



**LANDSBANKI ÍSLANDS HF.**  
*(incorporated with limited liability in Iceland)*

*€500,000,000*  
*Euro-Commercial Paper*  
*and*  
*Belgian Certificate of Deposit Programme*

**Arranger**

**Citibank International plc**

**Arranger of the Belgian Shelf**

**ING**

**Domiciliary Agent and the Belgian Certificate of Deposit Dealer**

**ING**

**ECP Dealers**

**Citibank International plc**  
**Landsbanki Íslands hf.**

**ING Financial Markets**  
**SEB Merchant Banking**

17th July, 2003

## Important Notice

*The summary information contained in this Information Memorandum has been supplied by Landsbanki Íslands hf. (the “Issuer”) in connection with the programme described herein (the “Programme”) under which the Issuer may issue and have outstanding at any time short-term promissory notes (the “ECP Notes”) up to a maximum aggregate amount of 500,000,000 (subject to a right to increase that amount by notice to the Dealers (as defined below) and satisfaction of certain conditions precedent) or its equivalent in alternative currencies, and under which it will also be possible to issue and have outstanding Certificats de Dépôt dématérialisés/gedematerialiseerde Depositobewijzen (the “Belgian Certificates of Deposit” and, together with the ECP Notes, the “Notes”) denominated in euro, or any other O.E.C.D. currency.*

*The Belgian Certificates of Deposit will be issued pursuant to the Belgian Law of 22nd July, 1991, as amended (the “Belgian Law”) and the Belgian royal decree of 4th October, 1991, as amended (the “Belgian Royal Decree”) relating to Certificats de Dépôt dématérialisés/gedematerialiseerde Depositobewijzen. The Issuer has appointed Citibank International plc, ING Bank N.V., Landsbanki Íslands hf. and Skandinaviska Enskilda Banken AB (publ) as dealers for the ECP Notes under the Programme (the “ECP Dealers”) and ING Belgium SA/NV as dealer for the Belgian Certificates of Deposit (the “Belgian Certificate of Deposit Dealer”); and together with the ECP Dealers, the “Dealers”), which expression shall include any additional Dealer appointed under the Programme from time to time and has authorised and requested the Dealers to circulate this Information Memorandum in connection with the Programme. The information contained herein should be read in conjunction with the most recently published Annual Report (as defined below) of the Issuer which is incorporated herein by reference.*

*The information contained herein has not been independently verified by the Dealers specified on page 6. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by any Dealer as to the accuracy or completeness of this Information Memorandum or any further information supplied in connection with the Programme. The Dealers do not accept any liability in relation to this Information Memorandum or any Annual Report or their distribution or with regard to any other information supplied by or on behalf of the Issuer hereafter.*

*This Information Memorandum should not be considered as a recommendation by the Issuer or the Dealers that any recipient of this Information Memorandum should purchase any of the Notes to be issued under the Programme. Each investor contemplating purchasing Notes to be issued under the Programme shall make, and shall be deemed to have made, its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Information Memorandum is not intended to form the basis of any credit or other evaluation and no Dealer undertakes to review the financial or other condition of the Issuer or to make available any information coming to its attention regarding the Issuer or the Programme. This Information Memorandum does not constitute an offer or invitation by or on behalf of the Issuer or the Dealers to any person to purchase any Notes. In connection with the Belgian Certificates of Deposit, each recipient of this Information Memorandum is entitled to compensation from the Issuer for material damage arising directly from the omission or falseness of any information stipulated by article 5 of the Belgian Law and by Section II of Chapter II of the Belgian Royal Decree, which makes the Information Memorandum as a whole or any such information contained or incorporated by reference therein misleading.*

*The Issuer has confirmed to the Dealers that: (i) this Information Memorandum contains all material information with respect to the Issuer and the Notes, (ii) this Information Memorandum does not contain any untrue statement of material fact or omit to state a material fact that is necessary in order to make the statements made in this Information Memorandum, in the light of the circumstances under which they were made, not misleading and there is no other material fact or matter omitted from this Information Memorandum which was or is necessary to enable investors and their professional advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes, (iii) the statements of intention, opinion, belief or expectation contained in this Information Memorandum are honestly and reasonably made or held and (iv) all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such statements.*

*The distribution of this Information Memorandum and the offer or sale of the Notes in certain jurisdictions may be restricted by law. Persons obtaining this Information Memorandum are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. In particular, there are restrictions on the distribution of this Information Memorandum and the offer, sale or delivery of the Notes in the United States of America, the United Kingdom, Japan, Belgium and Iceland (see “Selling Restrictions” herein).*

*The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to U.S. persons.*

*The Belgian Certificates of Deposit shall be issued in dematerialised book-entry form only.*

*Neither the Issuer nor the Dealers accept any responsibility, express or implied, for updating this Information Memorandum and neither the delivery of this Information Memorandum nor any offers or sales made on the basis hereof shall under any circumstances create any implication that this Information Memorandum is correct at any time subsequent to the date hereof or that there has been no change in the affairs of the Issuer since the date hereof. No person has been authorised to give any information or to make any representation not contained in this Information Memorandum or any supplement hereto and, if given or made, such information or representation must not be relied upon as having been so authorised. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme nor to advise any purchaser of Notes of any information coming to their attention.*

*Neither the Issuer nor any Dealer makes any comment about the treatment for taxation purposes of payments or receipts in respect of the Notes to or by a holder thereof and each investor contemplating acquiring Notes under the Programme is advised to consult a professional adviser in connection therewith.*

*This Information Memorandum contains references to ratings. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the relevant rating agency.*

*No application will be made at any time to list the Notes on any stock exchange.*

*As used herein references to “U.S. Dollars” and “U.S.\$” are to the lawful currency of the United States of America, references to “euro” and “€” refer to the single currency of participating member states of the European Union, as contemplated by the Treaty establishing the European Community, as amended, references to “Sterling” and “£” are to the lawful currency of Great Britain, references to “Yen” and “¥” are to the lawful currency of Japan and references to “ISK”, “Krona” or “Krónur” are to the lawful currency of Iceland.*

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## **Documents incorporated by Reference**

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and form part of, this Information Memorandum:

- (a) the most recently published audited annual financial statements of the Issuer (the “Annual Report”); and
- (b) all supplements or amendments to this Information Memorandum circulated by the Issuer from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

The Issuer will provide, without charge, to each person to whom a copy of this Information Memorandum has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Information Memorandum.

In respect of the Belgian Certificates of Deposit, as required by article 16, §3 of the Belgian Royal Decree, the following documents are annexed hereto and are available, in addition to copies of this Information Memorandum, at the registered office of the Issuer and the Belgian Certificate of Deposit Dealer and will be delivered to any holder of Belgian Certificates of Deposit upon request thereof:

- (a) the Annual Report; and
- (b) the Issuer’s quarterly results with a description of its activities within four months of the close of each quarter of each financial year.

## Summary of the Terms of the Notes

Issuer:	Landsbanki Íslands hf.
Arranger:	Citibank International plc
ECP Dealers:	Citibank International plc ING Bank N.V. Landsbanki Íslands hf. Skandinaviska Enskilda Banken AB (publ)
Belgian Certificate of Deposit Dealer:	ING Belgium SA/NV
Issue Agent and Paying Agent:	Deutsche Bank AG London
Domiciliary Agent (for the Belgian Certificates of Deposit):	ING Belgium SA/NV
Amount:	The aggregate amount of Notes (including any Belgian Certificates of Deposit) outstanding at any time will not exceed €500,000,000 (or its equivalent in such other currency calculated at the date of issue of any Note). The amount of the Programme may be increased from time to time as may be agreed between the Issuer and the Dealers in accordance with the Dealer Agreement.
Form of the Notes:	<p>The Notes will be in bearer form. Each issue of Notes will initially be represented by one or more global notes (each a “Global Note”). Global Notes will be exchangeable for Definitive Notes only in the circumstances specified in the Global Notes.</p> <p>Any Belgian Certificates of Deposit issued in euro or in any other foreign currency accepted in the X/N Clearing System, in order to be sold to Belgian investors, will be issued in dematerialised, book-entry form (<i>dématerialisée/gedematerialiseerde</i>) in accordance with the Belgian Law and the Royal Decree, and will not be exchangeable for bearer or registered notes. Belgian Certificates of Deposit will be cleared through the X/N Clearing System in accordance with a Clearing Agreement to be entered into by the Issuer, the Domiciliary Agent and the Banque Nationale de Belgique S.A./Nationale Bank van België N.V. (“BNB/NBB”).</p> <p>The Belgian Certificates of Deposit can only be held on a securities account with the BNB/NBB or with an institution which is a participant or sub-participant (<i>instelling die rekeningen bijhoudt/teneur de compte</i>) in the X/N Clearing System and approved by the Ministry of Finance in accordance with the Law and the Royal Decree, each a Custodian. Custodians in the X/N Clearing System include Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”).</p> <p>The Global Notes will be issued with the benefit of a Deed of Covenant executed by the Issuer and will be deposited for their term with a depositary for Euroclear or Clearstream, Luxembourg.</p>
Maturity:	The ECP Notes of each issue will have such maturity as shall have been agreed between the Issuer and the relevant Dealer, subject to a minimum maturity of 7 days and a maximum maturity of 364 days, subject in each case to compliance with any applicable legal or regulatory and/or central bank requirements. Belgian Certificates of Deposit will be subject to the same limitations on maturity. Should any amendment to the Belgian Law or the Belgian Royal Decree define a maximum maturity, or impose a different minimum maturity, such new limit shall automatically apply to the Belgian

Certificates of Deposit issued on or after the implementation date of such amendment.

