

Landsbanki's Annual General Meeting

Reykjavík, 23 April 2008

Björgólfur Guðmundsson, Chairman of the Board of Landsbanki: It gives me great pleasure to welcome so many of Landsbanki's shareholders and other guests here today. While not all 27,750 shareholders are here, this appears to be the core of our group. Let us address the agenda. First of all we need to elect the meeting chair and I suggest Kjartan Gunnarsson, Vice-chairman of the Board of Directors. If there are no other proposals – and there do not seem to be any – Kjartan is elected unanimously.

Kjartan Gunnarsson, Vice-chairman of the Board of Directors: Thank you chairman, ladies and gentlemen. I would like to propose Ársæll Hafsteinsson for meeting secretary. Are there any other suggestions? Since there are none, this is agreed. As the AGM has been advertised in advance through legitimate means such as newspapers and radio in accordance with the company's Articles of Association and no other conditions exist for its legitimacy, I hereby declare the meeting legitimate. To minimise disruptions to meeting proceedings I kindly request that attendants switch their mobile phones off. The agenda has been announced and is included in documents provided for the meeting. The first item on the agenda is a report by Björgólfur Guðmundsson, Chairman of the Board, on the Bank's activities during the past year. Please proceed Mr. Chairman.

Björgólfur Guðmundsson: Landsbanki shareholders, employees, and other welcome guests. The last five years have been the most successful of any in Landsbanki's 121-year history. They have also been good years for the Icelandic economy as a whole, with energetic advances and accomplishments on the home front facilitated and magnified by external conditions that for most of that period were favourable. Landsbanki has taken advantage of the winds in its sails to grow steadily and rapidly. It has reinforced its position as a universal bank, serving Icelandic households and corporations, as evidenced by its ranking among the country's most popular companies in recent surveys by respected market analysts. At the same time, the bank has greatly expanded its

international corporate and investment banking services. Last year a branch was opened in Finland and an office in Hong Kong, and Norwegian operations were substantially expanded. The bank also added to its Canadian presence by opening a new office in Winnipeg, the centre of Canadian Icelandic settlement.

Success, however, is seldom a foregone conclusion. Although the energy unleashed by the banks' privatisation just over five years ago explains part of the initial success, the winds changed in the last two years, with the result that Landsbanki and, in fact, all the Icelandic banks have encountered fairly strong headwinds.

Early in 2006, Icelandic banks became aware of concerns expressed by global financial market actors, due not least to their rapid expansion. Landsbanki promptly responded to those criticisms which were constructive, reinforcing core banking activities, improving information disclosure and transparency, diversifying funding sources and taking various measures to improve its financial strength. In the summer of 2007, unrest began to spread on international financial markets with the result that the good supply of credit at favourable rates, which had existed for many years, suddenly dried up. Since that time markets have been plagued by fear and uncertainty. The supply of liquid funding has slowed to a trickle, forcing banks to cut back their lending and commitments. Securities market demand has shrunk accordingly, causing a sharp fall in asset prices.

As those of us with some experience of Iceland in previous decades can attest, the peaks and troughs of global economic cycles often tend to be more exaggerated in this small economy. This instance is no exception. When the supply of capital was plentiful on international markets, few equity indices rose higher than the Icelandic one, and Icelandic companies began to make their presence felt on markets throughout the world. Now, when a global market contraction has come, the downward slide will be deeper in Iceland than in most places.

Nonetheless Landsbanki, like the solid bank it is, has weathered the storms, for the second year in a row. And shows every sign of growing stronger for being tested. In 2007, the bank's core income rose by 21% and its after-tax profit amounted to ISK 40 billion. Profit during the final quarter was close to ISK 5

billion, a fine result, considering the difficult environment. Landsbanki, a household word in Iceland for over a century, has in my estimation demonstrated that it fully deserves the respect it has held through the years – as one of Iceland’s most dependable financial institutions.

Ladies and gentlemen.

Discussion in recent weeks and months of Icelandic economic and monetary affairs has included criticisms directed at banks and financial enterprises, with some people claiming that the banks have moved too quickly, acted irresponsibly and incautiously, and are even responsible for the current situation and the danger of economic recession, rising inflation, high interest rates and a depreciating currency. Before proceeding further, it is worth taking a look at what has happened in recent years. In tandem with the growth of financial enterprises, Iceland has witnessed a major expansion in power production and industry. Economic growth has been phenomenal. Which leads us to the question, what has this strong growth meant?

Firstly, if we look at Iceland’s gross domestic product (GDP), this rose by ISK 400 billion from 2003 to 2007, increasing from some ISK 820 billion to around ISK 1200 billion in the space of five years. In other words, during the first 1130 years of Iceland’s history we managed to increase GDP to ISK 800 billion a year, but it took us only five years more to add another 400 billion to that figure. That has to be a world record.

The national treasury has naturally not been untouched by the boom. In 2003, its income from taxes was ISK 240 billion; five years later this had increased by close to 165 billion to ISK 405 billion in 2007. The state’s income from taxes paid by individuals and corporations rose by some 70% in five years, and now we can spend ISK 26 billion more on healthcare than we did in 2003 and 13 billion more on education. Wage earners have also received their share, as average wages have risen from ISK 280,000 per month in 2003 to 420,000 in 2007. And there has been full employment, a situation which we must make sure continues.

