



KAUPTHING BANK

A Strong Year of Continued Growth and Profit

Kaupthing Bank's – Q4 2006 Results

Hreidar Már Sigurdsson, CEO

Solid Performance in 2006

◆ Solid performance in 2006:

- Net earnings ISK 86.4 billion – up by 69.3% from last year
- Return on equity was 42.4% in 2006
- Earnings per share ISK 127.1 – up by 69.0%
- Total assets were ISK 4,055 billion – increase by 59.6% last year
- Strong capital ratios – or CAD ratio 15.0% and Tier 1 ratio 10.5%

◆ A strong fourth quarter:

- Net earnings of ISK 18.64 billion
- Strong growth in net interest and net commission income
- Net interest income up by 55.4% year-on-year
- Net commission income ISK 11.9 billion - up by 91.3% year-on-year

Summary of Operation in 2006

ISKm			
	2006	2005	Chg
Net interest income	52,362	32,710	60%
Net commission income	37,284	22,428	66%
Net financial income	60,157	37,281	61%
Other income	17,413	9,779	78%
Operating income	167,216	102,198	64%
Salaries and related cost	-33,570	-20,317	65%
Other administrative cost	-26,437	-15,207	74%
Impairment	-6,127	-4,389	40%
Profit before income tax	101,083	62,285	62%
Income tax	-14,636	-11,228	30%
Net earnings	86,447	51,056	69%
Shareholders of Kaupthing Bank	85,302	49,260	73%
Minority interest	1,145	1,796	-36%

Summary of Operation in Q4

ISKm			
	Q4 2006	Q4 2005	Chg
Net interest income	14,806	9,529	55%
Net commission income	11,866	6,203	91%
Net financial income	12,003	13,960	-14%
Other income	2,241	2,969	-25%
Operating income	40,915	32,661	25%
Salaries and related cost	-10,572	-6,840	55%
Other administrative cost	-8,274	-4,551	82%
Impairment	-1,637	-1,789	-9%
Profit before income tax	20,433	19,481	5%
Income tax	-1,793	-4,018	-55%
Net earnings	18,640	15,463	21%
Shareholders of Kaupthing Bank	18,077	14,786	22%
Minority interest	564	678	-17%

Q4 2006 Compared to Q3 2006

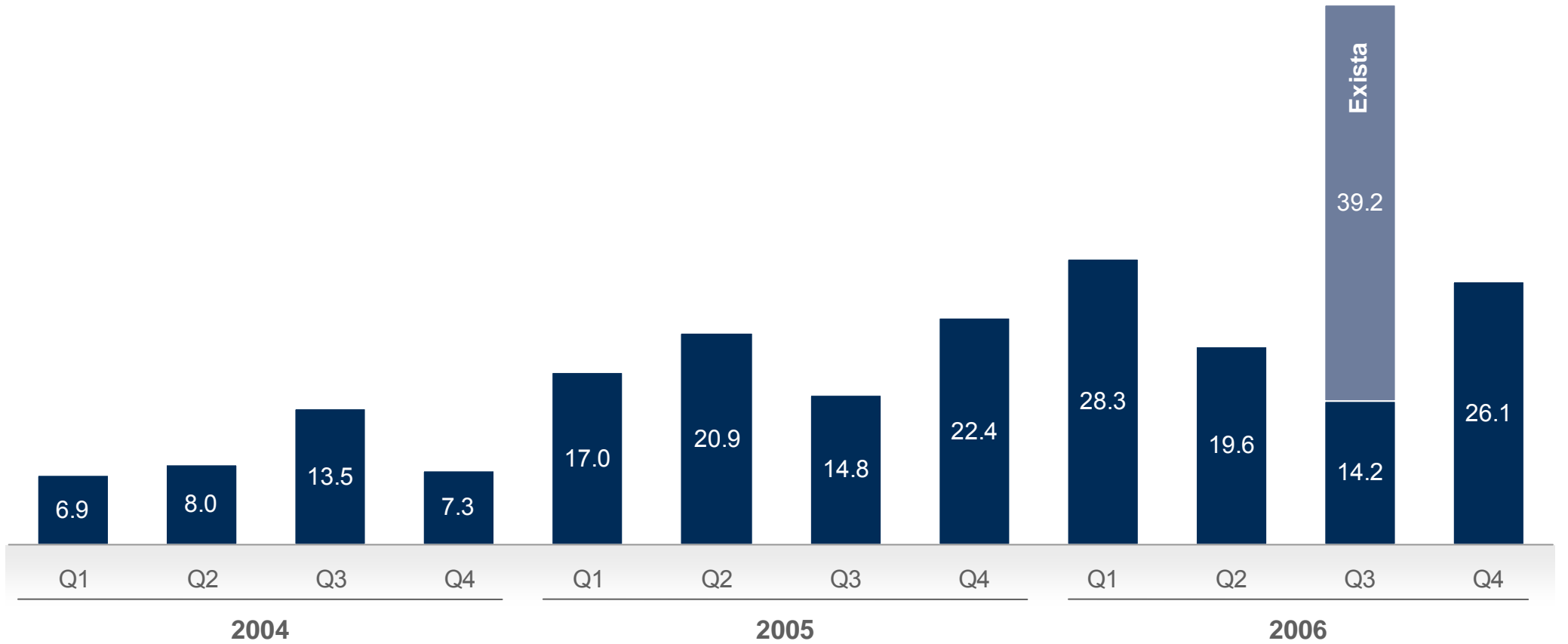
ISKm			
	Q4 2006	Q3 2006	Chg
Net interest income	14,806	12,687	17%
Net commission income	11,866	7,632	55%
Net financial income	12,003	37,256	-68%
Other income	2,241	2,210	1%
Operating income	40,915	59,785	-32%
Salaries and related cost	-10,572	-7,315	45%
Other administrative cost	-8,274	-6,488	28%
Impairment	-1,637	-2,820	-42%
Profit before income tax	20,433	43,163	-53%
Income tax	-1,793	-7,630	-76%
Net earnings	18,640	35,533	-48%
Shareholders of Kaupthing Bank	18,077	35,393	-49%
Minority interest	564	140	304%

Equity – 2006 Compared to 2005

ISKm					
Changes in equity 2006:		31/12/2006	Changes in equity in 2005:		31/12/2005
Equity 1 January 2006		194,183	Equity 1 January 2005		149,370
Translation difference		18,289	Translation difference		-388
Fair value changes in AFS financial assets		-9	Fair value changes in AFS financial assets		-2
Deferred pension reserve		480	Deferred pension reserve		-480
Net earnings recognised directly in equity		18,760	Net earnings recognised directly in equity		-870
Net earnings according to the Income Statement		85,302	Net earnings according to the Income Statement		49,260
Total recognised earnings for the year		104,062	Total recognised earnings for the year		48,390
Dividends paid to equity holders, ISK 37.6 per share		-24,814	Dividends paid to equity holders, ISK 10 per share		-3,298
Issued new capital		55,558	Issued new capital		416
Other changes		-5,479	Other changes		-695
Equity 31 December 2006		323,510	Equity 31 December 2005		194,183

Earnings per Share

EPS (ISK)



Income Distribution and Operating Income vs Operating Expenses

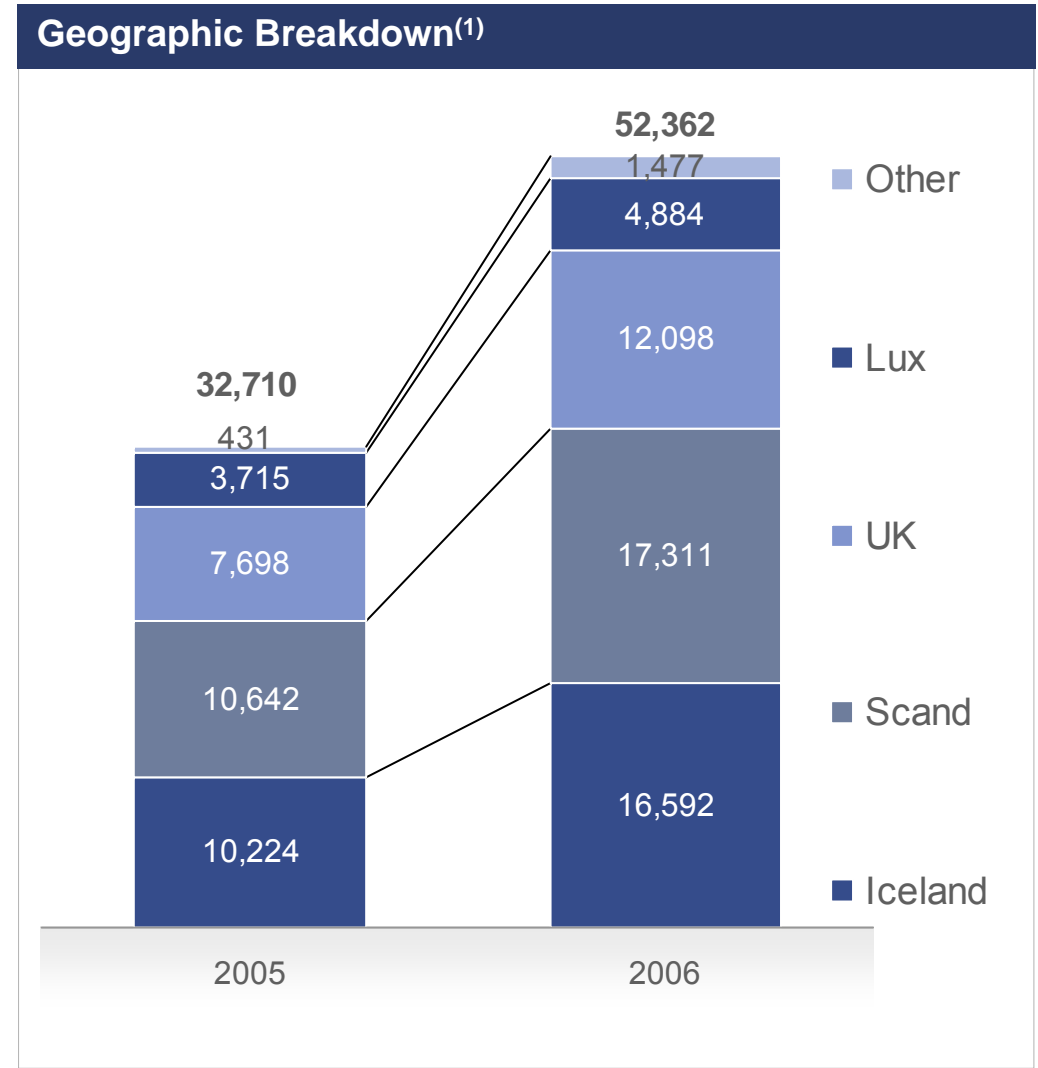
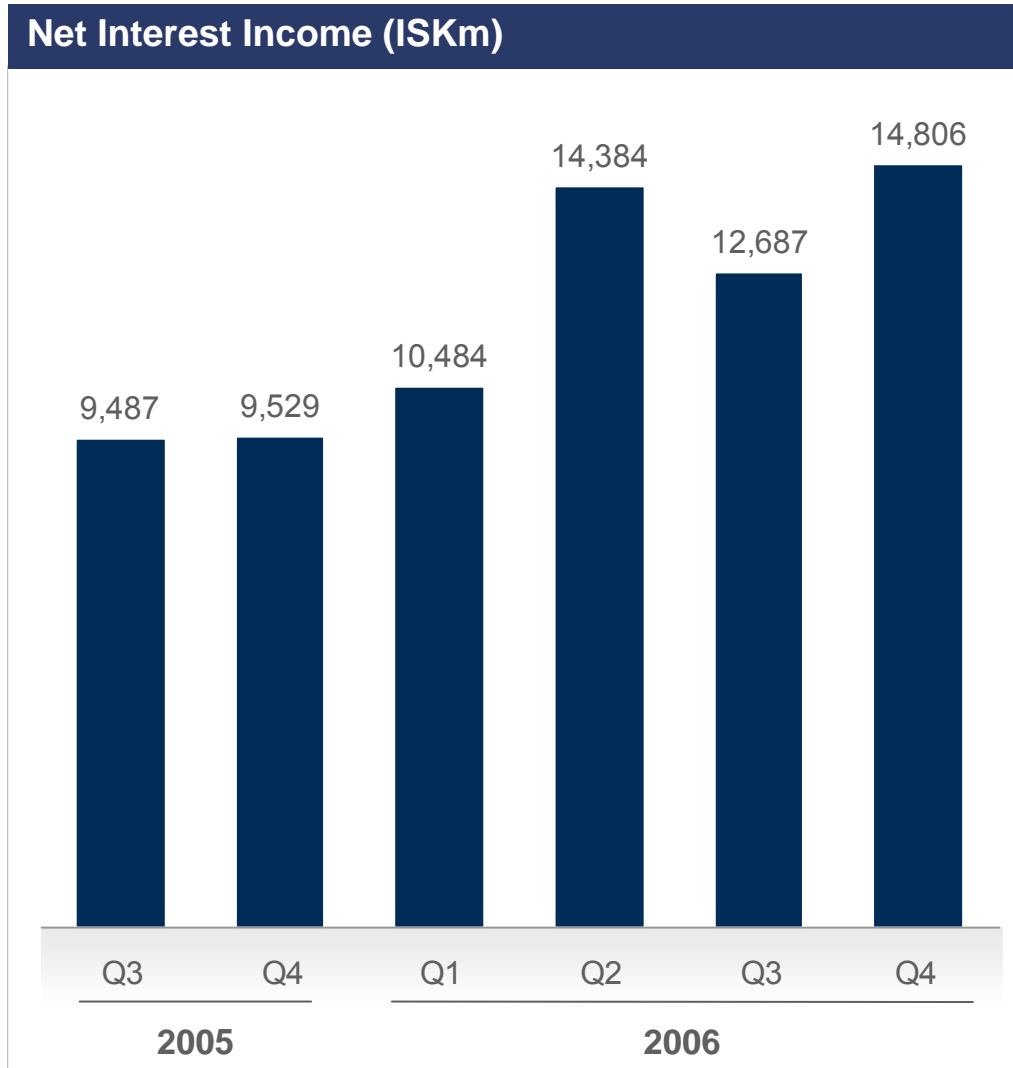
Income Distribution (ISKm)



Operating Income vs. Operating Expenses (ISKm)