Currencies:	<p>ECP Notes may be issued in U.S. Dollars, euro, Sterling, Yen, Swiss Francs, Danish Krone, Icelandic Krona, Norwegian Krone, Swedish Krona and such other currencies as may be agreed between the Issuer and the relevant Dealer from time to time, subject in each case to compliance with any applicable legal or regulatory and/or central bank requirements.</p> <p>Belgian Certificates of Deposit will be denominated in euro or in any other O.E.C.D. currency, subject to availability and compliance with all relevant laws, regulations and directives, and provided that the X/N Clearing System accepts the currency (with respect to Belgian Certificates of Deposit, the latter shall hereinafter be referred to as a “Foreign Currency”).</p>
Denominations:	<p>The Notes shall have a minimum denomination of U.S.\$500,000, €500,000, £100,000, ¥100,000,000, CHF500,000 or such other conventionally accepted denomination in other currencies as may be agreed between the Issuer and the relevant Dealer from time to time, subject in each case to compliance with all applicable legal and regulatory requirements. Minimum denominations may be changed from time to time.</p> <p>Belgian Certificates of Deposit shall have a minimum denomination of €250,000 or its equivalent in any Foreign Currency or, without prejudice to the Selling Restrictions, such other minimum denomination as the Law, the Royal Decree or any other applicable regulations may in the future require.</p>
Yield basis:	<p>The Notes may be issued on a discounted basis or may bear fixed or floating rate interest or a coupon calculated by reference to an index or formula.</p>
Subscription price:	<p>The Notes will be subscribed and issued at a price relating to the yield basis at which they are offered.</p>
Redemption:	<p>The Notes may be redeemed at par or at an amount calculated by reference to an index or formula, or other arrangement as is agreed between the Issuer and the relevant Dealer.</p>
Status of the Notes:	<p>The Notes will constitute unsecured and unsubordinated obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer, save for those preferred by mandatory provisions of law.</p>
Withholding Taxes:	<p>Except as set out in the Notes, all payments will be made without deduction or withholding for or on account of any present or future taxes within Iceland or any jurisdiction from or through which payment is made.</p>
Taxation in the Kingdom of Belgium:	<p>In relation to Belgian Certificates of Deposit, see “Taxation in the Kingdom of Belgium” below.</p>
Delivery:	<p>The ECP Notes will be available in London for delivery to Euroclear, Euroclear France S.A. or Clearstream, Luxembourg or to any other recognised clearing system. The delivery of Belgian Certificates of Deposit shall pass by book-entry only and according to the rules of the X/N Clearing System.</p>
Listing:	<p>The Notes will not be listed on any stock exchange.</p>
Rating:	<p>The Programme has been rated by Moody’s Investors Service Limited.</p>

**Selling Restrictions:** The Notes are subject to certain restrictions (see page [11]), including (but not limited to) the United States, the United Kingdom, Japan, Belgium, the Netherlands and Iceland.

**Governing Law:** This Information Memorandum and the Notes will be governed by and construed in accordance with the laws of England. The Belgian Certificates of Deposit will be governed by and construed in accordance with Belgian law.

# Description of Landsbanki Íslands hf

## General Information

The Issuer is the oldest full service commercial bank in Iceland which began its existence as a wholly owned undertaking of the Republic of Iceland (the “State” or “Iceland”) known as Landsbanki Íslands (“Landsbanki Íslands”). Landsbanki Íslands was established in 1885 and began operations on 1st July, 1886. Currently, the Issuer operates pursuant to the provisions of the Act on Financial Institutions, No. 161/2002, the Act on Respecting Public Limited Companies, No. 2/1995 and the Act on the Establishment of Limited Liability Companies to operate Landsbanki Íslands and Búnadarbanki Íslands No. 50 of 22nd May, 1997.

The Issuer currently has 52 branches and sub-branches throughout Iceland. Through its extensive domestic branch system and a wide-ranging network of international correspondent banks, coupled with a broad range of financial products and services, the Issuer has positioned itself as Iceland’s primary source of general and specialised financial services to individuals, corporate entities and institutions. In addition to an offshore unit in Guernsey, Channel Islands, the Issuer has formed strategic alliances in the fields of insurance and real estate financing.

The Principal Subsidiaries and Affiliated Companies of the Issuer include the following:

Principal Subsidiaries:	Principal Area of Activity:
Landsbanki Capital International Ltd.	Offshore Management Company
SP — Finance	Leasing
Heritable Bank Ltd.	Consultancy and Residential development financing
Landsbanki Luxembourg S.A.	Private Banking and Asset Management

### Affiliated Companies:

The Issuer has also taken a leading role in the development of many of the new financial products and services now being offered in Iceland to both domestic and foreign businesses. In recent years, the Issuer has also played an active role in many important developments in the financial sector, including participation in the establishing of new entities such as the Icelandic Banks’ Data Centre, Visa-Iceland Ltd., Kreditkort Ltd. (EUROCARD), and Lysing hf., a leasing company.

On 22nd May, 1997 the Icelandic Parliament passed Act No. 50 of 1997 pursuant to which the state owned commercial bank entity Landsbanki Íslands was incorporated as a 100 per cent. state owned limited liability company.

In August 1998, the first steps toward privatisation of the Issuer were taken. At the beginning of 2001 the Icelandic Government requested, and was granted, authorisation from Parliament to sell the State’s entire interest in the Issuer. Legislation to this effect was passed in May 2001. The privatisation of Landsbanki was completed on 25th February, 2003, when the Government successfully sold its remaining interest in the Issuer by means of public offering. Following the sale, the State has no stake in Landsbanki.

## Recent developments

In April 2003, the Issuer and Búnadarbanki Íslands hf. reached an agreement whereby the Issuer agreed to purchase 100 per cent. in Búnadarbanki International S.A. in Luxembourg, together with all assets and operations. The Issuer acquired the operations as of 1st June, 2003.

On 12th June, 2003, Landsbanki Íslands hf. and the insurance company Vátryggingafélag Íslands hf. (VÍS) reached an agreement on the sale to VÍS by Landsbanki of its entire 50 per cent. interest in the life insurance company Líftryggingafélag Íslands hf (LÍFÍS). The agreement was concluded subject to the approval of the Board of Directors of Landsbanki, the Board of Directors of VÍS and the Board of Directors of the Andvaki Holding Company gf. In addition, Landsbanki has finalised an agreement granting the Bank an exclusive licence to sell life and health insurance offered by the UK Company Swiss Life plc. in Iceland.

## 2003 — New strategic goals following the conclusion of the privatisation process

Comprehensive retail banking services will remain at the core of the Issuer’s activities. The Issuer will continue to use its nation-wide branch network and its position as the strongest deposit institution in the country to increase its market share in the domestic market.

The Issuer will increase its participation in large investment-banking projects. This will be done by taking advantage of the combined strength and expertise of the Group, through investments with predefined exit strategies, securities brokerage, mutual funds and lending activities.

The Issuer will continue to examine possibilities for investing in overseas financial entities, primarily in the UK and Western Europe, and looking into feasible partnership and merger options. The Issuer will strengthen correspondent banking ties and maintain its access to foreign loan capital. The Issuer will continue to use its USD 1 billion EMTN programme and this ECP programme for issuing short-term notes in international credit markets.

