

120 ¹⁸⁸⁶/₂₀₀₆



Landsbanki

Q3 Results Confirm Strong Underlying Profitability

London, 26 October 2006

Sigurjón Th. Árnason

Chief Executive Officer

Halldór J. Kristjánsson

Chief Executive Officer

Chaired by

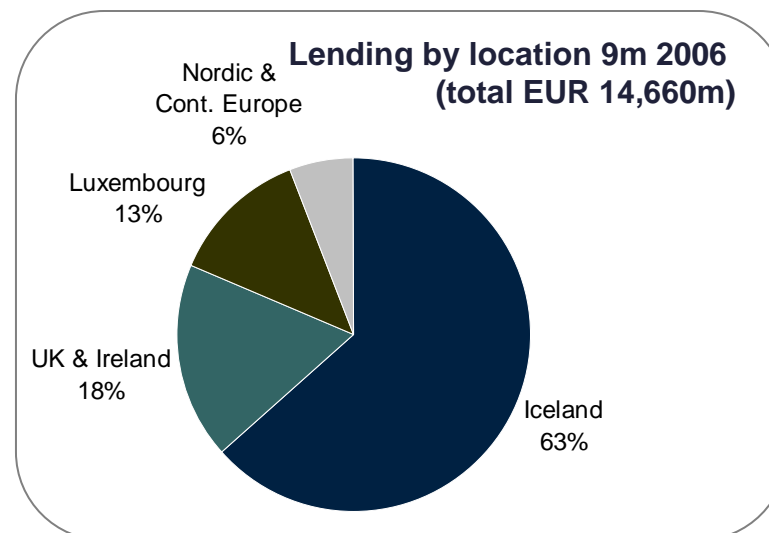
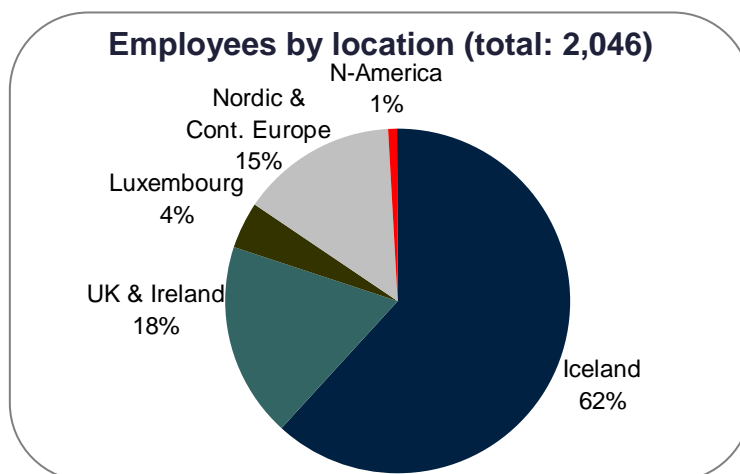
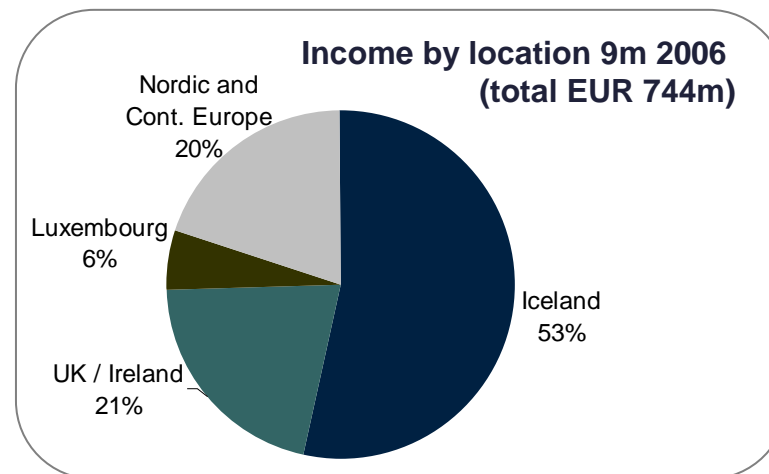
Brynjólfur Helgaons

MD International Banking

- ① Q3 Results Confirm Strong Underlying Profitability
- ② Economic Adjustments Proceeding Well
- ③ Successful Diversification of Funding Sources

A Growing European Bank

- 120 years of operations, since 1886
 - Leader in all core banking areas in the domestic market (Iceland) with the most extensive branch network, +30% market share
 - Operations in major financial centers of Europe, thereof UK operations most extensive
 - Creation of a European platform to further expand on Landsbanki's products and services focused on small and medium sized corporates
- Ratings
 - Moody's: A2 / P-1 / C / Stable | Fitch: A / F1 / B/C / Stable



9m 2006 Main Results

Strong results

- Profit before taxes ISK 32.2 bn (EUR 371m)
- Profit after taxes ISK 26.2 bn (EUR 301m)
- ROE before taxes 40%
- ROE after taxes 33%
- Cost-Income Ratio 43%

Efficient core banking operations (excl. net financial income)

- Core profit before taxes ISK 23.1bn (EUR 267m)
- Core ROE before taxes 29%
- Core Cost-Income Ratio 50%

Strong balance sheet

- Total assets ISK 1,962 bn (EUR 22.1bn)
- Shareholders equity ISK 130 bn (EUR 1.5bn)
- Tier 1 Capital Ratio 13.0%
- CAD Ratio 15.0%

ISK / EUR

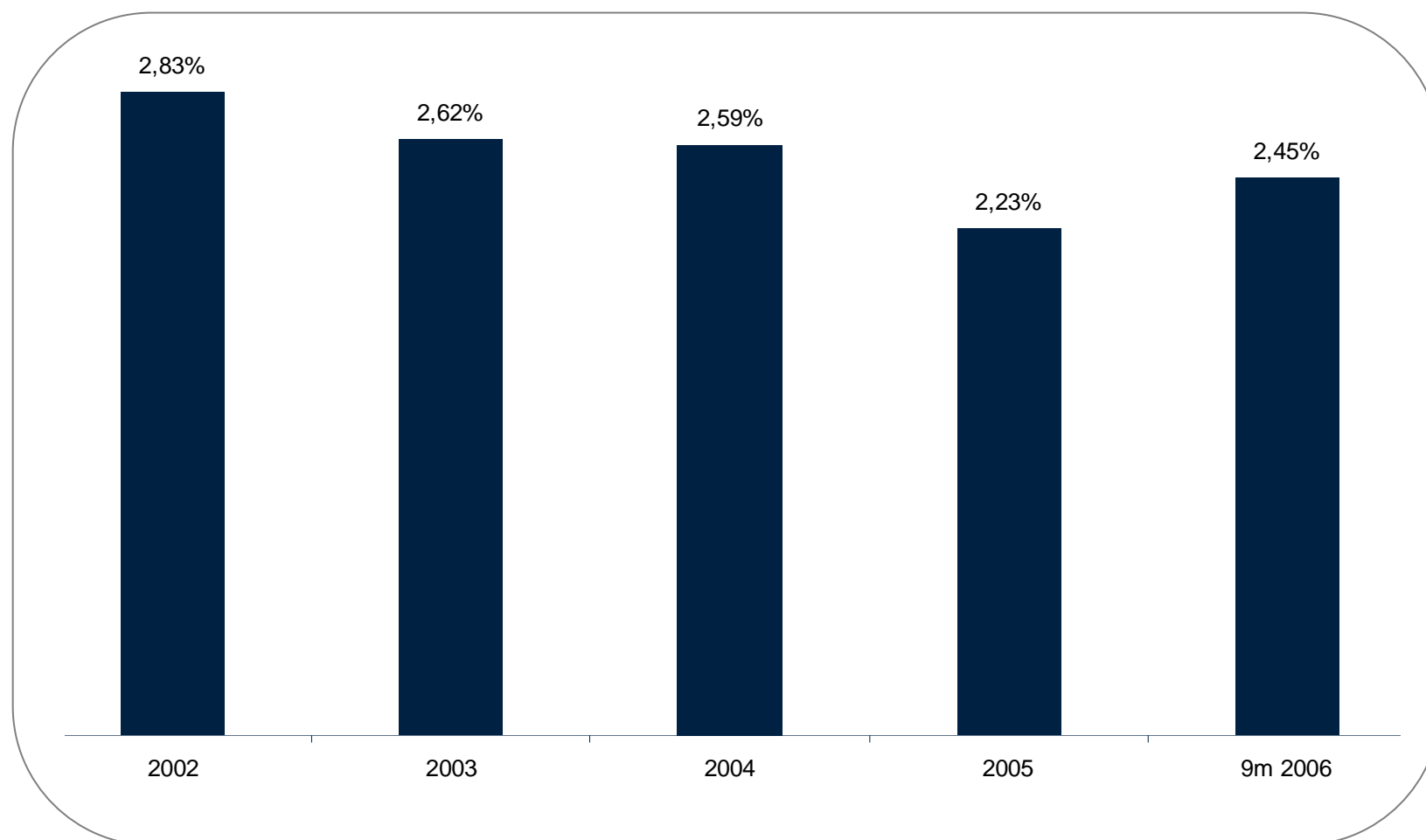
Beginning of 2006	74.70
At 30 September 2006	88.93
Average for first 9m 2006	86.78
At 25 October 2006	85.76

