

Q1 2007

## Strong Core Earnings Underpin Fine Results

London, 3 May 2007

**Sigurjón Th. Árnason**

Chief Executive Officer, Landsbanki

**Halldór J. Kristjánsson**

Chief Executive Officer, Landsbanki

Chairing the meeting:

**Brynjólfur Helgason**

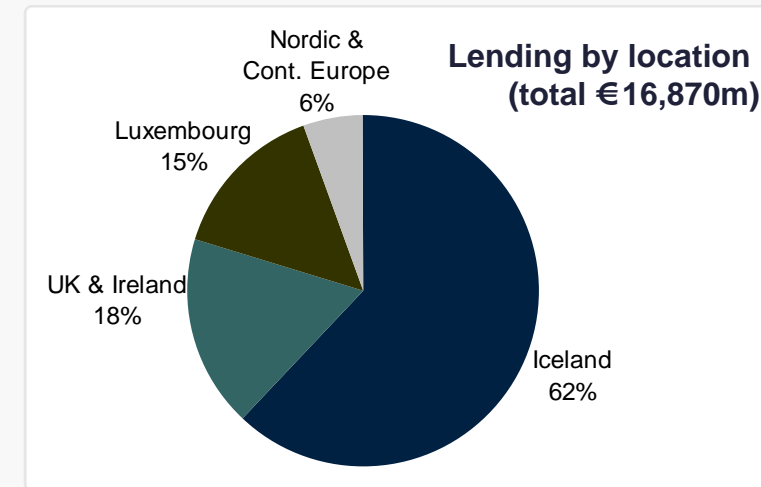
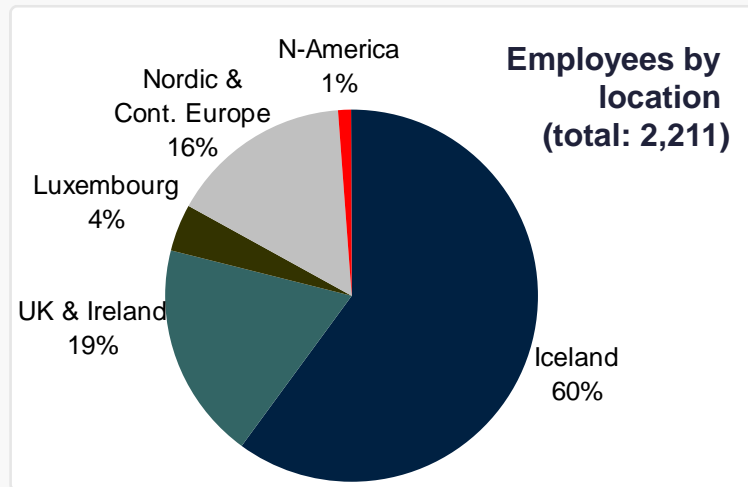
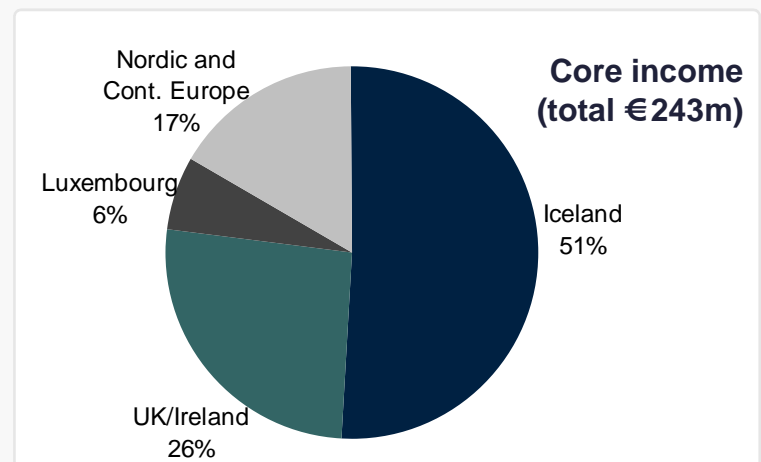
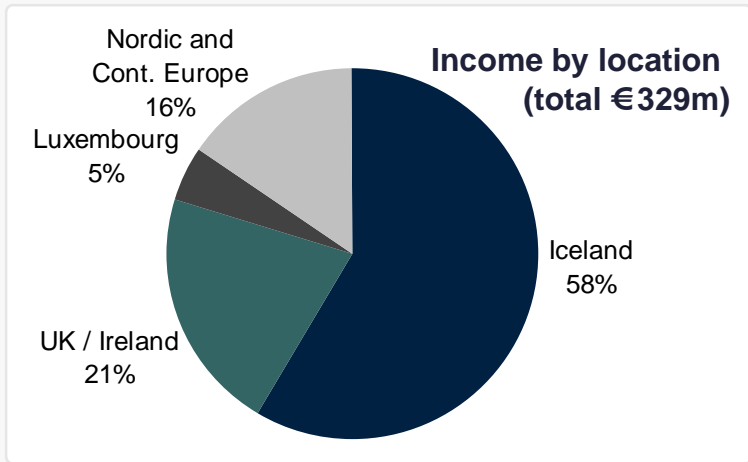
MD International Banking & Alternate CEO

## Disclaimer

- The information presented herein (the Information) is based on sources which Landsbanki regards as dependable. Furthermore, the Information and views presented are based on publicly available information gathered at the time of writing and may change without notice. While Landsbanki Íslands hf. has given due care and attention to the preparation of this presentation, it can nevertheless not guarantee the accuracy or completeness of the information, nor accept responsibility for the accuracy of its sources. Landsbanki Íslands hf. is not obliged to make amendments or changes to this publication should errors be discovered or opinions or information change. Note especially that projections may vary from actual results in both positive and negative directions and are subject to uncertainty and contingencies, many of which are beyond the control of Landsbanki Íslands hf.
- The Information should not be interpreted as advice to customers on the purchase or sale of specific financial instruments. Landsbanki bears no responsibility in any instance for loss which may result from reliance on the Information.
- Landsbanki holds copyright to the Information, unless expressly indicated otherwise or this is self-evident from its nature. Written permission from Landsbanki is required to republish the Information on Landsbanki or to distribute or copy such information. This shall apply regardless of the purpose for which it is to be republished, copied or distributed. Landsbanki's customers may, however, retain the Information for their private use.
- Transactions with financial instruments by their very nature involve high risk. Historical price changes are not necessarily an indication of future price trends. Investors are encouraged to acquire general information from Landsbanki or other expert advisors concerning securities trading, investment issues, taxation, etc. in connection with securities transactions.

- Strong Q1 2007 results confirm profitability and continuing fine performance
- Deposits transform the balance sheet and funding profile
- Favourable macro outlook in all operating markets

# A Growing European Bank



## Q1 2007 Highlights

### Strong results

- Pre-tax profit ISK 15.5bn (EUR 173m)
- After-tax profit ISK 13.8bn (EUR 154m)
- Pre-tax ROE 52%
- After-tax ROE 45%
- Cost-income ratio 42%

### Efficient core banking operations (excl. net financial income)

- Core profit before taxes ISK 8.1bn (EUR 90m)
- Core pre-tax ROE 25%
- Core cost-income ratio 56%

### Strong balance sheet

- Total assets ISK 2,317bn (EUR 26.4bn)
- Shareholder equity ISK 150bn (EUR 1.7bn)
- Tier 1 capital ratio 11.7%
- Equity ratio 13.4%

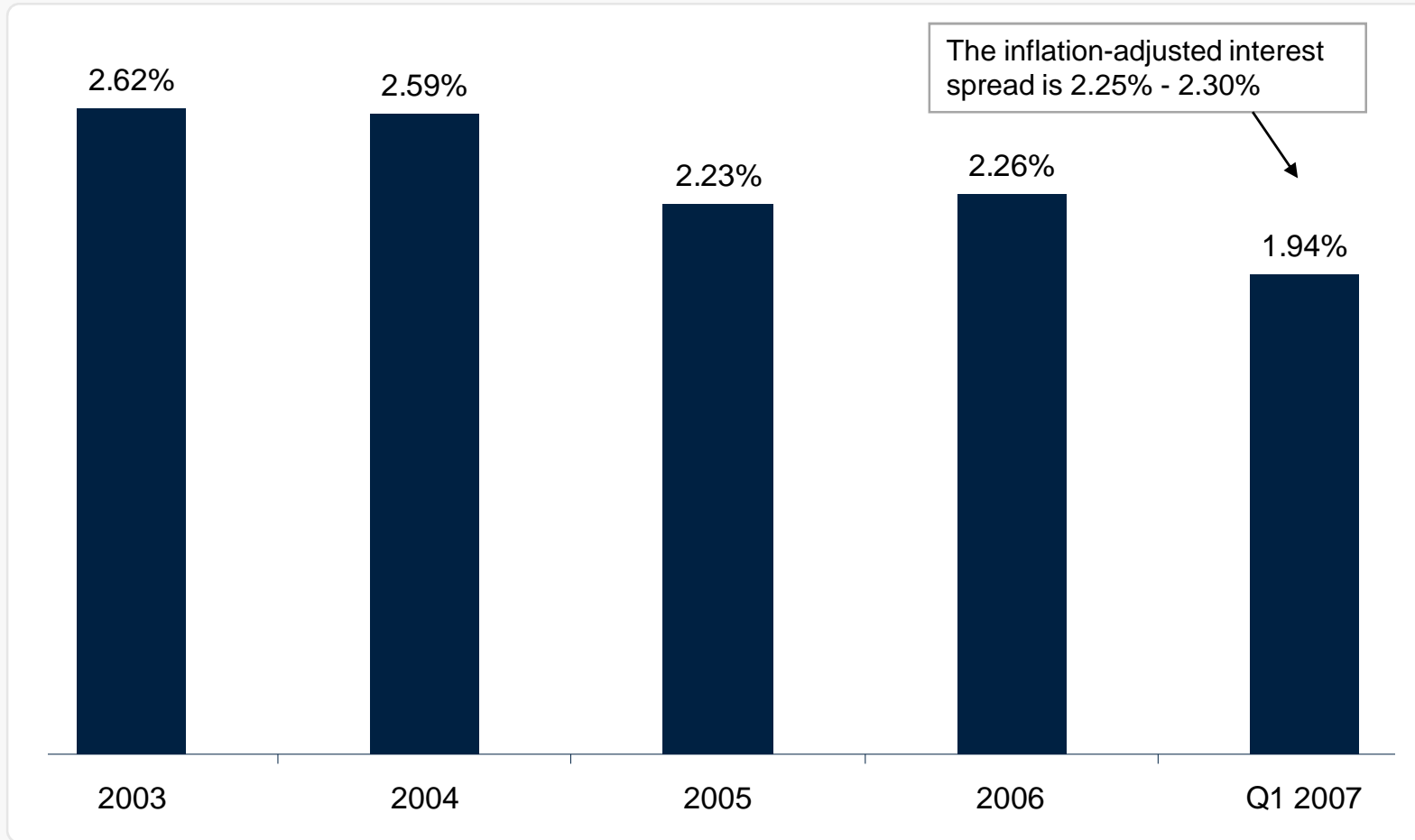
#### ISK / EUR

Beginning of 2007	93.72
31 March 2007	87.96
Average Q1 2007	89.56
2 May 2007	87.41

