

PRICING SUPPLEMENT

28th June, 2004

Kaupthing Bank hf.
Issue of €300,000,000 Floating Rate Subordinated Step-Up Notes due June 2014
under the €4,000,000,000
Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 28th April, 2004, as supplemented by the Supplementary Offering Circular dated 28th June, 2004. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular, as so supplemented.

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| 1. | Issuer: | Kaupthing Bank hf. |
| | (i) Series Number: | 2 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | Euro (€) |
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | €300,000,000 |
| | (ii) Tranche: | €300,000,000 |
| 5. | (i) Issue Price: | 99.764 per cent. of the Aggregate Nominal Amount |
| | (ii) Net proceeds | €298,242,000 |
| 6. | Specified Denominations: | €1,000 |
| 7. | (i) Issue Date: | 30th June, 2004 |
| | (ii) Interest Commencement Date: | 30th June, 2004 |
| 8. | Maturity Date: | Interest Payment Date falling on or nearest to 30th June, 2014 |

9. Interest Basis: From and including the Issue Date to but excluding the Interest Payment Date falling in June 2009, 3 month EURIBOR +0.650 per cent. Floating Rate
- From and including the Interest Payment Date falling in June 2009 to but excluding the Maturity Date, 3 month EURIBOR +1.650 per cent. Floating Rate
- (further particulars specified below)
10. Redemption/Payment Basis: Redemption at par
11. Change of Interest Basis or Redemption/ Payment Basis: No
12. Put/Call Options: Issuer Call
- (further particulars specified below)
13. (a) Status of the Notes: Subordinated
- (b) Date Board approval for issuance of Notes obtained: 21st June, 2004
14. Listing: Luxembourg
15. Method of distribution: Syndicated
- PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**
16. **Fixed Rate Note Provisions** Not Applicable
17. **Floating Rate Note Provisions** Applicable
- (i) Specified Period(s)/Specified Interest Payment Dates: 30th March, 30th June, 30th September and 30th December in each year, with the first Specified Interest Payment Date being 30th September, 2004 subject to the Modified Following Business Day Convention
- (ii) Business Day Convention: Modified Following Business Day Convention
- (iii) Additional Business Centre(s): None

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| (iv) | Manner in which the Rate of Interest and Interest Amount is to be determined: | Screen Rate Determination |
| (v) | Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): | Not Applicable |
| (vi) | Screen Rate Determination: | Applicable |
| | -- Reference Rate: | 3 month EURIBOR |
| | -- Interest Determination Date(s): | Second day on which the TARGET System is open prior to the start of each Interest Period |
| | -- Relevant Screen Page: | Telerate Page 248 |
| (vii) | ISDA Determination: | Not Applicable |
| (viii) | Margin(s): | From and including the Issue Date to but excluding the Interest Payment Date falling in June 2009, +0.650 per cent. per annum |
| | | From and including the Interest Payment Date falling in June 2009 to but excluding the Maturity Date, +1.650 per cent. per annum |
| (ix) | Minimum Rate of Interest: | Not Applicable |
| (x) | Maximum Rate of Interest: | Not Applicable |
| (xi) | Day Count Fraction: | Actual/360 |
| (xii) | Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: | Not Applicable |
| 18. | Zero Coupon Note Provisions | Not Applicable |
| 19. | Index Linked Interest Note Provisions | Not Applicable |
| 20. | Dual Currency Interest Note Provisions | Not Applicable |

PROVISIONS RELATING TO REDEMPTION

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| 21. | Issuer Call | Applicable |
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| (i) | Optional Redemption Date(s): | The Interest Payment Date falling in June 2009 and each Interest Payment Date falling thereafter to but excluding the Maturity Date |
| (ii) | Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): | Nominal Amount |
| (iii) | If redeemable in part: | Not Applicable |
| (iv) | Notice period (if other than as set out in the Conditions): | Not Applicable |
| 22. | Investor Put | Not Applicable |
| 23. | Final Redemption Amount of each Note | Nominal Amount |
| 24. | 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(e)): | As per Condition 7(e) |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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| 25. | Form of Notes: | Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event |
| 26. | Additional Financial Centre(s) or other special provisions relating to Payment Dates: | Not Applicable |
| 27. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | Yes, if Definitive Notes are issued before the Interest Payment Date falling in September 2007, a Talon for the remaining interest Coupons will be attached to each Definitive Note |
| 28. | 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 |
| 29. | Details relating to Instalment Notes: | |
| (i) | Instalment Amount(s): | Not Applicable |
| (ii) | Instalment Date(s): | Not Applicable |

30. Redenomination applicable: Redenomination not applicable
31. Other terms or special conditions: Condition 3 will not apply to the Notes.

DISTRIBUTION

32. (i) If syndicated, names of Managers: Deutsche Bank AG London
Barclays Bank PLC
Credit Suisse First Boston (Europe) Limited
- (ii) Stabilising Manager (if any): Deutsche Bank AG London
33. If non-syndicated, name of relevant Dealer: Not Applicable
34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: TEFRA D
35. Additional selling restrictions: Not Applicable

OPERATIONAL INFORMATION

36. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): Not Applicable
37. Delivery: Delivery against payment
38. Additional Paying Agent(s) (if any): Not Applicable

ISIN: XS 0194805429
Common Code: 019480542
WKN: A0BD1J

LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the €4,000,000,000 Euro Medium Term Note Programme of Kaupthing Bank hf.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:

