



2 May 2006

Q1 Results and Outlook

Presentation in London

Sigurjón Þ. Árnason

Group Managing Director & CEO

Halldór J. Kristjánsson

Group Managing Director & CEO



- ① Financial Results Q1 2006
- ② Outlook

Q1 2006 Main Results

Strong results

- Profit before taxes ISK 17.3bn (€ 220 million)
- Profit after taxes ISK 14.3 bn (€ 181 million)
- ROE after taxes 63%
- Cost-Income Ratio 30%

Efficient core banking operations (excluding net financial income)

- Core profit before taxes ISK 7.4bn (€ 93 million)
- Core ROE before taxes 30%
- Core Cost-Income Ratio 48%

Strong balance sheet

- Total assets ISK 1,770bn (€ 20.4bn) – increase from € 18.8bn
- Equity ISK 121bn (€ 1.4bn)
- CAD Ratio 13.0%
- Tier 1 Capital Ratio 12.4%

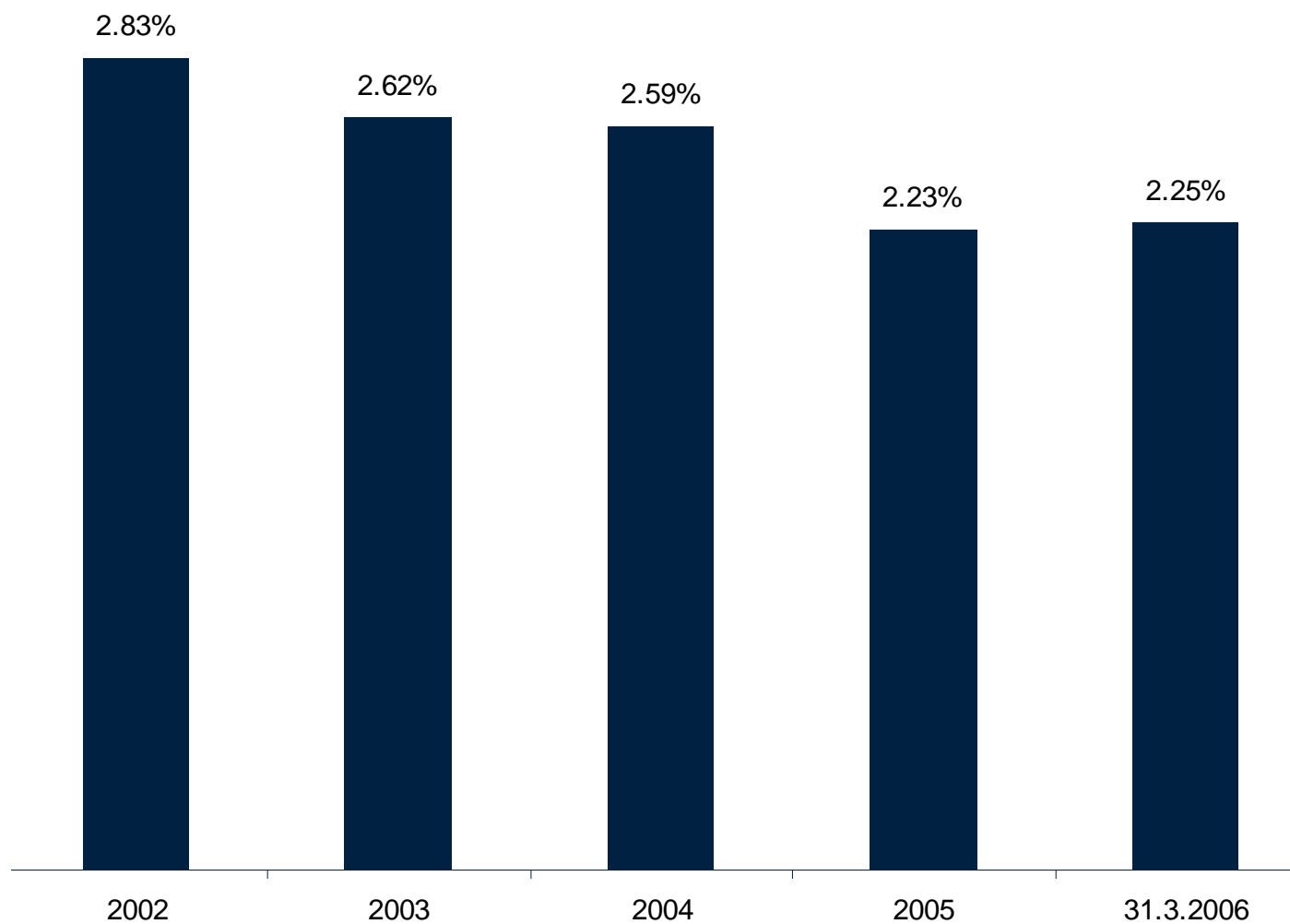
ISK / EUR	
At beginning of year 2006	74.70
At 31 March 2006	86.76
Average for Q1 2006	78.72

Income Statement

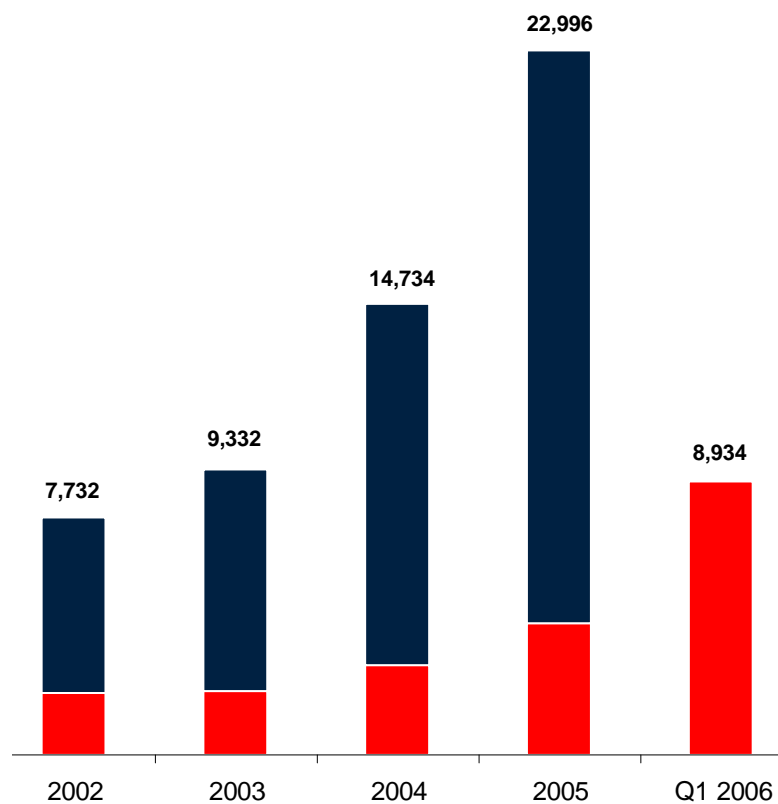
		Q1 2006	Q1 2005	Diff	%	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Net interest revenues	(€ 113m)	8,934	4,289	4,645	108%	7,255	6,322	5,129	4,289
Net fee and commission income	(€ 87m)	6,857	3,120	3,737	120%	4,761	4,383	4,461	3,120
Net financial income	(€ 142m)	11,150	5,370	5,781	108%	7,337	6,243	2,307	5,370
Net operating revenues	(€ 342m)	26,942	12,779	14,163	111%	19,352	16,949	11,898	12,779
Salaries and related expenses	(€ 67m)	5,249	2,355	2,894	123%	4,136	3,077	3,114	2,355
Administrative expenses	(€ 36m)	2,839	1,683	1,156	69%	2,933	1,905	1,764	1,683
Operating expenses	(€ 103m)	8,088	4,037	4,051	100%	7,069	4,982	4,879	4,037
Impairment on loans and advances	(€ 20m)	1,555	1,345	210	16%	1,805	1,687	1,359	1,345
Profit before taxes	(€ 220m)	17,299	7,396	9,902	134%	10,479	10,280	5,660	7,396
Impairment on goodwill	(€ 0m)	0	0	0	0%	-259	3,293	0	0
Income tax	(€ 38m)	3,023	1,351	1,672	124%	1,929	1,882	602	1,351
Profit before minority interests	(€ 181m)	14,276	6,045	8,230	136%	8,809	5,105	5,058	6,045
Minority interests	(€ 4m)	280	34	246	723%	75	110	58	34
Net profit	(€ 178m)	13,995	6,011	7,984	133%	8,734	4,995	5,000	6,011

ISK million

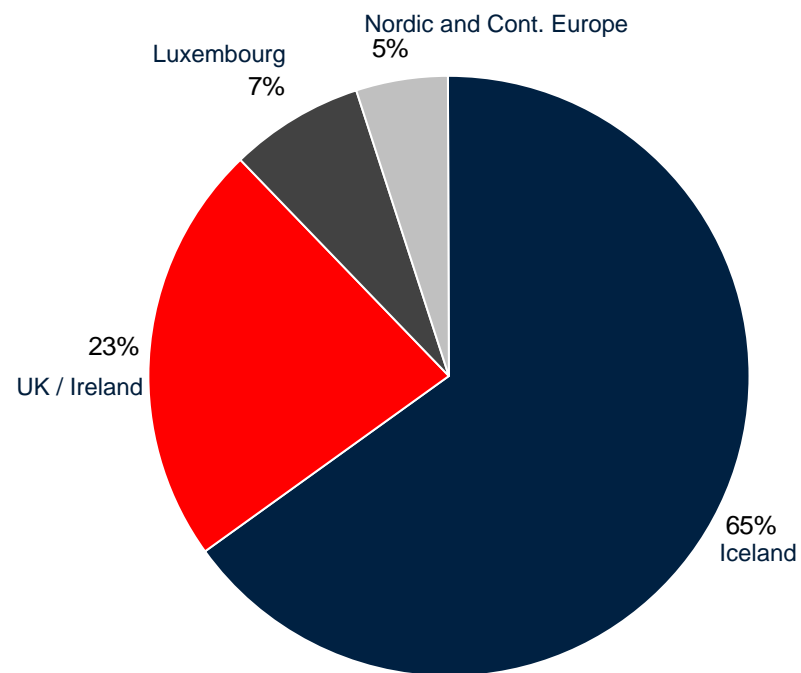
Interest Spread as a Ratio of Average Total Assets Position



