

## direct/ Landsbanki Islands (UK) - Landsbanki 2006 Financial Results

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Press release from: [Landsbanki Islands](#)

After-tax profit ISK 40.2 billion (bn)

Q4 profit ISK 14.1 bn

### Highlights of the Consolidated Annual Financial Statements of Landsbanki for 2006

- After-tax profit in 2006 was ISK 40.2 bn (EUR 459m), increasing YoY by 61%.
- After-tax ROE was 36.3%.
- The group's core income (interest margin and commission income) was close to ISK 70 billion (EUR 798m), an increase over 2005 of ISK 30 bn or 76%.
- The cost-income ratio for 2006 was 43.2%.
- Trading gains and investment income amounted to ISK 19.6 bn (EUR 223m), as compared to ISK 21.3 bn in 2005.
- Income from operations overseas amounted to ISK 46.6 bn (EUR 532m) or 52% of total group in income, compared to ISK 10.4 bn and 17% in 2005. For the first time overseas operations income exceed domestic operations income.
- The bank's total assets amounted to ISK 2,173 bn at year-end 2006. Converted to EUR, the bank's total assets amounted to EUR 23.2 bn at year-end 2006, compared with EUR 18.8 bn at the beginning of the year.
- Customer deposits increased by 104% during 2006, amounting to ISK 683 billion (EUR 7.3bn) at year-end. Deposits were equivalent to almost 50% of total customer loans.
- The bank's capital ratio (CAD) was 14.8% at the end of the year. Tier 1 capital was 13.0%.

### Highlights of Q4 2006:

- After-tax profit was 14.1 bn (EUR 161m).
- Net operating income in Q4 was ISK 24.8 bn (EUR 283m) as compared with ISK 18.5 bn in Q3.
- The Q4 cost-income ratio in 2006 was 44.4%.
- Customer lending grew by ISK 135 bn (EUR 1.4bn) in Q4, while customer deposits increased by ISK 170 bn (EUR 1.8bn).

### CEO Sigurjón Þ. Arnason:

"Landsbanki has delivered an exceptionally good performance in 2006. After-tax profit amounted to over ISK 40 billion and return on equity was 36%. The bank's core income continues to grow, amounting to ISK 70 billion this year, or a 76% increase. Income from operations abroad now comprises 52% of the group's total income, reflecting its diversified and solid income base. The year's successful funding operations include both bond issues and new and highly successful deposit products. The ratio of deposits to customer loans is now close to 50%, as compared with 34% at the beginning of this year. The especially successful launch of Icesave on the UK market in Q4 was a major factor here. At year-end Icesave deposits totalled almost ISK 110 billion."

### CEO Halldór J. Kristjánsson:

"Early in 2006 the Icelandic economy and financial enterprises were the focus of considerable international attention. Foreign financial analysts expressed concern at the national economy's ability to adjust to short-term disequilibrium and the accordant impact on the bank's funding and operations. These concerns were partly the result of misconceptions, which were corrected by supplying suitable information promptly and effectively. On the other hand, Landsbanki decided to take specific steps to address other aspects where bank management felt this justified. The bank has, for instance, taken steps to further reduce market risk and substantially increase the role of deposits in its overall funding. It has also raised its capital ratio during the course of the year. Together with the effective integration of parent company and subsidiary establishments both in Iceland and overseas, this has placed Landsbanki in a position to advance confidently on highly competitive global financial markets. Landsbanki increased its funding diversification very substantially this past year, for instance, with a highly successful US bond issue and the UK on-line deposit programme Icesave, which has exceeded all expectations. The bank's liquidity position

is therefore very strong and it can already meet all long-term obligations for the next two years."

Please find attached a copy of Landsbanki's Annual Financial Statements 2006 and accompanying press release. For more information on Landsbanki's financial results and presentations, please visit the Bank's website [www.landsbanki.com](http://www.landsbanki.com).

For further information:

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