

AMENDED AND RESTATED FISCAL AND PAYING AGENCY AGREEMENT

Among

**GLITNIR BANKI HF.
as Issuer**

and

**DEUTSCHE BANK TRUST COMPANY AMERICAS
as Fiscal and Paying Agent**

and

**DEUTSCHE BANK LUXEMBOURG S.A.
as Paying Agent**

**in respect of a
US\$10,000,000,000**

PROGRAM FOR THE ISSUANCE OF MEDIUM-TERM NOTES

Dated as of April 23, 2008

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THIS AGREEMENT is dated as of April 23, 2008

BETWEEN:

- (a) Glitnir banki hf., a public limited company incorporated in Iceland and operating under Icelandic law, located at Kirkjusandur 2, 155 Reykjavík, Iceland (the “Issuer”);
- (b) Deutsche Bank Trust Company Americas, a New York banking corporation (the “Fiscal and Paying Agent,” which expression shall include any successor Fiscal and Paying Agent, appointed under this Agreement or which becomes the successor by virtue of clause 24); and
- (c) Deutsche Bank Luxembourg S.A. and Deutsche Bank Trust Company Americas (together with the Fiscal and Paying Agent, the “Paying Agents,” which expression shall include any additional or successor Paying Agent appointed in accordance with clause 3 and “Paying Agent” shall mean any of the Paying Agents).

WHEREAS, the Issuer, the Fiscal and Paying Agent and Deutsche Bank Luxembourg S.A. wish to amend and restate the terms originally agreed among them in the Fiscal and Paying Agency Agreement dated as of October 25, 2006 (the “Original Agreement”) in order to make certain modifications.

WHEREAS, the Issuer has duly authorized the issuance from time to time of its notes (herein called the “Notes”) to be issued in one or more Series (as hereinafter defined).

WHEREAS, the Issuer intends for the terms of this Agreement to apply to Notes issued and outstanding prior to the date of this Agreement and Notes issued on or after the date of this Agreement.

WHEREAS, this Agreement amends and restates the Original Agreement.

All things necessary to make this Agreement a valid and legally binding agreement of the Issuer, in accordance with its terms, have been done.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

For and in consideration of the premises and the purchase of the Notes by the Noteholders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Noteholders, as follows:

1. DEFINITIONS AND INTERPRETATION

(1) In this Agreement:

“Additional Amounts” means additional amounts paid by the Issuer in order that the Holder, as the case may be, after deduction of any withholding taxes or duties, will receive the full amount then due and payable under the Notes.

“Accredited Investor” shall mean a person described in Rule 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the Securities Act.

“Agent” means the Fiscal and Paying Agent and each Paying Agent and includes any successor thereto.

“Amortizing Note” means a Note in respect of which payments of principal and interest are made or to be made in installments over the term of such Note, as the Issuer and the relevant Dealers may agree, as indicated in the applicable supplement or supplements to the Offering Circular.

“Business Day” means a day which is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York, London, England and Reykjavik, Iceland and any additional Principal Financial Center specified in an applicable supplement or supplements to the Offering Circular; and
- (ii) either (1) in relation to any sum payable in a specified currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the Principal Financial Center of the country of the relevant specified currency (if other than London and any additional Principal Financial Center and which if the specified currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

“Calculation Agency Agreement” in relation to any Series of Notes means the Amended and Restated Calculation Agency Agreement dated as of April 23, 2008, between the Issuer and the Calculation Agent, as amended or supplemented from time to time.

“Calculation Agent” means Deutsche Bank Trust Company Americas and shall include any successor calculation agent appointed in respect of the Notes.

“Certificated Note” means a Note in registered and definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Distribution Agreement or any other agreement between the Issuer and the relevant Dealers either on issue or in exchange for all or part of a Global Note, the Note in registered and definitive form being in or substantially in the form set out in Part II of Schedule 2 with such modifications (if any) as may be agreed between the Issuer, the Fiscal and Paying Agent and the relevant Dealers and having the Conditions endorsed on it or attached to it or, if permitted by the relevant stock exchange and agreed by the Issuer and the relevant Dealers, incorporated in it by reference and having the applicable supplement or supplements to the Offering Circular (or the relevant provisions of the applicable supplement or supplements to the Offering Circular) either incorporated in it or endorsed on it or attached to it.

“Clearstream, Luxembourg” means Clearstream Banking (*société anonyme*) Luxembourg.

“Conditions” means, in relation to the Notes of any Series, the terms and conditions endorsed on or incorporated by reference into the Note or Notes constituting the Series, the terms and conditions being in or substantially in the form set out in Schedule 1 hereto or in such other form, having regard to the terms of the Notes of the relevant Series, as may be agreed among the Issuer, the Fiscal and Paying Agent and the relevant Dealers as modified and supplemented by the applicable supplement or supplements to the Offering Circular.

“Dealers” means the dealers named in the Distribution Agreement, as amended, supplemented or replaced from time to time.

“Depository” means, with respect to the Notes, a clearing agency that is registered as such under the Securities Exchange Act of 1934, as amended and is designated by the Issuer to act as depository for the Notes (or any successor clearing agency so registered).

“Distribution Agreement” means the Amended and Restated Distribution Agreement dated as of April 23, 2008, between the Issuer and the Dealers named therein, as amended or supplemented from time to time.

“Distribution Compliance Period” has the meaning given to such term in Regulation S under the Securities Act.

“DTC” means The Depository Trust Company.

“Dual Currency Note” means a Note in respect of which payments of principal and/or interest are made or to be made in such different currencies, and at rates of exchange calculated upon such basis or bases, as the Issuer, the Calculation Agent and the relevant Dealers may agree, as indicated in the applicable supplement or supplements to the Offering Circular.

“Euroclear” means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

“Event of Default” shall have the meaning as described in Section 5(a) of the Terms and Conditions of the Notes attached hereto as Schedule 1.

“Floating Rate Note” means a Note on which interest is calculated at a floating rate, payable in arrears on one or more Interest Payment Dates in each case as may be agreed to between the Issuer, the Calculation Agent and the relevant Dealers, as indicated in the applicable supplement or supplements to the Offering Circular.

“Global Note” means a note issued in global form pursuant to clause 4.

“Holder” means the Person in whose name a Note is registered on the Register applicable to that Series of Notes.

“Interest Amount” means, in the case of interest-bearing Notes, the amount of interest payable on such Notes.

“Interest Commencement Date” means, in the case of interest-bearing Notes, the date specified in the applicable supplement or supplements to the Offering Circular from and including which the Notes bear interest, which may or may not be the Issue Date.

“Interest Payment Date” means, in the case of interest-bearing Notes, the date specified in the applicable supplement or supplements to the Offering Circular on which interest payments, in arrears shall be made on such Notes.

“Investment Company Act” means the Investment Company Act of 1940, as amended.

“Issue Date” means, in respect of any Note, the date of issue and purchase of the Note under clause 2 of the Distribution Agreement or any other agreement between the Issuer and the relevant Dealers.

“Issue Price” means the price, generally expressed as a percentage of the nominal amount of the Notes, at which the Notes are issued.

“Issuer Request” or “Issuer Order” means the Issuer’s written request or order signed in the name of any two Officers or any other of its officers designated by the Issuer to execute and deliver such request or order, and delivered to the Fiscal and Paying Agent.

“Index Linked Note” means a Note in respect of which the amount in respect of principal and/or interest payable is calculated by reference to an index and/or a formula as the Issuer, the Calculation Agent and the relevant Dealers may agree, as indicated in the applicable supplement or supplements to the Offering Circular.

“Noteholders” means Holders of the Notes, from time to time.

“Notes” has the meaning assigned thereto in the recitals.

“Offering Circular” means with respect to the Notes, the Offering Circular describing such Notes dated April 23, 2008, as amended or supplemented from time to time.

“Officer” means any duly authorized officer of the Issuer.

“Officers’ Certificate” means a certificate signed by any two of the Officers or any other of the Issuer’s officers designated by the Issuer to deliver such certificate, and delivered to the Fiscal and Paying Agent.

“Opinion of Counsel” means a written opinion of counsel, who may be independent or in-house counsel for the Issuer.

“Outstanding” means, in relation to the Notes of any Series, all the Notes issued other than:

- (i) those Notes that have been redeemed and cancelled pursuant to the Conditions;
- (ii) those Notes in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest, if any, accrued to the date for redemption and any interest, if any, payable under the Conditions after that date) have been duly paid to or to the order of the Fiscal and Paying Agent in the manner provided in this Agreement (and where appropriate notice to that effect has been given to the Noteholders in accordance with the Conditions) and remain available for payment against presentation of the relevant Notes;
- (iii) those Notes that have been purchased and cancelled in accordance with the Conditions;
- (iv) those Notes in respect of which claims have become prescribed under the Conditions;
- (v) those mutilated or defaced Notes that have been surrendered and cancelled and in respect of which replacements have been issued under the Conditions;

- (vi) for the purpose only of ascertaining the nominal amount of the Notes outstanding and without prejudice to the status for any other purpose of the relevant Notes, those Notes that are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued under the Conditions; and
- (vii) any Global Note to the extent that it has been exchanged for Certificated Notes;

provided that for the purpose of determining how many and which Notes of the Series are outstanding for the purposes of Condition 17, those Notes, if any, that are for the time being held by or for the benefit of the Issuer or any subsidiary of the Issuer shall (unless and until ceasing to be so held) be deemed not to remain outstanding.

“Person” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof or any other entity.

“Physical Delivery Amount,” means the documents evidencing the number of and/or constituting the Underlying Assets, plus or minus any amount due to or from the Noteholder in respect of each Note, deliverable and/or payable, in each case, by reference to one or more underlying equity, bond, security or other assets (“Underlying Assets”) as the Issuer and the relevant Dealers may agree and as set out in the applicable supplement or supplements.

“Physical Delivery Note” means a Note in respect of which (i) either an amount of principal and/or interest is payable by reference to one or more Underlying Assets and/or (ii) a Physical Delivery Amount is deliverable and/or payable by reference to one or more Underlying Assets, in each case as the Issuer and the relevant Dealers may agree and as set out in the applicable supplement or supplements to the Offering Circular.

“Principal Financial Center” means unless otherwise defined in any Note issued hereunder, (i) the capital city of the country issuing the specified currency or (ii) the capital city of the country to which the Designated LIBOR Currency relates, as applicable, except that with respect to U.S. dollars, Australian dollars, pounds sterling, Canadian dollars, South African rand and Swiss francs, the “Principal Financial Center” shall be New York City, Sydney and (solely in the case of the specified currency) Melbourne, London (solely in the case of the Designated LIBOR Currency), Toronto, Johannesburg and Zurich, respectively.

“Qualified Institutional Buyer” means a “qualified institutional buyer” as defined in Rule 144A(a)(1) under the Securities Act.

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Agent or as specified in the applicable supplement or supplements to the Offering Circular.

“Register” has the meaning assigned thereto in clause 12(2).

“Registered Note” means a Note recorded in the Register.

“Regulation D” means Regulation D promulgated under the Securities Act.

“Regulation S” means Regulation S promulgated under the Securities Act.

“Regulation S Certificated Note” means a Certificated Note issued pursuant to Regulation S.

“Regulation S Global Note” means a Global Note issued pursuant to Regulation S.

“Responsible Officer” when used with respect to the Fiscal and Paying Agent, means any officer of the Fiscal and Paying Agent with direct responsibility for this Agreement and also means, with respect to a particular corporate trust matter, any other officer of the Fiscal and Paying Agent to whom such matter is referred because of his/her knowledge and familiarity with the particular subject.

“Restricted Notes” shall have the meaning assigned in clause 4 hereof.

“Rule 144A” means Rule 144A promulgated under the Securities Act.

“Rule 144A Certificated Note” means a Certificated Note issued pursuant to Rule 144A.

“Rule 144A Global Note” means a Global Note issued pursuant to Rule 144A.

“Rule 144A Information” shall have the meaning assigned in clause 7 hereof.

“Securities Act” means the Securities Act of 1933, as amended.

“Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes that are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices, and the expressions “Notes of the relevant Series” and “Holders of Notes of the relevant Series” and related expressions shall be construed accordingly.

“Specified Time” means 11:00 a.m. (London time, in the case of a determination of LIBOR, or Brussels time, in the case of a determination of EURIBOR).

“Tranche” means Notes that are identical in all respects, including as to listing.

“Transfer Certificate” means a certificate in the form set out in Schedule 3.

“Transfer Notice” means, in the context of a Physical Delivery Note, a transfer notice substantially in the form of Schedule 5 delivered by the relevant accountholder to the Fiscal and Paying Agent.

“Zero Coupon Note” means a Note on which no interest is payable.

- (2) (a) In this Agreement, unless the contrary intention appears or is otherwise specified, a reference to:
- (i) an “amendment” includes a supplement, restatement or novation, and “amended” is to be construed accordingly;
 - (ii) a “person” includes any individual, company, unincorporated association, government, state agency, international organization or other entity;

- (iii) a provision of a law is a reference to that provision as extended, amended or re-enacted;
 - (iv) a clause or schedule is a reference to a clause of, or a schedule to, this Agreement;
 - (v) a person includes its successors and assigns;
 - (vi) a document is a reference to that document as amended from time to time;
 - (vii) a time of day is a reference to New York City time; and
 - (viii) the terms and provisions of the schedules attached hereto shall constitute, and are hereby expressly made, a part of this Agreement.
- (b) The headings in this Agreement shall not affect its interpretation.
- (c) Capitalized terms used but not defined herein shall have the meanings assigned thereto in the Distribution Agreement, the Notes, or the applicable supplement or supplements to the Offering Circular, in each case as in effect on the date hereof, except where the context otherwise requires.
- (d) All references in this Agreement to costs, charges or expenses shall include any value added tax or similar tax charged or chargeable in respect thereof.
- (e) All references in this Agreement to Notes shall, unless the context otherwise requires, include any Global Note.
- (f) All references in this Agreement to principal and/or interest or both in respect of the Notes or to any monies payable by the Issuer under this Agreement shall be deemed to include (a) in relation to Zero Coupon Notes, the Amortized Face Amount (as defined in the Conditions), (b) in relation to Index Linked Notes, the redemption amount or Early Redemption Amount (as defined in the Conditions), (c) in relation to Dual Currency Notes, the principal or interest in the relevant Specified Currency (as defined in the Conditions), (d) in relation to Amortizing Notes, the Installment Amount (as defined in the Conditions), (e) in relation to any Physical Delivery Note, any Physical Delivery Amount and (f) any premium and other amounts that may be payable in respect of the Notes.
- (g) All references in this Agreement to the “relevant currency” shall be construed as references to the currency in which payments in respect of the relevant Notes are to be made.
- (3) Acts of Noteholders. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Fiscal and Paying Agent and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the “Act” of the Noteholders signing such instrument or

instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Agreement and (subject to clause 2) conclusive in favor of the Fiscal and Paying Agent and the Issuer, if made in the manner provided in this clause.

- (a) The fact and date of the execution by any person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the person executing the same, may also be proved in any other manner that the Fiscal and Paying Agent deems sufficient.
- (b) For purposes of this Agreement, the ownership of Notes shall be proved by the Register.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Noteholder of any Note shall bind every future Noteholder of the same Note and the Noteholder of every Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Fiscal and Paying Agent or the Issuer in reliance thereon, whether or not notation of such action is made upon such Note.

2. THE FISCAL AND PAYING AGENT

(1) Certain Duties and Responsibilities.

- (a) The Fiscal and Paying Agent undertakes to perform, with respect to Notes of each Series, such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Fiscal and Paying Agent.

In the absence of bad faith on its part, the Fiscal and Paying Agent may, with respect to Notes of such Series, conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal and Paying Agent and conforming to the requirements of this Agreement, but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Fiscal and Paying Agent, the Fiscal and Paying Agent shall be under a duty to examine the same to determine whether or not they substantially conform to the requirements of this Agreement (but need not confirm or investigate the matters set forth therein).

- (b) No provision of this Agreement shall be construed to relieve the Fiscal and Paying Agent from liability for its own grossly negligent action, its own grossly negligent failure to act, or its own willful misconduct, except that:
 - (i) this sub-clause shall not be construed to limit the effect of sub-clause (a) of this clause;
 - (ii) the Fiscal and Paying Agent shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Fiscal and

Paying Agent was grossly negligent or acted with willful misconduct in ascertaining the pertinent facts;

- (iii) the Fiscal and Paying Agent shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Noteholders of a majority in principal amount of the outstanding Notes of any Series relating to the time, method and place of conducting any proceeding for any remedy available to the Fiscal and Paying Agent, or exercising any trust or power conferred upon the Fiscal and Paying Agent, under this Agreement with respect to the Notes of such Series; and
 - (iv) no provision of this Agreement shall require the Fiscal and Paying Agent to advance, expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.
- (c) Whether or not therein expressly so provided, every provision of this Agreement relating to the conduct or affecting the liability of or affording protection to the Fiscal and Paying Agent shall be subject to the provisions of this clause.
- (2) Notice of Default. Within 90 days after the Fiscal and Paying Agent has received written notice of the occurrence of any Default hereunder or with respect to the Notes of any Series from the Issuer or any Noteholder, expressly stating that a Default has occurred and identifying such Default, the Fiscal and Paying Agent shall transmit by mail to all Noteholders of Notes of such Series, as their names and addresses appear in the Register, notice of such Default, unless such Default shall have been cured or waived. For the purpose of this clause, the term “Default” means any event that is, or after notice or lapse of time or both would become, an Event of Default with respect to Notes of such Series.
- (3) Certain Rights of Fiscal and Paying Agent. Subject to the provisions of sub-clause (1):
- (a) the Fiscal and Paying Agent may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, Note, other evidence of indebtedness or other paper or document (whether in its original or facsimile form) believed by it to be genuine and to have been signed or presented by the proper party or parties;
 - (b) any request or direction of the Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request or Issuer Order;
 - (c) whenever in the administration of this Agreement the Fiscal and Paying Agent shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Fiscal and Paying Agent (unless other evidence be herein specifically prescribed) may, in the absence of gross negligence on its part, rely upon an Officers’ Certificate;
 - (d) the Fiscal and Paying Agent may consult with counsel of its choice and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith

and in reliance thereon as long as the Fiscal and Paying Agent has not been grossly negligent in the process of selecting such counsel;

- (e) the Fiscal and Paying Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Noteholders pursuant to this Agreement, unless such Noteholders shall have offered to the Fiscal and Paying Agent reasonable security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;
- (f) the Fiscal and Paying Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, Note, other evidence of indebtedness or other paper or document, but the Fiscal and Paying Agent, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Fiscal and Paying Agent shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, personally or by agent or attorney;
- (g) the Fiscal and Paying Agent may perform its duties and exercise its rights hereunder either directly or by or through agents or attorneys and the Fiscal and Paying Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;
- (h) the Fiscal and Paying Agent shall not be charged with knowledge of any Default or Event of Default with respect to the Notes of any Series for which it is acting as Fiscal and Paying Agent unless written notice of such Default or Event of Default specifically identifying such Default shall have been given to a Responsible Officer of the Fiscal and Paying Agent by the Issuer, any other obligor on such Notes or by any Noteholder of such Notes;
- (i) in the event the Fiscal and Paying Agent shall be uncertain as to its duties or rights hereunder or shall receive instructions from the Issuer or any Noteholders that, in the opinion of the Fiscal and Paying Agent, are in conflict with any of the provisions hereof, then the Fiscal and Paying Agent shall be entitled to refrain from taking any action other than to keep safely any funds held by it until it shall be directed otherwise by written instructions of the Issuer or requisite Noteholders complying with the provisions hereof or by order of a court of competent jurisdiction;
- (j) the Fiscal and Paying Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; terrorism; wars and other military disturbances; sabotage; epidemics; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communication services; accidents; labor disputes; acts of civil or military authority and governmental action;
- (k) anything in this Agreement notwithstanding, in no event shall the Fiscal and Paying Agent be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to loss of profit), even if the Issuer has been advised as to the likelihood of such loss or damage and regardless of the form of action;

- (l) the Fiscal and Paying Agent shall not be liable for any action taken, suffered or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement except to the extent the Fiscal and Paying Agent acts with gross negligence or willful misconduct;
 - (m) the rights, privileges, protections, immunities and benefits given to the Fiscal and Paying Agent, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Fiscal and Paying Agent in each of its capacities hereunder, and each agent, custodian and other person employed to act hereunder; and
 - (n) the Fiscal and Paying Agent may request and the Issuer shall deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Agreement, which Officers' Certificate may be signed by any person authorized to sign such Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.
- (4) Not Responsible for Recitals or Issuance of Notes. The recitals contained herein and in the Notes, except the Fiscal and Paying Agent's certificates of authentication, shall be taken as the statements of the Issuer, and the Fiscal and Paying Agent assumes no responsibility for their correctness. The Fiscal and Paying Agent makes no representations as to the validity or sufficiency of this Agreement or of the Notes. The Fiscal and Paying Agent shall not be accountable for the use or application by the Issuer of Notes or the proceeds thereof.
- (5) May Hold Notes. The Fiscal and Paying Agent or any other agent of the Issuer or of the Fiscal and Paying Agent, in an individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Issuer with the same rights it would have if it were not the Fiscal and Paying Agent or such other agent.
- (6) Money Held in Trust. Money held by the Fiscal and Paying Agent in trust hereunder need not be segregated from other funds except to the extent required by law. The Fiscal and Paying Agent shall be under no liability for interest in any money received by it hereunder except as otherwise agreed with the Issuer.

3. APPOINTMENT OF OTHER AGENTS

The Issuer may appoint one or more additional Paying Agents (each a "Paying Agent" and together with the Fiscal and Paying Agent, the "Paying Agents") for the purposes of paying sums due on any Notes and performing all other obligations and duties imposed upon it by the Conditions and this Agreement.

4. ISSUE OF NOTES

- (1) Execution, Authentication and Delivery. Unless otherwise specified in the applicable pricing supplement, the Notes will be issued in definitive fully-registered form, without interest coupons and with such legends as may be applicable thereto so long as such Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act ("Restricted Notes"). The Global Notes will be registered in the name of the Depositary designated by the Issuer for such Note or a nominee thereof and delivered to such Depositary or a nominee thereof or custodian therefor and each such Note shall constitute a single Note for the purpose of this Agreement. If specified in the applicable pricing supplement, Notes may be issued in certificated

form to Accredited Investors.

The Notes shall be executed on behalf of the Issuer by any two of its Officers or other officers designated by the Issuer to execute such Notes. The signature of any of these officers on the Notes may be manual or facsimile.

If an Officer whose signature is on a Note no longer holds that office at the time the Note is authenticated, the Note shall nevertheless be valid.

At any time and from time to time after the execution and delivery of this Agreement, the Issuer may deliver Notes of any Series executed by the Issuer, including Notes of any Series of which the form and terms have been established in or pursuant to one or more supplements to the Offering Circular, to the Fiscal and Paying Agent for authentication, together with an Issuer Order for the authentication and delivery of such Notes, and the Fiscal and Paying Agent in accordance with such Issuer Order and subject to the provisions hereof shall authenticate and deliver such Notes.

No Note shall be entitled to any benefit under this Agreement or be valid or obligatory for any purpose unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Fiscal and Paying Agent by manual signature, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder and is entitled to the benefits of this Agreement.

