

| Draft: 184th December 2008

Up to £[2,500,000,000] Loan Agreement

between

The Depositors' and Investors' Guarantee Fund of Iceland

and

The Government of the Republic of Iceland

and

The Governor and Company of the Bank of England

Dated [Date]

Up to £[2,500,000,000] Loan Agreement

THIS AGREEMENT IS DATED [•] AND MADE BETWEEN:

- (1) **THE DEPOSITORS' AND INVESTORS' GUARANTEE FUND OF ICELAND** (*Tryggingarsjóður Innstæðueigenda og Fjárfesta*), a [•] incorporated under Icelandic law (the "Guarantee Fund");
- (2) **THE GOVERNMENT OF THE REPUBLIC OF ICELAND** (*[Icelandic name]*) ("Iceland");
and
- (3) **THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND** (the "Bank").

BACKGROUND:

- (A) The claims of Landsbanki London Depositors against Landsbanki are guaranteed by the Guarantee Fund according and subject to Act No. 98/1999 which implements Directive 94/19.
- (B) Iceland has requested that HMT and the FSCS assist the Guarantee Fund in financing and settling the claims of the Landsbanki London Depositors against the Guarantee Fund under Act No. 98/1999.
- (C) The process by which:
 - (i) the FSCS will settle (on behalf of the Guarantee Fund) the claims of the Landsbanki London Depositors against the Guarantee Fund under Act No. 98/1999; and
 - (ii) the Guarantee Fund will settle its obligations to the FSCS,will be detailed in the Settlement Agreement.

(D) On 14 November 2008 Iceland and the Member States of the European Union concerned have agreed guidelines in order to ensure that the negotiations on financial assistance to the Republic of Iceland regarding the obligations of the Republic of Iceland with respect to Directive 94/19/EC will be conducted in a coordinated and consistent way and will take into account the extremely difficult situation of the Republic of Iceland. The programme for the Republic of Iceland agreed by the Board of Directors of the International Monetary Fund on 19 November takes account of these agreed guidelines.

(D)(E) The Parties wish to detail in this Agreement the financing by the Lender of the claims to be settled by the FSCS (on behalf of the Guarantee Fund) pursuant to the Settlement Agreement.

(E)(F) The Bank, at the request of HMT, has agreed to act as the initial Lender under this Agreement in order to fund the Facility in the short term on the basis that HMT (or its nominee) will subsequently assume the role of Lender and act as such until the Facility has been fully repaid.

IT IS AGREED AS FOLLOWS:

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

"**Act No. 98/1999**" means the Icelandic Act No. 98/1999 on Deposit and Investor-Compensation Scheme (*[insert Icelandic name]*) as in force on 11 October 2008.

"**Business Day**" means a day (other than a Saturday or a Sunday) on which banks are open for general business in Reykjavik and in London.

"Change of Icelandic Law" means the introduction or making of any law, regulation or governmental order, or any change to any law, regulation or governmental order, in each case of the Republic of Iceland, excluding any such law, regulation or governmental order, or any change thereto, to the extent required to be made or introduced under any regulation or directive of the European Community (whether directly or as a result of the Agreement on European Economic Area).

"**Directive 94/19/EC**" means Directive 94/19/EC of the European Parliament and of the Council of 30 May 1994 on deposit-guarantee schemes.

"**Disbursement**" means a disbursement made or to be made under this Agreement.

"**Disbursement Date**" means the date on which a Disbursement is or is to be made.

"**Disbursement Request**" means a notice substantially in the form of Schedule 1.

"**Dispute**" has the meaning given to it in subparagraph 16.2.1.

"**External Indebtedness**" means any present or future borrowing, debt or other obligation, whether actual or contingent, which is:

- (a) payable to non-residents of the Republic of Iceland or, if in the form of bonds, notes, debentures, loan stock or other securities, at least 25 per cent. in aggregate principal amount of which is or was initially offered to non-residents of the Republic of Iceland; or
- (b) denominated in a currency other than Icelandic krónur or, if denominated in Icelandic krónur, under the terms of which payment of principal, premium (if any) or interest can be or is required to be made in or by reference to any other currency,

including, for the avoidance of doubt:

- (i) any borrowing, debt or other obligation owing to the International Monetary Fund; and
- (ii) any borrowing, debt or other obligation owing under any Other Depositor Financing Arrangement.

"**Facility**" means the term loan facility described in paragraph 2.1.

"**Facility Amount**" has the meaning given to it in paragraph 2.1.1.

"**Finance Documents**" means this Agreement, the Settlement Agreement and any other agreement or document designated as a Finance Document by the Parties.

"**FSCS**" means the Financial Services Compensation Scheme Limited.

"**FSCS Bank Account**" means one or more bank accounts maintained by the Bank in its books for the FSCS.

"**HMT**" means the Lords Commissioners of Her Majesty's Treasury.

"IMF" means the International Monetary Fund.

"Landsbanki" means Landsbanki Íslands hf, a [•] incorporated under Icelandic law.

"Landsbanki Depositor" means each person, other than a Landsbanki London Depositor, who has deposited any funds, or otherwise has any credit balance, with Landsbanki and whose corresponding claim against Landsbanki is guaranteed by the Guarantee Fund according and subject to Act No. 98/1999.