Net Interest Income

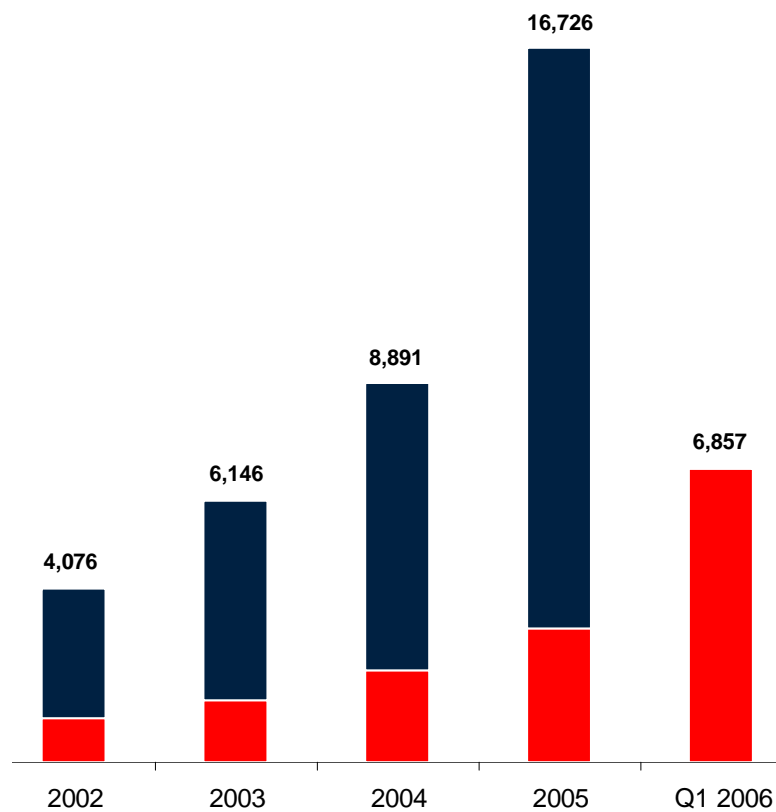


Q1 2006 net interest revenue by country

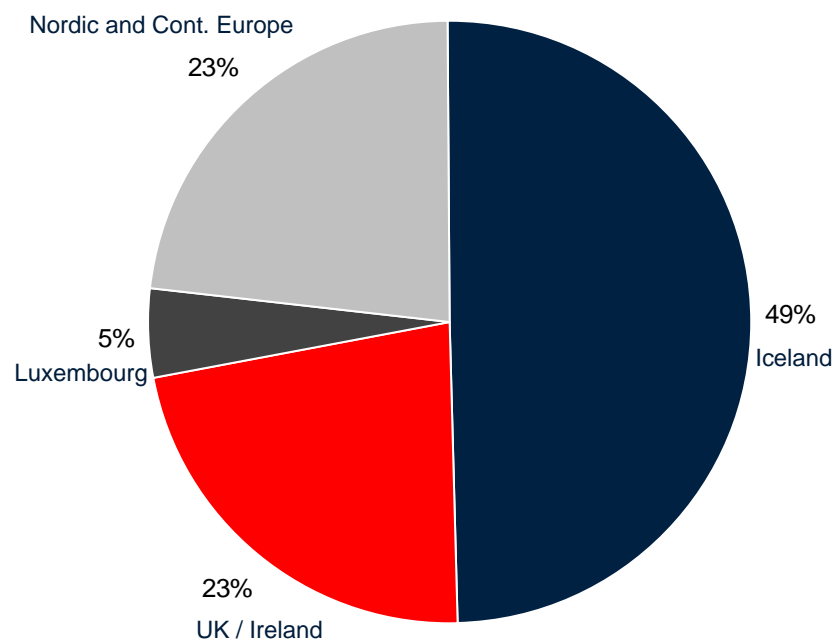


ISK million

Net Commission Income

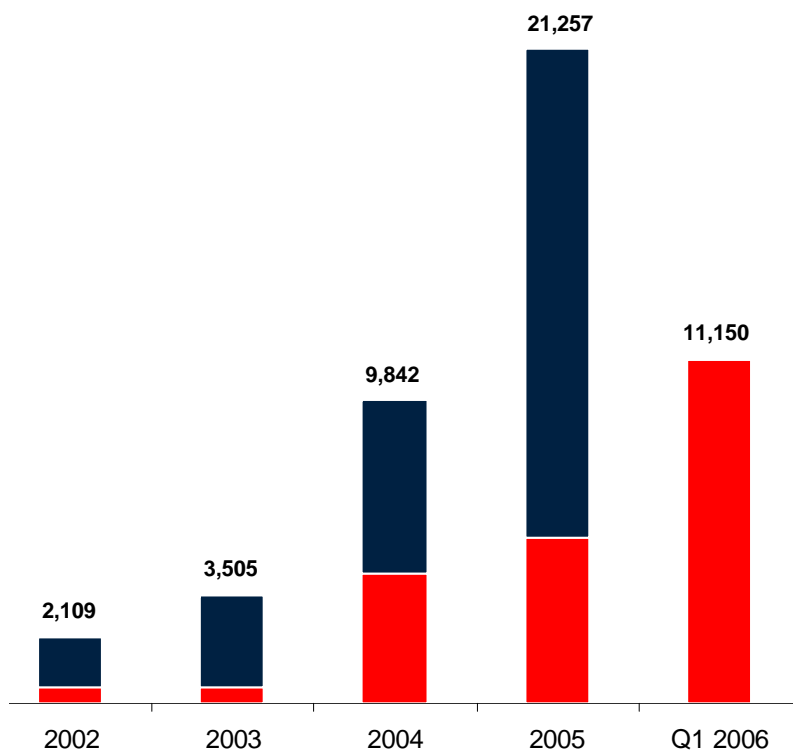


Q1 2006 net commission income by country



ISK million

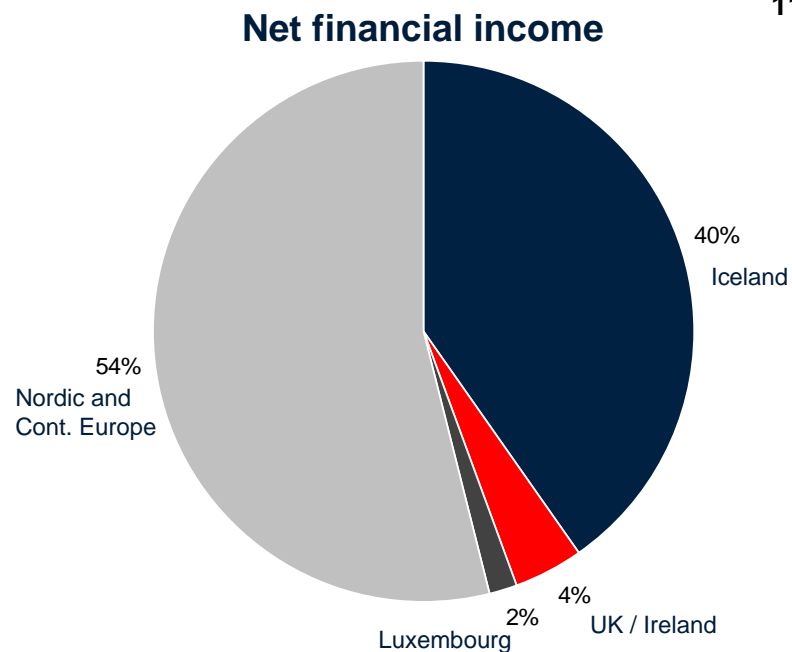
Net Financial Income



ISK million

Split of net financial assets based on origin

Stock trading	11,145
Bond trading	-265
Foreign exchange	121
Share of profit of associates	227
Other	-76
Total	11,150



