

**SECOND SUPPLEMENT TO THE BASE PROSPECTUS DATED 11 NOVEMBER 2022
THE DATE OF THIS SUPPLEMENT IS 8 MARCH 2023**



LANDSBANKINN HF.

(incorporated with limited liability in Iceland)

EUR 2,500,000,000

Covered Bond Programme

This second supplement (the “**Supplement**”) to the base prospectus dated 11 November 2022, (the “**Base Prospectus**”), constitutes a supplement for the purposes of Article 23 of Prospectus Regulation EU 2017/1129 (the “**Prospectus Regulation**”), and is prepared in relation to the EUR 2,500,000,000 Covered Bond Programme (the “**Programme**”) of Landsbankinn hf. (the “**Issuer**” and “**Landsbankinn**”).

This Supplement has been approved by the Central Bank of Ireland as a competent authority under the Prospectus Regulation. The Central Bank of Ireland only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or of the quality of the Covered Bonds that are subject of this Supplement. Investors should make their own assessment as to the suitability of investing in the Covered Bonds.

Such approval relates only to the Covered Bonds which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”) or which are to be offered to the public in any Member State of the European Economic Area (the “**EEA**”).

Unless the context otherwise requires, terms defined in the Base Prospectus shall have the same meaning when used in this Supplement. This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus, and all documents which are incorporated herein or therein by reference.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into this Supplement and (b) any statement in or incorporated by reference in the Base Prospectus, the statements referred to in (a) will prevail.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer, the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

References to page numbers in this Supplement refer to page numbers of the Base Prospectus.

This Supplement is and will be available on the website of Euronext Dublin at <https://live.euronext.com/> for a period of 10 years from the date of the Base Prospectus. This Supplement and the documents incorporated by reference may be obtained on written request and without charge from the registered office of the Issuer at Austurstræti 11, 155 Reykjavík, Iceland.

Purpose of this Supplement

The purpose of this Supplement is to:

- (a) update certain sections of the Base Prospectus for the changes necessitated by the implementation of Directive (EU) 2019/2162 into Icelandic law;
- (b) update certain parts of the section of the Base Prospectus entitled “*Risk Factors*”;
- (c) update certain parts of the section of the Base Prospectus headed “*Applicable Final Terms*”;
- (d) update the section of the Base Prospectus headed “*Terms and Conditions of the Covered Bonds*”;
- (e) update the section of the Base Prospectus headed “*Summary of Icelandic Legislation in Consideration of Covered Bonds*”;
- (f) update certain other parts of the Base Prospectus,

which are set out below.

1. PROGRAMME NAME

The name of the programme shall be updated to:

“European Covered Bond (Premium) Programme”

2. INTRODUCTORY PARAGRAPHS

2.1 The first paragraph on the first page shall be replaced with the following:

“Under this EUR 2,500,000,000 European Covered Bond (Premium) Programme (the “**Programme**”), Landsbankinn hf., (the “**Issuer**” and “**Landsbankinn**”) may from time to time issue European Covered Bonds (Premium) (the “**Covered Bonds**”) in accordance with the Icelandic Covered Bond Act, No. 11/2008 (as amended, the “**Icelandic Covered Bond Act**”), any relevant executive orders (Ice. *stjórnvaldsákvarðanir*) and appurtenant regulations as may be supplemented, amended, modified or varied from time to time (as well as any judicial decisions and administrative pronouncements, all of which are subject to change, including with retroactive effect), (together the “**Covered Bonds Legislation**”) denominated in any currency as agreed between the Issuer and the relevant Dealer (as defined below).”

2.2 The wording “Covered Bond Programme rating” in the eight paragraph on the first page shall be replaced with “Programme rating”.

3. FORWARD LOOKING STATEMENTS

The 27th bullet point in the section entitled “CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS” on page 3 shall be replaced with the following:

“application of the Covered Bond Directive (as implemented into Icelandic law) and any related legislation;”

4. OVERVIEW OF THE PROGRAMME

The section entitled “Overview of the Programme” commencing on page 9 is updated as follows:

4.1 The third paragraph of the section entitled “Issuer” on page 9 shall be replaced with the following:

“The Issuer holds a licence from the Icelandic Financial Supervisory Authority of the Central Bank of Iceland (Fjármálaeftirlitið) (the "**Icelandic FSA**") to conduct financing business as a commercial bank and a licence to issue Covered Bonds in accordance with the Icelandic Covered Bond Act no. 11/2008 (as amended, the "**Icelandic Covered Bond Act**" or the "**ICBA**").”

4.2 The third paragraph in the section entitled “Independent Inspector” on page 10 shall be replaced with the following:

“The Independent Inspector shall semi-annually provide the Icelandic FSA with a written report regarding their surveillance. Furthermore, the Independent Inspector shall as soon as possible notify the Icelandic FSA should he/she become aware of any matters which could affect the Icelandic FSA’s assessment of the issuer’s position in general.”

4.3 The following shall be added between the paragraphs entitled “Icelandic FSA Licensing” and “Status of the Covered Bonds” on page 11:

“Covered Bond Directive: The Covered Bonds are eligible for the label “European Covered Bond (Premium)”.

4.4 The two paragraphs under the heading “Maintenance of the Issuer’s Cover Pool” in the section “Issuer Covenants” on page 11/12 shall be replaced with the following:

“For so long as the Covered Bonds are outstanding, the value of the Cover Pool will not at any time be less than the total aggregate outstanding principal amount of all Covered Bonds issued under the Programme plus an overcollateralisation of at least the higher of (i) 5 per cent.; (ii) such percentage as required under the Icelandic Covered Bond Act and/or the Rules on Covered Bonds from time to time; and (iii) such percentage as may be agreed between the Issuer and any rating agency from time to time.

The Issuer will maintain an Overcollateralisation of at least 20 per cent. until October 2031 (or, if earlier, the date which any Covered Bonds with a committed overcollateralisation of 20 per cent. are redeemed in full).”

4.5 The following section shall be included below the section entitled “Composition of the Cover Pool” on page:

“Liquidity buffer: Under the Icelandic Covered Bond Act, the Issuer must maintain a cover pool liquidity buffer to cover the maximum cumulative net liquidity outflow on the Covered Bonds and related derivative contracts over the next 180 days.”

4.6 The wording “Relevant Reference Currency Swaps:” shall replace “Relevant Reference Currency Swaps” in the section entitled “Relevant Reference Currency Swaps” on page 12.

4.7 The section entitled “Liquidity Reserve” on page 12/13 shall be deleted.

4.8 The following shall replace the section entitled “Obligations of the Issuer with respect to a Relevant Reference Currency Swap Agreement, the Reserve Ledgers and the establishment of Issuer Accounts” on page 13 and 14:

“Obligations of the Issuer with respect to a Relevant

The Issuer makes certain covenants with respect to operation of the Collateral Reserve Account and the Asset Coverage Test and the

**Reference
Currency Swap
Agreement and the
establishment of
Issuer Accounts:**

establishment of Issuer Accounts in the Deed of Covenant for the benefit of Covered Bondholders.

In respect of the covenants made by the Issuer in respect of the Relevant Reference Currency Swap Agreement and the establishment of Issuer Accounts described further in "*Overview of Transaction Documents – Deed of Covenant*", the obligations of the Issuer shall only apply upon it ceasing to maintain the relevant required ratings by S&P. As such, no Currency Swap or Issuer Account shall, as of the date of this Base Prospectus, be required to be entered into or opened by Issuer (as applicable).

Further, the obligation of the Issuer to open any Issuer Account shall cease in its entirety if at any time its long-term issuer credit rating by S&P is at least BBB, notwithstanding any subsequent downgrade of such rating.

The only consequence of any failure of the Issuer to comply with the obligations set out in "*Overview of Transaction Documents – Deed of Covenant*" shall be that the Issuer shall not be able to issue further Covered Bonds whilst such failure is continuing other than Covered Bonds denominated in ISK."

- 4.9 The following shall replace the section entitled "Extendable obligations under the Covered Bonds" on page 14:

**"Extendable
obligations under
the Covered
Bonds:**

Following the failure by the Issuer to pay the Final Redemption Amount of a Series of Covered Bonds on their Maturity Date, payment of such unpaid amounts shall be deferred if the applicable Final Terms specifies that an Extended Maturity Date is applicable and a deferral of the Maturity Date is granted by the Icelandic FSA at such time (a "**Maturity Extension Approval**").

Under the Icelandic Covered Bond Act, a Maturity Extension Approval is subject to the following conditions:

- (a) the deferral is necessary for the purposes of:
 - (i) preventing default on a Covered Bond or a derivative contract without the sale of assets at a substantial discount;
 - (ii) early intervention by the Icelandic FSA or the resolution of the Issuer achieving the objective of Act No. 70/2020 on Resolution of Credit Institutions and Investment Firms; or
 - (iii) optimising the claims of Covered Bondholders and counterparties of derivative contracts or counterparties in derivative contracts upon the winding-up or liquidation of the Issuer;
- (b) that the deferral is explicitly authorised pursuant to the Terms and Conditions of the Covered Bond, which set out the final maturity date, the maturity extension triggers, the consequences that insolvency or resolution of the Issuer may have on the extension and the role of the Icelandic FSA with regard to such deferral; and

- (c) that the deferral does not affect the maturity schedule of other Covered Bonds collateralised by the same cover pool.

The Issuer is required (pursuant to the Icelandic Covered Bond Act) to promptly inform the Covered Bondholders of the deferral of the maturity of the Covered Bonds and the duration of such deferral. Further, under Condition 9.10 (Extension of Maturity Date), the Issuer shall promptly inform the Covered Bondholders of a Maturity Extension Approval.

With respect to paragraph (a)(ii) above, the objective of the Act referred to therein (as set out in Article 1 of such Act) is to preserve financial stability and minimise the adverse effects of financial shocks by protecting insured deposits and investors, client assets and the continuity of the undertaking's critical functions and minimising the risk of distribution of funds from the National Treasury of Iceland."

