

31st January, 2005

Kaupthing Bank hf.
Issue of USD100,000,000 Callable Fixed/CMS Linked Subordinated Notes
due 1st February, 2045
under the €8,000,000,000
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 17th December, 2004. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

Investors should consider the following investment considerations carefully before investing in the Notes.

Purchasers of the Notes should conduct such independent investigation and analysis regarding the Issuer, the Notes, and all other relevant persons and market and economic factors as they deem appropriate to evaluate the merits and risks of an investment in the Notes. The Issuer and the Managers disclaim any responsibility to advise purchasers of the Notes of the risks and investment considerations associated with the purchase of the Notes as they may exist at the date hereof or from time to time thereafter. However, as part of such independent investigation and analysis, prospective purchasers of the Notes should consider all the information set forth in the Offering Circular and this Pricing Supplement, including the considerations set forth below.

Investment in the Notes is only suitable for investors who:

- (1) have the requisite knowledge and experience in financial and business matters, and access to, and knowledge of, appropriate analytical resources, to evaluate the information contained in the Offering Circular and this Pricing Supplement and the merits and risks of an investment in the Notes in the context of such investors' financial position and circumstances;
- (2) are capable of bearing the economic risk of an investment in the Notes for an indefinite period of time; and
- (3) recognise that it may not be possible to make any transfer of the Notes for a substantial period of time, if at all.

Further, each prospective purchaser of the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes (i) is fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

INTEREST ACCRUING FOR ANY INTEREST PERIOD AFTER 1ST FEBRUARY, 2009 IS CALCULATED BY REFERENCE TO A CONSTANT MATURITY SWAP

Interest for each Interest Period until 1st February, 2009 will accrue at 7.50 per cent. per annum. For Interest Periods commencing on or after 1st February, 2009, interest will accrue at a floating rate. The floating rate will be calculated for each Interest Period on the basis of the following formula: 4 times the difference resulting from subtracting the 10-year Constant Maturity Swap (CMS 10 – the annual rate for U.S. Dollar interest rate swap transactions with a maturity of 10 years) from the 2-year Constant Maturity Swap (CMS 2 – the annual rate for U.S. Dollar interest rate swap transactions with a maturity of 2 years), subject to a minimum Interest Rate of 3.75 per cent. and a maximum Interest Rate of 10 per cent.

Under this formula, investors will receive an amount of interest tied to the spread between long and medium term interest rates.

As the maximum rate at which interest will accrue is 10 per cent. per annum, if the spread between the above long- and medium- term interest rates increases after 1st February, 2009, the rate at which interest will accrue on the Notes may be less than the rate calculated under the above formula.

Investors should also note that changes in the shape of the yield curve may adversely affect the market value of the Notes (for example, any steepening of the long end of the yield curve will increase the market value of the Notes and conversely any flattening of the long end of the yield curve will decrease the market value of the Notes). The CMS curve is significantly steeper than other interest rate benchmark indices and the impact of the slope of the relevant segment of the CMS curve is further amplified by the leveraging applied in the calculation of the Interest Rate. As the Interest Rate will be calculated in the future, the current slope of the CMS curve may become more acute than it is at present. As the Notes may not be redeemed at any time at the option of the Holders, Holders may continue to be exposed to the above risks until the Maturity Date of the Notes.

THE CONSIDERATIONS SET OUT ABOVE ARE NOT, AND ARE NOT INTENDED TO BE, A COMPREHENSIVE LIST OF ALL CONSIDERATIONS RELEVANT TO A DECISION TO PURCHASE OR HOLD ANY NOTES.

1. Issuer: Kaupthing Bank hf.
2. (i) Series Number: 6
- (ii) Tranche Number: 1
3. Specified Currency or Currencies: U.S. Dollars (USD)
4. Aggregate Nominal Amount:
 - (i) Series: USD100,000,000
 - (ii) Tranche: USD100,000,000
5. (i) Issue Price: 100 per cent. of the Aggregate Nominal Amount
- (ii) Net proceeds: USD100,000,000
6. Specified Denominations: USD1,000
7. (i) Issue Date: 1st February, 2005
- (ii) Interest Commencement Date: 1st February, 2005
8. Maturity Date: 1st February, 2045
9. Interest Basis:

From and including the Issue Date to but excluding 1st February, 2009, 7.50 per cent. Fixed Rate (further particulars specified below)