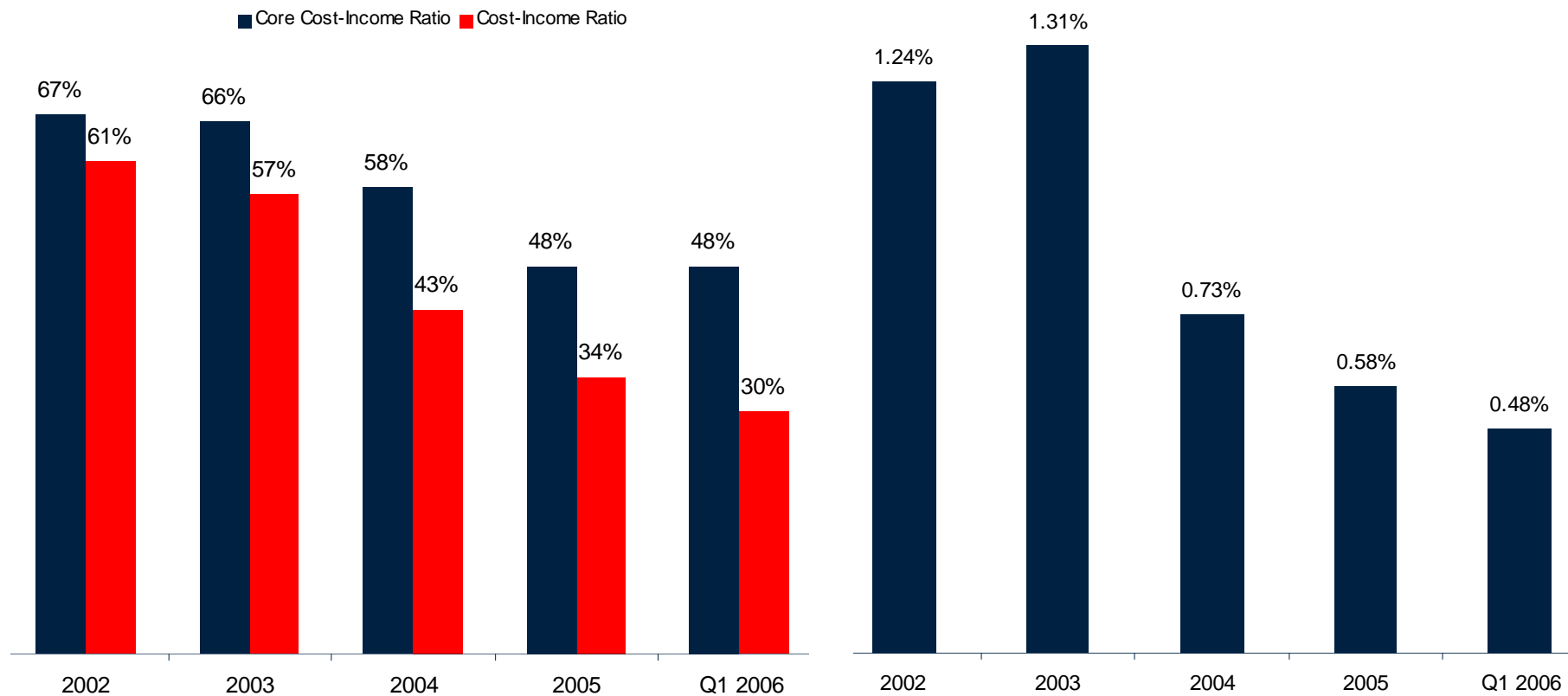
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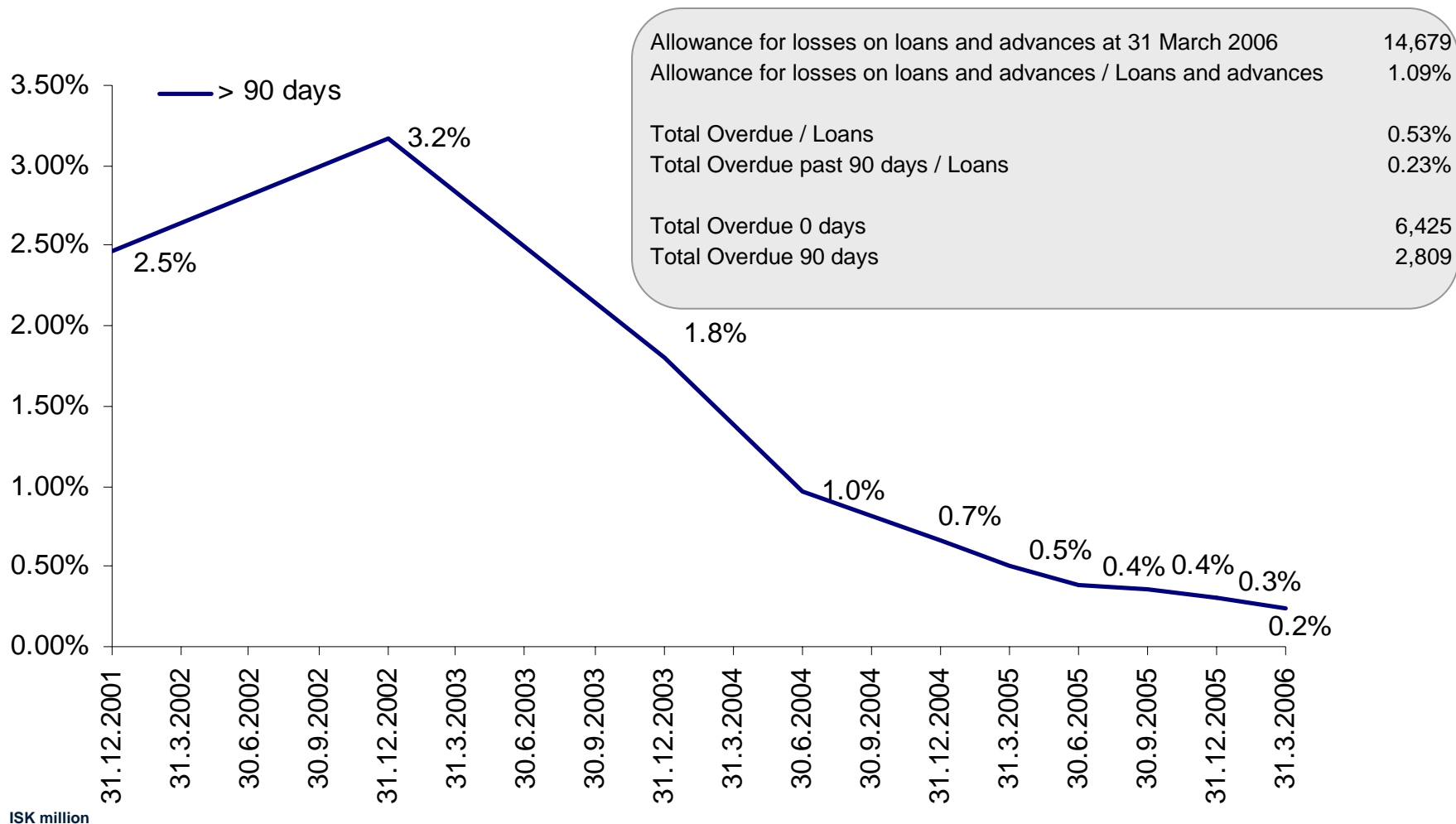
ISK million

Cost-Income Ratio

Impairment on Loans and Advances

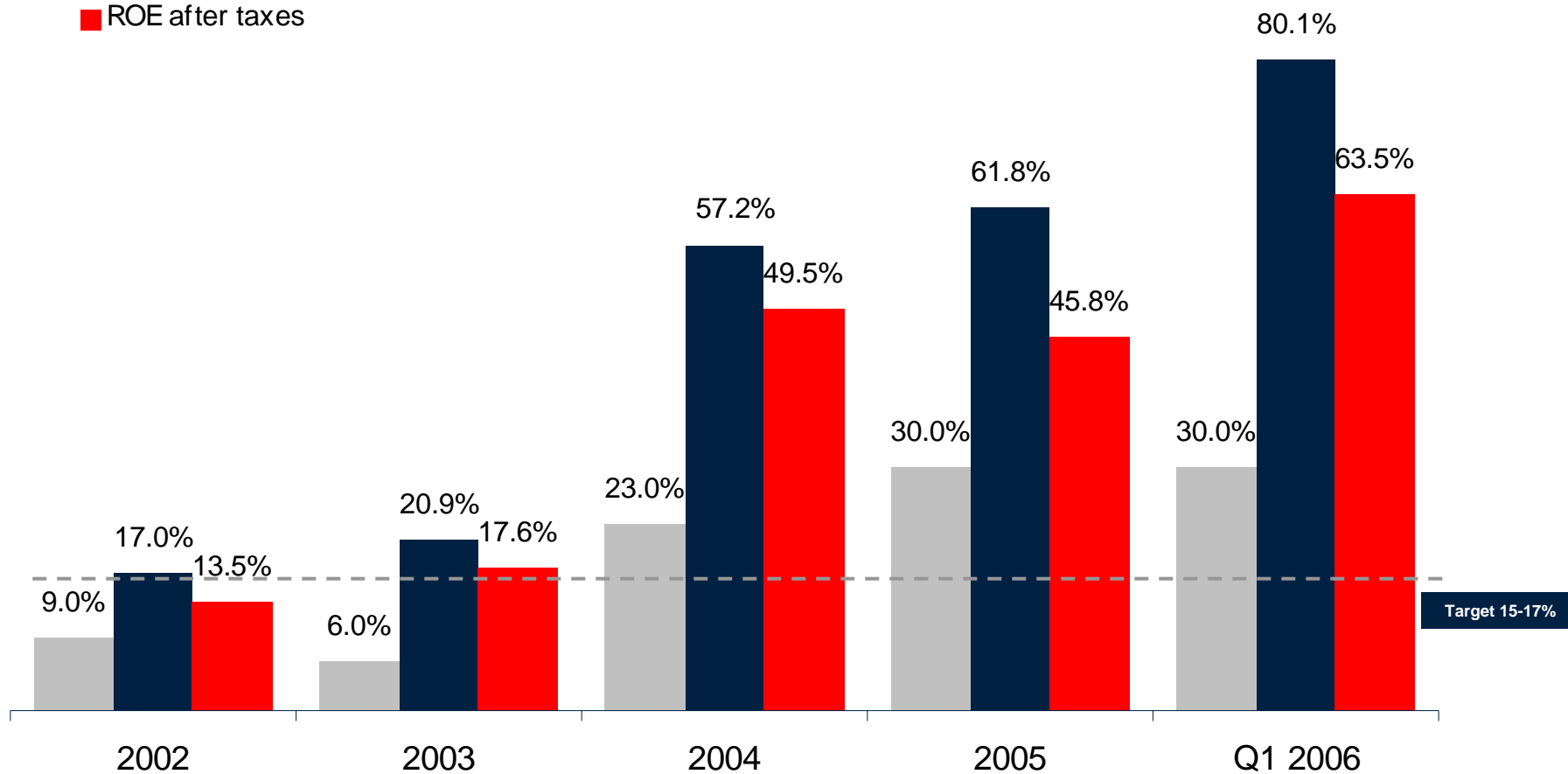


Past Due as a Portion of Total Lending



Return on Equity

- Core ROE before taxes
- ROE before taxes and impairment on goodwill
- ROE after taxes



Revenue Breakdown by Country

Q1 2006	Iceland	UK / Ireland	Luxembourg	Nordic and Cont. Europe	Total
Net interest revenues	5,819	2,020	645	450	8,934
Net fee and commission income	3,384	1,549	321	1,602	6,857
Net financial income	4,478	486	176	6,010	11,150
Net operating revenues	13,681	4,055	1,143	8,062	26,942
Share in net operating revenues	50.8%	15.1%	4.2%	29.9%	
Share in revenues without other revenues	58.3%	22.6%	6.1%	13.0%	

Q1 2005	Iceland	UK / Ireland	Luxembourg	Nordic and Cont. Europe	Total
Net interest revenues	2,956	982	352	0	4,290
Net fee and commission income	2,543	512	65	0	3,120
Net financial income	5,355	0	15	0	5,370
Net operating revenues	10,853	1,494	432	0	12,779
Share in net operating revenues	84.9%	11.7%	3.4%	0.0%	
Share in revenues without other revenues	74.2%	20.2%	5.6%	0.0%	

