

CONFORMED COPY

DATED 20th July, 2005

ÍSLANDBANKI hf.
AS ISSUER

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

AS ARRANGER AND AS A DEALER

MORGAN STANLEY & CO. INCORPORATED

AS A DEALER

DEALER AGREEMENT

CONCERNING EXTENDIBLE SHORT-TERM
NOTES TO BE ISSUED PURSUANT TO AN
ISSUING AND PAYING AGENT AGREEMENT
DATED AS OF 20TH JULY, 2005
BETWEEN THE ISSUER AND
DEUTSCHE BANK TRUST COMPANY AMERICAS,
AS ISSUING AND PAYING AGENT AND CALCULATION AGENT

ALLEN & OVERY

ALLEN & OVERY LLP

LONDON

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This agreement (the **Agreement**) sets forth the understandings between the Issuer and the Dealers, each named on the cover page hereof, in connection with any issuance and sale by the Issuer of its extendible short-term notes (the **Notes**) by or through the Dealers.

Certain terms used in this Agreement are defined in Clause 7 hereof.

The Addendum to this Agreement, and any Schedules, Annexes or Exhibits described in this Agreement or such Addendum, are hereby incorporated into this Agreement and made fully a part hereof.

1. OFFERS, SALES AND REALES OF NOTES

- 1.1 Subject to the terms hereof, the Issuer may issue and sell Notes to or through the Dealer(s) from time to time at such prices and upon such terms as the Issuer and the relevant Dealer may agree provided that (a) the Issuer has and shall have no obligation to sell the Notes to any Dealers or to permit any Dealers to arrange any sale of the Notes for the account of the Issuer, except as agreed, and (b) the Dealers have and shall have no obligation to purchase the Notes from the Issuer or to arrange any sale of the Notes for the account of the Issuer, except as agreed. The parties hereto agree that in any case where a Dealer purchases Notes from the Issuer, or arranges for the sale of Notes by the Issuer, such Notes will be purchased or sold by the Dealer in reliance on the representations, warranties, covenants and agreements of the Issuer contained herein or made pursuant hereto and on the terms and conditions and in the manner provided herein.
- 1.2 So long as this Agreement shall remain in effect, and in addition to the limitations contained in Clause 1.7 hereof, the Issuer shall not, without the consent of the Dealers, offer, solicit or accept offers to purchase, or sell, any Notes except (a) in transactions with one or more Dealers which may from time to time after the date hereof become Dealers with respect to the Notes by executing with the Issuer one or more agreements which contain provisions substantially identical to those contained in Clause 1 of this Agreement, of which the Issuer hereby undertakes to provide the relevant Dealer prompt notice or (b) in transactions with the Dealer listed on the cover page hereof. Nothing in this Agreement shall prevent the Issuer from appointing one or more additional Dealers (either for a particular issue of Notes or as a Dealer under this Agreement) upon the terms of this Agreement provided that any additional Dealer shall have first confirmed acceptance of its appointment upon such terms in writing to the Issuer in substantially the form of the letter set out in Schedule 3, whereupon it shall become a party to this Agreement vested with all the authority, rights, powers, duties and obligations as if originally named as a Dealer hereunder as set out in such letter. The Issuer shall promptly inform the other Dealers (except in the case of the appointment of a Dealer for a particular issue of Notes only) and the Agent of any such appointment. The Issuer hereby agrees to supply to such additional Dealer, upon such appointment, copies of the legal opinions specified in Clause 3.4 hereof (if requested) or reliance letters in respect thereof. In no event shall the Issuer offer, solicit or accept offers to purchase, or sell, any Notes directly on its own behalf in transactions with persons other than broker-dealers as specifically permitted in this Section 1.2.
- 1.3 The Notes shall be in a minimum denomination of \$250,000 or integral multiples of \$1,000 in excess thereof, will bear such interest rates, if interest bearing, or will be sold at such discount from their face amounts, as shall be agreed upon by the relevant Dealers and the Issuer, and shall have an initial maturity not exceeding 397 days from the date of issuance and may have such terms as are specified in an Offering Circular, substantially in the form set out in Schedule 4. The Issuer acknowledges that the Dealer(s) may resell Notes purchased by such Dealer(s).
- 1.4 The authentication and issuance of, and payment for, the Notes shall be effected in accordance with the Issuing and Paying Agent Agreement and the Notes shall be book-entry notes evidenced by a Master Note registered in the name of DTC or its nominee, in the form or forms annexed to the Issuing and Paying Agent Agreement.

- 1.5 If the Issuer and one or more Dealers shall agree on the terms of the purchase of any Note by the relevant Dealers or the sale of any Note arranged by the relevant Dealer (including, but not limited to, agreement with respect to the date of issue, purchase price, principal amount, redemption basis, maturity and interest rate or interest rate index and margin (in the case of interest-bearing Notes) or discount thereof (in the case of Notes issued on a discount basis), and appropriate compensation for the services of the relevant Dealer(s) hereunder) pursuant to this Agreement, the Issuer shall cause such Note to be issued and delivered in accordance with the terms of the Issuing and Paying Agent Agreement and payment for such Note shall be made on the date of issue by the purchaser thereof, either directly or through the relevant Dealer(s), less any agreed compensation for the Dealer, by transfer of funds to the Issuing and Paying Agent, for the account of the Issuer. Except as otherwise agreed, in the event that a Dealer is acting as an agent and a purchaser shall fail either to accept delivery of or to make payment for a Note (or a portion thereof) on the date fixed for settlement, the relevant Dealer shall promptly notify the Issuer, and if such Dealer has theretofore paid the Issuer for the Note, the Issuer will promptly return such funds to that Dealer upon notice of such failure. If such failure occurred for any reason other than default by the relevant Dealer, the Issuer shall reimburse that Dealer on an equitable basis at the rate applicable to that Dealer's cost of funds for the period such funds were credited to the Issuer's account.
- 1.6 The Dealers and the Issuer hereby establish and agree to observe the following procedures in connection with offers, sales and subsequent resales or other transfers of the Notes:
- (a) Offers and sales of the Notes by or through the Dealers shall be made only to investors reasonably believed by the relevant Dealer(s) to be Qualified Institutional Buyers who are also Qualified Purchasers.
 - (b) Resales and other transfers of the Notes by the holders thereof shall be made only in accordance with the restrictions in the legend described in paragraph (e) below.
 - (c) No general solicitation or general advertising (within the meaning given to those terms in Regulation D under the Securities Act) shall be used in connection with the offering of the Notes. Without limiting the generality of the foregoing, without the prior written approval of the Dealers, the Issuer shall not issue any press release or place or publish any "tombstone" or other advertisement relating to the Notes.
 - (d) No sale of Notes to any one purchaser shall be for less than \$250,000 principal or face amount, and no Note shall be issued in a smaller principal or face amount.
 - (e) Offers and sales of the Notes by the Issuer through a Dealer acting as agent for the Issuer shall be made in accordance with Section 4(2) of the Securities Act. A legend substantially to the effect of Schedule 1 shall appear as part of each Offering Circular used in connection with offers and sales of Notes hereunder, as well as on each individual certificate representing a Note and each Master Note representing book-entry Notes offered and sold pursuant to this Agreement and, for so long as the Issuer is relying on the exception from the definition of an investment company provided by Section 3(c)(7) of the Investment Company Act, such legends shall at all times appear on each individual certificate representing a Note and each Master Note and the Issuer will not consent to, or otherwise permit, such restrictive legends to be amended, cancelled, voided, or otherwise removed.
 - (f) The relevant Dealer(s) shall furnish or shall have furnished to each purchaser of Notes for which it has acted as the Dealer a copy of the relevant Offering Circular. Each Offering Circular shall expressly state that any person to whom Notes are offered shall have an opportunity to ask questions of, and receive information from, the Issuer and the relevant Dealer(s) and shall provide the address and telephone number of the Funding department, from which information regarding the Issuer may be obtained.

- (g) The Issuer agrees, for the benefit of each of the Dealers and each of the holders and prospective purchasers from time to time of the Notes that, if at any time the Issuer shall not be subject to Section 13 or 15(d) of the Exchange Act or exempt from such reporting pursuant to Rule 12g3-2(b) thereunder, the Issuer will furnish, upon request and at the Issuer's expense, to each of the Dealers and to holders and prospective purchasers designated by holders of Notes information required by Rule 144A(d)(4)(i) in compliance with Rule 144A(d).
- (h) The Issuer agrees that it shall at all times execute such further documents and do all such further acts or things as may be necessary to ensure compliance with Section 3(c)(7) of the Investment Company Act including, all such acts or things which DTC may require from time to time or to take all reasonable steps within its control to ensure compliance by DTC with such acts or things as may be necessary to be taken or done by DTC in order to come within the Section 3(c)(7) exception.
- (i) The Issuer covenants and agrees that it shall comply with the procedures in this Clause 1.6(i) in connection with each issue and sale of Notes pursuant to this Agreement.
- (i) *Security Description.* The Issuer will request DTC to use a 20-character security descriptor and 48-character additional descriptor that indicate with marker "3c7" that sales are limited to QIBs that are also QPs.
- (ii) *Deliver Order Ticket.* The Issuer will request DTC to send a deliver order ticket to purchasers of interests in the Notes represented by a Master Note that (i) if issued in the form of a physical certificate, will have printed on it the 20-character security descriptor; and (ii) if issued electronically, will have a "3c7" indicator and a related user manual for participants which contains a description of the relevant restrictions.
- (iii) *DTC Important Notice.* The Issuer will request DTC to send a DTC Important Notice, substantially in the form set out in Schedule 5 hereto, to all DTC participants in connection with the initial offering of Notes.
- (iv) *DTC Reference Directory.* The Issuer will request DTC to include the Issuer and the CUSIP number of the Notes represented by a Master Note in the "Reference Directory" which DTC distributes periodically to all DTC participants including the names of all Section 3(c)(7) issuers and the CUSIP numbers of all Section 3(c)(7) securities in DTC.
- (v) *CUSIP Numbers.* The Issuer will obtain a nine digit CUSIP number for each issue of Notes from the CUSIP Service Bureau and request that the CUSIP Service Bureau establish a "fixed field" attached to such CUSIP number which contains the "3c7" and "144A" indicators.
- (j) The Issuer covenants and agrees that each time it sends any reports to the holders of Notes, the Issuer will send, or cause to be sent, a notice to each participant in DTC holding an interest in a Note represented by a Master Note (together with a request to forward such notice to Beneficial Owners holding through such participant) to the effect that: (i) each beneficial owner of the relevant Note must be a QIB that is also a Qualified Purchaser who meets the requirements set out in the restrictive legend appearing on the face thereof; (ii) beneficial interests in the relevant Note can only be transferred in accordance with the restrictive legend appearing on the face thereof, and (iii) the Issuer has the right to force any beneficial owner of the relevant Note who was not a Qualified Purchaser at the time it acquired the Note to transfer such beneficial interest or to have such Note redeemed.

