

APPLICABLE FINAL TERMS

7 March 2022

MIFID II PRODUCT GOVERNANCE / TARGET MARKET – Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a “distributor”) should take into consideration the manufacturer’s target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer’s target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA AND UNITED KINGDOM RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”) or in the United Kingdom (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

ÍSLANDBANKI HF.

Legal entity identifier (LEI): 549300PZMFIQR79Q0T97

**Issue of ISK 10,000,000,000 Floating Rate Covered Bonds
under the ISK 270,000,000,000
Covered Bond Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Covered Bonds (the **Terms and Conditions**) set forth in the Base Prospectus dated 30 June 2021. This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 8(2) of the Prospectus Regulation and must be read in conjunction with the Base Prospectus and any supplements if applicable which constitute a base prospectus for the purposes of the Prospectus Regulation. Full information on the Issuer, and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms, the Base Prospectus and any supplements, if applicable. Copies of said Base Prospectus and any supplements, if applicable, are available for viewing on the Issuer's webpage, <https://www.islandsbanki.is/en/landing/about/investor-relations> and at the office of the Issuer at Hagasmári 3, 201 Kópavogur, Iceland.

1. Issuer:	Íslandsbanki hf.
2.	
i. Series Number:	15
ii. Tranche Number:	1
iii. Ticker:	ISB CBF 27
3. Specified Currency or Currencies:	ISK
4. Aggregate Nominal Amount:	
i. Series:	10,000,000,000
ii. Tranche:	10,000,000,000
5. Issue Price:	100.00 per cent. of the Aggregate Nominal Amount
6. Specified Denominations:	20,000,000
7.	
i. Issue Date:	10 March 2022
ii. Interest Commencement Date:	Issue Date
8.	
i. Maturity Date:	10 May 2027
ii. Extended Maturity Date:	Applicable
	The Extended Maturity Date is 10 May 2030

- 9.
- i. Interest Basis to Maturity Date: REIBOR 1M + 0,40% Floating Rate
 - ii. Interest Basis from Maturity Date to Extended Maturity Date: REIBOR 1M + 0,40% Floating Rate
10. **Redemption/Payment Basis:** Redemption at par
- i. Payment Basis: Not Applicable
 - ii. Instalment Amounts: Not Applicable
 - iii. Instalment Dates: Not Applicable
11. **Change of Interest Basis or Redemption/Payment Basis:** Not Applicable
12. **Call Option:** Not Applicable
13. **Status of the Covered Bonds:** Senior
14. **Approval for issuance of the Covered Bonds:**
Date of Board approval for issuance of Covered Bonds obtained: 1 December 2021
15. **Method of distribution:** Non-syndicated

PROVISIONS RELATING TO INFLATION LINKED ANNUITY COVERED BONDS

16. **Inflation Linked Annuity Covered Bonds:** Not Applicable

PROVISIONS RELATING TO INFLATION LINKED EQUAL PRINCIPAL PAYMENT COVERED BONDS INCLUDING COVERED BONDS WITH ONE PAYMENT OF PRINCIPAL ON MATURITY DATE