### **Current Operations**

The Issuer is the third largest commercial bank in Iceland in terms of total assets, providing services in the corporate, institutional and retail sectors of the Icelandic banking market. The Issuer relies heavily on traditional banking services. With interest margins decreasing, the Issuer's strategy is to increase fee-income and become more service-orientated. The expansion of the range of services offered and the introduction of new products has already begun.

### **Corporate Business**

The Issuer is the main lender to all major industries in Iceland. Fisheries and fish processing industry has for long been the most important industry in Iceland and the Issuer has had the largest share of bank lending to the industry, as well as being a major lender to other industries. Lending to large, listed corporates for M&A purposes also grew rapidly. The Issuer's corporate lending activities are mainly limited to Icelandic corporates, whether in Iceland or internationally, but the Issuer has started to participate in lending into the Residential Housing Development market in England, through its subsidiary, the Heritable Bank, which has a long and successful history in that market in England.

### **Retail Business**

The Issuer's objective in the retail market is to maintain and expand its present retail customer base. The Issuer will primarily focus on servicing and increasing the profitability of existing customers by offering innovative products. The Issuer places strong emphasis on customer satisfaction and providing freedom of choice between both products and service options.

The Issuer's retail customers are located throughout Iceland, with the heaviest concentration in the Reykjavik area. The Issuer has divided its retail customers into target groups on the basis of business volume and age. This enables the Issuer to meet the different requirements of each group of customers in relation to products, sales channels and advisory services.

The Issuer has developed a new range of products for its retail customers. Taking advantage of the deregulation and convergence of its insurance, banking and securities operations, the Issuer continues to develop its range of products. The Issuer aims to become a place of "one-stop-shopping" for its customers.

### **Sources of Funds**

The Issuer's principal source of funding is customer accounts, although other sources of funding include equity, subordinated debt and interbank borrowings.

### **Management**

The Annual Shareholders' Meeting elects the Board of Directors which consists of five members and five alternates for the following year. The Board of Directors is in charge of the general supervision of the operations of the Issuer and its specific tasks include:

- appointing the Group Managing Director and Chief Executive Officer of the Issuer and the senior manager of the Issuer's Internal Auditing department and confirming the appointment of Managing Directors,
- confirming proposals of Management regarding the main elements in the administration of the Issuer, defining the Issuer's policy regarding interest rates and service charges and establishing rules for the credit process,

- deciding on the establishment or closure of branches, the building, purchasing, selling or mortgaging of the Issuer's property, the purchase or sale of shares in other companies and the merger of the Issuer with another financial institution.

Since April 1998, the day-to-day operations of the Issuer have been the responsibility of the Group Managing Director and Chief Executive Officer who is appointed by the Board of Directors. In April 2003 the Board recruited a second GMD and CEO. In addition there are nine Managing Directors responsible for IT, Retail Banking, Legal Department and Compliance, Heritable Bank, Corporate Banking, Capital Management, International Banking, Securities and Treasury and Finance and Operations, who report directly to the Group Managing Director and Chief Executive Officer. The Group Managing Director and Chief Executive Officer and the Issuer's Managing Directors comprise the Issuer's Executive Committee. In late 2001, and again in March 2003, the Group was reorganised to streamline operations, emphasise the Issuer's four income divisions and make support divisions more efficient. In April 2003, a group of 26 executive and senior managers were recruited from Búnadarbanki, with the aim to strengthen the Bank's operations.

Please refer to Landsbanki's website [www.landsbanki.is](http://www.landsbanki.is) for details on changes in management structure.

# Selling Restrictions

## 1. The United States of America

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “Securities Act”) and may not be offered or sold within the United States or to, or for the account or benefit of, US. persons. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has offered and sold, and will offer and sell, the Notes outside the United States to non-U.S. persons only in accordance with Rule 903 of Regulation S under the Securities Act and that neither it, nor any of its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts in the United States with respect to the Notes, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act. Each Dealer has also agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of a sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the United States Securities Act of 1933, as amended and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. Terms used above have the meanings given to them by Regulation S”.

Terms used in this paragraph have the same meanings given to them by Regulation S.

## 2. The United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

## 3. Japan

The Notes have not been and will not be registered under the Securities and Exchange Law. Accordingly, each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

## 4. Iceland

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer Notes to the public of Iceland, except in compliance with the Icelandic Act on Securities Transactions (No. 33 / 2003) and any applicable laws or regulations of Iceland.

## **5. Belgium**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that the offering of Notes has not been and will not be notified to the Belgian Banking and Finance Commission (*Commission bancaire et financière/ Commissie voor het Bank- en Financiewezen*) nor has this Information Memorandum been or will it be approved by the Belgian Banking and Finance Commission. The Notes shall not, directly or indirectly, as part of their initial distribution or at any time thereafter, be offered, sold, transferred or delivered in Belgium to investors other than (i) qualified institutional investors referred to in Article 3, 2°, of the Royal Decree of 7th July, 1999 on public offerings (*relatif au caractère public des opérations financières/ over het openbaar karakter van financiële verrichtingen*) (the “Royal Decree”) acting for their own account, or (ii) investors wishing to acquire Notes for an amount of at least €250,000 individually, as specified in Article 3, 1° of the Royal Decree.

## **6. Netherlands**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not directly or indirectly, offer or sell in the Netherlands any Notes other than to persons who trade or invest in securities in the conduct of a profession or business (which includes banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises).

## **7. General**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it will observe all applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver Notes and it will not directly or indirectly offer, sell, resell, reoffer or deliver Notes or distribute this Information Memorandum or any document, circular, advertisement or other offering material in any country or jurisdiction except under circumstances that will result, to the best of its knowledge and belief, in compliance with any applicable laws and regulations.

# Form of the Notes

## Part I

### Form of Global Note

#### LANDSBANKI ÍSLANDS HF.

(incorporated with limited liability in Iceland)

#### [Interest Bearing/Index Linked/Discounted]<sup>1</sup> Global Note

No:..... Series No:.....  
Issued in London on: ..... Maturity Date: .....  
Contractual Currency:..... Denomination: .....  
Principal Amount:<sup>2</sup>..... Nominal Amount:<sup>3</sup>.....  
(words and figures if a Sterling Note) (words and figures if a Sterling Note)  
Calculation Agent: ..... Minimum Redemption Amount: .....  
(Principal) (words and figures if a Sterling Note)  
Fixed Interest Rate:<sup>4</sup>..... % per annum Margin:<sup>5</sup>..... %  
Calculation Agent:<sup>5</sup>..... Reference Banks:<sup>5</sup>.....  
(Interest)  
Interest Payment Dates:<sup>6</sup>..... Reference Rate: LIBOR/EURIBOR:<sup>7</sup>  
Interest Commencement Date:<sup>8</sup>.....

<sup>1</sup>Delete as appropriate.

<sup>2</sup>Complete for Notes other than index linked Notes.

<sup>3</sup>Complete for index linked Notes only.

<sup>4</sup>Complete for fixed rate interest bearing Notes only.

<sup>5</sup>Complete for floating rate interest bearing and index linked Notes only.

<sup>6</sup>Complete for interest bearing Notes if interest is payable before Maturity Date.

<sup>7</sup>Delete as appropriate. The Reference Rate should always be LIBOR unless the Note is denominated in euro and the Issuer and relevant Dealer agree EURIBOR should be used instead.

<sup>8</sup>Complete for interest bearing Yen denominated Notes only.

1. For value received, LANDSBANKI ÍSLANDS hf. (the “**Issuer**”) promises to pay to the bearer of this Global Note on the Maturity Date:

(a) the above Principal Amount; or

(b) if this Global Note is index linked, an amount (representing either principal or interest) to be calculated by the Calculation Agent, in accordance with the redemption or interest calculation, a copy of which is attached to this Global Note and/or is available for inspection at the office of the Principal Paying Agent referred to below,

together with interest thereon at the rate and at the times (if any) specified herein. All such payments shall be made in accordance with an Issuing and Paying Agency Agreement dated 17th July 2003 between the Issuer and Deutsche Bank AG London as issue agent (the “**Issue Agent**”) and as principal paying agent (the “**Principal Paying Agent**”), a copy of which is available for inspection at the office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB, and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Global Note at the office of the Principal Paying Agent referred to above by transfer to an account denominated in the Contractual Currency maintained by the bearer in the principal financial centre in the country of the Contractual Currency (or, in the case of a Global Note denominated or payable in euro in the principal financial centre of a country which operates a clearing system in euro (the “**Payment Centre**”)).