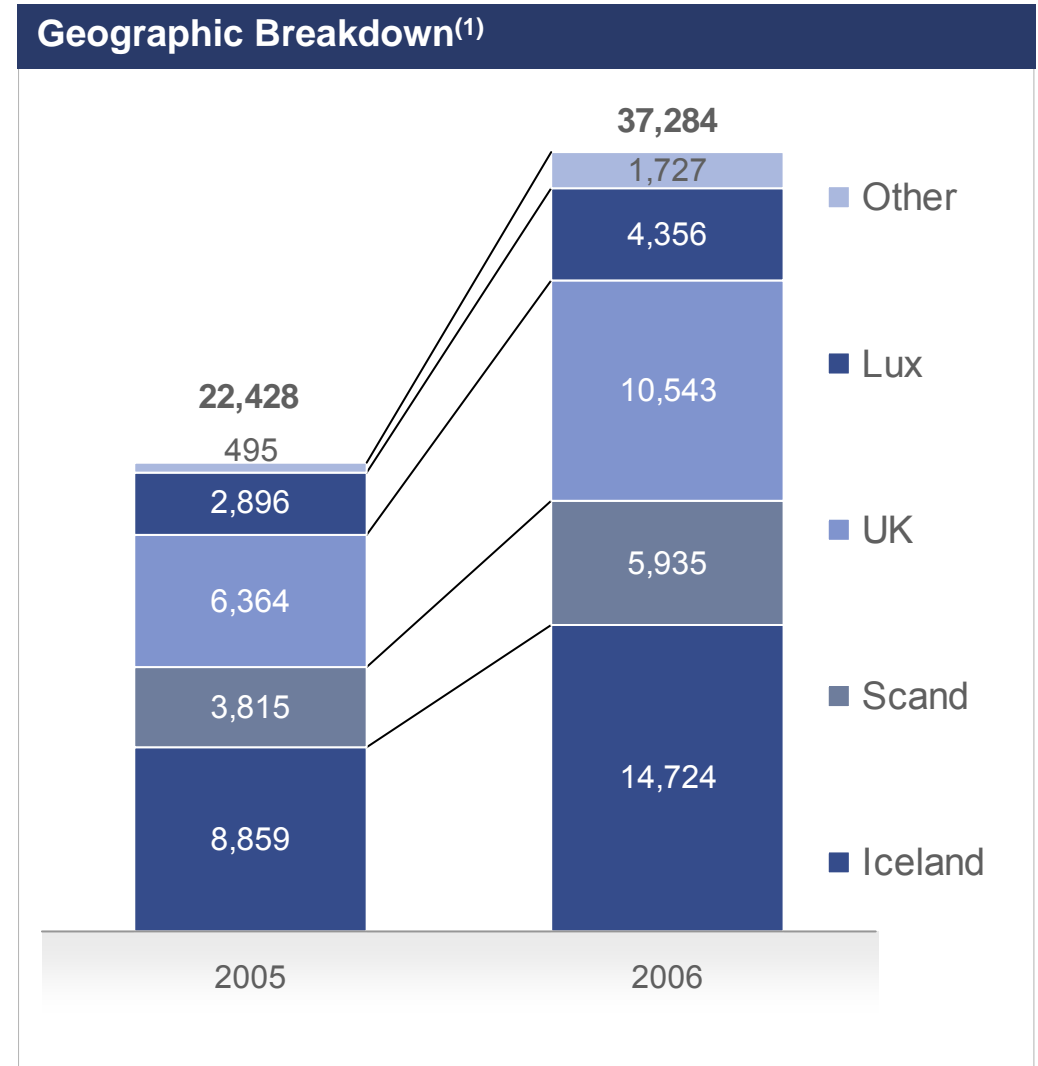
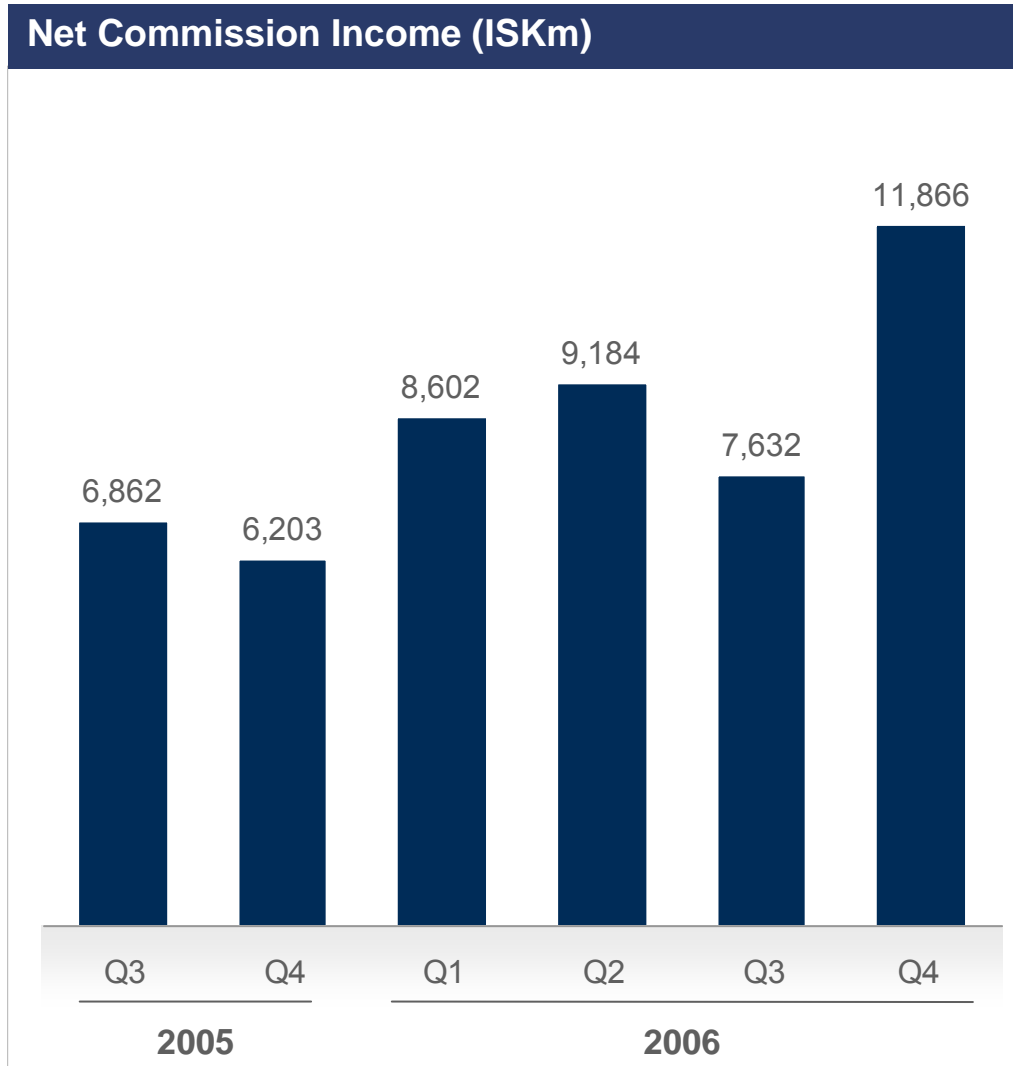


Net Interest Income and Geographic Breakdown



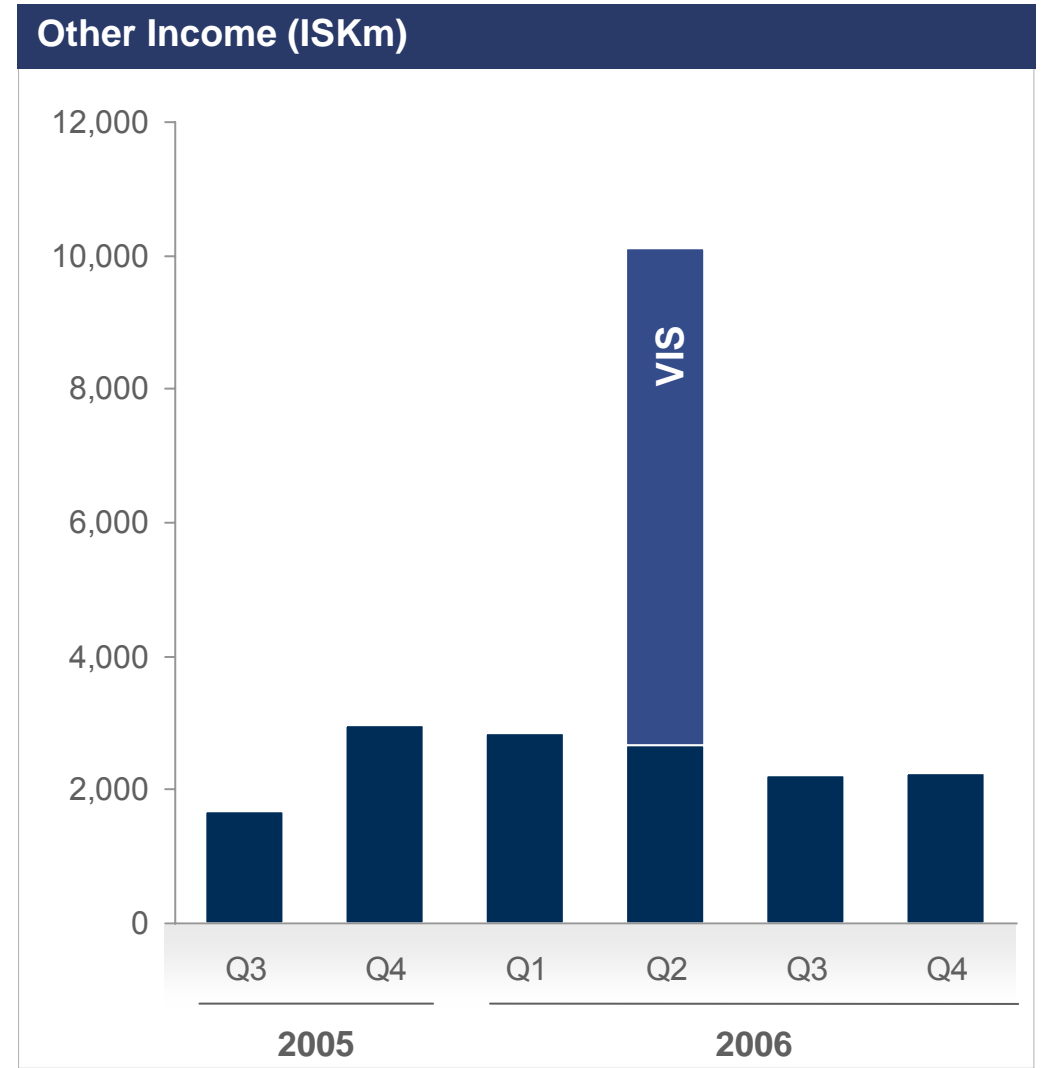
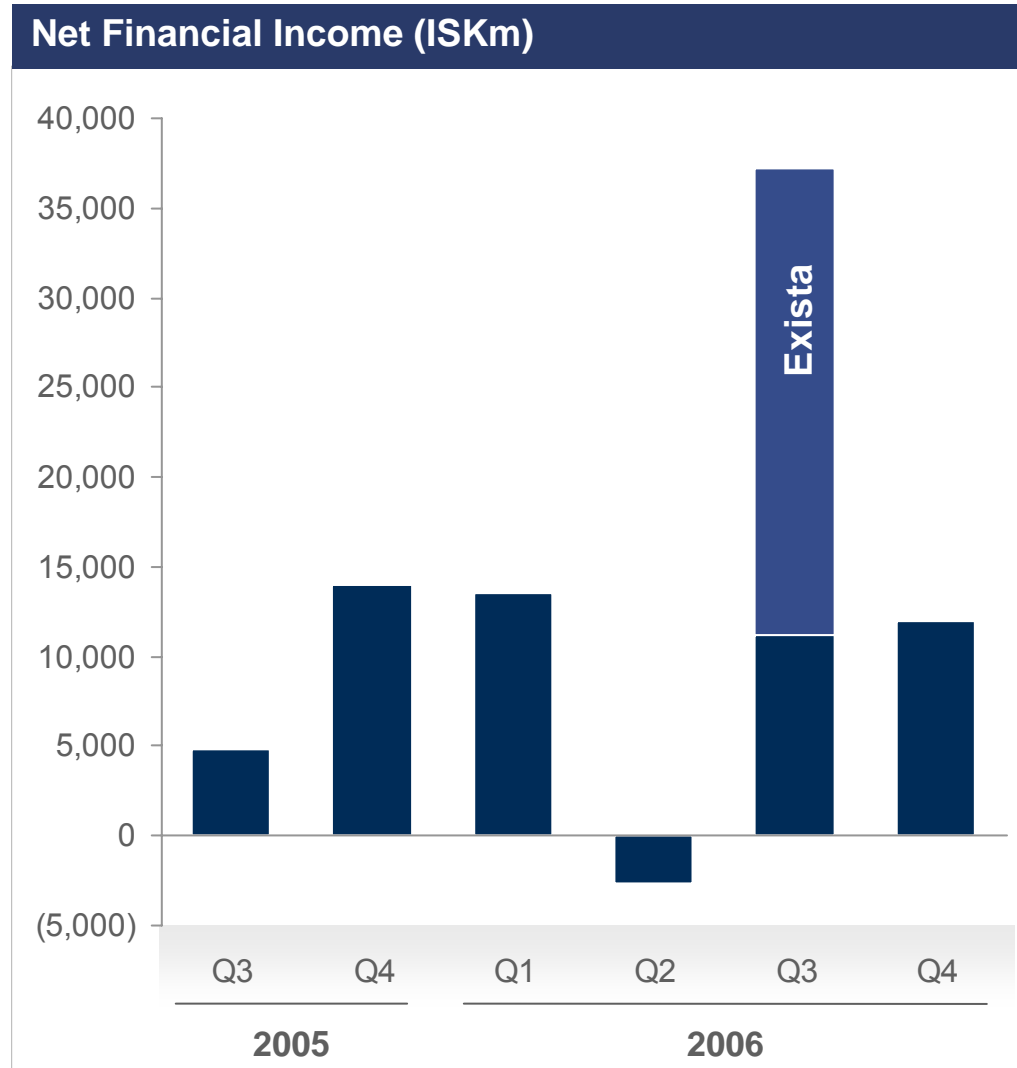
(1) By origin of clients

Net Commission Income and Geographic Breakdown



(1) By origin of clients

Net Financial Income and Other Income

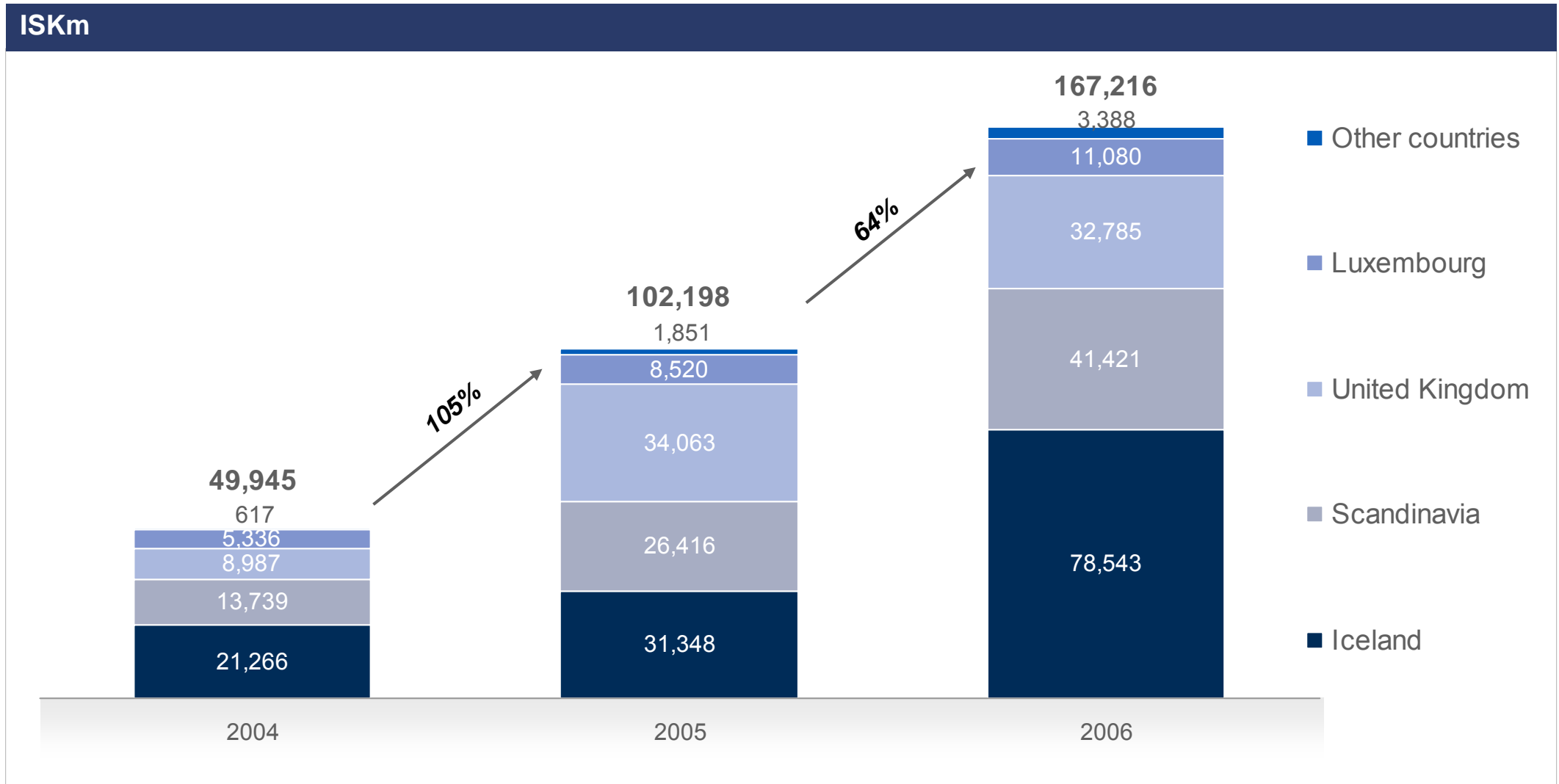


Breakdown of Net Gain on Financial Assets by Location

2006 (ISKm)

	Iceland	Scandinavia	UK	Lux	Other	Total
Net gain from bonds and fixed income securities	-3,427	-1,437	-1,382	-20	0	-6,266
Net gain from equity and variable income securities	29,871	15,559	5,861	1,222	147	52,659
Net gain from derivatives	6,275	49	1,422	586	0	8,331
Net gain from hedge accounting instruments	0	356	3	0	0	358
Dividend income	2,276	2,655	72	54	18	5,074
Total	34,995	17,181	5,975	1,842	164	60,157

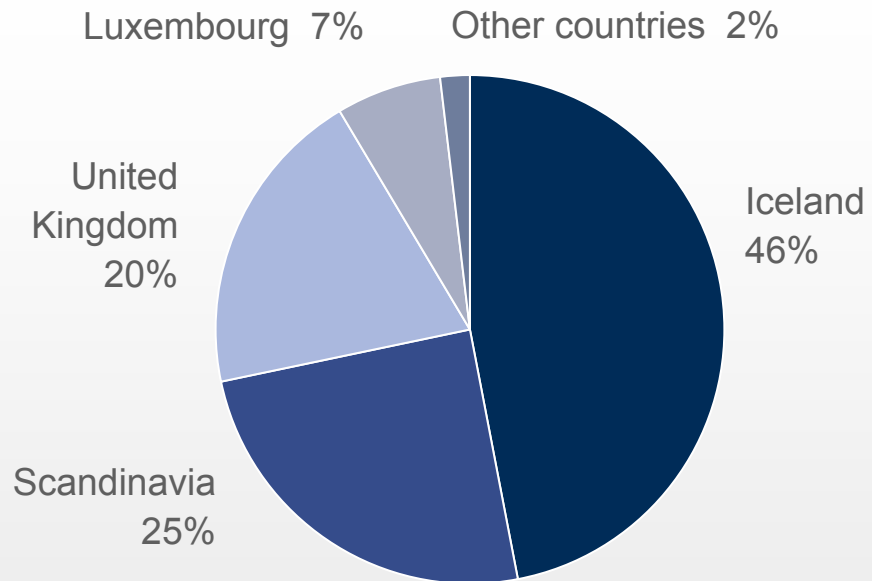
Geographic Diversification – Operating Income



