

This announcement contains important information which should be read carefully before any decision is made with respect to the Invitation (as defined below) and must be read in conjunction with the Invitation for Offers (as defined below). Any holder who is in doubt as to what action to take should contact an independent professional adviser for advice on the merits of the Invitation including, without limitation, the tax consequences thereof.

**THE REPUBLIC OF ICELAND ANNOUNCES  
AN INVITATION TO OFFER TO SELL FOR CASH  
TO THE REPUBLIC OF ICELAND**

**U.S.\$1,000,000,000 5.875 per cent. Notes due 2022  
(Reg S ISIN USX34650AA31 and 144A ISIN US451029AE22;  
Reg S CUSIP X34650AA3 and 144A CUSIP 451029AE2)  
(the “Notes”)  
issued by  
the Republic of Iceland**

29 March 2017. The Republic of Iceland (the “**Issuer**” or “**Iceland**”) has today launched an invitation to holders (“**holders**”) of the Notes upon the terms and subject to the conditions set forth in an invitation for offers dated 29 March 2017 (as it may be amended or supplemented from time to time, the “**Invitation for Offers**”), to offer to sell their Notes to the Issuer for cash, in accordance with the procedures described therein. The invitation to offer to sell Notes for purchase is referred to herein as the “**Invitation**.”

The Invitation is made in respect of any and all outstanding Notes on the terms and subject to the conditions contained in the Invitation for Offers. Capitalised terms used in this announcement and not otherwise defined have the meanings ascribed to them in the Invitation for Offers.

Offers to sell Notes pursuant to the Invitation will be irrevocable except in the limited circumstances described in the Invitation for Offers.

***Summary of the Invitation***

Description of the Notes	CUSIP/ISIN	Principal Amount Outstanding	Fixed Spread (bp)	Reference UST Security	Bloomberg Reference Page
5.875% Notes due 2022	144A: 451029AE2 / US451029AE22  Reg S: X34650AA3 / USX34650AA31	U.S.\$1,000,000,000	75	1.875% due February 28, 2022	PX1

***The Purchase Price***

Holders that validly offer to sell their Notes at or prior to 5.00 pm (New York time) on 4 April 2017, unless such time and date is extended by Iceland (the “**Expiration Date**”) (providing such offer to sell is received by the Information and Tender Agent at or prior to the Expiration Date), if Iceland accepts for purchase such Notes, will be paid on the “**Settlement Date**” (currently expected to be 7 April 2017), subject to the conditions described in the Invitation for Offers. The Purchase Price for Notes that are accepted for purchase will be calculated based on a fixed spread pricing formula as set out in the Invitation for Offers, along with accrued and unpaid interest on the Notes sold in the Invitation during

the period from and including the most recent interest payment date for the Notes to but excluding the Settlement Date.

***Rationale for the Invitation***

Purchasing the Notes at the Purchase Price is sound debt and liquidity management for the Republic of Iceland and provides liquidity to holders whose Notes are accepted for purchase in the Invitation.

***Expected Timetable of Events***

<b>Date</b>	<b>Calendar Date and Time</b>	<b>Event</b>
<b>Launch Date</b>	29 March 2017	Commencement of the Invitation in respect of any and all outstanding Notes upon the terms and subject to the conditions set forth in the Invitation for Offers.
<b>Expiration Date</b>	5.00 pm (New York time) on 4 April 2017, unless Iceland extends the Invitation or terminates it earlier in its sole discretion. In the case of an extension, the Expiration Date will be such other date and time as so extended.	After this deadline, holders of Notes may no longer submit offers. If a broker, dealer, bank, custodian, trust company or other nominee holds Notes of any holder, such nominee may have earlier deadlines for accepting the Invitation on or prior to the Expiration Date. Each holder should promptly contact the broker, dealer, bank, custodian, trust company or other nominee that holds its Notes to determine its deadline or deadlines.
<b>Pricing Date and Time</b>	5 April 2017 at 10:00 am (New York time)	If Iceland determines, in its sole discretion, to accept any offers to sell, Iceland calculates, determines and announces the Purchase Price.  Iceland reserves the right to make other announcements relating to the Invitation, including changes to the Settlement Date, until the Pricing Date and Time.
<b>Settlement Date</b>	7 April 2017	If Iceland determines to accept any Notes for purchase, settlement of the Invitation will occur on this date.

