument in the agreed form constituting the Tier II Notes; and

"**Tier II Notes**" means the EUR 138,106,287 (the equivalent of ISK 25 billion as at 11 September 2009) unsecured subordinated notes to be issued by the Company on or about [●] 2009.

1.2 In this Agreement:

- (a) a clause, paragraph or Schedule is, unless stated otherwise, a reference to a clause or paragraph of, or Schedule to, this agreement;
- (b) a reference to a paragraph in a Schedule is, unless otherwise stated, a reference to a paragraph in that Schedule or, where that Schedule is split into parts, a reference to a paragraph in that part of that Schedule.
- (c) legislation includes a reference to that legislation as amended, re-enacted, or extended before the date of this agreement;
- (d) a "**person**" includes an individual, company, corporation, firm, partnership, joint venture, association, state, state agency, institution or trust (whether or not it has a separate legal personality);
- (e) one gender is a reference to all or any genders;
- (f) the singular includes the plural and vice versa;

- (g) a particular time of day is, unless specified otherwise, a reference to that time in Reykjavík;
- (h) an action that is to take place on a particular day means, unless a time is specified, that that action can take place at any time on or before 11.59 pm Reykjavík time on that day;
- (i) "**including**" means that the words following it are illustrative and not exhaustive; and
- (j) a "**month**" means a calendar month.

2. CONDUCT OF THE COMPANY'S AFFAIRS

The Company undertakes to each Shareholder and the Government that it shall:

- (a) ensure that its business and affairs of are conducted in a proper and efficient manner (consistent, as appropriate, with this Agreement and the Articles) and that the business of the Group is developed in accordance with (and to the extent the commercial environment permits beyond the plans set out in) the Business Plan;
- (b) not enter into any agreement or arrangement restricting its competitive freedom to provide and take goods and services by such means and from and to such persons as it may think fit if the Company knows that to do so would be a breach of any laws or regulations dealing with anti-competitive conduct; and
- (c) keep proper books of account and therein make true and complete entries of all its dealings and transactions of and in relation to the Business.

3. ORGANISATION OF THE BOARD

- 3.1 There shall be five Directors of the Company at all times.
- 3.2 In addition to all other rights the Government may have as a Shareholder and a Party to this Agreement, the Government is entitled to appoint one Director to the Board of the Company (the "**Government Director**") and shall have the right to remove any such Director and appoint another in his place from time to time.
- 3.3 Throughout the period that a Government Director is appointed, the Company shall and Glitnir shall for as long as it remains a Shareholder use its reasonable endeavours to procure that the Company shall (subject always to the appropriate ratification at a meeting of the Shareholders) pay to each appointed Government Director, fees equal to those received by the other Directors which, as at the Signing Date, shall be ISK 135,000 per calendar month, plus reasonable out of pocket expenses, accommodation and travel expenses reasonably incurred in connection with the Company's Business and applicable VAT.
- 3.4 Each Party agrees to procure (to the extent it is within its powers to do so) that there is a committee of the Board called the remuneration committee (the "**Remuneration Committee**") which must comprise three Directors from time to time, one of which must be the Government Director, and whose terms of reference (and powers and authorities) will be those set out in Schedule 4. The quorum necessary for the transaction of business by the Remuneration Committee is two.
- 3.5 The Company agrees to send to all Directors (including the Government Director):
 - (a) unless otherwise agreed by the Board, not less than ten Business Days' advance notice of each meeting of the Board or of a committee of the Board (including the Remuneration Committee) and an agenda of the business to be transacted at

such meeting (together with all papers to be circulated or presented to the same to be delivered as soon as reasonably practicable after the notice of such meeting subject always to any banking secrecy laws or rules of any supervisory or governmental body); and

(b) as soon as practicable after each such meeting, a copy of the minutes.

3.6 The quorum necessary for the transaction of business at any Board meeting shall be a majority of the Directors from time to time holding office, as required under Icelandic law.

3.7 Board meetings shall be held at least ten times per year provided that any Director may call a Board meeting at any time by giving at least ten Business Days' notice (attaching an agenda of the meeting) to every Director.

