



2005 Performance Presentation of Landsbanki Íslands hf.

Sigurjón Þ. Árnason, GMD & CEO

Main results from 2005

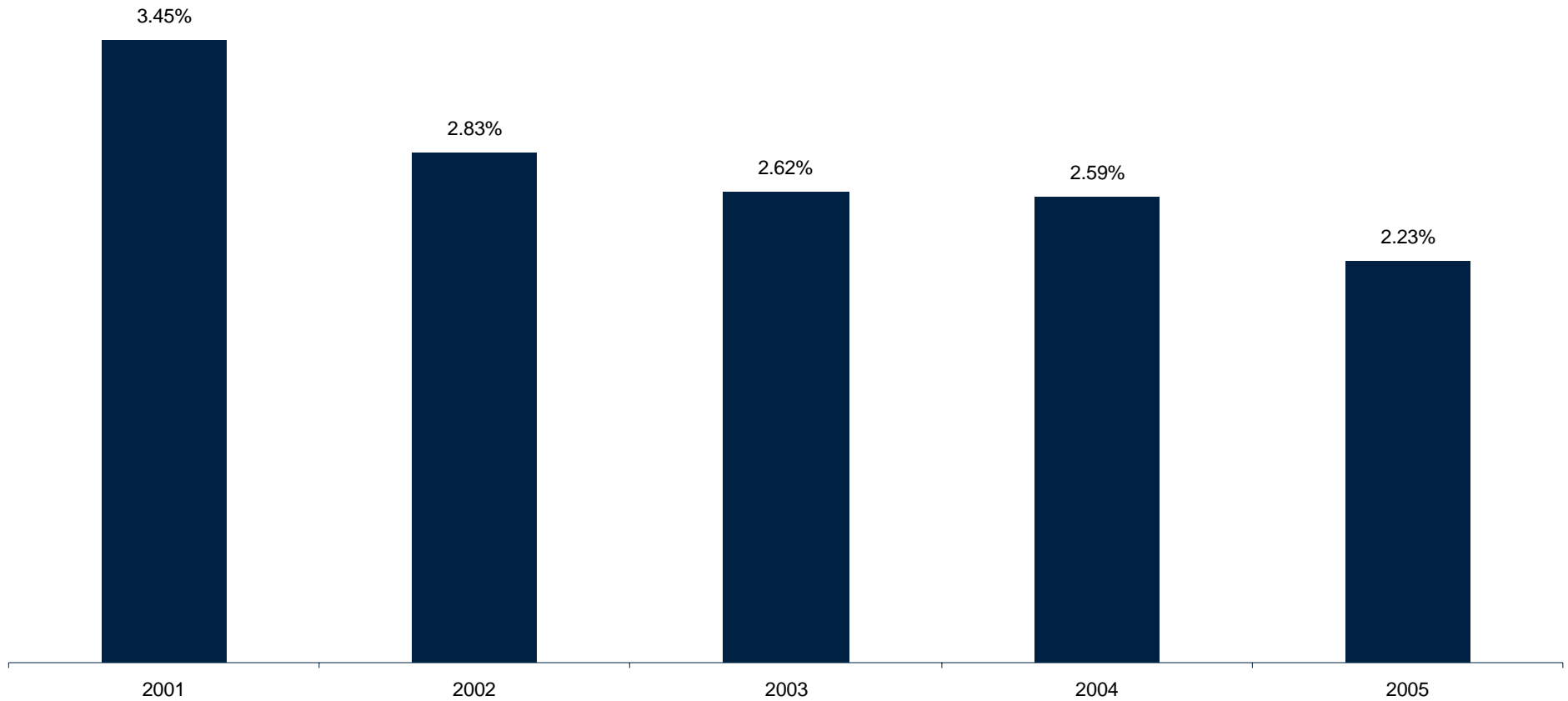
- Comparison of Consolidated Financial Statements 2005 and 2004
- Profit before tax and goodwill impairment for the period amounted to ISK 33.8 billion (bn) and profit after tax and goodwill impairment was ISK 24.7 bn
- Group core income increased by 68% or ISK 16 bn, totalling ISK 40 bn
- Income from activities outside of Iceland grew by ISK 7.7 bn, amounting to ISK 10.4 bn
- Goodwill amounting to ISK 3.3 bn arising from the merger of Burðarás's assets with Landsbanki was fully written off in Q3
- Return on equity (ROE) before tax and goodwill impairment was 61.8% and 45.2% after allowing for taxes and goodwill impairment
- The Group's equity was ISK 110 bn at year-end as compared to ISK 37.7 bn at the beginning of the year, increasing by 192% during the year
- Total assets increased by 91%, amounting to ISK 1,405 bn at year-end 2005
- With the acquisition of three European securities brokers in 2005, Landsbanki took a major step towards becoming an international corporate and investment bank.
 - Teather & Greenwood became part of the Bank's balance sheet as of the end of Q1 of 2005 and the company's operations are included in the consolidated accounts from 1 April 2005
 - Kepler Equities is included in the consolidated accounts as of 1 December 2005
 - Merrion Capital is included in the consolidated accounts as of the end of the year, and has no impact the Group's income statement
- Landsbanki acquired the assets and liabilities of the Agricultural Loan Fund, and its subsidiaries acquired Key Business Finance and Lex Life & Pension

