

7 May 2007

**Kaupthing Bank hf.**  
**Issue of EUR 9,809,000 Auto Callable Equity Linked Notes**  
**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 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.  |
|     | (i) Series Number:                | 50  |
|     | (ii) Tranche Number:              | Not Applicable  |
| 3.  | Specified Currency or Currencies: | Euro (EUR)  |
| 4.  | Aggregate Nominal Amount:         |   |
|     | (i) Series:                       | EUR 9,809,000   |
|     | (ii) Tranche:                     | Not Applicable  |
| 5.  | Issue Price:                      | 100 per cent.   |
| 6.  | Specified Denominations:          | EUR 1,000   |
| 7.  | (i) Issue Date:                   | 7 May 2007  |
|     | (ii) Interest Commencement Date:  | Not Applicable  |
| 8.  | Maturity Date:                    | The later of 31 May 2012 and the third London Business Day after the Valuation Date |
| 9.  | Interest Basis:                   | Not Applicable  |
| 10. | Redemption/Payment Basis:         | Equity Linked Redemption  |

- |   |   |
|---|---|
| 11. Change of Interest Basis or Redemption/<br>Payment Basis: | Applicable, further details specified below |
| 12. Put/Call Options:   | Not Applicable                              |
| 13. Status of the Notes:                                      | Senior                                      |
| 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  | 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**

- |  |                |
|--|----------------|
| 22. Issuer Call                        | Not Applicable |
| 23. Investor Put                       | Not Applicable |
| 24. Target Redemption Note Provisions: | Not Applicable |

- |  |   |
|--|---|
| 25. Final Redemption Amount of each Note | (i) If, on the Valuation Date, the closing level of the Underlying Equity on the Exchange is equal to or greater than the Strike Price, each Note will be redeemed at 100 per cent of its principal amount; |
|--|---|

Or

(ii) If, on the Valuation Date, the closing level of the Underlying Equity on the Exchange is equal to or higher than 80 per cent of the Strike Price but less than the Strike Price, each Note will be redeemed at 100 per cent of its principal amount;

Or

(iii) Otherwise the Notes will be redeemed in accordance with the following formula:

$$\text{Specified Denomination} \times \frac{\text{Final Level}}{80\% \times \text{Strike Price}}$$

Where:

**Underlying Equity** means shares of Banco Santander Central Hispano SA (Bloomberg <SAN SM Equity>);

**Exchange** means Madrid Stock Exchange, subject to the Schedule;

**Strike Price** means the closing level of the Underlying Equity on the Exchange on the Strike Date;

**Strike Date** means 17 April 2007;

**Final Level** means the closing level of the Underlying Equity on the Exchange on the Valuation Date;

**Valuation Date** means 24 May 2012, subject to the Schedule

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)):

As set out in Condition 7(f)

27. Capital Notes Provisions

- |  |                |
|--|----------------|
| (i) Special Event Redemption Amount:   | Not Applicable |
| (ii) Special Event Redemption Date(s): | Not Applicable |
| (iii) Investment Considerations:       | Not Applicable |

**ADJUSTMENT PROVISIONS**

- |  |            |
|--|------------|
| 28. (i) Potential Adjustment Events:                           | Applicable |
| (ii) De-listing, Merger Event, Nationalisation and Insolvency: | Applicable |
| (iii) Tender Offer:  | Applicable |

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

29. (a) Form of Notes: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes
- (b) New Global Note: No
30. Additional Financial Centre(s) or other special provisions relating to Payment Dates: TARGET
31. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): No
32. 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
33. Details relating to Instalment Notes:
- (i) Instalment Amount(s): Not Applicable
- (ii) Instalment Date(s): Not Applicable
34. Redenomination applicable: Redenomination not applicable
35. Other final terms: **Automatic Early Redemption**
- The Notes will, on the occurrence of an Early Redemption Event, be redeemed automatically at the applicable Early Redemption Amount on the applicable Early Redemption Date as shown below. Thereafter the Issuer shall have no further liability or obligation in respect of the Notes.
- Where:
- Early Redemption Event** means on any Observation Date the closing Price of the Underlying Equity on the Exchange is equal to or greater than the Strike Price.

Observation Date	Early Redemption Date	Early Redemption Amount
23 May 2008	30 May 2008	112% of the principal amount
22 May 2009	29 May 2009	124% of the principal amount
24 May 2010	31 May 2010	136% of the principal amount
24 May 2011	31 May 2011	148% of the principal amount

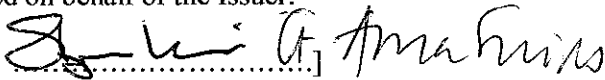
## DISTRIBUTION

36. (i) If syndicated, names of Managers: Not Applicable
- (ii) Date of Subscription Agreement: Not Applicable
- (iii) Stabilising Manager (if any): Not Applicable
37. If non-syndicated, name of relevant Dealer: Royal Bank of Scotland plc
38. Total commission and concession: Not Applicable
39. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: TEFRA D
40. 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

### 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: Not Applicable

### 3. OPERATIONAL INFORMATION

- (i) ISIN Code: XS0296916140
- (ii) Common Code: 29691614
- (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): None
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: No

## Schedule

**Affiliate** means, in relation to any entity (the **First Entity**), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity, directly or indirectly, under common control with the First Entity. For these purposes **control** means ownership of a majority of the voting power of an entity.

**Calculation Agent** means the Royal Bank of Scotland plc.

**De-listing** means, in respect of the Underlying Equity, the Exchange announces that pursuant to the rules of such Exchange, the Underlying Equity ceases (or will cease), to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and is not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union) or another exchange or quotation system located in another country which exchange or quotation system and country is deemed acceptable by the Calculation Agent.

