

Final Terms

November 16, 2005

Íslandsbanki hf.
Issue of EUR 35,000,000 Fixed Rate & Index Linked Interest 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.

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|----|-----------------------------------|---|
| 1. | Issuer: | Íslandsbanki hf. |
| 2. | (i) Series Number: | 238 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | Euro ("€" or "EUR") |
| 4. | Aggregate Nominal Amount: | |
| | – Series: | EUR 35,000,000 |
| | – Tranche: | EUR 35,000,000 |
| 5. | Issue Price of Tranche: | 100 per cent. of the Aggregate Nominal Amount |
| 6. | Specified Denominations: | EUR 10,000 |
| 7. | (i) Issue Date: | November 18, 2005 |
| | (ii) Interest Commencement Date : | Issue Date |
| 8. | Maturity Date: | November 18, 2011 |
| 9. | Interest Basis: | 3.00 per cent. Fixed Rate in respect of the First Interest Period (defined as the period beginning on, and including, the Interest Commencement Date and ending on, but |

excluding, November 18, 2006) and in respect of the **Second Interest Period** (defined as the period beginning on, and including, the November 18, 2006 and ending on, but excluding, November 18, 2007)

Index Linked Interest in respect of the **Other Interest Periods** (i.e. each twelve-month period from, and including, November 18, 2007 to, but excluding, the Maturity Date)

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. Fixed Rate Note Provisions:	Applicable
(i) Rate(s) of Interest:	3.00 per cent per annum
(ii) Interest Payment Date(s):	November 18, 2006 and November 18, 2007 in each case subject to the Modified Following Business Day Convention
(iii) Fixed Coupon Amount(s):	EUR 300 per EUR 10,000 in nominal amount (i.e. EUR 10,000 x 3.00% x (360/360)) payable on each Interest Payment Date
(iv) Broken Amount(s):	Not Applicable
(v) Day Count Fraction:	30/360
(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	Not Applicable
17. Zero Coupon Note Provisions	Not Applicable

18. Index Linked Interest Note Provisions

Applicable. Each Note shall bear interest on its outstanding nominal amount from (and including) November 18, 2007 to (but excluding) the Maturity Date at a rate of interest determined by the Calculation Agent in accordance with the provisions set forth under the Section 1/ "Index Linked Interest Note Provisions" of the Appendix.

Such interest amount will be payable annually in arrear.

See Appendix
CALYON

- (i) Index/Formula:
- (ii) Calculation Agent responsible for calculating the interest due:
- (iii) Provisions for determining interest where calculation by reference to Index and/or Formula is impossible or impracticable:
- (iv) Specified Period(s)/Specified Interest Payment Dates:

See Appendix

Specified Periods:

Each twelve-month period from (and including) November 18, 2007 to (but excluding) the Maturity Date.

Specified Interest Payment Dates:

November 18 in each year from November 18, 2008 to November 18, 2011 (defined as "Index Linked Interest Payment Date_(i)", being provided that the Index Linked Interest Payment Date₍₁₎ shall occur on November 18, 2008 and that the Index Linked Interest Payment Date₍₄₎ shall occur on November 18, 2011), in each case subject to adjustments in accordance with the Business Day Convention.

- (v) Business Day Convention:

Modified Following Business Day Convention

- (vi) Additional Business Centre(s):
- (vii) Minimum Rate of Interest:
- (viii) Maximum Rate of Interest:
- (ix) Day Count Fraction:

Not Applicable
0.00 per cent.
See Appendix
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 10,000 per Note of EUR 10,000 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 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 November 18, 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: | XS0230478538 |
| (ii) | Common Code: | 23047853 |
| (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 |

APPENDIX

(This Appendix forms part of the Final Terms to which it is attached)

1/ INDEX LINKED INTEREST NOTE PROVISIONS

Accordingly to the item 18 "Index Linked Note Provisions", each Note bears index linked interest from (and including) November 18, 2007 to (but excluding) the Maturity Date payable annually in amounts in EUR (each an "Index Linked Interest Amount_(i)") calculated by the Calculation Agent in accordance with the following formula (rounded if necessary to the nearest second decimal, with 0.005 and above being rounded upwards):

$$\text{Index Linked Interest Amount}_{(i)} = \text{€}10,000 \times \text{Rate}_{(i)}$$

Where, unless the context otherwise requires, the following defined terms beginning by a capital letter shall have the meanings set forth below:

"i" means a series of whole numbers between 1 and 4;

