

London, 1 November 2007

## Solid Results in Turbulent Times

Q3 2007 Results Presentation

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**Brynjólfur Helgason**

MD International Banking

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- Strong Q3 2007 results and continued good profitability of core income
- Deposits transforming the balance sheet and liquidity position stronger than ever
- Continued stable economic outlook in the bank's main operating markets

## Strong results

- Pre-tax profit ISK 39.6bn (EUR 455m)
- After-tax profit ISK 35.0bn (EUR 402m)
- Pre-tax ROE 38%
- After-tax ROE 33%
- Cost-income ratio 48%

## Efficient core banking operations

(excl. net financial income)

- Pre-tax profit for core operations ISK 27.8bn (EUR 319m)
- Pre-tax ROE for core operations 26%
- Cost-income ratio for core operations 56%

## Strong balance sheet

- Total assets ISK 2,847bn (EUR 32.4bn)
- Shareholder equity ISK 176bn (EUR 2.0bn)
- Tier 1 capital ratio 9.9%
- Equity ratio 11.2%

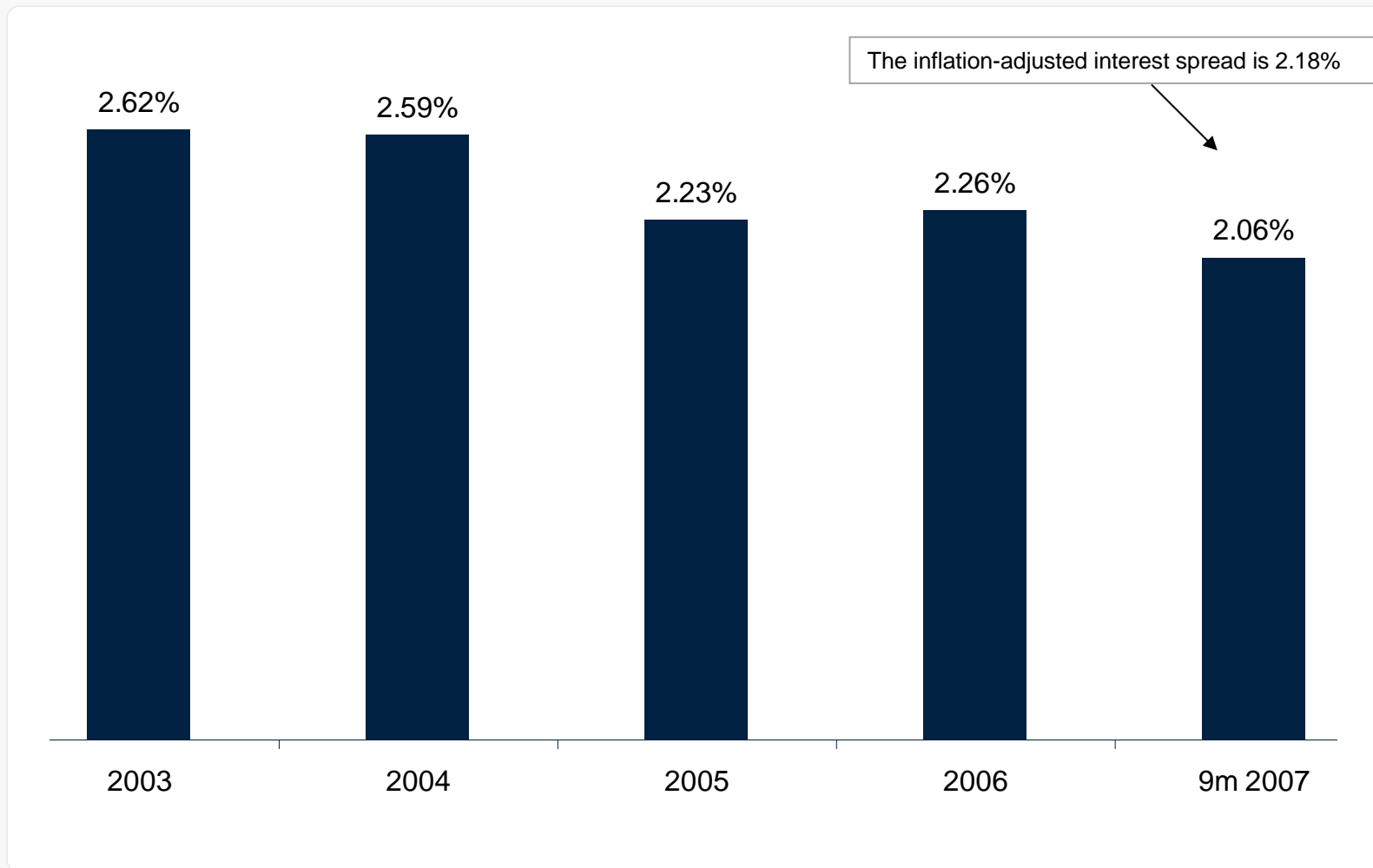
### ISK / EUR

Beginning of 2007	93.72
30 Sep 2007	87.85
Average 9m 2007	87.11
31 Oct 2007	86.56

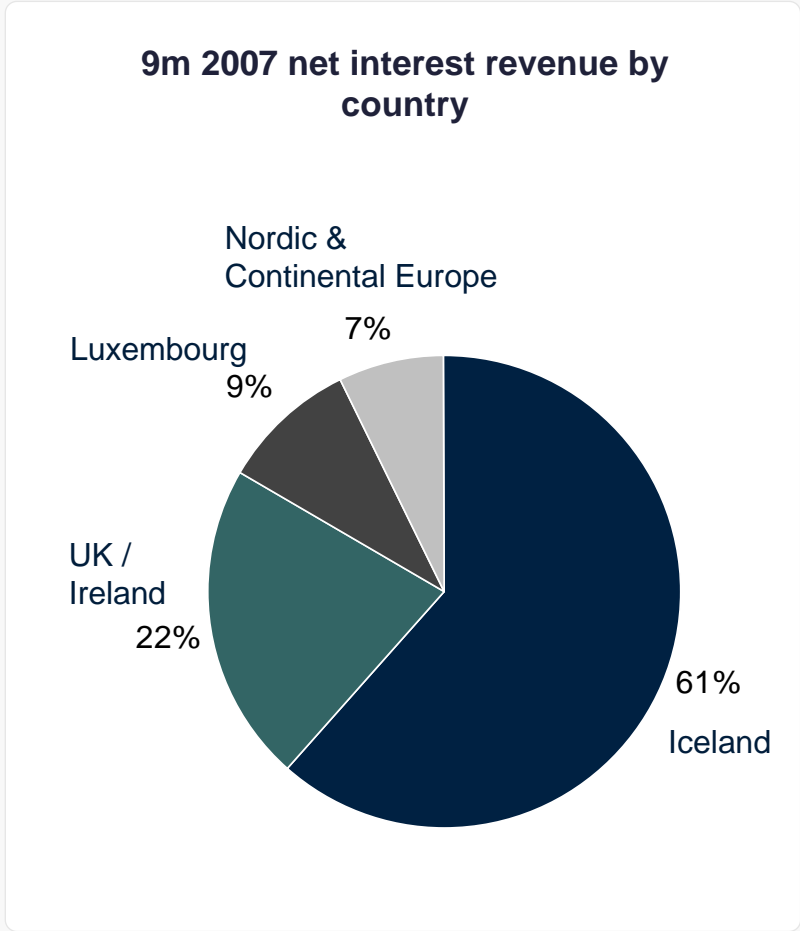
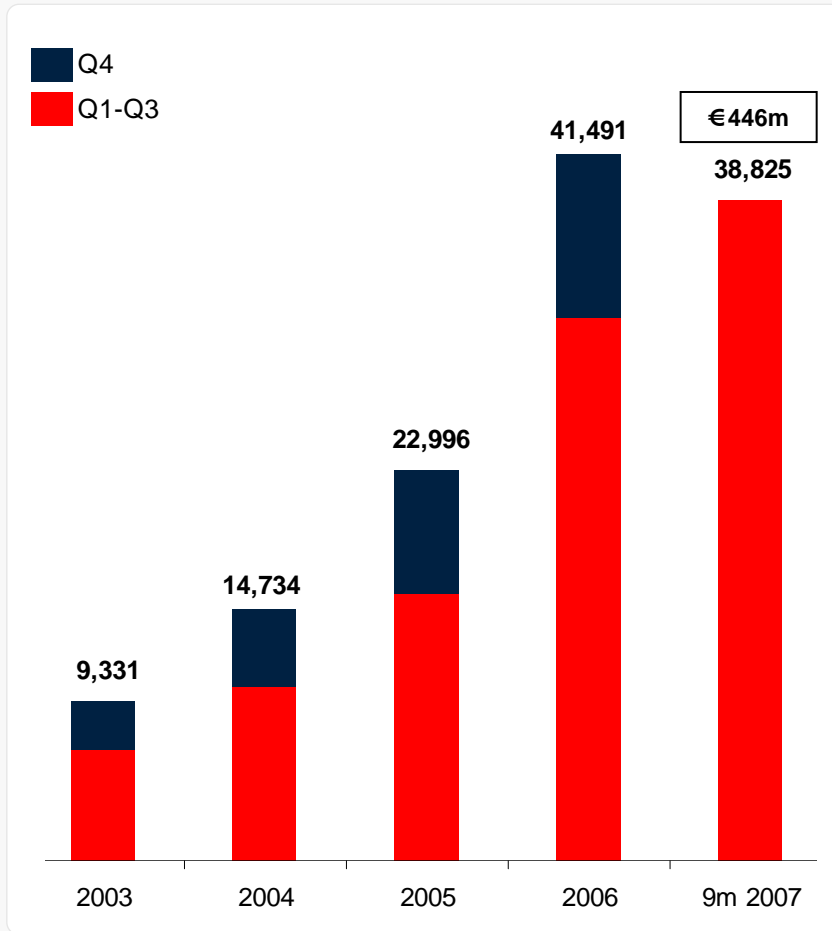
# Income Statement

		9m 2007	9m 2006	Diff	%	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net interest revenues	€ 446m	38,825	31,910	6,915	22%	14,445	13,500	10,879	9,581	9,314
Net fee and commission income	€ 341m	29,709	20,368	9,340	46%	10,218	9,729	9,762	7,998	6,568
Net financial income	€ 191m	16,672	12,328	4,344	35%	1,918	5,955	8,799	7,240	2,656
<b>Net operating revenues</b>	<b>€ 978m</b>	<b>85,206</b>	<b>64,607</b>	<b>20,599</b>	<b>32%</b>	<b>26,582</b>	<b>29,184</b>	<b>29,441</b>	<b>24,819</b>	<b>18,538</b>
Salaries and related expenses	€ 309m	26,919	17,469	9,451	54%	10,029	8,919	7,972	6,989	5,963
Administrative expenses	€ 160m	13,981	10,089	3,892	39%	4,806	4,731	4,444	4,042	3,754
<b>Operating expenses</b>	<b>€ 470m</b>	<b>40,900</b>	<b>27,557</b>	<b>13,343</b>	<b>48%</b>	<b>14,835</b>	<b>13,650</b>	<b>12,415</b>	<b>11,031</b>	<b>9,717</b>
Impairment on loans and advances	€ 54m	4,670	4,812	-142	-3%	1,620	1,501	1,549	1,332	1,597
<b>Profit before taxes</b>	<b>€ 455m</b>	<b>39,636</b>	<b>32,237</b>	<b>7,399</b>	<b>23%</b>	<b>10,127</b>	<b>14,033</b>	<b>15,476</b>	<b>12,457</b>	<b>7,224</b>
Income tax	€ 53m	4,608	6,075	-1,467	-24%	1,402	1,490	1,716	-1,596	1,480
<b>Net profit</b>	<b>€ 402m</b>	<b>35,028</b>	<b>26,162</b>	<b>8,865</b>	<b>34%</b>	<b>8,725</b>	<b>12,542</b>	<b>13,760</b>	<b>14,053</b>	<b>5,744</b>
<b>Attributable to:</b>										
Shareholders of Landsbanki	€ 393m	34,215	25,242	8,973	36%	8,518	12,248	13,450	13,664	5,281
Minority interests	€ 9m	812	920	-108	-12%	207	294	311	389	463

