



KAUPTHING BANK

Delivering While Deleveraging Kaupthing Bank's Q2 2008 Results

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July 2008

- Continued weakening of global capital markets in Q2
- Weak performance of global equity markets
 - ICEX down 13%
 - Nordic Financials down 17%
 - MSCI-Nordic down 8%
 - Bloomberg 500 Financials down 18%
- Unstable credit markets
- Global leveraged loan volume was down 61% in H1 2008 compared to H1 2007
- Global M&A volume was down 30% in H1 2008 compared to H1 2007
- ISK depreciated 3.2% in Q2 and 33.7% in H1 of 2008

■ Deleveraging

- Managing the growth of the Balance Sheet
- Decreased equity exposure
- Selling KSF Asset Finance business

■ Increasing Deposit

- Deposits increased by ISK 400bn in Q2 - run-rate of Kaupthing Edge is ISK 83bn per month (EUR 700m)
- Deposits as a ratio of Loans to customers up from 36% to 44% in Q2

■ Preserving liquidity

- Maintaining more than one year of Secured Liquidity

■ Costs down considerably - profitability through cost control

- Costs down in recent quarters

- Shareholders' net earnings ISK 34.1bn in H1 and ISK 15.4bn in Q2
- Annualised return on equity of 19.8% in H1 2008
- Strong Net fee and commission income – up 30.2% in Q2 from Q1
- Core income up by 27% from Q1
- Net interest income covers all cost in Q2
- Shareholders' Equity up ISK 78.6bn in H1 of 2008
 - Shareholders' Equity up ISK 20.3bn in Q2
- Asset quality remains good
- Capital strength maintained
 - Total Capital ratio of 11.2% and Tier 1 ratio of 9.3%

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- 2** Business Segments
- 3** Balance Sheet
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Q2 2008 Compared to Q1 2008

	Q2 2008	Q1 2008	Chg	EUR Chg
Net interest income	26,863	21,332	26%	8%
Net commission income	14,259	10,948	30%	11%
Net financial income	927	9,686	-90%	-
Other income	1,928	3,934	-51%	-58%
Operating income	43,977	45,901	-4%	-18%
Salaries and related expenses	-13,672	-12,093	13%	-3%
Other operating expenses	-11,831	-9,469	25%	7%
Impairment	-5,591	-4,059	38%	18%
Profit before income tax	12,883	20,280	-36%	-46%
Income tax	2,372	-1,492	-	-
Net earnings	15,254	18,788	-19%	-31%
				0%
Shareholders of Kaupthing Bank	15,365	18,748	-18%	-30%
Minority interest	-111	39	-382%	-

All amounts in ISKm

H1 2008 Compared to H1 2007

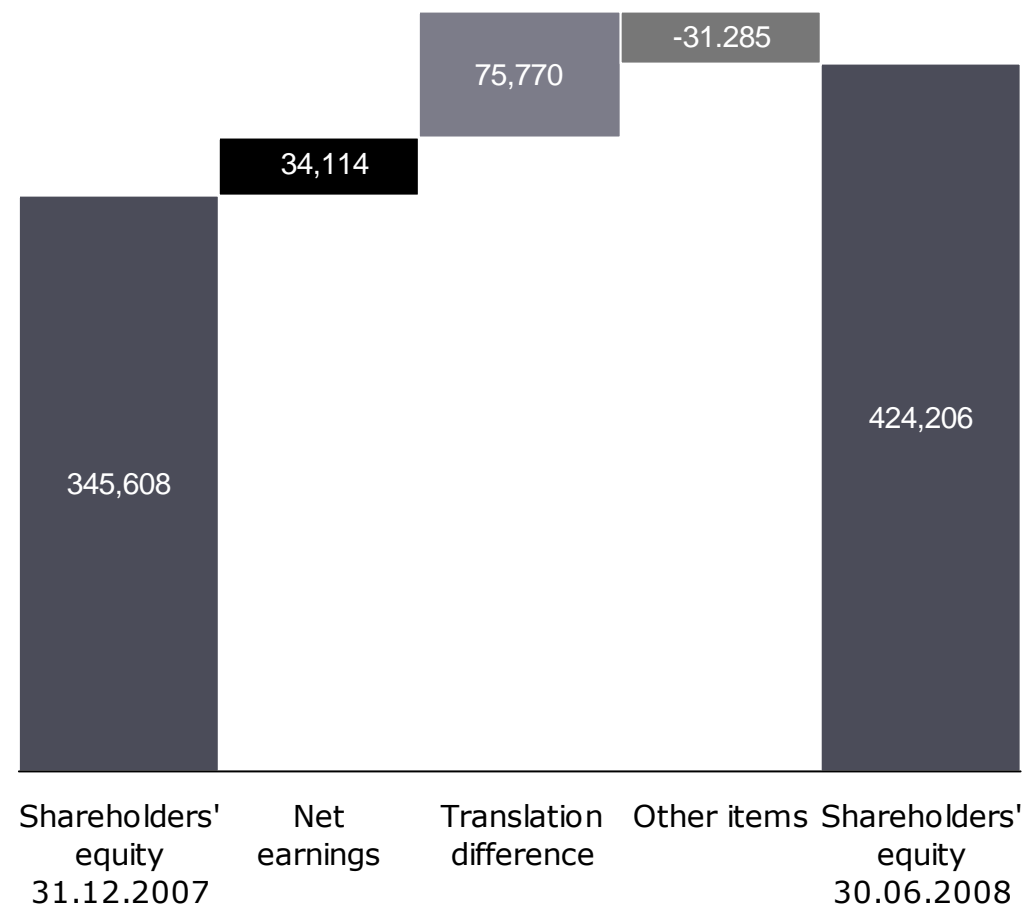
	H1 2008	H1 2007	Chg	EUR Chg
Net interest income	48,195	36,115	33%	6%
Net commission income	25,207	27,525	-8%	-28%
Net financial income	10,614	24,228	-56%	-63%
Other income	5,863	7,998	-27%	-40%
Operating income	89,878	95,866	-6%	-25%
Salaries and related expenses	-25,765	-22,367	15%	-8%
Other operating expenses	-21,300	-14,357	48%	18%
Impairment	-9,650	-2,498	286%	206%
Profit before income tax	33,162	56,643	-41%	-52%
Income tax	880	-9,888	-109%	-105%
Net earnings	34,042	46,755	-27%	-41%
Shareholders of Kaupthing Bank	34,114	45,764	-25%	-40%
Minority interest	-72	991	-107%	-

All amounts in ISKm

Equity – Changes in H1 2008

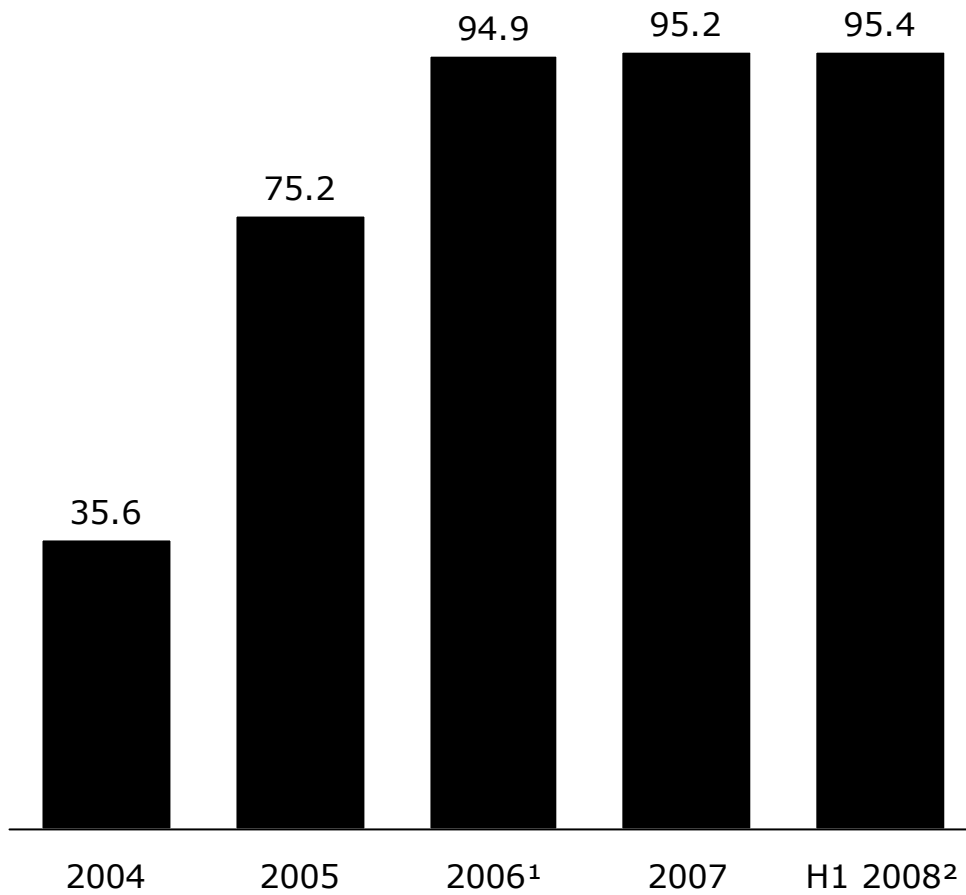
Changes in Shareholders' equity 2008: 30.06.2008

Equity 1 January 2008	345,608
Translation difference	75,770
Net earnings recognised directly in equity	75,770
Net earnings according to the Income Statement	34,114
Total recognised earnings for the period	109,884
Dividends paid to equity holders, ISK 20 per share	-14,025
Purchase and sales of treasury stock	-14,844
Other changes	-2,417
Equity 30 June 2008	424,206

