

INSTRUMENT

relating to ISK16,000,000,000 Fixed Rate Reset Perpetual Temporary Write Down
Additional Tier 1 Securities of Landsbankinn hf.

Dated 18 February 2026

LANDSBANKINN HF.

This Instrument is made on 18 February 2026 by **LANDSBANKINN HF.** (the “**Issuer**”) in favour of the Holders from time to time.

Whereas:

- (A) The Issuer proposes to issue ISK16,000,000,000 Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Securities (the “**Securities**”), which shall be issued pursuant to this Instrument.
- (B) The Securities are issued in uncertificated and dematerialised book entry form and are evidenced by book entries in the records of Nasdaq CSD, Iceland Branch (the “**CSD**”).
- (C) The Securities are expected to be admitted to the official list of Euronext Dublin (the “**Official List**”) and to trading on its regulated market (the “**Euronext Dublin Regulated Market**”) and admitted to trading on the main market Nasdaq Iceland hf. (the “**Nasdaq Iceland Main Market**”).

This Instrument witnesses and it is declared as follows:

1 Interpretation

Definitions: Expressions defined in the Agency Terms (as defined in the Conditions) or in the Conditions (as defined below) shall, unless otherwise defined in this Instrument, have the same meanings in this Instrument.

The following expressions have the following meanings:

“**Account**” means a securities account held by the direct accountholders at the CSD;

“**Conditions**” means the terms and conditions set out in Schedule 1 as from time to time amended or modified in accordance with this Instrument. Any references to a particularly numbered Condition shall be construed accordingly;

“**Entry**” means an entry relating to the Securities in an Account;

“**Extraordinary Resolution**” has the meaning specified in Schedule 2;

“**Holder**” and “**Holders**” have the meanings provided in the Conditions;

“**Securities**” means the Securities issued in uncertificated and dematerialised book entry form uncertificated and dematerialised book entry form, evidenced by book entries in the records of the CSD and governed by the Conditions and this Instrument;

“**outstanding**” means, in relation to the Securities, all the Securities issued except (a) those which have been redeemed, (b) those in respect of which the date for redemption has occurred and the redemption moneys have been duly paid to the relevant Holder or on its behalf as provided in Clause 2 and remain available for payment in accordance with the Rules, (c) those Securities in respect of which claims have become void and (d) those which have been purchased and cancelled as provided in the Conditions, provided that for the purposes of (1) ascertaining the right to attend and vote at any meeting of Holders and (2) the determination of how many Securities are outstanding for the purposes of Condition 9 and Schedule 2, those Securities which are held by the Issuer, or any of its Subsidiaries, or any holding company of the Issuer, and not cancelled shall (unless no longer so held) be deemed not to remain outstanding;

“Rules” means the legislation, rules, regulations and operating procedures from time to time applicable to or stipulated by the CSD; and

“this Instrument” means this Instrument and the Schedules (as from time to time amended, restated, supplemented, modified or replaced in accordance with this Instrument) and any other document executed in accordance with this Instrument (as from time to time amended, restated, supplemented, modified or replaced) and expressed to be supplemental to this Instrument.

1.1 Construction of Certain References: References to:

1.1.1 costs, charges, remuneration or expenses include any value added or similar tax charged in respect thereof;

1.1.2 **“Securities”** are to the Securities of one series only, not to all Securities that may be issued under the Programme;

1.1.3 **“ISK”** are to Icelandic Krona, the currency of Iceland;

1.1.4 an action, remedy or method of judicial proceedings for the enforcement of creditors’ rights also include references to the action, remedy or method of judicial proceedings in jurisdictions other than Iceland as shall most nearly approximate thereto;

1.1.5 words denoting the singular number only shall include the plural number also and vice versa;

1.1.6 words denoting one gender only shall include the other genders;

1.1.7 words denoting persons only shall include firms and corporations and vice versa;

1.1.8 all references in this Instrument to CSD shall, wherever the context so permits, be deemed to include reference to any additional or alternative clearing system approved by the Issuer;

1.1.9 any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment; and

1.1.10 this Instrument or any other document are to this Instrument or those documents as amended, supplemented or replaced from time to time in relation to the Securities and include any document which amends, supplements or replaces them.

1.2 Headings: Headings shall be ignored in construing this Instrument.

1.3 Schedules: The Schedules are part of this Instrument and have effect accordingly.

1.4 Enforceability: If at any time any provision of this Instrument is or becomes illegal, invalid or unenforceable in any respect under the law of any applicable jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Instrument, nor the legality, validity or enforceability of such provision under the law of any other applicable jurisdiction shall in any way be affected or impaired thereby.

2 Covenant to Pay

2.1 Covenant to Pay: The Issuer will on any date when any amount becomes payable in respect of the Securities, or any of them, pursuant to the Conditions, pay to the relevant Holders in accordance with the Rules and subject to the Conditions in ISK or such other currency

applicable to payments under the Securities as accepted by the CSD for registration and clearing and as provided for in the Conditions in immediately available or same day funds the amount so payable on that date and will (subject to the Conditions) until such payment (both before and after judgment) pay to the Holders in accordance with the Rules as aforesaid interest on the aggregate principal amount of the Securities outstanding as provided in the Conditions, provided that (1) payment of any sum due in respect of the Securities made in accordance with the Rules and as provided in the Conditions shall, to that extent, satisfy such obligation and (2) if payment of the aggregate principal amount of the Securities is improperly withheld or refused the Securities will continue to bear interest as provided in the Conditions.

- 2.2 Payment to Relevant Holder to Constitute Good Discharge:** Each relevant Holder is entitled to receive payment of any amount due in respect of the Securities to which its Entries relate to the exclusion of all other persons and any payment so made by the Issuer to such Holder in accordance with the Rules to such extent shall be a good discharge to the Issuer and shall discharge the Issuer from all obligations in respect of each Security.

3 Form of the Securities

- 3.1 Book-Entry Securities:** Upon acceptance by the CSD of the Securities for entry into its book-entry securities settlement system in accordance with the Rules, the Securities will be held and traded only through such book-entry securities settlement system, and ownership of the Securities shall be shown in, and the transfer of such ownership shall be perfected only through, individual securities accounts held by the Holders with direct accountholders at the CSD in accordance with the Rules. Securities may only be held through the CSD.
- 3.2 No Rights to Securities in Physical Form:** Neither any Holder nor any person claiming any beneficial interest in, or entitlement to, the Securities may request or be entitled to receive the Securities in physical certificated form.

4 Evidence

- 4.1 Records Conclusive:** The records of the relevant direct accountholders at the CSD shall, subject to the Rules and in the absence of manifest error, be conclusive evidence of the following:
- 4.1.1** the name and ownership of each relevant Holder;
 - 4.1.2** the principal amount of Securities held in each Account;
 - 4.1.3** any amount paid to each relevant Holder and the date, time and currency of each such payment; and
 - 4.1.4** the transfer of any Securities and the date and time of each such transfer.
- 4.2 Enforcement:** Each Holder may protect and enforce its rights arising out of this Instrument and/or the Securities only in respect of any Entry to which it is entitled in its own name, and shall be entitled to do so without using or obtaining any authority from any predecessor in title, unless otherwise agreed between the Holder and any predecessor in title.

5 Status

- 5.1** The rights and claims of Holders in respect of, or arising under, their Securities (including any damages awarded for breach of obligations in respect thereof) rank, as described in Condition 2.
- 5.2** Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation, counterclaim, netting or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities or this Instrument and each Holder shall, by virtue of their holding of any Security (or any beneficial interest therein), be deemed, to the fullest extent permitted under applicable law, to have waived all such rights of set-off, compensation, counterclaim, netting or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, if a winding-up board has been appointed, the winding-up board of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the winding-up board of the Issuer (as the case may be)) and accordingly any such discharge shall be deemed not to have taken place.

6 Stamp Duties and Taxes

- 6.1** The Issuer will pay any stamp, issue, documentary or other similar taxes and duties, including interest and penalties, if any, payable in Iceland in respect of the creation, issue and offering of the Securities and the execution or delivery of this Instrument.

7 Covenant to Comply with Provisions

- 7.1 Compliance and Performance:** The Issuer hereby covenants with the Holders and each of them that it will comply with and perform and observe all the provisions of this Instrument and the Conditions which are expressed to be binding on it. The Conditions shall be binding on the Issuer and the Holders. This Instrument shall, together with the Securities, be read and construed as one document with the Securities.
- 7.2 Issue of Securities:** The Issuer hereby covenants to issue the Securities in accordance with the Agency Terms.

8 Benefit of Instrument

8.1 Unilateral declaration

This Instrument shall take effect as a unilateral declaration made by the Issuer for the benefit of the Holders from time to time.

8.2 Benefit

This Instrument shall enure to the benefit of each Holder and its (and any subsequent) successors and assigns, each of which shall be entitled severally to enforce this Instrument against the Issuer.

9 Amendment and Disapplication of this Instrument

Subject to Conditions 6(g) and 11, for so long as any of the Securities remains outstanding, the Issuer may not amend, vary, terminate or suspend this Instrument or its obligations under it, unless such amendment, variation, termination or suspension shall have been approved by an Extraordinary Resolution to which the special quorum provisions specified in Schedule 2 may apply, save that (subject to Conditions 6(g) and 11)) nothing in this Clause 9 shall prevent the Issuer from increasing or extending its obligations under this Instrument by way of supplement to it at any time.

10 Notices

All notices and other communications to the Issuer hereunder shall be made in writing (by letter or email) and shall be sent to the Issuer at:

LANDSBANKINN HF.

Reykjastræti 6
101 Reykjavík
Iceland

Tel: +354 410 6716/ +354 4107314

Email: Treasury

Attention: funding@landsbankinn.is

or to such other address or email address or for the attention of such other person or department as the Issuer has notified to the Holders in the manner prescribed for the giving of notices in connection with the Securities.

11 Effectiveness

Every notice or other communication sent in accordance with Clause 10 shall be effective upon receipt by the Issuer provided, however, that any such notice or other communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Issuer.

12 Governing Law and Jurisdiction

12.1 Governing Law: This Instrument, the Securities and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of Iceland.

12.2 Jurisdiction: The courts of Iceland are to have jurisdiction to settle any disputes that may arise out of or in connection with this Instrument or the Securities and accordingly any legal action or proceedings arising out of or in connection with the Securities (including any legal action or proceedings relating to non-contractual obligations arising out of or in connection with them) ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of Iceland and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of

competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

SCHEDULE 1
TERMS AND CONDITIONS OF THE SECURITIES

TERMS AND CONDITIONS OF THE SECURITIES

The following, subject to alteration and completion (and except for paragraphs in italics which are for information purposes only and do not form part of the terms and conditions of the Securities), are the terms and conditions of the Securities (if issued).

The issue of the ISK 16,000,000,000 Fixed Rate Reset Perpetual Temporary Write Down Additional Tier 1 Securities (the “**Securities**” which expression shall in these terms and conditions (the “**Conditions**”), unless the context otherwise requires, include any Further Securities issued pursuant to Condition 13) of Landsbankinn hf. (the “**Bank**” or “**Issuer**”) was authorised by a resolution of the Board of Directors of the Issuer passed on 29 January 2026.

The Securities are issued subject to a unilateral declaration made by Landsbankinn hf. dated 18 February 2026 (the “**Instrument**”) and with the benefit of the Agency Terms dated 12 February 2026 (as amended and/or restated and/or supplemented as at the Issue Date) (the “**Agency Terms**”). The Issuer will be the CSD account manager (the “**CSD Agent**”) in respect of the Securities. The Holders are entitled to the benefits of, are bound by, and are deemed to have notice of all the provisions of the Instrument and the Agency Terms applicable to them. Copies of the Instrument are (i) available for inspection or collection by Holders during usual business hours at the specified offices of the CSD Agent or (ii) may be provided by email to a Holder following their prior written request to the CSD Agent and provision of proof of holding and identity (in a form satisfactory to the CSD Agent).

The Bank shall be entitled to obtain certain information from the register maintained by the CSD for the purpose of performing its obligations under the issue of Securities. The CSD Agent shall be entitled to obtain such information as is required to perform its duties under the Terms and Conditions of the Securities and rules and regulations of, and applicable to, the CSD.

1 **Form, Denomination, Title and Transfer**

(a) Form and Denomination

The Securities are issued in uncertificated and dematerialised book entry form in the Initial Principal Amounts of ISK20,000,000 and integral multiples of ISK20,000,000 in excess thereof.

Legal title to the Securities are evidenced by book entries in the records of the CSD.

(b) Title and Transfer

Title to the Securities shall pass by registration in the register between the direct accountholders at the CSD in accordance with the rules and procedures of the CSD. Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Security shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in respect of it and no person shall be liable for so treating the Holder.

The person evidenced (including any nominee) as a holder of the Securities shall be treated by the Bank and the CSD Agent as the holder of such Securities for the purposes of payment of principal and interest on such Securities. Settlement of sale and purchase transactions in respect of Securities in the CSD will take place in accordance with market practice at the time of the relevant transaction.

In these Conditions, “**Holder**” means the person in whose name the Securities are registered in the register maintained between the direct accountholders and the CSD.

