

22<sup>nd</sup> August, 2005

**Íslandsbanki hf.**  
**Issue of EUR15,000,000 Fixed Rate Notes due 22<sup>nd</sup> August, 2012**  
**under the €7,500,000,000**  
**Global 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 Offering Circular dated 28th July, 2005 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 such Offering Circular. The Offering Circular is available for viewing at the office of the Issuer at Kirkjusandur 2, 155 Reykjavik, Iceland and copies may be obtained from the Principal Paying Agent at Trinity Tower, 9 Thomas More Street, London E1W 1YT.

- |  |  |
|--|--|
| 1. Issuer:   | Íslandsbanki hf.   |
| 2. (i) Series Number:                                | 233  |
| (ii) Tranche Number:                                 | 1  |
| 3. Specified Currency or Currencies:                 | EURO ("EUR")   |
| 4. Aggregate Nominal Amount:                         |  |
| — Series:  | EUR15,000,000  |
| — Tranche:   | EUR15,000,000  |
| 5. Issue Price of Tranche:                           | 100.00 per cent. of Aggregate Nominal Amount                       |
| 6. Specified Denominations:                          | EUR1,000,000   |
| 7. (i) Issue Date:                                   | 22 <sup>nd</sup> August, 2005                                      |
| (ii) Interest Commencement Date:                     | 22 <sup>nd</sup> August, 2005                                      |
| 8. Maturity Date:                                    | 22 <sup>nd</sup> August, 2012                                      |
| 9. Interest Basis:                                   | 3.30 per cent. Fixed Rate<br>(further particulars specified below) |
| 10. Redemption /Payment Basis:                       | Redemption at par  |
| 11. Change of Interest or Redemption/ Payment Basis: | Not Applicable   |
| 12. Put/Call Options:                                | Not Applicable   |
| 13. Status of the Notes:                             | Senior   |
| 14. Method of distribution:                          | Non-Syndicated   |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- |                                 |   |
|---------------------------------|---|
| 15. Fixed Rate Note Provisions: | Applicable  |
| (i) Rate(s) of Interest:        | For the period from (and including) 22 <sup>nd</sup> August, 2005 to (but excluding) 22 <sup>nd</sup> August, 2012 (the Maturity Date) interest will accrue at the rate of 3.30 per cent. per annum, payable annually in arrear |

(ii) Interest Payment Date(s):	Every 22 <sup>nd</sup> August in each year from (and including) 22 <sup>nd</sup> August, 2006 to (and including) 22 <sup>nd</sup> August, 2012 (the Maturity Date), subject to adjustment in accordance with the Modified Following Business Day Convention with no adjustment to the Fixed Interest Amount
(iii) Fixed Coupon Amount(s):	EUR33,000 per EUR1,000,000 in nominal 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:	Not Applicable

16. **Floating Rate Note Provisions** Not Applicable

17. **Zero Coupon Note Provisions** Not Applicable

18. **Indexed-Linked Interest Note Provisions** Not Applicable

19. **Dual Currency Note Provisions** Not Applicable

**PROVISIONS RELATING TO REDEMPTION**

20. Issuer Call Not Applicable

21. Investor Put Not Applicable

22. Final Redemption Amount of each Note 100.00 per cent of the Nominal Amount

23. 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(e)): 100.00 per cent. of the Nominal Amount

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

24. Form of Notes:

Bearer: Applicable

Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on 60 days' notice given at any time

Registered Notes: Not Applicable

25. Additional Financial Centre(s) or other special provisions relating to payment dates: TARGET in addition to Tokyo

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

27. 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

FRS  
JUR

28. Details relating to Instalment Notes, including the amount of each instalment (each an "Instalment Amount") and the date on which each payment is to be made (each an "Instalment Date"): Not Applicable

29. Redenomination applicable: Not Applicable

30. Other final terms: Not Applicable

#### DISTRIBUTION

31. (i) If syndicated, names of Managers: Not Applicable

(ii) Date of Subscription Agreement: Not Applicable

(iii) Stabilising Manager (if any): Not Applicable

32. If non-syndicated, name of Dealer: Shinkin International Ltd.  
2nd Floor, 55 Moorgate  
London, EC2R 6EX

33. Total commission and concession: Not Applicable

34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: TEFRA D rules apply

35. Additional selling restrictions: Not Applicable

36. ERISA Restrictions: Not Applicable

#### LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list the issue of Notes described herein pursuant to the €7,500,000,000 Global Medium Term Note Programme of Íslandsbanki hf.


#### RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[ ] has been extracted from [ ]. 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 [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

By: .....

*Duly authorised*

 Ingvar H. Ragnarsen

**PART B – OTHER INFORMATION**

<b>1. LISTING</b>	
(i) Listing:	None
(ii) Admission to trading:	Not Applicable.
(iii) Estimate of total expenses related to admission to trading:*	[ ]*
<b>2. RATINGS</b>	
Ratings:	The Notes to be issued have been rated: [S & P: [ ]] [Moody's: [ ]] [[Other]:[ ]]

**3. NOTIFICATION**

Not Applicable

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

Not Applicable

**5. REASONS FOR THE OFFER; ESTIMATED NET PROCEEDS AND TOTAL EXPENSES\*\***

(i) Reasons for the Offer:	Not Applicable
(ii) Estimated net proceeds:	Not Applicable
(iii) Estimated total expenses:	Not Applicable

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

Indication of yield:	Not Applicable
----------------------	----------------

**7. HISTORIC INTEREST RATES**

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

Not Applicable

*FRD*  
*ATR*

**10. OPERATIONAL INFORMATION**

(i) ISIN Code:	XS0227800421
(ii) Common Code:	022780042
[(iv)] Any clearing system(s) other than DTC, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	Not Applicable
[(v)] Delivery:	Delivery against payment
[(vi)] Names and addresses of additional Paying Agent(s) and Transfer Agent(s) (if any):	Not Applicable