3.8 All Board meetings shall be held in Iceland unless otherwise agreed by all the attending Directors.

4. PROVISION OF INFORMATION

4.1 To the extent that there is no Government Director appointed to the Board of the Company from time to time, the Company agrees that it will notify the Government promptly of all matters materially affecting the Business, assets, financial position and prospects of the Group to the extent permitted under Icelandic law.

4.2 The Company agrees to comply (and to procure that each other Group member complies) with the provisions of Schedule 2.

4.3 If the Company at any time fails in any material respect to perform any of its obligations under clauses 4.1 and/or 4.2, the Government may (without prejudice to any remedies or rights which the Government may have in respect of any such non-performance) appoint an independent accountant of its own choosing to investigate the affairs the Group or one or more Group members with a view to obtaining the information which was not supplied. If such accountant is appointed:

(a) the Company agrees to provide (and to procure that each relevant Group member, and (so far as it is able to do so) any other person, provides), to the accountant, such assistance and co-operation (including full and unrestricted access to the premises, accounting books and records of the Group) as the accountant from time to time reasonably requests; and

(b) the reasonable costs of and incidental to any such appointment, and value added tax on them, must be paid by the Company within ten Business Days of the presentation of the relevant invoice.

4.4 To the extent permitted under Icelandic law and the Board Procedure Rules, the Government Director may disclose any information received from the Company or a Group member to the Government and all Shareholders of the Company shall be deemed to have consented to the dissemination of such information by the Government Director by signing this Agreement or a Deed of Adherence to it.

4.5 The Government may disclose any information received from the Company, a Group member or a Government Director (or any information, whether confidential or not, of or relating to, a Group member) to:

(a) its professional advisers; and

(b) a person to whom it is required to pass the information by law or by any rule of, or by, any regulatory body or authority or any taxation authority.

4.6 Any information passed on under clauses 4.4 or 4.5 must be delivered on the basis that it is to be held confidential by the recipient.

5. CONDUCT OF THE GROUP

5.1 The day to day management of the business (including the responsibility for commercial behaviour and competitive activities) of the Company and each Group member will be carried out by the Executive Directors. However, for the purpose of protecting the investment of the Government, the Company agrees with the Government as a separate and independent covenant (to the extent it is legally able to do so) that it will act, and will procure that (save as otherwise provided in this Agreement or consented to by the Government), each Group member acts, in accordance with Part 1 of Schedule 3.

5.2 To the extent it is legally able to do so the Company agrees with the Government that, except as provided for in this Agreement, the Company will not and will procure that no Group member will do, or agree to do, any of the acts set out in Part 2 of Schedule 3 without the consent of the Government.

5.3 The Government shall have veto rights in relation to the following matters:

- (a) payment of dividends for the first three years from the Signing Date; and
- (b) the Company entering into any transactions with Glitnir and/or Glitnir's Affiliates other than transactions made in the ordinary course of business on the same terms offered to other customers of the Company.

5.4 The veto rights of the Government pursuant to clause 5.3 shall be deemed to have been exercised if the Government Director votes against such matter at a duly convened Board meeting.

5.5 The Government will not exercise its veto right pursuant to Article 5.3(a) if the dividend proposed to be paid out does not result in the aggregate dividend paid out as of the date of execution of this Agreement exceeding the aggregate amount that would at that time have been paid out in the form of repayment of principal or interest on Bond A, Bond B, and Bond C (as defined in the Alternative Capitalisation Agreement entered into by the Government, Islandsbanki, and Glitnir) had the Alternative Capitalisation Agreement been entered into by the parties. No dividends or distributions may be declared, made or paid by the Company to its Shareholders at any time unless permitted by Applicable Law and in no case contrary to cad ratios applicable to Islandsbanki.

5.6 All Shares in the capital of the Company shall rank *pari passu* in relation to the right to receive payment of distributions and/or dividends by the Company. Any distributions and/or dividends shall be applied by the Company amongst the Shareholders on a *pro rata* basis in accordance with the number of Shares held by them.

Finance Documents

5.7 For so long as any obligations remain outstanding under any Finance Document, the Company agrees to use all reasonable efforts to procure that each Group member observes all the provisions of each Finance Document and any agreement, debenture, guarantee or security made pursuant to a Finance Document (but no Director is obliged to incur any personal liability for the repayment of any amount due under a Finance Document).

