



**STANDARD FORM – NOTIFICATION OF THE ACQUISITION OR DISPOSAL OF
MAJOR PROPORTIONS OF VOTING RIGHTS**

**VOTING RIGHTS ATTACHED TO SHARES– ARTICLE 85 OF THE ACT ON SECURITIES TRANSACTIONS
NO. 108/2007**

1. Identity of the issuer or the underlying issuer of existing shares to which voting rights are attached ⁱ: **Icelandair Group hf. (ICEAIR)**
2. Reason for the notification (please tick the appropriate box or boxes):
 an acquisition or disposal of voting rights

 an acquisition or disposal of financial instruments which may result in the acquisition of shares already issued to which voting rights are attached

 an event changing the breakdown of voting rights
3. Full name of person(s) subject to the notification obligation ⁱⁱ:
Íslandsbanki hf., id. 491008-0160, Kirkjusandi 2, 155 Reykjavík
4. Full name of shareholder(s) (if different from the person mentioned in point 3.) ⁱⁱⁱ:
5. Date of the transaction and date on which the threshold is crossed or reached ^{iv}:
29. October 2010
6. Threshold(s) that is/are crossed or reached: By increase of share capital and converting debt to shares the bank now holds **26,1%** of share capital in stead of 47%.
7. Notified details:

A) Voting rights attached to shares							
Class/type of shares (if possible using the ISIN CODE)	Situation previous to the Triggering transaction		Resulting situation after the triggering transaction ^{vi}				
	Number of Shares	Number of Voting rights ^{vii}	Number of shares	Number of voting rights ^{viii}		% of voting rights	
			Direct	Direct ^{ix}	In-direct ^x	Direct	In-direct
IS000013464	469.772.387	227.240.405	1.028.492.387	1.028.492.387		26,10	
SUBTOTAL A (based on aggregate voting rights)	469.772.387	227.240.405	1.028.492.387	1.028.492.387		26,1	

B) Financial Instruments				
Resulting situation after the triggering transaction ^{xi}				
Type of financial instrument	Expiration Date ^{xii}	Exercise/Conversion Period/ Date ^{xiii}	Number of voting rights that may be acquired if the instrument is exercised/converted	% of voting rights
		SUBTOTAL B (in relation to all expiration dates)		

Total (A+B) [if applicable]	number of voting rights	% of voting rights

8. Chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held, if applicable^{xiv}:

9. In case of proxy voting: [*name of the proxy holder*] will cease to hold [*number*] voting rights as of [*date*].

10. Additional information:

Íslandsbanki hf. was registered for 47% of shares in Icelandair Group hf. The Bank applied for an exemption from mandatory bids to the Financial Supervisory Authority (FME) according to The Act on Securities Transaction No. 108/2007. The FME decided to grant the Bank the exemption with certain conditions. One of the conditions was that the Bank's voting rights were limited up to 30% of the common stock.

The change now in Íslandsbanki's holdings in Icelandair Group hf. is connected to the financial restructuring of Icelandair Group but information regarding the financial restructuring has already been published. Íslandsbanki acquires 558.720.000 new shares based on a share price of ISK 5,0. Payment is made by converting debts in the amount of ISK 2.793.600.000. After the transaction Íslandsbanki hf. holds 1.028.492.387 shares in Icelandair Group hf., which is 26,1% of the total share capital after the increase of share capital.

Done at Reykjavík on 29. October 2010

Kristinn Arnar Stefánsson, Compliance Officer