

# Articles of Association

of Landsbanki Íslands hf.

## Chapter I

### Company name, Domicile and Purpose

#### Article 1

The Company is a limited liability company. The name of the Company is Landsbanki Íslands hf. The company's foreign trading name is Landsbanki hf. The Company was established on the basis of Act No. 50/1997 on the Incorporation of Landsbanki Íslands and Búnaðarbanki Íslands, and operates pursuant to Act No. 161/2002, on Financial Undertakings and the Companies Act No. 2/1995.

#### Article 2

The Company is domiciled at Austurstræti 11, Reykjavík.

#### Article 3

The purpose of the Company is to operate a commercial bank engaging in all activities permitted under the Act on Financial Undertakings.

## Chapter II

### Share Capital

#### Article 4

The share capital of the Bank is ISK 11,020,677,803.

The Board of Directors is authorised to increase the share capital in phases, up to ISK 1,200,000,000 in nominal value through a subscription of new shares. Shareholders waive their priority right of subscription, under Article 34 of the Companies Act No. 2/1995, to the new shares issued in accordance with this paragraph. The Board of Directors has the authority to decide the details of the new issue, such as the pricing of the new shares and the payment details. This authority is valid until 9 February 2012. The Board of Directors can decide that subscribers pay for the new shares in part or wholly with other means than cash payment.

The share capital of the Bank is divided into shares in the amount of one króna and multiples thereof.



A shareholders meeting may decide on increases in share capital, either by new subscriptions or through the issue of bonus shares.

Only a shareholders meeting may decide to reduce the share capital.

#### Article 5

The Board of Directors is authorised to issue shares electronically through the Securities Depository in accordance with act no. 131/1997 on the electronic registration of securities. Once a shareholder has paid their shares to the Company in full, the Securities Depository will issue the shareholder with an electronic share certificate and register ownership of the shares. This will give the shareholder rights in full, in accordance with the Company's Articles of Association. A Securities Depository list of shareholders shall serve as a fully valid register of shareholders.

#### Article 6

The Board of Directors of the Bank shall maintain a share register as provided by law. The register shall specify the following:

1. The date of issue of share certificates.
2. The nominal value and number of each share certificate.
3. To whom the share certificate was issued and any later transfers of ownership. Name, address and Identity Number of the shareholder. In addition, the date of registration and any transfers of ownership shall be entered on the certificate.

The register of shares shall be kept in the offices of the Bank where all shareholders shall have access to it and may acquaint themselves with its contents.

#### Article 7

Shares in the Bank may be sold and pledged unless otherwise provided by law.

Transfers of ownership of a share, whether through sale, gift, inheritance, liquidation or enforcement of a court decision, shall always be notified to the offices of the Bank as soon as they are effected and the share register shall be amended accordingly.

Any party coming into possession of a share in the Company may not exercise his rights unless his name has been registered in the register of shares or he has notified and submitted proof of his ownership of the share.

For the Bank's part, the register of shares shall be regarded as valid proof of ownership of shares, and dividends at any time as well as bonus shares, notices of meetings and all other notices shall be sent to the party registered at any time as the owner of the shares in question in the register of shares. Dividends shall be paid to those whose names are registered in the register of shares at the end of the day of the Annual General Meeting, unless the Company is notified of the endorsement of dividend by the endorsement of share. The Bank shall not be held responsible if payments or notices are lost owing to negligence in notifying the Bank of changes in ownership or domicile.



#### Article 8

No privileges are attached to any shares in the Bank. Shareholders are not required to suffer redemption of their shares.

#### Article 9

Each shareholder is bound, without special commitment, to abide by these Articles in their present form or as lawfully amended at any time.

Shareholders are not liable for the commitments of the Bank beyond their share.

### Chapter III

## Shareholders' Meetings

#### Article 10

Shareholders' meetings are the supreme authority in the affairs of the Bank.

Shareholders meetings may be attended by shareholders, their agents and advisors, the Bank's Auditor and the Bank's Group Managing Director and Chief Executive Officer.

A shareholder may appoint a proxy to attend a meeting on his behalf. The proxy shall submit a written and dated authorisation.

