

APPLICABLE FINAL TERMS

15 May 2024

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Covered Bonds 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 (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 Regulation (EU) 2017/1129 (as amended, 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 Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds 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 Covered Bonds 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 domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the **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 domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 (as amended) as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended) as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors 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 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 each 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 MiFID II/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 manufacturers’ 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 manufacturers’ target market assessment) and determining appropriate distribution channels.

15 May 2024

ÍSLANDBANKI HF.

Legal entity identifier (LEI): 549300PZMFIQR79Q0T97

**Issue of ISK 10,940,000,000 Fixed Rate Inflation Linked Covered Bonds due May 2029
under the €4,000,000,000**

European Covered Bond (Premium) 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 11 April 2023 which are incorporated by reference in the Base Prospectus dated 3 May 2024. 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/investorrelations> and at the office of the Issuer at Hagasmári 3, 201 Kópavogur, Iceland.

1. Issuer: Íslandsbanki hf.
2.
 - i Series Number: 16
 - ii Tranche Number: 6
 - iii Series which Covered Bonds will be consolidated and form a single Series with: ISB CBI 29 (ISIN: IS0000035087)
 - iv Date on which the Covered Bonds will be consolidated and form a single Series with the Series specified above: Issue date
 - v Trade Date: 13 May 2024
3. **Specified Currencies:** **Currency** or ISK
4. **Aggregate Nominal Amount:**
 - i Series: 56,620,000,000
 - ii Tranche: 10,940,000,000
5. **Issue Price:** 95.4498 per cent. of the Aggregate Nominal Amount

6. **Specified Denominations:** 20,000,000
- 7.
- i Issue Date: 21 May 2024
- ii Interest Commencement Issue Date
Date:
- 8.
- i Maturity Date: 10 May 2029
- ii Extended Maturity Date: Applicable
Subject to Condition 9.11, the Extended Maturity Date is 10 May 2030
- 9.
- i Interest Basis to Maturity Inflation Linked Interest
Date: 2.72 per cent. Fixed Rate
- ii Interest Basis from Inflation Linked Interest
Maturity Date to Extended Maturity Date: 2.72 per cent. Fixed 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. **Approval for issuance of the Covered Bonds:**
- Date of Board approval for issuance of Covered Bonds obtained: 30 November 2023
14. **Method of distribution:** Non-syndicated

Provisions relating to Inflation Linked Annuity Covered Bonds

15. **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

16. **Inflation Linked Equal Principal Payment Covered Bonds:** Applicable

- i Rate(s) of Interest to Maturity Date: 2.72 per cent. per annum payable semi-annually in arrear
- ii Rate(s) of Interest from Maturity Date to Extended Maturity Date: 2.72 per cent. per annum payable annually in arrear
- iii Number of Interest Payment Dates: 7
- iv Interest Payment Date(s): 10 May in each year up to and including the Maturity Date
- v Number of Principal Payment Dates: 1
- vi Principal Payment Date(s): Maturity Date
- vii Day Count Fraction: 30E/360
- viii Principal Repayment(s): An amount calculated by the Issuer on each Principal Payment Date by multiplying the Principal Amount Outstanding on the Issue Date with the Index Ratio and dividing with the number of Principal Payment Dates.
- ix Interest Payment(s): Interest is calculated on each Interest Payment date as the Principal Amount Outstanding on each Interest Payment Date multiplied with the Rate of Interest and, the appropriate Day Count Fraction.
- x Payments(s): On each Interest Payment Date the sum of the relevant principal repayment and the Interest Payment.
- xi Calculation Agent: Issuer

xii Principal Amount Outstanding: On the relevant Interest Payment Date, the Principal Amount Outstanding is calculated based on the following formula:

$$PAO_t = (PAO_{t-1} - PR_{t-1}) \frac{IR_t}{IR_{t-1}}$$

where:

PAO_t means the Principal Amount Outstanding on the relevant Interest Payment Date.

PAO_{t-1} means the Principal Amount Outstanding on the preceding Interest Payment Date.

PR_{t-1} means the principal repayment on the preceding Interest Payment Date.

IR_t means the Index Ratio on the relevant Interest Payment Date.

