

120 ¹⁸⁸⁶/₂₀₀₆



Landsbanki

2006 Results Presentation

Strength Grows Stronger by Being Tried

London, 26 January 2007

Björgólfur Gudmundsson

Chairman Landsbanki

Sigurjón Th. Árnason

Chief Executive Officer Landsbanki

Halldór J. Kristjánsson

Chief Executive Officer Landsbanki

Brynjólfur Helgason

MD International Banking & Alternate CEO

Chaired by

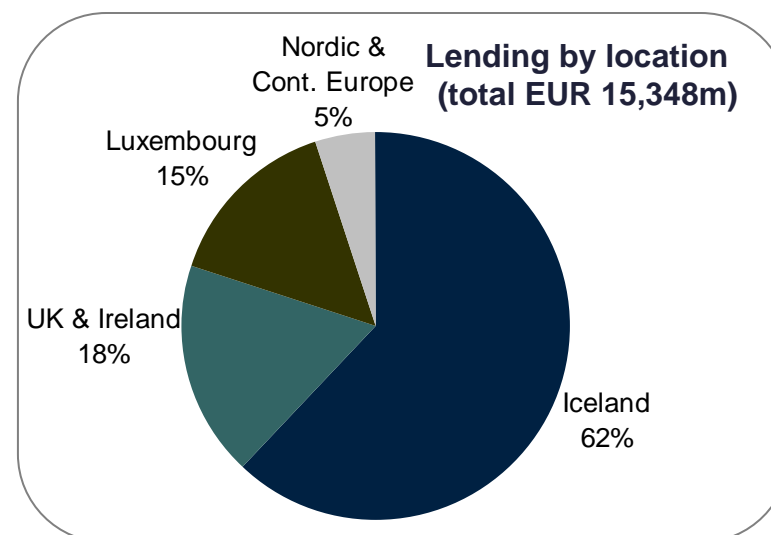
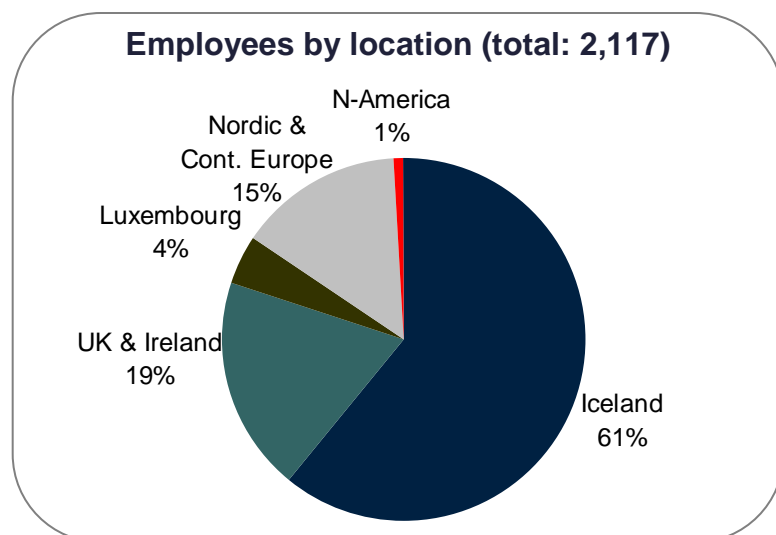
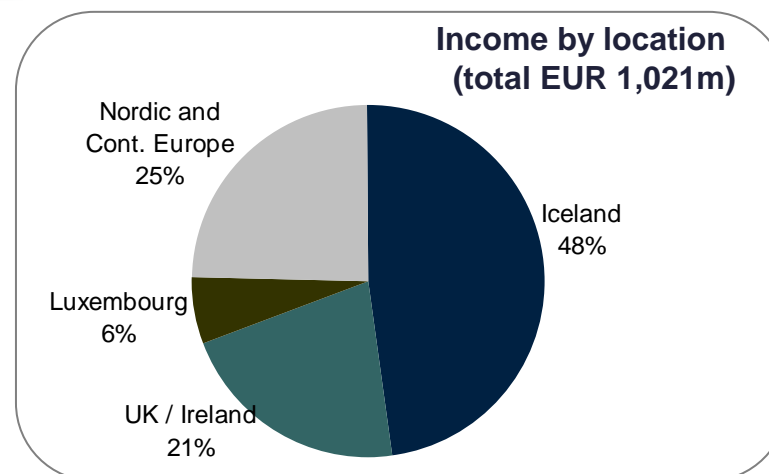
Lord Baker

Chairman Teather & Greenwood | Landsbanki

- 1 Strong 2006 results – Core income demonstrates strong underlying profitability and continued good performance**
- 2 Implementation of strategic objectives focused on integration and consolidation of operational platforms
- 3 Benign overall operating environment going forward
- 4 Major funding initiatives implemented - Highly successful new deposit programs changing the funding profile
- 5 Funding outlook in 2007 - Reduced exposure to capital markets

A Growing European Bank

- **120 years of operations, since 1886**
 - Leader in all core banking areas in domestic market (Iceland) with the most extensive branch network, +30% market share
 - Operations in major financial centers of Europe, thereof UK operations most extensive
 - 2006 results confirm strong underlying profitability
 - Successful integration of a European platform to expand 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



2006 Main Financial Results

Strong results

- Profit before taxes ISK 44.7 bn (EUR 510m)
- Profit after taxes ISK 40.2 bn (EUR 459m)
- ROE before taxes 40%
- ROE after taxes 36%
- Cost-Income Ratio 43%

Efficient core banking operations (excl. net financial income)

- Core profit before taxes ISK 28.8bn (EUR 328m)
- Core ROE before taxes 26%
- Core Cost-Income Ratio 53%

Strong balance sheet

- Total assets ISK 2,173 bn (EUR 23.2bn)
- Shareholders equity ISK 144 bn (EUR 1.5bn)
- Tier 1 Capital Ratio 13.0%
- CAD Ratio 14.8%

ISK / EUR

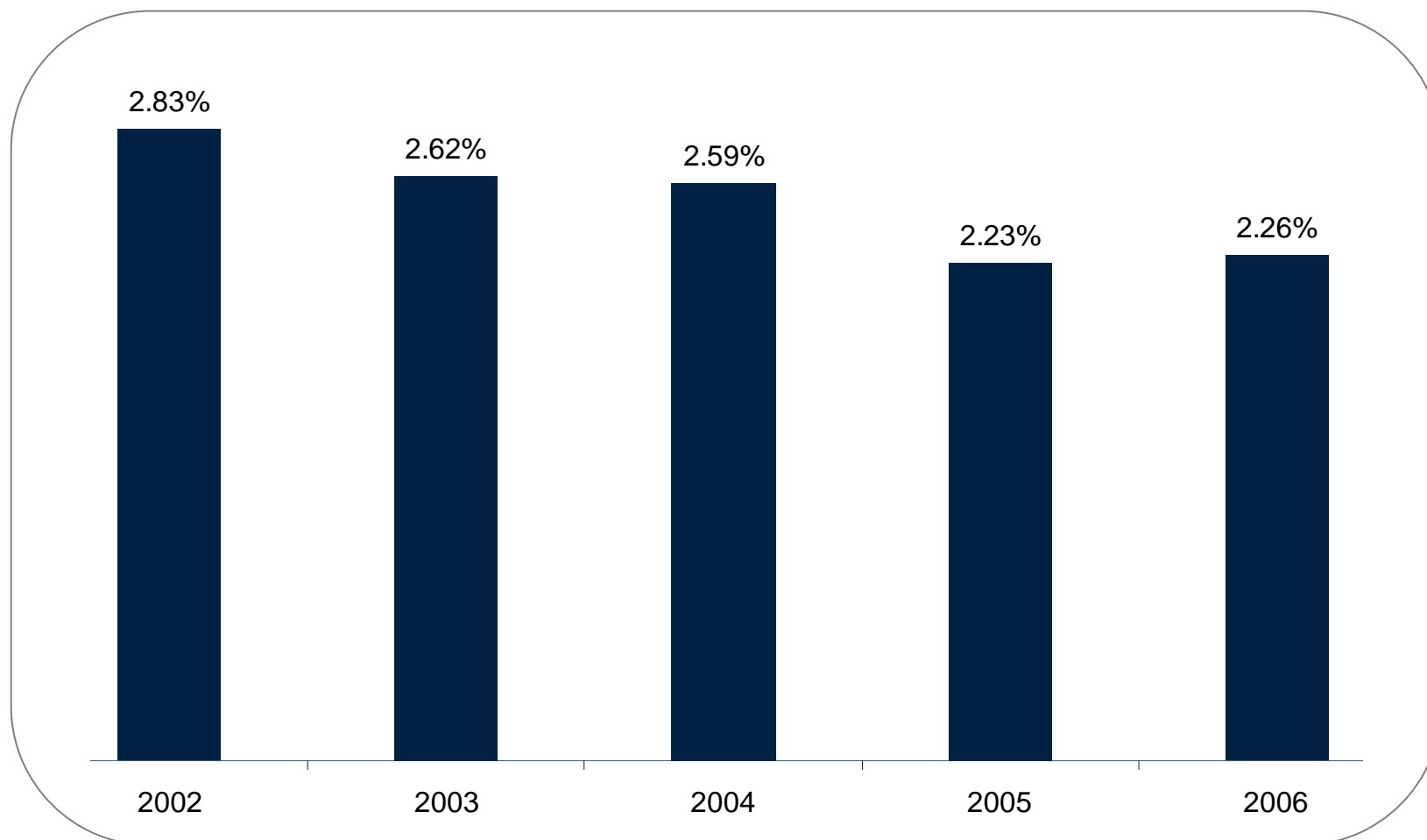
Beginning of 2006	74.70
At Year-end 2006	93.72
Average 2006	87.57
At 25 January 2007	89.70