- 4.10 The third paragraph of the section entitled "Redemption" on page 16 shall be deleted.

5. RISK FACTORS

The section entitled "Risk Factors" commencing on page 19 is updated as follows:

- 5.1 The risk factor entitled "*The Covered Bond Directive is yet to be implemented in Iceland*" on page 36 shall be replaced with the following:

"Regulatory changes in Iceland

On 1 March 2023 the Icelandic legislature completed the implementation of Directive (EU) 2019/2162 (the "**Covered Bond Directive**") and Regulation (EU) 2019/2160 implementing certain amendments to Article 129 of Regulation (EU) 575/2013 (the "**CRR**" and together with the Covered Bond Directive, the "**EU Covered Bond Rules**") into Icelandic law. Implementation of the EU Covered Bond Rules has imposed certain new requirements on the Issuer, such as a new liquidity buffer requirement of 180 days and objective requirements for exercise of extendable maturity (aka 'soft bullet') rights by the Issuer (see "*The Covered Bonds may be subject to extendable obligations that may change the Maturity Date, Interest Payment Dates and Interest Periods for the Covered Bonds concerned*"). The Covered Bonds are expected to be fully compliant with the CRR and therefore qualify for a 20 per cent. risk weighting in eligible European jurisdictions. However, the Issuer cannot be certain as to how any of the regulatory developments described above or other regulatory changes not currently known to the Issuer will impact the treatment of the Covered Bonds for investors. Investors should make their own assessment of the implications of the CRR (and other relevant regulation) on their holding of the Covered Bonds."

- 5.2 The first paragraph of the risk factor entitled "*Foreign exchange transactions may be subject to capital controls, which with any changes due to national economic circumstances or otherwise, could have a material adverse effect on the Issuer's business*" on page 38 shall be replaced with the following:

"Foreign exchange transactions are not restricted unless explicitly restricted by law. The same applies to cross-border payments and capital transfers. The Foreign Exchange Act, No. 70/2021 (the "**Foreign Exchange Act**") grants the Central Bank powers to take measures to prevent severe disruption of monetary, exchange rate, and financial stability. Central Bank Rules No. 223/2019, on special reserve requirements for new foreign currency inflow is a capital inflow management measure to temper inflows of foreign currency and to affect the composition of such inflows. See further in "*Rules on special reserve requirements for new foreign currency inflows – Capital inflow restrictions*". Central Bank Rules No. 412/2022, on derivatives transactions in which the Icelandic krona is specified in a

contract against foreign currency, authorise all derivatives transaction, irrespective of their purpose, but place restrictions on the total amount of financial institutions' derivatives transactions.”

- 5.3 The risk factor entitled “*The Covered Bonds may be subject to extendable obligations that may change the Maturity Date, Interest Payment Dates and Interest Periods for the Covered Bonds concerned*” on page 43 shall be replaced with the following:

“The Covered Bonds may be subject to extendable obligations that may change the Maturity Date, Interest Payment Dates and Interest Periods for the Covered Bonds concerned

Following the failure by the Issuer to pay the Final Redemption Amount of a Series of Covered Bonds on their Maturity Date, payment of such unpaid amounts shall be deferred if the applicable Final Terms specifies that an Extended Maturity Date is applicable and a deferral of the Maturity Date is granted by the Icelandic FSA at such time (a “**Maturity Extension Approval**”).

Under the Icelandic Covered Bond Act, a Maturity Extension Approval is subject to the following conditions:

- (a) the deferral is necessary for the purposes of:
 - (i) preventing default on a Covered Bond or a derivative contract without the sale of assets at a substantial discount;
 - (ii) early intervention by the Icelandic FSA or the resolution of the Issuer achieving the objective of Act No. 70/2020 on Resolution of Credit Institutions and Investment Firms; or
 - (iii) optimising the claims of Covered Bondholders and counterparties of derivative contracts or counterparties in derivative contracts upon the winding-up or liquidation of the Issuer;
- (b) that the deferral is explicitly authorised pursuant to the Terms and Conditions of the Covered Bond, which set out the final maturity date, the maturity extension triggers, the consequences that insolvency or resolution of the Issuer may have on the extension and the role of the Icelandic FSA with regard to such deferral; and
- (c) that the deferral does not affect the maturity schedule of other Covered Bonds collateralised by the same cover pool.

The Issuer is required (pursuant to the Icelandic Covered Bond Act) to promptly inform the Covered Bondholders of the deferral of the maturity of the Covered Bonds and the duration of such deferral. Further, under Condition 9.10 (Extension of Maturity Date), the Issuer shall promptly inform the Covered Bondholders of a Maturity Extension Approval.

With respect to paragraph (a)(ii) above, the objective of the Act referred to therein (as set out in Article 1 of such Act) is to preserve financial stability and minimise the adverse effects of financial shocks by protecting insured deposits and investors, client assets and the continuity of the undertaking's critical functions and minimising the risk of distribution of funds from the National Treasury of Iceland.

To the extent that the Issuer has sufficient funds available to pay in part the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds following the deferral of the Maturity Date as described above, the Issuer shall make partial payment of the relevant Final Redemption Amount as described in Condition 9.10(e). Payment of all unpaid amounts shall, following the deferral of the Maturity Date as described above, be deferred automatically until the applicable Extended Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid

on the Maturity Date may be paid by the Issuer on any Interest Payment Date thereafter up to (and including) the relevant Extended Maturity Date.

The Extended Maturity Date and the applicable interest rate will be specified in the relevant Final Terms. Interest will continue to accrue on any unpaid amount and be payable on each Interest Payment Date falling after the Maturity Date up to (and including) the Extended Maturity Date. In these circumstances, failure by the Issuer to make payment in respect of the Final Redemption Amount on the Maturity Date shall not constitute a default in payment by the Issuer provided a Maturity Extension Approval has been granted by the Icelandic FSA. However, failure by the Issuer to pay the Final Redemption Amount or the balance thereof on the Extended Maturity Date and/or interest on such amount on any Interest Payment Date falling after the Maturity Date up to (and including) the Extended Maturity Date shall constitute a default in payment by the Issuer.

Furthermore, in relation to all amounts constituting accrued interest due and payable on each Interest Payment Date falling after the Maturity Date up to (and including) the Extended Maturity Date, as provided in the applicable Final Terms, the Issuer may pay such interest pursuant to the Floating Rate set out in the applicable Final Terms notwithstanding that the relevant Covered Bond was a Fixed Rate Covered Bond as at its relevant Issue Date.

In addition, following deferral of the Maturity Date, the Interest Payment Dates and Interest Periods may change as set out in the applicable Final Terms.”

- 5.4 The first paragraph of the risk factor entitled “*Changes to the law and the current legislation on covered bonds might affect the value of the Covered Bonds issued by the Issuer*” on page 47 shall be replaced with the following:

“The Covered Bonds are governed by law and regulations. The Icelandic Covered Bond Act provides that the Icelandic FSA may issue rules providing for the types of assets in a cover pool, methods for appraisal of collateral of bonds, terms and conditions for derivative agreements and conditions for the calculation of risk and interest payments. The Icelandic FSA has issued such rules, i.e. Rules No. 190/2023, on Covered Bonds (the “**Rules on Covered Bonds**”) that concern, among other things, the conditions for being granted a licence to issue Covered Bonds, appraisal and revaluation of the assets in the cover pool, matching rules, derivative agreements, the covered bonds register and the eligibility and reporting of the cover pool monitor and reporting to the Icelandic FSA. Effective 1 January 2020, after the merger of the Icelandic FSA and the Central Bank, the Central Bank is now responsible for the task entrusted by law and governmental directives to the Icelandic FSA, in accordance to cf. article 25 of the Icelandic Covered Bond Act, as amended. Any changes to the Icelandic Covered Bond Act and/or the Rules on Covered Bonds as well as other current legislation might affect the legal and regulatory risks relating to the Covered Bonds.”

- 5.5 The words “class of covered bonds” in the final sentence of the first paragraph of the risk factor entitled “*Maintenance of the Register*” on page 48 shall be replaced with “covered bond programme”.

- 5.6 The third paragraph of the risk factor entitled “*Liquidity*” on page 50 shall be replaced with the following:

“Under the Icelandic Covered Bond Act, the Issuer must maintain a cover pool liquidity buffer to cover the maximum cumulative net liquidity outflow on the Covered Bonds and related derivative contracts over the next 180 days. Pursuant to the Rules on Covered Bonds, the liquidity buffer can only consist of (i) assets that qualify as level 1, level 2A or level 2B assets pursuant to Regulation (EU) 2015/61 (as amended, the “LCR Regulation”) and are not issued by the Issuer, its parent undertaking, other than a public sector entity that is not a credit institution, its subsidiary or another subsidiary of its parent undertaking or by a securitisation special purpose entity with which the Issuer has close links, or (ii) short-term exposures to credit institutions that qualify for credit quality step 1

or 2, or credit step 3, subject to the conditions in point (c) of Article 129(1) of Regulation (EU) No 575/2013 (as amended). The Icelandic Covered Bond Act also specifically states that uncollateralised claims from exposures considered in default pursuant to Article 178 of the CRR cannot contribute to the cover pool liquidity buffer. Furthermore, the relevant credit institution is required to maintain liquid assets exceeding projected net liquidity outflows over a period of 30 days under stressed conditions under the LCR Regulation.”

- 5.7 The second paragraph of the risk factor entitled “*The terms of the Covered Bonds contain provisions which may permit their modification without the consent of all investors*” on page 50 shall be replaced with the following:

“In particular, the Fiscal Agent and the Issuer may agree, without the consent of any of the Covered Bondholders, to any modification of the Covered Bonds which, in the opinion of the Issuer, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law or to comply with the provisions of the EU Covered Bond Rules as implemented into Icelandic law and/or to comply with the Icelandic Covered Bond Act. Investors should note however that such modification may not actually result in the Covered Bonds being in compliance with the EU Covered Bond Rules as implemented into Icelandic law or the Icelandic Covered Bond Act.”