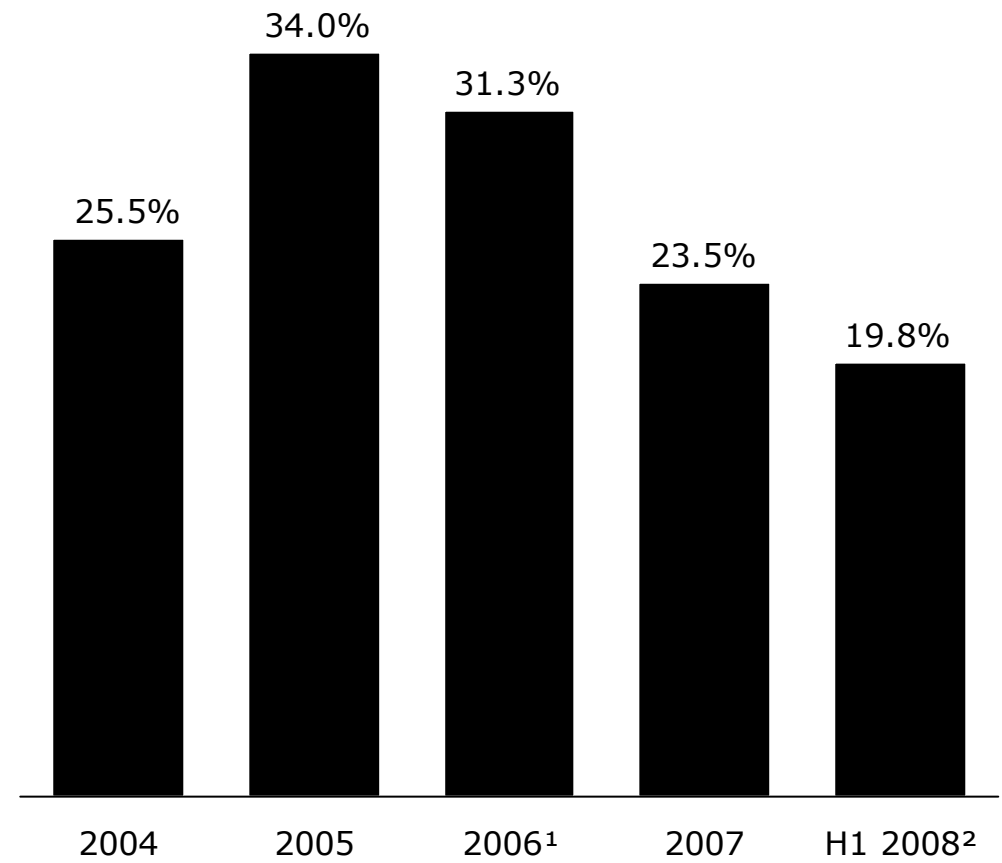


All amounts in ISKm

EPS



Return on equity %

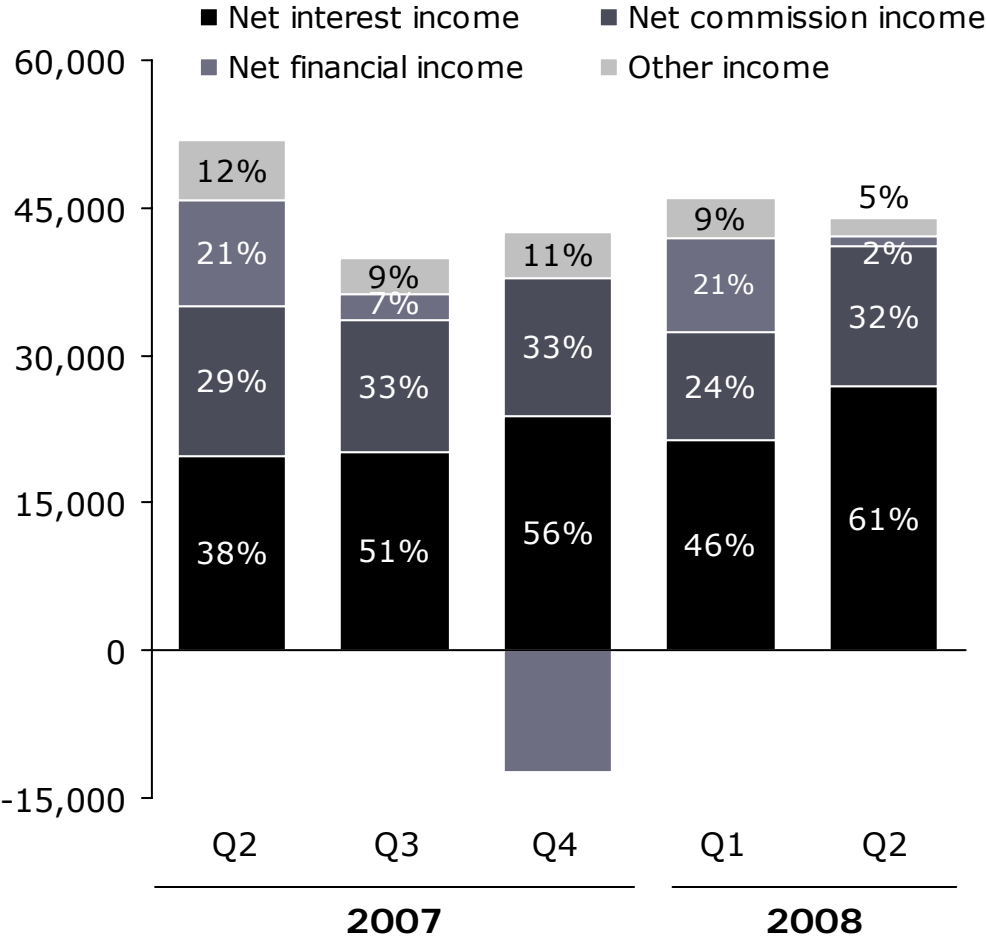


All amounts in ISK

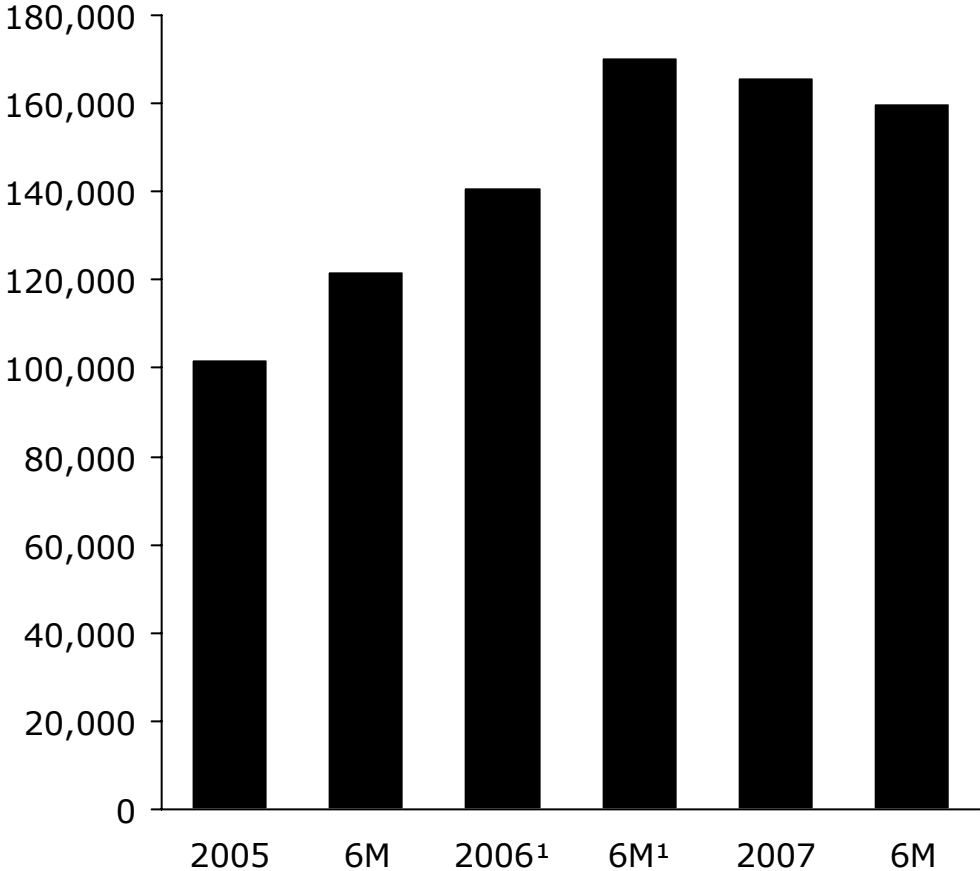
¹ Excluding the Exista gain

² H1 Annualised

Income distribution



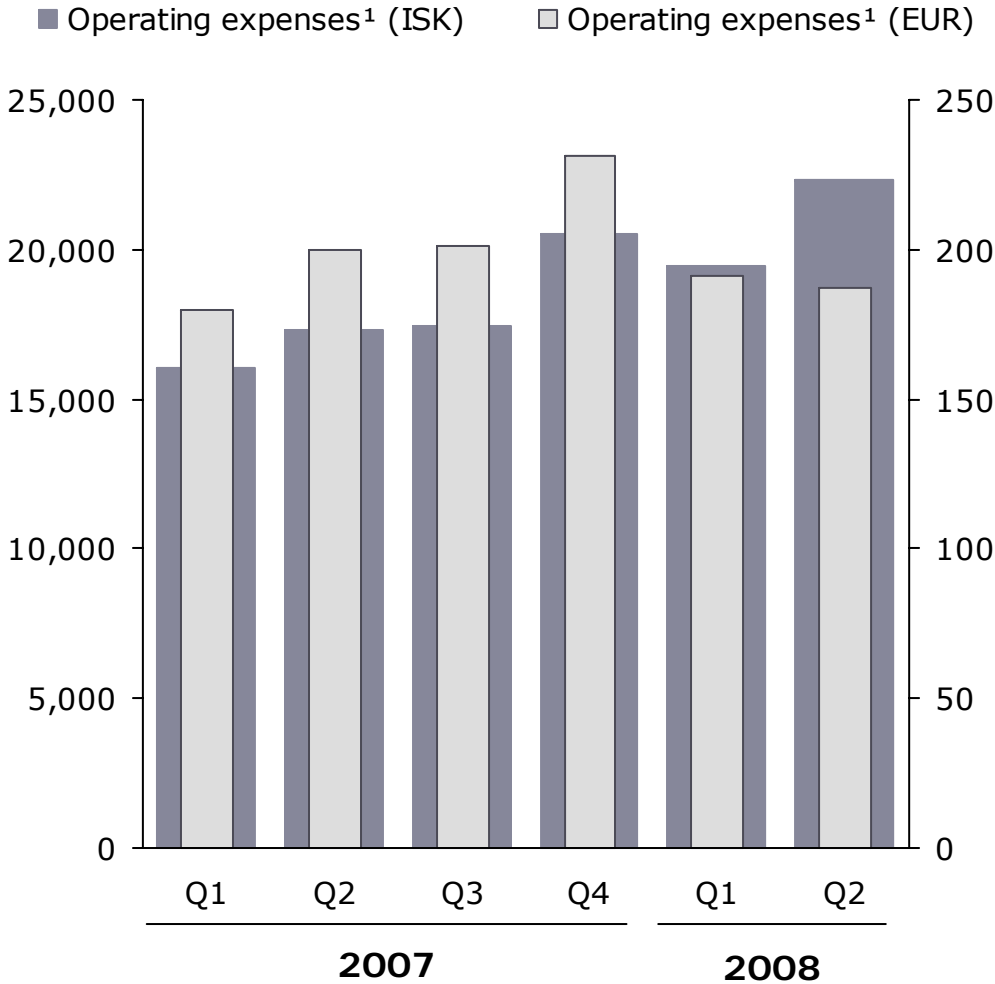
Development of Operating income Trailing 12 months



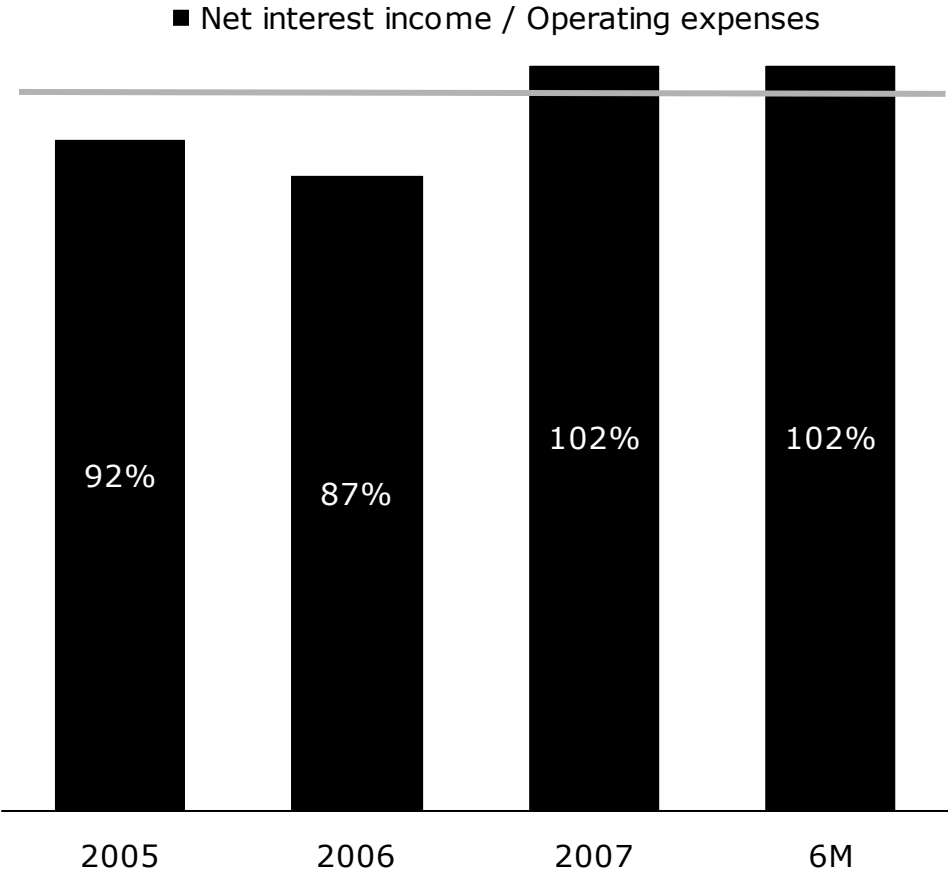
All amounts in ISKm

¹ Operating income excludes the gain from Exista in Q3 2006.

Operating expenses in ISK and EUR



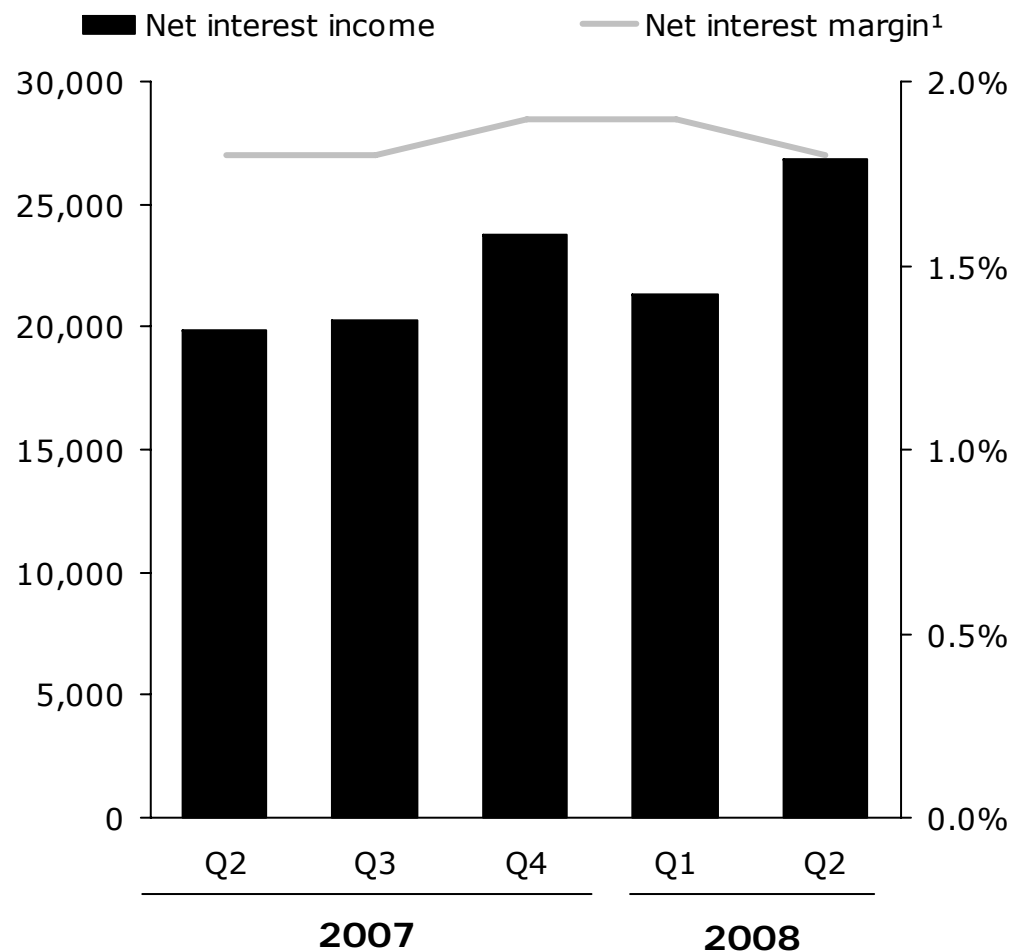
Net interest income vs Operating expenses



