

FORM OF FINAL TERMS

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). 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 Directive 2014/65/EU (as amended) (**MiFID II**); (ii) a customer within the meaning of Directive (EU) 2016/97 (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 Regulation (EU) 2017/1129 (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended) (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, 2000 (as amended) (**FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No. 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II product governance / Professional investors and eligible counterparties only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II/Directive 2014/65/EU (as amended) (**MiFID II**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (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 Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

5. March 2024

ÍSLANDBANKI HF.

(incorporated with limited liability in Iceland)

Legal entity identifier (LEI): 549300PZMFIQR79Q0T97

**Issue of ISK 5,320,000,000 Fixed Rate Senior Preferred Inflation Linked Notes due December 2028
under the U.S.\$2,500,000,000
Euro 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 Base Prospectus dated 28 March 2023 (the **Base Prospectus**) as supplemented by the supplements to it dated 5 May 2023 and 8 August 2023 and 27 October 2023 and 19 January 2024 and 14 February 2024 which together constitutes a base prospectus for the purposes of Regulation (EU) 2017/1129 (for the purposes of these Final Terms, the **Prospectus Regulation**) the Prospectus Regulation. This document constitutes the Final Terms of the Notes described herein for the purpose of the Prospectus Regulation and must be read in conjunction with the Base Prospectus as so supplemented in order to obtain all the relevant information. The Base Prospectus and the supplements have been published on the website of the Issuer at <https://www.islandsbanki.is/en/product/about/fundingand> and on the website of Euronext Dublin at <https://live.euronext.com/en/markets/dublin> and copies may be obtained during normal business hours from the registered office of the Issuer at Hagasmári 3, 201 Kópavogur, Iceland and from the offices of the Principal Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England.

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| 1. | Issuer: | Íslandsbanki hf. |
| 2. | (a) Series Number: | 48 |
| | (b) Tranche Number: | 2 |
| | (c) Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and from a single Series with ISB 28 1221, ISIN: IS0000035913 on the Issue Date |
| 3. | Specified Currency or Currencies: | ISK |
| 4. | Aggregate Nominal Amount: | |
| | (a) Series: | ISK 10,340,000,000 |
| | (b) Tranche: | ISK 5,320,000,000 |
| 5. | Issue Price: | 101.3428 per cent. of the Aggregate Nominal Amount |
| 6. | (a) Specified Denominations: | ISK 20,000,000 |
| | (b) Calculation Amount: | ISK 20,000,000 |

7. (a) Issue Date: 14. March 2024
- (b) Interest Commencement Issue Date
Date:
8. Maturity Date: 21. December 2028
9. Interest Basis: Inflation Linked
(see paragraph 19 below)
10. Redemption/Payment Basis: Inflation linked redemption in accordance with
Condition 6.15
11. Change of Interest Basis: Not Applicable
12. Put/Call Options: Not Applicable
13. (a) Status of the Notes: Senior Preferred
- (i) Redemption upon occurrence of
Capital Event: Applicable – Condition 6.4 applies
- (ii) Substitution or variation: Applicable – Condition 6.12 applies
- (b) Date Board approval for
issuance of Notes
obtained: 30 November 2023

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions Not Applicable
15. Floating Rate Note Provisions Not Applicable
16. Reset Note Provisions: Not Applicable
17. Zero Coupon Note Provisions Not Applicable
18. Inflation Linked Amortising
Notes Not Applicable
19. Inflation Linked Notes Applicable
- (a) Rate(s) of Interest: 4.48 per cent. per annum payable annually in arrear
- (b) Interest Payment Date(s): 21 December in each year, commencing on 21
December 2024, up to and including the Maturity Date
- (c) Base Index: 605.03333, being the value of the CPI on 21 December
2023

- (d) Day Count Fraction: 30E/360
- (e) Determination Dates: Not Applicable

PROVISIONS RELATING TO REDEMPTION

20. Issuer Call: Not Applicable
21. Final Redemption Amount: In accordance with Condition 6.15 per Calculation Amount
22. Clean-up Redemption Option: Not Applicable
23. Early Redemption Amount payable on redemption for taxation reasons or upon the occurrence of a Capital Event or an MREL Disqualification Event (as applicable): In accordance with Condition 6.15 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:
- (a) Form: CSD Notes
- (b) New Global Note: No
25. Additional Financial Centre(s): Not Applicable
26. Talons for future Coupons to be attached to Definitive Bearer Notes: No

Signed on behalf of Íslandsbanki hf.:

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: Nasdaq Iceland
- (ii) Admission to trading: Application has been made for the Notes to be admitted to trading on Nasdaq Iceland with effect from the issue date
- (iii) Estimate of total expenses related to admission to trading: ISK 135,000

2. RATINGS

Ratings: The Notes to be issued will not be rated

3. 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. The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

4. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

- (i) Reasons for the offer: General corporate purposes
- (ii) Estimated net proceeds: ISK 5,498,256,306

5. YIELD

Indication of yield: 4.16%

6. PERFORMANCE OF FORMULA/CPI, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING

The Notes are linked to the performance of the Icelandic Consumer Price Index (CPI) produced based on data from Statistics Iceland

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

The Issuer does not intend to provide post-issuance information

7. BENCHMARKS REGULATION

Not Applicable

8. OPERATIONAL INFORMATION

- (i) ISIN: IS0000035913

- (ii) Common Code: 000003591
- (iii) CFI: DBFUFR, as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN
- (iv) FISN: ISLANDSBANKI/4.48 BD 20281221, as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN
- (v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): Nasdaq CSD Iceland (CSD), CSD identification number: 451015-2140
- (vi) Delivery: Delivery against payment
- (vii) Names and addresses of additional Paying Agent(s) and/or Transfer Agent(s) (if any) or alternative Dematerialised Account Manager (if applicable): Not Applicable
- (viii) VPS Calculation Agent: Not Applicable
- (ix) CSD Calculation Agent: Íslandsbanki hf.
- (x) Intended to be held in a manner which would allow Eurosystem eligibility: No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

9. DISTRIBUTION

- (i) Method of distribution: Non-syndicated

- (ii) If syndicated, names of Managers: Not Applicable
- (iii) Date of Subscription Agreement: Not Applicable
- (iv) Stabilising Manager(s) (if any): Not Applicable
- (v) If non-syndicated, name of Dealer: Íslandsbanki hf.
- (vi) TEFRA applicability: TEFRA not applicable
- (vii) Prohibition of Sales to EEA Retail Investors: Applicable
- (viii) Prohibition of Sales to UK Retail Investors: Applicable

10. THIRD PARTY INFORMATION

Not Applicable