



Íslandsbanki hf.

(incorporated with limited liability in Iceland)

U.S.\$2,500,000,000

Global Medium Term Note Programme

This Supplement (the **Supplement**) to the Base Prospectus dated 30 April 2018, which comprises a base prospectus (the **Base Prospectus**) for the purposes of Article 5.4 of Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in a relevant Member State of the European Economic Area (for the purposes of this Supplement, the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.\$2,500,000,000 Global Medium Term Note Programme (the **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 unaudited condensed consolidated interim financial statements of the Issuer for the three months ended 31 March 2018; (ii) incorporate by reference into the Base Prospectus the unaudited reviewed condensed consolidated interim financial statements of the Issuer for the six months ended 30 June 2018; (iii) incorporate by reference into the Base Prospectus the unaudited condensed consolidated interim financial statements of the Issuer for the nine months ended 30 September 2018; (iv) incorporate updates to the organisational structure of the Issuer; (v) incorporate updates to the senior management of the Issuer; and (vi) update the “Significant or Material Change” statement. 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 documents which have previously been published and have been filed with the Central Bank of Ireland shall be incorporated in, and form part of, the Base Prospectus:

- (i) the unaudited condensed consolidated interim financial statements of the Issuer for the three months ended 31 March 2018 contained in the Condensed Consolidated Interim Financial Statements – First Quarter 2018 which can be viewed online at:
https://www.islandsbanki.is/library/Skrar/IR/Afkoma/ISB_Condensed%20Consolidated%20Interim%20Financial%20Statements%20First%20Quarter%202018.pdf;
- (ii) the unaudited reviewed condensed consolidated interim financial statements of the Issuer for the six months ended 30 June 2018 contained in the Condensed Consolidated Interim Financial Statements – First Half 2018 which can be viewed online at:
[https://www.islandsbanki.is/library/Skrar/IR/Afkoma/ISB_1H_2018_Condensed%20Consolidated%20Interim%20Financial%20Statements%20\(1\).pdf](https://www.islandsbanki.is/library/Skrar/IR/Afkoma/ISB_1H_2018_Condensed%20Consolidated%20Interim%20Financial%20Statements%20(1).pdf); and
- (iii) the unaudited condensed consolidated interim financial statements of the Issuer for the nine months ended 30 September 2018 contained in the Condensed Consolidated Interim Financial Statements – Third Quarter 2018 which can be viewed online at:
https://www.islandsbanki.is/library/Skrar/IR/Afkoma/ISB_Condensed%20Consolidated%20Interim%20Financial%20Statements%20Third%20Quarter%202018.pdf.

Organisational Structure

The “Risk management” box in the chart on page 120 of the Base Prospectus, under the section “Organisational Structure” on page 119, is amended such that the name “Sverrir Örn Þorvaldsson” shall be deemed deleted and replaced by the name “Guðmundur Kristinn Birgisson.”

Senior Management

The sub-heading “*Mr. Sverrir Örn Thorvaldsson, Chief Risk Officer*” and the two immediately succeeding paragraphs below such sub-heading, on page 123 of the Base Prospectus, under the section “Senior Management” on page 122, shall be deemed deleted and replaced with the following:

“*Mr. Guðmundur Kristinn Birgisson, Chief Risk Officer*

Guðmundur Kristinn Birgisson was appointed Chief Risk Officer of the Issuer effective October 2018. Mr. Birgisson has been with the Issuer since 2011 and has broad-based experience in the financial markets. He has served previously as Head of Lending in the Personal Banking department and Head of Risk Monitoring for the Issuer.

Mr. Birgisson has a BA in Philosophy and Natural Sciences from the University of Iceland and a doctoral degree in Mathematics Education from Indiana University. He has also completed a diploma in education and has a teaching certification.”

Significant or Material Change

The paragraph under the heading “Significant or Material Change” on page 150 of the Base Prospectus shall be deemed deleted and replaced with the following:

“There has been no significant change in the financial or trading position of the Issuer or the Group since 30 September 2018 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2017.”

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 Hagasmári 3, 201 Kópavogur, 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, United Kingdom.

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.