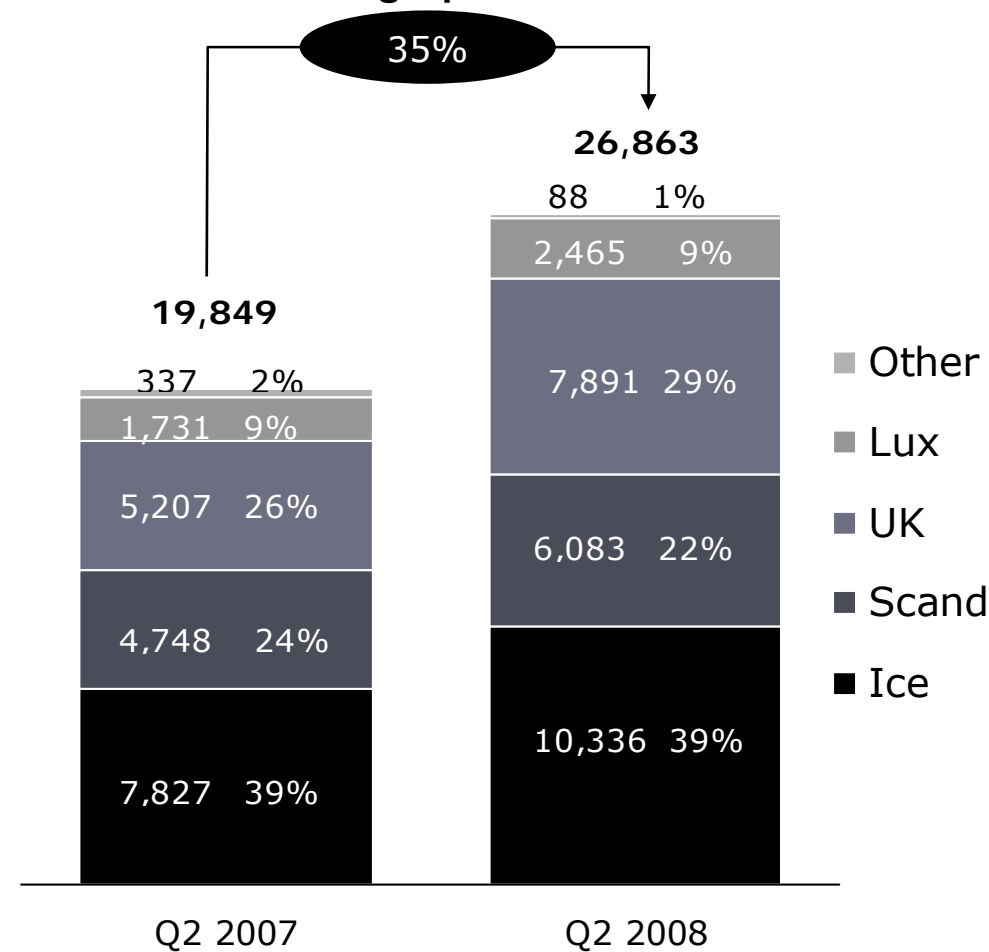
All amounts in m

¹ Includes salaries and related expenses, and administration expenses

Net interest income



Geographic breakdown²

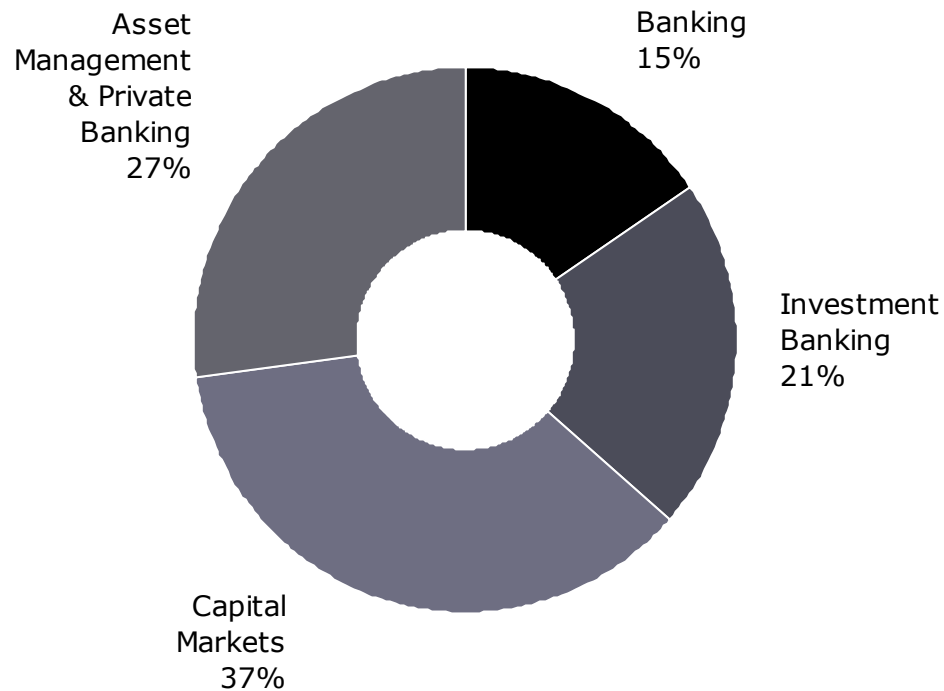


All amounts in ISKm

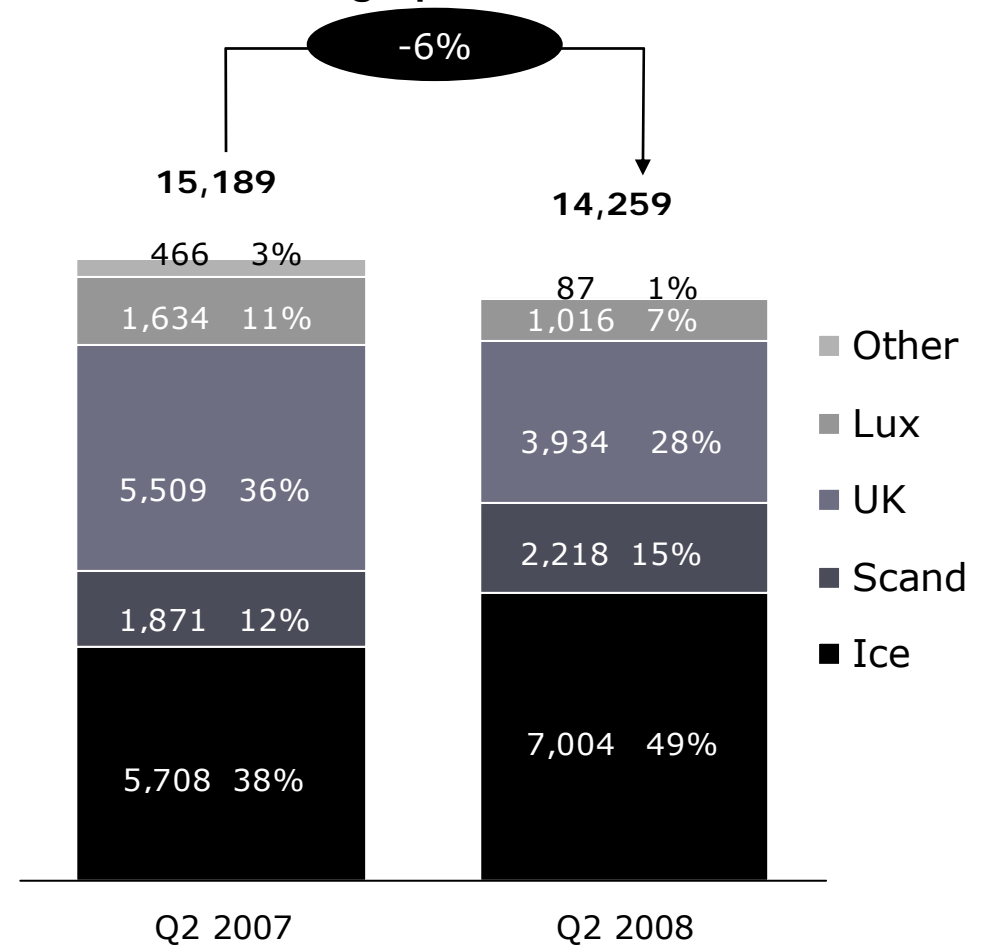
¹ Trailing 12 months

² By origin of clients

By business segments



Geographic breakdown¹



All amounts in ISKm

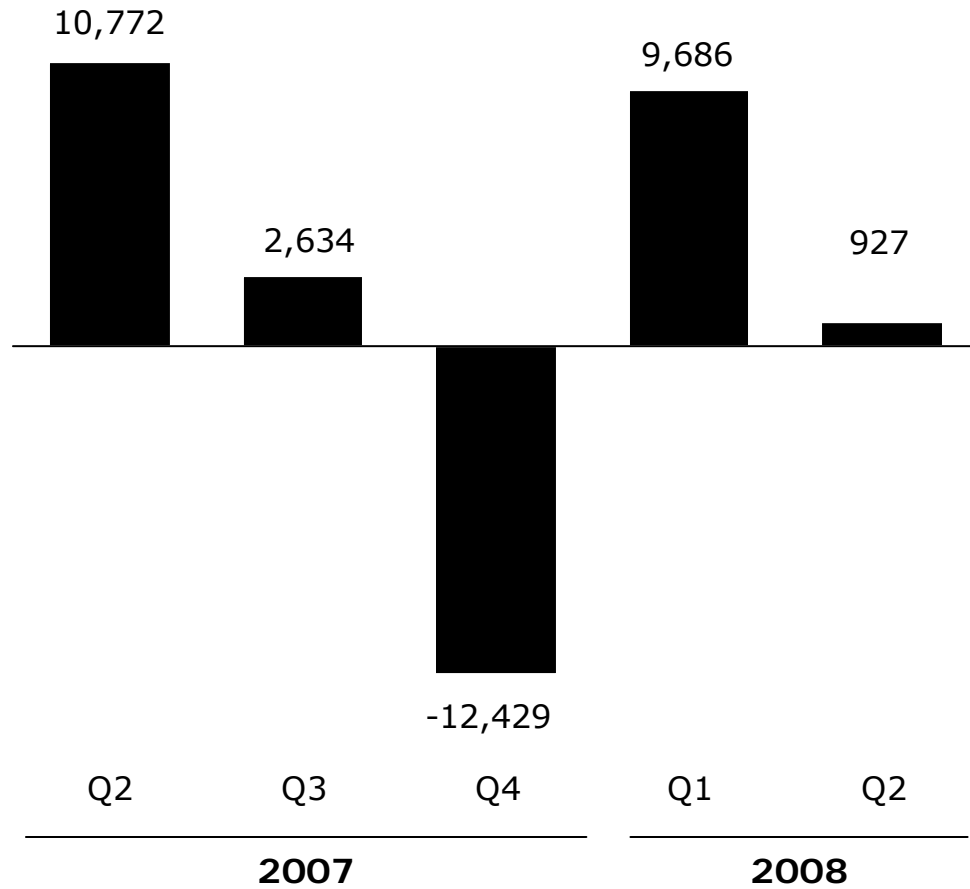
¹ By origin of clients

Breakdown of Net Financial Income

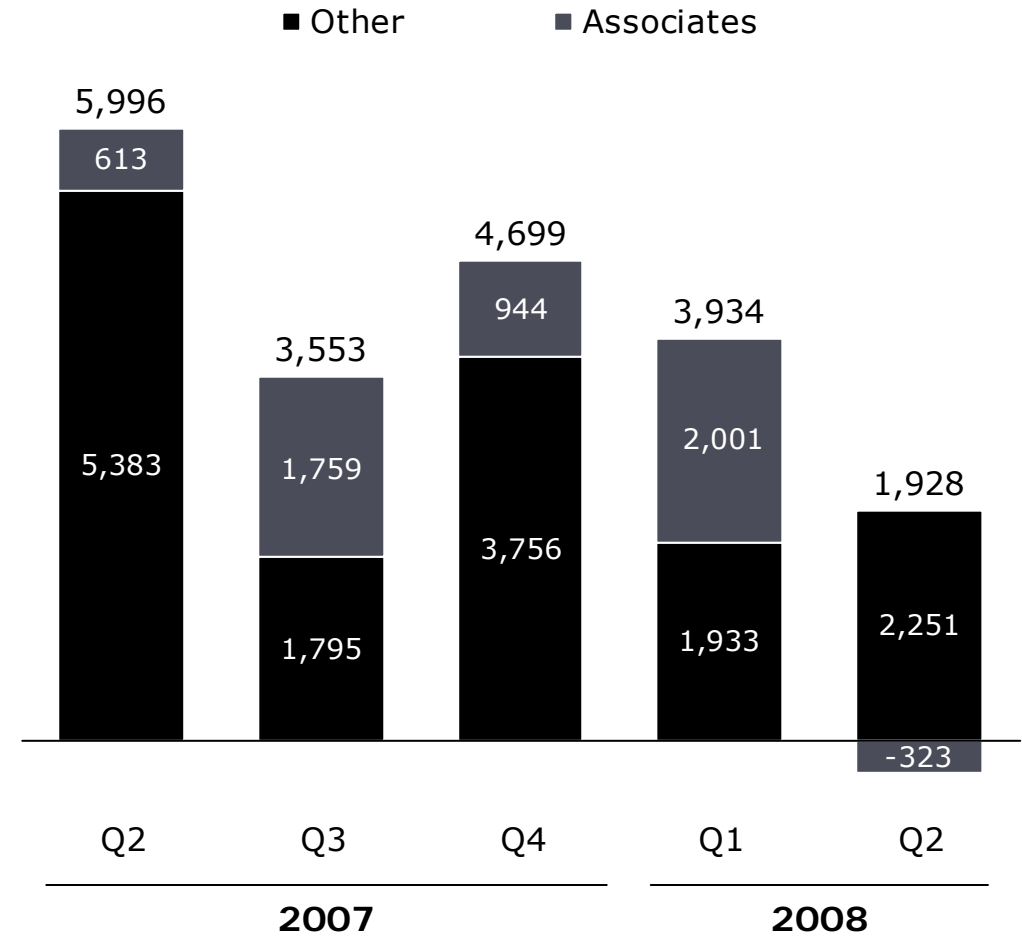
H1 2008	Iceland	Scandinavia	UK	Lux	Other	Total
Net gain from bonds and fixed income securities	-1,944	-1,305	-258	212	0	-3,295
Net gain from equity and variable income securities	-1,167	-10,792	-4,951	-354	73	-17,191
Net gain from FX and derivatives	25,517	1,484	-1,232	144	-39	25,873
Net gain from hedge accounting instruments	0	2,171	16	0	0	2,187
Dividend income	420	2,590	9	21	0	3,040
Total	22,825	-5,851	-6,417	23	34	10,614

All amounts in ISKm

Net financial income

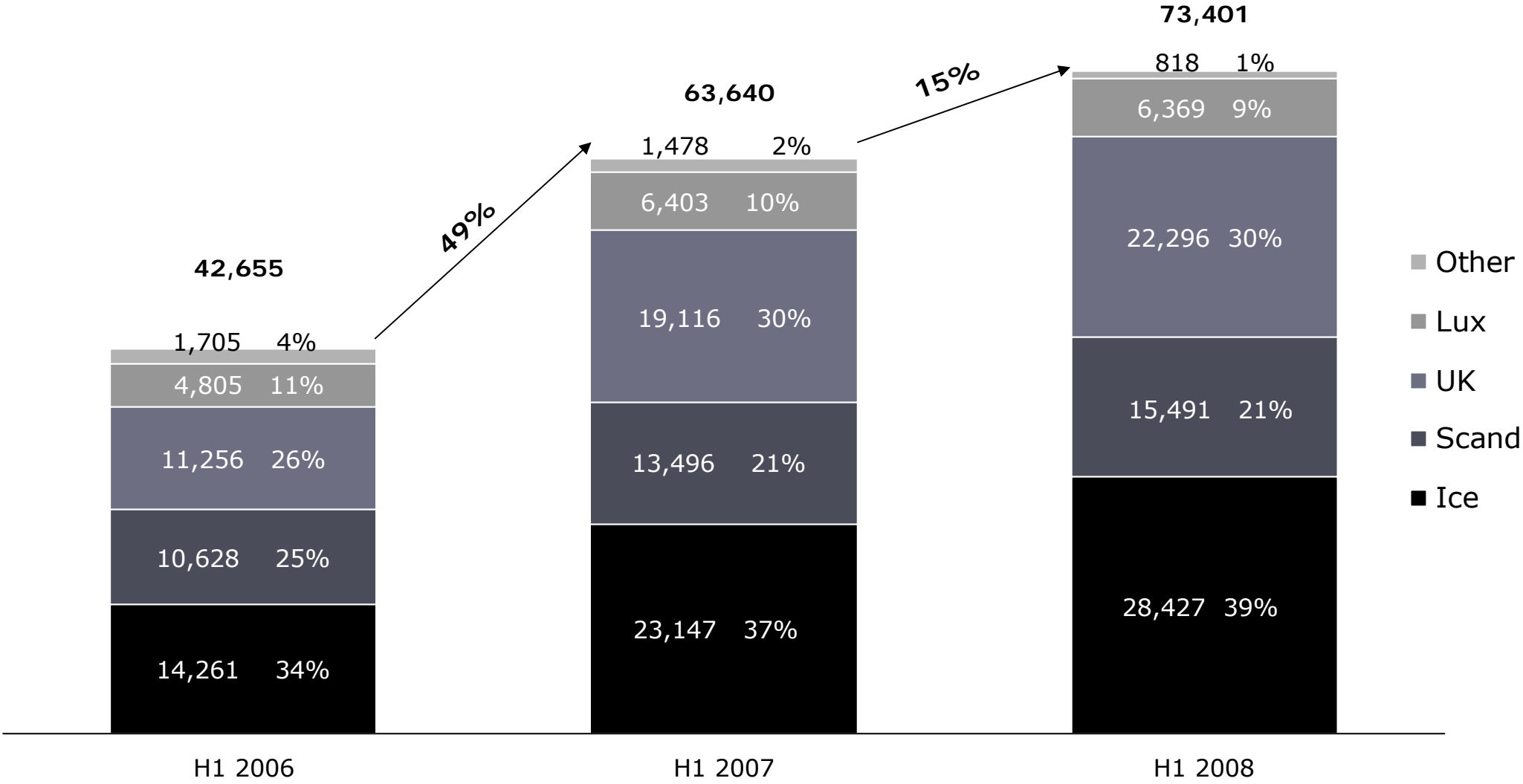


Other income



All amounts in ISKm

Core Income Geographic Distribution¹

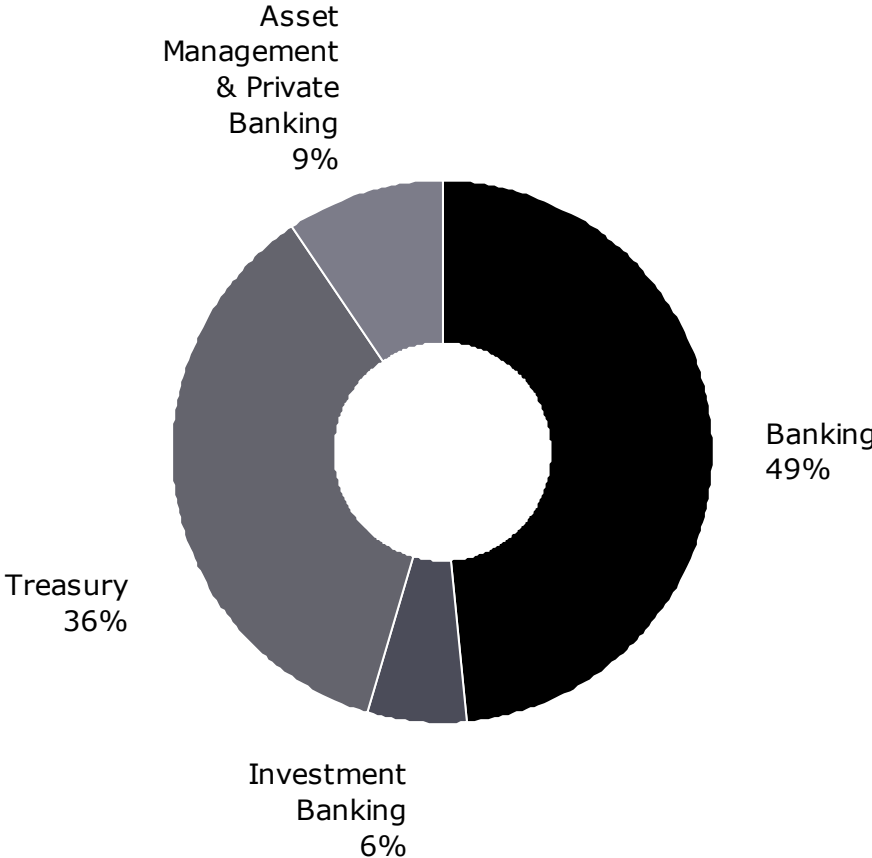


All amounts in ISKm

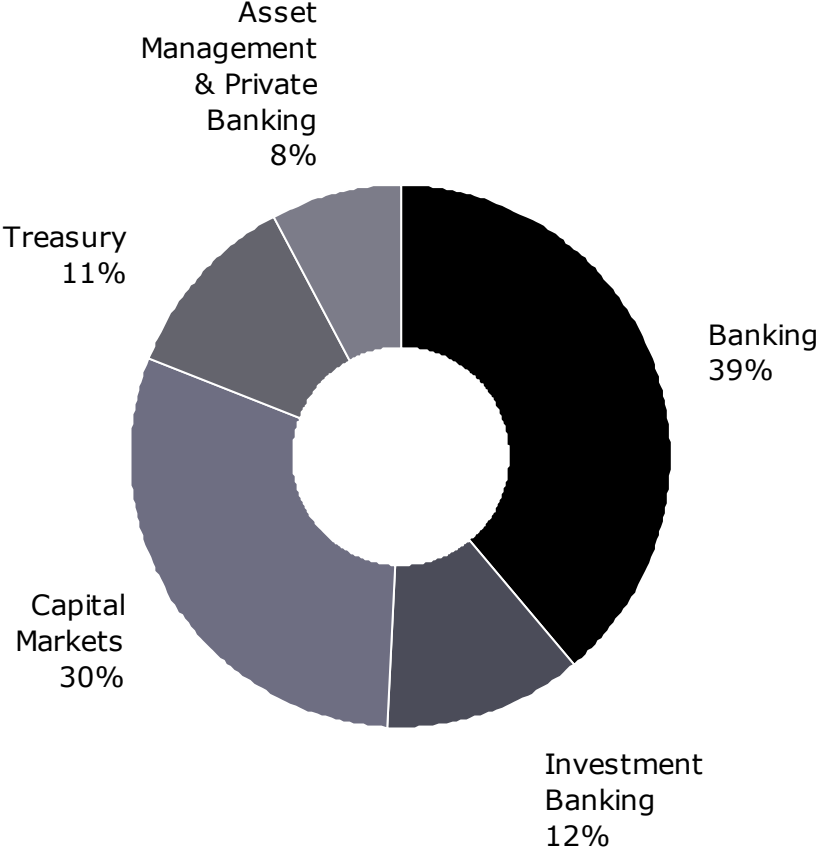
¹ Core income is Net interest income and Net commission income by origin of clients

