



KAUPTHING BANK

On the Right Track

Kaupthing Bank's Q1 2007 Results

Hreidar Már Sigurdsson, CEO

Solid Performance in Q1 2007

◆ Solid results in all business segments

- Net shareholders' earnings of ISK 20.3 bn – up by 8% since Q1 2006
- Annualised return on equity of 27.6%
- Earnings per share of ISK 27.4 compared with ISK 28.3 in Q1 2006
- Cost income ratio of 40.2%
- Favourable trend in net interest income and net commission income
- Positive developments in Kaupthing Singer & Friedlander in the UK

◆ Solid balance sheet

- Total assets were ISK 4,198 bn – increasing by 4% from end of 2006
- Deposits now 34.9% of loans to customers – up from 29.6% from the beginning of the year
- Strong CAD ratio of 13.8% and Tier 1 ratio of 9.6%

Summary of Operation in Q1

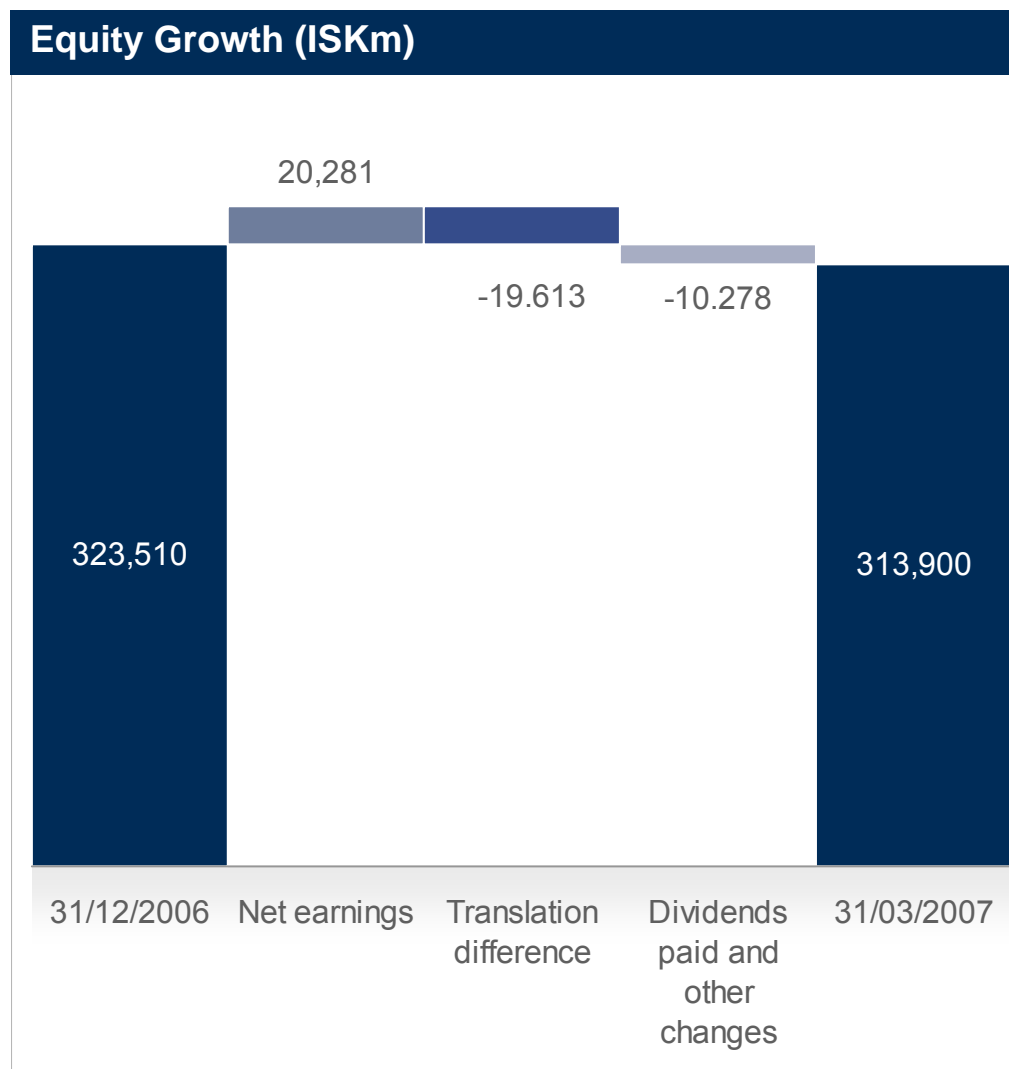
| ISKm | | | |
|---------------------------------------|---------------|---------------|------------|
| | Q1 2007 | Q1 2006 | Chg |
| Net interest income | 16,265 | 10,484 | 55% |
| Net commission income | 12,337 | 8,602 | 43% |
| Net financial income | 13,456 | 13,505 | 0% |
| Other income | 2,002 | 2,860 | -30% |
| Operating income | 44,059 | 35,451 | 24% |
| Salaries and related cost | -10,534 | -7,420 | 42% |
| Other administrative cost | -7,173 | -5,133 | 40% |
| Impairment | -1,423 | -710 | 100% |
| Profit before income tax | 24,929 | 22,188 | 12% |
| Income tax | -4,236 | -2,595 | 63% |
| Net earnings | 20,694 | 19,593 | 6% |
| Shareholders of Kaupthing Bank | 20,281 | 18,798 | 8% |
| Minority interest | 413 | 796 | -48% |

Q1 2007 Compared to Q4 2006

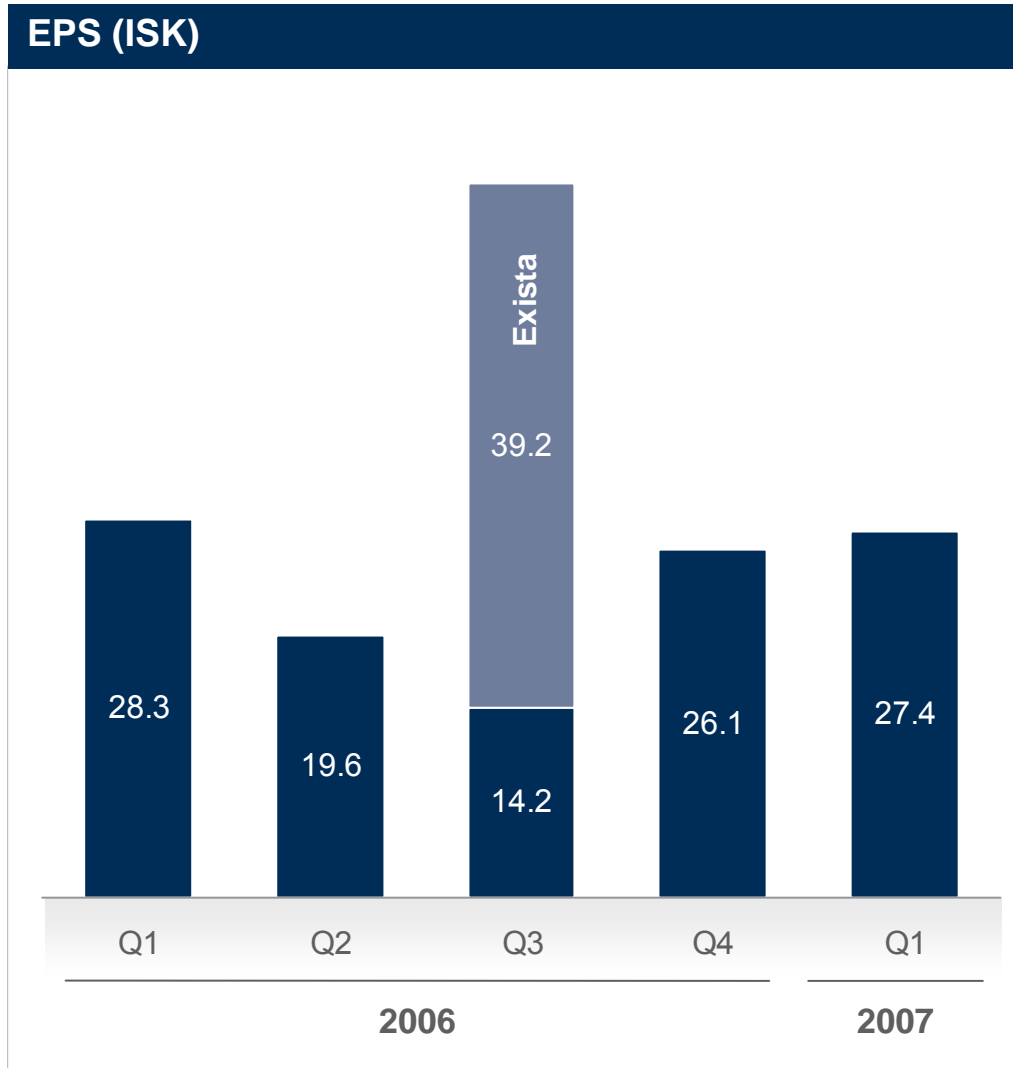
| ISKm | | | |
|---------------------------------------|---------------|---------------|------------|
| | Q1 2007 | Q4 2006 | Chg |
| Net interest income | 16,265 | 14,806 | 10% |
| Net commission income | 12,337 | 11,866 | 4% |
| Net financial income | 13,456 | 12,003 | 12% |
| Other income | 2,002 | 2,241 | -11% |
| Operating income | 44,059 | 40,915 | 8% |
| Salaries and related cost | -10,534 | -10,572 | 0% |
| Other administrative cost | -7,173 | -8,274 | -13% |
| Impairment | -1,423 | -1,637 | -13% |
| Profit before income tax | 24,929 | 20,433 | 22% |
| Income tax | -4,236 | -1,793 | 136% |
| Net earnings | 20,694 | 18,640 | 11% |
| Shareholders of Kaupthing Bank | 20,281 | 18,077 | 12% |
| Minority interest | 413 | 564 | -27% |

Equity – Changes in Q1

| ISKm | |
|--|----------------|
| Changes in equity Q1: 31/03/2007 | |
| Equity 1 January 2007 | 323,510 |
| Translation difference | -19,613 |
| Fair value changes in AFS financial assets | 15 |
| Deferred pension reserve | 0 |
| Net earnings recognised directly in equity | -19,598 |
| Net earnings according to the Income Statement | 20,281 |
| Total recognised earnings for the period | 683 |
| Dividends paid to equity holders, ISK 14 per share | -10,272 |
| Issued new capital | 0 |
| Other changes | -21 |
| Equity 31 March 2007 | 313,900 |

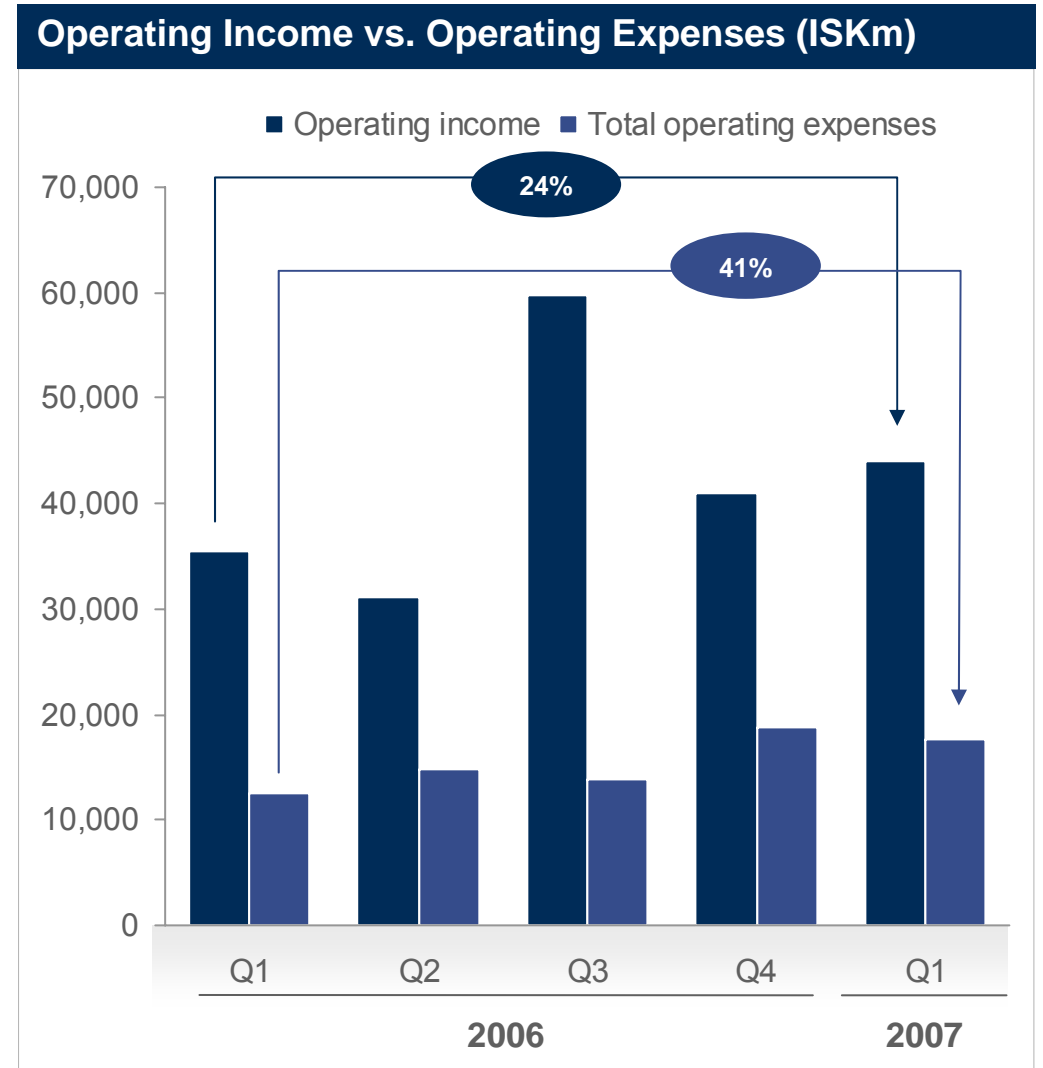
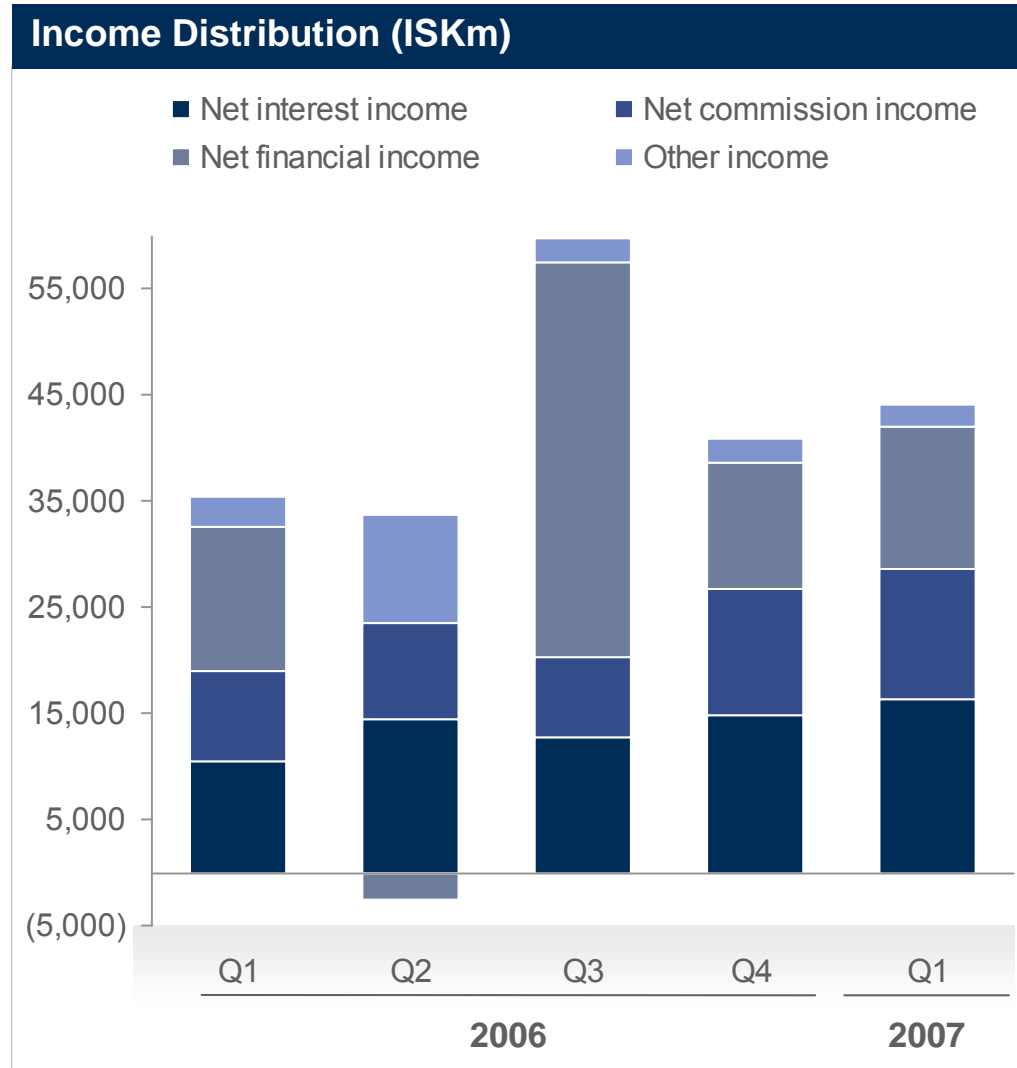


