

FINAL TERMS

29 December 2006

KAUPTHING BANK HF.

**Issue of EUR 3,000,000.00 Variable Redemption Amount Notes due June 2012
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.

1.	Issuer:	Kaupthing Bank hf.
2.	(i) Series Number:	13
	(ii) Tranche Number:	1
3.	Specified Currency or Currencies:	Euro (EUR)
4.	Aggregate Nominal Amount:	
	(i) Series:	EUR 3,000,000.00
	(ii) Tranche:	EUR 3,000,000.00
5.	Issue Price:	100 per cent. of the Aggregate Nominal Amount
6.	Specified Denominations:	EUR 1,000
7.	(i) Issue Date:	29 December 2006
	(ii) Interest Commencement Date:	Not Applicable
8.	Maturity Date:	29 June 2012
9.	Interest Basis:	Not Applicable
10.	Redemption/Payment Basis:	Other (Index(i) linked Redemption Amount - see Annex)

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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 | Applicable |
| (i) | Rate(s) of Interest: | <p>On each Coupon Payment Date (i), i = 1 to 4, the rate of interest C(i) applied to the Specified Denomination is :</p> <p>C(1) = 3.10%</p> <p>C(2) = 3.20%</p> <p>C(3) = 3.30%</p> <p>C(4) = 3.40%</p> |
| (ii) | Interest Payment Date(s): | <p>Coupon Payment Date (1) : 29/06/2008</p> <p>Coupon Payment Date (2) : 29/06/2009</p> <p>Coupon Payment Date (3) : 29/06/2010</p> <p>Coupon Payment Date (4) : 29/06/2011</p> |
| (iii) | Fixed Coupon Amount(s): | C(i) per 1000 euros in nominal amount |
| (iv) | Broken Amount(s): | Not Applicable |
| (v) | Day Count Fraction: | Not Applicable |
| (vi) | Determination Date(s): | Not Applicable |
| (vi) | Other terms relating to the method of
calculating interest for Fixed Rate Notes: | Not Applicable |
| 16. | Floating Rate Note Provisions | Not Applicable |
| 17. | Zero Coupon Note Provisions | Not Applicable |
| 18. | Index(i) 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
16.	Floating Rate Note Provisions	Not Applicable
22.	Issuer Call:	Not Applicable
23.	Investor Put	Not Applicable
24.	Target Redemption Note Provisions:	Not Applicable
25.	Final Redemption Amount of each Note:	As set out in the Annex 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)):
- In the case of an early redemption of the Note for taxation reasons or on an Event of Default, the Calculation Agent will determine in consultation with the Issuer (on such basis as it, in its absolute discretion, considers fair and reasonable in the circumstances) the Early Redemption Amount payable for the Note as the fair market value which the Note would have had on the date fixed for early redemption if the taxation reasons or the Event of Default had not occurred less, in case of early redemption for taxation reasons, the reasonable cost to the Issuer of unwinding any related hedging arrangements, all as calculated by the Calculation Agent and as agreed with the Issuer.
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 Exchangeable 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): 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: Redenomination not applicable
34. Other final terms: Minimum trading number of EUR 1,000.00 and multiples of EUR 1,000.00 thereafter.

DISTRIBUTION

35. (i) If syndicated, names and addresses of Managers and underwriting commitments: 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: Exane
16, avenue Matignon - 75008 Paris
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:

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Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- (i) Listing: Luxembourg Stock Exchange
- (ii) Admission to trading: Application will be made for the Notes to be admitted to trading on the Luxembourg Stock Exchange.
- (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 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: For general corporate purposes
- (ii) Estimated net proceeds: EUR 3,000,000.00
- (iii) Estimated total expenses: Not Applicable

6. YIELD

Indication of yield: Not Applicable

7. HISTORIC INTEREST RATES

Not Applicable

8. PERFORMANCE OF INDEX(I)/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING

Not Applicable

9. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT

Not Applicable

10. OPERATIONAL INFORMATION

- (i) ISIN Code: XS0276018719
- (ii) Common Code: 027601871
- (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

ANNEX

(This Annex forms part of these Final Terms to which it is attached)

I. FINAL REDEMPTION AMOUNT

Unless previously redeemed or purchased and cancelled, as provided in these Final Terms, the Final Redemption Amount upon redemption of each Note on the Maturity Date shall be an amount in EUR calculated by the Calculation Agent as follows:

$$\text{Notional} \times 100\% + \text{Redemption Premium}$$

"Redemption Premium" means the amount in EUR determined by the Calculation Agent in accordance with the following formula:

$$\text{Redemption Premium} = \text{Notional} * \text{Premium Rate}$$

With

$$\text{Premium Rate} = 8.05\% \text{ if } \frac{\text{Index}(1)_{\text{Final}}}{\text{Index}(1)_{\text{Initial}}} > \frac{\text{Index}(2)_{\text{Final}}}{\text{Index}(2)_{\text{Initial}}}$$

else Premium Rate = 0%

$\text{Index}(1)_{\text{Final}}$ means the official level on close of Index(1) on Valuation Date
 $\text{Index}(1)_{\text{Initial}}$ means the official level on close of Index(1) on Valuation Date.

$\text{Index}(2)_{\text{Final}}$ means the official level on close of Index(2) on Valuation Date.
 $\text{Index}(2)_{\text{Initial}}$ means the official level on close of Index(2) on Valuation Date.

II. DEFINITIONS

Where, unless the context otherwise requires, the following defined terms beginning by a capital letter shall have the meanings set forth below:

"**Business Days for Payment**" means London and Target.