Operating Income by Business Segments

H1 2008



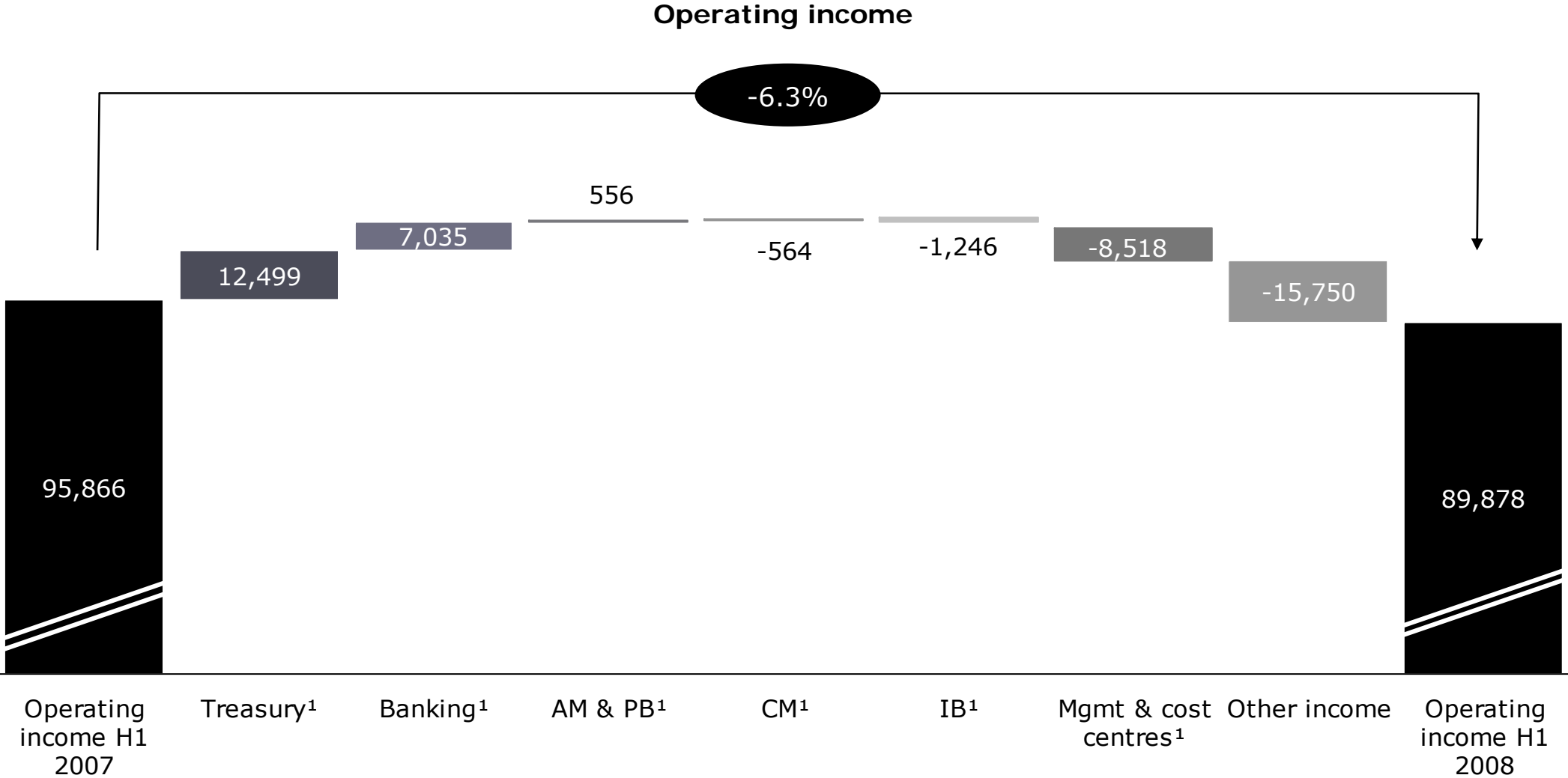
H1 2007



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Changes in Core Income by Segments



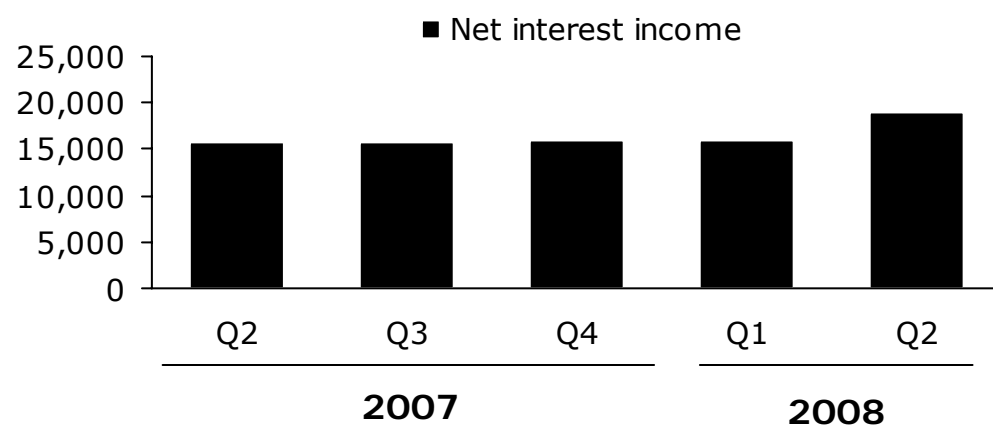
All amounts in ISKm

IB: Investment Banking; CM=Capital Markets; AM&PB=Asset Management and Private Banking

¹ Core income

Highlights

- Net interest income up 19% compared to Q1
- Higher Net commission income due to increased activity compared to Q1
- Expenses up by 5% from Q1 mainly due to weakening ISK
- Pre-tax profit up by 49% from previous quarter

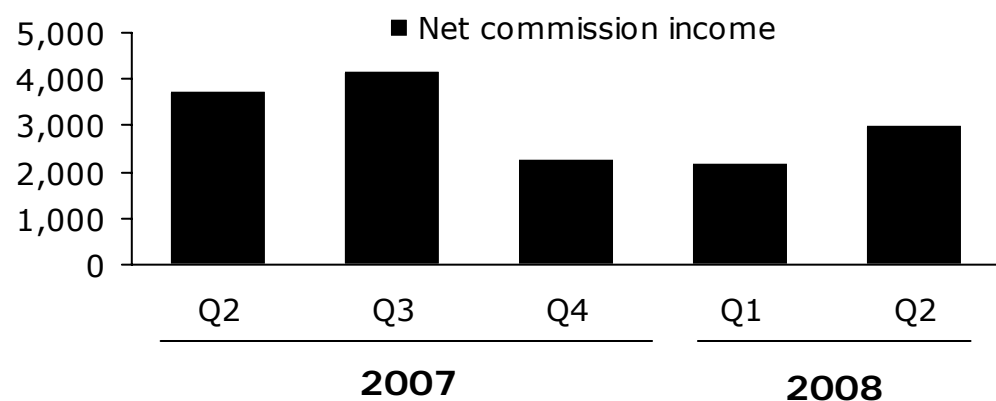


All amounts in ISKm

	Q2 2008	Q1 2008	Q4 2007	Q1 2007
Net interest income	19,055	16,027	15,897	13,423
Net commission income	2,842	1,021	2,037	1,257
Net financial income	294	44	217	94
Other income	1,862	1,664	1,616	1,555
Operating income	24,052	18,756	19,768	16,329
Expenses	6,763	6,434	7,092	6,281
Impairment	5,594	4,065	2,012	1,425
Total expenses	12,357	10,499	9,103	7,705
Gross profit	11,695	8,257	10,664	8,624
Allocated cost	1,113	1,174	544	507
Pre-tax profit	10,582	7,083	10,121	8,117
Cost income ratio	28%	34%	36%	38%
Allocated equity (bn)	324	290	202	189

Highlights

- Net commission income increased by 38% from Q1 2008
 - Good outcome in light of slowdown in general M&A activity
- Turnaround in Net financial income due to unfavourable market conditions
- Expenses increased from previous quarter due to weakening ISK

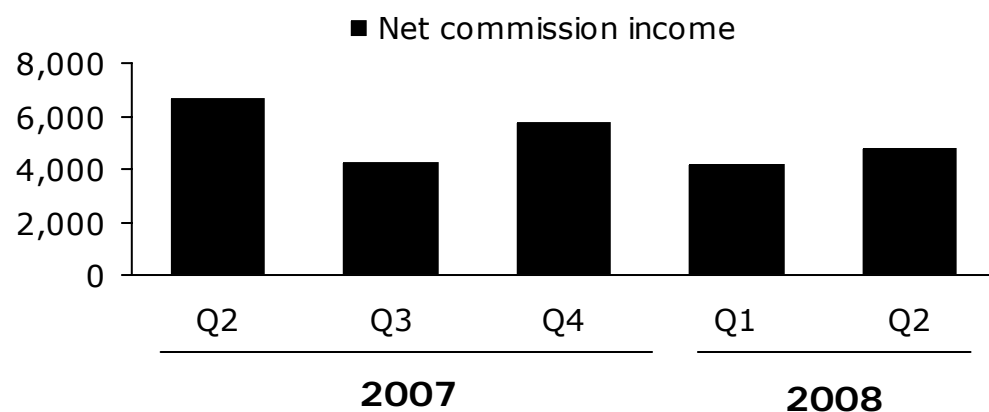


All amounts in ISKm

	Q2 2008	Q1 2008	Q4 2007	Q1 2007
Net interest income	-598	-683	-327	-1,095
Net commission income	3,038	2,203	2,268	3,483
Net financial income	-557	1,445	1,362	3,980
Other income	156	111	22	65
Operating income	2,038	3,076	3,325	6,433
Expenses	2,336	1,701	2,230	788
Impairment	0	0	24	0
Total expenses	2,336	1,701	2,255	788
Gross profit	-298	1,374	1,070	5,645
Allocated cost	219	199	222	351
Pre-tax profit	-517	1,176	848	5,294
Cost income ratio	115%	55%	67%	12%
Allocated equity (bn)	32	30	41	36

Highlights

- Net interest income positive mainly due to inflation impact
- Maintaining solid Net commission income, up 14% from Q1 2008
- High Net financial loss due to unfavourable market conditions
- Expenses up by 15% from Q1 due to weakening ISK

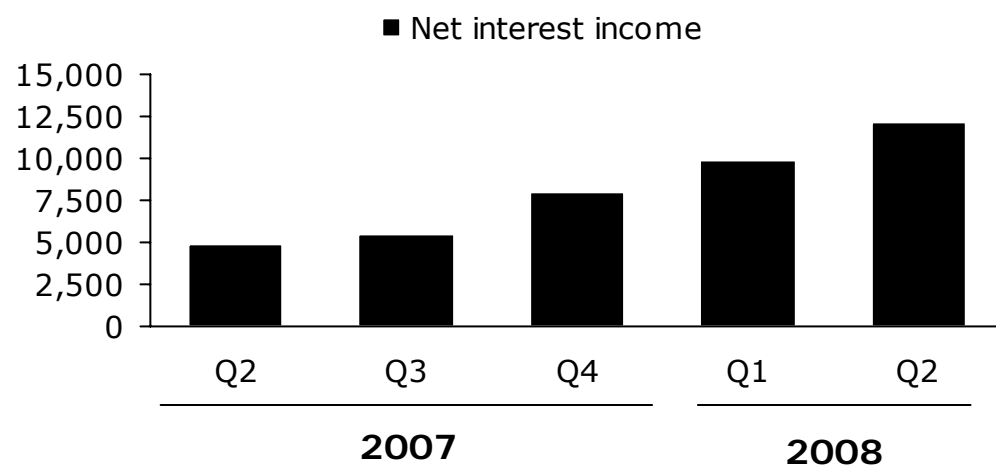


All amounts in ISKm

	Q2 2008	Q1 2008	Q4 2007	Q1 2007
Net interest income	1,144	-16	1,600	-564
Net commission income	4,846	4,264	5,778	4,126
Net financial income	-7,286	-8,834	-6,920	9,778
Other income	56	57	140	56
Operating income	-1,240	-4,529	598	13,396
Expenses	4,412	3,834	4,356	2,997
Impairment	3	0	0	0
Total expenses	4,415	3,834	4,356	2,996
Gross profit	-5,655	-8,363	-3,758	10,400
Allocated cost	262	591	366	578
Pre-tax profit	-5,917	-8,954	-4,124	9,822
Cost income ratio	-356%	-85%	728%	22%
Allocated equity (bn)	43	32	37	37

Highlights

- Net interest income up 23% from Q1 2008 due to high inflation in Iceland
- Net financial income high due to positive FX and Hedge
- Expenses increased from previous quarter mainly due to set up and operational cost of Kaupthing Edge
- Record high Pre-tax profit

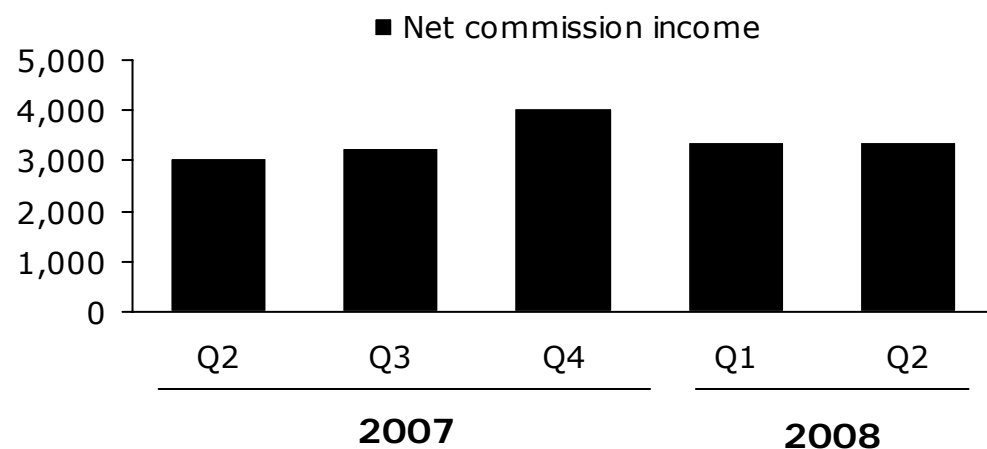


All amounts in ISKm

	Q2 2008	Q1 2008	Q4 2007	Q1 2007
Net interest income	12,134	9,867	7,946	4,428
Net commission income	-49	-67	-225	-75
Net financial income	4,909	4,772	-11,650	-441
Other income	154	299	-51	67
Operating income	17,147	14,871	-3,980	3,978
Expenses	3,668	2,446	1,290	1,333
Impairment	0	0	-33	0
Total expenses	3,668	2,446	1,257	1,333
Gross profit	13,479	12,425	-5,237	2,645
Allocated cost	468	354	106	103
Pre-tax profit	13,011	12,071	-5,343	2,541
Cost income ratio	21%	16%	-32%	34%
Allocated equity (bn)	30	45	62	53

Highlights

- Stable Net commission income
- Expenses up by 15% from Q1
- Good pre-tax profit
- Assets under management were ISK 1,630bn – up 4.6% from beginning of the year
- Assets in custody were ISK 2,470bn – up 8.5% from the beginning of the year



All amounts in ISKbn

	Q2 2008	Q1 2008	Q4 2007	Q1 2007
Net interest income	373	421	263	324
Net commission income	3,392	3,392	4,067	3,414
Net financial income	326	205	40	28
Other income	57	128	76	81
Operating income	4,148	4,145	4,445	3,847
Expenses	3,164	2,748	2,608	2,320
Impairment	0	0	0	0
Total expenses	3,164	2,748	2,608	2,320
Gross profit	984	1,397	1,837	1,527
Allocated cost	280	589	886	752
Pre-tax profit	703	808	951	775
Cost income ratio	76%	66%	59%	60%
Allocated equity (bn)	15	16	11	8