"Landsbanki London" means the London branch of Landsbanki.

"Landsbanki London Depositor" means (i) each depositor with Landsbanki London's "Icesave" product; (ii) any person who has submitted an application to open an account with Landsbanki London's "Icesave" product and has transferred money to Barclays as UK clearing bank for Landsbanki London but for whom no Icesave account has been opened, so that the money transferred continues to be held by Barclays; and (iii) any other person who has deposited any funds, or otherwise has any credit balance, with Landsbanki London, provided that in this final case the corresponding claim against Landsbanki is eligible for compensation under the rules of the FSCS.

"Landsbanki Depositor" means each person, other than a Landsbanki London Depositor, who has deposited any funds, or otherwise has any credit balance, with Landsbanki and whose corresponding claim against Landsbanki is guaranteed by the Guarantee Fund according and subject to Act No. 98/1999.

"Lender" means the Bank or, after the assignment of the Bank's rights or the transfer of the Bank's rights and obligations under this Agreement to HMT (or its nominee) pursuant to paragraph [13.2], HMT (or its nominee).

"Lender's Settlement Account" means one or more bank accounts maintained by the Lender from time to time as notified by the Lender to the Guarantee Fund.

"Other Depositor Financing Arrangements" means:

- (a) the up to €[1,500,000,000] Prefinancing Arrangement entered or to be entered into between the Guarantee Fund, Iceland and The Government of The Netherlands; and
- (b) the up to EUR [•] Prefinancing Agreement entered or to be entered into between the Federal Republic of Germany (represented by the Federal Ministry of Finance), Iceland, Entschädigungseinrichtung der Deutschen Banken GmbH and the Guarantee Fund.

"Parties" means the Guarantee Fund, Iceland and the Lender.

"Reimbursement" means, at any time (whether before or after the Reimbursement is required to be paid by the Guarantee Fund to the Lender), the aggregate amount of the Disbursements or the amount outstanding for the time being of that amount.

"Settlement Agreement" means the settlement agreement to be entered into between the Guarantee Fund and the FSCS which sets out the process by which the FSCS will settle (on behalf of the Guarantee Fund) the claims of the Landsbanki London Depositors against the Guarantee Fund under Act No. 98/1999 and the process by which the Guarantee Fund will settle its obligations to the FSCS.

"Termination Event" means any event or circumstance specified as such in paragraph 12.

"Transfer Certificate" means a certificate substantially in the form of Schedule 2.

1.2 Third-party benefits

- 1.2.1 Subject to subparagraphs 1.2.2 and 1.2.3, a person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of this Agreement.
- 1.2.2 HMT has the benefit of, and may enforce, any right accorded to it, or any term or condition expressed to be for its benefit, in this Agreement (including, without limitation, paragraph [●]).
- 1.2.3 The FSCS has the benefit of, and may enforce, any right accorded to it, or any term or condition expressed to be for its benefit, in this Agreement (including, without limitation, paragraphs 8 and [●]).
- 1.2.4 Notwithstanding subparagraphs 1.2.2 and 1.2.3, nothing in this Agreement shall impose any obligation on any person who is not a Party.

1.3 Construction

- 1.3.1 In this Agreement, except where the context otherwise requires:
- (a) references to a person include its successors in title, permitted assignees and permitted transferees;
 - (b) references to any document (or a provision thereof) shall be construed as a reference to that document (or provision) as from time to time amended, supplemented, varied, novated, assigned or replaced (in whole or in part);
 - (c) references to any statute or other legislative provision shall include any statutory or legislative modification or re-enactment thereof, or any substitution therefor; and
 - (d) references to the FSCS settling claims or paying compensation "on behalf of the Guarantee Fund" include all payments made by the FSCS to Landsbanki London Depositors in respect of the Guarantee Fund's obligations under Act No. 98/1999 (whether such payments are made by the FSCS as principal or agent).
- 1.3.2 If, but for the operation of this paragraph 1.3.2, any sum payable under or in connection with any Finance Document would fall due for payment on a day which is not a Business Day, or any period by reference to which any such sum is calculated would end on a day which is not a Business Day, that sum shall instead be payable, or that period shall instead end, on the next following Business Day, unless such Business Day falls in the next calendar month, in which case that sum shall instead be payable, or that period shall instead end, on the immediately preceding Business Day.

2 THE FACILITY

2.1 The Facility

- 2.1.1 Subject to the terms of this Agreement, the Lender makes available to the Guarantee Fund a Sterling term loan facility in a maximum principal amount of £[2,500,000,000], or such other amount as the Lender, the Guarantee Fund and HMT may agree in writing from time to time (the "**Facility Amount**").
- 2.1.2 Disbursements made under the Facility shall be applied (or, pending such application, placed on interest-bearing deposit in order to be subsequently applied) by the Guarantee Fund or on its behalf towards one or more of the following purposes:
- (a) the repayment of any amounts borrowed by the FSCS from the Bank or from HMT which have been applied by the FSCS (on behalf of the Guarantee Fund) in order

to settle claims of Landsbanki London Depositors under Act No. 98/1999 for up to £[16,872.99] per claim, together with interest accrued on such amounts borrowed;

- (b) the settlement by the FSCS (on behalf of the Guarantee Fund) of the claims of Landsbanki London Depositors under Act No. 98/1999 for up to £[16,872.99] per ~~claim~~claim depositor (or, where applicable, per joint-account holder) claim; and
- (c) the costs (including internal costs) incurred by the FSCS in settling (on behalf of the Guarantee Fund) the claims of Landsbanki London Depositors under Act No. 98/1999,

in accordance with and subject to the Settlement Agreement.

