

## Final Terms

October 27, 2005

**Íslandsbanki hf.**  
**Issue of EUR 45,000,000 Fixed Rate Notes due 2011**  
**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:                                     | 226   |
| (ii) Tranche Number:                                      | 1   |
| 3. Specified Currency or Currencies:                      | EUR   |
| 4. Aggregate Nominal Amount:                              |   |
| – Series:   | EUR 45,000,000                                      |
| – Tranche:  | EUR 45,000,000                                      |
| 5. Issue Price of Tranche:                                | 87.67 per cent. of the Aggregate Nominal Amount     |
| 6. Specified Denominations:                               | EUR 5,000   |
| 7. (i) Issue Date:  | October 31, 2005                                    |
| (ii) Interest Commencement Date :                         | Issue Date  |
| 8. Maturity Date:   | December 30, 2011                                   |
| 9. Interest Basis:  | Fixed Rate<br>(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:                                    | 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. <b>Fixed Rate Note Provisions:</b>   | Applicable  |
| (i) Rate(s) of Interest:   | - 2.68 per cent in respect of the first Interest Payment Date<br><br>- 3.43 per cent in respect of the second Interest Payment Date   |
| (ii) Interest Payment Date(s):   | December 29, 2006 and December 30, 2011 in each case subject to the Modified Following Business Day Convention  |
| (iii) Fixed Coupon Amount(s):  | - EUR 134 per EUR 5,000 in nominal amount (i.e. EUR 5,000 x 2.68%) payable on December 29, 2006<br><br>- EUR 171.50 per EUR 5,000 in nominal amount (i.e. EUR 5,000 x 3.43%) payable on December 30, 2011 |
| (iv) Broken Amount(s):   | Not Applicable  |
| (v) Day Count Fraction:  | Not Applicable  |
| (vi) Determination Date(s):  | Not Applicable  |
| (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: | None  |
| 16. <b>Floating Rate Note Provisions</b>   | Not Applicable  |
| 17. <b>Zero Coupon Note Provisions</b>   | Not Applicable  |
| 18. <b>Index Linked Interest Note Provisions</b>                                       | Not Applicable  |
| 19. <b>Dual Currency Interest 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:  | EUR 5,000 per Note of EUR 5,000 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)):

Condition 7(e) applies

## 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 [on 60 days' notice given at any time/only upon an Exchange Event]

Registered Notes:

Not Applicable

### 25. Additional Financial Centre(s) or other special provisions relating to Payment Dates:

Not Applicable

### 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 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 and address of relevant Dealer:

CALYON

9 quai du Président Paul Doumer

92920 Paris La Défense Cedex

France

### 33. Total commission and concession:

Not Applicable

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

TEFRA D

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..

Signed on behalf of the Issuer:

By: .....

*Duly authorised*

## **PART B – OTHER INFORMATION**

### **1. LISTING**

- |  |  |
|--|--|
| (i) Listing:   | London   |
| (ii) Admission to trading:   | Application has been made for the Notes to be admitted to trading on the London Stock Exchange with effect from October 31, 2005 |
| (iii) Estimate of total expenses related to admission to trading:* | Not Applicable   |

### **2. RATINGS**

Ratings: Not Applicable

### **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\*\***

- |                                 |                              |
|---------------------------------|------------------------------|
| (i) Reasons for the Offer:      | For general funding purposes |
| (ii) Estimated net proceeds:    | Not Applicable               |
| (iii) Estimated total expenses: | Not Applicable               |

### **6. YIELD**

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)**

Not Applicable

**9. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

Not Applicable

**10. OPERATIONAL INFORMATION**

- |       |   |                          |
|-------|---|--------------------------|
| (i)   | ISIN Code:  | XS0227292330             |
| (ii)  | Common Code:  | 22729233                 |
| (iii) | CUSIP   | 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 Agent(s) and Transfer Agent(s) (if any):   | Not Applicable           |