



**Pricing Supplement dated April 7, 2006
(To Offering Circular dated March 27, 2006)**



KAUPTHING BANK
KAUPTHING BANK HF.

Senior Medium-Term Notes
Issue of US\$500,000,000 Senior Floating Rate Notes due 2011

The floating rate notes described in this Pricing Supplement, which are referred to as the Series A Senior Floating Rate Notes due 2011 (the “Notes”), mature on April 12, 2011 (the “Stated Maturity”). Unless defined herein, terms included in this Pricing Supplement shall have the definitions ascribed to them in the Offering Circular.

Interest on the Notes will be payable every January 12, April 12, July 12 and October 12, beginning July 12, 2006, at a rate determined for each interest period by reference to Three Month U.S.\$ LIBOR (the “Interest Rate Basis”), plus 0.69% (the “Spread”).

The 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.

Holders of the Notes will have the right to cause the Issuer to repurchase the Notes, in whole or part, on April 13, 2009 at par plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, April 13, 2009 upon prior written notice to the Trustee and the Issuer at least 30 days and no more than 60 days prior to April 13, 2009.

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

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 April 12, 2006.

Citigroup

Deutsche Bank



Principal Amount: U.S.\$500,000,000 Interest Rate: Three Month U.S.\$ LIBOR (determined two London Business Days prior to the Interest Reset Date) plus 0.69%

Dealer's Discount or Commission: 0.35%

Original Issue Date: April 12, 2006

Net Proceeds to Issuer: U.S.\$497,850,000 Optional Repayment Date: April 13, 2009

Stated Maturity: April 12, 2011

Calculation Agent: Deutsche Bank Trust Company Americas

Currency Determination Agent: Not applicable

Interest Calculation:

- Regular Floating Rate Note
- Inverse Floating Rate Note
- Other Floating Rate Note
- Floating Rate/Fixed Rate Note
- Fixed Interest Rate: % Fixed Rate Commencement Date:
- Fixed Interest Rate: %

Interest Rate Basis or Bases:

- CD Rate
- Commercial Paper Rate
- EURIBOR
- LIBOR
- Treasury Rate
- CMT Rate
- Eleventh District Cost of Funds Rate
- Federal Fund Rate
- Prime Rate
- Other (see attached)

If CMT Rate:

- Designated CMT Maturity Index:
- Designated CMT Telerate Page:
- If Telerate Page []:
- Weekly average
- Monthly average

If EURIBOR:

- Designated EURIBOR Page: []
- EURIBOR Reuters Page: []
- EURIBOR Telerate Page: []

If LIBOR:

- Designated LIBOR Page: []
- LIBOR Reuters Page: []
- LIBOR Telerate Page: 3750
- Designated LIBOR Currency: []

Index Maturity: Not applicable

Initial Interest Reset Date: July 12, 2006

Interest Reset Dates: Quarterly, on the 12th of each of January, April, July and October, subject to the modified following business day convention.

Interest Payment Dates: Quarterly, on the 12th of each of January, April, July and October, commencing on July 12, 2006, 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 Notes may be redeemed prior to their Stated Maturity.
 Initial Redemption Date:
 Initial Redemption Percentage: []%
 Annual Redemption Percentage Reduction: []% until Redemption Percentage is 100% of the principal amount.

Redemption at the option of Holders:

- The Notes cannot be repaid prior to their Stated Maturity.
- 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: April 13, 2009
 Repayment Price: 100% (plus accrued and unpaid interest and Additional Amounts, if any)

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:

- Citigroup Global Markets Inc.
- Deutsche Bank Securities Inc.
- Merrill Lynch, Pierce, Fenner & Smith Incorporated
- Credit Suisse Securities (USA) LLC
- Morgan Stanley & Co. Incorporated
- Other

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:

The Notes are being offered at a fixed initial public offering price of []% of the principal amount.

Trade date: April 7, 2006

Addendum attached:

Yes
 No

Registered Note information:

U.S. Global Notes:

CUSIP numbers: 486329 AA3 ISIN numbers: US486329AA37

International Global Notes:

CUSIP numbers: X4342U DN 3 ISIN numbers: USX4342UDN38

Dealers:

Citigroup Global Markets Inc.	US\$250,000,000
Deutsche Bank Securities Inc.	US\$250,000,000
Total	US\$500,000,000

Other/Additional Provisions; Addendum:

Listing: Application has been made for the Program to be listed, and this Series of Notes to be admitted to trading, on the Euro MTF market of the Luxembourg Stock Exchange

APPENDIX A: Recent Developments



APPENDIX A

Recent Developments

As of the date of this Pricing Supplement, we continue to operate in an environment characterized by rising interest rates, the falling value of the Icelandic krona and the decline on the Iceland Stock Exchange.

The Central Bank of Iceland raised interest rates by 0.75% as of April 4, 2006, to 11.5%. As of April 7, 2006, the Icelandic krona had depreciated 15.9% against the U.S. dollar to ISK 72.42 to \$1.00 from its high of ISK 60.89 to \$1.00 at January 12, 2006. As of the close of trading on April 7, 2006, the ICEX Main Index fell to 5,350.64, a 14.9% decrease since its high of 6,287.29 on February 15, 2006, and the ICEX-15 Index fell to 5,752.80, a 16.9% decrease since its high of 6,925.45 on February 15, 2006.

In connection with these and other market conditions and other factors, in certain cases we may hedge all or a portion of our exposure on the investments in our proprietary investment portfolio. This portfolio is marked to market. As a result, we may recognize gains or losses on our investments in our income statement from time to time. Our loan portfolio is denominated principally in currencies other than the Icelandic krona, while our shareholders' equity is denominated in Icelandic krona. Our management has taken measures to hedge our shareholders' equity in order to limit the effect that the depreciation of the krona would have on our CAD ratio.

We have reached an agreement with Glitnir Bank hf. ("Glitnir", formerly Íslandsbanki hf.) to acquire from Glitnir an 18.45% interest in Greidslumidlun hf., an Icelandic payment service company holding the VISA franchise in Iceland, principally in exchange for our 16.00% interest in Kreditkort hf., an Icelandic payment service company holding the MasterCard franchise in Iceland. Following the transactions described above, we will hold a 39.45% interest in Greidslumidlun hf. and a 4.0% interest in Kreditkort hf., and Glitnir will hold a 0.05% interest in Greidslumidlun hf. and a 51.0% interest in Kreditkort hf. This transaction is contingent on the approval of both the Icelandic Financial Supervisory Authority and the Icelandic Competition Authority. In addition, we have granted to Glitnir a call option with respect to almost all of our remaining interest in Kreditkort hf. We do not believe that this transaction will have a material effect on our financial condition or results of operations.

We have issued two series of Inflation Linked Annuity Covered Bonds under our ISK 200 billion Covered Bond Program: Series 1 ISK 19 billion Inflation Linked Annuity Covered Bonds due 2033 and Series 2 ISK 29.1 billion Inflation Linked Annuity Covered Bonds due 2048. The bonds have been assigned a Aaa credit rating by Moody's Investors Service and are being sold to a European investor in a trade arranged by Deutsche Bank Securities AG.

These developments and others could have a material adverse effect on our business, financial condition and results of operations. You should carefully consider these developments and other risk factors set forth in the section entitled "Risk Factors" in the Offering Circular.