

Final Terms

25 November 2005

Íslandsbanki hf.
Issue of EUR6,740,000 Basket of Shares Linked Notes due 28 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:	244
	(ii) Tranche Number:	Not Applicable
3.	Specified Currency or Currencies:	EURO (EUR)
4.	Aggregate Nominal Amount:	
	– Series:	EUR6,740,000
	– Tranche:	EUR6,740,000
5.	Issue Price of Tranche:	100.00 per cent. of the Aggregate Nominal Amount
6.	Specified Denominations:	EUR5,000
7.	(i) Issue Date:	28 November 2005
	(ii) Interest Commencement Date :	Not Applicable
8.	Maturity Date:	28 November 2011
9.	Interest Basis:	Not Applicable
10.	Redemption/Payment Basis:	Redemption at par
11.	Change of Interest Basis or Redemption/Payment	Not Applicable

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	
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:	See Annex attached herein
(ii) Calculation Agent responsible for calculating the interest due:	Barclays Bank PLC
(iii) Provisions for determining interest where calculation by reference to Index and/or Formula is impossible or impracticable:	See Annex attached herein
(iv) Specified Period(s)/Specified Interest	28 November 2006 and the Maturity Date
Payment Dates:	
(v) Business Day Convention:	Modified Following Business Day Convention
(vi) Additional Business Centre(s):	TARGET
(vii) Minimum Rate of Interest:	Not Applicable
(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

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| 22. | Final Redemption Amount of each Note: | EUR5,000 per Note of EUR5,000 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

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| 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

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| 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

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| 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

- (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 28 November 2005.
- (iii) Estimate of total expenses related to admission to trading: GBP 100.00

2. RATINGS

Ratings: The Notes to be issued have not 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 an interest material to the offer.

5. REASONS FOR THE OFFER; ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

- (i) Reasons for the Offer: General Funding
- (ii) Estimated net proceeds: EUR6,740,000
- (iii) Estimated total expenses: Not Applicable

6. YIELD (*Fixed Rate Notes only*) Not Applicable

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 RATES OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (*Dual Currency Notes only*) – Not Applicable

10. OPERATIONAL INFORMATION

- (i) ISIN Code: XS0230186321
- (ii) Common Code: 023018632
- (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)

Unless the Notes have been redeemed, the Instruments shall bear interest from and including the Issue Date at a Rate of Interest determined in accordance with the provisions of this Annex.

1. The Rates of Interest

- (a) The Rate of Interest per Denomination applicable in respect of the Interest Period commencing from (and including) the Issue Date to (but excluding) 28 November 2006, shall be determined by the Calculation Agent in accordance with the following formula:

$$4.00\% * \text{Notional Amount}$$

- (b) The Rate of Interest per Denomination applicable in respect of the Interest Period commencing from (and including) the 28 November 2006 up to and including the Maturity Date shall be determined by the Calculation Agent in accordance with the following formula;

$$C = \text{Max}(0; \sum_{k=1}^{12} \text{Semiannually BasketPerf}_k - 4\%)$$

Where:

Semiannually BasketPerf_k means the product of the following equation:

$$\text{Semiannually BasketPerf}_k = \frac{1}{15} \sum_{j=1}^{15} \text{Min}\left(\frac{S_{jk}}{S_{jk-1}} - 1; 10.00\%\right)$$

S_{jk} means the Closing Price of each share on the Observation Date;

S_{jk-1} means the Closing Price of each share on the immediately preceding Observation Date

2. Definitions

For the purposes of this Pricing Supplement:

Basket means the underlying basket comprising each of the Shares.

Closing Price means the initial price of each Share on each of the Observation Dates

Disrupted Day means any Scheduled Trading Day on which: (i) (a) the relevant Exchange or Related Exchange fails to open for trading during its regular trading session; or (b) a Market Disruption Event has occurred; and (ii) the Calculation Agent determines (in its sole and absolute discretion) that such Scheduled Trading Day should not be a Valuation Date.

Exchange means in relation to each Share, each stock exchange or trading system on which such Share is, in the determination of the Calculation Agent, principally traded, or any successor thereto to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such share on such temporary substitute exchange or quotation system as on the original Exchange) (each an **Exchange** and together the **Exchanges**).