- (2) Unless otherwise provided, the form of the Fiscal and Paying Agent's certificate of authentication shall be as follows:

This is one of the Notes of the Series designated therein referred to in the within mentioned Fiscal and Paying Agency Agreement.

Dated:

DEUTSCHE BANK TRUST
COMPANY AMERICAS, as Fiscal
and Paying Agent
By DEUTSCHE BANK NATIONAL
TRUST COMPANY

By _____
Authorized Signatory

5. EXCHANGE OF GLOBAL NOTES

- (1) Where a Global Note is to be exchanged for Certificated Notes in accordance with its terms, the Fiscal and Paying Agent is authorized by the Issuer and instructed:
- (a) to authenticate the Certificated Notes in accordance with the provisions of this Agreement; and
 - (b) to deliver the Certificated Notes to or to the order of DTC, Euroclear and/or Clearstream, Luxembourg, and as the Fiscal and Paying Agent may be directed by the Holder of the Certificated Notes.

- (2) The Fiscal and Paying Agent shall notify the Issuer as soon as practicable after it receives a request for the issue of Certificated Notes in accordance with the provisions of a Global Note and the aggregate nominal amount of the Global Note to be exchanged. The Fiscal and Paying Agent will cause, in accordance with the instructions and procedures of DTC, Euroclear and/or Clearstream, Luxembourg, the aggregate principal amount of the Global Note to be reduced and, following such reduction, the Issuer will execute and, upon receipt of an authentication order in the form of an Officer's Certificate, the Fiscal and Paying Agent will authenticate and make available for delivery to such Person a Certificated Note.
- (3) The Issuer undertakes to deliver to the Fiscal and Paying Agent sufficient numbers of executed Certificated Notes to enable the Fiscal and Paying Agent to comply with its obligations under this Agreement.
- (4) A beneficial interest in a Global Note may be exchanged for a Certificated Note only as provided in this clause 5 or only if such exchange occurs in connection with a transfer effected in accordance with clause 6 below, provided that, if such interest is a beneficial interest in a Restricted Note, then such interest shall be exchanged for a Restricted Note. A Note that is not a Global Note may be exchanged for a beneficial interest in a Global Note only if such exchange occurs in connection with a transfer effected in accordance with clause 6.

6. TRANSFER OF NOTES

- (1) Transfers of Notes may only be made to Qualified Institutional Buyers or, if specified in the applicable pricing supplement, Accredited Investors, as provided herein. With respect to each Series of Notes, no Noteholder may, in any transaction or series of transactions, directly or indirectly (each of the following, a "transfer"), (a) sell, assign, or otherwise in any manner dispose of all or any part of its interest in any Note issued to it, whether by act, deed, merger or otherwise, or (b) mortgage, pledge or create a lien or security interest in such beneficial interest unless such transfer satisfies the conditions set forth in this section. No purported transfer of any interest in any Note of any Series or any portion thereof which is not made in accordance with this section shall be given effect by or be binding upon the Issuer and any such transfer shall be void *ab initio* and vest in the transferee no rights against the Issuer.
- (2) Conditions to Transfer. With respect to each Series of Notes, a Noteholder may transfer a Note or its beneficial interest in a Note only in accordance with the following provisions:
 - (a)
 - (i) Notes may be transferred only to a person that is: either (A) (i) a U.S. person (within the meaning of Regulation S of the Securities Act), (ii) a Qualified Institutional Buyer under Rule 144A(a)(1), (iii) aware that the sale of the notes to it is being made in reliance on Rule 144A, and (iv) acquiring such notes for its own account or the account of a qualified institutional buyer, (B) if permitted in the applicable pricing supplement, an Accredited Investor acquiring the notes for investment purposes and not for distribution in violation of the Securities Act or (C) a foreign purchaser that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary as referred to above) in accordance with Rule 903 or 904 of Regulation S under the Securities Act.
 - (ii) Such person understands and acknowledges that the Issuer has not been registered under the Investment Company Act and that the Notes have not been, and will not be, registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred by it except (A) to the Issuer (B) within

the United States to a Qualified Institutional Buyer, purchasing for its own account or the account of a Qualified Institutional Buyer under Rule 144A(a)(1) whom the seller has informed, in each case, that the offer, resale, pledge or other transfer is being made in reliance on Rule 144A, in accordance with all applicable securities laws of the states of the United States and foreign jurisdictions, (C) or if permitted in the applicable pricing supplement, to an Accredited Investor acquiring the Notes for investment purposes and not for distribution in violation of the Securities Act and any applicable securities laws of the states of the United States and foreign jurisdictions or (D) outside the United States, in compliance with Rule 903 or 904 of Regulation S under the Securities Act.

- (iii) Such person will, and each subsequent holder or beneficial owner will be required to, notify any subsequent purchaser of the Notes from it of the resale restrictions referred to in paragraph (2) above.
- (iv) On each day from the date on which such person acquires an interest in a Note through and including the date on which it disposes of such interests, either (a) it is not an “employee benefit plan” as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), subject to Title I of ERISA, a plan subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), an entity whose underlying assets include the assets of any Plan (as defined in “ERISA Matters”), or a governmental or church plan which is subject to any federal, state or local law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Internal Revenue Code or (b) its purchase, holding and disposition of its interest in a Note will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code (or, in the case of a governmental or church plan, any substantially similar federal, state or local law) unless an exemption is available with respect to such transactions and all the conditions of such exemption have been satisfied.

Transfers to Accredited Investors may only be made in the form of Certificated Notes. All transferees of Restricted Notes must deliver to the Fiscal and Paying Agent a certificate substantially in the form of Schedule 3 hereto.

- (b) Securities Act. No transfer of any Note of a Series shall be made unless such transfer is made pursuant to an effective registration statement under the Securities Act and registration or qualification under applicable state securities laws or is exempt from such registration or qualification requirements.
- (3) Invalid Transfers. If the Fiscal and Paying Agent determines that (i) a transfer or attempted or purported transfer of any interest in any Note of a Series was consummated in compliance with the provisions of this clause 6 on the basis of an incorrect form or certification from the transferee or purported transferee, (ii) a transferee failed to deliver to the Fiscal and Paying Agent any form or certificate required to be delivered hereunder or (iii) the holder of any interest in a Note of a Series is in breach of any representation or agreement set forth in any certificate or any deemed representation or agreement of such holder, the Fiscal and Paying Agent will not register such attempted or purported transfer and if a transfer has been registered, such transfer shall be absolutely null and void *ab initio* and shall vest no rights in the purported transferee (such purported transferee, a “Disqualified Transferee”) and the last preceding Holder of such Note that

was not a Disqualified Transferee shall be restored to all rights as a Holder thereof retroactively to the date of transfer of such Note by such holder.

In addition, the Fiscal and Paying Agent may require that the interest in Notes referred to in (i), (ii) or (iii) above be transferred to any person designated by the Issuer at a price determined by the Issuer based upon its estimation of the prevailing price of such interest and each Holder, by acceptance of an interest in a Note, authorizes the Fiscal and Paying Agent to take such action. In any case, the Fiscal and Paying Agent will not be held responsible for any losses that may be incurred as a result of any required transfer under this section.

Notwithstanding anything contained herein to the contrary, the Fiscal and Paying Agent shall not be responsible for ascertaining whether any transfer complies with the registration provisions or exemptions from the Securities Act, applicable state securities law or the Investment Company Act. If a certificate is specifically required to be delivered to the Fiscal and Paying Agent by a purchaser or transferee of a Note of a Series, the Fiscal and Paying Agent shall be under a duty to examine the same to determine whether it conforms to the requirements of this Fiscal and Paying Agency Agreement and shall promptly notify the party delivering the same if such certificate does not conform.

- (4) Securities Legend. Each Note of a Series issued hereunder that is 144A Global Note will contain the following legend:

“THE ISSUER OF THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER (THE “INVESTMENT COMPANY ACT”). THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAW. THE HOLDER HEREOF BY PURCHASING THIS SECURITY AGREES FOR THE BENEFIT OF GLITNIR BANKI HF. (THE “ISSUER”) THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS AND ONLY (1) TO THE ISSUER, (2) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A AND (3) IF PERMITTED IN THE APPLICABLE PRICING SUPPLEMENT TO AN INSTITUTIONAL INVESTOR THAT QUALIFIES AS AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF THE SECURITIES ACT) ACQUIRING THE SECURITY FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

THIS SECURITY IS A GLOBAL SECURITY AND IS REGISTERED IN THE NAME OF THE DEPOSITARY OR A NOMINEE OF THE DEPOSITARY, WHICH MAY BE TREATED BY THE ISSUER AND ANY AGENT THEREOF AS OWNER AND HOLDER OF THIS SECURITY FOR ALL PURPOSES.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PRIOR TO ANY TRANSFER, THE HOLDER WILL DELIVER TO THE ISSUER AND THE FISCAL AND PAYING AGENT SUCH CERTIFICATES, OPINIONS AND OTHER INFORMATION AS THE ISSUER AND THE FISCAL AND PAYING AGENT MAY REASONABLY REQUIRE.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN CERTIFICATED FORM IN THE LIMITED CIRCUMSTANCES REFERRED TO IN THE AGENCY AGREEMENT, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.”

Each Note of a Series issued hereunder that is a Regulation S Global Note will contain the following legend:

“THE ISSUER OF THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER (THE “INVESTMENT COMPANY ACT”). THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAW. THE HOLDER HEREOF BY PURCHASING THIS SECURITY AGREES FOR THE BENEFIT OF GLITNIR BANKI HF. (THE “ISSUER”) THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS AND ONLY (1) TO THE ISSUER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT AND (3) IF PERMITTED IN THE APPLICABLE PRICING SUPPLEMENT TO AN INSTITUTIONAL INVESTOR THAT QUALIFIES AS AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF THE SECURITIES ACT) ACQUIRING THE SECURITY FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

THIS SECURITY IS A GLOBAL SECURITY AND IS REGISTERED IN THE NAME OF THE DEPOSITARY OR A NOMINEE OF THE DEPOSITARY, WHICH MAY BE TREATED BY THE ISSUER AND ANY AGENT THEREOF AS OWNER AND HOLDER OF THIS SECURITY FOR ALL PURPOSES.

PRIOR TO ANY TRANSFER, THE HOLDER WILL DELIVER TO THE ISSUER AND THE FISCAL AND PAYING AGENT SUCH CERTIFICATES, OPINIONS AND OTHER INFORMATION AS THE ISSUER AND THE FISCAL AND PAYING AGENT MAY REASONABLY REQUIRE.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN CERTIFICATED FORM IN THE LIMITED CIRCUMSTANCES REFERRED TO IN THE AGENCY AGREEMENT, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.”

7. RULE 144A INFORMATION

Upon the request of any Holder, the Issuer shall promptly furnish to such Holder or to a prospective purchaser of a Restricted Note of a Series designated by such Holder, as the case may be, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act (“Rule 144A Information”) in order to permit compliance by such Holder with Rule 144A in connection with the resale of such Note by such Holder.

8. DETERMINATION OF END OF DISTRIBUTION COMPLIANCE PERIOD

- (1) In the case of a Tranche issued in reliance upon Regulation S under the Securities Act in respect of which there is only one Dealer, the Fiscal and Paying Agent will determine the end of the Distribution Compliance Period in respect of such Tranche as being the fortieth day following the date certified by the relevant Dealer to the Fiscal and Paying Agent as being the date as of which distribution of the Notes of that Tranche was completed.
- (2) In the case of a Tranche issued in reliance upon Regulation S under the Securities Act in respect of which there is more than one Dealer but which is not issued on a syndicated basis, the Fiscal and Paying Agent will determine the end of the Distribution Compliance Period in respect of such Tranche as being the fortieth day following the latest of the dates certified by all the relevant Dealers to the Fiscal and Paying Agent as being the respective dates as of which distribution of the Notes of that Tranche purchased by each such Dealer was completed.
- (3) In the case of a Tranche issued on a syndicated basis issued in reliance upon Regulation S under the Securities Act, the Fiscal and Paying Agent will determine the end of the Distribution Compliance Period in respect of such Tranche as being the fortieth day following the date certified by the lead manager to the Fiscal and Paying Agent as being the date as of which distribution of the Notes of that Tranche was completed.
- (4) Forthwith upon determining the end of the Distribution Compliance Period in respect of any Tranche issued in reliance upon Regulation S under the Securities Act, the Fiscal and Paying

Agent shall notify such determination to the Issuer, Euroclear, Clearstream, Luxembourg and the relevant Dealer or lead manager, as the case may be.

9. TERMS OF ISSUE

- (1) The Fiscal and Paying Agent shall cause all Notes delivered to and held by it under this Agreement to be maintained in safe custody and shall ensure that such Notes are issued only in accordance with the provisions of this Agreement, the Conditions and, where applicable, the relevant Global Note.
- (2) For the purposes of clause 4, the Fiscal and Paying Agent is entitled to treat facsimile communication from a person purporting to be (and who the Fiscal and Paying Agent believes in good faith to be) the authorized representative of the Issuer named in the list referred to in, or notified pursuant to, clause 22(6), or any other list duly provided for the purpose by the Issuer to the Fiscal and Paying Agent, as sufficient instructions and authority of the Issuer for the Fiscal and Paying Agent to act in accordance with clause 4.
- (3) The Fiscal and Paying Agent shall provide DTC, Euroclear and/or Clearstream, Luxembourg with the notifications, instructions or information to be given by the Fiscal and Paying Agent to DTC, Euroclear and/or Clearstream, Luxembourg.
- (4) If the Fiscal and Paying Agent pays (it being understood it has no obligation to do so) an amount (the "Advance") to the Issuer on the basis that a payment (the "Payment") will be received from a Dealer, and if the Payment is not received by the Fiscal and Paying Agent on the date the Fiscal and Paying Agent pays the Issuer, the Issuer shall repay to the Fiscal and Paying Agent the Advance and shall pay interest on the Advance (or the unreimbursed portion thereof) from (and including) the date the Advance is made to (but excluding) the earlier of repayment of the Advance or receipt by the Fiscal and Paying Agent of the Payment at a rate quoted at that time by the Fiscal and Paying Agent as its cost of funding the Advance.

Except in the case of issues where the Fiscal and Paying Agent does not act as receiving bank for the Issuer in respect of the purchase price of the Notes being issued, if on the Issue Date a Dealer does not pay the full purchase price due from it in respect of any Note (the "Defaulted Note") and, as a result, the Defaulted Note remains in the Fiscal and Paying Agent's distribution account with DTC, Euroclear and/or Clearstream, Luxembourg after the Issue Date, the Fiscal and Paying Agent will continue to hold the Defaulted Note to the order of the Issuer. The Fiscal and Paying Agent shall notify the Issuer as soon as practicable of the failure of the Dealer to pay the full purchase price due from it in respect of any Defaulted Note and, subsequently, shall (a) notify the Issuer as soon as practicable on receipt from the Dealer of the full purchase price in respect of any Defaulted Note and (b) pay to the Issuer the amount so received.

10. PAYMENTS

- (1) The Issuer will, before 10:00 a.m. (New York City time or, in the case of Physical Delivery Notes, local time in the relevant financial center of the delivery), on each date on which any payment or, if applicable, Physical Delivery Amount in respect of any Note becomes due under the Conditions before such date), transfer to an account specified by the Fiscal and Paying Agent either:

- (a) an amount in the relevant currency sufficient for the purposes of the payment in funds settled through such payment system as the Fiscal and Paying Agent and the Issuer may agree; or
 - (b) in the case of Physical Delivery Notes, Underlying Assets in an amount sufficient for the purposes of the delivery of the Physical Delivery Amount.
- (2) Any amounts paid by, or by arrangement with, the Issuer to the Fiscal and Paying Agent under sub-clause (1) shall be held in the relevant account referred to in sub-clause (1) for payment to the Noteholders until any Notes become void under Condition 13. In the event any Notes become void under Condition 13, the Fiscal and Paying Agent shall repay to the Issuer sums equivalent to the amounts which would otherwise have been repayable on the relevant Notes.
- (3) The Issuer will ensure that no later than 10:00 a.m. (New York City time) on the second Business Day immediately preceding the date on which any payment is to be made to the account specified by the Fiscal and Paying Agent under sub-clause (1), the Fiscal and Paying Agent shall receive a payment confirmation by facsimile from the paying bank of the Issuer.
- (4) The Fiscal and Paying Agent shall notify each of the other Paying Agents as soon as practicable:
 - (a) if it has not by the relevant date set out in clause 10(1) received unconditionally the full amount in the Specified Currency or Underlying Assets required for the payment; and
 - (b) if it receives unconditionally the full amount of any sum payable in respect of the Notes after that date.
- (5) The Fiscal and Paying Agent shall, at the expense of the Issuer, as soon as practicable on receiving any amount as described in sub-clause (4)(b), cause notice of that receipt to be given to DTC, Euroclear and/or Clearstream, Luxembourg.
- (6) Unless it has received notice under sub-clause 4(a), each Paying Agent shall, solely from amounts received by it, pay or cause to be paid all amounts due in respect of the Notes on behalf of the Issuer in the manner provided in the Conditions. If any payment provided for in sub-clause (1) is made late but otherwise in accordance with the provisions of this Agreement, each Paying Agent shall nevertheless make payments in respect of the Notes as stated above following receipt by it of such payment.
- (7) If for any reason the Fiscal and Paying Agent considers in its sole discretion that the amounts to be received by it under sub-clause (1) will be, or the amounts actually received by it are, insufficient to satisfy all claims in respect of all payments then falling due in respect of the Notes, no Paying Agent shall be obliged to pay any such claims until the Fiscal and Paying Agent has received the full amount of all such payments.
- (8) Without prejudice to sub-clause (5), if the Fiscal and Paying Agent pays (it being understood that it has no obligation to do so) any amounts to the holders of Notes or to any other Paying Agent at a time when it has not received payment in full in respect of the relevant Notes in accordance with sub-clause (1) (the excess of the amounts so paid over the amounts so received being the “Shortfall”), the Issuer will, in addition to paying amounts due under sub-clause (1), pay to the Fiscal and Paying Agent on demand interest (at a rate which represents the Fiscal and Paying Agent’s cost of funding the Shortfall, as solely determined by the Fiscal and Paying Agent) on the

Shortfall (or the unreimbursed portion thereof) until the receipt in full by the Fiscal and Paying Agent of the Shortfall.

- (9) The Fiscal and Paying Agent shall on demand promptly reimburse each other Paying Agent for payments in respect of Notes properly made by each Paying Agent in accordance with this Agreement and the Conditions unless the Fiscal and Paying Agent has notified the relevant Paying Agent, prior to its opening of business on the due date of a payment in respect of the Notes, that the Fiscal and Paying Agent does not expect to receive sufficient funds to make payment of all amounts falling due in respect of such Notes. In no event shall the Fiscal and Paying Agent be required to reimburse any Paying Agent for payments in respect of Notes properly made by such Paying Agent until the Fiscal and Paying Agent shall have received sufficient funds from the Issuer.
- (10) While any Notes are represented by Global Notes, all payments due in respect of the Notes shall be made to, or to the order of, the Holder of the Global Notes, subject as provided in sub-clause (8) and subject to and in accordance with the provisions of the Global Notes.
- (11) If the amount of principal and/or interest then due for payment is not paid in full (otherwise than by reason of a deduction required by law to be made or a certification required by the terms of a Note not being received), the Fiscal and Paying Agent shall make a record in the Register and each record shall, in the absence of manifest error, be prima facie evidence that the payment in question has not to that extent been made.

11. NOTICE OF ANY WITHHOLDING OR DEDUCTION

- (1) If the Issuer is, in respect of any payment, compelled to withhold or deduct any amount for or on account of taxes, duties, assessments or governmental charges as specifically contemplated under the Conditions, it shall give notice of that fact to the Fiscal and Paying Agent as soon as it becomes aware of the requirement to make the withholding or deduction and shall give to the Fiscal and Paying Agent such information as it shall require to enable it to comply with the requirement.
- (2) If any Agent is, in respect of any payment of principal or interest in respect of the Notes, compelled to withhold or deduct any amount for or on account of any taxes, duties, assessments or governmental charges as specifically contemplated under the Conditions, other than arising under sub-clause (1) or by virtue of the relevant holder failing to satisfy any certification or other requirement in respect of its Notes, it shall give notice of that fact to the Issuer and the Fiscal and Paying Agent as soon as it becomes aware of the requirement to withhold or deduct.