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	30.06.2008	31.12.2007	Chg	EUR chg
Cash and balances with central banks	154.3	98.0	58%	16%
Loans to credit institutions	529.6	588.4	-10%	-34%
Loans to customers	4,169.2	3,304.4	26%	-7%
Bonds and debt instruments	676.3	367.4	84%	36%
Shares and instruments with variable income	172.3	160.8	7%	-21%
Derivatives	328.2	134.9	143%	79%
Derivatives used for hedging	27.7	22.5	23%	-9%
Securities used for hedging	81.2	159.9	-49%	-63%
Investments in associates	107.6	83.8	28%	-5%
Intangible assets	85.8	66.8	28%	-5%
Other assets	271.5	360.5	-25%	-45%
Total assets	6,603.7	5,347.3	23%	-9%

All amounts in ISKbn

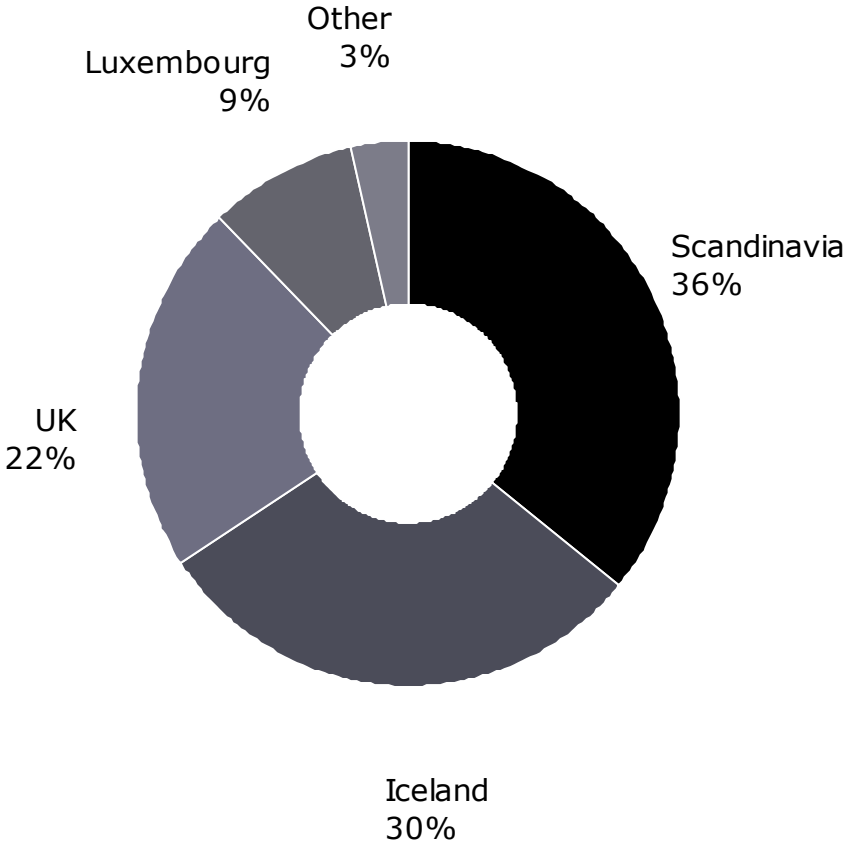
Balance Sheet – Liabilities and Equity

	30.06.2008	31.12.2007	Chg	EUR chg
Due to credit institutions and central banks	670.9	339.1	98%	46%
Deposits	1,848.2	1,381.5	34%	-1%
Borrowings	2,883.3	2,616.0	10%	-19%
Subordinated loans	328.2	267.3	23%	-10%
Other liabilities	435.5	387.1	13%	-17%
Shareholders' equity	424.2	345.6	23%	-10%
Minority interest	13.5	10.8	25%	-8%
Total liabilities and equity	6,603.7	5,347.3	23%	-9%

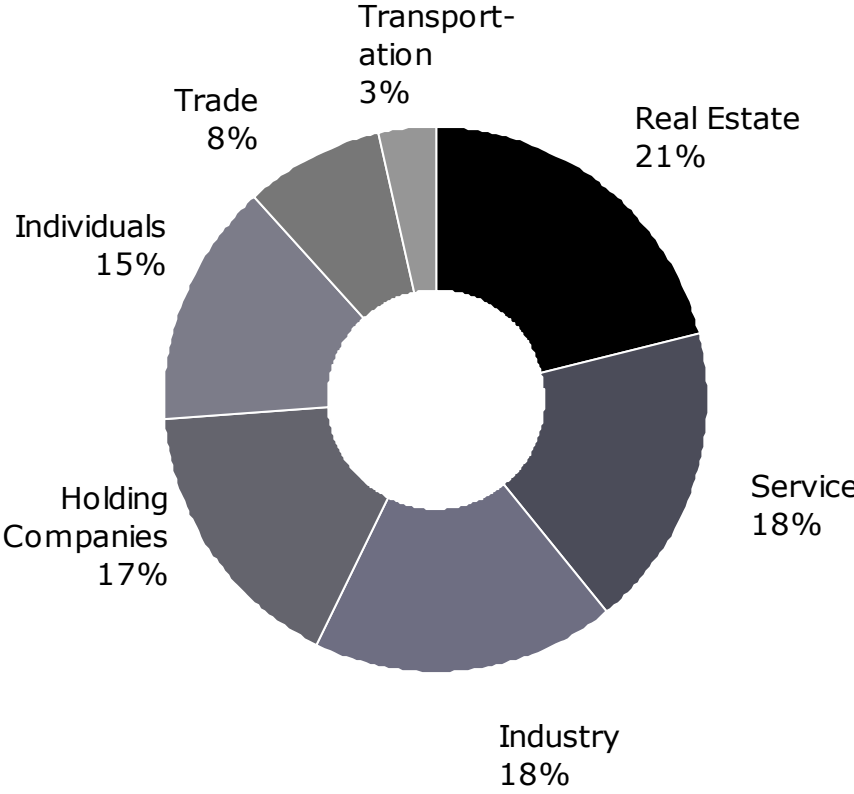
All amounts in ISKbn

Loans to customers amounted to ISK 4,169bn at 30 June 2008

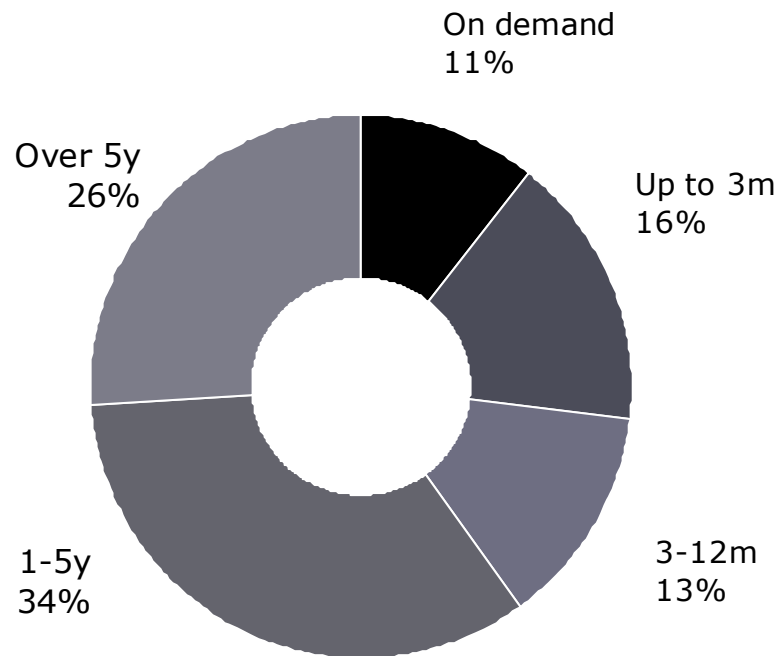
Loans to customers by location



Loans to customers by sectors

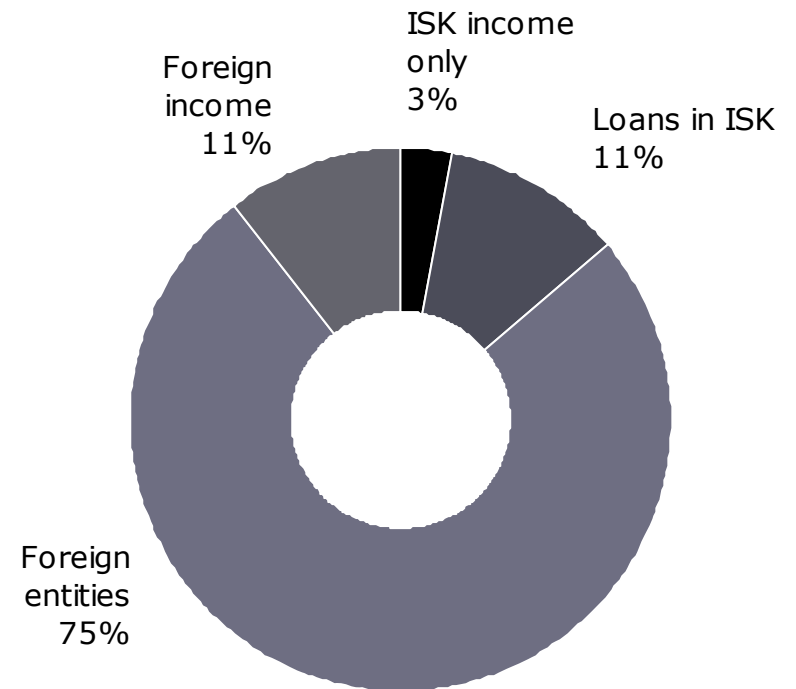


Contractual maturity



40% of loans have contractual maturity of less than a year

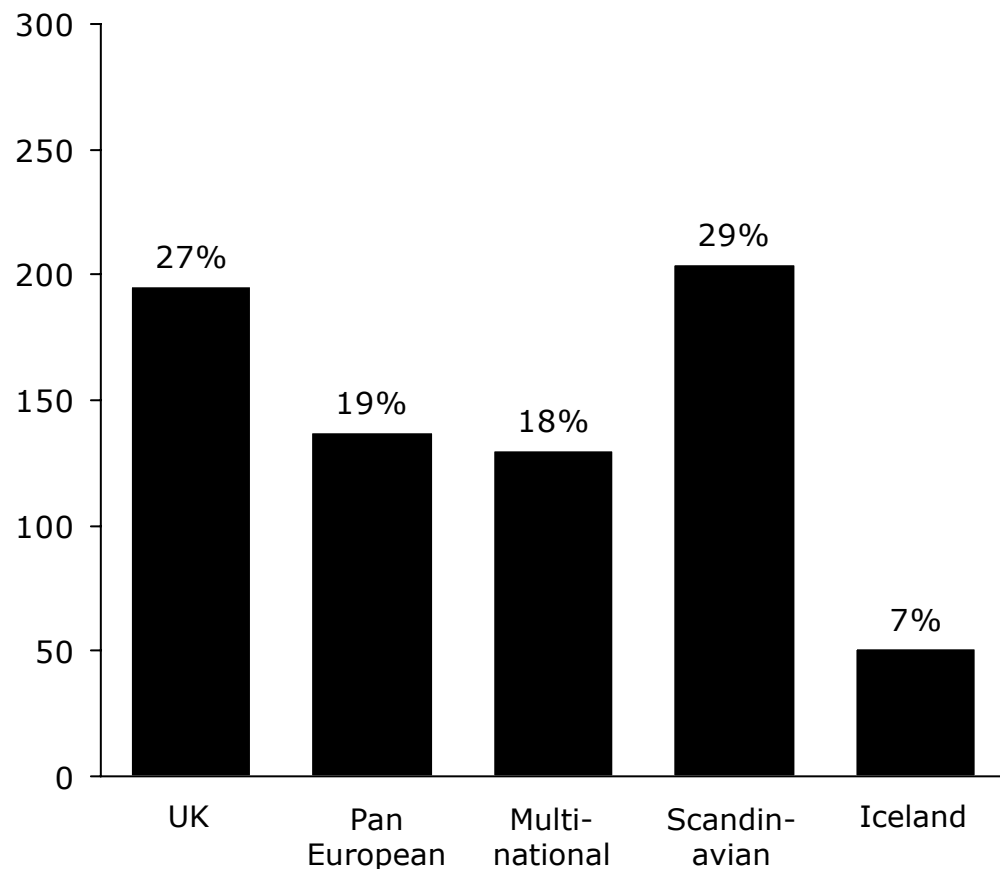
Loans to Customers – ISK v. foreign and currency exposures of Icelandic borrowers



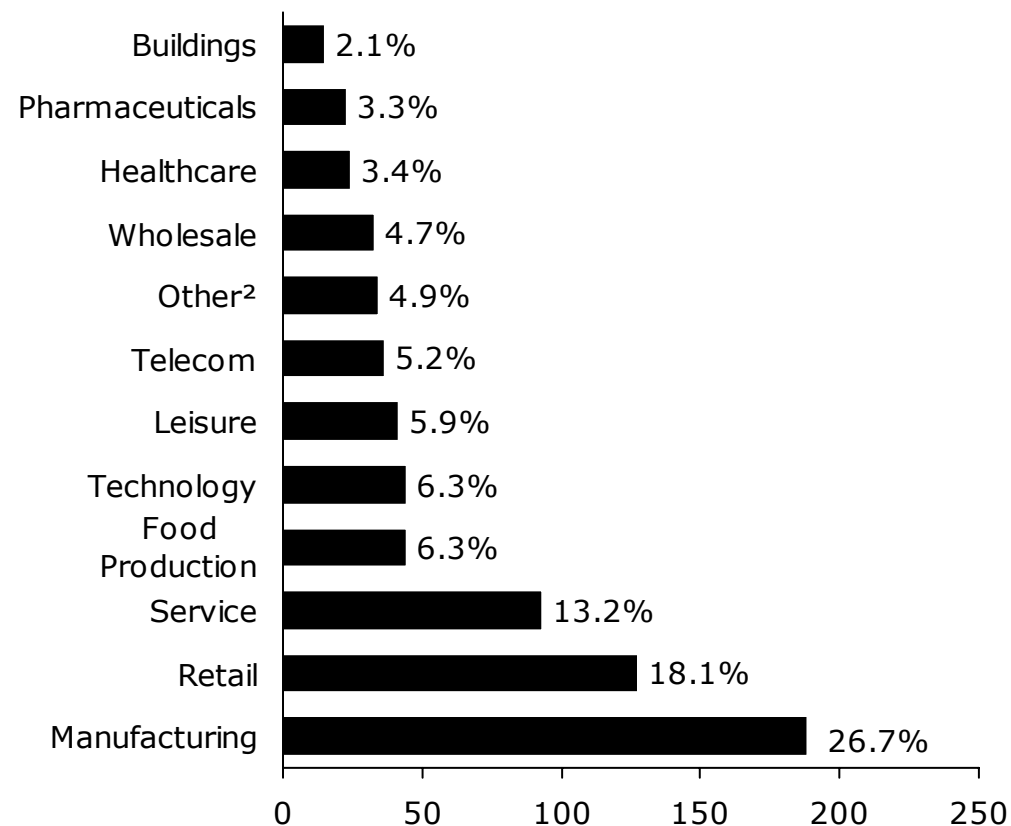
Currency mismatch between clients' income and borrowings limited

The ALF portfolio amounted to ISK 706bn or 16.9% of total Loans to customers. No exposure to any underwriting risk in ALF portfolio. No covenant lite assets. Average Debt/EBITDA ratio is 4.78 – Market average 5.5¹