- 2.1.3 Notwithstanding paragraph 2.1.2, the Lender shall not be bound to monitor nor be concerned with the use or application of any Disbursement.

2.2 Operation of the Facility

- 2.2.1 Without prejudice to the liability of Iceland, the Guarantee Fund shall be the sole borrower under the Facility, shall be the debtor in respect of all Disbursements made under the Facility and shall be primarily liable for all sums (including, without limitation, the Reimbursement and any interest, costs and expenses arising in connection therewith) which are or may become due to the Lender under this Agreement.
- 2.2.2 The FSCS may, and the Guarantee Fund (with the consent of Iceland) hereby irrevocably authorises the FSCS to, on behalf of the Guarantee Fund, make drawings under the Facility in the form of one or more Disbursements, which the FSCS may request by delivery to the Lender of a duly completed Disbursement Request.
- 2.2.3 A Disbursement Request must be submitted to the Lender (with, for so long as the Bank is the Lender, a copy to HMT) by no later than 11:00 am (London time) on the proposed Disbursement Date.
- 2.2.4 The FSCS may, on behalf of the Guarantee Fund, make drawings under the Facility in accordance with this paragraph 2.2:
 - (a) in order to make any payment necessary or desirable for any of the purposes set out in paragraph 2.1; and
 - (b) until (and so that no Disbursement Date falls after) [30 March 2012] and in an aggregate principal amount not exceeding the Facility Amount.

2.3 Making of a Disbursement

- 2.3.1 Provided that:

- (a) ~~and this Agreement has come into force in accordance with paragraph 3 (Coming into force); and the conditions precedent set out in paragraph 3 have been satisfied or, as the case may be, waived in writing by the Lender; and~~
- (b) no Termination Event has occurred or would occur as a result of the proposed Disbursement being made,

the Lender will make each Disbursement available to the FSCS on its Disbursement Date. Each Disbursement shall be made available by credit to an FSCS Bank Account.

- 2.3.2 Only the FSCS may request and receive the proceeds of a Disbursement and the Guarantee Fund will, notwithstanding (and without prejudice to) its obligations as borrower under the Facility, not have any right or claim to request or receive the proceeds of any Disbursement.

2.4 Confirmation of Disbursements

2.4.1 The Lender will, as soon as reasonably possible after making any Disbursement, notify the Guarantee Fund, Iceland and (for so long as the Bank is the Lender) HMT of:

- (a) the amount of the Disbursement and its Disbursement Date; and
- (b) the amount of the Reimbursement immediately after the making of the Disbursement.

2.4.2 Any failure to comply with subparagraph 2.4.1 shall not in any way limit the duties or liabilities of the Guarantee Fund and Iceland under this Agreement.

3 ~~CONDITIONS PRECEDENT~~ COMING INTO FORCE

3.1 Conditions precedent

As conditions precedent to the Lender making the Facility available to the Guarantee Fund, the Guarantee Fund must deliver to the Bank and HMT, in form and substance satisfactory to them, the following documents (which shall be in English or, if not in English, accompanied by a certified translation into English):

- (a) an original copy of this Agreement, dated and duly signed on behalf of the Guarantee Fund and Iceland;
- (b) an original copy of the Settlement Agreement, dated and duly signed on behalf of the Guarantee Fund;
- (c) a board resolution or other corporate authorisation of the Guarantee Fund authorising the execution by it of this Agreement and the Settlement Agreement and the performance of its obligations under such documents; and

~~(d) a copy of an act of the Icelandic parliament (Alþingi) authorising the guarantee given by Iceland under this Agreement and a copy of any other legislative act or authorisation necessary to ensure that the obligations of the Guarantee Fund and Iceland under this Agreement and the Settlement Agreement are legal, valid, binding and enforceable; and~~

~~(e)~~ (d) a legal opinion of [], legal advisers to the Guarantee Fund and Iceland as to Icelandic law, in respect of, inter alia, the capacity and due authority of, and valid execution of each Finance Document to which it is a party by, each of the Guarantee Fund and Iceland.

3.2 Coming into force

3.2.1 This Agreement will come into force if:

- (a) the conditions precedent set out in paragraph 3.1 (Conditions precedent) have been satisfied or waived by the Lender; and
- (b) the Icelandic parliament (Alþingi) has authorised the guarantee given by Iceland under this Agreement and has adopted any other legislative act or authorisation necessary to ensure that the obligations of the Guarantee Fund and Iceland under this Agreement and the Settlement Agreement are legal, valid, binding and enforceable, and Iceland has delivered to the Lender a copy of any such act or authorisation when enacted or adopted.

3.2.2 Iceland and the Guarantee Fund will use their best efforts to ensure that the actions referred to in subparagraph 3.2.1 are completed by no later than 4 February 2009.