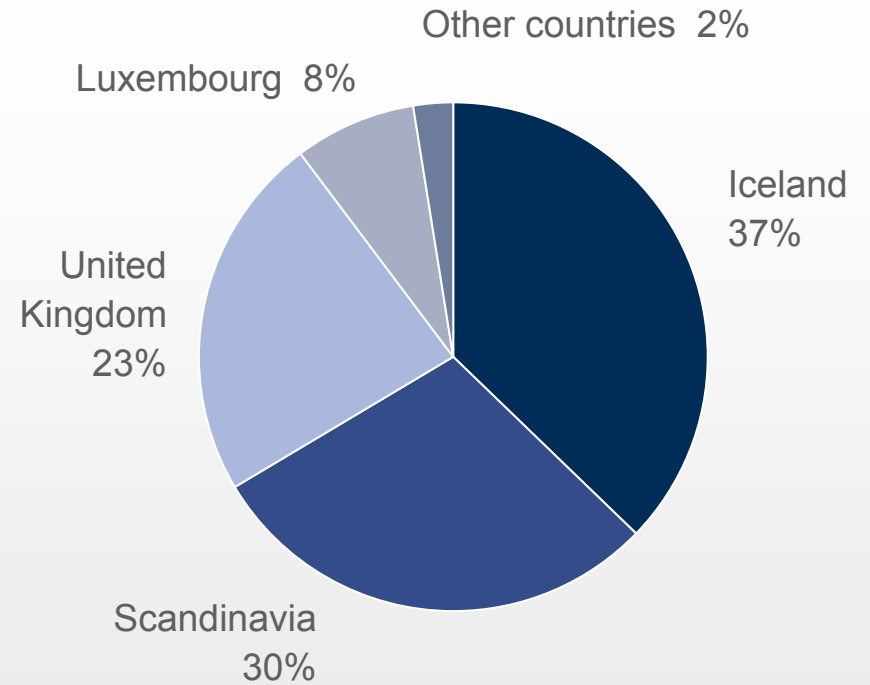
(*) By origin of clients

Geographic Diversification – Operating Income

Operating Income 2006

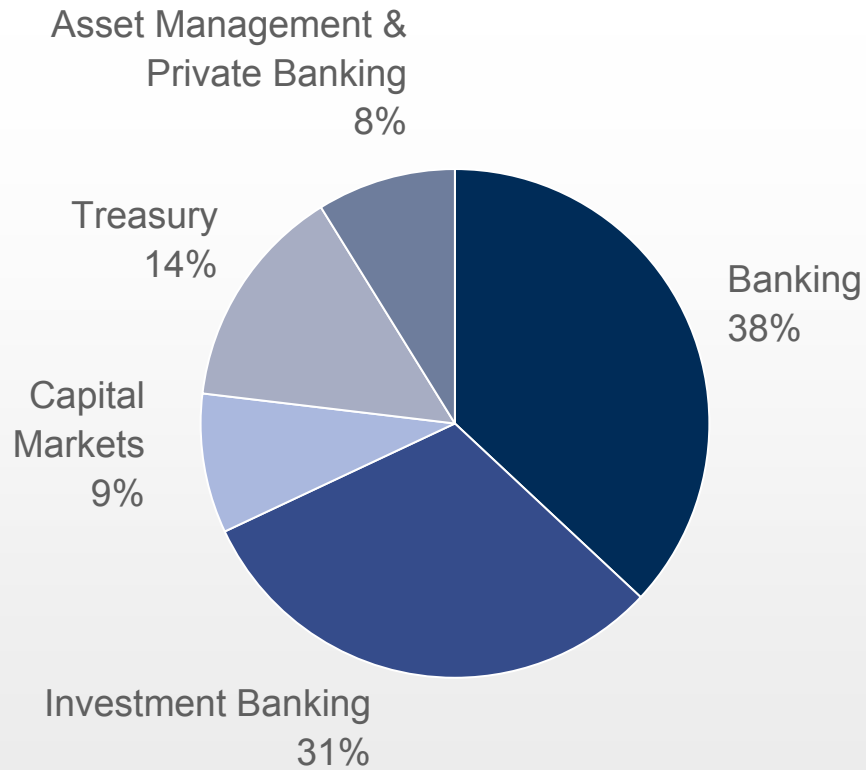


Operating Income without Exista Gain 2006

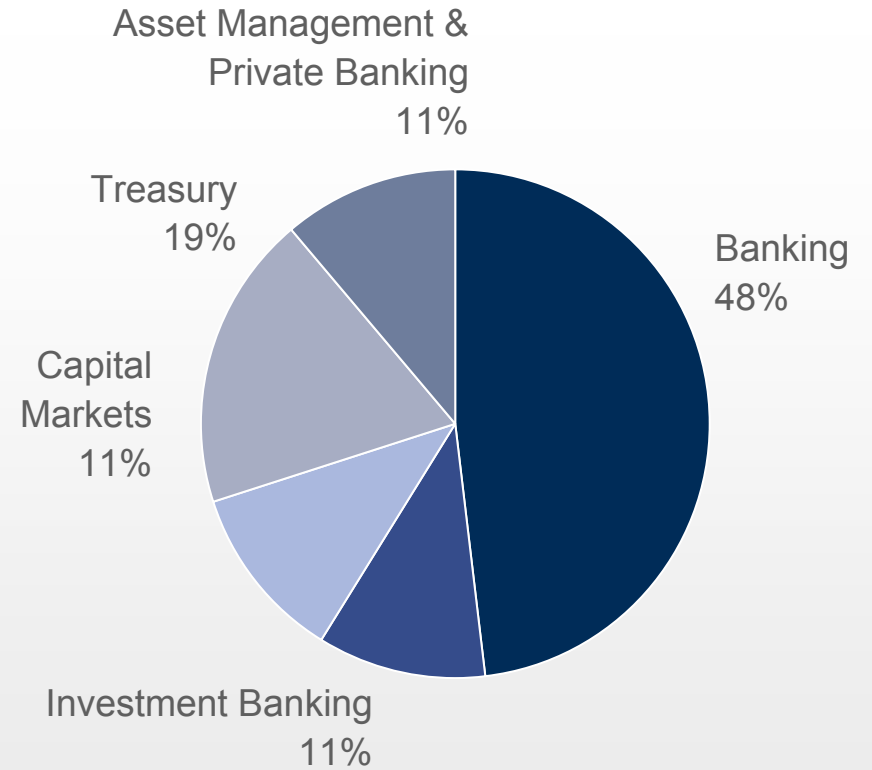


Operating Income by Division in 2006

Operating Income 2006



Operating Income without Exista Gain 2006



Banking – Results

Comments

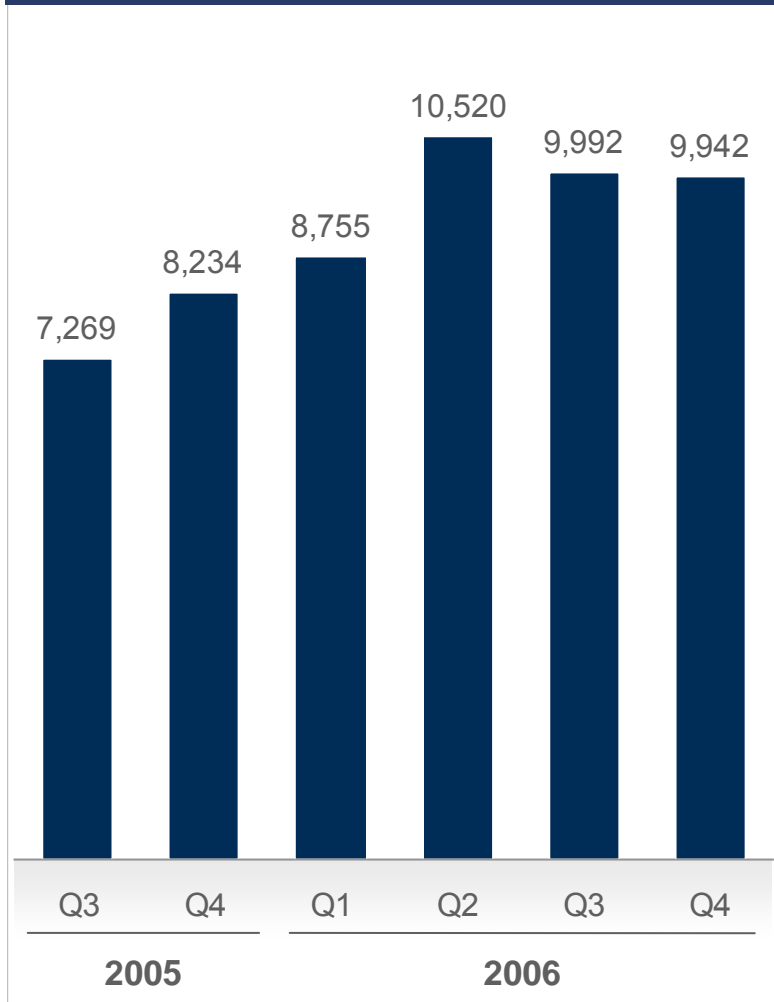
- ◆ Good quarter for Banking
- ◆ Consistent and healthy growth in Operating income
- ◆ Net commission income increase by 135.4% from Q4 last year
- ◆ Expenses increased by 26.8% from last quarter
- ◆ Impairment too high
- ◆ Solid gross profit

ISKm

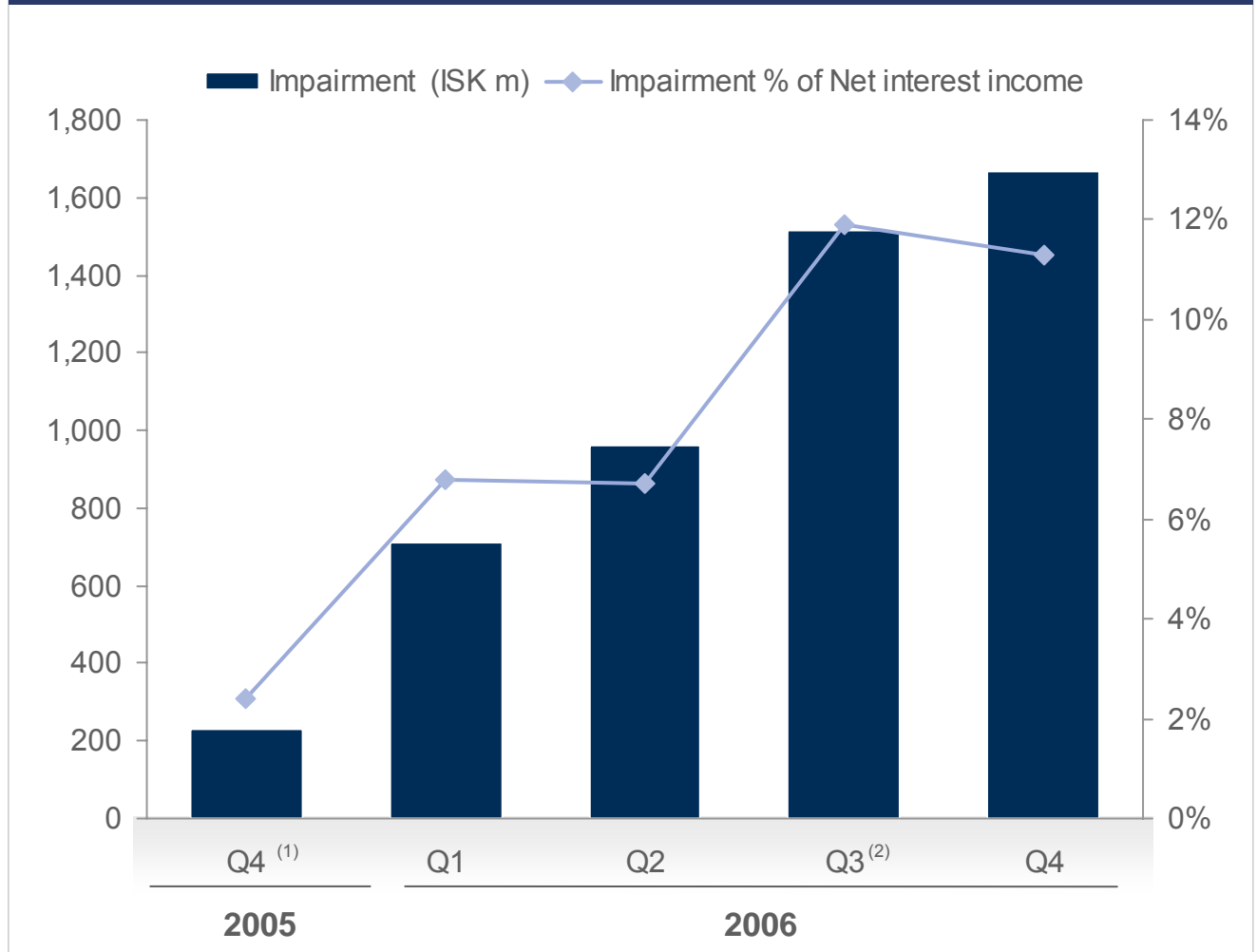
	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Net interest income	12,471	11,959	11,264	10,208	9,720
Net commission income	1,662	1,560	1,389	1,133	706
Net financial income	320	63	164	203	138
Other income	1,712	1,722	1,977	1,220	1,651
Operating income	16,165	15,305	14,794	12,764	12,215
Expenses	4,602	3,630	3,433	3,304	3,757
Impairment	1,621	1,684	841	705	224
Total expenses	6,223	5,313	4,274	4,009	3,981
Gross profit	9,942	9,992	10,520	8,755	8,234
Allocated cost	2,963	1,567	2,181	2,033	1,740
Pre-tax profit	6,979	8,425	8,339	6,722	6,494

Banking – Gross Profit and Impairment

Gross Profit (ISKm)



Banking – Impairment

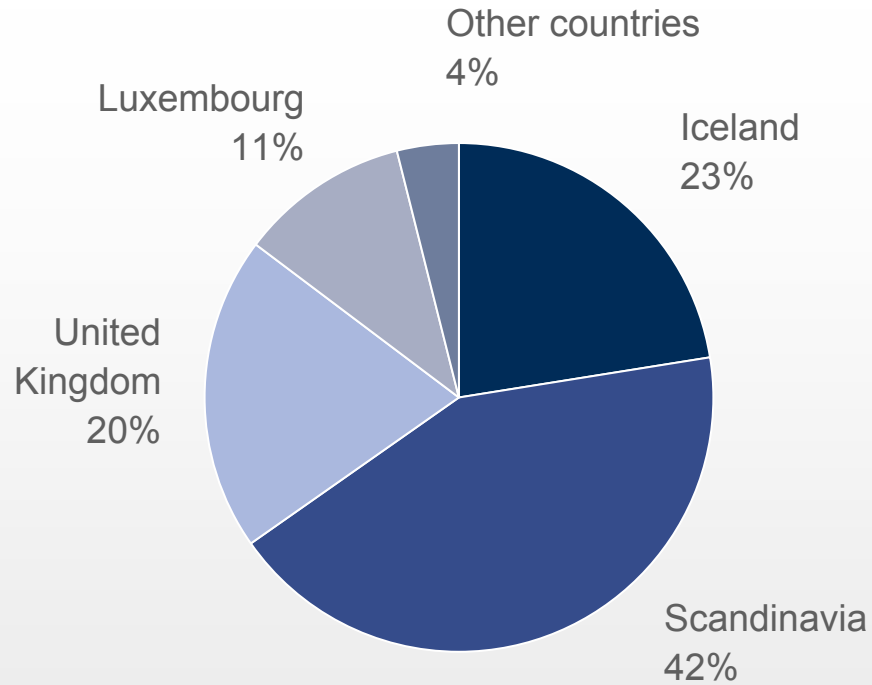


(1) Extraordinary low impairment in Q4 2005 due to reverse impairment in FIH

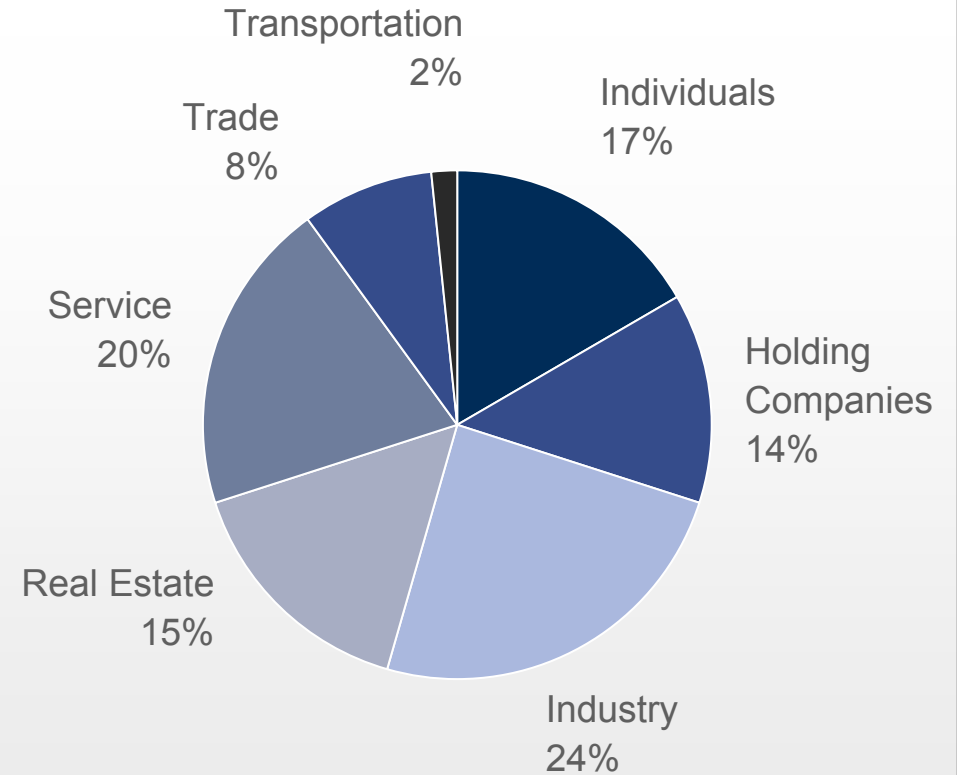
(2) Extraordinary high impairment in Q3 and Q4 2006 due to impairment in the UK