Market Breakdown of Portfolio



Sector Breakdown of Portfolio

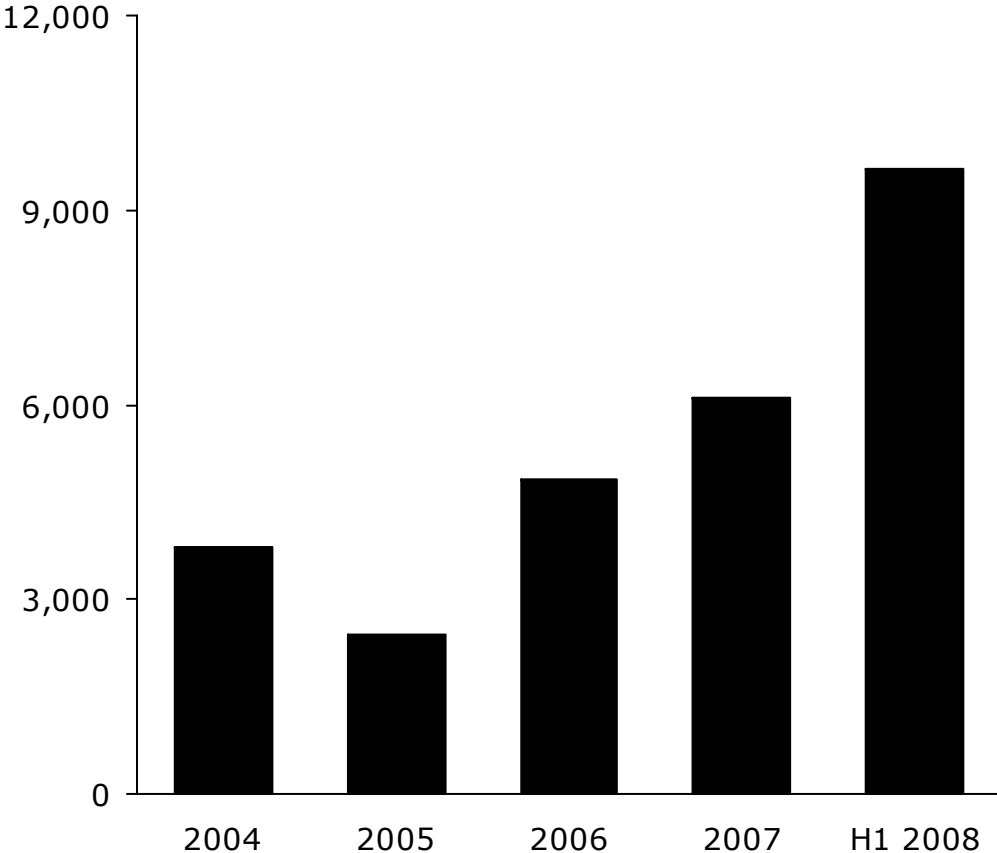


All amounts in ISKbn

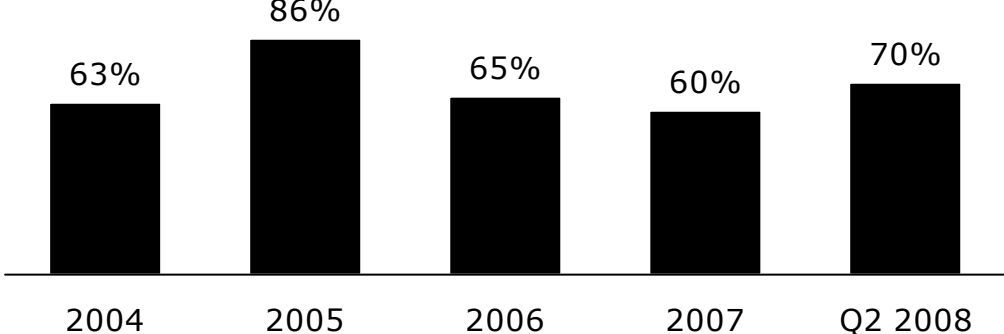
¹ Source: Dealogic

² Other sectors include; Transport, IT and Property

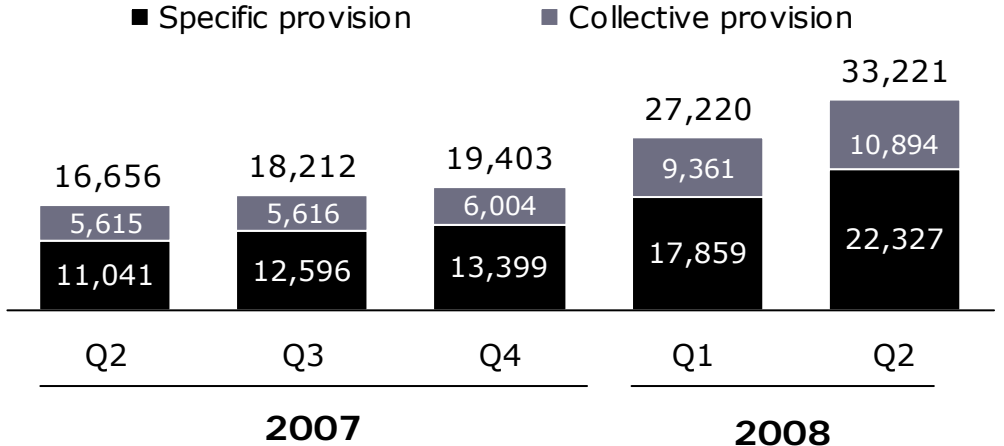
Impairment



Loan loss reserves / Non-performing loans¹



Loan loss reserves

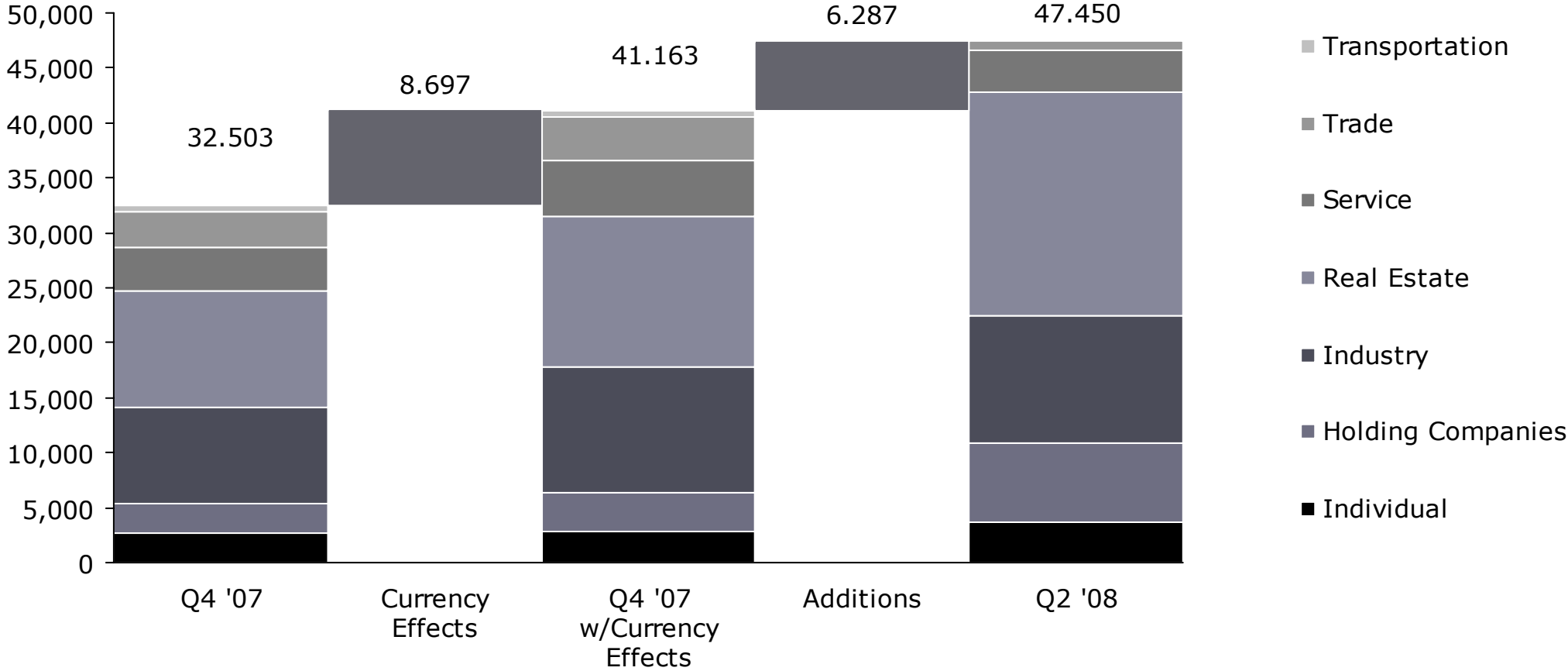


All amounts in ISKm

¹ If the part of NPL that is covered by collateral is added to the LLR this ratio is 123% of NPL

Sector Division of Non-Performing Loans

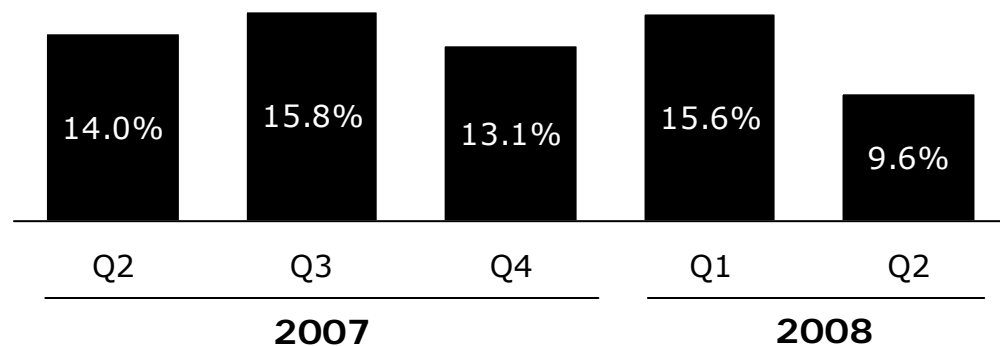
- Increase is 15% on a fixed exchange rate basis
- The increase can mostly be attributed to Real Estate and Holding Companies



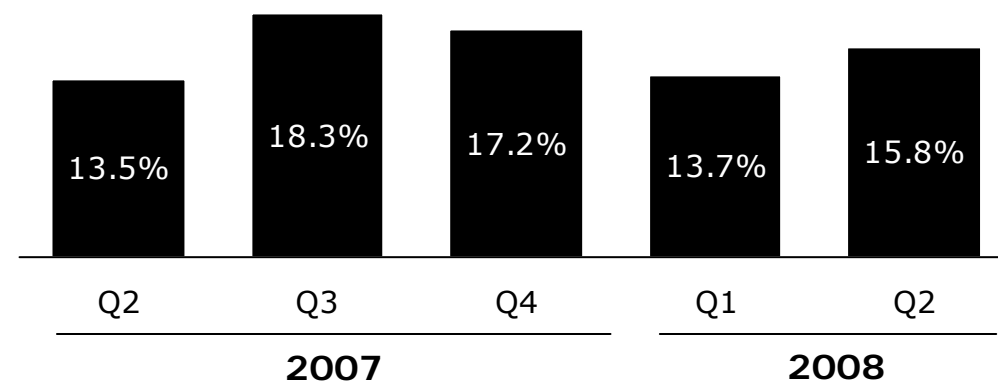
All amounts in ISKm

	30.6.2008	31.12.2007	Change	%	EUR Chg
Bonds and debt instruments	676,316	367,350	308,966	84%	36%
Shares and instruments with variable income	172,286	160,797	11,489	7%	-21%
Derivatives	328,217	134,856	193,362	143%	79%
Derivatives used for hedging	27,742	22,503	5,239	23%	-9%
Securities used for hedging	81,207	159,949	-78,742	-49%	-63%
Total	1,285,768	845,455	440,313	52%	17%

Listed equity exposure as % of Risk capital



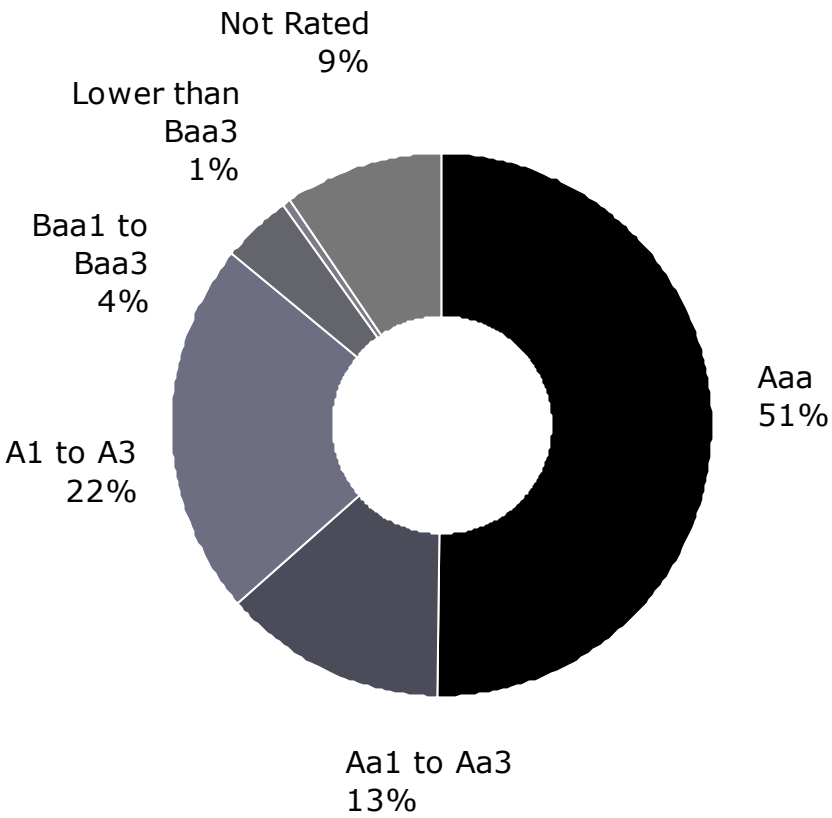
Unlisted equity exposure as % of Risk capital



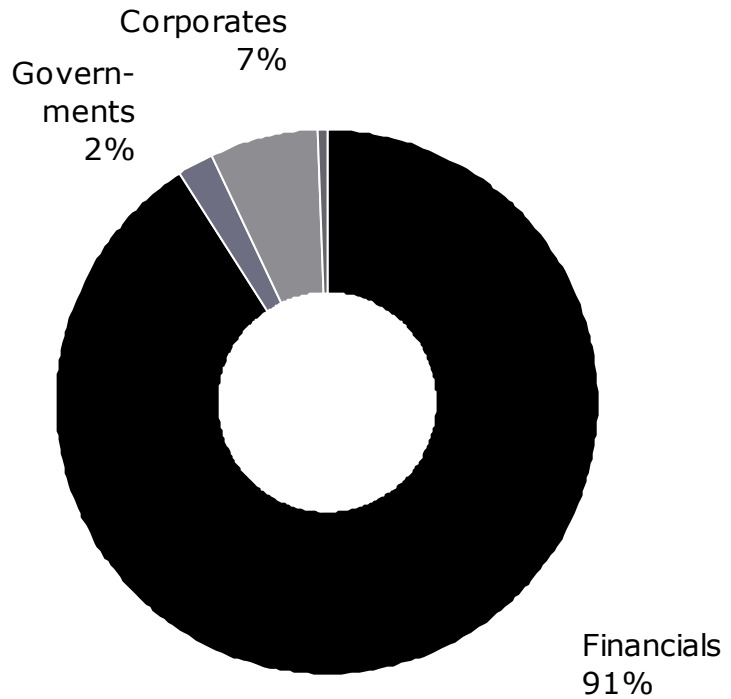
All amounts in ISKm

Largest part of the portfolio is part of the Bank's liquidity reserves. 90% are listed instruments