The above times and dates are subject to the rights of Iceland, to extend, re-open, amend and/or terminate the Invitation (subject to applicable law and as provided in the Invitation for Offers).

**Holders are advised to check with any broker, dealer, bank, custodian, trust company or other nominee or other intermediary through which they hold Notes to confirm whether such intermediary requires that it receives instructions for such holder to participate in the Invitation before the deadlines specified above. The deadlines set by each Clearing System for the submission of Notes subject to the Invitation may be earlier than the relevant deadlines above.**

### **For Further Information**

A complete description of the terms and conditions of the Invitation is set out in the Invitation for Offers. Further details about the Invitation can be obtained from:

### **The Dealer Managers**

*Requests for information in relation to the Invitation should be directed to:*

#### **Barclays Capital Inc.**

745 Seventh Avenue  
New York, New York 10019  
United States

For information by telephone:

+44 (0)20 3134 8515 or +1 (212) 528-7581  
+1 (800) 438-3242 (U.S. toll free)  
Email: liability.management@barclays.com

#### **Citigroup Global Markets Limited**

Citigroup Centre  
Canada Square  
London E14 5LB  
United Kingdom

For information by telephone:

+44 20 7986 8969 (Europe)  
+1 (800) 558-3745 (U.S. toll free)  
+1 (212) 723-6106 (U.S. collect)  
Email: liabilitymanagement.europe@citi.com

### **The Information and Tender Agent**

*Requests for information in relation to the procedures for offering to sell Notes and participating in the Invitation and the submission of an electronic instruction should be directed to the Information and Tender Agent:*

#### **Global Bondholder Services Corporation**

65 Broadway, Suite 404  
New York, New York 10006  
Attention: Corporate Actions  
Brokers and banks: +1 (212) 430-3774  
All others: +1 (866) 470-4300

A copy of the Invitation for Offers is available (subject to confirmation as to the holding of Notes and to certain matters in respect of location and residence) upon request from the Information and Tender Agent.

## **DISCLAIMER**

This announcement must be read in conjunction with the Invitation for Offers. No offer or invitation to acquire or exchange any Notes is being made pursuant to this announcement. This announcement and the Invitation for Offers contain important information, which must be read carefully before any decision is made with respect to the Invitation. If any holder is in any doubt as to the action it should take, it is recommended to seek its own legal, tax and financial advice, including as to any tax consequences, from its stockbroker, bank manager, solicitor, accountant or other independent financial adviser. Any individual or company whose Notes are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to participate in the Invitation. None of Iceland, the Dealer Managers, the Information and Tender Agent, or any person who controls, or is a director, officer, employee or agent of such persons, or any affiliate of such persons, makes any recommendation as to whether holders should participate in the Invitation.

### ***General***

This announcement, the Invitation for Offers and any related documents do not constitute, and may not be used in connection with, an offer, solicitation or invitation by anyone to participate in the Invitation in any jurisdiction in which, or to any person to whom, it is unlawful to make such invitation or for there to be such participation under applicable laws. In those jurisdictions where the securities, blue sky or other laws require the Invitation to be made by a licensed broker or dealer and any of the Dealer Managers or any of their affiliates are such licensed brokers or dealers in such jurisdictions, such Invitation shall be deemed to be made on behalf of Iceland by such Dealer Managers or affiliates, as the case may be, and the Invitation is not made in any such jurisdiction where the Dealer Managers or any of their affiliates are not so licensed.

In addition to the representations referred to below in respect of Iceland, the United Kingdom, Belgium, France and Italy, each holder participating in the Invitation will also be deemed to give certain representations generally as set out in the Invitation for Offers. Any offer to sell Notes pursuant to the Invitation from a holder that is unable to make these representations will not be accepted. Each of the Issuer and the Information and Tender Agent reserves the right, in its absolute discretion, to investigate, in relation to any offer to sell Notes pursuant to the Invitation, whether any such representation given by a holder is correct and, if such investigation is undertaken and as a result the Issuer determines (for any reason) that such representation is not correct, such offer to sell Notes shall not be accepted.