Income Statement

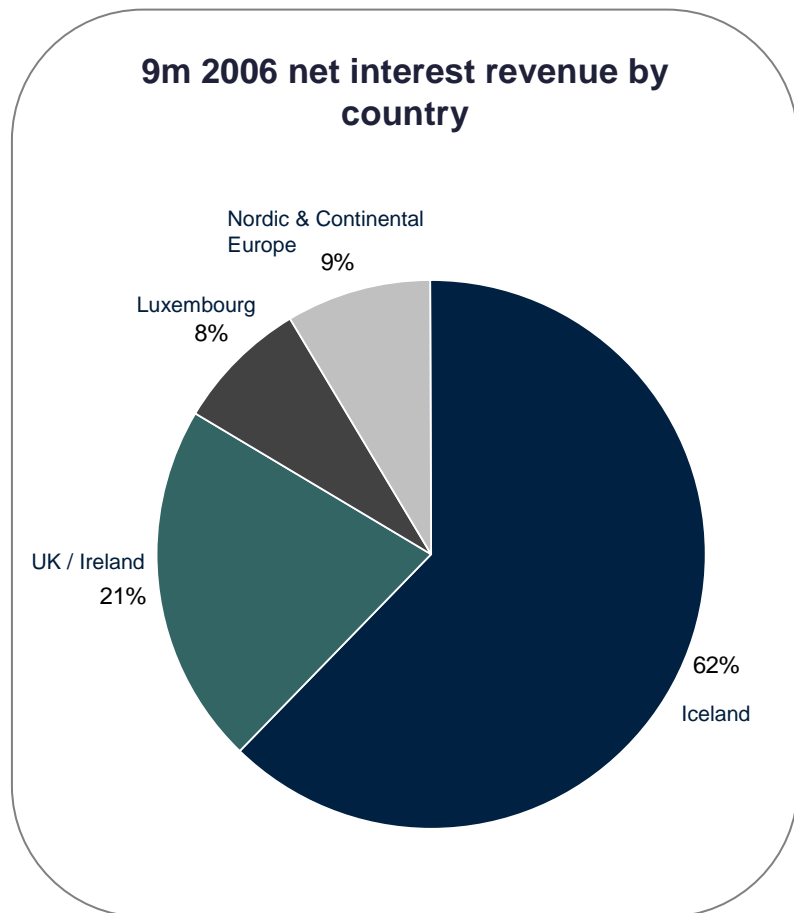
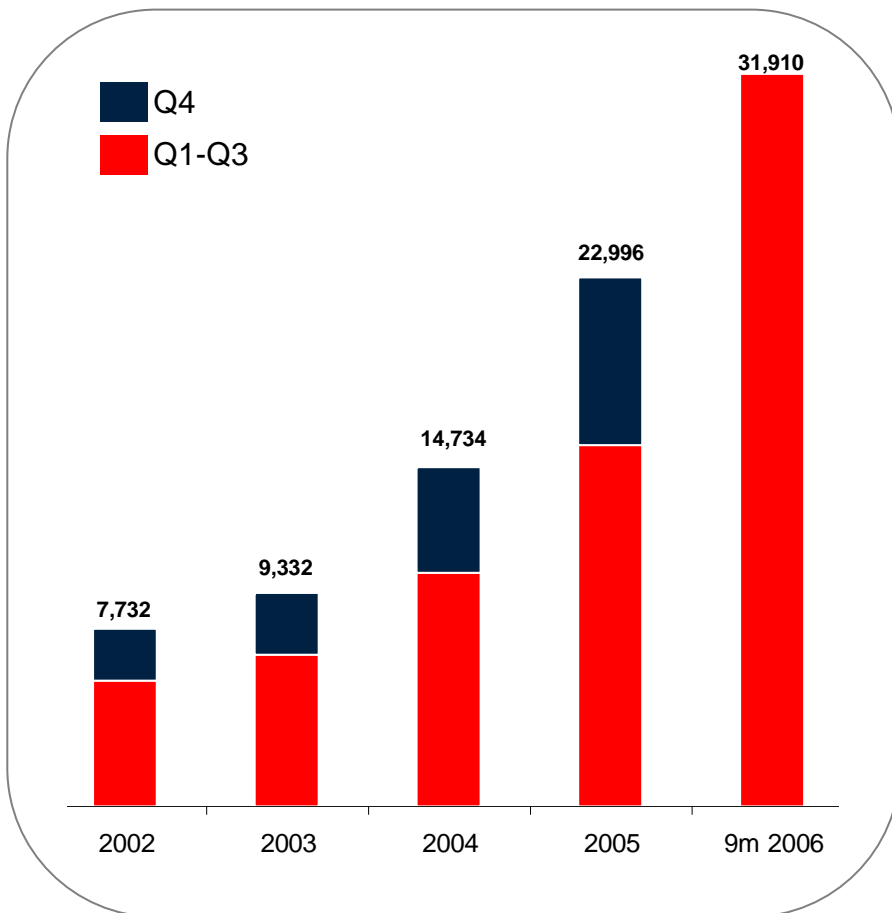
		9m 2006	9m 2005	Diff	%	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Net interest revenues	(€ 368m)	31,910	15,741	16,169	103%	9,314	13,662	8,934	7,255
Net fee and commission income	(€ 235m)	20,368	11,965	8,404	70%	6,568	6,943	6,857	4,761
Net financial income	(€ 142m)	12,328	13,920	-1,592	-11%	2,656	-1,478	11,150	7,337
Net operating revenues	(€744m)	64,607	41,626	22,981	55%	18,538	19,127	26,942	19,352
Salaries and related expenses	(€ 201m)	17,469	8,546	8,922	104%	5,963	6,256	5,249	4,136
Administrative expenses	(€ 116m)	10,089	5,352	4,737	89%	3,754	3,496	2,839	2,933
Operating expenses	(€318m)	27,557	13,898	13,659	98%	9,717	9,752	8,088	7,069
Impairment on loans and advances	(€ 55m)	4,812	4,392	421	10%	1,597	1,660	1,555	1,805
Profit before taxes	(€371m)	32,237	23,336	8,901	38%	7,224	7,714	17,299	10,479
Impairment on goodwill	(€ 0m)	0	3,293	-3,293	-100%	0	0	0	-259
Income tax	(€ 70m)	6,075	3,836	2,239	58%	1,480	1,572	3,023	1,929
Net profit	(€301m)	26,162	16,208	9,955	61%	5,744	6,143	14,276	8,809
Attributable to:									
Net profit	(€ 291m)	25,242	16,006	9,236	58%	5,281	5,966	13,995	8,734
Minority interests	(€ 11m)	920	202	718	355%	463	177	280	75

ISK million

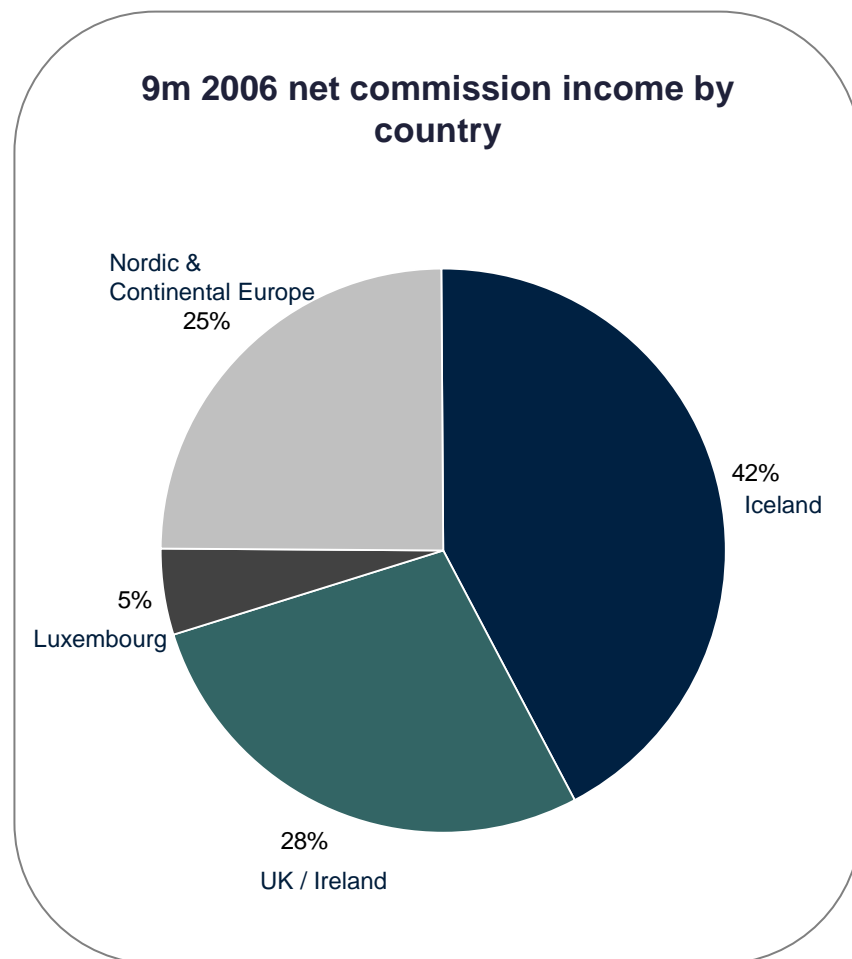
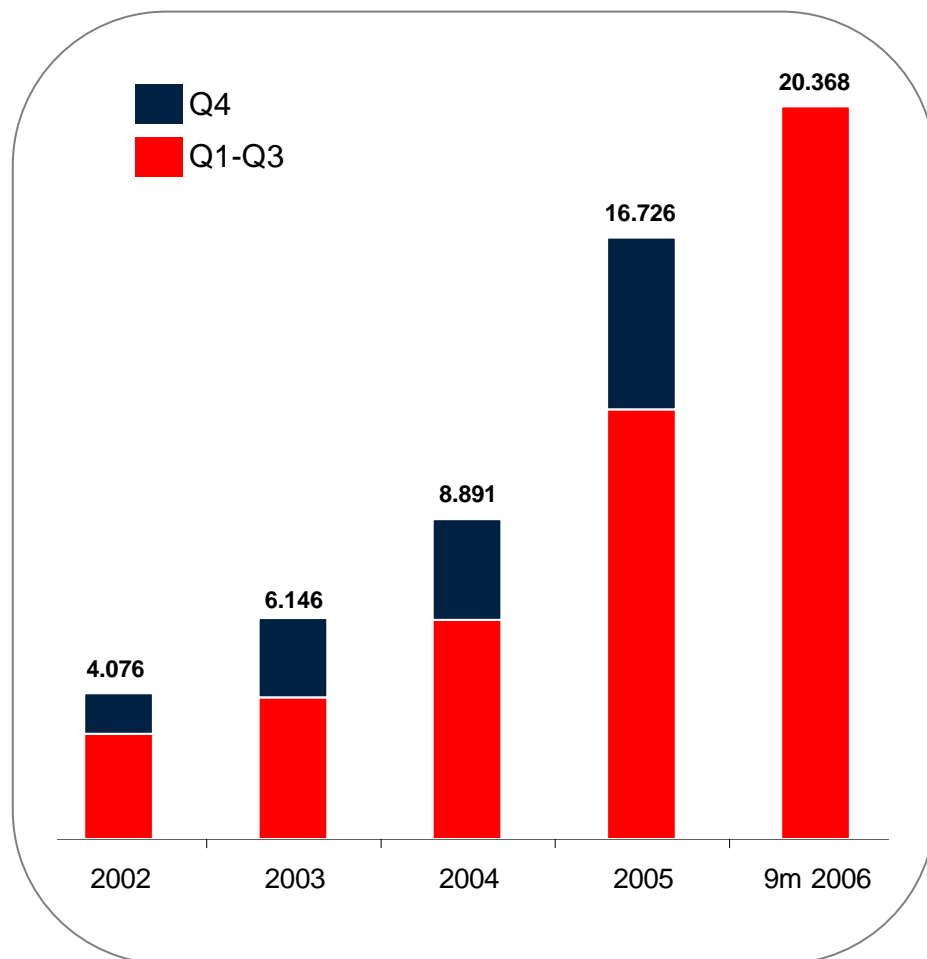
Interest Spread as a Ratio of Average Total Assets Position