No Holder may require the transfer of a Security to be registered (i) during the period of 15 days ending on (and including) the date on which Securities are scheduled to be redeemed by the Issuer pursuant to Condition 6 or (ii) during the period of seven days ending on (and including) any Record Date.

2 Status and Subordination

(a) Status

The Securities constitute direct, unsecured, unguaranteed and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of Holders in respect of, or arising under, their Securities (including any damages awarded for breach of obligations in respect thereof) are subordinated as described in this Condition 2.

(b) Solvency Condition

Except in a Winding-Up, all payments in respect of, or arising from (including any damages awarded for breach of any obligations under), the Securities are, in addition to the right or obligation of the Issuer to cancel payments of interest under Condition 4 or Condition 5(a), conditional upon the Issuer being solvent at the time of payment by the Issuer and no principal, interest or any other amount shall be due and payable in respect of, or arising from, the Securities except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (the “Solvency Condition”).

For these purposes, the Issuer shall be considered to be solvent if (i) it is able to pay its debts owed to its Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities.

A certificate as to the solvency of the Issuer signed by two Directors shall be treated and accepted by the Issuer, the CSD Agent, the Holders and all other interested parties as correct and sufficient evidence thereof.

Any payment of interest not due by reason of this Condition 2(b) shall not be or become payable at any time and shall be cancelled as provided in Conditions 4(e) and 4(f).

(c) Winding-Up

If a Winding-Up occurs, subject to any mandatory provisions of Icelandic law, the rights and claims of the Holders against the Issuer in respect of, or arising under, each Security shall rank *pari passu* among themselves and shall be for (in lieu of any other payment by the Issuer) an amount equal to the Prevailing Principal Amount of the relevant Security, together with, to the extent not otherwise included within the foregoing, any other amounts attributable to such Security, including any damages awarded for breach of any obligations in respect of such Security, whether or not the Solvency Condition is satisfied on the date upon which the same would otherwise be due and payable. Subject to any mandatory provisions of law applicable from time to time, such rights and claims shall, however, be subordinated as provided in this Condition 2(c) in that they will rank:

- (i) junior to all present or future claims of Senior Creditors;
- (ii) *pari passu* with all present or future claims of holders of all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Additional Tier 1 Capital of the Issuer; and
- (iii) senior to all present or future claims of holders of all share capital of the Issuer (including instruments included in the Common Equity Tier 1 Capital of the Issuer) and of all other obligations of the Issuer which rank, or are expressed to rank, junior to the Securities.

As at the Issue Date, the Securities are intended to constitute Additional Tier 1 Capital of the Issuer.

(d) Set-off etc.

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation, counterclaim, netting or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities and each Holder shall, by virtue of its holding of any Security (or any beneficial interest therein), be deemed, to the fullest extent permitted under applicable law, to have waived all such rights of set-off, compensation, counterclaim, netting or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, such Holder shall, subject to applicable law,

immediately pay an amount equal to the amount of such discharge to the Issuer (or, if a winding-up board has been appointed, the winding-up board of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the winding-up board of the Issuer (as the case may be)) and accordingly any such discharge shall be deemed not to have taken place.

Condition 2(d) shall not be construed as indicating or acknowledging that any rights of set-off (including compensation, counterclaim, netting or retention), counterclaim or netting would, but for Condition 2(d), otherwise be available to any Holder with respect to any Security.

3 Interest Payments

(a) Interest Rate

Subject to Conditions 2(b), 4 and 5, the Securities bear interest on their Prevailing Principal Amount at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 3.

Subject to Conditions 2(b), 3(b), 4 and 5, interest shall be payable on the Securities semi-annually in arrear on each Interest Payment Date in equal instalments (and in respect of each Interest Payment Date up to (and including) the First Reset Date, shall amount to ISK 1,000,000 per Calculation Amount), in arrear on each Interest Payment Date as provided in this Condition 3.

Where it is necessary to compute an amount of interest in respect of any Security for a period which is less than a complete Interest Period, the relevant day-count fraction shall be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

(b) Interest Accrual

Subject to Conditions 2(b), 4 and 5, the Securities will cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 6(c), (d), (e) or (f) or the date of substitution thereof pursuant to Condition 6(g), as the case may be, unless, payment of all amounts due in respect of such Security is not properly and duly made, in which event interest shall continue to accrue on the Prevailing Principal Amount of such Security, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date and in respect of any Security shall be calculated per Calculation Amount and the amount of interest per Calculation Amount shall, save as provided in Condition 3(a) in relation to equal instalments and subject to Conditions 2(b), 4 and 5, be equal to the product of the Calculation Amount, the relevant Interest Rate and the day-count fraction as described in Condition 3(a) for the relevant period, rounding the resultant figure to the nearest whole ISK (with 0.5 ISK rounded upwards).

If, pursuant to Condition 5, the Prevailing Principal Amount of the Securities is Written Down or Written Up during an Interest Period, the Calculation Amount will be adjusted to reflect such Prevailing Principal Amount from time to time so that the relevant amount of interest is determined by reference to such Calculation Amount as adjusted from time to time and as if such Interest Period were comprised of two or (as applicable) more consecutive interest periods, with interest calculations based on the number of days for which each Prevailing Principal Amount and Calculation Amount was applicable.

(c) Initial Fixed Interest Rate

For the Initial Fixed Rate Interest Period, the Securities bear interest, subject to Conditions 2(b), 4 and 5, at the rate of 10.000 per cent. per annum (the “**Initial Fixed Interest Rate**”).

(d) Reset Rate of Interest

The Interest Rate will be reset (the “**Reset Rate of Interest**”) in accordance with this Condition 3(d) on each Reset Date. The Reset Rate of Interest in respect of each Reset Period will be determined by the Agent Bank on the relevant Reset Determination Date as the sum of the relevant Reset Reference Rate and the Margin (with such sum converted by the Agent Bank from an annual to a semi-annual basis in a commercially

reasonable manner, if needed) unless a Benchmark Event has occurred, in which case the Reset Rate of Interest shall be determined pursuant to and in accordance with Condition 3(i).

(e) Determination of Reset Rate of Interest

The Agent Bank will, as soon as practicable after 11:00 a.m. (Greenwich Mean Time) on each Reset Determination Date, determine the Reset Rate of Interest in respect of the relevant Reset Period. The determination of the Reset Rate of Interest by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(f) Publication of Reset Rate of Interest

The Issuer shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 3 in respect of each Reset Period to be given to the CSD Agent, any stock exchange on which the Securities are for the time being listed and/or admitted to trading and, in accordance with Condition 12, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

If the Securities become due and payable pursuant to Condition 8(a), the Reset Rate of Interest payable in respect of the Securities shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Condition 3.

(g) Agent Bank and Reset Reference Banks

For so long as the Agent Bank is not the Bank, the Issuer will maintain an Agent Bank and in either case the number of Reset Reference Banks provided below where the Reset Rate of Interest is to be calculated by reference to them.

The Issuer may from time to time replace the Agent Bank or any Reset Reference Bank with another leading investment or commercial bank or financial institution. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or fails duly to determine the Reset Rate of Interest in respect of any Reset Period as provided in Condition 3(d), the Issuer shall forthwith appoint another leading investment or commercial bank or financial institution (of international repute) to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

(h) Determinations of Agent Bank Binding

All notifications and calculations given, expressed or made for the purposes of this Condition 3, by or on behalf of the Agent Bank, shall (in the absence of manifest error) be binding on the Issuer, the CSD Agent and all Holders and no liability to the Holders or (in the absence of wilful default or bad faith) the Issuer shall attach to the Agent Bank in connection with the exercise or non-exercise by it of any of its powers and duties.

(i) Benchmark Discontinuation

(i) Replacement Rate Determination Agent

If the Issuer determines that a Benchmark Event occurs in relation to the Original Reference Rate when the Reset Reference Rate (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall deliver notice thereof to the Agent Bank and as soon as reasonably practicable appoint an agent, which may be the Issuer or an affiliate of the Issuer (the “**Replacement Rate Determination Agent**”), to determine a Successor Rate or Alternative Rate (as applicable) and the applicable Adjustment Spread and any other amendments to the terms of the Securities (including, without limitation, any Benchmark Amendments), all in accordance with this Condition 3(i).

If the Issuer is unable to appoint a Replacement Rate Determination Agent in accordance with this Condition 3(i)(i), the Issuer, acting in good faith, may still make any determinations and/or any amendments contemplated by and in accordance with this Condition 3(i) (with the relevant provisions in this Condition 3(i) applying *mutatis mutandis* to allow such determinations or amendments to be made by the Issuer). Where this Condition 3(i) applies, without prejudice to the definitions set herein,

for the purposes of making any determination contemplated by this Condition 3(i), the Issuer will take into account any relevant and applicable market precedents and customary market usage as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets.

(ii) *Benchmark Discontinuation*

(A) Successor Rate or Alternative Rate

If the Replacement Rate Determination Agent determines that:

- (x) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Reset Reference Rate (or the relevant component part thereof) for all future payments of interest on the Securities (subject to the operation of this Condition 3(i)(ii)); or
- (y) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Reset Reference Rate (or the relevant component part thereof) for all future payments of interest on the Securities (subject to the operation of this Condition 3(i)(ii)).

(B) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(C) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 3(i)(ii) and the Replacement Rate Determination Agent determines (i) that amendments to these Conditions are reasonably necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 3(i)(ii)(D), without any requirement for the consent or approval of the Holders, vary these Conditions to give effect to such Successor Rate, Alternative Rate and/or Benchmark Amendments with effect from the date specified in such notice.

For the avoidance of doubt, the CSD Agent and the Agent Bank shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Terms, Instrument and other agreements or documents as may be required in order to give effect to this Condition 3(i); provided, however, that neither the CSD Agent nor the Agent Bank shall be obligated to effect any such amendment if doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the CSD Agent or Agent Bank, as applicable, in the Agency Terms or the Instrument, as applicable. The consent of the Holders shall not be required in connection with implementing the Successor Rate, the Alternative Rate, the Adjustment Spread, the Benchmark Amendments or the consequential amendments referred to above, including for the execution of any documents, amendments or other steps by the CSD Agent or the Agent Bank (if required).

(D) Notice

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 3(i)(ii) will be notified promptly by the Issuer to the CSD Agent and the Agent Bank and, in accordance with Condition 12, the

Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(E) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 3(i)(i) and Conditions 4(i)(ii)(A)-(D), the Original Reference Rate and the fallback provisions provided for by Condition 4(d) will continue to apply unless and until the Agent Bank has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with Condition 3(i)(D).

(iii) *Determinations in Connection with the Occurrence of a Benchmark Event*

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the CSD Agent and the Agent Bank. For the avoidance of doubt, neither the CSD Agent nor the Agent Bank shall have any responsibility for making such determination or be responsible for determining any Successor Rate or Alternative Rate or any Benchmark Amendments. The CSD Agent and the Agent Bank will be entitled to conclusively rely on any determinations made by the Issuer or the Replacement Rate Determination Agent and will have no liability for such actions taken at the direction of the Issuer or the Replacement Rate Determination Agent.

Any determination, decision or election that may be made by the Issuer or Replacement Rate Determination Agent (as the case may be) pursuant to this Condition 3(i), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of any event, circumstance or date and any decision to take or refrain from taking any action or selection: (i) will be conclusive and binding absent manifest error; (ii) will be made in the sole discretion of the Issuer or the Replacement Rate Determination Agent (as the case may be); and (iii) notwithstanding anything to the contrary in these Conditions, shall become effective without the consent from the holders of the Securities or any other party.

In the absence of fraud, the Issuer and the Replacement Rate Determination Agent, as applicable, shall have no liability whatsoever to the Issuer, the Agent Bank or the Holders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 3(i).

(iv) *No Successor Rate, Alternative Rate or Related Amendments*

Notwithstanding any other provision of this Condition 3(i), no Successor Rate or Alternative Rate (as applicable) will be adopted, nor will the applicable Adjustment Spread be applied, nor will any other amendments to the terms of the Securities (including, without limitation, any Benchmark Amendments) be made, if and to the extent that, in the determination of the Issuer, the same (i) would result in a Capital Disqualification Event, or (ii) could reasonably result in the Relevant Resolution Authority treating any future Interest Payment Date as the effective maturity of the Securities. In such case, or if the Replacement Rate Determination Agent is unable to or otherwise does not determine a Successor Rate or Alternative Rate (as applicable), the Original Reference Rate and the fallback provisions provided for by Condition 3(d) will continue to apply.

4 Cancellation of Interest

(a) *Optional cancellation of Interest*

The Issuer may in its sole and absolute discretion (but subject to the requirement for mandatory cancellation of interest pursuant to Conditions 2(b), 4(b), 4(c), 4(d) and 5(a)(iii)) at any time elect to cancel any interest payment, in whole or in part, which is scheduled to be paid on any date.