# Interest Spread as a Ratio of Average Capital Position



# Net Interest Revenue

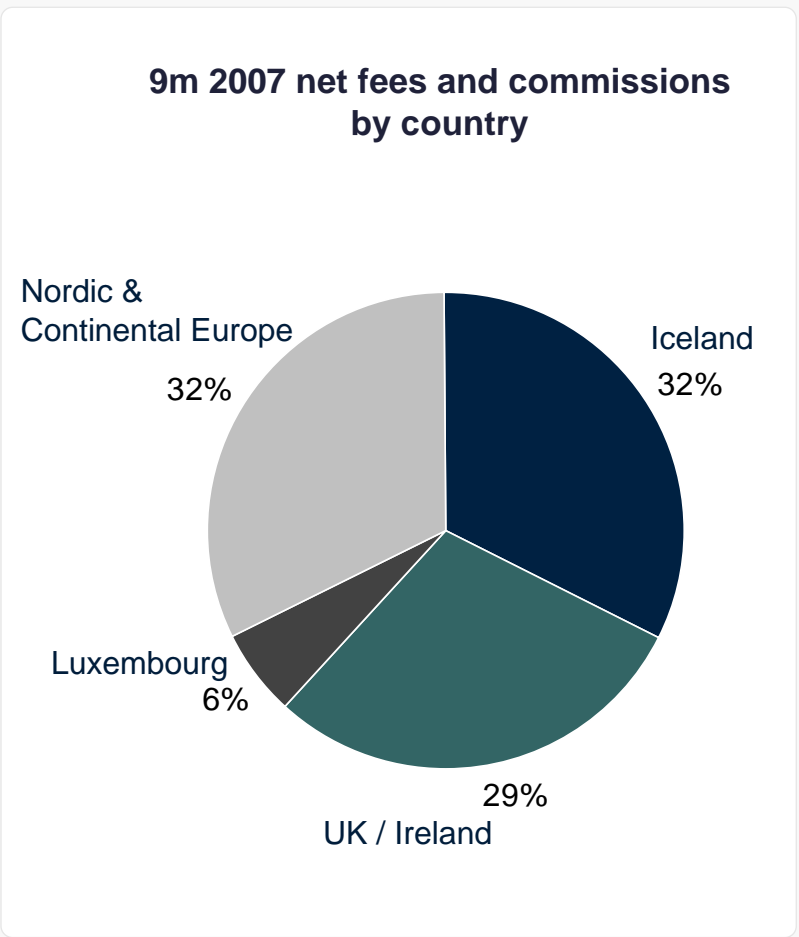
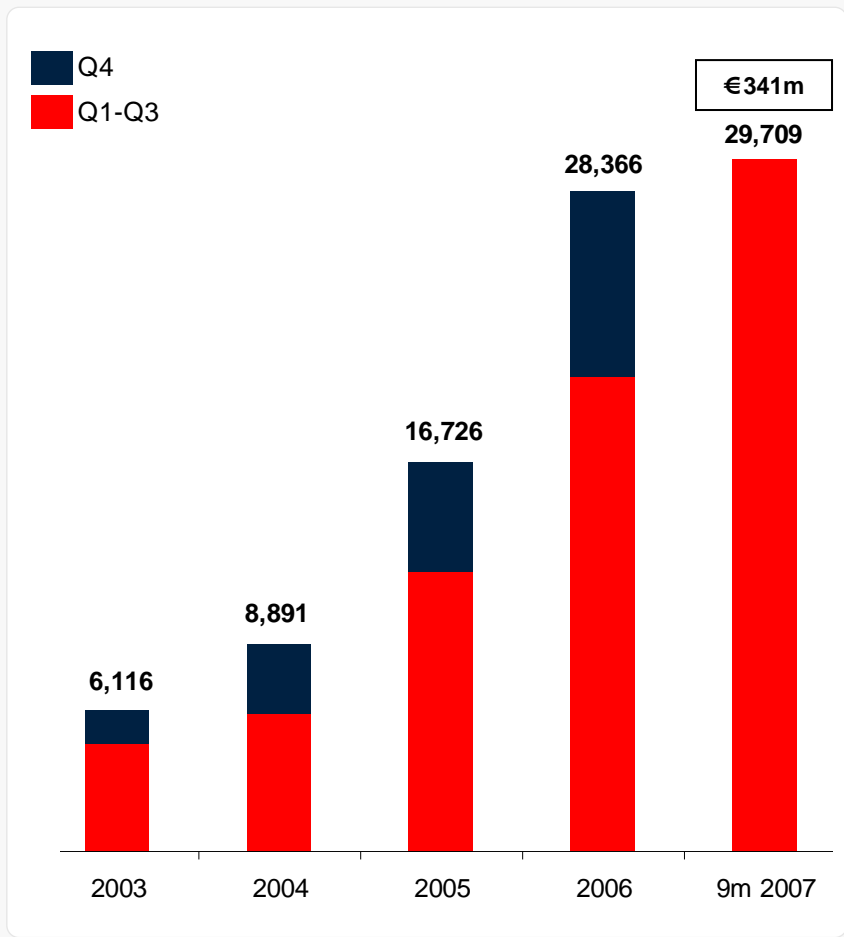


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# Net Fees and Commissions

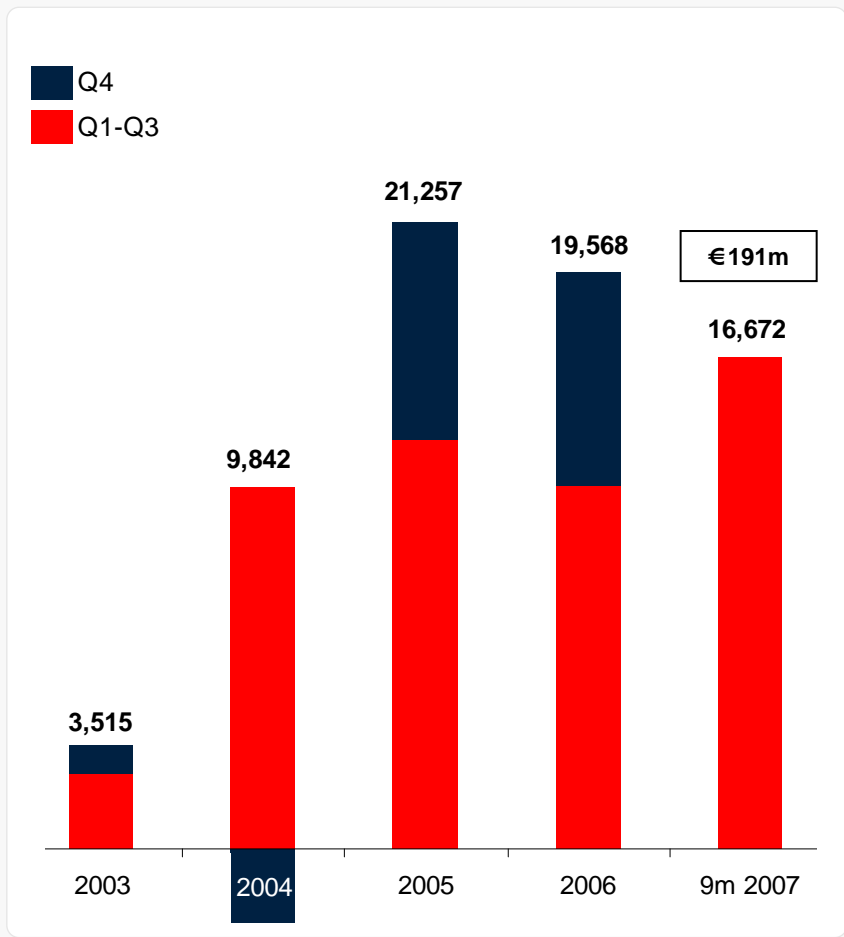


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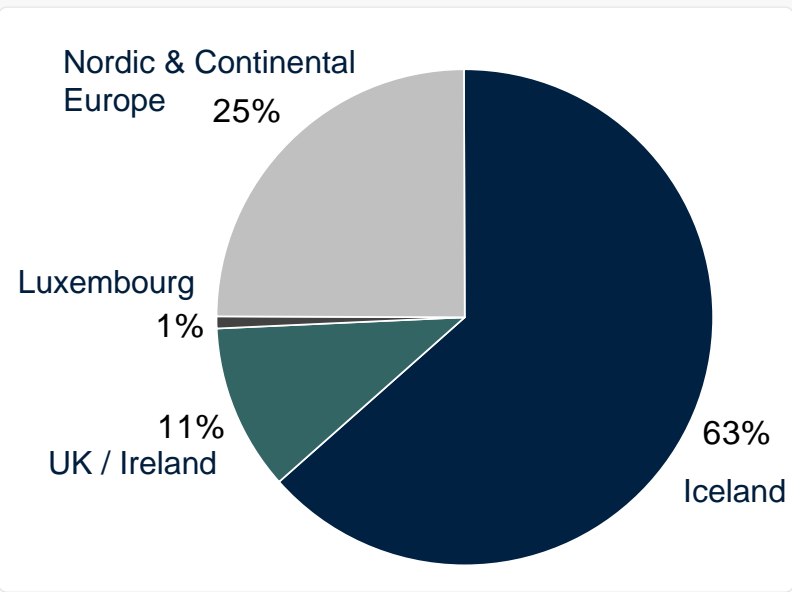
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# Net Financial Income



## Breakdown of net financial income by origin

		9m 2007	Q3 2007	H1 2007
Equities	€ 199m	17,308	2,714	14,594
Fixed income & credit	€ -39m	-3,394	-3,244	-150
Foreign exchange	€ 31m	2,666	2,356	310
Other	€ 1m	93	92	1
		<b>16,672</b>	<b>1,918</b>	<b>14,754</b>

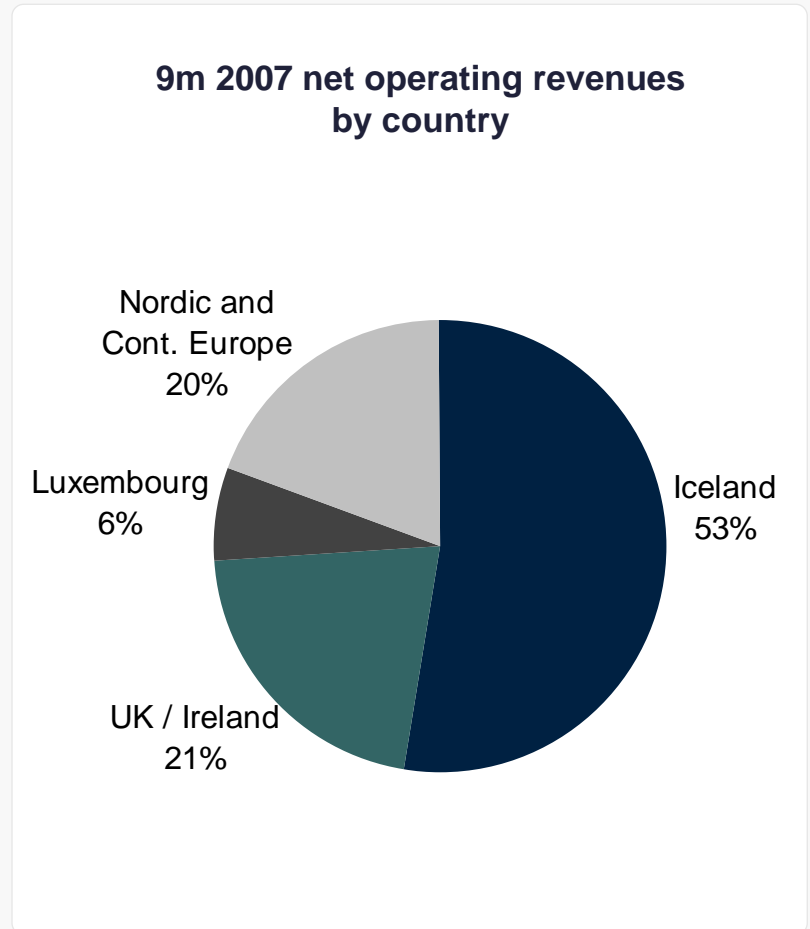
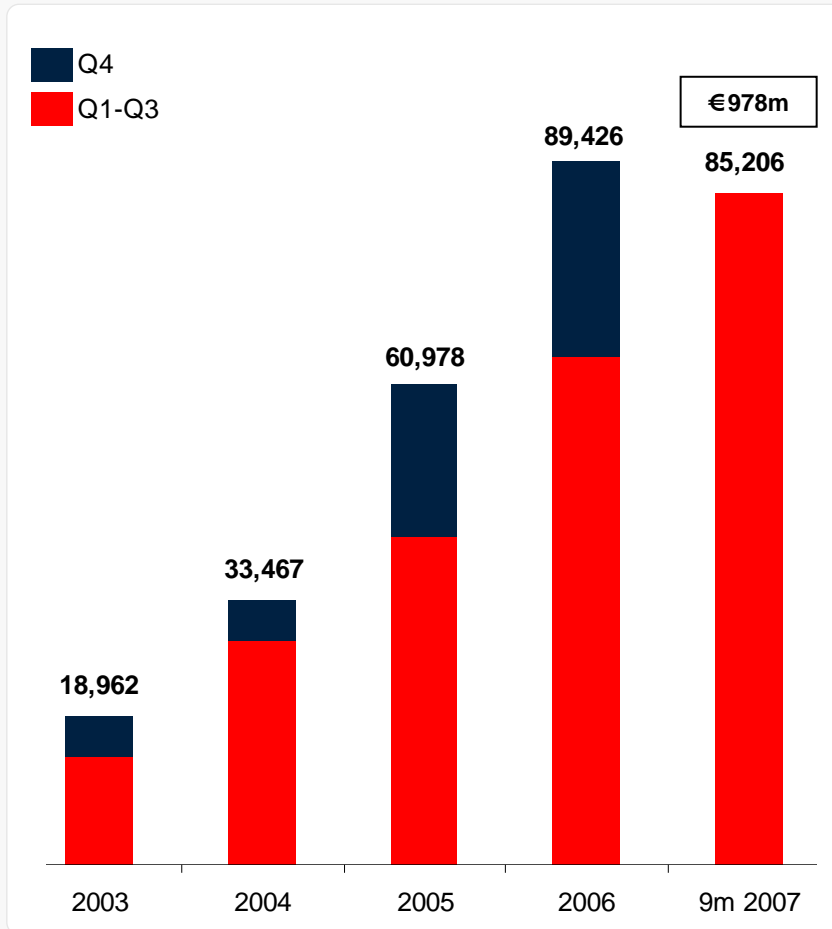