# Income Statement

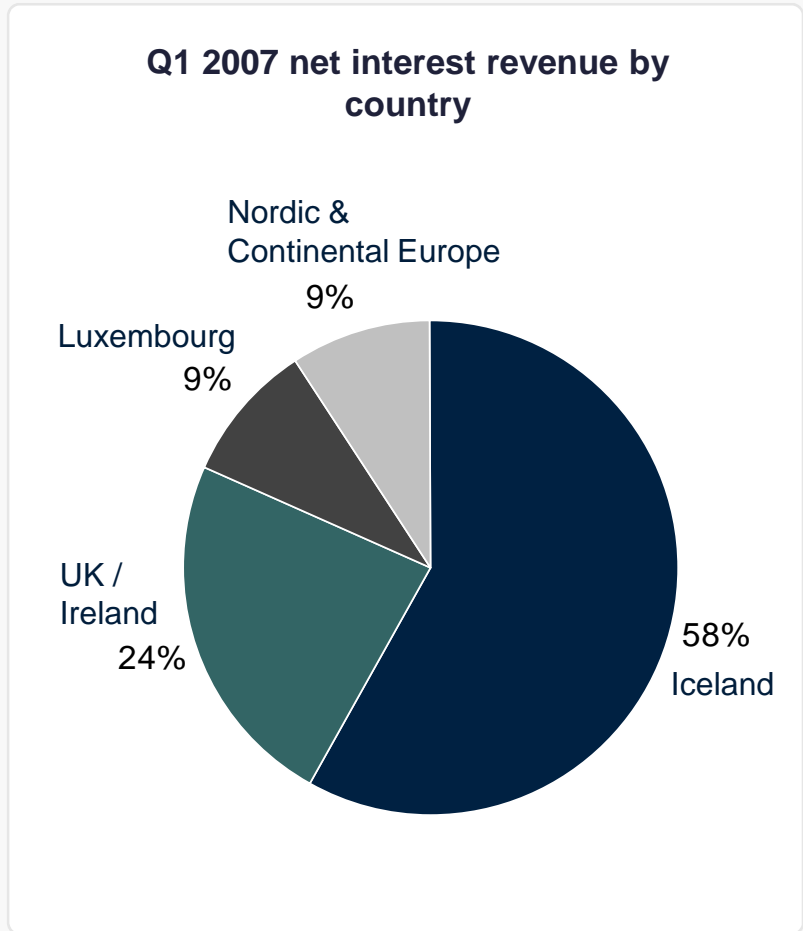
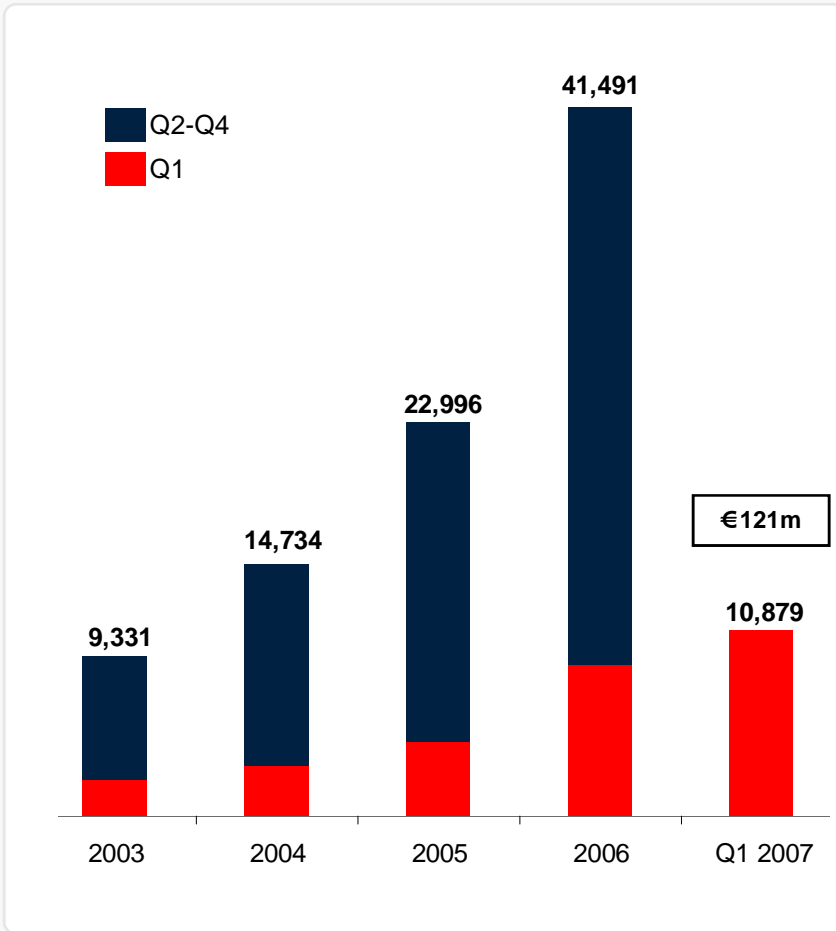
		Q1 2007	Q1 2006	Diff	%	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Net interest revenue	€ 121m	10,879	8,934	1,946	22%	9,581	9,314	13,662	8,934
Net fee and commission income	€ 109m	9,762	6,857	2,905	42%	7,998	6,568	6,943	6,857
Net financial income	€ 98m	8,799	11,150	-2,351	-21%	7,240	2,656	-1,478	11,150
<b>Net operating revenues</b>	<b>€329m</b>	<b>29,441</b>	<b>26,942</b>	<b>2,499</b>	<b>9%</b>	<b>24,819</b>	<b>18,538</b>	<b>19,127</b>	<b>26,942</b>
Salaries and related expenses	€ 89m	7,972	5,249	2,722	52%	6,989	5,963	6,256	5,249
Administrative expenses	€ 50m	4,444	2,839	1,605	57%	4,042	3,754	3,496	2,839
<b>Operating expenses</b>	<b>€139m</b>	<b>12,415</b>	<b>8,088</b>	<b>4,327</b>	<b>54%</b>	<b>11,031</b>	<b>9,717</b>	<b>9,752</b>	<b>8,088</b>
Impairment on loans and advances	€ 17m	1,549	1,555	-6	0%	1,332	1,597	1,660	1,555
<b>Profit before taxes</b>	<b>€173m</b>	<b>15,476</b>	<b>17,299</b>	<b>-1,822</b>	<b>-11%</b>	<b>12,457</b>	<b>7,224</b>	<b>7,714</b>	<b>17,299</b>
Income tax	€ 19m	1,716	3,023	-1,307	-43%	-1,596	1,480	1,572	3,023
<b>Net profit</b>	<b>€154m</b>	<b>13,760</b>	<b>14,276</b>	<b>-515</b>	<b>-4%</b>	<b>14,053</b>	<b>5,744</b>	<b>6,143</b>	<b>14,276</b>

## Interest Spread as a Ratio of Average Capital Position





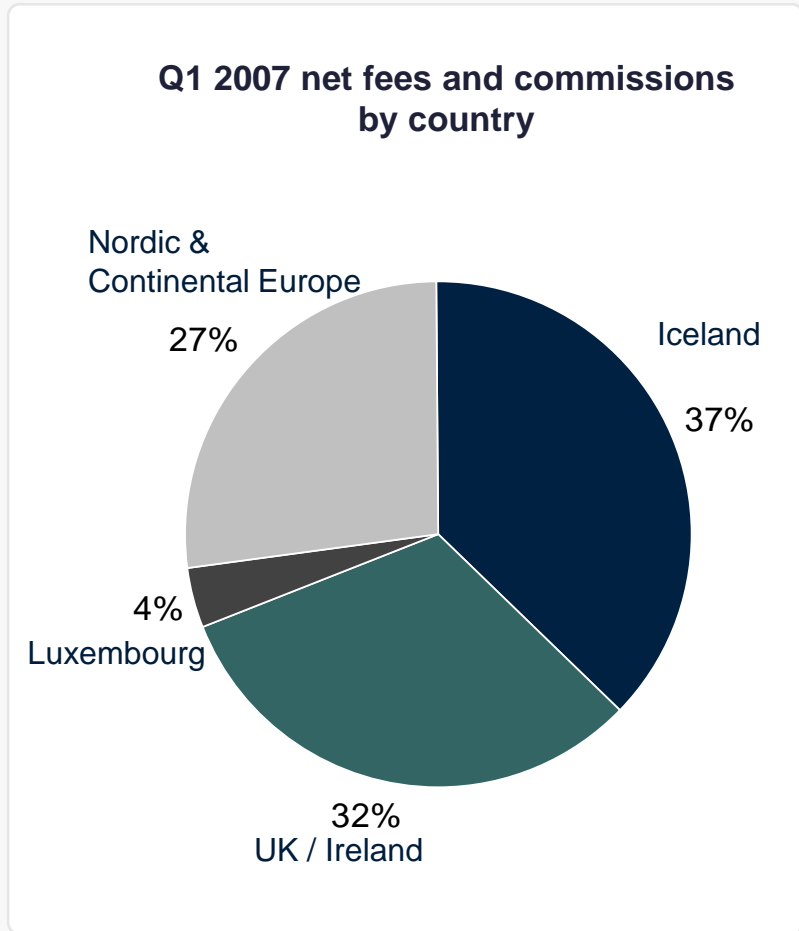
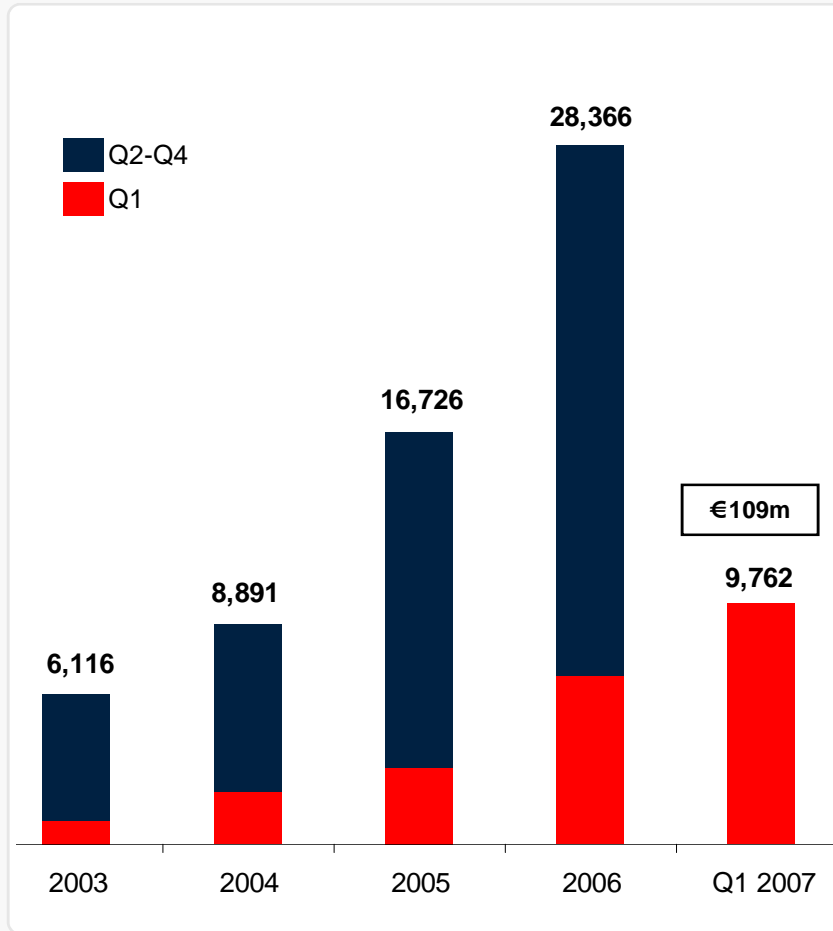
# Net Interest Revenue