- (k) The Issuer covenants and agrees that it will endeavour to have any Bloomberg screen containing information about the Notes include the following information/features: (A) the "Note Box" on the bottom of the "Security Display" page describing the Securities should state "Iss'd Under 144A/3c7"; (B) the "Security Display" page should have a flashing red indicator which states "See Other Available Information"; and (C) the indicator on the "Security Display" page should link to the "Additional Security Information" page, which should state that the Securities "are being offered in reliance on Rule 144A of the Securities Act to persons who are both (i) qualified institutional buyers (as defined in Rule 144A under the Securities Act) and (ii) qualified purchasers (as defined under Section 3(c)(7) under the 1940 Act)".
- (l) The Issuer covenants and agrees that it will only sell, or permit to be sold, any securities issued by it into the United States or to, or for the account or benefit of US persons (as defined in Regulation S under the Securities Act) in reliance on, and in compliance with, Section 3(c)(7) under the Investment Company Act.
- (m) In the event that any Note offered or to be offered by a Dealer would be ineligible for resale under Rule 144A, the Issuer shall immediately notify the relevant Dealer (by telephone, confirmed in writing) of such fact and shall promptly (but in any event not later than the settlement date of any further Notes) prepare and deliver to the relevant Dealer an amendment or supplement to the relevant Offering Circular describing the Notes that are ineligible, the reason for such ineligibility and any other relevant information relating thereto.
- (n) The Issuer represents that it is not currently issuing, and does not expect to issue, commercial paper in the United States market in reliance upon, and in compliance with, the exemption provided by Section 3(a)(3) of the Securities Act. In that connection, the Issuer agrees that, if during the term hereof it issues any commercial paper in the United States market in reliance on such exemption, (a) the proceeds from the sale of the Notes will be segregated from the proceeds of the sale of any such commercial paper by being placed in a separate account; (b) the Issuer will institute appropriate corporate procedures to ensure that the offers and sales of Notes issued by the Issuer pursuant to the Section 3(a)(3) exemption are not integrated with offerings and sales of Notes hereunder; and (c) the Issuer will comply with each of the requirements of Section 3(a)(3) of the Securities Act in selling commercial paper or other short-term debt securities other than the Notes in the United States.
- (o) The Dealer represents that (i) it is a Qualified Purchaser; and (ii) it has only sold and will only sell Notes to be represented by a Master Note to persons (including any other distributors and other dealers) that are or that it reasonably believes are Qualified Purchasers.

1.7 The Issuer hereby represents and warrants to each Dealer, in connection with offers, sales and resales of Notes, as follows:

- (a) The Issuer hereby confirms to each Dealer that (except as permitted by Clause 1.6(n) and save as provided below) within the preceding six months neither the Issuer nor any person other than the Dealers or the other dealers referred to in Clause 1.2 above acting on behalf of the Issuer has offered or sold any Notes in the United States, or any substantially similar unsecured short-term commercial paper with maturities not exceeding 18 months of the Issuer, to, or solicited offers to buy any such security from, any person other than the Dealers or the other Dealers referred to in Clause 1.2 above. The Issuer also agrees that (except as permitted by Clause 1.6(n)), as long as the Notes are being offered for sale by the Dealers and the other Dealers referred to in Clause 1.2 above as contemplated hereby and until at least six months after the offer of Notes hereunder has been terminated, neither the Issuer nor any person other than the Dealers or the other dealers referred to in Clause 1.2

above (except as contemplated by Clause 1.2 above) will offer the Notes in the United States or any substantially similar unsecured short-term commercial paper with maturities not exceeding 18 months of the Issuer for sale to, or solicit offers to buy any such security from, any person other than to or through the Dealers or the other dealers referred to in Clause 1.2 above, it being understood that such agreement is made with a view to bringing the offer and sale of the Notes within the exemption provided by Section 4(2) of the Securities Act and in compliance with the conditions set forth in Rule 506 thereunder and shall survive any termination of this Agreement. The Issuer hereby represents and warrants that it has not taken or omitted to take, and will not take or omit to take, any action that would cause the offering and sale of Notes hereunder to be integrated with any other offering of securities, whether such offering is made by the Issuer or some other party or parties.

- (b) The Issuer represents and agrees that the proceeds of the sale of the Notes are not currently contemplated to be used for the purpose of buying, carrying or trading equity securities within the meaning of Regulation T and the interpretations thereunder by the Board of Governors of the Federal Reserve System. In the event that the Issuer determines to use such proceeds for the purpose of buying, carrying or trading equity securities, whether in connection with an acquisition of another company or otherwise, the Issuer shall give the Dealers at least five business days' prior written notice to that effect. The Issuer shall also give the Dealers prompt notice of the actual date that it commences to purchase such securities with the proceeds of the Notes. Thereafter, in the event that a Dealer purchases Notes as principal and does not resell such Notes on the day of such purchase, to the extent necessary to comply with Regulation T and the interpretations thereunder, the relevant Dealer will sell such Notes either (i) only to offerees it reasonably believes to be QIBs who are also QPs buying for their own account or to QIBs who are also QPs it reasonably believes are acting for other QIBs who are also QPs, in each case in accordance with Rule 144A or (ii) in a manner which would not cause a violation of Regulation T and the interpretations thereunder.
- (c) The Issuer represents that, based upon its discussions with the relevant Dealer and the provisions contained herein, as the same may be modified, amended or supplemented, it reasonably believes that the initial sale and subsequent transfers of all beneficial interests in the Notes represented by the Master Note, including any notes in definitive registered form issued in exchange therefor, will be limited to QIBs who are Qualified Purchasers.

1.8 The obligations of each Dealer contained in this Agreement are several and not joint.

2. REPRESENTATIONS AND WARRANTIES OF ISSUER

The Issuer represents and warrants to each Dealer on the terms of this Clause 2 at the date of this Agreement, each date upon which an agreement for the sale of Notes is made and each date upon which Notes are, or are to be, issued by reference to the facts and circumstances then subsisting and each date upon which any Offering Circular is amended or superseded by reference to the facts and circumstances then subsisting that:

- 2.1 The Issuer is a bank, validly existing as a public institution in the Republic of Iceland, and has all requisite power and authority to (i) own properties and conduct its business in the manner described in the relevant Offering Circular, and (ii) execute, deliver and perform its obligations under the Notes, this Agreement and the Issuing and Paying Agent Agreement and has taken all necessary corporate action to approve and authorize the same.
- 2.2 This Agreement and the Issuing and Paying Agent Agreement have been duly authorized, executed and delivered by the Issuer and constitute legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy,

insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

- 2.3 The entering into and performance by the Issuer of any agreement for the sale of Notes reached pursuant to Clause 1.1, the issue and sale of the Notes by the Issuer pursuant to this Agreement and the Issuing and Paying Agent Agreement have been duly authorized, and when issued as provided in the Issuing and Paying Agent Agreement, the Notes will be duly and validly issued and will constitute legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).
- 2.4 The offer and sale of Notes in the manner contemplated hereby does not require registration of the Notes under the Securities Act, pursuant to the exemption from registration contained in Section 4(2) thereof, and no indenture in respect of the Notes is required to be qualified under the Trust Indenture Act of 1939, as amended, assuming that the offer and sale of the Notes are made by the Dealers in accordance with the procedures agreed and established under Clause 1.6 above.
- 2.5 That the obligations of the Issuer in respect of the Notes will rank *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, present and future, but (in the event of insolvency) only to the extent permitted by laws relating to creditors' rights.
- 2.6 No authorisations, licences or approvals, or consent or action of, or filing or registration with, any governmental or public regulatory body or authority, including the SEC, is required to authorize, or is otherwise required in connection with the execution, delivery or performance of, this Agreement, the Notes or the Issuing and Paying Agent Agreement or the issue of the Notes except as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Notes.
- 2.7 Neither the execution and delivery of this Agreement and the Issuing and Paying Agent Agreement, nor the issuance of the Notes in accordance with the Issuing and Paying Agent Agreement, nor the fulfilment of or compliance with the terms and provisions hereof or thereof by the Issuer, will (i) result in the creation or imposition of any mortgage, lien, charge or encumbrance or security interest of any nature whatsoever upon any of the properties, business or assets of the Issuer, or (ii) violate or result in a breach or a default under any of the terms of the Issuer's articles of association or by-laws, any contract or instrument to which the Issuer is a party or by which it or its property is bound, or any law or regulation, or any order, writ, injunction, decree or judgment of any court or government instrumentality, to which the Issuer is subject or by which it or its property is bound, which breach or default might have a material adverse effect on the condition (financial or otherwise), operations or business prospects of the Issuer, the validity of the Notes, or the ability of the Issuer to perform its obligations under this Agreement, the Notes or the Issuing and Paying Agent Agreement.
- 2.8 There is no litigation, arbitration or governmental proceeding pending or, to the knowledge of the Issuer, threatened against or affecting the Issuer or any of its subsidiaries which would reasonably be expected to result in a material adverse change in the condition (financial or otherwise), operations or business prospects of the Issuer or adversely affect the ability of the Issuer to perform its obligations under this Agreement, the Notes or the Issuing and Paying Agent Agreement.
- 2.9 The Issuer is not, and will not as a result of the issue of any Notes be, required to register as an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the **Investment Company Act**).

- 2.10 Neither the relevant Offering Circular nor the Company Information contains any untrue statement of a material fact or omits to state a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
- 2.11 The Issuer's most recent audited financial statements and any interim financial statements (audited or unaudited) published subsequently thereto present fairly and accurately the consolidated financial position of the Issuer and its Subsidiaries as of the respective dates of such statements and the consolidated results of operations of the Issuer and its Subsidiaries for the periods they cover or to which they relate and such financial statements have been prepared in accordance with the relevant laws of Iceland and with generally accepted accounting principles in Iceland or, with respect to financial periods commencing on or after 1 January, 2005, International Financial Reporting Standards applied on a consistent basis throughout the periods involved (unless and to the extent otherwise stated therein).
- 2.12 Save as disclosed in the relevant Offering Circular and since the date of the latest available audited financial statements in relation to the Issuer, there has been no material adverse change in the financial position of the Issuer.
- 2.13 The Issuer is not required by any law or regulation or any relevant taxing authority in Iceland to make any deduction or withholding from any payment due under Notes, made to holders of the Notes who are non-residents of Iceland, for or on account of any taxes. There is no stamp or documentary tax imposed by any governmental agency having jurisdiction over the Issuer in connection with the execution, delivery, issuance, payment, performance, enforcement or introduction into evidence in a court of Iceland of this Agreement, the Issuing and Paying Agent Agreement or any Note.
- 2.14 Each (a) issuance of Notes by the Issuer hereunder and (b) amendment or supplement of any Offering Circular shall be deemed a representation and warranty by the Issuer to the Dealer, as of the date thereof, that, both before and after giving effect to such issuance and after giving effect to such amendment or supplement, (i) the representations and warranties given by the Issuer set forth in this Section 2 remain true and correct on and as of such date as if made on and as of such date, (ii) in the case of an issuance of Notes, the Notes being issued on such date have been duly and validly issued and constitute legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law), (iii) in the case of an issuance of Notes, and that since the date of the most recent Offering Circular, there has been no material adverse change in the condition (financial or otherwise), operations or business prospects of the Issuer which has not been disclosed to the Dealer in writing and (iv) the Issuer is not in default of any of its obligations hereunder, under the Notes or the Issuing and Paying Agent Agreement.
- 2.15 The Notes are rated A1 in respect of unsecured unsubordinated long term debt and Prime-1 in respect of short term debt by Moody's Investors Service, Inc. (**Moody's**) and A in respect of long term debt and F1 in respect of short term debt by Fitch Ratings Ltd (**Fitch Ratings**) or such other rating as to which the Issuer shall have most recently notified the Dealers pursuant to Section 3.3 hereof. There has been no downgrading, nor any notice to the Issuer of any intended downgrading, in the senior unsecured rating accorded to the Issuer by Moody's or Fitch Ratings or any other rating agency which has at the request of the Issuer issued a rating in connection with any senior and unsecured indebtedness of the Issuer or any security of the Issuer.
- 2.16 Under the laws of Iceland, neither the Issuer nor any of its revenues, assets or properties has any right of immunity from service of process or from the jurisdiction of competent courts of Iceland or the United States or the State of New York in connection with any suit, action or proceeding, attachment prior to judgment, attachment in aid of execution of a judgment or execution of a

judgment or from any other legal process with respect to its obligations under this Agreement, the Issuing and Paying Agent Agreement or the Notes.