ISK million

Business Segments – All Profitable

Q1 2006	Retail Banking	Corporate Banking	Securities and Trading	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
Other revenues	35	295	10,648	173	0	11,150
Net operating revenue	4,054	5,895	15,765	1,227	0	26,942
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	3,846	10,876	735	-78	17,299

ISK million

Core Income

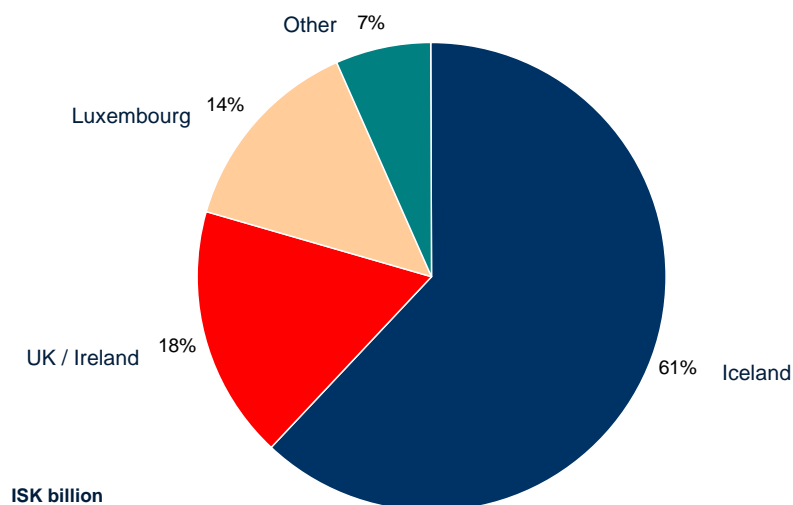
Actual Income	Q1 2006	2005	2004
Net interest revenues	8,934	22,996	14,734
Net commissions and fees	6,857	16,726	8,891
Net gain on equity, securities and FX	11,150	21,257	9,842
Net operating revenues	26,942	60,978	33,467
Operating expenses	8,088	20,967	14,460
Impairment on loans and advances and assets held for sale	1,555	6,197	4,485
Impairment on goodwill	0	3,033	0
Profit before income tax	17,299	30,781	14,521
Cost Income Ratio	30%	34%	43%
ROE before tax	80%	56%	57%
Adjustments			
Net interest revenues	1,211	3,652	1,200
Net gain on equity, securities and FX	-11,150	-21,257	-9,842
Impairment on goodwill	0	3,033	0
	-9,939	-14,572	-8,642
Core Income			
Profit before income tax	7,359	16,210	5,879
Core Cost Income Ratio	48%	48%	58%
Core ROE before tax	30%	30%	23%

ISK million

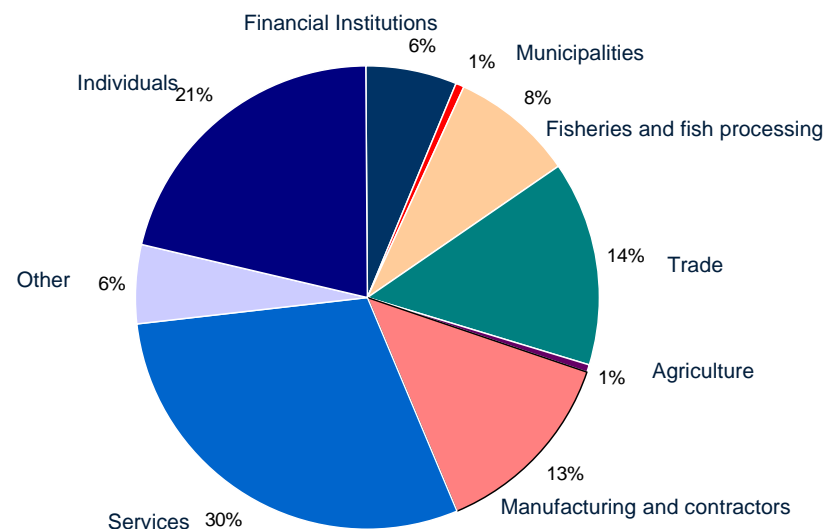
Balance Sheet – Assets 31 March 2006

		31 March 2006	31 Dec 2005	Change	%	Real chg %
Cash and cash balances with Central Bank	(€ 224m)	19	17	3	17%	9%
Loans and advances	(€ 14.801m)	1,284	1,072	213	20%	9%
Bond and other fixed-income securities	(€ 1.327m)	115	100	15	15%	8%
Equity and other variable-income securities	(€ 2,172m)	188	139	49	36%	29%
Derivatives held for trading	(€ 506m)	44	14	30	216%	216%
Derivatives held for hedging	(€ 52m)	5	5	0	-3%	-4%
Intangible assets	(€ 139m)	12	10	2	15%	22%
Other assets	(€ 1,180m)	102	49	54	110%	89%
	(€20,400m)	1,770	1,405	364	26%	16%

Breakdown of loan portfolio

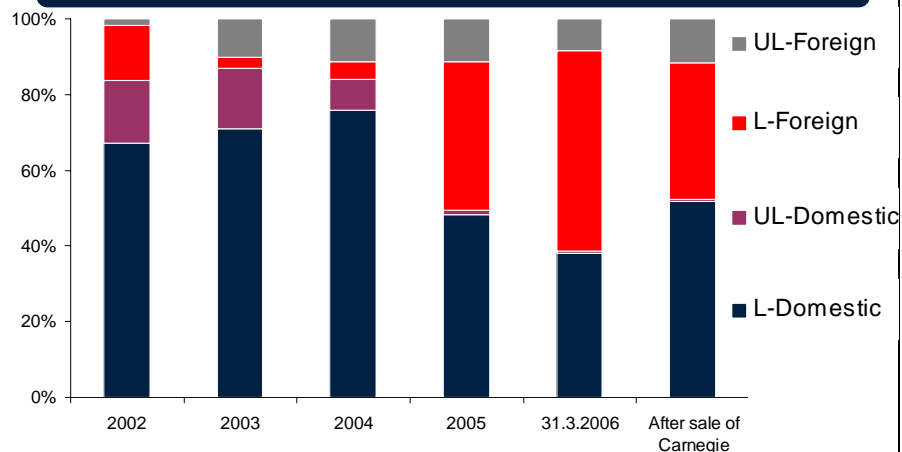


Breakdown of loan portfolio by economic sectors



Net Equity Position of Landsbanki

Net equity holdings



31.3.2006

31.3.2006 after sale of Carnegie

Domestic Shares:

	31.3.2006	31.3.2006	31.3.2006 after sale of Carnegie	31.3.2006 after sale of Carnegie
Listed	29.5	38.0%	29.5	51.7%
Unlisted	0.4	0.5%	0.4	0.7%

Foreign Shares:

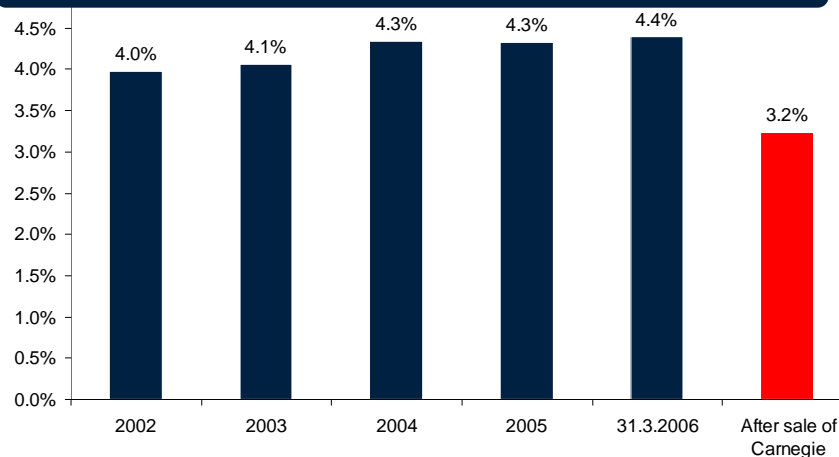
Listed	41.1	52.9%	20.5	36.0%
Unlisted	6.6	8.5%	6.6	11.6%

77.7 100.0% | **57.1 100.0%**

€896m

€659m

Equity exposure as % of balance sheet



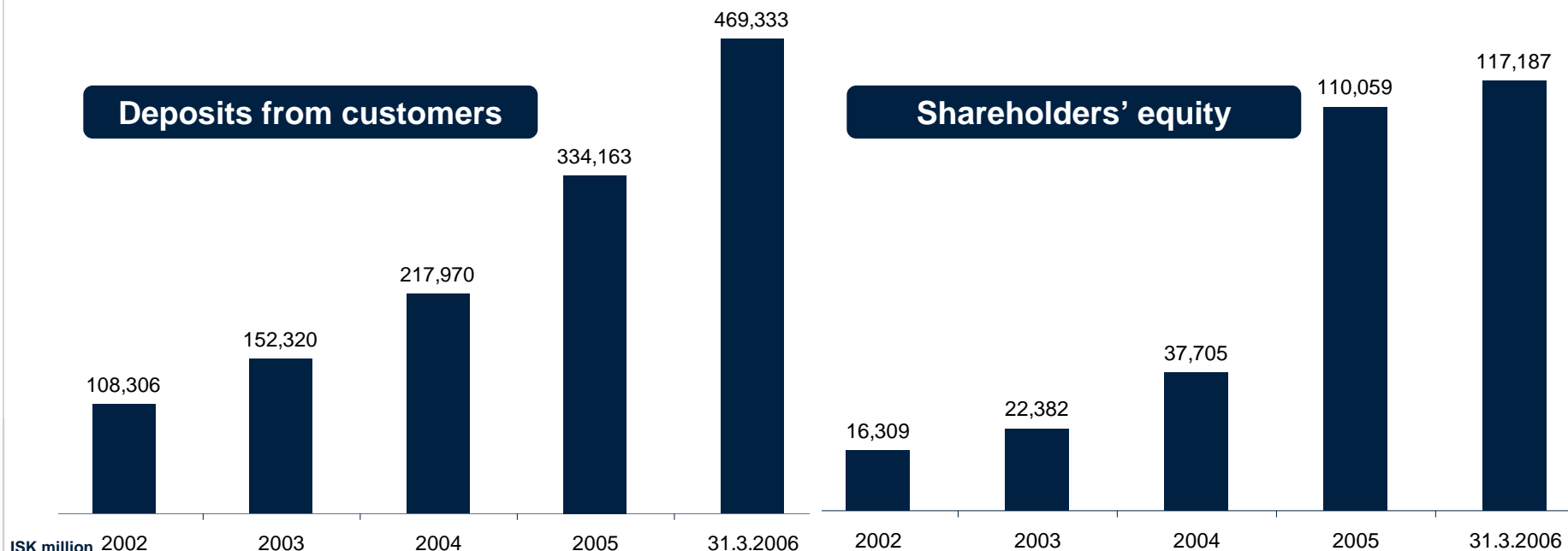
Sale of Carnegie

- Landsbanki sold its entire stake in Carnegie April 27th for €235 million
- Realising €110 million in capital gain
- Reducing Landsbanki's equity exposure to 3.2% of total assets
- Strengthening Landsbanki's capital ratio by 1.3%

