

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.

24 June 2024

ÍSLANDBANKI HF.
(incorporated with limited liability in Iceland)

Legal entity identifier (LEI): 549300PZMFIQR79Q0T97

**Issue of ISK 4,180,000,000 Senior Preferred Green Floating Rate Notes due November 2027
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 (the **Conditions**) set forth in the Base Prospectus dated 29 April 2022 which are incorporated by reference in the Base Prospectus dated 3 May 2024. This document constitutes the Final Terms of the Notes described herein for the purposes of Regulation (EU) 2017/1129 (for the purposes of these Final Terms, the **Prospectus Regulation**) the Prospectus Regulation and must be read in conjunction with the Base Prospectus dated 3 May 2024 and the supplement to it dated 10 June 2024 which together constitute a base prospectus for the purposes of the Prospectus Regulation (the **Base Prospectus**), including the Conditions incorporated by reference in the Base Prospectus, in order to obtain all the relevant information. The Base Prospectus and the supplement have been published on the website of the Issuer at <https://www.islandsbanki.is/en/product/about/funding> 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: | 42 |
| | (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 GBF 27 1122, ISIN: IS0000034692 on the Issue Date |
| 3. | Specified Currency or Currencies: | ISK |
| 4. | Aggregate Nominal Amount: | |
| | (a) Series: | ISK 8,000,000,000 |
| | (b) Tranche: | ISK 4,180,000,000 |
| 5. | Issue Price: | 100.54164 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: | 1 July 2024 |

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| | (b) | Interest Commencement Date: | Issue Date |
| 8. | | Maturity Date: | Interest Payment Date falling in or nearest to November 2027 |
| 9. | | Interest Basis: | 1 month REIBOR + 1.25 per cent. Floating Rate (see paragraph 15 below) |
| 10. | | Redemption/Payment Basis: | Equal principal payments |
| | (a) | Specified Period(s)/Specified Payment Dates: | The 22 day in every month commencing 22 December 2022 up to and including the Maturity Date. |
| 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 an MREL Disqualification 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

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| 14. | | Fixed Rate Note Provisions | Not Applicable |
| 15. | | Floating Rate Note Provisions | Applicable |
| | (a) | Specified Period(s)/Specified Interest Payment Dates: | The 22 day in every month commencing 22 December 2022 up to and including the Maturity Date, subject to adjustment in accordance with the Business Day Convention specified in (b) below. |
| | (b) | Business Day Convention: | Modified Following Business Day Convention |
| | (c) | Additional Business Centre(s): | Reykjavik |
| | (d) | Party responsible for calculating the Rate of Interest and Interest | Issuer |

Amount (if not the Principal Paying Agent or the relevant Dematerialised Calculation Agent, as the case may be):

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|-----|---|------|----------------------------|
| (e) | Screen Determination: | Rate | Applicable |
| | <ul style="list-style-type: none"> • Reference Rate, Relevant Time and Relevant Financial Centre: Reference Rate: 1 month REIBOR • Interest Determination Date(s): Second Reykjavik business day prior to the start of each Interest Period. • Relevant Screen Page: Bloomberg's screen REIBOR page • Reference Rate Replacement: Applicable • Observation Method: Not Applicable • Observation Look-Back Period: Not Applicable • Index Determination: Not Applicable • ISDA Definitions: Not Applicable | | |
| | (f) Linear Interpolation: | | Not Applicable |
| | (g) Margin(s): | | + 1.25 per cent. per annum |
| | (h) Minimum Rate of Interest: | | Not Applicable |
| | (i) Maximum Rate of Interest: | | Not Applicable |
| | (j) Day Count Fraction: | | Actual/360 |
| 16. | Reset Note Provisions: | | Not Applicable |
| 17. | Zero Coupon Note Provisions | | Not Applicable |
| 18. | Inflation Linked Amortising Notes | | Not Applicable |

19. Inflation Linked Notes Not Applicable

PROVISIONS RELATING TO REDEMPTION

20. Issuer Call: Not Applicable

21. Final Redemption Amount: Equal principal payments

22. Clean-up Redemption Option: Not Applicable

23. Notice periods for Condition 6.2 Minimum period: 15 days
Maximum period: 60 days

24. Notice periods for Condition 6.3 Not Applicable

25. Notice periods for Condition 6.4 Applicable
Minimum period: 15 days
Maximum period: 60 days

26. Early Redemption Amount payable on redemption for taxation reasons or upon the occurrence of a Capital Event or an MREL Disqualification Event (as applicable): ISK 20,000,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes:

(a) Form: CSD Notes

(b) New Global Note: No

28. Additional Financial Centre(s): Not Applicable

29. 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 on or about 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. NOTIFICATION

The Central Bank of Ireland has provided the Financial Supervisory Authority of the Central Bank of Iceland (Fjármálaeftirlitið) with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Regulation.

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. 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.

5. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

- (i) Reasons for the offer: The Notes constitute Green Bonds and an amount equal to the net proceeds of the issue of the Notes will be used to finance or refinance, in whole or in part, Green or Social Loans (being Green Projects), as further described in the Issuer's Sustainable Funding Framework dated January 2024 (as amended or supplemented from time to time) available on the Issuer's website at <https://www.islandsbanki.is/en/article/sustainable-funding-framework>.
- (ii) Estimated net proceeds: ISK 2,879,319,362

6. YIELD

Indication of yield: Not Applicable

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

Not Applicable

8. BENCHMARKS REGULATION

Amounts payable under the Notes will be calculated by reference to REIBOR which is provided by the Central Bank of Iceland (“CBI”). As at the date of these Final Terms, CBI does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of Regulation (EU) 2016/1011.

9. OPERATIONAL INFORMATION

- (i) ISIN: IS0000034692
- (ii) Common Code: Not Applicable
- (iii) CFI: DBVUFR, 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/VAR BD 20271122, 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 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.

10. DISTRIBUTION

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| (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 |

11. THIRD PARTY INFORMATION

Not Applicable