

Landsbanki Íslands hf. – H1 Results 2007

Net After-tax Profit ISK 26.3 billion
Return on Equity (ROE) 39%
Deposits 76% of loans to customer

Highlights of the Consolidated Interim Financial Statements of Landsbanki Íslands hf. 30 June 2007:

- Landsbanki Íslands hf. reported an after-tax profit for the 1st half of 2007 of ISK 26.3 billion (€300m), as compared to ISK 20.4bn in H1 of 2006. The bank's pre-tax profit was ISK 29.5bn (€337m).
- After-tax ROE was 39%.
- The group's core income (interest margin plus fees and commissions) amounted to ISK 43.9bn (€502m) in H1 2007, increasing 21% YoY.
- Net fee and commission income was ISK 19.5bn, (€223m) of which ISK 12.8bn (€146m), or 65%, is derived from activities abroad compared to ISK 7.6bn, or 55% for H1 2006.
- Trading gains and investment income amounted to ISK 14.8bn (€169m), compared to ISK 9.7bn in H1 2006.
- The cost-income ratio for the period was 44%.
- The bank's total assets amounted to ISK 2,597bn (€30.8bn) at the end of June 2007 compared to ISK 2,173bn at the beginning of 2007.
- Customer deposits grew by 74% in H1 2007, to total ISK 1,187bn (€14.1bn) at the end of June. They represent 76% of total loans to customers as compared to 47% at the beginning of this year.
- The bank's equity ratio was 12.5% at the end of June. Tier 1 ratio was 11.1%.

Highlights of Q2 2007:

- The bank's after-tax profit amounted to ISK 12.5bn (€146m) in Q2 of this year, as compared to ISK 13.8bn in Q1 2007.
- Net operating revenues in Q2 were ISK 29.1bn (€340m).
- Net interest revenues in Q2 were ISK 13.5bn (€158m) compared to ISK 10.9bn in Q1.
- Net fees and commission income was ISK 9.7.1bn (€113m) in Q2.
- Customer deposits grew by ISK 274bn (€3.3bn) while customer lending increased by ISK 84bn (€997m) in Q2.

CEO Sigurjón Þ. Árnason:

"Landsbanki reports a very good performance in Q2 2007. Its after-tax profit was ISK 12.5bn (€146m), and total H1 profit is ISK 26.3bn (€300bn) and ROE 39%. Fees and commissions for the first six months of this year totalled ISK 19.5bn (€223m), making the two first quarters of this year the best ever in the bank's history. Landsbanki's overseas operations now account for 65% of the bank's total fee and commission income, compared with 55% during the first six months of last year. During the year to date, we have made considerable investment in further developing the group's international operations, for instance in Norway, Finland and the US. We have also expanded the activities of Landsbanki's London Branch and the acquisition of Bridgewell Securities will strengthen the bank's position in the UK market. All operating divisions are performing well and returning a good profit, reflecting Landsbanki's stability and diversified operations."

CEO Halldór J. Kristjánsson:

"It is gratifying to see Landsbanki's strength reflected in its results for the first six months of this year. The bank's funding pillars have been steadily reinforced by the rapid increase in its deposits, which have grown by 74% or over ISK 500bn (€5.9bn) year to date. The deciding factor here has been the highly successful Icesave on-line savings programme in the UK, which currently has around 100,000 customers and GBP 4bn in deposits. Deposits currently represent 76% of customer lending, compared to 47% at the beginning of this year and 34% at the beginning of the previous year. For Landsbanki, the change is highly significant, in particular in view of potential volatility on international financial markets. Building on the success of the first half of 2007, and the underlying solid core performance, the outlook for 2007 as a whole is bright."

The interim financial statements of Landsbanki Íslands hf. as of 30 June 2007 are available on the Bank's website: www.landsbanki.com.

