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Deposits Transforming the Balance Sheet

2007 Annual Results Presentation

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- Solid Q4 2007 results and continued high core income profitability
- Strong liquidity position and further diversification of funding sources
- Iceland a flexible and resilient economy

A Growing European Bank



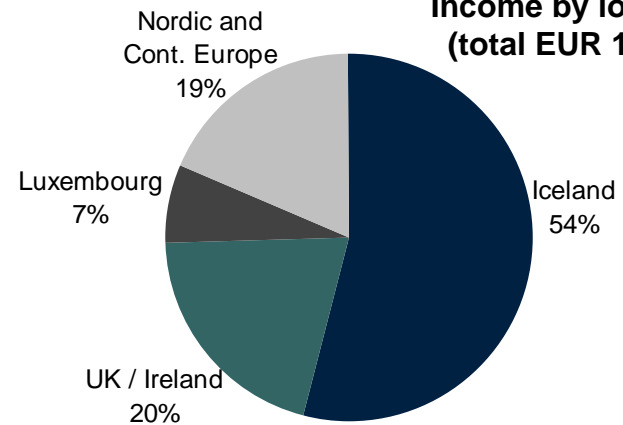
Key figures from the 2007 accounts

	ISK (bn)	EUR
Pre-tax profit	45.6	520m
After-tax profit	39.9	456m
Pre-tax ROE	31%	
After-tax ROE	27%	
<hr/>		
Total assets	3,058	33.4bn
CAD	11.7%	
Tier I	10.1%	

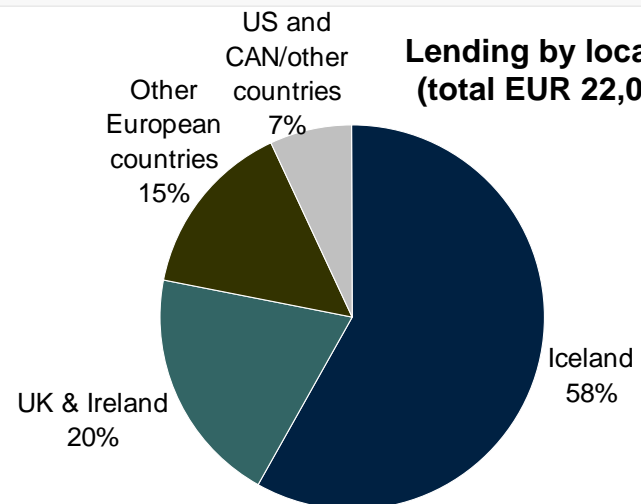
ISK / EUR

1 Jan 2007	93.72
31 Dec 2007	91.65
Average 2007	87.64
Average Q4 2007	89.02
28 Jan 2008	95.71

Income by location (total EUR 1,255m)



Lending by location (total EUR 22,070m)

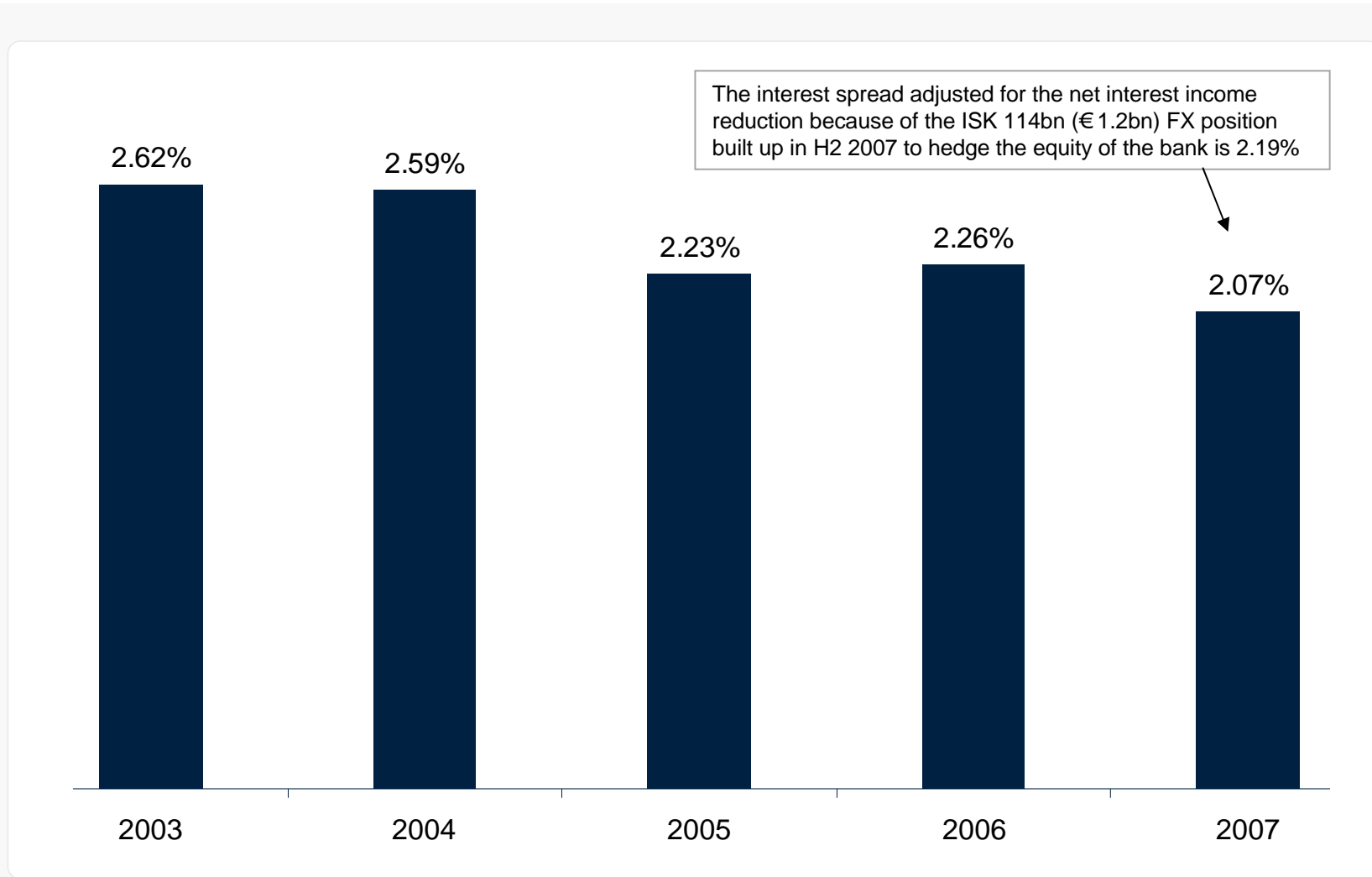


Income Statement

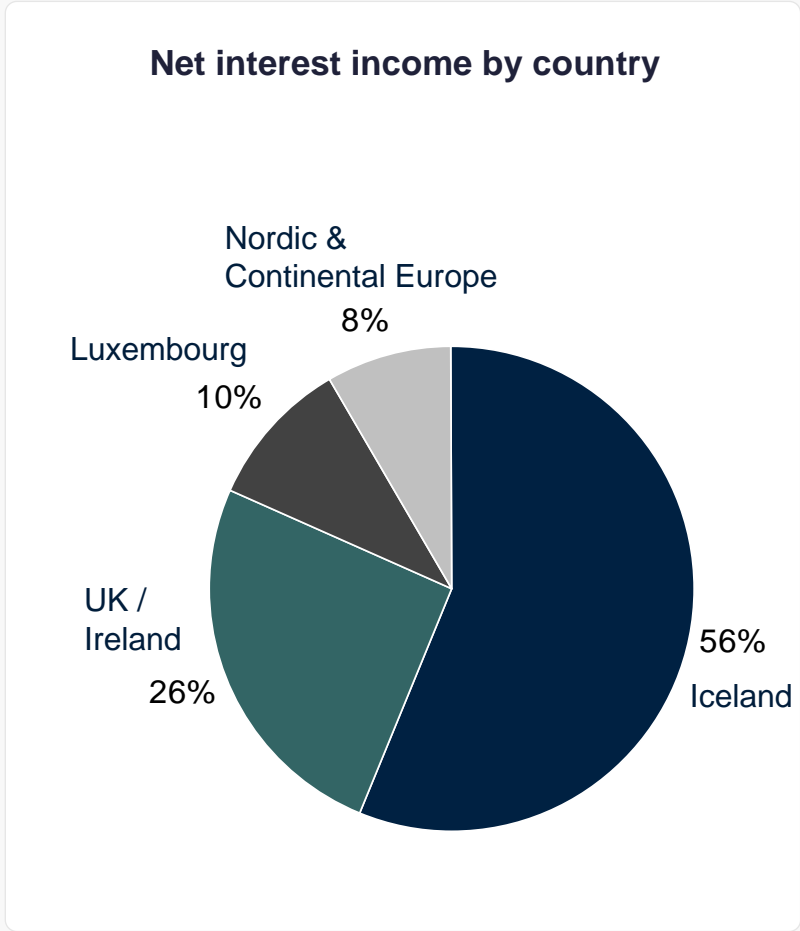
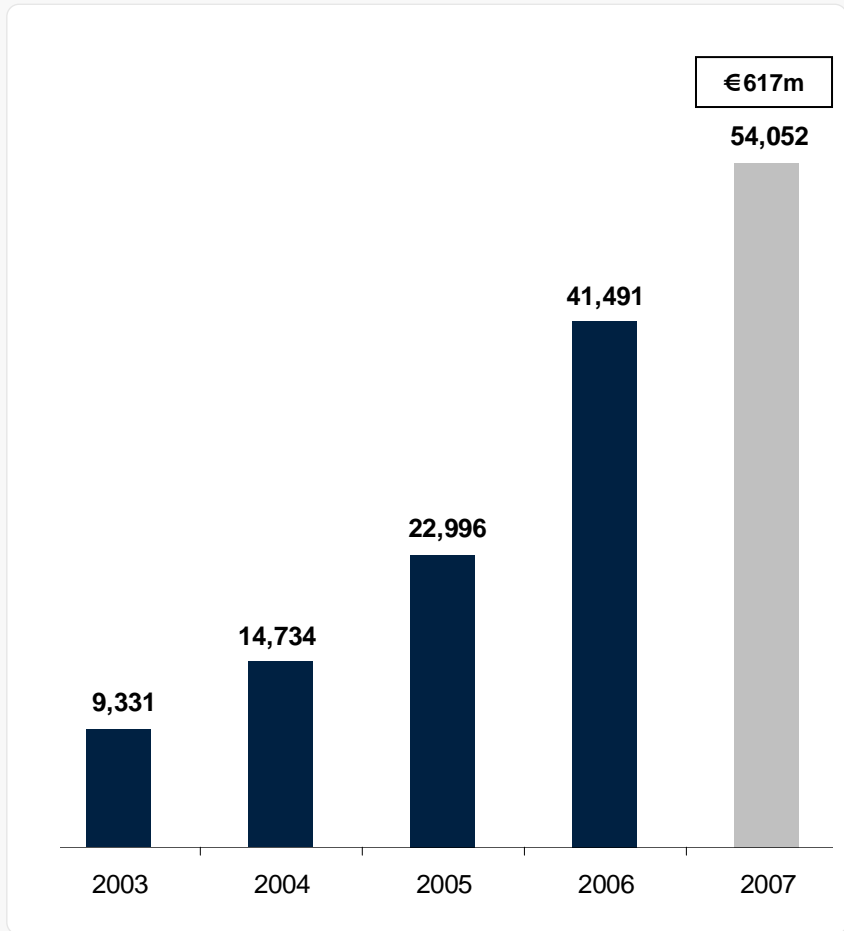


		2007	2006	Diff	%	Q4 2007	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Net interest income	€ 617m	54,052	41,491	12,561	30%	€ 171m	15,227	14,445	13,500	10,879	9,581
Net fee and commission income	€ 449m	39,369	28,366	11,003	39%	€ 109m	9,660	10,218	9,729	9,762	7,998
Other operating income	€ 189m	16,605	19,568	-2,964	-15%	€ -1m	-68	1,918	5,955	8,799	7,240
Net operating income	€ 1,255m	110,025	89,426	20,600	23%	€ 279m	24,819	26,582	29,184	29,441	24,819
Salaries and related expenses	€ 430m	37,688	24,458	13,230	54%	€ 121m	10,769	10,029	8,919	7,972	6,989
Administrative expenses	€ 226m	19,827	14,130	5,696	40%	€ 66m	5,846	4,806	4,731	4,444	4,042
Operating expenses	€ 656m	57,515	38,588	18,927	49%	€ 187m	16,615	14,835	13,650	12,415	11,031
Impairment on loans and advances	€ 79m	6,956	6,144	812	13%	€ 26m	2,286	1,620	1,501	1,549	1,332
Pre-tax profit	€ 520m	45,555	44,694	861	2%	€ 66m	5,919	10,127	14,033	15,476	12,457
Income tax	€ 64m	5,605	4,479	1,127	25%	€ 11m	997	1,402	1,490	1,716	-1,596
Net profit	€ 456m	39,949	40,215	-266	-1%	€ 55m	4,922	8,725	12,542	13,760	14,053
Attributable to:											
Shareholders of Landsbanki	€ 443m	38,800	38,906	-106	0%	€ 51m	4,584	8,518	12,248	13,450	13,664
Minority interests	€ 13m	1,150	1,309	-159	-12%	€ 4m	337	207	294	311	389

Interest Spread as a Ratio of Average Capital Position



Net Interest Income

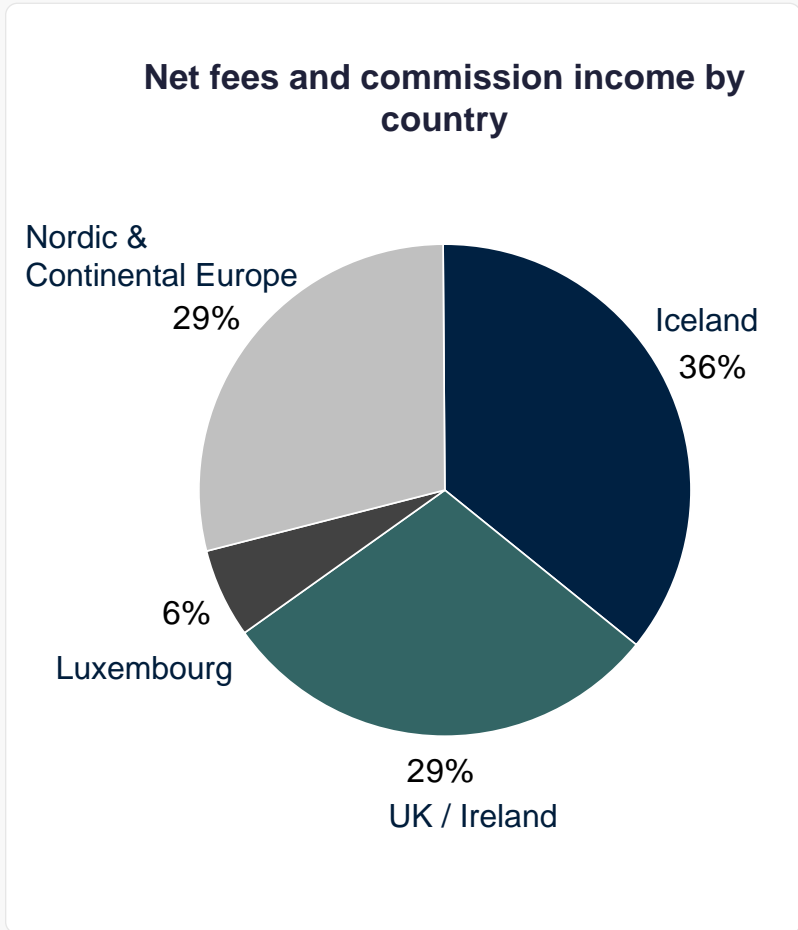
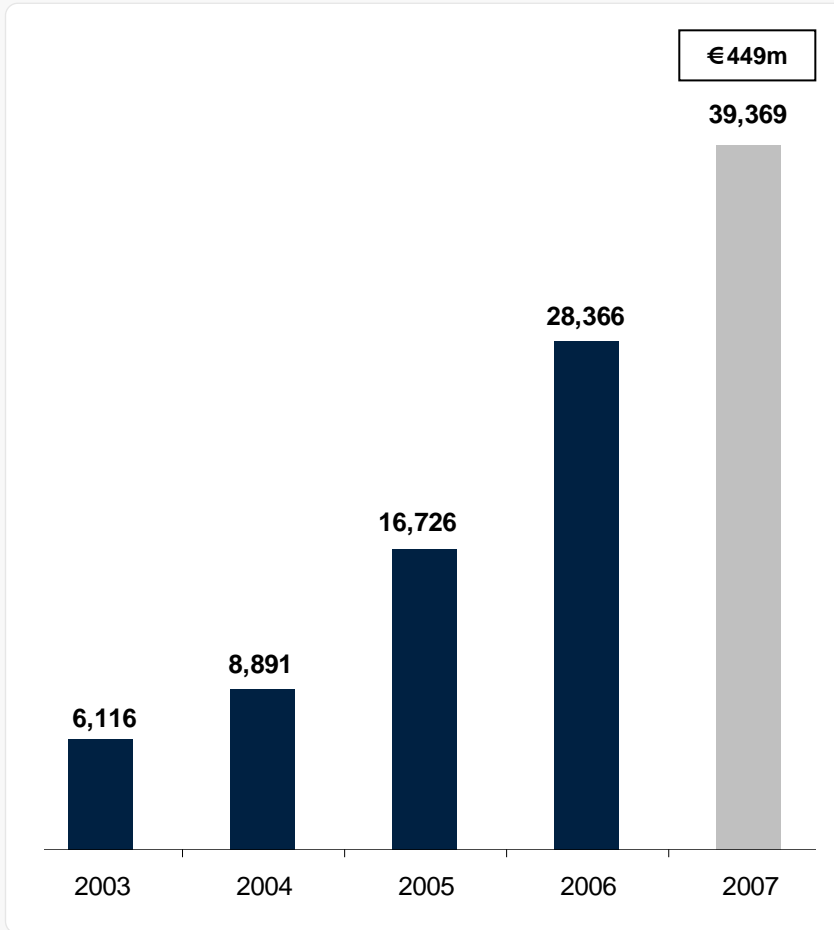


