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To Map and Leverage Value

Thoughts on the Financial Due Diligence Process

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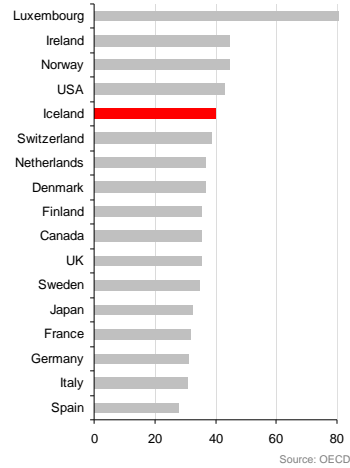
- Internationalisation of Icelandic Business Sector
- Landsbanki – Achieving Diversification
- Landsbanki's Approach to International Acquisition Services
- Financial Analysis and Due Diligence working with the Accounting Profession

Iceland – Small, flexible, resilient



- 320,000 inhabitants
- Abundant natural resources:
 - Rich fishing grounds
 - Hydro-electric and geothermal energy resources, which are still far from being fully harnessed
- As a member of the European Economic Area (EEA) since 1994, Iceland is obliged to implement into national law all existing and future EU legislation including in the field of financial services
- Iceland has a fully funded pension system, and, according to OECD, is the world leader with a 133% ratio of pension fund assets to GDP
- Public sector debt very low - significant financial muscle as net treasury debt is zero
- Solid and defensive export base in food and energy sectors, along with expanding tourism
- The nation is young and life expectancy, labour market participation, employment and educational levels are well above the OECD average

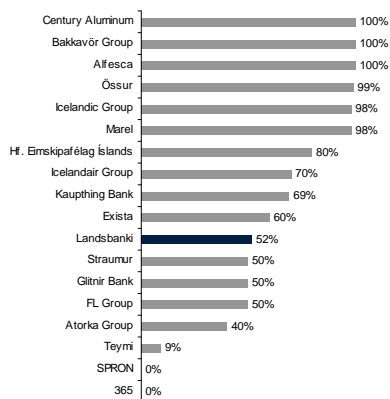
GDP per capita in OECD countries 2006, PPP USD



Internationalisation of Icelandic Business & Economy

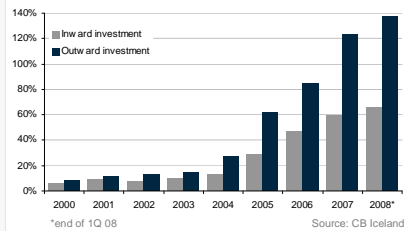


Estimated foreign earnings in 2007 as a ratio of total income of largest OMX15 corporates



- Continued growth underpinned by strong inward and outward FDI flows
- Strong growth of FDI and portfolio capital abroad – 280% of GDP in 1Q08
- Landsbanki – well hedged against cyclical economic developments
- About 75% of cash flow of OMXICE-listed companies is denominated in foreign currencies, 80-90% excluding the banks

FDI as % of GDP



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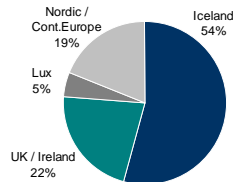
A European Bank with Icelandic Roots

- Established in 1886, Landsbanki is the market leader in Iceland with most extensive branch network and ~30% market share in all major segments
- Landsbanki provides retail and corporate banking, investment banking and capital markets services, as well as asset management and wealth management for private banking clients
- Operations in all major financial centres of Europe, thereof UK operations most extensive, focused on mid-cap corporates
- Strong customer deposit / customer loans ratio of 63% that supports strong liquidity position
- Rated by Moody’s (A2 / P-1 / C- / Stable) and Fitch (A / F1 / B/C / Negative)

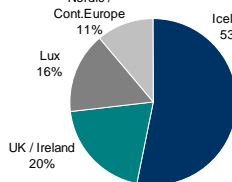
Key Figures from H1 2008 Accounts

	ISK(bn)	EUR
Pre-tax profit	31.1	285m
After-tax profit	29.5	270m
Pre-tax ROE	36.8%	
After-tax ROE	34.7%	
Cost-income ratio	46%	
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Total assets	3,970	31.9bn
CAD	10.3%	
Tier 1	8.2%	

