

9 February 2006

Íslandsbanki hf.
Issue of CAD 150,000,000 Floating Rate Note
due 13 February 2009
under the €15,000,000,000
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") as supplemented by a Supplement dated 18th January, 2006, constituting a supplementary prospectus for the purposes of section 87G of the Financial Services and Markets Act 2000. 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 as supplemented by the Supplement. The Offering Circular and the supplement are 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: | 280 |
| (ii) Tranche Number: | 1 |
| 3. Specified Currency or Currencies: | Canadian Dollars ("CAD") |
| 4. Aggregate Nominal Amount: | |
| – Series: | CAD 150,000,000 |
| – Tranche: | CAD 150,000,000 |
| 5. Issue Price of Tranche: | 100.00 per cent. of the Aggregate Nominal Amount |
| 6. Specified Denominations: | CAD 100,000 |
| 7. (i) Issue Date: | 13 February 2006 |
| (ii) Interest Commencement Date : | 13 February 2006 |
| 8. Maturity Date: | Interest Payment Date falling in or nearest to 13 February 2009 |
| 9. Interest Basis: | Floating Rate
(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. (i) Status of Notes:	Senior, Unsecured, Unsubordinated
(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:	Not Applicable
16. Floating Rate Note Provisions	Applicable
(i) Specified Period(s)/Specified Interest Payment Dates:	<p>“Coupon Period” or “Specified Period” means from and including 13 February to but excluding 13 May, from and including 13 May to but excluding 13 August, from and including 13 August to but excluding 13 November, from and including 13 November to but excluding 13 February of each year commencing 13 February 2006 and ending on the Maturity Date.</p> <p>“Specified Interest Payment Date” means 13 May, 13 August, 13 November and 13 February of each year commencing on 13 May 2006 and ending on the Maturity Date, subject to adjustment in accordance with the Modified Following Business Day Convention.</p>
(ii) Business Day Convention:	Modified Following Business Day Convention
(iii) Additional Business Centre(s):	London and Toronto
(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:	ISDA Determination
(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	The Toronto-Dominion Bank Syndication Department 77 King Street W. 17 th Floor Toronto, Ontario M5K 1A2 Canada
(vi) Screen Rate Determination:	Not Applicable
(vii) ISDA Determination:	Yes
– Floating Rate Option:	Canadian BA-CDOR

– Designated Maturity:	3-month
– Reset Date:	The first day of each Coupon Period
(viii) Margin(s):	+0.24 per cent. per annum
(ix) Minimum Rate of Interest:	Not Applicable
(x) Maximum Rate of Interest:	Not Applicable
(xi) Day Count Fraction:	Actual/365 (Fixed)
(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:	As per Conditions
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:	CAD 100,000 per Note of CAD 100,000 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 per Conditions
GENERAL PROVISIONS APPLICABLE TO THE NOTES	
24. Form of Notes:	
Bearer Notes:	Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event.
25. Additional Financial Centre(s) or other special provisions relating to Payment Dates:	London and Toronto
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 and Address of relevant Dealer:

The Toronto-Dominion Bank
Triton Court, 14/18 Finsbury Square
London EC2A 1DB

33. Total commission and concession:

0.0356 per cent. of the Aggregate Nominal Amount.

34. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:

TEFRA D

35. Additional selling restrictions:

35. Additional selling restrictions:

The Dealer represents and agrees that it has not offered or sold, and will not offer or sell, any Notes, directly or indirectly, in Canada or any province or territory thereof or to, or for the benefit of, any resident of Canada in contravention of the securities laws and regulations of the provinces and territories of Canada and represents that any offer of Notes in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer is made. The Dealer further represents and agrees that it has not and it will not distribute or deliver the Pricing Supplement, Offering Circular or any other offering material relating to the Notes in Canada or to any resident of Canada in contravention of the securities law and regulations of the provinces and territories of Canada. The Dealer also represents and agrees that it will send to any dealer who purchases from it any Notes a notice stating in substance that by purchasing such Notes, such dealer represents and agrees that it has not offered or sold and it will not offer or sell any Notes, directly or indirectly, in Canada or any province or territory thereof or to, or for the benefit of, any resident of Canada in contravention of the securities laws and regulations of the provinces and territories of Canada, that any offer of Notes in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer is made and that it has not and it will not distribute or deliver the Pricing Supplement, Offering Circular or any other offering material relating to the Notes in Canada or to any resident of Canada in contravention of the securities laws and regulations of the provinces and territories of Canada, and that such dealer will deliver to any other dealer to which it sells any such Notes a notice to the foregoing effect.

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 €15,000,000,000 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 with effect from 13 February 2006.
- (iii) Estimate of total expenses related to admission to trading: GBP 100

2. RATINGS

Ratings: The Notes to be issued have been rated:

Moody's: A1
 Other: A by Fitch Ratings Ltd

3. NOTIFICATION

Not Applicable.

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Not Applicable.

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

- [(i) Reasons for the Offer: See "Use of Proceeds" wording in Offering Circular.
- (ii) Estimated net proceeds: CAD 149,946,600

(iii) Estimated total expenses: GBP 100

6. YIELD (*Fixed Rate Notes only*)

Indication of yield: Not Applicable

7. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Details of historic Canadian BA-CDOR rates can be obtained from Reuters.

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: XS0244492384

(ii) Common Code: 024449238

(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