

FINAL TERMS

May 24, 2007

**Kaupthing Bank hf.
Issue of €20,000,000
4.90% Fixed Rate 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 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. |
| 2. | (i) Series Number: | 59 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | Euro |
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | €20,000,000 |
| | (ii) Tranche: | €20,000,000 |
| 5. | Issue Price: | 100 per cent. of the Aggregate Nominal Amount |
| 6. | Specified Denominations: | €50,000 |
| 7. | (i) Issue Date: | May 29, 2007 |
| | (ii) Interest Commencement Date: | May 29, 2007 |
| 8. | Maturity Date: | May 29, 2017 |
| 9. | Interest Basis: | 4.90 per cent. Fixed Rate
(further particulars specified below) |

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| 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 Notes |
| | (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: | 4.90 per cent. per annum payable annually in arrear |
| | (ii) Interest Payment Dates: | May 29 in each year up to and including the
Maturity Date |
| | (iii) Fixed Coupon Amounts: | €2,450 per €50,000 in nominal amount |
| | (iv) Broken Amount(s): | Not Applicable |
| | (v) Day Count Fraction: | Actual/Actual (ICMA) |
| | (vi) Determination Dates: | May 29 in each year, beginning with May 29, 2008 |
| | (vi) Other terms relating to the
method of calculating interest for
Fixed Rate Notes: | None |
| 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

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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 | €50,000 per Note of €50,000 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: | €50,000 per Note of €50,000 Specified Denomination. |
| 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

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: WestLB AG
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

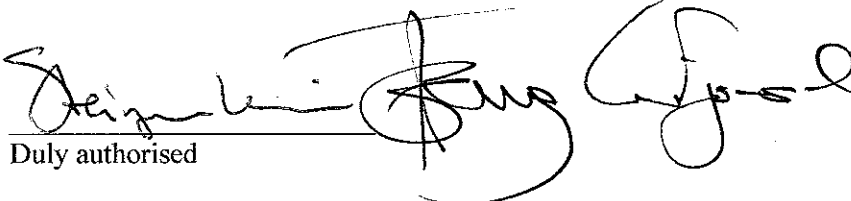
LISTING AND ADMISSION TO TRADING APPLICATION

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
Application has been made for the Notes to be admitted to trading with effect from May 29, 2007.
- (ii) Admission to trading: admitted to trading with effect from May 29, 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: Aa3
Fitch Ratings Ltd 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

- (i) Reasons for the Offer: See "Use of Proceeds" wording in Base Prospectus
- (ii) Estimated net proceeds: €20,000,000
- (iii) Estimated total expenses: Not Applicable

6. YIELD

Indication of yield: 4.90per cent.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

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

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: XS0303267768
- (ii) Common Code: 030326776
- (iii) Any clearing systems other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification numbers: 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