



Íslandsbanki hf.

(incorporated with limited liability in Iceland)

U.S.\$750,000,000

Global Medium Term Note Programme

This Supplement (the **Supplement**) to the Base Prospectus (the **Base Prospectus**) dated 13 May 2016, which comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area (the **Prospectus Directive**), constitutes a supplement for the purposes of Article 16 of the Prospectus Directive and is prepared in connection with the U.S.\$750,000,000 Global Medium Term Note Programme under which Íslandsbanki hf. (the **Issuer**) may from time to time issue notes (the **Notes**). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

The purpose of this Supplement is to (i) incorporate by reference into the Base Prospectus the section titled "Terms and Conditions of the Notes" set out in the base prospectus dated 8 May 2015 relating to the Programme and (ii) amend the section titled "Form of Final Terms" set out in the Base Prospectus. This Supplement has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive. The Central Bank of Ireland approves this Supplement as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive.

This Supplement is supplemental to, and shall be read in conjunction with, the Base Prospectus. To the extent that there is any inconsistency between any statement in, or incorporated by reference in, this Supplement and any other statement in, or incorporated by reference in, the Base Prospectus, the statements in, or incorporated by reference in, this Supplement will prevail.

The Issuer accepts responsibility for the information contained in this Supplement. To the Issuer's best knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Incorporation by Reference

The following document which has previously been published and has been filed with the Central Bank of Ireland shall be incorporated in, and form part of, the Base Prospectus:

- (i) the section "Terms and Conditions of the Notes" (pages 55 to 90 inclusive) set out in the base prospectus dated 8 May 2015 relating to the Programme (available on the website of the Irish Stock Exchange at http://www.ise.ie/debt_documents/Base%20Prospectus_579626f1-1386-4f77-8778-89510fda0b57.PDF).

Final Terms

The following additional paragraphs shall be deemed to be included on page 36 of the Base Prospectus prior to the paragraph that reads "[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. *Italics denote directions for completing the Final Terms.*"]:

"[The following alternative language applies if the first Tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the base prospectus dated 8 May 2015 which are incorporated by reference in the Base Prospectus dated 13 May 2016 (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (for the purposes of these Final Terms, the **Prospectus Directive**). This document must be read in conjunction with the Base Prospectus [as supplemented by the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement[s]] [has] [have] been published on the website [of [the Issuer] at [] [and] [the Central Bank of Ireland at <http://www.centralbank.ie/regulation/securities-markets/prospectus/Pages/approvedprospectus.aspx> [and on the website of the Irish Stock Exchange at www.ise.ie]] and copies may be obtained during normal business

hours from the registered office of the Issuer at Kirkjusandur 2, 155 Reykjavik, Iceland and from the offices of the Principal Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England.]”

Statements contained in this Supplement (or contained in any document incorporated by reference herein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in the Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of the Base Prospectus or this Supplement. Except as specifically incorporated by reference in this Supplement, information on any website referenced in this Supplement is not part of the Base Prospectus or this Supplement.

Copies of documents incorporated by reference in this Supplement can also be obtained from the registered office of the Issuer at Kirkjusandur 2, 155 Reykjavik, Iceland and from the office of the Principal Paying Agent, Citibank, N.A., London Branch, at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Supplement shall not form part of the Base Prospectus or this Supplement.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in the Base Prospectus or this Supplement.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus or this Supplement which is capable of affecting the assessment of any Notes, prepare a new supplement to the Base Prospectus or publish a new base prospectus for use in connection with any subsequent issue of Notes.