

Landsbanki Íslands hf. – 9M Results 2007

Net After-tax Profit ISK 35.0 billion
Return on Equity (ROE) 33%
Deposits 76% of Customer Lending

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

- Landsbanki Íslands hf. reported an after-tax profit for the first nine months of 2007 of ISK 35.0 billion (bn) (EUR 402m), as compared to ISK 26.2bn in the same period of 2006. The bank's pre-tax profit was ISK 39.6bn (EUR 455m).
- After-tax ROE was 33%.
- The group's 9M 2007 core income (interest margin plus fees and commissions) amounted to ISK 68.5bn (EUR 786m), increasing 31% YoY.
- Fees and commissions during the first nine months amounted to ISK 29.7bn (EUR 341m), exceeding the figure for the entire year 2006. This is an increase of 46% over the first 9M of 2006.
- Trading gains and investment income amounted to ISK 16.7bn (EUR 191m), compared to the 9M 2006 figure of ISK 12.3bn.
- The cost-income ratio for the period was 48%.
- The bank's total assets amounted to ISK 2,847bn (EUR 32.4bn) at the end of September 2007 compared with ISK 2,173bn at the beginning of the year.
- Customer deposits have increased by 104% since the beginning of this year and amounted to ISK 1,390bn (EUR 15.8bn) at the end of September 2007. They represent 76% of total loans to clients as compared to 47% at the beginning of this year.
- The bank's capital adequacy ratio (CAD rules) was 11.2% at the end of September. Tier 1 capital was 9.9%.

Highlights of Q3 2007:

- The bank's after-tax profit in Q3 was ISK 8.7bn (EUR 100m).
- After-tax ROE in Q3 was 22.4%.
- Net operating revenues in Q3 was ISK 26.6bn (EUR 305m).
- The Bank's net interest income was ISK 14.4bn (EUR 166m), as compared with ISK 13.5bn in Q2 2007
- Q3 fees and commissions amounted to ISK 10.2bn (EUR 117m), a new record for a single quarter.

CEO Sigurjón P. Árnason:

Both Landsbanki's performance and profitability during the first nine months of 2007 have been highly creditable. After-tax profit amounted to ISK 35 billion and return on equity was 33%. Around half of the group's revenue now originates abroad, in addition to which a major portion of its domestic activities is denominated in foreign currency. Foreign currency transactions now comprise around 2/3 of the group's total revenue. Bearing this in mind, the bank has built up a positive foreign currency balance of close to ISK 70 billion, to hedge its equity against exchange rate fluctuations. In Q3 the bank's fees and commissions continued to grow, and set a new record for a single quarter. The bank's core earnings for the first nine months of 2007 were excellent and its pre-tax ROE for core earnings was 26%. The overall outlook for Landsbanki's 2007 is positive."

CEO Halldór J. Kristjánsson:

"The success of numerous actions taken by the bank in the first half of 2006 to reduce market risk, strengthen risk management, lengthen its debt maturity profile, and especially to increase and diversify its overseas deposits has become clearer than ever in the 3rd quarter this year. Those steps taken by Landsbanki to modify its funding structure in particular have proved to major advantage in the turbulent times experienced this year on global financial markets. Customer deposits now provide around half of total Landsbanki Group funding, with the lion's share of this deposits placed with the bank by 110,000 UK retail customers using the bank's Icesave on-line savings programme. When the liquidity squeeze began on international markets in recent months, Landsbanki was therefore in a very favourable position. Both the bank's equity ratio and its liquidity are among the highest of any European bank, which means good opportunities for the bank given the current global market situation."

