

**ISLANDBANKI CPI 2008**  
**Issue of €50,000,000 Fixed Rate and Inflation Linked Notes due 2008**  
**under the €2,500,000,000**  
**Euro Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Offering Circular dated 17th July, 2003. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

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|-----|---|--|
| 1.  | (i) Series Number:                                    | 119  |
|     | (ii) Tranche Number:                                  | 1  |
| 2.  | Specified Currency or Currencies:                     | Euro   |
| 3.  | Aggregate Nominal Amount:                             |  |
|     | – Tranche:  | Euro 50,000,000  |
|     | – Series:   | Euro 50,000,000  |
| 4.  | (i) Issue Price of Tranche:                           | 99.50 per cent of the Aggregate Nominal Amount   |
|     | (ii) Net proceeds:                                    | Not applicable   |
| 5.  | Specified Denominations:                              | Euro 1,000   |
| 6.  | (i) Issue Date:                                       | 16 October, 2003   |
|     | (ii) Interest Commencement Date:                      | 16 October, 2003   |
| 7.  | Maturity Date:  | 16 October, 2008   |
| 8.  | Interest Basis:                                       | Fixed Rate 3.60 per cent. per annum for the period specified in item 15 below.<br><br>Index Linked Interest for the period specified in item 18 below (further particulars set out in item 18 below and the Schedule). |
| 9.  | Redemption/Payment Basis:                             | Redemption at par  |
| 10. | Change of Interest Basis or Redemption/Payment Basis: | Not Applicable   |
| 11. | Put/Call Options:                                     | Not Applicable   |
| 12. | Status of Notes:                                      | Senior   |
| 13. | Listing:  | None   |

14. Method of distribution: Non-Syndicated

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

15. **Fixed Rate Note Provisions** Applicable
- (i) Rate(s) of Interest: 3.60 per cent. per annum for the period from (and including) the Issue Date to (but excluding) 16 October 2004.
  - (ii) Interest Payment Date(s): 16 January 2004, 16 April 2004, 16 July 2004, and 16 October, 2004.
  - (iii) Fixed Coupon Amount(s): € 36.00 per €1,000 in nominal amount
  - (iv) Broken Amount(s): Not Applicable
  - (v) Day Count Fraction: Actual/Actual (ISMA)
  - (vi) Determination Date(s): 16 January 2004, 16 April 2004, 16 July 2004, and 16 October, 2004.
  - (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: None
16. **Floating Rate Note Provisions** Not Applicable
17. **Zero Coupon Note Provisions** Not Applicable
18. **Index Linked Interest Note Provisions** Applicable in respect of the period commencing on (and including) 16 October, 2004 and ending on (but excluding) the Maturity Date.
- (i) Index/Formula: See Schedule
  - (ii) Calculation Agent responsible for calculating the interest due: UniCredit Banca Mobiliare S.p.A.
  - (iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: See Schedule
  - (iv) Specified Period(s)/Specified Interest Payment Dates: 16 January, 16 April, 16 July and 16 October in each year commencing on 16 January 2005 up to and including the Maturity Date
  - (v) Business Day Convention: Modified Following Business Day Convention
  - (vi) Additional Business Centre(s): Not applicable
  - (vii) Minimum Rate of Interest: 1.00 per cent. per annum
  - (viii) Maximum Rate of Interest: Not Applicable
  - (ix) Day Count Fraction: Actual/Actual (ISMA)

19. Dual Currency Interest Note Provisions Not Applicable

## PROVISIONS RELATING TO REDEMPTION

20. Issuer Call Not Applicable
21. Investor Put Not Applicable
22. Final Redemption Amount of each Note: 100 per cent. of the Aggregate Nominal Amount
23. Early Redemption Amount(s) of each Note 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)): Condition 7 (e) applies

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event
25. Additional Financial Centre(s) or other special Not Applicable
26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): No
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 (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: Not Applicable
28. Details relating to Instalment Notes, including the amount of each instalment (each an "Instalment Amount") and the date on which each payment is to be made (each an "Instalment Date"): Not Applicable
29. Redenomination applicable: Redenomination not applicable
30. Other terms or special conditions: 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: UniCredit Banca Mobiliare S.p.A.
33. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: TEFRA D
34. Additional selling restrictions: Italy:

The offering of the Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to professional investors ("*operatori qualificati*"), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1st July, 1998, as amended; or
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24th February, 1998 (the "**Financial Services Act**") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14th May, 1999, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1st September, 1993 (the "**Banking Act**"), as amended; and
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and  
in accordance with any other applicable laws and regulations.

