

Pricing Supplement dated 13 October 2004

**Íslandsbanki hf.
Issue of EUR 50,000,000 Zero Coupon Notes due 15 October 2010
under the €3,500,000,000
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 27th February, 2004. 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: | 153 154 | 600667 |
| | (ii) | Tranche Number: | 1 | |
| 2. | | Specified Currency or Currencies: | Euro (EUR) | |
| 3. | | Aggregate Nominal Amount: | | |
| | – | Tranche: | EUR 50,000,000 | |
| | – | Series: | EUR 50,000,000 | |
| 4. | (i) | Issue Price of Tranche: | 79.50 per cent. of the Aggregate Nominal Amount | |
| | (ii) | Net proceeds: | EUR 39,750,000 | |
| 5. | | Specified Denominations: | EUR 10,000 | |
| 6. | (i) | Issue Date: | 15 October 2004 | |
| | (ii) | Interest Commencement Date: | Issue Date | |
| 7. | | Maturity Date: | 15 October 2010 | |
| 8. | | Interest Basis: | Zero Coupon (further particulars specified below) | |
| 9. | | Redemption/Payment Basis: | Redemption at par 0% vestir | |
| 10. | | Change of Interest Basis or Redemption/Payment Basis: | Not Applicable | |
| 11. | | Put/Call Options: | Not Applicable | |
| 12. | (i) | Status of Notes: | Senior | |
| | (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 | |

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| 16. | Floating Rate Note Provisions | Not Applicable |
| 17. | Zero Coupon Note Provisions | Applicable |
| | (i) Accrual Yield: | 3.8975 per cent. per annum X |
| | (ii) Reference Price: | 79.50 per cent. |
| | (iii) Any other formula/basis of determining amount payable: | Not Applicable |
| | (iv) Day Count Fraction in relation to Early Redemption Amount and late payment: | Conditions 7(e)(iii) and 7(j) apply |
| 18. | Index Linked Interest Note Provisions | Not Applicable |
| 19. | Dual Currency Interest Note Provisions | Not Applicable |

PROVISIONS RELATING TO REDEMPTION

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| 20. | Issuer Call | Not Applicable |
| 21. | Investor Put | Not Applicable |
| 22. | Final Redemption Amount of each Note: | EUR 10,000 per Note of EUR 10,000 Specified Denomination |
| 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

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| 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: | London and TARGET.
For the purpose of this issue only, Condition 6(e) (<i>Payment Day</i>) shall be amended by deleting the words “the next following Payment Day” in lines 2 and 3 and inserting in their place the following:
“the next day which is a Payment Day unless it would thereby fall into the next calendar month, in which event such Payment Day shall be brought forward to the immediately preceding Payment Day” |
| 26. | Talons for future Coupons or | No |

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Receipts to be attached to Definitive Notes (and dates on which such Talons mature):

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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 (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

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| 31. | (i) If syndicated, names of Managers: | Not Applicable |
| | (ii) Stabilising Manager (if any): | Not Applicable |
| 32. | If non-syndicated, name of relevant Dealer: | Credit Suisse First Boston (Europe) Limited |
| 33. | Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: | TEFRA D |
| 34. | Additional selling restrictions: | Not Applicable |

OPERATIONAL INFORMATION

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| 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: | XS0200687019 |
| | Common Code: | 020068701 |



LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the €3,500,000,000 Euro Medium Term Note Programme of Íslandsbanki hf.

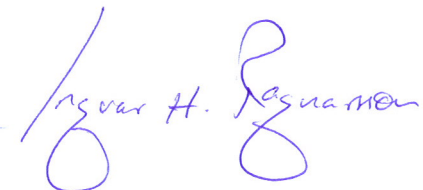
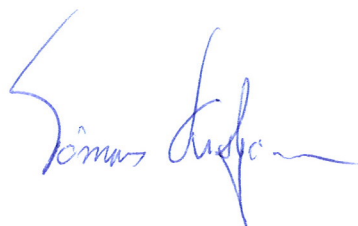
RESPONSIBILITY

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

Signed on behalf of the Issuer:

By:

Duly authorised



Jónas Andriasson Jónas H. Þorvaldsson