



KAUPTHING BANK

---

Strong Underlying Growth  
Kaupthing Bank's Q3 2007 Results

*Hreidar Már Sigurdsson, CEO*

## ■ Acceptable results in Q3

- Net shareholders' earnings of ISK 14.4 bn
- Profit before income tax of ISK 18.7bn - up by 9.8% since Q3 2006<sup>1</sup>
- Annualised return on equity of 27.5% for the first 9 months
- Earnings per share of ISK 19.6 compared with 21.1 in Q3 2006<sup>1</sup>
- High organic growth in Net interest income and Net commission income

## ■ Solid Balance sheet

- Total assets of ISK 4,890 bn – increasing by 20.6% from end of 2006
- Asset quality remains high in the loan portfolio
- Emphasis on deposit gathering is paying off as deposits continue to increase
- Healthy capital ratios with CAD ratio of 12.1% and Tier 1 ratio of 9.3%

<sup>1</sup> Excluding the Exista gain

1

# Income Statement

# 9M 2007 Compared to 9M 2006

	9M 2007	9M 2006	Chg
Net interest income	56,374	37,556	50%
Net commission income	40,899	25,418	61%
Net financial income	26,862	48,154	-44%
Other income	11,552	15,172	-24%
<b>Operating income</b>	<b>135,686</b>	<b>126,300</b>	<b>7%</b>
Salaries and related expenses	-33,288	-22,998	45%
Other operating expenses	-22,785	-18,163	25%
Impairment	-4,221	-4,490	-6%
<b>Profit before income tax</b>	<b>75,392</b>	<b>80,649</b>	<b>-7%</b>
Income tax	-13,850	-12,843	8%
<b>Net earnings</b>	<b>61,542</b>	<b>67,807</b>	<b>-9%</b>
<b>Shareholders of Kaupthing Bank</b>	<b>60,171</b>	<b>67,225</b>	<b>-10%</b>
Minority interest	1,371	581	136%

All amounts in ISKm

# Q3 2007 Compared to Q3 2006

	Q3 2007	Q3 2006	Chg
Net interest income	20,259	12,687	60%
Net commission income	13,374	7,632	75%
Net financial income	2,634	37,256	-93%
Other income	3,553	2,210	61%
<b>Operating income</b>	<b>39,819</b>	<b>59,785</b>	<b>-33%</b>
Salaries and related expenses	-10,921	-7,315	49%
Other operating expenses	-8,428	-6,488	30%
Impairment	-1,723	-2,820	-39%
<b>Profit before income tax</b>	<b>18,748</b>	<b>43,162</b>	<b>-57%</b>
Income tax	-3,962	-7,630	-48%
<b>Net earnings</b>	<b>14,786</b>	<b>35,532</b>	<b>-58%</b>
<b>Shareholders of Kaupthing Bank</b>	<b>14,406</b>	<b>35,393</b>	<b>-59%</b>
Minority interest	380	140	173%

All amounts in ISKm

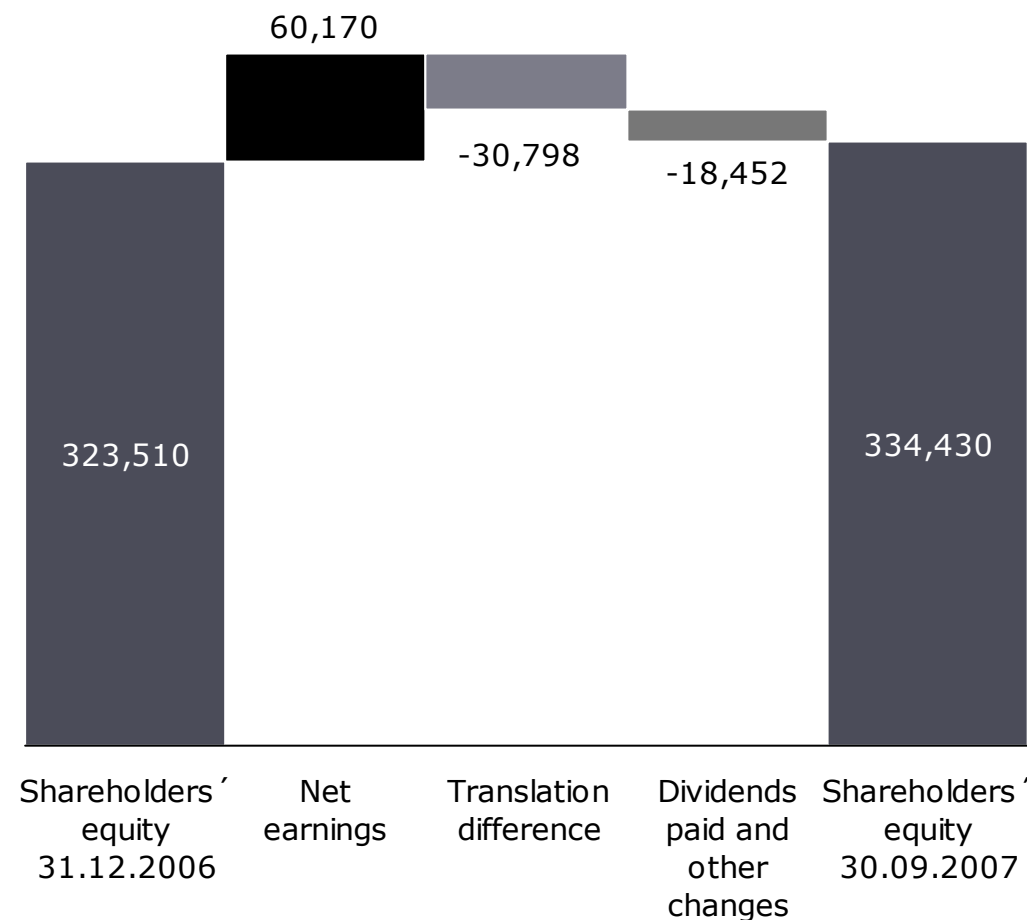
# Q3 2007 Compared to Q2 2007

	Q3 2007	Q2 2007	Chg
Net interest income	20,259	19,849	2%
Net commission income	13,374	15,189	-12%
Net financial income	2,634	10,772	-76%
Other income	3,553	5,996	-41%
<b>Operating income</b>	<b>39,819</b>	<b>51,807</b>	<b>-23%</b>
Salaries and related expenses	-10,921	-11,833	-8%
Other operating expenses	-8,428	-7,184	17%
Impairment	-1,723	-1,075	60%
<b>Profit before income tax</b>	<b>18,748</b>	<b>31,715</b>	<b>-41%</b>
Income tax	-3,962	-5,653	-30%
<b>Net earnings</b>	<b>14,786</b>	<b>26,063</b>	<b>-43%</b>
<b>Shareholders of Kaupthing Bank</b>	<b>14,406</b>	<b>25,485</b>	<b>-43%</b>
Minority interest	380	578	-34%

All amounts in ISKm

## Changes in shareholders' equity:

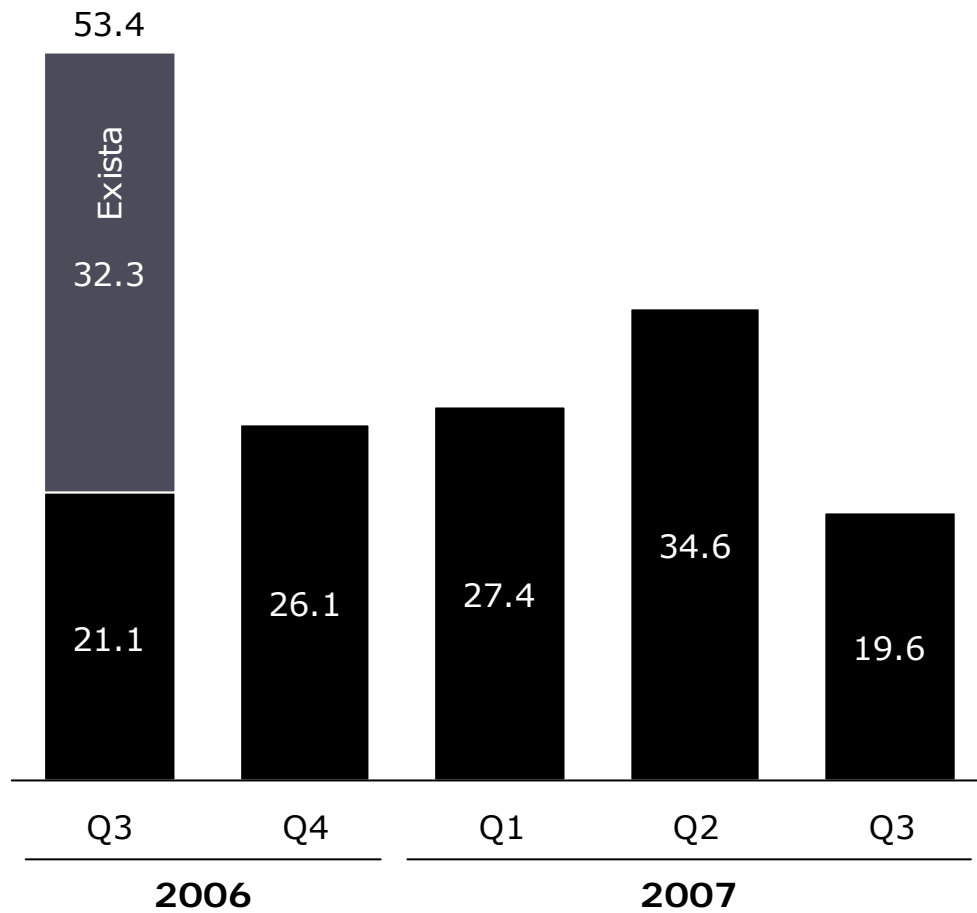
<b>Equity 1 January 2007</b>	<b>323,510</b>
Translation difference	-30,798
Fair value changes in AFS financial assets	20
Deferred pension reserve	0
<b>Net loss recognised directly in equity</b>	<b>-30,778</b>
Net earnings according to the Income Statement	60,170
<b>Total recognised earnings for the period</b>	<b>29,392</b>
Dividends paid to equity holders, ISK 14 per share	-10,272
Issued new capital	0
Other changes	-8,200
<b>Equity 30 September 2007</b>	<b>334,430</b>