A shareholder may attend a meeting accompanied by an advisor. The advisor shall not be entitled to speak, submit motions or vote at shareholders' meetings.

The Bank's Auditor and the Group Managing Director and Chief Executive Officer shall have full rights to speak and submit motions even if they are not shareholders.

The Board of Directors of the Bank shall have the right to invite experts to attend individual meetings if their opinion or assistance is required.

#### Article 11

The Annual General Meeting shall be held before the end of the month of April each year.

The Annual General Meeting shall be called with a notice on the radio and in newspapers or by other verifiable means with at least one week's and at most four weeks' notice. The notice shall specify the business of the meeting.

The Annual General Meeting is valid if it is lawfully convened, regardless of the number of attendants.

#### Article 12

The Agenda of the Annual General Meeting shall include the following:

1. The report of the Board of Directors of the Bank on the activities of the bank in the last year of operation.
2. The annual accounts for the last year of operation along with a report from the Auditor submitted for approval.
3. Decision on the payment of dividends and the disposal of any profits or losses in the preceding financial year.



4. A proposal from the Board of Directors on a remuneration policy shall be submitted to the meeting for approval.
5. Recommendations on amendments to the Articles, if any have been submitted.
6. Election of the Board of Directors of the Bank.
7. Election of the Auditor.
8. Decision on remuneration to the Board of Directors of the Bank for the next election term.
9. Any other business.

Elections to the Board of Directors of the Bank shall be conducted in accordance with the provisions of statutory law on limited liability companies, currently Article 63 of Act No. 2/1995.

#### Article 13

Extraordinary shareholders' meetings shall be held when regarded as necessary by the Board of Directors of the Bank, by a resolution of a meeting, or if the elected Auditor or shareholders holding a minimum of 1/10 of the shares of the Company request a meeting by a written notice stating the business of the meeting. Such shareholders' meetings shall be convened no later than 14 days from the date that the Board of Directors received the notice.

Extraordinary shareholders' meetings shall be called with at least one week's and at most four weeks' notice. If all shareholders or their proxies are present they may grant exception from this provision. Shareholders' meetings shall be convened by a notice on the radio and in newspapers or by other verifiable means. The validity of shareholders' meetings shall be governed by the rules governing the validity of Annual General Meetings, cf. paragraph 3 of Article 11 hereof.

#### Article 14

Each shareholder has the right to have certain business included on the agenda of a shareholders meeting, provided he submits a written request to the Board of Directors of the Bank with sufficient notice for the matter to be included on the agenda of the meeting pursuant to these Articles. Those who wish to be considered for the Board of Directors must announce this no later than five days before the Annual General Meeting.

The notice of the meeting shall include the business to be addressed at the shareholders' meeting. One week before a shareholder's meeting, at the latest, an agenda, final submissions and, in the case of Annual General Meetings, the annual financial statement, report of the Board of Directors and Auditors' report shall be laid open for examination at the offices of the Bank. Information on nominations to the Board of Directors shall be made available at the same location two days prior to the Annual General Meeting.

Items, which are not included on the agenda, may not be brought to a conclusion at a shareholders meeting except with the consent of all the shareholders, but resolutions may be passed on such matters for the purpose of providing guidance to the Board of Directors of the Bank. Even if an item of business has not been included on the agenda, this shall not preclude the calling of an extraordinary shareholders meeting to discuss the matter. Furthermore, an Annual General Meeting may always conclude matters, which must be concluded there by law or pursuant to these Articles.

Lawfully submitted proposals for amendment may be submitted at the meeting itself even if they have not been laid open for examination by shareholders.



#### Article 15

The Chairman of the Board of Directors of the Bank, or an elected chairman, shall preside over shareholders' meetings and the election of a secretary. The chairman shall ascertain at the beginning of the meeting whether it has been lawfully convened and whether the meeting is valid in other respects and declare whether such is the case. He shall preside over all discussions and voting.

When the meeting has been called to order, a list shall be drawn up of the shareholders present and their proxies in order to ascertain how many shares and votes each of them controls. This list shall be used until such time as the shareholders' meeting decides to alter it.

