

**CONDITIONAL
SETTLEMENT AGREEMENT**

**Dated 3 March 2009
(the "Agreement")**

Between

Kaupthing Bank hf.

and

Kaupthing Bank Luxembourg S.A.

[Handwritten signatures and initials]
ED
RT
W
CB
FA

THIS CONDITIONAL SETTLEMENT AGREEMENT dated the 3rd day of March 2009 (the "Agreement") is made between:

- (1) **Kaupthing Bank hf.**, a company incorporated under the laws of Iceland having its registered office at Borgartún 19, IS-105 Reykjavík, Iceland (hereinafter referred to as "**Kaupthing Iceland**")

and

- (2) **Kaupthing Bank Luxembourg S.A.**, a company incorporated under the laws of Luxembourg having its registered office at 35a, avenue J.F. Kennedy, L-1855, Luxembourg (hereinafter referred to as "**Kaupthing Luxembourg**")

WHEREAS:

1. By judgment of the Luxembourg *Tribunal d'arrondissement* (the "**Court**") dated 9 October 2008, Kaupthing Luxembourg has been admitted to the regime of suspension of payment (*sursis de paiement*) for a period of 6 months and the Court has appointed Me Franz Fayot and PricewaterhouseCoopers S.à.r.l., represented by Mme Emmanuelle Caruel-Henniaux, as administrators (the "**Luxembourg Administrators**");
2. In accordance with the provisions of Act 125/2008, on 9 October 2008 the Icelandic Financial Supervisory Authority assumed the power of the shareholders of Kaupthing Iceland and appointed a Resolution Committee to replace the board of directors. By judgment of the District Court of Reykjavík dated 24 November 2008, Kaupthing Iceland was granted a moratorium on payments to creditors until 13 February 2009, and Mr. Ólafur Garðarsson, Advocate to the Supreme Court of Iceland, was appointed Moratorium Supervisor (the Resolution Committee and Mr. Garðarsson are collectively referred to as the "**Iceland Administrators**"). By judgment of the District Court of Reykjavík dated 20 February 2009, the moratorium on payments to creditors was extended until 13 November 2009;
3. Kaupthing Iceland has incurred a certain amount of indebtedness toward Kaupthing Luxembourg, including, without limitation, pursuant to the issuance of guarantees, under loans, foreign exchange and other transactions, and in connection with collateralised lending (the "**Kaupthing Iceland Indebtedness**") The total amount of the Kaupthing Iceland Indebtedness is EUR 1,084,900,000 as further set out in Schedule "C";
4. Kaupthing Iceland holds an account in its name with Kaupthing Luxembourg, bearing account number 600140 (the "**Kaupthing Iceland Account**");
5. On 6 October 2008, Kaupthing Luxembourg sent two guarantee calls to Kaupthing Iceland with respect to guarantees issued by Kaupthing Iceland in favour of Everest Equities Limited and Komi Investments S.A. Kaupthing Iceland in turn transferred

certain bonds to Kaupthing Luxembourg on 8 October 2008 (the "**October Bonds**"), the value of which was to be applied against the amount claimed and outstanding under the said specific guarantees. Details of the October Bonds are attached hereto as Schedule "A";

