

Landsbankinn hf.
(incorporated in Iceland as a limited liability company)

ISK 50,000,000,000

Debt Issuance Programme

Under this ISK 50,000,000,000 Debt Issuance Programme (the “**Programme**”), Landsbankinn hf., (the “**Issuer**”, the “**Bank**” and “**Landsbankinn**”) may from time-to-time issue bonds or commercial paper, (the “**Debt Securities**”), denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Debt Securities issued under the Programme may be issued in uncertificated and dematerialised book entry form cleared through the Nasdaq Central Securities Depository Iceland hf., (the “**NCSD System Debt Securities**” and the “**NCSD**” respectively) or any other clearing system as decided by the Issuer (together the “**VS System Debt Securities**”). Bonds issued under the Programme may also be issued in bearer form (“**Bearer Bonds**”) or registered form (“**Registered Bonds**”). Commercial Paper issued under the Programme will only be issued in uncertificated book entry form cleared through the NCSD or any other clearing system as decided by the Issuer.

The maximum aggregate nominal amount of all Debt Securities from time to time outstanding under the Programme will not exceed ISK 50,000,000,000 (or its equivalence in other currencies calculated as described herein), subject to increase as described herein. The Debt Securities may be issued on a continuing basis to one or more of the Dealers specified under the section *Overview of the Programme* and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the “**Relevant Dealer**” shall, in the case of an issue of Debt Securities being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Debt Securities.

An investment in Debt Securities issued under the Programme involves certain risks. Prospective investors should refer to the factors described in the section entitled “**Risk Factors**” in this Base Prospectus for a discussion of risk factors to be considered in connection with an investment in the Debt Securities.

This Base Prospectus dated 30 June 2023 (the “**Base Prospectus**”) has been approved by the FSA as a competent authority under Regulation EU 2017/1129 (the “**Prospectus Regulation**”) which has been implemented into Icelandic law with Act No. 14/2020 (the “**Act on Prospectus for Public Offering or Admission to Trading on a Regulated Market**”). The FSA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Prospectus Regulation. Approval by the FSA should not be considered as an endorsement of the Issuer or of the quality of the Debt Securities that is the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Debt Securities. Such approval relates only to the Debt Securities 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**”), which has been implemented into Icelandic law through Act No. 115/2021 on Markets in Financial Instrument.

An application will be submitted to **NASDAQ** Iceland hf. (“**Nasdaq Iceland**”) for Debt Securities issued under the Programme to be admitted to trading on the regulated market of Nasdaq Iceland. The Issuer may list the Debt Securities on additional markets. The Programme also provides that the Issuer may issue Debt Securities that will not be admitted to trading on any market.

Notice of the aggregate nominal amount of Debt Securities, interest (if any) payable in respect of the Debt Securities, the issue price of the Debt Securities and any other terms and conditions not contained herein which are applicable to each Tranche (as defined in the section “**Terms and Conditions of the Debt Securities**”) of Debt Securities will be set out in the final terms (the “**Final Terms**”), which for the purposes of that Tranche only, completes the terms and conditions of the Debt Securities issued under the Programme (the “**Terms and Conditions**” and “**Conditions**”). Final Terms, with respect to Debt Securities admitted to trading on a regulated market, will be published on the Issuer’s website, www.landsbankinn.is.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Debt Securities and any drawdown prospectus may include a legend entitled “*MiFID II Product Governance*” which will outline the target market assessment in respect of the Debt Securities and which channels for distribution of the Debt Securities are appropriate. Any person subsequently offering, selling or recommending the Debt Securities (a “**Distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Debt Securities (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Debt Securities is a manufacturer in respect of such Debt Securities, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

“UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET - The Final Terms in respect of any Debt Securities and any drawdown prospectus may include a legend entitled “*UK MiFIR Product Governance*” which will outline the target market assessment in respect of the Debt Securities and which channels for distribution of the Debt Securities are appropriate a Distributor should take into consideration the target market assessment; however, a distributor subject to the Financial Conduct Authority (the “**FCA**”) Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is

responsible for undertaking its own target market assessment in respect of the Debt Securities (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Debt Securities is a manufacturer in respect of such Debt Securities, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Debt Securities are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Debt Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Debt Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS – The Debt Securities are not intended to be offered, sold or otherwise made available to and, should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of UK domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Debt Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Debt Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

SINGAPORE SFA PRODUCT CLASSIFICATION: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (as amended, the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

NOTICE TO INVESTORS IN CANADA – The Debt Securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Debt Securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

If applicable, pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

The Debt Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**US Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Debt Securities may not be offered, sold or delivered within the United States or to a U.S. person (see *Selling Restrictions*). Interests in a Temporary Bearer Global Bond will be exchangeable, in whole or in part, for interests in a Permanent Bearer Global Bond on or after the Exchange Date (as defined in the section “**Terms and Conditions of the Debt Securities**”), upon certification as to non-U.S. beneficial ownership. Until the expiration of 40 days after the later of the commencement of the offering of Registered Bonds and the issue date thereof, beneficial interests in a Global Certificate may be held only through Euroclear or Clearstream.

The Issuer may decide that Debt Securities may be issued in a form not contemplated by the Terms and Conditions of the Debt Securities described herein, in which event, a supplement to the Base Prospectus if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Debt Securities.



Landsbankinn hf.

The date of the Base Prospectus is 30 June 2023

This Base Prospectus dated 30 June 2023, constitutes a base prospectus for the purposes of Article 8 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, as amended (“the Prospectus Regulation”).

This Base Prospectus and copies of Final Terms relating to the Debt Securities which are admitted to trading on a regulated market will be available on the website of the Issuer, www.landsbankinn.is. Investors can request printed copies of the Base Prospectus, free of charge, at the Issuer’s registered office at Reykjastræti 6, 101 Reykjavík, Iceland.

This Base Prospectus has been prepared to provide clear and thorough information on the Issuer. Investors are encouraged to acquaint themselves thoroughly with this Base Prospectus. They are advised to pay particular attention to the section entitled “Risk Factors”. This Base Prospectus should by no means be viewed or construed as a promise by the Issuer or other parties of future success either in operations or return on investments. Investors are reminded that investing in securities entails risk, as the decision to invest is based on expectations and not promises. Investors must rely primarily on their own judgement regarding any decision to invest in the Issuer’s securities, bearing in mind, *inter alia*, the business environment in which it operates in, anticipated profits, external conditions and the risk inherent in the investment itself. Prospective investors are advised to contact experts, such as licensed financial institutions, to assist them in their assessment of the Debt Securities as an investment option. Investors are advised to consider their legal status, including taxation issues that may concern the purchase or sale of the Debt Securities and seek external and independent advice in that respect.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Debt Securities (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Debt Securities, should purchase any Debt Securities. Each investor contemplating purchasing any Debt Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. Neither the Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Debt Securities constitutes an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any Debt Securities.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Debt Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Debt Securities may be restricted by law in certain jurisdictions. The Issuer does not represent that this Base Prospectus may be lawfully distributed, or that any Debt Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which would permit a public offering of any Debt Securities or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Debt Securities may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Debt Securities may come must inform themselves about, and observe any such restrictions on the distribution of this Base Prospectus and the offering and sale of Debt Securities. The Issuer accepts no liability to any person in relation to the distribution of this Base Prospectus in any jurisdiction. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Debt Securities in the United States, the European Economic Area (the “EEA”), United Kingdom, Canada, Hong Kong, Singapore and Japan. See chapter Selling Restrictions.

The Debt Securities have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Debt Securities may include Bearer Bonds that are subject to U.S. tax law requirements. Subject to certain exceptions, the Debt Securities may not be offered or

sold or, in the case of Bearer Bonds, delivered within the United States or to, or for the account of benefit of, U.S. persons (as defined in Regulations S under the Securities Act („Regulations S“)).

The Debt Securities are being offered and sold outside the United States to Non- U.S. persons in reliance on Regulations S. For a description of these and certain further restrictions on offers, sales and transfers of bonds and distribution of this Base Prospectus see chapter “Selling Restrictions”.

The Debt Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the offering of Debt Securities or the accuracy or the adequacy of this Base Prospectus. Any representation to the contrary is a criminal offence in the United States.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (as amended, the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Debt Securities, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Debt Securities are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Base Prospectus may be passported in accordance with the provisions of the Prospectus Regulation into other jurisdictions within the EEA.

No person is or has been authorised by the Issuer to give any information or to make any representation of information not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Debt Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Debt Securities shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under the applicable law. Capitalised terms used in this Base Prospectus have been defined in the section “Terms and Conditions of the Debt Securities - 1. Definitions”, in the section Important Information - Abbreviations and definitions” or throughout this Base Prospectus.

The Debt Securities may not be a suitable investment for all investors

Each potential investor in the Debt Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- Have sufficient knowledge and experience to make a meaningful evaluation of the Debt Securities, the merits and risks of investing in the Debt Securities and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Debt Securities and the impact the Debt Securities will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Debt Securities, including Debt Securities with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;

- understand thoroughly the terms of the Debt Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for legislative, economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Debt Securities are legal investments for it, (2) Debt Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Debt Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Debt Securities under any applicable risk-based capital or similar rules.

Interest and/or other amounts payable under the Debt Securities may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") which has been implemented into Icelandic law through Act. No. 7/2021 on Financial Benchmarks. If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmarks Regulation. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Final Terms. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Final Terms to reflect any change in the registration status of the administrator.

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OVERVIEW OF THE PROGRAMME

The following is a brief overview (the “**Overview**”) and it should be read in conjunction with the rest of this Base Prospectus, any supplements thereto, including any information incorporated by reference, and read together with the Final Terms. This Overview constitutes a general description of the Programme for the purposes of Article 25 (1) of Commission Delegated Regulation (EU) No. 2019/980 (the **Delegated Regulation**).

Words and expressions defined in the section “Terms and Conditions - 1. Definitions”, in the section “Important Information - Abbreviations and definitions” or throughout this Base Prospectus shall have the same meanings in this Overview.

Description: ISK 50,000,000,000 Debt Issuance Programme.

1. THE PARTIES

Issuer: Landsbankinn hf., Reg. No. 471008-0280, registered office at Reykjastræti 6, 101 Reykjavík, Iceland.

The Issuer operates pursuant to the provisions of the Act on Financial Undertakings, No. 161/2002, the Act on Public Limited Companies, No. 2/1995 and the Act on the Authority for Treasury Disbursements due to Unusual Financial Market Circumstances etc., No. 125/2008.

The Issuer is a leading Icelandic financial institution with total assets of ISK 1,787 billion at year-end 2022. The Issuer offers a full range of financial services in the Icelandic financial service sector with a total of 36 branches and outlets across the country.

Legal Entity Identifier (“LEI”): 549300TLZPT6JELDWM92

Website¹: <https://www.landsbankinn.is/>

Arranger: Landsbankinn hf., or any successor arranger appointed as such.

Dealers: Landsbankinn hf., or any successor or additional dealer appointed as such.

NCSD Agent: Landsbankinn hf., or any successor agent appointed as such.

Fiscal and Transfer Agent: Landsbankinn hf., or any successor agent appointed as such.

2. KEY FEATURES

Risk Factors: There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Debt Securities issued under the Programme. These are set out in the section Risk Factors and include the exposure of the Issuer to credit risk, market risk, operational risk and liquidity risk. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Debt Securities issued under the Programme. These are also set out in the section Risk Factors and include certain risks relating

¹ The information on the website does not form part of the Base Prospectus, beside the information which is incorporated by reference into the Base Prospectus

to the structure of particular Series of Debt Securities and certain market risks.

Certain Restrictions:

The offer or sale of the Debt Securities may be restricted by law in certain jurisdictions. There are restrictions on the distribution of this Base Prospectus and the offer or sale of Debt Securities in the United States, the EEA, United Kingdom, Hong Kong, Canada, Singapore and Japan. See Selling Restrictions. Persons into whose possession this Base Prospectus or any Debt Securities may come must inform themselves about and observe any such restrictions on the distribution of this Base Prospectus and the offering and sale of the Debt Securities.

The Issuer does not represent that this Base Prospectus may be lawfully distributed, or that any Debt Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction.

The Central Bank of Iceland published the Rules on Special reserve requirements for new foreign currency inflows. The main purpose of this instrument, a capital flow management measure, is to temper inflows of foreign currency and to affect the composition of such inflows. The Rules contain provisions on the implementation of special reserve requirements for new foreign currency inflows, including the special reserve base, holding period, special reserve ratio, settlement currency, and interest rates on deposit institutions' capital flow accounts with the Central Bank of Iceland. The special reserve base is defined as new inflows of foreign currency in connection with specified types of capital, particularly to include new investment in electronically registered bonds and bills, and deposits.

Programme Size:

The maximum aggregate nominal amount of all Debt Securities from time to time outstanding under the Programme will not exceed ISK 50,000,000,000 (or its equivalent in other currencies) outstanding at any time. The Issuer may increase the size of the Programme. Such an increase is subject to an authorisation by the Issuer's Board of Directors.

Status of the Debt Securities:

The Debt Securities may be issued on a senior preferred ("Senior Preferred Debt Securities"), a senior non-preferred ("Senior Non-Preferred Debt Securities") or a subordinated ("Subordinated Debt Securities") basis, as described in Condition 3.1, 3.2 and 3.3 respectively, and as specified in the applicable Final Terms.

Status of the Senior Preferred Debt Securities:

The Senior Preferred Debt Securities will constitute direct, unconditional, Senior Preferred unsubordinated and unsecured obligations of the Issuer 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 Issuer from time to time

outstanding and senior to any Senior Non-Preferred Liabilities of the Issuer, 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 Issuer 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 Debt Securities will be subordinated to the claims of all of the Bank's depositors.

Status of the Senior Non-Preferred Debt Securities:

The Senior Non-Preferred Debt Securities will constitute direct, unconditional and unsecured obligations of the Issuer 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 gjaldprot) of the Issuer, the rights of the Debt Securities holders to payments on or in respect of the Senior Non-Preferred Debt Securities shall rank:

pari passu without preference among themselves;

pari passu with all other Senior Non-Preferred Liabilities of the Issuer;

senior to holders of all classes of share capital of the Issuer and any subordinated obligations or other securities of the Issuer which rank, or are expressed to rank, junior to the Senior Non-Preferred Liabilities of the Issuer (including, without limitation, any Subordinated Debt Securities); and

junior to present or future claims of (a) depositors of the Issuer and (b) other unsubordinated creditors of the Issuer.

Status of the Subordinated Debt Securities:

The Subordinated Debt Securities will constitute subordinated and unsecured obligations of the Issuer 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 gjaldprot) of the Issuer, the rights of the Debt Security Holders to payments on or in respect of the Subordinated Debt Securities shall rank

pari passu without preference among themselves;

pari passu with present or future claims in respect of Parity Securities;

in priority to any present or future claims in respect of Junior Securities; and

junior to any present or future claims in respect of Senior Creditors.

Subordinated Debt Securities - Substitution or Variation:

Where the applicable Final Terms specify that Condition 7.14 (Substitution or Variation- Subordinated Debt Securities) applies, if at any time a Capital Event (where Condition 7.13 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 18, the Issuer may, subject to the provisions of Condition 7.15 (if, and to the extent so required), either substitute all, but not some only, of the Subordinated Debt Securities for, or vary their terms so that they remain, or, as appropriate, become Subordinated Qualifying Securities (as defined in Condition 7.14), as further provided in Condition 7.14.

Senior Preferred Debt Securities and Senior Non-Preferred Debt Securities-Substitution or

Variation:

Where the applicable Final Terms specify that Condition 7.14A applies, if at any time a MREL Disqualification Event (where Condition 7.14A 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 18, the Issuer may, subject to the provisions of Condition 7.15 (if, and to the extent so required), either substitute all, but not some only, of the Senior Preferred Debt Securities and Senior Non-Preferred Debt Securities for, or vary their terms so that they remain, or, as appropriate, become, in the case of Senior Preferred Debt Securities, Senior Preferred Qualifying Securities or, in the case of Senior Non-Preferred Debt Securities, Senior Non-Preferred Qualifying Securities (as defined in Condition 7.14A), as the case may be, as further provided in Condition 7.14A.

Cross Default:

Only the terms of Senior Preferred Bonds where Unrestricted Events of Default is specified as being applicable will contain a cross default provision as further described in Condition 10.1 (Events of default).

Terms of the Debt Securities:

The terms of the Debt Securities will be set out in the Terms and Conditions of the Debt Securities, as completed by the applicable Final Terms.

Currencies:

The Debt Securities may be denominated in, subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.

Issue Price:

Debt Securities may be issued on a fully-paid basis and at an Issue Price which is at par or at a discount to, or premium over, par.

Denomination of Debt Securities:

The Debt Securities will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Debt Security will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, and save that the minimum denomination of each Debt Security admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA and UK in circumstances which require the publication of a prospectus under the Prospectus Regulation will be EUR 100,000 (or if the Debt Securities are denominated in a currency other than euro, the equivalent amount in such currency).

Maturities:	The Debt Securities will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. Debt Securities in the form of Commercial Paper will have a maximum final maturity of 13 months when issued.
Form of Debt Securities:	<p>The Debt Securities will be issued either (i) in bearer form, (ii) registered form or (iii) in the case of VS System Debt Securities, in uncertificated book entry form, as specified in the applicable Final Terms.</p> <p>The Debt Securities may take the form of an Inflation Linked Annuity Bond, an Inflation Linked Equal Principal Payment Bond (including a Bond with one payment of principal on Maturity Date), a Fixed Rate Bond, a Floating Rate Bond, Reset Bond, an Instalment Bond, a Zero-Coupon Bond, a Commercial Paper or a combination of the foregoing, depending upon the interest basis and redemption/payment basis shown in the applicable Final Terms.</p>
Interest:	<p>Debt Securities may take the form of Inflation Linked Annuity Bonds, Inflation Linked Equal Principal Payment Bonds, Fixed Rate Bonds, Floating Rate Bonds, Reset Bonds, Zero Coupon Bonds and Commercial Paper (that do not bear interest). See “<i>Terms and Conditions.</i>”</p> <p>Interest periods, rates of interest and the terms of and/or amounts payable on redemption may differ depending on the Debt Securities being issued and such terms will be specified in the applicable Final Terms.</p>
Change of Interest Basis:	Debt Securities may be offered in circumstances where the provisions relating to Floating Rate Bonds will apply for a certain period and, at the end of such period, the provisions relating to Fixed Rate Bonds will apply until the Maturity Date (or vice versa), as set out in the applicable Final Terms
Instalment Bonds:	Instalment Bonds will be redeemed in Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms.
Zero Coupon Bonds:	Zero Coupon Bonds will be offered and sold at a discount to their nominal amount and will not bear interest.
Commercial Paper:	Commercial Paper may be issued at a discount to their nominal amount and will not bear interest. Commercial Paper will have a maximum final maturity of 13 months when issued.
Reset Bonds:	Reset Bonds have reset provisions pursuant to which the relevant Reset Bonds will, in respect of an initial period, bear interest at an initial fixed rate of interest specified in the applicable Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) by reference to a mid-market swap rate for the relevant

Specified Currency, and for a period equal to the Reset Period, in each case as may be specified in the applicable Final Terms.

The margin (if any) in relation to Reset Bonds will be agreed between the Issuer and the relevant Dealer for each Series of Reset Bonds and will be specified in the applicable Final Terms.

Interest on Reset Bonds in respect of each Interest Period as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Redemption:

The applicable Final Terms will indicate either that the relevant Debt Securities cannot be redeemed prior to their stated maturity other than following a Tax Event (in the case of any Debt Securities), following an Event of Default (in the case of Senior Preferred Debt Securities where Unrestricted Events of Default is specified as being applicable), upon the occurrence of a Capital Event (in the case of Subordinated Bonds, in respect of which Condition 7.13 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 Bonds and Senior Non-Preferred Bonds, in respect of which Condition 7.13A is specified as being applicable in the applicable Final Terms), as the case may be) or that such Bonds will be redeemable at the option of the Issuer upon giving notice to the Bondholders 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 Issuer and the relevant Dealer. The Bonds will only be redeemed at an amount other than 100 per cent. of their nominal amount in the case of certain Zero-Coupon Bonds.

No early redemption of the Senior Preferred Bonds where Unrestricted Events of Default is specified as being not applicable, the Senior Non-Preferred Bonds or the Subordinated Bonds may take place without the prior written consent of the Relevant Regulator (if and to the extent such consent is required). See Condition 7.15 (Consent of a Relevant Regulator).

Debt Securities having a maturity of less than one year may be subject to restrictions on their denomination and distribution.

Clean-up Redemption Option:

If a Clean-up Redemption Option is specified as applicable in the relevant Final Terms, and if 80 per cent. or any higher percentage specified in the relevant Final Terms (the "Clean-up Percentage") of the initial aggregate nominal amount of Debt Securities (which for the avoidance of doubt includes, any additional Debt Securities issued subsequently and forming a single series with the first Tranche of a particular Series of Debt Securities) have been redeemed or purchased by, or on behalf of, the Issuer or any of its subsidiaries and, in each case, cancelled, the Issuer may, at its

option, on giving not less than fifteen (15) nor more than thirty (30) calendar days' irrevocable notice to the holders of such Debt Securities in accordance with Condition 11 (Notices) (or such other notice period as may be specified in the relevant Final Terms) redeem the outstanding Debt Securities, in whole but not in part, at the Optional Redemption Amount(s) specified in the applicable Final Terms (together with any interest accrued thereon but unpaid to the date set for redemption) on any Optional Clean-up Redemption Date as specified in the relevant Final Terms. The Clean-up Redemption Option shall not apply in respect of Subordinated Bonds.

Redenomination:

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may redenominate the Debt Securities in any Specified Currency. The relevant provisions applicable to such redenomination are in Condition 4 (Redenomination).

Benchmark Discontinuation:

In the case of Floating Rate Bonds, if the Issuer determines that a Benchmark Event has occurred, the Issuer may, acting in good faith, in a commercially reasonable manner and by reference to such sources as it deems appropriate (which shall include consultation with an Independent Adviser) determine that (i) the relevant benchmark or screen rate may be replaced by a Successor Rate or (ii) if there is no Successor Rate but the Issuer determines there is an Alternative Rate, such Alternative Rate. An Adjustment Spread may also be applied to the Successor Rate or the Alternative Rate (as the case may be), together with any Benchmark Amendments (which shall be determined by the Issuer, acting in good faith, in a commercially reasonable manner and by reference to such sources as it deems appropriate, which shall include consultation with an Independent Adviser). This is further described in Condition 5.7 (Benchmark Discontinuation).

Distribution:

The Debt Securities may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis. The Debt Securities will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Debt Securities of each Series being intended to be interchangeable with all other Debt Securities of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "Final Terms").

Listing:

An application will be submitted to Nasdaq Iceland for Debt Securities issued under the Programme to be admitted to trading on the main market of Nasdaq Iceland, the regulated market of Nasdaq Iceland, for the purposes of MiFID. The Issuer may list the Debt

Securities on additional regulated markets. The Programme also provides that the Issuer may issue Debt Securities that will not be admitted to trading on any market.

The applicable Final Terms will state whether or not the relevant Debt Securities are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Rating:

Series of Debt Securities issued under the Programme may be rated or unrated and this will be stated in the applicable Final Terms. If a Series of Debt Securities is rated, the name of the credit agency, the rating and a brief explanation of the meaning of the rating will be disclosed in the applicable Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Use of Proceeds:

The net proceeds from each issue of Debt Securities or an amount equal to the net proceeds will, as specified in the applicable Final Terms, be:

applied by the Issuer for its general corporate purposes, which include making a profit; or

applied by the Issuer to finance, refinance and/or invest in part in Eligible Activities and Assets in line with the Issuer's applicable Sustainable Finance Framework, which is available at the Issuer's website; or

used to finance any other particular identified use of proceeds as stated in the applicable Final Terms.

Taxation:

All payments in respect of the Debt Securities will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 8 (Taxation). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8 (Taxation), be required to pay additional amounts to cover the amounts so deducted.

Events of Default:

The Debt Securities contain Events of Default provisions as provided for in Condition 10 (Events of Default) entitling Debt Security Holders to demand redemption by the Issuer if one or more of the events described in Condition 10 (Events of Default) will occur and be continuing.

Governing law:

The Debt Securities, the Coupons and the Talons (other than NCSD System Debt Securities) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except for the provisions of Condition 3 which shall be governed by, and construed in accordance with, Icelandic law. The NCSD System Debt Securities will also be governed by and construed in accordance with Icelandic law.

RISK FACTORS

The following factors may affect the ability of Landsbankinn hf., Reg. No. 471008-0280, Reykjastræti 6, 101 Reykjavík, Iceland (the “**Issuer**” and “**Landsbankinn**”) to fulfil its obligations under the Debt Securities issued under the Programme. In purchasing Debt Securities, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Debt Securities. There is a wide range of risk factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Debt Securities. It is not possible to identify all such risk factors, as the Issuer may not be aware of all relevant risk factors and certain risk factors which it currently deems to be non-material may become material as a result of the occurrence of events outside the Issuer's control.

The Issuer has identified in this Base Prospectus a number of risk factors which could materially adversely affect its business and ability to make payments due under the Debt Securities. The Issuer has assessed the materiality of the risk factors based on the probability of their occurrence and the expected magnitude of their negative impact and has organised the following risk factors accordingly within each category, beginning with those estimated to be most significant to the Issuer.

The order in which the categories of risk factors are presented does not necessarily reflect the probability of their occurrence or the magnitude of their potential impact, as the categories of risk factors mentioned herein could materialise individually or cumulatively. Any quantification of the significance of each individual category for the Issuer could be misleading, as other categories of risks factors may materialise to a greater or lesser degree.

In addition, risk factors which are material for the purpose of assessing the market risks associated with Debt Securities issued under the Programme are also described below. Prospective investors in the Debt Securities should also read the detailed information set out elsewhere in (or otherwise incorporated by reference into) this Base Prospectus and draw their own conclusion prior to making any investment decision.

RISKS RELATING TO THE ISSUER, INCLUDING ITS BUSINESS AND THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE DEBT ISSUANCE PROGRAMME

The Issuer is subject to the risk and uncertainties described below that may materially affect its business operations and financial conditions. As a result of its business activities, the Issuer is exposed to a variety of risks, the most significant of which are credit risk, market risk, liquidity risk and operational risk. Failure to control these risks could result in material adverse effects on the Issuer's business, financial condition and results of operations.

Economic and financial market risk

The Issuer's financial results are significantly affected by general economic and other business conditions in Iceland and globally

These conditions include changing economic cycles that affect demand for investment and banking products. These cycles are also influenced by global political events, such as terrorist acts, war (including the war in Ukraine) and other hostilities, as well as by market-specific events, such as shifts in consumer confidence and consumer spending, the rate of unemployment, industrial output, labour or social unrest and political uncertainty.

The Issuer's business activities are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing depend on customer confidence, employment trends, state of the economy and market interest rates at each time. The current environment in Iceland is characterised by a high interest rate environment which results in interest-earning assets generating a higher yield upon borrowing and refinancing and securities held also generating a higher level of interest income compared to an environment characterised by low interest levels.

As the Issuer currently conducts most of its business in Iceland, its performance is influenced by the level and cyclical nature of business activity in Iceland, which is in turn affected by both domestic and international economic and political events. There can be no assurance that a weakening in the Icelandic economy will not have a material effect on the Issuer's future financial results. See further in "The Issuer is vulnerable to a range of economic risks that face the Icelandic banking system".

In addition, market perceptions and reports regarding the Icelandic economy or its performance may influence general economic and business conditions in Iceland due to the small size of the Icelandic economy. These perceptions and reports may have an adverse effect on the Issuer's business, financial condition and results of operations.

The Issuer's retail and corporate banking business may be affected during recessionary conditions, as there may be less demand for loan products or certain customers may face financial problems and the Issuer may experience higher loan defaults. The impact of the economy and business climate on the credit quality of borrowers and counterparties can affect the recoverability of loans and amounts due from counterparties. Interest rate increases may also impact the demand for mortgages and other loan products and credit quality. The Issuer's investment banking, securities trading, asset management and private banking services, as well as its investments in, and sales of products linked to, financial assets, will be affected by several factors, such as the liquidity of global financial markets, the level and volatility of equity prices and interest rates, investor sentiment, inflation and the availability and cost of credit, which are related to the economic cycle. These conditions may have a material adverse effect on the Issuer's business, financial condition and results of operations.

The Issuer operates in a market which has changed rapidly in recent years, with increased competition from Icelandic or foreign banks, which has increased downward pressure on interest rate margins. The Issuer's main competitors are Arion Bank hf. ("**Arion Bank**") Íslandsbanki hf. ("**Íslandsbanki**"), Kvika banki hf. ("**Kvika Bank**"), Icelandic pension funds and the Icelandic Housing Financing Fund, which merged with the Iceland Construction Authority (*ice. Mannvirkjastofnun*) in 2020 and officially became the Housing and Construction Authority ("**HCA**"). See further in "Financial Markets in Iceland - Market Participants". There is always a risk of new entrants to the market, foreign or domestic, or for smaller competitors to merge and increase their strength. Such competition could develop in individual market sectors, or in the market as a whole (see further in "Description of the Issuer - Competition"). The Issuer has a high market share, which it intends to maintain. The Issuer makes every effort to ensure that its product range, service and prices are competitive, while not disregarding its financial objectives, and must constantly monitor its competitors and their offerings. However, there is always a risk that the Issuer could lose its competitive edge and that new products could fail to meet the demands of the market or compete with competitors' products. All of the above could undermine the Issuer's income generation and may have a material adverse effect on the Issuer's business, financial condition and results of operations.

In addition, Iceland's economy remains vulnerable to other political and economic external factors many of which are outside the control of the Icelandic government and instability or deterioration of the international financial markets. The aforementioned could have a material adverse effect on the Icelandic economy, especially given the relatively small size of the Icelandic economy and its dependence on trade with external partners, particularly the European Union. Although the financial sector in Iceland is mostly funded by domestic deposits, a global recession is likely to affect demand and the price of Iceland's main export sectors such as tourism, fishing and aluminium exports.

The Issuer is vulnerable to a range of economic risks that face the Icelandic banking system

The Issuer's performance is influenced by the overall strength of Iceland's economy since most of its business is conducted in Iceland. Economic growth in Iceland was quite robust during the period 2015-2018 (on average 5.0 per cent.) but slowed down significantly in 2019 to 2.4 per cent. Gross domestic product ("**GDP**") then fell by 6.8 per cent. in 2020 due to the COVID-19 pandemic which drastically reduced the number of foreign tourist arrivals. Despite the COVID-19 pandemic still impacting the tourist industry in Iceland in 2021, GDP in 2021 increased by 4.4 per cent. from the previous year. Preliminary estimates from Statistics Iceland suggest that GDP increased by

6.4 per cent. in 2022, driven by 8.6 per cent. increase in private consumption, a 1.6 per cent. increase in government consumption, a 6.9 per cent. increase in fixed capital formation and a 20.6 per cent. increase in exports of goods and services. Imports of goods and services increased by 19.7 per cent.²

The Icelandic economy was disproportionately negatively impacted by the COVID-19 pandemic due to the high importance of international tourism to the economy and due to the relatively small size of the Icelandic economy. Tourism related services accounted for roughly 8 per cent. of GDP in 2016-2019 and 39 per cent. of export revenues in 2016-2019. The share of tourism in GDP was 2.8 per cent. in 2020 and 3.9 per cent. in 2021. Tourist arrivals grew following the removal of all restrictions due to COVID-19 and economic growth was driven by the travel sector in 2022. The share of tourism in GDP was 6.1 per cent in 2022. The share of export revenues was 12 per cent. in 2020, 17 per cent. in 2021 and 26 per cent. in 2022.³

The economic outlook of many of Iceland's main trading partner countries is bleak, not least due to the war in Ukraine, inflation and the energy crisis. Inflation has been on the rise in Iceland which has led to several interest rate hikes by the Central Bank of Iceland.

The Central Bank of Iceland publishes a Financial Stability Report bi-annually. In the March 2023 Financial Stability Report, the Financial Stability Committee ("FSN") concluded that the risks to financial stability have increased due to worsening external conditions. Household's and businesses' financial conditions are tightening due to high inflation and interest rates.⁴ The FSN highlighted, among other things, the following risk factors in its report:⁵

- Central banks worldwide have been responding to a persistent inflation by raising interest rates. These actions have been slowing down economies worldwide, with falling asset prices, among other things. The same effects can be seen to some degree in Iceland, however, Iceland's key export sectors have not been profoundly affected. Iceland's GDP growth outlook has been deteriorating and the growth is expected to lose momentum in 2023.
- The growth rate in household debt has been slowing down and is now slightly negative in real terms. The growth of corporate debt has been increasing, although the growth is still very limited in real terms.
- Real estate prices are high, however, the tension in the housing market has begun to ease in recent months with increased housing supply and the slight drop in real estate prices. Rent prices have been rising in recent months, and with increased expectation in demand for rental housing, which is partly driven by labour importation, a continued upward pressure is to be expected going forward.
- The Icelandic banks' liquidity ratios have remained unchanged for the most part in recent months and their liquidity is above the minimum required by the Central Bank in all cases. The bank's market funding has been challenging in recent months, both in Iceland and abroad, and the competition for deposits has been increasing. Credit spreads on the bank's foreign market funding narrowed somewhat in 2023.
- Cyberattacks continue to be a growing problem, and financial market infrastructure is not excluded from the risk they entail. See further in "Business related risk – Cyberattacks".

On 24 May 2023 the Monetary Policy Committee ("MPC") of the Central Bank announced its decision to increase deposit institutions' fixed minimum reserve requirement from 1 per cent to 2 per cent. This change will have an impact on the Issuer's return on equity.

² Source: Statistics Iceland

³ Source: Statistics Iceland

⁴ Source: Financial Stability 2023/1, published by the Central Bank on 15 March 2023. See further: <https://www.cb.is/publications/news/news/2023/03/15/Financial-Stability-report-published/>

⁵ Source: Financial Stability 2023/1, published by the Central Bank on 15 March 2023. See further: <https://www.cb.is/publications/news/news/2023/03/15/Financial-Stability-report-published/>

Uncertainty about economic development in Iceland is mainly centred on international developments and whether the tourist industry will maintain its vigour.

The economic and financial environment, together with the operating and financial conditions of borrowers, may affect the Issuer's levels of non-performing loans, determination of loan values and the level of write-offs – see further in “Description of the Issuer – Loan Portfolio”. Levels of credit impaired loans, determination of loan values and the levels of write-offs will depend on general economic developments and operating and financial conditions of the relevant borrowers. No assurance can be given that the rate of credit impaired loans will decrease in the future. The Icelandic banks could be adversely affected if other developments in the Icelandic economy or internationally result in a further decline in Iceland's economic growth, particularly in countries that constitute Iceland's main trading partners such as European countries.

Should Iceland's economy be adversely affected by domestic or external factors, whether as a result of any of the above factors or for other reasons, such as fluctuation in the value of the Icelandic krona, lack of foreign investment, inflation, global recession, higher unemployment rate or strikes due to unsuccessful collective bargaining negotiations, it could adversely affect the ability of the Issuer's customers to repay their loans which in turn could have a material adverse effect on the Issuer's business, financial conditions, results of operations, cash flows and prospects, and its ability to make payments in respect of the Debt Securities.

The Issuer is exposed to liquidity risk. The inability of the Issuer to anticipate and provide for unforeseen changes in funding sources could have a material adverse effect on the Issuer's ability to meet its obligations as and when they fall due.

Liquidity risk is the risk that the Issuer will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset, or of having to do so at excessive cost. This risk arises from maturity mismatch between financial liabilities and financial assets. Liquidity risk is a significant risk factor for the Issuer and the Issuer places emphasis on monitoring and managing liquidity risk. Deposits from customers are the Issuer's single largest funding source. As of 31 December 2022, deposits from customers formed 54.2 per cent. of total assets compared to 52.0 per cent. at year end 2021.⁶

The Issuer was an active issuer in the domestic bond market in 2022 through its covered bonds issuances in the domestic market. In addition, the Issuer continued issuing bonds in foreign currencies through its Euro Medium Term Note Programme. See further in “Description of the Issuer - Funding”. The ability of the Issuer to access the domestic and international capital markets depends on a variety of factors, including market conditions, the general availability of credit, the volume of trading activities and the credit rating of the Issuer. The aforementioned factors could limit the Issuer's ability to raise funding in the capital markets (see further in “The Issuer is exposed to refinancing risk. The inability of the Issuer to refinance its outstanding debt could have a negative impact on the Issuer's business”). There is therefore a material risk that it may be unable to repay its obligations when due or will only be able to do so at excessive cost. This could have a material adverse effect on the Issuer's business, prospects, financial position and/or results of operations and therefore its ability to make payments in respect of the Debt Securities.

The Issuer's liquidity management policy is built on international standards on liquidity risk measurements developed by the Basel Committee on Banking Supervision (the “**Basel Committee**”), for example the Liquidity Coverage Ratio (“**LCR**”) and the Net Stable Funding Ratio (“**NSFR**”) and it also applies measurements that best suit the operating environment of the Issuer. The Issuer's total LCR at year-end 2022 was 134 per cent. (year-end 2021: 179 per cent.) and the Issuer's LCR in foreign currencies was 351 per cent. (year-end 2021: 556 per cent.) and 99 per cent. in ISK (year-end 2021: 120 per cent.), well above regulatory limits. Effective as of 1 January 2023, the minimum LCR in ISK increased from 40 per cent. to 50 per cent and minimum LCR in euro 80 per cent, if euro-

⁶ Definition: Deposits/total assets is calculated deposits from customers/total assets

denominated liabilities constitute 10 per cent of more of total liabilities.⁷ The Issuer's net stable funding ratio in foreign currencies was 132 per cent. as of 31 December 2022 (year-end 2021: 142 per cent.) and total NSFR was 117 per cent. at year-end 2022 (year-end 2021: 121 per cent.). See further in "Description of the Issuer - Risk Management Framework", the 2023 Q1 Interim Financial Statements and the 2022 Financial Statements, which are incorporated by reference into this Base Prospectus.

Although the Issuer has in place a liquidity management policy, the Issuer will continue to be exposed to a material risk that it may be unable to repay its obligations under its funding instruments when due or will only be able to do so at excessive cost, which could have a material adverse effect on the Issuer's business, prospects, financial position and/or results of operations, and its ability to make payments in respect of the Debt Securities.

The Issuer is exposed to a range of market risks, the most significant being, interest rate, foreign exchange indexation and equity risks

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk arises from open positions in currency, equity and interest rate products, all of which are exposed to general and specific market movements and changing volatility levels in market rates and prices, for instance in interest rates, credit spreads, foreign exchange rates and equity prices.

Changes in interest rate levels, inflation, yield curves and spreads may affect the interest rate margin realised between lending and borrowing costs. The current environment of high interest rates has resulted in interest-earning assets such as residential mortgage loans, or other loans and securities held, generating higher yields upon origination or refinancing, as well as higher levels of interest income respectively, when compared to the previous low interest rate environment. Changes in currency rates affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing. The performance of financial markets may cause changes in the value of the Issuer's investment and trading portfolios.

- *A major portion of the Issuer's assets and liabilities are interest-bearing.* The Issuer's interest rate risk arises from the impact of interest rate changes on the Issuer's assets and liabilities, since a major portion of the Issuer's assets and liabilities are interest-bearing in one manner or another. Limited access to capital markets could have a negative effect on the Issuer's revenues as it may be unable to correct interest rate imbalances between assets and liabilities, based on the timing of interest rate reset or maturity. For example, risks can arise if there are fixed and variable interest rate items in the same maturity bracket; this may lead to open interest rate positions on the assets or liabilities side. This could then affect the Issuer's profitability. The Issuer may also be limited in its ability to adjust interest rates applied to customers due to competitive pressures.
- *Increased volatility in the foreign exchange markets.* The Issuer's foreign exchange risk arises from exposure to unanticipated changes in the exchange rate between currencies. Increased volatility in the foreign exchange markets could have an adverse effect on the Issuer's business, financial condition and results of operations.
- *Increased volatility in the equity markets.* The Issuer's equity risk comes from both proprietary and securities trading. Elevated uncertainty in the financial markets could lead to increased volatility in the equity markets. This could lead to a devaluation of equities and investment funds held by the Issuer and have an adverse effect on the Issuer's business, financial condition and results of operations.
- *Imbalance in Consumer Price Index ("CPI") linked assets and liabilities.* CPI indexation risk is the risk that the fair value or future cash flows of CPI linked financial instruments may fluctuate due to changes in the Icelandic CPI. The Bank offers CPI linked mortgage loans and consumer loans and receives funding in the form of CPI linked borrowing and deposits. Therefore, the Issuer is exposed to inflation risk when there is a mismatch between its assets and liabilities linked to the CPI. In the case of deflation in the CPI, there could be a

⁷ The Rules on Credit Institutions' Liquidity Coverage Ratios ("LCR"), no. 1520/2022, took effect on 1 January 2023 and suspended the previous Rules, no. 266/2017

corresponding impact on the balance sheet and loss to the Issuer. The Issuer's total CPI indexation balance at year-end 2022 amounted to ISK 8.3 billion (year-end 2021: 4.9 billion),⁸ or 3 per cent.⁹ of total equity.

The Issuer's economic capital due to market risk and currency risk increased in 2022, first and foremost due to market conditions, exposure in the Issuer's trading and higher net FX balance. See further the 2023 Q1 Interim Financial Statements and the 2022 Annual Financial Statements, which are incorporated by reference into this Base Prospectus. Although the Issuer has in place a range of risk management procedures designed to mitigate the aforementioned risks, see further in "Description of the Issuer - Risk Management Framework", there is no guarantee that the procedures will be effective in all circumstances, in which case the Issuer could experience material losses. Any losses due to market risk exposure could have a material adverse effect on the Issuer's business, prospects, financial position and/or results of operations, and its ability to make payments in respect of the Debt Securities.

The Issuer is exposed to refinancing risk. The inability of the Issuer to refinance its outstanding debt could have a material adverse impact on the Issuer's business

The Issuer is predominantly funded by customer deposits, market funding and share capital. The Issuer has diversified its funding profile by issuing bonds, and Debt Securities in the domestic and international markets, see further section entitled "*The Issuer is exposed to liquidity risk. The inability of the Issuer to anticipate and provide for unforeseen changes in funding sources could have a material adverse effect on the Issuer's ability to meet its obligations as and when they fall due*". The inability of the Issuer to refinance its outstanding debt in the future, at the right time and at a favourable interest rate could have a material adverse effect on the Issuer's business, prospects, financial position and/or result of operations, and its ability to make payments in respect of the Debt Securities. Information regarding the Issuer's funding is further described in "*Description of the Issuer - Funding*".

Should one or more of the Issuer's counterparties fail to fulfil its obligations, it may result in material adverse effects on the Issuer's business, financial condition and results of operations

Granting of credit is the Issuer's major source of income and credit risk is the Issuer's most significant risk factor. Credit risk is defined as the risk that a party to a financial instrument, be it a client, customer or market counterparty, will cause a financial loss to the Issuer by failing to fulfil its obligations.

Adverse changes in the credit quality of the Issuer's customers and counterparties or a general deterioration in Icelandic or global economic conditions, or arising from systematic risks in the financial systems, could affect the recoverability and value of the Issuer's assets and require an increase in the Issuer's provision for credit exposures and other provisions. Specific issues and events where credit risk could adversely affect revenues in 2023 and subsequent years include but are not limited to:

- *Concentration of loan portfolio in certain sectors could adversely affect the Issuer.* The Issuer's loan portfolio is relatively concentrated in key sectors. These are households, fisheries, real estate companies, construction and the travel industry. See further in "Description of the Issuer - Loan Portfolio". Downturns in these sectors that would influence customers' ability to meet their obligations may have an adverse effect on the Issuer's business, financial condition and results of operations.
- *Deterioration of economic conditions could increase the required loan impairment for the Issuer.* The Issuer's customer loan portfolio is predominately comprised of loans to Icelandic Borrowers. Higher unemployment rates, persistent high inflation, reduced personal disposable income levels and increased personal and corporate insolvency rates may reduce customers' ability to repay loans. See further in "Description of the Issuer - Loan

⁸ See further the significant changes in note 76 of the 2022 Financial Statements which is incorporated by reference into this Base Prospectus

⁹ Total CPI linked balance /total equity

Portfolio”. This, in addition to depressed asset valuations could have an impact on the adequacy of the Issuer’s loss reserves and future impairment charges.

The creditworthiness of the Issuer’s counterparties may deteriorate. The Issuer cannot guarantee that currently performing loans will not become credit impaired loans in the future or that impairments or losses relating to credit impaired loans will not occur. The Issuer attempts to manage the aforementioned risks through its credit risk management policies, by monitoring the extension of credit to customers and the taking of collateral, but there is no guarantee that such precautions will be effective, and the Issuer could be exposed to more credit risk than it finds acceptable. See further in “Description of the Issuer - Risk Management Framework”. For instance, the credit quality of the Issuer’s borrowers could decline, the value of the collateral could decline, inherent risk in each loan application could be assessed incorrectly and deviations from the rules by committees allowed to make such deviations could become more frequent, especially in response to increase competition amongst lenders due to any deterioration in the economic situation in Iceland. Furthermore, if employees do not comply with the Issuer’s credit risk management policies it can result in riskier loans being extended than permitted within the Issuer’s risk appetite.

As at year-end 2022, the Issuer’s key risk metrics for credit risk were all within the Issuer’s risk appetite. Most measures developed positively in 2022. The ratio of carrying amounts of loans in default was 1.0 per cent. at year-end 2022 as the default rate remains historically low. If any customer, or an industry sector to which the Issuer is exposed, defaults or experiences a significant deterioration in business or prospects, as the case may be, the Issuer may experience a material adverse effect on its business, prospects, financial position and/or result of operation, and its ability to make payments in respect of the Debt Securities.

Environmental, social and governance risk (“ESG”)

Environmental, social and governance (“ESG”) risk is defined as risk that stems from the current or prospective impact of ESG factors on an institution’s counterparties or invested assets, i.e., the risk arising from the core activities of institutions. ESG risk materialises through the traditional categories of financial risks (credit risk, market risk, operational and reputational risks, liquidity and funding risks).

The Issuer publicly declared support for the Task Force on Climate-related Financial Disclosures (“TCFD”) in 2022 and continued its work on science-based targets for reducing carbon emissions from its operation. The Issuer has assessed ESG risk in relation to other material risks for the Issuer. The largest impact of ESG risk is on credit risk, funding risk and operational risk. In 2023, the Issuer will continue to develop and implement ESG risk management within its overall risk framework based on this assessment.

Business related risks

Operational risks are inherent in the Issuer’s business activities and are typical of comparable businesses

Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and business rules, equipment failure, natural disasters or the failure or inadequacy of internal processes or systems or external systems; for example, those of the Issuer’s suppliers or counterparties.

The Issuer has in place and maintains necessary rules and working procedures and keeps them accessible to all employees on the Issuer’s intranet. It is intended to ensure that key information on work processes is available in one place. However, there is no guarantee that mistakes will not be made, which might have a material impact on the Issuer’s business.

Both current and former employees of the Issuer can damage the Issuer if they infringe its rules either intentionally or through negligence. While it is difficult to evaluate the damage in each instance, the loss can be financial and/or detrimental to the Issuer’s reputation. The Issuer could suffer a loss as a result of criminal actions, such as a bank robbery, fraud, cyber-crimes, money laundering or embezzlement. All of these risk factors could cause the Issuer extensive damage and affect its performance.

In 2022, there was a slight increase in the number of operational incidents. There were no major operational incidents in 2022 and the operational risk profile remains stable. The war in Ukraine has not impacted the Issuer directly but has led to a review of the Issuer's crisis response plans and has prompted a review of Iceland's dependency on the undersea cables connecting the country to the internet.

The Issuer has implemented controls designed to detect, monitor and mitigate operational risks and other risks – see further in the section entitled “Description of the Issuer – Risk Management Framework”. However, there is a risk that these controls cannot completely eliminate such risks as some can be difficult to detect or recommendations and suggestions of surveillance units of the Issuer (such as the compliance and internal audit functions) could be ignored, misunderstood or misapplied and mitigation may fail to be effective. Failures in internal controls could subject the Issuer to regulatory scrutiny. Such events could harm the Issuer's reputation and have a material adverse effect on the Issuer's business, prospects, financial position and/or results of operations, and its ability to make payments in respect of the Debt Securities.

Cyberattacks

Cybersecurity risks are foremost related to the Issuer's internet banking users and include potential unauthorised access to privileged and sensitive customer information, including internet banking credentials as well as account and credit card information. The Issuer is responsible for safeguarding such confidential information and must comply with strict data protection and privacy laws when dealing with such data according to the European General Data Protection Regulation (the “**GDPR**”). The Issuer's activities have been, and are expected to continue to be, subject to an increasing risk of ICT crime in the form of Trojan attacks and denial of service attacks, the nature of which are continually evolving. The Issuer believes it has in place investments to address threats from cyberattacks, but the Issuer cannot guarantee that these investments will be successful in part or in full or without significant additional expenditures. The Issuer may experience security breaches or unexpected disruptions to its systems and services in the future, which could, in turn, result in liabilities or losses to the Issuer, its customers and/or third parties and have an adverse effect on the Issuer's business, prospects, reputation, financial position and/or results of operations, and its ability to make payments of the Debt Securities.

Failure to manage compliance risk could adversely affect the Issuer's business

Compliance risk is the risk of legal or regulatory sanctions, financial loss or damage to the Issuer's reputation as a result of failure to comply with applicable laws, regulations, codes of conduct and standards of good practice, which could have an adverse effect on the Issuer's prospects and ability to make payments in respect of the Debt Securities. The Issuer's independent Compliance function manages compliance risk as a second line function. See further in “Description of the Issuer – Other divisions.”

Key processes include regulatory horizon scanning, regular compliance risk assessment, compliance monitoring and follow-up, product governance, training and advice, and regular reporting to senior management.

Key compliance risks include measures against money laundering, terrorist financing, bribery and corruption, sanctions, and other forms of financial crime, personal data protection, consumer protection, market abuse and anti-trust.

The Issuer believes that current governance and controls are adequate to effectively manage compliance risk. Nevertheless, the Issuer cannot exclude the possibility of non-compliance, or the possibility of failing to adequately implement changes to regulatory requirements. Such failures may have severe legal and reputational consequences for the Issuer and could have a material adverse effect on the Issuer's financial conditions and results of operations, and its ability to make payments in respect of the Debt Securities.

Increased competition and changes in ownership of the Issuer's main competitors may affect the Issuer and its business

As demand for new lending and other financial products increases, the Issuer expects to face increased competition from other large Icelandic banks, pension funds and smaller specialised institutions (see “Description of the Issuer

- *Competition*”). In addition, if there is sufficient credit demand, the Issuer may potentially face competition from foreign banks seeking to establish operations in Iceland, in particular with respect to the customers of the Corporate and Investment Banking division. The Financial Stability Counsel of Iceland (“**FSC**”) places the Issuer and other systematically important financial institutions under considerable regulatory scrutiny. This can hinder the Issuer’s competitiveness. Due to the small economy of Iceland and the Issuer’s lack of scale advantage and high regulatory obligations, as a systematically important financial institution in Iceland, foreign competitors may have more resources and financial means available to them, compared to the Issuer, allowing foreign competitors to offer banking products at a lower price. The Issuer may have to comply with regulatory requirements that may not apply to such foreign competitors, creating an unequal competitive environment. For example, in addition to the basic corporate income tax rate of 20 per cent. in Iceland (which will be temporarily increased to 21 per cent. for one year, effective for the 2024 annual results), the Issuer is subject to certain other taxes which are specific to Iceland and which increase its effective tax rate and its effective cost of funding, which in turn can inhibit its ability to compete effectively with domestic and foreign lenders who are not subject to such additional taxes. (see “*Changes in tax laws or in their interpretation could harm the Issuer’s business*”).

In addition, it is likely that competition will intensify even further with the emerging competition from financial technology (“**FinTech**”) start-ups (especially digital technology that is often referred to as FinTech) after the implementation in 2021 of the Revised Payment Service Directive No. 2015/2366 (“**PSD2**”) into Icelandic law with act no. 114/2021 on payment services, which was fully implemented on 1 May 2022. The PSD2 requires the commercial banks to open up their application program interface (the “**APIs**”), so that third-party payment service providers can directly access and use their client’s account data. In essence, PSD2 separates the distribution of banking services from their production, by allowing new entrants to provide almost any kind of banking products and services under lighter regulation. Now that has come into full effect, the distribution of financial services will become open to non-banks and consequently, retail banking revenues could decrease. Competitive pressures caused by FinTech firms, and in particular the emergence of open banking, may cause greater and faster disruption to banks’ business models and revenues in Iceland. This could therefore have a negative effect on the Issuer’s business.

To keep up with the rapid development in the financial market, the Issuer replaced its core deposit and payment system, with Sopra banking system, a system provided by Reiknistofa bankanna, which simplified and updated the Issuer’s technological infrastructure. The Sopra banking system opens the way to increased integration of software solutions in the financial system.

The Issuer will continue to offer the full range of specialised financial products to individuals, corporate entities and institutions and to work on product development to meet increased competition and keep up with the rapid development in digital technology. If the Issuer is unable to provide attractive financial products and services at more competitive prices, or to implement solutions to keep up with development in digital technology, it may lose market share which could have a material adverse effect on the Issuer’s business, prospects, financial position, and its ability to make payments in respect of the Debt Securities.

