

FINAL TERMS

3 January 2008

Kaupthing Bank hf.
Issue of EUR 3,300,000 Automatic Redeemable Index Linked Notes due 3 January 2011
under the €12,000,000,000
Euro Medium Term Note Programme

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

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.

No person has been authorised to give any information or make any representation not contained in or not consistent with these Final Terms, or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Dealer.

By investing in the Notes each investor represents that:

- (a) *Non-Reliance. It is acting for its own account, and it has made its own independent decisions to invest in the Notes and as to whether the investment in the Notes is appropriate or proper for it based upon its own judgement and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer or any Dealer as investment advice or as a recommendation to invest in the Notes, it being understood that information and explanations related to the terms and conditions of the Notes shall not be considered to be investment advice or a recommendation to invest in the Notes. No communication (written or oral) received from the Issuer or any Dealer shall be deemed to be an assurance or guarantee as to the expected results of the investment in the Notes.*
- (b) *Assessment and Understanding. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and the risks of the investment in the Notes. It is also capable of assuming, and assumes, the risks of the investment in the Notes.*
- (a) *Status of Parties. Neither of the Issuer nor any Dealer is acting as a fiduciary for or adviser to it in respect of the investment in the Notes.*

1.	Issuer:	Kaupthing Bank hf.
2.	(i) Series Number:	12
	(ii) Tranche Number:	1
3.	Specified Currency or Currencies:	Euro (“EUR”)
4.	Aggregate Nominal Amount:	
	(i) Series:	EUR 3,300,000
	(ii) Tranche:	EUR 3,300,000

5.	Issue Price:	100 per cent. of the Aggregate Nominal Amount
6.	(i) Specified Denominations:	EUR 10,000
	(ii) Calculation Amount:	EUR 10,000
7.	(i) Issue Date:	3 January 2008
	(ii) Interest Commencement Date:	Issue Date
8.	Maturity Date:	3 January 2011, subject to adjustment in accordance with the Following Business Day Convention.
9.	Interest Basis:	7 per cent. Fixed Rate
10.	Redemption/Payment Basis:	Index Linked Redemption
11.	Change of Interest Basis or Redemption/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.	Fixed Rate Note Provisions	See Annex 1
	(i) Rate(s) of Interest:	7 per cent. per annum
	(ii) Interest Payment Date(s):	5 January 2009, 4 January 2010 and 3 January 2011
	(iii) Fixed Coupon Amount(s):	EUR 700 per Note of EUR 10,000 Specified Denomination
	(iv) Broken Amount(s):	Not Applicable
	(v) Day Count Fraction:	1/1 (ISDA)
	(vi) Determination Date(s):	Not Applicable
	(vii) 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

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| 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: | See Annex 1 |
| 29. | Early Redemption Amount: | See Annex 1 |

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)*):

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| 30. | Capital Notes Provisions: | |
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| | (i) Special Event Redemption Amount: | Not Applicable |
| | (ii) Special Event Redemption Date(s): | Not Applicable |
| | (iii) Investment Considerations: | 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. |
| 36. | Additional Financial Centre(s) or other special provisions relating to Payment Dates: | Not Applicable |
| 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:

See Annex 1. Banco Bilbao Vizcaya Argentaria, S.A. will act as the Calculation Agent. The Calculation Agent shall act as an independent expert and not as an agent for the Issuer or the Noteholders.

All determinations made by the Calculation Agent shall in the absence of manifest error, wilful default or bad faith, be the final and conclusive and the Calculation Agent shall have no liability in the relation to such determination except in the case of its bad faith or wilful misconduct. The Calculation Agent shall notify the Issuer, as soon as practicable after determining the Final Redemption Amount of the existence or occurrence of a Market Disruption Event.

