

13th February, 2006

FINAL TERMS

LANDSBANKI ÍSLANDS HF. (the "Issuer")

Euro 375,000,000 Non-cumulative Undated Fixed Rate Capital Notes

Terms used herein shall be deemed to be defined as such for the purposes of the "Terms and Conditions of the Notes" set forth in the Prospectus dated 3rd February, 2006 which constitutes a base prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purpose of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for viewing at the registered office of the Issuer at Austurstraeti 11, Reykjavik and on the websites of the Issuer at <http://www.landsbanki.is/index.aspx?GroupId=632> and of the London Stock Exchange at http://www.rns-pdf.londonstockexchange.com/rns/9214x_-2006-2-3.pdf. Copies of the Prospectus may be obtained from the registered office of the Issuer at Austurstraeti 11, Reykjavik.

1. Closing Date: 24th February, 2006.
2. Interest Commencement Date: 24th February, 2006.
3. Interest Rate: 6.25 per cent. per annum payable quarterly in arrear.
4. Interest Payment Dates: 24th February, 24th May, 24th August and 24th November in each year, commencing on 24th May, 2006.
5. Interest Amount: €15.625 per Preferred Security of €1,000 Denomination, payable quarterly on each Interest Payment Date.
6. Aggregate Nominal Amount of the Notes: €375,000,000.
7. Net Proceeds: €367,968,750.
8. Managers: **Joint Lead Managers**

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
England

HSBC Bank plc
8 Canada Square
London E14 5HQ
England

Co-Lead Managers

Banco Español de Crédito, S.A.

Gran Vía de Hortaleza. 3.
28033 Madrid
Spain

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
England

Natexis Banques Populaires
45 rue Saint Dominique
75007 Paris
France.

9. Date of board approval for issuance of Notes: The issue of the Notes was authorised by a resolution of the Board of Directors of the Issuer dated 28th October, 2005 and a resolution of the Group Managing Director and Chief Executive Officer of the Issuer dated 28th October, 2005.
10. ISIN: XS0244143961.
11. Common Code: 024414396.
12. German Security Code (WKN) and any other security codes: AOGNC9.
13. Ratings: The Notes are expected to be assigned on issue the following ratings:

"Baa1" by Moody's Investors Service Limited ("**Moody's**"); and

"A-" by Fitch Ratings ("**Fitch**").

According to Fitch' website (www.fitchratings.com): "'A' ratings denote high credit quality, expectations of low credit risk and the capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories."

According to Moody's ratings guide of August 2004: "Baa obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification...."

A security rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
14. Yield: The above pricing gives a yield of 6.25 per cent. per annum. The yield is calculated as of the date of these Final Terms and may fluctuate in the future. It is not an indication of future yield.

15. Total expenses: The estimated total expenses of the issue are approximately €250,000.
16. Total commission: 1.875 per cent. of the Aggregate Nominal Amount of the Notes.
17. Denomination: €1,000.
18. Other final terms: **Taxation in Portugal**

Income generated by the holding (distributions) or transfer (capital gains) of the Notes is generally subject to the Portuguese tax regime for debt securities (*obrigações*). Under current Portuguese law, interest payments in respect of the Notes made to Portuguese tax resident companies are subject to corporate income tax at the rate of 25 per cent., to which is added, in most districts, the maximum of 10 per cent. municipal surcharge (*derrama*) resulting in a combined rate of 27.5 per cent. As a general rule, interest payments on the Notes to Portuguese tax resident individuals are subject to withholding tax for personal income tax purposes at the current definitive rate of 20 per cent.

Capital gains obtained by Portuguese tax resident companies with the transfer of the Notes are subject to corporate income tax in general terms, currently at a rate of 25 per cent. to which is added, in most districts, the maximum of 10 per cent municipal surcharge (*derrama*) resulting in a combined rate of 27.5 per cent. Capital gains obtained by Portuguese tax resident individuals with the transfer of the Notes are excluded from taxation for personal income tax purposes.

By the current laws of Portugal, the Issuer is not required to make any deduction or withholding from any payment of principal or interest due or to become due under the Notes if the recipient is a Portuguese tax residence.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

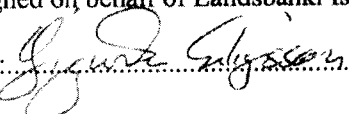
LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue by Landsbanki Íslands hf. of the Notes described herein.

RESPONSIBILITY

Landsbanki Íslands hf. accepts responsibility for the information contained in these Final Terms.

Signed on behalf of Landsbanki Íslands hf.

By: 



Duly authorised