The choice of New York law to govern this Agreement, the Issuing and Paying Agent Agreement and the Notes is, under the laws of Iceland, a valid, effective and irrevocable choice of law, and the submission by the Issuer in Clause 8.4(a) of this Agreement to the jurisdiction of the courts of the United States District Court and the State of New York located in the Borough of Manhattan is valid and binding upon the Issuer under the laws of Iceland.

- 2.17 Any final judgment rendered by any court referred to above in an action to enforce the obligations of the Issuer under this Agreement, the Issuing and Paying Agency Agreement or the Notes will be recognised but would not be enforceable in Iceland. New proceedings (which would not, however, involve a further review of the merits of the case unless the judgment were contrary to Icelandic public policy) would have to be taken in the Icelandic courts competent for the matter in dispute in order to permit execution in Iceland.
- 2.18 As a condition to the admissibility in evidence of this Agreement, the Issuing and Paying Agent Agreement or the Notes in the courts of Iceland, it is not necessary that this Agreement, the Issuing and Paying Agent Agreement or the Notes be previously filed or recorded with any court or other authority.
- 2.19 Neither the Issuer, nor any of its affiliates, nor any person acting on its or their behalf (in each case other than the Dealers), with respect to which no representation is given): (i) has made offers or sales of any security, or solicited offers to buy, or otherwise negotiated in respect of, any security, under circumstances that would require the registration of the Notes under the Securities Act, or (ii) has engaged in any form of "general solicitation" or "general advertising" (within the meaning of Regulation D under the Securities Act) in connection with any offer or sale of the Securities in the United States.
- 2.20 The Notes are not of the same class (within the meaning of Rule 144A) as securities (i) listed on a national securities exchange registered under Section 6 of the Exchange Act or (ii) quoted in a U.S. automated inter-dealer quotation system.

3. COVENANTS AND AGREEMENTS OF ISSUER

The Issuer covenants and agrees that:

- 3.1 The Issuer will give each Dealer prompt notice (but in any event prior to any subsequent issuance of Notes hereunder) of any amendment to, modification of or waiver with respect to, the Notes or the Issuing and Paying Agent Agreement, including a complete copy of any such amendment, modification or waiver.
- 3.2 If, prior to the time a Note is issued and delivered to or for the account of the relevant Dealer, an event occurs which has rendered any of the representations and warranties set out in clause 2 untrue or incorrect, the Issuer will inform the relevant Dealer in writing as soon as practicable of the occurrence of such event. The relevant Dealer shall inform the Issuer in writing without any undue delay whether it wishes to continue or discontinue the issuance and deliverance of the respective Notes.
- 3.3 The Issuer shall, whenever there shall occur any change in the Issuer's condition (financial or otherwise), operations or any development or occurrence in relation to the Issuer that would be material to holders of the Notes or potential holders of the Notes (including any downgrading or receipt of any notice of intended or potential downgrading or any review for potential change in the rating accorded to the Issuer by any nationally recognised statistical rating organisation which has

published a rating of the Notes), promptly, and in any event prior to any subsequent issuance of Notes hereunder, notify the each Dealer (by telephone, confirmed in writing) of such change, development or occurrence.

- 3.4 The Issuer covenants and agrees that whenever the Issuer shall publish or make available to its shareholders or to the public (by filing with any regulatory authority, securities exchange or otherwise) any information which could reasonably be expected to be material in the context of this Agreement and the transactions contemplated hereby, the Issuer shall notify the Dealer(s) as to the nature of such information, and after such information is published or made publicly available, shall make a reasonable number of copies of such information available to the Dealer(s) upon request to permit distribution to investors and prospective investors and the Issuer shall take such action (if any) as may be necessary to ensure that the representation and warranty contained in subclause 2.10 is true and accurate in all material respects on the dates contemplated by such sub-clause.
- 3.5 The Issuer will not be in default of any of its obligations hereunder, under the Notes or under the Issuing and Paying Agency Agreement at any time that the Notes are outstanding.
- 3.6 The Issuer will take all such action as any Dealer may reasonably request to ensure that each offer and each sale of the Notes will comply with any applicable state Blue Sky laws in each state in which the Issuer and such Dealer have agreed that Notes may be sold; provided, however, that the Issuer shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation in any U.S. jurisdiction in which it is not so qualified or subject itself to taxation in respect of doing business in any U.S. jurisdiction in which it is not otherwise so subject.
- 3.7 The Issuer shall not issue Notes hereunder until the relevant Dealer(s) shall have received (i) an opinion of counsel to the Issuer, addressed to the relevant Dealer(s), satisfactory in form and substance to the relevant Dealer(s); (ii) a copy of the executed Issuing and Paying Agent Agreement as then in effect; (iii) a copy of an excerpt from minutes of a meeting of the Board of Directors of the Issuer held on 23rd June, 2005 authorizing the establishment of this facility to issue Extendible Short-Term Notes; (iv) prior to the issuance of any Notes represented by a book-entry note registered in the name of DTC or its nominee, a copy of the executed Letter of Representations among the Issuer, the Issuing and Paying Agent and DTC, (v) letters from each of Moody's and Fitch Ratings confirming the ratings given by them in respect of the Notes and (vi) such other certificates, opinions, letters and documents as the relevant Dealer(s) shall have reasonably requested.
- 3.8 The arrangements in relation to the Arranger's out-of-pocket costs and expenses related to this Agreement have been separately agreed between the Issuer and the Arranger.
- 3.9 The Issuer shall undertake to:
 - (a) pay, or reimburse each Dealer for, all reasonable out-of-pocket costs and expenses (including value added tax and any other similar taxes or duties thereon and fees and disbursements of counsel to such Dealer) as and when incurred by such Dealer in connection with the enforcement after a breach by the Issuer or reasonable protection (in circumstances where a breach would otherwise occur) of such Dealer's rights under this Agreement and all documents contemplated by this Agreement; and
 - (b) pay all stamp, registration and other similar taxes and duties (including any interest thereon or in connection therewith) which may be payable in any relevant jurisdiction upon or in connection with the creation and issue of any Notes and the execution, delivery and performance of this Agreement or the Issuing and Paying Agent Agreement.
- 3.10 The Issuer undertakes that it shall notify each Dealer of any change in the identity of or the offices of the Issuing and Paying Agent, not later than ten days prior to the making of any such change.

- 3.11 For so long as any Notes sold pursuant to Rule 144A are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser, the information satisfying the requirements of Rule 144A(d)(4) under the Securities Act.
- 3.12 Neither the Issuer, nor any of its affiliates, nor any person acting on its or their behalf (in each case other than the Dealers), with respect to which no representation is given) will, directly or indirectly, make offers or sales of any security, or solicit offers to buy, or otherwise negotiate in respect of, any security, under circumstances that would require the registration of the Notes under the Securities Act.
- 3.13 For so long as any Notes sold pursuant to Rule 144A are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will not become an "open-end investment company", "unit investment trust" or "face-amount certificate company", as such terms are defined in, and that is or is required to be registered under Section 8 of, the Investment Company Act.
- 3.14 Neither the Issuer, nor any of its affiliates, nor any person acting on its or their behalf (in each case other than the Dealers, with respect to which no representation is given) will engage in any form of "general solicitation" or "general advertising" (within the meaning of Regulation D under the Securities Act) in connection with any offer and sale of the Securities.
- 3.15 The Notes, when issued, will not be of the same class (within the meaning of Rule 144A) as securities listed on a national securities exchange registered under Section 6 of the Exchange Act or quoted in a U.S. automated inter-dealer quotation system.
- 3.16 Without limiting any obligation of the Issuer pursuant to this Agreement to provide the Dealers with credit and financial information, the Issuer hereby acknowledges and agrees that each Dealer may share the Company Information and any other information or matters relating to the Issuer or the transactions contemplated hereby with its affiliates- and that each such affiliate may likewise share information relating to the Issuer or such transactions with such Dealer.

4. DISCLOSURE

- 4.1 Each Offering Circular and its contents (other than the Dealer Information) shall be the sole responsibility of the Issuer. Each Offering Circular shall contain a statement expressly offering an opportunity for each prospective purchaser to ask questions of, and receive answers from, the Issuer concerning the offering of Notes and to obtain relevant additional information which the Issuer possesses or can acquire without unreasonable effort or expense.
- 4.2 The Issuer agrees to promptly furnish to the relevant Dealer the relevant Offering Circular as it becomes available.
- 4.3 (a) The Issuer further agrees to notify each Dealer promptly of any event relating to or affecting the Issuer that would cause any Offering Circular then in existence to include an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they are made, not misleading.
- (b) In the event that the Issuer gives the Dealers notice pursuant to Clause 4.3(a) and a Dealer notifies the Issuer that it is then holding Notes in inventory, the Issuer agrees promptly to

supplement or amend the relevant Offering Circular so that such Offering Circular, as amended or supplemented, shall not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and the Issuer shall make such supplement or amendment available to each Dealer.

- (c) In the event that (i) the Issuer gives the Dealers notice pursuant to Clause 4.3(a), (ii) no Dealer notifies the Issuer that it is then holding Notes in inventory and (iii) the Issuer chooses not to promptly amend or supplement the relevant Offering Circular in the manner described in Clause 4.3(b) above, then all solicitations and sales of Notes shall be suspended until such time as the Issuer has so amended or supplemented the relevant Offering Circular, and made such amendment or supplement available to each Dealer.

5. CONDITIONS PRECEDENT

- 5.1 The Issuer agrees to deliver to each Dealer, or the Issuing and Paying Agent, as the case may be, prior to the first issue of Notes, each of the documents set out in Clause 3.7 in form, substance and number reasonably satisfactory to the relevant Dealer.
- 5.2 In relation to each issue of Notes, it shall be a condition precedent to the issue and sale thereof by the Issuer:
 - (a) the representations and warranties of the Issuer contained in Clause 2 above are true and correct on each trade date and on the date on which such Notes are issued and delivered;
 - (b) there is no material breach of the Issuer's obligations under this Agreement or the Issuing and Paying Agent Agreement or the Notes.