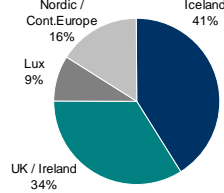
Staff by country



Lending by country



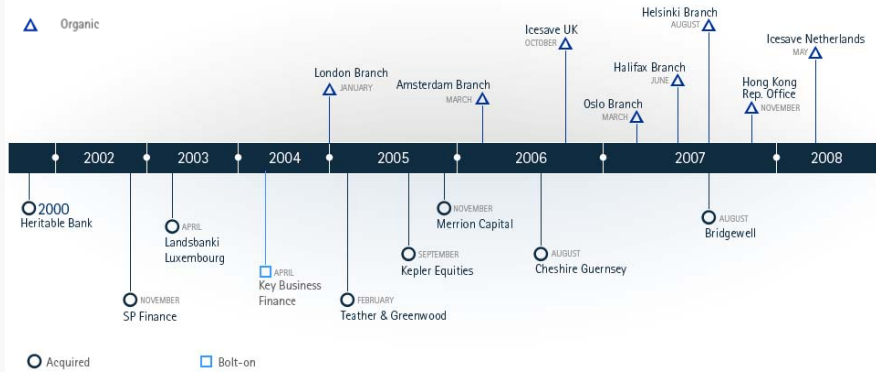
Net interest income and net fee and commission income



Transformation through Internationalisation



- Landsbanki has transformed from a domestic universal bank to an integrated corporate and investment bank operating across Europe
- With a distribution network of 2,690 employees across 17 countries, Landsbanki is set to deliver targeted financial services for mid-cap corporates in Europe



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Landsbanki is a European bank offering integrated financial services to medium-sized corporates, institutional investors and individuals

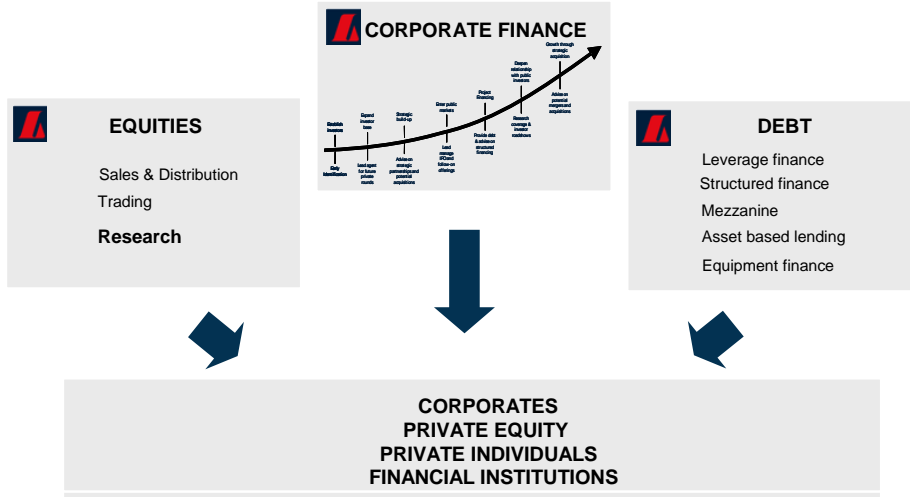
Capital Markets	Corporate Finance	Corporate Banking	Treasury & Deposits / FX & Derivatives	Asset Man. / Private Banking	Retail Banking Speciality Finance
Equity Research	Corporate Advisory	Corporate Lending	Securities Finance	Wealth Man.	Specialised SME Finance
Institutional Brokerage	M&A	Asset Backed 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

- We aim to take the lead in Investment & Corporate Banking in the Pan-European middle market range, through our European positioning
- We provide Integrated Investment & Corporate Finance services :
 - Investment Banking
 - Advisory /M&A
 - Corporate Brokerage /IPO
 - Capital Market Services (CMS)
 - Principal Investments Support
 - Corporate Banking
 - Structured /Leveraged Finance
 - Asset Backed Lending
 - Research
 - Securities
 - Sales & Trading
 - Market Making

