

Dear Mr. Maxwell.

Thank you for your letter dated 7 August.

Your understanding of the Icelandic legislation on The Icelandic Depositor's and Investor's Guarantee Fund is in most ways correct. We would however like to point out that the liability in law under the scheme to make a payout is limited to the resources available when it comes to amounts higher than 20.887 Euros (the amount of 1.7 m krona in the law is linked to the EUR exchange rate of 5 January 1999, and is 20.887 Euros). This should also answer your first question. It is absolutely clear according to the law that the fund has to pay out claims up to 20.887 Euros and therefore the Board would always seek a loan to ensure that the scheme pays out to that minimum.

Regarding questions number 2 and 5, the Board has not made any decision on this and before we can give you a definite answer on what the authorities would to this would have to be discussed by the Government.

To answer question number 3 there are no rules in Article 10 about how future levies will be used, but it is clear that if a claimant does not get full compensation (all his deposits) when his claim is paid out, but only the minimum of 20.887 Euros or more he cannot make a claim against the Fund at a later stage to get the rest. Article 10 should be read in the light of the basic principle of the law that a claimant will always get at least his 20.887 Euros. In Article 6 it is explained how commercial and savings banks shall contribute to the Fund, there are no further rules in the law or the regulation on how payments shall be made to the fund in case it is emptied out and has a loan to pay.

In question number four you ask for a definition of guarantee pledges. The guarantee pledges referred to in the Annual Report and the declarations of liability referred to in Articles 6 and 7 of the Act are the same thing; pledges that the Members of the Fund make to ensure that the required 1% minimum is met.

To give you an updated figure of the level of guaranteed deposits the total amount of deposits on 31 May 2008 was 2.170.179 m krona. Deposits under 2 m krona were 421.910 m krona.

Finally to answer question number seven the 1.7 m krona referred to in the Act is linked to the EUR exchange rate of 5 January 1999, and is 20.887 Euros, this limit is not affected by the Krona - Euro exchange rate.

I hope this answers your questions sufficiently. If you need further explanations a conference call could be a good idea.