6. INDEMNIFICATION AND CONTRIBUTION

- 6.1 The Issuer will indemnify and hold harmless each Dealer, each individual, corporation, partnership, trust, association or other entity controlling such Dealer, any affiliate of such Dealer or any such controlling entity and their respective directors, officers, employees, partners, incorporators, shareholders, servants, trustees and agents (each an **Indemnitee**) against any and all liabilities, penalties, suits, causes of action, losses, damages, claims, costs and expenses (including, without limitation, reasonable fees and disbursements of counsel) or judgments of whatever kind or nature (each a **Claim**), imposed upon, incurred by or asserted against the Indemnitees arising out of or based upon (a) any allegation that the relevant Offering Circular, the Company Information or any information provided by the Issuer to any Dealer included (as of any relevant time) or includes an untrue statement of a material fact or omitted (as of any relevant time) or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or (b) arising out of or based upon the breach by the Issuer of any agreement, covenant or representation made in or pursuant to this Agreement. This indemnification shall not apply to the extent that the Claim is primarily based upon Dealer Information.
- 6.2 Provisions relating to claims made for indemnification under this Clause 6 are set forth on Schedule 2 to this Agreement.
- 6.3 In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Clause 6 is held to be unavailable or insufficient to hold harmless each Indemnitee, although applicable in accordance with the terms of this Clause 6, the Issuer shall, in lieu of indemnifying the Indemnitees, contribute to the aggregate costs incurred by such Dealer in connection with any Claim in the proportion of the respective economic interests of the Issuer and such Dealer; provided, however, that such contribution by the Issuer shall be in an amount such that

the aggregate costs incurred by such Dealer do not exceed the aggregate of the commissions and fees earned by such Dealer hereunder with respect to the issue or issues of Notes to which such Claim relates. The respective economic interests shall be calculated by reference to the aggregate proceeds to the Issuer of the Notes issued hereunder and the aggregate commissions and fees earned by such Dealer hereunder.

7. DEFINITIONS

- 7.1 **Claim** shall have the meaning set forth in Clause 6.1.
- 7.2 **Company Information** at any given time shall mean the Offering Circular together with, to the extent applicable, (i) the Issuer's most recent report on Form 10-K or Form 20-F, as the case may be, filed with the SEC and each report on Form 10-Q or 8-K or 6-K filed by the Issuer with the SEC since the most recent Form 10-K or Form 20-F, as the case may be, (ii) the Issuer's most recent annual audited financial statements and each interim financial statement or report prepared subsequent thereto, if not included in item (i) above, (iii) the Issuer's and its affiliates' other publicly available recent reports, including, but not limited to, any publicly available filings or reports provided to their respective shareholders, (iv) any other information or disclosure prepared pursuant to Section 4.3 hereof and (v) any information prepared or approved by the Issuer for dissemination to investors or potential investors in the Notes.
- 7.2 **Dealer Information** shall mean material concerning the Dealers provided by the Dealers in writing expressly for inclusion in any Offering Circular.
- 7.3 **Exchange Act** shall mean the U.S. Securities Exchange Act of 1934, as amended.
- 7.4 **Indemnitee** shall have the meaning set forth in Clause 6.1.
- 7.5 **Issuing and Paying Agent Agreement** shall mean the issuing and paying agency agreement dated 20th July, 2005 between the Issuing and Paying Agent and the Issuer, as such agreement may be amended or supplemented from time to time.
- 7.6 **Issuing and Paying Agent** shall mean the party designated as the issuing and paying agent in the Issuing and Paying Agent Agreement, or any successor thereto in accordance with the Issuing and Paying Agent Agreement.
- 7.7 **Offering Circular** shall mean offering materials prepared in accordance with Section 4 (including materials referred to therein or incorporated by reference therein, if any) provided to purchasers and prospective purchasers of the Notes, and shall include amendments and supplements thereto which may be prepared from time to time in accordance with this Agreement (other than any amendment or supplement that has been completely superseded by a later amendment or supplement).
- 7.8 **Qualified Institutional Buyer** or **QIB** shall have the meaning assigned to that term in Rule 144A under the Securities Act.
- 7.9 **Qualified Purchaser** or **QP** shall have the meaning assigned to that term in section 2(a)(51)(A) of the U.S. Investment Company Act of 1940, as amended.
- 7.10 **Rule 144A** shall mean Rule 144A under the Securities Act.
- 7.11 **SEC** shall mean the U.S. Securities and Exchange Commission.
- 7.12 **Securities Act** shall mean the U.S. Securities Act of 1933, as amended.

8. GENERAL

- 8.1 All notices and other communications hereunder shall, save as otherwise provided in this Agreement, be made in writing and in English (by letter or fax) and shall be sent to the intended recipient at the address or fax number and marked for the attention of the person (if any) from time to time designated by that party to the other parties hereto for such purpose. The initial address and fax number so designated by each party are set out in the Addendum to this Agreement.
- 8.2 Any communication from any party to any other under this Agreement shall be effective upon receipt by the addressee, provided that any such notice or other communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. (London time) on the immediately succeeding business day in the place of the addressee.
- 8.3 This Agreement and the Notes shall be governed by and construed in accordance with the laws of the State of New York, without regard to its conflict of laws provisions.
- 8.4 (a) The Issuer agrees that any suit, action or proceeding brought by the Issuer against a Dealer in connection with or arising out of this Agreement or the Notes or the offer and sale of the Notes shall be brought in the United States federal courts located in the Borough of Manhattan or the courts of the State of New York located in the Borough of Manhattan. Each of the Dealers and the Issuer waives its right to trial by jury in any suit, action or proceeding with respect to this Agreement or the transactions contemplated hereby.
- (b) The Issuer hereby irrevocably accepts and submits to the non-exclusive jurisdiction of each of the aforesaid courts in personam, generally and unconditionally, for itself and in respect of its properties, assets and revenues, with respect to any suit, action or proceeding in connection with or arising out of this Agreement or the Notes or the offer and sale of the Notes.
- (c) Subject to the second sentence in this subparagraph 8.4(c), the Issuer hereby irrevocably designates, appoints and empowers CT Corporation System, with offices at 111 Eighth Avenue, New York, New York 1001, as its designee, appointee and agent (the **Authorised Agent**) to receive, accept and acknowledge for and on its behalf, and its properties, assets and revenues, service for any and all legal process, summons, notices and documents which may be served in any such action, suit or proceeding brought in the courts listed in Clause 8.4(a) which may be made on such Authorised Agent in accordance with legal procedures prescribed for such courts. If for any reason such Authorised Agent shall cease to be available to act as such, the Issuer agrees to designate a new designee, appointee and agent in The City of New York on the terms and for the purposes of this Clause 8.4 satisfactory to the Dealer and, failing such appointment within 15 days, any Dealer shall be entitled to appoint such a person by written notice to the Issuer. The Issuer further hereby irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents out of any of the aforesaid courts in any such action, suit or proceeding by serving a copy thereof upon the Authorised Agent for service of process referred to in this Clause 8.4 (whether or not the appointment of such Authorised Agent shall for any reason prove to be ineffective or such Authorised Agent shall accept or acknowledge such service) or by mailing copies thereof by registered or certified airmail, postage prepaid, to it at its address specified in or designated pursuant to this Agreement. The Issuer agrees that the failure of any such Authorised Agent to give any notice of such service to it shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon. Nothing herein shall in any way be deemed to limit the ability of the holders of any Notes or the Dealers to serve any such legal process, summons, notices and documents in any other manner permitted by applicable law or to obtain jurisdiction over the undersigned or bring actions, suits or proceedings against the undersigned in such

other jurisdictions, and in manner, as may be permitted by applicable law; nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not, if and to the extent permitted by law. The Issuer hereby irrevocably and unconditionally waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions, suits or proceedings arising out of or in connection with this Agreement brought in the courts listed in Clause 8.4(a) and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

- (d) To the extent that the Issuer or any of its properties, assets or revenues may have or may hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding in connection with or arising out of this Agreement or the Notes or the offer and sale of the Notes, from the giving of any relief in any thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution of judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceeding may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with this Agreement, the Issuing and Paying Agent Agreement or the Notes, the Issuer hereby irrevocably and unconditionally waives, and agrees for the benefit of the Dealer and any holder from time to time of the Notes not to plead or claim, any such immunity, and consents to such relief and enforcement.

- 8.5 Except during the period contemplated in the third succeeding sentence below, the Issuer may terminate the appointment of any Dealer, and any Dealer may resign, on not less than one days' written notice to the relevant Dealer or the Issuer, as appropriate. The Issuer shall promptly inform the other Dealers and the Agent of any such termination or resignation. Any such termination or termination pursuant to the succeeding sentence, however, shall not affect the obligations of the Issuer under Clauses 3.9(a), 6, 8.4 and 8.12 or any other rights or obligations that have accrued prior to or at the time of termination, or that accrue thereafter in relation to any act or omission that occurred prior to termination, of this Agreement.

Subject to clause 1.5, subsequent to the Issuer and the Dealer agreeing on the terms of the purchase of any Note by the Dealer or the sale of any Note arranged by the Dealer (each such agreement, whether oral or written, a "Terms Agreement"), the Dealer may terminate such Terms Agreement immediately upon notice to the Issuer at any time prior to the delivery of and payment for such Notes, if:

- (a) there has been, since the date of such Terms of Agreement or since the respective dates as of which information is given in the Offering Circular, any material adverse change in condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Issuer and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or
- (b) there has occurred any material adverse change in the financial markets in the United States or, if such Notes are denominated and/or payable in, or indexed to, one or more foreign or composite currencies, in the international financial markets, or any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development or event involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the relevant Dealer, impracticable or inadvisable to market such Notes or enforce contracts for the sale of such Notes; or

- (c) trading in any securities of the Issuer has been suspended or limited by the Securities and Exchange Commission (the "Commission") or a national securities exchange, or if trading generally on the New York Stock Exchange or the American Stock Exchange or the Nasdaq National Market has been suspended or limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by either of said exchanges or by such system or by order of the Commission, the NASD or any governmental authority, or a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States or with respect to the Clearstream or Euroclear systems in Europe; or
- (d) a banking moratorium has been declared by either Federal or New York or Icelandic authorities; or
- (e) a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States or Iceland; or
- (f) there has been a change or development involving a prospective change in Icelandic taxation affecting the Issuer, the Notes or the transfer thereof; or
- (g) the rating assigned by any nationally recognized statistical rating organization to any debt securities (including the Notes) of the Issuer as of the date of such agreement shall have been lowered or withdrawn since that date or if any such rating organization shall have publicly announced that it has under surveillance or review its rating of any such debt securities.

8.6 The Issuer may not assign or transfer its obligations under this Agreement, in whole or in part, without the prior written consent of the Dealers and any purported assignment or transfer without such consent shall be void.

8.7 No Dealer may assign any of its rights or delegate or transfer any of its obligations under this Agreement, in whole or in part, without the prior written consent of the Issuer and any purported assignment or transfer without such consent shall be void:

- (a) except for an assignment and transfer of all of a Dealer's rights and obligations under this Agreement in whatever form such Dealer determines may be appropriate to a partnership, corporation, trust or other organisation in whatever form that may succeed to, or to which the Dealer transfers, all or substantially all of such Dealers' assets and business and that assumes such obligations by contract, operation of law or otherwise; and
- (b) provided, however, that a Dealer may at any time assign its rights and obligations under this Agreement to any affiliate of the Dealer and such affiliate shall become the successor to such Dealer under this Agreement without the execution or filing of any paper or any further act on the part of the parties hereto such that the Issuer and such affiliate shall acquire and become subject to the same rights and obligations between themselves as if they had entered into an agreement in the form (the relevant changes having been made) of this Agreement.

Upon any such transfer and assumption of obligations, such Dealer shall be relieved of and fully discharged from all obligations under this Agreement arising after such transfer and assumption. The Dealer shall, as soon as reasonably possible, give notice of any such transfer to the Issuer.