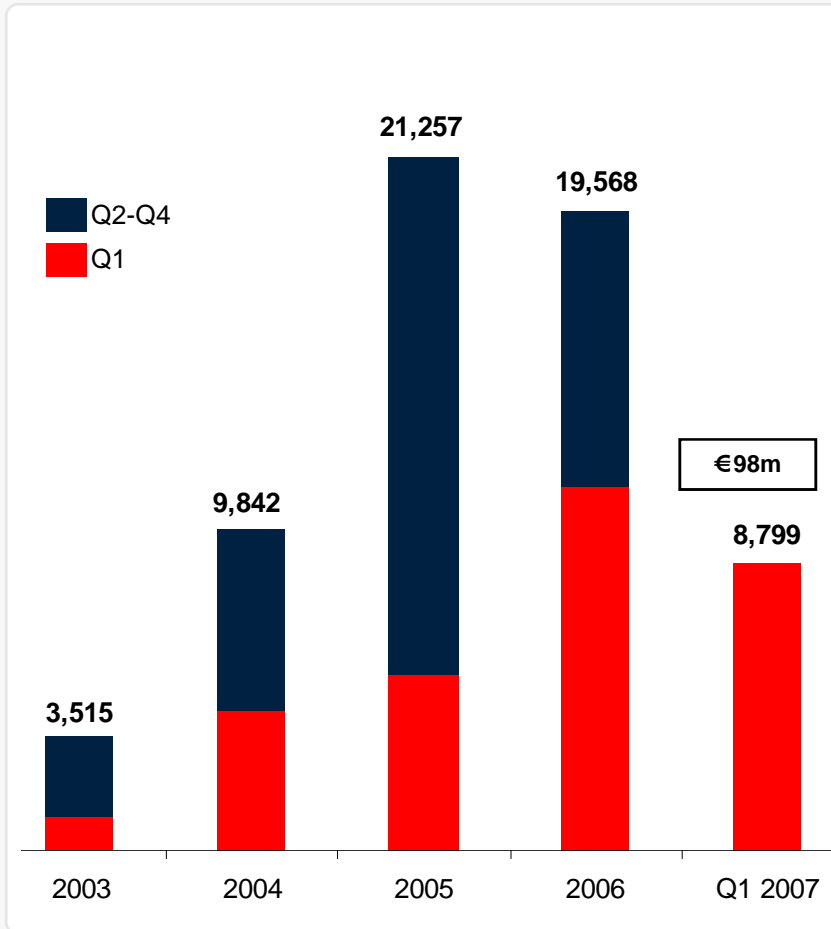




# Net Fees and Commissions



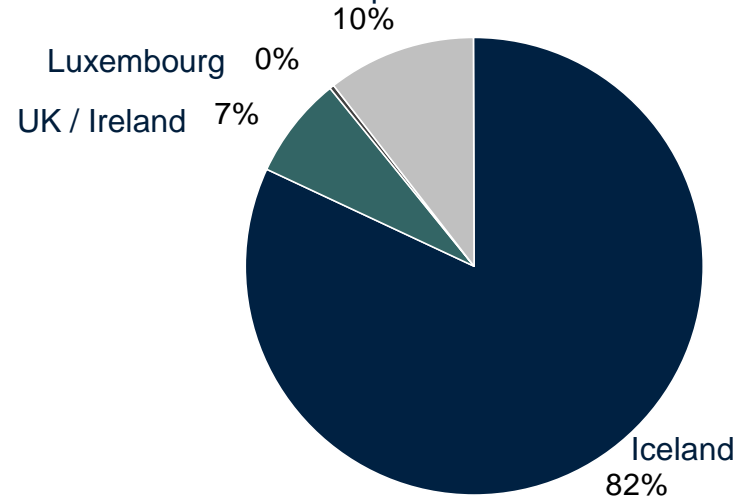
# Net Financial Income



## Breakdown of net financial income by origin

Equities	€ 90m	8.156
Fixed income	€ 1m	52
Foreign exchange	€ 7m	607
Other	€ 0m	-15
<b>Total</b>	<b>€ 98m</b>	<b>8.799</b>

## Nordic & Continental Europe

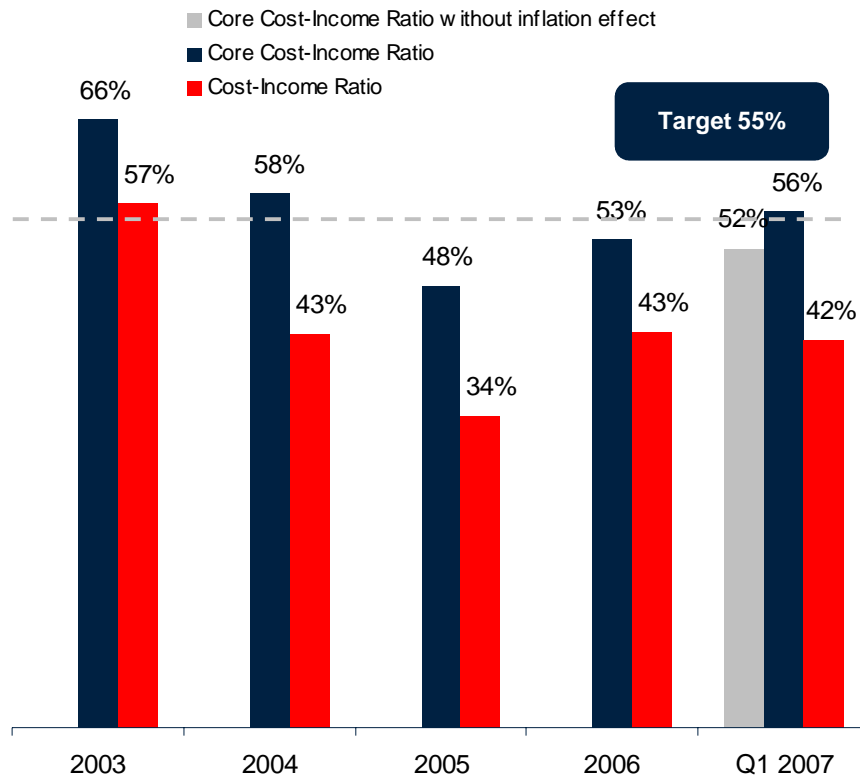


# Income Statement

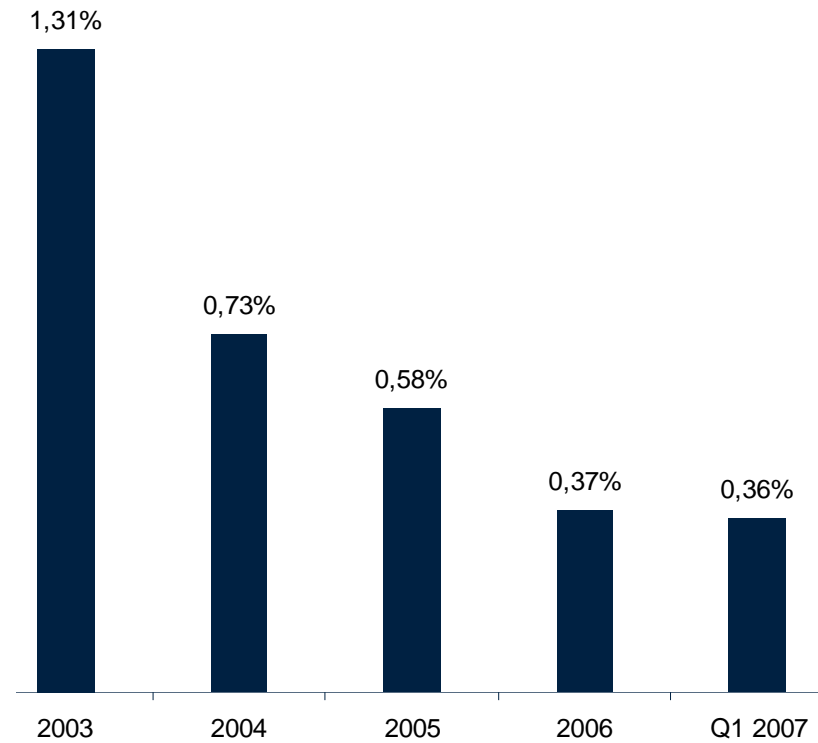
		Q1 2007	Q1 2006	Diff	%	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Net interest revenue	€ 121m	10,879	8,934	1,946	22%	9,581	9,314	13,662	8,934
Net fee and commission income	€ 109m	9,762	6,857	2,905	42%	7,998	6,568	6,943	6,857
Net financial income	€ 98m	8,799	11,150	-2,351	-21%	7,240	2,656	-1,478	11,150
<b>Net operating revenues</b>	<b>€329m</b>	<b>29,441</b>	<b>26,942</b>	<b>2,499</b>	<b>9%</b>	<b>24,819</b>	<b>18,538</b>	<b>19,127</b>	<b>26,942</b>
Salaries and related expenses	€ 89m	7,972	5,249	2,722	52%	6,989	5,963	6,256	5,249
Administrative expenses	€ 50m	4,444	2,839	1,605	57%	4,042	3,754	3,496	2,839
<b>Operating expenses</b>	<b>€139m</b>	<b>12,415</b>	<b>8,088</b>	<b>4,327</b>	<b>54%</b>	<b>11,031</b>	<b>9,717</b>	<b>9,752</b>	<b>8,088</b>
Impairment on loans and advances	€ 17m	1,549	1,555	-6	0%	1,332	1,597	1,660	1,555
<b>Profit before taxes</b>	<b>€173m</b>	<b>15,476</b>	<b>17,299</b>	<b>-1,822</b>	<b>-11%</b>	<b>12,457</b>	<b>7,224</b>	<b>7,714</b>	<b>17,299</b>
Income tax	€ 19m	1,716	3,023	-1,307	-43%	-1,596	1,480	1,572	3,023
<b>Net profit</b>	<b>€154m</b>	<b>13,760</b>	<b>14,276</b>	<b>-515</b>	<b>-4%</b>	<b>14,053</b>	<b>5,744</b>	<b>6,143</b>	<b>14,276</b>

