

**Íslandsbanki hf.**  
**Issue of USD 21,300,000 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:	200
	(ii)	Tranche Number:	1
2.		Specified Currency or Currencies:	USD
3.		Aggregate Nominal Amount:	
	–	Tranche:	USD 21,300,000
	–	Series:	USD 21,300,000
4.	(i)	Issue Price of Tranche:	100 per cent. of the Aggregate Nominal Amount
	(ii)	Net proceeds: <i>(Required only for listed issues)</i>	USD 21,300,000
5.		Specified Denominations:	USD 10,000
6.	(i)	Trade Date:	19 May 2005
	(ii)	Effective Date:	19 May 2005
7.		Maturity Date:	19 May 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
<b>PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE</b>			
15.		<b>Fixed Rate Note Provisions</b>	Not Applicable
16.		<b>Floating Rate Note Provisions</b>	Not Applicable

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|---|----------------|
| 17. <b>Zero Coupon Note Provisions</b>            | Not Applicable |
| 18. <b>Index Linked Interest Note Provisions</b>  | Not Applicable |
| 19. <b>Dual Currency Interest Note Provisions</b> | 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:  | 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**

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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:   | 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           |
| <b>OPERATIONAL INFORMATION</b>   |                          |
| 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           |

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ISIN:	XS0220252018
Common Code:	22025201
<i>(insert here any other relevant codes)</i>	

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#### **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:	USD
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	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)
Strike Price Date	12 May 2005 for S&P 500, Eurostoxx 50 and FTSE 100, if such date is not an Exchange Business Day, the next following Exchange Business Day. 13 May 2005 for Nikkei225, if such date is not an Exchange Business Day, the next following Exchange Business Day
Valuation Time	(i) In respect of the Dow Jones EuroStoxx50, (a) for the purposes of determining whether a Market Disruption Event has occurred: (1) in respect of any security comprised in the Index (each a " <b>Component Security</b> "), the close of trading on the Exchange in respect of such Component Security, and (2) in respect of any options contracts or future contracts on the Dow Jones EuroStoxx50, the close of trading on All Exchanges; and (b) in all other circumstances, the time at which the last Index calculation is effected and published by the Index Sponsor; and (ii) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor (ii) In respect of S&P500/FTSE100/Nikkei225, the close of trading on All Exchanges.
Redemption amount	An amount in USD on the Cash Settlement Payment Date, as determined by the Calculation Agent as of the Valuation Date, in accordance with the following formula:  $\text{Notional} \times \left[ 0,95 + \text{Participation} \cdot \text{Max} \left[ \sum_{i=1}^4 \text{Weight}_i \times \frac{(FP_i - IP_i)}{IP_i}; 0; \text{Max}(\text{Lock} - \text{In}_j) \right] \right]$ <p>Where Lock-In::</p> <p><b>Lock-In</b> If on any Daily Observation Date i (including the Averaging dates) at the valuation time, the basket reaches 130%, 135% or 140% of strike level respectively, then that Level j=Lock-In<sub>j</sub></p>
Averaging Dates	The 12 <sup>th</sup> of each month starting and including 12 November, 2009 to and including 12 May, 2010 (7 observations).
Initial Price (IP i)	The level of relevant Index i (where i = 1 to 4) at the Valuation Time on the Strike Price Date on the Exchange as determined by the Calculation Agent (which is set out in Annex 1).
Final Price (FP i)	The arithmetic average of the levels of the relevant Index I (where i = 1 to 4) on each Averaging Date as determined by the Calculation Agent
Weight i	As set out in Annex 1 for each Index i
Exchange Business Day	(a) In respect of Dow Jones Eurostoxx50, means a day: (i) upon which the Index Sponsor publishes (or, but for the occurrence of a Market Disruption Event, would have published) the level thereof, and (ii) that is a trading day on All Exchanges other than a day on which trading on all Exchanges are scheduled to close prior to its regular weekday closing time.(b) In respect of S&P500/FTSE100/Nikkei225, any day on which each Exchange and All Exchanges are scheduled to be open for trading for their respective regular trading sessions.

Participation	106%
Market Disruption and Extraordinary Events	Detailed provisions specifying the adjustments to be made to the terms and conditions of the Transaction upon the occurrence of a market disruption event, an adjustment event and/or such other similar adjustment or extraordinary event shall be contained in the Documentation.
Index Adjustment Event:	
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.

<i>Index</i>	<i>Exchange(s)</i>	<i>Related Exchange(s)</i>	<i>IP i</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.	1159,36	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	2993,09	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	4893,20	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	11049,11	10%