Banking – Well Diversified Portfolio

Loans to Customers by Location

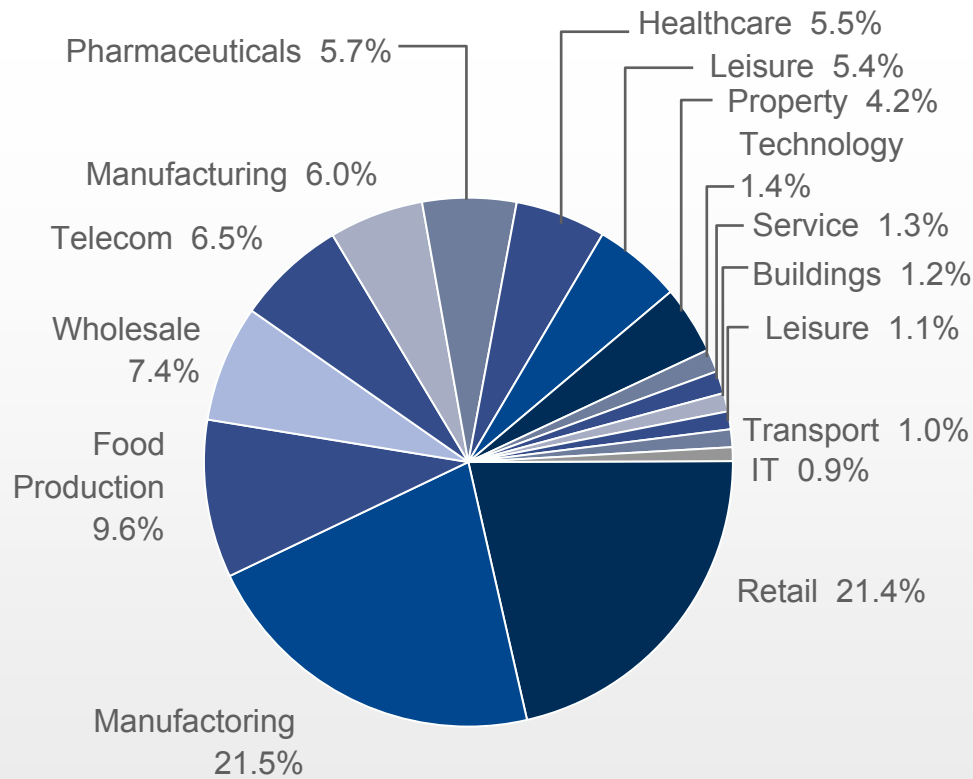


Loans to Customers by Sectors



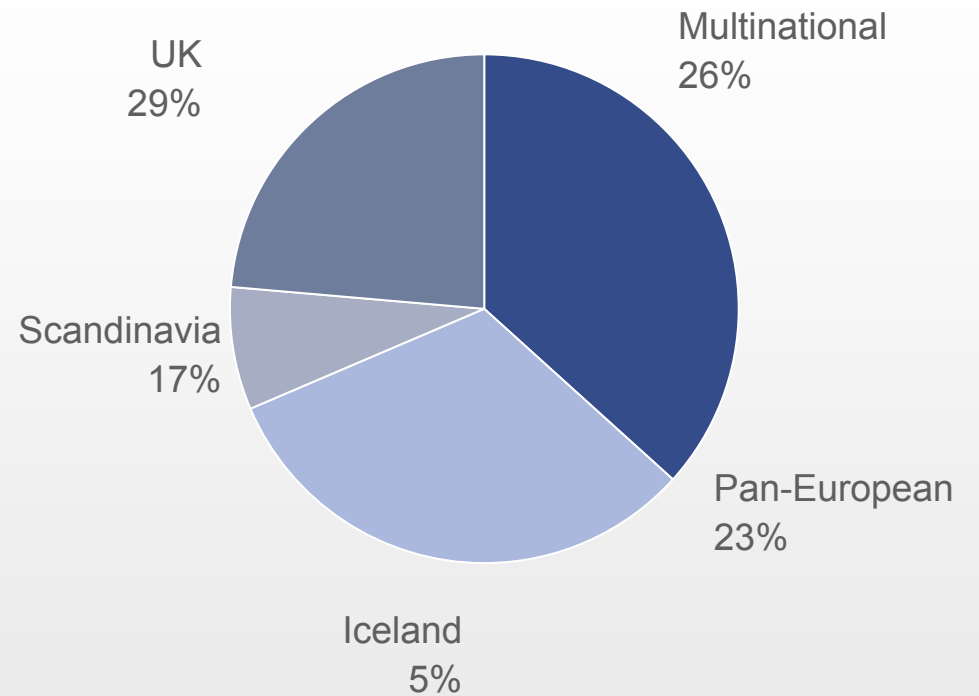
Acquisition and Leveraged Finance Portfolio

2006 Sector Concentration



2006 Total: ISK 458.3 bn

2006 Geographical Spread



2006 Total: ISK 458.3 bn

Investment Banking – Results

Comments

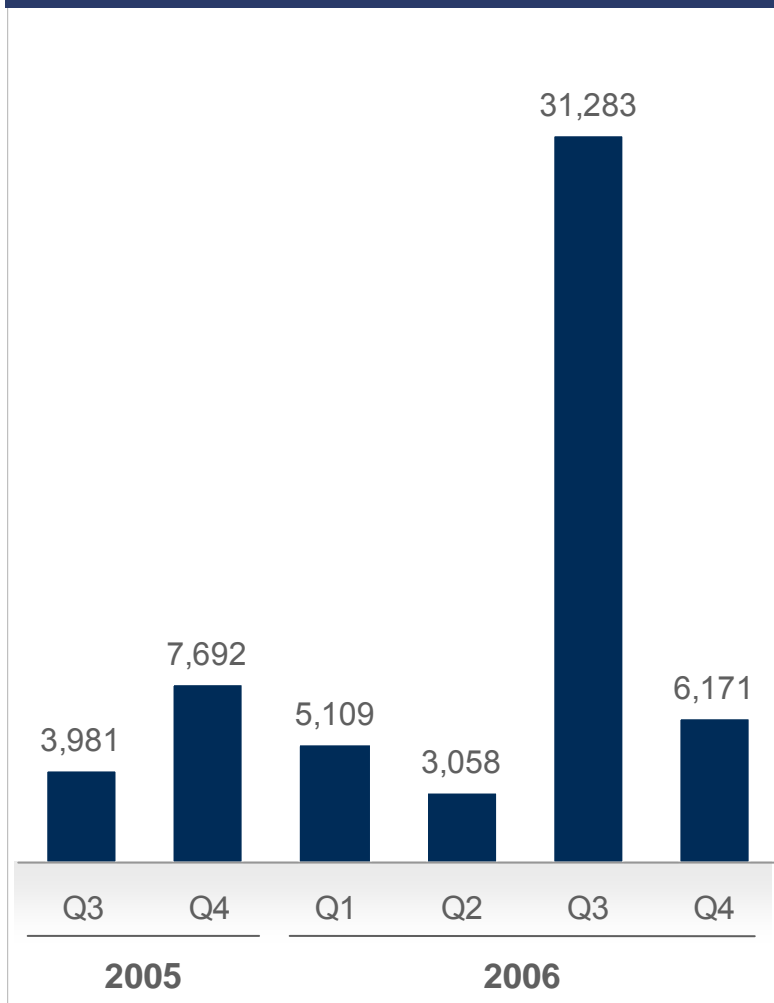
- ◆ Good quarter in Investment Banking
- ◆ Record net commission income in Q4
- ◆ Net commission income increased by 192.8% compared to Q3
- ◆ Increase in operating cost
- ◆ Strong sign of extended business capacity in Investment Banking

ISKm

	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Net interest income	-914	-961	-624	-850	-905
Net commission income	3,792	1,295	2,471	2,019	1,274
Net financial income	4,592	31,652	2,505	4,235	7,936
Other income	7	-142	-84	262	-51
Operating income	7,477	31,845	4,268	5,666	8,254
Expenses	1,310	562	1,208	556	562
Impairment	-4	0	2	1	0
Total expenses	1,306	562	1,210	557	562
Gross profit	6,171	31,283	3,058	5,109	7,692
Allocated cost	123	203	340	222	178
Pre-tax profit	6,048	31,080	2,718	4,887	7,514

Investment Banking

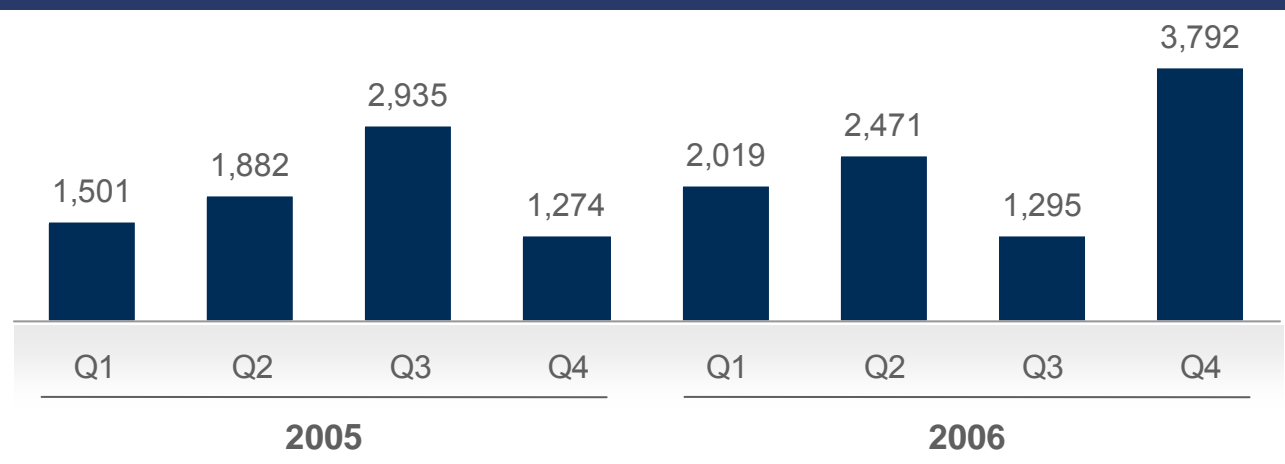
Gross Profit (ISKm)



Largest Unlisted Equity Exposures

Company	Country	Sector	Share
Síminn hf.	Iceland	Telecommunications	27%
Somerfield	UK	Retail	6%
Ferskur Holding 1 B.V	Holland	Consumer retail	26%
SPRON Stofnfjárbréf	Iceland	Financial institution	5%
LD Equity I K/S	Denmark	Investment company	23%

Net Commission Income (ISKm)



Capital Markets

Comments

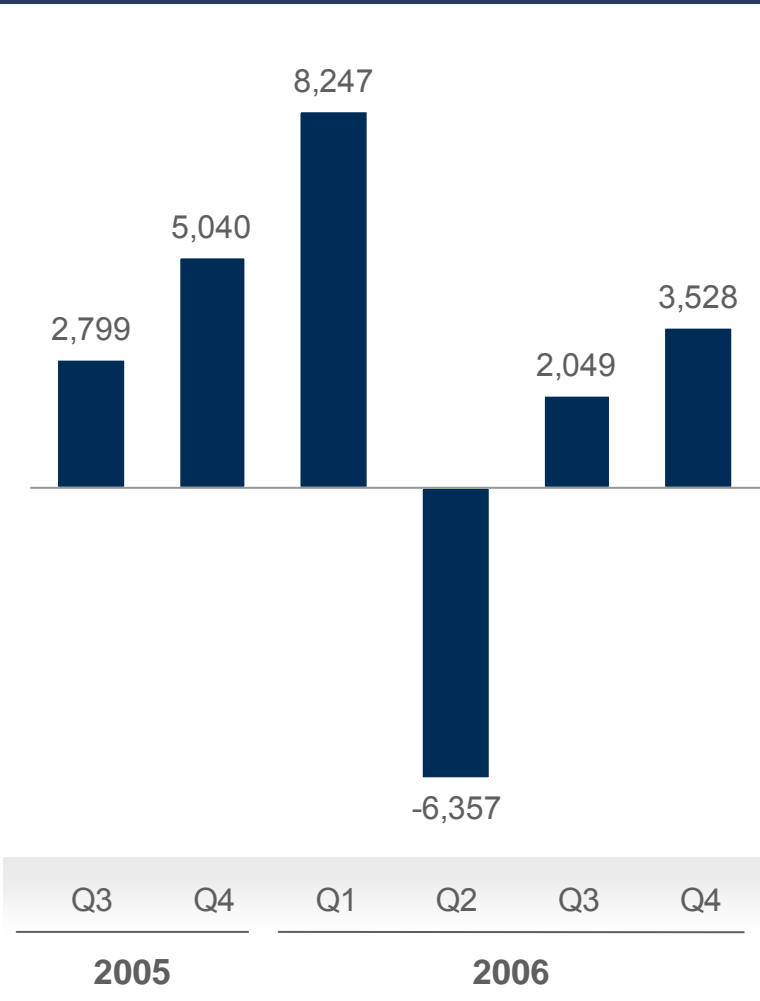
- ◆ Strong operating income in 4Q – 76.3% increase from Q3
- ◆ Record high net commission income up 33.1% from Q3
- ◆ Expenses increased by 82.5% from last quarter
- ◆ Number of employees increased by 92% from 2005

ISKm

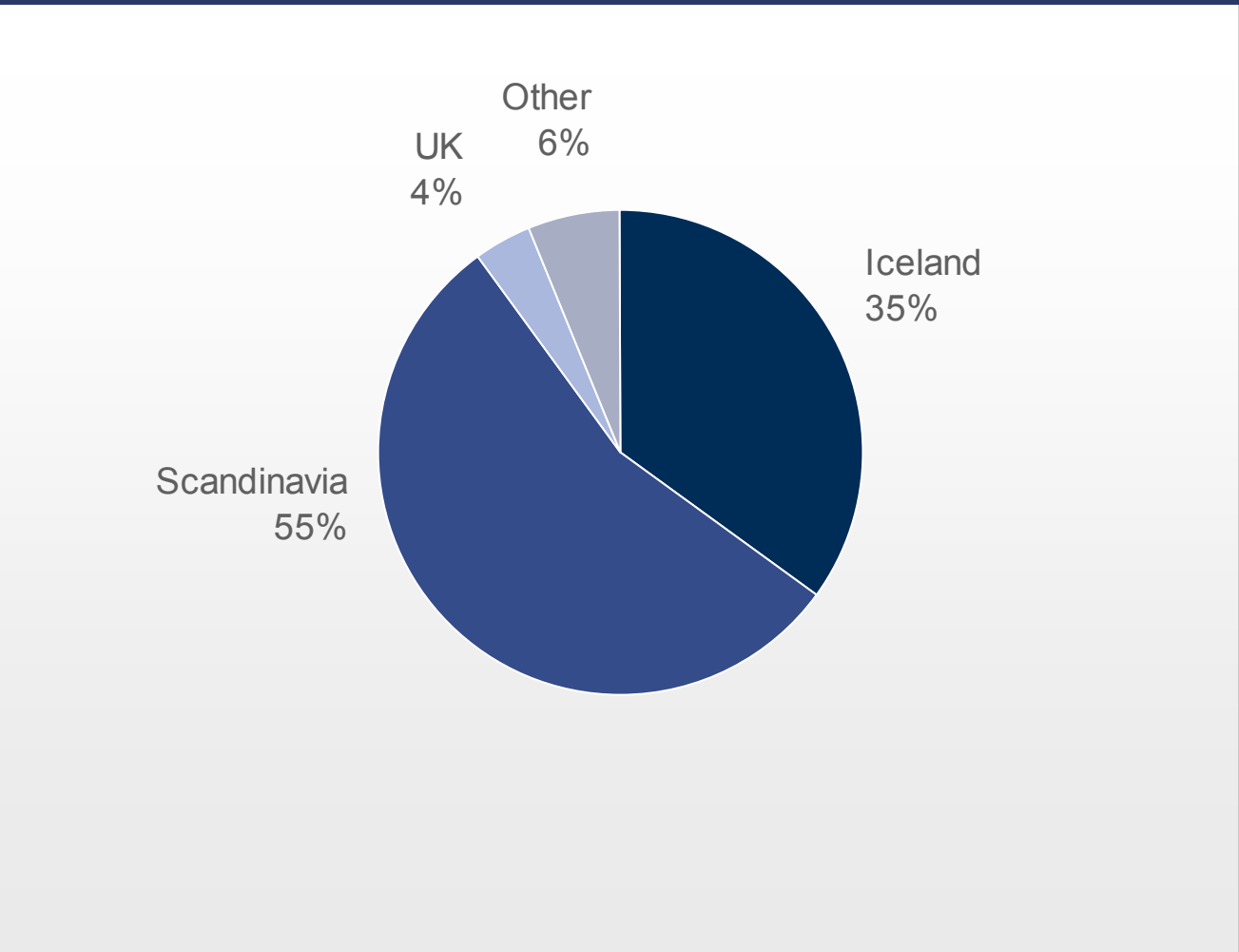
	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Net interest income	-610	-528	16	-392	-434
Net commission income	2,244	1,686	1,594	1,873	1,512
Net financial income	4,407	2,269	-6,515	7,752	4,949
Other income	0	0	0	0	35
Operating income	6,041	3,427	-4,905	9,233	6,062
Expenses	2,513	1,377	1,329	986	1,022
Impairment	0	0	123	0	0
Total expenses	2,513	1,377	1,452	986	1,022
Gross profit	3,528	2,049	-6,357	8,247	5,040
Allocated cost	1,024	643	901	638	585
Pre-tax profit	2,504	1,407	-7,258	7,609	4,455

Capital Markets – Gross Profit and Largest Holdings

Gross Profit (ISKm)



