

**Up to EUR [1,500,000,000] Prefinancing
Arrangement**

between

The Depositors' and Investors' Guarantee Fund of Iceland

and

The Government of the Republic of Iceland

and

The Government of The Netherlands

Dated [Date]

draft

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Up to EUR [1,500,000,000] Prefinancing Arrangement

THIS ARRANGEMENT 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 ("Iceland");** and
- (3) **THE GOVERNMENT OF THE NETHERLANDS ("The Netherlands").**

BACKGROUND:

- (A) The claims of Landsbanki Amsterdam Depositors against Landsbanki are guaranteed by the Guarantee Fund according and subject to Act No. 98/1999 which implements Directive 94/19/EC.
- (B) Iceland has requested The Netherlands to assist the Guarantee Fund in prefinancing and settling the claims of the Landsbanki Amsterdam Depositors against the Guarantee Fund under Act No. 98/1999.
- (C) On 11 October 2008 the Participants have signed the MoU which sets out the general principles which will govern:
 - (a) the settlement by DNB of the claims of the Landsbanki Amsterdam Depositors against the Guarantee Fund under Act No. 98/1999; and
 - (b) the prefinancing by The Netherlands of the claims of the Landsbanki Amsterdam Depositors to be settled by DNB under Act No. 98/1999 as referred to in item (a) above.
- (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 and of the MoU.
- (E) ~~(D)~~ The settlement by DNB of the claims of the Landsbanki Amsterdam Depositors against the Guarantee Fund under Act No. 98/1999 (including any such settlement made before the date of the Settlement Arrangement) is detailed in the Settlement Arrangement.

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(E) ~~(E)~~ The Participants wish to detail the prefinancing by The Netherlands of the claims to be settled by DNB under the Settlement Arrangement in this Arrangement.

IT IS APPROVED AS FOLLOWS:

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Arrangement:

"**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 Amsterdam.

"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 Arrangement.

"**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 (*Form of Disbursement Request*).

"**DNB**" means the Dutch Central Bank (*De Nederlandsche Bank N.V.*).

"**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;

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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 prefinancing facility described in paragraph 2.1 (*The Facility*).

"Finance Documents" means this Arrangement, the Settlement Arrangement and any other agreement or document designated as a Finance Document by Iceland and The Netherlands or by the Guarantee Fund and The Netherlands.

"Other Depositor Financing Arrangements" means:

- (a) the up to £[2,500,000,000] Loan Agreement entered or to be entered into between the Guarantee Fund, Iceland and the Governor and Company of the Bank of England; 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.

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

"Landsbanki Amsterdam" means the Amsterdam branch of Landsbanki.

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

"Landsbanki Depositor" means each person, other than a Landsbanki Amsterdam 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.

"MoU" means the Memorandum of Understanding between the Participants dated 11 October 2008.

"Participants" means the Guarantee Fund, Iceland and The Netherlands.

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

"Settlement Arrangement" means the settlement arrangement entered or to be entered into between the Guarantee Fund and DNB which details the settlement

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by DNB of the claims of the Landsbanki Amsterdam Depositors against the Guarantee Fund under Act No. 98/1999.

"Termination Event" means any event or circumstance specified as such in paragraph 12 (*Termination Events*).

1.2 Third-party benefits

- 1.2.1 Subject to subparagraph 1.2.2, a person who is not a Participant does not have the benefit of, and may not enforce, any term or condition of this Arrangement.
- 1.2.2 DNB has the benefit of, and may enforce, any term or condition expressed to be for its benefit in this Arrangement.

1.3 Business Day convention

If, but for the operation of this paragraph 1.3, 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 will instead be payable, or that period will instead end, on the next following Business Day, unless such Business Day falls in the next calendar month, in which case that sum will instead be payable, or that period will instead end, on the immediately preceding Business Day.

2 THE FACILITY

2.1 The Facility

2.1.1 Subject to the terms of this Arrangement, The Netherlands makes available a euro prefinancing facility in an aggregate amount of no more than EUR [1,500,000,000] to be applied towards:

- (a) ~~2.1.1~~ the settlement by DNB of the claims of Landsbanki Amsterdam Depositors under Act No. 98/1999 up to an amount of EUR 20,887 per ~~claim~~ depositor (or, where applicable, per joint-account holder); and
- (b) ~~2.1.2~~ the costs (including internal costs) incurred by DNB in settling the claims of Landsbanki Amsterdam Depositors;

as done or incurred in accordance with and subject to the Settlement Arrangement.

