

2006 RESULTS

## Building a Leading Nordic Investment Bank

Fridrik Jóhannsson, CEO



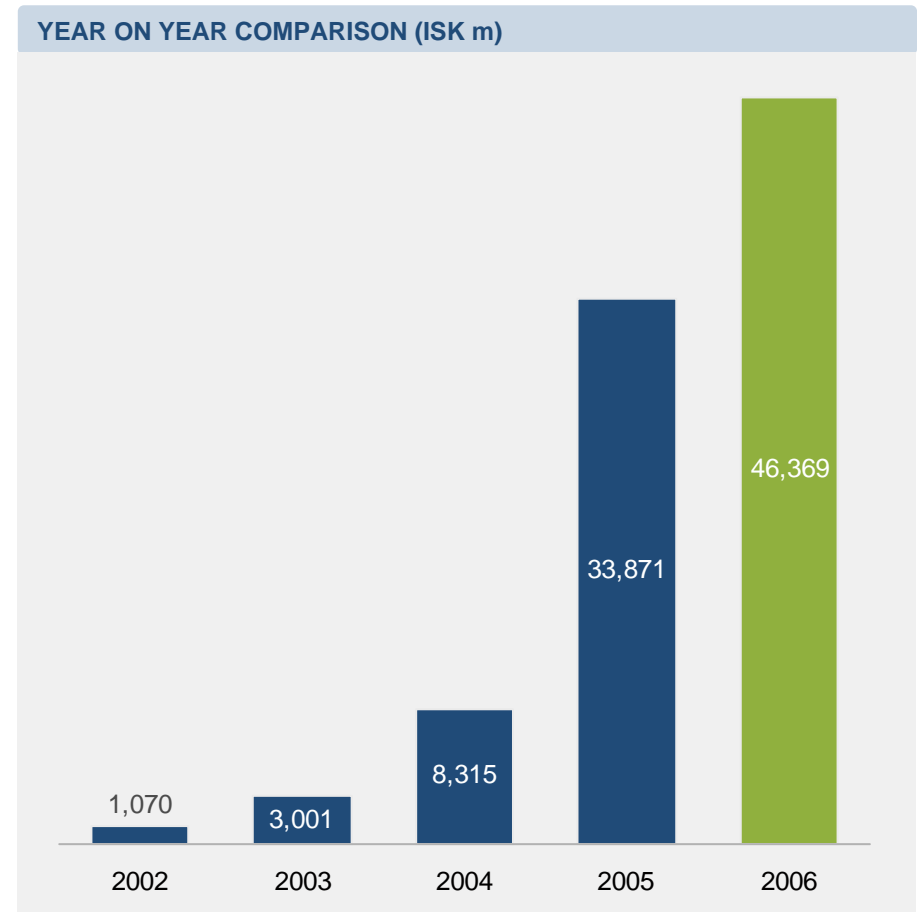
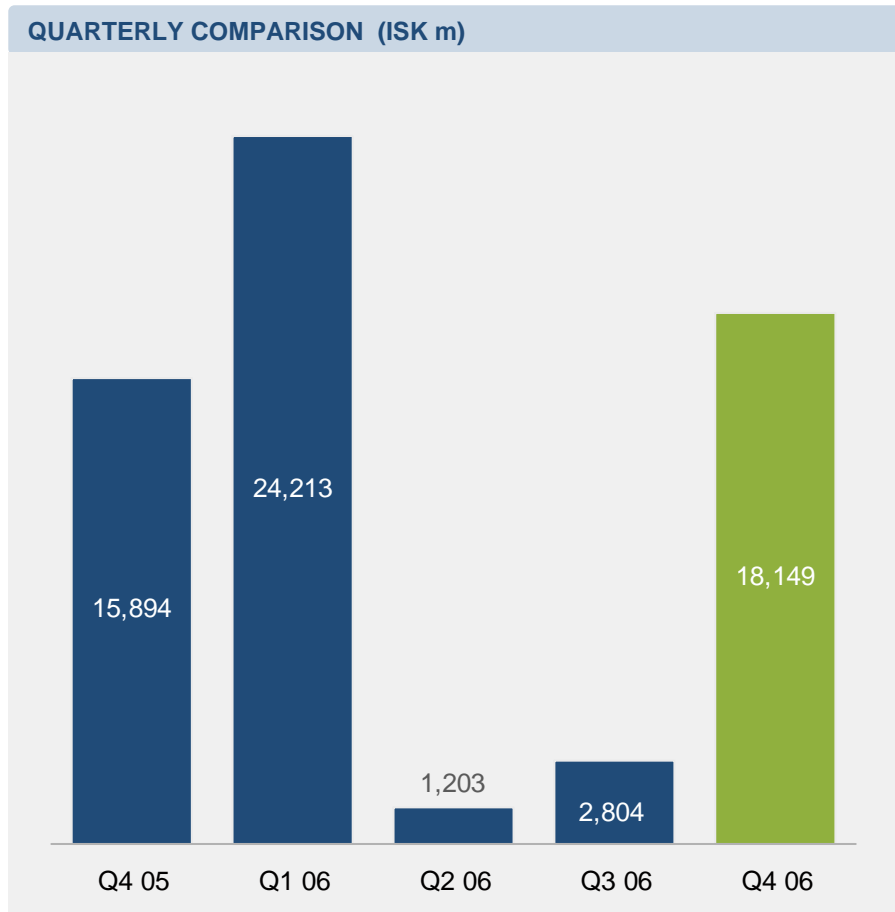
- 1** Financial performance
- 2** Implementation of strategy 2006
- 3** Objectives
- 4** Q&A

## Highlights 2006

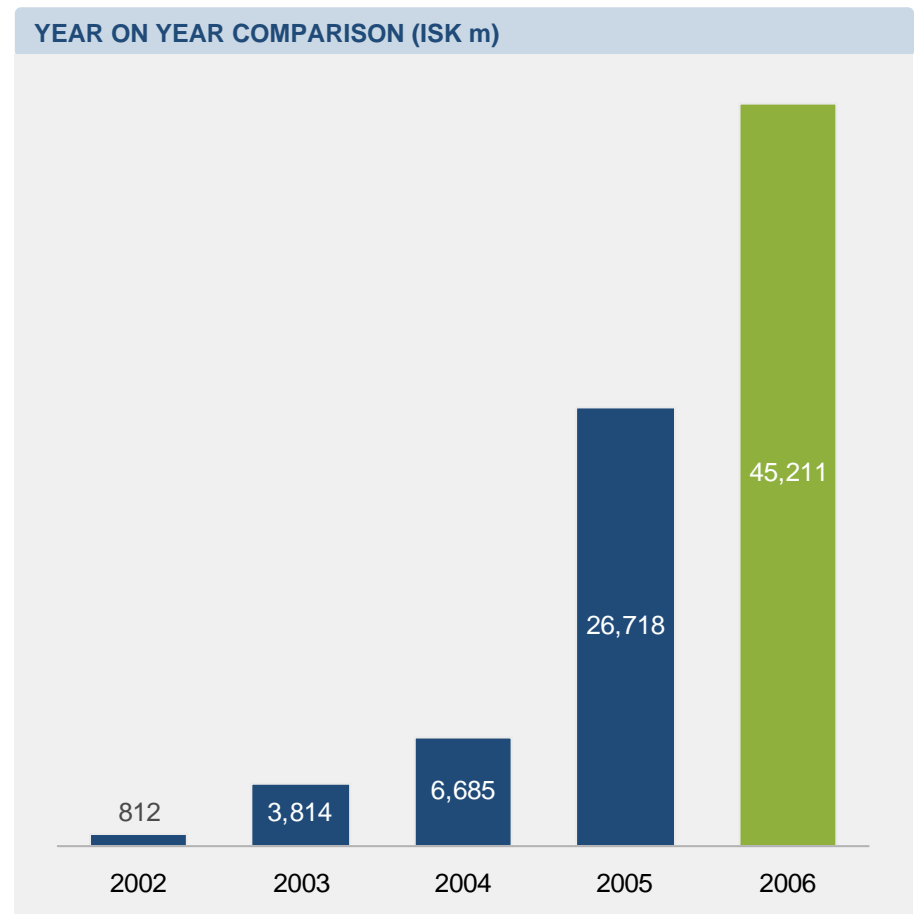
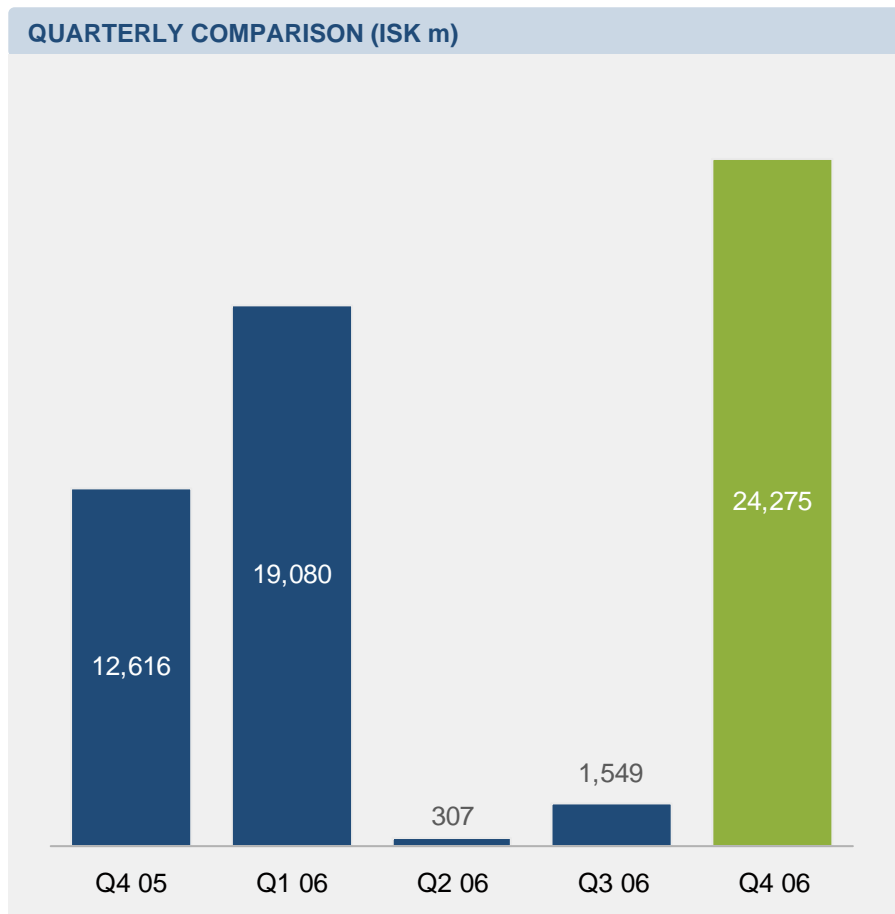
- **Straumur - Burdarás achieved record results in 2006**
- **The excellent results were driven primarily by organic growth**
- **The Bank's objective in 2006 revolved around increasing its operational and geographical diversity**
- **Significant milestones were achieved this year which take the Bank a step forward on its path to becoming a leading Nordic investment bank**
  - **Geographical presence in 4 countries**
  - **The Bank has focused on strengthening the Debt Finance, Corporate Finance, Treasury and Capital Markets activities**
  - **54% of net operating income was derived from international markets in 2006**