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Consolidated Key Figures

Operations	2007			2007			
	Q1-Q2	Q1-Q2	%	Q2	Q1	%	
Interest revenues	90,124	65,061	39%	49,078	41,046	20%	
Interest expenses	65,745	42,466	55%	35,578	30,167	18%	
Net interest revenues	24,380	22,596	8%	13,500	10,879	24%	
Fee and commission income	21,900	15,589	40%	11,013	10,886	1%	
Fee and commission expenses	2,409	1,789	35%	1,285	1,124	14%	
Net fee and commission income	19,490	13,800	41%	9,729	9,762	0%	
Dividend income	1,756	2,103	-16%	1,371	385	256%	
Net gain (loss) on financial assets and liabilities held for trading	6,160	(261)	2461%	3,062	3,098	-1%	
Net gain (loss) on financial assets designated at FV through P/L	1,090	7,192	-85%	655	436	50%	
Fair value adjustments in hedge accounting	(44)	(121)	64%	(37)	(7)	456%	
Foreign exchange difference	310	(60)	614%	(296)	607	-149%	
Profit (loss) from associates	1,133	581	95%	1,191	(58)	2145%	
Net gain of disposal groups held for sale, net of tax	4,348	239	1716%	9	4,339	-100%	
Other operating revenues	14,754	9,672	53%	5,955	8,799	-32%	
Net operating revenues	58,624	46,068	27%	29,184	29,441	-1%	
Salaries and related expenses	16,890	11,505	47%	8,919	7,972	12%	
Administrative expenses	9,175	6,335	45%	4,731	4,444	6%	
Operating expenses	26,065	17,840	46%	13,650	12,415	10%	
Impairment on loans and advances and assets held for sale	3,050	3,215	-5%	1,501	1,549	-3%	
Profit before income tax	29,509	25,013	18%	14,033	15,476	-9%	
Income tax	3,206	4,595	-30%	1,490	1,716	-13%	
Net profit	26,303	20,418	29%	12,542	13,760	-9%	
Attributable to:							
Shareholders of Landsbanki Íslands hf.	25,698	19,961	29%	12,248	13,450	-9%	
Minority interests	605	457	32%	294	311	-5%	
Five-year summary		Q1-Q2 2007	2006	2005	2004	2003*	
Net interest revenues		24,380	41,491	22,996	14,734	9,331	
Net fee and commission income		19,490	28,366	16,726	8,891	6,116	
Other operating revenues		14,754	19,568	21,257	9,842	3,535	
Net operating revenues		58,624	89,426	60,979	33,467	18,982	
Operating expenses		26,065	38,588	20,967	14,460	10,815	
Impairment on goodwill		0	0	3,033	0	0	
Impairment on loans and advances and assets held for sale		3,050	6,144	6,197	4,485	4,656	
Profit before income tax		29,509	44,694	30,782	14,522	3,511	
Income tax		3,206	4,479	5,764	1,798	457	
Net profit		26,303	40,215	25,018	12,724	3,054	
Attributable to:							
Shareholders of Landsbanki Íslands hf.		25,698	38,906	24,740	12,574	2,956	
Minority interests		605	1,309	277	149	99	
Balance Sheet	30.6.2007	31.12.2006	Change	%	31.12.2005	31.12.2004	31.12.2003*
Cash and cash balances with Central Bank	33,976	31,669	2,306	7%	16,611	18,237	11,642
Loans and advances to financial institutions	278,072	215,618	62,454	29%	86,919	72,060	37,130
Loans and advances to customers	1,567,895	1,438,395	129,500	9%	984,593	542,215	326,400
Financial assets at fair value and associates	584,875	376,809	208,066	55%	218,894	64,730	63,744
Other assets	132,329	110,432	21,897	20%	98,443	39,900	9,323
Total assets	2,597,147	2,172,924	424,223	20%	1,405,460	737,141	448,239
Deposits from financial institutions	161,826	141,105	20,720	15%	144,596	63,476	43,840
Deposits from customers	1,187,254	682,846	504,408	74%	334,163	215,730	152,320
Borrowing	781,541	1,014,976	(233,434)	-23%	689,989	375,084	209,357
Subordinated loans	77,766	89,754	(11,988)	-13%	49,074	22,570	13,090
Other liabilities	224,231	94,785	129,447	137%	74,022	21,572	6,389
Equity	161,312	144,282	17,029	12%	110,059	37,705	22,382
Minority interests	3,217	5,175	(1,958)	-38%	3,557	1,004	862
Total liabilities and equity	2,597,147	2,172,924	424,223	20%	1,405,460	737,141	448,239

* Amounts from Financial Statements under Icelandic local GAAP.