It is only natural to ask whether we would have rather done without this growth, and accordingly, without the improvements it has made possible in

education, healthcare, cultural affairs or communications? I expect that most of you are pleased that Icelandic society has been able to afford the increased welfare which we have witnessed, and also that most of you hope that we will continue in this direction.

Nonetheless, the question remains as to whether the pace has been too rapid? Here the answer is likely to be yes. Haven't all of us made some moves during these past years that, with the benefit of hindsight, were not well advised, or which could have waited, or which did not achieve what we intended? Does this not apply equally to companies, their management, families and individuals? I am still of the opinion that we took the right course. We took advantage of favourable winds provided by the improved situation here at home and a ready supply of available capital on global markets.

Doubtless mistakes were made – but there's no way to undo those now. We can learn from them, and they can often be put to advantage if we play our cards right. Nor should we forget that the problems currently prevailing on financial markets are global – and present major challenges to practically all countries.

One of the things I have learned through the years, and would like to mention here, is that despite all the innovations and improvements on financial markets and in financial activities, the basic laws never change. Spending beyond your means comes at a price. No matter whether it is a country, a company or an individual doing the spending.

We Icelanders exist on income earned abroad. We can only spend what we earn in foreign currency. If we spend more than we earn, we end up paying for it in one way or another - with inflation, a drop in the exchange rate or some other event which forces us to tighten our belts and pay back the debt. This simple rule is just as valid as ever.

Fellow shareholders, ladies and gentlemen:

The turbulence that has developed in Iceland recently due to the international credit crisis has given me pause to reflect on what defences are available to a tiny, independent, energetic and ambitious nation, which is as dependent upon international forces as has proved to be the case. How can it improve its

defences against external setbacks, insure itself better, meet fluctuations and create greater security and stability in its economic and financial environment?

We Icelanders have successfully built up a strong, fully funded pension system, which has attracted notice and admiration throughout the world. Individuals have put aside funds for use later in life when the pace slows. This gives us reassurance and a sense of security, as well as the freedom to devote our attention to the tasks at hand.

As a nation, however, we have not shown the same foresight. We have no fund to fall back on, to meet serious setbacks such as those we are now encountering.

In my opinion, if we Icelanders intend to continue our active participation in international trade and commerce, continue to increase our income from transactions abroad, maintain an independent economy and retain the option of having our own currency, then we need to build up a strong back-up fund – a sort of national reserve fund. As the proverb says, in times of plenty, prepare for famine. The Norwegians have their oil fund, ensuring them substantial economic stability. We should establish a national fund, drawing its income from the country's natural and human resources. A national fund which could protect the economy and economic management from setbacks like those we have been subjected to in recent months.

In my opinion, the government should look into the possibility of establishing such a fund, while at the same time investigating what other steps can be taken to encourage stability in the economy and industry. It is clear to everyone that the current situation is unacceptable. No commercial enterprise can hold out for long with a policy rate over 15%, nor can any enterprise grow in the face of spiralling price levels, wildly fluctuating exchange rates and inflation surging out of control.

And even if we were to become part of a larger monetary system, and adopt a steadier currency, I would not be surprised if the optimism, energy and risk appetite of Icelanders still resulted in strains on our economy. In such case it would be no less important to have a reserve fund to mitigate negative fluctuations.

Naturally, I realise only too well that a strong reserve fund will not appear overnight, nor can it create money out of nothing. But it will add stability and I persist in the belief that one of the wealthiest nations on earth can, in the space of a decade or so, build up capital that will make a decisive difference – and provide new and stronger pillars of support for the economic and political independence of Icelanders. The pension funds, which forty years ago began with a single, small contribution, have now outgrown our national treasury. The same can happen with our reserve fund. The job's half done once it's begun.

And in spite of everything, I remain optimistic. Not only am I optimistic by nature, but in the course of my work I also encounter innumerable individuals and enterprises that inspire optimism. The fact is that most Icelandic companies are efficiently operated and have a solid foundation. In this respect we rank up there with the best of them, although one should never underestimate the competition and modesty seldom goes out of fashion. And it is just these enterprises and the diligent individuals behind them who will take advantage of opportunities. They always come knocking at our door, in upswings and downturns. That I know, being of a generation that has experienced the entire spectrum of economic cycles – and I have survived them all.

Fellow shareholders.

Landsbanki has very likely never had as firm a footing as it has today, nor has it ever been better prepared to face adversity. Although we can expect the challenges will persist, I trust the bank's capable management and employees to deal successfully with whatever the future holds in store.

I would like to take this opportunity to thank all Landsbanki's employees, managing directors and CEOs for their contribution. And as a token of our appreciation, Landsbanki's Board of Directors has decided to award all full-time employees not already receiving other performance-related fees, a bonus payment of ISK 150,000. They have earned it. These are the people who have made Landsbanki Iceland's most highly respected financial institution – and a continuing Icelandic tradition.