3.2.3 If the actions referred to in subparagraph 3.2.1 have not been completed by 4 February 2009, the Lender may, by notice to the Guarantee Fund (with a copy to Iceland), terminate this Agreement.

4 REIMBURSEMENT

4.1 Reimbursement

4.1.1 The Guarantee Fund will reimburse the Lender for all Disbursements made by it in accordance with this Agreement by paying the Reimbursement.

4.1.2 Subparagraph 4.1.1 will apply irrespective of any error or fault by the FSCS in carrying out its obligations under the Settlement Agreement or in applying the proceeds of the Disbursements in accordance with subparagraphs 2.1.1 and 2.2.4.

4.2 Payment of Reimbursement

4.2.1 The Guarantee Fund will pay the Reimbursement in seven annual instalments.

4.2.2 Subject to paragraph 4.3, the amount of each instalment will be equal to one seventh of the amount of the Reimbursement at the end of [30 March 2012] (after taking account of any Disbursement or prepayment made on such date).

4.2.3 The first instalment will be paid on [1 April 2012], the last instalment on [1 April 2018], and the other instalments on [1 April] falling in each year in between [2012 and 2018].

4.3 Prepayment of Reimbursement

4.3.1 At any time the Guarantee Fund may, subject to paragraph 4.3.2, if it (or Iceland on its behalf) gives the Lender no less than three Business Days' prior written notice, voluntarily prepay the Reimbursement in whole or in part but, if in part, in an amount equal to at least £[10,000,000] or, if less, the amount of any Excess (as defined in paragraph 7.2 of the Settlement Agreement).

4.3.2 At the same time as making any voluntary prepayment under paragraph 4.3.1 the Guarantee Fund shall (unless such voluntary prepayment was in respect of any Excess as referred to in paragraph 4.3.1) make a *pro rata* voluntary prepayment of the outstanding amount then owed by it under the Other Depositor Financing Arrangements, such that the same proportion of the then outstanding amount is then (subject to any rounding) prepaid under this Agreement and under both of the Other Depositor Financing Arrangements.

4.3.3 If the FSCS recovers any amount from Landsbanki which is attributable to all or part of a Landsbanki London Depositor's claim which was assigned to the FSCS by such Landsbanki London Depositor in consideration for the payment by the FSCS of compensation in respect of such claim on behalf of the Guarantee Fund under Act No. 98/1999, then the FSCS shall (on behalf of the Guarantee Fund), as soon as reasonably practicable, apply such amount in prepayment of the Reimbursement.

4.3.4 Any prepayment of any amount of the Reimbursement pursuant to this paragraph 4.3
(a) shall be made together with all accrued interest thereon; and
(b) in the case of any prepayment on or after 1 April 2012 and subject to paragraph 9.3 (Partial payments), will reduce the amount of the Reimbursement by the amount of the prepayment and will be applied *pro rata* towards each of the remaining instalments payable under paragraph 4.2.

4.3.5 No amount prepaid may be reborrowed.

5 INTEREST

5.1 Interest rate

The Reimbursement will bear interest at a rate of [*an annual percentage rate equal to the aggregate of the [annualised] 10 year UK Gilt rate on or about the date of the Agreement plus 250bps*] per cent. per annum] from (and including) the first Disbursement Date to (but excluding) the date on which the last instalment (or, as the case may be, prepayment) is paid to the Lender.

5.2 Payment of interest

The Guarantee Fund will pay accrued interest on the Reimbursement on [30 April] and [31 October] of each year starting after the date of this Agreement.

5.3 Interest on arrears

If the Guarantee Fund fails to pay any amount payable by it under this Agreement on its due date, interest will accrue on the overdue amount from the due date up to the date of actual payment at a rate of [*rate in paragraph 5.1 plus 30bps*] per cent. per annum.

5.4 Day count convention

Any interest accruing under this Agreement will accrue from day to day and will be calculated on the basis of the actual number of days elapsed and a year of 365 days.

6 GUARANTEE AND INDEMNITY

6.1 Guarantee and indemnity

Iceland irrevocably and unconditionally:

- (a) guarantees to the Lender the due and punctual performance by the Guarantee Fund of all the Guarantee Fund's obligations under the Finance Documents to which it is a party;
- (b) undertakes to the Lender that, whenever the Guarantee Fund does not pay any amount when due under or in connection with the Finance Documents to which it is a party, that it shall, on demand, pay that amount as if it were the principal obligor; and
- (c) undertakes to indemnify the Lender, on demand, against any cost, loss or liability suffered by the Lender if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount which the Lender would otherwise have been entitled to recover.

6.2 Continuing guarantee and indemnity

The guarantee and indemnity contained in this paragraph 6 is a continuing guarantee and indemnity and will extend to the ultimate balance of sums payable by the Guarantee Fund under the Finance Documents, regardless of any intermediate payment or discharge, whether in whole or in part.

6.3 Reinstatement

If any payment by the Guarantee Fund or any discharge given by the Lender in favour of the Guarantee Fund or Iceland is avoided or reduced:

- (a) the liability of the Guarantee Fund or Iceland (as appropriate) shall continue as if

the payment, discharge, avoidance or reduction had not occurred; and

- (b) the Lender shall be entitled to recover the value or amount of any such payment or discharge from the Guarantee Fund or Iceland (as appropriate), as if the payment, discharge, avoidance or reduction had not occurred.

