

26 October 2006

Straumur-Burdarás Investment Bank ("Straumur-Burdarás")
Results for the first nine months of 2006

**BANKING ACTIVITIES ON SOLID GROUND
ISK 8 BILLION IN INTEREST INCOME, FEES, AND COMMISSIONS
DURING THE FIRST NINE MONTHS OF THE YEAR**

Fridrik Jóhannsson, CEO:

"The management of Straumur-Burdarás is extremely proud of the Bank's successful performance during the first nine months of the year. Net interest income, fees, and commissions totalled ISK 8 billion during the period, which is a ninefold increase over and above the same period a year ago. All of the Bank's divisions are turning in good results, and there is continued growth in revenue streams beyond capital gains. This is in line with Straumur-Burdarás' strategy and fortifies the Balance Sheet even further. During the third quarter, commission income has been high, interest income has held stable, and the asset and loan portfolios are reliable. This performance for the first nine months of the year represents a record profit in the history of the Bank's operations."

Record profit in the first nine months of the year

- After-tax profit in the third quarter of 2006 totalled ISK 1,549 million, as opposed to ISK 6,473 million during the same period a year ago, which is a 76% decrease. After-tax profit for the first nine months of the year 2006 amounted to ISK 20,936 million, as compared with ISK 14,103 for the first nine months of 2005. This is a 48% increase.
- Net income from operations in the third quarter decreased by 67% year-on-year and amounted to ISK 2,804 million, compared to ISK 8,480 million for the same period in 2005. For the first nine months of 2006, net income from operations totalled ISK 28,220 million, as opposed to ISK 17,977 million for the same period during the prior year. This represents a 57% increase over the year 2005.
- Return on equity (ROE) was 19.4% for the first nine months, which corresponds to 26.6% annualised ROE.
- The cost-income ratio was 7.8% for the first nine months of the year 2006, whereas it was 3.8% in the first nine months of 2005.

Ninefold increase in interest income, fees, and commissions

- Net commission income increased more than fivefold between years, totalling ISK 5,163 million for the first nine months of the current year, as opposed to ISK 957 million for the same period in 2005.
- Net interest income in the first nine months was ISK 3,136 million, while it was negative in the amount of ISK 63 million for the same period in 2005; thus interest income for the nine-month period was many times higher than in the same period for 2005.

Strong Balance Sheet

- The Bank's total assets amounted to ISK 332,426 million at the end of the third quarter, as compared with ISK 259,349 million at year-end 2005, and have therefore increased by 28% since the beginning of the year.
- The Bank's CAD ratio was 33.4%, with a Tier 1 capital ratio of 31.75%. In comparison, at year-end 2005 the CAD ratio was 19.8% and the Tier 1 capital ratio 15.3%.
- Shareholders' equity amounted to ISK 125,765 at the end of the third quarter, after the deduction of own shares.

Positive developments in Balance Sheet composition

- Straumur-Burdarás' loan portfolio has more than doubled in size, growing from ISK 48,911 million at the beginning of 2006 to ISK 106,763 million at the end of the third quarter.
- The ratio of interest-bearing assets in the Balance Sheet has risen by 151% from the year 2005.

Key figures from operations

<i>ISK millions</i>	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005
Net interest income	1,258	1,393	485	(184)	(366)
Net commission income	1,694	1,102	2,367	994	341
Dividends	31	1,215	696	98	-
Net income from current assets/current liabilities	1,163	(6,000)	15,153	10,241	3,576
Net income on other assets at fair value	1,954	994	2,002	4,853	5,176
Net foreign exchange gain or loss	(3,296)	2,499	3,501	(108)	(249)
Other operating income	-	-	9	-	2
Net operating income	2,804	1,203	24,213	15,894	8,480
Salaries and related exp.	(394)	(318)	(391)	(321)	(113)
Other operating expenses	(307)	(438)	(365)	(293)	(130)
Total operating expenses	(701)	(756)	(756)	(614)	(243)
Impairment	(180)	(296)	(266)	158	(384)
Interest in associated companies	-	-	-	-	-
Pre-tax profit	1,923	151	23,191	15,438	7,853
Income tax	(374)	156	(4,111)	(2,822)	(1,380)
Profit	1,549	307	19,080	12,616	6,473
Profit per share	0.15	0.03	1.88	1.42	0.75
Minority interest	56	89	(47)	24	(10)

Income Statement

Income

The Bank's after-tax profit in the first nine months of the year amounted to ISK 20,936 million, as opposed to ISK 14,103 million for the same period last year. The increase over and above the prior year is thus 48%. The Bank's after-tax profit in the third quarter of 2006 amounted to ISK 1,549 million, compared to ISK 6,473 million at the same time a year ago, which is a 76% decrease between years.

