

Final Terms

28 October 2005

Íslandsbanki hf.
Issue of EUR8,000,000 Target Redemption Notes due October 2015
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:	249
	(ii) Tranche Number:	Not Applicable
3.	Specified Currency or Currencies:	EURO (EUR)
4.	Aggregate Nominal Amount:	
	– Series:	EUR8,000,000
	– Tranche:	EUR8,000,000
5.	Issue Price of Tranche:	100.00 per cent. of the Aggregate Nominal Amount
6.	Specified Denominations:	EUR1,000
7.	(i) Issue Date:	31 October 2005
	(ii) Interest Commencement Date :	Not Applicable
8.	Maturity Date:	The Interest Payment Date falling in or nearest to October 2015
9.	Interest Basis:	Fixed to Floating Rate
10.	Redemption/Payment Basis:	Redemption at par
11.	Change of Interest Basis or Redemption/Payment	Not Applicable

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| 12. Put/Call Options: | Not Applicable |
| 13. (i) Status of Notes: | Senior |
| (ii) Date Board approval for issuance | Not Applicable |
| 14. Method of distribution: | Non-syndicated |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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| 15. Fixed Rate Note Provisions: | Applicable from and including the Issue Date to but excluding 31 October 2006 |
| (i) Rate(s) of Interest: | 3.00 per cent. per annum payable annually in arrear |
| (ii) Interest Payment Date(s): | 31 October 2006 |
| (iii) Fixed Coupon Amount(s): | EUR30.00 per EUR1,000 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: | None |
| 16. Floating Rate Note Provisions | Applicable from and including 31 October 2006 up to but excluding the Maturity Date |
| (i) Specified Period(s)/Specified Interest Payment Dates: | Interest payable annually in arrear. Interest Payment Dates will be 31 October in each year, commencing from and including 31 October 2007 |
| (ii) Business Day Convention: | Modified Following Business Day Convention |
| (iii) Additional Business Centre(s): | TARGET |
| (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: | Other |

(i) For the interest period commencing from 31 October 2006 up to but excluding the 31 October 2014, the interest rate shall be determined by the Calculation Agent in accordance with the following formula:

7.00% - 1.5 *Reference Rate

(ii) For the interest period commencing from 31 October 2014 up to but excluding the Maturity Date, the interest rate shall be determined by the Calculation Agent in accordance with the following formula:

Target Redemption – Total Accrued Amount

For the purpose of this Condition the following mean:

"Reference Rate" means Euribor 12 months which is the rate for deposits in euro for a designated maturity of 12 months and it appears on Telerate Page 248 as of 11.00 a.m. Brussels time on the Fixing Date

"Fixing Date" means five (5) TARGET Business Day prior to the end of the relevant Interest Period;

"Target Redemption" means 20.00%;

"Total Accrued Amount" means in respect of each Denomination and as determined by the Calculation Agent for each Interest Payment Date, the sum of (i) the Coupon Amounts per Denomination paid on any Interest Payment Date up to such Interest Payment Date and (ii) the Coupon Amount per Denomination due on such Interest Payment Date;

"Early Termination" means If for any Interest Payment Date, the Calculation Agent determines that the Aggregate Coupon Amount is equal to or greater than the Target Redemption, (i) the Notes shall be redeemed on such Interest Payment Date at par and (ii) the Coupon Amount per Denomination in respect of such Interest Payment Date shall be reduced (where applicable) to an amount such that the Aggregate Coupon Amount on that Interest Payment Date is equal to the Target Redemption

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| (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): | Not Applicable |
| (vi) Screen Rate Determination: | Not Applicable |
| (vii) ISDA Determination: | No |
| (viii) Margin(s): | Not Applicable |
| (ix) Minimum Rate of Interest: | Zero per cent |
| (x) Maximum Rate of Interest: | Not Applicable |
| (xi) Day Count Fraction: | 30/360, unadjusted |
| (xii) Fall back provisions, rounding provisions and any other terms relating to the method of | |

calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	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:	EUR1,000 per Note of EUR1,000 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 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
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 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	Not Applicable	

Amount”) and the date on which each payment is to be made (each an “Instalment Date”):

29. Redenomination applicable: Redenomination not Applicable
30. Other final terms: Not Applicable

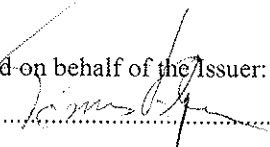
DISTRIBUTION

31. (i) If syndicated, names and addresses of Managers and underwriting commitments: 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: Barclays Bank PLC
MTN Desk
5 The North Colonnade
Canary Wharf
London E14 4BB
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

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: | None |
| (ii) Admission to trading: | Not Applicable. |
| (iii) Estimate of total expenses related to admission to trading: | Not Applicable |

2. RATINGS

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| Ratings: | The Notes to be issued have not been rated |
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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 Funding |
| (ii) Estimated net proceeds: | EUR8,000,000 |
| (iii) Estimated total expenses: | Not Applicable |

6. YIELD (*Fixed Rate Notes only*)

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| Indication of yield: | Not Applicable |
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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 RATES OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (*Dual Currency Notes only*) – Not Applicable

10. OPERATIONAL INFORMATION

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| (i) | ISIN Code: | XS0231432328 |
| (ii) | Common Code: | 023143232 |
| (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 |