

ARTICLES OF ASSOCIATION

for

LBI ehf.

CHAPTER I

Name of Company, domicile and purpose

Definitions that have relevance to these Articles of Association are set out herein or in Appendix 1.

Article 1

COMPANY TYPE

- 1.1 The “**Company**” is a private limited company with the name “**LBI ehf.**”. The Company operates pursuant to the Act on Private Limited Companies, No. 138/1994, as subsequently amended (the “**Act on Private Limited Companies**”).

Article 2

DOMICILE

- 2.1 The Company's domicile, headquarters and legal venue is in Reykjavík.

Article 3

PURPOSE

- 3.1 The Company's purpose is to operate a holding company which involves general asset administration in connection with claims, real estate, liquid assets, equities, commercial paper, guarantee rights and any other types of assets or interests belonging to the Company. The purpose of the Company is also to preserve, sell, lease and/or operate those assets and interests belonging to the Company, in addition to pursuing lending activities, provided the Board of Directors has concluded that such lending is reasonably necessary in order to preserve assets or otherwise take steps with respect to existing assets of the Company in order to maximise recoveries under the Bonds and other related or connected operations.

CHAPTER II

Share capital and register of shares

Article 4

SHARE CAPITAL

- 4.1 The Company's share capital is ISK 1,600,000,000 (one billion and six hundred million Icelandic krónur). Pursuant to the Company's composition, which became effective on 25 December 2015 (the “**Composition**”), the shares are paid for by means of set-off against claims that shareholders hold against the Company. The share capital is divided into shares with a value of ISK 1 each or a multiple of this amount.
- 4.2 If decided by a shareholders' meeting, subject to the Company having received an authorisation from the Register of Annual Accounts allowing the Company to maintain its accounting and annual accounts in EUR, in accordance with Article 1(3) of the Act on Private

Limited Companies, to have the share capital of the Company converted into EUR, the Company's share capital shall be divided into shares with a nominal value of EUR 0.01 each or a multiple thereof.

- 4.3 The share capital of the Company is divided into two classes of shares, being 1,600,000,000 “**Class A Shares**” and, initially, 0 “**Class B Shares**”. The rights of shareholders in each class are the same apart from the fact that shareholders holding Class B Shares do not enjoy voting rights except as set out in Articles 21.5 and 21.6 of these Articles of Association.
- 4.4 Shareholding certificates may be issued in the Company.

Article 5

SHARE REGISTER

- 5.1 The Company's Board of Directors shall keep a register of shares, as provided for in Art. 19 of Act No. 138/1994, which shall list: 1) the date of issue of share capital, 2) the nominal value of share capital and 3) to whom the share capital was issued, as well as any subsequent change of ownership, together with the name, Id. No. (if applicable), address and e-mail address of the shareholder or a representative of such shareholder. Furthermore, the date of change of ownership and of registration shall be listed. The register of shares shall be kept at the Company's offices and be accessible to all shareholders to acquaint themselves with it. A register of shares may be in electronic format.
- 5.2 The register of shares shall be regarded as conclusive proof of ownership rights to shares towards the Company and any stock splits, meeting announcements, or other notifications, shall be sent to the party currently recorded in the shareholders' register as the owner of the respective share capital. Dividends shall be paid to those holders of shares registered in the register of shares at the end of the day of the shareholders' meeting approving the dividend distribution, unless the Company is notified of the assignment of the dividend upon the assignment of share capital. The Company shall bear no responsibility for payments or notifications which may go astray as a result of failure to notify it of changes in ownership or residence.

Article 6

CAPITAL INCREASE

- 6.1 The Company's Board of Directors may increase its share capital by up to 53,425,392 shares by issuing new Class A Shares to fulfil Disputed Claims and Contingent Claims, as provided for in Article 7 of these Articles of Association.
- 6.2 The Company's Board of Directors may also issue new shares in the Company to be delivered to owners of Bonds which were delivered pursuant to the Company's Composition, should the Company's Board of Directors decide to unilaterally avail itself of unilateral conversion rights provided for in the Bonds.
- 6.3 The Company's share capital may also be increased in accordance with Remedial Actions pursuant to Articles 12 to 14.
- 6.4 Otherwise the Company's share capital may not be increased.