Net Interest Income

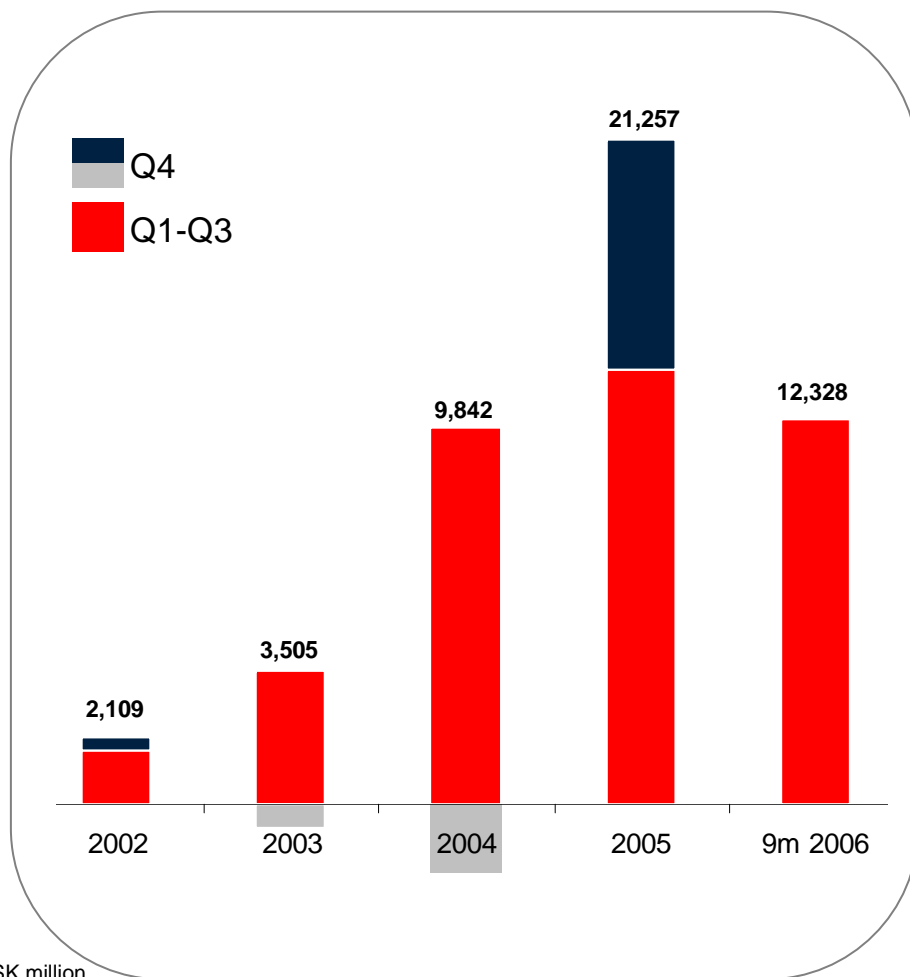


Net Commission Income



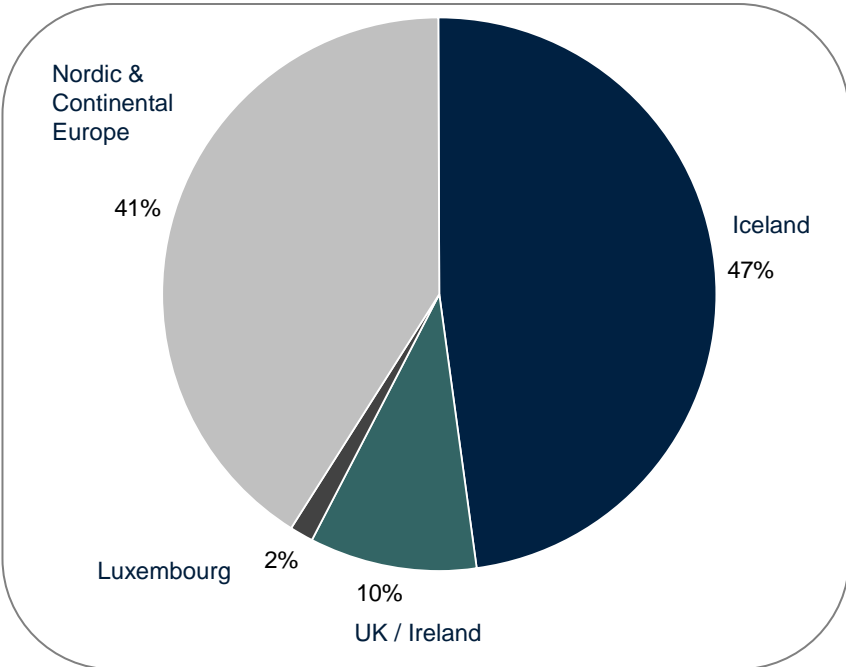
ISK million

Net Financial Income



Split of net financial assets based on origin

Revenue from equities	12,173
Revenue from bonds	249
Revenues from foreign exchange	-205
Other	111
Total	12,328



ISK million

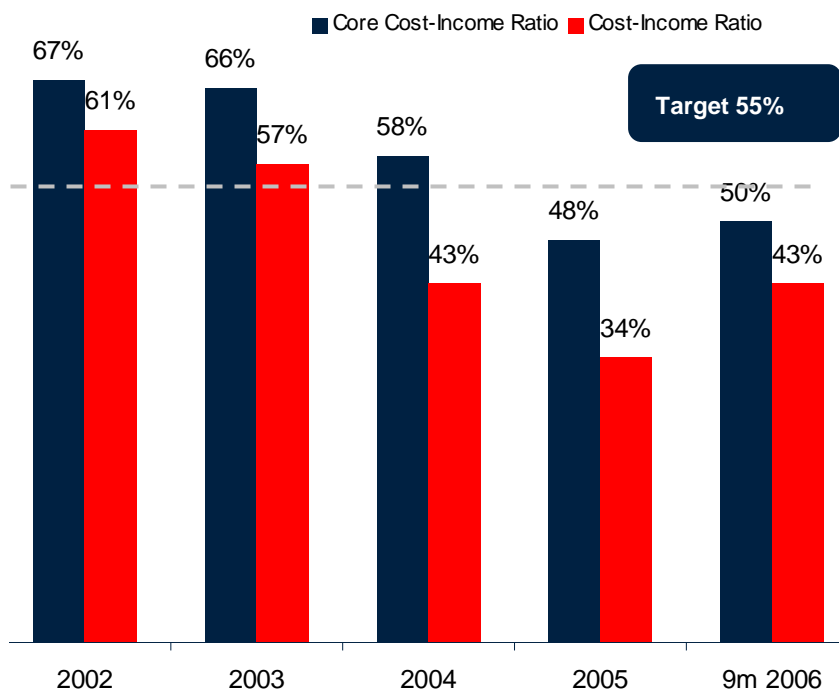
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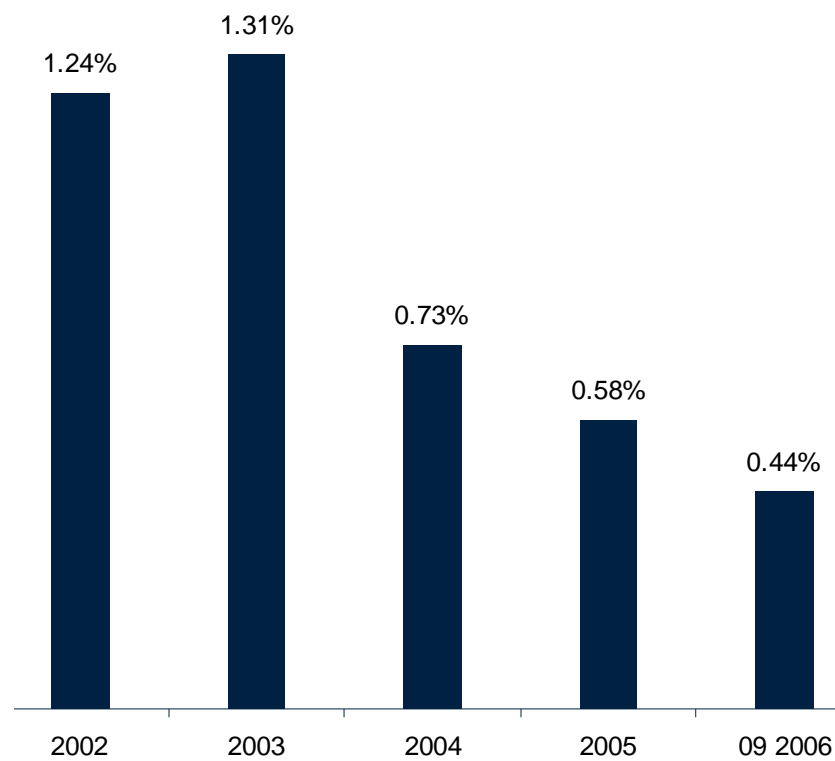
ISK million

Cost-Income Ratio & Impairment on Loans and Advances

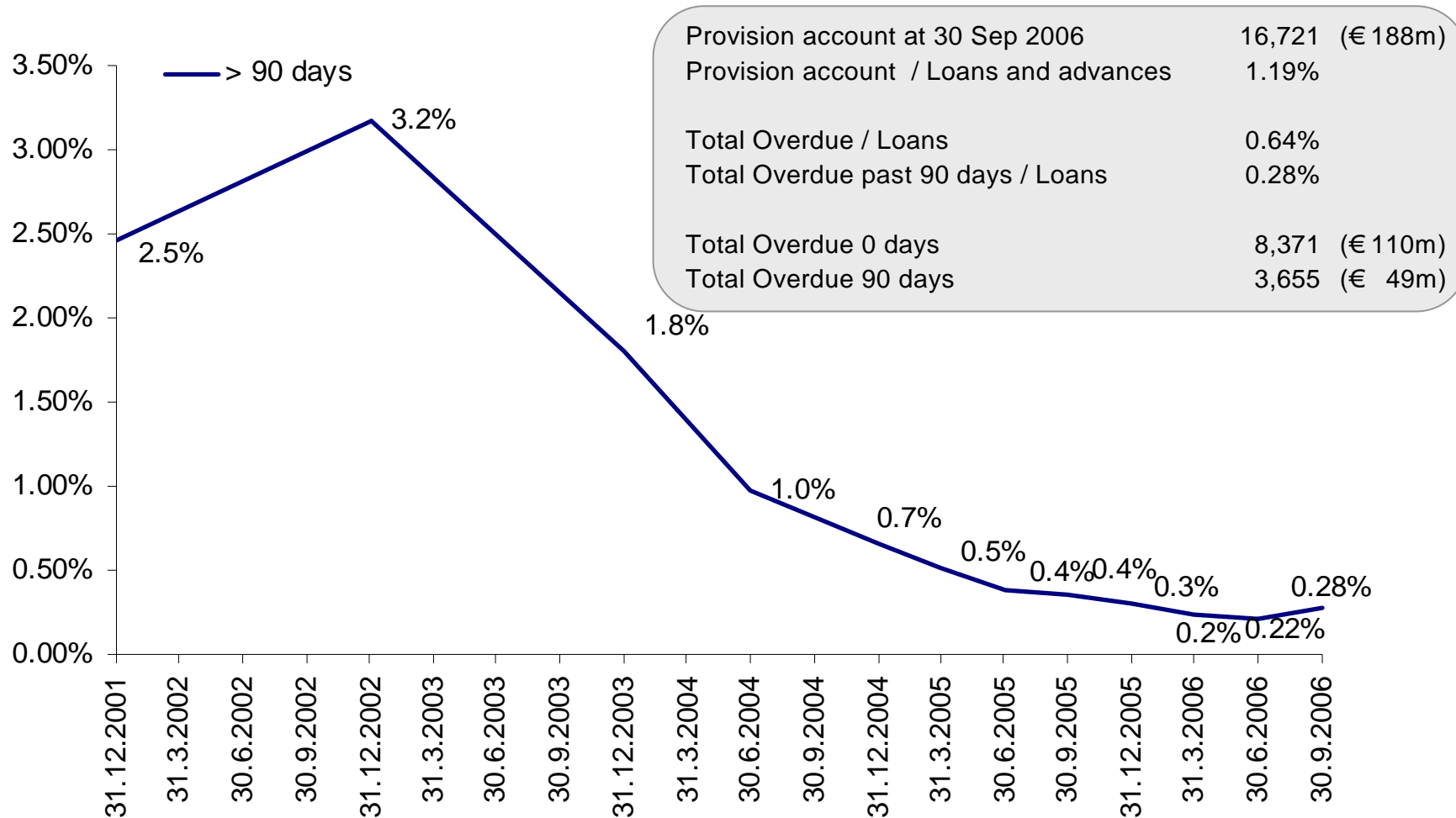
Core Cost-Income ratio vs. Cost-Income ratio