- 5.8 The second paragraph of the risk factor entitled “*The Issuer may not have eligible assets available to allocate as Additional Assets in the Cover Pool when required under the Deed of Covenant and Icelandic Covered Bond Act*” on page 50/51 shall be replaced with the following:

“Assets included in the Cover Pool, such as mortgage bonds, are and will generally be subject to amortisation of principal and payment of interest on a monthly basis. They are also subject to early repayment of principal at any time in whole or part by the relevant borrowers. Early repayments of principal on mortgages may result in the Issuer being required to include Additional Assets in the Cover Pool in order for the Issuer to comply with the aforementioned requirements under the Deed of Covenant. The Icelandic Covered Bond Act requires a minimum overcollateralisation of 5 per cent. and the Issuer covenants under Condition 5.2 to overcollateralise the Cover Pool at all times by at least the higher of (i) 5 per cent.; (ii) such percentage as required under the Icelandic Covered Bond Act and/or the Rules on Covered Bonds from time to time; and (iii) such percentage as may be agreed between the Issuer and any rating agency from time to time. The Issuer will also maintain the overcollateralisation of the Cover Pool in accordance with the overcollateralisation committed to under the terms and conditions of its existing Covered Bonds, this being at least 20 per cent. until October 2031 (or, if earlier, the date which any Covered Bonds with a committed overcollateralisation of 20 per cent. are redeemed in full) and thereafter the level of overcollateralisation required to be maintained will be as required under Condition 5.2.”

- 5.9 The risk factor entitled “*Non-compliance with matching rules*” on page 51/52 shall be replaced with the following:

“*Non-compliance with matching rules*”

The Icelandic Covered Bond Act contains matching rules which, *inter alia*, require that the total current value of the assets registered to the cover pool as collateral for a specific covered bonds programme must always exceed the total current value of the principal of the covered bonds of that same programme. The Icelandic Covered Bond Act also requires that the instalments and other payment flows accruing on assets in the cover pool and from derivative agreements are in such a manner that all commitments towards the covered bondholders and derivative agreements can be met.

A breach of the matching requirements prior to the winding-up of the Issuer in the circumstances where no additional assets are available to the Issuer or the Issuer lacks the ability to acquire additional

assets could cause the Icelandic FSA to revoke the Issuer's license to issue Covered Bonds. The same applies in the event that the Issuer does not comply with other requirements prescribed in the Icelandic Covered Bond Act.

If the matching requirements are breached following the winding-up of the Issuer, the winding-up committee would not be permitted to add more assets to the Cover Pool. The Icelandic Covered Bond Act does not provide any further guidance as to the consequences of a breach of the matching rules following the winding-up of the Issuer.

To the extent that the Covered Bondholders are not fully paid from the proceeds of the liquidation of the assets comprising the Cover Pool, the Covered Bondholders will not be able to file against the Issuer or join in any filing against the Issuer of any winding-up proceedings, bankruptcy, reorganisation, arrangement, insolvency or liquidation proceedings see above "*Restriction on ability to petition for bankruptcy*". The explanatory memorandum for the Icelandic Covered Bond Act provides that assets can be removed from the cover pool and replaced with same kind of assets without limitations. If assets are replaced with substitute collateral there are limitations in the Icelandic Covered Bond Act as to how much can be replaced with such collateral. Neither the Icelandic Covered Bond Act nor the Rules on Covered Bonds provide clear guidance in this respect. This can, however, be subject to contract."

- 5.10 The risk factor entitled "*Overcollateralisation*" on page 52 shall be deleted and replaced with the following:

“Overcollateralisation

The Icelandic Covered Bond Act requires the value of the assets in the Cover Pool at all times to exceed the value of the claims against the Cover Pool. The percentage level by which the value of the Cover Pool exceeds the nominal value of the liabilities, relating to the issued and outstanding Covered Bonds, along with all accrued interests, from time to time is known as "**overcollateralisation**". Failure to maintain sufficient assets in the Cover Pool could result in the Issuer being unable to issue further Covered Bonds or refinance existing Covered Bonds or revocation of the license from the Icelandic FSA to issue Covered Bonds. The Icelandic Covered Bond Act requires a minimum overcollateralisation of 5 per cent. and the Issuer covenants under Condition 5.2 to overcollateralise the Cover Pool at all times by at least the higher of (i) 5 per cent.; (ii) such percentage as required under the Icelandic Covered Bond Act and/or the Rules on Covered Bonds from time to time; and (iii) such percentage as may be agreed between the Issuer and any rating agency from time to time. The Issuer will also maintain the overcollateralisation of the Cover Pool in accordance with the overcollateralisation committed to under the terms and conditions of its existing Covered Bonds, this being at least 20 per cent. until October 2031 (or, if earlier, the date which any Covered Bonds with a committed overcollateralisation of 20 per cent. are redeemed in full) and thereafter the level of overcollateralisation required to be maintained will be as required under Condition 5.2.

The licence from the Icelandic FSA to issue the Covered Bonds is in addition subject to a 30 per cent. maximum overcollateralisation, see the sections *Cover Pool Assets* and *The Issuer's licence to issue Covered Bonds* in the section *Summary of Icelandic Legislation in Consideration of Covered Bonds*. If overcollateralisation exceeds this limit the Issuer may be subject to fines or settlement with the Icelandic FSA, under Chapter X of Act No. 11/2008 on Covered Bonds."

- 5.11 The risk factor entitled "*The Cover Pool consists of limited assets*" on page 52/53 shall be replaced with the following:

“The Cover Pool consists of limited assets

The Cover Pool consists of loans which are secured on interests in residential property, claims which the Issuer holds, or may acquire, against Covered Bond Swap Providers and certain substitute assets.

All assets in the Cover Pool (including any derivative agreement) must comply with the Icelandic Covered Bond Act and the Rules on Covered Bonds. See the sections Cover Pool Assets and The Issuer's licence to issue Covered Bonds in the section Summary of Icelandic Legislation in Consideration of Covered Bonds for a description of the assets that can constitute the Cover Pool. At the date of this Base Prospectus, all of the properties over which mortgages are created are located in Iceland. The value of the Cover Pool may therefore decline in the event of a general downturn in the value of property in Iceland, which could adversely affect the Issuer's operating results, financial condition and business prospects and its ability to perform its obligations under the Covered Bonds. In order for the Covered Bonds to be issued with the "Premium" label under the Covered Bond Directive, the assets in the Cover Pool must (and are expected to) comply with the CRR."

- 5.12 The risk factor entitled "*Limited description of the Cover Pool*" on page 53 shall be replaced with the following:

"Limited description of the Cover Pool

"Save as stipulated in each applicable Final Terms, Covered Bondholders will not receive detailed statistics or information in relation to the assets contained or to be contained in the Issuer's Cover Pool. It is expected that the constitution of the Cover Pool may change from time to time due, for example, to the purchase or origination of further residential mortgages by the Issuer from time to time. Although an independent inspector appointed under the Icelandic Covered Bond Act will monitor the Issuer's compliance with some of the requirements of the Icelandic Covered Bond Act (the "**Independent Inspector**"), the Independent Inspector's report will not be made public. A regular report on the Cover Pool will however be published at least quarterly on the Issuer's website. Such report is expected to be in the form of the Harmonised Transparency Template (the "**HTT**"). The HTT is designed to be fully compliant with Article 129(7) CRR transparency requirements, and, from 8 July 2022, fully compliant with Article 14 of the Covered Bond Directive.

There is no assurance that the characteristics of further mortgages will be the same as those mortgages in the Cover Pool as at Issue Date. However, each mortgage will be required to meet the requirements set out in the Icelandic Covered Bond Act and appurtenant regulations."

- 5.13 The first paragraph of the risk factor entitled "*Appraisals*" on page 53 shall be replaced with the following:

"In accordance with the Icelandic Covered Bond Act, appraisals or valuation of the properties securing the mortgage loans may be undertaken by the Issuer, and take account of the following: (a) The selling price of a property on the day the transaction is made; or (b) an independent appraisal conducted by a licensed realtor; or (c) an acquisition offer, signed on behalf of both the seller and the buyer; or (d) the rateable value of the property, made by the Housing and Construction Authority. Appraisals based on the selling price of a property shall be valid for a period of 3 months from the day the transaction was made. Such appraisal undertaken by the Issuer will be verified by the Independent Inspector as being based on an accepted methodology."

6. APPLICABLE FINAL TERMS

The section entitled "Applicable Final Terms" commencing on page 69 is updated as follows:

- 6.1 The title of the programme set out above "PART A – CONTRACTUAL TERMS" shall be replaced with "European Covered Bond (Premium) Programme".
- 6.2 The following shall replace paragraph 8 of the form of Final Terms on page 72:

8. (i) Maturity Date: *[Specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to [specify month and year]]*
- (ii) Extended Maturity Date: *[Applicable/Not Applicable]*
- (If not applicable, delete the remaining sections of this subparagraph)*
- Subject to Condition 9.10, the Extended Maturity Date is *[specify date or for Floating Rate Covered Bonds Interest Payment Date falling in or nearest to the relevant month and year]*.
- [If applicable, complete relevant sections regarding interest, etc.]*

6.3 The following shall be included below paragraph 32 of the form of Final Terms on page 81:

33. **European Covered Bonds (Premium)** [Yes][No]

7. TERMS AND CONDITIONS

The section entitled “Terms and Conditions of the Covered Bonds” commencing on page 86 is updated as follows:

7.1 The second paragraph on page 86 shall be replaced with the following:

“The Covered Bonds are bonds issued by Landsbankinn hf. (the “**Issuer**”) in accordance with the Icelandic Covered Bond Act no. 11/2008 (as amended, the “**Icelandic Covered Bond Act**”) and Rules No. 190/2023 on covered bonds (the “**Rules on Covered Bonds**”).”