Operations	2007	2007	2006	2006	2006	2006
	Q2	Q1	Q4	Q3	Q2	Q1
Interest revenues	49,078	41,046	34,887	33,154	37,527	27,535
Interest expenses	35,578	30,167	25,306	23,840	23,865	18,601
Net interest revenues	13,500	10,879	9,581	9,314	13,662	8,934
Fee and commission income	11,013	10,886	9,323	7,547	7,791	7,797
Fee and commission expenses	1,285	1,124	1,325	979	849	940
Net fee and commission income	9,729	9,762	7,998	6,568	6,943	6,857
Dividend income	1,371	385	161	99	269	1,834
Net (loss) gain on financial assets and liabilities held for trading	3,062	3,098	492	1,943	(1,011)	750
Net (loss) gain on financial assets designated at FV through P/L	655	436	5,913	594	(489)	7,680
Fair value adjustments in hedge accounting	(37)	(7)	78	25	(25)	(96)
Foreign exchange difference	(296)	607	(58)	(145)	(12)	(49)
Profit (loss) from associates	1,191	(58)	1,133	(15)	(262)	843
Net gain (loss) of disposal groups held for sale, net of tax	9	4,339	(479)	155	51	188
Other operating revenues	5,955	8,799	7,240	2,656	(1,478)	11,150
Net operating revenues	29,184	29,441	24,819	18,538	19,127	26,942
Salaries and related expenses	8,919	7,972	6,989	5,963	6,256	5,249
Administrative expenses	4,731	4,444	4,042	3,754	3,496	2,839
Operating expenses	13,650	12,415	11,031	9,717	9,752	8,088
Impairment on loans and advances and assets held for sale	1,501	1,549	1,332	1,597	1,660	1,555
Profit before income tax	14,033	15,476	12,457	7,224	7,714	17,299
Income tax	1,490	1,716	(1,596)	1,480	1,572	3,023
Net profit	12,542	13,760	14,053	5,744	6,143	14,276
Attributable to:						
Shareholders of Landsbanki Íslands hf.	12,248	13,450	13,664	5,281	5,966	13,995
Minority interests	294	311	389	463	177	280
Balance Sheet	30.6.2007	31.3.2007	31.12.2006	30.9.2006	30.6.2006	31.3.2006
Cash and cash balances with Central Bank	33,976	18,431	31,669	25,714	22,806	19,403
Loans and advances to financial institutions	278,072	251,881	215,618	168,993	68,793	75,597
Loans and advances to customers	1,567,895	1,483,887	1,438,395	1,303,676	1,294,462	1,208,510
Financial assets at fair value and associates	584,875	437,894	376,809	305,294	275,113	300,780
Other assets	132,329	125,097	110,432	158,395	150,295	165,613
Total assets	2,597,147	2,317,190	2,172,924	1,962,072	1,811,468	1,769,902
Deposits from financial institutions	161,826	117,378	141,105	97,097	135,722	138,092
Deposits from customers	1,187,254	913,183	682,846	513,054	475,045	469,333
Borrowing	781,541	903,780	1,014,976	979,748	853,367	806,627
Subordinated loans	77,766	83,524	89,754	85,892	91,141	83,514
Other liabilities	224,231	145,697	94,785	151,746	128,714	151,130
Equity	161,312	149,869	144,282	129,876	123,088	117,187
Minority interests	3,217	3,758	5,175	4,660	4,392	4,019
Total liabilities and equity	2,597,147	2,317,190	2,172,924	1,962,072	1,811,468	1,769,902
Key ratios	2007	2006	2006	2005	2004	2003
	Q1-Q2	Q1-Q2				
Return on equity before taxes	44.6%	49.9%	40.3%	56.3%	57.2%	20.9%
Return on equity after taxes	39.3%	40.0%	36.3%	45.8%	49.5%	17.6%
Tier 1 ratio	11.1%	12.9%	13.0%	11.9%	7.8%	6.9%
Equity ratio (CAD)	12.5%	15.1%	14.8%	13.1%	10.4%	9.9%
Cost-income ratio	44.5%	38.7%	43.2%	34.4%	43.2%	57.0%
Operating expenses as a ratio of average capital position	2.2%	2.2%	2.1%	2.0%	2.5%	3.0%
Interest spread as a ratio of average capital position	2.0%	2.7%	2.3%	2.2%	2.6%	2.6%
Deposits / loans to customers	75.7%	36.7%	47.5%	33.9%	39.6%	48.0%
Ratio of provision to lending position at period-end	0.33%	0.47%	0.37%	0.58%	0.73%	1.47%
Loan loss ratio	0.06%	0.13%	0.13%	0.19%	0.33%	0.55%
Share price at period-end	38.10	20.20	26.50	25.30	12.10	5.80
Change in share price adjusted for dividend payments	45.3%	-19.0%	5.9%	110.7%	110.3%	61.6%
Number of positions at period-end	2,317	1,925	2,117	1,725	1,121	1,025
Exchange rates						
Exchange rate ISK / EUR for P/L average period	87.53	85.38	87.57	76.59	86.97	87.39
Exchange rate ISK / EUR for Balance sheet at period-end	84.23	97.15	93.72	74.7	83.51	89.76

