



**Landsbanki**

Condensed Consolidated Interim Financial Statements

1 January - 31 March 2008

ISK



**Landsbanki**

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## Consolidated Key Figures

Operations	2008	2007	%	2008	2007	%	
	Q1	Q1		Q1	Q4		
Interest income	70,487	41,046	72%	70,487	57,935	22%	
Interest expenses	55,232	30,167	83%	55,232	42,708	29%	
<b>Net interest income</b>	<b>15,255</b>	<b>10,879</b>	<b>40%</b>	<b>15,255</b>	<b>15,227</b>	<b>0%</b>	
Fee and commission income	13,444	10,886	23%	13,444	11,534	17%	
Fee and commission expenses	2,541	1,124	126%	2,541	1,874	36%	
<b>Net fee and commission income</b>	<b>10,904</b>	<b>9,762</b>	<b>12%</b>	<b>10,904</b>	<b>9,660</b>	<b>13%</b>	
Net financial income	14,757	4,518	227%	14,757	(748)	2073%	
Profit (losses) from associates	(80)	(58)	38%	(80)	671	-112%	
Net gains of disposal groups held for sale, net of tax	2	4,339	-100%	2	9	-77%	
<b>Other operating income</b>	<b>14,679</b>	<b>8,799</b>	<b>67%</b>	<b>14,679</b>	<b>(68)</b>	<b>21793%</b>	
<b>Net operating income</b>	<b>40,837</b>	<b>29,441</b>	<b>39%</b>	<b>40,838</b>	<b>24,819</b>	<b>65%</b>	
Salaries and related expenses	10,633	7,972	33%	10,633	10,769	-1%	
Administrative expenses	6,601	4,444	49%	6,601	5,846	13%	
<b>Operating expenses</b>	<b>17,233</b>	<b>12,415</b>	<b>39%</b>	<b>17,233</b>	<b>16,615</b>	<b>4%</b>	
Impairment provisions on loans and advances and assets held for sale	3,915	1,549	153%	3,915	2,286	71%	
<b>Pre-tax profit</b>	<b>19,690</b>	<b>15,476</b>	<b>27%</b>	<b>19,690</b>	<b>5,919</b>	<b>233%</b>	
Income tax	2,265	1,716	32%	2,265	997	127%	
<b>Net profit</b>	<b>17,425</b>	<b>13,760</b>	<b>27%</b>	<b>17,425</b>	<b>4,922</b>	<b>254%</b>	
<b>Attributable to:</b>							
Shareholders of Landsbanki Íslands hf.	17,307	13,450	29%	17,307	4,584	278%	
Minority interests	118	311	-62%	118	337	-65%	
<b>Five-year summary</b>							
		<b>Q1 2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	
Net interest income		15,255	54,052	41,491	22,996	14,734	
Net fee and commission income		10,904	39,369	28,366	16,726	8,891	
Other operating income		14,679	16,605	19,568	21,257	9,842	
<b>Net operating income</b>		<b>40,838</b>	<b>110,025</b>	<b>89,426</b>	<b>60,978</b>	<b>33,467</b>	
Operating expenses		17,233	57,515	38,588	20,967	14,460	
Impairment on goodwill		0	0	0	3,033	0	
Impairment on loans and advances and assets held for sale		3,915	6,956	6,144	6,197	4,485	
<b>Pre-tax profit</b>		<b>19,690</b>	<b>45,555</b>	<b>44,694</b>	<b>30,781</b>	<b>14,521</b>	
Income tax		2,265	5,605	4,479	5,764	1,798	
<b>Net profit</b>		<b>17,425</b>	<b>39,949</b>	<b>40,215</b>	<b>25,017</b>	<b>12,723</b>	
<b>Attributable to:</b>							
Shareholders of Landsbanki Íslands hf.		17,307	38,800	38,906	24,740	12,574	
Minority interests		118	1,150	1,309	277	149	
<b>Balance Sheet</b>							
	<b>31.3.2008</b>	<b>31.12.2007</b>	<b>Change</b>	<b>%</b>	<b>31.12.2006</b>	<b>31.12.2005</b>	<b>31.12.2004</b>
Cash and cash balances with Central Bank	103,522	81,559	21,963	27%	31,669	16,611	18,237
Loans and advances to financial institutions	268,285	162,929	105,357	65%	215,618	86,919	72,060
Loans and advances to customers	2,488,165	2,022,738	465,427	23%	1,438,395	984,593	542,215
Financial assets at fair value and associates	788,949	667,941	121,009	18%	376,809	218,894	64,730
Other assets	187,217	122,379	64,838	53%	110,432	98,443	39,900
<b>Total assets</b>	<b>3,836,139</b>	<b>3,057,546</b>	<b>778,593</b>	<b>25%</b>	<b>2,172,924</b>	<b>1,405,460</b>	<b>737,141</b>
Deposits from financial institutions	445,247	337,915	107,332	32%	141,105	144,596	63,476
Deposits from customers	1,636,910	1,421,410	215,500	15%	682,846	334,163	215,730
Borrowings	1,141,777	835,985	305,792	37%	1,014,976	689,989	375,084
Subordinated loans	145,503	111,890	33,613	30%	89,754	49,074	22,570
Other liabilities	268,255	166,342	101,913	61%	94,785	74,022	21,572
Equity	194,990	180,008	14,983	8%	144,282	110,059	37,705
Minority interests	3,457	3,996	(540)	-14%	5,175	3,557	1,004
<b>Total liabilities and equity</b>	<b>3,836,139</b>	<b>3,057,546</b>	<b>778,593</b>	<b>25%</b>	<b>2,172,924</b>	<b>1,405,460</b>	<b>737,141</b>

