FINAL TERMS

22. June 2006

Kaupthing Bank hf.
Issue of ISK250,000,000 Index Linked Notes due 21st June 2011
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:	63
	(ii) Tranche Number:	1
3.	Specified Currency or Currencies:	Icelandic Krona (ISK)
4.	Aggregate Nominal Amount:	
	(i) Series:	ISK 250,000,000
	(ii) Tranche:	ISK 250,000,000
5.	Issue Price:	100.00 per cent. of the Aggregate Nominal Amount
6.	Specified Denominations:	ISK 1,000,000
7.	(i) Issue Date:	21 June 2006
	(ii) Interest Commencement Date:	Not Applicable

8.	Maturity Date:	21 June 2011 (and provided that if the final Observation Date (as defined in the Appendix below) is subject to adjustment for a Disrupted Day, the Maturity Date shall be the later of 21 June 2011 and the third Business Day following the final Observation Date)
9.	Interest Basis:	Not Applicable. The Notes are non-interest bearing
10.	Redemption/Payment Basis:	Index Linked Redemption (further particulars specified below)
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**	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	Not Applicable
23.	Investor Put	Not Applicable
24.	Target Redemption Note Provisions:	Not Applicable
25.	Final Redemption Amount of each Note	Each Note of ISK 1,000,000 Specified Denomination will be redeemed in accordance with the formuala set out in Appendix 1 hereto

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

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:	Not Applicable
33.	Redenomination applicable:	Redenomination not applicable
34.	Other final terms:	Applicable **Index Adjustment**. If the relevant sponsor of an Underlying Index makes or announces a change that in any way materially modifies the Index or (for whatever reason) no Underlying Index calculation is available, the Calculation Agent shall make such determination as it shall deem fit, acting in good faith and in a commercially reasonable manner and by reference to such factors and sources as it shall determine to be appropriate.

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 of relevant Dealer:	The Royal Bank of Scotland plc
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. The description in Appendix 2 of the Underlying Indices has been extracted from publicly available sources. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By: ....
Duly authorised

Guðmundur Þ. Guðmundsson
Managing Director
Treasury Kaupthing Bank Iceland

Guðmundur Björnsson
Head of Derivatives

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's regulated market with effect from the Issue Date.
(iii) Estimate of total expenses related to admission to trading:*	Not Applicable
2. RATINGS	
Ratings:	Not Applicable

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

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:	Not Applicable
(iii) Estimated total expenses:	Not Applicable

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

See Appendix 2 for a description of each Underlying Index.

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:	XS0258846392
(ii) Common Code:	025884639
(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 1

FINAL REDEMPTION AMOUNT

Unless previously redeemed or purchased or cancelled, the Final Redemption Amount, calculated by the Calculation Agent, payable in respect of each Note will be

Note Denomination * { 100% + Additional Amount }

Where:
Additional Amount means the amount calculated by the Calculation Agent pursuant to the following formula

$$\textbf{\textit{USD 13,161.36 x FX-Rate x MAX (0 , MAX}}\left\{ 1.07 * \left(\frac{\mathrm{Index}_{\mathrm{Final}} - Index_{Initial}}{Index_{Initial}} \right), LockIn \right\}\boldsymbol{)}$$

"FX-Rate" means, the USD/ISK actually executed rate (being the number of Icelandic Krona per one USD) as determined by the Calculation Agent.

Calculation Agent means Kaupthing Bank.

"**Disrupted Day**" means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

"**Exchange Business Day**" means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

Underlying Index means the Goldman Sachs Commodity Excess Return (Bloomberg Ticker: GSCIER Index)

Index $_{\textbf{initial}}$ means 706.1721

Index $_{\textbf{final}}$ means the Closing Level of the Index on the Observation Date

LockIn means 26,75% if the Index closed above 882.7151 at any Observation Time

"**Market Disruption Event**" means, in respect of an Index,

(a) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time:

(i) of any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:

(A) on any relevant Exchange(s) relating to securities that comprise 20 per cent. or more of the level of the relevant Index; or

(B) in futures or options contracts relating to the relevant Index on any relevant Related Exchange; or

(ii) of any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, on any relevant Exchange(s), securities that comprise 20 per cent. or more of the level of the relevant Index, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index on any relevant Related Exchange; or

(b) the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities/commodities that comprise 20 per cent. or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or, if earlier, (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day,

which in any such case the Calculation Agent determines is material;