8.8 In this Clause 8, "affiliate" means, in relation to any person, any entity controlled, directly or indirectly, by such person, any entity that controls, directly or indirectly, such person, or any entity under common control with such person. For this purpose "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

- 8.9 This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.
- 8.10 This Agreement is for the exclusive benefit of the parties hereto, and their respective permitted successors and assigns hereunder, and shall not be deemed to give any legal or equitable right, remedy or claim to any other person whatsoever provided, however, that sub clauses 8.4(b), (c) and (d) and Clause 8.11 are hereby specifically and exclusively acknowledged to also be for the benefit of the holders from time to time of the Notes as third party beneficiaries.
- 8.11 (a) Any payments to any Dealers hereunder or to any holder from time to time of Notes shall be in United States dollars and shall be free of all withholding, stamp and other similar taxes and of all other governmental charges of any nature whatsoever imposed by the jurisdiction in which the Issuer is located. In the event any withholding is required by law, the Issuer agrees to (i) pay the same and (ii) pay such additional amounts to such Dealer or any such holder which, after deduction of any such withholding, stamp or other taxes or governmental charges of any nature whatsoever imposed with respect to the payment of such additional amount, shall equal the amount withheld pursuant to subclause (i).
- (b) The Issuer will promptly pay any stamp duty or other taxes or governmental charges payable in connection with the execution, delivery, payment or performance of this Agreement, the Issuing and Paying Agent Agreement or the Notes and shall indemnify and hold harmless the Dealer and each holder of the Notes from all liabilities arising from any failure to pay, or delay in paying, such taxes or charges.
- (c) The Issuer agrees to indemnify each Dealer and each holder from time to time of Notes against any loss incurred by such Dealer or any such holder as a result of any judgment or order being given or made for any amount due hereunder or under a Note and such judgment or order being expressed and paid in a currency (the **Judgment Currency**) other than United States dollars and as a result of any variation as between (i) the rate of exchange at which the United States dollar amount is converted into the Judgment Currency for the purpose of such judgment or order, and (ii) the best rate of exchange at which such Dealer or such holder is able to purchase United States dollars with the amount of Judgment Currency actually received by such Dealer or such holder. The foregoing indemnity shall constitute a separate and independent obligation of the Issuer and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term **rate of exchange** shall include any premiums and costs of exchange payable in connection with the purchase of, or conversion into, the relevant currency.
- 8.12 The Issuer acknowledges and agrees that (i) the purchase and sale of the Notes pursuant to this Agreement, including the determination of the offering price of the Notes and any related discounts and commissions, is an arm's length commercial transaction between the Issuer, on the one hand, and the relevant Dealer, on the other hand, (ii) in connection with the offering contemplated hereby and the process leading to such transaction the relevant Dealer is and has been acting solely as a dealer and is not the agent or fiduciary of the Issuer or its stockholders, creditors, employees or any other party, (iii) the relevant Dealer has not assumed nor will it assume an advisory or fiduciary responsibility in favour of the Issuer with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether the relevant Dealer has advised or is currently advising the Issuer on other matters) and the relevant Dealer has no obligation to the Issuer with respect to the offering contemplated hereby except the obligations expressly set forth this Agreement, (iv) the relevant Dealer and its affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Issuer, and (v) the relevant Dealer has not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Issuer has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date and year first above written.

**Íslandsbanki hf.,
as Issuer**

By: EINAR P TAMIMI

Name: EINAR P TAMIMI

Title: GENERAL COUNSEL

By: TOMAS KRISTJANSSON

Name: TOMAS KRISTJANSSON

Title: MANAGING DIRECTOR & CFO, FINANCE DIVISION

**Merrill Lynch, Pierce, Fenner & Smith Incorporated,
as Dealer**

By: SCOTT PRIMROSE

Name: SCOTT PRIMROSE

Title: AUTHORISED SIGNATORY

**Morgan Stanley & Co. Incorporated
as Dealer**

By: MICHAEL FUSCO

Name: MICHAEL FUSCO

Title: AUTHORISED SIGNATORY

ADDENDUM

The addresses of the respective parties for purposes of notices under Clause 8.1 are as follows:

For the Issuer:

Address: Íslandsbanki hf.
Kirkjusandur 2
155 Reykjavik
Iceland

Attention: Funding
Telephone number: +354 400 4664
Fax number: +354 400 4660

For the Dealers:

Address: Merrill Lynch
Merrill Lynch Headquarters
4 World Financial Center -11th Floor
New York, New York 10080

Attention: Transaction Management
Telephone number: +1 212 449 7476
Fax number: +1 212 449 2234

Address: Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036

Attention: Global Capital Markets Syndicate
Telephone number: +1 212 761 1721
Fax number: +1 212 507 3753

SCHEDULE 1

FORM OF LEGEND FOR OFFERING CIRCULAR AND NOTES

THE NOTES DESCRIBED HEREIN HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE SECURITIES LAW, AND THE ISSUER HAS NOT REGISTERED AND WILL NOT REGISTER, AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT") AND OFFERS AND SALES THEREOF MAY BE MADE ONLY IN COMPLIANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT IT HAS BEEN AFFORDED AN OPPORTUNITY TO INVESTIGATE MATTERS RELATING TO THE ISSUER AND THE NOTES, THAT IT IS NOT ACQUIRING SUCH NOTES WITH A VIEW TO ANY DISTRIBUTION THEREOF AND THAT IT IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE ACT WHICH IS ALSO A QUALIFIED PURCHASER (WITHIN THE MEANING OF SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES THEREUNDER) WHICH IS ACQUIRING NOTES FOR ITS OWN ACCOUNT OR FOR ONE OR MORE ACCOUNTS, EACH OF WHICH IS A QIB WHICH IS ALSO A QUALIFIED PURCHASER AND WITH RESPECT TO EACH OF WHICH THE PURCHASER HAS SOLE INVESTMENT DISCRETION; AND THE PURCHASER ACKNOWLEDGES THAT IT IS AWARE THAT THE SELLER MAY RELY UPON THE EXEMPTION FROM THE REGISTRATION PROVISIONS OF SECTION 5 OF THE ACT PROVIDED BY RULE 144A. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER THEREOF SHALL ALSO BE DEEMED TO AGREE THAT ANY RESALE OR OTHER TRANSFER THEREOF WILL BE MADE ONLY (A) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE ACT AND THAT WILL NOT REQUIRE THE ISSUER TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, EITHER (1) TO THE ISSUER OR TO MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED OR TO MORGAN STANLEY & CO. INCORPORATED OR ANOTHER PERSON DESIGNATED BY THE ISSUER AS A PLACEMENT AGENT FOR THE NOTES (COLLECTIVELY, THE "PLACEMENT AGENTS"), NONE OF WHICH SHALL HAVE ANY OBLIGATION TO ACQUIRE SUCH NOTE, (2) THROUGH A PLACEMENT AGENT TO A QIB WHICH IS ALSO A QUALIFIED PURCHASER, OR (3) TO A QIB WHICH IS ALSO A QUALIFIED PURCHASER IN A TRANSACTION THAT MEETS THE REQUIREMENTS OF RULE 144A AND THAT WILL NOT REQUIRE THE ISSUER TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT AND (B) IN MINIMUM AMOUNTS OF \$250,000.

SCHEDULE 2

FURTHER PROVISIONS RELATING TO INDEMNIFICATION

- (a) The Issuer agrees to reimburse each Indemnitee for all expenses (including reasonable fees and disbursements of internal and external counsel) as they are incurred by it in connection with investigating or defending any loss claim, damage, liability or action in respect of which indemnification may be sought under Clause 6 of the Agreement (whether or not it is a party to any such proceedings).
- (b) Promptly after receipt by an Indemnitee of notice of the existence of a Claim, such Indemnitee will, if a claim in respect thereof is to be made against the Issuer, notify the Issuer in writing of the existence thereof; provided that (i) the omission so to notify the Issuer will not relieve the Issuer from any liability which it may have hereunder unless and except to the extent it did not otherwise learn of such Claim and such failure results in the forfeiture by the Issuer of substantial rights and defenses, and (ii) the omission so to notify the Issuer will not relieve it from any liability which it may have to an Indemnitee otherwise than on account of this indemnity. In case any such Claim is made against any Indemnitee and it notifies the Issuer of the existence thereof, the Issuer will be entitled to participate therein, and to the extent that it may elect by written notice delivered to the Indemnitee, to assume the defense thereof, with counsel reasonably satisfactory to such Indemnitee; provided that if the defendants in any such Claim include both the Indemnitee and the Issuer, and the Indemnitee shall have concluded that there may be legal defenses available to it which are different from or additional to those available to the Issuer, the Issuer shall not have the right to direct the defense of such Claim on behalf of such Indemnitee, and the Indemnitee shall have the right to select separate counsel to assert such legal defenses on behalf of such Indemnitee. Upon receipt of notice from the Issuer to such Indemnitee of the Issuer's election so to assume the defense of such Claim and approval by the Indemnitee of counsel, the Issuer will not be liable to such Indemnitee for expenses incurred thereafter by the Indemnitee in connection with the defense thereof (other than reasonable costs of investigation) unless (i) the Indemnitee shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the next preceding sentence (it being understood, however, that the Issuer shall not be liable for the expenses of more than one separate counsel (in addition to any local counsel in the jurisdiction in which any Claim is brought), approved by the relevant Dealer, representing the Indemnitee who is party to such Claim), (ii) the Issuer shall not have employed counsel reasonably satisfactory to the Indemnitee to represent the Indemnitee within a reasonable time after notice of existence of the Claim or (iii) the Issuer has authorized in writing the employment of counsel for the Indemnitee. The indemnity, reimbursement and contribution obligations of the Issuer hereunder shall be in addition to any other liability the Issuer may otherwise have to an Indemnitee and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Issuer and any Indemnitee. The Issuer agrees that without each relevant Dealer's prior written consent, it will not settle, compromise or consent to the entry of any judgment in any Claim in respect of which indemnification may be sought under the indemnification provision of the Agreement (whether or not the relevant Dealer(s) or any other Indemnitee is an actual or potential party to such Claim) unless such settlement, compromise or consent (i) includes an unconditional release of the relevant Dealer from all liability arising out of such Claim, and (ii) does not include a statement as to or an admission of fault, culpability or failure to act, by or on behalf of any Indemnitee.

SCHEDULE 3

APPOINTMENT OF NEW DEALER

[Letterhead of Íslandsbanki hf.]

[Date]

To: [Name of new Dealer]

Dear Sirs

Íslandsbanki hf Extendible Short-term Notes to be issued pursuant to an Issuing and Paying Agent Agreement dated as of 20th July, 2005 (the "Notes")

We refer to a dealer agreement dated 20th July, 2005 (as amended, supplemented and/or restated from time to time, the "**Dealer Agreement**") between ourselves as Issuer and the Dealer(s) party thereto relating to Extendible Short-term Notes to be issued pursuant to an Issuing and Paying Agent Agreement dated as of 20th July, 2005 . Terms used in the Dealer Agreement shall have the same meaning in this letter.

In accordance with Clause 1.2 of the Dealer Agreement, we hereby appoint you as an additional dealer [in respect of the Notes to be issued on [date] only] upon the terms of the Dealer Agreement with [immediate effect/effect from [date]]. Please confirm acceptance of your appointment upon such terms by signing and returning to us the enclosed copy of this letter, whereupon you will, in accordance with Clause 1.2 of the Dealer Agreement, become a party to the Dealer Agreement vested with all the authority, rights, powers, duties and obligations as if originally named as a Dealer thereunder.