As at the date of this Base Prospectus, the Issuer and Íslandsbanki, which are two of the four commercial banks in Iceland, are partially or wholly owned by the Icelandic State Treasury. In June 2018, sales of shares in Arion Bank through initial public offerings took place and the shares were listed on the Icelandic and Swedish Stock markets. According to the Icelandic State Financial Investments (“**ISFI**”), which manages the shareholding and the corresponding voting rights in the Issuer and Íslandsbanki, on behalf of the largest shareholder, the Icelandic State Treasury, it is the intention of the ISFI to retain a substantial equity stake in the Issuer for the long-term. In 2021, 35 per cent. of shares in Íslandsbanki were sold and listed on the local regulated stock market and in March 2022, a further 22.5 per cent. of Íslandsbanki’s outstanding share capital was sold. Following the transaction, the Treasury of Iceland now owns 42.5 per cent. of shares in Íslandsbanki.¹⁰ For further information, see the section entitled “The Icelandic State Treasury is the largest shareholder of the Issuer” and “Description of the Issuer - Shareholder, Share Capital and Dividend policy”.

¹⁰ Source: <https://cdn.islandsbanki.is/image/upload/v1/documents/2022-03-23-Harpa-result-announcement.pdf>.

In February 2023, the two banks Íslandsbanki and Kvika Bank announced that they would begin preliminary discussions on the possible merger of the two banks. Furthermore, in February 2023, the insurance company Vátryggingarfélag Íslands hf. (“VÍS”) and the credit undertaking company Fossar fjárfestingarbanki hf. (“Fossar”) also announced they would begin negotiations on the purchase by VÍS of all shares in Fossar fjárfestingarbanki hf.¹¹ In January 2023, a new savings bank, Indó, began its operations. Indó only accepts deposits from its customers but does not offer any other banking service. This may affect the Issuer and its business. Any changes in ownership of the Issuer, Arion Bank and Íslandsbanki (the “**Three Banks**”), any newcomers or mergers in the financial system can affect the competitive environment and the Issuer’s business, financial condition and result of operations.

The Icelandic banking system is relatively small and has been subject to restructuring, which could limit opportunities and involve risks that could materially affect the Issuer

The Three Banks are the largest commercial banks in Iceland and were established after the banking crisis in 2008. The total assets of the Three Banks comprised 95 per cent. of the total assets of the Icelandic deposit money banks (excluding the Central Bank) as at the end of 2022,¹² according to the Central Bank of Iceland. The Icelandic banking system is small, and the Three Banks have had limited opportunities for growth.

The Issuer has so far primarily engaged in domestic lending in Icelandic krona, but the Issuer has limited funding opportunities in Icelandic krona, namely its ISK denominated deposits and its covered bond and debt securities issuance facilities. External factors may affect the Issuer’s depositor base as an increase in the availability of alternative investment opportunities arise in the future. Due to the small economy and present competition for funding, there are limited opportunities for the growth of funding opportunities in krona. Consequently, the Issuer’s ability to increase its corporate lending is limited and will continue to be limited unless the Issuer is able to find additional sources of funding in Icelandic krona (see “*Description of the Issuer - Funding*”).

The relatively small banking system, given the small size of the Icelandic economy (see “*The Icelandic Economy*”), and the ongoing restructuring of the Icelandic banking sector have affected and continue to affect the Icelandic banks. Following the financial crisis in 2008, some political and legislative decisions have been made which have had a material adverse effect on the Issuer. Various ideas have been discussed on how to improve the banking sector in Iceland, one being to initiate a sale process on either of the two state owned banks, namely Landsbankinn and Íslandsbanki, which was the case with Íslandsbanki (see “*Increased competition and changes in ownership of the Issuer’s main competitors may affect the Issuer and its business*”). Another is the introduction of a potential law requiring the separation of commercial banking activities from investment banking activities, which could require the Issuer to divest or otherwise restructure some of its operations. No such requirements have been enacted to-date, but there can be no assurance that such law or similar or related measures will not be proposed and ultimately be enacted, which in turn could have a material negative effect on the Issuer’s business.

The occurrence of any of the factors described above could seriously undermine Iceland’s economy and confidence in the banking system in Iceland and could have a material adverse effect on the Issuer’s business, financial condition and operating results and its ability to make payments in respect of the Debt Securities.

The Issuer is exposed to the risk of breach of security, unauthorised disclosure of confidential information and personal data, or functionality of its information systems that could have materially adverse effects on the Issuer’s business

Banks and their activities are increasingly dependent on Information and communication technology (“**ICT**”) systems, including a significant shift away from physical bank branches and towards greater reliance on internet websites and the development and use of new applications on smartphones. The Issuer’s ICT systems comprise a significant operational risk, both with regard to their functioning and accessibility. The Issuer’s ICT systems are varied and, in many instances, depend upon co-operating partners and they are vulnerable to a number of problems,

¹¹ Source: <https://fossar.is/en/negotiations-on-the-merger-of-fossar-investment-bank-and-vis/>

¹² Source: Central Bank of Iceland, Landsbankinn, Arion Bank and Íslandsbanki.

such as software or hardware malfunctions, interruptions in network availability, hacking, human error, physical damage to vital ICT centres and computer viruses. Various kinds of external attacks, viruses, denial of service attacks or other types of attacks on the Issuer's computer systems could disrupt the Issuer's operations. The Issuer has in place specific disaster recovery and business continuity plans, including back-up sites. Furthermore, the Issuer is certified in accordance with ISO 27001, the international standards on information security. This standard helps the Issuer in assessing and monitoring operational risk in the certified areas. It is not entirely possible, however, to eliminate operational risk arising from unexpected events.

As part of its business, the Issuer is responsible for safeguarding information such as personal customer, merchant data and transaction data. ICT systems need regular upgrades to meet the needs of changing business and regulatory requirements and to keep up with developments in the market and to be able to rely on information and communication technology more broadly. The Issuer believes it has in place sufficient policies and procedures to comply with relevant data protection and privacy laws by its employees and any third-party service providers. The Issuer has also taken necessary steps to implement and maintain appropriate security measures to protect confidential information. However, the Issuer may not be able to implement necessary upgrades on a timely basis and upgrades may fail to function as planned. In addition to costs that may be incurred as a result of any failure of its ICT systems or technical issues associated with, as well as the general cost of, upgrading its ICT systems, the Issuer could face fines from regulators if its ICT systems fail to enable it to comply with applicable banking or reporting regulations, including data protection regulations.

The Issuer maintains back-up systems for its operations and one of the back-up systems is located outside its premises. However, under limited circumstances, for example, in the event of a major catastrophe resulting in the failure of its ICT systems, the Issuer could lose certain recently entered data with regards to its operation located outside its premises.

In the event of a breach of applicable law due to loss of confidential information, or as a result of unauthorised third-party access, this could result in additional costs relating to compensation, fines, reputational damage, loss of relationship with financial institutions, sanctions, legal proceedings, and adverse regulatory actions against the Issuer, by the authorities, customers, merchants or other third parties. Unauthorised disclosure of confidential information could occur in a number of circumstances, including as a result of software or hardware malfunctions, interruption in network availability, hacking, human error, physical damage to vital ICT centres and computer viruses, as well as physical security breaches due to unauthorised personnel gaining physical access to confidential information.

In 2018, the **GDPR** was implemented in Iceland, by Act No. 90/2018, and other jurisdictions in which the Issuer operates. The Issuer is exposed to the enhanced data protection requirements under the GDPR and has needed to make additional changes to its operations, which incurred additional costs, in order to comply with the GDPR. A designated Data Protection Officer is within the Issuer, to ensure full compliance with the GDPR. Failure to comply with the GDPR could subject the Issuer to substantial fines.

Although the Issuer maintains customary insurance policies for its operations, such insurance policies may not be adequate to compensate the Issuer for all losses that may occur as a result of any aforementioned damage, interruption, failure or lack of capacity. A sustained failure of the Issuer's ICT systems centrally or across its branches would have a significant impact on its operations, reputation and the confidence of its customers in the reliability and safety of its banking systems and could result in costly litigations. Any of the aforementioned factors could have a material adverse effect on the Issuer's business, prospects, financial position, reputation and/or results of operations, and its ability to make payments in respect of the Debt Securities.

The Issuer relies on third-party service providers, which may fail to perform their contractual obligations, which could have materially adverse effects on the Issuer's business

The Issuer relies on the services, products and knowledge of third-party service providers in the operation of its business. No assurance can be given that the third-party service providers selected by the Issuer will be able to

provide the products and services for which they have been contracted, for example, as a result of failing to have the relevant capabilities, products or services in place or due to changed regulatory requirements.

The Issuer also faces the risk that third-party service providers may become insolvent, enter into default or fail to perform their contractual obligations in a timely manner (or at all) or fail to perform their contractual obligations at an adequate and acceptable level. Any such failure from any third-party service provider, such as ICT system service providers, could lead to interruptions in the Issuer's operations or result in vulnerability of its ICT systems, exposing the Issuer to operational failures, additional costs or cyber-attacks. The Issuer may need to replace a third-party service provider, on short notice, to resolve any potential problems, and the search for and payment to a new third-party service provider, on short notice, or any other measures to remedy such potential problems may be costly.

The Issuer generally includes confidentiality obligations in its agreements with third party partners, or service providers, who may have access to confidential information. Although the obligations restrict such third parties from using or disclosing any such confidential information, these contractual measures may not be able to prevent the unauthorised use, modification, destruction or disclosure of confidential information. Further, the Issuer might not be able to seek reimbursement from such third party in case of a breach of confidentiality or data security obligations.

Any failure by a third-party service provider to deliver the contracted products and services in a timely manner (or at all) or to deliver products and services in compliance with applicable laws and regulations, and at an adequate and acceptable level could result in reputational damage, additional costs relating to customers and/or merchant compensations or other charges, claims, losses and damages and have a material adverse effect on the Issuer, its business, prospects, financial position and/or results of operations, and its ability to make payments in respect of the Debt Securities.

The Issuer's future success depends, in part, on its ability to attract, retain and motivate qualified and experienced banking and management personnel

The Issuer's performance is to a large extent dependent on the performance of its senior management and highly skilled employees. The departure of key members of its senior management or employees may delay the attainment of the Issuer's business objectives significantly and could have a material adverse effect on its business, financial condition and results of operations. The average number of full-time equivalent positions during the year 2022 was 843 compared to 890 in 2021. Salaries and related expenses year over year was ISK 14.474 million in 2022 compared with ISK 14.759 million the previous year.

The Issuer's remuneration policy is determined by the Board of Directors and approved by the Annual General Meeting ("AGM") and applies to the Board of Directors, the Executive Board and all the Issuer's employees. The Issuer does not offer variable remuneration. When the labour market is experiencing wage inflation the Issuer may come under pressure to increase the salaries of its employees. Salary increases can lead to increases in the Issuer's expenditure which could have adverse effect on the Issuer's business, financial condition, and ability to make payments in respect of the Debt Securities.

In addition, competition for personnel with relevant expertise is significant, due to the relatively small number of qualified and available individuals in Iceland, as the Issuer competes for talented personnel with both financial and non-financial services companies. Furthermore, the Issuer may be subject to additional limitations on compensation imposed by Icelandic law or public sentiment, and therefore unable to offer employees rates of compensation comparable to its larger international competitors or smaller domestic competitors which may be able to offer more flexible compensation structures. Failure to attract, recruit and retain senior management and key employees with institutional and customer knowledge may delay the Issuer's achievement of its business objectives significantly and could have a material adverse effect on the Issuer's business and its ability to make payments in respect of the Debt Securities.

Damage to the Issuer's image and reputation could adversely affect its operation

The image and reputation of the Issuer are some of the Issuer's most valuable assets. The risk of damage to the Issuer's image or reputation is present whenever it is the subject of discussion. The ability to attract and retain customers, staff and conduct business with its counterparties could be jeopardised if the Issuer's reputation is badly affected. Damage to its image or reputation (such as a perception that the Issuer has failed to address various issues) could prompt the Issuer's customers to direct their business elsewhere which could result in loss of revenues – see further in “Description of the Issuer – Competition”. This could have a negative impact on the Issuer's business and its ability to make payments in respect of the Debt Securities. Such reputational issues include, but are not limited to:

- the fact the Icelandic State Treasury is the largest shareholder of the Issuer (see. “*The Icelandic State Treasury is the largest shareholder of the Issuer. This may affect the Issuer and its business*”);
- poor customer services or ICT failures or interruptions that impact customer service and accounts (see “*The Issuer is exposed to the risk of breach of security, unauthorised disclosure of confidential information and personal data, or functionality of its information system that could have materially adverse effect on the Issuer's business*”);
- failure to maintain appropriate standards of customer privacy and record keeping and disclosure of confidential information (see *Cyberattacks*);
- statements concerning matters of the Issuer from a high-level representative that are adversely perceived by the public;
- failure to properly identify legal, regulatory, operational, credit, liquidity and market risks that are inherent in the Issuer's services (see. “*The Issuer is exposed to a range of market risks, the most significant being, interest rate, foreign exchange indexation and equity risks*” and “*Operational risks are inherent in the Issuer's business activities and are typical of comparable businesses*”);
- failure to demonstrate that the Issuer adequately addresses the environmental, social and governance (“ESG”) issues, as increased regulation and public awareness related to ESG related developments involves;
- breach or allegation of having breached laws or regulations (see “*Regulatory changes or enforcement initiatives could increase compliance costs and adversely affect the Issuer's business, if the Issuer becomes subject to increasingly complex requirements*”, *Litigation*” and “*Operational risks are inherent in the Issuer's business activities and are typical of comparable businesses*”).

There is no guarantee that the Issuer will be able to address the aforementioned issues appropriately. Any failure to do so could damage the Issuer's reputation and make stakeholders, such as customers and investors, less willing to conduct business with the Issuer. This could cause the Issuer to suffer material losses to its revenue, and as such, its ability to make payments in respect of the Debt Securities.

The Issuer's financial statements are based in part on assumptions and estimates, which, if inaccurate, could lead to future losses

The financial statements of the Issuer have been prepared on a going-concern basis in accordance with the International Financial Reporting Standards (the “IFRS”) as adopted by the European Union. The preparation of financial statements requires the Issuer's management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Identification of certain accounting policies to the 2022 financial statements have been identified as critical because they require estimates and judgements in applying accounting policies, see note 3 to the 2022 Consolidated Financial Statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Estimates and assumptions involve a substantial risk which could result in material adjustments to the carrying amounts of assets and liabilities during the next financial year.

The Issuer may be impacted by changes in accounting policies or accounting standards and the interpretation of such policies and standards. From time to time the international Accounting Standards Board (the “IASB”) changes the financial accounting and reporting standards that govern the preparation of the Issuer and its principal subsidiaries (the “Group’s”) financial statements. In some cases, the Group may be required to apply a new or revised standard, or alter the application of an existing standard, subsequently, calling for a restatement of prior period financial statements necessary. There is uncertainty surrounding the Issuer’s judgement, estimates and assumptions, therefore the Issuer cannot guarantee that it will not be required to make changes to the accounting estimates or restate prior financial statements in the future, which could materially and adversely affect the Issuer and its ability to make payments in respect of the Debt Securities.

The Issuer’s insurance coverage may not adequately cover all losses

The Issuer has taken a conscious decision to insure itself against specific risks. The Issuer holds all mandatory insurance coverage, including fire insurance and mandatory vehicle insurance, plus comprehensive vehicle insurance. The Issuer also holds insurance policies provided for collective bargaining agreements with the Confederation of Icelandic Bank and Finance Employees, such as life and accident insurance, and insurance stipulated by other wage contracts as applicable. In addition, the Issuer has taken out liability insurance against third-party claims, insurance on moveable property and professional liability insurance for its auditors and directors’ and officers’ liability insurance for the Issuer’s directors and senior management. The Issuer also carries insurance against comprehensive crime and professional indemnity coverage. Comprehensive crime insurance provides cover for fraud by employees and third parties. It covers financial losses sustained by the Group, including those sustained in customer accounts, which are first discovered during the period of the policy, regardless of when the fraudulent acts were committed. In addition, money transportation is insured in accordance with the interests at stake in each instance. Recently, the Issuer has taken out a cyber liability insurance which covers damages and claim expenses resulting from cyber breaches, as well as possible privacy regulatory actions. It should be borne in mind, however, that despite the insurance policies carried by the Issuer, there is no guarantee that the Issuer will be fully compensated should the Issuer need to lodge claims. If the Issuer did submit claims under its policies, the premiums it pays could be expected to increase in the future. The Issuer’s insurance policies are subject to the terms and conditions of the applicable policies. If the Issuer’s insurance coverage does not adequately cover all losses, the Issuer may suffer a financial loss, which could negatively impact its business.

Environmental disasters, natural catastrophes, pandemics and acts of war could have a negative impact on the Issuer’s revenues and on-going operation

As a bank with substantially all of its operations in Iceland, any environmental disasters and natural catastrophes in Iceland could significantly impair the environment in which the Issuer operates. Although natural catastrophes and environmental disasters are unforeseen factors that could threaten the Issuer’s ability to maintain its operations, attempts are made to limit this risk by ensuring the security of critical equipment, its location and distribution between risk areas. The Operational Risk Department is responsible for business continuity management and for maintaining the Issuer’s disaster recovery plans. The Issuer also has in place specific disaster recovery and business continuity plans. See further in “Description of the Issuer - Risk Management Framework”. Although the Issuer endeavours to hedge operational risk by implementing appropriate control processes and maintains customary insurance policies for its operations, it is possible that these measures may prove to be ineffective and that the Issuer’s insurance may not cover all losses. Any losses experienced by the Issuer due to environmental disaster, natural catastrophes, pandemics or act of wars could have a material adverse effect on the Issuer’s business, prospects, financial position and/or result of operations, and its ability to make payments in respect of the Debt Securities.

The Icelandic State Treasury is the largest shareholder of the Issuer. This may affect the Issuer and its business

As at the date of this Base Prospectus, the ISFI manages a 98.2 per cent. shareholding on behalf of the largest shareholder, the Icelandic State Treasury. The Icelandic Parliament has authorised the Minister of Finance and

Economic Affairs to sell all of the Icelandic State Treasury's shares in the Issuer which are in excess of 70 per cent. of the Issuer's total share capital, subject to any proposals that may be put forward by the ISFI. Any such sale or disposal, and any conditions attaching to it, could affect the Issuer's business, financial condition and results of operations. See further in "Description of the Issuer - Shareholders, share capital and dividend policy".

In certain areas, Icelandic legislation imposes special rules on the Issuer since the Icelandic State Treasury holds the majority shareholding in the Issuer. These rules may impose a heavier regulatory burden on the Issuer compared to its competitors and may thus have a negative impact on the Issuer's competitive position. The Issuer's business, financial condition and results of operations could therefore be negatively affected and impact the Issuer's ability to make payments in respect of the Debt Securities. These rules are: (i) Article 4 of the Act on the Auditor General and the Auditing of Government Accounts No. 46/2016 (the functions of the Auditor General include auditing the annual accounts of limited liability companies where the State owns 50 per cent. of the shares or more); (ii) Article 2 of the Information Act No. 140/2012 (the Issuer is subject to provisions of the Act but can obtain a temporary exemption from falling under the scope of the Act); and (iii) Article 14 of the Act on Public Archives No. 77/2014 (the Issuer is subject to provisions of this Act). Following a settlement with the Icelandic Competition Authority on 11 March 2016 relating to the changes in ownership of Íslandsbanki and a motion approved by the AGM of the Issuer held on 14 April 2016, the Board of Directors of the Issuer added provisions on the competitive independence of the Issuer towards other state-owned commercial banks to its rules of procedures.

Legal risk relating to the Issuer

Legal and regulatory risks are built in the Issuer's business

The Issuer, as a systematically important financial institution in Iceland, is regulated by the FSA and must comply with banking and financial services laws and government regulations. Legal risk includes but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions as well as private settlements. The Issuer is subject to a number of laws, regulations, administrative actions and policies governing the provision of financial services in Iceland. The Issuer is required to abide by various legal and regulatory requirements. Failure to do so may lead to litigation and administrative proceedings, which could subject the Issuer to damages claims, regulatory fines or other penalties. Although the Issuer works closely with regulators and continually monitors its legal position, future changes in regulations, fiscal or other policies can be unpredictable and are beyond the Issuer's control. Any changes to current legislation might affect the Issuer's operations and its results of operations and its ability to make payments in respect of the Debt Securities.

Regulatory risks relate not only to regulation within Iceland, but also from the ability of Iceland, as a member of the EEA Agreement, to adopt, implement and administer implementation of new European directives and regulations into Icelandic rules and regulations. See further in "Iceland's national implementation of EEA rules may be inadequate in certain circumstance". This may include late implementation into Icelandic rules and regulations and more stringent requirements where they are permitted or required to do so, like in the respect of capital requirements.

The Issuer will at any time be involved in several court proceedings, which is considered normal due to the nature of the business undertaken. In some cases, there is substantial uncertainty regarding the outcome of the proceeding and the amount of possible damages. Despite the fact the Issuer has created appropriate provisions for legal and regulatory risk, there is still a risk that such provisions will not be adequate in certain circumstances. As of 31 December 2022, economic capital for legal and regulatory risk amounted to ISK 1.8 million compared to ISK 2 million in 2021. These cases may include possible criminal or administrative proceeding by the relevant authority and claims in which the claimant has not specifically quantified the amounts in disputes. The results of any adverse proceedings could have a material adverse effect on its results and reputation. For further information on litigation see "*Description of the Issuer – Litigation*".

Changes to capital and related requirements could adversely affect the Issuer's results

The international regulatory framework for banks, Basel III, includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements. See further in "Description of the Issuer- Risk

Management Framework". Within the European Union the Basel III framework has been implemented in a legislative package known as CRD IV and CRR, later amended by CRD V and CRR II. Following incorporation of the legislative package into the EEA Agreement, the package has been implemented into Icelandic law in steps. On 26 April 2022, the Icelandic Central Bank Resolution Authority approved a resolution plan for the Issuer and took a decision on the Issuer's minimum requirement for own funds and eligible liabilities ("MREL"), in accordance with the Act No. 70/2020 on Resolution of Credit Institutions and Investment Firms, implementing Directive 2014/59/EU (the "**Bank Recovery and Resolution Directive**" or "**BRRD**"). As of the date of this Base Prospectus, the Issuer complies with its MREL requirements.

Any failure by the Issuer to comply with its regulatory capital requirements or to comply with any other requirements introduced by regulators could result in intervention by regulators or the imposition of sanctions, which may have a material adverse effect on the Issuer's financial condition and results of operations and may also have other effects on the Issuer's financial performance and on the pricing of the Debt Securities, both with or without the intervention by regulators or the imposition of sanctions. Changes under Basel III, CRD IV, CRD V, CRR, CRR II, BRRD and/or the related Icelandic law may impact the capital requirements in respect of the Debt Securities and/or the liquidity and/or value of the Debt Securities, and therefore may affect the incentives of investors to hold onto the Debt Securities. Therefore, prospective investors in the Debt Securities should consult their own advisers as to the consequences of the implementation of the relevant legal measures in Iceland.

The Implementation of the BRRD in Iceland provides for a range of actions to be taken in relation 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 Debt Securities

On 2 July 2014, Directive 2014/59/EU which provides an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") entered into force. 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.

The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where an institution is considered as failing or likely to fail: (i) sale of business which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation which enables resolution authorities to transfer assets to a bridge institution or one or more asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down; and (iv) bail-in which gives resolution authorities the power to write down the claims of unsecured creditors of a failing institution (write-down may result in the reduction in value of such claims to zero) and to convert unsecured debt claims to equity or other instruments of ownership (the "**general bail-in tool**") (subject to certain parameters as to which liabilities would be eligible for the general bail-in tool), which equity or other instruments could also be subject to any future cancellation, transfer or dilution.

An institution will be considered as failing or likely to fail when: (i) it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; (ii) when its assets are, or are likely in the near future to be, less than its liabilities; (iii) when it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) when it requires extraordinary public financial support (except in limited circumstances).

In accordance with the implementation of the BRRD in Iceland, the Debt Securities may be subject to the exercise of the general bail-in tool by the Relevant Resolution Authority (as defined in Condition 18 ("*Acknowledgement of*

Statutory Loss Absorption Powers”) under “Terms and Conditions of the Debt Securities”) and the Debt Securities include a contractual consent to the application of any Bail-in and Statutory Loss Absorption Powers (as defined in Condition 18 under “Terms and Conditions of the Debt Securities”).

In addition to the general bail-in tool, the BRRD allows for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments or other instruments of ownership such as the Subordinated Debt Securities at the point of non-viability and before any other resolution action is taken (“**non-viability loss absorption**”). Any instruments issued to holders of Subordinated Debt Securities upon any such conversion into equity may also be subject to any future cancellation, transfer or dilution.

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 bonds” (including Senior Non-Preferred bonds issued hereunder) and will rank lower than ordinary unsecured claims (including Senior Preferred bonds issued hereunder) in a winding up of the Issuer: (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 Debt Securities of the Issuer will rank *pari passu* with any Senior Preferred Debt Securities of the Issuer; and (ii) existing unsubordinated Debt Securities of the Issuer and Senior Preferred Debt securities of the Issuer will rank senior to any Senior Non-Preferred Debt Securities of the Issuer

To the extent any resulting treatment of holders of the Debt Securities pursuant to the exercise of the general bail-in tool is less favourable than would have been the case under such hierarchy in normal insolvency proceedings, a holder has a right to compensation under the BRRD based on an independent valuation of the firm (which is referred to as the “no creditor worse off safeguard” under the BRRD). Any such compensation is unlikely to compensate that holder for the losses it has actually incurred and there is likely to be a considerable delay in the recovery of such compensation. Compensation payments (if any) are also likely to be made considerably later than when amounts may otherwise have been due under the Debt Securities.

Under the BRRD, resolution authorities must set a MREL¹³ for each bank (and/or group) based on criteria including systemic importance. Eligible liabilities may be senior or subordinated provided they have a remaining maturity of at least one year and must be able to be written-down or converted into equity upon application of the general bail-in tool.

Holders of Debt Securities may be subject to the application of the general bail-in tool which may result in such holders losing some or all of their investment (in the case of Subordinated Debt Securities, see “*Subordinated Debt Securities may be subject to loss absorption on any application of the general bail-in tool or at the point of non-viability of the Issuer*”). Such application of the general bail-in tool could also involve modifications to or the disapplication of provisions in the conditions of the Debt Securities, including alteration of the principal amount or any interest payable on the Debt Securities, the maturity date or any other dates on which payments may be due, as well as the suspension of payments for a certain period. The exercise or perceived increase in likelihood of exercise of any power under the BRRD could therefore materially adversely affect the rights of holders of Debt Securities issued or to be issued by the Bank (the “**Debt Securities holders**”), the price or value of their investment in any Debt Securities and/or the ability of the Bank to satisfy its obligations under any Debt Securities.

¹³ Minimum Requirement for own funds and Eligible Liabilities (MREL)

In addition, following the publication on 7 June 2019 in the Official Journal of the EU of (i) the Directive (EU) 2019/879 of the European Parliament and of the Council dated 20 May 2019 amending the BRRD (the "**BRRD II**") as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC and (ii) the Regulation (EU) 2019/877 of the European Parliament and of the Council dated 20 May 2019 amending the Single Resolution Mechanism Regulation as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, a comprehensive legislative package has been produced which intends to reduce risks in the banking sector and the financial system, reinforce banks' ability to withstand potential shocks and strengthen the banking union from 28 December 2020. BRRD II was incorporated into the EEA Agreement by EEA Joint Committee Decision No. 145/2022. In June 2023, the Icelandic Parliament approved a bill which amended Act No. 70/2020 on Recovery and Resolution of Credit Institutions and Investment Firms, implementing BRRD II into Icelandic law¹⁴. The BRRD II reforms also introduce, in Article 33a, a new pre-resolution moratorium tool as a temporary measure in an early stage and new suspension powers, which the resolution authority can use within the resolution period. Any suspension of activities can result in the partial or complete suspension of the performance of agreements (including any payment or delivery obligation) entered into by the respective credit institution. The exercise or perceived increase in likelihood of exercise of any such power could, as stated above, materially adversely affect the rights of holders of Debt Securities, the price or value of their investment in any Debt Security and/or the ability of the Issuer to satisfy its obligations under any Debt Security.

Changes in tax laws or in their interpretation could harm the Issuer's business

The Issuer's results of operations could be harmed by changes in tax laws and tax treaties or the interpretation thereof, (such as in relation to the OECD's "Base Erosion and Profit Shifting" Project), changes in corporate tax rates and the refusal of tax authorities to issue or extend advanced tax rulings.

In addition to the basic corporate income tax rate of 20 per cent. in Iceland (which will be temporarily increased to 21 per cent. for one year effective for the 2024 annual results), the Icelandic Parliament passed the Act on Special Tax on Financial Institutions, No. 155/2010, in December 2011 (the "**Special Tax on Financial Undertakings**"), under which certain types of financial institution, including the Issuer, are required to pay an annual levy of the carrying amount of their liabilities as determined for tax purposes. In 2013 the levy was increased and set at 0.376 per cent. of the total debt of the Issuer excluding tax liabilities in excess of ISK 50 billion at the end of the year. Non-financial subsidiaries are exempt from this tax. The Act on Special Tax on Financial Undertakings was amended in March 2020 with Act No. 25/2020 in relation to measures from the Icelandic Government and the Central Bank due to the COVID-19 pandemic reducing the levy to 0.145 per cent in 2020. See further in "The Icelandic Economy".

According to the Income Tax Act No. 90/2003, as amended (the "**ITA**") payments of Icelandic sourced interest by an Icelandic debtor, such as the Issuer, to a foreign creditor, including holders of bonds, who are not Icelandic are taxable in Iceland and can be subject to withholding tax at the rate of 12.0 per cent. This withholding is applicable unless the foreign creditor can demonstrate and obtain approval from the Icelandic Internal Revenue that an exemption applies, such as the existence of a relevant double taxation treaty, and in such case the provisions of the double tax treaty will apply. The exemption, subject to certain other requirements, applies to bonds that are held through a clearing system, such as the NCSD, Euroclear and Clearstream Luxembourg, within a member state of the OECD, the EEA, a founding member state of EFTA or the Faroe Islands. Bonds issued by the Issuer are subject to the aforementioned exemption.

According to the Act on Tax on Financial Activities, No. 165/2011, certain types of financial institutions, including the Issuer, are required to pay a special additional tax levied on all remuneration paid to employees. The levy is currently set at 5.5 per cent. of such remuneration. Additionally, according to Article 71 of the ITA, a special

¹⁴ The act has not been published in section A of the Government's Gazette (A-deild Stjórnartíðinda) at the date of this Base Prospectus.

additional income tax on legal entities liable for taxation according to Article 2 of Act No. 165/2011, which includes the Issuer is set at 6.0 per cent. on income over ISK 1 billion, disregarding joint taxation and transferable losses. The aforementioned taxes and levies placed on the Issuer increases the cost burden on the Issuer and subjects it to a competitive disadvantage relative to other competitors, which are not subject to such taxes or levies. See further in “Description of the Issuer- Competition”.

The Issuer may be subject to additional taxes or levies in the future, so there can be no assurance that additional taxes and levies could increase the Issuer’s cost of funding and operating costs generally, reduce the ability of the Issuer to compete effectively with other lenders and/or decrease the Issuer’s lending volumes and margins any of which could have a material adverse effect on the Issuer’s business, prospects, financial position and/or results of operations, and its ability to make payments in respect of the Debt Securities. Any such increase could have a material adverse effect on the financial condition of the Issuer and its ability to make payments in respect of the Debt Securities

Iceland’s national implementation of EEA rules may be inadequate in certain circumstances

Iceland is a member state of the EEA and is therefore obligated to implement certain EU instruments with EEA relevance, including legislation relating to financial markets. Where implementation of such instruments into Icelandic law is inadequate, (for example, where Iceland has failed to adapt national law to conform to EEA rules) citizens may be unable to rely on these instruments and the Icelandic courts may be barred from applying them, unless Icelandic legislation may be interpreted in accordance with the EEA rules. As a result, the Debt Securities holders in some circumstances may experience different legal protections than they would expect as holders of securities issued by banks in EU member states where EU instruments are directly applicable or have been adequately implemented into national legislation. Complying with regulation that is in continual change can be resource intensive and exposes the Issuer to a risk of non-compliance, which could have a material adverse effect on the Issuer’s business, prospects, financial position and/or results of operations and its ability to make payments in respect of the Debt Securities.

Judgments entered against Icelandic entities in the courts of a state which is not a party to the Lugano Convention (including, as at the date of this Base Prospectus, the United Kingdom) may not be recognised or enforceable in Iceland

A judgment entered against a company incorporated in Iceland in the courts of a state which is not a party to the Convention on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters made in Lugano on 30 October 2007 (the “**Lugano Convention**”) as a Contracting State (as defined in the Lugano Convention), would not be recognised or enforceable in Iceland as a matter of law without a retrial on its merits (but will be of persuasive authority as a matter of evidence before the courts of law of Iceland). As at the date of this Base Prospectus, the United Kingdom and Iceland are not bound by any agreement, treaty or other instrument on mutual recognition and enforcement of judgments applicable in relation to the Debt Securities. The United Kingdom has applied to re-accede to the Lugano Convention as an independent contracting state, but the other contracting states have, as at the date of this Base Prospectus, not approved the application. As a result, a final judgment in civil or commercial matters relating to the Debt Securities obtained in the courts of England against the Issuer, will, in principle, neither be recognised nor enforceable in Iceland. However, if a Debt Securities holder brings a new action in a competent court in Iceland, the final judgment rendered in an English court may be submitted to the Icelandic court, but will only be regarded as evidence of the outcome of the dispute to which it relates, and the Icelandic court has full discretion to rehear the dispute ab initio. Any retrial on a judgment’s merits could therefore significantly delay or prevent the enforcement by Debt Securities holders of the Issuer’s obligations under the Debt Securities.

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

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, authorised all derivatives transaction, irrespective of their purpose, but placing restrictions on the total amount of financial institutions’ derivatives transactions.

If economic circumstances in Iceland were to change, there can be no assurance that the Central Bank, would not re-impose elements of the capital controls which have already been lifted. Additionally, even if the capital controls were to be lifted in full and on a permanent basis, the level of foreign direct investment in Iceland may be affected by a market perception that capital restrictions could be re-imposed in the future, which could limit the growth prospects of the Icelandic economy and ultimately for the Issuer which could have a material adverse effect on the Issuer’s business and result of operations and its ability to make payments in respect of the Debt Securities.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE RISKS ASSOCIATED WITH THE DEBT SECURITIES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Debt Securities

A wide range of Debt Securities may be issued under the Programme. See further in “Terms and Conditions of the Debt Securities”. A number of these Debt Securities may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Debt Securities:

Payments and the principal of the Bonds under the programme can in some cases be determined by reference to an index which could adversely affect the value of the index linked Bonds

Subject to any applicable legal or regulatory restrictions being lifted, the Issuer may issue Bonds with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”). In addition, the Issuer may issue Bonds with principal or interest payable in one or more currencies which may be different from the currency in which the Bonds are denominated. Potential investor should be aware that:

- (a) The market price for such Bonds may be volatile;
- (b) they may receive no interest;
- (c) payment of principal or interest may occur at a different time or in a different currency than expected;
- (d) they may lose all or a substantial portion of their principal;
- (e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (f) if a Relevant Factor is applied to Bonds in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the possible effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Bonds. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Bonds linked to a Relevant Factor and the suitability of such Bonds in light of its particular circumstances.

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

An optional redemption feature of Debt Securities including in the case of a Tax Event, (in respect of Subordinated Debt Securities only, in respect of which Condition 7.3 (*Redemption for Tax Reasons*) is specified as being applicable in the applicable Final Terms) a Capital Event or (in respect of Senior Preferred Debt Securities and Senior Non-Preferred Debt Securities only, in respect of which Condition 7.13A is specified as being applicable in the applicable Final Terms) an MREL Disqualification Event is likely to limit their market value. During any period when the Issuer may elect to redeem Debt Securities, or when the Issuer is perceived by the market to have a redemption right available to it, the market value of those Debt Securities generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Debt Securities when its cost of borrowing is lower than the interest rate on the Debt Securities. 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 Debt Securities 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 market continues to develop in relation to risk-free rates (including overnight rates) which are possible reference rates for the Debt Securities

Investors should be aware that the market continues to develop in relation to risk-free rates, such as the Sterling Overnight Index Average ("**SONIA**"), the Secured Overnight Financing Rate ("**SOFR**") and the new euro short-term rate ("**€STR**"), as reference rates in the capital markets for sterling, U.S. Dollar and euro bonds, respectively, and their adoption as alternatives to the relevant interbank offered rates. Likewise, the Central Bank of Iceland introduced the Icelandic Króna Overnight ("**IKON**") reference rate in 2022. In addition, market participants and relevant working groups are still exploring alternative reference rates based on risk-free rates, including various ways to produce term versions of certain risk-free rates (which seek to measure the market's forward expectation of an average of these reference rates over a designated term, as they are overnight rates) or different measures of such risk-free rates. For example, on 2 March 2020, the Federal Reserve Bank of New York, as administrator of SOFR, began publishing the SOFR Compounded Index and on 3 August 2020, the Bank of England, as the administrator of SONIA, began publishing the SONIA Compounded Index. The Central Bank of Iceland began publishing the IKON on 1 April 2022.

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Conditions and used in relation to Debt Securities that reference such risk-free rates issued under this Programme. The Issuer may in the future also issue Debt Securities referencing SONIA, SONIA Compounded Index, SOFR, SOFR Compounded Index, €STR, or IKON that differ materially in terms of interest determination when compared with any previous SONIA, SONIA Compounded Index, SOFR, SOFR Compounded Index, €STR, or IKON referenced Debt Securities issued by it under this Programme. The development of risk-free rates for the Eurobond markets could result in reduced liquidity or increased volatility, or could otherwise affect the market price of any Debt Securities that reference a risk-free rate issued under this Programme from time to time.

In addition, the manner of adoption or application of risk-free rates in the Eurobond markets may differ materially compared with the application and adoption of risk-free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Debt Securities referencing such risk-free rates.

The use of risk-free rates as reference rates for Eurobonds is nascent, and may be subject to change and development in terms of the methodology used to calculate such rates, the development of rates based on risk-free rates and the development and adoption of market infrastructure for the issuance and trading of bonds referencing risk-free rates. In particular, investors should be aware that several different methodologies have been used in notes linked to such

risk-free rates issued to date and no assurance can be given that any particular methodology, including the compounding formula in the terms and conditions of the Debt Securities, will gain widespread market acceptance. In addition, the methodology for determining any overnight rate index used to determine the Rate of Interest in respect of certain Debt Securities could change during the life of such Debt Securities.

Debt Securities referencing risk-free rates may also have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities referencing such risk-free rates, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of such Debt Securities may be lower than those of later-issued indexed debt securities as a result. Further, if the relevant risk-free rates do not prove to be widely used in securities like the Debt Securities, the trading price of such Debt Securities linked to such risk-free rates may be lower than those of Debt Securities referencing indices that are more widely used. Investors in such Debt Securities may not be able to sell such Debt Securities at all or may not be able to sell such Debt Securities at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

Certain administrators of risk-free rates have published hypothetical and actual historical performance data. Hypothetical data inherently includes assumptions, estimates and approximations and actual historical performance data may be limited in the case of certain risk-free rates. Investors should not rely on hypothetical or actual historical performance data as an indicator of the future performance of such risk-free rates.

Investors should consider these matters when making their investment decision with respect to any Debt Securities which reference SONIA, SONIA Compounded Index, SOFR, SOFR Compounded Index, €STR, or IKON.

Risk-free rates differ from interbank offered rates in a number of material respects

Risk-free rates may differ from interbank offered rates in a number of material respects, including (without limitation) by being backwards-looking in most cases, calculated on a compounded or weighted average basis, risk-free, overnight rates and, in the case of SOFR, secured, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term, are unsecured and include a risk-element based on interbank lending. As such, investors should be aware that risk-free rates may behave materially differently to interbank offered rates as interest reference rates for the Debt Securities. For example, since publication of SOFR began on 3 April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Risk-free rates offered as alternatives to interbank offered rates also have a limited history. For that reason, future performance of such rates may be difficult to predict based on their limited historical performance. The level of such rates during the term of the Debt Securities may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to such rates such as correlations, may change in the future.

Furthermore, interest on Debt Securities which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Debt Securities which reference such risk-free rates to reliably estimate the amount of interest which will be payable on such Debt Securities, and some investors may be unable or unwilling to trade such Debt Securities without changes to their IT systems, both of which could adversely impact the liquidity of such Debt Securities. Further, in contrast to Debt Securities linked to interbank offered rates, if Debt Securities referencing backwards-looking SONIA, SOFR, €STR, or IKON become due and payable under 10 (*Events of Default and Enforcement Events*) or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such Debt Securities shall be determined by reference to a shortened period ending immediately prior to the date on which the Debt Securities become due and payable or are scheduled for redemption.

Any of the administrators of SONIA, SOFR, €STR or IKON may make changes that could change the value of SONIA, SOFR, €STR or IKON or discontinue SONIA, SOFR, €STR or IKON respectively

The Bank of England, the Federal Reserve Bank of New York, the European Central Bank or the Central Bank of Iceland (or their successors) as administrators of SONIA (and SONIA Compounded Index), SOFR (and SOFR Compounded Index), €STR, or IKON, respectively, may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such rates and/or indices are calculated, eligibility criteria applicable to the transactions used to calculate such rates and/or indices, or timing related to the publication of SONIA, SONIA Compounded Index, SOFR, SOFR Compounded Index, €STR, or IKON. In addition, an administrator may alter, discontinue or suspend calculation or dissemination of SONIA, SONIA Compounded Index, SOFR, SOFR Compounded Index, €STR, or IKON, in which case a fallback method of determining the interest rate on the Debt Securities will apply in accordance with the Conditions (see "*Floating Rate Bonds and Reset Bonds referencing or linked to benchmarks*"). An administrator has no obligation to consider the interests of Bondholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

If the Issuer has the right to convert the interest rate from a fixed rate to a floating rate or vice versa, this may affect the secondary market and the market value of the Debt Securities concerned

Debt Securities that pay a fixed rate of interest on such date or dates as may be agreed between the Issuer and the relevant Dealer and specified in the applicable Final Terms ("**Fixed Rate Bonds**") or Bonds which bear interest at a floating rate as set out in Condition 5.4 ("**Floating Rate Bonds**") may bear interest at a rate that converts from a fixed rate to a floating rate or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Bonds. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

Debt Securities which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The market values of Debt Securities issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

The rate of interest of Reset Bonds will be reset, which may affect the secondary market for and the market value of such Reset Bonds

In the case of any Series of Reset Bonds, the rate of interest on such Reset Bonds will be reset by reference to the Reset Reference Rate (as defined in the Terms and Conditions), as adjusted for any applicable margin, on the reset dates specified in the relevant Final Terms. This is more particularly described in Condition 5.5. The reset of the rate of interest in accordance with such provisions may affect the secondary market for and the market value of such Reset Bonds. Following any such reset of the rate of interest applicable to the Bonds, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest on the relevant Reset Bonds may be lower than the Initial Rate of Interest, the First Reset Rate of Interest and/or any previous Subsequent Reset Rate of Interest.

Debt Securities issued under the Programme can be linked to the Consumer Price Index which could adversely affect the value of the Debt Securities

Under the Programme, the Issuer can issue Inflation linked Equal Principal Payment Bonds and Inflation Linked Annuity Bonds which are indexed to the Consumer Price Index ("**CPI**"). Investment in indexed linked Debt Securities involves the risk that subsequent changes in the CPI may adversely affect the value of the index linked Debt Securities. The historical experience of the CPI should not be viewed as an indicator of the future performance

of the CPI during the term of the relevant Bonds. Investors should consider these matters when making their investment decision with respect to the relevant Inflation Linked Equal Principal Payment Bonds and Inflation Linked Annuity Bonds.

Bonds which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor, are likely to be more volatile than standard securities

Bonds with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features and, as a consequence, could drop further in value.

There can be no assurance that use of proceeds of Debt Securities issued as Sustainable Finance Instrument will be suitable for an investor's investment criteria. Any failure to use the net proceeds of any Sustainable Finance Instrument properly, may affect the value and/or trading price and/or may have consequences for certain investors, with portfolio mandates to invest in assets with particular purpose.

The Final Terms relating to any specific Series of Debt Securities may provide that the Debt Securities are intended to be Sustainable Debt Securities (which may include, *inter alia*, sustainable, green, social and/or blue Debt Securities (“**Sustainable Finance Instrument**”)). The Issuer will allocate an amount equal to the net proceeds from Sustainable Finance Instruments to finance or refinance, in whole or in part, Eligible Activities and Assets (including loans, investments, expenditures and the Issuer’s own eligible operations) that meet the eligibility criteria, which include environmental, green, social and/or blue projects (“**Eligible Activities and Assets**”), in line with any Sustainable Finance Framework that the Issuer may publish from time to time. See further section “Use of Proceeds” of this Base Prospectus. For the avoidance of doubt, the Sustainable Finance Framework is not, and shall not be deemed to be, incorporated in and/or form part of this Prospectus.

No assurance can be given to investors that the use of proceeds from any Sustainable Finance Instrument may satisfy any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable standards, law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Activities and Assets as further described in any Sustainable Finance Framework that the Issuer may publish from time to time.

In addition, it should be noted that despite the publication of the “Green Bond Principles” by the International Capital Market Association to provide guidelines on issuing green instruments there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green”, “environmental” “social” or “sustainable” or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as “green”, “environmental” or “sustainable” or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Activities and Assets will meet any or all investor expectations regarding such “green”, “environmental”, “social”, “sustainable” or other equivalently-labelled performance objectives (including Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, the so called “EU Taxonomy”, once implemented) or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Activities and Assets.

In addition, no assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party, (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Sustainable Debt Securities and in particular with any Eligible Activities and Assets to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such

opinion or certification is not, and shall not be deemed to be, incorporated in and/or form part of the Base Prospectus. Any such opinion or certification is not, and should not be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Sustainable Finance Instrument. Any such opinion or certification is only current as of the date that opinion was initially issued and currently providers of such opinions or certifications are not subject to any specific regulatory or other regime or oversight. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in Sustainable Finance Instrument.

Furthermore, there is no guarantee that listing or admission any Sustainable Finance Instrument listed or admitted to trading on any dedicated “green”, “environmental”, “sustainable”, “social” or other equivalently-labelled segment of any stock- exchange or securities market (whether or not regulated), will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Activities and Assets. In addition, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. No assurance can be given that aforementioned listing or admission to trading in respect of any Sustainable Finance Instrument will be obtained or, if obtained, that any such listing or admission to trading will be maintained during the life of the Sustainable Finance Instrument.

It is the intention of the Issuer to apply an amount equal to the net proceeds of any Sustainable Finance Instrument in, or substantially in, the manner described in the Sustainable Finance Framework, however there can be no assurance that projects will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly such amounts will be totally or partially disbursed for such projects. Nor can there be any assurance that such projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure in respect of the use of proceeds as described above will not (i) give rise to any other claim or right (including the right to accelerate the Sustainable Finance Instrument) of a Debt Securities holder of a Sustainable Finance Instrument to the Issuer, (ii) constitute an Event of Default under the Sustainable Finance Instrument, (iii) give rise to any claim of a Debt securities holder of a Sustainable Finance Instrument against the Issuer, (iv) lead to an obligation of the Issuer to redeem such Sustainable Finance Instrument or be a relevant factor for the Issuer in determining whether or not to exercise any optional redemption rights in respect of any Sustainable Finance Framework, or (v) affect the qualification of such Sustainable Finance Instrument which are also Subordinated Debt Securities (as the case may be) as Tier 2 Capital or other subordinated capital (as applicable). Payment of principal and interest (as the case may be) on the Sustainable Finance Instrument shall not depend on the performance of the relevant project and no Dealer will assess, verify, or monitor the proposed use of proceeds of Debt Securities issued under the Programme. Furthermore, any such event or failure by the Issuer will under no circumstance affect the qualification of such Sustainable Finance Instrument which are also Subordinated Debt Securities, Senior Non-Preferred Debt Securities or Senior Preferred Debt Securities (as the case may be) as Subordinated Debt Securities or as MREL eligible liabilities (as applicable) or have an impact on the status and ranking of the Subordinated Debt Securities, the Senior Preferred Debt Securities or the Senior Non-Preferred Debt Securities. Debt securities issued as Sustainable Debt Securities will also be subject to the Capital Requirements Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 and bail-in and resolution measures or, in respect of Subordinated Debt Securities, the non-viability loss absorption provided by the BRRD in the same way as any other Debt Securities issued under the Programme. As to such measures, see 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 Debt Securities". Furthermore, any such event or failure by the Issuer will under no circumstances respect of the use of proceeds as described above will not otherwise affect or impede the ability of the Group to apply the proceeds of

the Debt Securities to cover losses in any part of the Group Sustainable Finance Instruments which are also Subordinated Debt Securities, Senior Non-Preferred Debt Securities or Senior Preferred Debt Securities (as the case may be) in accordance with the Conditions and the prudential and solvency rules applicable to the Issuer and the Group in the case of any Sustainable Finance Instruments which are also Subordinated Debt Securities (as the case may be) as Tier 2 Capital or other subordinated capital (as applicable), or result in any step-up or increased payments of interest, principal or any other amounts in respect of the Debt Securities or otherwise affect the Conditions.

Any such event or failure will not constitute an Event of Default under the Sustainable Finance Instrument and will not give rise to any claim of the Debt Securities holder against the Issuer. Payment of principal and interest (as the case may be) on the Sustainable Finance Instrument shall not depend on the performance of the relevant project and no Dealer other than the Issuer will assess, verify, or monitor the proposed use of proceeds of Debt Securities issued under the Programme.

Sustainable Finance Instruments intended to form part of the own funds and eligible liabilities of the Issuer will not be issued with any features which undermine their ability to absorb losses in compliance with the prevailing prudential and resolution rules, and neither the Sustainable Finance Instruments nor the proceeds of issue thereof will be afforded any special treatment or enhanced protections as a result of them being Sustainable Finance Instruments.

Any such event or failure to invest an amount equal to the net proceeds of any issue of Debt Securities in the manner described in the Sustainable Finance Framework as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Debt Securities no longer being listed or admitted to trading on any stock exchange or securities market and/or any such failure to meet, or to continue to meet, the investment requirements of investors, with respect to such Sustainable Finance Instrument as aforesaid may have a material adverse effect on the value of such Debt Securities and also potentially the value of any other Debt Securities which are intended to finance projects in the manner described in the Sustainable Finance Frameworks and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Holders of Debt Securities issued as Sustainable Finance Instrument (including Subordinated Debt Securities and Debt Securities qualifying as MREL) will not be treated in any way differently than holders of Debt Securities (including Subordinated Debt Securities and Debt Securities qualifying as MREL) which are not issued as Sustainable Finance Instruments, for example in relation to Subordinated Debt Securities and MREL eligible liabilities, to the effect that such Sustainable Finance Instruments are equally available to absorb losses incurred not only on Eligible Activities and Assets but also on all types of assets on the balance sheet of the Bank, in the event of the Bank's insolvency, at the point of non-viability or in resolution (as applicable). For the avoidance of doubt, payments of principal and interest (as the case may be) on such Sustainable Finance Instruments shall not depend on the performance of the Eligible Activities and Assets or ESG targets of the Issuer.

Further, it should also be noted that lack of sufficient Eligible Activities and Assets has no consequence on such Sustainable Finance Instruments' permanence and loss absorbency requirements. The tenor of the amounts advanced by the Group to customers for the purposes of financing or refinancing Eligible Activities and Assets may not match the maturity date of the Sustainable Finance Instruments issued to fund such advances. The subsequent redemption of relevant loans advanced by the Group, or the project(s) or use(s) the subject of, or related to, any Eligible Activities and Assets before the maturity date of any Sustainable Finance Instruments issued to fund such advances shall not lead to the early redemption of such Sustainable Finance Instruments or any other Notes nor create any obligation or incentive of the relevant Issuer to redeem the Sustainable Finance Instruments at any time or be a factor in the relevant Issuer's determination as to whether or not to exercise any early redemption rights it may have from time to time.

Prospective investors should consult with their legal and other advisers before making an investment in any such Sustainable Finance Instrument and must determine for themselves the relevance of such information for the purpose

of any investment in such Sustainable Finance Instrument together with any other investigation such investor deems necessary.

Future discontinuance of benchmark rates (for example, REIBOR, EURIBOR, NIBOR) may adversely affect the value of Floating Rate Debt Securities which are linked to or which reference any such benchmark rate

The Central Bank of Iceland has indicated with an announcement that the continuation of certain "IBOR" benchmark on the current basis is not guaranteed after 2021. Investors should be aware that, if a benchmark rate were discontinued or otherwise unavailable, the rate of interest on Floating Rate Debt Securities which are linked to or which reference such benchmark rate will be determined for the relevant period by the fallback provisions specified in the applicable Final Terms.

Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such Benchmark may adversely affect such Benchmark during the term of the relevant Debt Securities, the return on the relevant Debt Securities and the trading market for securities based on the same Benchmark.

The Risks related to Senior Non-Preferred Debt Securities, Subordinated Debt Securities and Senior Preferred Debt Securities. An investor in Senior Non-Preferred/Subordinated/ Senior Preferred Debt Securities assumes an enhanced risk of loss in the event of the Issuer's insolvency

The claims of holders of Senior Non- Preferred Debt Securities and Senior Preferred Debt Securities will be subordinated to claims of the Issuer'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 Issuer, 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 Issuer'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 Issuer's senior unsecured unsubordinated debt obligations. Hence, under current Icelandic law, the claims of holders of senior unsecured debt (which would include Senior Preferred Debt Securities as well as Senior Non-Preferred Debt Securities) are subordinated to the claims of all of the Issuer's depositors in a winding-up of the Issuer. If a winding-up of the Issuer were to occur, there may not be sufficient assets in the resulting estate to pay the claims of such Debt Securities holders after the claims of depositors have been paid.

