

Applicable Final Terms

28 November 2005

KAUPTHING BANK HF.

Issue of EUR 15,000,000 Inflation Linked Notes 2010

under the €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 Reykjavic, Iceland and on the Luxembourg Stock Exchange's website (www.bourse.lu) 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. |
| 2. | (i) Series Number: | 19 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | Euro ("EUR") |
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | EUR 15,000,000 |
| | (ii) Tranche: | EUR 15,000,000 |
| 5. | Issue Price: | 99.91 per cent. of the Aggregate Nominal Amount |
| 6. | Specified Denominations: | EUR 50,000 |
| 7. | (i) Issue Date: | 28 November 2005 |
| | (ii) Interest Commencement Date: | Issue Date |
| 8. | Maturity Date: | 28 November 2010 |
| 9. | Interest Basis: | Index Linked Interest (further particulars specified below) |
| 10. | Redemption/Payment Basis: | Index Linked Redemption (further particulars specified below) |
| 11. | Change of Interest Basis or Redemption/ Payment Basis: | Not Applicable |

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| 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

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| 15. | Fixed Rate Note Provisions | Not Applicable |
| 16. | Floating Rate Note Provisions | Not Applicable |
| 17. | Zero Coupon Note Provisions | Not Applicable |
| 18. | Index Linked Interest Note Provisions | Applicable |

- (i) Index/Formula:

The Rate of Interest, in respect of each Specified Period, will be a rate expressed as a percentage per annum determined by the Calculation Agent in its sole and absolute discretion as the greater of the Minimum Rate of Interest specified below and the result of the following formula:

1 per cent. x DIR_t/DIR_0 per cent. per annum

Where DIR_t is calculated as:

DIR_t is the daily inflation reference for the relevant Interest Payment Date

DIR_0 is the daily inflation reference for the Issue Date and is equal to 117.95000

Where DIR calculated as:-

$CPI(C-3m) + [CPI(C-2m) - CPI(C-3M)] * [(DayofMonth - 1)/DaysInMonth]$, where c= Coupon Payment Month.

“CPI” means the Euro-zone HICP excluding Tobacco, published by Eurostat on a monthly basis on Bloomberg page CPTFEMU <Index>, (non-revised numbers);

“CPI(C-3m)” means the CPI for the month that is 3 months prior to the month in which the relevant Interest Payment Date falls;

“**CPI(C-2m)**” means the CPI for the month that is 2 months prior to the month in which the relevant Interest Payment Date falls;

“**Day of Month**” means the day of the month on which the Interest Payment Date falls;

“**Days in Month**” means the number of days in the month in which the Interest Payment Date falls;

“**CPTFEMU**” means Eurostat Eurozone HICP Ex Tobacco Unrevised Series, published monthly by Eurostat (www.europa.eu.int/comm/eurostat), on the European Central Bank statistical bulletin and on Bloomberg page: CPTFEMU Index <GO>;

“**Sponsor**” means the entity that publishes or announces (directly through an agent) the level of the CPI;

Delay of Publication

(a) If any level of the CPI for a month which is relevant to the calculation of a payment under the Notes (a "Relevant Level") has not been published or announced by the day that is five days on which the TARGET System is open prior to the next Interest Payment Date, the Calculation Agent shall determine a Substitute Index Level (in place of such Relevant Level) as follows:

Substitute Index Level = Base Level x (Latest Level / Reference Level)

Where:

"**Base Level**" means the level of the CPI (whether definitive or provisional) published or announced by the Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined.

"**Latest Level**" means the latest level of the CPI (whether definitive or provisional) published or announced by the Index Sponsor prior to the month in respect of which the Substitute Index Level is being calculated.

"**Reference Level**" means the level of the CPI (whether definitive or provisional) published or announced by the Index Sponsor in respect of the month that is 12 calendar months prior to the month referred to in "Latest Level" above.

(b) If a Relevant Level is published or announced at any time after the day that is five days on which the TARGET System is open prior to the next Interest Payment Date, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this paragraph, will be the definitive level for that month.