Net income from operations in the first nine months of 2006 totalled ISK 28,220 million, whereas it was ISK 17,977 million at the same time in 2005, an increase of 57%. Net income from operations in the third quarter of 2006 was ISK 2,804 million, and was ISK 8,480 million for the same period in 2005, a decrease of 67%.

The Bank's net fee and commission income totalled ISK 5,163 million for the first nine months of the year 2006, as opposed to ISK 957 million during the same period in 2005. Net fee and commission income amounted to ISK 1,694 million for the third quarter of the current year, as compared with ISK 341 million for the third quarter of 2005.

Dividend income was ISK 1,942 million in the first nine months of the year and was ISK 1,499 million over the same interval in 2005. Dividend income was ISK 31 million in the third quarter of 2006, as opposed to ISK 0 for the same period last year.

Net income from current assets and current liabilities was ISK 10,316 million in the first nine months of 2006 and ISK 6,484 million during the same period in 2005. Net income from financial assets and financial liabilities held for trading was ISK 1,163 million in the third quarter and ISK 3,576 million during the same period in the prior year.

Net income on financial assets at fair value was ISK 4,950 million for the first nine months of the year, as opposed to ISK 9,242 million for the same period in 2005. Net income on financial assets at fair value was ISK 1,954 million in the third quarter of 2006 and ISK 5,176 million in the same period last year.

Net currency gains totalled ISK 2,704 million in the first nine months of 2006, while they were negative in the amount of ISK 147 million during the same period a year ago. Net currency gains were negative in the amount of ISK 3,296 million during the third quarter of 2006 and negative by approximately ISK 249 million over the same period in 2005.

Operating expenses

Operating expenses for the first nine months of 2006 totalled ISK 2,213 million, as opposed to ISK 692 million for the first nine months of 2005. Operating expenses for the third quarter of 2006 were ISK 701 million, compared to ISK 243 million in the third quarter of 2005.

Key figures from the Balance Sheet

ISK millions	30.09.06	31.12.05		30.09.06	31.12.05
Loans and receivable	133,498	59,994	Borrowings	176,464	121,657
Fin. assets held for trading	128,068	92,230	Subordinated loans	5,728	5,408
Fin. assets designated at fair value through P/L	42,736	87,843	Trading liabilities	5,509	1,636
Investment property	10,221	-	Tax liabilities	14,223	9,881
Property and equipment	1,193	1,126	Other liabilities	4,737	5,896
Intangible assets	15,062	15,038	Equity	125,765	114,871
Other assets	1,648	3,118			
Assets total	332,426	259,349	Total liabilities and equity	332,426	259,349

Balance Sheet

As of 30 September 2006, Straumur-Burdarás' total assets were ISK 332,426 million, as opposed to ISK 234,403 million at the same time last year, an increase of 42%. The capital adequacy ratio, calculated on a CAD basis, was 33.4% for the first nine months of the year, including a Tier 1 capital ratio of 31.75%.

Assets

Loans and receivables in the first nine months of 2006 totalled ISK 133,498 million. Of that amount, loans to clients totalled ISK 106,763 million. By comparison, loans to clients amounted to ISK 48,911 million at the end of 2005.

The balance of the credit provisioning account in the first nine months of 2006 was ISK 1,216 million, compared to ISK 474 million as of 31 December 2005. This is equivalent to 1.14% of total loans outstanding at the end of the third quarter of the year 2006.

Current assets amounted to ISK 128,068 million in the first nine months of 2006, as compared to ISK 92,230 million at year-end 2005. The total value of the Bank's equity holdings recognised as current assets amounted to ISK 103,297 million as of 30 September 2006, and the value of its bond assets was ISK 21,423 million. A portion of the Bank's equity assets is balanced against derivative contracts. At the end of the quarter, the Bank's clients had obliged themselves, by means of forward contracts, to sell shares to the Bank or purchase shares from it in the amount of ISK 31,272 million. This is compared to ISK 7,949 million at year-end 2005.