2. This Global Note is issued in representation of an issue of Notes in the aggregate Principal Amount or Nominal Amount specified above.

3. The payment obligation of the Issuer represented by this Global Note constitutes and at all times shall constitute a direct and unsecured obligation of the Issuer ranking *pari passu* with all present and future unsecured and unsubordinated indebtedness of the Issuer other than obligations preferred by mandatory provisions of law which are of general application in the jurisdiction of incorporation of the Issuer.

4. All payments in respect of this Global Note will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of a Tax Jurisdiction (as defined below) unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the bearer of this Global Note after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in the absence of such withholding or deduction, except that no such additional amounts shall be payable:

(a) where the relevant bearer is liable for such taxes or duties by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note; or

(b) where the relevant bearer would be able to avoid such withholding or deduction by making a declaration or any other statement, including but not limited to a declaration of residence or non-residence, but fails to do so; or

(c) where the relevant bearer is able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or

(d) more than 30 days after the Relevant Date (as defined below) except to the extent that the relevant bearer would have been entitled to an additional amount on presenting the same for payment on such thirtieth day (or, if such thirtieth day is not a Payment Business Day (as defined below), the next succeeding Payment Business Day); or

(e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

“**Tax Jurisdiction**” means Iceland or any jurisdiction through, in or from which payments are made or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or political subdivision or authority thereof or therein to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

“**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of the Notes in accordance with the terms of the Notes.

5. If the Maturity Date or, if applicable, the relevant Interest Payment Date is not a Payment Business Day (as defined herein), payment in respect hereof will not be made and credit or transfer instructions shall not be given until the next following Payment Business Day and the bearer of this Global Note or the holder or beneficial owner of any interest herein or rights in respect hereof shall not be entitled to any interest or other sums in respect of such postponed payment. “**Payment Business Day**”, as used herein, shall mean any day, other than a Saturday or a Sunday, on which (a) deposits in the relevant currency may be dealt in on the London interbank market, (b) commercial banks are open for general business in London and in the place of payment for the relevant currency, (c) on which both Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) or any relevant clearing system are operating and (d) in relation to a payment to be made in euro, a day on which the TARGET system is operating credit or transfer instructions in respect of payments in euro (a “**euro Business Day**”). “**TARGET**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

6. This Global Note is negotiable and, accordingly, title hereto shall pass by delivery and the bearer shall be treated as being absolutely entitled to receive payment upon due presentation hereof free and clear of any equity, set-off or counterclaim on the part of the Issuer against any previous bearer hereof.

7. This Global Note is issued in respect of an issue of Notes of the Issuer and is exchangeable in whole (but not in part only) for duly executed and authenticated bearer Notes in definitive form in the following circumstances, whether before, on or, subject as provided below, after the Maturity Date:

(a) if Euroclear or Clearstream, Luxembourg or any other relevant clearing system are closed for a continuous period of 14 days or more (other than by reason of weekends or public holidays, statutory or otherwise) or announces an intention to cease permanently to do business or does in fact do so and no alternative clearing system is available; and/or

(b) if default is made in the payment of any amount payable in respect of this Global Note.

If an event in paragraph (a) or (b) above occurs, the Issuer hereby undertakes that, upon presentation and surrender of this Global Note during normal business hours at the above offices of the Issue Agent, the Issuer will procure the delivery to the bearer of duly executed and authenticated bearer definitive Notes in the relevant currency in an aggregate principal amount or nominal amount (as applicable) equal to the Principal Amount or Nominal Amount (as applicable) of this Global Note, such delivery to take place in the case of paragraph (a) or (b) above on a date not later than 5.00 p.m. (London time) on the thirtieth day after surrender of this Global Note.

8. If, for whatever reason, definitive Notes are not issued pursuant to the terms of this Global Note in full exchange for this Global Note before 5.00 p.m. (London time) on the thirtieth day after surrender, this Global Note (including the obligation hereunder to issue definitive Notes) will become void and the bearer will have no further rights under this Global Note (but without prejudice to the rights which the bearer or any other person may have under a Deed of Covenant dated 17th July, 2003 entered into by the Issuer).
  9. If this is an interest bearing Global Note, then:
    - (a) notwithstanding the provisions of paragraph 1 above, if any payment of interest in respect of this Global Note falling due for payment prior to the Maturity Date remains unpaid on the fifteenth day after falling so due, the amount referred to in paragraph 1 (a) or (b) (as the case may be) shall be payable on such fifteenth day; and
    - (b) upon each payment of interest (if any) prior to the Maturity Date in respect of this Global Note, the Schedule hereto shall be duly completed by or on behalf of the Principal Paying Agent to reflect such payment.
  10. If this is a fixed rate interest bearing Global Note, interest shall be calculated on the Principal Amount or Nominal Amount (as applicable) as follows:
    - (a) interest shall be payable on the Principal Amount or Nominal Amount (as applicable) in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Global Note is denominated in Sterling or if market practice so dictates (as determined by the Principal Paying Agent), 365 days at the Fixed Interest Rate specified above with the resulting figure being rounded to the nearest amount of the relevant currency which is available as legal tender in the country or countries (in the case of the euro) of the relevant currency (with halves being rounded upwards); and
    - (b) the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is an **"Interest Period"** for the purposes of this paragraph.
  11. If this is a floating rate interest bearing Global Note, interest shall be calculated on the Principal Amount or Nominal Amount (as applicable) as follows:
    - (a) (i) if this Global Note specifies LIBOR as the Reference Rate, interest shall be payable on the Principal Amount or Nominal Amount (as applicable) in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Global Note is denominated in Sterling or if market practice so dictates (as determined by the Principal Paying Agent), 365 days at a rate (the **"Rate of Interest"**) determined on the following basis:
      - (A) on the first day of each Interest Period (for a Global Note denominated in Sterling) or, if this Global Note is denominated in euro, the second euro Business Day before the beginning of each Interest Period or, if this Global Note is denominated in any other currency the second London Business Day (as defined below) before the beginning of each Interest Period (each a **"LIBOR Interest Determination Date"**) the Calculation Agent will determine the offered rate for deposits in the Contractual Currency in the London interbank market for the Interest Period concerned as at 11.00 a.m. (London time) on the LIBOR Interest Determination Date in question. Such offered rate will be that which appears on the display designated as page 3750 or 3740 on the Telerate Monitor (or such other page or service as may replace it for the purpose of displaying London interbank offered rates of major banks for deposits in the Contractual Currency for a duration approximately equal to the Interest Period). The Rate of Interest for such Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) the rate which so appears, as determined by the Calculation Agent;
      - (B) if on any LIBOR Interest Determination Date for any reason such offered rate is unavailable, the Calculation Agent will request each of the Reference Banks (or failing that one of the Reference Banks) to provide its offered quotation to leading banks in the London interbank market for deposits in the Contractual Currency for a duration approximately equal to the Interest Period concerned as at 11.00 a.m. (London time) on the LIBOR Interest Determination Date in question. The Rate of Interest for such Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) such quotation (if only one is provided) or the arithmetic mean (rounded, if necessary, up to the nearest four decimal places) of such quotations (if two or more are so provided), as determined by the Calculation Agent; and
      - (C) if the Calculation Agent is unable to determine the Rate of Interest for an Interest Period in accordance with (i) or (ii) above, the Rate of Interest for such Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which (i) or (ii) above shall have applied;
    - (ii) the Calculation Agent will, as soon as practicable after 11.00 a.m. (London time) on each LIBOR Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable (the **"Amount of Interest"**) for the relevant Interest Period. The Amount of Interest shall be calculated by applying the Rate of Interest to the Principal Amount or Nominal Amount (as applicable) of one Note of each Denomination, multiplying such product by the actual number of days in the Interest Period concerned divided by 360 or, if this Global Note is denominated in Sterling or if market practice so dictates (as determined by the Principal Paying Agent), by 365 and rounding the resulting figure to the nearest amount of the Contractual Currency which is available as legal tender in the country of the Contractual Currency (with halves being rounded upwards). The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent shall (in the absence of manifest error or fraud) be final and binding upon all parties;
    - (iii) a certificate of the Calculation Agent as to the Rate of Interest payable hereon for any Interest Period shall (in the absence of manifest error) be conclusive and binding as between the Issuer and the bearer hereof;
    - (iv) the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an **"Interest Period"** for the purposes of this paragraph;
    - (v) the Issuer will procure that a notice specifying the Rate of Interest payable in respect of each Interest Period be given as soon as practicable after the determination of the Rate of Interest. Such notice will be delivered to Euroclear, Clearstream, Luxembourg and the bearer of this Global Note or, if that is not possible, it will be published in the *Financial Times* or in another leading London daily newspaper; and
    - (vi) as used above, **"London Business Day"** means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;
  - (b) (i) if this Global Note specifies EURIBOR as the Reference Rate, interest shall be payable on the Principal Amount or Nominal Amount (as applicable) in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 360 days at a rate (the **"Rate of Interest"**) determined on the following basis:
    - (A) on the second euro Business Day (as defined in paragraph 4 above) before the beginning of each Interest Period (each a **"EURIBOR Interest Determination Date"**) the Calculation Agent will determine the European Interbank Offered Rate for deposits in euro for the Interest Period concerned as at 11.00 a.m. (Brussels time) on the EURIBOR Interest Determination Date in question. Such offered rate will be that which appears on the display designated as page 248 on the Telerate Monitor (or such other page or service as may replace it for the purpose of displaying European Interbank Offered Rates of prime banks in the euro-zone (as defined below) for deposits in euro for a duration approximately equal to the Interest Period). The Rate of Interest for such Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) the rate which so appears, as determined by the Calculation Agent;
    - (B) if on any EURIBOR Interest Determination Date for any reason such offered rate is unavailable, the Calculation Agent will request the principal euro-zone office of each of the Reference Banks (or failing that one of the Reference Banks) to provide its offered quotation to leading banks in the euro-zone interbank market for deposits in euro for a duration approximately equal to the Interest Period concerned as at 11.00 a.m. (Brussels time) on the EURIBOR Interest Determination Date in question. The Rate of Interest for such EURIBOR Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) such quotation (if only one is provided) or the arithmetic mean (rounded, if necessary, up to the nearest four decimal places) of such quotations (if two or more are so provided), as determined by the Calculation Agent; and
    - (C) if the Calculation Agent is unable to determine the Rate of Interest for an Interest Period in accordance with (i) or (ii) above, the Rate of Interest for such Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which (i) or (ii) above shall have applied;
- for the purposes of this Global Note, **"euro-zone"** means the region comprised of the countries whose lawful currency is the euro;
- (ii) the Calculation Agent will, as soon as practicable after 11.00 a.m. (Brussels time) on each EURIBOR Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable (the **"Amount of Interest"**) for the relevant Interest Period. The Amount of Interest shall be calculated by applying the Rate of Interest to the Principal Amount or Nominal Amount (as applicable) of one Note of each Denomination, multiplying such product by the actual number of days in the Interest Period concerned divided by 360, and rounding the resulting figure to the nearest cent. (with halves being rounded upwards). The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent shall (in the absence of manifest error or fraud) be final and binding upon all parties;
  - (iii) a certificate of the Calculation Agent as to the Rate of Interest payable hereon for any Interest Period shall (in the absence of manifest error) be conclusive and binding as between the Issuer and the bearer hereof;
  - (iv) the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an **"Interest Period"** for the purposes of this paragraph; and
  - (v) the Issuer will procure that a notice specifying the Rate of Interest payable in respect of each Interest Period be given as soon as practicable after the determination of the Rate of Interest. Such notice will be delivered to Euroclear, Clearstream, Luxembourg and the bearer of this Global Note or, if that is not possible, it will be published in the *Financial Times* or in another leading London daily newspaper.
12. If this Global Note is denominated in Sterling, the Principal Amount or Minimum Redemption Amount (as applicable) shall be not less than £100,000 and if this Global Note is denominated in a currency other than Sterling, the Principal Amount or Minimum Redemption Amount (as applicable) shall not be less than euro 500,000 (or its equivalent in the Contractual Currency).
13. Instructions for payment must be received at the offices of the Principal Paying Agent together with this Global Note as follows:
  - (a) if this Global Note is denominated in Australian dollars, New Zealand dollars, Hong Kong dollars or Japanese Yen, at least two Payment Business Days prior to the relevant payment date;
  - (b) if this Global Note is denominated in United States dollars, Canadian dollars or Sterling, on or prior to the relevant payment date; andin all other cases, at least one Payment Business Day prior to the relevant payment date.