Listed Equities by Stock Exchanges 31 December 2006



Treasury – Results

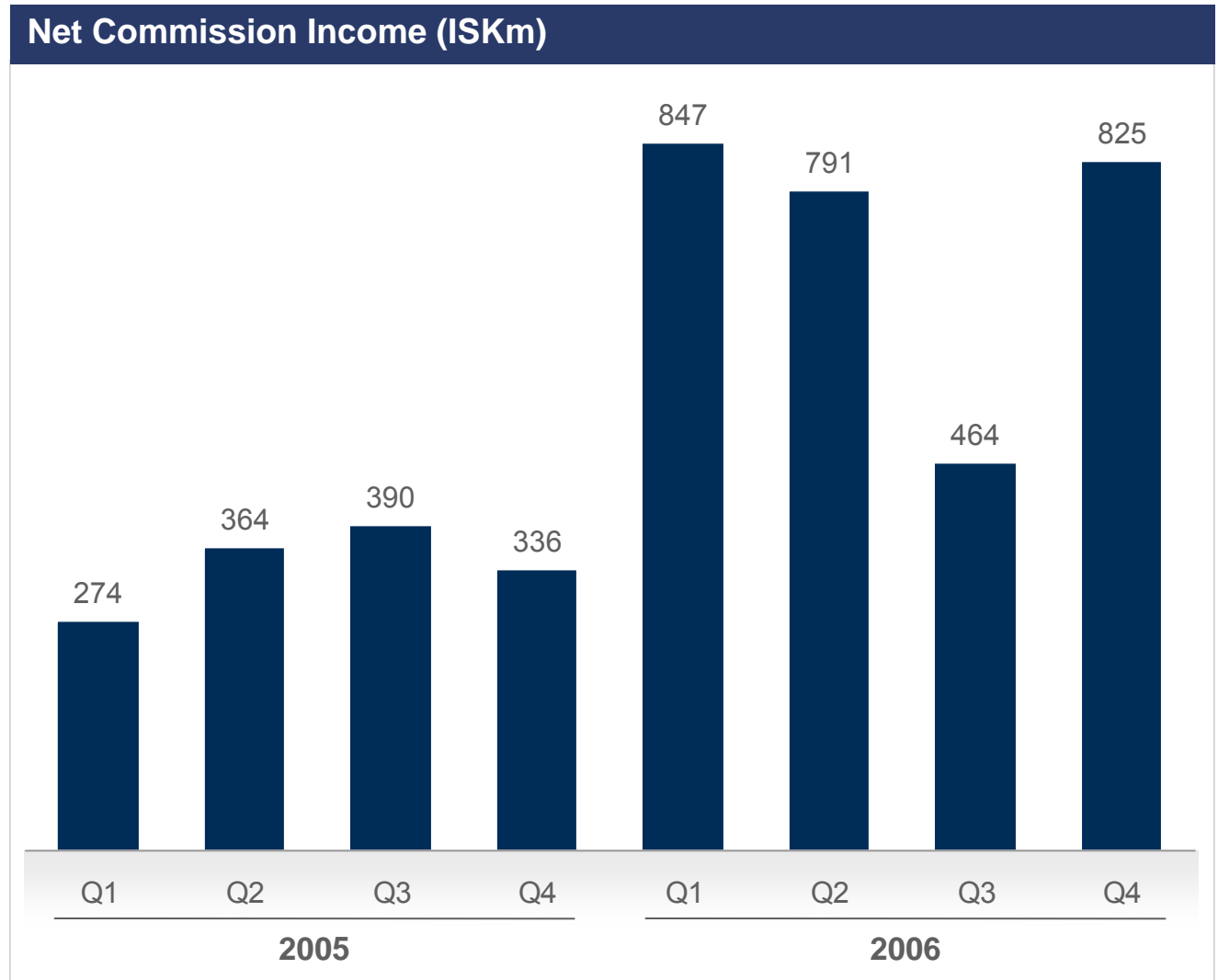
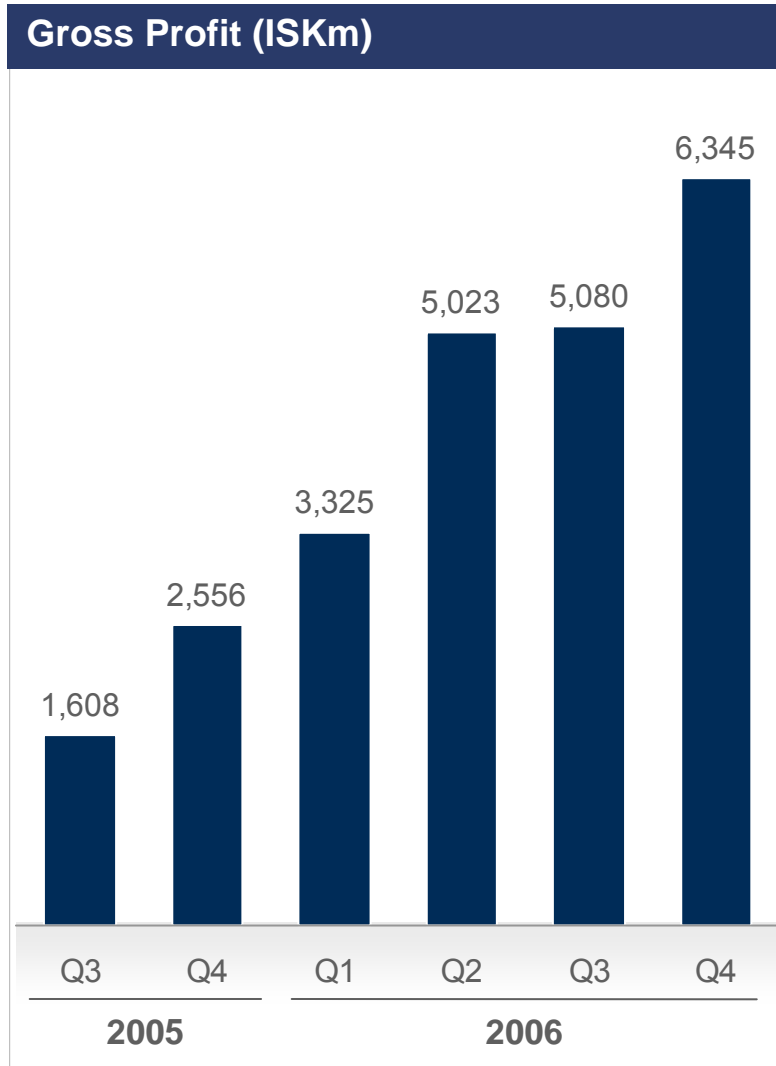
Comments

- ◆ Record quarter and year for Treasury
- ◆ Net interest income in Q4 55.9% higher than in 3Q and 111.2% higher than 4Q last year
- ◆ Strong growth in net financial income in Q4 – up by 180.0% from same quarter last year
- ◆ High growth in net commission income – up 77.8% from 3Q
- ◆ Gross profit 148.2% higher than 4Q last year

ISKm

	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Net interest income	3,652	2,343	3,861	1,636	1,729
Net commission income	825	464	791	847	336
Net financial income	2,828	3,072	1,109	1,402	1,010
Other income	23	1	2	0	0
Operating income	7,328	5,880	5,763	3,885	3,075
Expenses	983	799	742	554	552
Impairment	0	1	-2	6	-33
Total expenses	983	800	740	560	519
Gross profit	6,345	5,080	5,023	3,325	2,556
Allocated cost	675	386	491	463	261
Pre-tax profit	5,670	4,694	4,532	2,862	2,295

Treasury – Gross Profit and Net Commission Income



Asset Management & Private Banking – Results

Comments

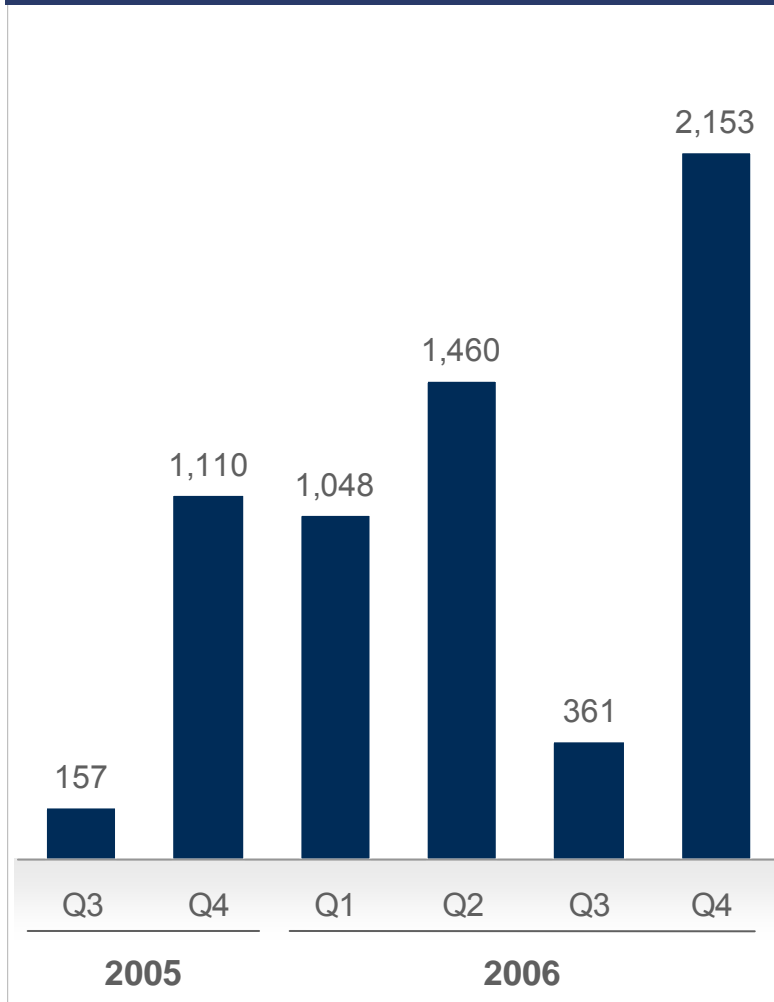
- ◆ Record quarter for Asset Management
- ◆ Growth in net commission income strong – 40.4% higher than 4Q last year
- ◆ Expenses increased by 22.7% between quarters
- ◆ Gross profit solid

ISKm

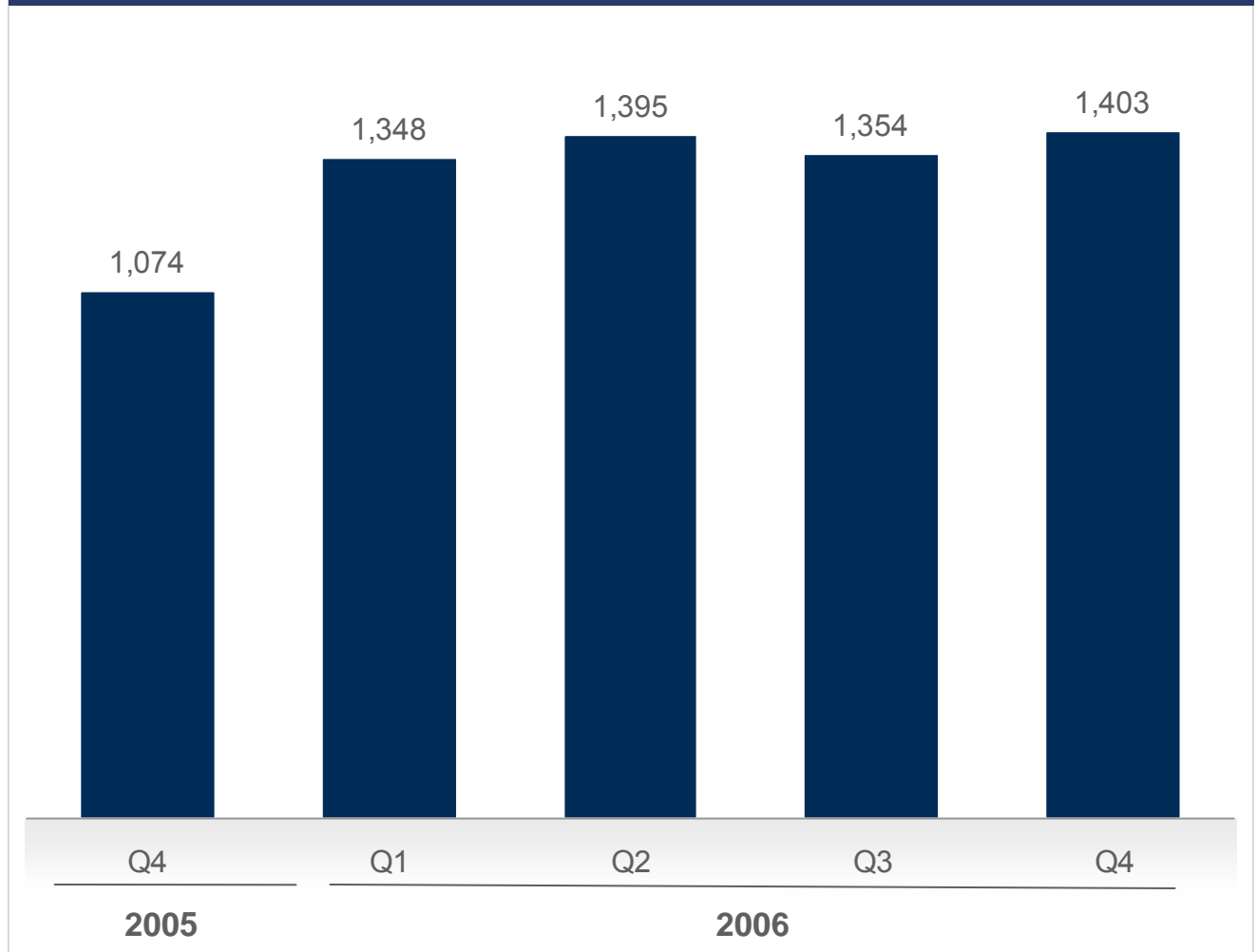
	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Net interest income	254	167	234	162	223
Net commission income	3,221	2,544	2,837	2,628	2,294
Net financial income	110	91	134	196	65
Other income	605	357	0	0	0
Operating income	4,190	3,160	3,205	2,986	2,582
Expenses	2,037	1,660	1,745	1,938	1,472
Impairment	0	1,138	0	0	0
Total expenses	2,037	2,798	1,745	1,938	1,472
Gross profit	2,153	361	1,460	1,048	1,110
Allocated cost	823	766	873	965	835
Pre-tax profit	1,330	-405	587	83	275

Asset Management & Private Banking

Gross Profit (ISKm)

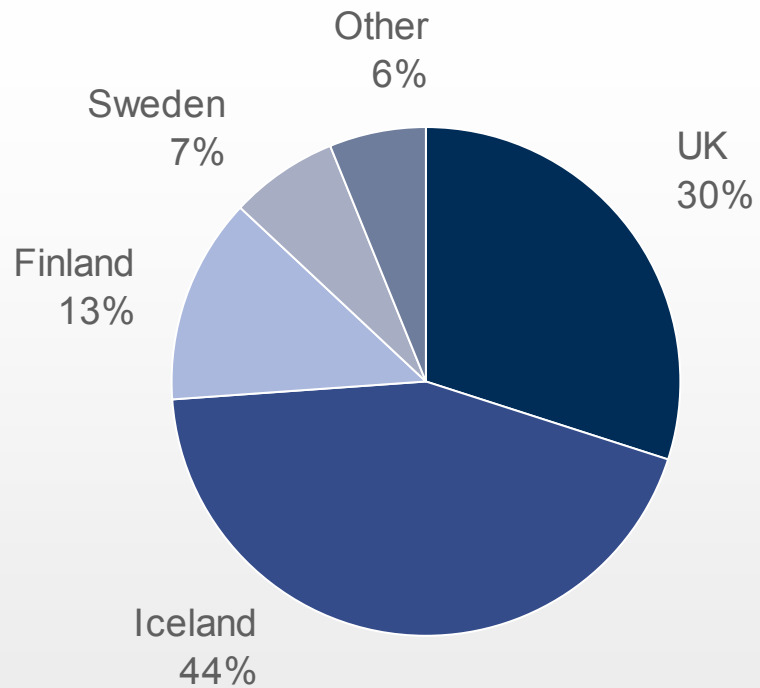


Assets Under Management (ISKbn)