2.1.2 ~~Where DNB has made any settlement or incurred any costs, in each case as referred to in subparagraph 2.1.1, prior to the coming into force of this Arrangement, DNB may also apply the Facility towards the repayment of any amounts prefunded by The Netherlands for the purpose of making such settlements or funding such costs, together with interest accrued on such amounts at the rate set out in paragraph 5.1 (*interest rate*) from the date on which such amounts were prefunded by the Netherlands until the date of repayment by DNB.~~

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2.2 Operation of the Facility

- 2.2.1 The Facility may be utilised only by DNB.
- 2.2.2 DNB may, for its benefit, utilise the Facility by delivery to The Netherlands of a duly completed Disbursement Request.
- 2.2.3 DNB may utilise the Facility:
- (a) after making any payment required to be made for any purpose set out in paragraph 2.1 (*The Facility*); and
 - (b) until (and so that no Disbursement Date falls on or after) [30 March 2012].

2.3 Making of a Disbursement

2.3.1 Provided that:

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

The Netherlands will make each Disbursement available to DNB on its Disbursement Date.

- 2.3.2 Only DNB may, for its benefit, claim payment of any due and payable Disbursement and the Guarantee Fund will not have any right or claim to be paid or receive any Disbursement.

2.4 Confirmation of Disbursements

- 2.4.1 The Netherlands will, as soon as reasonably possible after making any Disbursement, notify the Guarantee Fund and Iceland 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 will not in any way limit the duties or liabilities of the Guarantee Fund and Iceland under this Arrangement.

3 ~~CONDITIONS PRECEDENT~~ COMING INTO FORCE

3.1 Conditions precedent

As conditions precedent to The Netherlands making the Facility available, the Guarantee Fund must deliver to The Netherlands, in form and substance satisfactory to it, the following documents (which will be in English or, if not in English, accompanied by a certified translation into English):

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- 3.1.1 an original copy of this Arrangement, dated and duly signed on behalf of the Guarantee Fund and Iceland;
- 3.1.2 an original copy of the Settlement Arrangement, dated and duly signed on behalf of the Guarantee Fund;
- 3.1.3 a board resolution or other corporate authorisation of the Guarantee Fund authorising the execution by it of this Arrangement and the Settlement Arrangement and the performance of its obligations under such documents;
and
- 3.1.4 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 authorisation of, and valid signing 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 Arrangement 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) 3.1.4 a copy of an act of the Icelandic parliament (*Alþingi*) authorising ~~has~~ authorised the guarantee given by Iceland under this Arrangement and ~~a copy of~~ has adopted any other legislative act or authorisation necessary to ensure that the obligations of the Guarantee Fund and Iceland under this Arrangement and the Settlement Arrangement are legal, valid, binding and enforceable; ~~and (and Iceland will deliver to The Netherlands a copy of any such act or authorisation when enacted or adopted).~~

~~3.1.5 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 authorisation of, and valid signing of each Finance Document to which it is a party by, each of the Guarantee Fund and Iceland.~~

3.2.2 The Participants 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 Netherlands may, by notice to the Guarantee Fund (with a copy to Iceland), terminate this Arrangement.

4 REIMBURSEMENT

4.1 Reimbursement

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

- 4.1.2 Subparagraph 4.1.1 will apply irrespective of any error or fault by DNB in carrying out its obligations under the Settlement Arrangement or in applying the proceeds of the Disbursements in accordance with subparagraph 2.2.3 of paragraph 2.2 (*Operation of the Facility*).

4.2 Payment of Reimbursement

- 4.2.1 The Guarantee Fund will pay the Reimbursement in seven annual instalments.
- 4.2.2 Subject to subparagraph 4.3.3 of paragraph 4.3 (*Voluntary early payment of Reimbursement*), 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 The Guarantee Fund may, subject to paragraph 4.3.2, if it (or Iceland on its behalf) gives The Netherlands 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 EUR ~~[10,000,000]~~ or 1,000,000 or if less, the amount of an Excess as defined in paragraph 2.9 of the Settlement Arrangement) at any time.
- 4.3.2 At the same time as making any voluntary prepayment under paragraph 4.3.1 the Guarantee Fund will (unless such voluntary prepayment was in respect of any Excess as referred to in subparagraph 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 Arrangement and under both of the Other Depositor Financing Arrangements.
- 4.3.3 *Prepayment out of Assigned Landsbanki Amsterdam Depositor's Claim*
- (a) In this subparagraph 4.3.3, "**Assigned Landsbanki Amsterdam Depositor's Claim**" means any claim which:
- (i) was assigned to DNB by a Landsbanki Amsterdam Depositor in consideration for the settlement by DNB of the claim of that Landsbanki Amsterdam Depositor under Acto No. 98/1999; and
- (ii) was subsequently assigned to the Guarantee Fund by DNB in accordance with the Settlement Agreement.
- (b) If the Guarantee Fund recovers any amount from Landsbanki which is attributable to all or part of an Assigned Landsbanki Amsterdam Depositor's Claim, the Guarantee Fund will within [ten] Business Days or receipt of such recovery apply such amount in prepayment of the Reimbursement.

