

## FINAL TERMS

21 August 2007

### KAUPTHING BANK HF.

#### Issue of ISK7,000,000,000 Inflation Linked Annuity 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 and a Supplement to the Base Prospectus dated 2 February 2007. 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.   |
| 2.  | (i) Series Number:                                    | 75   |
|     | (ii) Tranche Number:                                  | 1  |
| 3.  | Specified Currency or Currencies:                     | Icelandic Krona (" <i>ISK</i> ")   |
| 4.  | Aggregate Nominal Amount:                             |  |
|     | (i) Series:   | ISK7,000,000,000   |
|     | (ii) Tranche:   | ISK7,000,000,000   |
| 5.  | Issue Price:  | The Issue Price will be determined in the manner set out in the Schedule.              |
| 6.  | Specified Denominations:                              | ISK5,000,000   |
| 7.  | (i) Issue Date:                                       | 21 August 2007   |
|     | (ii) Interest Commencement Date:                      | 15 August 2007   |
| 8.  | Maturity Date:  | 15 February 2024   |
| 9.  | Interest Basis:                                       | Inflation Linked 3.75 per cent. Fixed Rate Interest – see the Schedule attached hereto |
| 10. | Redemption/Payment Basis:                             | Inflation Linked Instalment - see the Schedule attached hereto                         |
| 11. | Change of Interest Basis or Redemption/Payment Basis: | Not Applicable   |

- |     |   |                |
|-----|---|----------------|
| 12. | Put/Call Options:                                       | Issuer Call    |
| 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 Provision              | Not Applicable. The provisions relating to interest are set out in the Schedule. |
| 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   | Applicable  |
|     | (i) Optional Redemption Date(s):  | 15 August 2012 and each Instalment Date thereafter  |
|     | (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): | The Optional Redemption Amount will be determined by the Issuer on the Reference Date in the manner set out in the Schedule. For this purpose, the <b>Reference Date</b> means the Business Day preceding the date on which notice of the optional redemption is first given to the holders. If the Series 1 3.75 per cent. Notes due 15 February 2024 (ISIN No. XS0195066146) issued by Housing Financing Fund (Identity No. 661198-3629) (the <b>HFF24 Notes</b> ) have been become due and payable prior to the Reference Date, the Optional Redemption Amount will be the Outstanding Principal Amount determined in accordance with the provisions of the Schedule plus accrued interest, all multiplied by the Index Ratio determined in accordance with the provisions of the Schedule |
|     | (iii) If redeemable in part:  |   |
|     | (a) Minimum Redemption Amount:  | Not Applicable  |

- |     |       |  |   |
|-----|-------|--|---|
|     | (b)   | Maximum Redemption Amount:   | Not Applicable  |
|     | (iv)  | Notice period (if other than as set out in the Conditions):  | Not Applicable  |
| 23. |       | Investor Put   | Not Applicable  |
| 24. |       | Target Redemption Note Provisions:   | Not Applicable  |
| 25. |       | Final Redemption Amount of each Note   | The Notes will be redeemed in instalments - see the Schedule attached hereto  |
| 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 Outstanding Principal Amount determined in accordance with the provisions of the Schedule plus accrued interest, all multiplied by the Index Ratio determined in accordance with the provisions of the Schedule |
| 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:  | No   |
| 29. |     | Additional Financial Centre(s) or other special provisions relating to Payment Dates:                             | Reykjavik  |
| 30. |     | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | Yes. If Definitive Notes are printed they will have attached Receipts for the payment of all Instalment Amounts (as defined in the Schedule) in respect of which the Instalment Date has not then occurred but will not have any Coupons attached. If Definitive Notes are printed prior to the Instalment Date falling in February 2011, a single Talon for future Receipts will be attached to the Definitive Notes. |

31. Details relating to Partly Paid Notes: Not Applicable  
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:
32. Details relating to Instalment Notes: See the Schedule attached hereto
33. Redenomination applicable: Redenomination not applicable
34. Other final terms: See the Schedule attached hereto