7.2 The line item entitled “Programme” on page 93 shall be replaced with the following:

“**Programme** The €2,500,000,000 European covered bond (Premium) programme established by the Issuer.”

7.3 Condition 5.2 on page 98 shall be replaced with the following:

“**Maintenance of the Issuer’s Cover Pool**

For so long as the Covered Bonds are outstanding, the value of the Cover Pool will not at any time be less than the total aggregate outstanding principal amount of all Covered Bonds issued under the Programme plus an Overcollateralisation of at least the higher of (i) 5 per cent.; (ii) such percentage as required under the Icelandic Covered Bond Act and/or the Rules on Covered Bonds from time to time; and (iii) such percentage as may be agreed between the Issuer and any rating agency from time to time.

The Issuer will maintain an Overcollateralisation of at least 20 per cent. until October 2031 (or, if earlier, the date which any Covered Bonds with a committed overcollateralisation of 20 per cent. are redeemed in full).”

7.4 The first paragraph of Condition 7.6 on page 115 shall be replaced with the following:

“If an Extended Maturity Date is specified in the applicable Final Terms for a Series of Covered Bonds and the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with Condition 9.10:”

7.5 Condition 9.10(a) on page 134 shall be replaced with the following:

(a) “Extension of Maturity Date:

If an Extended Maturity Date is specified in the applicable Final Terms for a Series of Covered Bonds and the Issuer (i) has received approval from the Icelandic FSA to extend the maturity of the Covered Bonds (a "**Maturity Extension Approval**") and (ii) fails to pay the Final Redemption Amount on the Maturity Date specified in the Final Terms, the maturity of the outstanding Covered Bonds not so redeemed and the date on which such Covered Bonds will, notwithstanding any insolvency, bankruptcy or resolution in respect of the Issuer at the relevant time, be due and repayable for the purposes of these Terms and Conditions will be extended up to and including (but no later than) the Extended Maturity Date. In that event, the Issuer may redeem all or any part of the Principal Amount Outstanding of the Covered Bonds on any Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date.

The Issuer shall promptly give notice to the Fiscal Agent and the Covered Bondholders (in accordance with Condition 15 (Notices)) of such Maturity Extension Approval (provided, however, that any failure by the Issuer to give such notice shall not in any event affect the validity or effectiveness of the extension of maturity or give any Covered Bondholder any right to receive any payment of interest, principal or otherwise with respect to the relevant Covered Bonds other than as provided for in these Conditions).

The Issuer shall give notice to the Fiscal Agent and the Covered Bondholders (in accordance with Condition 15 (Notices)) of its intention to redeem all or any of the Principal Amount Outstanding of the Covered Bonds at least four Business Days prior to the relevant Interest Payment Date. Any failure by the Issuer to notify such persons shall not affect the validity or effectiveness of any redemption by the Issuer on the relevant Interest Payment Date, or give rise to rights to any such person.”

7.6 The fourth paragraph of Condition 16.1 on page 139 shall be replaced with the following:

“The Fiscal Agent and the Issuer may agree, without the consent of the Covered Bondholders, Receiptholders or Couponholders, to any modification of the Covered Bonds, the Coupons, the Receipts, the Deed of Covenant or the Agency Agreement which, in the sole opinion of the Issuer, is not prejudicial to the interests of the Covered Bondholders or is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law or to comply with the provisions of Directive (EU) 2019/2162 and Regulation (EU) 2019/2160 (collectively, the **EU Covered Bond Rules**) as implemented into Icelandic law and/or to comply with the Icelandic Covered Bond Act.”

7.7 The fifth paragraph of Condition 16.2 on page 140 shall be replaced with the following:

“The CSD Agent and the Issuer may agree without the consent of any of the Covered Bondholders to any modification of the CSD Covered Bonds which, in the sole opinion of the Issuer, is not prejudicial to the interests of the Covered Bondholders or is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law or to comply with the provisions of the EU Covered Bond Rules as implemented into Icelandic law and/or to comply with the Icelandic Covered Bond Act.”

8. SUMMARY OF ICELANDIC LEGISLATION

The section entitled “Summary of Icelandic Legislation in Consideration of Covered Bonds” on pages 151 – 156 (inclusive) shall be replaced with the following:

“The Icelandic Covered Bond Act was adopted by the Icelandic Parliament on 4 March 2008. This legislation enables Icelandic commercial banks, savings banks and credit undertakings, which have been duly licensed to issue covered bonds as defined therein.

The Issuer is licensed by the Icelandic FSA under the Icelandic Covered Bond Act which enables it to issue the Covered Bonds. The following constitutes a general summary of the Icelandic legislation governing the issuance of covered bonds in Iceland, at the date and pursuant to this Base Prospectus, which law may be supplemented, amended, modified or varied by legislative enactment or by way of judicial decisions and administrative pronouncements, including possibly, with retroactive effect. The summary does not purport nor shall be construed as being an exhaustive description or presentation of all aspects of law, regulation, judicial decisions and administrative pronouncements relevant to the Covered Bonds. The original language of the Icelandic Covered Bond Act is Icelandic. The relevant legislation, executive orders and or regulations in the original Icelandic version should be consulted in the event of any doubt.

COVERED BONDS

The Icelandic Covered Bond Act defines "covered bonds" (Ice: *sértryggð skuldabréf*) as bonds and other unilateral, unconditional, written debt obligations which enjoy a right of priority over the cover pool (as defined below) of an issuer and which are issued in compliance with the Icelandic Covered Bond Act.

The Icelandic Covered Bond Act has been amended (by way of Act no. 7/2023) and the Rules have been amended and restated (as Rules No. 190/2023) to comply with and transpose the EU Covered Bond Rules. Whilst certain non-mandatory provisions of the Covered Bond Directive have not been implemented into Icelandic legislation, covered bonds that fulfil the requirements set forth in the Icelandic Covered Bond Act, which inter alia requires that the assets included in the cover pool must meet the criteria set out in Article 129 of the CRR and appurtenant regulations may be marketed under the label 'European Covered Bond' (Ice: *evrópsk sértryggð skuldabréf*) or 'European Covered Bond (Premium)' (Ice: *evrópsk sértryggð skuldabréf (úrvals)*), or under the official translation of the same terms of another member state of the EEA.

COVER POOL

The Icelandic Covered Bond Act defines a "cover pool" as the collection of bonds, substitute collateral and other assets that have been registered in a register in accordance with Chapter VI of the Icelandic Covered Bond Act. Covered bondholders and counterparties of the issuer under derivative agreements have a priority claim to seek enforcement in respect of such assets in accordance with the Icelandic Covered Bond Act.

A cover pool consists of certain assets, which include bonds secured by various types of mortgages, of other registered assets, bonds granted to or guaranteed by certain governmental bodies, receivables in the form of certain derivative agreements and substitute collateral. Pursuant to the Icelandic Covered Bond Act, as amended, the cover pool assets must meet the criteria set out in Article 129 of the CRR.

Pursuant to Article 129 of the CRR, in order to qualify for the preferential treatment set out in paragraph 4 and 5 of that Article, covered bonds need to be collateralised by the following eligible assets:

- (a) exposures to or guaranteed by central governments, the ESCB central banks, public sector entities, regional governments or local authorities in the European Union;
- (b) exposures to or guaranteed by third country central governments, third-country central banks, multilateral development banks, international organisations that qualify for the credit quality step 1, and exposures to or guaranteed by third-country public sector entities, third-country regional governments or third- country local authorities that are risk weighted as exposures to institutions or central governments and central banks in accordance with Article 115(1) or (2), or Article 116(1), (2) or (4) respectively and that qualify for the credit quality step 1, and exposures within the meaning of this point that qualify as a minimum for the credit quality step 2, provided that they do not exceed 20 per cent. of the nominal amount of outstanding covered bonds of the issuing institutions;
- (c) exposures to credit institutions that qualify for credit quality step 1 or credit quality step 2, or exposures to credit institutions that qualify for credit quality step 3 where those exposures are in the form of (i) short-term deposits with an original maturity not exceeding 100 days, where used to meet the cover pool liquidity buffer requirement of Article 16 of the Covered Bond Directive; or (ii) derivative contracts that meet the requirements of Article 11(1) of that Directive, where permitted by the competent authorities, and meet the exposure requirements set out in paragraph 1a of Article 129 of the CRR;
- (d) loans secured by residential property up to the lesser of the principal amount of the liens that are combined with any prior liens and 80 per cent. of the value of the pledged properties. The limit of 80 per cent. shall apply on a loan-by-loan basis, shall determine the portion of the loan contributing to the coverage of liabilities attached to the covered bond, and shall apply throughout the entire maturity of the loan;
- (e) residential loans fully guaranteed by an eligible protection provider referred to in Article 201 of the CRR qualifying for the credit quality step 2 or above, where the portion of each of the loans that is used to meet the requirement set out in this paragraph for collateralisation of the covered bond does not represent more than 80 per cent. of the value of the corresponding residential property located in France, and where a loan-to-income ratio respects at most 33 per cent. when the loan has been granted. There shall be no mortgage liens on the residential property when the loan is granted, and for the loans granted from 1 January 2014 the borrower shall be contractually committed not to grant such liens without the consent of the credit institution that granted the loan. The loan-to-income ratio represents the share of the gross income of the borrower that covers the reimbursement of the loan, including the interests. The protection provider shall be either a financial institution authorised and supervised by the competent authorities and subject to prudential requirements comparable to those applied to institutions in terms of robustness or an institution or an insurance undertaking. It shall establish a mutual guarantee fund or equivalent protection for insurance undertakings to absorb credit risk losses, whose calibration shall be periodically reviewed by the competent authorities. Both the credit institution and the protection provider shall carry out a creditworthiness assessment of the borrower;
- (f) loans secured by commercial immovable property up to the lesser of the principal amount of the liens that are combined with any prior liens and 60 per cent. of the value of the pledged properties. Loans secured by commercial immovable property are eligible where the loan- to-value ratio of 60 per cent. is exceeded up to a maximum level of 70 per cent. if the value of the total assets pledged as collateral for the covered bonds exceed the nominal amount outstanding on the covered bond by at least 10 per cent., and the bondholders' claim meets the legal certainty requirements set out in Chapter 4 of the CRR. The bondholders' claim shall take priority over all other claims on the collateral;