6. GOVERNMENT DIRECTORS

6.1 If, at any time, there is no Government Director in office, all references to a "**Government Director**" in this Agreement shall be read as references to the Government until such time as a Government Director is appointed.

- 6.2 Each Party (by its execution of this Agreement or a Deed of Adherence to it) waives, except in the case of fraud or deliberate or wilful default, any claim it may have now or in the future against:
- (a) the Government and the Government Director relating to or otherwise connected with any act or exercise of any right or discretion by the Government or that Government Director under a provision of this Agreement; and
 - (b) the Government arising out of the valid exercise of any right or discretion by the Government under a provision of this Agreement.
- 6.3 The consent, approval or direction of the Government or a Government Director may only be validly given (whether under this Agreement, the Articles or otherwise) if that person (or a representative of that person in the case of the Government):
- (a) gives that consent, approval or direction in writing to the Board or other recipient; or
 - (b) (in the case of a consent or approval, as opposed to a direction, required from a Government Director) signs a written resolution of the Board or signs the minutes of the Board meeting approving the relevant transaction.

7. TAG-ALONG RIGHTS AND DRAG-ALONG RIGHTS

- 7.1 (a) If Ordinary Shareholders (excluding the Government) wish to sell Ordinary Shares (or any interest in Ordinary Shares) amounting to at least 33.2% in aggregate of the total number of the Ordinary Shares then in issue (the "**Selling Shareholders**"), in respect of a single transaction or a series of connected transactions, and find a bona fide arm's-length purchaser which is not an Affiliate of a Selling Shareholder (the "**Purchaser**") and agree terms for the sale to the Purchaser of at least 33.2% of the Ordinary Shares of all the Ordinary Shareholders (a "**Proposed Drag-Along Sale**") then, on receipt of written notification from the Company, the Government is bound to accept any offer from the Purchaser for any Ordinary Shares it holds on the same terms and conditions as accepted by the Selling Shareholders and for the same price per Ordinary Share as will be received by the Selling Shareholders. Each Party agrees to waive all pre-emption, veto or similar rights in respect of the Proposed Drag-Along Sale that arise under the Articles, this Agreement or otherwise for the purposes of the acceptance of the Proposed Drag-Along Sale and appoint any Director as its attorney to effect the Proposed Drag-Along Sale.
- (b) On a Proposed Drag-Along Sale the Government will not be required to give any representations, warranties or indemnities, other than giving warranties concerning unencumbered title and capacity to sell. The Selling Shareholders shall be responsible for all costs of the Proposed Drag-Along Sale (including the Government's costs) to the extent not paid or reimbursed by the Purchaser.
 - (c) The Selling Shareholders must give notice to the Government of any Proposed Drag-Along Sale as soon as practicable after reaching commercial agreement in respect of the Proposed Drag-Along Sale but in any event no less than five Business Days prior to signing a definitive sale and purchase agreement. That notice must set out the number of Ordinary Shares proposed to be transferred, the name and address of the proposed Purchaser, the proposed form of consideration and any other terms and conditions of payment offered for the Ordinary Shares.
- 7.2 (a) No transfer of any Ordinary Shares (or any interest in any Ordinary Shares) representing in aggregate 33.2% or more of the Ordinary Shares then in issue may be made by any Shareholder(s) (excluding the Government) (the "**Selling**

Shareholder(s)")) (a "Proposed Tag-Along Transfer"), in respect of a single transaction or a series of connected transactions, unless the proposed transferee has first made a written offer in accordance with this clause 7.2 to the Government to purchase all Ordinary Shares held by it on the same terms and conditions as accepted by the Selling Shareholders and for the same price per Ordinary Share as will be received by the Selling Shareholders.

