

DECISION OF THE FINANCIAL SUPERVISORY AUTHORITY (FME)ⁱ

on a second amendment to the decision of the FME dated 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. (referred to as the "prior decision" unless otherwise stated) 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. On 12 October 2008 the FME decided to amend said decision to the effect that New Landsbanki Íslands would not take over rights and obligations inherent in derivative contracts as had been presumed in the prior decision. At the end of this decision it is stated that the amendment now made, as well as the amendment made on 12 October 2008, are legally binding as of 9 October 2008.

In light of new information and changed premises which have come to light during the examination of the issues of Landsbanki Íslands hf., the following amendments are made to the prior decision:

1. A new sub-paragraph is added to point 1 of the prior decision: except to the extent that they are specifically excluded in the compilation accompanying the new opening balance sheet. Rights and obligations according to derivative contracts are not transferred to New Landsbanki hf.
2. A new sentence is added to point 2 of the prior decision: New Landsbanki Íslands hf. shall, however, deliver on time specific collaterals of customers, as applicable due to claims and derivatives which are not transferred to New Landsbanki Íslands hf. as a result of this decision or according to subsequent agreement.
3. A new sub-sentence is added to point 3 of the prior decision: except to the extent that such rights are specifically excluded in the compilation accompanying the new opening balance sheet.
4. A new sub-sentence is added to point 9c: who own or owned a qualifying holding in Landsbanki Íslands hf.

5. A new sub-sentence is added to point 9: e) other specified guarantees/liabilities according to an enumeration in the compilation accompanying the new opening balance sheet.
6. A new point 10 is added to the decision. The new point 10 stands as follows: Debt backed by collateral which rests upon appropriated assets which is transferred to New Landsbanki Íslands hf., is taken over.
7. A new point is added to the decision, point 11, and the points following it are numbered accordingly. The new point 11 stands as follows: Further stipulations on the treatment of individual items regarding the division of the balance sheet are found in a separate document which the FME has certified ("Premises for the division of the balance sheet") and the draft of the new opening balance sheet and the accompanying compilation. New Landsbanki Íslands hf. shall preserve all documents which are connected to databases mandated by law, with regard to regulations concerning money laundering, accounting and related issues.
8. The provision in point 12 (previously point 10) on a time limit to conclude the appraisal of assets and liabilities shall be changed to the effect that the last sentence stands as follows: The conclusion of the appraisers shall be available within 90 days of this decision.
9. A new point is added to the decision, point 14. The new point 14 stands as follows: The transfer of claims according to this decision shall not deprive a debtor of the right to debt-equalization which he had against the previous claimant or its bankruptcy estate. At the time of settlement, according to points 12 and 13, the amount, which could be subtracted due to debt-equalization from the claims taken over by New Landsbanki Íslands hf. according to this decision, shall be estimated.
10. In place of the annex attached to the prior decision, an annex is attached to this decision on the assets which are not transferred to New Landsbanki Íslands hf. The content is as follows:

The following assets of Landsbanki Íslands hf. will not be transferred to New Landsbanki Íslands hf.:

Assets

- a. Claims of financial undertakings where the FME has taken action on the basis of the provisions of Article 5 of Act 125/2008.
- b. Securities issued by financial undertakings where the FME has taken action on the basis of the provisions of Article 5 of Act no. 125/2008.
- c. Claims and cash flow due to claims collateralized to other financial undertakings.
- d. All assets of foreign branches of Landsbanki Íslands hf. except for qualifying loans in Helsinki and qualifying loans related to fisheries in Halifax and Norway.
- e. Claims of Landsbanki Íslands hf. on its foreign branches and subsidiaries.
- f. Shares in foreign subsidiaries.
- g. Loans with particular risk, according to further explanation in the compilation accompanying the new opening balance sheet.
- h. Other assets specifically identified in the compilation accompanying the new opening balance sheet.

A further breakdown is found in the opening balance sheet and its accompanying compilation.

DECISION:

The FME decides hereby to re-examine and amend its prior decision of 9 October 2008 on the disposal of assets and liabilities of Landsbanki Íslands hf. to New Landsbanki Íslands hf. It shall be amended in accordance with the ten aforementioned points. The decision of 9 October 2008, as first amended on 12 October 2008, is now affirmed with the subsequent amendments as the valid decision on the disposal of assets and liabilities.

The decision is effective immediately and shall, along with the decision to amend of 12 October 2008, be legally binding as of 9 October 2008 in accordance with the subsequent amendments.

This decision is based on available information and data. Should it prove to be based on insufficient or wrong information on merits, other underlying premises of the decision turn out to be fundamentally inaccurate, or the FME consider that a different arrangement is necessary, the FME may make any changes to this decision, including nullifying it in part or in whole.

THE FINANCIAL SUPERVISORY AUTHORITY

19 October 2008

Jón Sigurðsson
Chairman of the Board

Jónas Fr. Jónsson
Director General

ⁱ The original Icelandic text is the valid text. In case of any discrepancy between the original Icelandic text and the English translation, the original Icelandic text applies.

ANNEX

To the Decision of the Financial Supervisory Authority dated 9 October, with amendments dated 12 October and 19 October 2008, as subsequently amended

The following assets of Landsbanki Íslands hf. will not be transferred to the New Landsbanki Íslands hf.

Assets

- a. Claims on financial undertakings where the FME has taken action on the basis of the provisions of Article 5 of Act no. 125/2008
- b. Securities issued by financial undertakings where the FME has taken action on the basis of the provisions of Article 5 of Act no. 125/2008
- c. Claims and cash flows relating to claims pledged to other financial undertakings
- d. All assets of Landsbanki Íslands hf.'s foreign branches, with the exception of eligible loans in Helsinki and eligible loans in the fisheries sectors in Halifax and Norway
- e. Claims of Landsbanki Íslands hf. on its overseas branches and subsidiaries
- f. Holdings in foreign subsidiaries
- g. Loans with a high risk of loss as further detailed in a summary attached to the new opening balance sheet
- h. Other assets specifically identified in a summary and accounted for in the opening balance sheet of the new bank

These assets are further itemised in the opening balance sheet and its attached notes in a separate summary.