If a Capital Disqualification Event occurs and the Securities are no longer eligible to comprise (in whole and not, for the purposes of this Condition 4(a), in part only) Additional Tier 1 Capital and the Issuer has delivered

to the CSD Agent a certificate signed by two Directors certifying that a Capital Disqualification Event has occurred and the Securities are no longer eligible to comprise (in whole and not, for the purposes of this Condition 4(a), in part only) Additional Tier 1 Capital, but the Issuer has not exercised its option to redeem the Securities pursuant to Condition 6(e), (A) the Issuer shall not, to the extent permitted under then prevailing Regulatory Capital Requirements, exercise its discretion pursuant to this Condition 4(a) to cancel any interest payment, in whole or in part, which is scheduled to be paid on an Interest Payment Date following the occurrence of such Capital Disqualification Event, and (B) the Issuer shall give notice to the Holders in accordance with Condition 12 as soon as reasonably practicable after such occurrence stating that the Issuer may no longer exercise its discretion pursuant to this Condition 4(a) to cancel any interest payments as from the date of such notice.

(b) *Mandatory Cancellation of Interest – Insufficient Distributable Items*

To the extent required under then prevailing Regulatory Capital Requirements, interest otherwise due to be paid on any date will not become due or payable (in whole or, as the case may be, in part), and the relevant payment will be deemed cancelled and will not be made, if and to the extent that the amount of such interest payment otherwise due (together with any Additional Amounts payable thereon pursuant to Condition 9, if applicable), together with any interest payments or other distributions which have been paid or made or which are scheduled to be paid or made during the then current Financial Year on the Securities and all other own funds instruments of the Issuer (excluding any such interest payments or other distributions which (i) are not required to be made out of Distributable Items or (ii) have already been provided for, by way of deduction, in the calculation of Distributable Items) in aggregate would exceed the amount of Distributable Items of the Issuer as at such date.

(c) *Mandatory Cancellation of Interest – Maximum Distributable Amount*

To the extent required under then prevailing Regulatory Capital Requirements, interest otherwise due to be paid on any date will not become due or payable (in whole or, as the case may be, in part), and the relevant payment will be deemed cancelled and will not be made, to the extent that the amount of such interest payment otherwise due (together with any Additional Amounts payable thereon pursuant to Condition 9, if applicable), together with other distributions of the kind referred to in Article 141(2) of the CRD Directive (or any provision of applicable law, transposing or implementing Article 141(2) of the CRD Directive, as amended or replaced) or referred to in any other applicable provisions of the Regulatory Capital Requirements which require a maximum distributable amount to be calculated and which are required under prevailing Regulatory Capital Requirements to be taken into account for this purpose, in aggregate would cause the Maximum Distributable Amount (if any) then applicable to the Issuer or the Issuer Group to be exceeded.

(d) *Mandatory Cancellation of Interest – Relevant Authority Order*

Interest otherwise due on any date will not be due (in whole or, as the case may be, in part), and the relevant payment will be deemed cancelled and will not be made, to the extent the Relevant Authority orders the Issuer to cancel such payment or such payment would otherwise be prohibited by applicable law or regulation.

(e) *Notice of cancellation of Interest*

Upon the Issuer electing to cancel any interest payment (or part thereof) pursuant to Condition 4(a), or being prohibited from making any interest payment (or part thereof) pursuant to Conditions 2(b), 4(b), 4(c), 4(d) or 5(a)(iii), the Issuer shall, as soon as reasonably practicable on or prior to the scheduled payment date, give notice of such non-payment and the reason therefor to the Holders in accordance with Condition 12, provided that any delay in giving or failure to give such notice shall not affect the deemed cancellation of any interest payment (in whole or, as the case may be, in part) by the Issuer and shall not constitute a default under the Securities or for any purpose. Such notice shall specify the amount of the relevant cancellation and, accordingly, the amount (if any) of the relevant interest payment that will be paid on the relevant date.

(f) *Interest non-cumulative; no default or restrictions*

Any interest payment (or, as the case may be, part thereof) not paid on any relevant scheduled payment date by reason of Condition 2(b), 4(a), 4(b), 4(c), 4(d) or 5(a)(iii) shall be cancelled, shall not accumulate and will

not become due or payable at any time thereafter, whether in a Winding-Up or otherwise. The Issuer may use such cancelled payment without restriction and the cancellation of such interest amounts will not impose any restrictions on the Issuer nor prevent or restrict the Issuer from declaring or making any distributions or interest payments on any of its shares or other instruments or obligations.

If the Issuer does not pay any interest payment (in whole or, as the case may be, in part) on the relevant scheduled payment date, such non-payment (whether the notice referred to in Condition 4(e) or, as appropriate, Condition 6(a) has been given or not) shall evidence either the non-payment and cancellation of such interest payment (in whole or, as the case may be, in part) by reason of it not being due in accordance with Condition 2(b) or 6(a)(iii), the cancellation of such interest payment (in whole or, as the case may be, in part) in accordance with Conditions 4(b), 4(c), 4(d) or 5(a)(iii) or, as appropriate, the Issuer's exercise of its discretion to cancel such interest payment (in whole or, as the case may be, in part) in accordance with Condition 4(a). Accordingly, non-payment of any interest (in whole or, as the case may be, in part) in accordance with any of Condition 2(b), 4(a), 4(b), 4(c), 4(d), or 5(a)(iii), will not constitute a default by the Issuer for any purpose (whether under the Securities or otherwise) and the Holders shall have no right thereto, whether in a Winding-Up or otherwise.

5 Write Down and Write Up

(a) Write Down

If, at any time, it is determined (as provided below) that either Trigger Event has occurred:

- (i) the Issuer shall (unless the determination was made by the Relevant Authority), immediately, inform the Relevant Authority of the occurrence of the relevant Trigger Event;
- (ii) the Issuer shall, as soon as reasonably practicable, give the relevant Trigger Event Notice which notice shall be irrevocable;
- (iii) any interest which is accrued to the relevant Write Down Date and unpaid shall be automatically and irrevocably cancelled (whether or not the same has become due for payment); and
- (iv) the then Prevailing Principal Amount of each Security shall be automatically and irrevocably reduced by the relevant Write Down Amount (such reduction being referred to herein as a “**Write Down**”, and “**Written Down**” shall be construed accordingly) as provided below.

Such cancellation and reduction shall be automatic and shall take place without the need for the consent of Holders and without delay on such date as is selected by the Issuer (the “**Write Down Date**”) but which shall be no later than one month following the occurrence of the relevant Trigger Event and, if applicable, in accordance with the requirements set out in Article 54 of the CRD Regulation or any corresponding provision of Icelandic law implementing the CRD Regulation. The Relevant Authority may require that the period of one month referred to above is reduced in cases where the Relevant Authority assesses that sufficient certainty on the required Write Down Amount is established or in cases where it assesses that an immediate Write Down is needed.

For the purposes of determining whether a Trigger Event has occurred, the CET1 Ratios may be calculated at any time based on information (whether or not published) available to management of the Issuer and/or to the Relevant Authority, including information internally reported within the Issuer pursuant to its procedures for monitoring the CET1 Ratios.

The determination as to whether a Trigger Event has occurred shall be made by the Issuer or the Relevant Authority or any agent appointed for such purpose by the Relevant Authority. Any such determination shall be binding on the Issuer and the Holders.

Any delay in giving or any failure by the Issuer to give a Trigger Event Notice will not, however affect the effectiveness of, or otherwise invalidate, any Write Down, or give Holders or any other person any rights as a result of such failure.

A Trigger Event may occur on more than one occasion (and each Security may be Written Down on more than one occasion).

Any reduction of the Prevailing Principal Amount of a Security pursuant to this Condition 5(a) shall not constitute a default by the Issuer for any purpose or cause a breach of the Issuer's obligations or duties or be a failure by the Issuer to perform its obligations in any manner whatsoever, and the Holders shall have no right to claim for amounts Written Down, whether in a Winding-Up or otherwise, save to the extent (if any) such amounts are Written Up in accordance with Condition 5(d).

(b) Write Down Amount

The aggregate reduction of the Prevailing Principal Amounts of the Securities outstanding on the Write Down Date will, subject as provided below, be equal to the lower of:

- (i) the amount necessary to generate sufficient Common Equity Tier 1 Capital to result in the lower of the CET1 Ratio of the Issuer and the CET1 Ratio of the Issuer Group being at least 5.125 per cent. at the point of such reduction, after taking into account (subject as provided below and in Condition 5(c)) the *pro rata* write down and/or conversion of the prevailing principal amount of all Loss Absorbing Instruments (if any) to be written down and/or converted concurrently (or substantially concurrently) with the Securities, provided that, with respect to each Loss Absorbing Instrument (if any), such *pro rata* write down and/or conversion shall only be taken into account to the extent required to achieve the CET1 Ratios contemplated above to the lower of (a) such Loss Absorbing Instrument's trigger level and (b) 5.125 per cent. and, in each case, in accordance with the terms of the relevant Loss Absorbing Instruments and the Regulatory Capital Requirements; and
- (ii) the amount that would result in the Prevailing Principal Amount of a Security being reduced to one cent.

The aggregate reduction determined in accordance with the immediately preceding paragraph shall be applied to all of the Securities *pro rata* on the basis of their Prevailing Principal Amount immediately prior to the Write Down and references herein to "**Write Down Amount**" shall mean, in respect of each Security, the amount by which the Prevailing Principal Amount of such Security is to be Written Down accordingly.

In calculating any amount in accordance with Condition 5(b)(i), the Common Equity Tier 1 Capital (if any) generated as a result of the cancellation of interest pursuant to Condition 5(a)(iii) shall not be taken into account.

If, in connection with the Write Down or the calculation of the Write Down Amount, there are outstanding any Loss Absorbing Instruments the terms of which provide that they shall be written down and/or converted in full and not in part only ("**Full Loss Absorbing Instruments**") then:

- (A) the provision that a Write Down of the Securities should be effected *pro rata* with the write down and/or conversion, as the case may be, of any Loss Absorbing Instruments shall not be construed as requiring the Securities to be Written Down in full solely by virtue of the fact that such Full Loss Absorbing Instruments may be written down and/or converted in full; and
- (B) for the purposes of calculating the Write Down Amount, the Full Loss Absorbing Instruments will be treated (for the purposes only of determining the write down of principal and/or conversion, as the case may be, among the Securities and any Loss Absorbing Instruments on a *pro rata* basis) as if their terms permitted partial write down and/or conversion, such that the write down and/or conversion of such Full Loss Absorbing Instruments shall be deemed to occur in two concurrent stages: (I) first, the principal amount of such Full Loss Absorbing Instruments shall be written down and/or converted *pro rata* (in the manner contemplated above) with the Securities and all other Loss Absorbing Instruments to the extent necessary to achieve the CET1 Ratios referred to in Condition 5(b)(i); and (II) secondly, the balance (if any) of the principal amount of such Full Loss Absorbing Instruments remaining following (I) shall be written off and/or converted, as the case may be, with the effect of increasing the CET1 Ratios above the minimum required under Condition 5(b)(i).

To the extent the write down and/or conversion of any Loss Absorbing Instruments for the purpose of Condition 5(b)(i) is not possible for any reason, this shall not in any way prevent any Write Down of the Securities. Instead, in such circumstances, the Securities will be Written Down and the Write Down Amount determined as provided above but without including for the purpose of Condition 5(b)(i) any Common Equity Tier 1 Capital in respect of the write down or conversion of such Loss Absorbing Instruments, to the extent it is not possible for them to be written down and/or converted.

The Issuer shall set out its determination of the Write Down Amount per Calculation Amount in the relevant Trigger Event Notice together with the then Prevailing Principal Amount per Calculation Amount following the relevant Write Down. However, if the Write Down Amount has not been determined when the Trigger Event Notice is given, the Issuer shall, as soon as reasonably practicable following such determination, notify the Write Down Amount to the Holders in accordance with Condition 12, the CSD Agent and the Relevant Authority. The Issuer's determination of the relevant Write Down Amount shall be irrevocable and binding on all parties.

(c) Consequences of a Write Down

Following a reduction of the Prevailing Principal Amount of the Securities as described in accordance with Condition 5(a), interest will continue to accrue on the Prevailing Principal Amount of each Security following such reduction, and will be subject to Conditions 2(b), 4(a), 4(b), 4(c), 4(d) and 5(a). Any payment of interest not due by reason of Condition 6(a)(iii) shall be cancelled as provided in Condition 4(d).

Following any Write Down of the Security, references herein to "Prevailing Principal Amount" shall be construed accordingly. Once the Prevailing Principal Amount of a Security has been Written Down, the relevant Write Down Amount(s) may only be restored, at the discretion of the Issuer, in accordance with Condition 5(d).

Following the giving of a Trigger Event Notice which specifies a Write Down of the Securities, the Issuer shall procure that (i) a similar notice is given in respect of Loss Absorbing Instruments in accordance with their terms and (ii) the then prevailing principal amount of each series of Loss Absorbing Instruments outstanding (if any) is written down and/or converted in accordance with their terms following the giving of such Trigger Event Notice; provided, however, that any failure by the Issuer either to give such a notice or to procure such a write down and/or conversion will not affect the effectiveness of, or otherwise invalidate, any Write Down of the Securities pursuant to Condition 5(a) or give Holders any rights as a result of either such failure (and, for the avoidance of doubt, the Write Down Amount may increase as a result thereof).

