

## EXECUTION COPY

### FINAL TERMS

12 February, 2007

**Kaupthing Bank hf.**  
**Issue of CAD500,000,000 4.70 per cent. Notes due 15 February 2010**  
**under the €12,000,000,000**  
**Euro Medium Term Note Programme**

#### PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 31 August, 2006 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "*Prospectus Directive*"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus as supplemented on 2 February, 2007. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus as so supplemented. The Base Prospectus as so supplemented is available for viewing at the office of the Issuer at Borgartun 19, 105 Reykjavik, Iceland and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

- |    |                                   |                                                                                                                                                                                  |
|----|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Issuer:                           | Kaupthing Bank hf.                                                                                                                                                               |
|    | (i) Series Number:                | 27                                                                                                                                                                               |
|    | (ii) Tranche Number:              | 1                                                                                                                                                                                |
| 3. | Specified Currency or Currencies: | Canadian Dollars (" <b>CAD</b> ")                                                                                                                                                |
| 4. | Aggregate Nominal Amount:         |                                                                                                                                                                                  |
|    | (i) Series:                       | CAD500,000,000                                                                                                                                                                   |
|    | (ii) Tranche:                     | CAD500,000,000                                                                                                                                                                   |
| 5. | Issue Price:                      | 99.900 per cent. of the Aggregate Nominal Amount                                                                                                                                 |
| 6. | Specified Denominations:          | CAD100,000 and integral multiples of CAD1,000 in excess thereof up to and including CAD199,000. No Notes in definitive form will be issued with a denomination above CAD199,000. |

Notwithstanding the provisions of Condition 5, interest amounts shall be calculated in respect of each CAD 1,000 in principal amount of the Notes and aggregated for each Note of each Specified Denomination.

- |     |      |                                                           |                                                                    |
|-----|------|-----------------------------------------------------------|--------------------------------------------------------------------|
| 7.  | (i)  | Issue Date:                                               | 15 February, 2007                                                  |
|     | (ii) | Interest Commencement Date:                               | 15 February, 2007                                                  |
| 8.  |      | Maturity Date:                                            | 15 February 2010                                                   |
| 9.  |      | Interest Basis:                                           | 4.70 per cent. Fixed Rate<br>(further particulars specified below) |
| 10. |      | Redemption/Payment Basis:                                 | Redemption at par                                                  |
| 11. |      | Change of Interest Basis or Redemption/<br>Payment Basis: | Not Applicable                                                     |
| 12. |      | Put/Call Options:                                         | Not Applicable                                                     |
| 13. | (a)  | Status of the Notes:                                      | Senior                                                             |
|     | (b)  | Date Board approval for issuance<br>of Notes obtained:    | Not Applicable                                                     |
| 14. |      | Method of distribution:                                   | Syndicated                                                         |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- |     |       |                                   |                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----|-------|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15. |       | <b>Fixed Rate Note Provisions</b> | Applicable                                                                                                                                                                                                                                                                                                                                                                                       |
|     | (i)   | Rate(s) of Interest:              | 4.70 per cent. per annum payable semi-annually in arrear                                                                                                                                                                                                                                                                                                                                         |
|     | (ii)  | Interest Payment Date(s):         | 15 August and 15 February in each year up to and including the Maturity Date                                                                                                                                                                                                                                                                                                                     |
|     | (iii) | Fixed Coupon Amount(s):           | CAD23.50 per CAD1,000 in nominal amount                                                                                                                                                                                                                                                                                                                                                          |
|     | (iv)  | Broken Amount(s):                 | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                   |
|     | (v)   | Day Count Fraction:               | Whenever it is necessary to compute any amount of accrued interest in respect of the Notes for a period of less than one full year, other than with respect to regular semi-annual interest payments, such interest will be calculated on the basis of the actual number of days in the period and a year of 365 days (or 366 days in a leap year) ("Actual / Actual Canadian Compound Method"). |
|     | (vi)  | Determination Date(s):            | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                   |

(vi)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	None
16.	<b>Floating Rate Note Provisions</b>	Not Applicable
17.	<b>Zero Coupon Note Provisions</b>	Not Applicable
18.	<b>Index Linked Interest Note Provisions</b>	Not Applicable
19.	<b>Dual Currency Interest Note Provisions</b>	Not Applicable
20.	Target Redemption Note Provisions:	Not Applicable
21.	Range Accrual Note Provisions:	Not Applicable
<b>PROVISIONS RELATING TO REDEMPTION</b>		
22.	Issuer Call	Not Applicable
23.	Investor Put	Not Applicable
24.	Target Redemption Note Provisions:	Not Applicable
25.	Final Redemption Amount of each Note	CAD1,000 per nominal amount of CAD1,000
26.	Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(f)):	CAD1,000 per nominal amount of CAD1,000
27.	Capital Notes Provisions	
(i)	Special Event Redemption Amount:	Not Applicable
(ii)	Special Event Redemption Date(s):	Not Applicable
(iii)	Investment Considerations:	Not Applicable