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Net Fees and Commission Income

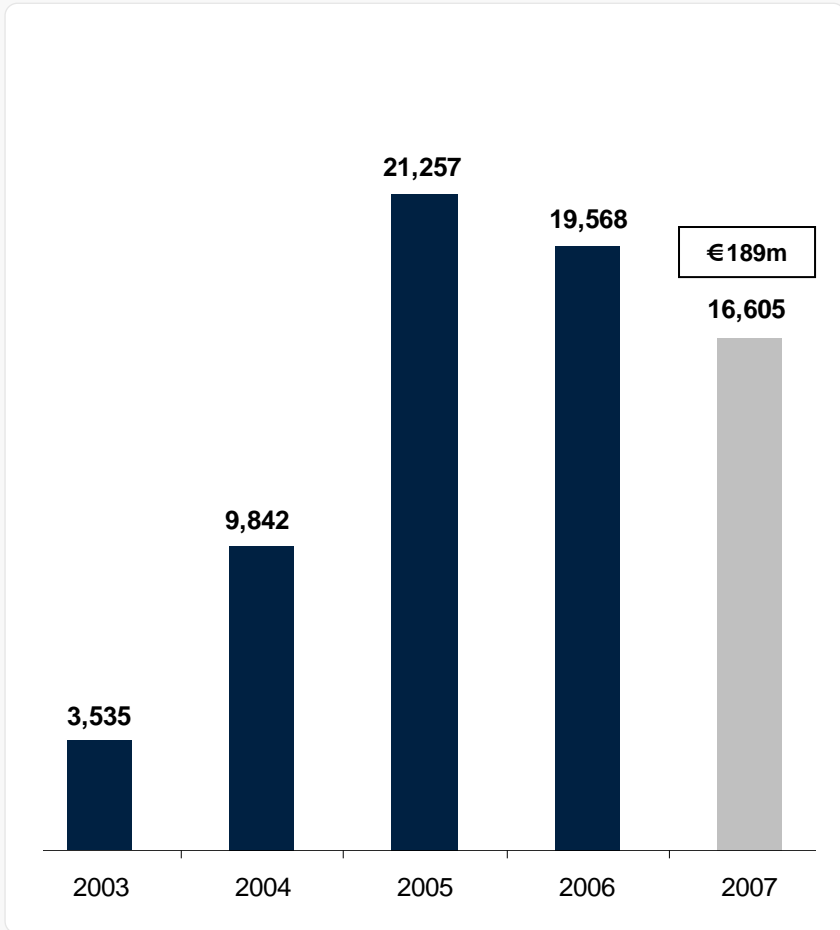


Income Statement



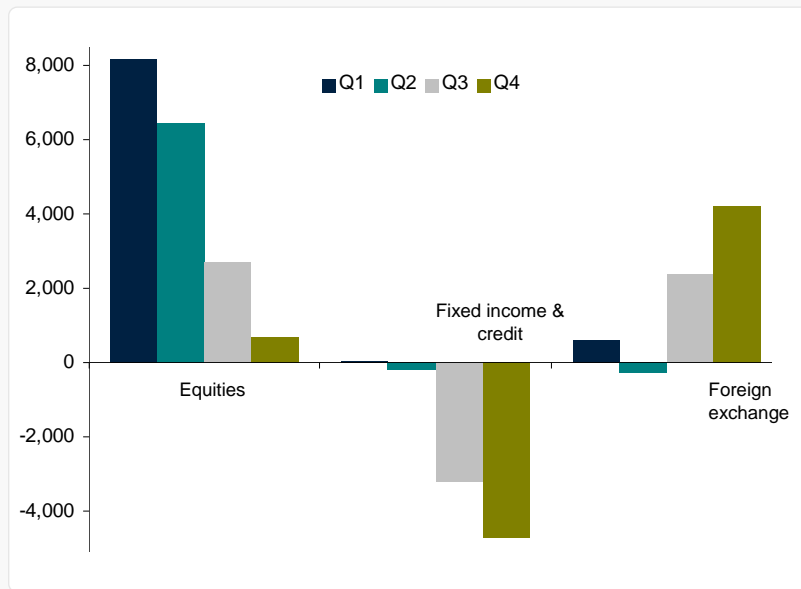
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Other Operating Income



Breakdown of other operating income by origin

		2007	Q4	Q3	Q2	Q1
Equities	€206m	18,014	707	2,714	6,438	8,156
Fixed income & credit	€ -93m	-8,141	-4,747	-3,244	-203	52
Foreign exchange	€ 79m	6,889	4,223	2,356	-297	607
Other	€ -2m	-158	-250	92	16	-15
		16,605	-68	1,918	5,955	8,799



Fixed Income and Structured Credit Exposure

Listed bond portfolio



As part of its liquidity strategy/reserves, Landsbanki has invested EUR 4.5bn in listed bonds (mainly Floating Rate Notes).
The highly rated portfolio consists mainly of financial and government paper.

Financials	66%	AAA	32%
Government bonds	25%	AA	44%
Corporate bonds	9%	A	16%
		BBB	4%
		NR	4%

Corporate Synthetic CDO



No exposure

ABS



No exposure

SIVs, conduits & liquidity lines



No exposure

Monolines



No exposure

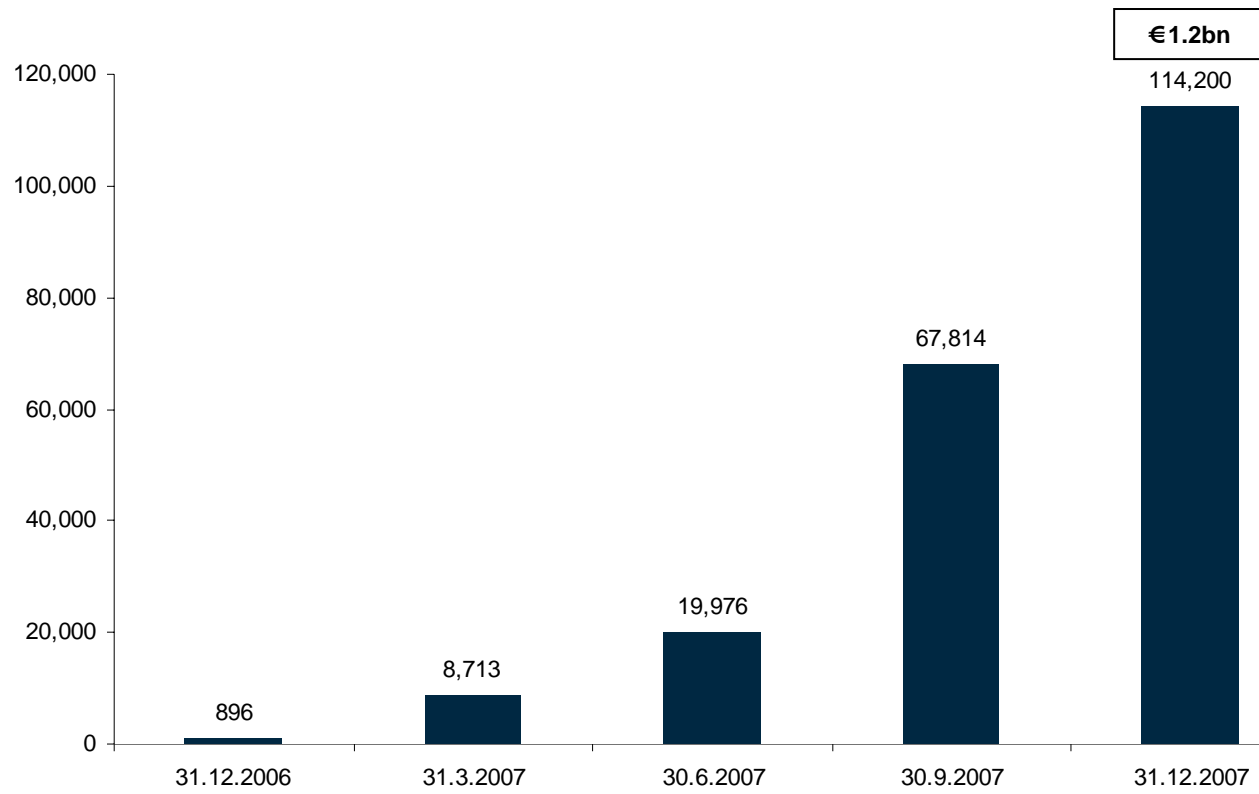
Total return swaps



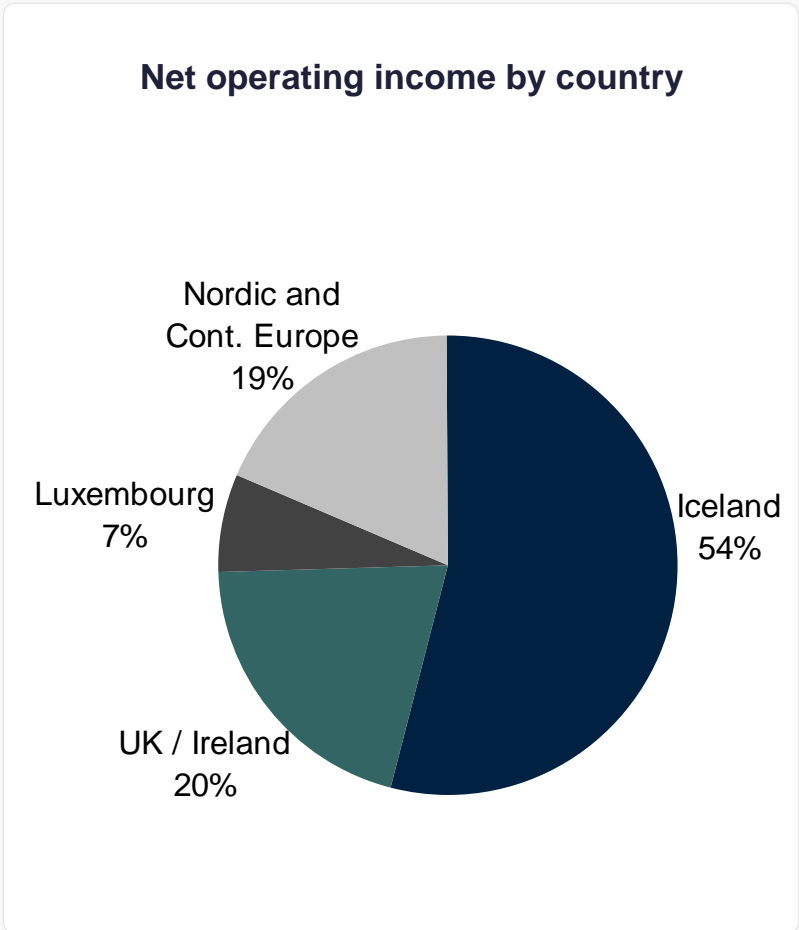
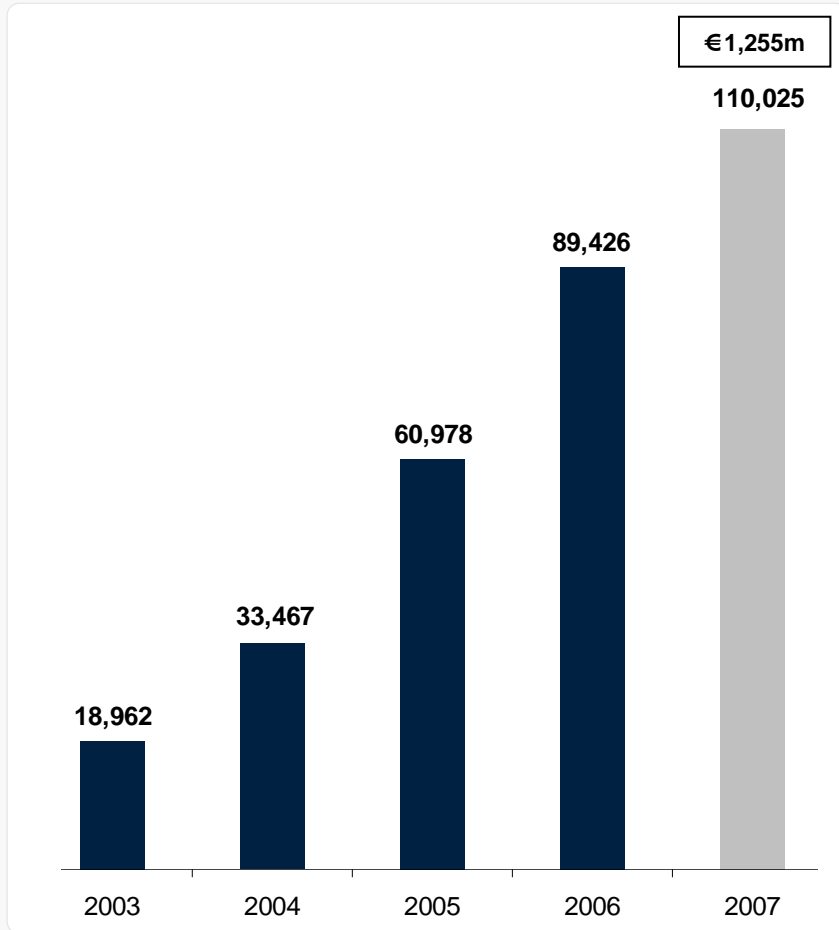
Landsbanki uses Total return swaps (TRS) which are marked to market to manage part of its portfolio of acquisition and leveraged finance participations

FX Position of Landsbanki

- In order to hedge its equity against ISK volatility, in H2 2007 Landsbanki built up a positive FX balance equivalent to ISK 114bn (EUR 1.2bn).
- Exchange rate gain on the hedge was ISK 6.9bn (EUR 79m)
- Lost interest income due to foreign-domestic interest rate differential ISK 3.5bn (EUR 40m)