# Fixed Income and Structured Credit Exposure



<p>Listed bond portfolio</p>	<p>As part of its liquidity strategy/reserves, Landsbanki has invested EUR 4.3 bn in listed bonds (mainly Floating Rate Notes). The highly rated portfolio consists mainly of financial and government paper.</p>	<table border="1"> <tr> <td>Financials</td> <td>73%</td> </tr> <tr> <td>Government bonds</td> <td>19%</td> </tr> <tr> <td>Corporate bonds</td> <td>8%</td> </tr> </table>	Financials	73%	Government bonds	19%	Corporate bonds	8%	<table border="1"> <tr> <td>AAA</td> <td>25%</td> </tr> <tr> <td>AA</td> <td>46%</td> </tr> <tr> <td>A</td> <td>19%</td> </tr> <tr> <td>BBB</td> <td>8%</td> </tr> <tr> <td>NR</td> <td>2%</td> </tr> </table>	AAA	25%	AA	46%	A	19%	BBB	8%	NR	2%
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<p>Corporate Synthetic CDO</p>	<p>No exposure</p>																		
<p>ABS</p>	<p>No exposure</p>																		
<p>SIVs, conduits &amp; liquidity lines</p>	<p>No exposure</p>																		
<p>Total return swaps</p>	<p>Landsbanki uses Total return swaps (TRS) which are marked to market to fund part of its portfolio of acquisition and leveraged finance participations</p>																		

# Net Operating Revenues



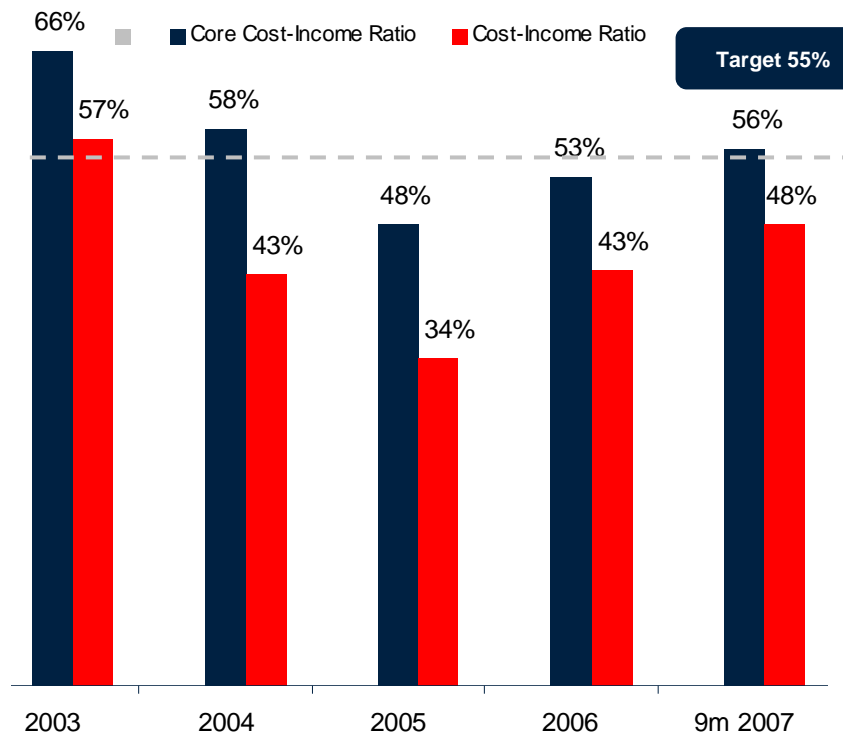
# Income Statement



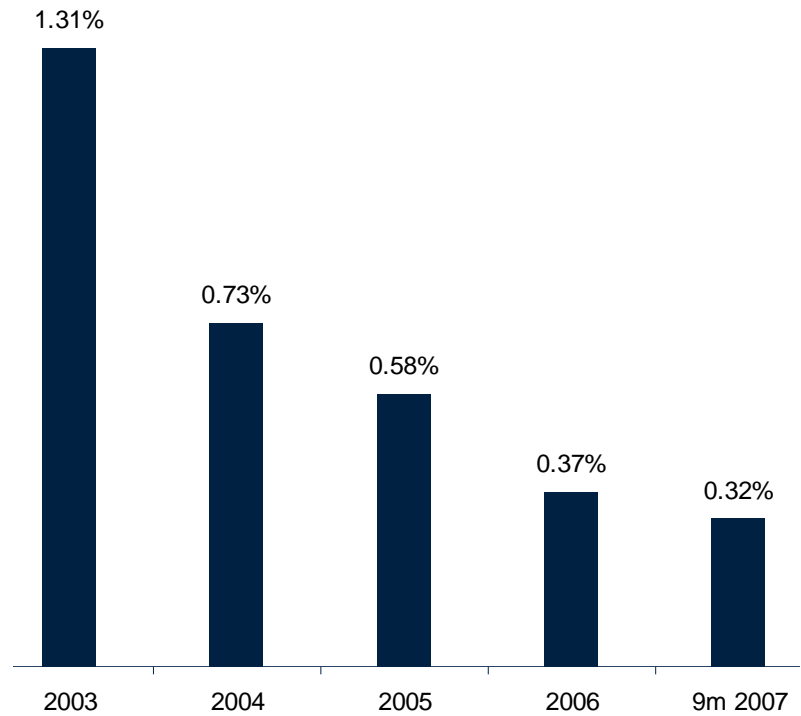
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# Cost-income ratio & Impairment on Loans and Advances