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

For further information contact Landsbanki's CEOs:

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Consolidated Key Figures

Operations	2007	2006	%	2007	2007	%	
	Q1-Q3	Q1-Q3		Q3	Q2		
Interest revenues	144,160	98,216	47%	54,036	49,078	10%	
Interest expenses	105,336	66,306	59%	39,591	35,578	11%	
Net interest revenues	38,825	31,910	22%	14,445	13,500	7%	
Fee and commission income	33,712	23,136	46%	11,813	11,013	7%	
Fee and commission expenses	4,004	2,767	45%	1,595	1,285	24%	
Net fee and commission income	29,709	20,368	46%	10,218	9,729	5%	
Dividend income	1,779	2,202	-19%	23	1,371	-98%	
Net gain (loss) on financial assets and liabilities held for trading	4,303	1,682	156%	(1,858)	3,062	-161%	
Net gain (loss) on financial assets designated at FV through P/L	3,592	7,786	-54%	2,501	655	282%	
Fair value adjustments in hedge accounting	(37)	(96)	61%	7	(37)	118%	
Foreign exchange difference	2,666	(205)	1401%	2,356	(296)	895%	
Profit (loss) from associates	(38)	566	-107%	(1,171)	1,191	-198%	
Net gain of disposal groups held for sale, net of tax	4,409	394	1019%	60	9	561%	
Other operating revenues	16,672	12,328	35%	1,918	5,955	-68%	
Net operating revenues	85,206	64,607	32%	26,582	29,184	-9%	
Salaries and related expenses	26,919	17,469	54%	10,029	8,919	12%	
Administrative expenses	13,981	10,089	39%	4,806	4,731	2%	
Operating expenses	40,900	27,557	48%	14,835	13,650	9%	
Impairment on loans and advances and assets held for sale	4,670	4,812	-3%	1,620	1,501	8%	
Profit before income tax	39,636	32,237	23%	10,127	14,033	-28%	
Income tax	4,608	6,075	-24%	1,402	1,490	-6%	
Net profit	35,028	26,162	34%	8,725	12,542	-30%	
Attributable to:							
Shareholders of Landsbanki Íslands hf.	34,215	25,242	36%	8,518	12,248	-30%	
Minority interests	812	920	-12%	207	294	-30%	
Five-year summary							
		Q1-Q3 2007	2006	2005	2004	2003*	
Net interest revenues		38,825	41,491	22,996	14,734	9,331	
Net fee and commission income		29,709	28,366	16,726	8,891	6,116	
Other operating revenues		16,672	19,568	21,257	9,842	3,535	
Net operating revenues		85,206	89,426	60,979	33,467	18,982	
Operating expenses		40,900	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		4,670	6,144	6,197	4,485	4,656	
Profit before income tax		39,636	44,694	30,782	14,522	3,511	
Income tax		4,608	4,479	5,764	1,798	457	
Net profit		35,028	40,215	25,018	12,724	3,054	
Attributable to:							
Shareholders of Landsbanki Íslands hf.		34,215	38,906	24,740	12,574	2,956	
Minority interests		812	1,309	277	149	99	
Balance Sheet	30.9.2007	31.12.2006	Change	%	31.12.2005	31.12.2004	31.12.2003*
Cash and cash balances with Central Bank	48,440	31,669	16,771	53%	16,611	18,237	11,642
Loans and advances to financial institutions	134,379	215,618	(81,239)	-38%	86,919	72,060	37,130
Loans and advances to customers	1,840,584	1,438,395	402,188	28%	984,593	542,215	326,400
Financial assets at fair value and associates	680,728	376,809	303,919	81%	218,894	64,730	63,744
Other assets	142,552	110,432	32,120	29%	98,443	39,900	9,323
Total assets	2,846,682	2,172,924	673,759	31%	1,405,460	737,141	448,239
Deposits from financial institutions	210,332	141,105	69,226	49%	144,596	63,476	43,840
Deposits from customers	1,390,022	682,846	707,176	104%	334,163	215,730	152,320
Borrowing	749,629	1,014,976	(265,347)	-26%	689,989	375,084	209,357
Subordinated loans	82,517	89,754	(7,236)	-8%	49,074	22,570	13,090
Other liabilities	234,211	94,785	139,426	147%	74,022	21,572	6,389
Equity	176,486	144,282	32,204	22%	110,059	37,705	22,382
Minority interests	3,485	5,175	(1,690)	-33%	3,557	1,004	862
Total liabilities and equity	2,846,682	2,172,924	673,759	31%	1,405,460	737,141	448,239

* Amounts from Financial Statements under Icelandic local GAAP.