12. OTHER DUTIES OF THE FISCAL AND PAYING AGENT

- (1) The Fiscal and Paying Agent shall perform the duties set out in this Agreement and the Conditions and, in performing those duties, shall act in accordance with the Conditions and this Agreement and shall have the same rights, benefits, privileges and immunities with respect to the duties under the Conditions as it has under this Agreement, including those under Section 2.
- (2) The Fiscal and Paying Agent shall, so long as any Registered Note is outstanding:
 - (a) maintain at its specified office a register (the “Register”) of the holders of the Registered Notes which shall show (i) the nominal amount of Notes represented by each Global Note, (ii) the nominal amounts and the serial numbers of the Certificated Notes, (iii) the

dates of issue of all Notes, (iv) all subsequent transfers and changes of ownership of Notes, (v) the names and addresses of the holders of the Notes, (vi) all cancellations of Registered Notes, whether because of their purchase by the Issuer, replacement or otherwise and (vii) all replacements of Notes (subject, where appropriate, in the case of (vi), to the Registrar having been notified as provided in this Agreement);

- (b) effect exchanges of interests between different Global Notes of the same Series, and interests in Global Notes for Certificated Notes and *vice versa*, in accordance with the Conditions and this Agreement, and keep a record of all exchanges;
- (c) register all transfers of Certificated Notes;
- (d) make any necessary notations on Global Notes following transfer or exchange of interests in them;
- (e) receive any document in relation to or affecting the title to any of the Notes including all forms of transfer, forms of exchange, probates, letters of administration and powers of attorney;
- (f) promptly, and in any event within three Business Days (being days when banks are open for business in the city in which the specified office of the Registrar is located) of the relevant request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), (i) upon receipt by it of Certificated Notes for transfer or (ii) following the endorsement of a reduction in nominal amount of a Global Note for exchange into Certificated Notes, authenticate and deliver at its specified office to the transferee or (at the risk of the transferee) send to the address requested by the transferee duly dated and completed Certificated Notes of a like aggregate nominal amount to the Certificated Notes transferred and, in the case of the transfer of part only of a Certificated Note, authenticate and deliver at its specified office to the transferor or (at the risk of the transferor) send to the address requested by the transferor, a duly dated and completed Certificated Note in respect of the balance of the Certificated Notes not so transferred;
- (g) if it shall deem appropriate, charge to the holder of a Note presented for exchange or transfer (i) the costs or expenses (if any) of delivering Notes issued on exchange or transfer other than by regular uninsured mail and (ii) a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration and, in each case, account for those charges;
- (h) maintain proper records of the details of all documents and certifications (including, but not limited to, certifications in the form of Schedule 5) and letters received by itself;
- (i) prepare any lists of Holders of the Notes required by the Issuer or any person authorized by the Issuer;
- (j) subject to applicable laws and regulations at all reasonable times during office hours make the Register available to the Issuer or any person authorized by it or the Holder of any Note for inspection and for the taking of copies or extracts;
- (k) comply with the reasonable requests of the Issuer with respect to the maintenance of the Register and give to the other Agents any information reasonably required by them for the proper performance of their duties; and

- (1) comply with the terms of any Transfer Notices.
- (3) Notwithstanding anything to the contrary in this Agreement, in the event of a partial redemption of Notes under Condition 6, the Fiscal and Paying Agent shall not be required, unless so directed by the Issuer, (a) to register the transfer of Certificated Notes (or parts of Certificated Notes) or to effect exchanges of interests in Global Notes for Certificated Notes or vice versa during the period beginning on the sixty-fifth day before the date of the partial redemption and ending on the day on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive) or (b) to register the transfer of any Registered Note (or part of a Registered Note) called for partial redemption.
- (4) Notes shall be dated:
 - (a) in the case of a Note issued on the Issue Date, the Issue Date; or
 - (b) in the case of a Certificated Note issued in exchange for an interest in a Global Note, or upon transfer, with the date of registration in the Register of the exchange or transfer; or
 - (c) in the case of a Global Note issued to the transferor upon transfer in part of a Global Note, with the same date as the date of the Global Note transferred; or
 - (d) in the case of a Certificated Note issued under Condition 12, with the same date as the date of the lost, stolen, mutilated, defaced or destroyed Note in replacement of which it is issued.
- (5) The Fiscal and Paying Agent shall:
 - (a) accept Notes delivered to it, with the form of transfer on them duly executed, together with, as applicable, any Transfer Certificate for the transfer or exchange of all or part of the Registered Note in accordance with the Conditions;
 - (b) keep a stock of the forms of Transfer Certificates and make such forms available on demand to Holders of the Notes;
 - (c) immediately, and in any event within three Business Days of the relevant request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), (i) upon receipt by it of Certificated Notes for transfer (together with any certifications required by it including, but not limited to, a Transfer Certificate) or (ii) following the endorsement of a reduction in nominal amount of a Global Note for exchange into Certificated Notes, authenticate and deliver at its specified office to the transferee or (at the risk of the transferee) send to the address requested by the transferee duly dated and completed Certificated Notes of a like aggregate nominal amount to the Certificated Notes transferred and, in the case of the transfer of only part of a Certificated Note, authenticate and deliver at its specified office to the transferor or (at the risk of the transferor) send to the address requested by the transferor, a duly dated and completed Certificated Note in respect of the balance of the Certificated Notes not so transferred;
 - (d) if it shall deem appropriate, charge to the holder of a Note presented for exchange or transfer (i) the costs or expenses (if any) of delivering Notes issued on exchange or transfer other than by regular uninsured mail and (ii) a sum sufficient to cover any stamp

duty, tax or other governmental charge that may be imposed in relation to the registration; and

- (e) at the request of any Paying Agent deliver new Notes to be issued on partial redemptions of a Note.

13. REGULATIONS FOR TRANSFERS OF REGISTERED NOTES

Subject as provided below, the Issuer may from time to time agree with the Fiscal and Paying Agent as to reasonable regulations to govern the transfer and registration of Notes.

The initial regulations, which shall apply until amended under this clause, are set out in Schedule 4.

14. DUTIES OF THE AGENTS IN CONNECTION WITH EARLY REDEMPTION

- (1) If the Issuer decides to redeem any Notes for the time being outstanding before their Maturity Date (if any) in accordance with the Conditions, the Issuer shall give notice of the decision to the Fiscal and Paying Agent and stating the date on which the Notes are to be redeemed and the nominal amount of Notes to be redeemed not less than 30 days before the date on which the Issuer will give notice to the Noteholders in accordance with the Conditions of the redemption in order to enable the Fiscal and Paying Agent to carry out its duties in this Agreement and in the Conditions.
- (2) If only some of the Notes are to be redeemed, the Fiscal and Paying Agent shall, in the case of Certificated Notes, make the required drawing in accordance with the Conditions but shall give the Issuer reasonable notice of the time and place proposed for the drawing and the Issuer shall be entitled to send representatives to attend the drawing and shall, in the case of Notes in Global form, select the Notes to be redeemed in accordance with the rules of DTC, Euroclear and/or Clearstream, Luxembourg, all in accordance with the Conditions.
- (3) The Fiscal and Paying Agent shall at the request of the Issuer provide to DTC, Euroclear and/or Clearstream, Luxembourg the notice required in connection with any redemption and shall, if applicable, at the same time also provide a separate list of the serial numbers of any Certificated Notes previously drawn and not presented for redemption. The redemption notice shall specify the date fixed for redemption, the redemption amount, the manner in which redemption will be effected and, in the case of a partial redemption of Certificated Notes, the serial numbers of the Certificated Notes to be redeemed. The notice will be provided to DTC, Euroclear and/or Clearstream, Luxembourg in accordance with the Conditions. The Fiscal and Paying Agent will also notify the other Agents of any date fixed for redemption of any Notes.

15. RECEIPT AND PUBLICATION OF NOTICES

- (1) As soon as practicable after it receives a demand or notice from any Noteholder in accordance with the Conditions, the Fiscal and Paying Agent shall forward a copy to the Issuer.
- (2) On behalf of and at the request and expense of the Issuer, the Fiscal and Paying Agent shall cause to be provided to DTC, Euroclear and/or Clearstream, Luxembourg all notices required to be given by the Issuer to the Noteholders in accordance with the Conditions.

16. CANCELLATION OF NOTES

- (1) All Notes that are redeemed, all Global Notes that are exchanged in full, all Notes that have been transferred and all Notes that have been paid, shall be cancelled by the Agent which effects such exchange, transfer or payment. In addition, all Notes that are purchased on behalf of the Issuer or any of its subsidiaries and are surrendered to the Fiscal and Paying Agent for cancellation shall be cancelled by the Fiscal and Paying Agent.
- (2) The Fiscal and Paying Agent shall notify the Issuer in writing (which shall include a writing distributed via electronic mail or facsimile) as soon as reasonably practicable and in any event within three months after the date of each redemption, payment, cancellation or replacement, as the case may be, of:
 - (a) the aggregate nominal amount of Notes that have been redeemed and the aggregate amount paid in respect thereof and, if applicable, the Physical Delivery Amounts (if any) that have been paid and/or delivered in accordance with the Conditions;
 - (b) the number of Notes cancelled;
 - (c) the aggregate amount paid in respect of interest on the Notes; and
 - (d) in the case of Certificated Notes, the serial numbers of the Notes.
- (3) The Fiscal and Paying Agent shall dispose of all cancelled Notes and as soon as practicable following their disposal, send to the Issuer a certificate of the serial numbers of such Notes (in the case of Certificated Notes).
- (4) Without prejudice to the obligations of the Fiscal and Paying Agent under sub-clause (2), the Fiscal and Paying Agent shall keep a full and complete record of all Notes and their redemption, purchase on behalf of the Issuer or any of its subsidiaries, cancellation, payment or replacement (as the case may be) and of all replacement Notes issued in substitution for mutilated, defaced, destroyed, lost or stolen Notes and of all Physical Delivery Amounts (if any) paid and/or delivered in respect of the Notes. The Fiscal and Paying Agent shall at all reasonable times make the record available to the Issuer and any persons authorized by it for inspection and for the taking of copies of it or extracts from it.

17. ISSUE OF REPLACEMENT NOTES

- (1) The Issuer will cause a sufficient quantity of additional forms of Notes to be available, upon request, to the Fiscal and Paying Agent at its specified office for the purpose of issuing replacement Notes as provided below.
- (2) The Fiscal and Paying Agent will, subject to and in accordance with the Conditions and this clause, cause to be delivered any replacement Notes that the Issuer may determine to issue in place of Notes that have been lost, stolen, mutilated, defaced or destroyed.
- (3) The Fiscal and Paying Agent shall obtain a certificate signed by the Holder or its authorized representative in the case of an allegedly lost, stolen or destroyed Note in respect of which the serial number is known, that the Note has not previously been redeemed, paid or exchanged, as the case may be. The Fiscal and Paying Agent shall not issue any replacement Note unless and until the claimant shall have:

- (a) paid the costs and expenses incurred in connection with the issue;
 - (b) provided it with such evidence and indemnity as the Issuer may reasonably require; and
 - (c) in the case of any mutilated or defaced Note, surrendered it to the Fiscal and Paying Agent.
- (4) The Fiscal and Paying Agent shall cancel any mutilated or defaced Notes in respect of which replacement Notes have been issued under this clause and shall furnish the Issuer with a certificate stating the serial numbers of the Notes cancelled and, unless otherwise instructed by the Issuer in writing, shall destroy the cancelled Notes and give to the Issuer a destruction certificate containing the information specified in clause 16(2).
- (5) The Fiscal and Paying Agent shall, on issuing any replacement Note, as soon as practicable inform the Issuer and the other Agents of the serial number of the replacement Note issued and (if known) of the serial number of the Note in place of which the replacement Note has been issued.
- (6) The Fiscal and Paying Agent shall keep a full and complete record of all replacement Notes issued and shall make the record available at all reasonable times to the Issuer and any persons authorized by the Issuer for inspection and for the taking of copies of it or extracts from it.

18. COPIES OF DOCUMENTS AVAILABLE FOR INSPECTION

The Fiscal and Paying Agent shall hold available for inspection at its specified office during normal business hours copies of all documents required to be so available by the Conditions of any Notes or the rules of any relevant stock exchange. For these purposes, the Issuer shall provide the Paying Agents with sufficient copies of each of the relevant documents.

19. COMMISSIONS AND EXPENSES

The Issuer agrees to pay to the Fiscal and Paying Agent such fees and commissions as the Issuer and the Fiscal and Paying Agent shall separately agree in respect of the services of the Fiscal and Paying Agent under this Agreement, together with any out of pocket expenses (including reasonable legal, printing, postage, fax and advertising expenses) incurred by the Fiscal and Paying Agent in connection with its services.

20. INDEMNITY

The Issuer shall indemnify and hold harmless each of the Agents, their officers and employees from and against all actions, claims, damages, liabilities, losses and expenses (including legal fees and expenses) relating to or arising out of this Agreement or the Conditions, including, without limitation, any actions or omissions in any capacity hereunder, except actions, claims, damages, liabilities, losses and expenses caused by the gross negligence or willful misconduct of such Agent, its officers or employees. This provision shall survive the termination of this Agreement resignation or removal of the Agents and the payment in full of all obligations under the Notes, whether by redemption, repayment or otherwise.

21. RESPONSIBILITY OF THE AGENTS

- (1) No Agent shall be responsible to anyone with respect to the validity of this Agreement, the Conditions or the Notes or for any act or omission by it in connection with this Agreement, the

Conditions or any Note except for its own gross negligence or willful misconduct, including that of its officers and employees.

- (2) No Agent shall have any duty or responsibility in the case of any default by the Issuer in the performance of its obligations hereunder or under the Conditions or the Notes or, in the case of receipt of a written demand from a Noteholder, with respect to such default, provided however that as soon as practicable on receiving a notice given by a Noteholder in accordance with the Conditions, the Fiscal and Paying Agent notifies the Issuer of the fact and furnishes it with a copy of the notice.
- (3) Whenever in the performance of its duties under this Agreement an Agent shall deem it desirable that any matter be established by the Issuer prior to taking or suffering any action under this Agreement, the matter may be deemed to be conclusively established by a certificate signed by the Issuer and delivered to the Agent and the certificate shall be a full authorization to the Agent for any action taken or suffered in good faith by it under this Agreement or the Conditions in reliance upon the certificate.

22. CONDITIONS OF APPOINTMENT

- (1) Each Agent shall be entitled to deal with money paid to it by the Issuer for the purpose of this Agreement in the same manner as other money paid to a banker by its customers except that
 - (a) it shall not exercise any right of set-off, lien or similar claim in respect of the money; and
 - (b) it shall not be liable to account to the Issuer for any interest on the money.
- (2) In acting under this Agreement or the Conditions and in connection with the Notes, each Agent shall act solely as an agent of the Issuer and will not assume any obligations towards or relationship of agency or trust for or with any of the owners or holders of the Notes, except that funds received by an Agent for the payment of any sums due in respect of any Series of the Notes shall be held by it in trust for the relevant Noteholders until the expiration of the relevant period of prescription under the Conditions.
- (3) Each Agent undertakes to the Issuer to perform its duties, and shall be obliged to perform the duties and only the duties, specifically stated in this Agreement and the Conditions, and no implied duties or obligations shall be read into any of those documents against any Agent.
- (4) Each Agent shall be protected and shall incur no liability in respect of any action taken, omitted or suffered in reliance on any instruction from the Issuer or any document (including, without limitation, any Transfer Notice) that it reasonably believes to be genuine and to have been delivered by the proper party or on written instructions from the Issuer.
- (5) Any Agent and its officers, directors and employees may become the owner of, and/or acquire any interest in, any Notes with the same rights that it or he would have had if the Agent concerned were not appointed under this Agreement, and may engage or be interested in any financial or other transaction with the Issuer and may act on, or as depositary, trustee or agent for, any committee or body of holders of Notes or in connection with any other obligations of the Issuer as freely as if the Agent were not appointed under this Agreement.
- (6) The Issuer shall provide the Fiscal and Paying Agent with a certified copy of the list of persons authorized to execute documents and take action on its behalf in connection with this Agreement

and shall notify the Fiscal and Paying Agent immediately in writing if any of those persons ceases to be authorized or if any additional person becomes authorized together, in the case of an additional authorized person, with evidence that the person has been authorized.

- (7) Except as ordered by a court of competent jurisdiction or as required by law or applicable regulations, the Issuer and each of the Agents shall be entitled to treat the Holder of any Note as the absolute owner thereof (whether it is overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof).
- (8) The amount of the program may be increased by the Issuer in accordance with the procedure set out in the Distribution Agreement. Upon any increase being effected, all references in this Agreement to the amount of the program shall be deemed to be references to the increased amount.

23. COMMUNICATIONS BETWEEN THE PARTIES

A copy of all communications relating to the subject matter of this Agreement between the Issuer and any Agent (other than the Fiscal and Paying Agent) shall be sent to the Fiscal and Paying Agent.

24. CHANGES IN AGENTS

- (1) The Issuer agrees that, for so long as any Note is outstanding, or until moneys for the payment of all amounts in respect of all outstanding Notes have been made available to the Fiscal and Paying Agent and have been returned to the Issuer as provided in this Agreement, there shall at all times be a Fiscal and Paying Agent hereunder, which shall be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000 subject to supervision or examination by Federal or State authority and having its Corporate Trust Office in the Borough of Manhattan, The City of New York, if there be such a corporation in the Borough of Manhattan, The City of New York qualified and eligible under this sub-clause and willing to act on reasonable terms. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this clause, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Fiscal and Paying Agent shall cease to be eligible in accordance with the provisions of this clause, it shall resign immediately in the manner and with the effect hereinafter specified in this clause.

In addition, the Issuer shall immediately appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency (as provided in sub-clause (5)), when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice shall have been given to the Noteholders in accordance with Condition 16.

- (2) The Fiscal and Paying Agent may (subject as provided in sub-clause (4)) at any time resign by giving at least 45 days' written notice to the Issuer, specifying the date on which its resignation shall become effective.

- (3) The Fiscal and Paying Agent may (subject as provided in sub-clause (4)) be removed at any time by the Issuer on at least 45 days' written notice from the Issuer specifying the date on which the removal shall become effective.
- (4) Any resignation under sub-clause (2) or removal of the Fiscal and Paying Agent under sub-clauses (3) or (5) shall take effect only upon the appointment by the Issuer of a successor Fiscal and Paying Agent and, other than in cases of insolvency of the Fiscal and Paying Agent on the expiration of the notice to be given under clause 26. The Issuer agrees with the Fiscal and Paying Agent that if, by the day falling 10 days before the expiration of any notice under sub-clause (2), the Issuer has not appointed a successor Fiscal and Paying Agent then the Fiscal and Paying Agent shall be entitled, on behalf of the Issuer, to petition a court, at the expense of the Issuer, for the appointment of a successor.
- (5) In case at any time any Agent resigns, or is removed, or becomes incapable of acting or is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy or makes an assignment for the benefit of its creditors or consents to the appointment of an administrator, liquidator or administrative or other receiver of all or a substantial part of its property, or admits in writing its inability to pay or meet its debts as they mature or suspends payment of its debts, or if any order of any court is entered approving any petition filed by or against it under the provisions of any applicable bankruptcy or insolvency law or if a receiver of it or of all or a substantial part of its property is appointed or if any officer takes charge or control of it or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, a successor Agent, which shall be a reputable financial institution of good standing, may be appointed by the Issuer. Upon the appointment of a successor Agent and acceptance by it of its appointment and (other than in case of insolvency of the Agent when it shall be of immediate effect) upon expiration of the notice to be given under clause 26, the Agent so superseded shall cease to be an Agent under this Agreement.
- (6) Subject to sub-clause (1), the Issuer may, after prior consultation with the Fiscal and Paying Agent, terminate the appointment of any of the other Agents at any time and/or appoint one or more further or other Agents by giving to the Fiscal and Paying Agent and to the relevant other Agent at least 30 and no more than 45 days' written notice to that effect, other than in the case of insolvency.
- (7) Subject to sub-clause (1), all or any of the Agents (other than the Fiscal and Paying Agent) may resign their respective appointments under this Agreement at any time by giving the Issuer and the Fiscal and Paying Agent at least 30 days' written notice to that effect.
- (8) Upon its resignation or removal becoming effective, an Agent shall:
 - (a) in the case of the Fiscal and Paying Agent, upon payment of its charges hereunder immediately transfer all monies, assets and records held by it under this Agreement to the successor Agent; and
 - (b) be entitled to the payment by the Issuer of the commissions, fees and expenses and any other amounts payable in respect of its services under this Agreement before termination in accordance with the terms of clause 19.
- (9) Upon its appointment becoming effective, a successor or new Agent shall, without any further action, become vested with all the authority, rights, powers, duties and obligations of its predecessor or, as the case may be, an Agent under this Agreement.

25. MERGER AND CONSOLIDATION

- (1) The Issuer will not consolidate with, or sell or convey all or substantially all of its assets to, or merge into, any other corporation.
- (2) Any corporation into which any Agent may be merged or converted, or any corporation with which an Agent may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which an Agent shall be a party, or any corporation to which an Agent shall sell or otherwise transfer all or substantially all of its corporate trust assets or business shall, on the date when the merger, conversion, consolidation or transfer becomes effective and to the extent permitted by any applicable laws, become the successor Agent under this Agreement without the execution or filing of any paper or any further act on the part of the parties to this Agreement, unless otherwise required by the Issuer, and after the said effective date all references in this Agreement to the relevant Agent as the case may be, shall be deemed to be references to such successor corporation.

26. NOTIFICATION OF CHANGES TO AGENTS

Following receipt of notice of resignation from an Agent and immediately after appointing a successor or new Agent or on giving notice to terminate the appointment of any Agent or upon any person becoming Agent pursuant to clause 24, the successor or new Fiscal and Paying Agent (on behalf of and at the expense of the Issuer) shall give or cause to be given written notice of the fact to the Noteholders in accordance with the Conditions.

27. CHANGE OF SPECIFIED OFFICE

If any Agent determines to change its specified office it shall give to the Issuer and the Fiscal and Paying Agent written notice of that fact giving the address of the new specified office and stating the date on which the change is to take effect, which shall not be less than 30 nor more than 45 days after the notice. The Fiscal and Paying Agent (on behalf and at the expense of the Issuer) shall give or cause to be given written notice of the change to the Noteholders in accordance with the Conditions.

28. COMMUNICATIONS

- (1) All communications, notices and demands hereunder shall be by fax or letter delivered by hand. Each communication shall be made to the relevant party at the fax number or address and marked for the attention of the person or department from time to time specified in writing by that party to the others for the purpose.
- (2) A communication shall be deemed received (if by fax) when an acknowledgement of receipt is received or (if by letter) when received, in each case in the manner required by this clause. However, if a communication is received after business hours on any business day or on a day which is not a business day in the place of receipt it shall be deemed to be received and become effective at the opening of business on the next business day in the place of receipt. Every communication shall be irrevocable save in respect of any manifest error in it.
- (3) All communications, notices and demands to the Fiscal and Paying Agent hereunder shall not be deemed to be received by the Fiscal and Paying Agent until received by a Responsible Officer of the Fiscal and Paying Agent at the corporate trust office.

29. AMENDMENTS AND SUPPLEMENTAL AGREEMENTS

- (1) The Fiscal and Paying Agent and the Issuer may agree, without the consent of the Noteholders, to:
- (a) any modification (except as provided in the Conditions) to the Notes or of this Agreement that is not prejudicial to the interests of the Noteholders; or
 - (b) any modification of the Notes or this Agreement that is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

Any modification made under subparagraph (a) or (b) shall be binding on the Noteholders and shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

- (2) Supplemental Agreements Without Consent of Noteholders. Without the consent of any Noteholders, the Issuer and the Fiscal and Paying Agent, at any time and from time to time, may enter into one or more agreements supplemental hereto, in form satisfactory to the Fiscal and Paying Agent, for any of the following purposes:
- (a) to evidence the succession of another corporation, limited liability company or partnership to the Issuer and the assumption by any such successor of the covenants of the Issuer herein and in the Notes, to which succession the Fiscal and Paying Agent shall agree if (i) the successor is a corporation, limited liability company or partnership resident in the United States and (ii) in the opinion of counsel, such succession has no material adverse effect on the interests of the Noteholders of the Notes; or
 - (b) to change or eliminate any of the provisions of this Agreement, provided, that any such change or elimination shall become effective only when there is no Note outstanding of any Series created prior to the execution of such supplemental agreement that is entitled to the benefit of such provision; or
 - (c) to establish the form or terms of Notes of any Series; or
 - (d) to evidence and provide for the acceptance of appointment hereunder by a successor Fiscal and Paying Agent with respect to the Notes of one or more Series and to add to or change any of the provisions of this Agreement as shall be necessary to provide for or facilitate the administration of the agencies hereunder by more than one Fiscal and Paying Agent; or
 - (e) to cure any ambiguity, to correct or supplement any provision herein that may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Agreement, provided that such action shall not adversely affect the interests of the Noteholders of Notes of any Series in any material respect.
- (3) Supplemental Agreements with Consent of Noteholders. With the consent of the Noteholders of not less than 50% in principal amount of the outstanding Notes affected by such supplemental agreement, by Act of said Noteholders delivered to the Issuer and the Fiscal and Paying Agent, the Issuer and the Fiscal and Paying Agent may enter into an agreement or agreements

supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or of modifying in any manner the rights of the Noteholders of such Notes under this Agreement; provided, however, that no such supplemental agreement shall, without the consent of the Noteholder of each outstanding Note affected thereby,

- (a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Note, or reduce the principal amount thereof or the rate of interest thereon or change any Place of Payment where, or the coin or currency in which, any Note or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof; or
- (b) reduce the percentage amount of the outstanding Notes, the consent of whose Noteholders is required for any such supplemental agreement, or the consent of whose Noteholders is required for any waiver (of compliance with certain provisions of this Agreement or certain defaults hereunder and their consequences) provided for in this Agreement; or
- (c) modify any of the provisions of this clause, except to increase any such percentage or to provide that certain other provisions of this Agreement cannot be modified or waived without the consent of the Noteholder of each outstanding Note affected thereby; provided, however that this clause shall not be deemed to require the consent of any Noteholder with respect to changes in the references to the “Fiscal and Paying Agent” and concomitant changes in this clause or the deletion of this proviso, in accordance with the requirements of clause 29(2)(d).