Exchange Business Day means any Scheduled Trading Day on which each Exchange and the Related Exchange are open for trading during their regular trading session, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

Market Disruption Event means, in respect of a Share,

- the occurrence or existence at any time during the one hour period that ends at the Valuation Time:
 1. of any suspension of or limitation imposed on trading by the relevant Exchange or the Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange and Related Exchange or otherwise:
 1. in such Share on the relevant Exchange; or
 2. in options contracts or futures contracts relating to such Share on any Related Exchange; or
 2. of any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, on the relevant Exchange, such Share, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to such Share on any Related Exchange,

which in either case the Calculation Agent determines is material; or
- the closure on any Exchange Business Day of the relevant Exchange or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by the Exchange or any Related Exchange, as the case may be, at least one relevant hour prior to (A) the actual closing time for the regular trading session on the Exchange or any Exchange on such Exchange Business Day or, if earlier, (B) the submission deadline for orders to be entered into the Exchange or any Exchange system for execution at the Valuation Time on such Exchange Business Day;

The Calculation Agent shall, as soon as reasonably practicable, notify the Issuer of the existence or occurrence of a Market Disruption Event on any day that but for the occurrence or existence of a Market Disruption Event would have been the Valuation Date and the Issuer shall as soon as practicable notify the Noteholders thereof in accordance with Condition 14.

Observation Date means 28th May and 28th November in each year, commencing from and including 28th May 2006 up to and including the Valuation Date

Related Exchange means each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent, acting in good faith) on the overall market for futures or options contracts relating to Shares in the Companies.

Scheduled Closing Time means, in respect of the Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

Scheduled Trading Day means any day on which the Exchange and the Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

Scheduled Valuation Date means the original date, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

Share means an ordinary share of each of the following companies (each a **Company** and together, the **Companies**) (and together the **Shares**):

Company	Reuters Code	Exchange
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EXXON MOBIL CORP	XOM.N	New York Stock Exchange
BP PLC	BP.L	London Stock Exchange
TOTAL SA	TOTF.PA	Paris Stock Exchange
ROYAL DUTCH SHELL PLC	RDSa.AS	Amsterdam Stock Exchange
CHEVRON CORPORATION	CVX.N	New York Stock Exchange
ENI SPA	ENI.MI	Milan Stock Exchange
REPSOL YPF SA	REP.MC	Madrid Stock Exchange
CONOCOPHILLIPS	COP.N	New York Stock Exchange
STATOIL ASA	STL.OL	Oslo Stock Exchange
SCHLUMBERGER AG	SLB.N	New York Stock Exchange
RIO TINTO	RIO.L	London Stock Exchange Stock
NEWMONT MINING CORPORATION	NEM.N	New York Stock Exchange
ANGLO AMERICAN PLC	AAL.L	London Stock Exchange
BHP BILLITON PLC	BLT.L	London Stock Exchange
NIPPON STEEL CORP	401.T	Tokyo Stock Exchange

Valuation Date means 21 November 2011 provided that if any such date is not a Scheduled Trading Day, then that Valuation Date shall be the first day which is a Scheduled Trading Day following such date unless, in the opinion of the Calculation Agent, such day is a Disrupted Day. If the day which would otherwise be the Valuation Date is a Disrupted Day, then the Valuation Date for each Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case that eighth Scheduled Trading Day shall be deemed to be the Valuation Date (notwithstanding the fact that such day is a Disrupted Day) and the Calculation Agent shall determine its good faith estimate of the value for that relevant Share as of the Valuation Time on that eighth Scheduled Trading Day.

If, due to a Market Disruption Event, the final Valuation Date falls after the date which would otherwise have been the Maturity Date, the Maturity Date will be two Valuation Business Days after the final Valuation Date.

Valuation Time means the Scheduled Closing Time on the Exchange on the relevant Valuation Date. If the Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

3. Adjustments

(a) Potential Adjustment Events

Potential Adjustment Event means any of the following:

- (a) a subdivision, consolidation or reclassification of relevant Shares (unless a Merger Event), or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- (b) a distribution or dividend to existing holders of the relevant Shares of (i) such Shares or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the relevant Company equally or proportionately with such payments to holders of such Shares or (iii) any other type of securities, rights or warrants or other assets in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an extraordinary dividend;
- (d) a call by the relevant Company in respect of relevant Shares that are not fully paid;
- (e) a repurchase by the relevant Company of relevant Shares, whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (f) any other event that, in the opinion of the Calculation Agent, may have a diluting, concentrative or other effect on the theoretical value of the relevant Shares.