6. Kaupthing Iceland and Kaupthing Luxembourg signed a Right Of Set-Off Agreement dated 7 October 2008 (the "**Right Of Set-Off Agreement**") which provides the parties with the right to set-off claims against any amounts of the other party in the case of an event of default by that party. According to the Right Of Set-Off Agreement an event of default has occurred providing Kaupthing Luxembourg with the right of set-off against outstanding claims towards Kaupthing Iceland.
7. Prior to 9 October 2008, Kaupthing Iceland transferred certain bonds (the "**BCL Bonds**") to Kaupthing Luxembourg to be used by Kaupthing Luxembourg as posted collateral to obtain loans from the Banque Centrale de Luxembourg (the "**BCL**") under the European Central Bank's lending programme. In return for this transfer, Kaupthing Luxembourg advanced loans to Kaupthing Iceland in equivalent amounts and on the same dates as the loans advanced by the BCL to Kaupthing Luxembourg. Details of the BCL Bonds are attached hereto as Schedule "B";
8. Kaupthing Luxembourg holds a certain number of bonds in custody which belong to Black Sunshine Investments S.à.r.l., Omertia S.A., Rintham Inc, and Tacey Corp. (the "**Black Sunshine Bonds**") together with cash on the accounts of Black Sunshine Investments S.à.r.l., Omertia S.A., Rintham Inc, and Tacey Corp. (the "**Black Sunshine Cash**") with a total nominal value of USD 589,625,000 and EUR 35,000,000. The purchase price for the Black Sunshine Bonds was secured by loans from Kaupthing Iceland to each of Black Sunshine Investments S.à.r.l., Omertia S.A., Rintham Inc, and Tacey Corp. (the "**Black Sunshine Loans**"). The Black Sunshine Loans expired on 31 December 2008 and have not yet been repaid.
9. On 3 October 2008, the rights and obligations of Kaupthing Luxembourg under a Secured Investment Line Agreement with Kevin Stanford, dated 27 September 2006 (the "**SILA**") were transferred to Kaupthing Iceland for value received. The SILA includes a requirement that a certain value be maintained in the borrower's portfolio at all times, failing which the lender can require the borrower to provide supplementary collateral. The SILA also includes a pledge over all assets of Kevin Stanford held with Kaupthing Luxembourg, the valuation on 30 September 2008 of the assets pledged pursuant to the SILA was EUR 416,000,000. The assets include the listed assets described in Schedule "D" (the "**Listed Kevin Stanford Assets**"). The Listed Kevin Stanford Assets remain in Kaupthing Luxembourg currently. Mr. Stanford's portfolio fell below the required value, and on 23 October 2008 Kaupthing Iceland sent a letter to him requesting the immediate transfer of GBP 73,200,633 by no later than 29 October 2008 in order to meet the collateral requirements under the SILA. These funds were not provided by Mr. Stanford, and the debt called in the letter of 29 October 2008 remains outstanding.
10. The Government of Luxembourg and the Libya Africa Investment Portfolio (the "**Buyer**") have signed a Memorandum of Understanding setting forth their mutual

preliminary understanding with respect to a proposed acquisition by the Buyer of all shares in Kaupthing Luxembourg;

NOW THEREFORE in consideration for the premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. The parties acknowledge and agree that the recitals above are true and correct in all material respects.
2. The parties acknowledge and agree that the October Bonds and the BCL Bonds have been in the custody and control of Kaupthing Luxembourg since prior to 9 October 2008 and that it is to their mutual benefit for Kaupthing Luxembourg to apply the value of the BCL Bonds and the October Bonds to settle the Kaupthing Iceland Indebtedness. They further agree that it is to their mutual benefit that the outstanding debts of Kaupthing Iceland to Kaupthing Luxembourg be settled with final effect.
3. Kaupthing Luxembourg shall retain the Black Sunshine Bonds and collect the interest thereon and the proceeds therefrom as they mature, until such time as such interest and proceeds amount to, in the aggregate EUR 22,300,000 (the "**Black Sunshine Purchase Price**"). Kaupthing Luxembourg shall then assign all remaining Black Sunshine Bonds to Kaupthing Iceland. Kaupthing Iceland will therefore benefit from the upside of the remaining Black Sunshine Bonds, including all repayments and redemptions, interest, and all other advantages attached thereto.
4. Prior to this Agreement taking effect, Kaupthing Luxembourg, acting as the Security Agent, shall enforce the pledge over the Listed Kevin Stanford Assets, and acting as principal buy those assets for EUR 25,000,000 (the "**Stanford Purchase Price**"). The Stanford Purchase Price shall be transferred to the Kaupthing Iceland Account. Kaupthing Luxembourg undertakes, upon this Agreement taking effect, subject to compliance with all applicable laws, and further subject to the resolution of all disputes regarding title to all other assets of Kevin Stanford held within Kaupthing Luxembourg and pledged to Kaupthing Iceland pursuant to the SILA (the "**Other Kevin Stanford Assets**"), to transfer upon the request of Kaupthing Iceland all of the Other Kevin Stanford Assets, free of any encumbrances or right of set-off in favour of Kaupthing Luxembourg.
5. Kaupthing Luxembourg shall thereafter retain the Listed Kevin Stanford Assets and sell them as it deems appropriate, according to market conditions, until such time as the proceeds from such sales amount to, in the aggregate, the Stanford Purchase Price. Kaupthing Luxembourg shall then assign all remaining Listed Kevin Stanford Assets, and any proceeds received above the Stanford Purchase Price, to Kaupthing Iceland. Kaupthing Iceland will therefore benefit from the upside of the remaining Listed Kevin Stanford Assets.
6. Upon this Agreement taking effect, the following shall occur immediately, without either party hereto having to take any further steps:

[Handwritten signatures and initials]

- a. All of Kaupthing Iceland's rights to, under and over the October Bonds (the "October Bonds Rights") that were transferred to Kaupthing Luxembourg on 8 October 2008 shall be retained by Kaupthing Luxembourg, as these assets are pledged to Kaupthing Luxembourg and are as such considered to have priority under Icelandic law. The October Bonds Rights include all rights to, under and over the October Bonds, including without limitation the right to sell or otherwise dispose of the October Bonds, as well as the right to any proceeds deriving from the sale, disposition, or otherwise of the October Bonds, whether said sale, disposition, or otherwise takes place before or after the execution of this Agreement. Kaupthing Luxembourg assumes all risks associated with the October Bonds, until any transfer of the October Bonds to Kaupthing Iceland pursuant to the following paragraph.