Net Operating Income



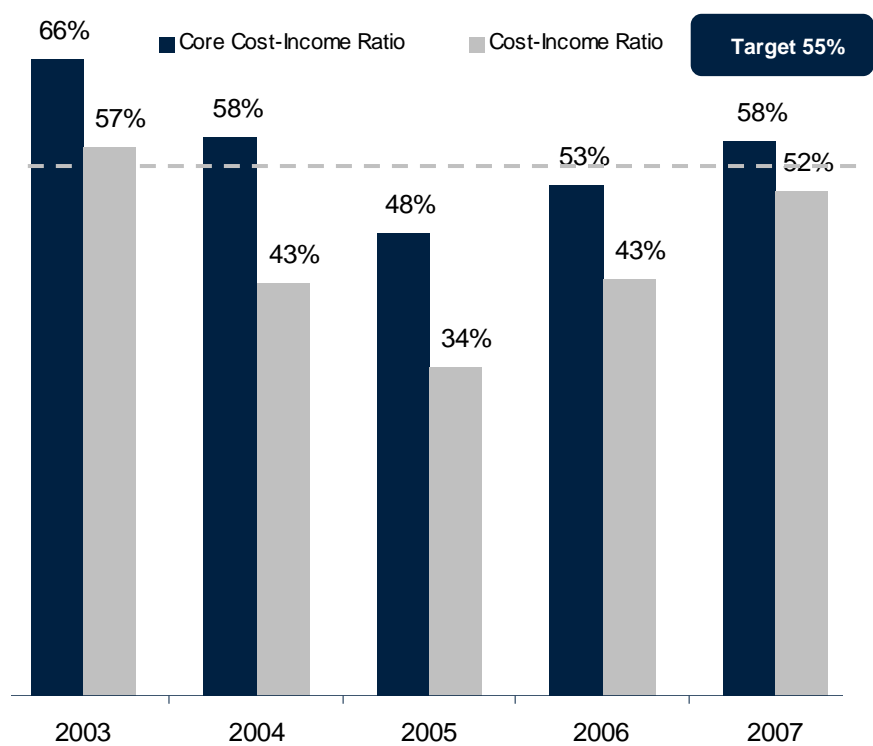
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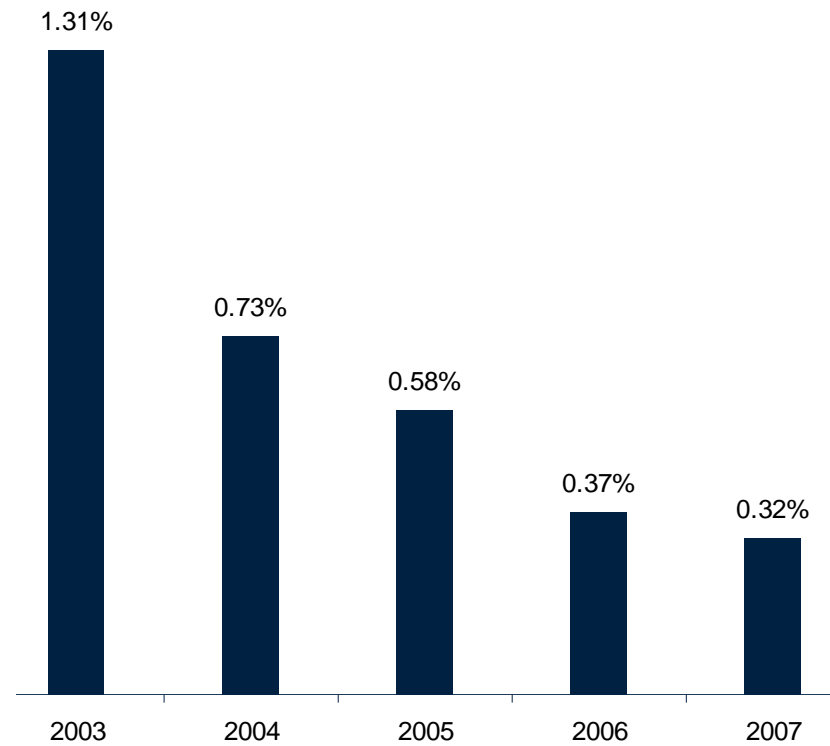
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Cost-income ratio & Impairment on Loans and Advances

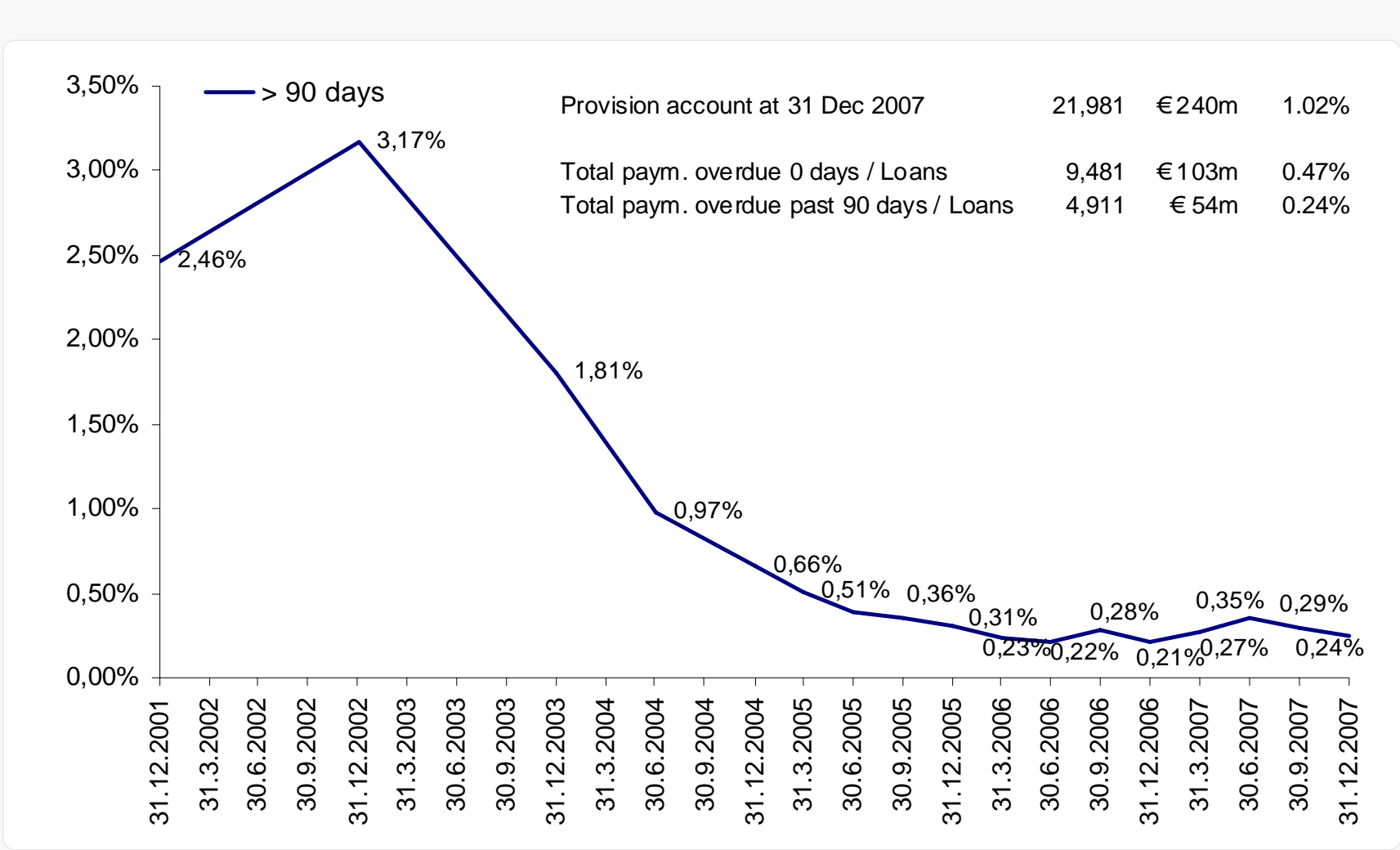
Cost-income ratio



Impairment on loans & advances

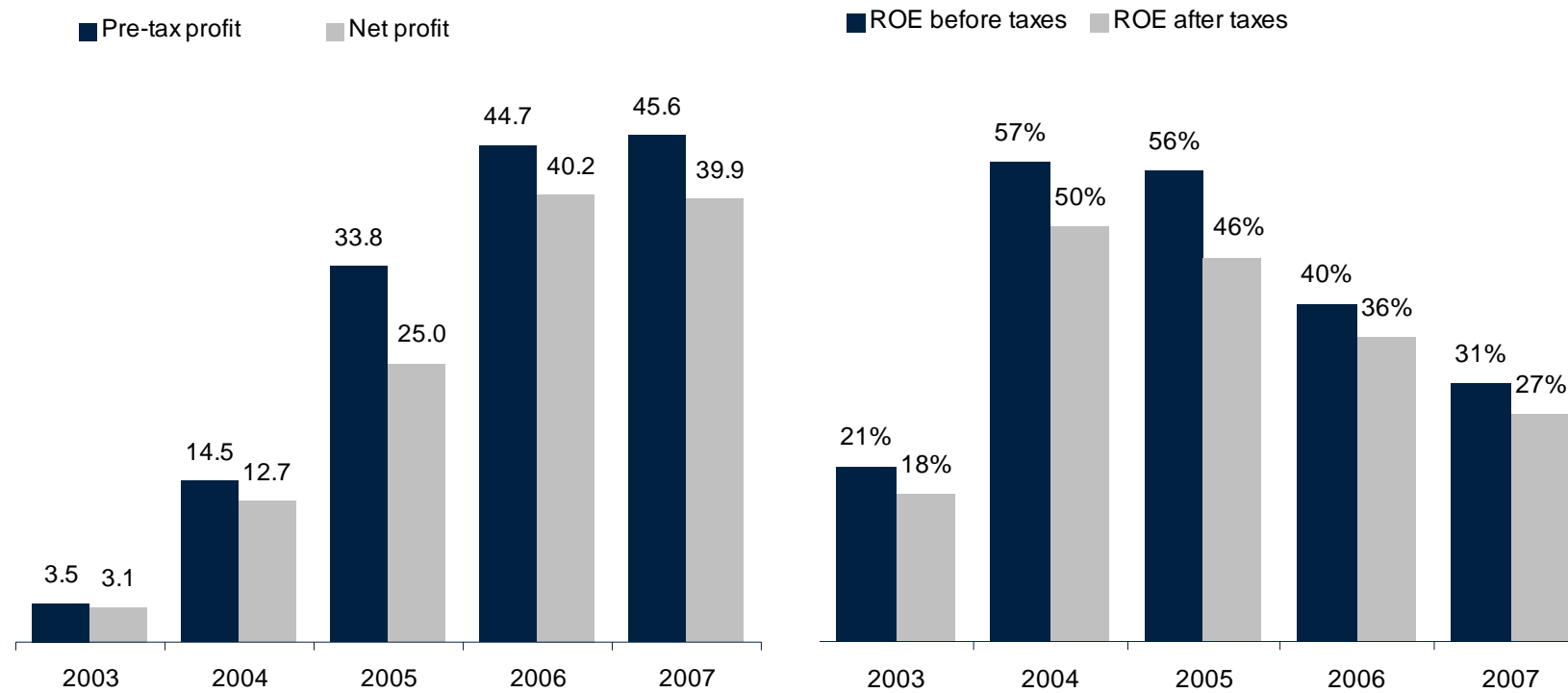


Defaults as a Ratio of Total Lending



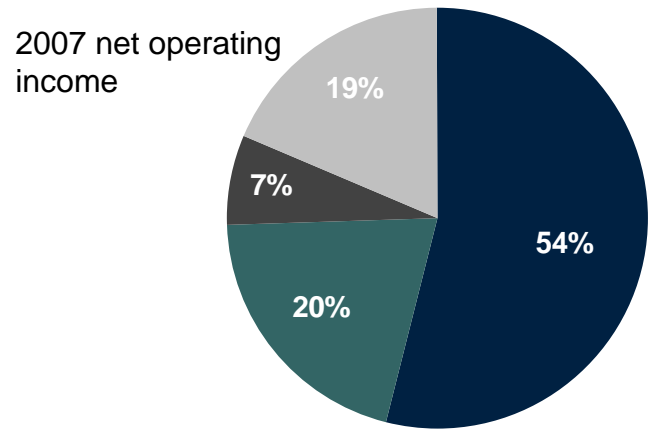
Provision account at 31 Dec 2007	21,981	€240m	1.02%
Total paym. overdue 0 days / Loans	9,481	€103m	0.47%
Total paym. overdue past 90 days / Loans	4,911	€54m	0.24%

Profit and Return on Equity

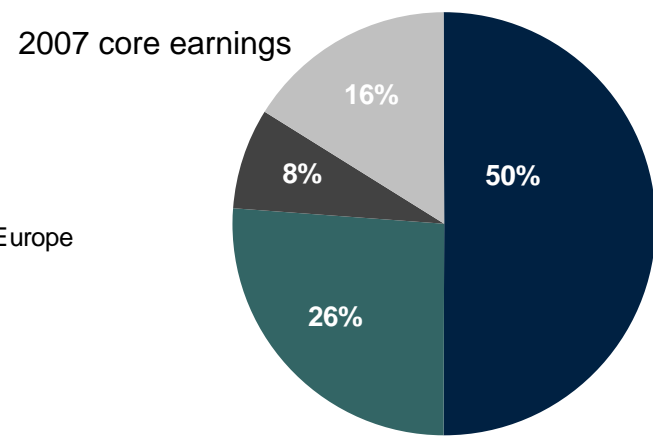


Revenue Breakdown by Country

2007	Iceland	UK / Ireland	Luxembourg	Nordic and Continental Europe	Total
Net interest income	30,375	13,773	5,404	4,499	54,052
Net fee and commission income	14,103	11,496	2,315	11,455	39,369
Other operating income	14,960	-2,832	-47	4,524	16,605
Net operating income	59,438	22,437	7,672	20,479	110,025
	€ 678m	€ 256m	€ 88m	€ 234m	€ 1,255m
Share in net operating income	54%	20%	7%	19%	100%
Core earnings	50%	26%	8%	16%	100%



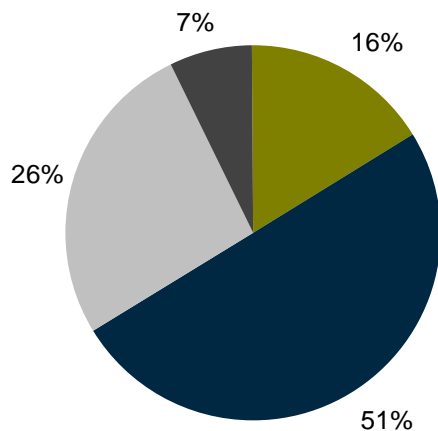
- Iceland
- UK/Ireland
- Luxembourg
- Nordic and Cont. Europe



Breakdown by Business Division

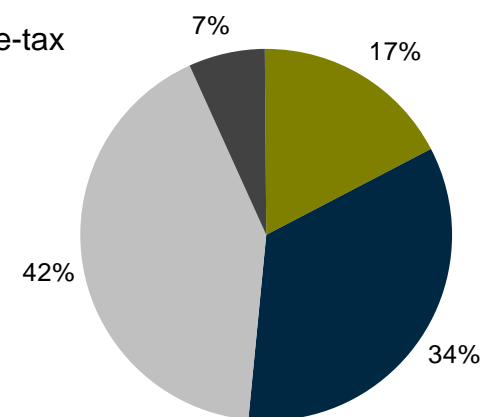
2007	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Private Banking	Other	Group
Net interest income	18,360	37,446	-6,273	4,519	0	54,052
Net fee and commission income	2,964	3,294	28,335	4,776	0	39,369
Other operating income	-396	-2,315	19,199	117	0	16,605
Net operating income	20,928	38,424	41,261	9,412	0	110,025
Operating expenses	10,650	10,086	27,662	6,032	3,086	57,515
Impairment on loans and advances	2,417	3,766	762	11	0	6,956
Net segment result	7,861	24,573	12,837	3,370	-3,086	45,555
	€ 90m	€ 280m	€ 146m	€ 38m	€ -35m	€ 520m