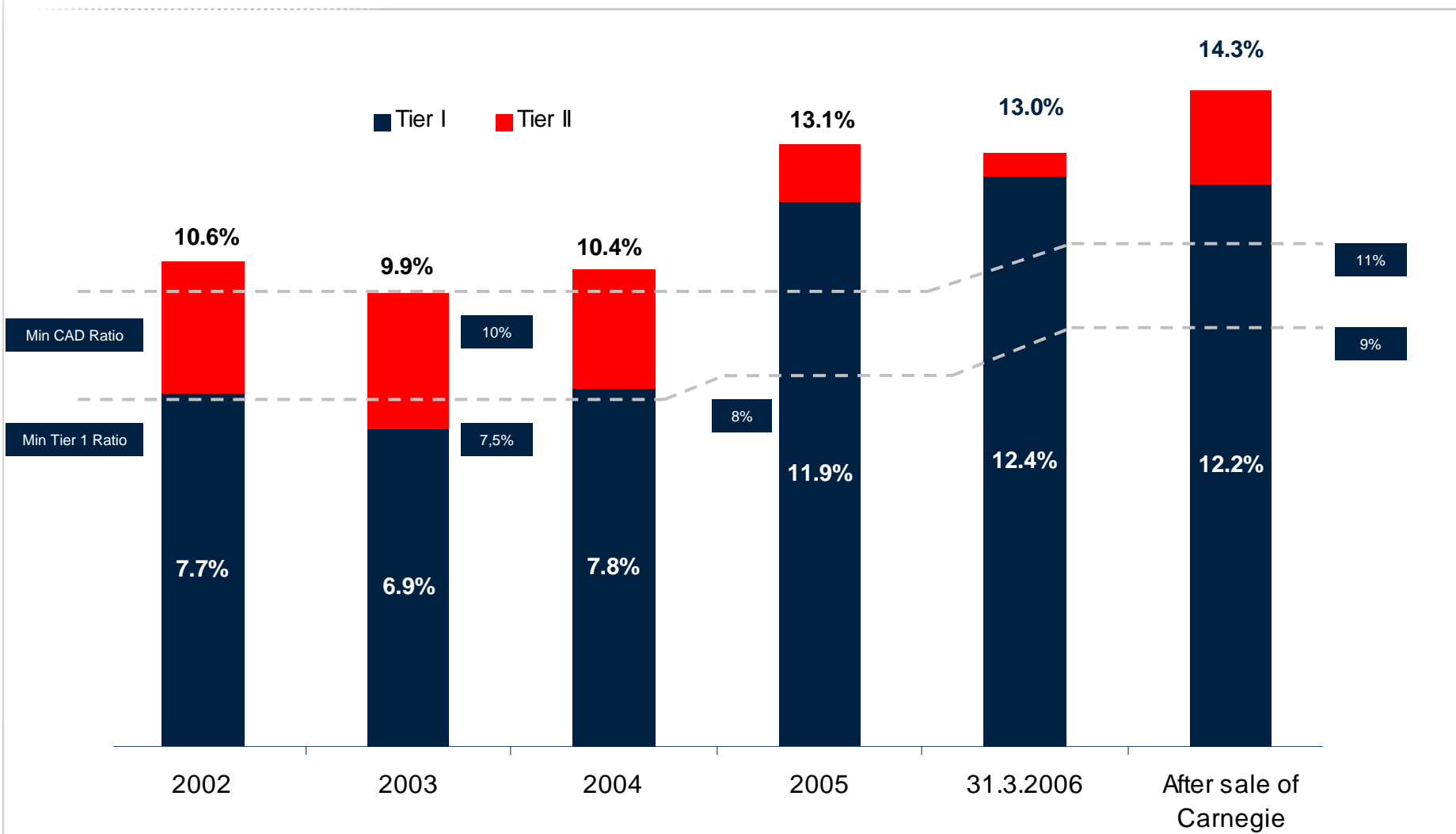
ISK million

Balance Sheet – Liabilities and Equity 31 March 2006

		31 March 2006	31 Dec 2005	Change	%	Real chg %
Deposits from credit institutions	(€ 1,592m)	138	145	-7	-4%	-12%
Deposits from customers	(€ 5,410m)	469	334	135	40%	32%
Borrowing	(€ 9,297m)	807	690	117	17%	3%
Other liabilities	(€ 1,742m)	151	74	77	104%	92%
Subordinated loans	(€ 963m)	84	49	34	70%	49%
Minority interest	(€ 46m)	4	4	0	13%	13%
Shareholders' equity	(€ 1,351m)	117	110	7	6%	6%
	(€ 20,400m)	1,770	1,405	364	26%	14%



Equity Ratio - CAD



Key Ratios

	31.03.2006	31.12.2005
ROE after taxes	63%	46%
Cost-income ratio	30%	34%
CAD	13.0%	13.1%
Tier 1	12.4%	11.9%
Equity ratio	8.7%	10.3%
Provision ratio	0.48%	0.78%
Provision account	1.09%	1.17%
Loan loss ratio	0.09%	0.19%
Share of doubtful claims 90 days	0.2%	0.3%
Deposits to customers / Loans to clients	39%	34%
Loans / Assets	73%	76%
Market risk / Risk base	12%	13%
Listed shares / Total assets	4.0%	3.8%
Unlisted shares / Total assets	0.4%	0.5%

The Equity Story

Share Price 22
Market Cap ISK 242 bn
Equity ISK 117 million

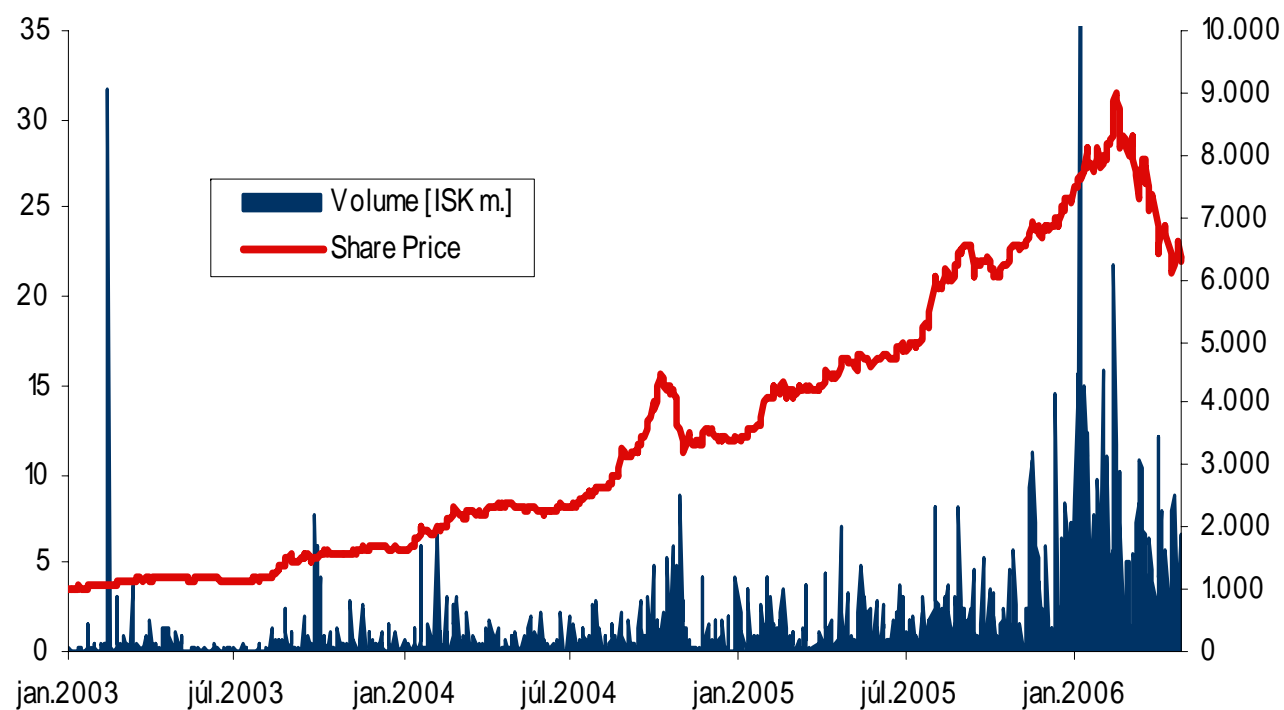
Good share liquidity:

Volume YOY 2005:
ISK 128.5 billion
(10,175 transactions)

Volume YTD 2006:
ISK 151.9 billion
(12,720 transactions)