The Issuer's obligations under Subordinated Debt Securities will be unsecured and subordinated

On a liquidation, dissolution or winding-up of, or analogous proceedings over the Issuer by way of exercise of public authority (referred to herein as a "**winding-up of the Issuer**"), all claims in respect of the Subordinated Debt Securities 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 3.5), in priority to any present or future claims of Junior Securities (as defined in Condition 3.5) and junior to any present or future claims in respect of Senior Creditors (as defined in Condition 3.5). If, on a winding-up of the Issuer, the assets of the Issuer are insufficient to enable the Issuer to repay the claims of the Senior Creditors in full, the Debt Securities holders will lose their entire investment in the Subordinated Debt Securities. If there are sufficient assets to enable the Issuer 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 Debt Securities and all other claims of Parity Securities, Debt Securities holders will lose some (which may be substantially all) of their investment in the Subordinated Debt Securities.

There is no restriction on the amount of securities or other liabilities that the Issuer may issue, incur or guarantee and which rank senior to, or *pari passu* with, the Subordinated Debt Securities. The issue or guaranteeing of any

such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Debt Securities holders during a winding-up of the Issuer and may limit the Issuer's ability to meet its obligations under the Subordinated Debt Securities.

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

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

The Hierarchy of Claims Act introduces a new class of "senior non-preferred Debt Securities" 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 bonds as well as regulatory capital and common shares. As further set out in Condition 3.2 (Status of Senior Non-Preferred Debt Securities), the Issuer intends that its Senior Non-Preferred Debt Securities will constitute part of this new, lower-ranking (unpreferred) 'senior' unsecured class, that will rank below its Senior Preferred Debt Securities but ahead of the Subordinated Debt Securities.

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

In the event of the liquidation or insolvency (in Icelandic: *slit eða gjaldþrot*) of the Issuer, the rights of the Bondholders to payments on or in respect of the Senior Non-Preferred Debt Securities will rank *pari passu* without any preference among themselves, *pari passu* with all other Senior Non-Preferred Liabilities of the Issuer (as defined in Condition 3.5), senior to holders of all classes of share capital of the Issuer and any subordinated obligations or other securities of the Issuer which rank, or are expressed to rank, junior to the Senior Non-Preferred Liabilities of the Issuer (including, without limitation, any Subordinated Issuer) and will rank junior to present or future claims of (a) depositors of the Issuer and (b) other unsubordinated creditors (including Senior Preferred Bonds) of the Issuer. If, on a winding-up of the Issuer the assets of the Issuer are insufficient to enable the Issuer to repay the claims of the unsubordinated creditors (including Senior Preferred Bonds) in full, the Debt Securities holders will lose their entire investment in the Senior Non-Preferred Debt Securities. If there are sufficient assets to enable the Issuer 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 Debt Securities or all other claims that rank *pari passu* with the Senior Non-Preferred Debt Securities, holders of Senior Non-Preferred Debt Securities will lose some (which may be substantially all) of their investment in the Senior Non-Preferred Debt Securities.

Whilst Senior Non-Preferred Debt Securities and Senior Preferred Debt Securities both share the 'senior' designation under the programme, in an insolvency of the Issuer the Senior Non-Preferred Debt Securities will rank junior to the Senior Preferred Debt Securities (which, in turn, rank junior to obligations of the Issuer which are by law given priority over the Senior Preferred Debt Securities, 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 Issuer may issue, incur or guarantee and which rank senior to, or *pari passu* with, the Senior Non-Preferred Debt Securities. 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 Debt Securities during a winding-up of the Bank and may limit the Issuer's ability to meet its obligations under the Senior Non-Preferred Debt Securities.

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

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

In addition to the application of the general bail-in tool to Subordinated Debt Securities (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 Debt Securities*”), the BRRD contemplates that Subordinated Debt Securities 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 Debt Securities (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 Issuer.

For the purposes of the application of any non-viability loss absorption measure, the point of nonviability 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 Bonds 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 Debt Securities holders 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 Debt Securities holders, the price or value of Subordinated Debt Securities that qualify as Tier 2 Capital issued under the Programme and/or the ability of the Issuer to satisfy its obligations under such Subordinated Debt Securities.

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

The Debt Securities may also contain provisions allowing the Issuer to call them. In the case of Subordinated Debt Securities, some of the call options may only be available after a minimum period of, for example, five years after the issuance date of the Subordinated Debt Securities. To exercise such a call option, the Issuer must obtain prior written consent of the Relevant Regulator (as defined in the Terms and Conditions of the Debt Securities), if and to the extent then required by the Relevant Regulator, as provided in Condition 7.15 (*Consent of the Relevant Regulator*).

Holders of the Debt Securities have no rights to call for the redemption of the Debt Securities and should not invest in such Bonds in the expectation that such a call will be exercised by the Issuer. Where applicable, the Relevant Regulator must agree to permit such a call, based upon its evaluation of the regulatory capital position of the Issuer 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 Debt Securities should be aware that they may be required to bear the financial risks of an investment in the Debt Securities for a period of time in excess of the minimum period. See also “*If the Issuer has the right to redeem any Bonds at its option, this may limit the market value of the Debt Securities 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 Issuer can substitute or vary the terms of Debt Securities

Where the applicable Final Terms specify that Condition 7.14 (in the case of Subordinated Debt Securities) or Condition 7.14A (in the case of Senior Preferred Debt Securities and Senior Non-Preferred Debt Securities) applies, if at any time a Capital Event (in the case of Subordinated Debt Securities, in respect of which Condition 7.13 is specified as being applicable in the applicable Final Terms), an MREL Disqualification Event (in the case of Senior Preferred Debt Securities and Senior Non-Preferred Debt Securities, in respect of which Condition 7.14A 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 18, the Issuer 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 Debt Securities holders, either substitute all, but not some only, of the relevant Debt Securities for, or vary the terms of the relevant Debt Securities, as the case may be, so that they remain or, as appropriate, become, in the case of Subordinated Bonds, Subordinated Qualifying Securities (as defined in Condition 7.14), in the case of Senior Non-Preferred Debt Securities, Senior Non-Preferred Qualifying Securities (as defined in Condition 7.14A) or, in the case of Senior Preferred Debt Securities, Senior Preferred Qualifying Securities (as defined in Condition 7.14A), as the case may be, as further provided in Condition 7.14 and Condition 7.14A (as applicable). The terms and conditions of such substituted or varied Senior Preferred Debt Securities, Senior Non-Preferred Debt Securities or Subordinated Debt Securities, 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 Debt Securities, Senior Non-Preferred Debt Securities or Subordinated Debt Securities, as the case may be, provided that the relevant Senior Preferred Debt Securities, the relevant Senior Non-Preferred Debt Securities or the relevant Subordinated Bonds remain or, as appropriate, become, in the case of Senior Preferred Debt Securities, Senior Preferred Qualifying Securities, in the case of Senior Non-Preferred Debt Securities, Senior Non-Preferred Qualifying Securities or, in the case of Subordinated Debt Securities, Qualifying Securities, as the case may be, in accordance with the Terms and Conditions of the Debt Securities. While the Bank cannot make changes to the terms of the Debt Securities that, in its reasonable opinion, are materially less favourable to the holders of the relevant Senior Preferred Debt Securities, Senior Non-Preferred Debt Securities or Subordinated Debt Securities, as the case may be, as a class, no assurance can be given as to whether any of these changes will negatively affect any Bondholder. In addition, the tax and stamp duty consequences of holding or disposing of such substituted or varied Senior Preferred Debt Securities, Senior Non-Preferred Debt Securities or Subordinated Debt Securities, as the case may be, could be different for some categories of Debt Securities holders from the tax and stamp duty consequences for them of holding or disposing of the Senior Preferred Debt Securities, Senior Non-Preferred Debt Securities or Subordinated Debt Securities, as the case may be, prior to such substitution or variation.

If the Issuer has the right to redeem any Debt Securities at its option, this may limit the market value of the Debt Securities 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 7.3, a Capital Event pursuant to Condition 7.13 (in the case of Subordinated Debt Securities, to the extent specified as applicable in the applicable Final Terms), an MREL Disqualification Event pursuant to Condition 7.13A (in the case of Senior Preferred Debt Securities and Senior Non-Preferred Debt Securities, to the extent specified as applicable in the applicable Final Terms), on an Optional Redemption Date pursuant to Condition 7.4 or on an Optional Clean-up Redemption Date pursuant to Condition 7.16, the Debt Securities may be redeemed (if applicable) at the option of the Issuer at their principal amount, as more particularly described in the Terms and Conditions of the Debt Securities. Such an optional redemption feature is likely to limit the market value of the Debt Securities. During any period when the Bank may elect to redeem the relevant Debt Securities, or during any period when Debt Securities holders perceive that the Issuer may elect to redeem Debt Securities, the market value of those Debt Securities 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 Issuer pursuant to Condition 7.16, there is no obligation under such Condition 7.16 nor under any of the Terms and Conditions of the Debt Securities for the Issuer to inform Debt Securities holders if and when the threshold of 75 per cent. of the initial aggregate principal amount of a particular Series of Debt Securities has been redeemed or purchased by, or on behalf of, the Issuer or any of its subsidiaries is reached, or is about to be reached, and the Issuer'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 Debt Securities 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 Debt Securities when its cost of borrowing is lower than the interest rate on the Debt Securities. 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 Debt Securities 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 Debt Securities

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 Debt Securities. As such, the Issuer is not required to pay any additional amounts under Condition 8 (*Taxation*) of the Terms and Conditions of the Debt Securities to the extent any withholding or deduction applies to payments of principal under the Debt Securities. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Debt Securities, the holders of such Debt Securities 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.

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

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

- (i) non-payment by the Issuer of any amounts due under the relevant Series of Subordinated Bonds. In such circumstances, as described in more detail in Condition 11.2 (Enforcement events Subordinated Debt Securities), a Debt Security holder may institute proceedings in Iceland in order to recover the amounts due from the Issuer to such Debt Security Holder; and
- (ii) the liquidation or bankruptcy of the Issuer. In such circumstances, as described in more detail in Condition 10.2 (Enforcement Event- Subordinated Debt Securities), the relevant Series of Subordinated Bonds will become due and payable at their outstanding principal amount, together with accrued interest thereon.

A Debt Security Holder may not itself file for the liquidation or bankruptcy of the Issuer. As such, the remedies available to holders of Senior Non-Preferred Debt Securities, Subordinated Debt Securities and Senior Preferred Debt Securities (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 Debt Securities holders to take enforcement action against the Issuer.

Risks related to Debt Securities generally

Set out below is a description of material risks relating to the Debt Securities generally:

The value of the Debt Securities could be adversely affected by a change in law or administrative practice

The Debt Securities, the Coupons and the Talons (other than NCS System Debt Securities) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The NCS System Debt Securities will be governed by and construed in accordance with Icelandic law. No assurance can be given as to the impact of any possible judicial decision or change to Icelandic or English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Debt Securities affected by it.

The Debt Securities are obligations of the Issuer only

The Debt Securities will constitute obligations of the Issuer only. An investment in the Debt Securities involves a reliance on the creditworthiness of the Issuer. The Debt Securities are not guaranteed by any other natural or legal person.

In addition, an investment in the Debt Securities involves risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of the relevant Debt Securities. There can be no assurance that the Debt Securities will be sufficient to pay in full the amounts payable under the Debt Securities programme.

No gross-up

Under the Terms and Conditions, all payments in respect of the Debt Securities will be made without deduction for or on account of withholding taxes imposed by the Republic of Iceland (“**Iceland**”) or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law, in which case such deduction will be made by the Issuer.

In the event that any such withholding or deduction is required by law, the Terms and Conditions require the Issuer to pay additional amounts in respect of such withholding or deduction subject to certain exceptions see *Condition 8 (Taxation)*. If withholding or deduction arises as a result of one of the circumstances described in paragraphs (a) to (d) of Condition 8, the Issuer will not be required to pay such additional amounts and affected investors will receive interest payments net of such withholding. If, however, the Issuer is required to pay additional amounts, it will have the option under Condition 7.3 to redeem the relevant Debt Securities early.

Paragraph (d) of Condition 8 addresses Article 3 of the ITA, which states that any interest received from Iceland (outbond payments), such as the interest payable to holders of Debt Securities by any person or entity residing outside of Iceland is taxable income in Iceland. According to Article 70 (8) of the ITA, the current tax rate on taxable income under Article 3 (8) is (a) 12 per cent. for individuals (only applicable to interest income exceeding the annual amount of ISK 300,000); and (b) 12 per cent. for legal entities, unless the issue is exempt on the grounds that the Debt Securities are registered with a securities depository within the EEA or OECD and has been registered as such. Further exemptions may be available to the relevant Debt Security Holders in their home countries or under a double taxation treaty with Iceland.

In April 2013 the Icelandic Parliament adopted an amendment to Article 3(8) of the ITA exempting from taxation the interest earned on income by non-domestic entities, from certain debt instruments issued by financial institutions. This exemption includes bonds registered with a securities depository within the EEA or OECD such as those issued under this programme. The exemption is subject to confirmation from the Directorate of Internal Revenue (*Ice. Ríkisskattstjóri*). See further “Non Icelandic Tax Residents”.

U.S. Foreign Account Tax Compliance Withholding

Whilst the Debt Securities are held within Euroclear, Clearstream or NCS D (“**ICSD**”), in all but the most remote circumstances, it is not expected that the Foreign Account Tax Compliance Act (“**FATCA**”), will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Debt Security Holders should choose their custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer’s obligations under the

Debt Securities are discharged once it has made payment to, as to the order of, the common depository or the common safekeeper for the ICSDs, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intra-governmental agreement with the United States (“IGA”) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

FATCA is particularly complex and its application is uncertain at this time. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Debt Securities. Prospective investors should refer to the section (“FATCA withholding”).

Investors who purchase Debt Securities in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Debt Securities are subsequently required to be issued

In relation to any issue of Debt Securities which have denominations consisting of a minimum specified denomination as specified in the applicable Final Terms (the “**Specified Denomination**”) plus one or more higher integral multiples of another smaller amount, it is possible that such Debt Securities may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, a holder of such Debt Securities who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive Debt Securities in definitive form (“**Definitive Debt Securities**”) in respect of such holding (should Definitive Debt Securities be printed) and would need to purchase a principal amount of Debt Securities such that its holding amounts to a Specified Denomination.

If such Debt Securities in definitive form are issued, Debt Security Holders should be aware that Definitive Debt Securities which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Tax exemptions from withholding may not be available if Definitive Bonds are required to be issued

The Icelandic statutory exemption from withholding only applies to Debt Securities held through a securities depository in an OECD state, an EU state, an EFTA state or the Faroe Islands. If Bonds in definitive form are issued, Debt Security Holders should be aware that the tax exemption may not be available. However, the Issuer will be required to pay the necessary additional amounts under Condition 8 (Taxation) in such circumstances to cover any resulting amounts deducted.

Reliance on Euroclear and Clearstream procedures

Debt Securities (other than the NCSD System Debt Securities) issued under the Programme may be represented on issue by one or more Global Bonds representing the whole principal amount of the issue (“**Global Bonds**”) that may be delivered to a Common Depository or Common Safekeeper for Euroclear and Clearstream. Except in the circumstances described in each Global Bond, investors will not be entitled to receive Bonds in definitive form. Each of Euroclear and Clearstream and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Bond held through it. While the Debt Securities (other than the NCSD System Debt Securities) are represented by a Global Bond, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Bonds (other than the NCSD System Debt Securities) are represented by Global Bonds, the Issuer will discharge its payment obligation under the Debt Securities by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Bond must rely on the procedures of the relevant clearing system and its participants to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Bonds.

Holders of beneficial interests in Global Bonds will not have a direct right to vote in respect of the Bonds so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Floating Rate Debt Securities referencing or linked to benchmarks

Reference rates and indices, including interest rate benchmarks, such as the London Interbank Offered Rate (“**LIBOR**”) and the Euro Interbank Offered Rate (“**EURIBOR**”), which are used to determine the amounts payable under financial instruments or the value of such financial instruments (“**Benchmarks**”), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Debt Securities referencing or linked to such Benchmark. In respect of the risks related to alternative benchmarks such as SOFR, SONIA and €STR, please see *"The market continues to develop in relation to risk-free rates (including overnight rates) which are possible reference rates for the Debt Securities"*, *"Risk-free rates differ from interbank offered rates in a number of material respects"* and *"Any of the administrators of SONIA, SOFR or €STR may make changes that could change the value of SONIA, SOFR or €STR or discontinue SONIA, SOFR, or €STR respectively"* above.

In 2012, a review, undertaken at the request of the UK government, on the setting and usage of LIBOR, resulted in an initiative to devise new methodologies for determining representative inter-bank lending rates and, ultimately, so called ‘risk free’ rates that may be used as an alternative to LIBOR in certain situations.

Following this review, the International Organisation of Securities Commissions (“**IOSCO**”) created a task force to draft principles to enhance the integrity, reliability and oversight of Benchmarks generally. This resulted in publication by the Board of IOSCO, in July 2013, of nineteen principles which are to apply to Benchmarks used in financial markets (the “**IOSCO Principles**”). The IOSCO Principles provide an overarching framework for Benchmarks used in financial markets and are intended to promote the reliability of Benchmark determinations and address Benchmark governance, quality and accountability mechanisms. The Financial Stability Board (“**FSB**”) subsequently undertook a review of major interest rate Benchmarks and published a report in 2014, outlining its recommendations for change, to be implemented in accordance with the IOSCO Principles. In addition, in June 2016, the Benchmark Regulation came into force. The Benchmark Regulation implements a number of the IOSCO Principles and the majority of its provisions applied from 1 January 2018.

In a speech on 27 July 2017, Andrew Bailey, the Chief Executive of the FCA, questioned the sustainability of LIBOR in its current form, and advocated a transition away from reliance on LIBOR to alternative reference rates. He noted that currently there is wide support among the LIBOR panel banks for voluntarily sustaining LIBOR until the end of 2021, facilitating this transition. At the end of this period, it is the FCA’s intention that it will not be necessary to sustain LIBOR through its influence or legal powers by persuading or obliging banks to submit to LIBOR. Therefore, the continuation of LIBOR in its current form (or at all) after 2021 cannot be guaranteed.

On 5 March 2021, the FCA announced that:

- (i) the publication of 24 LIBOR settings (as detailed in the FCA announcement) will cease immediately after 31 December 2021;
- (ii) the publication of the overnight and 12-month U.S. dollar LIBOR settings will cease immediately after 30 June 2023;
- (iii) immediately after 31 December 2021, the 1-month, 3-month and 6-month sterling LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consult on requiring the ICE Benchmark Administration Limited (the “**IBA**”) to continue to publish these settings on a synthetic

basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end 2021);

- (iv) immediately after 31 December 2021, the 1-month, 3-month and 6-month Japanese yen LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consult on requiring the IBA to continue to publish these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period until end 2022 after which time publication of these settings will cease permanently); and
- (v) immediately after 30 June 2023, the 1-month, 3-month and 6-month U.S. dollar LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consider the case for using its proposed powers to require IBA to continue publishing these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after end June 2023).

Any changes to the administration of LIBOR or the emergence of alternatives to LIBOR as a result of these reforms, may cause LIBOR to perform differently than in the past or to be discontinued, or there could be other consequences which cannot be predicted. The potential discontinuation of LIBOR or changes to its administration could require changes to the way in which the rate is calculated in respect of any Debt Securities referencing or linked to LIBOR. The development of alternatives to LIBOR may result in Debt Securities linked to or referencing LIBOR performing differently than would otherwise have been the case if such alternatives to LIBOR had not developed. Any such consequence could have a material adverse effect on the value of, and return on, any Debt Securities referencing or linked to LIBOR.

Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such Benchmark may adversely affect such Benchmark during the term of the relevant Debt Securities, the return on the relevant Debt Securities and the trading market for securities based on the same Benchmark.

The “Terms and Conditions of the Debt Securities” provide for certain fallback arrangements in the event that a published Benchmark, including an inter-bank offered rate such as LIBOR, EURIBOR or other relevant reference rates (including, without limitation, mid-swap rates, SOFR, SONIA, IKON and/or €STR), (including any page on which such Benchmark may be published (or any successor service)) becomes unavailable or a Benchmark Event otherwise occurs, including the possibility that the rate of interest could be set by reference to a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required) in order to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant Benchmark, all as determined by the Issuer (acting in good faith and in consultation with an Independent Adviser). In certain circumstances the ultimate fallback for the purposes of calculation of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Debt Securities based on the rate which was applied in respect of a previous Interest Period, the application of the relevant Rate of Interest for a preceding Reset Period. The Issuer will not, however, be required to replace any benchmark or make consequential amendments to the Terms and Conditions of any Debt Securities in circumstances where it considers that doing so could reasonably be expected to prejudice the qualification of (i) any of its Subordinated Bonds as Tier 2 Capital or (ii) any of its Senior Preferred Debt Securities or Senior Non-Preferred Debt Securities as MREL Eligible Liabilities or results in the Relevant Resolution Authority treating the next Interest Payment Date as the effective maturity of the relevant Debt Securities, rather than the relevant Maturity Date.

In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the trading market for, liquidity of, value of and return on any such Debt Securities. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Debt Securities or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Debt Securities. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Debt Securities.

The terms of the Debt Securities contain provisions which may permit their modification without the consent of all investors

The Terms and Conditions contain provisions for calling meetings of Debt Security Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Debt Security Holders, including Debt Security Holders who did not attend and vote at the relevant meeting and Debt Security Holders who voted in a manner contrary to the majority.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The value of Fixed Rate Bond or Reset Bonds may be adversely affected by movements in market interest rates

Interest rate risk occur when fixed interest period or interest basis for assets and liabilities do not coincide. Investments in Fixed Rate Debt Securities involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Debt Securities. If market interest rate subsequently increases above the rate paid on the Fixed Rate Debt Securities, this will adversely affect the value of the Fixed Rate Debt Securities. Investments in Floating Rate Debt Securities will involve a risk of interest rate changes.

An active secondary market in respect of the Debt Securities may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Debt Securities

Debt Securities may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Additionally, the marketplaces concerned may be closed, or temporary restrictions may be imposed. Therefore, investors may not be able to sell their Debt Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Debt Securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Debt Securities generally would have a more limited secondary market and more price volatility than conventional debt securities.

The Debt Securities have not been, and will not be, registered under the Securities Act or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof, (as set forth under “Selling Restrictions”).

Lack of liquidity in the secondary market may adversely affect the market value of the Debt Securities

There can be no assurance that a secondary market for any of the Debt Securities will develop, even if the Debt Securities will be listed or admitted to trading on any market.

The Issuer could enter into a market making agreement with a third party with an obligation to submit bid and ask offers in the relevant Debt Securities on a daily basis. Such an agreement would always be subject to a maximum amount relatively small in relation to the size of each Series of the Debt Securities.

Illiquidity may have a severely adverse effect on the market value of the Debt Securities.

If an investor holds Debt Securities which are not denominated in the investor's preferred currency (which may itself be different to the currency of the country they are resident in), the investor will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Debt Securities could result in an investor not receiving payments on those Debt Securities

The issuer will pay principal and interest on the Debt Securities in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency). An appreciation in the value of the investor's Currency relative to the Specified Currency would decrease, i. the Investor's Currency-equivalent yield on the Debt Securities, ii. the Investor's Currency-equivalent value of the principal payable on the Debt Securities; and iii. the Investor's Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Debt Securities. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Exchange rate risk will be mitigated by the use of the Currency Swaps and by matching interest rate flow with the maturity of loan and other assets of the Issuer.

Investor holding Debt Securities which are not denominated in the investor's home currency will be exposed to movements in exchange rate adversely affecting the value of his holding.

Trading in clearing systems

In relation to any issue of Bonds which have a minimum denomination and are tradable in the clearing systems in amounts above such minimum denomination, should Definitive Bonds be required to be issued, a holder of such Bonds who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of Definitive Bonds unless and until such time as his holding becomes an integral multiple of the minimum denomination.

Judicial considerations may restrict certain investments

The investment activities of certain investors are subject to rules and regulations and/or review or regulation by certain authorities. Each potential investor should consult his legal advisers or responsible supervisory authority in order to determine whether and to what extent the investor has the opportunity to invest in the Debt Securities.

Credit ratings assigned to the Issuer or any Debt securities may not reflect all the risks associated with an investment in those Debt Securities

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Debt Securities. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Debt Securities. A credit rating may not reflect all risks associated with an investment in the Debt Securities and is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 on Credit Rating Agencies (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has

not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (“ESMA”), on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

Investors regulated in the UK are subject to similar restrictions under the CRA Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK CRA Regulation**”). As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of credit ratings issued by third country non-UK credit rating agencies, third country credit ratings are either (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, has not been withdrawn or suspended, and to (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Debt Securities changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Debt Securities may have a different regulatory treatment, which may impact the value of the Debt Securities and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (1) Debt Securities are legal investments for it, (2) Debt Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Debt Securities. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Debt Securities under any applicable risk-based capital or similar rules.

Rules on special reserve requirements for new foreign currency inflows - Capital inflow restrictions

In June 2016, the Central Bank published its Rules on Special Reserve Requirements for New Foreign Currency Inflows, No. 490/2016. The rules were replaced in March 2019 with Rules on Special Requirements for New Foreign Currency Inflows, No. 223/2019 (the “**Special Reserve Requirement Rules**”). The main purpose of the Temporary Provision III is to provide the Central Bank with a policy instrument, generally referred to as a capital flow management measure, to temper inflows of foreign currency and to affect the composition of such inflows, into the domestic bond market and high-yielding deposits and to strengthen the monetary policy transmission mechanism. It is therefore intended to reduce the risk that could accompany excessive capital inflows under the current regulatory framework for foreign exchange, support other aspects of domestic economic policy, and contribute to macroeconomic and financial stability.

The Special Reserve Requirement Rules contain provisions on the implementation of special reserve requirements for new foreign currency inflows, including the special reserve base, holding period, special reserve ratio, settlement currency, and interest rates on deposit institutions’ capital flow accounts with the Central Bank. The rules implement special reserve requirements in relation to some investments using inflows of foreign currency. The investments

are: (i) new investment and reinvestment in bonds or bills electronically issued in ISK, or deposits of such reinvested funds to ISK deposit accounts, bearing annual interest of 3 per cent. or more; (ii) ISK deposits from listed transactions; (iii) new investments and reinvestment of new investment in unit share certificates of funds that (a) invest in bonds or bills electronically issued in ISK or ISK deposits from such investment, bearing annual interest of 3 per cent. or more and (b) constitute 10 per cent. or more of the fund's assets; (iv) new investments and reinvestment of such new investment in the equity of a company that is established for the purpose of investing, directly or indirectly, in bonds or bills electronically issued in domestic currency or that is established for the purpose of investing, directly or indirectly, in ISK deposits, bearing annual interest of 3 per cent. or more; and (v) loans granted to resident entities that are used for investments in ISK, for the benefit of the lender, in bonds or bills electronically issued in ISK or ISK deposits from such investment, bearing annual interest of 3 per cent. or more.

If an investment is subject to special reserve requirement, the investor is obliged to deposit a specific portion (currently 0 per cent.¹⁵), in a reserve account for a certain holding period.¹⁶ Deposit institutions are required to deposit the special reserve amount that they hold in special reserve accounts to a capital flow account with the Central Bank of Iceland which bears 0 per cent. interest. The settlement currency for capital flow accounts shall be the Icelandic krona.

Investors who are in any doubt as to their position or would like to know more should consult their professional advisers.

¹⁵ The Foreign Exchange Act states that the special reserve ratio may range up to 75 per cent. The special reserve ratio was first set at 40 per cent. in June 2016. The ratio was reduced to 20 per cent. in November 2018 and to 0 per cent. in March 2019.

¹⁶ The special reserve requirement can also be satisfied via repo transactions with Central Bank certificates of deposit

IMPORTANT INFORMATION

AUTHORISATION

The establishment of the Programme and the issue of Debt Securities have been duly authorised by a resolution of the Board of Directors of the Issuer dated 12 March 2015 and 8 December 2016. In addition, update of the Programme and the issue of Debt Securities was duly authorised by a resolution of the Board of Directors of the Issuer on the 24 October 2019.

THE SIZE OF THE PROGRAMME

The maximum aggregate nominal amount of all Debt Securities from time to time outstanding under the Programme will not exceed ISK 50,000,000,000 (or its equivalence in other currencies as calculated below), subject to increase. An increase of the size of the Programme is subject to an authorisation of the Issuer's Board of Directors.

For the purpose of calculating the ISK equivalent of the aggregate nominal amount of Debt Securities issued under the Programme from time to time:

- (a) The ISK equivalent Debt Securities denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Debt Securities, described under Condition 2 (Form, Denomination and Title)) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Debt Securities or on the preceding day on which commercial banks and foreign exchange markets are open for general business in Iceland, in each case on the basis of the spot rate for the sale of the ISK against purchase of such Specified Currency in the Reykjavík foreign exchange market quoted by any bank selected by the Issuer on the relevant day of calculation;
- (b) Subject to any existing legal or regulatory restrictions in Iceland, the ISK equivalent of Bonds adjusted for inflation ("**Inflation Linked Bonds**") shall be calculated in the manner specified above by reference to the original nominal amount on issued of such Bonds.

THE BASE PROSPECTUS

This Base Prospectus has been approved by the FSA as a competent authority under Regulation EU 2017/1129 (the "**Prospectus Regulation**") which has been implemented into Icelandic law with Act No. 14/2020 (the "Act on Prospectus for Public Offering or Admission to Trading on a Regulated Market"). The FSA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Prospectus Regulation. Approval by the FSA should not be considered as an endorsement of the Issuer or of the quality of the Debt Securities that is the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Debt Securities. Such approval relates only to the Debt Securities 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"), which has been implemented into Icelandic law through Act No. 115/2021 on Markets in Financial Instrument.

ISSUER'S STATEMENT

The Chief Executive Officer and Chief Financial Officer of Landsbankinn hf., Reg. No. 471008-0280, registered office at Reykjastræti 6, 101 Reykjavík, Iceland, on behalf of the Issuer are responsible for the content of this Base Prospectus and hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, 30 June 2023

On behalf of Landsbankinn hf.

On behalf of Landsbankinn hf.

Lilja Björk Einarsdóttir
Chief Executive Officer

Hreiðar Bjarnason
Chief Financial Officer

STATUTORY AUDITOR

The National Audit Office, Skúlagata 57, 105 Reykjavík, Iceland, has been the Issuer's statutory auditor for the financial years 2015-2022. The National Audit Office is authorised to outsource part of its assignments and outsourced the audit of the Issuer to PricewaterhouseCoopers ehf., ("**PwC**") registered office at Skógarhlíð 12, 105 Reykjavík, Iceland. Arna Guðrún Tryggvadóttir and Atli Þór Jóhannsson are appointed the auditors on behalf of PwC. They are members of the Institute of State Authorized Public Accountants in Iceland.

In accordance with Art. 90 of the Act on Financial Undertakings, an auditor of a financial undertaking shall be elected for a five - year term and the same auditor or audit firm shall not be re-elected until five years have passed from the term previously concluded. Grant Thornton endurskoðun ehf. , registered office at Suðurlandsbraut 20, 108 Reykjavík Iceland ("**Grant Thornton**"), had audited the Issuer for five years at the end of the financial year 2019.

DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference. This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus. The following information, which has been published on the Issuer's website or are published simultaneously with this Base Prospects and have been filed with the FSA and shall be incorporated by reference in and form a part of this Base Prospectus.

- The Condensed Consolidated Interim Financial Statements of the Issuer for the three months ended 31 March 2023 (the "**2023 Q1 Interim Financial Statements**");

<https://www.landsbankinn.is/uploads/documents/arsskyrsluguppjor/Consolidated-Financial-Report-Q1-2023-EN.pdf>

- The audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2022, together with the audit report thereon and the report of the Board of Directors and the CEO (the "**2022 Financial Statements**");

<https://www.landsbankinn.is/uploads/documents/arsskyrsluguppjor/Consolidated-Financial-Report-2022-EN.pdf>

- The audited Consolidated Financial Statements of the Issuer for the financial year ended 31 December 2021, together with the audit report thereon and the report of the Board of Directors and the CEO (the “**2021 Financial Statements**”);

<https://www.landsbankinn.is/uploads/documents/arsskyrsluguppjor/Consolidated-Financial-Report-2021-EN.pdf>

- The Terms and Conditions of the Debt Securities contained in the Base Prospectus dated 7 April 2022, pages 74-145 (inclusive) prepared by the Issuer in connection with the Programme (the 2022 “**Terms and Condition**”);

<https://www.landsbankinn.is/uploads/documents/bankinn/bills-and-bonds/2022-04-07-Debt-Securities-Base-Prospectus-Landsbankinn.pdf>

DOCUMENTS ON DISPLAY

For the period of 12 months following the date of this Base Prospectus copies of the following documents are available for viewing on the Issuer’s website, www.landsbankinn.is (<https://www.landsbankinn.is/bankinn/fjarfestatengsl/fjarmognun>) and at the Issuer’s registered office at Reykjastræti 6, 101 Reykjavík, Iceland:

- The Issuer’s Articles of Association.
- This Base Prospectus, dated 30 June 2023
- The 2023 Q1 Interim Financial Statements
- The 2022 Financial Statements of the Issuer
- The 2021 Financial Statements of the Issuer
- The most recently published audited annual financial statements of the Issuer and the most recently published reviewed interim financial statements of the Issuer, in each case together with any audit or review reports prepared in connection therewith the report of the Board of Directors and the CEO.
- All issued Final Terms and any future Final Terms, supplements to this Base Prospectus and any other documents incorporated into this Base Prospectus by reference.
- The Sustainable Finance Framework
- The applicable Second party opinion from Sustainalytics at any given time

THIRD PARTY INFORMATION

Information in this Base Prospectus is not based on the statements of external specialists or third party other than publicly available information published by governmental entities. In such instances the information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading.

LISTING AND VALIDITY OF THIS BASE PROSPECTUS

- This Base Prospectus is valid within twelve months from the date of this Base Prospectus. The obligation to supplement this Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when the Base Prospectus is no longer valid.
- Series of Debt Securities issued under the Programme have been admitted to trading on a regulated market of Nasdaq Iceland.
- Applications may be made for new series of Debt Securities issued under the Programme to be admitted to trading on a regulated market, for the purpose of Directive 2014/65/EU on Markets in Financial Instruments (the “**MiFID II**”), which has been implemented in Iceland through the Act on Markets in Financial Instruments.

- The Programme also provides that the Issuer may issue Debt Securities that will not be admitted to trading on any market.

SUPPLEMENTS TO THIS BASE PROSPECTUS

Following the publication of this Base Prospectus one or more supplements may be prepared by the Issuer and approved by the FSA in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplements (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

In the event of any significant factor arising or any material mistake or accuracy relating to the information included in this Base Prospectus which is capable of affecting the assessment of any Debt Securities or any change in the condition of the Issuer which is material in the context of the Programme or the issue of Debt Securities, the Issuer will prepare and publish a supplement to this Base Prospectus or publish a new prospectus for use in connection with any subsequent issue of Debt Securities.

ABBREVIATIONS AND DEFINITIONS

Act on Actions to Combat Money Laundering and Terrorist Financing	Act No. 140/2018 on Actions to Combat Money Laundering and Terrorist Financing.
Act on Financial Undertakings	Act No. 161/2002 on Financial Undertakings (as amended).
Act on Prospectus for Public Offering or Admission to Trading	Act No. 14/2020 on Prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (Ice. Lög um lýsingu verðbréfa sem boðin eru í almennu útboði eða tekin til viðskipta á skipulegum markaði nr. 14/2020).
Act on Markets in Financial Instruments	Act No. 115/2021 on Markets in Financial Instruments (Ice. lög nr. 115/2021 um markaði fyrir fjármálagerninga), which, <i>inter alia</i> , implements directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending directive 2002/92/EC and Directive 2011/61/EU, into Icelandic law.
AGM	Annual General Meeting.
API	Application Program Interface.
AT1	Additional Tier 1.
Bankruptcy Act	Act No. 21/1991 on Bankruptcy (as amended).
Base Prospectus	This Base Prospectus dated 30 June 2023 and any supplements to this Base Prospectus and issued by Landsbankinn.
Basel III	Amendments to the Basel Committee on Banking supervision's framework.
Basel Committee	The Basel Committee on Banking Supervision.
BRRD	EU Bank Recovery and Resolution Directive No. 59/2014 (as amended).

BRRD II	Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards to the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC.
CA	Current Account.
CBR	Combined Buffer Requirement.
Central Bank	The Central Bank of Iceland.
CEO	Chief Executive Officer.
CET1	Common Equity Tier 1.
CFO	Chief Financial Officer.
CRA Regulation	Regulation (EC) No. 1060/2009 on Credit Rating Agencies (as amended).
CRD and CRD IV	Capital Requirements Directive 2013/36/EU (as amended).
CRM	Customer Relationship Management.
CRR	EU regulation No. 575/2013 on prudential requirements for credit institutions and investment firms (amending Regulation (EU) No 648/2012).
EAD	Exposure of Default.
ECL	Expected Credit Loss.
EEA	European Economic Area.
EEA Agreement	The Agreement on the European Economic Area (EEA) which entered into force in 1 January 1994 and was incorporated into Icelandic legislation with Act No. 2/1993 on European Economic Area (Ice. Lög um Evrópska efnahagssvæðið).
EFTA	European Free Trade Association; the International free trade organization of Iceland, Norway, Switzerland and Lichtenstein.
Employee Shareholders	Current and former employees of the Issuer that are shareholders in the Issuer.
EMTN	Euro Medium Term Note.
ESG	Environmental, social and governance.
ESMA	The European Securities and Markets Authority.
FATCA	The U.S. Foreign Account Tax Compliance Act.
FCA	Financial Conduct Authority.
FFI	A foreign financial institution as defined in FATCA.
FSA	Financial Supervisory Authority of the Central Bank of Iceland.
Foreign Exchange Act	Act No. 70/2021 on Foreign Exchange (as amended).

FSC	Financial Stability Counsel.
FSN	The Financial Stability Committee.
FX	Foreign Exchange.
GDP	Gross Domestic Product.
GDPR	The European General Data Protection Regulation
GHG	Greenhouse gas
Group	Landsbankinn hf., Reg. No. 471008-0280, having its registered office at Reykjastræti 6, 101 Reykjavík, Iceland including its subsidiaries.
HCA	Housing and Construction Authority.
HR	Human resources.
ICAAP	Internal Capital Adequacy Assessment Process.
Ice.	Icelandic.
Iceland	Republic of Iceland.
ICSD	Euroclear, Clearstream Luxemborg and NCSD as defined in Condition 1 in Terms and Conditions in this Base Prospectus
ICT	Information and Communication Technology.
IFRS	International Financial Reporting Standards.
IGA	Jurisdictions (including Iceland) that have entered into, or have agreed in substance to intergovernmental agreements with the United States to improve International Tax Compliance and to implement FATCA.
IRB	Internal Rating Based.
IRS	The U.S. Internal Revenue Service.
ISFI	The Icelandic State Financial Investments.
ISDA	International Swaps and Derivatives Association.
IT	Information Technology.
ITA	Act No. 90/2003 on Income Tax Act (as amended).
ITIL	The Information Technology Infrastructure Library.
LBI ehf.	LBI ehf., formerly Landsbanki Íslands hf., Reg. No. 540291-2259, Ármúla 21, 108 Reykjavík Iceland.
LCR	Liquidity Coverage Ratio.
LGD	Loss Given Default.
MiFID	Markets in Financial Instruments Directive No. 2004/39/EC.
MiFiD II	Markets in Financial Instruments Directive No. 2014/65/EC.

MiFIR	Regulation on Markets in Financial Instruments No. 600/2004 as amended).
MPC	Monetary Policy Committee of the Central Bank of Iceland
MREL	Minimum Requirement for own fund and Eligible Liabilities.
NSFR	Net Stable Funding Ratio.
OECD	Organisation for Economic Co-operation and Development.
PD	Probability of Default.
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017.
PSD2	Revised Payment Service Directive No. 2015/2366, (as amended).
PwC	PricewaterhouseCoopers ehf., Reg. No. 690681-0139, Skógarhlíð 12, 105 Reykjavík.
REA	Risk Exposure Amount.
Rules on Foreign Exchange	The Central Bank's Rules on Foreign Exchange, No. 200/2017 (as amended).
Rules on Foreign Exchange Balances	The Central Bank's Rules on Foreign Exchange Balances No. 784/2018, (as amended).
Rules on Liquidity Ratios	The Central Bank's Rules on liquidity Ratios, No. 266/2017 (Ice. "Reglur um lausafjárhlutfall lánastofnanna, nr. 266/2017"), (as amended).
S&P	International rating agency Standard & Poor's.
SME	Small and Medium sized Enterprises.
Special Reserve Requirements Rules	Rules on Special Reserve Requirements for new foreign currency inflows, No. 223/2019, (as amended).
Special Tax on Financial Institutions	Act No. 155/2010 on Special Tax on Financial Institutions (as amended).
SREP	Supervisory Review and Evaluation Process.
Supreme Court	The Supreme Court of Iceland.
TCFD	The Task Force on Climate-related Financial Disclosures
TPP	Third party payment service provider.
UCITS	Undertakings for Collective Investments in Transferable Securities.
Q	Quarter.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Debt Securities issued under the Programme.

[MIFID II PRODUCT GOVERNANCE / TARGET MARKET – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Debt Securities has led to the conclusion that: (i) the target market for the Debt Securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Debt Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Debt Securities (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Debt Securities (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET - Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Debt Securities has led to the conclusion that: (i) the target market for the Debt Securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“COBS”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of United Kingdom (the “UK”) domestic law by virtue of the European Union (Withdrawal) Act 2018 (“UK MiFIR”); and (ii) all channels for distribution of the Debt Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Debt Securities (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “UK MiFIR Product Governance Rules”) is responsible for undertaking its own target market assessment in respect of the Debt Securities (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Debt Securities are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU as amended or superseded (“MiFID II”)/MiFID II]; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 of the European Parliament and of the Council (as amended, the “Prospectus Regulation”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Debt Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Debt Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

The Debt Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “FSMA”) and any rules or regulations made under the FSMA to implement the

Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1229 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Debt Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Debt Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation

[In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (as amended the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Debt Securities [are] / [are not] prescribed capital markets products (as defined in the CMP Regulations 2018) and [are] [Excluded] / [Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.)¹⁷

[Amounts payable under the Debt Securities will be calculated by reference to *[specify benchmark (as this term is defined in the Benchmarks Regulation)]* which is provided by *[legal name of the benchmark administrator]*. As at the date of these Final Terms, *[legal name of the benchmark administrator]* [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of Regulation (EU) 2016/1011 (the "Benchmarks Regulation").

[As far as the Issuer is aware, *[specify benchmark (as this term is defined in the Benchmarks Regulation)]* [does not fall within the scope of the Benchmarks Regulation/[the transitional provisions in Article 51 of the Benchmarks Regulation apply] such that *[legal name of the benchmark administrator]* is not currently required to obtain authorisation or registration (or, if located outside the EU, recognition, endorsement or equivalence).]

[Date]

LANDSBANKINN HF.

Legal entity identifier (LEI): 549300TLZPT6JELDWM92

Issue of [Aggregate Nominal Amount of Tranche] [Title of Debt Securities]

under the ISK [50,000,000,000]

Debt Issuance Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Debt Securities set forth in the Base Prospectus dated 30 June 2023 and any supplements if applicable. This document

¹⁷ For any Debt Securities to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Debt Securities pursuant to Section 309B of the SFA prior to the launch of the offer. For example, where Reset Bonds are issued.

constitutes the Final Terms of the Debt Securities described herein for the purposes of Article 8 (2) of the Prospectus Regulation, as amended (which includes the amendments made by Regulation 2017/1129/EU) and must be read in conjunction with the Base Prospectus and any supplements, if applicable, which constitute a base prospectus for the purposes of the Prospectus Regulation. Full information on the Issuer and the offer of the Debt Securities is only available on the basis of the combination of these Final Terms and the Base Prospectus and any supplements, if applicable. A copy of said Base Prospectus and any supplements are available for viewing at the issuer’s website, www.landsbankinn.is/bankinn/fjarfestatengsl/fjarmognun or www.landsbankinn.is/en/the-bank/investor-relations/funding

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") which are the 2022 Terms and Conditions which are incorporated by reference in the Base Prospectus dated 30 June 2023 any supplements if applicable. [This document constitutes the Final Terms of the Debt Securities described herein for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with the Base Prospectus dated 30 June 2023 any supplements if applicable which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the "**Base Prospectus**"), including the [2022] Terms and Conditions incorporated by reference in the Base Prospectus]¹⁸. Full information on the Issuer and the offer of the Debt Securities is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at <https://www.landsbankinn.is/bankinn/fjarfestatengsl/fjarmognun>

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

[When adding any other final terms or information consideration should be given as to whether such terms or information constitutes “significant new factors” and consequently triggers the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Directive.]

- | | |
|---|---|
| 1. Issuer: | Landsbankinn hf. |
| 2. | |
| i. Series Number: | [] |
| ii. Tranche Number: | [] |
| | <i>(If fungible with an existing Series, details of that Series, including the date on which the Debt Securities become fungible)</i> |
| 3. Specified Currency or Currencies: | [] |
| 4. Aggregate Nominal Amount: | |
| i. Series: | [] |
| ii. Tranche: | [] |

¹⁸Delete where the Debt Securities are not admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Regulation.

- 5. Issue Price:** [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
- 6. Specified Denominations:**
- i. Specified Denominations: []
- (Note – where Bearer Bonds with multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:*
- ”€100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000. No Debt Securities in definitive form will be issued with a denomination above €199,000.”)*
- (N.B. If an issue of Debt Securities is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Regulation, the €100,000 minimum denomination is not required.)*
- ii. Calculation Amount: []
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
- 7.**
- i. Issue Date: []
- ii. Interest Commencement Date: [specify/Issue Date/Not Applicable]
- 8. Maturity Date:** [Specify date or (for Floating Rate Debt Security) Interest Payment Date falling in or nearest to [specify month and year]]
- 9. Interest Basis:** [Inflation Linked Interest]
- [[] per cent. Fixed Rate]
- [[EURIBOR/SONIA/SOFR/€STR/NIBOR/STIBOR/IKON/REIBOR/CIBOR /specify other] +/- [] per cent. Floating Rate]
- [Reset Debt Securities]
- [Zero Coupon]
- [Not Applicable/specify other]
- (see paragraph [17]/[18]/[19]/[20]/[21]/[22]/[23] below)
- 10. Redemption/Payment basis:** [Subject to any purchase or cancellation or early redemption, the Debt Securities will be redeemed on the Maturity Date at [] per cent. of their nominal amount]
- [specify other]

(N.B. The Debt Securities will only be redeemed at an amount other than 100 per cent. of their nominal amount in the case of certain Zero- Coupon Debt Securities)

- 11. Change of interest basis or redemption/Payment basis:** [For the period from (and including) the Interest Commencement Date, up to (but excluding) [date] paragraph [19/20/21] applies and for the period from (and including) [date], up to (and including) the Maturity Date, paragraph [19/20/21] applies][Specify other][Not Applicable]
- 12. Put/Call Option:** [Investor Put]
[Issuer Call]
[Clean-up Redemption Option]¹⁹
[Not Applicable]
[specify other]
(If applicable further particulars specified in paragraphs 24 and 27)
- 13. Status of the Debt Securities:** [Senior Preferred/Senior Non-Preferred/Subordinated/Specify]
(If Subordinated Bonds include:)
- (i) Redemption upon occurrence of Capital Event: [Applicable-Condition 7.13 applies/Not Applicable]
- (ii) Substitution or variation: [Applicable-Condition 7.14 applies/Not Applicable]
- (If Senior Preferred Debt Securities or Senior Non-Preferred Debt Securities include:)*
- (i) Redemption upon occurrence of a MREL Disqualification Event: [Applicable – Condition 7.13A applies/Not Applicable]
- (ii) Substitution or variation: [Applicable – Condition 7.14A applies/Not Applicable]
- (If Senior Preferred Debt Securities include:)*
- (i) Unrestricted Events of Default: [Applicable – Condition 10.1 applies/Not Applicable – Condition 10.2 applies]
- 14. Approval for Issuance of the Debt Securities:** Date of Board approval for issuance of Debt Securities obtained:
[Date/ Not Applicable]
(N.B. Only relevant where Board (or similar) authorization is required for the particular Tranche of Debt Securities)

¹⁹ The Clean- up Redemption Option shall not apply in respect of Subordinated Debt Securities

15. **Method of Distribution:** [Syndicated/Non-syndicated]
16. **Calculation Agent:** [Issuer/(specify other)]

PROVISIONS RELATING TO INFLATION LINKED ANNUITY BONDS

17. **Inflation Linked Annuity Bonds:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- i. **Rate(s) of Interest:** [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrears]
- ii. **Number of Interest Payment Dates:** []
- iii. **Interest Payment Date(s):** The [[] day(s) in the month(s) of [] in each year up to and including the Maturity Date]. First Interest Payment Date being [].
- (Amend appropriately in the case of irregular coupons)*
- iv. **Number of Principal Payment Dates:** []
- v. **Principal Payment Date(s):** [On each Interest Payment Date/Maturity Date/Specify other]
- vi. **Day Count Fraction:** [30/360/Actual/Actual (ICMA)/[Specify other]]
- vii. **Base Index** Means [to be inserted], being the value of the CPI on [to be inserted]
- viii. **Other Terms and Conditions applicable to Inflation Linked Annuity Bonds:** [None/Specify]

PROVISIONS RELATING TO INFLATION LINKED EQUAL PRINCIPAL PAYMENT BONDS INCLUDING BONDS WITH ONE PAYMENT OF PRINCIPAL ON MATURITY DATE

18. **Inflation Linked Equal Principal Payment Bonds:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- i. **Rate(s) of Interest:** [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrears]
- ii. **Number of Interest Payment Dates:** []
- iii. **Interest Payment Date(s):** The [[] day(s) in the month(s) of [] in each year up to and including the Maturity Date]. First Interest Payment Date being [].

(Amend appropriately in the case of irregular coupons)

- iv. Number of Principal Payment Dates: []
- v. Principal Payment Date(s): [On each Interest Payment Date/Maturity Date/Specify other]
- vi. Day Count Fraction: [30/360/Actual/Actual (ICMA)/Specify other]
- vii. Base Index: Means [to be inserted], being the value of the CPI on [to be inserted]
- viii. Other Terms and Conditions applicable to Inflation Linked Equal Principal Payment Bonds: [None/Specify]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 19. Fixed Rate Bond Provisions:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- i. Rate(s) of Interest: [] per cent. per annum [payable[annually/semi-annually/quarterly] in arrears]
 - ii. Interest Payment Date(s): The [[] day(s) in the month(s) of [] in each year up to and including the Maturity Date]. First Interest Payment Date being [].
(Amend appropriately in the case of irregular coupons)
 - iii. Fixed Coupon Amount(s): [] per Calculation Amount/[Not Applicable]
(Applicable to Debt Securities in definitive form)
 - iv. Broken Amount (s): [[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []][Not Applicable]
(Applicable to Debt Securities in definitive form)
 - v. Day Count Fraction: [30/360] [Actual/Actual (ICMA)] [Specify other]
 - vi. Determination Date(s): [[] in each year][Not Applicable]

(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)
 - vii. Other terms relating to the method of calculating interest for Fixed Rate Bonds: [None/give details]

- 20. Floating Rate Bond Provisions:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- i. Specified Period(s)/Specified Interest Payment Dates: []
(NB: Specify the Specified Period(s)/Specified Interest Payment Date(s))
 - ii. Effective Interest Payment Date: [The date falling [•] Business Days following each Interest Payment Date, provided that the Effective Interest Payment Date with respect to the last Interest Period will be the Maturity Date or, if the Issuer elects to redeem the Debt Securities before the Maturity Date, the date fixed for redemption (include for Payment Delay only)]²⁰/[Not Applicable]
 - iii. Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other/ Not Applicable] *[For Payment Delay, always specify a Business Day Convention]*
 - iv. Additional Business Centre(s): [Specify/None]
 - v. Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
 - vi. Party responsible for calculating the Rate of Interest and Interest Amount (if not Fiscal Agent): [Specify/Not Applicable]
 - vii. Screen Rate Determination [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
 - Index Determination: [Applicable/Not Applicable]
- Insert only if Index Determination is not applicable*
- Reference Rate: [currency][] month/week/overnight
[EURIBOR/SONIA/SOFR/€STR/NIBOR/STIBOR/CIBOR/IKON/REIBOR/specify other/Not Applicable]
 - Reference Bank(s): [Specify/Not Applicable]
 - Interest Determination Date(s): []/[The date falling [] Business Days prior to the first day of each Interest Period]/ [First day of each Interest Period]/[The [first, second, third etc.] Business Day immediately preceding the Interest Payment Date for each

²⁰Effective Interest Payment Dates should be at least 5 Business Days after the Interest Payment Dates, unless otherwise agreed with the Fiscal Agent.