2007 pre-tax profit



2006 pre-tax profit

- Retail Banking
- Corporate Banking
- Investment Banking
- Asset Management & Private Banking



Core Earnings

Pre-tax profit
€520m

Core pre-tax profit
€396m

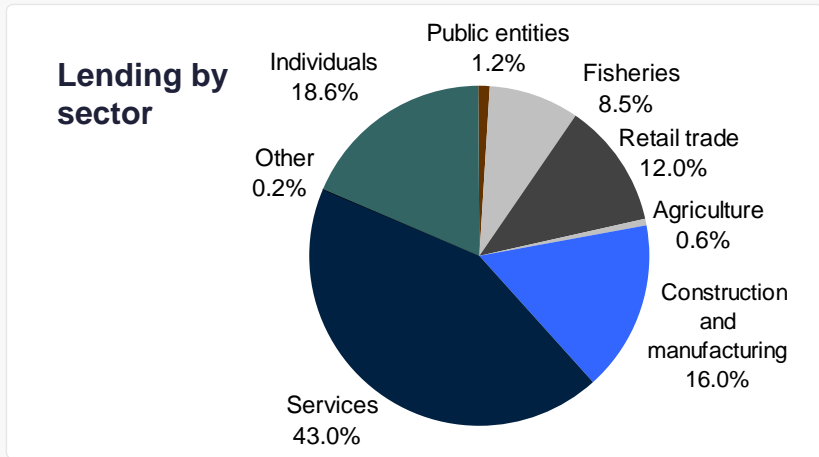
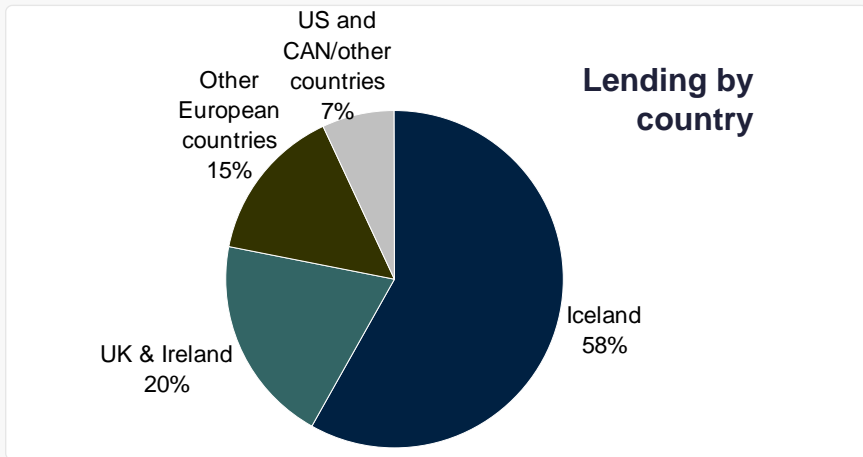
Core pre-tax ROE
24%

Actual results		2007	2006	2005	2004	2003
Net interest revenues	€ 617m	54,052	41,491	22,996	14,734	9,331
Net commissions and fees	€ 449m	39,369	28,366	16,726	8,891	6,116
Net gain on equity, securities and FX	€ 189m	16,605	19,568	21,257	9,842	3,535
Net operating revenues	€ 1,255m	110,025	89,426	60,978	33,467	18,982
Operating expenses	€ 656m	57,515	38,588	20,967	14,460	10,815
Impairment on loans and advances	€ 79m	6,956	6,144	6,197	4,485	4,656
Impairment on goodwill	€ 0m	0	0	3,033	0	0
Pre-tax profit	€ 520m	45,555	44,694	30,781	14,521	3,511
Cost-income Ratio		52%	43%	34%	43%	57%
Pre-tax ROE		31%	40%	56%	57%	21%
Adjustments						
Net interest revenues	€ 66m	5,753	3,640	3,652	1,200	992
Net gain on equity, securities and FX	€ -189m	-16,605	-19,568	-21,257	-9,842	-3,535
Impairment on goodwill	€ 0m	0	0	3,033	0	0
	€ -124m	-10,852	-15,929	-14,572	-8,642	2,542
Core Earnings						
Pre-tax profit for core operations	€ 396m	34,703	28,765	16,210	5,879	968
Cost-income ratio for core operations	58%	58%	53%	48%	58%	66%
Pre-tax ROE for core operations	24%	24%	26%	30%	23%	6%

Balance Sheet – assets as of 31 Dec 2007

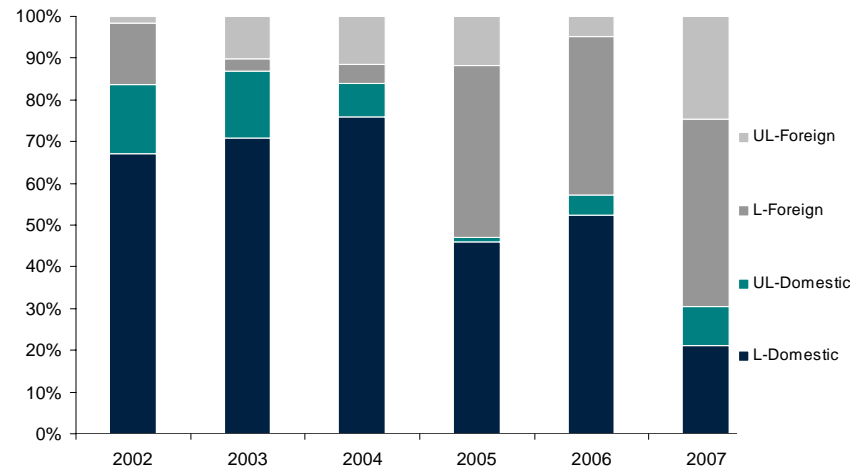


		31 Dec 2007	31 Dec 2006	Change	%
Cash and cash balances with Central Bank	€ 890m	82	32	50	158%
Loans and advances to financial institutions	€ 1,778m	163	216	-53	-24%
Loans and advances to customers	€ 22,070m	2,023	1,438	584	41%
Bonds and debt instruments	€ 3,957m	363	170	193	114%
Shares and equity instruments	€ 703m	64	49	15	31%
Hedged securities	€ 1,922m	176	105	71	67%
Derivatives held for trading	€ 548m	50	38	12	31%
Derivatives held for hedging	€ 95m	9	10	-2	-17%
Intangible assets	€ 302m	28	14	13	93%
Other assets	€ 1,097m	101	100	1	1%
Total assets	€ 33,361m	3,058	2,173	885	41%

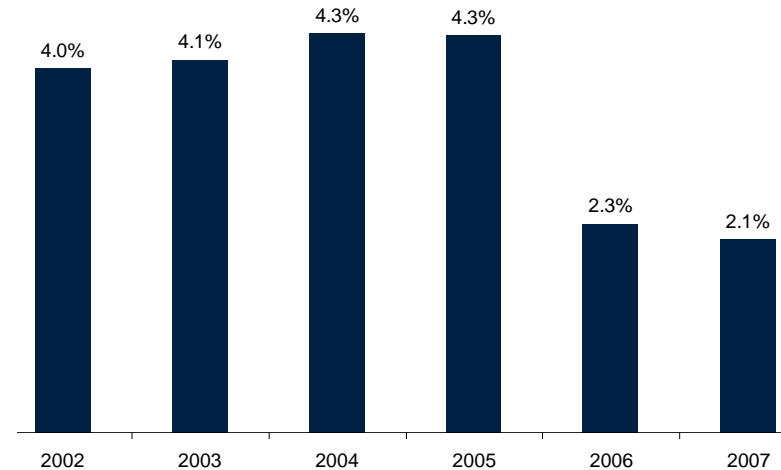


Net Equity Position

Shares and equity instruments



Equity exposure as % balance sheet



31 Dec 2007

31 Dec 2006

Domestic equities:

	2007	2007 %	2006	2006 %
Listed	13.5	21.0%	25.9	52.4%
Unlisted	6.1	9.5%	2.4	4.9%

Foreign equities:

	2007	2007 %	2006	2006 %
Listed	28.9	44.9%	18.7	37.8%
Unlisted	15.9	24.6%	2.4	4.9%

64.4 100.0%

49.3 100.0%

€703m

€526m

Equity exposures

Average exposure in 2007 around ISK 70bn

Overall return on equity holdings 26%

European stock indices change as of 31 Dec 2007:

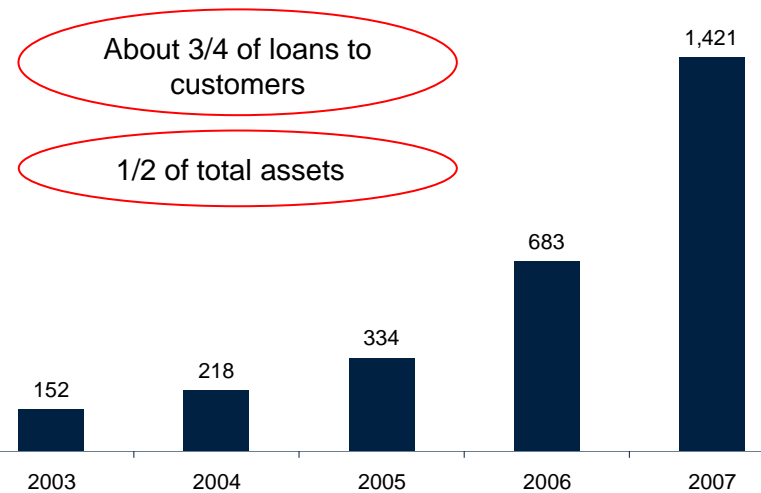
OMXI15	Iceland	-1.4%	DAX	Germany	22.3%
OBX	Norway	13.7%	CAC40	France	1.3%
OMXH25	Finland	3.4%	FTSE100	UK	3.8%
OMXC20	Denmark	5.1%	IBEX 35	Spain	7.3%
OMXS30	Sweden	-5.7%	SMI	Switzerland	-3.4%
			MIB30	Italy	-6.5%

Balance Sheet – liabilities & equity as of 31 Dec 07

		31 Dec 2007	31 Dec 2006	Change
Deposits from credit institutions	€ 3,687m	338	141	197
Deposits from customers	€ 15,509m	1,421	683	739
Borrowing	€ 9,121m	836	1,015	-179
Subordinated loans	€ 1,221m	112	90	22
Other liabilities	€ 1,815m	166	95	72
Minority interest	€ 44m	4	5	-1
Shareholder equity	€ 1,964m	180	144	36
Total liabilities and equity	€ 33,361m	3,058	2,173	885

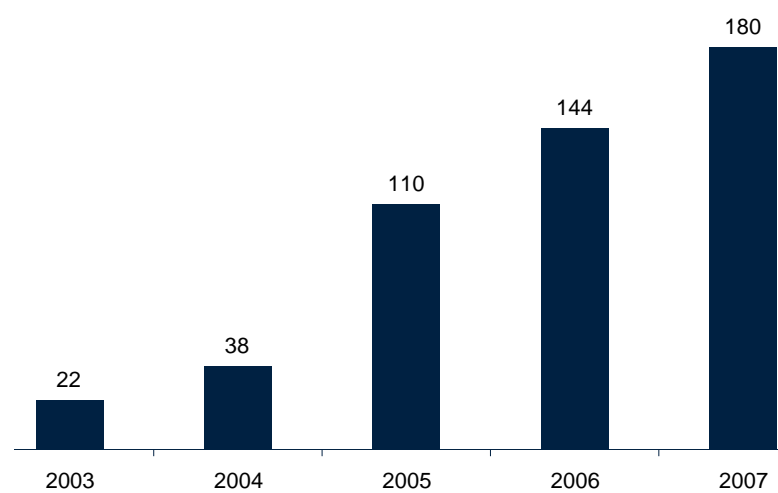
Deposits from customers

€15.5bn

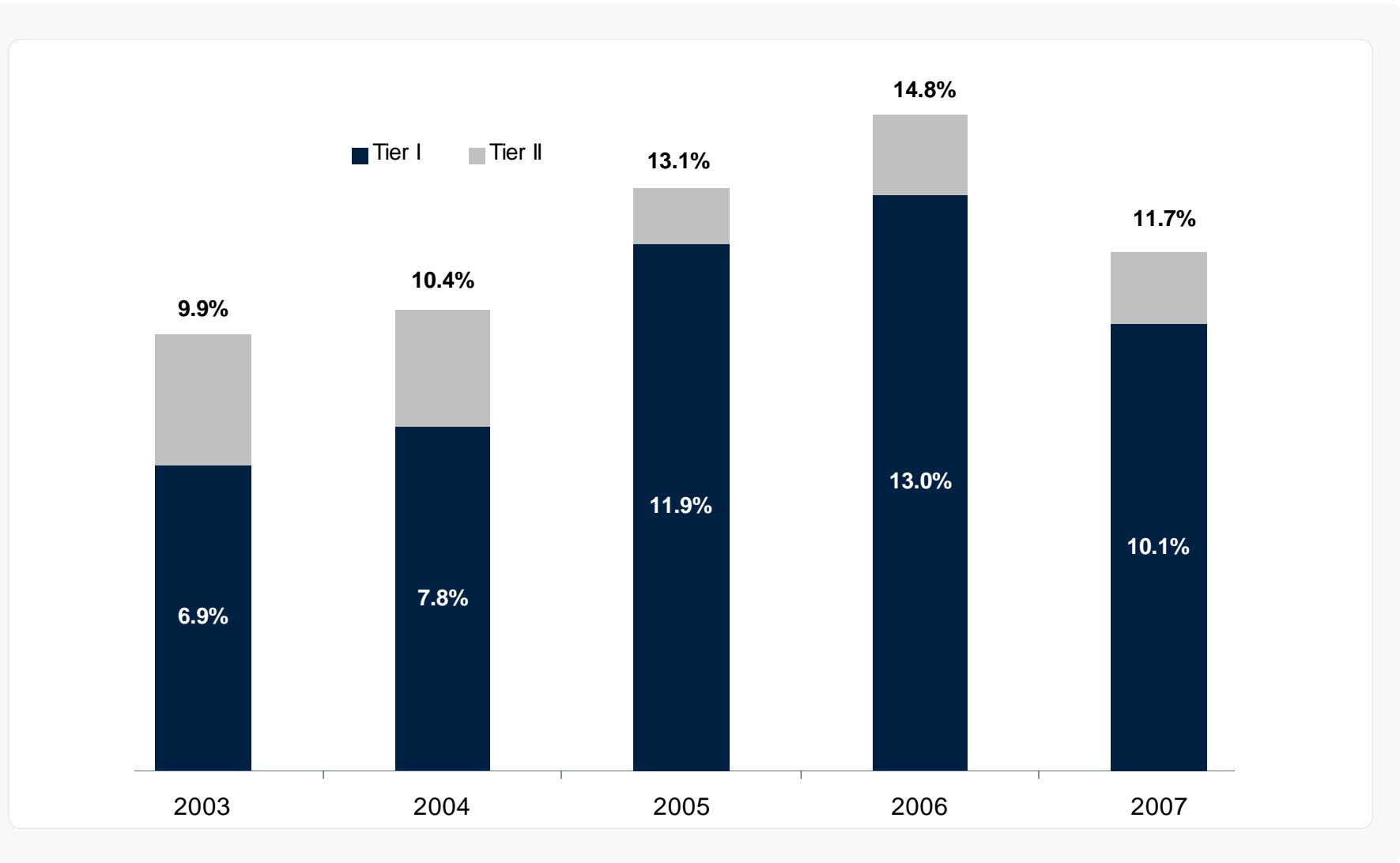


Shareholder equity

€2.0bn



Equity Ratio



Strong Capitalisation Against Adverse Developments Confirmed



- More than 60% of Landsbanki's RWA are foreign currency denominated, mainly in EUR, GBP and USD
- The core equity of Landsbanki is ISK denominated
- In order to hedge the equity against currency fluctuations, a EUR 1.2 bn position was built up in 2H07 against the ISK
- This stabilises the bank's CAD ratio when ISK fluctuates