**Disrupted Day** means any Scheduled Trading Day on which the Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

**Exchange** means the exchange or quotation system specified as such for the Underlying Equity in the Final Terms, any successor to the exchange or quotation system or any substitute exchange or quotation system to which trading in the Underlying Equity has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the Underlying Equity on such temporary substitute exchange or quotation system as on the original Exchange).

**Exchange Business Day** means any Scheduled Trading Day on which the Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding the Exchange or Related Exchange closing prior to its Scheduled Closing Time.

**Insolvency** means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding up of, or any analogous proceeding affecting, the Underlying Equity issuer (a) all the Underlying Equity are required to be transferred to a trustee, liquidator or other similar official or (b) holders of the Underlying Equity become legally prohibited from transferring them.

**Market Disruption Event** means, in respect of the Underlying Equity:

- (a) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:
  - (i) any suspension of or limitation imposed on trading by the Exchange or any Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or any Related Exchange or otherwise:
    - (A) relating to the Underlying Equity on the Exchange; or
    - (B) in futures or options contracts relating to the Underlying Equity on any Related Exchange; or
  - (ii) any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the Underlying Equity on the

Exchange, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the Underlying Equity on any Related Exchange,

- (b) the closure on any Exchange Business Day of the Exchange or Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by the Exchange or such Related Exchange(s), as the case may be, at least one hour prior to (A) the actual closing time for the regular trading session on the Exchange or such Related Exchange(s) on such Exchange Business Day or if earlier (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day,

which in any such case the Calculation Agent determines is material.

The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 14 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Valuation Date. Without limiting the obligation of the Calculation Agent to give notice to the Noteholders as set forth in the preceding sentence, failure by the Calculation Agent to notify the Noteholders of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day.

**Merger Date** means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

**Merger Event** means, in respect of the Underlying Equity, any:

- (a) reclassification or change of the Underlying Equity that results in a transfer of, or an irrevocable commitment to transfer all the Underlying Equity outstanding to another entity or person; or
- (b) consolidation, amalgamation, merger or binding share exchange of the Underlying Equity issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which the Equity Issuer is the continuing entity and which does not result in any such reclassification or change of the Underlying Equity outstanding); or
- (c) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Equity that results in a transfer of or an irrevocable commitment to transfer all the Underlying Equity (other than such Underlying Equity owned or controlled by such other entity or person); or
- (d) consolidation, amalgamation, merger or binding share exchange of the Underlying Equity issuer or its subsidiaries with or into another entity in which the Underlying Equity issuer is the continuing entity and which does not result in a reclassification or change of all the Underlying Equity outstanding but results in the outstanding Underlying Equity (other than Underlying Equity owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Equity immediately following such event,

in each case where the Merger Date is on or before the Valuation Date.

**Nationalisation** means that all the Underlying Equity or all or substantially all the assets of the Underlying Equity issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.



**Observation Date** means each date specified as such in the Final Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day then the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (i) the eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Reference Price in accordance with its good faith estimate of the Reference Price as of the Valuation Time on that eighth Scheduled Trading Day.

**Potential Adjustment Event** means any of the following:

- (a) a subdivision, consolidation or reclassification of the Underlying Equity (unless resulting in a Merger Event), or a free distribution or dividend of any Underlying Equity to existing holders by way of bonus, capitalisation or similar issue;
- (b) a distribution, issue or dividend to existing holders of the Underlying Equity of (i) such Underlying Equity or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of an equity issuer equally or proportionately with such payments to holders of the Underlying Equity or (iii) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Underlying Equity issuer as a result of a spin-off or other similar transaction or (iv) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an extraordinary dividend as determined by the Calculation Agent;
- (d) a call by the Underlying Equity issuer in respect of any Underlying Equity that is not fully paid;
- (e) a repurchase by the Underlying Equity Issuer or any of its subsidiaries of the Underlying Equity whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (f) in respect of the Underlying Equity issuer, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Underlying Equity issuer, pursuant to a shareholder rights plan or arrangement directed against hostile take-overs that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (g) any other event that has or may have, in the opinion of the Calculation Agent, a diluting, concentrative or other effect on the theoretical value of the Underlying Equity.

**Reference Price** means an amount equal to the price at the Valuation Time on the Valuation Date, quoted on the Exchange as determined by or on behalf of the Calculation Agent (or if, in the opinion of the Calculation Agent, no such price at the Valuation Time on the Valuation Date can be determined at such time and, if the Valuation Date is not a Disrupted Day, an amount determined by the Calculation Agent in good faith to be equal to the arithmetic mean of the fair market buying price at the Valuation Time on the Valuation Date and the fair market selling price at the Valuation Time on the Valuation Date for the Underlying Equity based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or the middle market quotations provided to it by two or

more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Underlying Equity or on such other factors as the Calculation Agent shall decide).

**Related Exchange** means, in relation to the Underlying Equity, each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to the Underlying Equity.

**Scheduled Closing Time** means, in respect of the Exchange or any Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of the Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

**Scheduled Trading Day** means any day on which the Exchange and any Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

**Scheduled Valuation Date** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been the Valuation Date.

**Tender Offer** means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Equity Issuer, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

**Valuation Date** means each date specified as such in the Final Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day then the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (i) the eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Reference Price in accordance with its good faith estimate of the Reference Price as of the Valuation Time on that eighth Scheduled Trading Day.

**Valuation Time** means the Scheduled Closing Time on the Exchange on the Valuation Date in relation to the Underlying Equity. If the Exchange closes prior to its Scheduled Closing Time, the Valuation Time shall be such actual closing time.