

Viðauki 2 Veð- og tryggingasamningur (e. „Pledge and Security Agreement“), dags. 16. janúar 2003, milli Hauck & Aufhäuser Privatbankiers KGaA og Welling & Partners Limited.

Pledge and Security Agreement

between

Hauck & Aufhäuser Privatbankiers KGaA, Kaiserstrasse 24, D-60311, Frankfurt am Main, Germany

- hereinafter referred to as the "Bank"-

and

Welling & Partners Limited, Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands

- hereinafter referred to as "WELLING & PARTNERS LIMITED" -

I.

The Parties to the Agreement refer to the Put Option Agreement dated January 16th 2003 between the Bank and WELLING & PARTNERS LIMITED, regarding 50% of the nominal share capital of EGLA hf. after a share capital increase by the board of directors as authorized in the Articles of Association pursuant to Clause 41 of Act respecting Public limited companies nr. 2/1995 or proportional number (50%) of shares in BUNADARBANKI and other assets held by EGLA should EGLA be dissolved – hereinafter called "the shares". The Put Option Agreement is attached to this Agreement and forms an integral part of it.

The Parties hereto are furthermore aware of the Shareholders' Agreement signed by the shareholders of EGLA and the Shareholders' Agreement between the investor group and the Share Purchase Agreement (Final Draft No 10) to be signed between the investor group and the Republic of Iceland, in particular of the restrictions and provisions with respect to the transfer of the Shares in EGLA hf. as well as in BUNADARBANKI.

The Parties hereto are also aware of the Share Purchase Agreement between the present shareholder of EGLA and the Bank concerning 50% of EGLA's total share capital in the nominal value of ISK 10.000.000,--, the acquisition price for 50% of the share capital amounting to ISK 5.000.000,--, and of the Shareholders' Agreement signed between the shareholders of EGLA.

All Agreements in their actual drafts or execution copies are attached to this Agreement.

The Parties hereto are also aware of the fact that upon exercise of the Put Option WELLING & PARTNERS LIMITED or the transferee designated by WELLING & PARTNERS LIMITED to the Bank is obliged to notify its intention to acquire a stake in BUNADARBANKI through EGLA to the Financial Supervisory Authority of Iceland and that the acquisition of the Shares by WELLING & PARTNERS LIMITED or the transferee designated by WELLING & PARTNERS LIMITED will be subject to approval by the Financial Supervisory Authority of Iceland.

The Parties hereto accept and agree that their mutual agreements are subject to the restrictions and provisions under the aforementioned Agreements and legal Regulations.

In accordance with Section 1 b.) and Section 2 b.) of the aforementioned Put Option Agreement, WELLING & PARTNERS LIMITED is obliged, in the case that the above-mentioned Put Option is exercised, to pay the Bank a purchase price up to a maximum amount of

\$ 33,454,372 (in words: thirty three million four hundred fifty four thousand three hundred seventy two US dollars)

equal to the Bank's capital contribution to EGLA by means of subscription for share capital in EGLA plus the costs defined therein, in exchange for the transfer of the above-mentioned shares to WELLING & PARTNERS LIMITED or some other party or parties designated by WELLING & PARTNERS LIMITED.

The subject of this Agreement is the provision of security for the Bank's claim to the purchase price against WELLING & PARTNERS LIMITED in the case that the Put Option is exercised and the Bank's claim for compensation of the difference between the purchase price paid by the Bank pursuant to the Share Purchase Agreement and the actual market value of the shares during the lifetime of this Agreement and in case of insolvency of EGLA and/or BUNADARBANKI and/or nullification or redemption of the shares and for any obligation arising from the Share Purchase Agreement with the State of Iceland.

ii.

This having been established, the Parties to the Agreement agree the following:

1. WELLING & PARTNERS LIMITED undertakes to the Bank to transfer the amount of \$35.454.372,- before the signing of the Share Purchase Agreement to its Account No. 206-71601-07 with the Bank, and not to dispose of this credit balance during the term of this Agreement, apart from payment of fees to the Bank pursuant to Clause 8 of this Agreement. The credit balance will be invested in accordance with the provisions of a separate agreement between the Parties to this Agreement.
2. Regardless of the exercise of the aforementioned Put Option WELLING & PARTNERS LIMITED undertakes and guarantees to the Bank that WELLING & PARTNERS LIMITED will compensate, indemnify and hold harmless the Bank for any price fluctuations and price losses of the shares during the lifetime of this Agreement and for any loss and damage the Bank might suffer in case of insolvency of EGLA and/or BUNADARBANKI and/or nullification or redemption of the shares as well as for the obligations the Bank has entered into by signing the Share Purchase Agreement with the present shareholder of EGLA and by signing the warranties in the Share Purchase Agreement with the Republic of Iceland.
3. Notwithstanding the provisions in Clause 7 (a) of this Agreement, which relates to the Bank's unwillingness or inability to exercise the Put Option because of reasons which rest with its own responsibility the Parties hereto are aware of the fact that the performance of the Put Option could be subject to restrictions by or future legislation of the Republic of Iceland or its Authorities, such as if the Financial Supervisory Authority would not approve the transfer of shares under the Put Option Agreement, the Bank is not responsible and liable for. Should the performance of the Put Option fail or be impossible within the exercise period by virtue of a cause or reason as pointed out above, WELLING & PARTNERS LIMITED will indemnify the Bank from the purchase price for the Shares. In this case the Bank is entitled to realise the pledged credit balance without further notice. Upon realisation of the pledged credit balance the Bank will henceforth hold the Shares in trust for WELLING & PARTNERS LIMITED, in its own name but for the account and the entire risk of WELLING & PARTNERS LIMITED until the transfer of the Shares and the performance of the Put Option will become possible. The Bank will be entitled to the fee pursuant to Clause (8 b) of this Agreement and WELLING & PARTNERS LIMITED will indemnify the

Bank from any further costs that will be incurred by the holding of the Shares in trust for WELLING & PARTNERS LIMITED.

4. Subject to the condition precedent that the Bank purchases the shares mentioned in Section I, WELLING & PARTNERS LIMITED hereby pledges the credit balance mentioned in Section II (1), including interest, to the Bank as collateral for all claims, and in particular the purchase price claim that the Bank has against WELLING & PARTNERS LIMITED under the Put Agreement mentioned in Section I, or that it will have in the case that the Put Option is exercised. Subject to the following sentence of this section the pledged credit balance shall though not exceed the Bank's exposure under the Share Purchase Agreement between the investor group and the Republic of Iceland and/or towards EGLA. The credit balance is also pledged – in equal rank – as collateral for all claims that the Bank has or will have against WELLING & PARTNERS LIMITED under this Agreement, particularly claims pursuant to Section II (2),(3) (6) and (8) of this Agreement.

The Parties to the Agreement agree to the creation of the pledge.

5. The Bank is entitled to realise the pledged credit balance if and to the extent that WELLING & PARTNERS LIMITED defaults on payments due under the Put Option Agreement and/or this Agreement. The Bank is obliged to give WELLING & PARTNERS LIMITED notice of its intended realisation of at least one week. No such notice of the intended realisation of the pledge is needed if WELLING & PARTNERS LIMITED has discontinued payments or if application has been made to open insolvency or other debt settlement proceedings on their assets.

6. WELLING & PARTNERS LIMITED warrants and guarantees to the Bank,

- a.) that it is entitled under the law of the British Virgin Islands to conclude this Agreement and that no statutory or other legal provisions, and in particular no supervisory law or exchange control provisions of the Republic of Iceland stand in the way of the implementation of this Agreement and of the Put Option Agreement mentioned in Section I;
- b.) that neither this Agreement nor the Put Option Agreement mentioned in Section I infringe against contractual or other civil law obligations on the part of WELLING & PARTNERS LIMITED;
- c.) that in the case of the preconditions for realisation of the pledge being fulfilled, it waives all objections, defences and rights of rescission, regardless of the legal reason for these.

WELLING & PARTNERS LIMITED shall indemnify the Bank against all costs and obligations arising under this Agreement and in particular against such damages and claims brought against the Bank by third parties or arising at the Bank as a result of the failure to comply with or infringement of the above-mentioned warranties and guarantees. In particular, WELLING & PARTNERS LIMITED will reimburse the Bank for all legal costs arising in this context and will make corresponding advance payments on request.

7. The Bank warrants and guarantees to WELLING & PARTNERS LIMITED,

- a.) that, in the case that the Bank is unable to transfer the shares to WELLING & PARTNERS LIMITED when the Put Option is exercised or if the Put Option is not exercised within the exercise period, as stipulated in Clause 1 (a), cf. Clause 3 of The Put Option Agreement - because of reasons which rest with the Bank's responsibility -, the pledge over the credit balance with the Bank will be treated as having expired;
- b.) that, in the case that the Bundesanstalt für Finanzdienstleistungen (BAFin - Federal Securities Supervisory Office) institutes or takes measures in accordance with Sections 45, 46, 46 a, 46 b or 47 *Kreditwesengesetz* (KWG - German Banking Act) against the Bank with the result that the Bank is unable to repay the pledged credit balance, it will trigger the Put Option, i.e. transfer ownership on the shares of EGLA to WELLING & PARTNERS LIMITED or some other party or parties designated by WELLING & PARTNERS LIMITED, in return for the pledged credit balance equal to the Bank's contribution to EGLA and further obligations the Bank has entered into within the scope of this transaction at the time such measures are taken. The remains of the pledged credit balance shall be at WELLING & PARTNERS disposal (free of pledge).