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4.3.4 Any voluntary prepayment of any amount of the Reimbursement pursuant to this paragraph 4.3:

(a) will be made together with all accrued interest thereon; and

(b) 4.3.4 Any voluntary prepayment of any amount of the Reimbursement pursuant to this paragraph 4.3 will be made together with all accrued interest thereon 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 (Payment of Reimbursements).

4.3.5 No amount prepaid may be reutilised.

5 INTEREST

5.1 Interest rate

The Reimbursement will bear interest at a rate of [6.7] percent *per annum*.

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 Arrangement.

5.3 Interest on arrears

If the Guarantee Fund fails to pay any amount payable by it under this Arrangement 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 [7.0] percent *per annum*.

5.4 Day count convention

Any interest accruing under this Arrangement 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 RESPONSIBILITY OF ICELAND

6.1 Guarantee

Iceland irrevocably and unconditionally guarantees to The Netherlands the punctual payment by the Guarantee Fund of all payments to be made by it under this Arrangement and, accordingly, if the Guarantee Fund does not (on whatever ground, including on the basis of repudiation of this Arrangement in whole or in part) make any such payment when expressed to be due, Iceland will promptly pay to The Netherlands an amount equal to the amount of the payment as calculated by The Netherlands that the Guarantee Fund should have made.

6.2 Guarantee arrangements

6.2.1 The guarantee set out in paragraph 6.1 (*Guarantee*) is an independent guarantee.

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- 6.2.2 The guarantee set out in paragraph 6.1 (*Guarantee*) is a continuing guarantee and will extend to the ultimate balance of the guaranteed payments, regardless of any intermediate payment or discharge (in whole or in part).
- 6.2.3 If any payment by the Guarantee Fund or any recovery or discharge by The Netherlands in respect of such payment is avoided or reduced (on whatever ground), the guarantee set out in paragraph 6.1 (*Guarantee*) will be deemed to have continued as if the payment, recovery or discharge (or the part thereof subject to the avoidance or reduction) had not occurred.

6.3 Termination of guarantee

Subject to paragraph 6.2.3, the guarantee set out in paragraph 6.1 (*Guarantee*) will terminate if all guaranteed payments have been irrevocably paid in full.

6.4 ~~6.3~~ No change/Change of law/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 ~~change to any law or regulation, or introduce any law, regulation or governmental order.~~ Change of Icelandic Law 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 Amsterdam), 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 Netherlands under this Arrangement or the benefit of any security, then the Guarantee Fund and Iceland will grant The Netherlands the same favourable treatment or the benefit of similar security (and the Guarantee Fund and Iceland will enter into 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 or any other 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 Amsterdam Depositor, provided that, to the extent that The Netherlands or DNB has made any payment to a Landsbanki Amsterdam Depositor in respect of a claim of that Landsbanki Amsterdam Depositors under Act No. 98/1999 in excess of EUR 20,887 per claim, the payment under this paragraph 7.2 will be made to The Netherlands or DNB, as the case may be.

8 RESPONSIBILITY OF THE NETHERLANDS AND DNB

Neither The Netherlands nor DNB, for its benefit, will be liable for damage suffered by the Guarantee Fund or Iceland in connection with this Arrangement or the Settlement Arrangement or otherwise in connection with Landsbanki (including Landsbanki Amsterdam), other than any damage suffered as a result of The Netherlands' or DNB's, as the case may be, own gross negligence or wilful misconduct.

9 PAYMENTS AND SET-OFF

9.1 Payments

- 9.1.1 Each payment by the Guarantee Fund or Iceland under this Arrangement will be made on, and for value on, the due date to bank account nr. 600113019 (BIC: MIFINL2G; IBAN: NL10FLOR0600113019) with DNB in the name of The Netherlands.
- 9.1.2 Any payment to be made by the Guarantee Fund under this Arrangement 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 Arrangement in euro.