Article 7

SHARE CAPITAL FOR DISPUTED CLAIMS AND CONTINGENT CLAIMS

- 7.1 In accordance with the Composition, the Company's Board of Directors shall issue new Class A Shares to fulfil the provisions of the Composition in relation to Disputed Claims or Contingent Claims that subsequently become recognised as claims which would have given them the status of Composition Claims under the Composition. This applies in the following instances:
- (a) where a Disputed Claim has been recognised by an accord approved by the Company's Board of Directors or a final resolution by an Icelandic court; and/or
 - (b) where a contingency event occurs, resulting in a Contingency Claim no longer being contingent upon the outcome of such event but instead becomes subject to treatment as a Composition Claim.
- 7.2 Upon any Disputed Claim and/or a Contingent Claim becoming a recognised Composition Claim, as specified in Article 7.1, the Board of Directors is authorised and obliged to issue and allot new Class A Shares up to a maximum aggregate nominal value of ISK 53,425,392 in order to comply with the Company's obligations in respect of such Composition Claim. Each creditor holding such Composition Claim is deemed to have subscribed for (and has the right to be registered as holder of) any Class A Shares allotted to it as payment for that Composition Claim. The subscription price shall be ISK 1 per Class A Share and shall be paid by means of set-off against the Composition Claim.
- 7.3 Class A Shares issued in accordance with this Article 7 will be subject to the same redemption requirements as other Class A Shares, pursuant to these Articles of Association.
- 7.4 Shareholders waive any and all priority rights that they may have under these Articles of Association or otherwise in connection with subscription of shares issued under the authorisation set out in this Article.

Article 8

OWN SHARES

- 8.1 The Company may purchase its own issued shares ("**Own Shares**"), to the extent permissible by law and these Articles of Association.
- 8.2 The Company may reduce its capital in respect of any Own Shares which it holds, in accordance with Icelandic law.
- 8.3 The Company cannot hold Own Shares exceeding more than 10 per cent. of the Company's share capital (any such shares being "**Excess Own Shares**") for more than six months. Any Excess Own Shares held at the end of this period shall be cancelled by reduction of capital.
- 8.4 Own Shares do not have voting rights.

Article 9

STATUS OF SHAREHOLDERS

- 9.1 No privileges are conferred by any shares in the Company. Shareholders are not subject to redemption of their shares other than as a result of preemptory statutory provisions and the Company's Articles of Association.

Article 10

COMPLIANCE WITH ARTICLES OF ASSOCIATION

- 10.1 All shareholders are required, without special obligation, to comply with the provisions of these Articles of Association as they now stand or as subsequently amended in accordance with Icelandic law. Shareholders bear no responsibility for the obligations of the Company above and beyond their holding.

CHAPTER III

Transfer of shares

Article 11

TRANSFER RESTRICTIONS

- 11.1 The Shares shall be freely transferable except that the Board of Directors shall, in accordance with article 15 of the Act, decline to register any transfer of shares or any encumbrance, which would or could result in a breach of the restrictions contained in this Article 11. The Board of Directors shall not give its consent in respect of a Transfer unless it considers that it has received a valid Transfer Notice in accordance with Article 11.4. Where the Company is withholding its consent to a Transfer in accordance with this Article 11, it shall notify the Transferor of such decision.
- 11.2 A party acquiring share capital in the Company may not exercise his/her rights as a shareholder unless his/her name has been entered in the register of shares following approval by the Board of Directors for the Transfer. No such approval shall be granted unless the Transfer complies with the provisions of this Chapter III.
- 11.3 Class A Shareholders must at all times adhere to the Stapling Requirement.
- 11.4 Each Transferor and Transferee must promptly deliver to the registered office of the Company, a Transfer Notice duly signed by both the Transferor and the Transferee in respect of any Transfer, together with such instrument of transfer and any share certificate required to be provided in connection with the relevant Transfer. Any inaccuracy or misrepresentation in any such Transfer Notice, or any breach pursuant to Article 11.5 below, will in each case be deemed to be a failure to comply with the Stapling Requirement and the Board of Directors' consent may be withheld in respect of that Transfer, or if it has granted its consent and subsequently becomes aware of such failure to comply with the Stapling Requirement, the Board of Directors shall be entitled to take Remedial Action with respect to the Class A Shares and/or Class B Shares held by such Shareholder.
- 11.5 If the Board of Directors is not satisfied that the information in such Transfer Notice is correct, complete or otherwise adequate for the purposes of assessing compliance with these Articles, if the Transfer Notice indicates that the Transfer is not in compliance with these Articles, or if the Company otherwise believes that the Transfer would breach or result in a breach of these Articles of Association, the Board of Directors has the right to refuse to give its consent to the proposed Transfer.
- 11.6 Each shareholder (together with other members of its Group) shall hold the entire beneficial interest in the shares registered in its name and all shares must be held by a shareholder in its name and not through a nominee. Each shareholder, by acquiring Class A Shares, will be deemed to have acknowledged that the Board of Directors may (in its sole discretion) redeem

any Class A Shares by way of a Remedial Action (in accordance with Article 14) at their nominal value where the Board of Directors is not satisfied that (i) the shareholder in whose name such shares is registered holds the entire beneficial interest in such shares; or (ii) such Class A Shares are not held through a nominee other than the Securities Escrow Agent (as defined in Article 30). No party who has only a beneficial interest in any shares (including those held through a Securities Escrow Agent) shall have any resulting right, as against the Company, to be registered as the legal owner of such shares.

