

FINAL TERMS

15 October 2007

Kaupthing Bank hf.
Issue of MXN 2,300,000,000 Floating Rate Notes due 2012
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 13 September, 2007 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: | 4 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | Mexican Peso (“MXN”) |
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | MXN 2,300,000,000 |
| | (ii) Tranche: | MXN 2,300,000,000 |
| 5. | Issue Price: | 100 per cent. of the Aggregate Nominal Amount |
| 6. | (i) Specified Denominations: | MXN 50,000 |
| | (ii) Calculation Amount: | MXN 50,000 |
| 7. | (i) Issue Date: | 16 October 2007 |
| | (ii) Interest Commencement Date: | Issue Date |
| 8. | Maturity Date: | Interest Payment Date falling in October 2012 |
| 9. | Interest Basis: | 28 day THIE rate + 0.25 per cent. Floating 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 |
| 14. | Method of distribution: | 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): | The Specified Period is 28 days, the first Interest Payment Date is 13 November 2007, subject to adjustment in accordance with paragraph 16(ii) below. For the avoidance of doubt, Condition 5(b)(i)(B) applies. |
| (ii) | Business Day Convention: | Following Business Day Convention |
| (iii) | Additional Business Centre(s): | New York |
| | | For the avoidance of doubt, pursuant to Condition 5(b)(i), Business Day means a day which is a Business Day in London, Mexico City and New York. |
| (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: | Not Applicable |
| (vii) | ISDA Determination: | |
| | – Floating Rate Option: | MXN-TIE-Banxico |

MXN-TIE-Banxico means that the rate for a Reset Date will be the Tasa de Interés Interbancaria de Equilibrio (Interbank Equilibrium Interest Rate) ("TIE") for Mexican Pesos for a period of the Designated Maturity which is published in the "Diario Oficial de la Federación" (Official Gazette of the Federation) on the Reset Date. The rate may be replicated as set forth under the heading "TIE" for the Designated Maturity or its equivalent as published on the Banco de México's Website, or on the Reuters Screen MEX06 Page across

from the caption "TIIE" for the Designated Maturity or its equivalent, in either case as of 2:00 p.m., Mexico City time, on the day that is one Mexico City Banking Day preceding that Reset Date. In the event of any discrepancy between the rate published in the Diario Oficial de la Federación and the rate published on the Banco de México's Website page or on the Reuters Screen MEX06 Page on the day that is one Mexico City Banking Day preceding the Reset Date, the rate published in the Diario Oficial de la Federación will govern.

- Designated Maturity: 28 days
- Reset Date: One Mexico City Business Day prior to the start of each Interest Period.

Mexico City Business Day means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Mexico City.

- (viii) Margin(s): + 0.25 per cent. per annum
- (ix) Minimum Rate of Interest: Not Applicable
- (x) Maximum Rate of Interest: Not Applicable
- (xi) Day Count Fraction: Actual/360
- (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: If the rate is not published in the Diario Oficial de la Federación by 11:00 a.m., Mexico City time, on the Reset Date, then the rate for that Reset Date will be determined as if the parties had specified "MXN-TIIE-Reference Banks" as the applicable Floating Rate Option. For the avoidance of doubt, if the rate is not published in the Diario Oficial de la Federación, rates replicated on the Banco de México's Website page or on the Reuters Screen MEX06 Page are not valid.

MXN-TIIE-Reference Banks means that the rate for a Reset Date will be determined on the basis of the mid-market cost of funds of the Reference Banks for Mexican Pesos for a period of the Designated Maturity commencing on that Reset Date and in a Representative Amount at approximately 11:00 a.m., Mexico City time. The Calculation Agent will request the principal Mexico City office of each of the Reference Banks to provide a quotation of its rate. If at least two quotations are provided, the rate for that Reset Date will be the arithmetic mean of the quotations. If fewer than two quotations are provided, the rate for that Reset Date will be determined by the Calculation Agent, using a

representative rate.

For the purposes of this paragraph 16(xii), Reference Banks and Representative Amount have the meanings given to those terms in the ISDA 2006 definitions.

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| 17. | Zero Coupon Note Provisions | Not Applicable |
| 18. | Index Linked Interest Note Provisions | Not Applicable |
| 19. | Equity Linked Interest Note Provisions | Not Applicable |
| 20. | Commodity Linked Interest Note Provisions | Not Applicable |
| 21. | Additional Disruption Events (applicable to Equity Linked Interest Notes only): | Not Applicable |
| 22. | Dual Currency Interest Note Provisions | Not Applicable |
| 23. | Target Redemption Note Provisions: | Not Applicable |
| 24. | Range Accrual Note Provisions: | Not Applicable |

PROVISIONS RELATING TO REDEMPTION

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| 25. | Issuer Call: | Not Applicable |
| 26. | Investor Put | Not Applicable |
| 27. | Target Redemption Note Provisions: | Not Applicable |
| 28. | Final Redemption Amount: | MXN 50,000 per Calculation Amount |
| 29. | Early Redemption Amount: | |

Early Redemption Amount payable on redemption for taxation reasons or on event of default or on an illegality (or, in the case of Equity Linked Notes, following a De-listing and/or Merger Event and/or Nationalisation and/or Insolvency and/or Tender Offer in accordance with Condition 9(b)(ii)(b) or, following an Additional Disruption Event (if applicable) or, in the case of Credit Linked Notes, following a Merger Event, and/or the method of calculating the same (*required if Early Redemption Amount different from that set out in Condition 7(f)*):

As set out in Condition 7(f)

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| 30. | Capital Notes Provisions: | Not Applicable |
| 31. | Equity Linked Redemption Notes: | Not Applicable |
| 32. | Additional Disruption Events:
<i>(applicable to Equity Linked
Redemption Notes only):</i> | Not Applicable |
| 33. | Credit Linked Notes: | Not Applicable |
| 34. | Commodity Linked Redemption Notes: | Not Applicable |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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| 35. | (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 |
| 36. | Additional Financial Centre(s) or other special provisions relating to Payment Dates: | New York.

