



# H1 2005 Performance Presentation of Landsbanki Íslands hf

Reykjavík 28 July 2005

Sigurjón Þ. Árnason  
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GMD's & CEO's

# Main results from H1 2005

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- The presentation compares the consolidated financial statements of Landsbanki in the first half of 2005 and 2004
- The profit before taxes and minority interests for H1 2005 was ISK 13,056 million and ISK 11,011 million after taxes and minority interests
- Return on equity before taxes and minority interests was 67% in H1 2005 and return on equity after taxes and minority interests was 56%
- Net operating revenue rose by 58% or ISK 9.1 billion and amounted to ISK 24.7 billion
- Total assets rose by ISK 285 billion and amounted to ISK 1,022 billion on 30 June 2005
- The operations of Teather & Greenwood are included in the consolidation as of 1 April 2005, with the result that figures from the previous year are not fully comparable

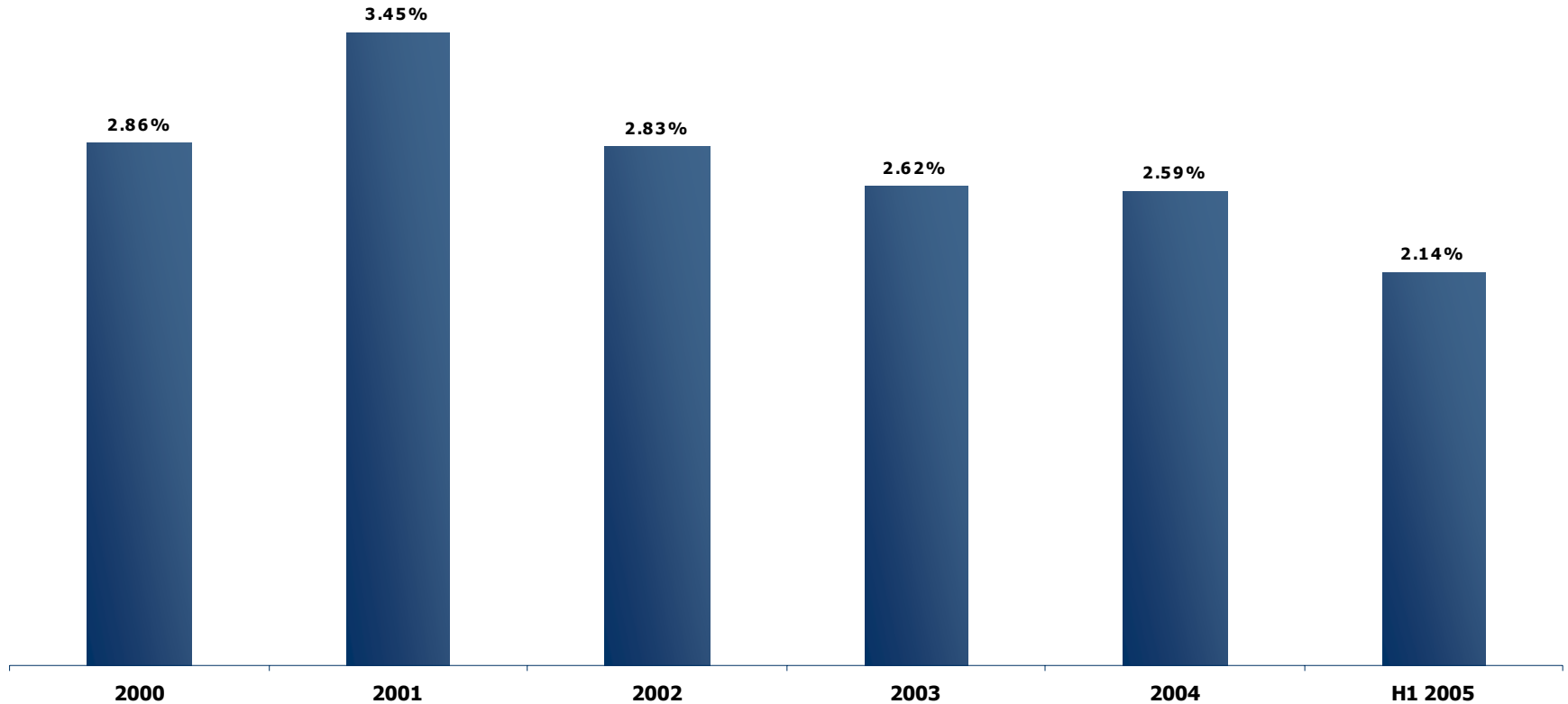


# Income Statement

	H1 2005	H1 2004	Diff	%	Q2 2005	Q1 2005	Q4 2004	Q3 2004
Interest revenues	26,770	15,201	11,569	76%	14,309	12,461	10,879	8,172
Interest expenses	17,351	8,976	8,375	93%	9,180	8,172	6,268	4,273
<b>Net interest revenues</b>	<b>9,419</b>	<b>6,225</b>	<b>3,193</b>	<b>51%</b>	<b>5,129</b>	<b>4,289</b>	<b>4,611</b>	<b>3,898</b>
Fee and commission income	8,345	4,535	3,810	84%	4,864	3,481	3,191	2,509
Fee and commission expense	-764	-597	-166	28%	-403	-361	-382	-365
<b>Net fee and commission income</b>	<b>7,581</b>	<b>3,937</b>	<b>3,644</b>	<b>93%</b>	<b>4,461</b>	<b>3,120</b>	<b>2,809</b>	<b>2,144</b>
Dividend income	721	441	281	64%	616	105	11	1
Net gain on financial assets and financial liabilities held for trading	1,815	2,363	-548	-23%	-163	1,978	-41	1,794
Net gain on financial assets designated at fair value through profit and loss	3,493	2,445	1,048	43%	1,003	2,490	-2,220	4,693
Fair value adjustments in hedge accounting	135	0	135	0%	-81	216	0	0
Foreign exchange difference	-64	131	-195	-149%	-161	97	122	111
Share of profit of associates	759	30	729	2415%	275	484	-79	41
Net gain on sale of disposal groups held for sale	817	0	817	0%	817	0	0	0
<b>Other operating revenues</b>	<b>7,677</b>	<b>5,410</b>	<b>2,267</b>	<b>42%</b>	<b>2,307</b>	<b>5,370</b>	<b>-2,207</b>	<b>6,639</b>
<b>Net operating revenues</b>	<b>24,677</b>	<b>15,572</b>	<b>9,105</b>	<b>58%</b>	<b>11,898</b>	<b>12,779</b>	<b>5,213</b>	<b>12,682</b>