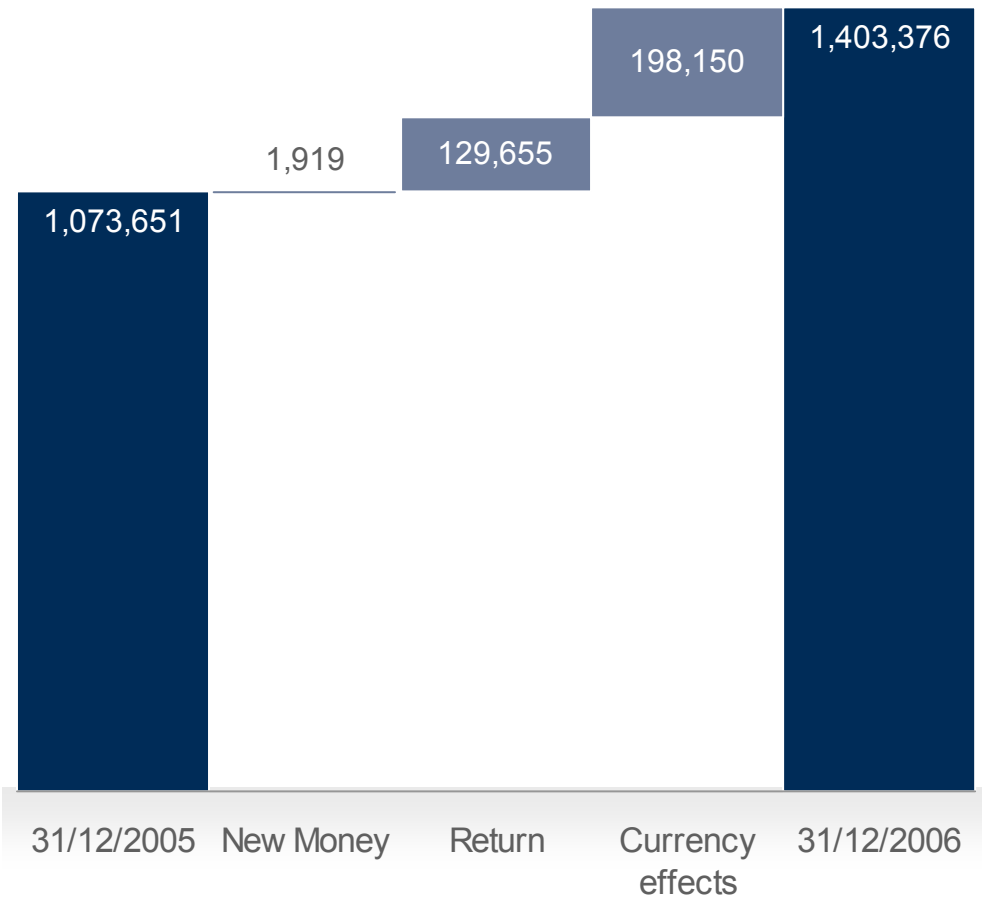


Asset Management & Private Banking

AuM as of 31 December 2006 – by Country



AuM Growth in 2006 (ISKm)



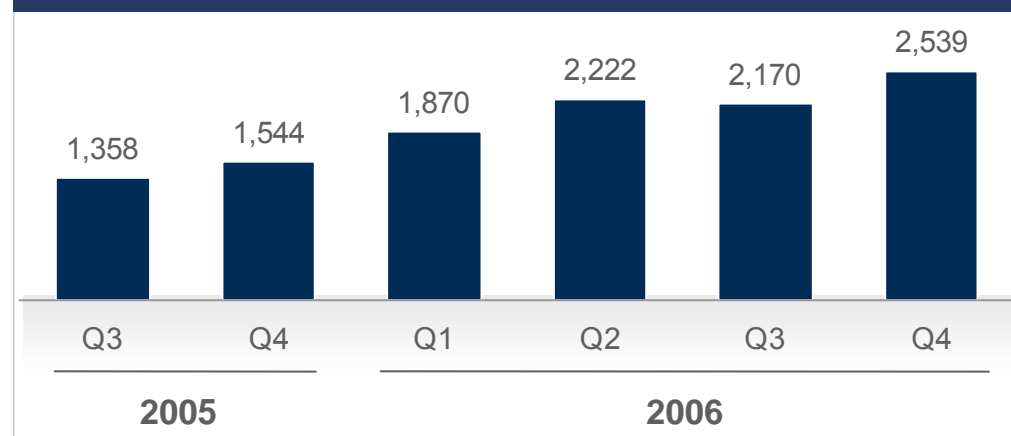
Balance Sheet – Assets 31 December 2006 (ISKbn)

	31/12/2006	31/12/2005	Chg	EUR chg
Cash and balances with central banks	107.0	34.9	207%	142%
Loans to credit institutions	485.3	195.6	148%	96%
Loans to customers	2,538.6	1,543.7	64%	30%
Bonds and debt instruments	318.3	390.6	-19%	-36%
Shares and equity instruments	158.9	114.2	39%	10%
Derivatives	65.5	21.0	211%	146%
Derivatives used for hedging	6.5	4.5	45%	14%
Securities used for hedging	115.9	82.1	41%	12%
Intangible assets	68.3	54.9	24%	-2%
Other assets	191.2	99.3	93%	52%
Total assets	4,055.4	2,540.8	60%	26%

Total Assets (ISKbn)



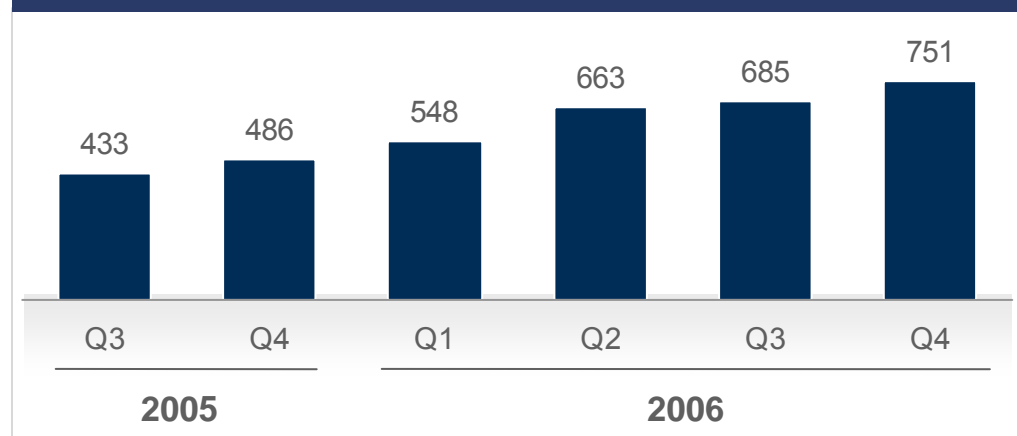
Loans to Customers (ISKbn)



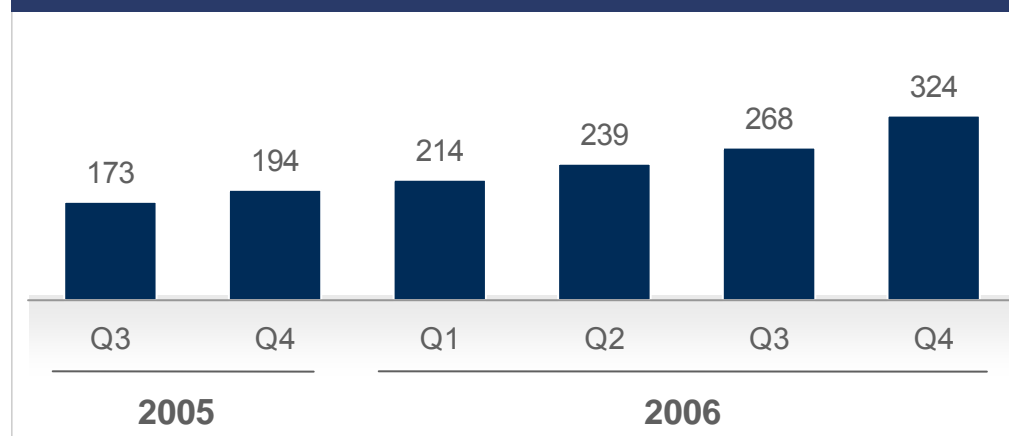
Balance Sheet – Liabilities and Equity 31 December 2006 (ISKbn)

	31/12/2006	31/12/2005	Chg	EUR chg
Deposits	750.7	486.2	54%	22%
Other liabilities	2,753.8	1,749.4	57%	24%
Minority interest	11.4	8.3	37%	8%
Subordinated loans	216.0	102.7	110%	66%
Shareholders' equity	323.5	194.2	67%	32%
Total liabilities and equity	4,055.4	2,540.8	60%	26%

Deposits (ISKbn)



Shareholders' Equity (ISKbn)

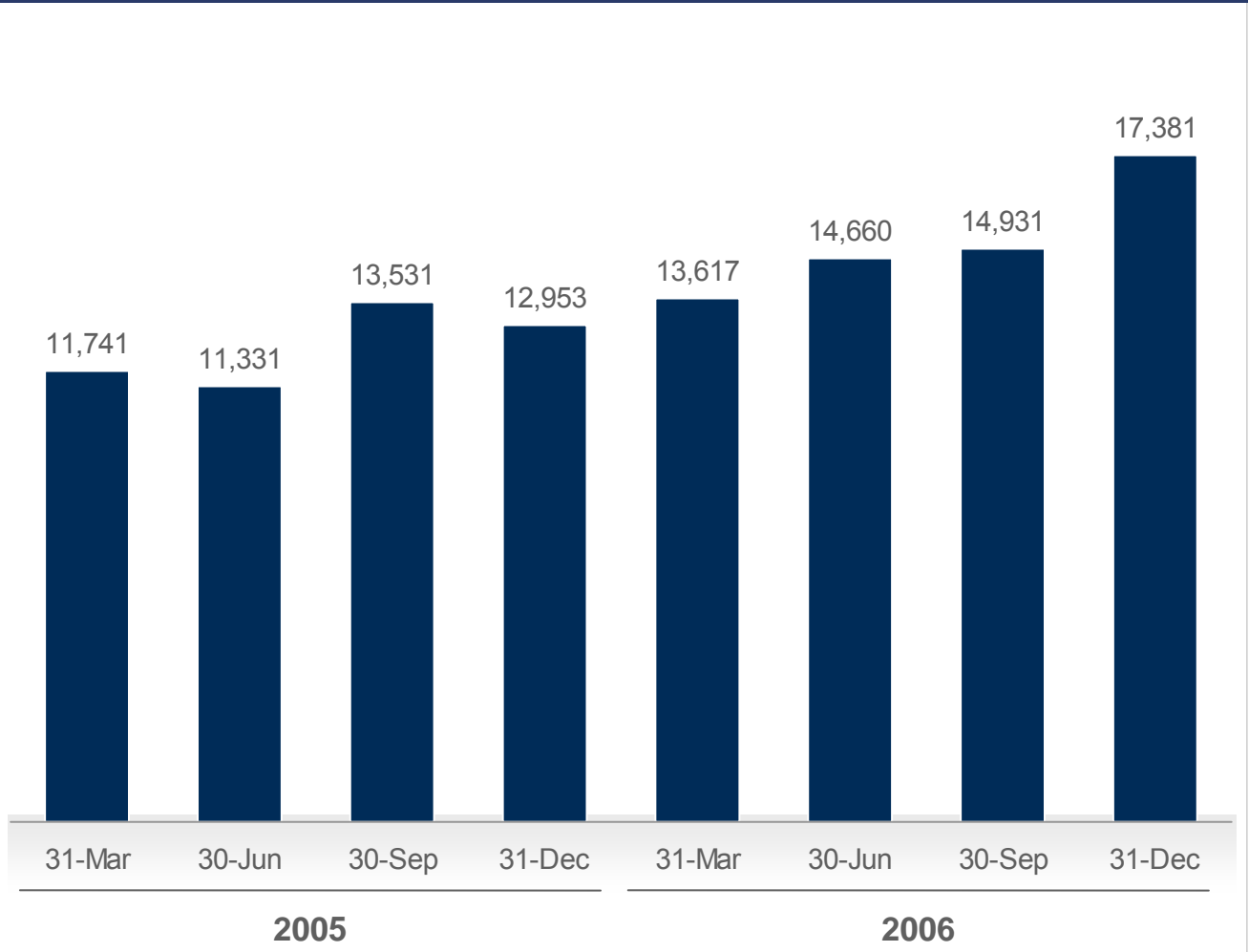


Credit Reserves

Comments

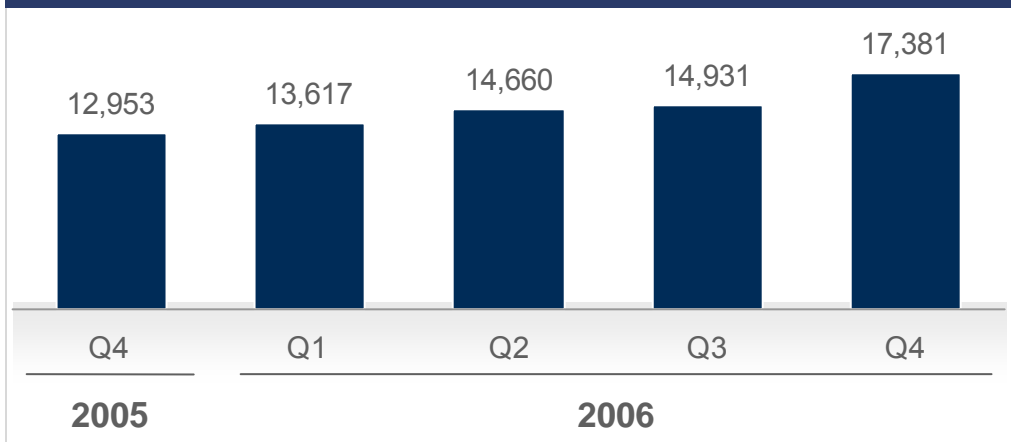
- ◆ Total loans amounted to ISK 3,024bn at the end of 2006
- ◆ Total Credit Reserves are 0.42% of total loans and granted guarantees

ISKm



Asset Quality

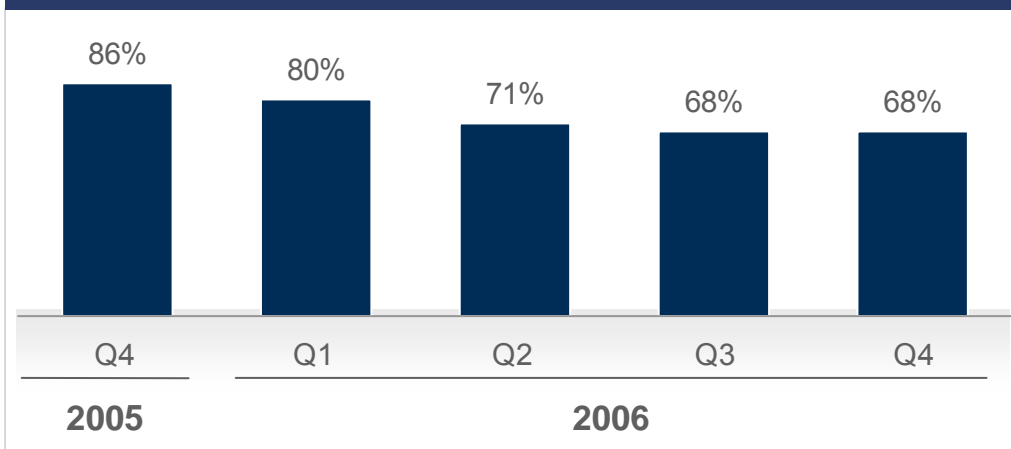
Loan Loss Reserve (ISKm)



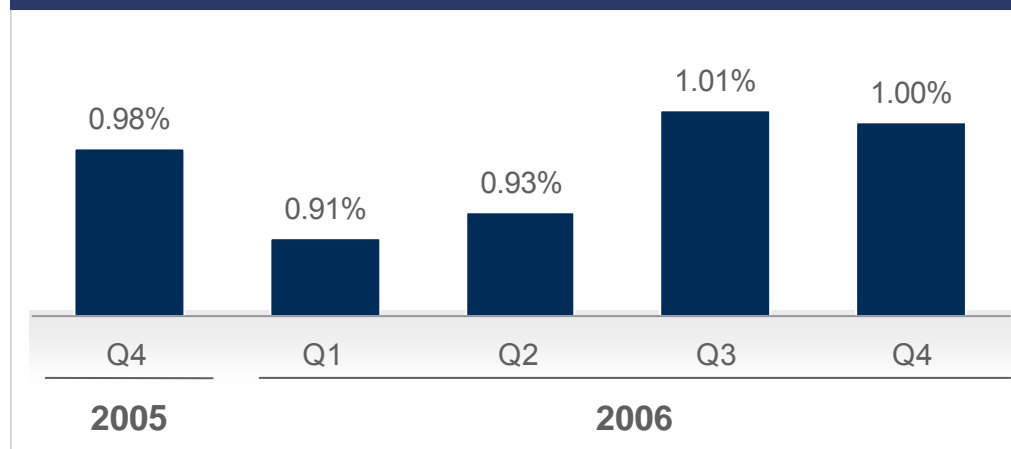
Non-performing Loans (ISKm)