- 14. No person shall have any right to enforce any term or condition of this Global Note by virtue of the Contracts (Rights of Third Parties) Act 1999.
- 15. This Global Note shall not be validly issued unless manually authenticated by Deutsche Bank AG London as Issue Agent.
- 16. The provisions of this is Global Note are governed by, and shall be construed in accordance with, English law.

Signed in facsimile on behalf of  
**LANDSBANKI ISLANDS hf.**

**AUTHENTICATED** by  
**DEUTSCHE BANK AG LONDON**  
without recourse, warranty or liability  
and for authentication purposes only

By: .....  
*(Authorised Signatory)*

By: .....  
*(Authorised Signatory)*

By: .....  
*(Authorised Signatory)*

**SCHEDULE**

**Payments of Interest**

The following payments of interest in respect of this Global Note have been made:

Date Made	Payment From	Payment To	Amount Paid	Notation on behalf of Principal Paying Agent
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....

**Pro forma Redemption Calculation  
(Index linked Global Note)**

This is the Redemption Calculation relating to the attached index linked Global Note:

Calculation Date: .....

Calculation Agent: .....

Minimum Redemption Amount (per Note): [€500,000] (or its equivalent in the Contractual Currency)/[£100,000] (for *Sterling Notes only*)

Redemption Amount: to be calculated by the Calculation Agent as follows:  
 [Insert particulars of index and redemption calculation]  
 [Indicate whether the calculation refers to principal or coupon]

Confirmed: .....

For **LANDSBANKI ÍSLANDS hf.**

Note: The Calculation Agent is required to notify the Principal Paying Agent for the Notes of the Redemption Amount immediately upon completing its calculation of the same.

**Part II**  
**Form of Definitive Note**

**LANDSBANKI ÍSLANDS HF.**  
*(incorporated with limited liability in Iceland)*

**[Interest Bearing/Index Linked/Discounted]<sup>(1)</sup> Note**

No:.....	Series No:.....
Issued in London on: .....	Maturity Date: .....
Contractual Currency:.....	Principal Amount: <sup>2</sup> ..... <i>(words and figures if a Sterling Note)</i>
Nominal Amount: <sup>3</sup> ..... <i>(words and figures if a Sterling Note)</i>	Calculation Agent: <sup>3</sup> ..... <i>(Principal)</i>
Fixed Interest Rate: <sup>4</sup> ..... % per annum	Minimum Redemption Amount:..... <i>(words and figures if a Sterling Note)</i>
Calculation Agent: <sup>5</sup> ..... <i>(Interest)</i>	Margin: <sup>5</sup> ..... %
Interest Payment Dates: <sup>6</sup> .....	Reference Banks: <sup>5</sup> .....
Interest Commencement Date: <sup>7</sup> .....	Reference Rate: <sup>8</sup> LIBOR/EURIBOR:

<sup>1</sup>Delete as appropriate.

<sup>2</sup>Complete for Notes other than index linked Notes.

<sup>3</sup>Complete for index linked Notes only.

<sup>4</sup>Complete for fixed rate interest bearing Notes only.

<sup>5</sup>Complete for floating rate interest bearing and index linked Notes only.

<sup>6</sup>Complete for interest bearing Notes if interest is payable before Maturity Date.

<sup>7</sup>Complete for interest bearing Yen denominated Notes only.

<sup>8</sup>Delete as appropriate. The Reference Rate should always be LIBOR unless the Note is denominated in euro and the Issuer and relevant Dealer agree EURIBOR should be used instead.