A supplemental agreement that changes or eliminates any provision of this Agreement that has expressly been included solely for the benefit of one or more particular Notes, or that modifies the rights of the Noteholders of one or more particular Notes with respect to such covenant or other provision, shall be deemed not to affect the rights under this Agreement of the Noteholders of any other Notes.

It shall not be necessary for any Act of Noteholders under this clause to approve the particular form of any proposed supplemental agreement, but it shall be sufficient if such Act shall approve the substance thereof.

- (4) Execution of Supplemental Agreements. In executing, or accepting the additional trusts or agencies created by, any supplemental agreement permitted by this sub-clause or the modifications thereby of the trusts or agencies created by this Agreement, the Fiscal and Paying Agent shall be provided with, and (subject to clause 2(1)) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental agreement is authorized or permitted by this Agreement. The Fiscal and Paying Agent may, but shall not be obligated to, enter into any such supplemental agreement which affects the Fiscal and Paying Agent’s own rights, duties, benefits, privileges or immunities under this Agreement or otherwise.
- (5) Effect of Supplemental Agreements. Upon the execution of any supplemental agreement under this sub-clause, this Agreement shall be modified in accordance therewith, and such supplemental agreement shall form a part of this Agreement for all purposes; and every Noteholder of Notes theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

- (6) Reference to Supplemental Agreements. Notes of any Series authenticated and delivered after the execution of any supplemental agreement pursuant to this sub-clause may, and shall, if required by the Fiscal and Paying Agent, bear a notation in form approved by the Fiscal and Paying Agent as to any matter provided for in such supplemental agreement. If the Issuer shall so determine, new Notes of any Series so modified as to conform, in the opinion of the Fiscal and Paying Agent and the Issuer, to any such supplemental agreement may be prepared and executed by the Issuer and authenticated and delivered by the Fiscal and Paying Agent in exchange for outstanding Notes of such Series.

30. GOVERNING LAW AND SUBMISSION TO JURISDICTION

- (1) This Agreement is governed by, and shall be construed in accordance with, the internal laws of the State of New York, except for the subordination provisions described in the Terms and Conditions of the Notes attached hereto as Schedule 1 which are governed by, and shall be construed in accordance with, the laws of Iceland. The Issuer irrevocably consents and agrees, for the benefit of the holders from time to time of the Notes, that any legal action, suit or proceeding against it with respect to its obligations or liabilities arising out of or in connection with this Agreement or the Notes may be brought in any federal or state court located in the Borough of Manhattan, City and State of New York and, until amounts due and to become due in respect of the Notes have been paid, hereby irrevocably consents and submits to the non-exclusive jurisdiction of each such court in personam, generally and unconditionally with respect to any action, suit or proceeding for itself and in respect of its properties, assets and revenues. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement, the Notes, or the transactions contemplated hereby.
- (2) The Issuer has designated and appointed CT Corporation at 111 Eighth Avenue, 13th Floor, New York, NY 10011, in the Borough of Manhattan, City and State of New York, and CT Corporation has accepted such appointment, as its authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the Notes or this Agreement which may be instituted in any federal or state court located in the Borough of Manhattan, City and State of New York, but for that purpose only, and agrees that service of process upon said CT Corporation, directed to the attention of “Legal Department”, and written notice of said service given by the Person serving the same to it, addressed in accordance with the Conditions, shall be deemed in every respect effective service of process upon it in any such suit or proceeding in any federal or state court in the Borough of Manhattan, City and State of New York. The Issuer further agrees to take any and all action, including the execution and filing of any and all such documents and instruments, as may be necessary to continue such designation and appointment of said CT Corporation or its successor in full force and effect so long as any of the Notes shall be outstanding. The Fiscal and Paying Agent shall not be obligated and shall have no responsibility with respect to any failure by the Issuer to take any such action. Nothing in this clause shall affect the right of the Fiscal and Paying Agent or any Holder of any Note to serve process in any manner permitted by applicable law.
- (3) The Issuer agrees to indemnify the holder of Notes, against any loss incurred by the holder of Notes, as a result of any judgment or order being given or made for any amount due hereunder or under the Notes and such judgment or order being expressed and paid in a currency (the “Judgment Currency”) other than U.S. dollars and as a result of any variation as between (a) the rate of exchange at which the U.S. dollar amount is converted into the Judgment Currency for the purpose of such judgment or order, and (b) the rate of exchange at which the holder of Notes, as the case may be, is able to purchase U.S. dollars with the amount of the Judgment Currency

actually received by the holder of Notes, as the case may be. The foregoing indemnity 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.

31. COUNTERPARTS

This Agreement may be executed in any number of counterparts which shall have the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

32. NO SECURITY INTEREST CREATED

Nothing in this Agreement or in the Notes, express or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect in any jurisdiction where property of the Issuer or its Subsidiaries is or may be located.

33. LIMITATION ON INDIVIDUAL LIABILITY

No recourse under or upon any obligation, covenant or agreement contained in this Agreement or in any Note, or for any claim based thereon or otherwise in respect thereof, shall be had against any member, manager, officer, director or organizer, as such, past, present or future, of the Issuer or any successor entity, either directly or through the Issuer, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Agreement and the obligations issued hereunder are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the members, managers, officers, directors or organizer, as such, of the Issuer or any successor entity, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Agreement or in any Note or implied therefrom; and that any and all such personal liability of every name and nature, either at common law or in equity or by constitution or statute of, and any and all such rights and claims against, every such member, manager, officer, director or organizer, as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Agreement or in any Note or implied therefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Agreement and the issuance of such Note.

SIGNATORIES

This Agreement has been entered into on the date stated at the beginning of this Agreement.

The Issuer

GLITNIR BANKI HF.
Kirkjusandur 2
155 Reykjavík
Iceland
Telephone: +354 440 4000
Fax: +354 440 4001
Attention: International Funding

By: _____
Name:
Title:

The Fiscal and Paying Agent

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Fiscal and Paying Agent
60 Wall Street, 27th Floor
MS: NYC60-2710
New York, NY 10005
Attention: Trust and Securities Services

with a copy to:

Deutsche Bank National Trust Company
25 DeForest Avenue
MS: SUM01-0105
Summitt, NJ 07901
Telephone: 908 608 3153
Fax: 732 578 4635
Attention: Trust and Securities Services

DEUTSCHE BANK TRUST COMPANY AMERICAS, by
DEUTSCHE BANK NATIONAL TRUST COMPANY

By: _____
Name:
Title:

By: _____
Name:
Title:

The Other Paying Agent

DEUTSCHE BANK LUXEMBOURG S.A.,
as Paying Agent
2 Boulevard Konrad Adenauer
L-1115 Luxembourg
Telephone: +352 421 22 639
Fax: +352 47 31 36

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE 1

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions (the “Conditions”) of the notes (the “notes”) issued under the Fiscal and Paying Agency Agreement that (subject to completion and amendment) will be applicable to each series of notes, provided that the applicable pricing supplement in relation to any series of notes may specify other terms and conditions that shall, to the extent so specified or to the extent inconsistent with these Conditions, replace the following Conditions for the purposes of such series of notes. The Conditions, as modified by the relevant pricing supplement, shall be attached to and incorporated by reference into each note in global form and endorsed upon each note in certificated form.

As used herein, “series” means each original issue of notes together with any further issues that are denominated in the same currency and that have the same maturity date or redemption month, as the case may be, interest basis and interest payment dates, if any, and the terms of which, except for the issue date or interest commencement date and the issue price, are otherwise identical, including whether the notes are listed. The expressions “notes of the relevant series” and “holders of notes of the relevant series” and related expressions shall be construed accordingly.

To the extent the supplement or supplements for a particular series of notes specifies other terms and conditions that are in addition to, or inconsistent with, these terms and conditions, the new terms and conditions shall apply to the series of notes.

Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Fiscal and Paying Agency Agreement and the applicable pricing supplement, which are binding on them. The statements in this description are summaries of, and are subject to, the detailed provisions of the Fiscal and Paying Agency Agreement. Copies of the Fiscal and Paying Agency Agreement, and the supplement or supplements for the notes of any series, are available at the principal office of the Fiscal and Paying Agent.

Any reference herein to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system, approved by the Issuer and the Fiscal and Paying Agent.

Types of Notes

The Issuer may issue:

- “fixed rate notes” - notes that bear interest at a fixed rate;
- “floating rate notes” - notes that bear interest determined by reference to one or more interest rate bases, or by reference to one or more interest rate formulas;
- “zero coupon notes” - notes that bear no interest;
- “index linked notes” - notes that provide that the rate of return, including the principal, premium (if any), interest, or other amounts payable (if any), is determined by reference, either directly or indirectly, to the price or performance of one or more securities, debt obligations or a basket of debt obligations, currencies or composite currencies, commodities,

interest rates, stock indices, or other indices or formulae, in each case as specified in the applicable pricing supplement;

- “dual currency notes” - notes on which the Issuer will have the option of making each scheduled payment of principal and interest due on such notes in either the currency in which the face amount thereof is specified in the applicable pricing supplement or another currency specified therein;
- “physical delivery notes” - notes on which either an amount of principal and/or interest is payable by reference to an underlying equity, bond, security or other asset as may be specified in the applicable pricing supplement, the “underlying assets”;
- “variable coupon amount notes” - notes that bear interest at a variable rate;
- “discount notes” – notes that have an issue price that is less than 100% of the principal amount by more than a percentage equal to the product of 0.25% and the number of full years to the stated maturity of such notes, and which may not bear any interest currently or may bear interest at a rate that is below market rates at the time of issuance;
- “amortizing notes” – notes that provide for payments of principal and interest to be made in installments over the term of such notes; and
- any combination of the foregoing or, subject to all applicable laws and regulations, any other kind of note specified in the applicable pricing supplement.

Whenever dual currency notes or index linked notes bear interest on a fixed or floating rate basis, or on a non-interest-bearing basis, the provisions relating to fixed rate notes, floating rate notes and zero coupon notes, respectively, shall apply to such dual currency notes or index linked notes, where the context so admits.

The pricing supplement for each offering of notes will contain the terms of the offering and a specific description of the notes, including:

- the specific designation of the notes;
- the issue price;
- the principal amount;
- the issue date;
- the denominations or minimum denominations;
- whether the note is a fixed rate note, floating rate note, index linked note, dual currency note, physical delivery note, variable coupon amount note, discount note, or amortizing note;
- the method of determining and paying interest, including any applicable interest rate basis or bases, any initial interest rate, any interest reset dates, any payment dates, any index maturity, and any maximum or minimum rates of interest;
- the method for the calculation and payment of principal, premium (if any), interest and other amounts payable (if any);

- the maturity date;
- if applicable, the circumstances under which the note may be redeemed at the Issuer's option or repaid at your option prior to the maturity date set forth on the face of the note; and
- any other terms of the note which are different from those described in this offering circular.

1. STATUS OF SENIOR NOTES

The senior notes will constitute the Issuer's direct, unconditional and (subject to the provisions set forth under "Negative Pledge" below) unsecured obligations and will rank equally, without any preference among themselves and at least equally with all its other present and future unsecured, unconditional and senior indebtedness, other than statutorily preferred exceptions.

2. STATUS OF SUBORDINATED NOTES

The subordinated notes will constitute the Issuer's direct, unconditional, unsecured and subordinated obligations without any preference among themselves. The rights of holders of subordinated notes will be subordinated in accordance with and for purposes of Chapter X; Liquid Assets and Own Funds; Article 84 of the Act on Financial Undertakings No. 161/2002 (the "Act on Financial Undertakings") of the Icelandic Parliament and accordingly, on our insolvency or voluntary or involuntary liquidation, the subordinated notes rank in right of payment:

- (1) after payment of all the Issuer's obligations which are not expressed to be subordinated in accordance with and for the purposes of Chapter X; Liquid Assets and Own Funds; Article 84 of the Act or Financial Undertakings (or any provision in any other Act of the Icelandic Parliament which modifies or replaces those provisions);
- (2) at least pari passu with all the Issuer's other obligations (as defined below) which are expressed to be subordinated in accordance with and for the purposes of Chapter X; Liquid Assets and Own Funds; Article 84 of the Act, or Financial Undertakings (or any provision in any other act of the Icelandic Parliament which modifies or replaces those provisions); and
- (3) before the refund of any of the Issuer's share capital (hlutafe) and/or comparable capital and reserves (*sambaerilegt eigid fe*).

So long as any of the subordinated notes remain outstanding, the Issuer will not create any subordinated obligation other than in accordance with and the purposes of Chapter X; Liquid Assets and Own Funds; Article 84 of the Act or Financial Undertakings or any provision in any other act of the Icelandic Parliament which modifies or replaces those provisions. The provisions of this subsection will be governed by, and construed in accordance with, Icelandic law.

3. CERTAIN DEFINITIONS

"Business day" means a day which is both:

- (1) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York, New York, London, England and Reykjavik, Iceland and any

additional principal financial center (as defined below) specified in the applicable pricing supplement; and

- (2) either (a) in relation to any sum payable in a specified currency (as defined below) other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant specified currency (if other than London and any additional principal financial center and which if the specified currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (b) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System, or the “TARGET System”, is open, or a “TARGET Settlement Date”.

“Principal financial center” means, unless otherwise defined in any note, (1) the capital city of the country issuing the specified currency or (2) the capital city of the country to which the designated LIBOR currency relates, as applicable, except, that with respect to U.S. dollars, Australian dollars, pounds sterling, Canadian dollars, South African rand and Swiss francs, the “principal financial center” shall be New York City, Sydney and (solely in the case of the specified currency) Melbourne, London (solely in the case of the designated LIBOR currency), Toronto, Johannesburg and Zurich, respectively.

As used herein, “specified currency” means a currency issued and actively maintained as a country’s or countries’ recognized unit of domestic exchange by the government of any country and such term shall also include the euro, and “designated LIBOR currency” means the currency specified in the applicable pricing supplement as to which LIBOR shall be calculated or, if no such currency is specified in the applicable pricing supplement, U.S. dollars.

4. INTEREST

- (a) Interest on Fixed Rate Notes

Each fixed rate note bears interest on its outstanding amount from the interest commencement date at the rate per annum equal to the fixed rate of interest. Interest is payable semi-annually in arrears on the fixed interest payment dates in each year and on the maturity date. The first interest payment will be made on the fixed interest payment date next following the interest commencement date and, if the first anniversary of the interest commencement date is not a fixed interest payment date, will amount to the initial broken amount specified in the applicable pricing supplement. If the maturity date is not a fixed interest payment date, interest from and including the preceding fixed interest payment date, or the interest commencement date, to the maturity date will amount to the final broken amount. Except as provided in the applicable pricing supplement, the amount of interest payable on each fixed interest payment date in respect of the fixed interest period ending on such date will amount to the fixed coupon amount.

If interest is required to be calculated for a period ending other than on a fixed interest payment date, such interest shall be calculated by applying the fixed rate of interest to each specified denomination, multiplying such sum by the applicable day count fraction, and rounding the resulting figure to the nearest sub-unit of the relevant specified currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention as determined by the Issuer in its sole discretion.

Unless otherwise specified in the applicable pricing supplement, interest on fixed rate notes will be computed on the basis of a 360-day year of twelve 30-day months.

“Fixed interest period” means the period from, and including, a fixed interest payment date, or the interest commencement date, to, but excluding, the next, or first, fixed interest payment date.

“Sub-unit” means, with respect to any currency other than the U.S. dollar, the lowest amount of that currency available as legal tender in the country of that currency and, with respect to the U.S. dollar, means one cent.

(b) Interest on Floating Rate Notes

(i) Interest Payment Dates

The supplement or supplements shall set forth which of the following business day conventions shall be applicable.

If the “FRN convention” is specified in the applicable pricing supplement, interest shall be payable in arrears on each date, each an “interest payment date,” that numerically corresponds to their issue date or such other date as may be set forth in the applicable pricing supplement or, as the case may be, the preceding interest payment date, in the calendar month that is the number of months specified in the applicable pricing supplement after the month in which such issue date or such other date as aforesaid or, as the case may be, the preceding interest payment date occurred; provided that:

- (1) if there is no such numerically corresponding day in the calendar month on which an interest payment date should occur, then the relevant interest payment date will be the last day that is a business day in that month;
- (2) if an interest payment date would otherwise fall on a day that is not a business day, then the relevant interest payment date will be the first following day that is a business day unless that day falls in the next calendar month, in which case it will be the first preceding day that is a business day; and
- (3) if such issue date or such other date as aforesaid or, as the case may be, the preceding interest payment date occurred on the last day in a calendar month which was a business day, then all subsequent interest payment dates will be the last day that is a business day in the month that is the specified number of months after the month in which such issue date or such other date as aforesaid or, as the case may be, the preceding interest payment date occurred.

If the “modified following business day convention” is specified in the applicable pricing supplement, interest shall be payable in arrears on such dates (each an “interest payment date”) set forth in the applicable pricing supplement; provided that, if any interest payment date would otherwise fall on a date that is not a business day, the relevant interest payment date will be the first following day that is a business day unless that day falls in the next calendar month, in which case the relevant interest payment date will be the first preceding day that is a business day.

Each period beginning on, and including, such issue date or such other date as aforesaid and ending on, but excluding, the first interest payment date and each period beginning on, and including, an interest payment date and ending on, but excluding, the next succeeding interest payment date is herein called an “interest period.”

(ii) Rate of Interest

Interest on floating rate notes will be determined by reference to the applicable interest rate basis or bases, which may, as described below, include:

- the CD Rate;
- the CMT Rate;
- the Commercial Paper Rate;
- the Eleventh District Cost of Funds Rate;
- EURIBOR;
- the Federal Funds Rate;
- LIBOR;
- the Prime Rate;
- the Treasury Rate; or

such other interest rate basis or bases or interest rate formula as may be specified in the applicable pricing supplement.

Each floating rate note will have an interest rate basis or formula, which may be “ISDA Determination” or “Screen Rate Determination,” as described below. The interest rate payable from time to time on floating rate notes will be determined in the manner specified in the applicable pricing supplement.

- (a) ISDA Determination. If ISDA Determination is specified in the applicable pricing supplement as the manner in which the interest rate is to be determined, the interest rate for each interest period will be the relevant ISDA rate plus or minus the margin, if any, as indicated in the applicable pricing supplement.

“ISDA rate” for an interest period means a rate equal to the floating rate that would be determined by the calculation agent under an interest rate swap transaction if the calculation agent were acting as calculation agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as of the issue date of the first series of the relevant notes (the “ISDA Definitions”) and under which:

- the floating rate option is as specified in the applicable pricing supplement;
- the designated maturity is a period specified in the applicable pricing supplement; and
- the relevant reset date is the first day of that interest period if the applicable floating rate option is based on the London inter-bank offered rate (LIBOR) or on the Euro zone inter-bank offered rate (EURIBOR) for a currency;

unless otherwise specified in the applicable pricing supplement.

For purposes of this paragraph, “floating rate,” “calculation agent,” “floating rate option,” “designated maturity,” “margin” and “reset date” have the meanings given to those terms in the ISDA Definitions.

- (b) Screen Rate Determination. If “Screen Rate Determination” is specified in the applicable pricing supplement as the manner in which the rate of interest is to be determined, the rate of interest for each interest period will be either:
- the offered quotation; or
 - the arithmetic mean, rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards, of the offered quotations;

(expressed as a percentage rate per annum) for the reference rate or rates that appears or appear, as the case may be, on the relevant screen page of a commercial quotation service as at 11:00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the interest determination date in question plus or minus, as indicated in the applicable pricing supplement, the margin, if any, all as determined by the calculation agent. If five or more of such offered quotations are available on the relevant screen page, the highest, or, if there is more than one such highest quotation, one only of such quotations, and the lowest, or, if there is more than one such lowest quotation, one only of such quotations, shall be disregarded by the calculation agent for the purpose of determining the arithmetic mean, rounded as provided above, of such offered quotations.

The Fiscal and Paying Agency Agreement contains provisions for determining the interest rate if the relevant screen page is not available or if no such offered quotation appears or fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph. The applicable pricing supplement may, if agreed by the relevant dealers, set out such provisions in full.

- (c) Other. If the reference rate from time to time in respect of floating rate notes is specified in the applicable pricing supplement as being other than LIBOR or EURIBOR, the rate of interest in respect of such notes will be determined as provided in the applicable pricing supplement.

(iii) Determination of Rate of Interest and Calculation of Interest Amount

The calculation agent will, on or as soon as practicable after each date on which the rate of interest is to be determined, determine the rate of interest, subject to any minimum or maximum rate of interest specified in the applicable pricing supplement, and calculate the amount of interest payable on the floating rate notes in respect of each specified denomination for the relevant interest period. Each interest amount will be calculated by applying the rate of interest to the specified denomination, or if there is more than one, the lowest specified denomination, multiplying such sum by the “day count fraction” specified in the applicable pricing supplement and rounding the resulting figure to the nearest sub-unit of the relevant specified currency, one half of such a sub-unit being rounded upwards or otherwise in accordance with applicable market convention as determined by the Issuer in its sole discretion.

“Day count fraction” means, in respect of the calculation of an amount of interest for any interest period for a floating rate note:

- if “Actual/365” or “Actual/Actual ISDA” is specified in the applicable pricing supplement, the actual number of days in the interest period divided by 365, or, if any portion of that interest period falls in a leap year, the sum of (1) the actual number of days in that portion of

the interest period falling in a leap year divided by 366; and (2) the actual number of days in that portion of the interest period falling in a non-leap year divided by 365;

- if “Actual/365 (Fixed)” is specified in the applicable pricing supplement, the actual number of days in the interest period divided by 365;
- if “Actual/365 (sterling)” is specified in the applicable pricing supplement, the actual number of days in the interest period divided by 365 or, in the case of an interest payment date falling in a leap year, 366;
- if “Actual/360” is specified in the applicable pricing supplement, the actual number of days in the interest period divided by 360;
- if “30/360,” “360/360” or “Bond Basis” is specified in the applicable pricing supplement, the number of days in the interest period divided by 360, the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, unless (1) the last day of the interest period is the 31st day of a month but the first day of the interest period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (2) the last day of the interest period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month; and
- if “30E/360” or “Eurobond Basis” is specified in the applicable pricing supplement, the number of days in the interest period divided by 360, the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the interest period unless, in the case of an interest period ending on the maturity date, the maturity date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month.

(iv) Minimum and/or Maximum Interest Rate

If the applicable pricing supplement specifies a minimum interest rate for any interest period, then, if the rate of interest in respect of such interest period determined in accordance with the provisions described above, as appropriate, is less than such minimum interest rate, the rate of interest for such interest period shall be such minimum interest rate.

If the applicable pricing supplement specifies a maximum interest rate for any interest period, then, if the rate of interest in respect of such interest period determined in accordance with the provisions described above, as appropriate, is greater than such maximum interest rate, the rate of interest for such interest period shall be such maximum interest rate.