Article 12

REMEDIAL ACTION IN RELATION TO DEFAULTING STAPLING SHAREHOLDERS

- 12.1 The Board of Directors may reduce the Company's share capital by redemption, in accordance with Article 37 of the Act on Private Limited Companies, by the amount of any Excess Class A Shares held by any Class A Shareholder at their aggregate nominal value and, at the discretion of the Board of Directors, the Board of Directors may apply such aggregate amount raised from the redemption of such Excess Class A Shares towards issuing such Class A Shareholder with an aggregate number of Class B Shares equal to the aggregate number of Excess Class A Shares so redeemed.

Article 13

REDEMPTION OF CLASS B SHARES AND ISSUE OF CLASS A SHARES

- 13.1 The Board of Directors may (at its sole discretion) at any time reduce the share capital of the Company by redemption, in accordance with Article 37 of the Act on Private Limited Companies, by the amount of any or all Class B Shares held by a Class B Shareholder at a value equal to the nominal value of each Class B Share which is the subject of the redemption and, at the discretion of the Board of Directors, the Board of Directors may apply such aggregate amount raised from the redemption of such Class B Shares towards issuing such Class B Shareholder with an aggregate number of Class A Shares equal to the aggregate number of Class B Shares so redeemed, provided that such Class B Shareholder is not and would not as a result become a Defaulting Stapling Shareholder.

Article 14

GENERAL PROVISIONS IN RESPECT OF TRANSFERS AND REMEDIAL ACTIONS

- 14.1 Each shareholder, by acquiring shares in the Company, will be deemed to have acknowledged that redemption as part of a Remedial Action will be exercised at nominal value, regardless of any other value that may be attributed to such shares by trading or otherwise.
- 14.2 The Board of Directors is authorised to issue and allot new Class A Shares in order to redeem Class B Shares then outstanding, in accordance with these Articles of Association. The new Class A Shares may be paid up by set-off against the value of the Class B Shares.
- 14.3 The Board of Directors is authorised to issue and allot new Class B Shares in order to redeem Class A Shares then outstanding in accordance with these Articles of Association. The new Class B Shares may be paid up by set-off against the value of the Class A Shares.
- 14.4 Shareholders shall not have priority rights in connection with the issuance of shares under this Article.

CHAPTER IV

Request for information

Article 15

SHARES AND BONDS

- 15.1 In addition to the requirements of Article 11, the Board of Directors may at any time, by not less than 10 Business Days' written notice, require all or any of its shareholders:
- (a) to disclose to the Company the identity of any person other than the shareholder who has any ownership interest or security interest in the shares held by the shareholder (an "**Interested Party**");
 - (b) to disclose to the Company the nature of such ownership interest;
 - (c) to disclose to the Company whether or not the shareholder or any Interested Party satisfies the Stapling Requirement; and
 - (d) to provide to the Company any documents which the Board of Directors deem necessary to verify the identity of the shareholder and/or the Interested Party.
- 15.2 The Board may at any time by not less than 10 Business Days' written notice, require all or any of its shareholders to provide evidence of its and any Interested Party's holdings of Bonds (which shall include evidence of any ownership interest or security interest in such Bonds).
- 15.3 If any shareholder fails to provide evidence satisfactory to the Company (acting reasonably) within 10 Business Days of a written notice of any of the matters referred to above then, until satisfactory evidence of the relevant matter is provided to the Company (acting reasonably), that shareholder shall be regarded as a Defaulting Stapling Shareholder and Article 12 shall apply.

CHAPTER V

Shareholders' meetings

Article 16

GENERAL

- 16.1 The Company's shareholders' meeting is the supreme authority in its affairs.
- 16.2 All shareholders, their proxies and advisors, the Company's auditor and managing director are entitled to attend a shareholders' meeting.
- 16.3 Shareholders may appoint a proxy to attend a shareholders' meeting on their behalf. A proxy must present a written, dated and witnessed power of attorney. A shareholder may attend a shareholders' meeting together with an advisor. An advisor does not have the right to address a shareholders' meeting, make motions or vote.
- 16.4 The Company's auditor and managing director shall have full rights to speak and make motions at shareholders' meetings, despite not being shareholders.
- 16.5 The Board of Directors may invite experts to specific meetings, if their opinions or assistance is required.

Article 17
ANNUAL GENERAL MEETINGS

- 17.1 An annual general meeting (“AGM”) shall be held before the end of April in each year.
- 17.2 The AGM shall be convened with an advertisement published on the Company's Website and written notices sent by mail or e-mail to shareholders listed in the shareholder registry referred to in Article 5 of these Articles of Association with at least two weeks' and no more than four weeks' notice. The agenda of the meeting shall be specified in the announcement.
- 17.3 An AGM is legally constituted if lawfully convened, regardless of how many persons attend it.