Income Statement

	2005	2004	Diff	%	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Interest revenues	66,437	34,252	32,185	94%	21,073	18,594	14,309	12,461
Interest expenses	43,441	19,517	23,924	123%	13,818	12,272	9,180	8,172
Net interest revenues	22,996	14,734	8,261	56%	7,255	6,322	5,129	4,289
Fee and commission income	18,479	10,234	8,245	81%	5,359	4,775	4,864	3,481
Fee and commission expense	-1,754	-1,344	-410	30%	-598	-392	-403	-361
Net fee and commission income	16,726	8,891	7,835	88%	4,761	4,383	4,461	3,120
Dividend income	1,073	453	620	137%	191	161	616	105
Net gain on financial assets and financial liabilities held for trading	10,868	4,116	6,752	164%	5,503	3,550	-163	1,978
Net gain on financial assets designated at fair value through profit and loss	5,866	4,918	948	19%	1,205	1,167	1,003	2,490
Fair value adjustments in hedge accounting	6	0	6	0%	-361	232	-81	216
Foreign exchange difference	387	364	23	6%	92	359	-161	97
Share of profit of associates	1,907	-8	1,915	-24786%	643	505	275	484
Net gain on sale of disposal groups held for sale	1,150	0	1,150	0%	63	270	817	0
Other operating revenues	21,257	9,842	11,415	116%	7,337	6,243	2,307	5,370
Net operating revenues	60,978	33,467	27,511	82%	19,352	16,949	11,898	12,779

ISK million

Interest Spread as a Ratio of Average Capital Position



Fee and Commission Income

	2005	2004	Diff	%	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Securities *	6,913	3,820	3,093	81%	1,536	1,765	1,923	1,690
Asset Management	1,576	1,031	544	53%	526	401	340	309
Foreign trade	386	344	42	12%	101	117	92	76
Lending	2,771	1,052	1,719	163%	1,316	589	534	332
Cards	1,138	858	280	33%	288	282	295	273
Interbank revenues	989	1,080	-91	-8%	238	263	249	239
Collection and payment services	514	494	20	4%	151	112	115	136
Other commissions and fees	475	342	133	39%	161	105	134	75
Subsidiaries	3,716	1,213	2,503	206%	1,042	1,141	1,183	350
	18,479	10,234	8,245	81%	5,359	4,775	4,864	3,481
Fee and commission expense	-1,754	-1,344	-410	30%	-598	-392	-403	-361
Net fee and commission income	16,726	8,891	7,835	88%	4,761	4,383	4,461	3,120

* Securities includes Corporate Advisory, FX and Derivatives, Treasury, Derivatives Trading and Securities Trading

ISK million

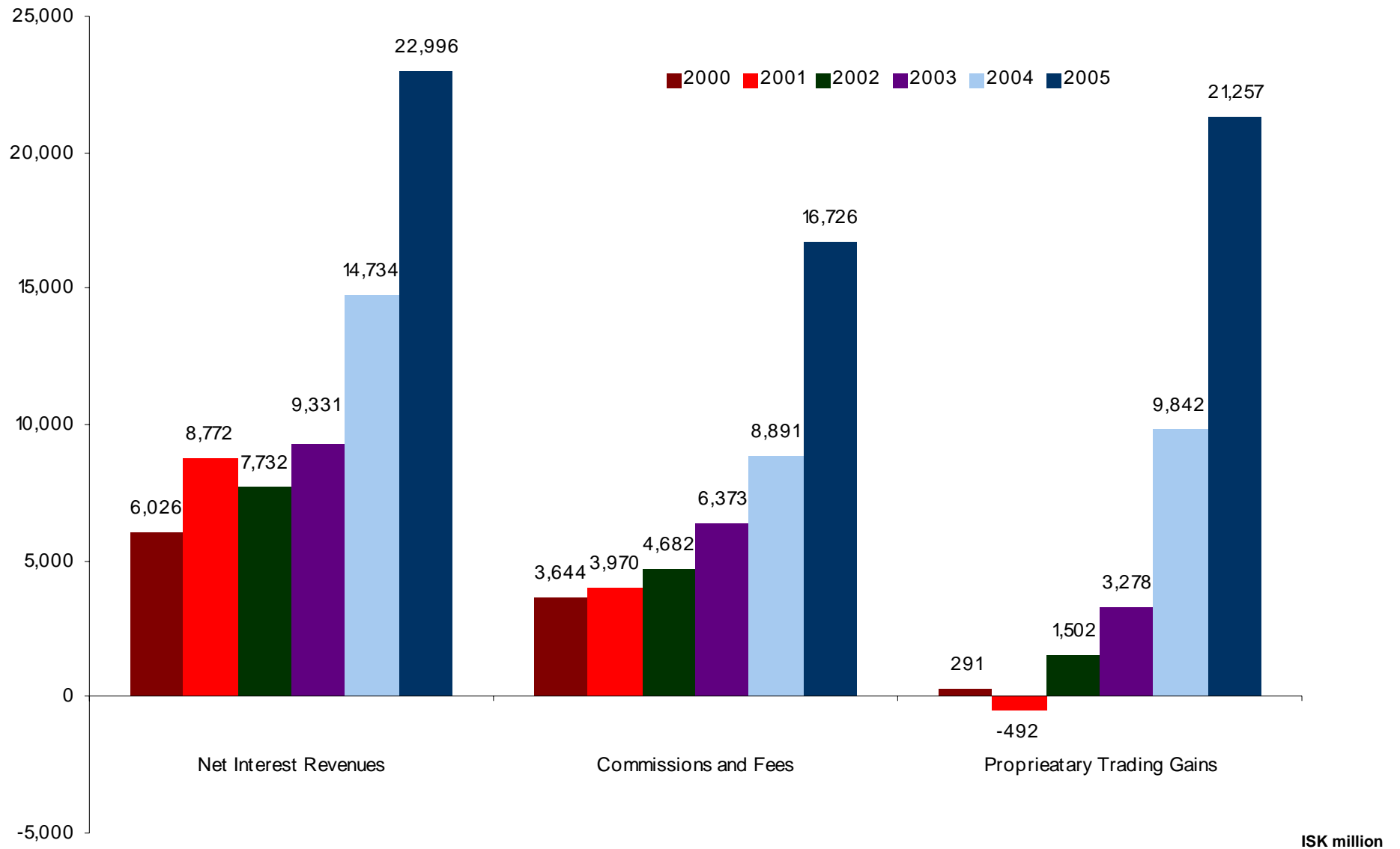
Trading Gains

IFRS		Previous GAAP	
Dividend income	1,073	Stock trading	20,557
Net gain on financial assets and financial liabilities held for trading	10,868	Bond trading	-219
Net gain on financial assets designated at fair value through profit and loss	5,866	Foreign exchange	387
Fair value adjustments in hedge accounting	6	Share of profit of associates	329
Foreign exchange difference	387	Other	202
Share of profit of associates	1,907		
Net gain on sale of disposal groups held for sale	1,150		
	21,257		21,257