DISTRIBUTION

42. (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
43. If non-syndicated, name and address of relevant Dealer: Banco Bilbao Vizcaya Argentaria, S.A.
44. Total commission and concession: Not Applicable
45. U.S. Selling Restrictions: TEFRA D
46. Non-exempt Offer: Not Applicable
47. Additional selling restrictions: Not Applicable

PURPOSE OF FINAL TERMS

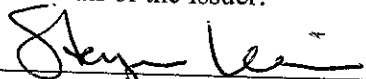
These Final Terms comprise the final terms required for issue and admission to trading on the Bourse de Luxembourg of the Notes described herein pursuant to the €12,000,000,000 Euro Medium Term Note Programme of Kaupthing Bank hf.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. All the information contained in Annex 2 has been extracted from Bloomberg, www.stoxx.com/index and Reuters. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Bloomberg, www.stoxx.com/index and Reuters, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By:


Duly authorised
STEINGRÍMUR KARASON, CRO


FUNDRING MANAGER

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING** Application has been made for the Notes to be admitted to trading on Luxembourg Stock Exchange with effect from 3 January 2008

2. **RATINGS**

Ratings:

The Notes to be issued have not been rated.

The rating of the Issuer is:

Moody's: Aa3

Fitch: A

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

Save for any fees payable to the Dealer, 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: The net proceeds from the issue of Notes will be applied by the Issuer for its general corporate purposes, which include making a profit.

(ii) Estimated net proceeds: EUR 3,300,000

(iii) Estimated total expenses: Not Applicable

5. **YIELD** (*Fixed Rate Notes only*)

Indication of yield: Not Applicable

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

Not Applicable

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*)

Historical details of the Underlying Index can be obtained from Bloomberg page "SX5E Index".

An investment in the Notes involve certain risks. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the merits and risks of investing in the Notes as well as access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of their financial situation. The Notes are not an appropriate investment for investors who are unsophisticated with respect to the applicable interest rate indices, currencies, other indices or formulae, or redemption or other rights or options. Investors should also have sufficient financial resources to bear the risks of an investment in the Notes.

By buying the Notes, an investor will be deemed to represent that it undertands the risks associated with purchasing the Notes and agrees to accept and assume (financially and otherwise) such risks.

The Notes are not capital protected. The Early Redemption Amount or the Final Redemption Amount payable on the Notes is linked to the performance of the Underlying Index (as defined in Annex 1). The performance of the Underlying Index therefore affects the nature and value of the investment return on the Notes. A small movement in the level of the Underlying Index may result in a large change in the value of the Notes.

Given the highly specialised nature of the Notes, the Issuer and the Dealer consider that they are only suitable for highly sophisticated investors who are able to determine for themselves the risk of an investment on which the return is determined in this way.

Consequently, if you are not an investor who falls within the description above, you should not consider purchasing these Notes without taking detailed advice from specialised adviser.

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: | XS0336916373 |
| (ii) | Common Code: | 033691637 |
| (iii) | Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, <i>société anonyme</i> and the | Not Applicable |

relevant identification
number(s):

- (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

ANNEX 1

(This Annex forms part of the Final Terms to which it is attached)

1. Early Redemption

If, for $t=1$ and $t=2$, on any Observation Date, the Calculation Agent determines that $\left(\frac{Index_t}{Index_0}\right) \geq 100\%$, then the Notes shall be redeemed by the Issuer on the Early Redemption Date, at an amount (the "Early Redemption Amount") calculated by the Calculation Agent as follows:

$$\text{Specified Denomination} * 100\%$$

2. Final Redemption Amount

Unless previously redeemed or purchased and cancelled as specified in these Final Terms, the Notes shall be redeemed by the Issuer on the Maturity Date at the Final Redemption Amount determined by the Calculation Agent as follows:

(i) If on the Final Observation Date, the Calculation Agent determines that $\left(\frac{Index_3}{Index_0}\right) \geq 0.60$, then the Notes shall be redeemed by the Issuer on the Maturity Date at an amount (the "Final Redemption Amount") calculated by the Calculation Agent as follows:

$$\text{Specified Denomination} * 100\%$$

(ii) If on the Final Observation Date, the Calculation Agent determines that $\left(\frac{Index_3}{Index_0}\right) < 0.60$, then the Notes shall be redeemed by the Issuer on the Maturity Date at an amount (the "Final Redemption Amount") calculated by the Calculation Agent as follows:

$$\text{Specified Denomination} * \left(\frac{Index_3}{Index_0}\right)$$

4. Definitions

For the purpose of these Final Terms:

"Index" means DJ Eurostoxx 50 as quoted on Bloomberg "SX5E" for purpose of displaying such value, or as determined by the Calculation Agent, between 20 December 2007 and 20 December 2010, both dates included.