Earnings per Share / Return on Equity

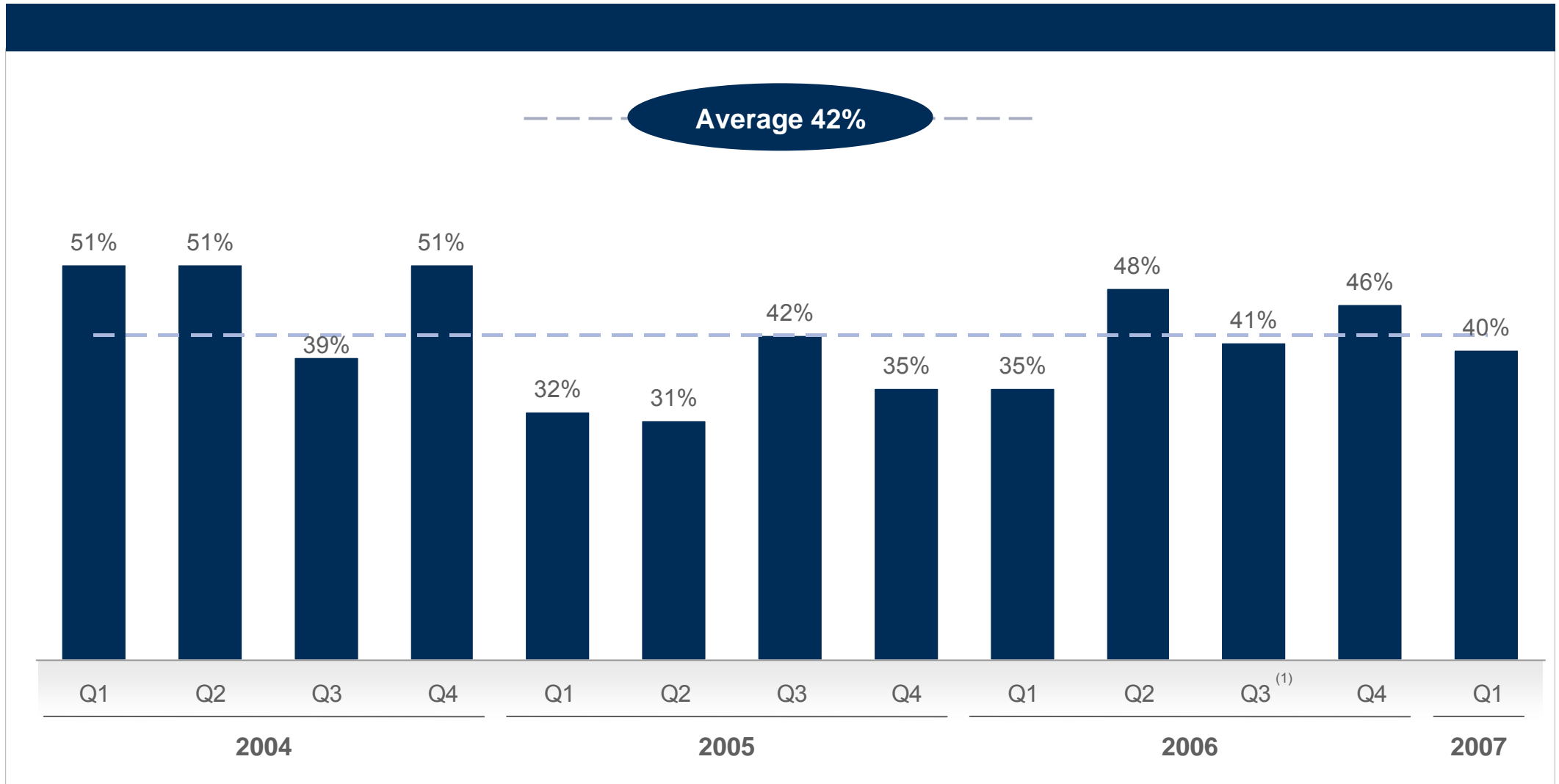


(1) Annualised

Income Distribution and Operating Income vs Operating Expenses



Cost Income Ratio

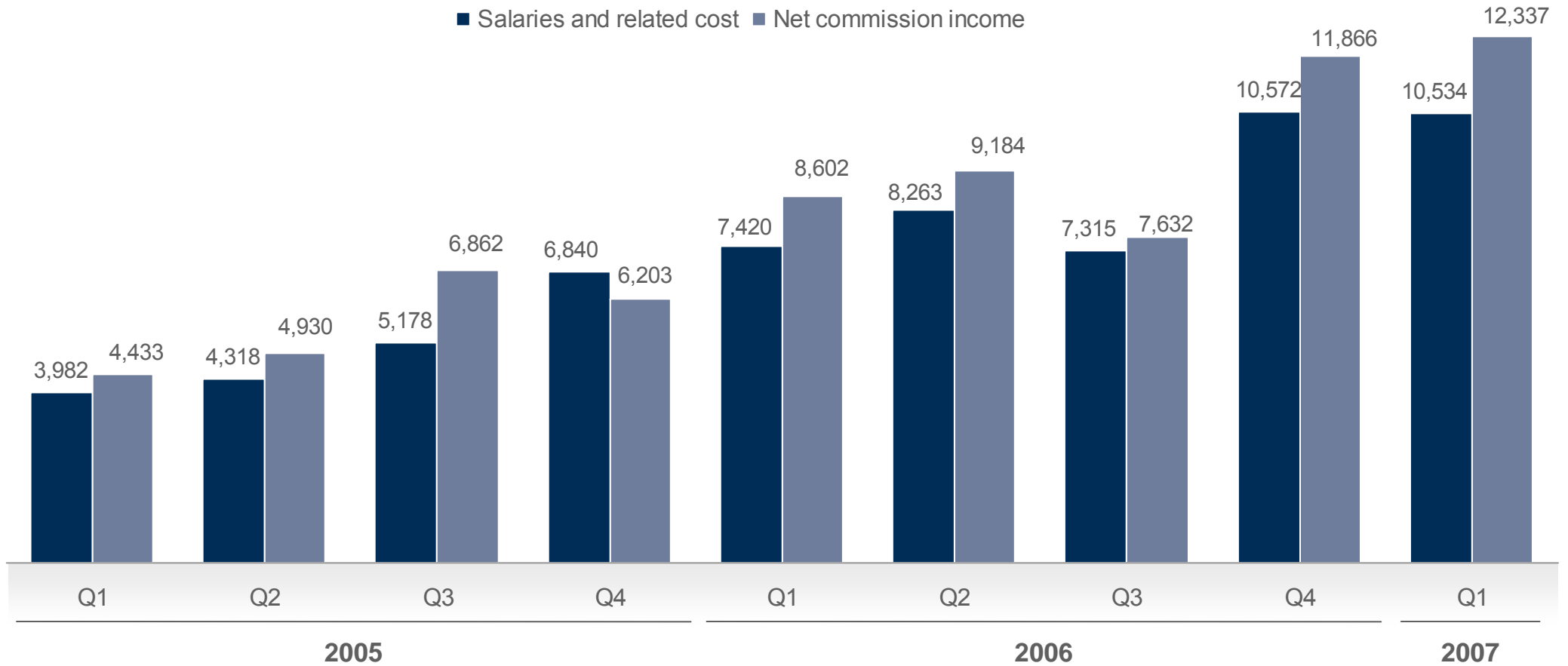


(1) Excluding Exista gain in Q3 2006

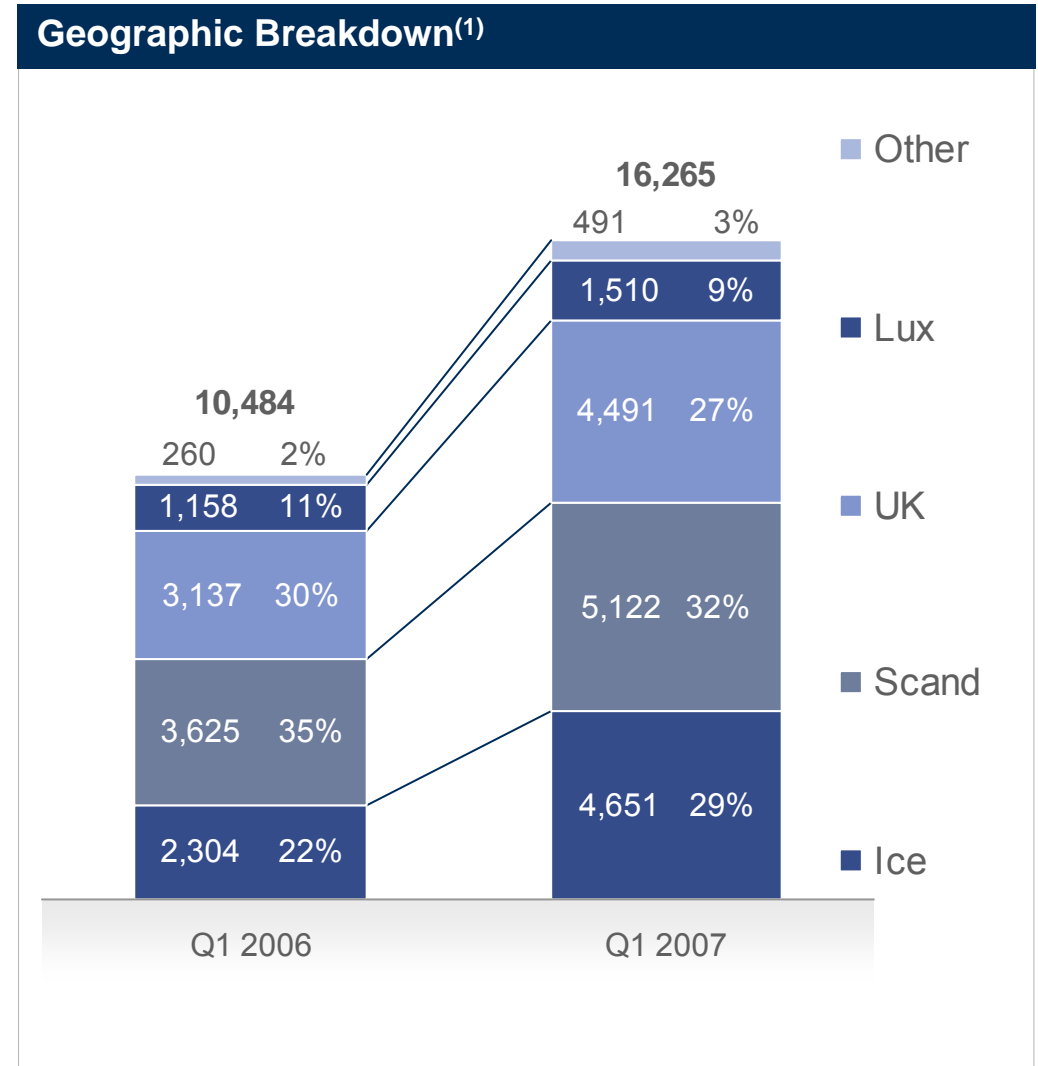
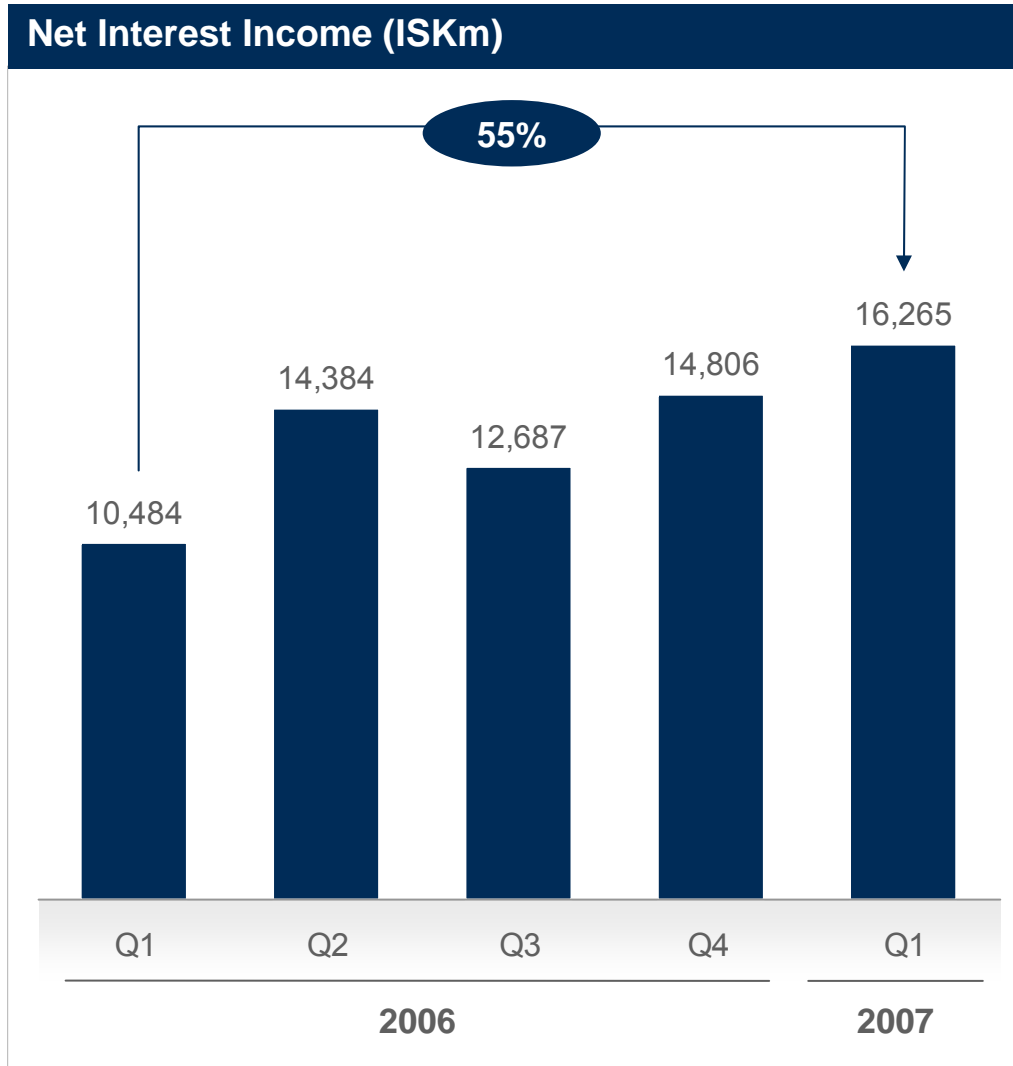
Net Commission Income and Salaries & Related Cost