# Interest Spread as a Ratio of Average Capital Position



# Fee and Commission Income

	H1 2005	H1 2004	Diff	%	Q2 2005	Q1 2005	Q4 2004	Q3 2004
Securities	3,612	1,676	1,936	116%	1,923	1,690	1,436	708
Asset Management	649	481	168	35%	340	309	290	261
Foreign trade	168	157	11	7%	92	76	76	110
Lending	866	412	455	111%	534	332	387	254
Cards	568	423	145	34%	295	273	217	218
Interbank revenues	488	507	-19	-4%	249	239	234	339
Collection and payment services	250	203	47	23%	115	136	103	188
Other commissions and fees	210	116	94	81%	134	75	147	79
Subsidiaries	1,533	561	973	174%	1,183	350	301	352
	<b>8,345</b>	<b>4,535</b>	<b>3,810</b>	<b>84%</b>	<b>4,864</b>	<b>3,481</b>	<b>3,191</b>	<b>2,509</b>
Fee and commission expense	-764	-597	-166	28%	-403	-361	-382	-365
<b>Net fee and commission income</b>	<b>7,581</b>	<b>3,937</b>	<b>3,644</b>	<b>93%</b>	<b>4,461</b>	<b>3,120</b>	<b>2,809</b>	<b>2,144</b>

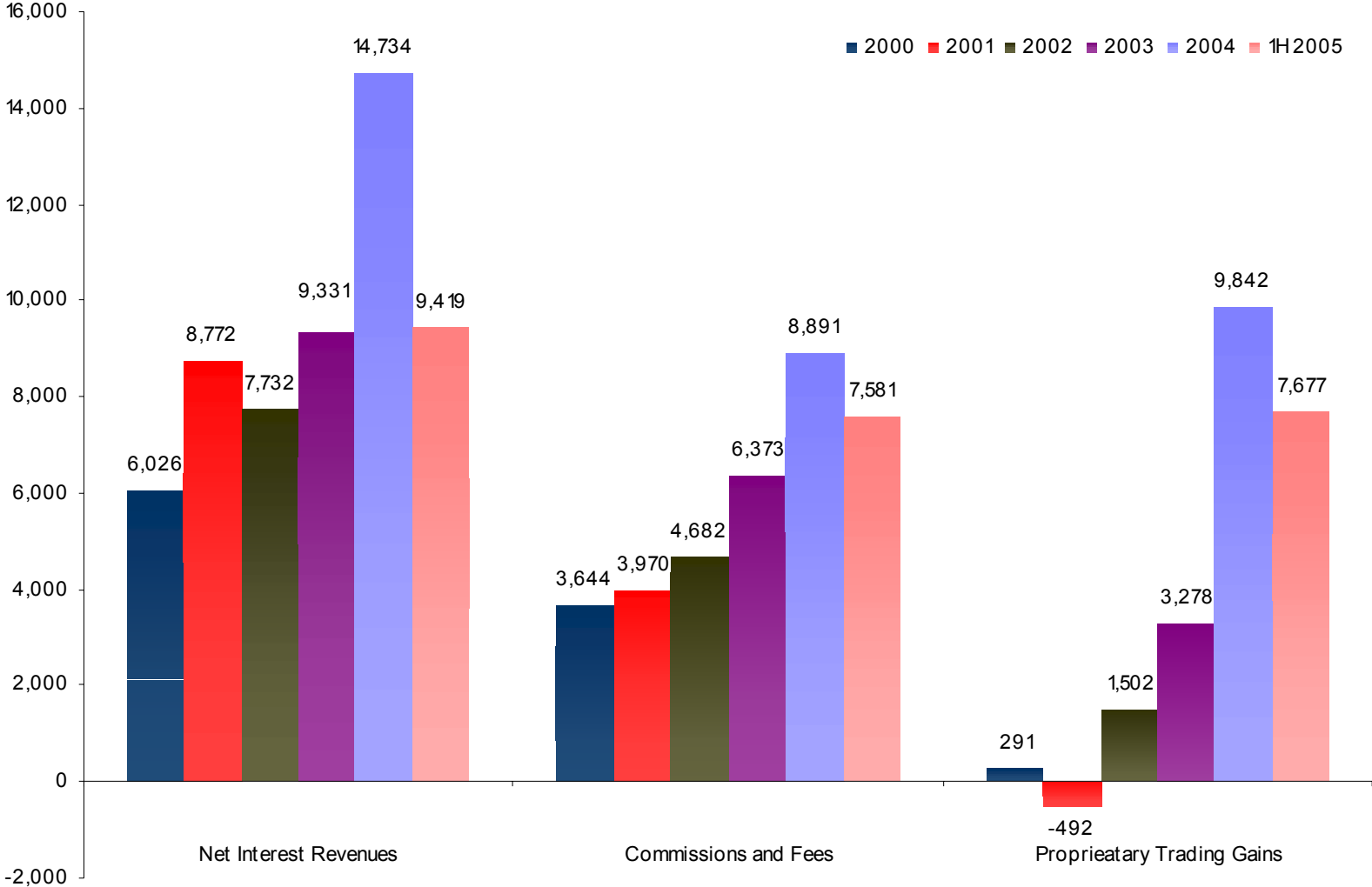


# Trading Gains

IFRS		Previous GAAP	
Dividend income	721	Stock trading	6,799
Net gain on financial assets and financial liabilities held for trading	1,815	Bond trading	815
Net gain on financial assets designated at fair value through profit and loss	3,493	Foreign exchange	57
Fair value adjustments in hedge accounting	135	Share of profit of associates	92
Foreign exchange difference	-64	Other	-87
Share of profit of associates	759		
Net gain on sale of disposal groups held for sale	817		
	<b>7,677</b>		<b>7,677</b>



