

**Pricing Supplement dated September 27, 2006
(To Offering Circular dated March 27, 2006, as
amended by the Offering Circular Supplement dated September 21, 2006)**



KAUPTHING BANK

KAUPTHING BANK HF.

**Issue of
US\$1,000,000,000 Senior Floating Rate Notes due 2010
US\$1,500,000,000 5.750% Senior Notes due 2011
US\$500,000,000 6.125% Senior Notes due 2016**

Kaupthing Bank hf. will issue notes in three series: US\$1,000,000,000 aggregate principal amount of Series C Senior Floating Rate Notes due 2010 (the “Floating Rate Notes”), US\$1,500,000,000 aggregate principal amount of Series D 5.750% Senior Notes due 2011 (the “5.750% Notes”) and US\$500,000,000 aggregate principal amount of Series E 6.125% Senior Notes due 2016 (the “6.125% Notes”, together with the Floating Rate Notes and the 5.750% Notes, the “Notes”). Unless defined herein, terms included in this Pricing Supplement shall have the definitions ascribed to them in the Offering Circular.

Interest on the Floating Rate Notes will be payable every January 15, April 15, July 15 and October 15 of each year. Interest on the 5.750% Notes and the 6.125% Notes will be payable every October 4 and April 4 of each year.

The Floating Rate Notes will bear interest from the date of issuance until the principal amount thereof is paid or made available for payment at a rate determined for each Interest Reset Period by reference to the Interest Rate Basis plus the Spread for the applicable Interest Reset Date. A description of how the Interest Rate Basis is determined and calculated appears in the section entitled “Description of the Notes—Interest and Interest Rates” in the accompanying Offering Circular, subject to and as modified by the provisions described below. The 5.750% Notes will bear interest at a rate of 5.750% per annum from and including October 4, 2006 to but excluding October 4, 2011. The 6.125% Notes will bear interest at a rate of 6.125% per annum from and including October 4, 2006 to but excluding October 4, 2016.

The Floating Rate Notes will initially be limited to US\$1,000,000,000 in aggregate principal amount. The Issuer may create and issue additional floating rate notes with the same terms as the Floating Rate Notes so that such additional floating rate notes will be combined with this Series of Floating Rate Notes. The 5.750% Notes will initially be limited to US\$1,500,000,000 in aggregate principal amount. The Issuer may create and issue additional 5.750% notes with the same terms as the 5.750% Notes so that such additional 5.750% notes will be combined with this Series of 5.750% Notes. The 6.125% Notes will initially be limited to US\$500,000,000 in aggregate principal amount. The Issuer may create and issue additional 6.125% notes with the same terms as the 6.125% Notes so that such additional 6.125% notes will be combined with this Series of 6.125% Notes.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any state securities laws, and are being offered only to qualified institutional buyers (within the meaning of Rule 144A under the Securities Act (“Rule 144A”) or in other transactions exempt from registration in accordance with Regulations S under the Securities Act, in each case in compliance with applicable securities laws.

The Notes will be issued in registered global form and will remain on deposit with The Depository Trust Company, the depository for the Notes.

The Settlement Date for the issuance of the Notes is expected to be October 4, 2006.

Citigroup

Credit Suisse

Lehman Brothers

Merrill Lynch & Co.

The date of this Pricing Supplement is September 27, 2006

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETED AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Floating Rate Notes

Principal Amount: U.S.\$1,000,000,000	Interest Rate: 3 Month LIBOR + 0.70%
Dealer's Discount or Commission	0.30%
Status of Notes	Senior
Original Issue Date:	October 4, 2006
Net Proceeds to Issuer: U.S.\$997,000,000	Optional Repayment Date: N/A
Stated Maturity:	January 15, 2010
Calculation Agent:	Deutsche Bank Trust Company Americas
Currency Determination Agent:	Not applicable
Interest Calculation:	
<input checked="" type="checkbox"/> Regular Floating Rate Note	<input type="checkbox"/> Floating Rate/Fixed Rate Note
<input type="checkbox"/> Inverse Floating Rate Notes	Fixed Rate Commencement Date:
Fixed Interest Rate: %	Fixed Interest Rate:
<input type="checkbox"/> Other Floating Rate Note	
Interest Rate Basis or Bases:	
<input type="checkbox"/> CD Rate	<input type="checkbox"/> CMT Rate
<input type="checkbox"/> Commercial Paper Rate	<input type="checkbox"/> Eleventh District Cost of Funds Rate
<input type="checkbox"/> EURIBOR	<input type="checkbox"/> Federal Fund Rate
<input checked="" type="checkbox"/> LIBOR	<input type="checkbox"/> Prime Rate
<input type="checkbox"/> Treasury Rate	<input type="checkbox"/> Other (see attached)
If CMT Rate:	
Designated CMT Maturity Index:	
Designated CMT Telerate Page:	
If Telerate page [●]:	
<input type="checkbox"/> Weekly average	
<input type="checkbox"/> Monthly average	
If EURIBOR:	
Designated EURIBOR Page: [●]	
<input type="checkbox"/> EURIBOR Reuters Page: [●]	
<input type="checkbox"/> EURIBOR Telerate Page: [●]	
If LIBOR:	
Designated LIBOR Page: [●]	
<input type="checkbox"/> LIBOR Reuters Page: [●]	
<input checked="" type="checkbox"/> LIBOR Telerate Page: 3750	
Designated LIBOR Currency: [●]	
Index Maturity:	Not applicable

