

## FINAL TERMS

13 July 2007

**Kaupthing Bank hf.**  
**EUR 2,000,000 Inflation Linked Notes due 13 July 2027**  
**under the EUR 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 31 August 2006 and Supplement to the Base Prospectus dated 2 February 2007 which together constitute 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.

- |     |   |   |
|-----|---|---|
| 1.  | Issuer:   | Kaupthing Bank hf.  |
|     | (i) Series Number:  | 65  |
|     | (ii) Tranche Number:                                      | 1   |
| 3.  | Specified Currency or Currencies:                         | Euro ("EUR")  |
| 4.  | Aggregate Nominal Amount:                                 |   |
|     | (i) Series:   | EUR 2,000,000   |
|     | (ii) Tranche:   | EUR 2,000,000   |
| 5.  | Issue Price:  | 100 per cent. of the Aggregate Nominal Amount                   |
| 6.  | Specified Denominations:                                  | EUR 50,000  |
| 7.  | (i) Issue Date:   | 13 July 2007  |
|     | (ii) Interest Commencement Date:                          | 13 July 2007  |
| 8.  | Maturity Date:  | 13 July 2027  |
| 9.  | Interest Basis:   | Inflation Linked Notes<br>(further particulars specified below) |
| 10. | Redemption/Payment Basis:                                 | Redemption at par   |
| 11. | Change of Interest Basis or Redemption/<br>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. | <b>Fixed Rate Note Provisions</b>            | Not Applicable |
| 16. | <b>Floating Rate Note Provisions</b>         | Not Applicable |
| 17. | <b>Zero Coupon Note Provisions</b>           | Not Applicable |
| 18. | <b>Index Linked Interest Note Provisions</b> | Applicable     |

- (i) Index/Formula:

Max [0.00%, Inflation Adjustment + 2.06%]

Where:

“Inflation Adjustment” means  $SPIPC_N / SPIPC_{N-1}$

“SPIPC” means the "Non-revised Harmonised Index of Consumer Prices including Tobacco", or relevant successor index, measuring the rate of inflation in the Spain expressed as an index and published by the relevant index sponsor on Bloomberg ticker SPIPC (the “Reference Index”). The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations. Where there is a delay in the publication of the ESP – Harmonised-Non-revised Consumer Price Index (HCPI), it ceases to be published or any other fallback provision is required the provisions of the 2006 ISDA Inflation Derivatives Definitions will apply.

“SPSPC<sub>N</sub>” means the Reference Index fixing on the Inflation Observation Date which is 3 Months prior to the Inflation Observation Date (April – See table).

“SPIPC<sub>N-1</sub>” means the Reference Index fixing on the Inflation Observation Date which is 15 Months prior to the Inflation Observation Date (April – See table).

Inflation Observation Date	SPIPC <sub>N-1</sub> Reference Month	SPSPC <sub>N</sub> Reference Month
7 July 2008	April 2007	April 2008
6 July 2009	April 2008	April 2009
6 July 2010	April 2009	April 2010
6 July 2011	April 2010	April 2011
6 July 2012	April 2011	April 2012
8 July 2013	April 2012	April 2013
7 July 2014	April 2013	April 2014
6 July 2015	April 2014	April 2015
6 July 2016	April 2015	April 2016
6 July 2017	April 2016	April 2017
6 July 2018	April 2017	April 2018
8 July 2019	April 2018	April 2019
6 July 2020	April 2019	April 2020
6 July 2021	April 2020	April 2021
6 July 2022	April 2021	April 2022
6 July 2023	April 2022	April 2023
8 July 2024	April 2023	April 2024
6 July 2025	April 2024	April 2025
6 July 2026	April 2025	April 2026
6 July 2027	April 2026	April 2027

- (ii) Calculation Agent responsible for calculating the interest due: Deutsche Bank AG, London Branch
- (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: See above
- (iv) Specified Period(s) / Specified Interest Payment Dates: 13 July in each year commencing 13 July 2008 up to, and including, the Maturity Date each subject to adjustment with the Business Day Convention.
- (v) Business Day Convention: Following Business Day Convention
- (vi) Additional Business Centre(s): London and TARGET
- (vii) Minimum Rate of Interest: 0.00 per cent
- (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**

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)): The Calculation Agent will determine and calculate in its sole discretion the redemption amount in good faith and in a commercially reasonable manner as representing the fair economic value of the Note at the date of redemption.

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**

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: London and TARGET

30. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): No.

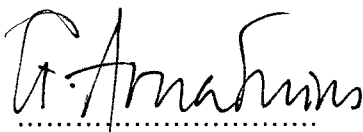
31. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and, consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: Not Applicable
32. Details relating to Instalment Notes:
- (i) Instalment Amount(s): Not Applicable
- (ii) Instalment Date(s): Not Applicable
33. Redenomination applicable: Redenomination not applicable
34. Other final terms: Not Applicable

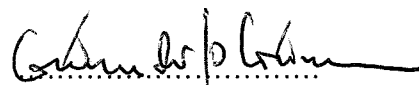
**DISTRIBUTION**

35. (i) If syndicated, names and addresses of Managers and underwriting commitments: Not Applicable
- (ii) Date of Subscription Agreement: Not Applicable
- (iii) Stabilising Manager (if any): Not Applicable
36. If non-syndicated, name of relevant Dealer: Deutsche Bank AG, London Branch
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:   
 .....  
 Duly authorised

By:   
 .....  
 Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING

- |   |                |
|---|----------------|
| (i) Listing:  | Unlisted       |
| (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 Aa3                            |
|          | Fitch 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. 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:    | EUR 2,000,000                                    |
| (iii) Estimated total expenses: | Not Applicable                                   |

### 6. YIELD (*Fixed Rate Notes only*)

Indication of yield:	Not Applicable
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### 7. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Not Applicable

**8. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING** (*Index-Linked Notes only*)

Not Applicable

**9. PERFORMANCE OF RATES OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT** (*Dual Currency Notes only*)

Not Applicable

**10. OPERATIONAL INFORMATION**

- (i) ISIN Code: XS0306556563
- (ii) Common Code: 030655656
- (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: No