Interest Period (or immediately preceding such earlier date, if any, on which the Debt Securities are due and payable).][*provide details*]/[The Interest Payment Date at the end of each Interest Period; provided that the Interest Determination Date with respect to the last Interest Period prior to the Maturity Date or the date fixed for redemption will be the Rate Cut-off Date - *Include this wording for Payment Delay only*]/Not Applicable]²¹

(Second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR. Second Oslo, Stockholm, Reykjavík or Copenhagen (as the case may be) business day prior to the start of each Interest Period if NIBOR, STIBOR, IKON, REIBOR or CIBOR)

- Relevant Screen Page: [[] / [Bloomberg Page SONIO/N Index]/[New York Federal Reserve's Website]/[ECB's Website/Not Applicable]
(Give details)
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- Relevant time: [[] in the Relevant Financial Centre]/[Not Applicable]²²
- Relevant Financial Centre: [[]/Not Applicable]
- Calculation Method: [Weighted Average/Compounded Daily/Not Applicable]
- Observation Method [Lag/Lock-out/Observation Shift/Payment Delay/Not Applicable]
- Observation Look-back Period: []/[Not Applicable]²³
- Day Count Fraction: [365/360]/[Actual/365]/[Actual/360]/ [*Specify other*]/[Not Applicable]
- Rate Cut-off Date: [The date falling [●] Business Days prior to the Maturity Date or the date fixed for redemption, as applicable - *used for Payment Delay only*]²⁴/[Not Applicable]

Insert only if Index Determination is applicable

- SONIA Compounded Index: [Applicable/Not Applicable]

²¹To be at least 5 Business Days before the relevant Interest Payment Date where the Reference Rate is SONIA, SOFR or €STR, without the prior agreement of the Fiscal Agent.

²²Select "Not Applicable" for SONIA, SOFR, €STR or IKON.

²³The Observation Look-back Period should be at least as many Business Days before the Interest Payment Date as the Interest Determination Date. "Observation Look-back Period" is only applicable where "Lag" or "Observation Shift" is selected as the Observation Method; otherwise, select "Not Applicable".

²⁴The Rate Cut-off Date should be at least 5 Business Days before the Maturity Date or the date fixed for redemption, unless otherwise agreed with the Fiscal Agent.

- SOFR Compounded Index [Applicable/Not Applicable]
- Interest Determination Date: []/[The day falling the Relevant Number of Index Days prior to the relevant Interest Payment Date, or such other date on which the relevant payment of interest falls due (but which, by its definition or the operation of the relevant provisions, is excluded from the relevant Interest Period)]/Not Applicable]
- Relevant Decimal Place: [[]/[As per the Conditions]²⁵/Not Applicable]
- Relevant Number: [[]/[As per the Conditions]/Not Applicable]
- Numerator: [[]/[As per the Conditions]/Not Applicable]

ISDA Determination: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- Floating Rate Option: [[]/Not Applicable]
- Designated Maturity: [[]/Not Applicable]
- Reset Date: [[]/Not Applicable]

(In the case of a EURIBOR based option, the first day of the Interest Period)

- Other determination: [Applicable/Not Applicable]

(If applicable, give details)

Linear Interpolation: [Not Applicable/Applicable-the Rate of interest for the [long/short][first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]

Margin(s): [+/-] [] per cent. per annum/Not Applicable

Minimum Rate of Interest: [[] per cent. per annum/Not Applicable]

Maximum Rate of Interest: [[] per cent. per annum/Not Applicable]

Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]
 [Actual/365 (Fixed)]
 [Actual/365 (Sterling)]
 [Actual/360]
 [30/360][360/360][Bond Basis]
 [30E/360][Eurobond Basis]
 [30E/360 (ISDA)]
(See Condition 5 for alternatives)

21. Reset Bond Provisions: [Applicable/Not Applicable]

²⁵This should be a number that is five or greater where Compounded Daily SONIA is applicable and two or greater where Compounded Daily SOFR is applicable

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Initial Rate of Interest:	[] per cent. per annum payable in arrear on each Interest Payment Date
Initial Mid-Swap Rate:	[] per cent./[Not Applicable]
First Reset Margin:	[+/-] [] per cent. per annum
Subsequent Reset Margin:	[+/-] [] per cent. per annum/[Not Applicable]
Interest Payment Date(s):	[] in each year up to and including the Maturity Date
Fixed Coupon Amount up to (but excluding) the First Reset Date:	[] per Calculation Amount/[Not Applicable] <i>(Applicable to Debt Securities in definitive form)</i>
Broken Amount(s) up to (but excluding) the First Reset Date:	[] per Calculation Amount payable on the Interest Payment Date falling on []/[Not Applicable] <i>(Applicable to Debt Securities in definitive form)</i>
Reset Reference Rate:	[Mid-Swaps/Reference Bond]
First Reset Date:	[]
Second Reset Date:	[]/[Not Applicable]
Subsequent Reset Date(s):	[[] [and []]]/[Not Applicable]
Relevant Screen Page:	[]
Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate]
Mid-Swap Rate Conversion:	[Applicable/Not Applicable]
Original Mid-Swap Rate Basis:	[Annual/Semi-annual/Quarterly/Monthly]
Mid-Swap Floating Leg Benchmark Rate:	[EURIBOR/SONIA/SOFR/€STR/NIBOR/STIBOR/IKON/REIBOR/CIBOR]
Mid-Swap Floating Leg Maturity:	[]
Reference Bond Reset Rate Time:	[]
Reference Bond Price in respect of the first Reset Determination Date:	[]
Reset Determination Date(s):	[] (Specify in relation to each Reset Date)
Relevant Time:	[]
Day Count Fraction:	[30/360]/[Actual/Actual (ICMA)]
Determination Date(s):	[[] in each year]/[Not Applicable] <i>(Only relevant where Day Count Fraction is Actual/Actual)</i>

(ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.)

Relevant Financial Centre [Not Applicable/Applicable (list relevant financial centres)]

(Note that this paragraph relates to the determination of a Reset Reference Rate that is not EURIBOR by the Reset Reference Banks)

22. Zero Coupon Bond Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

i. Accrual Yield: [] per cent. per annum

(N.B. Refer to condition 7.8(b) of the Terms and Conditions of the Base Prospectus)

ii. Reference Price: [Issue Price/Specify other]

iii. Any other formula/basis of determining amount payable: [[]/Not Applicable]

iv. Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7.8b) and 7.12 apply/[30/360]/[Actual/360]/[Actual/365]/specify other]

23. Commercial Paper Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

i. Discount yield: [] per cent. per annum equivalent to [] per cent. simple interest

ii. Reference Price: [Issue Price/specify other]

iii. Any other formula/basis of determining amount payable: [Not Applicable/specify other]

iv. Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7.8.c) and 7.12 apply/specify other]

PROVISIONS RELATING TO REDEMPTION

24. Issuer Call: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

i. Optional Redemption Date(s): []

ii. Optional Redemption Amount of each Debt Securities and

- method, if any, of calculation of such amount(s): per Debt Security of Specified Denomination]
 Condition 7.8 applies] per Calculation Amount]
[Specify formula]
- iii. If redeemable in part: Applicable/Not Applicable]
(If not applicable, delete the remaining Subparagraphs of this paragraph)
- a) Minimum Redemption Amount:]
- b) Maximum Redemption Amount:]
- iv. Notice period: Minimum period: days
Maximum period: days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent (as the case may be)
- 25. Final Redemption Amount:** per Calculation Amount/Not Applicable]
(N.B. Except in the case of Zero-Coupon Debt Securities where a Redemption/Payment Basis other than 100 per cent. of the nominal amount has been specified, the Final Redemption Amount shall be equal to 100 per cent. of the Calculation Amount per Calculation Amount)
- 26. Early Redemption Amount payable on redemption for taxation reasons, upon the occurrence of a Capital Event or on an event of default:** per Calculation Amount/Not Applicable]
(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be)
- 27. Clean-up Redemption Option** Applicable][Not applicable]²⁶
(If not applicable, delete the remaining Subparagraphs of this paragraph)

²⁶The Clean-up Redemption Option shall not apply in respect of Subordinated Bonds.

- i. Clean-up Percentage: [75 per cent. / [] per cent.]
- ii. Notice Period: [As per Conditions / []]
- iii. Optional Redemption Amount(s) of each Bond and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (a) Optional Clean-up Redemption Date(s): []

28. Early Redemption Amount of each Debt Security payable on redemption and/or the method of calculating the same (if required or if different from that set out in Condition 7.8 (a): []

GENERAL PROVISIONS APPLICABLE TO THE DEBT SECURITIES

29. New Global Debt Securities: [Yes/No]

30. Form of Debt Securities: [VS System Debt Securities/NCSD System Debt Securities]

[Bearer Bonds

Temporary Bearer Global Bond exchangeable for a Permanent Bearer Global Bond which is exchangeable for Definitive Bonds [on 60 days' notice given at any time/only after an Exchange Event]

[Temporary Bearer Global Bond exchangeable for Definitive Bonds on and after the Exchange Date]

[Permanent Bearer Global Bond exchangeable for Definitive Bonds [on 60 days' notice given at any time/only after an Exchange Event]]

[Permanent Global Debt Securities exchangeable for Definitive Debt Securities [only upon an Exchange Event/at any time at the request of the Issuer]]

(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Debt Securities which is to be represented on issue by a Temporary Global Debt Securities exchangeable for Definitive Debt Securities.)

[Global Certificate ([] nominal amount) registered in the name of a common depository for Euroclear and

Clearstream,/a common safekeeper for Euroclear and Clearstream]]

31. **Additional Financial Centre(s) or other special provisions relating to Payment Days:** [Not Applicable/*give details*]
(Note that this item relates to the place of payment and not Interest Period end dates)
32. **Talons for future Coupons or Receipts to be Attached to Definitive Bonds** (and dates on which such Talons mature): [Yes/No]
(If yes, give details)
33. **Details relating to Partly Paid Debt Securities:** amount of each payment comprising the Issue Price and date on which each payment is to be made and consequence of failure to pay, including any right of the Issuer to forfeit the Debt Securities and interest due on late Payment: [Not Applicable/*give details*].
(N.B.: a new form of Temporary Bearer Global Bond and/or Permanent Bearer Global Bond may be required for Partly Paid issues)
34. **Redenomination applicable:** Redenomination [not] applicable
(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))
35. **Other final terms:** [Not Applicable/*give details*]
(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for supplements to the Base Prospectus under Article 23 of the Prospectus Regulation.)

DISTRIBUTION

36. **Method of distribution:** [Syndicated/Non-syndicated/Not Applicable]
– If syndicated, names of Managers: [Not Applicable/*give names*]
– Stabilizing Manager (if any): [Not Applicable/*give names*]
37. **If non-syndicated, name of relevant Dealer** [Not Applicable/*give name*]
38. **US. selling restrictions:** Reg. S. Compliance Category [2];
[TEFRA C]/[TEFRA D]/[TEFRA not applicable]
39. **Additional selling restrictions:** [Not Applicable/*give details*]

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required for the Debt Securities described herein ***to be [listed and] admitted to trading*** pursuant to the ISK 50,000,000,000 Debt Securities Programme of Landsbankinn hf. [*Specify other*]

THIRD PARTY INFORMATION

The Issuer accepts responsibility for the information contained in these Final Terms. [[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

By:

Duly authorized

By:

Duly authorized

PART B – OTHER INFORMATION

1. LISTING

- i. Listing: [Nasdaq Iceland/other (*specify*)/None]
- ii. Admission to trading: [Application has been made for the Debt Securities to be admitted to trading on [Nasdaq Iceland/other (*specify*)]]/[Not Applicable.]

2. RATING

[Not Applicable]/[The Debt Securities to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Debt Securities of this type issued under the Programme generally]:

[*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms*].

[Each of [*insert legal name of relevant credit rating agency entity providing rating*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”).]

[*Insert legal name of relevant credit rating agency entity providing rating*] is not established in the EU but the rating it has given to the Debt Securities is endorsed by [*insert legal name of credit rating agency*], which is established in the EU and registered under Regulation (EC) No 1060/2009 (the “**CRA Regulation**”).

[*Insert legal name of relevant credit rating agency entity providing rating*] is not established in the EU but is certified under Regulation (EC) No 1060/2009 (the “**CRA Regulation**”).

[*Insert legal name of relevant credit rating agency entity providing rating*] is not established in the EU and is not certified under Regulation (EC) No 1060/2009 (the “**CRA Regulation**”) and the rating it has given to the Debt Securities is not endorsed by a credit rating agency under Regulation (EC) No 1060/2009 (the “**CRA Regulation**”).

(The above disclosure should reflect the rating allocated to Debt Securities of the type being issued under the programme generally or, where the issue has been specifically rated, that rating.)

3. NOTIFICATION

[Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraph of this paragraph)

The [FSA/*specify other*] [has been requested to provide/has provided – *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [*names of competent authorities of host Member States*] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Regulation.

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealer/Advisor], so far as the Issuer is aware, no person involved in the issue of the Debt Securities has an interest material to the issue. – *Amend as appropriate if there are other interests*]

[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.)]

5. REASON FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- | | |
|-----------------------------|--|
| – Reason for the offer | [General corporate purposes]

[Sustainable Finance Instrument: The Issuer intends to apply an amount equal to the net proceeds from this offer of Debt Securities specifically for Eligible Activities and Assets (include any further detail if desired, including whether the issuance is to fund environmental, green, social and/or blue projects), as further described in the Issuer’s applicable Sustainable Finance Framework. See "Use of Proceeds" in the Base Prospectus and the Issuer’s Sustainable Finance Framework, available at the Issuer’s website].

[Specify other] |
| – Estimated net proceeds: | [] |
| – Estimated total expenses: | [] |

6. YIELD (*Fixed Rate Debt Securities only*)

Indication of yield: [] per cent. per annum

(Note: The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.)

7. HISTORIC INTEREST RATES (*Floating Rate Bonds Only*)

[Not Applicable/ Details of historic [EURIBOR/SONIA/SOFR/€STR/NIBOR/STIBOR/IKON/REIBOR/CIBOR] [Give details].]

8. PERFORMANCE OF INDEX, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (*Inflation Linked Annuity Bonds and Inflation Linked Equal Principal Payment Bonds Only*)

[Not Applicable]

[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]

[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]

(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.)

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] / [does not intend to provide post-issuance information]

9. OPERATIONAL INFORMATION

- i. ISIN Code: []
- ii. Common Code: []
- iii. CFI: *[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN /[Not Applicable] /[Not Available]*
- iv. FISN: *[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN /[Not Applicable]/[Not Available]*
- (If the Classification of Financial Instruments Code (CFI) and/or the Financial Instrument Short Name (FISN) is not required, requested or available, it/they should be specified to be “Not Applicable”)*
- v. Any Clearing system(s) other than Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme (together with the address of each such clearing system) and the relevant identification number(s): *[Not Applicable/give name(s) and number(s)/NCSO. The Issuer shall be entitled to obtain certain information from the register maintained by the NCSO for the purpose of performing its obligations under the issue of NCSO System Debt Securities. The NCSO Agent shall be entitled to obtain such information as is required to perform its duties under the Terms and Conditions of the Debt Securities and rules and regulations of, and applicable to, the NCSO.]*
- vi. Delivery: Delivery [against/free of] payment
- vii. Names and addresses of additional Paying Agent(s) (if any): *[Applicable/Not Applicable/give details]*
- viii. Intended to be held in a manner which would allow Eurosystem eligibility: *[Yes][No]*
- [Note that the designation “Yes” simply means that the Debt Securities are intended upon issue to be deposited with Euroclear or Clearstream as common safekeeper and does not*

necessarily mean that the Debt Securities will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria have been met]./[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Debt Securities are capable of meeting them the Debt Securities may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Debt Securities will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that the Eurosystem eligibility criteria have been met.]

TERMS AND CONDITIONS OF THE DEBT SECURITIES

The following are the Terms and Conditions of the Debt Securities which will be incorporated by reference into each Global Bond (as defined below) and each Definitive Bond, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such Definitive Bond will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Bond and Definitive Bond. Reference should be made to “Applicable Final Terms” for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Debt Securities. Reference should be made to the Condition “Form of the Debt Securities” for a description of the content of Final Terms which will specify which of such terms is to apply in relation to the relevant Debt Securities.

The Debt Securities are debt securities issued by Landsbankinn hf. (the “**Issuer**”) and will be issued in compliance with any applicable legal or regulatory restrictions including the rules on foreign exchange issued by the Central Bank of Iceland, and any reference to currencies other than ISK and related expressions shall be construed as taking effect subject to such restrictions being lifted.

This Debt Security is one of a Series (as defined below) of Debt Securities issued by the Issuer.

References herein to the Debt Securities shall be references to the Debt Securities of this Series and shall mean:

(a) in relation to any Debt Securities represented by a Global Bond, units of the lowest denomination specified in the relevant Final Terms (the “**Specified Denomination**”) in the currency specified in the relevant Final Terms (the “**Specified Currency**”);

(b) any Definitive Bonds in bearer form (“**Bearer Bonds**”) issued in exchange for a Global Bond in bearer form; and

(c) any Definitive Bonds in registered form (“**Registered Bonds**”) (whether or not issued in exchange for a Global Bond in registered form); and

(d) any Debt Securities issued in uncertificated book entry form cleared through the Nasdaq CSD Iceland (the “**NCSD System Debt Securities**” and the “**NCSD**” respectively) or any other clearing system as decided by the Issuer (together the “**VS System Debt Securities**”). VS System Debt Securities are in dematerialised form. Any references in these Terms and Conditions (the “**Conditions**”) to Receipts, Coupons and Talons shall not apply to VS System Debt Securities and no Global or Definitive Bonds will be issued in respect of NCSD System Debt Securities.

The Final Terms for this Debt Security (or the relevant provisions thereof) are set out in Part A of the Final Terms which are (except in the case of VS System Debt Securities) attached to or endorsed on this Debt Security which supplement these Conditions. References to the “**Applicable Final Terms**” are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) which are (except in the case of VS System Debt Securities) attached to or endorsed on this Debt Security and (in the case of the VS System Debt Securities) which are deposited with the NCSD or VP Lux. The expression “**Prospectus Regulation**” means Regulation 2017/1129/EU and includes any relevant implementing measure in the relevant Member State.

Interest bearing Definitive Bonds have interest coupons (“**Coupons**”) and, if indicated in the applicable Final Terms, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bonds repayable in instalments have receipts (“**Receipts**”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Bonds do not have Receipts, Coupons or Talons attached on issue.

Any reference to “**Debt Security Holders**” or to “**holders**” or to “**Investor(s)**” in relation to any Debt Securities shall mean the holders of the Debt Securities including Commercial Paper and Bonds (in the case of Bearer Bonds), the persons in whose name the Bonds are registered (in the case of Registered Bonds), the persons who are for the time being shown in the records of the NCS D or VP Lux as the holders of the Debt Securities (in the case of VS System Debt Securities), and shall, in relation to any Bond represented by a Global Bond and any VS System Debt Security, be construed as provided below. Any reference herein to “**Receiptholders**” shall mean the holders of the Receipts and any reference herein to “**Couponholders**” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “**Tranche**” means Debt Securities which are identical in all respects (including as to listing and admission to trading on a Regulated Market) and “**Series**” means a Tranche of Debt Securities together with any further Tranche or Tranches of Debt Securities which (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Final Terms are available for viewing on the Issuer’s website, www.landsbankinn.is, save that, if this Debt Security is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms can only be obtained by the Debt Security Holder at the registered offices of the Issuer and such Debt Security Holders must produce evidence satisfactory to the Issuer as to its holding of such Debt Securities.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Terms and Conditions (including the preceding paragraphs) shall bear the meanings given to them in the applicable Final Terms.

1. DEFINITIONS

Interpretation: In these Conditions:

- Debt Securities and Debt Security Holders shall be deemed to include references to Coupons and Couponholders, respectively, where relevant;
- if Talons are specified in the relevant Final Terms as being attached to the Bonds at the time of issue, references to Coupons shall be deemed to include references to Talons;
- if Talons are not specified in the relevant Final Terms as being attached to the Bonds at the time of issue, references to Talons are not applicable;
- any reference to principal shall be deemed to include Final Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 8 (Taxation), any premium payable in respect of a Debt Security and any other amount in the nature of principal payable pursuant to these Conditions;
- any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 8 (Taxation) and any other amount in the nature of interest payable pursuant to these Conditions;
- if an expression is stated in this Condition 1 (Definitions) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to Debt Securities;
- VS System Debt Securities are in dematerialised form, and any references in these Terms and Conditions to Coupons and Talons shall not apply to VS System Debt Securities and no Global or Definitive Bonds will be issued in respect thereof;

- if the Debt Securities are Zero Coupon Bonds or Commercial Paper, references to Coupons and Couponholders are not applicable;
- where the word “including” appears in these Conditions the words “without limitation” shall be deemed to be inserted immediately afterwards; and
- Any use of terminology or other words, in the singular or plural shall be deemed to be interchangeable unless the context otherwise requires.

Accrual Period	In accordance with Condition 5.6(c)(i), the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date.
Accrual Yield	In relation to Zero Coupon Bonds, the meaning given in the applicable Final Terms.
Act on Markets in Financial Instruments	The Icelandic Act on Markets in Financial Instruments No. 115/2021, which came into effect 1 September 2021.
Additional Business Centre	The meaning (if any) given in the applicable Final Terms.
Additional Financial Centre	The meaning (if any) given in the applicable Final Terms.
Agency Agreement	Shall mean the agency agreement (if any) to be entered into between the Issuer, Fiscal Agent and other agents.
Amortised Face Amount	The meaning given in Condition 7.8(b).
Annuity Amount	The meaning given in Condition 6.1(a).
Annuity Bonds	Bonds which will be redeemed in Annuity Amounts (subject to adjustment for indexation in accordance with the provisions specified in the applicable Final Terms) on one or more Interest Payment Dates as specified in the applicable Final Terms.
Applicable Final Terms	The form of Final Terms (Part A of the Final Terms or the relevant provisions thereof) which will be completed for each Tranche of Debt Securities issued under the Programme.
Base Index	Means the index value defined in the applicable Final Terms, being the value of the CPI on the date defined in the applicable Final Terms.
Bearer Bonds	Bonds issued in bearer form.
Benchmark Discontinuation	In the case of Floating Rate Bonds, if the Issuer determines that a Benchmark Event has occurred, the relevant benchmark or screen rate may be replaced by a Successor Rate or, if there is no Successor Rate but the Issuer determines there is an Alternative Rate (acting in good faith, in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser), such Alternative Rate. An Adjustment Spread may also be applied to the Successor Rate or the Alternative

	Rate (as the case may be), together with any Benchmark Amendments (which in the case of any Alternative Rate, any Adjustment Spread unless formally recommended or provided for and any Benchmark Amendments shall be determined by the Issuer, acting in good faith, in a commercially reasonable manner and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser). This is further described in Condition 5.7 (Benchmark Discontinuation).
Bonds	Debt Securities bearing interest, but not excluding Zero Coupon Bonds, issued or to be issued by the Issuer under the Programme.
Business Day	The meaning in Condition 5.6(a).
Business Day Convention	In respect of a Tranche of Debt Securities, either the Specified Periods or the Interest Payments Dates, the business day convention specified in the applicable Final Terms and determined in accordance with Conditions 5.6(b).
Calculation Agent	The meaning (if any) given in the applicable Final Terms.
Clearstream	Clearstream Banking société anonyme, 42 Avenue JF Kennedy, L-1855, Luxembourg, or its successors.
Code	The United States Internal Revenue Code of 1986, as amended.
Commercial Paper	Debt Securities that are offered and sold at a discount to their nominal amount and will not bear interest. Commercial Paper will have a maximum final maturity of 13 months when issued. Commercial Paper will only be issued in uncertificated book entry form cleared through the NCSD, VP LUX or any other clearing system as decided by the Issuer and will be in dematerialised form, Commercial Paper will not be issued in definitive form nor in subordinated form.
Common Depositary	The common depositary for Euroclear and Clearstream or its successors.
Common Safekeeper	The common safekeeper for Euroclear and Clearstream or its successors.
Couponholders	The holders of the Coupons (which expression shall, unless the context otherwise requires, include the holders of the Talons).
Coupons	Interest coupons expressing the amount payable by way of interest in respect of Definitive Bonds.
CPI	The consumer price indexation, as calculated by Statistics Iceland in accordance with Act on Price Indexation No. 12/1995 (<i>Ice. "Lög um vísitölu neysluverðs nr. 12/1995"</i>) and published monthly in the Legal Gazette in Iceland (<i>Ice. "Lögbirtingablaðið"</i>) or its successors.
Day Count Fraction	The meaning given in Condition 5.6(c).
Dealer	Any dealer appointed by the Issuer (if any).

Debt Securities	Debt securities issued or to be issued by the Issuer under the Programme, including Bonds and Commercial Paper. All Debt Securities issued under the Programme may be issued in uncertificated and dematerialised book entry form cleared through the Nasdaq CSD Iceland (“ NCSD System Debt Securities ” and the “ NCSD ” respectively) or any other clearing system as decided by the Issuer (together “ VS System Debt Securities ”). Additionally, Bonds issued under the Programme may be issued in bearer form (“ Bearer Bonds ”) or registered form (“ Registered Bonds ”) and they are either unsubordinated or subordinated.
Definitive Bonds	Debt Securities in definitive form, bearing interest, but not excluding Zero Coupon Bonds, issued or to be issued by the Issuer under the Programme.
Designated Account	Means the account maintained by a holder with a Designated Bank and identified as such in the Registered Bond Register.
Designated Bank	Means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.
Designated Maturity	The meaning given in the ISDA Definitions.
Determination Date	The meaning given in the applicable Final Terms.
Determination Period	The meaning given in Condition 5.6(d).
Directors	The directors for the time being of the Issuer as defined in the Icelandic Act No. 2/1995, on Limited Liability Companies (<i>Ice. “Lög um hlutafélag nr. 2/1995”</i>).
Discount Yield	In relation to Commercial Paper, the meaning given in the applicable Final Terms.
Distribution Compliance Period	The period that ends 40 days after completion of the distribution of each Tranche of Debt Securities, as certified by the relevant Dealer.
Early Redemption Amount	The amount calculated in accordance with Condition 7.8.
Equal Payment Amount	The meaning given in Condition 6.1(b).
EU	The European Union.
EURIBOR	Euro-zone inter-bank offered rate.
Euroclear	Euroclear Bank S.A./N.V., 1, Boulevard du Roi Albert II B - 1210 Brussels, Belgium, or its successors.
Exchange Date	The date when interests in a Temporary Bearer Global Bond will be exchanged either for interests in a Permanent Bearer Global Bond or,

	where specified in the applicable Final terms, for Definitive Bearer Bonds.
Exchange Event	The meaning given in Condition 2 (Form, Denomination and Title) in the section on Bearer Bonds.
Exchange Notice	The meaning given in Condition 4. (iv).
Final Redemption Amount	The meaning given in the applicable Final Terms.
Final Terms	Each Tranche will be the subject to the Final Terms which, for the purposes of that Tranche only, completes the Terms and Conditions of the Debt Securities and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Debt Securities are the Terms and Conditions of the Debt Securities as completed, amended and/or replaced by the relevant Final Terms.
Financial Indebtedness	As defined in Condition 10 of the Terms and Conditions.
Fiscal Agent	Landsbankinn hf., or any successor agent appointed as such.
Fixed Rate Bonds	Bonds that pay a fixed rate of interest on such date or dates as may be agreed between the Issuer and the relevant Dealer as specified in the applicable Final Terms and on redemption calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate	The meaning given in the ISDA Definitions.
Floating Rate Convention	The meaning given in Condition 5.6(b)(i).
Floating Rate Bonds	Bonds which bear interest at a rate determined: <ul style="list-style-type: none"> (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer, or as set out in the applicable Final Terms.
FSA	The Financial Supervisory Authority of the Central Bank of Iceland (<i>Ice. "Fjármálaeftirlitið"</i>).
Following Business Day Convention	The meaning given in Condition 5.6(b)(ii).
Global Bonds	Bonds (other than NCSD System Debt Securities) issued under the Programme that may be represented on issue by one or more bonds representing the whole principal amount of the issuance. While in

	global form the bond can be a Temporary Bearer Global Bond or a Permanent Bearer Global Bond.
Global Certificate	Registered Bonds held in a clearing system in the form of a single certificate representing the whole principal amount of the issuance offered and sold in reliance on Regulation S.
IIA	Institute of Internal Auditors.
IKON	The Icelandic Króna Overnight Rate
Index Ratio	The value of the Index Ratio (IR) on the relevant Interest Payment Date shall be the value of the Reference Index (RI) applicable to the relevant Interest Payment Date divided by the value of the Base Index (BI) as calculated by the Issuer.
Inflation Linked Annuity Bonds	Bonds that pay an Annuity Amount adjusted for inflation on such date or dates as decided by the Issuer and set out in the Final Terms.
Inflation Linked Equal Principal Payment Bonds	Bonds, including Bonds with one payment of principal on Maturity Date, that pay an Equal Payment Amount adjusted for inflation on such date or dates as decided by the Issuer and set out in the Final Terms.
Instalment Amounts	In respect of Instalment Bonds, each amount specified as such in the applicable Final Terms.
Instalment Bonds	Bonds which will be redeemed in Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms.
Instalment Dates	In respect of Instalment Bonds, each date specified as such in the applicable Final Terms.
Interest Amount	The amount of interest payable on the Floating Rate Bonds in respect of each Specified Denomination for the relevant Interest Period, as calculated in accordance with Condition 5.4(d) or the amount of interest payable on Inflation Linked Annuity Bonds or Inflation Linked Equal Principal Payment Bonds in respect of each Specified Denomination for the relevant Interest Period, as calculated in accordance with Conditions 5.1 and 5.2 respectively.
Interest Commencement Date	In the case of interest-bearing Bonds, the date specified in the applicable Final Terms from (and including) which interest will accrue in respect of the relevant Bonds.
Interest Determination Date	In respect of Floating Rate Bonds to which Screen Rate Determination is applicable, the meaning given in the applicable Final Terms.
Interest Payment	The meaning given in Condition 5.1.
Interest Payment Date	In respect of Fixed Rate Bonds, Inflation Linked Annuity Bonds and Inflation Linked Equal Principal Payment Bonds, the meaning given

	in the applicable Final Terms. In respect of Floating Rate Bonds the meaning given in Condition 5.4(a).
Interest Period	In accordance with Condition 5.6(e) the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.
Investor	The holders for the time being of the Debt Securities.
Investor Put	If specified as applicable in the applicable Final Terms, the provision by which the Investor may redeem a Series of Debt Securities in accordance with Condition 7.5.
ISDA	International Swaps and Derivatives Association, Inc.
ISDA Definitions	The meaning given in Condition 5.4(b).
ISDA Determination	If specified as applicable in the applicable Final Terms Document, the manner in which the Rate of Interest on Floating Rate Bonds is to be determined in accordance with Condition 5.4(b).
ISDA Rate	The meaning given in Condition 5.4(b).
ISK or Icelandic Krona or krónur	The lawful currency of the Republic of Iceland.
Issue Date	Each date on which the Issuer issues a Tranche of Debt Securities under the Programme, as specified in the applicable Final Terms.
Issue Price	The price, generally expressed as a percentage of the nominal amount of the Debt Securities, at which a Tranche of Debt Securities will be issued.
Issuer	Landsbankinn hf., Reg. No. 471008-0280, having its registered office at Reykjastræti 6, 101 Reykjavík, Iceland.
Issuer Call	If specified as applicable in the applicable Final Terms, the provision by which the Issuer may redeem a Series of Debt Securities in accordance with Condition 7.4.
Landsbankinn	Landsbankinn hf., Reg. No. 471008-0280, having its registered office at Reykjastræti 6, 101 Reykjavík, Iceland.
LIBOR	London inter-bank offered rate.
Margin	As specified in the applicable Final Terms (if any).
Maturity Date	As specified in the applicable Final Terms.
Maximum Rate of Interest	In respect of a Floating Rate Bond, the percentage rate per annum (if any) specified in the applicable Final Terms.
Maximum Redemption Amount	The amount specified as such in the applicable Final Terms.

Member State	A state which is a party to the Agreement on the European Economic Area or the European Free Trade Association Treaty, or the Faroe Islands.
Minimum Rate of Interest	In respect of Floating Rate Bonds, the percentage rate per annum (if any) specified in the applicable Final Terms.
Minimum Redemption Amount	The amount specified as such in the applicable Final Terms.
Modified Following Business Day Convention	The meaning given in Condition 5.6(b)(iii).
Nasdaq Iceland	The main market of Nasdaq Iceland hf., Reg. No. 681298-2829, with its registered office at Laugavegur 182, 105 Reykjavík.
NCSD	Nasdaq Central Securities Depository Iceland hf. Reg. No. 500797-3209, with its registered office at Laugavegur 182,105 Reykjavík (<i>Ice. Nasdaq verðbréfamiðstöð hf.</i>)
NCSD System Account Operator	Landsbankinn hf. in its capacity as NCSD system account operator.
NCSD System Debt Securities	Shall mean Debt Securities issued in dematerialised, uncertified book entry form cleared through NCSD.
Optional Redemption Amount	The meaning (if any) given in the applicable Final Terms.
Optional Redemption Date	The meaning (if any) given in the applicable Final Terms.
Partial Redemption	If the Issuer redeems part and not all of the Principal Amount Outstanding of Debt Securities. The redemption proceeds shall be applied rateably across the Debt Securities and the Principal Amount Outstanding on the Debt Securities shall be reduced by the level of that redemption.
Paying Agents	The Principal Paying Agent and any other paying agent appointed (if any).
Payment Day	The meaning given in Condition 6.8.
Permanent Bearer Global Bond	A Global Bond in bearer form that can be exchanged for a Temporary Bearer Global Bond. The bearer of a Permanent Bearer Global Bond is the Common Depository.
Preceding Business Day Convention	The meaning given in Condition 5.6(b)(iv).
Principal Amount Outstanding	The meaning given in Condition 5.6(f).
Principal Paying Agent	The Issuer, Landsbankinn hf.
Programme	Debt Issuance programme established by the Issuer. The maximum aggregate nominal amount of all Debt Securities from time to time outstanding under the Programme will not exceed ISK 50,000,000,000 (or its equivalence in other currencies calculated as described herein), subject to increase as described herein.

Prospectus Regulation and PR	Regulation (EU) 2017/1129 (<i>Ice. Reglugerð Evrópuþingsins og Ráðsins (ESB) 2017/1129</i>) as amended, if applicable.
Put Notice	The meaning given in Condition 7.5.
Rate of Interest	In respect of a Series of interest-bearing Bonds, the rate of interest payable from time to time in respect of such Bonds determined in accordance with the Terms and Conditions and the applicable Final Terms.
Receipts	Receipts for the payment of instalments of principal other than the final instalment attached on issue to Definitive Bonds repayable in instalments.
Receipholders	The holders of Receipts (which expression shall, unless the context otherwise requires, include the holders of the Talons).
Record Date	The meaning given in Condition 6.5.
Redemption	The applicable Final Terms will indicate either that the relevant Debt Securities cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, for taxation reasons or following an Event of Default, or in the case of Subordinated Bonds, upon the occurrence of a Capital Event) or that such Debt Securities will be redeemable at the option of the Issuer and/or the Debt Security Holders. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Final Terms. The applicable Final Terms may provide that Debt Securities are redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.
Redeemed Debt Securities	The meaning given in Condition 7.4.
Redenomination Currency	The meaning given in Condition 4(iv).
Redenomination Date	A date, specified in a notice to Debt Security Holders, the Receipholders and the Couponholders, when redenomination of Debt Securities will come into effect.
Reference Price	In respect of a Zero-Coupon Bond and Commercial Paper, the meaning given in the applicable Final Terms.
Reference Rate	In respect of Floating Rate Bonds to which Screen Rate Determination applies, the meaning given in the applicable Final Terms.
Registered Bond Register	Register of holders of the Registered Bonds maintained by the Registrar.
Registrar	Any registrar to be appointed in accordance with an Agency Agreement (if any).
Registered Bond	Means Bonds issued in registered form.

Regulated Market	Means a medium for the exchange of goods or services over which a government body exerts a level of control.
Regulation S	Regulation S under the US Securities Act.
REIBOR	Reykjavík Inter Bank Offered Rate.
Relevant Date	The meaning given in Condition 8 (Taxation).
Relevant Regulator	Means to the extent applicable to the relevant Debt Securities at the relevant time) (i) (in respect of the Subordinated Debt Securities) the FSA and (ii) (in respect of the Senior Preferred Debt Securities and the Senior Non-Preferred Debt Securities) 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
Relevant Screen Page	In respect of Floating Rate Bonds or Rest Bonds to which Screen Rate Determination applies, the meaning given in the Final Terms.
Reset Bonds	Reset Bonds have reset provisions pursuant to which the relevant Reset Bonds will, in respect of an initial period, bear interest at an initial fixed rate of interest specified in the applicable Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) by reference to a mid-market swap rate for the relevant Specified Currency, and for a period equal to the Reset Period, in each case as may be specified in the applicable Final Terms
Reset Date	The Meaning given in the ISDA Definitions.
RSK	The Directorate of Internal Revenue in Iceland.
Screen Rate Determination	If specified as applicable in the applicable Final Terms, the manner in which the Rate of Interest on Floating Rate Bonds is to be determined in accordance with Condition 5.4(b).
Selection Date	The meaning given in Condition 7.4.
Series	A Tranche of Debt Securities together with any further Tranche or Tranches of Debt Securities which (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.
SOFR	Secured Overnight Financing Rate.
SONIA	Sterling Overnight Index Average, interest rate benchmark.
Specified Currency	Subject to any applicable legal or regulatory restrictions, euro, Sterling, U.S. Dollars and such other currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer and the Principal Paying Agent and specified in the applicable Final Terms.

Specified Denomination	In respect of a Series of Debt Securities, the denomination or denominations of such Debt Securities as specified in the applicable Final Terms.
Specified Interest Payment Date	In respect of Floating Rate Bonds, the meaning (if any) given in the applicable Final Terms.
Subsidiary	Means an entity from time to time of which the Issuer (i) has direct or indirect control or (ii) owns directly or indirectly more than 50 per cent. of the share capital or similar ownership; "control" for this purpose means the power to direct the management and the policies of the entity, whether through the ownership of voting capital, by contract or otherwise.
Sub-Unit	The meaning given in Condition 5.6(g).
Talons	Talons for further Coupons in respect of interest-bearing Definitive Bonds.
TARGET2 System	The meaning given in Condition 5.6(a).
Tax Jurisdiction	The meaning given in Condition 8 (Taxation).
Temporary Bearer Global Bond	A Global Bond in bearer form which will initially represent the Bearer Bond of each Tranche.
Terms and Conditions or Conditions	The terms and conditions of the Debt Securities.
Tranche	Issues of Debt Securities which are identical in all respects (including as to listing and admission to trading on a Regulated Market)
Transfer Agent	Landsbankinn hf., or any successor agent appointed as such.
US Securities Act	U.S. Securities Act of 1933, (as amended).
VP LUX	Means VP Lux S.à.r.l., 32, Boulevard Royal, L-2449 Luxembourg, or its successors.
VS System Debt Securities	Means Debt Securities issued in uncertificated book entry form cleared through the NCSD or VP Lux and/or, in relation to any Tranche of Debt Securities, any other clearing system as may be specified in the relevant Final Terms (as the case may be).
Zero Coupon Bonds	Bonds which will be offered and sold at a discount to their nominal amount and which will not bear interest.
€, Euro, EUR or euro	The currency of the European Economic Monetary Union.
€STR	The Euro Short Term Rate, published by the European Central Bank for the first time in October 2019.
£ or Sterling	The lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

\$, U.S.\$, U.S. Dollars, US Dollars or USD The lawful currency for the time being of the United States of America.

2. FORM, DENOMINATION AND TITLE

The Debt Securities will be issued in bearer form (“**Bearer Bonds**”), registered form (“**Registered Bonds**”) or, in the case of VS System Debt Securities, uncertificated book entry form, as specified in the applicable Final Terms, and, in the case of Definitive Bonds, in the Specified Currency and the Specified Denomination(s) and (other than VS System Debt Securities) serially numbered. Debt Securities of one Specified Denomination may not be exchanged for Debt Securities of another Specified Denomination and Bearer Bonds may not be exchanged for Registered Bonds and *vice versa*. Neither Bearer Bonds nor Registered Bonds may be exchanged for VS System Debt Securities and *vice versa*.

The Debt Securities may take the form of an Inflation Linked Annuity Bond, an Inflation Linked Equal Principal Payment Bond including a Bond with one payment of principal on Maturity Date, a Fixed Rate Bond, a Floating Rate Bond, an Instalment Bond, a Zero-Coupon Bond, Commercial Paper or a combination of any of the foregoing, depending upon the interest basis and redemption/payment basis shown in the applicable Final Terms.

The Debt Securities may be Unsubordinated Debt Securities or Subordinated Bonds, depending on the Status shown in the applicable Final Terms.

Bearer Bonds

Each Tranche of Bonds issued in the form of Bearer Bonds will initially be represented by a Temporary Bearer Global Bond or, if so specified in the applicable Final Terms, a Permanent Bearer Global Bond without Coupons, Receipts or Talons which will:

- (i) if the Global Bonds are intended to be issued in a new global note form (“**NGN**”), as specified in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear and Clearstream (the “**Common Safekeeper**”); and
- (ii) if the Global Bonds are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository for Euroclear and Clearstream (the “**Common Depository**”).

Interests in the Temporary Bearer Global Bond will be exchanged either for interests in a Permanent Bearer Global Bond or, where specified in the applicable Final Terms (subject to such notice period as is specified in the Final Terms), for Definitive Bearer Bonds on or after the date (the “**Exchange Date**”) which is the later of (i) 40 days after the Temporary Bearer Global Bond is issued and (ii) 40 days after completion of the distribution of the relevant Tranche, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue). Such exchange will be made only upon delivery of written certification to Euroclear and/or Clearstream, as the case may be, to the effect that the beneficial owner of such Bonds is not a U.S. person or other person who has purchased such Bonds for resale to, or on behalf of, U.S. persons and Euroclear and/or Clearstream, as the case may be, and has given a like certification (based on the certification it has received) to the Fiscal Agent.

If an interest or principal payment date for any Bonds occurs whilst such Bonds are represented by a Temporary Bearer Global Bond, the related interest or principal payment will be made only to the extent that certification of non-U.S. beneficial ownership has been received as described in the last sentence of the immediately preceding paragraph unless such certification has already been given. The holder of a Temporary Bearer Global Bond will not be entitled to collect any payment of interest or principal due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Bond is improperly withheld or refused. Payment of principal or interest (if any) on a Permanent Bearer Global Bond will be made through Euroclear or Clearstream,

(against presentation or surrender, as the case may be, of the Permanent Bearer Global Bond if the Permanent Bearer Global Bond is not intended to be issued in NGN form) without any further requirement for certification. Pursuant to an Agency Agreement the Fiscal Agent shall arrange that, where a further Tranche of Bonds is issued, the Bonds of such Tranche shall be assigned a common code and ISIN by Euroclear and Clearstream, which are different from the common code and ISIN assigned to Bonds of any other Tranche of the same Series until at least expiry of the Distribution Compliance Period applicable to the Bonds of such Tranche.

The applicable Final Terms will specify that either (i) a Permanent Bearer Global Bond will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Bonds with, where applicable, Receipts, Coupons and Talons attached upon not less than 60 days' written notice from Euroclear and (or Clearstream, (acting on the instructions of any holder of an interest in such Permanent Bearer Global Bond) to the Fiscal Agent as described therein or (ii) a Permanent Bearer Global Bond will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Bonds with, where applicable, Receipts, Coupons and Talons attached only upon the occurrence of an Exchange Event as described therein. **"Exchange Event"** means (i) the Issuer has been notified that either Euroclear or Clearstream, has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system satisfactory to the Issuer, the Fiscal Agent, the other Paying Agents and the Debt Security Holders is available or, unless otherwise specified in the applicable Final Terms, (ii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 8 (Taxation) which would not be required were the Bonds represented by the Permanent Bearer Global Bond in definitive bearer form and a certificate to such effect signed by two Directors has been given to the Fiscal Agent. The Issuer will promptly give notice to Debt Security Holders in accordance with Condition 11 (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, (acting on the instructions of any holder of an interest in such Permanent Bearer Global Bond) or the Debt Security Holders may give notice to the Fiscal Agent requesting exchange and in the event of the occurrence of an Exchange Event as described in (ii) above, the Issuer may also give notice to the Fiscal Agent and the Debt Security Holder requesting exchange. Any such exchange shall occur not later than 30 days after the date of receipt of the first relevant notice by the Fiscal Agent.

The following legend will appear on all Bearer Bonds, Coupons, Receipts and Talons which have an original maturity of more than 365 days:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287 (a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on bearer Bonds, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Bearer Bonds, Receipts or Coupons.

Registered Bonds

Registered Bonds of each Tranche of Series offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a Global Certificate which will be deposited with a common depository or Common Safekeeper, for Euroclear and Clearstream and registered in the name of a common nominee of Euroclear and Clearstream or in the name of a common nominee of Euroclear and Clearstream or in the name of a nominee of the Common Safekeeper, as specified in the applicable Final Terms. Prior to expiry of the Distribution Compliance Period applicable to each Tranche of Bond, beneficial interests in a Global Certificate may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in this Condition 2 (Form, Denomination and Title) and may not be held otherwise than through Euroclear or Clearstream and such Global Certificate will bear a legend regarding such restrictions on transfer.

Persons holding beneficial interests in Global Certificates will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Bonds in fully registered form.

Payments of principal and interest (if any) and any other amount on the Registered Bonds in definitive form will be made on the relevant payment date to the persons shown on the Registered Bond Register at the close of business on the business day (being for this purpose a day on which banks are open for business in Brussels) immediately prior to the relevant payment date.

Payments of the principal of, interest (if any) and any other amount on, the Global Certificate will be made to the registered holder of the Global Certificate. None of the Issuer, any Paying Agent and the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Interests in a Global Certificate will be exchangeable (free of charge), in whole but not in part, for Definitive Registered Bonds without receipts, coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that (i) in the case of Bonds registered in the name of a nominee for a Common Depository for Euroclear and Clearstream the Issuer has been notified that both Euroclear and Clearstream, have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or such case, no successor clearing system is available) or (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bonds represented by the Global Certificate in definitive form. The Issuer will promptly give notice to Debt Security Holders in accordance with Condition 11 (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, or any person acting on their behalf (acting on the instructions of any holder of an interest in such Global Certificate) may give notice to the Registrar requesting such exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interest

For so long as any of the Debt Securities are Bonds represented by a Bearer Global Bond held by Euroclear and/or Clearstream, or so long as a Global Certificate is held by Euroclear, Clearstream or a nominee therefor or so long as the Debt Security is a VS Systems Debt Security, each person who is for the time being shown in the records of Euroclear and/or Clearstream, the NCS D or VP Lux, as the case may be, as the holder of a particular nominal amount of such Debt Securities (in which regard any certificate or other document issued by Euroclear, Clearstream, or its nominee, the NCS D or VP Lux as to the nominal amount of such Debt Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Fiscal Agent and any other Paying Agent as the holder of such nominal amount of such Debt Securities for all purposes other than (in the case only of Debt Securities not being VS System Debt Securities) with respect to the payment of principal or interest on the Debt Securities, for which purpose, the bearer of the relevant Global Bearer Bond, or the registered holder of a Global Certificate shall be treated by the Issuer, the Fiscal Agent and any other Paying Agent as the holder of such Bonds in accordance with and subject to the terms of the relevant Global Bond (and the expressions “Debt Security Holder” and “holder of Debt Securities” and related expressions shall be construed accordingly).

Bonds which are represented by a Bearer Global Bond will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream.

Beneficial interests in a Global Certificate may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such beneficial interest in another Global Certificate. No beneficial owner of an interest in a Global Certificate will be able to exchange or transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, in each case to the extent applicable. Transfers of beneficial interests in Global Certificate will be affected by Euroclear or Clearstream, as the case may be, and, in turn, by other

participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Global Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Bonds in definitive form or for a beneficial interest in another Global Certificate only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, as the case may be, and in accordance with the terms and conditions specified in an Agency Agreement.

A Registered Bond in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders thereof must (i) surrender the Registered Bond for registration of the transfer of the Registered Bond (or the relevant part of the Registered Bond) at the specified office of any Transfer Agent, with the form of transfer thereof in writing and (ii) complete and deposit such other certification as may be required by the relevant Transfer Agent (if any) and (b) the relevant Transfer Agent (if any) must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Subject as provided above, the relevant Transfer Agent (if any) has agreed within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent (if any) is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office as the relevant transferee may request, a new Registered Bond in definitive form of a like aggregate nominal amount to the Registered Bond transferred. In the case of the transfer of part only of the Registered Bond in definitive form, a new Registered Bond in respect of the balance of the Registered Bond not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Global Certificate to a transferee in the United States or who is a U.S. person will only be made upon receipt by the Registrar of a written certification substantially in the form set out in an Agency Agreement, amended as appropriate, copies of which are available from the specified office of any Transfer Agent (if any), from the transferor of the Bond or beneficial interest therein to the effect that such transfer is being made pursuant to the US Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Each Tranche of VS System Debt Securities will be issued in uncertificated and dematerialised book entry form. Legal title to the VS Systems Debt Securities will be evidenced by book entries in the records of NCSD or VP LUX. Title to the VS System Debt Securities will pass by registration in the register between the direct accountholders at the NCSD or VP Lux in accordance with the rules and procedures of the NCSD and VP Lux. The person evidenced (including any nominee) as a holder of the VS System Debt Securities shall be treated as the holder of such VS System Debt Securities for the purposes of payment of principal and interest on such VS System Debt Securities. Settlement of sale and purchase transactions in respect of VS System Debt Securities in the NCSD or VP LUX will take place in accordance with market practice at the time of the relevant transaction.

Title to the VS System Debt Securities will pass by registration in the registers between the direct accountholders at the NCSD or VP LUX.

Bonds that are represented by a Global Bond and VS System Debt Securities will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, VP LUX and/or NCSD, (as the case may be). References to Euroclear, Clearstream, VP LUX and/or the NCSD, (as the case may be) shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer.

Title to the Bearer Bonds, Receipts and Coupons will pass by delivery. The Issuer may deem and treat the bearer of any Bearer Bond, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.

3. STATUS OF THE DEBT SECURITIES

3.1 Status of the Senior Preferred Debt Securities

This Condition 3.1 applies only to Senior Preferred Debt Securities and references to “Debt Securities” and “Debt Securities holders” in this Condition shall be construed accordingly.

- (a) The Debt Securities and any relative Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer 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 Issuer, the rights of the Debt Securities holders to payments on or in respect of the Debt Securities 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 Issuer from time to time outstanding;
 - (ii) senior to any Senior Non-Preferred Liabilities of the Issuer; and
 - (iii) junior to present or future claims of depositors of the Issuer.

3.2 Status of the Senior Non-Preferred Debt Securities

This Condition 3.2 applies only to Senior Non-Preferred Debt Securities and references to “Debt Securities” and “Debt Securities holders” in this Condition shall be construed accordingly.

- (a) The Debt Securities and any relative Coupons are direct, unconditional and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves. The Debt Securities are subordinated as described in Condition 3.2(b).
- (b) In the event of the liquidation or insolvency (in Icelandic: *slit eða gjaldþrot*) of the Issuer, the rights of the Debt Securities holders to payments on or in respect of the Debt Securities shall rank:
 - (i) *pari passu* without preference among themselves;
 - (ii) *pari passu* with all other Senior Non-Preferred Liabilities of the Issuer;
 - (iii) senior to holders of all classes of share capital of the Issuer and any subordinated obligations or other securities of the Issuer which rank, or are expressed to rank, junior to the Senior Non-Preferred Liabilities of the Issuer (including, without limitation, any Subordinated Debt Securities); and
 - (iv) junior to present or future claims of (a) depositors of the Issuer and (b) other unsubordinated creditors of the Issuer.

3.3 Status - Subordinated Debt Securities

This Condition 3.3 applies only to Subordinated Bonds and references to “Bonds” and “Debt Security Holder” in this Condition shall be construed accordingly.

- a) The Bond constitute subordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves. The Bonds are subordinated as described in Condition 3.2 b).
- b) In the event of the liquidation or insolvency (in Icelandic: *slit eða gjaldþrot*) of the Issuer, the rights of the Debt Security Holders to payments on or in respect of the Bond 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 in respect of Senior Creditors.

3.4 Definition

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 (*Fjármálaeftirlitið*) 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 Issuer and any present or future obligations of the Issuer which rank, or are expressed to rank, junior to the Subordinated Bonds;

“**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 Issuer which were eligible to be recognised as Tier 2 Capital at the time of issue by Relevant Regulator, any guarantee, indemnity or other contractual support arrangement entered into by the Issuer in respect of securities (regardless of name or designation) issued by a Subsidiary of the Issuer 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 Issuer 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 Debt Securities at the relevant time) (i) (in respect of the Subordinated Debt Securities) the FSA and (ii) (in respect of the Senior Preferred Debt Securities and the Senior Non-Preferred Debt Securities) 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 Issuer; (b) other unsubordinated creditors of the Issuer; and (c) subordinated creditors of the Issuer in respect of any present or future obligation of the Issuer 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 Issuer, by way of exercise of public authority, to the claims of depositors and all other unsubordinated creditors of the Issuer, 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 Issuer;

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

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

“**Senior Non-Preferred Ranking**” means the ranking for senior non-preferred debt securities 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 nonpreferred debt securities 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 Debt Securities, the ranking set forth in Condition 3.2;

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

“**Subordinated Debt Securities**” means Debt Securities where the Status of the Debt Securities 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.

3.5 Set-Off

This Condition 3.5 applies only to Senior Preferred Debt Securities where Unrestricted Events of Default is specified as being not applicable, Senior Non-Preferred Debt Securities and Subordinated Debt Securities and references to “Debt Securities” and “Debt Securities Holder” in this Condition shall be construed accordingly.

