

## 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/each] 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. [*Details of any negative target market to be included if applicable*]. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer[’s/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/s’] target market assessment) and determining appropriate distribution channels.

7 October 2022

**ÍSLANDBANKI HF.**

*(incorporated with limited liability in Iceland)*

**Legal entity identifier (LEI): 549300PZMFIQR79Q0T97**

**Issue of ISK 1,500,000,000 Fixed Rate Tier 2 Notes due April 2033  
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 29 April 2022 (the **Base Prospectus**) as supplemented by the supplement to it dated 7 September 2022 which together constitute a base prospectus for the purposes of Regulation (EU) 2017/1129 (for the purposes of these Final Terms, 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 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:   | 39   |
|    | (b) Tranche Number:  | 1  |
|    | (c) Date on which the Notes will be consolidated and form a single Series: | Not Applicable                                   |
| 3. | Specified Currency or Currencies:  | ISK  |
| 4. | Aggregate Nominal Amount:  |  |
|    | (a) Series:  | ISK 1,500,000,000                                |
|    | (b) Tranche:   | ISK 1,500,000,000                                |
| 5. | Issue Price:   | 100.00 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:  | 17 October 2022                                  |
|    | (b) Interest Commencement Date:  | Issue Date                                       |

8.	Maturity Date:	17 April 2033
9.	Interest Basis:	8.62 per cent. Fixed Rate (see paragraph 14 below)
10.	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11.	Change of Interest Basis:	Not Applicable
12.	Put/Call Options:	Issuer Call  (see paragraph 18 below)
13.	(a) Status of the Notes:	Subordinated
	(i) Redemption upon occurrence of Capital Event:	Applicable – Condition 6.3 applies
	(ii) Substitution or variation:	Applicable – Condition 6.11 applies
	(b) Date Board approval for issuance of Notes obtained:	1 December 2021

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14.	Fixed Rate Note Provisions	Applicable
	(a) Rate(s) of Interest:	8.62 per cent. per annum payable in arrear on each Interest Payment Date
	(b) Interest Payment Date(s):	17 January, 17 April, 17 July and 17 October in each year up to and including the Maturity Date
	(c) Fixed Coupon Amount(s): <i>(Applicable to Notes in definitive form)</i>	Not Applicable
	(d) Broken Amount(s): <i>(Applicable to Notes in definitive form)</i>	Not Applicable
	(e) Day Count Fraction:	30E/360
	(f) Determination Date(s):	Not Applicable
15.	Floating Rate Note Provisions	Not Applicable
16.	Reset Note Provisions:	Not Applicable
17.	Zero Coupon Note Provisions	Not Applicable

## PROVISIONS RELATING TO REDEMPTION

18. Issuer Call: Applicable
- (a) Optional Redemption Date(s): Interest Payment Date falling on 17 April 2028 and on every Interest Payment Date thereafter
- (b) Optional Redemption Amount: ISK 20,000,000 per Calculation Amount
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: Not Applicable
- (ii) Maximum Redemption Amount: Not Applicable
- (d) Notice period (if other than as set out in the Conditions): Not Applicable
19. Final Redemption Amount: Each Note will be redeemed at its principal amount
20. Clean-up Redemption Option: Not Applicable
21. 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

22. Form of Notes:
- (a) Form: CSD Notes
- (b) New Global Note: No
23. Additional Financial Centre(s): Not Applicable
24. 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. LISTING AND ADMISSION TO TRADING

Ratings: Not Applicable

### 3. NOTIFICATION

The Central Bank of Ireland has 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 Dealer, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Dealer and its 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: General corporate purposes
- (ii) Estimated net proceeds: ISK 1,499,850,000

### 6. YIELD (*Fixed Rate Notes and Reset Notes only*)

Indication of yield: 8,90%

### 7. BENCHMARKS REGULATION (*Floating Rate Notes and Reset Notes calculated by reference to benchmarks only*)

Not Applicable

### 8. OPERATIONAL INFORMATION

- (i) ISIN: IS0000034494
- (ii) Common Code: 000003449
- (iii) CFI: DBFUGR
- (iv) FISN: ISLANDSBANKI/8.90 BD 20330417

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|--------|--|--|
| (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:  | Not Applicable   |

## **9. 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           |

## **10. THIRD PARTY INFORMATION**

Not Applicable