

FINAL TERMS

1 February 2007

Kaupthing Bank hf.

Issue of EUR 6,000,000 CMS Linked Notes due 1 February 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.

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|-----|---|---|
| 1. | Issuer: | Kaupthing Bank hf. |
| | (i) Series Number: | 21 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | Euro ("EUR") |
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | EUR 6,000,000 |
| | (ii) Tranche: | EUR 6,000,000 |
| 5. | Issue Price: | 100.00 per cent. of the Aggregate Nominal Amount |
| 6. | Specified Denominations: | EUR 50,000 |
| 7. | (i) Issue Date: | 1 February 2007 |
| | (ii) Interest Commencement Date: | 1 February 2007 |
| 8. | Maturity Date: | 1 February 2012 |
| 9. | Interest Basis: | Index * 104.30% Index Linked
(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. | (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** Applicable
- (i) Index/Formula: The amount payable per Specified Denomination on each Specified Interest Payment Date will be determined as:
- EUR 50,000 * Index * 104.3%
- where:
- “Index” means the mid market rate expressed as a percentage for a EUR interest rate swap transaction with a term equal to seven (7) years which appears on Reuters screen ISDAFIX2 Page (or any successor) at 11.00am Frankfurt time on each Interest Determination Date. If such rate cannot be determined on each relevant date such rate shall be as absolutely determined by the Calculation Agent in its absolute discretion in a commercially reasonable manner.
- “Interest Determination Date” means the second day on the TARGET System is open prior to the start of each Interest Period.
- (ii) Calculation Agent responsible for calculating the interest due: HSBC France
103, Avenue des Champs-Élysées
75419 Paris Cedex 08
France
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: see 18(i) above
- (iv) Specified Period(s)/Specified Interest Payment Dates: 1 February in each year, commencing 1 February 2008
- (v) Business Day Convention: Following Business Day Convention
- (vi) Additional Business Centre(s): TARGET
- (vii) Minimum Rate of Interest: Not Applicable
- (viii) Maximum Rate of Interest: Not Applicable
- (ix) Day Count Fraction: 30/360

- | | | |
|-----|---|----------------|
| 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 Note Provisions: | Not Applicable |
| 25. | Final Redemption Amount of each Note | EUR 50,000 per Note of EUR 50,000 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)): | EUR 50,000 per Note of EUR 50,000 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. | (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: | Yes |
| 29. | Additional Financial Centre(s) or other special provisions relating to Payment Dates: | TARGET |
| 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: | 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: | HSBC Bank 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 |

LISTING AND ADMISSION TO TRADING APPLICATION

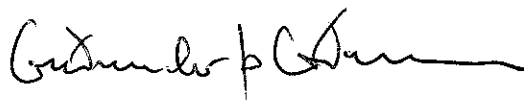
These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the €12,000,000,000 Euro Medium Term Note Programme of Kaupthing Bank hf.

RESPONSIBILITY

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

Signed on behalf of the Issuer:

By: 



Duly authorised

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 regulated market of the Luxembourg Stock Exchange with effect from 1 February 2007
- (iii) Estimate of total expenses related to admission to trading: Not Applicable

2. RATINGS

- Ratings: The Notes to be issued have been rated:
- | | |
|-------------------|----|
| Moody's: | A1 |
| Fitch Ratings Ltd | A |

3. NOTIFICATION

Not Applicable

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

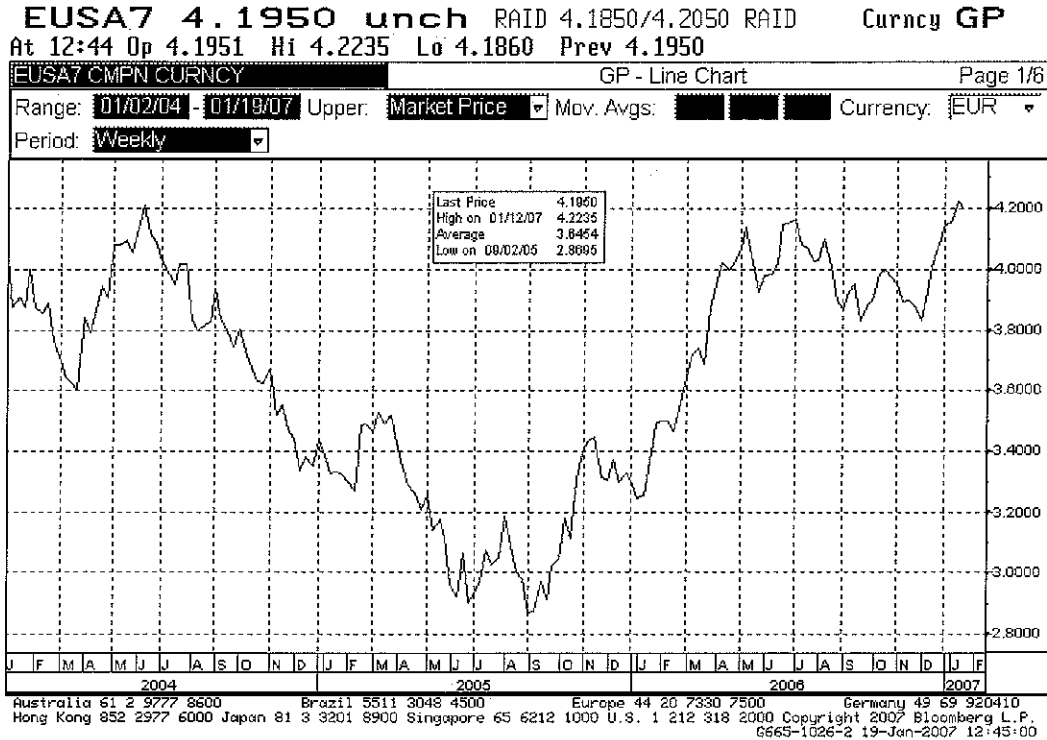
Save for any fees payable to the Dealer, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

7. HISTORIC INTEREST RATES

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*)

Below is a chart showing the historic performance of the 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: XS0283995453
- (ii) Common Code: 028399545
- (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: Yes