

PRICING SUPPLEMENT

25th January, 2005

Íslandsbanki hf.
Issue of €450,000,000 Floating Rate Notes due 2010
under the €5,000,000,000
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 29th December, 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: | 177 |
| | (ii) | Tranche Number: | 1 |
| 2. | | Specified Currency or Currencies: | Euro (€) |
| 3. | | Aggregate Nominal Amount: | |
| | – | Tranche: | €450,000,000 |
| | – | Series: | €450,000,000 |
| 4. | (i) | Issue Price of Tranche: | 99.857 per cent. of the Aggregate Nominal Amount |
| | (ii) | Net proceeds: | €449,244,000 |
| 5. | | Specified Denomination: | €50,000 |
| 6. | (i) | Issue Date: | 27th January, 2005 |
| | (ii) | Interest Commencement Date: | 27th January, 2005 |
| 7. | | Maturity Date: | Interest Payment Date falling in or nearest to January 2010 |
| 8. | | Interest Basis: | 3 month EURIBOR + 0.15 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: | Not Applicable |

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| 12. | (i) | Status of the Notes: | Senior |
| | (ii) | Date Board approval for issuance of Notes obtained: | Not Applicable |
| 13. | Listing: | | London |
| 14. | Method of distribution: | | Syndicated |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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| 15. | Fixed Rate Note Provisions | | Not Applicable |
| 16. | Floating Rate Note Provisions | | Applicable |
| | (i) | Specified Period(s)/Specified Interest Payment Dates: | The Interest Payment Dates are 27th January, 27th April, 27th July and 27th October in each year from and including 27th April, 2005 to and including the Maturity Date |
| | (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: | Yes |
| | | – Reference Rate: | 3 month EURIBOR |
| | | – 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: | No |
| | (viii) | Margin(s): | +0.15 per cent. per annum |
| | (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 | Not Applicable |

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:

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| 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

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| 20. | Issuer Call | Not Applicable |
| 21. | Investor Put | Not Applicable |
| 22. | Final Redemption Amount of each Note: | €50,000 per Note of €50,000 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)): | As set out in Condition 7(e) |

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: | 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 | Not Applicable |

date on which each payment is to be made
(each an "Instalment Date"):

29. Redenomination applicable: Redenomination not applicable
30. Other terms or special conditions: Not Applicable

DISTRIBUTION

31. (i) If syndicated, names of Managers: J.P. Morgan Securities Ltd.
WestLB AG
Calyon
DZ BANK AG Deutsche Zentral-
Genossenschaftsbank, Frankfurt am Main
Landesbank Baden-Württemberg
Merrill Lynch International
Société Générale
Wachovia Securities International Limited
- (ii) Stabilising Manager (if any): J.P. Morgan Securities Ltd.
32. If non-syndicated, name of relevant Dealer: Not Applicable
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: XS0210555578
Common Code: 021055557

LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the €5,000,000,000 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