# Cost-income ratio & Impairment on Loans and Advances

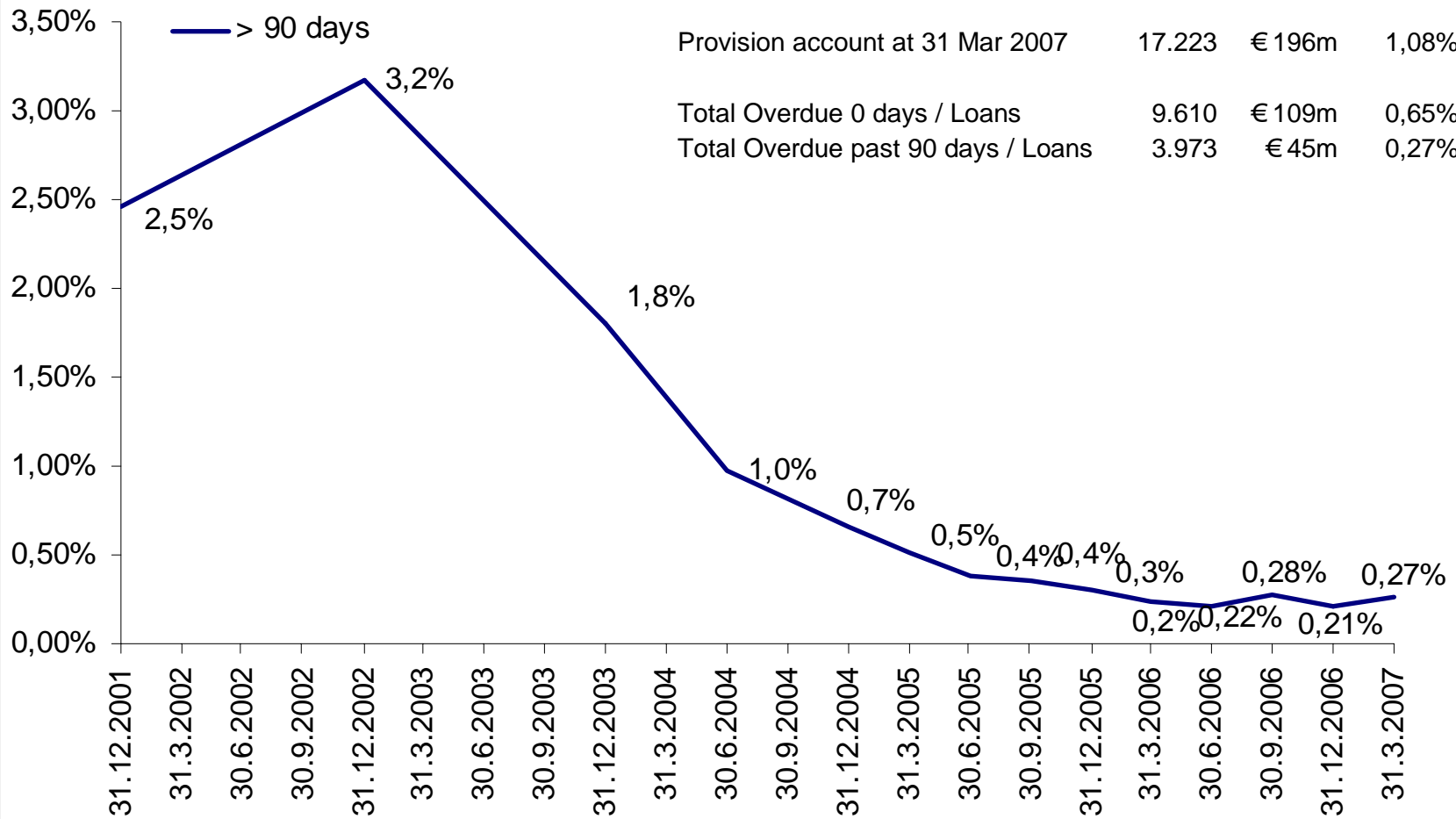
### Cost-income ratio



### Impairment on loans & advances



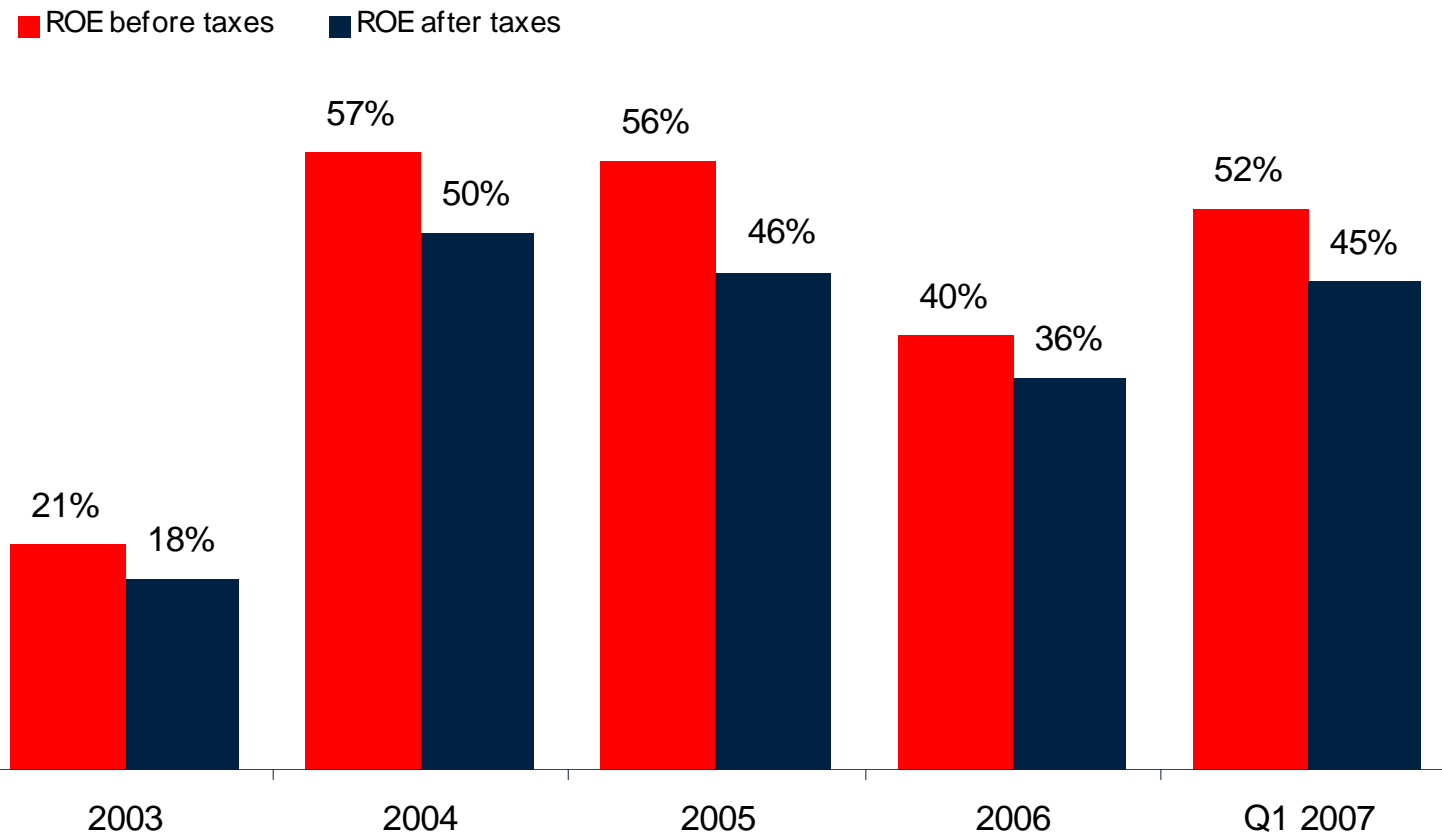
# Defaults as a Ratio of Total Lending



Provision account at 31 Mar 2007	17.223	€ 196m	1,08%
Total Overdue 0 days / Loans	9.610	€ 109m	0,65%
Total Overdue past 90 days / Loans	3.973	€ 45m	0,27%



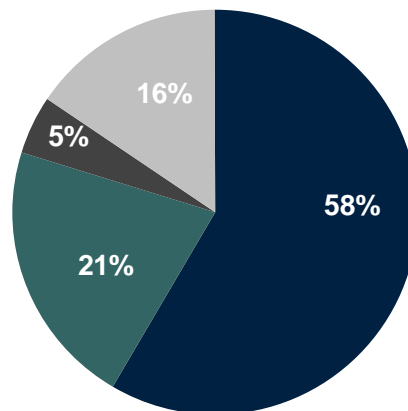
# Return on Equity



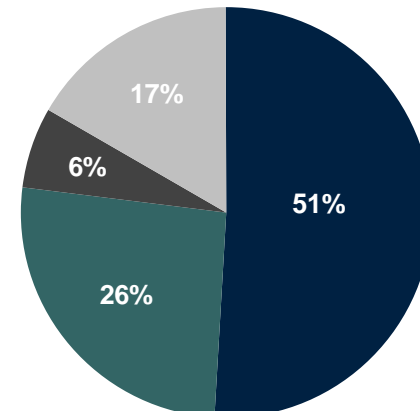
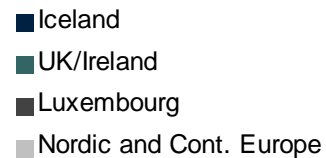
## Revenue Breakdown by Country

Q1 2007	Iceland	UK / Ireland	Luxembourg	Nordic and Continental Europe	Total
Net interest revenues	6,320	2,559	996	1,004	10,880
Net fee and commission income	3,629	3,085	381	2,667	9,762
Net financial income	7,219	619	39	923	8,799
<b>Net operating revenues</b>	<b>17,169</b>	<b>6,262</b>	<b>1,416</b>	<b>4,594</b>	<b>29,441</b>
	€ 192m	€ 70m	€ 16m	€ 51m	€ 329m
Share in net operating revenues	58%	21%	5%	16%	
Core income	51%	26%	6%	17%	

Net operating revenues



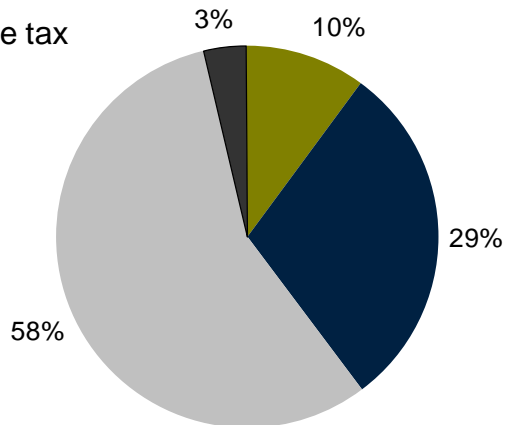
Core income



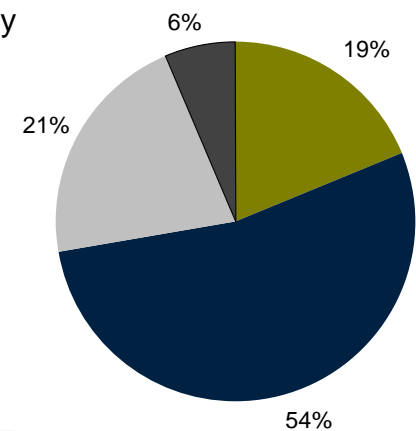
## Breakdown by Business Division

Q1 2007	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Private Banking	Other	Group
Net interest revenue	3,928	7,618	-1,401	734	0	10,879
Net commission and fees	595	551	7,800	816	0	9,762
Net financial income	-23	18	8,777	28	0	8,799
<b>Net operating revenue</b>	<b>4,500</b>	<b>8,187</b>	<b>15,176</b>	<b>1,578</b>	<b>0</b>	<b>29,441</b>
<b>Operating expenses</b>	<b>2,307</b>	<b>2,397</b>	<b>5,834</b>	<b>1,009</b>	<b>868</b>	<b>12,415</b>
Impairment on loans and advances	502	987	63	-2	0	1,549
<b>Profit before income tax</b>	<b>1,692</b>	<b>4,803</b>	<b>9,278</b>	<b>571</b>	<b>-868</b>	<b>15,476</b>
	€ 19m	€ 54m	€ 104m	€ 6m	€ -10m	€ 173m