Income Statement

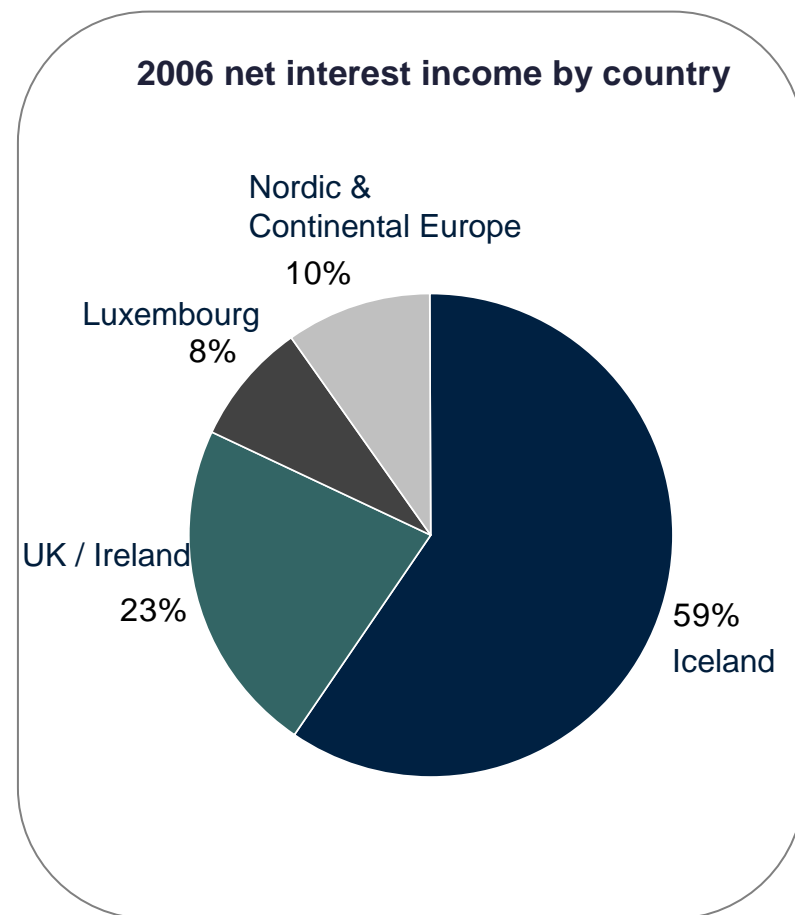
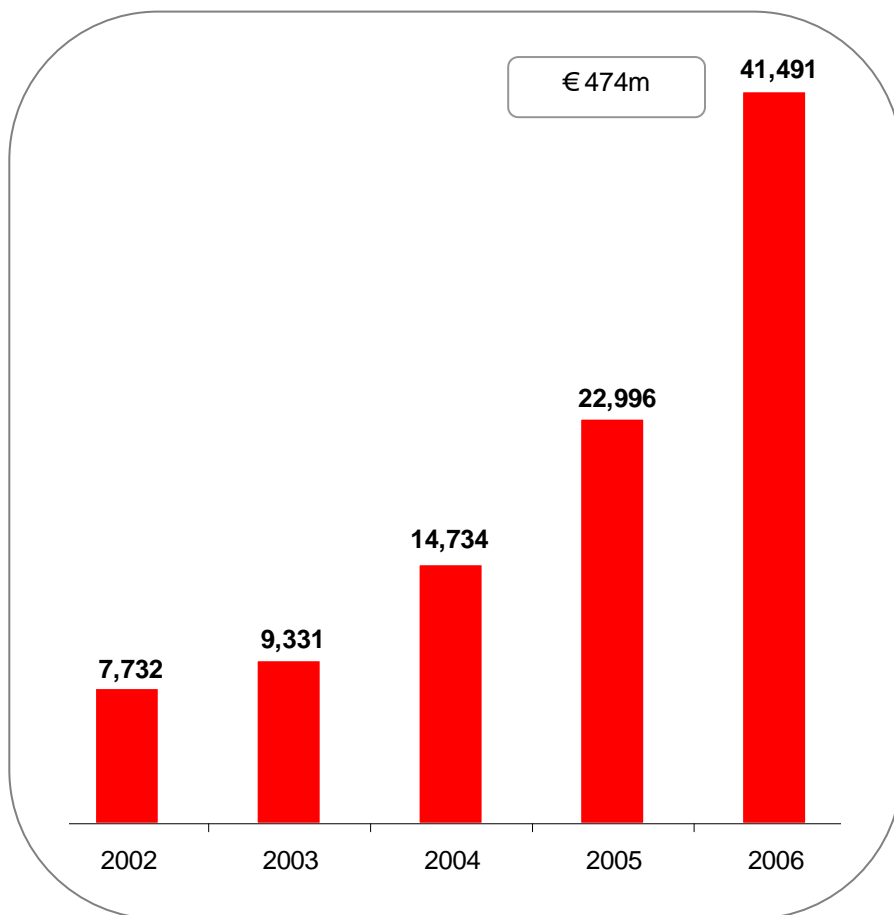
		2006	2005	Diff	%	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Net interest revenues	€ 474m	41,491	22,996	18,495	80%	9,581	9,314	13,662	8,934
Net fee and commission income	€ 324m	28,366	16,726	11,641	70%	7,998	6,568	6,943	6,857
Net financial income	€ 223m	19,568	21,257	-1,688	-8%	7,240	2,656	-1,478	11,150
Net operating revenues	€ 1,021m	89,426	60,978	28,447	47%	24,819	18,538	19,127	26,942
Salaries and related expenses	€ 279m	24,458	12,682	11,776	93%	6,989	5,963	6,256	5,249
Administrative expenses	€ 161m	14,130	8,284	5,846	71%	4,042	3,754	3,496	2,839
Operating expenses	€ 441m	38,588	20,967	17,621	84%	11,031	9,717	9,752	8,088
Impairment on loans and advances	€ 70m	6,144	6,197	-53	-1%	1,332	1,597	1,660	1,555
Profit before taxes	€ 510m	44,694	33,815	10,879	32%	12,457	7,224	7,714	17,299
Impairment on goodwill	€ 0m	0	3,033	-3,033	-100%	0	0	0	0
Income tax	€ 51m	4,479	5,764	-1,286	-22%	-1,596	1,480	1,572	3,023
Net profit	€ 459m	40,215	25,017	15,198	61%	14,053	5,744	6,143	14,276
Attributable to:									
Net profit	€ 444m	38,906	24,740	14,166	57%	13,664	5,281	5,966	13,995
Minority interests	€ 15m	1,309	277	1,032	373%	389	463	177	280

ISK million

Interest Spread as a Ratio of Average Total Assets Position

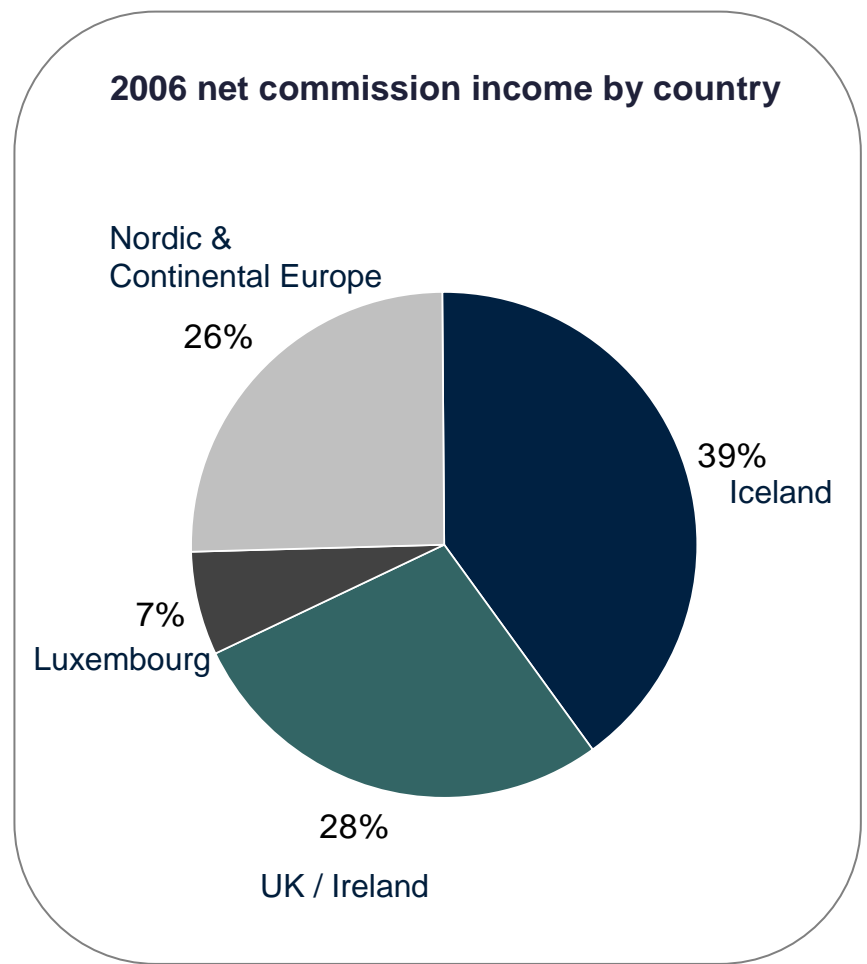
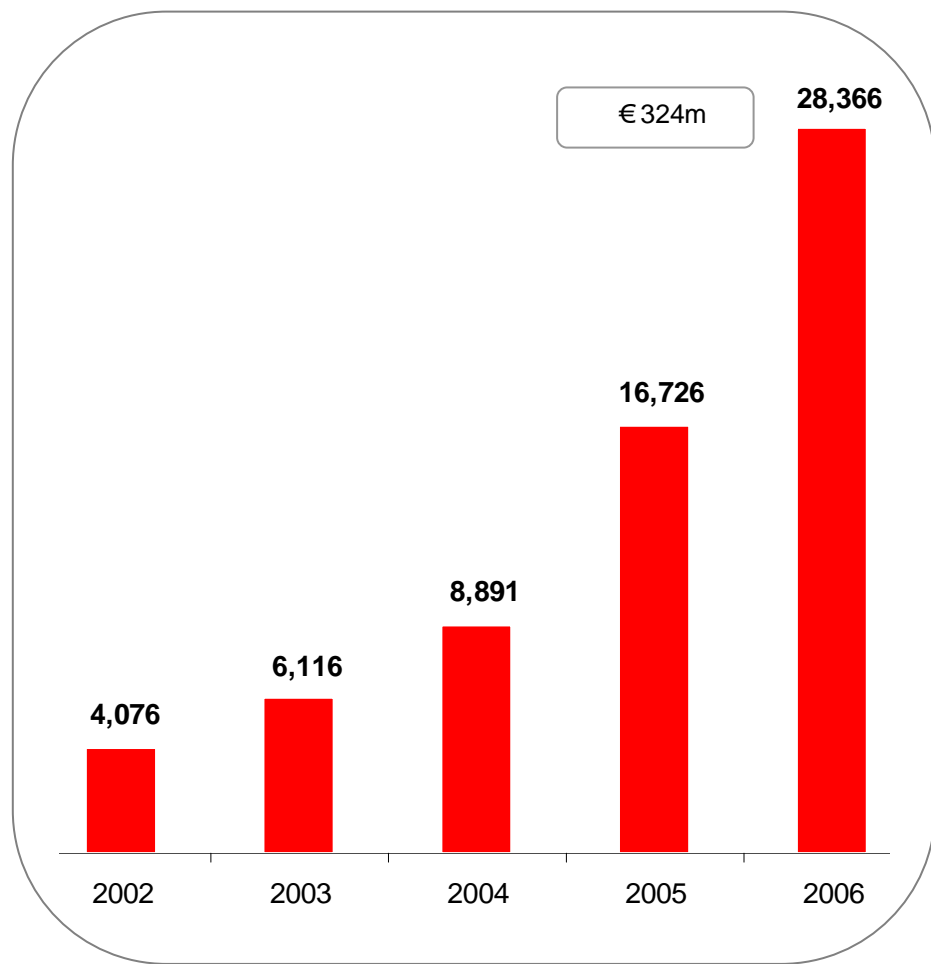