ISKm

■ Salaries and related cost ■ Net commission income

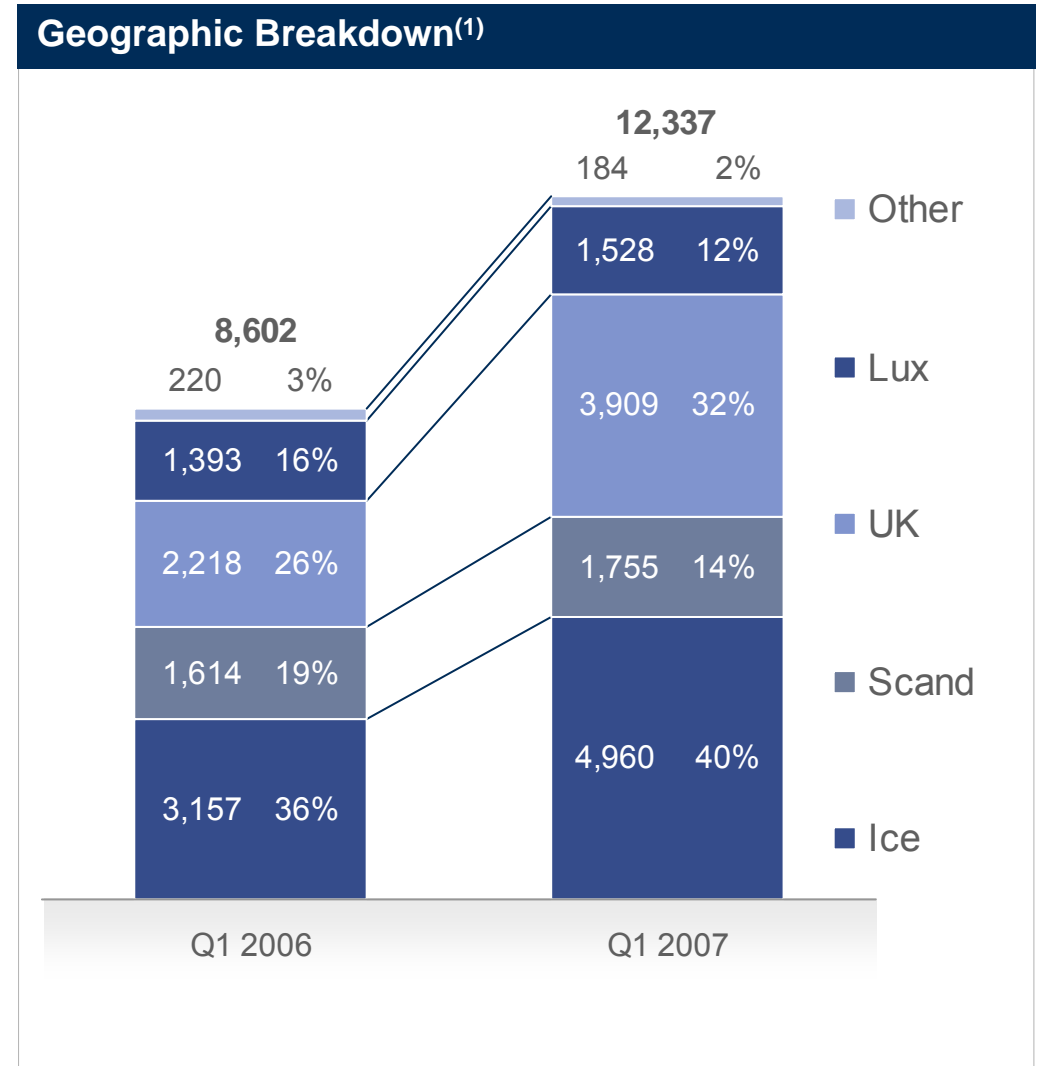
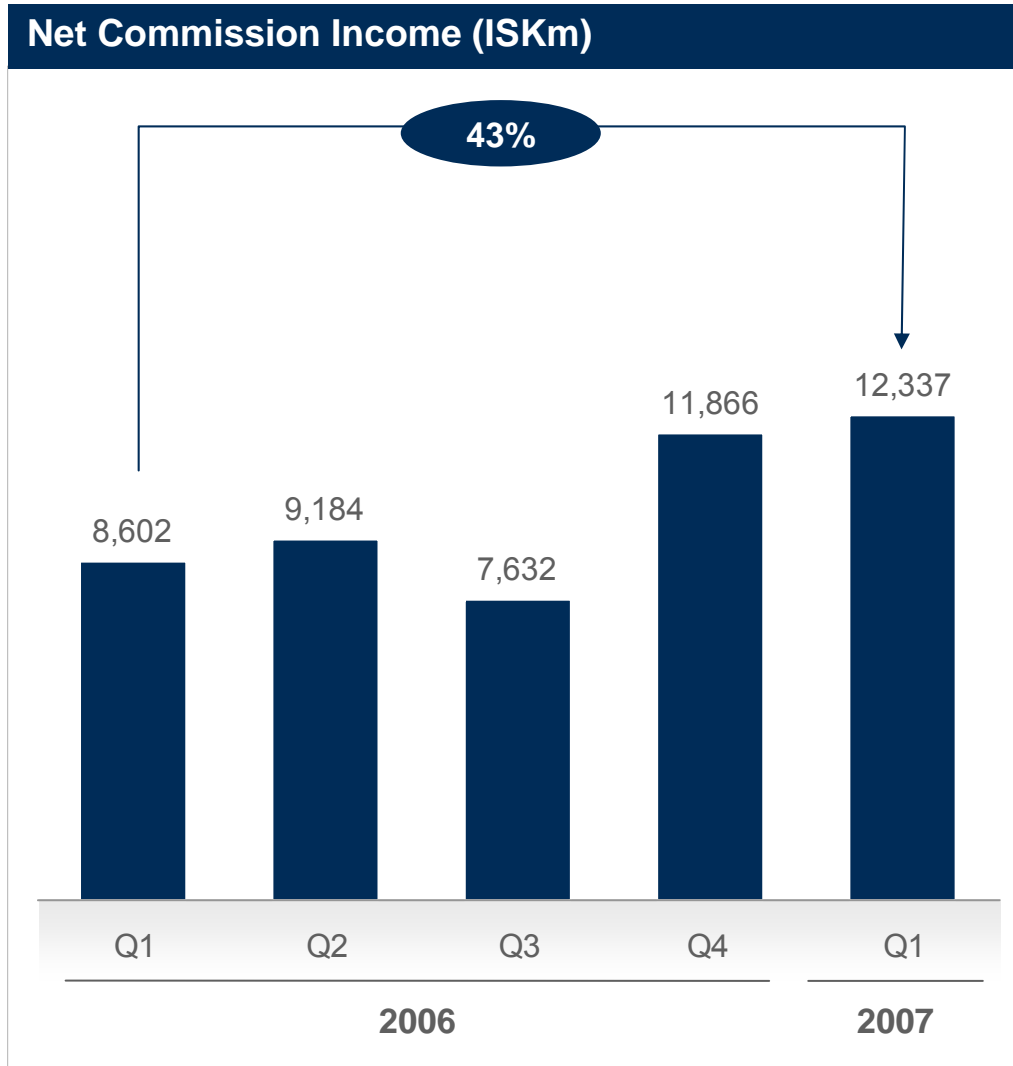


Net Interest Income and Geographic Breakdown

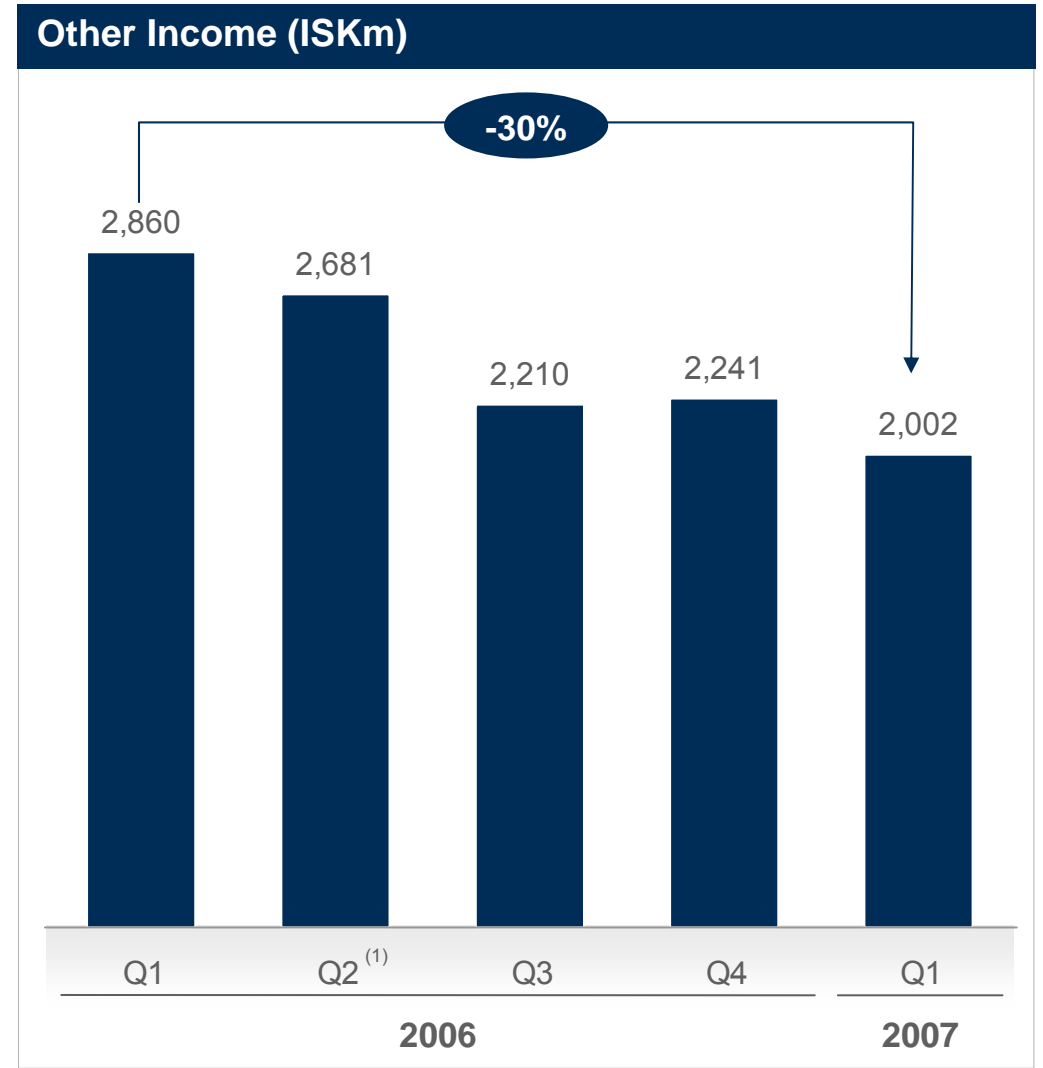
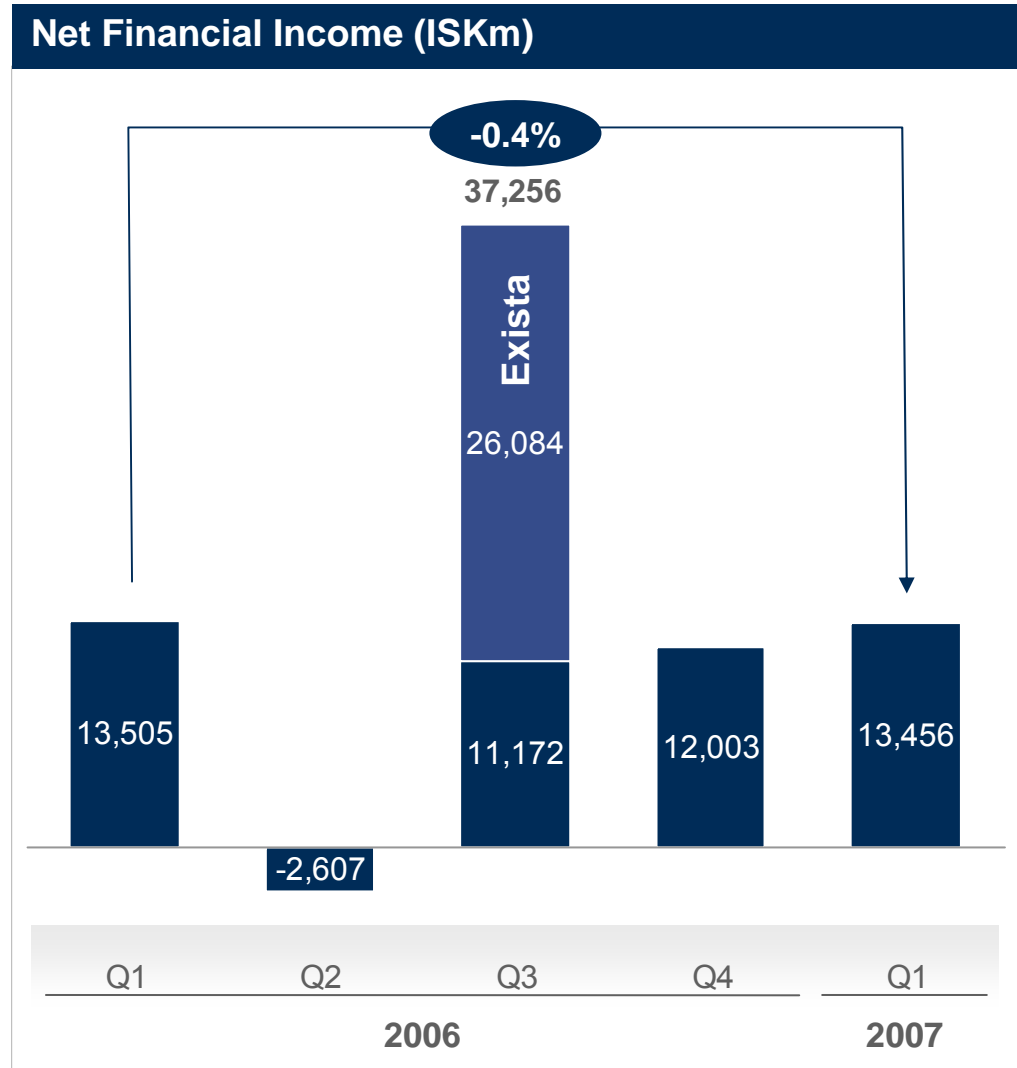


(1) By origin of clients

Net Commission Income and Geographic Breakdown



Net Financial Income and Other Income



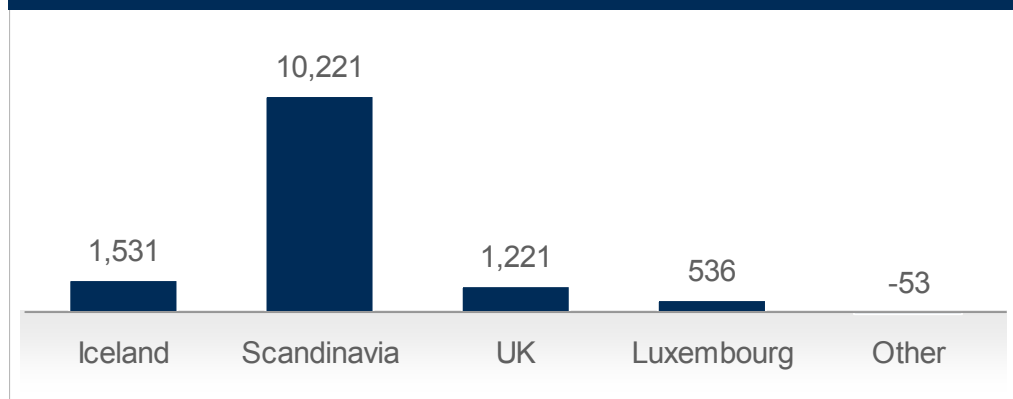
(1) Excluding VIS

Breakdown of Net Gain on Financial Assets by Location

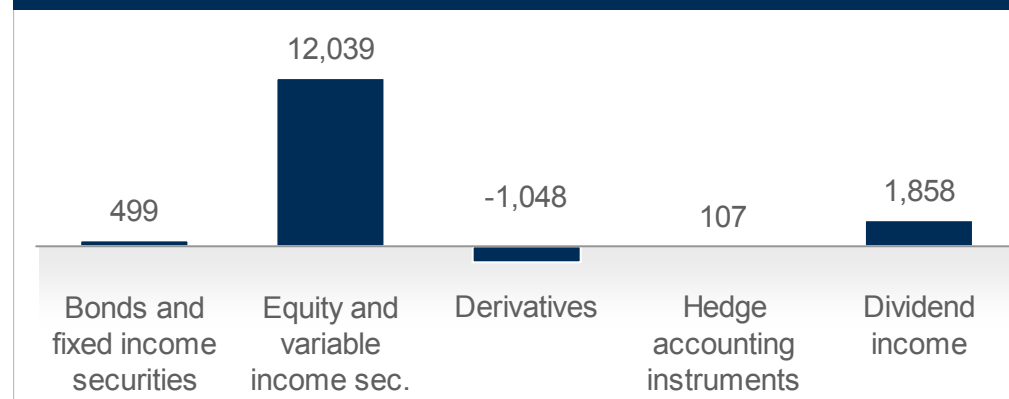
Q1 2007 (ISKm)

| | Iceland | Scandinavia | UK | Lux | Other | Total |
|---|--------------|---------------|--------------|------------|------------|---------------|
| Net gain from bonds and fixed income securities | -142 | 512 | 146 | -17 | 0 | 499 |
| Net gain from equity and variable income securities | 2,303 | 9,075 | 641 | 74 | -53 | 12,039 |
| Net gain from derivatives | -1,909 | -23 | 411 | 474 | 0 | -1,048 |
| Net gain from hedge accounting instruments | 0 | 107 | 0 | 0 | 0 | 107 |
| Dividend income | 1,279 | 551 | 23 | 5 | 0 | 1,858 |
| Total | 1,531 | 10,221 | 1,221 | 536 | -53 | 13,456 |

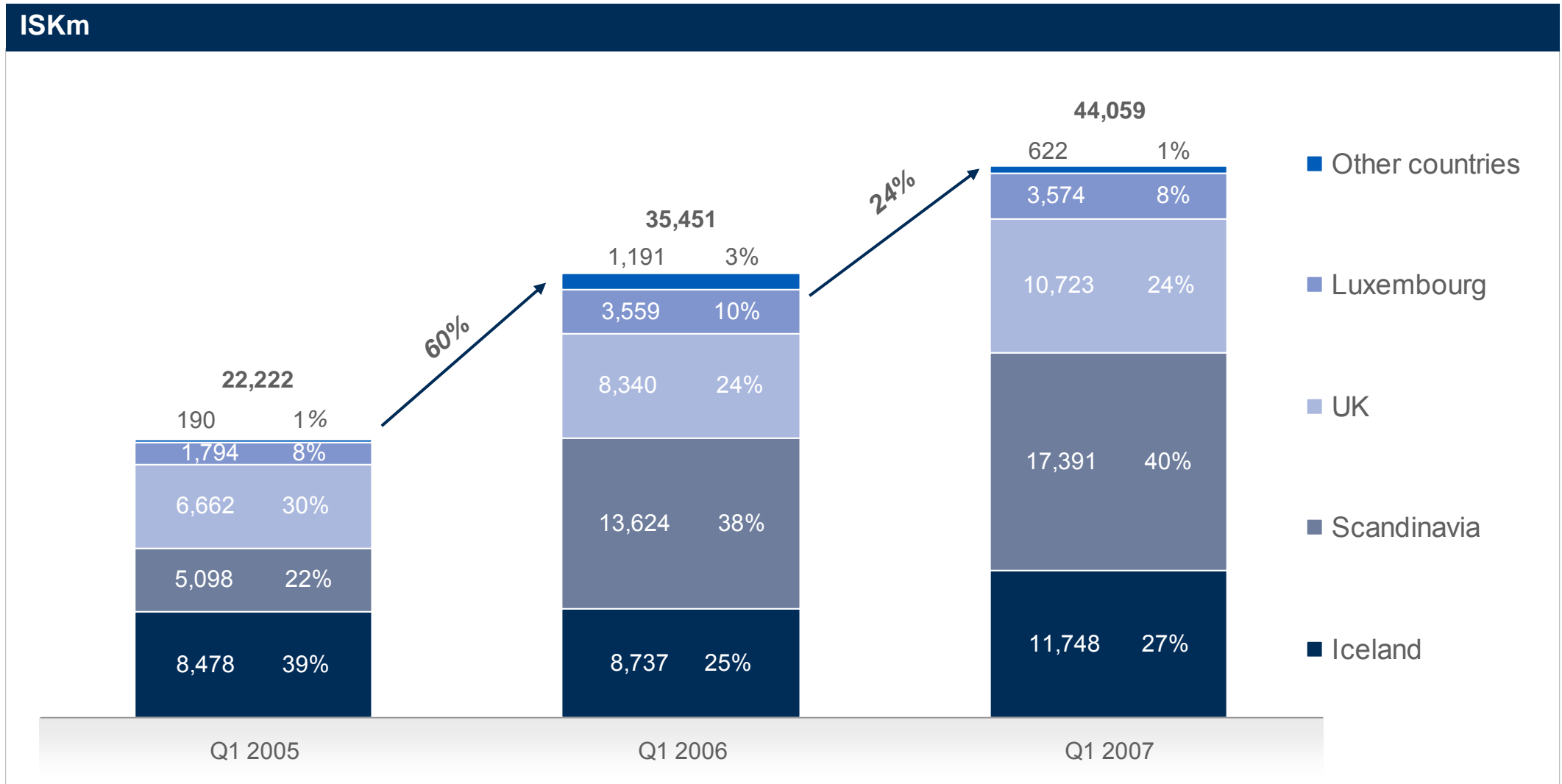
Net Gain on Financial Assets by Location