Kaupthing Luxembourg shall retain the October Bonds and collect the interest thereon and the proceeds therefrom as they mature, until such time as such interest and proceeds amount to, in the aggregate, the value assigned to the October Bonds pursuant to this Agreement, which is EUR 68,000,000. Kaupthing Luxembourg shall then assign all remaining October Bonds to Kaupthing Iceland. Kaupthing Iceland will therefore benefit from the upside of the remaining October Bonds, including all repayments and redemptions, interest, and all other advantages attached thereto.

- b. All of Kaupthing Iceland's rights to, under and over the BCL Bonds (the "BCL Rights") shall be retained by Kaupthing Luxembourg, as these assets are pledged to Kaupthing Luxembourg and are as such considered to have priority under Icelandic law. The BCL Rights include all rights to, under and over the BCL Bonds, including without limitation the right to sell or otherwise dispose of the BCL Bonds where such right is held by Kaupthing Iceland, as well as the right to any proceeds deriving from the sale, disposition, or otherwise of the BCL Bonds, whether said sale, disposition, or otherwise takes place before or after the execution of this Agreement. Kaupthing Luxembourg assumes all risks associated with the BCL Bonds.
- c. All of Kaupthing Iceland's rights to, under and over the cash on the Kaupthing Iceland Account and any other cash within Kaupthing Luxembourg to which Kaupthing Iceland is entitled, shall be set-off against the Kaupthing Iceland Indebtedness, pursuant to paragraph 4(e) of the Right of Set-Off Agreement, amounting to the total of EUR 31,000,000, plus the Black Sunshine Purchase Price and the Stanford Purchase Price, for a grand total of EUR 78,300,000.

7. Upon this Agreement taking effect, all debts of the parties hereto towards each other and towards all affiliates, subsidiaries and structures of any type controlled by or affiliated to each of the parties hereto arising prior to the date of this Agreement, or arising in connection with this Agreement or the liquidation of any assets transferred pursuant to this Agreement, shall be fully and finally settled, and neither party shall have any further rights, claims, means or action of any kind on the other for any such

debts. All disputes and disagreements between the parties regarding all aspects of this Agreement shall be considered as settled upon this Agreement taking effect.

8. In consideration of the mutual concessions made by the parties, they waive any right to take legal action based on errors in law or in fact, or on any omissions related to the rights referred to herein.
9. This Agreement is and shall remain strictly confidential except for its submission to or its enforcement before the courts of Luxembourg, Iceland, or any other applicable jurisdiction, should one of the contracting parties not comply with its provisions, and except where required by law or by reasonable request to be provided to any level of government or similar authority.
10. This Agreement is subject to the completion of the restructuring of Kaupthing Luxembourg. This restructuring shall be deemed completed when the Buyer or another acceptable counterparty becomes a shareholder of Kaupthing Luxembourg. If such restructuring is not completed, then this Agreement shall be revoked and considered null and void. If the restructuring is not completed within 60 days of the date of signature, Kaupthing Luxembourg undertakes to release any seizure over assets of Kaupthing Iceland held by it, provided that it has received a legal opinion from prime law firms in Iceland and Luxembourg mutually agreed between the parties confirming that the seizure initiated by it would be lifted by the Luxembourg courts due to the universal legal effect of applicable Icelandic insolvency laws rendering the assets of Kaupthing Iceland unseizable during the moratorium procedure.
11. The parties to this agreement undertake to ensure that in the case of such restructuring all efforts will be made to allow the relevant Icelandic authorities continued access to information within Kaupthing Luxembourg in accordance with Luxembourg law.
12. This Agreement shall take effect immediately upon the Buyer or another acceptable counterparty becoming a shareholder of Kaupthing Luxembourg.
13. Notwithstanding any other provisions of this Agreement, and in particular clause 9. hereof, the parties agree that this Agreement may be assigned or transferred to any successor, assignee or new entity arising out of, but not limited to, any demerger, division, spin-off or liquidation of either party, including in respect of Kaupthing Luxembourg, to any special purpose vehicle resulting from the division of Kaupthing Luxembourg in the context of its restructuring.
14. This Agreement shall be governed by and construed in accordance with the laws of the Grand Duchy of Luxembourg and in the case of disagreement between the parties with respect to the Agreement, the courts of Luxembourg shall have exclusive jurisdiction.
15. The parties are executing this Agreement in good faith.
16. This Agreement is made in Luxembourg in four originals, of which each party acknowledges having received one.