(d) Write Up

The Issuer shall have, save as provided below, full discretion to reinstate, to the extent permitted in compliance with the Regulatory Capital Requirements, any portion of the principal amount of the Securities which has been Written Down and which has not previously been Written Up (such portion, the "**Write Up Amount**"). The reinstatement of the Prevailing Principal Amount (such reinstatement being referred to herein as a "**Write Up**", and "**Written Up**" shall be construed accordingly) may occur on more than one occasion (and each Security may be Written Up on more than one occasion) provided that the principal amount of each Security shall never be Written Up to an amount greater than its Initial Principal Amount.

To the extent that the Prevailing Principal Amount of the Securities has been Written Up as described above, interest shall begin to accrue from (and including) the date of the relevant Write Up on the applicable Prevailing Principal Amount of the Securities.

Any such Write Up of the Securities shall be made on a *pro rata* basis and without any preference among themselves and to the extent permitted or required under then prevailing Regulatory Capital Requirements on a *pro rata* basis with the write up of all Written Down Additional Tier 1 Instruments (if any) that have terms permitting a principal write-up to occur on a basis similar to that set out in these provisions in the circumstances existing on the date of the relevant Write Up. Any failure by the Issuer to Write Up the Securities on a *pro rata* basis with the write up of all Written Down Additional Tier 1 Instruments (if any)

however will not affect the effectiveness, or otherwise invalidate, any Write Up of the Securities and/or write up of the Written Down Additional Tier 1 Instruments or give Holders any rights as a result of such failure.

To the extent permitted or required under the then prevailing Regulatory Capital Requirements, any Write Up of the Prevailing Principal Amount of the Securities and any reinstatement of any Written Down Additional Tier 1 Instruments may not exceed the Maximum Distributable Amount (after taking account of (x) any other relevant distributions of the kind referred to in Article 141(2) of the CRD Directive (or any provision of applicable law transposing or implementing Article 141(2) of the CRD Directive, as amended or replaced), or in any other applicable provisions of the Regulatory Capital Requirements which require a maximum distributable amount to be calculated and which are required under prevailing Regulatory Capital Requirements to be taken into account for this purpose and (y) the requirements of Article 21.2(f) of the CRD Supplementing Regulation, as amended or replaced).

Further, to the extent permitted or required under then prevailing Regulatory Capital Requirements, any Write Up of the Prevailing Principal Amount of the Securities may not be made to the extent that the sum of:

- (i) the aggregate amount of the relevant Write Up on all the Securities on the Write Up Date;
- (ii) the aggregate amount of any other Write Up on the Securities since the Specified Date and prior to the Write Up Date;
- (iii) the aggregate amount of any interest payments paid on the Securities since the Specified Date and which accrued on the basis of a Prevailing Principal Amount which is less than the Initial Principal Amount;
- (iv) the aggregate amount of the increase in principal amount of each Written Down Additional Tier 1 Instrument at the time of the relevant Write Up;
- (v) the aggregate amount of any other increase in principal amount of each Written Down Additional Tier 1 Instrument since the Specified Date and prior to the time of the relevant Write Up; and
- (vi) the aggregate amount of any interest payments paid on all Loss Absorbing Instruments since the Specified Date and which accrued on the basis of a prevailing principal amount which is less than its initial principal amount,

would exceed the Maximum Write Up Amount.

As used above:

“Maximum Write Up Amount” means, as at any Write Up Date, the lower of:

- (A) the consolidated profits after tax of the Issuer Group, as calculated and set out in the then most recently published audited annual consolidated accounts of the Issuer Group, multiplied by the sum of the aggregate Initial Principal Amount of the outstanding Securities and the aggregate initial principal amount of all outstanding Written Down Additional Tier 1 Instruments of the Issuer Group, and divided by the total Tier 1 Capital of the Issuer Group as at the relevant Write Up Date; and
- (B) the non-consolidated profits after tax of the Issuer as calculated and set out in the then most recently published audited annual non-consolidated accounts of the Issuer, multiplied by the sum of the aggregate Initial Principal Amount of the outstanding Securities and the aggregate initial principal amount of all outstanding Written Down Additional Tier 1 Instruments, and divided by the total Tier 1 Capital of the Issuer as at the relevant Write Up Date.

“Specified Date” means in respect of a Write Up, the date falling at the end of the Financial Year immediately preceding the relevant Write Up Date.

Any Write Up will be subject to (a) it not causing a Trigger Event, (b) the Issuer having taken a formal decision confirming such final profits after tax and (c) the Issuer obtaining any Supervisory Permission required therefor (provided at the relevant time such Supervisory Permission is required to be given) and such Supervisory Permission has not been revoked by the relevant date of such Write Up.

If the Issuer elects to Write Up the Securities pursuant to this Condition 5(d), notice (a “**Write Up Notice**”) of such Write Up shall be given to Holders in accordance with Condition 12, the CSD Agent and the Relevant Authority specifying the amount of any Write Up and the date on which such Write Up shall take effect (the “**Write Up Date**”). Such Write Up Notice shall be given at least ten Business Days prior to the date on which the relevant Write Up is to become effective.

(e) Currency

For the purpose of any calculation in connection with a Write Down or Write Up of the Securities which necessarily requires the determination of a figure in ISK (or in an otherwise consistent manner across obligations denominated in different currencies), including (without limitation) any determination of a Write Down Amount and/or a Maximum Write Up Amount, any relevant obligations which are not denominated in ISK shall, (for the purposes of such calculation only) be deemed notionally to be converted into ISK at the foreign exchange rates determined, in the sole and full discretion of the Issuer, to be applicable based on its regulatory reporting requirements under the Regulatory Capital Requirements.

6 Redemption, Substitution, Variation and Purchase

(a) No Fixed Redemption Date

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall, without prejudice to its ability to effect a Write Down in accordance with Condition 5(a), only have the right to redeem or purchase them in accordance with the following provisions of this Condition 6.

(b) Conditions to Redemption, Substitution, Variation and Purchase

Any redemption, substitution, variation or purchase of the Securities in accordance with Condition 6(c), (d), (e), (f), (g) or (h) is subject, as applicable, to the condition that:

- (i) the Issuer has obtained prior Supervisory Permission therefor and such Supervisory Permission has not been revoked by the relevant date of such redemption, substitution, variation or purchase;
- (ii) in the case of any redemption or purchase of any Securities, either: (A) the Issuer has (or will, on or before the relevant redemption or purchase date, have), replaced the Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or, save in the case of Condition 6(b)(v)(A) below, (B) the Issuer has demonstrated to the satisfaction of the Relevant Authority that the own funds and eligible liabilities of the Issuer and the Issuer Group would, following such redemption or purchase, exceed its minimum applicable capital and eligible liabilities requirements (including any applicable buffer requirements) by a margin (calculated in accordance with prevailing Regulatory Capital Requirements) that the Relevant Authority considers necessary at such time;
- (iii) in the case of any redemption of the Securities prior to the fifth anniversary of the Reference Date upon the occurrence of a Tax Event, the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in tax treatment is material and was not reasonably foreseeable as at the Reference Date;
- (iv) in the case of any redemption of the Securities prior to the fifth anniversary of the Reference Date upon the occurrence of a Capital Disqualification Event, the Issuer has demonstrated to the satisfaction of the Relevant Authority that the relevant change in the regulatory classification of the Securities was not reasonably foreseeable as at the Reference Date; and
- (v) in the case of any redemption or purchase of the Securities prior to the fifth anniversary of the Reference Date pursuant to Condition 6(f) or Condition 6(h), respectively, either (A) the Issuer has (or will, on or before the relevant redemption or purchase date, have) replaced the Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the Relevant Authority having permitted such action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances

or (B) the relevant Securities are being redeemed or purchased for market-making purposes in accordance with applicable Regulatory Capital Requirements (including (a) Supervisory Permission having been obtained (where required) and (b) in the case of such a purchase pursuant to Condition 6(h), the total principal amount of the Securities so purchased not exceeding the predetermined amount permitted from time to time to be purchased for market making purposes).

Any refusal by the Relevant Authority to give its Supervisory Permission as contemplated above (or, having given it, any revocation by the Relevant Authority of such Supervisory Permission) shall not constitute a default for any purpose.

Notwithstanding the above conditions, if, at the time of any redemption, substitution, variation or purchase, the prevailing Regulatory Capital Requirements permit the repayment, substitution, variation or purchase only after compliance with one or more alternative or additional pre-conditions to those set out above in this Condition 6(b), the Issuer shall comply with such other and/or, as appropriate, additional pre-condition(s).

In addition, if the Issuer has elected to redeem, substitute or vary the terms of the Securities, or if the Issuer (or any other person for the Issuer's account) has entered into an agreement to purchase any Securities and:

(A) (in the case of a redemption or purchase) the Solvency Condition is not satisfied in respect of the relevant payment on the date scheduled for redemption or purchase; or

(B) prior to the redemption, purchase, substitution or variation of the Securities, a Trigger Event occurs, the relevant redemption, substitution or variation notice, or as the case may be, the relevant purchase agreement shall be automatically rescinded and shall be of no force and effect and the Issuer shall give notice thereof to the Holders in accordance with Condition 12, the CSD Agent, as soon as practicable. Any delay in giving, or any failure by the Issuer to give such notice will not, however affect the effectiveness of, or otherwise invalidate, the automatic rescission of the relevant redemption, substitution or variation notice, or as the case may be, the relevant purchase agreement.

Further, no notice of redemption, substitution or variation shall be given in the period following the occurrence of a Trigger Event and prior to the relevant Write Down Date (and any purported such notice shall be ineffective).

Prior to the publication of any notice of substitution, variation or redemption pursuant to this Condition 6 (other than redemption pursuant to Condition 6(c)), the Issuer shall deliver to the CSD Agent (i) a certificate signed by two Directors stating that the relevant requirements or circumstances giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied and, in the case of a substitution or variation, that the terms of the relevant Compliant Securities will, following such substitution or variation (as applicable), comply with the definition thereof in Condition 16 and (ii) in the case of a redemption pursuant to Condition 6(d) only, an opinion from a nationally recognised law firm or other tax adviser in Iceland experienced in such matters to the effect that the relevant requirement of paragraphs (i) and (ii) of the definition of "Tax Event" applies (but, for the avoidance of doubt, such opinion shall not be required to comment on the ability of the Issuer to avoid such circumstances by taking measures reasonable available to it).

(c) Issuer's Call Option

Subject to Condition 6(b), the Issuer may, by giving not less than five nor more than 60 days' notice to the Holders in accordance with Condition 12 and the CSD Agent (which notice shall, save as provided in Condition 6(b), be irrevocable and shall specify the date fixed for redemption), elect to redeem in accordance with these Conditions all, but not some only, of the Securities:

- (i) on any day falling in the period commencing on (and including) 18 February 2031 and ending on (and including) the First Reset Date; or
- (ii) on any Interest Payment Date thereafter,

at their Prevailing Principal Amount, together with any accrued and unpaid interest thereon (excluding interest that has been cancelled in accordance with the Conditions) to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall, subject to Condition 6(b), redeem the Securities.

(d) Redemption Due to Tax Event

If, prior to the giving of the notice referred to below in this Condition 6(d), a Tax Event has occurred and is continuing, then the Issuer may, subject to Condition 6(b) and having given not less than five nor more than 60 days' notice to the Holders in accordance with Condition 12, the CSD Agent (which notice shall, save as provided in Condition 6(b), be irrevocable and shall specify the date fixed for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Securities at their Prevailing Principal Amount, together with any accrued and unpaid interest thereon (excluding interest that has been cancelled in accordance with these Conditions) to (but excluding) the date fixed for redemption provided that (in the case of limb (i) of the definition of Tax Event) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Securities then due. Upon the expiry of such notice, the Issuer shall, subject to Condition 6(b), redeem the Securities.

(e) Redemption Due to Capital Disqualification Event

If, prior to the giving of the notice referred to below in this Condition 6(e), a Capital Disqualification Event has occurred and is continuing, then the Issuer may, subject to Condition 6(b) and having given not less than five nor more than 60 days' notice to the Holders in accordance with Condition 12, the CSD Agent (which notice shall, save as provided in Condition 6(b), be irrevocable and shall specify the date fixed for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Securities at their Prevailing Principal Amount, together with any accrued and unpaid interest thereon (excluding interest that has been cancelled in accordance with these Conditions) to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall, subject to Condition 6(b), redeem the Securities.

(f) Issuer's Clean-up Call Option

If, prior to the giving of the notice referred to below in this Condition 6(f), 75 per cent. or more of the aggregate principal amount of the Securities originally issued (and, for these purposes, any Further Securities issued pursuant to Condition 13 will be deemed to have been originally issued and any Write Down and/or Write Up of the principal amount of the Securities shall be ignored) has been purchased by the Issuer or by any of its subsidiaries for the Issuer's account and cancelled, then the Issuer may, subject to Condition 6(b) and having given not less than five nor more than 60 days' notice to the Holders in accordance with Condition 12 the CSD Agent (which notice shall, save as provided in Condition 6(b), be irrevocable and shall specify the date fixed for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Securities at their Prevailing Principal Amount, together with any accrued and unpaid interest thereon (excluding interest that has been cancelled in accordance with these Conditions) to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Issuer shall, subject to Condition 6(b), redeem the Securities.