Subject to applicable law, no claims in respect of any Debt Securities held by a Debt Securities Holder may be set-off, or be the subject of a counterclaim, by the relevant Debt Securities Holder against or in respect of any of its obligations to the Issuer or any other person and each Debt Securities Holder 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 Debt Securities, against or in respect of any of its obligations to the Issuer or any other person. If, notwithstanding the preceding sentence, any Debt Securities holder receives or recovers any sum or the benefit of any sum in respect of such Debt Securities by virtue of such set-off or counterclaim, it shall hold the same on trust for the Issuer and shall pay the amount thereof to the Issuer or, in the event of the liquidation or insolvency (in Icelandic: *slit eða gjaldþrot*) of the Issuer, to the liquidator of the Issuer, to be held on trust for the Senior Creditors.”

4. REDENOMINATION

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Debt Security Holders, the Receiptholders and the Couponholders, but after at least 30 days’ prior notice to the Debt Security Holders in accordance with Condition 11 (*Notices*), elect that, with effect from the Redenomination Date specified in the notice, the Debt Securities shall be redenominated in any Specified Currency.

The election will have effect as follows:

- (i) the Debt Securities shall be deemed to be redenominated into a Specified Currency in the denomination of euro 0.01 (or equivalent in the Specified Currency) or as applicable to other Specified Currency with a principal amount for each Debt Security equal to the principal amount of that Debt Security in the Specified Currency, converted into euro or other Specified Currency at the spot rate for such conversion on the day that the relevant redenomination occurs, provided that, if the Issuer determines, that the market practice in respect of the redenomination into euro or other Specified Currency of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Debt Security Holders, the stock exchange (if any) on which the Debt Securities may be listed of such deemed amendments;
- (ii) save to the extent that an Exchange Notice has been given in accordance with Condition 4(iv) below, the amount of interest due in respect of the Debt Securities will be calculated by reference to the aggregate principal amount of Debt Securities presented for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01 (or equivalent in the Specified Currency) or as applicable in the relevant Specified Currency;
- (iii) if Definitive Bonds are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer (i) in the case of relevant Debt Securities in the denomination of euro 100,000 (or equivalent in other currencies) and/or such higher amounts as the Fiscal Agent (in the case of Debt Securities other than VS System Debt Securities) or the Issuer (in the case of VS System Debt Securities) may determine and notify the Debt Security Holders and any remaining amounts less than euro 100,000 (or equivalent in other currencies) shall be redeemed by the Issuer and paid to the Debt Security Holders in euro in accordance with Condition 6; and (ii) in the case of Debt Securities which are not relevant Debt Securities, in the denominations of euro 1,000, 10,000, 100,000 (or equivalent in other currencies) and (but only to the extent of any remaining amount less than euro 1,000 (or equivalent in other currencies) or such smaller denominations as the Fiscal Agent may approve) euro 0.01 (or equivalent in other currencies) and such other denomination as the Fiscal Agent (in the case of Bonds other than VS System Debt Securities) or the Issuer (in the case of VS System Debt Securities) shall determine and notify to the Debt Security Holders;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Bonds) will become void with effect from the date on which the Issuer gives notice (the “**Exchange Notice**”) that replacement euro-denominated Debt Securities, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Debt Securities and Receipts so issued will also become void on that date although those Debt Securities and Receipts will continue to constitute valid exchange obligations of the Issuer. New redenominated Debt Securities, Receipts and Coupons will be issued in exchange for Debt Securities, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent (in the case of Debt Securities other than VS System Debt Securities) or the Issuer (in the case of VS System Debt Securities) may specify and as shall be notified to the Debt Security Holders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Debt Securities;
- (v) after the Redenomination Date, all payments in respect of the Debt Securities, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in the redenomination currency;
- (vi) if the Debt Securities are Fixed Rate Bonds, Inflation Linked Annuity Bonds or Inflation Linked Equal Principal Payment Bonds, and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest Sub-Unit of the relevant Specified

Currency, half of any such Sub-Unit being rounded upwards or otherwise in accordance with applicable market convention;

- (vii) if the Bonds are Floating Rate Bonds, the applicable Final Terms will specify any relevant changes to the provisions relating to interest; and
- (viii) such other changes shall be made to this Condition as the Issuer may decide, after consultation with the Fiscal Agent (if Fiscal Agent is other than the Issuer) (in the case of Debt Securities other than NCSD System Debt Securities), and as may be specified in the Exchange Notice, to confirm it to conventions then applicable to instruments denominated in euro.

5. INTEREST

5.1 Interest on Inflation Linked Annuity Bonds

Each Inflation Linked Annuity Bond bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest.

Interest is calculated on each Interest Payment Date as the nominal amount on the Issue Date multiplied with the Index Ratio and with the factor I_k , which is calculated according to the formula:

$$I_k = \frac{r^* \left[(1+r)^n - (1+r)^{k-1} \right]}{(1+r)^n - 1}$$

where,

I_k = Interest Repayment Factor for period k

$$r = \frac{c}{f}$$

c = the Rate of Interest of the relevant bond

f = the number of interest payments per year

n = the number of Interest Payment Dates

k = the number of payments that have already been made

(k=0 on the Issue Date, k=1 on the first Interest Payment Date, k=n on the last Interest Payment Date, etc.)

The resultant figure shall be rounded to the nearest Sub-Unit of the relevant Specified Currency. Interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the Maturity Date. Payment(s) on each Interest Payment Date is the sum of the relevant Principal Repayment and the interest payment.

The value of the Index Ratio (**IR**) on the relevant Interest Payment Date shall be the value of the Reference Index (**RI**) applicable to the relevant Interest Payment Date divided by the value of the Base Index (**BI**) as calculated by the Issuer:

$$IR = \frac{RI_t}{BI}$$

where,

Reference Index or **RI_t** means on each Interest Payment Date:

For each day in the calendar month and number RI rounded to 5 decimals:

$$RI = CP_{M-2} + \left[\frac{d-1}{D} * (CP_{M-1} - CP_{M-2}) \right]$$

where,

CP_{M-1} = CPI value published by Statistic Iceland in the month preceding month M

CP_{M-2} = CPI value published by Statistic Iceland 2 months prior to month M

d = the relevant calendar date

D = number of calendar days in the relevant calendar month

Provided that if the Reference Index below is lower than the Base Index, the Reference Index shall equal the Base Index.

And

Base Index means the index value defined in the applicable Final Terms, being the value of the CPI on the date defined in the applicable Final Terms.

If at any time a new index is substituted for the CPI, as of the calendar month from and including that in which such substitution takes effect:

- (i) the Reference Index shall be deemed to refer to the new index; and
- (ii) the new Base Index shall be the product of the existing Base Index and the Reference Index immediately following such substitution, divided by the Reference Index immediately prior to such substitution.

If interest is required to be calculated for a period other than an Interest Period, such interest shall be calculated by using the same methodology.

5.2 Interest on Inflation Linked Equal Principal Payment Bonds

Each Inflation Linked Equal Principal Payment Bond, bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest.

Interest is calculated on each Interest Payment date as the Principal Amount Outstanding as defined in Condition 6.1 b) on each Interest Payment Date multiplied with the Rate of Interest and, the appropriate Day Count Fraction and rounding the resultant figure to the nearest Sub-Unit of the relevant Specified Currency. Interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If interest is required to be calculated for a period other than an Interest Period, such interest shall be calculated by using the same methodology.

5.3 Interest on Fixed Rate Bonds

Each Fixed Rate Bond bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Bond are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, “**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Bond in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- a) in the case of Fixed Rate Bond which are represented by a Global Bond, the aggregate outstanding nominal amount of the Fixed Rate Debt Securities represented by such Global Bond; or
- b) in the case of Fixed Rate Bonds in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Debt Securities in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Bond shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 5.3:

- a) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (i) in the case of Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (ii) in the case of Debt Securities where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- b) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.
- c) In the Conditions:

“**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“**sub-unit**” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.4 Interest on Floating Rate Bonds

a) Interest Payment Dates

Each Floating Rate Bond bears interest from (and including) the **Interest Commencement Date** and such interest will be payable in arrears on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months, or other period specified as the Specified Period in the applicable Final Terms, after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In the Conditions, “**Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 3.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, “**Business Day**” means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which

if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “**TARGET2 System**”) is open.

b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Bonds will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Bonds

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or other person specified in the applicable Final Terms under any interest rate swap transaction if the Principal Paying Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Debt Securities (the “**ISDA Definitions**”) and under which:

- A. the Floating Rate Option is as specified in the applicable Final Terms;
- B. the Designated Maturity is the period specified in the applicable Final Terms; and
- C. the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Bonds (other than Floating Rate Bonds, which reference SONIA, SOFR, €STR or IKON)

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, and the Reference Rate specified in the applicable Final Terms is not SONIA, SOFR, €STR or IKON, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- A. the offered quotation; or
- B. the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being EURIBOR, NIBOR, STIBOR, REIBOR or CIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (Iceland time, in the case of REIBOR, , Brussels time, in the case of EURIBOR, Oslo time, in the case of NIBOR, Stockholm time, in the case of STIBOR, Reykjavik time, in the case of REIBOR and Copenhagen time, in the case of CIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Fiscal Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more

than one such lowest quotation, one only of such quotations) shall be disregarded by the Fiscal Agent, for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (A) above, no offered quotation appears or, in the case of (B) above, fewer than three offered quotations appear, in each case as at 11.00 a.m. (Brussels time, in the case of EURIBOR, Oslo time, in the case of NIBOR, Stockholm time, in the case of STIBOR, Reykjavik time, in the case of REIBOR or Copenhagen time, in the case of CIBOR), the Fiscal Agent shall request each of the Reference Banks to provide the Fiscal Agent (if other than the Issuer) with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (, Brussels time, in the case of EURIBOR, Oslo time, in the case of NIBOR, Stockholm time, in the case of STIBOR, Reykjavik time, in the case of REIBOR or Copenhagen time, in the case of CIBOR) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Fiscal Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Fiscal Agent (if other than the Issuer).

If on any Interest Determination Date one only or none of the Reference Banks provides the Fiscal Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Fiscal Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Fiscal Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11.00 a.m. (Brussels time, in the case of EURIBOR, Oslo time, in the case of NIBOR, Stockholm time, in the case of STIBOR, Reykjavik time, in the case of REIBOR or Copenhagen time, in the case of CIBOR) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), or the Icelandic inter-bank market (if the Reference Rate is REIBOR), the Norwegian inter-bank market (if the Reference Rate is NIBOR), the Swedish inter-bank market (if the Reference Rate is STIBOR), the Icelandic inter-bank market (if the Reference Rate is REIBOR) or the Danish inter-bank market (if the Reference Rate is CIBOR), plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Fiscal Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately 11.00 a.m. ((Brussels time, in the case of EURIBOR, Oslo time, in the case of NIBOR, Stockholm time, in the case of STIBOR, Reykjavik time, in the case of REIBOR or Copenhagen time, in the case of CIBOR)) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Fiscal Agent it is quoting to leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), or the Icelandic inter-bank market (if the Reference Rate is REIBOR), the Norwegian inter-bank market (if the Reference Rate is NIBOR), the Swedish inter-bank market (if the Reference Rate is STIBOR), the Icelandic inter-bank market (if the Reference Rate is REIBOR) or the Danish inter-bank market (if the Reference Rate is CIBOR), plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

As used herein, “**Reference Banks**” means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in the case of a determination of NIBOR, the principal Oslo office of four major banks in the Norwegian inter-bank market, in the case of a

determination of STIBOR, the principal Stockholm office of four major banks in the Swedish inter-bank market, in the case of a determination of REIBOR, the principal Reykjavik office of four major banks in the Icelandic inter-bank market and, in the case of a determination of CIBOR, the principal Copenhagen office of four major banks in the Danish inter-bank market, in each case selected by the Fiscal Agent in consultation with the Issuer.

(iii) Screen Rate Determination for Floating Rate Notes which reference SONIA, SOFR, €STR or IKON

a. If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, Index Determination is specified in the relevant Final Terms as not applicable and the Reference Rate specified in the relevant Final Terms is SONIA, SOFR, €STR or IKON:

(A) where the Calculation Method in respect of the relevant Series of Bonds is specified in the relevant Final Terms as being "**Compounded Daily**", the Rate of Interest applicable to the Notes for each Interest Period will (subject to Condition 5.7 (*Interest-Benchmark discontinuation*) and Condition 5.4(c) (*Interest on Floating Rate Bonds – Minimum Rate of Interest and/or Maximum Rate of Interest*) and subject as provided below) be the Compounded Daily Reference Rate plus or minus (as indicated in the relevant Final Terms) the Margin, all as determined by the Fiscal Agent on the Interest Determination Date and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards.

(B) where the Calculation Method in respect of the relevant Series of Bonds is specified in the relevant Final Terms as being "**Weighted Average**", the Rate of Interest applicable to the Bonds for each Interest Period will (subject to Condition 5.7 (*Interest - Benchmark discontinuation*) and Condition 5.4(c) (*Interest on Floating Rate Bonds – Minimum Rate of Interest and/or Maximum Rate of Interest*) and subject as provided below) be the Weighted Average Reference Rate plus or minus (as indicated in the relevant Final Terms) the Margin, all as determined by the Fiscal Agent on the Interest Determination Date and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards.

b. Where "**SONIA**" is specified as the Reference Rate in the relevant Final Terms, subject to Condition 5.7 (*Interest - Benchmark discontinuation*), if, in respect of any Business Day, the Fiscal Agent determines that the SONIA rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA rate shall be:

(A) (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at 5.00 p.m. (or, if earlier, close of business) on the relevant Business Day; plus (ii) the mean of the spread of the SONIA rate to the Bank Rate over the previous five days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads); or

(B) if the Bank Rate is not published by the Bank of England at 5.00 p.m. (or, if earlier, close of business) on the relevant Business Day, the SONIA rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding Business Day on which the SONIA rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors),

and, in each case, "r" shall be interpreted accordingly.

Notwithstanding the paragraph above, and without prejudice to Condition 5.7 (*Interest - Benchmark discontinuation*), in the event of the Bank of England publishing guidance as to (i) how the SONIA rate is to be determined or (ii) any rate that is to replace the SONIA rate, the Fiscal Agent shall, in accordance with the instructions of the Issuer, follow such guidance to the extent practicable and to the extent such

guidance does not increase obligations or duties of the Fiscal Agent in order to determine the SONIA rate, for purposes of the Bonds, for so long as the SONIA rate is not available or has not been published by the authorised distributors.

- c. Where "**SOFR**" is specified as the Reference Rate in the relevant Final Terms, subject to Condition 5.7 (*Interest - Benchmark discontinuation*), if, in respect of any Business Day, the Fiscal Agent determines that the Reference Rate does not appear on the Relevant Screen Page, such Reference Rate shall be the SOFR for the first preceding Business Day on which the SOFR was published on the Relevant Screen Page ("**r**" shall be interpreted accordingly).
- d. where "**€STR**" is specified as the Reference Rate in the relevant Final Terms, subject to Condition 5.7 (*Interest - Benchmark discontinuation*), if, in respect of any Business Day, the Fiscal Agent determines that the Reference Rate does not appear on the Relevant Screen Page, such Reference Rate shall be the €STR for the first preceding Business Day on which the €STR was published on the Relevant Screen Page ("**r**" shall be interpreted accordingly).
- e. Where "**IKON**" is specified as the Reference Rate in the relevant Final Terms, subject to Condition 5.7 (*Interest - Benchmark discontinuation*), if, in respect of any Business Day, the Fiscal Agent determines that the Reference Rate does not appear on the Relevant Screen Page, such Reference Rate shall be the IKON for the first preceding Business Day on which the IKON was published on the Relevant Screen Page ("**r**" shall be interpreted accordingly).
- f. In the event that the Rate of Interest for the relevant Interest Period cannot be determined in accordance with the foregoing provisions by the Fiscal Agent, subject to Condition 5.7 (*Interest - Benchmark discontinuation*), the Rate of Interest for such Interest Period shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest (as specified in the relevant Final Terms) is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period), (ii) if there is no such preceding Interest Determination Date and the relevant Interest Period is the first Interest Period for the Bonds, the initial Rate of Interest which would have been applicable to such Series of Bonds for the first Interest Period had the Bonds been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period) or (iii) if there is no such preceding Interest Determination Date and the relevant Interest Period is not the first Interest Period for the Bonds, the Rate of Interest which applied to the immediately preceding Interest Period.
- g. If the relevant Series of Bonds becomes due and payable in accordance with Condition 10 (*Events of Default and Enforcement Events*), the last Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the relevant Final Terms, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Bonds shall, for so long as any such Bonds remains outstanding, be that determined on such date.
- h. For the purposes of this Condition 5.4(b)(iii) (*Interest on Floating Rate Bonds - Rate of Interest - Screen Rate Determination for Floating Rate Bonds which reference SONIA, SOFR, €STR or IKON*):

If "**Payment Delay**" is specified in the relevant Final Terms as being applicable, all references in these Conditions to interest on the Bonds being payable on an Interest Payment Date shall be read as reference to interest on the Bonds being payable on an Effective Interest Payment Date instead;

"Applicable Period" means,

- (A) where **"Lag"**, **"Lock-out"** or **"Payment Delay"** is specified as the Observation Method in the relevant Final Terms, Interest Period; and
- (B) where **"Observation Shift"** is specified as the Observation Method in the relevant Final Terms, Observation Period;

"Business Day" or **"BD"**, means, (i) where **"SONIA"** is specified as the Reference Rate, any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London; (ii) where **"SOFR"** is specified as the Reference Rate, any day which is a U.S. Government Securities Business Day and is not a legal holiday in New York and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed; and (iii) where **"€STR"** is specified as the Reference Rate, a day on which the TARGET2 System is open; and (iv) where **"IKON"** is specified as the Reference Rate, a day on which commercial banks or savings banks are open for business in Iceland, from Monday through Friday;

"Calculation Agent" means the Fiscal Agent or, if specified in the applicable Final Terms, any other entity specified as such in the applicable Final Terms;

"Calculation Method" has the meaning given in the relevant Final Terms;

"Compounded Daily Reference Rate" means, with respect to an Interest Period, the rate of return of a daily compound interest investment in the Specified Currency (with the applicable Reference Rate (as indicated in the relevant Final Terms and further provided for below) as the reference rate for the calculation of interest) and will be calculated by the Fiscal Agent as at the relevant Interest Determination Date as follows, and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.00005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{r_{i-pBD} \times n_i}{D} \right) - 1 \right] \times \frac{D}{d}$$

where:

"D" is the number specified in the relevant Final Terms;

"d" means, for the relevant Applicable Period, the number of calendar days in such Applicable Period;

"d_o" means, for the relevant Applicable Period, the number of Business Days in such Applicable Period;

"Effective Interest Payment Date" means any date or dates specified as such in the relevant Final Terms;

"€STR" means, in respect of any Business Day, a reference rate equal to the daily euro short-term rate for such euro Business Day as provided by the European Central Bank, as administrator of such rate (or any successor administrator of such rate), on the website of the European Central Bank as at the date of this Base Prospectus at <http://www.ecb.europa.eu>, or any successor website officially designated by the European Central Bank (the **"ECB's Website"**) in each case, on or before 9:00 a.m., (Central European Time) on the Business Day immediately following such Business Day;

"i" means, for the relevant Applicable Period, a series of whole numbers from one to do, each representing the relevant Business Day in chronological order from, and including, the first Business Day in such Applicable Period;

"IKON" means, in respect of any Business Day, a reference rate equal to the weighted average interest rate on unsecured deposits held by obliged entities overnight for such Business Day as provided by the

Central Bank of Iceland, as administrator of such rate (or any successor administrator of such rate), on the website of the Central Bank of Iceland, in each case, no later than at 11:00 a.m., (Greenwich Mean Time) on the Business Day immediately following such Business Day;

"Lock-out Period" means the period from, and including, the day following the Interest Determination Date to, but excluding, the corresponding Interest Payment Date;

"ni", for any Business Day **"i"** in the Applicable Period, means the number of calendar days from, and including, such Business Day **"i"** up to but excluding the following Business Day;

"New York Federal Reserve's Website" means the website of the Federal Reserve Bank of New York as at the date of this Base Prospectus at <http://www.newyorkfed.org>, or any successor website of the Federal Reserve Bank of New York;

"Observation Method" shall be as set out in the relevant Final Terms;

"Observation Period" means, in respect of the relevant Interest Period, the period from, and including, the date falling **"p"** Business Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date which is **"p"** Business Days prior to the Interest Payment Date for such Interest Period (or the date falling **"p"** Business Days prior to such earlier date, if any, on which the Bonds become due and payable);

"p" means, for any Interest Period:

- (A) where **"Lag"** is specified as the Observation Method in the relevant Final Terms, the number of Business Days included in the Observation Look-back Period specified in the relevant Final Terms (or, if no such number is specified two Business Days);
- (B) where **"Lock-out"** is specified as the Observation Method in the relevant Final Terms, zero;
- (C) where **"Observation Shift"** is specified as the Observation Method in the relevant Final Terms, the number of Business Days included in the Observation Look-back Period specified in the relevant Final Terms (or, if no such number is specified, two Business Days);

"r" means:

- (A) where in the relevant Final Terms **"SONIA"** is specified as the Reference Rate and either **"Lag"** or **"Observation Shift"** is specified as the Observation Method, in respect of any Business Day, the SONIA rate in respect of such Business Day;
- (B) where in the relevant Final Terms **"SOFR"** is specified as the Reference Rate and either **"Lag"** or **"Observation Shift"** is specified as the Observation Method, in respect of any Business Day, the SOFR in respect of such Business Day;
- (C) where in the relevant Final Terms **"€STR"** is specified as the Reference Rate and either **"Lag"** or **"Observation Shift"** is specified as the Observation Method, in respect of any Business Day, the €STR in respect of such Business Day;
- (D) where in the relevant Final Terms **"IKON"** is specified as the Reference Rate and either **"Lag"** or **"Observation Shift"** is specified as the Observation Method, in respect of any Business Day, the IKON in respect of such Business Day;
- (E) where in the relevant Final Terms **"SONIA"** is specified as the Reference Rate and **"Lock-out"** is specified as the Observation Method:
 - (i) in respect of any Business Day **"i"** that is a Reference Day, the SONIA rate in respect of the Business Day immediately preceding such Reference Day, and

- (ii) in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the SONIA rate in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);
- (F) where in the relevant Final Terms "SOFR" is specified as the Reference Rate and "Lock-out" is specified as the Observation Method:
 - (i) in respect of any Business Day "i" that is a Reference Day, the SOFR in respect of the Business Day immediately preceding such Reference Day, and
 - (ii) in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the SOFR in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);
- (G) where in the relevant Final Terms "€STR" is specified as the Reference Rate and "Lock-out" is specified as the Observation Method:
 - (i) in respect of any Business Day "i" that is a Reference Day, the €STR in respect of the Business Day immediately preceding such Reference Day, and
 - (ii) in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the €STR in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);
- (H) where the relevant Final Terms "IKON" is specified as the Reference Rate and "Lock-out" is specified as the Observation Method:
 - (i) in respect of any Business day "i" that is a Reference Day, the IKON in respect of the Business Day immediately preceding such Reference Day, and
 - (ii) in respect of any Business day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the IKON in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Period (such last Reference Day coinciding with the Interest Determination Date);
- (I) where in the relevant Final Terms "SONIA" is specified as the Reference Rate and "Payment Delay" is specified as the Observation Method, in respect of any Business Day, the SONIA rate in respect of such Business Day, **provided however that**, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, "r" shall be the SONIA rate in respect of the Rate Cut-off Date;
- (J) where in the relevant Final Terms "SOFR" is specified as the Reference Rate and "Payment Delay" is specified as the Observation Method, in respect of any Business Day, the SOFR in respect of such Business Day, **provided however that**, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, "r" shall be the SOFR in respect of the Rate Cut-off Date; and
- (K) where in the relevant Final Terms "€STR" is specified as the Reference Rate and "Payment Delay" is specified as the Observation Method, in respect of any Business Day, the €STR in respect of such Business Day, **provided however that**, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but

excluding) the Maturity Date or the date fixed for redemption, as applicable, "r" shall be the €STR in respect of the Rate Cut-off Date;

- (L) where the relevant Final Terms "IKON" is specified as the Reference Rate and "Payment Delay" is specified as the Observation Method, in respect of any Business Day, the IKON in respect of such Business Day, **provided however that**, in the case of the last Interest Period, in respect of each Business Day in the period from (and including) the Rate Cut-off Date to (but excluding) the Maturity Date or the date fixed for redemption, as applicable, "r" shall be the IKON in respect of the Rate Cut-off Date

"Rate Cut-off Date" has the meaning given in the relevant Final Terms;

"Reference Day" means each Business Day in the relevant Interest Period, other than any Business Day in the Lock-out Period;

" r_{i-pBD} " means the applicable Reference Rate as set out in the definition of "r" above for, (i) where, in the relevant Final Terms, "Lag" is specified as the Observation Method, the Business Day (being a Business Day falling in the relevant Observation Period) falling "p" Business Days prior to the relevant Business Day "i" or, (ii) otherwise, the relevant Business Day "i";

"SOFR" means, in respect of any Business Day, a reference rate equal to the daily Secured Overnight Financing Rate as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) on the New York Federal Reserve's Website, in each case on or about 5.00 p.m. (New York City Time) (the "SOFR Determination Time") on the Business Day immediately following such Business Day;

"SONIA" means, in respect of any Business Day, a reference rate equal to the daily Sterling Overnight Index Average rate for such Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors in each case on the Business Day immediately following such Business Day;

"U.S. Government Securities Business Day" means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association (or any successor thereto) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities; and

"Weighted Average Reference Rate" means:

- (A) where "Lag" is specified as the Observation Method in the relevant Final Terms, the arithmetic mean of the Reference Rate in effect for each calendar day during the relevant Observation Period, calculated by multiplying each relevant Reference Rate by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Observation Period. For these purposes the Reference Rate in effect for any calendar day which is not a Business Day shall be deemed to be the Reference Rate in effect for the Business Day immediately preceding such calendar day; and
- (B) where "Lock-out" is specified as the Observation Method in the relevant Final Terms, the arithmetic mean of the Reference Rate in effect for each calendar day during the relevant Interest Period, calculated by multiplying each relevant Reference Rate by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Period, **provided however that** for any calendar day of such Interest Period falling in the Lockout Period, the relevant Reference Rate for each day during that Lock-out Period will be deemed to be the Reference Rate in effect for the Reference Day immediately preceding the first day of such Lock-out Period. For these purposes the Reference Rate in effect for any calendar day which is

not a Business Day shall, subject to the proviso above, be deemed to be the Reference Rate in effect for the Business Day immediately preceding such calendar day.

- (iv) **Index Determination:** If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined and Index Determination is specified in the relevant Final Terms as being applicable, the Rate of Interest applicable to the Notes for each Interest Period will be the compounded daily reference rate for the relevant Interest Period, calculated in accordance with the following formula and to the Relevant Decimal Place, all as determined and calculated by the Fiscal Agent on the relevant Interest Determination Date plus or minus (as indicated in the relevant Final Terms) the Margin:

$$\left(\frac{\text{Compounded Index End}}{\text{Compounded Index Start}} - 1 \right) \times \frac{\text{Numerator}}{d}$$

where:

"Compounded Index" shall mean either SONIA Compounded Index, the SOFR Compounded Index, or the €STR Compounded Index, as specified in the relevant Final Terms;

"Compounded Index End" means the relevant Compounded Index value on the day falling the Relevant Number of Index Days prior to the Interest Payment Date for such Interest Period, or such other date on which the relevant payment of interest falls due (but which, by its definition or the operation of the relevant provisions, is excluded from such Interest Period);

"Compounded Index Start" means the relevant Compounded Index value on the day falling the Relevant Number of Index Days prior to the first day of the relevant Interest Period;

"d" is the number of calendar days from (and including) the day on which the relevant Compounded Index Start is determined to (but excluding) the day on which the relevant Compounded Index End is determined;

"Index Days" means, in the case of the SONIA Compounded Index, London Banking Days, in the case of the SOFR Compounded Index, U.S. Government Securities Business Days, and, in the case of the €STR Compounded Index, a day on which the TARGET2 System is open;

"London Banking Day" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"Numerator" shall, unless otherwise specified in the relevant Final Terms, be 365 in the case of the SONIA Compounded Index and 360 in the case of the SOFR Compounded Index and the €STR Compounded Index;

"Relevant Decimal Place" shall, unless otherwise specified in the relevant Final Terms, be the fifth decimal place in the case of the SONIA Compounded Index and the €STR Compounded Index and the eighth decimal place in the case of the SOFR Compounded Index, in each case rounded up or down, if necessary (with 0.000005 or, as the case may be, 0.00000005 being rounded upwards);

"Relevant Number" shall, unless otherwise specified in the relevant Final Terms, be five in the case of the SONIA Compounded Index, five in the case of the €STR Compounded Index and two in the case of the SOFR Compounded Index;

"SOFR Compounded Index" means the compounded daily SOFR rate, as published at 15:00 (New York time) by the Federal Reserve Bank of New York (or a successor administrator of SOFR) on the website of the Federal Reserve Bank of New York, or any successor source;

"**SONIA Compounded Index**" means the compounded daily SONIA rate as published at 10:00 (London time) by the Bank of England (or a successor administrator of SONIA) on the Bank of England's Interactive Statistical Database, or any successor source; and

"**€STR Compounded Index**" means the compounded daily €STR rate, as published at 09:00 (Central European Time) by the European Central Bank (or a successor administrator of €STR) on the website of the European Central Bank or any successor source.

Provided that a Benchmark Event has not occurred in respect of SONIA, r €STR or a Benchmark Transition Event and its related Benchmark Replacement Date has not occurred in respect of SOFR, as the case may be, if, with respect to any Interest Period, the relevant Compounded Index Start and/or Compounded Index End is not published by the administrator, the Fiscal Agent shall calculate the Rate of Interest for that Interest Period in accordance with Condition 5.4(b)(iii) (*Interest on Floating Rate Bonds – Rate of Interest – Screen Rate Determination for Floating Rate Notes which reference SONIA, SOFR, €STR or IKON*) as if Index Determination was not specified in the relevant Final Terms as being applicable. For these purposes, (i) the Reference Rate shall be deemed to be SONIA in the case of SONIA Compounded Index, €STR in the case of €STR Compounded Index and SOFR in the case of Compounded SOFR Index, (ii) the Calculation Method shall be deemed to be Compounded Daily, (iii) the Observation Method shall be deemed to be Observation Shift, (iv) the Observation Look-back Period shall be deemed to be the Relevant Number, (v) D shall be deemed to be the Numerator and (vi) in the case of SONIA or €STR, the Relevant Screen Page will be determined by the Issuer in consultation with the Fiscal Agent. If a Benchmark Event has occurred in respect of SONIA or €STR the provisions of Condition 5.7 (*Interest – Benchmark Discontinuation*) shall apply *mutatis mutandis* in respect of this Condition 5.8(b)(iv) or if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in respect of SOFR, the provisions of Condition 5.8 (*Interest – Effect of Benchmark Transition Event*) shall apply *mutatis mutandis* in respect of this Condition 5.4(b)(iv), as applicable.

c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms for a Floating Rate Bond specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms for a Floating Rate Bond specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

d) Determination of Rate of Interest and calculation of Interest Amounts

The Fiscal Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Fiscal Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Bond for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Bond which are represented by a Global Bond, the aggregate outstanding nominal amount of the Bond represented by such Global Bond; or
- (ii) in the case of Floating Rate Bond in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate

Bond in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Bond shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 5.4:

- (a) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (b) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (c) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (d) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (e) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

- “**Y₁**” is the year, expressed as a number, in which the first day of the Interest Period falls;
- “**Y₂**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- “**M₁**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- “**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- “**D₁**” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and
- “**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;
- (f) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

- “**Y₁**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30;

(g) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.

e) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Fiscal Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Fiscal Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“Designated Maturity” means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

f) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.4 (Interest on Floating Rate Bonds) by the

Fiscal Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the other Paying Agents and all Debt Security Holders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Debt Security Holders or the Couponholders shall attach to the Fiscal Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

g) Notification of Rate of Interest and Interest Amounts

The Fiscal Agent (if other than the Issuer) or, where the relevant Floating Rate Bonds are NCSD system Debt Securities, the Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Bonds are for the time being listed (by no later than the first day of each Interest Period (or, where the relevant Floating Rate Bonds are not NCSD Debt Securities and the Calculation Agent is other than the Fiscal Agent, as soon as reasonably practicable after the Calculation Agent has notified the Fiscal Agent of such)) and notice thereof to be published in accordance with Condition 11 (Notices) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Bonds are for the time being listed and to the Bondholders in accordance with Condition 11 (Notices). For the purposes of this paragraph, the expression "London 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.

5.5 Interest on Reset Bonds

a) Rate of Interest

Each Reset Bond bears interest:

- (v) from (and including) the Interest Commencement Date to (but excluding) the First Reset Date (the "**Initial Period**"), at the Initial Rate of Interest;
- (vi) for the First Reset Period, at the First Reset Rate of Interest; and
- (vii) for each Subsequent Reset Period thereafter (if any) to (but excluding) the Maturity Date, at the relevant Subsequent Reset Rate of Interest.

Interest will be payable, in each case, in arrear on the Interest Payment Date(s) in each year specified in the applicable Final Terms up to (and including) the Maturity Date.

If the Bonds are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of each Interest Period falling in the Initial Period will amount to the Fixed Coupon Amount. Payments of interest on the first Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount(s) so specified.

The Fiscal Agent will, at or as soon as practicable after each time at which a Rate of Interest in respect of a Reset Period is to be determined, determine the relevant Rate of Interest for such Reset Period.

Except in the case of Bonds in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, the Fiscal Agent will calculate the amount of interest (the "**Reset Bonds Interest Amount**") payable on the Reset Bonds for any period by applying the relevant Rate of Interest to:

- (i) in the case of Reset Bonds which are represented by a Global Note, the aggregate outstanding nominal amount of the Bonds represented by such Global Bonds; or
- (ii) in the case of Reset Bonds in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Reset Bonds in definitive form is a multiple of the Calculation Amount, the Reset Bonds Interest Amount payable in respect of such Bonds shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

b) Fallbacks

If on any Reset Determination Date (as specified in the applicable Final Terms), the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page as at the Relevant Time on such Reset Determination Date, the Rate of Interest applicable to the Bonds in respect of each Interest Period falling in the relevant Reset Period will be determined by the Fiscal Agent on the following basis:

- i. the Fiscal Agent shall request each of the Reset Reference Banks to provide the Fiscal Agent, with its Mid-Market Swap Rate Quotation as at approximately the Relevant Time on the Reset Determination Date in question;
- ii. if at least four of the Reset Reference Banks provide the Fiscal Agent with the Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period will be equal to the sum of (A) the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest) and (B) the Relevant Reset Margin, all as determined by the Fiscal Agent;
- iii. if only two or three relevant quotations are provided, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period will be equal to the sum of (A) the arithmetic mean (rounded as aforesaid) of the relevant quotations provided and (B) the Relevant Reset Margin, all as determined by the Fiscal Agent;
- iv. if only one relevant quotation is provided, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period will be equal to the sum of (A) the relevant quotation provided and (B) the Relevant Reset Margin, all as determined by the Fiscal Agent;
- v. if none of the Reset Reference Banks provides the Fiscal Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 5.5 b) the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) will be either:
 - (A) the rate determined on the previous Reset Determination Date (if any); or
 - (B) if there is no such previous Reset Determination Date, the Mid-Swap Rate which last appeared on the Relevant Screen Page, in each case, substituting where a different margin is to be applied to a relevant Interest Period from that which applied

as specified in the applicable Final Terms.

c) Mid-Swap Rate Conversion

This Condition 5.5c) is only applicable if Mid-Swap Rate Conversion is specified in the applicable Final Terms as being applicable. If Mid-Swap Rate Conversion is so specified as being applicable, the First Reset Rate of Interest

and, if applicable, each Subsequent Reset Rate of Interest will be converted by the Fiscal Agent from the Original Mid-Swap Rate Basis specified in the applicable Final Terms to a basis which matches the per annum frequency of Interest Payment Dates in respect of the Bonds (such calculation to be determined by the Issuer in conjunction with an investment bank of international repute selected by it).

d) Notification of Rate of Interest and Interest Amounts

In respect of a Reset Period, the Fiscal Agent will cause the relevant Rate of Interest in respect of such Reset Period and each Reset Bonds Interest Amount for each Interest Period falling in such Reset Period to be notified to the Issuer and any stock exchange or other relevant authority on which the relevant Reset Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 11 (Notices) as soon as possible after their determination but in no event later than the fourth London Business Day (as defined in Condition 5.4(f)) thereafter. Each Reset Bonds Interest Amount so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Reset Bonds are for the time being listed or by which they have been admitted to listing and to the Bond holders in accordance with Condition 11 (*Notices*).

For the purposes of the Conditions:

"**Day Count Fraction**" has the meaning given in Condition 5.1;

"**First Reset Date**" has the meaning given in the applicable Final Terms;

"**First Reset Margin**" has the meaning given in the applicable Final Terms;

"**First Reset Period**" means the period from (and including) the First Reset Date to (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date;

"**First Reset Rate of Interest**" means, in respect of the First Reset Period and subject to Condition 5.5(b), 5.5(c) and 5.5, the rate of interest determined by the Fiscal Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Reset Margin or the sum, converted (if not already on the same basis) from a basis equivalent to the Reference Bond Yield to a basis equivalent to the frequency with which scheduled interest payments are payable on the Bonds during the relevant Reset Period (such calculation to be determined by the Issuer in conjunction with an investment bank of international repute selected by it), of (A) the Reference Bond Yield (assuming a price for such Reference Bond (expressed as a percentage of its nominal amount) equal to the relevant Reference Bond Price)) and (B) the First Reset Margin;

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer at its own expense under Condition 5.5;

"**Initial Rate of Interest**" has the meaning given in the applicable Final Terms;

"**Interest Period**" has the meaning given in Condition 5.3(a);

"**Mid-Market Swap Rate**" means for any Reset Period the arithmetic mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Original Mid-Swap Rate Basis (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Fiscal Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Floating Leg Maturity (as specified in the applicable Final Terms) (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Fiscal Agent). If a Mid-Swap Floating Leg Benchmark Rate cannot be obtained because of the occurrence of a Benchmark Event (as defined in Condition 5.5), such rate shall be calculated in accordance with the terms of Condition 5.5;

"Mid-Market Swap Rate Quotation" means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

"Mid-Swap Floating Leg Benchmark Rate" means the reference rate specified as such in the relevant Final Terms;

"Mid-Swap Rate" means, in relation to a Reset Determination Date and subject to Conditions 5.3(b) and 5.5, either:

- (i) if "Single Mid-Swap Rate" is specified in the applicable Final Terms, the rate for swaps in the Specified Currency:
 - (A) with a term equal to the relevant Reset Period; and
 - (B) commencing on the relevant Reset Date, which appears on the Relevant Screen Page; or
- (ii) if "Mean Mid-Swap Rate" is specified in the applicable Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:
 - (C) with a term equal to the relevant Reset Period; and
 - (D) commencing on the relevant Reset Date, which appear on the Relevant Screen Page,

in either case, as at approximately the Relevant Time on such Reset Determination Date, all as determined by the Fiscal Agent;

"Original Mid-Swap Rate Basis" has the meaning given in the applicable Final Terms. In the case of Bonds, the Original Mid Swap Rate Basis shall be annual, semi-annual, quarterly or monthly;

"Rate of Interest" means the Initial Rate of Interest, the First Reset Rate of Interest or the relevant Subsequent Reset Rate of Interest, as applicable;

"Reference Bond" means for any Reset Period a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) selected by the Issuer on the advice of an investment bank of international repute or an Independent Adviser as having an actual or interpolated maturity comparable with the relevant Reset Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Bonds and of a comparable maturity to the relevant Reset Period;

"Reference Bond Price" means, with respect to any Reset Determination Date, (A) the arithmetic average of the Reference Bond Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Bond Dealer Quotations, or (B) if the Fiscal Agent obtains fewer than four but more than one such Reference Bond Dealer Quotations, the arithmetic average of all such quotations, or (C) if the Fiscal Agent obtains one such Reference Bond Dealer Quotations, the amount of such quotation, or (D) if the Fiscal Agent obtains no such Reference Bond Dealer Quotations, the Reference Bond Price determined on the immediately preceding Reset Determination Date or, in the case of the first Reset Determination Date, as specified in the applicable Final Terms;

"Reference Bond Reset Rate Time" means the time specified in the applicable Final Terms;

"Reference Bond Yield" means the yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Bond;

"Reference Bond Dealer" means each of five banks (selected by the Issuer on the advice of an investment bank of international repute), or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

"Reference Bond Dealer Quotations" means, with respect to each Reference Bond Dealer and the relevant Reset Determination Date, the arithmetic average, as determined by the Fiscal Agent, of the bid and offered prices for the relevant Reference Bond (expressed in each case as a percentage of its nominal amount) at or around the Reference Bond Reset Rate Time on the relevant Reset Determination Date quoted in writing to the Fiscal Agent by such Reference Bond Dealer;

"Reset Date" means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable);

"Relevant Reset Margin" means, in respect of a Reset Period, whichever of the First Reset Margin or the Subsequent Reset Margin is applicable for the purpose of determining the Rate of Interest in respect of such Reset Period;

"Reset Determination Date" has the meaning given in the applicable Final Terms;

"Reset Period" means the First Reset Period or a Subsequent Reset Period, as the case may be;

"Reset Reference Banks" means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market or other market most closely connected with the Mid-Swap Rate; and, in the case of a determination of a Reset Reference Rate that is not EURIBOR, the principal office in the Relevant Financial Centre of four major banks in the inter-bank market or other market most closely connected with the relevant Mid-Swap Rate, in each case, as selected by the Fiscal Agent in consultation with the Issuer;

"Relevant Financial Centre" means (i) Oslo, in the case of a determination of NIBOR, (ii) Stockholm in the case of a determination of STIBOR, (iii) Reykjavík, in the case of a determination of REIBOR or (iv) Copenhagen in the case of a determination in CIBOR, as specified in the applicable Final Terms.

"Reset Reference Rate" has the meaning given in the applicable Final Terms;

"Relevant Screen Page" has the meaning given in the applicable Final Terms;

"Relevant Time" has the meaning given in the applicable Final Terms;

"Second Reset Date" has the meaning given in the applicable Final Terms;

"Subsequent Reset Date(s)" has the meaning given in the applicable Final Terms;

"Subsequent Reset Margin" has the meaning given in the applicable Final Terms;

"Subsequent Reset Period" means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date or the Maturity Date, as the case may be; and

"Subsequent Reset Rate of Interest" means, in respect of any Subsequent Reset Period and subject to Condition 5.3(b) and Condition 5.3(c), the rate of interest determined by the Fiscal Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Reset Margin. or the sum, converted (if not already on the same basis) from a basis equivalent to the Reference Bond Yield to a basis equivalent to the frequency with which scheduled interest payments are payable on the Bonds during the relevant Reset Period (such calculation to be determined by the Issuer in conjunction with an investment bank of international repute selected by it), of (A) the Reference Bond Yield (assuming a price for such Reference Bond (expressed as a percentage of its nominal amount) equal to the relevant Reference Bond Price)) and (B) the relevant Subsequent Margin.

5.5 Accrual of interest

Each Bond (or in the case of the redemption of part only of a Bond, that part only of such Bond) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- a) the date on which all amounts due in respect of such Bond have been paid; and
- b) five days after the date on which the full amount of the moneys payable in respect of such Bond has been received by the Fiscal Agent and notice to that effect has been given to the Debt Security Holders in accordance with Condition 11 (Notices).

In the event of non-payment of a Zero-Coupon Bond, interest will accrue as provided in Condition 7.12 (*Late Payment on Zero Coupon Bonds and Commercial Paper*).

5.6 Business Day, Business Day Convention, Day Count Fraction and other adjustments

- a) In these Conditions, **Business Day** means:
 - (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Reykjavík and any Additional Business Centre specified in the applicable Final Terms; and
 - (ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency as specified in applicable Final Terms (if other than Reykjavík and any Additional Business Centre) or (B) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open.
- b) If a **Business Day Convention** is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:
 - (i) in any case where Specified Periods are specified in accordance with Condition 5.4 (a), the Floating Rate Convention, such Interest Payment Date (1) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis*, or (2) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (I) such Interest Payment Date shall be brought forward to the immediately preceding Business Day, and (II) each subsequent Interest Payment Date shall be the last Business Day in the month which falls within the Specified Period after the preceding applicable Interest Payment Date occurred; or
 - (ii) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
 - (iii) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
 - (iv) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.
- c) **Day Count Fraction** means, in respect of the calculation of an amount of interest for any Interest Period:

- (v) if *Actual/Actual (ICMA)* is specified in the applicable Final Terms: in the case of Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period (as defined in Condition 5.6(d)) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year assuming that interest was to be payable in respect of the whole year; or
- (vi) in the case of Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of
 - (I) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (II) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

if *Actual/365* is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366, and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

if *Actual/365 (Fixed)* is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

if *Actual/365 (Sterling)* is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

if *Actual/360* is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

if *30/360, 360/360 or Bond Basis* is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless, in the case of Floating Rate Bonds only, (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

if *30E/360 or Eurobond Basis* is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); or such other Day Count Fraction as may be specified in the applicable Final Terms.

- d) “**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

- e) **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.
- f) **Principal Amount Outstanding** means, in respect of a Debt Security except an Inflation Linked Annuity Bond and an Inflation Linked Equal Principal Payment Bond, on any day the principal amount of that Debt Security on the Issue Date less principal amounts (if any) received by the holder of such Debt Security in respect thereof on or prior to that day. In respect of an Inflation Linked Annuity Bond and an Inflation Linked Equal Principal Payment Bond, the meaning given in the applicable Final Terms.
- g) **Sub-Unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, euro 0.01.

5.7 Benchmark Discontinuation

Notwithstanding any other provision of Conditions 5.4 (Interest on Floating Rate Bonds) and 5.5 (Interest on Reset Bonds), where the Original Reference Rate or Mid-Swap Floating Leg Benchmark Rate, as the case may be, applicable to the Bonds is not SOFR, if a Benchmark Event occurs in relation to an Original Reference Rate by reference to which any amount payable under the Debt Securities remains to be determined, then the following provisions of this Condition 5.7 (Benchmark Discontinuation) shall apply.

a) Independent Adviser

The Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5.7 (b)) and, in either case, an Adjustment Spread if any (in accordance with Condition 5.7 (c)) and any Benchmark Amendments (in accordance with Condition 5.7 (d)).

An Independent Adviser appointed pursuant to this Condition 5.7 shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Fiscal Agent, the Paying Agents or the Debt Security Holders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 5.7.

b) Successor Rate or Alternative Rate

If the Issuer, following consultation with the Independent Adviser and acting in good faith, determines that:

- i. there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5.7 (c) (Adjustment Spread) subsequently be used in place of the Original Reference Rate to determine any relevant amount(s) payable under the Debt Security (subject to the further operation of this Condition 5.7 (Benchmark Discontinuation)); or
- ii. there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5.7 (c)) subsequently be used in place of the Original Reference Rate to determine the any relevant amount(s) payable under the Debt Security (subject to the further operation of this Condition 5.7).

c) Adjustment Spread

If the Issuer, following consultation with the Independent Adviser and acting in good faith, determines (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of any relevant amount(s) payable under the Debt Securities by reference to such Successor Rate or Alternative Rate (as applicable).

d) Benchmark Amendments

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5.7(Benchmark Discontinuation) and the Issuer, following consultation with the Independent Adviser and acting in good faith, determines (A) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5.7 (e) (Notices, etc), without any requirement for the consent or approval of Debt Security Holders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 5.7(d) (Benchmark Amendments), the Issuer shall comply with the rules of any stock exchange on which the Debt Securities are for the time being listed or admitted to trading.

e) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5.7 will be notified promptly by the Issuer to the Fiscal Agent, the Paying Agents and, in accordance with Condition 11 (*Notices*), the Debt Security Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Debt Security Holders of the same, the Issuer shall deliver to the Fiscal Agent a certificate, to be made available for inspection by Debt Security Holders, signed by two authorised signatories of the Issuer:

- i. confirming (a) that a Benchmark Event has occurred, (b) the Successor Rate or, as the case may be, the Alternative Rate and, (c) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5.7;
- ii. certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread; and
- iii. certifying that (i) the Issuer has duly consulted with an Independent Adviser with respect to each of the matters above or, if that is not the case, (ii) explaining, in reasonable detail, why the Issuer not done so.

The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any)) be binding on the Issuer, the Fiscal Agent and the Debt Security Holders.

f) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Conditions 5.7(a), Condition 5.7(b), 5.7(c) and 5.7(d), the Original Reference Rate will continue to apply unless and until the Fiscal Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with Condition 5.7(c) and (d). Further, notwithstanding any other provision of this Condition 5.8, no successor, replacement or alternative benchmark or screen rate will be adopted, nor will any other amendment to the terms and conditions of any Series of Debt Securities be made if and to the extent that in the determination of the Issuer:

- i. in the case of Subordinated Debt Securities only, the same could reasonably be expected to prejudice the qualification of the relevant Debt Securities as Tier 2 Capital of the Issuer and/or the Group; or
- ii. in the case of the Senior Preferred Debt Securities and Senior Non-Preferred Debt Securities only, (i) the Relevant Resolution Authority treats a future Interest Payment Date as the effective maturity of the Notes rather than the actual Maturity Date or (ii) the same could reasonably be expected to prejudice the qualification of the relevant Notes as MREL Eligible Liabilities.

For the purposes of the Conditions:

“Adjustment Spread” means either a spread (which may be zero, positive or negative), or the formula or methodology for calculating a spread, in either case, which the Issuer, following consultation with the Independent Adviser and acting in good faith, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Debt Security Holders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- i. in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- ii. in the case of an Alternative Rate, is in customary market usage in the international debt capital market for transactions which reference the Original Reference Rate, where such rate has been replaced by the Alternative Rate; or
- iii. if no such recommendation or option has been made (or made available), or the Issuer determines there is no such spread, formula or methodology in customary market usage, the Issuer determines, following consultation with the Independent Adviser and acting in good faith, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- iv. if the Issuer determines that no such industry standard is recognised or acknowledged, the Issuer, in its discretion, following consultation with the Independent Adviser and acting in good faith, determines to be appropriate.

“Alternative Rate” means an index, benchmark or other price source which the Issuer determines in accordance with Condition 5.7 has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for a commensurate interest period and in the same Specified Currency as the Debt Securities.

“Benchmark Amendments” has the meaning given to it in Condition 5.7(d).

“Benchmark Event” means, with respect to an Original Reference Rate:

- i. the Original Reference Rate ceasing to exist or be published; or
- ii. the later of (a) the making of a public statement by the administrator of the Original Reference Rate that it will, by a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (b) the date falling six months prior to the date specified in (ii)(a); or
- iii. the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued; or
- iv. the later of (a) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, by a specified date, be permanently or indefinitely discontinued and (b) the date falling six months prior to the date specified in (iv)(a); or
- v. a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used (or that its use will be subject to restrictions or adverse consequences), in each case within the following six months; or

- vi. it has or will become unlawful for any Paying Agent, the Fiscal Agent or the Issuer to calculate any payments due to be made to any Debt Security Holder using the Original Reference Rate including, without limitation, under the Benchmark Regulation (EU) 2016/1011, if applicable.

Provided that the Benchmark Event shall be deemed to occur (a) in the case of subparagraphs (ii), (iii) and (iv) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (v) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of subparagraph (vi) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

“Original Reference Rate” means, for a Series, the index, benchmark or price source (as applicable) originally specified for the purpose of determining any amount payable under the Debt Securities of that Series. To the extent that a Successor Rate is determined to be used in respect of a Series, such Successor Rate shall be an “Original Reference Rate” for that Series during the period in which it is used.

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

“Relevant Nominating Body” means, in respect of an Original Reference Rate:

- i. the central bank for the currency to which the Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of Original Reference Rate; or
- ii. any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the Original Reference Rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate, (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

5.8 Effect of Benchmark Transition Event

Where the Original Reference Rate or Mid-Swap Floating Leg Benchmark Rate applicable to the Debt Securities is SOFR, in addition and notwithstanding the provisions above in Condition 5.4 (*Interest on Floating Rate Bonds*), Condition 5.5 (*Interest on Reset Bonds*) and Conditions 5.7 (*Benchmark discontinuation*), as applicable, this Condition 5.8 (*Effect of Benchmark Transition Event*) shall apply.

- (i) **Benchmark Replacement:** If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Debt Securities in respect of all determinations on such date and for all determinations on all subsequent dates.
- (ii) **Benchmark Replacement Conforming Changes:** In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time.
- (iii) **Decisions and Determinations:** Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5.8 (*Effect of Benchmark Transition Event*), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, will be made in the sole discretion of the Issuer or its designee, as applicable, and, notwithstanding anything to the contrary in the documentation relating to the Bonds, shall become effective without consent from the Holders or any other party. The Fiscal Agent will not have any

liability for any determination made by or on behalf of Issuer or its designee in connection with a Benchmark Transition Event or a Benchmark Replacement.

In no event shall Fiscal Agent be responsible for determining if a Benchmark Transition Event has occurred or any substitute for SOFR, or for making any adjustments to any alternative benchmark or spread thereon, the business day convention, interest determination dates or any other relevant methodology for calculating any such substitute or successor benchmark. In connection with the foregoing, the Fiscal Agent will be entitled to conclusively rely on any determinations made by Issuer or its designee and will have no liability for such actions taken at the direction of the Issuer or its designee.

Notwithstanding the foregoing provisions in this Condition 5.8 (*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 Debt Securities or Senior Non-Preferred Debt Securities) the qualification of the Bonds as MREL Eligible Liabilities or result in the Relevant Regulator treating the next Interest Payment Date as the effective maturity of the Bonds, rather than the relevant Maturity Date or (in the case of Subordinated Bonds) the qualification of the Bonds as Tier 2 Capital.”