Observation Date means 14 June 2011, subject to the Following Business Day Convention

or if any such date is not a Scheduled Trading Day, the next following Trading Day unless, in the opinion of the Calculation Agent, such day is a Disrupted Day for an Underlying Index. If such day is a Disrupted Day for an Underlying Index, then the Valuation Date for all the Underlying Indices shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day for any of the Underlying Indices, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day for any of the Underlying Indices. In that case (i) the eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day for any of the Underlying Indices, and (ii) the Calculation Agent shall determine the reference price of each Underlying Index not affected by the occurrence of a Disrupted Day as provided herein and shall determined the reference price of each Underlying Index affected (each an "**Affected Index**") by a Disrupted Day as its good faith estimate of the value for each Affected Index as of the Valuation Time on that eighth Scheduled Trading Day.

Participation means 107 per cent.

"**Scheduled Trading Day**" means any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

Strike Date means 14 June 2006, subject to adjustment in the same manner as each Observation Date.

Valuation Time means the scheduled closing time of the relevant Exchange on each Valuation Date.

Valuation Date means each Observation Date.

APPENDIX 2

Part I

1. DESCRIPTION OF THE GOLDMAN SACHS COMMODITY EXCESS RETURN INDEX

INFORMATION ON THE INDEX**

** **Source:** http://www.gs.com/gsci/docs/GSCI_Manual_2006_FINAL.pdf

GOLDMAN SACHS COMMODITY EXCESS RETURN INDEX (GSCI ER)

Three indices relating to the Goldman Sachs Commodity Index (the "GSCI") are published: excess return, total return and spot. The Goldman Sachs Commodity Excess Return Index (the "Index") measures the returns accrued from investing in uncollateralized nearby commodity futures, the Goldman Sachs Commodity Total Return Index measures the returns accrued from investing in fully-collateralized nearby commodity futures, and the Goldman Sachs Commodity Spot index measures the level of nearby commodity prices. Thus, the Index and Goldman Sachs Commodity Total return Index provide useful representations of returns available to investors from investing in the GSCI.

Goldman Sachs Commodity Index

The GSCI is designed to provide investors with a reliable and publicly available benchmark for investment performance in the commodity markets comparable to the S&P 500 or FT equity indices. As such, the GSCI is a composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities. The returns are calculated on a fully-collateralized basis with full reinvestment. The combination of these attributes provides investors with a representative and realistic picture of realizable returns attainable in the commodities markets.

Individual components qualify for inclusion in the GSCI on the basis of liquidity and are weighted by their respective world production quantities. The principles behind the construction of the index are public and designed to allow easy and cost-efficient investment implementation. Possible means of implementation include the purchase of GSCI-related instruments, such as the GSCI futures contract traded on the Chicago Mercantile Exchange (CME) or over-the-counter derivatives, or the direct purchase of the underlying futures contracts.

Economic Weighting

t The GSCI is world-production weighted; the quantity of each commodity in the index is determined by the average quantity of production in the last five years of available data. Such weighting provides the GSCI with significant advantages, both as an economic indicator and as a measure of investment performance.

For use as an economic indicator, the appropriate weight to assign each commodity is in proportion to the amount of that commodity flowing through the economy (i.e., the actual production or consumption of that commodity). For instance, the impact that doubling the price of corn has on inflation and on economic growth depends directly on how much corn is used (or produced) in the economy.

From the standpoint of measuring investment performance, production-weighting is not only appropriate but vital. The key to measuring investment performance in a representative fashion is to weight each asset by the amount of capital dedicated to holding that asset. In equity markets, this representative measurement of investment performance is accomplished through weighting indices by market capitalization.

For commodities, there is no direct counterpart to market capitalization. The problem is that commodities, and the related price risks, are held in a variety of ways - long futures positions, over-the-counter investments, long-term fixed-price purchasing contracts, physical inventory at the producer, etc. - making a complete accounting of capital dedicated to holding commodities from the time they are produced to the ime they are consumed infeasible. A simple way to achieve a close analogue to true market capitalization, abstracting from differences in inventory patterns, is to note that the net long position of the economy is proportional to the quantity produced - hence, production weighting.

A Broad Spectrum of Commodities

The GSCI contains as many commodities as possible, with the rules excluding commodities only to retain liquidity and investability in the underlying futures markets. Currently, the GSCI contains 24 commodities from all commodity sectors: six energy products, five industrial metals, eight agricultural products, three livestock products and two precious metals. This broad range of constituent commodities provides the GSCI with a high level of diversification both across subsectors and within each subsector. This diversity minimizes the effects of highly idiosyncratic events, which have large implications for the individual commodity markets, but are muted when aggregated to the level of the GSCI.

