

**SUPPLEMENT TO THE BASE PROSPECTUS DATED 27 APRIL 2021
THE DATE OF THIS SUPPLEMENT IS 6 OCTOBER 2021**



LANDSBANKINN HF.

(incorporated with limited liability in Iceland)

€ 2,000,000,000

Euro Medium Term Note Programme

This supplement (the “**Supplement**”) to the base prospectus dated 27 April 2021 (the “**Base Prospectus**”), constitutes a supplement for the purposes of Article 23 of Prospectus Regulation EU 2017/1129 (the “**Prospectus Regulation**”), as implemented in the Republic of Ireland by the Prospectus Regulations, and is prepared in relation to the €2,000,000,000 Euro Medium Term Note Programme (the “**Programme**”) of Landsbankinn hf. (the “**Bank**” or the “**Issuer**”).

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 Notes that are subject of this Supplement. Investors should make their own assessment as to the suitability of investing in the Notes.

Such approval relates only to the Notes 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 Bank accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Bank, 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.

This Supplement is and will be available on the website of Euronext Dublin at <https://live.euronext.com/> for a period of 12 months 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:

- (i) incorporate by reference into the Base Prospectus in the section entitled “*Documents Incorporated by Reference*” on page v of the Base Prospectus, the Bank’s Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2021, together with the independent auditor’s report of Condensed Consolidated Interim Financial Statements and the report of the Board of Directors and the CEO (the “**H1 2021 Interim Financial Statements**”);
- (ii) confirm that there has been no significant change in the financial position or financial performance of the Group since 30 June 2021 and that there has been no material adverse change in the prospects of the Bank since 31 December 2020;
- (iii) amend and update certain information contained in the section entitled “*Overview of the Programme*” in the Base Prospectus, including to reflect the changes made to the Terms and Conditions of the Notes;
- (iv) amend and update certain information contained in the section entitled “*Risk Factors*” in the Base Prospectus, including to reflect the changes made to the Terms and Conditions of the Notes;
- (v) amend and update certain information contained in the section entitled “*Applicable Final Terms*” in the Base Prospectus, including to reflect the changes made to the Terms and Conditions of the Notes;
- (vi) amend the Terms and Conditions of the Notes on pages 66 to 114 of the Base Prospectus to: (i) allow for the issuance of Senior Preferred Notes and Senior Non-Preferred Notes, and (ii) amend the status of the Subordinated Notes for all Subordinated Notes issued on or after 6 October 2021;
- (vii) update the section entitled “*Description of the Bank – Capital Adequacy*” on page 138 of the Base Prospectus;
- (viii) update the section entitled “*Description of the Bank – Litigation*” on page 139 of the Base Prospectus;
- (ix) update the section entitled “*General Information – Administrative, management, and supervisory bodies*” on pages 142 to 143 of the Base Prospectus; and
- (x) update the section entitled “*General Information – Litigation*” in the Base Prospectus on page 165 of the Base Prospectus.

(i) Documents incorporated by reference

By virtue of this Supplement, the H1 2021 Interim Financial Statements, together with the independent auditor’s report on Condensed Consolidated Interim Financial Statements and the report of the Board of Directors and the CEO, (<https://www.landsbankinn.is/uploads/documents/arsskyrsluguppjor/Consolidated-Financial-Report-H1-2021-EN.pdf>), which have previously been published on the website of the Issuer and have been filed with the Central Bank of Ireland, shall be incorporated in, and form part of, the Base Prospectus, at the section entitled “*Documents Incorporated by Reference*” on page v of the Base Prospectus.

(ii) No significant change and no material adverse change

The following wording shall replace the paragraphs in the section entitled “*General Information – Significant or Material Change*” on page 165 of the Base Prospectus:

“There has been no significant change in the financial position or financial performance of the Group since 30 June 2021, and there has been no material adverse change in the prospects of the Bank since 31 December 2020.”

(iii) **Amendments to the section entitled “Overview of the Programme”**

1. The section entitled “*Overview of the Programme – Redemption*” on page 11 of the Base Prospectus shall be deleted and replaced with the following:

“Redemption: The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than following a Tax Event (in the case of any Notes), following an Event of Default (in the case of Senior Preferred Notes where Unrestricted Events of Default is specified as being applicable), upon the occurrence of a Capital Event (in the case of Subordinated Notes, in respect of which Condition 5.3 is specified as being applicable in the applicable Final Terms) or upon the occurrence of an MREL Disqualification Event (in the case of Senior Preferred Notes and Senior Non-Preferred Notes, in respect of which Condition 5.3A is specified as being applicable in the applicable Final Terms), as the case may be) or that such Notes will be redeemable at the option of the Bank upon giving notice to the Noteholders on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Bank and the relevant Dealer. The Notes will only be redeemed at an amount other than 100 per cent. of their nominal amount in the case of certain Zero Coupon Notes.

No early redemption of the Senior Preferred Notes where Unrestricted Events of Default is specified as being not applicable, the Senior Non-Preferred Notes or the Subordinated Notes may take place without the prior written consent of the Relevant Regulator (if and to the extent such consent is required). See Condition 5.11.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution – see “*Certain Restrictions – Notes having a maturity of less than one year*” above.”

2. The sections entitled “*Overview of the Programme – Cross Default*”, “*Overview of the Programme – Status of the Notes*”, “*Overview of the Programme – Status of the Unsubordinated Notes*” and “*Overview of the Programme – Status of the Subordinated Notes*” on page 13 of the Base Prospectus shall be deleted and replaced with the following:

“Cross Default: Only the terms of Senior Preferred Notes where Unrestricted Events of Default is specified as being applicable will contain a cross default provision as further described in Condition 8.1.

Status of the Notes: The Notes may be issued on a senior preferred (“**Senior Preferred Notes**”), a senior non-preferred (“**Senior Non-Preferred Notes**”) or a subordinated (“**Subordinated Notes**”) basis, as described in Conditions 2.1, 2.2 and 2.3, respectively, and as specified in the applicable Final Terms.

Status of the Senior Preferred Notes: The Senior Preferred Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Bank and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Bank from time to time outstanding

and senior to any Senior Non-Preferred Liabilities of the Bank, from time to time outstanding.

In relation to obligations required to be preferred by law, current Icelandic law provides that, in the event that the Bank enters into winding-up proceedings pursuant to Article 101 of the Act on Financial Undertakings, No. 161/2002, the claims of the holders of the Senior Preferred Notes will be subordinated to the claims of all of the Bank's depositors.

Status of the Senior Non-Preferred Notes: The Senior Non-Preferred Notes will constitute direct, unconditional and unsecured obligations of the Bank and will at all times rank *pari passu* without any preference among themselves.

In the event of the liquidation or insolvency (in Icelandic: *slit eða gjaldþrot*) of the Bank, the rights of the Noteholders to payments on or in respect of the Senior Non-Preferred Notes shall rank:

- (i) *pari passu* without preference among themselves;
- (ii) *pari passu* with all other Senior Non-Preferred Liabilities of the Bank;
- (iii) senior to holders of all classes of share capital of the Bank and any subordinated obligations or other securities of the Bank which rank, or are expressed to rank, junior to the Senior Non-Preferred Liabilities of the Bank (including, without limitation, any Subordinated Notes); and
- (iv) junior to present or future claims of (a) depositors of the Bank and (b) other unsubordinated creditors of the Bank.