Profit before tax



Core Profitability before tax





# Core Income

Pre-tax profit  
€173m

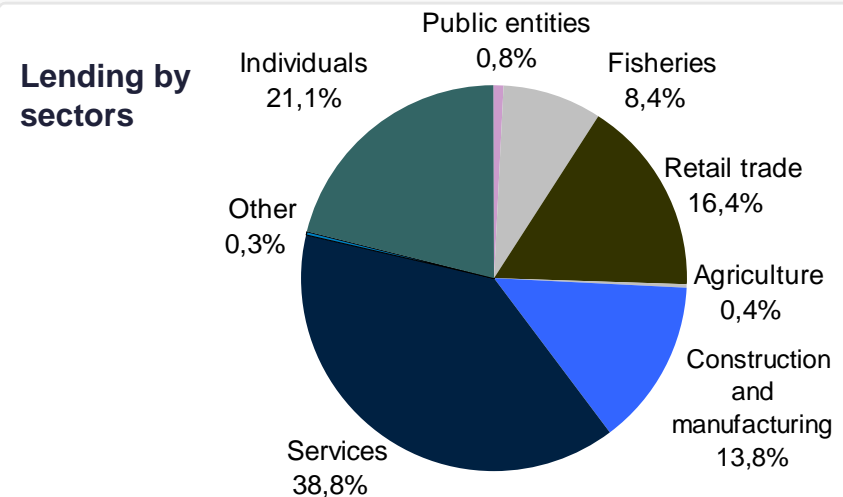
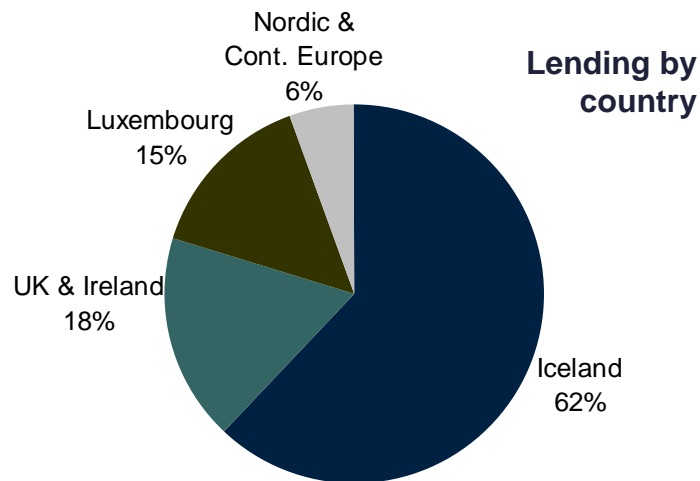
Core pre-tax profit  
€90m

Core pre-tax ROE  
25%

Actual results		Q1 2007	2006	2005	2004
Net interest revenues	€ 121m	10,879	41,491	22,996	14,734
Net commissions and fees	€ 109m	9,762	28,366	16,726	8,891
Net gain on equity, securities and FX	€ 98m	8,799	19,568	21,257	9,842
<b>Net operating revenues</b>	<b>€329m</b>	<b>29,441</b>	<b>89,426</b>	<b>60,978</b>	<b>33,467</b>
Operating expenses	€ 139m	12,415	38,588	20,967	14,460
Impairment on loans and advances and assets held for sale	€ 17m	1,549	6,144	6,197	4,485
Impairment on goodwill	€ 0m	0	0	3,033	0
<b>Profit before income tax</b>	<b>€173m</b>	<b>15,476</b>	<b>44,694</b>	<b>30,781</b>	<b>14,521</b>
<b>Cost Income Ratio</b>		<b>42%</b>	<b>43%</b>	<b>34%</b>	<b>43%</b>
<b>ROE before tax</b>		<b>52%</b>	<b>40%</b>	<b>56%</b>	<b>57%</b>
<b>Adjustments</b>					
Net interest revenues	€ 16m	1,415	3,640	3,652	1,200
Net gain on equity, securities and FX	€ -98m	-8,799	-19,568	-21,257	-9,842
Impairment on goodwill	€ 0m	0	0	3,033	0
	<b>€ -82m</b>	<b>-7,384</b>	<b>-15,929</b>	<b>-14,572</b>	<b>-8,642</b>
<b>Core Income</b>					
<b>Profit before income tax</b>	<b>€ 90m</b>	<b>8,092</b>	<b>28,765</b>	<b>16,210</b>	<b>5,879</b>
<b>Core Cost Income Ratio</b>	<b>56%</b>	<b>56%</b>	<b>53%</b>	<b>48%</b>	<b>58%</b>
<b>Core ROE before tax</b>	<b>25%</b>	<b>25%</b>	<b>26%</b>	<b>30%</b>	<b>23%</b>

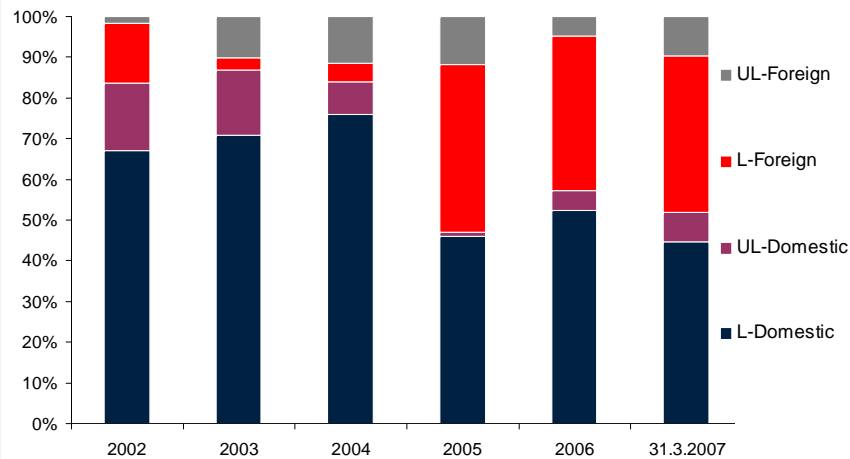
## Balance Sheet – assets as of 31 March 2007

		31 Mar 2007	31 Dec 2006	Change	%	Real chg %
Cash and cash balances with Central Bank	€ 210m	18	32	-13	-42%	-40%
Loans and advances to financial institutions	€ 2,864m	252	216	36	17%	24%
Loans and advances to customers	€ 16,870m	1,484	1,438	45	3%	8%
Bonds and debt instruments	€ 2,457m	216	170	47	27%	35%
Shares and equity instruments	€ 713m	61	49	12	25%	29%
Hedged securities	€ 1,324m	116	105	11	11%	12%
Derivatives held for trading	€ 400m	35	38	-3	-8%	-4%
Derivatives held for hedging	€ 50m	4	10	-6	-58%	-56%
Intangible assets	€ 182m	16	14	2	11%	19%
Other assets	€ 1,288m	113	100	13	13%	18%
	<b>€26,358m</b>	<b>2,317</b>	<b>2,173</b>	<b>144</b>	<b>7%</b>	<b>11%</b>

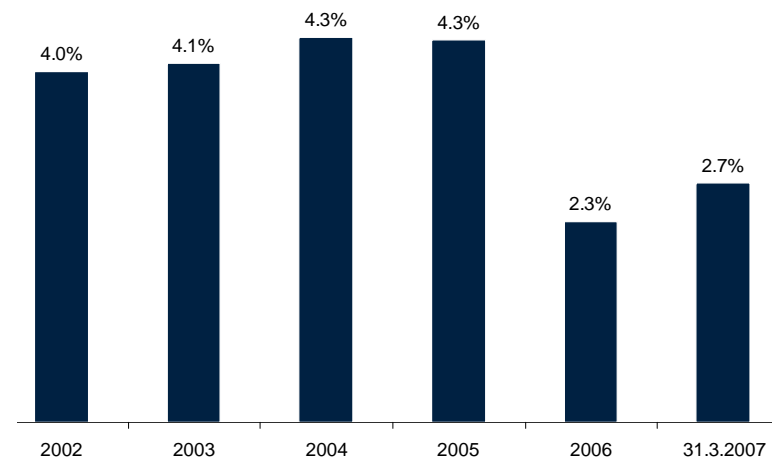


# Net Equity Position

### Shares and equity instruments



### Equity exposure as % balance sheet



### 31 Mar 2007

### 31 Dec 2006

#### Domestic Shares:

	31 Mar 2007	31 Dec 2006
Listed	27.4 44.6%	25.9 52.4%
Unlisted	4.5 7.4%	2.4 4.9%

#### Foreign Shares:

Listed	23.7 38.5%	18.7 37.8%
Unlisted	5.9 9.5%	2.4 4.9%

<b>61.5</b>	<b>100.0%</b>	<b>49.3</b>	<b>100.0%</b>
-------------	---------------	-------------	---------------

€699m

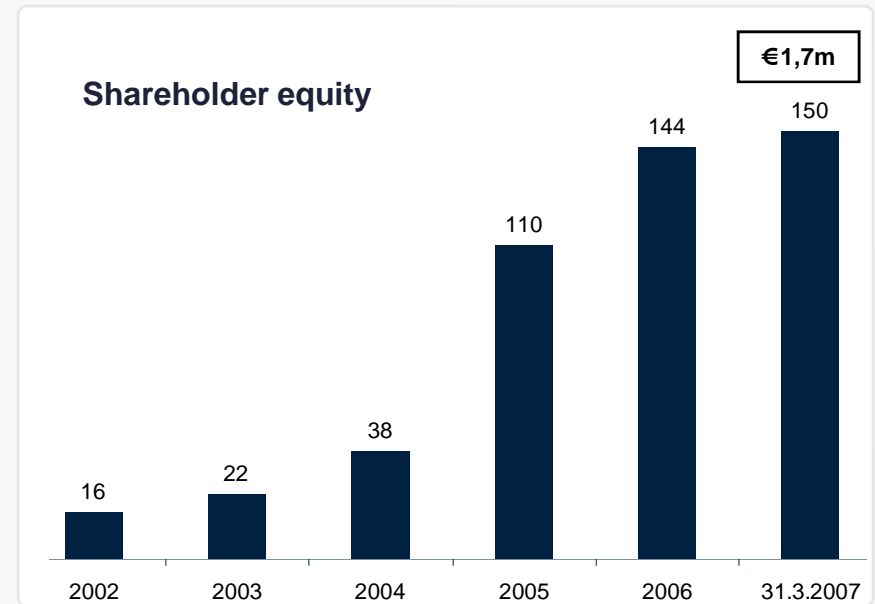
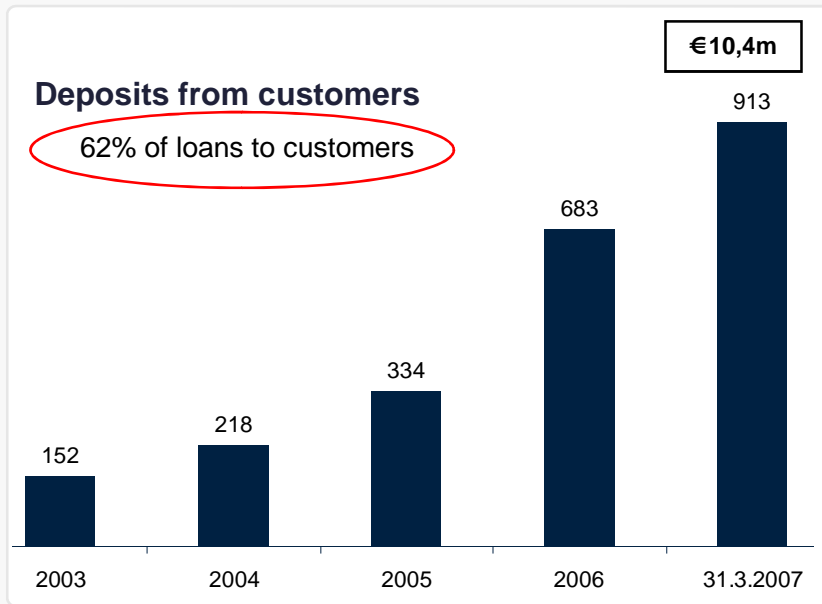
€526m