Net Interest Income



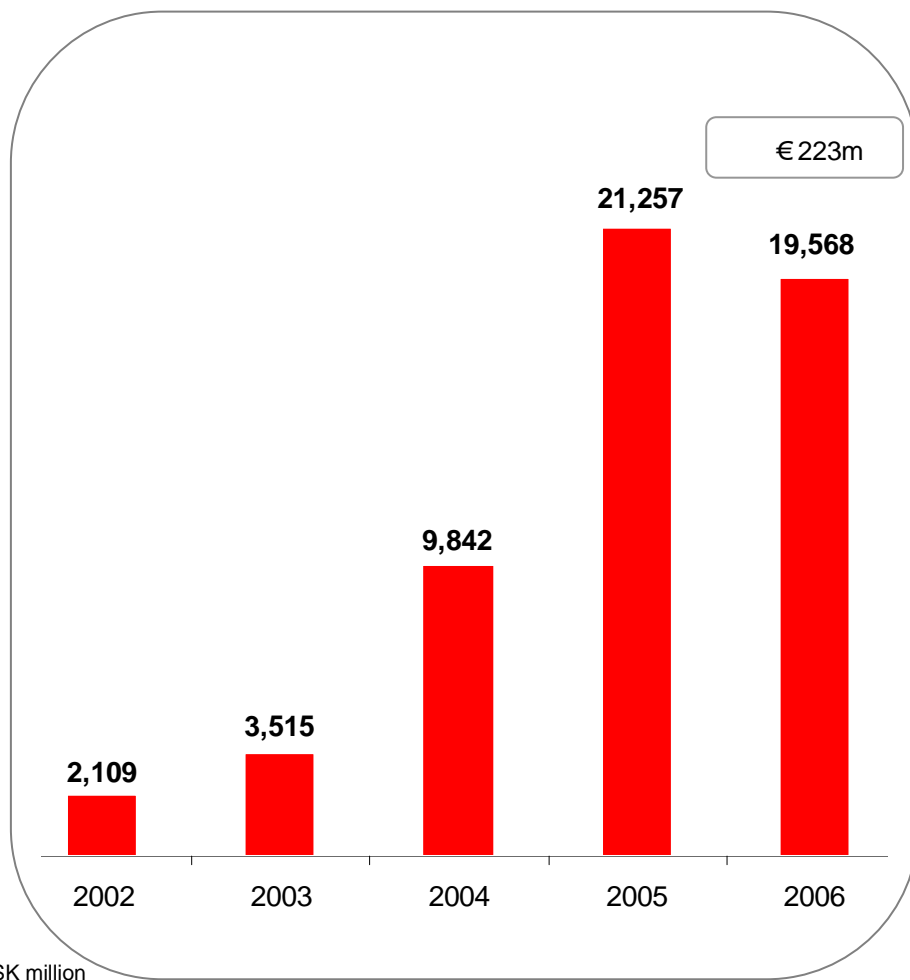
ISK million

Net Commission Income



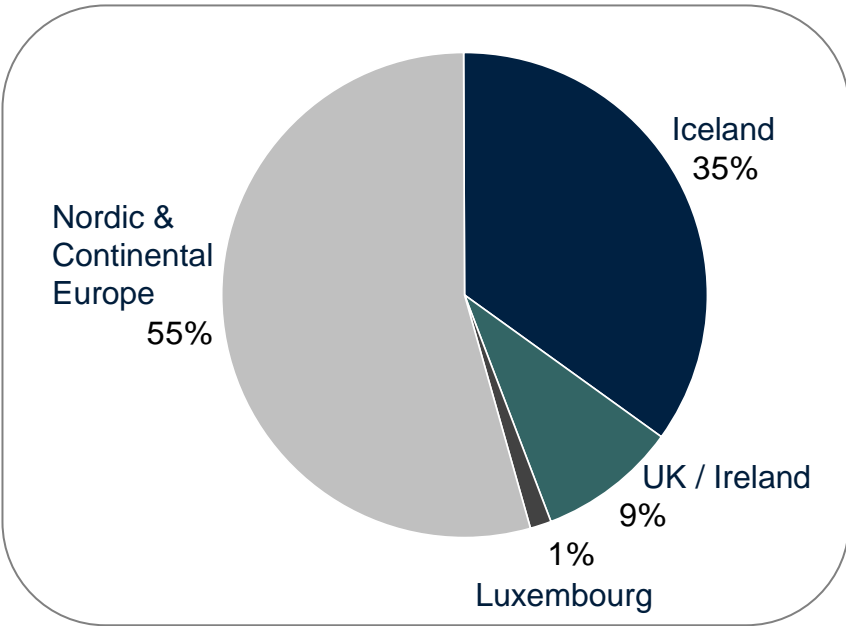
ISK million

Net Financial Income



Split of net financial assets based on origin

Revenue from equities	19,192
Revenue from bonds	257
Revenues from foreign exchange	-263
Other	382
Total	19,568



ISK million

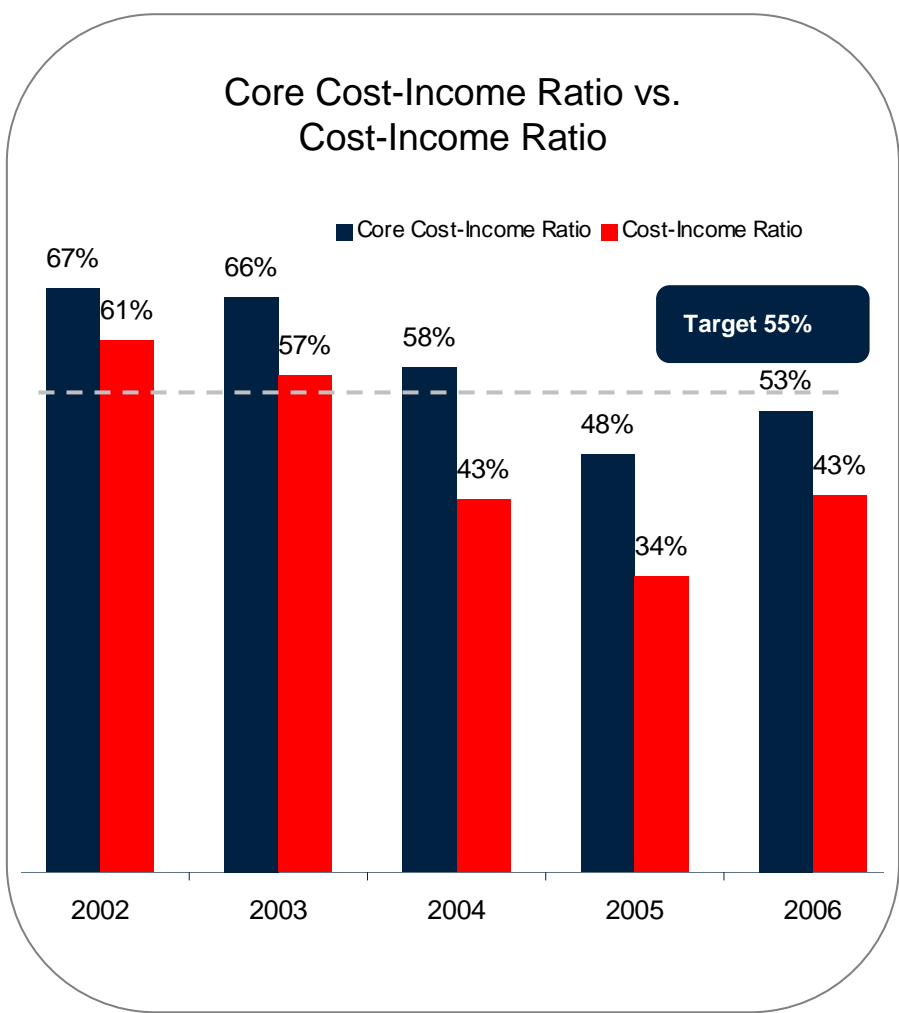
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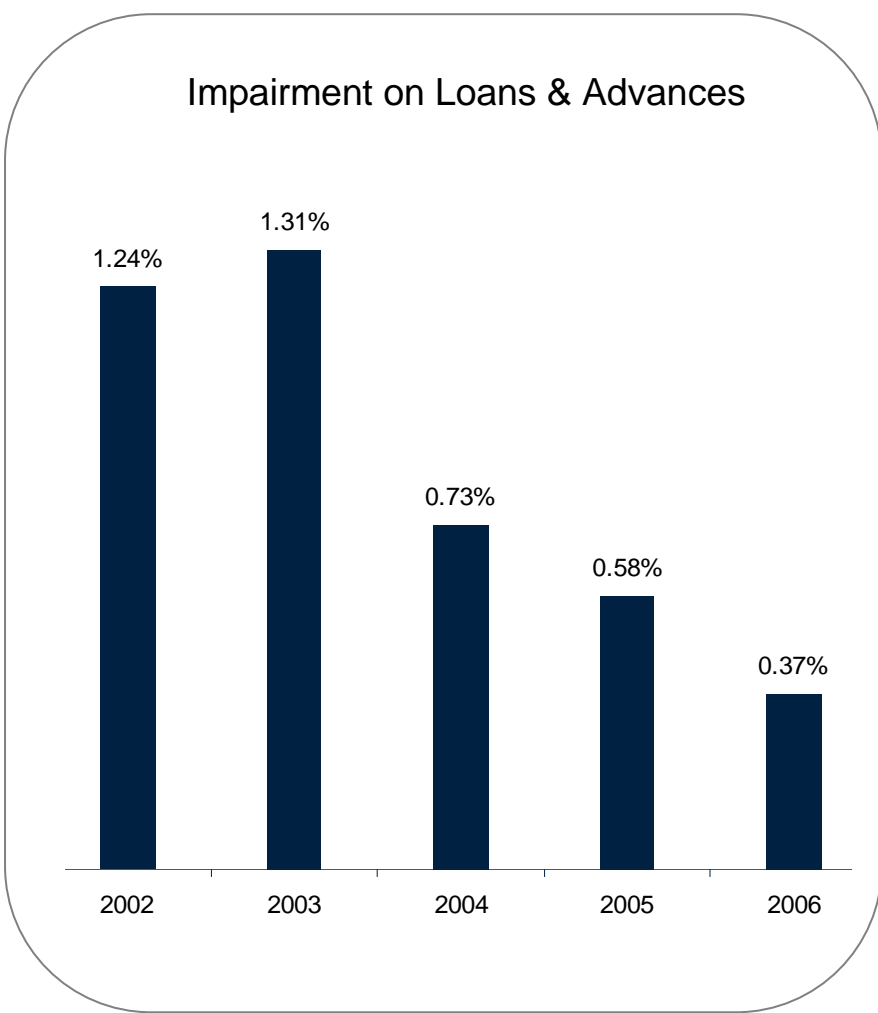
ISK million

Cost-Income Ratio & Impairment on Loans and Advances

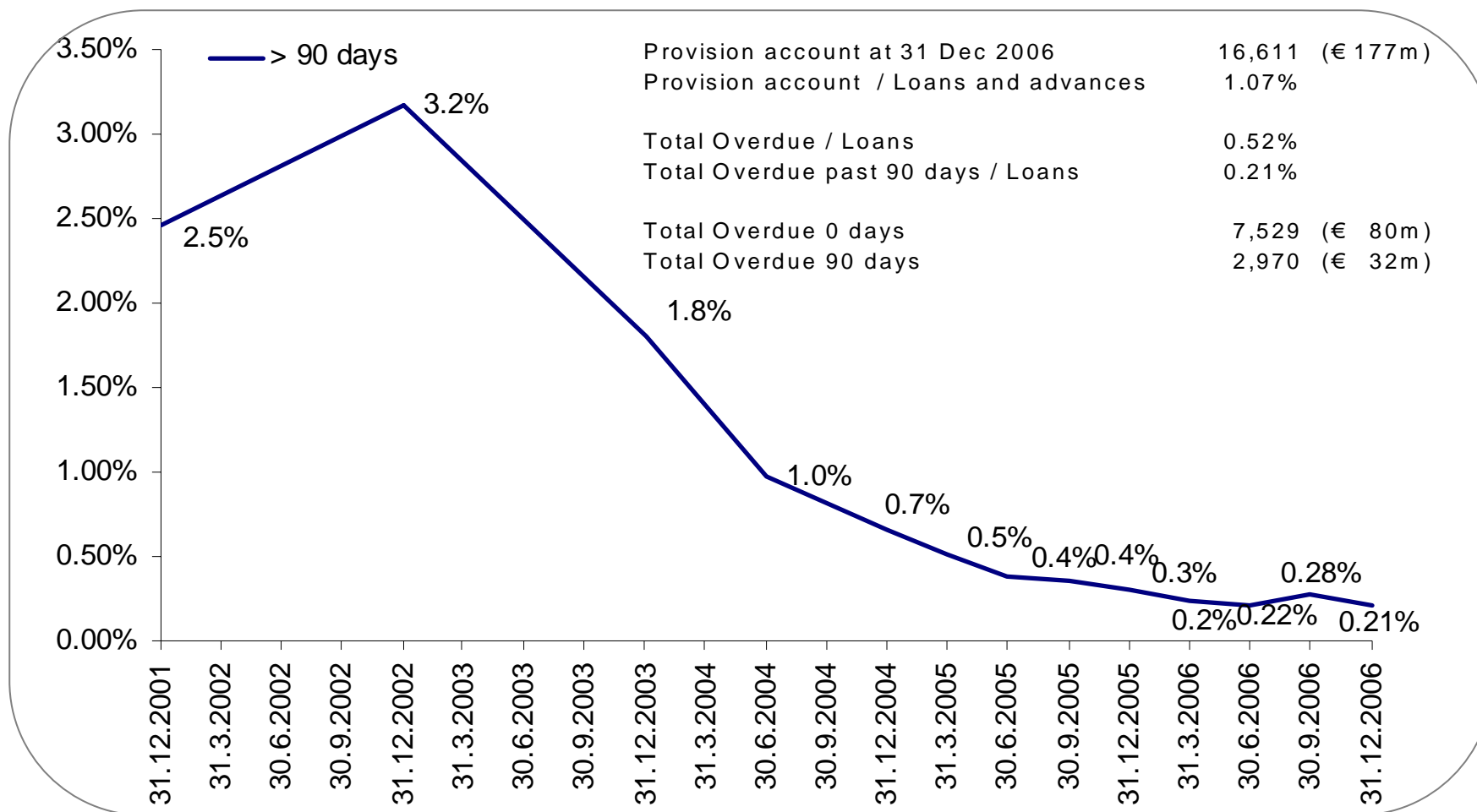
Core Cost-Income Ratio vs. Cost-Income Ratio