Profit ISK 26.3 billion

Landsbanki Íslands hf. reported an after-tax profit for the 1st half of 2007 of ISK 26.3 billion (bn), as compared to ISK 20.4bn in H1 of 2006.

The bank's pre-tax profit was ISK 29.5bn, as compared with ISK 25.0bn in H1 2006.

Annualised after-tax ROE for the period was high at 39.3%.

The ISK exchange rate affects figures in both the balance sheet and the income statement. Foreign-denominated balance sheet assets and liabilities are recognised at the closing exchange rate as of 30 June 2007, whereas amounts in the income statement are recognised at the average H1 2007 exchange rate. The following table shows exchange rate developments of foreign reporting currencies used by the Landsbanki group and the ISK trade-weighted index.

	31 Dec. 06	Avg H1	%	31 Dec. 06	30 June 07	%
CAD	61.00	57.77	-5%	61.00	58.64	-4%
EUR	93.72	87.53	-7%	93.72	84.23	-10%
GBP	139.08	129.65	-7%	139.08	124.94	-10%
GVT	127.90	119.05	-7%	127.90	114.20	-11%

Highlights of the Income Statement and Balance Sheet

Income Statement

Comparison between H1 2007 and H1 2006

Landsbanki's after-tax **profit** in H1 2007 was ISK 26.3bn, compared to a profit of ISK 20.4bn in H1 2006.

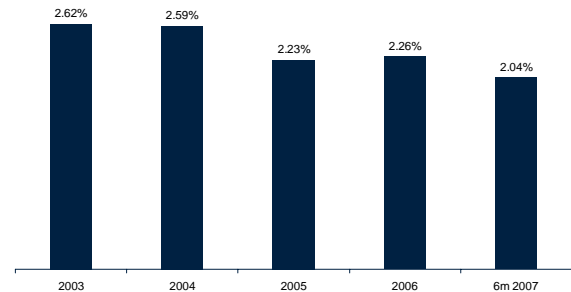
	2007 H1	2006 H1	Change
Operating revenues	58.6	46.1	12.5
Operating expenses	32.3	25.7	6.6
Profit	26.3	20.4	5.9

Landsbanki's **net operating revenues** amounted to ISK 58.6bn in H1 2007 as compared to ISK 46.1bn the previous year and have increased by 27%.