Article 18
AGENDA OF THE AGM

- 18.1 The following items shall be dealt with at the AGM:
- (a) a report from the Board of Directors on Company activities during the previous operating year;
 - (b) annual financial statements for the previous operating year, together with a report from the auditor, submitted for approval;
 - (c) a decision on the payment of a dividend and the treatment of profit or loss during the previous financial year;
 - (d) a proposal from the Board of Directors on a remuneration policy submitted to the meeting for approval;
 - (e) motions for amendments to the Articles of Association, if any have been received;
 - (f) elections to the Board of Directors;
 - (g) election of an auditor;
 - (h) a decision on the compensation of Directors for the coming term; and
 - (i) other business.
- 18.2 Election of the Board of Directors shall be carried out in accordance with the relevant provisions of the Act on Private Limited Companies.

Article 19
EXTRAORDINARY GENERAL MEETINGS

- 19.1 Extraordinary general meetings shall be held whenever the Board of Directors deem necessary, in accordance with a resolution at a meeting or if the elected auditor or shareholders controlling at least 1/20 of the Company's share capital demand such, in writing, stating the object of the meeting; in such case an extraordinary general meeting shall be called within 14 days of receipt of the demand by the Board of Directors.
- 19.2 Extraordinary general meetings shall be convened with an advertisement published on the Company's Website and written notices to shareholders sent by mail or e-mail in accordance with the shareholder registry referred to in Article 5 of these Articles of Association with at least two weeks' and no more than four weeks' notice. If all shareholders, or their proxies, attend they may grant an exemption from this provision.

- 19.3 An extraordinary general meeting is legally constituted if lawfully convened, regardless of how many persons attend it.

Article 20

AGENDA OF SHAREHOLDERS' MEETINGS

- 20.1 Every shareholder shall be entitled to have a specific issue dealt with at a shareholders' meeting, if a written request for such is submitted to the Company's Board of Directors no later than ten business days prior to the commencement of the meeting.
- 20.2 The meeting announcement must state the business to be dealt with at the shareholders' meeting. At least one week prior to a shareholders' meeting, the agenda, any final motions that have been submitted, as well as the year's annual financial statements and report of the auditor, in the case of an AGM, must be available at the Company's office or on its Website for inspection by shareholders and shall also be sent to every registered shareholder who so requests.

Article 21

VOTING

- 21.1 Each Class A Share conveys one vote at shareholders' meetings. Class B Shares have no voting rights apart from what is provided for in Articles 21.5 and 21.6 below, in which case, each Class B Share shall convey one vote.
- 21.2 The majority of votes shall determine the outcome at shareholders' meetings, unless otherwise provided for by these Articles of Association or in accordance with Icelandic law. In the case of a tie vote, the outcome shall be decided by lot. Voting shall be carried out using ballots if so demanded by any person attending the meeting eligible to vote.
- 21.3 Subject to Article 21.4, these Articles of Association may be amended at a lawfully held shareholders' meeting with the approval of at least two-thirds of the votes cast and also the approval of shareholders controlling at least two-thirds of the Class A Shares represented by votes at the meeting, provided that applicable law does not provide for an alternative number of votes.
- 21.4 Notwithstanding the provisions of Article 21.3, Article 28 to Article 32 (inclusive) and this Article 21.4 may only be amended at a lawfully held shareholders' meeting (attended by shareholders, or their representatives, controlling at least 50 per cent. of the Company's total Class A Shares), with the approval of at least 75 per cent. of the votes cast and also the approval of shareholders controlling at least 75 per cent. of the Class A Shares in the Company represented by votes at the meeting, provided that such amendments are not in breach of the Composition or Bond Terms and Conditions.
- 21.5 Notwithstanding the provisions of Article 21.3, a decision on an amendment to these Articles of Association causing a variation of rights between Class A Shares and Class B Shares require the approval of (a) shareholders holding more than 90 per cent. of the share capital in the class of shares adversely affected by such an amendment and whose votes are represented at a meeting; and (b) more than 50 per cent. of the class of shares as a whole.
- 21.6 The approval of all shareholders is required for decisions on the following amendments to these Articles or statutory law:

- (a) to limit the rights of shareholders to receive dividends or other disbursements from the Company, for the benefit of others than shareholders;
- (b) to increase shareholders' liabilities towards the Company;
- (c) to limit the authority of shareholders in the handling of their shares, cf. Art. 14 and 15 of the Act on Private Limited Companies; and
- (d) without prejudice to the provisions of Article 12 and Article 13, to obligate shareholders to be subject to redemption of their shares, unless upon dissolution of the Company.