In the event that the Rate of Interest for the relevant Interest Period or Reset Period, as applicable, cannot be determined in accordance with the foregoing provisions by the Issuer or its designee, the Rate of Interest for such Interest Period or Reset Period, as applicable, shall be (i) that determined as at the immediately preceding Interest Determination Date or Reset Determination Date, as applicable, (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest (as specified in the relevant Final Terms) is to be applied to the relevant Interest Period from that which applied to the immediately preceding Interest Period or Reset Period, as applicable, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin relating to that immediately preceding Interest Period or Reset Period, as applicable), or (ii) if there is no such preceding Interest Determination Date and the relevant Interest Period is the first Interest Period for the Debt Securities, the initial Rate of Interest which would have been applicable to such Series of Debt Securities for the first Interest Period had the Debt Securities been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period), or (iii) if there is no such preceding Interest Determination Date and the relevant Interest Period is not the first Interest Period for the Debt Securities, the Rate of Interest which applied to the immediately preceding Interest Period, or (iv) if there is no such preceding Reset Determination Date, the Initial Rate of Interest.

For the purposes of this Condition 5.8 (*Effect of Benchmark Transition Event*):

"Benchmark" means, initially, SOFR; provided that if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to SOFR or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement;

"Benchmark Replacement" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark and (b) the Benchmark Replacement Adjustment;

the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; or

the sum of: (a) the alternate rate of interest that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement

for the then-current Benchmark for U.S. Dollar-denominated floating rate debt securities at such time and (b) the Benchmark Replacement Adjustment;

"Benchmark Replacement Adjustment" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero), that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. Dollar-denominated floating rate debt securities at such time;

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer or its designee decide may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decide that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determine that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determine is reasonably necessary);

"Benchmark Replacement Date" means the earliest to occur of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

in the case of sub-paragraph (A) or (B) of the definition of **"Benchmark Transition Event,"** the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

in the case of clause (C) of the definition of **"Benchmark Transition Event,"** the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, **provided that**, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component);

a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark (or such component), which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, **provided that**, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**designee**" means a designee as selected and separately appointed by the Issuer as designee for the Debt Securities in writing;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**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 Issuer and/or the Group, as the case may be, under the Applicable MREL Regulations;"

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is SOFR, the SOFR Determination Time, and (2) if the Benchmark is not SOFR, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

6. PAYMENTS

6.1 Payments in respect of Inflation Linked Annuity Bonds and Inflation Linked Equal Principal Payment Bonds

a) Payments in respect of Inflation Linked Annuity Bonds

In case of an Inflation Linked Annuity Bond, the Issuer shall, on each relevant Interest Payment Date, make a payment that is the sum of the relevant Principal Repayment as defined in this Condition and the Interest Payment as defined in Condition 5.1 (together, the "**Annuitiy Amount**") as calculated by the Calculation Agent.

Principal Repayment(s) is the amount calculated by the Issuer on each Interest Payment Date by multiplying the nominal amount on the Issue Date with the Index Ratio and with the factor A, which is calculated according to the following formula:

$$A = \frac{r * (1+r)^k - 1}{(1+r)^n - 1}$$

where,

A = Principal Repayment Factor

$$r = \frac{c}{f}$$

c = the Rate of Interest of the relevant bond

f = the number of interest payments per year

n = the number of Interest Payment Dates

k = the number of payments that have already been made (k=0 on the Issue Date, k=1 on the first Interest Payment Date, k=n on the last Interest Payment Date, etc.)

- b) Payments in respect of Inflation Linked Equal Principal Payment Bonds, including Bonds with one payment of Principal on Maturity Date

In case of an Inflation Linked Equal Payment Bond, including Bond with one payment of Principal on Maturity Date, the Issuer shall, on each relevant Interest Payment Date, make a combined payment of principal, as defined in this condition and interest due as defined in Condition 5.2 (together, the “**Equal Payment Amount**”) as calculated by the Calculation Agent.

Principal Repayment(s) is an amount calculated by the Calculation Agent on each Principal Payment Date by multiplying the Principal Amount Outstanding on the Issue Date with the Index Ratio and dividing with the Number of Principal payment Dates.

The Principal Amount Outstanding is calculated based on the following formula:

$$PAO_t = (PAO_{t-1} - PR_{t-1}) \frac{IR_t}{IR_{t-1}}$$

where,

PAO_t means the Principal Amount Outstanding on the relevant Interest Payment Date.

PAO_{t-1} means the Principal Amount Outstanding on the preceding Interest Payment Date.

PR_{t-1} means the Principal Repayment on the preceding Interest Payment Date.

IR_t means the Index Ratio on the relevant Interest Payment Date.

IR_{t-1} means the Index Ratio on the preceding Interest Payment Date (Issue Date for the first Interest Payment Date).

The value of the Index Ratio (**IR**) on the relevant Interest Payment Date shall be the value of the Reference Index (**RI**) applicable to the relevant Interest Payment Date divided by the value of the Base Index (**BI**) as calculated by the Issuer:

$$IR = \frac{RI_t}{BI}$$

where,

Reference Index or **RI_t** means on each Interest Payment Date:

For each day in the calendar month and number RI rounded to 5 decimals:

$$RI = CP_{M-2} + \left[\frac{d-1}{D} * (CP_{M-1} - CP_{M-2}) \right]$$

where,

CP_{M-1} = CPI value published by Statistics Iceland in the month preceding month M

CP_{M-2} = CPI value published by Statistics Iceland 2 months prior to month M

d = the relevant calendar date

D = number of calendar days in the relevant calendar month

Provided that if the Reference Index is lower than the Base Index, the Reference Index shall equal the Base Index.

And

Base Index means the index value defined in the applicable Final Terms, being the value of the CPI on the date specified in the applicable Final Terms.

If at any time a new index is substituted for the CPI, as of the calendar month from and including that in which such substitution takes effect:

- i. the Reference Index shall be deemed to refer to the new index; and
- ii. the new Base Index shall be the product of the existing Base Index and the Reference Index immediately following such substitution, divided by Reference Index immediately prior to such substitution.

6.2 Method of payment

Subject as provided below:

- a) payment in a Specific Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sidney and Auckland, respectively); and
- b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any (i) fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of this Condition 6 (Payments) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreement thereunder, any official interpretation thereof, or (without prejudice to the provisions of Condition 8 (Taxation)) any law implementing an intergovernmental approach thereto (**FATCA**).

6.3 Presentation of Definitive Bonds, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Bonds will (subject as provided below) be made in the manner provided in Condition 6.2 (*Method of payment*) only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bonds, and payments of interest in respect of Definitive Bonds will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principal (if any) in respect of Definitive Bearer Bonds, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.2 (*Method of payment*) only against presentation and surrender (or, in the case of partial payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.2 (*Method of payment*) only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Definitive Bearer Bond in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Bond presented for payment of the relevant instalment together with the Definitive Bearer Bond to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Bond becomes due

and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Bonds and Inflation Linked Bonds in definitive bearer form should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9 (*Prescription*)) or, if later, 5 years (4 years in the case of NCSD system Debt Securities) from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Bond or Inflation Linked Bonds in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Bond in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Bond**" is a Fixed Rate Bond (other than a Fixed Rate Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Bond shall cease to be a Long Maturity Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Bond.

If the due date for redemption of any Definitive Bearer Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Bearer Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Bonds.

6.4 Payments in respect of Bearer Global Bond

Payments of principal and interest (if any) in respect of Bonds represented by any Bearer Global Bond will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Bonds and otherwise in the manner specified in the relevant Bearer Global Bond, where applicable, against presentation or surrender, as the case may be, of such Bearer Global Bond at the specified office of any Paying Agent outside the United States. A record of each payment, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Bond either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, as applicable.

6.5 Payments in respect of Registered Bonds

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Bond appearing in the register of holders of the Registered Bonds maintained by the Registrar (the "**Registered Bond Register**") (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream are open for business) before the relevant due date, and (ii) where in definitive form at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) the principal amount of the Bonds held by a holder is less than U.S. \$250,000 (or its equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as

defined below). For these purposes, (“**Designated Account**”) means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Registered Bond Register and Designated Bank means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Bond (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the Business Day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Bond appearing in the Registered Bond Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the “**Record Date**”) at his address shown in the Registered Bond Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three Business Days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Bond, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Bonds which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Bond on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Bond.

Holders of Registered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Bond as a result of a cheque posted in accordance with this Condition 6.5 (Payments in respect of Registered Bonds) arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Bonds.

None of the Issuer or the Paying Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interest in the Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.6 General provisions applicable to payments

The holder of a Global Bond shall be the only person entitled to receive payments in respect of Bonds represented by such Global Bond and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Bond in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream as the beneficial holder of a particular nominal amount of Bonds represented by such Global Bond must look solely to Euroclear or Clearstream, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Bond.

Notwithstanding the foregoing provisions of this Condition 6.6 (General provisions applicable to payments), if any amount of principal and/or interest in respect of Bonds is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Bonds will be made at the specified office of a Paying Agent in the United States if:

- a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bonds in the manner provided above when due;

- b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.7 Payments in respect of VS System Debt Securities

Payments of principal and interest in respect of VS System Debt Securities will be made to the Debt Security Holders shown in the relevant records of the NCSD, VP LUX, Clearstream or Euroclear (as the case may be) in accordance with and subject to the rules and regulations from time to time governing the NCSD, VP LUX, Euroclear or Clearstream (as the case may be).

6.8 Payment Day

If the date for payment of any amount in respect of any Debt Security, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day and shall not be entitled to any interest or other payment in respect of any such delay. For these purposes, (“**Payment Day**”) means any day which (subject to Condition 9 (*Prescription*)) is:

- a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) the case of Bonds in definitive form only, the relevant place of presentation;
 - (ii) Reykjavík; and
 - (iii) any Additional Financial Centre specified in the applicable Final Terms; and
- b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, Reykjavík and any Additional Financial Centre) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.9 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Debt Securities shall be deemed to include, as applicable:

- a) any additional amounts which may be payable with respect to principal under Condition 8 (*Taxation*);
- b) the Final Redemption Amount of the Debt Securities;
- c) the Early Redemption Amount of the Debt Securities;
- d) the Optional Redemption Amount(s) (if any) of the Debt Securities;
- e) in relation to Debt Securities redeemable in instalments, the Instalment Amounts;
- f) in relation to Zero Coupon Bonds and Commercial Paper, the Amortised Face Amount (as defined in Conditions 7.8 b) and 7.8 c); and
- g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Debt Securities.

Any reference in the Conditions to interest in respect of the Debt Securities shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 (*Taxation*).

7. REDEMPTION AND PURCHASE

7.1 Redemption of Inflation Linked Annuity Bonds and Inflation Linked Equal Payment Bonds, including Bond with one payment of Principal on Maturity Date

Unless previously redeemed or purchased and cancelled as specified below, each Inflation Linked Annuity Bond and each Inflation Linked Equal Payment Bond, including Bonds with one payment of Principal on Maturity Date, will, subject to Condition 6.1(a) or (b) (as applicable), be redeemed in one or more amounts, calculated in accordance with the formula specified in the applicable Final Terms, in the relevant Specified Currency on the relevant Interest Payment Dates.

7.2 Final Redemption

Unless previously redeemed or purchased and cancelled as specified below, each Debt Security will be redeemed by the Issuer at the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

7.3 Redemption for Tax Reasons

Subject to Condition 7.8 (Early Redemption Amounts) and (in the case of Subordinated Bonds only) 7.15 (*Consent of the Relevant Regulator*), in the case of Senior Preferred Debt Securities where Unrestricted Events of Default is specified as being not applicable, Senior Non-Preferred Bonds or Subordinated Debt Securities, the Debt Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Debt Security is neither a Floating Rate Bond, an Inflation Linked Annuity Bond nor a Inflation Linked Equal Principal Payment Bond) or on any Interest Payment Date (if this Debt Security is either a Floating Rate Bond or Inflation Linked Bonds), on giving not less than 30 and not more than 60 days' notice to the NSCD or VP LUX and, in accordance with Condition 11 (*Notices*), the Debt Security Holders (which notice shall be irrevocable), if:

- a) on the occasion of the next payment due under the Debt Securities,
 - i. the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*)
 - ii. 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 8 (*Taxation*)) 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

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 8 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after (A) (in the case of Unsubordinated Debt Securities) the date on which agreement is reached to issue the first Tranche of the Debt Securities; or (B) (in the case of Subordinated Bond) the Issue Date and

- b) such obligation, loss of entitlement (or reduction) cannot be avoided by the Issuer taking reasonable measures available to it;

(each "**Tax Event**") provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which (i) the Issuer would be obliged to pay such additional amounts; or (ii) the Issuer would not be entitled to claim such a deduction (or the amount of such deduction would be materially reduced) in respect of such payment (as applicable), in each case, were a payment in respect of the Debt Securities then be due.

Prior to the publication of any notice of redemption pursuant to Condition 7.8 (*Early Redemption Amounts*), the Issuer shall deliver to the Fiscal Agent (if Fiscal Agent is other than the Issuer) to make available at its specified office to the Debt Security Holders (i) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the

right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that Tax Event has occurred.

Debt Securities redeemed pursuant to this Condition 7.3 (*Redemption for Tax Reasons*) will be redeemed at their Early Redemption Amount referred to in Condition 7.8 (*Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.4 Redemption at the option of the Issuer (Issuer Call)

Subject, in the case of Senior Preferred Debt Securities where Unrestricted Events of Default is specified as being not applicable, Senior Non-Preferred Debt Securities or Subordinated Debt Securities, to the provisions of Condition 7.15 (*Consent of the Relevant Regulator*), if Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than 15 nor more than 30 days' notice to the Debt Security Holders in accordance with Condition 11 (*Notices*) (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Debt Securities then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Debt Securities, the Debt Securities to be redeemed ("**Redeemed Debt Securities**") will (i) in the case of Redeemed Debt Securities represented by Definitive Bonds, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Bonds by a Global Bond, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and (iii) in the case of VS System Debt Securities, be selected in accordance with the rules of the NCSD or any other relevant clearing systems (as the case may be), in each case not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Bonds represented by Definitive Bonds, a list of the serial numbers of such Redeemed Bonds will be published in accordance with Condition 11 (*Notices*) not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Bonds represented by Definitive Bonds shall bear the same portion to the aggregate nominal amount of all Redeemed Bonds as the aggregate nominal amount of definite Bonds outstanding bears to the aggregate nominal amount of the Bonds outstanding, in each case on the Selection Date. No exchange of the relevant Debt Securities will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.4 (*Redemption at the option of the Issuer (Issuer Call)*) and notice to that effect shall be given by the Issuer to the Debt Security Holders in accordance with Condition 11 (*Notices*) at least five days prior to the Selection Date.

7.5 Redemption at the option of the Debt Security Holders (Investor Put)

If the Debt Securities are Unsubordinated Debt Securities and Investor Put is specified in the applicable Final Terms, upon the holder of any Debt Security giving the Issuer in accordance with Condition 11 (*Notices*) not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Debt Security on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Bonds may be redeemed under this Condition in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Debt Security the holder of this Debt Security must, if this Debt Security is a Bond in Definitive form and held outside Euroclear and Clearstream deliver, at the specified office of any Paying Agent (in the case of Bearer Bonds) or the Registrar (in the case of Registered Bonds) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified

office of any Paying Agent or, as the case may be, the Registrar (a “**Put Notice**”) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 7.5 (*Redemption at the option of the Debt Security Holder (Investor Put)*) and, in the case of Registered Bonds, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Bonds so surrendered is to be redeemed, an address to which a new Registered Bond in respect of the balance of such Registered Bonds is to be sent subject to and in accordance with the provisions of Condition 2 (*Form, Denomination and Title*). If this Bond is in definitive bearer form, the Put Notice must be accompanied by this Bond or evidence satisfactory to the Paying Agent concerned that this Bond will, following delivery of the Put Notice, be held to its order or under its control.

If the Debt Security is a Bond represented by a Global Bond or is in definitive form and held through Euroclear or Clearstream, to exercise the right to require redemption of this Bond the holder of this Bond must, within the notice period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream Luxembourg, (which may include notice being given on his instruction by Euroclear or Clearstream Luxembourg, or any Common Depositary for them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear and Clearstream, from time to time and, if this Bond is represented by a Global Bond, at the same time present or procure the presentation of the relevant Global Bond to the Agent for notation accordingly.

If the Debt Security is a VS System Debt Security, to exercise the right to require redemption of this Debt Security the holder of this Debt Security must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of the NCSD or VP LUX from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, or, in the case of NCSD System Debt Securities, the NCSD given by a holder of any Debt Security pursuant to this paragraph shall be irrevocable.

7.6 Redemption due to illegality or invalidity

If the Debt Securities become illegal and/or invalid, the Debt Securities of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 or more than 60 days’ notice to all Debt Security Holders (which notice shall be irrevocable).

Debt Securities redeemed pursuant to this Condition 7.6 (*Redemption due to illegality or invalidity*) will be redeemed at their Early Redemption Amount referred to in Condition 7.8 (Early Redemption Amounts) together (if appropriate) with interest accrued (and, if this is an Inflation Linked Annuity Bond or an Inflation Linked Equal Principal Payment Bond, adjusted for indexation in accordance with the provisions set out in the applicable Final Terms) to (but excluding) the date of redemption.

7.7 Certification

The publication of any notice of redemption pursuant to Condition 7.8 (Early Redemption Amounts) shall include a certificate signed by authorised personnel of the Issuer stating that the Issuer is entitled or required to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the certificate shall be sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all Debt Security Holders, Receiptholders and Couponholders.

7.8 Early Redemption Amounts

For the purpose of Condition 7.3 (Redemption for Tax Reasons), 7.13 (Redemption upon Capital Event-Subordinated Debt Securities), 7.13 A (*Redemption upon a MREL Disqualification Event – Senior Preferred Debt Securities and Senior Non-Preferred Debt Securities*) and Condition 10 (*Events of Default*), each Debt Security will be redeemed at an amount (the “**Early Redemption Amount**”) calculated as follows:

- a) in the case of a Bond (other than a Zero Coupon Bonds), at the Final Redemption Amount thereof; but including an Instalment Bond, at the amount specified in, or determined in the manner specified in, the

applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its Principal Amount Outstanding (and, in the case of an Inflation Linked Annuity Bond or an Inflation Linked Equal Principal Payment Bond, adjusted for indexation in accordance with the provisions set out in the applicable Final Terms); or

- b) in the case of a Zero-Coupon Bond, at an amount (the “**Amortised Face Amount**”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

^y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Debt Securities becomes due and repayable and the denominator of which is 360), or on such other calculation basis as may be specified in the applicable Final Terms.

- c) in the case of Commercial Paper, at the Amortised Face Amount calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{DY})^y$$

where:

RP means the Reference Price;

DY means the Discount Yield expressed as a decimal; and

^y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Commercial Paper to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Commercial Paper become due and repayable and the denominator of which is 360), or on such other calculation basis as may be specified in the applicable Final Terms.

7.9 Instalments

Instalment Bonds will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.8 (Early Redemption Amounts).

7.10 Purchases

Subject to the provisions of Condition 7.15 (*Consent of the Relevant Regulator*), the Issuer or any Subsidiary of the Issuer may purchase Debt Securities (provided that, in the case of definitive Bonds, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Debt Securities may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or Registrar for cancellation.

7.11 Cancellation

All Debt Securities which are redeemed or surrendered for cancellation pursuant to Condition 7.10 (*Purchases*) will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Debt Securities so cancelled (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and in the case of VS System Debt Securities shall be deleted from the records of the NCSD, VP LUX or any other relevant clearing system (as the case may be) and cannot be reissued or resold.

7.12 Late Payment on Zero Coupon Bonds and Commercial Paper

If the amount payable in respect of any Zero Coupon Bonds or Commercial Paper upon redemption of such Zero Coupon Bond or Commercial Paper pursuant to Conditions 7.2, 7.3, 7.4, 7.5 or 7.13, or 7.13 A above or upon its becoming due and repayable as provided in Condition 10 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Bonds or Commercial Paper shall be the amount calculated as provided in Condition 7.8 (b) and 7.8 (c) respectively as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Bond or Commercial Paper becomes due and payable were replaced by references to the date which is the earlier of:

- a) the date on which all amounts due in respect of such Zero Coupon Bond or Commercial Paper have been paid; and
- b) five days after the date on which the full amount of the monies payable in respect of such Zero Coupon Bond or Commercial Paper has been received by the Fiscal Agent and notice to that effect has been given to the Debt Security Holders in accordance with Condition 11 (*Notices*).

7.13 Redemption upon a Capital Event – Subordinated Debt Securities

This Condition 7.13. applies only to Subordinated Bonds in relation to which this Condition 7.13 is specified as being applicable in the applicable Final Terms, and references to “Debt Securities”, “Debt Securities” and “Debt Security Holders” in this Condition shall be construed accordingly.

Subject to the provisions of Condition 7.15 (*Consent of a Relevant Regulator*) of, the Debt Security may, save as provided below, be redeemed at the option of the Issuer, in whole, but not in part, at any time (if this Debt Security is not a Floating Rate Bond) or on any Interest Payment Date (if this Debt Security is a Floating Rate Bond, an Inflation Linked Bond or an Inflation Linked Annuity Bond), on giving not less than 30 nor more than 60 days’ notice (which notice shall be irrevocable) to the Fiscal Agent (if Fiscal Agent is other than the Issuer) and, in accordance with Condition 11 (*Notices*), the Debt Security Holders, if a Capital Event occurs.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent (if Fiscal Agent is other than the Issuer), or the NCSD agent, as applicable, a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred.

Debt Securities redeemed pursuant to this Condition 7.13 will be redeemed at their Early Redemption Amount referred to in Condition 7.8 (*Early Redemption Amounts*) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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

“**Applicable Banking Regulations**” means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Iceland and applicable to the Issuer and/or the Group including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the FSA (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 Issuer and/or the Group); and

“**Capital Event**” means the determination by the Issuer, after consultation with the FSA, that, as a result of a change (or any pending change which the Relevant Regulator considers sufficiently certain) in Icelandic law or Applicable Banking Regulations or any change in the official application or interpretation thereof becoming effective on or after the Issue Date of the last Tranche of the Debt Security, the Debt Security are or will become excluded in whole or in part from the Tier 2 Capital of the Issuer and/or the Group, other than where such exclusion is only as a result of any applicable limitation on such capital;

“**Group**” means the Issuer and its Subsidiaries taken as a whole; and

“**Subsidiaries**” means any entity whose affairs are required by law or in accordance with generally accepted accounting principles applicable in Iceland to be consolidated in the Issuer’s consolidated accounts.

7.13 A Redemption upon a MREL Disqualification Event – Senior Preferred Debt Securities and Senior Non-Preferred Debt Securities

This Condition 7.13 A applies only to Senior Preferred Debt Securities where Unrestricted Events of Default is specified as being non applicable Subordinated Debt Securities in relation to which this Condition 7.13A is specified as being applicable in the applicable Final Terms and Senior Non-Preferred Debt Securities in relation to which this Condition 7.13A is specified as being applicable in the applicable Final Terms, and references to “Debt Securities” and “Debt Securities Holders” in this Condition shall be construed accordingly.

Subject to the provisions of Condition 7.15 (*Consent of a Relevant Regulator*), the Debt Securities may, save as provided below, be redeemed at the option of the Issuer, in whole, but not in part, at any time (if this Debt Security is not a Floating Rate Debt Security) or on any Interest Payment Date (if this is a Floating Rate Debt Security), on giving not less than 30 nor more than 60 days’ notice (which notice shall be irrevocable) to the Fiscal Agent (if Fiscal Agent is other than the Issuer) and, in accordance with Condition 11 (*Notices*), the Debt Security Holders, if a MREL Disqualification Event occurs.

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

Debt Securities redeemed pursuant to this Condition 7.13A will be redeemed at their Early Redemption Amount referred to in Condition 7.8 (*Early Redemption Amounts*) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In the Conditions, “**MREL Disqualification Event**” means the determination by the Issuer that, as a result of any implementation of, or a change (or any pending change or replacement which the Relevant Regulator considers sufficiently certain) in any Applicable MREL Regulations or any change in the official application or interpretation thereof by the Relevant Resolution Authority becoming effective on or after the Issue Date of the last Tranche of the Debt Securities, the Debt Securities 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 Issuer 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 Debt Securities being less than any period prescribed by any applicable eligibility criteria under the Applicable MREL Regulations, (ii) the Debt Securities being bought back by or on behalf of the Issuer 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 or (iv) in case of Tier 2 Subordinated Debt Securities only, before the fifth anniversary of the issue date of such Tier 2 Subordinated Debt Securities, which pursuant to Article 72a(1)(b) CRR, qualify as eligible for the inclusion into the MREL Eligible Liabilities

7.14 Substitution or Variation-Senior Preferred Debt Securities and Senior Non-Preferred Debt Securities

This Condition 7.14 applies only to Subordinated Debt Securities where Unrestricted Events of Default is specified as being not applicable and “Debt Securities” and “Debt Security Holders” in this Condition shall be construed accordingly.

If Condition 7.14 is specified as being applicable in the applicable Final Terms, and at any time a “Capital Event” (to the extent Condition 7.13 (Redemption upon a Capital Event-Subordinated Debt Securities)) is specified as applicable in the applicable Final Terms) or a Tax Event occurs, subject to the provisions of Condition 7.15 (*Consent of a Relevant Regulator*) the Issuer may, having given not less than 30 nor more than 60 days’ notice (which notice shall be irrevocable) to the Fiscal Agent (if Fiscal Agent is other than the Issuer), in accordance with Condition 11

(*Notices*), the Debt Security Holders, either substitute all, but not some only, of the Debt Securities for, or vary the terms of the Debt Securities so that they remain, or, as appropriate, become, Qualifying Securities, provided that such substitution or variation does not itself give rise to any right of the Issuer to redeem the substituted or varied securities that are inconsistent with the redemption provisions of the Debt Securities.

Prior to the publication of any notice of substitution or variation pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent (if Fiscal Agent is other than the Issuer), a certificate signed by two Directors of the Issuer stating that the Issuer 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 Issuer so to substitute or, as the case may be, vary the terms of the Issuer, have occurred.

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

“Qualifying Securities” means securities issued directly or indirectly by the Issuer that:

- a) have terms not materially less favourable to the Debt Security Holders as a class than the terms of the Debt Securities (as reasonably determined by the Issuer) and, subject thereto, they shall (i) have a ranking at least equal to that of the Debt Securities 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 Debt Securities prior to the relevant substitution or variation, as the case may be; (iii) have the same redemption rights as the Debt Securities prior to the relevant substitution or variation, as the case may be; (iv) comply with the then current requirements of the FSA in relation to Tier 2 Capital; (v) preserve any existing rights under the Debt Securities 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) (as the case may be) where Debt Securities 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 Qualifying Securities; and
- b) are listed on a recognised stock exchange, if the Debt Securities were listed immediately prior to such substitution or variation, as selected by the Issuer; and

“Rating Agency” means the relevant credit rating agency (or their respective successors) as set out in the applicable Final Terms.

7.14 A Substitution or Variation – Senior Preferred Debt Securities and Senior Non-Preferred Debt Securities

This Condition 7.14A applies only to Senior Preferred Debt Securities and Senior Non-Preferred Debt Securities and “Debt Securities” and “Debt Securities Holders” in this Condition shall be construed accordingly.

If Condition 7.14A is specified as being applicable in the applicable Final Terms and at any time a MREL Disqualification Event (to the extent Condition 7.13A 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 18 (*Acknowledgement of Statutory Loss Absorption Powers*), subject to the provisions of Condition 7.15 (*Consent of a Relevant Regulator*), the Issuer may, having given not less than 30 nor more than 60 days’ notice (which notice shall be irrevocable) to the Fiscal Agent (if Fiscal Agent is other than the Issuer) and, in accordance with Condition 11 (*Notices*), the Debt Securities Holders, either substitute all, but not some only, of the Debt Securities for, or vary the terms of the Debt Securities so that they remain, or, as appropriate, become, in the case of Senior Preferred Debt Securities, Senior Preferred Qualifying Securities (as defined below), or, in the case of Senior Non-Preferred Debt Securities, 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 Issuer shall deliver to the Fiscal Agent (if Fiscal Agent is other than the Issuer), a certificate signed by two Directors of the Issuer stating that the Issuer 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 Issuer so to substitute or, as the case may be, vary the terms of the Debt Securities, 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 Issuer that:

- (a) have terms (other than in respect of the effectiveness and enforceability of Condition 18 (*Acknowledgement of Statutory Loss Absorption Powers*)) not materially less favourable to the Debt Securities Holders as a class than the terms of the Debt Securities (as reasonably determined by the Issuer) and, subject thereto, they shall (i) have a ranking at least equal to that of the Debt Securities 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 Debt Securities prior to the relevant substitution or variation, as the case may be; (iii) have the same redemption rights as the Debt Securities 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 Debt Securities 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 Debt Securities 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 Debt Securities were listed immediately prior to such substitution or variation, as selected by the Issuer; and

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

- (a) have terms (other than in respect of the effectiveness and enforceability of Condition 18 (*Acknowledgement of Statutory Loss Absorption Powers*)) not materially less favourable to the Debt Securities Holders as a class than the terms of the Debt Securities (as reasonably determined by the Issuer) and, subject thereto, they shall (i) have a ranking at least equal to that of the Debt Securities 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 Debt Securities prior to the relevant substitution or variation, as the case may be; (iii) have the same redemption rights as the Debt Securities 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 Debt Securities 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 Debt Securities 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 Debt Securities were listed immediately prior to such substitution or variation, as selected by the Issuer.”

7.15 Consent of the Relevant Regulator

In the case of Senior Preferred Debt Securities (where Unrestricted Events of Default is specified as being not applicable) and Senior Non-Preferred Debt Securities, no early redemption in any circumstances, purchase under Condition 7.10 (*Purchases*) or substitution or variation under Condition 7.14 (*Substitution or Variation - Subordinated Bonds*) shall take place without the prior written consent of the Relevant Regulator (if and to the extent then required under Applicable Banking Regulations or Applicable MREL Regulations, by the Relevant Regulator).

For the avoidance of doubt, redemption of Senior Preferred Debt Securities and Senior Non-Preferred Debt Securities under Condition 7.2 (*Final Redemption*) shall not require the consent of the Relevant Regulator.

7.16 Clean-Up Redemption Option

Subject to the provisions of Condition 7.15 (*Consent of a Relevant Regulator*), if a Clean-up Redemption Option is specified as applicable in the relevant Final Terms, and if 80 per cent. or any higher percentage specified in the relevant Final Terms (the "**Clean-up Percentage**") of the initial aggregate nominal amount of Debt Securities (which for the avoidance of doubt includes, any additional Debt Securities issued subsequently and forming a single series with the first Tranche of a particular Series of Debt Securities) have been redeemed or purchased by, or on behalf of, the Issuer or any of its subsidiaries and, in each case, cancelled, the Issuer may, at its option, on giving not less than fifteen (15) nor more than thirty (30) calendar days' irrevocable notice to the holders of such Debt Securities in accordance with Condition 11 (*Notice*) (or such other notice period as may be specified in the relevant Final Terms) redeem the outstanding Debt Securities, in whole but not in part, at the Optional Redemption Amount(s), specified in the applicable Final Terms (together with any interest accrued thereon but unpaid to the date set for redemption) on any Optional Clean-up Redemption Date as specified in the relevant Final Terms.

8. TAXATION

All payments of principal and interest in respect of the Debt Securities and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Debt Securities or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Debt Securities or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Debt Security or Coupon:

- a) presented for payment in any Tax Jurisdiction; or
- b) the holder of which is liable for such taxes or duties in respect of such Debt Security or Coupon by reason of it having some connection with a Tax Jurisdiction other than the mere holding of such Debt Security or Coupon; or
- c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.8 (*Payment Day*)); or
- d) where such withholding or deduction is required to be made based on provisions of the Act on Withholding of Public Levies at Source No. 45/1987, as amended, the Act on Withholding of Tax on Financial Income No. 94/1996, as amended, and Article 3 of the **ITA**, and any other legislation, laws or regulations, replacing or supplementing the same.

Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Debt Securities and Coupons for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

As used herein:

“**Tax Jurisdiction**” means Iceland or any political subdivision or any authority thereof or therein having power to tax; and

the “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Debt Security Holders in accordance with Condition 11 (*Notices*).

Notwithstanding the foregoing, in relation to Subordinated Debt Securities, Senior Non-Preferred Debt Securities and Senior Preferred Debt Securities (in respect of which “Unrestricted Events of Default” is specified as being not applicable in the applicable Final Terms), the payment of any additional amounts by the Issuer will otherwise be limited to payments in relation to interest only

In the case of the Subordinated Debt Securities only and notwithstanding the foregoing, the payment of any additional amounts by the Issuer will be limited to payments of interest only.

9. PRESCRIPTION

The Debt Securities, Receipts and Coupons (other than NCSD System Debt Securities) will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and 5 years (in the case of interest) after the Relevant Date (as defined in Condition 8 (Taxation)). The NCSD System Debt Securities will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and 4 years (in the case of interest) after the Relevant Date (as defined in Condition 8 (Taxation)).

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.3 (or any Talon which would be void pursuant to Condition 6.3 (Presentation of Definitive Bonds, Receipts and Coupons)).

10. EVENTS OF DEFAULT AND ENFORCEMENT EVENTS

10.1 Events of default relating to Senior Preferred Debt Securities, where applicable

This Condition 10.1 shall apply only to Senior Preferred Debt Securities where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms and references to “Debt Securities” and “Debt Securities Holders” in this Condition 10.1 shall be construed accordingly. If any one or more of the following events (each an “**Event of Default**”) shall occur and be continuing:

- a) if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Debt Securities or any of them and the default continues for a period of five days in the case of principal and 10 days in the case of interest; or
- b) if the Issuer fails to perform or observe any of its other obligations under the Conditions and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by a Debt Security Holder on the Issuer of notice requiring the same to be remedied; or
- c) if (i) any Financial Indebtedness (as defined below) of the Issuer becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer fails to make any payment in respect of any Financial Indebtedness on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer for any Financial Indebtedness becomes enforceable; or (iv) default is made by the Issuer in making any payment due under any guarantee and/or indemnity given by it in relation to any Financial Indebtedness of any other person, provided that the aggregate nominal amount of any such Financial Indebtedness of the Issuer in the case of (i), (ii) and/or (iii) above, and/or amount of Financial Indebtedness in relation to which such guarantee and/or indemnity of the Issuer has been given in the case of (iv) above, is at least €25,000,000 (or its equivalent in any other currency); or

- d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution; or
- e) if the Issuer ceases or threatens to cease to carry on the whole or substantially all of its business (save in each case for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- f) if (A) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to all or substantially all of the undertaking or assets of the Issuer, or an encumbrance takes possession of all or substantially all of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against all or substantially all of the undertaking or assets of the Issuer and (B) in any case (other than the appointment of an administrator) is not discharged within 14 days; or
- g) if the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors),

then any Debt Security Holder may, by written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any Debt Security held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

In respect of this Condition 10 (Events of Default)

“Financial Indebtedness” means any indebtedness for or in respect of:

Means any indebtedness for or in respect of:

- a) borrowed money;
- b) any amount raised by acceptance under any acceptance credit facility or any dematerialised equivalent;
- c) any amount raised pursuant to any note purchase facility or the issue of any debenture, bond, note or loan stock or other similar instrument (with the exception of any loan stock issued by a member of the Issuer and its consolidated subsidiaries, taken as a whole which is cash collateralised);
- d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with International Financial Reporting Standards (“IFRS”), be treated as a finance or capital lease;
- e) receivables sold or discounted (otherwise than on a non-recourse basis);
- f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial or economic effect of a borrowing and which, for the avoidance of doubt, includes any transaction that is required to be classified and accounted for as borrowings, for financial reporting purposes in accordance with IFRS;

- g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account); or
- h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;

all as more particularly defined in the Agency Agreement (if any).

10.2 Enforcement Events – Senior Non-Preferred Debt Securities, Subordinated Bonds and Senior Preferred Debt Securities, where applicable

This Condition 10.2 applies only to Senior Non-Preferred Debt Securities, Subordinated Bonds and Senior Preferred Debt Securities where Unrestricted Events of Default is specified as being not applicable in the applicable Final Terms, and references to “Debt Securities” and “Debt Securities Holders” in this Condition shall be construed accordingly

The following events or circumstances (each an “**Enforcement Event**”) shall constitute enforcement events in relation to the Bonds:

- a) if default is made in the payment of any principal or interest due in respect of the Bonds or any of them and the default continues for a period of five days in the case of principal and ten days in the case of interest, any Debt Security Holder may, at its own discretion and without further notice, institute proceedings in Iceland in order to recover the amounts due from the Issuer to such Debt Security Holder, provided that a Debt Security Holder may not at any time file for liquidation or bankruptcy of the Issuer. Any Debt Security Holder may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Bonds, provided that the Issuer shall not by virtue of the institution of any proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it; and
- b) if an order is made or an effective resolution is passed for the liquidation or bankruptcy of the Issuer, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution, then the Bonds shall become due and payable at their outstanding principal amount together with interest (if any) accrued to such date.

11. NOTICES

(a) Bonds other than VS System Debt Securities

All notices regarding the Bearer Bonds will be deemed to be validly given (a) if published in a leading Icelandic language daily newspaper of general circulation in Reykjavík and (b) if and for so long as the Bearer Bonds are admitted to trading on the regulated market of the Nasdaq Iceland and listed on the Official List of the Nasdaq Iceland, and/or on the Nasdaq Iceland website (www.nasdaqomxnordic.com). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Bearer Bonds are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Bonds will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Registered Bond Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Bonds are (a) admitted to trading on the regulated market of the Nasdaq Iceland and listed on the Official List of the Nasdaq Iceland, and/or the Nasdaq Iceland website (www.nasdaqomxnordic.com), or (b) listed on a stock exchange or are admitted to trading by another relevant

authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any Definitive Bonds are issued, there may, so long as any Global Bonds representing the Bonds are held in their entirety on behalf of Euroclear and/or Clearstream, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream for communication by them to the Debt Security Holders and, in addition, for so long as any Debt Securities are listed on a stock exchange or are admitted to trading by a relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange. If no day is specified, any such notice shall be deemed to have been given to the Debt Security Holders on the day which the said notice was given to Euroclear and/or Clearstream.

(b) VS System Debt Securities

All notices regarding VS System Debt Securities will be valid if published in a manner which complies with the rules and regulations of the relevant act which apply to publicly listed securities and/or any stock exchange and/or any other relevant authority on which the VS System Debt Securities are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication. Where the Debt Securities are VS System Debt Securities, the Issuer can additionally at its own discretion obtain information from the NCS D, VP LUX, or any other clearing system as decided by the Issuer, on the Debt Security Holders in order to send notices to each Debt Security Holder directly.

(c) Notices given by Debt Security Holders

Notices to be given by any Debt Security Holders shall be in writing and given by lodging the same, together (in the case of any Debt Security in definitive form) with the relative Debt Security or Debt Securities, with the Fiscal Agent (in the case of Bearer Bonds) or the Registrar (in the case of Registered Bonds). Whilst any of the Debt Securities are represented by a Global Bond, such notice may be given by any Debt Security Holder to the Fiscal Agent or the Registrar through Euroclear and/or Clearstream, as the case may be, in such manner as the Fiscal Agent, the Registrar and Euroclear and/or Clearstream, as the case may be, may approve for this purpose.

12. MEETINGS OF DEBT SECURITY HOLDERS AND MODIFICATION

(a) Bonds other than VS System Debt Securities

An Agency Agreement (as the case may be) will contain provisions for convening meetings (including by way of a conference call or a video call) of the Debt Security Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Debt Securities, the Receipts, the Coupons or any of the provisions of an Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Debt Security Holders holding not less than 10 per cent. in nominal amount of the Debt Securities for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Debt Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Debt Security Holders whatever the nominal amount of the Debt Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Debt Securities, the Receipts or the Coupons (including modifying the date of maturity of the Debt Securities or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Debt Securities or altering the currency of payment of the Debt Securities, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Debt Securities for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Debt Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Debt Securities shall be binding on all the Debt Security Holders, whether or not they are present at the meeting, and on all Receipt holders or Coupon holders.

The Fiscal Agent (if Fiscal Agent is other than the Issuer) and the Issuer may agree, without the consent of the Debt Security Holders, Receiptholders or Coupon holders, to:

- (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Debt Securities, the Receipts, the Coupons or of an Agency Agreement which is not prejudicial to the interests of the Debt Security Holders; or
- (b) any modification of the Debt Securities, the Receipts, the Coupons or of an Agency Agreement which 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.

Any such modification shall be binding on the Debt Security Holders, the Receiptholders and the Couponholders and any such modification shall be notified to the Debt Security Holders in accordance with Condition 11 (*Notices*) as soon as practicable thereafter.

(b) VS System Debt Securities

The Issuer may, in its capacity as NCSA Agent, convene meetings of the holders of VS System Debt Securities to consider any matter affecting their interests, including sanctioning by a majority of votes a modification of the VS System Debt Securities. Such a meeting may be convened by the Issuer or by the holders of not less than 10 per cent. of the Voting VS System Debt Securities. For the purpose of this Condition, Voting VS System Debt Securities means the aggregate nominal amount of the total number of VS System Debt Securities not redeemed or otherwise deregistered in the NCSA or VP Lux, less the VS System Debt Securities owned by the Issuer, any party who has decisive influence over the Issuer or any party over whom the Issuer has decisive influence.

The quorum at a meeting for passing a resolution is one or more persons holding at least one half of the Voting VS System Debt Securities or at any adjourned meeting one or more persons being or representing holders of Voting VS System Debt Securities whatever the nominal amount of the VS System Debt Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the VS System Debt Securities (including modifying the date of maturity of the VS System Debt Securities or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the VS System Debt Securities or altering the currency of payment of the VS System Debt Securities), the quorum shall be one or more persons holding or representing not less than two-thirds in aggregate nominal amount of the Voting VS System Debt Securities for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in aggregate nominal amount of the Voting VS System Debt Securities. A resolution passed at any meeting of the holders of VS System Debt Securities shall be binding on all the holders, whether or not they are present at such meeting. If and whenever the Issuer has issued and has outstanding VS System Debt Securities of more than one Series, (i) a resolution which affects the VS System Debt Securities of only one Series shall be deemed to have been duly passed if passed at a separate meeting of the holders of the VS System Debt Securities of that Series; (ii) a resolution which affects the VS System Debt Securities of more than one Series but does not give rise to a conflict of interest between the holders of VS System Debt Securities of any of the Series so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the VS System Debt Securities of all the Series so affected; and (iii) a resolution which affects the VS System Debt Securities of more than one Series and gives or may give rise to a conflict of interest between the holders of the VS System Debt Securities of one Series or group of Series so affected and the holders of the VS System Debt Securities of another Series or group of Series so affected shall be deemed to have been duly passed only if it is duly passed at separate meetings of the holders of the VS System Debt Securities of each Series or group of Series so affected.

The Issuer, in its capacity as NCSA Agent, may in certain circumstances, without the consent of the holders of the VS System Debt Securities, make decisions binding on all holders relating to the Conditions which are not in its opinion, materially prejudicial to the interests of the holders of the VS System Debt Securities. The Issuer shall consider the interest of the holders of VS System Debt Securities while making such decisions.

13. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Debt Security Holders, the Receiptholders or the Couponholders to create and issue further Debt Securities having the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Debt Securities.

Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Debt Securities under the English Contracts (Rights of Third Parties) Act 1999.

14. GOVERNING LAW AND JURISDICTION

14.1 Governing Law

The Debt Securities, the Receipts, the Coupons and the Talons (other than NCS System Debt Securities) and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except for the provisions of Condition 3 which shall be governed by, and construed in accordance with, Icelandic law. The NCS System Debt Securities will be governed by and construed in accordance with Icelandic law.

14.2 Jurisdiction

The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Debt Securities, Coupons or Talons (other than NCS System Debt Securities) and accordingly any legal action or proceedings arising out of or in connection with any Debt Securities, Receipts or Coupons or Talons (other than NCS System Debt Securities) (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Debt Securities, Coupons and Talons or Receipts (other than NCS System Debt Securities) and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

The Issuer irrevocably agrees that any dispute arising out of the NCS System Debt Securities shall be subject to the exclusive jurisdiction of the District Court of Reykjavík (Ice. “*Héraðsdómur Reykjavíkur*”) and legal action taken may be proceeded with in accordance with the Act on Civil Procedure No. 91/1991 (Ice. “*Lög um meðferð einkamála*”), Chapter 17.

14.3 Service of Process

The Issuer irrevocably appoints the Embassy of Iceland, London as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify holders of such appointment in accordance with Condition 11 (*Notices*). Nothing shall affect the right to serve process in any manner permitted by law.

15. REPLACEMENT OF BONDS, RECEIPTS, COUPONS AND TALONS

Should any Debt Security, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Debt Securities, Coupons or Talons must be surrendered before replacements will be issued.

16. PAYING AGENTS

The names of the initial Agents and their initial specified offices are set in applicable Final Terms, (if other than the Issuer). If any additional [or new] Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- a. there will at all times be a Fiscal Agent;
- b. so long as the Debt Securities are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Bonds) and a Transfer Agent (in the case of Registered Bonds) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority); and
- c. there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.6 (*General provisions applicable to payments*). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Debt Security Holders promptly by the Issuer in accordance with Condition 11 (*Notices*).

In acting under the Agency Agreement (as the case may be, if, Paying Agent is other than the Issuer), the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Debt Security Holders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

17. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Debt Security to which it appertains) a further Talon, subject to the provisions of Condition 9 (*Prescription*).

18. ACKNOWLEDGEMENT OF STATUTORY LOSS ABSORPTION POWERS

Notwithstanding and to the exclusion of any other term of the Debt Securities, or any other agreements, arrangements or understanding between any of the parties thereto or between the Issuer and any Debt Security Holder (which, for the purposes of this Condition 18, includes each holder of a beneficial interest in the Debt Security), each Debt Security Holder by its purchase of the Debt Security will be deemed to acknowledge, accept, and agree, that any liability arising under the Debt Security may be subject to the exercise of Statutory Loss Absorption Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

- a) the effect of the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or a combination thereof:
 - i. the reduction of all, or a portion, of the Relevant Amounts in respect of the Debt Securities;
 - ii. the conversion of all, or a portion, of the Relevant Amounts in respect of the Debt Security into shares, other securities or other obligations of the Issuer or another person, and the issue to or

conferral on the Debt Security Holder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Debt Securities;

- iii. the cancellation of the Debt Securities or the Relevant Amounts in respect of the Debt Securities; and
 - iv. the amendment or alteration of the maturity date of the Debt Securities or the amendment of the amount of interest payable on the Debt Securities, or the date on which interest become payable, including by suspending payment for a temporary period; and
- b) the variation of the terms of the Debt Security, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority.

Upon the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Debt Securities, the Issuer shall provide a notice to the Debt Securities holders in accordance with Condition 11 as soon as reasonably practicable regarding such exercise of any Statutory Loss Absorption Powers for the purpose of notifying Debt Securities holders of such occurrence. Any delay or failure by the Issuer to give notice shall not affect the validity and enforceability of the Statutory Loss Absorption Powers nor the effects on the Debt Securities described in this Condition 18. The exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority with respect to the Debt Securities shall not constitute an Event of Default (in the case of Senior Preferred Debt Securities (where Unrestricted Events of Default is specified as being applicable in the applicable Final Terms)) or an Enforcement Event (in the case of Senior Non-Preferred Debt Securities, Subordinated Debt Securities and Senior Preferred Debt Securities (where Unrestricted Events of Default is specified as not being applicable in the applicable final terms)) with respect to the Debt Securities.

In the Conditions the following expressions shall have the following meaning:

“**Relevant Amounts**” means the outstanding principal amount of the Debt Securities, together with any accrued but unpaid interest and additional amounts due on the Debt Securities pursuant to Condition 8 (*Taxation*). References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any applicable Statutory Loss Absorption Powers by the Relevant Resolution Authority; and

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

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

USE OF PROCEEDS

“If "general corporate purposes" is specified in the "Reason for the offer" section in Part B of the applicable Final Terms, the net proceeds of the issue of the Debt Securities will be used for the Issuer's general corporate purposes, which may include making a profit.

If "Sustainable Finance Instrument" is specified in the "Reason for the offer" section in Part B of the applicable Final Terms, an amount equal to the net proceeds of the issue of Debt Securities will be used to finance, refinance and/or invest in Eligible Activities and Assets in line with the Issuer’s Sustainable Finance Framework [(as amended and supplemented from time to time)], which is available at the Issuer’s website: <https://www.landsbankinn.is/en/the-bank/investor-relations/sustainable-finance>

If, in respect of any particular issue there is a particular identified use of proceeds other than as described above, this will be stated in the relevant section of the Final Terms.”

SELLING RESTRICTIONS

UNITED STATES

The Debt Securities have not been and will not be registered under the Securities Act and the Debt Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer appointed under the Programme will be required to agree that, except as permitted by any dealer agreement entered into, it will not offer, sell or, in the case of Bearer Bonds, deliver (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Bonds are a part, as determined and certified to the Fiscal Agent by such Dealer (or, in the case of an identifiable tranche of Bonds sold to or through more than one Dealer, by each of such Dealers with respect to Bonds of an identifiable tranche purchased by or through it, in which case the Fiscal Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Bonds during the Distribution Compliance Period a confirmation or other notice setting out the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Bonds are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of any identifiable tranche of Bonds, an offer or sale of Bonds within the United States by any dealer (whether or not participating in the offering of such tranche of Bonds) may violate the registration requirements of the Securities Act.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Debt Securities outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Debt Securities, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States. Distribution of this Base Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Debt Securities in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations promulgated thereunder.

Debt Securities in bearer form will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of The United States Internal Revenue Code of 1986, as amended (the “Code”)) (“TEFRA D”) unless: (i) the applicable Final Terms state that Debt Securities are issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “TEFRA C”); or (ii) the Debt Securities are issued other than in compliance with TEFRA D or TEFRA C but in circumstances in which the Debt Securities will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable.

EEA AND UNITED KINGDOM

Prohibition of Sales to EEA and United Kingdom Retail Investors

Any Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Debt Securities which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - i. a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - ii. a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - iii. not a qualified investor as defined in the Prospectus Regulation; and
- b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Debt Securities to be offered so as to enable an investor to decide to purchase or subscribe the Debt Securities.

Prohibition of Sales to United Kingdom Retail Investors

Any Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Debt Securities which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation (EU) 2017/1129; and

the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Debt Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Debt Securities.”

Public Offer Selling Restrictions under the Prospectus Regulation

In relation to each Member State of the EEA which has implemented the Prospectus Regulation (each, a “**Relevant Member State**”), each Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Debt Securities which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, make an offer of such Debt Securities to the public in that Relevant Member State:

- (a) if the final terms in relation to the Bonds specify that an offer of those Bonds may be made other than pursuant to Article 1(4), 1(5) or 3(2) of the Prospectus Regulation in that Relevant Member State (a “**Non-**

exempt Offer”), following the date of publication of a prospectus in relation to such Bonds which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
 - (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
 - (d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,
- provided that no such offer of Bonds referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of Bonds to the public” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Regulation in that Member State, the expression “**Prospectus Regulation**” means Regulation 2017/1129/EC (as amended), and includes any relevant implementing measure in the Relevant Member State.

UNITED KINGDOM

Any Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Debt Securities which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Debt Securities other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Debt Securities would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “**FSMA**”) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Debt Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Debt Securities in, from or otherwise involving the United Kingdom.

ICELAND

The investment described in this Base Prospectus has not been and will not be registered for public distribution in Iceland with the FSA pursuant to the **Prospectus Regulation**.

Any Dealer has acknowledged and agreed, and each further Dealer appointed under the Programme will be required to acknowledge and agree, that this Base Prospectus may be distributed only to, and may be directed only at, persons who are (i) qualified investors under the private placement exemption of Article 1 Item 4) as defined in Article 2 Item e of the **Prospectus Regulation** or (ii) other persons to whom this Base Prospectus may be communicated lawfully in accordance with the **Prospectus Regulation** (all such persons together being referred to as the Relevant Persons). This Base Prospectus must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Base Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Base Prospectus or any of its contents. This Base Prospectus must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other persons.

HONG KONG

Any Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to agree that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any of the Debt Securities (except for Debt Securities which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”)) other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Debt Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Debt Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

ITALY

Any Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the offering of any Debt Securities issued under the Programme has not been registered pursuant to Italian securities legislation and, accordingly, the Debt Securities may not be offered, sold or delivered, nor may copies of this Base Prospectus or any other document relating to the Debt Securities be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined in Article 2 of the Prospectus Regulation; or
- (b) in other circumstances which are exempted from the rules on solicitation of investments pursuant to Article 1 of the Prospectus Regulation, Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**"), Article 34, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999 ("**Regulation No. 11971**") and applicable Italian laws, each as amended from time to time.

Furthermore, any Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer, sale or delivery of the Debt Securities or distribution of copies of this Base Prospectus or any other document relating to the Debt Securities in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307

of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (the "**Italian Banking Act**");

- (ii) in compliance with Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (iii) in accordance with any other applicable laws and regulations including those imposed by CONSOB or other Italian authority.

SWITZERLAND

This Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Debt Securities. Each Dealer will be required to represent and agree that the Debt Securities may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Base Prospectus to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Debt Securities constitutes a prospectus pursuant to the FinSA, and neither this Base Prospectus nor any other offering or marketing material relating to the Debt Securities may be publicly distributed or otherwise made publicly available in Switzerland.