Yours faithfully

.....

for and on behalf of

Íslandsbanki hf.

[On copy]

We hereby confirm acceptance of our appointment as a Dealer upon the terms of the Dealer Agreement referred to above. For the purposes of Clause 8.1, our contact details are as follows:

[Name of Dealer]

Address: []

Telephone: []

Fax: []

Contact: []

Dated:

Signed:

for [Name of new Dealer]

SCHEDULE 4

OFFERING CIRCULAR

§

ÍSLANDSBANKI HF.

Private Placement of
Extendible Short-Term Notes

THE NOTES DESCRIBED HEREIN HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE SECURITIES LAW, AND THE ISSUER HAS NOT REGISTERED AND WILL NOT REGISTER, AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT") AND OFFERS AND SALES THEREOF MAY BE MADE ONLY IN COMPLIANCE WITH AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT IT HAS BEEN AFFORDED AN OPPORTUNITY TO INVESTIGATE MATTERS RELATING TO THE ISSUER AND THE NOTES, THAT IT IS NOT ACQUIRING SUCH NOTES WITH A VIEW TO ANY DISTRIBUTION THEREOF AND THAT IT IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE ACT ("RULE 144A") UNDER THE ACT WHICH IS ALSO A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES THEREUNDER) (A "QUALIFIED PURCHASER") WHICH IS ACQUIRING NOTES FOR ITS OWN ACCOUNT OR FOR ONE OR MORE ACCOUNTS, EACH OF WHICH IS A QIB WHICH IS ALSO A QUALIFIED PURCHASER AND WITH RESPECT TO EACH OF WHICH THE PURCHASER HAS SOLE INVESTMENT DISCRETION; AND THE PURCHASER ACKNOWLEDGES THAT IT IS AWARE THAT THE SELLER MAY RELY UPON THE EXEMPTION FROM THE REGISTRATION PROVISIONS OF SECTION 5 OF THE ACT PROVIDED BY RULE 144A. BY ITS ACCEPTANCE OF A NOTE, THE PURCHASER THEREOF SHALL ALSO BE DEEMED TO AGREE THAT ANY RESALE OR OTHER TRANSFER THEREOF WILL BE MADE ONLY (A) IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE ACT AND THAT WILL NOT REQUIRE THE ISSUER TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT, EITHER (1) TO THE ISSUER OR TO MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED OR TO MORGAN STANLEY & CO. INCORPORATED OR ANOTHER PERSON DESIGNATED BY THE ISSUER AS A PLACEMENT AGENT FOR THE NOTES (COLLECTIVELY, THE "PLACEMENT AGENTS"), NONE OF WHICH SHALL HAVE ANY OBLIGATION TO ACQUIRE SUCH NOTE, (2) THROUGH A PLACEMENT AGENT TO A QIB WHICH IS ALSO A QUALIFIED PURCHASER, OR (3) TO A QIB WHICH IS ALSO A QUALIFIED PURCHASER IN A TRANSACTION THAT MEETS THE REQUIREMENTS OF RULE 144A AND THAT WILL NOT REQUIRE THE ISSUER TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT AND (B) IN MINIMUM AMOUNTS OF \$250,000.

THE ISSUER HAS THE RIGHT TO FORCE ANY BENEFICIAL OWNER OF THE RELEVANT NOTE WHO WAS NOT A QUALIFIED PURCHASER AT THE TIME IT ACQUIRED THE NOTE TO TRANSFER SUCH BENEFICIAL INTEREST OR TO HAVE SUCH NOTE REDEEMED.

By its purchase of a Note, the purchaser further represents and agrees that (i) it has knowledge and experience (or is a fiduciary or agent with sole investment discretion having such knowledge and experience) in financial and business matters and it (or such fiduciary or agent) is capable of evaluating the merits and risks of investing in the Notes; (ii) it has had access to such information as the purchaser deems necessary in order to make an informed investment decision; (iii) although a Placement Agent may repurchase Notes, the Placement Agents are not obligated to do so, and accordingly, the purchaser should be prepared to hold such Note until maturity; (iv) it has had the opportunity to ask questions of, and receive answers from the Issuer; (v) it acknowledges that the Placement Agents have not verified any of the information contained or referred to in this Offering Circular and makes no representation of any kind as to the accuracy or completeness of such information; and (vi) it understands that each Note will bear a legend substantially as set forth in capital letters above.

Furthermore, each investor contemplating acquiring Notes is advised to consult a professional adviser concerning the tax consequences of acquiring, holding, or disposing of the Notes.

PLACEMENT AGENTS:

Merrill Lynch & Co.

Morgan Stanley

The date of this Offering Circular is _____, 200_.

The Placement Agents have not independently verified the information contained in this Offering Circular and do not guarantee its accuracy. Neither the information, nor any opinion expressed, constitutes a solicitation by the Issuer or the Placement Agents of the purchase or sale of any instruments. Further, the information herein is not intended as substitution for the investor's own inquiry into the creditworthiness of the Issuer and investors are encouraged to make such inquiry.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Credit Ratings:

Prospective purchasers of Notes are urged to verify the current short-term and long-term ratings given by the credit rating agencies to debt issued by Íslandsbanki hf. (the "Issuer" or the "Bank") before purchasing the Notes. The ratings are only accurate as of a particular date, and the ratings may be changed, superseded or withdrawn as a result of changes in or unavailability of, information with respect to the Issuer.

TERMS OF THE NOTES**Issuer:**

Íslandsbanki hf. is a public limited company incorporated in Iceland and operating under Icelandic law. The Bank and its subsidiaries and affiliates (together, the "Group") comprise a leading financial group in Iceland and the Bank is, at the date of this Offering Circular, the second largest company listed on the Iceland Stock Exchange by market capitalisation. The Bank provides universal banking services in its home market (Iceland and Norway), offering a broad range of financial services to individuals, institutional investors and corporations. In addition, the Bank provides specialised financial services outside its home market. The Bank operates seven business units: Retail Banking, Corporate Banking, Investment Banking, Asset-based Financing, Capital Markets, Asset Management and Insurance. The Bank operates 29 retail branches in Iceland along with branches in London. The Bank currently has eight wholly-owned subsidiaries, including KredittBanken ASA, Bolig- og Næringsbanken ASA (BNbank) and ISB Luxembourg SA. Other subsidiaries consist of holding companies for investments of the Bank, a real estate management company, and projects sponsored by the Bank. In addition, the Bank also has substantial shareholdings in other financial services companies, including a 35.0 per cent. shareholding in Europay Iceland, which is the Mastercard franchise in Iceland, 33.4 per cent. shareholding in the insurance company Sjóvá Almennar Tryggingar and an 18.5 per cent. shareholding in Iceland's Visa licensee, Greiðslumiðlun.

The Bank had consolidated total assets of ISK 767.4 billion (U.S.\$ 12,570.0 million) at 31st March, 2005 and a consolidated capital adequacy ratio at the same date of 15.5 per cent. For the year ended 31st December, 2004, its consolidated net profit was ISK 11.4 billion (U.S.\$ 186.3 million).

The Bank's principal executive offices are located at Kirkjusandur 2, 155 Reykjavik, Iceland, and its telephone number is +354 440 4000.

Securities:

Unsecured extendible short-term notes (the "Notes"), ranking pari passu with the Issuer's other unsubordinated and unsecured indebtedness.

Exemption:

The Notes are exempt from registration under the Securities Act of 1933, as amended (the "Act"), pursuant to Section 4(2) of the Act. The Notes are being sold exclusively to persons reasonably believed by the placement agents to be QIBs that are also Qualified Purchasers. After their initial private placement the Notes may be resold only (a) in a transaction exempt from registration under the Act, either (1) to the Issuer or to Merrill Lynch, Pierce, Fenner & Smith Incorporated or to Morgan Stanley & Co. Incorporated or another person designated by the issuer as a Placement Agent for the notes (collectively, the "Placement Agents"), none of which shall have any obligation to acquire such note, (2) through a Placement Agent to a QIB which is also a Qualified Purchaser, or (3) to a QIB which is also a Qualified Purchaser in a transaction that meets the requirements of Rule 144a and (b) in minimum amounts of \$250,000.

Principal Amount: \$ _____

Reopening The Issuer may, without the consent of the holders of the Notes, issue additional notes having the same ranking and the same maturity and other terms as the Notes offered hereby. Any such additional notes, together with the Notes offered hereby, may constitute a single series.

Offering Price: 100% of the principal amount.

Denominations: \$250,000 and integral multiples of \$1,000 in excess thereof.

Original Issue Date: _____, 20__

Initial Maturity Date: _____, 20__, or if such day is not a business day, the immediately preceding business day.

Final Maturity Date: _____, 20__ or if such day is not a business day, the immediately preceding business day.

Extension of Maturity of the Notes; Election to Extend the Maturity of the Notes:

You may elect to extend the maturity of all of your Notes or of any portion thereof having a principal amount of \$250,000 or any multiple of \$1,000 in excess thereof; provided that, in the case of a partial election, the principal amount of Notes for which you do not make the election is not less than \$250,000. To make your election effective on any election date, you must deliver a notice of election during the notice period for that election date. The notice period for each election date will begin on the fifth scheduled business day prior to the election date and end on the election date; however, if that election date is not a business day, the notice period will be extended to the following business day. Your notice of election must be delivered to the issuing and paying agent, through the normal clearing system channels described in more detail below, no later than the close of business in New York City on the last business day in the notice period relating to the applicable election date. Upon delivery to the issuing and paying agent of a notice of election to extend the maturity of the Notes or any portion thereof during any notice period, that election will be revocable during each day of such notice period until 12:00 noon, New York City time, on the last business day in the notice period relating to the applicable election date, at which time such notice will become irrevocable. In no event will the maturity of the Notes be extended beyond the Final Maturity Date.

If, with respect to any election date, you do not make an election to extend the maturity of all or any portion of the principal amount of your Notes, the principal amount of the Notes for which you have failed to make such an election will become due and payable on the initial maturity date, or any later date to which the maturity of your Notes has previously been extended. The principal amount of the Notes for which such election is not exercised will be represented by a note issued on the last business day of the applicable notice period and, in the case of a partial election, cannot be less than \$250,000. The note so issued will have the same terms as the Notes, except that it will not be extendible, will have a separate CUSIP number and its maturity date will be the initial maturity date or any later date to which the maturity of such notes has previously been extended. The failure to elect to extend the maturity of all or any portion of the Notes will be irrevocable and will be binding upon any subsequent holder of such Notes.

The Notes will be issued in registered global form and will remain on deposit with DTC. Therefore, you must exercise the election to extend the maturity of

your Notes through DTC. To ensure that DTC will receive timely notice of your election to extend the maturity of all or a portion of your Notes, so that the direct or indirect participant through which you hold an interest in the Notes can deliver notice of your election to DTC prior to the close of business in New York City on the last business day in the notice period, you must instruct that direct or indirect participant to notify DTC of your election to extend the maturity of your Notes in accordance with the then applicable operating procedures of DTC.