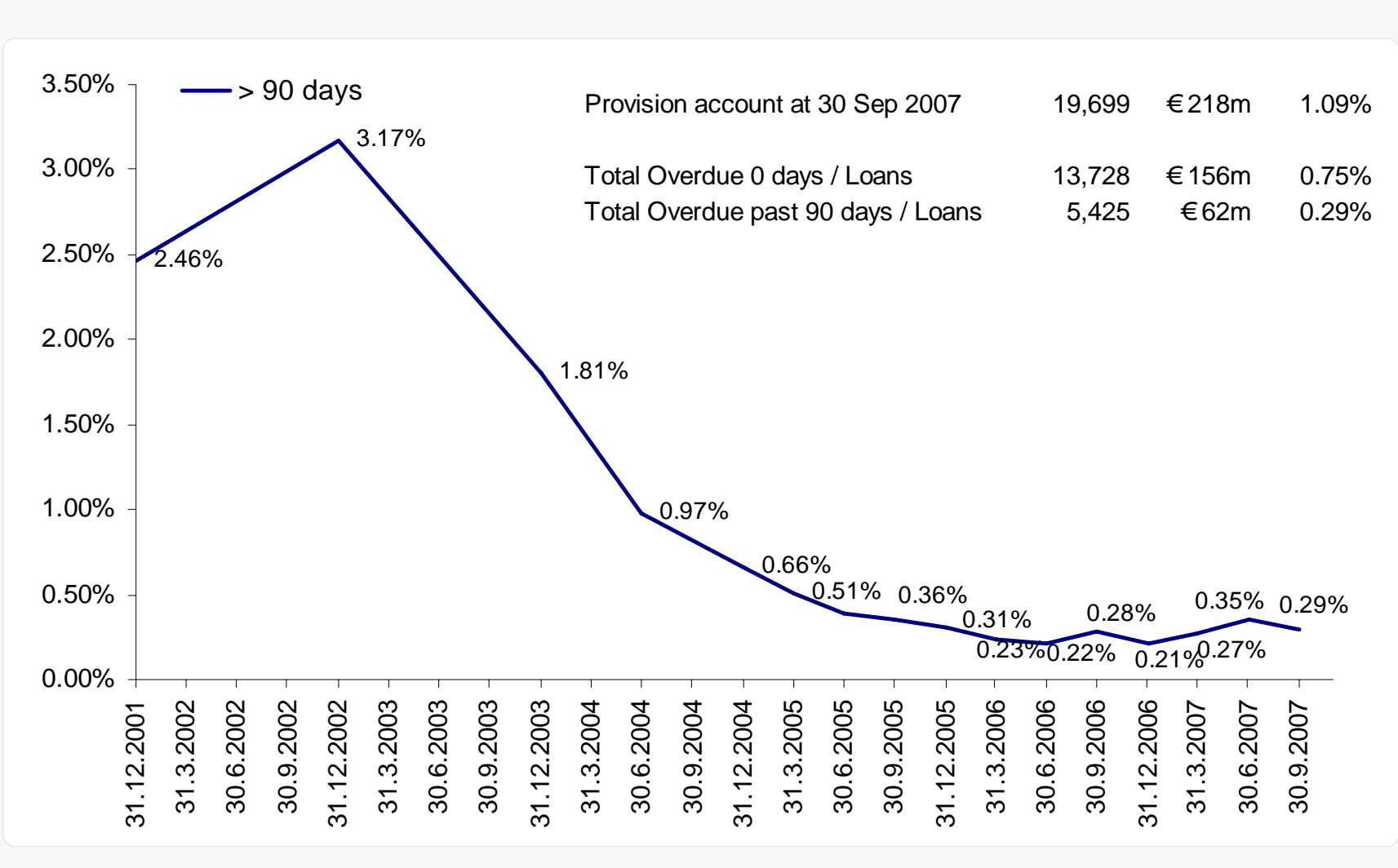
### Cost-income ratio



### Impairment on loans & advances

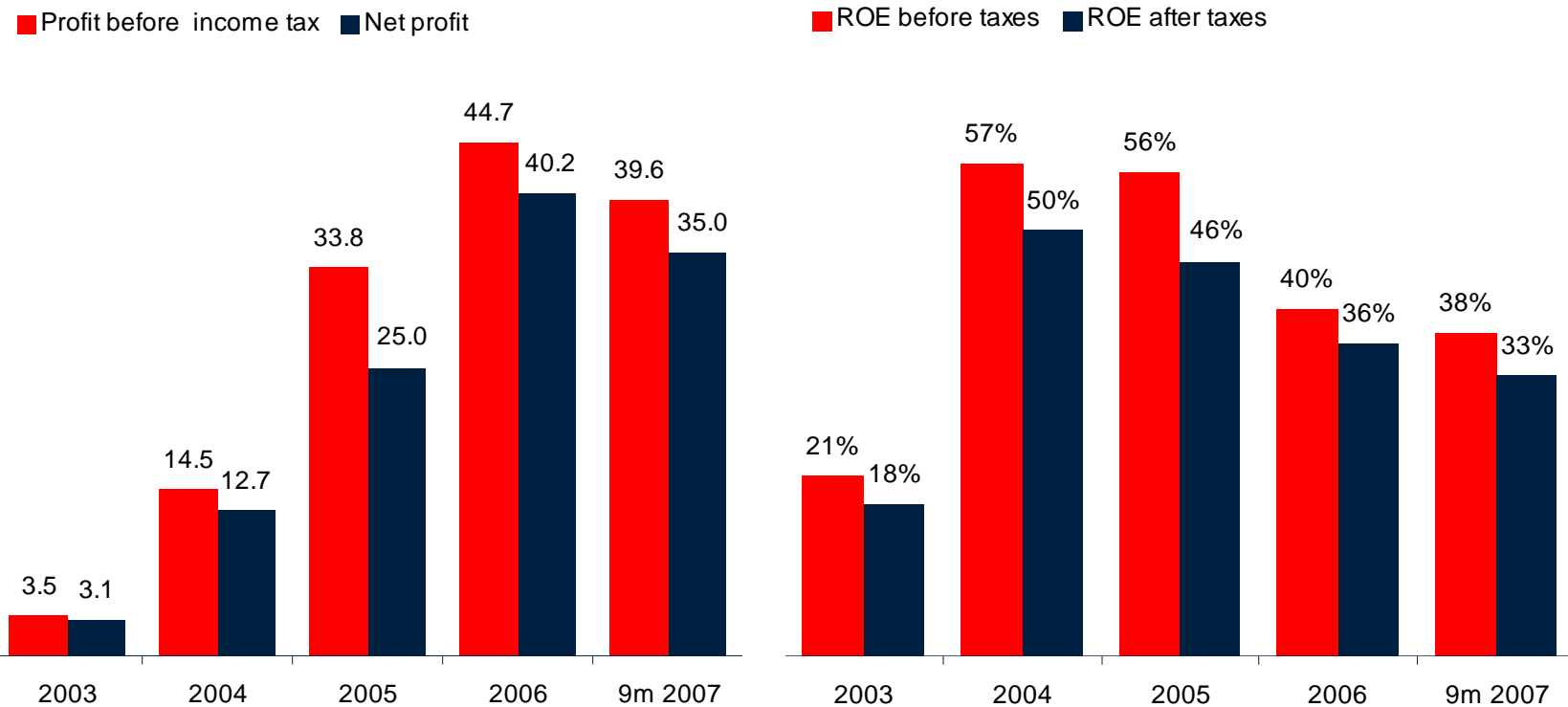


# Defaults as a Ratio of Total Lending



Provision account at 30 Sep 2007	19,699	€218m	1.09%
Total Overdue 0 days / Loans	13,728	€ 156m	0.75%
Total Overdue past 90 days / Loans	5,425	€ 62m	0.29%

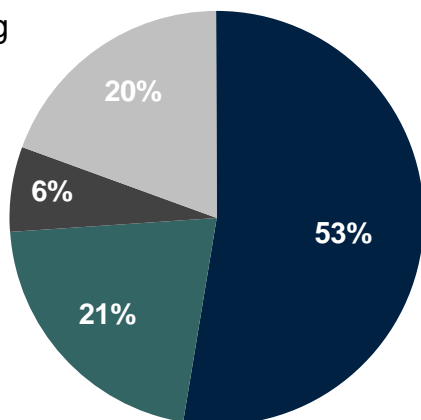
# Profit and Return on Equity



# Revenue Breakdown by Country

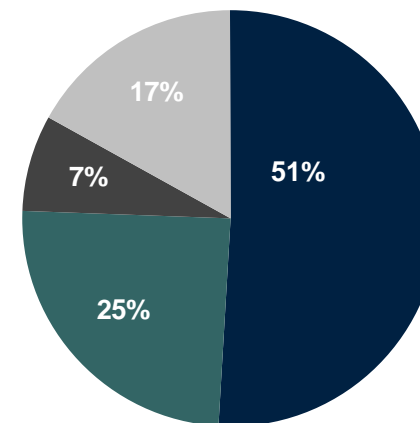
9m 2007	Iceland	UK / Ireland	Luxembourg	Nordic and Continental Europe	Total
Net interest revenues	23,313	9,082	3,614	2,816	38,825
Net fee and commission income	9,615	8,679	1,782	9,634	29,709
Net financial income	11,855	531	110	4,177	16,672
<b>Net operating revenues</b>	<b>44,783</b>	<b>18,291</b>	<b>5,505</b>	<b>16,627</b>	<b>85,206</b>
	€ 514m	€ 210m	€ 63m	€ 191m	€ 978m
Share in net operating revenues	53%	21%	6%	20%	
Core income	51%	25%	7%	17%	

Net operating revenues



Core income

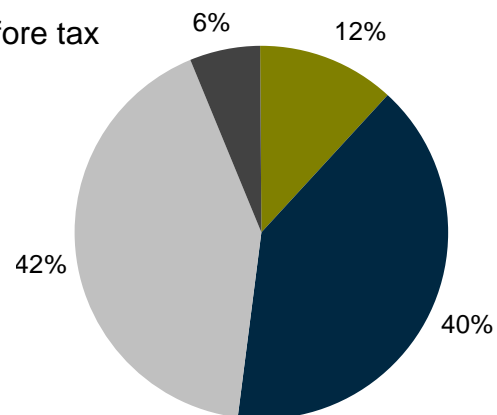
- Iceland
- UK/Ireland
- Luxembourg
- Nordic and Cont. Europe



# Breakdown by Business Division

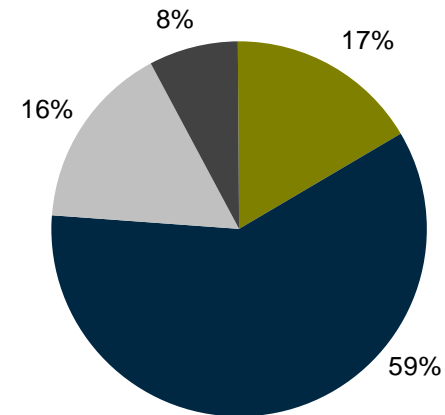
9m 2007	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Private Banking	Other	Group
Net interest revenues	13,295	26,482	-3,912	2,960	0	38,825
Net commission and fees	2,189	1,654	22,601	3,265	0	29,709
Net financial income	-55	-1,291	17,814	204	0	16,672
<b>Net operating revenues</b>	<b>15,428</b>	<b>26,845</b>	<b>36,503</b>	<b>6,430</b>	<b>0</b>	<b>85,206</b>
<b>Operating expenses</b>	<b>7,958</b>	<b>7,457</b>	<b>19,412</b>	<b>3,830</b>	<b>2,243</b>	<b>40,900</b>
Impairment on loans and advances	2,406	2,789	-532	7	0	4,670
<b>Profit before income tax</b>	<b>5,064</b>	<b>16,599</b>	<b>17,623</b>	<b>2,592</b>	<b>-2,243</b>	<b>39,636</b>
	€ 58m	€ 191m	€ 202m	€ 30m	€ -26m	€ 455m

Profit before tax



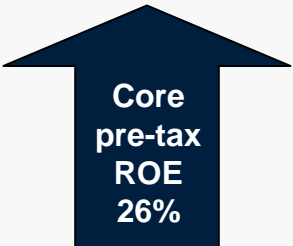


Core Profitability before tax

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



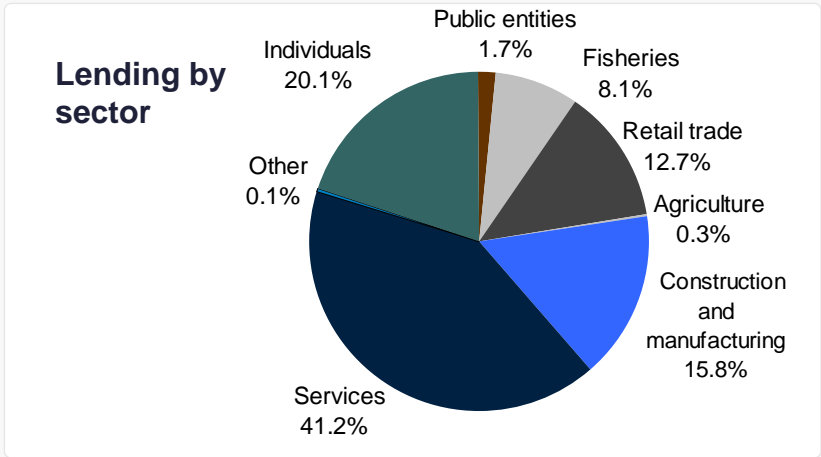
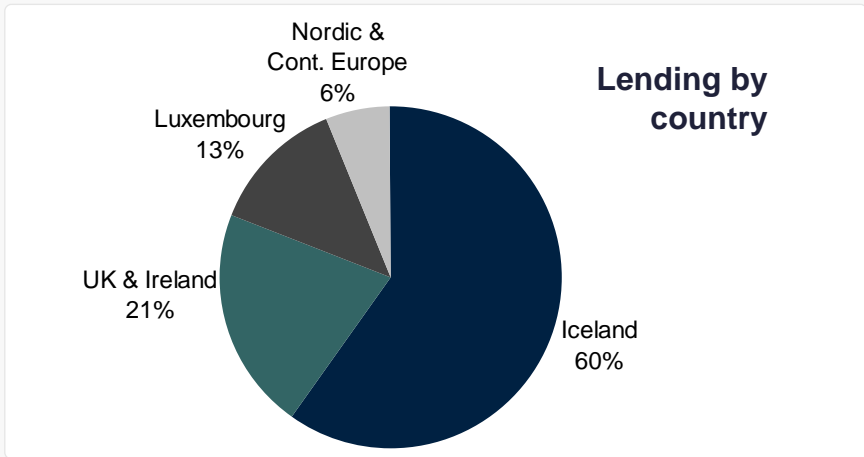
# Core Income

	Actual results	9m 2007	2006	2005	2004	
 <p><b>Pre-tax profit</b> €455m</p>	Net interest revenues	€ 446m	38,825	41,491	22,996	14,734
	Net commissions and fees	€ 341m	29,709	28,366	16,726	8,891
	Net gain on equity, securities and FX	€ 191m	16,672	19,568	21,257	9,842
	<b>Net operating revenues</b>	<b>€ 978m</b>	<b>85,206</b>	<b>89,426</b>	<b>60,978</b>	<b>33,467</b>
 <p><b>Core pre-tax profit</b> €319m</p>	Operating expenses	€ 470m	40,900	38,588	20,967	14,460
	Impairment on loans and advances and assets held for sale	€ 54m	4,670	6,144	6,197	4,485
	Impairment on goodwill	€ 0m	0	0	3,033	0
	<b>Pre-tax profit</b>	<b>€ 455m</b>	<b>39,636</b>	<b>44,694</b>	<b>30,781</b>	<b>14,521</b>
 <p><b>Core pre-tax ROE</b> 26%</p>	<b>Cost-income Ratio</b>		<b>48%</b>	<b>43%</b>	<b>34%</b>	<b>43%</b>
	<b>Pre-tax ROE</b>		<b>43%</b>	<b>40%</b>	<b>56%</b>	<b>57%</b>
	<b>Adjustments</b>					
	Net interest revenues	€ 55m	4,811	3,640	3,652	1,200
	Net gain on equity, securities and FX	€ -191m	-16,672	-19,568	-21,257	-9,842
	Impairment on goodwill	€ 0m	0	0	3,033	0
		<b>€ -136m</b>	<b>-11,862</b>	<b>-15,929</b>	<b>-14,572</b>	<b>-8,642</b>
<b>Core Income</b>						
	<b>Pre-tax profit for core operations</b>	<b>€ 319m</b>	<b>27,774</b>	<b>28,765</b>	<b>16,210</b>	<b>5,879</b>
	<b>Cost-income ratio for core operations</b>	<b>56%</b>	<b>56%</b>	<b>53%</b>	<b>48%</b>	<b>58%</b>
	<b>Pre-tax ROE for core operations</b>	<b>26%</b>	<b>26%</b>	<b>26%</b>	<b>30%</b>	<b>23%</b>