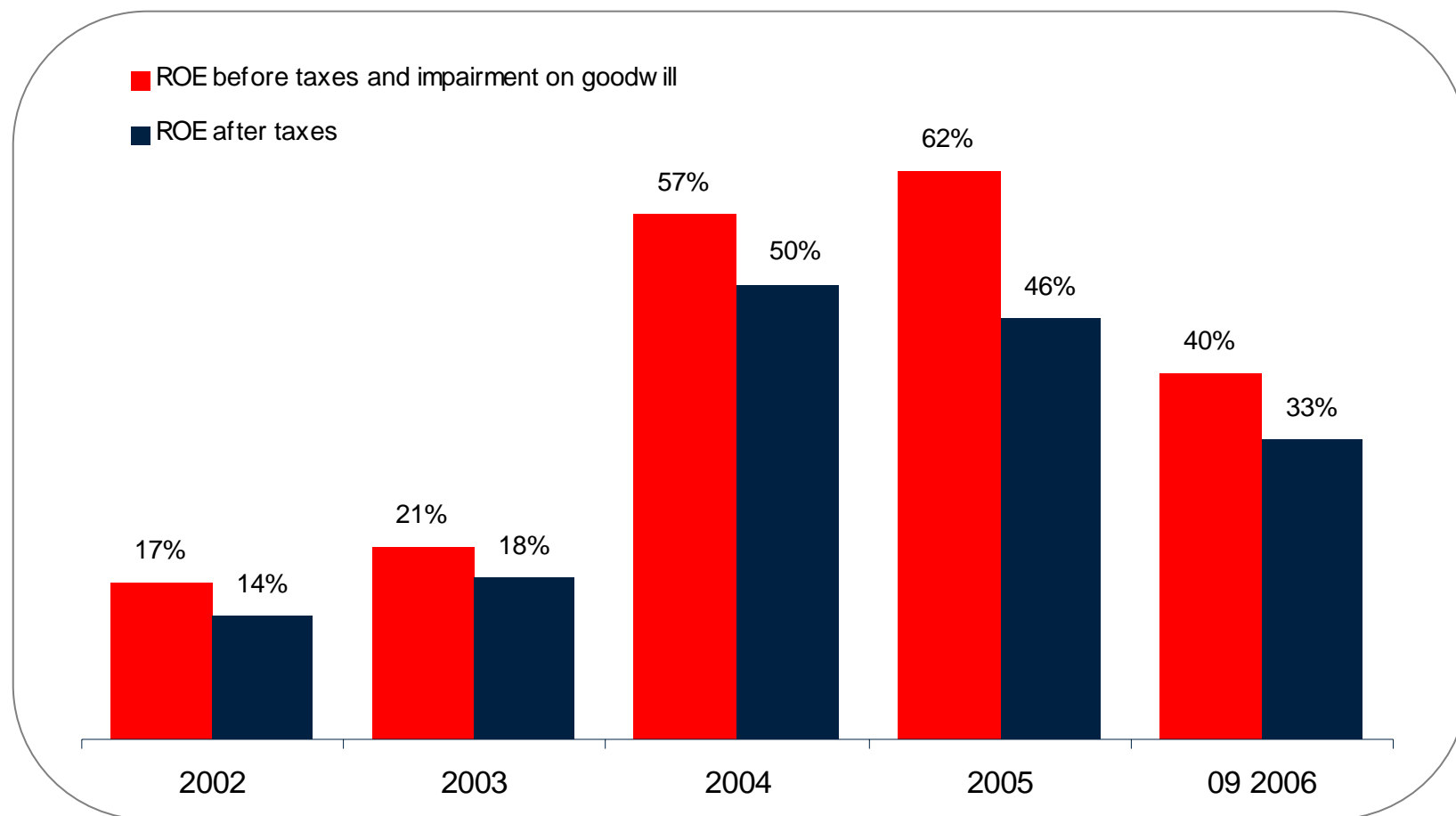
Impairment on loans & advances



Past Due as a Portion of Total Lending

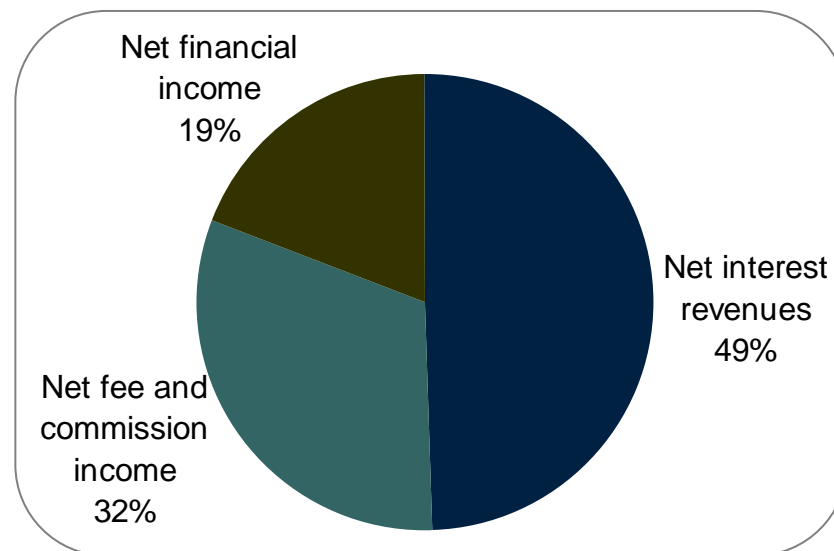
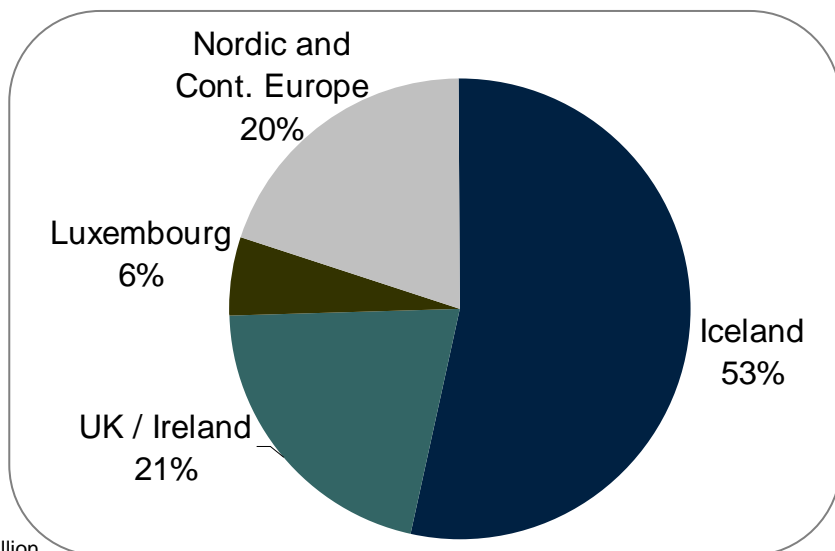


Return on Equity



Revenue Breakdown by Country

9m 2006	Iceland	UK / Ireland	Luxembourg	Nordic and Continental Europe	Total
Net interest revenues	19,897	6,806	2,420	2,787	31,910
Net fee and commission income	8,614	5,650	1,027	5,077	20,368
Net financial income	5,904	1,176	193	5,055	12,328
Net operating revenues	34,416	13,633	3,639	12,918	64,607
Share in net operating revenues	53%	21%	6%	20%	

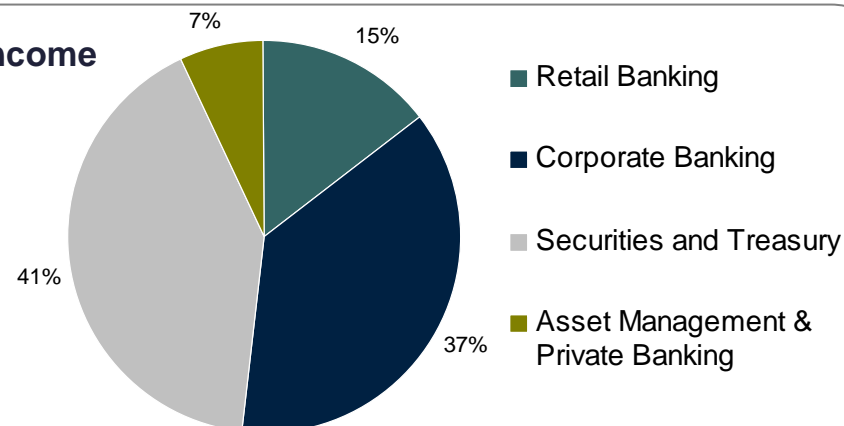


ISK million

Business Segments



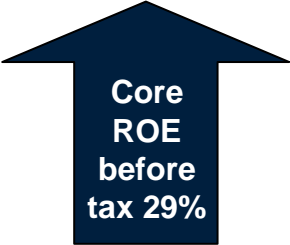
9m 2006	Retail Banking	Corporate Banking	Securities and Treasury	Asset Management & Private Banking	Other	Group
Net interest revenue	11,029	16,317	2,382	2,181	0	31,910
Net commission and fees	2,235	1,852	14,000	2,281	0	20,368
Net financial income	-10	36	12,047	255	0	12,328
Net operating revenue	13,255	18,204	28,430	4,718	0	64,607
Operating expenses	6,839	3,837	13,473	2,292	1,116	27,557
Impairment on loans and advances	1,227	2,149	1,304	131	0	4,812
Profit before income tax	5,189	12,218	13,653	2,294	-1,116	32,237

Profit before income tax:



ISK million

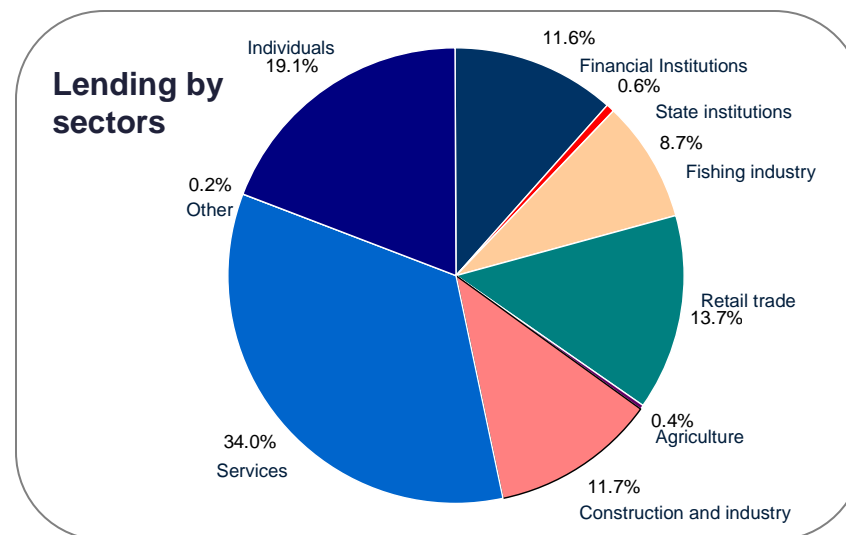
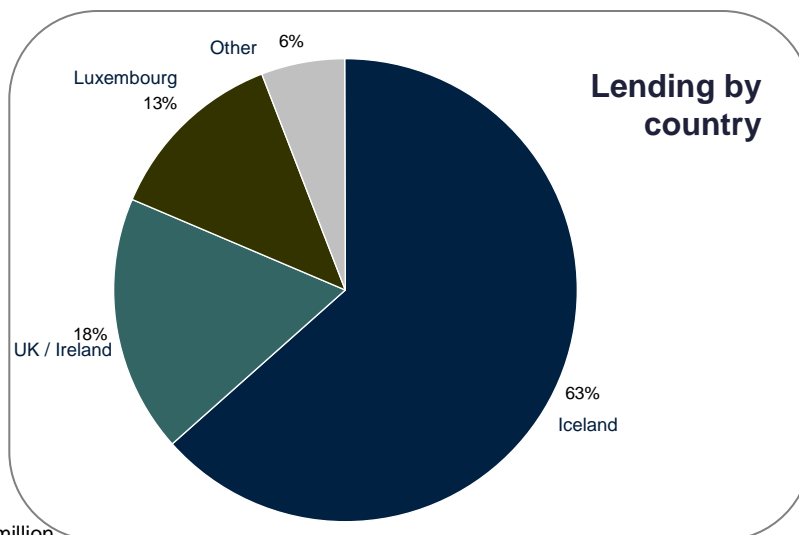
Core Income

