

28 November 2005

Kaupthing Bank hf.
Issue of EUR 62,500,000 Best of Growth Equity Index linked Notes due 30 November 2010
under the E12,000,000,000
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 2nd September, 2005 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. 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. The Base Prospectus 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.

These Notes are not in any way sponsored, endorsed or promoted by the STOXX Limited, Zurich. STOXX Limited, Zurich, has no obligation to take the needs of either party into consideration in composing, determining or calculating the EURO STOXX 50SM (or causing the EURO STOXX 50SM to be calculated). In addition, STOXX Limited, Zurich, makes no warranty or representation whatsoever, express or implied, as to the results to be obtained from the use of the Index and/or the level at which the EURO STOXX 50SM stands at any particular time on any particular day or otherwise, and shall not be liable, whether in negligence or otherwise, to either party for any error in the Index or under any obligation to advise any person, including, without limitation, the Issuer of any error therein. STOXX Limited, Zurich, have no relationship to the Issuer other than the licensing of the relevant index and the related trademarks for use in connection with the products.

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| 1. | Issuer: | Kaupthing Bank hf. |
| 2. | (i) Series Number: | 18 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | Euro ("EUR") |
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | EUR 62,500,000 |
| | (ii) Tranche: | EUR 62,500,000 |
| 5. | Issue Price: | 94.00 per cent. of the Aggregate Nominal Amount |
| 6. | Specified Denominations: | EUR 10,000 |
| 7. | (i) Issue Date: | 30 November 2005 |
| | (ii) Interest Commencement Date: | 30 November 2005 |

8.	Maturity Date:	30 November 2010
9.	Interest Basis:	Zero Coupon (further particulars specified below)
10.	Redemption/Payment Basis:	Index Linked Redemption (further particulars specified in the Annex)
11.	Change of Interest Basis or Redemption/ Payment Basis:	Not Applicable
12.	Put/Call Options:	Not Applicable
13.	(a) Status of the Notes:	Senior
	(b) Date Board approval for issuance of Notes obtained:	Not Applicable
14.	Method of distribution:	Non-syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions	Not Applicable
16.	Floating Rate Note Provisions	Not Applicable
17.	Zero Coupon Note Provisions	Applicable
	(i) Accrual Yield:	0.00 per cent. per annum
	(ii) Reference Price:	Not Applicable
	(iii) Any other formula/basis of determining amount payable:	Not Applicable
	(iv) Day Count Fraction in relation to Early Redemption Amount and late payment:	Not Applicable
18.	Index Linked Interest Note Provisions	Not Applicable
19.	Dual Currency Interest Note Provisions	Not Applicable
20.	Target Redemption Note Provisions:	Not Applicable
21.	Range Accrual Note Provisions:	Not Applicable

PROVISIONS RELATING TO REDEMPTION

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| 22. | Issuer Call | Not Applicable |
| 23. | Investor Put: | Not Applicable |
| 24. | Target Redemption Note Provisions: | Not Applicable |
| 25. | Final Redemption Amount of each Note | see Appendix |
| 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)): | As set out in the Conditions. |
| 27. | Capital Notes Provisions | Not Applicable |
| | (i) Special Event Redemption Amount: | |
| | (ii) Special Event Redemption Date(s): | |
| | (iii) Investment Considerations: | |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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| 28. | Form of Notes: | Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event |
| 29. | Additional Financial Centre(s) or other special provisions relating to Payment Dates: | Not Applicable |
| 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: Redenomination not applicable
34. Other final terms: Please see Annex.

DISTRIBUTION

35. If syndicated, names and addresses of Managers and underwriting commitments: Not Applicable
36. If non-syndicated, name of relevant Dealer: Dresdner Bank AG London Branch
Riverbank House
2, Swan Lane
London EC4R 3UX
United Kingdom
37. Total commission and concession: Not Applicable
38. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: TEFRA D
39. Additional selling restrictions: Not Applicable

RESPONSIBILITY

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

Signed on behalf of the Issuer:

By:

Duly authorised

Guðmundur Þ. Guðmundsson
Managing Director
Treasury Kaupthing Bank Iceland

sign. Áslaug Guðjónsdóttir

PART B – OTHER INFORMATION

1. LISTING

- (i) Listing: None
- (ii) Admission to trading: Not Applicable
- (iii) Estimate of total expenses related to admission to trading: Not Applicable

2. RATINGS

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

3. NOTIFICATION

The Commission de Surveillance du Secteur Financier, Luxembourg has provided the Issuer with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

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

5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

- (i) Reasons for the Offer: For general corporate purposes.
- (ii) Estimated net proceeds: EUR 58,750,000
- (iii) Estimated total expenses: Not Applicable

6. YIELD (*Fixed Rate Notes only*)

Indication of yield: Not Applicable

7. HISTORIC INTEREST RATES

Not Applicable

8. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING

Dow Jones EuroSTOXX50 (.STOXX50)

STOXX50E is a capitalisation-weighted index of 50 European blue-chip stocks from those countries participating in the Economic and Monetary Union (EMU). The exchange for the Dow Jones EuroSTOXX50 Index (.STOXX50) is the European Option and Financial Futures Exchange (EUREX).

