



KAUPTHING BANK

Good Performance in Challenging Environment

Kaupthing Bank's Q1 2008 Results

Hreidar Már Sigurdsson, CEO

- Annualised return on equity of 23.7% in first quarter
- Operating income was ISK 45.9bn – up 33% in EUR terms from Q4
- Cost/Income ratio 47.0%
- Asset quality remains high
- The Bank preserves its strong liquidity
- Capital strength maintained
 - CAD ratio of 11.4% and Tier 1 ratio of 9.1%

Contents

- 1** Income Statement
 - 2** Business Segments
 - 3** Balance Sheet
 - 4** Conclusion
 - A** Appendix
-

Q1 2008 Compared to Q1 2007

	Q1 2008	Q1 2007	Chg	EUR Chg
Net interest income	21,332	16,265	31%	15%
Net commission income	10,948	12,337	-11%	-22%
Net financial income	9,686	13,456	-28%	-37%
Other income	3,934	2,002	97%	72%
Operating income	45,901	44,059	4%	-9%
Salaries and related expenses	-12,093	-10,534	15%	1%
Other operating expenses	-9,469	-7,173	32%	16%
Impairment	-4,059	-1,423	185%	150%
Profit before income tax	20,280	24,928	-19%	-29%
Income tax	-1,492	-4,236	-65%	-69%
Net earnings	18,788	20,693	-9%	-20%
Shareholders of Kaupthing Bank	18,748	20,280	-8%	-19%
Minority interest	39	413	-90%	-92%

All amounts in ISKm

Q1 2008 Compared to Q4 2007

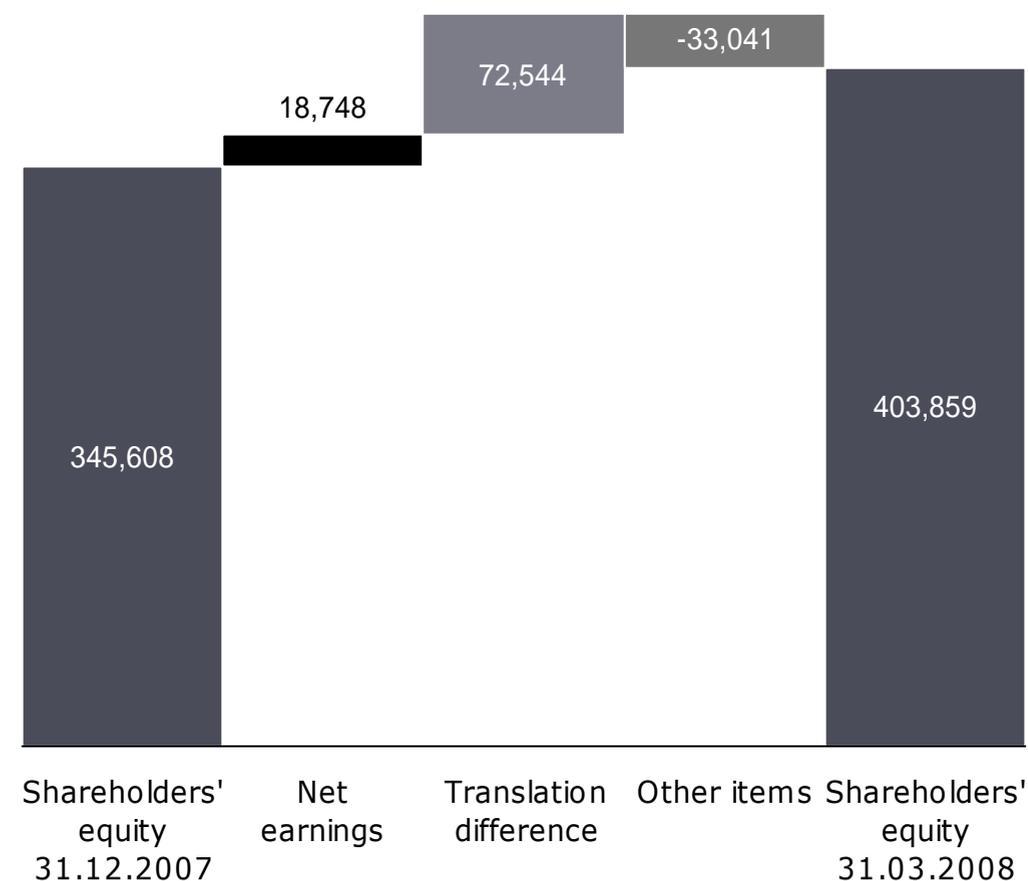
	Q1 2008	Q4 2007	Chg	EUR Chg
Net interest income	21,332	23,739	-10%	-22%
Net commission income	10,948	14,122	-22%	-32%
Net financial income	9,686	-12,429	-	-
Other income	3,934	4,699	-16%	-27%
Operating income	45,901	30,132	52%	33%
Salaries and related expenses	-12,093	-13,359	-9%	-21%
Other operating expenses	-9,469	-9,299	2%	-11%
Impairment	-4,059	-1,959	107%	81%
Profit before income tax	20,280	5,515	268%	221%
Income tax	-1,492	4,135	-	-
Net earnings	18,788	9,650	95%	70%
				0%
Shareholders of Kaupthing Bank	18,748	9,850	90%	66%
Minority interest	39	-200	-120%	-117%

All amounts in ISKm

Equity – Changes in Q1 2008

Changes in Shareholders' equity 2008: 31/03/2008

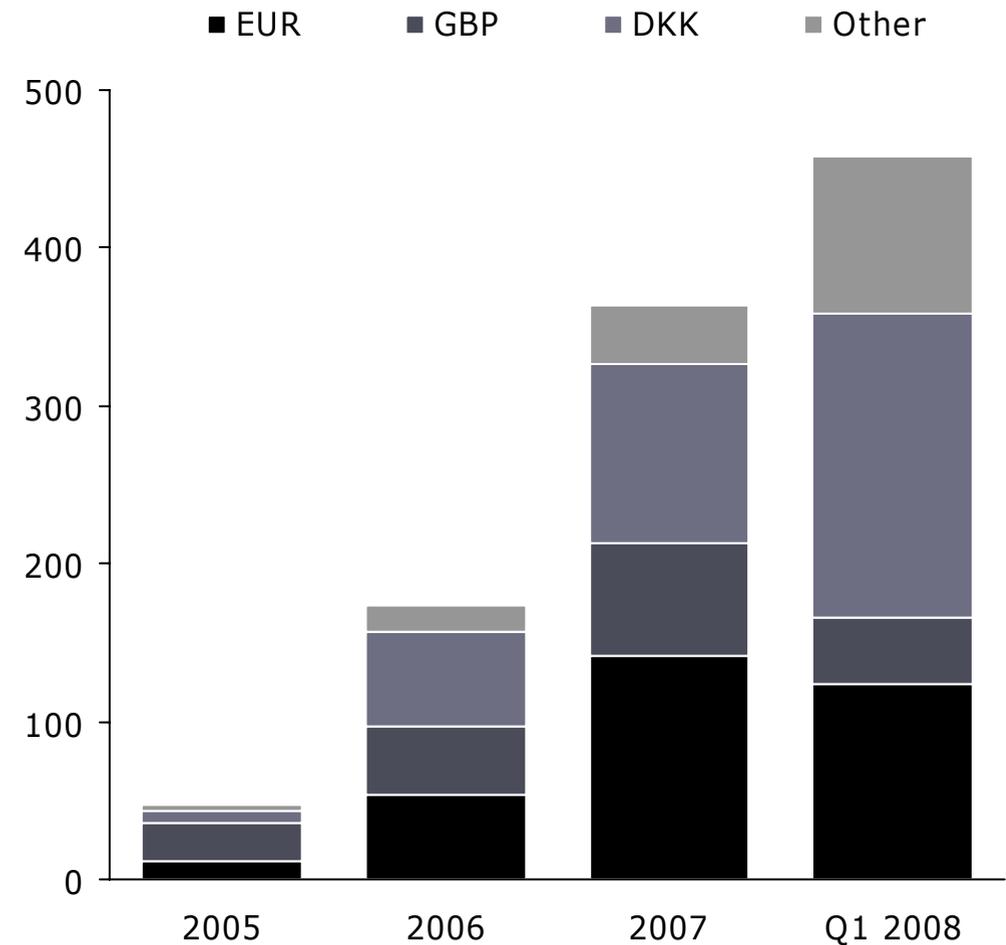
Equity 1 January 2008	345,608
Translation difference	72,544
Net earnings recognised directly in equity	72,544
Net earnings according to the Income Statement	18,748
Total recognised earnings for the period	91,292
Dividends paid to equity holders, ISK 20 per share	-14,380
Purchase and sales of treasury stock	-16,324
Other changes	-2,337
Equity 31 March 2008	403,859



All amounts in ISKm

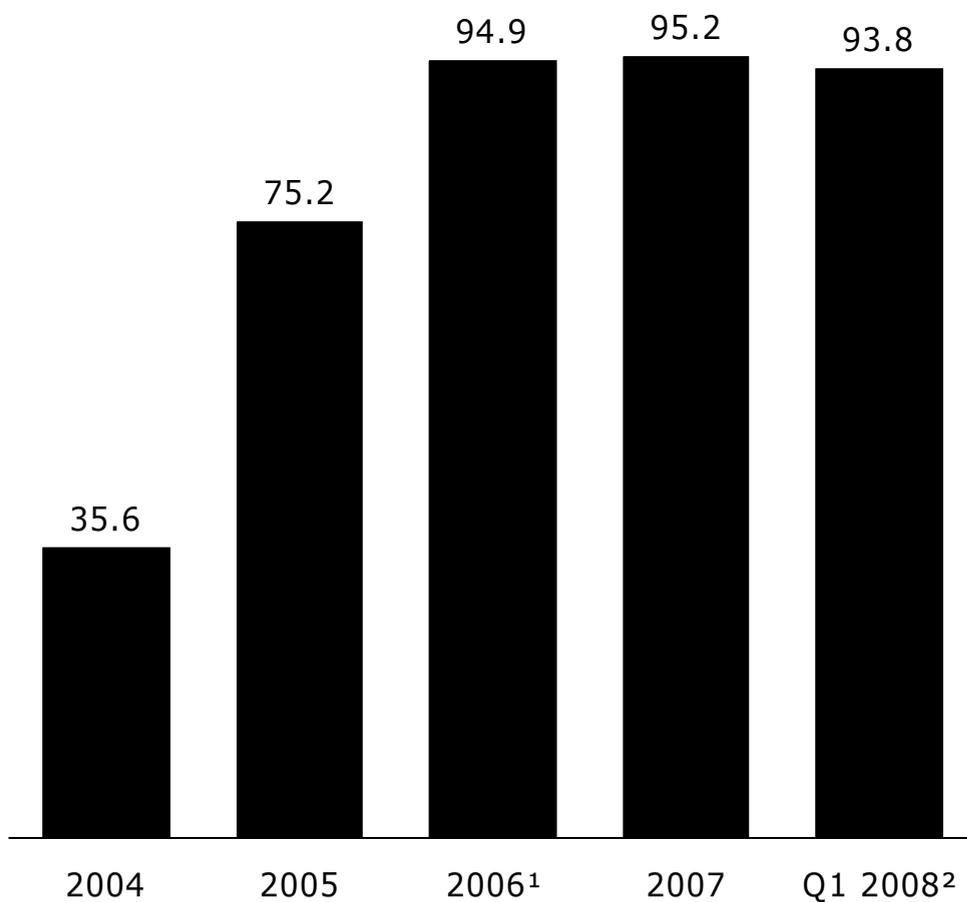
- The Bank's assets are mainly in foreign currency but the equity base is in ISK. Without a hedge, the CAD ratio is highly dependant on currency fluctuations
- To hedge these fluctuations Kaupthing maintains a positive foreign currency balance
- The size of the hedge is decided by a level that immunises the CAD ratio against fluctuations in ISK
- Foreign exchange exposure at the end of Q1 was ISK 457bn
- ISK depreciated by 29.6% in Q1
- Capital strength maintained