- (b) The Government shall be responsible for its own costs incurred pursuant to the Proposed Tag-Along Transfer to the extent not paid or reimbursed by the Purchaser or the Company.
- (c) The Selling Shareholder(s) must give written notice to the Government of each Proposed Tag-Along Transfer at least five Business Days prior to signing a definitive sale and purchase agreement relating to the Proposed Tag-Along Transfer providing details of the Purchaser and its proposed price and, to the extent it is able, the other terms and conditions.
- (d) The written offer required to be given by the Purchaser under clause 7.2 must be given not more than five Business Days after the signing of the definitive agreement relating to the Proposed Tag-Along Transfer and must be open for acceptance for at least five Business Days after the date on which the Government receives or is deemed to receive the offer (the "**Acceptance Period**"). The Selling Shareholder(s) must deliver or cause to be delivered to the Government copies of all transaction documents relating to the Proposed Tag-Along Transfer promptly as the same become available.
- (e) If the Government wishes to accept the Purchaser's offer it must do so by means of a written notice to the Selling Shareholder(s) (to be sent in accordance with clause 12) indicating its acceptance of the offer in respect of its Ordinary Shares.
- (f) If the Government does not accept such offer within the Acceptance Period, the Proposed Tag-Along Transfer is permitted to be made:
 - (i) so long as it is made within 45 Business Days after the expiry of that period;
 - (ii) so long as it takes place on terms and conditions no more favourable in any material respect to the Selling Shareholder(s) than those stated in the written offer; and
 - (iii) on the basis that all of the Ordinary Shares proposed to be sold under the Proposed Tag-Along Transfer must be transferred.

8. SHARE TRANSFERS

- 8.1 No transfer of any Shares, or any interest in any Shares, may be made except pursuant to this Agreement and the Articles. For this purpose, an interest in any Shares is deemed to be transferred if a Shareholder enters into an agreement (other than this Agreement) with any person in respect of the exercise of votes attached to such Shares (other than a proxy in which a Shareholder has instructed the holder of the proxy as to how its Shares should be voted).
- 8.2 The Government may transfer any Shares or any interest in any Shares freely.
- 8.3 Glitnir may transfer any Shares or any interest in any Shares (including, without limitation, pursuant to a Security Interest, assignment or dealing with any beneficial interest in any Shares):

- (a) freely where such Shares or such interest in Shares would result in the transferee holding less than 33.2% of the voting rights of the Company; or
- (b) only with the written consent of the Government where such Shares or such interest in Shares would result in the transferee holding 33.2% or more of the voting rights of the Company.

8.4 Where the consent of the Government is not obtained in relation to clause 8.3(b) above, such transferee shall not be entitled to exercise any voting rights attaching to the amount of its holding which exceeds such 33.2% threshold, but all other rights in respect of such Shares shall remain unaffected by this clause 8.4.

9. DEED OF ADHERENCE

9.1 A person (who is not already a Party) acquiring any Shares (whether by allotment, issue, transfer or transmission) must not be registered as the holder of those Shares unless and until that person has entered into and delivered to the Board a Deed of Adherence in a legally binding manner, and a Party transferring any Shares must procure that the transferee (if not already a Party), by the time of transfer, enters into and delivers a Deed of Adherence.

9.2 A person who has entered into a Deed of Adherence in accordance with this Agreement has the benefit of, and is subject to the burden of, all the provisions of this Agreement as if that person is a Party in the capacity designated in the Deed of Adherence, and this Agreement must be interpreted accordingly.

10. CONFIDENTIALITY

10.1 Glitnir and the Government will, and each will procure that each of its Affiliates will, for a period of three years following the date it ceases to be a Shareholder, only use any information relating to another Party or to a Group member which was acquired by that Party as a Shareholder in connection with the transaction and its investment, and will cause all information so obtained by it or its Affiliates which is not publicly available to be treated as confidential.

10.2 The obligations of confidentiality in clause 10.1 do not apply to information which, after the Signing Date:

- (a) is or becomes generally available to the public;
- (b) is required to be disclosed to a competent tribunal or government agency or other regulatory body (including pursuant to a subpoena, civil investigative demand or similar process);
- (c) is required to be disclosed pursuant to an order, statute, rule or other legal requirement promulgated or imposed by a court or by a judicial, regulatory, self-regulatory or legislative body, organisation, agency or committee; or
- (d) is required to be otherwise disclosed in connection with any judicial or administrative proceeding (including, in response to oral questions, interrogatories or requests for information or other documents).