Status of the Subordinated Notes: The Subordinated Notes will constitute subordinated and unsecured obligations of the Bank and will at all times rank *pari passu* without any preference among themselves.

In the event of the liquidation or insolvency (in Icelandic: *slit eða gjaldþrot*) of the Bank, the rights of the Noteholders to payments on or in respect of the Subordinated Notes shall rank:

- (i) *pari passu* without preference among themselves;
- (ii) *pari passu* with present or future claims in respect of Parity Securities;
- (iii) in priority to any present or future claims in respect of Junior Securities; and
- (iv) junior to any present or future claims of Senior Creditors.

Subordinated Notes – Substitution or Variation: Where the applicable Final Terms specify that Condition 5.10 applies, if at any time a Capital Event (where Condition 5.3 is specified as being applicable in the applicable Final Terms) or a Tax Event occurs, or in order to ensure the effectiveness or enforceability of Condition 17, the Bank may, subject to the provisions of Condition 5.11 (if, and to the extent so required), either substitute all, but not some only, of the Subordinated Notes for, or vary their terms so that they remain, or, as appropriate, become,

Subordinated Qualifying Securities (as defined in Condition 5.10), as further provided in Condition 5.10.

Senior Preferred Notes and Senior Non-Preferred Notes – **Substitution or Variation:** Where the applicable Final Terms specify that Condition 5.10A applies, if at any time a MREL Disqualification Event (where Condition 5.3A is specified as being applicable in the applicable Final Terms) or a Tax Event occurs, or in order to ensure the effectiveness or enforceability of Condition 17, the Bank may, subject to the provisions of Condition 5.11 (if, and to the extent so required), either substitute all, but not some only, of the Senior Preferred Notes and Senior Non-Preferred Notes for, or vary their terms so that they remain, or, as appropriate, become, in the case of Senior Preferred Notes, Senior Preferred Qualifying Securities or, in the case of Senior Non-Preferred Notes, Senior Non-Preferred Qualifying Securities (as defined in Condition 5.10A), as the case may be, as further provided in Condition 5.10A.”

3. The section entitled “*Overview of the Programme – Governing Law*” on page 14 of the Base Prospectus shall be deleted and replaced with the following:

“Governing Law: The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law except for the provisions of Condition 2 which shall be governed by, and construed in accordance with, Icelandic law.”

(iv) **Amendments to the section entitled “Risk Factors”**

1. The last sentence of the first paragraph of the risk factor entitled “*The implementation of the BRRD in Iceland provides for a range of actions to be taken in relation to the relevant entity considered to be at risk of failing. The taking of any action under the BRRD as implemented in Iceland could materially affect the value of any Notes.*” on page 32 of the Base Prospectus shall be deleted and replaced with the following:

“The BRRD has been implemented into Icelandic law through Act 54/2018, amending the Act on Financial Undertaking, and Act No. 70/2020 on Recovery and Resolution of Credit Institutions, and more recently, by the Hierarchy of Claims Act (as defined herein) making further amendments to the Act on Financial Undertakings, the Recovery and Resolution Act and the Deposit Insurance and Insurance Schemes Act No. 98/1999.”

2. In the risk factor entitled “*The implementation of the BRRD in Iceland provides for a range of actions to be taken in relation to the relevant entity considered to be at risk of failing. The taking of any action under the BRRD as implemented in Iceland could materially affect the value of any Notes.*” on page 33 of the Base Prospectus, the paragraph beginning with “Any application of the general bail-in tool under the BRRD (as currently implemented)...” shall be deleted and replaced with the following:

“Any application of the general bail-in tool under the BRRD (as currently implemented) shall follow the hierarchy of claims in normal insolvency proceedings in Iceland. The BRRD has been implemented in Iceland with Act 54/2018 amending the Act on Financial Undertakings No. 161/2002, by Act 70/2020 on the Recovery and Resolution of Credit Institutions and Investment Firms, and more recently, by the Hierarchy of Claims Act making further amendments to the Act on Financial Undertakings, the Recovery and Resolution Act and the Deposit Insurance and Insurance Schemes

Act No. 98/1999. Under the Hierarchy of Claims Act, debt instruments that meet the following criteria will be considered as “senior non-preferred notes” (including Senior Non-Preferred Notes issued hereunder) and will rank lower than ordinary unsecured claims (including Senior Preferred Notes issued hereunder) in a winding up of the Bank: (i) the original contractual maturity of the debt instrument is of at least one year, (ii) the debt instruments contain no embedded derivatives and are not derivatives themselves, and (iii) the relevant contractual documentation, and, where applicable, the prospectus related to the issuance, explicitly refer to the lower ranking under the same paragraph. Moreover, all types of bank deposits will rank higher than ordinary unsecured claims. Under the Hierarchy of Claims Act: (i) any existing unsecured and unsubordinated notes of the Bank will rank *pari passu* with any Senior Preferred Notes of the Bank; and (ii) existing unsubordinated notes of the Bank and Senior Preferred Notes of the Bank will rank senior to any Senior Non-Preferred Notes of the Bank.”

3. The first sentence of the first paragraph of the risk factor entitled “*If the Bank has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*” on page 36 of the Base Prospectus shall be deleted and replaced with the following:

“An optional redemption feature of Notes including in the case of a Tax Event, (in respect of Subordinated Notes only, in respect of which Condition 5.3 is specified as being applicable in the applicable Final Terms) a Capital Event or (in respect of Senior Preferred Notes and Senior Non-Preferred Notes only, in respect of which Condition 5.3A is specified as being applicable in the applicable Final Terms) an MREL Disqualification Event is likely to limit their market value.”

4. The section entitled “*The Bank's obligations under Subordinated Notes are subordinated. An investor in Subordinated Notes assumes an enhanced risk of loss in the event of the Bank's insolvency*” on pages 41 to 43 of the Base Prospectus shall be deleted in its entirety and replaced with the following:

“Risks related to Subordinated Notes, Senior Preferred Notes and Senior Non-Preferred Notes
The claims of holders of Senior Preferred Notes and Senior Non-Preferred Notes will be subordinated to claims of the Bank's depositors in the event of a winding-up

In Iceland, Article 102 of the Act on Financial Undertakings provides that, should a financial institution holding bank deposits, such as the Bank, enter into winding-up proceedings pursuant to Article 101 of the Act on Financial Undertakings, then the claims of holders of senior unsecured unsubordinated debt would be subordinated to the claims of all of the Issuer’s depositors. Moreover, the Hierarchy of Claims Act was recently enacted into law by the Icelandic Parliament on 4 May 2021. The Hierarchy of Claims Act amends the Act on Financial Undertakings and introduces a new Article 85(a) to the Act on Recovery and Resolution which provides in part that, in a winding-up: (a) claims of certain types of the Bank’s depositors will have priority over other kinds of bank deposits (i.e. the inner ranking within deposits will change), but (b) all types of bank deposits will, as a group, rank higher than the claims of the Bank’s senior unsecured unsubordinated debt obligations. Hence, under current Icelandic law, the claims of holders of senior unsecured debt (which would include Senior Preferred Notes as well as Senior Non-Preferred Notes) are subordinated to the claims of all of the Bank’s depositors in a winding-up of the Bank. If a winding-up of the Bank were to occur, there may not be sufficient assets in the resulting estate to pay the claims of such Noteholders after the claims of depositors have been paid.