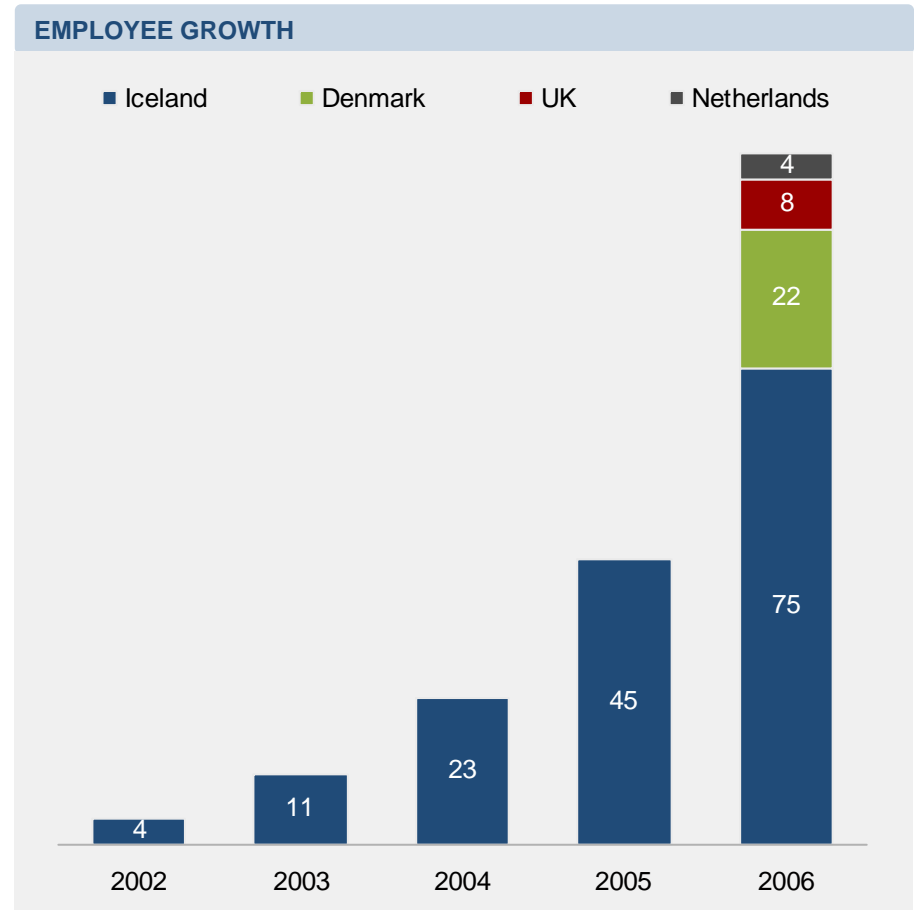
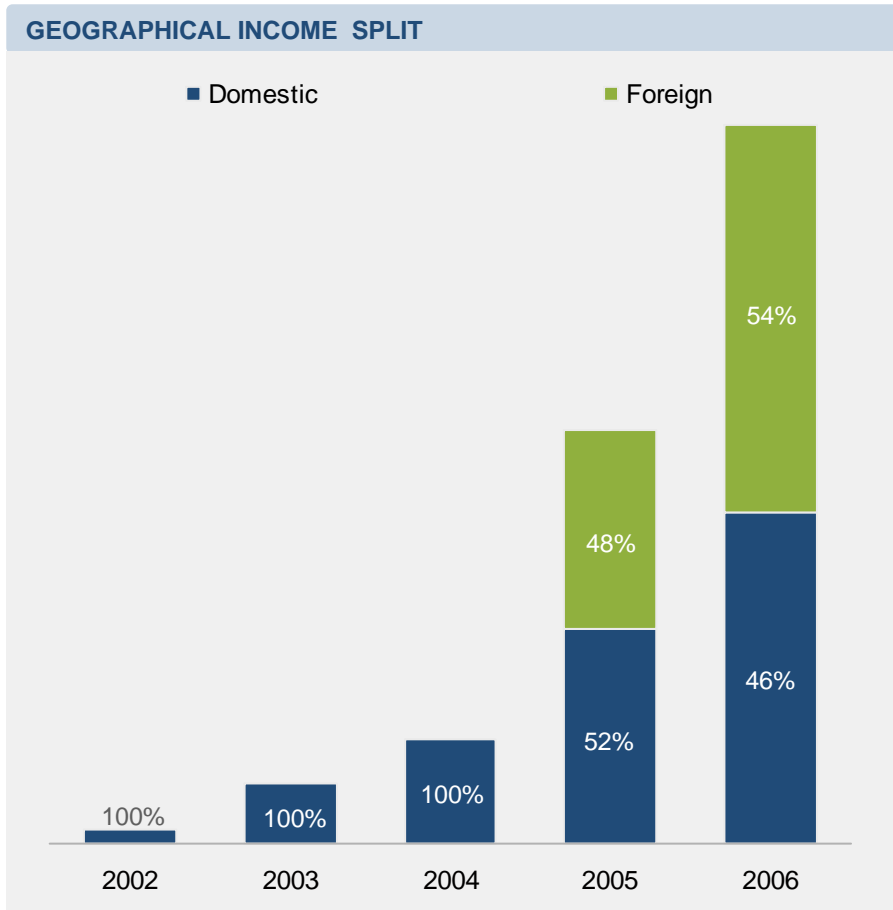
# Net operating income



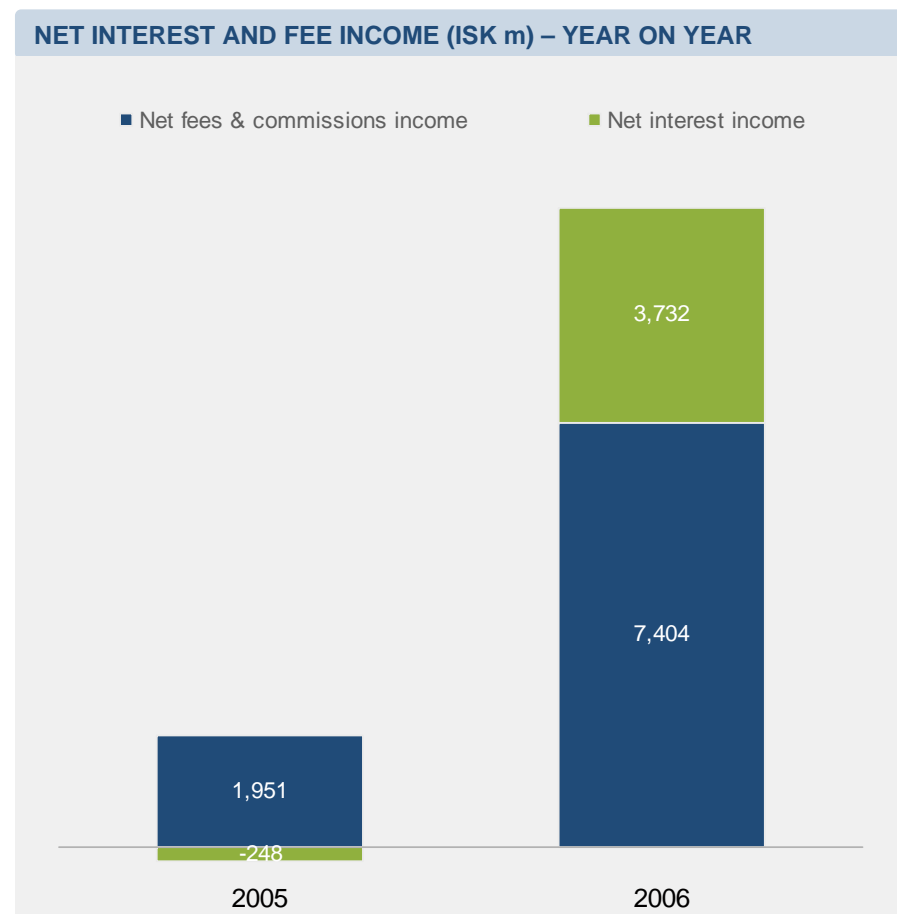
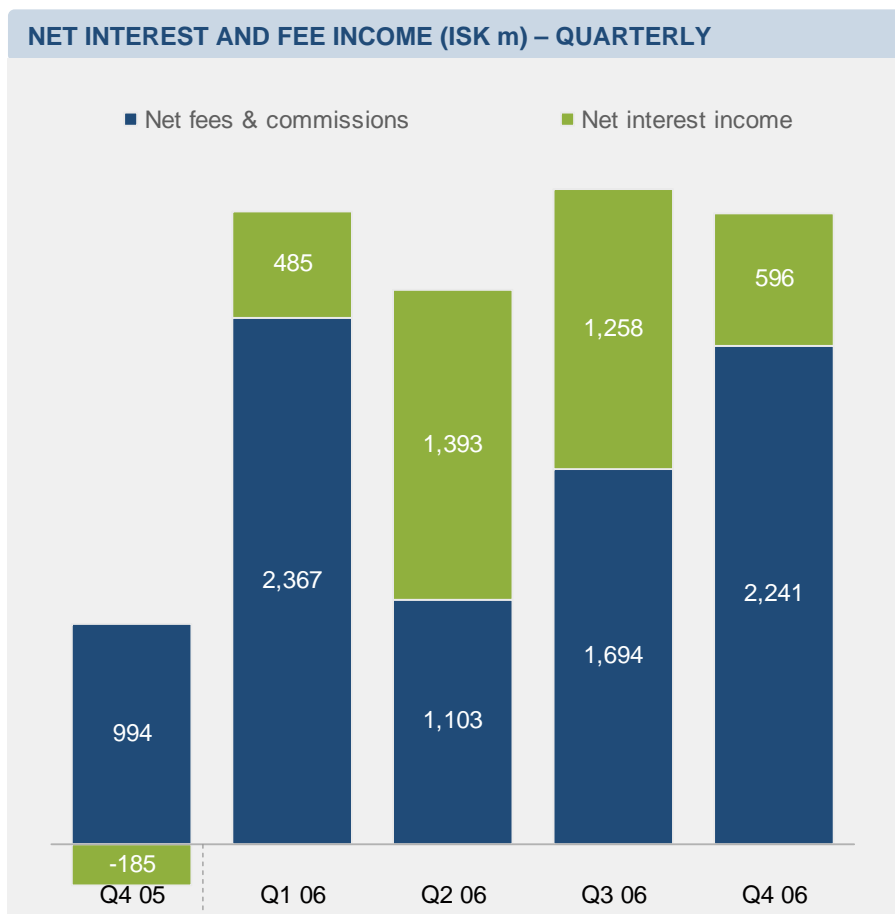
# Profit after tax



