

Landsbanki Íslands hf. – Q1 Results 2007

**Net After-tax Profit ISK 13.8 billion
Return on Equity (ROE) 45%**

Highlights of the Interim Financial Statements of Landsbanki Íslands hf. for Q1 of 2007

- The bank's after-tax profit in Q1 2007 was ISK 13.8bn (€ 154m), as compared with ISK 14.3bn in Q1 2006. Profit in Q4 2006 was ISK 14.1 billion (bn).
- After-tax return on equity (ROE) in Q1 was 45.2% as compared with a ROE of 36.3% for 2006 as a whole.
- The group's core income (interest margin plus commission income) was ISK 20.6bn (€ 230m), a YoY quarterly increase of ISK 4.8bn (€ 54m) or 31%, and an increase of ISK 3.1bn (€ 35m) or 17% from Q4 2006.
- Revenue from operations abroad was ISK 12.3bn (€ 137m), or 42% of total operating revenue.
- Core income from operations abroad was ISK 10.7bn (€ 119m) or 52% of the Group's core income in Q1 2007.
- The cost-income ratio for the period was 42.2%.
- Trading gains and investment income amounted to ISK 8.8bn (€ 98m), as compared to ISK 11.2bn in Q1 2006.
- Landsbanki's total assets amounted to ISK 2,317bn as of the end of March 2007. Converted to €, the bank's total assets amounted to € 26.4bn at the end of March, up from € 23.2bn at the beginning of the year.
- Customer deposits grew by 34% in Q1 2007 to total ISK 913bn (€ 10.4bn) at the end of March. They represent 62% of total customer lending as compared to 48% at the beginning of this year.
- The bank's capital adequacy ratio (CAD) was 13.4% at the end of March. Tier 1 capital was 11.7%.

CEO Sigurjón Þ. Árnason:

"Landsbanki's performance in the first quarter of 2007 was very gratifying. The bank's after-tax profit was around ISK 14bn and its ROE 45%. Income generation comes from a solid and broad base, as reflected in the strong growth of core income, which was up 17% from the previous quarter and 31% over the same period of the previous year. Integration of our subsidiaries and establishment abroad has progressed rapidly and supports the bank's successful international strategy aimed at serving mid-cap companies. Strong deposit growth continued this past quarter, in particular through Icesave. Currently 62% of Group lending is funded by deposits, reinforcing its balance sheet considerably. It's no exaggeration to say that the year has begun well at Landsbanki."

CEO Halldór J. Kristjánsson:

"The Q1 results, with very high profit and profitability, clearly reflect Landsbanki's strong position. The turbulence of past quarters concerning Icelandic financial enterprises appears to have subsided. Moody's has upgraded Landsbanki's ratings following its adoption of new JDA methodology. As a result, the bank's rating rose by two notches, from A2 to Aa3, and its financial strength outlook was changed from negative to stable. CDS spreads on Landsbanki's bonds have been dropping and currently range around 20-22 bp for a 5Y maturity. An improved rating, high growth of overseas deposits and strong liquidity, together with continuing very credible growth of net interest and commission income, are all indicative of this quarter's positive outcome."

A copy of Landsbanki's interim financial statements for Q1 of 2007 is available on the Bank's website www.landsbanki.com