The Icelandic Financial Supervisory Authority (e.FME)
official stress test

		CAD		Tier 1
Pre FME Stress Test		11.7%		10.1%
A 35% fall in domestic stock prices and 25% fall in foreign stock prices	-0.63%	11.07%	-0,65%	9.45%
A 20% increase in loan default losses	-0.25%	10.82%	-0,25%	9.20%
A 7% fall in bond prices	-0.29%	10.53%	-0,30%	8.90%
A 20% depreciation of the ISK	-0.02%	10.51%	-0,10%	8.80%
<i>Change</i>		1.2%		1.3%
Post FME Stress Test 31.12.2007		10.5%		8.8%

Equity Overview



Share price ISK
31.4 (28/01/08)

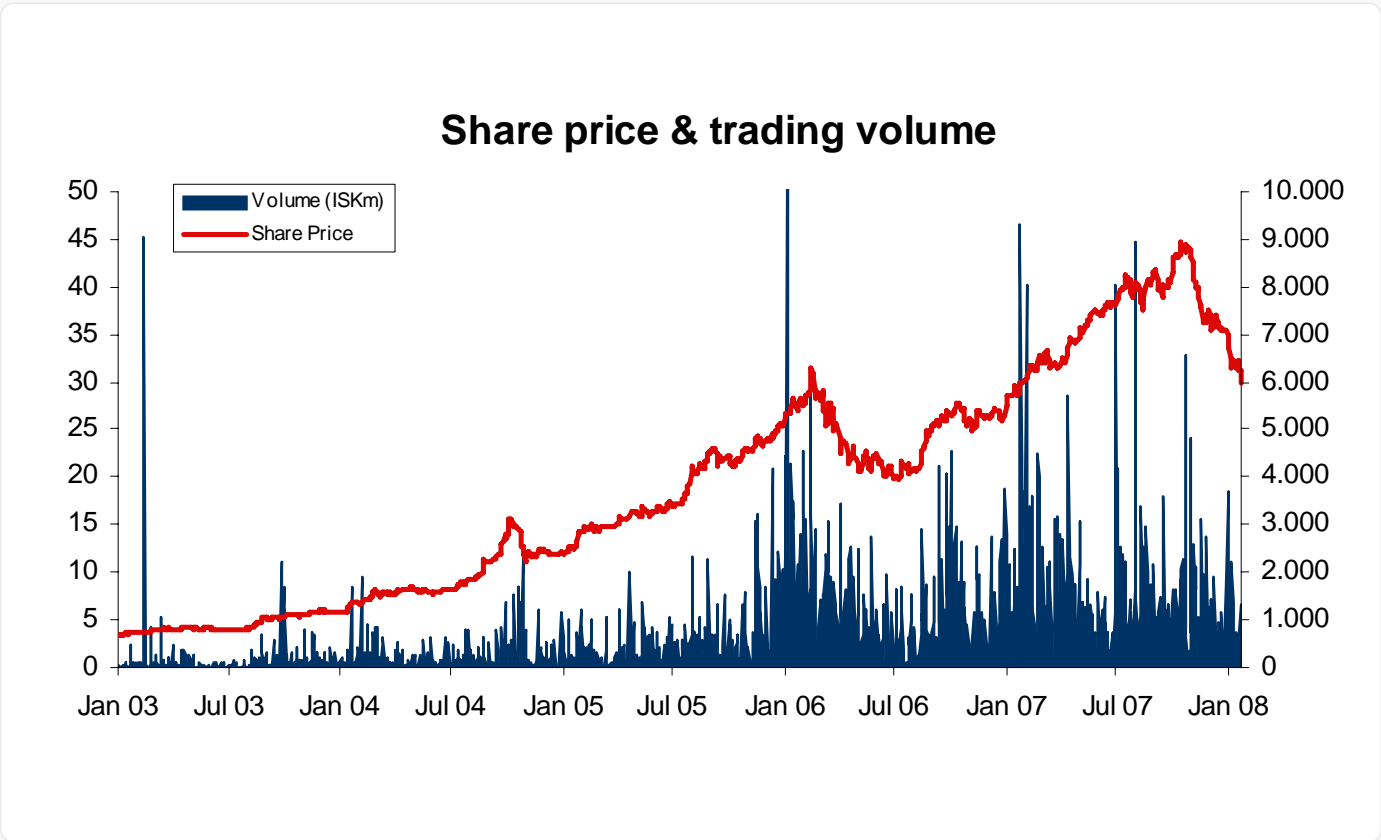
Market cap ISK
351bn (EUR 3.7bn)

Equity ISK 180 bn
(EUR 2.0bn)

2007 after-tax profit
ISK 39.9bn (EUR
456m)

Last 12 month P/E:
 $351/39.9 = 8.80$

P/B: $351/180 = 1.95$



Good share liquidity – among the most actively traded stocks on OMX Iceland

Shareholder structure	%
Samson eignarhaldsfélag	40.7%
Next 30 largest shareholders	42.3%
Approx 28,000 shareholders	17.0%

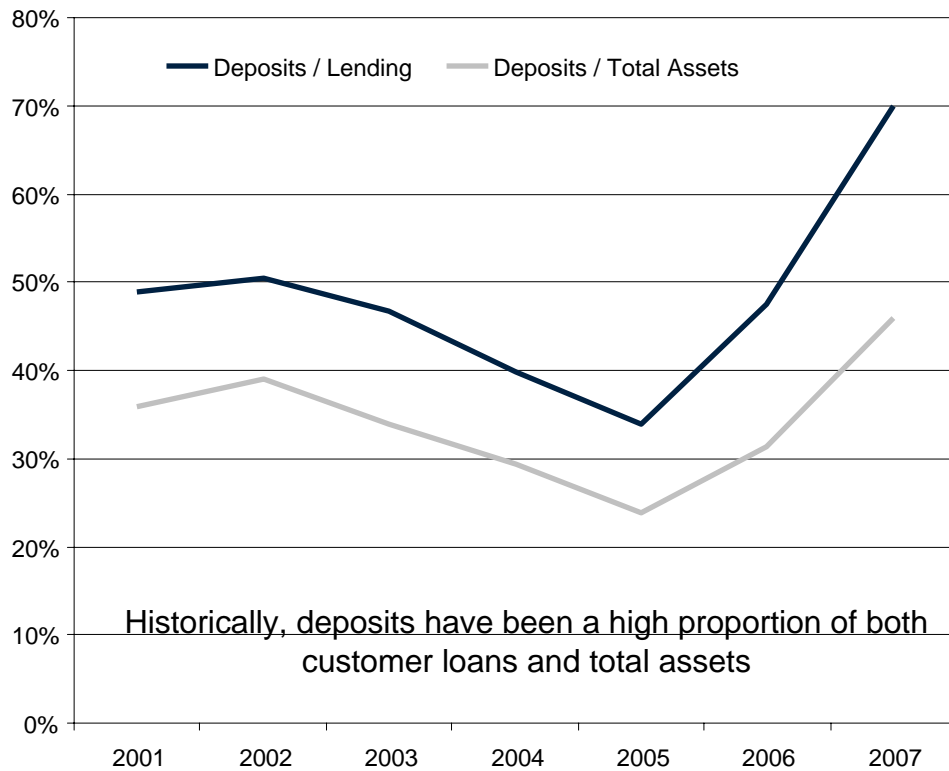
Trading volume 2007:
ISK 361.2bn (€ 3.6bn)
(17,070 transactions)

- Solid Q4 2007 results and continued good profitability of core income
- **Strong liquidity position and further diversification of funding sources**
- Iceland – a flexible and resilient economy

Deposit Growth Transforming the Balance Sheet

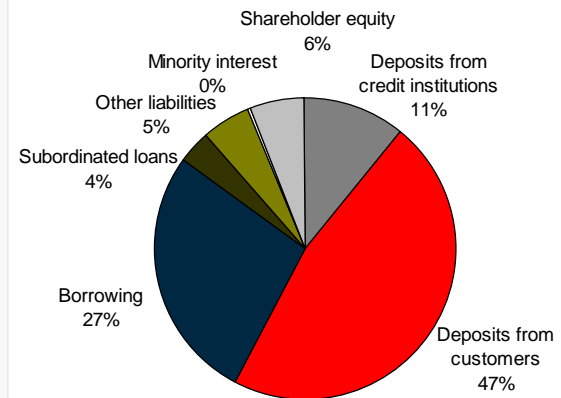


Customer deposits as a ratio of customer lending and total assets

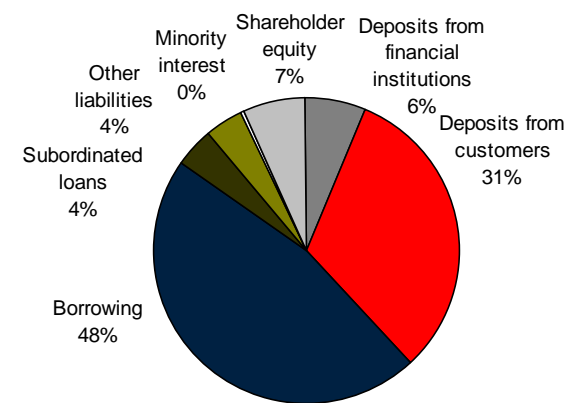


Historically, deposits have been a high proportion of both customer loans and total assets

2007



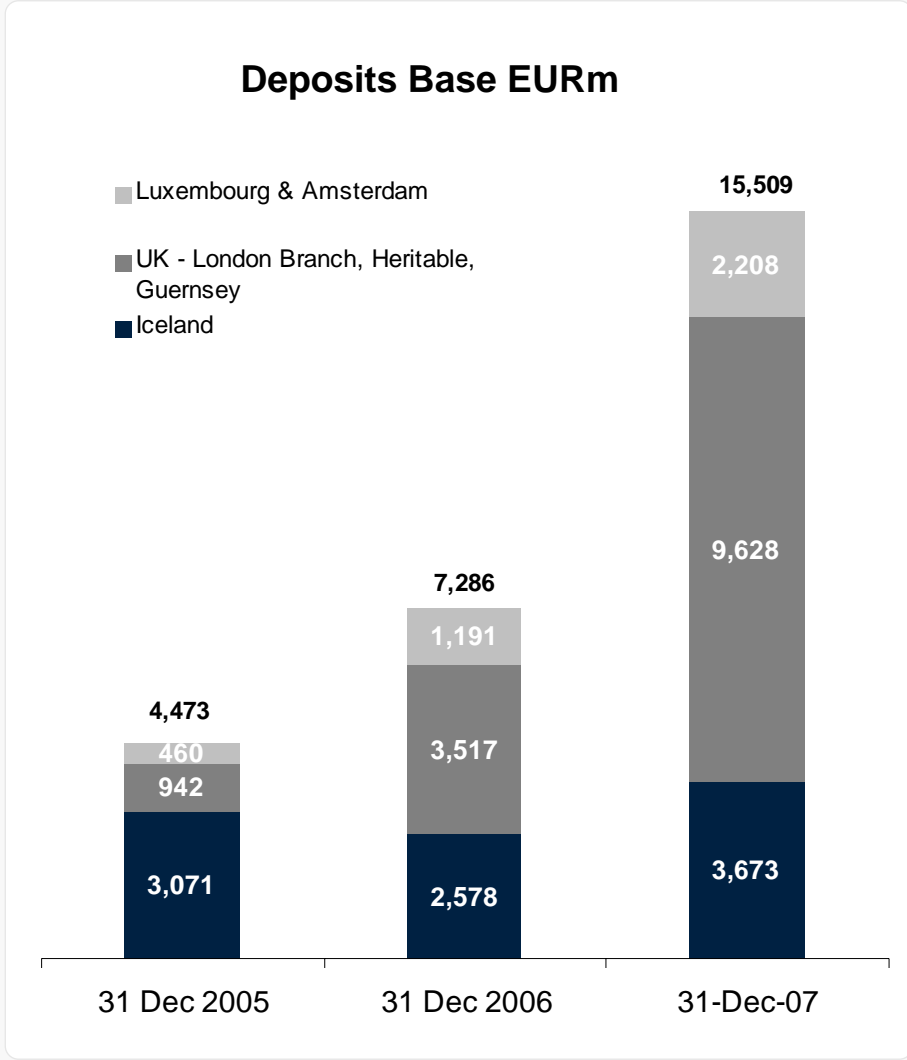
2006



Ongoing Growth and Diversification of Deposit Base

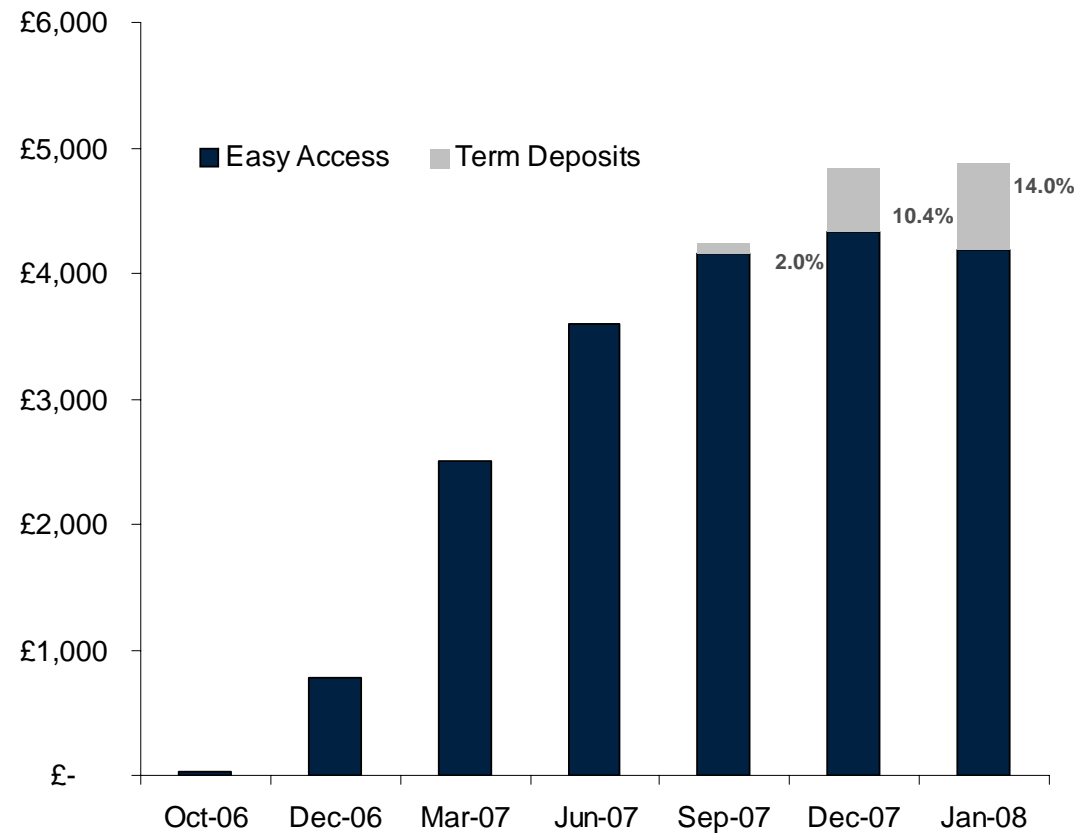


- Landsbanki is the leading domestic deposit bank with around 30% market share
- ICESAVE a continued success with 12% growth in 4Q07, and new initiatives underway
 - Icesave Fixed Rate Bond successfully launched in the UK in 4Q07
 - Icesave Individual Savings Account (ISA) launched 15 January, initial response highly positive, 7,900 accounts opened
 - Further expansion of Icesave in Europe with launch on the continent planned in 2Q08
 - Landsbanki Guernsey will introduce an Icesave offshore online-savings account in 1Q08