The Bank's obligations under Subordinated Notes will be unsecured and subordinated.

On a liquidation, dissolution or winding-up of, or analogous proceedings over the Bank by way of exercise of public authority (referred to herein as a “**winding-up of the Bank**”), all claims in respect of the Subordinated Notes will rank *pari passu* without any preference among themselves, at least

pari passu with present or future claims in respect of Parity Securities (as defined in Condition 2.4), in priority to any present or future claims in respect of Junior Securities (as defined in Condition 2.4) and junior to any present or future claims in respect of Senior Creditors (as defined in Condition 2.4). If, on a winding-up of the Bank, the assets of the Bank are insufficient to enable the Bank to repay the claims of the Senior Creditors in full, the Noteholders will lose their entire investment in the Subordinated Notes. If there are sufficient assets to enable the Bank to pay the claims of Senior Creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Subordinated Notes and all other claims of Parity Securities, Noteholders will lose some (which may be substantially all) of their investment in the Subordinated Notes.

There is no restriction on the amount of securities or other liabilities that the Bank may issue, incur or guarantee and which rank senior to, or *pari passu* with, the Subordinated Notes. The issue or guaranteeing of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Noteholders during a winding-up of the Bank and may limit the Bank's ability to meet its obligations under the Subordinated Notes.

Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a significant risk that an investor in such Notes will lose all or some of his or her investment should a winding-up of the Bank occur.

The Senior Non-Preferred Notes are a new class of securities and the Issuer's obligations under Senior Non-Preferred Notes rank junior to the Issuer's unsubordinated creditors

The Hierarchy of Claims Act introduces a new class of "senior non-preferred notes" that meet specified criteria, which class will, upon a credit institution's bankruptcy, rank junior to its senior unsubordinated debt obligations and rank senior to its subordinated notes as well as regulatory capital and common shares. As further set out in Condition 2.2 (Status of Senior Non-Preferred Notes), the Bank intends that its Senior Non-Preferred Notes will constitute part of this new, lower-ranking (un-preferred) 'senior' unsecured class, that will rank below its Senior Preferred Notes but ahead of the Subordinated Notes.

The Bank's obligations under the Senior Non-Preferred Notes are direct, unconditional and unsecured obligations of the Issuer.

In the event of the liquidation or insolvency (in Icelandic: *slit eða gjaldþrot*) of the Bank, the rights of the Noteholders to payments on or in respect of the Senior Non-Preferred Notes will rank *pari passu* without any preference among themselves, *pari passu* with all other Senior Non-Preferred Liabilities of the Bank (as defined in Condition 2.4), senior to holders of all classes of share capital of the Bank and any subordinated obligations or other securities of the Bank which rank, or are expressed to rank, junior to the Senior Non-Preferred Liabilities of the Bank (including, without limitation, any Subordinated Notes) and will rank junior to present or future claims of (a) depositors of the Bank and (b) other unsubordinated creditors of the Bank. If, on a winding-up of the Bank, the assets of the Bank are insufficient to enable the Bank to repay the claims of the unsubordinated creditors in full, the Noteholders will lose their entire investment in the Senior Non-Preferred Notes. If there are sufficient assets to enable the Bank to pay the claims of unsubordinated creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Senior Non-Preferred Notes or all other claims that rank *pari passu* with the Senior Non-Preferred Notes, holders of Senior Non-Preferred Notes will lose some (which may be substantially all) of their investment in the Senior Non-Preferred Notes.

Whilst Senior Non-Preferred Notes and Senior Preferred Notes both share the 'senior' designation under the programme, in an insolvency of the Bank the Senior Non-Preferred Notes will rank junior to the Senior Preferred Notes (which, in turn, rank junior to obligations of the Bank which are by law

given priority over the Senior Preferred Notes, such as bank deposits) and other unsecured and unsubordinated liabilities.

Moreover, there is no restriction on the amount of securities or other liabilities that the Bank may issue, incur or guarantee and which rank senior to, or *pari passu* with, the Senior Non-Preferred Notes. The issue or guaranteeing of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of Senior Non-Preferred Notes during a winding-up of the Bank and may limit the Bank's ability to meet its obligations under the Senior Non-Preferred Notes.

Although Senior Non-Preferred Notes may pay a higher rate of interest than comparable Notes which benefit from a preferential ranking, there is a significant risk that an investor in such Senior Non-Preferred Notes will lose all or some of his or her investment should a winding-up of the Bank occur.

Subordinated Notes may be subject to loss absorption on any application of the general bail-in tool or at the point of non-viability of the Bank

In addition to the application of the general bail-in tool to Subordinated Notes (see "*The implementation of the BRRD in Iceland provides for a range of actions to be taken in relation to the relevant entity considered to be at risk of failing. The taking of any action under the BRRD as implemented in Iceland could materially affect the value of any Notes*"), the BRRD contemplates that Subordinated Notes that qualify as Tier 2 Capital may be subject to non-viability loss absorption. As a result, resolution authorities may require the permanent write-down of capital instruments such as Subordinated Notes (which write-down may be in full) or the conversion of them into equity capital at the point of non-viability and before any other resolution action is taken.

While any such write-down or conversion pursuant to non-viability loss absorption under the BRRD shall be in accordance with the hierarchy of claims in normal insolvency proceedings, even if grounds for compensation could be established, compensation may not be available under the BRRD to any holders of capital instruments subject to any write-down or conversion and even if available would only take the form of shares in the Bank.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution (or the group, as the case may be) meets the conditions for resolution or will no longer be viable unless the relevant capital instruments (such as the Subordinated Notes that qualify as Tier 2 Capital) are written-down or converted into equity or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution (or the group, as the case may be) would no longer be viable.

The application of the general bail-in tool or any non-viability loss absorption measure pursuant to any applicable statutory loss absorption regime (including the BRRD) may result in Noteholders losing some or all of their investment. The exercise of any such power or any suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of Subordinated Notes that qualify as Tier 2 Capital issued under the Programme and/or the ability of the Bank to satisfy its obligations under such Subordinated Notes.

There are limited enforcement events in relation to Subordinated Notes, Senior Non-Preferred Notes and certain Senior Preferred Notes

Each Series of Senior Non-Preferred Notes, Subordinated Notes and Senior Preferred Notes (where Unrestricted Events of Default is specified as being not applicable in the applicable Final Terms) will contain limited enforcement events relating to:

- (i) non-payment by the Bank of any amounts due under the relevant Series of Notes. In such circumstances, as described in more detail in Condition 8.2, a Noteholder may institute proceedings in Iceland in order to recover the amounts due from the Bank to such Noteholder; and
- (ii) the liquidation or bankruptcy of the Bank. In such circumstances, as described in more detail in Condition 8.2, the relevant Series of Notes will become due and payable at their outstanding principal amount, together with accrued interest thereon.