(g) Substitution or Variation

If a Tax Event, a Capital Disqualification Event or an Alignment Event has occurred and is continuing or in order to ensure the effectiveness and enforceability of Condition 15(d), then the Issuer may, subject to Condition 6(b) and having given not less than five nor more than 60 days' notice to the Holders in accordance with Condition 12, the CSD Agent (which notice shall, save as provided in Condition 6(b), be irrevocable and shall specify the date fixed for substitution or, as the case may be, variation of the Securities) but without any requirement for the consent or approval of the Holders, at any time either substitute all (but not some only) of the Securities for, or vary the terms of the Securities so that they remain or, as appropriate, become, Compliant Securities. Upon the expiry of such notice, the Issuer shall, subject to Condition 6(b) and the following provisions of this Condition 6(g), either vary the terms of or substitute the Securities in accordance with this Condition 6(g), as the case may be.

In connection with any substitution or variation in accordance with this Condition 6(g), the Issuer shall comply with the rules of any stock exchange on which the Securities are for the time being listed and/or admitted to trading.

(h) Purchases

The Issuer may, subject to Condition 6(b), in those circumstances permitted by Regulatory Capital Requirements, at any time purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for its account, Securities in any manner and at any price. The Securities so purchased (or acquired), while held by or on behalf of the Issuer, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders or for the purposes of Condition 8(c).

(i) Cancellation

All Securities redeemed or substituted by the Issuer pursuant to this Condition 6 will forthwith be cancelled. All Securities purchased by or on behalf of the Issuer may, subject to obtaining any Supervisory Permission therefor (and such Supervisory Permission not having been revoked), be held, reissued, resold or, at the option of the Issuer, surrendered for cancellation to the CSD Agent. Securities so surrendered shall be cancelled forthwith. Any Securities so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Securities shall be permanently and irrevocably discharged.

7 Payments

(a) Method of Payment

(i) Payments in respect of the Securities shall be made in ISK and will be made by transfer to the account of the Holder maintained by it or on its behalf in the CSD, details of which appear in the records of the relevant register maintained between the direct accountholders and the CSD at close of business on the third Business Day before the due date for payment of principal and/or interest (the “**Record Date**”) in accordance with and subject to the rules and regulations from time to time governing the CSD.

(b) Payments Subject to Laws

Save as provided in Condition 9, payments will be subject in all cases to (a) any applicable fiscal or other laws, regulations and directives in the place of payment or other laws or regulations to which the Issuer or its agents agree to be subject and (b) any withholding or deduction required pursuant to FATCA. The Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements or pursuant to FATCA. No commissions or expenses shall be charged to the Holders in respect of such payments.

In these Conditions, “**FATCA**” means (a) an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), (b) Sections 1471 through 1474 of the Code, (c) any regulations or agreements thereunder or official interpretations thereof, (d) any intergovernmental agreement between the United States and any other governmental authority entered into in connection with the implementation of the foregoing in this definition or (e) any applicable law, rule or official practice implementing such an intergovernmental agreement.

(c) Delay in Payment

Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Security if the due date is not a business day.

(d) Business Days and Non-Business Days

If any date for payment in respect of any Security is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**business day**” means a day (other than a Saturday or a Sunday) on which

commercial banks and foreign exchange markets settle payments and are open for general business in Reykjavik, Iceland.

8 Non-Payment When Due and Winding-Up

(a) *Non-Payment*

If the Issuer shall not make payment in respect of the Securities for a period of five days (in respect of principal) or 10 days (in respect of interest) or more after the date on which such payment is (without prejudice to Condition 2(b), Condition 4, Condition 5(a)(iii) and Condition 5(a)(iv)) due, the Issuer shall be deemed to be in default (a “**Default**”) under the Securities and any of the Holders may, notwithstanding the provisions of Condition 8(b), institute proceedings for the winding-up of the Issuer.

For the avoidance of doubt no amounts shall be due in respect of the Securities if payment of the same shall have been cancelled in accordance with Condition 2(b), Condition 4, Condition 5(a)(iii), Condition 5(a)(iv) and/or Condition 6(b), and accordingly non-payment of such amounts shall not constitute a Default.

In the event of a Winding-Up (whether or not instituted by any Holder pursuant to the foregoing), each Holder may prove and/or claim in such Winding-Up, such claim being as contemplated in Condition 2(c).

(b) *Enforcement*

Without prejudice to Condition 8(a), any Holder may, at its discretion and without further notice, institute such steps, actions or proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Securities (other than any payment obligation of the Issuer under or arising from the Securities, including, without limitation, payment of any principal or interest in respect of the Securities, including any damages awarded for breach of any obligations), provided that in no event shall the Issuer, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been due and payable by it pursuant to these Conditions.

Nothing in this Condition 8(b) shall, however, prevent the Holders instituting proceedings for the winding-up of the Issuer, proving and/or claiming in any Winding-Up in respect of any payment obligations of the Issuer arising from the Securities (including any damages awarded for breach of any obligations) in the circumstances provided in, as appropriate, Conditions 2(c) and 8(a).

(c) *Extent of Holders’ Remedy*

No remedy against the Issuer, other than as referred to in this Condition 8, shall be available to the Holders, whether for the recovery of amounts owing in respect of the Securities or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities.

9 Taxation

All payments of principal, interest and any other amounts by or on behalf of the Issuer in respect of the Securities shall (subject always to Condition 2(b), Condition 4, Condition 5 and Condition 6(b)) be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, in respect of payments of interest (but not principal or any other amount) the Issuer will (subject as aforesaid) pay such additional amounts (“**Additional Amounts**”) as will result in receipt by the Holders of such amounts as would have been received by them in respect of payment of interest had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Security:

- (a) presented for payment in a Relevant Jurisdiction;
- (b) held by or on behalf of a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of it having some connection with the Relevant Jurisdiction other than a mere holding of such Security; or

- (c) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder would have been entitled to an Additional Amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Date.

References in these Conditions (including, without limitation, for the purposes of cancellation pursuant to Condition 4) to interest shall be deemed to include any Additional Amounts which may be payable under this Condition 9 or any undertaking given in addition thereto or in substitution therefor.

Pursuant to point 8 of the first Paragraph of Article 3 of Icelandic Act No 90/2003 on Income Tax (the “**Icelandic Income Tax Act**”), non-Icelandic residents are not subject to tax on any interest income derived by them from the Securities provided the Securities are registered with a securities depository within the Organisation for Economic Co-operation and Development, the European Economic Area or a member of the European Free Trade Association or the Faroe Islands (any such securities depository, an “**Eligible Securities Depository**”) and the Issuer registers the Securities with the Directorate of Internal Revenue in Iceland and receives confirmation of exemption of the Securities from such taxation. The Issuer undertakes to ensure that the Securities are registered and accepted for clearance with an Eligible Securities Depository and to register the Securities with the Directorate of Internal Revenue in Iceland on the Reference Date and to obtain a certificate of exemption in respect thereof. In the event that such exemption to the Icelandic Income Tax Act is forfeited, suspended or revoked as a result of the Issuer failing to register the Securities as aforesaid or the Securities being in definitive form and held outside an Eligible Securities Depository or the Securities otherwise ceasing to be registered with an Eligible Securities Depository or for any other reason and any payment in respect of the Securities is accordingly subject to withholding or deduction pursuant to the Icelandic Income Tax Act, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Holders in respect of payments of interest (but not principal or any other amount) after such withholding or deduction shall equal the respective amounts of interest which would otherwise have been receivable in respect of the Securities, in the absence of such withholding or deduction (and the exceptions set out in paragraphs (a) to (c) above shall not be applicable).

Notwithstanding any other provisions of these Conditions, any amounts to be paid on the Securities by or on behalf of the Issuer shall be made net of any deduction or withholding imposed or required pursuant to FATCA (“**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any Additional Amounts in respect of FATCA Withholding.

10 Prescription

Claims against the Issuer for payment in respect of the Securities shall be prescribed and become void unless made within 10 years (in the case of principal) or four years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Meetings of Holders

The Instrument contains provisions for convening meetings of Holders (including in a physical place or by any electronic platform (such as a conference call or videoconference) or a combination of such methods) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. in Prevailing Principal Amount of the Securities for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. in Prevailing Principal Amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the Prevailing Principal Amount of the Securities so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Condition 2, the terms concerning currency and due dates for payment of principal or interest payments in respect of the Securities and reducing or cancelling the principal amount of, or interest on, any Securities, or the Interest Rate or varying the method of calculating the Interest Rate) the quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the Prevailing Principal Amount of the Securities for the time being outstanding.

The agreement or approval of the Holders shall not be required in the case of cancellation of interest in accordance with Condition 4 or 5(a)(iii), alteration to the Prevailing Principal Amount in accordance with Condition 5, any variation to these Conditions and/or the Instrument made pursuant to Condition 3(i) or any variation of these Conditions or any substitution of the Securities made in the circumstances described in Condition 6(g).

The Instrument provides that (i) a resolution passed, at a meeting duly convened and held, by a majority of at least 75 per cent. of the votes cast, (ii) a resolution in writing signed by or on behalf of the Holders of not less than 75 per cent. in Prevailing Principal Amount of the Securities for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) by or on behalf of the holder(s) of not less than 75 per cent. in Prevailing Principal Amount of the Securities for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution. A resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

An Extraordinary Resolution passed at any meeting of Holders or in writing or by way of electronic consents will be binding on all Holders, whether or not they are present at the meeting or voting in favour or, as the case may be, whether or not signing the written resolution or providing electronic consents.

12 Notices

Notices required to be given to the Holders pursuant to the Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or Sunday) after the date of mailing. The Issuer shall also ensure that all such notices are duly published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed and/or admitted to trading.

13 Further Issues

The Issuer may from time to time without the consent of the Holders, but subject to it obtaining any Supervisory Permission required therefor (and such Supervisory Permission not having been revoked at the relevant date of such creation and issue), create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the date and amount of the first payment of interest on them, the issue date and the date from which interest starts to accrue) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Securities) (“**Further Securities**”). References in these Conditions to the Securities include (unless the context requires otherwise) any Further Securities issued pursuant to this Condition 13.

14 Agents

The initial CSD Agent and Agent Bank and their initial specified offices are listed below. They act solely as agents of the Issuer and do not assume any obligation towards or relationship of agency or trust for or with any Holder. The Issuer reserves the right at any time to vary or terminate the appointment of the CSD Agent or the Agent Bank and to appoint replacement agents as additional or other Transfer Agents, provided that it will:

- (a) at all times maintain a CSD Agent;
- (b) whenever a function expressed in these Conditions to be performed by the Agent Bank falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Agent Bank; and
- (c) so long as the Securities are listed on any stock exchange or admitted to trading by any other relevant authority, maintain that there will at all times be a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

Notice of any such termination or appointment and of any change in the specified offices of the agents will be given to the Holders by the Issuer in accordance with Condition 12. If any of the Agent Bank, the CSD Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Terms (as the case may be), the Issuer shall appoint an independent financial institution to act as such in its place. All calculations and determinations made by the Agent Bank or the CSD Agent

in relation to the Securities shall (save in the case of manifest error) be final and binding on the Issuer, the Agent Bank, the CSD Agent and the Holders.

15 **Governing Law and Jurisdiction**

(a) *Governing Law*

The Agency Terms, the Instrument the Securities and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of Iceland.

(b) *Jurisdiction*

The courts of Iceland are to have jurisdiction to settle any disputes that may arise out of or in connection with the Agency Terms, the Instrument or the Securities and accordingly any legal action or proceedings arising out of or in connection with the Agency Terms, Instrument or any Securities (including any legal action or proceedings relating to non-contractual obligations arising out of or in connection with them) (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of Iceland in respect of any such Proceedings and waives any objection to Proceedings in any such courts whether on the ground of venue or on the ground that Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not).

(c) *Waiver of Immunity*

The Issuer hereby irrevocably and unconditionally waives with respect to the Securities any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

(d) *Acknowledgement of Statutory Loss Absorption Powers*

Notwithstanding and to the exclusion of any other term of the Securities or any other agreements, arrangements or understanding between the Issuer and any Holder (which, for the purposes of this Condition 15(d), includes each holder of a beneficial interest in the Securities), by its acquisition of the Securities (or any interest therein), each Holder acknowledges and accepts that the Relevant Amounts arising under the Securities may be subject to the exercise of Statutory Loss Absorption Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

- (i) the effect of the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or a combination thereof:
 - (A) the reduction of all, or a portion, of the Relevant Amounts in respect of the Securities;
 - (B) the conversion of all, or a portion, of the Relevant Amounts in respect of the Securities into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the Holder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Securities;
 - (C) the cancellation of the Securities or the Relevant Amounts in respect of the Securities; and
 - (D) the amendment or alteration of the perpetual nature of the Securities or amendment of the amount of interest payable on the Securities, or the date on which interest becomes payable, including by suspending payment for a temporary period; and

- (ii) the variation of the terms of the Securities, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority.

No repayment or payment of Relevant Amounts in respect of the Securities will become due and payable or be paid after the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.