1. For value received, LANDSBANKI ÍSLANDS hf. (the “**Issuer**”) promises to pay to the bearer of this Note on the Maturity Date:
  - (a) the above Principal Amount; or
  - (b) if this Note is index linked, an amount (representing either principal or interest) to be calculated by the Calculation Agent, in accordance with the redemption or interest calculation, a copy of which is attached to this Note and/or is available for inspection at the office of the Principal Paying Agent referred to below, together with interest thereon at the rate and at the times (if any) specified herein. All such payments shall be made in accordance with an Issuing and Paying Agency Agreement dated 17th July, 2003 between the Issuer and Deutsche Bank AG London (the “**Principal Paying Agent**”), a copy of which is available for inspection at the office of the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB, and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Note at the office of the Principal Paying Agent referred to above by transfer to an account denominated in the Contractual Currency maintained by the bearer in the principal financial centre in the country of the Contractual Currency (or, in the case of a Note denominated or payable in euro, in the principal financial centre of a country which operates a clearing system in euro (the “**Payment Centre**”)).
2. All payments in respect of this Note will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of a Tax Jurisdiction (as defined below) unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the bearer of this Note after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in the absence of such withholding or deduction, except that no such additional amounts shall be payable:
  - (a) where the relevant bearer is liable for such taxes or duties by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note; or
  - (b) where the relevant bearer would be able to avoid such withholding or deduction by making a declaration or any other statement, including but not limited to a declaration of residence or non-residence, but fails to do so; or
  - (c) where the relevant bearer is able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or
  - (d) more than 30 days after the Relevant Date (as defined below) except to the extent that the relevant bearer would have been entitled to an additional amount on presenting the same for payment on such thirtieth day (or, if such thirtieth day is not a Payment Business Day (as defined below), the next succeeding Payment Business Day); or
  - (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

“**Tax Jurisdiction**” means Iceland or any jurisdiction through, in or from which payments are made or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or political subdivision or authority thereof or therein to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

“**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of the Notes in accordance with the terms of the Notes.
3. The payment obligation of the Issuer represented by this Global Note constitutes and at all times shall constitute a direct and unsecured obligation of the Issuer ranking *pari passu* with all present and future unsecured and unsubordinated indebtedness of the Issuer other than obligations preferred by mandatory provisions of law which are of general application in the jurisdiction of incorporation of the Issuer.
4. If the Maturity Date or, if applicable, the relevant Interest Payment Date is not a Payment Business Day (as defined herein), payment in respect hereof will not be made and credit or transfer instructions shall not be given until the next following Payment Business Day and the bearer of this Note or the holder or beneficial owner of any interest herein or rights in respect hereof shall not be entitled to any interest or other sums in respect of such postponed payment. “**Payment Business Day**”, as used herein, shall mean any day, other than a Saturday or a Sunday, on which (a) deposits in the relevant currency may be dealt in on the London interbank market, (b) commercial banks are open for general business in London and in the place of payment for the relevant currency, (c) on which both Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) or any relevant clearing system are operating and (d) in relation to a payment to be made in euro, a day on which the TARGET system is operating credit or transfer instructions in respect of payments in euro (a “**euro Business Day**”). “**TARGET**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.
5. This Note is negotiable and, accordingly, title hereto shall pass by delivery and the bearer shall be treated as being absolutely entitled to receive payment upon due presentation hereof free and clear of any equity, set-off or counterclaim on the part of the Issuer against any previous bearer hereof.
6. If this is an interest bearing Note, then:
  - (a) notwithstanding the provisions of paragraph 1 above, if any payment of interest in respect of this Note falling due for payment prior to the Maturity Date remains unpaid on the fifteenth day after falling so due, the amount referred to in paragraph 1 (a) or (b) (as the case may be) above shall be payable on such fifteenth day; and
  - (b) upon each payment of interest (if any) prior to the Maturity Date in respect of this Note, the Schedule hereto shall be duly completed by or on behalf of the Principal Paying Agent to reflect such payment.
7. If this Note is a Fixed Rate Note, interest shall be calculated on the Principal Amount or Nominal Amount (as applicable) as follows:
  - (a) interest shall be payable on the Principal Amount or Nominal Amount (as applicable) in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Note is denominated in Sterling or if market practice so dictates (as determined by the Principal Paying Agent), 365 days at the Fixed Interest Rate specified above with the resulting figure being rounded to the nearest amount of the relevant currency which is available as legal tender in the country or countries (in the case of the euro) of the relevant currency (with halves being rounded upwards); and
  - (b) the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is an “**Interest Period**” for the purposes of this paragraph.

8. If this Note is a Floating Rate Note and specifies LIBOR as the Reference Rate, interest shall be calculated on the Principal Amount or Nominal Amount (as applicable) as follows:
- (a) interest shall be payable on the Principal Amount or Nominal Amount (as applicable) in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Note is denominated in Sterling or if market practice so dictates (as determined by the Principal Paying Agent), 365 days at a rate (the **"Rate of Interest"**) determined on the following basis:
    - (i) if this Note is denominated in Sterling, on the first day of each Interest Period or if this Note is denominated in euro, the second euro Business Day before the beginning of each Interest Period or if this Note is denominated in any other currency the second London Business Day (as defined below) before the beginning of each Interest Period (each a **"LIBOR Interest Determination Date"**) the relevant Calculation Agent will determine the offered rate for deposits in the Contractual Currency in the London interbank market for the Interest Period concerned as at 11.00 a.m. (London time) on the LIBOR Interest Determination Date in question. Such offered rate will be that which appears on the display designated as page 3750 or 3740 on the Telerate Monitor (or such other page or service as may replace it for the purpose of displaying London interbank offered rates of major banks for deposits in the Contractual Currency for a duration approximately equal to the Interest Period). The Rate of Interest for such Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) the rate which so appears, as determined by the Calculation Agent;
    - (ii) if on any LIBOR Interest Determination Date for any reason such offered rate is unavailable, the Calculation Agent will request each of the Reference Banks (or failing that one of the Reference Banks) to provide its offered quotation to leading banks in the London interbank market for deposits in the Contractual Currency for a duration approximately equal to the Interest Period concerned as at 11.00 a.m. (London time) on the LIBOR Interest Determination Date in question. The Rate of Interest for such Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) such quotation (if only one is provided) or the arithmetic mean (rounded, if necessary, up to the nearest four decimal places) of such quotations (if two or more are so provided), as determined by the Calculation Agent; and
    - (iii) if the Calculation Agent is unable to determine the Rate of Interest for an Interest Period in accordance with (i) or (ii) above, the Rate of Interest for such Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which (i) or (ii) above shall have applied;
  - (b) the Calculation Agent will, as soon as practicable after 11.00 a.m. (London time) on each LIBOR Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable (the **"Amount of Interest"**) for the relevant Interest Period. The Amount of Interest shall be calculated by applying the Rate of Interest to the Principal Amount or Nominal Amount (as applicable) of one Note of each Denomination, multiplying such product by the actual number of days in the Interest Period concerned divided by 360 or, if this Note is denominated in Sterling or market practice so dictates (as determined by the Principal Paying Agent), by 365 and rounding the resulting figure to the nearest amount of the Contractual Currency which is available as legal tender in the country of the Contractual Currency (with halves being rounded upwards). The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent shall (in the absence of manifest error or fraud) be final and binding upon all parties;
  - (c) a certificate of the Calculation Agent as to the Rate of Interest payable hereon for any Interest Period shall (in the absence of manifest error) be conclusive and binding as between the Issuer and the bearer hereof;
  - (d) the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an **"Interest Period"** for the purposes of this paragraph;
  - (e) the Issuer will procure that a notice specifying the Rate of Interest payable in respect of each Interest Period be given as soon as practicable after the determination of the Rate of Interest. Such notice will be delivered to Euroclear or Clearstream Luxembourg or the bearer of this Note or, if that is not possible, it will be published in the *Financial Times* or in another leading London daily newspaper; and
  - (f) as used above, **"London Business Day"** means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.
9. If this Note is a Floating Rate Note and specifies EURIBOR as the Reference Rate, interest shall be calculated on the Principal Amount or Nominal Amount (as applicable) as follows:
- (a) Interest shall be payable on the Principal Amount or Nominal Amount (as applicable) in respect of each successive Interest Period (as defined below) from the Issue Date to the Maturity Date only, in arrear on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 360 days at a rate (the **"Rate of Interest"**) determined on the following basis:
    - (i) on the second euro Business Day (as defined in paragraph 3 above) before the beginning of each Interest Period (each a **"EURIBOR Interest Determination Date"**) the relevant Calculation Agent will determine the European Interbank Offered Rate for deposits in euro for the Interest Period concerned as at 11.00 a.m. (Brussels time) on the EURIBOR Interest Determination Date in question. Such offered rate will be that which appears on the display designated as page 248 on the Telerate Monitor (or such other page or service as may replace it for the purpose of displaying European Interbank Offered Rates of prime banks in the euro-zone (as defined below) for deposits in euro for a duration equal to the Interest Period). The Rate of Interest for such Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) the rate which so appears, as determined by the Calculation Agent;
    - (ii) if on any EURIBOR Interest Determination Date for any reason such offered rate is unavailable, the Calculation Agent will request the principal euro-zone office of each of the Reference Banks (or failing that one of the Reference Banks) to provide its offered quotation to leading banks in the euro-zone interbank market for deposits in euro for a duration approximately equal to the Interest Period concerned as at 11.00 a.m. (Brussels time) on the Interest Determination Date in question. The Rate of Interest for such EURIBOR Interest Period shall be the Margin (expressed as a percentage rate per annum) above (if a positive number) or below (if a negative number) such quotation (if only one is provided) or the arithmetic mean (rounded, if necessary, up to the nearest four decimal places) of such quotations (if two or more are so provided), as determined by the Calculation Agent; and
    - (iii) if the Calculation Agent is unable to determine the Rate of Interest for an Interest Period in accordance with (i) or (ii) above, the Rate of Interest for such Interest Period shall be the Rate of Interest in effect for the last preceding Interest Period to which (i) or (ii) above shall have applied;