6.4 Waiver of defences

The obligations of Iceland under this paragraph 6 shall not be affected by an act, omission, matter or thing which, but for this paragraph 6.4, would reduce, release or prejudice any of its obligations under this paragraph 6, including (without limitation and whether or not known to it or any other Party):

- (a) any time, waiver or consent granted to, or composition with, the Guarantee Fund, Iceland or any other person;
- (b) the release of the Guarantee Fund, Iceland or any other person under the terms of any composition or arrangement with any creditor of any of them;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Guarantee Fund, Iceland or any other person or any non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the status of the Guarantee Fund, Iceland or any other person;
- (e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Finance Document including (without limitation) any change in the purpose of, any extension of or any increase in the Facility or the addition of any Finance Document;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document; or
- (g) any insolvency, reorganisation or similar proceedings in respect of Landsbanki, the Guarantee Fund or any other person.

6.5 Immediate recourse

Iceland hereby irrevocably waives any right it may have of first requiring the Lender to proceed against or enforce any other rights or security or claim payment from any person before claiming from Iceland under this paragraph 6. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

6.6 Deferral of Iceland's rights

Until all amounts which have become payable by the Guarantee Fund or Iceland under or in connection with the Finance Documents have been irrevocably paid in full, and unless the Lender otherwise directs, Iceland shall not exercise any rights of indemnity, subrogation or contribution which it may have by reason of the performance by it of its obligations under the Finance Documents (and, if Iceland receives any payment or distribution in relation to such rights, it shall promptly turn such payment or distribution over to the Lender).

6.7 Additional security

The guarantee and indemnity set out in this paragraph 6 is in addition to and is not in any way prejudiced by any other guarantee, indemnity or security now or subsequently held by the

Lender or any other person.

6.8 No ~~e~~Change of Icelandic Law

Iceland will not (and it will ensure that no governmental, ministerial or other authority of or in the Republic of Iceland will) make any ~~e~~Change to any ~~of Icelandic Law or regulation, or introduce any law, regulation or governmental order,~~ which would result in the creditors (or any class of them) of Landsbanki (including, for the avoidance of doubt, the creditors (or any class of them) of Landsbanki London), being treated in a manner contrary to generally accepted international or European principles of treatment of the creditors in an international winding-up.

7 COMPARABILITY OF TREATMENT AND EQUAL TREATMENT

7.1 Comparability of treatment

If the Guarantee Fund or Iceland enters into any financing arrangement or treaty (other than any Other Depositor Financing Arrangement) with any financier (including, without limitation, any state, international organisation or private entity) for the purpose of financing claims of any depositors of an Icelandic bank, and, under the relevant financing arrangement or treaty (taken as a whole) that financier enjoys an overall more favourable treatment than the Lender under this Agreement or the benefit of any security, then the Guarantee Fund and Iceland shall grant the Lender the same favourable treatment or the benefit of similar security (and the Guarantee Fund and Iceland shall execute any documentation necessary or desirable in order to do so).

7.2 Equal treatment

7.2.1 In this paragraph 7.2:

"Excess Payment" means any payment in respect of any claim of a Landsbanki Depositor in excess of an amount of EUR 20,887; and

"Other Guarantee Fund" means any deposit-guarantee scheme introduced and officially recognised in the Republic of Iceland for the purpose of Directive 94/19/EC, other than the Guarantee Fund.

7.2.2 If:

(a) the Guarantee Fund, any Other Guarantee Fund or Iceland makes any Excess Payment; or

(b) the Guarantee Fund has sufficient funds available to make any Excess Payment;

then the Guarantee Fund will pay (or will ensure that each other relevant Guarantee Fund pays) an amount equal to the Excess Payment to each Landsbanki London Depositor, provided that, to the extent that the Lender or the FSCS has made any payment to a Landsbanki London Depositor in respect of a claim of that Landsbanki London Depositor under Act No. 98/1999 in excess of EUR 20,887, the payment under this paragraph 7.2 will be made to the Lender or the FSCS, as the case may be.

8 RESPONSIBILITY OF THE LENDER AND THE FSCS

Neither the Lender nor the FSCS will be responsible for any cost, loss or liability suffered by the Guarantee Fund or Iceland in connection with this Agreement or the Settlement Agreement or otherwise in connection with Landsbanki (including, without limitation, Landsbanki London).

9 PAYMENTS AND SET-OFF

9.1 Payments

- 9.1.1 Each payment by the Guarantee Fund or Iceland under this Agreement will be made on, and for value on, the due date to a Lender's Settlement Account (or as the Lender may otherwise direct).
- 9.1.2 Any payment to be made by the Guarantee Fund under this Agreement may be made by it or by Iceland on its behalf.

9.2 Currency

Each of the Guarantee Fund and Iceland will make each payment to be made by it under this Agreement in Sterling and in freely available and transferable funds.

9.3 Partial payments

If the Guarantee Fund or Iceland makes a payment to the Lender that is insufficient to discharge all matured payments then due under this Agreement from the Guarantee Fund or Iceland, as the case may be, to the Lender, that payment will be applied:

- 9.3.1 first, towards discharging any costs and expenses of the Lender incurred under this Agreement;
- 9.3.2 second, towards payment of any accrued but unpaid interest under this Agreement; and
- 9.3.3 third, towards payment of such part of the Reimbursement as is then due.

