

Consolidated Key Figures

Operations	2005	2004	2004	2004	2004	2005	2004	Change
	Q1	Q4	Q3	Q2	Q1	Q1	Q1	
Interest revenues	12,461	10,879	8,172	8,534	6,668	12,461	6,668	87%
Interest expenses	8,172	6,268	4,273	5,264	3,712	8,172	3,712	120%
Net interest revenues	4,289	4,611	3,898	3,269	2,956	4,289	2,956	45%
Fee and commission income	3,481	3,191	2,509	2,080	2,455	3,481	2,455	42%
Fee and commission expenses	(361)	(382)	(365)	(301)	(296)	(361)	(296)	22%
Net fee and commission income	3,120	2,809	2,144	1,779	2,159	3,120	2,159	45%
Dividend income	105	11	1	98	343	105	343	-69%
Net gain on financial assets and liabilities held for trading	2,662	(41)	1,794	806	1,557	2,662	1,557	71%
Net gain on financial assets designated at FV through P/L	1,806	(2,220)	4,693	200	2,245	1,806	2,245	-20%
Fair value adjustments in hedge accounting	216	0	0	0	0	216	0	0%
Foreign exchange gain	97	122	111	59	72	97	72	34%
Trading and investment income	4,886	(2,128)	6,598	1,162	4,218	4,886	4,218	16%
Share of profit of associates	484	(79)	41	17	13	484	13	3559%
Operating revenues	12,779	5,213	12,682	6,227	9,346	12,779	9,346	37%
Salaries and related expenses	2,355	2,112	2,304	1,735	1,643	2,355	1,643	43%
Administrative expenses	1,529	1,332	1,316	1,144	1,168	1,529	1,168	31%
Depreciation and amortisation	154	418	647	198	443	154	443	-65%
Operating expenses	4,037	3,862	4,267	3,076	3,255	4,037	3,255	24%
Impairment on loans and advances during the period	1,345	1,223	1,293	978	991	1,345	991	36%
Profit before taxes and minority interests	7,396	128	7,121	2,172	5,100	7,396	5,100	45%
Income tax	1,351	(829)	1,333	361	934	1,351	934	45%
Net profit	6,045	957	5,788	1,812	4,167	6,045	4,167	45%
Attributable to:								
Shareholders of Landsbanki Islands hf	6,011	905	5,746	1,785	4,139	6,011	4,139	45%
Minority interests	34	53	42	27	27	34	27	24%
Balance Sheet								
	31.3.2005	1.1.2005	Change					
Cash and cash balances with Central Bank	14,136	18,237	-22%					
Loans and advances	687,883	614,274	12%					
Trading assets	82,630	64,730	28%					
Other assets	65,993	39,900	65%					
Total assets	850,642	737,141	15%					
Deposits	298,063	279,206	7%					
Funding	417,947	375,084	11%					
Subordinated loans	49,327	22,570	119%					
Other items	30,241	21,572	40%					
Equity	53,988	37,705	43%					
Minority interests	1,076	1,004	7%					
Total liabilities and equity	850,642	737,141	15%					
Key ratios	2005	2004	2003	2002	2001			
	Q1							
Return on equity before taxes	106.1%	57.2%	20.9%	17.0%	13.9%			
Return on equity after taxes	81.7%	49.5%	17.6%	13.5%	13.1%			
Tier 1 ratio	9.7%	7.8%	6.9%	7.7%	7.5%			
Equity ratio	14.4%	10.4%	9.9%	10.6%	10.4%			
Cost-income ratio	31.6%	43.2%	57.0%	61.1%	66.2%			
Operating expenses as a ratio of average capital position	2.1%	2.5%	3.0%	3.1%	3.2%			
Interest spread as a ratio of average capital position	2.22%	2.59%	2.62%	2.83%	3.45%			
Ratio of provision to lending position at period-end	0.78%	0.73%	1.47%	1.33%	1.17%			
Total assets per position at year-end	682	658	437	282	270			
Share price at year-end	14.95	12.10	5.80	3.65	3.39			
Share price increase adjusted for dividend payments	25.2%	110.3%	61.6%	10.6%	0.1%			
Number of positions at period-end	1,248	1,121	1,025	986	997			

Net Profit ISK 6 billion

Landsbanki Íslands hf. returned a pre-tax profit for the 1st quarter of 2005 of ISK 7.4 billion (bn), as compared to ISK 5.1 in Q1 of 2004. Net profit for the period amounted to ISK 6.0 billion as compared to ISK 4.2 billion for the same period the previous year.