#### Article 16

The secretary of the meeting shall keep the minutes. All the decisions of the meeting and the results of all votes shall be entered in the minutes. A list of the shareholders present and their proxies shall be entered in the minutes or accompany the minutes. The minutes shall be read aloud before the end of the meeting and corrections recorded, if any. The chairman and secretary shall sign the minutes. Fourteen days following the shareholders' meeting, at the latest, the shareholders shall have access to the minutes or a certified copy of the minutes at the offices of the Bank. The Record of Minutes shall be preserved in a secure manner.

The recorded minutes shall be conclusive proof of the proceedings of meetings.

#### Article 17

At shareholders' meetings, each share of one króna shall carry one vote.

Decisions at shareholders' meetings shall be taken by majority vote unless otherwise specified in these Articles or statutory law. In the event of an equality of votes, the election shall be decided by casting lots. Voting shall be by ballot if anyone present and voting at the meeting so requests.

The consent of all shareholders is required to:

1. Oblige shareholders to contribute funds etc. for company needs beyond their commitments.
2. Oblige shareholders to endure redemption of their shares in part or in full beyond the provisions of statutory law, unless the Bank is dissolved or the share capital lawfully reduced.
3. Alter the purpose of the Company substantially.
4. Amend the provisions of these Articles regarding voting rights or shareholder equality.

## Chapter IV

### The Board of Directors of the Bank

#### Article 18

The governing body of the Company, which pursuant to these Articles and the Act on Financial Undertakings is called the Board of Directors of the Bank, shall be composed of five members elected at the Annual General Meeting for a term of one year. Five alternate members shall be elected at the same time. The eligibility of Members of the Board shall be subject to statutory law. Elections shall



always be by ballot if the number of nominations exceeds the number of Members to be elected. The Board of Directors of the Bank shall elect a Chairman from among its Members and allocate tasks in other respects as required.

The Board of Directors may entrust the Chairman of the Board to perform certain tasks in the service of the Company.

#### Article 19

The Chairman shall convene meetings of the Board of Directors of the Bank and preside over the meetings. Meetings shall be held whenever the Chairman considers them necessary. The Chairman shall also convene a meeting of the Board of Directors of the Bank if requested by a Member of the Board or Group Managing Director and Chief Executive Officer of the Bank. Meetings of the Board shall be called with at least twenty-four hours' notice. The presence of the majority of the Members of the Board or their alternates constitutes a quorum. Issues shall be decided by majority vote. In the event of an equality of votes, the Chairman shall cast the deciding vote.

The Board of Directors of the Bank shall keep minutes of proceedings at Meetings of the Board and confirm such minutes with their signatures.

#### Article 20

The Board of Directors of the Bank is responsible for of the activities of the Bank pursuant to legislation governing such activities, regulations and these Articles, and supervises the operation of the Bank.

The Board of Directors is responsible for recruiting Group Managing Directors and CEOs and determine their number and terms of employment. The Board of Directors confirms the recruitment of Alternate Group Managing Directors and CEOs pursuant to proposals by the Group Managing Directors and CEOs. The Board of Directors shall determine the Company's policy on division of tasks between the Board of Directors and the Group Managing Directors and CEOs, in accordance with the Companies Act No. 2/1995, and paragraph 1, article 54 of Act 161/2002 on Financial Undertakings. The Board of Directors will determine the Company's internal regulations of Corporate Governance which will determine the Board's modus operandi in further detail. These regulations shall specifically address the Board's decision making authority relating to particular transactions, enforcement of regulations relating to the qualifications of Board members, handling of information relating to particular clients, Board members' memberships on the boards of subsidiaries and associated companies, and enforcement of regulations relating to the handling of Board member's own businesses and transactions. These regulations of Corporate Governance shall be sent to the Financial Services Authority in accordance with paragraph 2, article 54 of Act No. 161/2002 on Financial Undertakings.

The Board of Directors alone has authority to grant power of procuration.

A majority signature from the Board of Directors commits the Bank.



#### Article 21

In accordance with the Act on Financial Undertakings, the Company's general managers shall be referred to as "bankastjóri" (Icelandic terminology – bankastjóri is referred to as "Group Managing Director and CEO" in this translation)..