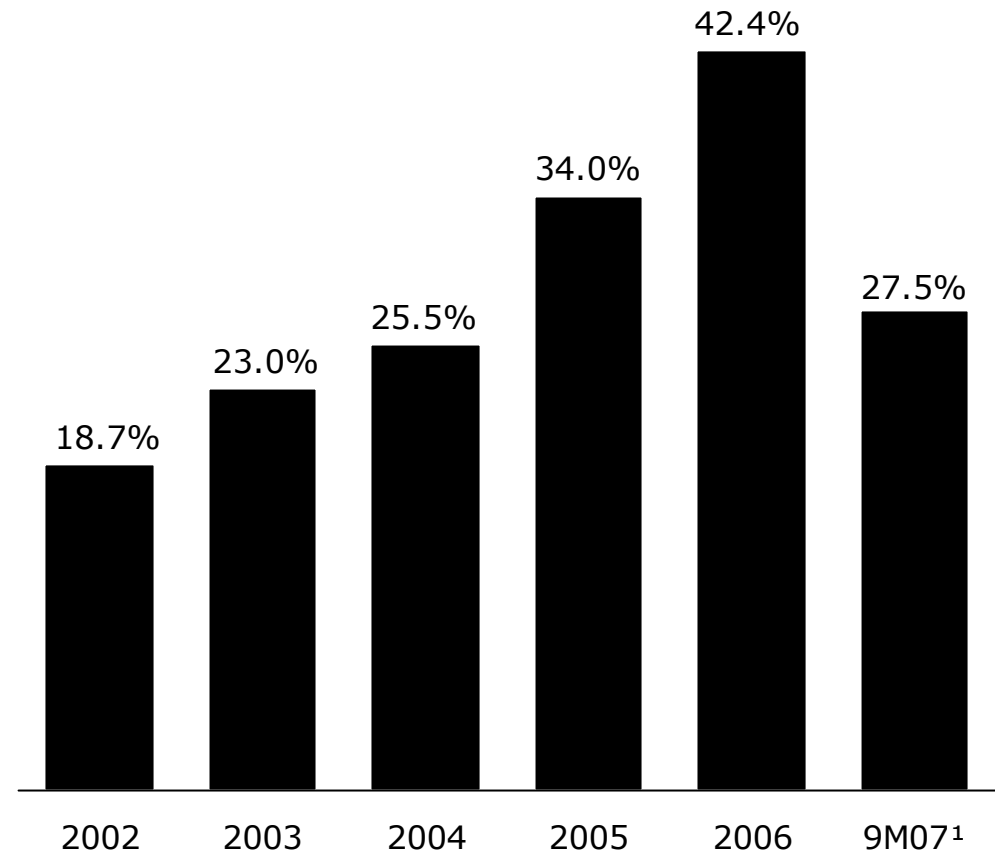
All amounts in ISKm



EPS



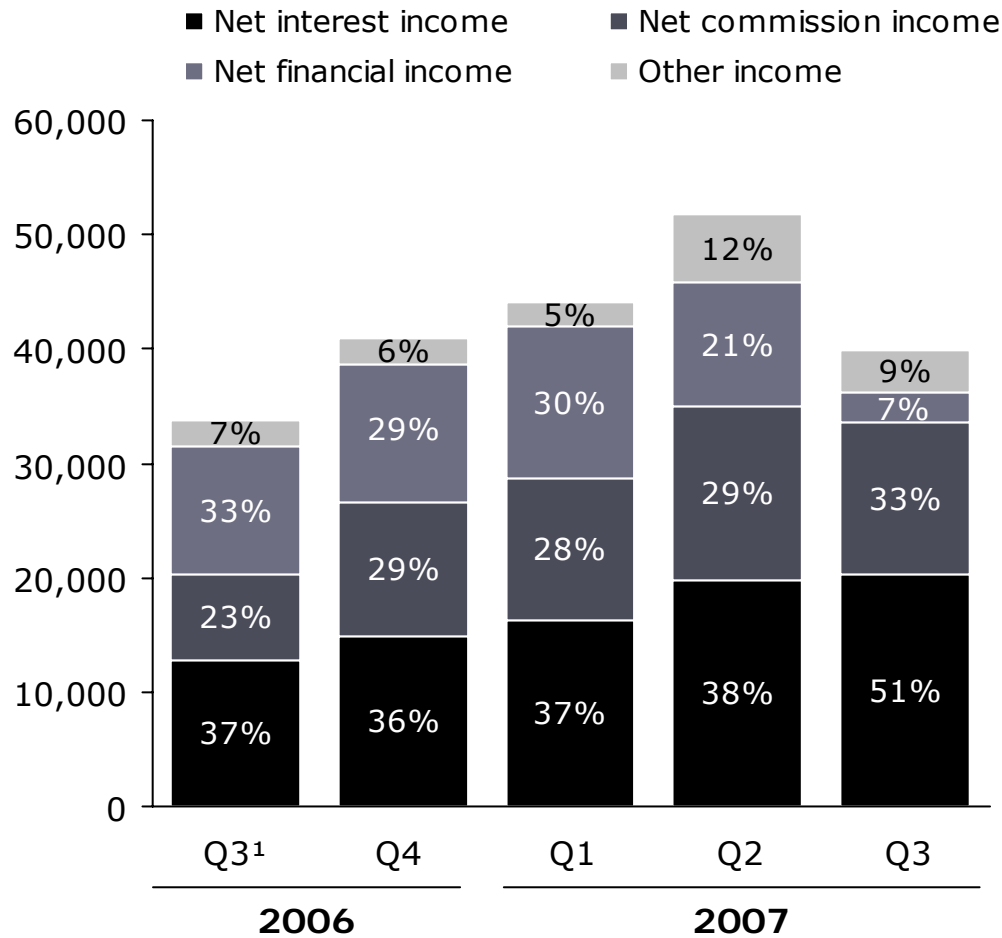
Return On Equity %



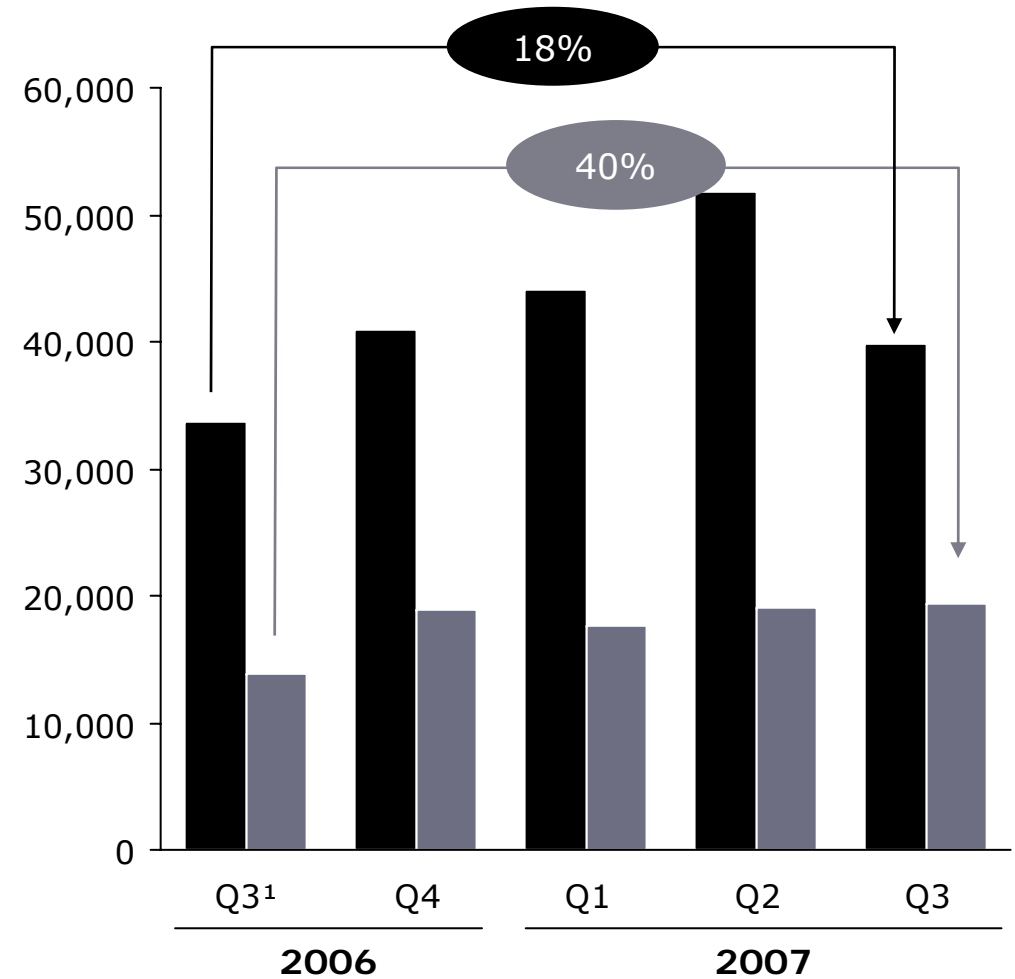
All amounts in ISK

<sup>1</sup> Annualised

### Income Distribution



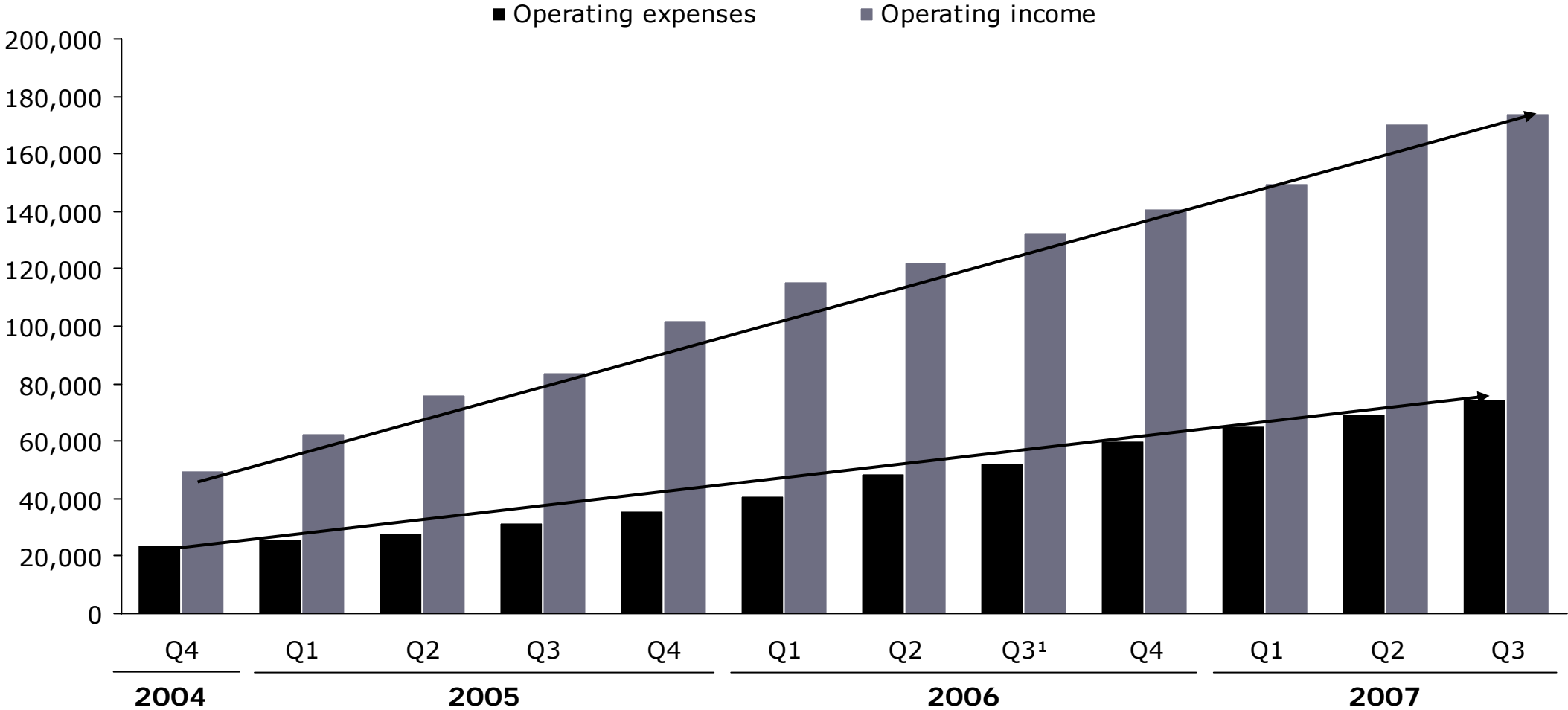
### Operating Income vs Operating Expenses



#### All amounts in ISKm

<sup>1</sup> Operating income excludes the gain from Exista in Q3 2006. Reported Operating income in Q3 2006 was 53.8bn thereof Net interest income 21%; Net commission 13%; Net financial income 62% and Other income 4%

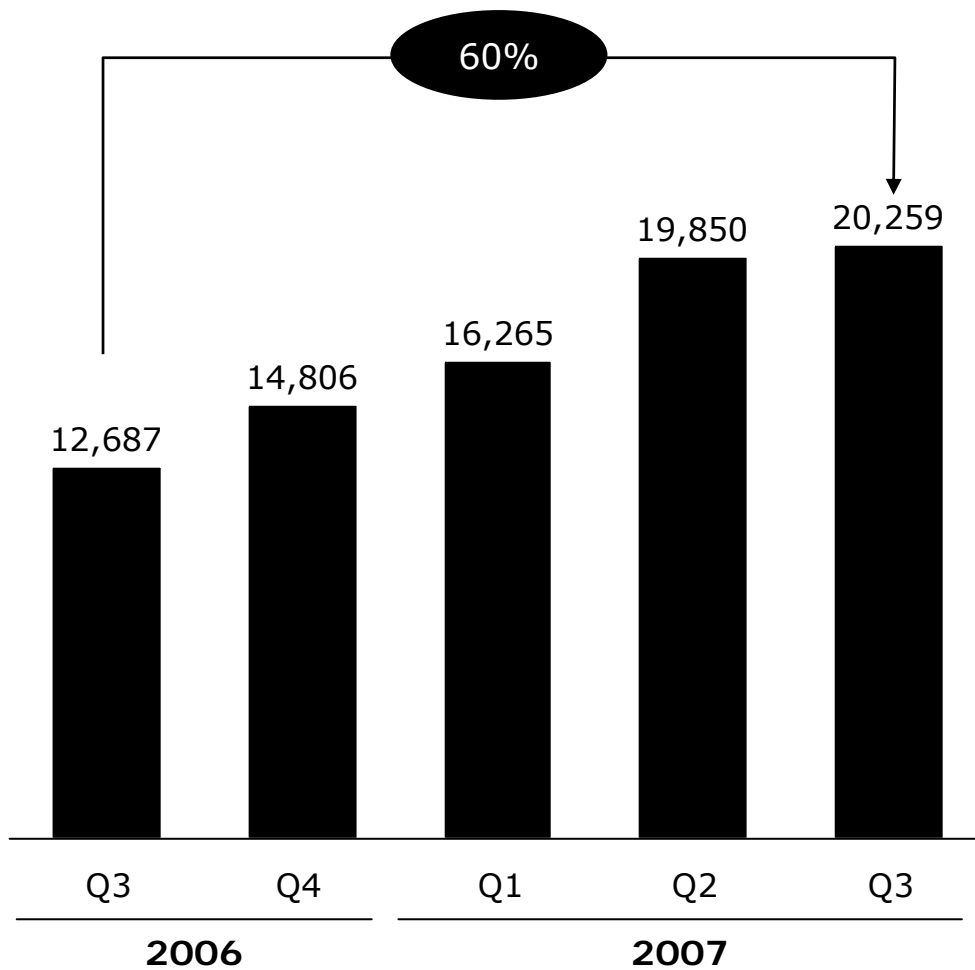
Development of operating income and expenses – Trailing 12 months



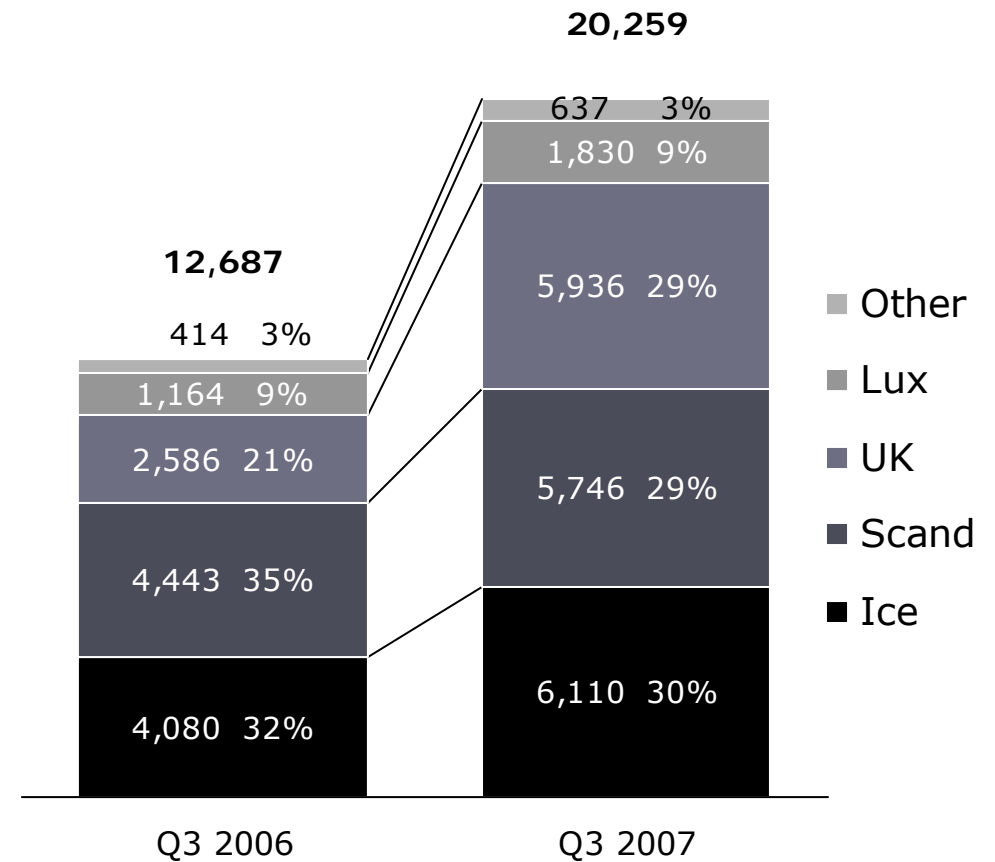
All amounts in ISKm

<sup>1</sup> Operating income excludes the gain from Exista in Q3 2006. Operating expenses don't include Impairments

### Net Interest Income



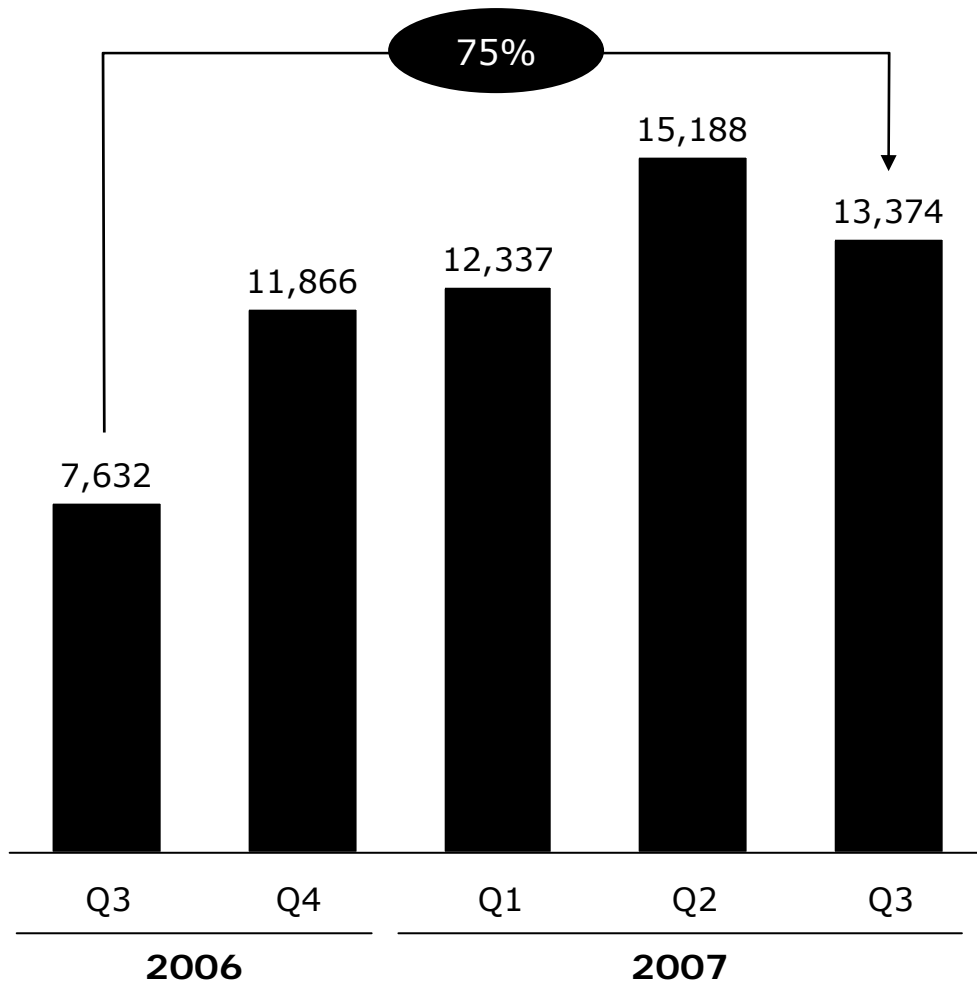
### Geographic Breakdown<sup>1</sup>



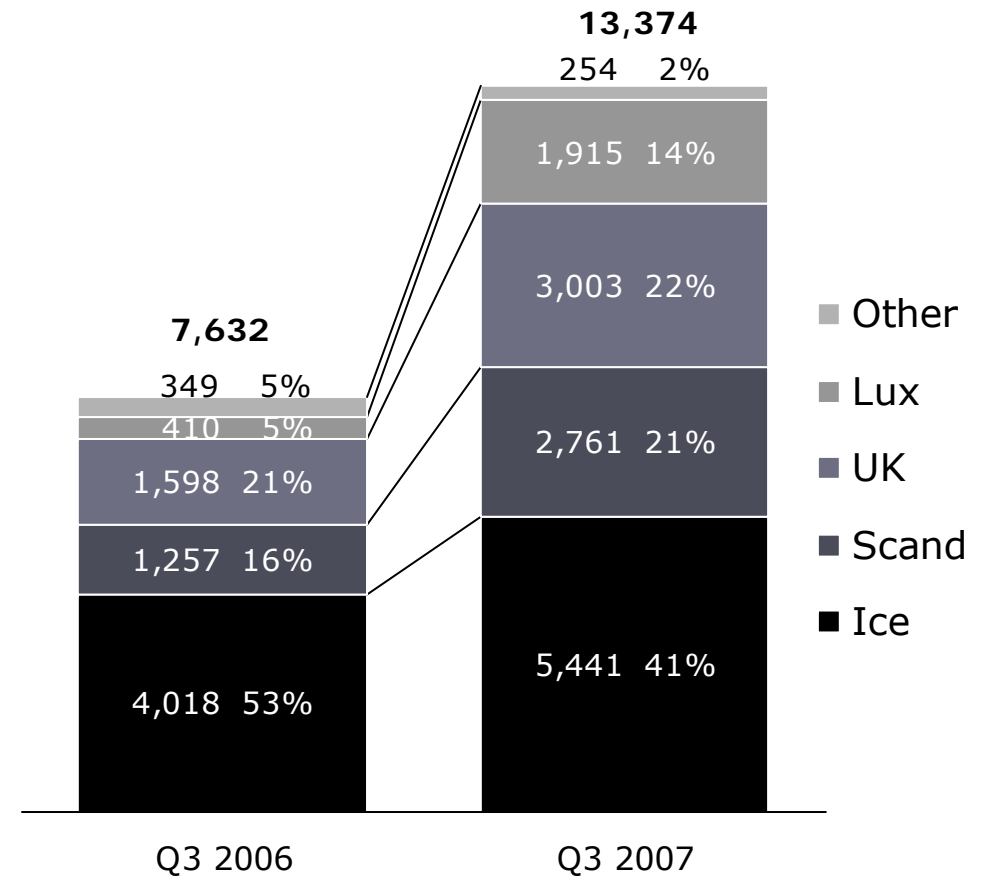
All amounts in ISKm

<sup>1</sup> By origin of clients

### Net Commission Income



### Geographic Breakdown<sup>1</sup>



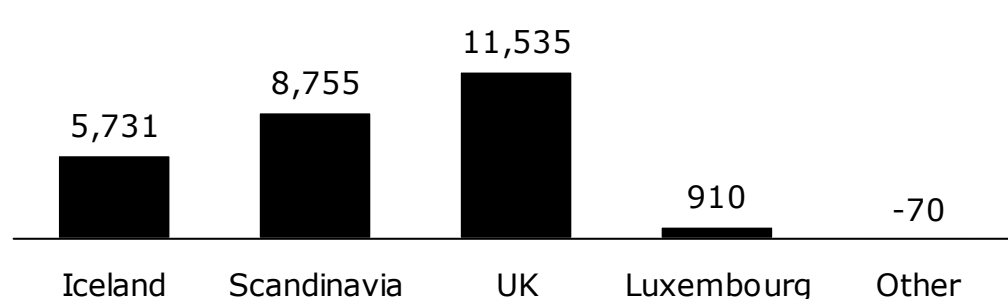
All amounts in ISKm

<sup>1</sup> By origin of clients

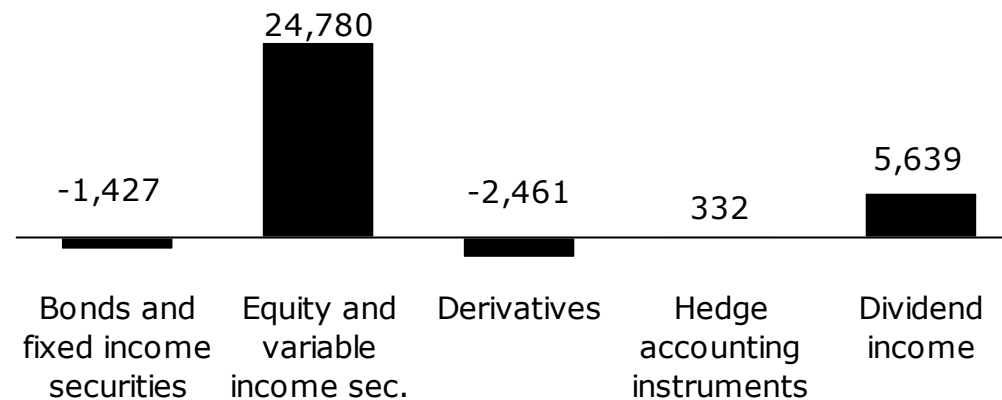
# Breakdown of Net Financial Income

9M 2007	Iceland	Scandinavia	UK	Lux	Other	Total
Net gain from bonds and fixed income securities	-815	-664	93	-41	0	-1,427
Net gain from equity and variable income securities	7,940	5,500	11,439	-25	-74	24,780
Net gain from derivatives	-3,391	30	-43	943	0	-2,461
Net gain from hedge accounting instruments	0	330	2	0	0	332
Dividend income	1,997	3,560	44	34	4	5,639
<b>Total</b>	<b>5,731</b>	<b>8,755</b>	<b>11,535</b>	<b>910</b>	<b>-70</b>	<b>26,862</b>

