Mutual opportunities for a strong Norwegian-Icelandic banking group

Public presentation, Hotel Continental, Oslo

15 November 2004

ÍSLANDSBANKI

Voluntary offer for: BNbank

Disclaimer

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Agenda

1. Executive summary
2. Voluntary offer
3. About Íslandsbanki
4. About BNbank
5. Strategic rationale
6. Financial effects
7. Summary

- Appendix

a) About Íslandsbanki

b) About BNbank

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Íslandsbanki's voluntary offer for BNbank – a mutual opportunity

- Íslandsbanki has defined Norway and Iceland as home market
  - Strong ambitions for the Norwegian market
- Íslandsbanki views BNbank as an excellent and highly competent financial institution
- Íslandsbanki will offer NOK 320 per share in cash in a public offering
  - Total transaction value of NOK 3.1 billion
  - Offer premium of approx. 19% compared with last traded share price
- BNbank's strong performance and solid track record will contribute significantly to Íslandsbanki's future performance and standing
- Íslandsbanki's vision is to combine Íslandsbanki and BNbank into a strong Icelandic-Norwegian banking group
- Íslandsbanki will consider a dual listing of its shares at the Oslo Stock Exchange in addition to listing on the Iceland Stock Exchange

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2. The voluntary offer

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The voluntary offer

- Offer price: NOK 320 per share in cash
  - Approx. 19% above the current market price
  - Íslandsbanki will pay 3% interest from the day of acceptance until cash settlement
  - The offer period is expected to be from 29 November to 17 December
- Íslandsbanki holds shares and pre-acceptances of approx. 46%
  - Purchased Sparebanken Øst's 20% shareholding
    - – at the offer price for an aggregate of approx. NOK 624 million
    - – only subject to regulatory approval
  - Purchased in the market approx. 9.8%
  - Pre-acceptances of approx. 16%

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The voluntary offer (II)

- **Conditions**
  - Regulatory approvals
  - Acceptance above 90%
  - Satisfactory due diligence
  - No material adverse change
  - Conditions can be waived by Íslandsbanki
- **Tentative timetable**

Public announcement	15 Nov
Offer period (estimated)	29 Nov–17 Dec
Estimated completion	4-6 months

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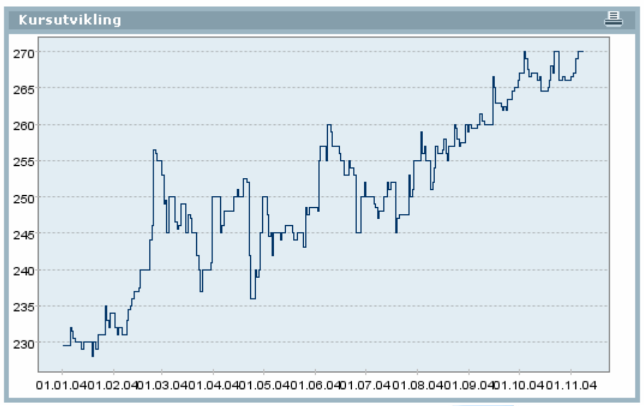
Offer price represents NOK 50 premium per share



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3. About Íslandsbanki

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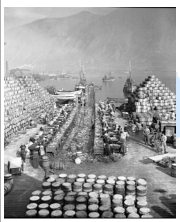
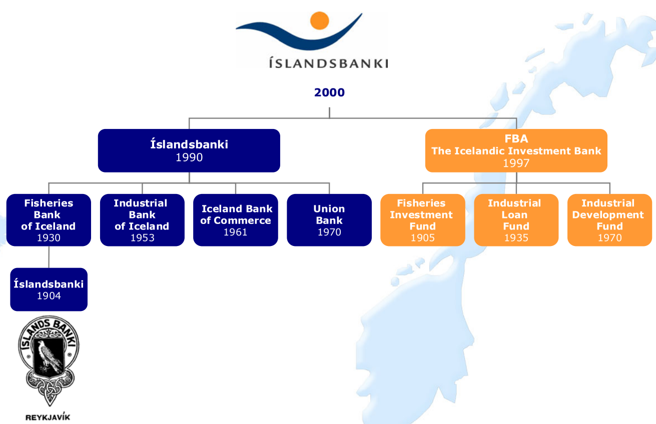
Celebrating a century of financial history

Íslandsbanki's background combines strong ties with Iceland's main industries and longstanding services to households and small and medium-sized enterprises