From and including 1st February, 2009 to but excluding the Maturity Date, Index Linked Interest (further particulars specified below)
10. Redemption/Payment Basis: Redemption at par
11. Change of Interest Basis or Redemption/Payment Basis: Yes, fuller particulars specified below
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: 24th November, 2004
14. Listing: Luxembourg
15. Method of distribution: Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions	Applicable for the period from and including the Issue Date to but excluding 1st February, 2009
	(i) Rate(s) of Interest:	7.50 per cent. per annum payable annually in arrear
	(ii) Interest Payment Date(s):	1st February in each year, commencing on 1st February, 2006 up to and including 1st February, 2009
	(iii) Fixed Coupon Amount(s)	USD75 per USD1,000 in nominal amount
	(iv) Broken Amount(s)	Not Applicable
	(v) Day Count Fraction	Actual/Actual (ISMA), unadjusted
	(vi) Determination Date(s):	1st February in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes	None
17.	Floating Rate Note Provisions	Not Applicable
18.	Zero Coupon Note Provisions	Not Applicable
19.	Index Linked Interest Note Provisions	Applicable for the period from and including 1st February, 2009 to but excluding the Maturity Date
	(i) Index/Formula:	<p>The Rate of Interest for each Interest Period (which for purposes hereof shall be deemed to include the period from and including the Interest Payment Date immediately preceding the date of any redemption of the Notes pursuant to Condition 10 to but excluding the date of such redemption) during the period from and including 1st February, 2009 to but excluding the Maturity Date will be a percentage rate, as determined by the Calculation Agent in its sole discretion, which is equal to:</p> <p>$4 \times (10y \text{ CMS} - 2y \text{ CMS})$</p> <p>Where:</p> <p>10y CMS means for any Interest Period the rate which is equal to the USD-ISDA Swap Rate for a Designated Maturity of ten years as determined by the Calculation Agent on the Interest Determination Date;</p> <p>2y CMS means for any Interest Period the rate which is equal to the USD-ISDA Swap Rate for a</p>

Designated Maturity of two years as determined by the Calculation Agent on the Interest Determination Date;

USD-ISDA Swap Rate means that the rate for a Reset Date will be the rate for U.S. Dollar swaps with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Reuters Screen ISDAFIX1 Page as of 11.00 a.m., New York City time, on the Interest Determination Date. If such rate does not so appear on the Reuters Screen ISDAFIX1 Page, the rate for that Reset Date will be determined by the Calculation Agent in its sole discretion by reference to a substitute screen page.

If no such substitute screen page is available, the rate for the Reset Date will be determined by the Calculation Agent as if the parties had specified "USD-CMS-Reference Banks" (as defined below) as the applicable floating rate option;

USD-CMS-Reference Banks means that the rate for a Reset Date will be a percentage determined on the basis of the mid-market semi-annual swap rate quotations provided by the Reference Banks at approximately 11.00 a.m., New York City time, on the Interest Determination Date. For this purpose, the semi-annual swap rate means the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. Dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on that Reset Date with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA 2000 definitions) with a Designated Maturity of three months. The Calculation Agent will request the principal New York City office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate for that Reset Date will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If at least three Reference Banks are not available to give sufficient quotations of swap rates as set out above, then the swap rates will be determined by the Calculation Agent in its sole discretion;

Interest Determination Date means the day that is two U.S. Government Securities Business Days prior to the Reset Date;

Reference Banks means five leading swap dealers in the New York City interbank market;

Reset Date means the first day of the Interest Period; and

U.S. Government Securities Business Day means any day except for a Saturday, Sunday or a day on which The Bond Market Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities

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| (ii) | Calculation Agent responsible for calculating the interest due: | Deutsche Bank AG will act as the Calculation Agent |
| (iii) | Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: | Not Applicable |
| (iv) | Specified Period(s)/Specified Interest Payment Dates: | 1st February in each year up to and including the Maturity Date, with the first Specified Interest Payment Date being 1st February, 2010 |
| (v) | Business Day Convention: | Not Applicable |
| (vi) | Additional Business Centre(s): | Not Applicable |
| (vii) | Minimum Rate of Interest: | 3.75 per cent. per annum |
| (viii) | Maximum Rate of Interest: | 10.00 per cent. per annum |
| (ix) | Day Count Fraction: | Actual/Actual (ISMA), unadjusted |
| 20. | Dual Currency Interest Note Provisions | Not Applicable |

PROVISIONS RELATING TO REDEMPTION

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| 21. | Issuer Call | Applicable |
| (i) | Optional Redemption Date(s): | 1st February, 2010 and each Interest Payment Date thereafter to but excluding the Maturity Date |
| (ii) | Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): | USD1,000 per Note of USD1,000 Specified Denomination |

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| (iii) | If redeemable in part: | Not Applicable |
| (iv) | Notice period (if other than as set out in the Conditions): | Ten calendar days |
| 22. | Investor Put | Not Applicable |
| 23. | Final Redemption Amount of each Note | USD1,000 per Note of USD1,000 Specified Denomination |
| 24. | Early Redemption Amount 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 the Permanent Global Note is exchanged for Definitive Notes before 1st February, 2018 one Talon for future coupons will be attached to such Definitive Notes, otherwise no Talons will be attached to any Definitive Notes |
| 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 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: | Not Applicable. |

DISTRIBUTION

32. (i) If syndicated, names of Managers: Daiwa Securities SMBC Europe Limited
Deutsche Bank AG London
Kaupthing Bank hf.
- (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:	XS0211096739
Common Code:	021109673
WKN:	A0DXSA


LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the €8,000,000,000 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: 

Duly authorised
Kristin Pétursdóttir
Managing Director
Treasury

ICM:1382497.3