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Press Release

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Subject: **Operations begin at Nýi Landsbanki Íslands hf.**

A new bank owned by the Treasury began operations today, taking over part of the operations of Landsbanki Íslands hf.

The Financial Supervisory Authority (FSA), acting on the basis of legislation enacted by the Althingi last Monday, applied its authority to appoint a winding-up committee for Landsbanki Íslands hf.; the committee began its work on 7 October. On the same date, the Icelandic Treasury established a new limited liability company named Nýi Landsbanki Íslands hf.

A board meeting of the FSA on 9 October decided that Nýi Landsbanki Íslands hf. would take over some of the assets, rights and obligations of Landsbanki hf., and that the bank's Icelandic operations would come under the control of the new company and a new board from that date.

This action concerns the operation of all branches in Iceland, lending activities and other normal banking business. The new bank is expected to have a staff of approximately 1000 people who will all be former Landsbanki employees.

A new CEO has been appointed along with other senior managers. Elín Sigfúsdóttir becomes CEO; she was formerly Managing Director of Corporate Banking at Landsbanki. The Managing Directors will be: Anna Bjarney Sigurdardóttir, Branch Support; Árni Thór Thorbjörnsson, Corporate Banking; Jón Thorsteinn Oddleifsson, Financial Operations; Stefán Hédinn Stefánsson, Asset Management; Gudmundur Gudmundsson, Operations; Gunnar Vidar, Legal Department; and Atli Atlason, Human Resources. Thórir Örn Ingólfsson will oversee the bank's risk management.

The banks senior management will announce the new structure and their operational scope and discuss matters with the bank's staff today and over the next few days.

There will be no changes to normal business between the bank and its customers. The bank's branches will operate as before, and opening times will be unchanged. Personal and corporate banking services will remain the same, and debit cards may be used in the normal manner. The new bank will handle savings and loans in the same way as the old bank. Internet banking and ATM cash dispensers will continue to operate unchanged.

Reykjavík, 9 October 2008