The Bank's **net interest revenues** were ISK 24.4bn, as compared with ISK 22.6bn in H1 2006. The ratio of interest spread to average capital position was 2.0% compared to 2.7%

for the first 6 months of 2006. The higher interest margin in H1 2006 can be attributed to the great impact of inflation on the bank's positive indexation balance.

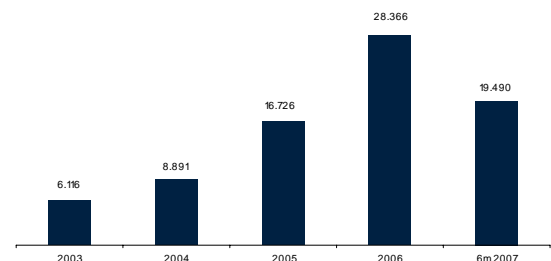
Interest spread



Net fee and commission income overseas 65%

Landsbanki's **net fee and commission income** have increased by 41%, amounting to ISK 19.5bn in H1 as compared to ISK 13.8bn in H1 2006. Net fee and commission income overseas were ISK 12.8 bn or 65% compared to ISK 7.6 bn or 55% for H1 in 2006.

Fees and commissions



The Bank's **trading and investment income** in H1 2007 amounted to ISK 14.8bn compared to ISK 9.7bn during the same period in 2006.

Net revenues from operations outside of Iceland amounted to ISK 27.5bn during the first six months of this year, as compared to ISK 20.6bn for the same period of the previous year, and comprised 47% of total group income.

The group's **operating expenses** in H1 2007 totalled ISK 26.1bn, making its cost-income ratio for the period 44.5%.

Impairment on loans and available-for-sale financial assets in H1 2007 amounted to ISK 3.0bn, as compared to ISK 3.2bn in H1

2006. Impairment as a ratio of loans and receivables at the end of the period was 0.33% on an annual basis.

Q2 2007 compared to Q1 2007

The Bank's after-tax **profit** amounted to ISK 12.5bn in Q2 of this year, compared to ISK 13.8bn in Q1 2007.

Net interest revenues amounted to ISK 13.5bn, compared to ISK 10.9bn in Q1 of 2007, or an increase of 24%.

Net fee and commission income in Q2 2007 were ISK 9.7bn, almost the same as in Q1 2007, which was the bank's best performance ever.

The Bank's **trading and investment income** amounted to ISK 6.0bn in Q2 of this year, as compared to ISK 8.8bn in Q1 2007.

The Q2 **cost-income ratio** was 46.8% as compared with 42.2% in Q1 2007.

Impairment on loans and available-for-sale financial assets was ISK 1.5bn in Q2, almost the same as in Q1 2007.

Balance Sheet

Total assets of the group amounted to ISK 2,597bn at the end of June 2007, rising from ISK 2,173bn at the beginning of this year, an increase of ISK 424bn or 20% during the year. After adjusting for ISK appreciation, the real balance sheet growth was 27%.

Amounts due from financial institutions amounted to ISK 278bn, as compared to ISK 216bn at the beginning of this year.

Loans to customers totalled ISK 1,568bn at the end of June 2007, up 9% from ISK 1,438bn at the beginning of the year. Allowing for the impact of ISK appreciation and inflation, the real increase in customer lending is 16%.

Total provisions for **credit losses** amounted to ISK 18.4bn or 1.09% of total loans and guarantees at the end of June 2007. Provisions for credit losses do not reflect actual write-offs, but amounts set aside to cover calculated future credit losses. When and if loans are not recovered, the provisions for credit losses are reduced by the unrecoverable amount.

The group's **trading assets** were ISK 540bn at the end of June 2007 as compared to ISK

344bn at the beginning of the year. This includes market bonds and trading equities, as well as derivatives that are in the money. Trading equities amounted to ISK 57.6bn at the end of June 2007, ISK 49.2bn were listed equities and ISK 8.4bn unlisted equities. Domestic equities amounted to ISK 32.9bn and foreign equities to ISK 24.7bn as of the end of June 2007.