Description and name of the index publisher

STOXX Limited is a joint venture of Deutsche Boerse AG, Dow Jones & company, and the SWX Group for the development, maintenance, distribution and marketing of the Dow Jones STOXX indexes. STOXX Limited is a global index provider covering the world markets and providing investors with access to Europe, Asia/Pacific and Americas. STOXX Limited issues licenses for the commercial use of the Dow Jones STOXX indexes.

Place of publication of the index

STOXX is published on Reuters Screen page .STOXX50E, or any replacement pages.

Frequency and method of calculation, index adjustment procedures

Price Return (Euro/U.S. Dollar) is calculated every 15 seconds during local trading hours.

Total Return (Euro /U.S. Dollar) is calculated at the End-of-day.

As all Dow Jones STOXX Indexes the STOXX50E is calculated with the Laspeyres formula, which measures price changes against a fixed base quantity weight. Each index has a unique index divisor, which is adjusted to maintain the continuity of the index's values across changes due to corporate actions:

$$\text{Index}_t = \frac{\sum_{i=1}^n (p_{it} \cdot q_{it} \cdot X_{it}^{\text{EURO}} \cdot f_{it})}{C_t \cdot \sum_{i=1}^n (P_{i0} \cdot q_{i0} \cdot X_{i0}^{\text{EURO}})} \cdot \text{base value}$$
$$= \frac{M_t}{B_t} \cdot \text{base value}$$

- n = Number of stocks in the index
- P_{i0} = Closing price of stock (i) on the base date
- q_{i0} = Number of shares of company (i) on the base date
- P_{it} = Price of stock (i) at time (t)
- q_{it} = Number of shares of company (i) at time (t)
- f_{it} = Free float factor of company (i) at time (t)
- C_t = Adjustment factor for the base date market capitalisation
- t = Time the index is computed
- M_t = Free float market capitalization of the index at time (t)
- B_t = Adjusted base date market capitalization of the index at time (t)
- X_{it}^{EURO} = Cross rate: domestic currency in euros of company (i) at time (t)
- base value = 1,000 for style and blue chip indexes; and 100 for all other indexes on the relevant base date

Stock Prices

The stock prices used for the index calculation are

- The opening price, which is the first traded price during the official trading hours of the stock's trading system. Until this is available, the previous day's closing / adjusted price is used;
- The closing price, which is the last traded price during the official trading hours of the stock's trading system. If the stock did not trade all day, then the previous day's closing / adjusted price is used;
- Adjusted price, which means that the closing price is adjusted in line with a related corporate action effective the next trading day;
- Stock prices are specified for these events:

Suspended quotation: Last traded price before the suspension. If the suspension is before the official opening of the stock's trading system, then the previous day's closing price is used;

Trading system holiday: Previous day's closing prices are used for all the stocks listed on the affected trading system.

Periodic Review

The composition of the the STOXX is reviewed annually in September, based on the closing / adjusted stock data on the last trading day of August. Selected stocks are announced on the first trading day of September (component Announcement). Underlying data for selected stocks are announced two trading days before implementation. Implementation is conducted after the index dissemination period on the third Friday of September. The changes are effective the next trading day.

Ongoing Review

Corporate actions – including initial public offerings, mergers and takeovers, spin-offs, delistings and bankruptcy – that affect the index composition are immediately reviewed. Any changes are announced, implemented and effective in line with the type of corporate action, indexes affected and the magnitude of the effect.

The value of STOXX50E at 25 November 2005 was 3,323.48.

9. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT

Not Applicable

10. OPERATIONAL INFORMATION

- (i) ISIN Code: XS 0233779692
- (ii) Common Code: 23377969
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): Not Applicable
- (iv) Delivery: Delivery against payment
- (v) Names and addresses of additional Paying Agent(s) (if any): Not Applicable

ANNEX

Part A: Provisions relating to the calculation of the Final Redemption Amount

The Final Redemption Amount shall be calculated by the Calculation Agent in its absolute and sole discretion according to the following formula:

$$\text{Final Redemption Amount} = \max(50\% * \text{Quarterly Asian Perf}, \text{Conditional Coupons}, 2.50\%)$$

whereby the following definitions shall prevail:

$$\text{Quarterly Asian Perf} = \sum_{t=1}^{20} \frac{1}{20} (\text{Perf}_t)$$

$$\text{Conditional Coupons} = \sum_{t=1}^{20} [0.3\% \text{ if } \text{Perf}_t > 0]$$

$$\text{Perf}_t = \left(\frac{\text{Index}_t}{\text{Index}_0} - 1.0 \right)$$

Index(t) = closing price of the DJ Eurostoxx50 on the quarterly Observation Date t.