Together, the diversity of its constituent commodities and their economic weighting allow the GSCI to respond in a stable way to world economic growth, even as the composition of global growth changes through time. When world growth is dominated by industrialized economies, the metals sector of the GSCI generally responds more than the agricultural components. Similarly, when emerging markets dominate world growth, agricultural and petroleum-based commodities generally respond the most. Thus, for example, an index that significantly underweights agriculture would significantly underperform in a global economy with weak OECD and strong emerging markets growth, much like a stock index that only contained industrials would provide a misleading picture of a service-led economy.

Liquidity Constraints for Inclusion and Return Calculations

Individual commodities are screened by liquidity for inclusion in the GSCI. The eligibility requirements are designed to promote cost-effective implementation and true investability. Underlying liquidity eases hedging of derivative products and investing in subsector or individual commodity overlays. Furthermore, liquidity in the underlying futures markets facilitates the discovery of true market prices for the components of the GSCI.

GSCI returns are calculated (discussed in detail in the following section) based on the arithmetic average of stable long positions in futures contracts. This methodology, along with the liquidity in the underlying markets, allows easy implementation of the portfolio of futures contracts that the GSCI represents. These characteristics of the GSCI are designed to allow for efficient and relatively inexpensive arbitrage of publicly-traded GSCI-related instruments such as the CME futures contract.

GSCI Components and Weights

Currently, 24 commodities meet the eligibility requirement for the GSCI. A list of these components and their dollar weights in the GSCI organized by subsector, is presented in Table 1.

Table 1: GSCI Components and Dollar Weights (%) (June 14, 2006)

Energy	74.47	Industrial Metals	8.86	Precious Metals	1.99	Agriculture	10.36	Livestock	4.32
Crude Oil	31.03	Aluminium	3.06	Gold	1.78			Live Cattle	2.12
Brent Crude Oil	14.63	Copper	3.79	Silver	0.21	Wheat	2.30	Feeder Cattle	0.64
		Lead	0.23			Red Wheat	0.98	Lean Hogs	
Unleaded Gas	8.39	Nickel	0.76			Corn	2.26		
		Zinc	1.01			Soybeans	1.44		
Heating Oil	8.38					Cotton	0.91		
GasOil	4.58					Sugar	1.70		
Natural Gas	7.46					Coffee	0.59		
						Cocoa	0.18		

Construction of the GSCI

Three GSCI indices are published: excess return, total return and spot. The excess return index measures the returns accrued from investing in uncollateralized nearby commodity futures, the total return index measures the returns accrued from investing in fully-collateralized nearby commodity futures, and the spot index measures the level of nearby commodity prices. Thus, the excess return and total return indices provide useful representations of returns available to investors from investing in the GSCI. In fact, the total return (i.e., the return on the GSCI total return index) is the measure of commodity returns that is completely comparable to returns from a regular investment in the S&P 500 (with dividend reinvestment) or a government bond, while the return on the excess return index is comparable to the return on the S&P 500 above cash.

The GSCI Total Return, Excess Returns and Spot Indices

The GSCI Total Return Index measures a fully collateralized commodity futures investment that is rolled forward from the 5th to the 9th business day of each month. Currently the GSCI includes 24 commodity nearby futures contracts. The GSCI Total Return Index is significantly different than the return from buying physical commodities.

The GSCI spot index tracks the price of the nearby futures contracts, not returns available to investors. At the end of every business day, the GSCI is composed of the same proportions by weight of the underlying commodities and expirations as the portfolio represented by the GSCI excess returns.

Most importantly, the GSCI Spot Index cannot be compared directly to the GSCI Total Return Index, either conceptually or with a single mathematical operation.

On the first point, you CANNOT add t-bills to the spot return in order to draw a comparison with the GSCI Total Return. In fact there is nothing you can do to make a direct comparison between the spot and total return indices. This is because they are measuring two very different kinds of investments.

Meanwhile, the GSCI Excess Return measures the return from investing in nearby GSCI futures and rolling them forward each month (on the 5th - 9th business days of each month) always keeping your investment in nearby futures. This is a leveraged futures investment. The GSCI Excess return (unlike the S&P Excess Return) is NOT the return above cash. The GSCI Excess Return cannot be compared directly to the GSCI Total Return either. The GSCI Excess Return plus T-bills does not equal the GSCI Total Return because it ignores the impact of the re-investment of Tbill collateral yield gains back into commodity futures and gains (losses) from commodity futures back into (out of) Tbills.