Previous GAAP by Quarters	Q1	Q2	Q3	Q4	Total
Stock trading	4,222	2,577	6,004	7,754	20,557
Bond trading	624	192	-106	-929	-219
Foreign exchange	79	-22	64	266	387
Share of profit of associates	15	77	112	124	329
Other	30	-117	168	121	202
	4,969	2,708	6,242	7,337	21,257

ISK million

Net Operating Revenues

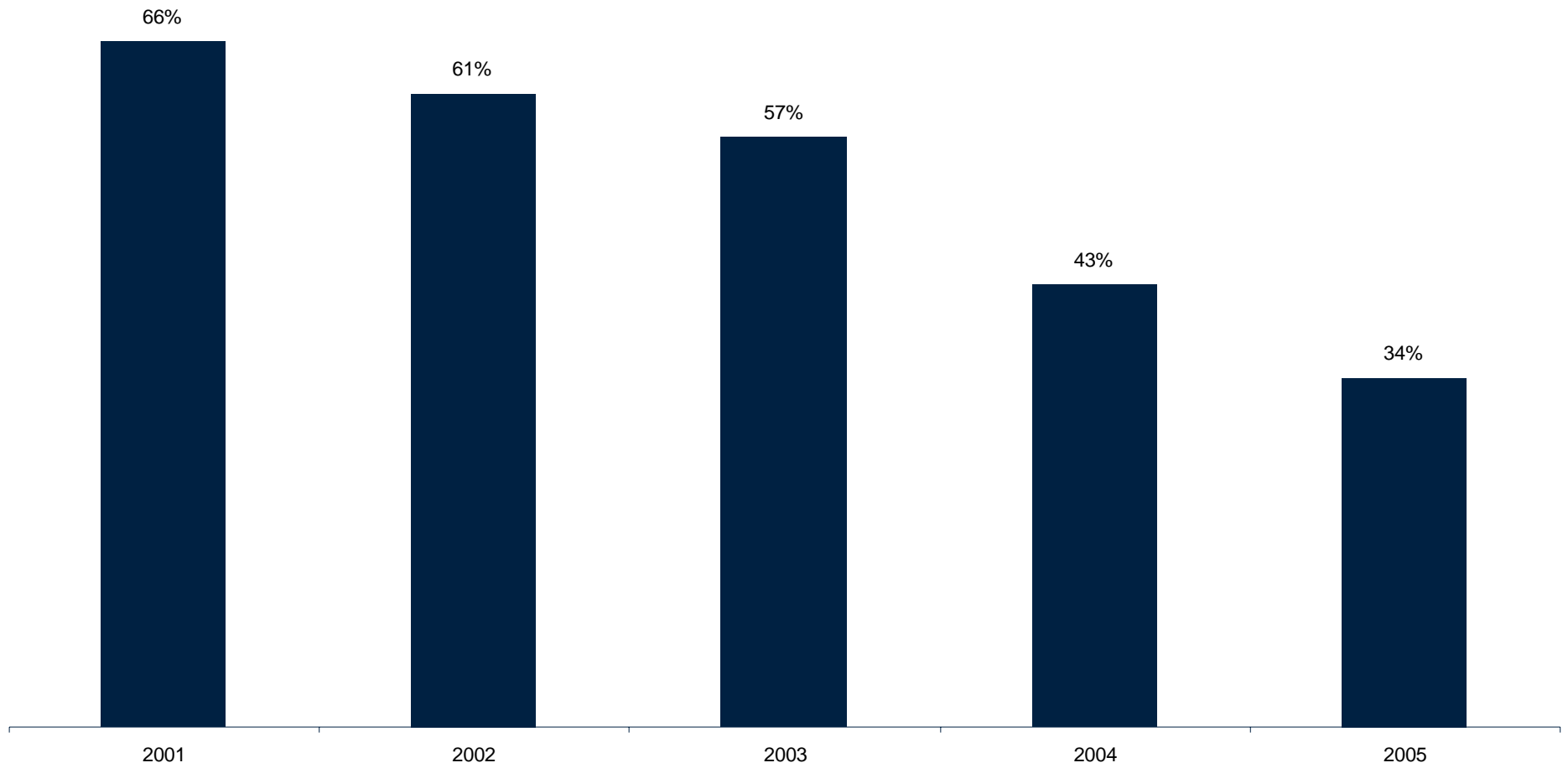


Income Statement

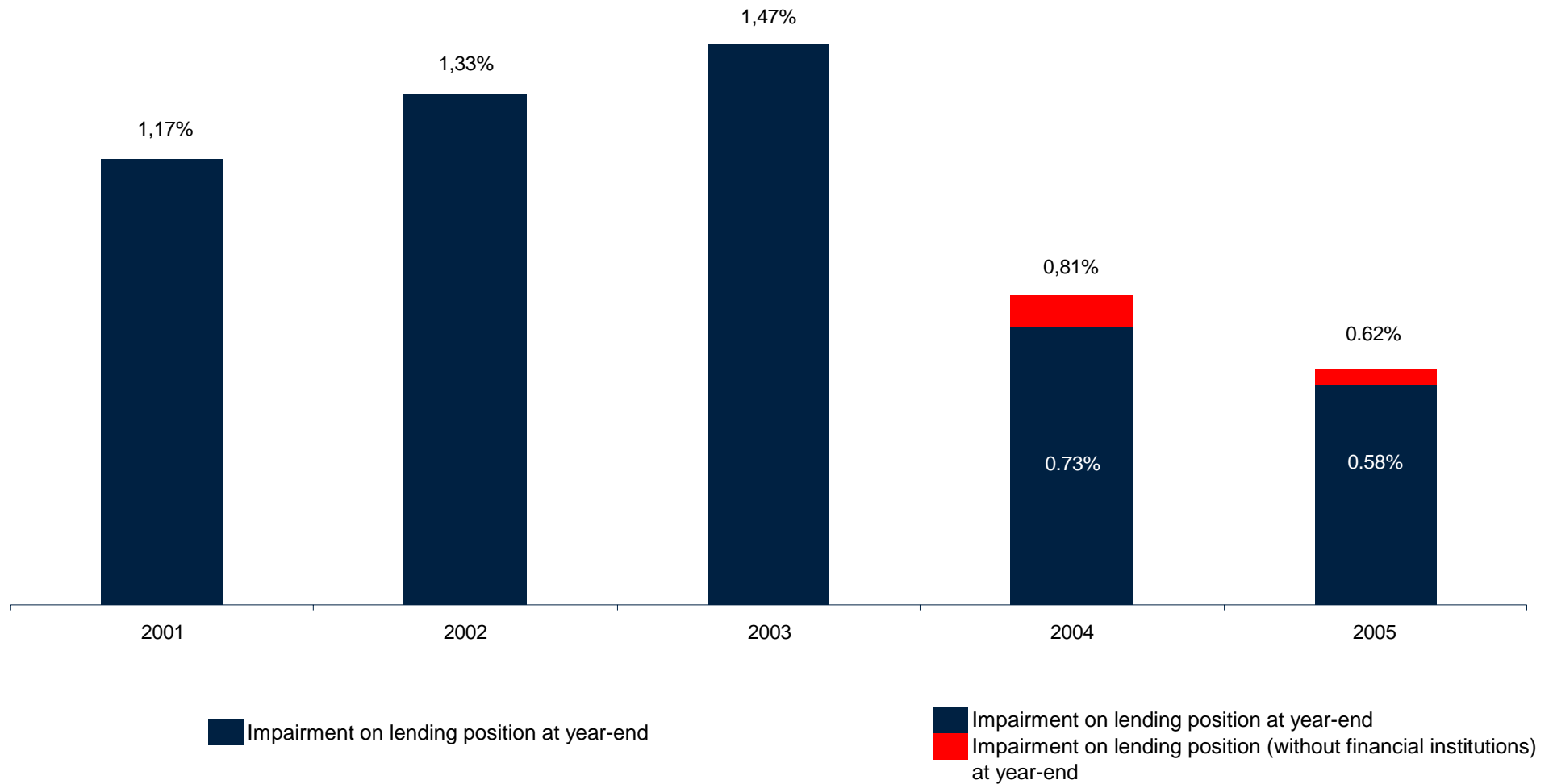
	2005	2004	Diff	%	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Net operating revenues	60,978	33,467	27,511	82%	19,352	16,949	11,898	12,779
Salaries and related expenses	12,682	7,794	4,889	63%	4,136	3,077	3,114	2,355
Administrative expenses	8,284	6,667	1,618	24%	2,933	1,905	1,764	1,683
Administrative expenses	7,571	4,961	2,610	53%	2,693	1,770	1,579	1,529
Depreciation and amortisation	713	1,706	-993	-58%	239	135	185	154
Operating expenses	20,967	14,460	6,506	45%	7,069	4,982	4,879	4,037
Impairment on loans and advances and assets held for sale	6,197	4,485	1,711	38%	1,805	1,687	1,359	1,345
Profit before impairment on goodwill and income tax	33,815	14,521	19,294	133%	10,479	10,280	5,660	7,396
Impairment on goodwill	3,033	0	3,033	0%	-259	3,293	0	0
Income tax	5,764	1,798	3,966	221%	1,929	1,882	602	1,351
Profit before minority interests	25,017	12,723	12,294	97%	8,809	5,105	5,058	6,045
Minority interests	277	149	128	86%	75	110	58	34
Net profit	24,740	12,574	12,166	97%	8,734	4,995	5,000	6,011

