

FINAL TERMS

15 December 2005

Kaupthing Bank hf.
EUR 20,000,000 Callable Swap Rate Linked Notes due 15 December 2030
under the EUR 12,000,000,000
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.

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|-----|-----------------------------------|---------------------------------------------------------------------------------------------|
| 1. | Issuer: | Kaupthing Bank hf. |
| | (i) Series Number: | 21 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | Euro ("EUR") |
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | EUR 20,000,000 |
| | (ii) Tranche: | EUR 20,000,000 |
| 5. | Issue Price: | 100 per cent. of the Aggregate Nominal Amount |
| 6. | Specified Denominations: | EUR 50,000 |
| 7. | (i) Issue Date: | 15 December 2005 |
| | (ii) Interest Commencement Date: | 15 December 2005 |
| 8. | Maturity Date: | 15 December 2030 |
| 9. | Interest Basis: | 10 Year Euro Swap Rate + 1.00 per cent. Floating Rate (further particulars specified below) |
| 10. | Redemption/Payment Basis: | Redemption at par |

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|-----|------------------------------------------------------------|------------------------------------------------------|
| 11. | Change of Interest Basis or Redemption/
Payment Basis: | Not Applicable |
| 12. | Put/Call Options: | Issuer Call
(further particulars specified below) |
| 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

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|-----|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| 15. | Fixed Rate Note Provisions | Not Applicable |
| 16. | Floating Rate Note Provisions | Applicable |
| | (i) Specified Period(s)/Specified
Interest Payment Dates: | 15 December in each year, commencing 15
December 2006 to, and including, the Maturity Date |
| | (ii) Business Day Convention: | Following Business Day Convention |
| | (iii) Additional Business Centre(s): | Not Applicable |
| | (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): | Deutsche Bank AG, London Branch |
| | (vi) Screen Rate Determination: | |
| | – Reference Rate: | CMS10
(as defined herein) |
| | – Interest Determination
Date(s): | The second day on which the TARGET System is
open prior to the start of each Interest Period |
| | – Relevant Screen Page: | Reuters page ISDAFIX2 |
| | (vii) ISDA Determination: | |
| | – Floating Rate Option: | Not Applicable |
| | – Designated Maturity: | Not Applicable |
| | – Reset Date: | Not Applicable |
| | (viii) Margin(s): | + 1.00 per cent. per annum |

- (ix) Minimum Rate of Interest: 0.40 per cent. per annum
- (x) Maximum Rate of Interest: The Maximum Rate of Interest will be determined by the Calculation Agent as follows:

$$16 \times (\text{CMS10} - \text{CMS2})$$

Where:

“CMS10” means the mid market swap rate expressed as a percentage for a EUR interest rate swap transaction with a term equal to 10 years which appears on the Reuters screen ISDAFIX2 Page (or any successor page) as of 11.00am Frankfurt time on each Interest Determination Date. If such rate cannot be determined on each relevant date such rate shall be as determined by the Calculation Agent it is absolute discretion in a commercially reasonable manner.

“CMS2” means the mid market swap rate expressed as a percentage for a EUR interest rate swap transaction with a term equal to 2 years which appears on the Reuters screen ISDAFIX2 Page (or any successor page) as of 11.00am Frankfurt time on each Interest Determination Date. If such rate cannot be determined on each relevant date such rate shall be as determined by the Calculation Agent it is absolute discretion in a commercially reasonable manner.

- (xi) Day Count Fraction: 30/360 (unadjusted)

- (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

17. **Zero Coupon Note Provisions** 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

22.	Issuer Call	Applicable
	(i) Optional Redemption Date(s):	The Interest Payment Date due 15 December 2010 and each Interest Payment Date thereafter
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	EUR 50,000 per Note of EUR 50,000 Specified Denomination.
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	Not Applicable
	(b) Maximum Redemption Amount:	Not Applicable
	(iv) Notice period (if other than as set out in the Conditions):	Not less than five TARGET Business Days
23.	Investor Put	Not Applicable
24.	Target Redemption Note Provisions:	Not Applicable
25.	Final Redemption Amount of each Note	EUR 50,000 per Note of EUR 50,000 Specified Denomination
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)):	The Calculation Agent will determine and calculate in its sole discretion the redemption amount in good faith and in a commercially reasonable manner as representing the fair economic value of the Note at the date of redemption.
27.	Capital Notes Provisions	
	(i) Special Event Redemption Amount:	Not Applicable
	(ii) Special Event Redemption Date(s):	Not Applicable
	(iii) Investment Considerations:	Not Applicable

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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: Not Applicable