Loan Loss Reserve % of Non-performing Loans



Non-performing Loans / Loans to customers

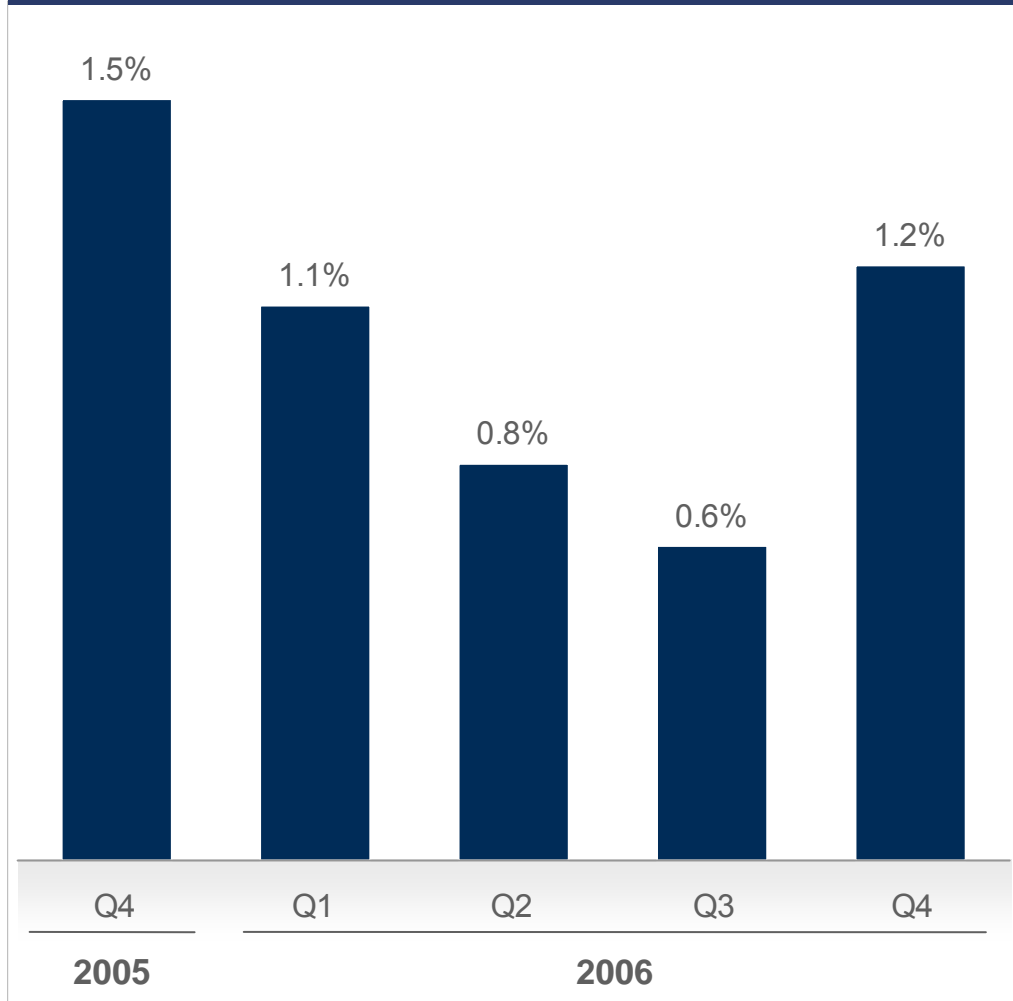


Bond and Equity Exposure

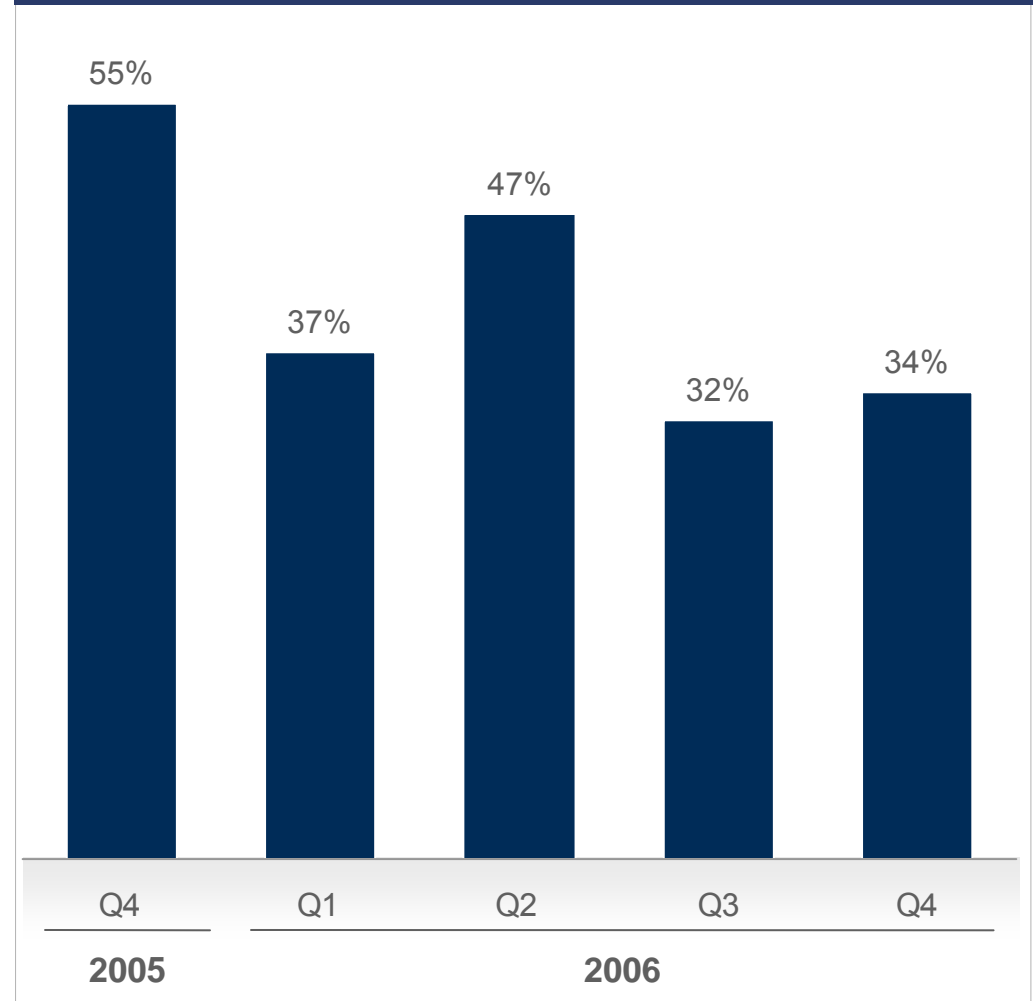
2006 ISKm				
	31.12.2006	31.12.2005	Change	%
Bonds and debt instruments	318,264	390,575	-72,311	-19%
Shares and equity instruments	159,020	114,355	44,664	39%
Derivatives	65,454	21,047	44,407	211%
Derivatives used for hedging	6,453	4,459	1,994	45%
Hedged securities	115,938	82,098	33,840	41%
Investment in associates and joint ventures	5,304	13,888	-8,584	-62%

Equity Exposure Metrics

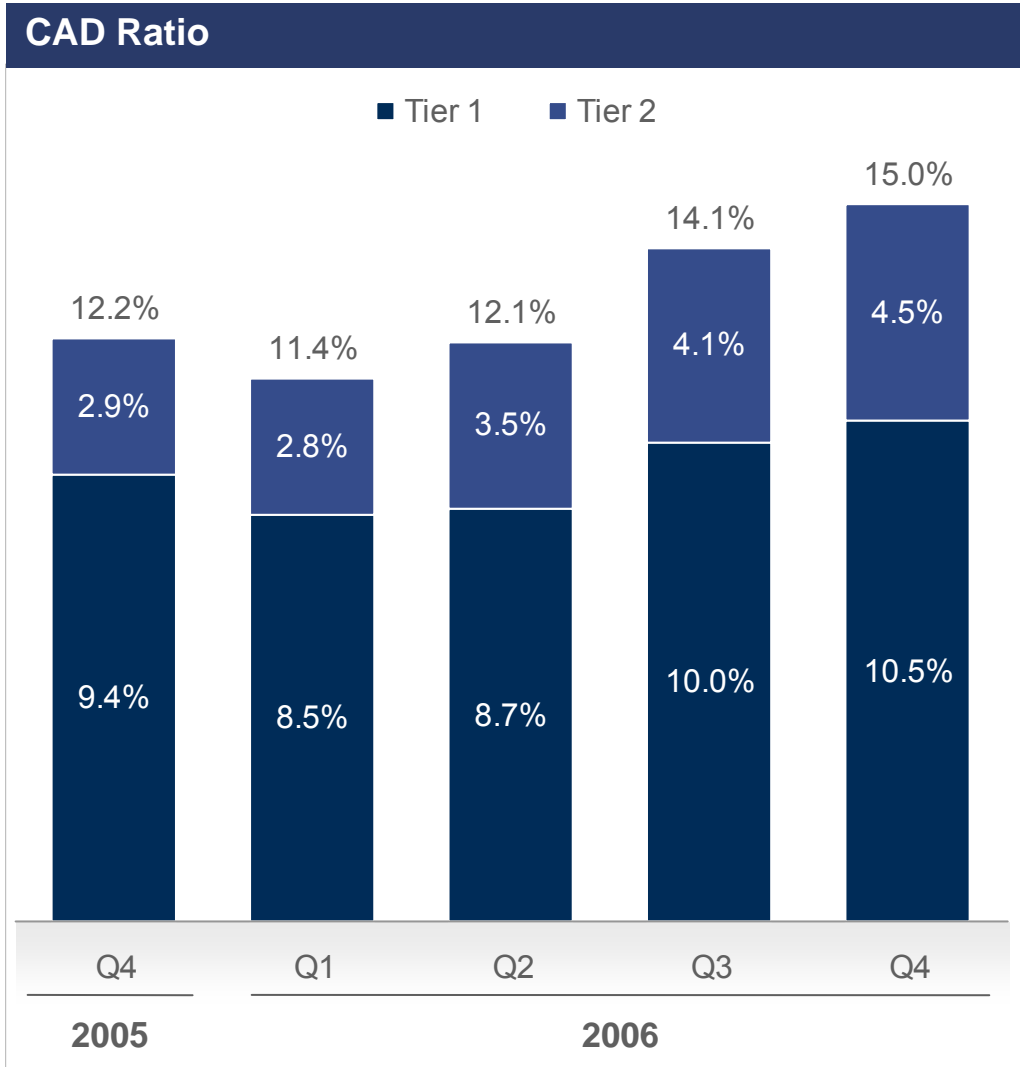
VaR (10d 99%) % of Risk Capital



Equity Exposure as % of Risk Capital



CAD Ratio and Risk Capital

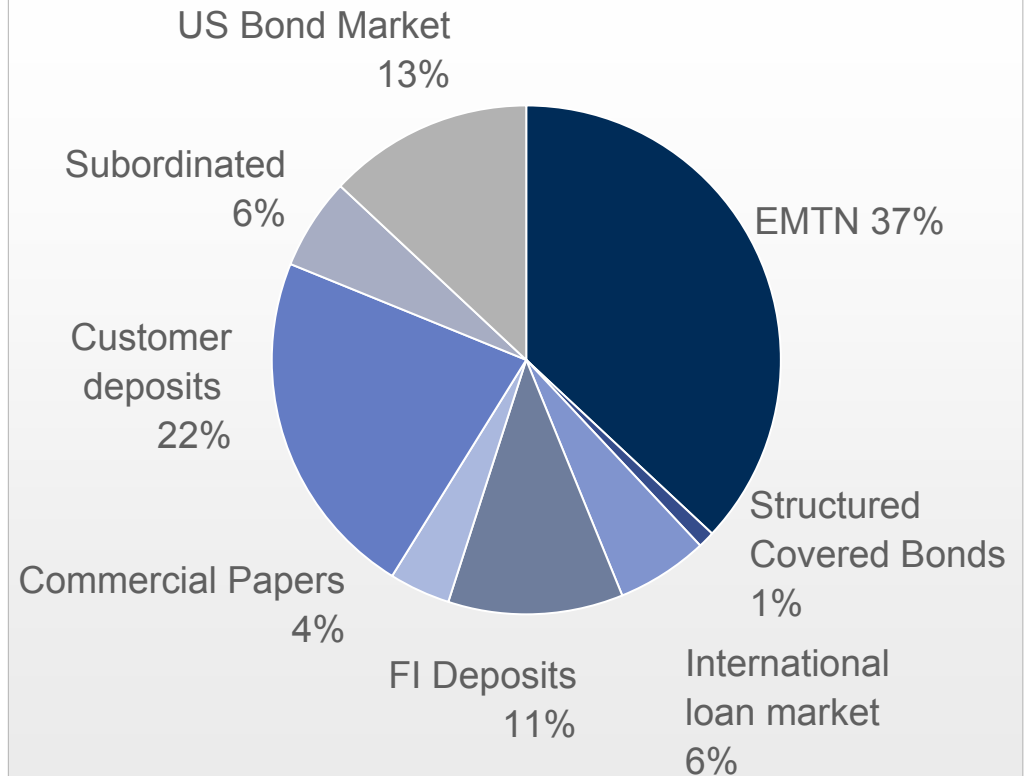


Successful Implementation of a Global Funding Programme

Funding overview 2006

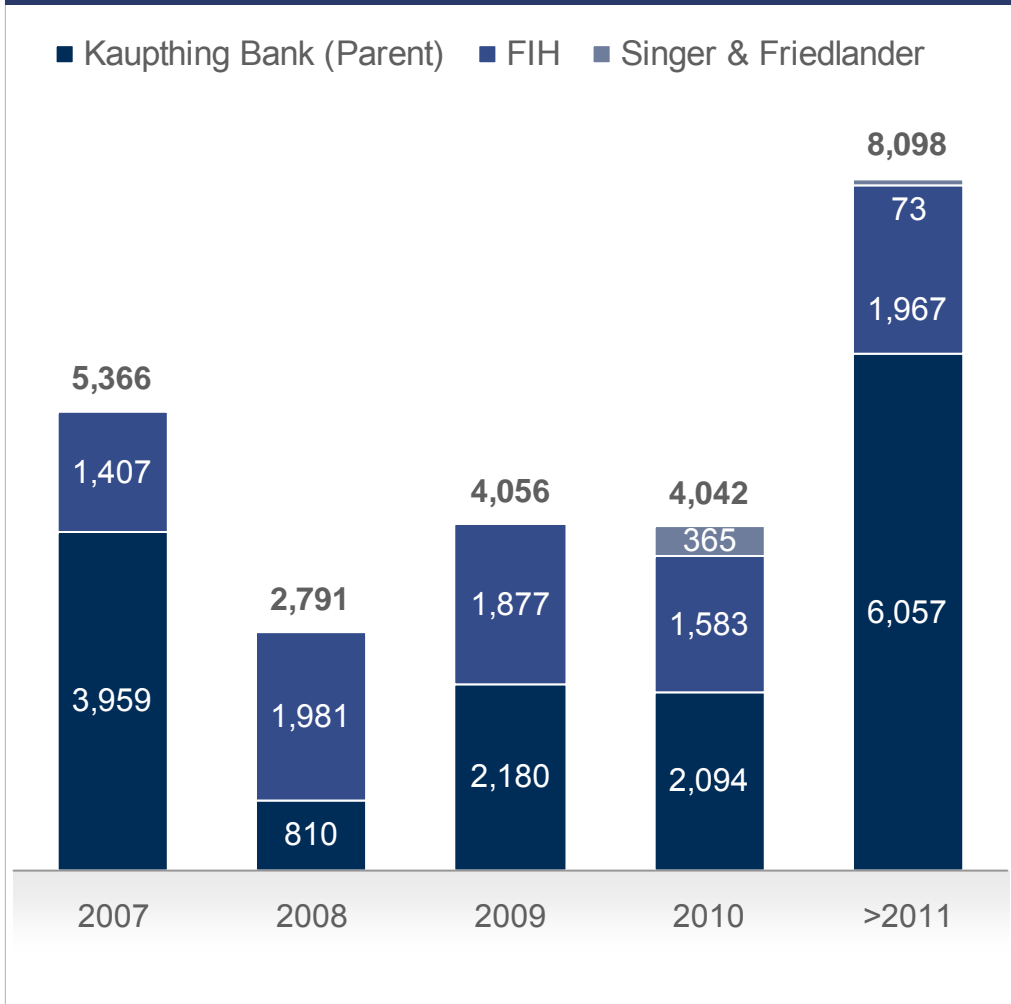
- ◆ Emphasis on diversifying funding sources - Four new markets entered in 2006: US144A, Japan, Australia and a Covered bond programme in Europe
- ◆ Enhanced secured liquidity
 - The group has secured liquidity of €12,730 m or 427 days, covering current long term funding redemptions for 2007, 2008 and 2009
 - The parent company has secured liquidity of 600 days
 - Increased customer deposit base – up 35.4% YOY
 - FIH finalized a financial co-operation with ATP, Denmark's largest pension fund
- ◆ Extended maturity profile - Average maturity of issued debt was 3.9 years in 2006 compared to 3.4 years in 2005

Funding Mix 31 December 2006

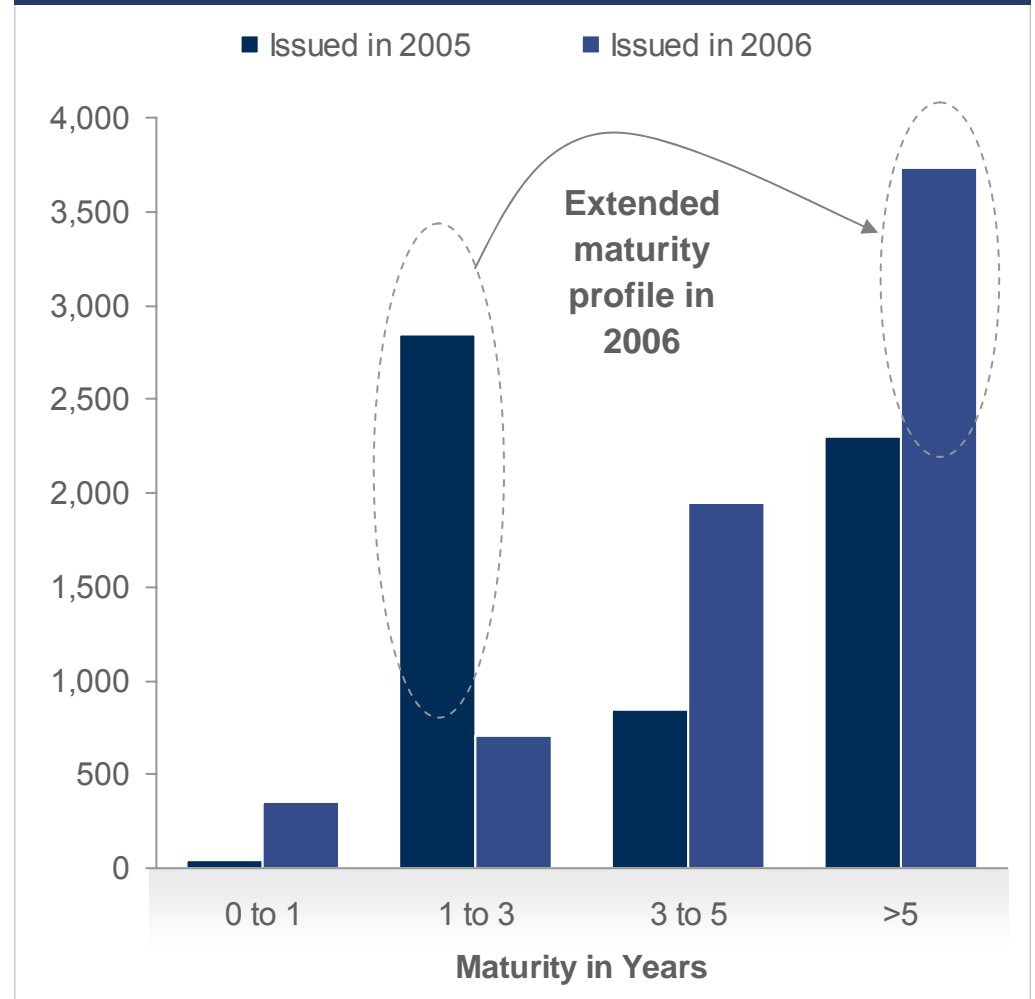


Successful Implementation of a Global Funding Programme

Maturity of funding (€m)