Other financial assets at fair value through profit and loss amounted to ISK 18.4bn at the end of June 2007. These figures include only equities. Of the ISK 18.4bn exposure, ISK 16.1bn are listed equities.

Non-current assets and disposal groups held for sale totalled ISK 3.4bn at the end of H1, compared to ISK 21.3bn at the beginning of 2007. The decrease is the result of the bank's sale of the real estate company Landsafl.

Total assets under management amounted to ISK 478bn at the end of June 2007, rising from ISK 377bn at the beginning of this year, an increase of 26.8% during the year. At the same time, total assets in the group's custody amounted to ISK 1,918bn compared to ISK 1,751 at the beginning of this year.

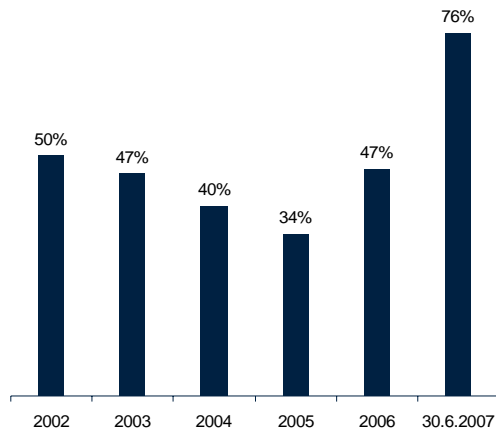
Liabilities and equity

Deposits 76% of loans to customers

The group's **total deposits** amounted to ISK 1,349bn as of the end of June 2007. Of this amount, ISK 1,187bn were customer deposits, which increased from ISK 683bn at the beginning of this year, or by 74% during the 6 months period. Landsbanki's customer deposits overseas amounted to ISK 867bn at the end of June 2007, rising from ISK 417bn at the beginning of this year or by 108% during H1 2007.

The ratio of customer deposits to customer loans was 76% at the end of June 2007, compared to 47% at year-end 2006.

Deposits as a ratio of total lending



Total borrowing at the end of June 2007 amounted to ISK 782bn, as compared to ISK 1,015bn at the beginning of 2007. The decrease is due both to ISK appreciation and maturities during H1.

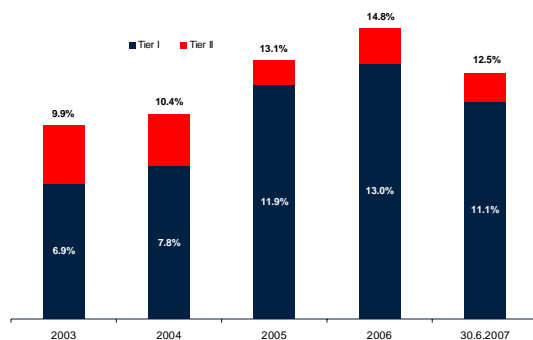
Subordinated loans amounted to ISK 78bn at the end of June 2007, compared to ISK 90bn at the beginning of 2007, with the decrease due entirely to ISK appreciation.

Equity ratio (CAD) 12.5%

The group's **equity** was ISK 161bn at the end of June 2007 compared to ISK 144bn at the beginning of the year. The change in equity is the result of profit during the period, transactions in own shares and dividends.

The group's equity ratio (CAD) was 12.5% at the end of June 2007, of which 11.1% was Tier 1 ratio.

Capital ratio (CAD)



Performance by Business Segments

Landsbanki group's performance is comprised of the results of four segments:

- Retail Banking,
- Corporate Banking,
- Investment Banking, and
- Asset Management and Private Banking.

The following tables give a summary of the business segments performance and total assets (all figures mISK).