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

Consolidated Key Figures

Operations	2007	2006	%	2007	2006		
	Q1	Q1		Q1	Q4		
Interest revenues	41,046	27,535	49%	41,046	34,887		
Interest expenses	30,167	18,601	62%	30,167	25,306		
Net interest revenues	10,879	8,934	22%	10,879	9,581		
Fee and commission income	10,886	7,797	40%	10,886	9,323		
Fee and commission expenses	1,124	940	20%	1,124	1,325		
Net fee and commission income	9,762	6,857	42%	9,762	7,998		
Dividend income	385	1,834	-79%	385	161		
Net gain on financial assets and liabilities held for trading	3,098	750	313%	3,098	492		
Net gain on financial assets designated at FV through P/L	436	7,680	-94%	436	5,913		
Fair value adjustments in hedge accounting	(7)	(96)	-93%	(7)	78		
Foreign exchange difference	607	(49)	-1341%	607	(58)		
(Loss) profit from associates	(58)	843	-107%	(58)	1,133		
Net gain (loss) of disposal groups held for sale, net of tax	4,339	188	2208%	4,339	(479)		
Other operating revenues	8,799	11,150	-21%	8,799	7,240		
Net operating revenues	29,441	26,942	9%	29,441	24,819		
Salaries and related expenses	7,972	5,249	52%	7,972	6,989		
Administrative expenses	4,444	2,839	57%	4,444	4,042		
Operating expenses	12,415	8,088	54%	12,415	11,031		
Impairment on loans and advances and assets held for sale	1,549	1,555	0%	1,549	1,332		
Profit before income tax	15,476	17,299	-11%	15,476	12,457		
Income tax	1,716	3,023	-43%	1,716	(1,596)		
Net profit	13,760	14,276	-4%	13,760	14,053		
Attributable to:							
Shareholders of Landsbanki Íslands hf.	13,450	13,995	-4%	13,450	13,664		
Minority interests	311	280	11%	311	389		
Five-year summary							
	Q1 2007	2006	2005	2004	2003*		
Net interest revenues	10,879	41,491	22,996	14,734	9,331		
Net fee and commission income	9,762	28,366	16,726	8,891	6,116		
Other operating revenues	8,799	19,568	21,257	9,842	3,535		
Net operating revenues	29,441	89,426	60,979	33,467	18,982		
Operating expenses	12,415	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	1,549	6,144	6,197	4,485	4,656		
Profit before income tax	15,476	44,694	30,782	14,522	3,511		
Income tax	1,716	4,479	5,764	1,798	457		
Net profit	13,760	40,215	25,018	12,724	3,054		
Attributable to:							
Shareholders of Landsbanki Íslands hf.	13,450	38,906	24,740	12,574	2,956		
Minority interests	311	1,309	277	149	99		
Balance Sheet	31.3.2007	31.12.2006	Change	%	31.12.2005	31.12.2004	31.12.2003*
Cash and cash balances with Central Bank	18,431	31,669	(13,238)	-42%	16,611	18,237	11,642
Loans and advances to financial institutions	251,881	215,618	36,263	17%	86,919	72,060	37,130
Loans and advances to customers	1,483,887	1,438,395	45,492	3%	984,593	542,215	326,400
Financial assets at fair value and associates	437,894	376,809	61,084	16%	218,894	64,730	63,744
Other assets	125,097	110,432	14,665	13%	98,443	39,900	9,323
Total assets	2,317,190	2,172,924	144,267	7%	1,405,460	737,141	448,239
Deposits from financial institutions	117,378	141,105	(23,727)	-17%	144,596	63,476	43,840
Deposits from customers	913,183	682,846	230,337	34%	334,163	215,730	152,320
Borrowing	903,780	1,014,976	(111,196)	-11%	689,989	375,084	209,357
Subordinated loans	83,524	89,754	(6,230)	-7%	49,074	22,570	13,090
Other liabilities	145,697	94,785	50,912	54%	74,022	21,572	6,389
Equity	149,869	144,282	5,587	4%	110,059	37,705	22,382
Minority interests	3,758	5,175	(1,417)	-27%	3,557	1,004	862
Total liabilities and equity	2,317,190	2,172,924	144,267	7%	1,405,460	737,141	448,239

* Amounts from Financial Statements under Icelandic local GAAP.