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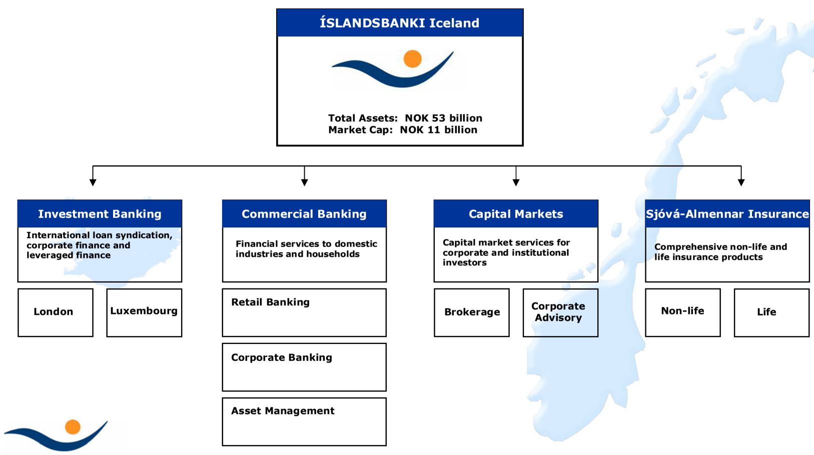
Business structure of the Group



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Íslandsbanki – a strong banking group

- Íslandsbanki is a leading financial group in Iceland that offers universal banking and insurance services
- September 2004 Íslandsbanki placed a voluntary offer for all shares in KredittBanken in Ålesund. Current acceptance level is above 99%
- Branches in London and Luxembourg
- Listed on the Icelandic Stock Exchange
- Market capitalization of approx. NOK 11 billion
- Credit ratings: **A1/P-1** by Moody's and **A/F1** by Fitch

	2002	2003	9M 04
Total assets NOK bn	27.5	39.6	52.8
ROE	18.2%	30.1%	52.7%
CAD ratio (end of period)	12.7%	11.4%	11.2%
Tier 1 (end of period)	10.1%	8.0%	8.8%
Cost / income ratio (banking)	54.8%	50.0%	47.5%

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4. About BNbank

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About BNbank

- BNbank is a corporate and retail focused mortgage bank with
  - Few and standardized products
  - Low risk profile
  - Selected market segments
- Ranked as the fourth largest commercial bank in Norway
- A competent and disciplined organization and a well operated bank
- Nationwide operation, from its offices in Trondheim (headquarters) and Oslo
- Loan exposure
  - NOK 25.6 billion towards corporate customers
  - NOK 10.9 billion towards retail customers
  - High quality credit portfolio

In NOK mill	2002	2003	Q3 04
Net Profit	234	194	163
Loans	33 421	35 908	36 534
Deposits	14 332	14 158	12 793
Shareholders Equity	1 886	1 983	2 146
Average Total Assets	34 411	37 067	38 520
ROE	12.4%	9.8%	10.3%
CAD	8.9%	9.4%	10.3%
Tier 1 Capital	7.0%	7.0%	7.9%

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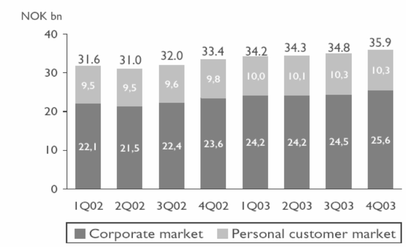
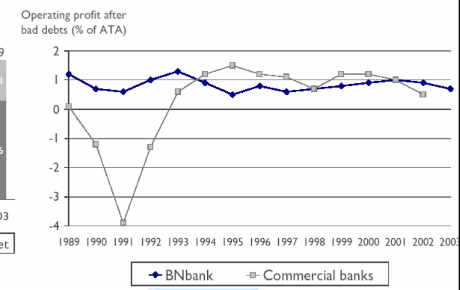
BNbank offers stability

LOAN PORTFOLIO



STABLE EARNINGS



Source: BNbank Q3 2004 presentation

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5. Strategic rationale

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Íslandsbanki – why external growth

- A leading financial group in its domestic market with limited growth opportunities in Iceland
- Successfully increased its international activities in recent years through profitable organic growth
- A strong and healthy balance sheet, profitable business and good access to funding provides a solid basis for further growth
- Greater risk diversification through broader loan portfolio

