

PRICING SUPPLEMENT

21st November, 2003

Íslandsbanki hf.
Issue of €50,000,000 Subordinated Floating Rate Notes due 2013
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. The Pricing Supplement is supplemental to and must be read in conjunction with such Offering Circular.

1. (i) Series Number: 127
- (ii) Tranche Number: 1
2. Specified Currency or Currencies: Euro (€)
3. Aggregate Nominal Amount:
 - Tranche: €50,000,000
 - Series: €50,000,000
4. (i) Issue Price of Tranche: 99.926 per cent. of the Aggregate Nominal Amount
- (ii) Net proceeds: €49,788,000
5. Specified Denominations: €1,000, €10,000 and €100,000
6. (i) Issue Date: 25th November, 2003
- (ii) Interest Commencement Date: 25th November, 2003
7. Maturity Date: Interest Payment Date falling in November 2013
8. Interest Basis:

From and including the Issue Date to but excluding the Interest Payment Date falling in November, 2008, 3 month EURIBOR + 0.65 per cent. Floating Rate
(further particulars specified below)

From and including the Interest Payment Date falling in November, 2008 to but excluding the Maturity Date, 3 month EURIBOR + 1.65 per cent. Floating Rate (further particulars specified below)



- | | | |
|-----|-------------------------------------------------------------|--------------------|
| 9. | Redemption/Payment Basis: | Redemption at par |
| 10. | Change of Interest Basis or Redemption/
Payment Basis: | Not Applicable |
| 11. | Put/Call Options: | Issuer Call |
| 12. | (i) Status of the Notes: | Dated Subordinated |
| | (ii) Date Board approval for issuance
of Notes obtained: | Not Applicable |
| 13. | Listing: | London |
| 14. | Method of distribution: | Non-syndicated |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

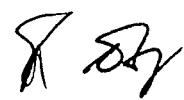
- | | | |
|-----|----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15. | Fixed Rate Note Provisions | Not Applicable |
| 16. | Floating Rate Note Provisions | Applicable |
| | (i) Specified Period(s)/Specified
Interest Payment Dates: | 25th February, 25th May, 25th August and 25th
November in each year up to and including the
Maturity Date. The first Interest Payment Date
shall fall in February 2004 |
| | (ii) Business Day Convention: | Modified Following Business Day Convention |
| | (iii) Additional Business Centre(s): | Not Applicable |
| | (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): | Not Applicable |
| | (vi) Screen Rate Determination: | Applicable |
| | – Reference Rate: | 3 month EURIBOR |
| | – Interest Determination Date(s): | The 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: | Not Applicable |
| | (viii) Margin(s): | + 0.65 per cent. per annum from and including
the Issue Date to but excluding the Interest
Payment Date falling in November, 2008 |

+ 1.65 per cent. per annum from and including the Interest Payment Date falling in November, 2008 to but excluding the Maturity Date

- (ix) Minimum Rate of Interest: Not Applicable
 - (x) Maximum Rate of Interest: Not Applicable
 - (xi) Day Count Fraction: Actual/360
 - (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: Not Applicable
17. **Zero Coupon Note Provisions** Not Applicable
18. **Index Linked Interest Note Provisions** Not Applicable
19. **Dual Currency Interest Note Provisions** Not Applicable

PROVISIONS RELATING TO REDEMPTION

20. Issuer Call Applicable
- (i) Optional Redemption Date(s): The Interest Payment Date falling in November 2008 and each Interest Payment Date thereafter to but excluding the Maturity Date
 - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): Nominal Amount
 - (iii) If redeemable in part: Not Applicable
 - (iv) Notice period (if other than as set out in the Conditions): As per the Conditions
21. Investor Put Not Applicable
22. Final Redemption Amount of each Note: 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)): As per Condition 7(e)



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 provisions relating to Payment Dates: 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): Deutsche Bank AG London
32. If non-syndicated, name of relevant Dealer: Deutsche Bank AG London
33. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: TEFRA D
34. Additional selling restrictions: Not Applicable

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

ISIN: XS0180994039
Common Code: 018099403
WKN: 816834

LISTING APPLICATION

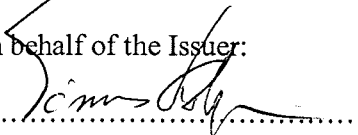
This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the €2,500,000,000 Euro Medium Term Note Programme of Íslandsbanki hf.

RESPONSIBILITY

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

Signed on behalf of the Issuer:

By:


.....
Duly authorised