	Actual Income	9m 2006	2005	2004	
 <p>Profit before tax EUR 371 m</p>	Net interest revenues	(€ 368m) 31,910	22,996	14,734	
	Net commissions and fees	(€ 235m) 20,368	16,726	8,891	
	Net gain on equity, securities and FX	(€ 142m) 12,328	21,257	9,842	
	Net operating revenues	(€744m) 64,607	60,978	33,467	
	Operating expenses	(€ 318m) 27,557	20,967	14,460	
	Impairment on loans and advances and assets held for sale	(€ 55m) 4,812	6,197	4,485	
	Impairment on goodwill	(€ 0m) 0	3,033	0	
	Profit before income tax	(€371m) 32,237	30,781	14,521	
	Cost Income Ratio		43%	34%	43%
	ROE before tax		40%	56%	57%
 <p>Core profit before tax EUR 267 m</p>	Adjustments				
	Net interest revenues	(€ 37m) 3,221	3,652	1,200	
	Net gain on equity, securities and FX	(€142m) -12,328	-21,257	-9,842	
	Impairment on goodwill	(€ 0m) 0	3,033	0	
	(€105m) -9,108	-14,572	-8,642		
 <p>Core ROE before tax 29%</p>	Core Income				
	Profit before income tax	(€267m) 23,129	16,210	5,879	
	Core Cost Income Ratio		50%	48%	58%
	Core ROE before tax		29%	30%	23%

ISK million

Balance Sheet – Assets 30 September 2006

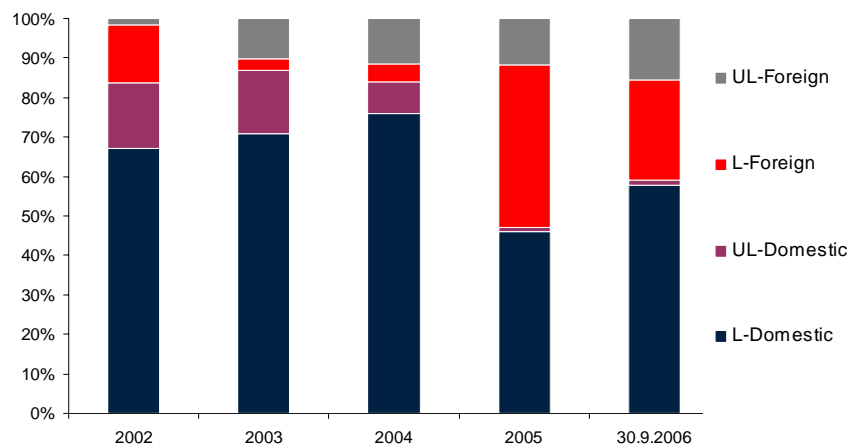
		30 Sep 2006	31 Dec 2005	Change	%	Real chg %
Cash and cash balances with Central Bank	(€ 289m)	26	17	9	55%	42%
Loans and advances to financial institutions	(€ 1,900m)	169	87	82	94%	73%
Loans and advances to customers	(€ 14,660m)	1,304	985	319	32%	16%
Bonds and debt instruments	(€ 1,187m)	106	52	54	105%	83%
Shares and equity instruments	(€ 582m)	52	58	-7	-11%	-19%
Hedged securities	(€ 1,268m)	113	130	-17	-13%	-20%
Derivatives held for trading	(€ 396m)	35	14	21	154%	125%
Derivatives held for hedging	(€ 69m)	6	5	1	31%	10%
Intangible assets	(€ 148m)	13	10	3	26%	15%
Other assets	(€ 1,564m)	139	49	90	185%	153%
	(€22,063m)	1,962	1,405	557	40%	23%



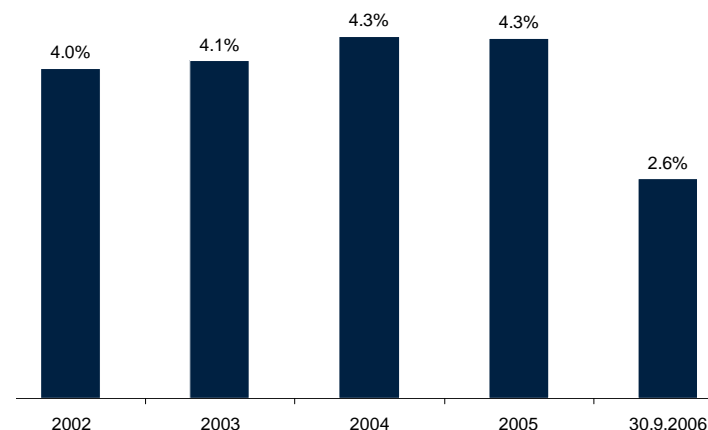
ISK million

Net Equity Position of Landsbanki

Shares and equity instruments



Equity exposure as % balance sheet



30 Sep 2006

31 Dec 2005

Domestic Shares:

	2006	%	2005	%
Listed	29.9	57.7%	26.8	46.0%
Unlisted	0.7	1.3%	0.7	1.2%

Foreign Shares:

	2006	%	2005	%
Listed	13.1	25.4%	23.9	41.1%
Unlisted	8.1	15.6%	6.9	11.8%

51.7 100.0%

58.3 100.0%

€582m

€780m

Equity exposures

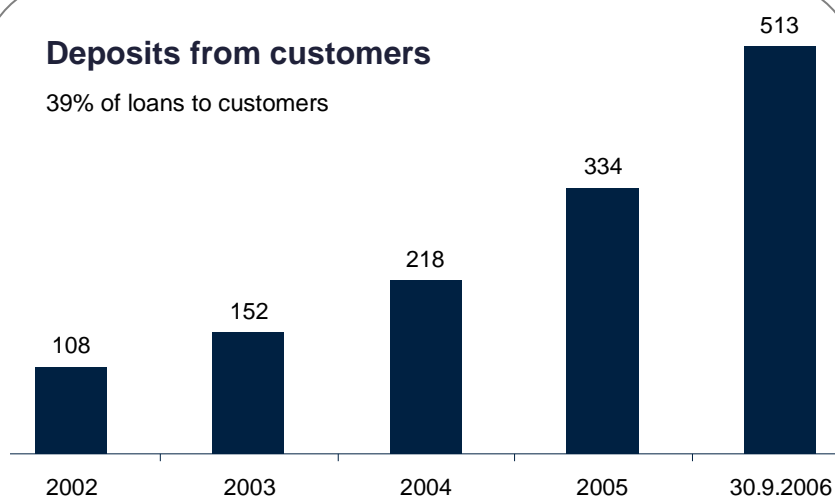
- Landsbanki intends to keep its equity exposure below 3% of total assets
- Landsbanki will sell its stake in Straumur Burdaras Investment Bank in Q4 2006, reducing even further its exposure to equities

Balance Sheet – Liabilities and Equity 30 September 2006

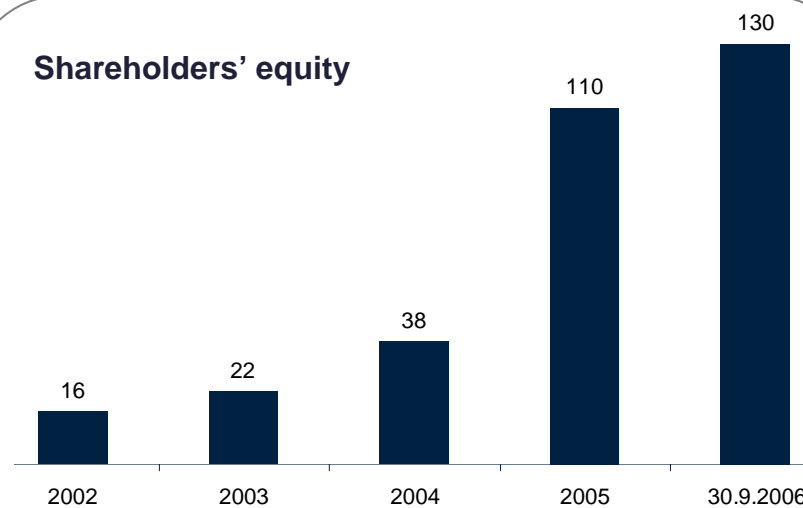
		30 Sep 2006	31 Dec 2005	Change	%	Real chg %
Deposits from credit institutions	(€ 1,092m)	97	145	-47	-33%	-41%
Deposits from customers	(€ 5,769m)	513	334	179	54%	41%
Borrowing	(€ 11,017m)	980	690	290	42%	21%
Subordinated loans	(€ 966m)	86	49	37	75%	48%
Other liabilities	(€ 1,706m)	152	74	78	105%	83%
Minority interest	(€ 52m)	5	4	1	31%	31%
Shareholders' equity	(€ 1,460m)	130	110	20	18%	18%
	(€22,063m)	1,962	1,405	557	40%	23%

Deposits from customers

39% of loans to customers

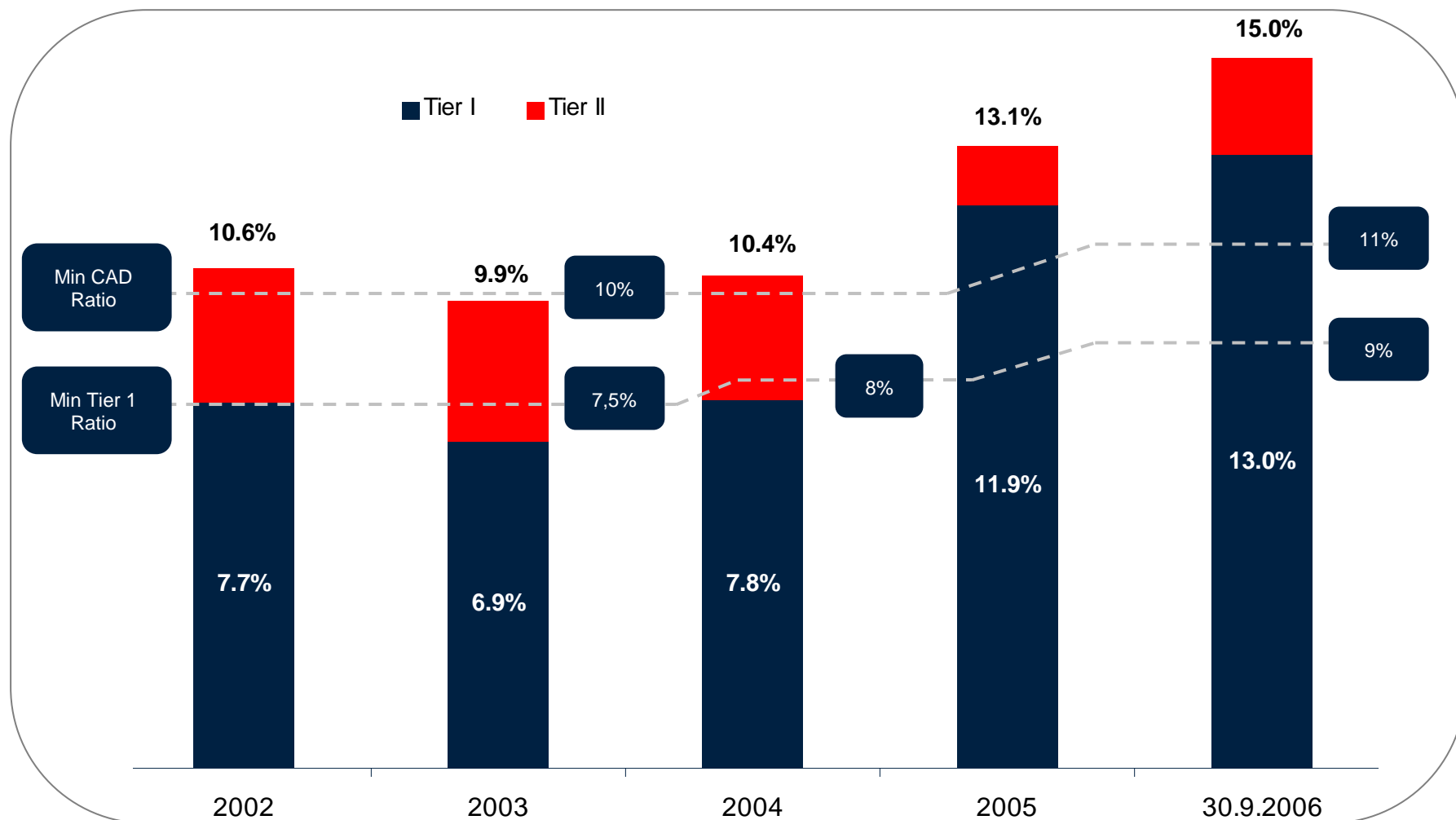


Shareholders' equity



ISK billion

Equity Ratio - CAD



Outlook

- 9m 2006 – a record profit in Landsbanki's history
- Solid platform with continued increase in core banking income
- Diversified revenue streams both by countries and business lines
- Solid asset quality with strong provisioning account and effective risk control
- Positive trends in net interests income and commissions along with efficient operations
- Focus on profitability and growing and consolidating the platform
- Uncertainty about Icelandic market environment that however seems to be stabilising