Neither a reduction or cancellation, in part or in full, of the Relevant Amounts, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Issuer, nor the exercise of the Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Securities, will constitute a default for any purpose.

Upon the exercise of the Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Securities, the Issuer will provide a written notice to the Holders in accordance with Condition 12 as soon as practicable regarding such exercise of the Statutory Loss Absorption Powers. Any delay or failure by the Issuer in delivering any notice referred to in this Condition 15 shall not affect the validity and enforceability of the Statutory Loss Absorption Powers nor constitute a default by the Issuer for any purpose.

16 Definitions

In these Conditions:

“**Additional Amounts**” has the meaning given to it in Condition 9;

“**Additional Tier 1 Capital**” has the meaning given to it (or any successor term) from time to time by the Relevant Authority and the applicable Regulatory Capital Requirements;

“**Adjustment Spread**” means either (i) a spread (which may be positive, negative or zero) or (ii) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (b) the Replacement Rate Determination Agent determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Replacement Rate Determination Agent determines that no such spread is customarily applied);
- (c) the Replacement Rate Determination Agent determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be);

“**Agency Terms**” has the meaning given to it in the preamble to these Conditions;

“**Agent Bank**” means the Bank or any successor Agent Bank appointed hereto;

An “**Alignment Event**” will be deemed to have occurred if, as a result of a change in or amendment to the Regulatory Capital Requirements or interpretation thereof, at any time after the Issue Date, the Issuer would be able to issue a capital instrument qualifying as Additional Tier 1 Capital that (i) contains one or more provisions that are, in the reasonable opinion of the Issuer, different in any material respect from those contained in these Conditions or (ii) excludes one or more provisions in these Conditions;

“**Alternative Rate**” means an alternative benchmark or screen rate which the Replacement Rate Determination Agent determines in accordance with Condition 3(i)(ii)(A) is customarily applied in the international debt capital

markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in ISK;

“**Assets**” means the unconsolidated gross assets of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for subsequent events in such manner as the directors of the Issuer may determine in their sole discretion;

“**Benchmark Event**” means:

- (a) the Original Reference Rate ceasing to be published by its administrator (or successor administrator) for a period of at least five (5) consecutive Business Days as a result of such benchmark ceasing to be calculated or administered; or
- (b) a public statement or publication of information by or on behalf of the administrator of the Original Reference Rate announcing that it has ceased or that it will cease publishing or providing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (c) a public statement or publication of information by or on behalf of the regulatory supervisor of the administrator of the Original Reference Rate, an insolvency official with jurisdiction over the administrator of the Original Reference Rate, a resolution authority with jurisdiction over the administrator for the Original Reference Rate or a court or an entity with similar insolvency or resolution authority over the administrator of the Original Reference Rate, announcing that the administrator of the Original Reference Rate has ceased or that it will cease publishing or providing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (d) a public statement or publication of information by or on behalf of the regulatory supervisor of the administrator of the Original Reference Rate announcing that either (i) the Original Reference Rate is no longer representative of an underlying market, (ii) the Original Reference Rate has been or will be prohibited from being used or (iii) the use of the Original Reference Rate has been or will be subject to restrictions or adverse consequences, in each case either generally or in respect of the Securities; or
- (e) it has become unlawful for any of the CSD Agent, Agent Bank, the Issuer or other party to calculate any payments due to be made to any Holders using the Original Reference Rate,

provided that the Benchmark Event shall be deemed to occur (I) in the case of sub-paragraphs (b) and (c) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (II) in the case of sub-paragraph (d)(i) above, on the date when the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market as specified in the relevant public statement or publication of information, (III) in the case of sub-paragraph (d)(ii) above, on the date when use of the Original Reference Rate is prohibited as specified in the relevant public statement or publication of information, and (IV), in the case of sub-paragraph (d)(iii) above on the date when the Original Reference Rate will be subject to restrictions or adverse consequences as specified in the relevant public statement or publication of information (in each case without regard to the date when the relevant public statement is made or information is published);

“**Business Day**” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business in Reykjavík, Iceland;

“**Calculation Amount**” means ISK20,000,000 in principal amount provided that if the Prevailing Principal Amount of each Security is amended (either by Write Down or Write Up in accordance with Condition 5 or as otherwise required by then current legislation and/or regulations applicable to the Issuer), the Calculation Amount shall mean the amount determined in accordance with Condition 5 on a *pro rata* basis to account for such Write Down, Write Up and/or other such amendment otherwise required, as the case may be, and which is notified to Holders in accordance with Condition 12 with the details of such adjustment;

“**Capital Disqualification Event**” is deemed to have occurred if there is a change (which has occurred or which the Relevant Authority considers to be sufficiently certain) in the regulatory classification of the Securities which becomes effective after the Reference Date and that results, or would be likely to result, in some of or the entire Prevailing Principal Amount of the Securities being excluded from the Additional Tier 1 Capital of the Issuer or the Issuer Group (other than by reason of a partial exclusion of the Securities as a result of a Write Down in part or by reason of any applicable limit on the amount of Additional Tier 1 Capital);

“**CET1 Capital**”, at any time, means the sum, expressed in ISK, of all amounts that constitute the Common Equity Tier 1 Capital at such time of (i) the Issuer less any deductions therefrom required to be made at such time, as calculated on a non-consolidated basis (as referred to in Article 9 of the CRD Regulation or any equivalent or similar law, rule or provision of the Regulatory Capital Requirements then applicable to the Issuer) or, as the context requires, (ii) the Issuer Group less any deductions therefrom required to be made at such time, as calculated on a consolidated basis (as referred to in Article 9 of the CRD Regulation or any equivalent or similar law, rule or provision of the Regulatory Capital Requirements then applicable to the Issuer Group), in each case in accordance with the Regulatory Capital Requirements at such time and taking into account any transitional provisions under the Regulatory Capital Requirements which are applicable at such time to the Issuer or the Issuer Group, as applicable, and the Securities;

“**CET1 Ratio**” means, at any time, as applicable, either:

- (a) the ratio of the CET1 Capital of the Issuer at such time to the Risk Weighted Assets of the Issuer at such time and expressed as a percentage (the “**CET1 Ratio of the Issuer**”); or
- (b) the ratio of the aggregate amount of the CET1 Capital of the Issuer Group at such time to the Risk Weighted Assets of the Issuer Group at such time and expressed as a percentage (the “**CET1 Ratio of the Issuer Group**”);

“**Common Equity Tier 1 Capital**” means common equity tier 1 capital as contemplated by the Regulatory Capital Requirements then applicable, or an equivalent or successor term;

“**Compliant Securities**” means securities issued directly by the Issuer that:

- (a) have terms which are not materially less favourable to an investor than the terms of the Securities (when considered generally and without consideration of the individual circumstances of any Holder and as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer), and provided that a certificate to such effect (including as to such consultation) of two Directors shall have been delivered to the CSD Agent prior to the issue or, as appropriate, variation of the relevant securities), and, subject thereto, which (i) contain terms which comply with the then current requirements of the Relevant Authority in relation to Additional Tier 1 Capital (or any applicable equivalent term from time to time); (ii) have the same principal amount as the principal amount of the Securities and provide for the same Interest Rate and Interest Payment Dates from time to time applying to the Securities; (iii) rank *pari passu* with the Securities; (iv) preserve any existing rights under these Conditions to any accrued interest or other amounts which have not been either paid or cancelled (but subject always to the right of the Issuer subsequently to cancel such accrued and unpaid interest in accordance with the terms of the securities); (v) contain terms providing for the conversion or write-down of the principal amount of such securities only if such terms are not materially less favourable to holders of the securities than the corresponding provisions of the Securities; and (vi) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption; and
- (b) are (i) listed on the Official List of Euronext Dublin and admitted to trading on the Euronext Dublin Regulated Market and (ii) listed and admitted to trading on Nasdaq Iceland Main Market or (iii) listed on such other stock exchange as is selected by the Issuer.

Any term which is included solely to ensure the effectiveness or enforceability of Clause 18(d) shall, of itself, be deemed for the purposes of (a) above not to be materially less favourable to an investor.

“**Conditions**” means the terms and conditions of the Securities, as amended from time to time, as set out herein;

“**CRD Directive**” means the Directive (2013/36/EU) of the European Parliament and of the Council on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time (including, without limitation, by Directive (EU) 2019/878) and, as the context permits, any provision of Icelandic law (including but not limited to the Act on Financial Undertakings No. 161/2002, as amended) transposing or implementing such Directive (as it is amended or replaced from time to time);

“**CRD Regulation**” means the Regulation (EU No. 575/2013) of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013, as amended or replaced from time to time (including, without limitation, by Regulation (EU) 2024/1623) and, as the context permits, any provision of Icelandic law (including but not limited to the Act on Financial Undertakings No. 161/2002, as amended) transposing or implementing such Regulation (as it is amended or replaced from time to time);

“**CRD Supplementing Regulation**” means the Commission Delegated Regulation (EU No. 241/2014) of 7 January 2014 supplementing the CRD Regulation, as amended or replaced from time to time and as transposed into Icelandic law from time to time after the Issue Date;

“**Directors**” means the directors of the Issuer;

“**Distributable Items**” means, subject as otherwise defined from time to time in the Regulatory Capital Requirements, in relation to interest otherwise scheduled to be paid on a date, the amount of the profits of the Issuer at the end of the last Financial Year immediately preceding such date plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments of the Issuer less any losses brought forward, any profits which are non-distributable pursuant to applicable European Economic Area or national law or the Issuer’s constitutional documents and any sums placed in non-distributable reserves in accordance with applicable national law or the constitutional documents of the Issuer, in each case with respect to the specific category of own funds instruments to which European Economic Area or national law or the Issuer’s constitutional documents relate; such profits, losses and reserves being determined on the basis of the individual accounts of the Issuer and not on the basis of its consolidated accounts;

“**Euronext Dublin**” means the Irish Stock Exchange plc, trading as Euronext Dublin;

“**Euronext Dublin Regulated Market**” means the regulated market of Euronext Dublin;

“**Extraordinary Resolution**” has the meaning given to it in the Instrument;

“**Financial Year**” means the financial year of the Issuer (being the one-year period in respect of which it prepares annual audited financial statements) from time to time, which as at the Issue Date runs from (and including) 1 January in one calendar year to (but excluding) the same date in the immediately following calendar year;

“**First Reset Date**” means 18 August 2031;

“**Further Securities**” has the meaning given to it in Condition 13;

“**Holder**” has the meaning given to it in Condition 1(b);

“**ICB CMT Rate**” means a daily par yield curve rate published by the Central Bank of Iceland on its website showing the interest rate and yield that new coupon bonds issued by the Treasury of the Republic of Iceland (with a maturity equal to five (5) years) would bear if issued at par.

This rate shows the Icelandic Treasury’s actual funding cost for selected maturities each day.

“**Iceland**” means the Republic of Iceland;

“**Initial Fixed Interest Rate**” has the meaning given to it in Condition 3(c);

“**Initial Fixed Rate Interest Period**” means the period from (and including) the Issue Date to (but excluding) the First Reset Date;

“**Initial Principal Amount**” means, in relation to each Security, the principal amount of that Security on the Issue Date;

“Interest Payment Date” means 18 February and 18 August in each year, starting on (and including) 18 August 2026, provided that if any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day, unless it would thereby fall in the next calendar month, in which event it shall be brought forward to the immediately preceding Business Day;

“Interest Period” means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

“Interest Rate” means the Initial Fixed Interest Rate and/or the relevant Reset Rate of Interest, as the case may be;

“ISK” means the lawful currency of Iceland, being Icelandic Krona as at the Issue Date;

“Issue Date” means 18 February 2026, being the date of the initial issue of the Securities;

“Issuer” has the meaning given to it in the preamble to these Conditions;

“Issuer Group” means, in respect of any prudential consolidation group (as that term, or its successor, is used in the Regulatory Capital Requirements) of which the Issuer is part from time to time, the Issuer and each entity which is part of such group;

“Liabilities” means the unconsolidated gross liabilities of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingent and prospective liabilities and for subsequent events in such manner as the directors of the Issuer may determine in their sole discretion;

“Loss Absorbing Instruments” means capital instruments or other obligations issued directly or indirectly by any member of the Issuer Group (other than the Securities) which constitute Additional Tier 1 Capital and which include a principal loss absorption mechanism that is capable of generating Common Equity Tier 1 Capital and that is activated by a trigger event set by reference to the CET1 Ratio of the Issuer and/or the CET1 Ratio of the Issuer Group;

“Margin” means 3.432 per cent.;

“Maximum Distributable Amount” means any applicable maximum distributable amount relating to the Issuer or the Issuer Group required to be calculated in accordance with Article 141 of the CRD Directive (or any provision of applicable law transposing or implementing Article 141 of the CRD Directive, as amended or replaced) or in accordance with any other applicable provisions of the Regulatory Capital Requirements which require a maximum distributable amount to be calculated if the Issuer or the Issuer Group are failing to meet any applicable requirement or any buffers relating to such requirement;

“Nasdaq Iceland Main Market” means the main market of Nasdaq Iceland hf.;

“Nominal Icelandic Treasury Bonds Quotations” means the applicable interpolated bid yield between two Nominal Treasury Bonds with the closest maturities before and after the next Reset Date;