"j" means a series of whole numbers between 1 and i;

"k" means a series of whole numbers between 1 and 15;

"Basket of Shares" or "Basket" means at the Issue Date a basket composed of each Share_(k) listed under the schedule hereto (subject to adjustments pursuant to the Section 3/ "Adjustments Following Certain Events Relating to Any Share_(k)"):

Share _(k)	Shares / Companies	Isin code	Bloomberg Code	Exchange	Related Exchange
Share ₍₁₎	Bank of America Corporation	US0605051046	BAC UN	New York Stock Exchange	American Exchange, Chicago Board of Options Exchange, Chicago Mercantile Exchange, Pacific Stock Exchange and/or Philadelphia Stock Exchange
Share ₍₂₎	BASF AG	DE0005151005	BAS GY	Xetra Systems	EUREX
Share ₍₃₎	Credit Suisse Group	CH0012138530	CSGN VX	Virt-X	EUREX
Share ₍₄₎	Citigroup Inc.	US1729671016	C UN	New York Stock Exchange	American Exchange, Chicago Board of Options Exchange, Chicago Mercantile Exchange, Pacific Stock Exchange and/or Philadelphia Stock Exchange
Share ₍₅₎	Deutsche Bank AG	DE0005140008	DBK GY	Xetra Systems	EUREX

Share₍₆₎	Roche Holding AG	CH0012032048	ROG VX	Virt-X	EUREX
Share₍₇₎	The Home Depot, Inc.	US4370761029	HD UN	New York Stock Exchange	American Exchange, Chicago Board of Options Exchange, Chicago Mercantile Exchange, Pacific Stock Exchange and/or Philadelphia Stock Exchange
Share₍₈₎	Johnson & Johnson	US4781601046	JNJ UN	New York Stock Exchange	American Exchange, Chicago Board of Options Exchange, Chicago Mercantile Exchange, Pacific Stock Exchange and/or Philadelphia Stock Exchange
Share₍₉₎	Microsoft Corporation	US5949181045	MSFT UQ	NASDAQ Stock Market	American Exchange, Chicago Board of Options Exchange, Chicago Mercantile Exchange, Pacific Stock Exchange and/or Philadelphia Stock Exchange
Share₍₁₀₎	Carrefour SA	FR0000120172	CA FP	Euronext Paris	MONEP SA
Share₍₁₁₎	Prudential plc	GB0007099541	PRU LN	London Stock Exchange	LIFFE
Share₍₁₂₎	Royal Dutch Shell PLC	GB00B03MLX29	RDSA NA	Euronext Amsterdam	Euronext Liffe Amsterdam Derivatives
Share₍₁₃₎	Societe Generale	FR0000130809	GLE FP	Euronext Paris	MONEP SA
Share₍₁₄₎	Total SA	FR0000120271	FP FP	Euronext Paris	MONEP SA
Share₍₁₅₎	UniCredito Italiano SpA	IT0000064854	UC IM	Italian Stock Exchange	IDEM

"Share(s)_(k)" means, in respect of each Share_(k) comprised in the Basket, the ordinary share of any company (the "Company") the name of which appears in rank "k" in the list of Shares under the definition of "Basket" (collectively referred as the "Shares" and the "Companies");

"Shares" means collectively all the Shares_(k), or such other type and number of shares_(k) and/or securities pursuant to adjustments made in accordance with the provisions contained in the Section 3/ "Adjustments and Extraordinary Events affecting the Shares comprised in the Basket" hereafter, and "Share_(k)" shall be construed accordingly;

"Rate_(i)" means either:

- $5.50\% \times i - \sum_{j=1}^i \text{Rate}_{(j-1)}$, in the event that the Calculation Agent determines in respect of each Share_(k) and each Observation Period_(i) that each Share_(k) Intermediary Price of such Observation Period_(i) is equal to or greater than 85% of the Share_(k) Initial Price or
- 0.00% otherwise;

"Share_(k) Initial Price" means in respect of each Share_(k) comprised in the Basket, the official closing price of the Share_(k) on the Exchange on November 18, 2005, the "Initial Fixing Date"), subject to adjustments pursuant to Section 3/ *"Adjustments and Extraordinary Events affecting the Shares comprised in the Basket"* hereafter, notably in the case of redenomination of the currency in which the Share_(k) is quoted, provided that if such day is not an Exchange Business Day for all of the Shares comprised in the Basket, such Initial Fixing Date (i.e. the date on which the Share_(k) Initial Price will be determined) shall be deemed to be the next following Exchange Business Day for all of the Shares comprised in the Basket, unless there is a Market Disruption Event on that date.