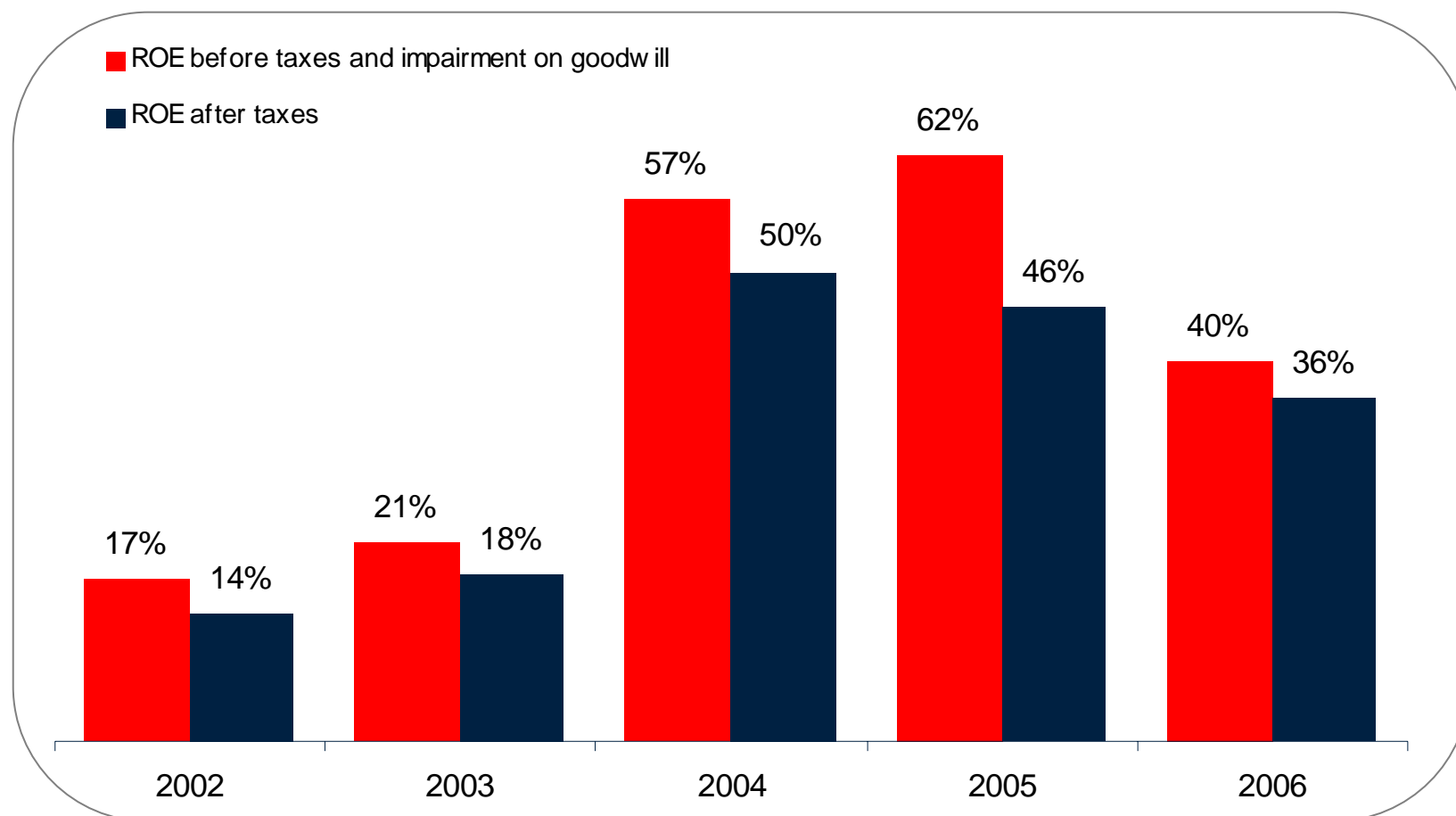
Impairment on Loans & Advances



Past Due as a Portion of Total Lending

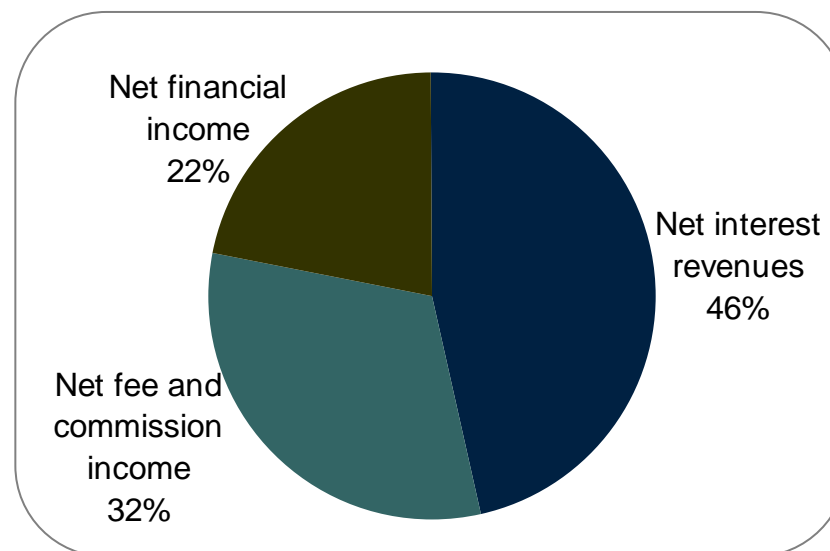
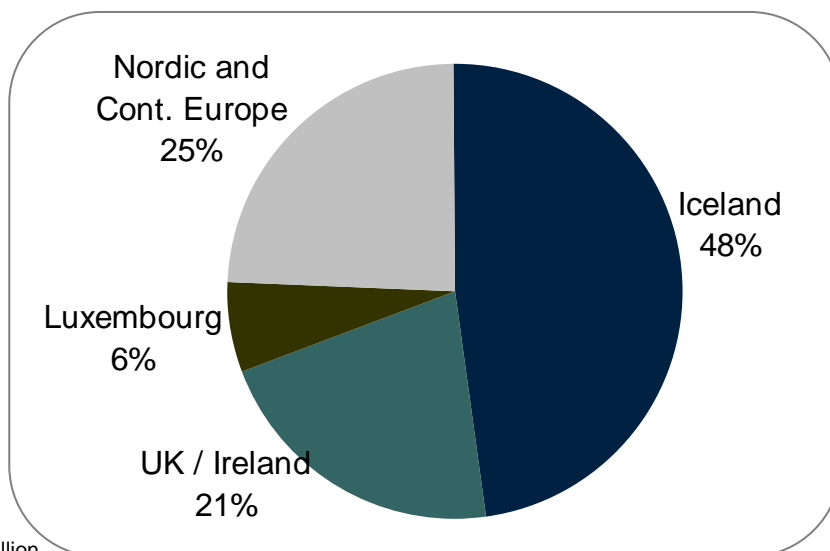


Return on Equity



Revenue Breakdown by Country

2006	Iceland	UK / Ireland	Luxembourg	Nordic and Continental Europe	Total
Net interest revenues	24,622	9,407	3,403	4,059	41,491
Net fee and commission income	11,334	7,907	1,845	7,281	28,366
Net financial income	6,866	1,796	267	10,640	19,568
Net operating revenues	42,822	19,109	5,514	21,980	89,426
	€ 489m	€ 218m	€ 63m	€ 251m	€ 1,021m
Share in net operating revenues	48%	21%	6%	25%	

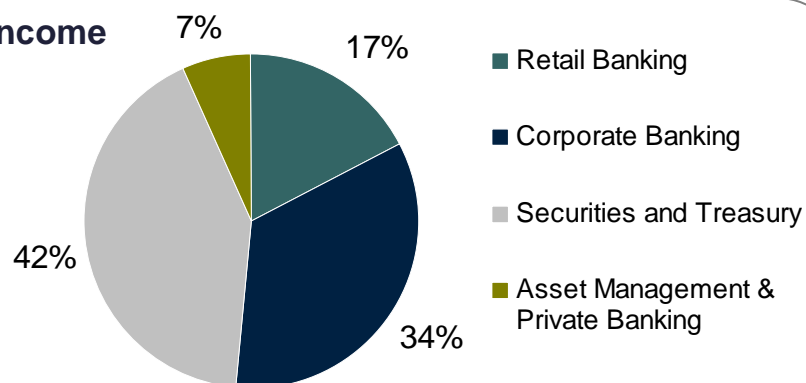


ISK million

Business Segments



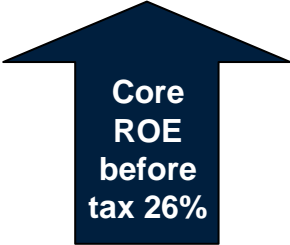
2006	Retail Banking	Corporate Banking	Securities and Treasury	Asset Management & Private Banking	Other	Group
Net interest revenue	15,145	22,714	1,280	2,351	0	41,491
Net commission and fees	2,860	2,547	19,294	3,665	0	28,366
Net financial income	-32	62	19,235	303	0	19,568
Net operating revenue	17,974	25,323	39,809	6,320	0	89,426
Operating expenses	8,752	6,003	19,101	3,239	1,493	38,588
Impairment on loans and advances	1,200	3,642	1,307	-5	0	6,144
Profit before income tax	8,022	15,678	19,400	3,086	-1,493	44,694
	€92m	€179m	€222m	€35m	€-17m	€510m

Profit before income tax:



ISK million

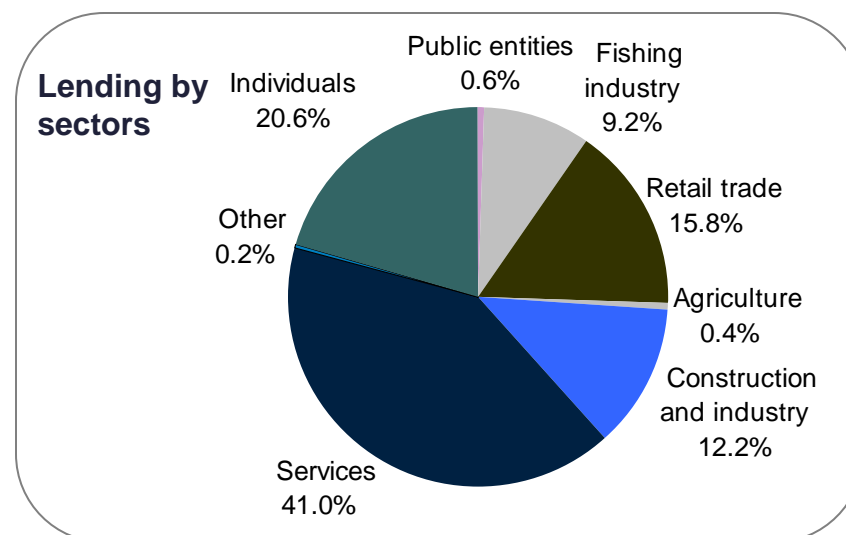
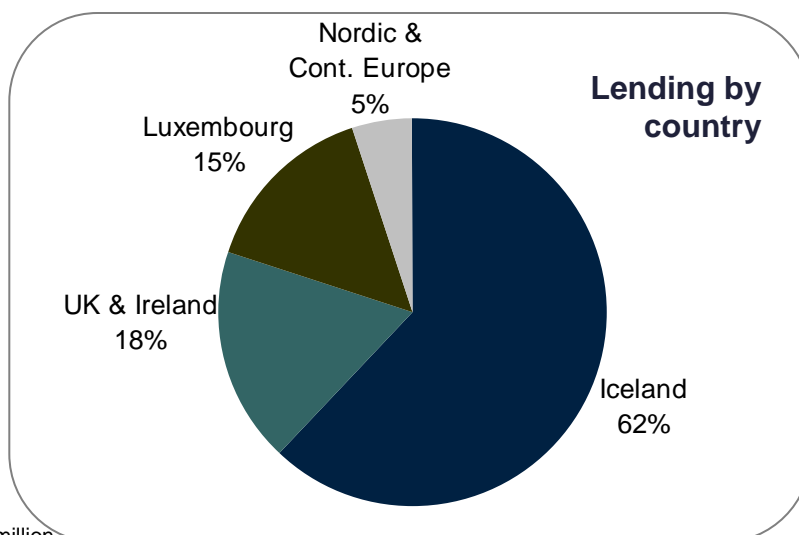
Core Income

	Actual Income	2006	2005	2004	
 <p>Profit before tax EUR 510 m</p>	Net interest revenues	€ 474m	41,491	22,996	14,734
	Net commissions and fees	€ 324m	28,366	16,726	8,891
	Net gain on equity, securities and FX	€ 223m	19,568	21,257	9,842
	Net operating revenues	€1,021m	89,426	60,978	33,467
	Operating expenses	€ 441m	38,588	20,967	14,460
	Impairment on loans and advances and assets held for sale	€ 70m	6,144	6,197	4,485
	Impairment on goodwill	€ 0m	0	3,033	0
	Profit before income tax	€510m	44,694	30,781	14,521
	Cost Income Ratio		43%	34%	43%
	ROE before tax		40%	56%	57%
 <p>Core profit before tax EUR 328 m</p>	Adjustments				
	Net interest revenues	€ 42m	3,640	3,652	1,200
	Net gain on equity, securities and FX	€-223m	-19,568	-21,257	-9,842
	Impairment on goodwill	€ 0m	0	3,033	0
	€-182m	-15,929	-14,572	-8,642	
 <p>Core ROE before tax 26%</p>	Core Income				
	Profit before income tax	€328m	28,765	16,210	5,879
	Core Cost Income Ratio		53%	48%	58%
	Core ROE before tax		26%	30%	23%

