

11<sup>th</sup> May, 2004

**Íslandsbanki hf.**

**Issue of USD5,000,000 Callable Floating and Fixed Rate Notes due 11<sup>th</sup> May, 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 29<sup>th</sup> 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: 196
- (ii) Tranche Number: 1
2. Specified Currency or Currencies: United States Dollar ("USD")
3. Aggregate Nominal Amount:
  - Tranche: USD5,000,000
  - Series: USD5,000,000
4. Issue Price of Tranche: 100.00 per cent. of Aggregate Nominal Amount
5. Specified Denominations: USD1,000,000
6. (i) Issue Date: 11<sup>th</sup> May, 2005
- (ii) Interest Commencement Date: 11<sup>th</sup> May, 2005
7. Maturity Date: 11<sup>th</sup> May, 2010
8. Interest Basis: 3 month USD-LIBOR-BBA + 0.49 per cent. Floating Rate  
5.35 per cent. Fixed Rate  
(further particulars specified below)
9. Redemption /Payment Basis: Redemption at par
10. Change of Interest or Redemption/ Payment Basis: Unless the Notes are redeemed, the Interest Basis shall automatically convert from a Floating rate basis to a Fixed Rate basis on 11<sup>th</sup> May, 2006
11. Put/Call Options: Yes, Issuer Call
12. Status of the Notes: Senior
13. Listing: None
14. Method of distribution: Non-Syndicated

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. **Fixed Rate Note Provisions:** Applicable
  - (i) Rate(s) of Interest: For the period from (and including) 11<sup>th</sup> May, 2006 to (but excluding) 11<sup>th</sup> May, 2010 (the Maturity Date) interest will accrue at the rate of 5.35 per cent. per annum, payable annually in arrear

(ii) Interest Payment Date(s):	11 <sup>th</sup> May in each year from (and including) 11 <sup>th</sup> May, 2007 to (and including) 11 <sup>th</sup> May, 2010 (the Maturity Date), subject to adjustment in accordance with the Modified Following Business Day Convention with no adjustment to the Fixed Interest Amount
(iii) Fixed Coupon Amount(s):	USD53,500.00 per USD1,000,000 in nominal amount
(iv) Broken Amount(s):	Not Applicable
(v) Day Count Fraction:	30/360 (unadjusted)
(vi) Determination Date(s):	Not Applicable
(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
<b>16. Floating Rate Note Provisions</b>	Applicable
(i) Interest Period(s)/ Specified Interest Payment Dates:	11 <sup>th</sup> August, 2005, 11 <sup>th</sup> November, 2005, 11 <sup>th</sup> February, 2006 and 11 <sup>th</sup> May, 2006
(ii) Business Day Convention:	Modified Following Business Day Convention
(iii) Additional Business Centre(s):	London, New York and Tokyo
(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:	ISDA Determination
(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	Not Applicable
(vi) Screen Rate Determination:	
— Reference Rate:	Not Applicable
— Interest Determination Date(s):	Not Applicable
— Relevant Screen Page:	Not Applicable
(vii) ISDA Determination	
— Floating Rate Option:	USD-LIBOR-BBA (further particulars specified below)
— Designated Maturity:	3 months
— Reset Date:	The first day of each Interest Accrual Period
(viii) Margin(s):	+0.49 per cent. per annum
(ix) Minimum Rate of Interest:	0.00 per cent. per annum
(x) Maximum Rate of Interest:	Not Applicable
(xi) Day Count Fraction:	Actual/360 (adjusted)

(xii) Fall back provisions, rounding provisions, denominator 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
<b>17. Zero Coupon Note Provisions</b>	Not Applicable
<b>18. Indexed-Linked Interest Note Provisions</b>	Not Applicable
<b>19. Dual Currency Note Provisions</b>	Not Applicable
<b>PROVISIONS RELATING TO REDEMPTION</b>	
<b>20. Issuer Call</b>	Yes
(i) Optional Redemption Date(s):	The Issuer has the right to redeem the Notes in whole but not in part on the Interest Payment Date falling on or about 11 <sup>th</sup> May, 2006
(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	USD1,000,000 per Note of USD1,000,000 Specified Denomination
(iii) If redeemable in part:	
(a) Minimum Redemption Amount:	Not Applicable
(b) Maximum Redemption Amount:	Not Applicable
(iv) Notice period (if other than set out in the Conditions):	The Issuer shall give no less than 5 (five) London, New York and Tokyo Business Days prior notice to the Optional Redemption Date
<b>21. Investor Put</b>	Not Applicable
<b>22. Final Redemption Amount of each Note</b>	100.00 per cent of the Nominal Amount
<b>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)):</b>	100.00 per cent. of the Nominal Amount

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

<b>24. Form of Notes:</b>	Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on 60 days' notice given at any time
<b>25. Additional Financial Centre(s) or other special provisions relating to payment dates:</b>	London in addition to New York and Tokyo
<b>26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):</b>	No

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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:  | 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 Dealer:   | Shinkin International Ltd. |
| 33. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: | TEFRA D rules apply        |
| 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           |

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ISIN:	XS0218388451
Common Code:	21838845

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**RESPONSIBILITY**

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

Signed on behalf of the Issuer:

By: .....  
*Duly authorised*