9.3 Partial payments

If the Guarantee Fund or Iceland makes a payment to The Netherlands that is insufficient to discharge all matured payments then due under this Arrangement

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from the Guarantee Fund or Iceland, as the case may be, to The Netherlands, that payment will be applied:

- 9.3.1 first, towards discharging any costs and expenses of The Netherlands incurred under this Arrangement;
- 9.3.2 second, towards payment of any accrued but unpaid interest under this Arrangement; 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 Arrangement 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 will, on demand, indemnify The Netherlands against any cost, loss or liability suffered or incurred by The Netherlands in connection with or arising out of:

- 10.1.1 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
- 10.1.2 the preservation, perfection or enforcement of any of The Netherlands' rights under the Finance Documents.

11 REPRESENTATIONS

The Guarantee Fund makes the representations set out in this paragraph 11 to The Netherlands on the date of this Arrangement and ~~shall~~will be deemed to repeat them on the date on which it enters into the Settlement Arrangement:

- 11.1.1 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

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- 11.1.2 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 33.1 (*Conditions precedent*), 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 Netherlands 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

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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 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 change to any law or regulation is made, or any law, regulation or governmental order is introduced or made, in each case of the Republic of Iceland.~~ Change of Icelandic Law occurs 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 in legislation: ~~Any change to any law or regulation is made, or any law, regulation or governmental order is introduced or made, in each case of the Republic of Iceland, which~~ of Icelandic Law: Any Change of Icelandic Law 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~~will notify The Netherlands 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 Netherlands may, by notice to the Guarantee Fund (with a copy to Iceland):

- 12.3.1 cancel the Facility, whereupon it will 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

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Finance Documents, will be immediately due and payable, whereupon they will become immediately due and payable.

13 STATUS OF ARRANGEMENT; CHANGES

13.1 Status of Arrangement

To the extent that this Arrangement deviates from the MoU, this Arrangement will prevail.

13.2 Amendments

13.2.1 This Arrangement may be amended, supplemented or waived only by mutual consent in the form of a written decision between Iceland and The Netherlands.

13.2.2 The effect of any amendment, supplement or waiver made in accordance with subparagraph 13.2.1 will extend to the Guarantee Fund.

13.3 Changes to Participants

No Participant may assign, transfer or encumber any of its rights or obligations under this Arrangement.

14 NOTICES

14.1 Communications in writing

Any communication to be made under or in connection with this Arrangement 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).

14.2 Addresses

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

14.2.1 that identified with its name on the signature pages of this Arrangement; or

14.2.2 any substitute address or fax number or department or official as a Participant may notify to the other Participants by not less than [five] Business Days' notice.

15 GOVERNING LAW AND JURISDICTION

15.1 Governing law

This Arrangement (including paragraph 15.2 (*Jurisdiction*)) is governed by, and will be construed in accordance with, Dutch law.

15.2 Jurisdiction

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15.2.1 Any dispute concerning this Arrangement, including a dispute regarding the existence, validity or termination of this Arrangement (a "**Dispute**"), will be subject to the exclusive jurisdiction of the courts of The Hague, the Netherlands.

15.2.2 Paragraph 15.2.1 is for the benefit of The Netherlands only. As a result, The Netherlands will not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, The Netherlands may take concurrent proceedings in any number of jurisdictions.

15.3 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 courts of The Hague in connection with the Arrangement and agrees that failure by the process agent to notify it of any process will not invalidate the proceedings concerned.

15.4 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.

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Schedule 1 Form of Disbursement Request

From: De Nederlandsche Bank N.V.
To: The State of The Netherlands
Dated: [Date]

Dear Sirs/Madams,

**EUR [•] Prefinancing Arrangement
dated [•]
(the "Arrangement")**

- 1 We refer to the Arrangement. Terms defined in the Arrangement have the same meaning in this Disbursement Request.
- 2 This is a Disbursement Request.
- 3 We wish to draw down a Disbursement on the following terms:
 - (a) Disbursement Date: [date]
 - (b) Amount (in euro): [amount]
- 4 The Disbursement should be credited to [account].

Yours faithfully,

De Nederlandsche Bank N.V.

Name:
Title:

Name:
Title:

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

The Depositors' and Investors' Guarantee _____
Fund of Iceland

Name: [Name]

Title: [Title]

The Government of the Republic of _____
Iceland

Name: [Name]

Title: [Title]

The Government of The Netherlands _____

Name: [Name]

Title: [Title]

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11:37:08

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Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
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Moved from	5
Moved to	5
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