By rating¹

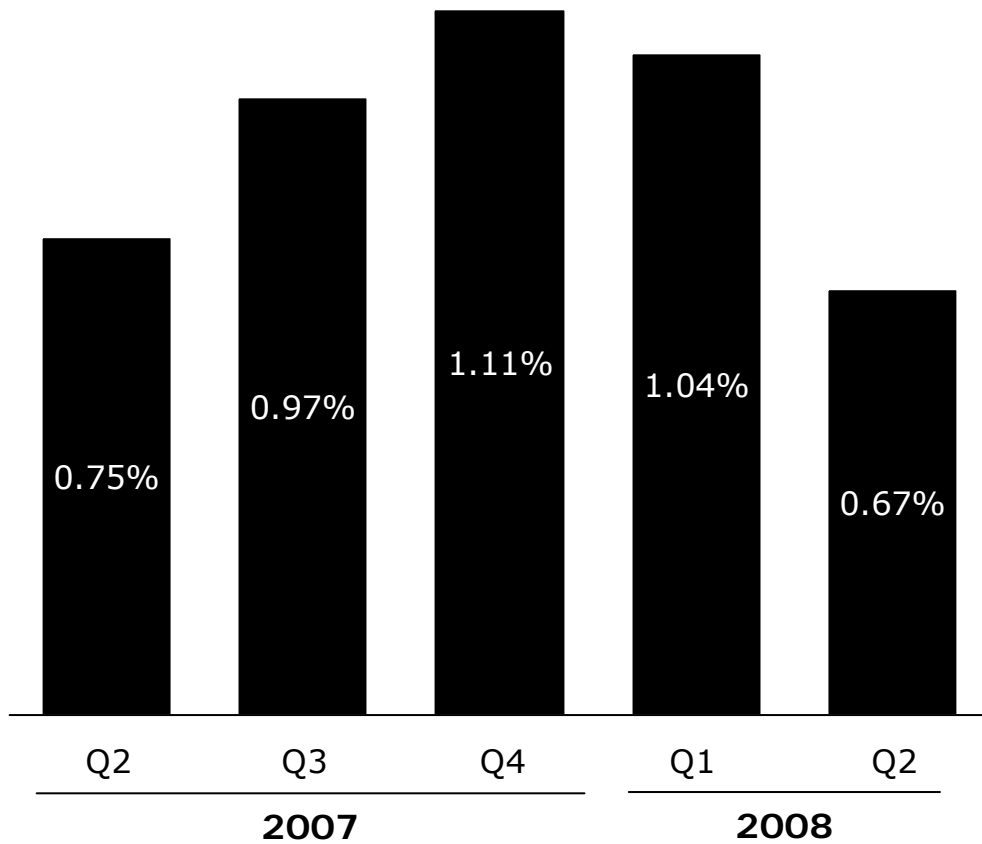


At fair value by issuer

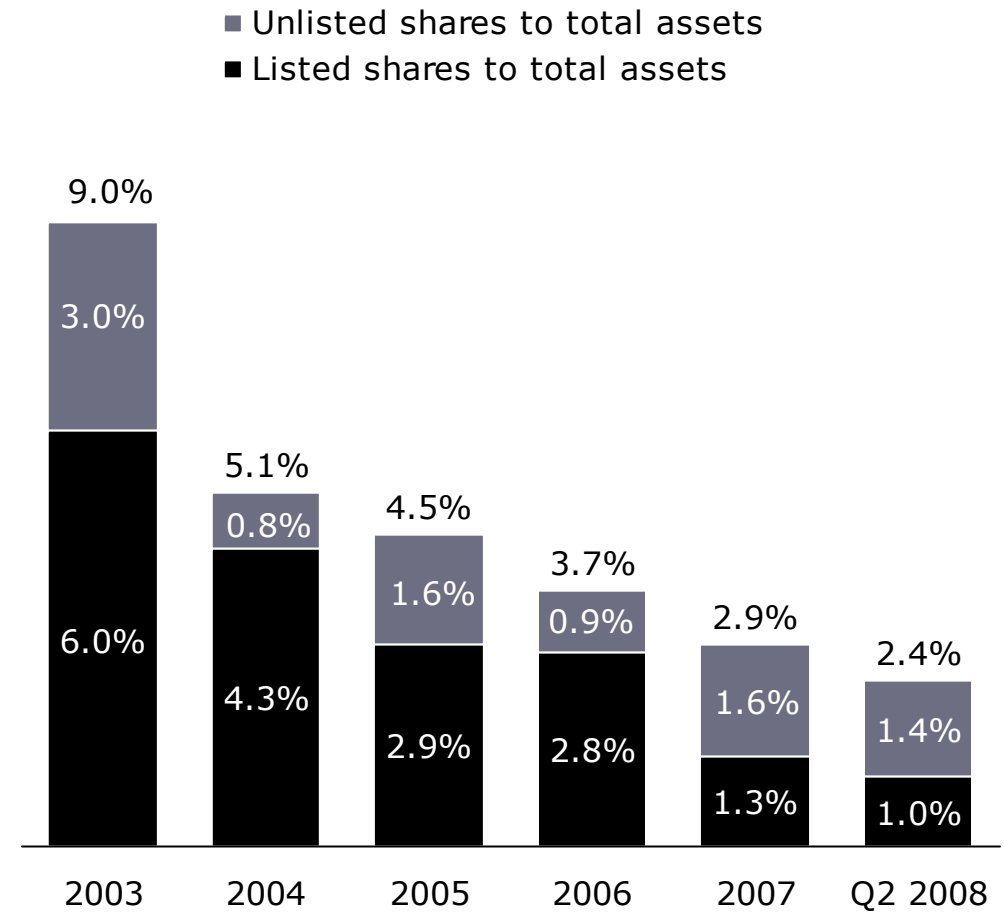


¹ Moody's equivalent

VaR (10d 99%) of Risk capital



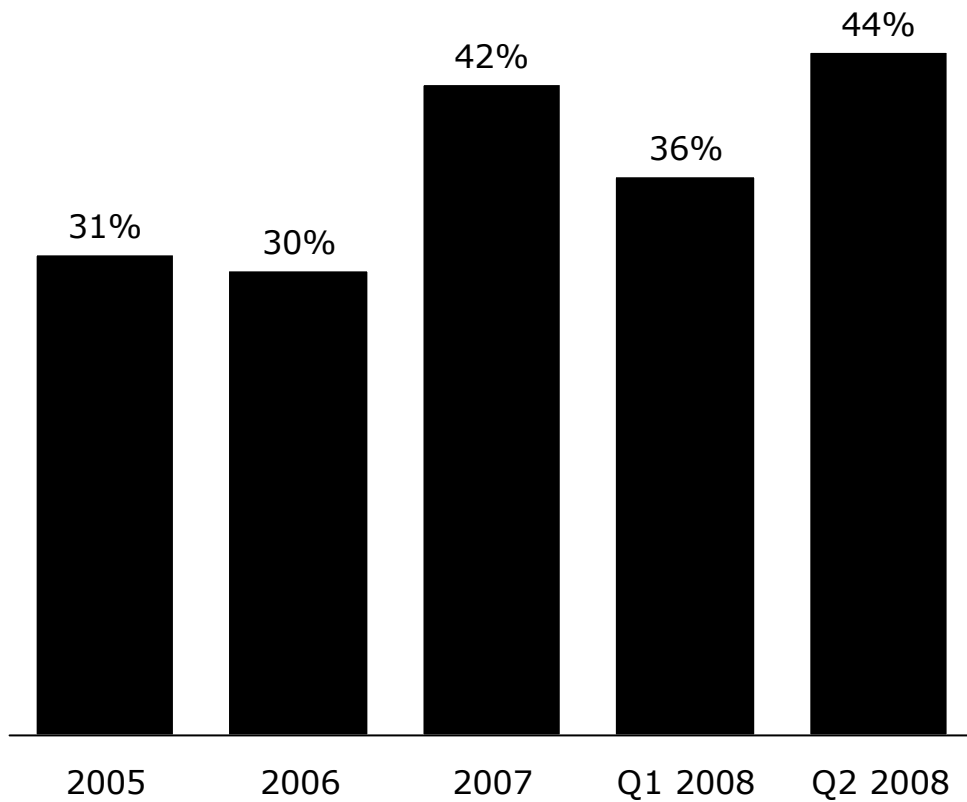
Equities (listed and unlisted) as % of Assets



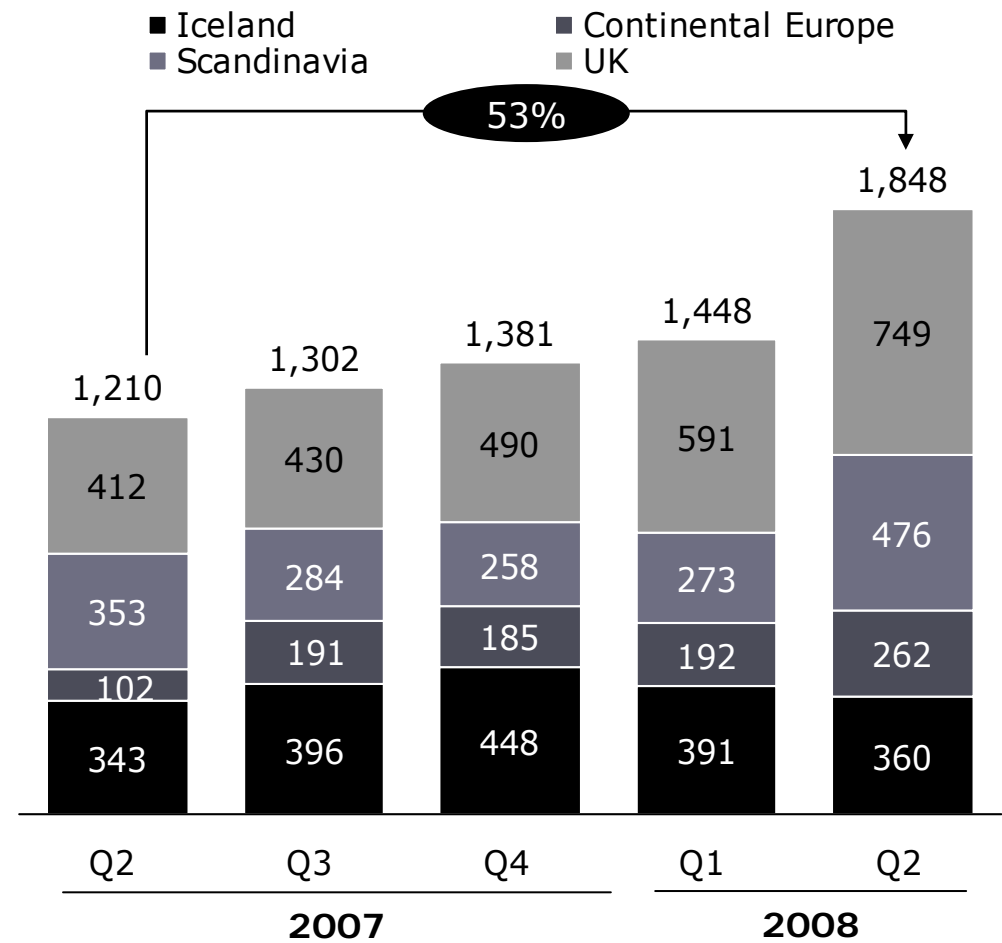
Deposit Scheme – Making Deposits a Priority

The target for deposit ratio of Loans to customers raised to 50%.

Deposits as % of Loans to customers



Deposits



All amounts in ISKbn

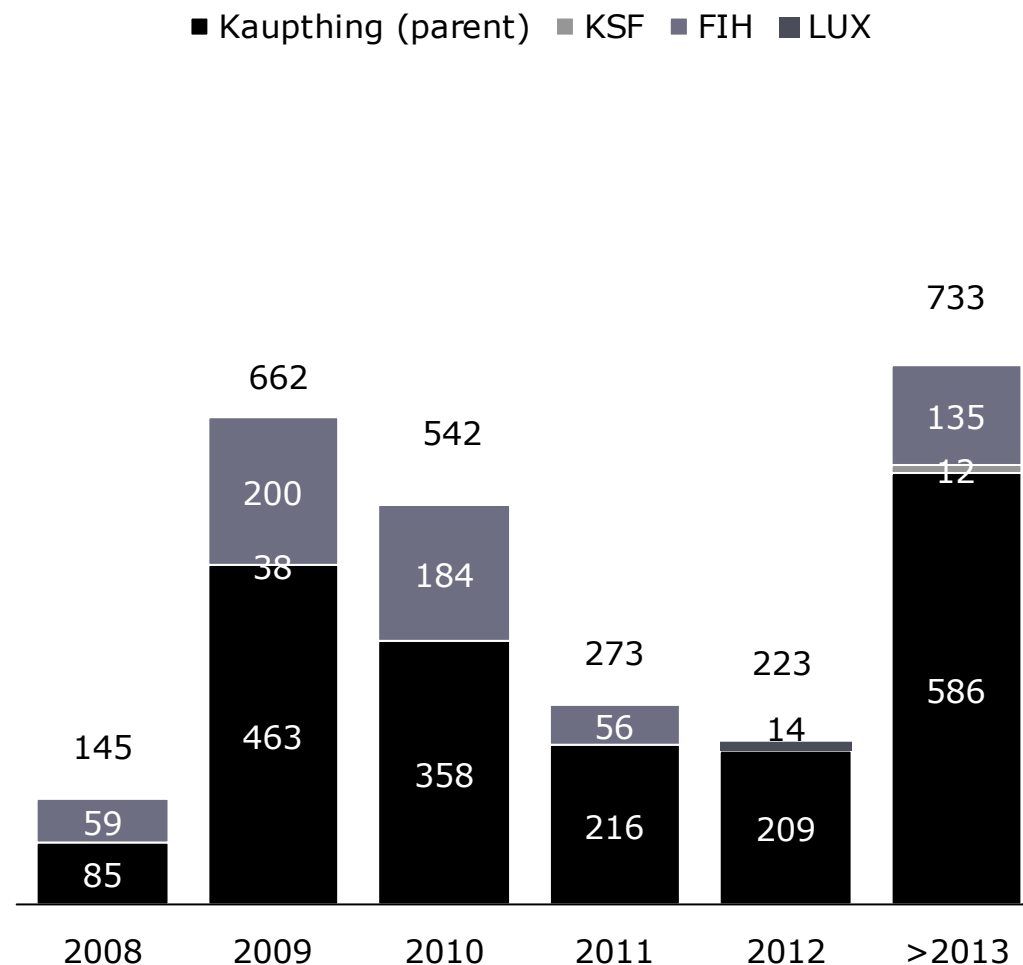
www.kaupthing-edge.com is available from instant access to terms of up to 3 years



- Edge increase in Q2 EUR 2.2bn
- Monthly run rate in Q2 EUR 700m
- Already 140,000 clients (no. of active accounts)
- Average deposit of EUR 22,200
- Well balanced deposits
 - 22% are term deposits
 - Well diversified between countries
 - Both retail and corporate deposits
- Now in 10 countries - Plans to enter into further new markets
- Strong initial impact with balance in excess of EUR 3.1bn at June 30th

- Focus on deposits as a funding source with reduced reliance on wholesale funding
 - Edge monthly run rate in Q2 was ISK 83bn. (EUR 700m)
 - Selective Private Placements
- Wholesale funding in H1 totaled EUR 2,5bn through a series of bond private placements and loans agreements
- Light maturity profile in 2008. Pre-funding of 2009 redemptions is progressing well
- Kaupthing has identified a substantial amount of less liquid assets on the balance sheet that can be used to generate funding via securitization

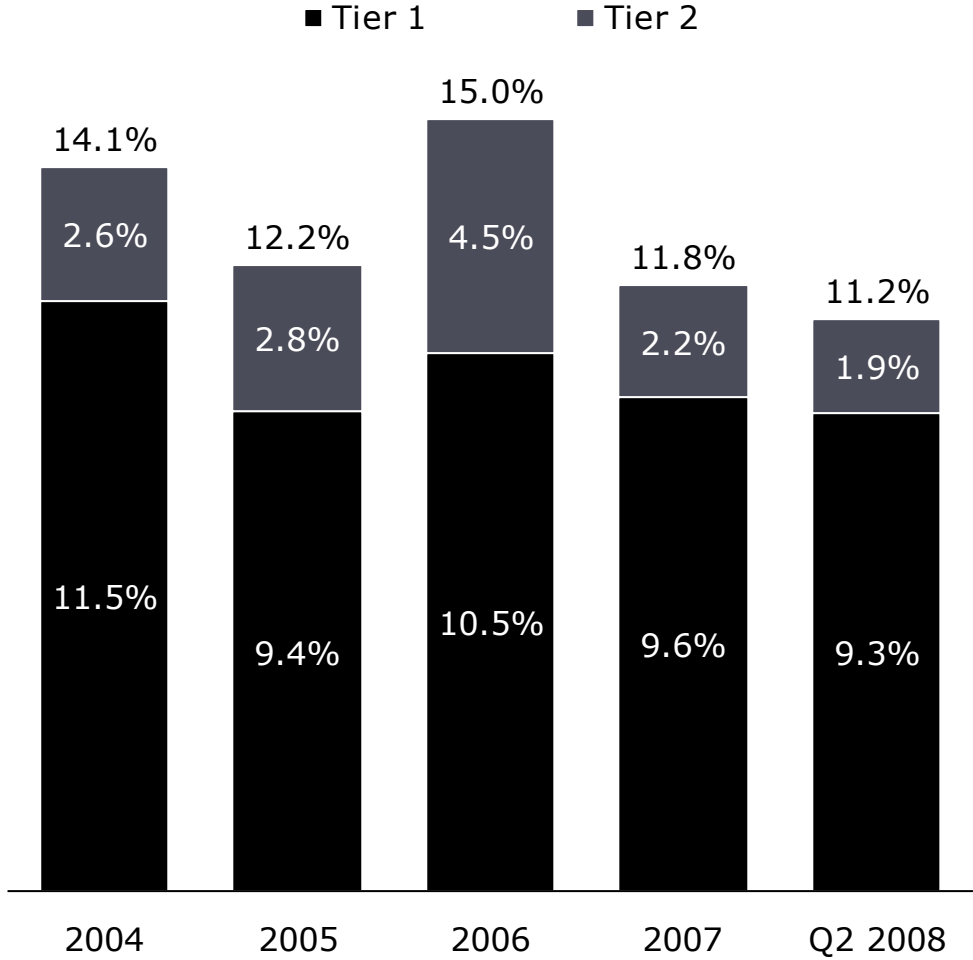
Maturity of LT funding as at 30 June 2008