Return on equity (ROE) after taxes for Q1 of 2005 was 82.5% as compared to a ROE of 49.5% in Q1 of 2004.

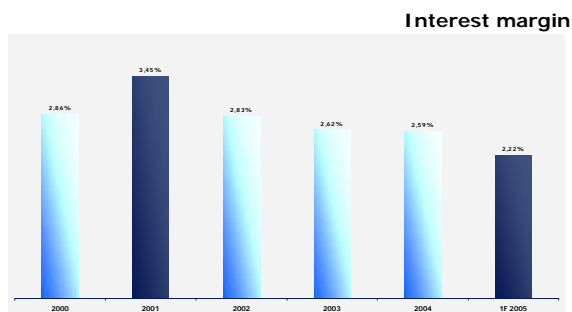
Changes to Accounting Practices

Landsbanki has adopted International Financial Reporting Standards (IFRS) as of 2005. A separate news announcement explaining the impact of the transition to IFRS on Landsbanki is sent to the Iceland Stock Exchange (ICEX) together with this announcement of results.

Highlights of the Income Statement and Balance Sheet

31% Increase in Operating Revenues

Operating revenues amounted to ISK 12.8 bn in Q1 of 2005 as compared to ISK 9.3 bn the previous year. This is a YoY increase of 38%.



Net interest income amounted to ISK 4.3 bn as compared to ISK 3.0 bn in Q1 of 2004, or a YoY increase of 45%. The increase in interest income is the result of growth of the Group's total assets. The ratio of interest spread to average capital

position was 2.22% in Q1 of 2005 as compared to 2.59% for 2004 as a whole.

Net fees and commissions amounted to ISK 3.1 bn in Q1 of 2005 as compared to ISK 2.2 bn the previous year. This is a YoY increase of 45%. Increased income from fees and commissions is the result of the Bank's increased securities trading, growth in asset management and overseas activities of both the parent company and subsidiaries.

Landsbanki's trading and investment income amounted to ISK 4.9 bn in Q1 of 2005 as compared to ISK 4.2 bn in Q1 of 2004. Trading and investment income are comparable to the heading of trading gains under previous accounting principles in addition to changes in accounting principles in trading and hedging derivatives. Trading and investment income includes dividend income, net income (trading gains) on trading assets and financial assets at fair value through profit and loss, as well as trading gains on trading derivatives, hedging derivatives and foreign exchange.

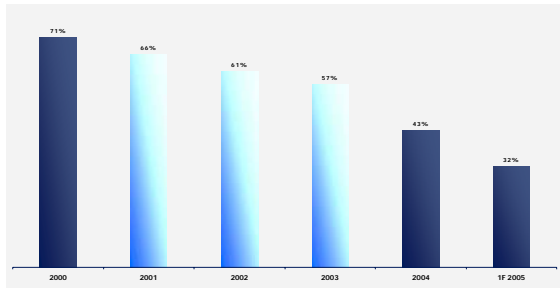
Share of profit of associates amounted to ISK 484 million in Q1, as compared to ISK 13 million in Q1 of 2004. The increase can be attributed to Landsbanki's holding in the investment company Fjárfestingarfélagið Grettir hf.

Cost-income Ratio 32%

Landsbanki's **operating expenses** totalled ISK 4.0 bn in Q1 of 2005, as compared to ISK 3.3 bn for the 1st quarter of 2004. The Bank's cost-income ratio for the period was 32% as compared to 43% for 2004 as a whole.

Impairment on loans and advances and assets held for sale in Q1 of 2005 amounted to ISK 1.3 bn, as compared to ISK 1.0 bn during the same period of the previous year. Impairment as a percentage of loans and receivables at the end of March 2005 was 0.78%, as compared to 0.73% at year-end 2004.