for the purposes of this Note **"euro-zone"** means the region comprised of the countries whose lawful currency is the euro;
  - (b) the Calculation Agent will, as soon as practicable after 11.00 a.m. (Brussels time) on each EURIBOR Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable (the **"Amount of Interest"**) for the relevant Interest Period. The Amount of Interest shall be calculated by applying the Rate of Interest to the Principal or Nominal Amount (as applicable) of one Note of each Denomination, multiplying such product by the actual number of days in the Interest Period concerned divided by 360, and rounding the resulting figure to the nearest cent. (with halves being rounded upwards). The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent shall (in the absence of manifest error or fraud) be final and binding upon all parties;
  - (c) a certificate of the Calculation Agent as to the Rate of Interest payable hereon for any Interest Period shall (in the absence of manifest error) be conclusive and binding as between the Issuer and the bearer hereof;
  - (d) the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an **"Interest Period"** for the purposes of this paragraph; and
  - (e) the Issuer will procure that a notice specifying the Rate of Interest payable in respect of each Interest Period be published as soon as practicable after the determination of the Rate of Interest. Such notice will be delivered to Euroclear or Clearstream Luxembourg or the bearer of this Note or, if that is not possible, it will be published in the *Financial Times* or in another leading London daily newspaper.
10. Instructions for payment must be received at the offices of the relevant paying agent together with this Note as follows:
- (a) if this Note is denominated in Australian dollars, New Zealand dollars, Hong Kong dollars or Japanese Yen, at least two Payment Business Days prior to the relevant payment date;
  - (b) if this Note is denominated in United States dollars, Canadian dollars or Sterling, on or prior to the relevant payment date; and
- in all other cases, at least one Payment Business Day prior to the relevant payment date.
11. No person shall have any right to enforce any term or condition of this Note by virtue of the Contracts (Rights of Third Parties) Act 1999.
12. This Note shall not be validly issued unless manually authenticated by Deutsche Bank AG London as Issue Agent.
13. The provisions of this Note are governed by, and shall be construed in accordance with, English law.

Signed in facsimile on behalf of  
LANDSBANKI ISLANDS hf.

AUTHENTICATED by  
DEUTSCHE BANK AG LONDON  
without recourse, warranty or liability  
and for authentication purposes only

By: .....  
(Authorised Signatory)

By: .....  
(Authorised Signatory)

By: .....  
(Authorised Signatory)

**SCHEDULE**

**Payments of Interest**

The following payments of interest in respect of this Note have been made:

Date Made	Payment From	Payment To	Amount Paid	Notation on behalf of Principal Paying Agent
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....

**Pro forma Redemption Calculation  
(Index Linked Note)**

This is the Redemption Calculation relating to the attached index linked Note:

Calculation Date: .....

Calculation Agent: .....

Minimum Redemption Amount (per Note): [€500,000] (or its equivalent in the Contractual Currency)/[£100,000] (for *Sterling Notes only*)

Redemption Amount: to be calculated by the Calculation Agent as follows:  
 [Insert particulars of index and redemption calculation]  
 [Indicate whether the calculation refers to principal or coupon]

Confirmed: .....

For **LANDSBANKI ÍSLANDS hf.**

Note: The Calculation Agent is required to notify the Principal Paying Agent for the Notes of the Redemption Amount immediately upon completing its calculation of the same.

## **Proposed EU Withholding Tax Directive**

The member states of the European Union are considering proposals to adopt a directive regarding the taxation of savings income. Under the proposals, member states would be required to provide to the tax authorities of another member state details of payments of interest made by a person within its jurisdiction to an individual resident in that other member state, subject to the right of certain member states to opt instead for a withholding system for a transitional period in relation to such payments. These proposals are at an advanced stage but the terms of the directive finally approved may differ from such proposals. Investors should rely on their own analysis of the proposals and should take advice from appropriate legal or taxation professionals.

## **Enforcement of Global Notes**

In the case of Global Notes issued after the date hereof, the rights of individual investors will be determined in accordance with a Deed of Covenant dated 17th July, 2003 and by their arrangements with Euroclear and/or Clearstream, Luxembourg.

# Belgian Certificates of Deposit

## 1. General Provisions

The terms and conditions applicable to any Belgian Certificates of Deposit will consist of the terms and conditions set out under “Forms of the Notes” above and the form sent by the Belgian Certificates of Deposit Dealer to the Issuer and investor(s) concerned in accordance with the Royal Decree containing the terms and conditions specific to an issue of Belgian Certificates of Deposit under the Programme (the “Confirmation Form”) which supplements, amends, and/or replaces those terms and conditions.

For the purposes of this section, the following terms have the meanings assigned to them:

X/N Clearing System:	A securities clearing system recognised or approved in accordance with Articles 3 to 12 of the Law of 2nd January, 1991 on the market of public debt securities and monetary policy instruments, as amended, the Law of 6th August, 1993 as amended and its implementing decrees as amended, and the Law of 15th July, 1998 as amended and its implementing decrees as amended, which is currently the securities clearing system operated by the BNB/NBB.
Exempt Account, X-Account:	The securities accounts opened in the X/N Clearing System in the name of persons or institutions defined in Article 4 of the Royal Decree of 26th May, 1994 as amended, benefiting from exemption from Withholding Tax.
Non-exempt Account, N-Account:	The securities accounts opened in the X/N Clearing System in the name of persons or institutions that do not qualify under Article 4 of the Royal Decree of 26th May, 1994 as amended, for an Exempt Account and for which Withholding Tax applies.

Due to the particularities of Belgian Certificates of Deposit, the terms and conditions set out under “Forms of the Notes” above shall, where appropriate, be deemed to reflect the following with respect to Belgian Certificates of Deposit:

### (a) Form of the Treasury Notes

The Certificates of Deposit will be issued in dematerialised form (*gedematerialiseerd/dématérialisé*) only in accordance with Article 7 of the Belgian Law and are not eligible to be converted into a global certificate or definitive certificates of deposit.

Ownership of Belgian Certificates of Deposit will be evidenced by book-entry in the investor’s securities account with the BNB/NBB or with a Custodian, classified as either an X-Account or an N-Account as determined by the Law of 6th August, 1993 and the Belgian Royal Decrees of 26th May and 14th June, 1994.

Belgian Certificates of Deposit shall be transferred by book-entry only from and to securities accounts held with the BNB/NBB or a Custodian.

### (b) Agreements

For the correct interpretation of the Certificates of Deposit existing under the Belgian shelf of the Programme, any reference made to “agreement” should be understood as referring to one or more of the following agreements, being:

- the dealer agreement dated 17th July, 2003 between the Issuer and the Dealer relating to the offering and sale of Belgian Certificates of Deposit (the “Belgian Dealer Agreement”);
- as the domiciliary agency agreement dated 17th July, 2003 between the Issuer and ING Belgium SA/ NV relating to the agency services of Belgian Certificates of Deposit (the “Domiciliary Agency Agreement”);
- as the agreement for clearing operations dated 17th July, 2003 between the Issuer, the Domiciliary Agent and the Clearer relating to the clearing and settlement of Belgian Certificates of Deposit (the “Clearing Agreement”).

*(c) Currency*

Belgian Certificates of Deposit may be issued in euro. They may also be issued in the lawful currency of a member state of the Organisation for Economic Co-operation and Development (O.E.C.D.), excluding euro, provided that such currency is accepted in the X/N Clearing System and subject to compliance with all applicable laws, regulations and requirements of the relevant central bank or equivalent body (a “Foreign Currency”).

For Belgian Certificates of Deposit issued in another currency than euro, the equivalent in euro will be calculated according to the indicative exchange rates published by the European Central Bank on Bloomberg’s screen (page Currency ECB (page 3)), or if no such page is available, on the basis of the latest indicative exchange rate published by BNB/NBB on Reuters’ screen, page NBBX at or about 2.00 p.m. on the Business Day preceding the Trade Date of the to be issued.