Thank you.

Kjartan Gunnarsson: Thank you, Mr. Chairman, for your excellent speech and interesting proposals. Let us turn to the annual financial statement for the past operating year, presented by the bank's CEOs. As per usual, I intend to merge the first three items on the agenda, that is the report from the Board of Directors, the financial statement and decisions on the disposition of profit, and postpone discussion until the CEOs have concluded. First we will hear from Halldór J. Kristjánsson.

CEO Halldór J. Kristjánsson: Meeting Chairman, honored shareholders and guests: As the Chairman mentioned, we are now experiencing the first financial crisis of the 21st century. As we know, the financial crisis was triggered by a regional problem in US subprime mortgages, which has since spread throughout the world. The handling of this mortgage class in the US has been imprudent and the problem was compounded by excessive selling of various CDOs in the US and other countries. Uncertainty about ownership, as well as a gap that formed between lenders and borrowers, contributed towards escalation of the crisis. Public institutions have attempted to assess the scope of the crisis and we have chosen to refer to the IMF's conclusions, although their report differs from OECD's assessment. IMF estimates total write-offs at USD 1000bn, of which 50%, or USD 500 bn, will be attributable to banks and other financial enterprises. The figure on the right shows that the downturn we are entering now is likely to be deeper than those we have experienced in past decades. Like I mentioned before, the crunch spread from the US to Europe, hitting us rather harder than we initially expected. The refinancing needs of European banks because of these developments have in a recent report by Lehman Brothers been estimated at USD 104bn. A quarter of that amount can be saved by not paying dividends and just over USD 80bn need to be raised via a fresh capital injection. We have already witnessed several large share increases to that purpose. We also expect that the era of favourable interest rates, as depicted in the lower right corner, has come to an end for the time being and that normalisation rather than higher rates are to follow. In Iceland, the effects of the liquidity squeeze are varied, but have impacted asset prices hardest. This downturn is in line with global trends, but fluctuations have been rather bigger here, especially in regard to share prices and connected products. Despite not having invested to any degree in these problematic loans, the consequences have been more widespread here than elsewhere. How do we explain the impact? The cause lies in the exaggerated effect of the CDS market on Icelandic banks. The failure of this market has become all too clear in the case of Icelandic banks' CDS levels. CDSs of Icelandic banks were widely included in CDOs. As CDOs were later unwound due to situations unrelated to Iceland,

these little known Icelandic instruments ended up floating around on a very volatile market . Speculators have taken advantage of the situation and volatility has no doubt increased because certain individuals have collectively capitalised on the market situation. It is not for me to judge, but authorities need to investigate suspected rumour mongering and co-ordinated market manipulation. It is important to understand that measures have been taken during the last few weeks, especially by the US Federal Reserve, which have effectively countered and prevented the possibility of an international crisis in the financial system, as well as preventing many local financial crises. If we take a look at the current situation and compare it to 2006, the situation may appear complex, but what happened in 2006 is actually fairly simple. Volatility in CDS spreads in 2006 was specific to Iceland and started with negative commentary about the country, followed by Fitch's first report, which was in turn compounded by reports from other parties. Much of the negative commentary was based on a misunderstanding we subsequently managed to correct. This image shows that CDSs were not successfully lowered until Icelandic banks demonstrated their capability to solicit loans. This important point needs in my opinion to be kept in mind while we tackle the current situation. As you see in the picture, CDSs were not reversed until Landsbanki's successful deals were completed in August 2006. The current volatility is of a different nature. If we look at the purple line, which represents the iTraxx Crossover index, you'll see that Icelandic banks had a very low yield in early 2007 and that this changed as soon as the global crisis started with announcements of subprime- and other problematic mortgages in the US in August. During autumn, Iceland followed the global trend albeit in a rather exaggerated manner, but the breaking point came when Moody's placed Iceland and the banks on negative review upon which CDSs rose dramatically higher than the iTraxx Crossover. When the downturn occurred, mostly due to the US Federal Reserve providing liquid assets to US wholesale financing providers, Icelandic CDSs were quickly reversed; in fact much more quickly than the global index I'm comparing it to here. CDSs have continued to decrease despite further negative assessments during the same period. The conclusions are simple: Volatility was exaggerated by the technicals I referred to earlier, which means that normalisation might happen more rapidly in Iceland, if the market takes appropriate action. The situation in 2006-2007 calls for actions, as we have already discussed. Two successful measures undertaken by Landsbanki have been to reduce our market risk and simplify our ownership structure. We have emphasised learning from developments in 2006 and based on that experience we have strengthened our liquidity position substantially by increasing our maturity profile and attracting foreign deposits. As the Chairman