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Why look to Norway

- Norway and Iceland
  - Close neighbours with common history and culture
  - Legal and business environment based on common heritage
- Norway has a strong and stable economy
- Structural changes in the Norwegian market creates opportunities
- Íslandsbanki has positive experience from working in Norway through
  - Funding of small and medium-sized savings banks
  - Real estate financing
  - Financing of traditional industries
  - Acquisition of KredittBanken

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Why BNbank is attractive for Íslandsbanki

- A well operated bank with extremely consistent track record and a solid balance sheet
- A leading player in the Norwegian mortgage market
- The focus on core operation and selected market segments fits well with Íslandsbanki's corporate strategy
- Strengthened position in the Norwegian market
  - Low risk portfolio
  - Cost efficient operation
  - Competent and disciplined organization
  - Strong brand name
- Transforming Íslandsbanki into a bank group with an increasingly diversified balance sheet

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Strategic rationale – going forward in Norway

- Íslandsbanki will continue to develop BNbank and KredittBanken as separate entities based on current management's local knowledge and experience
- BNbank
  - Maintain focus under current management
  - Grow the core business within corporate and retail focused mortgage financing
  - Maintain head office in Trondheim and office in Oslo
- KredittBanken
  - Continue the growth as a strong regional player
  - Maintain focus on being a full-service bank for traditional industries
  - Maintain head office in Ålesund
- Íslandsbanki will support its Norwegian banking operations with
  - Growth opportunities
  - Financial backing
  - Broader product range

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6. Financial effects

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Financial effects of the transaction

- Higher EPS and lower Cost/Income ratio
- More than half of Íslandsbanki lending and deposits in Norway
- Increased diversification of loan portfolio
- Íslandsbanki will consider dual listing in Oslo in addition to the Iceland Stock Exchange

NOK billion	Iceland	Norway*	SUM
Total assets	52.8	42.2	95.0
Total loans	37.4	39.0	76.4
Deposits	11.0	15.6	26.6

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7. Summary

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Summary – mutual opportunities

- **Shareholders**
  - High premium for their shares
  - Cash offer
- **Employees and management**
  - To build on current organization and management
    - – Continuing current strategy
  - The organization is complementary to Íslandsbanki's existing operation in Norway
- **Customers**
  - BNbank will still be an independent alternative for financing
  - BNbank will have an organic growth strategy
- **Íslandsbanki**
  - Become a significant player in the Norwegian financial market

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Appendix

ÍSLANDSBANKI

a) Íslandsbanki - brief overview

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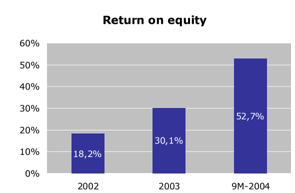
Íslandsbanki brief overview - introduction

- Leading financial group in Iceland and among the largest companies listed on the Iceland Stock Exchange
- Offers universal banking services to households, businesses and institutional investors in Iceland
- International activities growing with strong and increased presence outside Iceland
  - ISB **London** branch since November 2001
  - ISB **Luxembourg** branch since June 2003
  - **KredittBanken** acquisition 2004
- Credit ratings: **A1/P-1** by Moody's and **A/F1** by Fitch



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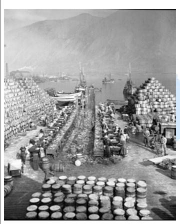
Celebrating a century of financial history

Íslandsbanki's background combines strong ties with Iceland's main industries and longstanding services to households and small and medium-sized enterprises



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2000

- **Íslandsbanki** 1990
  - **Fisheries Bank of Iceland** 1930
    - **Íslandsbanki** 1904
  - **Industrial Bank of Iceland** 1953
  - **Iceland Bank of Commerce** 1961
  - **Union Bank** 1970
- **FBA** The Icelandic Investment Bank 1997
  - **Fisheries Investment Fund** 1905
  - **Industrial Loan Fund** 1935
  - **Industrial Development Fund** 1970

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REYKJAVÍK

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Business structure of the Group

ÍSLANDSBANKI Iceland

Total Assets: NOK 53 billion
Market Cap: NOK 11 billion

- **Investment Banking** – International loan syndication, corporate finance and leveraged finance
  - London
  - Luxembourg
- **Commercial Banking** – Financial services to domestic industries and households
  - Retail Banking
  - Corporate Banking
  - Asset Management
- **Capital Markets** – Capital market services for corporate and institutional investors
  - Brokerage
  - Corporate Advisory
- **Sjóvá-Almennar Insurance** – Comprehensive non-life and life insurance products
  - Non-life
  - Life