In the case of a Market Disruption Event occurring on the Initial Fixing Date the consequence is that:

- the initial fixing date for each Share_(k) not affected by a Market Disruption Event shall be the Initial Fixing Date and,
- the Initial Fixing Date for each Share_(k) affected by a Market Disruption Event shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the thirty Exchange Business Days immediately following the Initial Fixing Date. In that case, that thirtieth Exchange Business Day shall be deemed to be such fixing date notwithstanding the Market Disruption Event and the Calculation Agent shall determine its good faith estimate of the Exchange traded price for the Share that would have prevailed but for that Market Disruption Event as of the Valuation Time on that thirtieth Exchange Business Day;

"Share_(k) Intermediary Price" means, in respect of each Share_(k) and each Valuation Date the price of such Share_(k) as of the Valuation Time on each Valuation Date as determined by the Calculation Agent (multiplied if necessary by the Number of Share_(k) as determined by the Calculation Agent on such Valuation Date);

"Observation Period_(i)" means the Observation Period₍₁₎, the Observation Period₍₂₎, the Observation Period₍₃₎ or the Observation Period₍₄₎, as the case may be;

"Observation Period₍₁₎" means the period from, and including, December 3, 2007 to, and including, November 3, 2008;

"Observation Period₍₂₎" means the period from, and including, December 3, 2008 to, and including, November 3, 2009;

"Observation Period₍₃₎" means the period from, and including, December 3, 2009 to, and including, November 3, 2010;

"Observation Period₍₄₎" means the period from, and including, December 3, 2010 to, and including, November 3, 2011;

"Valuation Date" means each third of each month from, and including, December 3, 2007 to, and including, November 3, 2011, (or the next following relevant Exchange Business Day for all the

Shares comprised in the Basket if such date is not an Exchange Business Day for all of the Shares_(k) comprised in the Basket on such date), unless there is a Market Disruption Event in respect of any of the Shares_(k) comprised in the Basket on that date.

In that case, (i) the Valuation Date for each Share_(k) being not affected by a Market Disruption Event shall be the scheduled Valuation Date (the "Scheduled Valuation Date") and, (ii) the Valuation Date for each Share_(k) being affected by a Market Disruption Event shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the ten Exchange Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Scheduled Valuation Date. In that case, that tenth Exchange Business Day shall be deemed to be such Valuation Date notwithstanding the Market Disruption Event and the Calculation Agent shall determine its good faith estimate of the Exchange traded price for the Share_(k) that would have prevailed but for that Market Disruption Event as of the Valuation Time on that tenth Exchange Business Day;

"Valuation Time" means the official time of the close of trading on the Exchange in relation to each Share_(k).

"Number of Share_(k)" or **"N_(k)"** means in respect of each Share_(k), 1 (subject to adjustment pursuant to the Section 3/ *"Adjustments and Extraordinary Events affecting the Shares comprised in the Basket"*);

"Exchange" means, in respect of each particular Share_(k), the exchange the name of which appears beside the name of the Share_(k) under the column "Exchange" in the definition of "Basket", provided that should the relevant Shares_(k) cease to be listed on the relevant Exchange and become listed on any other exchange or quotation system than the relevant Exchange, if the conditions of liquidity of the relevant Share_(k) to determine the Share_(k) Intermediary Price on the Valuation Date_(i) are in the opinion of the Calculation Agent the same as on the relevant Exchange, the Exchange shall be such other exchange or quotation system;

"Exchange Business Day" means in respect of each Share_(k), any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on the Exchange and the Related Exchange including a day on which trading on such Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time;

"Market Disruption Event" means, in respect of any Share_(k), the occurrence or existence on any Exchange Business Day during the one hour period that ends at the relevant Valuation Time of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant exchange for that Share_(k) or otherwise) in (A) the Share_(k) on the Exchange for that Share_(k) or (B) any options contracts relating to the Share_(k) on the Related Exchange for that Share_(k) if, in any such case, that suspension or limitation is, in the determination of the Calculation Agent, material;

"Related Exchange" means in respect of each particular Share_(k), the relevant exchange or quotation system, if any, on which options or futures contracts on such Share_(k) are traded or quoted and the name of which appears besides the name of the Share_(k) under the column "Related Exchange" in the definition of "Basket", or any successor exchange or quotation system to any of them;