mentioned earlier, it has also been a priority to increase the quality of our revenue mix to better equip ourselves against external calamities. Yet the problem we now face calls for different actions. The current situation is global rather than specific to Iceland and it is therefore crucial that Icelandic banks, including Landsbanki, demonstrate financial health and strong fundamentals. We need to further diversify our funding profile and lay special emphasis on international deposits. While the situation on global markets remains fragile we must continue – actually initiate – a line we have hitherto neglected: issue covered bonds. Our potential in this area is substantial in light of the fact that we have not explored it fully before. During the year we will of course continue to focus on increasing income and cost efficiency through consolidation and integration of operational platforms. It is also clear that all the Icelandic banks must reduce their balance sheet activities in light of the global situation. An environment of interest cost reassessments and global risk assessments will however favour an institution such as Landsbanki, a full-service bank whose expansion has been based on spreading risk and maintaining core competencies, such as lending. The growth of Icelandic banks and companies has received some international coverage. It is my opinion that Landsbanki is benefiting from diversification of its operations during recent years. Our growth is based on firm foundations, we have diversified both assets and liabilities and focused on increasing revenue by type, sector and geography. This strategy has stood the bank in good stead during risk assessments, as evidenced by how it compares to other Icelandic banks' credit default spread. We have pursued a measured expansion strategy, buying small business platforms whose infrastructure complements our own internal growth. Comparison between the goodwill to shareholder equity ratio of Landsbanki and the international banks with which we like to class ourselves reveals the much lower ratio attributed to Landsbanki. Our growth has been based on prudent risk management. We have amassed a solid provision account; a provision that as a ratio of loans compares well to the largest banks in neighbouring countries, and the banks we choose to compare ourselves with. Our liquidity position is strong, as is our capital adequacy ratio. Stress tests carried out by the Icelandic Financial Supervisory Authority testify to what Landsbanki can endure - what the bank has in fact had to endure during the manifold calamities that have hit the national economy and the banking system in recent quarters. Deposit growth has transformed and strengthened Landsbanki's balance sheet greatly in the past year. At the outset of expansion, customer loans grew faster than deposits. As the diagram shows, we were able to turn this around in 2006, at which point we reached a high ratio of customer deposits to lendings. This year we will focus on increasing growth and

diversifying our deposit base. Landsbanki is the leading domestic deposits bank and this is a position we wish to build on. We have also built several deposits pillars in Europe and now have bases in Luxembourg, Amsterdam as well as diverse deposit venture in the UK. One of our initiatives, the Icesave internet account, has received rather more attention than other ventures. I am emphasising the diversity of our deposits base in the UK because of this, as diversification in the field increases the security of our total funding dramatically. Icesave has enjoyed so much success in the UK that we plan to extend the service to Continental Europe. This is still a work in progress and we will announce further developments in the fullness of time. Icesave sterling interest rates are currently 6.05% and this week we announced a new guarantee to exceed BOE base rates by at least 0.35% until 2011. This initiative was launched to further strengthen our accounts and to attract our target clients, long-term savers. The first quarter of 2008 has seen a record number of account openings. We now have 220,000 clients in the UK, which amounts to an increase of 60,000 during 1Q08. Icesave has been highly successful in attracting savers to fixed term deposits, with the result that around 35% of customer deposits in the UK are now either fixed term or connected to tax savings, one of the most highly secure type of deposits in the UK. Due to British discussion about deposits, the trend has been for lower amounts to be deposited to each account. This results in more diversification, which we consider positive. In fact, we would like to see a larger number of accounts with lower balances, because this increases funding security. We entered 2008 with a strong liquidity position. Our liquid assets amounted to about EUR 9bn and we have a relatively light repayment schedule going forward, with only EUR 750m maturing in 2008. We have already paid a considerable portion in 1Q and further repayments in 2008 amount to no more than EUR 300m. During 2008, we have borrowed approx. EUR 1,000m in long-term loans. The diagram on the right shows that Landsbanki enjoys a very strong ratio of debt maturing in 2008 to total outstanding debt. In fact, our position is better than that of any other bank we compare ourselves to. Let me conclude with a few words on the economic situation. It is very important to better publicize recent conclusions by the CB in support of our contention that Iceland's net foreign debt must be viewed in light of market price developments. The CB's correction, published in the last issue of Peningamál, based on the estimated market value of assets, lowers the net international investment position from 120% to 27% of GDP. A similar re-estimate of the past reveals that the negative situation has been exaggerated in respect to other countries. Recent reports from the Ministry of Finance show that the Icelandic economy is strong, as is the treasury position. Debt is negligible if funds held by the CB are taken into account. The Icelandic

economy is strongly anchored in sectors with great growth potential, such as food production, energy and high tech, as well as connected industries. Urgent future projects include reinforcing the CB's financial strength and increase its foreign currency reserve, in order to co-ordinate the size and scope of the financial sector with the institutional economic structure. It is now thought that the economic landing may turn out considerably softer than predicted by the most pessimistic reports. The sharp ISK depreciation has certainly caused an inflationary spike which we cannot stifle, but we expect inflation to subside quickly next year. Experience shows that the ISK exchange rate plays a key role and this makes future developments harder to predict than often before. Yet we have confidence in the strong economic fundamentals I spoke of earlier and also remember that the Icelandic economy, companies and banks, have repeatedly demonstrated their ability to weather adversities. We expect little growth this year, and possibly economic slowdown in 2009, but after that the situation will improve again. Our forecast for the real estate market is not as negative as predictions from other sources and we expect this year's downturn to be followed by renewed growth in 2009 and 2010. During all this, it is important not to miss new opportunities for further development of energy resources to increase exports. New initiatives in this sector could play an important role in mitigating the impact of the economic downturn next year and boost GDP growth in 2010. Thank you for your attention.