- (g) loans secured by maritime liens on ships up to the difference between 60 per cent. of the value of the pledged ship and the value of any prior maritime liens;

Article 129 of the CRR further provides that the following criteria must be met:

- (a) immovable property and ships collateralising covered bonds that comply with the CRR, the requirements set out in Article 208 of the CRR shall be met. The monitoring of property values in accordance with point (a) of Article 208(3) of the CRR shall be carried out frequently and at least annually for all immovable property and ships;
- (b) covered bonds shall be subject to a minimum level of 5 per cent. of overcollateralisation as defined in point (14) of Article 3 of the Covered Bond Directive. For these purposes, the total nominal amount of all cover assets as defined in point (4) of Article 3 of that Directive shall be at least of the same value as the total nominal amount of outstanding covered bonds ('nominal principle'), and shall consist of eligible assets as set out above, subject to the authorisation of member states to set a lower minimum level of overcollateralisation for covered bonds or authorise their competent authorities to set such a level; and
- (c) eligible assets listed above may be included in the cover pool as substitution assets as defined in point (13) of Article 3 of the Covered Bond Directive, subject to the limits on credit quality and exposure size set out in paragraphs 1 and 1a of Article 129 of the CRR.

The real property and the registered assets which serve as security for the bonds included in the cover pool must be located in a member state of the EEA, EFTA or the Faroe Islands (each a "**Cover Pool Member State**" and collectively the "**Cover Pool Member States**"). A cover pool will consist primarily of mortgage bonds secured against residential property; industrial, office or commercial property; agricultural property; debt instruments including those issued by the Icelandic state or another member state, municipality in Iceland or in another member state, or guaranteed by such member state within the EEA, and certain collateral up to a specific limit of the value of the relevant cover pool.

Substitute collateral are assets that may be included in the cover pool and are intended to ensure that the interests of covered bondholders are not prejudiced despite changes which may occur to the assets of the cover pool. The cover pool may include the following substitute collateral; (1) Demand deposits with a financial undertaking; (2) Deposits with or claims against a Cover Pool Member State or central bank in a Cover Pool Member State; (3) Claims against other legal entities which in the Icelandic FSA's evaluation, do not involve greater risk than those in points (1) and (2) above. Substitute collateral may not comprise more than 20 per cent. of the value of the cover pool. The Icelandic FSA may however authorise an increase in the proportion of substitute collateral in the cover pool to as much as 30 per cent. of its value.

Assets in the cover pool are to be kept separate from other business operations of the issuer, as further defined below in the section *The Register*.

COVER POOL ASSETS

Eligible cover pool assets consist primarily of mortgage bonds issued by borrowers against collateral in the form of real property or public credit (i.e. loans to creditors with high credit worthiness, such as the State of Iceland, Icelandic municipalities and foreign central banks). Collateral for mortgage bonds shall consist of:

- (i) Pledged real property designated for residential purposes;
- (ii) Pledged real property designated for industrial, office or business purposes; and,

- (iii) Pledged real property designated for agricultural purposes.

The collateral may form part of the cover pool only to the extent that on the date of registration the ratio of the principal balance of the mortgage bond compared to the market value ("LTV") in relation to the collateral does not exceed:

- (i) 80 per cent. of the market value for real property designated for residential purposes;
- (ii) 70 per cent. of the market value for real property designated for agricultural purposes; and,
- (iii) 60 per cent. of the market value for real property designated for industrial, office or commercial purposes.

Furthermore, the mortgage bonds issued against mortgages in residential, industrial, office, commercial or agricultural purposes may not be registered in the cover pool if payment is in arrears of 90 days or more.

The market value of real properties is assessed by an appraisal which must be based on the selling price in recent transactions with comparable properties. The issuer shall regularly monitor the development of such selling prices. If the market value of collateral in the cover pool (i.e. the underlying mortgaged real estate) substantially decreases, the amount of the value of the assets in the cover pool shall be decreased to ensure that the LTV lies within the limits described above. If the market value or selling price in recent transactions with comparable properties is not available it shall be determined by a specific valuation. The valuation shall be based on generally accepted principles for market valuation of real estate. Data on real estate price developments from the Housing and Construction Authority, for instance, may be used as a basis, together with other systematic collection of real estate price data.

If an issuer assesses the market value of real estate in accordance with the foregoing, the Independent Inspector (as described below) provided for in Chapter VIII of the Icelandic Covered Bond Act, must verify that the appraisal is based on an accepted methodology. The Independent Inspector shall re-assess the market price of one or more properties if it is believed to be valued incorrectly. An appraisal of the market value of real estate must be in writing and specify what methodology is used, who has carried out the appraisal and when it was made.

COVERAGE REQUIREMENTS

The Icelandic Covered Bond Act requires the value of the assets in the cover pool at all times to exceed the value of the claims against the cover pool. The percentage level by which the value of the cover pool exceeds the nominal value of the liabilities, relating to the issued and outstanding covered bonds, along with all accrued interests, from time to time is known as "**overcollateralisation**". The Icelandic Covered Bond Act requires a minimum overcollateralisation of 5 per cent. and the Issuer covenants under Condition 5.2 to overcollateralise the Cover Pool at all times by at least the higher of (i) 5 per cent.; (ii) such percentage as required under the Icelandic Covered Bond Act and/or the Rules on Covered Bonds from time to time; and (iii) such percentage as may be agreed between the Issuer and any rating agency from time to time. The Issuer will also maintain the overcollateralisation of the Cover Pool in accordance with the overcollateralisation committed to under the terms and conditions of its existing Covered Bonds, this being at least 20 per cent. until October 2031 (or, if earlier, the date which any Covered Bonds with a committed overcollateralisation of 20 per cent. are redeemed in full) and thereafter the level of overcollateralisation required to be maintained will be as required under Condition 5.2.

Moreover, instalments and other cash flows accruing on the assets in the cover pool and from derivative agreements shall be in such a manner that at any given time the issuer can meet all its financial obligations to covered bondholders and counterparties to derivative agreements.

In order to maintain a suitable balance between the cover pool and the corresponding covered bond programme, the issuer (a) must ensure that the assets in the cover pool (including substitute collateral) are valued having proper regard to currency exchange rates, interest rates, maturity dates, and other relevant factors; and (b) may enter into derivative agreements for the purpose of achieving this balance.

LIQUIDITY BUFFER

The Icelandic Covered Bond Act requires that an issuer must maintain a cover pool liquidity buffer to cover the maximum cumulative net liquidity outflow on the covered bonds and related derivative contracts over the next 180 days. Where the maturity of covered bonds can be extended, for the calculation of the net liquidity outflow it may be assumed that the principal amount of the covered bonds is to be repaid on the extended maturity date as determined in the contractual terms and conditions of the covered bond.

The Rules on Covered Bonds further define the assets that the liquidity buffer may consist of. Pursuant to the Rules on Covered Bonds, the liquidity buffer can only consist of (i) assets that qualify as level 1, level 2A or level 2B assets pursuant to the LCR Regulation and not issued by the credit institution issuing the covered bonds itself, its parent undertaking, other than a public sector entity that is not a credit institution, its subsidiary or another subsidiary of its parent undertaking or by a securitisation special purpose entity with which the credit institution has close links, or (ii) short-term exposures to credit institutions that qualify for credit quality step 1 or 2, or credit step 3, subject to the conditions in point (c) of Article 129(1) of Regulation (EU) No 575/2013 (as amended). It should also be noted that the Icelandic Covered Bond Act specifically states that the uncollateralised claims from exposures considered in default pursuant to Article 178 of CRR cannot contribute to the cover pool liquidity buffer.

EXTENDABLE MATURITY STRUCTURES

The Icelandic Covered Bond Act allows for the exercise of extendable maturity (aka 'soft bullet') pursuant to the transposing of the EU Covered Bond Rules. Any such extension of maturity shall be subject to the approval of the Icelandic FSA. If approval is not granted, the maturity of the covered bond cannot be extended. Under the Icelandic Covered Bond Act, such approval is subject to the following conditions:

- (a) that the deferral is necessary for the purposes of:
 - (i) preventing default on a covered bond or a derivative contract without the sale of assets at a substantial discount;
 - (ii) early intervention by the Financial Supervisory Authority or the resolution of the issuer achieving the objective of Act No. 70/2020 on Resolution of Credit Institutions and Investment Firms; or
 - (iii) optimising the claims of Covered Bondholders and counterparties of derivative contracts or counterparties in derivative contracts upon the winding-up or liquidation of the Issuer;
- (b) that the deferral is explicitly authorised pursuant to the terms and conditions of the covered bond, which set out the final maturity date, the maturity extension triggers, the consequences that insolvency or resolution of the issuer may have on the extension and the role of the Financial Supervisory Authority with regard to such deferral; and
- (c) that the deferral does not affect the maturity schedule of other covered bonds collateralised by the same cover pool.

Furthermore, an issuer, or, upon winding-up of the issuer, its winding-up committee, is required to promptly inform the covered bondholders of the deferral of the maturity of the covered bonds and the duration of such deferral. The terms and conditions of the relevant covered bond shall otherwise determine what is required to be communicated by the relevant issuer to covered bondholders with respect to the maturity of their covered bonds.

With respect to paragraph (a)(ii) above, the objective of the Act referred to therein (as set out in Article 1 of such Act) is to preserve financial stability and minimise the adverse effects of financial shocks by protecting insured deposits and investors, client assets and the continuity of the undertaking's critical functions and minimising the risk of distribution of funds from the National Treasury of Iceland.