21.7 Reference is made to Art. 69 of Act on Private Limited Companies.

Article 22

RESERVED MATTERS

22.1 Notwithstanding anything to the contrary herein, proposals on the following matters shall not be considered approved by, or binding on, the Company unless approved by the majority of votes at a shareholders' meeting:

- (a) any dealings by the Company involving the bonds originally issued by Landsbankinn hf. to the Company pursuant to a Framework and Bond Issuance Agreement dated 15 December 2009 between the Company and the Ministry of Finance on behalf of the Government of Iceland, and later amended and restated pursuant to an Amendment and Restatement Agreement dated 4 December 2014 between Landsbankinn hf. and the Company (the "**LB Bond**"), unless such dealings result in the Company accepting a repayment or prepayment of the LB Bond at or above par;
- (b) disposal of any of the Company's asset(s) in a transaction or a series of related transactions having a fair market value in aggregate in excess of ISK 25,000,000,000 and the Board of Directors shall determine such fair market value based on the latest audited book value adjusted by such other factors (including any expert evidence) that the Board of Directors may reasonably rely on;
- (c) until the Bonds (as defined in Article 28) have been repaid in full, any incurrence of or agreement to incur indebtedness in aggregate in excess of ISK 25,000,000,000;
- (d) any conversion of currency into ISK, unless such ISK amounts produced as a result of such conversion are applied solely for the purposes of payment of domestic operating expenses, including taxes; and
- (e) the entering into by the Company of any new business or change in the nature of the Company's business existing as at the date of adoption of Articles, unless the Board of Directors has resolved (acting reasonably) that such actions will be beneficial to the holders of the Bonds and would not have adverse tax consequences for the Company.

CHAPTER VI

The Company's Board of Directors

Article 23

COMPOSITION OF THE BOARD OF DIRECTORS

- 23.1 The Company's Board of Directors, as provided for in these Articles of Association, shall consist of three persons, elected at the AGM for a two-year term. One alternate may also be elected. Statutory provisions shall apply concerning eligibility of Directors. Election to the Board of Directors shall generally be by ballot if more persons are nominated than are to be elected. The Board elects a Chairman from among the Directors and divides responsibility for other tasks between Directors. The Board of Directors may entrust the Chairman with certain tasks on behalf of the Company as currently authorised by law. A majority of the Board of Directors is required to oblige the Company.

Article 24

QUORUM AND VOTING

- 24.1 The Chairman of the Board shall convene and direct board meetings. Meetings shall be held when the Chairman deems necessary. In addition, the Chairman must call a meeting of the Board of Directors at the request of a Director or the managing director. Board meetings shall be convened with at least 24 hours' notice. Convening a meeting electronically is regarded as sufficient. A meeting of the Board of Directors is legally constituted if legally convened and a majority of the Directors, or alternate Director if applicable, is present. Questions shall be decided by a majority of votes. The Board of Directors must keep minutes of the proceedings of Board meetings and endorse them with their signatures. Any person entitled to attend a board meeting may demand that his/her comments and dissenting opinion are recorded in the minutes.

Article 25

BOARD RESPONSIBILITIES

- 25.1 Subject to Article 22, the Company's Board of Directors shall direct its affairs between shareholders' meetings. The responsibilities of the Board of Directors shall be determined by the Company's Articles of Association, provisions of the Act on Private Limited Companies and other statutory provisions as applicable. The Board of Directors shall adopt its own protocols.

Article 26

MANAGING DIRECTOR

- 26.1 The Board of Directors may entrust one or more managing directors to carry out the daily management of the Company in full or in part, on its responsibility, to the extent authorised by law. The managing director shall ensure that the Company's operations comply with law, these Articles of Association and decisions of the Board of Directors at any given time. The managing director shall furthermore take care that he/she fulfils all the specific or general statutory conditions which may apply to his/her position.

CHAPTER VI

Accounts and auditing

Article 27

FINANCIAL STATEMENTS

- 27.1 The Company's financial year shall be the calendar year.
- 27.2 The Company's annual financial statements must be audited by an auditing firm.
- 27.3 The auditing firm shall be elected at the Company's AGM for a one-year term.