# Net Operating Revenues

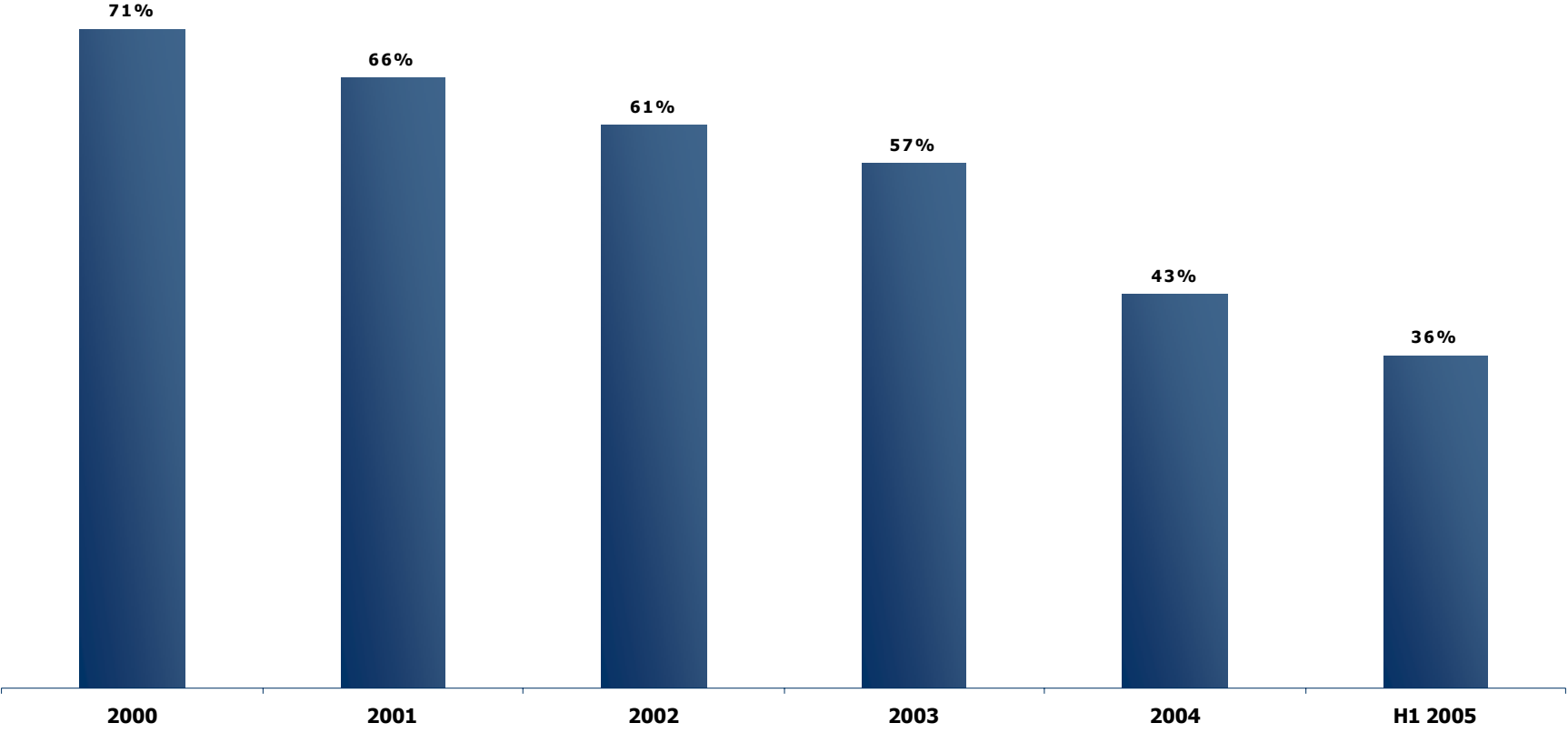


# Income Statement

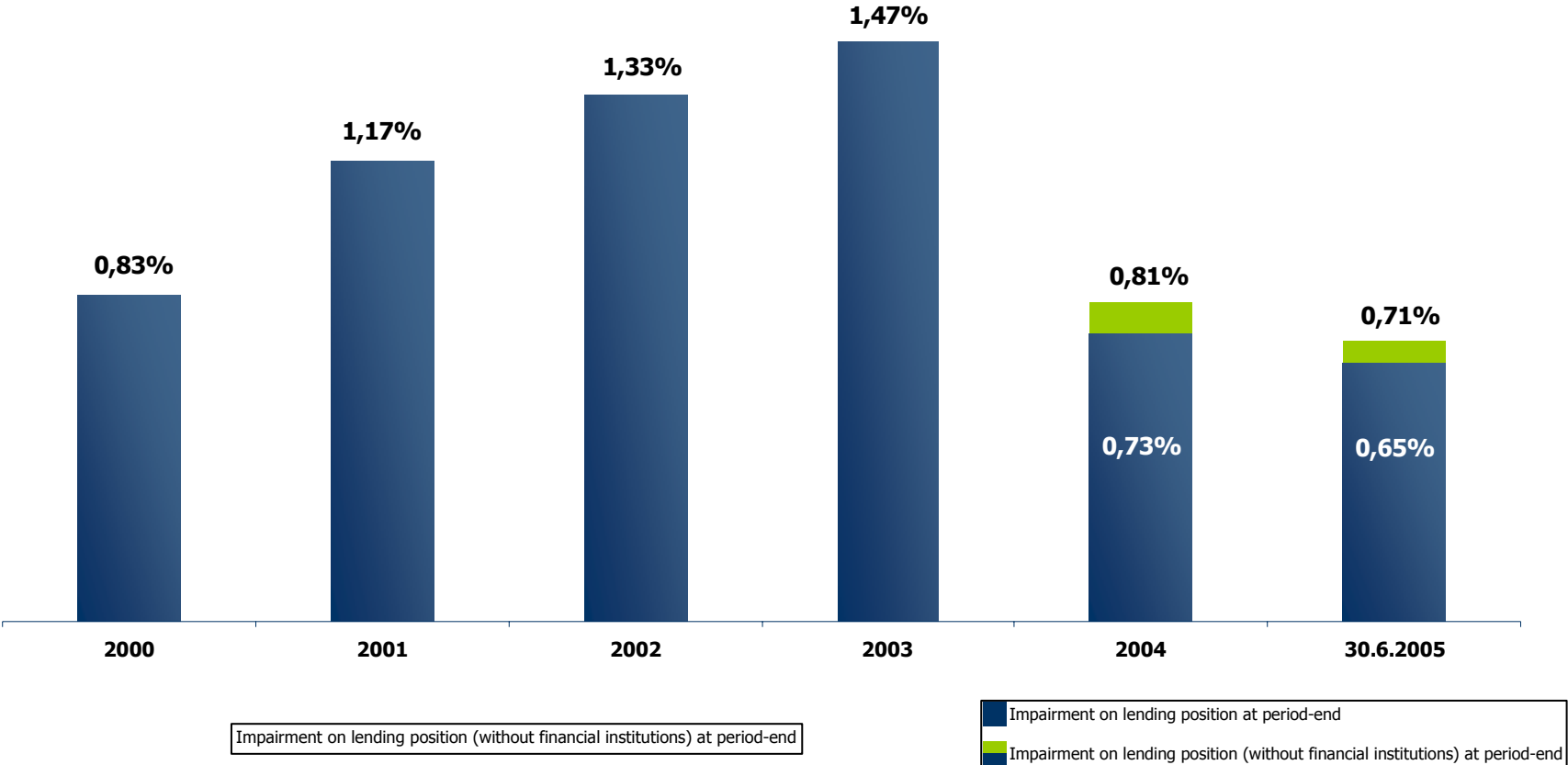
	H1 2005	H1 2004	Diff	%	Q2 2005	Q1 2005	Q4 2004	Q3 2004
<b>Net operating revenues</b>	<b>24,677</b>	<b>15,572</b>	<b>9,105</b>	<b>58%</b>	<b>11,898</b>	<b>12,779</b>	<b>5,213</b>	<b>12,682</b>
Salaries and related expenses	5,469	3,378	2,092	62%	3,114	2,355	2,112	2,304
Administrative expenses	3,447	2,954	493	17%	1,764	1,683	1,749	1,963
<b>Operating expenses</b>	<b>8,916</b>	<b>6,331</b>	<b>2,585</b>	<b>41%</b>	<b>4,879</b>	<b>4,037</b>	<b>3,862</b>	<b>4,267</b>
Impairment on loans and advances and assets held for sale	2,704	1,969	735	37%	1,359	1,345	1,223	1,293
<b>Profit before income tax</b>	<b>13,056</b>	<b>7,272</b>	<b>5,784</b>	<b>80%</b>	<b>5,660</b>	<b>7,396</b>	<b>128</b>	<b>7,121</b>
Income tax	1,953	1,294	659	51%	602	1,351	-829	1,333
<b>Profit before minority interests</b>	<b>11,103</b>	<b>5,978</b>	<b>5,125</b>	<b>86%</b>	<b>5,058</b>	<b>6,045</b>	<b>957</b>	<b>5,788</b>
Minority interests	92	54	38	69%	58	34	53	42
<b>Net profit</b>	<b>11,011</b>	<b>5,924</b>	<b>5,087</b>	<b>86%</b>	<b>5,000</b>	<b>6,011</b>	<b>905</b>	<b>5,746</b>



