

Final Terms

21st December, 2006

KAUPTHING BANK HF.

Issue of JPY1,200,000,000 Floating Rate Note due 21st December, 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 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 Reykjavic, Iceland and on the Luxembourg Stock Exchange's website (www.bourse.lu) 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. |
| 2. (i) Series Number: | 11 |
| (ii) Tranche Number: | 1 |
| 3. Specified Currency or Currencies: | Japanese Yen ("JPY") |
| 4. Aggregate Nominal Amount: | |
| (i) Series: | JPY1,200,000,000 |
| (ii) Tranche: | JPY1,200,000,000 |
| 5. Issue Price: | 100.00 per cent. of Aggregate Nominal Amount |
| 6. Specified Denominations: | JPY100,000,000 |
| 7. (i) Issue Date: | 21 st December, 2006 |
| (ii) Interest Commencement Date: | 22 nd December, 2006 |
| 8. Maturity Date: | 21 st December, 2011 |
| 9. Interest Basis: | 6 month JPY-LIBOR-BBA + 0.34 per cent. Floating Rate
(further particulars specified below) |
| 10. Redemption /Payment Basis: | Redemption at par |
| 11. Change of Interest Basis or
Redemption/Payment Basis: | Not Applicable |
| 12. Put/Call Options: | Not Applicable |
| 13. (i) Status of the Notes: | Senior |
| (ii) 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	Applicable
(i) Specified Period(s)/Specified Interest Payment Dates:	Interest on the Notes will be payable semi-annually, in arrear, on every 21 st June and 21 st December in each year from (and including) 21 st June, 2007 to (and including) 21 st December, 2011 (the Maturity Date)
(ii) Business Day Convention:	Modified Following Business Day Convention
(iii) Additional Business Centre(s):	London and Tokyo
(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:	ISDA Determination
(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	Not Applicable
(vi) Screen Rate Determination:	
— Reference Rate:	Not Applicable
— Interest Determination Date(s):	Not Applicable
— Relevant Screen Page:	Not Applicable
(vii) ISDA Determination:	Applicable
— Floating Rate Option:	JPY-LIBOR-BBA “JPY-LIBOR-BBA” means the rate of deposits in JPY for a designated maturity which appears on Moneyline Telerate page 3750 as of 11.00 a.m., London time two (2) London Banking Days prior to the commencement of the Relevant Interest Period
— Designated Maturity:	6 months
— Reset Date:	The first day of each Interest Period For the avoidance of doubt, the Rate of Interest for a relevant Interest Period shall be determined two (2) London Banking Days prior to the Reset Date for that Interest Period except for the initial determination which will be made on 20 th December, 2006
(viii) Margin(s):	+ 0.34 per cent. per annum
(ix) Minimum Rate of Interest:	0.00 per cent. per annum
(x) Maximum Rate of Interest:	Not Applicable
(xi) Day Count Fraction:	Actual/360 (adjusted)
(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:	Interest shall be calculated per denomination and rounded down to the next lower whole JPY

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| 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 Provisions: | Not Applicable |
| 25. | Final Redemption Amount of each Note | JPY1,000,000 per Note of JPY1,000,000 Specified Denomination |
| 26. | Early Redemption Amount 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)): | JPY1,000,000 per Note of JPY1,000,000 Specified Denomination |
| 27. | Capital Notes Provisions | |
| | (i) Special Event Redemption Amount: | Not Applicable |
| | (ii) Special Event Redemption Date(s): | Not Applicable |
| | (iii) Investment Considerations: | Not Applicable |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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| 28. | (i) Form of Notes: | Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on 60 days' notice given at any time |
| | (ii) New Global Note: | No |
| 29. | Additional Financial Centre(s) or other special provisions relating to Payment Dates: | London and Tokyo |
| 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 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

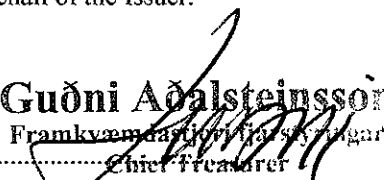
DISTRIBUTION

35. (i) If syndicated, names of Managers: Not Applicable
- (ii) Stabilising Manager (if any): Not Applicable
36. If non-syndicated, name of relevant Dealer: Shinkin International Ltd.
4th Floor, River Plate House
7-11 Finsbury Circus
London
EC2M 7YA
37. Total commission and concession: Not Applicable
38. Whether TEFRA D or TFRA 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: 
Guðni Aðalsteinsson
Framkvæmdastjóri fjárfestinga
Chief Treasurer
Duly authorized



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: No Applicable

3. 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

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

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| (i) Reasons for the offer | See "Use of Proceeds" wording in Base Prospectus |
| (ii) Estimated net proceeds: | JPY1,200,000,000 |
| (iii) Estimated total expenses: | Not Applicable |

5. YIELD (*Fixed Rate Notes only*)

Indication of yield: Not Applicable

6. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Details of historic LIBOR rates can be obtained from Telerate

7. 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

8. PERFORMANCE OF RATE(S), OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (*Dual Currency Notes only*)

Not Applicable

9. OPERATIONAL INFORMATION

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| (i) ISIN Code: | XS0279467632 |
| (ii) Common Code: | 027946763 |
| (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 |