CHAPTER VII

Implementation of the Composition

Article 28

CONVERTIBLE BONDS

- 28.1 In accordance with the Company's Composition and with reference to Chapter VI of the Act on Private Limited Companies, it decided at a Shareholders' meeting held on 19 February 2016, to issue to its Composition Creditors (as defined in the Composition) bonds in the amount of ISK 288,059,442,384, issued in equivalent amount in EUR determined in accordance with the published selling rate of EUR vs. ISK on the date of issuance, which are convertible into Class A Shares (the "**Bonds**").
- 28.2 The Bonds will be constituted by a trust deed (as amended or supplemented from time to time), and issued subject to the terms and conditions applicable to the Bonds, as the same may from time to time be modified (the "**Bond Terms and Conditions**").
- 28.3 On 19 February 2016, a resolution was passed at a shareholders meeting resolving that convertible bonds due 30 November 2035, pursuant to the Composition of the Company, should be issued by the Company for the benefit of its Composition Creditors. The main terms of the Bonds are as follows:
 - (a) Aggregate principal amount of the Bonds is the amount of EUR which is equivalent to ISK 288,059,442,384 based on the published selling rate of EUR vs. ISK on the date of issuance of the Bonds;
 - (b) Final maturity date is 30 November 2035;
 - (c) Payments on the Bonds shall be made from Available Cash (as defined in the Bond Terms and Conditions) in the Company;
 - (d) The Bonds are non-interest-bearing; and
 - (e) Each Composition Creditor entitled to receive Bonds under the terms of the Composition will receive a pro rata amount of the Bonds equivalent to the proportion that such Creditor's Composition Claim(s) in excess of the Securities Distribution Threshold (as defined in the Composition) bears to the sum of all such Creditors' Composition Claims in excess of the Securities Distribution Threshold.

The holders of the Bonds shall have no rights as a result of changes to the Company's share capital, further issuance of convertible debt instruments or warrants, liquidation, merger or division of the Company.

Article 29

CONVERSION OF CONVERTIBLE BONDS

- 29.1 The Board of Directors is authorised to issue and allot new Class A Shares up to a maximum aggregate nominal value of ISK 53,425,392, in order to meet its obligations in respect of Subscription Rights (as defined in Article 29.5), including those issued in accordance with Articles 29.5 and 29.6, following a conversion of Bonds in accordance with the Bond Terms and Conditions. The new Class A Shares shall be paid up by set-off against the value of the Bonds, as represented by the relevant Subscription Rights.
- 29.2 Upon the Composition becoming effective, holders of the Bonds are deemed to have subscribed for (and have the right to be registered as holder of) any Class A Shares allotted to them pursuant to their Subscription Rights or Contingent Subscription Rights under Articles 29.5 to 29.7.
- 29.3 Class A Shares issued in accordance with this Article 29 will be subject to the same redemption requirements as other Class A Shares, pursuant to these Articles of Association.
- 29.4 Shareholders shall not have any priority rights in connection with the issuance of shares under this Article 29.
- 29.5 Upon conversion of Bonds into Class A Shares in accordance with the Bond Terms and Conditions, the Company shall initially issue non-transferable subscription rights (“**Subscription Rights**”) to each Bondholder in respect of the Relevant Number of Class A Shares which such Bondholder is entitled to receive pursuant to the terms of the Bond Terms and Conditions. Provided that such Bonds are not held by the Securities Escrow Agent by virtue of having been issued in respect of Disputed Claims or Contingent Claims, the Board of Directors shall, as soon as reasonably practicable and in accordance with Article 29.1, exchange the Subscription Rights issued in respect of each Bond for Class A Shares and register such Class A Shares in the name of the relevant Bondholder.
- 29.6 If any Disputed Claim is still pending and has not been recognised as a Composition Claim at the time of any conversion of the Bonds, the Subscription Rights issued pursuant to Article 29.5 in respect of such Bonds relating to such Disputed Claim shall be contingent and non-transferable (“**Contingent Subscription Rights**”) and can only be exchanged for Class A Shares in the Company if and to the extent such Disputed Claim is recognised as a Composition Claim. At such time, the Board of Directors shall, in accordance with Article 7, exchange the Contingent Subscription Rights into corresponding amounts of Class A Shares and register the same in the name of the relevant Composition Creditor. In the event it becomes certain that a Disputed Claim will not be recognised as a Composition Claim in part or in whole, any outstanding Contingent Subscription Rights pertaining to the finally rejected Disputed Claim shall be cancelled.
- 29.7 If any Contingent Claim is still pending and has not been recognised as a Composition Claim at the time of any conversion of the Bonds, the Subscription Rights issued pursuant to Article 29.5 in respect of such Bonds relating to such Contingent Claim shall be Contingent Subscription Rights and can only be exchanged for Class A Shares in the Company if and to the extent such Contingent Claim is recognised as a Composition Claim. At such time the Company shall exchange the Contingent Subscription Rights into corresponding amounts of Class A Shares and register the same in the name of the relevant Composition Creditor. In the event it becomes certain that a Contingent Claim will not be recognised as a Composition

Claim in part or in whole, any Contingent Subscription Rights pertaining to the finally rejected Contingent Claim shall be cancelled.

29.8 The Board of Directors shall procure that Subscription Rights and Contingent Subscription Rights shall be renewed annually or as otherwise required in accordance with Icelandic law.