"Index₀" means the closing price of the Index as of 20 December 2007

"Index₁" means the Closing Level of the Index as of Observation Date₁.

"Index₂" means the Closing Level of the Index as of Observation Date₂.

"Index₃" means the Closing Level of the Index as of the Final Observation Date.

"Early Redemption Date" means each of 5 January 2009 (the "Early Redemption Date₁") and 4 January 2010 (the "Early Redemption Date₂"), subject to adjustment for payment only in accordance with the Following Business Day Convention.

"Observation Date_i" means each of 22 December 2008 (the "Observation Date₁"), 21 December 2009 (the "Observation Date₂"), and 20 December 2010 (the "Final Observation Date").

"Calculation Agent" means Banco Bilbao Vizcaya Argentaria, S.A.

"Closing Level" means the official closing price of the Index on each Index Business Day as quoted on the Index Stock Exchange.

If the Observation Date is not an Index Business Day (as defined below), then such Observation Date will be the next succeeding Index Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Index Business Day. If any Observation Date is not an Index Business Day, then the level of the Index for such Observation Date shall be determined by the Calculation Agent in accordance with the procedures set out below for the case of a Market Disruption Event (as defined below).

If there is a Market Disruption Event on any Final Reference Date, the Observation Date will be the next succeeding Index Business Day on which there is no Market Disruption Event, unless the Market Disruption Event is continuing on the third succeeding Index Business Day, in which case, the third Index Business Day shall be deemed to be the Observation Date, and the level of the relevant Index for the Observation Date shall be determined by the Calculation Agent in accordance with the formula and method of calculating the last Index in effect prior to the commencement of the Market Disruption Event using the relevant Index on that third succeeding Index Business Day of each Index Security comprised in that Index.

"Index Business Day" means a day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on the Index Stock Exchange (as defined below) other than a day on which trading on the Index Stock Exchange is scheduled to close prior to its regular weekday closing time.

"Index Security" means the 50 stocks comprising the Index as they may be reconstituted from time to time.

"Index Stock Exchange" means the London Stock Exchange.

"Market Disruption Event" means the occurrence or existence on any Index Business Day during the half hour prior to quotation of any suspension of or limitation imposed on trading on:

- (i) the Index Stock Exchange in Index Securities that comprise 20 per cent or more of the level of the Index, and / or
- (ii) any exchange on which options or futures contracts on the Index are traded, if in the determination of the Calculation Agent such suspension or limitation is material.

For the purposes of determining whether a Market Disruption Event exists at any time, if trading in an Index Security included in the Index is suspended or materially limited at that time, then the relevant percentage contribution of that Index Security to the level of the Index shall be based on a comparison of (i) the portion of the level of the Index attributable to the Index Security and (ii) the overall level of the Index, in each case immediately before that suspension or limitation.

Adjustment to the Index

If the Index or any component thereof is (i) not calculated and announced by the sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent or (ii) replaced by a successor index using, in the determination of the Calculation Agent, the same or substantially similar formula for and method of calculation as used in the calculation of the Index, then such the Index will be deemed to be the index so calculated and announced by such successor sponsor or such successor index, as the case may be.

Furthermore, if (i) the Index sponsor makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalization and other routine events) or (ii) the sponsor fails to calculate and announce the Index, then the Calculation Agent shall calculate the Index, using the same or substantially similar formula for and method of calculation as it was being used in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those Index Securities that comprised the Index immediately prior to that change or failure (other than those Index Securities that have since ceased to be listed on the Index Stock Exchange).

The Noteholders shall not be entitled to make any claim against the Issuer or the Calculation Agent in the case where the relevant sponsor shall have made any error, omission or other incorrect statement in connection with the calculation and public announcement of the level of the Index.

