

## Final Terms

November 18, 2005

**Íslandsbanki hf.**  
**Issue of EUR 7,500,000 Zero Coupon Notes due 21<sup>st</sup> November 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:                                     | 229   |
| (ii) Tranche Number:                                      | 1   |
| 3. Specified Currency or Currencies:                      | Euro ("EUR") the lawful currency of the European Union  |
| 4. Aggregate Nominal Amount:                              |   |
| – Series:   | EUR 7,500,000   |
| – Tranche:  | EUR 7,500,000   |
| 5. Issue Price of Tranche:                                | 78.2546 per cent. of the Aggregate Nominal Amount       |
| 6. Specified Denominations:                               | EUR 1,000   |
| 7. (i) Issue Date:  | November 21, 2005                                       |
| (ii) Interest Commencement Date :                         | Not Applicable  |
| 8. Maturity Date:   | November 21, 2011                                       |
| 9. Interest Basis:  | Zero Coupon   |
| 10. Redemption/Payment Basis:                             | 95 per cent. of the Specified Denomination of each Note |
| 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
<b>PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE</b>		
15.	<b>Fixed Rate Note Provisions :</b>	Not Applicable
16.	<b>Floating Rate Note Provisions</b>	Not Applicable
17.	<b>Zero Coupon Note Provisions</b>	Applicable
	(i) Accrual Yield:	3.565 per cent.
	(ii) Reference Price:	78.2546 per cent.
	(iii) Any other formula/basis if determining amount payable:	Not Applicable
	(iv) Day Count Fraction in relation to Early Redemption Amount and late payment:	Conditions 7(e)(iii) and 7(j) apply.
18.	<b>Index Linked Interest Note Provisions</b>	Not Applicable
19.	<b>Dual Currency Interest Note Provisions</b>	Not Applicable
<b>PROVISIONS RELATING TO REDEMPTION</b>		
20.	Issuer Call	Not Applicable
21.	Investor Put	Not Applicable
22.	Final Redemption Amount of each Note:	EUR 950 per Note of EUR 1,000 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
<b>GENERAL PROVISIONS APPLICABLE TO THE NOTES</b>		
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 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 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: Société Générale  
Tour Société Générale  
17, cours Valmy  
92987 Paris La Défense 7 Cedex
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 21, 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: See “Use of Proceeds” wording in the Offering Circular
- (ii) Estimated net proceeds: EUR 5,869,095
- (iii) Estimated total expenses: Not Applicable

### 6. YIELD (*Fixed Rate Notes only*)

Indication of yield: 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[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT** (*Dual Currency Notes only*)

*Not Applicable*

**10. OPERATIONAL INFORMATION**

- |       |   |                          |
|-------|---|--------------------------|
| (i)   | ISIN Code:  | XS0226996444             |
| (ii)  | Common Code:  | 22699644                 |
| (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           |