EH
Shelt
JP
M
OS
JP

17. This Agreement is made in accordance with article 2044 of the Civil Code and has 11 pages and 17 points. It is a global agreement among the parties on the different subjects addressed herein.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first written above.

KAUPTHING BANK HF.

Per:


Steinar Þór Guðgeiðsson

Per:


Knútur Þórhallsson

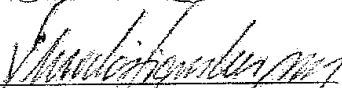
Per:


Guðni Aðalsteinsson

Per:


Jóhannes Rúnar Jóhannsson

Per:

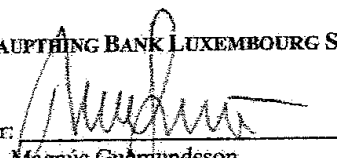

Theodór Sigurbergsson

APPROVED BY
THE ICELAND ADMINISTRATORS

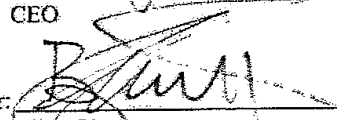

Ólafur Garðarsson

KAUPTHING BANK LUXEMBOURG S.A.

Per:


Magnús Guðmundsson
CEO

Per:

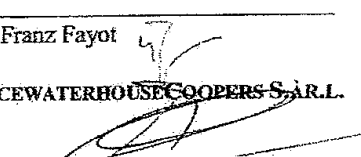

Björn Jónsson
Deputy CEO

APPROVED BY
THE LUXEMBOURG ADMINISTRATORS, in
accordance with and for the purpose of article
60-2(15) of the law dated 5 April 1993 on the
financial sector, as amended

Me Franz Fayot

PRICEWATERHOUSECOOPERS S.A.R.L.

Per:


Emmanuelle Caruel-Henniaux

Schedule "A"

October Bonds

ISIN Code	Amount	Currency
US93933VAY48	25,000,000.00	USD
XS0284968426	13,000,000.00	GBP
XS0226781242	20,000,000.00	EUR
US12543JAA51	45,000,000.00	USD
US784657AB44	32,500,000.00	USD
USG17751AE19	26,000,000.00	USD
XS0226519352	10,000,000.00	USD
XS0260366157	13,125,000.00	USD
XS0310147359	11,250,000.00	USD

Sub
2
PP
PP
PP

Schedule "B"

BCL Bonds

ISIN/CUSIP	Amount	Currency
ES0214977086	15,000,000.00	EUR
ES0313249007	10,000,000.00	EUR
ES0313860134	10,000,000.00	EUR
ES0313980023	15,000,000.00	EUR
ES0314843238	20,000,000.00	EUR
ES0314977259	10,000,000.00	EUR
ES0314977259	15,000,000.00	EUR
FR0010436485	10,000,000.00	EUR
FR0010436485	12,000,000.00	EUR
FR0010491787	8,000,000.00	EUR
PTBCT30M0000	10,000,000.00	EUR
PTBCT30M0000	6,000,000.00	EUR
PTBCT50M0008	15,000,000.00	EUR
XS0184291523	4,800,000.00	EUR
XS0187199756	27,000,000.00	EUR
XS0193174983	10,000,000.00	EUR
XS0193174983	5,000,000.00	EUR
XS0193174983	5,000,000.00	EUR
XS0193174983	5,000,000.00	EUR
XS0201740056	15,000,000.00	EUR
XS0205341414	10,000,000.00	EUR
XS0210628128	2,000,000.00	EUR
XS0210746243	5,000,000.00	EUR
XS0211145965	10,000,000.00	EUR
XS0211145965	15,000,000.00	EUR
XS0214101874	10,000,000.00	EUR
XS0214101874	15,000,000.00	EUR
XS0215258046	10,000,000.00	EUR
XS0215258046	15,000,000.00	EUR
XS0218609142	10,000,000.00	EUR
XS0219734166	8,000,000.00	EUR
XS0221671547	10,000,000.00	EUR
XS0221671547	15,000,000.00	EUR
XS0221770521	10,000,000.00	EUR
XS0300368890	11,000,000.00	EUR
XS0306307894	10,000,000.00	EUR