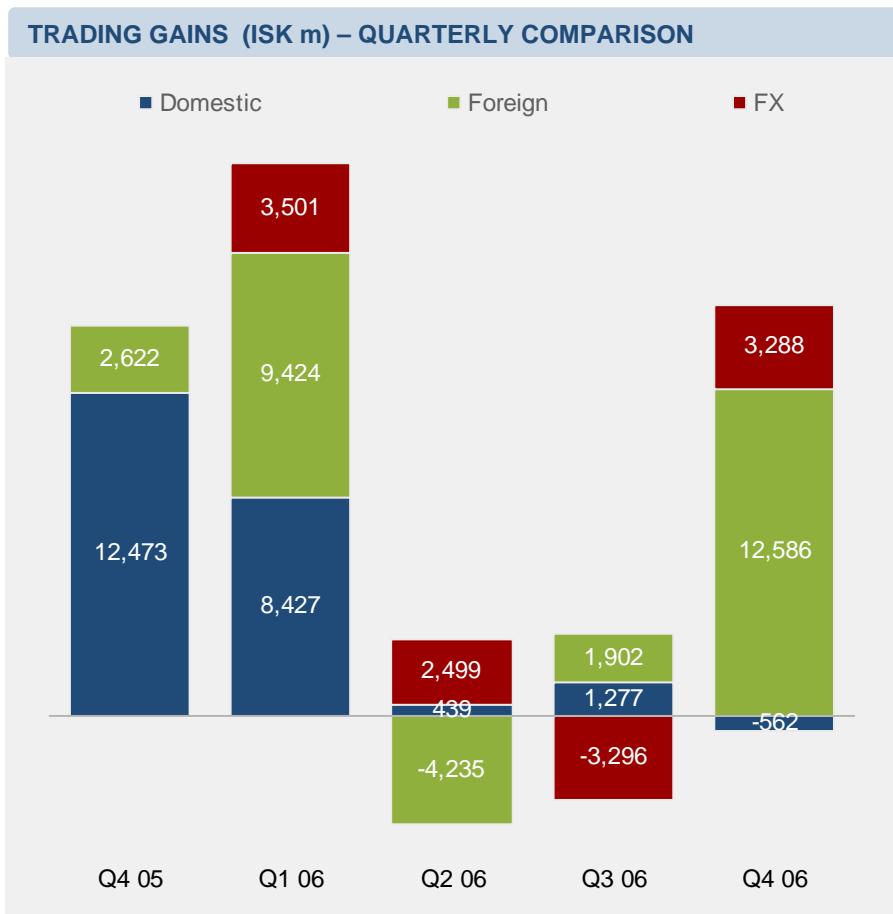
# Increased geographical diversity



# Positive development in net interest & fee income

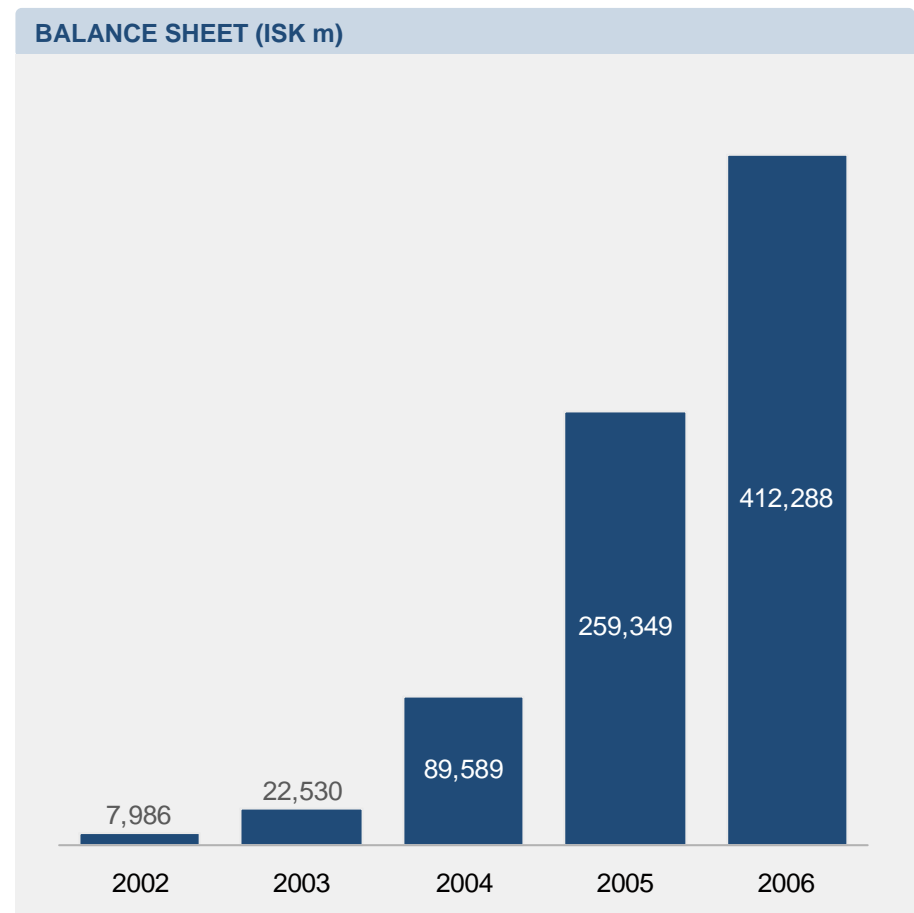
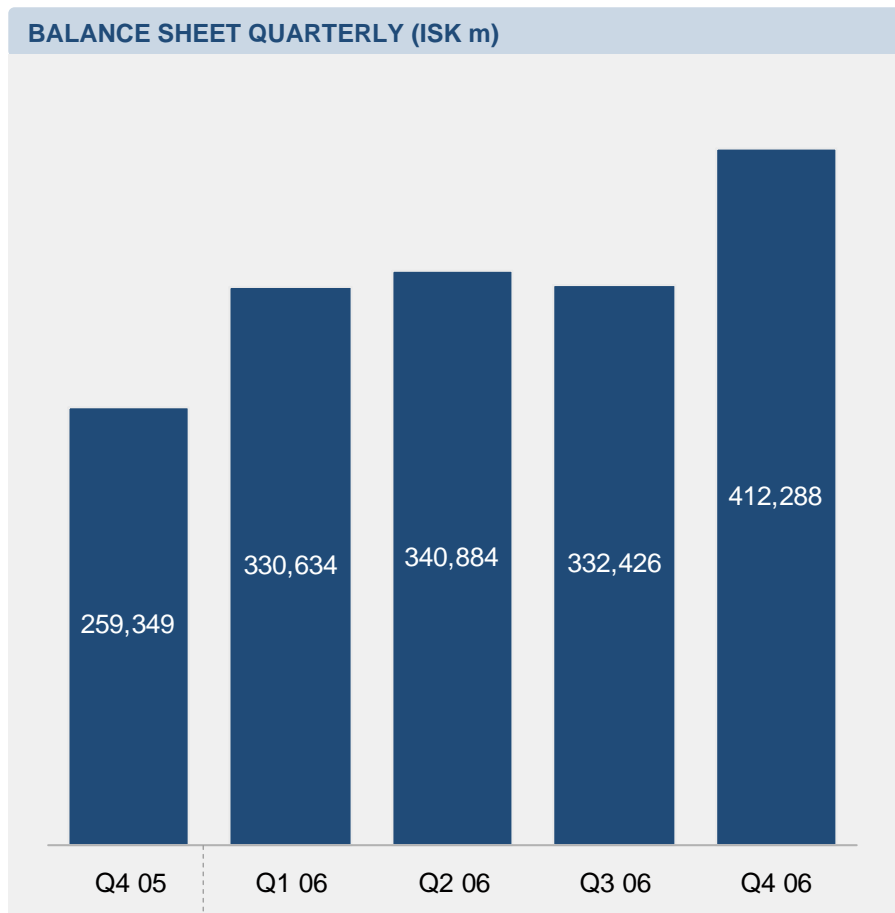