Initial Interest Reset Date: January 15, 2007

Interest Reset Dates: Quarterly, on the 15th of each of January, April, July and October, subject to the modified following business day convention.

Interest Payment Dates: Quarterly, on the 15th of each of January, April, July and October, commencing on January 15, 2007, subject to the modified following business day convention.

Interest Reset Period:

- Daily
- Weekly
- Monthly
- Quarterly
- Semi-Annually resetting in the following months:
- Annually resetting in the following month:

Day Count Convention:

- Actual/360, Adjusted Modified Following New York Business Day Convention
- Actual/Actual for the period from [] to []
- 30/360 for the period from [] to []

Redemption at the option of the Issuer:

- The Notes cannot be redeemed at the option of the Issuer prior to the Stated Maturity (other than for tax reasons).
- The Issuer will be required to redeem the Notes, in whole or in part, prior to their Stated Maturity at the option of the Holders of the Notes.
Optional Repayment Date: N/A
Repayment Price: N/A

Currency:

Specified Currency: U.S. dollars
Minimum Denominations: US\$100,000 and integral multiples of US\$1,000 in excess thereof

Original Issue Discount: Yes No

Total Amount of OID:

Yield to Maturity:

Initial Accrual Period:

Form: Global
 Certificated

Dealer:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Citigroup Global Markets Inc. | <input checked="" type="checkbox"/> Credit Suisse Securities (USA) LLC |
| <input type="checkbox"/> Deutsche Bank Securities Inc. | <input type="checkbox"/> Morgan Stanley & Co. Incorporated |
| <input checked="" type="checkbox"/> Merrill Lynch, Pierce, Fenner & Smith Inc. | <input checked="" type="checkbox"/> Other (Lehman Brothers Inc.) |

Dealers acting in the capacity as indicated below:

- Agent
 Principal

If as principal:

- The Notes are being offered at varying prices relating to prevailing market prices at the time of resale.
 The Notes are being offered at a fixed initial public offering price of 100% of the principal amount.

If as agent:

Not applicable

Trade date: October 4, 2006

Addendum attached:

- Yes
 No

Registered Note Information:

U.S. Global Notes:

CUSIP numbers: 48632FAC5 ISIN numbers: US48632FAC59

International Global Notes:

CUSIP numbers 48632GAC3 ISIN numbers: US48632GAC33

Dealers, on a several and not joint basis:

Citigroup Global Markets Inc.	US\$250,000,000
Credit Suisse Securities (USA) LLC	US\$250,000,000
Lehman Brothers Inc.	US\$250,000,000
Merrill Lynch, Pierce, Fenner & Smith Inc.	<u>US\$250,000,000</u>
Total	US\$1,000,000,000

Other/Additional Provisions; Addendum:

Listing: The Program has been listed, and application will be made for this Series of Floating Rate Notes to be admitted to trading, on the Euro MTF market of the Luxembourg Stock Exchange.