Operations	2007	2007	2007	2006	2006	2006
	Q3	Q2	Q1	Q4	Q3	Q2
Interest revenues	54,036	49,078	41,046	34,887	33,154	37,527
Interest expenses	39,591	35,578	30,167	25,306	23,840	23,865
Net interest revenues	14,445	13,500	10,879	9,581	9,314	13,662
Fee and commission income	11,813	11,013	10,886	9,323	7,547	7,791
Fee and commission expenses	1,595	1,285	1,124	1,325	979	849
Net fee and commission income	10,218	9,729	9,762	7,998	6,568	6,943
Dividend income	23	1,371	385	161	99	269
Net gain (loss) on financial assets and liabilities held for trading	(1,858)	3,062	3,098	492	1,943	(1,011)
Net gain (loss) on financial assets designated at FV through P/L	2,501	655	436	5,913	594	(489)
Fair value adjustments in hedge accounting	7	(37)	(7)	78	25	(25)
Foreign exchange difference	2,356	(296)	607	(58)	(145)	(12)
Profit (loss) from associates	(1,171)	1,191	(58)	1,133	(15)	(262)
Net gain (loss) of disposal groups held for sale, net of tax	60	9	4,339	(479)	155	51
Other operating revenues	1,918	5,955	8,799	7,240	2,656	(1,478)
Net operating revenues	26,582	29,184	29,441	24,819	18,538	19,127
Salaries and related expenses	10,029	8,919	7,972	6,989	5,963	6,256
Administrative expenses	4,806	4,731	4,444	4,042	3,754	3,496
Operating expenses	14,835	13,650	12,415	11,031	9,717	9,752
Impairment on loans and advances and assets held for sale	1,620	1,501	1,549	1,332	1,597	1,660
Profit before income tax	10,127	14,033	15,476	12,457	7,224	7,714
Income tax	1,402	1,490	1,716	(1,596)	1,480	1,572
Net profit	8,725	12,542	13,760	14,053	5,744	6,143
Attributable to:						
Shareholders of Landsbanki Íslands hf.	8,518	12,248	13,450	13,664	5,281	5,966
Minority interests	207	294	311	389	463	177
Balance Sheet	30.9.2007	30.6.2007	31.3.2007	31.12.2006	30.09.2006	30.06.2006
Cash and cash balances with Central Bank	48,440	33,976	18,431	31,669	25,714	22,806
Loans and advances to financial institutions	134,379	278,072	251,881	215,618	168,993	68,793
Loans and advances to customers	1,840,584	1,567,895	1,483,887	1,438,395	1,303,676	1,294,462
Financial assets at fair value and associates	680,728	584,875	437,894	376,809	305,294	275,113
Other assets	142,552	132,329	125,097	110,432	158,395	150,295
Total assets	2,846,682	2,597,147	2,317,190	2,172,924	1,962,072	1,811,468
Deposits from financial institutions	210,332	161,826	117,378	141,105	97,097	135,722
Deposits from customers	1,390,022	1,187,254	913,183	682,846	513,054	475,045
Borrowing	749,629	781,541	903,780	1,014,976	979,748	853,367
Subordinated loans	82,517	77,766	83,524	89,754	85,892	91,141
Other liabilities	234,211	224,231	145,697	94,785	151,746	128,714
Equity	176,486	161,312	149,869	144,282	129,876	123,088
Minority interests	3,485	3,217	3,758	5,175	4,660	4,392
Total liabilities and equity	2,846,682	2,597,147	2,317,190	2,172,924	1,962,072	1,811,468
Key ratios	2007	2006	2006	2005	2004	2003
	Q1-Q3	Q1-Q3				
Return on equity before taxes	37.5%	40.4%	40.3%	56.3%	57.2%	20.9%
Return on equity after taxes	33.0%	32.6%	36.3%	45.8%	49.5%	17.6%
Tier 1 ratio	9.9%	13.0%	13.0%	11.9%	7.8%	6.9%
Equity ratio (CAD)	11.2%	15.0%	14.8%	13.1%	10.4%	9.9%
Cost-income ratio	48.0%	42.7%	43.2%	34.4%	43.2%	57.0%
Operating expenses as a ratio of average capital position	2.2%	2.1%	2.1%	2.0%	2.5%	3.0%
Interest spread as a ratio of average capital position	2.1%	2.5%	2.3%	2.2%	2.6%	2.6%
Deposits / loans to customers	75.5%	39.4%	47.5%	33.9%	39.6%	48.0%
Deposits / total assets	48.8%	26.1%	31.4%	23.8%	29.3%	34.0%
Ratio of provision to lending position at period-end	0.32%	0.44%	0.37%	0.58%	0.73%	1.47%
Loan loss ratio	0.07%	0.11%	0.13%	0.19%	0.33%	0.55%
Share price at period-end	40.50	26.60	26.50	25.30	12.10	5.80
Change in share price adjusted for dividend payments	54.3%	6.3%	5.9%	110.7%	110.3%	61.6%
Number of positions at period-end	2,499	2,046	2,117	1,725	1,121	1,025
Exchange rates						
Exchange rate ISK / EUR for P/L average period	87.11	86.78	87.57	76.59	86.97	87.39
Exchange rate ISK / EUR for Balance sheet at period-end	87.85	88.93	93.72	74.7	83.51	89.76