# Record performance in 2006 & increased diversification

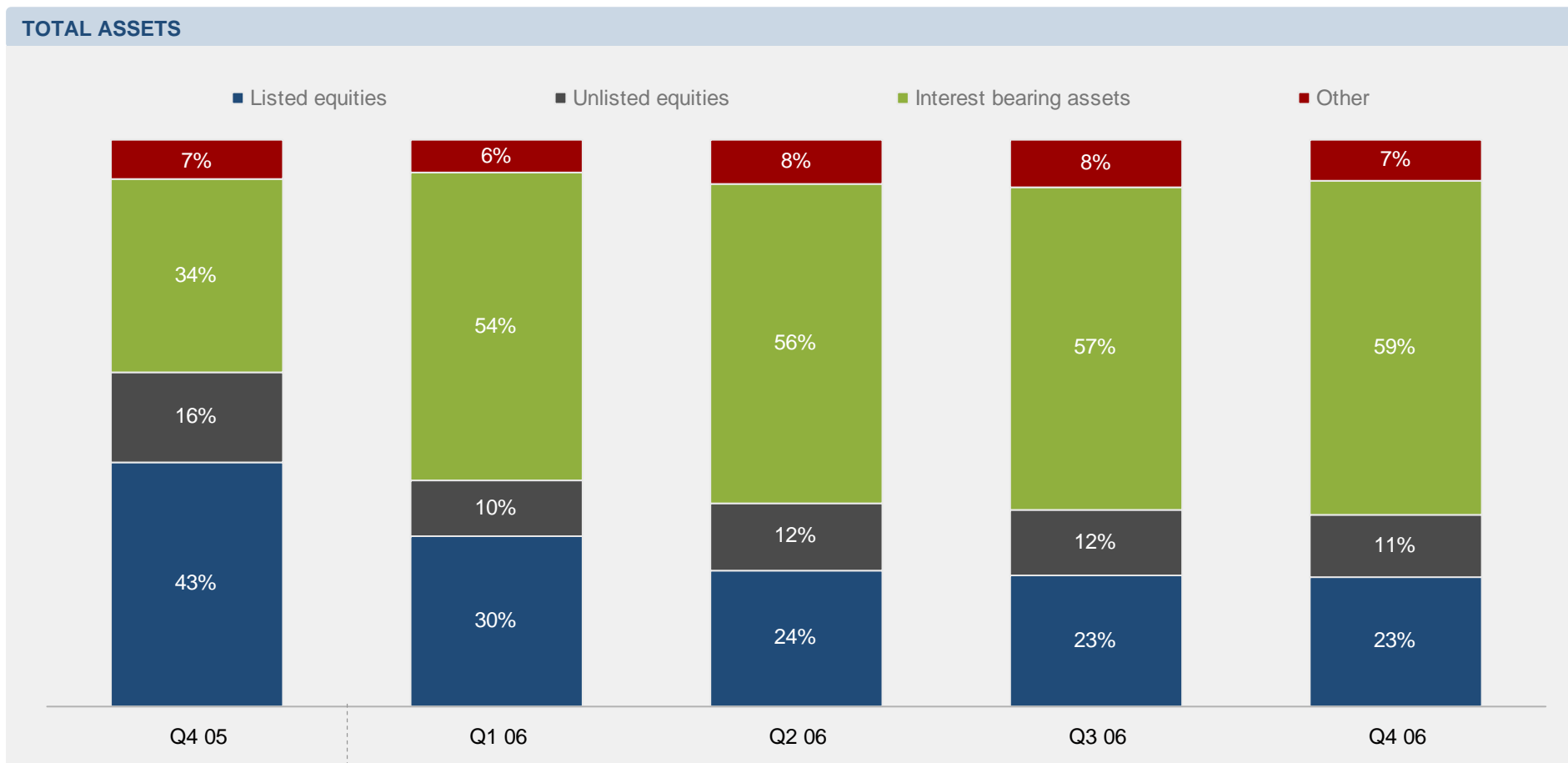




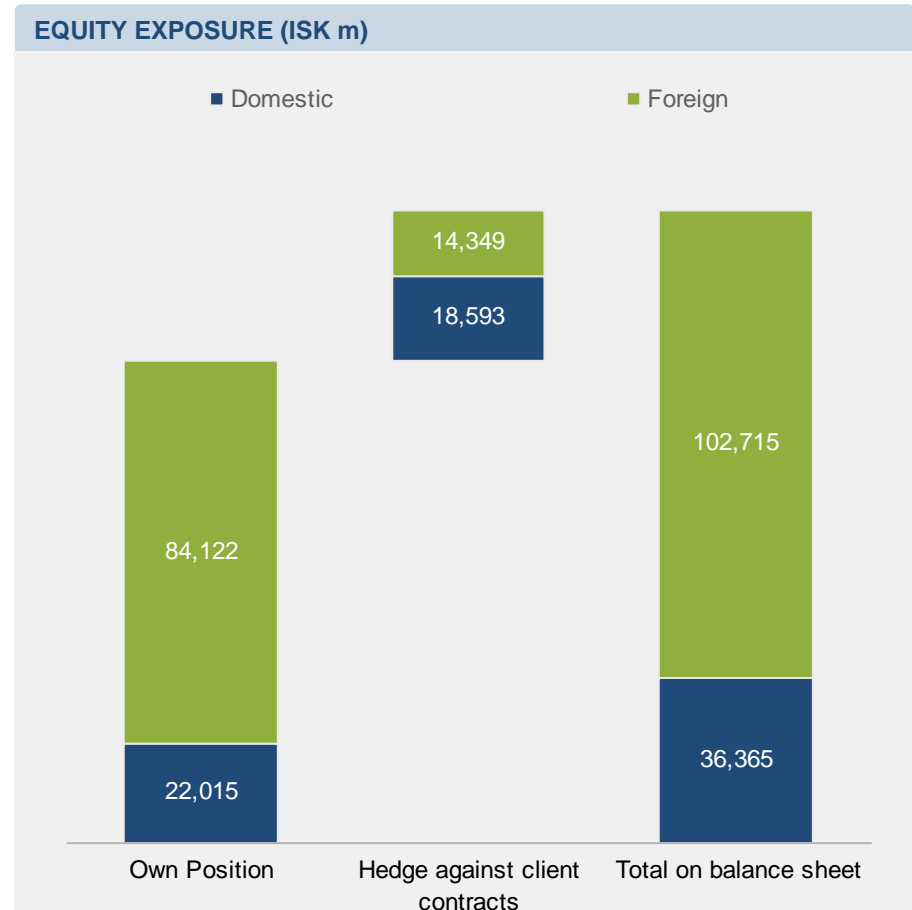
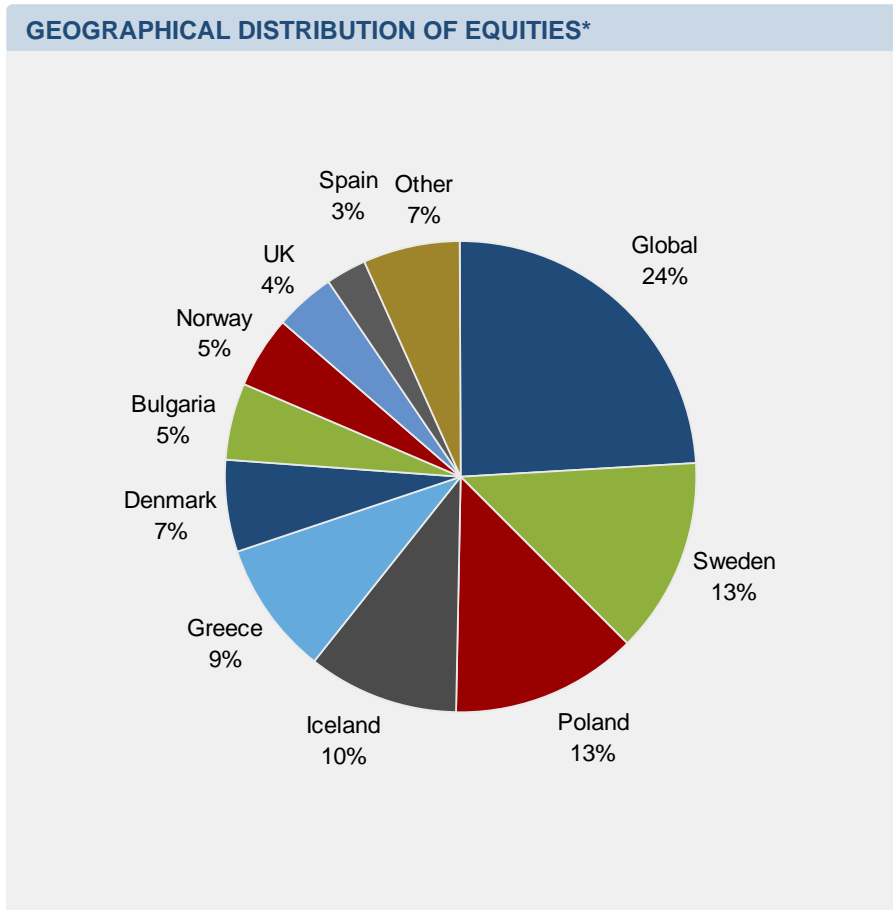
# Creating a solid platform for growth