### 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: Kaupthing Bank hf.
37. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: TEFRA D
38. Additional selling restrictions: No action has been or will be taken in Israel that would permit an offering of the Notes or a distribution of the Base Prospectus to the public in Israel. In particular, the Base Prospectus has not been approved by the Israel Securities Authority. Accordingly, each Dealer has agreed that it will not offer or sell any Notes, directly or indirectly, in Israel or to others for re-offering or resale, directly or indirectly, in Israel except to investors of the type listed in the First Schedule to Israel's Securities Law 5728-1968

## LISTING AND ADMISSION TO TRADING APPLICATION

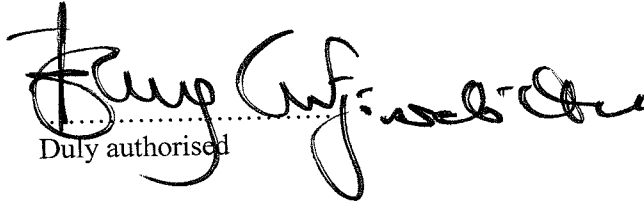
These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the €12,000,000,000 Euro Medium Term Note Programme of Kaupthing Bank hf.

### RESPONSIBILITY

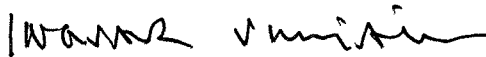
The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:

  
.....  
Duly authorised

*sign. Áslaug Guðjónsdóttir*



**Ingvar Vilhjálmsson**  
Managing Director - Capital Markets

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing: Luxembourg.
- (ii) Admission to trading: Application will be made for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange on 21 August 2007.
- (iii) Estimate of total expenses related to trading: 8,500 euro.

### 2. RATINGS

Ratings: The Notes to be issued have been rated:

Moody's	Aa3
Fitch	A

Obligations rated 'Aa' by Moody's are judged to be of high quality and are subject to very low credit risk.

Obligations rated 'A' by Fitch denote expectations of low credit risk. The capacity for repayment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Each rating should be evaluated independently of any other rating.

### 3. NOTIFICATION

Not Applicable.

### 4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the Managers, 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" in the Base Prospectus
- (ii) Estimated net proceeds: Not Applicable
- (iii) Estimated total expenses: Not Applicable

## 6. YIELD

Not Applicable

## 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

The Instalment Amounts in respect of the Notes are payable by the Issuer on each Instalment Date and are a combined payment of principal and interest. Each Instalment Amount is calculated by reference to a fixed rate of interest as adjusted by reference to an Index Ratio which is linked to the value of the Consumer Price Index (“*CPI*”) as calculated by Statistics Iceland pursuant to the Consumer Price Index Act of 1995 (*lög um vísitölu neysluverðs nr. 12/1995*) and published monthly in the Legal Gazette (*Lögbirtingarblaðið*).

Further information on the CPI is available from the Legal Gazette and from the website of Statistics Iceland at [www.statice.is](http://www.statice.is).

## 9. PERFORMANCE OF RATES OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT

Not Applicable

## 10. OPERATIONAL INFORMATION

- |  |                          |
|--|--------------------------|
| (i) ISIN Code:   | XS0312859092             |
| (ii) Common Code:  | 031285909                |
| (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 free of 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                       |

## SCHEDULE

### Issue Price

The Issue Price shall be determined by the Issuer in accordance with the following formula and notified by publication on its website no later than 10.00 a.m. (Reykjavik time) on the Issue Date.

$$\text{Issue Price} = 100 \times IR \times M$$

In relation to the Issue Price formula set out above:

$IR$  = Index Ratio (as defined under “*Instalment Amounts*” below); and

$$M = \frac{PV}{N_{k-1}}$$

In relation to the formula for  $M$  set out above:

$$N_k = D \times \left[ (1+r)^k - \frac{(1+r)^k - 1}{1 - \left(\frac{1}{1+r}\right)^n} \right]; \text{ and}$$

$$PV = P \sum_i \frac{1}{(1+Y_C)^{t_i}}$$

In relation to the formula for  $N_k$  set out above:

$$D = 5,000,000;$$

$k$  is the number of the next Instalment Date (as defined below) with  $k = 1$  in the period from, and including, the Issue Date to, but excluding, 15 February 2008 and so on (note that  $k$  in  $N$  is a function of  $k$  used in the formula for  $M$ );

$$r = \frac{c}{2}; \text{ and}$$

$c$  = the Rate of Interest, being 3.75 per cent. per annum.