Profit ISK 35 billion

After-tax profit of Landsbanki Íslands hf. amounted to ISK 35.0 billion (bn) in the first 9M of this year, as compared to ISK 26.2bn for the same period of the previous year.

The Bank's profit before tax was ISK 39.6 billion, as compared with ISK 32.2 billion for the first nine months of 2006.

Annualised after-tax ROE for the period was extremely high at 33%.

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 September 2007, whereas amounts in the income statement are recognised at the average 9M 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.

	31.12.2006	9M avg. exchange rate	%	31.12.2006	30.9.2007	%
CAD	61,00	58,67	-4%	61,00	61,93	2%
EUR	93,72	87,11	-7%	93,72	87,85	-6%
GBP	139,08	128,63	-8%	139,08	125,97	-9%
GVT	127,90	118,18	-8%	127,90	117,60	-8%

Landsbanki acquired the securities house **Bridgewell Group plc** in Q3 2007 and merged it with the bank's subsidiary Teather & Greenwood to form Landsbanki Securities UK. Bridgewell's operations are included in Landsbanki's consolidated accounts from the middle of Q3 2007.

Highlights of the Income Statement and Balance Sheet

Income Statement

Comparison of first 9M of 2007 with the first 9M of 2006

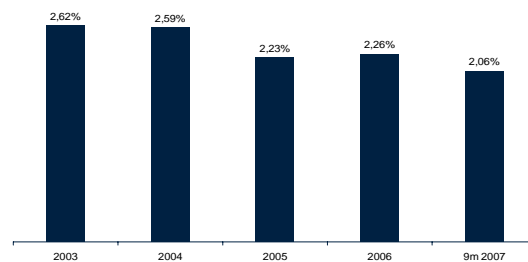
Landsbanki's after-tax **profit** in the first 9M of 2007 was ISK 35.0 billion, compared to a profit of ISK 26.2 billion for the same period of 2006.

	2007 9M	2006 9M	Change
Operating revenue	85.2	64,6	20.6
Operating expenses	50.2	38,4	11.8
Profit	35.0	26,2	8.8

Net operating revenue amounted to ISK 85.2 billion as compared to ISK 64.6 billion the previous year. This is a YoY increase of 32%.

The Bank's **net interest revenue** was ISK 38.8bn, as compared with ISK 31.9bn in the first 9M of 2006. The ratio of interest spread to average capital position was 2.1% compared to 2.5% for the first 9M of 2006. The higher 2006 ratio can be attributed to the impact of high inflation on the bank's positive indexation balance.