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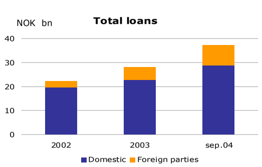
Key figures 2002-2004

	9 M 2004	2003	2002
Total assets NOK bn	52,8	39,6	27,5
ROE	52.7%	30.1%	18.2%
Net earnings per share (ISK)	1,01	0,63	0,36
CAD ratio (end of period)	11,2%	11,4%	12,7%
Tier 1 (end of period)	8,8%	8,0%	10,1%
Cost / income ratio (banking)	47.5%	50,0%	54,8%



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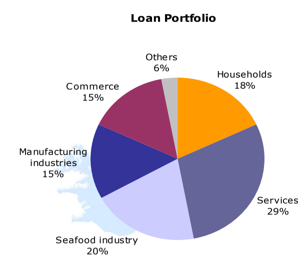
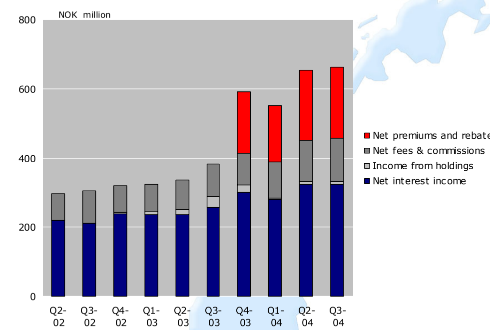
Composition of loan portfolio and operating income

(excluding trading gains and other income)





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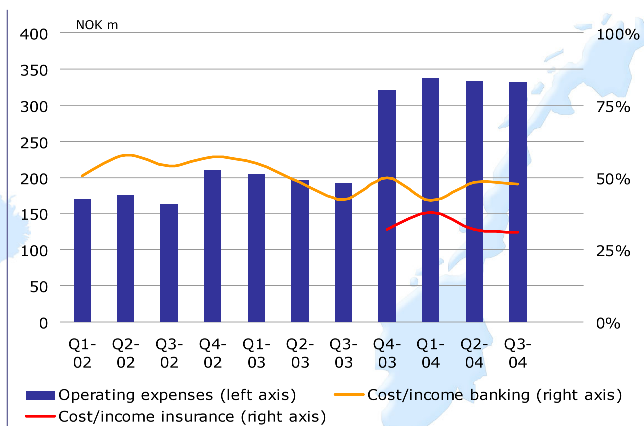
Operating costs and cost/income ratio



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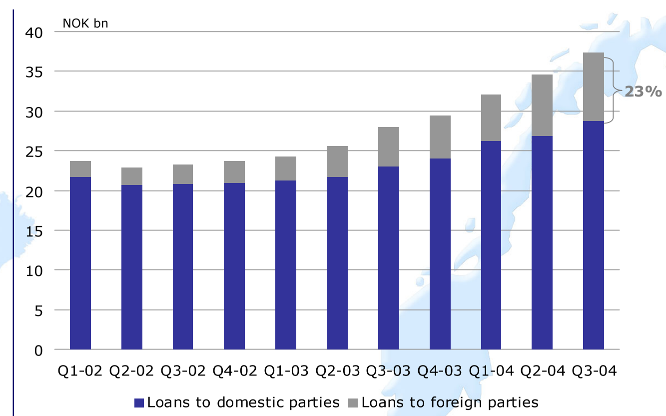
Total loans



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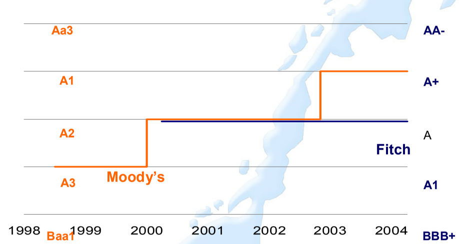
Strong credit rating

ISB credit rating from Moody's
in comparison with Norwegian banks

	Long-term	Short-term	Financial strength
Fokus Bank	Aa2	P-1	C
DnB NOR	Aa3	P-1	B
Nordea Bank Norge	Aa3	P-1	B-
Íslandsbanki	A1	P-1	B-
Sp.b. 1 SR-Bank	A2	P-2	C+
Sp.b. 1 Nord-Norge	A3	P-2	C
Sp.b. 1 Midt-Norge	A3	P-2	C
Sparbanken Vest	A3	P-2	C