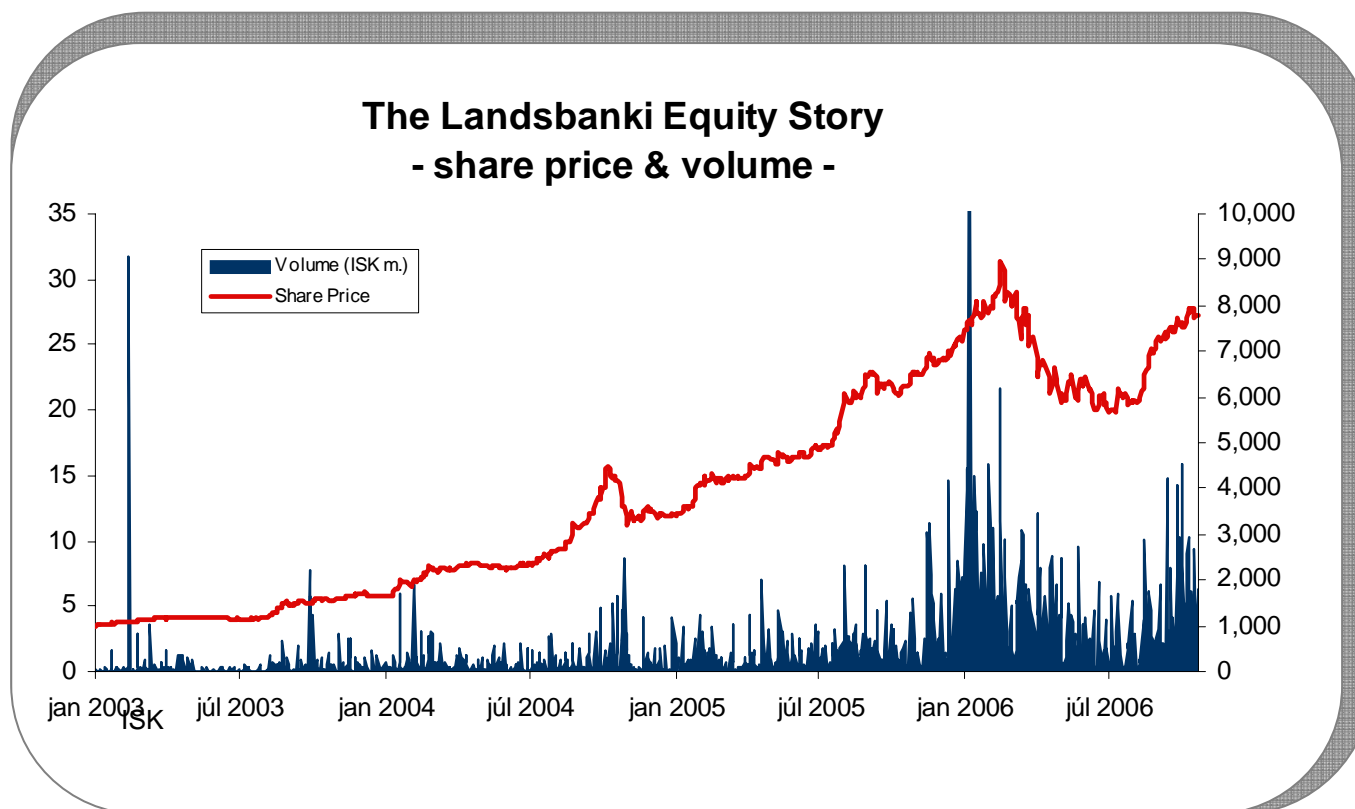
The Equity Story

Good share liquidity – Landsbanki one of the most actively traded stocks on ICEX

Share Price 26.9
Market Cap ISK 296 bn
Equity ISK 130 bn

Volume YOY 2005:
ISK 128.5 billion
(10,175 transactions)

Volume YTD 2006:
ISK 273.9 billion
(20,386 transactions)



- ① Q3 2006 Results Confirm Strong Underlying Profitability
- ② **Economic Adjustments Proceeding Well**
- ③ Successful Diversification of Funding Sources

Strong fundamentals and Sound Risk Management

1

Strong Q3 financial results – core income demonstrates strong underlying profitability and continued good performance

2

The Bank's domestic operating environment is stabilising with benign operating conditions

3

Major funding initiatives implemented through geographical diversification and new deposit programs

4

Strategic integration and consolidation of operational platforms proceeding well

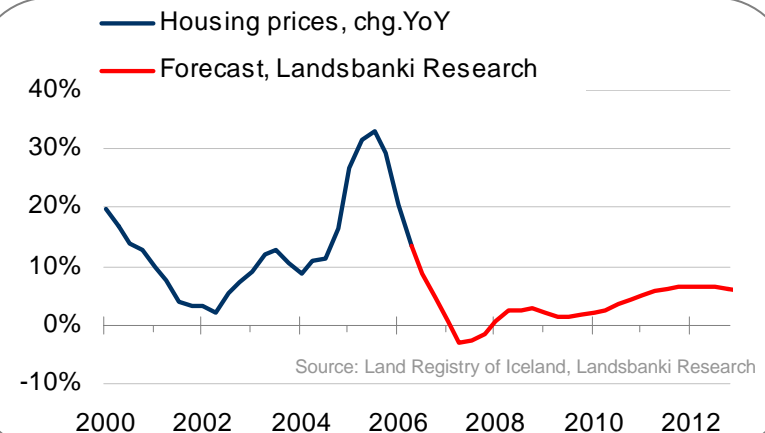
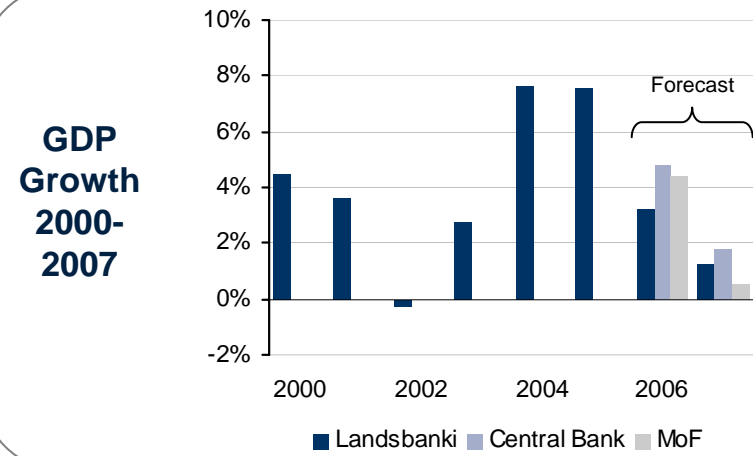
Strong Fundamentals and Diminished Risks Point to Soft Landing

- Market developments since H1 results:
 - Currency stabilising near long term equilibrium
 - ICEX-15 share price rebounded
 - Housing prices levelling off
- Fiscal performance has remained strong during first half of 2006:
 - Surplus amounted to about 3% of annual GDP, up from about 1.5% during the first half of 2005
 - Net public debt to GDP ratio projected to reach less than 10% of GDP by year-end 2006
- Financial markets anticipated the adjustments taking place in the economy facilitating the process of consolidation



Icelandic Economic Outlook in the Short-Term

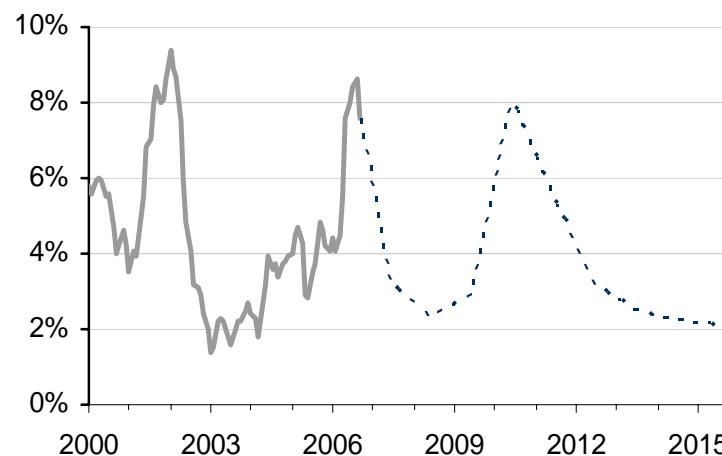
- Economic growth in 2006 expected at around 3%
- 2007 - a year of economic adjustment
 - Further slowdown in GDP growth
 - Decline in private consumption and investment
 - Cool down of housing market
 - Decreased pressure on labour market
- Current account deficit declines as exports increase
- Inflation will peak in 2006 due to effect of currency depreciation.
 - Underlying inflation forecast around 3% in 2007
 - VAT reductions on foodstuffs in early 2007 will temporarily drive headline inflation down to zero



Medium-Term Economic Outlook in Iceland 2008 - 2015

- Large scale foreign investments in the industrial sector likely to lead economic growth in 2008-2010
- Strong currency and labour market flexibility should support inflation target
- Foreign investments expected to peak in 2010, amounting to around 5 - 6% of GDP, compared with current 10% of GDP
- Further currency alignment likely to occur towards 2010 - 2011
- GDP growth and inflation will likely slow down in 2011-2015.
- Current account balance expected to remain constant at around 3% of GDP