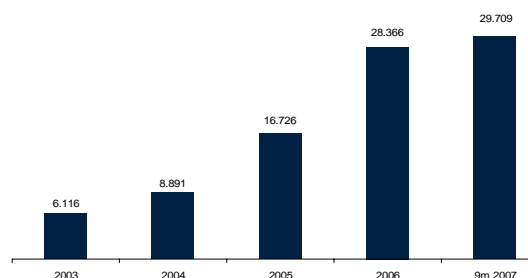
Interest spread



Fees and commissions on operations outside Iceland 68%

The Bank's 9M **net fee and commission income** totalled ISK 29.7bn compared to ISK 20.4bn in the first 9M of 2006, an increase of 46%. Fees and commissions on the bank's operations overseas amounted to ISK 20.1bn, or 68% of the total, compared to ISK 11.8bn, or 58% of the 9M 2006 total. The Group's 9M **fee and commission income** already exceeds the 2006 total.

Fee and commission income



The Bank's **trading and investment income** in the first 9M of 2007 amounted to ISK 16.7bn compared to ISK 12.3bn during the same period in 2006.

Net operating revenue outside of Iceland amounted to ISK 40.4bn during the first nine months of this year, as compared to ISK

30.2bn for the same period of the previous year, and comprised 47% of total group income.

The Group's **operating expenses** in the first 9M of 2007 totalled ISK 40.9bn, making its cost-income ratio for the period 48.0%.

Impairment on loans and available-for-sale financial assets in the first nine months of 2007 amounted to ISK 4.7bn, as compared to ISK 4.8bn during the same period of the previous year. Impairment as a ratio of loans and receivables at the end of the period was 0.32% on an annualised basis.

Q3 2007 compared to Q2 2007

The bank's after-tax **profit** amounted to ISK 8.7 billion in Q3 of this year, as compared to ISK 12.5 billion in Q2 2007.

Net interest revenue amounted to ISK 14.4bn as compared to ISK 13.5bn in Q2 of 2007.

Q3 **net fee and commission** income totalled ISK 10.2bn, compared to ISK 9.7bn in Q2. This is a record for a single quarter.

The Bank's **trading and investment income** amounted to ISK 1.9bn, compared to ISK 6.0bn in Q2 2007.

The Q3 **cost-income ratio** was 56% as compared with 47% in Q2 2007.

Impairment on loans and available for sale financial assets amounted to ISK 1.6bn in Q3, as compared to ISK 1.5bn in Q2 2007.

Balance Sheet

Total assets of the Group amounted to ISK 2,847bn at the end of September 2007, rising from ISK 2,173bn at the beginning of this year, an increase of ISK 674bn or 31% during the year.

Amounts due from financial institutions amounted to ISK 134bn, as compared to ISK 216bn at the beginning of this year.

Loans to customers totalled ISK 1,841bn at the end of September 2007, up 28% from ISK 1,438bn at the beginning of the year.

Total provisions for **credit losses** amounted to ISK 19.7bn or 1.0% of total loans and guarantees at the end of September 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 601bn at the end of September 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. Market bonds held by the bank totalled ISK 382bn as compared with ISK 170bn at the beginning of 2007. The increase reflects Landsbanki's strong liquidity position. Trading equities amounted to ISK 33.5bn at the end of September 2007, of which ISK 20.3bn were listed equities and ISK 13.2bn unlisted. Domestic equities amounted to ISK 9.5bn and foreign equities to ISK 24.0bn as of the end of September 2007.

Other financial assets carried at fair value through profit and loss amounted to ISK 70.6bn at the end of September 2007. Equities totalled ISK 56.3bn, of which ISK 19.3bn were equities held against forward contracts. Bonds totalled ISK 14.3bn, of which ISK 13.0bn were held against forward contracts.

Non-current assets and disposal groups held for sale totalled ISK 3.3bn at the end of September 2007, compared to ISK 21.3bn at the beginning of the year. The decrease is the result of the bank's sale of the real estate company Landsafl.

Total assets under management amounted to ISK 543bn at the end of September 2007, rising from ISK 377bn at the beginning of this year, an increase of 44.0% during the year. At the same time, total assets in the Group's custody amounted to ISK 2,323bn compared to ISK 1,751 at the beginning of this year.