# Cost-Income Ratio



# Impairment on Loans and Advances



# Loans in arrears

Allowance for losses on loans and advances at 30 June 2005

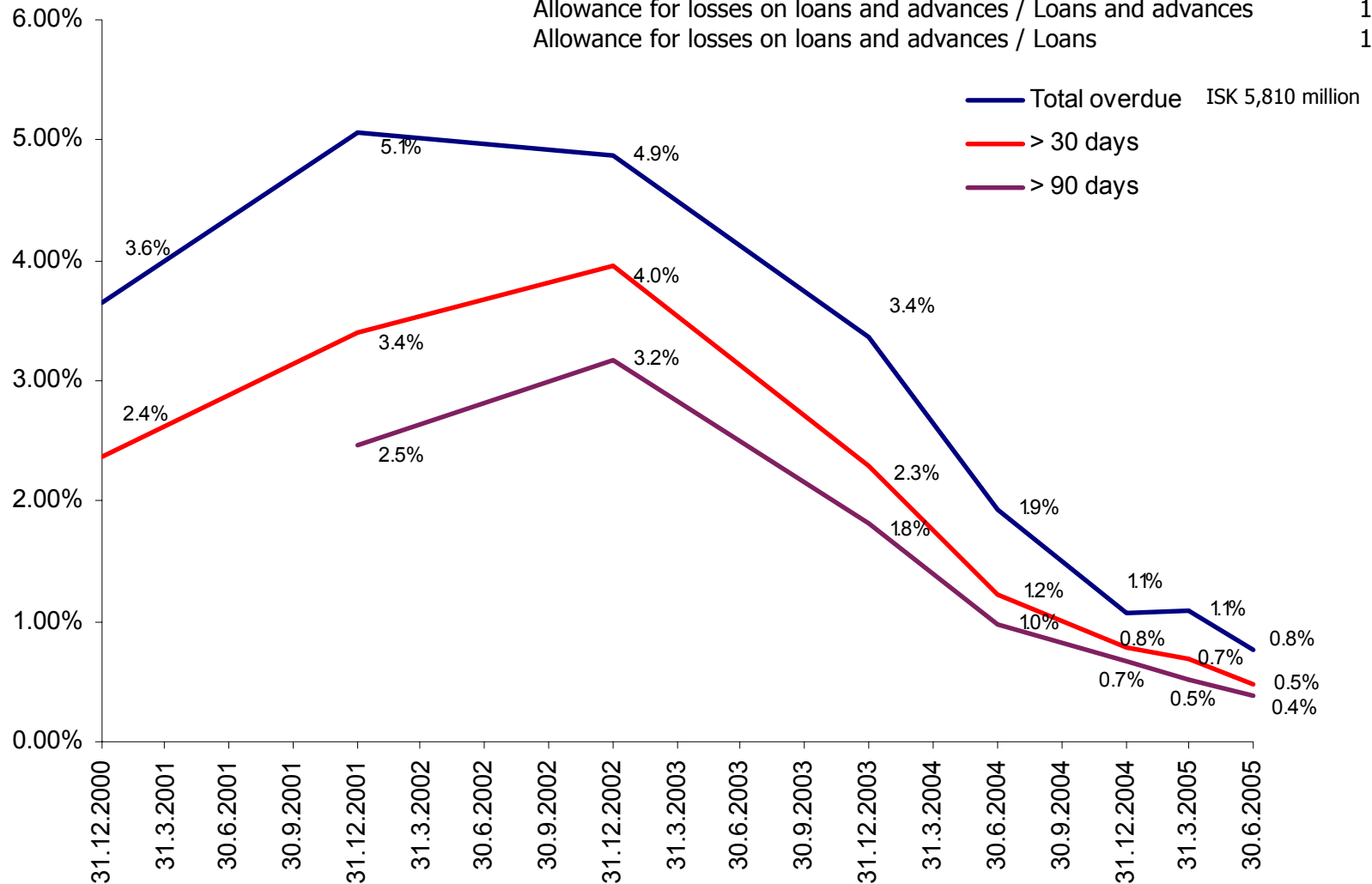
9,539

Allowance for losses on loans and advances / Loans and advances

1.15%

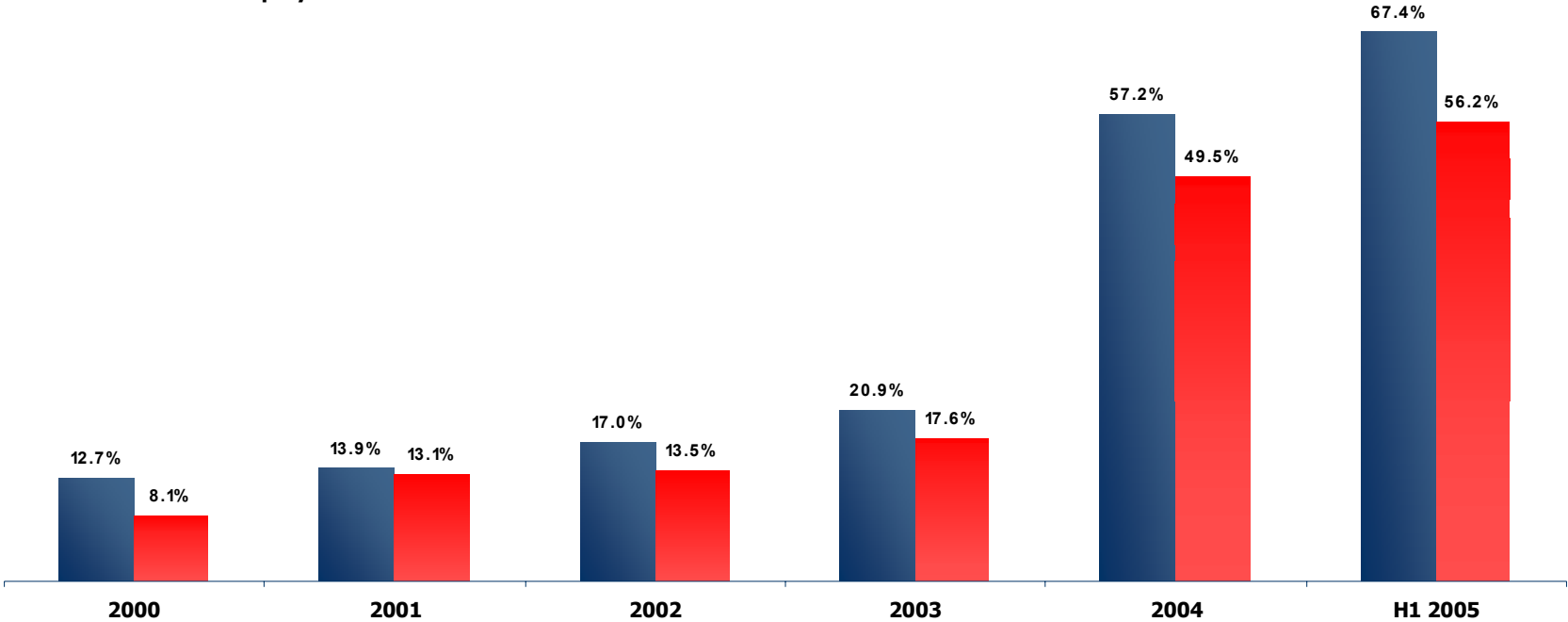
Allowance for losses on loans and advances / Loans

1.25%



# Return on Equity

- Return on equity before taxes and minority interests
- Return on equity after taxes



# Revenue Breakdown by Countries

H1 2005	Iceland	UK	Luxembourg	Total
Net interest revenues	7,160	1,640	619	9,419
Net fee and commission income	5,876	1,319	386	7,581
Other revenues	7,596	39	42	7,677
<b>Net operating revenues</b>	<b>20,633</b>	<b>2,998</b>	<b>1,046</b>	<b>24,677</b>

H1 2004	Iceland	UK	Luxembourg	Total
Net interest revenues	5,431	301	494	6,225
Net fee and commission income	3,548	273	116	3,937
Other revenues	5,384	0	26	5,410
<b>Net operating revenues</b>	<b>14,363</b>	<b>574</b>	<b>636</b>	<b>15,572</b>

- The proportion of net operating revenues contributed by operations abroad has increased from 8% to 16% from 2004 to 2005