#### OPERATIONAL INFORMATION

- 35. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): Not Applicable
- 36. Delivery: Delivery against payment
- 37. Additional Paying Agent(s) (if any): Not Applicable

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ISIN:

XS0176284700

Common Code:

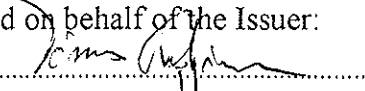
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## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:  .....

*Duly authorised*



# APPENDIX 1

## SCHEDULE

### Information Concerning Investment Risk

Potential purchasers of the Notes should understand that amounts payable in respect of Index Linked Interest (but not principal) on the Notes are dependent upon the performance of the Index (as defined herein) and may even be zero, as more fully set out herein.

### Index Linked Interest Note Provisions

#### 1. Calculation of Indexed Linked Interest

The Interest Amount payable on each of the Specified Interest Payment Dates will be the amount determined by the Calculation Agent in its absolute discretion on the relevant Reference Date in accordance with the following formula:

$$I = 1000\text{Euro} * \left[ 1.0\% + 100\% \text{Max} \left( \frac{CPI_i}{CPI_{i-1}} - 1; 0 \right) \right]$$

Where,

"CPI<sub>i</sub>" means, in respect of the Specified Interest Payment Date "i" (as indicated in the table below), the closing value of the Index for the month falling 6 months prior to that Specified Interest Payment Date (as indicated under the column "CPI<sub>i</sub>" in the table below) as determined by the Calculation Agent;

"CPI<sub>i-1</sub>" means, in respect of the Specified Interest Payment Date "i" (as indicated in the table below) the closing value of the Index for the month falling 18 months prior to that Specified Interest Payment Date (as indicated under the column "CPI<sub>i-1</sub>" in the table below) as determined by the Calculation Agent;

Specified Interest Payment Date ("i")	CPI <sub>i</sub>	CPI <sub>i-1</sub>
16 January 2005	16 July 2004	16 July 2003
16 April 2005	16 October 2004	16 October 2003
16 July 2005	16 January 2005	16 January 2004
16 October 2005	16 April 2005	16 April 2004
16 January 2006	16 July 2005	16 July 2004
16 April 2006	16 October 2005	16 October 2004

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16 July 2006	16 January 2006	16 January 2005
16th October, 2006*	16 April 2006	16 April 2005
16 January 2007	16 July 2006	16 July 2005
16 April 2007	16 October 2006	16 October 2005
16 July 2007	16 January 2007	16 January 2006
16 October 2007	16 April 2007	16 April 2006
16 January 2008	16 July 2007	16 July 2006
16 April 2008	16 October 2007	16 October 2006
16 July 2008	16 January 2008	16 January 2007
16 October 2008	16 April 2008	16 April 2007

"Index" or "**HICP EUR Index (EUR-12) - Including Tobacco**" means, subject to paragraph 2 below, the harmonised index of consumer prices for the Euro-zone including tobacco (non revised) as calculated on a monthly basis by the Statistical Office of the European Communities ("**EUROSTAT**") which appears on Bloomberg Page CPALEMU (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying the level of such Index).

## 2. Provisions relating to the Index

### (a) Revision of the Index

For the purposes of the calculation of the Interest Amounts, the first publication of the Index (excluding estimates) by EUROSTAT for a given month shall be final. For the avoidance of any doubt, but subject to subparagraph (d) below, a later revision of any released Index closing value shall be disregarded.

### (b) Index Substitution

If the Index value is not published or ceases to be published by EUROSTAT and the Calculation Agent determines in its discretion that:

- (i) another entity (a "**Reference Institute**") publishes the Index value, adopting a similar calculation method to EUROSTAT, the Calculation Agent shall use such Reference Institute's published Index value; or
- (ii) no other Reference Institute publishes the Index value adopting a similar calculation method to EUROSTAT but that the Index value is calculated by another Reference Institute using a different calculation method to EUROSTAT, the Calculation Agent shall determine in his own discretion if it is possible to establish a linking coefficient

between the Index value calculated on the basis of the EUROSTAT method and the new index calculated on the basis of the new method, to preserve the economic situation of the Noteholders.

(c) Delay of publication

If on the fifth Business Day preceding any relevant Specified Interest Payment Date, neither EUROSTAT nor any other Reference Institute has published the Index, the Calculation Agent will use the last previous published Index value prior to the applicable month.

(d) Change of base or calculation method

If at any time while the Notes are outstanding, the Index is revised to a new base or calculation method, the Calculation Agent will make any necessary adjustments to preserve the economic situation of the Noteholders.