## Consolidated Key Figures

Operations	2008	2007	2007	2007	2007	2006
	Q1	Q4	Q3	Q2	Q1	Q4
Interest income	70,487	57,935	54,036	49,078	41,046	34,887
Interest expenses	55,232	42,708	39,591	35,578	30,167	25,306
<b>Net interest income</b>	<b>15,255</b>	<b>15,227</b>	<b>14,445</b>	<b>13,500</b>	<b>10,879</b>	<b>9,581</b>
Fee and commission income	13,444	11,534	11,813	11,013	10,886	9,323
Fee and commission expenses	2,541	1,874	1,595	1,285	1,124	1,325
<b>Net fee and commission income</b>	<b>10,904</b>	<b>9,660</b>	<b>10,218</b>	<b>9,729</b>	<b>9,762</b>	<b>7,998</b>
Net financial income	14,757	(748)	3,029	4,754	4,518	6,587
Profit (losses) from associates	(80)	671	(1,171)	1,191	(58)	1,133
Net gains (losses) of disposal groups held for sale, net of tax	2	9	60	9	4,339	(479)
<b>Other operating income</b>	<b>14,679</b>	<b>(68)</b>	<b>1,918</b>	<b>5,955</b>	<b>8,799</b>	<b>7,240</b>
<b>Net operating income</b>	<b>40,837</b>	<b>24,819</b>	<b>26,582</b>	<b>29,184</b>	<b>29,441</b>	<b>24,819</b>
Salaries and related expenses	10,633	10,769	10,029	8,919	7,972	6,989
Administrative expenses	6,601	5,846	4,806	4,731	4,444	4,042
<b>Operating expenses</b>	<b>17,233</b>	<b>16,615</b>	<b>14,835</b>	<b>13,650</b>	<b>12,415</b>	<b>11,031</b>
Impairment provisions on loans and advances and assets held for sale	3,915	2,286	1,620	1,501	1,549	1,332
<b>Pre-tax profit</b>	<b>19,690</b>	<b>5,919</b>	<b>10,127</b>	<b>14,033</b>	<b>15,476</b>	<b>12,457</b>
Income tax	2,265	997	1,402	1,490	1,716	(1,596)
<b>Net profit</b>	<b>17,425</b>	<b>4,922</b>	<b>8,725</b>	<b>12,542</b>	<b>13,760</b>	<b>14,053</b>
<b>Attributable to:</b>						
Shareholders of Landsbanki Islands hf.	17,307	4,584	8,518	12,248	13,450	13,664
Minority interests	118	337	207	294	311	389
<b>Balance Sheet</b>						
	31.3.2008	31.12.2007	30.9.2007	30.6.2007	31.3.2007	31.12.2006
Cash and cash balances with Central Bank	103,522	81,559	48,440	33,976	18,431	31,669
Loans and advances to financial institutions	268,285	162,929	134,379	278,072	251,881	215,618
Loans and advances to customers	2,488,165	2,022,738	1,840,584	1,567,895	1,483,887	1,438,395
Financial assets at fair value and associates	788,949	667,941	680,728	584,875	437,894	376,809
Other assets	187,217	122,379	142,552	132,329	125,097	110,432
<b>Total assets</b>	<b>3,836,139</b>	<b>3,057,546</b>	<b>2,846,682</b>	<b>2,597,147</b>	<b>2,317,190</b>	<b>2,172,924</b>
Deposits from financial institutions	445,247	337,915	210,332	161,826	117,378	141,105
Deposits from customers	1,636,910	1,421,410	1,390,022	1,187,254	913,183	682,846
Borrowings	1,141,777	835,985	749,629	781,541	903,780	1,014,976
Subordinated loans	145,503	111,890	82,517	77,766	83,524	89,754
