

Kaupthing Bank's results for the first half of 2007

Net earnings of ISK 45.8 billion (€22 million)

- ◆ Shareholders' net earnings increased by 43.8% to ISK 45.8 billion in 1H
- ◆ Return on equity in first half of 32.0% on an annualised basis. Earnings per share of ISK 62.2 – compared with ISK 47.9 in same period of 2006
- ◆ Shareholders' net earnings in Q2 up 95.5% to ISK 25.5 billion (€294.7 million)
- ◆ Operating income in Q2 increased by 66.8% to ISK 51.8 billion
- ◆ Net interest income in Q2 up by 38.0% to ISK 19.8 billion
- ◆ Net fee and commission income in Q2 grew by 65.4% to ISK 15.2 billion
- ◆ Operating expenses in Q2 rose by 28.5% to ISK 19.0 billion
- ◆ Cost-to-income ratio in Q2 was 36.7%
- ◆ Kaupthing Bank booked ISK 4.3 billion profit from the sale of its subsidiary Eik fasteignafélag hf. during Q2
- ◆ Total assets of ISK 4,570.4 billion (€4.3 billion) at the end of June 2007, increasing by 23.3% at a fixed exchange rate from the beginning of the year and by 12.7% in ISK

Hreidar Már Sigurdsson, CEO

"Kaupthing Bank went from strength to strength during the second quarter and all the Bank's main offices produced solid results. The vigorous growth of fee and commission income and net interest income was a key feature of the second quarter. The increase in deposits at the Bank is a source of particular satisfaction, and deposits now represent 46% of loans to customers. We have put considerable effort into building our businesses in the UK, and we have seen a complete turnaround at Kaupthing Singer & Friedlander. The performance of all our main business segments has exceeded our expectations. The Bank's pipeline is in robust shape and the outlook for the rest of the year is positive."

Key figures

ISK billions	H1 2007	H1 2006	Change	Q2 2007	Q1 2007	Change	Q2 2007	Q2 2006	Change
Operating income	95.9	66.5	44%	51.8	44.1	18%	51.8	31.1	67%
Operating expenses	36.7	27.4	34%	19.0	17.7	7%	19.0	14.8	28%
Shareholders' net earnings	45.8	31.8	44%	25.5	20.3	26%	25.5	13.0	96%
Cost/income ratio	38.3%	41.1%		36.7%	40.2%		36.7%	47.7%	
Earnings pr. share, ISK	62.2	47.9	30%	34.6	27.4	26%	34.6	19.6	76%
Return on equity	32.0%	36.2%		36.6%	27.6%		36.6%	26.7%	