Foreign exchange exposure 31 March 2008

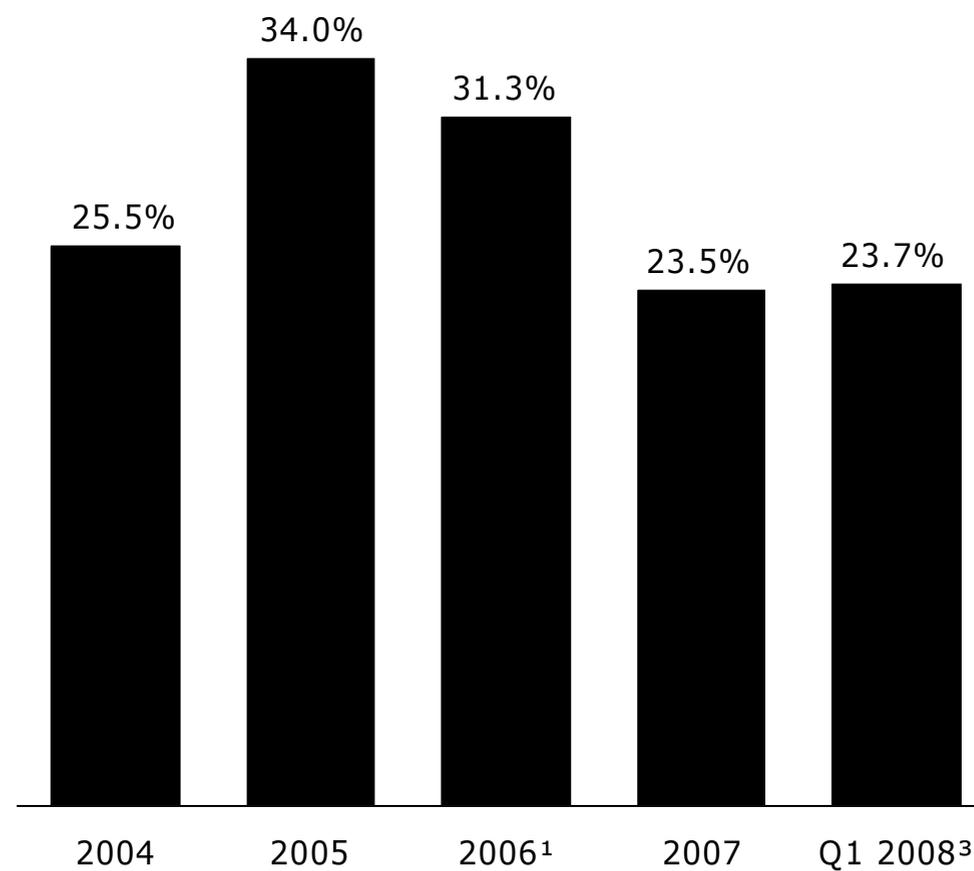


All amounts in ISKbn

EPS



Return on equity %

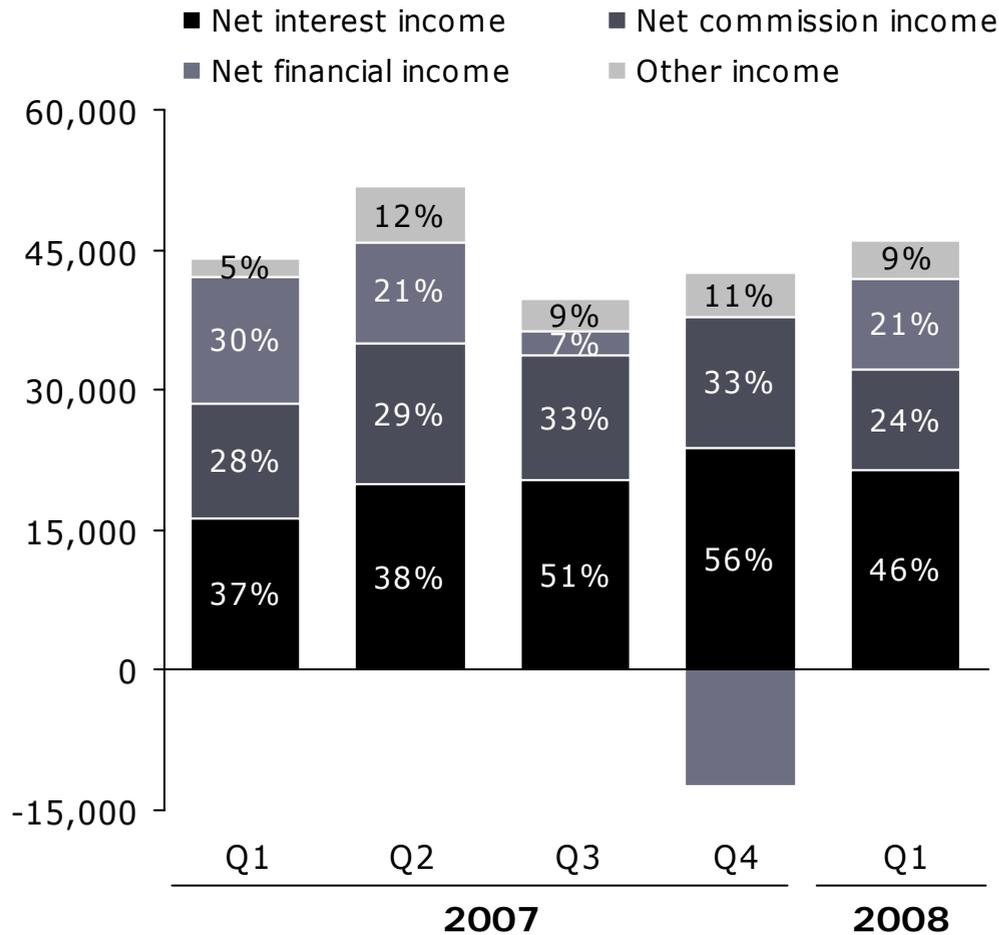


All amounts in ISK

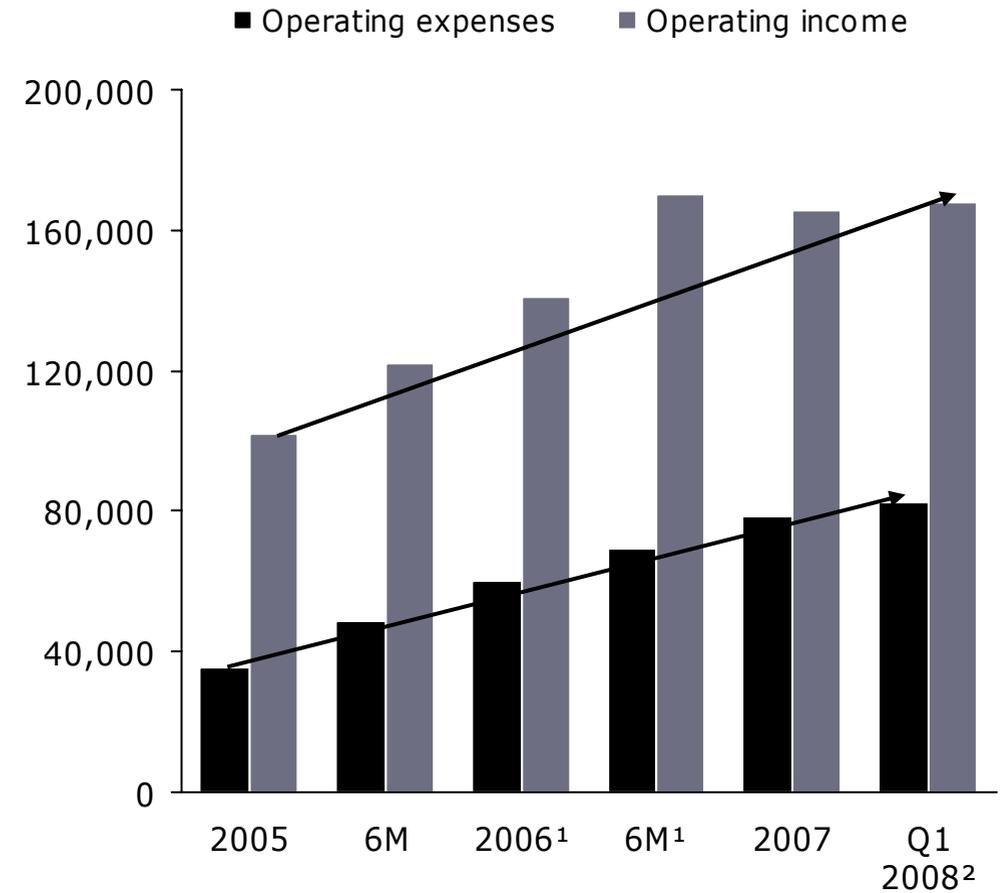
¹ Excluding the Exista gain

² Last 12 months ³ Annualised

Income distribution



Development of Operating income and expenses – Trailing 12 months

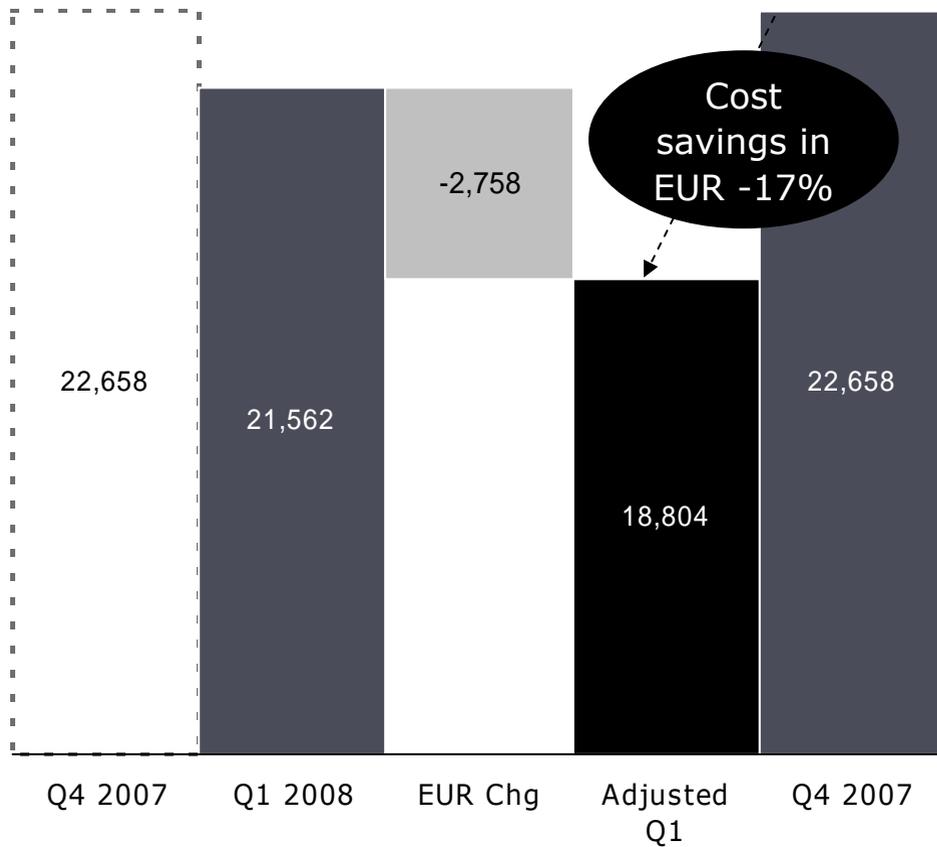


All amounts in ISKm

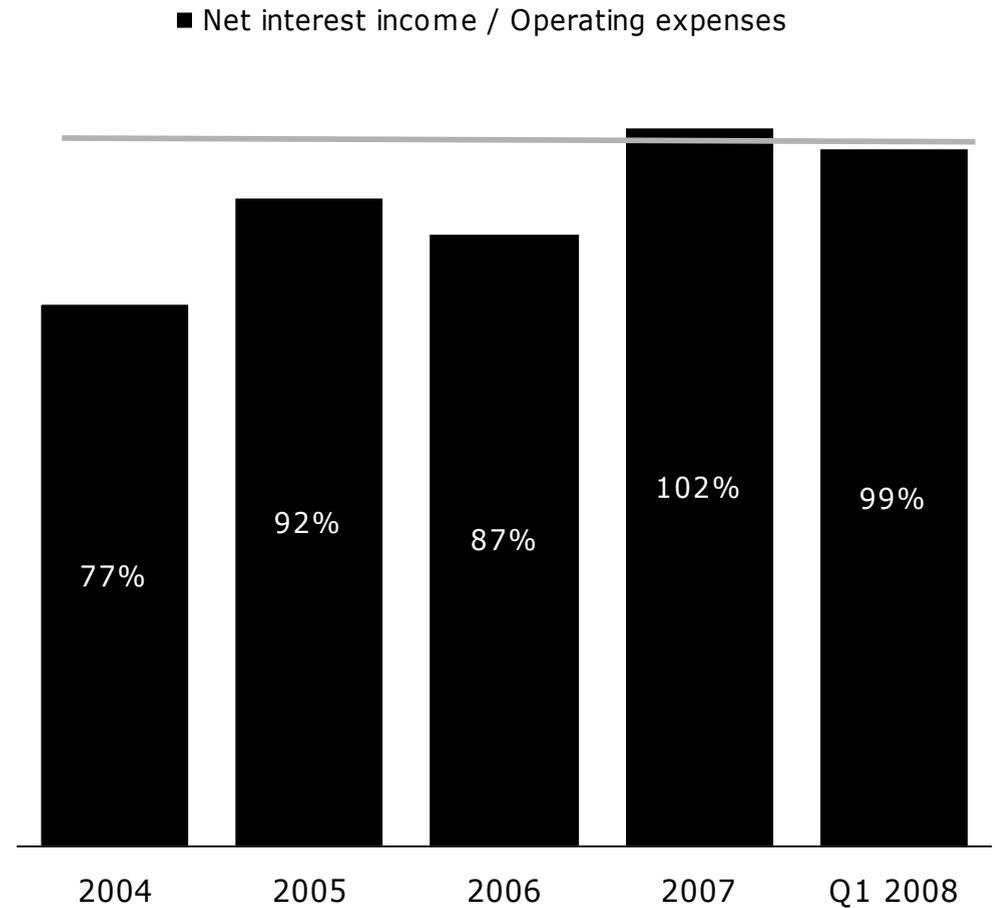
¹ Operating income excludes the gain from Exista in Q3 2006. Operating expenses do not include Impairments