(v) Notification of Rate of Interest and Interest Amount

The Issuer will cause the rate of interest and each interest amount for each interest period and the relevant interest payment date to be notified to any stock exchange or relevant authority on which the relevant floating rate notes are for the time being listed or by which they have been admitted to listing and the notice to be published in accordance with “Notices” below as soon as possible after determination of the rate of interest and each interest amount, but in no event later than the fourth business day thereafter. Each interest amount and interest payment date so notified may subsequently be amended, or appropriate alternative arrangements made by way of adjustment, without prior notice in the event of an extension or shortening of the interest period. Any such amendment will be notified promptly to each stock exchange

or other relevant authority on which the relevant floating rate notes are for the time being listed and to the noteholders in accordance with “Notices” below. For the purposes of this paragraph, “business day” means a day, other than a Saturday or a Sunday, on which commercial banks are open for business in New York, London and Iceland. The provisions discussed in this paragraph also will apply to index linked notes.

(vi) Certificates to be Final

All certificates, communications, determinations, calculations and decisions made by the Fiscal and Paying Agent or, if applicable, calculation agent, shall, in the absence of manifest error, gross negligence or willful misconduct, be binding on the Issuer, the Fiscal and Paying Agent, or, if applicable, the calculation agent and all noteholders, and, in the absence of gross negligence or willful misconduct as aforesaid, no liability to the Issuer or the noteholders shall attach to the Fiscal and Paying Agent or, if applicable, the calculation agent, in connection with any such certificates, communications, determinations, calculations or decisions or the exercise or non-exercise by it of its powers, duties and discretions.

(vii) Zero Coupon Notes

If a zero coupon note becomes due and repayable prior to the maturity date and is not paid when due, the amount due and repayable shall be the amount determined in accordance with “Redemption and Purchase—Early Redemption Amounts” below, as its amortized face amount (as defined under “Early Redemption Amounts”). As from the maturity date, any overdue principal of such note shall bear interest at a rate per annum equal to the accrual yield specified in the applicable pricing supplement. Such interest shall continue to accrue, after as well as before any judgment, until the day on which all sums due in respect of such note up to that day are received by or on behalf of the holder of such note. Such interest will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each, and in the case of an incomplete month the actual number of days elapsed in that incomplete month or on such other basis as may be specified in the applicable pricing supplement.

(viii) Interest on Index Linked Notes and Physical Delivery Notes

For index linked notes and physical delivery notes, if applicable, for which the rate of interest and/or the amount of interest, whether on any interest payment date, fixed interest payment date, early redemption, maturity or otherwise, the rate of interest and/or the amount of interest shall be determined in accordance with the index and/or the formula or otherwise in the manner specified in the applicable pricing supplement.

(ix) Interest on Partly Paid Notes

For partly paid notes, other than partly paid notes that are zero coupon notes, interest will accrue as aforesaid on the paid-up nominal amount of such notes and otherwise as specified in the applicable pricing supplement.

(x) Interest Payments

Interest will be paid subject to and in accordance with the provisions of “Payments” below. Interest will cease to accrue on each note, or, in the case of redemption of part of a note, that part of the note, on the due date for redemption thereof unless, upon due presentation thereof, payment of principal or the payment, and/or delivery of the physical delivery amount, if applicable, is improperly withheld or refused, in which event interest will continue to accrue, as well after as before any judgment, until

whichever is the earlier of (1) the day on which all sums due in respect of such note up to that day are received by or on behalf of the holder of such note and (2) the day on which the Fiscal and Paying Agent has notified the holder thereof, either in accordance with “Notices” below, or individually, of receipt of all sums due in respect thereof up to that date.

(xi) Calculation Agent

Upon request of the holder of any floating rate note, the “calculation agent” (as specified in the applicable pricing supplement) will disclose the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the next succeeding interest reset date with respect to such floating rate note. Unless otherwise specified in the applicable pricing supplement, the “calculation date,” if applicable, pertaining to any interest determination date will be the earlier of (1) the tenth calendar day after the interest determination date or, if such day is not a business day, the next succeeding business day or (2) the business day immediately preceding the applicable interest payment date or the maturity, as the case may be. The calculation agent will notify the Issuer of the interest rate that will be become effective on the next succeeding interest reset date with respect to the floating rate note within four business days of the interest determination date.

Unless otherwise specified in the applicable pricing supplement, the calculation agent will determine each interest rate basis for the notes in accordance with the following provisions.

(xii) CD Rate

Unless otherwise specified in the applicable pricing supplement, “CD Rate” means, with respect to any interest determination date relating to a floating rate note for which the interest rate is determined with reference to the CD Rate, a “CD Rate interest determination date”, the rate on such date for negotiable U.S. dollar certificates of deposit having the index maturity specified in the applicable pricing supplement as published in H.15(519) (as defined below) under the heading “CDs (secondary market)” or, if not so published by 3:00 P.M., New York City time, on the related calculation date, the rate on such CD Rate interest determination date for negotiable U.S. dollar certificates of deposit of the index maturity specified in the applicable pricing supplement as published in H.15 Daily Update (as defined below), or such other recognized electronic source used for the purpose of displaying such rate, under the caption “CDs (secondary market)”. If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related calculation date, then the CD Rate on such CD Rate interest determination date will be calculated by the calculation agent and will be the arithmetic mean of the secondary market offered rates as of 10:00 A.M., New York City time, on such CD Rate interest determination date, of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in New York City (which may include the Dealers or their affiliates) selected by the calculation agent for negotiable U.S. dollar certificates of deposit of major United States money center banks for negotiable certificates of deposit with a remaining maturity closest to the index maturity specified in the applicable pricing supplement in an amount that is representative for a single transaction in that market at that time; however, if the dealers so selected by the calculation agent are not quoting as mentioned in this sentence, the CD Rate determined as of the CD Rate interest determination date will be the CD Rate in effect on the CD Rate interest determination date.

“Index maturity” means the period to maturity of the instrument or obligation with respect to which the related interest rate basis or bases will be calculated.

“H.15(519)” means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System.

“H.15 Daily Update” means the daily update of H.15(519), available through the worldwide web site of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/h15/update/>, or any successor site or publication.

(xiii) CMT Rate

Unless otherwise specified in the applicable pricing supplement, “CMT Rate” means, with respect to any interest determination date relating to a floating rate note for which the interest rate is determined with reference to the CMT Rate, a “CMT Rate interest determination date”, the rate displayed on the designated CMT Reuters page under the caption “. . . . Treasury Constant Maturities Federal Reserve Board Release H.15 Mondays Approximately 3:45 P.M.”, under the column for the designated CMT maturity index (as defined below) for (i) if the designated CMT Reuters page is 7051 or FRBCMT, the rate on such CMT Rate interest determination date and (ii) if the designated CMT Reuters page is 7052 or FEDCMT, the weekly or monthly average, as specified in the applicable pricing supplement, for the week or the month, as applicable, ended immediately preceding the week or the month, as applicable, in which the related CMT Rate interest determination date falls. If such rate is no longer displayed on the relevant page or is not so displayed by 3:00 P.M., New York City time, on the related calculation date, then the CMT Rate for such CMT Rate interest determination date will be such treasury constant maturity rate for the designated CMT maturity index as published in H.15(519). If such rate is no longer published or is not so published by 3:00 P.M., New York City time, on the related calculation date, then the CMT Rate on such CMT Rate interest determination date will be such treasury constant maturity rate for the designated CMT maturity index (or other United States Treasury rate for the designated CMT maturity index) for the CMT Rate interest determination date with respect to the interest reset date as may then be published by either the Board of Governors of the Federal Reserve System or the U.S. Department of the Treasury that the calculation agent determines to be comparable to the rate formerly displayed on the designated CMT Reuters page and published in H.15(519). If such information is not so provided by 3:00 P.M., New York City time, on the related calculation date, then the CMT Rate on the CMT Rate interest determination date will be calculated by the calculation agent and will be a yield to maturity based on the arithmetic mean of the secondary market offered rates as of approximately 3:30 P.M., New York City time, on such CMT Rate interest determination date reported, according to their written records, by three leading primary U.S. government securities dealers in New York City (which may include the Dealers or their affiliates), each, a “reference dealer”, selected by the calculation agent (from five such reference dealers selected by the calculation agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for the most recently issued direct noncallable fixed rate obligations of the United States, or “treasury notes”, with an original maturity of approximately the designated CMT maturity index and a remaining term to maturity of not less than such designated CMT maturity index minus one year. If the calculation agent is unable to obtain three such treasury note quotations, the CMT Rate on such CMT Rate interest determination date will be calculated by the calculation agent and will be a yield to maturity based on the arithmetic mean of the secondary market offered rates as of approximately 3:30 P.M., New York City time, on such CMT Rate interest determination date of three reference dealers in New York City (from five such reference dealers selected by the calculation agent and eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)), for treasury notes with an original maturity of the number of years that is the next highest to the designated CMT maturity index and a remaining term to maturity closest to the designated CMT maturity index and in an amount of at least US\$100,000,000. If three or four (and not five) of such reference dealers are quoting as described above, then the CMT Rate will be based on the arithmetic mean of the offered rates obtained and neither the highest nor the lowest of such quotes will be eliminated; however, if fewer than three reference dealers so selected by the calculation agent are quoting as mentioned herein, the CMT Rate determined as of such CMT Rate interest determination date will be the CMT Rate in effect on the CMT Rate Interest determination date. If

two treasury notes with an original maturity as described in the second preceding sentence have remaining terms to maturity equally close to the designated CMT maturity index, the calculation agent will obtain quotations for the treasury note with the shorter remaining term to maturity.

“Designated CMT maturity index” means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20 or 30 years) specified in the applicable pricing supplement with respect to which the CMT Rate will be calculated or, if no such maturity is specified in the applicable pricing supplement, 2 years.

“Designated CMT Reuters page” means the display on Reuters (or any successor service) on the page specified in the applicable pricing supplement (or any other page as may replace such page on such service) for the purpose of displaying Treasury Constant Maturities as reported in H.15(519), where page 7051 is specified the page shall be FRBCMT and where page 7052 is specified the page shall be FEDCMT or, if no such page is specified in the applicable pricing supplement, page FEDCMT.

(xiv) Commercial Paper Rate

Unless otherwise specified in the applicable pricing supplement, “Commercial Paper Rate” means, with respect to any interest determination date relating to a floating rate note for which the interest rate is determined with reference to the Commercial Paper Rate, a “Commercial Paper Rate interest determination date”, the money market yield (as defined below) on such date of the rate for commercial paper having the index maturity specified in the applicable pricing supplement as published in H.15(519) under the caption “Commercial Paper—Nonfinancial” or, if not so published by 3:00 P.M., New York City time, on the related calculation date, the rate on such Commercial Paper Rate interest determination date for commercial paper having the Index Maturity specified in the applicable pricing supplement as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption “Commercial Paper-Nonfinancial”. If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related calculation date, then the Commercial Paper Rate on such Commercial Paper Rate interest determination date will be calculated by the calculation agent and will be the money market yield of the arithmetic mean of the offered rates at approximately 11:00 A.M., New York City time, on such Commercial Paper Rate interest determination date of three leading dealers of U.S. dollar commercial paper in New York City (which may include the Dealers or their affiliates) selected by the calculation agent for commercial paper having the index maturity specified in the applicable pricing supplement placed for industrial issuers whose bond rating is “Aa”, or the equivalent, from a nationally recognized statistical rating organization; however, if the dealers so selected by the calculation agent are not quoting as mentioned in this sentence, the Commercial Paper Rate determined as of the Commercial Paper Rate interest determination date will be the Commercial Paper Rate in effect on the Commercial Paper Rate interest determination date.

“Money market yield” means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money market yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and “M” refers to the actual number of days in the applicable interest reset period.

(xv) Eleventh District Cost of Funds Rate

Unless otherwise specified in the applicable pricing supplement, “Eleventh District Cost of Funds Rate” means, with respect to any interest determination date relating to a floating rate note for which the interest rate is determined with reference to the Eleventh District Cost of Funds Rate, an “Eleventh District Cost of Funds Rate interest determination date”, the rate equal to the monthly weighted average cost of funds for the calendar month immediately preceding the month in which such Eleventh District Cost of Funds Rate interest determination date falls as set forth under the caption “11th Dist COFI” on the display on Reuters (or any successor service) on page COFI/ARMS (or any other page as may replace such page on such service) (“COFI/ARMS Page”) as of 11:00 A.M., San Francisco time, on such Eleventh District Cost of Funds Rate interest determination date. If such rate does not appear on the COFI/ARMS Page on such Eleventh District Cost of Funds Rate interest determination date, then the Eleventh District Cost of Funds Rate on such Eleventh District Cost of Funds Rate interest determination date shall be the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank (“FHLB”) District that was most recently announced, or the “Index”, by the FHLB of San Francisco as such cost of funds for the calendar month immediately preceding such Eleventh District Cost of Funds Rate interest determination date. If the FHLB of San Francisco fails to announce the Index on or prior to such Eleventh District Cost of Funds Rate interest determination date for the calendar month immediately preceding such Eleventh District Cost of Funds Rate interest determination date, the Eleventh District Cost of Funds Rate determined as of such Eleventh District Cost of Funds Rate interest determination date will be the Eleventh District Cost of Funds Rate in effect on such Eleventh District Cost of Funds Rate interest determination date.

(xvi) EURIBOR

Unless otherwise specified in the applicable pricing supplement, “EURIBOR” means the rate determined in accordance with the following provisions:

- (1) With respect to any interest determination date relating to a floating rate note for which the interest rate is determined with reference to EURIBOR, the rate for deposits in euro having the index maturity specified in such pricing supplement, commencing on such interest reset date, that appears on the designated EURIBOR page as of 11:00 A.M., Brussels time, on such EURIBOR interest determination date, or if no such rate so appears, as applicable, EURIBOR on such EURIBOR interest determination date will be determined in accordance with the provisions described in paragraph (2) below.
- (2) With respect to a EURIBOR interest determination date on which no rate appears on the designated EURIBOR page as specified in paragraph (1) above, the calculation agent will request the principal Euro-zone office of each of four major reference banks (which may include affiliates of the Dealers) in the Euro-zone interbank market, as selected by the calculation agent, to provide the calculation agent with its offered quotation for deposits in euro for the period of the index maturity specified in the applicable pricing supplement commencing on the applicable interest reset date, to prime banks in the Euro-zone interbank market at approximately 11:00 A.M., Brussels time, on such EURIBOR interest determination date and in a principal amount that is representative for a single transaction in euro in such market at such time. If fewer than two such quotations are so provided, then EURIBOR on such EURIBOR interest determination date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., Brussels time, on such EURIBOR interest determination date by three major banks (which may include affiliates of the Dealers) in the Euro-zone selected by the calculation agent for loans in euro to leading European banks, having the index maturity specified in the applicable pricing supplement and in a principal amount that is representative for a single transaction in euro in such market at such time; provided, however, that if the banks so selected by the

calculation agent are not quoting as mentioned in this sentence, EURIBOR determined as of the EURIBOR interest determination date will be EURIBOR in effect on the EURIBOR interest determination date.

“Designated EURIBOR page” means the display on the page specified in the applicable pricing supplement for the purpose of displaying the Euro-zone interbank rates of major banks for the euro; provided, however, if no such page is specified in the applicable pricing supplement, the display on Reuters (or any successor service) on the EURIBOR 01 page (or any other page as may replace such page on such service) will be used.

“EURIBOR” means the rate for deposits in euro designated as such and sponsored jointly by the European Banking Federation and ACI—The Financial Market Association (or any company established by the joint sponsors for the purposes of compiling and publishing such rates).

“Euro-zone” means the region comprised of member states of the European Union that have adopted the single currency in accordance with the Treaty on European Union signed at Maastricht on February 7, 1992.

(xvii) Federal Funds Rate

Unless otherwise specified in the applicable pricing supplement, “Federal Funds Rate” means, with respect to any interest determination date relating to a floating rate note for which the interest rate is determined with reference to the Federal Funds Rate, a “Federal Funds Rate interest determination date”, the rate with respect to such date for U.S. dollar federal funds as published in H.15(519) under the heading “Federal Funds (Effective)”, as such rate is displayed on Reuters (or any successor service) on page FEDFUNDS 1 (or any other page as may replace such page on such service) (“Reuters Page FEDFUNDS 1”), or, if such rate does not appear on Reuters Page FEDFUNDS 1 or is not so published by 3:00 P.M., New York City time, on the related calculation date, the rate with respect to such Federal Funds Rate interest determination date for U.S. dollar federal funds as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption “Federal Funds (Effective)”. If such rate does not appear on Reuters Page FEDFUNDS 1 or is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related calculation date, then the Federal Funds Rate with respect to such Federal Funds Rate interest determination date will be calculated by the calculation agent and will be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar federal funds arranged by three leading brokers of U.S. dollar federal funds transactions in New York City (which may include the Dealers or their affiliates) selected by the calculation agent prior to 9:00 A.M., New York City time, on the business day following such Federal Funds Rate interest determination date; however, if the brokers so selected by the calculation agent are not quoting as mentioned in this sentence, the Federal Funds Rate determined as of the Federal Funds Rate interest determination date will be the Federal Funds Rate in effect on the Federal Funds Rate interest determination date.

(xviii) LIBOR

Unless otherwise specified in the applicable pricing supplement, “LIBOR” means the rate determined in accordance with the following provisions:

- (1) With respect to any interest determination date relating to a floating rate note for which the interest rate is determined with reference to LIBOR, a “LIBOR interest determination date”, LIBOR will be the rate for deposits in the designated LIBOR currency having the index maturity specified in such pricing supplement, commencing on such interest reset

date, that appears on the designated LIBOR page as of 11:00 A.M., London time, on such LIBOR interest determination date, or if no such rate so appears, as applicable, LIBOR on such LIBOR interest determination date will be determined in accordance with the provisions described in paragraph (2) below.

- (2) With respect to a LIBOR interest determination date on which no rate appears on the designated LIBOR page as specified in paragraph (1) above, the calculation agent will request the principal London offices of each of four major reference banks (which may include affiliates of the Dealers) in the London interbank market, as selected by the calculation agent, to provide the calculation agent with its offered quotation for deposits in the designated LIBOR currency for the period of the index maturity specified in the applicable pricing supplement, commencing on the applicable interest reset date, to prime banks in the London interbank market at approximately 11:00 A.M., London time, on such LIBOR interest determination date and in a principal amount that is representative for a single transaction in the designated LIBOR currency in such market at such time. If at least two such quotations are so provided, then LIBOR on such LIBOR interest determination date will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, then LIBOR on such LIBOR interest determination date will be the arithmetic mean of the rates quoted at approximately 11:00 A.M., in the applicable principal financial center, on such LIBOR interest determination date by three major banks (which may include affiliates of the Dealers) in such principal financial center selected by the calculation agent for loans in the designated LIBOR currency to leading European banks, having the index maturity specified in the applicable pricing supplement and in a principal amount that is representative for a single transaction in the designated LIBOR currency in such market at such time; however, if the banks so selected by the calculation agent are not quoting as mentioned in this sentence, LIBOR determined as of the LIBOR interest determination date will be LIBOR in effect on the LIBOR interest determination date.

“Designated LIBOR currency” means the currency specified in the applicable pricing supplement as to which LIBOR shall be calculated or, if no such currency is specified in the applicable pricing supplement, U.S. dollars.

“Designated LIBOR page” means the display on the page specified in the applicable pricing supplement for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR currency; provided, however, if no such page is specified in the applicable pricing supplement, the display on Reuters (or any such service) on the LIBOR 01 page (or any other page as may replace such page on such service) shall be used for the purpose of displaying the London interbank rates of major banks for the Designated LIBOR currency.

(xix) Prime Rate

Unless otherwise specified in the applicable pricing supplement, “Prime Rate” means, with respect to any interest determination date relating to a floating rate note for which the interest rate is determined with reference to the Prime Rate, a “Prime Rate interest determination date”, the rate on such date as such rate is published in H.15(519) under the caption “Bank Prime Loan” or, if not published by 3:00 P.M., New York City time, on the related calculation date, the rate on such Prime Rate interest determination date as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption “Bank Prime Loan”. If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 P.M., New York City time, on the related calculation date, then the Prime Rate shall be the arithmetic mean of the

rates of interest publicly announced by each bank that appears on the Reuters screen US PRIME 1 page (as defined below) as such bank's prime rate or base lending rate as of 11:00 A.M., New York City time, on such Prime Rate interest determination date. If fewer than four such rates so appear on the Reuters screen US PRIME 1 Page for such Prime Rate interest determination date, then the Prime Rate shall be the arithmetic mean of the prime rates or base lending rates quoted on the basis of the actual number of days in the year divided by a 360-day year as of the close of business on such Prime Rate interest determination date by three major banks (which may include affiliates of the Dealers) in New York City selected by the calculation agent; however, if the banks so selected by the calculation agent are not quoting as mentioned in this sentence, the Prime Rate determined as of the Prime Rate interest determination date will be the Prime Rate in effect on the Prime Rate interest determination date.

“Reuters screen US PRIME 1 page” means the display on the Reuter Monitor Money Rates Service (or any successor service) on the “US PRIME 1” page (or such other page as may replace the US PRIME 1 page on such service) for the purpose of displaying prime rates or base lending rates of major U.S. banks.

(xx) Treasury Rate

Unless otherwise specified in the applicable pricing supplement, “Treasury Rate” means, with respect to any interest determination date relating to a floating rate note for which the interest rate is determined by reference to the Treasury Rate, a “Treasury Rate interest determination date”, the rate from the auction held on such Treasury Rate interest determination date, or the “Auction”, of direct obligations of the United States, or “treasury bills”, having the index maturity specified in the applicable pricing supplement under the caption “INVESTMENT RATE” on the display on Reuters (or any successor service) on page USAUCTION 10 (or any other page as may replace such page on such service) (“Reuters Page USAUCTION 10”) or page USAUCTION 11 (or any other page as may replace such page on such service) (“Reuters Page USAUCTION 11”) or, if not so published by 3:00 P.M., New York City time, on the related calculation date, the bond equivalent yield (as defined below) of the rate for such treasury bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption “U.S. Government Securities/Treasury Bills/Auction High” or, if not so published by 3:00 P.M., New York City time, on the related calculation date, the bond equivalent yield of the auction rate of such treasury bills as announced by the U.S. Department of the Treasury. In the event that the auction rate of treasury bills having the index maturity specified in the applicable pricing supplement is not so announced by the U.S. Department of the Treasury, or if no such Auction is held, then the Treasury Rate will be the bond equivalent yield of the rate on such Treasury Rate interest determination date of treasury bills having the index maturity specified in the applicable pricing supplement as published in H.15(519) under the caption “U.S. Government Securities/Treasury Bills/Secondary Market” or, if not yet published by 3:00 P.M., New York City time, on the related calculation date, the rate on such Treasury Rate interest determination date of such treasury bills as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption “U.S. Government Securities/Treasury Bills/Secondary Market”. If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source, then the treasury rate will be calculated by the calculation agent and will be the bond equivalent yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Rate interest determination date, of three primary U.S. government securities dealers (which may include the dealers or their affiliates) selected by the calculation agent, for the issue of treasury bills with a remaining maturity closest to the index maturity specified in the applicable pricing supplement; however, if the dealers so selected by the calculation agent are not quoting as mentioned in this sentence, the Treasury Rate determined as of such Treasury Rate interest determination date will be the Treasury Rate in effect on such Treasury Rate interest determination date.