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

28.	(a)	Form of Notes:	Permanent Global Note exchangeable for Definitive Notes only upon an Exchange Event.  See additional information regarding the Notes set out in Annex 1 to these Final Terms.
	(b)	New Global Note:	No

29. Additional Financial Centre(s) or other special provisions relating to Payment Dates: New York City, Toronto
30. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): No
31. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and, consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: Not Applicable
32. Details relating to Instalment Notes:
- (i) Instalment Amount(s): Not Applicable
- (ii) Instalment Date(s): Not Applicable
33. Redenomination applicable: Not Applicable
34. Other final terms: Not Applicable

## **DISTRIBUTION**

35. (i) If syndicated, names of Managers: Merrill Lynch Canada Inc.  
The Toronto-Dominion Bank  
HSBC Securities (Canada) Inc.  
RBC Dominion Securities Inc.
- (ii) Date of Subscription Agreement: Not Applicable
- (iii) Stabilising Manager (if any): The Toronto-Dominion Bank
36. If non-syndicated, name of relevant Dealer: Not Applicable
37. Total commission and concession: Not Applicable
38. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: TEFRA C
39. Additional selling restrictions: See Annex 2 for additional selling restrictions which apply in respect of the Notes.

## **LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the ₧ 12,000,000,000 Euro Medium Term Note Programme of Kaupthing Bank hf.

## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing: Luxembourg
- (ii) Admission to trading: Application has been made for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market with effect from 15 February, 2007.
- (iii) Estimate of total expenses related to admission to trading: EUR3,005

### 2. RATINGS

- Ratings: The Notes to be issued have been rated:
- |                   |    |
|-------------------|----|
| Moody's:          | A1 |
| Fitch Ratings Ltd | A  |

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the Managers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

### 4. YIELD (*Fixed Rate Notes only*)

- Indication of yield: 4.736 per cent.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 5. OPERATIONAL INFORMATION

- (i) ISIN Code: CA X4342UFS09
- (ii) Common Code: 028651287
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): CDS Clearing and Depositary Services Inc. ("CDS")  
CUSIP: X4342UFS0  
See additional information regarding clearing and settlement set out in Annex 3 to the Final Terms.
- (iv) Delivery: Delivery free of payment
- (v) Names and addresses of additional Paying Agent(s) (if

any):

The Canada Trust Company  
79 Wellington Street West, 8th Fl. TD Waterhouse  
Tower  
P.O. Box 1, Toronto-Dominion Centre  
Toronto, Ontario, M5K 1A2

- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: No

## ANNEX 1

### Additional Information Regarding the Notes

#### *Form, Denomination and Title*

The Notes will be issued in bearer form and represented by a permanent global note issued in the name of CDS & CO., as nominee of CDS Clearing and Depository Services Inc. (“CDS”) and held by CDS (the “**Permanent Global Note**”) substantially in the form set out in the Supplemental Agency Agreement dated 12 February, 2007 made between *inter alios* the Issuer and Deutsche Bank AG, London Branch as Agent for the holders of the Notes (the “**Agency Agreement**”). Beneficial interests in the Permanent Global Note will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in CDS. Investors may elect to hold interests in the Permanent Global Note directly through any of CDS (in Canada) or Clearstream, Luxembourg or Euroclear (in Europe) if they are participants of such systems, or indirectly through organisations which are participants in such systems. Clearstream, Luxembourg and Euroclear will hold interests on behalf of their participants either through customers’ securities accounts in their respective names on the books of their respective Canadian subcustodians, each of which is a Canadian schedule I chartered bank (“**Canadian Subcustodians**”), which in turn will hold such interests in customers’ securities accounts in the names of the Canadian Subcustodians on the books of CDS. Except in the limited circumstances described below, owners of beneficial interests in the Permanent Global Note will not be entitled to have Notes issued in their names, will not receive or be entitled to receive physical delivery of Definitive Note in definitive form and will not be considered owners or holders thereof under the Agency Agreement.

All Notes will be issued in the name of CDS & CO. (or such other nominee of CDS as an authorised representative of CDS may advise) for the benefit of owners of beneficial interests in the Permanent Global Note, including participants of Clearstream, Luxembourg and Euroclear.

For so long as any of the Notes are represented by the Permanent Global Note, the Issuer, the Agent, the Canadian Paying Agent and any other Paying Agents shall treat CDS & CO., or any other nominee appointed by CDS, as the sole owner or holder of such Notes for all purposes under the Agency Agreement. Principal and interest payments on the Permanent Global Note issued in the name of CDS & CO., or any other nominee appointed by CDS, will be made on behalf of the Issuer to CDS & CO., or any other nominee appointed by CDS and CDS will distribute the payment received.