29.9 For the avoidance of doubt, (i) neither issuance nor the exercise of Subscription Rights or Contingent Subscription Rights will give rise to any priority right for existing shareholders; and (ii) Subscription Rights (including Contingent Subscription Rights) are non-transferable.

Article 30

ESCROW ARRANGEMENTS

30.1 According to the Composition, the Company may be required to place shares into escrow, as provided for in Article 103a paragraph 6 of the Act No. 161/2002 on Financial Undertakings. The Company will enter into an escrow agreement (the “**Securities Escrow Agreement**”) with a securities escrow agent (as may be replaced from time to time, the “**Securities Escrow Agent**”), pursuant to which the Company will implement these escrow arrangements in accordance with the terms of the Composition (the “**Securities Escrow Arrangements**”). The Company shall administer the Securities Escrow Arrangements (including through the giving of written notice to the Securities Escrow Agent for the release of cash, Bonds and Class A Shares (as applicable)) in accordance with the Composition and the Securities Escrow Agreement and using due care, prudence and diligence.

30.2 No voting rights may be exercised in relation to Class A Shares held by, or registered in the name of, the Securities Escrow Agent, pursuant to the Securities Escrow Agreement.

Article 31

DISPUTED CLAIMS AND CONTINGENT CLAIMS

31.1 The Company shall control the conduct, supervision, administration and settlement of Disputed Claims and Contingent Claims in accordance with the Composition. In particular, the Company shall have conduct of, supervise the conduct of, or administer, any Disputed Claim which has been referred to the Icelandic Courts.

31.2 In discharging its obligations and functions above, the Company shall conduct functions and discharge its obligations using due care, prudence and diligence.

Article 32

COMPLIANCE WITH THE COMPOSITION

32.1 The Company shall comply and the Board of Directors shall procure that the Company complies, with its obligations under the Composition and the Securities Escrow Agreement.

Chapter VIII

Miscellaneous provisions

Article 33

RESTRICTIONS ON DIVIDEND PAYMENT

33.1 While any Bonds are outstanding, no dividend shall be paid to shareholders of the Company. To the extent that any dividends are paid while there are outstanding Contingent Subscription

Rights that have not been converted into Class A Shares, the Company shall procure that it reserves an amount equal to the dividends that would have been paid on any Class A Shares on which such Contingent Subscription Rights could be subsequently exchanged for. Upon any subsequent exchange of such Contingent Subscription Rights for Class A Shares, the Company shall make payment to the holder of such Class A Shares, equal to the amount previously reserved by the Company in respect of the Contingent Subscription Rights to which such Class A Shares relate.

Article 34

STATUTORY PROVISIONS

- 34.1 Any aspects not provided for in these Articles of Association shall be governed by provisions of the Act on Private Limited Companies, the Act on Annual Financial Statements and other statutory provisions as applicable.

Article 35

ADOPTION OF ARTICLES OF ASSOCIATION

- 35.1 These Articles of Association have been adopted by the Company's winding-up board based on and as provided for in the Composition at a shareholders' meeting on 19 February 2016. Previous Articles of Association of the Company shall be invalid as of the same date.

Appendix 1

In these Articles of Association, the following terms shall have the definitions set out below:

“Affiliate”	means, in relation to any person: (i) a Subsidiary of that person; (ii) a Holding Company of that person; (iii) any other Subsidiary of the Holding Company referred to in (ii); or (iv) any entity that is Controlled by, Controls or is under the same common Control as that person;
“Announced Total Principal Amount of Bonds”	means the total principal amount of Bonds then outstanding as displayed on the Company’s Website;
“Board of Directors”	means the Board of Directors of the Company (and each director thereof shall be a “Director”);
“Bondholder”	means the holder of a Bond, as defined in the Bond Terms and Conditions;
“Class A Shareholder”	means any person that is registered as a holder of any Class A Shares;
“Class A Transferee”	any person to whom a Class A Shareholder Transfers or purports to Transfer any of its Class A Shares;
“Class A Transferor”	means a Class A Shareholder that Transfers or purports to Transfer any of its Class A Shares to another person;
“Class B Shareholder”	means any person that is registered as a holder of any Class B Shares;
“Class B Transferee”	any person to whom a Class B Shareholder Transfers or purports to Transfer any of its Class B Shares;
“Class B Transferor”	means a Class B Shareholder that Transfers or purports to Transfer any of its Class B Shares to another person;
“Composition”	has the meaning given to it in Article 4.1;
“Composition Claim”	means an unsecured Claim against the Company, as defined in Article 29 paragraph one, cf. Article 28 paragraph 1 of the Bankruptcy Act, of an amount greater than ISK 11,821,975;
“Contingent Claim”	means a Composition Claim against the Company which is subject to a condition precedent and will become a recognized Composition Claim if and when such condition precedent is fulfilled;
“Contingent Subscription Rights”	has the meaning given to it in Article 29.6;