“Bond equivalent yield” means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Bond equivalent yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for treasury bills quoted on a bank discount basis, “N” refers to 365 or 366, as the case may be, and “M” refers to the actual number of days in the applicable interest reset period.

5. PAYMENTS

References below to payment or repayment, as the case may be, of principal and/or interest and other similar expressions shall, where the context so admits, be deemed also to refer to delivery of any physical delivery amounts.

(a) Method of Payment

Payments of the final installment of principal, in respect of each certificated note, will be made against presentation and surrender, or, in the case of partial payment of any sum due, endorsement, of the note at the specified office of any Paying Agent. Such payments will be made by transfer to the designated account of the holder or joint holders, of the note appearing in the register of holders of the notes maintained by the Fiscal and Paying Agent at the close of business on the third business day, being for this purpose a day on which banks are open for business in the city where the specified office of such Paying Agent is located, before the relevant due date or the “record date.” Notwithstanding the previous sentence, if (1) a holder does not have a designated account or (2) the principal amount of the notes held by a holder is less than US\$250,000 (or its approximate equivalent in any other specified currency), payment may instead be made by a check in the specified currency drawn on a designated bank (as defined below). “Designated account” means the account that, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account, maintained by a holder with a designated bank and identified as such in its register, and “designated bank” means, in the case of payment in a specified currency other than U.S. dollars, a bank in the principal financial center of the country of such specified currency and, in the case of a payment in U.S. dollars, any bank that processes payments in U.S. dollars.

Payments of interest and payments of installments of principal, including the final installment, on each note in global form, will be made by wire transfer of same day funds to the designated bank account of the holder, or joint holders, of the note appearing in the register at the close of business on the fifteenth day, whether or not such fifteenth day is a business day, before the record date at the address shown in the register on the record date. Payment of the interest due in respect of each note on redemption will be made in the same manner as payment of the principal amount of such note.

No commissions or expenses shall be charged to such holders by the registrar in respect of any payments of principal or interest in respect of the notes.

None of the Issuer or any of the dealers will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal and interest, if any, on certificated notes, subject as provided below, will be made against presentation or surrender of such certificated notes at any specified office of any Paying

Agent. Payments of installments of principal, if any, other than the last installment, subject as provided below, will be made against surrender of the relevant receipt. Payment of the last installment will be made against surrender of the relevant certificated note. Each receipt must be presented for payment of such installment together with the relevant certificated note against which the amount of that installment will be paid. If any certificated notes are redeemed or become repayable prior to their respective maturity dates, or the interest payment date falling in the redemption month in respect thereof, as the case may be, principal will be payable on surrender of each such note together with all unmatured receipts appertaining thereto. Unmatured receipts and receipts presented without the certificated notes to which they relate do not constitute the Issuer's obligations. All payments of interest and principal with respect to certificated notes will be made only against presentation and surrender of the relevant certificated notes or receipts, except as otherwise provided in the third succeeding paragraph.

Subject as provided below and, in the case of physical delivery notes, subject also as provided in the applicable pricing supplement, payments on certificated notes, other than dual currency notes, denominated in a specified currency, other than U.S. dollars, or, in the case of dual currency notes, payable in a specified currency, other than U.S. dollars, subject as provided below, will be made by wire transfer of same day funds to the designated bank account of the holder, or joint holders. Payments in U.S. dollars will be made by credit or wire transfer to a U.S. dollar account or any other account to which U.S. dollars may be credited or transferred specified by the registered holder or, at the option of the registered holder. The applicable pricing supplement may also contain provisions for variation of settlement where, for reasons beyond the control of the Issuer or any noteholder, including, without limitation, unlawfulness, illegality, impossibility, force majeure, non-transferability or the like (each a "payment disruption event"), the Issuer is not able to make, or any noteholder is not able to receive, as the case may be, payment on the due date and in the specified currency of any amount of principal or interest due under the notes.

For physical delivery notes that are settled by way of delivery, on the due date for redemption, the Issuer will deliver, or procure the delivery of, the documents evidencing the number of and/or constituting the underlying assets plus or minus any amount due to or from the noteholder deliverable in respect of each note, the "physical delivery amount," to, or to the order of, the noteholder in accordance with the instructions of the noteholder contained in the transfer notice. The physical delivery amount shall be evidenced in the manner described in the applicable pricing supplement. The applicable pricing supplement also may contain provisions for variation of settlement pursuant to an option to such effect or where the Issuer or the holder of a physical delivery note, as the case may be, is not able to deliver or take delivery of as the case may be, the underlying assets, or where a settlement disruption event, as described in the applicable pricing supplement has occurred, all as provided in the applicable pricing supplement.

Payments of principal and interest, if any, on notes represented by any global note will be made in the manner specified above and otherwise in the manner specified in the relevant global note against presentation or surrender, as the case may be, of such global note at the specified office of any Paying Agent. A record of each payment made on such global note, distinguishing between any payment of principal and any payment of interest, will be made on the books and records of the Paying Agent to which such global note is presented for the purpose of making such payment, and such record shall be prima facie evidence that the payment in question has been made.

The holder of the relevant global note shall be the only person entitled to receive payments in respect of notes represented by such global note. The Issuer's payment obligation will be discharged by payment to, or to the order of, the holder of such global note with respect to each amount so paid. Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of notes must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment so made by the Issuer to, or to the order of, the holder of

the relevant global note. No person other than the holder of the relevant global note shall have any claim against the Issuer in respect of any payments due on that global note.

Fixed rate notes in certificated form must be presented for payment on or before the relevant redemption date.

If any date for payment of any amount in respect of any note is not a “payment day,” then the holder thereof shall not be entitled to payment of the amount due until the next following payment day and shall not be entitled to any interest or other sum in respect of any such delay.

For these purposes, “payment day” means any day that, subject to “Prescription” below, is:

- (1) a day on which commercial banks and foreign exchange markets settle payments and are open for general business, including dealing in foreign exchange and foreign currency deposits, in:
 - (A) the relevant place of presentation; and
 - (B) any additional financial center specified in the applicable pricing supplement; and
- (2) either (a) in relation to any sum payable in a specified currency other than the U.S. dollar, a day on which commercial banks and foreign exchange markets settle payments and are open for general business, including dealing in foreign exchange and foreign currency deposits, in the principal financial center of the country of the relevant specified currency, as set forth in the applicable pricing supplement, or (b) in relation to any sum payable in U.S. dollars, a day on which the Federal Reserve is open.

If the due date for redemption of any interest bearing note in certificated form is not a due date for the payment of interest relating thereto, interest accrued on such note from and including the last preceding due date for the payment of interest, or from the interest commencement date, will be paid against surrender of such note.

The initial specified offices of the Fiscal and Paying Agent are located at Deutsche Bank Trust Company Americas, 60 Wall Street, 27th Floor, MS: NYC60-2710, New York, New York 10005. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal and Paying Agent and to appoint additional or other Paying Agents and/or to approve any change in the specified office of any Paying Agent, provided that there will at all times be a Fiscal and Paying Agent. Any such variation, termination, appointment or change shall only take effect, other than in the case of insolvency of the Fiscal and Paying Agent, when it shall be of immediate effect, after not less than 10 nor more than 45 days’ prior notice shall have been given to the noteholders in accordance with “Notices” below.

Payments in respect of the notes will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment.

(b) Physical Delivery Notes

The applicable pricing supplement will contain provisions relating to the procedure for the delivery of any physical delivery amount in respect of physical delivery notes, including, without limitation, liability for the costs of transfer of underlying assets.

The underlying assets will be delivered at the risk of the relevant noteholder in such manner as may be specified in the transfer notice pursuant to which such underlying assets are delivered and, notwithstanding the provisions of “Interest—Interest Payments” above, no additional payment or delivery will be due to a noteholder where any underlying assets are delivered after their due date in circumstances beyond the control of either the Issuer or the Fiscal and Paying Agent.

6. REDEMPTION AND PURCHASE

(a) Final Redemption

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem notes at their final redemption amount, or, in the case only of physical delivery notes where the applicable pricing supplement specify that such notes will be redeemed by payment and/or delivery of a physical delivery amount, by the payment and the delivery of the physical delivery amount, specified in, or determined in the manner specified in, the applicable pricing supplement in the specified currency on the maturity date specified in the applicable pricing supplement, in the case of notes that are not floating rate notes, or on the interest payment date falling in the redemption month specified in the applicable pricing supplement, in the case of floating rate notes.

(b) Redemption for Taxation Reasons

If as a result of any change in, or in the official interpretation or administration of, any laws or regulations of Iceland or the United States or any other authority thereof or therein the Issuer would be required to pay additional amounts in respect of the notes in order that the noteholders, after deduction of any withholding taxes or duties, will receive the full amount then due and payable under the notes, then the Issuer may at the Issuer’s option at any time (in the case of notes other than floating rate notes) or on any interest payment date (in the case of floating rate notes) redeem all, but not part, of the notes to which this condition applies at their “early redemption amount” (as defined under “Early Redemption Amounts”) together with interest accrued to the date fixed for redemption, provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date upon which the Issuer could make payment without withholding for such taxes.

If the Issuer would, on the next due date for payment of any amount in respect of the notes, be prevented by Icelandic law from making such payment notwithstanding the undertaking to pay additional amounts as provided in this offering circular, then the Issuer shall promptly give notice of such fact to the principal Paying Agent and shall, at any time (in the case of notes other than floating rate notes) or on any interest payment date (in the case of floating rate notes), redeem all, but not part, of the notes then outstanding as to which the conditions set forth above apply at their early redemption amount together with interest accrued to the date fixed for redemption, upon giving not less than 30 nor more than 60 days’ prior notice to the noteholders, provided that the due date for redemption of which notice hereunder shall be given shall be no earlier than the latest practicable date on which the Issuer could make payment of the full amount of interest payable in respect of the notes or, if such date is already past, as soon as practicable thereafter.

(c) Redemption at the Issuer’s Option (“Issuer Call”)

If “Issuer Call” is specified in the applicable pricing supplement, the Issuer may redeem all or part of the notes then outstanding on any optional redemption date and at the optional redemption amounts specified in, or determined in the manner specified in, the applicable pricing supplement together, if appropriate, with interest accrued to, but excluding, the relevant optional redemption date.

Any such redemption must be of a nominal amount equal to the minimum redemption amount or a higher redemption amount. In the case of a partial redemption of certificated notes, the notes to be redeemed will be selected by lot, and in the case of partially redeemed notes represented by a global note, the notes to be redeemed will be selected by lot or in accordance with the rules of DTC, Euroclear and/or Clearstream, Luxembourg, in each case not more than 30 days prior to the date fixed for redemption, such date of selection being the “selection date”. If a note is in certificated form, a list of the serial numbers of such redeemed note will be published in accordance with “Notices” below, not less than 30 days prior to the date fixed for redemption. The aggregate nominal amount of redeemed notes represented by certificated notes shall bear the same proportion to the aggregate nominal amount of all redeemed notes as the aggregate nominal amount of certificated notes outstanding bears to the aggregate nominal amount of the notes outstanding, in each case on the selection date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the specified denomination, and the aggregate nominal amount of redeemed notes represented by a global note shall be equal to the balance of the redeemed notes. No exchange of the relevant global note will be permitted during the period from, and including, the selection date to, and including, the date fixed for redemption pursuant to an Issuer Call, and notice to that effect shall be given by the Issuer to the noteholders in accordance with “Notices” below not less than 30 days nor more than 60 days from the date fixed for redemption.

(d) Early Redemption Amounts

For purposes of paragraph above and “Events of Default” below, the notes will be redeemed at an amount, the “early redemption amount,” calculated as follows, together, if appropriate, with interest accrued to, but excluding, the date fixed for redemption or, as the case may be, the date upon which such note becomes due and repayable:

- (1) in the case of notes with a final redemption amount equal to the issue price, at the final redemption amount thereof; or
- (2) in the case of notes, other than zero coupon notes, with a final redemption amount that is or may be lesser or greater than the issue price or which is payable in a specified currency other than that in which the notes are denominated, at the amount set out in, or determined in the manner set out in, the applicable pricing supplement or, if no such amount or manner is set out in the supplement or supplements, at their nominal amount; or
- (3) in the case of physical delivery notes, as determined in the manner specified in the applicable pricing supplement; or
- (4) in the case of zero coupon notes, except as otherwise specified in the applicable pricing supplement, at an amount (the “amortized face amount”) equal to the sum of:
 - (A) the reference price specified in the applicable pricing supplement; and
 - (B) the product of the accrual yield specified in the applicable pricing supplement, compounded annually, being applied to the reference price from and including the issue date to, but excluding the date fixed for redemption or, as the case may be, the date upon which the note becomes due and repayable.

If the calculation is to be made for a period of less than a full year, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the

number of days elapsed in such incomplete month or such other calculation basis as may be specified in the applicable pricing supplement.

(e) Purchases

The Issuer may at any time purchase notes at any price in the open market or otherwise.

(f) Cancellation

All notes that are redeemed or purchased by the Issuer will forthwith be cancelled and accordingly may not be re-issued or resold.

(g) Installments

Each note in certificated form that is redeemable in installments will be redeemed in the installment amounts and on the installment dates specified in the applicable pricing supplement. All installments, other than the final installment, will be paid by surrender of, in the case of a certificated note, the relevant receipt, which must be presented with the note to which it appertains, and, in the case of a global note, the relevant note and issue of a new note in the nominal amount remaining outstanding, all as more fully described in “Payments” above.

(h) Late Payment on Zero Coupon Notes

If the amount payable in respect of any zero coupon note upon redemption of such zero coupon note is improperly withheld or refused, the amount due and repayable in respect of such zero coupon note shall be the amount calculated as provided in this offering circular, as though the references therein to the date fixed for redemption or the date upon which the zero coupon note becomes due and repayable were replaced by references to the date that is the earlier of:

- (1) the date on which all amounts due in respect of the zero coupon note have been paid; and
- (2) the date on which the full amount payable has been received by the Fiscal and Paying Agent and notice to that effect has been given to the noteholders in accordance with “Notices” below.

(i) Partly Paid Notes

Partly paid notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this offering circular or varied by the information specified in the applicable pricing supplement.

7. DISCOUNT NOTES

The Issuer may from time to time offer notes, or “discount notes”, that have an issue price (as specified in the applicable pricing supplement) that is less than 100% of the principal amount (i.e., par) by more than a percentage equal to the product of 0.25% and the number of full years to the stated maturity. Discount notes may not bear any interest currently or may bear interest at a rate that is below market rates at the time of issuance. The difference between the issue price of a discount note and par is referred to herein as the “discount”. In the event of redemption, repayment or acceleration of maturity of a discount note, the amount payable to the holder of such discount note will be equal to the sum of (i) the amortized face amount and (ii) any unpaid interest accrued thereon to the date of such redemption, repayment or acceleration of maturity, as the case may be.

Unless otherwise specified in the applicable pricing supplement, for purposes of determining the amount of discount that has accrued as of any date on which a redemption, repayment or acceleration of maturity occurs for a discount note, the discount will be accrued using a constant yield method. The constant yield will be calculated using a 30-day month, 360-day year convention, a compounding period that, except for the “initial period” (as defined below), corresponds to the shortest period between interest payment dates for the applicable discount note (with ratable accruals within a compounding period), a coupon rate equal to the initial coupon rate applicable to the discount note and an assumption that the maturity of the discount note will not be accelerated. If the period from the original issue date to the initial interest payment date for a discount note, or the “initial period”, is shorter than the compounding period for the discount note, a proportionate amount of the yield for an entire compounding period will be accrued. If the initial period is longer than the compounding period, then the compounding period will be divided into a regular compounding period and a short period with the short period being treated as provided in the preceding sentence. The accrual of the applicable discount may differ from the accrual of issue discount for purposes of the U.S. Internal Revenue Code of 1986, as amended (the “Code”). Certain discount notes may not be treated as having original issue discount within the meaning of the Code, and notes other than discount notes may be treated as issued with original issue discount for federal income tax purposes.

8. AMORTIZING NOTES

The Issuer may from time to time offer notes, or “amortizing notes”, with the amount of principal thereof and interest thereon payable in installments over the term of such notes. Unless otherwise specified in the applicable pricing supplement, interest on each amortizing note will be computed on the basis of a 360-day year of twelve 30-day months. Payments with respect to amortizing notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. Further information concerning additional terms and provisions of amortizing notes will be specified in the applicable pricing supplement, including a table, formula or formulae setting forth repayment information for such amortizing notes.

9. ADDITIONAL AMOUNTS

If Icelandic or U.S. law requires that any payments in respect of the notes be subject to withholding with respect to any taxes or duties whatsoever, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the holder of each note, after deduction of such taxes or duties, will receive the full amount then due and payable; provided, however, that the Issuer may, in that event, redeem all of the notes then outstanding as to which such requirement to pay additional amounts applies, and provided further that no such additional amounts shall be payable with respect to any note:

- (1) presented for payment by or on behalf of a holder who is subject to such taxes or duties in respect of such note by reason of his being connected with Iceland or the United States (as the case may be) otherwise than by reason only of the holding of such note; or
- (2) presented for payment more than 30 days after the relevant date, except to the extent that the holder would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days.

As used herein the “relevant date” in relation to any note means whichever is the later of:

- (1) the date on which the payment in respect of such note first became due and payable; or
- (2) if the full amount of the moneys payable on such a date in respect of such note has not been received by the principal Paying Agent on or prior to the due date, the date on which notice is duly given to the noteholders that such moneys have been so received.

References herein to principal and/or interest shall be deemed also to refer to any additional amounts which may be payable as described above.

10. REDENOMINATION

If redenomination is specified in the applicable pricing supplement as being applicable, the Issuer may, without the consent of the noteholders, on giving prior notice to the Fiscal and Paying Agent, DTC, Euroclear and Clearstream, Luxembourg and at least 30 days’ prior notice to the noteholders in accordance with “Notices” below, elect that, with effect from the redenomination date specified in the notice, the relevant notes shall be redenominated in euro.

The election, with respect to the relevant notes, will have effect as follows:

- (1) the notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each note equal to the principal amount of that note in the specified currency, converted into euro at the established rate, provided that, if the Issuer determines that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the noteholders, the stock exchange, if any, on which the notes may be listed and the Paying Agents of such deemed amendments;
- (2) except to the extent that notice has been given in accordance with sub-paragraph (4) below, the amount of interest due in respect of the notes will be calculated by reference to the aggregate principal amount of notes presented for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (3) if certificated notes are required to be issued after the redenomination date, they shall be issued at the Issuer’s expense in the denominations of euro 1,000, euro 10,000, euro 100,000 and, but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Issuer may approve, euro 0.01 and such other denominations as the Issuer shall determine and notify the Fiscal and Paying Agent and the noteholders;

- (4) the payment obligations contained in any notes so issued will also become void on that redenomination date although those notes will continue to constitute the Issuer's valid exchange obligations. New euro-denominated notes will be issued in exchange for notes denominated in the specified currency in such manner as the Issuer may specify and as shall be notified to the noteholders in the notice given by the Issuer that replacement euro-denominated notes are available for exchange. No such notice may be given less than 15 days prior to any date for payment of principal or interest on the notes;
- (5) after the redenomination date, all payments in respect of the notes, other than payments of interest in respect of periods commencing before the redenomination date, will be made solely in euro as though references in the notes to the specified currency were to euro. Payments will be made in euro by credit or transfer to a euro account, or any other account to which euro may be credited or transferred, specified by the payee or, at the option of the payee, by a euro check;
- (6) if the notes are fixed rate notes and interest for any period ending on or after the redenomination date is required to be calculated for a period ending other than on a fixed interest payment date, it will be calculated by applying the rate of interest to each specified denomination, multiplying such sum by the applicable day count fraction, and rounding the resulting figure to the nearest sub-unit of the relevant specified currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention as determined by the Issuer in its sole discretion;
- (7) if the notes are floating-rate notes, the applicable pricing supplement will specify any relevant changes to the provisions relating to interest; and
- (8) such other changes shall be made to these conditions as the Issuer may decide, after consultation with the Fiscal and Paying Agent, and as may be specified in the notice, to conform them to conventions then applicable to instruments denominated in euro.

11. NEGATIVE PLEDGE

The terms of the senior notes will provide that the Issuer will not, and the Issuer will ensure that none of its subsidiaries will, create or have outstanding any mortgage, charge, pledge, lien or other security interest, each a "security interest" other than a permitted security interest (as defined below), upon the whole or any part of its undertakings, assets or revenues (including any uncalled capital), present or future, in order to secure any relevant indebtedness (as defined below) or to secure any guarantee of or indemnity in respect of any relevant indebtedness unless (1) all amounts payable by the Issuer under the senior notes are equally and ratably secured by the security interest or (2) the other security interest or other arrangement (whether or not it includes the giving of a security interest) is in the form to be approved by a majority of the holders of outstanding senior notes.

"Excluded indebtedness" means any relevant indebtedness in respect of which the person or persons to whom any relevant indebtedness is or may be owed by the relevant borrower has or have no recourse whatsoever to the Issuer or any subsidiary (whether or not also the relevant borrower) for the repayment thereof other than:

- (1) recourse to the borrower for amounts limited to the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from a specified asset (as defined below), except for the Issuer's asset or an asset of any subsidiary over which security is given in connection with the issuance of covered bonds; and/or

- (2) recourse to the borrower for the purpose only of enabling amounts to be claimed in respect of the relevant indebtedness in an enforcement of any encumbrance given by the borrower over a specified asset or the income, cash flow or other proceeds deriving from the specified asset (or given by a shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure the relevant indebtedness, provided that (a) the extent of the recourse to the borrower is limited solely to the amount of any recoveries made on any enforcement, and (b) the person or persons is/are not entitled, by virtue of any right or claim arising out of or in connection with the relevant indebtedness, to commence proceedings for the winding up or dissolution of the borrower or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of the borrower or any of its assets (save for the assets the subject of the encumbrance); and/or
- (3) recourse of the borrower generally, or directly or indirectly to the Issuer or any subsidiary, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect to such obligation or any obligation to comply or to procure compliance by another with any financial ratios or other tests of financial condition) by the person against which the recourse is available.

“Government entities” means any body, agency, ministry, department, authority, statutory corporation or other entity of or pertaining to a member state of the European Economic Area or the government thereof or any political subdivision, municipality or local government thereof (whether autonomous or not).

“Permitted security interest” means any security interest created by the Issuer or its subsidiaries over the whole or any part of their present or future assets or revenues where such assets or revenues are comprised of the following (or are otherwise qualifying collateral for issues of covered bonds pursuant to any relevant contractual arrangements and/or specific provisions of laws of Iceland relating to covered bonds): (1) mortgage receivables; (2) receivables against government entities; (3) asset-backed securities backed by any of the assets under paragraph (1) or (2); or (4) any other assets permitted by Icelandic law to collateralize the covered bonds, in each case provided that the creation of the security interest is pursuant to the relevant contractual arrangements or, as the case may be, specific provisions of the laws of Iceland relating to covered bonds applicable at the time of creation of the security interest.