² Last 12 months

Increased efficiency

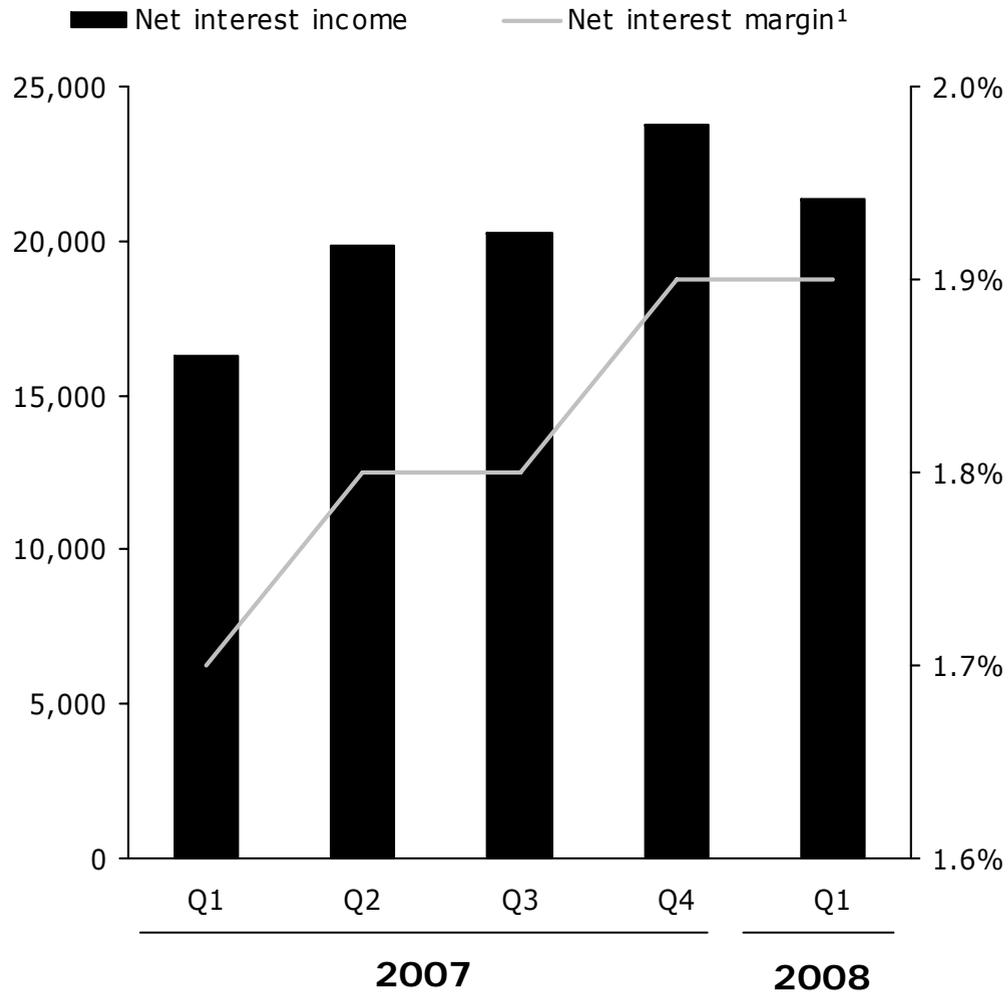


Net interest income vs Operating expenses

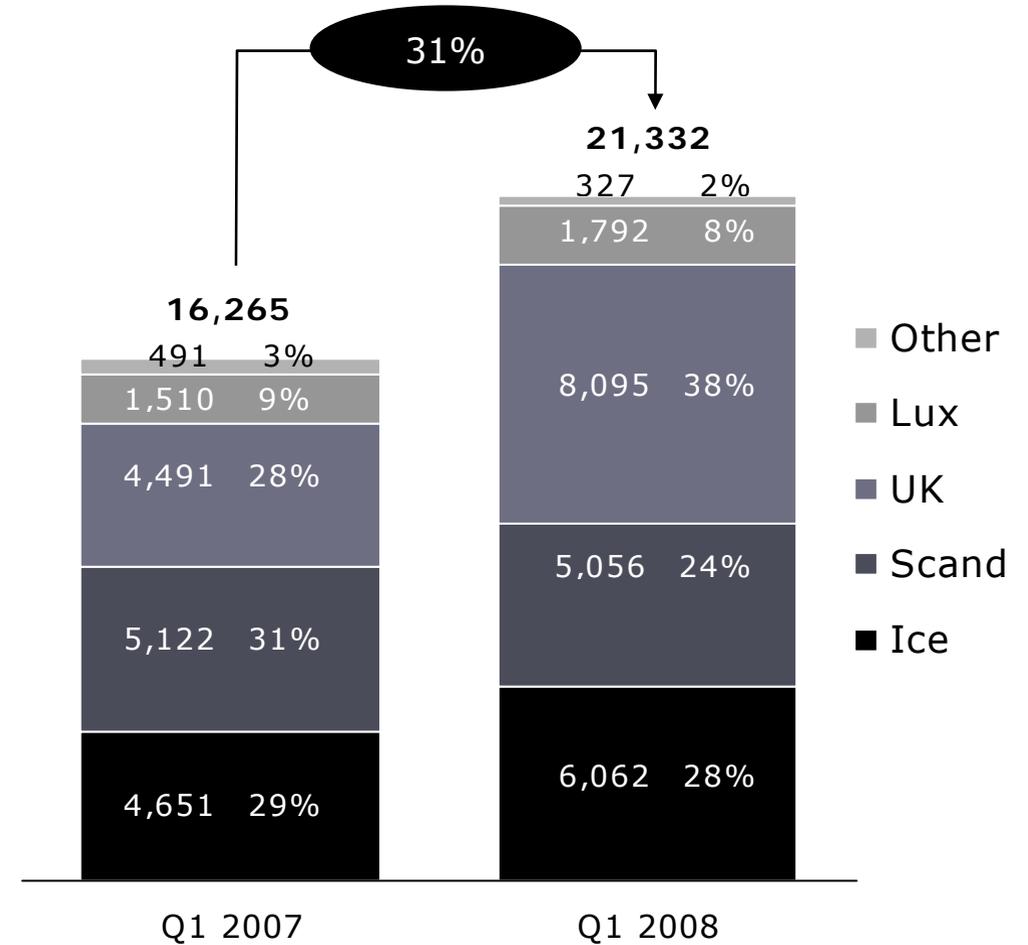


All amounts in ISKm

Net interest income



Geographic breakdown²

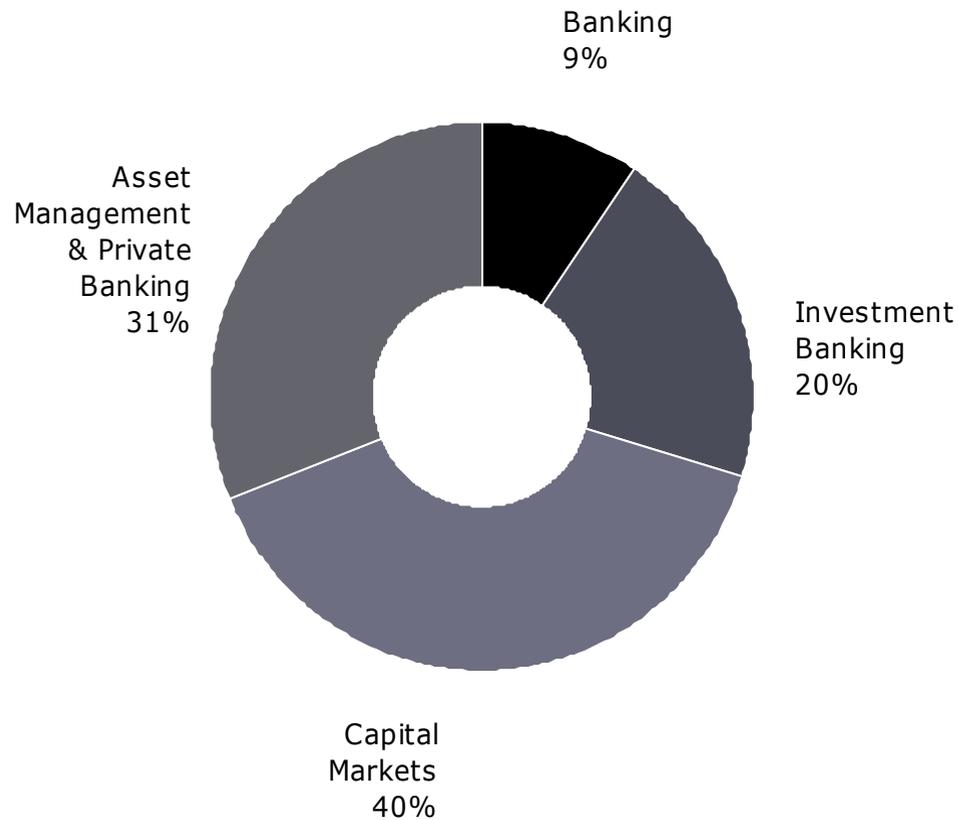


All amounts in ISKm

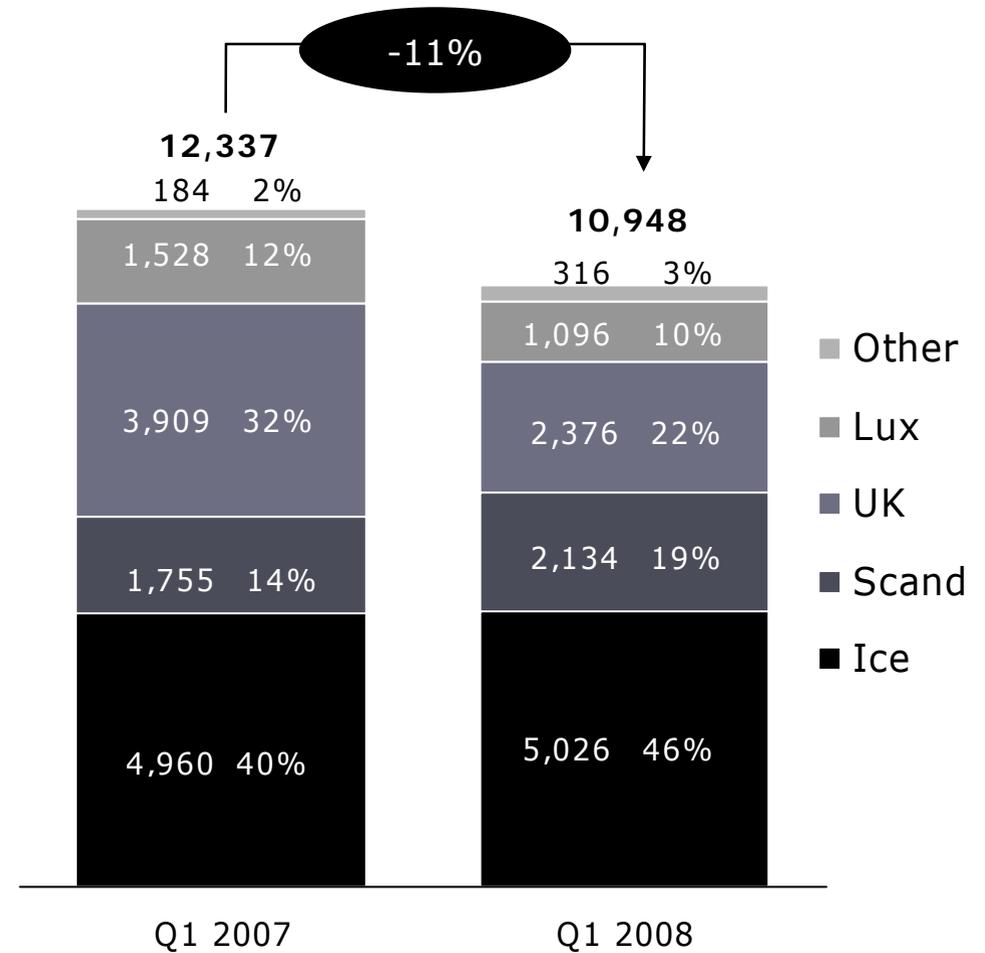
¹ Trailing 12 months

² By origin of clients

By business segments



Geographic breakdown¹



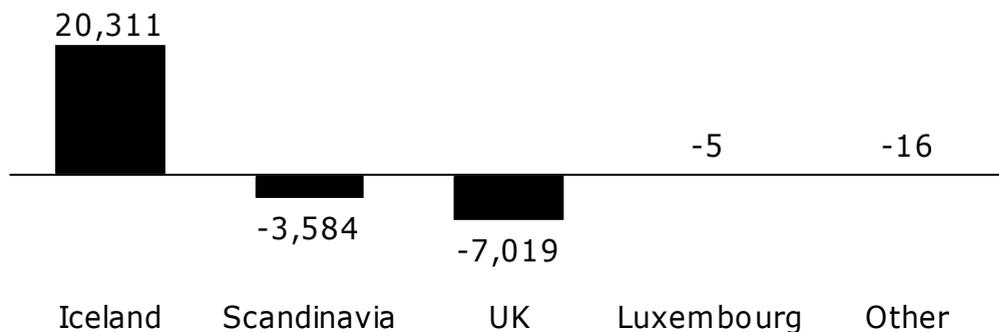
All amounts in ISKm

¹ By origin of clients

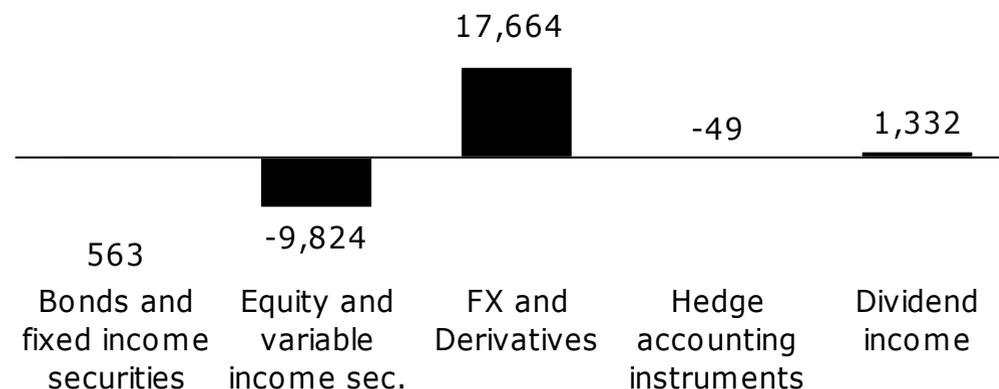
Breakdown of Net Financial Income

Q1 2008	Iceland	Scandinavia	UK	Lux	Other	Total
Net gain from bonds and fixed income securities	1,263	-916	-69	286	0	563
Net gain from equity and variable income securities	421	-4,851	-5,364	-39	9	-9,824
Net gain from FX and derivatives	18,432	1,140	-1,623	-260	-26	17,664
Net gain from hedge accounting instruments	0	-51	2	0	0	-49
Dividend income	195	1,094	35	8	0	1,332
Total	20,311	-3,584	-7,019	-5	-16	9,687

Net gain on financial assets by location

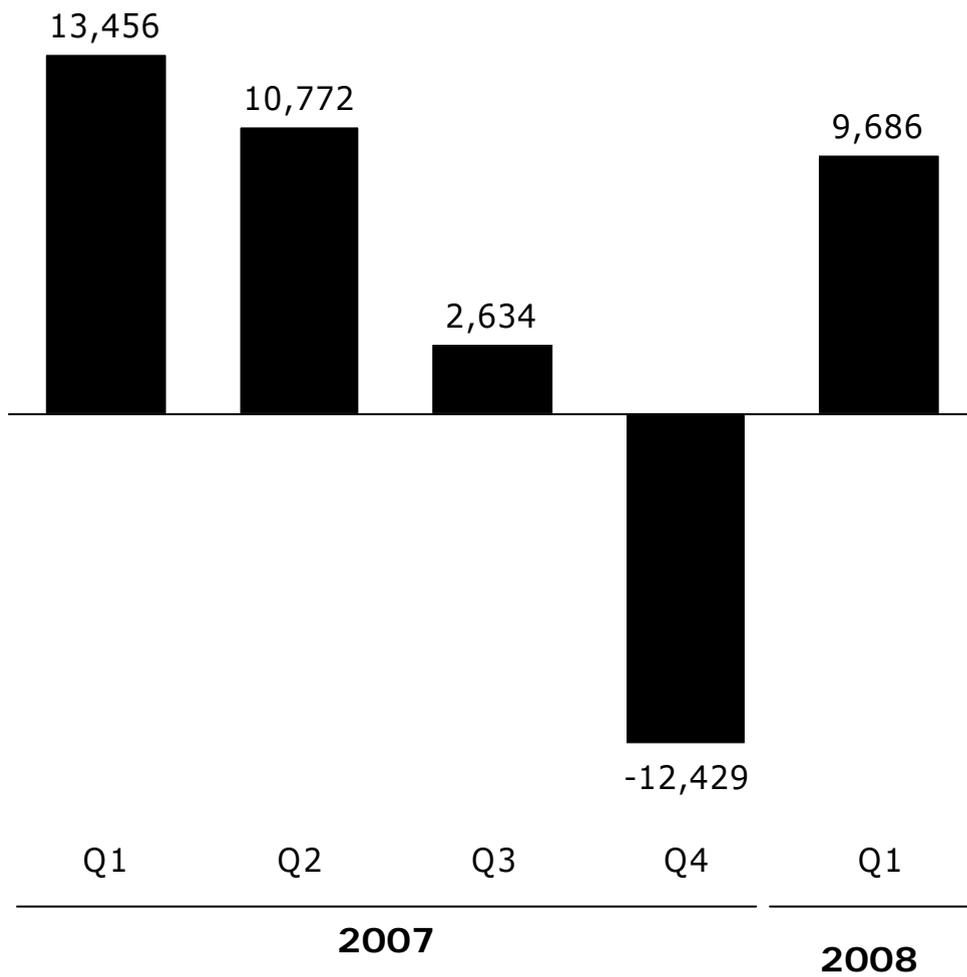


Net gain on financial assets by type

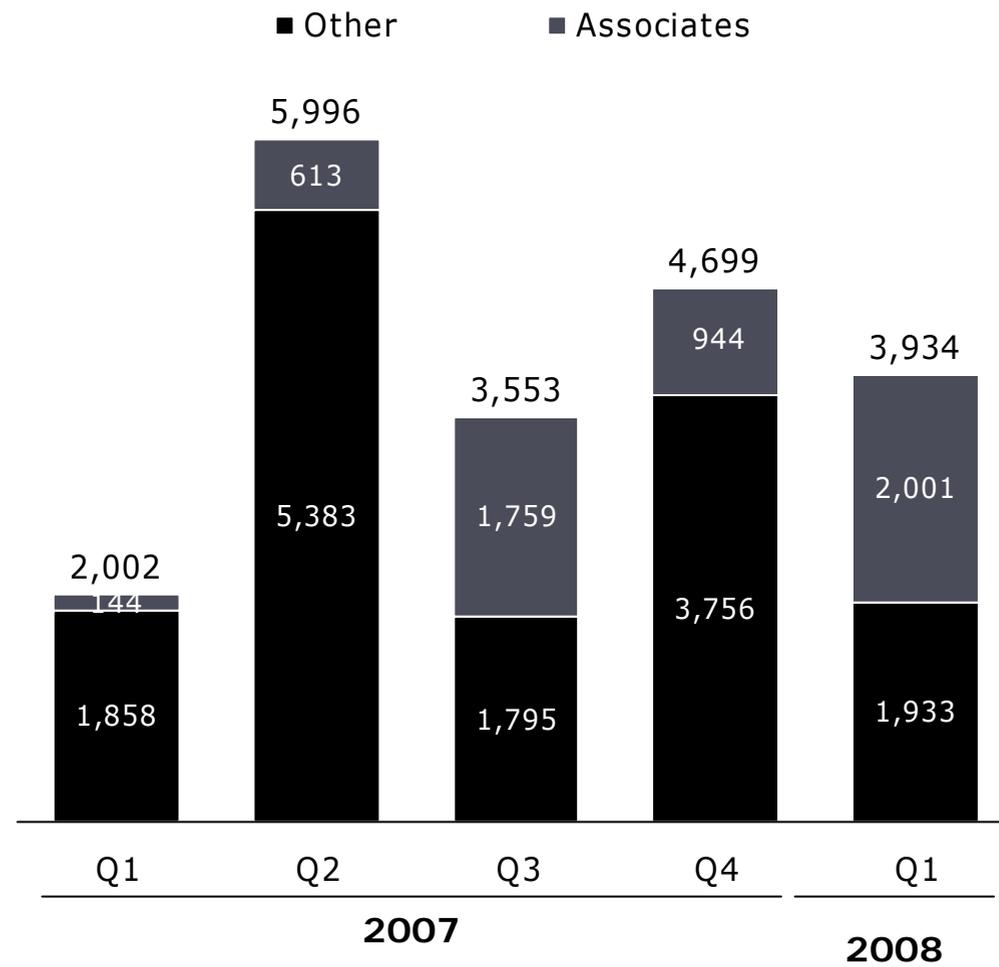


All amounts in ISKm

Net financial income

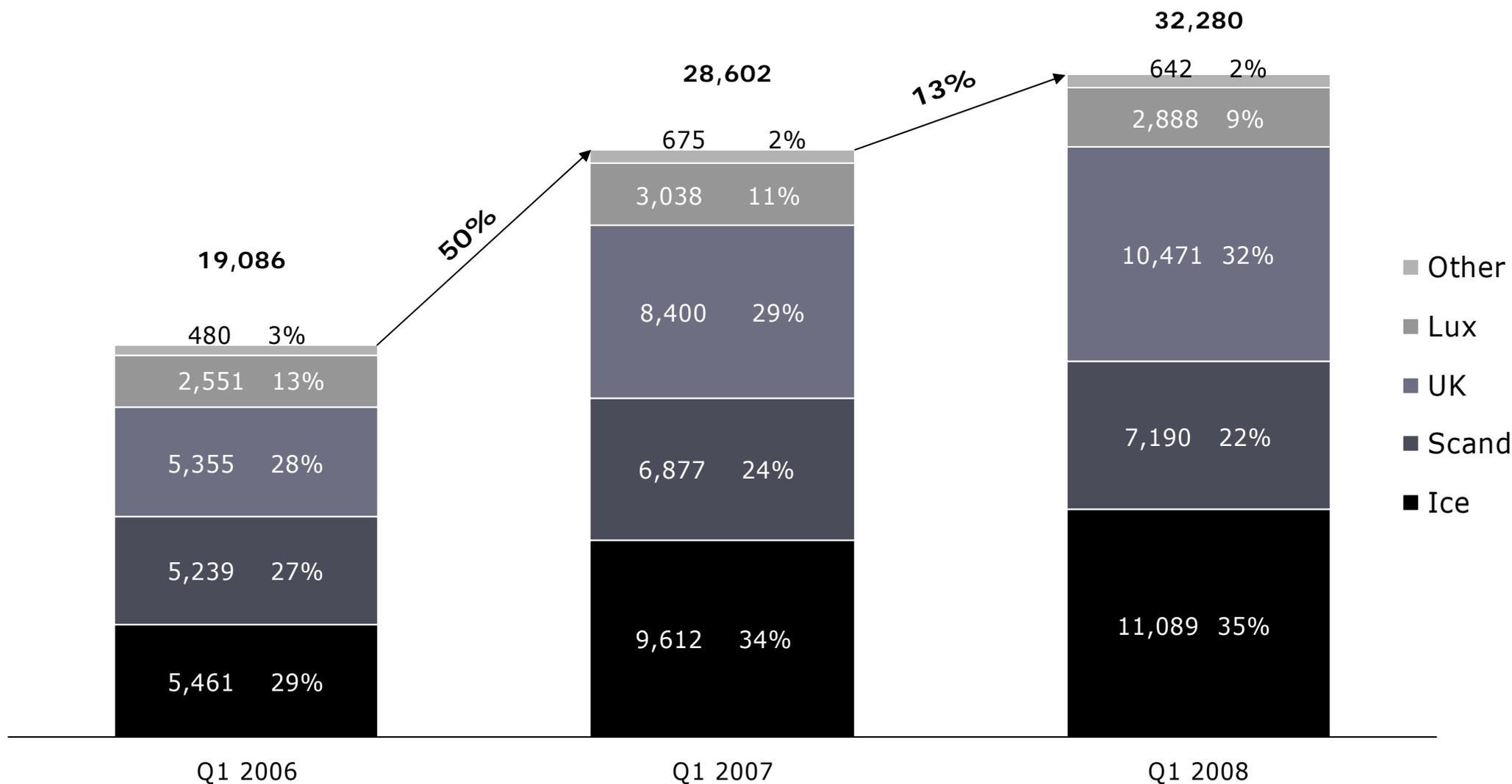


Other income



All amounts in ISKm

Core Income¹ by Geographic Diversification²



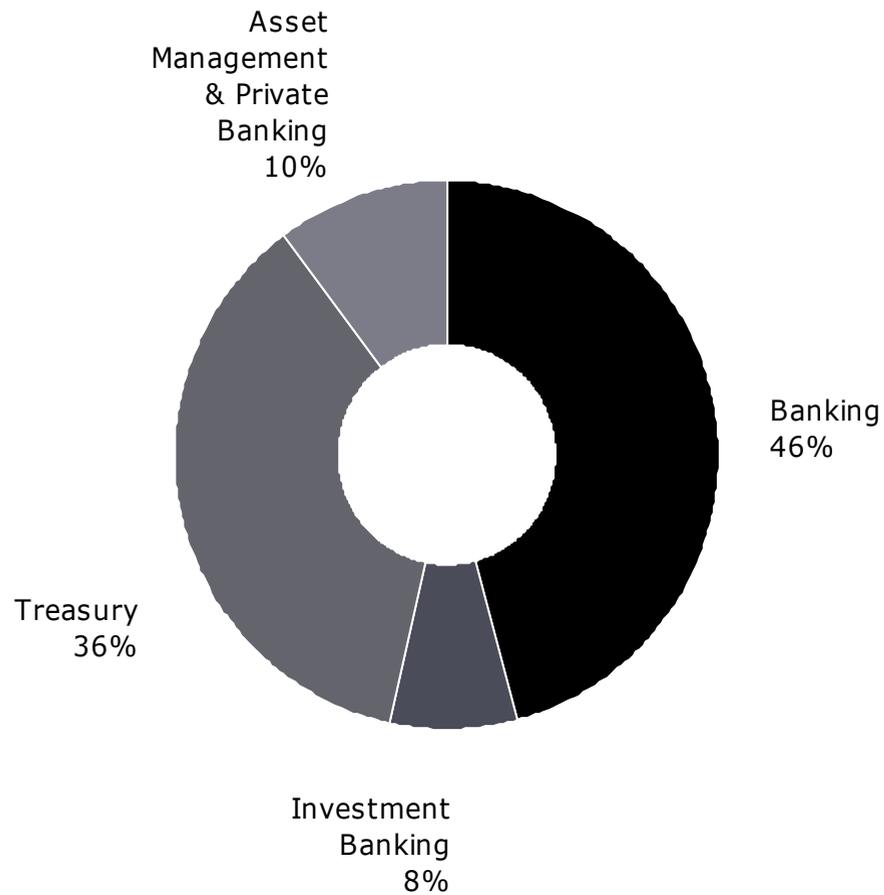
All amounts in ISKm

¹ Core income is Net interest income and Net commission income

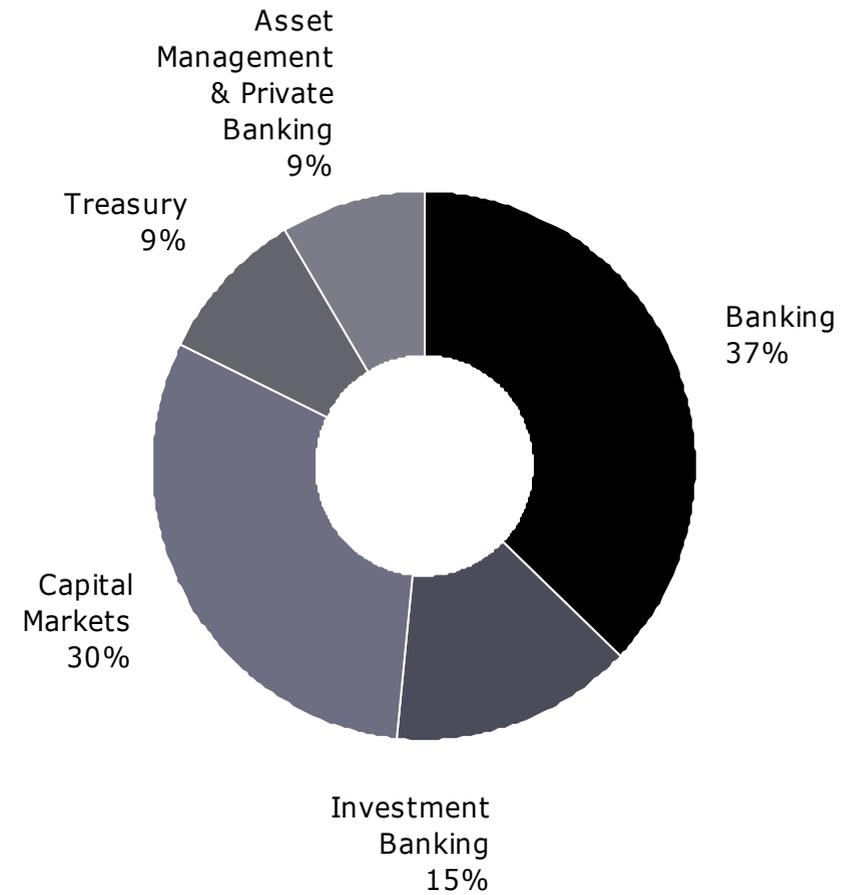
² By origin of clients

Operating Income by Business Segments

Q1 2008



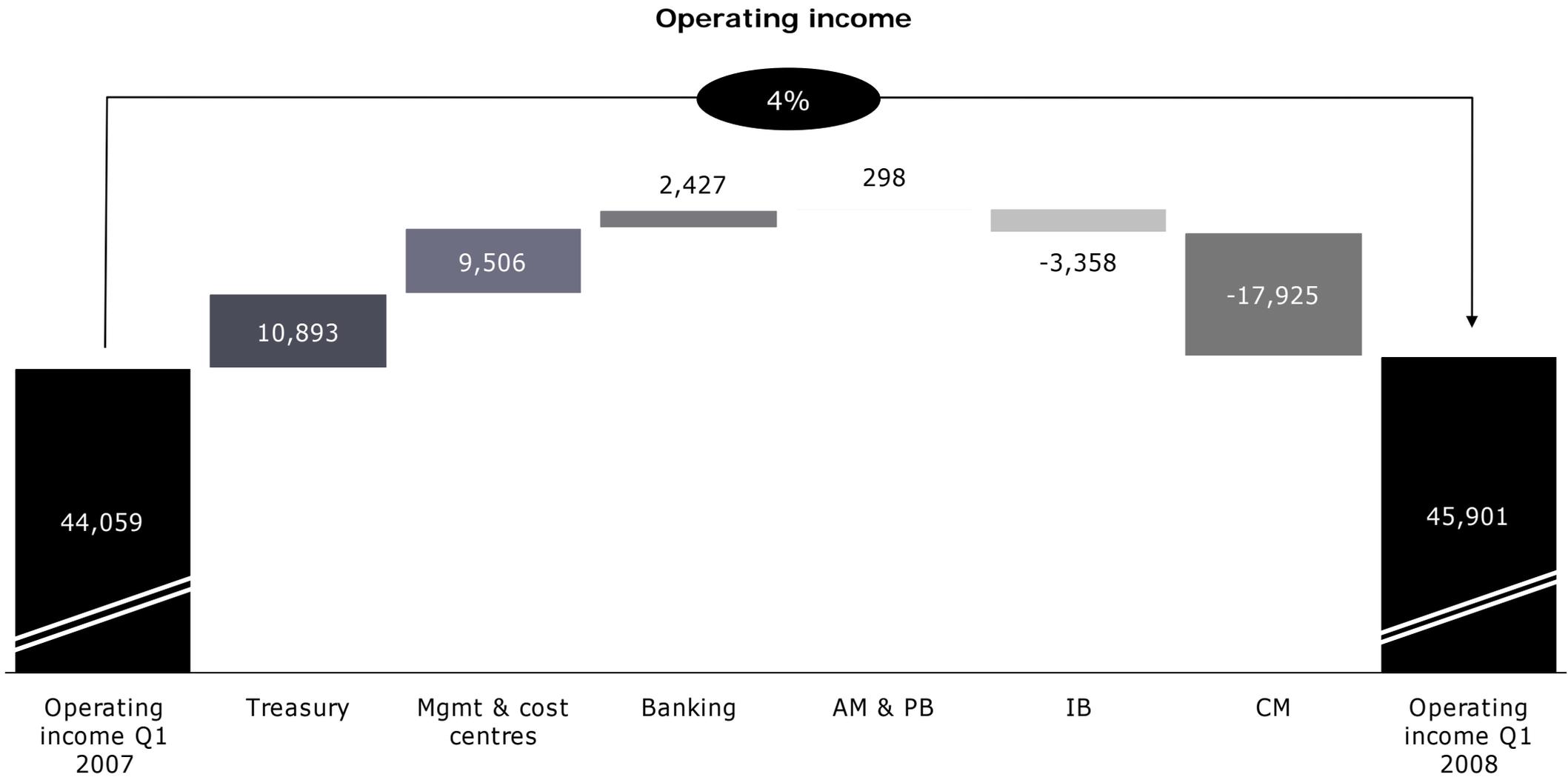
Q1 2007



Contents

- 1** Income Statement
 - 2** Business Segments
 - 3** Balance Sheet
 - 4** Conclusion
 - A** Appendix
-

