

Translated from the Icelandic

22 May 1997 No. 50

THE PRESIDENT OF ICELAND

Announces: Althingi has approved this Act and I confirmed it with my approval:

CHAPTER I

The establishment of limited liability companies to operate the state-owned commercial banks

Article 1

Limited liability companies shall be established to operate Landsbanki Íslands (The National Bank of Iceland) and Búnaðarbanki Íslands (The Agricultural Bank of Iceland) respectively. Their purpose shall be to pursue any activities legally authorised to commercial banks.

The Treasury shall transfer all the assets, rights, debts and obligations of each state-owned commercial bank to its respective limited liability company.

Article 2

Upon the entry into force of this Act, the Minister of Commerce shall appoint two three-man committees, each of which is intended to carry out the preparations and take the actions necessary for the establishment of a limited liability company for each of the state-owned commercial banks. The committees shall prepare legal procedures concerning the establishment of the limited liability company banks and their prospective activities on behalf of the Minister of Commerce and in consultation with the state-owned commercial bank in question. These legal procedures shall, with regard to the tasks performed by the boards of directors and management boards in accordance with Articles 39 and 41 of Act No. 113/1996 on Commercial Banks and Savings Banks, be confirmed by the appropriate party which, until the boards of directors and bank managers of the limited liability company banks begin their duties, means the boards of directors and management boards of the state-owned commercial banks. The Minister of Commerce shall provide the committees with formal terms of reference .

The committees provided for in paragraph 1 shall have full access to the records of the state-owned commercial bank in question, notwithstanding provisions on confidentiality in accordance with Article 43 of the Commercial Banks and Savings Banks Act, No. 113/1996. Management and personnel of the state-owned commercial banks shall provide the members of the committee concerned with such assistance as is necessary. Committee members are subject to Article 43 of Act No. 113/1996.

Article 3

As of 1 January 1998, Landsbanki Íslands Ltd. shall take over the operations and activities of Landsbanki Íslands, and Búnaðarbanki Íslands Ltd. shall take over the operations and activities of Búnaðarbanki Íslands, by which time the Minister of Commerce shall have issued operating authorisations for the limited liability company banks in accordance with Chapter II of Act No. 113/1996.

Landsbanki Íslands and Búnaðarbanki Íslands shall be abolished upon the commencement of operations of the limited liability company banks in accordance with

paragraph 1.

The board of directors of each limited liability company bank shall be elected at a founding meeting, which shall be held prior to the take-over of the state-owned commercial banks by the limited liability company banks. The authority of the boards of directors of Landsbanki Íslands and Búnaðarbanki Íslands, most recently elected by the Althingi in accordance with Article 27 of Act No. 43/1993 on Commercial Banks and Savings Banks, cf. at present Act No. 113/1996, shall be terminated upon the commencement of operations of the limited liability company banks in accordance with Article 1.

CHAPTER II

Share capital, shares and handling of shares

Article 4

The Minister of Commerce shall manage the state's shareholdings in Landsbanki Íslands Ltd. and Búnaðarbanki Íslands Ltd.

Article 5

Upon the establishment of Landsbanki Íslands Ltd. and

Búnaðarbanki Íslands Ltd, their entire share capital shall be owned by the Treasury.

The Minister shall determine the total amount of share capital of each limited liability company bank upon its establishment. For purposes of reference, the total amount of share capital of each limited liability company bank shall not exceed the equity of Landsbanki Íslands and Búnaðarbanki Íslands respectively according to their audited annual accounts for the year 1996.

The Minister shall appoint a three-man committee to advise him in assessing the total amount of initial share capital in each of the limited liability company banks in accordance with paragraph 2. The conclusions of the committee shall be available no later than 1 October 1997. The provisions of paragraph 2 of Article 2 shall apply to the work of the committee. The Minister of Commerce shall provide the committee with formal terms of reference.

Article 6

The Minister of Commerce shall decide the division of share capital into shares.