Kjartan Gunnarsson: Thank you, Halldór J. Kristjánsson. Your address was most appreciated. It may interest you to know that 185 shareholders are in attendance today and, according to information from the bank's shareholders register, today's attendees control 52% of the bank's shares, or ISK 5,804,372,534 nominal value. Next we will hear from Sigurjón Þ. Árnason.

Landsbanki CEO, Sigurjón Th. Árnason: Honored shareholders and other guests. I'll start with this slide, which gives a good general overview of Landsbanki. Despite considerable turbulence last year, Landsbanki's profits still amounted to ISK 40bn after tax or a pre-tax profit of ISK 45bn. Pre-tax profitability was thus 31% and 27% after-tax. Our profitability, as you'll see on a later slide, is among the highest in Europe and over the last five years we have continuously ranked among the highest, and frequently been in the lead. Slides you'll see later on show us ranked highest and we can therefore be fairly pleased. Last year's net operating income was ISK 110bn. Operating expenses were ISK 57bn and 7bn were set aside for possible lending losses. Total lending losses actually amounted to approx. ISK 2bn, but we set a larger portion of profits aside as a

reserve fund. Suffice it to say that our pre-tax net operating income amounted to ISK 45bn and ISK 40bn after-tax. The bank's total assets, or rather the end-of-year size of our balance sheet, was ISK 3,057bn and our equity amounted to ISK 180bn. This is an eleven-fold increase over the last five years, from ISK 16bn to 180bn. Banks measure equity in a rather unusual way, always referring to the so-called CAD ratio, a very important figure. Our CAD ratio was 11.7% in 2007. Technical terminology refers to Tier 1 and Tier 2 ratios. Our Tier 1 capital was 10.1%, which is very high, in fact among the highest in Europe. The slide contains three pie charts, one of which depicts distribution of revenue according to country. Approximately half of our revenue is created within Iceland. A second chart shows employees by country and the numbers in these two charts are fairly consistent. Half of our operations are here in Iceland. The chart in the middle depicts the distribution of profit between departments and as you can see, just about half of our income is generated by Corporate Banking. One fourth comes from various securities trading, or Investment Banking, and another quarter of our revenue is generated by Asset Management, Private Banking and Retail Banking, which includes branch activities both in Iceland and abroad. This slide shows our current offices, located in 16 countries. Two of these offices are of course most important: Our main office and our roots of course lie in Iceland, and our London operations come second. While these are the most important establishments, we have a number of other offices which I'd like to spend some time reviewing. I think it is beneficial to be acquainted with these operations, and while it is one thing to see images and figures on paper, that does not necessarily translate into real knowledge of our operations in each place. Without spending too much time on this issue, this image provides a list which can in a sense be read as an overview of the bank's strategy. It helps to divide the bank into various business zones, such as various securities trading, Corporate Finance, where companies are bought and sold, listed and de-listed, etc. Of course we have treasury management, the heart of the bank which pumps funds into the company. Corporate Banking is comprised of Corporate Relations, and then we have Asset Management and Private Banking. Retail Banking comprises branch services in Iceland and similar activities abroad, and is often referred to as Speciality Finance. The red dots designate those of our foreign establishments where we have been operating for more than two years and where our

activities have become substantial and effective. Grey dots, however, stand for relatively new offices, where activities are of course also promising, but less than two years have passed since we started operations. We have of course to a large degree focused on buying small platforms and adding to them in a steady manner. The logos of various companies appear on this slide. I do not want to spend too much time on this, but closer inspection reveals a mix of the Icelandic and foreign companies we work with around the world. Landsbanki has expanded its operations and grown prodigiously during the last years. While we have developed and become a European bank with Icelandic roots, half of our operations are in Iceland, but our future lies in continued growth abroad. Even though we are experiencing a temporary rough patch, we have strong underlying fundamentals and will weather it with ease. The bank's fundamentals have been strengthened greatly during the last years and they now provide a solid base. Here is another similar image, which illustrates our basic strategy. We think of ourselves as a European bank with Icelandic roots and offer integrated financial services to medium-sized corporates, institutional investors and individuals. We often mention corporate investment banking as our main platform and those operations are depicted on one side of the slide. The other side lists what we call speciality financing and customer deposits. It is of course important to maintain an overall balance and retail banking activities abroad form the secure and stable foundations of all other operations, just as they do here in Iceland. Our strategy abroad are therefore similar to those governing our domestic activities as a universal bank. It is safe to say that this strategy has been successful in the UK, where Icesave clients now number 220,000, as mentioned earlier. Landsbanki's clientele numbers 250,000 in the UK, which means that we now have a larger number of clients there than in Iceland. This business includes deposits and lending to individuals and smaller companies. This is our branch network abroad and it forms the foundation of all our operations. Our income and larger projects, however, lie with the Corporate and Investment Banking divisions as demonstrated on the first slide. 75% of our income come from these divisions while others contribute around 25%, but nevertheless constitute the fundamentals of the system as a whole. We have continued to grow and, while we have come very far, many projects still lie ahead and we are in fact just getting started. Our growth has in some sense been quite low-key, as we have not invested very much. Total