Number of Shareholders:
29,639

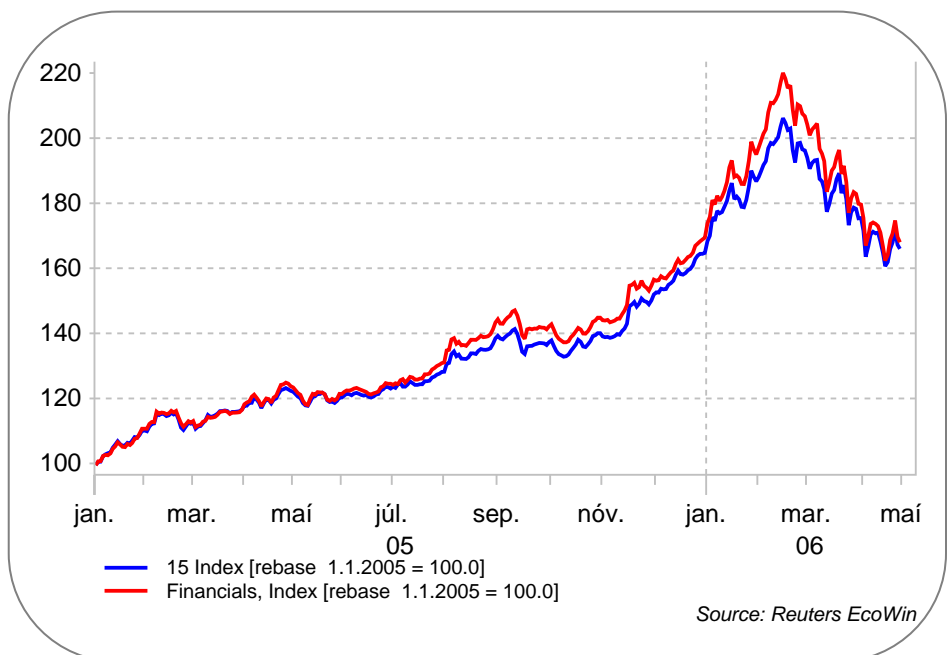
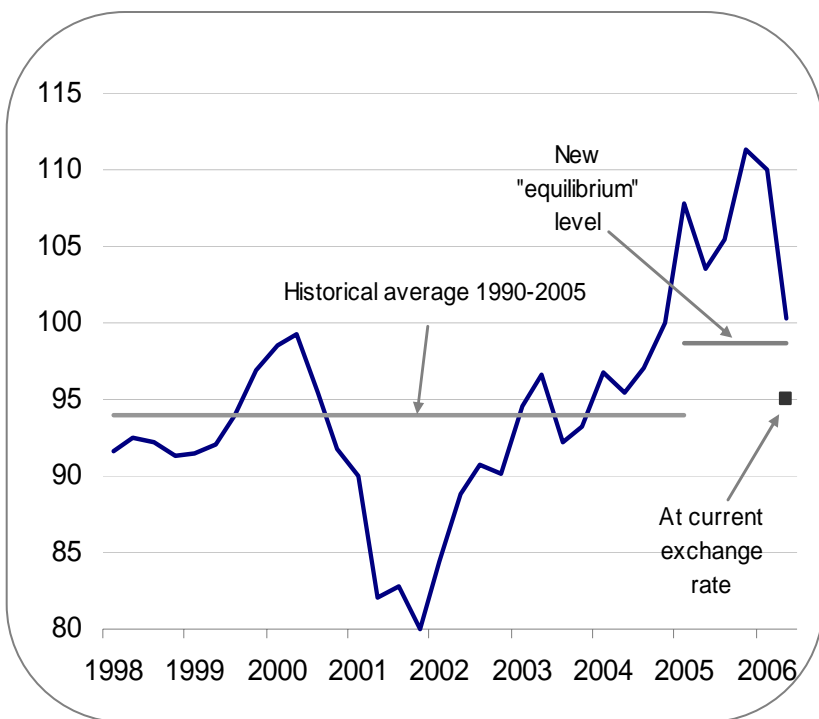
Landsbanki equity story – share price & volume



- ① Financial Results Q1 2006
- ② Outlook

Recent Developments

Adjustment has brought equity prices back to year end levels

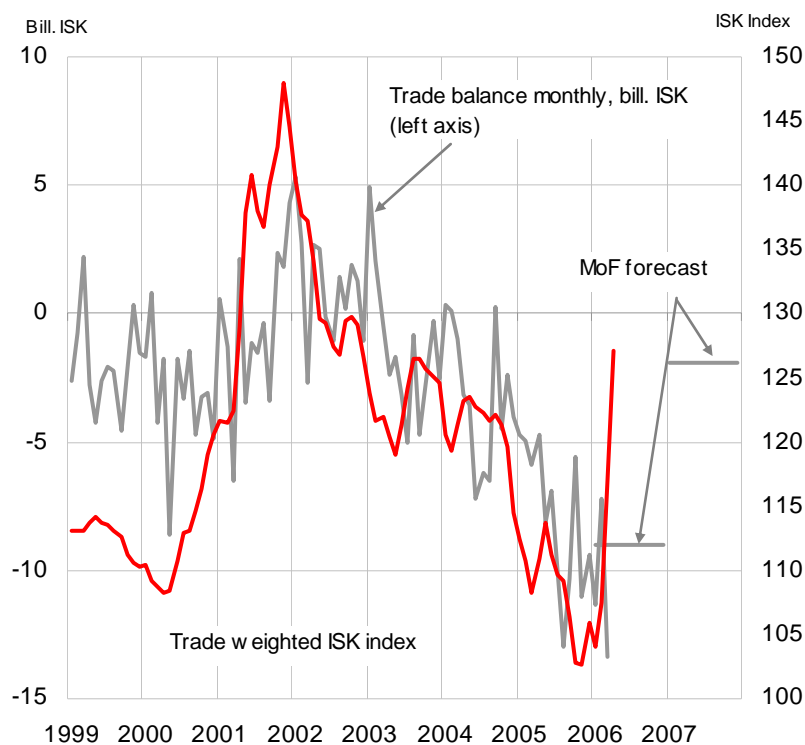


Correction of the krona has brought real exchange closer rate to sustainable levels

Reshaping the Macroeconomic Landscape

- Headwinds in international capital markets have tilted the Icelandic economy into adjustment mode
- Fall in the ISK will result in a temporary inflation spike which will put the brakes on domestic demand. Imports of consumer goods will fall faster than expected
- Ultimately, the current account deficit will come down within 1-2 years
- Adjustment already forecasted by Landsbanki, but faster than expected

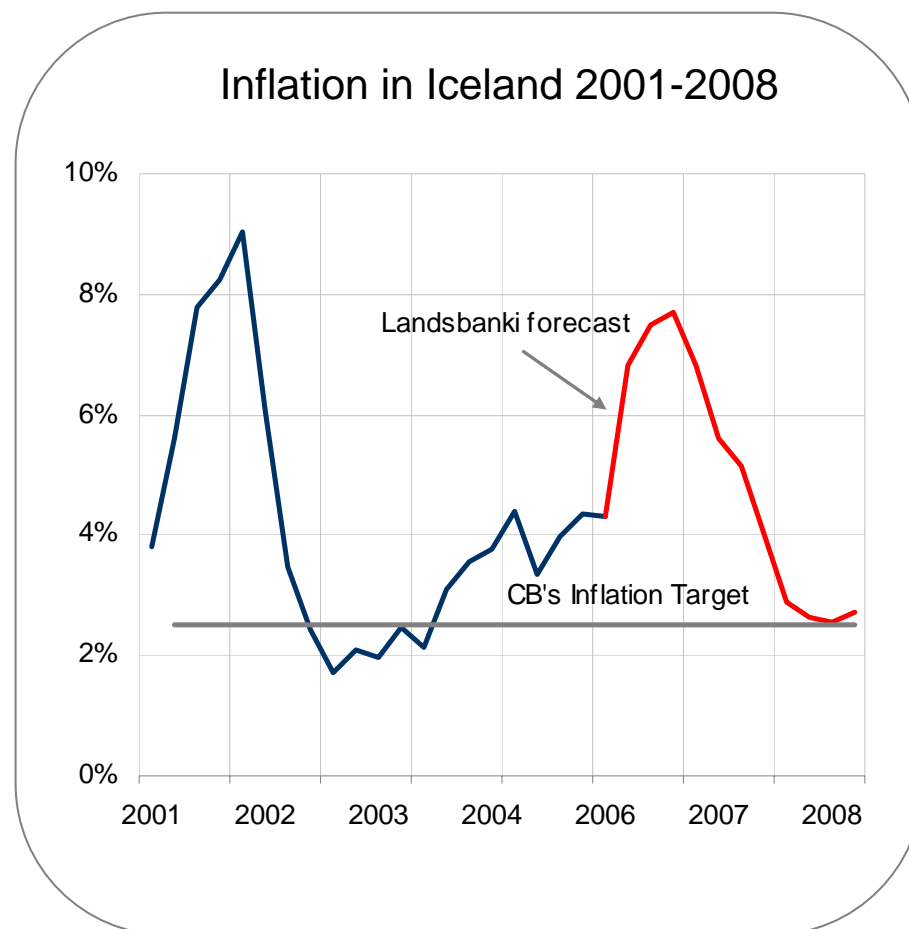
Trade balance and the exchange rate



Source: Ministry of Finance, Central Bank, Statistics Iceland

Inflation Puts the Breaks on Domestic Demand

- In the short run a relatively strong inflation spike is inevitable
- Experience shows that around 40% of the currency depreciation is passed on into prices
- During the next few months inflation is likely to increase to 7-8% on annual basis
- The economy regains equilibrium in 2007:
 - Inflation is likely to fall rather sharply in 2007 and reach the 2,5% inflation target around 2007/08
 - Current account deficit will have reached a sustainable level of around 3% of GDP in 2008
- Adjustment further supported by Housing market cooling down trough these developments(interest rates and real income gains slow down)