Cessation of Publication. Subject to the provisions under "Successor Index" below, if a level for the CPI has not been published or announced for two consecutive months or the Index Sponsor announces that it will no longer continue to publish or announce the CPI Index then the Calculation Agent shall determine a Successor Index (in lieu of any previously applicable Index) for the purposes of the Index Transaction as follows:

(a) the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the CPI should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the "Successor Index". If three responses are received, and two or more leading independent dealers state the same index, this index will be deemed the "Successor Index"; or

(b) If no Successor Index has been deemed following responses from dealers by the third day on which the TARGET System is open prior to the next Interest Payment Date, or by the date that is five days on which the TARGET System is open after the last Interest Payment Date (if no further Interest Payment Dates are scheduled), the Calculation Agent will determine an appropriate alternative index, and such index will be deemed a "Successor Index",

Successor Index. If, at any time a notice is given or an announcement is made by the Index Sponsor, specifying the CPI will no longer be published or announced but that it will be superseded by a replacement index specified by the Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the CPI, such replacement index shall be the CPI for purposes of the Notes from the date that such replacement CPI comes into effect.

Rebasing of the Index. If the Calculation Agent determines that the CPI has been or will be rebased at any time, the Index as so rebased (the "Rebased CPI") will be used for purposes of determining the level of the CPI from the date of such rebasing; provided, however, that the Calculation Agent shall make adjustments to the past levels of the Rebased CPI so that the Rebased CPI levels prior to the date of rebasing reflect the same 12 rate of inflation as the Index before it was rebased. Any such rebasing shall not affect any prior payments made under the Notes.

Material Modification Prior to Payment Date. If, on or prior to the day that is five days on which the TARGET System is open Business Days before an Interest Payment Date, an Index Sponsor announces that it will make a material change to the CPI then the Calculation Agent shall make any such adjustments to the CPI necessary for the modified CPI to continue as the CPI.

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| (ii) | Calculation Agent responsible for calculating the interest due: | ABN AMRO Bank N.V. |
| (iii) | Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: | See paragraph 18(i) above |
| (iv) | Specified Period(s)/Specified Interest Payment Dates: | Specified Periods shall be annual, from and including the Issue Date, to but excluding the Maturity Date Specified Interest Payment Dates shall be 28 November in each year, from and including 28 November 2006, to and including the Maturity Date, subject to adjustment in accordance with the Business Day Convention specified below |
| (v) | Business Day Convention: | Modified Following Business Day Convention shall apply for Payment Day purposes only. There will be no adjustment for Interest accrual purposes. |
| (vi) | Additional Business Centre(s): | TARGET |
| (vii) | Minimum Rate of Interest: | Not Applicable |
| (viii) | Maximum Rate of Interest: | Not Applicable |
| (ix) | Day Count Fraction: | 30/360 |
| 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: Not Applicable
23. Investor Put: Not Applicable
24. Target Redemption Provisions: Not Applicable
25. Final Redemption Amount of each Note: 100 per cent. x MAX ($[DIR_T / DIR_0], 1$) calculated in accordance with the definitions in paragraph 18(i) and where
- “**DIR_T**” is the daily inflation reference for the Maturity Date
26. 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 set out in Condition 7(e)
27. Capital Notes Provisions: 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: TARGET
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 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

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|-----|------|--|--------------------|
| 35. | (i) | If syndicated, names of Managers: | Not Applicable |
| | (ii) | Stabilising Manager (if any): | Not Applicable |
| 36. | | If non-syndicated, name of relevant Dealer: | ABN AMRO Bank N.V. |
| 37. | | Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: | TEFRA D |
| 38. | | Additional selling restrictions: | Not Applicable |

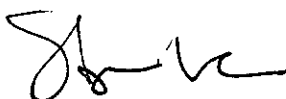
RESPONSIBILITY

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

Signed on behalf of the Issuer:

By:

G. Amadoris
Duly authorised



PART B - OTHER INFORMATION

1. LISTING

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

2. RATINGS

Ratings: Not Applicable

3. NOTIFICATION

Not Applicable

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

Save for any fees payable to the Dealer, 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

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 (*Index-Linked Notes only*)

Not Applicable

9. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (*Dual Currency Notes only*)

Not Applicable

10. OPERATIONAL INFORMATION

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|-------|---|--------------------------|
| (i) | Jurisdictions into which public offer to be made: | None |
| (ii) | ISIN Code: | XS0236564182 |
| (iii) | Common Code: | 23656418 |
| (vii) | 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 |
| (ix) | Delivery: | Delivery against payment |
| (x) | Names and addresses of additional Paying Agent(s) (if any): | Not Applicable |