

## APPLICABLE FINAL TERMS

11 September 2014

**ÍSLANDBANKI HF.**  
**Issue of 740,000,000 Zero Coupon Bond**  
**under the ISK 25,000,000,000**

**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 Bonds (the **Terms and Conditions**) set forth in the Base Prospectus dated 11 March 2014. This document constitutes the Final Terms of the Bonds described herein for the purposes of Article 5(4) of the Prospectus Directive and Article 45 of Act on Securities Transactions 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 Directive. Full information on the Issuer and the offer of the 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, <http://www.islandsbanki.is/english/investor-relations/funding//> and at the office of the issuer at Kirkjusandur 2, 155 Reykjavík, Iceland.

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|---------------------------------------------|---------------------------------------------------|
| <b>1. Issuer:</b>                           | Íslandsbanki hf.                                  |
| <b>2.</b>                                   |                                                   |
| i. Series Number:                           | 20                                                |
| ii. Tranche Number:                         | 1                                                 |
| <b>3. Specified Currency or Currencies:</b> | ISK                                               |
| <b>4. Aggregate Nominal Amount:</b>         |                                                   |
| I. Series:                                  | 1,500,000,000                                     |
| II. Tranche:                                | 740,000,000                                       |
| <b>5. Issue Price:</b>                      | 97.1275 per cent. of the Aggregate Nominal Amount |
| <b>6. Specified Denominations:</b>          | 20,000,000                                        |
| <b>7.</b>                                   |                                                   |
| i. Issue Date:                              | 19 September 2014                                 |
| ii. Interest Commencement Date:             | 19 September 2014                                 |

- 8.
- i. Maturity Date: 20 March 2015
- 9.
- i. Interest Basis to Maturity Date: Zero Coupon
10. **Redemption/Payment Basis:** Redemption at par
11. **Change of Interest Basis or Redemption/Payment Basis:** Not Applicable
12. **Call Option:** Not Applicable
13. **Status of the Bonds:** Senior.
14. **Approval for issuance of the Bonds:**
- Date of Board approval for issuance of Bonds obtained: 20 August 2012
15. **Method of distribution:** Non-syndicated

**PROVISIONS RELATING TO INFLATION LINKED ANNUITY BONDS**

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

**PROVISIONS RELATING TO INFLATION LINKED EQUAL**

**PRINCIPAL PAYMENT BONDS**

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

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

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

**19. Floating Rate Bond Provisions:** Not Applicable

**20. Zero Coupon Bond Provisions:** Applicable

- i. Accrual Yield: 5.85 per cent, per annum
- ii. Reference Price: 97.1275
- iii. Any other formula/basis of determining amount payable: Not Applicable
- iv. Day Count Fraction in relation to Early Redemption Amounts and late payment: Conditions 7.6.b) and 7.10 apply

**PROVISIONS RELATING TO REDEMPTION**

**21. Issuer Call:** Not Applicable

**22. Final Redemption Amount of each Bond:** Not Applicable

GENERAL PROVISIONS APPLICABLE TO THE BONDS

- |                                                                                                                                                                                                                                                                               |                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| <b>23. New Global Bond:</b>                                                                                                                                                                                                                                                   | No                            |
| <b>24. Form of Bonds:</b>                                                                                                                                                                                                                                                     | VS System Bonds               |
| <b>25. Additional Financial Centre(s) or other special provisions relating to Payment Days:</b>                                                                                                                                                                               | Not Applicable                |
| <b>26. Talons for future Coupons or Receipts to be attached to definitive Bonds (and dates on which such Talons mature):</b>                                                                                                                                                  | No                            |
| <b>27. Details relating to Partly Paid 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 Bonds and interest due on late payment:</b> | Not Applicable                |
| <b>28. Details relating to Instalment Bonds:</b>                                                                                                                                                                                                                              |                               |
| i. Instalment Amount(s):                                                                                                                                                                                                                                                      | Not Applicable                |
| ii. Instalment Date(s):                                                                                                                                                                                                                                                       | Not Applicable                |
| <b>29. Redenomination applicable:</b>                                                                                                                                                                                                                                         | Redenomination not applicable |
| <b>30. Other final terms:</b>                                                                                                                                                                                                                                                 | Not Applicable                |

**DISTRIBUTION**

**31.**

- i. If syndicated, names of Managers : Not Applicable
- ii. 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 Bonds described herein pursuant to the ISK 25,000,000,000 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 OMX Iceland
- ii. Admission to trading: Application has been made for the Bonds to be admitted to trading on Nasdaq OMX Iceland with effect from 19 September 2014.

### 2. RATING

Not Applicable

### 3. NOTIFICATION

N/A

### 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 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: 717,893,500
- iii. Estimated total expenses: 850,000

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

Indication of yield: Not Applicable

### 7. HISTORIC INTEREST RATES (*Floating Rate 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 Bonds and Inflation Linked Equal Principal Payment Bonds Only*)

Not Applicable.

### 9. OPERATIONAL INFORMATION

- i. ISIN Code: IS0000025112
- ii. Common Code: 000002511

- III. Any clearing system(s) other than Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme and the relevant identification number(s): Icelandic Securities Depository
- IV. Delivery: Delivery against payment
- V. Names and addresses of additional Paying Agent(s) (if any): Not Applicable
- VI. Intended to be held in a manner which would allow Eurosystem eligibility: No