Consolidated Key Figures

Operations	2007	2006	2006	2006	2006	2005
	Q1	Q4	Q3	Q2	Q1	Q4
Interest revenues	41,046	34,887	33,154	37,527	27,535	21,073
Interest expenses	30,167	25,306	23,840	23,865	18,601	13,818
Net interest revenues	10,879	9,581	9,314	13,662	8,934	7,255
Fee and commission income	10,886	9,323	7,547	7,791	7,797	5,359
Fee and commission expenses	1,124	1,325	979	849	940	598
Net fee and commission income	9,762	7,998	6,568	6,943	6,857	4,761
Dividend income	385	161	99	269	1,834	191
Net (loss) gain on financial assets and liabilities held for trading	3,098	492	1,943	(1,011)	750	5,503
Net (loss) gain on financial assets designated at FV through P/L	436	5,913	594	(489)	7,680	1,205
Fair value adjustments in hedge accounting	(7)	78	25	(25)	(96)	(361)
Foreign exchange difference	607	(58)	(145)	(12)	(49)	92
(Loss) profit from associates	(58)	1,133	(15)	(262)	843	643
Net gain (loss) of disposal groups held for sale, net of tax	4,339	(479)	155	51	188	63
Other operating revenues	8,799	7,240	2,656	(1,478)	11,150	7,337
Net operating revenues	29,441	24,819	18,538	19,127	26,942	19,352
Salaries and related expenses	7,972	6,989	5,963	6,256	5,249	4,136
Administrative expenses	4,444	4,042	3,754	3,496	2,839	2,933
Operating expenses	12,415	11,031	9,717	9,752	8,088	7,069
Impairment on goodwill	0	0	0	0	0	(259)
Impairment on loans and advances and assets held for sale	1,549	1,332	1,597	1,660	1,555	1,805
Profit before income tax	15,476	12,457	7,224	7,714	17,299	10,738
Income tax	1,716	(1,596)	1,480	1,572	3,023	1,929
Net profit	13,760	14,053	5,744	6,143	14,276	8,809
Attributable to:						
Shareholders of Landsbanki Íslands hf.	13,450	13,664	5,281	5,966	13,995	8,734
Minority interests	311	389	463	177	280	75
Balance Sheet	31.3.2007	31.12.2006	30.9.2006	30.6.2006	31.3.2006	31.12.2005
Cash and cash balances with Central Bank	18,431	31,669	25,714	22,806	19,403	16,611
Loans and advances to financial institutions	251,881	215,618	168,993	68,793	75,597	86,919
Loans and advances to customers	1,483,887	1,438,395	1,303,676	1,294,462	1,208,510	984,593
Financial assets at fair value and associates	437,894	376,809	305,294	275,113	300,780	218,894
Other assets	125,097	110,432	158,395	150,295	165,613	98,443
Total assets	2,317,190	2,172,924	1,962,072	1,811,468	1,769,902	1,405,460
Deposits from financial institutions	117,378	141,105	97,097	135,722	138,092	144,591
Deposits from customers	913,183	682,846	513,054	475,045	469,333	334,168
Borrowing	903,780	1,014,976	979,748	853,367	806,627	689,989
Subordinated loans	83,524	89,754	85,892	91,141	83,514	49,074
Other liabilities	145,697	94,785	151,746	128,714	151,130	74,022
Equity	149,869	144,282	129,876	123,088	117,187	110,059
Minority interests	3,758	5,175	4,660	4,392	4,019	3,557
Total liabilities and equity	2,317,190	2,172,924	1,962,072	1,811,468	1,769,902	1,405,460
Key ratios	2007	2006	2005	2004	2003	
	Q1					
Return on equity before taxes	51.8%	40.3%	56.3%	57.2%	20.9%	
Return on equity after taxes	45.2%	36.3%	45.8%	49.5%	17.6%	
Tier 1 ratio	11.7%	13.0%	11.9%	7.8%	6.9%	
Equity ratio (CAD)	13.4%	14.8%	13.1%	10.4%	9.9%	
Cost-income ratio	42.2%	43.2%	34.4%	43.2%	57.0%	
Operating expenses as a ratio of average capital position	2.2%	2.1%	2.0%	2.5%	3.0%	
Interest spread as a ratio of average capital position	1.9%	2.3%	2.2%	2.6%	2.6%	
Deposits / loans to customers	61.5%	47.5%	33.9%	39.6%	48.0%	
Ratio of provision to lending position at period-end	0.36%	0.37%	0.58%	0.73%	1.47%	
Loan loss ratio	0.09%	0.13%	0.19%	0.33%	0.55%	
Share price at period-end	31.80	26.50	25.30	12.10	5.80	
Change in share price adjusted for dividend payments	21.5%	5.9%	110.7%	110.3%	61.6%	
Number of positions at period-end	2,211	2,117	1,725	1,121	1,025	
Exchange rates						
Exchange rate ISK / EUR for P/L average period	89.56	87.57	76.59	86.97	87.39	
Exchange rate ISK / EUR for Balance sheet at period-end	87.96	93.72	74.7	83.51	89.76	

Profit ISK 13.8 billion

Landsbanki Íslands hf. reported a pre-tax profit for the 1st quarter of 2007 of ISK 15.5 billion (bn), as compared to ISK 17.3bn in Q1 of 2006.