Changes in Operating Income by Segments

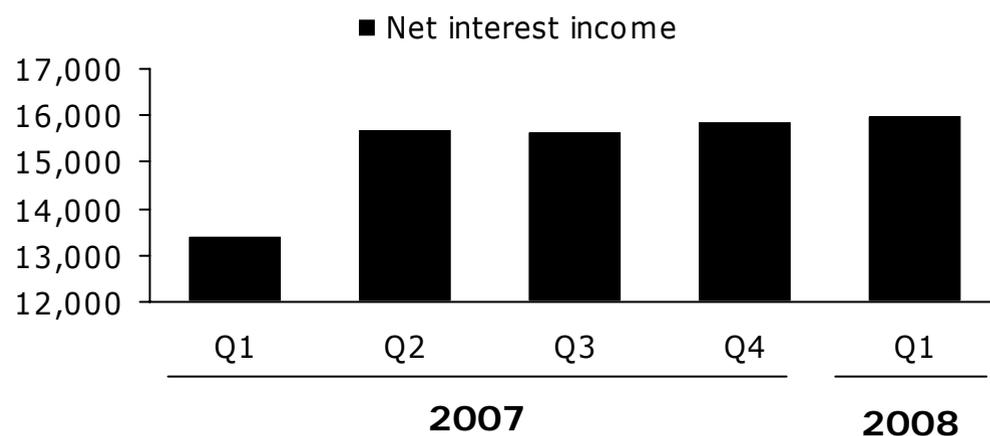


All amounts in ISKm

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

Highlights

- Net interest income up 1% compared to Q4 2007
- Lower Net commission income due to less activity compared to Q4
- Expenses decreased by 9% from Q4 2007
- Increase in impairment due to collective impairments, asset quality remains high
- Pre-tax profit down by 30% from previous quarter



All amounts in ISKm

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

Highlights

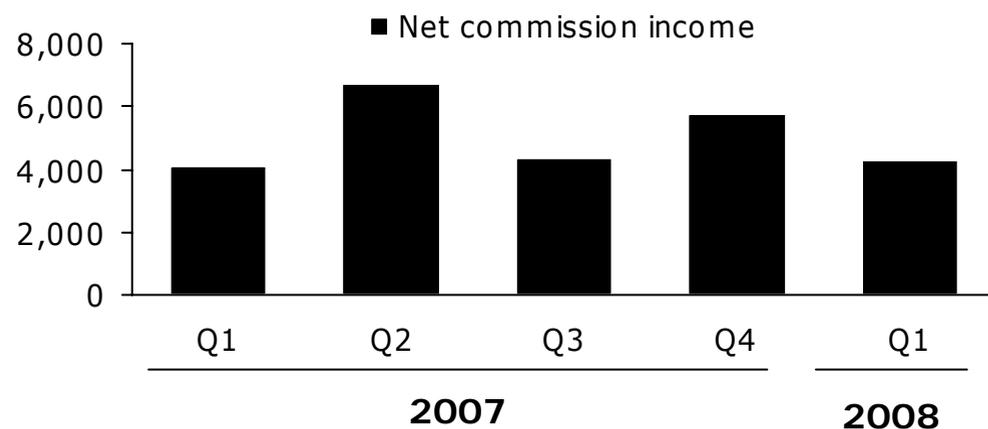
- Net commission income slightly down or 3% from Q4 2007
 - Acceptable outcome in light of slowdown in general corporate activity
- Net financial income up 6% from previous quarter
- Skipti was listed resulting in ISK 5.4bn in financial income
- Reduction in fair value of few assets in unlisted shares
- Expenses decrease by 24% from previous quarter
- Pre-tax profit increased by 39% from previous quarter

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

All amounts in ISKm

Highlights

- Change in Net interest income mainly due to decreased business with FX and Derivative instruments
- Net commission income, down 26% from Q4 2007
- High Net financial loss due to market conditions
- Expenses decreased by 12% from previous quarter
- Loss reflects market conditions

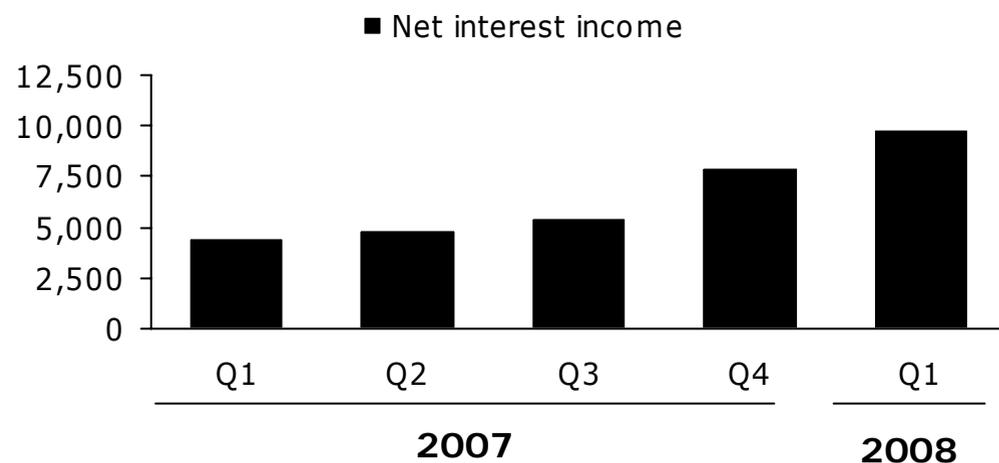


All amounts in ISKm

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

Highlights

- Net interest income up 24% from Q4 2007
- Turnaround in Net financial income from previous quarter due to derivatives and foreign exchange and hedging strategy connected to a funding arrangement
- Expenses increased from previous quarter mainly due to initiation and operational cost of Kaupthing Edge
- Record high Pre-tax profit

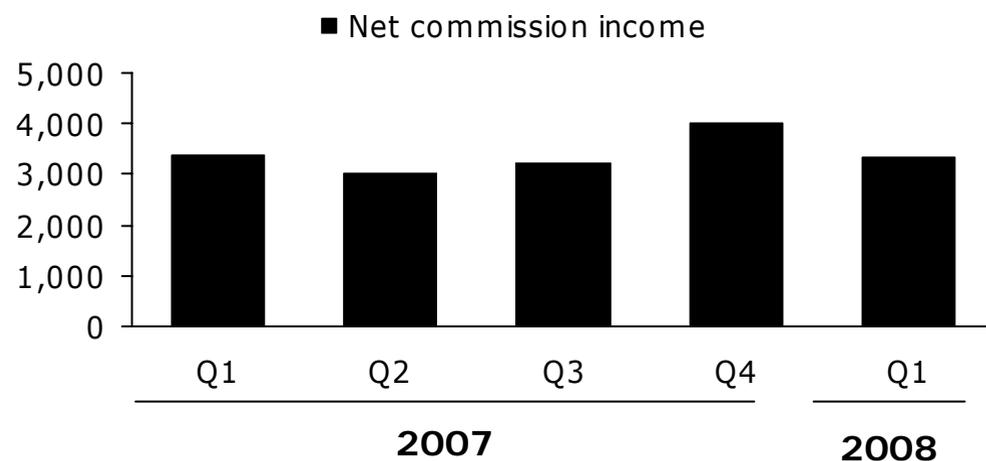


All amounts in ISKm

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

Highlights

- Unfavourable market condition affect results
- Net commission income, down 17% from Q4 2007
- Expenses up by 5.4% from previous quarter
- Pre-tax profit down 15% from previous quarter
- Assets under management total ISK 1,648bn – up 5.8% in Q1 but decreased by 12.4% in real terms mostly due to market returns



All amounts in ISKm

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

Contents

- 1** Income Statement
 - 2** Business Segments
 - 3** Balance Sheet
 - 4** Conclusion
 - A** Appendix
-

	3/31/2008	12/31/2007	Chg	EUR chg
Cash and balances with central banks	70.9	98.0	-28%	-45%
Loans to credit institutions	617.5	588.4	5%	-20%
Loans to customers	3,980.7	3,304.4	20%	-8%
Bonds and debt instruments	517.6	367.4	41%	8%
Shares and equity instruments	196.6	160.8	22%	-6%
Investments in associates	105.7	83.8	26%	-3%
Derivatives	384.8	134.9	185%	119%
Derivatives used for hedging	41.5	22.5	84%	41%
Securities used for hedging	107.7	159.9	-33%	-48%
Intangible assets	82.1	66.8	23%	-6%
Other assets	263.3	360.5	-27%	-44%
Total assets	6,368.4	5,347.3	19%	-9%

All amounts in ISKbn

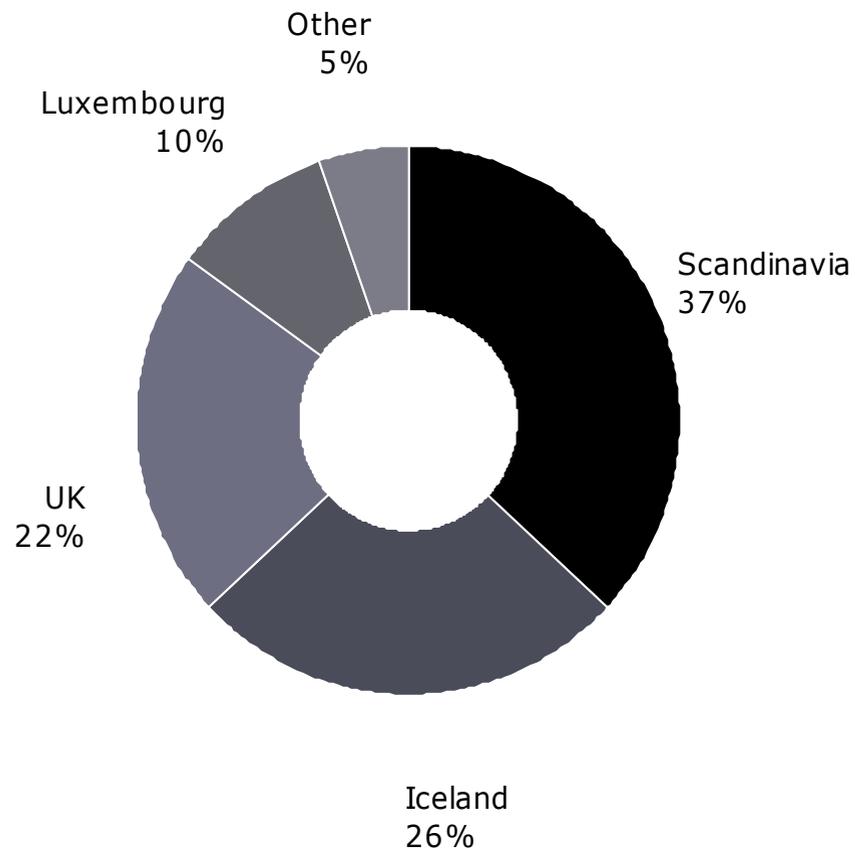
Balance Sheet – Liabilities and Equity

	3/31/2008	31.12.2007	Chg	EUR chg
Credit institutions and central banks	461.3	339.1	36%	4%
Deposits	1,448.3	1,381.5	5%	-20%
Borrowings	3,168.3	2,616.0	21%	-7%
Other liabilities	531.6	387.1	37%	5%
Subordinated loans	342.0	267.3	28%	-2%
Shareholders' equity	403.9	345.6	17%	-10%
Minority interest	13.1	10.8	21%	-7%
Total liabilities and equity	6,368.4	5,347.3	19%	-9%