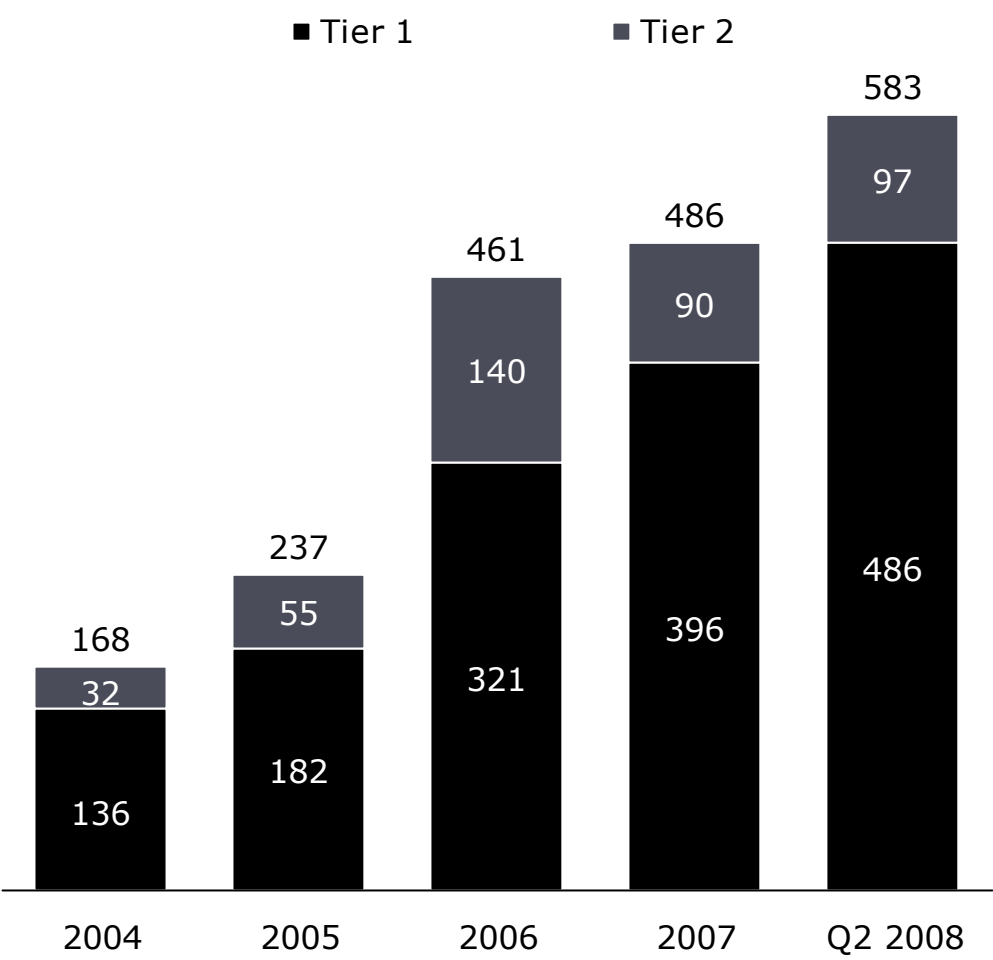
All amounts in ISKbn

- Secured liquidity at end of H1 2008 in excess of 360 days
 - Covers all short and long term redemptions for more than 360 days (all long term redemptions into 2010)
 - Amounts to ISK 991 billion
 - Includes cash, repo-able bonds and alternative liquidity sources
 - Can be converted to cash in 15 days or less
- Other liquid asset classes are not included in the above mentioned Secured liquidity measure, such as:
 - Contractual inflow from loan portfolios
 - Listed equity positions not included unless there is a committed equity repurchase facility in place
- In addition to the 360 days of liquidity Kaupthing Bank keeps a detailed contingency funding plan on how to fulfil its obligations if capital markets (deposit and wholesale) close up completely
 - As a part of the contingency funding plan Kaupthing has already identified c. EUR 5bn of assets that can be securitized or sold

CAD ratio



Risk capital



All amounts in ISKbn

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Sound Fundamentals delivering Good Results

- Good performance in H1
- Focus on balance sheet management
- ROE of 19.8%
- Weakening ISK affected the results and comparisons
- Capital ratios remain strong, Total capital ratio 11.2% and Tier 1 9.3%

Asset Quality, Funding and Liquidity

- Asset quality remains high, despite increase in impairment
- 28% increase in Deposits in Q2 – Deposit/Loans to customers ratio up from 36% to 44%
- Kaupthing Edge raised over 2.2bn in new deposits in Q2 and is now in 10 countries
- Secured liquidity more than 12 months
- Light maturity profile in 2008. Pre-funding of 2009 progressing well

Outlook

- Stabilisation in core revenue streams
- Moderate growth in coming quarters
- Emphasis on deposit gathering continues
- Focus on operational efficiency – cost savings to continue
- Current market turbulence could continue for some time but the Bank is well prepared

Q&A

Kaupthing Bank's Q2 2008 Results

Hreidar Már Sigurdsson, CEO

July 2008

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	30.06.2008	31.12.2007
ROE ¹	19.8%	23.5%
Earnings per share ISK ¹	95.4	95.2
Cost Income – Group	58.0%	47.5%
Price / earnings ¹	9.5	9.2
Price / book ²	1.3	1.9
Loan-loss ratio	0.26%	0.21%
NPL / Loans to customers	1.14%	0.98%

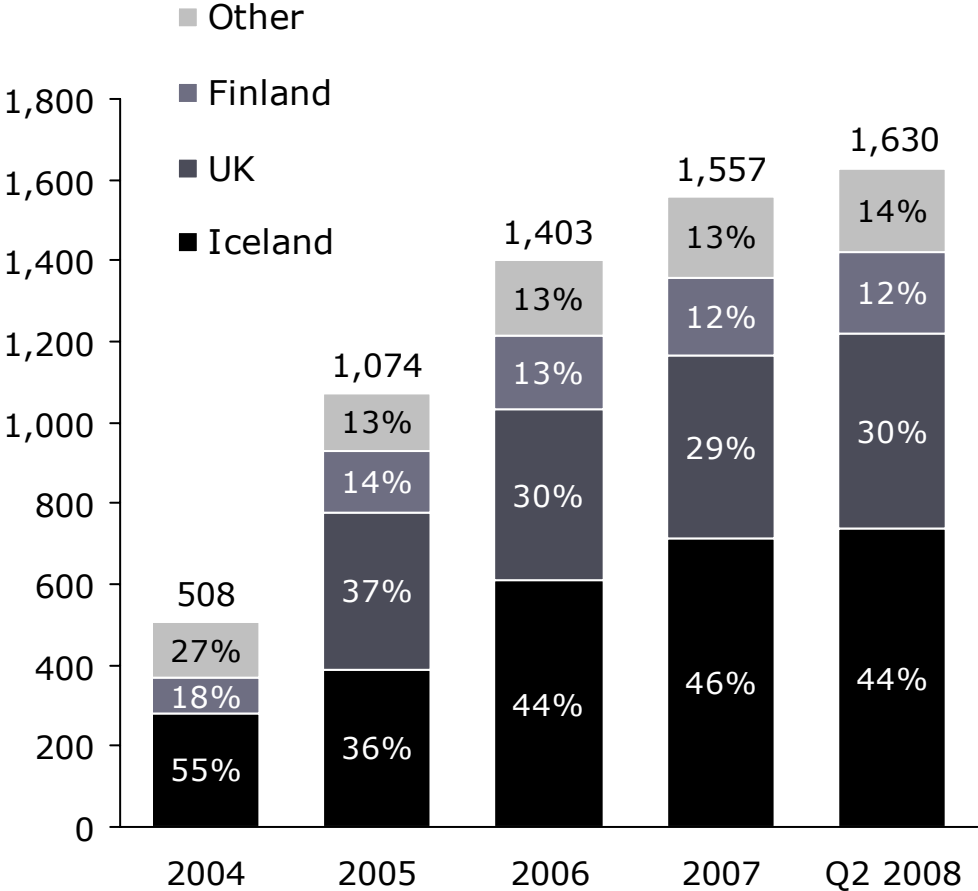
	30.06.2008	31.12.2007
CAD	11.2%	11.8%
Tier 1	9.3%	9.6%
Deposits / Loans to customers	44.3%	41.8%
Loans to customers / Assets	63.1%	61.8%
VaR (10d 99%) % of Risk capital	0.7%	1.1%
Total equity exposure / Risk capital	25.5%	30.3%
– Thereof unlisted	15.8%	17.2%

¹ H1 Annualised

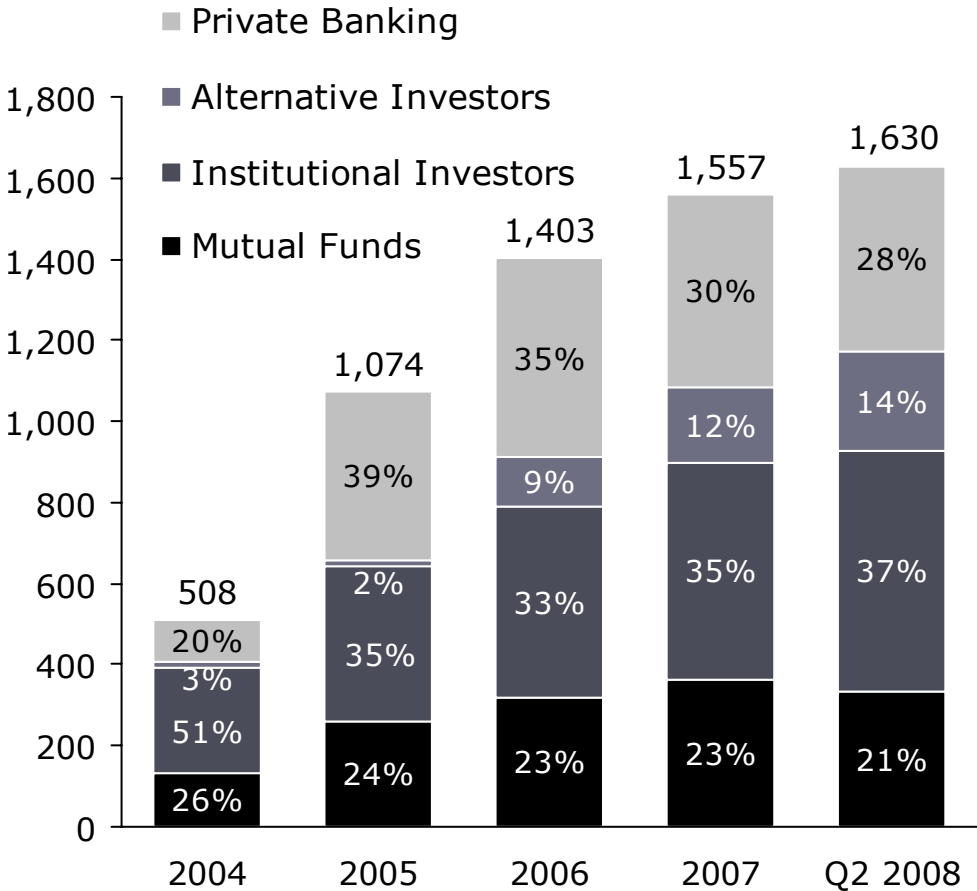
² Share price 30 June 2008: ISK763. Share price 30 June 2007: ISK1125

Assets under Management totalled ISK 1,630bn as of 30 June 2008, up 4.6% from end of 2007.

AuM by country



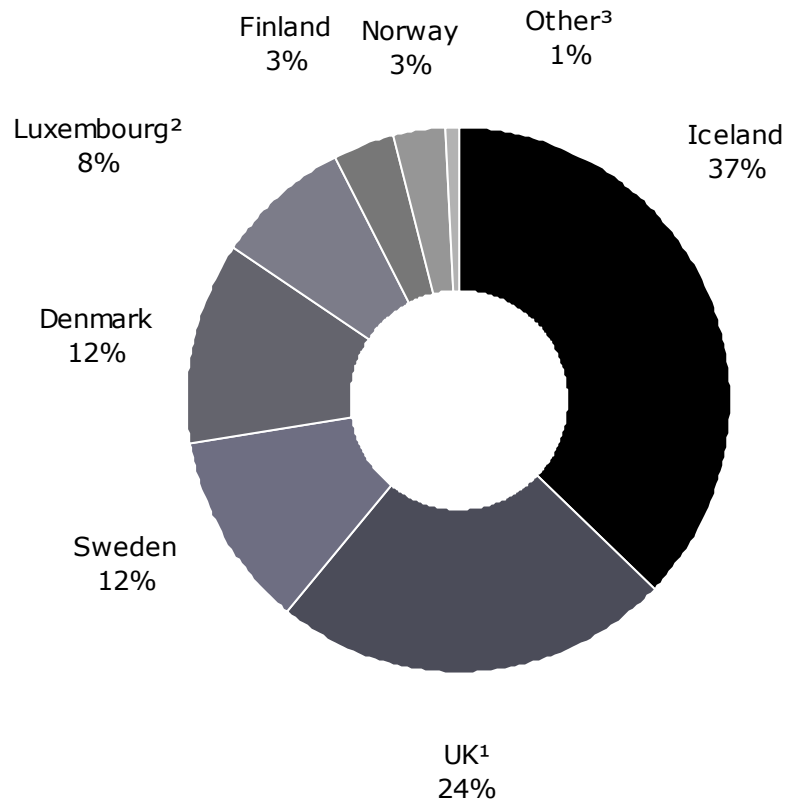
AuM by type



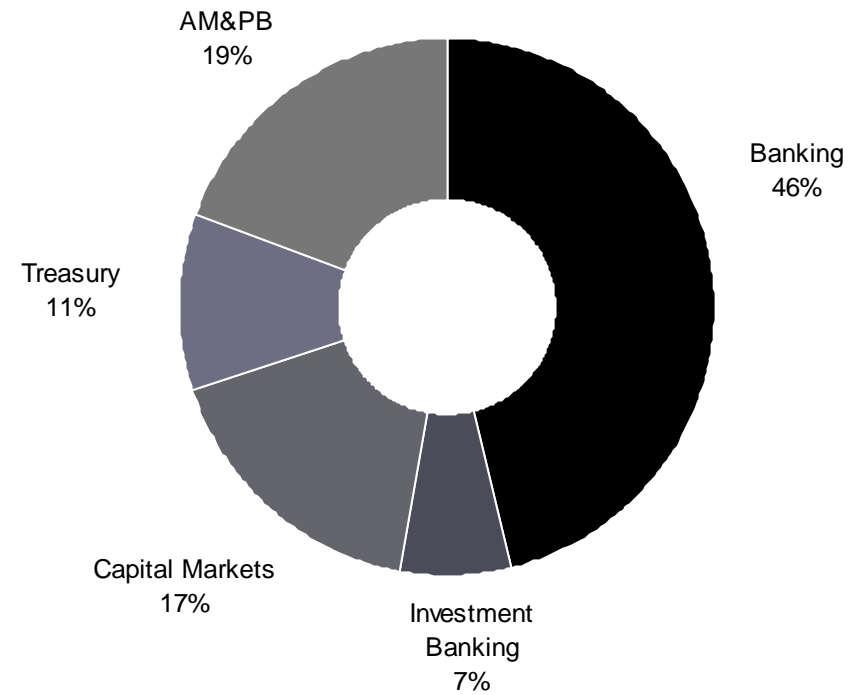
All amounts in ISKbn

Employees were 3,207 at end of Q2 – decreased by 3.6% from Q1

Employees by location



Employees by segment



¹ Includes Isle of Man operation

² Includes Switzerland and Belgium operation

³ Includes Germany, US and Middle East

Five Integrated Business Segments

	Investment Banking	Capital Markets	Treasury	Banking	AM & PB
Iceland	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
UK ¹	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Sweden	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Denmark	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Luxembourg ²	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Finland	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
Norway	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
US		[Redacted]			
Middle East	[Redacted]				[Redacted]

¹ Includes Isle of Man operation
² Includes Switzerland and Belgium operation

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Thinking beyond