ISK million

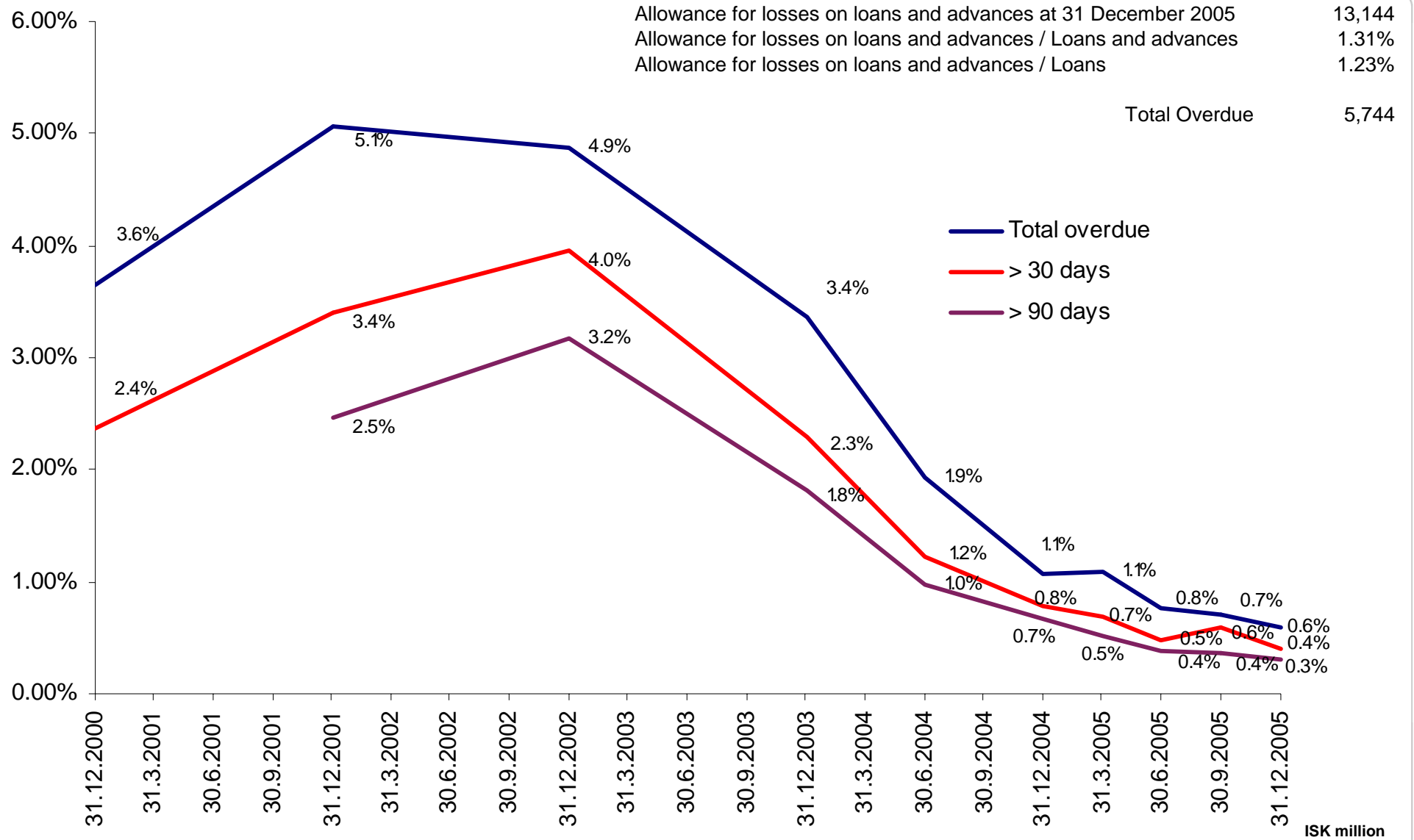
Cost-Income Ratio



Impairment on Loans and Advances



Loans in Arrear

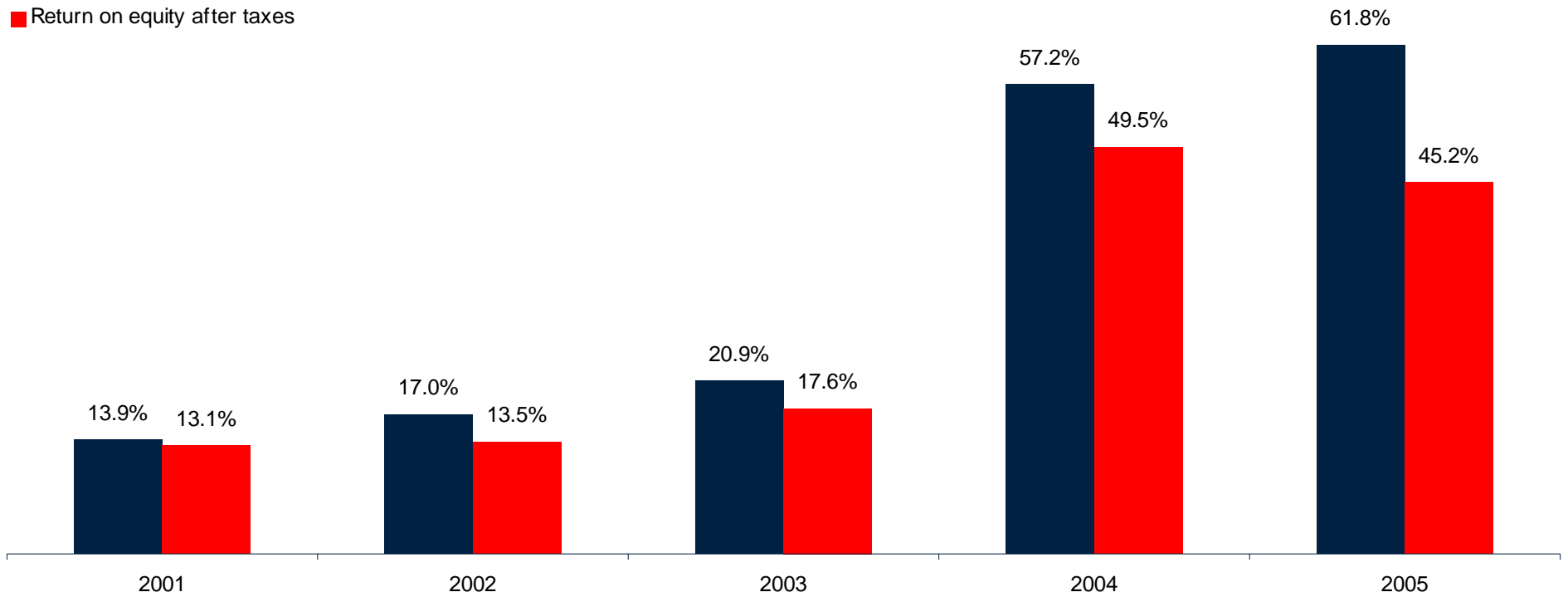


ISK million

Return on Equity

■ Return on equity before taxes and impairment on goodwill

■ Return on equity after taxes



Revenue Breakdown by Countries

2005	Iceland	UK	Continental Europe	Total
Net interest revenues	17,362	3,921	1,713	22,996
Net fee and commission income	12,820	2,314	1,592	16,726
Other revenues	20,388	652	218	21,257
Net operating revenues	50,570	6,887	3,522	60,978
Share in net operating revenues	82.9%	11.3%	5.8%	
Share in revenues without other revenues	76.0%	15.7%	8.3%	

2004	Iceland	UK	Continental Europe	Total
Net interest revenues	12,868	725	1,142	14,734
Net fee and commission income	8,096	554	240	8,891
Other revenues	9,737	21	85	9,842
Net operating revenues	30,701	1,300	1,467	33,467
Share in net operating revenues	91.7%	3.9%	4.4%	
Share in revenues without other revenues	88.7%	5.4%	5.9%	