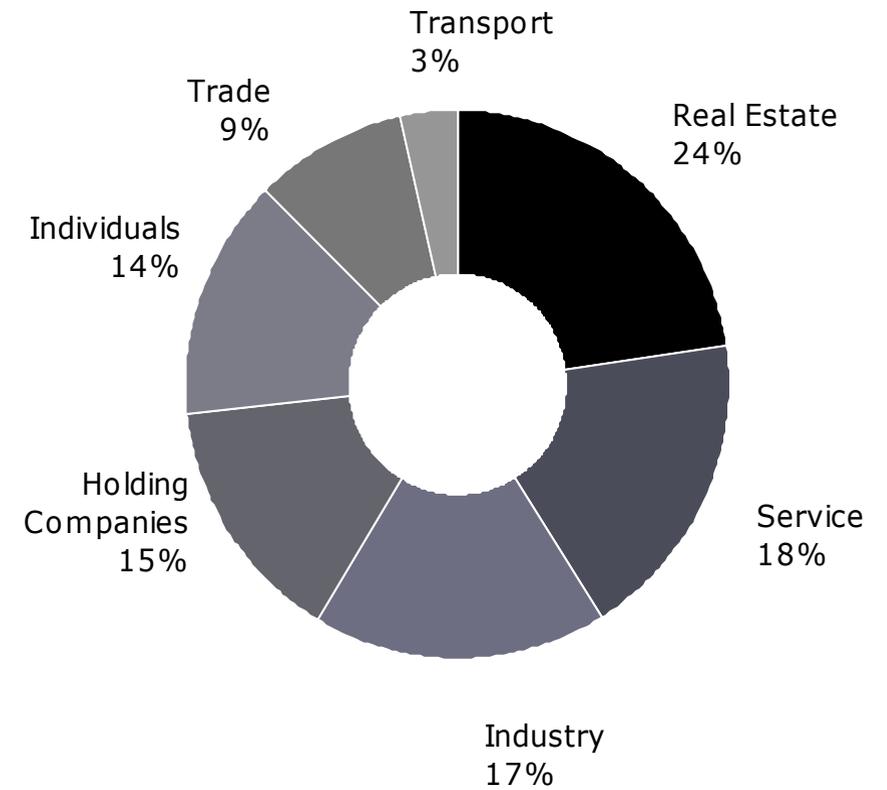
All amounts in ISKbn

Loans to customers amounted to ISK 3,981bn at 31 March 2008

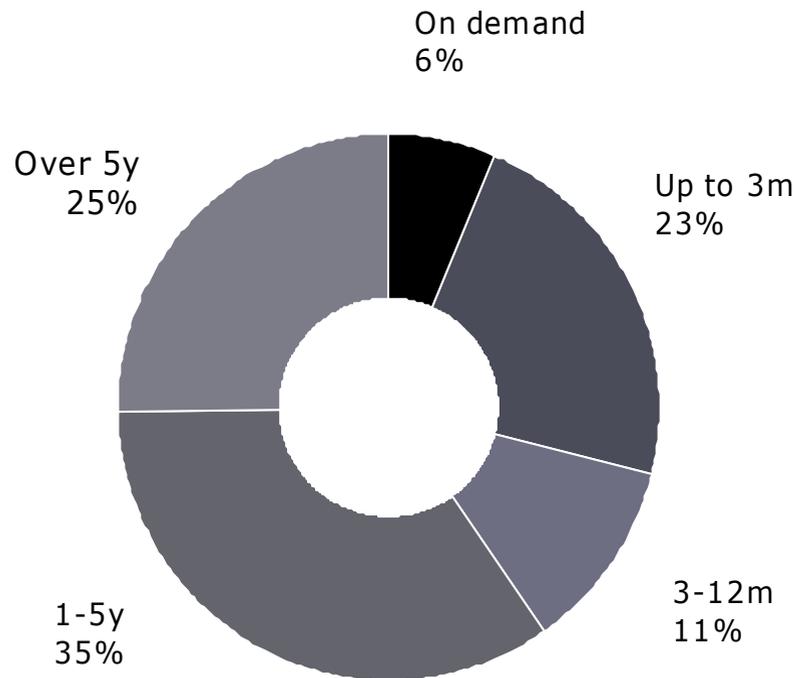
Loans to customers by location



Loans to customers by sectors

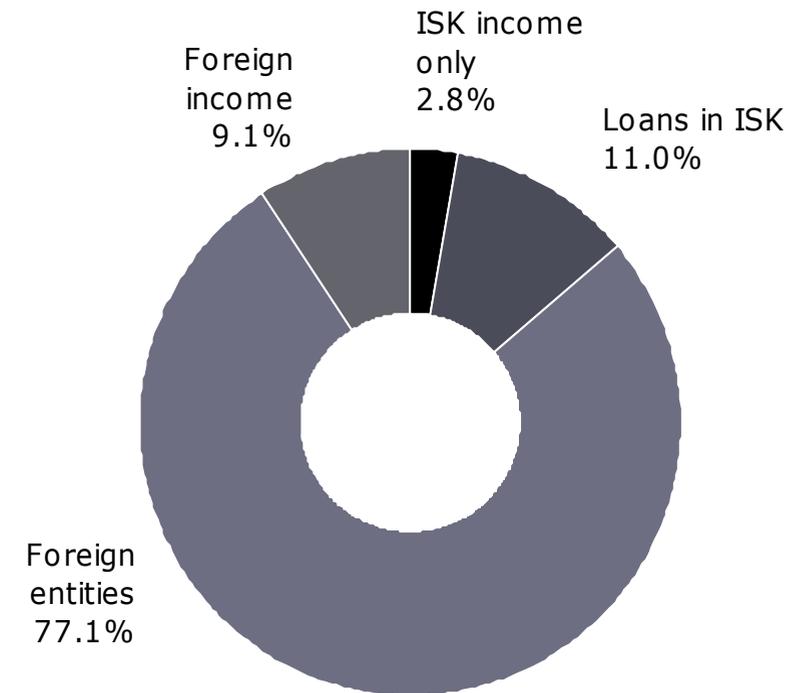


Contractual maturity



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

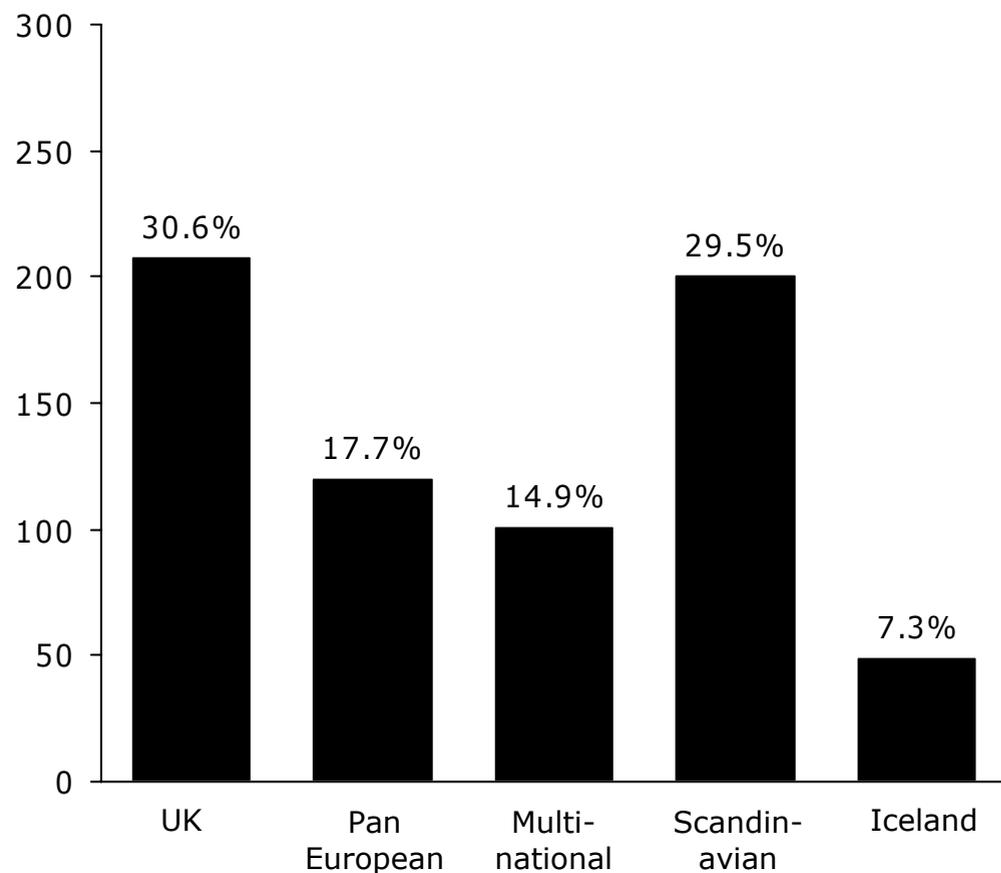
Loans to Customers – ISK v. foreign and currency exposures of Icelandic borrowers



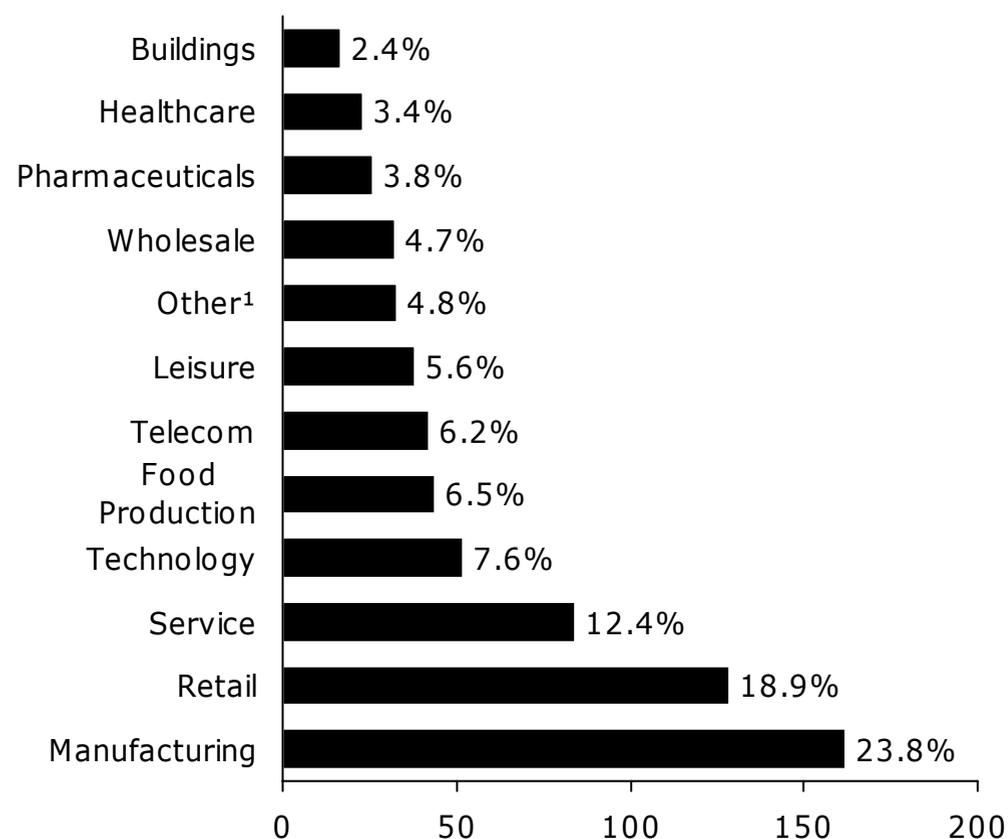
Currency mismatch between clients' income and borrowings limited

The ALF portfolio amounted to ISK 680bn or 17.1% of total Loans to customers. No exposure to any underwriting risk in ALF portfolio. No covenant lite assets. Average Debt/EBITDA ratio is 4.7

Market Breakdown of Portfolio



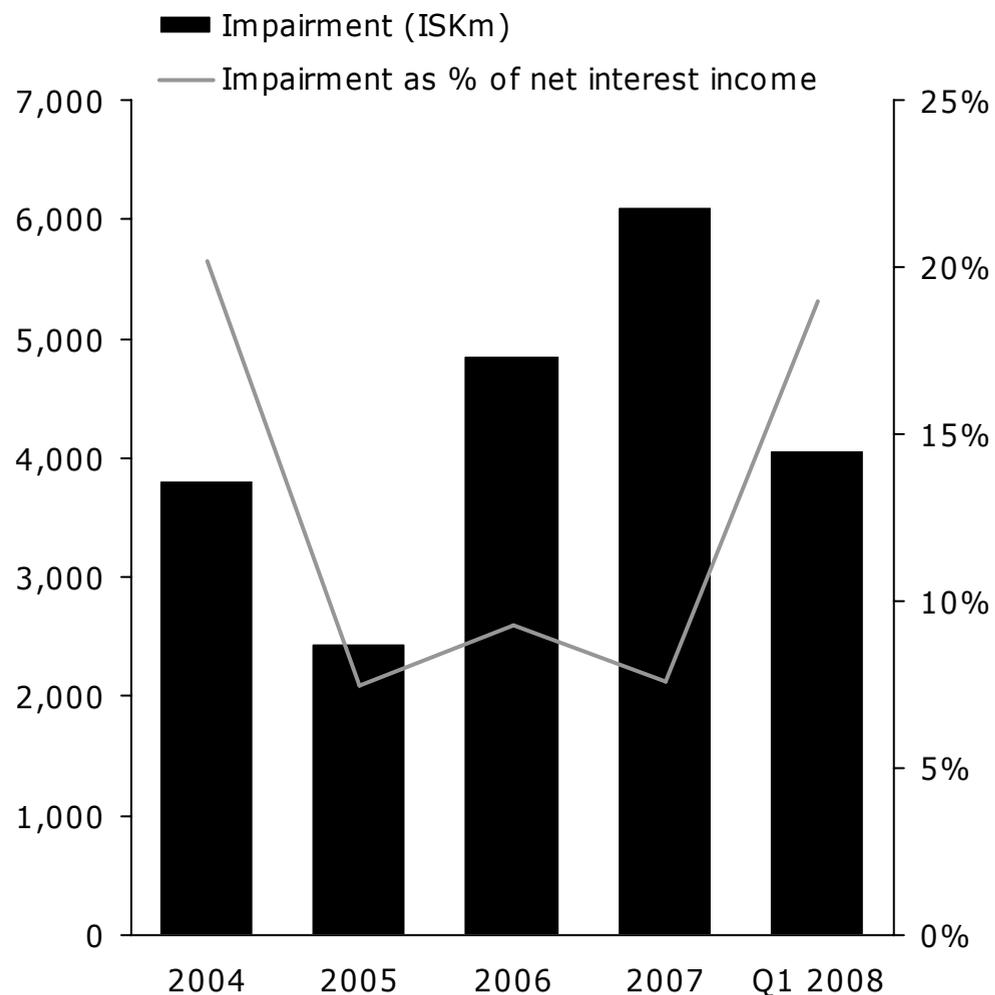
Sector Breakdown of Portfolio



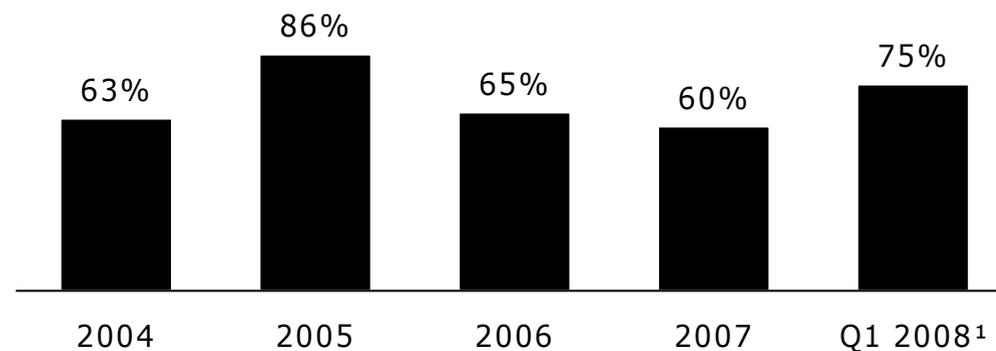
All amounts in ISKbn

¹ Other sectors include; Transport, IT and Property

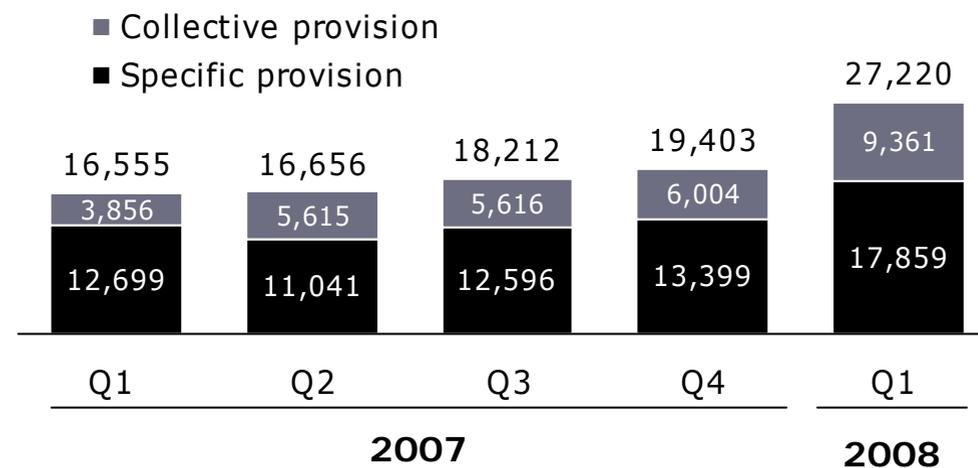
Impairments



Loan loss reserves / Non-performing loans¹



Loan loss reserves

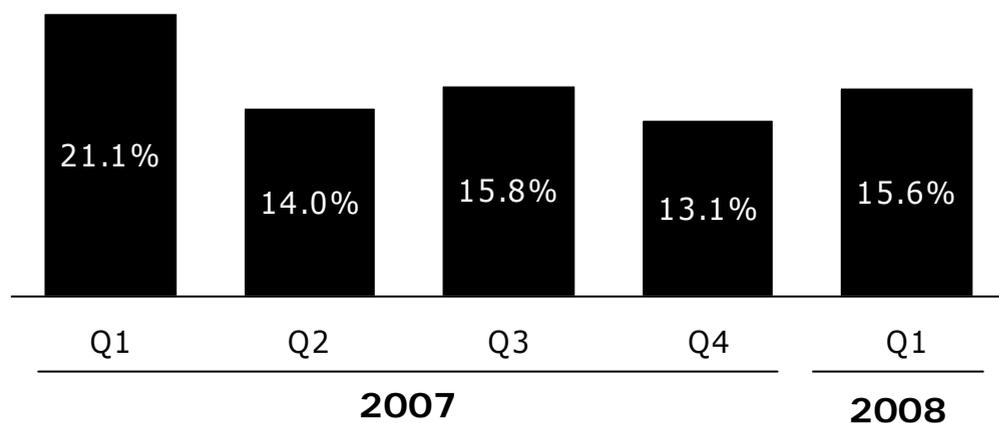


All amounts in ISKm

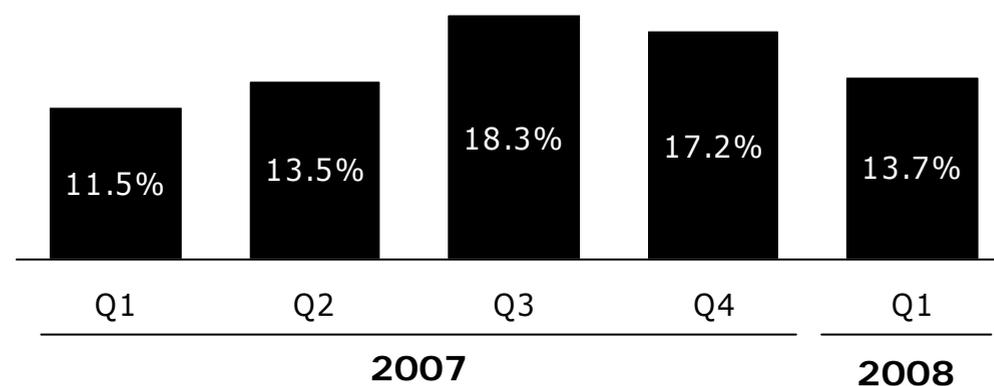
¹ If the part of NPL that is covered by collateral is added to the LLR this ratio is 122% of NPL

	31.3.2008	31.12.2007	Change	%	EUR Chg
Bonds and debt instruments	517,630	367,350	150,280	41%	8%
Shares and equity instruments	196,584	160,797	35,788	22%	-6%
Derivatives	384,766	134,856	249,910	185%	119%
Derivatives used for hedging	41,453	22,503	18,950	84%	41%
Securities used for hedging	107,680	159,949	-52,269	-33%	-48%
Total	1,248,114	845,455	402,659	48%	13%

Listed equity exposure as % of Risk capital



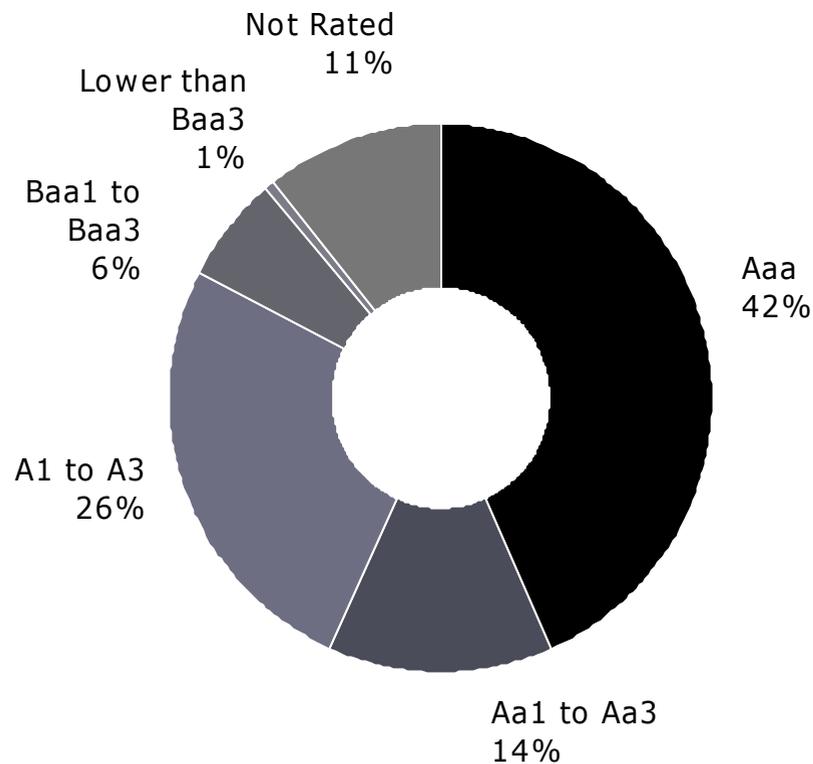
Unlisted equity exposure as % of Risk capital



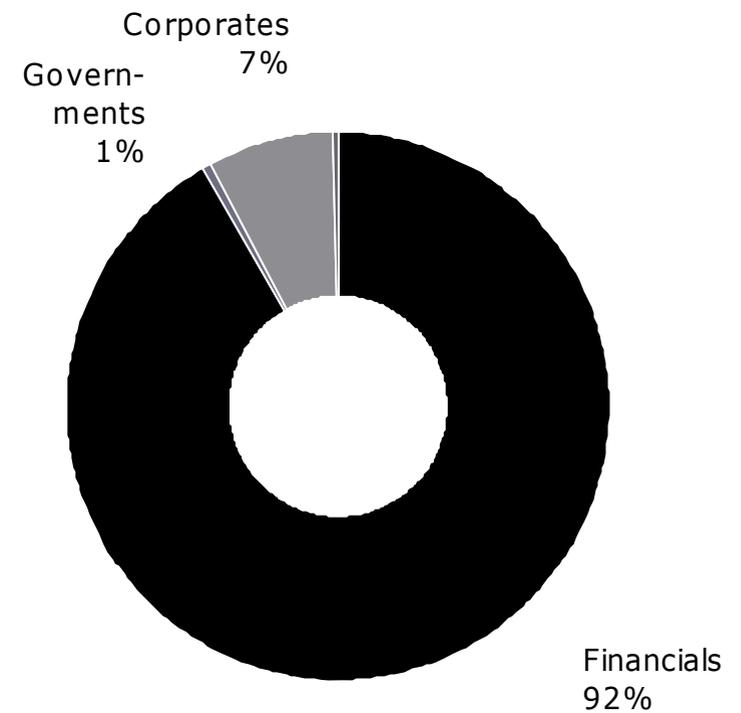
All amounts in ISKm

Largest part of the portfolio is part of the Bank's liquidity reserves. 92% are listed instruments