9.4 Set-off and deductions

- 9.4.1 All payments to be made by the Guarantee Fund or Iceland under this Agreement will be calculated and be made:
- (a) without, and clear of any deduction for, any suspension, counterclaim or set-off; and
 - (b) clear of any deduction or withholding for, or on account of, any tax, levy, impost, duty or other charge of a similar nature, other than any such deduction or withholding required by law.
- 9.4.2 If the Guarantee Fund or Iceland is required to make a deduction or withholding as referred to in subparagraph 9.4.1(b), the amount of the payment due from it will be increased to an amount which, after making the deduction or withholding, leaves an amount equal to the payment which would have been due if no deduction or withholding had been required.

10 INDEMNITY

The Guarantee Fund shall, on demand, indemnify the Lender against any cost, loss or liability suffered or incurred by the Lender in connection with or arising out of:

- (a) the conversion of one currency into another pursuant to the Finance Documents;
- (b) the occurrence of a Termination Event or the breach by the Guarantee Fund or Iceland of any of their respective obligations under the Finance Documents; or
- (c) the preservation, perfection or enforcement of any of the Lender's rights under the Finance Documents.

11 REPRESENTATIONS AND WARRANTIES

The Guarantee Fund makes the representations and warranties set out in this paragraph [11] to the Lender on the date of this Agreement and shall be deemed to repeat them on the date on which it enters into the Settlement Agreement:

- (a) it is a [corporation], duly incorporated and validly existing under the law of Iceland and it has the power to own its assets and carry on its business as it is being conducted; and
- (b) the obligations expressed to be assumed by it in each Finance Document to which it is a party are or will be, subject to any general principles of law limiting its obligations which are specifically referred to in ~~any~~the legal opinion delivered pursuant to paragraph 3.1, legal, valid, binding and enforceable obligations.

12 TERMINATION EVENTS

12.1 Termination Events

Each of the following is a Termination Event:

- 12.1.1 **Non-payment:** The Guarantee Fund or Iceland fails to pay on the due date any amount payable under the Finance Documents at the place and in the currency in which it is expressed to be payable unless such failure is due solely to administrative or technical error and such amount is paid within two Business Days of the due date for payment.
- 12.1.2 **Other defaults:** The Guarantee Fund or Iceland fails to perform any of their respective obligations under the Finance Documents and, if capable of remedy, such failure is not remedied to the satisfaction of the Lender within 10 Business Days of such failure.
- 12.1.3 **Avoidance of payments:** Any payment previously made by the Guarantee Fund or Iceland in respect of amounts due under the Finance Documents is avoided, set aside, invalidated or reduced.
- 12.1.4 **Untrue representations:** Any statement made, or deemed to be made, in any Finance Document or in any document delivered by the Guarantee Fund or Iceland in connection with any Finance Document is, or proves to have been, incorrect or misleading in any material respect when made or deemed to be made.
- 12.1.5 **Cross default of Iceland:** Iceland (or any governmental or ministerial authority of Iceland) fails to make any payment in respect of any of its External Indebtedness on its due date (or within any originally applicable grace period set out in the agreement constituting such External Indebtedness) or any such External Indebtedness becomes due earlier than its stated date of payment by reason of an event of default (however described).
- 12.1.6 **Moratorium:** A moratorium is declared in respect of all or a part of the indebtedness of the Guarantee Fund or all or a part of the External Indebtedness of Iceland (or any governmental or ministerial authority of Iceland) or an intention to reschedule any such indebtedness or External Indebtedness is declared.
- 12.1.7 **Inability to pay debts:** The Guarantee Fund is unable or admits its inability to pay any of its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to restructuring or rescheduling any of its indebtedness.
- 12.1.8 **Compliance with laws:** The Guarantee Fund or Iceland:

- (a) fails to comply with the requirements of the Directive 94/19/EC in respect of any Landsbanki Depositor in any material way; or
- (b) fails to comply with any law to which it is subject, in circumstances where such failure might materially impair its ability to perform its obligations under the Finance Documents.

12.1.9 Claims pari passu: The payment obligations of the Guarantee Fund under the Finance Documents cease to rank at least pari passu with the present and future claims of all of its other creditors or the payment obligations of Iceland under the Finance Documents cease to rank at least pari passu with its present and future External Indebtedness.

12.1.10 Invalidity or repudiation: Any provision of any of the Finance Documents is not or ceases to be legal, valid, binding and enforceable or is repudiated in any way by either the Guarantee Fund or Iceland.

12.1.11 Compensation fund: The Guarantee Fund is dissolved or ceases to be, or any ~~a~~Change of any Icelandic Law occurs, regulation is made, or any law, regulation or governmental order is introduced or made, in each case of the Republic of Iceland and, which has or will have the effect that the Guarantee Fund ceases to be, the sole deposit-guarantee scheme in respect of the Landsbanki Depositors officially recognised in the Republic of Iceland for the purpose of Directive 94/19/EC.