ISK million

Balance Sheet – Assets 31 December 2006

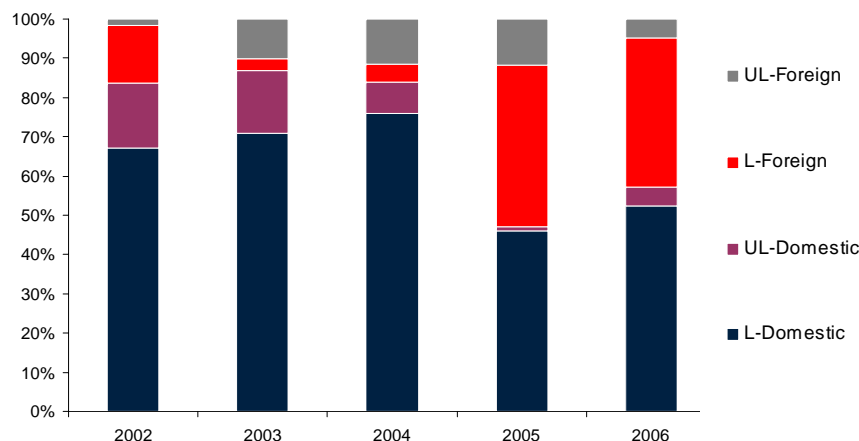
		31 Dec 2006	31 Dec 2005	Change	%	Real chg %
Cash and cash balances with Central Bank	€ 338m	32	17	15	91%	71%
Loans and advances to financial institutions	€ 2,310m	216	87	129	148%	115%
Loans and advances to customers	€ 15,348m	1,438	985	454	46%	24%
Bonds and debt instruments	€ 1,810m	170	52	118	229%	188%
Shares and equity instruments	€ 526m	49	58	-9	-15%	-21%
Hedged securities	€ 1,122m	105	130	-24	-19%	-26%
Derivatives held for trading	€ 409m	38	14	24	176%	138%
Derivatives held for hedging	€ 112m	10	5	6	124%	82%
Intangible assets	€ 153m	14	10	4	37%	23%
Other assets	€ 1,066m	100	49	51	105%	73%
	€23,185m	2,173	1,405	767	55%	33%



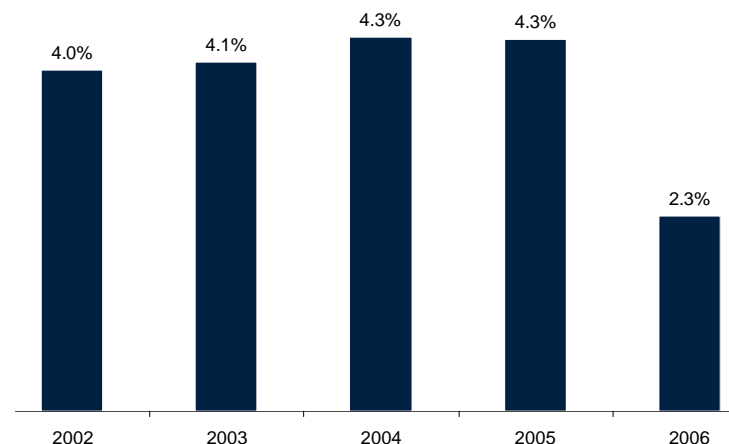
ISK million

Net Equity Position of Landsbanki

Shares and equity instruments



Equity exposure as % balance sheet



31 Dec 2006

31 Dec 2005

Domestic Shares:

	2006	%	2005	%
Listed	25.9	52.4%	26.8	46.0%
Unlisted	2.4	4.9%	0.7	1.2%

Foreign Shares:

	2006	%	2005	%
Listed	18.7	37.8%	23.9	41.1%
Unlisted	2.4	4.9%	6.9	11.8%

49.3 100.0%

58.3 100.0%

€526m

€780m

Equity exposure

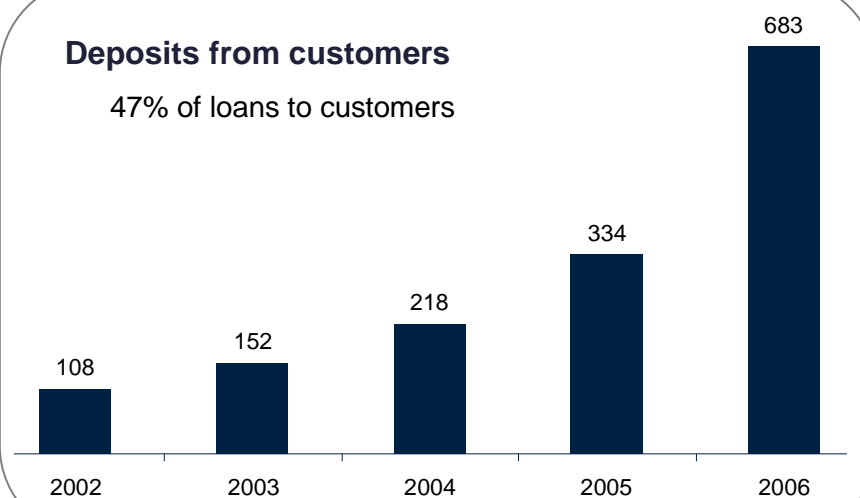
- Landsbanki intends to keep its equity exposure below 3% of total assets
- Landsbanki sold its stake in Carnegie in Q2 2006 and in Straumur-Burdaras Investment Bank in Q4 2006

Balance Sheet – Liabilities and Equity 31 December 2006

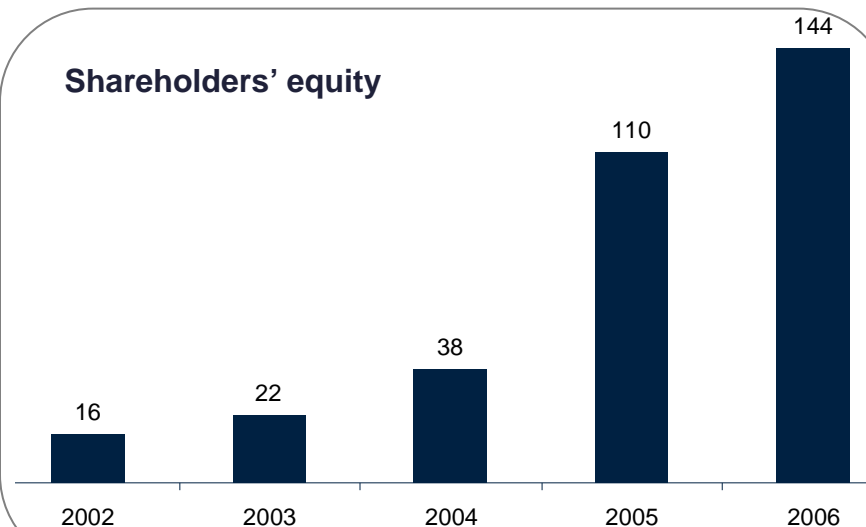
		31 Dec 2006	31 Dec 2005	Change	%	Real chg %
Deposits from credit institutions	€ 1,506m	141	145	-3	-2%	-29%
Deposits from customers	€ 7,286m	683	334	349	104%	90%
Borrowing	€ 10,830m	1,015	690	325	47%	21%
Subordinated loans	€ 958m	90	49	41	83%	49%
Other liabilities	€ 1,011m	95	74	21	28%	12%
Minority interest	€ 55m	5	4	2	45%	45%
Shareholders' equity	€ 1,540m	144	110	34	31%	29%
	€23,185m	2,173	1,405	767	55%	32%

Deposits from customers

47% of loans to customers

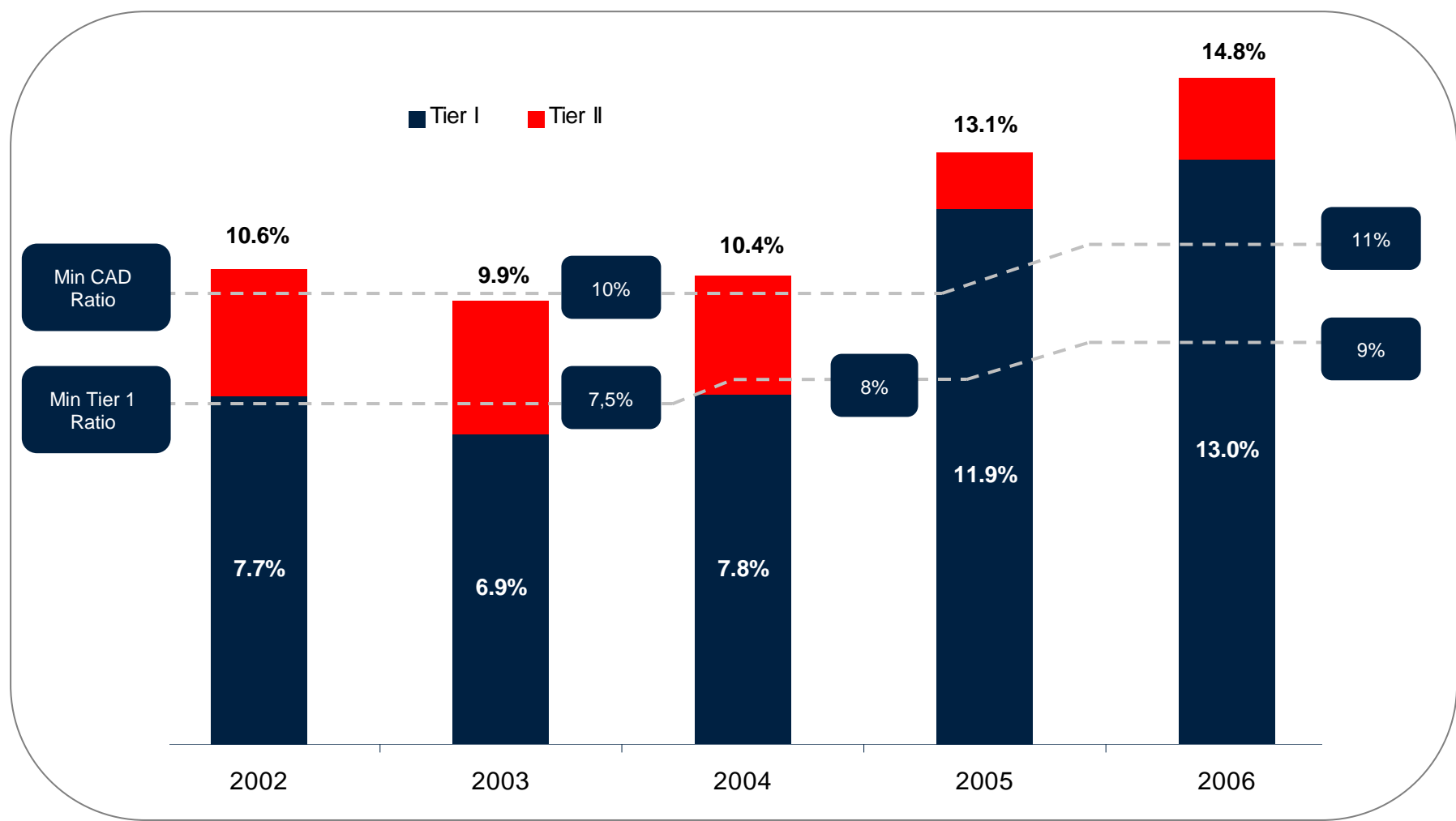


Shareholders' equity



ISK billion

Equity Ratio - CAD



Outlook

- 2006 – a record profit in Landsbanki's history
- Solid platform with continued increase in core banking income
- Diversified revenue streams both by country 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