DTC must receive any notice of election from its participants no later than 12:00 noon (New York City time) on the last business day in the notice period for any election date. Different direct or indirect participants have different deadlines for accepting instructions from their customers. You should consult the direct or indirect participant through which you hold an interest in the Notes to ascertain the deadline for ensuring that timely notice will be delivered to DTC. If the election date is not a business day, notice of your election to extend the maturity date of your Notes must be delivered to DTC by its participants no later than 12:00 noon (New York City time) on the first business day following the election date.

Neither Merrill Lynch, Pierce, Fenner & Smith Incorporated nor Morgan Stanley & Co. Incorporated make any recommendation as to whether a holder should extend the Notes. Holders are urged to consult their own advisors as to the desirability of exercising their right to extend the Notes.

Election Dates and Notice Periods for Election to Extend the Maturity of the Notes:

The election dates will be the ___th calendar day of each month from ____ 20__ to ____ 20__ inclusive, whether or not any such day is a business day. During the notice period relating to each election date, you may elect to extend the maturity of all or any portion of the principal amount of your Notes so that the maturity of your Notes will be extended to the date occurring 366 calendar days from and including the ___th day of the next succeeding month following such election date. However, if that 366th calendar day is not a business day, the maturity of your Notes will be extended to the immediately preceding business day. Not less than 15 nor more than 20 calendar days prior to each election date, the Issuer will request that DTC notify its participants of the election date and of the procedures that must be followed to make an election. In the event that DTC or its nominee is no longer the holder of the Notes, the Issuer will notify the Noteholders within such period of time.

Interest Payment Dates:

Interest on the notes will be paid monthly on the ___th day of each month and on the maturity date, commencing on _____, ____ 20__. Interest payable on any interest payment date or maturity date shall be the amount of interest accrued from, and including, the next preceding interest payment date in respect of which interest has been paid or duly provided for (or from and including the original issue date, if no interest has been paid or duly provided for with respect to the Notes) to, but excluding, such interest payment date or maturity date. If any interest payment date (other than the maturity date in respect of any Notes) would otherwise be a day that is not a business day, such interest payment date will be postponed to the next succeeding day that is a business day, except that if such business day is in the next succeeding calendar month, such interest payment date (other than the maturity date in respect of any Notes) shall be the next preceding business day. If the maturity date of any Notes would otherwise be a day that is not a Business Day, such maturity date will be the immediately preceding Business Day.

Interest Rate:

One-month LIBOR, reset on a monthly basis on each interest reset date, plus the applicable spread. The interest rate for the initial interest reset period will be one-month LIBOR, to be determined two London business days prior to the original issue date, plus the applicable spread for such period of ____%. Interest on the Notes will be computed on the basis of the actual number of days elapsed over a 360-day year.

One-month LIBOR will be determined by the calculation agent, initially, _____, as of the applicable interest determination date (as defined below) in accordance with the following provisions:

(i) LIBOR will be determined on the basis of the offered rates for deposits in U.S. dollars having a one-month maturity, commencing on the second London business day immediately following such interest determination date, which appears on Moneyline Telerate Page 3750 (as defined below) as of approximately 11:00 a.m., London time, on such interest determination date. "Moneyline Telerate Page 3750" means the display designated on page "3750" on Moneyline Telerate (or such other page as may replace the 3750 page on that service, any successor service or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits). If no rate appears on Moneyline Telerate Page 3750, LIBOR for such interest determination date will be determined in accordance with the provisions of paragraph (ii) below.

(ii) With respect to an interest determination date on which no rate appears on Moneyline Telerate Page 3750 as of approximately 11:00 a.m., London time, on such interest determination date, the calculation agent shall request the principal London offices of each of four major reference banks (which may include an affiliate of Merrill Lynch or Morgan Stanley) in the London interbank market selected by the calculation agent (after consultation with the Issuer) to provide the calculation agent with a quotation of the rate at which deposits of U.S. dollars having a one-month maturity, commencing on the second London business day immediately following such interest determination date, are offered by it to prime banks in the London interbank market as of approximately 11:00 a.m., London time, on such interest determination date in a principal amount equal to an amount of not less than U.S. \$1,000,000 that is representative for a single transaction in such market at such time. If at least two such quotations are provided, LIBOR for such interest determination date will be the arithmetic mean of such quotations as calculated by the calculation agent. If fewer than two quotations are provided, LIBOR for such interest determination date will be the arithmetic mean of the rates quoted as of approximately 11:00 a.m., New York City time, on such interest determination date by three major banks in The City of New York (which may include an affiliate of Merrill Lynch or Morgan Stanley) selected by the calculation agent (after consultation with the Issuer) for loans in U.S. dollars to leading European banks having a one-month maturity commencing on the second London business day immediately following such interest determination date and in a principal amount equal to an amount of not less than U.S. \$1,000,000 that is representative for a single transaction in such market at such time; provided, however, that if the banks selected as aforesaid by the calculation agent are not quoting such rates as mentioned in this sentence, LIBOR for such interest determination date will be LIBOR determined with respect to the immediately preceding interest determination date.

The interest rate in effect on each day will be (i) if such day is an interest reset date, the interest rate determined as of the interest determination date immediately

preceding such interest reset date or (ii) if such day is not an interest reset date, the interest rate determined as of the interest determination date immediately preceding the original issue date or the most recent interest reset date, as the case may be.

All percentages resulting from any calculation of any interest rate for the notes will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point rounded upward and all dollar amounts will be rounded to the nearest cent, with one-half cent being rounded upward.

“Business day” means any day other than a Saturday or Sunday or a day on which banking institutions or trust companies in The City of New York are required or authorized by law, regulation or executive order to close and that is also a London business day.

“London business day” means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

Applicable Spread:

The table below indicates the applicable spread for the interest reset dates occurring during each of the indicated periods.

<u>For interest reset dates occurring:</u>			<u>Spread:</u>	
From	the	original	issue	date
to and including	_____ 20__		Plus . ____%	
From	and	including	_____ 20__	to
and including	_____ 20__		Plus . ____%	
From	and	including	_____ 20__	to
and including	_____ 20__		Plus . ____%	
From	and	including	_____ 20__	to
and including	_____ 20__		Plus . ____%	
From	and	including	_____ 20__	to
and including	_____ 20__		Plus . ____%	

Interest Reset Dates:

The ___th day of each month, commencing _____, 20___. If any interest reset date would otherwise be a day that is not a business day, such interest reset date will be postponed to the next succeeding day that is a business day, except that if such business day is in the next succeeding calendar month, such interest reset date shall be the next preceding business day.

Interest Reset Periods:

The initial interest reset period will be the period from and including the original issue date to but excluding the immediately succeeding interest reset date. Thereafter, the interest reset periods will be the periods from and including an interest reset date to but excluding the immediately succeeding interest reset date; provided that the final interest reset period for any Notes will be the period from and including the interest reset date immediately preceding the maturity date of such notes to but excluding the maturity date.

Interest Determination Dates:

Two London business days prior to the interest reset dates or the original issue date, as applicable.

Redemption: Subject as provided in the next paragraph, the Notes will not be redeemed prior to maturity or be subject to voluntary prepayment.

If the Issuer becomes obliged to pay additional amounts in respect of the Notes, the Issuer may redeem the Notes, in whole but not in part, at 100% of the principal amount thereof plus accrued and unpaid interest on any Interest Payment Date upon not less than 15 nor more than 30 days' notice.

Payment of Additional Amounts Subject to certain exceptions set forth in the next paragraph, if the Republic of Iceland or any taxing authority therein requires the Issuer to withhold amounts from payments of principal or interest in respect of the Notes for taxes or any other governmental charges, the Issuer will pay additional amounts in respect of those payments of principal or interest so that the amount received by the holder of the Notes after such withholding will equal the amount that would have been received if no such taxes and governmental charges had been applicable.

No additional amounts will be paid in respect of any Note presented for payment by or on behalf of a holder who is liable for such taxes or governmental charges in respect of the Note by reason of his having some connection with Iceland other than the mere holding of the Note.

Form: The Notes will be issued and purchases thereof will be recorded only through the book-entry system of The Depository Trust Company ("DTC"). Beneficial owners will not receive certificates representing their ownership interest in the Notes. The face amount of each Note will be paid upon maturity in immediately available funds to DTC. The Issuer has been advised by DTC that upon receipt of such payment, DTC will credit, on its book-entry records and transfer system, the accounts of the DTC participants through whom Notes are directly or indirectly owned. Payments by DTC to its participants and by such participants to owners of the Notes or their representatives will be governed by customary practices and standing instructions and will be the sole responsibility of DTC, such DTC participants or such representatives, respectively.

Events of Default: In the event of the occurrence and continuation of (i) default in any payment of interest on a Note for a period in excess of seven days; (ii) default in any payment of principal on a Note for a period in excess of three days; (iii) an order being made by any competent court or resolution being passed for the winding up or dissolution of the Issuer; (iv) the Issuer ceasing or threatening to cease to carry on the whole or a substantial part of its business or the Issuer stopping or threatening to stop payment of, or being unable to, or admitting inability to, pay, its debts (or any class of its debts) as they fall due, or being deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or being adjudicated or found bankrupt or insolvent; (v) proceedings being initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application being made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official being appointed, in relation to the Issuer or, as the case may be, in relation to the whole or a part of its undertaking or assets, or an encumbrancer taking possession of the whole or a part of the undertaking or assets of it, or a distress, execution, attachment, sequestration or other process being levied, enforced upon, sued out or put in force against the whole or a part of the undertaking or assets of it and in any case (other than the appointment of an administrator) the same not being discharged within 14 days; or (vi) the Issuer initiating or consenting to judicial proceedings relating to itself under any

applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of, or entering into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting being convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

Governing Law: The Notes will be governed by and construed in accordance with the laws of the State of New York, without regard to its conflict of laws provisions.

The Issuer will submit to the jurisdiction of the United States federal courts located in the Borough of Manhattan or the courts of the State of New York located in the Borough of Manhattan and will appoint CT Corporation System, with offices at 111 Eighth Avenue, New York, New York 1001, as its authorised agent to receive service of process on its behalf.

Exchange Rate Soley for convenience, this Offering Circular contains translations of certain Icelandic Krona amounts into U.S. dollars. Unless otherwise indicated, the translations of Icelandic Krona have been made at the rate of U.S.\$1.00=ISK61.49 (U.S.\$0.01634 per Icelandic Krona), the average interbank rate on 31st December, 2004 and at the rate of U.S.\$1.00=ISK61.148 (U.S.\$0.01638 per Icelandic Krona), the average interbank rate on 31st March, 2005, as applicable. These translations should not be construed as representations that the Icelandic Krona amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated or at any other rate.

Settlement: Unless otherwise agreed to, same day basis, in immediately available funds.

CUSIP No.: _____ . New CUSIP numbers will be assigned to Notes maturing prior to the Final Maturity Date.

Plan of Distribution The Notes are being purchased by the Placement Agents as principal, pursuant to a Dealer Agreement dated July 20, 2005 between the Issuer, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated.

Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated have advised the Issuer that they propose initially to offer all or part of the Notes at a price of 100% of the initial aggregate principal amount listed above. After the initial offering, the price for any remaining Notes may be changed.

Placement Agents: Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated.

Issuing and Paying Agent: Deutsche Bank Trust Company Americas.

Calculation Agent: Deutsche Bank Trust Company Americas.