ICELANDIC FSA SUPERVISION

The issue of covered bonds requires a licence from the Icelandic FSA, which monitors compliance with the Icelandic Covered Bond Act as well as being the supervisory authority for the business operations of an issuer conducted in connection with the issue of covered bonds. Effective 1 January 2020 the Icelandic FSA merged with the Icelandic Central Bank into one institution, which in turn is subject to a new Act on the Central Bank of Iceland No. 92/2019 ("**CBA**"). There is no change to tasks entrusted to these two institutions. There is however integration of tasks within one institution of governance and decision-making arrangement, as further set out in the CBA, as well as Act No. 91/2019 on amendment to various Acts, as a consequence of the merger between the Central Bank and the Financial Supervisory Authority. A license from the Icelandic FSA requires, *inter alia*, that the issuance comply with the Icelandic Covered Bond Act and that a certified public accountant certifies that the issuer's budget and accounts demonstrate that its financial situation is stable enough not to jeopardise the interests of other creditors. Furthermore, the Icelandic FSA may grant the licence subject to specified conditions.

The Icelandic FSA may revoke an issuer's license to issue covered bonds if (a) the issuer no longer fulfils the requirements to issue covered bonds; (b) the issuer's budget, as attested to by a certified public accountant, demonstrates that its financial situation is no longer sufficiently sound so that the issuance of covered bonds will jeopardise the interests of other creditors; or (c) the issuer violates provisions of the Icelandic Covered Bond Act or rules adopted by virtue of it. If the Icelandic FSA revokes the issuer's license to issue covered bonds it shall decide how to terminate the activities of the issuer.

An issuer of covered bonds must annually deliver to the Icelandic FSA a report, in such format as the FSA decides, containing information on (a) cover pool assets, including liquid assets, and how they are segregated from the issuer's other assets; (b) compliance with matching rules; (c) conditions for covered bonds' maturity extensions, as applicable; and (d) the monitoring activities of the Independent Inspector.

The Icelandic FSA may authorise that previously issued bonds and other comparable debt instruments which were issued for the purposes of financing the assets in a cover pool may be converted to covered bonds under the Icelandic Covered Bond Act. The term 'covered bond' may be used for covered bonds issued prior to 1 March 2023 that complied with the requirements laid down prior to the implementation of the EU Covered Bond Rules, as applicable on the date of their issue. The same applies to tap issues of covered bonds issued between 1 March 2023 and 31 December 2024, provided that those issues comply with certain requirements.

THE REGISTER

The issuer of covered bonds must maintain a register of the issued covered bonds, and the cover pool, together with related derivative agreements in accordance with the Icelandic Covered Bond Act. The register must, among other things include the following information; (1) the nominal value, interest

terms, and final maturity of the covered bonds; (2) the types of assets in the cover pool; and (3) in respect of each mortgage bond in the cover pool, the name of the underlying borrower, their ID./Reg. No., the nominal value of the loan, date of issue, maturity, terms of instalments and interest. Furthermore, the register shall show the appraisal of the collateral security in the cover pool, when the appraisal was carried out and the premises used. Bonds in a cover pool must be endorsed showing they are part of a cover pool and have been entered into the register as provided for in Chapter VI of the Icelandic Covered Bond Act. The endorsement shall also indicate that the debt instrument is to secure priority rights of a specific programme for covered bonds.

INDEPENDENT INSPECTOR

Issuers are required to appoint an independent inspector (the "**Independent Inspector**") to supervise the issuance of covered bonds licensed by the Icelandic FSA and the Icelandic FSA must approve their appointment in accordance with the Icelandic Covered Bond Act. In seeking the Icelandic FSA's approval for the Independent Inspector's appointment, an issuer must disclose possible interrelation between the Independent Inspector and the issuer. The Independent Inspector must fulfil the eligibility criteria prescribed in the Icelandic Covered Bond Act and is assigned the task of monitoring that the register is maintained in accordance with the provisions of the Icelandic Covered Bond Act and to verify that the valuation of collateral for bonds in the cover pool is based on proper methodology. Furthermore, the Independent Inspector is tasked with the ongoing monitoring of a cover pool liquidity buffer and the dissemination of information to investors. The Independent Inspector shall semi-annually deliver a report to the Icelandic FSA on his observations and immediately inform the Icelandic FSA of any circumstances he becomes aware of, that could affect the Icelandic FSA's assessment of the issuer, as frequently and in such format as the Icelandic FSA decides, or above and beyond this if exceptional circumstances so warrant, among other things.

INVESTOR INFORMATION

Pursuant to the Icelandic Covered Bond Act, issuers of covered bonds are required to provide information on their covered bond programmes. The information must be sufficiently detailed to allow investors to assess the profile and risks of that programme and to carry out their due diligence. At least on a quarterly basis the following minimum information shall be published:

- (a) the value of the cover pool and outstanding covered bonds;
- (b) the International Securities Identification Numbers (ISINs) for all covered bond issues under that programme, to which an ISIN has been attributed;
- (c) the geographical distribution and type of assets in the cover pool, the size of loans in the cover pool and valuation method of the cover pool assets;
- (d) the market risk, including interest rate risk and currency risk, and credit and liquidity risks;
- (e) the maturity structure of cover pool assets and covered bonds, including an overview of maturity extension triggers;
- (f) the levels of required and available coverage, and the levels of statutory, contractual and voluntary overcollateralisation above what is required by the Icelandic Covered Bond Act; and
- (g) the percentage of loans that are more than 90 days past due or are otherwise considered to be in default pursuant to Article 178 of CRR.

RIGHTS OF PRIORITY

In the event of bankruptcy of an issuer of covered bonds, covered bondholders and derivative agreement counterparties are entitled to rights of priority to the assets in the cover pool that are registered in the Register, as well as over the funds that originate from those assets.

HANDLING OF ASSETS IN THE EVENT OF WINDING-UP OF AN ISSUER

If an issuer enters into resolution, financial restructuring, bankruptcy or winding-up proceedings, any issued covered bonds do not fall due. Furthermore, any derivative agreements entered into by the issuer in relation thereto shall not accelerate upon the winding-up of the issuer and such agreements may not include provisions on automatic termination of contracts under such circumstances. In case of the winding-up of an issuer, the winding-up committee shall keep the covered bonds, substitute collateral and other assets in the cover pool segregated from other assets of the issuer's estate. The same shall apply to funds and other assets substituted for the covered bonds, substitute collateral and other assets in the cover pool, or paid in respect of such assets. Such separation shall be maintained until claims arising from the covered bonds have been paid in full.

The winding-up committee shall also keep derivative agreements, and funds returned by such assets or which must be paid from the cover pool to the counterparties to those derivative agreements, separate from other assets of the issuer's estate.

Payments received by the issuer after the date of a winding-up order in respect of funds and other assets substituted for the covered bonds, substitute collateral and other assets in the cover pool intended for payment of claims, including fulfilment of derivative agreements, shall be entered in the register by the winding-up committee.

Article 17(1) of the Icelandic Covered Bond Act states that the winding-up committee shall fulfil the issuer's commitments under the covered bonds and derivative agreements using mortgage bonds and other assets in the cover pool and payments received on such assets provided that these assets are listed in the Register.

The separation of the cover pool shall be maintained until claims arising from the covered bonds have been paid in full. The general rule is that to the extent that a cover pool is not sufficient to cover the covered bonds and derivative agreements, the covered bondholders may continue to file claims as non-preferential creditors of the issuer and to receive dividends from the other assets of the issuer and be ranked *pari passu* with other, general non-prioritised non-preferential creditors of the issuer.

According to the Bankruptcy Act No. 21/1991, as amended (the "**Bankruptcy Act**") the covered bondholders' priority rights to the cover pool rank third after; (a) third party's assets held by an issuer, provided that the third party can prove his entitlement to the asset (no such third party's assets should be a part of the cover pool); (b)(i) certain bankruptcy (winding-up) costs; (ii) third party claims incurred after the date of the winding-up order due to agreements made on behalf of the bankruptcy estate by the winding-up committee or to liability for losses incurred by third parties as a result of any negligent act of the bankruptcy estate; and (iii) lawful third party claims, including claims due to derivative agreements concluded in accordance with the provisions of the Icelandic Covered Bond Act, incurred by the estate after the date of a moratorium order or a composition proceedings order, if applicable.

If an issuer seeks composition with creditors, the composition arrangement will not affect claims which benefit from security (such as the claims of covered bondholders), to the extent the security is sufficient to settle the claim and the security interest will not cease to exist as a result of the composition agreement. However, according to Article 60(4) of the Bankruptcy Act, if the creditor values the collateral as being insufficient to meet his claim, he may (in order to increase the chances of recovery)

partly waive his right to a secured claim and thereby partly obtain a contractual claim on the debtor, to the extent of such waiver.

The part of the winding-up costs that concerns the covered bonds, the cover pool, and payments with respect to the covered bonds, cover pool or derivative agreements, shall be paid from the cover pool. Payments received by the issuer after the date of the winding-up order in accordance with the terms and conditions governing the cover pool should be entered into the Register.

Notwithstanding the provisions of Chapter XX of the Bankruptcy Act, actions taken by an issuer in accordance with the Icelandic Covered Bond Act, including the delivery of funds or substitute collateral to the cover pool, payments on the cover pool, or disposal of funds from the cover pool to fulfil obligations under a covered bond or a derivative agreement concluded in accordance with the Icelandic Covered Bond Act and in connection with the cover pool, shall not be subject to annulment or claw-back.

In relation to specific risk factors of the Icelandic Covered Bond Act that have been identified, please refer to the section on *Risk Factors* in this Base Prospectus.