Following the declaration of the relevant Company of the terms of any Potential Adjustment Event, the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting, concentrative or other effect on the theoretical value of the relevant Shares and, if so, will (a) make the corresponding adjustment, if any, to the formula for determining the Interest Amount and/or any of the other terms of this Pricing Supplement and/or the Conditions as the Calculation Agent in its sole and absolute discretion determines appropriate to account for that diluting, concentrative or other effect (provided that no adjustments will be made to account solely for changes in volatility, except dividends, stock loans rate or liquidity relevant to the relevant Shares) and (b) determine the effective date of that adjustment. The Calculation Agent may, but need not, determine the appropriate adjustment by reference to that adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Shares traded on that options exchange.

Upon making any such adjustment, the Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 14 stating the adjustment to the formula for determining the Interest Amount and/or this Pricing Supplement and/or the Conditions and giving brief details of the Potential Adjustment Event.

(b) De-Listing, Merger Events, Nationalisation, Tender Offer and Insolvency

De-Listing means, in respect of any Share, such Share ceases, for any reason, to be listed on the relevant Exchange and as at the date of such de-listing is not, in the determination of the Calculation Agent, listed or quoted on another recognised stock exchange or quotation system acceptable to the Calculation Agent.

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

Merger Date means, in respect of a Merger Event, the date upon which all holders of relevant Shares (other than, in the case of a take-over offer, relevant Shares owned or controlled by the offeror) have agreed or have irrevocably become obliged to transfer their Shares.

Merger Event means, in respect of any of the Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding, (ii) consolidation, amalgamation or merger of a Company with or into another entity (other than a consolidation, amalgamation or merger in which such Company is the continuing entity and which does not result in any such reclassification or change of all such Shares outstanding) or (iii) other take-over offer for such Company that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by the offeror), in each case if the Merger Date is on or before the Valuation Date.

Nationalisation means that all the Shares or all the assets or substantially all the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

Tender Offer means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

Consequences of De-Listing, Merger Event, Nationalisation, Tender Offer or Insolvency

If a De-Listing, Merger Event, Nationalisation, Tender Offer or Insolvency occurs in relation to a Share, the Issuer may require the Calculation Agent to determine in its sole and absolute discretion and in accordance with market practice the appropriate adjustment, if any, to be made to the formula for determining the Interest Amount and/or this Pricing Supplement and/or any of the Conditions to account for the De-Listing, Merger Event, Nationalisation, Tender Offer or Insolvency, as the case may

be, and to determine the effective date of that adjustment. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the De-Listing, Merger Event, Nationalisation, Tender Offer or Insolvency made by any options exchange to options on the relevant Shares traded on that options exchange

Upon the occurrence of a De-Listing, Merger Event, Nationalisation, Tender Offer or Insolvency, the Calculation Agent shall give notice to the Agent who shall give notice as soon as practicable to the Issuer and to the Noteholders in accordance with Condition 14 stating the occurrence of the De-Listing, Merger Event, Nationalisation, Tender Offer or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

4. Calculation Agent

- (a) The Calculation Agent shall not act as agent or trustee for the Noteholders. All quotations and determinations given or made by the Calculation Agent in relation to the Notes shall (save in the case of manifest error) be final and binding on the Issuer, the Agent and the Noteholders. None of the Issuer, the Agent and the Calculation Agent shall have any responsibility to any person for any errors or omissions in (i) the calculation by the Calculation Agent of any amount due in respect of the Notes or (ii) any determination made by the Calculation Agent.
- (b) The Calculation Agent shall not act as agent or trustee for the Noteholders. All quotations and determinations given or made by the Calculation Agent in relation to the Notes shall (save in the case of manifest error) be final and binding on the Issuer, the Agent and the Noteholders. None of the Issuer, the Agent and the Calculation Agent shall have any responsibility to any person for any errors or omissions in (i) the calculation by the Calculation Agent of any amount due in respect of the Notes or (ii) any determination made by the Calculation Agent.