“Nominal Treasury Bonds” means nominal benchmark bonds issued by the Treasury of the Republic of Iceland with a valid market making agreement with a primary dealer;

“Original Reference Rate” means (i) the rate described in paragraph (i) of the definition of “Reset Reference Rate” in this Condition 16; or (ii) (if applicable) any other Successor Rate or Alternative Rate (or any component part(s) thereof) determined and applicable to the Securities pursuant to the earlier application of Condition 3(i);

“own funds instruments” has the meaning given to it in the Regulatory Capital Requirements or any applicable equivalent term from time to time;

“Prevailing Principal Amount” means, in relation to each Security at any time, the principal amount of such Security at that time, being its Initial Principal Amount, as adjusted from time to time for any Write Down and/or Write Up, in accordance with Condition 5 and/or as otherwise required by then current legislation and/or regulations applicable to the Issuer;

“Proceedings” has the meaning given to it in Condition 15(b);

“**Record Date**” has the meaning given to it in Condition 7(a);

“**Reference Date**” means the later of (i) the Issue Date and (ii) the latest date (if any) on which any Further Securities have been issued pursuant to Condition 13;

“**Regulatory Capital Requirements**” means, at any time, any requirement or provision contained in the laws, regulations, requirements, guidelines and policies of the Relevant Authority (whether or not having the force of law) or of Iceland or of the European Parliament and Council then in effect in Iceland relating to capital adequacy (whether on a risk-weighted, leverage or other basis), prudential supervision (including the requisite features of own funds instruments) and/or resolution (including any minimum requirement for own funds and eligible liabilities) and applicable to the Issuer and/or, as applicable, the Issuer Group;

“**Relevant Amounts**” means the outstanding principal amount of the Securities, together with any accrued but unpaid interest and Additional Amounts due on the Securities. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority;

“**Relevant Authority**” means the Financial Supervisory Authority of the Central Bank of Iceland (*Seðlabanki Íslands*) or such other authority having primary supervisory authority with respect to prudential matters concerning the Issuer and/or the Issuer Group and/or the Relevant Resolution Authority (if applicable);

“**Relevant Date**” means (i) in respect of any payment other than a sum to be paid by the Issuer in a Winding-Up, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Holders that, such payment will be made, provided that payment is in fact made upon such surrender, and (ii) in respect of a sum to be paid by the Issuer in a Winding-Up, the date which is one day prior to the date on which an order is made or a resolution is passed for the winding-up (or, in the case of an administration, one day prior to the date on which any dividend is distributed);

“**Relevant Jurisdiction**” means Iceland or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and/or interest on the Securities;

“**Relevant Nominating Body**” means, in respect of a benchmark or screen rate (as applicable):

- (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (iii) a group of the aforementioned central banks or other supervisory authorities or (iv) the Financial Stability Board or any part thereof;

“**Relevant Resolution Authority**” means the resolution authority with the ability to exercise any Statutory Loss Absorption Powers in relation to the Issuer and/or the Securities from time to time, which, as at the date hereof, is the Icelandic Financial Supervisory Authority;

“**Reset Date**” means the First Reset Date and each fifth anniversary of the First Reset Date thereafter;

“**Reset Determination Date**” means, in respect of a Reset Period, the day falling two (2) Business Days prior to such first day of such Reset Period;

“**Reset Period**” means the period from and including the First Reset Date to but excluding the next Reset Date, and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date;

“**Reset Rate of Interest**” has the meaning given to it in Condition 3(d);

“**Reset Reference Banks**” means primary dealers for Nominal Treasury Bonds;

“Reset Reference Bank Rate” means the percentage rate determined on the basis of Nominal Icelandic Treasury Bonds Quotations provided by the Reset Reference Banks to the Issuer (who shall advise the Agent Bank of the same) at or around 11:00 a.m. (Greenwich Mean Time) on the relevant Reset Determination Date and, rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards). If at least four quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest) (rounded as aforesaid). If only two or three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided (rounded as aforesaid). If only one (1) quotation is provided, the Reset Reference Bank Rate will be the quotation provided (rounded as aforesaid). If no quotations are provided, the Reset Reference Bank Rate will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the Reset Reference Rate in respect of the immediately preceding Reset Period (rounded as aforesaid) or (ii) in the case of the Reset Period commencing on the First Reset Date, 6.832 per cent.;

“Reset Reference Rate” means with respect to any Reset Date from which such rate applies, the rate *per annum* equal to: (i) the most recently published ICB CMT Rate or (ii) if such rate is not available on the Central Bank of Iceland’s website at such time and date in circumstances other than those in which the Issuer has determined that a Benchmark Event has occurred or that there is a Successor Rate, as set out in Condition 3(i)(i) (*Benchmark Discontinuation*), the Reset Reference Bank Rate on the relevant Reset Determination Date;

“Risk Weighted Assets” means, at any time, the aggregate amount, expressed in ISK, of the risk weighted assets of the Issuer, as calculated on a non-consolidated basis (as referred to in Article 9 of the CRD Regulation) or, as the context requires, of the Issuer Group, as calculated on a consolidated basis (as referred to in Article 9 of the CRD Regulation) in each case in accordance with the Regulatory Capital Requirements at such time and taking into account any transitional provisions under the Regulatory Capital Requirements which are applicable at such time to the Issuer and/or the Issuer Group and the Securities;

“Securities” has the meaning given to it in the preamble to these Conditions;

“Senior Creditors” means, subject to any mandatory provisions of law applicable from time to time, creditors of the Issuer: (a) depositors of the Issuer; (b) who are unsubordinated creditors of the Issuer; (c) whose claims are, or are expressed to be, subordinated to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or (d) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders in a winding-up in respect of the Securities (and, for the avoidance of doubt, Senior Creditors shall include holders of Tier 2 Capital instruments);

“Solvency Condition” has the meaning given to it in Condition 2(b);

“Statutory Loss Absorption Powers” means any write-down, conversion, transfer, modification, suspension or similar or related powers existing from time to time under, and exercised in compliance with, any Statutory Loss Absorption Regime;

“Statutory Loss Absorption Regime” means any statutory regime implemented or directly effective in Iceland which provides any Relevant Resolution Authority with the powers to implement loss absorption measures in respect of capital instruments (such as the Securities), including, but not limited to, the Act on the Recovery and Resolution of Credit Institutions, No. 70/2020;

“Successor Rate” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body;

“Supervisory Permission” means, in relation to any action, such notice, permission, consent, approval, non-objection and/or waiver as is required therefor under prevailing Regulatory Capital Requirements (if any);

“Tax Event” is deemed to have occurred if as a result of a Tax Law Change:

- (a) in making any payments on the Securities, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts; or

- (b) the Issuer is no longer entitled to claim a deduction in a Relevant Jurisdiction in respect of any payments in respect of the Securities in computing its taxation liabilities or the amount of such deduction is materially reduced;

and, in any such case the Issuer could not avoid the foregoing by taking measures reasonably available to it;

“**Tax Law Change**” means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of a Relevant Jurisdiction, including any treaty to which such Relevant Jurisdiction is a party, or any change in the application of official or generally published interpretation of such laws, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in relation to similar transactions, which change or amendment (a) (subject to (b)) becomes, or would become, effective on or after the Reference Date, or (b) in the case of a change or proposed change in law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted), on or after the Reference Date;

“**Tier 1 Capital**” has the meaning given to it (or any successor term) from time to time by the Relevant Authority and the applicable Regulatory Capital Requirements;

“**Tier 2 Capital**” has the meaning given to it (or any successor term) from time to time by the Relevant Authority and the applicable Regulatory Capital Requirements;

“**Trigger Event**” means either (a) the CET1 Ratio of the Issuer having fallen below 5.125 per cent. and/or (b) the CET1 Ratio of the Issuer Group having fallen below 5.125 per cent.;

“**Trigger Event Notice**” means the notice referred to as such in Condition 5(a) which shall be given by the Issuer to the Holders, in accordance with Condition 12, the CSD Agent and the Relevant Authority, and which shall state with reasonable detail the nature of the relevant Trigger Event, the relevant Write Down being implemented, any Write Down Amount (if then known) and the basis of its calculation and the relevant Write Down Date;

“**Winding-Up**” means a bankruptcy, liquidation, dissolution or winding-up of the Issuer or analogous proceedings over the Issuer in each case by way of exercise of public authority;

“**Write Down**” and “**Written Down**” shall be construed as provided in Condition 5(a);

“**Write Down Amount**” has the meaning given to it in Condition 5(a);

“**write down and/or conversion**” means, in respect of any Loss Absorbing Instruments, the reduction and/or, as the case may be, conversion into Common Equity Tier 1 Capital of the prevailing principal amount of such instruments as contemplated in Condition 5(b);

“**Write Down Date**” has the meaning given to it in Condition 5(a);

“**Write Up**” and “**Written Up**” shall be construed as provided in Condition 5(d);

“**Write Up Amount**” has the meaning given to it in Condition 5(d);

“**Write Up Date**” has the meaning given to it in Condition 5(d);

“**Write Up Notice**” has the meaning given to it in Condition 5(d); and

“**Written Down Additional Tier 1 Instrument**” means an instrument (other than the Securities) issued directly or indirectly by the Issuer or any member of the Issuer Group and qualifying (or which would qualify after any write-up pursuant to its terms) as Additional Tier 1 Capital of the Issuer or the Issuer Group (as the case may be) that, immediately prior to any Write Up of the Securities, has a prevailing principal amount which is less than its initial principal amount due to a write down and that has terms permitting a principal write up to occur on a basis similar to that set out in Condition 5(d) in the circumstances existing on the relevant Write Up Date.

SCHEDULE 2

Provisions for Meetings of Holders

Interpretation

- 1** In this Schedule:
- 1.1** references to a meeting are to a physical meeting, a virtual meeting or a hybrid meeting of all Holders of Securities and include, unless the context otherwise requires, any adjournment;
- 1.2** “**24 hours**” means a period of 24 hours including all or part of a day on which banks are open for business both in the place where the meeting is to be held and in each of the places where the CSD Agent has its specified offices (disregarding for this purpose the day on which the meeting is to be held) and that period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included all or part of a day on which banks are open for business in all of the places where the CSD Agent has its specified offices;
- 1.3** “**48 hours**” means a period of 48 hours including all or part of two days on which banks are open for business both in the place where the meeting is to be held and in each of the places where the CSD Agent has its specified offices (disregarding for this purpose the day on which the meeting is to be held) and that period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included all or part of two days on which banks are open for business in all of the places where the CSD Agent has its specified offices;
- 1.4** “**agent**” means a holder of a voting certificate or a proxy for, or representative of, a Holder;
- 1.5** “**Electronic Consent**” has the meaning set out in paragraph 23;
- 1.6** “**electronic platform**” means any form of telephony or electronic platform or facility and includes, without limitation, telephone and video conference call and application technology systems;
- 1.7** “**Extraordinary Resolution**” means a resolution passed (a) at a meeting duly convened and held in accordance with this Instrument by a majority of not less than 75 per cent. of the votes cast, (b) by a Written Resolution or (c) by an Electronic Consent;
- 1.8** “**hybrid meeting**” means a combined physical meeting and virtual meeting convened pursuant to this Schedule by the Issuer at which persons may attend either at the physical location specified in the notice of such meeting or via an electronic platform;
- 1.9** “**meeting**” means a meeting convened pursuant to this Schedule by the Issuer and whether held as a physical meeting or as a virtual meeting or as a hybrid meeting;
- 1.10** “**physical meeting**” means any meeting attended by persons present in person at the physical location specified in the notice of such meeting;
- 1.11** “**present**” means physically present in person at a physical meeting or a hybrid meeting, or able to participate in or join a virtual meeting or a hybrid meeting held via an electronic platform;
- 1.12** “**virtual meeting**” means any meeting held via an electronic platform;

1.13 “**Written Resolution**” means a resolution in writing signed by the holders of not less than 75 per cent. in Prevailing Principal Amount of the Securities outstanding; and

1.14 references to persons representing a proportion of the Securities are to Holders or agents holding or representing in the aggregate at least that proportion in Prevailing Principal Amount of the Securities for the time being outstanding.

Powers of meetings

2 A meeting shall, subject to the Conditions and without prejudice to any powers conferred on other persons by this Instrument, have power by Extraordinary Resolution:

2.1 to sanction any proposal by the Issuer or any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Holders against the Issuer, whether or not those rights arise under the Securities;

2.2 to sanction the exchange or substitution for the Securities of, or the conversion of the Securities into, shares, bonds or other obligations or securities of the Issuer or any other entity;

2.3 to assent to any modification of this Instrument or the Securities proposed by the Issuer;

2.4 to authorise anyone to concur in and do anything necessary to carry out and give effect to an Extraordinary Resolution;

2.5 to give any authority, direction or sanction required to be given by Extraordinary Resolution;

2.6 to appoint any persons (whether Holders or not) as a committee or committees to represent the Holders' interests and to confer on them any powers or discretions which the Holders could themselves exercise by Extraordinary Resolution;

2.7 to approve the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under this Instrument,

provided that the special quorum provisions in paragraph 11 shall apply to any Extraordinary Resolution (a “**special quorum resolution**”) for the purpose of sub-paragraph 2.2 or 2.7 or for the purpose of making a modification to this Instrument or the Securities which would have the effect of:

- (i) modifying the provisions regarding status and subordination referred to in Condition 2;
- (ii) modifying the terms concerning currency and due dates for payment of principal or interest payments in respect of the Securities;
- (iii) reducing or cancelling the Prevailing Principal Amount of, or interest on, any of the Securities;
- (iv) varying the relevant Interest Rate;
- (v) varying the method of calculating the relevant Interest Rate; or
- (vi) amending this proviso.