11. PUBLICITY

Any press release or other external media communication to be made by any Party relating to the investment in the Company by the Government and Glitnir may only be made with the prior written approval of both parties.

12. NOTICES

12.1 A notice or other communication to be given under this Agreement must be in writing in English and Icelandic, and signed by or on behalf of the person giving it and marked for the attention of the addressee's authorised recipient and is deemed to have been duly served on, given to or made in relation to a Party if it is left at the authorised address of that Party, posted by first class post (to an Icelandic address) or by recognised international courier (to a non-Icelandic address) to the authorised address of that Party, or sent by fax transmission to the authorised fax number of that Party and if:

- (a) personally delivered, it is deemed to have been received at the time of delivery;
- (b) posted to an Icelandic address, it is deemed to have been received on the second Business Day after the date of posting;
- (c) posted to a non-Icelandic address, it is deemed to have been received on the fifth Business Day after the date of posting; or
- (d) sent by fax transmission, it is deemed to have been received upon receipt by the sender of a fax transmission report (or other appropriate evidence) that the fax has been transmitted to the addressee,

provided that where, in the case of delivery by hand or fax transmission, delivery occurs or transmission completes after 6.00 pm on a Business Day or at any time on a day which is not a Business Day, receipt shall be deemed to occur at 9.00 am on the next following Business Day.

12.2 For the purpose of clause 12.2 the authorised address, authorised fax number and authorised recipient of each Party is:

(a) for the Government:

- (i) Name: Fjármálaráðuneytið - Ministry of Finance
- (ii) Address: Arnarhvoli, 150 Reykjavík, Iceland
- (iii) For the attention of: c/o Thorhallur Arason
- (iv) Fax number: +354 562 8280

(b) For Íslandsbanki:

- (i) Name: Íslandsbanki hf.
- (ii) Address: Kirkjusandur 2, 155, Reykjavík, Iceland
- (iii) For the attention of: Sigrún Ragna Ólafsdóttir
- (iv) Fax number: +354 440 4520
- (v) with a copy to: Tómas Sigurðsson, General Counsel.

(c) For Glitnir:

- (i) Name: Glitnir hf.
- (ii) Address: Sóltúni 26, 105 Reykjavík, Iceland
- (iii) For the attention of: Kristján Óskarsson, CEO
- (iv) Fax number: +354 440 2821
- (v) with a copy to: Árni Tómasson, Chairperson

- (d) for any person who is a Party to this Agreement by their entering into a Deed of Adherence, as set out in the Deed of Adherence,

or such other address and/or fax number as that Party may notify to the others in writing (in accordance with the requirements of clause 12.1) from time to time.

13. TRANSFER OF RIGHTS AND OBLIGATIONS

13.1 Except as provided in this Agreement, no Party may assign or in any other way dispose of any of its rights or obligations under this Agreement without the prior written consent of all the other parties to this Agreement.

13.2 Rights under this Agreement may be assigned (and obligations novated) by the Government to any other agency of the Government of Iceland, provided that the other Parties to this Agreement are consulted in relation to the identity of such Government agency.

13.3 Rights under this Agreement may be assigned (and obligations novated) by Glitnir to any of its Affiliates without the consent of the other Parties for so long as such assignee remains an Affiliate of Glitnir. Glitnir shall procure that the assignee assigns such rights back to Glitnir, or an Affiliate of Glitnir, immediately prior to the assignee ceasing to be an Affiliate of Glitnir.

14. ENTIRE AGREEMENT, AMENDMENT AND TERMINATION

14.1 Each Party acknowledges that this Agreement and the documents referred to in it constitute the entire contract between the parties and supersede all prior agreements, understandings or arrangements (both oral and written) relating to the subject matter of this Agreement.

14.2 No amendment, change or addition to this Agreement is effective or binding on a Party unless in writing and executed by all parties to this Agreement.

14.3 If an amendment to the Articles is passed by a Shareholder resolution then this Agreement must be amended if there is then an inconsistency between the Articles and this Agreement to reflect that amendment to the Articles in which case such amendment may only be made by the written agreement of the Government.

14.4 This Agreement shall terminate on the earlier of:

- (a) the Government ceasing to hold the Government Capitalisation Instrument; and
- (b) the date falling two years after the Signing Date.