Index(0) = closing price of the DJ Eurostoxx50 on the Issue Date.

Observation Dates are 28 February 2006, 30 May 2006, 30 August 2006, 30 November 2006, 28 February 2007, 30 May 2007, 30 August 2007, 30 November 2007, 29 February 2008, 30 May 2008, 29 August 2008, 28 November 2008, 27 February 2009, 29 May 2009, 31 August 2009, 30 November 2009, 26 February 2010, 31 May 2010, 30 August 2010, 16 November 2010.

Part B: Definitions and further provisions

“**Business Day**“ means (except as indicated otherwise) a day on which the TARGET-System is open.

“**Calculation Agent**“ means Dresdner Bank Aktiengesellschaft.

“**Closing Price**“ means the closing level of the Index at the Valuation Time on the Valuation Date, or, if such date is not an Exchange Business Day, the next following Exchange Business Day.

“**Exchange**“ means the European Option and Financial Futures Exchange (EUREX).

“**Exchange Business Day**“ means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on the exchange and the related exchange other than a day on which trading on any such exchange or related exchange is scheduled to close prior to its regular weekday closing time.

“**Index**“ means the Dow Jones Eurostoxx 50 Index (Reuters code on the Issue Date “..STOXX50E”, Bloomberg code on the Issue Date: < SX5E <Index> HP M <go>) or, if the relevant page is not available, such other page or service which displays such information), subject to “**Adjustment to the Index**” set forth below.

“Market Disruption Event” means the occurrence or existence on any Exchange Business Day during the one-half hour period that ends at the Valuation Time of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant exchange or otherwise), (i) on the relevant Exchange(s) in securities that comprise 20.00 per cent. or more of the level of an Index, or (ii) in options contracts or future contracts on the relevant Index on any Related Exchange if, in any such case, such suspension or limitation is, in the determination of the Calculation Agent, material. For the purpose of determining whether a Market Disruption Event exists at any time, if trading in a security included in an Index is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (i) the portion of the level of the Index attributable to that security relative to (ii) the overall level of the Index, in each case immediately before that suspension or limitation.

In the case of a **“Market Disruption Event”** the Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Issuer and the Issuing and Paying Agent of the existence of such a Market Disruption Event on any day that, but for the occurrence or existence of a Market Disruption Event, would have been an Observation Date.

If, in the opinion of the Calculation Agent, a Market Disruption Event has occurred and is continuing on an Observation Date then the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event unless there is a Market Disruption Event on each of the five (5) immediately following Exchange Business Days. In that case:

- (i) that fifth Exchange Business Day shall be deemed to be the relevant Valuation Date, notwithstanding the Market Disruption; and
- (ii) the Calculation Agent shall determine the price of the Index as of the Valuation Time on that fifth Exchange Business Day determined in accordance with the formula for and method of calculating the price of the Index last in effect prior to the commencement of the Market Disruption Event using the Exchange traded price (or, if trading in the relevant security has been materially suspended or materially limited, its good faith estimate of the Exchange traded price for that Index that would have prevailed but for that suspension or limitation) as of Valuation Time on that fifth Exchange Business Day.

“Scheduled Closing Time” means, in respect of the Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

“Scheduled Trading Day” means any day on which the Exchange is scheduled to be open for trading for their respective regular trading sessions.

“Sponsor” means for the Dow Jones EuroSTOXX50 Index (.STOXX50) STOXX Limited, Zurich, which expression shall include any Successor Sponsor as defined below, as defined in the section **“Adjustment to the Index”** set forth below.

(i) **Adjustments to Index:** If either Index is (i) not calculated and announced by the relevant Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent (the **„Successor Sponsor“**), or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the relevant Index will be deemed to be the index so calculated and announced by that Successor Sponsor or that successor index, as the case may be.

If (i) on or prior to any Valuation Date the relevant Sponsor makes a material change in the formula for or the method of calculating the relevant Index or in any other way materially modifies the relevant Index (other than a modification prescribed in that

formula or method to maintain the Index in the event of changes in constituent stock and capitalisation and other routine events) or (ii) on any Valuation Date the relevant Sponsor fails to calculate and announce the respective Index, then the Calculation Agent shall use, in lieu of a published level for that respective Index, the level for that Index during the failure as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities that comprised that Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on any relevant exchange).

- (ii) **Correction of Index:** The Calculation Agent shall notify as soon as practicable the Issuer and the Issuing and Paying Agent of any adjustment made or action taken pursuant to the above mentioned Market Disruption Events and the Issuer shall procure that details of such adjustments and/or action are made available to the Noteholders in accordance with Condition 14 as soon as reasonably practicable.

“Trade Date” means 19 October 2005.

“Valuation Date” means each Observation Date as defined in the Annex, Part A above.

“Valuation Time” means the Scheduled Closing Time on the Exchange on the Trade Date or on a Valuation Date.