The Group Managing Directors and CEOs are responsible for the day-to-day operations of the Bank and are empowered to make decisions in all affairs of the Bank which are not entrusted to others by statutory law, regulations or these Articles. The Group Managing Directors and CEOs shall ensure that the operations of the Bank conform to statutory law, government regulations or these Articles and the decisions of the Board of Directors of the Bank.

The Group Managing Directors and CEOs shall attend the meetings of the Board of Directors of the Bank unless the Board of Directors of the Bank decides otherwise. The Group Managing Directors and CEOs shall keep a record of all significant decisions made by their office.

The Group Managing Directors and CEOs shall meet all qualifications stipulated by the Act on Financial Undertakings and the Companies Act as amended at any time.

### Chapter V

#### Accounts and Auditing

##### Article 22

At the Annual General Meeting, a chartered auditor or auditing firm shall be elected for a term of one year. The Auditor shall examine the accounts of the Bank and all the accounting documents for each year of operation and shall have access to all the books and documents of the Company for such purpose.

The Auditor shall meet all the qualifications stipulated by law at any time.

##### Article 23

The operating year and financial year of the Bank shall be the calendar year. The Board of Directors of the Bank and the Group Managing Directors and CEOs shall prepare each year the annual accounts and report. The annual accounts and annual report shall form single document.

The annual accounts shall be prepared in accordance with the law and generally accepted accounting principles, both as regards the assessment of the various items, organisation, itemisation, notes and titles of items.

##### Article 24

The Auditor shall audit the annual account of the Bank in accordance with statutory law and generally accepted accounting principles. Following auditing, the Auditor shall sign the annual account and the signature shall accompany the annual account as the Auditor's Report. The annual accounts and the Auditor's Report shall be laid open for inspection by shareholders for at least one week before the Annual General Meeting.



Audited Annual Accounts shall be sent to the Financial Services Authority no later than three months after the end of the financial year.

## **Chapter V**

### Other Provisions

#### Article 25

No decisions may be made to the effect that shareholders in the Bank shall enjoy better terms than other customers in transactions with the bank which can be attributed directly to the holdings of the shareholder in question.

#### Article 26

These Articles may be amended at a valid Annual General Meeting or extraordinary shareholders' meeting provided that the amendment is supported by 2/3 of the cast votes and that shareholders controlling at least 2/3 of the shares represented at the meeting participate in the voting, provided that the Articles of the Bank or statutory law do not require another proportion of votes.

Proposals to amend these Articles shall be included in the notice of the meeting.

#### Article 27

Dissolution of the Bank or mergers with other institutions shall be governed by the provisions of the Act on Financial Undertakings, the provisions of the Companies Act and any other applicable legislation.

#### Article 28

Matters on which these Articles provide no directions shall be governed by the provisions of the Act on Financial Undertakings, the Companies Act, the provisions of the Act on Annual Accounts and such provisions of other statutory law as may be applicable.





So adopted at the initial shareholders' meeting of the Company on 10 September 1997  
as amended at a shareholders meeting on 3 September 1998,  
as amended at the Annual General Meeting on 22 March 1999,  
as amended at a shareholders meeting on 26 July 2000,  
as amended at the Annual General Meeting on 21 March 2002,  
as amended at the Annual General Meeting on 14 February 2003,  
as amended by the decision of the Board of Directors to increase the share capital of the Company  
on 28 August 2003 as authorised by these Articles,  
as amended at the Annual General Meeting on 14 February 2004,  
as amended in accordance with the decision of the Board of Directors to increase the share capital  
of the Company on 12 March 2004 as authorised by these Articles,  
as amended at the Annual General Meeting on 5 February 2005,  
as amended in accordance with the decision of the Board of Directors to increase the share  
capital of the company on 11 March 2005 as authorised by these Articles,  
as amended at a shareholders meeting on 15 September 2005,  
as amended at the Annual General Meeting on 4 February 2006  
and at the Annual General Meeting on 9 February 2007.

Reykjavík, 9 February 2007

Landsbanki's CEOs

Halldór J. Kristjánsson

Sigurjón P. Árnason