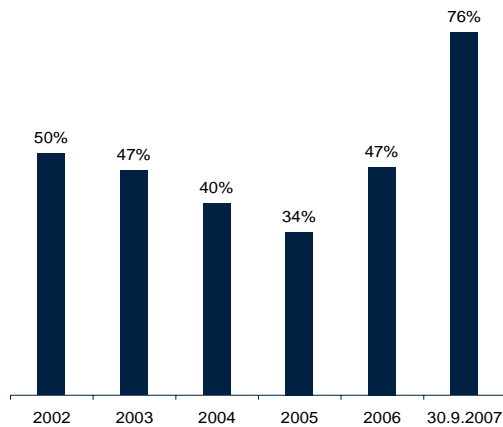
Liabilities and equity

Deposits 76% of customer lending

The Group's **total deposits** amounted to ISK 1,600bn at the end of September 2007. Of this amount, ISK 1,390bn were customers' deposits, which increased from ISK 683bn at the beginning of this year, or by 104% during the 9M period. Landsbanki's customer deposits overseas amounted to ISK 1,038bn at the end of September 2007, rising from ISK 417bn at the beginning of this year or by 149% during the first 9M of 2007.

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

Deposits as a ratio of total lending



Total borrowing at the end of September 2007 amounted to ISK 750bn, as compared to ISK 1,015bn at the beginning of 2007. The decrease is due both to ISK appreciation and debt retirement during the interim period.

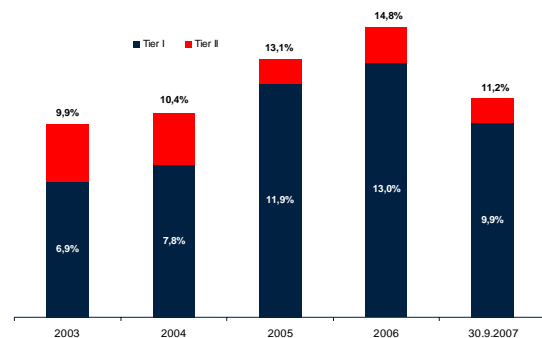
Subordinated debt amounted to ISK 83bn at the end of September 2007, compared to ISK 90bn at the beginning of 2007, with the decrease due entirely to ISK appreciation. At the beginning of Q4 Landsbanki finalised a USD 400 million subordinated capital notes issue in the US amounting ISK 24bn.

Capital adequacy ratio 11.2%

The Group's **equity** was ISK 176bn at the end of September 2007 compared to ISK 144bn at the beginning of the year. In connection with its takeover of Bridgewater Group plc Landsbanki issued new share capital of ISK 172 million nominal value at a share price of 39.4. Apart from that, the change in equity is the result of profit during the period, transactions in own shares and dividends.

The group's **equity ratio** according to CAD rules was 11.2% at the end of September 2007, of which 9.9% was Tier 1 capital.

Equity ratio (CAD)



Performance by Business Segment

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

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

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

Summary of Business Segments

9m 2007	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Private Banking	Other	Group
Net interest revenue	13,295	26,482	-3,912	2,960	0	38,825
Net commission and fees	2,189	1,654	22,601	3,265	0	29,709
Net financial income	-55	-1,291	17,614	204	0	16,672
Net operating revenue	15,428	26,845	36,503	6,430	0	85,206
Operating expenses	7,958	7,457	19,412	3,830	2,243	40,900
Impairment on loans and advances	2,406	2,789	-532	7	0	4,670
Profit before income tax	5,064	16,599	17,623	2,592	-2,243	39,636
Total Assets 30 Sep 2007	484,668	1,169,204	846,589	335,465	10,756	2,846,682

9m 2006	Retail Banking	Corporate Banking	Investment Banking	Asset Management & Private Banking	Other	Group
Net interest revenue	11,029	16,317	2,382	2,181	0	31,910
Net commission and fees	2,235	1,852	14,000	2,281	0	20,368
Net financial income	-10	36	12,047	255	0	12,328
Net operating revenue	13,255	18,204	28,430	4,718	0	64,607
Operating expenses	6,839	3,837	13,473	2,292	1,116	27,557
Impairment on loans and advances	1,227	2,149	1,304	131	0	4,812
Profit before income tax	5,189	12,218	13,653	2,294	-1,116	32,237
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 for the first 9M of 2007 was ISK 5.1bn, compared to a profit of ISK 5.2bn for the same period in 2006. This business segment's total assets amounted to ISK 485bn as of the end of September 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. The business segment's pre-tax profit amounted to ISK 16.6bn in the first 9M of this year, as compared to ISK 12.2bn for the same period of the previous year. This business segment's total assets amounted to ISK 1,169bn as of the end of September 2007.