"**Calculation Agent**" means Exane S.A.;

"**Exchange**" means the principal stock exchanges on which the securities which comprise the Index(i) are traded;

"**Index (i)**" means, for $i=1$, the Dow Jones Eurostoxx 50 Index(i) calculated and disseminated by the sponsor(1), subject to "Adjustments to the Index(i)" set out below (Bloomberg Code: Sx5E); for $i=2$, the Standard and Poors 500 Index(i) calculated and disseminated by the sponsor(2) subject to "Adjustments to the Index(i)" set out below (Bloomberg code SPX).

"**Index(i) Level**" means in respect of the Valuation Date (subject to adjustment as set out below in relation to the occurrence of a Market Disruption Event) the official closing level of the Index(i) as calculated and disseminated by the Sponsor on such date as of the Valuation Time;

- "Index(i) Business Day"** means with respect to the Index(i) any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a day on which the Sponsor calculates and publishes the official closing level of Index(i) and a trading day on the Exchange and any Related Exchange, other than a day on which trading on the Exchange or any Related Exchange is scheduled to close prior to its regular weekday closing time;
- "Notional"** means EUR 1,000.00 (one Specified Denomination);
- "Related Exchange"** means any exchange on which futures contracts and/or options contracts on the Index(i) are traded;
- "Sponsor(i)"** means the party calculating and publishing the Index(1) which is Stoxx Limited, for i = 1, ; for i = 2, the party calculating and publishing the Index(2) which is Standard & Poors.
- "Trading Day"** means any day that is a trading day on the Exchange, other than a day on which the trading session is scheduled to close earlier than the normal closing of said Exchange in exceptional or temporary cases;
- "Valuation Date"** means 15 June 2012 or if such day is not an Index(i) Business Day, the next following Index(i) Business Day;
- "Valuation Time"** means the time with reference to which the Sponsor calculates and publishes the closing level of the Index(i) on each Index(i) Business Day.

III. ADJUSTMENT APPLICABLE TO THE NOTES

1. Adjustments to the Index(i)

If the Index(i) is (a) not calculated and announced by the Sponsor(i) but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (b) replaced by a successor Index(i) using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index(i), then the Index(i) will be deemed to be the Index(i) so calculated and announced by that successor sponsor(i) or that successor Index(i), as the case may be.

If (a) on or prior to the Valuation Date, as the case may be, the Sponsor(i) makes a material change in the formula for or the method of calculating the Index(i) or in any other way materially modifies the Index(i) (other than a modification prescribed in that formula or method to maintain the Index(i) in the event of changes in constituent stock and capitalisation and other routine events) or permanently cancels the Index(i) and no successor Index(i) exists or (b) on the Valuation Date, as the case may be, in the absence of a Market Disruption Event, the Sponsor(i) fails to calculate and announce the Index(i), then the Calculation Agent shall calculate the Final Redemption Amount using in lieu of a published level for the Index(i), the level for the Index(i) as at the Valuation Date, as determined by the Calculation Agent in accordance with the formula for and method of calculating the Index(i) last in effect prior to that change or failure, but using only those securities that comprised the Index(i) immediately prior to that change or failure (other than those securities that have since ceased to be listed on the Exchange).

2. Market Disruption

(a) Consequences of a Market Disruption Event

If, in the opinion of the Calculation Agent, a Market Disruption Event (as defined below) has occurred and is continuing on the Valuation Date, then that Valuation Date shall be postponed to the next following Index(i) Business Day on which there is no such Market Disruption Event, provided however that in no event shall the Valuation Date be postponed beyond the third

Index(i) Business Day following such Valuation Date. If the Market Disruption Event is continuing on such third Index(i) Business Day then such third Index(i) Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event and the Calculation Agent shall determine the closing level of the Index(i) on such date in accordance with the formula for and method of calculating the Index(i) last in effect prior to the commencement of the Market Disruption Event using the exchange traded price on the Exchange (or, if trading in the relevant security has been materially suspended or materially limited, its good faith estimate of the price that would have prevailed on the Exchange but for the suspension or limitation) as of the Valuation Time on that date of each security comprised in the Index(i).

(b) Meaning of "Market Disruption Event"

"Market Disruption Event" means:

the occurrence or existence on any Index(i) Business Day at any time during the one hour period that ends at the Valuation Time of any suspension of or limitation imposed on trading by the Exchange or Related Exchange (whether by reason of movements in price exceeding limits permitted by the Exchange or Related Exchange or otherwise) (a) on the Exchange in securities that comprise 20 per cent. or more of the level of the Index(i), or (b) in options contracts or futures contracts on the Index(i) on any Related Exchange if, in any such case, such suspension or limitation is, in the determination of the Calculation Agent, material. For the purpose of determining whether a Market Disruption Event exists at any time, if trading in a security included in the Index(i) is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index(i) shall be based on a comparison of (x) the portion of the level of the Index(i) attributable to that security relative to (y) the overall level of the Index(i), in each case immediately before that suspension or limitation.

3. Notices

The Calculation Agent shall notify the Issuer, as soon as possible, of the existence or occurrence of a Market Disruption Event on a date which, without the occurrence or existence of a Market Disruption Event, would have been the Valuation Date.

The Issuer shall notify Note Holders as soon as possible of the occurrence of a Market Disruption Event.

V. RESPONSIBILITY

The calculations and determinations of the Calculation Agent shall be made in accordance with the Conditions (having regard in each case to the criteria stipulated herein and where relevant on the basis of information provided to or obtained by employees or officers of the Calculation Agent responsible for making the relevant calculation or determination) and shall, in the absence of bad faith or manifest error, be final, conclusive and binding on the Noteholders. Noteholders shall not be entitled to make any claim against the Calculation Agent or the Issuer in the case where public information related to the underlying contained any error, omission or other incorrect statement.