Maturity of issued long term debt in 2006 vs 2005 (€m)



Successful Implementation of a Global Funding Programme

Funding Strategy 2007 – Further Diversification

- ◆ Senior unsecured funding
 - Due to last years successful diversification efforts, the bank has access to and can issue unsecured bonds in several different markets in 2007
 - The Bank will continue exploring new markets
- ◆ Ambitious deposits targets
 - Continuing strong deposit growth
 - Deposit growth plan put in place in the parent company and in all subsidiaries
- ◆ Secured funding
 - Further covered bond issuance
 - Possible securitization in 2007

Kaupthing 5 yr CDS spread



Key Ratios

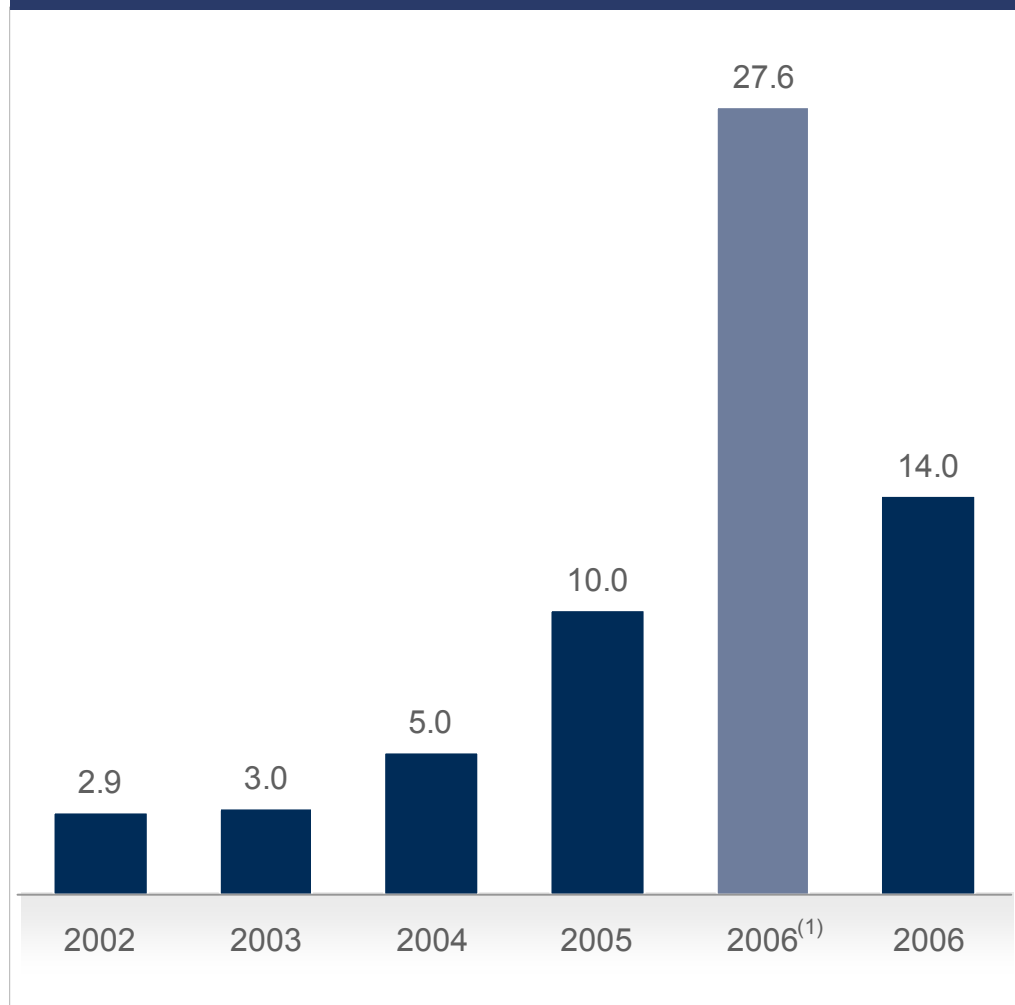
	2006	2005
ROE ¹	42.4%	34.0%
Earnings per share ISK	127.1	75.2
Cost Income – Group	36%	34%
Price / earnings ¹	6.6	9.9
Price / book ¹	1.9	2.6
Loan-loss ratio	0.19%	0.21%
NPL / Loans to customers	1.00%	0.98%

(1) Share price 31 December 2006: ISK 841. Share price 31 December 2005: ISK 746

	2006	2005
CAD	15.0%	12.2%
Tier 1	10.5%	9.4%
Deposits / Loans to customers	29.6%	31.5%
Loans to customers / Assets	63%	61%
VaR (10d 99%) % of Risk capital	1.2%	1.5%
Total equity exposure / Risk capital	34%	55%
– Thereof unlisted	8%	13%

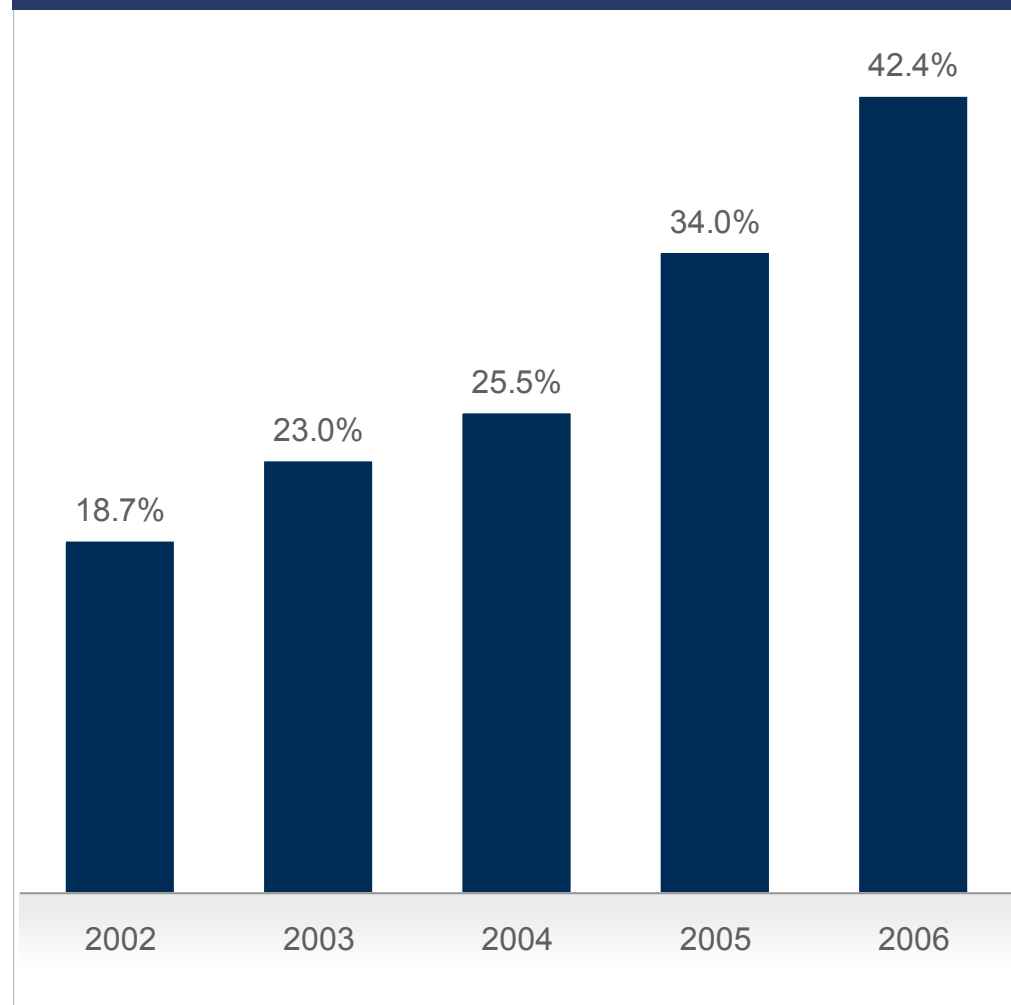
Key ratios

Dividend payments (per share) ISK



(1) Extra dividend in October 2006

Return on equity %

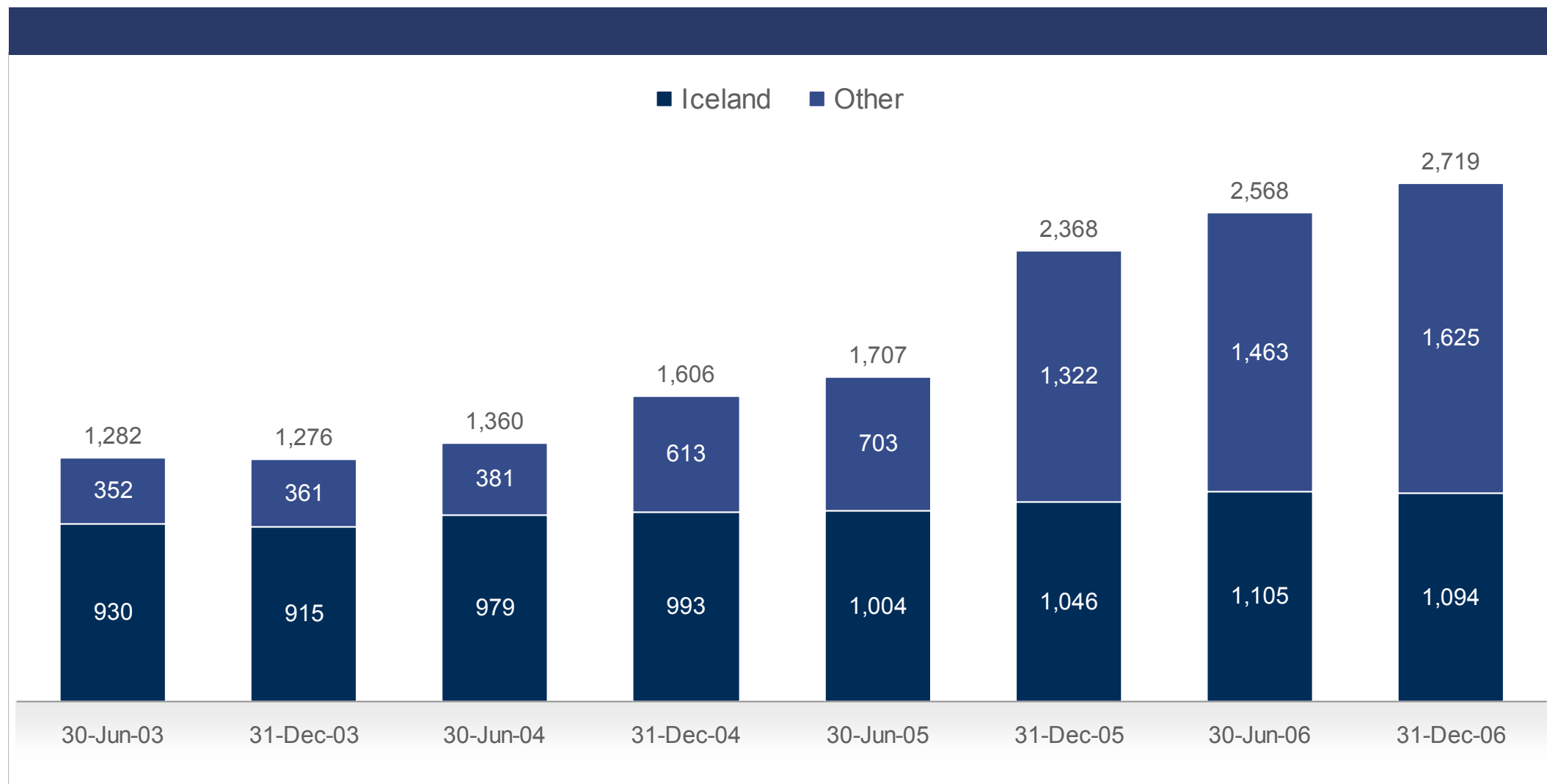


Five Integrated Business Segments in Ten Countries

	Employees (31 Dec 06)	Investment Banking	Capital Markets	Treasury	Banking	AM & PB
Iceland	1,094					
UK	657					
Sweden	336					
Denmark	288					
Finland	100					
Luxembourg	154					
Norway	64					
Faroe Islands	17					
US	9					
Total	2,719					

Note: Light blue boxes indicate new divisions in 2006

Number of Employees



Combination of Organic and Acquisition Growth

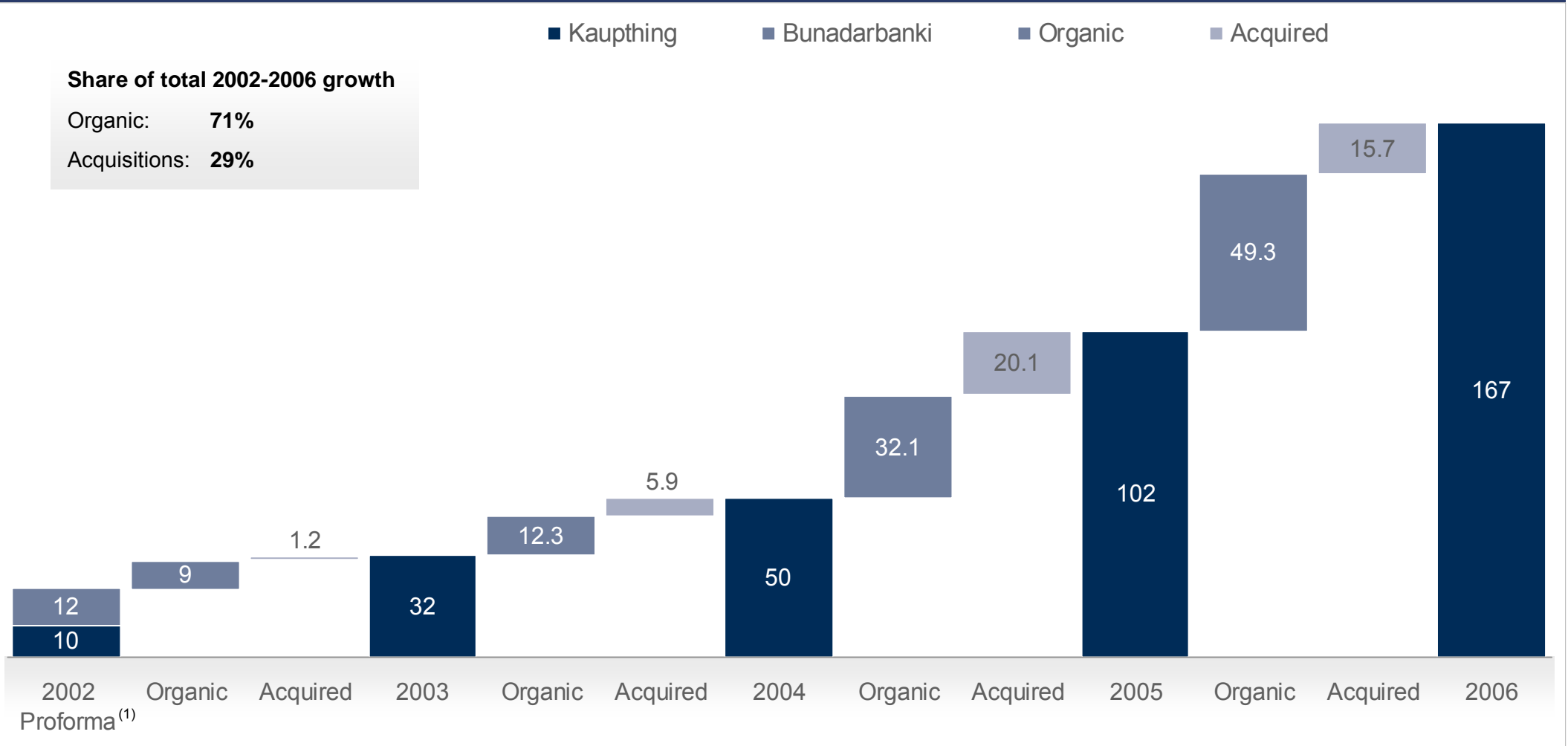
Operating Income (ISKbn)

■ Kaupthing ■ Bunadarbanki ■ Organic ■ Acquired

Share of total 2002-2006 growth

Organic: 71%

Acquisitions: 29%



(1) Proforma combination of Búnadarbanki ISK11.5bn and Kaupthing ISK9.9bn

Conclusion

- ◆ Good diversification of income streams and geography
- ◆ Strong asset quality – no signs of deterioration
- ◆ Positive trend in interest income and commissions
- ◆ Efficient operations and high income per employee
- ◆ Strong capital base
- ◆ 2006 was another record year in Kaupthing Bank's operations

Q&A

Kaupthing Bank's – Q4 2006 Results

Hreidar Már Sigurdsson, CEO

Disclaimer

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KAUPTHING BANK

Thinking beyond