Other financial assets at fair value amounted to ISK 42,736 million on 30 September 2006, as opposed to ISK 87,843 million at year-end 2005.

Fixed assets amounted to ISK 1,193 million at the end of the third quarter, compared to ISK 1,126 million at the beginning of 2006.

Other assets amounted to ISK 1,648 million as of 30 September 2006, compared to ISK 3,118 million at year-end 2005.

Liabilities and shareholders' equity

Total borrowings were ISK 176,464 million as of 30 September 2006. Of this figure, the amount owed to credit institutions was ISK 92,206 million, compared to ISK 53,851 million as of 31 December 2005. Other borrowing amounted to ISK 84,258 million, compared to ISK 67,806 million at year-end 2005.

Subordinated debt amounted to ISK 5,728 million at the end of the period.

Current liabilities amounted to ISK 5,509 million in the first nine months of 2006, as compared to ISK 1,636 million at the beginning of the year.

The calculated income tax liability at the end of Q3 2006 was ISK 14,223 million, and other liabilities totalled ISK 4,737 million.

As of 30 September 2006, shareholders' equity amounted to ISK 125,765 million, up from ISK 114,871 million at the beginning of the year. Dividends amounting to ISK 6,733 million were paid to shareholders during the first nine months of the year.

The Bank's income divisions

The Bank's operations are divided into income divisions and support divisions. The income divisions are Corporate Finance, Proprietary Trading, Debt Finance, Treasury, and Capital Markets. The support divisions are Risk Management, Legal, and Operations.

In recent years, trading gains from the Bank's equity holdings have comprised the largest income item, and performance in the principal stock markets was better during the third quarter than in the second. All income divisions of the Bank returned a profit on their operations during the first nine months of the year. The third quarter yielded a loss in Proprietary Trading due to currency losses. Operating expenses of support divisions are taken into account in the calculation of the profits for each income division.

<i>ISK millions</i>	Proprietary Trading	Capital Markets	Corporate Finance	Debt Finance	Treasury	Other operations	Total Q1-Q3 2005
Net interest income	(5,319)	(53)	(991)	3,680	6,076	(257)	3,136
Net commission income	13	1,632	3,083	492	4	(61)	5,163
Dividends	1,937	-	5	-	-	-	1,942
Net income on equity	10,530	-	4,623	-	-	223	15,376
Net income on bonds	(121)	-	-	11	-	-	(110)
Net foreign exchange gain/loss	2,992	-	-	-	(248)	(40)	2,704
Other operating income	-	-	-	-	-	9	9
Operating income	10,032	1,579	6,720	4,183	5,832	(126)	28,220
Operating expenses	(346)	(215)	(707)	(376)	(452)	(117)	(2,213)
Impairment	-	-	-	(742)	-	-	(742)
Pre-tax profit	9,686	1,364	6,013	3,065	5,380	(243)	25,265
						Income tax	(4,329)
						Profit	20,936

Proprietary Trading

The Bank's transactions on its own account are the responsibility of Proprietary Trading. Transactions are either part of market marking for certain classes of securities or own exposures in bonds, listed equities, FX, and derivatives of these products, on both domestic and foreign markets.

Net operating income was negative by ISK 1,797 million in the third quarter of 2006, an increase of 67% over and above the second quarter.

<i>ISK millions</i>	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005
Net interest income	(1,173)	(2,190)	(1,956)	(1,046)	(833)
Net commission income	10	3	-	-	-
Dividends	26	1,215	696	85	-
Net income on equity	2,835	(7,303)	14,998	14,246	7,985
Net income on bonds	(188)	11	56	(72)	(160)
Net foreign exchange gain/loss	(3,307)	2,745	3,554	(108)	(250)
Other operating income	-	-	-	-	-
Operating income	(1,797)	(5,519)	17,348	13,105	6,742
Operating expense	(118)	(70)	(158)		
Impairment	-	-	-		
Pre-tax profit	(1,915)	(5,589)	17,190		

Capital Markets

Capital Markets handles the Bank's securities brokering and co-ordinates share and bond offers. The division's clients are primarily institutional investors, corporations, and mutual funds.

Net operating income was ISK 493 million in the third quarter, an increase of 31% over the second quarter.