Certain U.S. Federal Income Tax Considerations

The following discussion summarizes certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes. This discussion addresses only U.S. Holders (as defined below) purchasing Notes in the original offering at the Initial Offering Price (as defined below) that hold the

Notes as capital assets and use the U.S. dollar as their functional currency. It does not address the tax treatment of U.S. Holders subject to special rules, such as financial institutions, dealers or traders in securities or commodities that elect mark-to-market treatment, insurance companies, tax-exempt entities, investors liable for the alternative minimum tax, regulated investment companies, thrifts, persons that own (directly, indirectly, or by attribution) 10 percent or more by voting power of our shares, persons who have ceased to be U.S. citizens, or to be taxed as resident aliens, partnerships or other pass-through entities, or persons holding the Notes as part of a "hedging", "straddle", "conversion", or other integrated financial transaction. Further, this discussion does not address any tax consequences applicable to holders of equity interests in a holder of the Notes. This discussion addresses selected issues and is not a complete description of all U.S. tax considerations relating to the Notes.

This discussion is based on the Internal Revenue Code of 1986, as amended, judicial decisions, published rulings, administrative pronouncements, and existing and proposed income tax U.S. Treasury Regulations (the "Treasury Regulations"), all as are in effect on the date of this Offering Circular and all of which are subject to change after such date, possibly with retroactive effect.

For purposes of this discussion, a "U.S. Holder" is a holder of a Note that is (i) a citizen or resident of the United States, (ii) a corporation, or other business entity treated as a corporation, created or organized in or under the laws of the United States or of any State thereof (including the District of Columbia), (iii) a trust that (1) is subject to the control of one or more United States persons and the administration of which is subject to the primary supervision of a court within the United States, or (2) that has a valid election in effect under the applicable Treasury Regulations to be treated as a United States person, or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

For purposes of this discussion, the "Initial Offering Price" of a Note is the initial offering price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Notes is sold for money.

An election to extend the maturity of all or any portion of the principal amount of the Notes in accordance with the procedures described above should not be a taxable event for U.S. federal income tax purposes. This view is based, in part, upon the Treasury Regulations governing original issue discount on debt instruments (the "OID Regulations").

Pursuant to Treasury Regulations governing modifications to the terms of debt instruments (the "Modification Regulations"), the exercise of an option by a holder of a debt instrument to defer any scheduled payment of principal is a taxable event if, based on all the facts and circumstances, such deferral is considered material under the Modification Regulations. The Modification Regulations do not specifically address the unique features of the Notes, including their economic equivalence to a debt instrument with the same original maturity date as the Final Maturity Date and which contains put options. However, under the OID Regulations, for purposes of determining the yield and maturity of a debt instrument that provides the holder with an unconditional option or options, exercisable on one or more dates during the term of the debt instrument, that, if exercised, require payments to be made on the debt instrument under an alternative payment schedule or schedules (e.g., an option to extend the maturity of the debt instrument), a holder is deemed to exercise or not exercise an option or combination of options in a manner that maximizes the yield on the debt instrument. Since the applicable spread will periodically increase during the term of the Notes, under these rules, as of the Original Issue Date, original holders of the Notes should be deemed to elect to extend the maturity of all of the principal amount of the Notes to the Final Maturity Date in accordance with the procedures described above. Accordingly, under these rules, the Final Maturity Date should be treated as the maturity date of the Notes. Although it is unclear how the OID Regulations should apply in conjunction with the Modification Regulations to the Notes, based upon the OID Regulations, an election to extend the maturity of all or any portion of the principal amount of the Notes in accordance with the procedures described above should not be a taxable event for U.S. federal income tax purposes. In addition, the Notes should not constitute contingent payment debt instruments that would be subject to certain Treasury Regulations governing contingent payment obligations (the "Contingent Payment Regulations").

[Subject to confirmation once the spread is set: Under the treatment described above, the Notes will be treated as having been issued with de minimis original issue discount. Therefore, the Notes will not be treated as having been issued with original issue discount for U.S. federal income tax purposes.]

Prospective investors should note that no assurance can be given that the IRS will accept, or that the courts will uphold, the characterization and the tax treatment of the Notes described above. If the IRS were successful in asserting that an election to extend the maturity of all or any portion of the principal amount of the Notes is a taxable event for U.S. federal income tax purposes, then you would be required to recognize any gain inherent in the Notes at such time upon the exercise of such election. Also, if the IRS were successful in asserting that the Notes were subject to the Contingent Payment Regulations, the timing and character of income thereon would be affected. Among other things, you may be required to accrue original issue discount income, subject to adjustments, as a "comparable yield" on the issue price. Furthermore, any gain recognized with respect to the Notes would generally be treated as ordinary income. The foregoing summary of selected U.S. federal income tax considerations is not to be construed as tax advice for investors. Prospective investors should consult their tax advisers regarding the U.S. federal income tax consequences of investing in, and extending the maturity of, the Notes.

AVAILABLE INFORMATION

Copies of quarterly and annual financial statements of the Issuer will be provided without charge to each purchaser of Notes upon request. Requests should be directed to Funding (Tel: +354 440 4664; Fax +354 400 4660, web-site www.isb.is), Íslandsbanki hf. Kirkjusandur 2, 155 Reykjavik, Iceland,. The Issuer is not subject to the informational requirements of the Securities Exchange Act of 1934.

The Issuer is also offering the opportunity to each prospective purchaser, prior to purchasing any Notes, to ask questions of, and receive answers from, the Issuer and to obtain relevant information with respect to the Issuer to the extent the Issuer can do so without unreasonable effort or expense. To ask any such questions or request additional information regarding the offering or the Issuer, contact Funding (Tel: +354 440 4664; Fax +354 400 4660, web-site www.isb.is), Íslandsbanki hf. Kirkjusandur 2, 155 Reykjavik, Iceland.

ADDITIONAL INFORMATION

Any further questions and/or requests should be directed to:

Merrill Lynch, Pierce, Fenner & Smith Incorporated
4 World Financial Center Floor 11
New York, New York 10080
Attn: Investor Marketing Group
Tel: (212) 449-4858

Morgan Stanley & Co. Incorporated
1585 Broadway
New York, NY 10036
Tel: (212) 761-4000

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. YOUR INVESTMENT DECISION SHOULD NOT BE BASED SOLELY ON THIS OFFERING CIRCULAR SINCE IT IS NOT INTENDED TO BE A COMPLETE EXPLANATION OF THE NATURE AND RISKS OF INVESTING IN THE ISSUER AND ITS NOTES. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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SCHEDULE 5

DTC IMPORTANT NOTICE
THE DEPOSITORY TRUST COMPANY
IMPORTANT

B#: [number]
DATE: [date]
TO: ALL PARTICIPANTS
FROM: [name], [title], [Department]
ATTENTION: Managing Partner/Officer; Cashier, Operations, Data Processing and Underwriting Managers
SUBJECT: Section 3(c)(7) restrictions for Íslandsbanki hf.
Series [Series Number]: USD[Amount] [Type of Note] [Due Date]
Series [Series Number]: USD[Amount] [Type of Note] [Due Date]
[add any other Series of Notes, if applicable, throughout]

(A) CUSIP Numbers Series [Series Number] Notes : [CUSIP Number]
Series [Series Number] Notes: [CUSIP Number]

(B) Security Description Íslandsbanki hf.Series [Series Number]: USD[Amount] [Type of Note]
[Due Date]
Íslandsbanki hf.Series [Series Number]: USD[Amount] [Type of Note]
[Due Date]

(C) Offer Amount Series [Series Number] USD [Amount]
Series [Series Number] USD [Amount]

(D) Managing Underwriter [Name of Underwriter]

(E) Paying Agent [Name of Paying Agent]

(F) Closing Date [Closing Date]

Special Instructions:

See Attached Important Instructions from the Issuer.

Íslandsbanki hf.
Kirkjusandur 2
155
Reykjavik
Iceland,

Íslandsbanki hf.Series [Series Number]: USD[Amount] [Type of Note] [Due Date]

Íslandsbanki hf.Series [Series Number]: USD[Amount] [Type of Note] [Due Date]

Series [Series Number] Notes : [CUSIP Number]

Series [Series Number] Notes : [CUSIP Number]

The Issuer and the Dealer (the "**Distributor**") are putting Participants on notice that they are required to follow these purchase and transfer restrictions with regard to the above-referenced security.

In order to qualify for the exemption provided by Section 3(c)(7) under the Investment Company Act of 1940, as amended (the "**1940 Act**"), and the exemption provided by Rule 144A under the Securities Act of 1933, as amended (the "**Securities Act**"), offers, sales and resales of the [Series Number]: USD[Amount] [Type of Note] [Due Date] and the [Series Number]: USD[Amount] [Type of Note] [Due Date] (the "**Securities**") within the United States or to U.S. persons may only be made in minimum denominations of U.S.\$250,000 to "qualified institutional buyers" ("**QIBs**") within the meaning of Rule 144A that are also "qualified purchasers" ("**QPs**") within the meaning of Section 2(a)(51)(A) of the 1940 Act. Each purchaser of Securities (I) represents to and agrees with the Issuer and the Distributor that (A) (i) the purchaser is a QIB who is a QP (a "**QIB/QP**"); (ii) the purchaser is not a broker-dealer which owns and invests on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers; (iii) the purchaser is not a participant-directed employee plan, such as a 401(k) plan; (iv) the purchaser is acting for its own account, or the account of another QIB/QP; (v) the purchaser is not formed for the purpose of investing in the Issuer; (vi) the purchaser, and each account for which it is purchasing, will hold and transfer at least the minimum denomination of securities; and (vii) the purchaser will provide notice of the transfer restrictions to any subsequent transferees; or (B) it is not a U.S. person and is purchasing the Securities outside the United States and (II) acknowledges that the Issuer has not been registered under the 1940 Act and the Securities have not been registered under the Securities Act and represents to and agrees with the Issuer and the Distributor that, for so long as the Securities are outstanding (in the case of (A) above) or prior to the expiry of 40 days after the later to occur of the first date of Securities are offered to the public and the settlement date for the Securities (in the case of (B) above), it will not offer, resell, pledge or otherwise transfer the Securities in the United States or to a U.S. person except to a QIB that is also a QP in a transaction meeting the requirements of Rule 144A and that delivers an Investment Letter (as defined in the Supplemental Information Memorandum in respect of each of [Series Number] and [Series Number]) to the Issuer and the Registrar. Each purchaser further understands that the Securities will bear a legend with respect to such transfer restrictions. See "Subscription and Sale and Transfer Restrictions" in the Supplemental Information Memorandum in respect of each of [Series Number] and [Series Number].

The charter, bylaws, organisational documents or securities issuance documents of the Issuer provide that the Issuer will have the right to (i) require any holder of Securities that is a U.S. person who is determined not to be both a QIB and a QP to sell the Securities to a QIB that is also a QP or to a non-U.S. person outside the United States or (ii) redeem any Securities held by such a holder on specified terms. In addition, the Issuer has the right to refuse to register or otherwise honour a transfer of Securities to a proposed transferee that is a

U.S. person who is not both a QIB and a QP. As used herein, the terms "United States" and "U.S. person" have the meanings given such terms in Regulation S under the Securities Act.

The restrictions on transfer required by the Issuer (outlined above) will be reflected under the notation "3c7" in DTC's User Manuals and in upcoming editions of DTC's Reference Directory.

Any questions or comments regarding this subject may be directed to [Michael F. Rogozinski] at [(212) 449 0342].