



Íslandsbanki hf.

(incorporated with limited liability in Iceland)

U.S.\$750,000,000

Global Medium Term Note Programme

This second supplement (the **Supplement**) to the Base Prospectus dated 8 May 2015, which, together with the first supplement to the Base Prospectus dated 27 October 2015 comprises a base prospectus (the **Base Prospectus**) for the purposes of Article 5.4 of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the **Prospectus Directive**). This Supplement 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 unaudited reviewed consolidated financial statements of the Issuer for the nine months ended 30 September 2015 and (ii) 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 or are published simultaneously with this Supplement and have been filed with the Central Bank of Ireland shall be incorporated in, and form part of, this Supplement:

- (i) the unaudited reviewed consolidated financial statements of the Issuer for the nine months ended 30 September 2015 contained in the Interim Financial Statements – Nine months ended 30 September 2015 which can be viewed online at:
<https://www.islandsbanki.is/library/Skrar/IR/Condensed%20Consolidated%20Interim%20Financial%20Statements%20Islandsbanki%20hf.%2030.9.2015.pdf>.

Significant or Material Change

The paragraph under the heading “Significant or Material Change” on page 146 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 2015 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2014.”

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.

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.