### Equity exposures

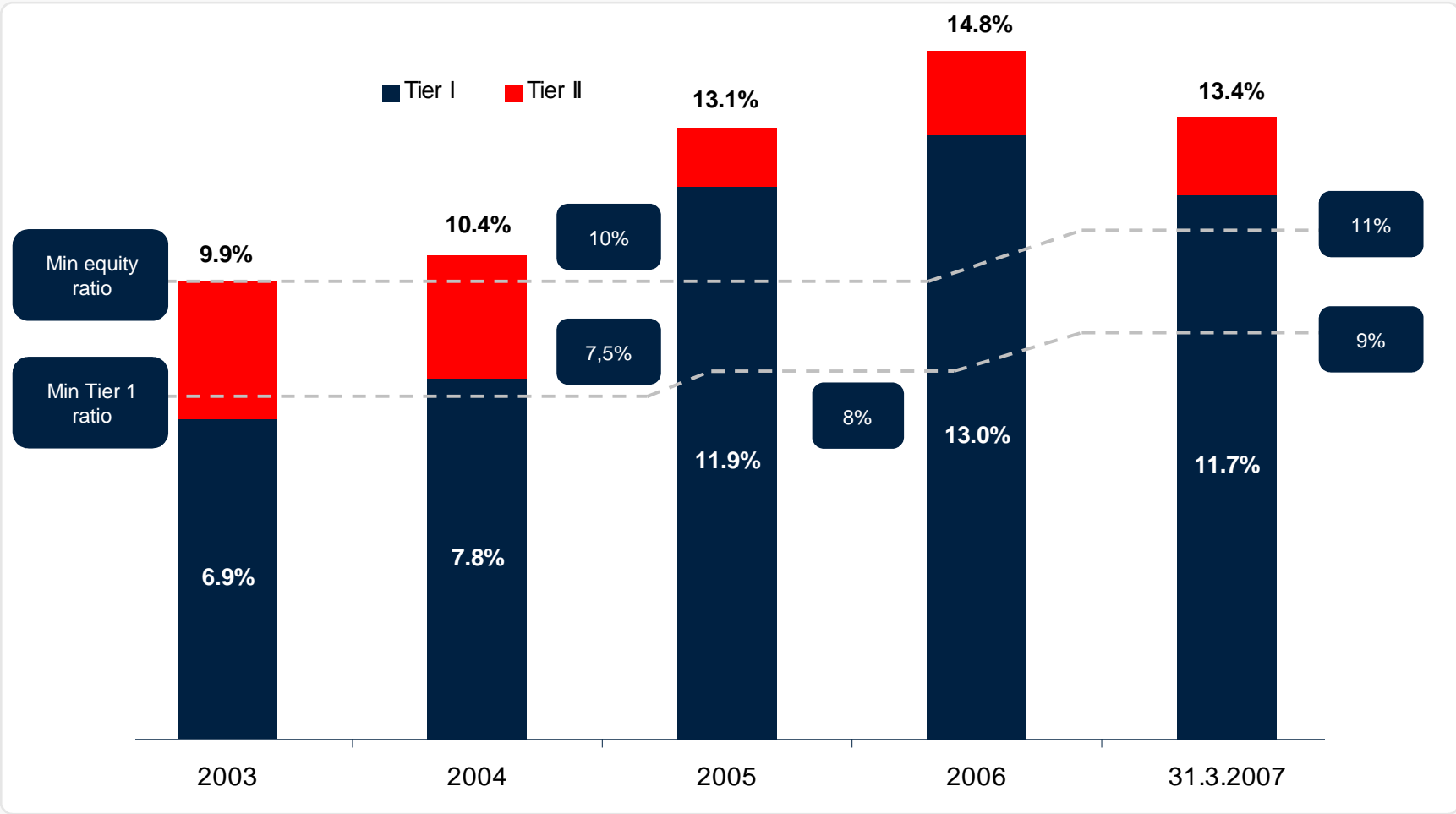
Landsbanki sold its 80% stake in Landsafl real estate company to Stodir. Profit Net of Tax was ISK 4,335 m (EUR 48 m).

## Balance Sheet – liabilities & equity as of 31 March 2007

		31 Mar 2007	31 Dec 2006	Change	%	Real chg %
Deposits from credit institutions	€ 1,334m	117	141	-24	-17%	-19%
Deposits from customers	€ 10,382m	913	683	230	34%	44%
Borrowing	€ 10,275m	904	1.015	-111	-11%	-5%
Subordinated loans	€ 950m	84	90	-6	-7%	-4%
Other liabilities	€ 1,656m	146	95	51	54%	62%
Minority interest	€ 43m	4	5	-1	-27%	-16%
Shareholder equity	€ 1,704m	150	144	6	4%	4%
	<b>€26,344m</b>	<b>2.317</b>	<b>2.173</b>	<b>144</b>	<b>7%</b>	<b>13%</b>



# Equity Ratio



## Outlook

- Q1 2007 – strong results
- Solid platform with continued increase in core banking income
- Diversified revenue streams both by country and business line
- Solid asset quality with substantial credit loss provisions and effective risk control
- Positive development of net interest revenue and commissions, along with efficient operations
- Focus on profitability while expanding and consolidating the platform

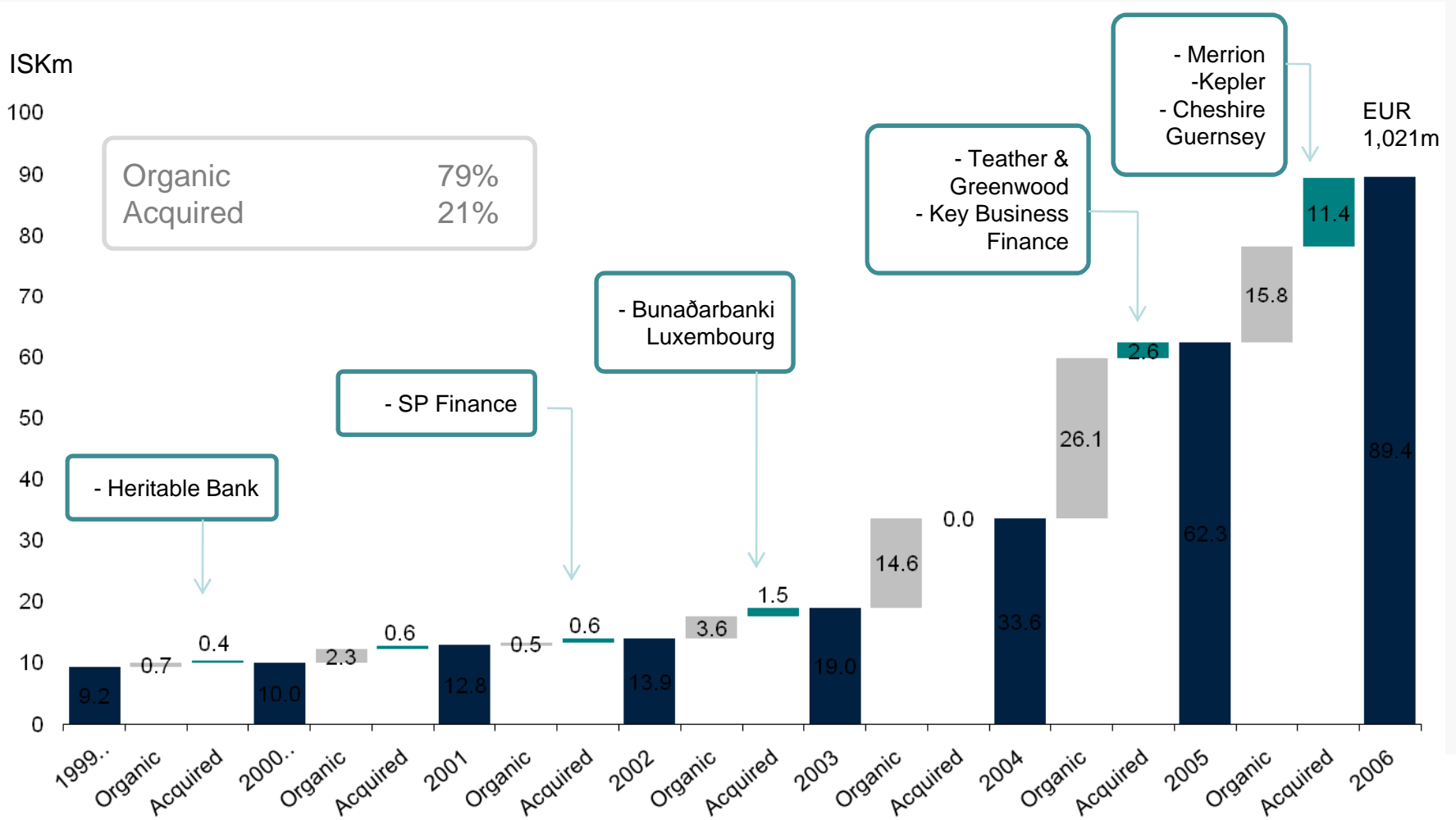
## International Platform Delivering Integrated Services

**Landsbanki's strategy: to provide highly proficient corporate and investment banking services for mid-cap corporates, and expand through organic growth and acquisitions ...**

Capital Markets	Corporate Finance	Corporate Banking	Treasury & Deposits / FX & Derivatives	Asset Man. / Private Banking	Retail Banking Speciality Finance
Equity Research	Corporate Advisory	Corporate Lending	Securities Finance	Wealth Man.	Specialised SME Finance
Institutional Brokerage	M&A	Asset Backed Lending	Equity / FX Derivatives	Asset Man.	Specialised Mortgages
Proprietary Trading	Corporate Brokerage	Structured Finance	Structured Products	Tax Advisory	Standard Pension & Life
Market Making	Equity Capital Markets	Trade Finance	Wholesale Deposits	Structured Pension & Life	Retail Deposits

**... funded by capital market issues and wholesale deposits raised in Europe, plus retail deposits raised via Internet in selected markets**

# Primarily Organic Growth – net operating income





# Corporate & Investment Banking for European Mid-Caps

Mid-cap corporates in Europe  
EUR 100m - 1bn

	<span style="color: red;">■</span> Fully Operational <span style="color: gray;">■</span> Start-up phase	Capital Markets	Corporate Finance	Corporate Banking	Treasury & Deposits / FX & Derivatives	Asset Man. / Private Banking	Retail Banking Speciality Finance	Positions
Iceland		■	■	■	■	■	■	1,327
UK		■	■	■	■/■		■	326
Ireland		■	■			■		98
Luxembourg		■			■	■		97
Germany		■	■	■		■		47
France		■	■					123
Spain		■			■			34
Italy		■						30
Switzerland		■	■		■			75
Netherlands		■	■	■	■			32
US		■		■				13
Canada				■		■		5
Nordic				■				4

## Strategic Objectives in 2007

Transformation of Balance Sheet - Foundation for further growth



Diversification of funding together with new highly successful deposit initiatives are transforming the liability side of the Balance Sheet – wholesale deposits raised in Europe and retail deposits raised through the Internet in selected markets create ample scope for further growth

Integration of operational platforms proceeding well



Continue to integrate and consolidate the operational platform to provide a comprehensive set of corporate and investment banking services targeted at mid-cap corporates in Europe and implement the next level of brand harmonisation

Corporate and Investment Banking – New partnership



New alliance with Wachovia together with Landsbanki's geographical reach, local market expertise, plus a growing international client base opens up unique possibilities for mid-cap corporates in restructuring or refinancing operations

Continued business development



Focus on organic growth, bolt-on acquisitions and acquiring further sound banking assets that strategically fit existing operations, are geographically compatible and offer potential synergies

# Equity Overview

Share price ISK  
34.75 (2/5/07)