Other liabilities	268,255	166,342	234,211	224,231	145,697	94,785
Equity	194,990	180,008	176,486	161,312	149,869	144,282
Minority interests	3,457	3,996	3,485	3,217	3,758	5,175
<b>Total liabilities and equity</b>	<b>3,836,139</b>	<b>3,057,546</b>	<b>2,846,682</b>	<b>2,597,147</b>	<b>2,317,190</b>	<b>2,172,924</b>
<b>Key ratios</b>						
	2008	2007	2006	2005	2004	
	Q1					
Return on equity before taxes	50.3%	30.9%	40.3%	56.3%	57.2%	
Return on equity after taxes	43.8%	27.1%	36.3%	45.8%	49.5%	
Tier 1 ratio	8.8%	10.1%	13.0%	11.9%	7.8%	
Equity ratio (CAD)	11.0%	11.7%	14.8%	13.1%	10.4%	
Cost-income ratio	42.2%	52.3%	43.2%	34.4%	43.2%	
Operating expenses as a ratio of average capital position	2.0%	2.2%	2.1%	2.0%	2.5%	
Interest spread as a ratio of average capital position	1.8%	2.1%	2.3%	2.2%	2.6%	
Deposits / loans to customers	65.8%	70.3%	47.5%	33.9%	39.6%	
Deposits / total assets	42.7%	46.5%	31.4%	23.8%	29.3%	
Ratio of provision to lending position at period-end	0.57%	0.32%	0.37%	0.58%	0.73%	
Loan loss ratio	0.10%	0.07%	0.13%	0.19%	0.33%	
Share price at period-end	29.60	35.50	26.50	25.30	12.10	
Change in share price adjusted for dividend payments	-16.6%	35.5%	5.9%	110.7%	110.3%	
Number of positions at period-end	2,702	2,640	2,117	1,725	1,121	
<b>Exchange rates</b>						
Exchange rate ISK / EUR for P/L period average	101.98	87.64	87.57	76.59	86.97	
Exchange rate ISK / EUR for balance sheet at period-end	119.57	91.65	93.72	74.7	83.51	

## Report of the Board of Directors and Group Managing Directors & CEOs

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The Condensed Consolidated Interim Financial Statements for the first three months of 2008 consist of the Condensed Consolidated Interim Financial Statements of Landsbanki Íslands hf. (the Bank) and its subsidiaries, (the Group). The Condensed Consolidated Interim Financial Statements are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34).

The Bank's total share capital amounts to ISK 11,192,754,087 nominal value. All shares are in a single class, bear equal rights, and are divided into units of one Icelandic krona (1 ISK), or multiples thereof. As of 31 March 2008, shareholders in Landsbanki numbered 27,271 compared to 27,753 at the beginning of the year. Samson eignarhaldsfélag ehf., which holds 40.73% in the company, is the only shareholder with a stake over 10%.

According to the income statement, the Group's after tax-profit for the first three months amounted to ISK 17,425 million. The Group's equity at the end of this period totalled ISK 198,447 million. The capital adequacy ratio of the Group was 11.0%, well in excess of the statutory minimum of 8%. As of 31 March 2008, the Group's total assets were ISK 3,836,139 million.