In relation to the formula for  $PV$  set out above:

$i$  = each Instalment Date;

$P$  has the meaning set out under “*Instalment Amounts*” below;

$t_i$  = the number of days from, and including, the Issue Date to, but excluding, the relevant Instalment Date “ $i$ ” (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and



$$Y_c = \frac{\sum_{i=1}^6 N_i x Y_i}{\sum_{i=1}^6 N_i} + 0.006$$

In relation to the formula for  $Y_c$  set out above:

**Business Day** = a day on which the OMX Nordic Exchange in Iceland is open for business;

$N_i$  = the notional amount of each of the Reference Trades as quoted on the OMX Nordic Exchange in Iceland;

**Reference Trades** = the remaining six trades of the HFF24 Notes in Iceland, after taking the last 10 trades of the HFF24 Notes quoted on the OMX Nordic Exchange in Iceland for the Reference Date and discarding the two such trades with the highest yield and the two such trades with the lowest yield; provided that if less than 10 trades for HFF24 Notes are quoted on the OMX Nordic Exchange in Iceland for the Reference Date then the last trades (in reverse consecutive order) for the HFF24 quoted on the OMX Nordic Exchange in Iceland for the business days immediately prior to the Reference Date will be included until there are 10 trades for the HFF24 Notes when aggregated with the trades on the Reference Date; and

$Y_i$  = the yield of each of the Reference Trades as quoted on the OMX Nordic Exchange in Iceland.

For the purpose of the definition of Reference Trades above, **Reference Date** means one business day prior to the Issue Date.

### Optional Redemption Amount

The Optional Redemption Amount for each Note shall be determined by the Issuer in accordance with the following formula.

$$\text{Optional Redemption Amount} = IR \times N_k \left( M + r \frac{d \times f}{360} \right)$$

where:

$d$  = the number of days elapsed from and including the previous Instalment Date on the basis of 12 months of 30 days each;

$f = 2$ ;

$I_k = [P - A_k]$  and is the interest component paid on payment " $k$ " where  $P$  has the meaning set out under "Instalment Amounts" below and  $A_k$  has the meaning set out under "Outstanding Principal Amount" below;

$$M = \frac{PV - I_k \frac{d \times f}{360}}{N_{k-1}} ; \text{ and}$$

$IR$ ,  $N_k$ , and  $r$  all have the meanings set out above, provided that Reference Date shall have the meaning set out in paragraph 22(ii) of Part A of the Final Terms.

In relation to the formula for M set out above,  $d$ ,  $f$ ,  $I_k$ ,  $N_k$  and  $PV$  all have the meanings set out above.

### Instalment Amounts

(a) Instalment Amounts

On each 15 February and 15 August from, and including, 15 February 2008 to, and including, the Maturity Date subject to adjustment in accordance with the Modified Following Business Day Convention, (as defined in Condition 5) (each an “*Instalment Date*”) the Issuer shall pay the Instalment Amount in respect of each Note. The “*Instalment Amount*” in respect of an Instalment Date shall be a combined payment of principal and interest and shall be calculated by the Calculation Agent in accordance with the following formula:

$$P = \frac{r}{1 - \left(\frac{1}{1+r}\right)^n} \times IR \times D$$

where:

$c$  = the Rate of Interest, being 3.75 per cent. per annum

$D$  = the Specified Denomination, being ISK5,000,000

$IR$  = Index Ratio

$n$  = 33

$P$  = the Instalment Amount

$$r = \frac{c}{2}$$

(b) Index Ratio

“*Index Ratio*” means, in respect of an Instalment Date, the value of the Reference Index applicable to such Instalment Date divided by the value of the Base Index, as calculated by the Calculation Agent.

where:

“*Base Index*” means 273.0, being the value of the CPI (as defined below) on 1 August 2007.