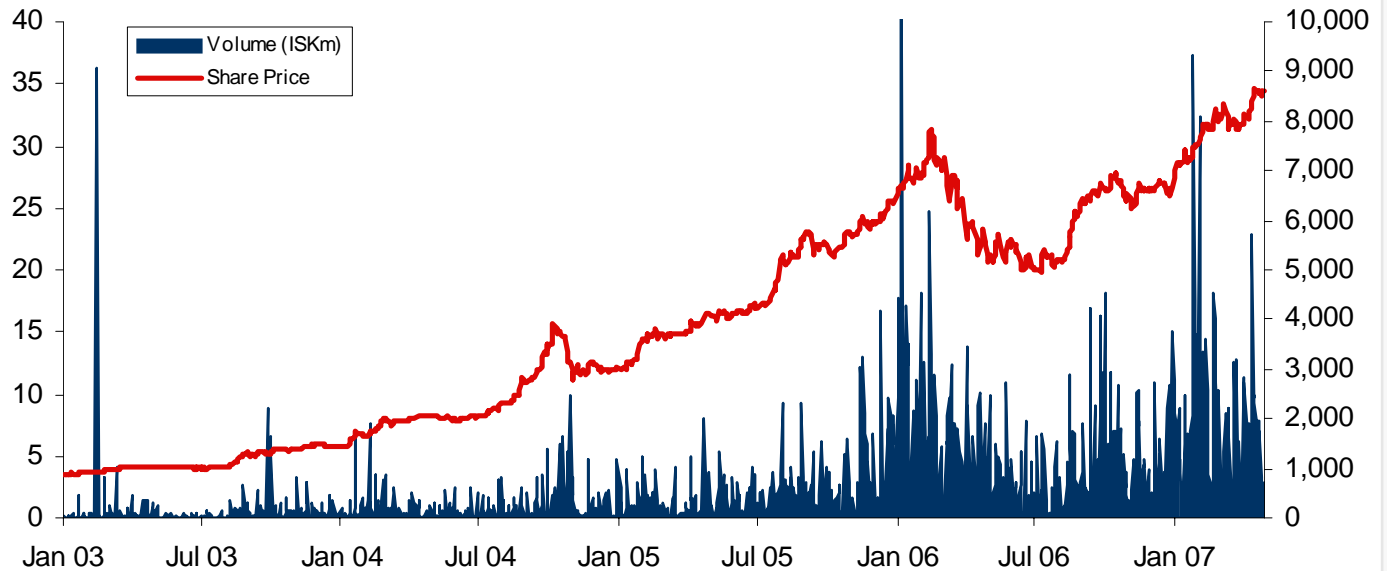
Market cap ISK  
383bn (EUR  
4.4bn)

Equity ISK 150  
bn (EUR 1.7bn)

After-tax profit Q1  
2007 ISK 13.8bn  
(EUR 154m)

After-tax profit  
2006 ISK 38.9bn  
(EUR 444m)

### Share price & trading volume



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

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

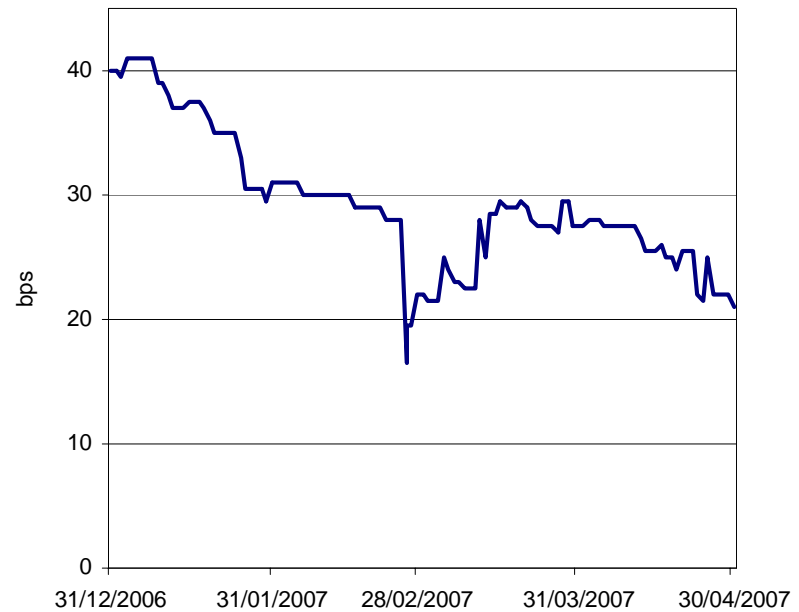
Trading volume YtD 2007:  
ISK 149.2bn (€ 1.7bn)  
(6,211 transactions)

- Strong 1Q07 results confirm profitability and continuing fine performance
- **Deposits transform the balance sheet and funding profile**
- Favourable macro outlook in all operating markets

## Recent Funding Highlights

- Primary focus on increasing deposits
- Icesave, the UK internet savings programme, a continued success
  - GBP 2.8 bn via 80,000 accounts to date
- Aa3, with stable outlook following Moody's refined JDA methodology
  - Overall 2 notch upgrade from A2 to Aa3
  - BFSR changed from C outlook negative to outlook stable
- Investor sentiment increasingly favourable
- Low funding needs due to deposit increase - Active in private placements
- Continued diversification - AUD MTN programme established
- Although spreads have tightened considerably, the Bank is still trading at a premium to similarly rated non-Icelandic peer banks

Landsbanki 5Ysenior CDS spread tightening in 2007



Spreads as of 30 April 2007: Bid 20bp / Ask 22bp

# The Banker > Best Deal of the Year

## The Banker

*Icelandic deal of the Year 2006*



**€600,000,000**  
**3 Year Syndicated Credit Facility**  
**July 2006**

*Mandated Lead Arrangers*



## credit

*Runner-up dollar investment grade deal of the Year 2006*



**\$2,250,000,000**  
**3 Year and 5 Year 144A**  
**Fixed and Floating Rate Notes**  
**August 2006**

*Joint Bookrunners*

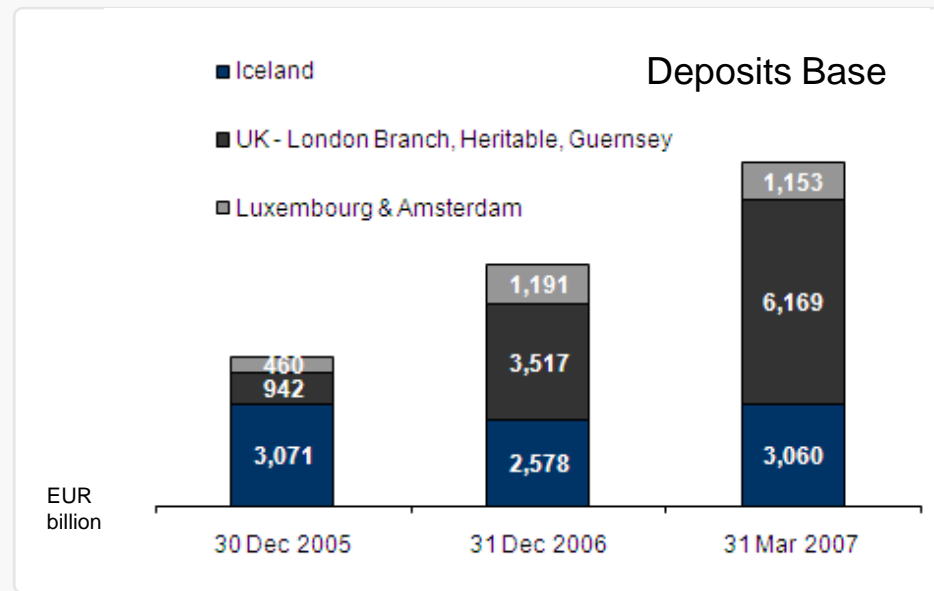


## Strong Deposit Growth - increases from 47% to 62% of customer lending in Q1 2007



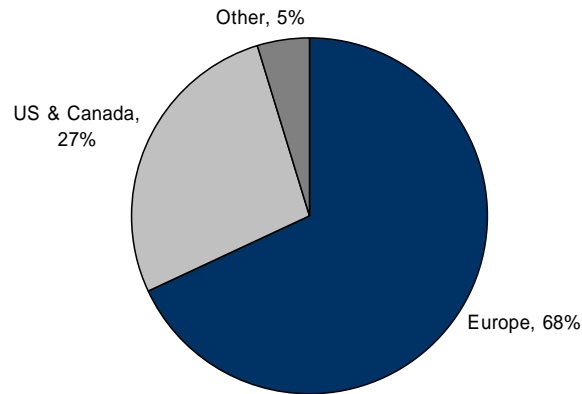
- Ongoing growth of all overseas-based wholesale and retail deposits with 35% increase in Q1
- ICESAVE, the UK online savings programme a great success
  - Growth from EUR 1.2 bn to EUR 3.7 bn in Q1
- Heritable, London branch and Landsbanki Guernsey deposits growing steadily
- Landsbanki is the leading domestic deposit-holder with over 35% market share

Deposit Growth	31 Dec 2005	31 Dec 2006	31 Mar 2007
Customer deposits EUR bn	4,473	7,286	<b>10,382</b>
Customer deposits / Total Assets	24%	31%	<b>39%</b>
Customer deposits / Customer lending	34%	47%	<b>62%</b>



## Diversified Investor Base and Maturity Profile

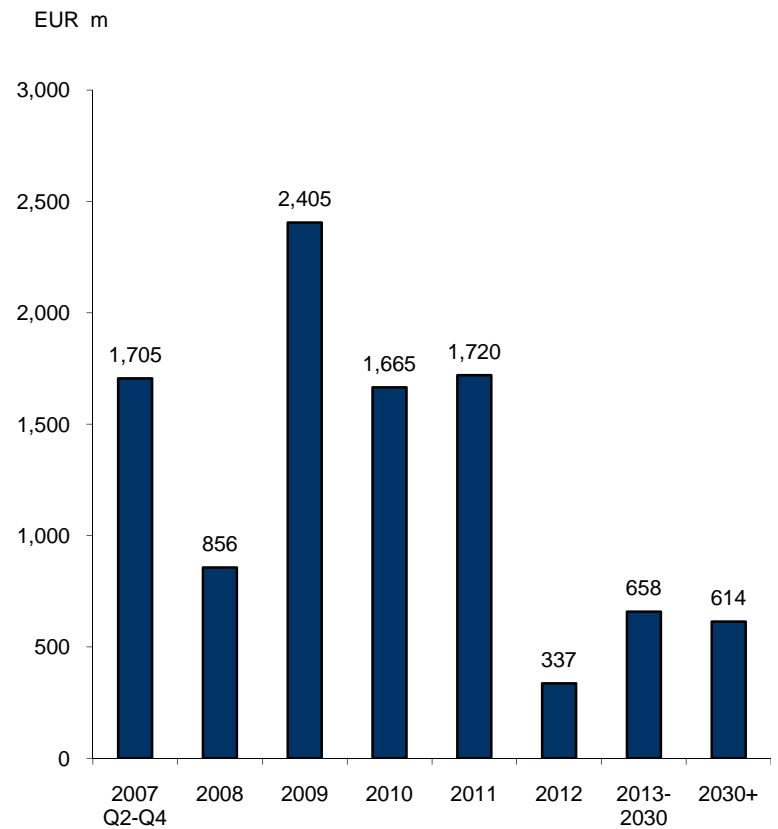
Geographical diversification of investors



### Emphases in 2007

- Focus on increasing deposits
- Aim to tightening credit spreads further
- Strong liquidity – liquid assets of EUR 8.3 bn as of 31 March 2007
- Long-term funding schedule for 2007 is EUR 1.5-2.0bn