# Business Segments

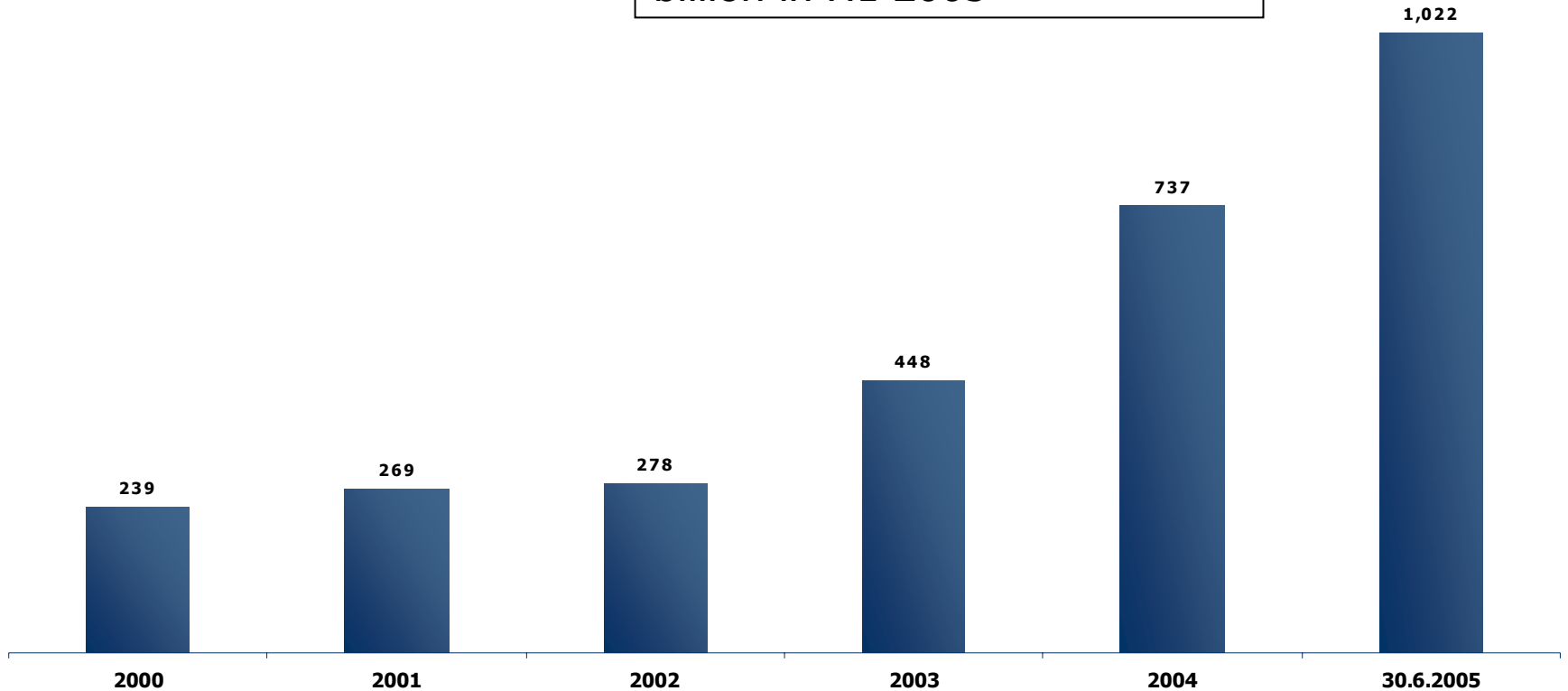
H1 2005	Commercial Banking	Securities	AM & PB	Other	Total
Net interest revenue	9,750	-953	622	0	9,419
Net commission and fees	2,466	4,194	921	0	7,581
Other revenues	283	7,309	85	0	7,677
<b>Net operating revenue</b>	<b>12,499</b>	<b>10,550</b>	<b>1,628</b>	<b>0</b>	<b>24,677</b>
<b>Operating expenses</b>	<b>5,577</b>	<b>2,240</b>	<b>849</b>	<b>251</b>	<b>8,916</b>
Impairment	2,636	0	68	0	2,704
<b>Pre-tax profit</b>	<b>4,286</b>	<b>8,310</b>	<b>711</b>	<b>-251</b>	<b>13,056</b>

H1 2004	Commercial Banking	Securities	AM & PB	Other	Total
Net interest revenue	5,925	-189	488	0	6,225
Net commission and fees	1,724	1,622	591	0	3,937
Other revenues	-28	5,412	26	0	5,410
<b>Net operating revenue</b>	<b>7,621</b>	<b>6,846</b>	<b>1,105</b>	<b>0</b>	<b>15,572</b>
<b>Operating expenses</b>	<b>3,805</b>	<b>907</b>	<b>654</b>	<b>965</b>	<b>6,331</b>
Impairment	1,811	5	152	0	1,969
<b>Pre-tax profit</b>	<b>2,005</b>	<b>5,933</b>	<b>299</b>	<b>-965</b>	<b>7,272</b>



# Total Assets

Total Assets rose by ISK 285 billion in H1 2005



# Balance Sheet

	30 June 2005	1 Jan 2005	Change	%
Cash and cash balances with Central Bank	8,211	18,237	-10,025	-55%
Loans and advances	828,342	614,274	214,068	35%
Trading assets	119,208	64,730	54,478	84%
Financial assets designated at fair value through profit and loss	16,080	12,817	3,263	25%
Derivatives held for hedging	6,055	4,930	1,125	23%
Investment in Associates	3,696	3,792	-96	-3%
Property and equipment	4,497	4,146	351	8%
Intangible assets	7,035	1,585	5,449	344%
Non-current assets and disposal groups classified as held for sale	12,508	9,962	2,546	26%
Other assets	16,440	2,668	13,772	516%
<b>Total assets</b>	<b>1,022,072</b>	<b>737,141</b>	<b>284,931</b>	<b>39%</b>
Deposits from credit institutions	92,755	61,236	31,519	51%
Deposits from customers	262,655	217,970	44,686	21%
Borrowing	521,870	375,084	146,786	39%
Subordinated loans	49,394	22,570	26,824	119%
Trading liabilities	10,089	8,077	2,011	25%
Derivatives held for hedging	1,642	1,582	60	4%
Tax liabilities	3,726	1,674	2,052	123%
Liabilities included in disposal groups classified as held for sale	2,036	4,204	-2,168	-52%
Other liabilities	16,885	6,035	10,850	180%
<b>Total liabilities</b>	<b>961,052</b>	<b>698,432</b>	<b>262,620</b>	<b>38%</b>
Share capital	8,664	7,954	710	9%
Retained earnings	50,290	29,751	20,538	69%
<b>Landsbanki equity</b>	<b>58,954</b>	<b>37,705</b>	<b>21,249</b>	<b>56%</b>
Minority interests	2,066	1,004	1,063	106%
<b>Total equity</b>	<b>61,020</b>	<b>38,709</b>	<b>22,311</b>	<b>58%</b>
<b>Total liabilities and equity</b>	<b>1,022,072</b>	<b>737,141</b>	<b>284,931</b>	<b>39%</b>