Annex 2

Information on the Relevant Index DOW JONES EURO STOXX 50 PRICE INDEX

The information below has been extracted from publicly available information for the information of investors and the Issuer has not independently verified any such information. The Issuer shall not have any responsibility for any errors, omissions or subsequent corrections in the information, other than accepting responsibility for accurately extracting and/or summarizing such information. Investors should make their own investment, hedging and trading decisions (including decisions regarding the suitability of this investment), based upon their own judgment and upon advice from such advisers as such investors deem necessary and not upon any view expressed by the Issuer or the Dealer.

INDEX FAMILY

The Dow Jones STOXXSM indexes cover the breadth, depth and liquidity of the European equity markets.

The indexes are published by STOXX Limited, a partnership of Deutsche Börse AG, Dow Jones and Company, ParisBourseSBF SA and SWX Swiss Exchange.

The Dow Jones STOXXSM index family consists of the following broad indexes:

- Dow Jones STOXXSM index (Europe)
- Dow Jones EURO STOXXSM index (Eurozone)
- Dow Jones STOXX NORDICSM index (Nordic region)
- Dow Jones STOXX ex UKSM index (Europe excluding the United Kingdom)
- Dow Jones STOXX ex EUROSM index (Europe excluding the Eurozone)

The Dow Jones EURO STOXXSM, Dow Jones STOXX NORDICSM, Dow Jones STOXX ex UKSM and Dow Jones STOXX ex EUROSM, broad indexes are derived from and are, therefore, subsets of the Dow Jones STOXXSM broad index.

Index Calculation

The indexes are calculated with Laspeyres' formula that measures price changes against a fixed base quantity weight. Price and total return indexes are calculated reflecting different dividend treatments. All dividend payments are included in the total return indexes. Only special dividends - from either non-operating income or cash dividends that are larger than 10% of the equity price - are included in the price indexes. All indexes are denominated in both euros and U.S. dollars.

The euro-denominated price indexes – excluding the industry group indexes – are disseminated every 15 seconds during the index dissemination period. The index dissemination period begins when the first major exchange/system in the regional universe opens for trading, as specified by their trading hours. The actual dissemination of an index is triggered when the first opening stock price for a component in that index is received.

The index dissemination period ends when the last major exchange/system closes, as specified.

Index Features & Data Dissemination

The objectives of the Dow Jones STOXXSM indexes are as follows:

- Measure European stock market performances
- Provide a liquid base for derivative products

In addition to the index features described below, a crucial requirement for achieving these objectives is transparency and the essence of transparency is replication.

To facilitate the accurate replication of these indexes, STOXX Limited widely disseminates all the necessary data and information on all aspects of the index composition and methodology.

These data and information are updated regularly and disseminated immediately.

The index data are disseminated via the major data vendors while the index and component data are disseminated via STOXX Limited's data distribution service, press releases and website (www.stoxx.com), as appropriate.

Information on the index features and methodology are disseminated via stoxx.com.

Index Concept

The design, development and delivery of the Dow Jones STOXXSM indexes are in line with STOXX Limited's 'SPACE' index concept, which ensures that the indexes are Stable, Predictable, Accurate, Consistent and Economical.

They are also investable indexes because the index methodology selects components stocks that are easily tradable and liquid.

Product Concept

The Dow Jones STOXXSM broad indexes and their relevant broad market sector indexes benchmark stock market performance. The blue chip, size and Large/Mid market sector indexes are designed to underlie derivative products.

Dow Jones EURO STOXX 50SM Index

Securities are selected for Dow Jones STOXX 50SM as to represent the largest and most liquid securities in the market, and to reflect the economic sector breakdown of the market. The Dow Jones EURO STOXXSM is a subset of Dow Jones STOXXSM. Only companies listed on exchanges participating in European Economic and Monetary Union are included in Dow Jones EURO STOXXSM. The European and Euro sector indexes are comprised of the same components as the respective broad indexes.

Dow Jones EURO STOXX 50SM is a subset of 50 companies of Dow Jones EURO STOXXSM with the intent of covering the market sector leaders in the Dow Jones EURO STOXXSM.

Source: www.stoxx.com/index, Bloomberg and Reuters.

Information about past and future performance and volatility of the Relevant Index can be obtained at Bloomberg Page: SX5E Index.