

HEADS OF AGREEMENT

SUBJECT TO CONTRACT

1. Introduction and background

The purpose of this agreement is to set out the principal terms on which the Republic of Iceland, hereinafter referred to as the Government, represented by the Executive Committee on Privatisation, hereinafter referred to as the Committee, and Samson Holding ehf., hereinafter referred to as Samson, would be prepared, subject to contract and to the conditions set out below, to enter into a Sale and Purchase Agreement regarding the transfer of part of the shareholding in Landsbanki Islands hf., hereinafter referred to as Landsbanki or the Bank, currently held by the Government. The total nominal value of the outstanding shares in Landsbanki is ISK 6,845,703,621, hereinafter referred to as the Total Shares.

2. Price and quantum of shares to be acquired

Samson would pay a price of US\$ 42.2297 per 1,000 Landsbanki shares in order to acquire shares in Landsbanki with a nominal value of ISK 2,279,619,305 (equivalent to a holding of 33.3% of the Total Shares in Landsbanki currently in issue), hereinafter referred to as the Initial Purchase. In addition, Samson would pay a price of US\$ 49.8874 per 1,000 Landsbanki shares in order to acquire shares in Landsbanki with a nominal value of ISK 855,712,953 (equivalent to a holding of 12.5% of the Total Shares in Landsbanki currently in issue), such purchase to be completed on 18 November 2003 (the "Deferred Purchase"). This price is based on public information available on Landsbanki and the confidential information disclosed by Landsbanki's management to Samson prior to the date hereof. The price will be subject to confirmatory due diligence to be carried out as of the date hereof until 18 November 2002.

The acquisition price for the Initial Purchase Shares would be paid in full no later than 30 days after the later of signing a binding Sale and Purchase Agreement and clearance of the transaction by the Icelandic and UK regulatory authorities. The Deferred Purchase will be completed on 18 November 2003.

The formal date of delivery of the Landsbanki Shares subject to this transaction (the Shares) will be the payment date of the acquisition price as set out in the previous paragraph.

3. Dividends

The dividend normally payable in May 2003 on the Landsbanki shares subject to the Deferred Purchase will be received by the Government of Iceland and will be set off against the consideration payable for the Deferred Purchase, except that any dividend exceeding ISK 0.10 per share will not be off-set against the Deferred Purchase consideration (the dividend will be translated at ISK 88.80/\$).

4. Financing proposal

Samson intends to finance the acquisition through a mixture of equity and debt. The equity finance is already available to Samson and debt discussions are progressing with international banks. Samson is confident that the necessary financing will be in place by 18 November 2002. It is agreed that as part of the sale and purchase negotiations, the Committee shall be entitled to receive adequate comfort that Samson is able to meet its financial obligations with regard to the Initial Purchase and the Deferred Purchase, which may or may not include bank guarantees.

5. Voting at shareholders' meetings

The Government shall consult in good faith with the intention of reaching an agreement with Samson before the election of the board of Directors of Landsbanki and other major decisions in shareholders' meetings in the period prior to the Deferred Purchase. This consultation shall be informed by the mutual understanding that Samson will own the entire 45.8% shareholding on 18 November 2003.

The Committee will ensure that the buyer of a minimum 25% stake in Bunadarbanki Islands will not get a preferential treatment compared to the above.

6. Warranties

The Government, represented by the Committee, will warrant in the Sale and Purchase agreement that it is the only legal and beneficial owner of the Initial Purchase Shares and the Deferred Purchase Shares to be sold to Samson and that at the financial close it will have the right and power to sell and transfer or procure the transfer of all of the Initial Purchase Shares and the Deferred Purchase Shares which are the subject of this Heads of Agreement.

7. Restrictions on transfers of shares

For a period of 2 years from the date of the signing of a binding Sale and Purchase agreement, Samson shall not, without the prior written consent of the relevant Minister, sell, transfer or otherwise dispose of its legal or beneficial interest in the Initial Purchase Shares, except that in the event of Landsbanki merging (by way of share for share exchange) with another financial institution, the above restriction will be changed to apply to Samson's holding in the merged entity and will not prevent the merger itself.

Similarly, Samson's shareholders during the same period shall not, without the prior written consent of the relevant Minister, sell, transfer or otherwise dispose of their legal or beneficial interest in Samson.