**Net Gain on Financial Assets by Location**



**Net Gain on Financial Assets by Type**

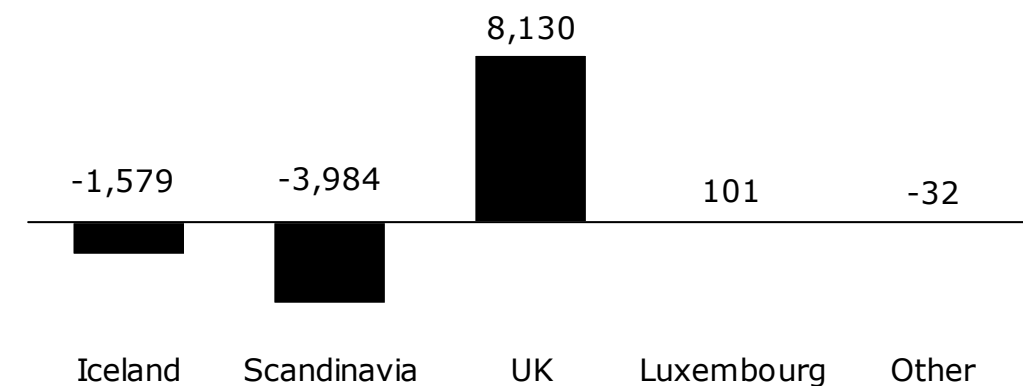


All amounts in ISKm

# Breakdown of Net Financial Income

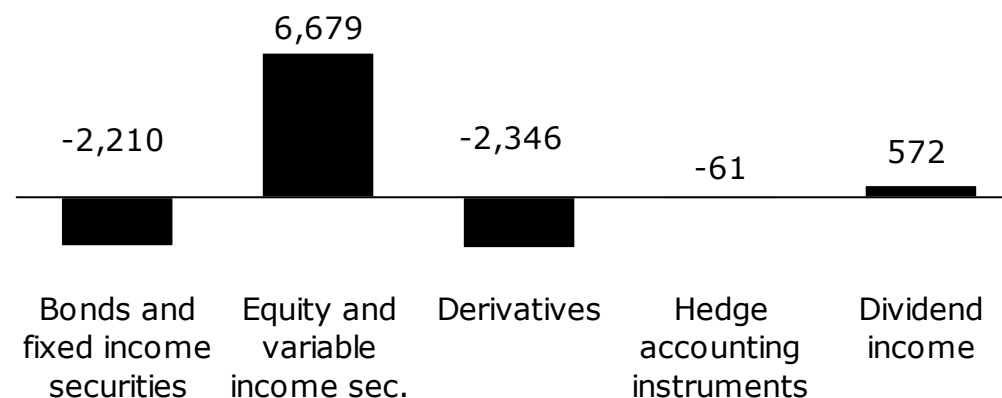
<b>Q3 2007</b>	<b>Iceland</b>	<b>Scandinavia</b>	<b>UK</b>	<b>Lux</b>	<b>Other</b>	<b>Total</b>
Net gain from bonds and fixed income securities	-1,558	-673	-167	187.9	0	<b>-2,210</b>
Net gain from equity and variable income securities	1,881	-3,642	8,579	-106.9	-32	<b>6,679</b>
Net gain from derivatives	-1,902	-179	-285	19.6	0	<b>-2,346</b>
Net gain from hedge accounting instruments	0	-59	-2	0.0	0	<b>-61</b>
Dividend income	0	569	3	0	0	<b>572</b>
<b>Total</b>	<b>-1,579</b>	<b>-3,984</b>	<b>8,130</b>	<b>101</b>	<b>-32</b>	<b>2,634</b>

**Net Gain on Financial Assets by Location**

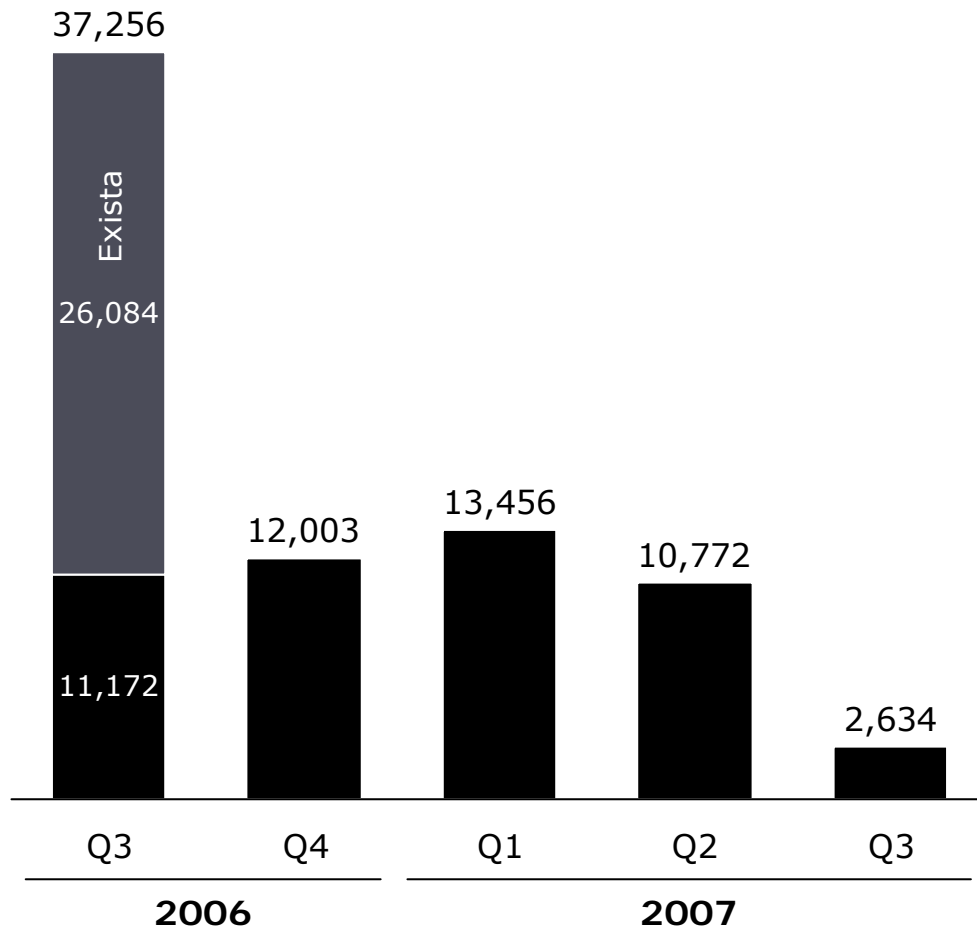


All amounts in ISKm

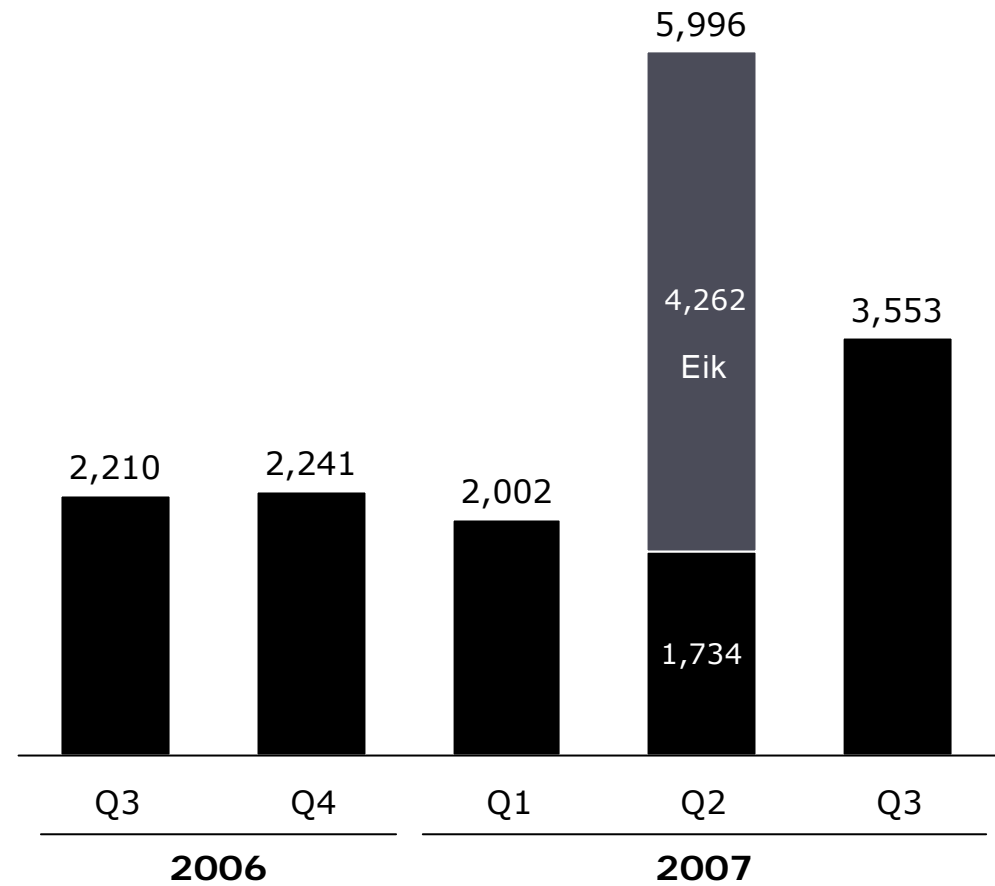
**Net Gain on Financial Assets by Type**



## Net Financial Income



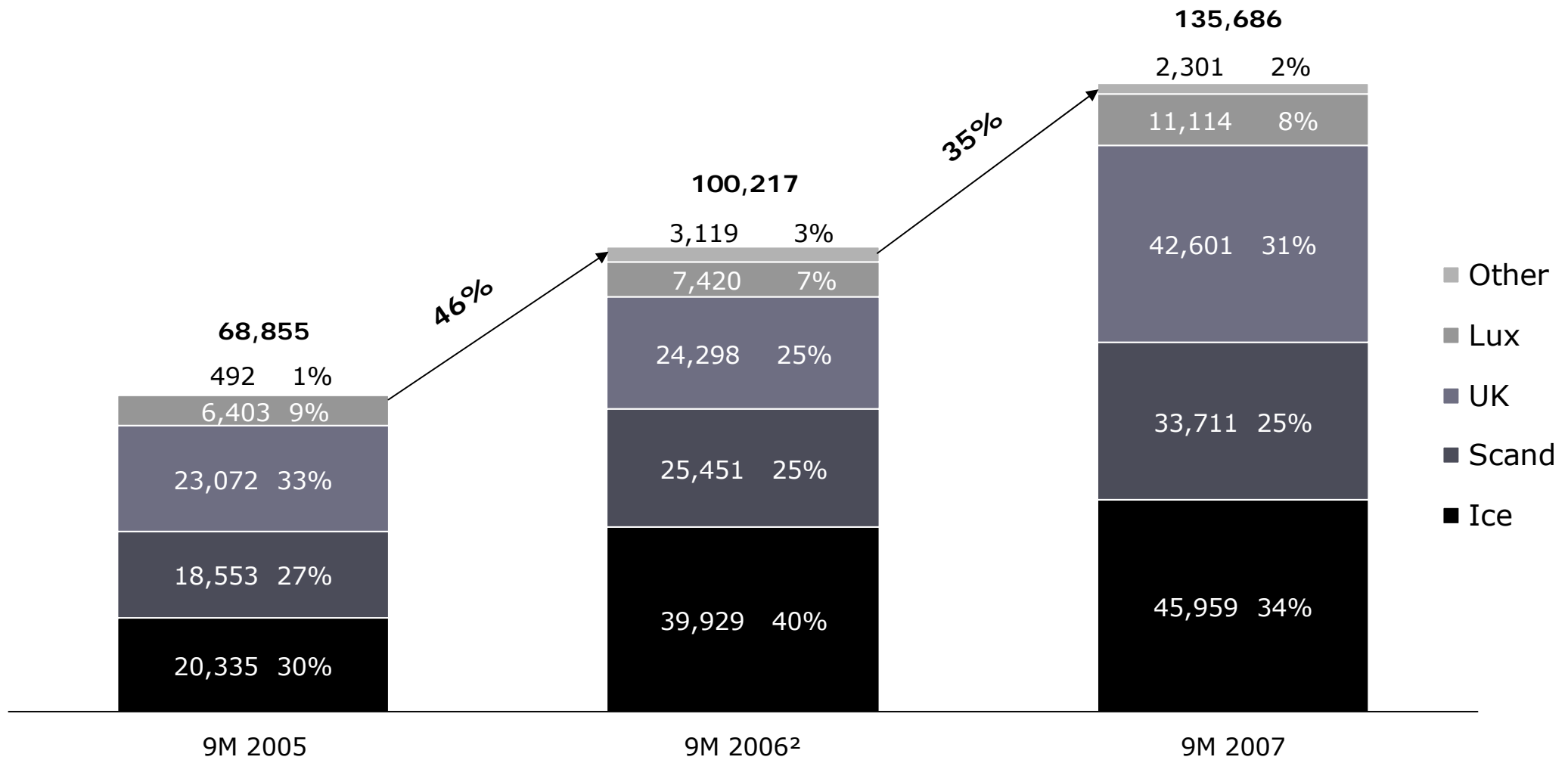
## Other Income



All amounts in ISKm



# Operating Income by Geographic Diversification<sup>1</sup>



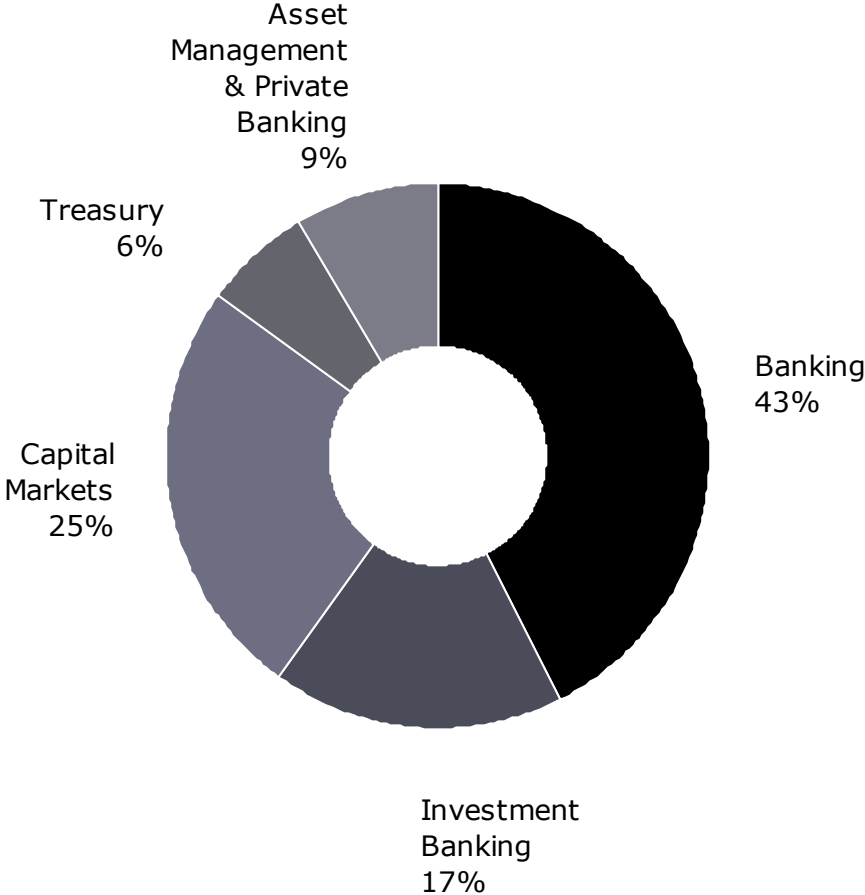
**All amounts in ISKm**

<sup>1</sup> By origin of clients

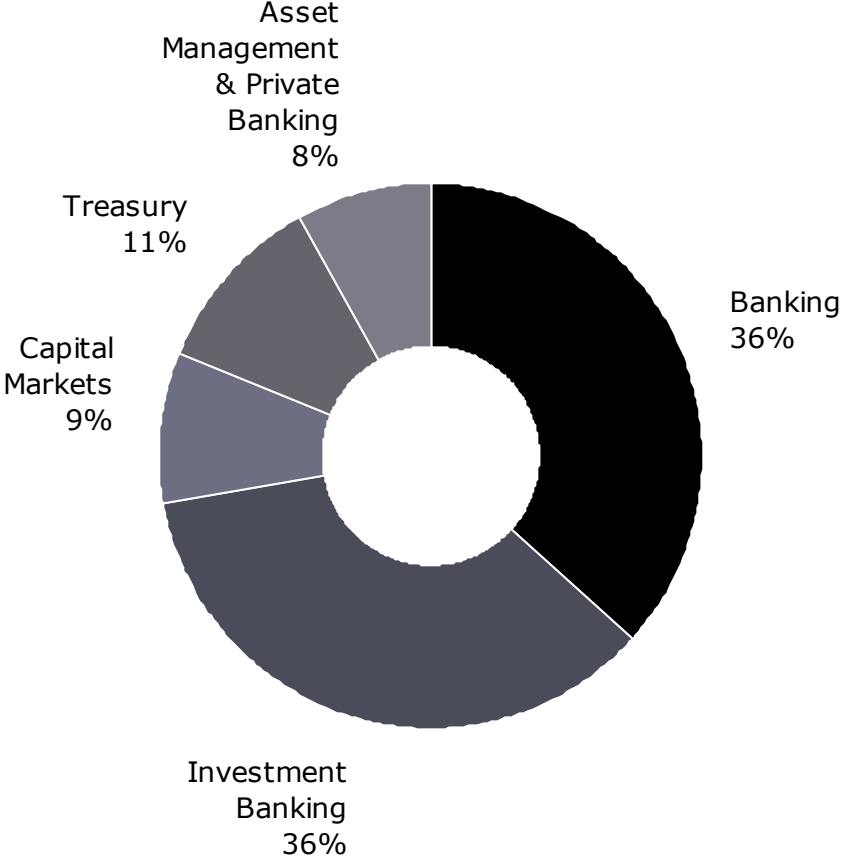
<sup>2</sup> Operating income excludes the gain from Exista. Reported Operating income in Q3 2006 was 126.3bn thereof Ice 54%; Scand 19%; UK 18%; Lux 6%; Other 3%

