

PRICING SUPPLEMENT

22nd March 2001

ISLANDSBANKIFBA

**ISLANDSBANKI-FBA HF.
Issue of Euro 7,000,000
Subordinated Lower Tier 2 Floating Rate Notes
with Regulatory Step-up 2001-2011
under the Euro 2,000,000,000
Euro Medium Term Note Programme**

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| 1. | [(i)] | Series Number: | 78 |
| | [(ii)] | Tranche Number: | n.a. |
| 2. | | Specified Currency or Currencies: | Euro |
| 3. | | Aggregate Nominal Amount: | Euro 7,000,000 |
| | - | Tranche: | n.a. |
| | - | Series: | n.a. |
| 4. | | Issue Price of Tranche: | 100 per cent. |
| 5. | | Specified Denominations: | Euro 100,000 |
| 6. | [(i)] | Issue Date: | 6 th April 2001 |
| | [(ii)] | Interest Commencement Date (if different from the Issue Date): | 6 th April 2001 |
| 7. | | Maturity Date: | 6 th April 2011 |
| 8. | | Interest Basis: | EURIBOR |
| 9. | | Redemption/Payment Basis: | Redemption at par |
| 10. | | Change of Interest Basis or Redemption/Payment Basis: | n.a. |
| 11. | | Put/Call Options: | Issuer Call |
| 12. | | Status of the Notes: | Subordinated Lower Tier 2 |
| 13. | | Listing: | London |
| 14. | | Method of distribution: | Non-syndicated |
| PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE | | | |
| 15. | | Fixed Rate Note Provisions | Not Applicable |

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16.	Floating Rate Note Provisions	Applicable
(i)	Specified Period(s)/Specified Interest Payment Dates:	<p>For the first 5 Years: the Interest Payment Dates falling on the 6th April, 6th July, 6th October and 6th January in each year, commencing with the Interest Payment Date falling on 6th July 2001 and ending 6th April 2006</p> <p>For the last 5 years: the Interest Payment Dates falling on the 6th April and the 6th October in each year, commencing with the Interest Payment Date falling on 6th October 2006 and ending 6th April 2011</p>
(ii)	Business Day Convention:	Following Business Day
(iii)	Additional Business Centre(s):	n.a.
(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	Screen Rate Determination
(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	Agent
(vi)	Screen Rate Determination:	
	– Reference Rate:	<p>For the first 5 years: 3-month-EURIBOR For the last 5 years: 6-month-EURIBOR</p>
	– Interest Determination Date(s):	Second day on which the TARGET System is open prior to the start of each Interest Period
	– Relevant Screen Page:	Telerate Page 248
(vii)	ISDA Determination:	
	– Floating Rate Option:	n.a.
	– Designated Maturity:	n.a.
	– Reset Date:	n.a.
(viii)	Margin(s):	<p>For the first 5 years: + 1 per cent. per annum For the last 5 years: + 3 per cent. per annum</p>
(ix)	Minimum Rate of Interest:	n.a.
(x)	Maximum Rate of Interest:	n.a.
(xi)	Day Count Fraction:	actual/360

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	(xii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	n.a.
17.	Zero Coupon Note Provisions	Not Applicable
18.	Index Linked Interest Note Provisions	Not Applicable
19.	Dual Currency Note Provisions	Not Applicable
PROVISIONS RELATING TO REDEMPTION		
20.	Issuer Call	Applicable
	(i) Optional Redemption Date(s):	6 th April 2006
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	Euro 7,000,000
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	n.a.
	(b) Higher Redemption Amount:	n.a.
	(iv) Notice period (if other than as set out in the Conditions):	5 TARGET business days preceding the Optional Redemption Date
21.	Investor Put	Not Applicable
22.	Final Redemption Amount	Par
23.	Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)):	n.a.

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	Temporary Global Note exchangeable for a Permanent Global Note
25.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	n.a.
26.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	n.a.

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| 27. | Details relating to Partly Paid Notes: 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 Notes and interest due on late payment: | n.a. |
| 28. | Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: | n.a. |
| 29. | Redenomination applicable: | n.a. |
| 30. | Other terms or special conditions: | n.a. |

DISTRIBUTION

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| 31. | (i) If syndicated, names of Managers: | n.a. |
| | (ii) Stabilising Manager (if any): | n.a. |
| 32. | If non-syndicated, name of relevant Dealer: | Erste Bank der oesterreichischen Sparkassen AG |
| 33. | Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: | TEFRA C |
| 34. | Additional selling restrictions: | n.a. |

OPERATIONAL INFORMATION

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| 35. | Any clearing system(s) other than Euroclear and Cedelbank and the relevant identification number(s): | n.a. |
| 36. | Delivery: | Delivery against payment |
| 37. | Additional Paying Agent(s) (if any): | n.a. |

ISIN:	XS0126936300
Common Code:	12693630
<i>(insert here any other relevant code)</i>	

LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the listing of the €2,000,000,000 Euro Medium Term Note Programme of Islandsbanki-FBA HF.

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