

FINAL TERMS

14 June 2007

Kaupthing Bank hf.
Issue of EUR 50,000,000 CMS Linked Notes due 2017
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: | 60 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | Euro ("EUR") |
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | EUR 50,000,000 |
| | (ii) Tranche: | EUR 50,000,000 |
| 5. | Issue Price: | 100 per cent. of the Aggregate Nominal Amount |
| 6. | Specified Denominations: | EUR 50,000 |
| 7. | (i) Issue Date: | 14 June 2007 |
| | (ii) Interest Commencement Date: | 14 June 2007 |
| 8. | Maturity Date: | 14 June 2017 |
| 9. | Interest Basis: | 12 month EURIBOR flat to CMS Linked
(further particulars specified below) |

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|-----|--|---|
| 10. | Redemption/Payment Basis: | Redemption at par |
| 11. | Change of Interest Basis or Redemption/
Payment Basis: | Automatic change of Interest Basis from 12 month
EURIBOR flat to CMS Linked

(further particulars specified below) |
| 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

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| 15. | Fixed Rate Note Provisions | Not Applicable |
| 16. | Floating Rate Note Provisions | Applicable |
| | (i) Specified Period(s)/Specified
Interest Payment Dates: | Year 1: The first Interest Period is payable annually
from and including the Issue Date to but excluding
the first Interest Payment Date. The first Interest
Payment Date is 14 June 2008.

Years 2-10: Interest Periods are annually from and
including the first Interest Payment Date to but
excluding the Maturity Date. Interest Payment
Dates are 14 June in each year. |
| | (ii) Business Day Convention: | Year 1: Modified Following Business Day
Convention

Year 2-10: Modified Following Business Day
Convention applies for Payment Day purposes only.
There will be no adjustment for Interest accrual
purposes. |
| | (iii) Additional Business Centre(s): | TARGET |
| | (iv) Manner in which the Rate of
Interest and Interest Amount is to
be determined: | Screen Rate 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: Year 1: 12 month EURIBOR
Year 2-10: EUR CMS
(see paragraph 16(xii) below)
 - Interest Determination Date(s): Year 1: 11:00 a.m. (Brussels time) two TARGET Business Days prior to the start of the relevant Interest Period
Year 2-10: 11:00 a.m. (Frankfurt time) two TARGET Business Days prior to the start of the relevant Interest Period
(see paragraph 16(xii) below)
 - Relevant Screen Page: Year 1: Reuters page EURIBOR01
Year 2-10: Reuters page ISDAFIX2
- (vii) ISDA Determination: Not Applicable
- (viii) Margin(s): Not Applicable
- (ix) Minimum Rate of Interest: Not Applicable
- (x) Maximum Rate of Interest: Not Applicable
- (xi) Day Count Fraction: Year 1: Actual/360 adjusted
Year 2-10: 30/360 unadjusted

- (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:
- Year 2-10:
- (i) If, on the relevant Interest Determination Date, 1 year EUR CMS is greater than 4.25 per cent., the Rate of Interest for the applicable Interest Period shall be 3.50 per cent per annum;
- or
- (ii) If, on the relevant Interest Determination Date, 1 year EUR CMS is less than or equal to 4.25 per cent. the Rate of Interest for the applicable Interest Period shall be a per cent. per annum equal to the greater of:
- (a) 3.50 per cent.; or
- (b) $14.25 \times (10 \text{ year EUR CMS} - 1 \text{ year EUR CMS})$

Where: "EUR CMS" means the annual swap rate for EUR swap transactions with a maturity equal to the Designated Maturity expressed as a percentage, which appears on Reuters Page ISDAFIX2 under the heading "11AM FIX" as of 11:00 a.m. Frankfurt time on the relevant TARGET Business Day. If such rate does not appear on the Reuters Page ISDAFIX2, the rate shall be a percentage determined on the basis of the mid-market annual swap rate quotations provided by the Reference Banks at approximately 11:00 a.m. Frankfurt time on the relevant Date. For this purpose, the mid-market annual swap rate means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating EUR interest rate swap transaction with a term equal to the Designated Maturity in a Representative Amount commencing in two TARGET Business Days with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to 6 month EUR-EURIBOR-Telerate. The Agent will request the respective office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality one of the lowest)

For days which are not TARGET Business Days, EUR CMS will be taken as EUR CMS for the immediately preceding TARGET Business Day.

“Reference Banks” means for the purposes of determining the EUR CMS, five leading swap dealers in the swap market, as selected by the Agent in its sole discretion

“Representative Amount” means an amount that is representative for a single transaction in the relevant market at the relevant time

“Designated Maturity” means 1 year in relation to 1 year EUR CMS and 10 years in relation to 10 year EUR CMS

“EUR-EURIBOR-Telorate” has the meaning given to it under the 2000 ISDA Definitions published by the International Swaps and Derivatives Association Inc.

17. **Zero Coupon Note Provisions** Not Applicable

18. **Index Linked Interest Note Provisions** Not Applicable

19. **Dual Currency Interest 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 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)): As set out in Condition 7(f)

27. Capital Notes Provisions Not Applicable

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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) Stabilising Manager (if any): Not Applicable

36. If non-syndicated, name of relevant Dealer: ABN AMRO Bank N.V.

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

sign. Aslaug Guðjónsdóttir



Guðmundur Þ. Guðmundsson
Managing Director
Treasury Kaupthing Bank Iceland

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 Luxembourg Stock Exchange with effect from 14 June 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

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.

5. 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:	XS0303417595
(ii) Common Code:	030341759

<p>(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):</p>	<p>Not Applicable</p>
<p>(iv) Delivery:</p>	<p>Delivery against payment</p>
<p>(v) Names and addresses of additional Paying Agent(s) (if any):</p>	<p>Not Applicable</p>
<p>(vi) Intended to be held in a manner which would allow Eurosystem eligibility:</p>	<p>Yes</p>