A holder of such Notes may not itself file for the liquidation or bankruptcy of the Bank. As such, the remedies available to holders of Senior Non-Preferred Notes, Subordinated Notes and Senior Preferred Notes (where Unrestricted Events of Default is specified as being not applicable in the applicable Final Terms) are limited, which may make it more difficult for such Noteholders to take enforcement action against the Bank.

Call options are subject to the prior consent of the Relevant Regulator (if such consent is required)

The Notes may also contain provisions allowing the Bank to call them. In the case of Subordinated Notes, such call option may only be available after a minimum period of, for example, five years after the issuance date of the Subordinated Notes. To exercise such a call option, the Bank must obtain prior written consent of the Relevant Regulator (as defined in the Terms and Conditions of the Notes), if and to the extent then required by the Relevant Regulator, as provided in Condition 5.11.

Holders of the Notes have no rights to call for the redemption of the Notes and should not invest in such Notes in the expectation that such a call will be exercised by the Bank. Where applicable, the Relevant Regulator must agree to permit such a call, based upon its evaluation of the regulatory capital position of the Bank and certain other facts at the relevant time. There can be no assurance that the Relevant Regulator will permit such a call. Holders of the Notes should be aware that they may be required to bear the financial risks of an investment in the Notes for a period of time in excess of the minimum period. See also “*If the Bank has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*” above.

In certain circumstances, the Bank can substitute or vary the terms of Notes

Where the applicable Final Terms specify that Condition 5.10 (in the case of Subordinated Notes) or Condition 5.10A (in the case of Senior Preferred Notes and Senior Non-Preferred Notes) applies, if at any time a Capital Event (in the case of Subordinated Notes, in respect of which Condition 5.3 is specified as being applicable in the applicable Final Terms), an MREL Disqualification Event (in the case of Senior Preferred Notes and Senior Non-Preferred Notes, in respect of which Condition 5.3A is specified as being applicable in the applicable Final Terms) or a Tax Event (in any case) occurs, or in order to ensure the effectiveness and enforceability of Condition 17, the Bank may, subject to obtaining the prior written consent of the Relevant Regulator (if such consent is required), but without the requirement for the consent or approval of the Noteholders, either substitute all, but not some only, of the relevant Notes for, or vary the terms of the relevant Notes, as the case may be, so that they remain or, as appropriate, become, in the case of Subordinated Notes, Subordinated Qualifying Securities (as defined in Condition 5.10), in the case of Senior Non-Preferred Notes, Senior Non-Preferred Qualifying Securities (as defined in Condition 5.10A) or, in the case of Senior Preferred Notes, Senior Preferred Qualifying Securities (as defined in Condition 5.10A), as the case may be, as further provided in Condition 5.10 and Condition 5.10A (as applicable). The terms and conditions of such substituted or varied Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, as the case may be, may contain one or more provisions that are substantially different from the terms and conditions of the original Senior Preferred Notes, Senior Non-Preferred Notes or

Subordinated Notes, as the case may be, provided that the relevant Senior Preferred Notes, the relevant Senior Non-Preferred Notes or the relevant Subordinated Notes remain or, as appropriate, become, in the case of Senior Preferred Notes, Senior Preferred Qualifying Securities, in the case of Senior Non-Preferred Notes, Senior Non-Preferred Qualifying Securities or, in the case of Subordinated Notes, Qualifying Securities, as the case may be, in accordance with the Terms and Conditions of the Notes. While the Bank cannot make changes to the terms of the Notes that, in its reasonable opinion, are materially less favourable to the holders of the relevant Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, as the case may be, as a class, no assurance can be given as to whether any of these changes will negatively affect any Noteholder. In addition, the tax and stamp duty consequences of holding or disposing of such substituted or varied Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, as the case may be, could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding or disposing of the Senior Preferred Notes, Senior Non-Preferred Notes or Subordinated Notes, as the case may be, prior to such substitution or variation.

If the Bank has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

At any time upon the occurrence of a Tax Event pursuant to Condition 5.2, a Capital Event pursuant to Condition 5.3 (in the case of Subordinated Notes, to the extent specified as applicable in the applicable Final Terms), an MREL Disqualification Event pursuant to Condition 5.3A (in the case of Senior Preferred Notes and Senior Non-Preferred Notes, to the extent specified as applicable in the applicable Final Terms), on an Optional Redemption Date pursuant to Condition 5.4 or on an Optional Clean-up Redemption Date pursuant to Condition 5.6, the Notes may be redeemed (if applicable) at the option of the Bank at their principal amount, as more particularly described in the Terms and Conditions of the Notes. Such an optional redemption feature is likely to limit the market value of the Notes. During any period when the Bank may elect to redeem the relevant Notes, or during any period when Noteholders perceive that the Bank may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. In particular, with respect to the Clean-up Redemption Option by the Bank pursuant to Condition 5.6, there is no obligation under such Condition 5.6 nor under any of the Terms and Conditions of the Notes for the Bank to inform Noteholders if and when the threshold of 80 per cent. of the initial aggregate principal amount of a particular Series of Notes has been redeemed or purchased by, or on behalf of, the Bank or any of its subsidiaries is reached, or is about to be reached, and the Bank's right to redeem will exist notwithstanding that immediately prior to the serving of a notice in respect of the exercise of the Clean-up Redemption Option the Notes may have been trading significantly above par, thus potentially resulting in a loss of capital invested.

The Issuer may elect to exercise its option to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The obligation of the Issuer to pay additional amounts in respect of any withholding or deduction of taxes is limited to payments of interest under the Notes

The obligation of the Issuer to pay additional amounts in respect of any withholding or deduction of taxes imposed under the laws of Iceland under the Conditions apply only to payments of interest and not to payments of principal due under the Notes. As such, the Issuer is not required to pay any

additional amounts under Condition 6 of the Terms and Conditions of the Notes to the extent any withholding or deduction applies to payments of principal under the Notes. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Notes, the holders of such Notes may receive less than the full amount due thereunder. There is some risk under Icelandic law that withholding or deduction in respect of principal could apply on account of any currency gains deemed to have arisen when such principal is measured in ISK.

(v) **Amendments to the section entitled “Applicable Final Terms”**

Paragraph 12 of the Applicable Final Terms on page 55 of the Base Prospectus shall be deleted in its entirety and replaced with the following:

- “12. (a) Status of the Notes: [Senior Preferred/Senior Non-Preferred/Subordinated]
- (If Subordinated Notes include:)*
- (i) Redemption upon occurrence of Capital Event: [Applicable – Condition 5.3 applies/Not Applicable]
- (ii) Substitution or variation: [Applicable – Condition 5.10 applies/Not Applicable]
- (If Senior Preferred Notes or Senior Non-Preferred Notes include:)*
- (i) Redemption upon occurrence of a MREL Disqualification Event: [Applicable – Condition 5.3A applies/Not Applicable]
- (ii) Substitution or variation: [Applicable – Condition 5.10A applies/Not Applicable]”
- (If Senior Preferred Notes include:)*
- (i) Unrestricted Events of Default: [Applicable – Condition 8.1 applies/Not Applicable – Condition 8.2 applies]

(vi) **Amendments to the section entitled “Terms and Conditions of the Notes”**

1. Condition 2 (“*Status of the Notes*”) on page 68 of the Base Prospectus shall be deleted and replaced with the following:

“2 STATUS OF THE NOTES

2.1 Status of the Senior Preferred Notes

This Condition 2.1 applies only to Senior Preferred Notes and references to “Notes” and “Noteholders” in this Condition shall be construed accordingly.