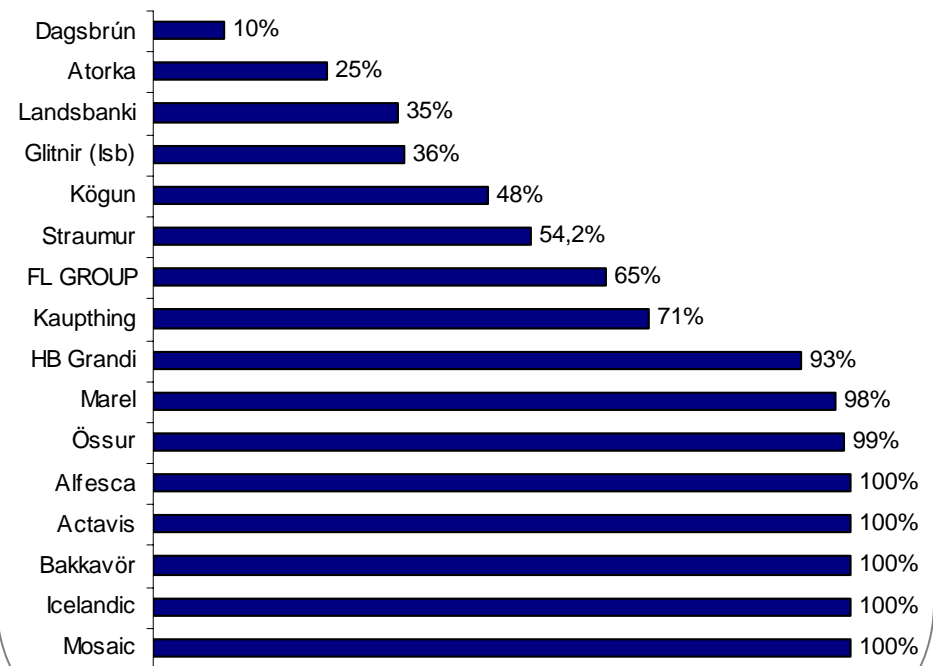


Source: Statistics Iceland, Landsbanki Research

Landsbanki's Corporate Customers Well Hedged Through Foreign Operations

- The credit expansion of Icelandic banks is to a large extent related to operations outside of Iceland and only 1/3 of total bank lending is purely domestic
- 2/3 of Icelandic banking activity is international and thus foreign currency denominated
- Operations of the largest companies listed on ICEX are predominantly international as most of their income is in foreign currency
- About 75% of cash flow of ICEX listed companies is in foreign currencies, 80-90% excluding the banks*
- Around 90% of foreign currency borrowers have foreign currency hedges
- Adjustments have a overall positive effect on the Bank's corporate customers

Foreign earnings as a ratio of total income of largest listed corporates



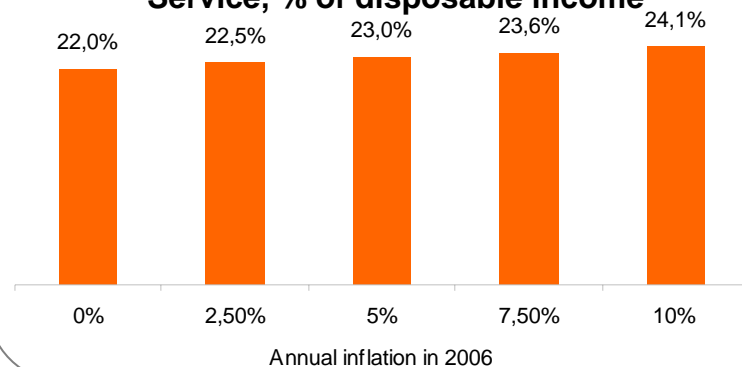
Source: Landsbanki Research

Source: *Landsbanki Research; **The Bankers' and Securities Dealers' Association of Iceland

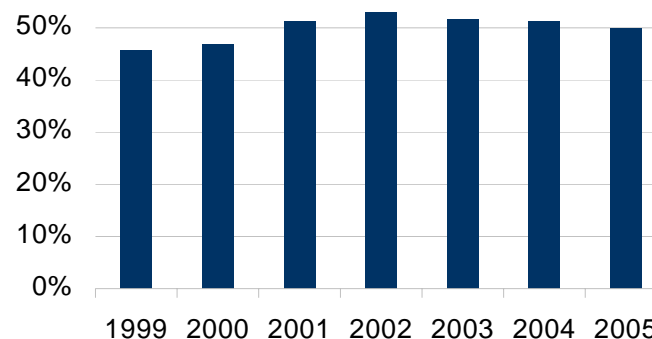
Limited Effects on Households Debt Service

- CPI indexation evens annual debt service through inflation spikes as the amount is spread over the entire maturity of the loan
- A 5% inflation would increase debt service moderately by around 1%
- Households are basically at the same starting point as in 2000 in terms of debt service ratio, when the ISK depreciated by more than 20% and YoY inflation surged to 9.6%
- Overall Loan-to-value ratio (LTV) is around 50% for mortgages
- LTV for new bank mortgages has been 70% on average
- Revalued LTV for the total stock of bank mortgages, currently at 61%

The effect of ISK depreciation on Household Debt Service, % of disposable income



Mortgage debt, % of housing value (Average LTV)

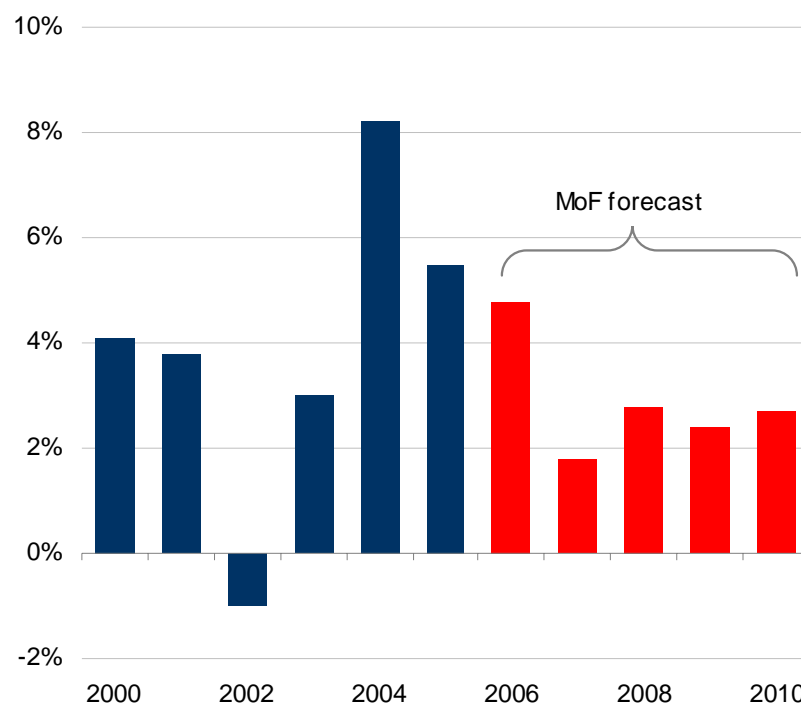


Source: Landsbanki Research

Economic Prospects Still Looking Good

- GDP growth will only slow to around 2% in 2007
- 2008-2010, GDP growth is forecast to be around 3% according to MoF forecast, above OECD average
- Soft landing scenario is based on strong export growth as new aluminium production starts
- Macroeconomic stability will be regained already in 2008
- Further FDI investment likely in 2008-2010 would increase annual economic growth from 3% to 4%
- FDI investments starting in 2008-2010, will be gradually implemented and consistent with economic stability
- Consequently, the overall operating environment of Landsbanki will remain favorable, despite speedy economic adjustment in Iceland

Economic growth in Iceland 2000-2010



Source: Ministry of Finance, Statistics Iceland

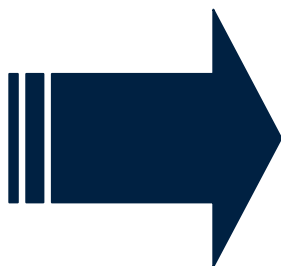
Foreign Exchange Adjustment - Effect on Landsbanki

- Landsbanki maintains a policy of keeping a neutral currency balance between assets and liabilities
- Inflation positively affects Landsbanki's interest rate spread as the bank has more CPI-indexed assets than liabilities (by ISK 150 billion)
- As the corporate sector is largely international and household finances are only marginally affected, customers positions vis-a-vis Landsbanki are not negatively affected
- Benign conditions in Landsbanki's foreign markets further support favorable operating environment and strengthens the Bank's foreign currency revenue base
- Stress test confirms Landsbanki's strong resilience to adversity

Regulatory Stress Tests Confirms Strong Capitalisation

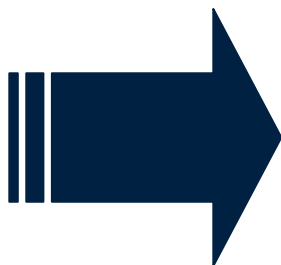
- The official stress test applied by the Icelandic Financial Supervisory Authority (FME) to assess the banks ability to withstand a severe adverse development assumes the following simultaneous scenarios:

- i) a 35% fall in domestic stock prices and 25% in foreign stock prices
- ii) 20% loan default losses
- iii) 7% fall in bond prices
- iv) 25% depreciation of the ISK



Assuming the event of simultaneous scenarios, Landsbanki still has CAD ratio of 9.6%

	CAD ratio	Tier 1	Equity Ratio
Before FME stress test	13,0%	12,4%	8,6%
After FME stress tes	9,6%	9,3%	4,8%
Change	3,4%	3,1%	3,8%