“Relevant indebtedness” means any present or future indebtedness (which term shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent) in the form of, or represented or evidenced by, bonds, debentures, notes or other securities which are, or are intended to be, with the agreement of the issuer, quoted, listed, dealt in or traded on any stock exchange or over-the-counter or other securities market other than indebtedness which by its terms will mature within a period of one year from its date of issue and other than excluded indebtedness.

“Specified asset” means the Issuer’s asset or an asset of any subsidiary over which security is given in connection with any limited recourse securitization or other asset-backed financing, including the issuance of covered bonds.

“Subsidiary” means any entity whose affairs are required by law or in accordance with generally accepted accounting principles applicable to Iceland to be consolidated in the Issuer’s consolidated accounts.

12. EVENTS OF DEFAULT

(a) Events of Default Relating to Senior Notes

The holder of any senior note may give written notice to the Issuer and the Fiscal and Paying Agent that the senior note is, and shall become immediately due and repayable at its early redemption amount, together, if appropriate, with interest accrued to the date of repayment, if any of the following events of default occurs:

- (1) if default is made in the payment of any principal, premium, if any, or interest due in respect of the senior notes or any of them and the default continues for a period of three days in the case of principal or premium, if any, and seven days in the case of interest; or
- (2) if the Issuer fails to perform or observe any of its other obligations under the senior notes and, except in any case where the failure is incapable of remedy when no such continuation or notice in accordance with “Notices” below will be required, the failure continues for the period of 30 days next following the service by a holder on the Issuer of notice requiring the obligation to be remedied; or
- (3) if any indebtedness of either the Issuer or any of its “principal subsidiaries” (as defined below) is not paid when due or becomes, whether by declaration or automatically in accordance with the relevant agreement or instrument constituting the same, due and payable prior to the date when it would otherwise have become due or any creditor of either the Issuer or any of its principal subsidiaries becomes entitled to declare any such indebtedness due and payable or any facility or commitment available to either the Issuer or any of its principal subsidiaries relating to indebtedness is withdrawn, suspended or cancelled by reason of any default, however described, of the company concerned, provided that, for the purposes of this paragraph (3), the indebtedness must, when aggregated with all other indebtedness to which any part of this paragraph (3) applies, exceed US\$5,000,000 or its equivalent in any other currency; or
- (4) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its principal subsidiaries, save for the purposes of reorganization on terms approved by an “extraordinary resolution” (as defined in the Fiscal and Paying Agency Agreement) of the holders; or
- (5) if either the Issuer or any of its principal subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganization on terms approved by an extraordinary resolution of the holders, or either the Issuer or any of its principal subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts, or any class of its debts, as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (6) if (A) proceedings are initiated against either the Issuer or any of its principal subsidiaries under any applicable liquidation, insolvency, composition, reorganization or other similar laws, or an application is 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 is appointed, in relation to either the Issuer or any of its principal subsidiaries or, as the case may be, in relation to the whole or a part of its undertaking or assets, or an encumbrancer takes possession of the whole or a part of its undertaking or assets, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a part of its undertaking or assets and (B) in any case, other than the appointment of an administrator, the same is not discharged within 14 days; or

- (7) if either the Issuer or any of its principal subsidiaries initiate or consent to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganization or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally, or any class of its creditors, or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally, or any class of its creditors.

As used in the previous paragraph, the term “principal subsidiary” means a subsidiary:

- (1) whose sales, consolidated in the case of a subsidiary which itself has subsidiaries, or whose total assets, consolidated in the case of a subsidiary which itself has subsidiaries, represent not less than five percent of the Issuer’s consolidated sales, or, as the case may be, of the Issuer’s consolidated total assets, all as calculated respectively by reference to the then latest audited accounts, consolidated or, as the case may be, unconsolidated, of the subsidiary and the Issuer’s then latest audited consolidated accounts; or
 - (2) to which is transferred the whole or substantially the whole of the undertaking and assets of one of the Issuer’s subsidiaries which immediately before the transfer is a principal subsidiary.
- (b) Enforcement Relating to Subordinated Notes

If the Issuer fails to meet the Issuer’s obligations under the subordinated notes, any holder may, at its own discretion and without further notice, institute proceedings in Iceland for the Issuer’s compulsory winding-up in accordance with the Act on Financial Undertakings No. 161/2002. Any holder may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the subordinated notes provided that the Issuer shall not by virtue of the institution of any such proceedings be obligated to pay any sum or sums sooner than the same would otherwise have been payable by the Issuer. If an order is made or an effective resolution is passed for the Issuer’s winding-up or liquidation, then the subordinated notes will become due and payable at the early redemption amount together with interest accrued to the date of repayment, without presentment, demand, pretext or other notice of any kind.

13. PRESCRIPTION

Claims for payment of principal in respect of the notes will be prescribed upon the expiration of 10 years from the due date thereof and claims for payment of interest, if any, in respect of the notes will be prescribed upon the expiration of five years from the due date thereof.

14. REPLACEMENT OF NOTES

Subject to the provisions of the Fiscal and Paying Agency Agreement, if any note, including any global note, is mutilated, defaced, stolen, destroyed or lost, it may be replaced at the specified office of the Fiscal and Paying Agent upon payment by the claimant of the costs incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may require. Mutilated or defaced notes must be surrendered before replacements will be issued. Cancellation and replacement of notes shall be subject to compliance with such procedures as may be required under any applicable law and subject to any applicable stock exchange requirements.

15. FURTHER ISSUES

The Issuer may issue additional notes, or “additional notes”, of a series having identical terms to that of a prior tranche of notes of the same series except for the original issue date and the public offering price. The pricing supplement relating to any additional notes will set forth matters related to the issuance, including identifying the prior tranche of notes, their original issue date and the aggregate principal amount of notes then comprising the series. The period of the resale restrictions applicable to any notes previously offered and sold in reliance on Rule 144A shall automatically be extended to the last day of the period of any resale restrictions imposed on any additional notes.

16. NOTICES

All notices to the holder of registered notes will be valid if mailed to the address of the registered holder.

Until such time as any certificated notes are issued, so long as all the global notes for a particular series, whether listed or not, is or are held in its or their entirety on behalf of DTC, Euroclear and/or Clearstream, Luxembourg, all notices regarding such notes will be valid if the relevant notice is delivered to DTC, Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the notes except that if the notes are listed on a stock exchange and the rules of that stock exchange so require, the Issuer will publish the relevant notice in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange. However, for so long as notes of any series are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require (visit www.bourse.lu for more information), notices with respect to that series shall also be published in a leading newspaper of general circulation in Luxembourg (which is expected to be *d'Wort*) or on the website of the Luxembourg Stock Exchange at www.bourse.lu. Any such notice shall be deemed to have been given to the noteholders on the seventh day after the day on which the notice was given to DTC, Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any holder of any notes shall be in writing and given by delivering the same, together with the relevant note or notes, to the Fiscal and Paying Agent. While any notes are represented by a global note, such notice may be given by a holder of any of the interests in such global note to the Fiscal and Paying Agent via DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Fiscal and Paying Agent and DTC, Euroclear and/or Clearstream, Luxembourg may approve for this purpose.

All notices given to noteholders, irrespective of how given, shall also be delivered in writing to DTC, Euroclear and Clearstream, Luxembourg and, in the case of listed notes, to the relevant stock exchange.

17. MODIFICATION, WAIVER AND MEETINGS OF NOTEHOLDERS

The Fiscal and Paying Agency Agreement contains provisions for convening meetings of the holders to consider any matter affecting their interests, including the sanctioning by extraordinary resolution of a modification of the notes or any of the provisions of the Fiscal and Paying Agency Agreement. Such a meeting may be convened by the Issuer or holders holding not less than 5% in nominal amount of the notes then outstanding. The quorum at any such meeting for passing an extraordinary resolution will be one or more persons holding or representing not less than 50% in nominal amount of the notes then outstanding, or at any adjourned meeting one or more persons being or representing holders whatever the nominal amount of the notes held or represented, except that at any meeting the business of which includes the modification of certain provisions of the notes, including modifying the date of maturity of the notes or any date for payment of interest thereon, reducing or canceling the amount of principal or the rate of interest payable in respect of the notes or altering the currency of payment of the notes, the quorum will be one or more persons holding or representing not less than two-thirds in nominal amount of the notes then outstanding, or at any adjourned meeting one or more persons holding or representing not less than one-third in nominal amount of the notes then outstanding. An extraordinary resolution passed at any meeting of the holders will be binding on all the holders, whether or not they are present at the meeting.

The Issuer and the Fiscal and Paying Agent may agree, without the consent of the holders, to:

- (1) any modification, except as mentioned above, of the notes or the Fiscal and Paying Agency Agreement which is not prejudicial to the interests of the holders; or
- (2) any modification of the notes or the Fiscal and Paying Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any of these modifications will be binding on the holders and notified to the holders in accordance with “Notices” above as soon as practicable thereafter.

18. TRANSFER, REGISTRATION, COSTS; DENOMINATION

Notes offered in the United States to QIBs in reliance on Rule 144A will be represented by one or more 144A global notes (“144A Global Notes”) and notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S global notes (“Regulation S Global Notes” and together with the 144A Global Notes the “global notes”). If the applicable pricing supplement so provides, notes may be offered to institutional investors that qualify as accredited investors (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) and such notes initially will be represented by physical registered certificates (“Certificated Notes”). If any such Certificated Notes are thereafter transferred to QIBs in reliance on Rule 144A or offered outside the United States in reliance on Regulation S, then the Certificated Notes will be represented by one or more 144A Global Notes or Regulation S Global Notes, as the case may be. Except as set forth herein, physical registered certificates will not be issued in exchange for global notes.

Notes will be issued only in fully registered form, unless the Issuer specifies in the applicable pricing supplement, that the Issuer will issue Certificated Notes to institutional investors that qualify as accredited investors under Rule 501(a)(1), (2), (3) or (7) under the Securities Act. Global notes representing notes of a series will be deposited with a custodian for DTC and held by or on behalf of DTC for the benefit of participants in DTC.

A note in certificated form may be transferred in whole or in part as set forth in the Fiscal and Paying Agency Agreement. Any such transfer will be subject to such reasonable regulations as the Issuer

and the Fiscal and Paying Agent may from time to time prescribe (the initial such regulations being set out in the Fiscal and Paying Agency Agreement). Subject as provided above, the Fiscal and Paying Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of such Paying Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new note in certificated form of a like aggregate nominal amount to the note (or the relevant part of the note) transferred. In the case of the transfer of only part of a note in certificated form, a new note in certificated form in respect of the balance of the note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

Transfers of ownership interests in global notes will be made as set forth below under Condition 19.

The notes have not been registered under the Securities Act or with any securities regulatory authority of any jurisdiction and accordingly transfers of the notes will be subject to the restrictions set forth in clause 6 of the Agreement.

Certificated Notes and interests in the 144A Global Notes may be transferred to a person who takes delivery in the form of interests in a Regulation S Global Note only upon receipt by the Fiscal and Paying Agent and any relevant transfer agent, of written certifications (in the form provided in the Fiscal and Paying Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the Securities Act.

Certificated Notes and interests in Regulation S Global Notes may be transferred to a person who takes delivery in the form of interests in a 144A Global Note only upon receipt by the Fiscal and Paying Agent of written certifications (in the form provided in the Fiscal and Paying Agency Agreement) to the effect that such transfer is being made in accordance with Rule 144A to a person whom the transferor reasonably believes is purchasing for its own account or for an account as to which it exercises sole investment discretion and that such person and such account or accounts are “qualified institutional buyers” within the meaning of Rule 144A and agree to comply with the restrictions on transfer set forth in clause 6 of the Agreement.

Certificated Notes may be transferred to a person who takes delivery in the form of Certificated Notes (other than transfers to the Issuer or a Dealer and transfers by or through or approved by a Dealer) only upon receipt by the Fiscal and Paying Agent of written certifications (in the form provided in the Fiscal and Paying Agency Agreement) to the effect that such Certificated Note is being acquired by an institutional investor that qualifies as an accredited investor (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) for investment purposes and not for distribution in violation of the Securities Act, and containing such other evidence of compliance with the Securities Act as may be required by the Issuer or the Fiscal and Paying Agent.

In the event of any redemption of notes, the Issuer will not be required to (i) register the transfer of or exchange the notes during a period of 15 calendar days next preceding the date of redemption; or (ii) register the transfer of or exchange the notes, or any portion thereof, called for redemption, except the unredeemed portion of any of the notes being redeemed in part.

In the event of a partial redemption of notes under Condition 6, the Issuer will not be required to register the transfer of any note, or part of a note, called for partial redemption.

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular, uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

Holders of notes in certificated form may exchange such notes for interests in a global note of the same type at any time.

Unless otherwise specified in the applicable pricing supplement, the notes will be issuable in U.S. dollars in denominations of US\$100,000 and integral multiples of US\$1,000 in excess thereof. The authorized denominations of any note denominated in other than U.S. dollars will be the equivalent amount of the specified currency for such note translated, at the noon dollar buying rate in New York City by the Federal Reserve Bank of New York (the “Market Exchange Rate”) on the first Business Day in New York City and the country issuing such currency (or, in the case of euro, the first TARGET Settlement Date) next preceding the date on which the Issuer accepts the offer to purchase such note, to US\$100,000, or such other minimum denomination as may be allowed or required from time to time by any relevant central bank or equivalent governmental body, however designated, or by any laws or regulations applicable to the notes or to such specified currency. The notes will be issued in integral multiples of 1,000 units of any such specified currency in excess of their minimum denominations. If any of the notes are to be denominated in a specified currency other than U.S. dollars, or if the principal of and premium, if any, and interest, if any, on any of the notes not denominated in U.S. dollars are to be payable at the option of the Issuer or the noteholder in U.S. dollars, the applicable pricing supplement will provide additional information, including applicable exchange rate information, pertaining to the terms of such notes and other matters of interest to such noteholders.

19. BOOK-ENTRY SYSTEM

DTC will act as securities depository for the global notes. Unless otherwise specified, the global notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee).

The Issuer understands that DTC is a limited-purpose trust company organized under the laws of the State of New York, a “Banking Organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the clearance and settlement among Participants of transactions in such securities through electronic book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants (“Direct Participants”) include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the Financial Industry Regulatory Authority. Access to DTC’s system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission (the “SEC”).

Purchases of global notes under DTC’s system must be made by or through Direct Participants, which will receive a credit for the global notes on DTC’s records. The ownership interest of each actual purchaser of each global note is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial

owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the global notes are to be accomplished by entries made on the books of Participants acting on behalf of the beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in global notes, except in the event that use of the book-entry system for one or more global notes is discontinued.

To facilitate subsequent transfers, all global notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of global notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the global notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such global notes are credited, which may or may not be the beneficial owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If less than all of the notes in a series are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each Direct Participant in that series to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to notes. Under its usual procedures, DTC will mail an "Omnibus Proxy" to us as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the global notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to beneficial owners will be governed by standing instructions and customary practices, as in the case of securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the Issuer's responsibility, disbursement of such payments to Direct Participants are the responsibility of DTC, and disbursement of such payments to the beneficial owners are the responsibility of Direct and Indirect Participants.

A beneficial owner must give notice to elect to have its global notes purchased or tendered, through its Participant, to the Fiscal and Paying Agent, and shall effect delivery of such global notes by causing the Direct Participant to transfer the Participant's interest in the global notes, on DTC's records, to the Fiscal and Paying Agent. The requirement for physical delivery of global notes in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the global notes are transferred by a Direct Participant on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the global notes at any time by giving reasonable notice to the Issuer and the Dealers. Under such circumstances, in the event that a successor securities depository is not obtained, Certificated Notes will be printed and delivered in exchange for the global notes.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, registered or book-entry Certificated Notes will be printed and delivered in exchange for the global notes held by DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for its accuracy.

None of the Issuer, the Fiscal and Paying Agent, any other Paying Agent, any registrar for the notes or any Dealer will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a global note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(a) DTC

DTC has advised the Issuer as follows:

DTC is:

a limited-purpose trust company organized under the laws of the State of New York, which is a wholly-owned subsidiary of Depository Trust and Clearing Company, owned in turn by the principal users of DTC, consisting primarily of banks, broker-dealers and other financial institutions, including the initial purchasers of the notes,

a member of the Federal Reserve System,

a "clearing corporation" within the meaning of the Uniform Commercial Code, and

a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions, including transfers and pledges, in deposited securities between its participants through electronic book-entry changes to the accounts of its participants. This eliminates the need for physical movement of certificates.

Participants in DTC include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. DTC is partially owned by some of these participants or their representatives.

Indirect access to the DTC system is also available to banks, brokers, dealers and trust companies that have relationships with participants.

The rules applicable to DTC and DTC participants are on file with the SEC.

(b) Clearstream, Luxembourg

Clearstream, Luxembourg has advised the Issuer as follows:

Clearstream, Luxembourg is a duly licensed bank organized as a société anonyme incorporated under the laws of Luxembourg and is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (Commission de Surveillance du Secteur Financier). Clearstream, Luxembourg is owned by Deutsche Borse AG. The shareholders of Deutsche Borse AG are banks, securities dealers and financial institutions.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions among them. It does so through electronic book-entry changes to the accounts of its customers. This eliminates the need for physical movement of certificates.

Clearstream, Luxembourg provides other services to its participants, including safekeeping, administration, clearance and settlement of internationally traded securities, lending and borrowing of securities and collateral management. It interfaces with the domestic markets in over 30 countries through established depositary and custodial relationships.

Clearstream, Luxembourg's customers include worldwide securities brokers and dealers, banks, trust companies and clearing corporations and may include professional financial intermediaries. Its U.S. customers are limited to securities brokers and dealers and banks.

Indirect access to the Clearstream, Luxembourg system is also available to others that clear through Clearstream, Luxembourg customers or that have custodial relationships with its customers, such as banks, brokers, dealers and trust companies.

Clearstream, Luxembourg is an indirect participant in DTC.

Clearstream, Luxembourg has established an electronic bridge with Euroclear to facilitate settlement of trades between Clearstream, Luxembourg and Euroclear.

Distributions with respect to the notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg customers in accordance with its rules and procedures, to the extent received by Clearstream, Luxembourg.

(c) Euroclear

Euroclear has advised the Issuer as follows:

Euroclear is incorporated under the laws of Belgium as a bank and is subject to regulation by the Belgian Banking and Finance Commission (Commission Bancaire et Financiere) and the National Bank of Belgium (Banque Nationale de Belgique). The Euroclear system is owned by Euroclear Clearance System Public Limited Company (ECS plc) and operated through a license agreement by Euroclear.

Securities clearance accounts and cash accounts with Euroclear are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of Euroclear, and applicable Belgian law. These terms and conditions and operating procedures govern transfer of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipt of payments with respect to securities in Euroclear. Euroclear acts under these terms and conditions and operating procedures only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear accounts.

Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions among them. It does so through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates.

Euroclear provides other services to its customers, including credit custody, lending and borrowing of securities and tri-party collateral management. It interfaces with the domestic markets of several other countries.

Euroclear customers include banks, central banks, securities brokers and dealers, trust companies and clearing corporations and may include certain other professional financial intermediaries.

Euroclear is an indirect participant in DTC.

Indirect access to the Euroclear system is also available to others that clear through Euroclear customers or that maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

All securities in Euroclear are held on a fungible basis. This means that specific certificates are not matched to specific securities clearance accounts.

20. AGENTS

In acting under the Fiscal and Paying Agency Agreement, the agents will act solely as the Issuer's agents and do not assume any obligations or relationship of agency or trust to or with the noteholders, except that, without affecting the Issuer's obligations to the noteholders, to repay notes and pay interest thereon. Funds received by the Fiscal and Paying Agent for the payment of the principal of or interest on the notes shall be held by it in trust for the noteholders until the expiration of the relevant period of prescription described under "Prescription" above. The Issuer will agree to perform and observe the obligations imposed upon it under the Fiscal and Paying Agency Agreement. The Fiscal and Paying Agency Agreement contains provisions for the indemnification of the agents and for relief from responsibility in certain circumstances and entitles any of them to enter into business transactions with the Issuer and any of its affiliates without being liable to account to the noteholders for any resulting profit.

21. GOVERNING LAW; CONSENT TO JURISDICTION AND SERVICE OF PROCESS; IMMUNITY

The Fiscal and Paying Agency Agreement and the notes are governed by, and shall be construed in accordance with, the internal laws of the State of New York, except for the subordination provisions of the notes which are governed by, and shall be construed in accordance with, the laws of Iceland.

The Issuer has irrevocably consented and agreed, for the benefit of the holders from time to time of the notes, that any legal action, suit or proceeding against it with respect to its obligations or liabilities arising out of or in connection with the Fiscal and Paying Agency Agreement or the notes may be brought in any state or federal court located in the Borough of Manhattan, City of New York, State of New York, for which we have designated and appointed CT Corporation System, in the Borough of Manhattan, City and State of New York, as the Issuer's authorized agent upon which process may be served, and, until amounts due and to become due in respect of the notes have been paid, have irrevocably consented and submitted to the non-exclusive jurisdiction of each such court in personam, generally and unconditionally with respect to any action, suit or proceeding for the Issuer and in respect of its properties, assets and revenues.

The Issuer and the Fiscal and Paying Agent have irrevocably waived, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to the Fiscal and Paying Agency Agreement, the notes, or the transactions contemplated thereby.

SCHEDULE 2

FORMS OF GLOBAL AND CERTIFICATED NOTES

PART I

CUSIP No. _____

ISIN _____

FORM OF [RULE 144A][REGULATION S] GLOBAL NOTE

THE ISSUER OF THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER (THE “INVESTMENT COMPANY ACT”). THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAW. THE HOLDER HEREOF BY PURCHASING THIS SECURITY AGREES FOR THE BENEFIT OF GLITNIR BANKI HF. (THE “ISSUER”) THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS AND ONLY (1) TO THE ISSUER, [(2) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A]*, [(3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT], AND (4) IF PERMITTED IN THE APPLICABLE PRICING SUPPLEMENT TO AN INSTITUTIONAL INVESTOR THAT QUALIFIES AS AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF THE SECURITIES ACT) ACQUIRING THE SECURITY FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.**

THIS SECURITY IS A GLOBAL SECURITY AND IS REGISTERED IN THE NAME OF THE DEPOSITARY OR A NOMINEE OF THE DEPOSITARY,

* Include only for Rule 144A Global Note

** Include only for Regulation S Global Note

WHICH MAY BE TREATED BY THE ISSUER AND ANY AGENT THEREOF AS OWNER AND HOLDER OF THIS SECURITY FOR ALL PURPOSES.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

PRIOR TO ANY TRANSFER, THE HOLDER WILL DELIVER TO THE ISSUER AND THE FISCAL AND PAYING AGENT SUCH CERTIFICATES, OPINIONS AND OTHER INFORMATION AS THE ISSUER AND THE FISCAL AND PAYING AGENT MAY REASONABLY REQUIRE.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN CERTIFICATED FORM IN THE LIMITED CIRCUMSTANCES REFERRED TO IN THE AGENCY AGREEMENT, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

GLITNIR BANKI HF.