- (a) The Notes and any relative Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Bank and rank *pari passu* without any preference among themselves.
- (b) In the event of the liquidation or insolvency (in Icelandic: *slit eða gjaldþrot*) of the Bank, the rights of the Noteholders to payments on or in respect of the Notes shall rank:

- (i) (subject to such mandatory exceptions as are from time to time applicable under Icelandic law) at least *pari passu* with all other unsecured obligations (other than subordinated obligations, if any) of the Bank from time to time outstanding; and
- (ii) senior to any Senior Non-Preferred Liabilities of the Bank.

2.2 Status of the Senior Non-Preferred Notes

This Condition 2.2 applies only to Senior Non-Preferred Notes and references to “Notes” and “Noteholders” in this Condition shall be construed accordingly.

- (a) The Notes and any relative Coupons are direct, unconditional and unsecured obligations of the Bank and rank *pari passu* without any preference among themselves. The Notes are subordinated as described in Condition 2.2(b).
- (b) In the event of the liquidation or insolvency (in Icelandic: *slit eða gjaldþrot*) of the Bank, the rights of the Noteholders to payments on or in respect of the Notes shall rank:
 - (i) *pari passu* without preference among themselves;
 - (ii) *pari passu* with all other Senior Non-Preferred Liabilities of the Bank;
 - (iii) senior to holders of all classes of share capital of the Bank and any subordinated obligations or other securities of the Bank which rank, or are expressed to rank, junior to the Senior Non-Preferred Liabilities of the Bank (including, without limitation, any Subordinated Notes); and
 - (iv) junior to present or future claims of (a) depositors of the Bank and (b) other unsubordinated creditors of the Bank.

2.3 Status of the Subordinated Notes

This Condition 2.3 applies only to Subordinated Notes and references to “Notes” and “Noteholders” in this Condition shall be construed accordingly.

- (a) The Notes and any relative Coupons are subordinated and unsecured obligations of the Bank and rank *pari passu* without any preference among themselves. The Notes are subordinated as described in Condition 2.3(b).
- (b) In the event of the liquidation or insolvency (in Icelandic: *slit eða gjaldþrot*) of the Bank, the rights of the Noteholders to payments on or in respect of the Notes shall rank:
 - (i) *pari passu* without preference among themselves;
 - (ii) *pari passu* with present or future claims in respect of Parity Securities;
 - (iii) in priority to any present or future claims in respect of Junior Securities; and
 - (iv) junior to any present or future claims of Senior Creditors.

2.4 Definitions

In the Conditions, the following expressions shall have the following meanings:

“**Applicable MREL Regulations**” means, at any time, the laws, regulations, requirements, guidelines and policies then in effect in Iceland and applicable to the Bank and/or the Group giving effect to any MREL Requirement or any successor regulations then applicable to the Bank and/or the Group, as the case may be, including, without limitation to the generality of the foregoing, CRD and the BRRD (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Bank and/or the Group, as the case may be);

“**BRRD**” means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as the same may be amended or replaced from time to time;

“**CRD**” means the legislative package consisting of the CRD Directive and CRR and any CRD Implementing Measures;

“**CRD Directive**” means Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as the same may be amended or replaced from time to time;

“**CRD Implementing Measures**” means any regulatory capital rules or regulations, or other requirements, which are applicable to the Bank and/or the Group, as the case may be, and which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Bank and/or the Group, as the case may be, (on a non-consolidated or consolidated basis) to the extent required by the CRD Directive or the CRR, including for the avoidance of doubt any regulatory technical standards released by the European Banking Authority (or any successor or replacement thereof);

“**CRR**” means Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as the same may be amended or replaced from time to time);

“**FSA**” means the Financial Supervisory Authority of the Central Bank of Iceland or such other agency of Iceland which assumes or performs the functions which are performed by such authority;

“**Hierarchy of Claims Act**” means Act No. 38/2021, which amended Act No. 70/2020 on Recovery and Resolution of Credit Institutions and Investment Firms, and was passed by the Icelandic Parliament on 4 May 2021 and subsequently enacted into law;

“**Junior Securities**” means all classes of share capital of the Bank and any present or future obligations of the Bank which rank, or are expressed to rank, junior to the Subordinated Notes;

“**MREL Requirement**” means the minimum requirement for own funds and eligible liabilities which is or, as the case may be, will be applicable to the Bank and/or the Group, as the case may be;

“**Parity Securities**” means any present or future instruments issued by the Bank which were eligible to be recognised as Tier 2 Capital at the time of issue by the Relevant Regulator, any guarantee, indemnity or other contractual support

arrangement entered into by the Bank in respect of securities (regardless of name or designation) issued by a Subsidiary of the Bank which were eligible to be recognised as Tier 2 Capital at the time of issue and any instruments issued, and subordinated guarantees, indemnities or other contractual support arrangements entered into by the Bank which rank, or are expressed to rank, *pari passu* therewith, but, in each case, excluding Junior Securities;

“**Relevant Regulator**” means (to the extent applicable to the relevant Notes at the relevant time) (i) (in respect of the Subordinated Notes) the FSA and (ii) (in respect of the Senior Preferred Notes and the Senior Non-Preferred Notes) the Relevant Resolution Authority and/or such other authority tasked with matters relating to the qualification of securities of the Bank and/or the Group, as the case may be, under the Applicable MREL Regulations;

“**Senior Creditors**” means (a) the depositors of the Bank; (b) other unsubordinated creditors of the Bank; and (c) subordinated creditors of the Bank in respect of any present or future obligation of the Bank which by its terms is, or is expressed to be, subordinated in the event of liquidation, dissolution, winding-up of, or analogous proceedings over the Bank, by way of exercise of public authority, to the claims of depositors and all other unsubordinated creditors of the Bank, but which rank or are expressed to rank senior to Parity Securities and Junior Securities (including, without limitation, creditors in respect of Senior Non-Preferred Liabilities of the Bank);

“**Senior Non-Preferred Liabilities**” means liabilities having Senior Non-Preferred Ranking;

“**Senior Non-Preferred Notes**” means Notes where the Status of the Notes is specified in the applicable Final Terms as “Senior Non-Preferred”;

“**Senior Non-Preferred Ranking**” means the ranking for senior non-preferred notes or senior non-preferred debt instruments as described in Article 85 (a) of Act No. 70/2020 on Recovery and Resolution of Credit Institutions and Investment Firms, as amended by the Hierarchy of Claims Act, that expressly provides that upon the insolvency of a financial institution regulated under Act No. 70/2020 on Recovery and Resolution of Credit Institutions and Investment Firms that such senior non-preferred notes or senior non-preferred debt instruments will rank below other unsubordinated and unsecured liabilities with higher priority ranking of the financial institution; and in addition, with respect to Senior Non-Preferred Liabilities that constitute Senior Non-Preferred Notes, the ranking set forth in Condition 2.2;

“**Senior Preferred Notes**” means Notes where the Status of the Notes is specified in the applicable Final Terms as “Senior Preferred”;

“**Subordinated Notes**” means Notes where the Status of the Notes is specified in the applicable Final Terms as “Subordinated”; and

“**Tier 2 Capital**” means Tier 2 capital as described in Article 84(c) of the Act on Financial Undertakings No 161/2002, and any secondary legislation adopted on the basis of that act, as amended or replaced.