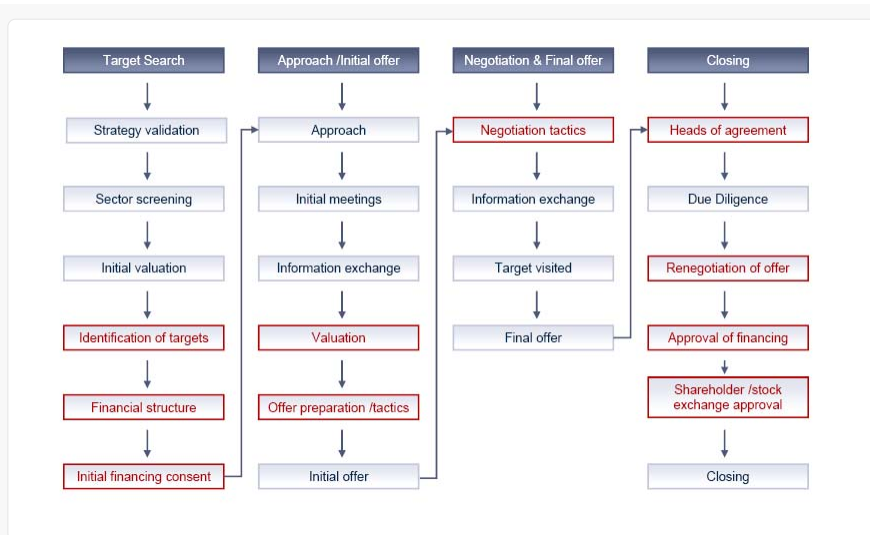
Mid-Market Integrated Investment Banking



Integrated Group Approach



Advisory Services – The Process



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Internationalisation Calls for Complex Due Diligence

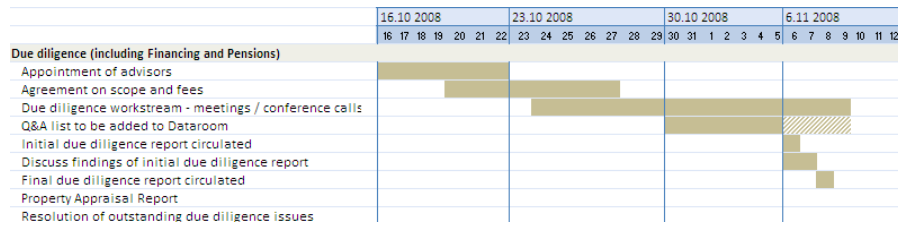
- Due diligence is an important verification process and increases the likelihood of a successful transaction with no surprises down the road
- Increased internationalisation demands complex and comprehensive due diligence
 - Cross-border transactions
 - Transnationalities of companies
 - Increasing complexity of laws and regulations
 - Business structures and tax planning
- Imperative to work closely with advisory services on a number of issues, e.g.:
 - Lead financial advisory roles
 - M&A related due diligence
 - Tax related advisory work and capital structures
 - M&A related transaction services
 - Operational analysis - Procedures and policies
 - Regulatory advice
 - Dispute advisory – Forensic accounting

Mandated M&A related DD – Tasks and Timeframe



Landsbanki usually assigns the M&A related DD tasks as follows

Tasks	Roles
Legal DD	Legal advisors & in-house M&A team
Financial DD	Accounting advisors & in-house M&A team
Tax DD	Accounting advisors , Legal advisors & in-house M&A team
Operational DD	In-house M&A team & internal resources



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Due Diligence in Public and Private Companies



- There is a clear difference between due diligence for a public company and a private company
 - Not in the direction that people generally assume
- Far greater likelihood of surprise in a public company due to a lower level of disclosure and limited access to information
 - Amongst possible buy-out parties competitors are seen as a threat
 - Public companies often paint a brighter picture for the market than a private company with their limited and closed number of owners
- More difficult to find a responsible party if something goes wrong in a public transaction
 - No Reps and Warranties
- It is important for accountants to find a way to limit discrepancies in the financial due diligence between public and private companies

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Due Diligence and the CPA



Accuracy

A qualified CPA can detect whether information given by the seller is accurate and sufficient. Are we entering into a sound business endeavour?

Head vs Heart

Because some clients want the target too much, they may start thinking with their hearts rather than their heads.

Skill set

Financial due diligence specialists need not only insight into the financial aspects but also sound knowledge of the sector in question.

Surprises

There are always some surprises. How the financial advisors handle them is critical.

Credibility

A strong financial DD advisor brings credibility that is key to running a successful due diligence process.

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Summary and Outlook



Lessons Learned

- Operational environment governed by increasingly complex and broadening regulatory requirements
- Landsbanki group has a very positive experience with working with accounting firms and the expertise of the accounting professionals has proven to be of great value in our international strategy and services
- Their services have proven to be particularly critical in the implementation of new standards; IFRS, Basel II, ICAAP

Looking Forward

- As Landsbanki continues to diversify and integrate its operations, the level of operational complexity will grow
- Increased regulatory focus in financial services will likely follow in wake of current market turmoil
- Ensure expertise and experience is maintained on an increasingly cross-border basis
- The bank will prepare for this by
 - Adapting the corporate governance as appropriate
 - Strengthening in-house expertise
 - Further developing the relationship with the financial advisory industry, in particular the global cross-border accounting advisory community

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Landsbanki