

## To Creditors of Landsbanki

### Moratorium in relation to Landsbanki Islands hf. (“Landsbanki”)

Following the District Court of Reykjavík granting Landsbanki a moratorium last Friday, 8 December 2008, the resolution committee of Landsbanki would like to clarify a few points on the effects of this action as set out below.

1. The Moratorium that has been granted in relation to Landsbanki has been made pursuant to the Icelandic Act on Financial Undertakings. Its principal effect is to prevent creditors bringing or continuing legal proceedings against Landsbanki and to prevent individual creditors seeking attachment orders against its assets. The primary purpose of the Moratorium is to seek to preserve the value of Landsbanki’s assets for the benefit of all creditors as a whole and to give the Resolution Committee time to maximize the value of the bank’s assets and consider restructuring alternatives to provide the best result for creditors. Without the Moratorium, there is a very high likelihood that Landsbanki will be increasingly affected by claims and attachment orders against its assets brought by individual creditors which will very quickly destroy the value of the remaining assets to the detriment of the general body of Landsbanki’s creditors.

2. It is important to note that the Moratorium granted under the Financial Undertakings Act is not an insolvency or bankruptcy measure under Icelandic law and that Landsbanki is not subject to a winding-up, administration or similar process. Landsbanki will continue to be licensed and supervised by the Financial Supervisory Authority in Iceland so it can continue its current operations and manage and dispose of its assets for the benefit of creditors.

3. Because Iceland is a member of the EEA and Landsbanki will remain a credit institution following the Moratorium, the Moratorium will be automatically recognised as a reorganisation measure throughout the EEA under the EU Directive on the Reorganisation and Winding-up of Credit Institutions. The courts in the EEA are therefore required to give effect to the Moratorium and apply the prohibition on creditors bringing legal proceedings against Landsbanki including postponing existing creditor actions. Neither creditors nor the authorities in such member states will be permitted to put Landsbanki into local insolvency, bankruptcy, administration or winding-up proceedings whilst the Moratorium is in effect. Landsbanki will also be filing for Chapter 15 protection in the United States which will operate as a stay on proceedings in the US whilst the Moratorium is in effect. Landsbanki will, where possible, seek similar recognition of the Moratorium in any other jurisdictions in which it has material assets. In relation to EEA member states outside of Iceland, under the EU Directive referred to earlier, creditors can continue to exercise existing rights of security over assets located in such jurisdictions. In addition, rights of set-off can continue to be exercised provided such set-off is permitted by the law relevant to such claims.

4. The Moratorium is initially effective for a period of 12 weeks. The District Court in Iceland may subsequently agree to an extension of the Moratorium for successive periods of up to nine months. The maximum time length of the Moratorium may not extend beyond two years from the date the original order was made.

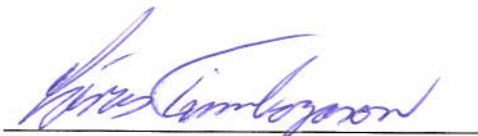
5. In relation to roles going forward, the Resolution Committee was appointed under emergency powers by the Icelandic Financial Supervisory Authority on October 7, 2008 to supersede the Supervisory and Management Boards of Landsbanki. In respect of the Moratorium, the court has appointed Mr. Kristinn Bjarnason, Supreme Court attorney to act as the “assistant”. The assistant is not an insolvency officer and the Resolution Committee retains the day to day management of Landsbanki. The assistant is however required to provide consent to any material transactions including, but not limited to, the disposal of assets. In practice, the assistant and the Resolution Committee will agree on a protocol whereby those operating the day to day management of Landsbanki and its branches will be permitted to continue to operate the relevant businesses in their ordinary course in the same way they did before the Moratorium came into effect. Creditors and vendors currently dealing with the branches of Landsbanki that are still operating should therefore notice no difference in their operation following the granting of the Moratorium.

6. In terms of steps in the near future, the assistant is required to invite all creditors to a formal creditors’ meeting which must be held prior to the initial 12 week court hearing to extend the Moratorium. In this meeting, the assistant is required to provide information as to the financial position of Landsbanki and its plans during the Moratorium and creditors will have an opportunity to respond to such plans at the meeting. Creditors are also entitled to attend all hearings of the District Court including the initial 12 week hearing.

7. The Resolution Committee also intends to hold meetings with the informal creditors committee (the “ICC”) on a regular basis and the next meeting is scheduled for this Friday, 12 December. The ICC is made up of creditors and creditors’ representatives across different classes and types of creditors. The Resolution Committee will also provide updates of information on its website.

8. It is still of course relatively early days and it is impossible to give any realistic indication at the present time of how best the Resolution Committee can collect, manage and dispose of assets in a way which provides the greatest value to creditors and when creditors will receive payments. The Resolution Committee will however consider its strategic alternatives as soon as possible and through the meetings referred to earlier, it will consult with the stakeholders of Landsbanki on a plan and timeframe for achieving such objectives as it stabilises its assets.

On behalf of the Resolution Committee of Landsbanki



Lárus Finnbogason, Chairman