Net Gain on Financial Assets by Type



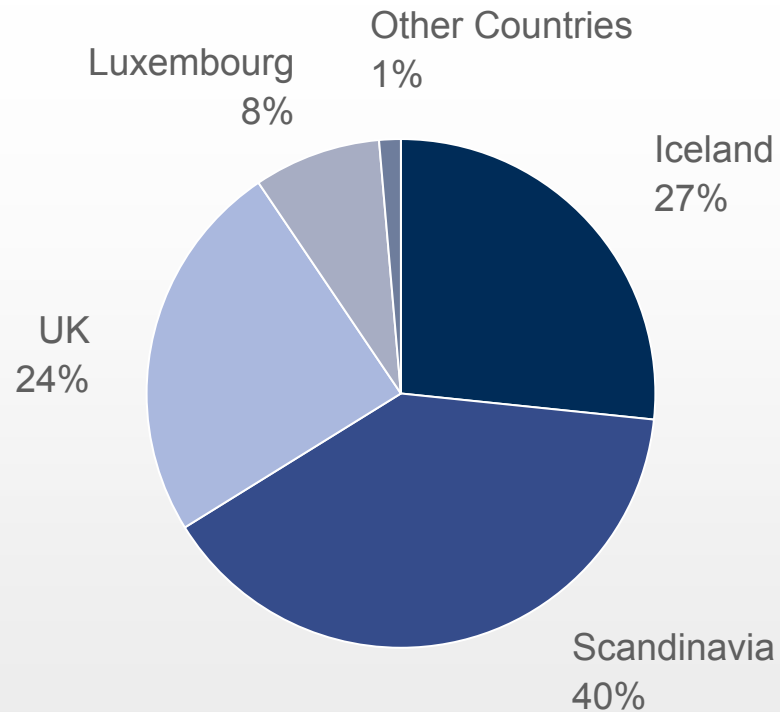
Geographic Diversification⁽¹⁾ – Operating Income



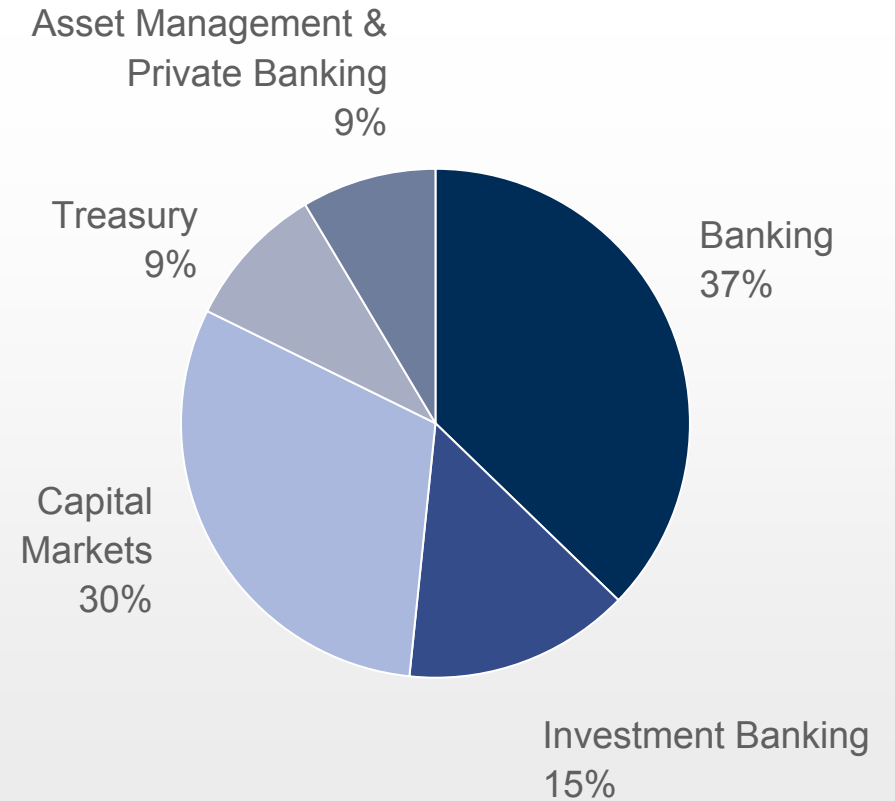
(1) By origin of clients

Geographic Diversification – Operating Income

Geographic Diversification Q1 2007



Operating Income by Division Q1 2007



Banking – Results

Comments

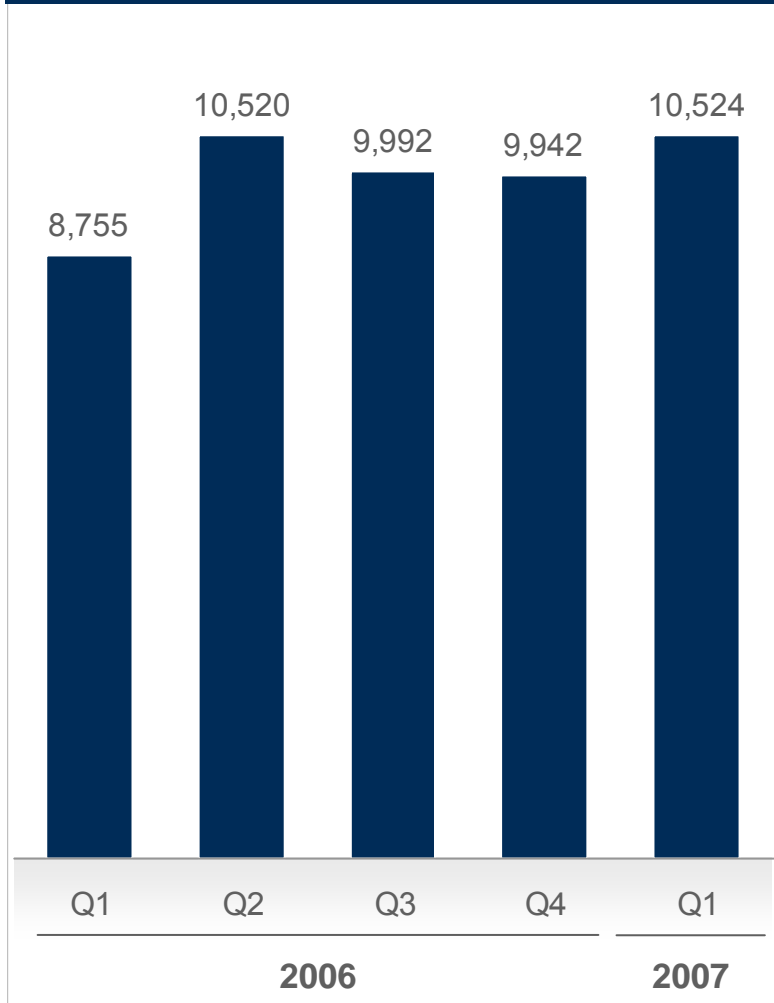
- ◆ Solid quarter
- ◆ Net interest income increased by 8% compared to Q4
- ◆ Net commission income decreased by 24% from previous quarter
- ◆ Total expense down by 7% from previous quarter
- ◆ Pre-tax profit increased by 16% from Q4

ISKm

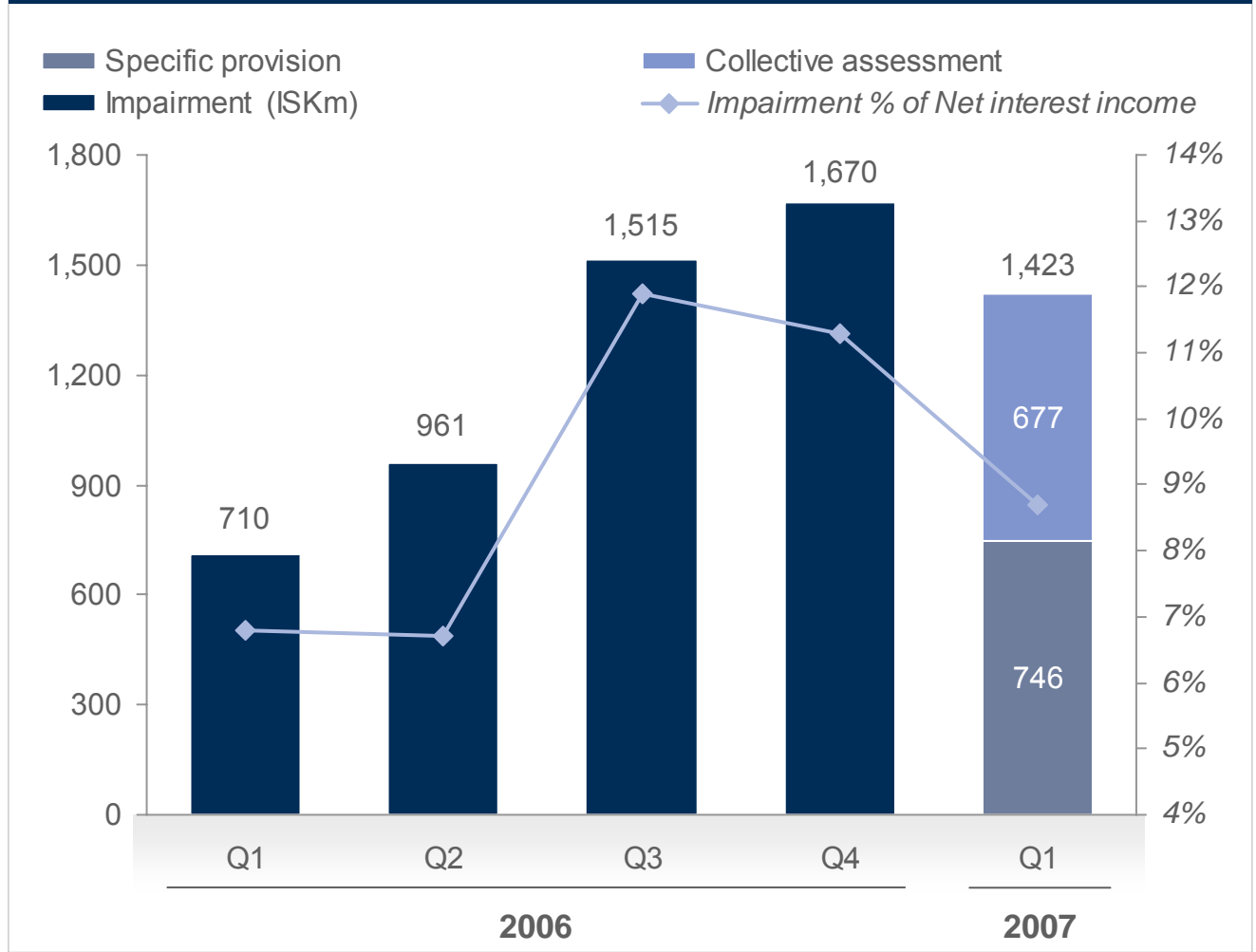
| | Q1 2007 | Q4 2006 | Q3 2006 | Q2 2006 | Q1 2006 |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Net interest income | 13,423 | 12,471 | 11,959 | 11,264 | 10,208 |
| Net commission income | 1,257 | 1,662 | 1,560 | 1,389 | 1,133 |
| Net financial income | 94 | 320 | 63 | 164 | 203 |
| Other income | 1,555 | 1,712 | 1,722 | 1,977 | 1,220 |
| Operating income | 16,329 | 16,165 | 15,305 | 14,794 | 12,764 |
| Expenses | 4,380 | 4,602 | 3,630 | 3,433 | 3,304 |
| Impairment | 1,425 | 1,621 | 1,684 | 841 | 705 |
| Total expenses | 5,805 | 6,223 | 5,313 | 4,274 | 4,009 |
| Gross profit | 10,524 | 9,942 | 9,992 | 10,520 | 8,755 |
| Allocated cost | 2,407 | 2,963 | 1,567 | 2,181 | 2,033 |
| Pre-tax profit | 8,117 | 6,979 | 8,425 | 8,339 | 6,722 |
| Cost income ratio | 27% | 28% | 24% | 23% | 26% |
| Equity (bn) | 189 | - | - | - | - |

Banking – Gross Profit and Impairment

Gross Profit (ISKm)

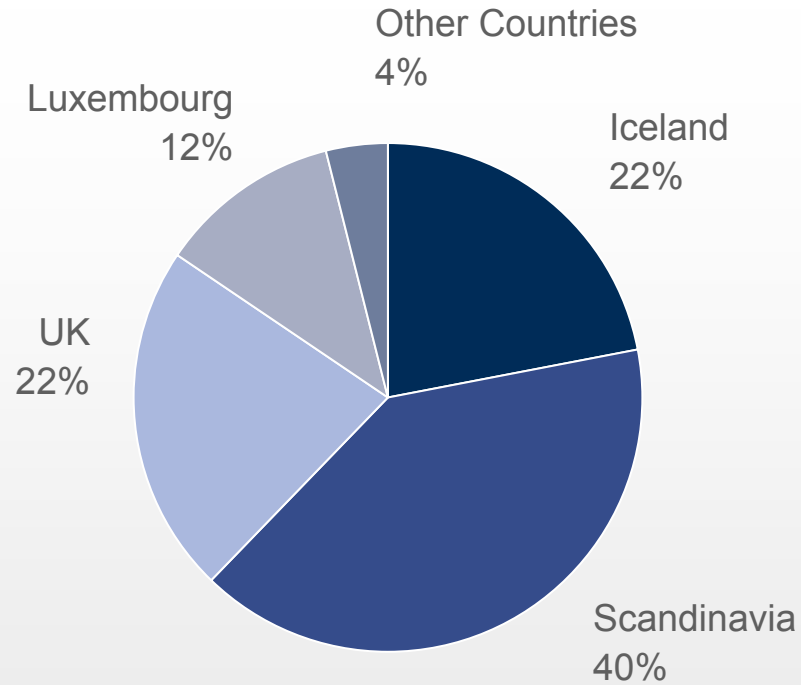


Banking – Impairment

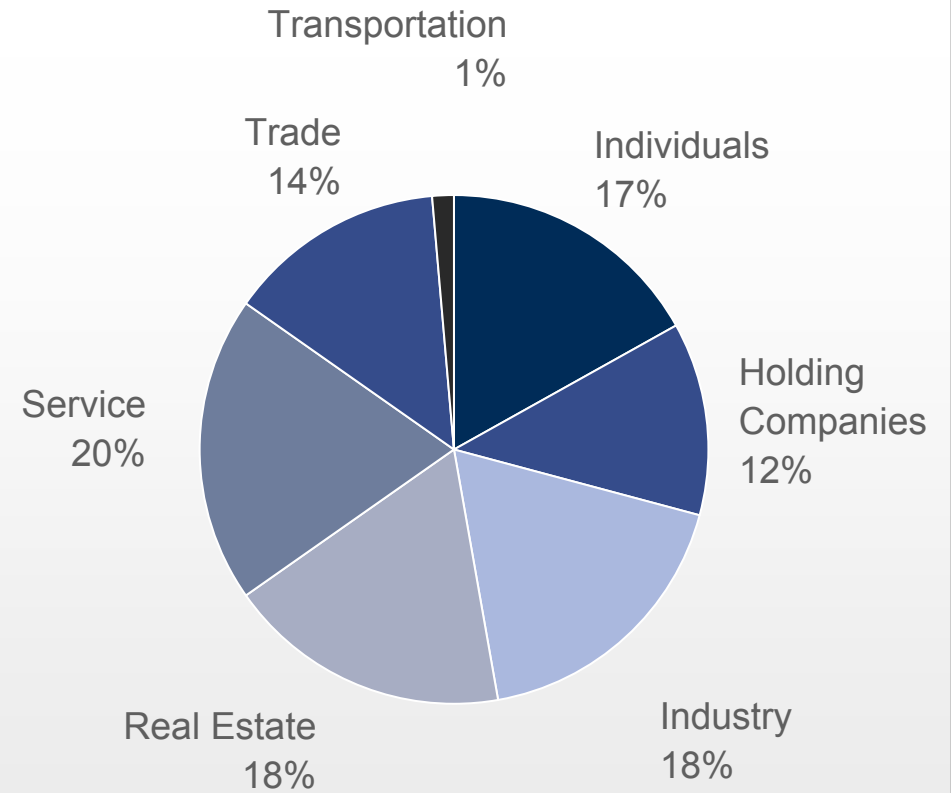


Banking – Well Diversified Portfolio

Loans to Customers by Location



Loans to Customers by Sectors



Investment Banking – Results

Comments

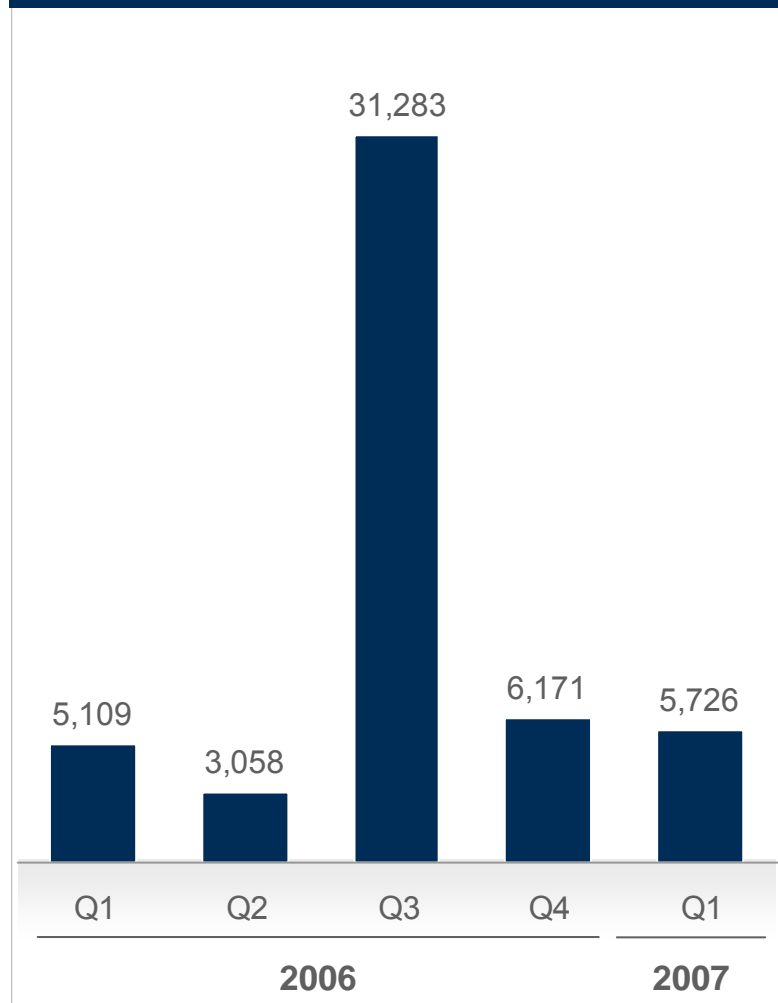
- ◆ Solid quarter in Investment Banking
- ◆ Net commission income increased by 73% from Q1 2006
- ◆ Cost income ratio of only 11%
- ◆ Pre-tax profit increased by 8% from Q1 2006
- ◆ Very strong pipeline