# Balance sheet development reflecting strategy



# Well diversified equity exposure



\*Country of risk

## Largest listed equity exposure at end of 2006

### Actavis

- Ownership 3.2%, market value ISK 6.9 billion
- Listed on ICEX, manufacturer of generic pharmaceuticals

### Tanganyika Oil

- Ownership 10.4%, market value ISK 6.8 billion
- Listed on XTSX and XOME, an oil and gas explorer / developer / producer

### Nordea

- Ownership 0.1%, market value ISK 3.8 billion
- Listed on OMX, rated by Standard & Poor's AA- / A-1+ and by Moody's Aa3 / P-1

### Bulgarian Telecom

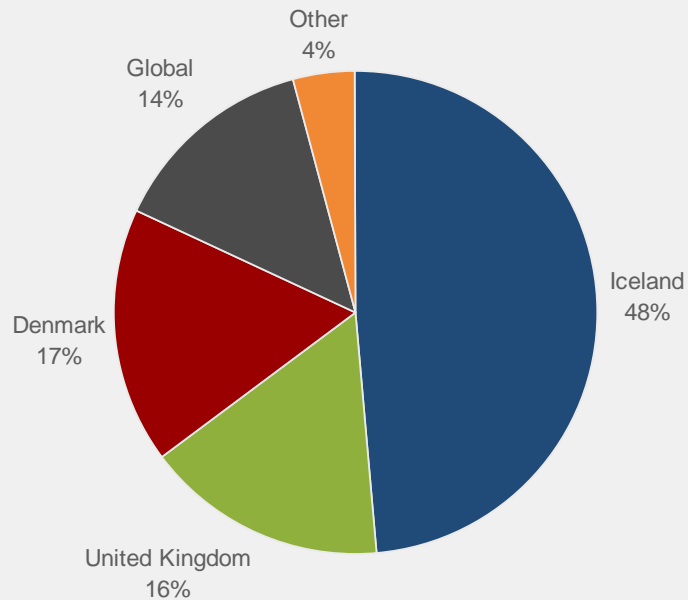
- Ownership 2.6%, market value ISK 3.6 billion
- Listed on XBUL, offering telephone and related services

### Danske Bank

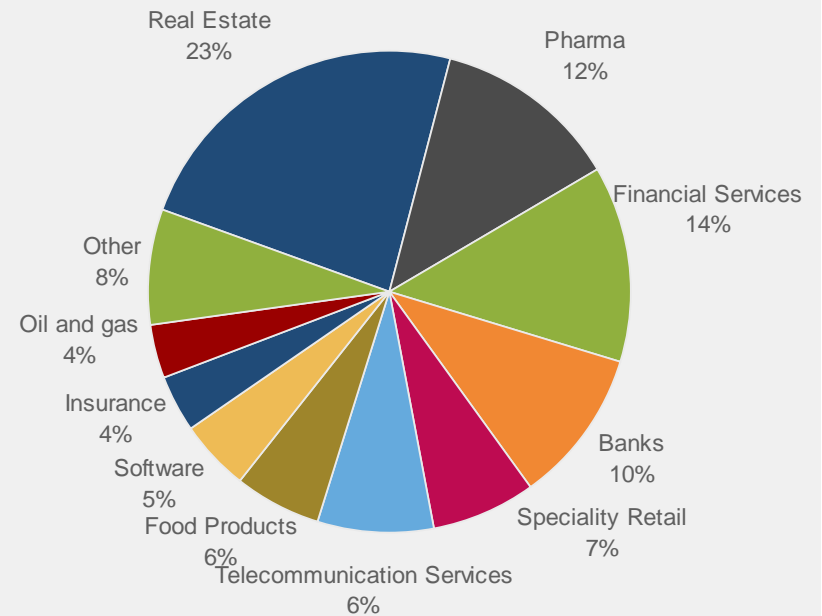
- Ownership 0.1%, market value ISK 3.2 billion
- Listed on KFX, rated by Standard & Poor's AA- / A-1+ and by Moody's Aa1 / P-1