2/ EARLY REDEMPTION AMOUNT

The early redemption amount payable upon early redemption of each Note of €10,000 for taxation reasons in accordance with Condition 7(b) or following the occurrence of an Event of Default in accordance with Condition 10 (the "Early Redemption Amount") will be an amount in EUR calculated by the Calculation Agent and being equal to, notwithstanding anything to the contrary in the Offering Circular, the market value of a Note on the fifth day (that is together an Exchange Business Day (as

defined in Section 1/ "*Index Linked Interest Note Provisions*") and a Business Day) prior to the early redemption date (the "Early Redemption Date") (such fifth day that is together an Exchange Business Day and a Business Day prior to the Early Redemption Date being defined as the "Market Value Determination Date"), such market value being determined by the Calculation Agent in its sole and absolute discretion on the basis, notably, of (i) the market conditions of the Shares_(k) contained in the Basket on the relevant Exchange at the Valuation Time on such Market Value Determination Date, and less (ii) the cost to the Issuer of unwinding any underlying related hedging arrangements).

The Early Redemption Date would be determined in accordance with Conditions 7(b) and/or 10 and 14.

3/ ADJUSTMENTS AND EXTRAORDINARY EVENTS AFFECTING THE SHARES COMPRISED IN THE BASKET

Upon the occurrence of certain events affecting the value of any Share_(k) belonging to the Basket from the Issue Date to the Valuation Date₍₄₎ (both dates inclusive), the Calculation Agent may make the following adjustments listed below.

To make such adjustments, the Calculation Agent may (in its choice) either (i) adopt the treatment used by the relevant authority of the Related Exchange (using the method of adjustment and calculations elected by the relevant Related Exchange) or (ii) use the methods of adjustment defined below.

1) Adjustment

If from the Issue Date until the Valuation Date₍₄₎, any of the Companies:

- (i) effects any reorganisation, consolidation, increase, reduction by cancellation, redemption, subdivision of its share capital, or
- (ii) offers for subscription to existing shareholders on a preferential basis new Shares_(k) or securities convertible into new Shares_(k) or rights, options or warrants to subscribe for or purchase new Shares_(k), or
- (iii) issues new Shares_(k) to existing shareholders by incorporation of reserves, profits or share premium account or distributes other assets or reserves in the form of cash or portfolio securities, or
- (iv) effects any other alteration of its share capital;

then, the Calculation Agent will, in its absolute discretion, determine whether such adjustment event has a diluting or concentrative effect on the theoretical value of the Shares_(k) and, if so, will (a) make the corresponding adjustment, if any, to be made to the definition to the Share_(k) Initial Price and/or to any of the other terms of the Terms and Conditions and the Final Terms as the Calculation Agent determines, in its absolute discretion, appropriate to account for that diluting or concentrative effect and (b) determine the Effective Date of that adjustment.

No adjustment will be made as a result of any payment of dividend, whether or not in the form of cash.

2) *Merger*

In the event of a merger (fusion) of any of the Companies into or with any other company (other than a merger in which the Company(ies) is (are) the surviving company), the Calculation Agent may elect either:

- (a) to substitute for the relevant Share(s)_(k), the shares of the company resulting from or surviving such merger; in such case the substitution of the shares shall take effect on the first Business Day immediately following the date upon which all holders of the Shares_(k) (other than, in the case of a take-over offer (see subsection 3/ "Cash Take-Over Bid / Paper Take-Over Bid" below), Shares_(k) owned or controlled by the initiator) have agreed or have irrevocably become obliged to transfer their Shares_(k) and the Calculation Agent shall determine the number of the new shares in accordance with the ratio applicable to the merger; or
- (b) to consider for the relevant Share(s)_(k) that the Share_(k) Intermediary Price is equal to the last quotation price of such Share(k) immediately prior to the Effective Date); or
- (c) to keep the relevant Share(s)_(k) as component of the Basket if the conditions of liquidity of the relevant Share_(k) on the Exchange are in the opinion of the Calculation Agent sufficient.

