

26<sup>th</sup> August, 2005

**Íslandsbanki hf.**

**Issue of JPY3,000,000,000 Fixed Rate Notes due 26<sup>th</sup> August, 2010  
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 28<sup>th</sup> 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 Reykjavík, 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:  | 235   |
| (ii) Tranche Number:   | 1   |
| 3. Specified Currency or Currencies:                           | Japanese Yen ("JPY")  |
| 4. Aggregate Nominal Amount:                                   |   |
| — Series:  | JPY3,000,000,000  |
| — Tranche:   | JPY3,000,000,000  |
| 5. Issue Price of Tranche:                                     | 100.00 per cent. of Aggregate Nominal Amount                        |
| 6. Specified Denominations:                                    | JPY3,000,000,000  |
| 7. (i) Issue Date:   | 26 <sup>th</sup> August, 2005                                       |
| (ii) Interest Commencement Date:                               | 26 <sup>th</sup> August, 2005                                       |
| 8. Maturity Date:  | 26 <sup>th</sup> August, 2010                                       |
| 9. Interest Basis:   | 0.859 per cent. Fixed Rate<br>(further particulars specified below) |
| 10. Redemption /Payment Basis:                                 | Redemption at par   |
| 11. Change of Interest or<br>Redemption/ Payment Basis:        | Not Applicable  |
| 12. Put/Call Options:  | Not Applicable  |
| 13. (i) Status of the Notes:                                   | Senior  |
| (ii) Date of Board approval for<br>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:        | For the period from (and including) 26 <sup>th</sup> August, 2005 to (but excluding) 26 <sup>th</sup> August, 2010 (the Maturity Date) interest will accrue at the rate of 0.859 per cent. per annum, payable semi-annually in arrear |

*AKL SES*

(ii) Interest Payment Date(s):	Every 26 <sup>th</sup> February and 26 <sup>th</sup> August in each year from (and including) 26 <sup>th</sup> February, 2006 to (and including) 26 <sup>th</sup> August, 2010 (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):	JPY429,500 per JPY100,000,000 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. <b>Floating Rate Note Provisions</b>	Not Applicable
17. <b>Zero Coupon Note Provisions</b>	Not Applicable
18. <b>Indexed-Linked Interest Note Provisions</b>	Not Applicable
19. <b>Dual Currency Note Provisions</b>	Not Applicable

**PROVISIONS RELATING TO REDEMPTION**

20. Issuer Call	Not Applicable
21. Investor Put	Not Applicable
22. Final Redemption Amount of each Note	JPY100,000,000 per Note of JPY100,000,000 Specified Denomination
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:	London 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:<br>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 |
| 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 and address of relevant Dealer:                    | Shinkin International Ltd.<br>2nd Floor, 55 Moorgate<br>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   |

**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** None
- 2 **RATINGS**  
Rating: The Notes have been rated:  
S&P: Not Applicable  
Moody's: A1  
Fitch: A
- 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**  
Not Applicable
- 6 **YIELD** (*Fixed Rate Notes Only*)  
Not Applicable
- 7 **HISTORIC INTEREST RATES** (*Floating Rate Notes only*)  
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 OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND OTHER INFORMATION CONCERNING THE UNDERLYING** (*Dual Currency Notes only*)  
Not Applicable
- 10 **PERFORMANCE OF UNDERLYING, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND INFORMATION CONCERNING THE UNDERLYING** (*Equity-Linked Notes only*)  
Not Applicable
- 11 **OPERATIONAL INFORMATION**
- (i) ISIN Code: XS0228328083
- (ii) Common Code: 22832808
- (iii) CUIP: Not Applicable
- (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 Agents and Transfer Agent(s) (if any): Not Applicable

F&S HAL