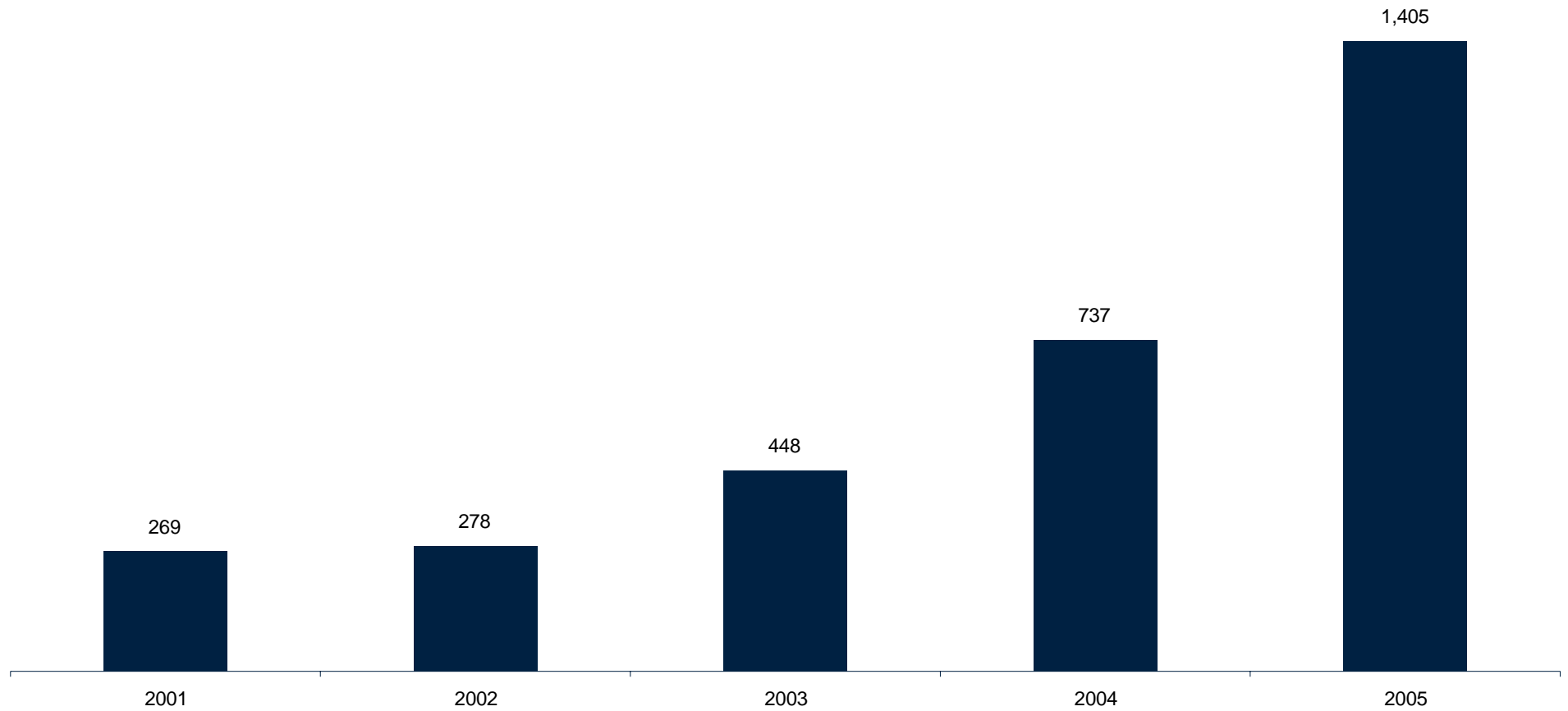
ISK million

Business Segments

2005	Retail Banking	Corporate Banking	Securities and Trading	Asset Management & Private Banking	Other operations	Group
Net interest revenue	10,466	11,866	-1,063	1,727	0	22,996
Net commission and fees	3,131	2,343	8,785	2,466	0	16,726
Other revenues	66	247	20,789	154	0	21,257
Net operating revenue	13,664	14,456	28,511	4,348	0	60,978
Operating expenses	8,272	4,155	5,906	2,208	425	20,967
Impairment on loans and advances	2,026	3,268	0	902	0	6,197
Impairment on goodwill	0	0	3,033	0	0	3,033
Profit before income tax	3,366	7,032	19,572	1,237	-425	30,781
2004	Retail Banking	Corporate Banking	Securities and Trading	Asset Management & Private Banking	Other operations	Group
Net interest revenue	6,838	6,943	-187	1,141		14,734
Net commission and fees	2,781	979	3,663	1,228		8,651
Other revenues	0	-46	10,043	85		10,081
Net operating revenue	9,619	7,876	13,519	2,454	0	33,467
Operating expenses	6,594	2,078	2,246	1,653	1,890	14,460
Impairment on loans and advances	2,870	1,385	-4	235		4,485
Profit before income tax	156	4,413	11,277	566	-1,890	14,521

ISK million

Total Assets



ISK billion

Balance Sheet

	31 Dec 2005	1 Jan 2005	Change	%
Cash and cash balances with Central Bank	16,611	18,237	-1,625	-9%
Loans and advances	1,071,513	614,274	457,239	74%
Trading assets	218,894	64,730	154,164	238%
Financial assets designated at fair value through profit and loss	34,483	12,817	21,665	169%
Derivatives held for hedging	4,689	4,930	-241	-5%
Investment in Associates	6,219	3,792	2,427	64%
Property and equipment	4,260	4,146	114	3%
Intangible assets	8,697	1,585	7,112	449%
Non-current assets and disposal groups classified as held for sale	16,459	9,962	6,497	65%
Other assets	23,636	2,668	20,968	786%
Total assets	1,405,460	737,141	668,319	91%
Deposits from credit institutions	144,596	61,236	83,360	136%
Deposits from customers	334,163	217,970	116,193	53%
Borrowing	689,989	375,084	314,905	84%
Subordinated loans	49,074	22,570	26,505	117%
Trading liabilities	26,504	8,077	18,427	228%
Derivatives held for hedging	4,086	1,582	2,504	158%
Tax liabilities	7,289	1,674	5,616	336%
Liabilities included in disposal groups classified as held for sale	4,475	4,204	270	6%
Other liabilities	31,668	6,035	25,633	425%
Total liabilities	1,291,844	698,432	593,412	85%
Share capital	10,614	7,954	2,661	33%
Retained earnings	99,445	29,751	69,694	234%
Total Landsbanki equity	110,059	37,705	72,354	192%
Minority interests	3,557	1,004	2,554	254%
Total equity	113,617	38,709	74,908	194%
Total liabilities and equity	1,405,460	737,141	668,319	91%