Inflation Forecast 2006-2015



Source: Statistics Iceland, Landsbanki Research

Economic Outlook 2008-2015

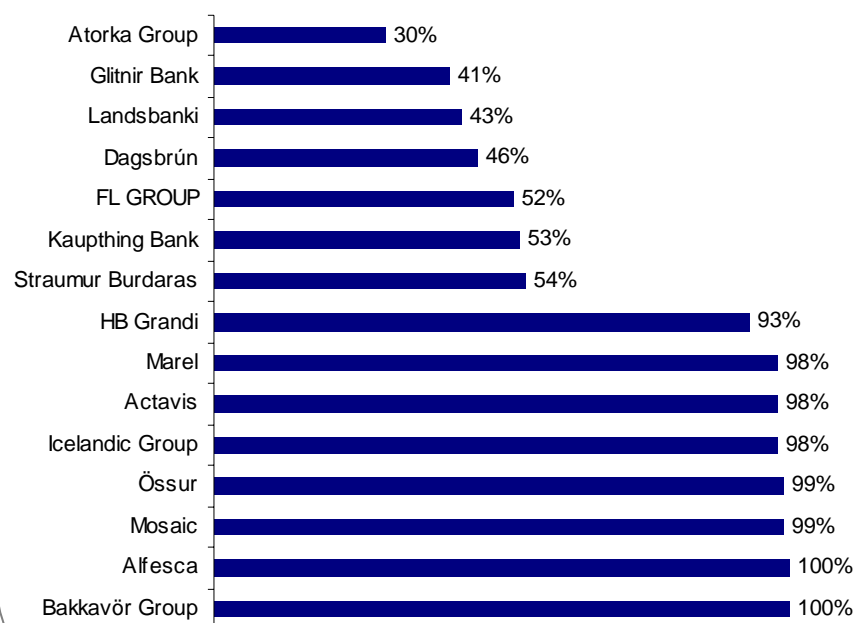
	<u>2008-2010</u>	<u>2011-2015</u>
GDP growth, % change	5.0	2.0
Current account balance, % change	-5.7	-3.3
ISK Index (TWI)	122.0	138.5

Source: Statistics Iceland, Landsbanki Research

Effects of Economic Adjustments on Domestic Customer Base

- Landsbanki – well hedged against cyclical economic developments
- Households – debt service mitigated through indexation
 - Full employment forecasted
 - Increase in disposable income
- Corporates – limited effects and some partly positively affected by foreign currency earnings
 - 2/3 of Icelandic banking activity is international and thus foreign currency denominated
 - About 75% of cash flow of ICEX listed companies is denominated in foreign currencies, 80-90% excluding the banks
 - Around 90% of foreign currency borrowers have foreign currency hedges
- Consequently, the overall operating environment of Landsbanki will remain favorable, despite economic adjustment in Iceland

Estimated foreign earnings 2006 as a ratio of total income of largest ICEX-15 corporates

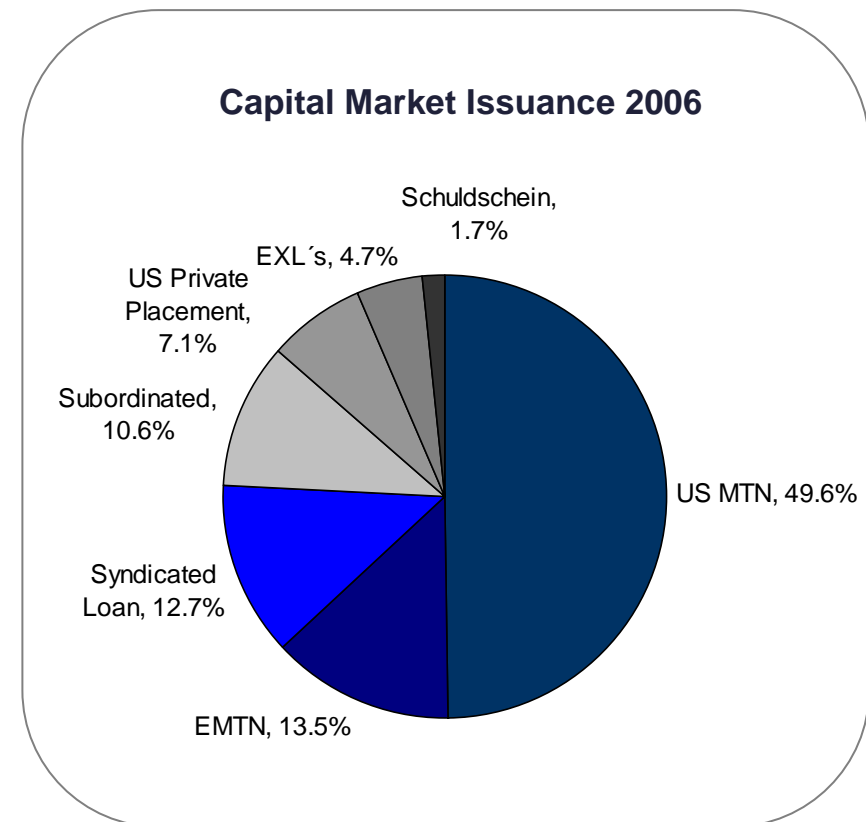


Source: Landsbanki Research

- ① Q3 Results Confirm Strong Underlying Profitability
- ② Economic Adjustments Proceeding Well
- ③ **Successful Diversification of Funding Sources**

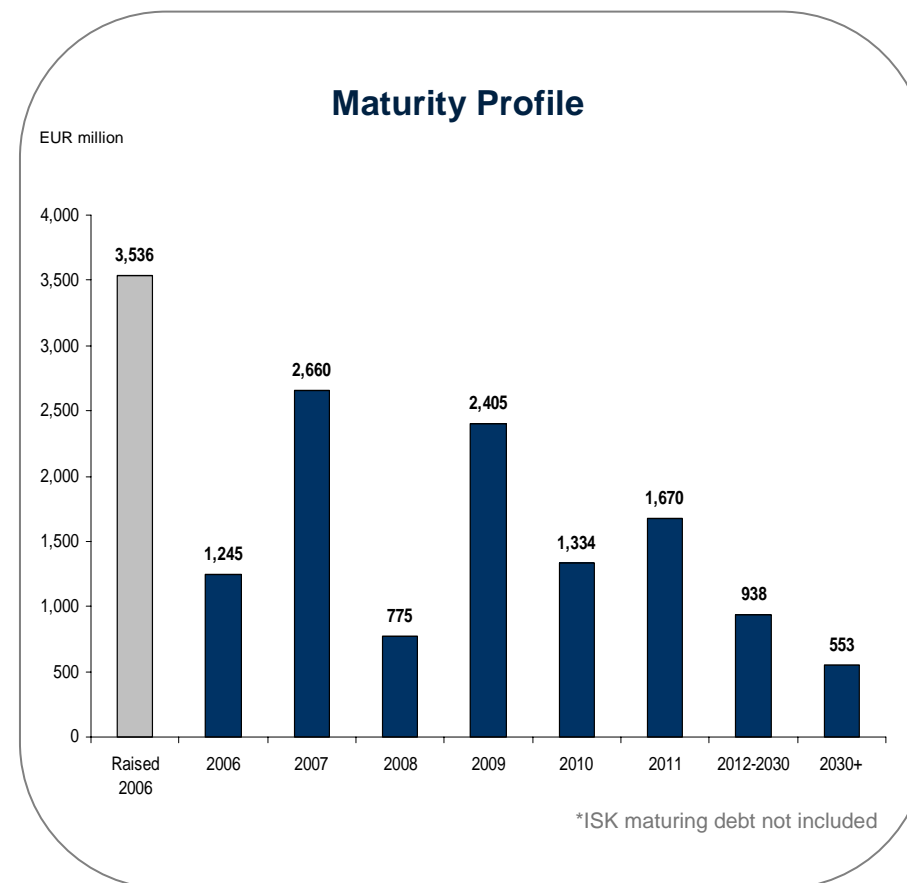
Efficient Diversification of Funding Sources

- Continued emphasis on geographic diversification
- A diversified group of 606 investors have participated in Landsbanki's public issues to date
- Successful establishment of debt programmes
 - EUR 11 billion EMTN Programme
 - USD 7.5 billion US MTN Programme
 - EUR 500 million ECP Programme
- New deposits initiatives implemented
- Securitisation potential pursued



Successful Market Funding Activities in 2006

- Total senior and subordinated international funding raised to date is EUR 3.5 billion
 - Finalized two-tranche USD 2.25bn public deal in the US
 - Completion of EUR 600m two-tranche syndicated facility
 - Finalized first USPP of USD 300m
 - Issuance of Tier 1 subordinated notes of EUR 375m
- Landsbanki has pre-funded 85% of its long-term debt maturing in 2007
- Average maturity profile of long-term outstanding debt is lengthening
- Long-term debt maturing until year-end 2008 amounts to EUR 3.8 billion compared to liquid assets of EUR 5.7 billion at 30 Sep 2006



A Benchmark Syndicated Facility Paved the Way

- Launch of EUR 300m syndicated facility in July
- Upsized to EUR 600m through oversubscription - a benchmark deal for the syndicated loan market
 - Two tranche: EUR 450m term loan and EUR 150 ECP backstop
 - Margin of 32.5 bps and 14 bps commitment fee
- A total of 28 financial institutions from 16 countries joined the facility

Lead Arrangers

Banc of America	Lloyds TSB
Bayern LB	The Royal Bank of Scotland
Deutsche Bank	

Arrangers

Citigroup
 Credit Suisse
 Dresdner Bank
 DZ Bank
 Fortis
 HSBC Bank
 ING Bank
 J.P. Morgan
 Societe Generale
 Sumitomo Mitsui

Lead Managers

ABN Amro
 Banca Monte dei Paschi di Siena
 Bank Austria Creditanstalt
 BBVA
 Caixa Geral de Depósitos
 Raiffeisen Zentralbank Österreich
 Sanpaolo IMI Bank Ireland

Co- Arrangers

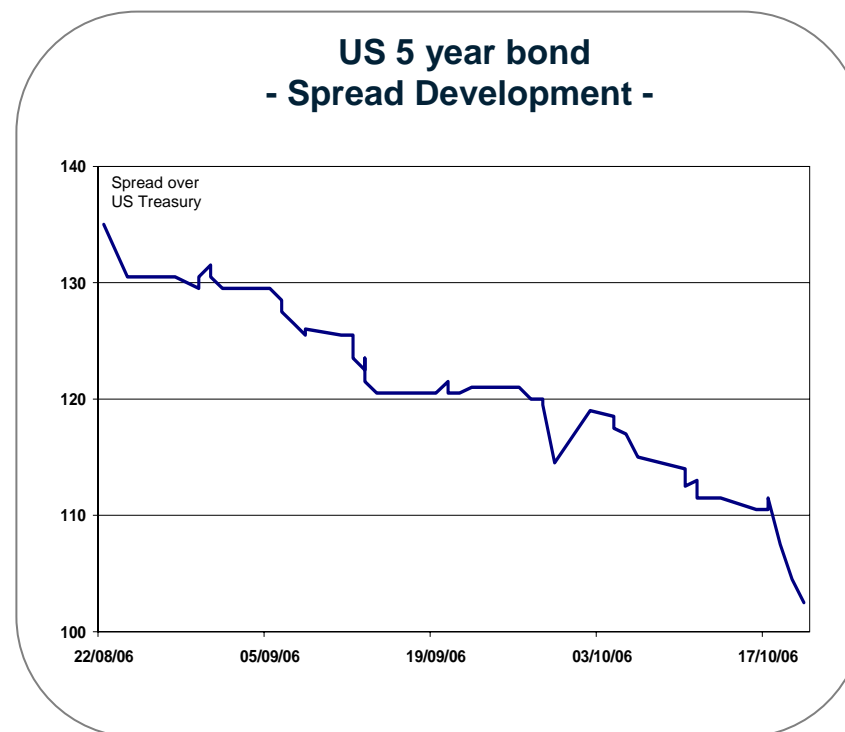
The Bank of Tokyo-Mitsubishi
 Commerzbank
 HSH Nordbank
 United Overseas Bank Limited