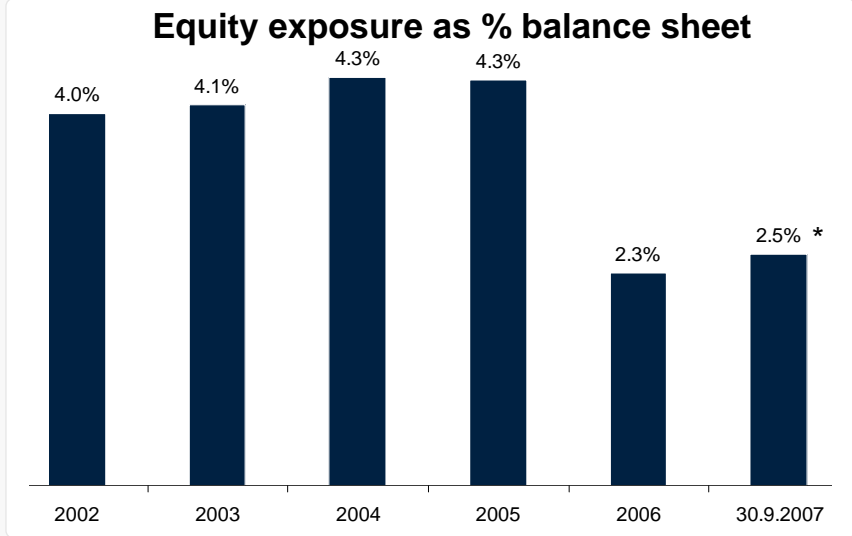
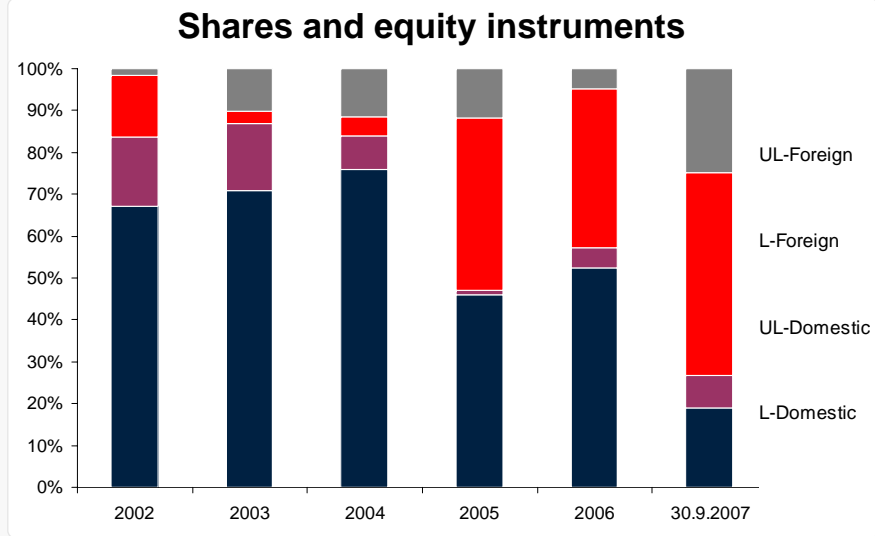
# Balance Sheet – assets as of 30 Sep 2007



		30 Sep 2007	31 Dec 2006	Change	%
Cash and cash balances with Central Bank	€ 551m	48	32	17	53%
Loans and advances to financial institutions	€ 1,530m	134	216	-81	-38%
Loans and advances to customers	€ 20,951m	1,841	1,438	402	28%
Bonds and debt instruments	€ 4,361m	383	170	214	126%
Shares and equity instruments	€ 802m	70	49	21	43%
Hedged securities	€ 1,971m	173	105	68	65%
Derivatives held for trading	€ 510m	45	38	6	17%
Derivatives held for hedging	€ 48m	4	10	-6	-60%
Intangible assets	€ 310m	27	14	13	90%
Other assets	€ 1,370m	120	100	20	20%
	<b>€ 32,404m</b>	<b>2,847</b>	<b>2,173</b>	<b>674</b>	<b>31%</b>



# Net Equity Position



	30 Sep 2007		31 Dec 2006	
<b>Domestic equities:</b>				
Listed	13.4	19.0%	25.9	52.4%
Unlisted	5.6	7.9%	2.4	4.9%
<b>Foreign equities:</b>				
Listed	33.9	48.1%	18.7	37.8%
Unlisted	17.6	25.0%	2.4	4.9%
	<b>70.5</b>	<b>100.0%</b>	<b>49.3</b>	<b>100.0%</b>
	<b>€802m</b>		<b>€526m</b>	

### Equity exposures

Average exposure in 9m 2007 around ISK 66bn

Overall return on equity holdings 26%

European stock indices change as of 30 Sept. 2007:

OMXI15	Iceland	24.4%	DAX	Germany	19.2%
OBX	Norway	13.9%	CAC40	France	3.1%
OMXH25	Finland	14.2%	FTSE100	UK	4.0%
OMXC20	Denmark	13.2%	IBEX 35	Spain	3.0%
OMXS30	Sweden	6.5%	SMI	Switzerland	1.7%
			MIB30	Italy	-2.9%

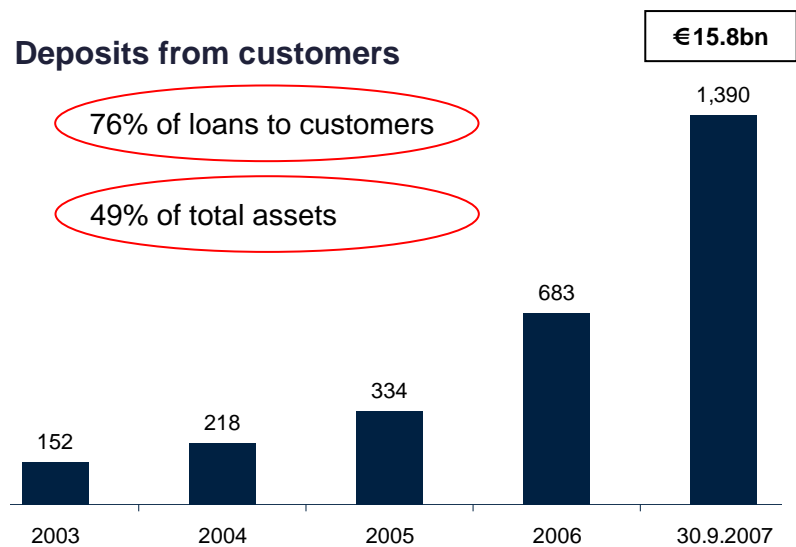
\* Loan stock to LME ISK 9bn – additional effect 0.3%

# Balance Sheet – liabilities & equity as of 30 Sep 07

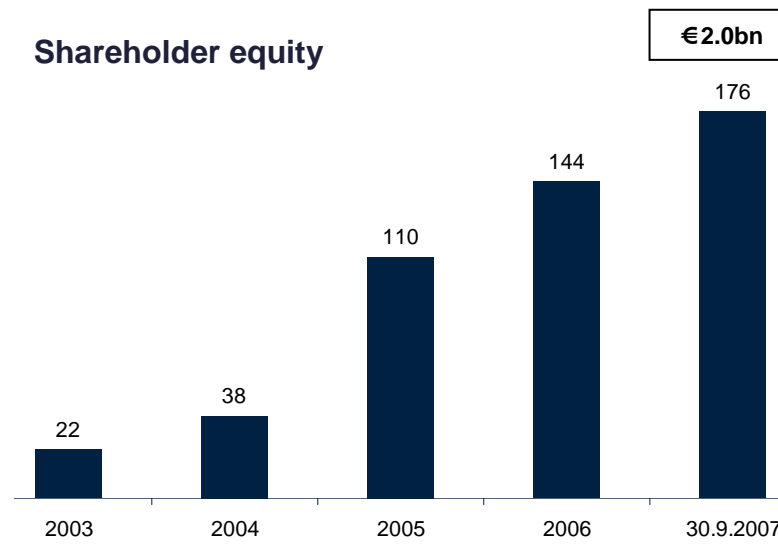


		30 Sep 2007	31 Dec 2006	Change	%
Deposits from credit institutions	€ 2,394m	210	141	69	49%
Deposits from customers	€ 15,823m	1,390	683	707	104%
Borrowing	€ 8,533m	750	1,015	-265	-26%
Subordinated loans	€ 939m	83	90	-7	-8%
Other liabilities	€ 2,666m	234	95	139	147%
Minority interest	€ 40m	3	5	-2	-33%
Shareholder equity	€ 2,009m	176	144	32	22%
	€ 32,404m	2,847	2,173	674	31%

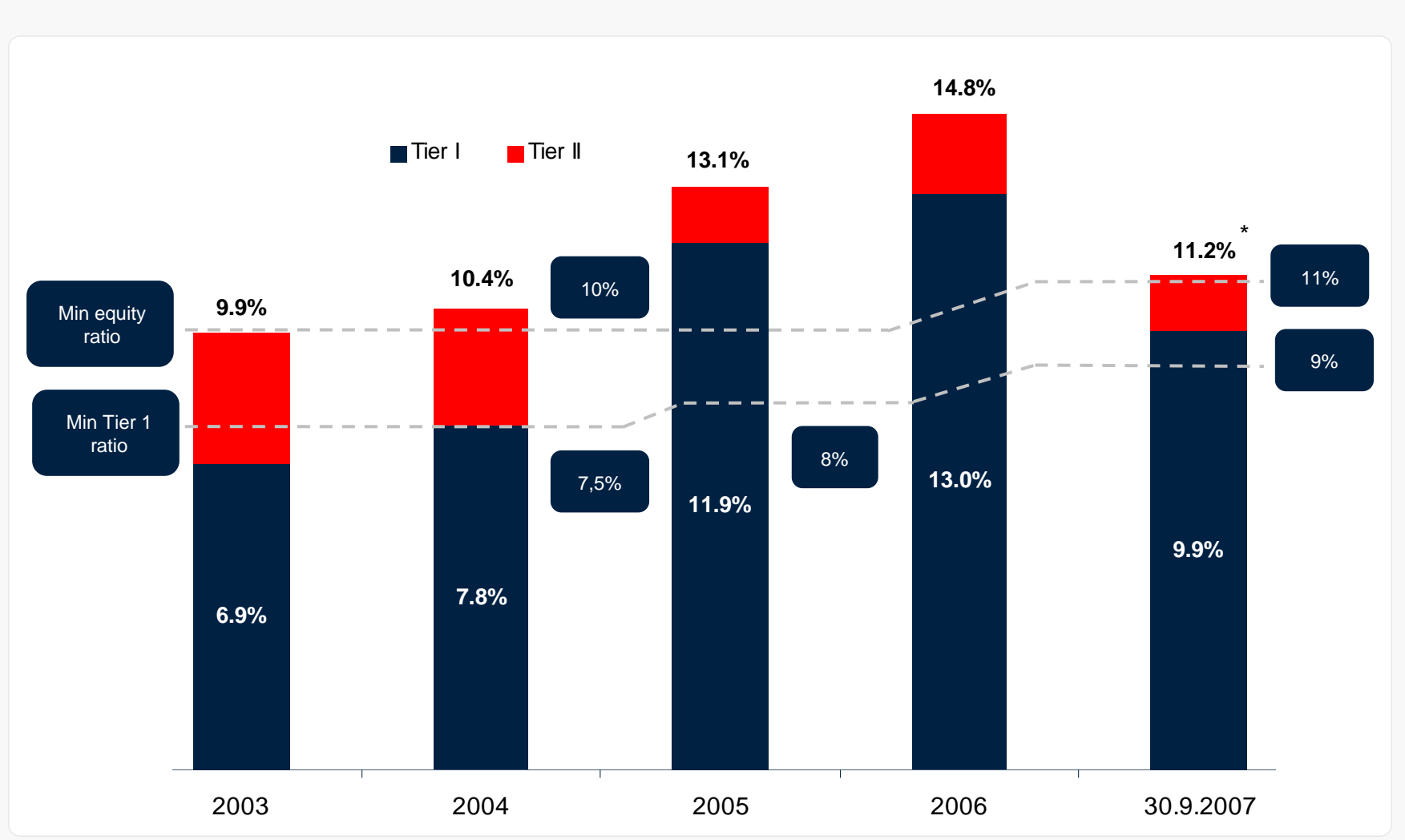
Deposits from customers



Shareholder equity



# Equity Ratio



\* In October 2007 the bank issued USD 400m Tier I capital which raises the equity ratio by 1.2 percentage points