Development of ISB long-term ratings



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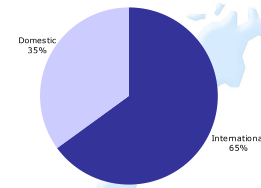
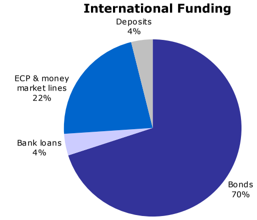
Diversified funding sources

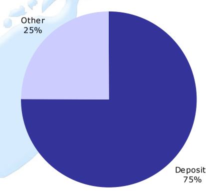
- Íslandsbanki has been the most active Icelandic issuer in the capital markets for a number of years
- 65% of total funding sourced internationally



International Funding



Domestic Funding



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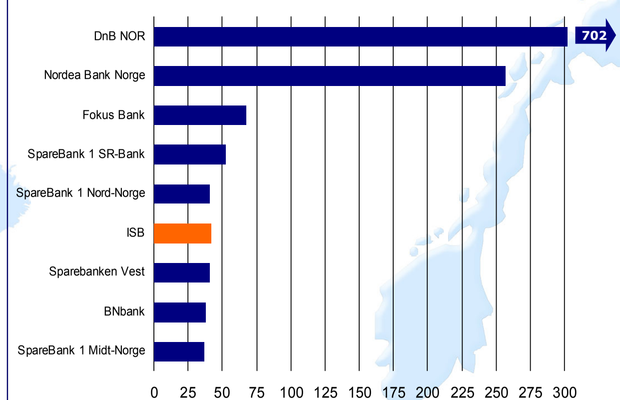
ISB in comparison with Norwegian banks
– by assets in NOK bn at year-end 2003



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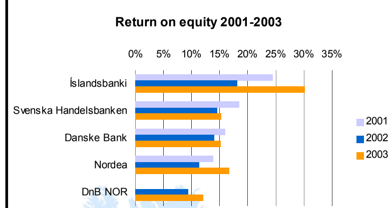
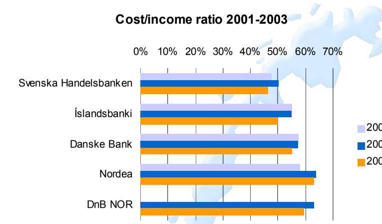
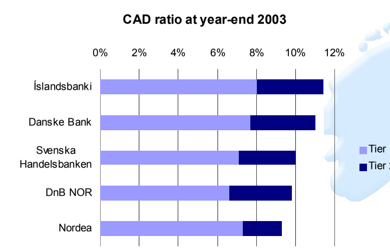
Comparison with leading Nordic banks







As reported by the banks

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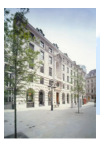
International operations

Reykjavík
- International loan syndication
- Leveraged finance
- Relationship management
  - Global seafood



London
- Corporate finance
  - UK/European food industry
  - Global seafood
- Brokerage of Icelandic securities
  - International investors

Luxembourg
- Treasury services
  - Nordic small/medium banks
- Loan participation
  - Nordic area

Norway
- KredittBanken

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ISB Luxembourg at a glance

- **Background**
  - Established June 2003 as a credit operation supported by an "on-site" Treasury unit
  - Business model based on organic growth
    - Acquisition of dedicated and skilled staff
    - Niche market approach
    - Clear focus on core target segments
    - Narrow/limited products and services offering
- **Initial objective**
  - Establish profitable and sustainable platform to grow from
- **Current "state" of ISB Luxembourg**
  - Initial objective attained
  - Long term objectives and strategic imperatives defined
  - Seeking to enforce growth organically or by means of *acquisition*

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ISB London branch at a glance

The ISB Corporate Finance team of 10 people, based in London, is **focused mid-cap European M&A in the food industry**

Strong Focus

Food Sector
- Fisheries
- Agribusinesses
- Food ingredients
- Packaged foods

Northern & Western Europe
- UK
- Nordic region (incl. Iceland)
- Benelux
- France
- Germany

Small to Medium Size
- £25m to £500m transactions

Full range of M&A Services
- Acquisitions
- Disposals
- Minority Investments
- MBOs / LBOs / MBIs
- Private Placements
- Strategic Reviews

Experienced Team of 10 people
- Strong experience in food sector Corporate Finance
- M&A experience
- Food industry experience
- Equity research experience