15. MISCELLANEOUS

15.1 Each Party must do, and must use all reasonable efforts to procure (to the extent it is within its powers to do so) that any other person does:

- (a) all such further acts and things;
- (b) execute and perform such further deeds and documents; and
- (c) give such further assurances,

in each case as may reasonably be required to give effect to this Agreement.

15.2 Each Party other than the Company (and the Company in relation to votes it controls at board or general meetings of other Group members only) undertakes to each other Party at all times to exercise the votes that it controls at general meetings and/or board

meetings of the Company or a Group member to give effect to this Agreement. In particular, but without limitation, each Party (other than the Company) agrees to procure (to the extent it is within its powers to do so) that no person is registered as the legal holder of Shares except according to this Agreement and the Articles.

- 15.3 Each Party undertakes to each other Party that it or he will comply with the obligations imposed upon it or him by the Articles.
- 15.4 Where the provisions of the Articles or the articles of another Group member conflict with a provision of this Agreement, each Party (other than the Company) agrees (and the Company agrees, in relation only to the articles of association of other Group members) that the provisions of this Agreement prevail, as permitted by the laws of Iceland.
- 15.5 No Group member is bound by a provision of this Agreement to the extent it constitutes an unlawful fetter on any of its statutory powers, but that provision remains valid and binding as regards each other Party to which it is expressed to apply.
- 15.6 This Agreement is binding on each Party's successors in title or assigns or (in the case of a Party who is an individual) his personal representatives, but such a person is not entitled to the benefit of its provisions unless that person has entered into a Deed of Adherence.
- 15.7 This Agreement is not to be construed as creating a partnership or an agency (except to the extent expressly described) relationship between any of the parties.
- 15.8 This Agreement may be executed in any number of counterparts, each of which when executed and delivered is an original, but all of which when taken together constitute a single instrument.

16. COSTS

Except where this Agreement provides otherwise, each Party must pay its own costs incurred in connection with the negotiation, preparation, execution and implementation of this Agreement.

17. THIRD PARTY RIGHTS

No person who is not a Party to this Agreement may enforce this Agreement.

18. GOVERNING LAW AND JURISDICTION

- 18.1 This Agreement is governed by, and to be construed and take effect in accordance with, Icelandic law.
- 18.2 The courts of Iceland have exclusive jurisdiction to settle any claim, dispute or matter of difference which may arise out of or in connection with this Agreement (including without limitation claims for set-off or counterclaim) or the legal relationships established by this Agreement.

SCHEDULE 1

THE COMPANY

1. Name : Íslandsbanki hf.
2. Date of Incorporation : October 8, 2008
3. Country of Incorporation : Iceland
4. Type of company : Bank
5. Registered number : 491008-0160
6. Registered office : Kirkjusandur 2, 155, Reykjavík, Iceland
7. Board of Directors : Vilhjálmur H. Vilhjálms
Guðmundur Ragnar Jónsson
Katrín Ólafsdóttir
Marta Eiríksdóttir
Ólafur Ísleifsson

8. Executive Directors Birna Einarsdóttir
Jóhannes Baldursson
Rósant Már Torfason
Vilhelm Már Thorsteinsson
Una Steinsdóttir
Sigrún Ragna Ólafsdóttir
Stefán Sigurðsson

9. Subsidiaries at the date of this Agreement
4406861259 Borgun hf
6601071180 Kreditkort ehf.
6906942719 Íslandssjóðir
6105070180 Lómur ehf.
5206060760 Fjárengi ehf
5206060840 Útengi
6905071370 Rivulus ehf.
6607070420 Steypustöðin ehf
7108061010 Slatti ehf
4411081250 Miðengi ehf
5009081300 Engigerði
4201070720 Breiðengi
7008050850 NG1 eignarhaldsfélag ehf
5107061530 Auðengi ehf
4605033290 Laugarakur ehf
4111061360 Strandhodd í Nordri hef
5812068790 Cover Bond
6206051740 Lauganes ses (100%)
6906052600 L1 ehf
5302071100 Laufengi ehf
4212034070 Hafnarslóð ehf.