# Operating Income by Business Segments

9M 2007



9M 2006



2

## Business Segments

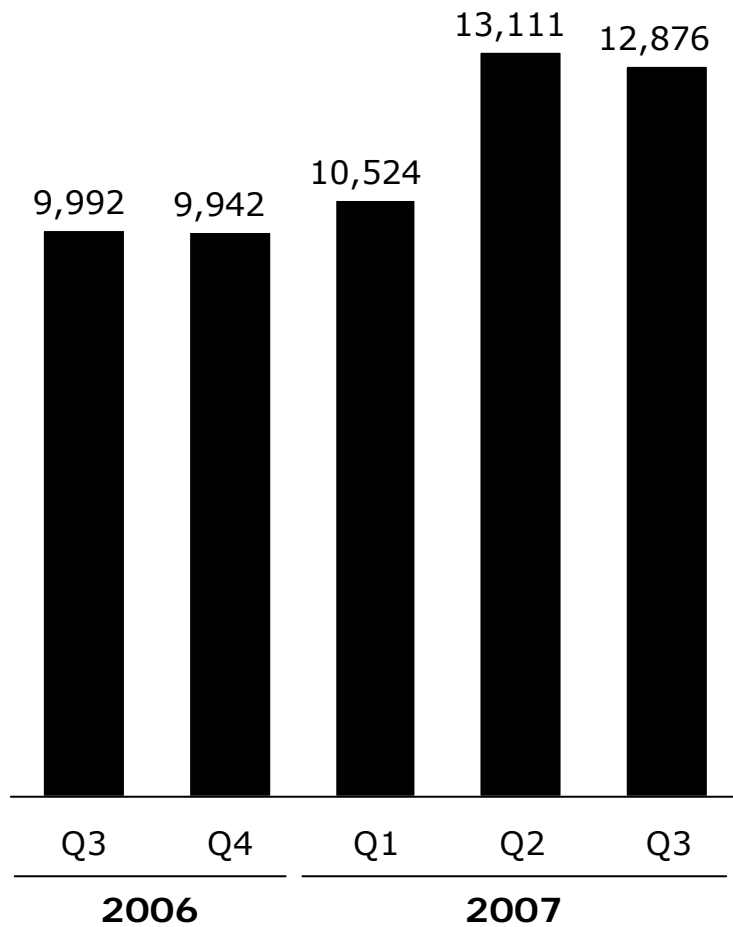
## Highlights

- Strong quarter
- Net interest income remains high
- Net interest income increased by 31% from Q3 2006 but in line with Q2, which was record quarter
- Net commission income increased by 19% from Q2 and has never been higher
- Cost income ratio of 24% compared to 25% last quarter
- Pre-tax profit slightly lower, or 7.0%, than in Q2, which was a record quarter

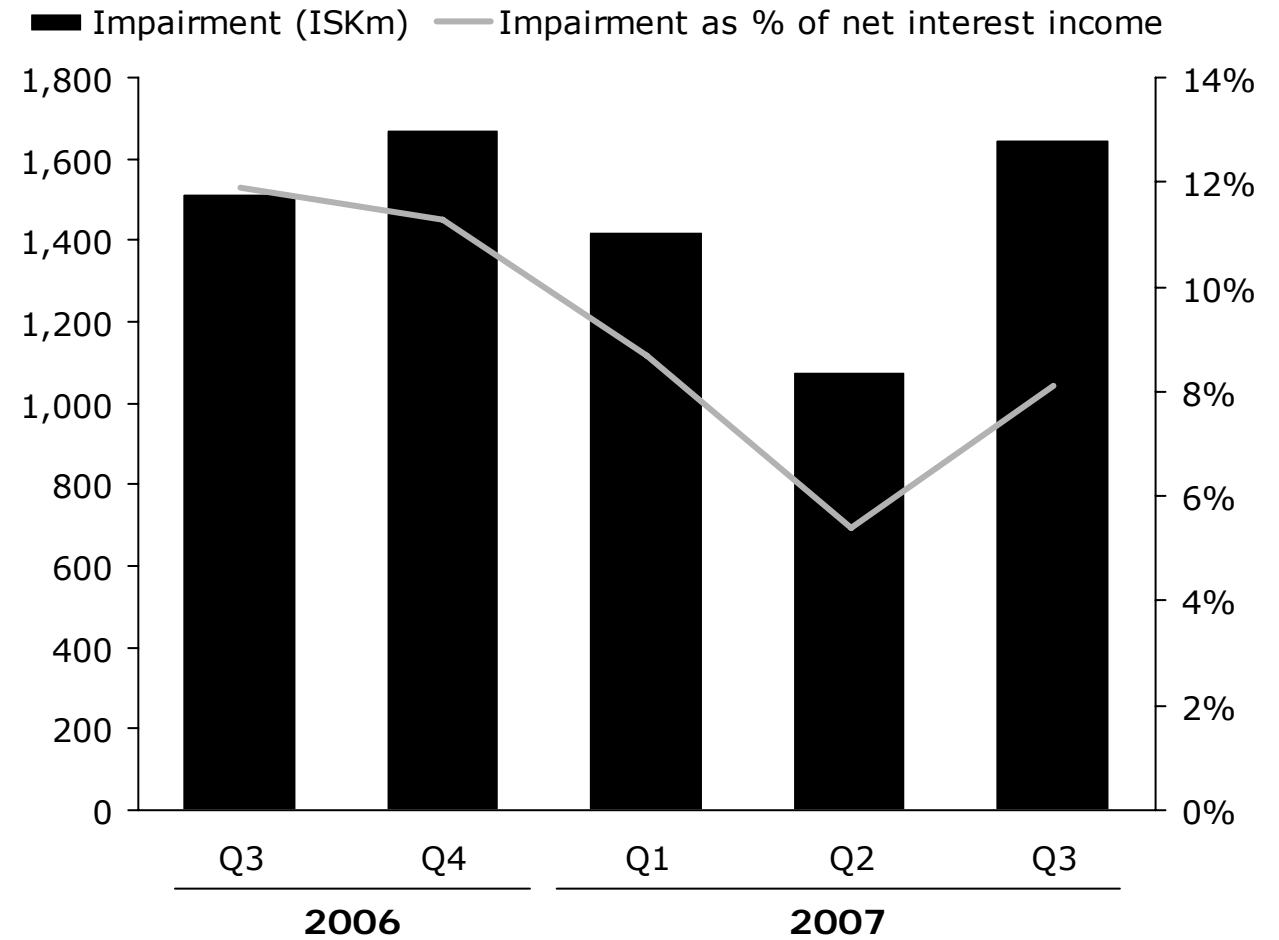
	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net interest income	15,653	15,691	13,423	12,471	11,959
Net commission income	1,835	1,538	1,257	1,662	1,560
Net financial income	-40	122	94	320	63
Other income	1,747	1,620	1,555	1,712	1,722
<b>Operating income</b>	<b>19,195</b>	<b>18,972</b>	<b>16,329</b>	<b>16,165</b>	<b>15,305</b>
Expenses	4,676	4,779	4,380	4,602	3,630
Impairment	1,643	1,082	1,425	1,621	1,684
<b>Total expenses</b>	<b>6,319</b>	<b>5,861</b>	<b>5,805</b>	<b>6,223</b>	<b>5,313</b>
<b>Gross profit</b>	<b>12,876</b>	<b>13,111</b>	<b>10,524</b>	<b>9,942</b>	<b>9,992</b>
Allocated cost	2,830	2,299	2,407	2,963	1,567
<b>Pre-tax profit</b>	<b>10,046</b>	<b>10,812</b>	<b>8,117</b>	<b>6,979</b>	<b>8,425</b>
Cost income ratio	24%	25%	27%	28%	24%
Allocated equity (bn)	196	189	189	-	-

All amounts in ISKm

### Gross Profit



### Banking – Impairment



All amounts in ISKm

## Highlights

- Strong quarter
- Record high Net commission income
- High Net financial income mainly tracable to UK and Iceland
- Expenses increased by 44% from Q2
- Pre-tax profit trebled from Q2

	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net interest income	-655	-950	-1,095	-914	-961
Net commission income	4,196	3,767	3,483	3,792	1,295
Net financial income	7,711	1,671	3,980	4,592	31,652
Other income	170	-34	65	7	-142
<b>Operating income</b>	<b>11,422</b>	<b>4,454</b>	<b>6,433</b>	<b>7,477</b>	<b>31,845</b>
Expenses	1,646	1,140	708	1,310	562
Impairment	0	0	0	-4	0
<b>Total expenses</b>	<b>1,646</b>	<b>1,140</b>	<b>707</b>	<b>1,306</b>	<b>562</b>
<b>Gross profit</b>	<b>9,776</b>	<b>3,314</b>	<b>5,726</b>	<b>6,171</b>	<b>31,283</b>
Allocated cost	440	351	432	123	203
<b>Pre-tax profit</b>	<b>9,336</b>	<b>2,963</b>	<b>5,294</b>	<b>6,048</b>	<b>31,080</b>
Cost income ratio	14%	26%	11%	18%	2%
Allocated equity (bn)	38	37	36	-	-

All amounts in ISKm

## Highlights

- Weak quarter
- Strong trend in Net commission income
- Net financial loss due to Nordic financial companies
- Expenses decreased by 7.5% from Q2
- Low Pre-tax profit due to market turbulence

	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net interest income	876	524	-564	-286	-509
Net commission income	4,336	6,717	4,126	2,807	2,258
Net financial income	-452	6,663	9,778	4,407	2,269
Other income	-13	42	56	0	0
<b>Operating income</b>	<b>4,746</b>	<b>13,945</b>	<b>13,396</b>	<b>6,928</b>	<b>4,018</b>
Expenses	2,595	2,806	2,412	2,558	1,418
Impairment	0	-1	0	0	0
<b>Total expenses</b>	<b>2,595</b>	<b>2,805</b>	<b>2,411</b>	<b>2,558</b>	<b>1,418</b>
<b>Gross profit</b>	<b>2,151</b>	<b>11,140</b>	<b>10,985</b>	<b>4,370</b>	<b>2,600</b>
Allocated cost	1,159	890	1,163	1,034	659
<b>Pre-tax profit</b>	<b>992</b>	<b>10,249</b>	<b>9,822</b>	<b>3,336</b>	<b>1,942</b>
Cost income ratio	55%	20%	18%	37%	35%
Allocated equity (bn)	32	37	37	-	-

### All amounts in ISKm<sup>1</sup>

<sup>1</sup> The FX and derivative sales division was from Q1 2007 included in Capital Markets (was previously in Treasury). The figures have been adjusted accordingly for previous quarters to show comparable figures

## Highlights

- Disappointing quarter
- Net interest income increased by 13% from Q2
- Net financial loss due to mark to market changes in derivatives and bonds owned by the bank
- Expenses decreased by 36% from Q2
- First quarter with Pre-tax loss in Treasury

	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net interest income	5,501	4,884	4,428	3,328	2,324
Net commission income	-555	149	-75	262	-108
Net financial income	-6,953	1,251	-441	2,828	3,072
Other income	31	44	67	23	1
<b>Operating income</b>	<b>-1,976</b>	<b>6,328</b>	<b>3,978</b>	<b>6,441</b>	<b>5,288</b>
Expenses	886	1,386	875	938	758
Impairment	6	-6	0	0	1
<b>Total expenses</b>	<b>891</b>	<b>1,380</b>	<b>875</b>	<b>938</b>	<b>759</b>
<b>Gross profit</b>	<b>-2,867</b>	<b>4,948</b>	<b>3,103</b>	<b>5,503</b>	<b>4,529</b>
Allocated cost	587	541	561	664	370
<b>Pre-tax profit</b>	<b>-3,454</b>	<b>4,407</b>	<b>2,541</b>	<b>4,839</b>	<b>4,159</b>
Cost income ratio	-	22%	22%	15%	14%
Allocated equity (bn)	69	60	53	-	-

### All amounts in ISKm<sup>1</sup>

<sup>1</sup> The FX and derivative sales division was been moved in Q1 2007 from Treasury to Capital Markets. The figures have been adjusted accordingly for previous quarters to show comparable figures



<b>Financial FRN</b>	<ul style="list-style-type: none"> <li>■ As part of its liquidity strategy the Bank has invested EUR 1,223m in Financial FRN. This portfolio consists of highly rated bonds, 88% above A-, with an average rating of AA- and is well diversified (19 countries)</li> <li>■ Predominantly the portfolio is used for repo</li> </ul>
<b>Corporate Synthetic CDO</b>	<ul style="list-style-type: none"> <li>■ 7 Corporate Synthetic CDOs (EUR 350m), 5 private and 2 public transactions with up to 125 names each</li> <li>■ The underlying exposures are highly rated corporate names, 60% above A- and well diversified across 38 sectors</li> <li>■ Previously closed 5 of its Corporate Synthetic CDOs, all at a profit, most recently in October 2007</li> </ul>
<b>ABS</b>	<ul style="list-style-type: none"> <li>■ 25 ABS transactions in the investment book totalling EUR 281m</li> <li>■ The portfolio comprises High yield CLO, CMBS and CDO CRE, CDO Squared, CDO of high grade ABS, CDO of mezzanine ABS with a weighted average rating of A+</li> </ul>
<b>SIV, Conduits and Liquidity Lines</b>	<ul style="list-style-type: none"> <li>■ The Bank has no direct or indirect exposures to SIVs or SIV lites</li> <li>■ The Bank has a liquidity line to a financial institution of EUR 1.3bn that has not been drawn</li> <li>■ Through this liquidity line the Bank has indirect exposure to highly rated ABS (average rating: AA+)</li> <li>■ The portfolio is diversified across 85 transactions, 97% of which are rated AAA and AA. Three transactions (1.5%) have seen negative ratings action (one downgraded by a notch and two on negative watch)</li> <li>■ The portfolio has no direct and some indirect exposure to US sub-prime</li> <li>■ The portfolio is hold to maturity</li> </ul>

## Highlights

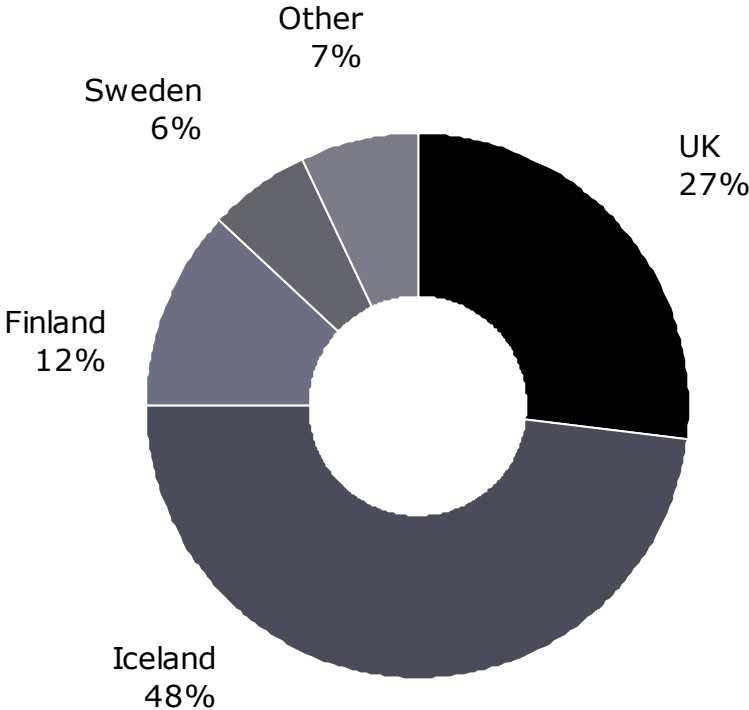
- Good quarter
- Net commission income increased by 5.5% from Q2
- Expenses increased by 15% from Q2
- Assets in custody were 2,573bn – increased by 32% from the beginning of the year
- Assets under management total 1,617bn – up 15% from the beginning of the year
- Pre-tax profit increased by 50% from Q2

