

## FINAL TERMS

14 December 2006

**Kaupthing Bank hf.**  
**Issue of EUR 1,000,000 Fixed Rate to Floating Rate Notes due December 2008**  
**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 31st August, 2006 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:                | 9                                                                             |
|    | (ii) Tranche Number:              | 1                                                                             |
| 3. | Specified Currency or Currencies: | Euro ("EUR")                                                                  |
| 4. | Aggregate Nominal Amount:         |                                                                               |
|    | (i) Series:                       | EUR 1,000,000                                                                 |
|    | (ii) Tranche:                     | EUR 1,000,000                                                                 |
| 5. | Issue Price:                      | 100.00 per cent. of the Aggregate Nominal Amount                              |
| 6. | Specified Denominations:          | EUR 100,000                                                                   |
| 7. | (i) Issue Date:                   | 14 December 2006                                                              |
|    | (ii) Interest Commencement Date:  | 14 December 2006                                                              |
| 8. | Maturity Date:                    | The Specified Interest Payment Date falling on or nearest to 14 December 2008 |
| 9. | Interest Basis:                   | Fixed Rate to Floating Rate<br>(further particulars specified below)          |

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|-----|------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10. | Redemption/Payment Basis:                                  | Redemption at par                                                                                                                                                        |
| 11. | Change of Interest Basis or Redemption/<br>Payment Basis:  | Fixed Rate from and including the Issue Date to but<br>excluding 14 June 2007 and Floating Rate from and<br>including 14 June 2007 to but excluding the<br>Maturity Date |
| 12. | Put/Call Options:                                          | Not Applicable                                                                                                                                                           |
| 13. | (a) Status of the Notes:                                   | Senior                                                                                                                                                                   |
|     | (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**

- |     |                                                              |                                                                                                                                                                                                                                                                                                                     |
|-----|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15. | <b>Fixed Rate Note Provisions</b>                            | Applicable from and including the Issue Date to but<br>excluding 14 June 2007                                                                                                                                                                                                                                       |
|     | (i) Rate(s) of Interest:                                     | 3.80 per cent. per annum payable quarterly in arrear                                                                                                                                                                                                                                                                |
|     | (ii) Interest Payment Date(s):                               | 14 March 2007 and 14 June 2007, subject to<br>adjustment in accordance with the Modified<br>Following Business Day Convention but without<br>adjustment to the Fixed Coupon Amount due.                                                                                                                             |
|     | (iii) Fixed Coupon Amount(s):                                | EUR 950 per EUR 100,000 in nominal amount                                                                                                                                                                                                                                                                           |
|     | (iv) Broken Amount(s):                                       | Not Applicable                                                                                                                                                                                                                                                                                                      |
|     | (v) Day Count Fraction:                                      | 30/360                                                                                                                                                                                                                                                                                                              |
|     | (vi) Determination Date(s):                                  | Not Applicable                                                                                                                                                                                                                                                                                                      |
| 16. | <b>Floating Rate Note Provisions</b>                         | Applicable from and including 14 June 2007 to but<br>excluding the Maturity Date                                                                                                                                                                                                                                    |
|     | (i) Specified Period(s)/Specified<br>Interest Payment Dates: | 14 March, 14 June, 14 September and 14 December<br>in each year from and including 14 September 2007<br>to and including 14 December 2008. Each Specified<br>Interest Payment Date is subject to adjustment in<br>accordance with the Business Day Convention but<br>without adjustment to the Interest Amount due. |
|     | (ii) Business Day Convention:                                | Modified 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: The Rate of Interest for each Specified Period shall be a per annum percentage rate determined by the Calculation Agent acting in its sole discretion in accordance with the following:
- If Spread is equal to or greater than 0.10 per cent. on the Interest Determination Date, then the Rate of Interest for the relevant Specified Period shall be **4.25 per cent. per annum**;
- Otherwise, the Rate of Interest for the relevant Specified Period shall be **0.00 per cent. per annum**.
- where
- “Spread”** means Ten Year CMS minus Two Year CMS
- “Ten Year CMS”** means the ten year EUR mid swap rate quoted on an annual 30/360 basis versus six month EURIBOR
- “Two Year CMS”** means the two year EUR mid swap rate quoted on an annual 30/360 basis versus six month EURIBOR
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): BNP PARIBAS (the **“Calculation Agent”**)
- (vi) Screen Rate Determination:
- Reference Rate: As set out in paragraph 16(iv) above
  - Interest Determination Date(s): Second day on which the TARGET System is open prior to the start of each Specified Period
  - Relevant Screen Page: Reuters page ‘ISDAFIX2’ as of 11.00 a.m., Frankfurt time
- (vii) ISDA Determination:
- Floating Rate Option: Not Applicable
  - Designated Maturity: Not Applicable
  - Reset Date: Not Applicable
- (viii) Margin(s): Not Applicable
- (ix) Minimum Rate of Interest: 0.00 per cent. per annum

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|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| (x)   | Maximum Rate of Interest:                                                                                                                                                               | 4.25 per cent. per annum     |
| (xi)  | Day Count Fraction:                                                                                                                                                                     | 30/360                       |
| (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: | As set out in the Conditions |
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- |     |                                               |                |
|-----|-----------------------------------------------|----------------|
| 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 Provisions</b> | Not Applicable |
| 20. | Target Redemption Note Provisions:            | Not Applicable |
| 21. | Range Accrual Note Provisions:                | Not Applicable |
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- 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 100,000 per Note of EUR 100,000 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)): | Condition 7(f) applies.                                    |
| 27. | Capital Notes Provisions                                                                                                                                                                                               | Not Applicable                                             |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- |     |     |                                                                                       |                                                                                                                                       |
|-----|-----|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| 28. | (a) | Form of Notes:                                                                        | Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event |
|     | (b) | New Global Note:                                                                      | No                                                                                                                                    |
| 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 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: BNP PARIBAS
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

<b>1. LISTING</b>	
(i) Listing:	None
(ii) Admission to trading:	Not Applicable
(iii) Estimate of total expenses related to admission to trading:	Not Applicable
<b>2. RATINGS</b>	
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

So far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

<b>5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES</b>	
Not Applicable	

<b>6. YIELD</b> ( <i>Fixed Rate Notes only</i> )	
Not Applicable	

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

Not Applicable

### 8. PERFORMANCE OF INDEX, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING INDEX (*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

<b>10. OPERATIONAL INFORMATION</b>	
(i) ISIN Code:	XS0275835121
(ii) Common Code:	027583512
(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
(vi) Intended to be held in a manner which would allow Eurosystem eligibility:	No