# Diversified loan portfolio – by geography & sector

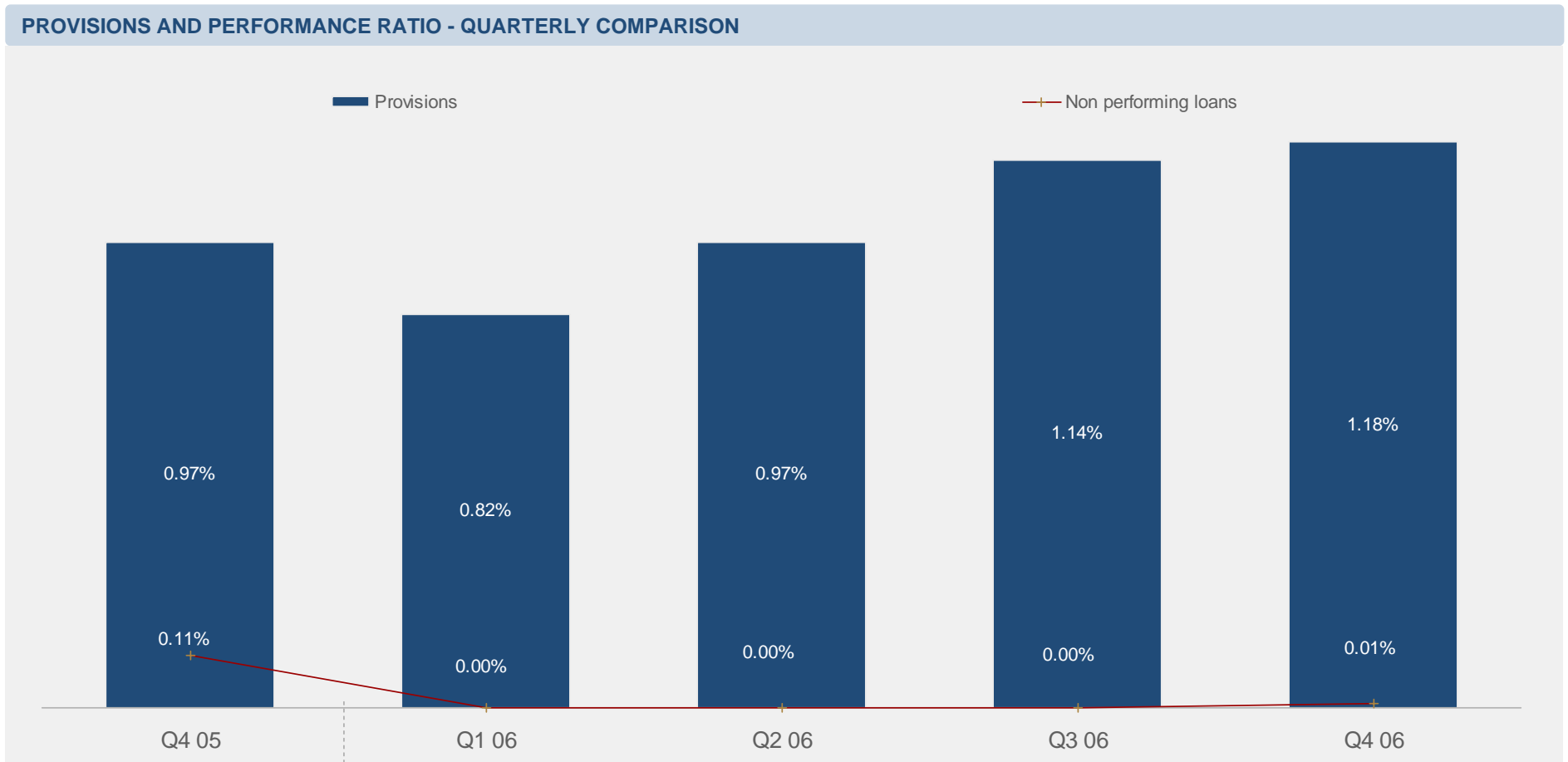
LOANS – COUNTRY RISK BREAKDOWN



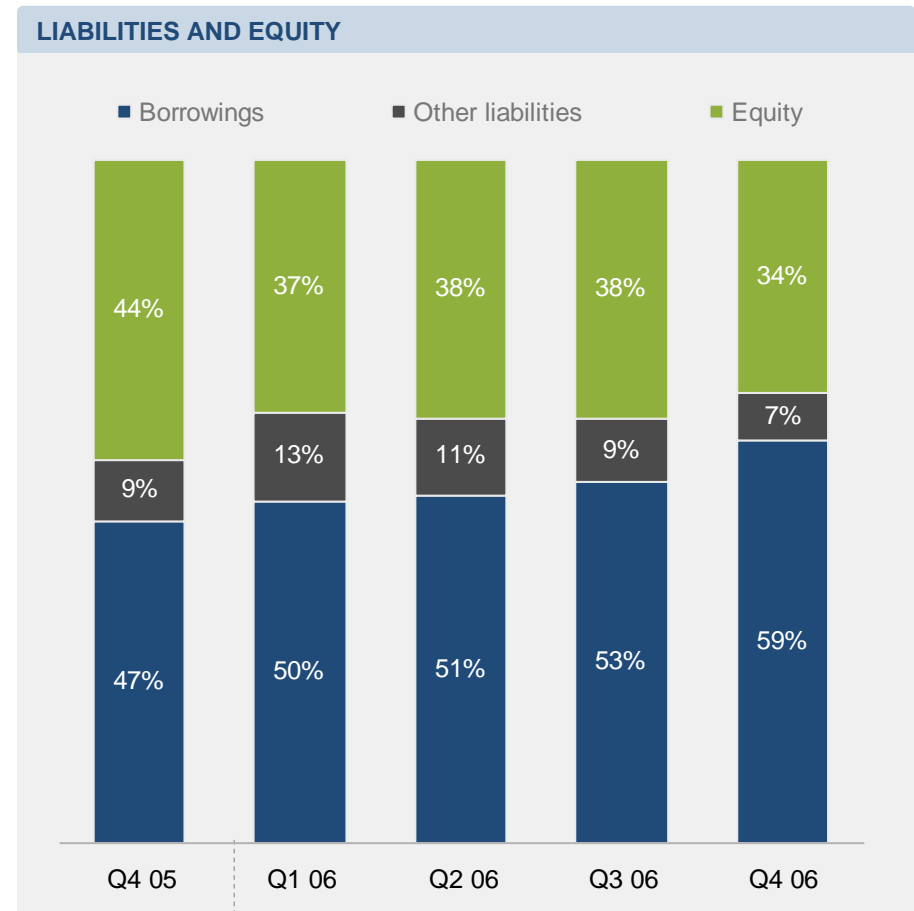
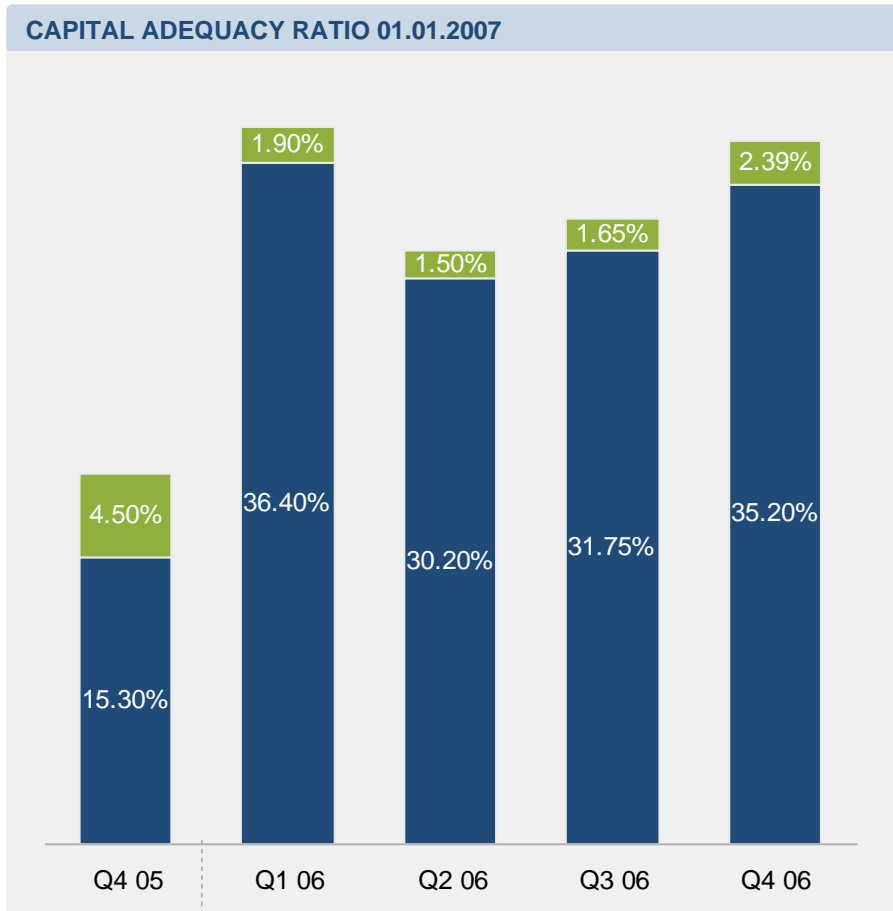
LOANS – SECTOR BREAKDOWN



# Healthy loan portfolio

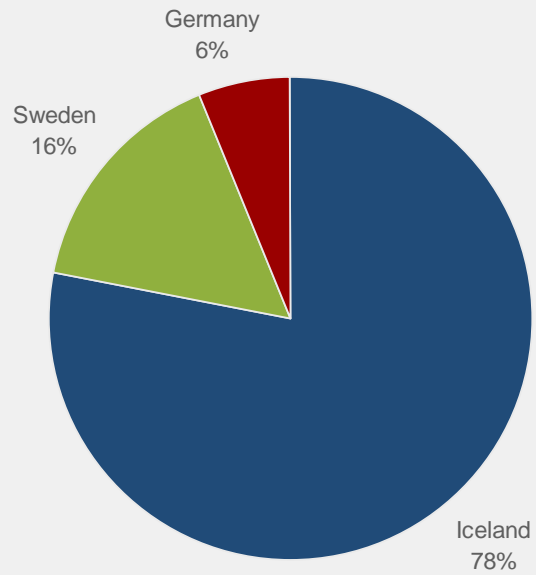


# Strong balance sheet enables growth

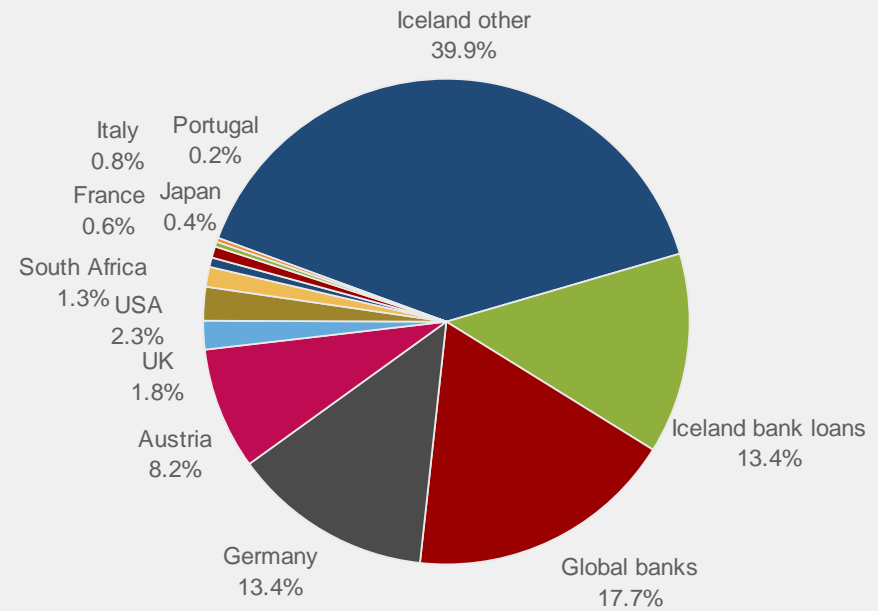


# Achieving diversified funding

GEOGRAPHICAL COMPOSITIONS OF LIABILITIES 31.12.2005

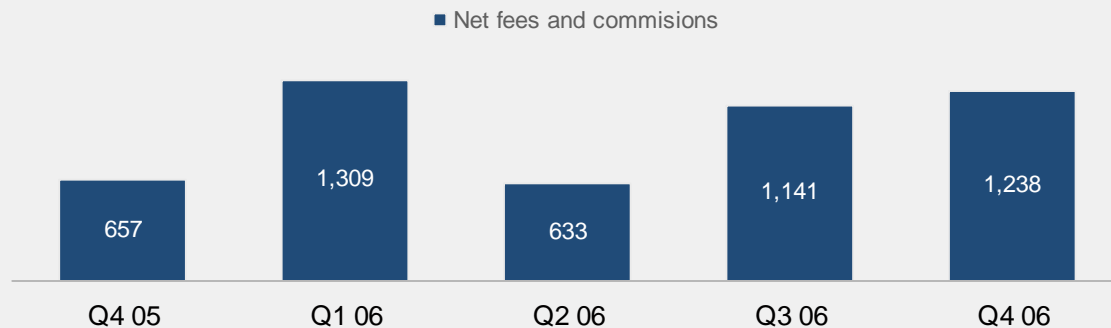


GEOGRAPHICAL COMPOSITION OF LIABILITIES 31.12.2006





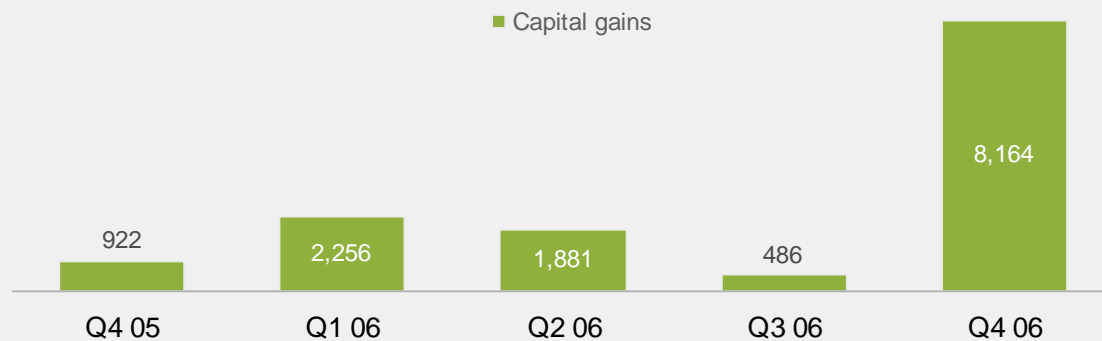
## RESULTS (ISK m)



## OPERATING PERFORMANCE

- 2006 best year in Corporate finance history
- Positive outlook for 2007
- Asset quality remains strong
- Large part of capital gains attributable to Novator