investments over the period amount to EUR 518m. It should be kept in mind that the Euro was much less expensive when we did our investing than it is now. Today, our total investments amount to just over ISK 40bn, a relatively low proportion of our ISK 180bn equity. These investments are very solid in my opinion and based on diverse fundamentals. Let us now look at individual business units and start with Landsbanki Luxembourg. The bank was originally established by Icelanders in 2000 and acquired by Landsbanki in May 2003. It is the centre of our Private Banking services on a group-wide basis. Landsbanki Luxembourg has a staff of 135 and its employees come from various countries. The clientele was originally mostly comprised of Icelanders, but lately clients hail from Scandinavia in general, Britain, France and even Eastern Europe. The bank has become very international, but its roots are Icelandic and it is run and owned by Icelanders. Its operations have however grown considerably and it is now one of the largest banks in Luxembourg. Our UK operations are based on three business units which are slowly but steadily being integrated into one whole. We originally acquired Heritable bank, now called Landsbanki Heritable, and subsequently established our own branch, Landsbanki London branch. Later on we bought the company Teather and Greenwood and last year also acquired a brokerage company called Bridgewell. The last two have been merged into Landsbanki Securities UK, which has close ties to Landsbanki London branch. These equities are slowly merging into one platform. Landsbanki Heritable is ultimately responsible for all retail deposits and has well over 200,000 clients. It is responsible for Icesave, collects customer deposits in its own name and is in many ways an independent operation. Landsbanki Heritable finances itself through retail deposits; furthermore, it handles retail deposit products for the entire group. As you can see, Landsbanki Heritable handles certain specialised operations and thus functions as a cornerstone in a manner similar to our branch network. Landsbanki Heritable has specialised in financing smaller operators in London, who are buying and developing property. These have been our main focus points until now and the foundation of our operations. Heritable was established in 1877 and is close to Landsbanki in age. It is a very reliable bank – its last loan losses were recorded in 1992, if I recall correctly. This is just to mention some of the main areas in which we've been specialising. Another example includes specialised loans to lawyers, who need funding to buy insurance. Landsbanki London branch forms

the most extensive unit on the balance sheet. It does business with many companies and serves as a centre for British operations, but also a large portion of our lending activities in Europe. London is of course the financial centre of Europe and a great deal of our activities is located there. Through London we also have close ties to Wachovia, one of the largest US banks. We work more closely with them in relation to certain categories in which they offer services in the US but not in Europe. These arrangements have allowed us to further develop so-called asset-backed loans, which are intended to finance companies' movable debts or assets. Securities trading, currently located in Landsbanki London branch, is preparing to move, as their operations have exploded and can no longer be housed under one roof. We have rented new premises which are being prepared and should be ready by autumn. This is a computer-generated image of what the house will look like. The building is located centrally in London and we will be renting the first three floors while the Bank of Ireland holds the top floors. Landsbanki Securities UK is comprised of the combined operations of Teather & Greenwood and Bridgewell and our market share is now estimated at 2-4%. I would like to emphasise that while I may be canvassing each business unit separately for the sake of clarity, our operations are continuously being consolidated and certainly all operate under Landsbanki's name and logo. We are one bank and our research coverage is second to none on a European scale. We emphasise local insight on a European scale and our analysts cover somewhere between 800 and 900 companies. Our research coverage is among the most extensive, if not the single most extensive, projects in Europe. The knowledge we have amassed on the infrastructure of the leading companies in Europe is quite incredible, and much more extensive than most Icelanders realise. Here is an illustration of the main research offices along with staff numbers. I am focusing on Securities Trading divisions here, in order to show the scope and distribution of these operations, but research of course takes place in other divisions as well. A local-based approach is not very common, nor is employing local staff in each office. The big banks mostly operate out of centralised London offices, which can never compare to local knowledge and actual relations with the companies in question. A unit we acquired and subsequently renamed Landsbanki Kepler had some of its operations in the US. The company still employs 20 people in the US and we plan to start lending activities there soon. Our Irish operation is the only