3) *Cash Take-Over Bid / Paper Take-Over Bid*

- (a) In the event where any Company is subject to a successful **Cash Take-Over Bid**, the Calculation Agent may elect either:
 - (i) to keep the relevant Share(s)_(k) as component of the Basket if the conditions of liquidity of the relevant Share(s)_(k) on the Exchange are in the opinion of the Calculation Agent sufficient; or
 - (ii) to consider for the relevant Share(s)_(k) that the Share_(k) Intermediary Price is equal to either the Cash Take Over Bid price or the last closing price of the Share_(k) which is deliverable to the Cash Take-Over Bid on the last quotation day of the Take Over period.
- (b) In the event where any Company is subject to a successful **Paper Take-Over Bid**, the Calculation Agent may elect either:
 - (i) to keep the relevant Share(s)_(k) as component of the Basket if the conditions of liquidity of the relevant Share(s)_(k) on the Exchange are in the opinion of the Calculation Agent sufficient, or
 - (ii) to consider for the relevant Share(s)_(k) that the Share_(k) Intermediary Price is equal to the last closing price of the Share_(k) which is deliverable to the Paper Take-Over Bid on the last quotation day of the Take-Over period, or
 - (iii) to substitute:
 - the relevant Share(s)_(k) by the security(ies) which has been exchanged therefore in the Paper Take-Over Bid, by reference to the exchange ratio applicable to that event (such substitution will take effect the first Business Day following the Effective Date), or
 - as component of the Basket one or more of securities which has been exchanged therefore according to the exchange ratio applicable in the Paper Take-Over Bid (the "Retained Security(ies)"); in such case, the value of the non retained security(ies) (the "Non Retained Security(ies)") shall be expressed as a number or a fraction of a number of the Retained Security(ies) which shall be calculated on the basis of the official opening quotations of both of the Non Retained Security(ies) and the Retained

Security(ies) on the first Exchange Business Day following the Effective Date. For the purpose of this provision Exchange Business Day means a day on which both of the Non Retained Security(ies) and the Retained Security(ies) are quoted.

In the case where the relevant Share(s)_(k) should be exchanged for (1) one or more security(ies) and (2) a cash amount, such cash amount shall be expressed as a number or a fraction of a number of the Retained Security(ies) which shall be calculated on the basis of the official opening quotation of the Retained Security(ies) on the first Exchange Business Day following the Effective Date.

4) De-merger Event

If any Shares_(k) are cancelled as a result of a de-merger which results in the distribution of new shares, the Calculation Agent may elect either:

- (a) to substitute as component of the Basket, the share(s) of the successor companies or,
- (b) to substitute as component of the Basket, the share(s) of one or more of the successor companies (the "Retained Share(s)"); in such case the value of the Non-Retained Shares shall be expressed as a number (or a fraction of a number) of the Retained Share(s) and shall be calculated on the basis of the official closing quotations of both the Non Retained and the Retained Share(s) on the Effective Date if such day is an Exchange Business Day or the next following Exchange Business Day. For the purpose of this provision Exchange Business Day means a day on which both of the Non Retained Security(ies) and the Retained Security(ies) are quoted.
- (c) to consider for the relevant Share(s)_(k) that the Share_(k) Intermediary Price is equal to the last quotation price of such Share_(k) immediately prior to the Effective Date).

5) Definitive cessation of quotation of the Share(s)_(k)

If the quotation of any Share_(k) is definitively suspended for any reason (including De-listing Event, Nationalisation, Insolvency or any other reason), the Calculation Agent shall consider for the relevant Share(s)_(k) that the Share_(k) Intermediary Price is equal to the last quotation price of such Share_(k) on its last quotation day.

For the purposes hereof:

"De-listing Event" means that any Share(s)_(k) is/are de-listed from the relevant Exchange or from the relevant listing division of such exchange and either cease definitely to be quoted on any other recognised exchange or have their listing maintained in inappropriate conditions in the opinion of the Calculation Agent.

"Insolvency" means in respect of any Company that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting that Company (i) all the Share_(k) are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares_(k) become legally prohibited from transferring them.

"Nationalisation" means in respect of any Company that all the Shares_(k) or all the assets or substantially all the assets of that Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

4/ REDEMPTION FOR ILLEGALITY

In the event that the Calculation Agent determines in good faith that any arrangements made to hedge the Issuer's position under the Notes has or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgement, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof; the Issuer may, having given not more than 45 nor less than 7 days' notice to Noteholders in accordance with Condition 14 (which notice shall be irrevocable), redeem all, but not some only, of the Notes at their market value.

5/ CALCULATION BINDING

The calculations and determinations of the Calculation Agent shall (save in the case of manifest error) be final and binding upon all parties. The Calculation Agent shall have no responsibility for good faith errors or omissions in the calculations and determinations of the Final Redemption Amount, the Equity Linked Interest Amount⁽ⁱ⁾ or, as the case may be, the Early Redemption Amount or, as the case may be, the early redemption amount of any Note as provided herein.