# Equity Overview



Share price ISK  
43.80 (31/10/07)

Market cap ISK  
490bn (EUR 5.7bn)

Equity ISK 176 bn  
(EUR 2.0bn)

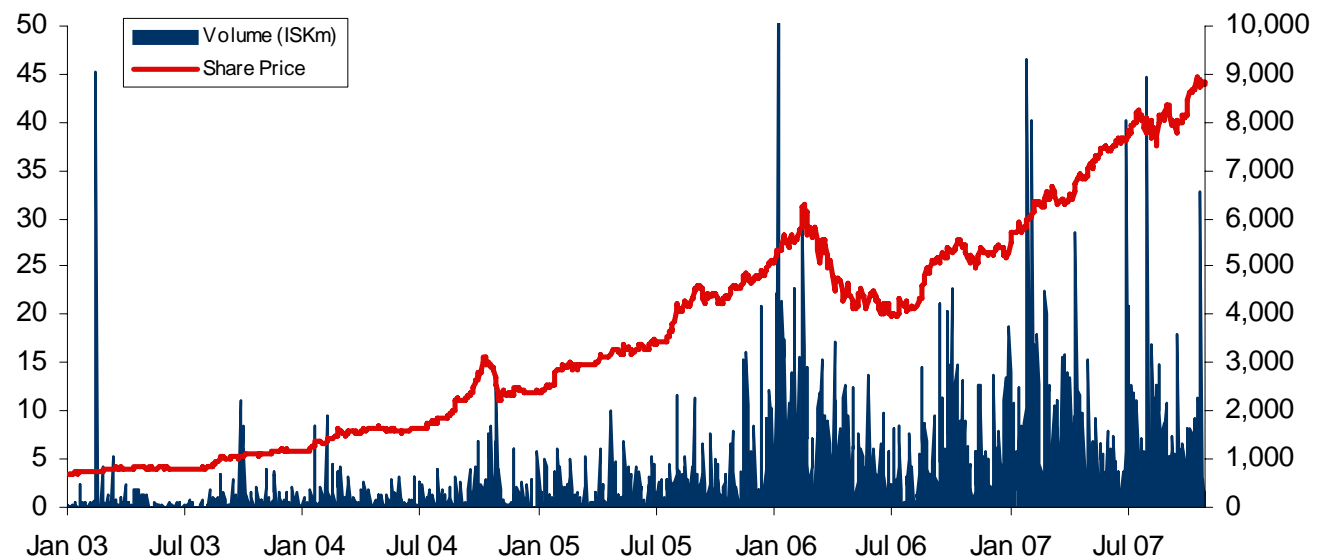
After-tax profit 9m  
2007 ISK 35.0bn  
(EUR 402m)

Last 12 month  
after-tax profit  
ISK 49.1bn (EUR  
561m)

Last 12 month P/E:  
 $490/49.1 = 10.0$

P/B:  $490/176 = 2.8$

## Share price & trading volume



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

Trading volume 2006:  
ISK 318.8bn (€3.6bn)  
(22,896 transactions)

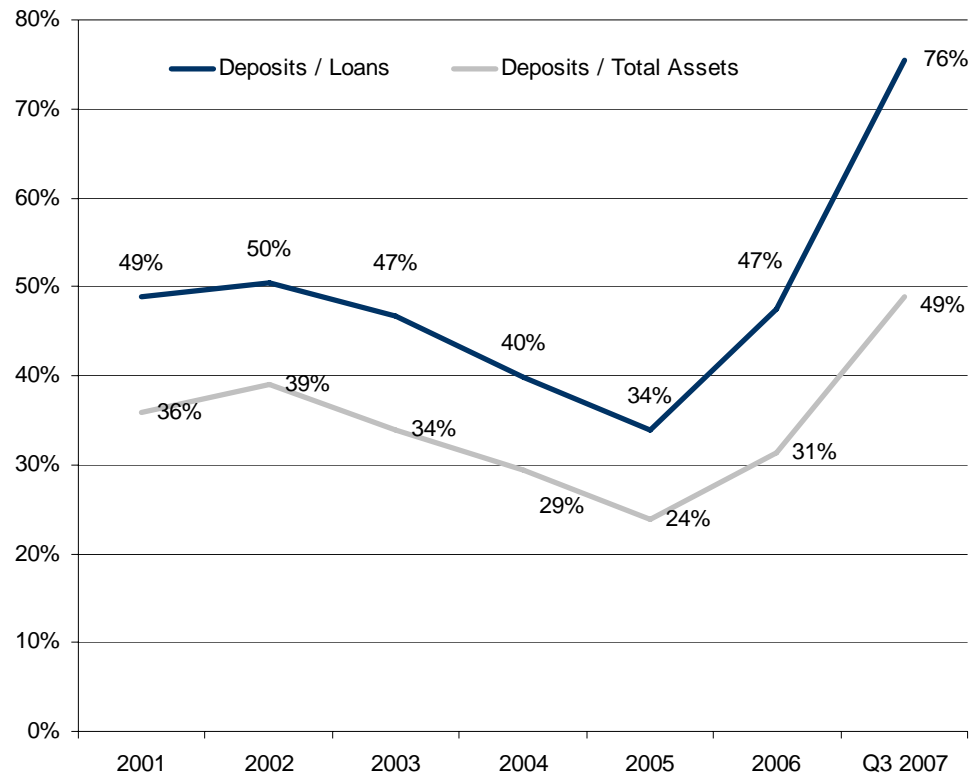
Trading volume YtD 2007:  
ISK 315.5bn (€3.6bn)  
(14,581 transactions)

- Strong Q2 2007 and continued good profitability of core income
- Deposits transforming the balance sheet and liquidity position stronger than ever
- Continued stable economic outlook in the bank's main operating markets

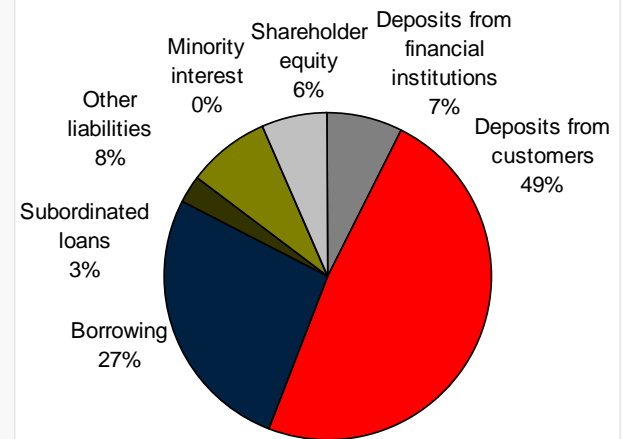
# Deposit Growth Transforming the Balance Sheet



**Customer deposits as a ratio of customer loans and total assets**



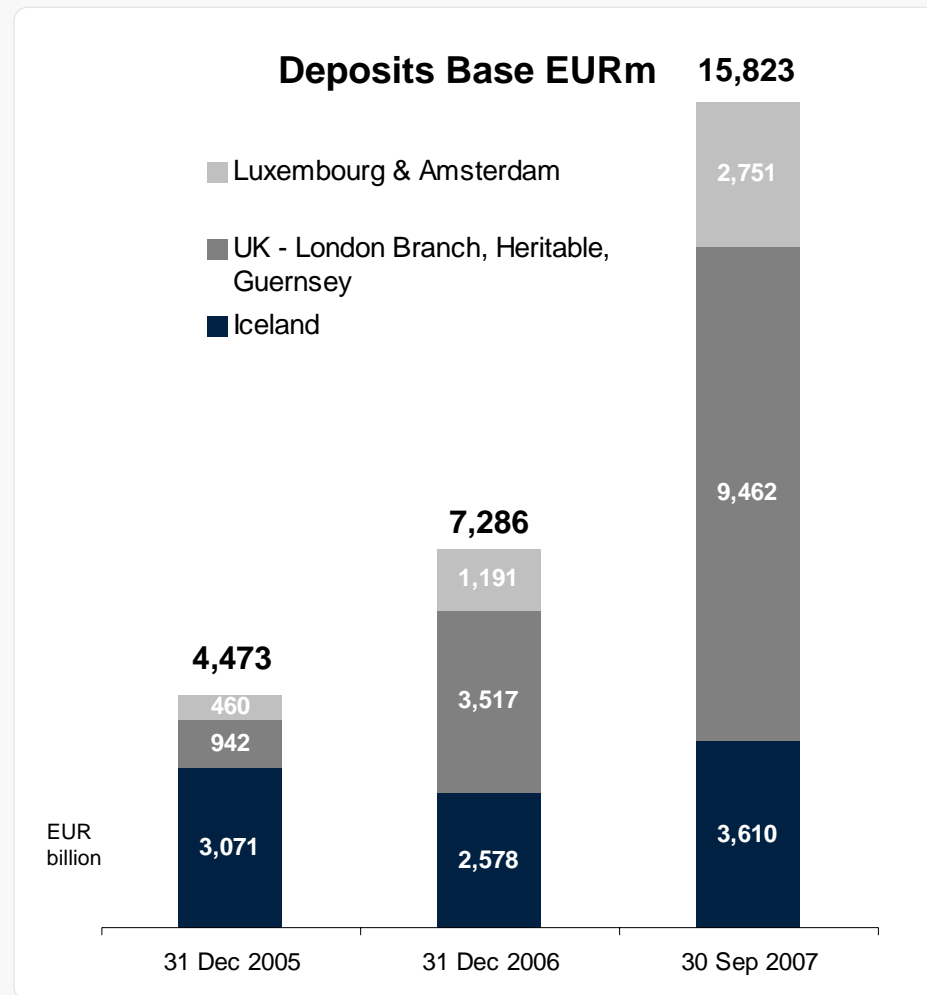
**Q3 2007**



- Historically, deposits have been a high proportion of both customer loans and total assets
- Recent deposit growth adds to the balance sheet transformation and creates a solid foundation for further growth

# Ongoing Deposit Growth

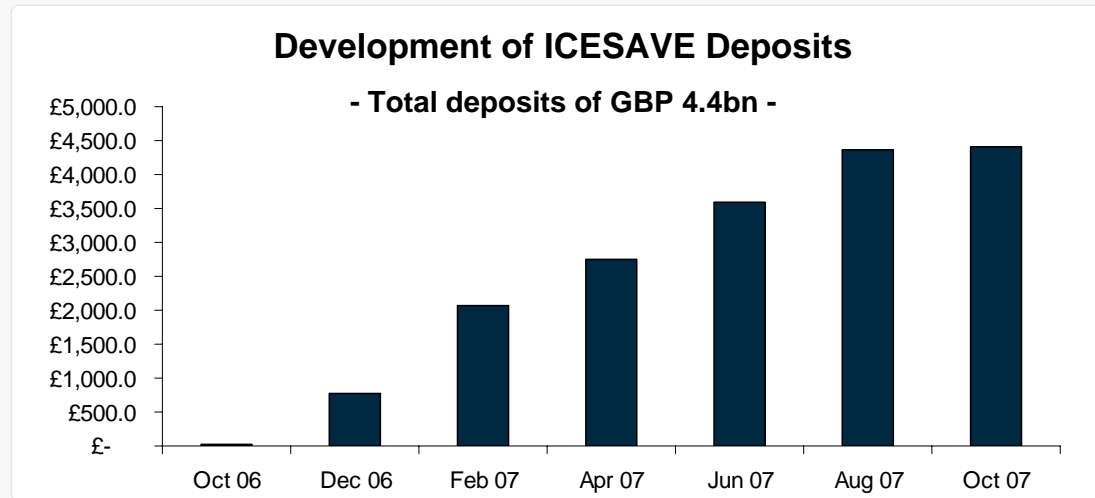
- Ongoing growth of all overseas-based wholesale and retail deposits, with 16% increase in Q3
- Heritable, London Branch and Landsbanki Guernsey deposits growing steadily
- Landsbanki is the leading domestic deposit-holder with around 30% market share
- ICESAVE, the UK online savings programme a continued success