business unit whose name does not start with Landsbanki and is called Merrion Landsbanki. We acquired a very successful and reliable unit in Merrion Landsbanki. The company was established in 1999 and we initially purchased 50% of it. We currently own just over 80% of Merrion Landsbanki, which has become Ireland's fourth largest stockbroking and corporate advisory firm. Almost every major project in Ireland over the past years has in one way or another been connected to Merrion Landsbanki. Last year Merrion was involved in the "corporate finance deal of the year", which involved de-listing eircom, the Irish telephone company. Merrion played a big part and this project was voted the Corporate Finance Deal of the Year 2007. Merrion Landsbanki was also involved in the listing of Aer Lingus last year. Their involvement earned them the title Stockbroker of the year from Moneymate. Our market share abroad ranges from 2-4%, while in Iceland it amounts to maybe 30 or 40%. In Ireland our market share estimates range from 5-10%, depending on product, which is an even higher level than on the continent. We have approx. 100 employees in Ireland. Last year we undertook a large investment, which will not start to generate profits until perhaps in 2009, but is based on a rather novel approach. Up until now, we have bought units and then expanded on their infrastructure, but last year we decided to try a different approach both in Norway and Finland. This involves employing whole teams of people, experienced staff used to working together, and supplying them with premises, licenses for financial undertakings and other necessary framework, rather than purchasing existing companies. These new teams are given access to all our extensive systems, which is the main reason people are prepared to join us. This amounts to providing foundations and starting from ground zero, with a so-called greenfield investment, similar to how the Luxembourg bank started in 2000. Subsequent growth is steady and gradual. In the short term, this means we are looking at operating costs that cannot be entered as an asset – by which I mean that upon purchasing companies, goodwill can be entered as an asset, which is not an option when starting from scratch. But in the long-term, I think this approach may prove to be less expensive, if we are successful. Results so far this year certainly indicate future success. In Oslo we have a staff of 37 and 18 in Helsinki. Another business unit created from scratch with a new team in 2006 was Landsbanki Amsterdam branch. The Amsterdam branch adjoined Landsbanki Kepler and its conception

was therefore in some sense easier than our new ventures in Helsinki and Oslo. Landsbanki Amsterdam branch has been extremely successful, its financing is entirely independent and the branch in fact actually contributes to group-wide financing. It is my firm belief that the Amsterdam, or rather the Netherlands market, is well suited to Icelandic operations. Our ventures into this market have been very well received and I'm certain we will enjoy continued success. Our smaller Canadian operations were originally intended to liaise between Icelandic fisheries entrepreneurs and their Canadian clients. We started with a small rep-office, that developed into a Canadian branch which now looks set to become a formal subsidiary. The house in which our branch is located is not dissimilar to our old premises here. We are very well situated in Halifax and have also opened offices in Winnipeg, where so many Canadians of Icelandic descent live. Last year we received an operating license for Hong Kong which is set to become our platform for various activities in the Asian region. This extension of our financial services, like most of our new ventures, arose organically in response to need for services. What I mean to say is that the ventures of our clients call for concurrent banking services. Small offices established in response to our clients' specific needs tend to evolve, expand their client base and subsequently become much more than at the outset. This is the office building where we are situated in Hong Kong, but our offices there are naturally very small. The 21 century belongs to the Asian region, and I hope that some future CEO will describe our initial presence there as a strategic beginning to larger operations. Let me now return to the annual accounts, as they are what I am supposed to be discussing. I decided to approach the accounts through our foreign operations in order to afford a good overview of how big a company Landsbanki has become. But let us now turn to the figures. These figures span a period of 5 years, 2003 to 2007, and they show that net operating income has risen from EUR 19bn in 2003 to 110bn in 2007. Operating expenses have risen from EUR 10bn to 57bn. Impairment on loans and advances have risen from EUR 5bn to 7bn and pre-tax profits from 3.5bn in 2003 – which in turn was considerably more than the 1.5bn of 2002 – to 45bn in 2007. Income tax payments have risen accordingly, despite cuts to corporate income tax measured in percentage points, Last year's tax payments amounted to EUR 5.6bn. The company's performance has been very successful over the last few years in general and last year was a record year for profit,

which amounted to EUR 45bn pre-tax. The image on the left portrays our core income, comprised of interest income and commission income. More volatile revenue sources, by which I mean trading gains on equities, bonds and FX, are depicted on the right. Core income streams have been steadily increasing, rising from EUR 15bn to 93bn, a little less than half of which is generated inside Iceland, or 48%. An earlier image showed 54% of our net operating income from within Iceland, but as you can see, only 48% of our core income is Iceland-based. In fact, Iceland-based does not mean from within Iceland, only that this portion of the income is generated by companies owned by Icelanders. Overall growth in core income streams during this period has thus been from EUR 15bn to 94bn. Development in trading gains on equities, bonds and FX are shown on the right for comparison. During recent years, equities have been a big contributor to earnings, but this changed abruptly this year. The bank experienced substantial losses on bonds during the latter half of last year, I believe for the first time in its history. This is due to the fact that we lent a great deal of our liquid assets to banks in various countries. As CDS spreads rose, we were forced to reprice bonds held by all these banks, which explains our losses. With CDS spreads dropping once more, this will be reversed as we won't sell these bonds. This is therefore best described as an accounting issue. In order to hedge its equity against ISK volatility, Landsbanki built up a positive FX balance equivalent to ISK 114bn in H2 2007. When the ISK fell, this generated a EUR 6.6bn profit. Some parties have commented that the income of Icelandic banks, including Landsbanki, tends to fluctuate. These comments refer to our FX income. Closer inspection, however, reveals that Landsbanki's income is that of a typical bank: 85% of our income is generated by interest and commissions and 15% comes from other sources. It cannot be overly emphasised that the current world-wide crunch can be traced back to various structured products, such as CDO, ABS or CIF. Landsbanki has not purchased a single one of these structured products and certainly does not plan to do so. Very few banks of our calibre can say the same. We can therefore safely distance ourselves from the root of the problem, which is immensely significant. Our liquid assets are a mixed blessing, as we have lent these to various banks and have had to reprice all of the bonds. This repricing explains the loss of a couple of billion as I explained earlier and is shown in the top right corner. This is nothing to worry about, as it will be reversed. As mentioned earlier,