2.5 Set-Off

This Condition 2.5 applies only to Senior Preferred Notes where Unrestricted Events of Default is specified as being not applicable, Senior Non-Preferred Notes and

Subordinated Notes and references to “Notes” and “Noteholders” in this Condition shall be construed accordingly.

Subject to applicable law, no claims in respect of any Note held by a Noteholder may be set-off, or be the subject of a counterclaim, by the relevant Noteholder against or in respect of any of its obligations to the Bank or any other person and each Noteholder waives, and shall be treated for all purposes as if it had waived, any right that it might otherwise have to set-off, or to raise by way of counterclaim, any of its claims in respect of any Note, against or in respect of any of its obligations to the Bank or any other person. If, notwithstanding the preceding sentence, any Noteholder receives or recovers any sum or the benefit of any sum in respect of such Note by virtue of such set-off or counterclaim, it shall hold the same on trust for the Bank and shall pay the amount thereof to the Bank or, in the event of the liquidation or insolvency (in Icelandic: *slit eða gjaldþrot*) of the Bank, to the liquidator of the Bank, to be held on trust for the Senior Creditors.”

2. In Condition 3.6 (“*Effect of Benchmark Transition Event*”) on page 95 of the Base Prospectus, the paragraph beginning with “Notwithstanding the foregoing provisions in this Condition 3.6 (*Effect of Benchmark Transition Event*), no Benchmark Replacement...” shall be deleted and replaced with the following:

“Notwithstanding the foregoing provisions in this Condition 3.6 (*Effect of Benchmark Transition Event*), no Benchmark Replacement will be adopted if and to the extent that the Issuer determines, in its sole discretion, that such Benchmark Replacement prejudices, or could reasonably be expected to prejudice, after the application of the applicable Benchmark Replacement Adjustment, the Benchmark Replacement Conforming Changes and the further decisions and determinations as described below, (in the case of Senior Preferred Notes or Senior Non-Preferred Notes) the qualification of the Notes as MREL Eligible Liabilities or result in the Relevant Regulator treating the next Interest Payment Date as the effective maturity of the Notes, rather than the relevant Maturity Date or (in the case of Subordinated Notes) the qualification of the Notes as Tier 2 Capital.”

3. In Condition 3.6 (“*Effect of Benchmark Transition Event*”) on page 97 of the Base Prospectus, the following definition shall be inserted after the definition of “ISDA Fallback Rate”:

“**MREL Eligible Liabilities**” means “eligible liabilities” (or any equivalent or successor term) which are available to meet any MREL Requirement (however called or defined by the Applicable MREL Regulations) of the Bank and/or the Group, as the case may be, under the Applicable MREL Regulations;”

4. In Condition 5.2 (“*Redemption for tax reasons*”) on page 101 of the Base Prospectus, the words “(in the case of Subordinated Notes only)” in the first line shall be deleted and replaced with “(in the case of Senior Preferred Notes where Unrestricted Events of Default is specified as being not applicable, Senior Non-Preferred Notes or Subordinated Notes only)”.

5. In Condition 5.2(a) (“*Redemption for tax reasons*”) on page 101 of the Base Prospectus, the final paragraph shall be deleted and replaced with the following:

“in each case, as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 6) or any change in the application or official interpretation of

such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and”

6. The following new Condition 5.3A shall be inserted after Condition 5.3 (“*Redemption upon a Capital Event – Subordinated Notes*”):

“5.3A Redemption upon a MREL Disqualification Event – Senior Preferred Notes and Senior Non-Preferred Notes

This Condition 5.3A applies only to Senior Preferred Notes and Senior Non-Preferred Notes in relation to which this Condition 5.3A is specified as being applicable in the applicable Final Terms, and references to “Notes” and “Noteholders” in this Condition shall be construed accordingly.

Subject to the provisions of Condition 5.11, the Notes may, save as provided below, be redeemed at the option of the Bank, in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days’ notice (which notice shall be irrevocable) to the Fiscal Agent and, in accordance with Condition 12, the Noteholders, if a MREL Disqualification Event occurs.

Prior to the publication of any notice of redemption pursuant to this Condition, the Bank shall deliver to the Fiscal Agent, a certificate signed by two directors of the Bank stating that the Bank is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Bank so to redeem have occurred.

Notes redeemed pursuant to this Condition 5.3A will be redeemed at their Early Redemption Amount referred to in Condition 5.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In the Conditions, “**MREL Disqualification Event**” means the determination by the Bank that, as a result of a change in any Applicable MREL Regulations becoming effective on or after the Issue Date of the last Tranche of the Notes, the Notes will be fully excluded or partially excluded from the “eligible liabilities” (or any equivalent or successor term) available to meet any MREL Requirement (however called or defined by then Applicable MREL Regulations) if the Bank and/or the Group is then or, as the case may be, will be subject to such MREL Requirement; provided that a MREL Disqualification Event shall not occur where such exclusion is or will be caused by (i) the remaining maturity of the Notes being less than any period prescribed by any applicable eligibility criteria under the Applicable MREL Regulations, (ii) the Notes being bought back by or on behalf of the Bank or (iii) any applicable limits on the amount of “eligible liabilities” (or any equivalent or successor term) permitted or allowed to meet any MREL Requirement(s) being exceeded.”

7. In Condition 5.4 (“*Redemption at the option of the Bank (“Issuer Call”)*”) on page 102 of the Base Prospectus, the words “, in the case of Subordinated Notes,” in the first line shall be deleted and replaced with “in the case of Senior Preferred Notes where Unrestricted Events of Default is specified as being not applicable, Senior Non-Preferred Notes or Subordinated Notes,”.
8. In Condition 5.5 (“*Early Redemption Amounts*”) on page 103 of the Base Prospectus, the words “For the purpose of Condition 5.2, Condition 5.3 and Condition 8...” in the first line shall be deleted and replaced with the following:

“For the purpose of Condition 5.2, Condition 5.3, Condition 5.3A and Condition 8...”

9. In Condition 5.6 (“*Clean-Up Redemption Option*”) on page 103 of the Base Prospectus, the words “If a Clean-up Redemption Option is specified...” in the first line shall be deleted and replaced with the following:

“Subject to the provisions of Condition 5.11, if a Clean-up Redemption Option is specified...”

10. Condition 5.7 (“*Purchases*”) on page 104 of the Base Prospectus shall be deleted and replaced with the following:

“Subject to the provisions of Condition 5.11, the Bank or any Subsidiary of the Bank may purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Bank, surrendered to any Paying Agent for cancellation.”