	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Net interest income	389	208	324	254	167
Net commission income	3,245	3,075	3,414	3,221	2,544
Net financial income	119	123	28	110	91
Other income	143	-135	81	605	357
<b>Operating income</b>	<b>3,896</b>	<b>3,271</b>	<b>3,847</b>	<b>4,190</b>	<b>3,160</b>
Expenses	1,928	1,672	2,002	2,037	1,660
Impairment	0	0	0	0	1,138
<b>Total expenses</b>	<b>1,928</b>	<b>1,672</b>	<b>2,002</b>	<b>2,037</b>	<b>2,798</b>
<b>Gross profit</b>	<b>1,968</b>	<b>1,599</b>	<b>1,845</b>	<b>2,153</b>	<b>361</b>
Allocated cost	971	935	1,070	823	766
<b>Pre-tax profit</b>	<b>997</b>	<b>663</b>	<b>775</b>	<b>1,330</b>	<b>-405</b>
Cost income ratio	49%	51%	52%	49%	53%
Allocated equity (bn)	12	11	8	-	-

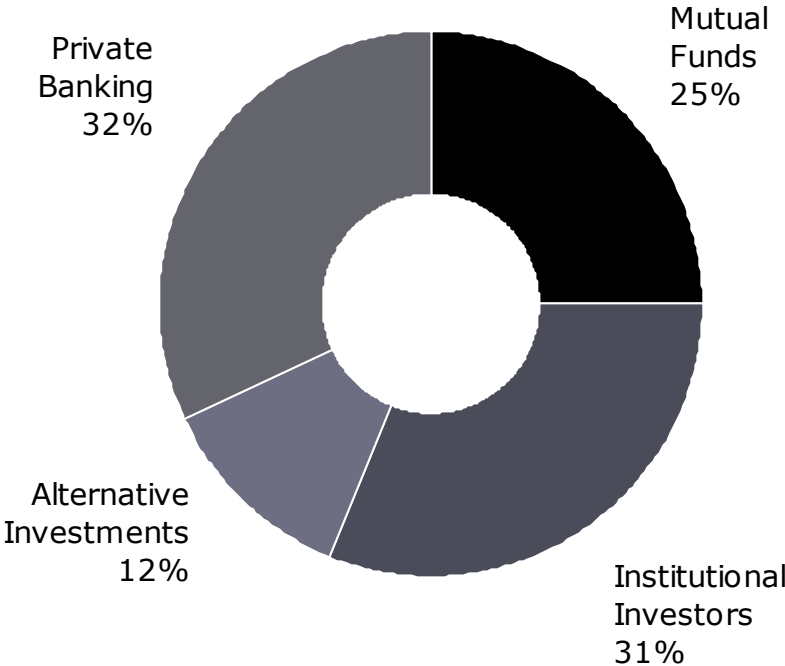
All amounts in ISKm

Assets under management totalled ISK 1,617bn as of 30 September 2007, increasing by 15.2% from the beginning of the year

### AuM by Country



### AuM by Type



All amounts in ISKbn

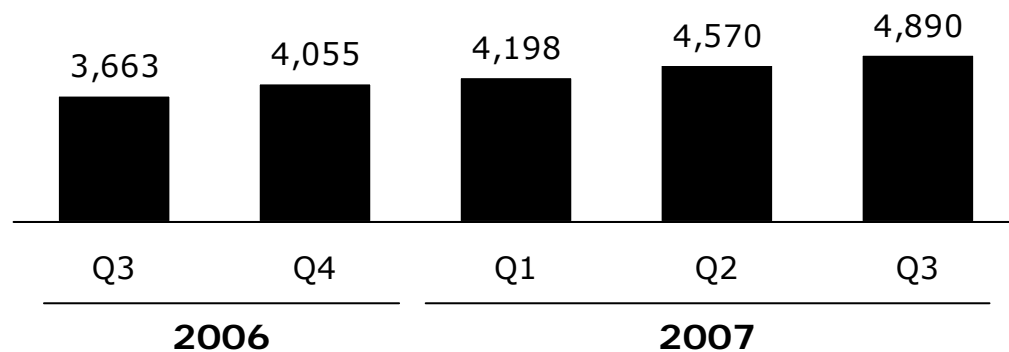
3

# Balance Sheet

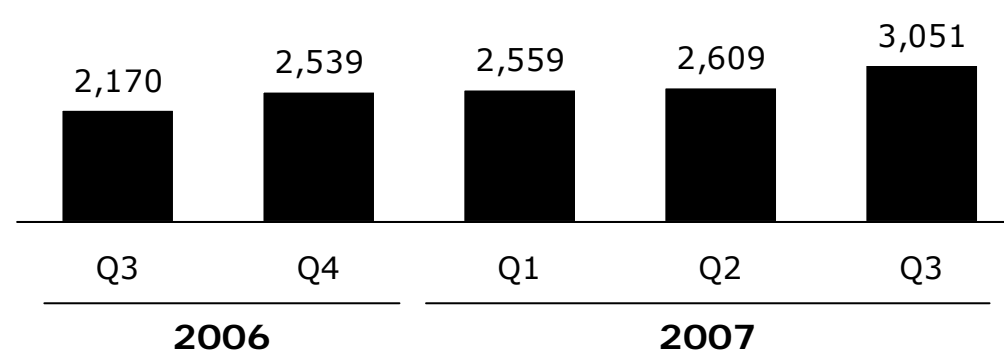
# Balance Sheet – Assets 30 September 2007

	9/30/2007	12/31/2006	Chg	EUR chg
Cash and balances with central banks	100.9	107.0	-6%	2%
Loans to credit institutions	446.7	485.3	-8%	-1%
Loans to customers	3,050.7	2,538.6	20%	29%
Bonds and debt instruments	419.9	318.3	32%	42%
Shares and equity instruments	172.7	159.0	9%	17%
Derivatives	85.2	65.5	30%	40%
Derivatives used for hedging	14.5	6.5	125%	142%
Securities used for hedging	219.4	115.9	89%	104%
Investments in associates	56.8	5.3	970%	1052%
Other assets	323.1	254.1	27%	37%
<b>Total assets</b>	<b>4,889.9</b>	<b>4,055.4</b>	<b>21%</b>	<b>30%</b>

### Total Assets



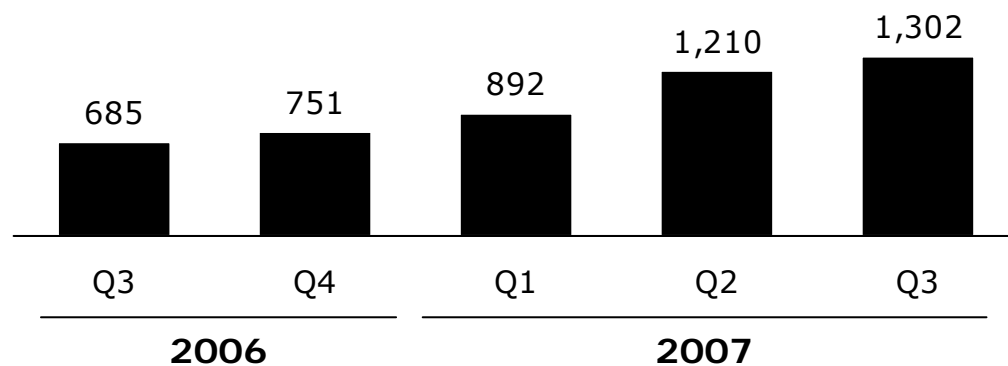
### Loans to Customers



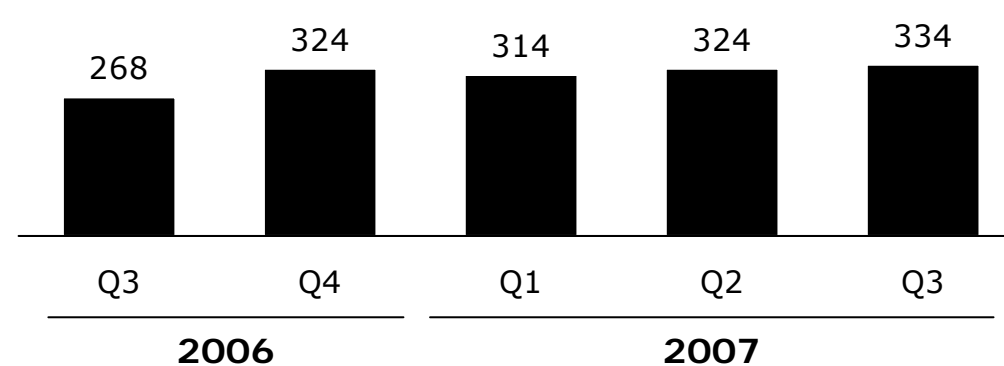
All amounts in ISKbn

	9/30/2007	12/31/2006	Chg	EUR chg
Credit institutions and central banks	157.6	110.5	43%	54%
Deposits	1,301.8	750.7	73%	87%
Borrowings	2,470.0	2,399.9	3%	11%
Other liabilities	381.6	243.4	57%	69%
Subordinated loans	233.4	216.0	8%	16%
Shareholders' equity	334.4	323.5	3%	11%
Minority interest	11.2	11.4	-2%	6%
<b>Total liabilities and equity</b>	<b>4,889.9</b>	<b>4,055.4</b>	<b>21%</b>	<b>30%</b>

### Deposits



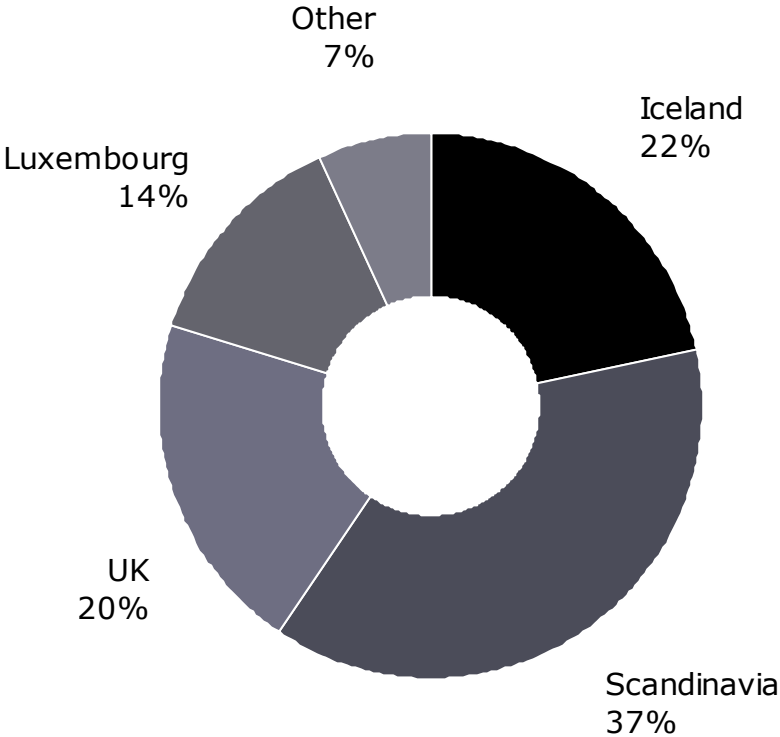
### Shareholders' Equity



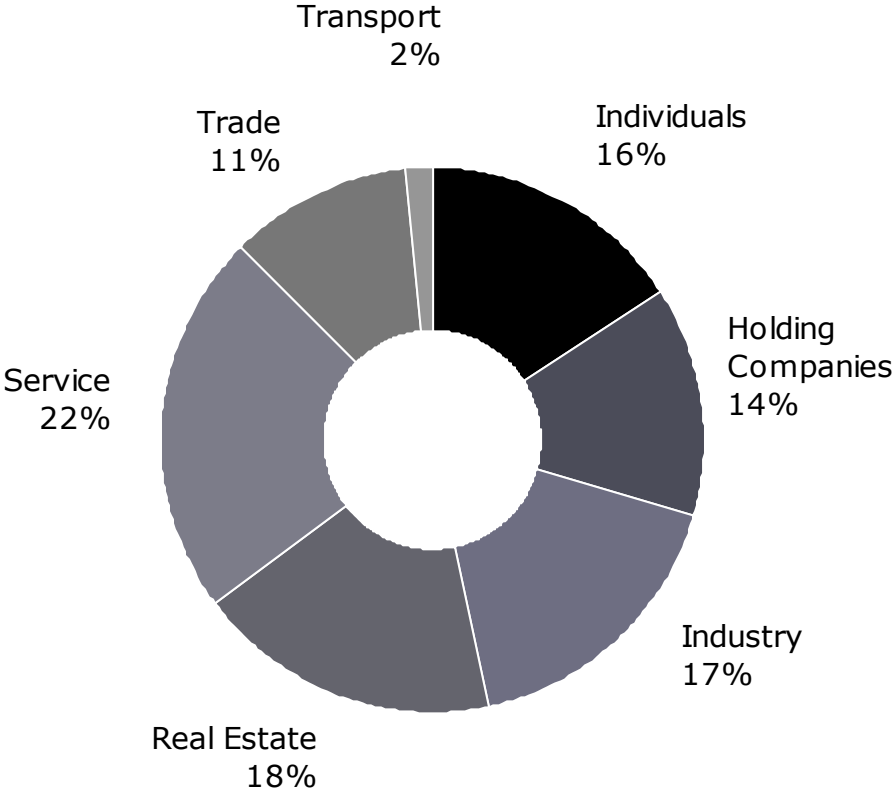
All amounts in ISKbn

Loans to customers amounted to 3,051bn at 30 September, increasing 20.2% from the beginning of the year.

### Loans to Customers by Location

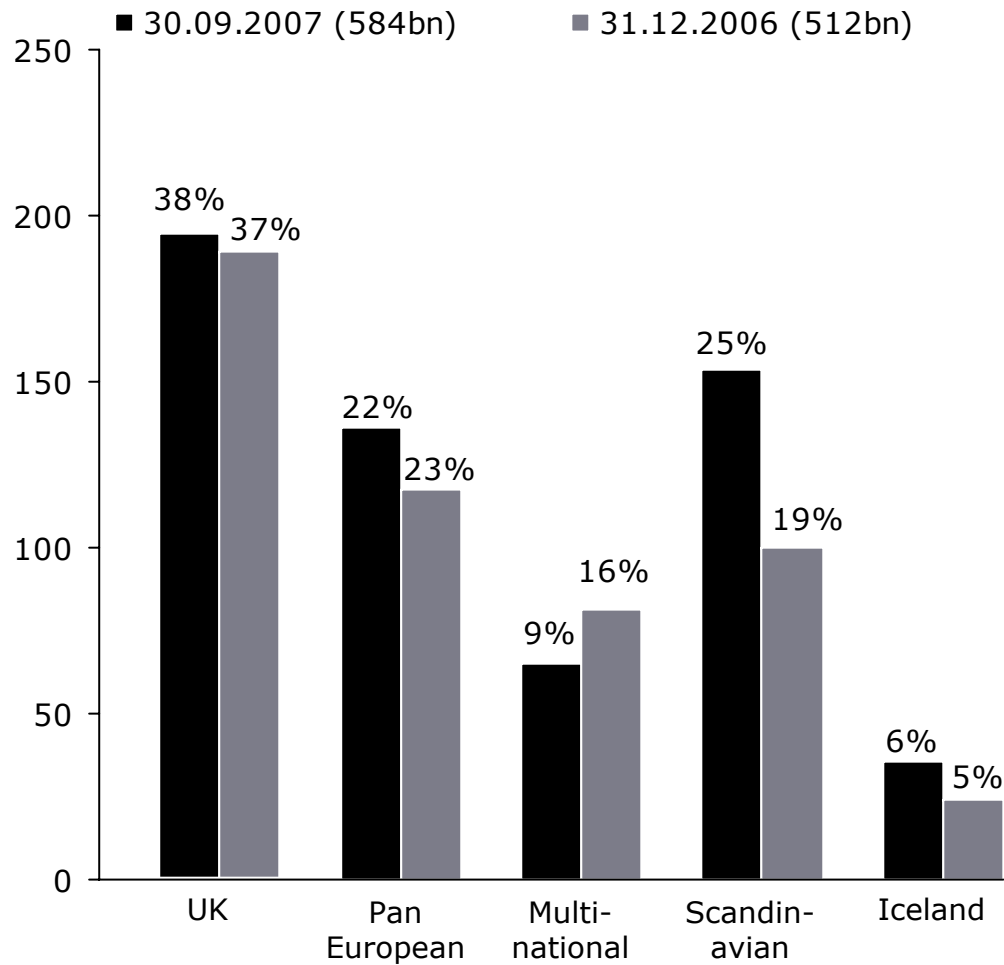


### Loans to Customers by Sectors

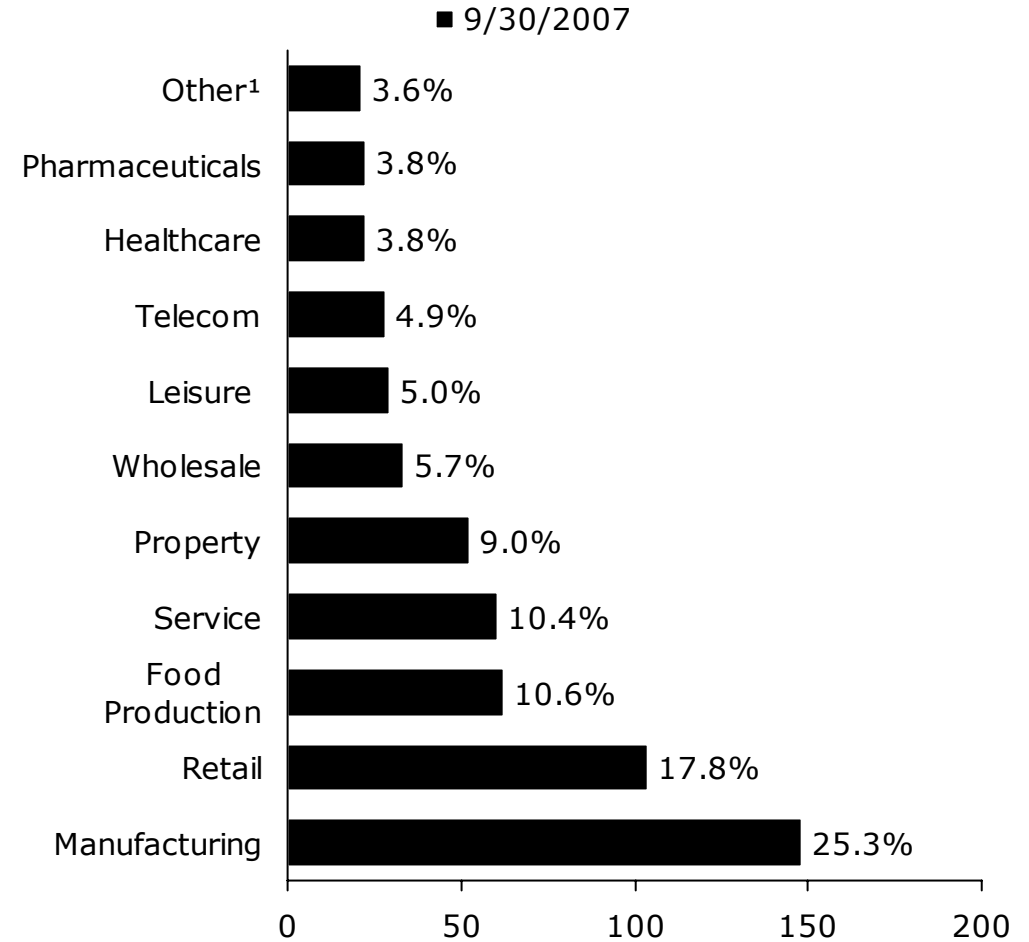


The ALF portfolio is 19.1% of total loans to customers. There is zero underwriting risk in ALF portfolio