Foreign:

Glitnir Asset management

10. Issued share capital at the date
of this Agreement:

Name and address
of registered holder:

The Ministry of Finance
Glitnir Bank hf.

Number and class
of Shares held:

500 million ordinary shares
9.5 billion ordinary shares

SCHEDULE 2

PROVISION OF INFORMATION

ANNUAL AUDITED ACCOUNTS

1. Consolidated audited accounts for the Group must be delivered to the Government within **three months** from the end of the relevant financial year.

ANNUAL BUSINESS PLAN

2. Within 15 days of being approved by the Board, commencing with the financial year beginning 1 January 2010 (the "**First Financial Year**"), the Company must prepare and submit to the Government a business plan for the Group for that forthcoming financial year (the "**Annual Business Plan**"). The Annual Business Plan shall be in such form as approved by the Board but the Government may request from time to time that it must contain:
 - (a) a statement of business objectives and the proposed method of achieving them; and
 - (b) itemised by business unit and consolidated revenue, expense and capital budgets each of which must:
 - (i) be broken down according to business unit;
 - (ii) show proposed trading figures and all material proposed acquisitions, disposals and other commitments for the financial year;
 - (iii) be broken down into monthly statements; and
 - (iv) include like-for-like comparisons to the financial performance in each of the three previous financial years (to the extent that such information is available).

SIX-MONTHLY REPORTING

3. Within 60 days from the end of each half year, commencing with the half year ending on 30 June 2010, the Company shall deliver to the Government consolidated interim reviewed or audited accounts for the Group in the form that is delivered to the FME. The Company shall send the interim consolidated accounts for the half year period ending 30 June 2009 to the Government as soon as reasonably practicable following approval of them by the Board.
4. If requested by the Government, a presentation must be made by the executive Directors of the Company to the Government at a meeting to be convened by the Government no more than once every six months to explain the significant developments and trends in relation to, and the prospects of, the business of the Group during the preceding six months and its prospects for the following six months.

MONTHLY REPORTING

5. Within 30 days from the end of each month, commencing with the month ending on 31 October 2009, the Company must prepare and submit to the Government monthly management accounts for the Group which must be in such form as approved by the Board, but the Government may request from time to time that it must contain:
 - (a) a consolidated profit and loss account and balance sheet, broken down by business unit;

- (b) a deposit analysis;
 - (c) a business analysis report showing comparisons by business unit with the previous year and budget, an analysis of the balance sheet, changes in loans and loan recovery and an analysis of the Group's liquidity;
 - (d) an explanation of any material matter occurring in or relating to the period in question prepared by each managing director of a business unit, including:
 - (i) a statement of any variation from the revenue budget in the Annual Business Plan; and
 - (ii) comments on any material variation from the forecast or budget projections shown by such management accounts.
6. Consolidated monthly trading accounts in respect of the Group must be delivered to the Government within 30 days of the end of the period to which they relate.

OTHER INFORMATION

7. The Company must provide to the Government minutes of each Board meeting:

SCHEDULE 3

CONDUCT OF THE GROUP

PART 1: POSITIVE OBLIGATIONS

FINANCIAL AND ACCOUNTING MATTERS

1. The Company must, and must procure that each other Group member does, keep proper accounting records and in them make true and complete entries of all material dealings and transactions in relation to its business.

BUSINESS MATTERS

2. The business of the Company and each other Group member must be properly managed and comply, in all material respects, with all applicable laws and each Group member must maintain all licences, consents and authorisations of any nature whatsoever (public or private) which are necessary to carry on the material businesses of the Group from time to time unless otherwise agreed in this Agreement.

OTHER MATTERS

3. The Company must comply with its obligations under this Agreement and must procure that each other Group member acts in the manner contemplated by this Agreement and observes and performs the provisions of this Agreement which are to be observed and performed by that other Group member.

PART 2: ACTIONS REQUIRING GOVERNMENT CONSENT

CORPORATE MATTERS

1. Alteration to the Articles of the Company, or the memorandum and articles of association of any other Group member.
2. Allot or issue any Shares or other securities or grant to any person any option or right to call for the issue of any Shares or other securities, except in connection with a management incentive plan.
3. Appoint (except for the reappointment of its existing auditors) or remove its auditors, unless such auditors are replaced by an internationally recognised firm of auditors.