ISIN/CUSIP	Amount	Currency
XS0230514860	4,000,000.00	EUR
XS0231140970	10,000,000.00	EUR
XS0236379514	10,000,000.00	EUR
XS0242030426	10,000,000.00	EUR
XS0242030426	10,000,000.00	EUR
XS0244141247	25,000,000.00	EUR
XS0255101270	6,000,000.00	EUR
XS0255101270	9,000,000.00	EUR
XS0267742921	15,000,000.00	EUR
XS0267837473	10,000,000.00	EUR
XS0267893112	20,000,000.00	EUR
XS0270722167	15,000,000.00	EUR
XS0271939273	14,000,000.00	EUR
XS0272260513	10,000,000.00	EUR
XS0273441278	10,000,000.00	EUR
XS0273441278	15,000,000.00	EUR
XS0277118559	12,000,000.00	EUR
XS0277118559	7,000,000.00	EUR
XS0282533206	10,000,000.00	EUR
XS0282533206	20,000,000.00	EUR
XS0283267184	22,000,000.00	EUR
XS0284635702	15,000,000.00	EUR
XS0284635702	7,000,000.00	EUR
XS0285176706	10,000,000.00	EUR
XS0285176706	1,800,000.00	EUR
XS0286244925	10,000,000.00	EUR
XS0286206153	10,000,000.00	EUR
XS0289485061	15,000,000.00	EUR
XS0291422979	15,000,000.00	EUR
XS0293709662	10,000,000.00	EUR
XS0294698492	5,000,000.00	EUR
XS0296702268	15,000,000.00	EUR
XS0296329516	15,000,000.00	EUR
XS0305080177	15,000,000.00	EUR
XS0305150137	25,000,000.00	EUR

Handwritten notes:
 2
 State
 10
 12
 13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25
 26
 27
 28
 29
 30
 31
 32
 33
 34
 35
 36
 37
 38
 39
 40
 41
 42
 43
 44
 45
 46
 47
 48
 49
 50
 51
 52
 53
 54
 55
 56
 57
 58
 59
 60
 61
 62
 63
 64
 65
 66
 67
 68
 69
 70
 71
 72
 73
 74
 75
 76
 77
 78
 79
 80
 81
 82
 83
 84
 85
 86
 87
 88
 89
 90
 91
 92
 93
 94
 95
 96
 97
 98
 99
 100

Handwritten notes:
 2
 State
 10
 12
 13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25
 26
 27
 28
 29
 30
 31
 32
 33
 34
 35
 36
 37
 38
 39
 40
 41
 42
 43
 44
 45
 46
 47
 48
 49
 50
 51
 52
 53
 54
 55
 56
 57
 58
 59
 60
 61
 62
 63
 64
 65
 66
 67
 68
 69
 70
 71
 72
 73
 74
 75
 76
 77
 78
 79
 80
 81
 82
 83
 84
 85
 86
 87
 88
 89
 90
 91
 92
 93
 94
 95
 96
 97
 98
 99
 100

Schedule "C"

Kaupthing Iceland Indebtedness

Liability of Kaupthing Iceland towards Kaupthing Luxembourg	EUR 793,300,000
Total called and reconciled under the Kaupthing Iceland Guarantees	EUR 121,600,000
Total nominal value of guarantees under the Kaupthing Iceland Guarantees where an amount has been called but the extent of losses to Kaupthing Luxembourg is not yet certain	EUR 170,000,000
Kaupthing Iceland debt	EUR 1,084,900,000

2
Sule et
M B KP
W J 08/11

Schedule "D"

Listed Kevin Stanford Assets

Account	Quantity	Shares	Cur	listed not listed
200069	50,000	Brazauro Res Wts	CAD	listed
200069	4,194,500	Kirkland Lake Gold	CAD	listed
100977	403,000	Suroco Energy Inc	CAD	listed
200069	160,000	Block Shield Corp	GBP	listed
200069	75,000	Libertas Capital Grp	GBP	listed
200069	15,000	Mercator Gold PLC	GBP	listed
101989	14,585,720	Mulberry Group plc	GBP	listed
100977	200,000	Rambler Metals & Min	GBP	listed
200069	675,000	Rambler Metals & Min	GBP	listed
200069	9,215,000	Belvedere Resources	CAD	listed
200069	1,000,000	Tatonka Oil & Gas	USD	listed
200069	518,500	Kirkland Lake Gold	GBP	listed

Spelt
W. J. Stanford
11/11