By rating¹



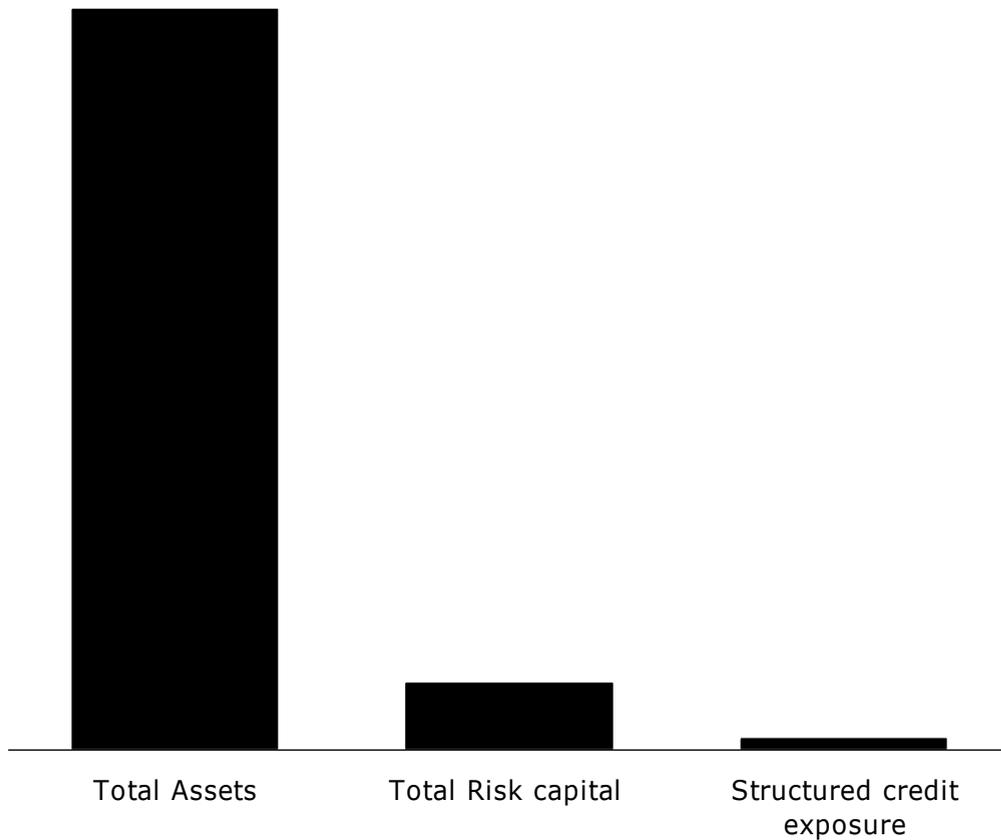
At fair value by issuer



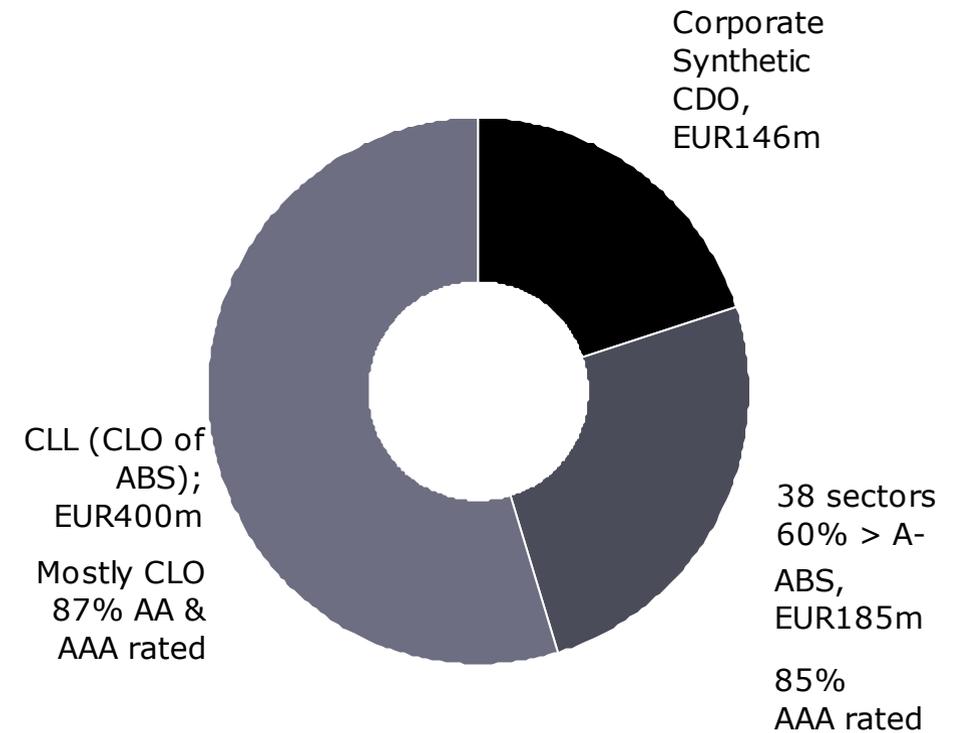
¹ By Moody's

No liquidity lines or direct exposure to sub-prime RMBS, CDO squared, CDOs of sub-prime RMBS or SIVs, insignificant indirect exposure to Monolines. Mark-to-market changes of ISK 6.8bn in Q1

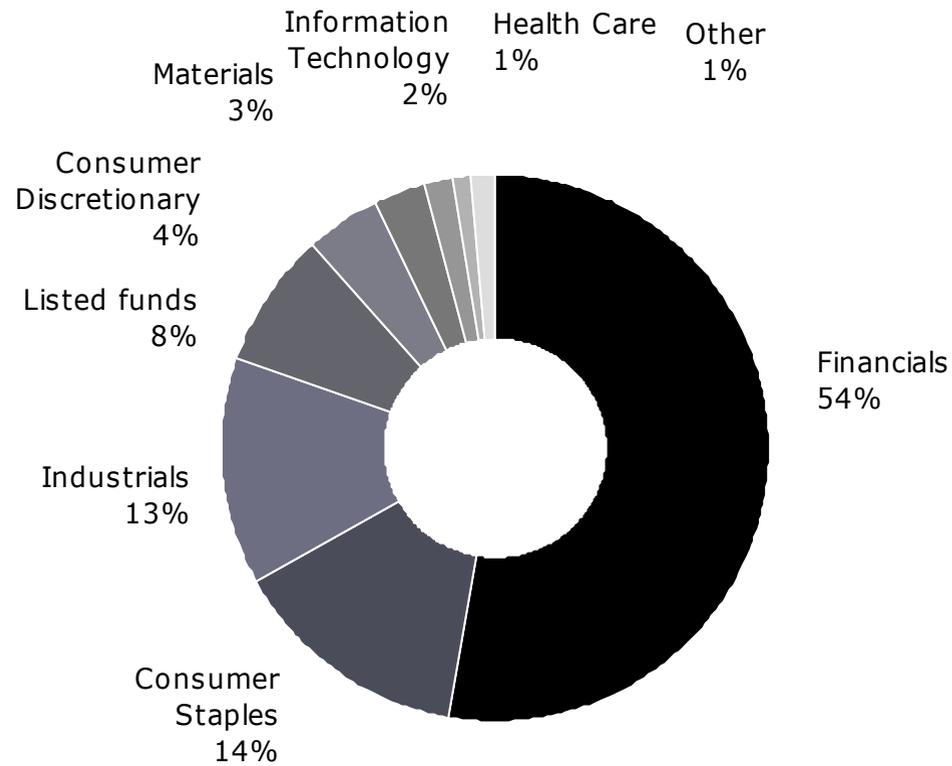
Limited exposure



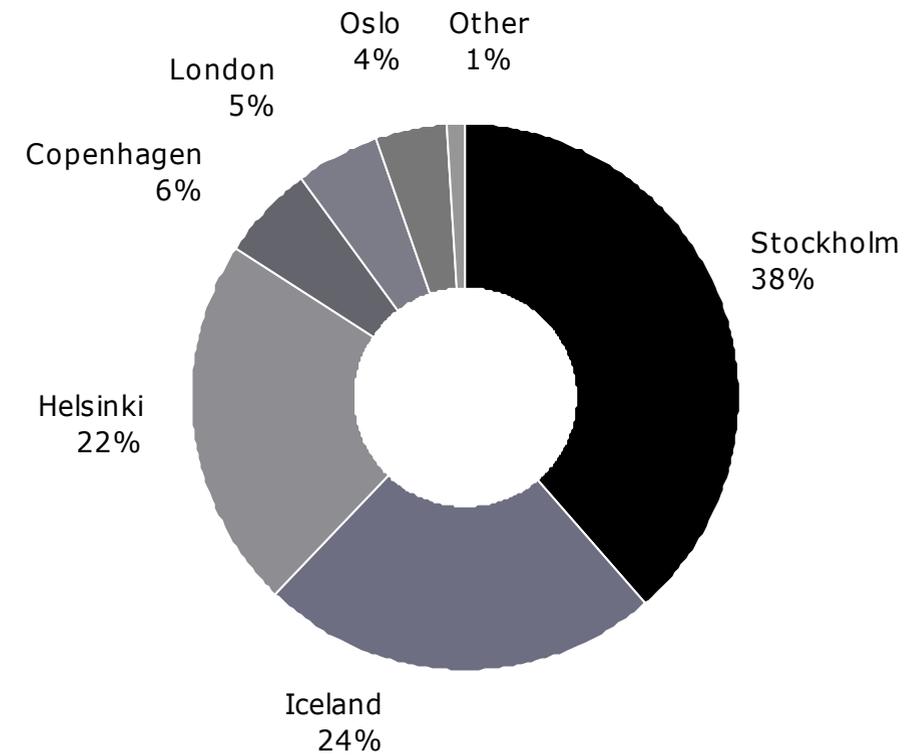
Highly rated assets



By sector



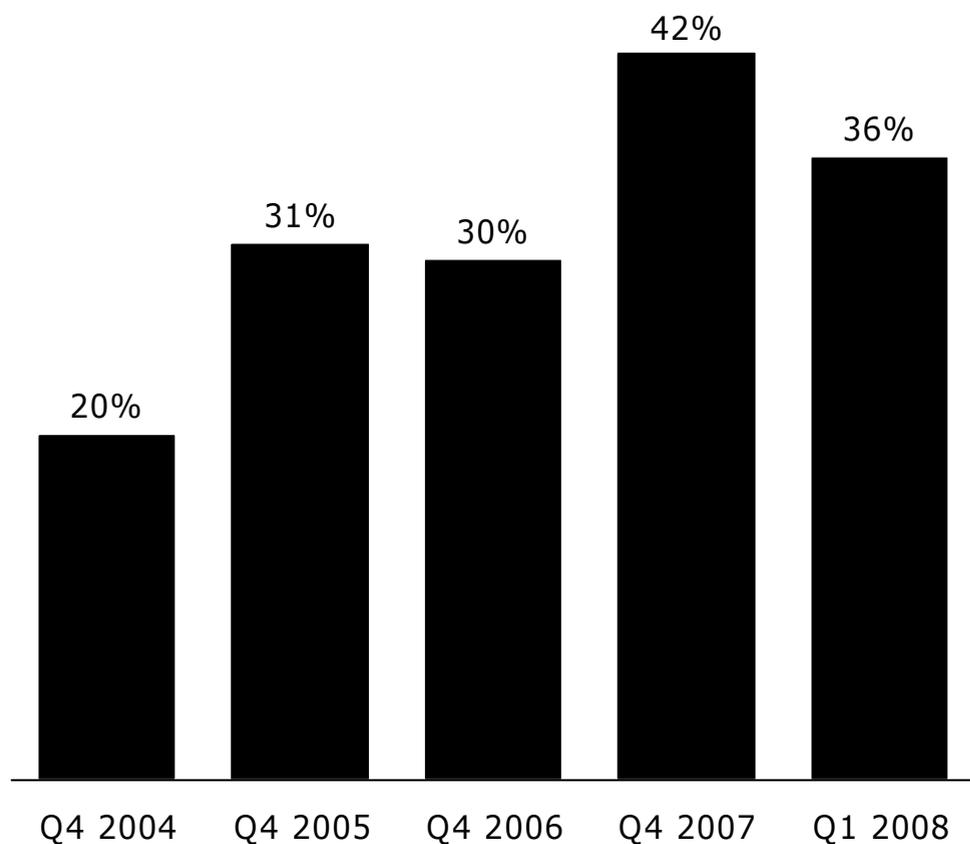
By stock exchanges



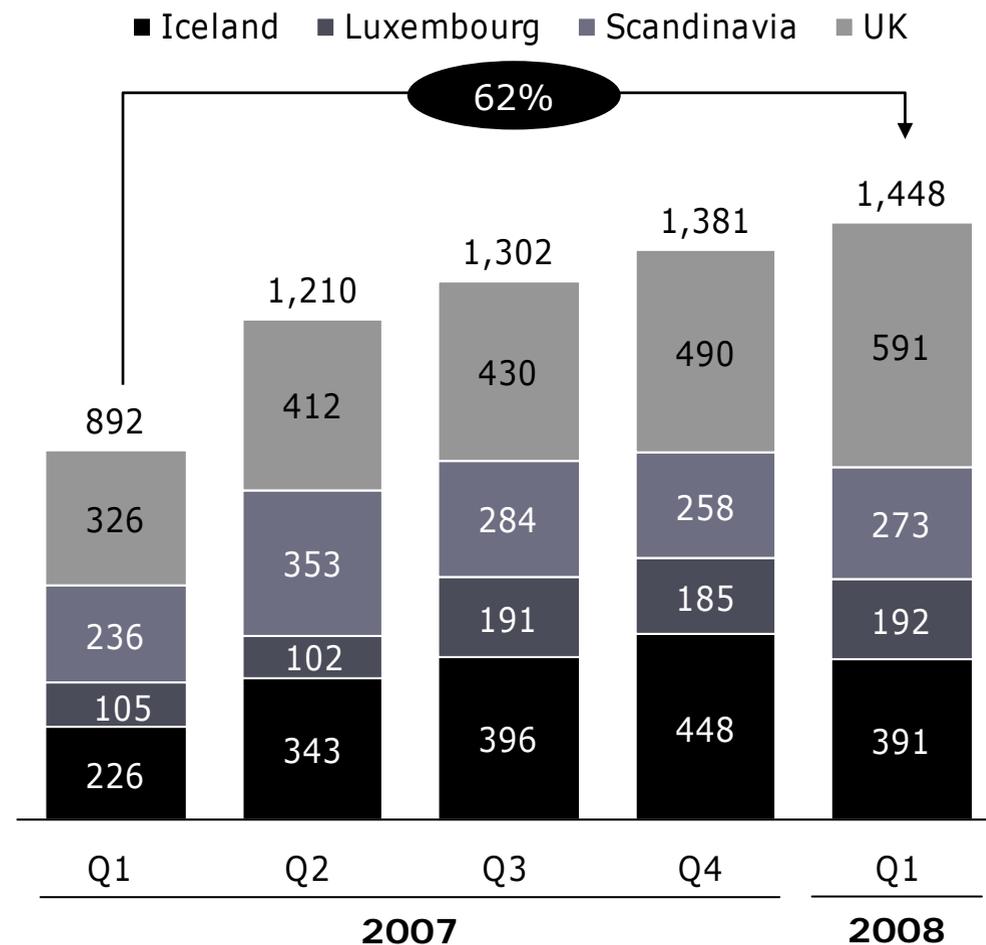
Deposit Scheme – Making Deposits a Priority

