

**Shareholders' Proceeds Apportionment Agreement dated 13 January 2016 between Kaupthing ehf. ("Kaupthing"), Kaupskil ehf. ("Kaupskil"), and the Central Bank of Iceland<sup>1</sup> (the "Agreement") - Proposed Sale of Shares in Arion Bank hf. ("Arion")**

**Background**

It is the intention of Kaupthing and Kaupskil that Kaupskil shall sell the remainder of the Qualifying Shares (as defined in the Agreement), in part or in whole, in an initial public offering of Arion's shares (the "IPO"). Clause 3.6 of the Agreement provides that if any proposed sale of Qualifying Shares involves such an IPO, then *"the Step-In Right shall be varied in such a manner and to such extent as is recommended by an Investment Bank as being necessary and/or desirable in connection with the proposed IPO ...and the Parties undertake to co-operate fully with each other to develop a process to implement the Step-In Right in a manner which reflects such recommendation ..."*.

**Process**

In accordance with clause 3.6 in the Agreement Kaupthing sent the Ministry of Finance and Economic Affairs (the "Ministry") a letter dated 14 March 2018 regarding commencing a process to vary the Step-In Right upon the sale of Kaupskil's shares in Arion (Kaupskil's Arion Shares). The Ministry sent in response a letter dated 17 April 2018. On 25 April 2018, Kaupthing sent to the Ministry a copy of a report from an Investment Bank. In addition representatives of Kaupthing and the Ministry have had a number of discussions regarding the Step-In Right.

This letter is pursuant to Clause 3.6 of the Agreement and sets out below the terms of the variation of the Step-in Right (as defined in clause 3.6. of the Agreement) based upon the process above.

**Variation of Step-In Right**

1. The Step-in Right shall be varied such that it will not apply, and none of the provisions of Clause 3 (*Step-in Right*) of the Agreement shall apply, in respect of any Qualifying Shares which are sold in the IPO pursuant to the arrangements described in the IPO prospectus, *provided that* the admission of Arion's shares to trading in connection with the IPO is completed on or before 1 July 2018.
2. The provisions of this letter and the variation of the Step-in Right as provided herein do not apply in respect of any sales of Qualifying Shares which take place other than in the IPO (as referred to in 1 above).

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<sup>1</sup> Pursuant to interrim provision III of the Act no. 36/2001 on the Central Bank of Iceland the rights and obligations of the CBI under the Agreement have been transferred to the Ministry of Finance.

**Regular Consultation and Information Updates**

- 3. Throughout the IPO process Kaupthing will continue to provide information to, attend meetings with, consult and discuss progress with representatives of the Ministry and as otherwise requested by the Ministry.

**Consideration of the Financial Interests of the Icelandic State**

- 4. Each of Kaupthing and Kaupskil shall, in making decisions on the number and price of Qualifying Shares to sell in the IPO, consider, and be mindful of, the financial interests of the Icelandic State (to the extent of their respective awareness of such financial interests).

**No Sales of Arion Shares to Certain Existing Shareholders**

- 5. Kaupskil shall not sell in the IPO any Qualifying Shares to, or to entities controlled or managed by, Attestor Capital LLP, Taconic Capital Advisors LP or Och-Ziff Capital Management LLC.

**General Provisions**

- 6. Capitalised terms used but not defined in this letter have the meanings given to such terms in the Agreement and the provisions of the Agreement shall, other than as varied by the provisions of this letter, apply *mutatis mutandis* to this letter.
- 7. This letter is governed by and construed in accordance with Icelandic law.
- 8. This letter may be signed in any number of counterparts, and by the parties on separate counterparts.

The above terms are in accordance with our intentions and are accepted and agreed

By: .....


Title: .....

On behalf of **Kaupthing ehf.**

By: .....

Title: .....

On behalf of **Kaupskil ehf.**

By: 

Title: **MINISTER** .....

On behalf of **The Ministry of Finance and Economic Affairs**