17. **Inflation Linked Equal Principal Payment Covered Bonds:** Not Applicable

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

18. **Fixed Rate Covered Bond Provisions:** Not Applicable

19. Floating Rate Covered Bond Provisions:	Applicable
i. Specified Period(s)/Specified Interest Payment Dates:	The 10 th day in every month each year up to and including the Maturity Date. First Interest Payment Date being 10 April 2022.
ii. Business Day Convention:	Modified Following Business Day Convention
iii. Additional Business Centre(s):	Reykjavík
iv. Manner in which the Rate of Interest and Interest Amount is to be determined:	Screen Rate Determination
v. Party responsible for calculating the Rate of Interest and Interest Amount:	Issuer
vi. Screen Rate Determination:	
- Reference Rate:	1-month REIBOR
- Interest Determination Date(s):	Two business days prior to the start of each Interest Period
- Relevant Screen Page:	https://www.cb.is/other/key-interest-rate/
vii. ISDA Determination:	
- Floating Rate Option:	Not Applicable
- Designated Maturity:	Not Applicable
- Reset Date:	Not Applicable
viii. Margin(s) to Maturity Date:	0,40% per cent. per annum
ix. Margin(s) from Maturity Date to Extended Maturity Date:	0,40% per cent. per annum
x. Minimum Rate of Interest:	Not Applicable
xi. Maximum Rate of Interest:	Not Applicable
xii. Day Count Fraction:	Actual/360
xiii. Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Terms and Conditions:	Not Applicable
20. Zero Coupon Covered Bond Provisions:	Not Applicable

PROVISIONS RELATING TO REDEMPTION

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| 21. Issuer Call: | Not Applicable |
| 22. Final Redemption Amount of each Covered Bond: | Not Applicable |

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

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| 23. New Global Covered Bond: | No |
| 24. Form of Covered Bonds: | VS System Covered Bonds |
| 25. Additional Financial Centre(s) or other special provisions relating to Payment Days: | Not Applicable |
| 26. Talons for future Coupons or Receipts to be attached to definitive Covered Bonds (and dates on which such Talons mature): | No |
| 27. Details relating to Partly Paid Covered Bonds: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment: | Not Applicable |
| 28. Details relating to Instalment Covered Bonds: | |
| i. Instalment Amount(s): | Not Applicable |
| ii. Instalment Date(s): | Not Applicable |
| 29. Redenomination applicable: | Redenomination not applicable |
| 30. Other final terms: | Not Applicable |

DISTRIBUTION

31.

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| iii. If syndicated, names of Managers: | Not Applicable |
| iv. Stabilising Manager (if any): | Not applicable |

32. If non-syndicated, name of relevant Dealer: Íslandsbanki hf.

33. Additional selling restrictions: Not Applicable

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Covered Bonds described herein pursuant to the ISK 270,000,000,000 Covered Bond 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: NASDAQ Iceland
- ii. Admission to trading: Application has been made for the Covered Bonds to be admitted to trading on Nasdaq Iceland with effect from the issue date

2. RATING

Not Applicable

3. NOTIFICATION

Not Applicable

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

Save for any fees payable to the Dealer, so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the issue.

5. USE OF PROCEEDS, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- i. Use of proceeds: For general funding purposes of the Issuer
- ii. Estimated net proceeds: ISK 9,999,150,000
- iii. Estimated total expenses: ISK 850,000

6. YIELD (*Fixed Rate Covered Bonds only*)

Indication of yield: Not Applicable

7. HISTORIC INTEREST RATES (*Floating Rate Covered Bonds Only*)

Not Applicable

8. PERFORMANCE OF CPI, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (*Inflation Linked Annuity Covered Bonds and Inflation Linked Equal Principal Payment Covered Bonds Only*)

The general cash-flow of the Covered Bonds is determined in real terms on the Issue Date. The nominal value of each future payment depends on the development of the CPI as demonstrated by the formula in paragraph 16 and 17 of Part A of this Final Terms.

Information about the CPI can be obtained from the website of Statistics of Iceland, <https://www.statice.is/statistics/economy/prices/consumer-price-index/>.

9. OPERATIONAL INFORMATION

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| i. | ISIN Code: | IS0000033900 |
| ii. | Common Code: | 000003390 |
| iii. | CFI Code: | D-B-V-S-F-R |
| iv. | FISN Code: | ISLANDSBANKI HF/VAR BD 20270510 |
| v. | Any clearing system(s) other than Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme and the relevant identification number(s): | Nasdaq CSD Iceland hf. |
| vi. | Delivery: | Delivery against payment |
| vii. | Names and addresses of additional Paying Agent(s) (if any): | Not Applicable |
| viii. | Intended to be held in a manner which would allow Eurosystem eligibility: | i. No |