THE RULES ON COVERED BONDS

The Icelandic FSA has issued Rules No. 190/2023 on Covered Bonds (the "**Rules on Covered Bonds**"), replacing Rules No. 528/2008, that concern among other things, the conditions for being granted licence to issue covered bonds, appraisal and revaluation of the assets in the cover pool, matching rules, assets that may be considered for the liquidity buffer, derivative agreements, the register, the eligibility and reporting of the Independent Inspector and reporting of the Issuer to the Icelandic FSA. The Rules on Covered Bonds are issued with reference to the Icelandic Covered Bond Act and elaborate on the provisions of said Act.

The Rules on Covered Bonds list the documents to be provided to the Icelandic FSA by an issuer who applies for the Icelandic FSA's licence to issue covered bonds. Such documents include, among other things, approvals, descriptions of the proposed programme, the issuer's budget, information and requirements concerning IT-systems, etc. The Rules on Covered Bonds describe the assets which are eligible to be registered to the cover pool and how the eligibility of such assets shall be evaluated.

The Rules on Covered Bonds provide further clarification with respect to matching requirements and provide a method of calculating the present value of assets/liabilities in relation thereto. The Rules on Covered Bonds prescribe that an issuer shall complete such calculations as often as deemed necessary and at least on a weekly basis.

The Rules on Covered Bonds provide for certain restrictions to the provisions and counterparties of derivative agreements. Such agreements may not include provisions on automatic termination of contracts upon the winding-up or resolution of the issuer, or similar insolvency events. Furthermore, counterparties to derivative agreements must be rated as qualifying for credit quality steps 1 or 2, as defined in Annex III of Regulation (EU) No. 2016/1799 (as amended), by a registered or certified credit rating agency in accordance with Regulation (EU) No. 1060/2009 (as amended). Such rating must be in place at the beginning of the contract making process for the relevant derivative agreement and cover both the institutions short- and long-term ratings. However, issuers may with the prior approval of the Icelandic FSA enter into derivative agreements with counterparties that do not meet the above criteria, if the Icelandic FSA considers the counterparty sufficiently reliable to fulfil its obligations pursuant to the relevant derivative agreement.

The Rules on Covered Bonds provide further detail on the Register. The register shall be kept in a secure manner and updated on a daily basis. The Icelandic FSA shall have access to the Register.

The Rules on Covered Bonds provide further detail on the obligations of the Independent Inspector to be appointed by the issuer. The Independent Inspector shall ensure that the register is properly maintained and updated and shall therefore verify that bonds and derivative agreements are correctly registered; only eligible assets and substitute collateral are included in the cover pool; the value of the assets registered in the cover pool and the valuation thereof is in accordance with the Icelandic Covered Bond Act and the Rules on Covered Bonds; that LTV calculations are correctly updated upon significant decrease in the market value of mortgaged assets; and that the matching rules are complied with.

The Independent Inspector shall semi-annually provide the Icelandic FSA with a written report regarding his/her surveillance, as further described in the Rules on Covered Bonds. Furthermore, the Independent Inspector shall as soon as possible notify the Icelandic FSA should he/she become aware of any matters which could affect the Icelandic FSA's assessment of the issuer's position in general. The Issuer has appointed an Independent Inspector pursuant to an agreement with KPMG ehf.

THE ISSUER'S LICENCE TO ISSUE COVERED BONDS

On 29 April 2013 the Icelandic FSA granted the Issuer a licence to issue Covered Bonds under the Icelandic Covered Bond Act. Pursuant to the terms of such a licence, the Issuer is able, from time to time, to issue Covered Bonds that entitle the holder to the benefit of a statutory preferred creditor status in respect of the assets contained in the Issuer's Cover Pool in the event of the insolvency of the Issuer."

9. OVERVIEW OF TRANSACTION DOCUMENTS

- 9.1 The third paragraph of the section entitled "Cover Pool Swap Agreement" on page 171 shall be replaced with the following:

"The matching requirements referred to in "*Summary of Icelandic Legislation in Consideration of Covered Bonds - Coverage Requirements*" above will apply in respect of the Cover Pool Swap."

- 9.2 The first paragraph of the section entitled "Interest Rate Swap Agreements" on page 173 shall be replaced with the following:

"Interest Rate Swap Agreements

The Issuer may also, from time to time, enter into additional interest rate swaps with Interest Rate Swap Providers by executing an ISDA Master Agreement (including schedules, a credit support annex and confirmations) (each such agreement, an Interest Rate Swap Agreement and each of the transactions thereunder, an Interest Rate Swap), in order to hedge the Issuer's interest rate risks in ISK and/or other currencies to the extent that these have not already been hedged by the Cover Pool Swap, Currency Swap or an Indexed Currency Swap, subject always to the matching requirements as referred to in "*Summary of Icelandic Legislation in Consideration of Covered Bonds - Coverage Requirements*" above."

- 9.3 The first paragraph of the section entitled "Currency Swap Agreements" on page 174 shall be replaced with the following:

"Currency Swap Agreements

Subject to currency restrictions in place at each time, if Covered Bonds are issued in currencies other than ISK, the Issuer may enter into Currency Swaps from time to time with Currency Swap Providers by executing ISDA Master Agreements (including schedules, a credit support annex and confirmations) (each such agreement, a "Currency Swap Agreement" and each of the transactions thereunder, a "Currency Swap"), in order to hedge currency risks arising between (a) Covered Bonds

issued in currencies other than ISK and (b) assets (other than Mortgage Bonds and Eligible Swaps) forming part of the Cover Pool but denominated in ISK, subject always to the matching requirements as referred to in "*Summary of Icelandic Legislation in Consideration of Covered Bonds - Coverage Requirements*" above."

- 9.4 The section entitled "Indexed Currency Swap Agreements" on page 176 shall be replaced with the following:

"Indexed Currency Swap Agreements

The Issuer may enter into Indexed Currency Swaps from time to time with Indexed Currency Swap Providers by executing ISDA Master Agreements (including schedules, a credit support annex and confirmations) (each such agreement, an "Indexed Currency Swap Agreement") and each of the transactions thereunder, an "Indexed Currency Swap" in order to hedge currency and inflation risks arising between (a) Covered Bonds issued in currencies other than ISK and (b) assets forming part of the Cover Pool but denominated in ISK and index linked, subject always to the matching requirements as referred to in "*Summary of Icelandic Legislation in Consideration of Covered Bonds - Coverage Requirements*" above."

- 9.5 The section entitled "Deed of Covenant" on page 178 shall be replaced with the following:

"The Issuer has entered into a Deed of Covenant for the benefit of the Covered Bondholders, including amongst others, the following covenants:

Relevant Reference Currency Swaps

- (a) In connection with an issuance of a Series of Covered Bonds denominated in a currency other than ISK and assigned a rating by S&P, in circumstances where the Issuer does not otherwise enter into a Currency Swap in connection with such issuance, the Issuer covenants to establish on or before the Issue Date of such Series and maintain and update (to the extent required) on a weekly basis in its books an account (a "**Collateral Reserve Account**"). All amounts of cash and, if applicable, securities standing to the credit of the relevant Collateral Reserve Account will be denominated in the relevant currency and registered and updated (to the extent required) on a weekly basis in the Cover Pool Register so as to form part of the Cover Pool.
- (b) The Issuer shall within one Business Day of a relevant issuance and thereafter on a weekly basis (to the extent required under the terms of the Relevant Reference Currency Swap Agreement) credit and/or debit cash or securities to or from the relevant Collateral Reserve Account in accordance with paragraph (c) below.
- (c) The amount of cash or securities required to be maintained in the relevant Collateral Reserve Account will be equal to the amount commensurate with an "adequate" collateral framework assessment under the relevant S&P criteria that a Currency Swap Provider would have been required to maintain under the credit support annex forming part of an agreement in the form of the Relevant Reference Currency Swap Agreement if it had entered into such an agreement with the Issuer in connection with the relevant Series of Covered Bonds.
- (d) In the event of the Issuer ceasing to hold such rating from S&P (the "**Rating**") that is required to support the then current rating by S&P of an issuance of Covered Bonds under an "adequate" collateral framework assessment (such Rating being, as at the date hereof, 'BBB'), the Issuer shall use commercially reasonable endeavours to enter into a Currency Swap Agreement substantially in the form of the Relevant Reference Currency Swap Agreement (together with such amendments as may be agreed by the Issuer) with an eligible Currency Swap Provider and may use amounts standing to the credit of the relevant Collateral Reserve Account to enter into such Currency Swap to exchange receipts from the assets comprising

the Cover Pool payable in ISK and the currency of the relevant Series of Covered Bonds. For the purposes of this provision, “eligible Currency Swap Provider” means such Currency Swap Provider whose rating is capable of supporting the then current rating by S&P of the relevant issuance of Covered Bonds and whose rating is in accordance with the provisions of the Icelandic Covered Bond Act.

- (e) Where a Currency Swap Agreement is entered into between the Issuer and an eligible Currency Swap Provider, such Currency Swap Agreement shall be registered in the Cover Pool Register so as to form part of the Cover Pool and the requirement to maintain the relevant Collateral Reserve Account pursuant to paragraph (a) above shall cease.
- (f) In the event that the Issuer does not enter into a Currency Swap with an eligible Currency Swap Provider in accordance with paragraph (d) above the requirements of paragraph (a) shall continue to apply and amounts standing to the credit of the relevant Collateral Reserve Account from time to time will remain registered in the Cover Pool Register so as to form part of the Cover Pool and will be transferred to a corresponding Swap Collateral Account in accordance with the Issuer’s obligations as to the establishment of Issuer Accounts (in respect of which see paragraph (a) of "*Establishment of Issuer Accounts*" below).
- (g) The Issuer shall use reasonable endeavours to ensure that any Currency Swap Agreement entered into pursuant to paragraph (d) above includes a subordinated swap termination payment provision, such that any Early Termination Amount (as defined in the relevant Currency Swap Agreement) due and payable by the Issuer to the relevant Currency Swap Provider under the relevant Currency Swap Agreement following the occurrence of (i) an Event of Default or a Termination Event (each as defined in the relevant Currency Swap Agreement) in respect of a Tax Event upon Merger (as defined in the relevant Currency Swap Agreement) where the Currency Swap Provider is the Defaulting Party or the sole Affected Party (each as defined in the relevant Currency Swap Agreement), respectively, or (ii) an Additional Termination Event (as defined in the relevant Currency Swap Agreement) in respect of the Currency Swap Provider following a ratings downgrade of such Currency Swap Provider shall be subordinated to all other amounts payable in respect of the relevant Series of Covered Bonds.