“*Reference Index*” means, in respect of an Instalment Date:

- (i) where the Instalment Date falls on the first day of a calendar month (the “*Relevant Month*”), the value of the Consumer Price Index (the “*CPI*”) for the Relevant Month as calculated by Statistics Iceland pursuant to the Consumer Price Index Act of 1995 (*lög um vísitölu neysluverðs nr. 12/1995*) and published monthly in the Legal Gazette (*Lögbirtingarblaðið*); or
- (ii) where the Instalment Date falls on a day other than the first day of the Relevant Month:

(a) if the CPI for the calendar month immediately succeeding the Relevant Month (the “*Succeeding Month CPP*”) has been published as at such Instalment Date:

$$RI = CP_t \times \left( \frac{CP_{t+1}}{CP_t} \right)^{\frac{d}{30}}$$

(b) if the Succeeding Month CPI has not been published as at such Instalment Date:

$$RI = CP_t \times (1 + r)^{\frac{d}{360}}$$

where

RI = Reference Index

$CP_t$  = CPI value for the first day of the Relevant Month

$CP_{t+1}$  = Succeeding Month CPI

d = number of days since the first day of the Relevant Month (e.g. 2 February = 1)

r = annualised inflation forecast of the Central Bank of Iceland as published in its Monetary Bulletin on its website, currently [www.sedlabanki.is](http://www.sedlabanki.is)

PROVIDED THAT in the event that the value of the Reference Index in (i) or (ii) above is lower than the Base Index, the Reference Index shall equal the Base Index.

(c) Changes in the CPI

If at any time a new index is substituted for the CPI, as of the calendar month from and including the month in which such substitution takes effect:

- (i) references herein to the "Reference Index" shall be deemed to refer to the new index (the “*New Index*”); and
- (ii) the Base Index shall be the product of the Base Index and the value of the New Index immediately following such substitution (as determined by the Calculation Agent in its sole discretion), such amount divided by the value of the Reference Index immediately prior to such substitution (as determined by the Calculation Agent in its sole discretion).

### Outstanding Principal Amount

(a) Definition

In respect of each Note, “*Outstanding Principal Amount*” on any day means ISK5,000,000 less the sum of the Principal Components paid in respect of that Note on or prior to such day.

(b) Principal Components

For the purpose of determining the Outstanding Principal Amount of a Note, the amount in respect of principal comprising the Instalment Amount (the “*Principal Component*”) in respect of an Instalment Date (the “*Relevant Instalment Date*”) shall be calculated in accordance with the following formula:

$$A_k = D \times \frac{r(1+r)^{k-1}}{(1+r)^n - 1}$$

where:

$A_k$  = the amount comprising principal

$c$  = the Rate of Interest, being 3.75 per cent. per annum

$D$  = the Specified Denomination, being ISK5,000,000

$k$  = the number of payments of Instalment Amounts that have been made prior to the Relevant Instalment Date (i.e.  $k = 0$  on the Issue Date,  $k = 1$  on the first Instalment Date etc.)

$n = 33$

$$r = \frac{c}{2}$$

### Interest

(a) Condition 5

Save for the application of the Modified Following Business Day Convention as described above, Condition 5 shall not apply to the Notes.

(b) Accrued Interest

If accrued interest is required to be calculated in respect of a Note in respect of a period ending on a date (the “**Relevant Date**”) other than an Instalment Date, it shall be calculated by applying 3.75 per cent. to the Outstanding Principal Amount of the Note on such Relevant Date, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest ISK (half a Króna being rounded upwards).

where:

“**Day Count Fraction**” means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the product of (1) the number of days in the Regular Period in which the relevant period falls and (2) two; and

“**Regular Period**” means the period from (and including) the Issue Date to (but excluding) the first Instalment Date and, thereafter, each period from (and including) an Instalment Date to (but excluding) the next Instalment Date.