IR_{t-1} means the Index Ratio on the preceding Interest Payment Date (Issue Date for the first Interest Payment Date).

xiii Index Ratio: The value of the Index Ratio (**IR**) on the relevant Interest Payment Date shall be the value of the Reference Index (**RI**) applicable to the relevant Interest Payment Date divided by the value of the Base Index (**BI**) as calculated by the Issuer:

$$IR = \frac{RI_t}{BI}$$

where:

Reference Index or **RI_t** means on each Interest Payment Date:

For each day in the calendar month and number RI rounded to 5 decimals:

$$RI = CP_{M-2} + \left[\frac{d-1}{D} * (CP_{M-1} - CP_{M-2}) \right]$$

where:

CP_{M-1} = CPI value published by Statistic Iceland in the month preceding month M;

CP_{M-2} = CPI value published by Statistic Iceland 2 months prior to month M;

d = the relevant calendar date; and

D = number of calendar days in the relevant calendar month,

provided that if the Reference Index is lower than the Base Index, the Reference Index shall equal the Base Index.

Base Index means 579.56667, being the value of the CPI on 21 April 2023.

If at any time a new index is substituted for the CPI, as of the calendar month from and including that in which such substitution takes effect:

- (i) the Reference Index shall be deemed to refer to the new index; and
- (ii) the new Base Index shall be the product of the existing Base Index and the Reference Index immediately following such substitution, divided by the Reference Index immediately prior to such substitution.

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17.	Fixed Rate Covered Bond Provisions:	Applicable
i	Rate(s) of Interest to Maturity Date:	2.72 per cent. per annum payable annually in arrear
ii	Rate(s) of Interest from Maturity Date to Extended Maturity Date:	2.72 per cent. per annum payable annually in arrear
iii	Interest Payment Date(s):	10 May in each year up to and including the Maturity Date
iv	Day Count Fraction:	30E/360
v	Determination Date(s)	Not Applicable
vi	Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds:	None
18.	Floating Rate Covered Bond Provisions:	Not Applicable
19.	Zero Coupon Covered Bond Provisions:	Not Applicable

PROVISIONS RELATING TO REDEMPTION

20. **Issuer Call:** Not Applicable
21. **Notice period for Condition 9.12** Minimum period: 15 days
Maximum period: 30 days
22. **Final Redemption Amount of each Covered Bond:** Not Applicable

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

23. **New Global Covered Bond:** No
24. **Form of Covered Bonds:** CSD 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

DISTRIBUTION

- 29.
- i If syndicated, names of Managers: Not Applicable
 - ii Date of Subscription Agreement Not Applicable

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|-----|---|----------------------|
| iii | Stabilisation Manager (if any): | Not applicable |
| 30. | If non-syndicated, name of relevant Dealer: | Íslandsbanki hf. |
| 31. | U.S. Selling Restrictions: | TEFRA not applicable |
| 32. | Prohibition of Sales to EEA Retail Investors | Applicable |
| 33. | Prohibition of Sales to UK Retail Investors | Applicable |
| 34. | Relevant Benchmark: | Not Applicable |
| 35. | European Covered Bonds (Premium) | Yes |

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 €4,000,000,000 European Covered Bond (Premium) 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. RATINGS

Not Applicable

3. NOTIFICATION

The Central Bank of Ireland has provided the Financial Supervisory Authority of the Central Bank of Iceland 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 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: General corporate purposes
- ii Estimated net proceeds: 11,226,537,481
- iii Estimated total expenses: ISK 145,000

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

Indication of yield: 3.74

Calculated as on the Issue Date.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

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 15 and 16 of Part A of this Final Terms.

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

9. **OPERATIONAL INFORMATION**

i	ISIN Code:	IS0000035087
ii	Common Code:	000003508
iii	CFI Code:	See 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 Code:	ISLANDSBANKI/2.72 BD 20290510, 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 Bank S.A./N.V. or Clearstream Banking, société anonyme and the relevant identification number(s):	Nasdaq CSD, Iceland branch
vi	Delivery:	Delivery against payment
vii	Names and addresses of additional Paying Agent(s) (if any):	Not Applicable
viii	CSD Agent	Íslandsbanki
ix	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 Covered Bonds are capable of meeting them the Covered Bonds may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Covered Bonds 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.