Cost-income ratio

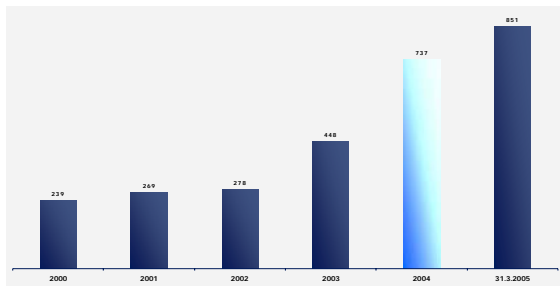


Total provisions to the **credit loss allowance account** amounted to ISK 8.9 bn or 1.25% of total loans advances and guarantees at the end of March 2005. Provisions for credit losses do not reflect actual write-offs, but amounts set aside to cover possible credit losses. When and if loans are not recovered, the amount is credited from these provisions. During Q1 of 2005, Landsbanki applied ISK 788 million from credit loss provisions against final write-offs.

Landsbanki's Total Assets ISK 851 bn

The Group's **total assets** amounted to ISK 851 billion at the end of March 2005, increasing by 15% or ISK 113 bn since year-end 2004.

Total Assets



Full-time equivalent positions in the Landsbanki Group were 1,248, making total assets per position ISK 682 million.

Loans and advances were ISK 688 bn at the end of March as compared to ISK 615 bn at the beginning of the year. This heading includes loans and receivables due from clients plus amounts due from credit institutions. The increase is primarily in loans to customers, on the one hand corporate lending to major clients through Landsbanki's Corporate

Banking division and the Bank's London branch and, on the other hand, housing mortgages in Iceland.

The Group's **trading assets** were ISK 83 bn at the end of March, as compared to ISK 65 bn at the beginning of the year. These include market bonds and trading equities as well as derivatives that are in the money. The Bank's holdings in other financial assets amounted to ISK 15.1 bn at the end of March and investment in associates amounted to ISK 4.2 bn. At the end of March the holdings in trading bonds and equities net of forward contracts amounted to ISK 101.9 bn as compared to ISK 81.3 bn at the beginning of the year. The Bank has entered into forward contracts against these holdings in the amount of ISK 28 bn, thus leaving the net trading bond and equity exposure at ISK 73.4 bn at the end of March 2005.

Liabilities and equity

Deposits from credit institutions amounted to close to ISK 80 at the end of March 2005, as compared to ISK 61 bn at the beginning of the year. Other deposits as of the end of March 2005 amounted to ISK 218 bn.

The Group's **borrowing** amounted to ISK 467 bn at the end of Q1, as compared to ISK 397 bn at the beginning of the year.

The Group's **equity** was ISK 54 bn at the end of March, as compared to ISK 38 bn at the beginning of the year. The increase in equity is the result, on the one hand, of Landsbanki's equity issue at the end of March 2005, at which time the Bank sold new capital amounting to ISK 800 million nominal value at a share price of 14.25, and on the other hand, of profit during the quarter.

The Group's **subordinated loans** were ISK 49 bn at the end of March as compared to ISK 23 bn at the beginning of the year. The Group's CAD ratio was 14.4% at the end of March 2005, of which 9.7% was Tier 1 capital. The Bank's CAD ratio has never been higher. At the beginning of this year, the Group's equity ratio was 10.4%, of which 7.8% was Tier 1 capital.

Performance by Division

Landsbanki's performance is comprised of the results of the following three divisions:

- Commercial Banking,
- Securities Trading and
- Asset Management and Private Banking

A summary of divisional performance for Q1 of 2005 is shown in the following table (amounts in M ISK):

1F 2005	Business segments				
	Commercial Banking	Securities	AM & PB	Other	Total
Net interest revenue	4.420	-480	349	0	4.289
Net commission and fees	1.131	1.686	303	0	3.120
Other revenues	251	5.092	27	0	5.370
Net operating revenue	5.802	6.298	679	0	12.779
Operating expenses	2.491	816	357	374	4.037
Impairment	1.304	0	41	0	1.345
Profit before taxes	2.007	5.482	282	-374	7.396

Commercial Banking includes the Bank's branch network and Corporate Banking, Heritable Bank and SP Fjármögnun. Pre-tax profit of Commercial Banking for the 1st quarter of 2005 amounted to ISK 2 bn (bn), as compared to ISK 800 million in Q1 of 2004.