For the avoidance of doubt, pursuant to Condition 6(e), Payment Day means a day which is a Payment Day in London, Mexico City and New York. |
| 37. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | No |
| 38. | 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 |
| 39. | Details relating to Instalment Notes: | |
| | (i) Instalment Amount(s): | Not Applicable |
| | (ii) Instalment Date(s): | Not Applicable |
| 40. | Redenomination applicable: | Redenomination not applicable |
| 41. | Other final terms: | Not Applicable |

DISTRIBUTION

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| 42. | (i) If syndicated, names and addresses of Managers and underwriting commitments: | BBVA Bancomer,S.A.

Lehman Brothers International (Europe) |
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| (ii) | Date of Subscription Agreement: | 15 October 2007 |
| (iii) | Stabilising Manager (if any): | Not Applicable |
43. If non-syndicated, name and address of relevant Dealer: Not applicable
44. Total commission and concession: 0.45 per cent. of the Aggregate Nominal Amount
45. U.S. Selling Restrictions: Reg. S Category 2; TEFRA D
46. Non-exempt Offer: Not Applicable
47. Additional selling restrictions: The Notes have not been and will not be registered with the Mexican National Securities Registry (*Registro Nacional de Valores*) and, therefore, the Notes may not be offered or sold publicly in Mexico. The Notes, however, may be offered in Mexico to institutional and accredited investors, pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*).

PURPOSE OF FINAL TERMS

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

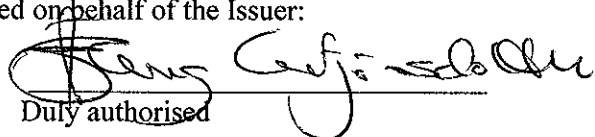
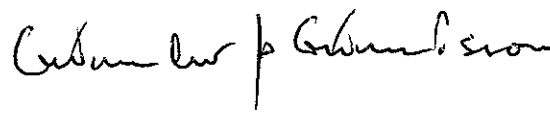
RESPONSIBILITY

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 AND ADMISSION TO TRADING** Application has been made by the Issuer for the Notes to be admitted to trading on the London Stock Exchange with effect from the Issue Date.

Application will also be made to list the Notes on the Sistema Internacional de Cotizaciones, maintained by the Bolsa Mexicana de Valores, S.A. de C.V.

2. **RATINGS**

Ratings:

The Issuer's international ratings are:

Moody's: Aa3

Fitch: A

3. **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.

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer: As set forth in "Use of Proceeds" in the Base Prospectus dated 13 September 2007.

(ii) Estimated net proceeds: MXN 2,289,650,000

(iii) Estimated total expenses: US\$ 45,000

5. **YIELD** (*Fixed Rate Notes only*) Not applicable

6. **HISTORIC INTEREST RATES** (*Floating Rate Notes only*)

Details of historic 28-day TIE rates can be obtained from Banco de Mexico (the Mexican Central Bank) web page (banxico.org.mx) or Bloomberg Screen MXIBTIE. Information on the MXN TIE floating interest rate may also be obtained at <http://www.precios.com.mx/>.

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

Not applicable

8. **PERFORMANCE OF [THE EQUITY/BASKET OF EQUITIES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE EQUITY/BASKET OF EQUITIES]]** (*Equity Linked Notes only*)

Not applicable

9. **PERFORMANCE OF [THE COMMODITY/BASKET OF COMMODITIES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE COMMODITY/BASKET OF COMMODITIES]]** (*Commodity Linked Notes only*)

Not applicable

10. **INFORMATION IN RELATION TO THE REFERENCE ENTITY, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE REFERENCE ENTITY]** (*Credit Linked Notes only*)

Not applicable

11. **PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT** (*Dual Currency Notes only*)

Not applicable

12. **OPERATIONAL INFORMATION**

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| (i) | ISIN Code: | XS0325670882 |
| (ii) | Common Code: | 032567088 |
| (iii) | Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, <i>société anonyme</i> and the relevant identification number(s): | S.D. Indeval Institucion para el Deposito de Valores S.A. de C.V., (Indeval)

Indeval is a privately owned securities depository and clearinghouse, authorized by the Mexican Ministry of Finance and Public Credit to operate as the central custodian for securities in Mexico. Securities maintained in deposit at Indeval (directly or through the crediting by Euroclear or Clearstream for the benefit of Indeval), as the Notes are expected to be, may be credited or debited to Mexican custodians that are Indeval participants, who in turn may credit or debit the securities, through book entries, to Mexican purchasers. |
| (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 |

13. **TERMS AND CONDITIONS OF THE OFFER** Not Applicable