The Bank's after-tax profit was ISK 13.8bn, as compared with ISK 14.3bn in Q1 2006.

Income from operations abroad amounted to 42% of total group income in Q1 2007.

Annualised after-tax ROE for the period was 45%.

The ISK exchange rate affects figures in both the balance sheet and the income statement. Foreign-denominated assets and liabilities are recognised at the closing exchange rate as of 31 March 2005, whereas amounts in the income statement are recognised at the average Q1 exchange rate. The following table shows exchange rate developments of foreign reporting currencies used by the Group and the ISK trade-weighted index.

	31.12.2006	Average Q1	%	31.12.2006	31.3.2007	%
EUR	93,72	89,56	-4%	93,72	87,96	-6%
GBP	139,08	133,18	-4%	139,08	129,495	-7%
GVT	127,90	122,21	-4%	127,90	119,45	-7%

Highlights of the Income Statement and Balance Sheet

Income Statement

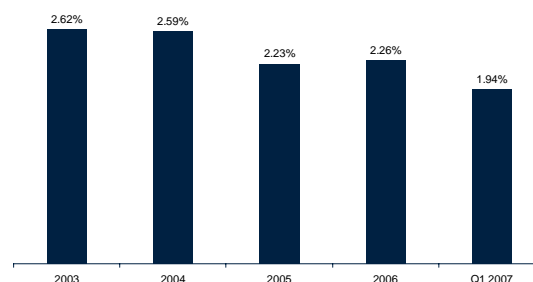
Q1 2007 compared to Q1 2006

The Bank's **after-tax profit** was ISK 13.8bn for the 1st quarter 2007, as compared with ISK 14.3bn in Q1 2006.

Landsbanki's **net operating revenue** amounted to ISK 29.4bn in Q1 of 2007 as compared to ISK 26.9bn in Q1 of the previous year.

The Bank's **net interest revenue** was ISK 10.9bn, as compared with ISK 8.9bn in Q1 2006. The ratio of interest spread to average capital position was 1.9% compared to 2.3% for 2006 as a whole.

Interest spread



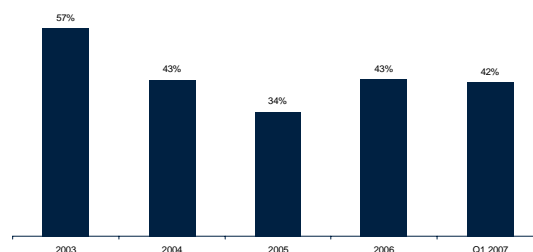
Net fee and commission income increased by 42%, amounting to ISK 9.8bn in Q1 as compared to ISK 6.9bn in Q1 of 2006.

The Bank's **trading and investment income** in Q1 2007 amounted to ISK 8.8bn as compared to ISK 11.2bn during the same period in 2006.

Net revenue from operations outside of Iceland amounted to ISK 12.3bn during the first quarter of this year, as compared to ISK 13.3bn for the same period of the previous year, and comprised 42% of total group operating revenue.

The Group's **operating expenses** in Q1 2007 totalled ISK 12.4bn, making its cost-income ratio for the period 42.2%.

Cost-income ratio



Impairment on loans and available-for-sale financial assets in Q1 2007 amounted to ISK 1.5bn, which is almost the same amount as in Q1 2006. Impairment as a ratio of loans and receivables at the end of the period was 0.36%.

