

FINAL TERMS

20 March 2006

Kaupthing Bank hf.
Issue of USD 10,000,000 Index Linked Redemption Notes due 20 March 2009
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 Reykjavik, Iceland and copies may be obtained from the Principal Paying Agent at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

1.	Issuer:	Kaupthing Bank hf.
2.	(i) Series Number:	54
	(ii) Tranche Number:	1
3.	Specified Currency or Currencies:	U.S. Dollar ("USD")
4.	Aggregate Nominal Amount:	
	(i) Series:	USD 10,000,000
	(ii) Tranche:	USD 10,000,000
5.	Issue Price:	100.0 per cent. of the Aggregate Nominal Amount
6.	Specified Denominations:	USD 1,000
7.	(i) Issue Date:	20 March 2006
	(ii) Interest Commencement Date:	Not Applicable
8.	Maturity Date:	20 March 2009
9.	Interest Basis:	Not Applicable
10.	Redemption/Payment Basis:	Index Linked Redemption as specified in the Appendix

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| 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

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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 | 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)): | According to Condition 7(f). |
| 27. | Capital Notes Provisions | Not Applicable |

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 |
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| 29. | Additional Financial Centre(s) or other special provisions relating to Payment Dates: | London and New York |
| 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

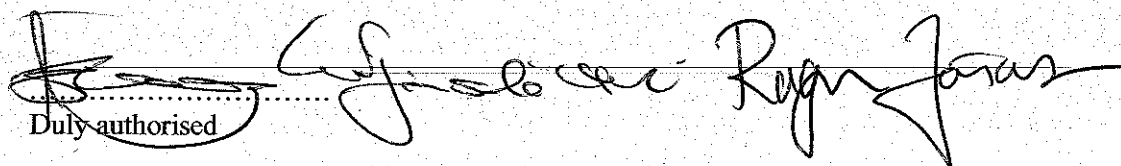
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| 35. | (i) If syndicated, names of Managers | Not Applicable |
| | (ii) Date of Subscription Agreement: | Not Applicable |
| | (iii) Stabilising Manager (if any): | Not Applicable |
| 36. | If non-syndicated, name of relevant Dealer: | Commerzbank Aktiengesellschaft
Kaiserplatz
60261 Frankfurt am Main |
| 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

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: The Notes to be issued have not been rated:

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**

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|---------------------------------|-------------------------------------------------------------------------------------------------------------------|
| (i) Reasons for the Offer: | The net proceeds will be applied by the Issuer for its general corporate purposes, which include making a profit. |
| (ii) Estimated net proceeds: | USD 10,000,000 |
| (iii) Estimated total expenses: | None. |

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*)

Information on the Fund, its shares and the historical net asset values of the Fund are available on the webpage of KBC Asset Management N.V.: www.kbcam.be.

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

Not Applicable.

10. OPERATIONAL INFORMATION

- (i) ISIN Code: XS0247304925
- (ii) Common Code: 024730492
- (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

Appendix to the Final Terms dated 20 March 2006

1. Final Redemption Amount of each Note:

- (1) Each Note will be redeemed on the Maturity Date at an amount (the "**Final Redemption Amount**") determined in accordance with the following provisions:
 - (a) If during the Monitoring Period the NAV of the Fund has never been equal to or below the Barrier Level, then the Final Redemption Amount shall be USD 1,066 per Specified Denomination; or
 - (b) If during the Monitoring Period the NAV of the Fund has at least once been equal to or below the Barrier Level, then the Final Redemption Amount shall be USD 1,000 per Specified Denomination.
- (2) For the purposes of these Final Terms, the following definitions shall apply:

"Barrier Level" means USD 1,427.715.

"Calculation Agent" means Commerzbank Aktiengesellschaft, Frankfurt am Main, in its capacity as Calculation Agent and includes any successor as Calculation Agent. Any determinations, calculations or other decisions of the Calculation Agent shall (save in the case of manifest error) be final, conclusive and binding on all parties.

"Custodian" means KBC Bank N.V., Brussels.

"Fund" means KBC Multi Cash, an investment company with variable capital established on 20 November 1992 under Belgian law (*BEVEK - Beleggingsvennootschap met Veranderlijk Kapital*), which may be substituted from time to time as set out in these Final Terms.

"Fund Business Day" means each day on which the NAV of the Shares is usually determined and published (or made available) according to the Memorandum.

"Fund Management" means the management of the Fund which includes (i) any entity specified in the Memorandum which is responsible for providing investment management advice to the Fund and/or to any relevant third party, and/or (ii) any entity or individual who is responsible to manage the business and the affairs of the Fund, and/or (iii) any individual or group of individuals specified in the Memorandum who is/are responsible for overseeing the activities of the Fund and/or (iv) any entity specified in the Memorandum that is responsible for the administration of the Fund and the determination and publication of the NAV of the Shares.

"Memorandum" means the Prospectus in relation to KBC Multi Cash dated 30 September 2005, as amended and supplemented from time to time.

"Monitoring Period" means the period from and including the Strike Date until and including the Valuation Date.

"NAV" means the net asset value of a Share as determined and published (or made available) according to the Memorandum.

"Share" means one capitalising share in the Fund (ISIN BE0137788486) denominated in U.S. Dollar.

