



ARTICLES OF ASSOCIATION
FOR THE LIMITED LIABILITY COMPANY
SAGA CAPITAL INVESTMENT BANK

Chapter I

NAME, DOMICILE AND OBJECT OF THE COMPANY

Article 1

The Company is a limited liability company. The name of the Company is Saga Capital Fjárfestingarbanki hf. The English name of the Company is Saga Capital Investment Bank hf.

Article 2

The domicile of the Company is at Hafnarstræti 53, Akureyri.

Article 3

The Company is a financial undertaking and operates pursuant to the Act on Financial Undertakings No. 161/2002. The object of the Company is to provide financial services, and the Company may engage in any business activities permitted to it pursuant to statutory law and the Company's operating licence at any time. The Company may achieve its object through the establishment and operation of subsidiaries.

Chapter II

Share Capital of the Company

Article 4

The share capital of the Company amounts to ISK 2,959,635,727 – two billion nine hundred fifty nine million six hundred thirty five thousand seven hundred twenty seven Icelandic krónur 00/100. Each share is in the amount of ISK 1 – one Icelandic króna – or any multiple of that amount according to the holding of a shareholder at any time.

The Board of Directors of the Company is authorised to increase the share capital of the Company by a maximum of ISK 3,700,000,000 – three billion and seven hundred million Icelandic krónur – through subscriptions to new shares. The Board of Directors shall decide the subscription price and payment terms of the new shares and the stages in which the authorisation will be exercised. Shareholders shall not have pre-emptive rights to subscribe to new shares in the Company in proportion to their holdings. The shareholders in Saga Eignarhaldsfélag hf. and Hilda hf. shall have pre-emptive rights to these new shares in proportion to their share in Saga Eignarhaldsfélag hf. and Hilda hf. The Board of Directors may establish further rules on the sale of the shares. This authorisation shall expire at the annual general meeting 2011.

Article 5

Decision on increase or decrease of the share capital in the Company cannot be taken unless with the approval of the Representative as according to Article 17.

Given the Representative's prior approval, the share capital of the Company can be increased by a resolution of a shareholders' meeting, in which case the same force of vote is required as for amendment of these Articles of Association. Shareholders shall have pre-emptive rights to all new shares in proportion to their registered holdings in the Company. Only a shareholders' meeting may decide on a reduction in share capital, foregoing the Representative's approval.

Article 6

The Board of Directors shall maintain a register of shares pursuant to law. Shares may be issued electronically, pursuant to the decision of the Board of Directors of the Bank, in a central securities depository, pursuant to Act No. 131/1997 on Electronic Registration of Title to Securities.

Article 7

Shares in the Company may be sold and pledged to the extent permitted by law.

Transfers of ownership of shares, whether by sale, gift, inheritance, the settlement of an estate or attachment, shall always be notified to the Company's office as soon as such transfers take place; the Company's Register of Shares shall then be amended accordingly.

Parties acquiring shares in the Company shall not exercise their rights as shareholders until their names have been entered in the Register of Shares, or they have given due notice and submitted proof of title.

For the Company, the Register of Shares shall be regarded as full proof of ownership rights to any shares in the Company, and dividends at any time, as well as bonus shares, notices of meetings and other notices shall be sent to the party registered as the owner of the shares in question in the Company's Register of Shares. The Company assumes no responsibility of payments or notices being lost owing to neglect to notify the Company of changes of ownership or address.

Article 8

The Company is not permitted to own and accept as security shares in itself, unless with the approval of the Representative as according to Article 17, and pursuant to the provisions of Chapter VIII of Act No. 2/1995 on limited liability companies and Article 29 of Act No. 161/2002 on financial undertakings.

Article 9

The Company is not permitted to pay dividends to shareholders unless with the approval of the Representative as according to Article 17. All profits, not paid to the shareholders as dividends should go to increase equity of the Company.

Article 10

A shareholder shall not be held liable for the commitments of the Company beyond his/her share in the Company.

No privileges are attached to shares in the Company. Shareholders are not subject to redemption of their shares except as prescribed by law.