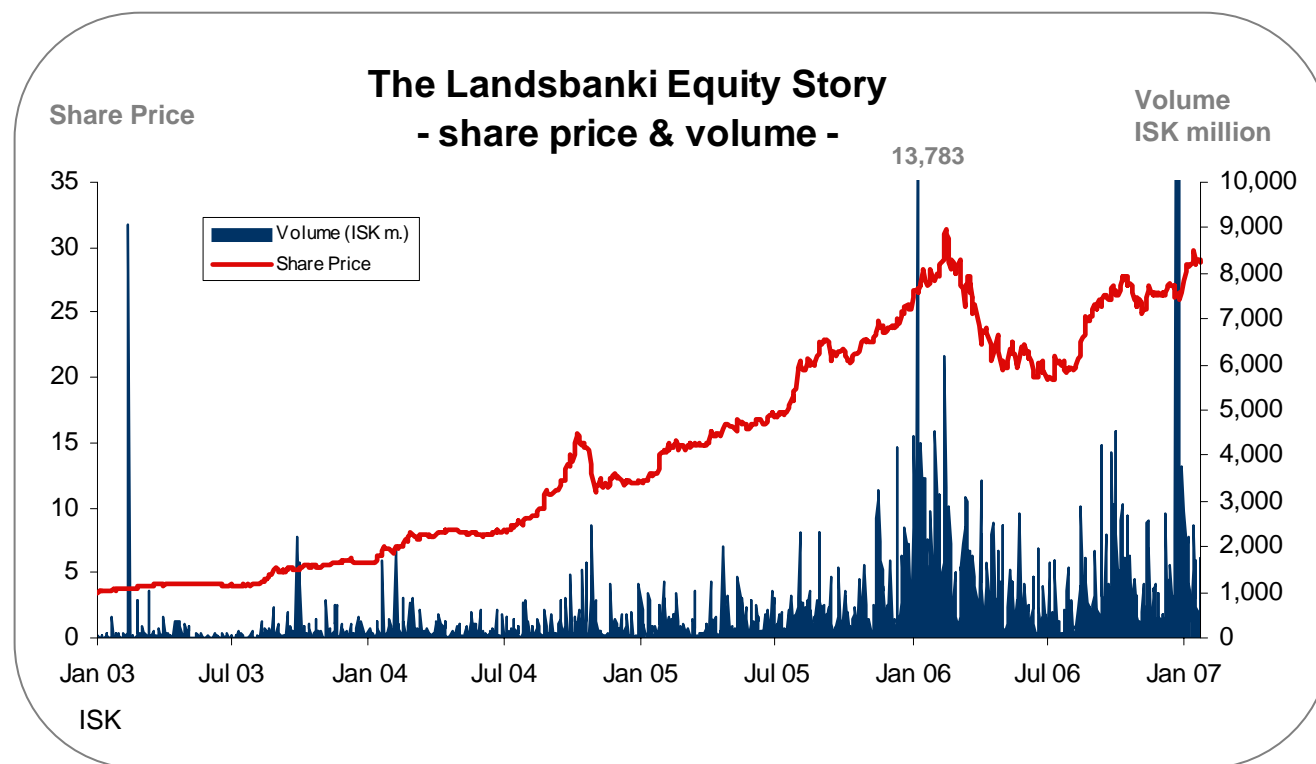
Share Price 29.1

Market Cap ISK 321 bn

Equity ISK 144 bn

Volume YOY 2006:
ISK 318.8 billion
(22,896 transactions)

Volume YTD 2007:
ISK 22.3 billion
(1,249 transactions)

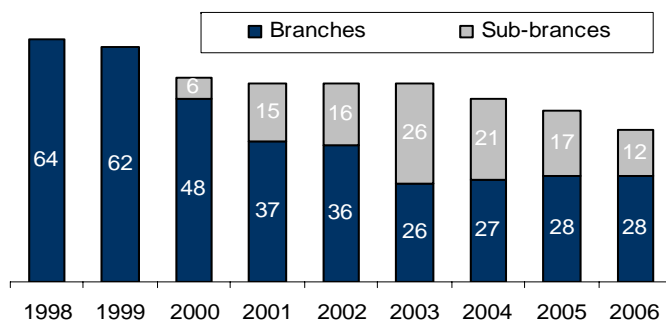


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Implementing a Clear Domestic Strategy

To reinforce and build upon Landsbanki's position as the leading provider of universal financial services based on long-term business relationships

Branch network in domestic market



- Maintain and protect position as the leading bank in Iceland
 - With 30% market share in domestic retail market and over 37% market share in corporate lending
 - Leading provider of M&A, foreign exchange, derivatives, equity and fixed income services with more than 40% market share in FX
 - Full range of Asset Management services with 34% market share in domestic funds
- Streamline the branch network with fewer, larger and more effective branches
 - Increased online banking service
 - Responsible and flexible financial advisory
 - Maximising cross-selling opportunities emphasising life insurance sales and distribution of non-life insurance products

Implementation of a Balanced International Strategy

Continue organic growth in international banking operations and acquire banking assets that increase stable, recurring revenue streams

Continue to build a profitable corporate and investment bank, focused on mid-cap corporates in Europe through organic growth and bolt-on acquisitions

**Specialty
finance
banking &
retail
deposits**

- Retail Deposits
- Asset Management and Private banking
- Property Finance & Specialised Mortgages
- Specialised SME Financing
- Asset Backed Lending

- Corporate Brokerage
- Equity Research & institutional Brokerage
- Corporate Finance
- Structured Finance
- Corporate Banking
- Wholesale deposits
- Asset Backed Lending

**European
corporate
&
investment
banking**

Continuous Integration and Consolidation of Operational Platforms

- Strong track record of profitably integrating new subsidiaries both domestically and internationally since first overseas acquisition in 2000
- Implementation of growth strategy
 - Buy small platforms, efficiently run quality assets, that support strong organic growth
 - Retain existing management and add key employees with relevant experience
 - Add new services and strengthen existing product line
- Product and service synergies with Landsbanki
 - Corporate finance with direct link with Landsbanki
 - Risk control, compliance, audit & accounting
 - Joint IT and marketing support

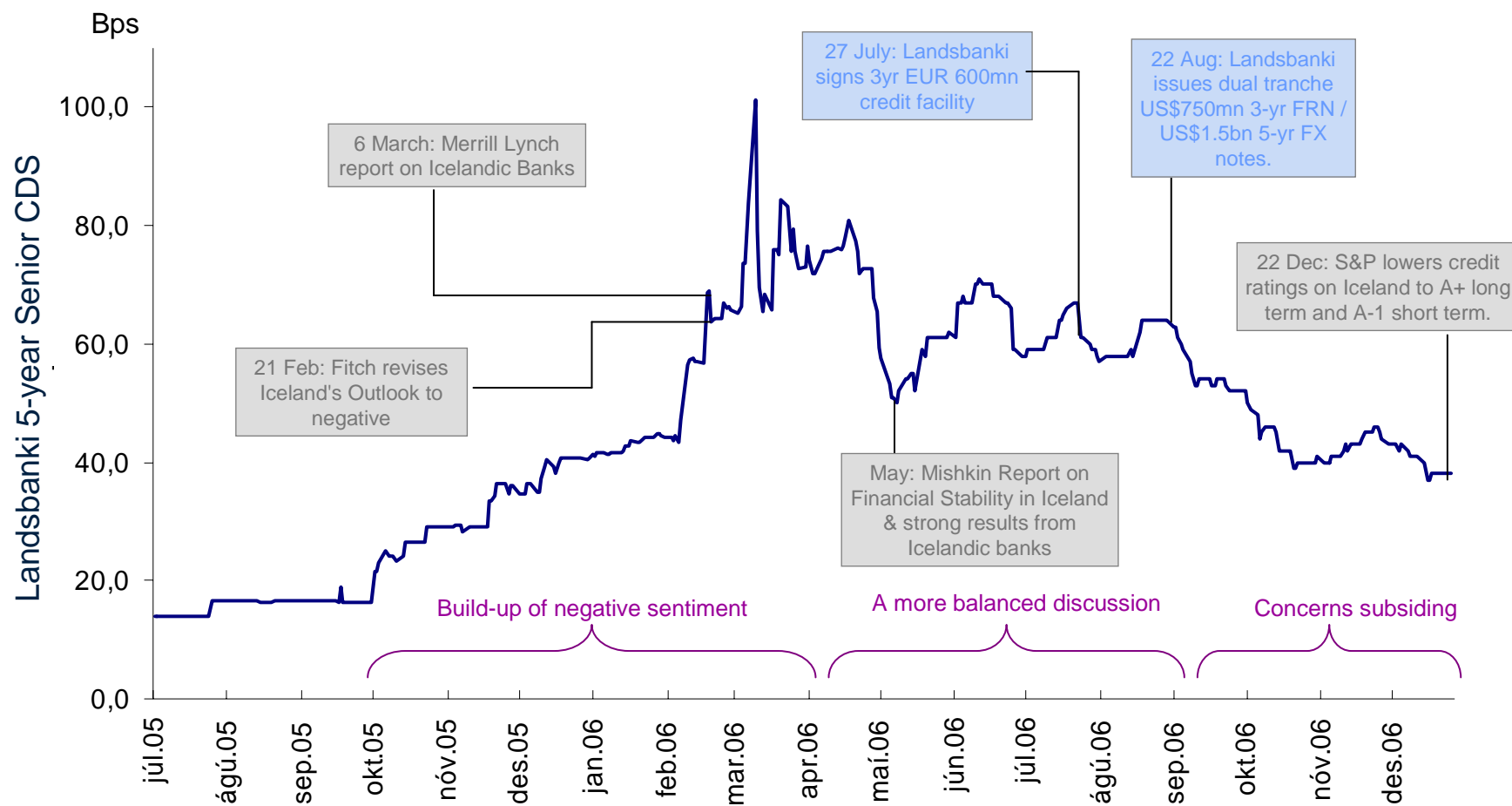


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Efficiently Reacting to Market Developments in 2006

- Main concerns expressed by market participants in early 2006 were in relation to volatility and imbalances in the Icelandic economy
- Although some topical issues were based on misconceptions that were effectively redressed through improved and proactive communications, certain concerns were warranted and Landsbanki implemented several strategic measures to address them
 - Reduced market risk from 4-5% to well below 3% of total assets
 - Diversified funding and reduced reliance on market funding – radically increasing deposits
 - Emphasis on integration and consolidation of operations
 - Clarified ownership issues including clear division of hedged positions
- Furthermore, steps were taken to strengthen foundation for Landsbanki's continued organic growth
 - Tier 1 capital increased boosting Capital Adequacy Ratios
 - Pre-funding of 2007 completed and liquidity strengthened
 - Enhanced quality and transparency of information disclosure

Turning Points in 2006



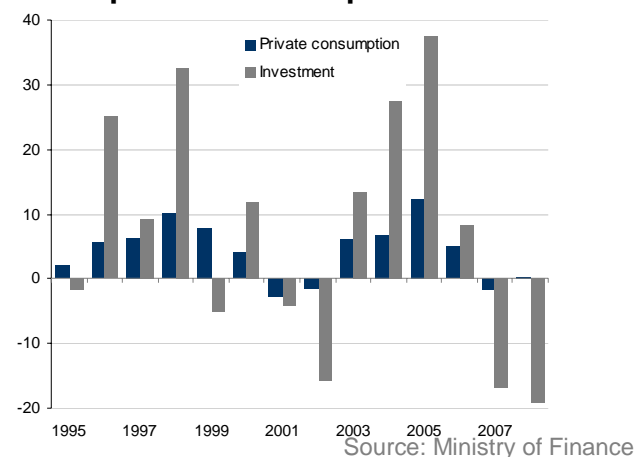
Benign Overall Operating Environment Going Forward

- **The outlook in all Landsbanki's international operating markets looks stable and favorable**
 - All large industrial economies appear to be approaching trend level growth rates
 - Prospects in securities market appear to be good even though equity prices are expected to rise less in 2007 than in 2006
 - Some corrections could take place in real estate prices in a number of countries
 - Limited impact on Landsbanki as exposure to these markets is conservative
 - Dynamism associated with healthy growth rates in the international economy will have a favorable impact on Landsbanki business in all areas of financial services
- **The risks associated with the Icelandic economy in early 2006 have dissipated**
 - Economic growth will be slightly lower in Iceland in short-term than in past years but still showing healthy growth rates
 - Assets prices in Iceland and the ISK exchange rate have adjusted down to sustainable levels without any disturbance, neither in real economy nor in the financial system.
 - Adjustment of present external imbalances expected to take place in 2007 – 2008 without significant impact on household or corporate balance sheets