Managers

Salzburger Landes-Hypothekenbank
 Sampo Bank

First Yankee Bond Issuance - USD 2.25bn in August

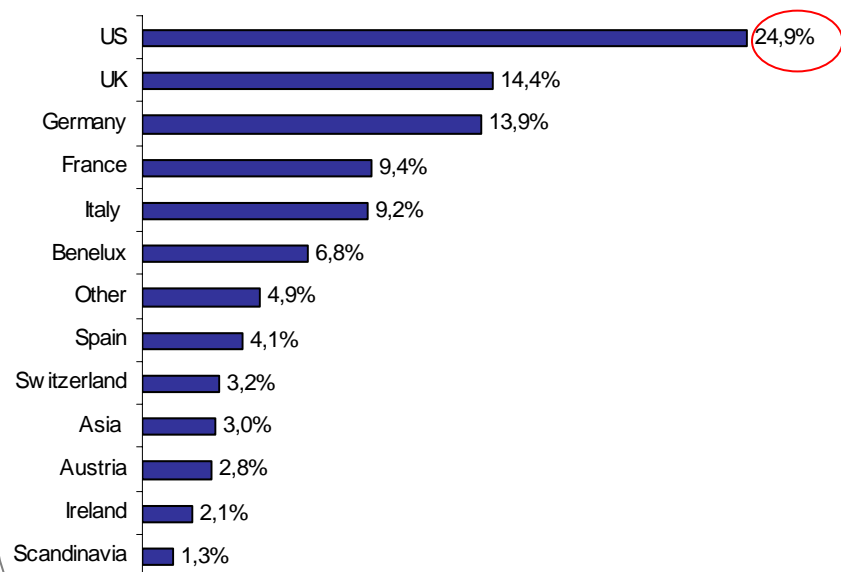
- The largest Icelandic bank bond issue in the Capital Markets at the time
- Total orders around US\$ 4.0bn and over 100 investors - Issuance increased from planned US\$1.0bn to US\$2.25 bn
 - Tranche A: 3 year USD 750m FRN priced at swaps+ 70bps
 - Tranche B: 5 year USD 1.500m Fixed Rate Note priced at Treasuries +135bps.
- Strong secondary market performances
 - 25-30 bp. tightening since launch
- Objective of Yankee issuance
 - to diversify Landsbanki's investor base.
 - to prefund 2007 maturities in order to allay investor concerns about refinancing in 2007.
 - help CDS and secondary spreads tighten in



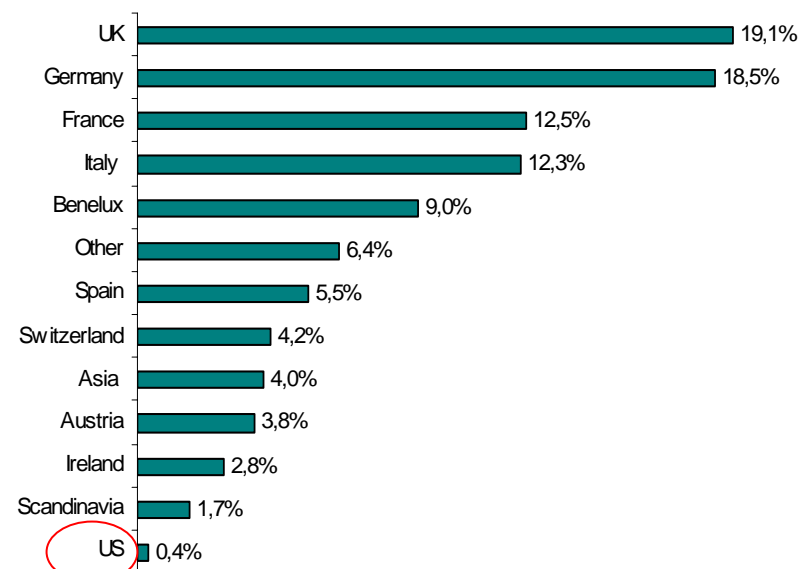
- Bank of America, Citigroup and Deutsche Bank were Lead Arrangers and joint bookrunners on the transaction

Geographic Diversification of Market Funding

Loan distribution by country - Q3 2006




Loan distribution by country - Q3 2005

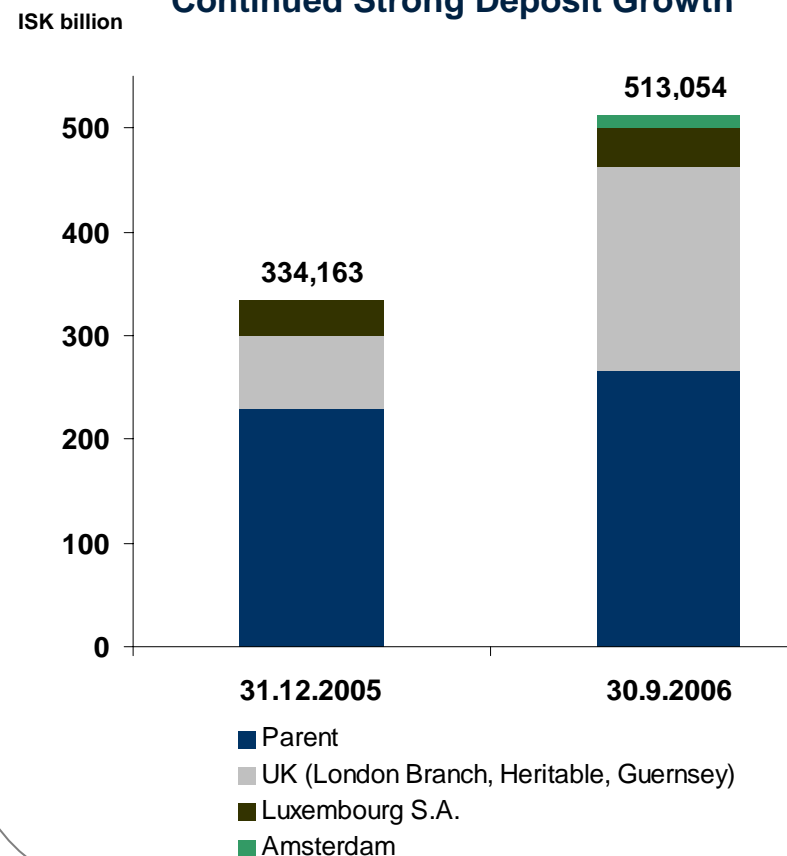


The charts show investor participation in Landsbanki's primary public bonds issues only and do not take into consideration investors who hold Landsbanki paper through buying on the secondary market




Implementation of Deposit Initiatives

- Strong deposit growth with increases of 54% in Sep 2006 from Dec 2005
- Landsbanki continues to be the leading domestic deposit-taking bank with a market share of 30.7% at 30 Sep 2006
- Significant growth in overseas based wholesale and retail deposits
 - Deposit-taking at Amsterdam Branch established in 2006
 - Deposit-taking at London Branch growing fast
 - Landsbanki Luxembourg - stable growth of deposits in PB operations
 - Heritable Bank is fully deposit funded
- Landsbanki acquired Cheshire Guernsey in August as a platform for further international deposits
- Latest development  PART OF LANDSBANKI, REYKJAVIK, ICELAND

ISK billion **Continued Strong Deposit Growth**



New Deposit Initiatives – Launch of

-  , an easy-access Internet savings account launched Oct.10th
- Overseen by Heritable,  is operated through London branch and back office operations outsourced to Newcastle Building Society
- Well-received in market place and featured in all the best-buy tables
- Deemed by market commentators to be one of the best deposit programs
- A broader selection of new  savings products to follow

Icesave looks a hot deal

The Times, Sunday 15 Oct. 2006

Time for savers to get their skates on

Cover story:
The heat is on
as an Icelandic
bank opens in
the UK. Rupert
Jones reports

The Guardian, Saturday 14 Oct. 2006

a cooler way to invest.

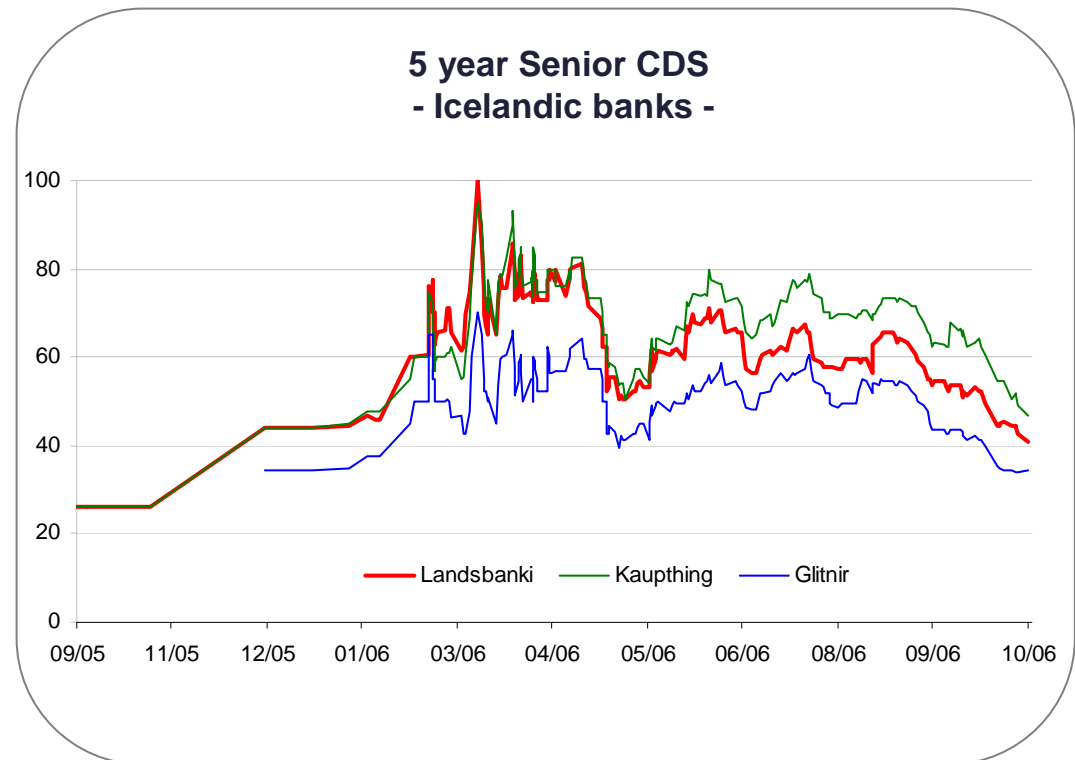
5.20%
gross p.a./AER²

icesave.co.uk
easy access
with a guarantee³

Q3 Marked by Favourable Trends in CDS Market - Spreads Tightening

CDS spreads closing in on original level as a result of:

- Proactive strategic measures
 - Lower market risk
 - Increase deposit base
 - Consolidation of operations
- Successful diversification of international funding with respect to sources and geography
 - Strongly supported EUR 600m syndicated loan at the end of July
 - Successful USD 2.25 billion Yankee bond issuance at the end of August
- Increased transparency and communication with market participants



Continued Implementation of a Focused International Strategy

- ✓ Subsidiary operations now part of common branding strategy
- ✓ New banking assets with deposit base acquired
- ✓ Existing specialty lending operations and deposit taking business has expanded
- ✓ Strategic co-operation and consolidation of corporate and investment Banking platforms implemented
- ✓ Corporate advisory and corporate finance capabilities strengthened

International Strategy

Growing international banking based on new funding strategies

Platform for European corporate & investment banking services

Strong Fundamentals and Sound Risk Management

- 1 Strong Q3 financial results – core income demonstrates strong underlying profitability and continued good performance**
- 2 The Bank's domestic operating environment is stabilising with benign operating conditions**
- 3 Major funding initiatives implemented through geographical diversification and new deposit programs**
- 4 Strategic integration and consolidation of operational platforms proceeding well**

120 ¹⁸⁸⁶/₂₀₀₆

Thank you

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