## RESULTS (ISK m)

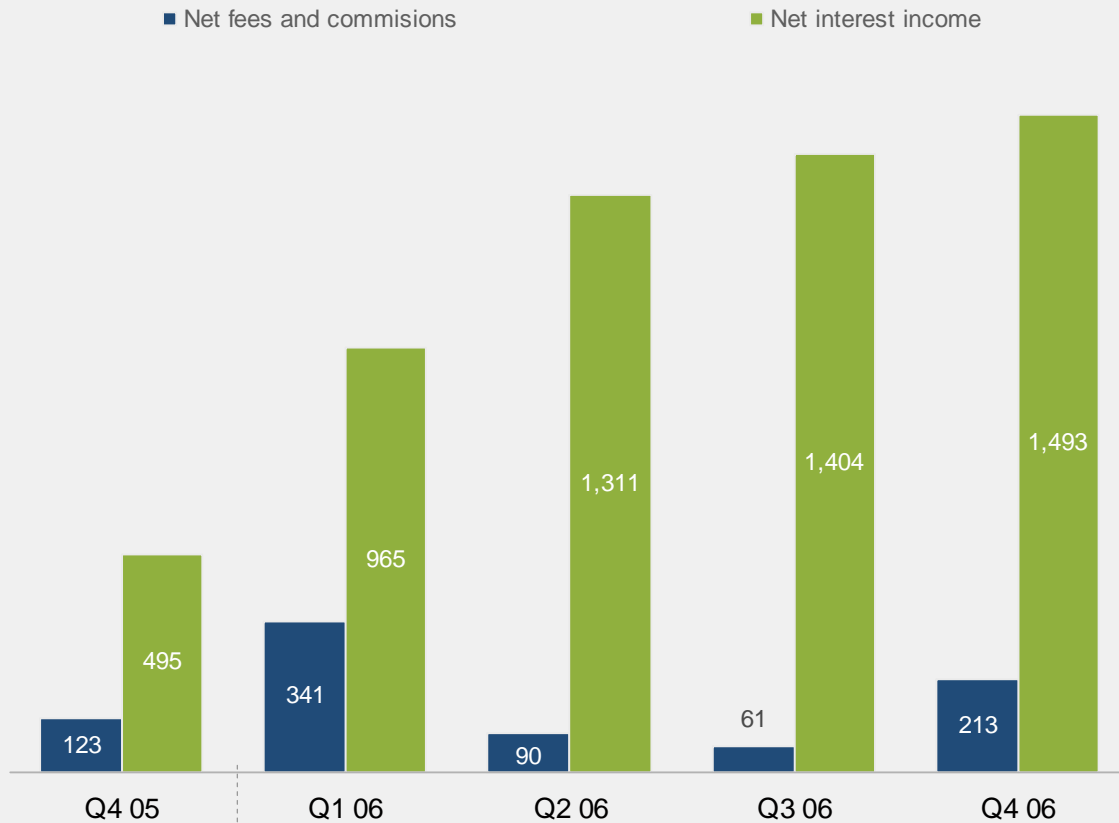


## INTERNATIONAL BUSINESS

- Focus on core markets in Scandinavia and UK
- Stamford Partners broaden fee income sources in 2007
- Strong foothold in Copenhagen office

# Debt finance

## RESULTS (ISK m)



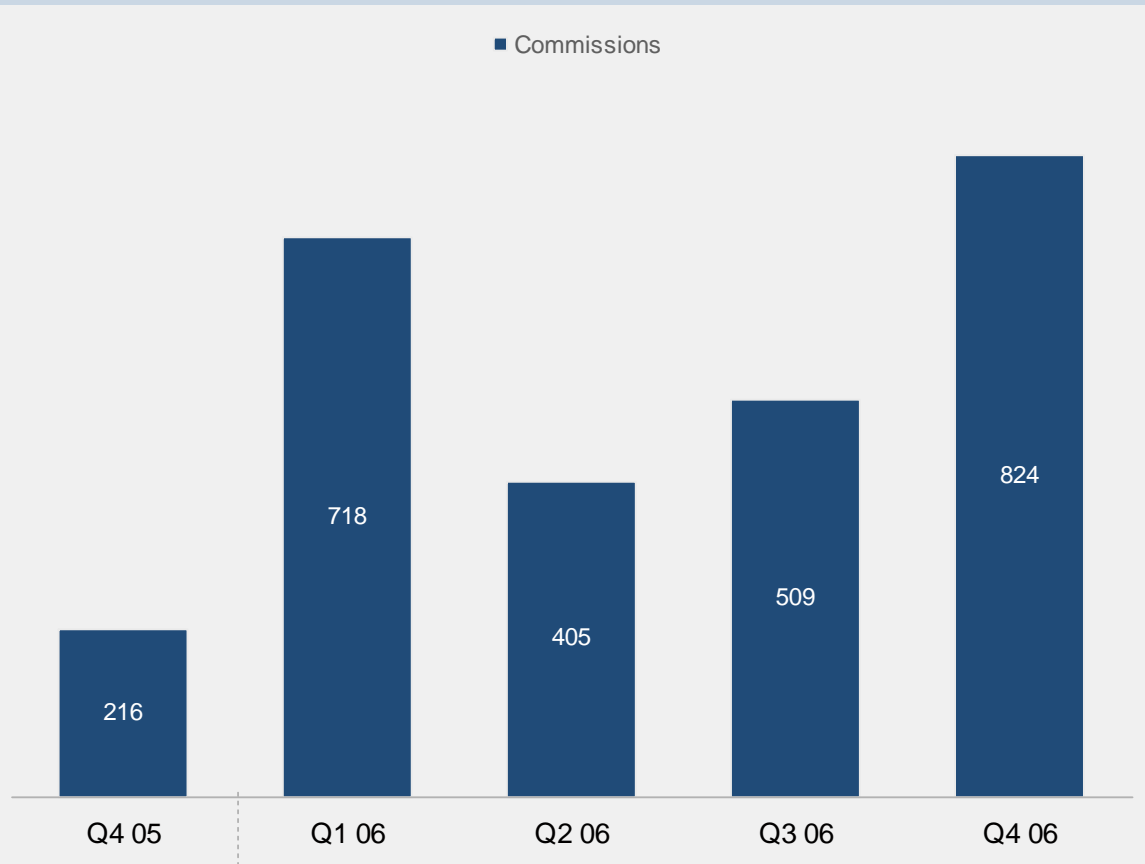
## OPERATING PERFORMANCE

- 158% growth in the loan book to ISK 128bn compared to ISK 49bn at YE05
- Net interest income of ISK 5.2 bn for FY2006
- Tripling of commission income to ISK 705m

## INTERNATIONAL BUSINESS

- Strong pipeline and continued focus on acquisition financing for non-domestic projects
- CLO financing structure to underpin growing participation in international leverage loan syndication market
- Received FSA approval to commence debt finance activities for London branch