ÍSLANDSBANKI

Shareholder value since 1993

Total number of shareholders around 11,000

10 largest shareholders as of 11 Nov. 2004

1.	Straumur Investment Bank	23,7%
2.	Milestone ehf (holding company)	7,6%
3.	Íslandsbanki (customer accounts)	7,1%
4.	Lífeyrissjóður verslunarm. (pension fund)	2,8%
5.	Lífeyrissjóðurinn Bankastr. (pension fund)	2,5%
6.	Lífeyrissjóðurinn Framsýn (pension fund)	2,3%
7.	Hrómundur ehf (holding company)	2,0%
8.	Alnus ehf (holding company)	1,5%
9.	Taxus ehf (holding company)	1,5%
10.	Hafsilfur ehf (holding company)	1,4%

Value of ISK100 invested in Íslandsbanki shares in 1993 (dividends re-invested)

January 1993 = 100

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b) About BNbank

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BNbank Q3 2004 presentation

BNbank

3rd QUARTER 2004

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BNbank Q3 2004: Bolig- og Næringsbanken

BOLIG- OG NÆRINGSBANKEN ASA

- BNbank is a commercial bank focusing on mortgage loan and bank savings, the subsidiary BNkreditt is Norway's largest mortgage company in the corporate market
- Corporate strategy and market ambition are based on the following
  - few and standardised products, cost efficiency
  - low risk profile
  - selected market segments
  - alternative to universal banks
- The primary objective of the group's operations is to achieve the best possible return on equity within the bank's own business concept

BNbank

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BNbank Q3 2004: Third Quarter 2004

THIRD QUARTER 2004

- The highest return on equity in relation to the interest rate level ever at the end of the third quarter
- Net profit for the quarter at NOK 55 million (NOK 5.59 per share)
- The improvement so far this year is due to increased contribution from the deposit business, and a relatively low level of bad debts
- Substantial reduction in non-performing loans
- Reduction in deposits from customers due to low interest rates
- In August 2004 the general meeting approved the issue of NOK 250 million in hybrid capital

BNbank

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BNbank Q3 2004: Key Financial Figures

4

KEY FINANCIAL FIGURES

	Q3 2003	Q2 2004	Q3 2004
Net profit (NOK million)	44	58	55
Earnings per share (NOK)	4.47	6.02	5.59
Return on equity - annualised (per cent)	8.7	11.4	10.3
Excess return - annualised (per cent)	6.5	10.1	9.0
Loan growth – for the period (per cent)	1	0	0
Deposit growth – for the period (per cent)	- 3	0	- 4
Capital ratio (per cent)	9.7	9.4	10.3
Tier 1 capital ratio (per cent)	7.1	7.0	7.9

Definition of key financial figures is attached

BNbank

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BNbank Q3 2004: Quarterly Excess Return

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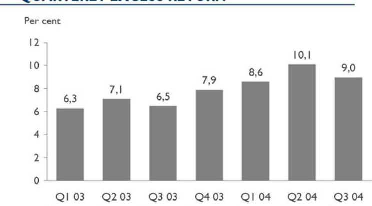
QUARTERLY EXCESS RETURN



	Q1 03	Q2 03	Q3 03	Q4 03	Q1 04	Q2 04	Q3 04
RoE	10.3	10.4	8.7	9.8	9.9	11.4	10.3
Risk free rate	4.0	3.3	2.2	1.9	1.3	1.3	1.3
Excess return	6.3	7.1	6.5	7.9	8.6	10.1	9.0

All figures are after taxes and are annualised
As risk free interest rate we use OSE Bond Index 0.25y

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BNbank Q3 2004: Quarterly Net Profit

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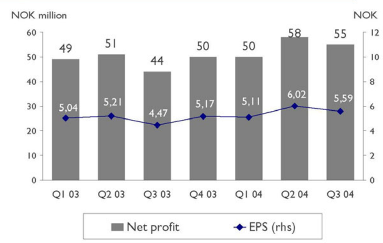
QUARTERLY NET PROFIT



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BNbank Q3 2004: Quarterly Earning per Share

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QUARTERLY EARNING PER SHARE

NOK per share	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004	Q3 2004
Core earnings	3.7	4.3	3.7	4.4	4.5	5.4	4.8
Bad debts	-0.7	-0.8	-0.3	-0.3	-0.2	-0.2	0.0
Calc. contribution equity	2.0	1.7	1.1	1.1	0.8	0.8	0.8
Earnings per share	5.0	5.2	4.5	5.2	5.1	6.0	5.6

Core earnings: *Margin on deposits and loans multiplies with corresponding volume and other income less operating expenses*

Bad debts: *Total provisions for bad debts*

Calc. contribution equity: *Average Tier 1 capital multiplied with 3m NIBOR*

The figures are calculated numbers and serves as an estimate of the factors that influences EPS.
All figures are after taxes.