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

Deposits as % of Loans to customers

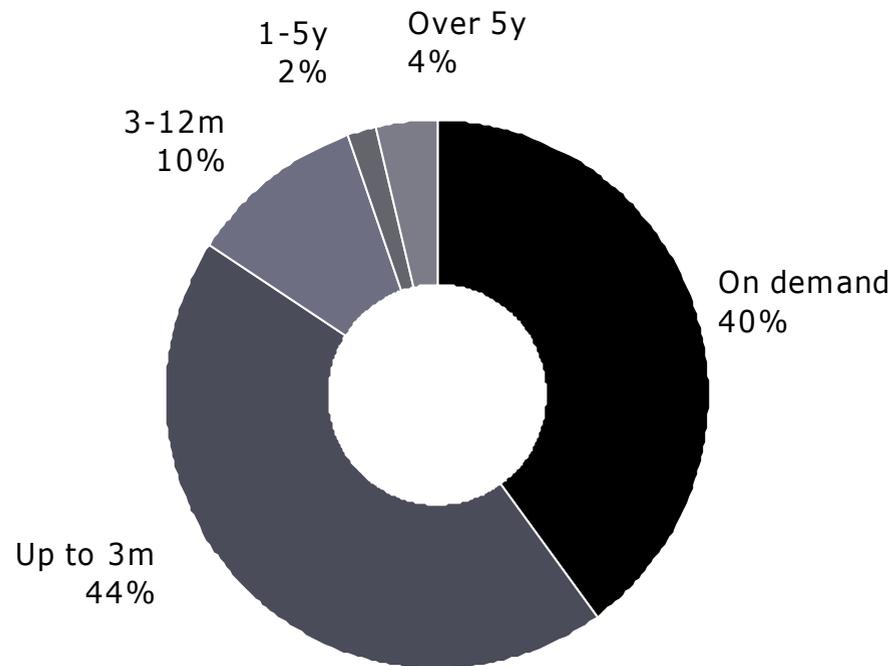


Deposits

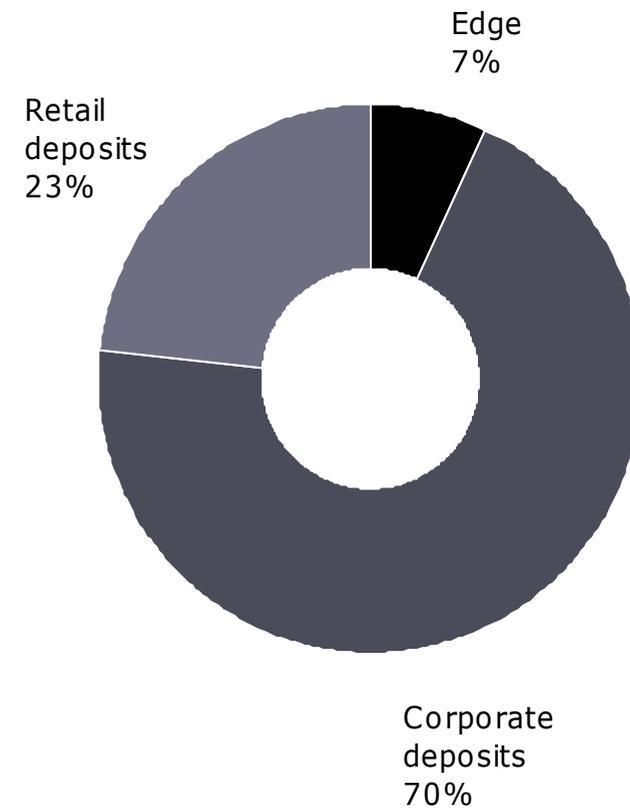


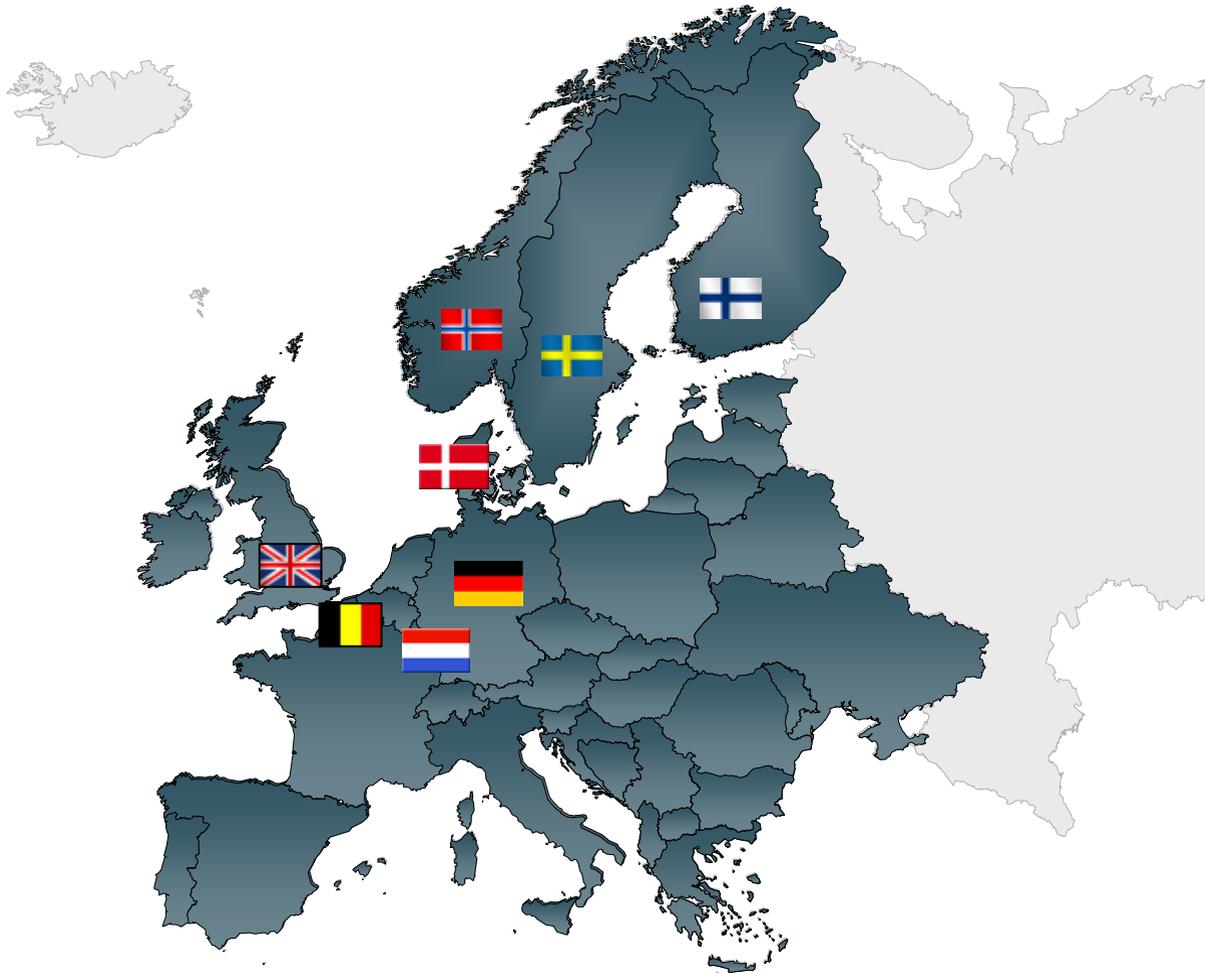
All amounts in ISKbn

Contractual maturity



By clients



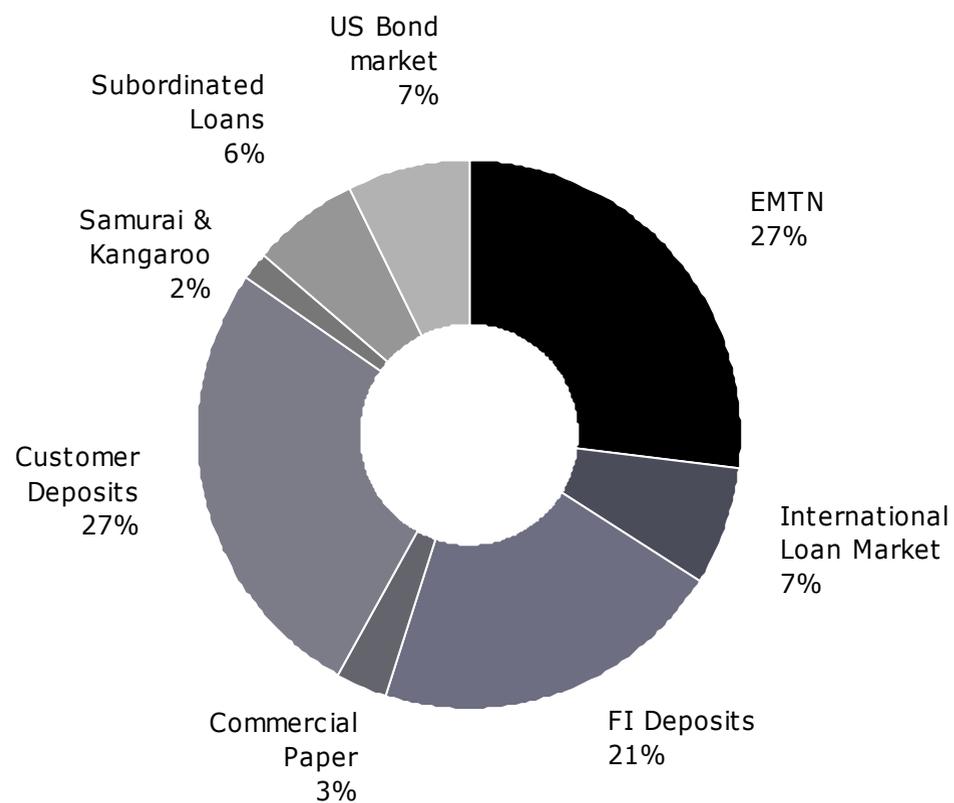


Coverage

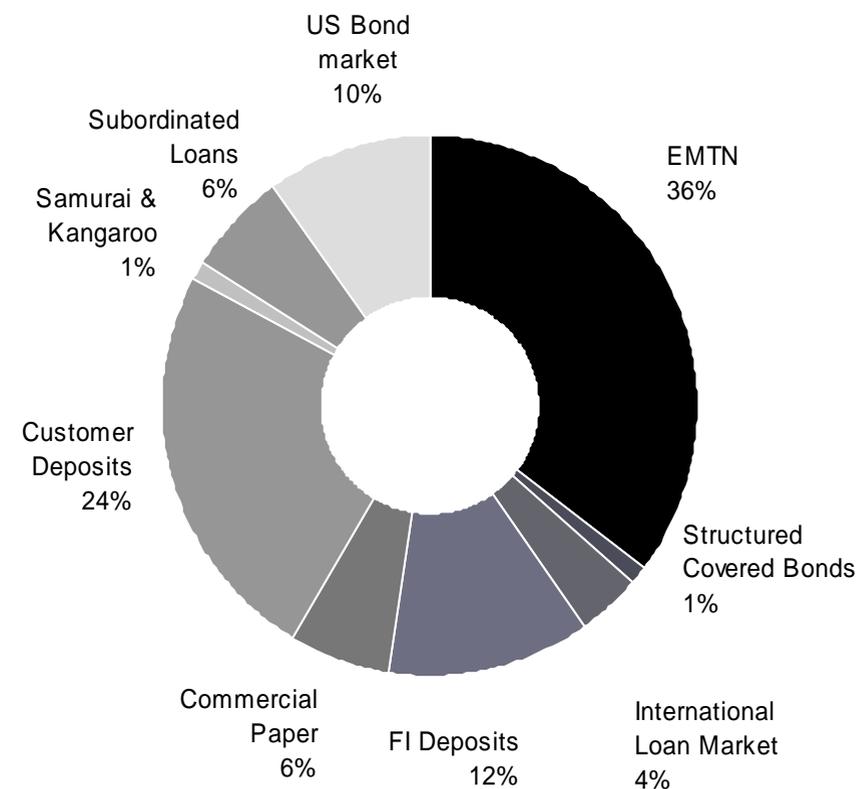
- Finland – October 2007
 - Sweden – November 2007
 - Norway – January 2008
 - Belgium – January 2008
 - UK – February 2008
 - Germany – March 2008
 - Denmark – April 2008¹
 - Luxembourg – April 2008
-
- 70,000 Kaupthing Edge customers at 31 March 2007
 - ISK 108bn (EUR 905m) in Kaupthing at the end of Q1
 - 22% of Edge deposits are term deposits

¹ Netbank Privat

Funding mix 31 March 2008



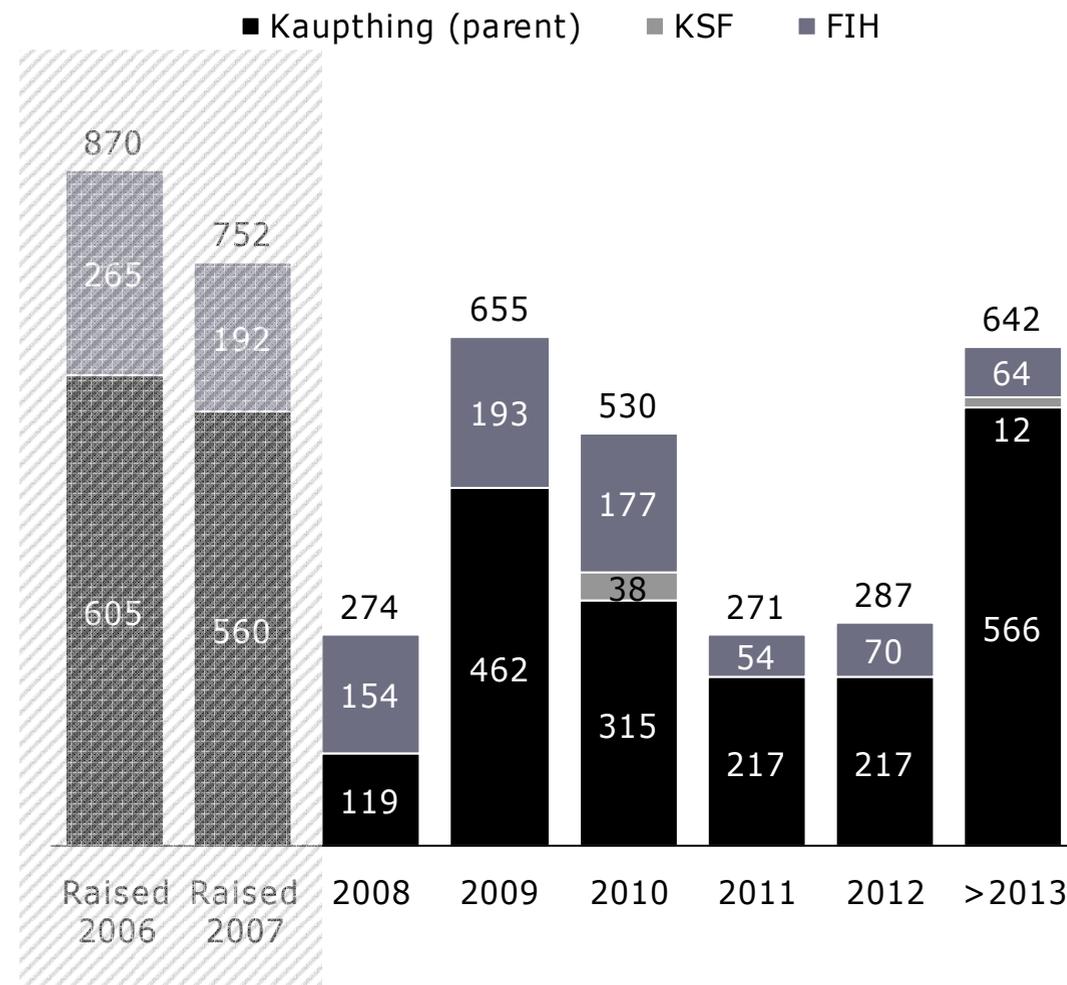
Funding mix 31 March 2007



Highlights

- Concluded a series of bond private placements and a bilateral loan totalling equivalent of EUR 1.3bn
- Light maturity profile in 2008 – next public bond redemption in the parent company in May 2009
- Pre-funding of 2009 redemptions has already started
- During this year Kaupthing has selectively bought back its outstanding debt obligations in cash and synthetic format, and will continue to do so
- Credit ratings
 - Moody's A1/P-1 - stable
 - Fitch A/F1 - rating watch negative
 - R&I A+ - stable

Maturity of LT funding¹ as at 31 March 2008

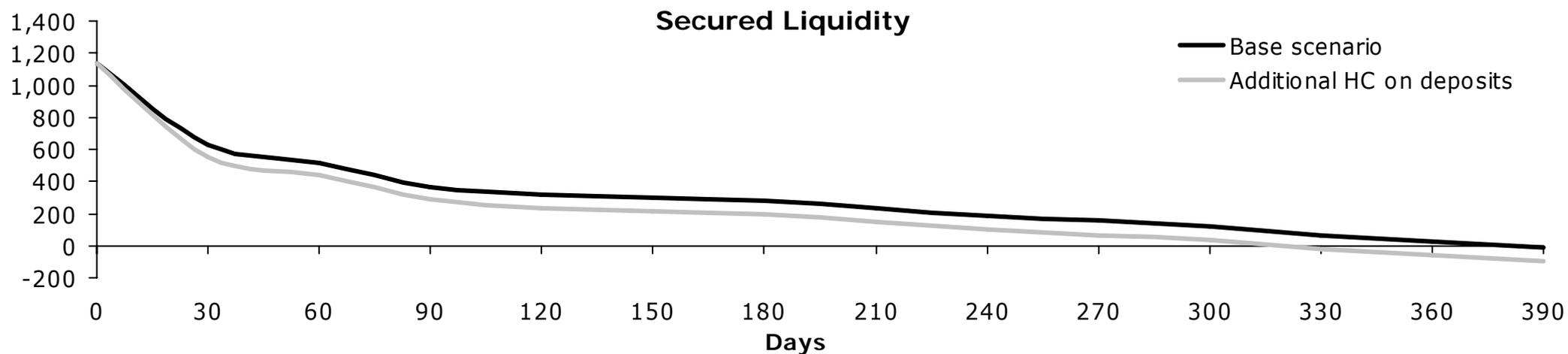


All amounts in ISKbn

¹ Includes bonds issued, subordinated and other loans

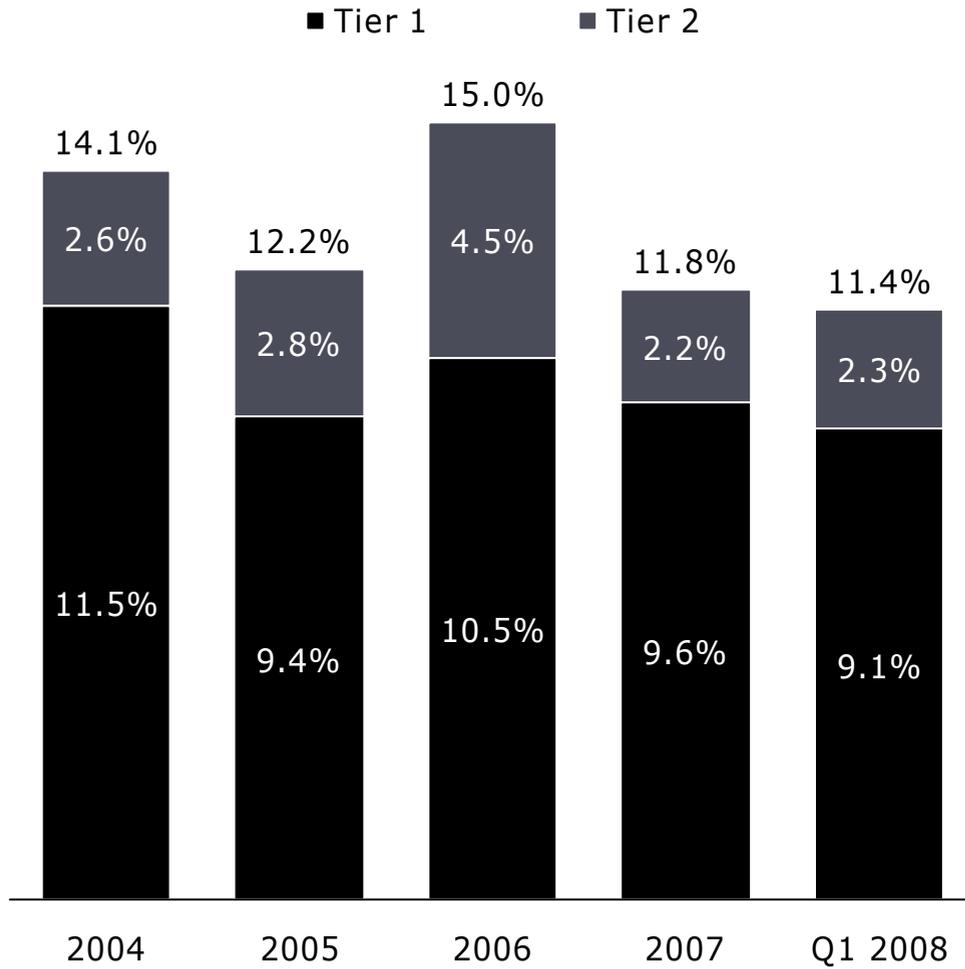
Secured liquidity

- Secured liquidity at the end of Q1 amounted to ISK 1.140bn
 - Cash - ISK 372bn
 - Liquidity Investment Portfolio with 5% haircut - ISK 235bn
 - Alternative Liquidity Sources with maturity of > 1 year and no MAC clauses - ISK 533bn
- Target of having sufficient Secured Liquidity to cover all outstanding obligations for more than 360 days met at all times
- All facilities in the Secured Liquidity measure can be converted to cash in 15 days or less
- Listed equity positions not included unless there is a committed equity repurchase facility in place
- Additional stress tests applied regularly to the Secured Liquidity measure confirm robust position
 - 15% additional haircut on deposits results in liquidity of more than 300 days

