

30 September 2005

FINAL TERMS

Íslandsbanki hf.
Issue of EUR 3,000,000 2.75 per cent. Notes due March 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 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 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:	248
	(ii) Tranche Number:	1
3.	Specified Currency or Currencies:	Euro (“EUR”)
4.	Aggregate Nominal Amount:	
	– Series:	EUR 3,000,000
	– Tranche:	EUR 3,000,000
5.	(i) Issue Price of Tranche:	100 per cent. of the Aggregate Nominal Amount
6.	Specified Denominations:	EUR 50,000
7.	(i) Issue Date:	30 September 2005
	(ii) Interest Commencement Date:	Issue Date
8.	Maturity Date:	31 March 2010
9.	Interest Basis:	2.75 per cent. Fixed Rate (further particulars specified below)
10.	Redemption/Payment Basis:	Redemption at par
11.	Change of Interest Basis or Redemption/Payment	Not Applicable
12.	Put/Call Options:	Not Applicable
13.	(i) Status of Notes:	Senior
	(ii) 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:	2.75 per cent. per annum payable annually in arrear
(ii) Interest Payment Date(s):	31 March in each year, from and including 31 March 2006, to and including the Maturity Date, subject to adjustment in accordance with the Business Day Convention specified below There will be a short first Interest Period from and including the Issue Date to but excluding 31 March 2006 (the "Short First Period")
(iii) Fixed Coupon Amount(s):	EUR 1,375 per EUR 50,000 in Nominal Amount
(iv) Broken Amount(s):	[EUR 685.62 per EUR 50,000]
(v) Day Count Fraction:	Actual/Actual
(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. Index Linked Interest Note Provisions	Not Applicable
19. Dual Currency Interest 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:	EUR 50,000 per Note of EUR 50,000 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)):	As set out in Condition 7(e)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:	
Bearer Notes:	Applicable

	Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event
25. Additional Financial Centre(s) or other special provisions relating to Payment Dates:	TARGET only. London shall not be a Financial Centre for the purposes of Condition 6(f)(i)(B)
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
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:	Redenomination 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 relevant Dealer:	ABN AMRO Bank N.V.
33. Total Commission and concession:	None
34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	TEFRA D
35. Additional selling restrictions:	Not Applicable

OPERATIONAL INFORMATION

36. ERISA Restrictions:	Not Applicable
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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.

Signed on behalf of the Issuer:

By:
Duly authorised

PART B - OTHER INFORMATION

1. LISTING

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|-------|-------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| (i) | Listing | London |
| (ii) | Admission to trading: | Application will be made for the Notes to be admitted to trading on the London Stock Exchange with effect from 30 September 2005 |
| (iii) | Estimate of total expenses related to admission to trading: | None |

2. RATINGS

Ratings: Moody's: A1

3. NOTIFICATION

Not Applicable

4. 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.

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

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|-------|---------------------------|----------------------------|
| (i) | Reasons for the offer: | General corporate purposes |
| (ii) | Estimated net proceeds: | EUR 3,000,000 |
| (iii) | Estimated total expenses: | None |

6. YIELD (*Fixed Rate Notes only*)

Indication of yield: 2.75 per cent. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield

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

10. OPERATIONAL INFORMATION

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|--------|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| (i) | Jurisdictions into which public offer to be made: | None |
| (ii) | ISIN Code: | XS0230928243 |
| (iii) | Common Code: | 23092824 |
| (iv) | Fondscod: | Not Applicable |
| (v) | WKN Code: | Not Applicable |
| (vi) | Other relevant code: | Not Applicable |
| (vii) | 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 |
| (viii) | Offer Period: | Not Applicable |
| (ix) | Delivery: | Delivery against payment |
| (x) | Names and addresses of additional Paying Agent(s) (if any): | Not Applicable |