Chapter III

Shareholders' Meetings

Article 11

The Annual General Meeting shall be held before the end of the month of June each year. Extraordinary shareholders' meetings shall be held at the discretion of the Board of Directors, or at the request of shareholders controlling a minimum of one tenth of the shares in the Company. The request shall be in writing and state the business of the meeting, after which the meeting shall be convened within fourteen days. In the event that the Board of Directors fails to convene a meeting after receiving such a request, the intervention of the Register of Companies may be sought.

If there is only one shareholder, he/she shall decide on issues normally discussed at extraordinary shareholders' meetings and enter his/her decisions into the minutes.

Article 12

The Board of Directors shall convene shareholders' meetings by a notice in a public paper or by a letter to each shareholder or other equally verifiable manner. The Annual General Meeting shall be called with at least seven days' notice, and extraordinary meetings shall be called with at least seven days' notice. The notice of a meeting shall state the business of the meeting.

A shareholders' meeting is valid if lawfully convened and attended by shareholders controlling at least half of the shares in the Company, or their proxies. If a meeting is not valid in this respect, a new meeting shall be convened within one month with seven days' notice. The latter meeting is then valid for discussion of matters scheduled for discussion at the previous meeting, provided that it is attended by two or more shareholders controlling at least 10% of the share capital in the Company, or their proxies.

Article 13

Each share of one Icelandic króna shall carry one vote. Shareholders may, by written letters of proxy, appoint proxies to attend shareholders' meetings on their behalf and exercise their voting rights.

Decisions at shareholders' meetings shall be taken by majority vote except as otherwise provided in these Articles or statutory law. The consent of all shareholders is required to:

- a. oblige shareholders to contribute funds for Company needs beyond their commitments;
- b. limit shareholders' rights to dispose of their shares or
- c. alter the object of the Company substantially.

Each shareholder is authorised to address business at a shareholders meeting, as long as the shareholders informs the Board of Directors with a written notice thereof, no later than five business days prior to the relevant shareholders meeting.

Proposals for amendments of the Articles of the Company or its merger with other companies or undertakings shall not be addressed at meetings unless specified in the notice of the meeting.

Article 14

The Annual General Meeting shall address the following items of business:

1. The Board of Directors of the Company shall report on the performance and activities of the Company in the preceding year of operation;
2. The annual accounts of the Company, along with any auditors' or examiners' notes, shall be submitted for approval.
3. A decision shall be made on the disposal of profits or losses, as well as on dividends and allocations to the Company's reserves
4. A decision shall be made on proposals for amendments of the Articles of Association, if any such have been proposed.
5. A decision shall be made on the Board of Director's proposal for Remuneration Policy.
6. The Board of Directors of the Company shall be elected.
7. The auditors or examiners of the Company shall be elected.
8. A decision shall be made on the remuneration of the members of the Board of Directors and examiners for their work in the preceding year of operations.
9. Discussion and voting on any other lawfully submitted business.

Article 15

The Chairman of the Board of the Company or an elected chairman shall preside over shareholders’ meetings and the election of a secretary. The chairman shall verify at the beginning of the meeting whether it has been lawfully convened, so that the meeting is valid, and declare whether such is the case. He/she shall preside over all deliberations and polls.

When the meeting has been called to order, a list shall be drawn up of the shareholders present and their proxies in order to ascertain how many shares and votes each of them controls. This list shall be used until such time as the shareholders’ meeting decides to amend it.

The secretary of the meeting shall keep the minutes. The decisions of shareholders’ meetings and the results of polls shall be entered in the minutes. A list of the shareholders present and their proxies shall be entered in the minutes or accompany the minutes. The chairman and the secretary shall sign the minutes.

Fourteen days following the shareholders’ meeting, at the latest, shareholders shall have access to the minutes or a certified transcript of the minutes at the Company’s office.

The minutes shall be preserved in a secure manner.

Recorded minutes shall be full proof of the proceedings at meetings.

Chapter IV

The Board of Directors of the Company

Article 16

The Board of Directors of the Company shall be composed of five members and five alternate members elected at the Annual General Meeting for a term of one year. The qualifications of members of the Board of Directors shall be subject to Act No. 2/1995 on limited liability companies and Act No. 161/2002 on financial undertakings. Candidates for seats on the Board of Directors of the Company shall announce their candidacy in writing to the Board of Directors of the Company no later than five business days prior to the start of the Shareholders Meeting at which the election to the Board of Directors is scheduled.