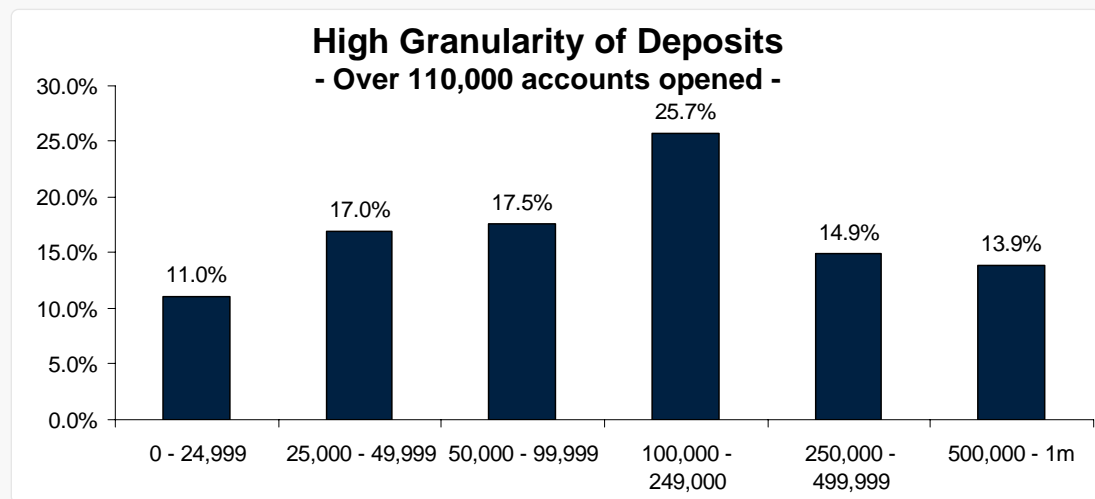
# A Highly Successful UK Retail Deposit Product



- Competitive interest rate - currently 6.3% and guaranteed to exceed the base rate by at least 0.25% until Oct 2009



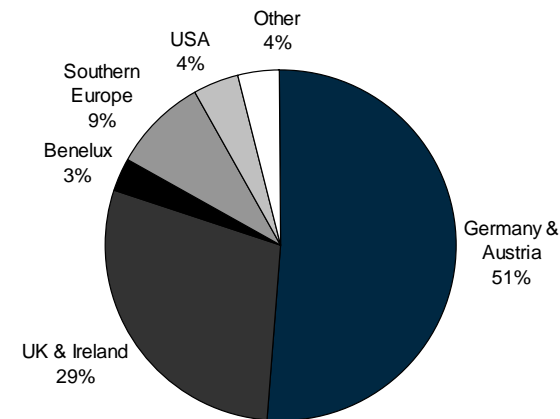
- Initiative recently launched to attract new and migrate existing ICESAVE customers into 1-3-year long-term savings products



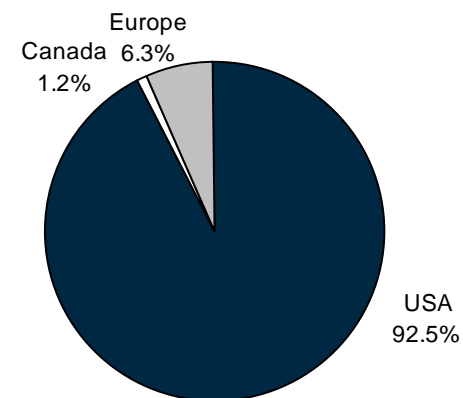
# Funding Highlights to Date

- Primary focus on increasing retail and wholesale deposits
- In May 2007, Landsbanki successfully returned to Euro FRN market
  - EUR 500 million 5-year issue priced at EURIBOR plus 26 bps
  - High quality investors with good distribution across Europe
- On October 12, Landsbanki completed USD 400m PerpNC10 144A Step-up Tier 1 Transaction in the US
  - Priced at T+275bps, equivalent to 3m\$L + 214bps
  - The deal attracted interest from institutional investors in the US and Europe
  - Due to oversubscription, the deal was increased from the planned USD300m to USD400m - Total orders were close to USD700m
- Private placements to date amount to EUR 400m

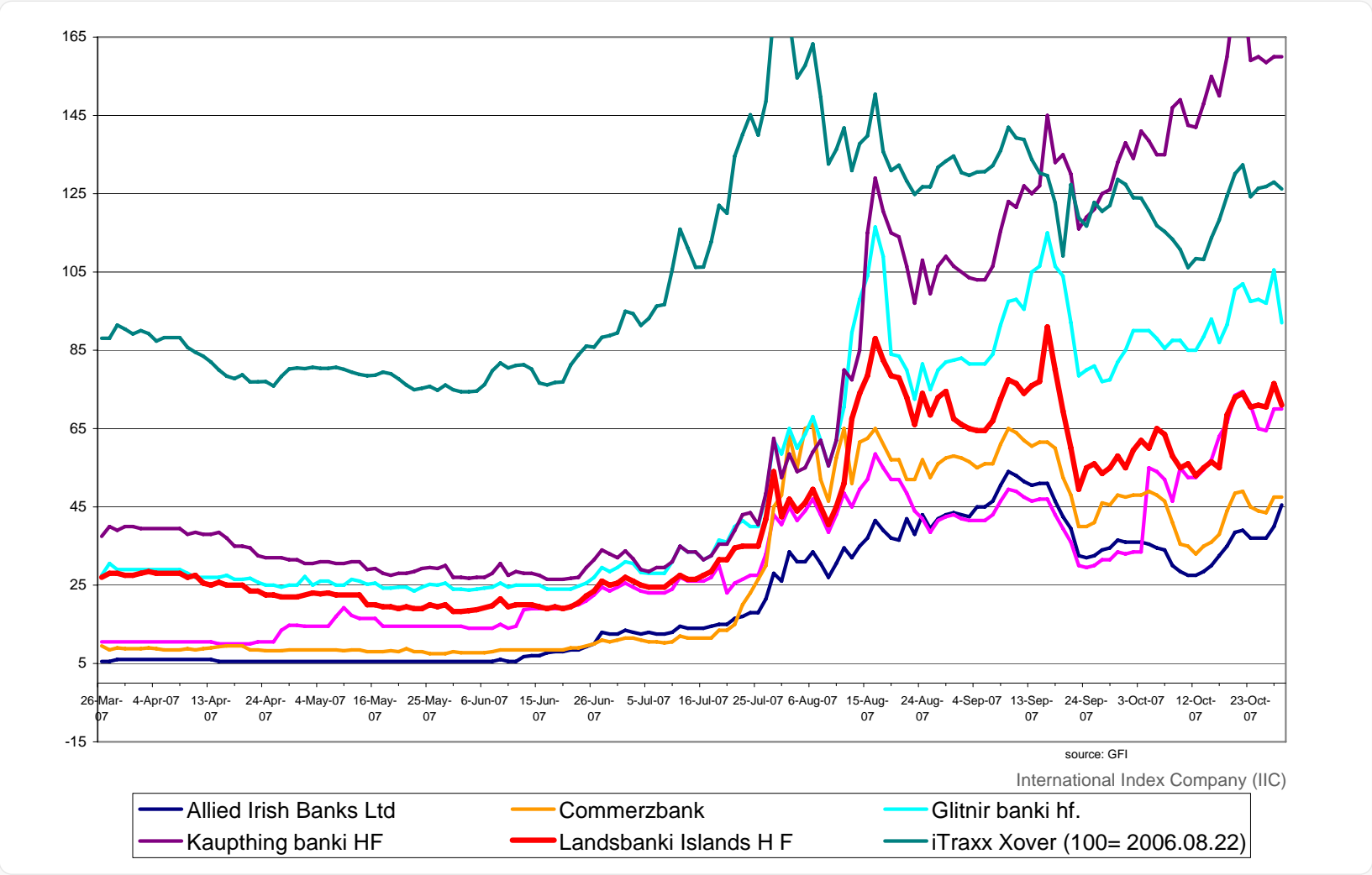
**Landsbanki EUR 500 million 5-year FRN**  
- geographical investor distribution



**Landsbanki USD 400 million Tier 1**  
- geographical investor distribution



# CDS Spread Development

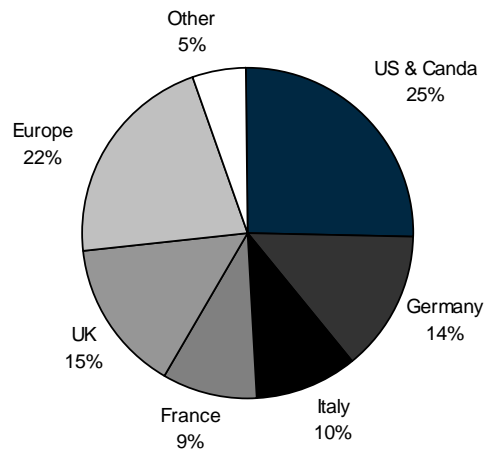


# Diversified Investor Base and Maturity Profile

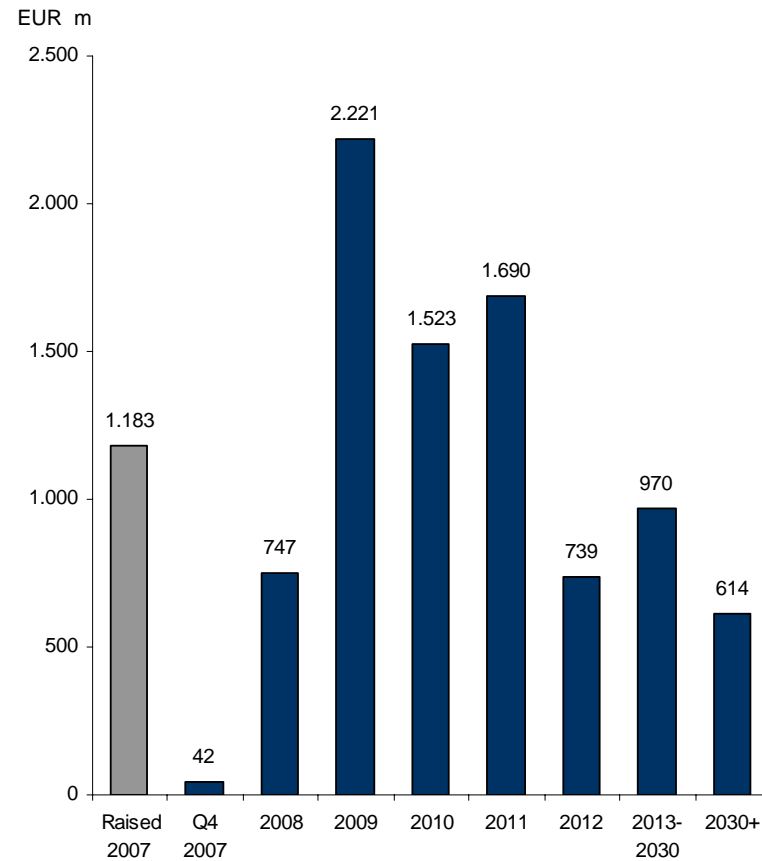
## Focus in 2007

- Tighten credit spreads and continue to strengthen deposit base
- Maintain a strong liquidity position
  - liquid assets of EUR 9.653bn as of 30 September 2007
- Regular funding updates