Business segments

H1 2007	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Private Banking	Other	Group
Net interest revenue	8,585	16,220	-1,957	1,531	0	24,380
Net commission and fees	-1,434	1,085	14,894	2,077	0	19,490
Net financial income	-34	40	14,657	90	0	14,754
Net operating revenue	9,986	17,345	27,595	3,698	0	58,624
Operating expenses	5,080	4,797	12,126	2,547	1,516	26,065
Impairment on loans and advances	1,391	1,798	-188	50	0	3,050
Profit before income tax	3,515	10,751	15,657	1,102	-1,516	29,509
	€ 40m	€ 123m	€ 179m	€ 13m	€ -17m	€ 337m
Total Assets 30 June 2007	443,880	935,200	894,614	313,085	10,368	2,597,147

H1 2006	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Private Banking	Other	Group
Net interest revenue	6,859	11,263	3,007	1,447	0	22,596
Net commission and fees	1,511	818	10,019	1,451	0	13,800
Net financial income	14	0	9,461	197	0	9,672
Net operating revenue	8,384	12,102	22,487	3,095	0	46,068
Operating expenses	3,873	2,805	8,745	1,421	996	17,840
Impairment on loans and advances	718	1,313	1,088	96	0	3,215
Profit before income tax	3,794	7,984	12,654	1,578	-996	25,013
Total Assets 31 Dec 2006	369,908	937,353	565,340	289,422	10,901	2,172,924

Retail Banking includes the parent company's branch network, Heritable Bank's commercial banking operations, SP Fjármögnun and Landsbanki Guernsey Ltd. The segment's pre-tax profit in H1 2007 was ISK 3.5bn, compared to a profit of ISK 3.8bn in H1 2006. The segment's total assets amounted to ISK 444bn at the end of June 2007.

Corporate Banking includes the parent company's Corporate Banking division, including its lending by its London and Amsterdam branches, Heritable Bank's corporate business and the corporate banking activities of Landsbanki Luxembourg SA. Corporate Banking's pre-tax profit amounted to ISK 10.8bn in the first half of this year, as compared to ISK 8.0bn for the same period of the previous year. The segment's total assets were ISK 935bn at the end of June 2007.

Investment Banking is comprised of the parent company's Securities and Treasury division, both in Iceland and Continental Europe, plus the subsidiaries Teather & Greenwood, Kepler Equities and Merrion Capital. This division includes securities brokerage, corporate advisory, FX and

derivative trading, the Bank's treasury and debt management and proprietary bond and equity trading. The pre-tax profit of the segment amounted to ISK 15.7bn in the first half of this year, as compared to ISK 12.7bn for the same period of the previous year. The division's total assets amounted to ISK 895bn at the end of June 2007.

Asset Management and Private Banking includes the parent company's Asset Management division, Landsvaki hf. and Landsbanki Luxembourg SA., asset management and private banking activities. Pre-tax profit in Asset Management and Private Banking during the first six months of 2007 amounted to ISK 1.1bn, as compared to a profit of ISK 1.6bn in H1 2006. The division's total assets amounted to ISK 313bn at the end of June 2007.

Funding

Due to a continued inflow of overseas retail deposits, Landsbanki's capital market issuance continues to be limited. Overall debt issuance in the quarter was EUR 790 million, one in the amount of EUR 500 million, bringing total issuance in the first half of the year to EUR 845 million. At the same time, maturities amounted to EUR 1,445 million, and another EUR 1,219 million are due in H2 2007. All refinancing for 2007 was completed in 2006.

In May, Landsbanki launched its first senior public EMTN issue since October 2005, fixed-return 5 year notes totalling EUR 500 million, managed by Credit Suisse, RBS and SG CIB with DZ Bank and Bayern LB as co-lead managers. Although highly oversubscribed, due to the Bank's strong liquidity position, the transaction was kept at the initial size EUR 500 million.

Credit default spreads on Landsbanki's debt decreased during Q2, reaching a record low of +18 bps at the beginning of June. Because of volatility on international financial markets, Landsbanki's credit default spreads have increased slightly in the last few days. Landsbanki may seek further funding in H2 2007, given the right market conditions, the bank's rapidly growing deposit base means this is by no means a certainty.