ISKm

| | Q1 2007 | Q4 2006 | Q3 2006 | Q2 2006 | Q1 2006 |
|-------------------------|--------------|--------------|---------------|--------------|--------------|
| Net interest income | -1,095 | -914 | -961 | -624 | -850 |
| Net commission income | 3,483 | 3,792 | 1,295 | 2,471 | 2,019 |
| Net financial income | 3,980 | 4,592 | 31,652 | 2,505 | 4,235 |
| Other income | 65 | 7 | -142 | -84 | 262 |
| Operating income | 6,433 | 7,477 | 31,845 | 4,268 | 5,666 |
| Expenses | 708 | 1,310 | 562 | 1,208 | 556 |
| Impairment | 0 | -4 | 0 | 2 | 1 |
| Total expenses | 707 | 1,306 | 562 | 1,210 | 557 |
| Gross profit | 5,726 | 6,171 | 31,283 | 3,058 | 5,109 |
| Allocated cost | 432 | 123 | 203 | 340 | 222 |
| Pre-tax profit | 5,294 | 6,048 | 31,080 | 2,718 | 4,887 |
| Cost income ratio | 11% | 18% | 2% | 28% | 10% |
| Equity (bn) | 36 | - | - | - | - |

Investment Banking

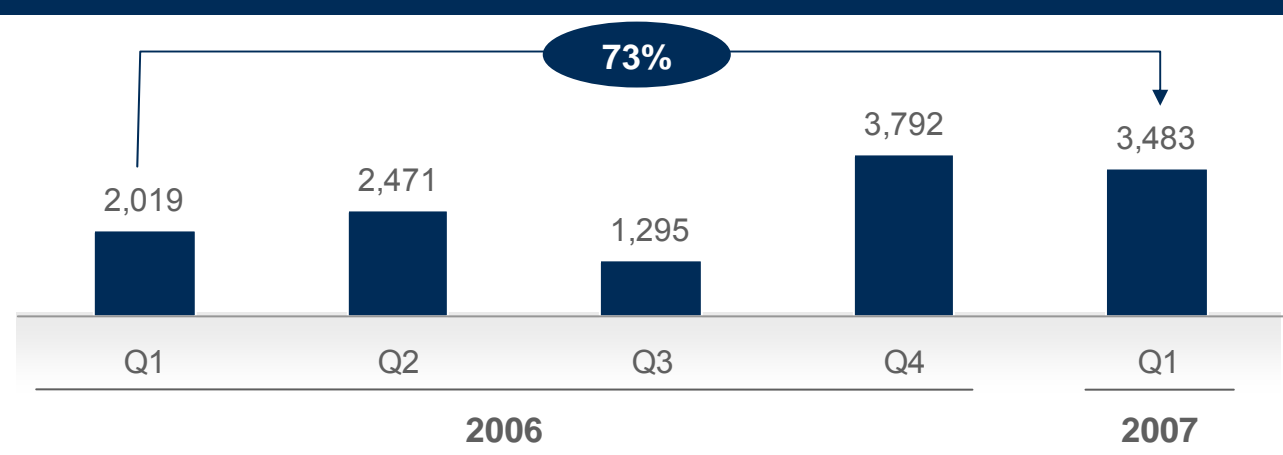
Gross Profit (ISKm)



Largest Unlisted Equity Exposures (ISKm)

| Company | Country | Sector | Share |
|--|---------|-----------------------|------------|
| Síminn hf. | Iceland | Telecommunications | 27% |
| SPRON Stofnfjárbréf | Iceland | Financial institution | 5% |
| Phase Eight | UK | Retail | 49% |
| Icopal Holding A/S | Denmark | Manufacturing | 15% |
| Somerfield | UK | Retail | 9% |
| The weight of the five largest holdings of total unlisted assets is | | | 32% |

Net Commission Income



Capital Markets – Results

Comments

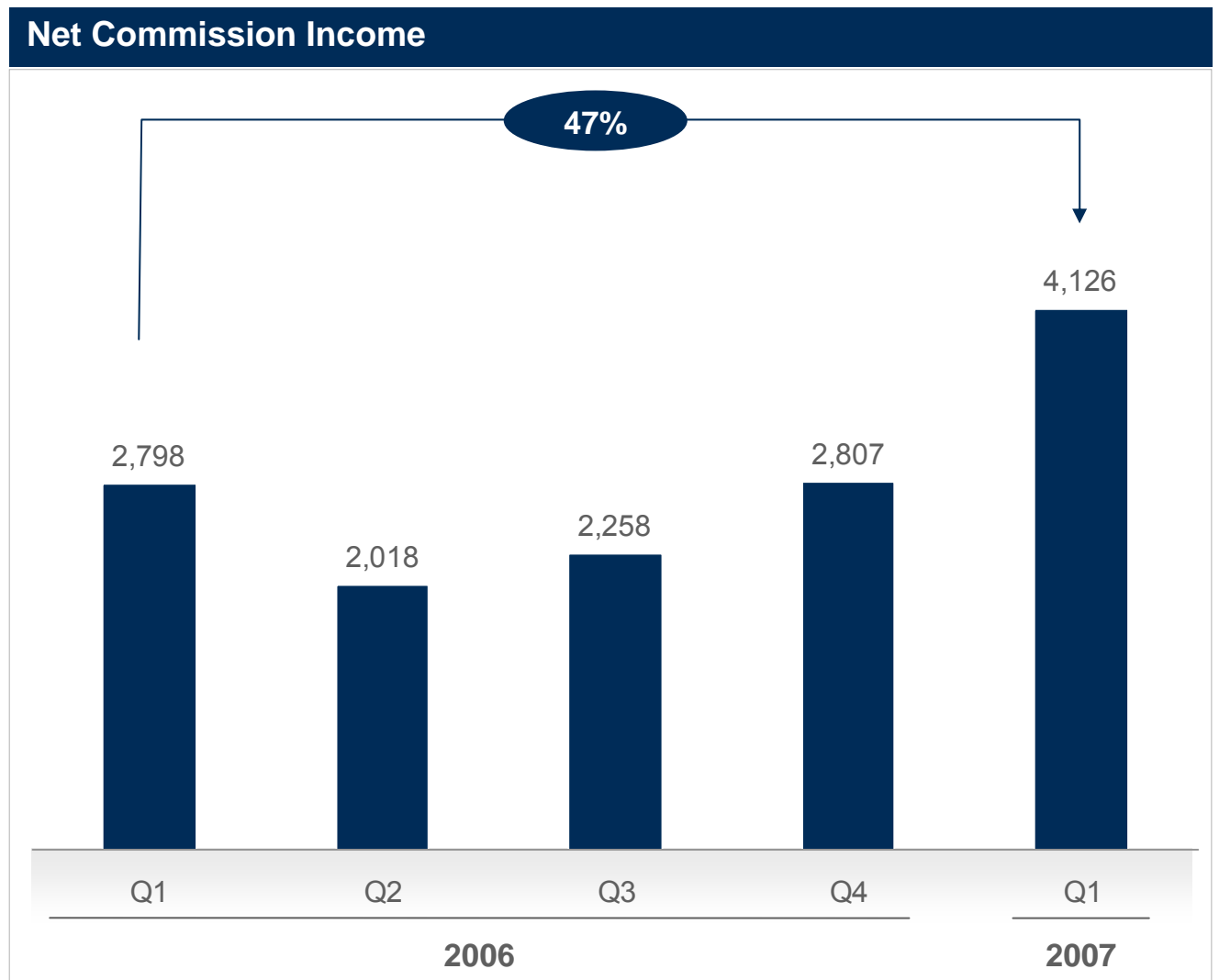
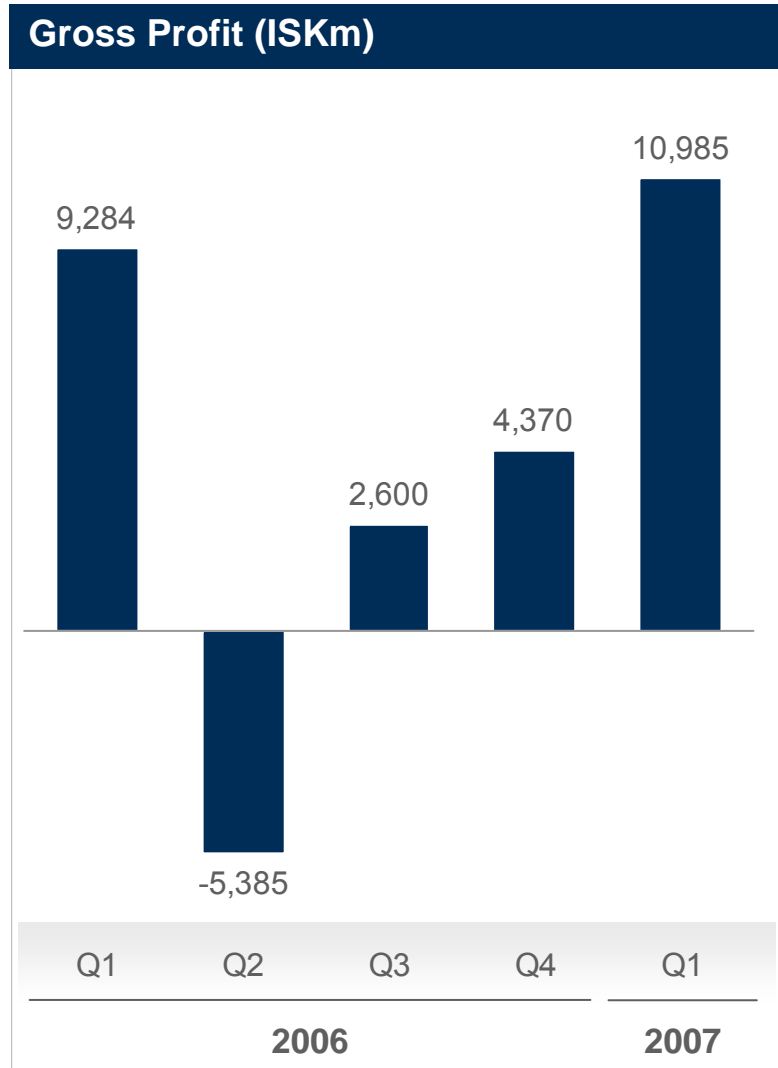
- ◆ Record quarter
- ◆ Record high operating income – doubled from Q4 2006
- ◆ Net commission income up by 47% compared to Q4
- ◆ The increase in net commission income is mainly traceable to UK, Luxembourg and Iceland
- ◆ Pre-tax profit increased by 14% compared to Q1 2006 but triple compared to Q4

ISKm ⁽¹⁾

| | Q1 2007 | Q4 2006 | Q3 2006 | Q2 2006 | Q1 2006 |
|-------------------------|---------------|--------------|--------------|---------------|---------------|
| Net interest income | -564 | -286 | -509 | 605 | -218 |
| Net commission income | 4,126 | 2,807 | 2,258 | 2,018 | 2,798 |
| Net financial income | 9,778 | 4,407 | 2,269 | -6,515 | 7,752 |
| Other income | 56 | 0 | 0 | 0 | 0 |
| Operating income | 13,396 | 6,928 | 4,018 | -3,892 | 10,332 |
| Expenses | 2,412 | 2,558 | 1,418 | 1,370 | 1,048 |
| Impairment | 0 | 0 | 0 | 123 | 0 |
| Total expenses | 2,411 | 2,558 | 1,418 | 1,493 | 1,048 |
| Gross profit | 10,985 | 4,370 | 2,600 | -5,385 | 9,284 |
| Allocated cost | 1,163 | 1,034 | 659 | 908 | 646 |
| Pre-tax profit | 9,822 | 3,336 | 1,942 | -6,293 | 8,638 |
| Cost income ratio | 18% | 37% | 35% | -35% | 10% |
| Equity (bn) | 37 | - | - | - | - |

(1) The FX and derivative sales division is now included in Capital Markets (was previously in Treasury).
The figures have been adjusted accordingly for previous quarters to show comparable figures

Capital Markets – Gross Profit and Net Commission Income



Treasury – Results

Comments

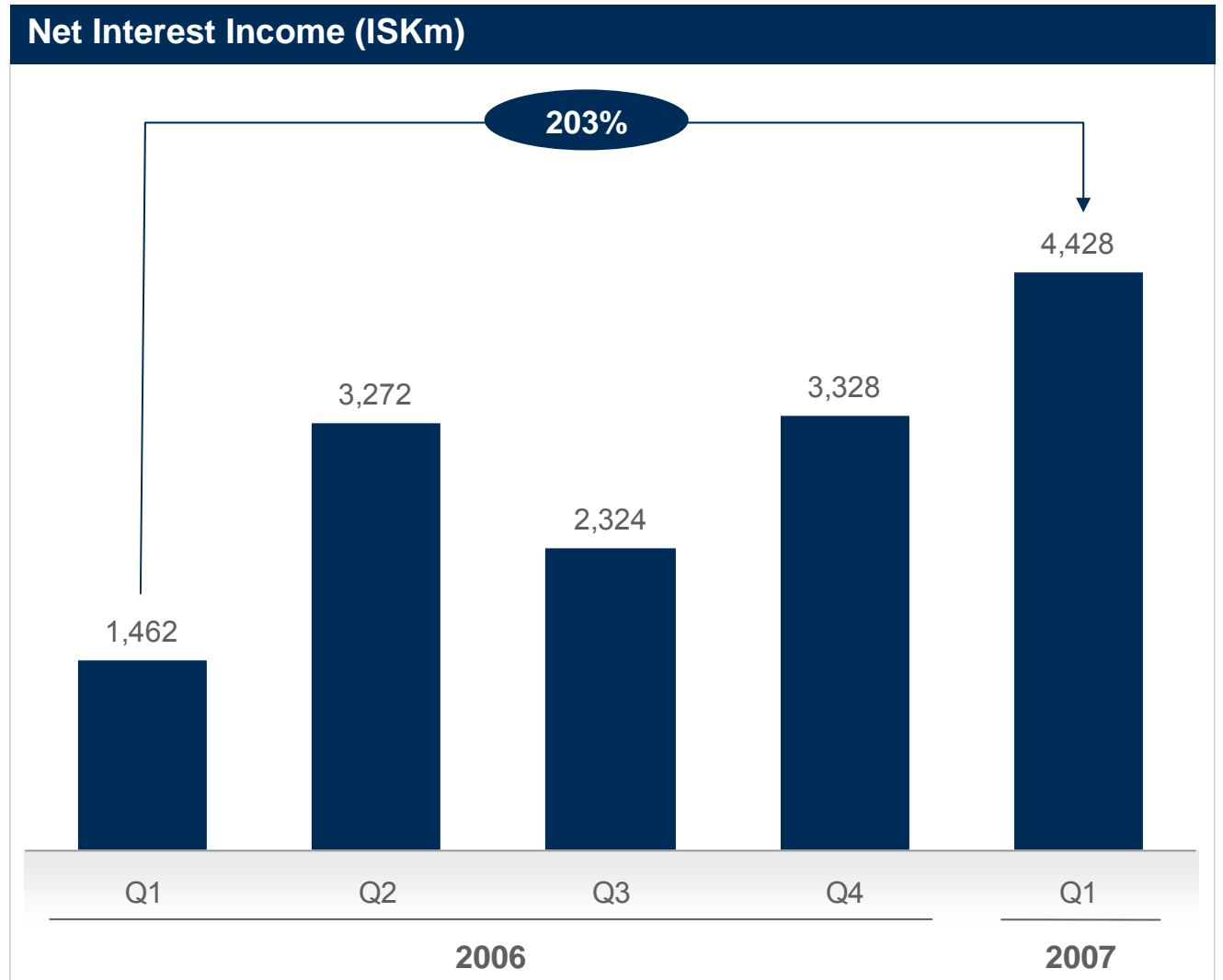
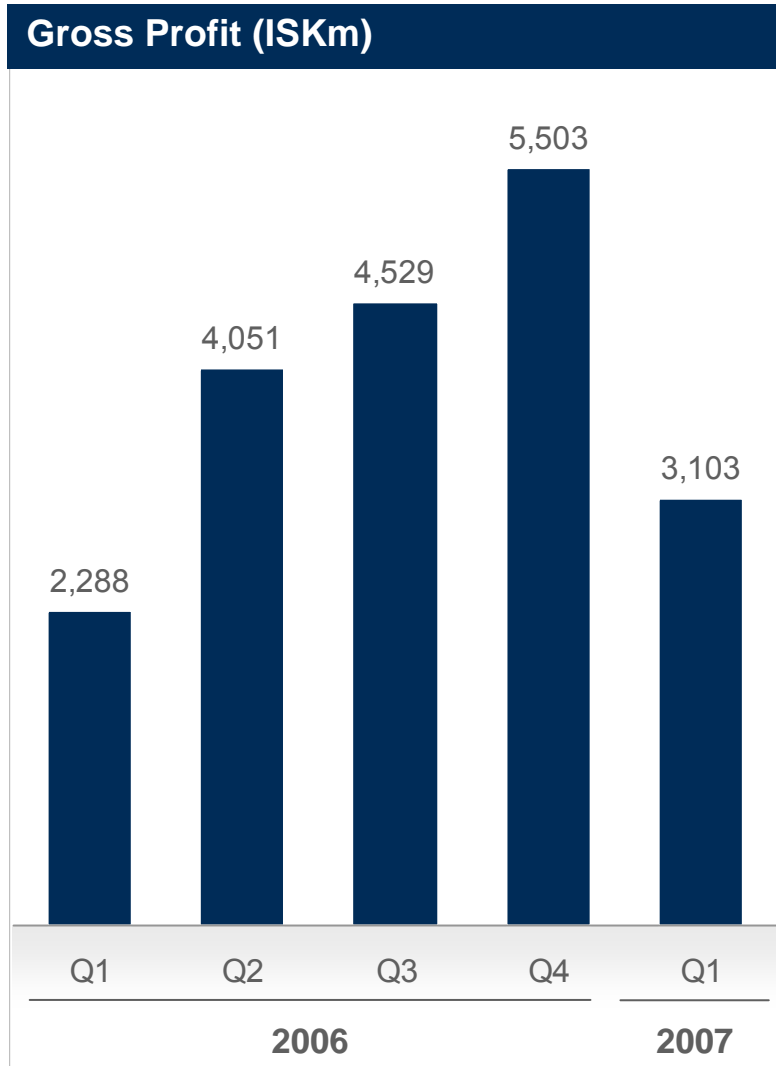
- ◆ Satisfactory quarter
- ◆ Record high in net interest income – increased by 33% from Q4
- ◆ Loss in net financial income is related to decrease in short-term ISK interest rates
- ◆ Operating income increased by 43% from Q1 2006
- ◆ Pre-tax profit 39% higher compared to same period last year