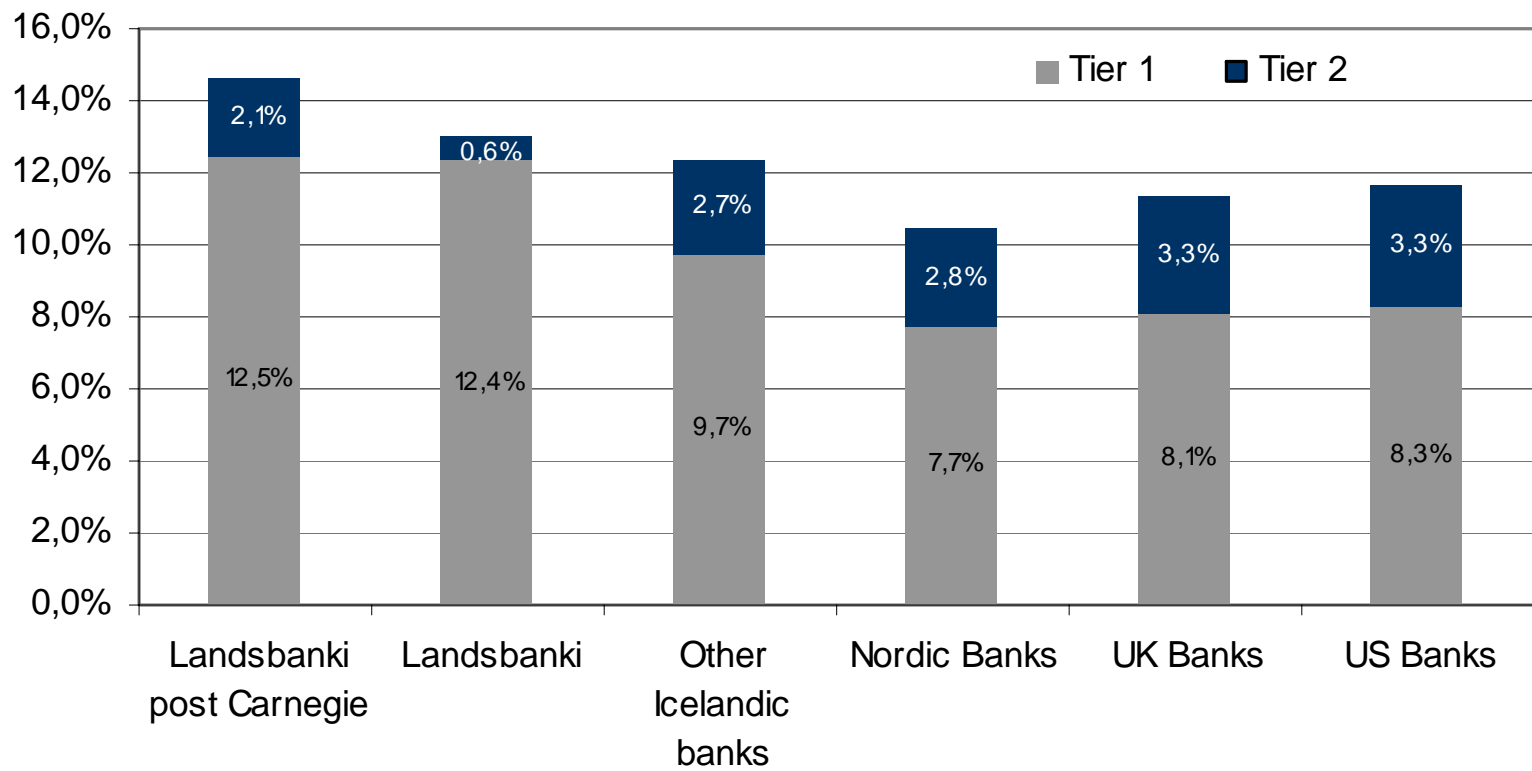


Following the sale of the Bank's sale of shares in Carnegie, Landsbanki still has a CAD ratio of 11.8%

	CAD ratio	Tier 1	Equity Ratio
Before FME stress test	14,6%	12,4%	8,6%
After FME stress tes	11,8%	9,7%	5,3%
Change	2,8%	2,7%	3,3%

Strong CAD Ratio

Comparative Bank Ratios



International Funding Activities 2006

Activities in Q1

- Total senior and subordinated international funding issuance EUR 1.040m through 19 issues and 12 different banks with average maturity 4.2 years
- Issued in several currencies in a number of markets including the US, Japan, Switzerland and the Eurozone
- Issuance of T1 subordinated notes of EUR 375m in February
- Finalized first USPP of USD 300m in March

Emphasis on Capitalisation

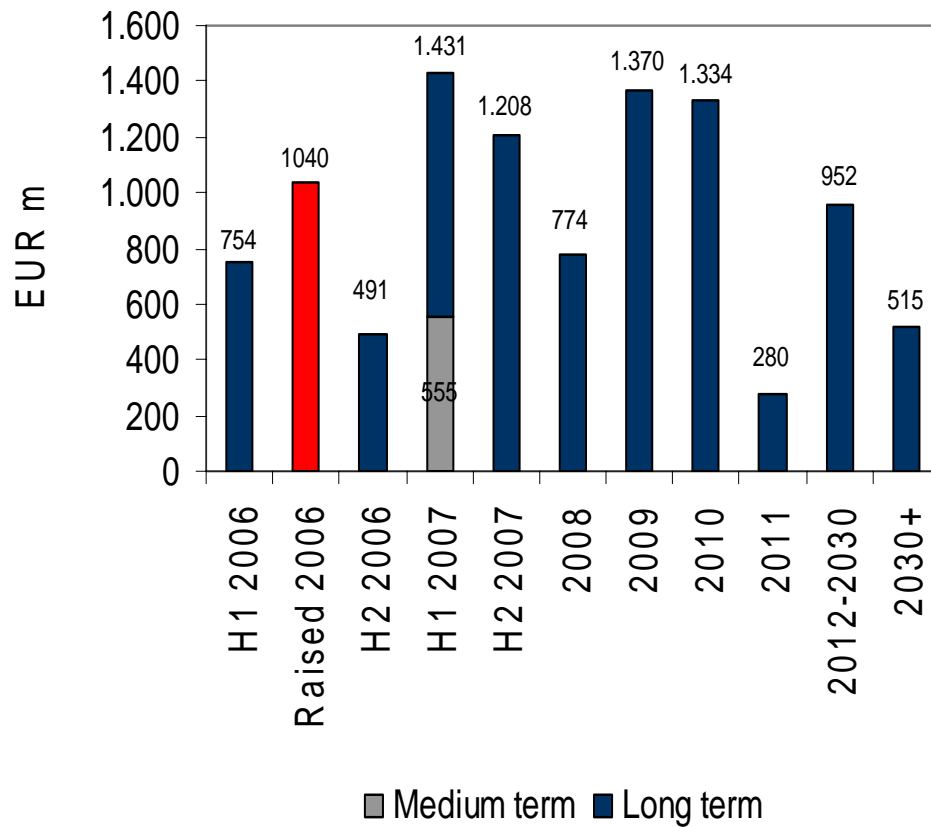
- Issuance of subordinated notes and Carnegie sale significantly strengthens capital ratio (+3,5%)
- Prudent dividend payout policy in order to retain a high proportion of profits to further support capital ratio

Diversification of Funding Sources

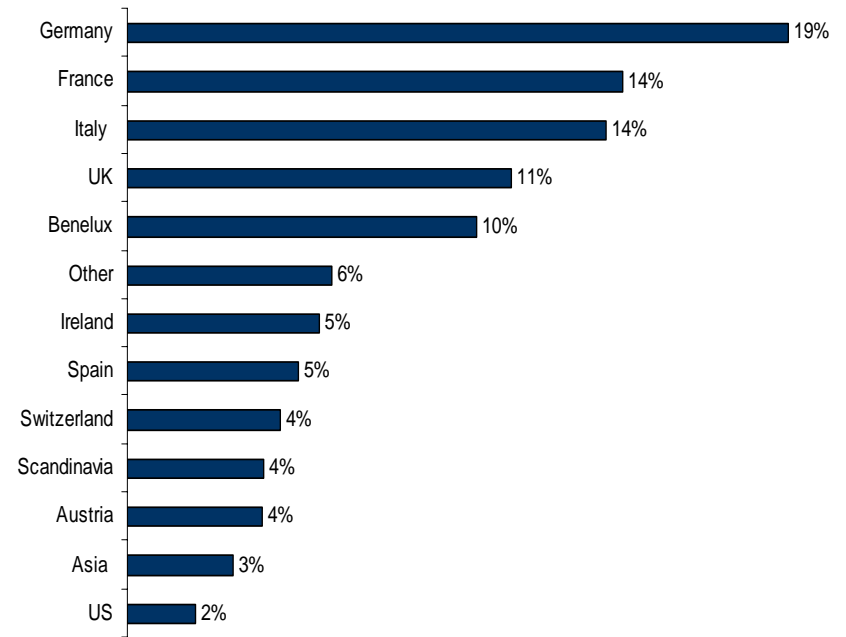
- Securitization of asset portfolios well on track
 - Part of London portfolios being securitised (mortgages and syndicate participations) and remaining portfolio to be securitised
 - Option to securitize the remaining part of the ISK mortgage portfolio
 - Key Business Finance loan portfolio is fully securitized (£60m)
- Increase diversification of bond investors
 - continued improvement in geographic diversification
 - focus on US and Asia
 - Establishment of 144A MTN Program (in the US)
- Continued emphasis on increasing the deposit base
 - Deposit-taking at London Branch commenced in November 2005 currently amounts to £453m
 - Heritable Bank is fully funded with deposits (£ 494m in 2005) and continues to diversify
- Implementation of new deposit initiatives
 - Internet deposit program operational in July
 - Offshore deposit program in Gurnsey operational in September

Increased Geographic Diversification & Lengthening of Maturity Profile

Maturity Profile of Medium- and Long-Term Funding



Breakdown of Outstanding Long-Term Issues



A diversified group of 482 investors have participated in Landsbanki's public EMTN issues

Landsbanki's Liquidity Position 31.03.06 (EUR Million)

	31.03.06	2006	2007	TOTAL
Debt				
Medium term debt		0	-555	-555
Long term debt	-1.110	-2.084		-3.194
				<u>-3.749</u>
Liquid Assets				
Cash and cash balances with Central Bank	224			224
Deposits with credit institutions	952			952
Listed bonds, excluding Repo with C.B.	768			768
Listed equities, net position	815			815
Other assets eligible for securitisation	1.500			1.500
Total liquid assets	4.258			<u>4.258</u>

Strategic Objectives 2006 – Year of Consolidation

■ Integration of International Operations

- Brand and product harmonization while preserving individual identity and speciality
- Strategic co-operation and consolidation of operational platforms
- Ongoing product enhancement and specialisation
- Strong centralised risk management

■ Diversification of Funding

- Launching new deposit taking programs (offshore / internet)
- Ongoing securitisation of asset portfolios (e.g. mortgages and syndicate participations in London)
- Further improved Geographic Diversification, including emphasis on US and Asia

■ Consolidation of Domestic Operations

- Emphasis on maintaining Landsbanki's strong domestic franchise during a period of modest growth
- Ongoing focus on credit controls and risk management, reduced exposure to capital markets

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