Q1 2007 compared to Q4 2006

Pre-tax profit in Q1 2007 grew by 24% over Q4 2006. Net operating revenue has increased by 19% or ISK 4.6bn over the previous quarter, while operating expenses grew by 13%, or ISK 1.4bn.

Net interest revenue amounted to ISK 10.9bn as compared to ISK 9.6bn in Q4 2006, or an increase of 14%.

Net fees and commissions in Q1 2007 amounted to ISK 9.8bn, compared to ISK 8.0bn in Q4 2006, increasing by 22% over the previous quarter.

The Bank's **trading and investment income** in Q1 2007 amounted to ISK 8.8bn as compared to ISK 7.2bn during Q4 2006, increasing by 22%.

The Group's **cost-income ratio** dropped from 44.4% in Q4 2006 to 42.2% in Q1 2007.

Impairment on loans and financial assets held for sale amounted to ISK 1.5, compared to ISK 1.3bn in Q4 2006.

Balance Sheet

Total assets of the Group amounted to ISK 2,317bn at the end of March 2007, rising from ISK 2,173bn at the beginning of this year, an increase of ISK 144bn or 7% during the year. After adjusting for ISK appreciation, the real balance sheet growth was 11%.

Amounts due from financial institutions amounted to ISK 252bn, as compared to ISK 216bn at the beginning of this year.

Loans to customers totalled ISK 1,484bn at the end of March 2007, up 3% from ISK 1,438bn at the beginning of the year. Allowing for the impact of the ISK appreciation, the real increase in customer lending is 8%.

Loans to foreign clients and lending by foreign subsidiaries totalled ISK 565bn at the end of March 2007, as compared to ISK 488bn at the beginning of the year. They comprise 38% of total customer lending, or the same proportion as at the beginning of this year.

Total provisions for **credit losses** amounted to ISK 17.2bn or 1.08% of total loans and guarantees granted at the end of March 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 is reduced by the unrecoverable amount.

The Group's **trading assets** were ISK 410bn at the end of March as compared to ISK 344bn at the beginning of this year. These include market bonds and trading equities, as well as derivatives that are in the money.

Bonds and other fixed-income securities held by the Bank totalled ISK 216bn at the end of March 2007, as compared with ISK 170bn at the beginning of this year. These are almost exclusively listed market securities.

Trading equities amounted to ISK 42bn at the end of March 2007, as compared to ISK 31bn at the beginning of the year. Of the total ISK 42bn exposure, ISK 34bn were listed equities and ISK 8bn unlisted equities. Domestic trading equities amounted to ISK 25bn and foreign equities to ISK 17bn as of the end of Q1 2007.

The Group's **hedged securities** were ISK 116bn at the end of March as compared to ISK 105bn at the beginning of this year. Of this figure, ISK 47bn were bonds and close to ISK 70bn equities.

Other **financial assets at fair value through profit and loss** totalled ISK 19.6bn at the end of March 2007. These figures include only equities. Of the total ISK 19.6bn exposure, ISK 16.9bn are listed equities.

Non-current assets and disposal groups held for sale amounted to ISK 3.2bn at the end of March 2007 as compared to ISK 21.3bn at the beginning of this year. The decrease can be attributed to the bank's disposal of the real estate company *Fasteignafélagið Landsafl*.

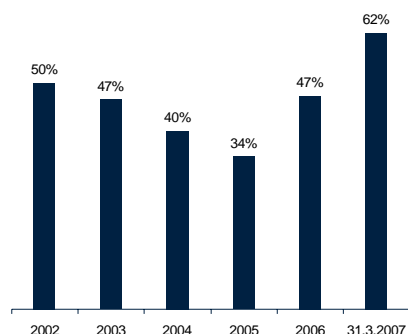
Total assets under management amounted to ISK 409bn at the end of March 2007, rising from ISK 377bn at the beginning of this year, an increase of 8.5% during the year. At the same time, total assets in the Group's custody increased to ISK 1,796bn from ISK 1,751bn at the beginning of this year.