11. In Condition 5.9 (“*Late payment on Zero Coupon Notes*”) on page 104 of the Base Prospectus, the words “If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 5.1, 5.2 or 5.3 above...” in the first line shall be deleted and replaced with the following:

“If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 5.1, 5.2, 5.3 or 5.3A above...”

12. In Condition 5.10 (“*Substitution or Variation – Subordinated Notes*”) on page 104 of the Base Prospectus, the words “Capital Event” shall be deleted and replaced with “Capital Event (to the extent Condition 5.3 is specified as applicable in the applicable Final Terms)”.

13. The following new Condition 5.10A shall be inserted after Condition 5.10 (“*Substitution or Variation – Subordinated Notes*”) on page 104 of the Base Prospectus:

“5.10A Substitution or Variation – Senior Preferred Notes and Senior Non-Preferred Notes

This Condition 5.10A applies only to Senior Preferred Notes and Senior Non-Preferred Notes and “Notes” and “Noteholders” in this Condition shall be construed accordingly.

If Condition 5.10A is specified as being applicable in the applicable Final Terms and at any time a MREL Disqualification Event (to the extent Condition 5.3A is specified as applicable in the applicable Final Terms) or a Tax Event occurs, or in order to ensure the effectiveness and enforceability of Condition 17, subject to the provisions of Condition 5.11, the Bank may, having given not less than 30 nor more than 60 days’ notice (which notice shall be irrevocable) to the Fiscal Agent and, in accordance with Condition 12, the Noteholders, either substitute all, but not some only, of the Notes for, or vary the terms of the Notes so that they remain, or, as appropriate, become, in the case of Senior Preferred Notes, Senior Preferred Qualifying Securities (as defined below), or, in the case of Senior Non-Preferred Notes, Senior Non-Preferred Qualifying Securities (as defined below), as the case may be.

Prior to the publication of any notice of substitution or variation pursuant to this Condition, the Bank shall deliver to the Fiscal Agent, a certificate signed by two Directors of the Bank stating that the Bank is entitled to effect such substitution or variation and setting forth a statement of facts showing that the conditions precedent to the right of the Bank so to substitute or, as the case may be, vary the terms of the Notes, have occurred.

In the Conditions, the following expressions shall have the following meanings:

“**Senior Non-Preferred Qualifying Securities**” means securities issued directly or indirectly by the Bank that:

- (a) have terms (other than in respect of the effectiveness and enforceability of Condition 17) not materially less favourable to the Noteholders as a class than the terms of the Notes (as reasonably determined by the Bank) and, subject thereto, they shall (i) have a ranking at least equal to that of the Notes prior to the relevant substitution or variation, as the case may be; (ii) have the same interest rate and the same Interest Payment Dates as those from time to time applying to the Notes prior to the relevant substitution or variation, as the case may be; (iii) have the same redemption rights as the Notes prior to the relevant substitution or variation, as the case may be; (iv) comply with the then current requirements in relation to “eligible liabilities” (or any equivalent successor term) provided for in the Applicable MREL Regulations; (v) preserve any existing rights under the Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation, as the case may be, or, if none, the Interest Commencement Date, and (vi) where Notes which have been substituted or varied had a published and solicited rating from a Rating Agency immediately prior to such substitution or variation, each such Rating Agency has ascribed, or announced its intention to ascribe, an equal or higher published and solicited rating to the relevant Senior Non-Preferred Qualifying Securities; and
- (b) are listed on a recognised stock exchange, if the Notes were listed immediately prior to such substitution or variation, as selected by the Bank; and

“**Senior Preferred Qualifying Securities**” means securities issued directly or indirectly by the Bank that:

- (a) have terms (other than in respect of the effectiveness and enforceability of Condition 17) not materially less favourable to the Noteholders as a class than the terms of the Notes (as reasonably determined by the Bank) and, subject thereto, they shall (i) have a ranking at least equal to that of the Notes prior to the relevant substitution or variation, as the case may be; (ii) have the same interest rate and the same Interest Payment Dates as those from time to time applying to the Notes prior to the relevant substitution or variation, as the case may be; (iii) have the same redemption rights as the Notes prior to the relevant substitution or variation, as the case may be; (iv) comply with the then current requirements in relation to “eligible liabilities” (or any equivalent or successor term) provided for in the Applicable MREL Regulations; (v) preserve any existing rights under the Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation, as the case may be, or, if none, the Interest Commencement Date, and (vi) where Notes which have been substituted or varied had a published and solicited rating from a Rating Agency immediately prior to such substitution or variation, each such Rating Agency has ascribed, or announced its intention to ascribe, an equal or higher published and solicited rating to the relevant Senior Preferred Qualifying Securities; and
- (b) are listed on a recognised stock exchange, if the Notes were listed immediately prior to such substitution or variation, as selected by the Bank.”

14. Condition 5.11 (“*Consent of the FSA*”) on page 105 of the Base Prospectus shall be deleted and replaced with the following:

“5.11 Consent of the Relevant Regulator

In the case of Subordinated Notes, no early redemption in any circumstances, purchase under Condition 5.7 or substitution or variation under Condition 5.10, shall take place without the

prior written consent of the Relevant Regulator (if, and to the extent then required, by the Relevant Regulator). For the avoidance of doubt, redemption of Subordinated Notes under Condition 5.1 shall not require the consent of the Relevant Regulator.

In the case of Senior Preferred Notes (where Unrestricted Events of Default is specified as being not applicable) and Senior Non-Preferred Notes, no early redemption in any circumstances, purchase under Condition 5.7 or substitution or variation under Condition 5.10A, shall take place without the prior written consent of the Relevant Regulator (if and to the extent then required by the Applicable Banking Regulations). For the avoidance of doubt, redemption of Senior Preferred Notes and Senior Non-Preferred Notes under Condition 5.1 shall not require the consent of the Relevant Regulator.”

15. In Condition 6 (“*Taxation*”) on page 106 of the Base Prospectus, the final paragraph shall be deleted and replaced with the following:

“Notwithstanding the foregoing, the payment of any additional amounts by the Issuer will be limited to payments of interest only.”

16. In Condition 8.1 (“*Events of Default and Enforcement Events*”) on page 106 of the Base Prospectus, the title and first paragraph shall be deleted and replaced with the following:

“8.1 Events of Default relating to Senior Preferred Notes, where applicable

This Condition 8.1 shall apply only to Senior Preferred Notes where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms and references to “Notes” and “Noteholders” in this Condition 8.1 shall be construed accordingly. If any one or more of the following events (each an “**Event of Default**”) shall occur and be continuing:”

17. In Condition 8.2 (“*Enforcement Events – Subordinated Notes*”) on page 109 of the Base Prospectus, the title and first paragraph shall be deleted and replaced with the following:

“8.2 Enforcement Events – Senior Non-Preferred Notes, Subordinated Notes and Senior Preferred Notes, where applicable

This Condition 8.2 applies only to Senior Non-Preferred Notes, Subordinated Notes and Senior Preferred Notes where Unrestricted Events of Default is specified as being not applicable in the applicable Final Terms, and references to “Notes” and “Noteholders” in this Condition shall be construed accordingly.”