APPENDIX A: Not applicable

5.750% Senior Notes

Principal Amount: U.S.\$1,500,000,000 Interest Rate: 5.750%

Dealer's Discount or Commission: . 0.45%

Status of Notes: Senior

Original Issue Date: October 4, 2006

Net Proceeds to Issuer: U.S.\$1,486,320,000 Optional Repayment Date: Not Applicable

Stated Maturity: October 4, 2011

Calculation Agent: Not applicable

Currency Determination Agent: Not applicable

Interest Calculation:

<input type="checkbox"/>	Regular Floating Rate Note	<input type="checkbox"/>	Floating Rate/Fixed Rate Note
<input type="checkbox"/>	Inverse Floating Rate Notes		Fixed Rate Commencement Date:
	Fixed Interest Rate: %	<input checked="" type="checkbox"/>	Fixed Interest Rate: 5.750%
<input type="checkbox"/>	Other Floating Rate Note		

Interest Payment Dates: Semi-annually, on the 4th of each of April and October, commencing on April 4, 2007, subject to the modified following business day convention.

Day Count Convention:

<input type="checkbox"/>	Actual/360, Adjusted Modified Following New York Business Day Convention
<input type="checkbox"/>	Actual/Actual for the period from [] to []
<input checked="" type="checkbox"/>	30/360

Redemption at the option of the Issuer:

<input checked="" type="checkbox"/>	The Notes cannot be redeemed at the option of the Issuer prior to the Stated Maturity (other than for tax reasons).
<input type="checkbox"/>	The Issuer will be required to redeem the Notes, in whole or in part, prior to their Stated Maturity at the option of the Holders of the Notes. Optional Repayment Date: Not applicable Repayment Price: Not applicable

Currency:

Specified Currency: U.S. dollars
Minimum Denominations: US\$100,000 and integral multiples of US\$1,000 in excess thereof

Original Issue Discount: Yes No
Total Amount of OID:
Yield to Maturity:
Initial Accrual Period:

Form: Global
 Certificated

Dealer:

<input checked="" type="checkbox"/> Citigroup Global Markets Inc.	<input checked="" type="checkbox"/> Credit Suisse Securities (USA) LLC
<input type="checkbox"/> Deutsche Bank Securities Inc.	<input type="checkbox"/> Morgan Stanley & Co. Incorporated
<input checked="" type="checkbox"/> Merrill Lynch, Pierce, Fenner & Smith Inc.	<input checked="" type="checkbox"/> Other (Lehman Brothers Inc.)

Dealers acting in the capacity as indicated below:

Agent
 Principal

If as principal:

The Notes are being offered at varying prices relating to prevailing market prices at the time of resale.
 The Notes are being offered at a fixed initial public offering price of 99.538% of the principal amount.

If as agent:

Not applicable

Trade date: October 4, 2006

Addendum attached:

Yes
 No

Registered Note Information:

U.S. Global Notes:

CUSIP numbers: 48632FAA9 ISIN numbers: US48632FAA93

International Global Notes:

CUSIP numbers 48632GAA7 ISIN numbers: US48632GAA76

Dealers, on a several not joint basis:

Citigroup Global Markets Inc.	US\$375,000,000
Credit Suisse Securities (USA) LLC	US\$375,000,000
Lehman Brothers Inc.	US\$375,000,000
Merrill Lynch, Pierce, Fenner & Smith Inc.	<u>US\$375,000,000</u>
Total	US\$1,500,000,000

Other/Additional Provisions; Addendum:

Listing: The Program has been listed, and application will be made for this Series of 5.750% Notes to be admitted to trading, on the Euro MTF market of the Luxembourg Stock Exchange.

APPENDIX A: Not applicable

Dealers acting in the capacity as indicated below:

- Agent
 Principal

If as principal:

- The Notes are being offered at varying prices relating to prevailing market prices at the time of resale.
 The Notes are being offered at a fixed initial public offering price of 99.830% the principal amount.

If as agent:

Not applicable

Trade date: October 4, 2006

Addendum attached:

- Yes
 No

Registered Note Information:

U.S. Global Notes:

CUSIP numbers: 48632FAB7

ISIN numbers: US48632FAB76

International Global Notes:

CUSIP numbers: 48632GAB5

ISIN numbers: US48632GAB59

Dealers, on a several not joint basis:

Citigroup Global Markets Inc.	US\$125,000,000
Credit Suisse Securities (USA) LLC	US\$125,000,000
Lehman Brothers Inc.	US\$125,000,000
Merrill Lynch, Pierce, Fenner & Smith Inc.	<u>US\$125,000,000</u>
Total	US\$500,000,000

Other/Additional Provisions; Addendum:

Listing: The Program has been listed, and application will be made for this Series of 6.125% Notes to be admitted to trading, on the Euro MTF market of the Luxembourg Stock Exchange.

APPENDIX A: Not applicable