## RESULTS (ISK m)



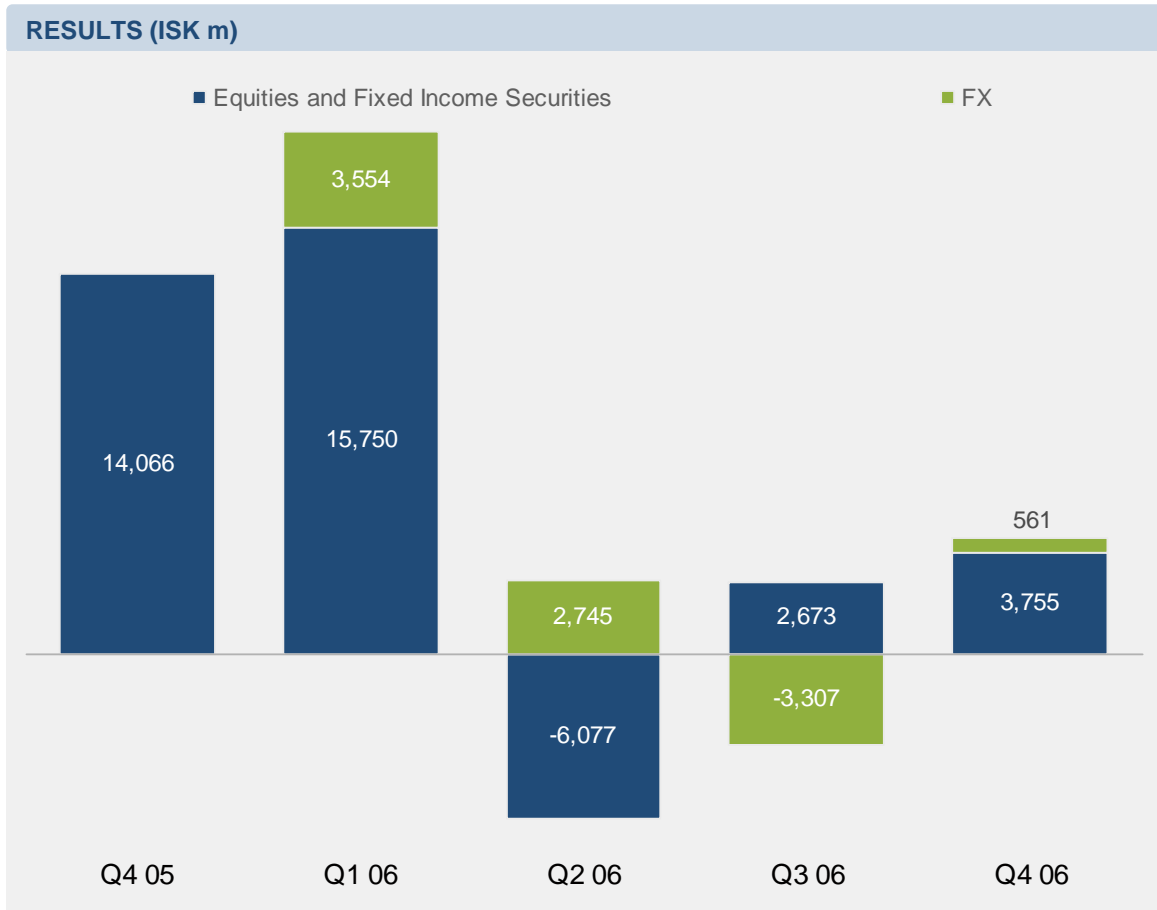
## OPERATING PERFORMANCE

- Excellent results in Q4
- Total operating income ISK 2,5 bn in 2006

## ICELANDIC EQUITY MARKET

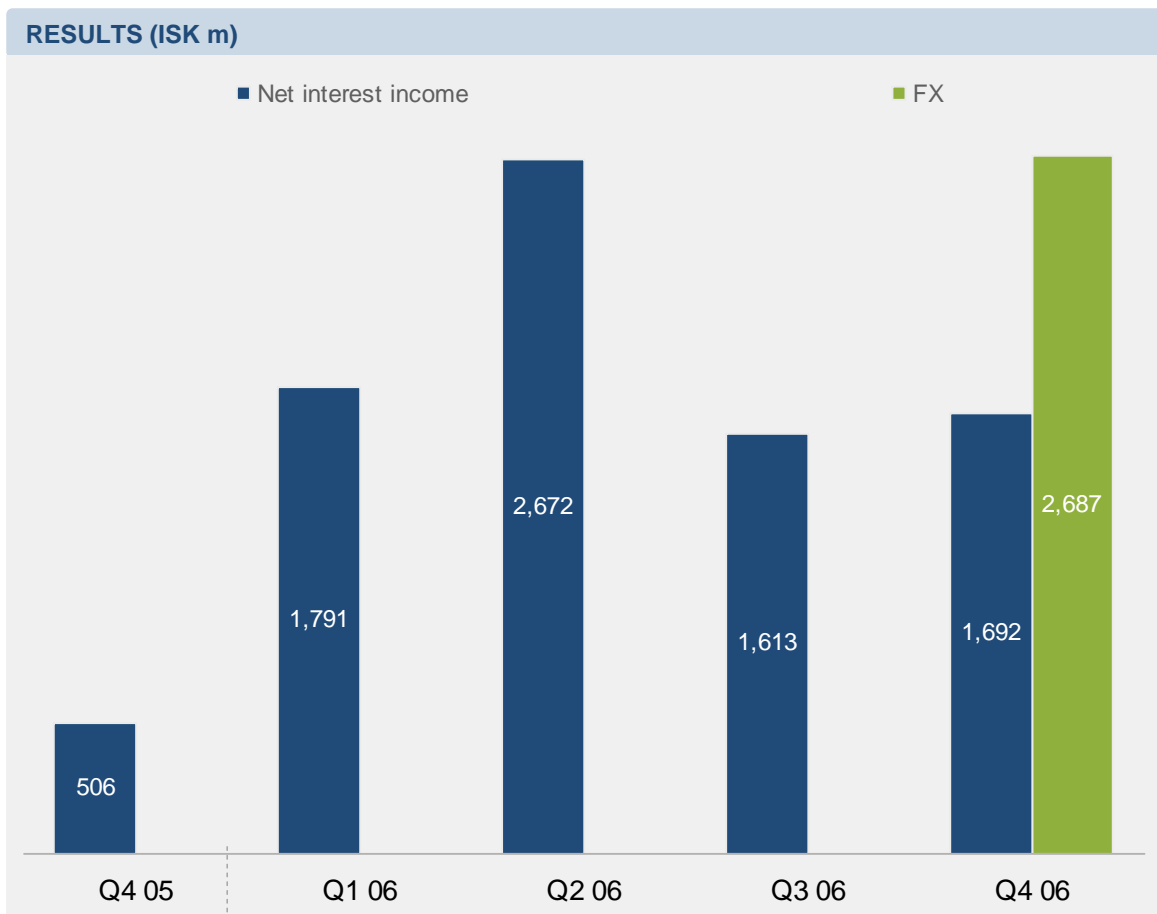
- ICEX ended up 15.8% in 2006
- Straumur Burðarás market share in ICEX equities 16.3%

# Proprietary trading



- EQUITIES AND FIXED INCOME**
- Successful exit of 4 of the bank's largest listed equity holdings as of year-end 2005
    - Glitnir ISK 60 bn
    - Skandia ISK 18 bn
    - Finnair ISK 13 bn
    - Avion ISK 9 bn

- FOREIGN EXCHANGE**
- Gains from FX trading in 2006 amounts to ISK 3.5 bn
    - Including cost of carry the profit of FX trading was ISK 1.7 bn



## OPERATING PERFORMANCE

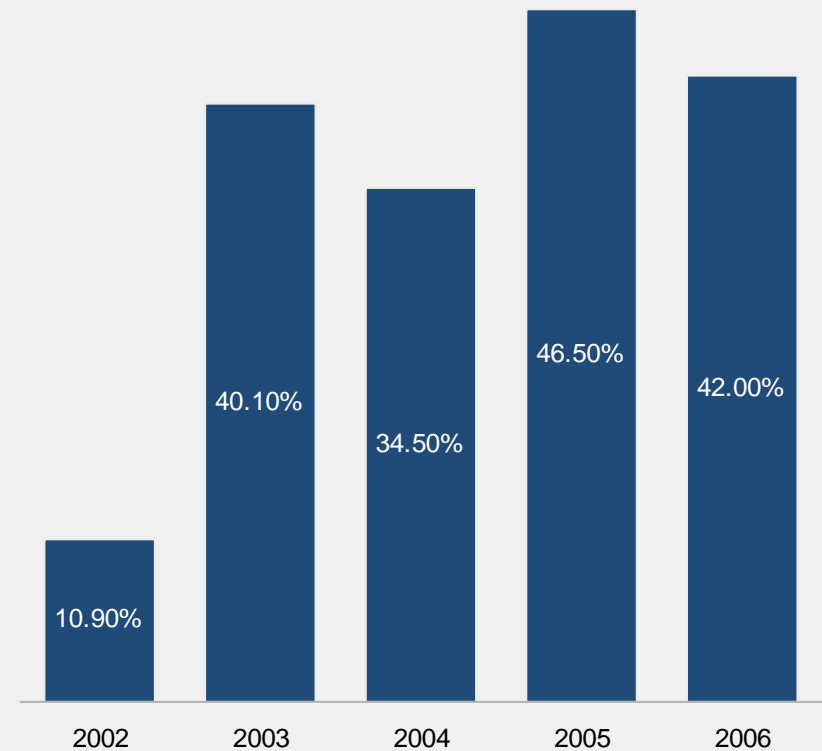
- Offices in Iceland and Denmark
- The Treasury function is divided into inter-bank trading desk, funding desk and derivatives desk

# Key ratios end Q4

## KEY RATIOS

■ P/B:	1.18
■ Share Price:	17.40
■ Share capital:	9,486,694,037
■ Market value:	165,068 m ISK
■ EPS:	4,47
■ P/E:	3,9
■ Cost/Income:	8.3%
■ CAD:	37,59%
■ Tier 1:	35.20%
■ Provision ratio:	1.18%
■ Non performing loans:	0.01%

## RETURN ON EQUITY



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- 1 Financial performance
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# Successfully achieving strategic and financial objectives

PREVIOUSLY PUBLISHED OBJECTIVES	DELIVERING ON OBJECTIVES		
<b>Increase sustainable earnings streams</b>	Increase proportion of income from debt finance, corporate finance and capital markets		Income from non trading activities has increased significantly
<b>Increase geographical diversification</b>	Increase geographical exposure Establish foothold in Scandinavia and UK		Foreign income now accounts for 54% of total net operating income Offices successfully operational in Copenhagen, London and Amsterdam
<b>Achieve a minimum of 16% ROE</b>	Achieve a ROE of at least 16%		Return on equity in 2006 was 42%
<b>Maintain high CAD</b>	Maintain 15% capital adequacy ratio		Capital adequacy ratio of 37.59%



# Building a leading Nordic investment bank

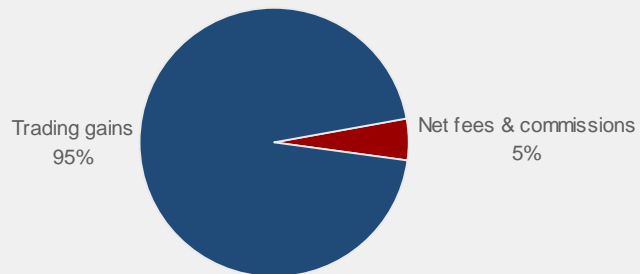
31.12.2005

- Equity base ISK 114bn
- Equity portfolio 140% of own equity
- Number of employees 45
- Geographical presence - Iceland
- Revenue profile – trading gains represent 96%
- Commissions income represent 6% of revenues
- 48% of revenues originating in international markets

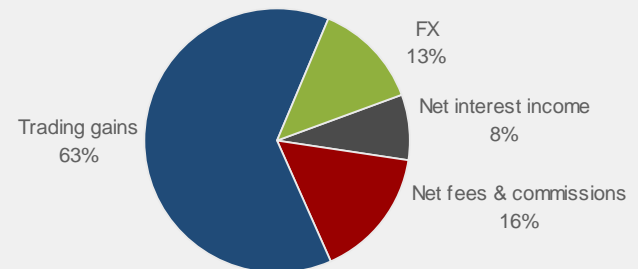
31.12.2006

- Equity base ISK 141bn
- Equity portfolio 82% of own equity
- Number of employees 109
- Geographical presence – Denmark, Iceland, Netherlands and UK
- Trading gains represent 63% of revenues
- Commissions income represent 16% of revenues
- 54% of revenues originating in international markets

REVENUE PROFILE – 2005



REVENUE PROFILE – 2006



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- 1 Financial performance
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# Our Objectives

## TO BE A LEADING NORDIC INVESTMENT BANK



Profitability at risk free will be 15% or above



Fees and net interest income will represent 50% of net revenue



Balance sheet will grow to 750 billion ISK in the next three years



By leveraging the Bank's equity a CAD ratio of 18% in banking operations will be achieved.

## TO HAVE A STRONG BRAND IN NEW MARKETS



Operations will be in at least 8 countries before year-end 2009



Straumur-Burðarás will become one of the 10 most preferred investment banking partners in the Nordic region



Customer base will triple



New products and services will, in 2009, represent 20% of the Bank's revenue

Q & A

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