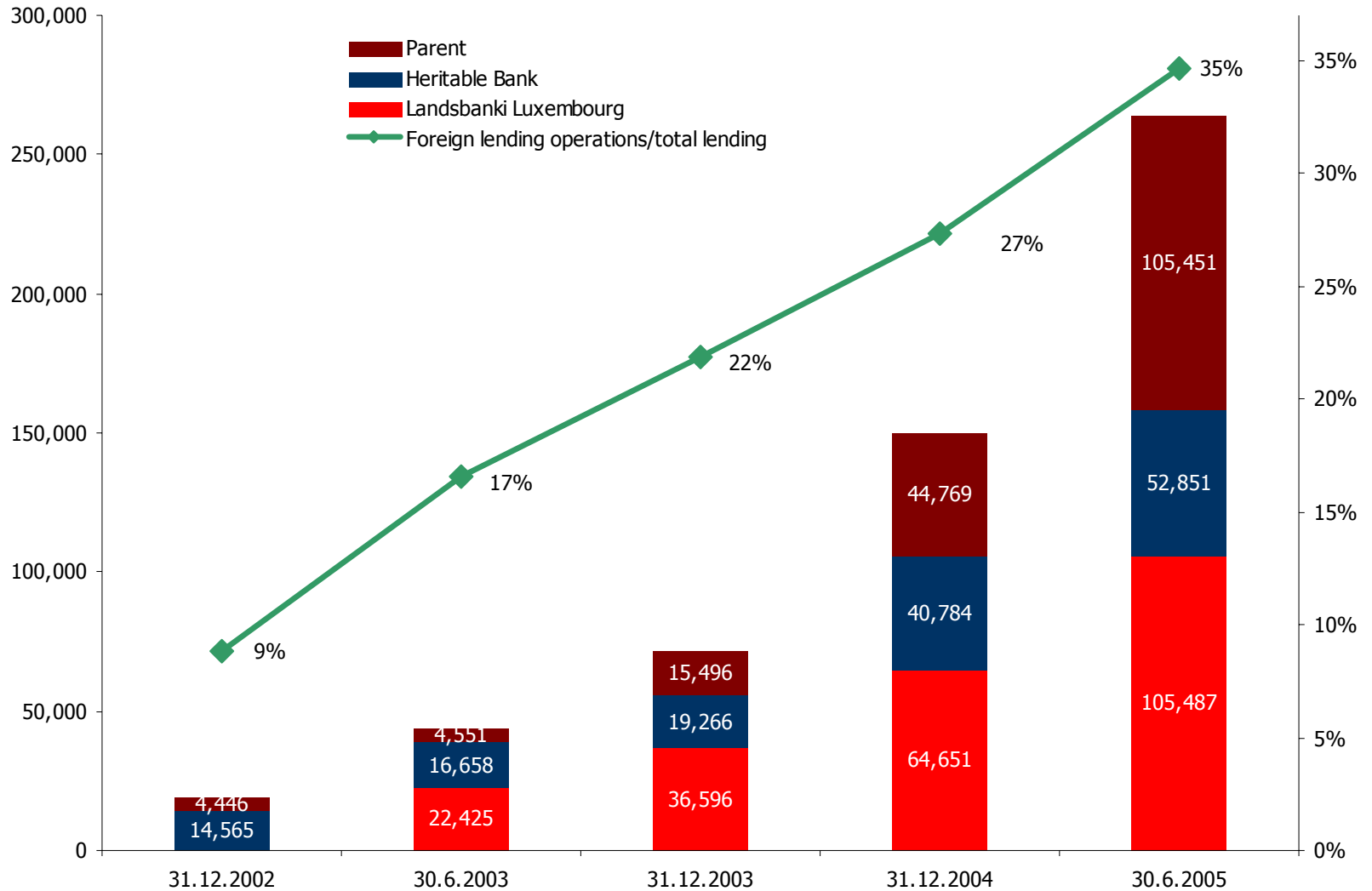


# Securities and Shareholdings

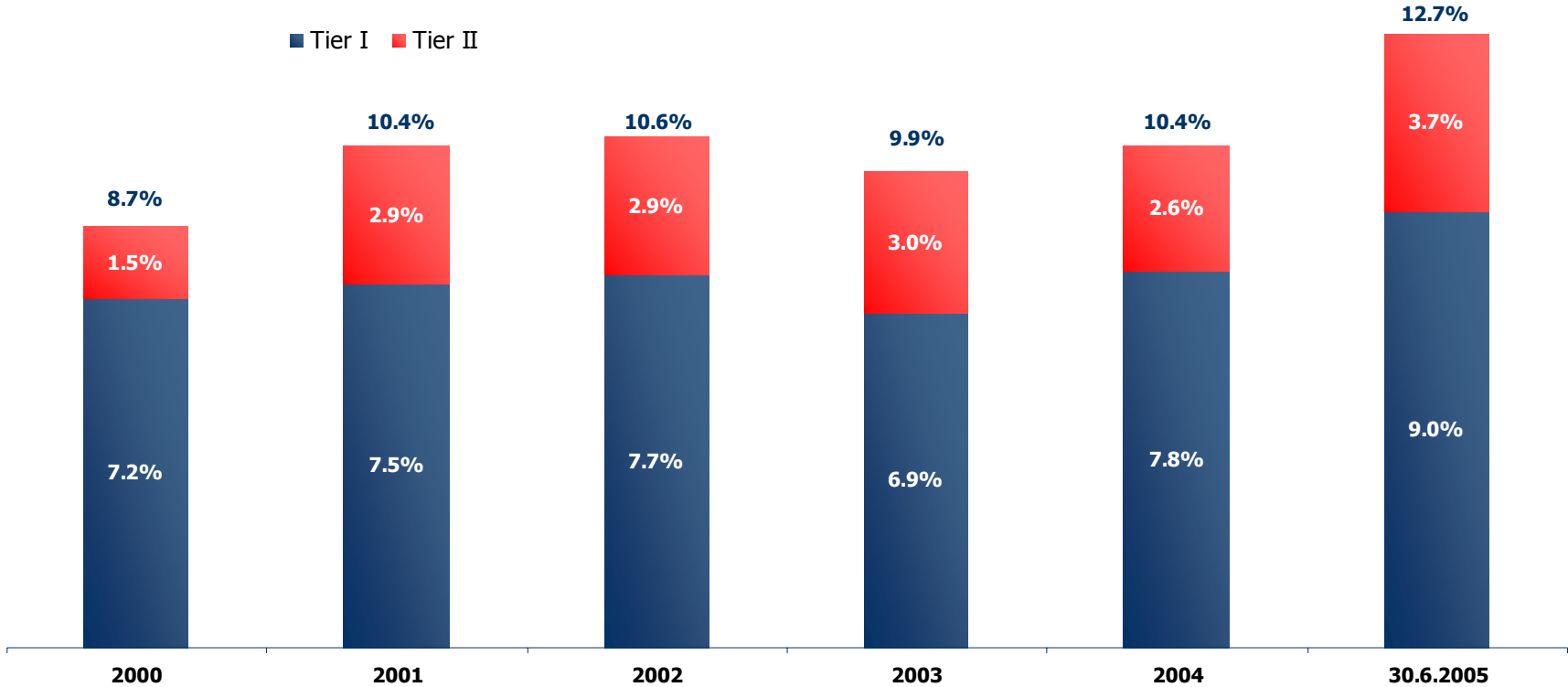
	30 June 2005	1 Jan 2005	Change	%
Trading assets	119,208	64,730	54,478	84%
Financial assets designated at fair value through profit and loss	16,080	12,817	3,263	25%
Investment in Associates	3,696	3,792	-96	-3%
	<b>138,984</b>	<b>81,339</b>	<b>57,645</b>	<b>71%</b>
<hr/>				
Bonds and other fixed-income securities	50,051	18,529	31,522	170%
Equity and other variable-income securities	75,966	50,316	25,650	51%
Shares in subsidiaries and affiliates	3,696	3,792	-96	-3%
Derivatives in the money	9,271	8,702	568	7%
<b>Total securities and shareholdings</b>	<b>138,984</b>	<b>81,339</b>	<b>57,645</b>	<b>71%</b>
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Bonds and other fixed-income securities	24,953	1,785	23,168	1298%
Equity and other variable-income securities	41,690	23,596	18,094	77%
<b>Forward and option contracts</b>	<b>66,643</b>	<b>25,381</b>	<b>41,262</b>	<b>0%</b>
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Bonds and other fixed-income securities	25,098	16,744	8,354	50%
Equity and other variable-income securities	34,276	26,720	7,556	28%
Shares in subsidiaries and affiliates	3,696	3,792	-96	-3%
Derivatives in the money	9,271	8,702	568	7%
<b>Net securities and shareholdings</b>	<b>72,340</b>	<b>55,958</b>	<b>16,382</b>	<b>29%</b>