### Market Breakdown of Portfolio



### Sector Breakdown of Portfolio



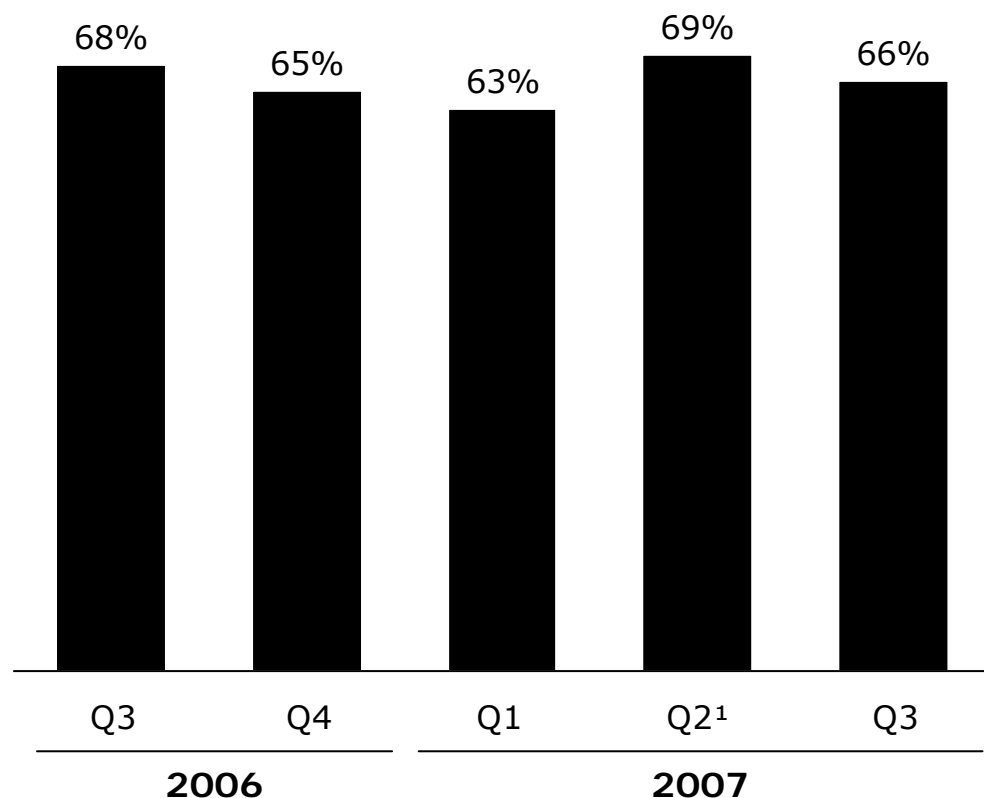
All amounts in ISKbn

<sup>1</sup> Other sectors include; Buildings, Transport, IT and Technology

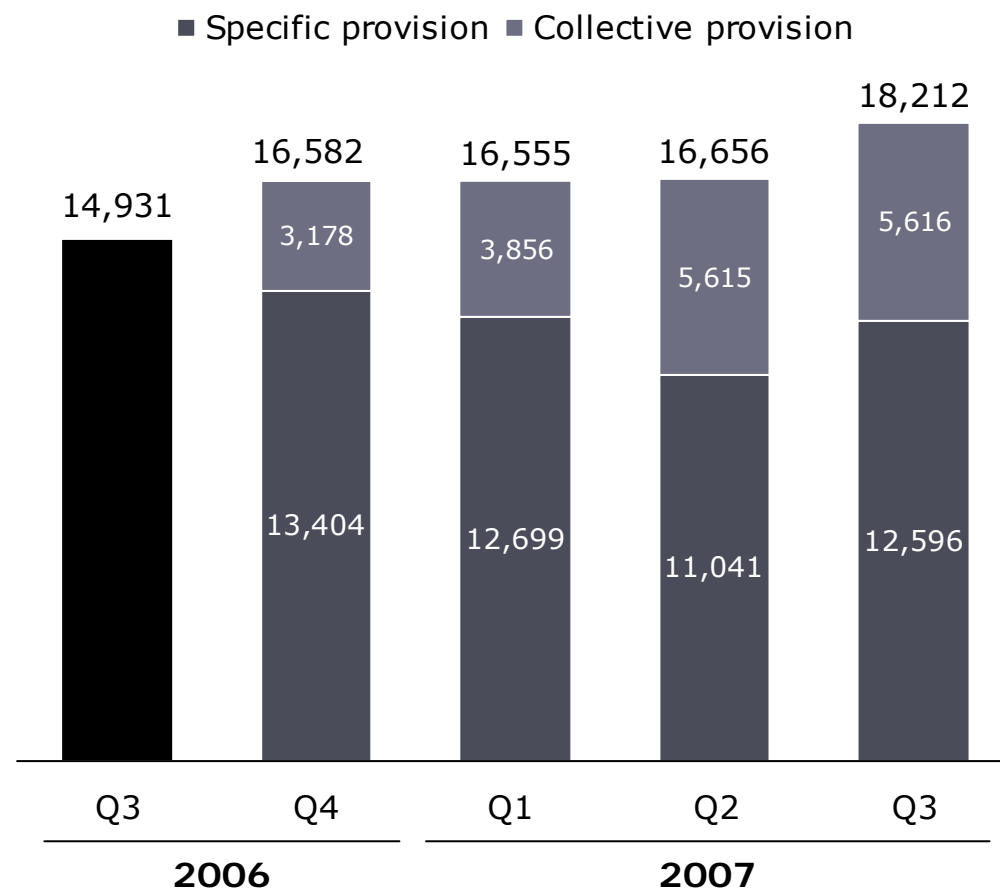


Loans to customers of 3,051bn at 30 September. Total loan loss reserves are 0.55% of total loans and granted guarantees

### Loan Loss Reserves % of Non-performing Loans



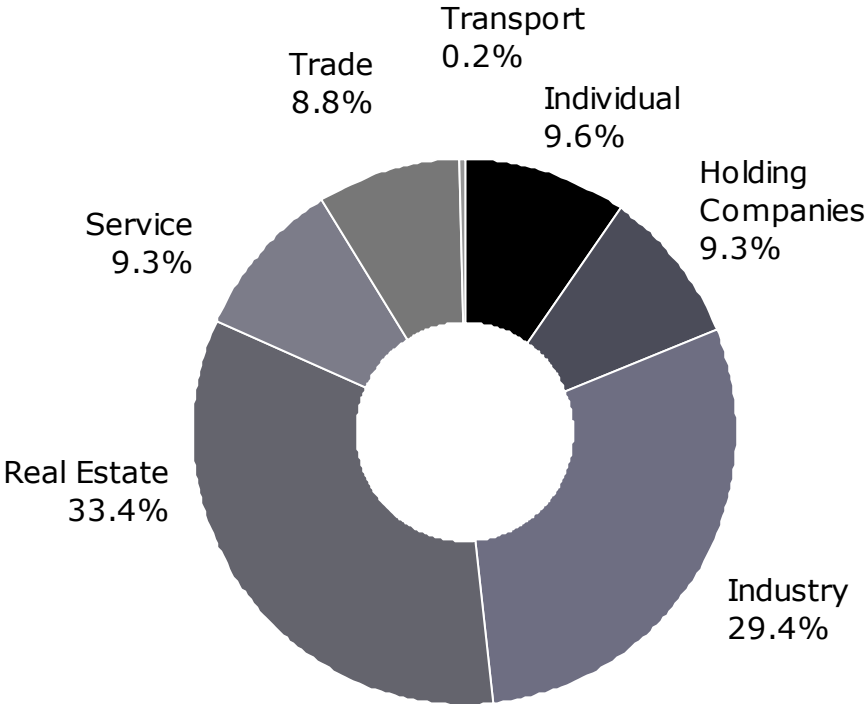
### Loan Loss Reserves



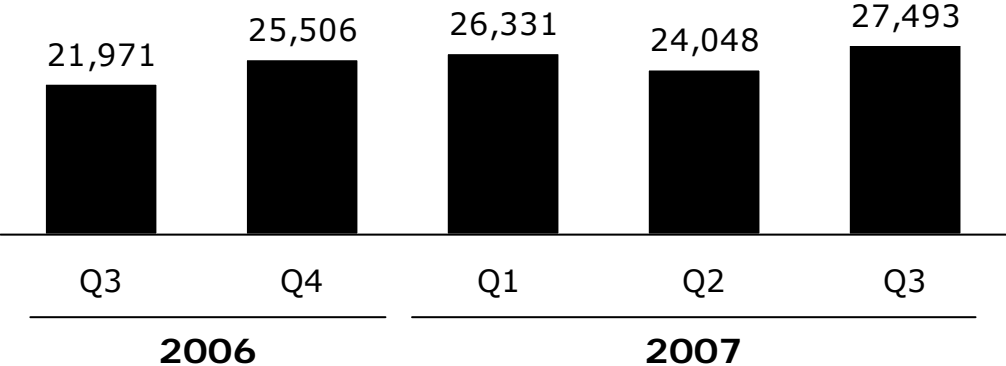
All amounts in ISKm

<sup>1</sup> If the part of NPL that is covered by collateral is added to the LLR this ratio is 120% of NPL

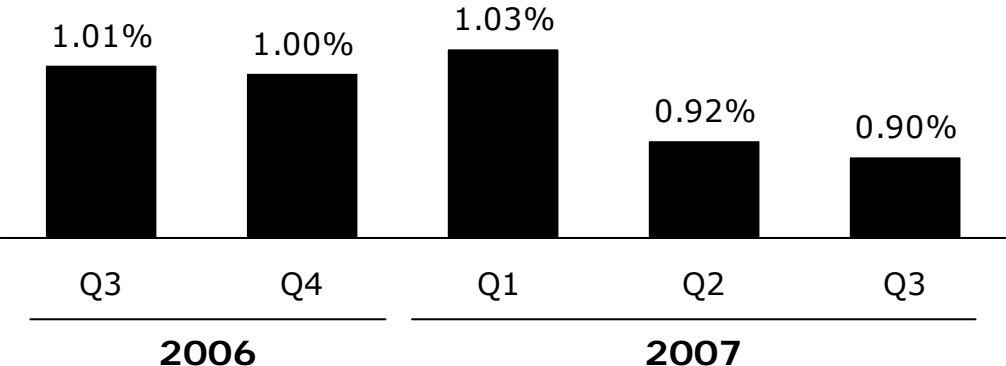
**Sector Division of NPL – Q3 2007**



**Non-Performing Loans**



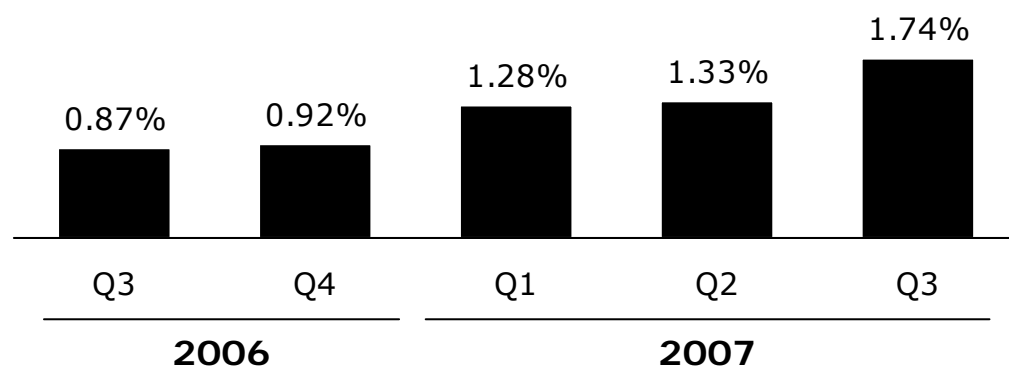
**Non-Performing Loans / Loans to Customers**



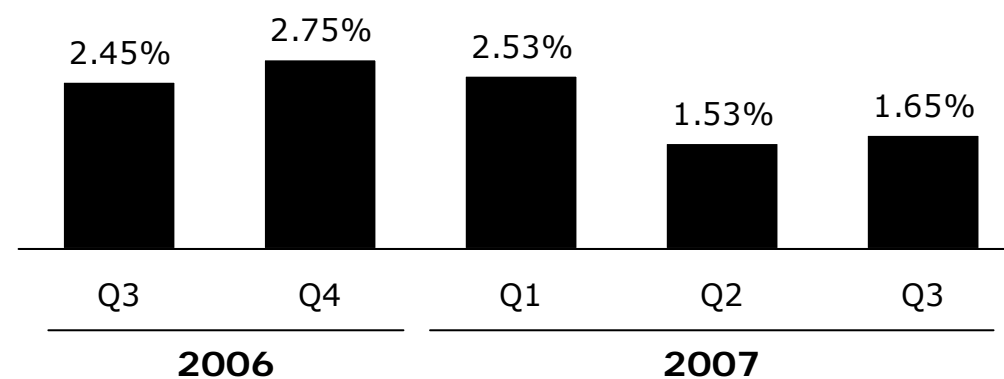
All amounts in ISKm

	30.9.2007	31.12.2006	Change	%
Bonds and debt instruments	419,936	318,264	101,672	32%
Shares and equity instruments	172,698	159,020	13,678	9%
Derivatives	85,243	65,454	19,790	30%
Derivatives used for hedging	14,527	6,453	8,075	125%
Securities used for hedging	219,383	115,938	103,445	89%
<b>Total</b>	<b>911,786</b>	<b>665,128</b>	<b>246,659</b>	<b>37%</b>

