

## FINAL TERMS

07 June 2006

**Kaupthing Bank hf.**  
**Issue of EUR 5,000,000 Fixed Rate Notes due June 2016**  
**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.

1.	Issuer:	Kaupthing Bank hf.
2.	(i) Series Number:	61
	(ii) Tranche Number:	1
3.	Specified Currency or Currencies:	Euros ("EUR")
4.	Aggregate Nominal Amount:	
	(i) Series:	EUR 5,000,000
	(ii) Tranche:	EUR 5,000,000
5.	Issue Price	78.70 per cent. of the Aggregate Nominal Amount
6.	Specified Denominations:	EUR 10,000
7.	(i) Issue Date:	7 June 2006
	(ii) Interest Commencement Date:	7 June 2006
8.	Maturity Date:	7 June 2016
9.	Interest Basis:	1.75% Fixed Rate
10.	Redemption/Payment Basis:	Redemption at par

- |     |  |                        |
|-----|--|------------------------|
| 11. | Change of Interest Basis or Redemption/<br>Payment Basis:  | Not Applicable         |
| 12. | Put/Call Options:  | Not Applicable         |
| 13. | (a) Status of the Notes:                                   | Senior, Unsubordinated |
|     | (b) Date Board approval for issuance<br>of Notes obtained: | Not Applicable         |
| 14. | Method of distribution:                                    | Non-syndicated         |

**PROVISIONS RELATING TO INTEREST  
(IF ANY) PAYABLE**

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|-----|---|---|
| 15. | <b>Fixed Rate Note Provisions</b>   | Applicable  |
|     | (i) Rate(s) of Interest:  | 1.75 per cent. per annum payable annually in arrear   |
|     | (ii) Interest Payment Date(s):  | 07 June in each year, from and including 07 June 2007 up to and including the Maturity Date, adjusted as per the Following Business Day Convention but with no adjustment to the Fixed Coupon Amount. |
|     | (iii) Fixed Coupon Amount(s):   | EUR 175 per EUR 10,000 Specified Denomination   |
|     | (iv) Broken Amount(s):  | Not Applicable  |
|     | (v) Day Count Fraction:   | 30/360 (unadjusted)   |
|     | (vi) Determination Date(s):   | Not Applicable  |
|     | (vi) Other terms relating to the<br>method of calculating interest for<br>Fixed Rate Notes: | Not Applicable  |
| 16. | <b>Floating Rate Note Provisions</b>  | Not Applicable  |
| 17. | <b>Zero Coupon Note Provisions</b>  | Not Applicable  |
| 18. | <b>Index Linked Interest Note Provisions</b>  | Not Applicable  |
| 19. | <b>Dual Currency Interest Note<br/>Provisions</b>   | Not Applicable  |
| 20. | <b>Target Redemption Note Provisions:</b>   | Not Applicable  |
| 21. | <b>Range Accrual Note Provisions:</b>   | Not Applicable  |

**PROVISIONS RELATING TO REDEMPTION**

22.	Issuer Call	Not Applicable
23.	Investor Put	Not Applicable
24.	Target Redemption Note Provisions:	Not Applicable
25.	Final Redemption Amount of each Note	EUR 10,000 per Note of EUR 10,000 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)):	As set out in Condition 7(f)
27.	Capital Notes Provisions	Not Applicable

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

28.	Form of Notes:	Bearer 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):	Not Applicable
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:	Not Applicable

34. Other final terms: Not Applicable

**DISTRIBUTION**

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 and address of relevant Dealer: UBS Limited  
100 Liverpool Street  
London EC2M 2RH

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: Any Notes purchased by any person for resale may not be offered in any jurisdiction in circumstances which would result in the Issuer being obliged to register any further prospectus or corresponding document relating to the Notes in such jurisdiction.

Holders of the Notes are advised to read the selling restrictions described more fully in the Offering Memorandum. The restrictions listed below must not be taken as definitive guidance as to whether this note can be sold in a jurisdiction. Holders of the Notes should seek specific advice before onselling a Note.

USA - The Notes may not be sold or offered within the United States or to U.S. persons.

Hong Kong - The Notes have not been offered and sold, and each purchaser represents and agrees that it will not offer and sell the Notes in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy and sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32 of the laws of Hong Kong) or to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571), or in other circumstances which do not result in the

document being a "prospectus" within the meaning of the Companies Ordinance . In relation to the issue of the Notes, each purchaser represents and agrees that it has not issued and will not issue any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

Singapore - These Final Terms and Base Prospectus relating to the Notes have not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS") under the Securities and Futures Act (Cap. 289) of Singapore (the "Securities and Futures Act").

Accordingly, the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may these Final Terms and Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of such Notes be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (1) to an institutional investor or other person falling within Section 274 of the Securities and Futures Act, (2) to a sophisticated investor (as defined in Section 275 of the Securities and Futures Act) and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (3) otherwise than pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act."

Others - As detailed in the Base Prospectus for the Programme.

## **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 EUR12,000,000,000 Euro Medium Term Note Programme of Kaupthing Bank hf.


## **RESPONSIBILITY**

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

Signed on behalf of the Issuer:

By:

Duly authorised

  
Guðmundur P. Guðmundsson  
Managing Director  
Treasury Kaupthing Bank Iceland

## 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 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

- (i) Reasons for the Offer: See "Use of Proceeds" wording in Base Prospectus
- (ii) Estimated net proceeds: EUR 3,935,000
- (iii) Estimated total expenses: Not Applicable

### 6. YIELD (*Fixed Rate Notes only*)

Indication of yield: 1.75% per annum. Calculated on the Issue Date.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

**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*)

Not Applicable

**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: XS0257070879
- (ii) Common Code: 025707087
- (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