<i>ISK millions</i>	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005
Net interest income	(16)	(26)	(11)	-	-
Net commission income	509	405	718	216	146
Dividends	-	-	-	-	-
Net income on equity	-	-	-	-	-
Net income on bonds	-	-	-	-	-
Net foreign exchange gain/loss	-	-	-	-	-
Other operating income	-	-	-	-	-
Operating income	493	379	707	216	146
<i>Operating expense</i>	(76)	(47)	(92)		
Impairment	-	-	-		
Pre-tax profit	417	332	615		

Corporate Finance

Corporate Finance advises the Bank's clients on the acquisition, disposal and/or financing of companies and investment vehicles. The division's services may involve mergers, acquisitions, or general restructuring requiring the issuance of share capital and/or debt financing.

Net operating income was ISK 1,151 million in the third quarter. Net fee and commission income totalled ISK 1,141 during the quarter, which was best quarter in the history of the Bank's operations in terms of fee and commission revenues.

<i>ISK millions</i>	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005
Net interest income	(481)	(265)	(245)	(136)	(229)
Net commission income	1,141	634	1,308	657	203
Dividends	5	-	-	13	-
Net income on equity	486	1,881	2,256	922	916
Net income on bonds	-	-	-	-	-
Net foreign exchange gain/loss	-	-	-	-	-
Other operating income	-	-	-	-	5
Operating income	1,151	2,250	3,319	1,456	895
<i>Operating expense</i>	(304)	(186)	(217)		
Impairment	-	-	-		
Pre-tax profit	847	2,064	3,102		

Debt Finance

Debt Finance handles lending to corporate and institutional investors, offering comprehensive financing solutions ranging from general corporate loans to loan financing of LBOs (mezzanine and/or senior debt). Great emphasis is placed on tailoring the service offered to the needs of individual clients.

Net operating income for the division was ISK 1,465 million in the third quarter, an increase of 3.75% over and above the previous quarter. The division's net interest income was ISK 1,404 million. Net fee and commission income amounted to ISK 61 million during the quarter.

ISK millions	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005
Net interest income	1,404	1,311	965	495	327
Net commission income	61	90	341	123	40
Dividends	-	-	-	-	-
Net income on equity	-	-	-	-	-
Net income on bonds	-	11	-	-	-
Net foreign exchange gain/loss	-	-	-	-	-
Other operating income	-	-	-	-	-
Operating income	1,465	1,412	1,306	618	367
Operating expense	(159)	(113)	(104)		
Impairment	(180)	(296)	(266)		
Pre-tax profit	1,126	1,003	936		

Treasury

Treasury is responsible for the Bank's financing and management of short-term cash flow, interest rate balance, and FX balance.

The Treasury division's net operating income totalled ISK 1,691 million during the third quarter.

ISK millions	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005
Net interest income	1,613	2,672	1,791	506	371
Net commission income	4	-	-	(3)	(49)
Dividends	-	-	-	-	-
Net income on equity	-	-	-	-	-
Net income on bonds	-	-	-	-	-
Net foreign exchange gain/loss	74	(215)	(107)	-	-
Other operating income	-	-	-	-	-
Operating income	1,691	2,457	1,684	503	322
Operating expense	(159)	(142)	(151)		
Impairment	-	-	-		
Pre-tax profit	1,532	2,315	1,533		

Profitability and share capital

Return on equity during the third quarter of 2006 was 19.4%. Return on equity during the first nine months is the equivalent of 26.6% annualised ROE.

As of 30 September 2006, the nominal value of the outstanding share capital of Straumur-Burðarás Investment Bank was ISK 9,977 million.

Shareholders

As of 30 September 2006, shareholders numbered 20,899, as opposed to 22,031 at year-end 2005. At the end of the third quarter, three shareholders owned holdings of over 10% in the Bank.

Shareholdings

FL Group hf	20.53%
Landsbanki Luxembourg S.A.....	16.71%
Fjárfestingarfélagid Grettir hf.....	15.87%

Events in Q3 2006

On 30 July 2006, Straumur-Burðarás Investment Bank hf. acquired a 50% share in Stamford Partners, a British investment banking consultancy firm with operations in London and Amsterdam. Straumur-Burðarás has also negotiated a purchase option for all of the shares in the company. Stamford Partners specialises in rendering advisory services to European food and beverage companies and bases its activities on strong relationships with leading companies in that sector.