"Substitution Event" means any of the following events which the Calculation Agent in its sole discretion determines to be a Substitution Event with respect to the Fund and its Shares:

1. The implementation of any change to the terms and conditions of the Fund, as detailed in the Memorandum, which, in the sole opinion of the Issuer, is of a material nature including but not limited to such changes as (i) a change in the risk profile of the Fund; (ii) a change in the voting rights, if any, associated with the voting shares of the Fund; (iii) an alteration to the investment objectives of the Fund; or (iv) a change in the currency in which the Share are denominated so that the NAV is quoted in a different currency from that in which it was quoted on the Trade Date;
2. The breach of the investment objectives of the Fund (as defined in the Memorandum) if such breach, in the sole opinion of the Issuer, is of a material nature;
3. The imposition or increase of subscription and/or redemption fees, or taxes or other similar fees, payable in respect of a purchase or redemption of the Shares after the Trade Date;
4. If the Fund Management fails for reasons other than of a technical or operational nature, to calculate the NAV for five consecutive Fund Business Days;
5. If the activities of the Fund, the Fund Management and/or the Custodian are placed under review by their regulators for reasons of wrongdoing, breach of any rule or regulation or other similar reason;
6. The compulsory redemption of the Shares by the Fund for any reason prior to the Maturity Date;
7. If the issue of additional shares of the Fund or the redemption of existing Shares is suspended and if any such suspension continues for five consecutive Fund Business Days;
8. The winding-up or termination of the Fund for any reason prior to the Maturity Date;
9. If the Fund is superseded by another fund (the "New Fund") following a merger or similar event unless, in the sole opinion of the Issuer, the New Fund has similar investment objectives to those of the Fund, is incorporated in the same jurisdiction as the Fund (or another jurisdiction acceptable to the Issuer), is denominated in the same currency as the Fund and is managed and administered by one or more individuals who, or corporate entities which, are reputable and experienced in their field;
10. The cancellation of the registration, or of the approval, of the Fund and/or the Fund Management and/or the Custodian by any relevant authority or body;
11. The replacement of the Fund Management and/or the Custodian by the Fund unless, in the sole opinion of the Issuer, the relevant replacement is an individual or group of individuals who, or a corporate entity which, is reputable and experienced in their field;
12. Any change in the accounting, regulatory or tax treatment applicable with respect to the Fund which could have an economic impact for the Issuer, its affiliates or any other designated hedging entity;
13. Any other event in respect of the Fund which, in the opinion of the Issuer, has an analogous effect to any of the events specified in these Final Terms.

"Strike Date" means 13 March 2006.

"Trade Date" means 6 March 2006.

"Valuation Date" means the 13 March 2009 (or, if such date is not a Fund Business Day, then the next following Fund Business Day).

If on the Valuation Date the NAV is not determined and published (or made available) for whatever reason (other than in the case of the Substitution of the Fund as described below), then the NAV of the Fund on the next following Fund Business Day on which the NAV of the Fund is determined and published (or made available) again will be deemed to be the relevant Valuation Date.

If according to the provision above, the Valuation Date is postponed until the third Business Day prior to the Maturity Date and if on such date the NAV is still not determined for whatever reason (other than in the case of the Substitution of the Fund as described below), then the Calculation Agent will determine, in its sole discretion, the NAV which would represent its fair market value.

2. Substitution of the Fund

Upon the occurrence of an event which the Calculation Agent determines to be a Substitution Event in relation to the Fund, the Calculation Agent may, but is not required to, determine the NAV on the basis of the next available NAV (the **"Removal Value"**). The date on which the Removal Value is determined shall be the **"Removal Date"**.

The Calculation Agent will use reasonable efforts to identify an alternative fund in substitution for the Fund (the **"Successor Fund"**). The Successor Fund will be a fund with similar characteristics, investment objectives and policies to those of the Fund, immediately prior to the occurrence of the Substitution Event.

Any reference made in these Final Terms to the Fund shall, with effect from the Removal Date, be read as reference to the Successor Fund and all related definitions shall be amended accordingly. Furthermore, the Calculation Agent will make all necessary adjustments to the terms and conditions of these Notes resulting from a Substitution of the Fund.

If the Calculation Agent is unable to identify a Successor Fund, the Fund will be replaced with the Removal Value and the Removal Value shall be deemed to be the Fund with effect from the Removal Date. In such case, the NAV in respect of the Fund on any Averaging Date following the Removal Date shall be calculated in accordance with the following formula:

$$\left(\text{Removal Value} \times \left(1 + \text{Interest Rate} \frac{\text{Days}}{360} \right) \right)$$

where

"Interest Rate" means the fixed rate (expressed as a rate per annum on the basis relevant to the particular currency's interest rate market) at which deposits are bid in the underlying currency of the Fund for a tenor approximately equal to the period from and including the Removal Date to but excluding the Valuation Date. If such deposit rate is not available, the Calculation Agent shall determine an appropriate rate in good faith and in a commercially acceptable manner.

"Days" means the number of calendar days from and including the Removal Date to but excluding the Valuation Date.

In the event that the Calculation Agent determines that a Substitution Event has occurred and decides to substitute the Fund according to the provisions above, it will notify both the Issuer and the Agent of the Substitution Event, the Removal Date and the Successor Fund, if any.