SINGAPORE

Any Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, any Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Debt Securities or caused the Debt Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Debt Securities or cause the Debt Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Debt Securities whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Debt Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Debt Securities pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Debt Securities, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Debt Securities are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

JAPAN

The Debt Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Dealer appointed under the Programme will be required to agree that it will not, directly or indirectly, offer or sell and will not, directly or indirectly, offer or sell any Debt Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

CANADA

Any Dealer has acknowledged that the Debt Securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any Dealer has further represented and agreed that it has only offered, sold or otherwise transferred and will only offer, sell or otherwise transfer the Debt Securities to such purchasers in Canada.

GENERAL

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Debt Securities to which it relates or in a supplement to this Base Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of Debt Securities, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has and will agree that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Debt Securities or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms therefore in all cases at its own expense.

TAXATION

The comments below are of a general nature based on the Issuer's understanding of current law and practice in Iceland. Prospective holders of Debt Securities who are in any doubt as to their personal tax position or who may be subject to tax in any other jurisdiction, should consult their professional advisers.

Furthermore, investors should note that the appointment by an investor in Debt Securities, or any person through which an investor holds Debt Securities, of a custodian, collection agent or similar person in relation to such Debt Securities in any jurisdiction may have tax implications. Prospective investors are advised to consult their tax advisers as to the consequences, under the tax law of the countries of their respective citizenship, residence or domicile, of a purchase of Debt Securities, including but not limited to, the consequences of receipt of payments under the Debt Securities and their disposal or redemption.

The summary below is of a general nature based upon the law and practice of Iceland as in effect of the date of this Base Prospectus. It should not be construed as providing advice as to Icelandic taxation and is subject to any change in law and practice in Iceland that may take effect after such date.

Non- Icelandic tax residents

As a general rule, Article 3 (8) of the ITA provides that any interest received from Iceland (outbound payments), such as the interest payable according to the Debt Securities, by any person or entity residing outside of Iceland is taxable income in Iceland. According to Article 70 (8) of the ITA, the current tax rate on taxable income under Article 3 (8) is (a) 12 per cent. for individuals (only applicable to interest income exceeding the annual amount of ISK 300,000); and (b) 12 per cent. for legal entities.

From the general rule of Article 3 (8) of the ITA, there are certain exemptions listed in the provision, e.g. if an applicable double taxation treaty states otherwise. Also, according to Article 3 (8), cf. Article 3 (3) of Regulation no. 630/2013, the Issuer is not required by Icelandic law to deduct or withhold tax from interest payments on notes or bonds that are issued by a financial institution, in its own name, registered with a securities depository in 1) a member state of the OECD, 2) a member state of the EEA, 3) a member state of EFTA, or 4) the Faroe Islands, and do not constitute business subject to restrictions, cf. chapter III of Act No. 70/2021 on Foreign Exchange. The Issuer has obtained confirmation from the Directorate of Internal Revenue in Iceland (the "RSK") that the Programme is within the scope of the exemption contained in paragraph 3 of Article 3 (8) of the ITA, although an exemption will need to be applied for in respect of each Tranche of Debt Securities. Accordingly, the Issuer will, based on this confirmation, register any Debt Securities issued under the Programme with the RSK and request that the RSK provide a certificate confirming that the relevant Debt Securities are exempt from such taxation.

In the absence of an applicable exemption, the Issuer will be making the relevant withholding at source in accordance with the provisions of Regulation No. 630/2013, on the taxation and withholding of interest to parties' subject to limited tax liability (as based on Article 3 (8) of the ITA and Article 41 of the Act No. 45/1987 on Withholding of Public Levies at Source).

There are no estate or inheritance taxes, succession duties or gift taxes imposed by Iceland or any authority of or in Iceland in respect of the Debt Securities if, at any time of the death of the holder or the transferee of the Debt Securities, such holder or transferor is not a resident of Iceland.

Capital gains on the sale of the Debt Securities are classified as interest under Icelandic tax law. Accordingly, based on the wording of Article 3 (8) of the ITA, cf. Article 3 (3) of Regulation no. 630/2013, capital gains on the sale of the Debt Securities should not be subject to Income tax in Iceland, provided a tax exemption is in place in accordance with the above.

No Icelandic issue tax or stamp duty will be payable in connection with the issue of any Debt Securities.

Icelandic tax residents

Owners of the Debt Securities that are residents in Iceland for tax purposes are subject to income tax in Iceland on their interest income in accordance with Icelandic tax law. The applicable tax rate depends on their tax status.

Capital gains on the sale of the Debt Securities are subject to the same tax as interest income of Icelandic residents.

Subject to certain exemptions (which apply, *inter alia*, to most banks and pension funds), the Issuer is required to withhold a 22 per cent. tax on the interest paid to the holders of Debt Securities who are Icelandic residents, cf. Act No. 94/1996 on Withholding of Tax on Financial Income. Such withholding is considered a preliminary tax payment but does not necessarily constitute the final tax liability of the holder. However, the Issuer should generally not be held responsible for withholding tax on income related to bonds that have been registered as exempted with the Director of Revenue, unless the Issuer has knowledge that the bonds have been acquired by an Icelandic tax resident, cf. *inter alia* explanatory notes accompanying Act No. 39/2013, amending the ITA. This exemption of the withholding obligation does not affect the tax obligations of the relevant bondholder.

FATCA

Foreign Account Tax Compliance Act ("FATCA")

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer believes that it is a foreign financial institution for these purposes. A number of jurisdictions (including Iceland) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Debt Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Debt Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Debt Securities, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally Debt Securities characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless such Debt Securities are (i) materially modified after such date or (ii) treated as equity for U.S. federal income tax purposes. However, if additional Debt Securities (as described under "*Terms and Conditions—Further Issues*") that are not distinguishable from outstanding Debt Securities in the same Series are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Debt Securities in such Series, including grandfathered Debt Securities, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Debt Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Debt Securities, no person will be required to pay additional amounts as a result of the withholding.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a "**participating Member State**"). Estonia has since ceased to participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Debt Securities (including secondary market transactions) in certain circumstances. The issuance and subscription of Debt Securities should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Debt Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states might decide to participate.

Prospective holders of the Debt Securities are advised to seek their own professional advice in relation to the FTT and its potential impact on the Debt Securities.

THE ICELANDIC ECONOMY²⁷

The Icelandic economy is small. In terms of Gross Domestic Product (“GDP”), it is the smallest economy within the OECD with a total GDP of ISK 3,766 billion in 2022.²⁸ The population is also small, numbering just under 388,000, as at the end of 2022.²⁹ According to World Bank data, GDP per capita, measured in terms of purchasing power parities, amounted to USD 58,000 in 2021, which is in the top twenty of the highest in the world.³⁰

Historically, economic prosperity in Iceland has been built largely on abundant marine and energy resources, with investment and services as the main drivers of economic growth. Exports of services, driven by a booming tourist sector, are an increasingly important source of export revenues. In 2022, services accounted for 43 per cent. of total export revenues, while exports of marine products accounted for 20 per cent. and exports of aluminium and aluminium products accounted for 23 per cent.³¹

Unemployment was 3.75 per cent. in February 2023.³² The exchange rate of the ISK has stabilised significantly after losing almost 50 per cent. of its value against the euro from January 2008 to November 2009. At the end of February 2023, the ISK had appreciated by 23 per cent. since its lowest level in November 2009.³³

The trade account deficit measured 0.7 per cent. of GDP in 2022 and the current account deficit was 1.5 per cent. of GDP.³⁴ In 2022, the current account deficit measured ISK 58 billion compared to ISK 78 billion deficit in 2021. The trade account deficit measured ISK 27 billion in 2022 compared to ISK 66 billion surplus in 2021.³⁵ Annual CPI inflation in February 2023 measured 10.2 per cent., well above the 2.5 per cent. inflation target of the Central Bank.

The IMF projects an increase in GDP of 2.9 per cent. in 2023 and 2.6 per cent. in 2024. Consumer prices are projected to increase by 4.1 per cent. in 2023 and 2.7 per cent. in 2024. The current account balance is projected to be in 0.5 per cent. surplus in 2023 and 0.4 per cent. surplus in 2024. Unemployment is projected to be 4.0 per cent. in 2023 and 2024.³⁶

Key Icelandic industries and sectors

The Icelandic Scandinavian-type economy consists of a capitalist structure and free market principles with an extensive welfare system. Public ownership has systematically been reduced by privatisation and the main role of the public sector is in energy, health, education and social welfare. The export sectors in Iceland are largely based on natural resources, including fisheries, energy intensive industries and tourism. The tourism industry has increased substantially over the past few years and had become the main engine of export growth. In the last decade, the economy has been diversifying into manufacturing and service industries, particularly within the fields of software production, biotechnology and tourism. Abundant geothermal and hydropower sources have attracted substantial foreign investment in the aluminium sector, boosted economic growth and sparked some interest from high-tech firms looking to establish data centres using cheap green energy. Foreign investment is mainly concentrated in export-orientated sectors with increasing possibilities in new emerging sectors such as information technology (e.g.

²⁷ Sources: This chapter was compiled by Landsbankinn’s Economic Research Department based on data and information obtained from Statistics Iceland, the Central Bank of Iceland, the Directorate of Labour, the International Monetary Fund and the World Bank as of 2 March 2022.

²⁸ Source: Statistics Iceland

²⁹ Source: Statistics Iceland

³⁰ Source: World Bank

³¹ Source: Statistics Iceland, own calculation

³² Source: The Directorate of Labour

³³ Source: Central Bank of Iceland

³⁴ Source: Statistics Iceland, Central Bank of Iceland, own calculations

³⁵ Source: Central Bank of Iceland

³⁶ Source: International Monetary Fund

in software production), environmentally friendly energy dependent industries, agriculture, water-based industries and tourism.

The marine sector

Iceland's EEZ, endowed with rich fishing grounds, made the marine sector key to the Icelandic economy throughout most of the 20th century, driving much of the country's economic growth. Fisheries and fish processing are still one of the main pillars of export activities in Iceland, accounting for 35 per cent. of goods exported in 2022. Marine products accounted for 20 per cent. of goods and services exported in the same year. However, as exports of goods and services, especially aluminium and tourism, have been growing faster than the marine sector for the past 25 years, the share of the marine sector in goods exports has fallen a lot. The marine sector's contribution to GDP has also fallen, from 13 per cent. in the 1997 to 6.0 per cent. in 2022.³⁷

Manufacturing and power intensive industries

The Icelandic manufacturing sector is highly geared towards two sub-sectors, food processing and aluminium production, which together contribute to roughly 80 per cent. of total manufacturing production. In a country rich in natural resources and hydroelectric and geothermal energy resources, the power intensive industry (mainly aluminium) is the largest manufacturing industry in Iceland and produces exclusively for export. Almost all of the electricity consumed in Iceland is produced from indigenous energy resources. The industry is based primarily on competitive energy cost, strategic location and a skilled labour force. Exports of aluminium and aluminium products have increased substantially over the past decade, generating 40 per cent. of goods exported in 2022, from 19 per cent. in 2000.³⁸ Production has risen sharply this century, from 283,000 metric tonnes per year in 2002 to averaging around 870,000 metric tonnes per year since 2017.³⁹ The other main sub-sector is food production which is directed partly at the domestic market, but a larger share, or two thirds, is in seafood production for export. Exports of other manufactured goods (e.g. excluding aluminium, aluminium products and marine products) accounted for 25 per cent. of goods exported in 2021.⁴⁰

The tourism sector

Before the COVID-19 pandemic, the tourism sector had become a big part of Iceland's economy and very decisive sector on many important economic factors such as employment, exports, economic growth, real and nominal exchange rate and therefore inflation. Just under 2.0 million foreign visitors departed through Keflavik Airport during 2019 which was a fourfold increase from 2010 per cent.⁴¹ Just under half a million foreign visitors departed through Keflavik Airport during 2020, a decrease of 76 per cent. from the previous year. The situation improved in 2021 when 0.7 million foreigners departed through Keflavik Airport and in 2022, when 1.7 million foreigners departed through Keflavik Airport. This sector generated 12.8 per cent. of total export revenues in 2022 compared with 16.8 per cent. in 2021 and 11.6 per cent. in 2020.

The agricultural and farming sector

The agricultural sector accounted for 1.3 per cent. of GDP in 2022⁴². Icelandic agriculture is heavily subsidised, with total on-budget transfers to agriculture averaging around 1 per cent. of GDP in recent years⁴³. The total area of Iceland that is arable land or pasture is around 20 per cent. and roughly 6 per cent. of this area is cultivated. The remainder is used for grazing or left undeveloped. The principal crops are hay cereal for animal feed, root vegetables and green vegetables which are primarily cultivated in greenhouses heated with geothermal water. Meat and dairy

³⁷ Source: Statistics Iceland

³⁸ Source: Statistics Iceland

³⁹ Source: The Economy of Iceland, 2022, Central Bank of Iceland

⁴⁰ Source: Statistics Iceland

⁴¹ Source: The Icelandic Tourist Board

⁴² Source: Statistics Iceland

⁴³ Source: The Economy of Iceland, 2022, Central Bank of Iceland

products are mainly for domestic consumption. Imports of meat, dairy products, and some vegetables that compete with domestic production are subject to tariffs, import quotas, and non-tariff import restrictions.

The financial sector

See “Financial Markets in Iceland” below for further detail.

FINANCIAL MARKETS IN ICELAND

In the first decade of the 21st century, Iceland’s financial services sector grew substantially, catalysed by financial globalisation and de-regulation in the 1990s and, in 2003, the privatisation of state-owned Banks. Following the privatisation of the three major Banks in Iceland, the resulting financial undertakings focused on foreign investments and opened branches abroad and acquired operations in several foreign countries. By the end of 2007, the Banking system’s assets were roughly 10 times that of the country’s GDP. In autumn 2008, the three major banks collapsed and in early 2009, smaller financial institutions also collapsed which resulted in a collapse of roughly 97 per cent. of the Banking system (measured by assets).

In the aftermath of the banking crisis, the financial system in Iceland changed radically. Three new banks were established and took over the domestic operations of the collapsed banks. Other smaller financial institutions have undergone financial restructuring and some of them lost their operating licences. The newly restructured banking system (deposit money banks) is much smaller, estimated at 1.4 times Iceland’s GDP as of 31 December 2022⁴⁴. There are now four commercial banks and as of January 2023 there are five savings banks currently operating in Iceland and their main focus is on the domestic market. The state is the majority owner of one of the commercial banks, namely the Issuer and a part owner of Íslandsbanki. In 2018, an initial public offering of shares in Arion Bank took place and the shares were listed on the Icelandic and Swedish stock markets. According to the ISFI, which manages the shareholding and the corresponding voting rights in the Issuer on behalf of the largest shareholder, the Icelandic State Treasury, it is the intention of the ISFI to retain a substantial equity stake in the Issuer for the long-term. According to the Icelandic State Ownership Strategy for Financial Services, published by the Finance Ministry in 2020, no decision on the equity stake sale will be made until the ISFI has sold all its shares in Íslandsbanki.⁴⁵ In 2021, 35 per cent of shares in Íslandsbanki were sold and listed on the local regulated stock market and in March 2022, a further 22.5 per cent. of Íslandsbanki’s outstanding share capital were sold. Following the transaction, the Icelandic State Treasury owns 42.5 per cent. in Íslandsbanki and became a minority shareholder. Those holdings will continue to be managed by the ISFI.⁴⁶

Size of the banking system

Total assets of Icelandic deposit money banks, which are four commercial banks and four savings banks, amounted to ISK 5,103 billion as at 31 December 2022, of which foreign assets were ISK 486 billion, or 9.5 per cent. The Icelandic financial market is therefore highly exposed to the Icelandic economy. The total assets of the three largest commercial banks, the Issuer, Íslandsbanki and Arion Bank, comprised 95 per cent. of the total assets of the Icelandic deposit money banks as at the end of 2022⁴⁷.

Total assets of the Icelandic financial system excluding the Central Bank, e.g. deposit money banks, government credit funds and other financial corporations, amounted to ISK 6,405 billion as at 31 December 2022. The proportion of the three largest commercial banks of total assets of the financial system was 75 per cent. at year-end 2022. The proportion of government credit funds, of which ÍL-sjóður is largest, was 17 per cent. of the total assets of the

⁴⁴ Source: Central Bank of Iceland, Statistics Iceland, own calculations

⁴⁵ Source: “The Icelandic State’s ownership strategy for Financial Services” published in February 2020 by the Ministries of Finance and Economic Affairs: http://www.bankasysla.is/files/EigandastefnaRikisins2020_02_loka_968608008.pdf

⁴⁶ Source: “Bankasýsla ríkisins” published in January 2022 by the ISFI: <http://www.bankasysla.is/fjolmidlar/frettir/nr/401/> and <https://view.news.eu.nasdaq.com/view?id=bf0ced96f884689f4a86c760c2cb6311e&lang=en>

⁴⁷ Source: Central Bank of Iceland, Landsbankinn, Arion Bank, Íslandsbanki

financial system⁴⁸. For more information on the merger of the Housing Finance Fund and the Icelandic Construction Authority, see the section entitled “*Market participants*” below.

Market participants

Icelandic credit institutions are comprised of four commercial banks, five savings banks and four credit undertakings subject to minimum reserve requirements. The financial market also includes eight investment firms, nine authorised alternative investment funds and six management companies of UCITS, twenty-one pension funds, as well as one supervised entity Depositors’ and Investors’ Guarantee Fund⁴⁹.

The Housing Finance Fund, a fully state-owned institution, operates in Iceland and offers financing for residential housing in Iceland. The establishment of the aforementioned mortgage lender was approved at the beginning of 1999. The Housing Finance Fund is based on legislation approved by the Icelandic Parliament in June 1998, which was aimed at rationalising the existing state financing system for housing. The Housing Finance Fund was the largest provider of financing for residential housing until 2004, when the three major banks in Iceland entered the financing sector for residential housing. On 1 January 2020, the Housing Finance Fund partially merged with the Iceland Construction Authority (*ice. Mannvirkjastofnun*) and became officially the HCA, in accordance with Act No. 137/2019 on Housing and Construction Authority⁵⁰. The main operation of the HCA is to work in administrative projects in the areas of housing civil engineering, electrical safety and construction, and fire protection matters, as well as providing the aforementioned financing for residential housing.

There are other relevant financial institutions which participate in the financial markets. Pension funds, which are independent non-governmental entities, are an important source of long-term finance in Iceland and are active in the financial market through their investment activities. In addition, the pension funds have become active competitors after they started increasing their mortgage lending to the public. These funds invest in domestic bonds, equity capital and in some foreign securities. Membership in a pension fund is obligatory for wage earners and self-employed individuals, in accordance with Act No. 129/1997, on Mandatory Pension Insurance and on the Activities of Pension Funds.

Several securities houses are also operating domestically and many of them operate mutual funds of various kinds. With the easing of capital controls and the increased availability of investments opportunities, some securities houses have started offering services on international financial markets.

Furthermore, there are four major insurance companies, TM hf., Sjóvá-Almennar tryggingar hf., VÍS, and Vörður tryggingar hf., which are licensed to operate in Iceland. Tryggingamiðstöðin hf., Sjóvá Almennar tryggingar hf., and VÍS have been active in the financial market through their investment activities in Iceland. TM hf., Sjóvá-Almennar tryggingar hf., and VÍS insurance companies are listed on Nasdaq Iceland. The commercial bank, Kvika Bank hf. and TM hf. merged into one entity on 30 March 2021, after regulatory and shareholders approvals⁵¹. In February 2023, two of the commercial banks, Íslandsbanki and Kvika Bank, announced that they would begin preliminary discussions regarding a potential combination between the two banks. Any combination of the two banks would be subject to the approval of relevant supervisory authorities as well as shareholders of both banks. Furthermore, in February 2023, the insurance company VÍS. and the credit undertaking company Fossar announced they would begin a preliminary discussion on a potential combination of the two companies. Any combination of the two companies would be subject to the approval of relevant supervisory authorities as well as shareholders of both companies.

Financial market supervision and other relevant institutions in the financial markets

⁴⁸ Source: Central Bank of Iceland, Landsbankinn, Arion Bank, Íslandsbanki.

⁴⁹ Source: Financial Supervisory Authority, <https://en.fme.is/supervision/supervised-entities/>

⁵⁰ Source: Icelandic parliament: <https://www.althingi.is/lagas/150a/2019137.html>

⁵¹ Source: S&P Global-Market Intelligence: <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/iceland-s-kvika-tm-and-lykill-to-merge-into-1-entity-61468315>

One stock exchange is operated in Iceland, Nasdaq Iceland hf., operating under Act No. 115/2021 on Markets in Financial Instruments. Nasdaq Iceland hf. is part of the Nasdaq Group and is licensed to operate a regulated market as well as a multilateral trading facility (MTF), the first in the North Iceland market. Both issuer rules and trading rules are largely harmonised with the sister exchanges run by Nasdaq Group in the Nordic countries (Stockholm, Helsinki and Copenhagen).

There are also two securities depositories, Nasdaq CSD Iceland (“NCS D”) and Verðbréfamíðstöð Íslands hf., Securities depositories are operated under Act No. 7/2020, on Securities Depositories Settlement and Electronic Registration of Rights of Securities (*Ice. lög um verðbréfamíðstöðvar, uppgjör og rafræna eignaskráningu fjármálagerninga*). NCS D has been the main central securities depository for the Icelandic securities market and as such it is a notary, a depository and a clearing house for settlement of securities in dematerialised form. NCS D merged with Nasdaq CSD in May 2020, which operates in Latvia, Lithuania and Estonia and will simultaneously migrate to a common CSD IT platform with Nasdaq CSD.

As of 1 January 2020, the Financial Supervisory Authority (“FSA”) merged with the Central Bank, in accordance with Act no 92/2019 on Central Bank of Iceland. The aim is to create one supervisory authority for the financial market. The tasks carried out by the FSA will be carried out by a division of the Central Bank, which shall be referred to as the Financial Supervisory Authority of the Central Bank of Iceland (“FSA” or “FSA-Iceland”).

In 1999, the Bank Inspectorate of the Central Bank and the Insurance Supervisory Authority were merged into a new independent entity, the FSA. Icelandic financial markets are supervised by the FSA. Entities engaging in financial activities which are subject to licence are regulated by the FSA, including credit institutions, insurance companies and pension funds. The activities of the FSA are largely governed by Act No. 87/1998, on the Official Supervision of Financial Operations, and Act No. 99/1999, on the Payment of Cost Due to the Official Supervision of Financial Activities.

The European Banking Authority, European Insurance and Occupational Pensions Authority, European Securities and Markets Authority and European Systemic Risk Board have been given certain surveillance powers in Iceland, since the introduction of the act on the European Surveillance System in the Financial Markets on 9 May 2017, and the adoption of the European framework in Iceland for bank surveillance. The aforementioned framework aims to enhance the stability and the health of the financial system through Act No. 24/2017 on the European Financial Markets Surveillance System, with the following⁵²;

- EU Regulation No. 1092/2010 of the European Parliament and of the Council dated 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board
- EU Regulation No. 1093/2010 of the European Parliament and of the Council dated 24 November 2010 establishing the European Banking Authority, amending Decision No. 716/2009/EC and repealing Commission Decision 2009/78/EC;
- EU Regulation No. 1094/2010 of the European Parliament and of the Council dated 24 November 2010 establishing the European Insurance and Occupational Pensions Authority, amending Decision No. 716/2009/EC and repealing Commission Decision 2009/79/EC; and
- EU Regulation No. 1095/2010 of the European Parliament and of the Council dated 24 November 2010 establishing the European Securities and Markets Authority, amending Decision No. 716/2009/EC and repealing Commission Decision No. 2009/77/EC⁵³.

The Central Bank is in charge of monetary policy implementation in Iceland and performs a wide range of functions to this end. The main objective of monetary policy is price stability. The activities of the Central Bank are largely governed by Act No. 92/2019, on the Central Bank, which took effect on 1 January 2020. The Central Bank promotes

⁵² Source: Icelandic Parliament <https://www.althingi.is/altext/stjt/2017.024.html>

⁵³ Source: Icelandic Parliament; <https://www.althingi.is/altext/stjt/2017.024.html>

price stability, financial stability and sound and secure financial activities. The Central Bank undertakes such tasks as are consistent with its role as a central bank, such as maintaining international reserves and promoting a safe, effective financial system including domestic and cross-border payment intermediation⁵⁴. The Central Bank imposes a reserve requirement on all the commercial and savings banks. The purpose of this limitation is to ensure that credit institutions have sufficient margin to the reserve requirement account to meet fluctuations in their liquidity positions. The Central Bank oversees surveillance of the rules on Foreign Exchange.

In accordance with the aforementioned merger of the FSA and the Central Bank, the Central Bank is now responsible for the tasks entrusted by law and governmental directives to the FSA and the financial supervision is now part of the Central Bank. The Central Bank shall therefore monitor supervised entities to ensure that their activities are in compliance with the law and with governmental directives, and that they are in other respects consistent with sound and appropriate business practices

⁵⁴ Source: The Central Bank of Iceland; <https://www.cb.is/about-the-bank/central-bank-of-iceland/>

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer is a leading Icelandic financial institution, offering a full range of financial services in the Icelandic financial service sector with a total of 36 branches and outlets across the country. The Issuer was established on 7 October 2008 as a limited liability company, but the history of its predecessor, Landsbanki Íslands hf. (“**LBI**”) dates back to 1886.

The Issuer has been granted an operating licence to act as a commercial Issuer and it operates pursuant to the provisions of the Act on Financial Undertaking, No 161/2002, the Act on Public Limited Companies, No. 2/1995 and the Act on the Authority for Treasury Disbursements due to Unusual Financial Market Circumstances etc. No. 125/2008. The Issuer is supervised by the FSA.

Landsbankinn hf. referred to as Landsbankinn is registered with the Register of Enterprises in Iceland with the registration number 471008-0280. The Issuer’s registered office is located at Reykjastræti 6, 101 Reykjavík, Iceland and its telephone number is: +354 410 4000. The Legal Entity Identifier (“**LEI**”) of the Issuer is 549300TLZPT6JELDWM92.

On 13 July 2022, the international rating agency S&P Global Ratings affirmed the Issuer’s long-term issuer credit rating at BBB/A-2, with a stable outlook. The previous rating was from April 2020, when S&P lowered the long-term issuer credit rating of the Issuer to BBB/A-2, with a stable outlook. S&P affirmed the rating in 2021.

For the year ended 31 December 2022, the Group’s net interest income was ISK 46.46 billion compared to ISK 38.95 billion in 2021. Its total operating income was ISK 53.25 billion compared to ISK 62.33 billion in 2021 and profit for the year ended 31 December 2022 was ISK 16.99 billion compared to ISK 28.92 billion in 2021. As at 31 December 2022, the Group’s total assets were ISK 1.787 billion compared to ISK 1.730 billion, at year-end 2021. Further information can be found in the 2022 Financial Statements and 2023 Q1 Interim Financial Statements, which are incorporated by reference into this Base Prospectus

No significant changes in the financial or trading position of the Issuer have occurred since the end of the last financial period on 31 December 2022.

No material adverse changes in the prospects of the Issuer have occurred since the date of its last published audited financial statement on 31 December 2022.

HISTORICAL BACKGROUND

LBI the Issuer’s predecessor, was established by the Icelandic Parliament on 1 July 1886. In establishing LBI, the Icelandic Parliament hoped to boost monetary transactions and encourage the country’s nascent industries. LBI’s first decades of operation were restricted by its limited financial capacity and it was little more than a building society.

Following the turn of the 20th century, however, Icelandic society progressed and prospered as industrialisation finally made inroads, and LBI grew and developed in parallel to the nation. In the 1920s, LBI became Iceland’s largest bank and was made responsible for issuing Iceland’s bank bonds. The issuance of bank bonds was transferred to the then newly established Central Bank of Iceland in 1961 and LBI continued to develop as a commercial bank, expanding its branch network in the ensuing decades.

Liberalisation of financial services in Iceland, beginning in 1986, opened up new opportunities which LBI managed to take advantage of, despite some economic adversity. In 1997, LBI was incorporated as a limited liability company, and the ensuing privatisation was concluded in 2003. From 2003 to 2008, LBI operated as a private bank with substantial international activities in addition to its traditional Icelandic operations.

Following the continuous deterioration of the financial markets and the collapse of the Icelandic banking system, the FSA took control of LBI on 7 October 2008. The Issuer, wholly owned by the Icelandic State, was established around the domestic deposits and the majority of the Icelandic assets of the old bank. All liabilities and assets not transferred to the Issuer were retained in LBI and a Resolution Committee was appointed to supersede the board of directors of LBI. LBI was a public limited liability company (hf.) but changed to a private limited liability company (ehf.) in 2016.

SHAREHOLDERS, SHARE CAPITAL AND DIVIDEND POLICY

As at 31 December 2022, the Issuer had 855 shareholders. The ISFI manages 23,567,000,000 (98.2 per cent.) shares and the corresponding voting rights on behalf of the largest shareholder, the Icelandic State Treasury. The ISFI manages its holdings in the Issuer in accordance with its publicly available ownership policy. The second largest shareholder is the Issuer, which holds 378,995,724 (1.58 per cent.) of its own shares after acquisition by the Issuer of its own shares under its buy-back programme originally initiated in December 2018.

	Shares as at 31 December 2022	% of the Issuer's share capital
Icelandic State Treasury	23,567,000,000	98.20%
Landsbankinn's own shares	378,995,724	1.58%
Other shareholders	54,004,276	0.22%'
Total shares	24,000,000,000	100%

The Issuer is not directly or indirectly owned or controlled by others, other than those listed above. The Issuer is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Issuer.

According to the Icelandic State Ownership Strategy for Financial Services, published by the Finance Ministry in 2020, it is the intention of the ISFI to retain substantial equity stake in the Issuer for the long term to contribute, among other things, to financial system stability. No decision on the equity stake sale will be made until the ISFI has sold all its shares in Íslandsbanki.⁵⁵

The Icelandic Parliament has authorised a sale of all of the Icelandic State Treasury's shares in the Issuer which are in excess of 70 per cent. of the Issuer's total share capital – see also "Risk Factors - The Icelandic State Treasury is the largest shareholder of the Issuer. This may affect the Issuer and its business".

Share capital

The Issuer's total share capital is ISK 24,000,000,000 of which 23,621,004,276 shares are outstanding. Each share has a nominal value of one ISK and the owner is entitled to one vote at shareholders' meetings.

The Issuer's AGM held on 23 March 2023 authorised the Issuer, in accordance with Article 55 of the Act on Public Limited Companies, No. 2/1995, to acquire its own shares, up to 10 per cent. of the nominal value. The minimum and maximum amounts the Issuer is authorised to pay for each share shall be equivalent to its book value, i.e. ratio of shareholder equity to share capital, as disclosed in the most recent annual or interim financial statements published before the purchase of own shares takes place. This authorisation is valid until the 2024 AGM of the Issuer. The

⁵⁵Source: "The Icelandic State's ownership strategy for Financial Services" published in February 2020 by the Ministries of Finance and Economic Affairs: http://www.bankasysla.is/files/EigandastefnaRikisins2020_02_loka_968608008.pdf

disposition of own shares purchased by the Issuer is based on this authorisation and is subject to approval by a shareholder’s meeting.

Dividend policy

The Issuer’s current dividend policy provides that the Issuer aims to pay regular dividends to shareholders, amounting in general to around 50 per cent. of the previous year’s profit. To achieve the Issuer’s target capital ratio, special dividend payments may also be made to optimise its capital structure. Regard shall be had for risk in the Issuer’s internal and external environment, growth prospects and the maintenance of a long-term, robust equity and liquidity position, as well as compliance with regulatory requirements of financial standing at any given time.

The AGM of the Issuer, held on 23 March 2023, approved the motion of the Board of Directors to pay shareholders a dividend amounting to ISK 0.36 per share for the operating year 2022 and to pay the dividend in two instalments. The first date of payment (ISK 0.18 per share) was 29 March 2023. The latter date of payment (ISK 0.18 per share) shall be 20 September 2023. The total dividend for the accounting year 2022, based on outstanding shares, amounts to ISK 8.504 million, equivalent to 50 per cent. of the year’s profit.

ORGANISATIONAL STRUCTURE

The Issuer is the parent company of a group and its principal subsidiaries include the following as at the date of this Base Prospectus (the **Group**):

Principal subsidiaries	Principal area of activity	Ownership interest
Eignarhaldsfélag Landsbankans ehf.	Holding company	100%
Landsbréf hf.	Management company for mutual funds	100%
Hömlur ehf.*	Holding company	100%

**Hömlur ehf. is a parent of a number of subsidiaries, which are neither individually nor combined significant in the context of the Group’s business*

STRATEGY

The Issuer’s strategy is entitled “*Landsbankinn, an ever-smarter bank*”. The title is intended to reflect the Issuer’s vision of continuous development and emphasis on a personal banking service in a constantly changing world. Implementation of the strategy began in 2021. The strategy was revised towards the end of 2022 as several goals were achieved ahead of schedule.

The Issuer is focused on being a positive and dynamic presence in communities throughout Iceland and on promoting the positive future welfare of the country and its inhabitants. The Issuer both practices and promotes sustainability. The Issuer is among the leading European banks in ESG ratings⁵⁶ and has implemented a sustainability policy in its core operations. Credit is extended to projects under the Issuer’s Sustainable Finance Framework, sustainable savings options are offered, and carbon-offset of the operation and the Issuer’s carbon footprint is known and published. A more detailed overview of sustainable development and the Issuer’s sustainability policy is provided in the Annual & Sustainability Report. For further information see <https://arsskyrsla2022.landsbankinn.is/en/governance-and-organisation/strategy>.

⁵⁶ Landsbankinn is rated among the top five regional banks according to the company ESG risk rating company Sustainalytics. See further information on website: <https://www.sustainalytics.com/esg-rating/landsbankinn-hf/1153965900>.

The Issuer sponsors several social initiatives and allocates financial grants for approximately ISK 100 million each year. The Issuer's employees are active participants in public debate. They contribute to professional coverage of the economy and provide various kinds of financial instruction, with approximately 250 informative articles and podcasts having been published in 2022. In addition, the Issuer's employees contribute to raising awareness and sharing information about cybersecurity through participation in public debate and in meetings and seminars.

Value: Trust

Trust is the Issuer's core value, a common thread that runs through the entire operation, connecting customer relations and external partners to internal activities. Customers can trust that the Issuer is there to help and that the Issuer is confidently managed. This value can be seen in several outcomes, including the recognition of the Issuer being a role model of good governance, having a forward-thinking approach, continuous development and emphasis on sustainability.

Vision: Landsbankinn, an ever-smarter bank

Strategic focal points

The strategy rests on three pillars, each of which relate in many ways to the Issuer's operation and employees, satisfied customers, continuous development, and passion for success.

Satisfied customers

The first pillar is about simplifying life for customers and also relates to the personal aspect of the Issuer's service. The Issuer strives to find ways to improve and successfully respond to challenges. This involves initiative, the mindset behind "*Landsbankinn, an ever-smarter bank*".

Continuous development

The second pillar supports stable and sound operation. Along with a strong balance sheet, these factors form the foundation for the progress that allows the Issuer to grow ever smarter. The Issuer builds on solid technical infrastructure. Emphasis is placed on technical development and digital solutions that prioritise reliability, security and user experience. The Issuer is also an active participant in the development of the financial system and the Issuer is a systematically important institution in the Icelandic financial system.

Passion for success

The third pillar is about employees and creating an environment that fosters exceptional results. Passion for success refers to personal success but also joint success achieved by a positive and solution-oriented team that works across departments to provide exceptional service. The Issuer's culture is success-driven, guided by the interests of the Issuer's customers, society, co-workers and owners. The Issuer has adopted guidelines on remote work and flexibility, ensures that employees receive 80 per cent. of wages while on parental leave and will in 2023 move to new headquarters at Reykjastræti 6, where the environment is designed to support project-oriented work.

Clear goals and solid momentum

The Issuer builds on its strong foundations and powerful human resources. This solid base creates opportunities for growth and to develop smart and secure solutions that simplify life for customers. These solutions and the Issuer's service depend on a great team of employees that have a passion for success and are ready to work hard to find new ways to meet challenges and rapid changes.

BUSINESS

The organisational chart below illustrates the Issuer's principal operating and support functions as at the date of this Base Prospectus:



The Issuer has three reporting segments: Personal Banking, Corporate Banking and Asset Management & Capital Markets.

Personal Banking

The Personal Banking division (“**Personal Banking**”) offers individuals and small and medium-sized enterprises (“**SME**”) outside the capital city region comprehensive financial services and advice. The emphasis is on digital service channels and self-service solutions, both through online banking and the Issuer’s mobile application, together with conventional service through the Issuer’s branch network and Customer Service Centre.

Personal Banking comprises four departments: the Branch Network, the Customer Service Centre, Business Solutions, that manages products, sales campaigns and debt collection for the retail part of the Issuer, and Business Development that manages product development for the retail part of the Issuer.

The Issuer operates 35 branches and outlets around Iceland. Its distribution channel strategy is to ensure the provision of personal, economical and value-added banking services to its customers.

Emphasis is placed on providing customers with a diverse range of products. Each branch offers general services and personal advice to individuals. In rural areas, branches provide further service and advice to SMEs. Various

self-service options are available throughout the country. In addition, the Issuer's customers have access to financial services through its Customer Service Centre, online banking system and mobile solutions.

Among the Issuer's customers are over 130,000 individuals and around 11,000 SMEs. Its market share is around 39 per cent. with respect to individuals, and 41 per cent. with respect to SMEs around the country, according to a survey conducted by Gallup in 2023.

Corporate Banking

Corporate Banking ("**Corporate Banking**") provides comprehensive financial services and advise to large, small and medium sized corporate clients and municipalities, as well as tailored services to meet customer specific needs. Corporate Banking also handles corporate and SMEs' services in the capital region. In addition, it emphasises on digital service channels and self-service solutions such as corporate online banking and the Issuer's mobile application. Corporate Banking holds a strong position among the largest companies and institutions in Iceland. The market share in Corporate Banking, according to an annual survey conducted by Gallup in 2022, is around 34 per cent.

Corporate Banking comprises seven business units and three support units. The business units are split based on sector segmentation; one unit manages relations with contractors, real estate companies, travel service companies and municipalities; the second unit manages relations with industrial companies and companies in trade and service; the third unit manages relations with the Issuer's larger customers in fisheries and agriculture; the fourth unit manages relations with around 7,000 SMEs in the capital region. In addition, the fifth business unit focuses on fleet-, machinery and equipment financing and leasing. The sixth unit is a corporate finance unit that provides advisory services to companies and investors and is focused on services in relation to mergers and acquisitions, purchase and sale of companies and advice on project financing. The unit also advises on and co-ordinates public offerings and listings on stock exchanges, as well as providing services to companies listed on a stock exchange. Finally, there is a business unit focusing on acquiring services for merchants and the retail sector.

Corporate Banking has three support units: Business Support, Credit Assessment and Corporate Debt Restructuring and Legal Services.

Business Support is a support unit designed to assist the business units by providing in-depth data analysis and business development solutions.

Credit Assessment is responsible for the preparation of credit rating reports and supervising business cases, which are submitted for credit decisions.

Corporate Debt Restructuring and Legal Services analyses, manages and negotiates the restructuring of problematic assets in the corporate loan portfolio and Legal Services, provides legal advice regarding corporate lending and restructuring and is responsible for drafting more complex loan contracts and collateral agreements.

Asset Management & Capital Markets

Asset Management and Capital Markets provides brokerage services in securities, foreign currencies and derivatives, sale of securities issues, money market lending and advisory services. The division offers a range of wealth and asset management products and services for individuals, corporations and institutional investors. The division comprises three departments: Asset Management, Capital Markets and Business Solutions. Fund management firm Landsbréf hf., a subsidiary of the Issuer, is included under Asset Management and Capital Markets in the Issuer's income statement.

Asset Management offers comprehensive asset management services, from advising on the selection of appropriate short or long-term savings options to more tailored services, such as management of customer portfolios. Asset Management has a diverse range of customers that includes individuals, companies, pension funds and municipalities. Investment funds managed by Landsbréf hf. are part of Asset Management's product offering. Two pension funds are fully managed by Asset Management, which includes management of their securities portfolios, supervising accounting, registration of pension rights and pension payments.

Capital Markets handles market transactions in financial instruments, such as bonds, equities, derivatives and foreign currencies for professional clients. Capital Markets also handles the issue and sale of corporate, municipal and government bonds.

Business Solutions is a support unit designed to assist the business units and manage the product development process for the division. The department is an important contributor to the security element of Landsbankinn's online banking platform and its mobile application. Business Solutions is responsible for implementing changes to the division's processes in response to changes in the legal and regulatory environment.

Support divisions

The Issuer has four support divisions: Risk Management, Finance and Operations, IT & Community.

Risk Management

The role of the Risk Management division is to measure, monitor and report on the Issuer's credit risk, market risk, liquidity risk, and operational risk. The Risk Management division is responsible for the maintenance and analysis of the Issuer's risk assessment systems. Subsidiaries of the Issuer have their own risk management functions and the Risk Management Division receives information on exposures from the subsidiaries and collates them into Group exposures. The Risk Management Division is also responsible for comprehensive risk reporting on risk positions to various internal departments and committees and supervisory authorities.

As of December 2022, the Risk Management Division was comprised of six departments.

- The Credit Management Department reviews, and confirms or vetoes, credit decisions made by the Issuer's business units when credit applications exceed the business units' limits. Confirmation by Credit Management implies that Credit Management has reviewed the credit application and has not exercised its veto rights. Credit applications exceeding the confirmation limits of the Risk Management Division are referred to the Bank's Credit Committee. The department also oversees regular updates of the Issuer's credit policies and other rules related to the credit process.
- The Credit Risk Department is responsible for measuring and monitoring credit risk as well as for providing the Issuer with systems and processes to measure, monitor and control credit risk in credit and policy decisions. Credit Risk is further responsible for analysis and reporting on credit risk, economic capital and impairment. Credit Risk is also responsible for setting rules and procedures regarding credit risk, such as procedures for impairment measurement, credit mitigation and forbearance.
- The Market Risk Department is responsible for measuring, monitoring and reporting on market risk, liquidity risk and interest rate risk in the Issuer's banking book along with limit monitoring and reporting. The department develops and maintains the Issuer's market risk models and maintains the Issuer's Market Risk Policy and Liquidity Risk Policy, as well as implementing processes to measure and monitor market risk and liquidity risk. Market Risk is also responsible for monitoring all derivatives trading the Issuer enters into, both for hedging and trading purposes, as well as FX balance monitoring for the Issuer.
- The Operational Risk Department is responsible for ensuring centralised management of operational risk other than compliance and conduct risk. The department assists in mapping the Issuer's operational risk in a comprehensive risk assessment and in executive assessment and analysis of operational and loss events. The Operational Risk Department is involved in the design and testing of the Group's continuity plans and the department is responsible for ensuring compliance with the ISO 27001 standard for information security.
- The Internal Modelling Department is responsible for providing the Issuer with Internal Rating Based ("IRB") and Economic Capital ("EC") models and related processes to estimate credit risk and link the risk to equity, as well as for providing support during the implementation of those models and processes. The department is also responsible for the development of models for pre-approved limits.
- The Risk Solutions Department develops and operates external solutions, as well as maintaining the development and reporting environments used by the Risk Management Division. The department is also

responsible for monitoring and maintaining periodic executions of code by the Division and reporting to supervisory parties. The department has also been responsible for the implementation of the Basel Committee on Banking Supervision for the effective risk data aggregation and risk reporting standard, or Banking Supervision standard number 239 (“**BCBS 239**”).

Finance and Operations

Finance and Operations is a division that incorporates both support and profit functions. The division comprises six departments: Treasury, Accounting & Financial Reporting (“**A&FR**”), Transaction Services, Loan Administration, Operations and Market Making.

Treasury is responsible for the Issuer’s funding, liquidity management and market making in money markets. Treasury manages the Issuer’s exchange rate, interest rate and inflation risks, within limits that are set by the Board of Directors. In addition, Treasury handles investor relations, dealings with the Central Bank and communications with domestic and overseas financial institutions, as well as rating agencies. Treasury is also responsible for the Issuer’s internal and external interest rate pricing.

A&FR is responsible for financial accounting and budgeting within the Issuer. The Department handles the compilation and communication of management information; monthly, quarterly and annual financial statements; and budgeting and rolling financial forecasts. A&FR is further responsible for carrying out earnings measurements, analysis, and has a control function within the Issuer.

Transaction Services provides services to the income divisions of the Issuer and to the Issuer’s customers. The main activities include international payments, clearing and settlement of securities and foreign exchange transactions, accounting and settlement for fund, AML monitoring cash transactions and back-office functions for pension savings.

Loan Administration manages all loans for the Issuer and third-party owned loans, including documentation and payments information disclosure and amendments to loans. The department is also responsible for appendices and inventory of active loans and the final processing of settled documents for permanent archiving. The department includes a dedicated unit which handles import and export documentary, standby letters of credit, guarantees, documentary collections and domestic guarantees.

The Operations division comprises two departments: Properties and Appropriated Assets. The Properties department oversees the Issuer’s internal operations and facilities, i.e. the operation and maintenance of all its properties, including sales or purchases. The Properties department is also responsible for employees’ working facilities, purchase of equipment for the Issuer’s operations, internal security and relations with external security facilities and custodial operations.

Appropriated Assets is responsible for selling and renting out real estate assets which the Issuer has acquired through foreclosure or as a part of debt restructuring. In addition, the Appropriated Assets department sells vehicles, equipment and other items that the Issuer has acquired through foreclosure.

Market Making acts as a market maker for a number of listed securities, as well as the ISK on the interbank market. The role of a market maker is to promote normal price formation and liquidity in the market by submitting offers to buy or sell the asset to which the market making agreement applies at any time, for its own account within a maximum price spread.

Information Technology

The Information Technology (“**IT**”) division is responsible for developing, operating and advising on the Issuer’s information systems and solutions. The IT division comprises six departments: Architecture, Application Management and Software Development, Information Intelligence, IT Service, Operations, and Web Development.

The Architecture department comprises several units which are responsible for several different tasks such as providing process improvement, procurement, strategic planning and project management, data and software architecture and physical document storage supervision.

The Application Management and Software Development department comprises eight different domain units. The department oversees all business software, both internally developed and third-party software.

The Information Intelligence department is the driving force behind the use of information for decision-making and improved customer service. This department is responsible for the data warehouse, business intelligence reports and data analytics.

The IT Service department comprises two units: the help desk unit, which provides first and second level service to internal users and the Information Technology Infrastructure Library process management unit.

The Operations department comprises several different units: operations, system administration, database administration, hardware support, software distribution, net, phone, access control, batch processing and security as well as hardware such as data centres, telephone systems, ATMs, etc.

The Web Development department designs, maintains and develops all front-end web solutions that clients use such as the mobile app, online banking and the Issuer's webpages.

Community

Community is comprised of three departments and two teams: Human Resources (HR), Marketing, Economic Research, the Communication Team and the Sustainability Team.

Economic Research Department monitors financial markets and economic trends of relevance to the Issuer and its customers. It follows developments in the domestic and global economy and on most major markets. The department publishes research reports on all major domestic macro-developments as well as foreign-exchange and fixed income markets.

HR is responsible for all employee-related issues, such as salary and benefits, recruitment, training and job development.

The Marketing Department is responsible for formulating and implementing the Issuer's marketing strategy and planning. The Communication Team is responsible for internal and external communication. The Sustainability Team is responsible for all sustainability-related concerns of the Issuer, such as its Sustainable Finance Framework, its sustainability goals, carbon accounting, sustainability reporting and other sustainability commitments.

As a division, Community takes the lead on shaping and promoting the Issuer's corporate culture and message. The division's main role is to maintain a positive relationship between the customers and the employees of the Issuer, and also, to take part in achieving the Issuer's business goals through a holistic and transparent approach to communication and disclosure. It plays a key role in implementing the Issuer's strategy, which emphasises a new approach to customer relations, including through sharing information on sustainability, research and analysis, and employee training.

Other divisions

The CEO's Office, Legal Services, Compliance, Strategy and Business Process Management ("BPM"), all report directly to the CEO.

The CEO's Office works closely with the CEO to assist her with her duties. Its primary responsibilities are arranging meetings for the Issuer's senior management and Board of Directors and following-up on the implementation of decisions.

Legal Services handle legal aspects of the Issuer's operations. It, *inter alia*, provides the Issuer with legal advice, manages litigation, represents the Issuer in courts, prepares cases reviewed by the Complaints Committee on Transactions with Financial Undertakings, reviews and confirms standardised documents relating to the Issuer's operations, and prepares correspondence with regulators, in particular the FSA and the Icelandic Competition Authority.

Compliance is an independent management unit placed directly under the CEO in the Issuer's organisational chart, operating in accordance with the letter of appointment from the Board of Directors. Compliance is part of the Issuer's

second level control and is responsible for monitoring laws and actions against money laundering and financing of terrorist activities, and laws on securities trading and laws on data protection. Compliance also monitors the efficiency of the Issuer's policy on compliance with laws, regulations and internal rules, and is responsible for consulting and instructing management on the effects of changes to the legal environment on the Issuer's operations, measures to prevent conflicts of interest and actions necessary to ensure that the Issuer operates in accordance with proper and sound business practices, with an aim of strengthening the credibility of and confidence in financial markets. The Data Protection Officer works independently from Compliance, in accordance with the letter of appointment from the Board of Directors.

BPM's primary role is to help the CEO set, maintain and reach strategic goals, both short and long term. This also includes running various projects on the behalf of the CEO. Secondly, this unit maintains a holistic overview of all core policies, procedures, and processes.

Internal Audit

The internal audit function is a part of the Issuer's organisational structure and constitutes one aspect of its internal oversight system. The role of the internal audit function is to provide risk-based and objective assurance, advice and insight, which is intended to enhance and protect the organisational value of the Issuer.

The internal audit function evaluates the functionality of the Issuer's governance, risk management and internal controls, and thus supports the Issuer in achieving its goals. The internal audit function covers all the Issuer's business units, including its subsidiaries, and pension funds managed and operated by the Issuer.

The internal audit activity is accountable both administratively and functionally to the Board of Directors. The Board of Directors employs the chief audit executive, who annually confirms to the board the organisational independence of the internal audit activity. According to an external quality assessment, conducted in January 2019, and a self-assessment based on The Internal Audit Ambition Model in the year 2022, the internal audit activity of the Issuer generally conforms to the Core Principles, the Definition of Internal Auditing, the Code of Ethics and the Standards promulgated by the Institute of Internal Auditors.

LOAN PORTFOLIO

The table below sets out details of the Group's loans and advances to financial institutions, as at 31 December 2022 and 31 December 2021, classified by type of loan.⁵⁷

	2022	2021
Bank accounts with financial institutions	21,759	15,261
Money market loans	5,836	29,552
Other loans	1,026	2,418
Allowance for impairment	-	-
Total	28,621	47,231

The table below sets out details of the Issuer's loans and advances to customers at amortised cost, as at 31 December 2022 and 31 December 2021.

	31.12.2022			31.12.2021		
	Gross carrying amount	Allowance for impairment	Carrying amount	Gross carrying amount	Allowance for impairment	Carrying amount
Public entities	10,525	(6)	10,519	3,898	(3)	3,895

⁵⁷ Further information can also be found in 2023 Q1 Interim Financial Statements and the 2022 Consolidated Financial Statements, which are incorporated by reference into this Base Prospectus.

Individuals	791,342	(1,327)	790,015	726,309	(1,359)	724,950
Mortgage lending	705,819	(563)	705,256	646,981	(466)	646,515
Other	85,523	(764)	84,759	79,328	(893)	78,435
Corporates	734,524	(8,662)	725,862	648,937	(12,461)	636,476
Total	1,536,391	(9,995)	1,526,396	1,379,144	(13,823)	1,365,321

The following tables show the Group's maximum credit risk exposure at 31 December 2022, and 31 December 2021. For on-balance sheet assets, the exposures set out below are based on net carrying amounts as reported in the consolidated statement of financial position. Off-balance sheet amounts, in the tables below, are the maximum amounts the Group might have to pay for guarantees, loan commitments in their full amount, and undrawn overdraft and credit card facilities.

The Bank continues to use the ISAT 08 industrial classification of economic activities but has altered its own classification to include a special category for tourism, which was previously included under services. The category services, other than tourism, is subsumed under IT and telecommunications.

As at 31 December 2022	Corporates												Maximum exposure	Carrying amount			
	Financial institutions	Public entities				Real estate companies	Construction companies	Travel industry	Services, ITC **	Retail	Manufacturing and energy	Holding companies			Agriculture	Other	
Cash and balances with Central Bank	-	42,216	-	-	-	-	-	-	-	-	-	-	-	-	-	42,216	42,216
Bonds and debt instruments	190	88,562	-	-	-	-	-	1,878	-	-	15	-	-	-	-	90,645	125,265
Equities and equity instruments	109	-	-	49	37	-	6	2,368	6	184	9,017	-	-	-	-	11,776	19,106
Derivative instruments	1,307	-	14	174	201	2	5	6	5	75	1,061	-	223	-	3,073	3,073	
Loans and advances to financial institutions	28,621	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,621	28,621
Loans and advances to customers	-	10,519	790,237	192,036	139,509	102,394	110,843	60,334	64,585	38,971	28,168	6,764	-	-	1,544,360	1,544,360	
Other assets	19,111	27	3	3	1,961	-	2	1,972	-	52	-	-	1,242	-	24,373	24,383	
Total on-balance sheet exposure	49,338	141,324	790,254	192,262	141,708	102,396	110,856	66,558	64,596	39,282	38,261	6,764	1,465	1,745,064	1,787,024		
Off-balance sheet exposure	1	9,098	37,389	24,151	17,744	73,678	8,458	18,192	24,996	23,645	1,388	905	26	239,671			
Financial guarantees and underwriting commitments	-	-	587	7,376	2,394	5,176	2,218	3,095	5,878	782	959	152	-	28,617			
Undrawn loan commitments	-	-	625	13,889	14,113	65,095	4,741	5,629	11,934	19,409	69	62	-	135,566			
Undrawn overdraft/credit card facilities	1	9,098	36,177	2,886	1,237	3,407	1,499	9,468	7,184	3,454	360	691	26	75,488			
Maximum exposure to credit risk	49,339	150,422	827,643	216,413	159,452	176,074	119,314	84,750	89,592	62,927	39,649	7,669	1,491	1,984,735			
Percentage of maximum exposure to credit risk	2,5%	7,6%	41,7%	10,9%	8,0%	8,9%	6,0%	4,3%	4,5%	3,2%	2,0%	0,4%	0,1%	100%			

* Public entities consist of central government, state-owned enterprises, Central Bank and municipalities.