Core earnings

Pre-tax ROE of 26%

Landsbanki's core earnings before tax amounted to ISK 18.0bn in the first quarter of

this year, as compared to ISK 28.8bn for the whole year 2006. Return on equity (ROE) based on core earnings for H1 of 2007 was 26%. A summary of performance and core earnings for H1 2007 as compared 2006 are shown in the following table (amounts in mISK):

	2007 6m	2006 12m
Profit before income tax	29,509	44,694
Adjusted net gain on equity, securities and FX	(14,754)	(19,568)
Adjusted net interest revenues	3,209	3,640
Core income before income tax	17,963	28,765
Core Cost Income ratio	55%	53%
Core ROE before tax	26%	26%

In calculating the bank's core earnings, trading gains on equities of all types, as well as trading gains on bonds and FX, are deducted. The interest rate margin is increased accordingly to reflect the cost to the group of financing tied up in bond and equity positions. Nonetheless, maintaining a certain level of equity and bond exposures remains part of the bank's strategy and active risk management.

Calculations of the bank's core performance do not take into consideration the negative impact of the group's positive indexation balance. Index-linked assets exceeded its index-linked liabilities by ISK 150bn on average during H1 2007. The bank finances the difference on non-indexed interest rates. As a result of the interest and inflation levels in H1 2007, Landsbanki's losses on its indexation balance amount to an estimated ISK 1.7bn.

Outlook

The outlook for Landsbanki's operations is generally positive. In recent quarters, the Bank's core earnings have been increasing steadily and its underlying ROE before taxes around 25%.

The changed composition of its funding has reinforced the group's balance sheet; in recent months the contribution of customer deposits to total group funding has surged. Deposits are now equivalent to 76% of Landsbanki's total lending, as compared to 34% at the beginning of 2006 and 47% at the beginning of this year.

The group's income streams are well diversified, both geographically and by operating division.

Landsbanki's credit risk is based on an asset portfolio which is well-diversified both in terms

of sector and market region. The bank's moderate equity exposures comprised 2.9% of total assets as of the end of June.

Landsbanki's capital adequacy is very strong and currently well above the average of banks in the Nordic countries, the US and the UK.

The economic situation on those markets where Landsbanki is active is generally favourable and its management is confident that the bank is well positioned to continue to deliver a high ROE. Landsbanki's target for after-tax ROE is 15-17%.

It should be borne in mind, in assessing the outlook for financial enterprises, that their operations are highly dependent upon various external factors, such as economic developments in Iceland and abroad, price level and currency fluctuations, and developments on domestic and foreign financial markets.

Presentations for investors and market traders:

Reykjavík, 1 August

Landsbanki's CEOs, Sigurjón Th. Árnason and Halldór J. Kristjánsson, will present the highlights of the bank's results for investors and analysts and respond to questions. The presentation will be held at Nordica Hotel beginning at 08:30 GMT.

London, 1 August

Landsbanki's CEOs, Sigurjón Th. Árnason and Halldór J. Kristjánsson, will present the highlights of the Bank's performance and respond to questions.

Time: 15:00 GMT (16:00 UK og 17:00 CET)

Location: City Presentation Centre, 4 Chiswell Street, Finsbury Square, London EC1Y 4UP.

A webcast of the presentation will be available on Landsbanki's website. Persons wishing to listen to the meeting via telephone should dial 44 (0) 1452 567 098 about 10 minutes prior to the start. Meeting documentation plus an audio and video recording of the presentation will subsequently be available on www.landsbanki.com/ir.

2007 Financial Calendar

Scheduled publication of Landsbanki's interim and annual financial statements for 2007 is as follows:

3 rd quarter:	1 November
4 th quarter and annual financial statements for 2007:	1 February 2008

A copy of Landsbanki's interim financial statements for H1 2007 will be available on the bank's website: www.landsbanki.com. The financial statements have been examined by the Bank's auditors.

For further information, contact Landsbanki's CEOs: Sigurjón Þ. Árnason +354 410 4009 / +354 898 0177 and Halldór J. Kristjánsson +354 410 4015 / +354 820 6399.