

Íslandsbanki hf.
Issue of ISK 650,000,000 Index linked 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.

1.	(i) Series Number:	214
	(ii) Tranche Number:	1
2.	Specified Currency or Currencies:	ISK
3.	Aggregate Nominal Amount:	
	– Tranche:	ISK 650,000,000
	– Series:	ISK 650,000,000
4.	(i) Issue Price of Tranche:	100 per cent. of the Aggregate Nominal Amount
	(ii) Net proceeds: <i>(Required only for listed issues)</i>	ISK 650,000,000
5.	Specified Denominations:	ISK 5,000,000
6.	(i) Trade Date:	7 April 2005
	(ii) Effective Date:	11 April 2005
7.	Maturity Date:	10 April 2010
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] 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	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 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.

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| 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: XS0223403873
Common Code: 22340387
(insert here any other relevant codes)

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

APPENDIX 1

FINAL REDEMPTION AMOUNT

Settlement Currency:	ISK
Cash Settlement Payment Date	Two Currency Business Days after the Valuation Date
Valuation Time	the time at which the last Index Level is announced and published.
Valuation Date k	Each Exchange Business Day from the Effective Date (non-inclusive) to the Expiration Date (inclusive) (such date being considered as a Valuation Date for the purpose of Section 4.2 and Section 4.3 of the Equity Definitions)
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:

$$\text{Notional} \cdot \left[1 + \text{Participation} \cdot \left[\frac{\text{USD}}{\text{ISK}} \right]_{\text{final}} / 61,75 \cdot \text{BestPerf} \right]$$

Where:

BestPerf = MAX [0; Basket Perf (1); ... Basket Perf (k) ...; Basket Perf (number of valuation days to be determined according to “Valuation Date k” above)]

BasketPerf (k): on each Valuation Date k (for k = 1 to [number of valuation days to be determined according to “Valuation Date k” above]), BasketPerf k is calculated as follows:

$$\text{BasketPerf}(k) = \sum_{i=1}^4 w^i \left(\frac{s_k^i}{s_0^i} - 1 \right)$$

“ $\left[\frac{\text{USD}}{\text{ISK}} \right]_{\text{final}}$ ” means the final price of the currency cross determined by the calculation agent

“ w^i ” means the Weighting in respect of each Index comprised in the Basket as specified in Annex II.

“ s_k^i ” means, in respect of each Index comprised in the Basket, the Index Level on the relevant Valuation Date k.

s_0^i means, in respect of each Index comprised in the Basket, the Index Level on the Effective Date.

Participation	108%
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.
Calculation Agent::	Islandsbanki
Index Adjustment Event:	Section 8.1 sub-section (b) in case of Valuation Date and/or Section 4.4 (e) in case of Averaging Date of the 1996 ISDA Equity Derivatives Definitions is/are cancelled and replaced as follows: 8.1(b) If (i) on or prior to any Valuation Date or Averaging Date (as the case may be) a relevant Index sponsor makes a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the

event of changes in constituent stock and capitalization and other routine events) or (ii) on any Valuation Date or Averaging Date (as the case may be) the sponsor fails to calculate and announce a relevant Index, then the Calculation Agent may decide either (a) to calculate the Cash Settlement Amount, using, in lieu of published level for that Index, the level for that Index as at that Valuation Date or Averaging Date (as the case may be) as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities that comprised that Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on any relevant Exchange) or (b) replace the Index by a new index provided that such index is (1) representative of the same economic or geographic sector, as the case may be, and (2) listed on the Exchange of one OECD country.

Section 8.1 - sub-sections (c) to (f) will be added to the 1996 ISDA Equity Derivatives Definitions further to the "events" affecting one or more Index (the "Event") as follows:

8.1(c)

(A) If an Index of the Basket merges with another index which is not part of the Basket, the Calculation Agent may decide to substitute the Index by the index resulting from the merge with the Index, as long as such new index is (i) representative of the same economic or geographic sector, as the case may be and (ii) is listed on the Exchange of one OECD country. If the index resulting from such merge does not meet the criteria in (i) and (ii) above, the Calculation Agent shall select another index meeting these criteria.

(B) If an Index of the Basket merges with another Index of the Basket, the Calculation Agent may decide to substitute the two Indices by the index resulting from the merge of such two Indices, as long as such new index is (i) representative of the same economic or geographic sector, as the case may be, and (ii) listed on the Exchange of one OECD country.

In order to always keep the same number of indices within the Basket, the Calculation Agent shall select a new index which also meets the criteria of (i) and (ii) above mentioned.

Furthermore, if the index resulting from such merge does not meet the criteria in (i) and (ii) above, the Calculation Agent may select another index meeting these criteria.

8.1(d) If one Index of the Basket is split into two or more new indices, the Calculation Agent may decide, in order to always keep the same number of indices within the Basket, either:

(i) to use the indices resulting from the split to determine an index equivalent to the one existing prior to the split (provided that the indices resulting from the split will be deemed to form together the "New Index"), or

(ii) not to keep one or more of such indices resulting from the split and comprised in the New Index, and to reallocate its/their value equally into the other indices effectively comprised in the New Index or, (iii) replace the split Index by a new index as long as such new index is (i) representative of the same economic or geographic sector, as the case may be, and (ii) listed on the Exchange of one OECD country.

8.1(e) In the event the shares of one Index of the Basket represent at least 20% of the capitalisation of another Index of the Basket, the Calculation Agent may decide to replace such Index by a new index as long as such new index is (i) representative of the same economic or geographic sector, as the case may be, and (ii) listed on the Exchange of one OECD country.

8.1(f) In the event one Index of the Basket ceases to be the underlying of its relevant future and/or option contract (as the case may be), the Calculation Agent may decide to replace such Index by a new index as long as such new index is (i) representative of the same economic or geographic sector, as the case may be, and (ii) listed on the Exchange of one OECD country.

If no index meeting the criteria (i) and (ii) can be selected pursuant to sub-sections 8.1 (c) to (f) above, the Calculation Agent may decide to apply cancellation and payment to the Transaction provided however that the definition of Cancellation and Payment in Section 9.3(b)(ii) as provided in the 1996 ISDA Equity Derivatives Definitions will have to apply to Index and consequently will be amended to read as follows:

Cancellation and Payment:

In the case of an Index Basket Option Transaction, the Option Transaction will be cancelled as of the Event date and Seller will pay to Buyer the amount corresponding to:

- (i) the amount promptly agreed by the parties after the Event date failing which it will be determined by the Calculation Agent upon prior consultation of an independent expert designated by the Calculation Agent. If more than three quotations are provided, the amount will be the arithmetic mean of the quotations, without regard to the quotations having the highest and the lowest values. If exactly three quotations are provided, the amount will be the quotation remaining after disregarding the highest and the lowest value. For that purpose, if more than one quotation has the same highest or lowest value, then one of such quotations will be disregarded. If two quotations are provided, the amount will be the arithmetic mean of the quotations. If one quotation is provided, the amount will equal the quotation. If no quotation is provided, the amount will be determined by the Calculation Agent in its sole discretion.
- (ii) such payment will have to be made not later than three Currency Business Days following the determination by the Calculation Agent of such amount and denominated in the currency for settlement of the Transaction as determined by the Calculation Agent.

Index Cancellation:

Calculation Agent Adjustment

Other Terms.

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.

<i>Index</i>	<i>Exchange(s)</i>	<i>Related Exchange(s)</i>	<i>Weighting</i>
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%
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%
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%
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%