#### *Definitive Notes*

No beneficial owner of the Notes will be entitled to receive physical delivery of Definitive Notes in definitive form except in the limited circumstances set out in the Permanent Global Note, including the circumstances described below.

If the Notes represented by the Permanent Global Note are held by or on behalf of CDS and (i) CDS has notified the Issuer that it is unwilling or unable to continue to act as a depository for the Notes and a successor depository is not appointed by the Issuer within 90 working days after receiving such notice; or (ii) CDS ceases to be a recognised clearing agency under the *Securities Act* (Ontario) or a self-regulatory organisation under the *Securities Act* (Québec) or other applicable Canadian securities legislation and no successor clearing system satisfactory to the Issuer is available within 90 working days after the Issuer becoming aware that CDS is no longer so recognised.

#### *Direct Rights*

Where payment in full of principal or interest has not been made in respect of the Permanent Global Note, the Issuer understands that, under existing industry practices, if the Issuer requests any action of the holder of the Permanent Global Note or if an owner of a beneficial interest in the Permanent Global Note wishes to give or take any action which the holder of the Permanent Global Note is entitled to give or take under such Permanent Global Note, CDS, or its respective nominees or



successors, as the case may be, as the holders of such Permanent Global Note would authorise the participants through which the relevant beneficial interests are held to give or take such action, and such participants would authorise owners of beneficial interests owning through such participants to give or take such action or would otherwise act upon the instructions of the beneficial owners holding through them.

## ANNEX 2

### Additional Selling Restrictions

Each Manager has represented and warranted to, and agreed with the Issuer that:

- (a) the sale and delivery of any Notes to any purchaser who is a resident of Canada or otherwise subject to the laws of Canada or who is purchasing for a principal who is a resident of Canada or otherwise subject to the laws of Canada (each such purchaser and principal a “**Canadian Purchaser**”) by such manager shall be made so as to be exempt from the prospectus filing requirements and exempt from or in compliance with the dealer registration requirements of all applicable securities laws, regulations, rules, instruments, rulings and orders, including those applicable in each of the provinces and territories of Canada and the applicable policy statements issued by any securities regulator having jurisdiction (the “**Securities Laws**”);
- (b) in respect of any sale and delivery of any Notes to a Canadian Purchaser that is a resident of, or otherwise subject to the Securities Laws of, the Province of Ontario, the manager is exempt from the dealer registration requirements or is a fully registered dealer within the meaning of section 204 of Regulation 1015 to the *Securities Act* (Ontario) or is registered as an international dealer within the meaning of section 98 of Regulation 1015 to the *Securities Act* (Ontario) or is selling such Notes through an affiliate that is a fully registered dealer or is registered as an international dealer;
- (c) each Canadian Purchaser or any ultimate investor for which such investor is acting as agent is entitled under Securities Laws to acquire the Notes without the benefit of a prospectus qualified under the Securities Laws, and without limiting the generality of the foregoing: (a) in the case of a purchaser resident in a province other than Ontario, without the manager having to be registered, (b) in the case of a purchaser resident in the province of Alberta, British Columbia, Manitoba, Québec and Saskatchewan, such purchaser is an "accredited investor" as defined in section 1.1 of National Instrument 45-106 Prospectus and Registration Exemptions (“**NI 45-106**”), (c) in the case of a purchaser resident in the Province of Ontario, such purchaser, or any ultimate purchaser for which such purchaser is acting as agent, (i) is an "accredited investor", other than an individual, as defined in NI 45-106 and is a person to which a dealer registered in the Province of Ontario as an international dealer within the meaning of section 98 of Regulation 1015 to the *Securities Act* (Ontario) may sell the Notes or (ii) is an "accredited investor", including an individual, as defined in NI 45-106 who is purchasing the Notes from a fully registered dealer within the meaning of section 204 of Regulation 1015 to the *Securities Act* (Ontario);
- (d) it will comply with all relevant Securities Laws concerning any resale of the Notes and will together with the Issuer prepare, execute, deliver and file all documentation required by the applicable Securities Laws to permit each resale by the manager of Notes to a Canadian Purchaser;
- (e) it will ensure that each Canadian Purchaser purchasing from it (a) has represented to it that such Canadian Purchaser is a resident in and subject to the Securities Laws of a province or territory of Canada or is a corporation, partnership or other entity resident and created in or organised under the laws of Canada or any province or territory thereof, (b) has represented to it which categories set forth in the relevant definition of "accredited investor" correctly and in all respects describe such Canadian Purchaser, and (c) consents to disclosure of all required information about the purchase to the relevant Canadian securities regulators or securities regulatory authorities, as the case may be;
- (f) it has not provided and will not provide to any Canadian Purchaser any document or other material that would constitute an offering memorandum (other than the Canadian Offering