Liabilities and equity

53% increase in deposits held by operations overseas

The Group's **total deposits** amounted to ISK 1,031bn as of the end of March 2007. Of this amount, ISK 913bn were customers' deposits, as compared to ISK 683bn at the beginning of this year, increasing by 34% during Q1. Customer deposits held by the bank's operations abroad amounted to ISK 637bn at the end of March 2007, as compared to ISK 417bn at the beginning of this year, an increase of 53%.

Deposits as a ratio of total lending



The ratio of customer deposits to customer lending was 62% at the end of March 2007, as compared to 48% at the beginning of this year.

Total **borrowing** at the end of March 2007 amounted to ISK 890bn, as compared to ISK 1,015bn at the beginning of 2007. The decrease is primarily the result of ISK appreciation.

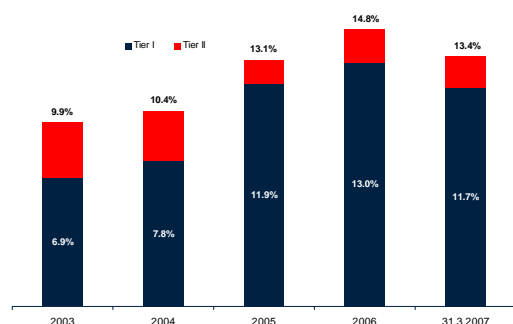
The Group's **subordinated debt** was ISK 84bn at the end of March, compared to ISK 90bn at the beginning of the year, with the decrease due entirely to ISK appreciation.

Capital adequacy ratio 13.4%

The Group's **equity** was ISK 150bn at the end of March 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 **capital adequacy ratio** (CAD) was 13.4% at the end of March 2007, of which 11.7% was Tier 1 capital.

Capital adequacy ratio (CAD)



Performance by Division

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

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

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

Divisional Summary

Q1 2007	Commercial Banking	Corporate Banking	Investment Banking	Asset Management & Private Banking	Other	Group
Net interest revenue	3,928	7,618	-1,401	734	0	10,879
Net commission and fees	595	551	7,800	816	0	9,762
Net financial income	-23	18	8,777	28	0	8,799
Net operating revenue	4,500	8,187	15,176	1,578	0	29,441
Operating expenses	2,307	2,397	5,834	1,009	868	12,415
Impairment on loans and advances	502	987	63	-2	0	1,549
Profit before income tax	1,692	4,803	9,278	571	-868	15,476
	€ 19m	€ 54m	€ 104m	€ 6m	€ -10m	€ 173m
Total Assets 31 March 2007	421,149	942,359	628,782	312,562	12,338	2,317,190

Q1 2006	Commercial Banking	Corporate Banking	Investment Banking	Asset Management & Private Banking	Other	Group
Net interest revenue	3,375	5,227	-76	408	0	8,934
Net commission and fees	644	373	5,193	647	0	6,857
Net financial income	35	295	10,648	173	0	11,150
Net operating revenue	4,054	5,895	15,765	1,228	0	26,941
Operating expenses	1,954	1,211	4,378	467	78	8,088
Impairment on loans and advances	181	839	510	25	0	1,555
Profit before income tax	1,919	3,845	10,877	736	-78	17,299
Total Assets 31 Dec 2006	369,908	937,353	565,340	289,422	10,901	2,172,924

Commercial Banking includes the parent company's branch network, Heritable Bank's commercial banking operations, SP Fjármögnun and Landsbanki Guernsey Ltd. The division's pre-tax profit amounted to ISK 1.7bn in the first quarter of this year, as compared to ISK 1.9bn for the same period of the previous year. The division's **total assets** were ISK 421bn at the end of March 2007 as compared to ISK 370bn at the beginning of the year.

Corporate Banking includes the parent company's Corporate Banking division, including 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 4.8bn in the first quarter of this year, as compared to ISK 3.8bn for the same period of the previous year. The division's total assets were ISK 942bn at the end of March as compared to ISK 937bn at the beginning of the year.

Investment Banking is comprised of the parent company's Securities and Treasury division 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 division's pre-tax profit amounted to ISK 9.3bn in the first quarter of this year, as compared to ISK 10.9bn for the same period of the previous year. The division's total assets were ISK 629bn at the end of March 2007 as compared to ISK 565bn at the beginning of the year.