According to the Directors' best knowledge, these Condensed Consolidated Interim Financial Statements comply with Act No. 3/2006, on Annual Accounts, and IAS 34 Interim Financial Reporting and give a true and fair picture of the Group's assets and liabilities, financial position and operating performance. They also describe the principal risk and uncertainty factors faced by the Group. The Report of the Board of Directors provides a clear overview of developments and achievements in the Group's operations and its situation.

The Board of Directors of the Bank and the Group Managing Directors and Chief Executive Officers hereby endorse the Condensed Consolidated Interim Financial Statements of Landsbanki Íslands hf. for the first three months of 2008.

Reykjavík, 6 May 2008

Board of Directors

Björgólfur Guðmundsson  
Chairman

Kjartan Gunnarsson  
Vice Chairman

Þorgeir Baldursson  
Board Member

Andri Sveinsson  
Board Member

Svafa Grönfeldt  
Board Member

Group Managing Directors and Chief Executive Officers

Sigurjón Þ. Arnason

Halldór J. Kristjánsson

# Report on Review of Interim Financial Information

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## **Introduction**

We have reviewed the accompanying Condensed Consolidated Interim Balance Sheet of Landsbanki Íslands hf. and its subsidiaries as of 31 March 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

## **Scope of Review**

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Financial Information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Reykjavík, 6 May 2008

PricewaterhouseCoopers hf.

Vignir Rafn Gíslason

Jón H. Sigurðsson

## Condensed Consolidated Interim Income Statement 1 January - 31 March 2008

Notes	Q1 2008	Q1 2007
Interest income	70,487	41,046
Interest expenses	55,232	30,167
<b>8 Net interest income</b>	<b>15,255</b>	<b>10,879</b>
Fee and commission income	13,444	10,886
Fee and commission expenses	2,541	1,124
<b>Net fee and commission income</b>	<b>10,904</b>	<b>9,762</b>
9, 10 Net financial income	14,757	4,518
19 Losses from associates	(80)	(58)
Net gains of disposal groups held for sale, net of tax	2	4,339
<b>Other operating income</b>	<b>14,679</b>	<b>8,799</b>
<b>Net operating income</b>	<b>40,837</b>	<b>29,441</b>
11 Salaries and related expenses	10,633	7,972
Administrative expenses	6,601	4,444
<b>Operating expenses</b>	<b>17,233</b>	<b>12,415</b>
12 Impairment provisions on loans and advances and assets held for sale	3,915	1,549
<b>Pre-tax profit</b>	<b>19,690</b>	<b>15,476</b>
13 Income tax	2,265	1,716
<b>Net profit</b>	<b>17,425</b>	<b>13,760</b>
<b>Attributable to:</b>		
Shareholders of Landsbanki Íslands hf.	17,307	13,450
Minority interest	118	311
<b>14 Earnings per share:</b>		
Earnings per share	1.61	1.27
Diluted earnings per share	1.45	1.19

The notes on pages 9 to 35 are an integral part of these Condensed Consolidated Interim Financial Statements

## Condensed Consolidated Interim Balance Sheet as of 31 March 2008

Notes	31.3.2008	31.12.2007	
<b>Assets</b>			
	Cash and cash balances with Central Bank	103,522	81,559
	Loans and advances to financial institutions	268,285	162,929
15	Loans and advances to customers	2,488,165	2,022,738
16	Bonds	351,436	362,617
16	Equities	91,062	64,407
16	Hedged securities	160,047	176,181
16, 17	Derivatives held for trading	165,575	50,198
18	Derivatives held for hedging	15,943	8,719
19	Investments in associates	4,886	5,820
	Property and equipment	12,180	11,862
20	Intangible assets	38,363	27,679
	Deferred tax asset	810	960
21	Non-current assets and disposal groups classified as held for sale	4,968	3,641
	Unsettled securities trading	101,830	58,845
	Other assets	29,066	19,392
	<b>Total assets</b>	<b>3,836,139</b>	<b>3,057,546</b>
<b>Liabilities</b>			
22	Deposits from financial institutions	445,247	337,915
23	Deposits from customers	1,636,910	1,421,410
24	Borrowings	1,059,755	774,754
25	Financial liabilities designated at fair value	82,022	61,231
26	Subordinated loans	145,503	111,890
17	Trading liabilities	131,710	62,161
18	Derivatives held for hedging	6,489	6,953
27	Tax liabilities	9,943	8,149
	Unsettled securities trading	84,593	48,399
	Other liabilities	35,520	40,679
	<b>Total liabilities</b>	<b>3,637,692</b>	<b>2,873,542</b>
<b>Equity</b>			
	Share capital	10,836	10,865
	Share premium	50,845	53,417
	Reserves	468	191
	Retained earnings	132,842	115,535
		<b>194,990</b>	<b>180,008</b>
	Minority interest	3,457	3,996
	<b>Total equity</b>	<b>198,447</b>	<b>184,004</b>
	<b>Total liabilities and equity</b>	<b>3,836,139</b>	<b>3,057,546</b>