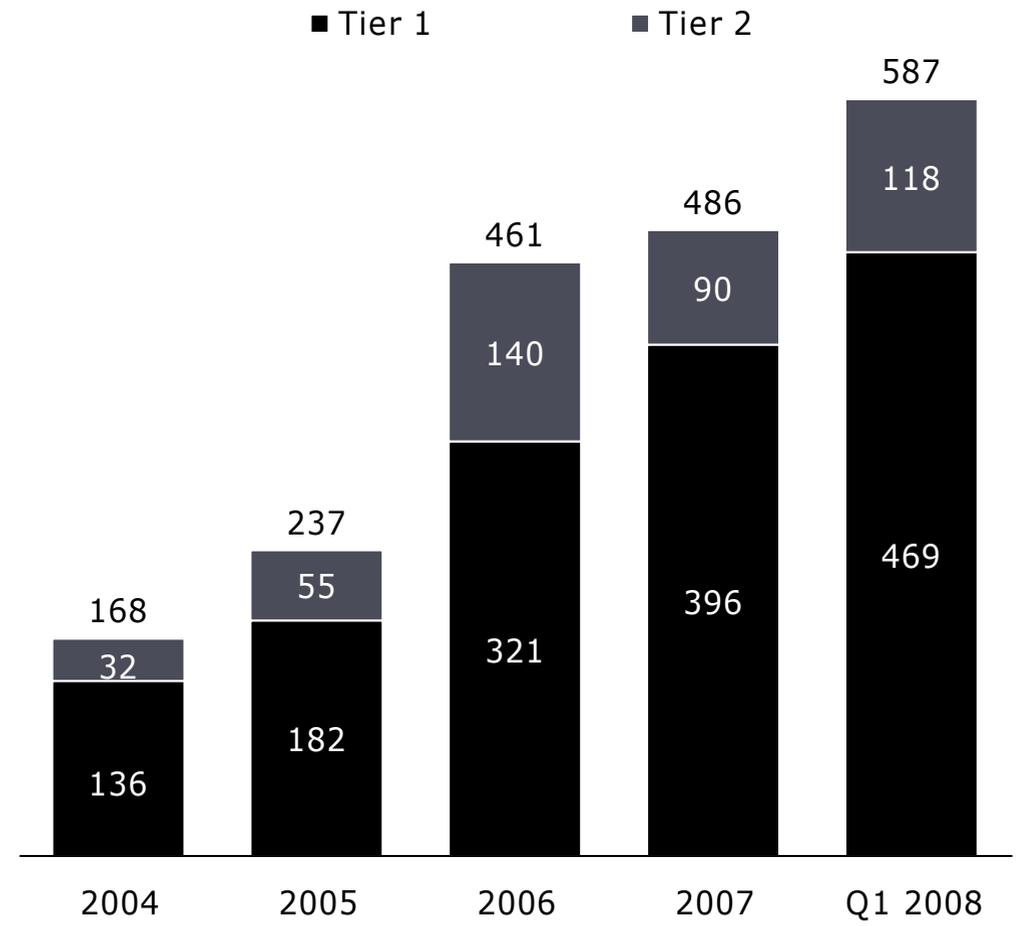


All amounts in ISKbn

CAD ratio



Risk capital



All amounts in ISKbn

Contents

- 1** Income Statement
 - 2** Business Segments
 - 3** Balance Sheet
 - 4** Conclusion
 - A** Appendix
-

Good Performance Despite Challenging Markets

- Good results in the quarter despite of market conditions
- No real asset growth
- ISK depreciated by 29.6%, which affected the results and all comparison
- Cost saving procedures already showing effect
- Capital ratios remain strong, CAD 11.4% and Tier 1 9.1%

Asset Quality, Funding and Liquidity

- Asset quality remains high, despite increase in impairment
- Secured liquidity maintained of ISK 1,140bn and only ISK 274bn on maturity in 2008, pre-funding of 2009 already started
- Deposit target raised to 50% at year end 2008, Kaupthing Edge has now been launched in 8 countries

Outlook

- 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 Q1 2008 Results

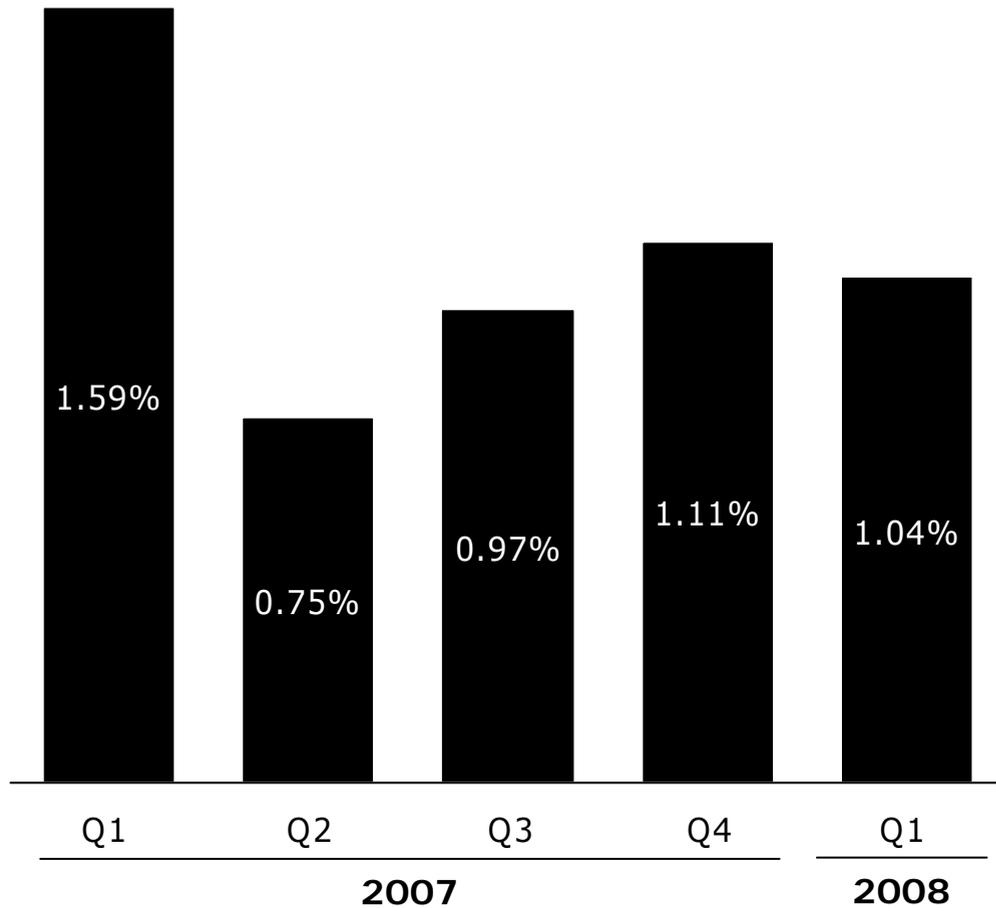
Hreidar Már Sigurdsson, CEO

April 2008

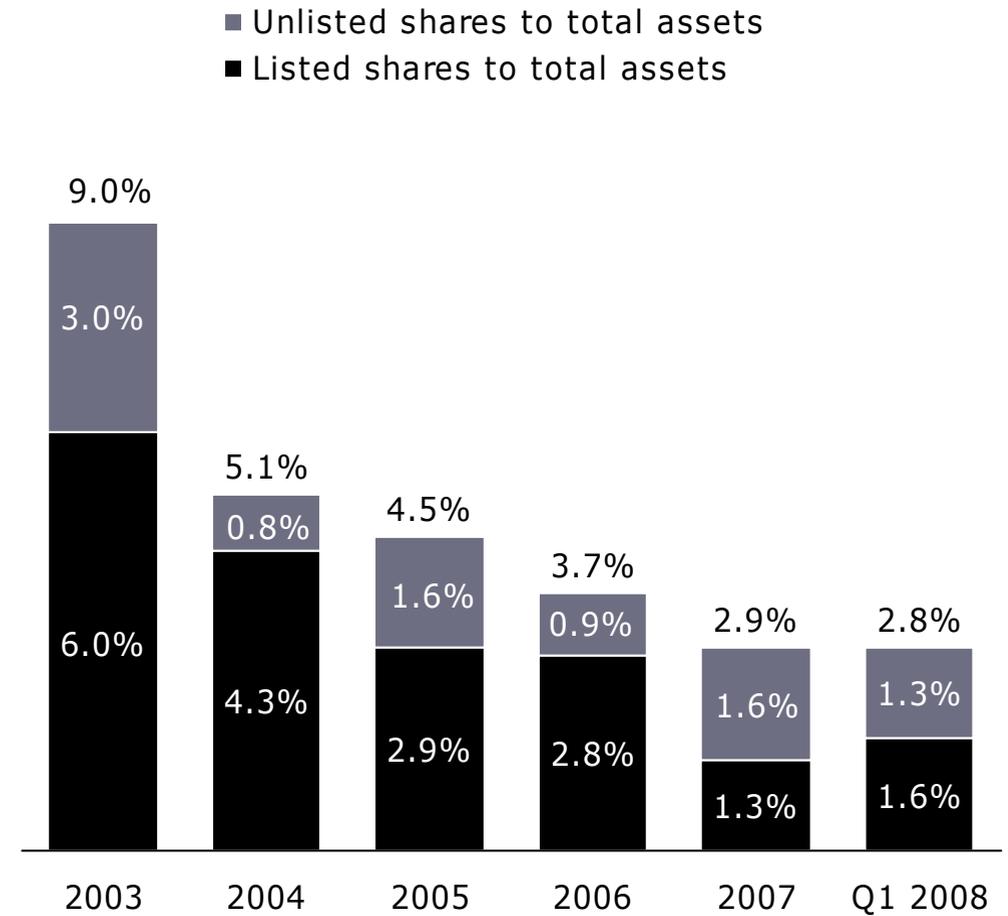
Contents

- 1** Income Statement
 - 2** Business Segments
 - 3** Balance Sheet
 - 4** Conclusion
 - A** Appendix
-

VaR (10d 99%) of Risk capital



Equities (listed and unlisted) as % of Assets



EUR 146m in corporate synthetic CDOs (7 transactions)

- The underlying exposures are highly rated corporate names (up to 125 names each), 60% above A- and well diversified across 38 sectors

EUR 585m in ABS assets

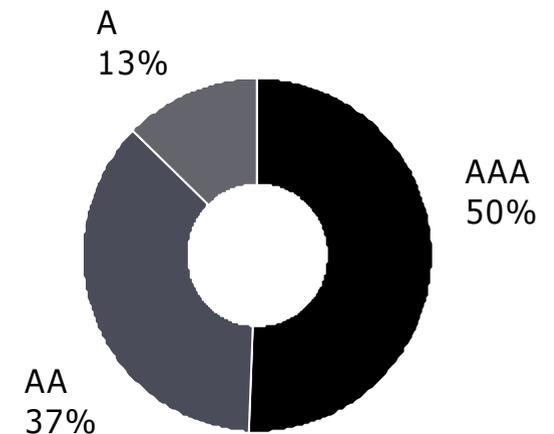
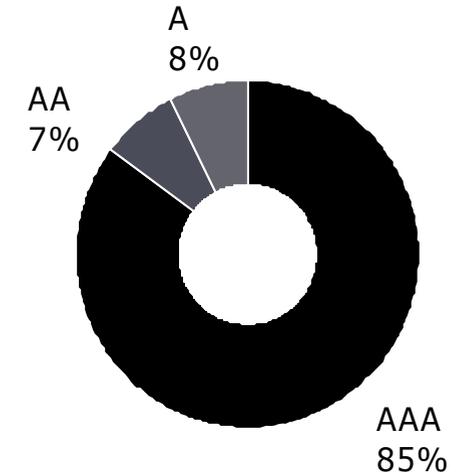
- EUR 185m 85% AAA rated ABS, mostly CLO
 - On the balance sheet and is mark-to-market
- EUR 400m in credit linked loans (CLL). This is a diverse and highly rated portfolio of ABS mostly limited to CLOs and HY-CDOs
 - The CLL is accounted for in our Loans to customers

Charges

- Charges in Q1 due to mark-to-market changes of ISK 6.8bn

No other direct exposure

- No liquidity lines or direct exposure to sub-prime RMBS, CDO squared, CDOs of sub-prime RMBS or SIVs, insignificant indirect exposure to Monolines
- USD 280m financing granted to a vehicle to help finance the purchase of USD 689m of US sub-prime assets from NIBC. Due to mark-to-market changes charges of ISK 12bn were made in Q1



	31.03.2008	31.03.2007
ROE ¹	23.7%	27.6%
Earnings per share ISK ²	93.8	125.8
Cost Income – Group	47.0%	40.2%
Price / earnings ³	8.6	8.1
Price / book ³	1.4	2.4
Loan-loss ratio	0.11%	0.06%
NPL / Loans to customers	0.91%	1.03%

	31.03.2008	31.03.2007
CAD	11.4%	13.8%
Tier 1	9.1%	9.6%
Deposits / Loans to customers	36.4%	34.9%
Loans to customers / Assets	62.5%	61.0%
VaR (10d 99%) % of Risk capital	1.0%	1.6%
Total equity exposure / Risk capital	29.3%	32.6%
– Thereof unlisted	13.7%	11.5%

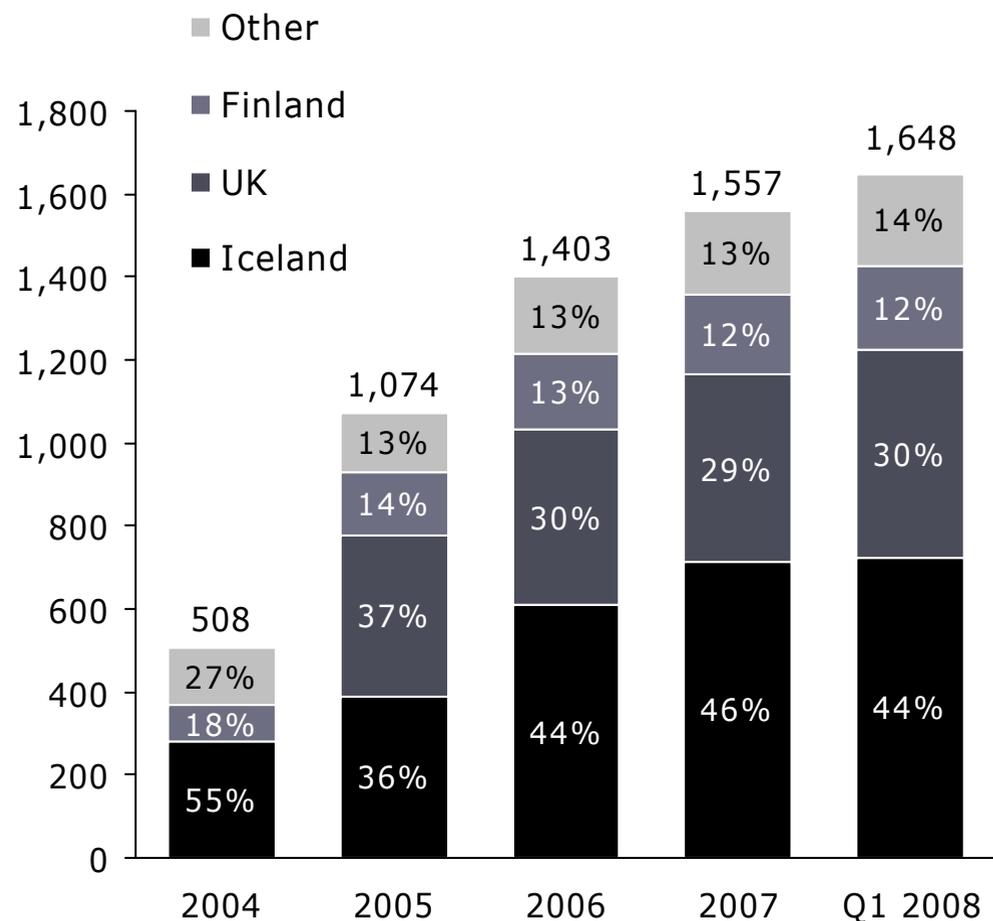
¹ Annualised

² LTM

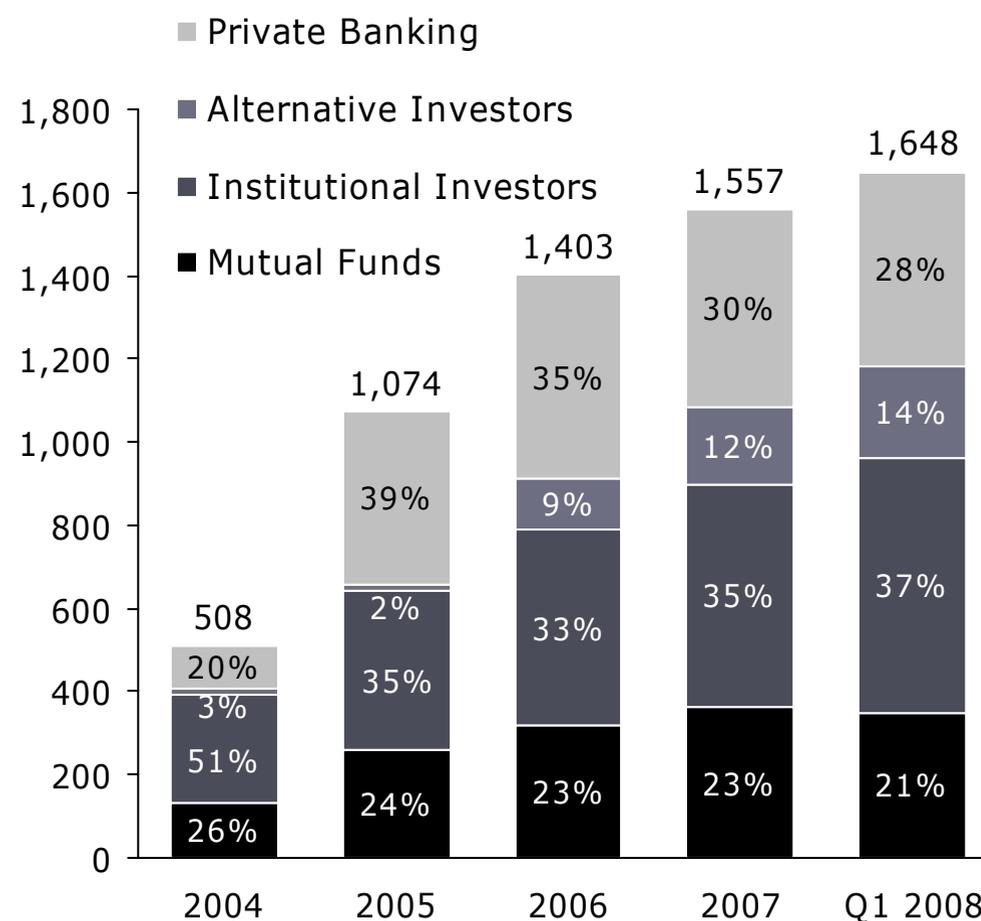
³ Share price 31 March 2008: ISK803. Share price 31 March 2007: ISK1029

Assets under Management totalled ISK 1,648bn as of 31 March 2008, up 5,8% from end of 2007. Luxembourg, Sweden and UK non-discretionary AuM of ISK 604bn not included

AuM by country



AuM by type



All amounts in ISKbn

Five Integrated Business Segments

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

¹ Includes Isle of Man operation

² Includes Switzerland and Belgium operation

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