operating expenses amounted to EUR 57bn, or 52% of our income. The image on the left shows our cost/income ratio compared to other typical banks and Landsbanki is just below average. Last year's ROE of 27% puts us in the lead among European banks. Over the last five years, our average ROE is second to none, despite the fact that we are comparing ourselves to very strong banks. When assessing the performance of banks, it is important to look at interest and commission income as well as operating costs in isolation from more volatile income sources, such as trading gains on equities, bonds and FX. Halldór and I have over the years always attempted to emphasise this difference to avoid hearing that Landsbanki owes its strong performance solely to equity gains. But this is of course the reason why our ROE amounted to 50% rather than merely the underlying 24%, or what has been 24-26% over the last years. Landsbanki's core earnings minus securities exposure, shown in the bottom line, demonstrates that the pre-tax ROE generated by core operations over the last few years has been 24-26% and up to 30%, or practically the best anywhere. We now move from operations to assets and liabilities, starting with assets. The largest part of the bank's asset portfolio, or 2/3 thereof, is comprised of lending, which amounts to EUR 2.000bn of our 3.000bn portfolio. Other assets are various in nature, but can be summed up as liquid assets. This slide depicts the diversity of the loan portfolio and also shows how defaults have developed over the last few years. Defaults have been at an absolute minimum over the last few years but can, in light of changed circumstances here as well as abroad, be expected to increase. Our provisions are at just above 1%, as mentioned earlier. Provisions refer to Landsbanki's credit loss account, which contains funds to the amount of ISK 22bn, set aside against future losses. This figure is best viewed in light of defaults, which amounted to ISK 10bn past due date and ISK 5bn 90 days past due. Our equities have performed well over the last few years, but we decided to decrease our equity exposure, from 4-5% of total assets down to below 3%. During recent years, equities have comprised just over 2% of total assets. Equity holdings have nevertheless been generating very good returns. In 2007, our average exposure was around ISK 70bn, leading to an overall return of 26% as compared to very low margins in other markets, except Germany and Norway. This slide also shows the diversification of our portfolio in foreign and domestic, as well as listed and unlisted equities. Developments in recent years have been towards

increased foreign holdings, while a certain percentage remains domestic. Approximately half of Landsbanki's funding comes from deposits and our deposits to loans ratio is 70%, a trend we expect to continue. Our aim, which we intend to pursue next year, is to derive at least 2/3 of our funding from deposits. I cannot give you much more information at the moment, but further developments will be announced at the proper time. Landsbanki has a strong equity ratio compared to the usual banks, second only to TD and way ahead of Danske Bank which lies at the bottom of the barrel. Our Tier 1 ratio remains fairly constant at 10.1%. 2005 and 2006 were unusual, as our equity ratio rose due to Landsbanki's merger with Burðarás and subsequent increase in undistributed share capital. More recently, however, we have acquired companies, which has lowered our equity, until they have grown. In closing, let us take a look at share price developments. Landsbanki's shares have changed and lately remain between ISK 30 and 31, which translates into a market cap of ISK 340bn. Equity amounts to ISK 180bn, last year's after-tax profit was 40bn and the bank's profit to equity ratio in 2007 was 8.57. The image on the right shows Landsbanki's position compared to Scandinavian banks. Trading volume YtD has been around ISK 100bn in 5,000 transactions, while total trading volume in 2007 amounted to ISK 360bn in 17,000 transactions. To conclude, while we have been looking at last year's performance, it is of course most important to look to the present and future and be familiar with current developments. Landsbanki has prepared well in strengthening its currency reserves and by being long, as they say, in inflation. All this amounts to owning more inflation indexed assets than liabilities. It is also important to ensure a good liquidity position in order to be able to stay away from financial markets for a considerable period of time. The need for these provisions is manifesting now. It is only natural to emphasise growth when conditions for growth are favourable, but when conditions worsen, emphasis moves to retaining current operations and current size. Today's conditions also provide opportunities for examining operating costs, which we are doing. Our most important project this year will in my opinion be to continue building retail deposit activities throughout Europe. In 2006 we devised a system to obtain Sterling Pounds. This system is now operational and we need to launch a similar project to obtain Euros. That system will of course need to be slightly different. In the

future, we will most likely also focus on other European currencies. Those were my final points, and I thank you for listening.

In accordance with the AGM Agenda, the meeting proceeded to deal with motions from shareholders, which were all approved.

For the full AGM agenda, please click here:

<http://www.landsbanki.is/english/investorrelations/news-publications/?GroupID=1221&NewsID=11687&y=0&p=0>

To view the motions adopted at the AGM, please click here:

http://www.landsbanki.is/Uploads/Documents/ArsskyrslurOgUppgjor/AGM_Motions_230408.pdf