

DECISION OF THE FINANCIAL SUPERVISORY AUTHORITY¹

**on an amendment to the Decision of the of the Financial Supervisory Authority (FME) of 9 October 2008
on the disposal of assets and liabilities
of Landsbanki Íslands hf., ID no. 540291-2259, to New Landsbanki Íslands hf., ID no. 471008-0280.**

With reference to the authorization provided in Article 100a of Act no. 161/2002 on Financial Undertakings, defined by Article 5 of Act no. 125/2008 on the Authority for Treasury Disbursements due to Unusual Financial Market Circumstances etc., the FME takes the following decision on the disposal of assets and liabilities of Landsbanki Íslands hf.:

PREMISES

In the decision of the FME of 9 October 2008 on the disposal of assets and liabilities of Landsbanki Íslands hf. to New Landsbanki Íslands hf. it was stated that that the decision was based on available information and data. Should it prove to be based on insufficient or wrong information on merits or other underlying premises of the decision turn out to be fundamentally inaccurate, the FME might make changes to the decision, including nullifying it in part or in whole. This reservation was deemed necessary in light of the suddenness with which the decision had to be made and the great interests at stake in terms of preventing the operational collapse of Landsbanki Íslands hf. on 9 October 2008.

It is now apparent that New Landsbanki hf. cannot, for various important reasons, take over the rights and obligations inherent in the *derivative contracts* which were included in the previous decision. Further justification for this is available in the memorandum of the bank director of New Landsbanki hf., dated 10 October 2008 and other sources. If the decision is not altered in this respect, it is considered clear that New Landsbanki hf. will default on obligations according to those contracts with unforeseen consequences. It is therefore the conclusion of the FME that it is necessary to take a new decision to the effect that New Landsbanki hf. will not take over the rights and obligations inherent in derivative contracts to which Landsbanki Íslands was party. In light of the aforementioned authorization to revisit the previous decision the following decision is taken:

DECISION:

The Financial Supervisory Authority decides hereby to rescind the second sentence of point 7 in its decision of 9 October 2008 on the disposal of assets and liabilities of Landsbanki Íslands hf. to New Landsbanki Íslands hf. The decision comes into effect at the end of 12 October 2008.

THE FINANCIAL SUPERVISORY AUTHORITY

12 October 2008

Jón Sigurðsson
Chairman of the Board

Jónas Fr. Jónsson
Director General