In case EGLA does not acquire the shares in BUNADARBANKI the pledge over the credit balance with the Bank will be treated as having expired, except for those obligations the Bank has already undertaken towards EGLA or is liable for under the Share Purchase Agreement with the State of Iceland. In this case the Parties will negotiate a reasonable fee for the Bank to cover its efforts and expenses until then.

The Bank shall indemnify WELLING & PARTNERS LIMITED against such damages and claims incurred by or brought against WELLING & PARTNERS LIMITED as a result of the failure to comply with or infringement of the above-mentioned warranties and guarantees.

In all other cases, the Bank will only be liable in fulfilling its duties under this Agreement in cases of wilful intent and gross negligence.

8. The Bank shall receive payment in the total amount of € 1.000.000,- for implementing this Agreement; this payment is due as follows:
- a.) € 500.000,- within one week of the conclusion of this Agreement
- b.) € 500.000,- on the exercise of the Put Option under the above-mentioned Put Option Agreement.

With regard to the relevant provisions of the *Umsatzsteuergesetz* (UStG - Value Added Tax Act), i.e. Section 3 a (3) and (4), and Section 4 no. 8 d.), e.) and f.) UStG, the Parties to the Agreement assume that WELLING & PARTNERS LIMITED is not eligible to pay VAT on the remuneration to be paid to the Bank, or that it is tax-exempt. If, as a result of a change in the law or in the course of an external tax audit at the Bank, VAT becomes due or is assessed in a legally binding form on the remuneration, WELLING & PARTNERS LIMITED undertakes to reimburse the Bank for this tax.

WELLING & PARTNERS LIMITED undertakes to transfer the remuneration when due to the Bank's account, account no. 502 209 00, at Landeszentralbank Hessen (Bank Code: 500 000 00).

The payments shall be withdrawn from Account No. 206-71601-07 with the Bank, as instructed from WELLING & PARTNERS LIMITED.

It is the responsibility of WELLING & PARTNERS LIMITED to arrange for the currency forward agreements which might be necessary to ensure the payment in EURO without currency risks.

9. This agreement has been firmly concluded for the duration of the Put Option Agreement between WELLING & PARTNERS LIMITED and the Bank. Regular termination is ruled out. However, the Bank is entitled to terminate the Agreement exceptionally for good cause if WELLING & PARTNERS LIMITED infringes against a warranty or guarantee as laid down in Section 4 of this Agreement, or if such a warranty or guarantee proves to be incorrect. In this case the Bank is entitled to terminate the Put Option Agreement with WELLING & PARTNERS LIMITED and to transfer the shares to WELLING & PARTNERS LIMITED against reimbursement of the purchase price.
10. Changes and additions to this Agreement must be in writing; this also applies to any change to this requirement of written form.

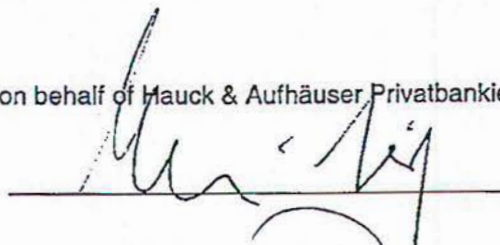
If a provision of this Agreement is unenforceable or unperformable, this does not affect the validity of the remaining provisions. The Parties to the Agreement will replace the unenforceable or unperformable provision with a regulation that most closely approximates to the economic intent of the unenforceable or unperformable provision in a legally permissible manner.

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE FEDERAL REPUBLIC OF GERMANY, REGARDLESS OF THE LAW THAT MIGHT OTHERWISE GOVERN UNDER APPLICABLE CONFLICTS OF LAW PRINCIPLES. ALL DISPUTES ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT SHALL BE FINALLY SETTLED BY ARBITRATION UNDER THE TERMS OF A SPECIAL ARBITRATION AGREEMENT TO BE SIGNED AND EXECUTED BY EACH OF THE PARTIES HERETO.

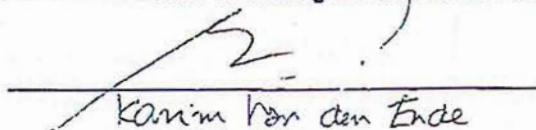
IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their authorized representatives as of the date first above written.

Frankfurt am Main, January 16th 2003

For and on behalf of Mauck & Aufhäuser Privatbankiers KGaA:



For and on behalf of Welling & Partners Limited:



Konim van den Ende