Straumur-Burðarás also informed the Financial Supervisory Authority of its intention to establish a branch in London. The formal opening of the branch is planned for late 2006. Operations at the London office will centre initially on lending activities, with particular emphasis on syndicated loans where Straumur-Burðarás will act variously as participant or lead arranger. The branch will also be involved in loan financing for individual ventures undertaken by Straumur-Burðarás customers.

Outlook for 2006

Straumur-Burðarás' aim is to enhance stability in its income sources. The Bank will continue to focus on increasing the relative share of net fees and commissions while reducing reliance on trading gains. The Bank's performance for the first nine months of 2006 are in line with this strategy.

It has also been the Bank's policy to reduce its equity exposure. Equity exposure has already been reduced substantially and stood at 90% by the end of the third quarter, as compared with 150% at the same time a year ago, primarily due to the sale of assets.

Straumur-Burðarás intends to achieve continuing sustained growth without jeopardising the profitability of the Bank. The Nordic countries and the UK will remain the Bank's core markets, but opportunities elsewhere will still be considered based on their individual merits.

Corporate and Debt Finance projects have steadily increased in number. Debt Finance continues to focus on increased participation in foreign syndicated loans and arranging financing for new projects abroad, together with providing support and financing for companies already forming part of the Bank's portfolio.

Straumur-Burðarás has continued its vigorous build-up of a strong network. A good example of this is its purchase of a 50% share in Stamford Partners, which has operations in London and Amsterdam. Stamford Partners will be included in the Straumur-Burðarás Investment Bank Consolidated Accounts beginning in the fourth quarter. The Bank has enjoyed excellent relations with Icelandic companies and investors seeking opportunities abroad and has placed increased emphasis on collaboration with foreign clients and markets, especially those in Denmark. Further emphasis will be placed on building and enhancing projects and revenue streams abroad. The opening of the Straumur-Burðarás office in London increases these opportunities significantly.

Five-year overview

ISK millions	2006 30-sept	2005	2004	2003	2002
Total assets	332,426	259,349	89,589	22,530	7,986
Equity at end of period (ISK millions)	125,765	114,871	32,006	16,094	7,761
Shares at end of period (ISK millions)	9,978	10,359	5,400	4,083	2,540
Equity per share	13	11	6	4	3
Net operating income	28,220	33,871	8,615	4,287	1,070
Operating costs	(2,213)	(1,306)	(494)	(317)	(106)
Profit before tax (ISK millions)	25,265	32,180	8,039	3,969	967
Profit after tax (ISK millions)	20,936	26,718	6,683	3,815	812
Return on equity on annual basis	26.60%	46.50%	34.50%	40.10%	10.90%
Profit (losses) per share	2.06	3.5	1.51	1.17	0.32
Dividend per share		0.65	0.35	0.35	0.18
Full-time-equivalent positions	77	52	17	12	4
Net op. Income/Total assets	8.5%	13.1%	9.6%	13.3%	13.4%
Op. Expenses/Total assets	0.7%	0.5%	0.6%	1.4%	1.3%
Cost/Income	7.8%	3.9%	5.7%	7.4%	9.9%

Accounting

The interim financial statements for the third quarter of 2006 have been examined by KPMG Endurskodun hf., which is the Bank's auditor.

Personnel

At end of the quarter, there were 77 full-time equivalent positions at Straumur-Burðarás Investment Bank.

Information disclosure

Straumur-Burðarás is dedicated to providing timely, reliable, correct, and appropriate information to the market, through the Iceland Stock Exchange News System and its own website and in the press. The Bank's aim is to guarantee all stakeholders access to clear and exact information on the Bank's operations and projects at any given time.

Financial calendar for 2006

Q3 26th of October

Publication of the annual financial statements for 2006 is scheduled for 30 January 2007.

Presentation of results

A presentation for investors and other parties in the market will be held at 8:30 a.m. on Thursday 26 October 2006, at the Bank's headquarters at Borgartún 25, 8th floor. Chief Executive Officer Fridrik Jóhannsson will present the results and a survey of company operations during the first nine months of 2006.

The Interim Financial Statements and Further Information

For further information, please contact Jóhanna Vigdís Guðmundsdóttir (johanna@straumur.net) or Björg Björnsdóttir (bjorg@straumur.net), telephone +354 580-9100. The interim financial statements for the first nine months of 2006 will be available at the Bank's offices and will be accessible, together with other information on the Bank, on its website: www.straumur.net.



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