- Competitive interest rate - currently 6.3% and guaranteed to exceed the base rate by at least 0.25% until Oct 2009
 - Total deposits of GBP 4.8bn at year-end
 - 149,000 active accounts
- Initiative recently launched to attract new and migrate existing ICESAVE customers into 6M – 3Y long-term savings products
 - 14% in term deposits as of 24 January 2008
- Stable growth with high granularity

Development of ICESAVE Deposits

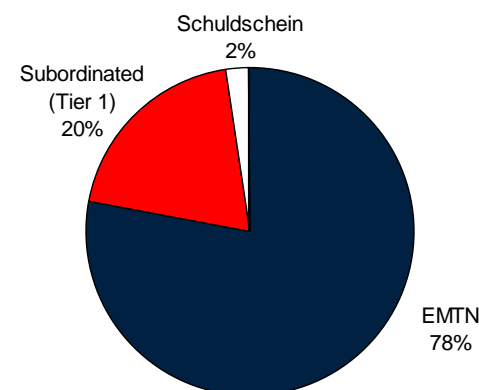


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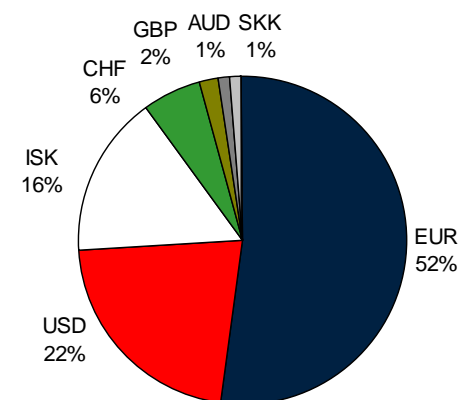
Overview of International Funding Activities in 2007

- International long-term funding in 2007 amounted to around EUR 1.4bn
- A total of 47 deals were completed
 - 2 public (Tier 1 and a Senior Issue)
 - 45 private placements
- 18 banks acted as arrangers, including Landsbanki
- Landsbanki issued bonds in 8 different currencies, with 74% denominated in EUR and USD
- The average maturity of 2007 issues 5.1 years
 - EMTN Programme 78.5% of issuance (excluding the Tier 1 issue)
 - Landsbanki's Tier 1 issuance was 19.6%
 - Schuldschein and US MTN issuance totalled 2%

Capital markets issuance 2007



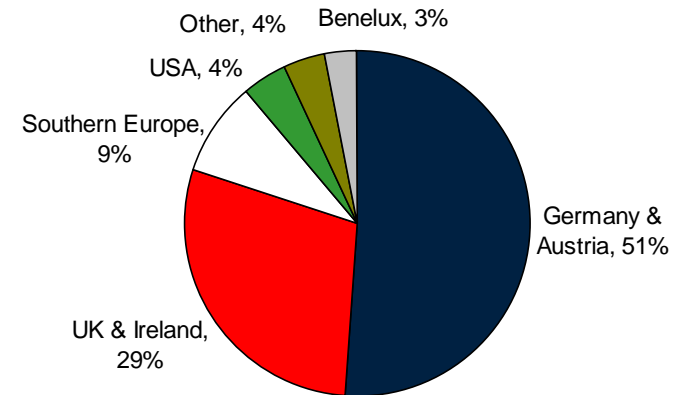
Capital markets issuance 2007 - Currency breakdown -



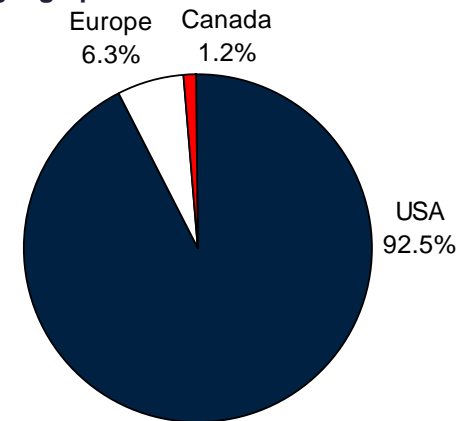
Two Benchmark Deals in 2007

- In May 2007, Landsbanki successfully returned to the Euro FRN market
 - EUR 500 million 5-year issue priced at EURIBOR plus 26 bp
 - High quality investors with good distribution across Europe
- In October, Landsbanki completed USD 400m PerpNC10 144A Step-up Tier 1 Transaction in the US
 - Priced at T+275bp, equivalent to 3m\$ L +214bp
 - The deal attracted institutional investors mainly in the US and a few in Europe
 - Due to oversubscription, the deal was increased from the planned USD 300m to USD 400m - Total orders were close to USD 700m

Landsbanki EUR 500 million 5-year FRN
- geographical investor distribution



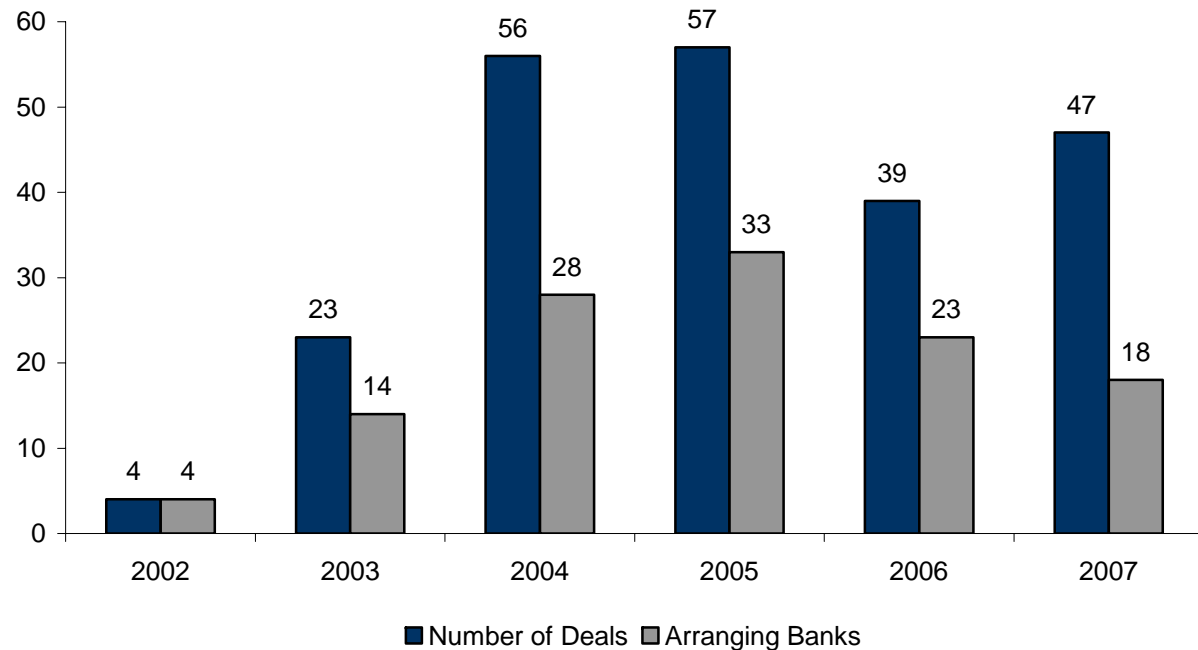
Landsbanki USD 400 million Tier 1
- geographical investor distribution



Private Placements of Around EUR 660m

- A total of 47 private and public deals were completed in 2007, despite difficult market conditions, including 45 private placements
- Involvement of Landsbanki's UK structuring desk was instrumental to the "healthy" number of private placements done during the year
- 24 self-led transactions in 2007

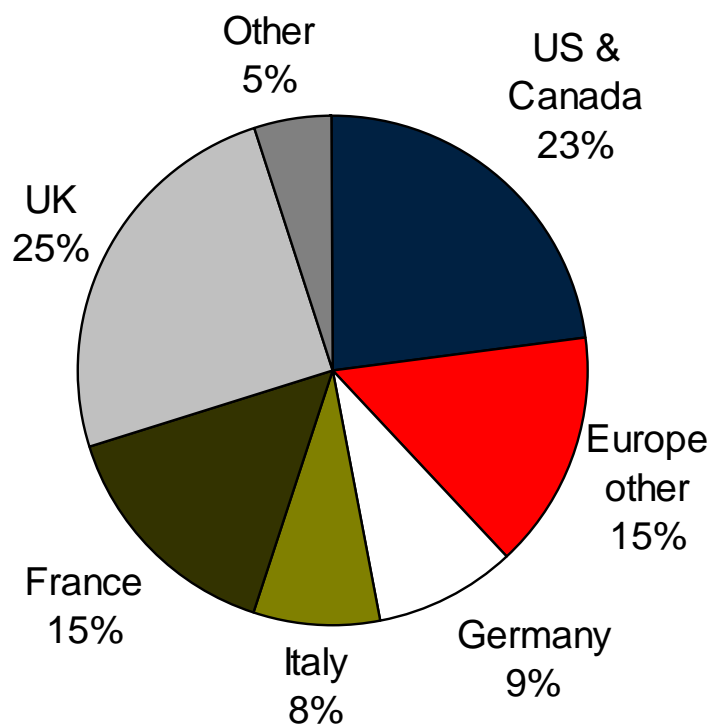
Number of Deals & Arranging Banks 2003-2007



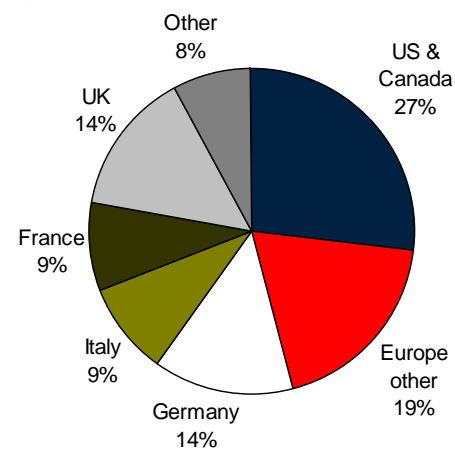
Increased Geographical Diversification of Debt Investors



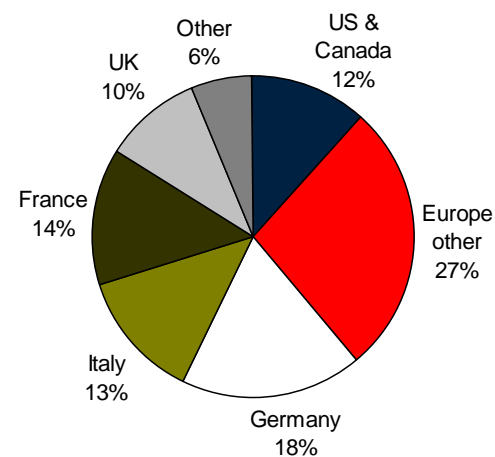
Geographical diversification of investors 2007



Geographical diversification of investors 2006



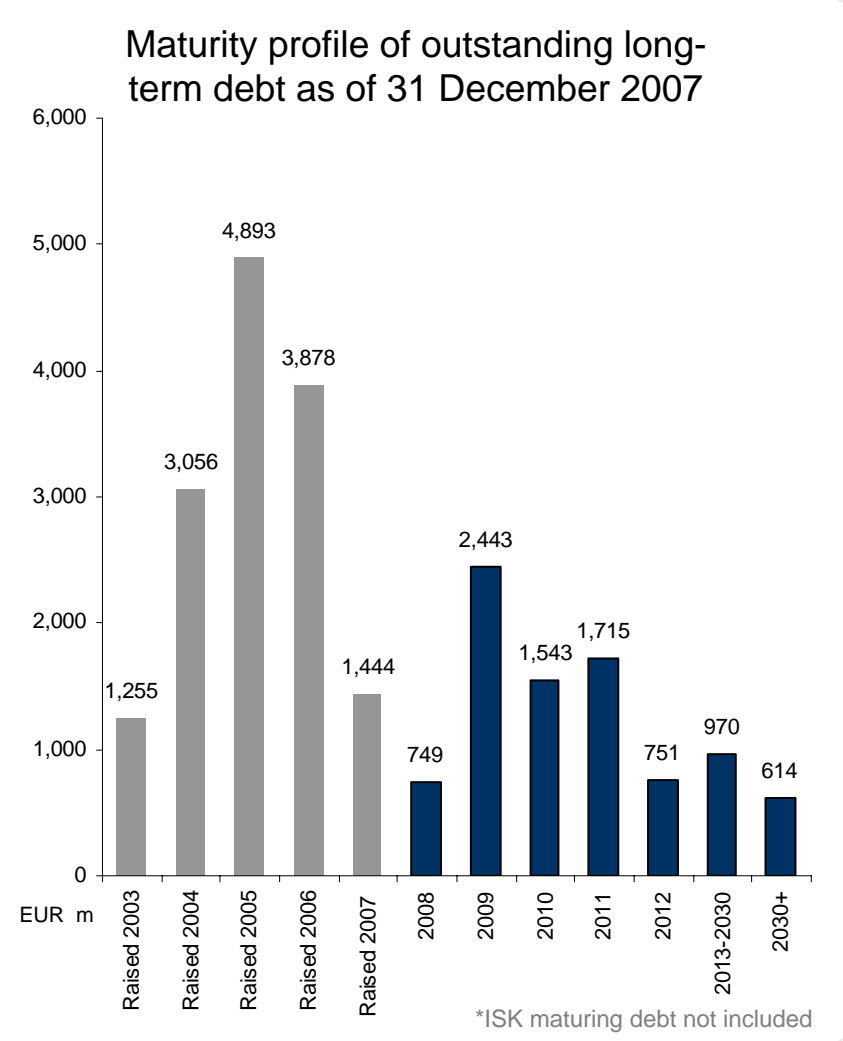
Geographical diversification of investors 2005



Strong Liquidity Position and Light Repayment Profile

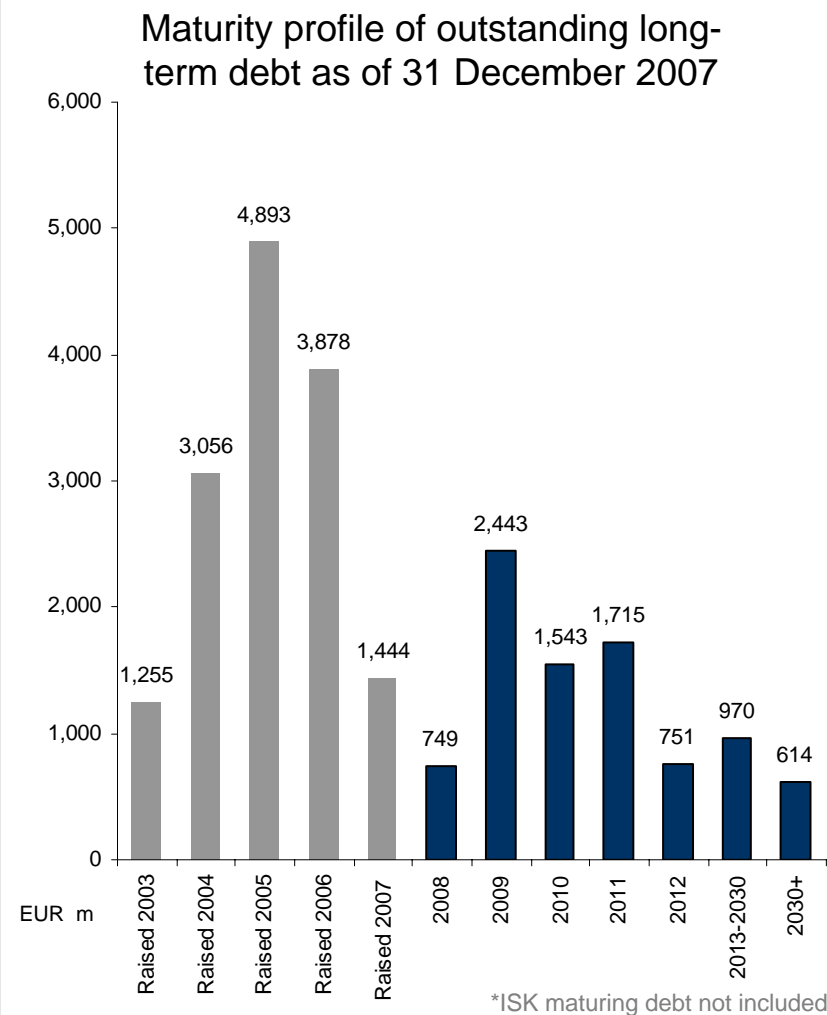


- The Bank's policy is to maintain a liquidity position (net of haircuts) sufficient to sustain at least 12 months non-access to capital markets based on
 - continuing current business activity
 - very limited recourse to other assets eligible for sale/securitisation
- This policy is consistent with a **B rating** for liquidity management under Moody's BFSR methodology
- Liquid assets EUR 8,973m as of 31 December 2007
- Light repayment schedule going forward, only EUR 749m maturing in 2008
- Due to its very strong liquidity position and light repayment profile, Landsbanki exceeds its strategy of maintaining liquid assets sufficient to cover 12 months' non-access to capital markets by a comfortable margin