### Unlisted Equities Of Total Assets

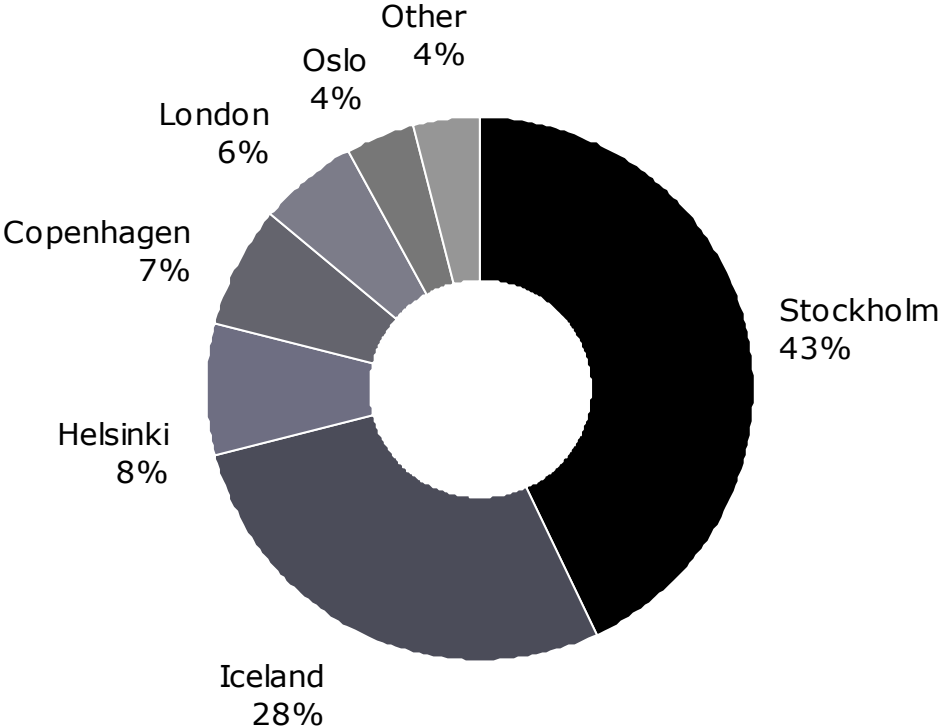


### Listed Equities Of Total Assets

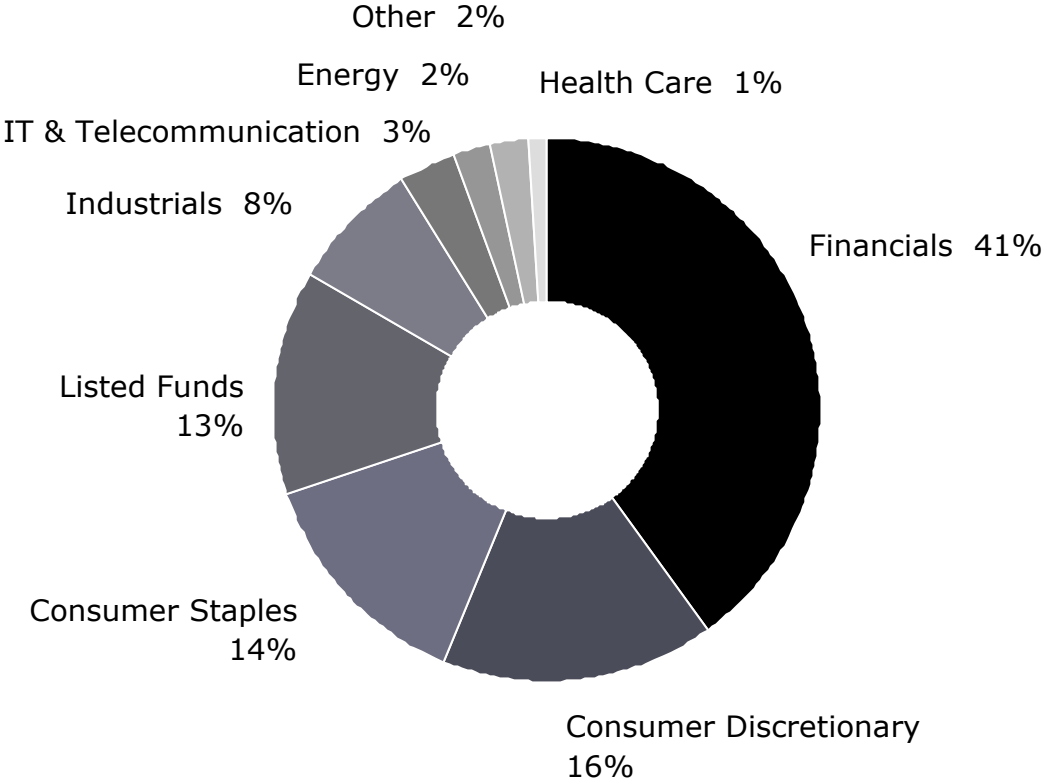


All amounts in ISKm

### By Stock Exchanges



### By Sectors



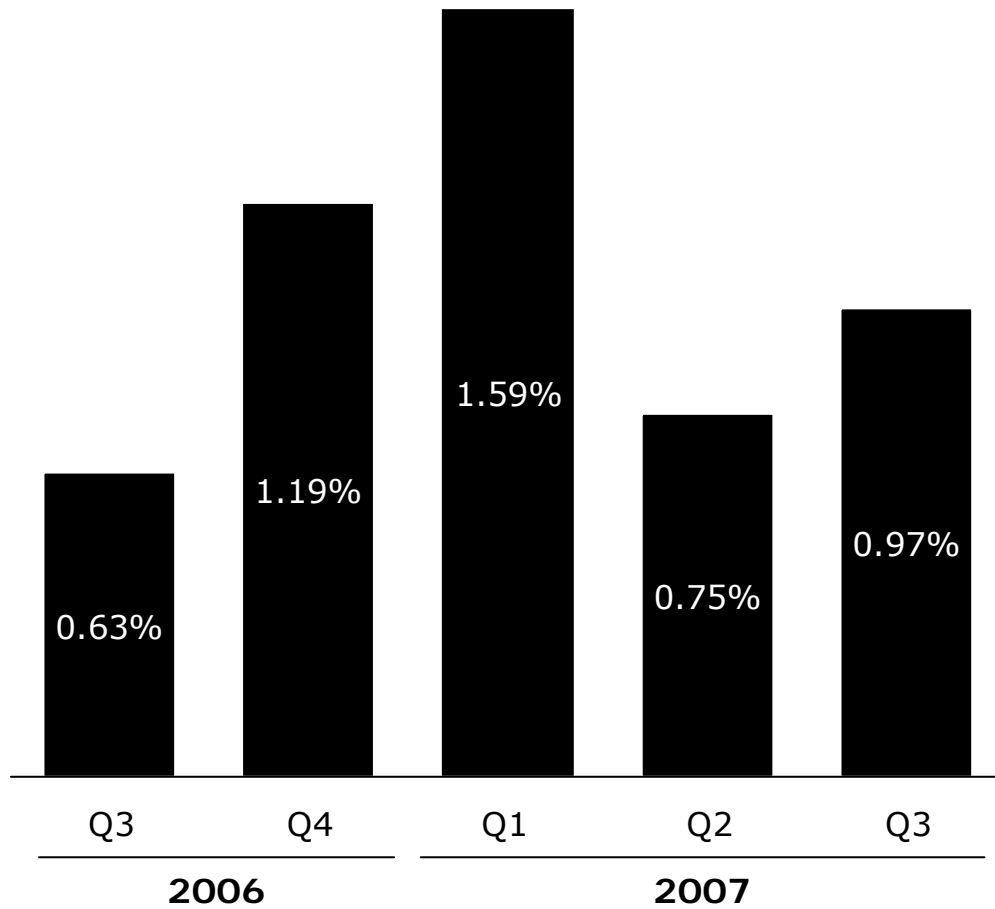
- The 5 largest holdings represent 45% of total unlisted equity holdings
- The unlisted equity portfolio on Kaupthing's Balance sheet will be sold down over the next 2-3 years
- Plans to list Siminn on OMX Nordic Exchange Iceland in Q4 2007
- Kaupthing Capital Partners II has GBP 560m in assets (GBP 200m from Kaupthing)
- Focus on UK and Nordic companies with enterprise values of GBP 50-500m/larger with co-investors
- Phase Eight and ADP are warehoused by Kaupthing until Q4

## Largest Unlisted Equity Exposures

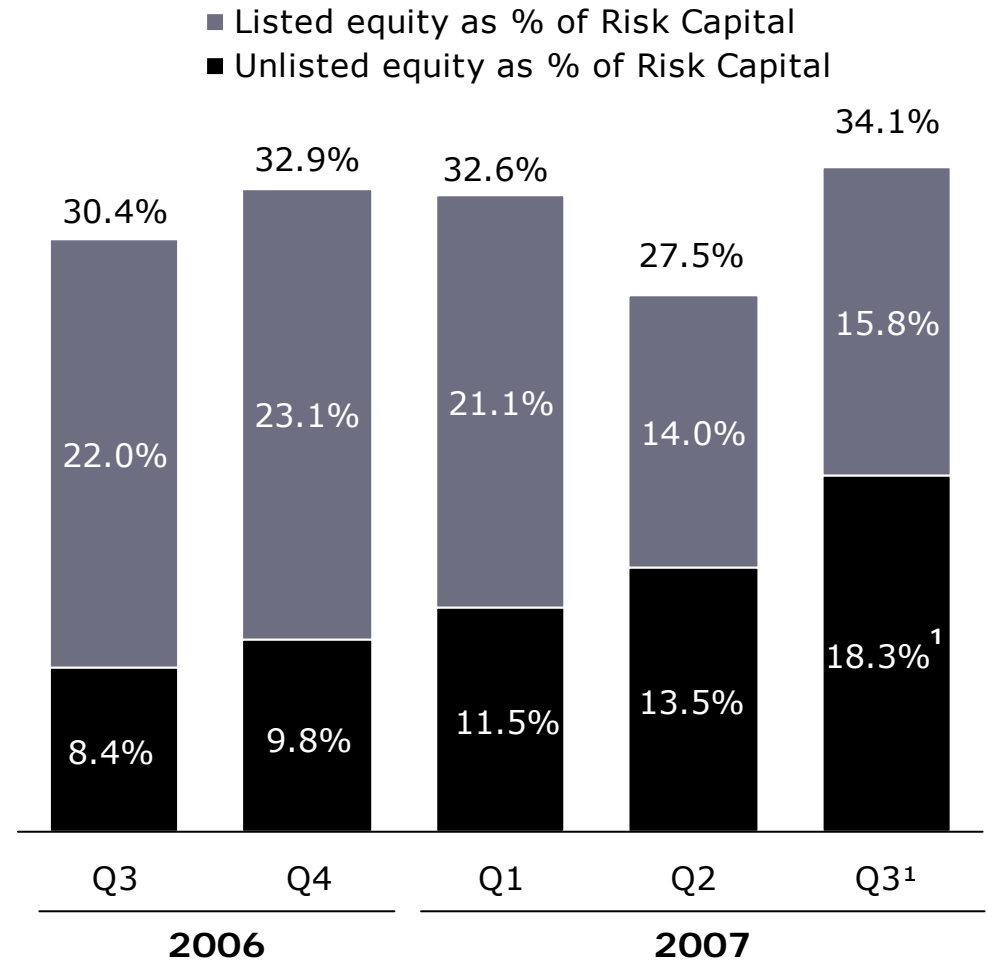
Company	Country	Sector	Share
Redford	US	Real estate	24%
Skipti hf. (Iceland Telecom)	Iceland	Telecommunications	28%
Lotus	US	Real Estate	60%
JN Group	UK	Retail	32%
Aztec Holding	Denmark	Manufacturing	15%
<b>Weight of the five largest holdings</b>			<b>45%</b>

All amounts in ISKm

### VaR (10d 99%) Of Risk Capital

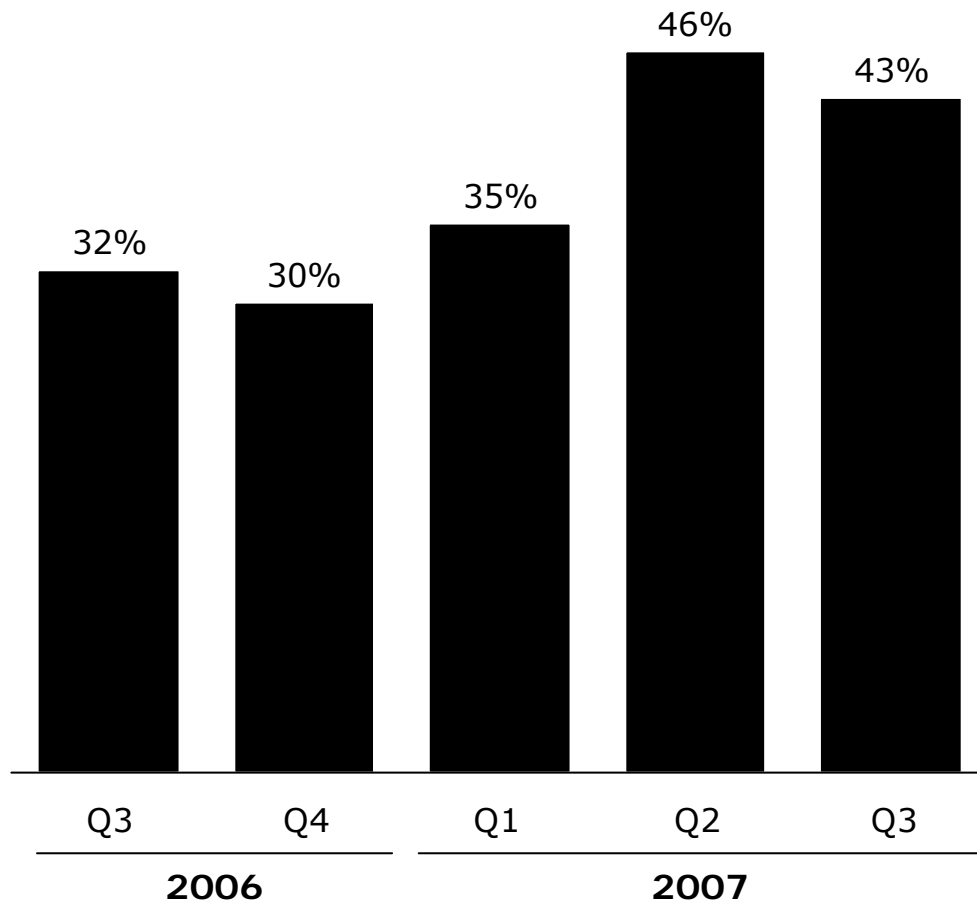


### Equity Exposure As % Of Risk Capital

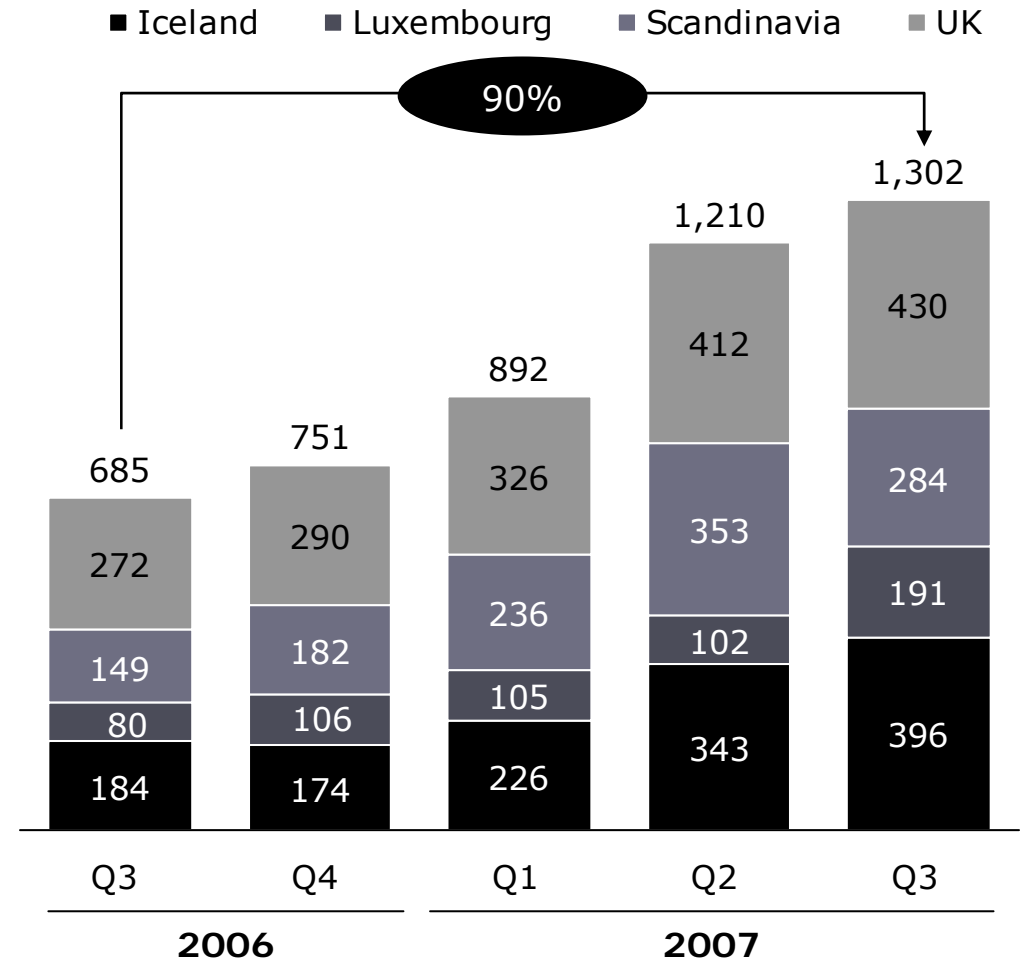


<sup>1</sup> This ratio is currently too high. Kaupthing is warehousing 2 assets for Kaupthing Capital Partners until Q4. One holding, SPRON was also listed in October and there are also plans to list Iceland Telecom (Skipti) in Q4