An announcement of candidacy shall include the following information:

1. Name of the candidate
2. ID no.
3. Address
4. Education

5. Principal occupation
6. Other directorships and similar positions
7. Curriculum vitae
8. Direct and indirect ownership of shares in the company
9. Stock options for shares in the Company
10. Information on any relations with the Company’s principal business partners and competitors and with shareholders holding more than a 10% share in the Company.

Information on candidates to the Board of Directors of the Company shall be laid open for inspection by shareholders at the Company’s office no later than two days before a Shareholders’ Meeting.

Article 17

A Representative appointed by the Central Bank of Iceland shall be present at all Board Meetings and shareholders meetings. The Representative has the right of speech, but no proposal rights or voting rights.

Article 18

The Board of Directors of the Company shall manage all the affairs of the Company between shareholders meetings and protect the interests of the Company against third parties.

The signatures of the majority of the Board shall bind the Company. The Board shall elect a Chairman and allocate tasks among its members.

Board meetings shall be called by the Chairman. Any member of the Board may request a meeting of the Board. The Managing Director has the same right. Board meetings are valid if attended by a majority of its members. Decisions shall be taken by majority vote. Minutes shall be kept of the Board meetings and confirmed by the signatures of the members of the Board.

Board meetings may be held using electronic media to the extent that this is consistent with the performance of the tasks of the Board. Notwithstanding the provisions of the first clause of this paragraph, the Chairman of the Board of Directors or Managing Director may require a meeting of the Board of Directors to be held in a traditional manner.

In other respects, the powers, responsibilities and tasks of the Board of Directors shall be subject to statutory law and rules of procedure established by the Board.

Article 19

The Board of Directors shall appoint a Managing Director and decide on the terms of his or her employment, given

the prior approval of the Representative. The Board of Directors shall also assign powers of procuration on behalf of the Company.

The Managing Director has charge of the day-to-day operation of the Company and shall represent the Company in all matters relating to its normal operation. The Managing Director is responsible for keeping accounts, appointing staff and ensuring that the activities of the Company are at all times in compliance with legislation governing its activities. The Managing Director is under obligation to provide the members of the Board of Directors, as well as the Company's auditors and examiners, with all information pertaining to the operation of the Company which they may request and which he/she is required to provide pursuant to statutory law.

Chapter V

Accounts and Auditing

Article 20

At the Annual General Meeting of the Company, one or more chartered auditors or examiners, shall be elected, together with alternates, to investigate the accounts of the Company for each year of operation and submit their conclusions at the Annual General Meeting. Auditors and examiners shall not be elected from among the Members of the Board or employees of the Company.

Article 21

The operating and financial year of the Company shall be the calendar year. The Board of Directors shall have prepared the annual accounts of the Company and submitted them to the Company's auditors or examiners no later than one month before the Annual General Meeting.

Part VI

Amendments to the Articles of Association

Article 22

With the prior approval of the Representative as according to Article 17, these Articles of Association may be amended at a lawfully convened Annual General Meeting or extraordinary shareholders' meeting by 2/3 of the cast votes, and the consent of shareholders controlling at least 2/3 of the shares in the Company represented at the meeting, provided that a different weight of votes is not required by these Articles or statutory law.

Chapter VII

Dissolution of the Company

Article 23

Motions on the dissolution and winding-up of the Company shall be subject to the same rules as amendments to these Articles. Such a motion cannot be addressed unless with the approval of the Representative, as according to Article 17. The votes of shareholders controlling at least 2/3 of the total shares in the Company are required to dissolve the Company. A shareholders' meeting which has made a valid decision to dissolve or liquidate the Company shall also decide on the disposal of assets and the payment of debts.

Chapter VIII

Further provisions

Article 24

Matters on which these Articles provide no guidance shall be governed by the provisions of Act No. 2/1995 on limited liability companies, the provisions of Act No. 161/2002 on financial undertakings and such other provisions of statutory law as may be applicable.

Akureyri May 28th 2010

On behalf of the Board of Directors of Saga Capital Investment Bank hf.

Helga Hlin Hakonardottir, District Court Attorney