*(d) Denomination*

The minimum denomination of each Belgian Certificate of Deposit will be EUR 250,000 or its equivalent in any Foreign Currency (applying the conversion rule set out in “Currency” above) or, without prejudice to the selling restrictions as set out under the heading ‘Selling Restrictions’ above, or in such other minimum denomination as the Belgian Law, the Royal Decree or any other applicable regulations may in the future require.

*(e) Applicable law — jurisdiction*

The Belgian Certificates of Deposit shall be governed by and construed in accordance with the laws of the Kingdom of Belgium (including the Belgian Law and the Royal Decree) and any dispute in relation therewith will be subject to the exclusive jurisdiction of the courts of Brussels, Belgium.

## 2. Clearing and Settlement

Each Tranche of Belgian Certificates of Deposit will be issued in the form of dematerialised notes (*Certificats de dépôt dématérialisés/depositobewijzen*) under the Belgian Law. Title to Belgian Certificates of Deposit will be evidenced by book entries in the holder's securities account with the National Bank of Belgium or with an authorised participant in the X/N Clearing System. References herein to "Noteholders" shall, in relation to Belgian Certificates of Deposit, be to the persons recorded as owners of one or more Belgian Certificates of Deposit in such a securities account. Belgian Certificates of Deposit cannot be converted into bearer notes, whether in global or definitive form, notes payable to order or registered notes. Belgian Certificates of Deposit shall be issued and settled through, and in accordance with the operating procedures of, the relevant clearing system.

The X/N Clearing System maintains securities accounts in the name of authorised participants only.

An investor will not therefore normally hold its Belgian Certificates of Deposit in a securities account with the BNB/NBB, but will hold them in a securities account with a financial institution which is a participant in the X/N Clearing System, or which holds them through another financial institution which is such a participant. The Belgian Law regulates this system, and in particular contains provisions aimed at protecting the Noteholders in the event of the insolvency of a financial institution through which Belgian Certificates of Deposit are held in the system. In such circumstances Belgian Certificates of Deposit are to be returned to the respective Noteholders, are not part of the insolvent financial institution's assets, and are not available to the creditors of that financial institution.

Most credit institutions and securities firms established in Belgium are participants in the X/N Clearing System, and Euroclear and Clearstream, Luxembourg are also participants. Investors can thus hold their Belgian Certificates of Deposit in securities accounts in Euroclear and Clearstream, Luxembourg in the same way as they would for any other types of securities. For practical purposes, the fact that Belgian Certificates of Deposit are ultimately held in the X/N Clearing System is immaterial, and Belgian Certificates of Deposit can be held and cleared in Euroclear and Clearstream, Luxembourg in accordance with their usual procedures. Certain types of Belgian investors (being those that are not eligible for holding "X-accounts" — see "Withholding tax" below), however, may not hold their Notes through Euroclear or Clearstream, Luxembourg (unless they do so through another financial intermediary which is also a participant in the X/N Clearing System and which will be responsible for the withholding of tax).

The X/N Clearing System offers a "delivery versus payment" settlement service in respect of Notes denominated in euro. In the case of Belgian Certificates of Deposit denominated in other currencies, this service is not provided by the BNB/NBB and settlements of trades will take place through Euroclear and/or Clearstream, Luxembourg.

Similarly, payments of interest and principal owing under Belgian Certificates of Deposit denominated in euro will be made through the BNB/NBB, whilst payments in other currencies will be made by the Issuer directly to Euroclear, Clearstream, Luxembourg and/or the other relevant participants in the X/N Clearing System, which will in turn redistribute the payments to their own accountholders holding positions in the Belgian Certificates of Deposit.

The clearing and settlement systems of the BNB/NBB, Euroclear and Clearstream, Luxembourg function under the responsibility of their respective operators. The Issuer, the Issuing and Paying Agent, the Domiciliary Agent and the Paying Agents shall have no responsibility in this respect.

A law of 15th July, 1998 contemplates that the BNB/NBB will continue to operate its clearing and settlement system in relation only to securities issued by governmental or other public sector entities, and that its role in relation to securities issued by private sector issuers will be transferred to the CIK (*Caisse interprofessionnelle de dépôts et de virements de titres/Interprofessionele Effectendeposito- en Girokas*). The date of entry into force of this law, however, has not yet been determined, and it is not clear whether Belgian Certificates of Deposit will be affected by such a transfer.

### 3. Withholding Tax

The following is a broad summary of the tax treatment with regard to withholding taxes of the Kingdom of Belgium as at the date hereof in relation to Notes which may be issued under the Programme. This summary is of a general nature and not exhaustive, and in particular does not deal with the Notes and/or Coupons other than in relation to such taxes and does not cover the taxation issues that may arise in connection with the issuance of specific series of Notes that may be issued under the Programme. **Therefore, prospective investors and Noteholders should consult their professional advisers.**

The present section does not address the tax situation of natural persons residing in Belgium.

The interest component of payments on Notes is, as a rule, subject to Belgian withholding tax at the rate of 15 per cent., subject to such relief as may be available under applicable domestic or tax treaty provisions.

#### *(a) Belgian Certificates of Deposit*

All payments of interest by or on behalf of the Issuer shall be made without deduction of withholding tax for Belgian Certificates of Deposit held by eligible investors (the “Eligible Investors”) in an exempt securities account (an “X-Account”) with the X/N Clearing System or with a participant or sub-participant in such system (a “Participant”).

Eligible Investors are those persons referred to in Article 4 of the Royal Decree of 26th May, 1994, including, *inter alia*:

1. Belgian resident companies subject to corporate income tax within the meaning of Article 2, §2, 2° of the Income Tax Code 1992 (“ITC 1992”);
2. without prejudice to Article 262, 1° and 5°, of ITC 1992, Belgian insurance or pension undertakings within the meaning of Article 2, §3 of the Law of 9th July, 1975 on supervision of insurance companies (other than those referred in points 1° and 3° of said Article);
3. State-linked social security organisations and institutions assimilated therewith within the meaning of Article 105, 2° of the Royal Decree of 27th August, 1993 implementing ITC 1992;
4. non-residents of Belgium within the meaning of Article 105, 5° of said Royal Decree of 27th August, 1993;
5. mutual funds within the meaning of Article 115 of said Royal Decree of 27th August, 1993;
6. companies, entities or partnerships within the meaning of Article 227, 2° of ITC 1992 which are subject to non-resident income tax in Belgium in accordance with Article 233 of ITC 1992 and whose Notes are held as a part of a taxable business activity in Belgium;
7. the Belgian State, with respect to its investments exempted from withholding tax in accordance with Article 265 of ITC 1992;
8. mutual funds organised under foreign law which are structured as an undivided estate managed by a management company on behalf of certificateholders, provided that their certificates are not publicly offered or otherwise marketed in Belgium; and
9. Belgian resident companies not referred to in point 1 above whose sole or principal activity consists in granting credits or loans.

Eligible Investors do not include natural persons residing in Belgium or not-for-profit organisations (other than those referred to in points 2 and 3 above). Participants in the X/N Clearing System must keep the Notes they hold for non-Eligible Investors in a non-exempt securities account (an “N-Account”). All payments of interest on such Notes will be made subject to deduction of withholding tax at the rate of 15 per cent.

Upon opening an X-Account with the X/N Clearing System or with a Participant, an Eligible Investor is required to certify its eligible status on a standard form approved by the Minister of Finance.

There are no ongoing certification requirements for Eligible Investors. However, direct Participants are required to annually report to the X/N Clearing System as to the eligible status of each holder for whom they hold Notes in an X-Account. Such requirements do not apply in respect of Belgian Certificates of Deposit held in Euroclear or Clearstream, Luxembourg in their capacity as Participants to the X/N Clearing System, provided that Euroclear or Clearstream, Luxembourg must be able to identify each holder for whom they hold Notes in an Exempt Account.

An X-Account may be opened with a Participant by an intermediary (an “Intermediary”) in respect of Belgian Certificates of Deposit that such Intermediary holds for the account of its customers (the “Beneficial Owners”), provided that each Beneficial Owner is an Eligible Investor. In such a case, the Intermediary must certify on a standard form approved by the Minister of Finance that (i) it is itself an Eligible Investor, and (ii) the Beneficial Owners holding their Belgian Certificates of Deposit through it are also Eligible Investors.

## **ISSUER**

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## **ISSUE AND PAYING AGENT**

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