Asset Coverage Test

- (a) On each Monthly Calculation Date, the Issuer shall determine whether the then total value, without double counting, of:
 - (i) the assets comprising the Cover Pool (including any amounts comprising the liquidity buffer required to be maintained in accordance with the Icelandic Covered Bond Act) (the "**Cover Pool Value**") (calculated in accordance with the Icelandic Covered Bond Act);
 - (ii) any amounts standing to the credit of the Collateral Reserve Account; and
 - (iii) any cash amounts (excluding any amounts included in paragraph (ii) above) in any Issuer Account,(such total value amount being the "**ACT Assets Amount**") exceeds the then total value of:
 - (iv) the Principal Amount Outstanding of all Series of Covered Bonds, together with all accrued interest thereon (provided that for the purpose of calculating such amounts in respect of any Series of Covered Bonds denominated in a currency other than ISK, the Principal Amount Outstanding (and such accrued interest) shall be calculated according to (i) the relevant prevailing spot exchange rate (as determined by the

Issuer) on the relevant Monthly Calculation Date or (ii) if a Currency Swap has been entered into in respect of such Series of Covered Bonds, the relevant rate under that Currency Swap);

- (v) any other payment obligations that must be paid from the Cover Pool in accordance with the Icelandic Covered Bond Act during the period to and including the next following Monthly Calculation Date; and
- (vi) the Deposit Set-off Amount,

(such total value amount being the "**ACT Liabilities Amount**") provided that if on such Monthly Calculation Date the ACT Assets Amount does not exceed the ACT Liabilities Amount (such determination, the "**Asset Coverage Test**") the Asset Coverage Test shall be deemed to have been breached for the purpose of paragraph (b) below.

- (b) In the event of a breach of the Asset Coverage Test on a Monthly Calculation Date, the Issuer shall use reasonable endeavours to allocate sufficient additional assets to the Cover Pool and register such assets in the Cover Pool Register in an aggregate amount sufficient to ensure that the Asset Coverage Test is met on the next following Monthly Calculation Date.
- (c) In calculating the Cover Pool Value, subject to the provisions of paragraph (a)(iv) above, the value of any non-ISK denominated assets comprising the Cover Pool shall be converted into ISK on the basis of the exchange rate published by the Central Bank of Iceland as at such Monthly Calculation Date.

Establishment of Issuer Accounts

- (a) If the Issuer ceases to be an Eligible Institution, the Issuer shall within 90 calendar days (or such longer period as may be agreed by S&P) following the first Business Day on which it ceases to be an Eligible Institution, establish one or more of the following bank accounts in its name with an Eligible Institution:
 - (i) a transaction account denominated in ISK (the "**Transaction Account**");
 - (ii) an account comprising the liquidity buffer required to be maintained in accordance with the Icelandic Covered Bond Act; and
 - (iii) if required, a swap collateral cash and securities account denominated in the relevant currency in respect of each relevant Series of Covered Bonds (each such account, a "**Swap Collateral Account**" and together with the Transaction Account, the "**Issuer Accounts**").
- (b) Following the establishment of the Issuer Accounts in accordance with paragraph (a) above, the Issuer shall:
 - (i) transfer all payments received from the Cover Pool ("**Cover Pool Revenue**") to the Transaction Account within 3 Business Days of receipt by the Issuer;
 - (ii) only if required in accordance with paragraph (f) of the section *Relevant Reference Currency Swaps* above following the event described in paragraph (a) (of this section *Establishment of Issuer Accounts*), transfer all amounts standing to the credit of any Collateral Reserve Account to the relevant Swap Collateral Account and thereafter on a weekly basis (to the extent required) credit and/or debit cash or securities to or from the Swap Collateral Account in accordance with paragraph (c) of the section *Relevant Reference Currency Swaps* above and continue to maintain and update (to the extent

required) on a weekly basis thereafter, a record of such amounts on the relevant Collateral Reserve Account;

- (iii) provide, or procure the provision of, servicing, administration and cash management services with respect to the Cover Pool Revenue and the operation of the Issuer Accounts;
 - (iv) create security over each Issuer Account for the benefit of the Covered Bondholders; and
 - (v) take all necessary steps to register the Issuer Accounts and the amounts standing to the credit of the Issuer Accounts in the Register.
- (c) In the event that any Eligible Institution appointed pursuant to paragraph (a) ceases to be an Eligible Institution, the Issuer will be obliged to transfer the relevant Issuer Account to a credit institution with the appropriate minimum ratings.

Obligations of the Issuer

- (a) The obligations of the Issuer under the aforementioned sections, *Relevant Reference Currency Swaps*, *Asset Coverage Test* and *Establishment of Issuer Accounts* shall only apply:
- (i) to the extent that compliance with such obligations is required to maintain the ratings of the relevant Series of the Covered Bonds;
 - (ii) in respect of the Issuer's obligations under *Relevant Reference Currency Swaps* only, during such time that the Issuer does not maintain a long-term issuer credit rating ("ICR"), long-term resolution counterparty rating ("RCR") or reference rating level ("RRL") of at least 'A-' by S&P and shall cease at any time that the Issuer satisfies one or more of such ratings;
 - (iii) in respect of the Issuer's obligations under *Establishment of Issuer Accounts* only, during such time that the Issuer does not maintain the ratings specified in the definition of 'Eligible Institution' and shall cease at any time that the Issuer satisfies the relevant rating; and
 - (iv) to the extent that any mitigants as may be agreed with S&P for the purposes of maintaining the rating of the relevant Series of Covered Bonds are not otherwise available.
- (b) The obligations of the Issuer under *Establishment of Issuer Accounts* shall cease to apply in their entirety if its long-term issuer credit rating by S&P is at any time at least 'BBB' (or such other lower rating as may be agreed by S&P), notwithstanding any subsequent downgrade of the long-term issuer credit rating of the Issuer by S&P.
- (c) Any failure by the Issuer to comply with the obligations under *Relevant Reference Currency Swaps*, *Asset Coverage Test* or *Establishment of Issuer Accounts* will not result in any events of default relating to the Issuer, accordingly payments under the Covered Bonds will not be accelerated in such circumstances and any such failure by the Issuer to comply with these obligations will not entitle Covered Bondholders to accelerate the Covered Bonds.
- (d) Any failure by the Issuer to comply with the obligations under *Relevant Reference Currency Swaps*, *Asset Coverage Test* or *Establishment of Issuer Accounts* will result in the Issuer not being able to issue further Covered Bonds whilst such failure is continuing. For the avoidance of doubt, the Issuer will be able to continue issuing ISK Covered Bonds.

The defined terms used in this section *Deed of Covenant* shall have the following meanings:

"Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London;

"Cover Pool" means the pool of eligible assets recorded in the Cover Pool Register maintained by the Issuer in accordance with the Icelandic Covered Bond Act;

"Cover Pool Register" has the meaning given to "Register" in the Icelandic Covered Bond Act;

"Currency Swap Agreement" means the ISDA Master Agreement, schedule, credit support annex (if applicable) and confirmation(s) (as amended and supplemented from time to time) relating to the Currency Swap(s) entered into from time to time between the Issuer and each Currency Swap Provider;

"Currency Swap Provider" means any reference or actual (as the context requires) third party counterparty;

"Currency Swap" means a currency swap which enables the Issuer to hedge currency risks arising from (a) Covered Bonds which are issued in currencies other than ISK and (b) if required, assets (other than bonds as defined in Article 2 of the Icelandic Covered Bond Act which are issued by borrowers and as described in Article 5 of the Icelandic Covered Bond Act) which are registered to the Cover Pool and are denominated in ISK;

"Deposit Set-off Amount" means (i) nil, (A) if the rating assigned to the Covered Bonds by S&P is at least 'A' and the Issuer's long-term ICR, long-term RCR or RRL is at least 'BBB' by S&P, or (B) if the rating assigned to the covered bonds by S&P is no longer at least 'A' and the Issuer's long-term ICR meets the requirement specified in S&P's methodology at the relevant time, or (ii) if (i) is not applicable, the "Potential Set-Off Amount" calculated pursuant to the relevant S&P rating methodology;

"Eligible Institution" means any bank whose long-term ICR, long-term RCR or, in the case of the Issuer, RRL is at least 'BBB' by S&P;

"Monthly Calculation Date" means the last Business Day of each month;

"Relevant Reference Currency Swap Agreement" means, in relation to a Series of Covered Bonds which are denominated in a currency other than ISK, an agreement in the form of an ISDA 2002 Master Agreement including the Schedule and Credit Support Annex thereto, together with the relevant form of currency swap confirmation for a Currency Swap, in each case in the form annexed to the applicable Series Deed of Covenant;

"S&P" means S&P Global Ratings Europe Limited;

"Series Deed of Covenant" means a deed of covenant prepared in relation to a particular Series of Covered Bonds including the applicable form of Relevant Reference Currency Swap Agreement, and **"applicable Series Deed of Covenant"** shall mean the Series Deed of Covenant applicable to the relevant particular Series of Covered Bonds; and

The Deed of Covenant is governed by English Law.”

10. GENERAL INFORMATION

The wording “Act No. 11/2008 on Covered Bonds, as amended with Act No.35/2008 (as amended).” in the first row of the table on page 219 next to “Icelandic Covered Bond Act” shall be replaced by “Act No. 11/2008 on Covered Bonds (as amended).”