For the avoidance of doubt, the agreement or approval of the Holders shall not be required in the case of cancellation of interest in accordance with Condition 4 or 5(a)(iii), alteration to the Prevailing Principal Amount in accordance with Condition 5, any variation to the Conditions made pursuant to Condition 3(i) or any variation of the Conditions required to be made in the circumstances described

in Condition 6(g) in connection with the variation of the terms of the Securities so that they become Compliant Securities.

Convening a meeting

- 3 The Issuer may at any time convene a meeting. If it receives a written request by Holders holding at least 10 per cent. in Prevailing Principal Amount of the Securities for the time being outstanding and is indemnified and/or secured and/or prefunded to its satisfaction against all costs and expenses, the Issuer shall convene a meeting of the Holders.

Notice of meeting

- 4 At least 21 days' notice (exclusive of the day on which the notice is given or deemed to be given and of the day of the meeting) shall be given to the Holders. A copy of the notice shall be given by the party convening the meeting to the other parties. The notice shall specify the day and time of the meeting and manner in which it is to be held, and if a physical meeting or hybrid meeting is to be held, the place of the meeting and the nature of the resolutions to be proposed and shall explain how Holders may appoint proxies or representatives and the details of the time limits applicable. With respect to a virtual meeting or a hybrid meeting, each such notice shall set out such other and further details as are required under paragraph 24.

Cancellation of meeting

- 5 A meeting that has been validly convened in accordance with paragraph 3 above, may be cancelled by the person who convened such meeting by giving at least seven days' notice (exclusive of the day on which the notice is given or deemed to be given and of the day of the meeting) to the Holders. Any meeting cancelled in accordance with this paragraph 5 shall be deemed not to have been convened.

Arrangements for voting on Securities – Appointment of Proxy or Representative

- 6 A proxy or representative may be appointed in the following circumstances:
- 6.1 *Proxy:* A holder of Securities may, by an instrument in writing in either the English or Icelandic language (a “**form of proxy**”) signed by the Holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation and delivered to the specified office of the CSD Agent not less than 48 hours before the time fixed for the relevant meeting, appoint one or more persons, (each a “**proxy**”) to act on its or its behalf in connection with any meeting of the Holders and any adjourned such meeting.
- 6.2 *Representative:* Any Holder of Securities which is a corporation may, by delivering to the CSD Agent not later than 48 hours before the time fixed for any meeting a resolution of its directors or other governing body, authorise any person to act as its representative (a “**representative**”) in connection with any meeting of the Holders and any adjourned such meeting.
- 6.3 Any proxy or sub-proxy appointed pursuant to sub-paragraph 6.1 above or representative appointed pursuant to sub-paragraph 6.2 above shall, so long as such appointment remains in full force, be deemed, for all purposes in connection with the relevant meeting or adjourned meeting of the Holders, to be the holder of the Securities to which such appointment relates

and the holder of the Securities shall be deemed for such purposes not to be the holder or owner, respectively.

Chairperson

- 7 The chairperson of a meeting shall be such person as the Issuer may nominate in writing, but if no such nomination is made or if the person nominated is not present within 15 minutes after the time fixed for the meeting the Holders or agents present shall choose one of their number to be chairperson, failing which the Issuer may appoint a chairperson.
- 8 The chairperson need not be a Holder or agent. The chairperson of an adjourned meeting need not be the same person as the chairperson of the original meeting.

Attendance

- 9 The following may attend and speak at a meeting:
- 9.1 Holders and agents;
- 9.2 the chairperson; and
- 9.3 the Issuer and the CSD Agent (through their respective representatives) and their respective financial and legal advisers;
- No-one else may attend, participate and/or speak.

Quorum and Adjournment

- 10 No business (except choosing a chairperson) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within 15 minutes from the time initially fixed for the meeting, it shall, if convened on the requisition of Holders, be dissolved. In any other case it shall be adjourned until such date, not less than 14 nor more than 42 days later, and time and place or manner in which it is to be held as the chairperson may decide. If a quorum is not present within 15 minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.
- 11 One or more Holders or agents present at the meeting shall be a quorum:
- 11.1 in the cases marked “**No minimum proportion**” in the table below, whatever the proportion of the Securities which they represent; and
- 11.2 in any other case, only if they represent the proportion in Prevailing Principal Amount of the Securities shown by the table below.

COLUMN 1	COLUMN 2	COLUMN 3
Purpose of meeting	Any meeting except a meeting of the type referred to in column 3	Meeting previously adjourned through lack of a quorum
	Required proportion	Required proportion
To pass a special quorum resolution	Not less than two-thirds	Not less than one-third

COLUMN 1	COLUMN 2	COLUMN 3
To pass any other Extraordinary Resolution	Not less than 50 per cent.	No minimum proportion
Any other purpose	5 per cent	No minimum proportion

- 12** The chairperson may with the consent of (and shall if directed by) a meeting adjourn the meeting from time to time and from place to place and alternate manner. Only business which could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this paragraph or paragraph 10.
- 13** At least 10 days' notice (exclusive of the day on which the notice is given or deemed to be given and of the day of the adjourned meeting) of a meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. No notice need, however, otherwise be given of an adjourned meeting.

Voting

- 14** At a meeting which is held only as a physical meeting, each question submitted to such meeting shall be decided by a show of hands unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairperson, the Issuer or one or more persons representing any Prevaling Principal Amount of the Securities.
- 15** Unless a poll is demanded a declaration by the chairperson that a resolution has or has not been passed shall be conclusive evidence of the fact without proof of the number or proportion of the votes cast in favour of or against it.
- 16** If a poll is demanded, it shall be taken in such manner and (subject as provided below) either at once or after such adjournment as the chairperson directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken. A demand for a poll shall not prevent the meeting continuing for the transaction of business other than the question on which it has been demanded.
- 17** A poll demanded on the election of a chairperson or on a question of adjournment shall be taken at once.
- 18** On a show of hands every person who is present in person and who produces a Security or is a proxy or a representative has one vote. On a poll every such person has one vote in respect of each ISK1.00 in principal amount of the Securities so produced or for which he is a proxy or representative. Without prejudice to the obligations of proxies, a person entitled to more than one vote need not use them all or cast them all in the same way.
- 19** In case of equality of votes the chairperson shall both on a show of hands and on a poll have a casting vote in addition to any other votes which he may have.
- 20** At a virtual meeting or a hybrid meeting, a resolution put to the vote of the meeting shall be decided on a poll in accordance with paragraph 26, and any such poll will be deemed to have been validly demanded at the time fixed for holding the meeting to which it relates.

Effect and Publication of an Extraordinary Resolution

- 21 An Extraordinary Resolution shall be binding on all the Holders, whether or not present at the meeting, and each of them shall be bound to give effect to it accordingly. The passing of such a resolution shall be conclusive evidence that the circumstances justify its being passed. The Issuer shall give notice of the passing of an Extraordinary Resolution to Holders within 14 days but failure to do so shall not invalidate the resolution.

Minutes

- 22 Minutes shall be made of all resolutions and proceedings at every meeting and, if purporting to be signed by the chairperson of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters in them. Until the contrary is proved every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

Written Resolutions

- 23 Subject to the following sentence, a Written Resolution may be contained in one document or in several documents in like form, each signed by or on behalf of one or more of the Holders.

For so long as the Securities are evidenced by book entries in the records of the CSD then, in respect of any resolution proposed by the Issuer and notwithstanding any other provisions of this Schedule:

- 23.1 *Electronic Consent:* where the terms of the resolution proposed by the Issuer (as the case may be) have been notified to the Holders through the CSD, as provided in sub-paragraphs (i) and/or (ii) below, the Issuer shall be entitled to rely upon approval of such resolution given by way of electronic consents communicated through the electronic communications systems of the CSD to the CSD Agent or another specified agent in accordance with their operating rules and procedures by or on behalf of the Holders of not less than 75 per cent. in Prevailing Principal Amount of the Securities outstanding the “**Required Proportion**”) (“**Electronic Consent**”) by close of business on the Relevant Date (as, for these purposes, defined in (ii) below). Any resolution passed in such manner shall be binding on all Holders even if the relevant consent or instruction proves to be defective. The Issuer shall not be liable or responsible to anyone for such reliance;
- (i) When a proposal for a resolution to be passed as an Electronic Consent has been made, at least 10 days’ notice (exclusive of the day on which the notice is given and of the day on which affirmative consents will be counted) shall be given to the Holders through the CSD. The notice shall specify, in sufficient detail to enable Holders to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the CSD) and the time and date (the “**Relevant Date**”) by which they be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the CSD.
 - (ii) If, on the Relevant Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the Required Proportion, the resolution shall, if the party proposing such resolution (the “**Proposer**”) so

determines, be deemed to be defeated. Such determination shall be notified in writing to the other party or parties to this Instrument. Alternatively, the Proposer may give a further notice to Holders that the resolution will be proposed again on such date and for such period as shall be agreed with the Issuer (unless the Issuer is the Proposer). Such notice must inform the Holders that insufficient consents were received in relation to the original resolution and the information specified in subparagraph (i) above. For the purpose of such further notice, reference to “**Relevant Date**” shall be construed accordingly.

For the avoidance of doubt, an Electronic Consent may only be used in relation to a resolution proposed by the Issuer which is not then the subject of a meeting that has been validly convened in accordance with paragraph 3 above, unless such meeting is or shall be cancelled or dissolved; and

23.2 *Written Resolution:* where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer, as the case may be, (a) by accountholders in the CSD with entitlements to the Securities and/or, (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, the case of (a) above, the CSD or any other relevant alternative clearing system (the “**relevant clearing system**”) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Holders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system in accordance with its usual procedures and in which the accountholder of a particular principal or Prevailing Principal Amount of the Securities is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

A Written Resolution and/or Electronic Consent shall take effect as an Extraordinary Resolution. A Written Resolution and/or Electronic Consent will be binding on all Holders, whether or not they participated in such Written Resolution and/or Electronic Consent.

Additional provisions applicable to Virtual and/or Hybrid Meetings

- 24** The Issuer may decide to hold a virtual meeting or a hybrid meeting and, in such case, shall provide details of the means for Holders or their proxies or representatives to attend and participate in and/or speak at the meeting, including the electronic platform to be used.
- 25** The Issuer may make any arrangement and impose any requirement or restriction as is necessary to ensure the identification of those entitled to take part in the virtual meeting or hybrid meeting and the suitability of the electronic platform. All documentation that is required to be passed between persons at or for the purposes of the virtual meeting or

persons attending the hybrid meeting via the electronic platform (in each case, in whatever capacity) shall be communicated by email.

- 26** All resolutions put to a virtual meeting or hybrid meeting shall be voted on by a poll in accordance with paragraphs 16-19 above (inclusive).
- 27** Persons seeking to attend, participate in, speak at or join a virtual meeting or a hybrid meeting via the electronic platform, shall be responsible for ensuring that they have access to the facilities (including, without limitation, IT systems, equipment and connectivity) which are necessary to enable them to do so.
- 28** In determining whether persons are attending, participating in or joining a virtual meeting or a hybrid meeting via the electronic platform, it is immaterial whether any two or more members attending it are in the same physical location as each other or how they are able to communicate with each other.
- 29** Two or more persons who are not in the same physical location as each other attend a virtual meeting or a hybrid meeting if their circumstances are such that if they have (or were to have) rights to speak or vote at that meeting, they are (or would be) able to exercise them.
- 30** The chairperson of the meeting reserves the right to take such steps as the chairperson shall determine in its absolute discretion to avoid or minimise disruption at the meeting, which steps may include (without limitation), in the case of a virtual meeting or a hybrid meeting, muting the electronic connection to the meeting of the person causing such disruption for such period of time as the chairperson may determine
- 31** The Issuer may make whatever arrangements they consider appropriate to enable those attending a virtual meeting or a hybrid meeting to exercise their rights to speak or vote at it.
- 32** A person is able to exercise the right to speak at a virtual meeting or a hybrid meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, as contemplated by the relevant provisions of this Schedule.
- 33** A person is able to exercise the right to vote at a virtual meeting or a hybrid meeting when:
 - 33.1** that person is able to vote, during the meeting, on resolutions put to the vote at the meeting; and
 - 33.2** that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting who are entitled to vote at such a meeting.

In witness whereof this Instrument has been executed as a unilateral declaration on the date stated at the beginning.

LANDSBANKINN HF.

By: 
Lilja B. Einarsdóttir
CEO

By: 
Hreiðar Bjarnason
Managing Director, CFO
Finance