18. In Condition 13 (“*Meetings of Noteholders and Modification*”) on page 111 of the Base Prospectus, the term “FSA” in the final paragraph shall be deleted and replaced with the words “Relevant Regulator (if and to the extent required by the Applicable Banking Regulations)”.

19. In Condition 16.1 (“*Governing Law*”) on page 112 of the Base Prospectus, the words “Condition 2.2 and Condition 2.3 which shall, in each case,” shall be deleted and replaced with “Condition 2 which shall”.

(vii) Capital Adequacy

In the section entitled “*Description of the Bank – Capital Adequacy*” on page 138 of the Base Prospectus, the paragraph beginning with “One of the measures taken by the Central Bank in March 2020...” shall be deleted and replaced with the following:

“One of the measures taken by the Central Bank in March 2020 to deal with the expected impact of the COVID-19 pandemic was to lower the countercyclical capital buffer to zero, resulting in lower combined buffer requirements and total capital requirements. The Group’s Total Capital Requirement is reduced from 20.5 per cent. to 18.8 per cent. as a result of this reduction of the countercyclical capital buffer. In September

2021 the Central Bank decided to increase the countercyclical capital buffer from 0 to 2 per cent. The increase does not take effect until 27 September 2022, in accordance with the rules that apply to the countercyclical capital buffer.”

(viii) Litigation

1. In the section entitled “*Description of the Bank – Litigation*” on page 139 of the Base Prospectus, the following shall be inserted after the paragraph beginning with “The Bank and its subsidiaries are from time-to-time party to litigation cases,...”:

“In September 2021, an individual commenced litigation against the Bank claiming that a provision in a mortgage credit agreement issued in 2006 be deemed illegal and void as it does not specify under which conditions changes are made to the interest rate, as allegedly required by the consumer credit legislation applicable at the time. The plaintiff demands that interests be recalculated, either in accordance with Article 4 of the Act No. 38/2001 on Interest Rates and Price Indexation or in accordance with the initial interest rate. The Bank requests the dismissal of the case.

In August 2021, a former owner of a payment card company brought a case against the Bank and other financial institutions claiming tort liability in the amount of around ISK 923 million, plus interest, due to an alleged breach of competition rules in the determination of payment card interchange fees. This is the sixth case that has been brought before the courts for this purpose, but all previous cases have been dismissed. In September 2021 the District Court of Reykjavik decided that the plaintiff is to put up a surety for the payment of legal costs. The Bank rejects all claims of the plaintiff.”

2. In the section entitled “*Description of the Bank – Litigation*” on page 139 of the Base Prospectus, the paragraph beginning with “In April 2020, a former owner of a payment card company brought a case against...” shall be deleted and replaced with the following:

“In April 2020, a former owner of a payment card company brought a case against the Bank and certain other financial institutions claiming tort liability in the amount of around ISK 923 million, plus interest, due to an alleged breach of competition rules in the determination of payment card interchange fees. This was the fifth case that had been brought before the courts for this purpose, but all previous cases had been dismissed. The Bank claimed the case should again be dismissed and rejected all claims of the plaintiff. In November 2020 the District Court of Reykjavik (the “**District Court**”) dismissed the case on grounds of insufficient substantiation. On 26 March 2021 the Appeal Court, Landsréttur, confirmed the ruling of the District Court. In August 2021, the same plaintiff brought yet a new case on the matter against the same defendants. In September 2021 the District Court decided that the plaintiff is to put up a surety for the payment of legal costs. The Bank rejects all claims of the plaintiff and requests the dismissal of the case.”

(ix) Administrative, management, and supervisory bodies

As of the date hereof, the Senior Management and Directors of the Bank, their functions and their principal outside activities (if any) are as follows and the list of the Senior Management and Directors of the Bank on page 142 and page 143 of the Base Prospectus shall be deleted and replaced with the following:

<u>“Name</u>	<u>Function</u>	<u>Principal Outside Activities</u>
Senior Management		
Ms. Lilja Björk Einarsdóttir	CEO	Member of the executive board and the board of SA Confederation of Icelandic Enterprise. Board member of Icelandic Financial Services Association,

“Name	Function	Principal Outside Activities
		Háskólasjóður Eimskipafélags Íslands and Viðskiptaráð (e. The Iceland Chamber of Commerce).
Mr. Arinbjörn Ólafsson	Managing Director of Information Technology (“IT”)	Board member of Flygildi ehf., Aðgerðarannsóknafélag Íslands, Motus ehf. and Greiðslumiðlun Íslands ehf.
Mr. Árni Þór Þorbjörnsson	Managing Director of Corporate Banking	Board member of Motus ehf. and Greiðslumiðlun Íslands ehf.
Mr. Bergsteinn Ó. Einarsson	Managing Director of Risk Management	N/A
Mr. Helgi Teitur Helgason	Managing Director of Personal Banking	N/A
Mr. Hreiðar Bjarnason	Managing Director of Finance (“CFO”) and deputy CEO	N/A
Board of Directors		
Ms. Helga Björk Eiríksdóttir	Chairman	General Manager and Board Member of Integrum ehf. Board Member of Budz Boot Camp ehf. General Manager and Alternate Board Member of Förlí ehf.
Ms. Berglind Svavarsdóttir	Board Member	Attorney and partner at Reykjavík Law Firm. Chairman of the Board of Icelandic Bar Association. Owner and board member of Lögfræðipjónusta BS slf.
Ms. Elín Jónsdóttir	Board Member	Director of the Faculty of Law at Bifröst University (<i>Ice. Háskólinn á Bifröst</i>). Chairman of the Board of Arnrún íbúðafélags hses.
Mr. Guðbrandur Sigurðsson	Board Member	CEO of Borgarplast hf. Board member of Málmsteypa Þorgríms Jónssonar ehf. Director of the board of Reykjavík Creamery ehf. and Talnakönnun hf. General Manager and Board member of Nýland ehf. and Nýgildi slf.
Ms. Guðrún Ó. Blöndal	Alternate	CEO of Nasdaq CSD from 2013-2018. Board Member of Eimskipafélag Íslands hf.
Mr. Helgi Friðjón Arnarson	Board Member	Board member of Maurholt ehf.

<u>“Name</u>	<u>Function</u>	<u>Principal Outside Activities</u>
Mr. Thorvaldur Jacobsen	Board Member	Executive Vice President of System Operations and IT at Landsnet. Alternate Board member of Sunnuvegur 13 ehf.
Ms.Sigríður Olgeirsdóttir	Alternate	Division manager at Valka ehf. Board member of Opin kerfi hf. and OK hýsing ehf.
Mr. Sigurður Jón Björnsson	Alternate	CFO at the Housing Financing Fund "HCA" from 2011-2017.”

(x) **Litigation**

The following wording shall replace the paragraph in the section entitled “*General Information – Litigation*” on page 165 of the Base Prospectus:

“Except as disclosed in the section entitled “*Description of the Bank – Litigation*” starting on page 139 of this Base Prospectus and updated in “*Note 31- Litigation*” on pages 32 and 33 of the H1 2021 Interim Financial Statements, neither the Bank nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) in the 12 months preceding the date of this document which may have or have in such period had significant effect on the financial position or profitability of the Bank or the Group.”