DISTRIBUTION

35. (i) If syndicated, names and addresses of Managers and underwriting commitments: Not Applicable
- (ii) Date of Subscription Agreement: Not Applicable
- (iii) Stabilising Manager (if any): Not Applicable
36. If non-syndicated, name of relevant Dealer: Deutsche Bank AG, London Branch
37. Total commission and concession: Fees, rebates and/or discounts may have been paid as part of this transaction. If you would like more information regarding these fees, rebates or discounts please contact Deutsche Bank AG, London Branch. Deutsche Bank AG, London Branch disclaims any liability for the misuse of this information
38. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: TEFRA D
39. Additional selling restrictions: Not Applicable

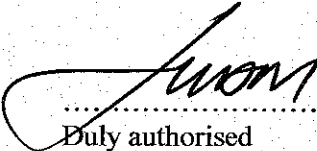
LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the €12,000,000,000 Euro Medium Term Note Programme of Kaupthing Bank hf.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. Details of CMS10 and CMS2 have been extracted from Reuters. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Reuters, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By 
Duly authorised
Gudni Niels Adalsteinsson Steingimur Karason

PART B – OTHER INFORMATION

1. LISTING

- | | |
|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| (i) Listing: | Luxembourg |
| (ii) Admission to trading: | Application has been made for the Notes to be admitted to trading on the Luxembourg Stock Exchange with effect from 15 December 2005 |
| (iii) Estimate of total expenses related to admission to trading: | Listing fees only |

2. RATINGS

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

3. NOTIFICATION

Not Applicable

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: See "Use of Proceeds" wording in Base Prospectus
- (ii) Estimated net proceeds: EUR 20,000,000
- (iii) Estimated total expenses: Listing fees only

6. YIELD (*Fixed Rate Notes only*)

Indication of yield: Not Applicable

7. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Not Applicable

8. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (*Index-Linked Notes only*)

Payments under this transaction are linked to a particular market measure, as further set out under Condition 4 of the Notes, the performance of which may affect the amount or timing of payments to be made or received in connection with this proposed transaction. A Prospective Purchaser entering into this transaction should review this particular market measure independently. Such linkage may result in the return of less than the original investment, or cause payments made by prospective purchasers to exceed payments received, if that market view does not prevail at the relevant times under the terms of this transaction.

Summary of CMS2 Rates

30-Nov-02	3.303	31-May-04	2.783
31-Dec-02	2.927	30-Jun-04	2.913
31-Jan-03	2.758	30-Jul-04	2.847
28-Feb-03	2.479	31-Aug-04	2.667
31-Mar-03	2.704	30-Sep-04	2.749
30-Apr-03	2.666	29-Oct-04	2.591
30-May-03	2.261	30-Nov-04	2.538
30-Jun-03	2.297	31-Dec-04	2.625
31-Jul-03	2.49	31-Jan-05	2.558
29-Aug-03	2.798	28-Feb-05	2.641
30-Sep-03	2.473	31-Mar-05	2.660
31-Oct-03	2.880	29-Apr-05	2.405
28-Nov-03	2.992	31-May-05	2.339

31-Dec-03	2.783	30-Jun-05	2.180
30-Jan-04	2.716	29-Jul-05	2.358
27-Feb-04	2.418	31-Aug-05	2.362
31-Mar-04	2.333	30-Sep-05	2.524
30-Apr-04	2.670	31-Oct-05	2.781
		30-Nov-05	2.946

Summary of CMS10 Rates

30-Nov-02	4.715	31-May-04	4.447
31-Dec-02	4.415	30-Jun-04	4.460
31-Jan-03	4.224	30-Jul-04	4.364
28-Feb-03	4.148	31-Aug-04	4.190
31-Mar-03	4.243	30-Sep-04	4.118
30-Apr-03	4.297	29-Oct-04	4.007
30-May-03	3.814	30-Nov-04	3.871
30-Jun-03	3.970	31-Dec-04	3.755
31-Jul-03	4.185	31-Jan-05	3.630
29-Aug-03	4.312	28-Feb-05	3.765
30-Sep-03	4.165	31-Mar-05	3.740
31-Oct-03	4.454	29-Apr-05	3.513
28-Nov-03	4.534	31-May-05	3.413
31-Dec-03	4.406	30-Jun-05	3.245
30-Jan-04	4.385	29-Jul-05	3.322
27-Feb-04	4.194	31-Aug-05	3.231
31-Mar-04	4.103	30-Sep-05	3.257
30-Apr-04	4.350	31-Oct-05	3.508
		30-Nov-05	3.555

Source: Reuters

9. PERFORMANCE OF RATES OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes only)

Not Applicable

10. OPERATIONAL INFORMATION

- (i) ISIN Code: XS0236406863
- (ii) Common Code: 023640686
- (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