Memorandum dated 12 February, 2007 with respect to the private placement of the Notes in Canada (the “**Canadian Offering Memorandum**”) or future oriented financial information within the meaning of Securities Laws;

- (g) the offer and sale of the Notes was not made through or accompanied by any advertisement of the Notes, including, without limitation, in printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising or as part of a general solicitation in Canada;
- (h) it will ensure that each Canadian Purchaser is advised that no securities commission, stock exchange or other similar regulatory authority in Canada has reviewed or in any way passed upon the Canadian Offering Memorandum or the merits of the Notes described therein, nor has any such securities commission, stock exchange or other similar regulatory authority in Canada made any recommendation or endorsement with respect to the Notes;
- (i) it has not made and it will not make any written or oral representations to any Canadian Purchaser (a) that any person will resell or repurchase the Notes purchased by such Canadian Purchaser, (b) that the Notes will be freely tradeable by the Canadian Purchaser without any restrictions or hold periods, (c) that any person will refund the purchase price of the Notes or (d) as to the future price or value of the Notes; and
- (j) it will inform each Canadian Purchaser (a) that the Issuer is not a "reporting issuer" (as such term is defined under applicable Securities Laws) and is not, and may never be, a reporting issuer in any province, or territory of Canada and there currently is no public market in Canada for any of the Notes, and one may never develop, (b) that the Notes will be subject to resale restrictions under applicable Securities Laws and (c) such Canadian Purchaser's name and other specified information will be disclosed to the relevant Canadian securities regulators or regulatory authorities and may become available to the public in accordance with applicable laws.

## ANNEX 3

### Additional Information Regarding Clearing and Settlement

Links have been established among CDS, Clearstream, Luxembourg and Euroclear to facilitate the initial issuance of the Notes and cross-market transfers of the Notes associated with secondary market trading. CDS will be directly linked to Clearstream, Luxembourg and Euroclear through the CDS accounts of their respective Canadian Subcustodians.

#### *The Clearing Systems*

CDS was formed in November 2006 pursuant to the restructuring of The Canadian Depository for Securities Limited ("**CDS Ltd.**"). After the restructuring, CDS Ltd., founded in 1970, remains the holding company for CDS and two other operating subsidiaries and is Canada's national securities clearing and depository services organisation. Functioning as a service utility for the Canadian financial community, CDS provides a variety of computer automated services for financial institutions and investment dealers active in domestic and international capital markets. CDS participants ("**CDS Participants**") include banks (including the Canadian Subcustodians), investment dealers and trust companies and may include certain of the Managers. Indirect access to CDS is available to other organisations that clear through or maintain a custodial relationship with a CDS Participant. Transfers of ownership and other interests, including cash distributions, in Notes in CDS may only be processed through CDS Participants and will be completed in accordance with existing CDS rules and procedures. CDS operates in Montreal, Toronto, Calgary, Vancouver and Halifax to centralise securities clearing functions through a central securities depository.

CDS is wholly owned by CDS Ltd., a private corporation owned one-third by investment dealers, one-third by banks and one-third by trust companies through their respective industry associations. CDS is the exclusive clearing house for equity trading on the Toronto Stock Exchange and also clears a substantial volume of "over the counter" trading in equities and bonds.

#### *Global Clearance and Settlement Procedures*

Initial settlement for the Notes will be made in immediately available Canadian dollar funds.

Secondary market trading between CDS Participants will be in accordance with market conventions applicable to transactions in book-based Canadian domestic bonds. Secondary market trading between Clearstream, Luxembourg participants and or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream, Luxembourg and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in immediately available funds.

#### *Transfers between CDS and Clearstream, Luxembourg or Euroclear*

Cross-market transfers between persons holding directly or indirectly through CDS Participants, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear participants, on the other, will be effected in CDS in accordance with CDS rules; however, such cross-market transactions will require delivery of instructions to the relevant clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. The relevant clearing system will, if the transaction meets its settlement requirements, deliver instructions to CDS directly or through its Canadian Subcustodian to take action to effect final settlement on its behalf by delivering or receiving Notes in CDS, and making or receiving payment in accordance with normal procedures for settlement in CDS. Clearstream, Luxembourg participants and Euroclear participants may not deliver instructions directly to CDS or the Canadian Subcustodians.

Because of time-zone differences, credits of Notes received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a CDS Participant will be made during subsequent securities settlement processing and dated the business day following the CDS settlement date. Such credits or

any transactions in such Notes settled during such processing will be reported to the relevant Clearstream, Luxembourg participants or Euroclear participants on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of Notes by or through a Clearstream, Luxembourg participant or a Euroclear participant to a CDS Participant will be received with value on the CDS settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in CDS.