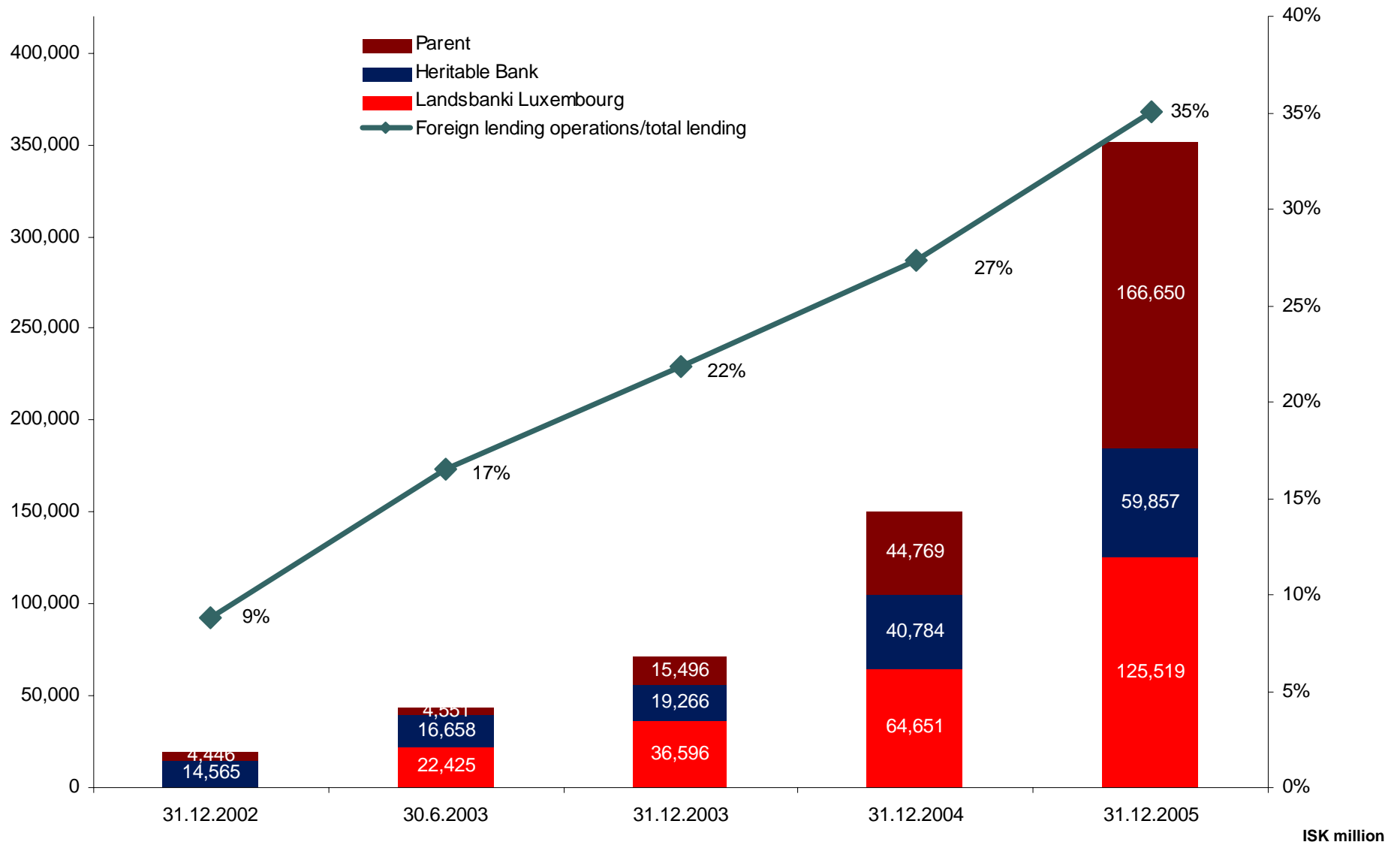
ISK million

Securities and Shareholdings

	31 Dec 2005	1 Jan 2005	Change	%
Trading assets	218,894	64,730	154,164	238%
Financial assets designated at fair value through profit and loss	34,483	12,817	21,665	169%
Investment in Associates	6,219	3,792	2,427	64%
	259,596	81,339	178,257	219%
<hr/>				
Bonds and other fixed-income securities	100,498	18,529	81,969	442%
Equity and other variable-income securities	138,992	50,316	88,676	176%
Shares in subsidiaries and partially owned companies	6,219	3,792	2,427	64%
Derivatives in the money	13,886	8,702	5,184	60%
Total securities and shareholdings	259,596	81,339	178,257	219%
<hr/>				
Bonds and other fixed-income securities	48,963	1,785	47,178	2643%
Equity and other variable-income securities	80,701	23,596	57,105	242%
Forward and option contracts	129,663	25,381	104,282	411%
<hr/>				
Bonds and other fixed-income securities	51,535	16,744	34,792	208%
Equity and other variable-income securities	58,292	26,720	31,572	118%
Shares in subsidiaries and partially owned companies	6,219	3,792	2,427	64%
Derivatives in the money	13,886	8,702	5,184	60%
Net securities and shareholdings	129,932	55,958	73,974	132%