Maturity profile of outstanding long-term issues



\*ISK maturing debt not included

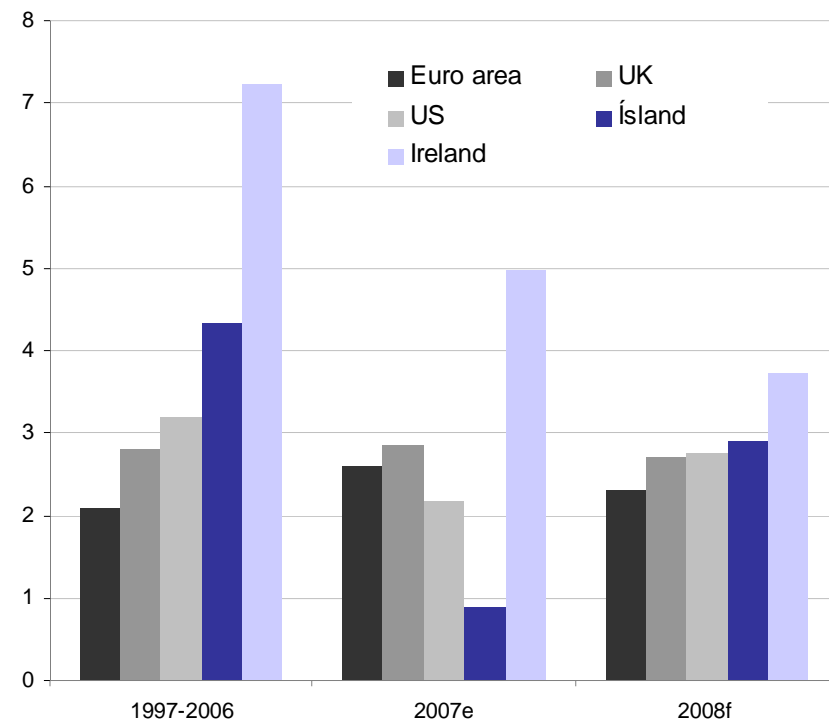


- Strong 1Q07 results confirm profitability and continuing fine performance
- Deposits transform the balance sheet and funding profile
- Favourable macro outlook in all operating markets

## Stable Market Outlook

- Growth rates in major industrial economies appear to be approaching equilibrium growth rates
- Securities market prospects are good, with some markets setting new records. Some correction should not be ruled out
- International dynamism and healthy growth rates should favour Landsbanki business in all areas
- Icelandic economy adjusting rapidly and healthy growth rates anticipated going forward

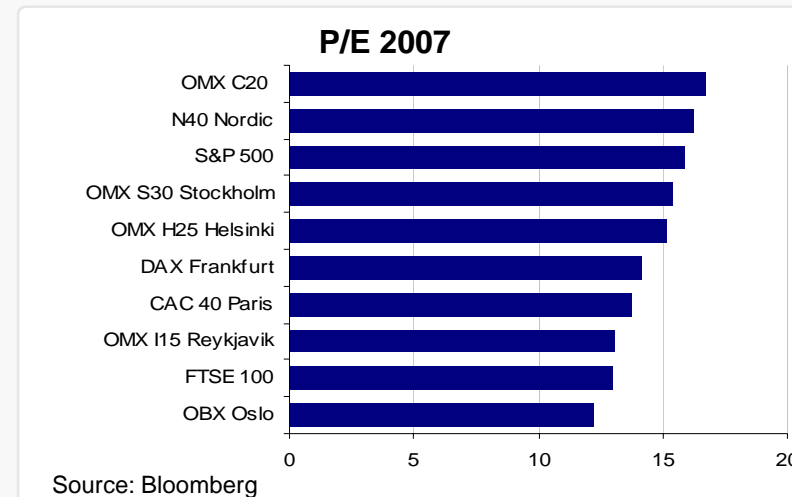
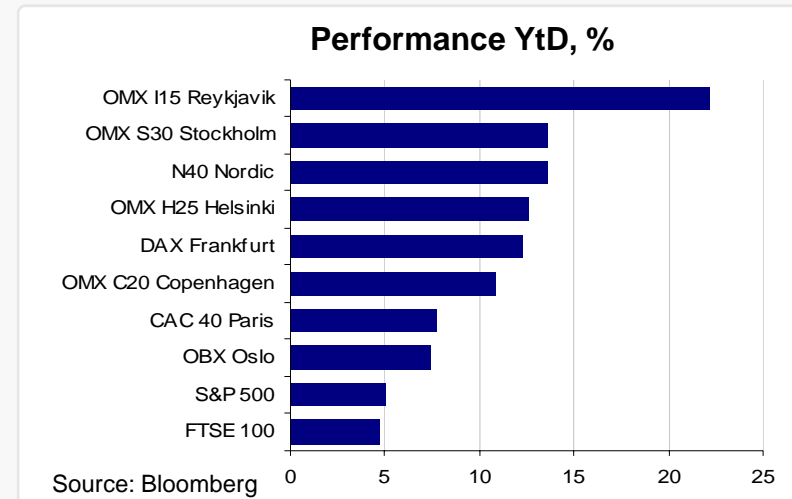
### GDP growth in Landsbanki markets



Source: IMF, Landsbanki Research

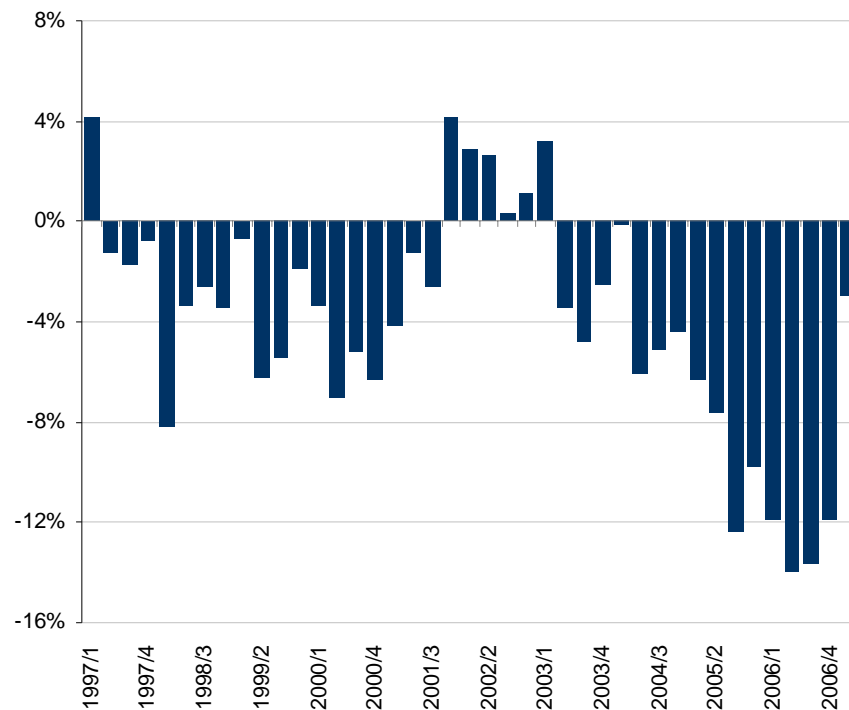
## Market Sentiment Positive

- Equity performance was strong in Q1, particularly in Nordic and German markets. So far the Icelandic market has outpaced others by a sizeable margin
- Price multiples look attractive in Landsbanki's main markets in Iceland, UK and Continental Europe
- Slower near-term growth expected, as market sentiment may be slightly overoptimistic



## Economic Consolidation

Trade balance, % of GDP

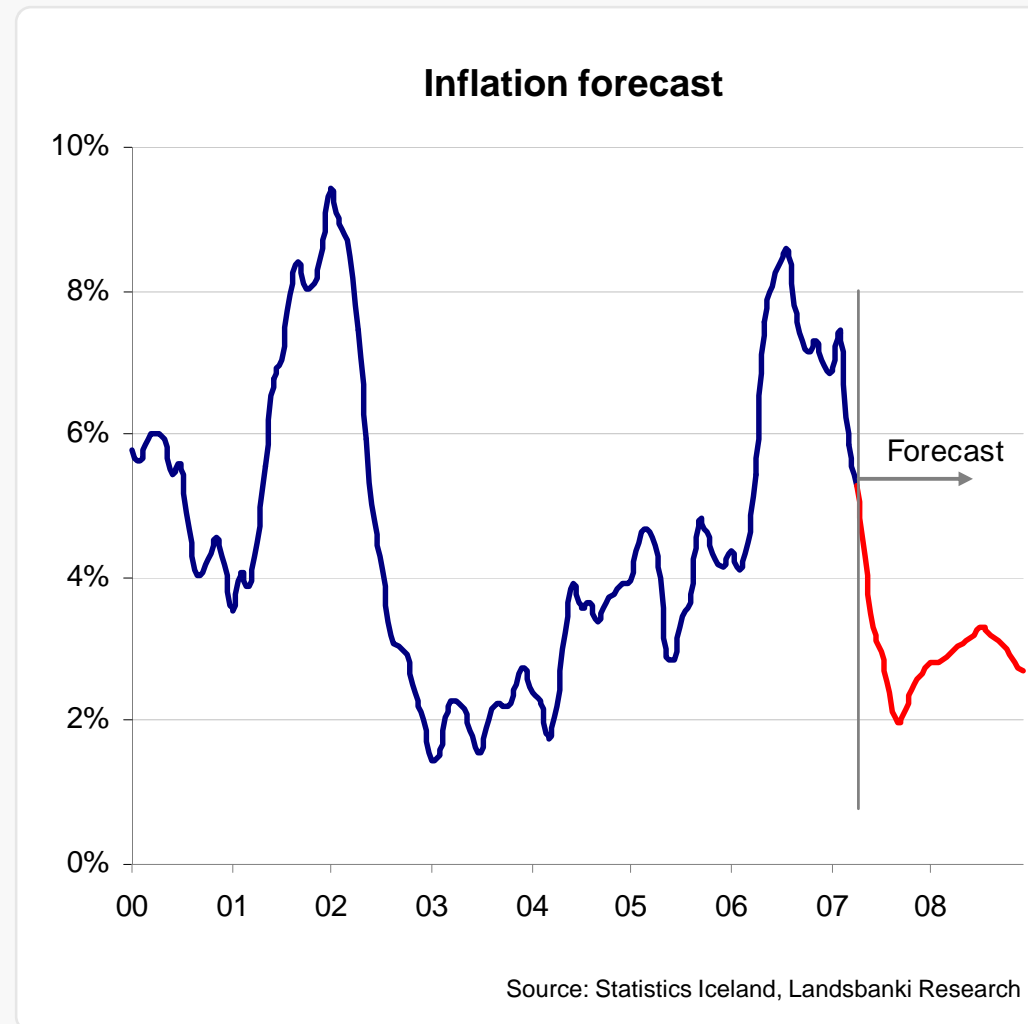


Source: Statistics Iceland, Landsbanki Research

- Following years of increasing external imbalance, we now have clear signs of an improving trade balance in Q1
- Despite strong one-offs, underlying trends show falling imports and increasing exports
- Central Bank looks set to keep interest rates high until end of year approaches

## Inflation: Sailing in Calmer Waters

- The currency market has stabilised in recent months and the ISK has remained strong
- Helped by a VAT cut on foodstuffs, the inflation rate is falling fast
- However, the CB's inflation target is still some way off
- Positive interest rate differential will continue to encourage carry trade activity and sustain investor interest in the ISK



- CB's findings that financial system is generally sound
  - *"It is equipped to withstand shocks to the economy and financial markets. Iceland's banking system, meets the demands made of it and performs well on stress tests conducted by the Central Bank and FME."*
  - *"The most noteworthy development is the banks' stronger position in the form of ample liquidity and capital adequacy ratios which are very comfortable and historically high"*
- Methodological review of financial stability work by, Alex Bowen, Senior Policy Fellow at the Bank of England finds that the *"Central Bank's Financial Stability report attains a high standard by its own objectives, by general criteria for FSRs and by international comparison."*

#### Financial stability 2003-2007

2003	May		Well acceptable position
	Nov.		Satisfactory
2004	Mar.		Satisfactory but concerns over credit expansion, external debt and asset prices
	Sept.		Satisfactory but growing uncertainties
2005	April		Imbalances but broadly sound
2006	May		Challenging course ahead
2007	April		Commercial banks more resilient

Source: Central Bank of Iceland

120 1886  
2006



**Landsbanki**