“Controlled”	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, and “Control” shall be construed accordingly (and for the avoidance of doubt, (a) a limited partnership shall be deemed to be Controlled by its manager, general partner and/or by such other Person or Persons to whom such Control may have been granted or whom the limited partnership may have appointed to carry out those functions ordinarily associated with the rights and obligations of the manager or general partner, and (b) a fund shall be deemed to be Controlled by its manager and/or by such other Person or Persons to whom such Control may have been granted).
“Defaulting Stapling Shareholder”	means any Class A Shareholder that holds Excess Class A Shares;
“Disputed Claim”	means a claim of any creditor against the Company, in respect of which the treatment of such claim by the Company has been challenged either by that creditor or by any other creditor of the Company and which challenge has not been finally resolved either by the Icelandic courts or by agreement between the disputing parties, and which would if accepted by the Company constitute a Composition Claim.
“Excess A Share Percentage”	means in respect of a Class A Shareholder, the Percentage Holding of Class A Shares held by its Group which exceeds the Percentage Holding of Bonds held by its Group;
“Excess Class A Shares”	means in respect of a Class A Shareholder, the number of Class A Shares representing the Excess A Share Percentage held by its Group;
“Group”	means in relation to any person, such person and its Affiliates;
“Holding Company”	means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary;
“Percentage Holding”	means: (i) in relation to Bonds, the proportion (expressed as a percentage) obtained by dividing the total principal amount of Bonds held by a person by the Announced Total Principal Amount of Bonds; and

- (ii) in relation to Class A Shares, the proportion (expressed as a percentage) obtained by dividing the total number of Class A Shares held by that Shareholder by the Relevant Number of Class A Shares;

“Relevant Number of Class A Shares”

means the aggregate number of Class A Shares in the share capital from time to time, adding back thereto all Class A Shares that had been redeemed by the Company as a consequence of it taking Remedial Action announced by the Company on its Website;

“Remedial Action”

means the measures that the Company may take under Articles 12 to Article 14 (inclusive) if the Stapling Requirement has not been satisfied as a result of a Transfer or if a shareholder is in breach of Article 16;

“Securities Escrow Agreement”

has the meaning given to it in Article 30.1;

“Stapling Requirement”

means the requirement in respect of a Transfer of Class A Shares that either:

- (i) the Transfer is made by a Class A Transferor to its Affiliate; or
- (ii) if paragraph (i) above does not apply, immediately following such Transfer of Class A Shares between a Class A Transferor and a Class A Transferee, the Percentage Holding of Bonds of the Class A Transferor’s Group is the same as its Percentage Holding of Class A Shares (or so substantially similar as to make no material difference in the relative sizes of such holdings (as determined by the Board of Directors in its absolute discretion)) and the Percentage Holding of Bonds of the Class A Transferee’s Group is the same as its Percentage Holding of Class A Shares (or so substantially similar as to make no material difference in the relative sizes of such holdings (as determined by the Board of Directors in its absolute discretion)),

and the requirement in respect of a Transfer of Bonds that either:

- (iii) the Transfer is made by a Bondholder to its Affiliate; or
- (iv) if paragraph (iii) above does not apply, immediately following such Transfer of Bonds between Bondholders, the Percentage Holding of Class A Shares of the Bondholder’s Group is the same as its Percentage Holding of Bonds (or so

substantially similar as to make no material difference in the relative sizes of such holdings (as determined by the Board of Directors in its absolute discretion)) and the Percentage Holding of Class A Shares of the Bondholder’s Group is the same as its Percentage Holding of Bonds (or so substantially similar as to make no material difference in the relative sizes of such holdings (as determined by the Board of Directors in its absolute discretion));

- “Subscription Rights”** has the meaning given to it in Article 29.5;
- “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 by one person, such person and one or more Subsidiaries of such person, or one or more Subsidiaries of such person;
- “Transfer”** means any sale, assignment, transfer or other disposition (whether or not for value, and whether voluntary or involuntary) of any legal or beneficial interest in Class A Shares and/or Class B Shares and/or Bonds, including without limitation any disposition by a pledgee upon enforcement of a pledge of, or other security interest in, Class A Shares or Class B Shares or Bonds;
- “Transfer Notice”** means a transfer notice in the form set out on the Company’s Website, as the same may be amended from time to time by the Company and displayed on the Company’s Website;
- “Transferee”** means a Class A Transferee or a Class B Transferee, as the context may require;
- “Transferor”** means a Class A Transferor or a Class B Transferor, as the context may require; and
- “Website”** means the website of the Company for communications with and the provision of information to Class A and Class B Shareholders and any additional or replacement website from time to time notified by the Company to the Class A and Class B Shareholders.