## Geographical diversification of investors



## Maturity profile of outstanding long-term debt as of 31 October 2007

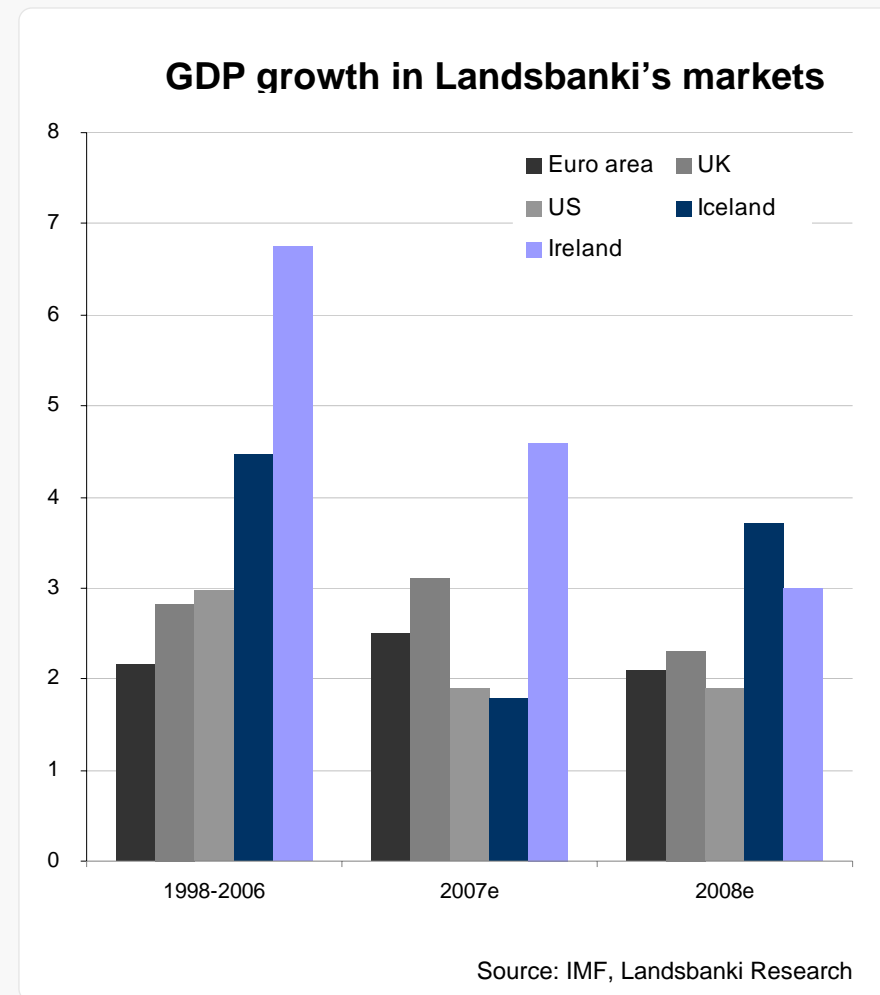


\*ISK maturing debt not included

- Strong Q2 2007 results and continued good profitability of core income
- Deposits transforming the balance sheet and liquidity position stronger than ever
- Continued stable economic outlook in the bank's main operating markets

# Growth Outlook Favourable in Main Markets

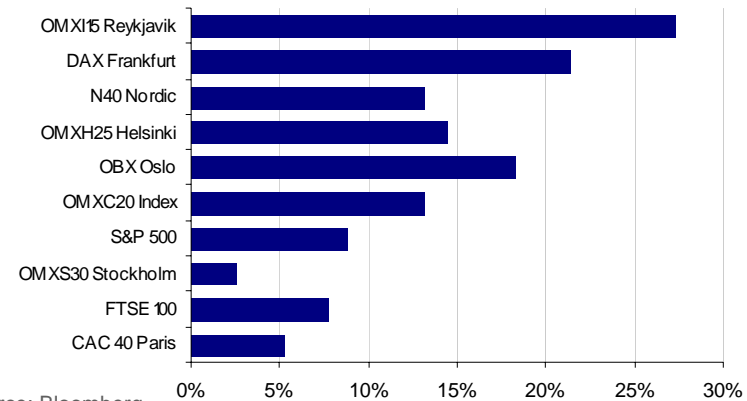
- Growth rates in major industrial economies are edging downward, closer to equilibrium levels
- Overall growth rates remain solid, and the business environment positive in Landsbanki's markets
- With inflation falling and external imbalances decreasing, adjustments in the Icelandic economy are proceeding as expected
- Following several years of very strong GDP growth, the Icelandic economy is currently cooling down, with forecast growth of 1.8% in 2007
- GDP growth is expected to pick up again in 2008 and once again exceed the OECD average



# Equity Markets: A Pause or a Reversal?

- Equity performance has been strong this year despite recent financial market turmoil
- In general, equity markets have lost some ground with rising risk aversion across the globe
- Price multiples still look reasonable in Landsbanki's main markets in Iceland, the UK and Continental Europe
- The Icelandic market in particular has shown resilience, outperforming most other markets with P/E ratios at the lower end of spectrum

### Performance YtD, %



Source: Bloomberg

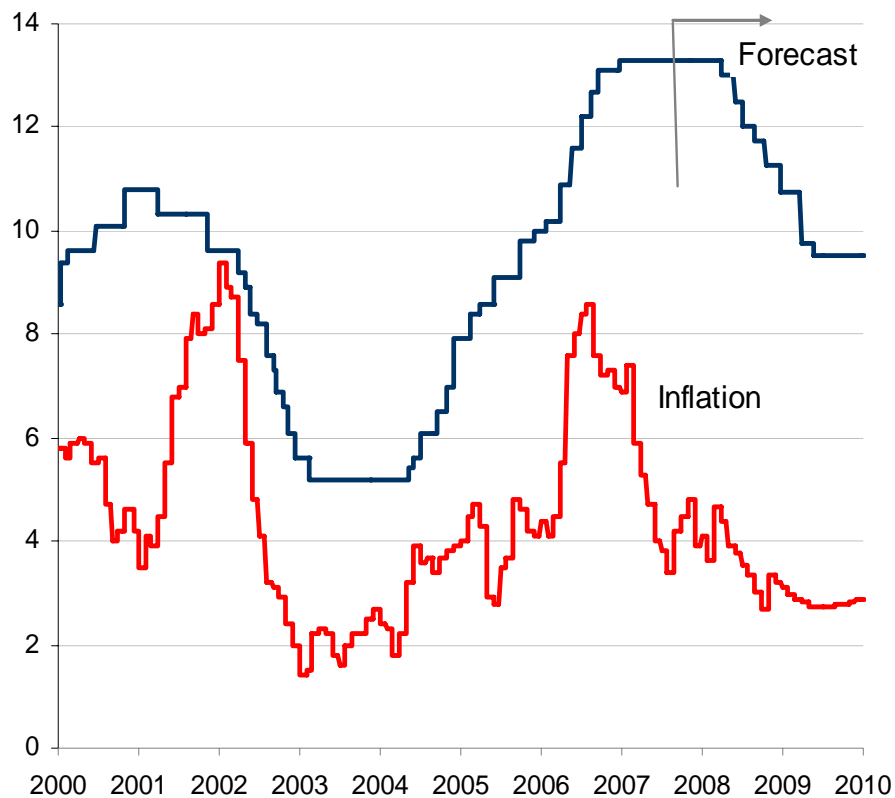
### P/E 2007



Source: Bloomberg

# Interest Rates - Reaching a Peak

Policy Rates and inflation forecast, %



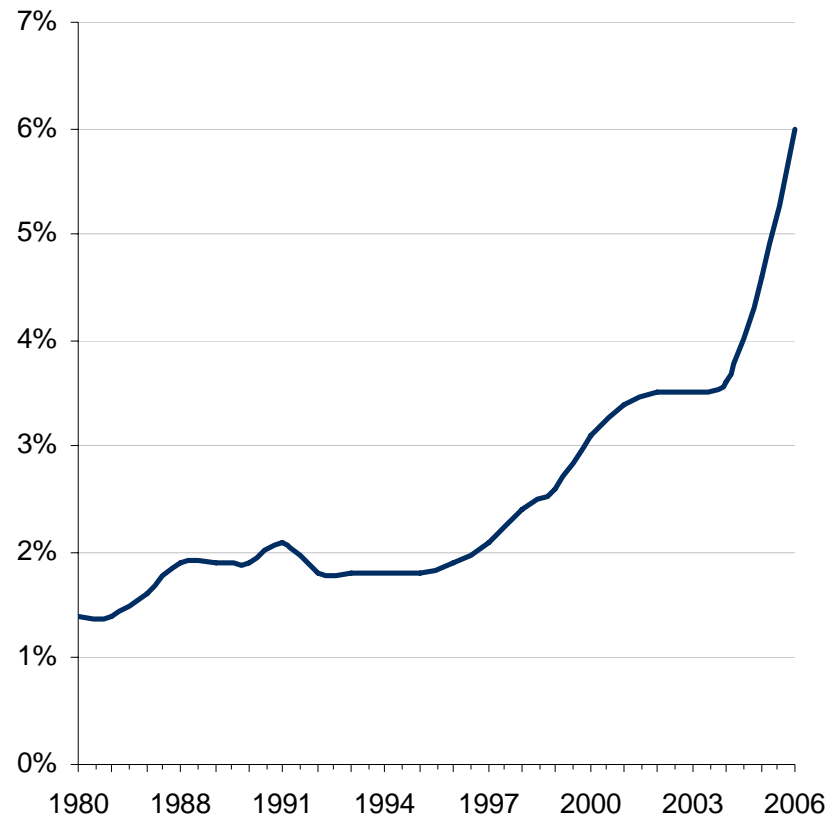
Source: CB, Landsbanki Research

- Monetary policy in Iceland has responded strongly to excess demand and tight labour market conditions
- Rates expected to come down slowly as recent inflation spike resides
- However, rates are likely to remain high as long as growth prospects remain favourable, giving overall support to the ISK

# Fundamentals in Support of an Expanding Economy

- Altered labour market composition reduces threat of overheating
- Increased participation of youth and foreign labour responding to labour shortage in Iceland
- Population growth in Iceland has greatly exceeded the historical average in recent years
- While strong GDP growth continues, current population trends are likely to persist
- Increased access to a global labour pool, along with ongoing globalisation of the corporate sector, has greatly enhanced the production capacity and flexibility of Icelandic firms

**Foreign nationals in Iceland as % of total population**



Source: Statistcs Iceland

# Economic Outlook 2008-2010 – Iceland

- Despite cutbacks in fisheries, high investment will continue to fuel near-term GDP growth – estimated at 1.8% this year, 3.7% next year and 4% in 2009
- Higher production capacity has restrained inflation despite high GDP growth - Landsbanki forecasts a further drop to around 3% in the near term
- Investors' interest in high-interest rate currencies such as the ISK waned as a result of the global liquidity squeeze
- The large current account deficit, which peaked at 26.7% of GDP last year due to a sustained high level of investment, is expected to fall to around 16% of GDP this year
- Altered labour market composition with increased participation of youth and foreign labour reduces threat of overheating
- Turning point forecast for the real estate market

Economic Forecast 2007-2010

	<i>Year to year volume change</i>			
	2007	2008	2009	2010
Private consumption	3.0%	2.5%	2.1%	1.5%
Public spending	3.8%	3.1%	2.5%	2.5%
Investment	-24.3%	1.6%	18.4%	3.6%
Export	7.4%	4.9%	1.5%	2.1%
Import	-10.7%	1.2%	6.5%	-2.0%
<b>Economic Growth</b>	<b>1.8%</b>	<b>3.7%</b>	<b>4.0%</b>	<b>2.1%</b>
Current account balance - % of GDP	-16.1%	-15.5%	-17.8%	-16.5%
ISK trade-weighted index	118.1	121.1	125.7	129.1
Inflation	5.2%	2.2%	3.0%	3.2%
Unemployment	1.1%	1.3%	1.6%	1.9%

# Summary and Outlook

## Strong Q3 results

1. Continued good profitability of core banking income
2. Revenue streams well diversified by country and business line
3. Positive development of net interest income and fees & commissions

## Sound asset quality

1. Effective risk controls and prudent credit loss provisions
2. Continued asset diversification by sector and geography
3. Strong capital adequacy ratio of 11.2%, thereof Tier 1 9.9 %

## High liquidity

1. Continued growth of both retail and wholesale deposits across markets
2. Liquidity has never been stronger, liquid assets EUR 9.653bn as of 30 Sep. 2007
3. Fixed-income and structured credit exposure limited in present liquidity squeeze



**Landsbanki**