### **Iceland**

The Invitation is not a public offering in accordance with Icelandic securities laws, and can be made to, and accepted by, any person in Iceland. The Invitation need not be and will not be registered with the Icelandic Financial Supervisory Authority (*Fjármálaeftirlitið*).

### **United Kingdom**

In the United Kingdom the Invitation has not been or will not be made to persons other than (i) investment professionals falling within Article 19(5) of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “**Order**”); (ii) persons falling within Article 49(2)(a) to (d) of the Order; or (iii) persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) may otherwise lawfully be communicated or caused to be communicated (whether pursuant to Article 34 of the Order or otherwise) (all such persons together being referred to as “**relevant persons**”). The Invitation is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

## **Belgium**

Neither this announcement, the Invitation nor any related documents have been submitted to or will be submitted for approval or recognition to the Belgian Financial Services and Markets Authority (*Autorité des Services et des Marchés Financiers / Autoriteit voor Financiële Diensten en Markten*) and, accordingly, the Invitation may not be made in Belgium by way of a public offering, as defined in Articles 3, §1, 1°, and 6, §1, of the Belgian Law of 1 April 2007 on public takeover bids (“*loi relative aux offres publiques d’acquisition/wet op de openbare overnamebiedingen*”) (as amended from time to time). Accordingly, the Invitation is exclusively conducted under private placement exceptions and the Invitation may not be advertised and the Invitation will not be extended, and neither the Invitation nor any other documents or materials relating to the Invitation (including any memorandum, information circular, brochure or any similar documents) may, has been or shall be distributed or made available, directly or indirectly, to any person in Belgium other than “qualified investors” (“*investisseur qualifié/gekwalificeerde belegger*”) in the meaning of Article 10, §1, of the Belgian Law of 16 June 2006 on public offering of securities and admission to trading of securities on regulated markets (“*loi relative aux offres publiques d’instruments de placement et aux admissions d’instruments de placement à la négociation sur des marchés réglementés/wet op de openbare aanbieding van beleggingsinstrumenten en de toelating van beleggingsinstrumenten tot de verhandeling op een gereguleerde markt*”) (as amended from time to time), as referred to in Article 6, §3, of said Belgian Law of 1 April 2007 on public takeover bids, acting on their own account. Insofar as Belgium is concerned, the Invitation has been issued only for the personal use of the above qualified investors and exclusively for the purpose of the Invitation. Accordingly, the information contained in the Invitation may not be used for any other purpose or disclosed to any other person in Belgium.

## **France**

The Invitation is not being made, directly or indirectly, to the public in France. Neither the Invitation nor any other documents or offering materials relating to the Invitation have been distributed or caused to be distributed and will not be distributed or caused to be distributed to the public in France and only (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, acting for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier* and applicable regulations thereunder, are eligible to participate in the Invitation. The Invitation has not been and will not be submitted to the clearance procedures (*visa*) of nor approved by the *Autorité des marchés financiers*.

## Italy

Neither the Invitation nor any documents or materials relating to the Invitation have been or will be submitted to the clearance procedures of the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to applicable Italian laws and regulations. The Invitation is being carried out in Italy as an exempted offer pursuant to article 101-bis, paragraph 3-bis of Legislative Decree No. 58 of February 24, 1998, as amended (the “**Financial Services Act**”) and article 35-bis, paragraph 4 of CONSOB Regulation No. 11971 of May 14, 1999, as amended. Holders or beneficial holders of the Notes that are resident or located in Italy can offer to sell the Notes in the Invitation through authorised persons (such as an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of October 29, 2007, as amended, and Legislative Decree No. 385 of September 1, 1998, as amended) and in compliance with applicable laws and regulations and with any requirements imposed by CONSOB or any other Italian authority.

Each intermediary must comply with the applicable laws and regulations concerning information duties *vis-à-vis* its clients in connection with the Notes or the Invitation.