Funding Focus in 2008 – Pre-Funding of 2009

- Further diversification of the bank's funding pillars, including several new deposit initiatives and funding programmes
- Encourage further tightening of credit spreads
- Continued emphasis on a balanced maturity profile by lengthening the duration of outstanding issues
- Aim to begin 2009 pre-funding this year
- Approach new markets and investors through various structures and explore niche markets

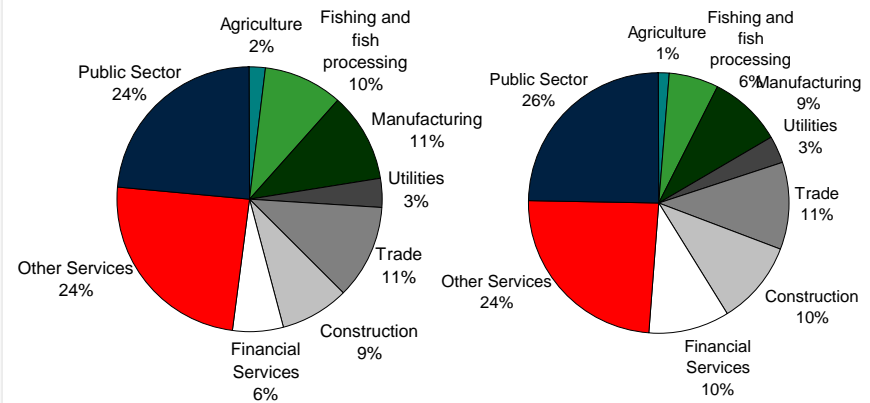


- Solid Q4 2007 results and continued profitability of core income
- Strong liquidity position and further diversification of funding sources
- **Iceland a flexible and resilient economy**

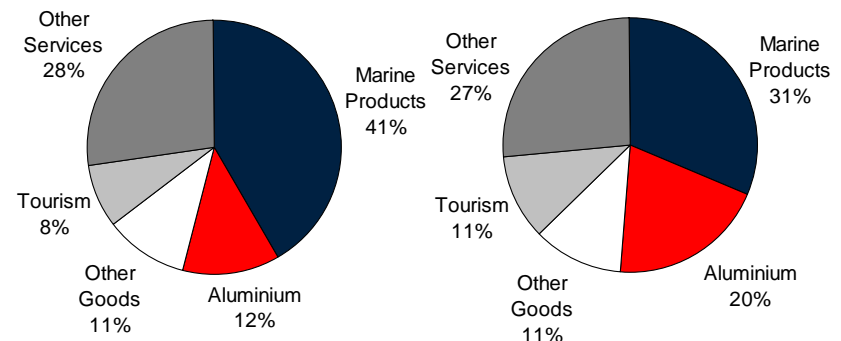
Iceland – a Flexible and Resilient Economy

- Changing composition of GDP and exports reflects increased diversification of the economy, i.e. increase in financial services and energy intensive industry
- Solid and defensive export base in food and energy sectors, along with expanding tourism
- GDP growth should level off in 2008 and moderate growth resume thereafter
- Inflation target temporarily within reach and conditions for a rate cut will emerge in the second half of 2008. Inflation will rebound, however, in tandem with a falling exchange rate and could reach 5.5% in late 2009 before subsiding once more.
- Modest adjustments in real estate market with nominal prices falling around 10% - limited effect on banks given conservative LTV ratios
- Real exchange rate remains strong with the ISK declining in the coming years and the trade-weighted index close to 135 points by the end of 2010.
 - However, continued high volatility can be expected in the short-term, due to high domestic interest rates and currency market speculation.

GDP by sector in 2000 and 2006



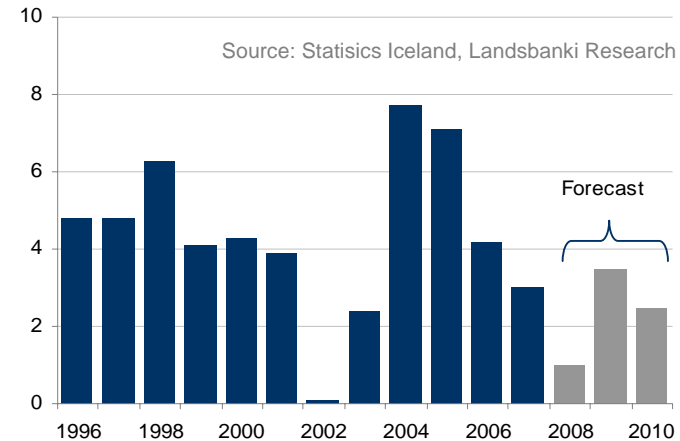
Export by sector in 2000 and 2006



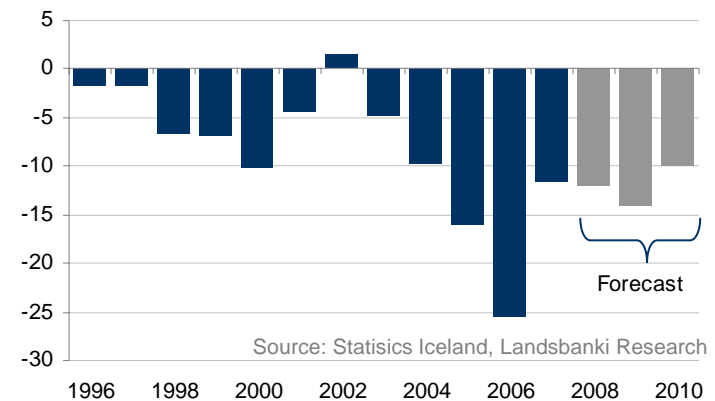
Achieving Macroeconomic Balance

- After several years of strong growth, the Icelandic economy is slowing down
- As large investment projects in the export sector conclude, domestic demand should decline
- Growing exports, however, will provide a strong counterbalancing stimulus, keeping GDP growth positive in 2008
- After that we expect growth to pick up again as new foreign investment projects begin
- Overall macroeconomic balance improves, even though the current account deficit will remain somewhat above the historical average
- In the long term growing export revenue will fully compensate for the current deficit

GDP Growth, %



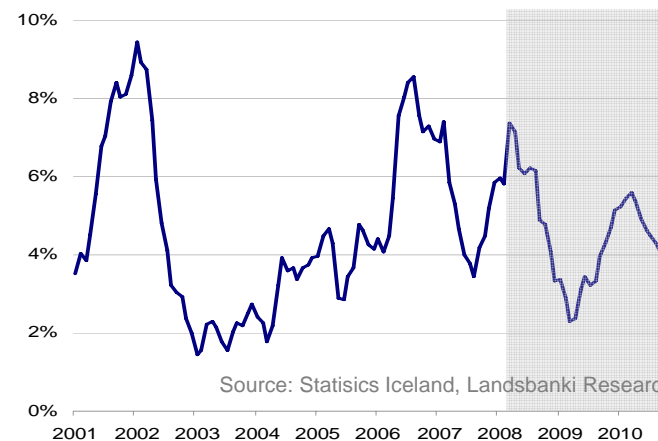
Current account balance



Inflation Expected to Decline

- Fuelled by a buoyant economy, exchange rate fluctuations and rising house prices, inflation has been hard to tame
- With expected cooling of the housing market and the economy in general we expect inflation to reach the CB's 2.5% inflation target towards the end of the year
- However, permanent price stability is not in sight in our view, calling for continued vigilance by monetary authorities
- It should be clear by now that anchoring inflation expectations is no easy task in the current volatile financial environment
- With better macroeconomic stability, lower inflation looks achievable

CPI inflation in Iceland and forecast

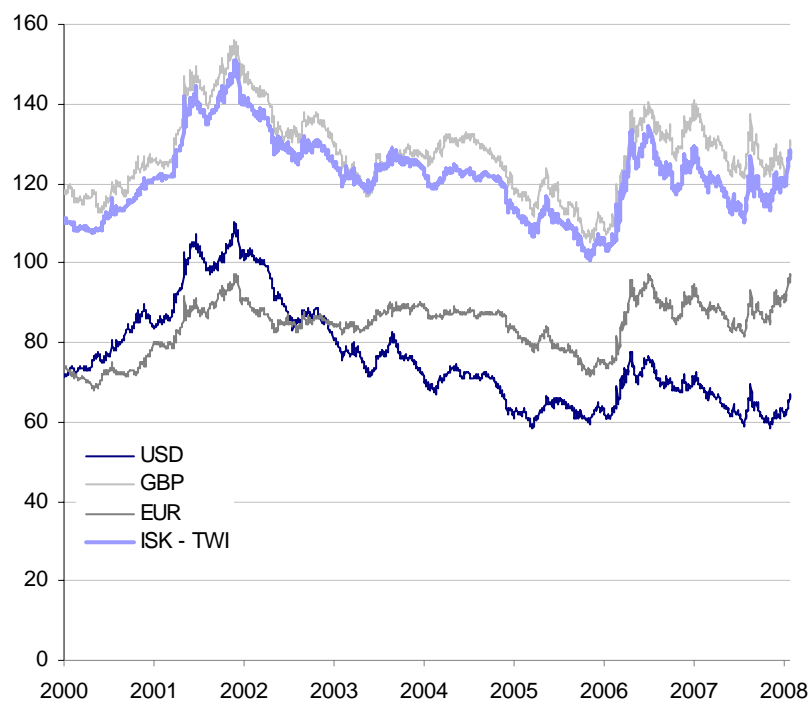


Housing Prices, annual change, % 1996 - 2008



ISK Close to Fundamental Equilibrium

Exchange Rate Development 2000 - 2008

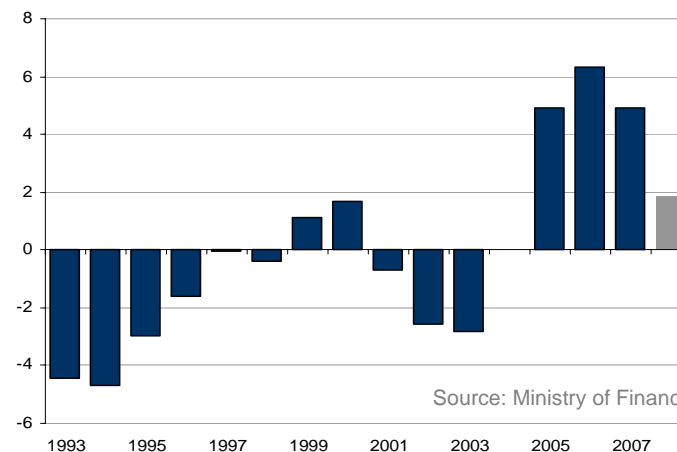


- Global adjustment of risk appetite has had an impact on the Icelandic currency market with the ISK depreciating since mid-2007
- ISK has shown strong resilience, as unusually fragile global situation has not led to excessive ISK movements
- Currently the ISK is close to fundamental equilibrium and is expected to weaken gradually with the expected unwinding of carry trade positions
- Less reason to expect excessive ISK movements, now that most of the FX adjustment is over

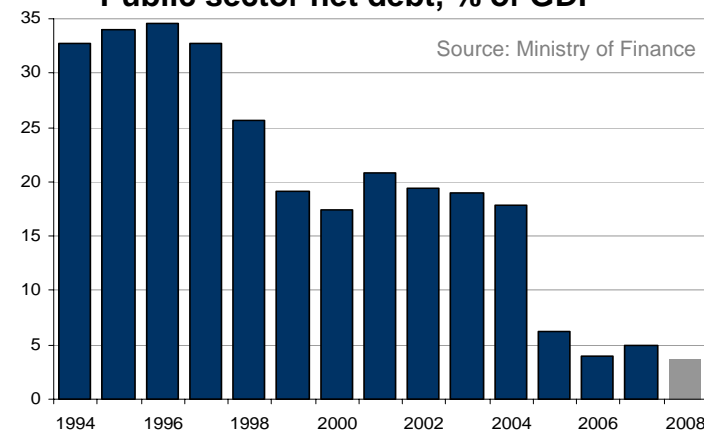
Strong Fiscal Position

- The financial position of the public sector in Iceland has improved significantly during the last few years
- In the last decade a fairly strong counter-cyclical fiscal structure has been established
- Public sector debt has been reduced to very low levels - significant financial muscle in case of economic adversity
- In the medium term, the overall fiscal position is expected to be in surplus close to 2% of GDP, assuming GDP growth close to potential
- *“Moody’s believes there is a high degree of sovereign willingness to support the banking system because of the inherent importance of financial intermediation to the economy...”*
“...The government, central bank, or any other public or private institution so designated can mobilize whatever financial assets are necessary to handle a severe problem.”

Public sector financial balance, % of GDP



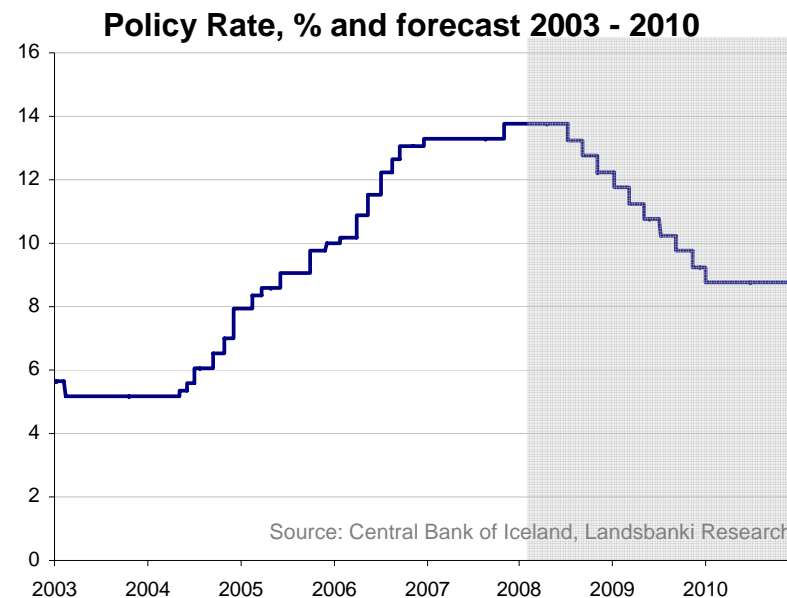
Public sector net debt, % of GDP



Moody's report 28 January 2008 "Iceland's Aaa Ratings at a Crossroads".

