

Final Terms

28 November 2005

Íslandsbanki hf.

Issue of EUR5,000,000 Capital Protected Note based on a Swing Option linked to the S&P 500® Index due 28th 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:	223
	(ii) Tranche Number:	1
3.	Specified Currency or Currencies:	Euros ("EUR")
4.	Aggregate Nominal Amount:	
	– Series:	EUR5,000,000
	– Tranche:	EUR5,000,000
5.	Issue Price of Tranche:	100 per cent. of the Aggregate Nominal Amount
6.	Specified Denominations:	EUR 50,000
7.	(i) Issue Date:	28 November 2005
	(ii) Interest Commencement Date:	28 November 2005
8.	Maturity Date:	28 November 2011
9.	Interest Basis:	Index Linked Interest (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.	Status of Notes:	Senior

14. Method of distribution: Non-syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions:** Not Applicable
16. **Floating Rate Note Provisions** Not Applicable
17. **Zero Coupon Note Provisions** Not Applicable
18. **Index Linked Interest Note Provisions** Applicable

(i) Index/Formula: The Rate of Interest applicable in respect of each Interest Payment Date shall be calculated as follows:

Max[0%; PART * Min Absolute Monthly Performance of the Index]

Where;

‘PART’ means 75%

‘Min Absolute Monthly Performance of the Index’ means the lowest absolute performance of all the previous six monthly performances of the Index (in respect of each month subject to the Market Disruption Event provision below).

‘Coupon Fixing Date’ means the 25 May and 25 November during the period from and including May 2006 up to and including November 2011 provided however if any such day is not an Exchange Business Day the first following day shall be used which is an Exchange Business Day (subject to the Market Disruption Event provision below).

‘Exchange Business Day’ means a day on which the Index Sponsor calculates and publishes the official closing level of the Index.

For the avoidance of any doubt the Rate of Interest expressed as a formula is as follows:

$$Coupon_i = 75\% * \underset{j=1, \dots, 6}{Min} \left\{ P_{6*(i-1)+j} \right\}$$

where:

j = 1, ... 6 and i = 1, ... 12

and:

$$P_k = \left| \frac{SPX_k - SPX_{k-1}}{SPX_{k-1}} \right|$$

where:

SPX_k is the closing level of the Index on the 25th of each month k (with $k = 1, \dots, 72$) (or if not an Exchange Business Day the first following day which is an Exchange Business Day (subject to Market Disruption below))

SPX_0 is the closing level of the Index on the Issue Date (subject to Market Disruption below)

'Index' means the S&P 500[®] Index (Bloomberg Code: SPX)

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|--|-------------|
| (ii) Calculation Agent responsible for calculating the interest due: | UBS Limited |
| (iii) Provisions for determining interest where calculation by reference to Index and/or Formula is impossible or impracticable: | Applicable: |

If there is a Market Disruption Event in relation to the Index on any Valuation Date, then that Valuation Date shall be deemed to be the next following Exchange Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days following the original day that, but for the occurrence of the Market Disruption Event, would have been a Valuation Date, in which case the Calculation Agent shall determine the level of the Index in its sole discretion.

Market Disruption Event: The occurrence or existence on any Exchange Business Day during the one-half 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 or otherwise), (A) on the relevant Exchange(s) in securities included in the Index, the percentage contribution of such securities, which when aggregated with all other securities in respect of which such a suspension or limitation has occurred or exists on that Exchange Business Day and the X Percentage, comprises more than 20% of the level of the Index, or (B) in options contracts or future contracts on the relevant Index on any Related Exchange if, in any such case, such suspension or limitation is, in the determination of the Calculation Agent, material. For the purpose of determining whether a Market Disruption Event exists at any time, if trading in a security included in the Index is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (a) the portion of the level of the Index attributable to that security relative to (b) the overall level of the Index.

Correction of Index: If the calculation methodology of the Index is materially altered by the Index Sponsor the Calculation Agent shall either (i) use the methodology last in effect prior to the alteration; or (ii) terminate these Notes at fair market value; all at the discretion of the Calculation Agent.

Exchange(s): the stock exchanges on which securities comprising the Index are traded, as determined by the Index Sponsor from time to time.

Related Exchange: Each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to the Index.

Valuation Time: the time corresponding to the time at which the Index Sponsor calculates a level for the Index.

Valuation Date: means the Issue Date and then the 25th of each month from and including December 2005 up to and including November 2011, or if any such day is not an Exchange Business Day the first following day that is an Exchange Business Day.

(iv) Specified Period(s)/Specified Interest Payment Dates:	Three TARGET Settlement Days following each Coupon Fixing Date (except for the Issue Date)
(v) Business Day Convention:	Following Business Day Convention
(vi) Additional Business Centre(s):	Not Applicable
(vii) Minimum Rate of Interest:	0 per cent. per annum
(viii) Maximum Rate of Interest:	Not Applicable
(ix) Day Count Fraction:	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	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
Registered Notes:	Not Applicable
25. Additional Financial Centre(s) or other special	Not Applicable provisions relating to Payment Dates:
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: Not Applicable

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

Any Notes purchased by any person for resale may not be offered in any jurisdiction in circumstances that would result in the Issuer being obliged to register any further prospectus or corresponding document relating to the Notes in that jurisdiction.

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. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the Index Sponsor, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING

(i) Listing: London Professional Securities Market

(ii) Admission to trading: Application has been made for the Notes to be admitted to trading on the London Stock Exchanges’ Professional Securities Market with effect from the Issue Date

(iii) Estimate of total expenses related to GBP 100,-
admission to trading:

2. RATINGS

Ratings: The Notes to be issued have been rated

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 any interest material to the offer.

5. YIELD (*Fixed Rate Notes only*)

Indication of yield: Not Applicable

6. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (*Index-Linked Notes only*)

SPX It is calculated and published by Standard & Poor's Corporation, a division of McGraw-Hill, Inc (S&P) and is a market-value weighted index. It is intended to provide a benchmark for the performance of leading U.S. listed stocks.

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SPX consists of 500 companies, chosen for market size, liquidity and industry group representation.

SPX is calculated using a base-weighted aggregate methodology, meaning the level of the Index reflects the total market value of all component stocks relative to a particular base period. Total market value is determined by multiplying the price of its stock by the number of shares outstanding.

SPX is calculated and continuously updated using trade prices of each constituent stock from the relevant stock exchanges.

SPX's composition is reviewed and updated at regular meetings of the Standard & Poor's Index Committee (the Committee) and may be amended from time to time by the Committee, all subject to the rules for SPX applicable from time to time.

7. PERFORMANCE OF RATES OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (*Dual Currency Notes only*)

Not Applicable

8. OPERATIONAL INFORMATION

- (i) ISIN Code: XS0226456092
- (ii) Common Code: 022645609
- (iii) 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
- (iv) Delivery: Delivery against payment
- (v) Names and addresses of additional Paying Agent(s) and Transfer Agent(s) (if any): Not Applicable

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