Investment Banking is comprised of the parent company's Securities and Treasury division, both in Iceland and Continental Europe, plus the subsidiaries Landsbanki Securities UK, 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 business segment's pre-tax profit amounted to ISK 17.7bn in the first 9M of this year, as compared to ISK 13.7bn for the same period of the previous year. This business segment's total assets amounted to ISK 847bn as of the end of September 2007.

Asset Management and Private Banking includes the parent company's Asset Management division, Landsvaki hf. and the asset management and private banking operations of Landsbanki Luxembourg SA. Pre-tax profit in Asset Management and Private Banking during the first nine months of 2007 amounted to ISK 2.6bn, as compared to a profit of ISK 2.3bn during the same period of 2006. This business segment's total assets amounted to ISK 335bn as of the end of September 2007.

Funding

Landsbanki maintained its positive funding position and high liquidity during the 3rd quarter, supported by overall increases in non-Icelandic deposits. The bank continues to focus on diversification of funding sources and strengthening its international deposit base.

The liquidity squeeze in the credit markets has pushed up CDS spreads quoted on Landsbanki, reflecting general market increases. Despite turbulence in the credit markets, confidence in Landsbanki was confirmed, as its Icesave retail deposits in the UK remained stable and the bank recorded a net rise in non-Icelandic deposits during the quarter. Landsbanki has sufficient liquid assets to withstand non-access to capital markets for refinancing for well over 12 months. At the end of September 2007, liquid assets totalled EUR 9.6 billion.

In early October, Landsbanki closed a 10-year USD 400 million perpetual non-cumulative undated Tier 1 capital notes transaction, targeted at US institutional investors. Joint lead managers in the transaction were Citigroup, Credit Suisse and JP Morgan. The deal attracted strong interest and a total of 32 investors participated in the issue. Due to the fact that the deal was more than twice oversubscribed, it was increased from the planned USD 300 million to USD 400 million. The transaction was aimed at reinforcing the capital ratio to accommodate balance sheet growth.

Core earnings

Pre-tax ROE of 26%

Landsbanki's core earnings before tax for the first nine months of 2007 amounted to ISK 27.8bn, compared to ISK 28.8 for 2006 as a whole. Return on equity (ROE), taking only core earnings into consideration, for the first nine months of 2007 was 26%. A summary of performance and core earnings for the first 9M of 2007 as compared to 2006 is shown in the following table (amounts in mISK):

	2007 9m	2006
Pre-tax profit	39.636	44.694
Trading gains deducted	(16.672)	(19.568)
Adjusted interest margin	4.811	3.640
Pre-tax core earnings	27.774	28.765
Cost-income ratio on core activities	56%	53%
Pre-tax ROE on core activities	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 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. The bank had a positive indexation balance averaging over ISK 130bn during the first 9M of 2007. The bank finances the difference on non-indexed interest rates. As a result of the interest and inflation levels in the first 9M of 2007, Landsbanki's losses on its indexation balance amount to an estimated ISK 2.2bn.

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 has been 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 2007.

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

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 2.5% of total assets as of the end of September.

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 are confident that it 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.

Presentation for Investors and Analysts

in Reykjavík, 1 November

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 Hotel Saga beginning at 8:30 am.

in London, 1 November

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

Time: 4:00 pm (16:00 GMT og 17:00 CET)

Location: Beaufort House, 15 St Botolph Street, London EC3A 7QR

A webcast of the presentation will be available on Landsbanki's website, www.landsbanki.com/ir. Persons wishing to listen to the meeting via telephone should dial 44 (0) 1452 55 00 00 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.

Publication of 4th quarter and annual financial statements for 2007

Scheduled publication of the Bank's 4th quarter and annual financial statements for 2007 is 1 February 2008

A copy of Landsbanki's interim financial statements as of 30 September 2007 will be available on the bank's website: www.landsbanki.is

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.