Monetary Policy is Still Tight

- Maintaining a tight monetary policy has been a top priority by the Central Bank in order to curb persistent inflation pressures
- The latest rate hike in November last year was seen as a strong signal of continued strong commitment to fighting inflation
- With expected housing market weakness, declining economic growth and global financial market turmoil, scope for lower domestic interest rates is finally in sight
- However, the Central Bank is likely to ease its monetary stance only gradually, looking for hard facts to establish the downward trend



Central Bank Schedule of Rate Decisions in 2008

Date	Publication
February 14	Press announcement
April 10	Monetary Bulletin
May 22	Press announcement
July 3	Monetary Bulletin
September 11	Press announcement
November 6	Monetary Bulletin

Well Hedged Against Weaker ISK and Rising Inflation



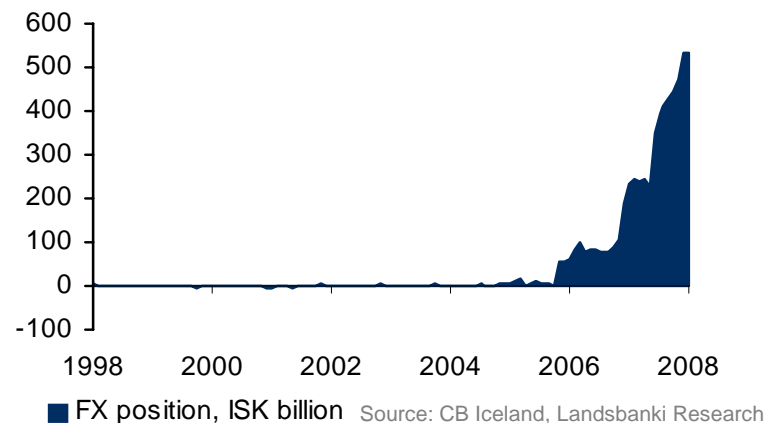
Banking sector

- The Icelandic banks have all taken measures to limit the negative impact of currency depreciation on their CAD ratio
 - Currently Icelandic banks have a positive FX balance of EUR 5.6bn
- As the Icelandic banking sector has a large positive indexation balance, the impact of rising inflation has a positive balance sheet effect
- The banks' equity exposures consist predominantly of foreign equities.

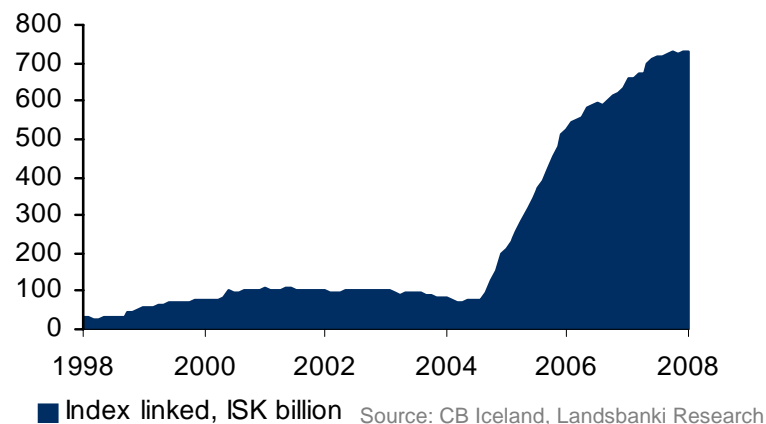
Effect on customers

- The banks work actively with their corporate clients to hedge their FX exposures
- Households are partly sheltered against rising inflation as typical mortgages carry fixed real interest rates
- The lending growth of the largest Icelandic banks has mainly been abroad or to domestic corporates with international exposure, reducing the impact of currency depreciation

Banks' net FX position



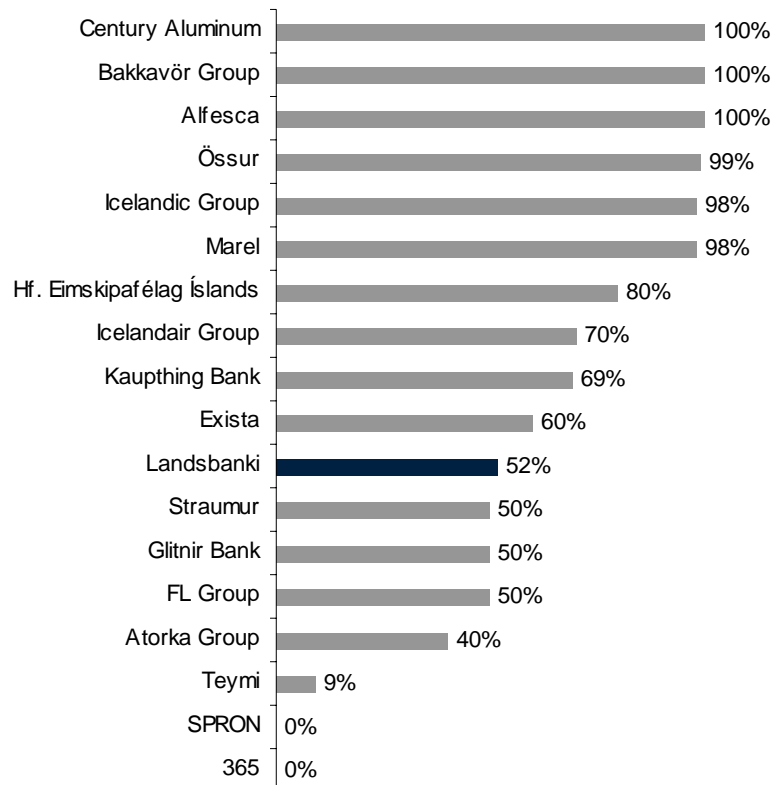
Banks "inflation balance" (loans and deposits)



Continued Internationalisation of Icelandic Corporates and Diversification of Landsbanki's Asset Portfolio



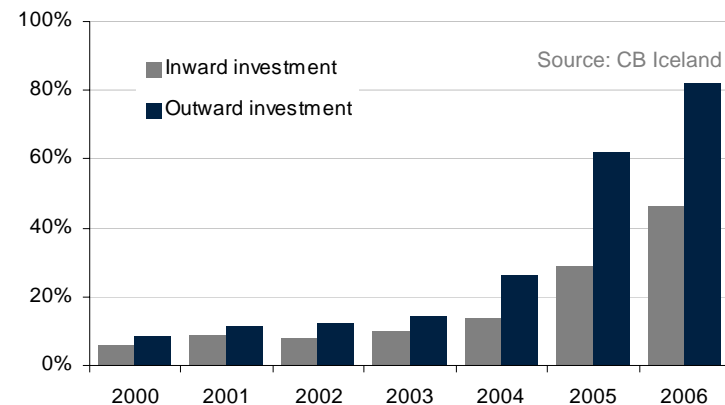
Estimated foreign earnings in 2007 as a ratio of total income of largest OMXI15 corporates



Source: Landsbanki Research

- Continued growth underpinned by strong inward and outward FDI flows
- Strong growth of FDI and portfolio capital abroad – 250% of GDP in 3Q07
- Landsbanki – well hedged against cyclical economic developments
- About 75% of cash flow of OMXICE-listed companies is denominated in foreign currencies, 80-90% excluding the banks

FDI as % of GDP



FME: “Icelandic Banks on Sound Foundation”



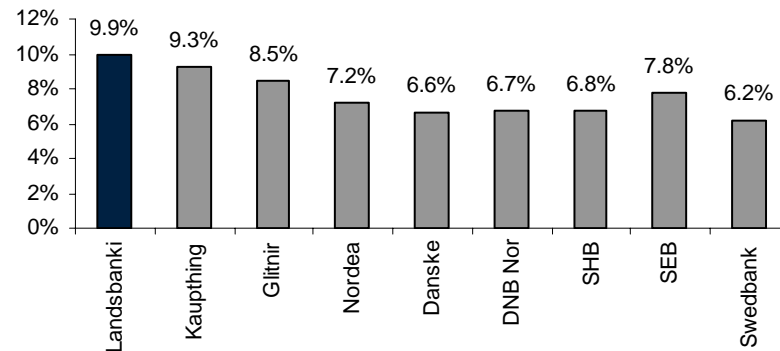
In a speech on 15 January 2008, the director of the Icelandic Supervisory Authority (FME) stressed some key points regarding the Icelandic banks:

- *“Icelandic banks have strong capital adequacy ratios and are able to withstand substantial setbacks”*
- *“Most aspects of credit risk are well diversified and market risk is offset by higher capital base levels and active management”*
- *“For the banks, the main challenges lie in financing and integrating their activities in various countries”*

The Financial Supervisory Authority (FME) is the Icelandic financial regulator. Based on an unofficial translation of FME director Jónas Jónasson's speech, 15 January 2008.

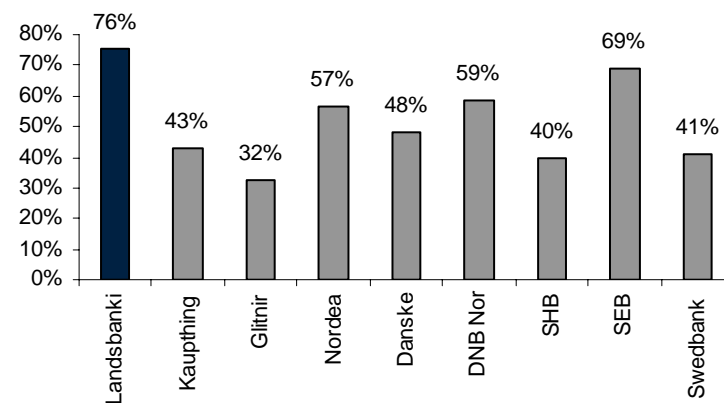
Landsbanki's Tier I ratio was the highest among the banks

Tier I ratios, Nordic banks at end of Q3 2007



Landsbanki's customer deposits/loan ratio is the strongest

Customer deposits/loans, Nordic banks, end Q3 2007



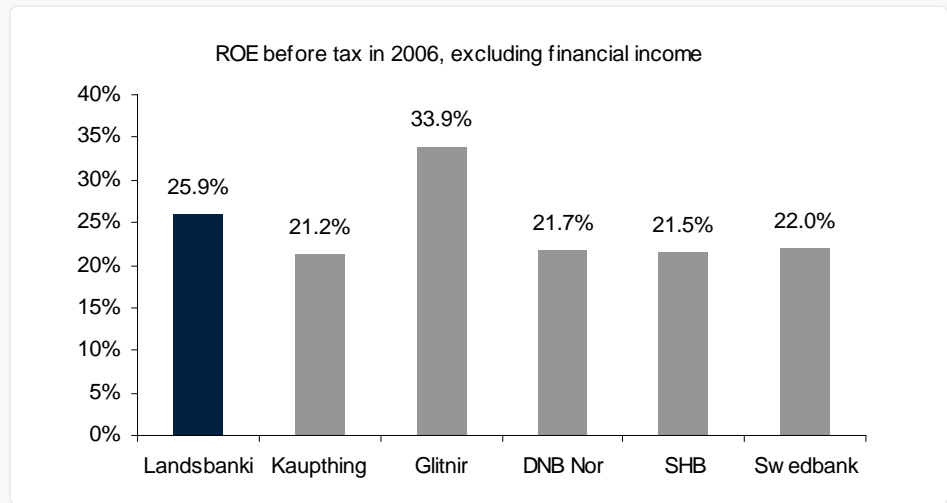
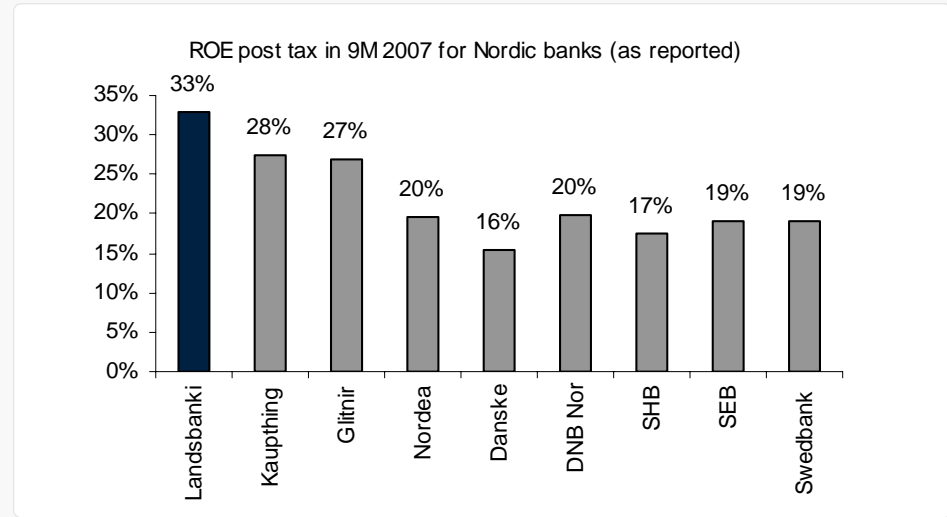
FME: “Icelandic Banks on Sound Foundation”



Another key point stressed by the FME director was the core profitability of the Icelandic banks:

“The Icelandic banks have been highly profitable in the past few years. Even excluding irregular income, and looking only at core activities, the profitability of the Icelandic banks compares well with other Nordic banks”

The FME is the Icelandic financial regulator. Based on an unofficial translation of FME director Jónas Jónasson's speech, 15 January 2008.



Source: The Internationalisation of Iceland's Financial Sector, Portes & Baldursson, Iceland Chamber of Commerce November 2007.

Market Sentiment Shaking International Markets

- Landsbanki has closely monitored equity exposures to investment companies due to recent equity market turbulence. Asset quality is monitored by both business units and risk management units
- It must be borne in mind that, despite the recent drop in equity prices, the Icelandic stock market has risen in market value by 63% since January 2005
- For the period 2005-2007, the P/E ratio averages from 14 to 9. Currently price multiples are less than 7 and forward ratios 9 -10 for coming years, which supports the opinion that the market is at a very low level

	P/E	Curr. year ext. P/E	Next year est. P/E	2007	2006	2005
Dow Jones Industrial	56.5	14.4	13.1			
S&P 500	17.8	14.1	13.2			
Nasdaq Comp site	32.1	23.3	19.5			
FTSE 100	11.2	11.6	11.3			
CAC 40	10.2	11.6	11.4			
DAX	10.7	11.5	11.2			
OMX Copenhagen 20	13.8	13.3	13.0			
Iceland ICEX-15	6.7	10.0	9.3	9.1	10.0	13.9

Source: Bloomberg 25 January 2008

Well Positioned Due to Actions in Previous Years

- Main concerns expressed by market participants in early 2006 were volatility and imbalances in the Icelandic economy, in part based on misconceptions
- Some of the criticisms were well founded and subsequently addressed through various strategic measures:
 - ✓ **Reduced equity exposure** - market risk reduced from 4 - 5% to well below 3% of total assets
 - ✓ **Simplified ownership structures** - clear division of hedged positions and nominee accounts as well as divestiture of parallel equity holdings
 - ✓ **Reduced reliance on capital market funding** - diversified funding pillars by geography and funding programs, lengthening of the maturity profile and reinforced capital adequacy ratio by issue of Tier 1 capital
 - ✓ **Strengthened liquidity position** – more stringent internal guidelines and development of several very successful deposit initiatives
 - ✓ **Quality of revenue mix** – emphasis on diversifying recurring revenue streams through organic growth of banking operations and bolt-on acquisitions
 - ✓ **Information gap addressed** - a pro-active approach with target audiences to improve dissemination of information as well as the accessibility, quality and transparency of disclosure

Summary and Outlook

<p>Solid Q4 results in turbulent times</p>	<ol style="list-style-type: none">1. Continued good profitability of core banking income2. Revenue streams well diversified by country and business line3. Positive development of net interest income and fees & commissions
<p>Sound asset quality</p>	<ol style="list-style-type: none">1. Effective risk controls and prudent credit loss provisions2. Continued asset diversification by sector and geography3. Strong capital adequacy ratio of 11.7%, thereof Tier 1 10.1 %
<p>Strong liquidity position</p>	<ol style="list-style-type: none">1. Continued growth of deposits across markets and new initiatives underway2. Strong liquidity position, liquid assets EUR 8.9bn at year-end 20073. Light repayment profile going forward, with only EUR 0.8bn maturing in 2008
<p>No exposure to SIVs or Monolines</p>	<ol style="list-style-type: none">1. Landsbanki has no exposure to the US subprime mortgage market, asset backed securities (ABS), collateralised debt obligations (CDOs), collateralised loan obligations (CLOs), structured investment vehicles (SIVs), or any such structured vehicles
<p>Anchored in a resilient economy</p>	<ol style="list-style-type: none">1. Strong government fiscal position with negligible external debt and a fully funded pension system2. Economy driven by internationalisation and a growing financial sector, but otherwise anchored in sectors not affected by current downturn, e.g. food production, technology, and power utilisation and production



Landsbanki