ISKm ⁽¹⁾

| | Q1 2007 | Q4 2006 | Q3 2006 | Q2 2006 | Q1 2006 |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Net interest income | 4,428 | 3,328 | 2,324 | 3,272 | 1,462 |
| Net commission income | -75 | 262 | -108 | 367 | -78 |
| Net financial income | -441 | 2,828 | 3,072 | 1,109 | 1,402 |
| Other income | 67 | 23 | 1 | 2 | 0 |
| Operating income | 3,978 | 6,441 | 5,288 | 4,750 | 2,786 |
| Expenses | 875 | 937 | 758 | 701 | 492 |
| Impairment | 0 | 0 | 1 | -2 | 6 |
| Total expenses | 875 | 938 | 759 | 699 | 498 |
| Gross profit | 3,103 | 5,503 | 4,529 | 4,051 | 2,288 |
| Allocated cost | 561 | 664 | 370 | 484 | 455 |
| Pre-tax profit | 2,541 | 4,839 | 4,159 | 3,567 | 1,833 |
| Cost income ratio | 22% | 15% | 14% | 15% | 18% |
| Equity (bn) | 53 | - | - | - | - |

(1) The FX and derivative sales division has been moved from Treasury to Capital Markets. The figures have been adjusted accordingly for previous quarters to show comparable figures

Treasury – Gross Profit and Net Interest Income



Asset Management & Private Banking – Results

Comments

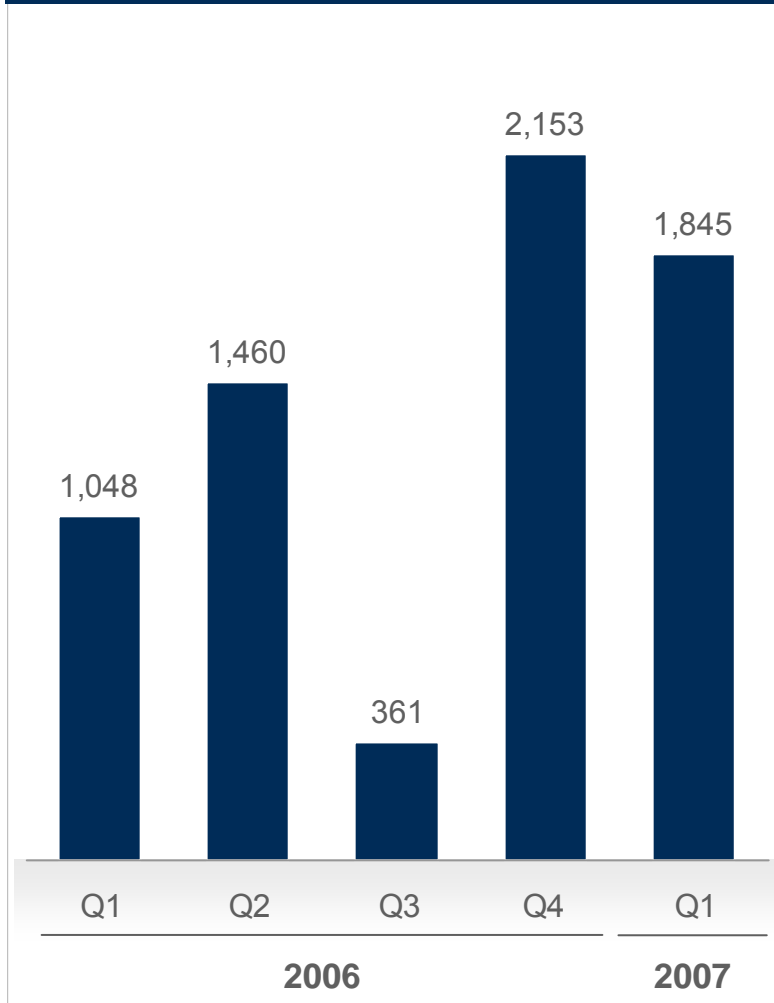
- ◆ Good quarter
- ◆ Strong net commission income – increased by 30% compared to Q1 last year
- ◆ Pre-tax profit increased significantly compared to same quarter last year
- ◆ Assets under management total ISK 1,444 bn

ISKm

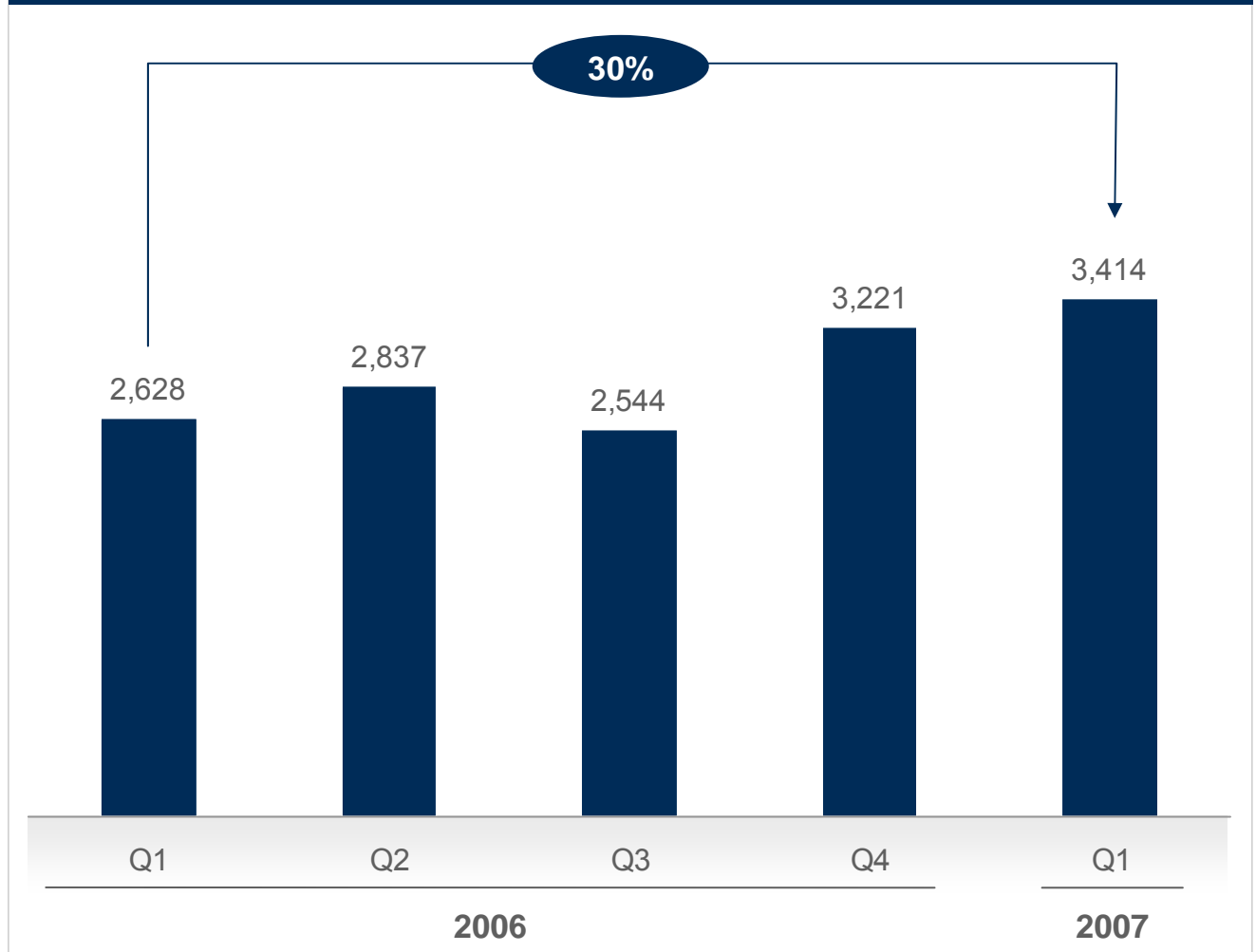
| | Q1 2007 | Q4 2006 | Q3 2006 | Q2 2006 | Q1 2006 |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Net interest income | 324 | 254 | 167 | 234 | 162 |
| Net commission income | 3,414 | 3,221 | 2,544 | 2,837 | 2,628 |
| Net financial income | 28 | 110 | 91 | 134 | 196 |
| Other income | 81 | 605 | 357 | 0 | 0 |
| Operating income | 3,847 | 4,190 | 3,160 | 3,205 | 2,986 |
| Expenses | 2,002 | 2,037 | 1,660 | 1,745 | 1,938 |
| Impairment | 0 | 0 | 1,138 | 0 | 0 |
| Total expenses | 2,002 | 2,037 | 2,798 | 1,745 | 1,938 |
| Gross profit | 1,845 | 2,153 | 361 | 1,460 | 1,048 |
| Allocated cost | 1,070 | 823 | 766 | 873 | 965 |
| Pre-tax profit | 775 | 1,330 | -405 | 587 | 83 |
| Cost income ratio | 52% | 49% | 53% | 54% | 65% |
| Equity (bn) | 8 | - | - | - | - |

Asset Management & Private Banking

Gross Profit (ISKm)

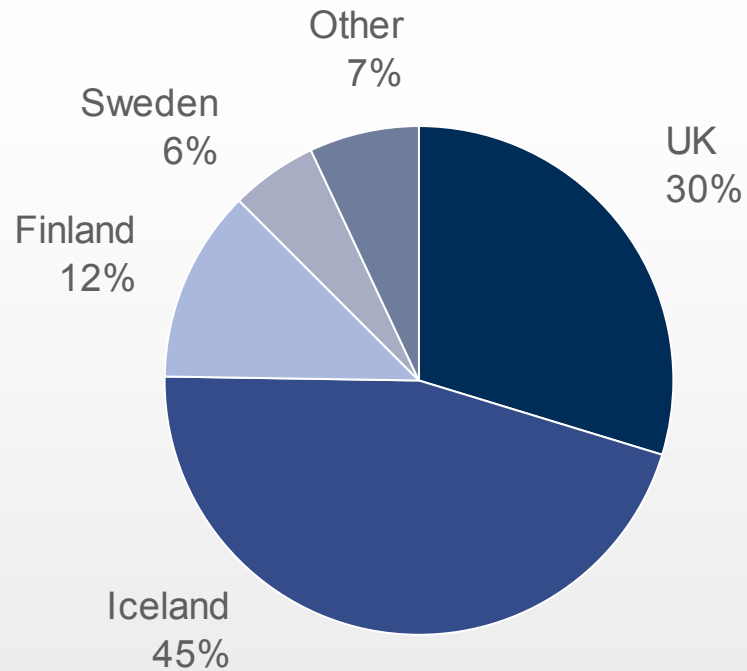


Net Commission Income

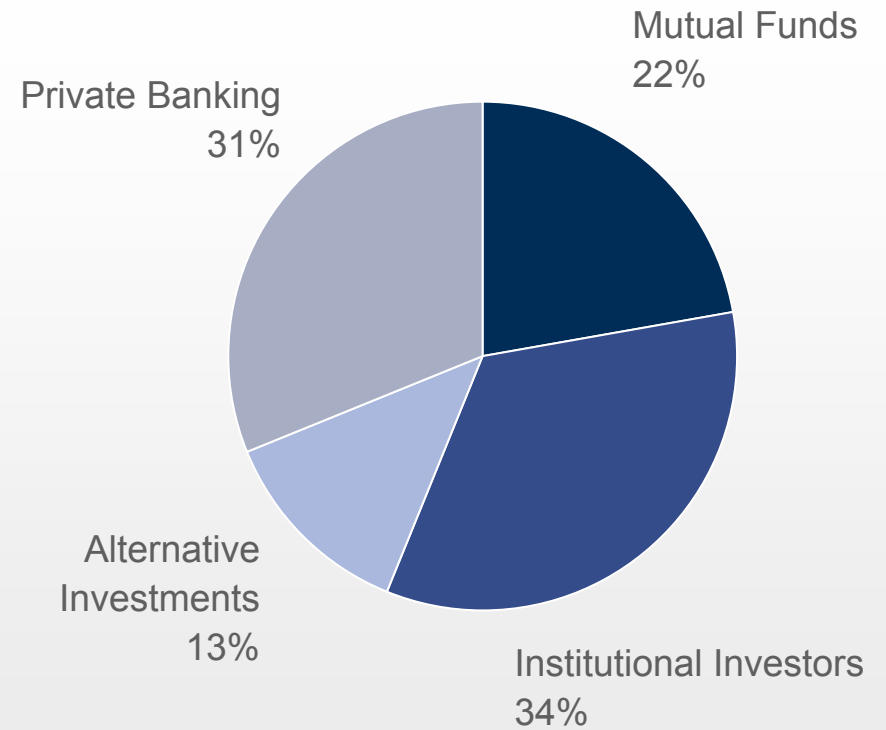


Asset Management & Private Banking

AuM as of 31 March 2007 – by Country



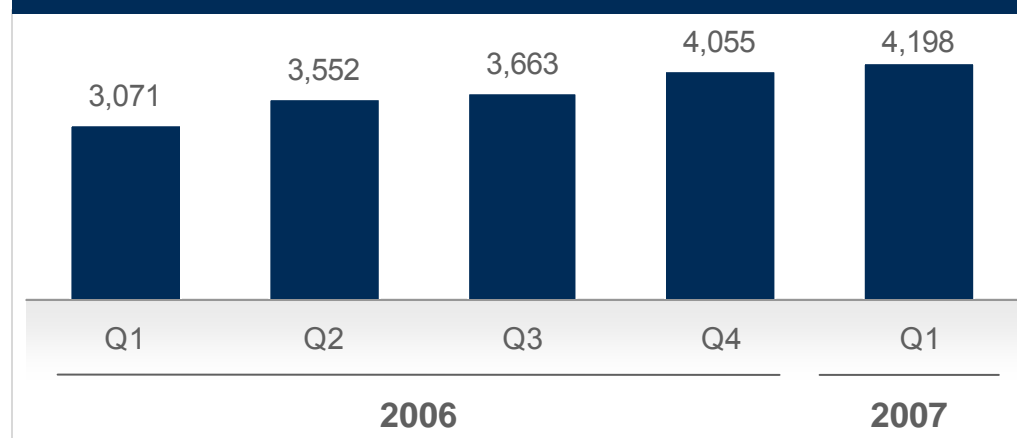
AuM as of 31 March 2007 – by Type



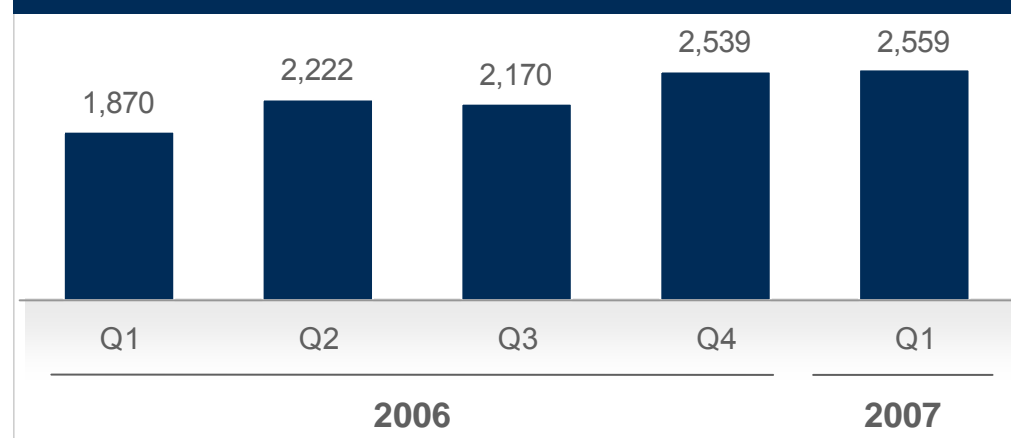
Balance Sheet – Assets 31 March 2007 (ISKbn)

| | 31/03/2007 | 31/12/2006 | Chg | EUR chg |
|--------------------------------------|----------------|----------------|-----------|------------|
| Cash and balances with central banks | 133.9 | 107.0 | 25% | 35% |
| Loans to credit institutions | 452.4 | 485.3 | -7% | 0% |
| Loans to customers | 2,559.1 | 2,538.6 | 1% | 8% |
| Bonds and debt instruments | 362.9 | 318.3 | 14% | 23% |
| Shares and equity instruments | 170.5 | 159.0 | 7% | 15% |
| Derivatives | 58.8 | 65.5 | -10% | -3% |
| Derivatives used for hedging | 9.4 | 6.5 | 46% | 57% |
| Securities used for hedging | 235.0 | 115.9 | 103% | 118% |
| Intangible assets | 64.0 | 68.3 | -6% | 1% |
| Other assets | 152.4 | 191.1 | -20% | -14% |
| Total assets | 4,198.4 | 4,055.4 | 4% | 11% |