[RULE 144A][REGULATION S] GLOBAL NOTE

SEE REVERSE OF NOTE FOR TERMS AND CONDITIONS

Glitnir banki hf. (the “Issuer”) hereby certifies that Cede & Co is, at the date hereof, entered in the Register as the holder of the aggregate nominal amount of [] of a duly authorized issue of notes (the “Notes”) described, and having the provisions specified, in the attached pricing supplement (the “Pricing Supplement”). References in this Global Note to the Conditions shall be to the Terms and Conditions of the Notes set out in Schedule 1 to the Fiscal and Paying Agency Agreement (as defined below) as modified and supplemented by the information set out in the Pricing Supplement, but in the event of any conflict between the provisions of (i) that Schedule or (ii) this Global Note and the information set out in the Pricing Supplement, the Pricing Supplement will prevail.

Words and expressions defined or set out in the Conditions and/or the Pricing Supplement shall have the same meanings when used in this Global Note.

This Global Note is issued subject to, and with the benefit of, the Conditions and the Fiscal and Paying Agency Agreement (the “Fiscal and Paying Agency Agreement” which expression shall be construed as a reference to that agreement as the same may be amended or supplemented) dated as of April 23, 2008, and made by and among the Issuer and Deutsche Bank Trust Company Americas (the “Fiscal and Paying Agent”) and the other Agents named therein.

Subject to and in accordance with the Conditions, the registered holder of this Global Note is entitled to receive on each Installment Date (if the Notes are repayable in installments) and on the Maturity Date (if any) or, as the case may be, on the Interest Payment Date falling in the redemption month and/or on such earlier date(s) as all or any of the Notes represented by this Global Note may become due and repayable in accordance with the Conditions, the amount payable under the Conditions in respect of such Notes on each such date and interest (if any) on the nominal amount of the Notes from time to time represented by this Global Note calculated and payable as provided in the Conditions and any Physical Delivery Amounts payable and/or deliverable, as the case may be, as provided in the Conditions together with any other sums payable and/or deliverable, as the case may be, under the Conditions, all in accordance with the Conditions.

On any event of a deposit or withdrawal of an interest in the Note, including an exchange, transfer, repurchase, redemption or payment of an installment or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by this Global Note, details of such exchange, transfer, redemption, payment or purchase and cancellation, as the case may be, shall be entered by the Fiscal and Paying Agent in the Register. Upon any such exchange, transfer, redemption, payment of an installment or purchase and cancellation, the nominal amount of the Notes held by the registered holder hereof shall be reduced by the nominal amount of such Notes so redeemed or purchased and cancelled or by the amount of such installment so paid. The nominal amount of the Notes held by the registered holder hereof following any such exchange, transfer, redemption, payment of an installment or purchase and cancellation or any transfer or exchange as referred to below shall be that amount most recently entered in the Register.

Notes represented by this Global Note are transferable only in accordance with, and subject to, the provisions of this Global Note (including the legend set out above) and of the Conditions and the rules and operating procedures of Euroclear Bank S.A./N.V., as Operator of the Euroclear System (“Euroclear”), Clearstream Banking, *société anonyme*, Luxembourg (“Clearstream, Luxembourg”) and The Depository Trust Company (“DTC”).

This Global Note may be exchanged in whole but not in part (free of charge) for Certificated Notes in the form set out in Part II(a) of Schedule 2 to the Fiscal and Paying Agency Agreement (on the basis that all the appropriate details have been included on the face of such Certificated Notes and the Pricing Supplement have been endorsed on or attached to such Certificated Notes) only upon the occurrence of an Exchange Event.

An “Exchange Event” means:

- 1) an Event of Default has occurred and is continuing;
- 2) DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available;
- 3) DTC has ceased to constitute a clearing agency registered under the U.S. Securities Exchange Act of 1934, as amended, and no alternative clearing system is available;
- 4) the Issuer has been notified that either Euroclear or Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday,

statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or

- 5) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by this Global Note in certificated form.

The Issuer will promptly give notice to Noteholders in accordance with the Conditions upon the occurrence of an Exchange Event. In the event of the occurrence of any Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg acting on the instructions of any holder of an interest in this Global Note may give notice to the Fiscal and Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (5) above, the Issuer may also give notice to the Fiscal and Paying Agent requesting exchange. Any exchange shall occur no later than 10 days after the date of receipt of the relevant notice by the Fiscal and Paying Agent.

Exchanges will be made upon presentation of this Global Note at the office of the Fiscal and Paying Agent at 60 Wall Street, 27th Floor, MS: NYC60-2710, New York, New York 10005 (or at such other office as may be designated by the Fiscal and Paying Agent) by the holder of it on any day (other than a Saturday or Sunday) on which banks are open for business in New York City. The aggregate nominal amount of Certificated Notes issued upon an exchange of this Global Note will be equal to the aggregate nominal amount of this Global Note.

On an exchange in whole of this Global Note, this Global Note shall be surrendered to the Fiscal and Paying Agent.

On any exchange or transfer following which either (i) Notes represented by this Global Note are no longer to be so represented or (ii) Notes not so represented are to be so represented, details of the transfer shall be entered by the Fiscal and Paying Agent in the Register, following which the nominal amount of this Global Note and the Notes held by the registered holder of this Global Note shall be increased or reduced (as the case may be) by the nominal amount so transferred.

Until the exchange of the whole of this Global Note, the registered holder of this Global Note shall in all respects (except as otherwise provided in this Global Note and in the Conditions) be entitled to the same benefits as if he were the registered holder of the Certificated Notes represented by this Global Note.

This Global Note is not a document of title. Entitlements are determined by entry in the Register and only the duly registered holder from time to time is entitled to payment in respect of this Global Note.

Transfers of this Global Note shall be limited to transfers in whole, but not in part, to nominees of DTC or its nominee.

The statements in the legend set out above are an integral part of the terms of this Global Note and, by acceptance of this Global Note, the registered holder of this Global Note agrees to be subject to and bound by the terms and provisions set out in the legend.

This Global Note is governed by, and shall be construed in accordance with, the internal laws of the State of New York, except for the subordination provisions herein which are governed by, and shall be construed in accordance with, the laws of Iceland.

This Global Note shall not be valid unless authenticated by the Fiscal and Paying Agent.

IN WITNESS whereof the Issuer has caused this Global Note to be duly executed on its behalf.

GLITNIR BANKI HF.

By: _____
Name:
Title:

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Notes designated herein and referred to in the within-mentioned Fiscal and Paying Agency Agreement.

Dated:

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Fiscal and Paying Agent

By DEUTSCHE BANK NATIONAL TRUST COMPANY

By: _____
Authorized Signatory

[Reverse of Note]

Terms and Conditions

[Terms and Conditions to be as set out in Schedule 1 to the Fiscal and Paying Agency Agreement or in such other form as may be agreed]

Pricing Supplement

*[Here shall set out text of the Pricing Supplement(s)
relating to the Notes]*

PART II(a)

FORM OF [RULE 144A][REGULATION S] CERTIFICATED NOTE

THE ISSUER OF THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER (THE “INVESTMENT COMPANY ACT”). THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAW. THE HOLDER HEREOF BY PURCHASING THIS SECURITY AGREES FOR THE BENEFIT OF GLITNIR BANKI HF. (THE “ISSUER”) THAT THIS SECURITY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE SECURITIES LAWS AND ONLY (1) TO THE ISSUER, [(2) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A]*, [(3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT], AND (4) IF PERMITTED IN THE APPLICABLE PRICING SUPPLEMENT TO AN INSTITUTIONAL INVESTOR THAT QUALIFIES AS AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) OF THE SECURITIES ACT) ACQUIRING THE SECURITY FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.**

GLITNIR BANKI HF.

[Specified Currency and Nominal Amount of Tranche l Notes [Due [Year of Maturity]]

[RULE 144A][REGULATION S] CERTIFICATED NOTE

SEE REVERSE OF NOTE FOR TERMS AND CONDITIONS

Glitnir banki hf. (the “Issuer”) hereby certifies that [] is/are, at the date of this Note, entered in the Register as the holder(s) of the aggregate nominal amount of [] of a duly authorized issue of Notes (the “Notes”) described, and having the provisions specified, in the attached pricing supplement (the “Pricing Supplement”). References in this Note to the Conditions shall be to the Terms and

* Include only for Rule 144A Certificated Note

** Include only for Regulation S Certificated Note

Conditions [endorsed on this Note/attached to this Note/set out in Schedule 1 to the Fiscal and Paying Agency Agreement (as defined below)] as modified and supplemented by information in the Pricing Supplement but, in the event of any conflict between the provisions of the Conditions and the information in the Pricing Supplement, the Pricing Supplement will prevail.

Words and expressions defined or set out in the Conditions and/or the Pricing Supplement shall have the same meanings when used in this Note.

This Note is issued subject to, and with the benefit of, the Conditions and the Fiscal and Paying Agency Agreement (the “Fiscal and Paying Agency Agreement,” which expression shall be construed as a reference to that agreement as the same may be amended or supplemented) dated as of April 23, 2008, and made between the Issuer and Deutsche Bank Trust Company Americas (the “Fiscal and Paying Agent”) and the other Agents named therein.

Subject to and in accordance with the Conditions, the registered holder(s) of this Note is/are entitled to receive on each Installment Date (if this Note is repayable in installments) and on the Maturity Date (if any) or, as the case may be, on the Interest Payment Date falling in the redemption month and/or on such earlier date(s) as this Note may become due and repayable in accordance with the Conditions, the amount payable under the Conditions in respect of this Note on each such due date and interest (if any) on this Note calculated and payable as provided in the Conditions and any Physical Delivery Amount as provided in the Conditions together with any other sums payable and/or deliverable, as the case may be, under the Conditions, all in accordance with the Conditions.

This Note is not a document of title. Entitlements are determined by entry in the Register and only the duly registered holder from time to time is entitled to payment in respect of this Note.

This Note shall not be valid unless authenticated by the Fiscal and Paying Agent.

GLITNIR BANKI HF.

By: _____
Name:
Title:

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Notes designated herein and referred to in the within-mentioned Fiscal and Paying Agency Agreement.

Dated:

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Fiscal and Paying Agent

By DEUTSCHE BANK NATIONAL TRUST COMPANY

By: _____
Authorized Signatory

[Reverse of Note]

Terms and Conditions

[Terms and Conditions to be as set out in Schedule 1 to the Fiscal and Paying Agency Agreement or in such other form as may be agreed]

Pricing Supplement

*[Here shall set out text of the Pricing Supplement(s)
relating to the Notes]*

FORM OF TRANSFER

FOR VALUE RECEIVED the undersigned hereby sell(s), assign(s) and transfer(s) to

(Please print or type name and address (including postal code) of transferee)

[Specified Currency] [] nominal amount of this Note and all rights hereunder, hereby irrevocably constituting and appointing [Fiscal and Paying Agent] as attorney to transfer such principal amount of this Note in the register maintained by [ISSUER] with full power of substitution.

Signature(s) _____

Date: _____

NOTE:

1. This form of transfer must be accompanied by such documents, evidence and information as may be required pursuant to the Conditions (including, if required a duly completed certification in the form set out in Schedule 3 to the Fiscal and Paying Agency Agreement) and must be executed under the hand of the transferor or, if the transferor is a corporation, either under its common seal or under the hand of two of its officers duly authorized in writing and, in such latter case, the document so authorizing such officers must be delivered with this form of transfer.
2. The signature(s) on this form of transfer must correspond with the name(s) as it/they appear(s) on the face of this Note in every particular, without alteration or enlargement or any change whatever.

SCHEDULE 3

FORM OF TRANSFER CERTIFICATE

[This certificate is not required for transfers of interests in a Global Note to persons who wish to hold the transferred interest in the same Global Note]

[DATE]

To: DB Services Tennessee Inc.
648 Grassmere Park Road
Nashville, TN 37211
Attention: Transfer Department
Telephone: 1-800-735-7777

Glitnir banki hf.
as Issuer

GLITNIR BANKI HF.
(the “Issuer”)

***[Title of Series of Notes]* (the “Notes”)**
issued pursuant to a Program for the Issuance of Medium-Term Notes
(the “Program”)

Reference is made to the terms and conditions of the Notes (the “Conditions”) set out in Schedule 1 to the Amended and Restated Fiscal and Paying Agency Agreement (the “Fiscal and Paying Agency Agreement”) dated as of April 23, 2008, as amended or supplemented, between the Issuer and the other parties named in it relating to the Program. Terms defined in the Conditions or the Fiscal and Paying Agency Agreement shall have the same meanings when used in this Certificate unless otherwise stated.

This certificate relates to *[insert Specified Currency and nominal amount of Notes]* of Notes which are held in the form of [beneficial interests in one or more Global Notes ([CUSIP No.][ISIN] *[specify]*)] in the name of *[transferor]* (the “Transferor”)] [one or more Certificated Notes held in the name of *[transferor]* (the “Transferor”)].

In connection therewith, the Transferor certifies that such exchange or transfer has been effected in accordance with the transfer restrictions set forth in the Notes and in accordance with any applicable securities laws of the United States of America, any State of the United States of America or any other jurisdiction and any applicable rules and regulations of DTC, Euroclear and Clearstream, Luxembourg from time to time and that:

The Transferee is [Title of Officer] of [Name of Investor], a [savings institution] [corporation] [trust] duly organized and existing under the laws of [the State of _____] [the United States], on behalf of which he delivers this certificate.

The Transferee understands that the Notes have not been and will not be registered under the Securities Act and are being sold in a transaction that is exempt from the registration requirements of the Securities Act.

The Transferee has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of purchasing the Notes; and acknowledges that neither the Issuer nor any person acting on its behalf has made any representations concerning the Issuer or the offer and sale of the Notes, except as set forth in the Offering Circular.

Such Notes are being reoffered, resold, pledged or otherwise transferred only in compliance with the Securities Act and other applicable securities laws and only (1) to the Issuer, (2) pursuant to Rule 144A to a person that the Transferor reasonably believes is a “qualified institutional buyer” (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, or (4) if permitted in the applicable pricing supplement to an institutional investor that qualifies as an accredited investor (as defined in Rule 501(a)(1), (2), (3) or (7) of the Securities Act) acquiring the security for investment purposes and not for distribution in violation of the Securities Act.

In making this purchase the Transferee is not acting with the intention of evading, either alone or in conjunction with any other person, the requirements of the Securities Act.

The Transferee either (a) is not, and on the date of transfer will not be (i) an employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”)) which is subject to ERISA, (ii) a plan (as defined in Section 4975(e)(2) of the Internal Revenue Code of 1986, as amended (the “Code”) other than a governmental or church plan described in Section 4975(g)(2) or (3) of the Code) which is subject to Section 4975 of the Code, (iii) a governmental plan that is restricted by any provision of law from purchasing Notes, or (iv) any person investing “plan assets” of any such plan (excluding, for purposes of this clause (iv), any entity registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”)) unless a statutory or administrative exemption is available or (b) if the Transferee is or is seeking to invest “plan assets” of any such plan, has provided the Fiscal and Paying Agent with documentation (including an Opinion of Counsel) sufficient to evidence that the purchase by or the transfer to the Investor of the Notes will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code. The Transferee agrees that in the event that at any time the Fiscal and Paying Agent determines that such Transferee is in breach of any of the representations or agreements set forth herein or in any certificate delivered or deemed to be made by it as set forth in the Fiscal and Paying Agency Agreement or the Notes, the Fiscal and Paying Agent may consider such transfer void and require that the Notes be transferred to a person designated by the Fiscal and Paying Agent as provided in clause 6 of the Fiscal and Paying Agency Agreement.

The Transferee agrees that it will not sell or otherwise transfer any Notes except in compliance with clause 6 of the Fiscal and Paying Agency Agreement.

The Transferor understands that this certificate is required in connection with certain securities or other legislation in the United States and/or in connection with the Notes being eligible for clearance in one or more clearance systems. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or might be relevant, the Transferor irrevocably authorizes each entity to which this certificate is addressed to produce this certificate or a copy hereof to any interested party in such proceedings.

This certificate and the statements contained herein are made for the benefit of the addressees hereof and for the benefit of the Dealers of the Notes.

By:
Name:
Title:
Dated:

SCHEDULE 4

REGISTER AND TRANSFER OF REGISTERED NOTES

1. The Fiscal and Paying Agent shall at all times maintain, in a place agreed by the Issuer, the Register showing the amount of the Registered Notes from time to time outstanding and the dates of issue and all subsequent transfers and changes of ownership of the Registered Notes and the names and addresses of the holders of the Registered Notes. The holders of the Registered Notes or any of them and any person authorized by any of them may at all reasonable times during office hours inspect the Register and take copies of or extracts therefrom. The Register may be closed by the Issuer for such periods and at such times (not exceeding in total 30 days in any one year) as it may think fit.
2. Each Note shall have an identifying serial number which shall be entered on the Register.
3. The Notes are transferable by execution of the form of transfer endorsed on them under the hand of the transferor or, where the transferor is a corporation, under its common seal or under the hand of two of its officers duly authorized in writing.
4. The Notes to be transferred must be delivered for registration to the specified office of the Fiscal and Paying Agent with the form of transfer endorsed on them duly completed and executed and must be accompanied by such documents, evidence and information (including, but not limited to, a Transfer Certificate) as may be required pursuant to the Conditions and such other evidence as the Issuer may reasonably require to prove the title of the transferor or his right to transfer the Notes and, if the form of transfer is executed by some other person on his behalf or in the case of the execution of a form of transfer on behalf of a corporation by its officers, the authority of that person or those persons to do so.
5. The executors or administrators of a deceased holder of Notes (not being one of several joint holders) and in the case of the death of one or more of several joint holders the survivor or survivors of such joint holders shall be the only person or persons recognized by the Issuer as having any title to such Notes.
6. Any person becoming entitled to Notes in consequence of the death or bankruptcy of the holder of such Notes may upon producing such evidence that he holds the position in respect of which he proposes to act under this paragraph or of his title as the Issuer shall require be registered himself as the holder of such Notes or, subject to the preceding paragraphs as to transfer, may transfer such Notes. The Issuer shall be at liberty to retain any amount payable upon the Notes to which any person is so entitled until such person shall be registered or shall duly transfer the Notes.
7. Unless otherwise requested by him, the holder of Notes of any Series shall be entitled to receive only one Note in respect of his entire holding of the Series.
8. The joint holders of Notes of any Series shall be entitled to one Note only in respect of their joint holding of the Series which shall, except where they otherwise direct, be delivered to the joint holder whose name appears first in the Register in respect of such joint holding.
9. Where a holder of Notes has transferred part of his holding of Notes represented by a single Note there shall be delivered to him without charge a Registered Note in respect of the balance of his holding.

10. The Issuer shall make no charge to the Noteholders for the registration of any holding of Notes or any transfer of it or for the issue or delivery of Notes in respect of the holding at the specified office of the Fiscal and Paying Agent or by uninsured mail to the address specified by the holder. If any holder entitled to receive a Note wishes to have the same delivered to him otherwise than at the specified office of the Fiscal and Paying Agent, such delivery shall be made, upon his written request to the Fiscal and Paying Agent, at his risk and (except where sent by uninsured mail to the address specified by the holder) at his expense.
11. The holder of a Note may (to the fullest extent permitted by applicable laws) be treated at all times, by all persons and for all purposes as the absolute owner of the Note notwithstanding any notice any person may have of the right, title, interest or claim of any other person to the Note. The Issuer shall not be bound to see to the execution of any trust to which any Note may be subject and no notice of any trust shall be entered on the Register. The holder of a Note will be recognized by the Issuer as entitled to his Note free from any equity, set-off or counterclaim on the part of the Issuer against the original or any intermediate holder of such Note.
12. The holder of a Note shall be the person in whose name a Note is registered on the Register.

SCHEDULE 5

FORM OF TRANSFER NOTICE

GLITNIR BANKI HF.
[Title of Physical Delivery Notes]

Issued Pursuant to the US\$10,000,000,000 Medium-Term Note Program
(the “Program”)

CUSIP: []

ISIN: []

Common Code: []

When completed, this Notice should be delivered in writing, or by e-mail confirmed in writing, to the Settlement Agent at its office specified below, with a copy to whichever of The Depository Trust Company (“DTC”), Euroclear or Clearstream Banking, *société anonyme*, Luxembourg (“Clearstream, Luxembourg”) records on its books the Notes referred to below.

To: The Fiscal and Paying Agent
 Deutsche Bank National Trust Company
 25 DeForest Avenue
 MS: SUM01-0105
 Summitt, NJ 07901

Attention: Trust and Securities Services

with a copy to:

DB Services Tennessee Inc.
648 Grassmere Park Road
Nashville, TN 37211

Attention: Transfer Department

cc: * The Depository Trust Company
 55 Water Street
 New York, New York 10041

Attention: []

* Euroclear Bank S.A./N.V.
(as operator of the Euroclear System)
Brussels Office
Boulevard Emile Jacqmain 151
B-1210 Brussels
Belgium

* Delete as appropriate.
* Delete as appropriate.

Attention: Custody Processing Department

or *Clearstream Banking, société anonyme, Luxembourg
67 Boulevard Grande-Duchesse Charlotte
Luxembourg-Ville
L-2967 Luxembourg

Attention: CIE Department

Failure properly and completely to deliver this Notice (in the sole and absolute determination of the Settlement Agent) in consultation with DTC, Euroclear or Clearstream, Luxembourg, as the case may be, may result in this Notice being treated as null and void.

I/We* , being or representing the accountholder(s) specified in 1 below, being the accountholder(s) of the Notes referred to below, hereby irrevocably authorize Glitnir banki hf. (the “Issuer”) to deliver and, if applicable, pay the Physical Delivery Amount to which I/we am/are entitled in relation to such Notes, in accordance with the Conditions, as set out below. Expressions defined in the Conditions shall bear the same meanings herein.

1. Name(s) and Address(es) of Accountholder(s):
2. Aggregate nominal amount of Notes subject to this Notice:
3. Instructions to DTC/Euroclear/Clearstream, Luxembourg and the Settlement Agent

I/We* hereby irrevocably authorize and instruct DTC/Euroclear/Clearstream, Luxembourg* to debit the number of Notes referred to above from the Notes Account referred to below on the [Early Redemption/Maturity] Date against the transfer of the relevant Physical Delivery Amount to which we are entitled in relation to such Notes to [us/our account at [] / hold on our behalf at []].

I/We* hereby irrevocably authorize the Settlement Agent to execute all relevant notices and transfer form(s) on our/my behalf in relation to the Physical Delivery Amounts to which this Notice relates.

4. Notes Account details

No.:
Name:

5. Acknowledgement as to expenses

I/We* hereby acknowledge that the Issuer shall be entitled to deduct any transfer expenses and other charges and expenses in relation to the Notes and the Physical Delivery Amount to which this Notice applies in accordance with the Conditions.

6. Beneficial ownership certificate

[I/We* hereby certify that I/we am/are eligible to hold the Physical Delivery Amount to be delivered to us, or on our behalf.]

[Any relevant certifications required for U.S. Securities Act purposes to be set out.]

* Delete as appropriate.

7. Authorization of production in proceedings

I/We* hereby authorize the production of this Notice in any administrative or legal proceedings instituted in connection with the Notes to which this Notice relates.

Signed _____ Date _____

Copies: 1 to be retained by the Accountholder
1 to be sent to the Issuer by the Fiscal and Paying Agent