

DEED OF COVENANT

DATED 11TH SEPTEMBER, 2008

KAUPTHING BANK HF.

€12,000,000,000

EURO MEDIUM TERM NOTE PROGRAMME

ALLEN & OVERY

Allen & Overy LLP

10446-02382 ICM:7169914.1

THIS DEED OF COVENANT is made on 11th September, 2008 by **KAUPTHING BANK HF.** (the **Issuer**) in favour of the account holders specified below of Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and Euroclear Bank S.A./N.V. (**Euroclear**) and/or any other additional clearing system or systems as is specified in the Final Terms relating to any Note (as defined below) (each a **Clearing System**).

WHEREAS:

- (A) The Issuer has entered into an Amended and Restated Programme Agreement (the **Programme Agreement**, which expression includes the same as it may be amended or supplemented from time to time) dated 31st August, 2006 with the Dealers named therein under which the Issuer proposes from time to time to issue Notes (the **Notes**).
- (B) Certain of the Notes will initially be represented by, and comprised in, Global Notes, in each case representing a certain number of underlying Notes (the **Underlying Notes**).
- (C) Each Global Note may, after issue, be deposited with a depositary for one or more Clearing Systems (each such Clearing System or all such Clearing Systems together, the **Relevant Clearing System**). Upon such deposit of a Global Note the Underlying Notes represented by such Global Note will be credited to a securities account or securities accounts with the Relevant Clearing System. Any account holder with the Relevant Clearing System which has Underlying Notes credited to its securities account from time to time (each a **Relevant Account Holder**) will, subject to and in accordance with the terms and conditions and operating procedures or management regulations of the Relevant Clearing System, be entitled to transfer such Underlying Notes and (subject to and upon payment being made by the Issuer to the bearer in accordance with the terms of the relevant Global Note) will be entitled to receive payments from the Relevant Clearing System calculated by reference to the Underlying Notes credited to its securities account.
- (D) In certain circumstances specified in each Global Note, a Global Note will become void. The time at which a Global Note becomes void is hereinafter referred to as the **Relevant Time**. In such circumstances, each Relevant Account Holder will, subject to and in accordance with the terms of this Deed, acquire against the Issuer all those rights which such Relevant Account Holder would have had if, prior to the Global Note becoming void, duly executed and authenticated Definitive Notes had been issued in respect of its Underlying Notes and such Definitive Notes were held and beneficially owned by such Relevant Account Holder.

NOW THIS DEED WITNESSES AS FOLLOWS:

1. If any Global Note becomes void in accordance with the terms thereof the Issuer hereby undertakes and covenants with each Relevant Account Holder (other than when any Relevant Clearing System is an account holder of any other Relevant Clearing System) that each Relevant Account Holder shall automatically acquire at the Relevant Time (as defined in the Global Note), without the need for any further action on behalf of any person, against the Issuer all those rights which such Relevant Account Holder would have had if at the Relevant Time it held and beneficially owned executed and authenticated Definitive Notes in respect of each Underlying Note represented by such Global Note which such Relevant Account Holder has credited to its securities account with the Relevant Clearing System at the Relevant Time.

The Issuer's obligation pursuant to this clause shall be a separate and independent obligation by reference to each Underlying Note which a Relevant Account Holder has credited to its securities account with the Relevant Clearing System and the Issuer agrees that a Relevant Account Holder may assign its rights hereunder in whole or in part.

2. The records of the Relevant Clearing System shall be conclusive evidence of the identity of the Relevant Account Holders and the number of Underlying Notes credited to the securities account of each Relevant Account Holder. For the purposes hereof a statement issued by the Relevant Clearing System stating:
- (a) the name of the Relevant Account Holder to which such statement is issued; and
 - (b) the aggregate nominal amount of Underlying Notes credited to the securities account of such Relevant Account Holder as at the opening of business on the first day following the Relevant Time on which the Relevant Clearing System is open for business,
- shall be conclusive evidence of the records of the Relevant Clearing System at the Relevant Time.
3. In the event of a dispute, the determination of the Relevant Time by the Relevant Clearing System (in the absence of manifest error) shall be final and conclusive for all purposes in connection with the Relevant Account Holders with securities accounts with the Relevant Clearing System.
4. The Issuer undertakes in favour of each Relevant Account Holder that, in relation to any payment to be made by it under this Deed, it will comply with the provisions of Condition 12 to the extent that they apply to any payments in respect of Underlying Notes as if those provisions has been set out in full in this Deed.
5. The Issuer will pay any stamp and other duties and taxes, including interest and penalties, payable on or in connection with the execution of this Deed and any action taken by any Relevant Account Holder to enforce the provisions of this Deed.
6. The Issuer hereby warrants, represents and covenants with each Relevant Account Holder that it has all corporate power, and has taken all necessary corporate or other steps, to enable it to execute, deliver and perform this Deed, and that this Deed constitutes a legal, valid and binding obligation of the Issuer enforceable in accordance with its terms subject to the laws of bankruptcy and other laws affecting the rights of creditors generally.
7. This Deed shall take effect as a Deed Poll for the benefit of the Relevant Account Holders from time to time and for the time being. This Deed shall be deposited with and held by the common depositary for Euroclear and Clearstream, Luxembourg (being at the date hereof Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB) until all the obligations of the Issuer hereunder have been discharged in full.
8. The Issuer hereby acknowledges the right of every Relevant Account Holder to the production of, and the right of every Relevant Account Holder to obtain (upon payment of a reasonable charge) a copy of, this Deed, and further acknowledges and covenants that the obligations binding upon it contained herein are owed to, and shall be for the account of, each and every Relevant Account Holder, and that each Relevant Account Holder shall be entitled severally to enforce the said obligations against the Issuer.
9. This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by, and construed in accordance with, the laws of England.

The Issuer hereby irrevocably agrees, for the exclusive benefit of the Relevant Account Holders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Deed (including a dispute relating to any non-contractual obligations arising out of or in connection with this Deed) and that accordingly any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with this Deed (including any

Proceedings relating to any non-contractual obligations arising out of or in connection with this Deed) may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings (including any Proceedings relating to any non-contractual obligations arising out of or in connection with this Deed) in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing contained in this clause shall limit any right to take Proceedings (including any Proceedings relating to any non-contractual obligations arising out of or in connection with this Deed) against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

The Issuer hereby appoints Kaupthing Singer & Friedlander Limited of One Hanover Street, London W1S 1AX, United Kingdom as its agent for service of process, and undertakes that, in the event Kaupthing Singer & Friedlander Limited ceases so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing in this clause shall affect the right to serve process in any other manner permitted by law.

The Issuer hereby irrevocably and unconditionally waives with respect to this Deed of Covenant any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

IN WITNESS whereof the Issuer has caused this Deed to be duly executed the day and year first above mentioned.

Executed as a deed
by **KAUPTHING BANK HF.**
acting by
acting on the authority
of that company
in the presence of:

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Witness's Signature: *Thorunn Sigurdardottir*

Name: **THORUNN SIGURDARDOTTIR**

Address: **BORGARTUN 19
105 REYKJAVIK
ICELAND**