

FINAL TERMS

30 January 2007

Kaupthing Bank hf.
Issue of EUR 1,600,000 Fixed Rate to Range Accrual Notes due 30 January 2009
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: | 23 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | Euro ("EUR") |
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | EUR 1,600,000 |
| | (ii) Tranche: | EUR 1,600,000 |
| 5. | Issue Price: | 100.00 per cent. of the Aggregate Nominal Amount |
| 6. | Specified Denominations: | EUR 50,000 |
| 7. | (i) Issue Date: | 30 January 2007 |
| | (ii) Interest Commencement Date: | 30 January 2007 |
| 8. | Maturity Date: | 30 January 2009 |
| 9. | Interest Basis: | Fixed Rate to Range Accrual
(further particulars specified below) |

10.	Redemption/Payment Basis:	Redemption at par
11.	Change of Interest Basis or Redemption/ Payment Basis:	Fixed Rate from and including the Issue Date to but excluding 30 July 2007 and Range Accrual from and including 30 July 2007 to but excluding the Maturity Date
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	Applicable from and including the Issue Date to but excluding 30 July 2007
	(i) Rate(s) of Interest:	4.50 per cent. per annum payable quarterly in arrear
	(ii) Interest Payment Date(s):	30 April 2007 and 30 July 2007, subject to adjustment in accordance with the Modified Following Business Day Convention but without adjustment to the Fixed Coupon Amount due.
	(iii) Fixed Coupon Amount(s):	EUR 562.50 per EUR 50,000 in nominal amount
	(iv) Broken Amount(s):	Not Applicable
	(v) Day Count Fraction:	30/360
	(vi) Determination Date(s):	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:	See Annex

PROVISIONS RELATING TO REDEMPTION

22.	Issuer Call	Not Applicable
23.	Investor Put	Not Applicable

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| 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)): | Condition 7(f) applies. |
| 27. | Capital Notes Provisions | 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: | 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

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| 35. | (i) If syndicated, names of Managers: | Not Applicable |
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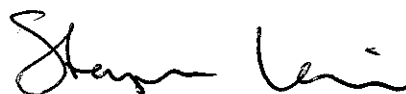
- (ii) Date of Subscription Agreement: Not Applicable
- (iii) Stabilising Manager (if any): Not Applicable
36. If non-syndicated, name of relevant Dealer: BNP PARIBAS
37. Total commission and concession: Not Applicable
38. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: TEFRA 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: **Guðni Aðalsteinsson**
 Framkvæmdastjóri / Framtýringar
 Chief Treasurer
 Duly authorised



PART B – OTHER INFORMATION

1. LISTING	
(i) Listing:	None
(ii) Admission to trading:	Not Applicable
(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: 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.

5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES	
Not Applicable	

6. YIELD (<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

10. OPERATIONAL INFORMATION	
(i) ISIN Code:	XS0284890729
(ii) Common Code:	028489072
(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

ANNEX

RANGE ACCRUAL NOTE PROVISIONS

Applicable from and including 30 July 2007 to but excluding the Maturity Date, the Rate of Interest for each Range Accrual Interest Period shall be a per annum percentage rate determined by the Calculation Agent acting in its sole discretion in accordance with the following formula:

$$\text{Previous Rate of Interest} * (R / T)$$

DEFINITIONS

“**Calculation Agent**” means BNP PARIBAS. All determinations in respect of the Notes shall be made by the Calculation Agent in its sole and absolute discretion acting in good faith and in a commercially reasonable manner and shall be binding on the Noteholders in the absence of manifest error.

“**Index**” means, in respect of each calendar day during the relevant Interest Period, 3 month EURIBOR as appearing on Reuters page ‘EURIBOR01’ as of 11:00 a.m., Brussels time on the day that is two TARGET Business Days prior to such day.

“**Index Lower Barrier**” means 2.70 per cent.

“**Index Upper Barrier**” means the rate set out in the following table:

Interest Periods	Index Upper Barrier:
For the Interest Periods commencing in July 2007 and October 2007	4.50 per cent.
For the Interest Periods commencing in January 2008, April 2008, July 2008 and October 2008	4.80 per cent.

“**Interest Payment Date(s)**” means 30 October 2007, 30 January 2008, 30 April 2008, 30 July 2008, 30 October 2008 and 30 January 2009. Each Interest Payment Date is subject to adjustment in accordance with the Modified Following Business Day Convention, but without adjustment to the Interest Amount due. The relevant Day Count Fraction for calculating the Interest Amount is 30/360.

“**Interest Period**” means each period beginning on (and including) the relevant Interest Payment Date and ending on (but excluding) the following Interest Payment Date.

“**Previous Rate of Interest**” means the per annum Rate of Interest for the Interest Period immediately prior to such Interest Period (for the avoidance of doubt, the Previous Rate of Interest for the Interest Period commencing in July 2007 shall be 4.50 per cent. per annum).

“R” means the number of calendar days in the relevant Interest Period on which:

1) Spread is greater than **minus** 0.05 per cent.;

AND

2) Index is equal to or greater than the Index Lower Barrier and is equal to or lower than the Index Upper Barrier.

“**Spread**” means Thirty Year CMS minus Two Year CMS.

“**T**” means the total number of calendar days in the relevant Interest Period.

“**TARGET Business Day**” means a day on which the TARGET System is open.

“**Thirty Year CMS**” means, in respect of each calendar day during the relevant Interest Period, the thirty year mid swap rate in EUR quoted on an annual 30/360 basis versus 6 month EURIBOR as appearing on Reuters page ‘ISDAFIX2’ as of 11.00 a.m., Frankfurt time on the day that is two TARGET Business Days prior to such day.

“**Two Year CMS**” means, in respect of each calendar day during the relevant Interest Period, the two year mid swap rate in EUR quoted on an annual 30/360 basis versus 6 month EURIBOR as appearing on Reuters page ‘ISDAFIX2’ as of 11.00 a.m., Frankfurt time on the day that is two TARGET Business Days prior to such day.