Total Assets (ISKbn)

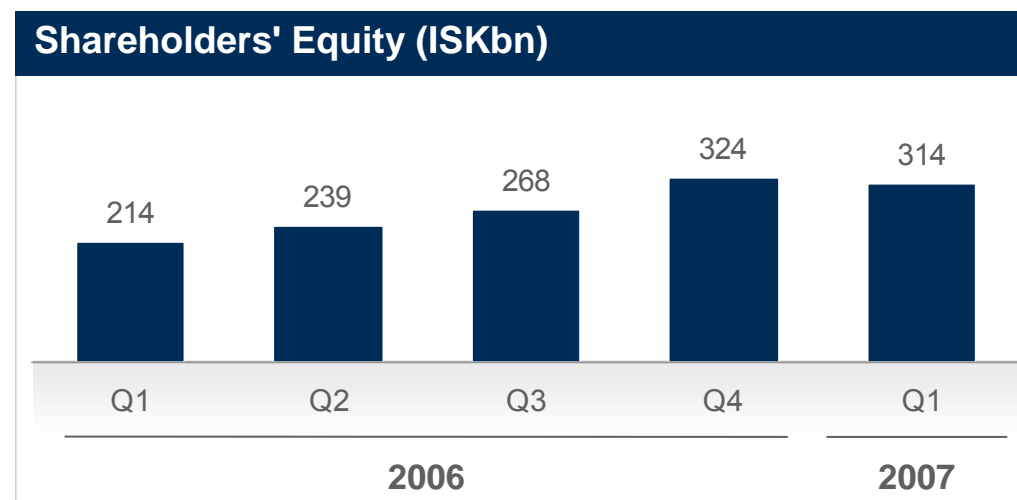
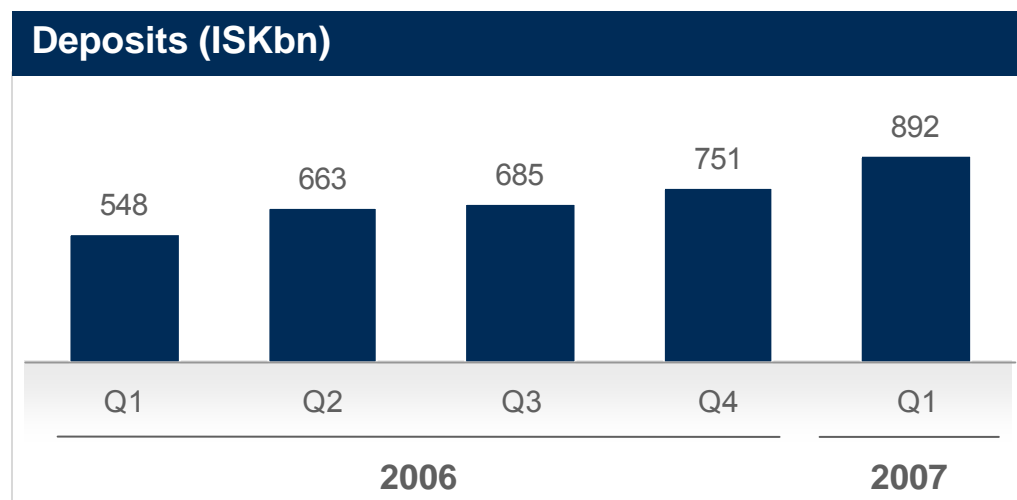


Loans to Customers (ISKbn)



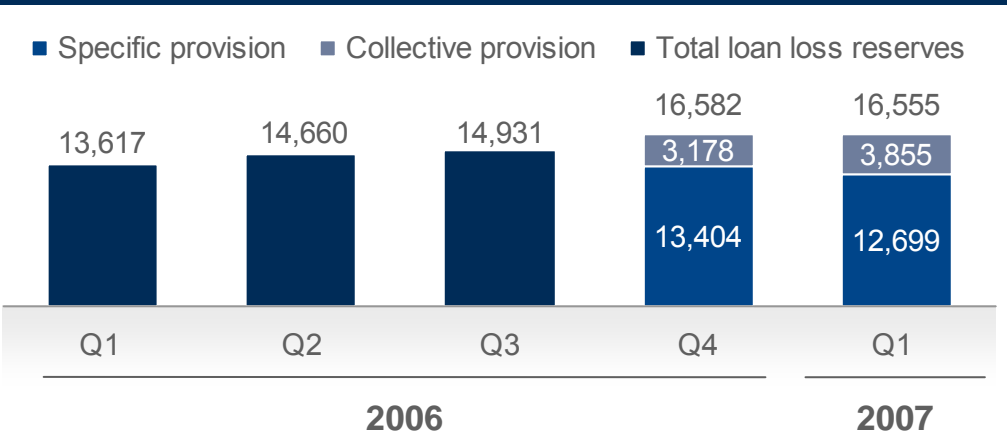
Balance Sheet – Liabilities and Equity 31 March 2007 (ISKbn)

| | 31/03/2007 | 31/12/2006 | Chg | EUR chg |
|---------------------------------------|----------------|----------------|-----------|------------|
| Credit institutions and central banks | 119.9 | 110.5 | 9% | 17% |
| Deposits | 892.2 | 750.7 | 19% | 28% |
| Borrowings | 2,435.1 | 2,399.9 | 1% | 9% |
| Other liabilities | 208.2 | 243.4 | -14% | -8% |
| Subordinated loans | 218.9 | 216.0 | 1% | 9% |
| Shareholders' equity | 313.9 | 323.5 | -3% | 4% |
| Minority interest | 10.2 | 11.4 | -10% | -3% |
| Total liabilities and equity | 4,198.4 | 4,055.4 | 4% | 11% |

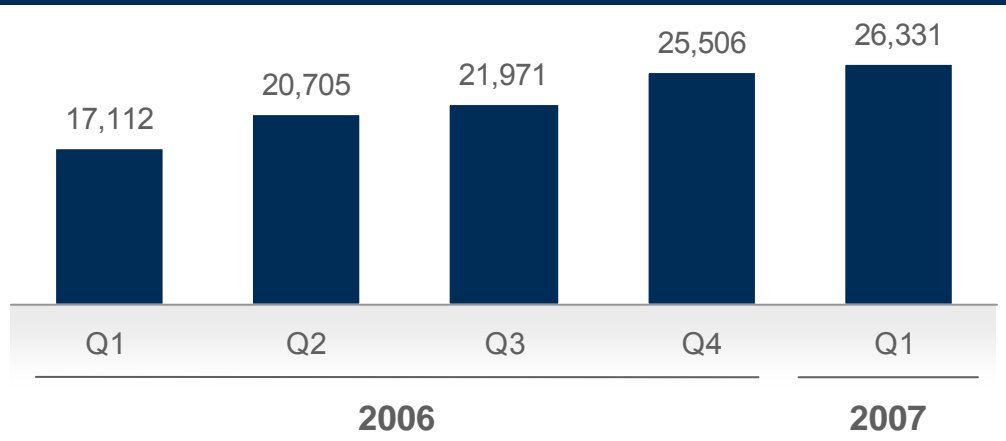


Asset Quality

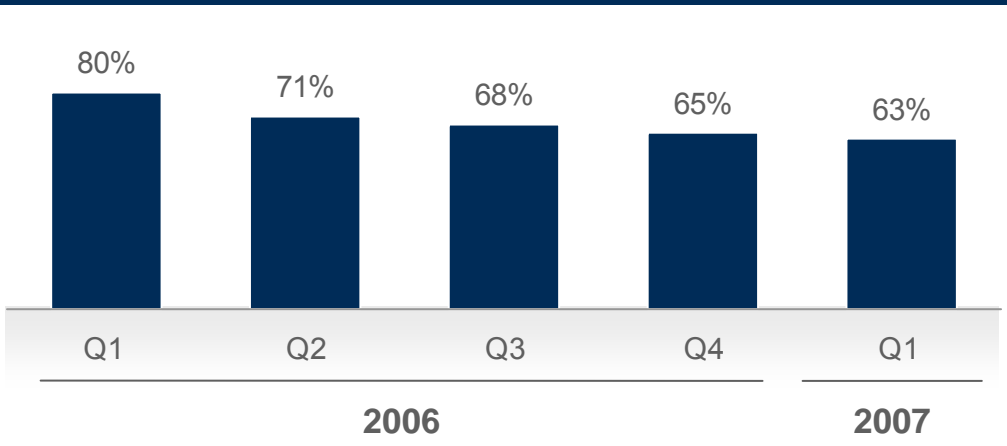
Loan Loss Reserves (ISKm)



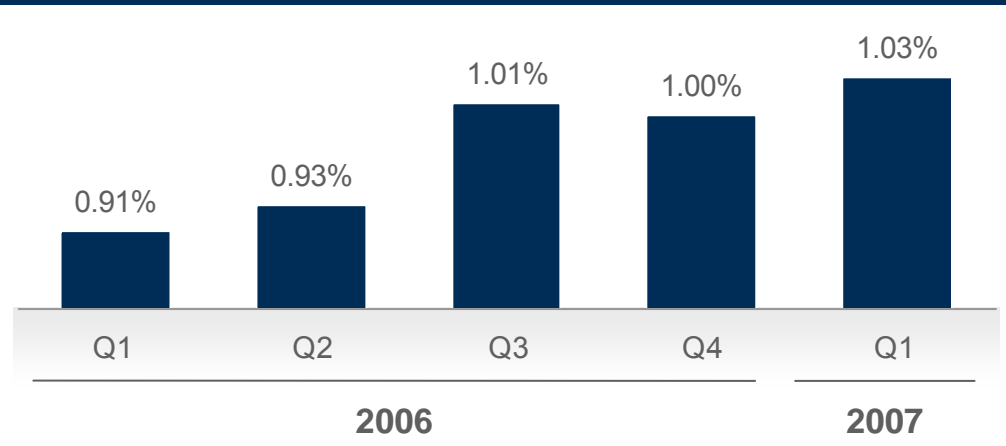
Non-performing Loans (ISKm)



Loan Loss Reserves % of Non-performing Loans



Non-performing Loans / Loans to Customers

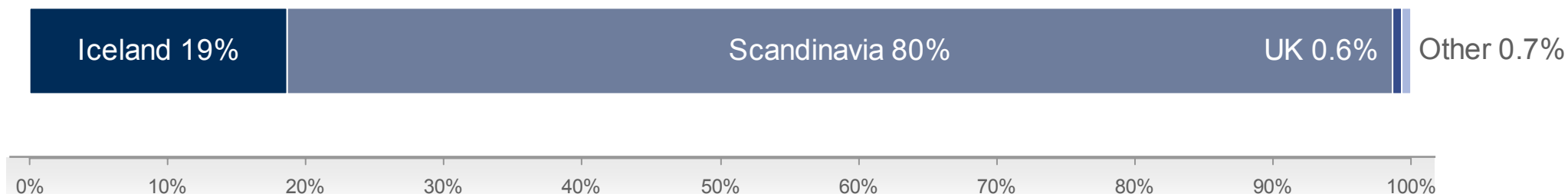


Bond and Equity Exposure

Q1 2007 ISKm

| | 31.3.2007 | 31.12.2006 | Change | % |
|---|-----------|------------|---------|------|
| Bonds and debt instruments | 362,852 | 318,264 | 44,588 | 14% |
| Shares and equity instruments | 170,536 | 159,020 | 11,516 | 7% |
| Derivatives | 58,820 | 65,454 | -6,633 | -10% |
| Derivatives used for hedging | 9,409 | 6,453 | 2,956 | 46% |
| Hedged securities | 234,986 | 115,938 | 119,048 | 103% |
| Investment in associates and joint ventures | 5,369 | 5,304 | 64 | 1% |