** ITC consists of corporations in the information, technology and communication industry sectors.

As at 31 December 2021	Corporates												Maximum exposure	Carrying amount		
	Financial institutions	Public entities				Real estate companies	Construction companies	Travel industry	Services, ITC **	Retail	Manufacturing and energy	Holding companies			Agriculture	Other
Cash and balances with Central Bank	-	82,425	-	-	-	-	-	-	-	-	-	-	-	-	82,425	82,425
Bonds and debt instruments	179	98,539	-	-	61	-	-	1,722	-	30	13	-	-	-	100,544	150,435
Equities and equity instruments	135	-	-	51	57	-	9	2,346	12	170	19,068	-	-	-	21,848	33,347
Derivative instruments	1,068	-	-	2	1	31	-	12	17	-	-	-	102	-	1,233	1,233
Loans and advances to financial institutions	47,231	-	-	-	-	-	-	-	-	-	-	-	-	-	47,231	47,231
Loans and advances to customers	-	3,895	725,543	177,439	120,326	89,867	97,635	56,872	49,535	30,117	30,077	6,157	-	-	1,387,463	1,387,463
Other assets	19,695	29	2	3	1,984	-	2	4,618	-	15	1	-	1,288	-	27,637	27,664
Total on-balance sheet exposure	68,308	184,888	725,545	177,495	122,429	89,898	97,646	65,570	49,564	30,332	49,159	6,157	1,390	1,668,381	1,729,798	
Off-balance sheet exposure	1	8,004	33,096	18,061	15,355	67,611	16,516	20,439	24,385	16,077	1,126	574	26	221,271		
Financial guarantees and underwriting commitments	-	-	562	6,406	1,475	4,700	2,145	3,149	3,207	4,110	965	70	-	26,789		
Undrawn loan commitments	-	2	-	9,413	12,817	60,277	13,061	8,431	14,965	8,346	-	196	-	127,508		
Undrawn overdraft/credit card facilities	1	8,002	32,534	2,242	1,063	2,634	1,310	8,859	6,213	3,621	161	308	26	66,974		
Maximum exposure to credit risk	68,309	192,892	758,641	195,556	137,784	157,509	114,162	86,009	73,949	46,409	50,285	6,731	1,416	1,889,652		
Percentage of maximum exposure to credit risk	3,6%	10,2%	40,1%	10,3%	7,3%	8,3%	6,0%	4,6%	3,9%	2,5%	2,7%	0,4%	0,1%	100,0%		

* Public entities consist of central government, state-owned enterprises, Central Bank and municipalities.

** ITC consists of corporations in the information, technology and communication industry sectors.

The table for year-end 2022 and year-end 2021 shows both gross carrying amount and ECL, by industry sectors, and the three stage criteria under IFRS 9.

	Gross carrying amount	Stage 1		Stage 2		Stage 3		Allowance for impairment	Fair Value	Carrying amount
		Gross carrying amount	12-month ECL	Gross carrying amount	Lifetime ECL	Gross carrying amount	Lifetime ECL			
As at 31 December 2022										
Financial institutions	28,621	28,621	-	-	-	-	-	-	-	28,621
Public entities	10,525	10,519	(6)	-	-	6	-	(6)	-	10,519
Individuals	791,564	759,931	(265)	28,977	(426)	2,434	(636)	(1,327)	222	790,237
Mortgages	705,819	682,140	(152)	22,236	(280)	1,443	(131)	(563)	-	705,256
Other	85,745	77,791	(113)	6,741	(146)	991	(505)	(764)	222	84,981
Corporates	752,266	679,680	(3,268)	36,829	(1,132)	18,015	(4,262)	(8,662)	17,742	743,604
Fisheries	192,440	184,670	(386)	2,408	(17)	4	(1)	(404)	5,358	192,036
Real estate companies	140,498	128,946	(569)	5,917	(111)	1,843	(309)	(989)	3,792	139,509
Construction companies	103,947	94,541	(1,111)	6,251	(86)	2,819	(356)	(1,553)	336	102,394
Travel industry	114,293	88,528	(502)	17,499	(782)	8,266	(2,166)	(3,450)	-	110,843
Services, IT and communications	60,700	56,376	(257)	2,363	(84)	179	(25)	(366)	1,782	60,334
Retail	65,510	62,800	(219)	1,460	(27)	919	(679)	(925)	331	64,585
Manufacturing and energy	39,749	35,485	(88)	370	(7)	3,894	(683)	(778)	-	38,971
Holding companies	28,345	21,838	(128)	282	(11)	82	(38)	(177)	6,143	28,168
Agriculture	6,784	6,496	(8)	279	(7)	9	(5)	(20)	-	6,764
Other	-	-	-	-	-	-	-	-	-	0
Total	1,582,976	1,478,751	(3,539)	65,806	(1,558)	20,455	(4,898)	(9,995)	17,964	1,572,981

Loans and advances by stage allocation (continued)

	Gross carrying amount	Stage 1		Stage 2		Stage 3		Allowance for impairment	Fair Value	Carrying amount
		Gross carrying amount	12-month ECL	Gross carrying amount	Lifetime ECL	Gross carrying amount	Lifetime ECL			
As at 31 December 2021										
Financial institutions	47,231	47,231	-	-	-	-	-	-	-	47,231
Public entities	3,898	3,868	(3)	30	-	-	-	(3)	-	3,895
Individuals	726,902	696,781	(319)	26,790	(408)	2,738	(632)	(1,359)	593	725,543
Mortgages	646,981	626,118	(137)	19,125	(214)	1,738	(115)	(466)	-	646,515
Other	79,921	70,663	(182)	7,665	(194)	1,000	(517)	(893)	593	79,028
Corporates	670,486	539,869	(1,523)	79,801	(3,690)	29,267	(7,248)	(12,461)	21,549	658,025
Fisheries	177,642	170,822	(158)	3,465	(19)	47	(26)	(203)	3,308	177,439
Real estate companies	121,649	104,590	(221)	7,190	(331)	3,442	(771)	(1,323)	6,427	120,326
Construction companies	91,439	78,640	(520)	3,512	(41)	8,911	(1,011)	(1,572)	376	89,867
Travel industry	104,584	40,383	(303)	51,930	(3,155)	12,271	(3,491)	(6,949)	-	97,635
Services, IT and communications	57,515	46,714	(171)	6,834	(64)	1,038	(408)	(643)	2,929	56,872
Retail	50,716	47,354	(68)	982	(19)	1,235	(1,094)	(1,181)	1,145	49,535
Manufacturing and energy	30,616	26,150	(21)	2,301	(38)	2,165	(440)	(499)	-	30,117
Holding companies	30,154	19,291	(52)	3,488	(20)	11	(5)	(77)	7,364	30,077
Agriculture	6,171	5,925	(9)	99	(3)	147	(2)	(14)	-	6,157
Other	-	-	-	-	-	-	-	-	-	0
Total	1,448,517	1,287,749	(1,845)	106,621	(4,098)	32,005	(7,880)	(13,823)	22,142	1,434,694

The table below shows the gross carrying amount of loans and advances to financial institutions and customers by past due status as at 31 December 2022 and 31 December 2021.

As at 31 December 2022	Gross carrying amount							Allowance for impairment	Carrying amount
	Not past due	Days past due					over 90		
		1-5	6-30	31-60	61-90	over 90			
Financial institutions	28,621	-	-	-	-	-	-	-	28,621
Public entities	10,519	0	6	-	-	-	(6)	10,519	
Individuals	783,338	2,645	1,179	2,548	657	1,197	(1,327)	790,237	
Mortgages	701,735	-	779	2,107	485	713	(563)	705,256	
Other	81,603	2,645	400	441	172	484	(764)	84,981	
Corporates	739,206	1,965	4,616	1,076	1,595	3,808	(8,662)	743,604	
Fisheries	192,360	74	-	1	1	4	(404)	192,036	
Real estate companies	138,604	83	856	297	285	373	(989)	139,509	
Construction companies	102,496	218	966	108	1	158	(1,553)	102,394	
Travel industry	107,656	157	2,325	518	1,209	2,428	(3,450)	110,843	
Services, IT and communications	59,412	634	351	125	39	139	(366)	60,334	
Retail	64,139	607	72	19	59	614	(925)	64,585	
Manufacturing and energy	39,583	150	7	2	-	7	(778)	38,971	
Holding companies	28,216	9	38	6	-	76	(177)	28,168	
Agriculture	6,740	33	1	-	1	9	(20)	6,764	
Other	-	-	-	-	-	-	-	0	
Total	1,561,684	4,610	5,801	3,624	2,252	5,005	(9,995)	1,572,981	

As at 31 December 2021	Gross carrying amount							Allowance for impairment	Carrying amount
	Not past due	Days past due					over 90		
		1-5	6-30	31-60	61-90	over 90			
Financial institutions	47,231	-	-	-	-	-	0	47,231	
Public entities	3,869	29	-	-	-	-	(3)	3,895	
Individuals	720,122	2,108	1,060	1,726	719	1,167	(1,359)	725,543	
Mortgages	643,594	-	716	1,420	585	666	(466)	646,515	
Other	76,528	2,108	344	306	134	501	(893)	79,028	
Corporations	659,706	1,920	1,017	454	648	6,741	(12,461)	658,025	
Fisheries	177,415	190	24	2	-	11	(203)	177,439	
Real estate companies	118,967	225	503	66	130	1,758	(1,323)	120,326	
Construction companies	89,939	680	177	63	2	578	(1,572)	89,867	
Travel industry	100,845	114	76	174	433	2,942	(6,949)	97,635	
Services, IT and communications	56,752	258	187	15	26	277	(643)	56,872	
Retail	49,100	381	19	98	55	1,063	(1,181)	49,535	
Manufacturing and energy	30,422	37	20	25	-	112	(499)	30,117	
Holding companies	30,136	6	10	-	2	-	(77)	30,077	
Agriculture	6,130	29	1	11	-	-	(14)	6,157	
Other	-	-	-	-	-	-	-	0	
Total	1,430,928	4,057	2,077	2,180	1,367	7,908	(13,823)	1,434,694	

Exposures to a client or a group of connected clients are classified as large exposures if their total exposures exceed 10 per cent. of the Group's Tier 1 capital. Large exposures are measured before (gross) and after (net) application of exemptions and credit risk mitigation. The legal maximum for a large exposure is 25 per cent. of Tier 1 capital, net of eligible credit risk mitigation.

The tables below show large exposures as at 31 December 2022 and 31 December 2021. The Group had four large exposures at year-end 2022 compared to five large exposures at year-end 2021. The largest exposure before credit risk mitigation is the Icelandic government. Total ratio of large exposures, net of credit risk mitigation, was 32.3 per cent. at year-end 2022.

As at 31 December 2022⁵⁸	Gross	Ratio of Tier 1 capital (Gross)	Net	Ratio of Tier 1 capital (Net)
Group 1	62,542	23.0%	209	0.1%
Group 2	34,853	12.8%	29,037	10.7%
Group 3	31,385	11.6%	31,188	11.5%
Group 4	27,173	10.0%	27,173	10.0%
Total	155,953	57,4%	87,607	32.3%

As at 31 December 2021⁵⁹	Gross	Ratio of Tier 1 capital (Gross)	Net	Ratio of Tier 1 capital (Net)
Group 1	72,608	25.6%	7,271	2.6%
Group 2	41,182	14.5%	-	0.0%
Group 3	32,814	11.6%	32,195	11.4%
Group 4	31,328	11.0%	29,285	10.3%
Group 5	31,282	11.0%	24,982	8.8%
Samtals	209,213	73,8%	93,733	33.1%

Further information on the aforementioned tables is disclosed in the notes in the 2022 Financial Statements and in the 2023 Q1 Interim Financial Statements, which are incorporated by reference to this Base Prospectus.

FUNDING

The Issuer's funding rests on three main pillars: Deposits from customers, market funding and equity. The Issuer's credit rating by S&P Global Ratings is BBB/A-2 with stable outlook.

Deposits from customers

⁵⁸ All amounts are in ISK million

⁵⁹ All amounts are in ISK million

The largest part of the Issuer's funding is in the form of deposits from customers which amounted to ISK 968 billion at year-end 2022, mostly non-indexed and on demand. Deposits from customers increased by 68 billion during the year 2022. Inflation-linked deposits amounted to ISK 160 billion at year-end 2022, increasing by ISK 24 billion from the previous year.

Market funding

EMTN issuance

Bond issuances in foreign currencies is the most important pillar in the Issuer's market funding. The size of the Issuer's EMTN programme is EUR 2 billion and was increased in size from EUR1.5 billion in 2017. The inaugural issuance under the programme was made in autumn 2015 with continued issuance on a regular basis to date. In 2021, the Issuer published a Sustainable Finance Framework with a second-party opinion from Sustainalytics.

In January 2022, the Issuer issued 1 and 2-year bonds in the total amount of SEK 1,700 million and 2-year bonds amounting to NOK 500 million.

In August 2022, the Issuer issued 1.5 and 2.5-year bonds in the total amount of NOK 650 million.

Bonds originally in the amount of EUR 300 million matured in March 2022; the Issuer had already bought back EUR 156 million thereof in 2021.

At year-end 2022, bond issuance in foreign currency amounted to ISK 254 billion, increasing by ISK 14 billion during the year.

Covered bonds

The size of the programme for covered bond issuance is EUR 2,500 million and was increased from ISK 250 billion in 2022. The programme was updated in 2022 to allow for covered bond issuance in foreign currency under the programme in addition to its listing on the Irish stock exchange, trading as Euronext Dublin.

Regular auctions of covered bonds were held in 2022 where previously issued series were tapped, in addition to the issuance of a new non-indexed series, LBANK CB 27. The inflation-linked series LBANK CBI 22 matured in 2022. Agreements with market makers in the secondary market for covered bonds were renewed in the year 2022.

At year-end 2022, outstanding covered bonds amounted to ISK 223 billion, increasing by ISK 5 billion during the year.

Commercial paper

No commercial paper auctions were held in 2022 under the ISK 50 billion debt issuance programme. No series matured in 2022 and there was no outstanding issuance of commercial paper at year-end 2022.

Subordinated bond issuance

Subordinated bond issuances under the Issuer's debt issuance programme amounted to ISK 5.5 billion at year-end 2022 and subordinated issuance under the Issuer's EMTN programme amounted to EUR 100 million at the same time. Both bond issues count as tier 2 capital and amounted to ISK 22 billion at year-end 2022, increasing by ISK 1 billion from the previous year.

Equity

The Issuer's equity amounted to ISK 279 billion at year-end 2022, decreasing by ISK 4 billion over the course of the year.

The Issuer paid ISK 14.409 million in dividends to shareholders in 2022 and a special dividend of ISK 6.141 million.

The Issuer's total capital ratio⁶⁰ was 24.6 per cent. at year-end 2022.

⁶⁰ Definition: Total capital ratio is calculated total capital base / risk-exposure amount.

Credit rating

The Issuer's credit has been rated by international rating agency S&P Global Ratings since 2014. In April 2020, the Issuer's credit rating was lowered to BBB/A-2 with stable outlook.

Further information on the funding of the Issuer is disclosed in the notes in the 2022 Financial Statements and in 2023 Q1 Interim Financial Statements, which are incorporated by reference to this Base Prospectus.

RISK MANAGEMENT FRAMEWORK

Risk is inherent in the Group's activities. It is managed through a process of on-going identification, measurement, management, and monitoring, subject to internal limits and controls. Risk identification involves finding the origins and structures of possible risk factors in the Group's operations and undertakings. Risk measurement entails measuring identified risk for management and monitoring purposes. Controls and limits promote compliance with rules and procedures, as well as adherence with the Group's risk appetite.

The objective of the Group's risk policies and procedures is to ensure that the risks in its operations are detected, measured, monitored and effectively managed, and that exposure to risk is managed to ensure that it remains within limits. Risk management policy is implemented through risk appetite, business strategy, and internal policies and limits that comply with the regulatory framework of the financial markets.

The Board of Directors of the Issuer has overall responsibility for the establishment and oversight of the Group's risk management framework, risk appetite and setting risk limits. The CEO is responsible for the effective implementation of the framework and risk appetite through the corporate governance structure and committees. The CEO is a Chairman of the Executive Board, the Risk & Finance Committee, the Credit Committee and the Project Committee.

The Executive Board's main role is to prepare an ongoing 3-year business plan in line with the Issuer's strategic objectives and ensure that targets are met, to ensure compliance of the Issuer's operations with laws, regulations, business plans and policies at any given time. The Credit Committee's main role is to approve lending and ensure that the Issuer's loan portfolio and credit risk remain in compliance with its credit risk policy and risk appetite. The Committee makes individual credit decisions, credit limits for customers, credit quality and large exposures, among other things. The Risk & Finance Committee primarily reviews market and liquidity risk and is responsible for formulating risk limits for these factors for the Issuer. The Risk & Finance Committee also covers counterparty risk, reviews various rules and policies regarding risk, review the ICAAP methodology and scenarios and reviews the Issuer's market risk, liquidity risk and economic capital policies. The Operational Risk Committee makes decisions on operational risk issues and reviews the effective implementation of the operational risk policy. The Project Committee selects, prioritises and oversees key projects that support the Issuer's strategy.

Risk appetite defines the type and extent of risk that management is willing to take to meet the Issuer's business objectives. In pursuit of its goals, the Issuer only takes on risks that it understands, and can measure, evaluate and manage. The Issuer's risk appetite is reviewed and revised at least annually.

The material risks which the Issuer is exposed to and that arise from financial instruments are credit risk, liquidity risk, market risk and operational risk.

Credit Risk

Credit risk is primarily managed through the credit process and the Issuer's credit risk models which include probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). These models are used for various purposes, such as in provisioning, calculating economic capital ("EC") and management reporting.

Credit risk identification

Credit risk is defined as the risk of loss if customers fail to fulfil contractual obligations and the estimated value of pledged collateral does not cover existing claims.

The Issuer's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. Settlement risk is deemed immaterial in the Issuer's operations.

Credit risk is the greatest single risk faced by the Issuer and arises principally from loans and advances to customers, but also from loans and advances to financial institutions, investments in bonds and debt instruments, investments in equity and equity instruments, commitments, guarantees and documentary credits, counterparty credit risk in derivatives contracts, and the aforementioned settlement risk along with other assets.

Credit risk assessment

Credit risk is measured in three main dimensions: PD, LGD and EAD. To measure PD, the Issuer has developed an internal rating system, including internally developed rating models. The objectives of the rating system are to provide a meaningful assessment of obligor characteristics; a meaningful differentiation of credit quality; and accurate and consistent quantitative estimates of default risk, i.e., PD. Internal ratings and associated PD values are essential in the risk management and decision-making process, and in the credit approval and corporate governance functions.

The rating system has an obligor rating scale which exclusively reflects quantification of the risk of obligor default, or credit quality. The obligor rating scale has 10 rating grades for non-defaulted obligors from 1 to 10, with 10 indicating the highest credit quality, and the grade 0 for defaulted obligors. The rating assignment is supported by rating models, where information such as industry classification, financial accounts and payment behaviour is considered.

The internal rating system is used to assign ratings and calculate risk-weighted exposure amounts for the majority of the Issuer's customers for economic capital. Additionally, external ratings, from Standard & Poor's, Moody's and Fitch, are used for foreign credit institutions and ratings from Creditinfo are used for new retail customers. The rating assignment and approval is an integrated part of the credit approval process and assignment is updated at least annually, or when material information regarding the obligor or exposure becomes available. The Issuer's estimation and validation process includes quality controls to assess the performance of models, procedures and systems, and is designed to ensure the accuracy of the parameters through adjustments where necessary.

The rating models are validated annually, both quantitatively and qualitatively. The quantitative validation includes statistical tests of the models' discriminatory power, i.e., the models' ability to distinguish default risk, and absolute accuracy, i.e., the ability to predict default levels.

The PD parameters are validated annually by a quantitative and qualitative assessment, and re-estimated when the validation deems it necessary. PD estimates are based on long-term observed default frequency in available internal data and adjusted through an add-on. The adjustment for the length of internal data available is embedded in the margin of conservatism which also includes an add-on to compensate for statistical uncertainty in the estimation.

LGD is measured using an internal LGD model for the purpose of EC calculations and provisioning. The internal LGD model takes into account more types of collateral and is more sensitive to the collateralisation level than model defined in the Basel framework, and is calibrated to historical loss data.

EAD is an estimate of the amount outstanding (drawn amounts plus likely future drawdowns of yet undrawn lines) in case the borrower defaults. The Issuer uses the standard approach for estimating risk-weighted exposure amount ("RWEA") and EC but uses internal models for provisioning.

Credit risk management

The Issuer's credit risk management objective is to ensure compliance with the Issuer's credit policy, which entails that the only risks taken are the ones that the Issuer understands, can evaluate, measure and manage.

The Issuer's credit risk management is based on active monitoring by the Board of Directors, the CEO, the Risk & Finance Committee, the Credit Committee, the credit departments within the Risk Management Division and the

business units. The Issuer manages credit risk according to its risk appetite statement, credit policy and industry policies approved by the Board of Directors, as well as detailed credit policies approved by the CEO. The risk appetite, credit policy and industry policies include limits on large exposures to individual borrowers or groups of borrowers, concentration of risk and exposure to certain industries. The CEO ensures that the risk policy is reflected in the Issuer's internal framework of regulations and guidelines. The Issuer's Managing Directors are responsible for ensuring that the Issuer's business units execute the risk policy appropriately and the CEO is responsible for the oversight of the entire process.

Incremental credit authorisation levels are defined based on size of units, types of customers and the lending experience of credit officers. Credit decisions exceeding authorisation levels of business units are subject to approval by Credit Management. The Corporate Banking Credit Committee has authorisation levels exceeding that of individual business unit managers and meets regularly to make credit decisions. Credit Management has veto powers over the decisions of the Corporate Banking Credit Committee. Credit decisions exceeding the authorisation levels of the Corporate Banking Credit Committee are subject to approval by the Issuer's Credit Committee. Credit decisions exceeding the limits of the Credit Committee are subject to approval by the Board of Directors, which holds the highest credit authorisation within the Issuer.

Credit risk mitigation

Mitigating risks in the credit portfolio is a key element of the Issuer's credit policy as well as being an inherent part of the credit-decision process. Securing loans with collateral is the main method of mitigating credit risk whereas for some loan products, collateral is required by legislation, as in the mortgage finance market, or is standard market practice.

The most important types of collateral are real estate, vessels and financial assets (shares or bonds).

The amount and type of collateral required depends on an assessment of the credit risk associated with the counterparty. Valuation parameters and the acceptability of different types of collateral are defined in the Issuer's credit policy. Credit extended by the Issuer may be secured on residential or commercial properties, land, listed and unlisted securities, transport vessels, fishing vessels together with their non-transferable fishing quotas, etc. The Issuer also secures its loans by means of receivables, inventory and operating assets, such as machinery and equipment. Residential mortgages involve the underlying residential property. Less stringent requirements are set for securing short-term personal loans, such as overdrafts and credit card borrowings.

The Issuer regularly assesses the market value of received collateral. The Issuer estimates the value as the market value less a haircut. A haircut in this context is a discount factor which represents a conservative estimate of the costs to sell in a forced sale. Costs to sell include maintenance costs during the period the asset is held for sale, external fees, and loss in value. For listed securities, haircuts are calculated with an internal model based on variables, such as price volatility and marketability.

The Issuer monitors the market value of mark-to-market collateral and may require additional collateral in accordance with the underlying loan agreements.

In order to further limit the credit risk arising from financial instruments, the Issuer enters into netting agreements, under which the Issuer is able to set off all contracts covered by the netting agreement against the debt in cases of default. The arrangements generally include all market transactions between the Issuer and the customer.

Generally, collateral is not held over loans and advances to financial institutions, nor is it usually held against bonds and debt instruments.

The Issuer includes all collateral to which a value is assigned in accordance with its internal procedures. Guarantees are included if they imply lower risk weights than the original exposure. In addition, collateral is volatility-adjusted (by means of a haircut) in order to take price volatility and the expected costs of repossession and sale of the pledge into account.

Counterparty credit risk Derivative financial instruments and securities financing

Counterparty credit risk is the risk arising from the possibility that the counterparty may default on amounts owed on derivative financial instruments and securities financing.

In order to mitigate this risk, the Issuer chooses the counterparties for derivatives and margin trading based on stringent requirements. The Issuer also enters into standard International Swaps and Derivatives Association ("ISDA") master netting agreements and similar general netting agreements with financial counterparties. In the case of derivatives, amounts due to and from the Issuer are offset when the Issuer has a legally enforceable right to set off a recognised amount and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Collateral and margin requirements are in place for all derivative contracts and securities financing transactions the Issuer enters into. Collateral management and monitoring is performed daily and derivative contracts with clients are usually fully hedged.

The Issuer's supervision system monitors both exposure and collateral value and calculates an intraday credit equivalent value for each derivative. It also issues margin calls and manages netting agreements.

In the case of derivatives, amounts due to and from the Issuer are offset when the Issuer has a legally enforceable right to set off a recognised amount and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Credit risk control and monitoring

The Issuer has set limits for large exposures as well as policies for exposure ratio for different portfolios to control the credit risk in the Issuer's credit portfolio and ensure risk diversification. The credit risk decision process is controlled with limits set in the Issuer's Credit rules approved by the Board of Directors. The rules set the limit for each credit decision party within the Issuer where the credit approval authority is based on the underlying credit risk measured by exposure size, credit rating and colour classification code.

The credit risk monitoring process is based on regular reporting, monitoring systems and other manual monitoring. There is increased monitoring for significant exposures and for customers with indications of financial difficulties. One of the integral parts of the credit risk monitoring process is the Early Warning System.

The Issuer monitors exposures to identify signs of weakness in customer earnings and liquidity, or other issues that could increase the Issuer's credit risk, as soon as possible. To monitor customers, the Issuer uses an Early Warning System, which is supplemental to ratings and classifies credit exposures to four credit risk groups (green, yellow, orange and red). The colour classification is as follows:

- Green: the customer is considered as performing without signs of financial difficulties;
- Yellow: the customer shows indication of deteriorating financial strength, which could lead to financial difficulties;
- Orange: the customer is or has been in financial difficulties or default; and
- Red: the customer is in default and in legal collection and/or restructuring.

The Credit Risk Department within Risk Management and the Issuer's business units are responsible for the colour classification of customers.

Impairment process

The Issuer uses the three-stage expected credit loss ("ECL") model under IFRS 9. Allowance is calculated as the 12-month ECL or the lifetime ECL. Expected credit losses depend on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the loss allowance equals the ECL resulting from loss events that are possible within the next 12 months (Stage 1). If the credit risk has increased significantly, the allowance measured equals the lifetime ECL (Stage 2 and 3). When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Issuer will consider reasonable

and supportable information that is relevant and available without undue cost and effort, including both quantitative and qualitative information.

The ECL is calculated for all loans as a function of PD, EAD and LGD, and is discounted using the effective interest rate (“**EIR**”) and incorporates forward-looking information. The forward-looking information reflects the expectations of the Valuation Team and the Issuer’s Economic Research department and involves the creation of scenarios of relevant economic variables, including an assessment of the probability for each scenario.

Staging and ECL estimation for individually significant loans is done manually on a quarterly basis. When assessing individually significant loans manually, the Issuer considers reasonable and supportable information that is relevant and available without undue cost and effort, including both quantitative and qualitative information and analysis based on the Issuer’s historical experience, expert credit assessment and forward-looking information. Only Stage 3 loans are manually estimated for ECL.

The Issuer recognises loss allowances for ECL on the following financial instruments that are not measured at fair value through (i) profit or loss (“**FVTPL**”):

- Cash and balances with Central Bank,
- Bonds and debt instruments,
- Loans and advances to financial institutions
- Loans and advances to customers
- Other assets
- Off-balance sheet exposures:
 - Financial guarantees and underwriting commitments
 - Undrawn loan commitments and
 - Undrawn overdraft/credit card facilities.

When measuring ECL, the Issuer uses a forward-focused model in compliance with IFRS 9. This requires considerable judgement over how changes in economic factors affect ECL. ECL reflects the present value of cash shortfalls due to possible default events either over the following twelve months or over the expected lifetime of a financial instrument, depending on credit deterioration from origination.

The Credit Risk Department is responsible for assessing impairment on loans and receivables and a Valuation Team, comprised of the CEO, the managing directors of Finance, Risk Management, Corporate Banking and Personal Banking, reviews and approves the assessment.

In general, all impairment charges are loan-specific based on the aforementioned ECL models. If needed, the Valuation Team can assess and issue additional general impairment charges.

Total expected credit loss (“**ECL**”) was ISK 10.6 billion, at year-end 2022, compared to ISK 14.4 billion at year-end 2021. The decrease in ECL is primarily due to the release of an ISK 2.2 billion general allowance for customers in the travel industry and other corporates with COVID-19 related moratoria. In 2022, the rest of these moratoria expired and corporate customers that had received them resumed normal payments of their loans, without any significant increase in defaults in the portfolio. Another significant reason for the decrease in ECL is that default rates in 2022 were historically low. The decrease in ECL is also partly due to a decrease in PD values for corporate customers, because of increased credit quality in the portfolio, and a more favourable outlook regarding recoveries from certain defaulted individually assessed significant customers. Details on the development of ECL during the year can be found in note 60 in the Issuer’s annual financial statement for 2022 and in note 44 in 2023 Q1 Interim Financial Statements, which is incorporated by reference into this Base Prospectus.

Liquidity Risk

Liquidity risk is identified as one of the Issuer's key risk factors. Accordingly, great emphasis is put on liquidity risk management within the Issuer, which is both reflected in the risk appetite of the Issuer as well as in internal liquidity management policies and rules.

A liquidity policy for the Issuer is in place and is formulated by the Risk and Finance Committee. The objective of the liquidity management policy is to ensure that sufficient liquid assets and funding capacity are available to meet financial obligations and sustain withdrawals of confidence sensitive deposits in a timely manner and at a reasonable cost, even in times of stress.

The policy aims to ensure that the Issuer does that by maintaining an adequate level of unencumbered, high-quality liquid assets that can be converted into cash, even in times of stress. The Issuer has also implemented stringent stress tests that have a realistic basis in the Issuer's operating environment to further measure the Issuer's ability to withstand different and adverse scenarios of stressed operating environments.

The Issuer's liquidity risk is managed centrally by Treasury and is monitored by the Market Risk department. This allows management to monitor and manage liquidity risk throughout the Issuer. The Risk & Finance Committee monitors the Issuer's liquidity risk, while the Internal Audit assesses whether the liquidity management process is designed properly and operating effectively.

The Issuer monitors intraday liquidity risk, short-term 30-day liquidity risk, liquidity risk for one year horizon and risk arising from mismatches of longer-term assets and liabilities.

The Issuer's liquidity management process includes:

- projecting expected cash flows in a maturity profile rather than relying merely on contractual maturities and monitoring balance sheet liquidity;
- monitoring and managing the maturity profile of liabilities and off-balance sheet commitments;
- monitoring the concentration of liquidity risk in order to avoid undue reliance on large financing counterparties projecting cash flows arising from future business; and
- maintaining liquidity and contingency plans which outline measures to take in the event of difficulties arising from a liquidity crisis.

The liquidity management policy is built on international standards on liquidity risk measurements developed by the Basel Committee on Banking Supervision e.g. the liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR") and it also applies measurements that best suit the operating environment of the Issuer.

Various stress tests have been constructed to try to efficiently model how different scenarios affect the Issuer's liquidity position and liquidity risk. The stress tests are based on the Issuer's balance sheet mixture as well as taking the Issuer's current operating environment into account. The Issuer's own subjective views, historical trends and expert opinion are key factors in constructing the stress tests. The Issuer also performs other internal stress tests that may vary from time to time.

The Issuer complies with the liquidity Rules set by the Central Bank No. 1520/2022 that took effect on 1 January 2023 and superseded the previous Rules, No. 266/2017. The liquidity rules are based on the liquidity requirements set forth in the CRD IV/CRR framework, which was fully implemented in Iceland in 2017 (Regulation No. 233/2017). Furthermore, the Issuer must maintain a LCR for euro at a minimum of 80 per cent, if euro-denominated liabilities constitute 10 per cent. or more of total liabilities and maintain a LCR for Icelandic krona at a minimum 50 per cent. Rules No. 750/2021 requires the Issuer to maintain a NSFR total for a minimum of 100 per cent. NSFR total. The Issuer also complies with guidelines No. 2/2010 from the Icelandic FSA on best practice for managing liquidity in banking organisation. The guidelines further promote sound management and supervision of liquidity within the Issuer which is reflected in the Issuer's risk appetite and internal processes and policies. The Issuer submits regular reports on its liquidity position to the Central Bank and the Icelandic FSA.

The table below sets out the Issuer's LCR as at 31 December 2022 and 31 December 2021 respectively:

	LCR – Total	LCR – FX	LCR - ISK	NSFR - Total
As at 31 December 2022	134%	351%	99%	117%
As at 31 December 2021	179%	556%	120%	121%

Market Risk

Market risk is the risk that changes in market prices will adversely impact the fair value or future cash flows of financial instruments. Market risk arises from open positions in currency, equities and interest rate products, all of which are exposed to general and specific market movements and changing volatility levels in market rates and prices, for instance in interest rates, inflation, foreign exchange rates and equity prices. The majority of the Issuer's exposures that entail market risk consist of equities, equity derivatives bonds, fixed income products and open currency positions.

The Board of Directors is responsible for determining the Issuer's overall risk appetite, including market risk. The CEO of the Issuer appoints the Risk & Finance Committee, which is responsible for developing detailed market risk management policies and setting market risk limits. Treasury and the Market Making department within Markets are responsible for managing market-related positions under the supervision of the Market Risk unit within Risk Management. The objective of market risk management is to identify, locate and monitor market risk exposures and analyse and report to appropriate parties. Together, the risk appetite of the Issuer and the market risk policies set the overall limits that govern market risk management within the Issuer.

Market risk monitoring and reporting is governed by the Risk & Finance Committee and implemented by the Market Risk department.

The aim of the market risk management process is to quickly detect and correct deficiencies in compliance with policies, processes and procedures. The Issuer monitors early indicators that can provide warning of an increased risk of future losses. Market risk indicators need to be concise, reported in a timely manner, give clear signals, highlight portfolio risk concentrations and reflect current risk positions. The risk reports show the Issuer's total risk in addition to summarising risk concentration in different business units and asset classes, as well as across other attributes such as currencies, interest rates and counterparties. Market risks arising from trading and non-trading activities are measured, monitored and reported on a daily, weekly and monthly basis, and the detailed limits set by the Risk & Finance Committee are monitored by Market Risk.

Interest rate risk

Interest rate risk is managed principally by monitoring interest rate gaps. Interest rate risk is managed centrally within the Issuer by the Treasury of the Issuer and is monitored by the Market Risk Department.

Sensitivity analysis for trading portfolios

The management of market risk in the trading book is supplemented by monitoring sensitivity of the trading portfolios to various scenarios in equity prices and interest rates.

Sensitivity analysis for non-trading portfolios

The management of interest rate risk is supplemented by monitoring the sensitivity of financial assets and liabilities to various interest rate scenarios. The Issuer employs a monthly stress test of the interest rate risk in the Issuer's banking book by measuring the impact on profit of shifting the interest rate curves for every currency. The magnitudes of the shifts are based on guidelines from the European Banking Authority and the FSA, taking historical interest rate volatility into account.

CPI indexation risk (all portfolios)

To mitigate the Issuer’s imbalance in its CPI-indexed assets and liabilities, the Issuer offers non-CPI-indexed loans and CPI-indexed deposits. CPI indexation risk is managed centrally by the Treasury of the Issuer and is monitored by the Market Risk Department.

Management of the Issuer’s CPI indexation risk is supplemented by monitoring the sensitivity of the Issuer’s overall position in CPI-indexed financial assets and liabilities net on-balance sheet to various inflation/deflation scenarios.

Currency risk (all portfolios)

The Issuer complies with the Rules No. 784/2018 on Foreign Exchange Balances, as set by the Central Bank. The rules stipulate that an institution’s foreign exchange balance (whether long or short) must always be within 10 per cent. of the Issuer’s capital base, in each currency and for all currencies combined. Furthermore, the Issuer’s total foreign exchange balance (whether long or short) shall not exceed ISK 25 billion. The Issuer submits daily and monthly reports to the Central Bank with information on its foreign exchange balance.

Operational risk management

Whereas the executive managing director of each division is responsible for that division’s operational risk, the daily management of operational risk is in the hands of general managers of each department. The Issuer establishes, maintains and co-ordinates its operational risk management framework at a group level. This framework complies with the Basel Committee’s 2011 publication “Principles for the Sound Management of Operational Risk”. The Issuer ensures that operational risk management stays consistent throughout the Issuer by upholding a system of prevention and control that entails detailed procedures, permanent supervision and insurance policies, together with active monitoring by the Internal Audit Department. By managing operational risk in this manner, the Issuer intends to ensure that all the Issuer’s business units are kept aware of any operational risks, that a robust monitoring system remains in place and that controls are implemented efficiently and effectively.

Capital Adequacy

The purpose of the Issuer’s capital management framework is to support the Issuer’s strategy and ensure that it has sufficient capital to cover its risks. The capital management framework of the Issuer is comprised of four interdependent activities: capital assessment, risk appetite/capital target, capital planning, and reporting/monitoring. The Issuer’s capital requirements are defined in Icelandic law and regulations, on the one hand, and by the FSA, on the other. The requirements are based on the European legal framework for capital requirements (CRD IV and CRR) implementing the Basel III capital framework. The regulatory minimum capital requirement under Pillar I of the Basel framework is 8 per cent of RWEA for credit risk, market risk and operational risk. In conformity with Pillar II-R requirements of the Basel framework, the Issuer annually assesses its own capital needs through the internal capital adequacy assessment process (“ICAAP”). The ICAAP results are subsequently reviewed by the FSA in the Supervisory Review and Evaluation Process (“SREP”). The Issuer’s minimum capital requirement, as determined by the FSA, is the sum of Pillar I and Pillar II-R requirements.

In addition to the minimum capital requirement, the Issuer is required by law to maintain certain capital buffers determined by the FSA, which may, depending on the situation, be based on recommendations from the FSC⁶¹. The FSC has defined the Issuer as a systematically important financial institution in Iceland.

The Issuer’s most recent capital requirements, as determined by the FSA, are as follows (as a percentage of RWEA):

	CET1	Tier 1	Total
Pillar I	4.5%	6.0%	8.0%
Pillar II R	1.9%	2.6%	3.4%
Minimum requirement under Pillar I and Pillar II-R	6.4%	8.6%	11.4%

⁶¹ The Icelandic Financial Stability Council

Systemic risk buffer	2.9%	2.9%	2.9%
Capital buffer for systematically important institutions	2.0%	2.0%	2.0%
Countercyclical capital buffer ⁶²	1.9%	1.9%	1.9%
Capital conservation buffer	2.5%	2.5%	2.5%
Combined buffer requirement	9.3%	9.3%	9.3%
Total Capital Requirement	15.7%	17.9%	20.7%

- The combined buffer requirement (“**CBR**”) shall be met in full with Common Equity Tier 1 (“**CET1**”) capital
- Tier 1 capital is the sum of CET1 capital and Additional Tier 1 capital
- Total capital is the sum of Tier 1 capital and Tier 2 capital

The Issuer’s capital target is based on the current regulatory capital requirement of 15.7 per cent CET1 and 20.7 per cent total capital ratio. In addition, the Issuer defines a management buffer for the purpose of targeting and managing its capital position comfortably above the overall regulatory capital requirement. Determination of the management buffer is based on various current and forward-looking factors such as the economic and funding outlook, competitive issues, risk profile and business plan. The Issuer also aims to be in the highest category for risk-adjusted capital ratio, as determined and measured by the relevant credit rating agencies.

As at 31 December 2022, the Issuer’s total capital ratio was 24.7 per cent., compared to 26.6 per cent. as at 31 December 2021. As at 31 December 2022, the Group’s total CET 1 ratio was 22.9 per cent., compared to 24.8 per cent. as at 31 December 2021. Further information can be found in note 48 in the 2022 Financial Statements and in note 35 in 2023 Q1 Interim Financial Statements, which are incorporated by reference into this Base Prospectus.

LITIGATION

The Issuer and its subsidiaries are from time to time party to litigation cases which arise in the ordinary course of business and the operational procedures of the Issuer or the Group, as the case may be. Some of these cases are material in the sense that management considers that they may have a significant impact on the amounts disclosed in the Group’s financial statements and are not comparable to other, previously closed, cases.

In August 2021, a former owner of a payment card company brought a case against the Issuer 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 is the sixth case that has been brought before the courts for this purpose, but all previous cases have been dismissed. On 30 September 2022 the District Court of Reykjavík dismissed the case on grounds of insufficient substantiation. On 10 January 2023 the Appeal Court partly annulled the dismissal and ordered the District Court to hear the case in substance. The timing of a final judgment is uncertain, as is whether it will have a financial impact on the Issuer. Should the plaintiff’s claims be acknowledged in a final court ruling, it is expected that a potential payment obligation will be divided between the defendants.

In September 2018, the Icelandic Bankers’ Pension Fund (the “**Fund**”) commenced litigation against the Issuer, the Icelandic Central Bank, the Icelandic State and certain companies and associations. The Fund demands that an

⁶² As of 29 September 2022 the decision of the Financial Stability Committee to raise the countercyclical capital buffer from 0 per cent. to 2 per cent. came into effect. The FSC has decided to raise the buffer further to 2.5%, taking effect in March 2024.

agreement on the settlement of obligations of the then participating companies from 1997 be amended such that, firstly, the defendants shall pay a total of around ISK 5,600 million to the Fund, out of which the Issuer shall pay around ISK 4,100 million, and, secondly, that the defendants shall guarantee the obligations of the Fund's Rate Department (Hlutfallsdeild) which are higher than its assets at any time. On 12 November 2021, the District Court of Reykjavík acquitted the Issuer and the other defendants of all claims of the Fund. On 24 March 2023, the Appeal Court confirmed the judgment of the District Court. On 21 April 2023, the Fund requested the permission of the Supreme Court to appeal the judgment of the Appeal Court.

In December 2021, two individuals commenced litigation against the Issuer claiming that an interest rate provision in two credit agreements, issued in 2006, should be deemed illegal and void since the provision allegedly does not stipulate under which circumstances the interest rate changes, as provided for in the Consumer Credit Act No. 121/1994, applicable at the time. The disputed interest rate provision was used in the Issuer's consumer credit agreements until 2013. The plaintiffs demand primarily that interests be recalculated in accordance with Article 4 of the Act on Interest and Indexation, and that the Issuer repays the plaintiffs around ISK 3,5 million plus interest. On 7 February 2023 the District Court accepted the plaintiffs' claims of last resort of repayment based on the initial contractual interest rate and taking into account limitation periods for claims, in the amount of around ISK 230,000 plus interest. The Issuer has requested that the judgment be appealed to the Appeal Court. It is the Issuer's assessment that should the judgment of the District Court be confirmed in a final judgment the maximum potential loss resulting from such an outcome will be ISK 159 million as regards the Issuer's loan portfolio with the same interest rate provision. The Issuer has recognised a provision of that amount.

In December 2022, an individual commenced litigation against the Issuer in a case which is similar to the above mentioned case. On 23 February 2023 the Issuer delivered its written statement claiming that all claims by the plaintiff should be rejected.

In December 2021 two individuals commenced litigation against the Issuer claiming that an interest rate provision in a mortgage credit agreement, issued in 2019, should be deemed illegal and void since the provision allegedly does not stipulate conditions and procedure for interest rate changes, as provided for in the Consumer Mortgage Act No. 118/2016. The disputed interest rate provision in this case has been used in the Issuer's consumer and mortgage credit agreements from 2013. The plaintiffs demand that interests be recalculated in accordance with Article 4 of the Act on Interest and Indexation, and that the Issuer repays the plaintiffs around ISK 83,000 plus interest. In February 2022 the Issuer submitted its written statement claiming that all claims by the plaintiffs should be rejected. On 23 March 2023, a hearing was held before the EFTA Court on a request by the District Court of Reykjavík for an advisory opinion as to whether the interest rate provision is contrary to the Mortgage Credit Directive 2014/17/EU and the Consumer Credit Directive 2008/48/EC. It is expected that the opinion will be delivered before the end of the first half of 2023. The case will then be brought again before the District Court. It is the Issuer's preliminary assessment of the potential impact of an adverse ruling on the Issuer's loan portfolio with the same interest rate provision that the Issuer's financial loss, taking different scenarios into account, could amount to around ISK 8 billion. The preliminary assessment does not include an assessment of the impact on the Issuer's interest rate risk should an adverse final court ruling be that the initial contractual interest rates should be applied throughout the duration of the respective loans. Such a ruling, which the Issuer regards as unlikely, would significantly increase the Issuer's interest rate risk and could have a considerable negative financial impact on the Issuer in times of increased market interest rates.

In January 2017, the Issuer commenced proceedings before the District Court of Reykjavík against BPS ehf., Eignarhaldsfélagið Borgun slf., Borgun hf., now SaltPay IIB hf. (the "Company"), and the then CEO of the Company. The Issuer considers the defendants to have been in possession of information about the shareholding of the Company in Visa Europe Ltd. at the time when the Issuer sold its 31.2 per cent. shareholding in that they failed to disclose to the Issuer. The Issuer demands acknowledgement of the defendants' liability for losses incurred by the Issuer on these grounds. In its judgment of 27 April 2023, the District Court acquitted the defendants of the claims made by the Issuer.

COMPETITION

The Issuer is exposed to increasing competition. There is substantial competition for the types of banking and other products and services the Issuer provides. Such competition is affected by various factors such as, consumer demand, technological changes, new entrants, regulatory actions and impact of consolidation. The Icelandic competitive landscape is comprised of four commercial banks, five savings banks, and four credit undertakings. The financials market also includes eight investment firms, nine authorised alternative investment funds and **six** management companies of undertakings for collective investment in transferable securities (“UCITS”)⁶³. In addition, the HCA, whose role in the market as a lender has been reduced and is now responsible for implementation of government housing policies and acting as an intermediary for social housing funding, all of which the Issuer competes with (see “Financial Markets in Iceland - Market participants”). Moreover, as additional channels arise for new lending and other banking products, particularly in the online environment, the Issuer faces increasing competition from these market participants.

The Issuer is subject to considerable regulatory scrutiny that can hinder competitiveness, in particular vis-à-vis Fintech firms, which are not subject to the same regulatory burden. On 1 May 2022 Iceland implemented the PSD2 in full, which enables banks’ customers, both consumers and businesses, to use third party providers to manage their finances. Banks, however, are obligated to provide these third-party providers access to their customers’ accounts through open application program interface (“API”), which enables third parties to build financial service on top of banks’ data and infrastructure. It is likely that this will introduce increased competition. An emerging source of competition for the Issuer comes from smaller specialised institutions, such as Fintech companies and shadow banking, where online solutions may have greater impact on the market.

The Issuer’s main competitors are the other large commercial banks in Iceland: Íslandsbanki, Arion Bank, (each one is classified as a systematically important financial institution), and Kvika Bank, which merged in 2021 into one entity with TM, one of the largest insurance companies in Iceland, and Lykill fjármögnun hf., an asset leasing entity. Merger activities among financial institutions could produce larger, better capitalised companies that are able to offer a wider array of products and services at more competitive prices. Competition and mergers between smaller financial institutions may intensify even further in the coming years. In the beginning of 2023 a new savings bank, Indó, began its operations. Indó only accepts deposits from its customers. In February 2023 Íslandsbanki and Kvika Bank announced that they would begin discussions on the possible merger of the two banks. The insurance company VÍS and the credit undertaking company Fossar also announced in February 2023 that they would begin negotiations on the purchase by VÍS of all shares in Fossar. These mergers could increase the Issuer’s competition. In addition, the Icelandic pension funds and the HCA are also the Issuer’s competitors. The Icelandic pension funds have become more active competitors in recent years after they started increasing their mortgage lending to the public. The pension funds also provide competition for deposits, as a proportion of an individual’s savings (proportion of persons’ salary and contribution from employers) are held in pension funds rather than in bank deposits, since it is required to do so by law.⁶⁴ These same pensions funds are purchasers of the Issuer’s covered bonds and therefore represent a significant source of the Issuer’s funding in Icelandic Krona. Furthermore, the investment banking and wealth and asset management markets are in an increased competitive environment, with many active market participants. If merger activity among smaller financial institutions manages to produce larger, better capitalised companies that are able to offer a wider array of products and services at more competitive prices, competition may intensify even further in the coming years.

Foreign banks have in the past created competition in the Icelandic corporate market with loan offerings to larger companies. While these external foreign banks and companies have not acted aggressively in the Icelandic market in recent years, they still offer competitive margins on senior secured loans to the largest seafood companies. The Bank could face increased competition from foreign banks and foreign financial, banking and payment services providers (including fintech companies and related initiatives) who wish to operate to some extent in Iceland.

⁶³ Source: Central Bank of Iceland - Financial Supervision: <https://en.fme.is/supervision/supervised-entities/>

⁶⁴ Private pension savings

Foreign banks and companies could have a competitive advantage in the market because they may not be subject to the stringent regulatory requirements which the Issuer is subject to as a systemically important financial institution in Iceland and could have lower funding costs. The aforementioned foreign entities may have more resources available to them to provide wider-ranging services and at higher efficiency given the relatively small size of the Issuer.

The Issuer will continue to offer a full range of specialised financial services to individuals, corporate entities and institutions, as well as work on further product developments to meet consumer demands and face increased competition from domestic competitors, as well as foreign banks potentially seeking to establish operations in Iceland.

The AGM of the Issuer held on 14 April 2016 entrusted the Board of Directors to add to its protocol's provisions on the competitive independence of the Issuer towards other state- owned commercial banks.

ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES

As at the date of this Base Prospectus, the Senior Management and Directors of the Issuer, their functions and their principal outside activities (if any) are as follows:

Name	Function	Principal Outside Activities
Senior Management		
Ms. Lilja Björk Einarsdóttir	CEO	Board member of Icelandic Financial Services Association, Háskólasjóður Eimskipafélags Íslands and Viðskiptaráð (e. The Iceland Chamber of Commerce).
Mr. Arinbjörn Ólafsson	Managing Director of Information Technology (“IT”)	Board member of NFCERT and, 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, CRO	N/A
Mr. Helgi Teitur Helgason	Managing Director of Personal Banking	N/A
Ms. Eyrún Anna Einarsdóttir	Managing Director of Asset Management and Capital Markets	Board member of IcelandSif
Mr. Hreiðar Bjarnason	Managing Director of Finance (“CFO”) and deputy CEO	N/A
Ms. Sara Pálsdóttir	Managing Director of Community	N/A
Board of Directors		
Ms. Helga Björk Eiríksdóttir	Chairman	General Manager and Board member of Hlémeigin ehf.
Ms. Berglind Svavarsdóttir	Board Member	General Manager and Board Member of Förli ehf. Attorney and partner at Reykjavík Law Firm. Owner and board member of Lögfræðiþjónusta BS slf.
Ms. Elín H. Jónsdóttir	Board Member	Director of the Faculty of Law at Bifröst University (<i>Ice. Háskólinn á Bifröst</i>).
Mr. Guðbrandur Sigurðsson	Board Member	CEO of Brynja leigufélag.

Name	Function	Principal Outside Activities
		Director of the board of Talnakönnun hf.
Ms. Guðrún Ó. Blöndal	Board Member	CEO of Nasdaq CSD from 2013-2018. Board Member of Eimskipafélag Íslands hf and member of Remuneration Committee.
Mr. Helgi Friðjón Arnarson	Board Member	Board member of Maurholt ehf. Member of the Audit Committee of Nova Klúbburinn hf.
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	Board member of Íslandshótel hf., Fosshótel hf. and Hagar hf. Chairman of Nova Klúbburinn hf.
Mr. Sigurður Jón Björnsson	Alternate	CFO at the Housing Financing Fund “HCA” from 2011-2017.

The business address of each of the Senior Management and Directors above is Reykjastræti 6, 101 Reykjavík, Iceland.

There are no potential conflicts of interests between any duties of the Senior Management and Directors above and their private interests and/or other duties, other than a potential conflict arising out of one of the following:

- board member, Ms. Guðrún Ó Blöndal is a board member of listed company Eimskipafélag Íslands hf. She will have to recede from the board of directors meeting if any issues relating to the aforementioned company is on the agenda.
- alternates to the Board of Directors, Mr. Sigurður Jón Björnsson, being the brother of one of the heads of a business unit in Corporate Banking, Mr. Davíð Björnsson.

Undirritunarsíða

F.h. Landsbankans hf.
Hreiðar Bjarnason

F.h. Landsbankans hf.
Lilja Björk Einarsdóttir