### Deposits as % Of Loans To Customers

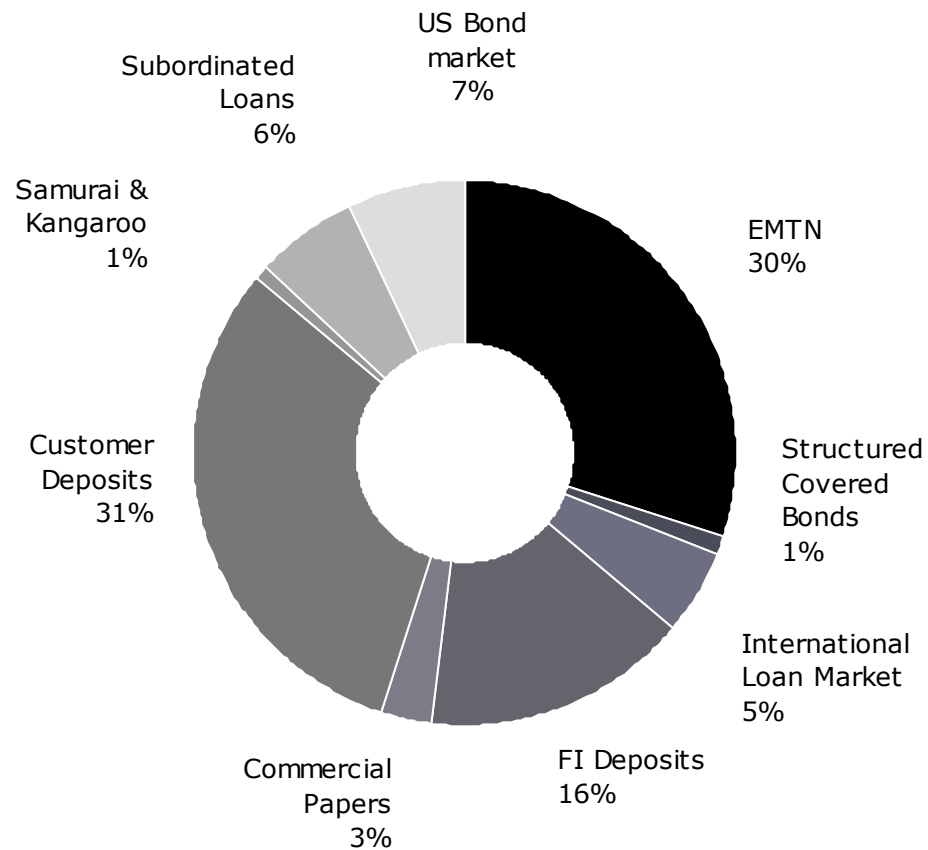


### Deposits

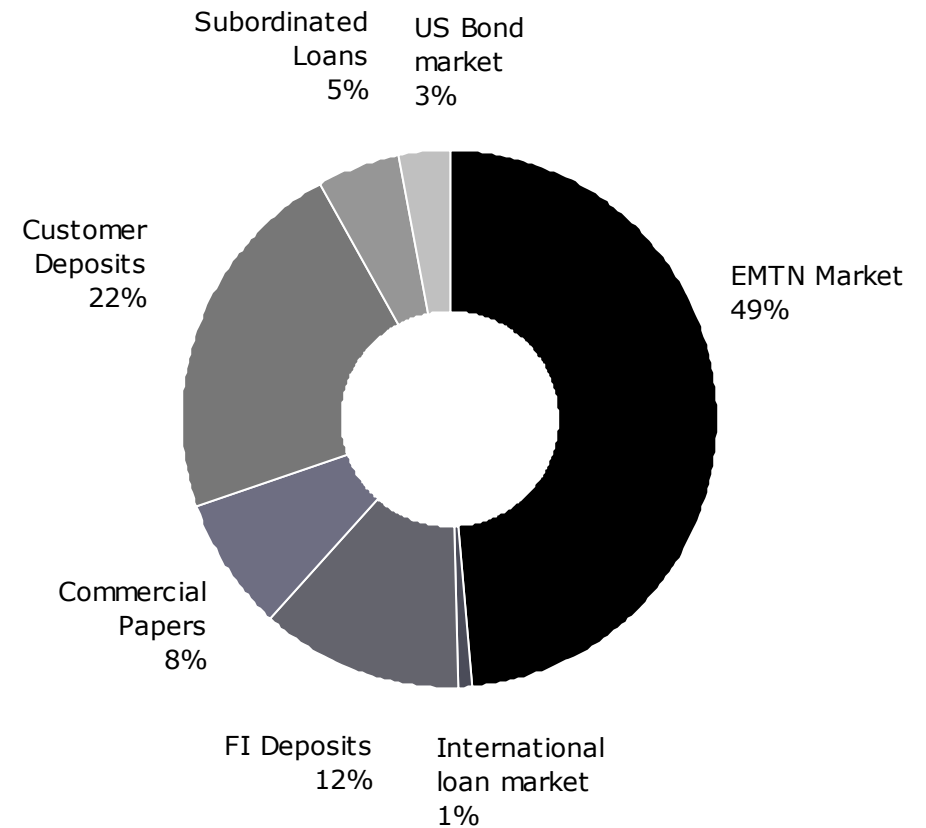


All amounts in ISKbn

## Funding Mix 30 September 2007



## Funding Mix 31 December 2005

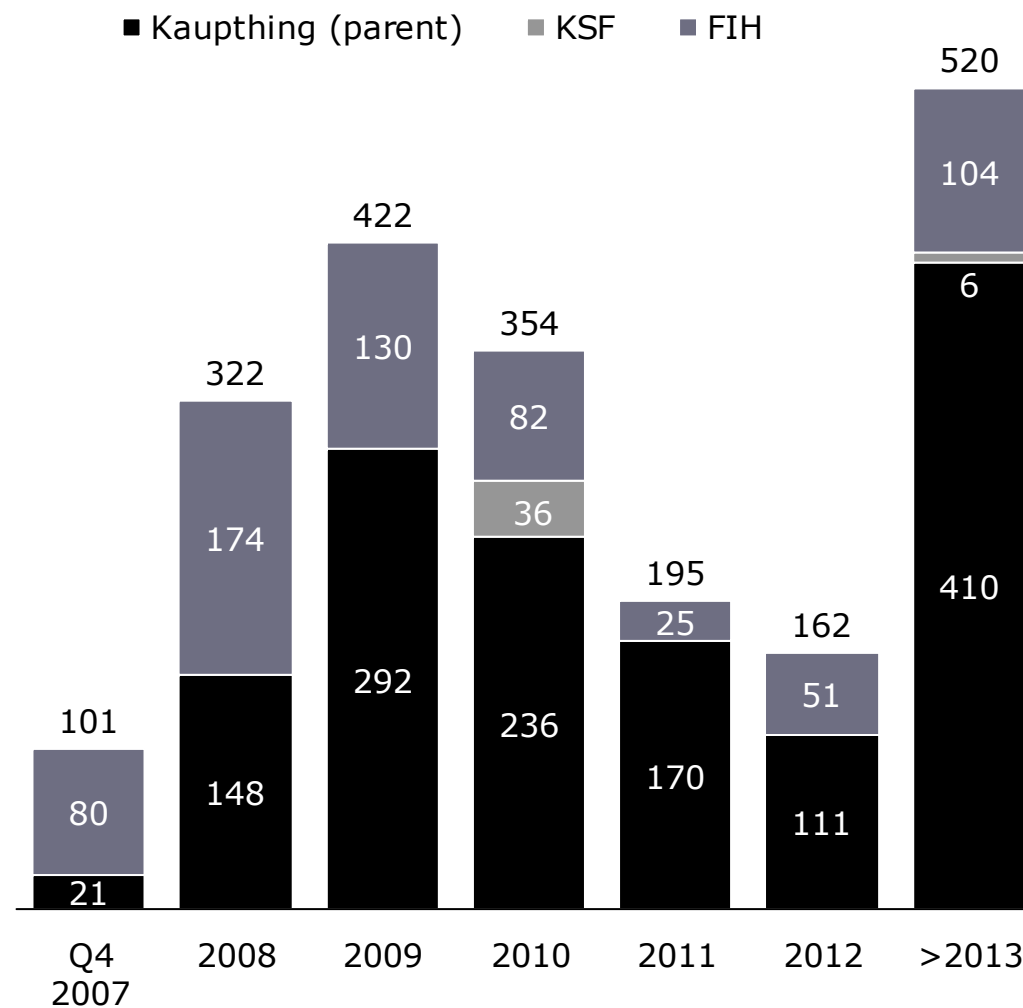




## Overview of 9M 2007

- Kaupthing's and FIH's maturity profiles well balanced
- Total ISK 603bn (€6.9bn) funded, thereof parent ISK 418bn (€4.8bn) and FIH ISK 185bn (€2.1bn)
- Average re-offer spread for new senior unsecured funding YTD down by 22bps compared to 2006
- The Group had ISK 1,167bn of secured liquidity at 30 September 2007 covering all maturities for the next 394 days
- Deposits are well-spread from existing Group customers and offices and have remained stable during recent turbulence
- Significant Q4 public issuance at favourable levels in new markets:
  - Debut senior issue in Mexico MXN\$2.3bn
  - Asian Tier 1 capital issue \$400m

## Maturity of LT Funding<sup>1</sup> as at 30 September 2007

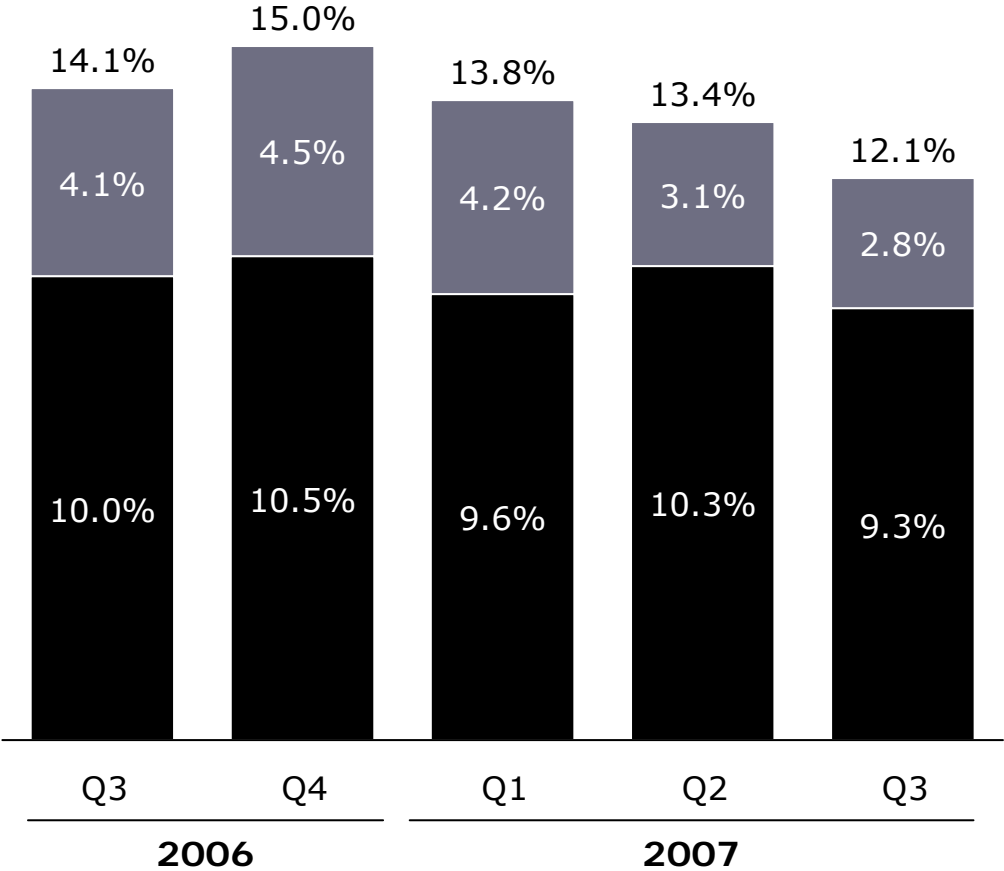


### All amounts in ISKbn

<sup>1</sup> Includes bonds issued, subordinated and other loans

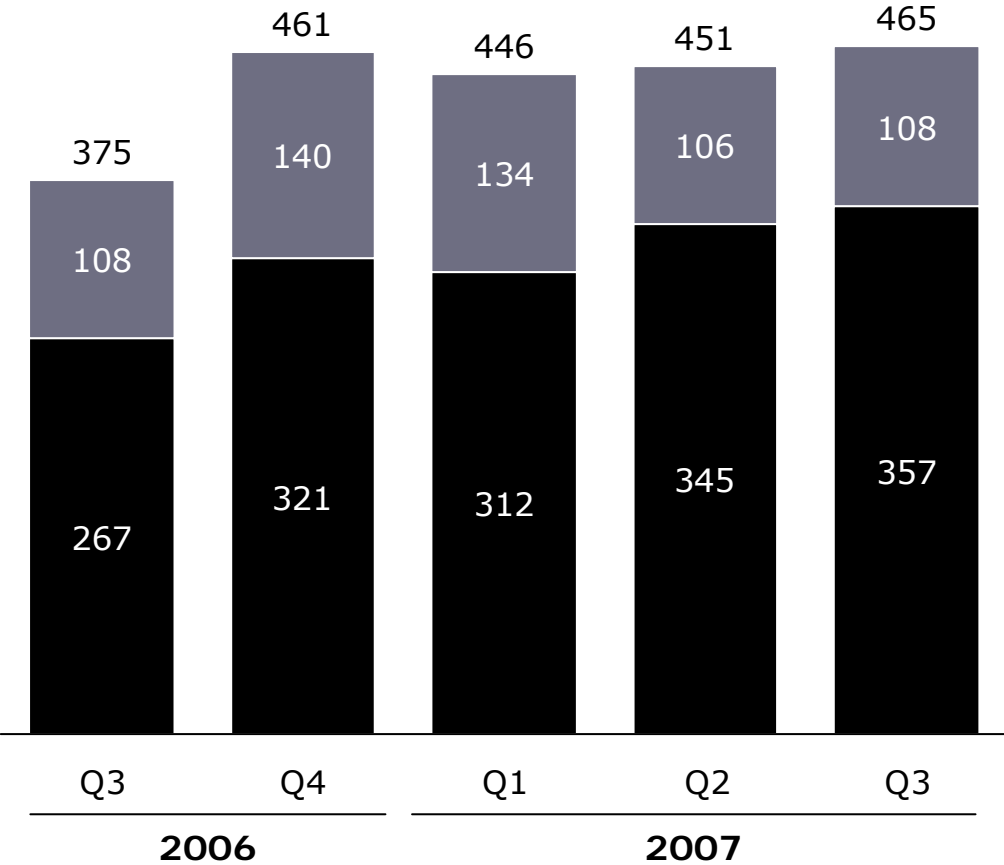
### CAD Ratio

■ Tier 1 ■ Tier 2



### Risk Capital

■ Tier 1 ■ Tier 2



All amounts in ISKbn

Additional Information and  
Conclusion

	30.09.2007	30.09.2006
ROE <sup>1</sup>	27.5%	47.2%
Earnings per share ISK LTM <sup>2</sup>	107.9	123.8
Cost Income – Group	41.3%	32.6%
Price / earnings <sup>3</sup>	10.0	6.9
Price / book <sup>3</sup>	2.4	2.1
Loan-loss ratio	0.15%	0.17%
NPL / Loans to customers	0.90%	1.01%

	30.09.2007	30.09.2006
CAD	12.1%	14.1%
Tier 1	9.3%	10.0%
Deposits / Loans to customers	42.7%	31.6%
Loans to customers / Assets	62.4%	59.3%
VaR (10d 99%) % of Risk capital	0.97%	0.63%
Total equity exposure / Risk capital	34.1%	30.4%
– Thereof unlisted	18.3%	8.5%

<sup>1</sup> Annualised


































































<sup>2</sup> LTM = Last 12 months

<sup>3</sup> Share price 30 September 2007: ISK1,087. Share price 30 September 2006: ISK850



<p><b>Summary Terms</b></p>	<ul style="list-style-type: none"> <li>■ Purchase price of €2,985 million</li> <li>■ Payment consists of issue of 110 million Kaupthing shares for a value of €1,360 million to the sellers and a cash consideration of €1,625 million</li> <li>■ US Sub-prime portfolio retained by the Sellers</li> <li>■ Purchase price represents 12.7x LTM earnings from continuing operation and 1.5x shareholders' equity</li> </ul>
<p><b>Excellent Strategic Fit</b></p>	<ul style="list-style-type: none"> <li>■ Creates a leading corporate and investment bank focusing on SMEs in the European market</li> <li>■ Similar business ethos resulting in strong cultural fit                             <ul style="list-style-type: none"> <li>– Both institutions focused on delivering value by offering integrated solutions: "triple play, integrated product offering"</li> </ul> </li> <li>■ Enhanced scale and improved positioning in the European banking market</li> </ul>
<p><b>Geographical Expansion &amp; Diversification</b></p>	<ul style="list-style-type: none"> <li>■ Provides significant entry into the Benelux and an opportunity for further expansion in Germany</li> <li>■ Less than 40% of assets and 50% of earnings from the Nordic countries, incl. Iceland (pro-forma 2006)</li> </ul>
<p><b>Value Creation Opportunity</b></p>	<ul style="list-style-type: none"> <li>■ Cross-selling of products across the two businesses and implement "Best of Breed" practices</li> <li>■ Improved funding diversification and capitalisation of combined group</li> </ul>

# Complementary Offering with Limited Overlap

	Kaupthing	NIBC	Employees 9M 2007 <sup>1</sup>	Investment Banking <sup>2</sup>	Capital Markets <sup>3</sup>	Treasury	Banking <sup>4</sup>	AM & PB
Iceland	1,226	--	1,226					
UK	782	53	835					
Netherlands	--	595	595					
Sweden	357	--	357					
Denmark	355	--	355					
Luxembourg	217	--	217					
Finland	110	--	110					
Norway	103	--	103					
US	12	20	32					
Germany	--	29	29					
Faroe Islands	28	--	28					
Singapore	--	17	17					
Belgium	--	11	11					
<b>Total</b>	<b>3,190</b>	<b>725</b>	<b>3,915</b>					

 Kaupthing  Both

<sup>1</sup> The number of NIBC's full time equivalent employees in H1 2007 combined with Kaupthing's full time equivalent positions at H1 2007

<sup>2</sup> Includes NIBC's "Capital Markets" operations

<sup>3</sup> Includes NIBC's "Financial Markets" and "Real Estate" operations

<sup>4</sup> Includes NIBC's "Mortgage Origination" and "Corporate Lending" operations

<sup>5</sup> NIBC has CM fixed-income activities in the UK while Kaupthing has CM equity activities only – therefore, this business unit is not considered to overlap at consolidated level

## Equity Offering

- Plans to offer new shares in the Bank in December to strengthen the Bank's equity base
  - All shares will be sold with pre-emptive rights

## Functional Currency

- The Board of Directors has decided to change to the Bank's functional currency from ISK to EUR from 1 January 2008
  - This is done in accordance with International Accounting Standards (IFRS).
  - Following closing of the NIBC acquisition the euro will become the Bank's most important currency

## Share Capital in Euros

- The Board of Directors of Kaupthing will seek approval at shareholders' meeting to denominate the Bank's share capital in euros instead of ISK
  - Following this the Bank aims to have its shares listed in euros instead of ISK on the OMX Nordic Exchange Iceland

- Acceptable quarter
- Mark to market change in the fair value of derivatives and bonds
- High organic growth in Net interest income and Net commission income
- Emphasis on deposit gathering
- Asset quality remains high in the loan portfolio
- Outlook for corporate activity in the Bank's market niche to remain positive overall
- The integration of Kaupthing and NIBC presents opportunities for next year



---

Q&A

Kaupthing Bank's Q3 2007 Results

*Hreidar Már Sigurdsson, CEO*

---

October 2007

This material has been prepared for professional investors. Kaupthing Bank hf. (Kaupthing) when preparing this report has not taken into account any one customer's particular investment objectives, financial resources or other relevant circumstances and the opinions and recommendations herein are not intended to represent recommendations of particular investments to particular customers. All securities' transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk. Due care and attention has been used in the preparation of this forecast information. However, actual results may vary from their forecasts, and any variation may be materially positive or negative. Forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Kaupthing Bank.

Kaupthing Bank can not guarantee that the information contained herein is without fault or entirely accurate. The information in this material is based on sources that Kaupthing bank believes to be reliable. Kaupthing bank can however not guarantee that all information is correct. Furthermore, information and opinions may change without notice. Kaupthing bank is under no obligation to make amendments or changes to this publication if errors are found or opinions or information change. Kaupthing bank accepts no responsibility for the accuracy of its sources.

Kaupthing Bank is the owner of all works of authorship including, but not limited to, all design, text, sound recordings, images and trademarks in this material unless otherwise explicitly stated. The use of Kaupthing's material, works or trademarks is forbidden without written consent except were otherwise expressly stated. Furthermore, it is prohibited to publish material made or gathered by Kaupthing bank without written consent.



KAUPTHING BANK

*Thinking beyond*