Íslandsbanki hf.

Issue of ISK 310,000,000 Index linked Notes due 2009.
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.

1.	(i)	Series Number:	174
	(ii)	Tranche Number:	1
2.		Specified Currency or Currencies:	ISK
3.		Aggregate Nominal Amount:	
	–	Tranche:	ISK 310,000,000
	–	Series:	ISK310,000,000
4.	(i)	Issue Price of Tranche:	100 per cent. of the Aggregate Nominal Amount
	(ii)	Net proceeds: (*Required only for listed issues*)	ISK 310,000,000
5.		Specified Denominations:	ISK 10,000,000
6.	(i)	Issue Date:	16 December 2004
	(ii)	Interest Commencement Date :	16 December 2004
7.		Maturity Date:	16 December 2009
8.		Interest Basis:	0 per cent.
9.		Redemption/Payment Basis:	Other (further particulars specified in Appendix 1 hereto)
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] aproval 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**	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	Not Applicable
21.	Investor Put	Not Applicable
22.	Final Redemption Amount of each Note:	The Final Redemption Amount of each Note of a specified Denomination will be calculated as specified in Appendix 1 and 2 hereto.
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)):	Not Applicable

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:	Reykjavik
26.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	Not Applicable
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:	Íslandsbanki hf.

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 free of payment
37.	Additional Paying Agent(s) (if any):	Not Applicable

ISIN:	XS0209612448
Common Code:	020961244

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

APPENDIX 1

FINAL REDEMPTION AMOUNT

Settlement Currency:	ISK
Cash Settlement Payment Date	Two Currency Business Days after the Valuation Date
Redemption amount	An amount in ISK on the Cash Settlement Payment Date, as determined by the Calculation Agent as of the Valuation Date, in accordance with the following formula: $Notional \cdot \lfloor 1 + Participation \cdot Max \lfloor Basket_{Average} - 1, Lock - in - level \rfloor \rfloor$ Where: "Basket Average" means the arithmetic mean of the Basket Value at the last occurring Valuation Time on each Averaging Date. Basket Value= $\sum_{i=1}^{4} W^{i} \cdot \left[\frac{P^{i}}{P_{0}^{i}} \right]$ "W^i" means the Weighting in respect of each Index comprised in the Basket as specified in Annex II. "P^i" means, in respect of each Index, the official closing level of the Index at the relevant Valuation Time on each Averaging Date. "P_0^i" means, in respect of each Index, the official closing level of the Index at relevant Scheduled Closing time on the Strike Date
Participation	200%
Averaging Dates:	The 16th of each month starting and including 16 June, 2009 to and including 16 December, 2009 (7 observations) or if in respect of any Index, such date is not a Scheduled Trading Day, the next following Scheduled Trading Day for all Indices comprised in the Basket.
Averaging Date Disruption:	Modified Postponement, provided that if any one Index is affected by the occurrence of a Disrupted Day, then all the Indices comprised in the Basket shall be similarly affected.
Index Adjustment Event:	
Index Cancellation:	Calculation Agent Adjustment
Index Cancellation:	Calculation Agent Adjustment
Index Cancellation:	Calculation Agent Adjustment
Other Terms.	
Calculation Agent::	Islandsbanki

APPENDIX 2

Index comprised in the Basket

The Basket is composed of the following Indices in the relative weightings set out in relation to each Index below.

Index	*Exchange(s)*	*Related Exchange(s)*	Weighting	Initial levels
The S&P 500 Composite Stock Price Index, a market index of 500 U.S.securities, which is currently sponsored by Standard & Poor's Corporation, a division of McGraw-Hill, Inc. (the "S&P 500")	New York Stock Exchange; American Stock Exchange LLC ("AMEX"); and Nasdaq Stock Market, Inc. ("NYSE");	Chicago Board Options Exchange ("CBOE"); and Chicago Mercantile Exchange.	60%	1203.21
The Dow Jones EURO STOXX 50SM Index, a Euro blue chip index derived from the Dow Jones EURO STOXX, as calculated and published by STOXX Limited (the "Index Sponsor").	The stock exchanges on which securities comprising the Index are traded, as determined by the Sponsor from time to time.	EUREX	20%	2929.63
The FTSE 100 index, a market index based on a selection of 100 securities listed on the Exchange, which is currently sponsored by FTSE International Limited (the "FTSE 100")	London Stock Exchange plc	LIFFE	10%	4735.20
The Nikkei 225 Stock Average, an index of 225 selected stocks listed on the first section of the Exchange, which is currently sponsored by Nihon Keizai Shimbun, Inc. (the " Nikkei 225")	Tokyo Stock Exchange	Osaka Securities Exchange	10%	11078.32