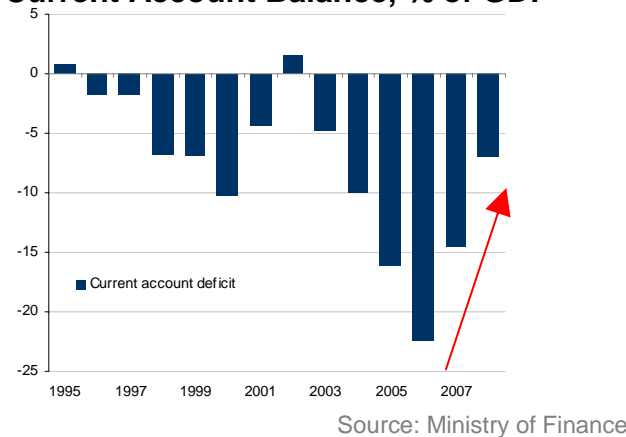
Economic Consolidation in Iceland Proceeding According to Schedule

- Following strong growth in 2003-2006, consolidation is expected in 2007
- Major components of domestic demand will decline in real terms
- Investment demand on the other hand will decline rapidly as energy-intensive investments come to a close
- As domestic demands falls and new export capacity is activated, the current external imbalance will diminish
- A sustainable current account balance will be reached next year

Growth in private consumption & investment



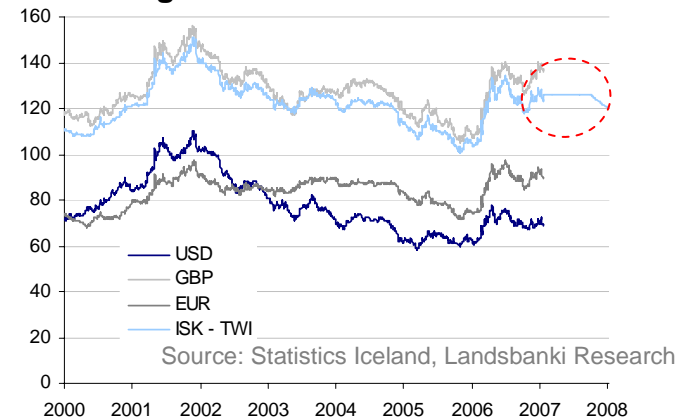
Current Account Balance, % of GDP



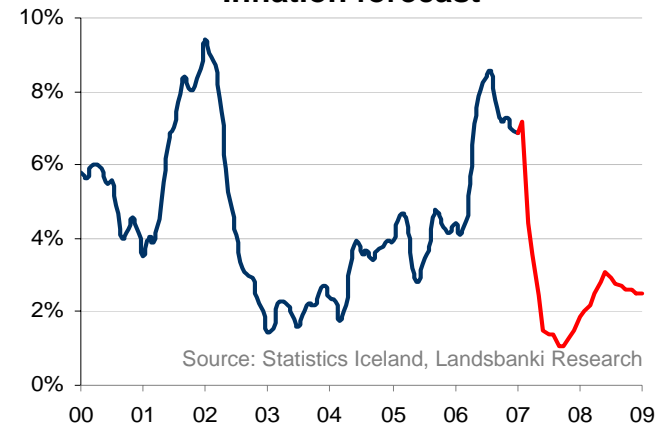
ISK Correction Behind Us – Inflation Targets Within Reach

- Correcting existing misalignment in 2004 - 2005, the ISK depreciated sharply by 20% in early 2006
- The adjustment process is now completed and current position of the ISK is close to it's long-term equilibrium
- Short-term fluctuations are likely to persist as the current adjustment runs it's full course
- Good medium-term prospects and an attractive carry should, however, put an appreciating pressure on the ISK over the longer term
- The outlook in 2008 is for inflation close to the CB's 2.5% inflation target or just above given the overall macroeconomic balance
- Concurrently, policy stance will loosen and policy rates will come down

Exchange Rate Forecast –ISK TWI

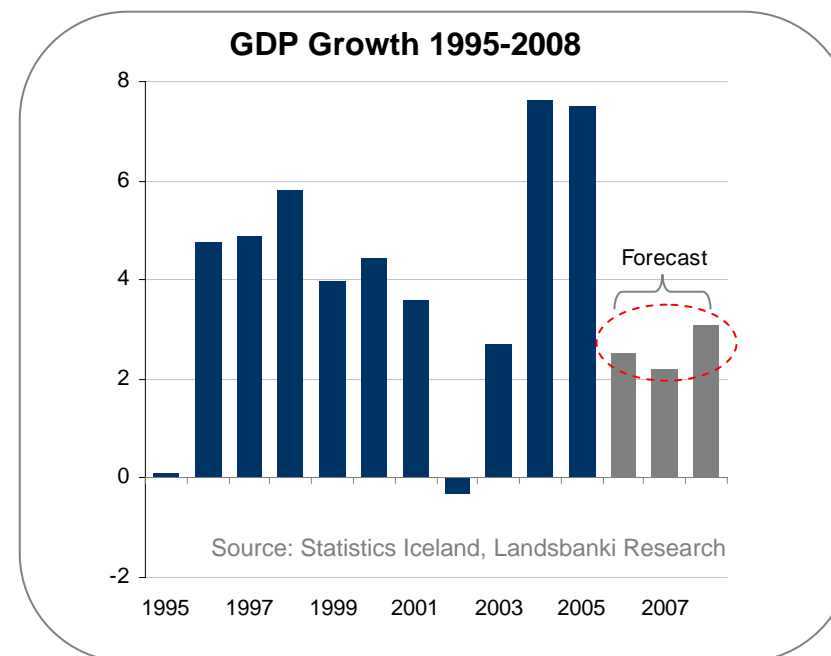


Inflation forecast



Short and Medium Term Outlook

- Following exceptional growth of 7-8% per annum in 2004-05, GDP growth in 2006 and 2007 is now estimated at 2.5%
- Fears of an economic melt-down following ISK correction last year, now look a bit overstated
- As the economy gathers phase next year GDP growth will be back on track close to long term potential of around 3%
- The likelihood of further large scale foreign investment projects will lead strong GDP growth in 2008-2010

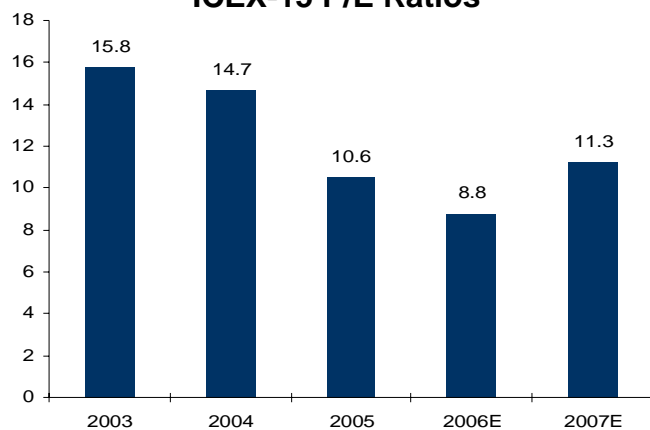


Medium Term Outlook

	<u>2008-2010</u>	<u>2011-2015</u>
GDP growth, % change	5.0	2.0
Current account balance, % of GDP	-5.7	-3.3
ISK Index (TWI)	120.0	138.5

Solid Market Sentiment

ICEX-15 P/E Ratios



Source: Landsbanki Research

P/E Ratios International Comparison

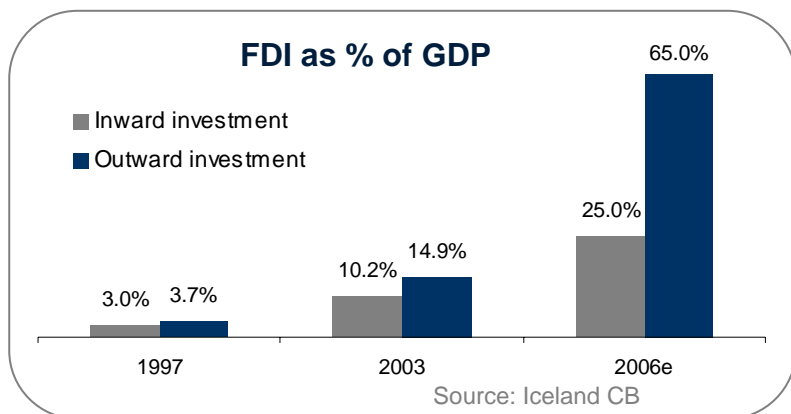
	<u>2006</u>	<u>2007 Est</u>
United Kingdom, UKX	18.4	13.2
France, CAC	14.8	13.7
Germany, DAX	14.6	13.9
Switzerland, SMI	18.5	16.7
Italy, MIB30	14.4	14.9
Spain, IBEX	14.0	15.7
Ireland, ISEQ	17.1	15.7
Netherlands, AEX	12.5	12.4
Iceland, ICEXI15	9.5	10.4

Source: Bloomberg

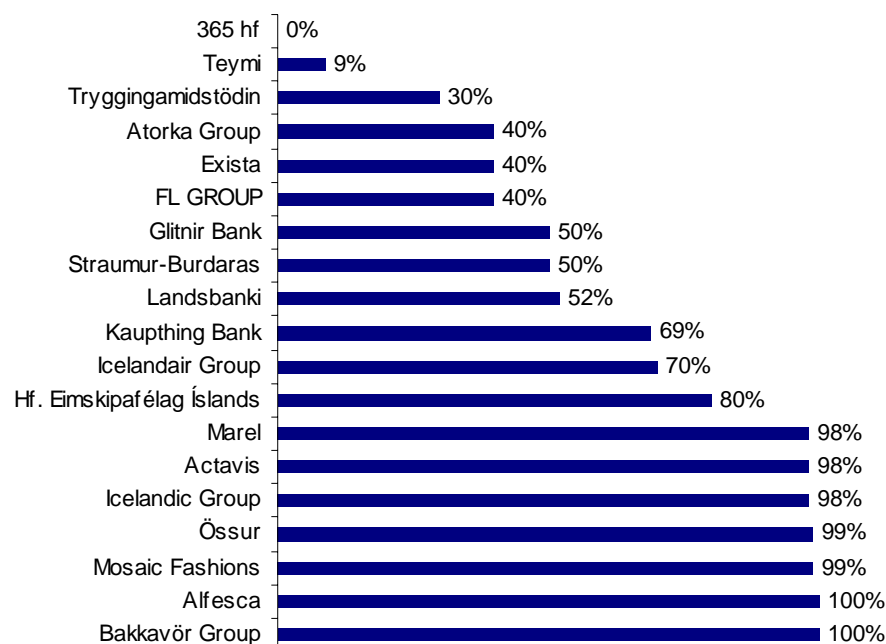
- By international comparison the Icelandic equity market is fairly priced
 - P/E ratio estimate for 2007 is 11.3
 - P/E ratios of leading foreign indices range from 13 to 17
- Despite somewhat lower trading gains expected in 2007 compared with 2006, ICEX-listed companies are expected to demonstrate solid performance in 2007
- In general, asset prices in Iceland have withstood the ISK correction and the business cycle turnaround
 - Equity prices have had a strong pull-back
 - Housing prices are levelling off without noticeable signs of overheating

Continued International Diversification of the Icelandic Economy

- Continued growth underpinned by strong inward and outward FDI flows
- Strong growth of FDI and Portfolio capital abroad – 215% of GDP in 2006 (Q3)
- Landsbanki – well hedged against cyclical economic developments
- About 75% of cash flow of ICEX listed companies is denominated in foreign currencies, 80-90% excluding the banks



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




Source: Landsbanki Research

- 1 Strong 2006 results – Core income demonstrates strong underlying profitability and continued good performance
- 2 Implementation of strategic objectives focused on integration and consolidation of operational platforms
- 3 Benign overall operating environment going forward
- 4 Major funding initiatives implemented - Highly successful new deposit programs changing the funding profile**
- 5 Funding outlook in 2007 - Reduced exposure to capital markets

Successful Market Funding in 2006



- Number of successful bond issues were concluded despite market conditions, thereby calming concerns regarding possible refinancing difficulties
 - In line with forecasts, total senior international funding raised was EUR 3.9 bn
 - Funding in 2006 turned out to be highly successful with emphasis on diversification
 - Long-term debt maturing in 2007 and 2008 amounts to EUR 3.3 billion compared to liquid assets of EUR 7.2 billion at 31 Dec 2007
 - New markets entered and thereby reaching new investors and broadening the funding base
- Concurrent with the banks growth and expansion abroad, the funding strategy is more diversified transforming the funding profile
 - In light of challenging environment in capital markets in 2006 and given success of deposit funding, liquidity position has never been stronger