BNbank

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BNbank Q3 2004: Profit and Loss Account

PROFIT AND LOSS ACCOUNT

NOK million	Q3 03	Q2 04	Q3 04
Net interest income	89	109	106
Gain/loss on FX and securities	1	2	0
Other operating income	3	3	1
Operating expenses	28	31	31
Operating profit before bad debts	65	83	76
Bad debts	4	2	0
Operating profit after bad debts	61	81	76
Estimated tax charge	17	23	21
Net profit for the period	44	58	55

BNbank

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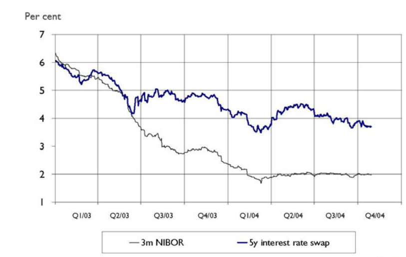
BNbank Q3 2004: NOK Interest Rates

NOK INTEREST RATES



BNbank

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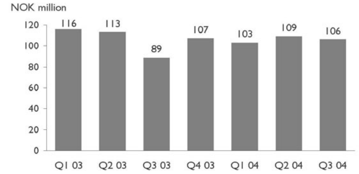
BNbank Q3 2004: Quarterly Net Interest Income



	Q1 03	Q2 03	Q3 03	Q4 03	Q1 04	Q2 04	Q3 04
Core earnings	89	90	74	93	93	99	96
Calc. contr. eq	27	23	15	14	10	10	10
Net interest inc.	116	113	89	107	103	109	106

To calculate the contribution from the equity we use 3m NIBOR

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BNbank Q3 2004: Deposits and Money Market Rates

The interest rate conventions are not similar for NIBOR and deposits on BN-account.
As a consequence, the interest rate levels are not comparable in economical calculations.

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BNbank Q3 2004: Quarterly Business Volume Growth

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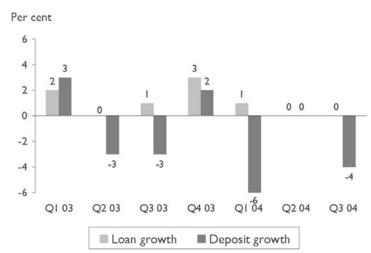
QUARTERLY BUSINESS VOLUME GROWTH



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BNbank Q3 2004: Quarterly Operating Expenses

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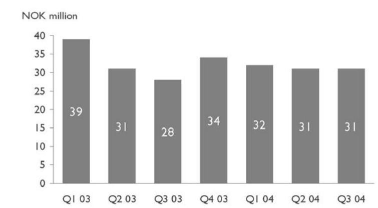
QUARTERLY OPERATING EXPENSES



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BNbank Q3 2004: Operating Expenses

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OPERATING EXPENSES

NOK million	Q1 2003	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004	Q3 2004
Wages and other staff costs	15	14	14	18	16	15	16
IT	4	3	4	4	4	4	3
Marketing	8	2	1	1	2	1	3
Other administrative expenses	8	6	4	5	5	5	4
Ordinary depreciation	2	2	2	2	2	2	2
Other operating expenses	2	4	3	4	3	4	3
Operating expenses	39	31	28	34	32	31	31

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BNbank Q3 2004: Non-performing Loans

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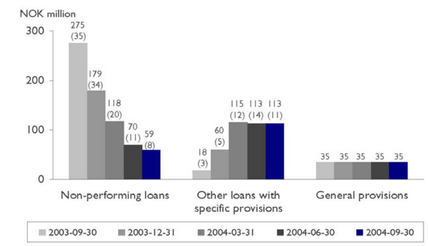
NON-PERFORMING LOANS



The figures for non-performing loans is gross principal with the specific loan provisions in parenthesis

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BNbank Q3 2004: Non-performing Loans