12.1.12 Change of Icelandic Law in legislation: A ~~a~~Change of any Icelandic Law or regulation is made, or any law, regulation or governmental order is made, in each case of the Republic of Iceland and ~~occurs~~ which has or would have a material adverse effect on the ability of the Guarantee Fund or Iceland to perform their respective payment or other obligations under the Finance Documents to which they are party.

12.2 Notification of a Termination Event

If either the Guarantee Fund or Iceland becomes aware that a Termination Event has occurred, it shall notify the Lender of such occurrence as soon as possible, together with details of the events or circumstances comprising such Termination Event and of the steps being taken to remedy the same.

12.3 Consequences of a Termination Event

On and at any time after the occurrence of a Termination Event, the Lender may, by notice to the Guarantee Fund (with a copy to Iceland, the FSCS and, for so long as the Bank is the Lender, HMT):

- 12.3.1 cancel the Facility, whereupon it shall immediately be cancelled; and/or
- 12.3.2 declare that all or part of the Reimbursement, together with any accrued interest thereon, and all other amounts accrued or outstanding under the Finance Documents, shall be immediately due and payable, whereupon they shall become immediately due and payable.

13 ENTIRE AGREEMENT; CHANGES

13.1 Amendments

- 13.1.1 This Agreement may be amended, supplemented or waived only by mutual consent in the form of a written decision between Iceland and the Lender.
- 13.1.2 The effect of any amendment, supplement or waiver made in accordance with subparagraph 13.1.1 will extend to the Guarantee Fund.

13.2 Transfer to HMT (or its nominee)

- 13.2.1 The Bank may, at any time, assign its rights as Lender under this Agreement to HMT (or its nominee) or transfer its rights and obligations as Lender under this Agreement to HMT (or its nominee) by way of novation. On and from such assignment or transfer, HMT (or its nominee) shall assume all the rights and, in the case of a novation, obligations of the Lender under this Agreement and the Bank shall cease to hold such rights and, in the case of a novation, shall be released and discharged from such obligations.
- 13.2.2 The Bank and HMT (or its nominee) may effect an assignment or transfer by novation pursuant to subparagraph 13.2.1 by executing a duly completed Transfer Certificate.
- 13.2.3 Following execution of a duly completed Transfer Certificate, HMT shall deliver a copy of such certificate to the Guarantee Fund and Iceland.
- 13.2.4 The Guarantee Fund and Iceland hereby irrevocably consent to any assignment or transfer by novation pursuant to subparagraph 13.2.1 and acknowledge that such assignment or transfer shall be effective on and from the date specified in the Transfer Certificate and that no formalities, other than the execution of a Transfer Certificate in accordance with paragraph 13.2.2, shall be required to effect the same. In particular, the Guarantee Fund and Iceland each hereby acknowledge that any failure to deliver a copy of a Transfer Certificate to either or both of them in accordance with paragraph 13.2.3 shall not invalidate or in any way limit the effectiveness of such an assignment or transfer.

13.3 Changes to Parties

Subject to paragraph 13.2, no Party may assign, transfer or encumber any of its rights or obligations under this Agreement.

14 NOTICES

14.1 Communications in writing

Any communication to be made under or in connection with this Agreement will be made in writing in English and, unless otherwise stated, may be made by letter or fax (and may be copied, but not validly served, by email). Any notice to any of the Bank, HMT and the FSCS shall be copied to all three of them.

14.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of person for any communication to be made under or in connection with this Agreement is:

- (a) in the case of the Bank, Bank of England, Threadneedle Street, London EC2R 8AH and +44 (0)20 7601 3801 (attention: Andrew Bailey, Chief Cashier);
- (b) in the case of HMT, HM Treasury, 1 Horse Guards Road, London SW1A 2HQ, United Kingdom and +44 (0)20 7270 5764 (attention: Tom Scholar);
- (c) in the case of the FSCS, Financial Services Compensation Scheme, 7th Floor, Lloyds Chamber, 1 Portsoken Street, London E1 8BN and +44 (0)20 7892 7637 (attention: Loretta Minghella, Chief Executive);
- (d) in the case of the Guarantee Fund, []; and
- (e) in the case of Iceland, [],

or, in each case, any substitute address or fax number (or department or officer) which any of

the above may notify to the others by not less than five Business Days' notice.

14.3 Delivery

Notices served by personal delivery, post or fax shall be deemed to have been duly given:

- (a) if left at the address of the person to be served, at the time when it is so left (or, if left on a day that is not a Business Day, at 8:15am (local time) on the next following Business Day);
- (b) if sent by registered international post, on the second Business Day following the day of posting; and
- (c) if sent by facsimile transmission, when confirmation of receipt is received from the receiving facsimile machine (or, if sent on a day that is not a Business Day, at 8:15am (local time) on the next following Business Day),

and provided that, in proving the giving of notice under or in connection with this Agreement, it shall be sufficient to prove that the notice was delivered to the address for service or that the envelope containing such notice was properly addressed and posted by registered international post (as the case may be).