ISK million

Foreign Lending Operations

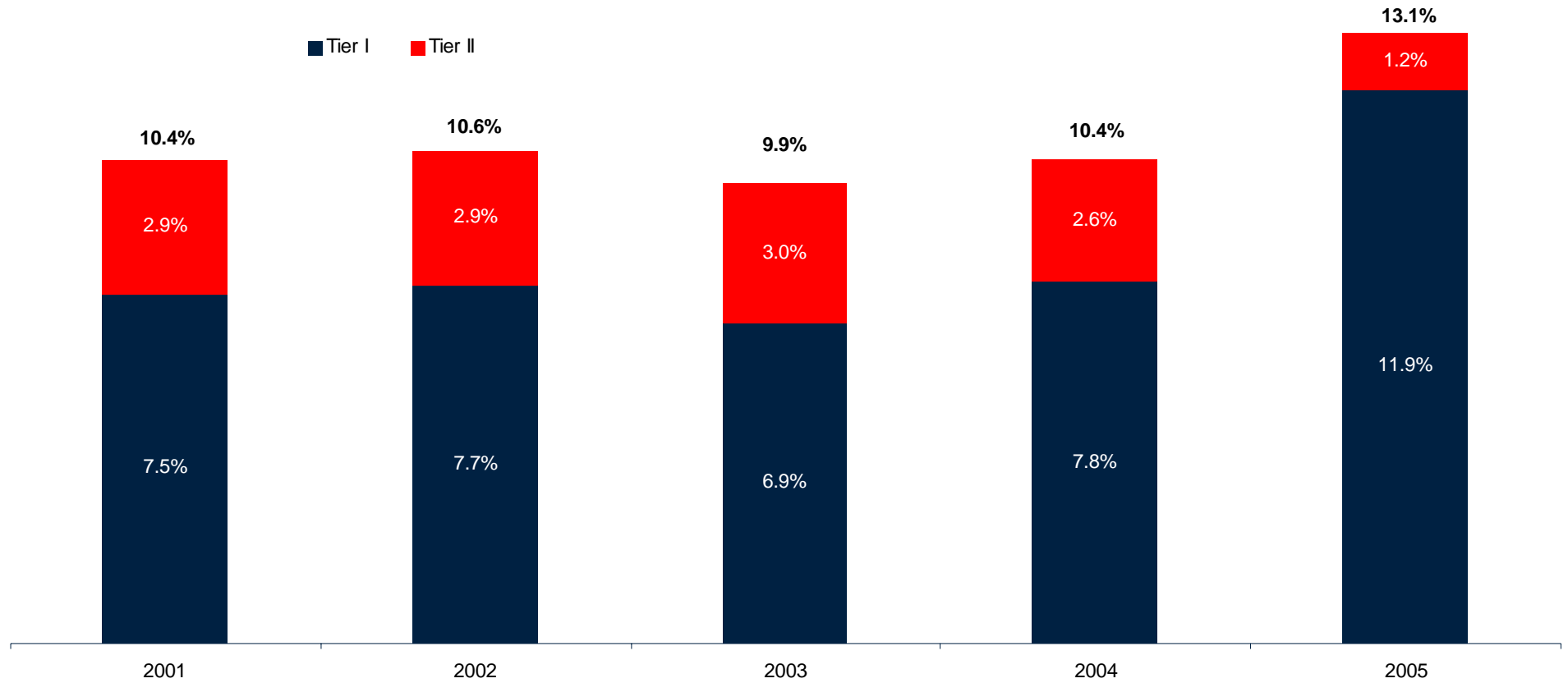


Core Income

Actual Income	2005	2004	2003	2002
Net interest revenues	22,996	14,734	9,331	7,732
Net commissions and fees	16,726	8,891	6,116	4,076
Net gain on equity, securities and FX	21,257	9,842	3,535	2,109
Net operating revenues	60,978	33,467	18,982	13,916
Operating expenses	20,967	14,460	10,815	8,505
Impairment on loans and advances and assets held for sale	6,197	4,485	4,656	2,863
Impairment on goodwill	3,033	0	0	0
Profit before income tax	30,781	14,157	3,511	2,548
Cost Income Ratio	34%	43%	57%	61%
ROE before tax	56%	56%	21%	17%
Adjustments				
Net interest revenues	3,652	1,200	992	950
Net gain on equity, securities and FX	-21,257	-9,842	-3,534	-2,109
Impairment on goodwill	3,033	0	0	0
	-14,572	-8,642	-2,542	-1,159
Core Income				
Net interest revenues	26,647	15,934	10,323	8,682
Net commissions and fees	16,726	8,891	6,116	4,076
Net operating revenues	43,373	24,825	16,439	12,757
Operating expenses	20,967	14,460	10,815	8,505
Impairment on loans and advances and assets held for sale	6,197	4,485	4,656	2,863
Profit before income tax	16,210	5,879	968	1,389
Core Cost Income Ratio	48%	58%	66%	67%
Core ROE before tax	30%	23%	6%	9%

ISK million

Equity Ratio - CAD



Prognosis

- External circumstances were favourable in 2005. The ICEX-15 index rose by 65% during the year,
- The Group's core income is growing steadily and amounted to over ISK 16 bn in 2005, as compared to just under ISK 6 bn in 2004
- Landsbanki's total assets almost doubled during the year, and its capital ratio is stronger
- The credit loss allowance account is strong, with a balance of over ISK 13 bn, or 1.3% of loans outstanding at year-end
- Synergies with subsidiaries create new opportunities for the Group
- The Bank's credit rating was upgraded in 2005, improving its access to international funding markets
- The Group's profitability objective is unchanged; it aims at achieving an after-tax ROE of 15-17%

Current State of the Bank

- Total issued nominal capital ISK 11,021 million
- Stock price today 28.30
- Landsbanki market value ISK 311.9 billion
- Total equity ISK 111.2 billion – Price-to-book ratio 2.80
- Equity less goodwill ISK 101.8 billion – Price-to-book ratio 3.06