# Foreign Lending Operations



# Equity Ratio - CAD



# Prognosis

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- Landsbanki's position in the domestic market is strong and the Bank has the leading market share in the Icelandic financial market
- Landsbanki's operations have been strengthened by opening a branch in London and through the acquisition of the London securities brokerage Teather & Greenwood
- Net interest and commission income has grown substantially in the past two years, while the net interest margin has declined
- Investment banking operations of Landsbanki continue to grow and its revenues have increased substantially
- Moody's upgraded Landsbanki's deposit and senior debt ratings from A3 to A2 in March, thus improving the Bank's access to international funding
- Market conditions for financial enterprises are favourable and the Bank expects to easily achieve its goals of 15-17% ROE after tax in 2005



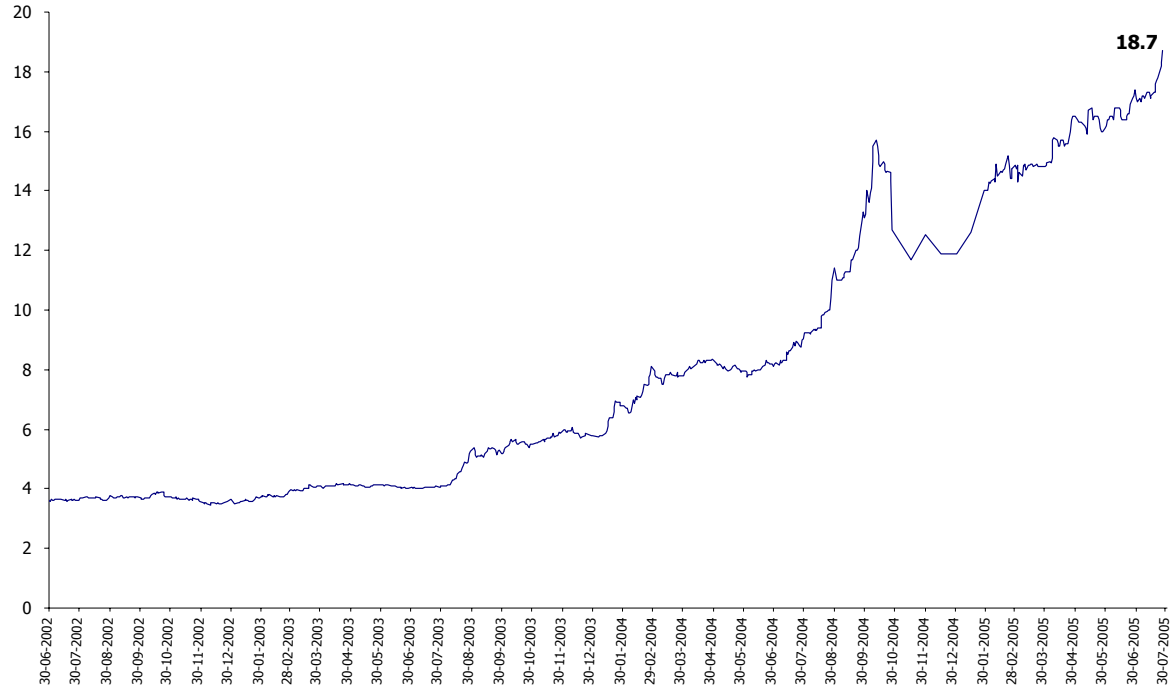
# Targets

	H1 2005	2004	Targets
Return on equity before taxes	67.4	57.2	18-20
Return on equity after taxes	56.2	49.5	15-17
Cost-income ratio	36	43	< 55
Tier 1 ratio	9.0	7.8	7.5 - <b>8</b> - 8.5
Equity ratio	12.7	10.4	10+
Interest spread as a ratio of average capital position	2.1	2.6	-
Ratio of provision to lending position at period-end	0.65	0.73	< 1.0



# Current State of the Bank

- Total issued nominal capital ISK 8,900 million
- Stock price today 18.7
- Landsbanki market value ISK 166.4 billion
- Total equity ISK 59.0 billion – Price-to-book ratio 2.82
- Equity less goodwill ISK 52.5 billion – Price-to-book ratio 3.17





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Reykjavík 28 July 2005

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