Listed Equities by Stock Exchanges

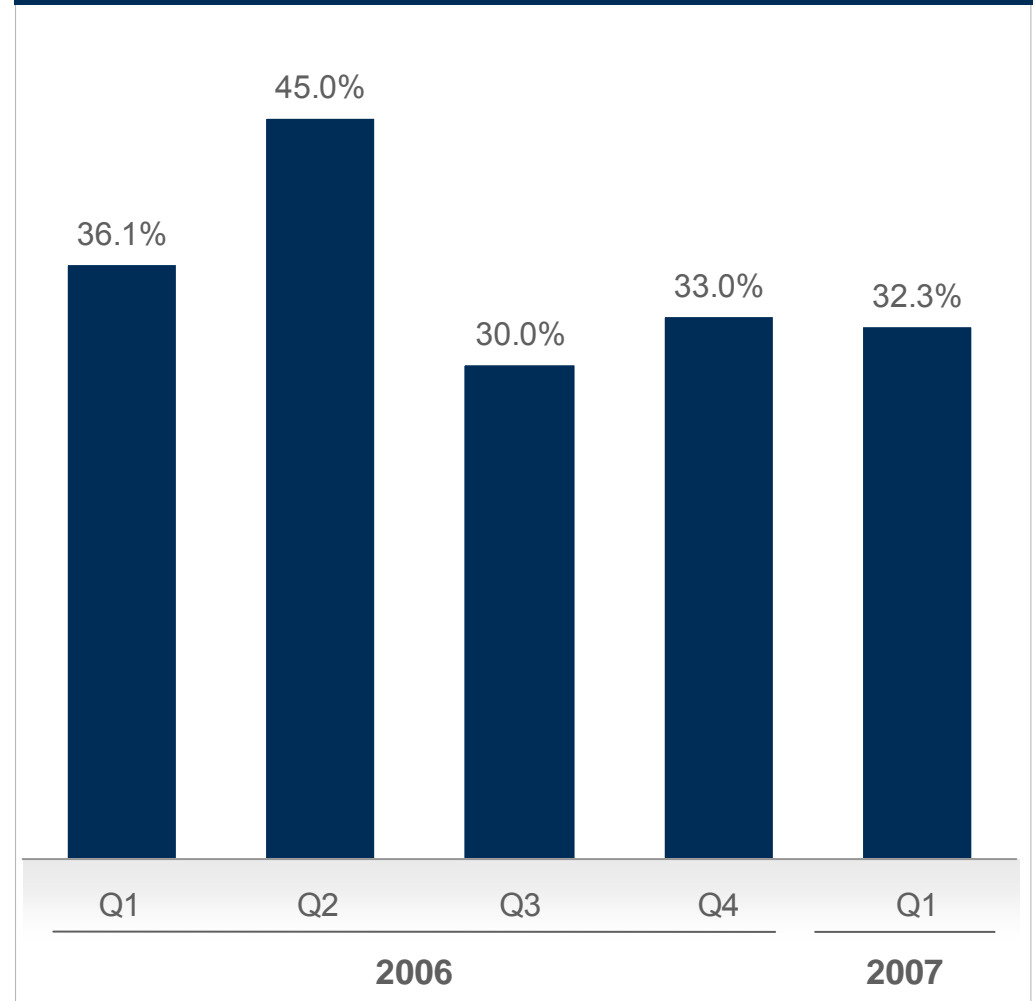


Equity Exposure Metrics

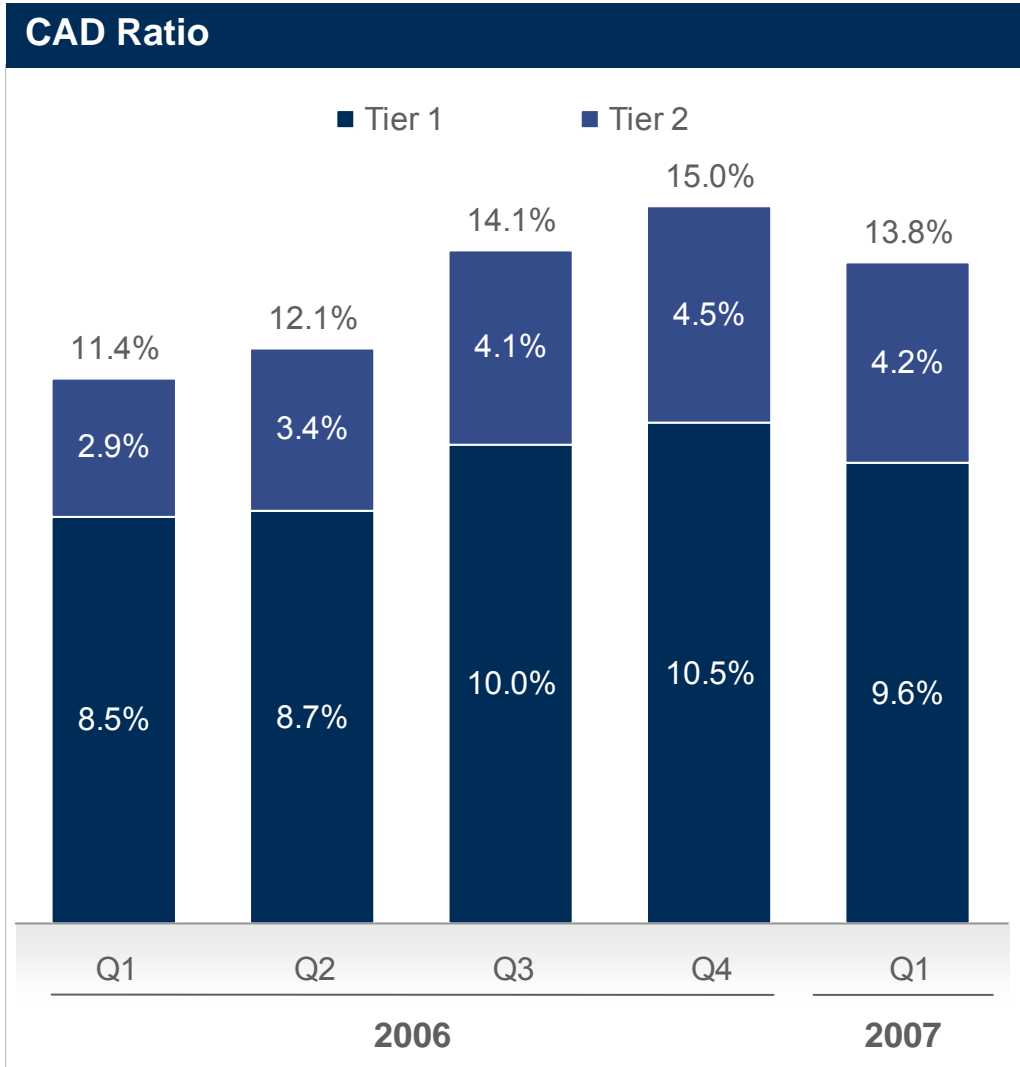
VaR (10d 99%) % of Risk Capital



Equity Exposure as % of Risk Capital



CAD Ratio and Risk Capital

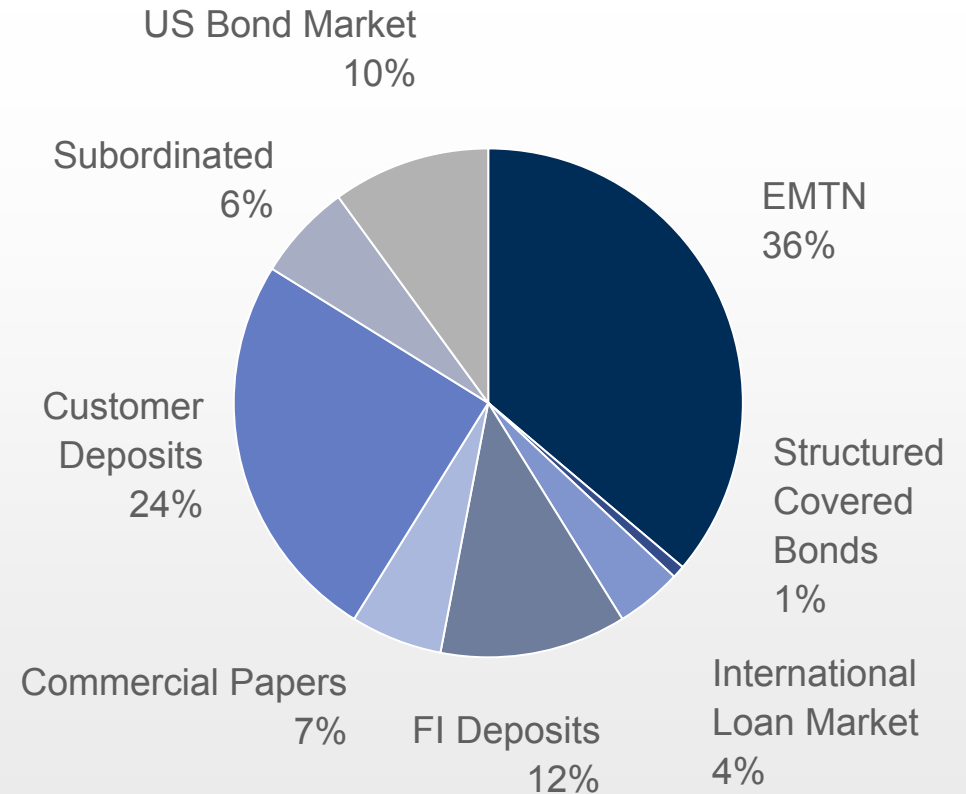


Further Implementation of a Global Funding Programme

Overview Q1 2007

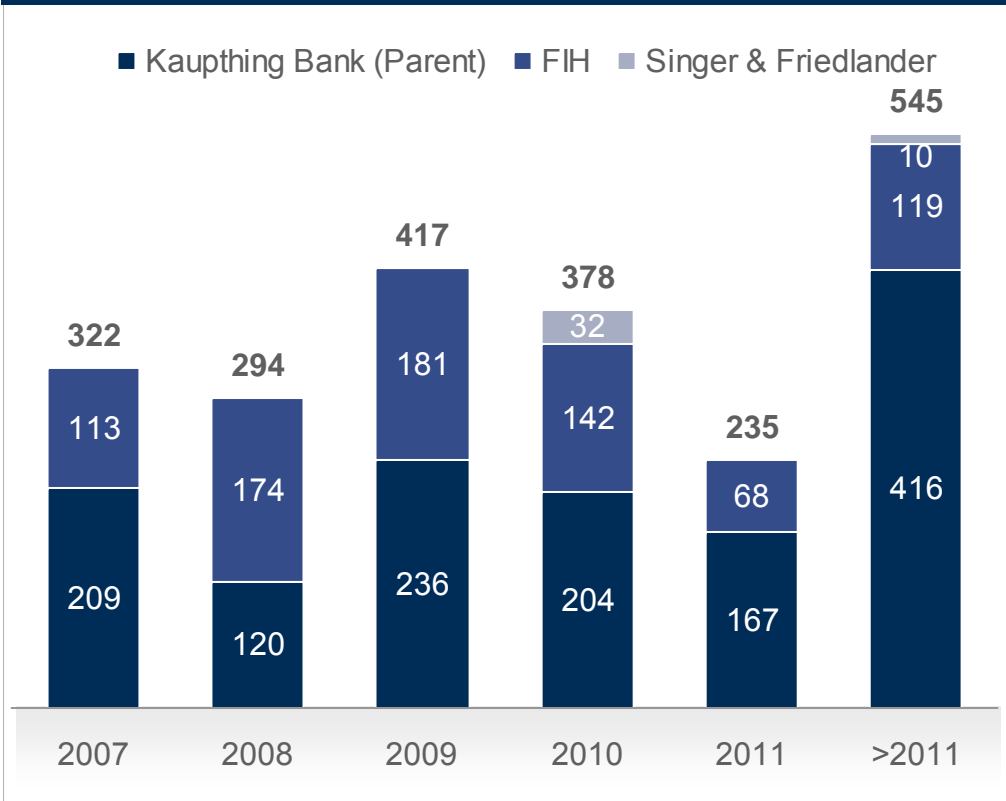
- ◆ New ratings
 - Moody's: Aa3/C/P1 – Fitch: A/F1
- ◆ Further funding diversification
 - LT funding of ISK 316.7 bn
 - Successful entrance into the Maple bond market
 - CHF public market revisited
- ◆ Strong Liquidity
 - Secured liquidity of ISK 1,226 bn or 406 days
 - Covering current LT funding redemptions for 2007, 2008 & 2009
- ◆ Decreased cost of senior LT funding
 - Average funding spread has decreased by 14bps compared to FY 2006

Funding Mix 31 March 2007



Well Balanced Maturity Profile and Market Diversification

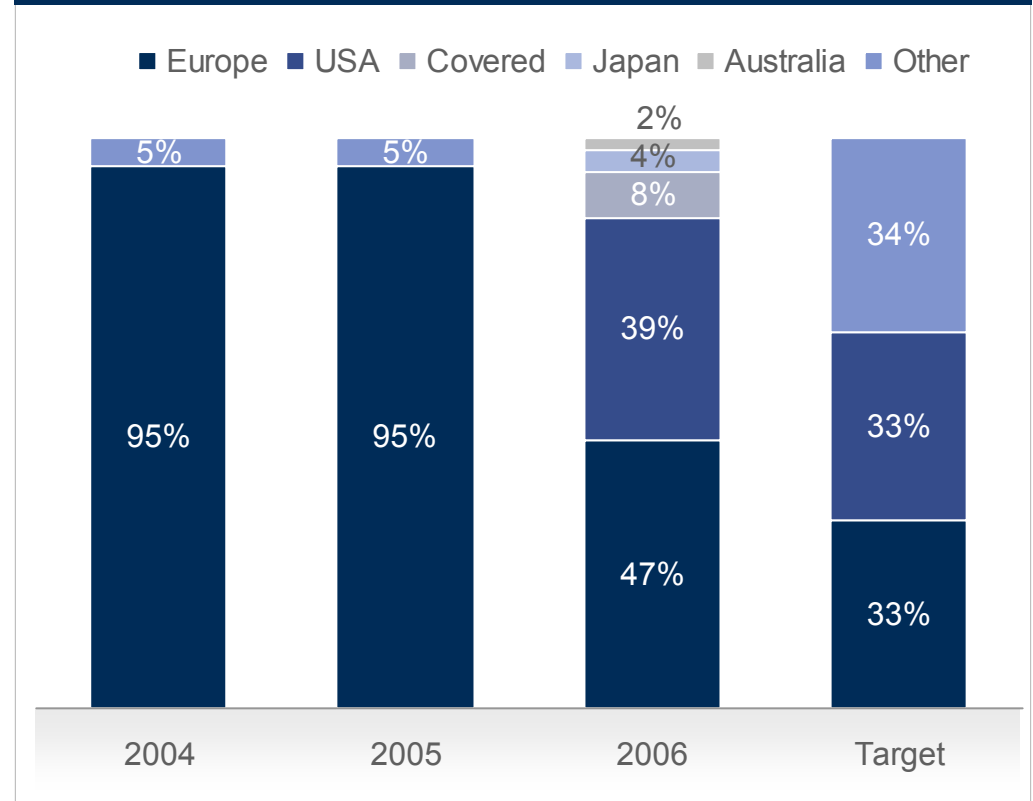
Maturity of LT Funding⁽¹⁾ as of 31 March (ISKbn)



- ◆ 77% of Q1 transactions 3 yrs or longer
- ◆ The Bank has smoothed its maturity profile
- ◆ Fine balance between Kaupthing's and FIH maturity profile

(1) Including bond issued, other loans, subordinated loans and partly money market loans

Geographical Diversification of Funding



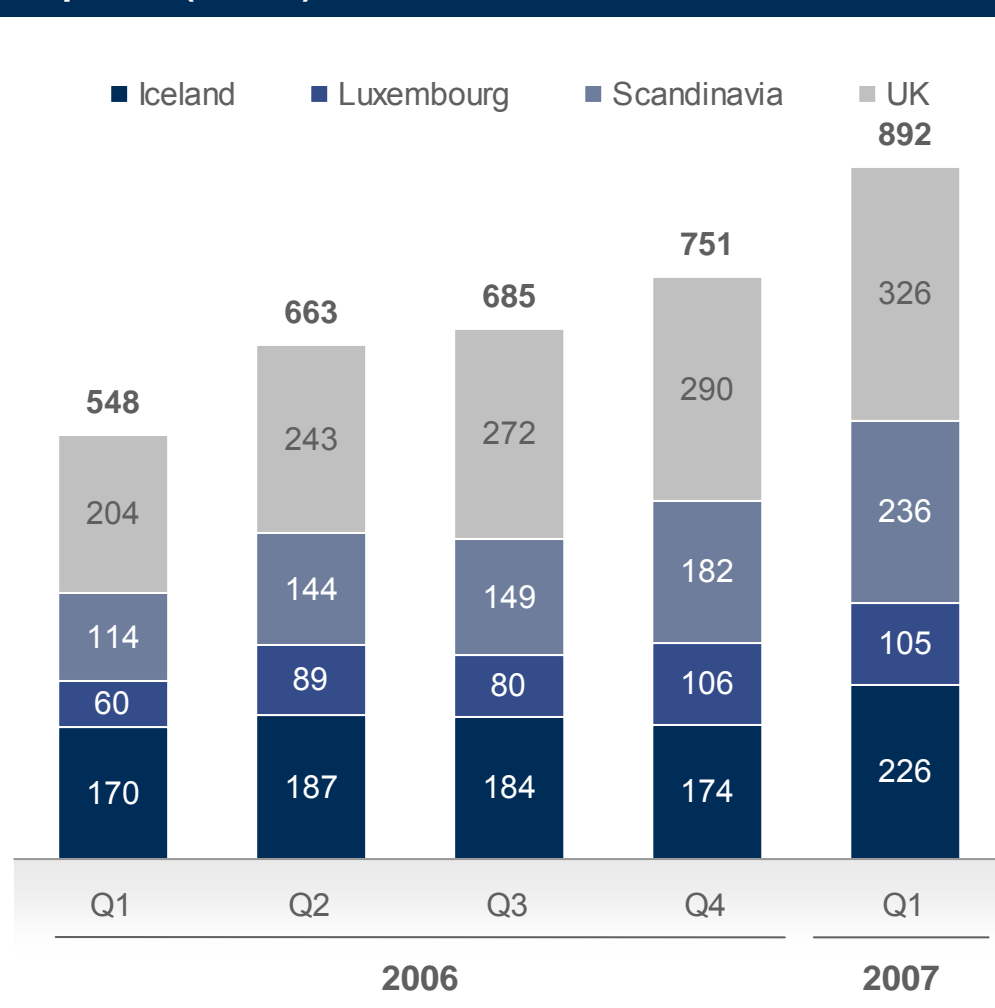
- ◆ Kaupthing will continue exploring new markets
- ◆ Equal split among Europe, US and other markets going forward
- ◆ Not dependant on any single market

Deposit Scheme – Making Deposits a Priority

Already Ahead of Schedule

- ◆ Deposit scheme ahead of schedule
- ◆ Target deposit to loans to customer ratio 40% by the end of Q2 2008
 - Increased from 30% to 35% since the beginning of the year
- ◆ Strong inflow of ISK 142 bn in Q1
- ◆ Deposits increased by 63% YOY

Deposits (ISKbn)



Key Ratios

| | 31.03.2007 | 31.03.2006 |
|---|--------------|--------------|
| ROE¹ | 27.6% | 44.8% |
| Earnings per share ISK LTM² | 125.8 | 86.6 |
| Cost Income – Group | 40.2% | 35.4% |
| Price / earnings³ | 8.1 | 9.4 |
| Price / book³ | 2.4 | 2.5 |
| Loan-loss ratio | 0.03% | 0.06% |
| NPL / Loans to customers | 1.03% | 0.91% |

| | 31.03.2007 | 31.03.2006 |
|---|--------------|--------------|
| CAD | 13.8% | 11.4% |
| Tier 1 | 9.6% | 8.5% |
| Deposits / Loans to customers | 34.9% | 29.3% |
| Loans to customers / Assets | 61.0% | 60.9% |
| VaR (10d 99%) % of Risk capital | 1.6% | 1.1% |
| Total equity exposure / Risk capital | 32.3% | 36.1% |
| – Thereof unlisted | 11.6% | 13.3% |

(1) Annualised

(2) LTM = Last 12 months (3) Share price 31 March 2007: ISK 1029. Share price 31 December 2006: ISK 841

Five Integrated Business Segments in Ten Countries

| | Employees 31 March 07 | Investment Banking | Capital Markets | Treasury | Banking | AM & PB |
|---------------|--------------------------|-----------------------|-----------------|----------|---------|---------|
| Iceland | 1,114 | | | | | |
| UK | 694 | | | | | |
| Sweden | 343 | | | | | |
| Denmark | 317 | | | | | |
| Finland | 102 | | | | | |
| Luxembourg | 171 | | | | | |
| Norway | 74 | | | | | |
| Faroe Islands | 22 | | | | | |
| US | 10 | | | | | |
| Total | 2,847 | | | | | |

Conclusion

- ◆ Increasing diversification in income streams
- ◆ Positive trend in commission and interest income
- ◆ Asset quality remains solid
- ◆ Strong capital base
- ◆ Emphasis on increasing deposits
- ◆ Focus on building businesses
- ◆ Outlook for corporate activity remains positive

Q&A

Kaupthing Bank's Q1 2007 Results

Hreidar Már Sigurdsson, CEO

Disclaimer

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KAUPTHING BANK

Thinking beyond