Securities Trading is comprised of the parent company's securities operations. This division includes securities brokerage, corporate advisory, FX and derivative trading, the Bank's treasury and debt management and proprietary trading. Pre-tax profit of Securities Trading for the 1st quarter of 2005 amounted to ISK 5.5 bn (bn), as compared to ISK 4.8 million in Q1 of 2004. The operations of Teather & Greenwood will be part of Securities Trading and will be included in the division's operations from Q2 onwards.

Asset Management and Private Banking includes the parent company's Asset Management division, Landsvaki hf. and Landsbanki Luxembourg S.A. The pre-tax profit of Asset Management and Private Banking in the 1st quarter of 2005 amounted to ISK 282 million, as compared to ISK 173 million in Q1 of 2004.

Events of Significance in Q1 of 2005

Landsbanki Establishes London Branch

Landsbanki opened a branch in London at the beginning of this year. The decision was prompted by the major growth of the Bank's UK activities. The London branch handles two types of business: on the one hand, lending activities in the form of syndicated loans where Landsbanki acts as either a participant or lead arranger and, on the other hand, corporate advisory services. Branch operations have made a very successful start, returning a good profit during Q1 of 2005.

Merger of Landsbanki Branches *Múlaútibú* and *Austurbæjarútibú*

These two Landsbanki Reykjavík branches were merged as of 24 January this year. The combined branch will be one of Landsbanki's flagships, playing an important role in expanding the Bank's SME and household business.

Acquisition of Teather & Greenwood

On 1 February, a Landsbanki subsidiary, Landsbanki Holding (UK) plc, made a takeover bid for the London securities brokerage Teather & Greenwood, which was accepted by a majority of that company's shareholders. At the end of March, the Group held 96% of the shares in Teather & Greenwood. The acquisition is part of Landsbanki's strategy of utilising its strong position on the domestic market in Iceland as a base for increasing international financial services, focusing especially on corporate and investment banking activities.

Landsbanki expects the addition of Teather & Greenwood to the Group to open up new opportunities for expansion as well as offering positive synergies.

Share Offering

In a share offering at the end of March, the Bank sold new share capital of ISK 800 million nominal value at a share price of 14.25, increasing its equity by ISK 11.4 bn. The objective of the issue is to strengthen the Bank's equity in support of further growth and expansion.

Moody's Raises Landsbanki's Rating

On 7 March, Moody's Investor Service upgraded Landsbanki's deposit and senior debt ratings from A3 to A2 with stable outlook. At the same time, Moody's affirmed the Bank's C rating for financial strength and its Prime 1 short-term deposit and debt rating with a change from positive to stable. The upgraded ratings will further improve the Bank's access to funding on international financial markets.

Outlook for 2005

Landsbanki's profit for the 1st quarter of 2005 is the highest ever and this can largely be contributed to market conditions which were extremely favourable for financial enterprises. In its domestic market, the Bank holds a very solid position, while its operations in the UK and Luxembourg have grown and returned a good profit. The Group's very strong equity position allows it considerable scope for further expansion and growth. Landsbanki's object is an annual after-tax return on equity of 15-17%, which it expects to achieve in 2005.

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 Iceland and abroad, price level and currency fluctuations, and developments on domestic and foreign financial markets.

Investors' Presentation

A presentation will be given for market participants in the Bank's offices at Hafnarstraeti 5, Reykjavik, 4th floor, on Thursday, 12 May 2005, beginning at 16:30. Landsbanki's Group Managing Directors, Sigurjón Th. Árnason and Halldór J. Kristjánsson, will present the highlights of the interim financial statements and respond to questions.

2005 Financial Calendar

Landsbanki's 2005 results will be published as follows:

2 nd quarter:	28 July
3 rd quarter:	28 October
2005 Financial Statements:	27 January 2006

The Q1 financial statements have been reviewed by the Bank's auditors.

A copy of Landsbanki's Interim Financial Statements for Q1 of 2005 is available on the Bank's website www.landsbanki.is

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