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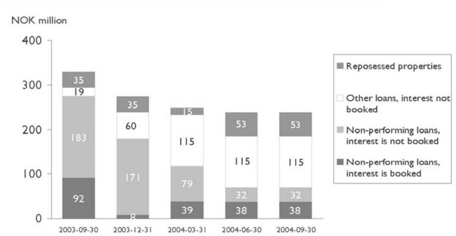

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BNbank Q3 2004: Balance Sheet

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BALANCE SHEET

NOK bn	31.12.03	30.9.04
Cash and receivables from banks	0.4	0.0
Net loans	35.8	36.5
Short term investments in securities	1.6	1.6
Other assets	0.5	0.5
Total assets	38.3	38.6
Liabilities to banks	0.3	1.1
Deposits from customers	14.2	12.8
Debt incurred by issuing securities	20.1	20.6
Other debt	1.0	1.0
Subordinated loan capital	0.7	1.0
Equity capital	2.0	2.1
Total liabilities and equity	38.3	38.6

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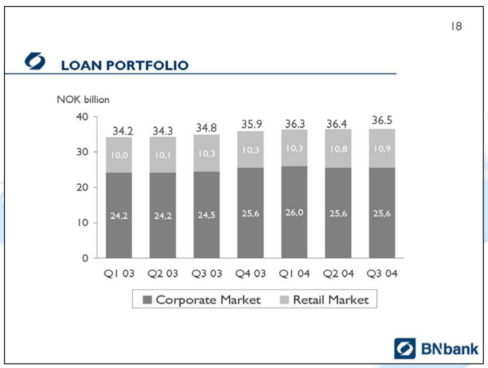
BNbank Q3 2004: Loan Portfolio



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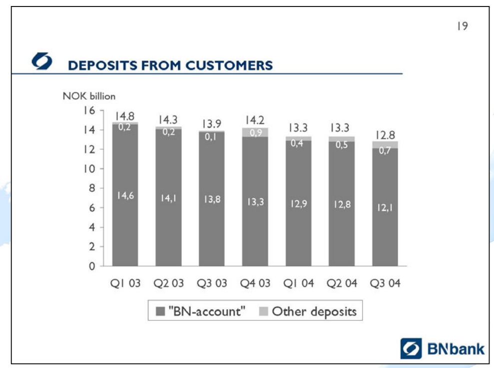
BNbank Q3 2004: Deposits from Customers



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BNbank Q3 2004: Capital Adequacy

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CAPITAL ADEQUACY

NOK million	31.12.03	30.9.04
Tier 1 capital	1,983	2,346
Tier 2 capital	700	700
Total capital	2,683	3,046
Risk-weighted assets	28,491	29,558
Tier 1 capital ratio (per cent)	7.0	7.9
Capital ratio (per cent)	9.4	10.3

Tier 1 capital as at 30.9.2004 includes 50 per cent of operating profit after bad debts

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BNbank Q3 2004: New Accounting Standards – IFRS

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NEW ACCOUNTING STANDARDS - IFRS

- As a listed company, from 2005 the Group will prepare and report the consolidated accounts in accordance with IFRS
- The most important difference in relation to the Group's current accounting policies will be the treatment of financial instrument like loans, debt and derivatives
- The accounting standard for financial instruments (IAS 39) is not yet formally approved by the EU, and the implication of the new regulation is therefore still uncertain
- Because of the inherent uncertainty regarding financial instruments, the Group will not present any figures under IFRS until first quarter 2005

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BNbank Q3 2004: Shareholder Structure

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SHAREHOLDER STRUCTURE

As at 26 October 2004	Shares	Per cent
Sparebanken Øst	1,950,840	20.0
Folketrygdfondet	880,600	9.0
MP Pensjon	771,000	7.9
Verdipapirfondet Skagen Vekst	550,000	5.6
ABG Sundal Collier	487,000	5.0
Euroclear Bank (nom.)	296,440	3.0
Verdipapirfondet Pareto Aksje Norge	280,000	2.9
JP Morgan Chase Bank (nom.)	211,746	2.2
JP Morgan Chase Bank	208,910	2.1
Schroder Investment Management	170,815	1.8
Other	3,946,849	40.5
Total	9,754,200	100.0

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BNbank Q3 2004: Outlook

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OUTLOOK

- The low interest rate level indicates a continued weak deposit market
- Strong market position and an effective market campaign, opens up for a profitable loan growth in the housing loan market
- Still risk for non-performing loans and loan losses, but a low level of new loans in default reduces the short term risk
- Hybrid capital opens for a more optimal capital structure
- Business strategy and market ambition unchanged

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