The final form of the above undertakings will be subject to any restrictions imposed by Icelandic banking law.

The Committee will ensure that a comparable undertaking is imposed on the buyer in connection with the proposed disposal by the Republic of Iceland of a minimum 25% stake in Bunadarbanki Islands.

The intention of Samson is to retain its shareholding in Landsbanki for at least 4 years.

8. Government and government agencies future business with Landsbanki

The disposal of part of the Republic of Iceland's shares to Samson will not result in any central government initiative affecting the level of future business between the Government and its agencies and Landsbanki.

9. Confirmatory due diligence requirements

On signing of this Heads of Agreement, Samson will be entitled to request further information on Landsbanki to the extent necessary in its opinion to validate the key commercial and financial assumptions underpinning the price referred to in paragraph 2 above, subject to any restrictions imposed by Icelandic banking law or other legal or regulatory requirements.

The principal areas of focus for Samson's confirmatory due diligence would be to conduct a legal and financial evaluation in, but not limited to the following areas:

- (i) A review of the information given in the prospectus in connection with the general public offering on June 14, 2002 when the government was the majority owner of the bank, and all other documents surrendered in connection with this business
- (ii) Material assumptions of the bank's management forecast provided to Samson on 2 October 2002
- (iii) The quality of the bank's loan portfolio and provisioning procedures
- (iv) Equity exposures, both equity portfolios, direct interests and other equity exposures
- (v) The bank's portfolio of fixed income securities
- (vi) The bank's off-balance sheet risk exposure, pension liabilities, guarantees, derivatives, and general risk and liquidity control procedures
- (vii) The terms and conditions of standard loan agreements, derivative contracts and other material agreements
- (viii) Structure and status of the bank's information technology
- (ix) The bank's main funding agreements and relation with key foreign financial institutions
- (x) The bank's main sources of deposit funding
- (xi) The basis of the bank's international rating

Samson may appoint Fox Pitt-Kelton to assist in financial due diligence on Landsbanki. The Committee confirms that it has no objections to this, subject to the consent of Landsbanki.

10. Extension of exclusivity and timetable to completion

On signing of this Heads of Agreement, the Committee undertakes not to enter into discussions with any other party regarding the disposal of any shares in Landsbanki as of the date hereof until 18 November 2002, when it is envisaged that a binding Sale and Purchase agreement is to be signed by Samson and the respective Ministers on behalf of the Government, unless Samson indicates to the Committee during this period that it does not wish to proceed with the transaction on the terms set out in this Heads of Agreement. Both parties confirm their commitment to seek to conclude a Sale and Purchase agreement on or

before 18 November 2002, subject to the receipt of a satisfactory KPMG due diligence report by 1 November 2002.

11. The Government shares in Bunadarbanki Islands.

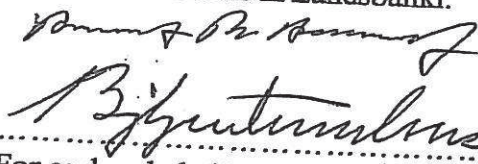
As long as this Heads of Agreement remains in force, or if Samson would be legally bound to acquire a significant stake in Landsbanki, Samson would be excluded from making an offer for the Government's shares in Bunadarbanki Islands.

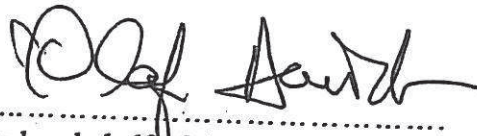
12. Principle of Agreement

The Government agrees that it will not procure or support any changes in the structure of Landsbanki or in the business plan, any sale of important properties, stock dividends issued, or any reduction or increase of the share capital in Landsbanki, changes of the bylaws of Landsbanki, unusual disposals, or entering into any transactions that can affect in any way this business in general, while discussion with Samson are under way, i.e. from the signing of this Heads of Agreement to the signature of Sale and Purchase Agreement.

13. Miscellaneous

This Heads of Agreement does not create any legal relations between the parties, including any legal obligation on any of the parties to enter into any transaction regarding the sale or purchase of shares in Landsbanki.


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For and on behalf of Samson Holding ehf.


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For and on behalf of the Executive Committee
on Privatisation

18.10.2002
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Date

18.10.2002
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Date