Implementation of Deposit Initiatives

- Strong deposit growth with 104% increase in 2006
- Landsbanki continues to be the leading domestic deposit-taking bank with over 30% market share
- 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 with deposits growing substantially in 2006
- Landsbanki acquired Cheshire Guernsey in August as a platform for further international off-shore deposits
- Latest development  PART OF LANDSBANKI, REYKJAVIK, ICELAND

Strong Deposit Growth	31 Dec 2005	31 Dec 2006
Customer Deposits ISK bn	334	683
Customer Deposits / Total Assets	24%	31%
Customer Deposits / Total Lending	34%	47%

New Initiatives – Highly Successful Deposit Product

-  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
- Competitive interest rate – with guarantee to exceed the base rate by at least 0.25% until October 2009
- Attracting long-term savers

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

- a Highly Successful Deposit Product

- ICESAVE deposits already total GBP1.25 bn
- Over 40,000 accounts opened
- Icesave the market leader in internet deposit savings accounts in UK in terms of interest rate
- Accelerated growth – steady week-on-week increase since launch
- Substantial scope for further growth of ICESAVE
 - UK personal savings market is around GBP 800 bn
 - Projected net annual inflow of GBP 40 bn*
- Successful deposit programs are transforming Landsbanki's balance sheet and funding profile


 5.70%
gross p.a./AER*

update

We are pleased to announce that with effect from Friday 19th January our interest rate will increase from **5.45% to 5.70%**


 Savers told
 to dump
 ING for
 Icesave

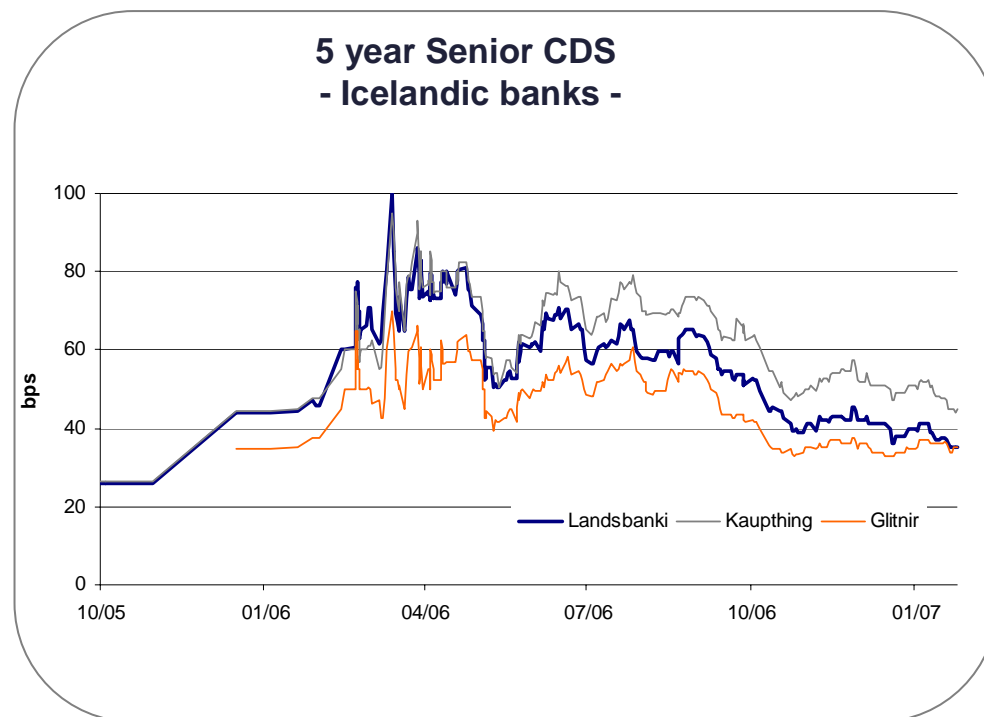
The Times, Sunday 3 Dec. 2006

*DataMonitor

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CDS Spreads Closing in on Original Level

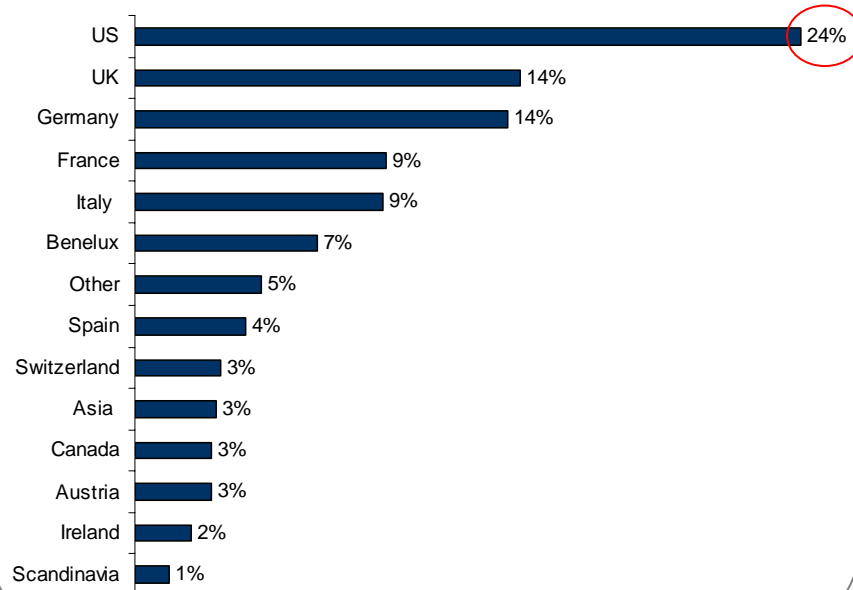
- Main deals in 2006
 - Issuance of 5 year Tier 1 subordinated notes of EUR 375m
 - Finalized first 3 & 5 year USPP of USD 300m
 - Completion of 3 year EUR 600m two-tranche syndicated facility
 - Finalized two-tranche 3 & 5 year USD 2.25bn public deal in the US
 - First Maple Bond issuance in Canada, 3 year of CAD 300m
- First Yankee Bond Issuance in August – Selected among best deals of the year by Credit Magazine
 - Marked a turnaround point after a turbulent time in market
 - Strong secondary market performance



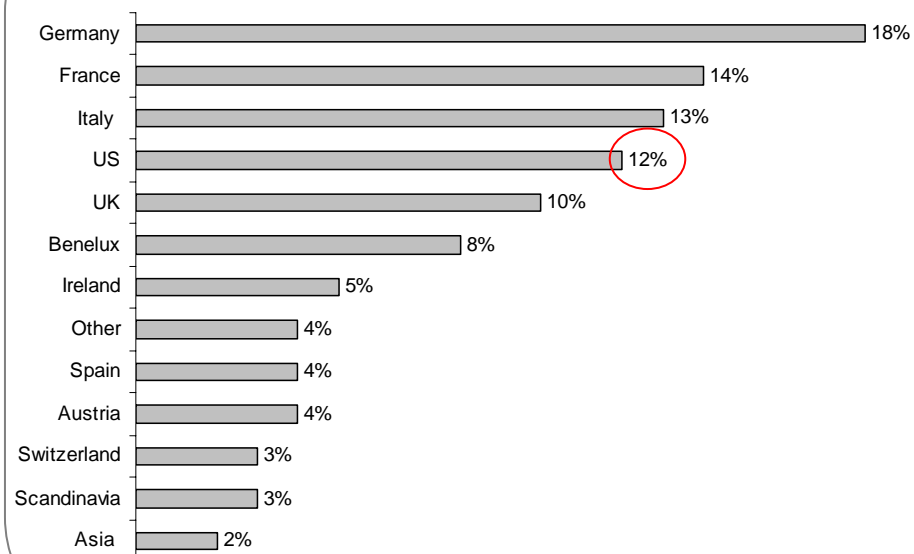
Geographical Diversification of Investors

A diversified group of 670 investors have participated in Landsbanki public issues to date

Investor base 31 December 2006

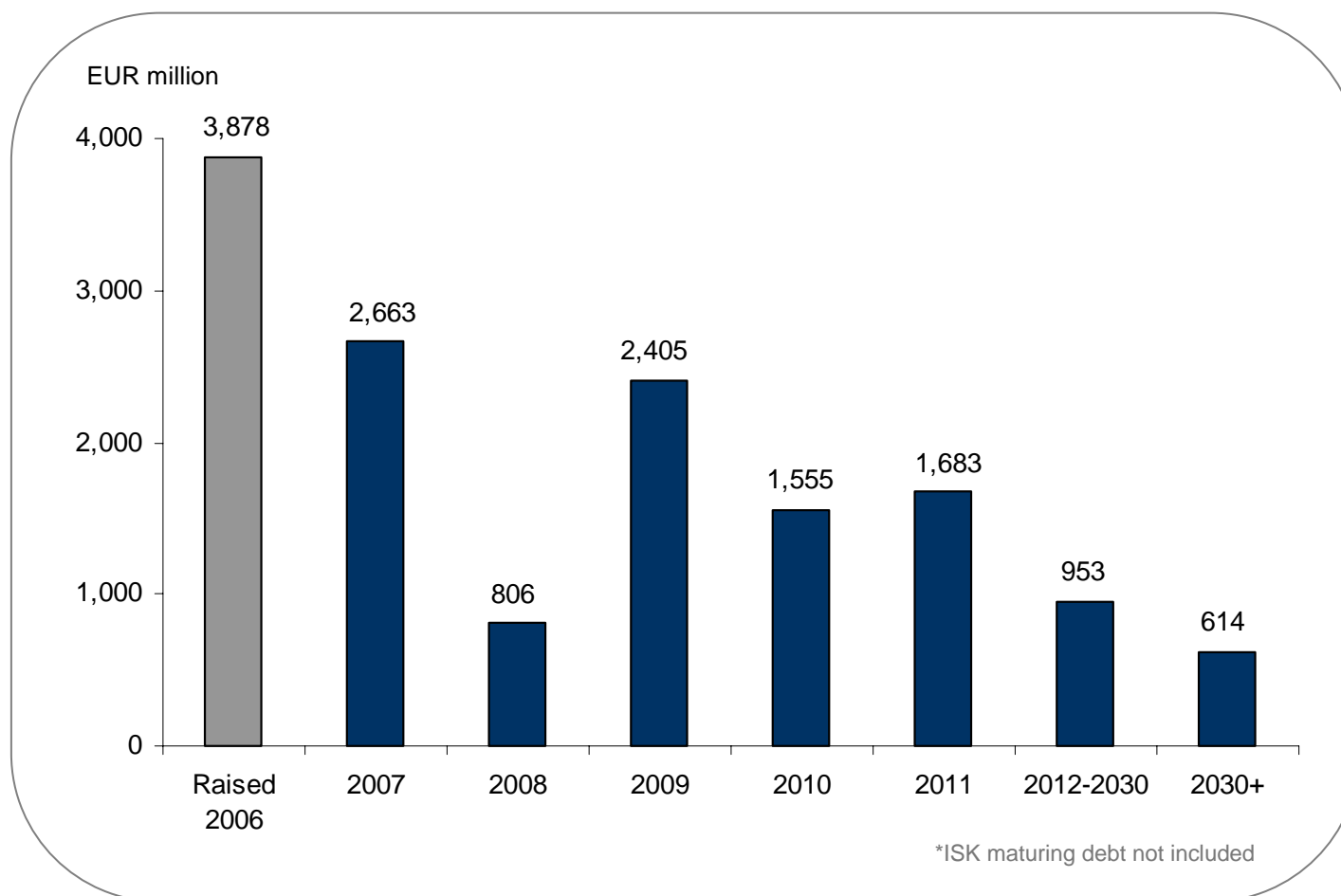


Investor base 31 December 2005



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

Healthy Maturity Profile



International Funding Themes and Plans for 2007

- The main theme to continue to support further tightening of Landsbanki's spreads from current levels
- Emphasis will be placed on smoothing the maturity profile, lengthening the duration of outstanding issues and continue to approach new markets and investors
- Landsbanki is looking to raise around EUR 2.0bn from International Capital Markets for long-term funding in 2007
 - Likely to issue 1-2 benchmark issues in both EUR and USD markets
 - Other issuance will be split between various markets and structures

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Landsbanki