The notes on pages 9 to 35 are an integral part of these Condensed Consolidated Interim Financial Statements

## Condensed Consolidated Interim Statement of Changes in Equity 1 January - 31 March 2008

	Attributable to Equity Holders of the Company							
	Share Premium			Reserves				
	Share capital	Additionally paid in capital	Statutory account	Translation	Fair value	Retained earnings	Minority interest	Total
<b>Equity 1 January 2008</b>	10,865	53,148	268	191	0	115,535	3,996	184,004
Exchange difference on translating foreign operations				276				276
Net income/(expense) recognised directly in equity	0	0	0	276	0	0	0	276
Net profit January - March 2008						17,307	118	17,425
<b>Total recognised income and expense 31 March 2008</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>276</b>	<b>0</b>	<b>17,307</b>	<b>118</b>	<b>17,701</b>
Purchases, sales, and fair value changes of treasury shares	(29)	(3,335)						(3,364)
Accrued stock options		763						763
Changes in minority interest							(657)	(657)
	(29)	(2,572)	0	0	0	0	(657)	(3,258)
<b>Equity 31 March 2008</b>	<b>10,836</b>	<b>50,577</b>	<b>268</b>	<b>468</b>	<b>0</b>	<b>132,842</b>	<b>3,457</b>	<b>198,447</b>
<b>Equity 1 January 2007</b>	<b>10,581</b>	<b>50,326</b>	<b>268</b>	<b>196</b>	<b>1,864</b>	<b>81,046</b>	<b>5,175</b>	<b>149,457</b>
Exchange difference on translating foreign operations				(29)				(29)
Fair value adjustment of investment properties, included in disposal groups					(1,864)			(1,864)
Net income/(expense) recognised directly in equity	0	0	0	(29)	(1,864)	0	0	(1,893)
Net profit January - March 2007						13,450	311	13,760
<b>Total recognised income and expense 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(29)</b>	<b>(1,864)</b>	<b>13,450</b>	<b>311</b>	<b>11,867</b>
Purchases, sales, and fair value changes of treasury shares	(50)	(1,960)						(2,011)
Accrued stock options		352						352
Dividends paid						(4,311)		(4,311)
Changes in minority interest							(1,727)	(1,727)
	(50)	(1,609)	0	0	0	(4,311)	(1,727)	(7,697)
<b>Equity 31 March 2007</b>	<b>10,531</b>	<b>48,718</b>	<b>268</b>	<b>167</b>	<b>0</b>	<b>90,185</b>	<b>3,758</b>	<b>153,628</b>

## Condensed Consolidated Interim Statement of Cash Flow 1 January - 31 March 2008

	2008 1.1 - 31.3	2007 1.1 - 31.3
Cash flows from operating activities	(71,757)	178,797
Cash flows from investing activities	(6,032)	(5,207)
Cash flows from financing activities	94,344	(72,286)
<b>Net Increase in cash and cash equivalents</b>	<b>16,556</b>	<b>101,304</b>
Cash and cash equivalents at beginning of year	149,271	41,147
Foreign exchange difference	23,742	(2,179)
<b>Cash and cash equivalents at period-end</b>	<b>189,569</b>	<b>140,272</b>

The notes on pages 9 to 35 are an integral part of these Condensed Consolidated Interim Financial Statements





















