15 MISCELLANEOUS

15.1 Severability

If any provision of this Agreement becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

15.2 Remedies

No failure or delay by the Lender in exercising any right or remedy provided by law or under or pursuant to this Agreement shall impair that right or remedy or operate or be construed as a waiver or variation of it or preclude its exercise at any subsequent time and no single or partial exercise of that right or remedy shall preclude any other or further exercise of it or the exercise of any other right or remedy. Any liberty or power which may be exercised or any determination which may be made under this Agreement by the Lender (including, without limitation, any act, matter or thing as agreed, specified, determined, decided or notified by the Lender to the Guarantee Fund and/or Iceland) may be exercised or made in the absolute and unfettered discretion of the Lender from time to time, which shall not be under any obligation to give reasons therefor.

15.3 Counterparts

This Agreement may be executed in any number of counterparts, and by the Parties on separate counterparts, and this shall have the same effect as if the signatures on the counterparts were on a single copy of this Agreement. Each counterpart shall be an original copy of this Agreement, but they shall together constitute one and the same instrument.

16 GOVERNING LAW AND JURISDICTION

16.1 Governing law

This Agreement is governed by, and shall be construed in accordance with, the laws of England.

16.2 Jurisdiction

- 16.2.1 Any dispute concerning this Agreement, including a dispute regarding the existence, validity or termination of this Agreement (a "**Dispute**"), shall be subject to the exclusive jurisdiction of the English courts.
- 16.2.2 The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.
- 16.2.3 This paragraph 16.2 is for the benefit of the Lender only. As a result, the Lender shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Lender may take concurrent proceedings in any number of jurisdictions.

16.3 Service of process

Without prejudice to any other mode of service allowed under any relevant law, each of the Guarantee Fund and Iceland hereby irrevocably appoints [] of [] as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document and agrees that failure by the process agent to notify it of any process will not invalidate the proceedings concerned.

17 WAIVER OF SOVEREIGN IMMUNITY

Each of the Guarantee Fund and Iceland consents generally to the issue of any process in connection with any Dispute and to the giving of any type of relief or remedy against it, including the making, enforcement or execution against any of its property or assets (regardless of its or their use or intended use) of any order or judgment. If either the Guarantee Fund or Iceland or any of their respective property or assets is or are entitled in any jurisdiction to any immunity from service of process or of other documents relating to any Dispute, or to any immunity from jurisdiction, suit, judgment, execution, attachment (whether before judgment, in aid of execution or otherwise) or other legal process, this is irrevocably waived to the fullest extent permitted by the law of that jurisdiction. Each of the Guarantee Fund and Iceland also irrevocably agree not to claim any such immunity for themselves or their respective property or assets.

Schedule 1 Form of Disbursement Request

From: Financial Services Compensation Scheme Limited
To: The Governor and Company of the Bank of England
Copy: The Lords Commissioners of Her Majesty's Treasury
Dated: [Date]

Dear Sirs/Madams,

£[2,500,000,000] Loan Agreement

dated [•]

(the "Agreement")

- 1 We refer to the Agreement. Terms defined in the Agreement have the same meaning in this Disbursement Request.
- 2 This is a Disbursement Request.
- 3 We wish to request a Disbursement, on behalf of the Guarantee Fund, on the following terms:
 - (a) Disbursement Date: [date]
 - (b) Amount (in Sterling): [amount]
- 4 The Disbursement should be credited to [*specify FSCS Bank Account*].
- 5 [Immediately upon the proceeds of the Disbursement being credited to the above account, please transfer an equivalent sum from that account to [*specify account from which Landsbanki London Depositors will be paid compensation*].

Yours faithfully,

Financial Services Compensation Scheme Limited

Name:

Title:

Name:

Title:

Schedule 2 Form of Transfer Certificate

From: The Governor and Company of the Bank of England
[The Lords Commissioners of Her Majesty's Treasury/[*Nominee*]]

To: The Depositors' and Investors' Guarantee Fund (*Tryggingarsjóður
Innstæðueigenda og Fjárfesta*)
The Government of the Republic of Iceland (*[Icelandic name]*)

Dated: [*Date*]

Dear Sirs/Madams,

£[2,500,000,000] Loan Agreement

dated [*•*]

(the "Agreement")

- 1 We refer to the Agreement. Terms defined in the Agreement have the same meaning in this Transfer Certificate.
- 2 This is a Transfer Certificate.
- 3 We hereby inform you that, with effect from [*date*], the Bank hereby [assigns/transfers by way of novation] all of its rights [and obligations] as Lender under the Agreement to [HMT/[*nominee*]]. On and from such [assignment/transfer], [HMT/[*nominee*]] shall assume all the rights [and obligations] of the Lender under the Agreement and the Bank shall cease to hold such rights [and shall be released and discharged from such obligations].

Yours faithfully,

The Governor and Company of the Bank of England

Name:

Title:

[The Lords Commissioners of Her Majesty's Treasury/[*Nominee*]]

Name:

Title:

Name:

Title:

**THIS AGREEMENT HAS BEEN MADE ON THE DATE STATED AT THE BEGINNING OF
THIS AGREEMENT BY:**

The Depositors' and Investors' Guarantee
Fund of Iceland (*Tryggingarsjóður
Innstæðueigenda og Fjárfesta*)

Name: [Name]

Title: [Title]

The Government of the Republic of
Iceland (*[Icelandic name]*)

Name: [Name]

Title: [Title]

The Governor and Company of the Bank
of England

Name: [Name]

Title: [Title]

PA083390009