

Applicable Final Terms

10 March 2008

Kaupthing Bank hf.
Issue of USD 775,000,000 Puttable Fixed Rate Notes due 10 September 2015
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.

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.*

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: | 14 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | U.S. dollars (“USD”) |

- | | | |
|-----|--|--|
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | USD 775,000,000 |
| | (ii) Tranche: | USD 775,000,000 |
| 5. | Issue Price: | 99 per cent. of the Aggregate Nominal Amount |
| 6. | (i) Specified Denominations: | USD 100,000 |
| | (ii) Calculation Amount: | USD 100,000 |
| 7. | (i) Issue Date: | 10 March 2008 |
| | (ii) Interest Commencement Date: | Issue Date |
| 8. | Maturity Date: | 10 September 2015 |
| 9. | Interest Basis: | 9.75 per cent. per annum – Fixed Rate.
Further particulars specified below. |
| 10. | Redemption/Payment Basis: | Redemption at par |
| 11. | Change of Interest Basis or
Redemption/Payment Basis: | Not Applicable |
| 12. | Put/Call Options: | The Noteholder has a Put Option
Further particulars specified below. |
| 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 | Applicable |
| | (i) Rate(s) of Interest: | The Rate of Interest is 9.75 per cent. per annum payable
semi-annually in arrear. |
| | (ii) Interest Payment Date(s): | 10 March and 10 September in each year commencing 10
September 2008 up to, and including, the Maturity Date. |
| | (iii) Fixed Coupon Amount(s): | USD 4,875.00 per Calculation Amount |
| | (iv) Broken Amount(s): | Not Applicable |
| | (v) Day Count Fraction: | 30/360 (unadjusted) |
| | (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
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		
25.	Issuer Call:	Not Applicable
26.	Investor Put:	Applicable
	(i) Optional Redemption Date(s):	10 September 2010 and 10 March 2013
	(ii) Optional Redemption Amount and method, if any, of calculation of such amounts:	The Optional Redemption Amount on the Optional Redemption Date due 10 September 2010 is USD 97,785 per Calculation Amount; and The Optional Redemption Amount on the Optional Redemption Date due 10 March 2013 is USD 99,030 per Calculation Amount.
	(iii) Notice period (if other than as set out in the Conditions)	Condition 7(d) shall be amended as follows: “not less than 15 nor more than 30 days’ notice” shall be deleted and replaced with the following: “not less than 30 nor more than 60 days’ notice”
27.	Target Redemption Note Provisions:	Not Applicable
28.	Final Redemption Amount:	USD 100,000 per Calculation Amount

- | | | |
|-----|------------------------------------|------------------------------|
| 29. | Early Redemption Amount: | Condition 7(f) is applicable |
| 30. | Capital Notes Provisions: | Not Applicable |
| 31. | Equity Linked Redemption Notes: | Not Applicable |
| 32. | Additional Disruption Events: | Not Applicable |
| 33. | Credit Linked Notes: | Not Applicable |
| 34. | Commodity Linked Redemption Notes: | Not Applicable |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | | |
|-----|--|---|
| 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: | London 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

- | | | |
|-----|--|----------------|
| 42. | (i) If syndicated, names and addresses of Managers and underwriting commitments: | Not Applicable |
| | (ii) Date of Subscription | Not Applicable |

Agreement:

- (iii) Stabilising Manager (if any): Not Applicable
43. If non-syndicated, name and address of relevant Dealer: Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
44. Total commission and concession: 0.00 per cent. of the Aggregate Nominal Amount
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 and admission to an official list 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. 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 Standard and Poors and Bloomberg, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By:


Duly authorised

STEINÞÓRUNN Þ. KARASON
CHIEF RISK OFFICER

Guðný Arna Sveinsdóttir
Framkvæmdastjóri fjármála
Chief Financial Officer

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING** Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Bourse de Luxembourg and, admission to an official list with effect from 10 March 2008.
2. **RATINGS**
Ratings: The Notes to be issued have not been rated.
3. **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.
4. **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: Not Applicable
 - (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*)
Not Applicable

The Issuer does not intend to provide post-issuance information.
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 RATES OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Notes only)

Not Applicable

12. OPERATIONAL INFORMATION

- (i) ISIN Code: XS0350800073
- (ii) Common Code: 035080007
- (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

13. TERMS AND CONDITIONS OF THE OFFER Not Applicable