Asset Management and Private Banking includes the parent company's Asset Management division, Landsvaki hf. and Landsbanki Luxembourg SA. Pre-tax profit in Asset Management and Private Banking during the first quarter of 2007 amounted to ISK 0.6bn, as compared to a profit of ISK 0.7bn in Q1 2006. The division's total assets were ISK 313bn at the end of March 2007 as compared to ISK 289bn at the beginning of the year

Funding and Credit Ratings

Landsbanki's funding in the first quarter of 2007 was characterised by a continued strong inflow of overseas deposits, largely through Icesave, reducing the need for capital market issuance. Due to its strong liquidity position, Landsbanki has refrained from public issuing in the capital markets and focused instead on smaller private placement transactions. During the first quarter, a number of debt issues representing EUR 958 million came to final maturity.

Landsbanki's long-term funding plans for 2007 include benchmark EUR and USD transactions, which could total around EUR 1.5-2.0bn, with emphasis on diversification and of lengthening maturities.

Moody's upgraded Landsbanki's credit ratings following the implementation of its new JDA methodology and updating of the financial strength methodology. The end result was an improvement in Landsbanki's long-term senior ratings from A2 to Aa3 with a stable outlook. Landsbanki's financial strength rating was affirmed at C, with the outlook changed from negative to stable. Credit default spreads on Landsbanki's debt have continued to tighten in recent weeks and currently are in the low twenties for a five-year maturity. Although spreads have narrowed considerably, the bank is still trading at a premium to similarly-rated non-Icelandic banks with similar overall profiles.

In Q1 Landsbanki completed the setting up of a Kangaroo MTN programme. The AUD 2bn programme, arranged by ABN AMRO Bank NV, marks another step towards further diversifying the bank's funding sources.

Core earnings Pre-tax ROE of 25%

Landsbanki's core earnings before tax amounted to ISK 8.1bn in Q1, as compared to ISK 7.4bn for the same period of the previous year. Return on equity (ROE) based on core earnings for Q1 of 2007 was 25%. A summary of actual performance and core earnings for Q1 2007 as compared to Q1 2006 in the following table (amounts in mISK):

	2007 Q1	2006 Q1
Profit before income tax	15.476	17.299
Adjusted net gain on equity, securities and FX	(8.799)	(11.150)
Adjusted net interest revenues	1.415	1.211
Core income before income tax	8.092	7.360
Core Cost Income Ratio	56%	48%
Core ROE before income tax	25%	30%

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 approximately ISK 125 on average during Q1. The bank funds the difference at non-indexed interest rates. As a result of the Q1 interest and inflation levels, Landsbanki's **losses** on its indexation balance amount **to an estimated ISK 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 ranged from 25% to 30%.

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 62% of Landsbanki's total lending, as compared to 34% at the beginning of 2006.

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. Lending in connection with the bank's own operations abroad and to Icelandic corporates operating outside of Iceland comprised 38% of the total at the end of March 2007. The bank's moderate equity exposures were equivalent to 2.7% of total assets as of the end of March.

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 the bank is well positioned to continue to deliver a high ROE. Landsbanki's target 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: in London, 3 May 2007

Landsbanki's CEOs, Sigurjón Th. Árnason and Halldór J. Kristjánsson, will present the highlights of the Bank's performance and respond to questions. A webcast of the presentation will be available on Landsbanki's website, www.landsbanki.com/ir where all meeting documentation will also be published concurrently.

Time: 10:00 (11:00 UK summer time og 12.00 CET). Location: London Stock Exchange, Patemoster Square, London EC4.

The presentation will be broadcast in real time on the Landsbanki website: www.landsbanki.com/ir The above URL can also be used to submit registration to attend the meeting. Persons wishing to listen to the meeting via telephone should dial +44 (0) 1452 560 068 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.

in Reykjavík, 4 May 2007

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 8:30.

2007 Financial Calendar

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

2 nd quarter:	2 August
3 rd quarter:	1 November
4 th quarter and annual financial statements 2007:	1 Feb 2008

A copy of Landsbanki's interim financial statements for Q1 of 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.