FINANCIAL AND ACCOUNTING MATTERS

4. Adopt a new accounting policy or practice or make a material change to any of its accounting policies and practices or its accounting reference date, except as required by law or to comply with a new accounting standard.

SCHEDULE 4

REMUNERATION COMMITTEE TERMS OF REFERENCE

1. To provide general guidance and policy on behalf of the Company, and in accordance with applicable laws and standards laid down by the Icelandic Chamber of Commerce or other similar authority, on all matters concerning:
 - (a) the salary and other remuneration and benefits (including bonus, share incentive and pension arrangements) and terms and conditions of employment of the employees within the Group (including, without limitation, salary reviews and the setting of bonus levels and performance targets);
 - (b) the appointment or dismissal (and terms of appointment or dismissal) of the chief executive officer (or a person who would on his appointment become the chief executive officer); and
 - (c) any employee share based remuneration schemes.
2. To require the attendance before it of any officer or employee of any member of the Group and to obtain (at the cost of the Group) legal or other professional advice in respect of any matters within its terms of reference.

SCHEDULE 5

DEED OF ADHERENCE

THIS DEED is made on _____ 200* by the person whose contact details appear in the schedule (the "New Shareholder");

WHEREAS:

- (A) By an Agreement dated [_____] (the "Shareholders' Agreement") concerning Íslandsbanki hf., made between the Government, Glitnir and the Company (as those expressions are defined in the Shareholders' Agreement)

Option A [to be used where Shares are to be transferred]

and to which [_____] (the "Transferor") is a party [by virtue of a Deed of Adherence dated [_____]], the Transferor has agreed to sell and transfer to the New Shareholder [Insert number and class of Shares] conditional upon the New Shareholder entering into this Deed of Adherence.

Option B [to be used when Shares are to be subscribed]

the Company will issue to the New Shareholder [Insert number and class of Shares] conditional upon the New Shareholder entering into this Deed of Adherence.

- (B) The New Shareholder wishes to acquire those Shares, subject to such condition and to enter into this Deed of Adherence pursuant to the Shareholders' Agreement.

THIS DEED WITNESSES:

1. The New Shareholder undertakes to and covenants with all the parties to the Shareholders' Agreement from time to time (including any person who enters into a Deed of Adherence pursuant to the Shareholders' Agreement, whether before or after this Deed is entered into) to comply with the provisions of and to perform all the obligations in the Shareholders' Agreement in so far as they remain to be observed and performed, as if the New Shareholder had been an original party to the Shareholders' Agreement [in place of the Transferor].
2. [The Transferor assigns to the New Shareholder its share of its rights under the Shareholders' Agreement in proportion to the number of Shares transferred as against the number of Shares retained by the Transferor (if any).] **[Only relevant for Option A and Transferor will need to be a party for that purpose if not dealt with elsewhere]**
3. Except as expressly varied by this Deed, the Shareholders' Agreement will continue in full force and effect, and the Shareholders' Agreement be interpreted accordingly.
4. Each party shall bear its own costs in relation to this Deed of Adherence.
5. The interpretation provisions and the provisions of clauses 12 (Notices), 14 (Entire agreement, amendment and termination), 15.1 (Further assurance), 15.7 (No partnership or agency), 15.8 (Counterparts), 16 (Costs) and 18 (Governing law and jurisdiction) of the Shareholders' Agreement apply to this Deed as if those provisions had been set out expressly in this Deed, which will take effect from the date set out above.

THE SCHEDULE

DETAILS OF NEW SHAREHOLDER

Name :
Registered number (if a company) :
Country of Incorporation (if a company) :
Address :

EXECUTED by the parties as a deed

[insert signature blocks]

Signed by)
for and on behalf of **Íslandsbanki hf.**)
)

Signed by)
for and on behalf of **Glitnir Bank hf**)
)

Signed by)
for and on behalf of **The Ministry of Finance**)
)

EXHIBIT A

ARTICLES OF ASSOCIATION

EXHIBIT B

GOVERNMENT CAPITALISATION INSTRUMENT